



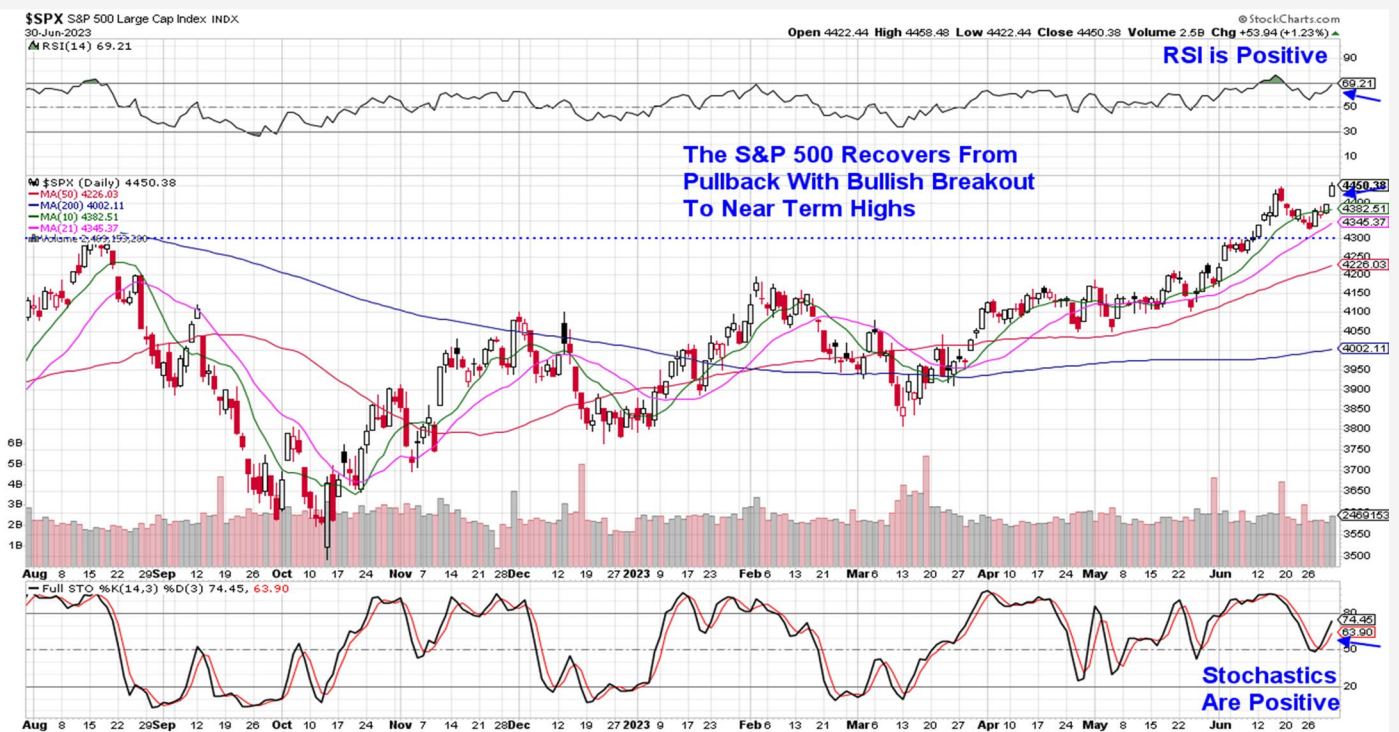
THE MEM EDGE

July 2, 2023 | Weekly Report

This Week's Highlights

- May Durable Goods Orders Increase
- May New Home Sales Surge For 3rd Month In A Row
- Consumer Confidence Jumps To 14-Month High Amid Receding Inflation
- Powell Rate Comments Remain Hawkish Throughout The Week
- Q1 GDP Better Than Expected At 2%
- Core PCE Softens To 4.6% vs Expected 4.7%
- Manufacturing PMI Data Monday, FOMC Meeting Notes Wednesday, June Employment Report Friday

Daily Chart of S&P 500



The S&P 500 gained 2.4% for the week in a move that has this Index closing above its 10-day moving average with its RSI and Stochastics in positive territory. The near term uptrend in this Index remains in place.

The longer term, Monthly chart of the S&P 500 looks particularly bullish as the RSI moved further into positive territory while the MACD experienced a positive crossover. (black line up through the red)

A bullish MACD crossover on the Monthly chart of this Index has preceded a lengthy uptrend out of the 2000-03, 2008-09 and the 2020 bear markets.

The Nasdaq gained 2.2% for the week after recovering from a pullback the prior week to its 21-day moving average. This Index also closed above its 10-day moving average on the daily chart with a positive RSI and MACD which keeps its near term uptrend in place.

The longer term, Monthly chart of the Nasdaq is in a similarly bullish position with a MACD crossover taking place last week. Both major Indexes have traded higher in above average volume in the past two months which is another bullish signal that took place in the initial

months out of bear market status in the years mentioned above.

Last week's gains were the strongest among recently lagging areas of the market, with REIT and Energy stocks gaining 5%, while Cyclical areas such as Materials and Industrials far outpaced the markets as well. Small Cap stocks also shone with the Russell 2000 posting a 3.7% rally.

This broadening out of participation in the markets took place amid favorable economic data with Durable Goods orders rising for the month of May while new home sales came in well above estimates. Private sector wage growth as well as a drop in weekly jobless claims, were also reported.

The biggest boost for the markets however, was Friday's Personal Consumption Expenditures (**PCE**) data which is the Federal Reserve's preferred inflation

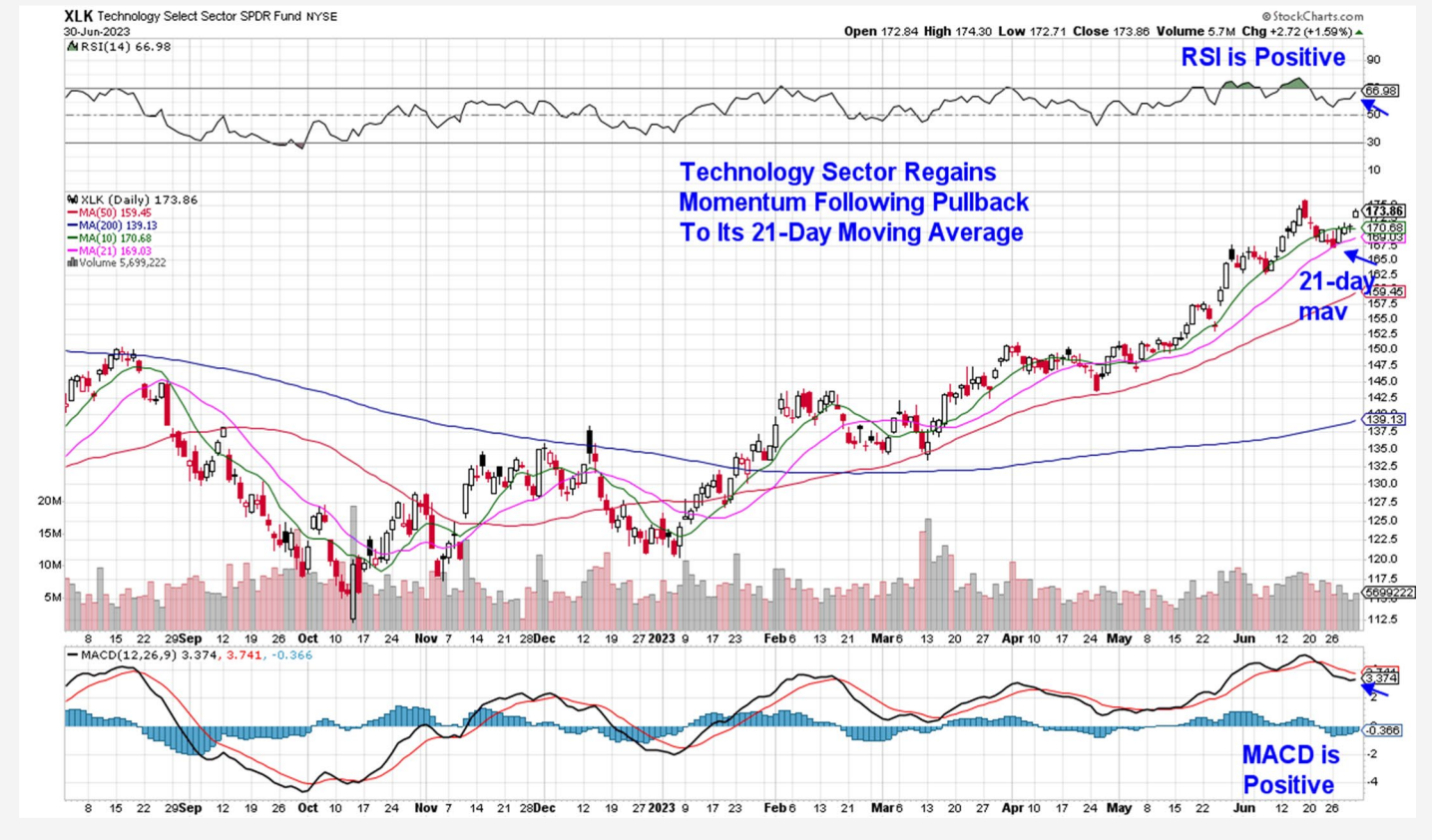
gauge. The core number - which excludes volatile food and energy - fell slightly to a 4.6% level which was below estimates.

Throughout the week, the markets exhibited resilience in the face of comments from Fed Chair Powell who stated more than once that he is not ruling out further interest rate hikes in an effort to get inflation down to the targeted 2% rate. As you may recall, fear of higher interest rates pushed Growth stocks lower the prior week, with Technology getting hit the hardest. (Overbought conditions at that time were also a factor.)

At this time, the near and longer term prospects for the markets are positive however as we've seen throughout this year, investor sentiment can shift quickly. Next week, Friday's May employment data may be the most impactful as high wages have been a pain point for Fed Chair Powell as it leads to increased spending and hence, higher inflation.



Technology Select Sector SPDR Fund (XLK)



Technology Sector Regains Upside Momentum

The Tech sector outperformed last week led by a rally in Semiconductor stocks which regained their uptrend with a close above its 10-day moving average. (using SOXX). The volume was well below average however with Smaller Cap Semi's faring the best.

Axcelis Technologies (**AXLS**) from our List is a prime example with the \$5.5 billion market cap stock gaining almost 9% for the week. Unlike its peers, it was on above average volume which indicates that the stock is under accumulation.

ACLS specializes in providing specific chip manufacturing equipment that uses an ion implantation process that's critical to the electric vehicle market and they're a dominant player. The stock broke out of a 3-week base and to new highs with positive momentum. ACLS can be bought in the \$176 range at its 5-day moving average.

Broadcom (**AVGO**) also outperformed with a 5.5% gain that pushed the stock into an uptrend after closing back above its shorter term moving averages. As you may recall, AVGO is considered to be one of the top Semi stocks poised to benefit from the adoption of AI. The stock is in a buy zone and can be bought on a pullback to the \$849 range at its 10-dmav.

Nvidia (**NVDA**) was flat for the week as news of a possible export ban of AI chips held the stock back. NVDA's pullback with the group the prior week as well as underperformance this past week has given the momentum indicators a chance to move out of an overbought condition.

This pullback of the MACD and RSI coupled with the stock's close above its 10-day moving average, puts NVDA into a strong buy zone.

Lam Research (**LRCX**) ended the week flat after a Tuesday base breakout. The company specializes in advanced chip packaging equipment that used for complex systems used for AI and other data intensive applications such as EVs. The stock is in a buy zone as it finds support at its upward trending 5-day moving average.

We're adding Semiconductor stock Rambux (**RMBS**) to our Suggested Holdings List after last week's downtrend reversal pushed the stock above its 10 and 21-day moving averages. The company provides memory chips that move and protect data in data center, automotive and government applications.

RMBS is in a buy zone and can be bought on a pullback to its 21-day moving average at the \$62 level. A positive

MACD crossover on its daily chart would put RMBS into a strong buy zone.

Software stocks performed a bit better than the broader markets led by a rally in many smaller companies that are attempting to reverse lengthy downtrends.

Mega Cap Software stock Microsoft (**MSFT**) recovered from a pullback after hitting a new high in mid June and last week, the stock regained its uptrend with a close above its 10-day moving average on above average volume. The company is awaiting a decision regarding their proposed purchase of Activision which if approved by the FTC, would be the largest tech deal in history.

The hearings wrapped up last week and any decision in the coming weeks may impact the stock. Other drivers for MSFT have been their partnership with OpenAI

which when added to their Microsoft Office products, will increase revenues. MSFT is in a buy zone.

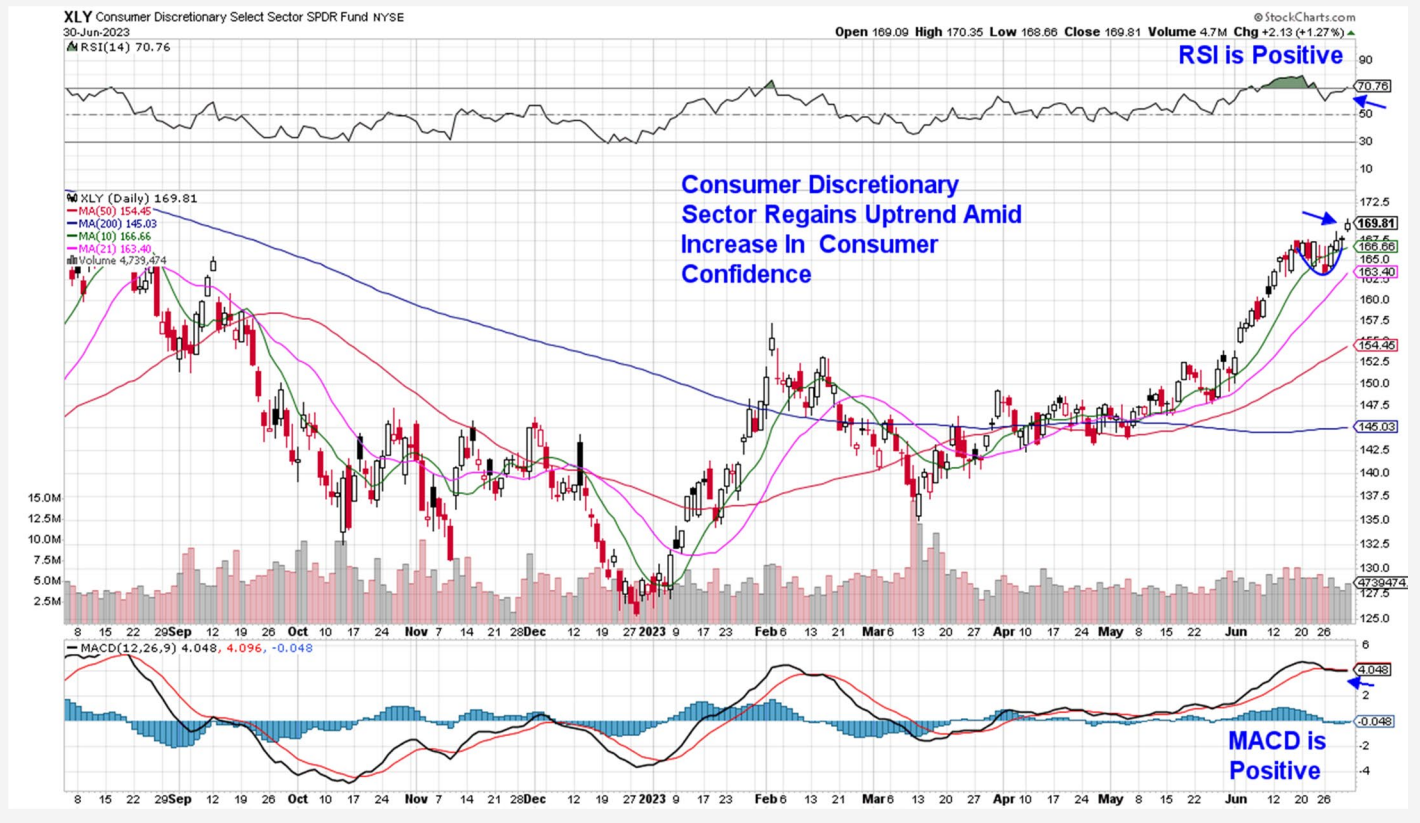
Uber Technologies (**UBER**) was flat for the week after a pullback on news that the California Supreme Court will challenge an initiative that allows gig workers to be independent contractors. The stock closed the week back above its 10-day moving average with its RSI and MACD in positive territory - putting UBER in a buy zone.

Apple (**AAPL**) breached the \$3 trillion mark for the first time since January 2023 after a 2.3% gain for the week. The stock has been in a confirmed uptrend amid analyst upgrades due to confidence that the company will succeed with iPhone sales to new markets.

AAPL is extended above its 5-day moving average following Friday's gap up in price on heavy volume. The stock can be bought on any pullback to the \$189 range at its 5-dmav.



Consumer Discretionary Select Sector SPDR fund (XLY)



Consumer Discretionary Sector Hits Near Term Highs

Consumer Discretionary stocks rallied amid an increase in consumer confidence as inflation levels are beginning to decline. News of a surge in new home sales also boosted the group as home builder stocks gained.

Among housing stocks on our Suggested Holdings List, recently added Meritage Homes (**MTH**) rallied 4% amid analyst upgrades. The company focuses on first time homebuyers who are not locked into their current homes because of an existing low mortgage rate. MTH is in a confirmed uptrend and can be bought in the \$139 range at its 5-day moving average.

K B Homes (**KBH**) ended the week down slightly despite a Wall Street price target upgrade to \$61. The stock may experience at least a pause given the overbought condition of the RSI with last week's negative crossover of the MACD (black line down through the red) pointing to the possibility of a pullback. At this time, the stock can be held.

Auto stocks got a boost from positive data as May Durable Goods orders showed an increase in new auto orders. Tesla (**TSLA**) underperformed however, due to several Wall Street downgrades that cited the stock's recently strong advance that pushed the valuation too high.

Tesla released their 2nd quarter delivery numbers today and sales surged due to the recent price reductions as well as tax credits. The news is expected to boost shares going into next week however, the real test for the company will be July 19th when the company releases their quarterly results and investors can see the impact of price cuts on their bottom line.

TSLA is in an uptrend after closing last week above its 5-day moving average and the stock is in a strong buy zone.

Select athletic footwear stocks such as Deckers (**DECK**) from our List outperformed with a 4.5% rally. This is in contrast to heavyweight name Nike (**NKE**) which pulled back after reporting earnings that were below estimates. DECK has seen sales of their Hoka sneakers grow to over \$1.4 billion as they continue to expand into overseas markets.

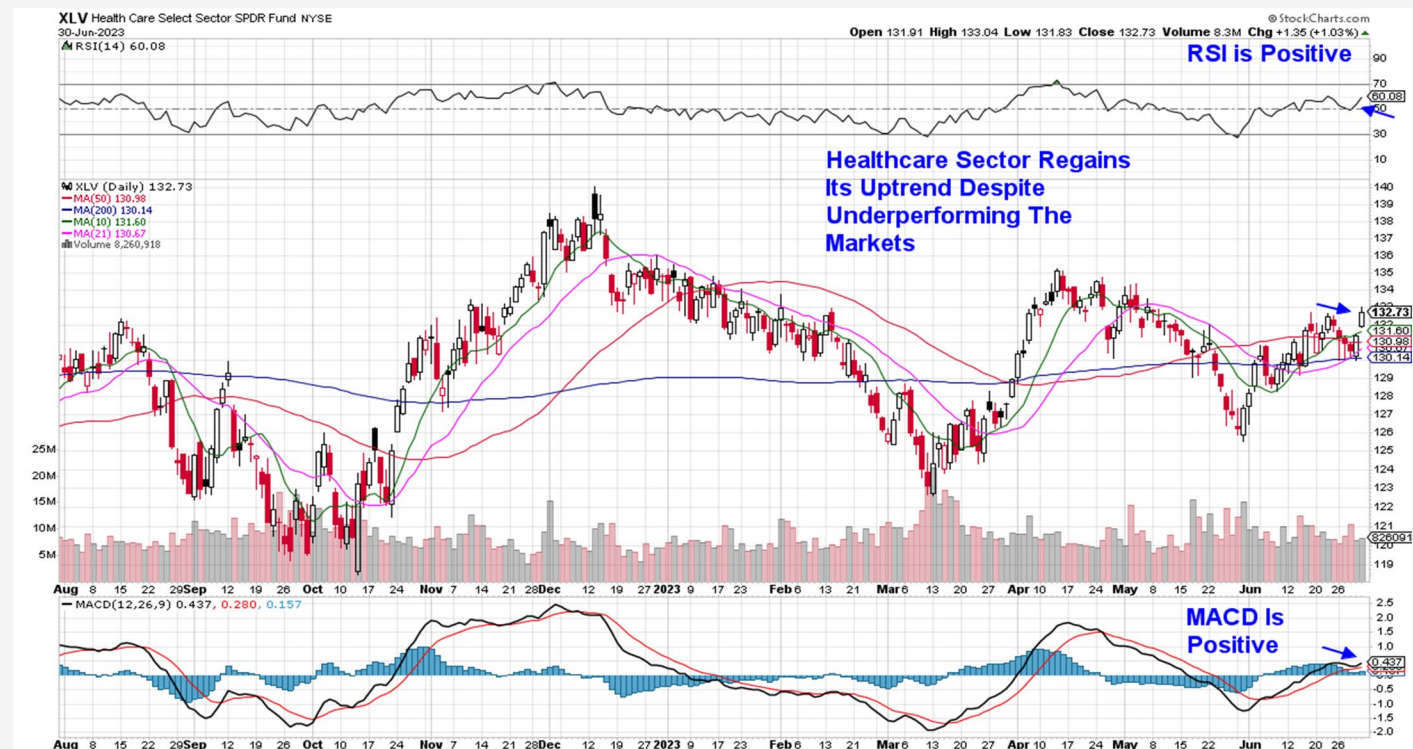
Last week's rally keeps DECK in a confirmed uptrend and the stock can be bought on any pullback to the \$517 range which is its 5-day moving average.

On Wednesday, we added Chipotle (**CMG**) to our Suggested Holdings List as the stock was advancing toward a base breakout at the \$2130 level. The 6 week base breakout took place on Friday as did a positive MACD positive which together, put the stock in a strong buy zone.

At this time, the Consumer Discretionary sector is in a position to trade higher given the confirmed uptrend in the group following an increase in auto and new home sales followed by an uptick in Consumer Confidence.

Today we're adding O'Reilly Automotive (**ORLY**) to our Suggested Holdings List as the stock moves closer to a base breakout at the \$965 level. The company has opened 58 new stores this quarter which is expected to expand already strong sales. ORLY can be bought in the \$940 range at its 5-day moving average.

Health Care Select Sector SPDR Fund (XLV)



Healthcare Sector Among Weakest Areas

Healthcare stocks underperformed last week led by a pullback in the Biotech and Pharmaceutical areas. The sector was able to regain its uptrend however after a Friday rally in the sector pushed it above its shorter term moving average.

The underperformance in Healthcare was in line with other defensive areas of the market as Utilities and Staples also gained only 0.5% for the week.

Unlike other defensive sectors however, Healthcare has a growth component to it with Medical Products stocks on the rise after news of increased elective surgeries were reported several weeks ago.

Intuitive Surgical (**ISRG**) from our List is a prime example with the stock gaining 4.5% last week amid analyst upgrades to their earnings for both this year and next. The company is a global leader in robotic surgery who has seen sales of their surgical instruments continue to climb.

ISRG is overbought after last week's rally however, the stock is in a confirmed uptrend with the position of its

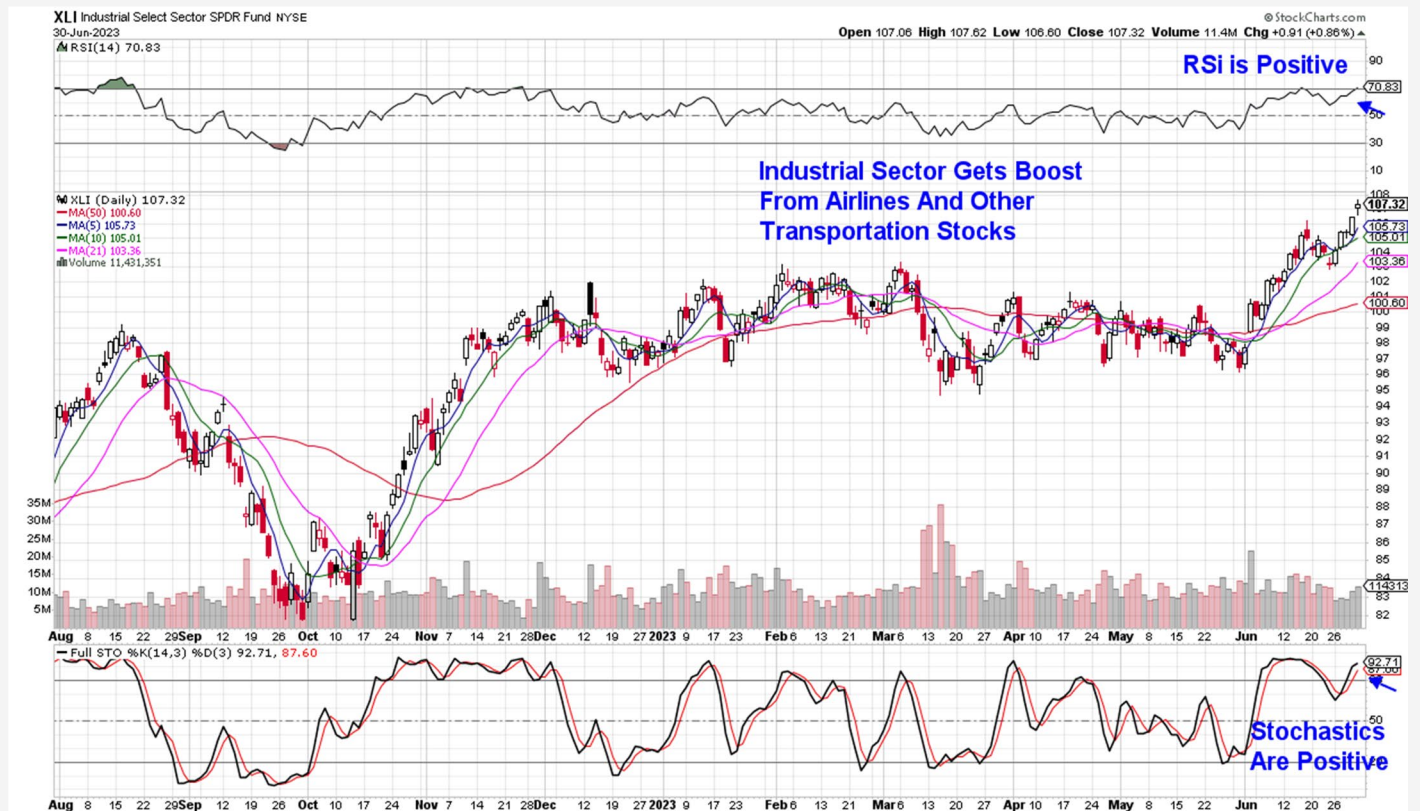
MACD signaling further upside. We'd be a buyer on a pullback to the \$334 range at its 5-day moving average.

Boston Scientific (**BSX**) was flat for the week however, a Friday rally on news of a Wall Street upgrade pushed the stock into a strong buy zone after it closed the week above its 10-day moving average. BSX offers devices to diagnose and treat GI and pulmonary conditions and the company is expected to benefit from reports of an increase in medical procedures.

Vertex Pharmaceutical (**VRTX**) outperformed other Biotech stocks amid upgrades from three major Wall Street firms last week. The attention follows news earlier in the month that the company's insulin producing cell therapy used to treat diabetes is showing positive clinical results.

VRTX is in a confirmed uptrend as it finds support above its upward trending 5-day moving average. This puts the stock in a buy zone. If the Biotech group turns positive (using IBB) and the stock remains in an uptrend, it would be upgraded to a strong buy.

Industrial Select Sector SPDR Fund (XLI)



Industrial Sector Hits A New High

Industrial stocks were among the top performers last week led by sharp gains in Airline stocks following Delta Airlines (DAL) strong guidance ahead of their earnings later this month. Other transportation stocks also outperformed amid the release of economic data that points to a stronger than expected economy.

We're adding Pentair (PNR) to our Suggested Holdings List after the stock entered an uptrend last week after Tuesday's 5-month base breakout at \$61. The company provides pump equipment used for residential and industrial applications. The stock can be bought on a pullback to the \$63 range at its 5-day moving average.

In June, the Industrial sector broke out of a flat base that extends back to December of last year, and the

sharp 11% gain for the month has left many stocks in this sector in overbought positions.

Industrials and other cyclical areas such as Basic Materials fare well in an environment where economic growth appears to be strong.

For those looking to participate in the recently strong momentum in this sector without chasing stocks, an ETF such as Vanguard's industrials (VIS) or Invesco's S&P 500 Equal Weight Industrials (RSPN) would be ideal.

We'll continue to add stocks from this sector to our Watch List with an eye toward adding them to the Suggested Holdings List on any pullback.

Summary

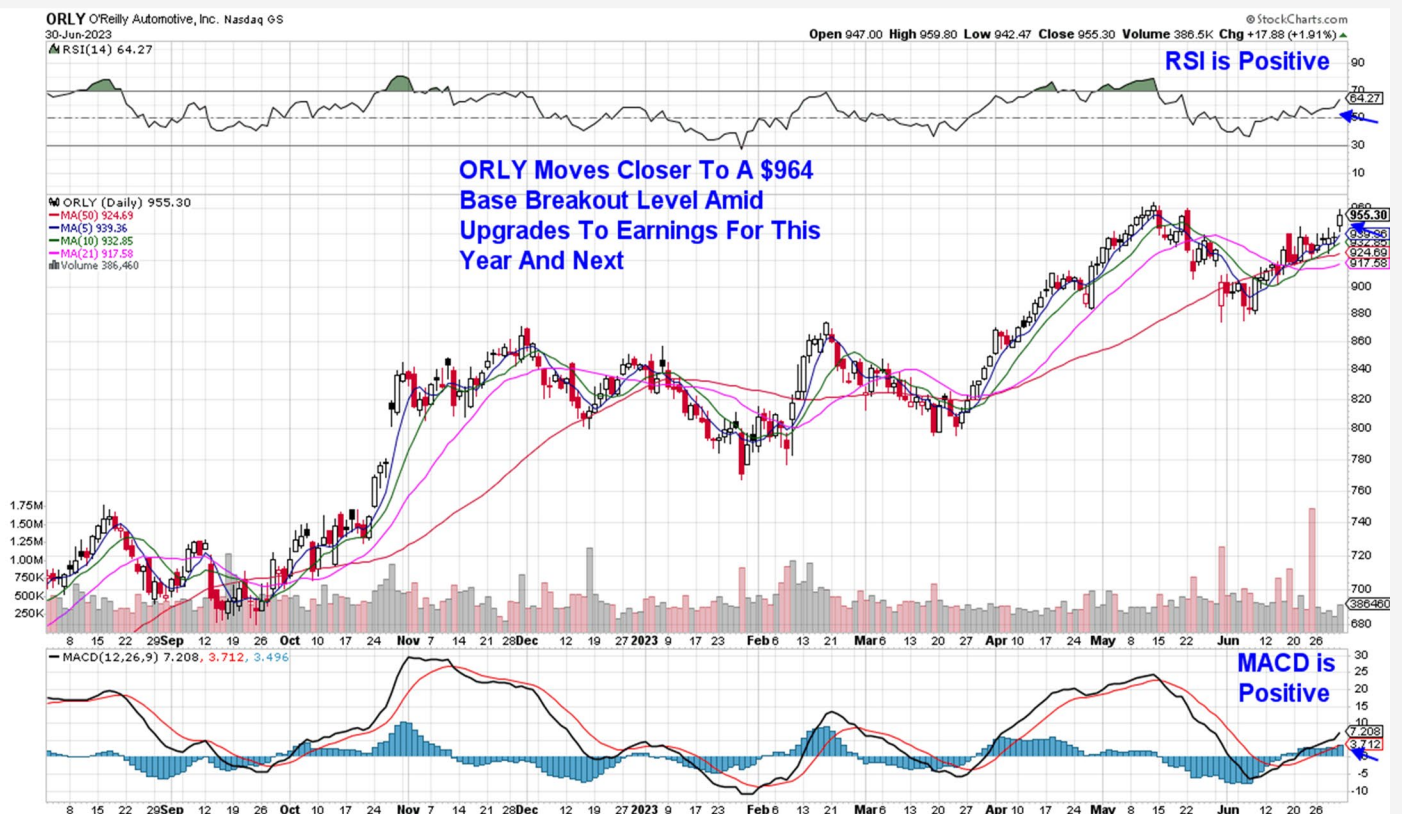
Next week we head into a holiday shortened period with the markets closing at the halfway point on Monday and closed on Tuesday. Despite the shorter period, experience tells me that a lot can take place during this period as less participation in the markets will have the ability to move stocks more.

In addition, impactful data will be released such as the FOMC meeting notes from the Federal Reserve's last meeting as well as employment data for the month of May.

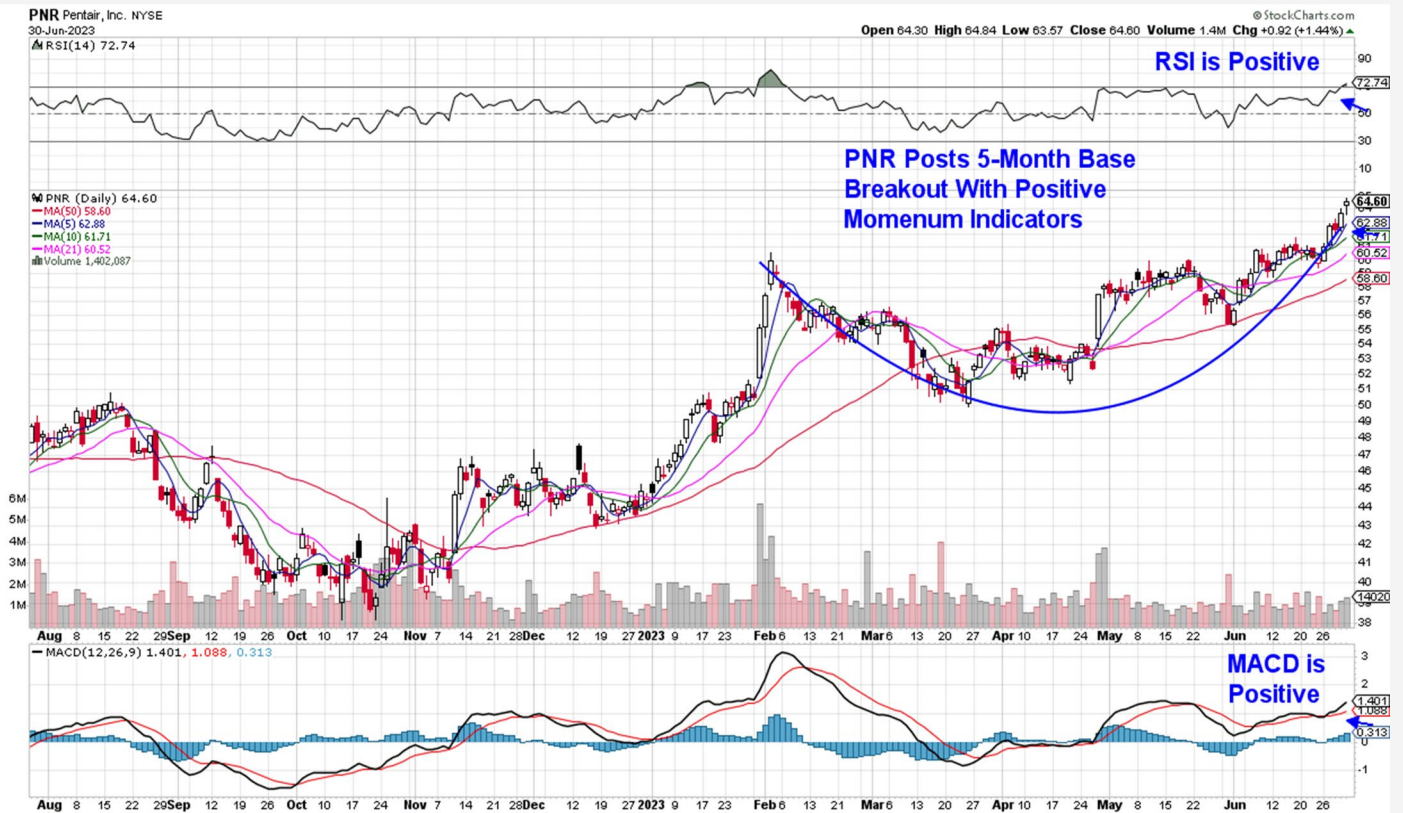
We're in a unique position where strong economic data such as last week's Q1 GDP numbers and May's Durable Goods report are being positively received while inflation appears to be moderating. This is good news for those who feared a recession on the horizon.

Next week this new paradigm will be tested - particularly with Friday's release of employment data as robust jobs growth continues to be an important reason for the Fed to need to raise rates again later this year.

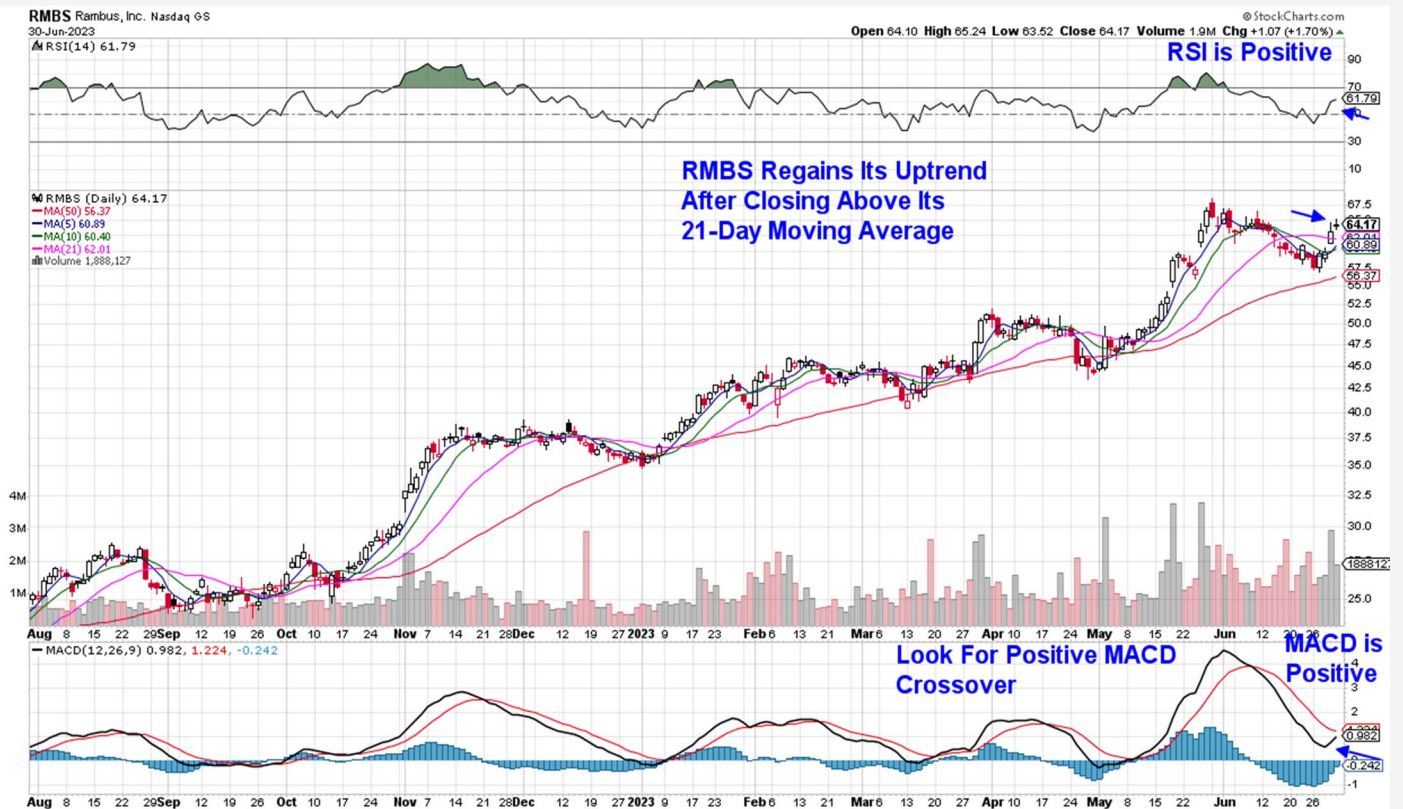
Daily Chart of O'Reilly Automotive, Inc. (ORLY)



Daily Chart of Pentair, Inc. (PNR)



Daily Chart of Rambus, Inc. (RMBS)



MEM Edge Report Suggested Holdings

Stocks With Emerging Leadership Characteristics

\$ = Earnings Due

Buy Zone

Strong Buy

Buy on Pullback

Removed From List

SYMB

COMPANY

PRICE

DATE
ADDED

PERFORMANCE

EARNINGS
DUE DATE

INDUSTRY GROUP

CONSUMER DISCRETIONARY

CMG	Chipotle Mexican Grill	\$2,101.00	6/28/2023	2.0%	-	Retail Restaurant
DECK	Deckers Outdoors	\$512.70	6/19/2023	3.3%	-	Retail - Shoes
KBH	K B Home	\$41.70	4/23/2023	21.0%	-	Residential Builder
ORLY	O'Reilly Automotive	\$955.30	7/2/2023	4.0%	-	Residential Builder
MTH	Meritage Homes	\$137.06	6/25/2023		-	Retail Automotive
TSLA	Tesla	\$214.00	6/4/2023	20.5%	-	Auto Manufacturer

INDUSTRIAL

PNR	Pentair	\$64.60	7/2/2023	-5.0%	-	Machinery
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HEALTHCARE

BSX	Boston Scientific	\$54.30	6/19/2023	0.0%	-	Medical Supplies
ISRG	Intuitive Surgical	\$300.22	4/23/2023	12.0%	-	NASDAQ
VRTX	Vertex Pharmaceuticals	\$333.80	6/4/2023	5.5%	Aug 1	Pharmaceuticals

TECHNOLOGY

AAPL	Apple	\$160.30	3/26/2023	21.0%	-	Telecom-Cons Products
ACLS	Axcelis Technologies	\$137.00	5/17/2023	31.0%	Aug 4	Semiconductor
AVGO	Broadcom	\$657.50	5/17/2023	30.5%	Aug 2	Semiconductor
LRCX	Lam Research	\$642.00	6/28/2023	0.0%	-	Semiconductor
MSFT	Microsoft	\$276.20	3/16/2023	20.5%	-	Software
RMBS	Rambus	\$64.17	7/2/2023		Aug 1	Semiconductor
UBER	Uber Technologies	\$437.80	5/7/2023	14.0%	Aug 2	Software
NVDA	Nvidia Corp	\$178.40	1/22/2023	92.5%	-	Semiconductor

Glossary of Terms Used From Our Suggested Holdings

Buy Zone

This means the stock is in a confirmed uptrend and is finding support at its upward-trending key moving averages and can be bought. If you own the stock, stay with it.

Strong Buy

This means we have slightly more conviction in the ability of this stock to outperform the markets over the next week. The stock may be poised to break out of a base, it may be in a strong industry group or there may be recent good news. In other words, the stock has some edge that should help propel the stock higher.

Buy on Pullback

In this case, the stock is a bit over-bought (or extended) and may need to come in a little before buying. This is usually following a particularly strong week where the stock was up a lot. We would look for a pullback to the stock's upward-trending 10-day moving average as an optimal entry point.

Not Highlighted

These are stocks that remain positive and can be held if you own them. However, they currently do not appear poised to have an upward move. The stock may be consolidating after a large advance or be in an industry group that is not in favor. The longer-term uptrend remains in place however.

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