



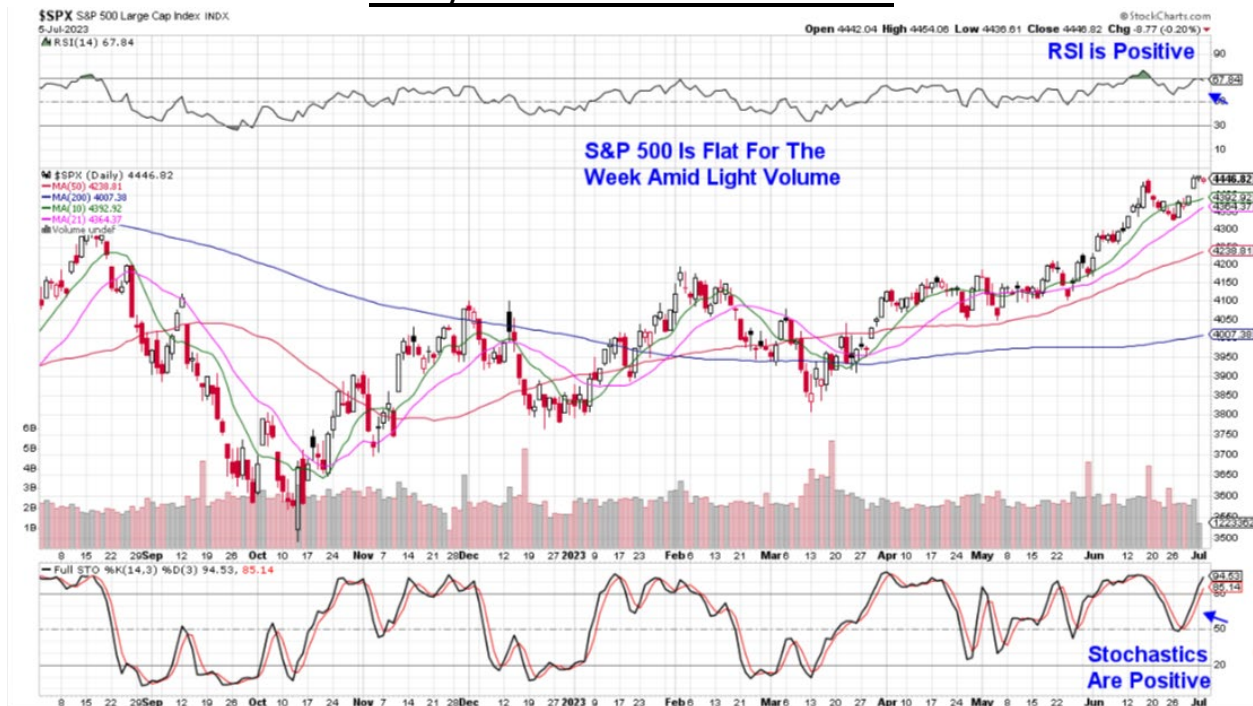
# THE MEM EDGE

Midweek Report

Wednesday July 5, 2023

- Industrial Side Of Economy Slows Down In June
- Factory Orders Rise In May Led By Transportation
- FOMC Meeting Notes Show More Rate Hikes Ahead
- Weekly Jobless Claims and June Private Sector Jobs Report Tomorrow
- Monthly Employment Data For June On Friday

## Daily Chart of The S&P 500



The S&P 500 is flat for the week in very light trading volume during this week's holiday shortened period. The price action keeps the near and longer term uptrend in the markets in place as the RSI and Stochastics remain in positive territory.



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Should we experience a pullback, the 10-day moving average is the first area of possible support and is 1.2% away.

The Nasdaq is also flat after one and a half trading days and with a positive RSI and Stochastics, the near and longer term uptrend remains in an uptrend. This Tech heavy Index is seeing a pullback in Semiconductor and Software stocks being offset with a sharp gain in Tesla (TSLA) with other mega cap FAANG names outperforming as well.

It's been a mixed week for the markets with Industrial and Basic Materials stocks pulling back amid economic data that points to a continued slowdown in the Industrial side of the U.S. economy. Housing stocks also pulled back as interest rates climbed. On the positive side, beaten down Utility and REIT stocks outperformed as did select Staples names, while select Retailers climbed on the heels of last week's uptick in Consumer Confidence.

The Technology sector has pulled back almost 1% as heavyweight names Apple (AAPL) and Microsoft (MSFT) are in the red for the week.

**AAPL** closed today just at its 5-day moving average which has been an ideal buy point for the stock. The company is continuing to see upgrades to their outlook as iPhone sales are expected to increase in emerging markets. News today that App store growth for the current quarter is running a bit above estimates is also a positive. **AAPL** is in a strong buy zone.

Microsoft (**MSFT**) pulled back to its 10-day moving average amid a lack of any impactful news. The stock remains in a buy zone.



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Semiconductor stocks have pulled back 1.3% so far this week led by even sharper pullbacks among Small Cap chip names that had been outperforming. Axcelis (**ACLS**) is in this category however, it pulled back less than its peers with buyers coming in at the \$176 level which we had Suggested as a buy point in our Sunday Report. The stock is in a strong buy zone.

Recently added Rambus (**RMBS**) pulled back to the \$62 level which we highlighted as a strong buy point in our weekly report. The stock can be bought at current levels.

Nvidia (**NVDA**) and Broadcom (**AVGO**) - both dominant players in the AI adoption move - are holding in for the week with both stocks remaining in a buy zone.

While we've identified the Semiconductor stocks on our Suggested Holdings List as being in a buy zone, today's pullback of 2.2% in the Semiconductor group was on relatively high volume. (using SOXX) As always, we'll keep the RSI on the daily chart in focus, as a dip below 50 has preceded further selling in these stocks.

Software stock Uber (**UBER**) remains in a buy zone with this week's 1% gain putting the stock above its 5 and 10-day moving averages.

The Consumer Discretionary sector received a boost from Tesla's (**TSLA**) 8% gain this week. The stock gapped up into a 2-week base breakout on Monday putting the stock into a strong buy zone. The stock is on the move after reporting record 2nd quarter vehicle delivery numbers.





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Footwear manufacturer Deckers (**DECK**) remains in a strong uptrend following a 1.3% gain amid a Wall Street price target upgrade to \$613 amid strong sales outlook for their Hoka brand. The stock can be bought in the \$526 range.

Retailers O'Reilly Automotive (**ORLY**) and Chipotle (**CMG**) are both in strong buy zones after closing above their 5-day moving averages today.

As mentioned, housing stocks are pulling back this week with KB Homes (**KBH**) at its 21-day moving average. A move below this level would put the 50-day moving average as the next area of possible support which is 8% away. Meritage Homes (**MTH**) has closed below its 10-day moving average with its 21-dmav being the next area of possible support which is 2.6% away.

At this time, we're viewing the pullback in the group as profit taking given the sharp advance these stocks saw last month. Moves back above their shorter term moving averages would put these stocks back into a buy zone.

The Healthcare sector is among the weakest led by a pullback in Medical Products stocks (using ETF IHI). As mentioned in our Sunday report, outperforming stocks in this group such as Intuitive Surgical (**ISRG**) was in an overbought position and due a pullback. ISRG is in a buy zone after finding support at its upward trending 10-day moving average.

Boston Scientific (BSX) also pulled back and the stock would need to trade back above its 10-day moving average in order to be in a buy zone. Vertex (**VRTX**) has closed above its 10-dmav



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and the stock can be bought amid a firming up of the Biotech group. (using ETF IBB)

Recently added Pentair (**PNR**) is in a buy zone after pulling back to its 5-day moving average in the \$63 range.

This week, we're seeing last month's strongest performers pull back with Basic Materials and Industrials giving back some of June's 10.5% gains. The recently strong Technology sector is also among the weakest so far this week however, each of these areas remain in a strong uptrend. At this time, profit taking appears to be at play with a pause due among these recent outperformers.

Among news, today's release of the FOMC notes was viewed mostly as a non-event with talk of a need to raise rates further being consistent with Powell's comments last week. Overall, the markets remain resistant amid rate hike possibilities and talk of a slight recession that were revealed in the notes.

Warmly,  
Mary Ellen McGonagle  
Editor, MEM Edge Report