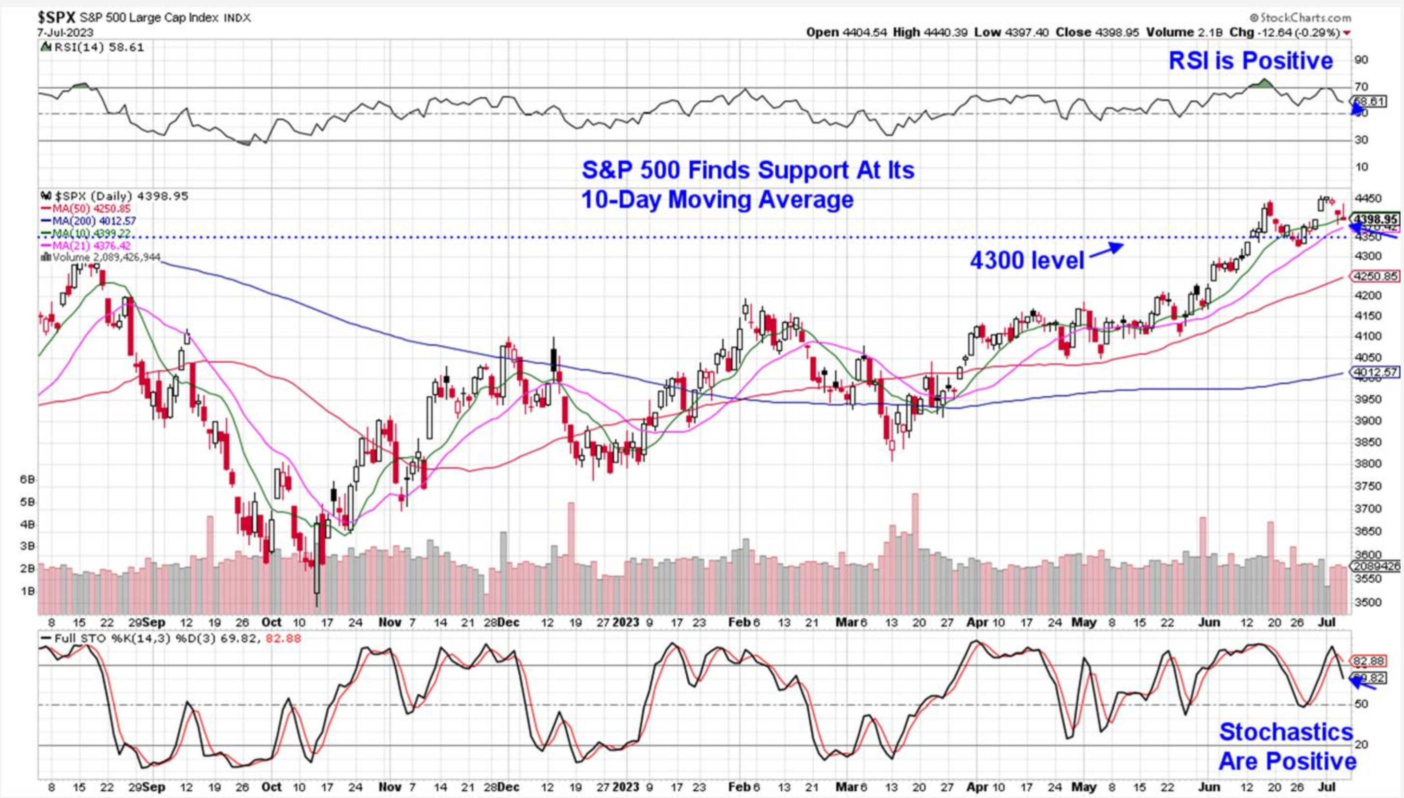
THE MEM EDGE

July 9th, 2023 | Weekly Report

This Week's Highlights

- Factory Orders Rise In May Led By Transportation
- FOMC Meeting Notes Show More Rate Hikes Ahead
- Private Jobs Report Shows Surge In June Employment
- Fewer Jobs Added In June But Wage Pressures Remain
- Core CPI and Core PPI Data Report Next Week
- Powell And Five Federal Reserve Officials Speak Throughout The Week

Daily Chart of S&P 500



The S&P 500 fell 1.2% last week in a move that puts this Index at its 10-day moving average. With the RSI and Stochastics in positive territory, the near term uptrend in this Index remains in place.

Should the markets continue to pull back, the 21-day moving average is the next possible area of support which is 0.5% away. A move below the 21-day moving average puts the 4300 level back in focus as that would be the next area of possible support and it's 2.2% away.

As you may recall, 4300 was a longer term area of upside resistance for the S&P 500 with June's push above this key level being viewed as quite constructive for the longer term prospects for this Index. A move back below 4300 would be a setback for our confidence in the current uptrend that's in place.

The Nasdaq held in a bit better with a 0.9% decline that has this Index closing at its 10-day moving average. The next area of possible support is its 21-day moving average which is 0.7% away. Buoyancy in mega-cap FAANMG stocks which fell less than the broader markets and Tesla (**TSLA**)'s 5% gain helped the Nasdaq partially offset losses in Semiconductor and Software stocks.

Last week's holiday shortened period was punctuated by a renewed focus on interest rates after Wednesday's release of notes from the Federal Reserve's latest meeting showed that several members were in favor of additional rate hikes into year end.

A strong corporate employment report from ADP on Thursday increased investor's anxiety and the yield on the 10-year Treasury rose above the 4% level for the 1st time in 8 months. A 4% yield has historically been troublesome for Growth stocks.

Some of this year's worst performing sectors such as Real Estate, Financials and Energy stocks fared better than the broader markets. The move into these beaten down areas was coupled with a pullback in recently strong Semiconductor, Software and Housing stocks. The move may be a rebalancing of portfolios among larger asset management firms as we head into the 2nd half of the year.

Next week, the 2nd quarter earnings season will begin with several large Banks due to report results. Most impactful will be management's outlook regarding lending activity going forward, as this will provide insight into economic and corporate growth prospects for the rest of this year. Recession fears have been a trigger for the markets in the past and any hint of reduced loan activity will be a negative for the markets. That said, any bullish news regarding positive growth prospects are expected to spark a rally in these depressed Bank stocks. We're continuing to expand our Watch List.

As noted in our MidWeek Report on Wednesday, last month's strongest performers - Basic Materials and Industrials - were pulling back, however both sectors rallied on Friday while the broader markets were down. This buying on the dip, put the sectors back into an uptrend.

At this time, 8 of the 11 sectors in the S&P 500 are in an uptrend and while Energy and Utilities are below resistance, both areas outperformed last week. In turn, the Equal Weighted S&P 500 is in good standing as it remains in an uptrend with an RSI and MACD in positive territory. The Healthcare sector is the third sector that's in a downtrend and we'll review the dynamics in that area below.

Overall, the broad based participation in the market is positive with the only possible threat being a continued rise in interest rates which may weaken Growth stocks. Next week, additional inflation data will be released with core CPI and PPI reports for June. Lower than expected numbers would be quite constructive for the markets.

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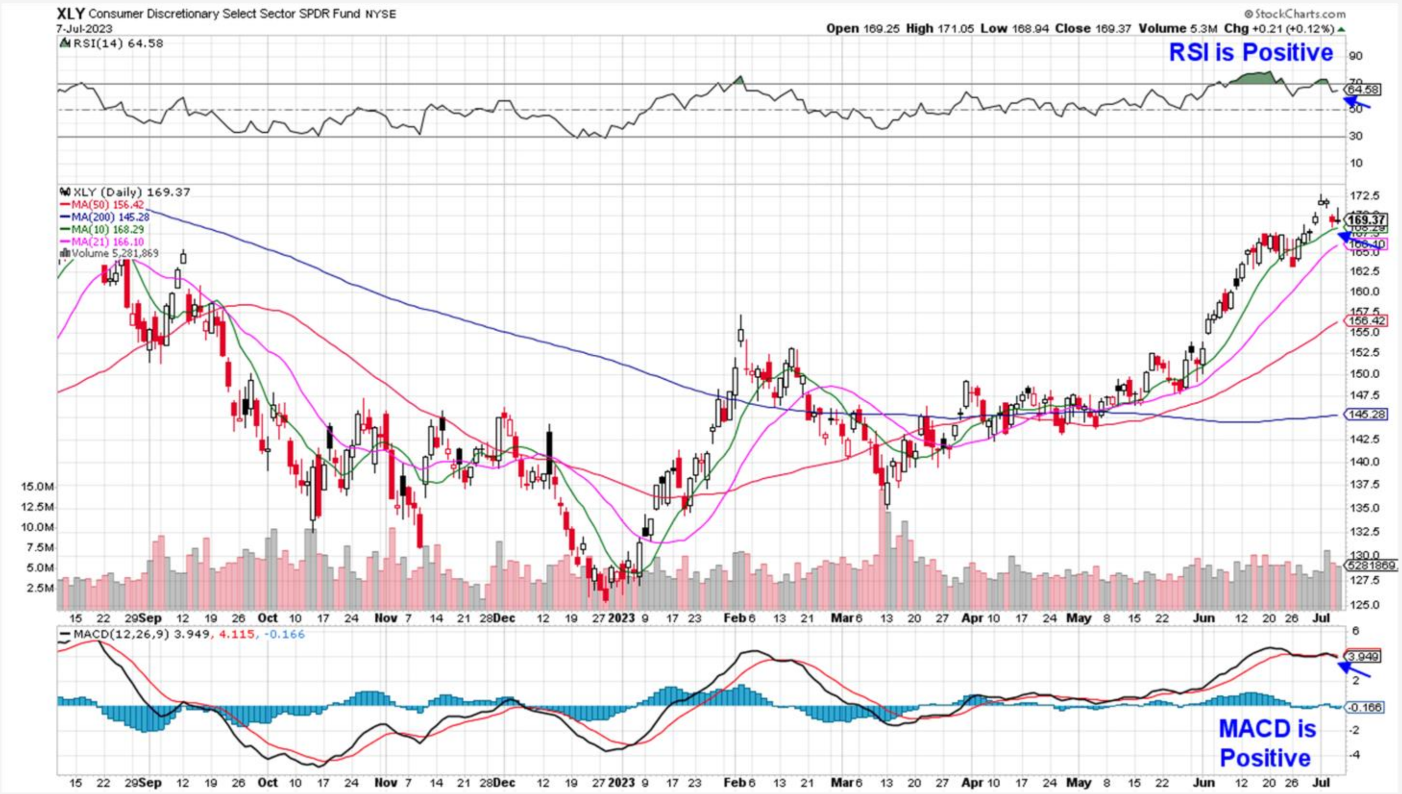
WEEKLY REPORT

Consumer Discretionary Select Sector SPDR Fund (XLY)



Consumer Discretionary Sector Is Mixed

Consumer Discretionary stocks held up better than the markets led by a strong rally in Tesla (**TSLA**) and other EV stocks amid reports of increased production and delivery levels. TSLA reported a record quarter for sales amid price cuts and the stock gapped up into a base breakout on Monday in response.

TSLA is finding support at its 5-day moving average which was an ideal buy point during the stock's late May into mid-June uptrend. The stock is in a buy zone amid analyst upgrades due to strong demand in the U.S coupled wih recently increased demand in China.

Outside of the Automobile industry, this sector struggled, with most Retail areas pulling back for the week. Hardest hit were Home Construction stocks which came under selling pressure amid an increase in interest rates.

Home builders that cater to first time home buyers came under the most selling pressure after mortgage rates soared to 7.22%. In turn, the cost of a $400k mortgage increased by $100 per month last week.

Both KB Home (**KBH**) and Meritage Homes (**MTH**) target new homeowners with starting prices in the $300-$400k range and up, depending on location. KBH lost 6.5% last week with the pullback taking place on above average volume.

KBH's RSI is now below 50 and we're removing it from our Suggested Holdings List as the stock is under distribution. Longer term investors may want to monitor KBH's price action at its 50-day moving average for signs of possible support.

Meritage (**MTH**) experienced a similar selloff however unlike KBH, the stock rallied on Friday which helped push the RSI back into positive territory. In addition, the weekly chart of MTH has a MACD with more room to trend higher as the stock advances. MTH can be held.

While continued higher interest rates are expected to impact the housing market negatively, demand has been able to override the rise in rates this year. That said, December into January and February into March the group pulled back as interest rates were trending higher. Both times, the pullback was a buying opportunity amid the housing shortage and we expect similar dynamics to take place.

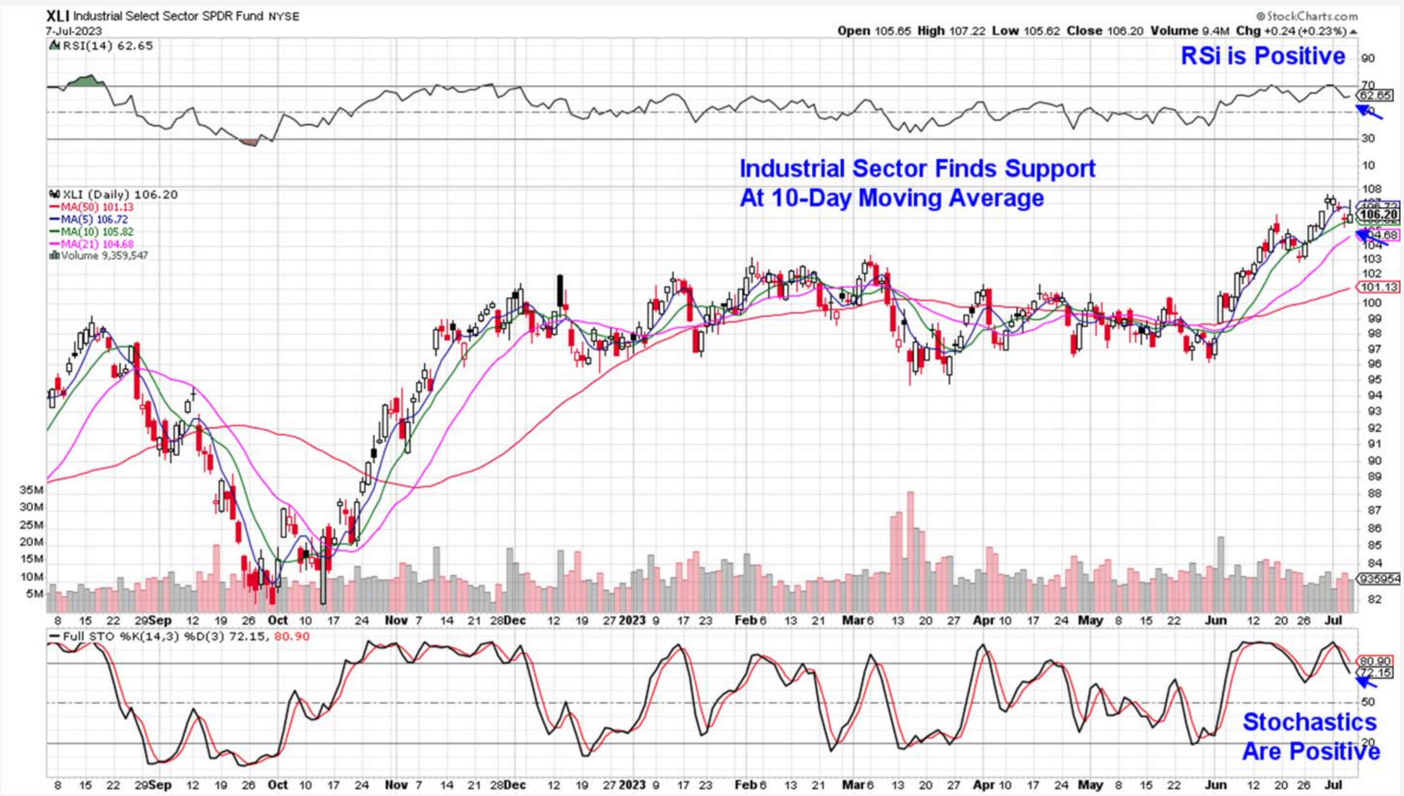
Footwear stocks were the worst performing group with a 4.5% loss that was led by heavyweight name Nike (**NKE**) which reported quarterly results below estimates the prior week.

Deckers (**DECK**) from our List outperformed after pulling back from a new high in price on Monday to end the week flat. The pullback occurred on below average volume which is constructive and with its uptrend intact, the stock is in a buy zone at the $526 level.

Restaurant stocks were mixed last week with Chipotle (**CMG**) drifting lower on below average volume. The pullback puts the stock back into its trading range area from last month, with the RSI and MACD on the edge of dipping into negative territory. The stock can be held and a close back above its 5-dmav at $2111, would put it back into a buy zone.

Auto Parts retailer O'Reilly (**ORLY**) pulled back last week despite a price target upgrade to $1020 from a major Wall Street firm. A move back above its 5-day moving average at $946 would put the stock back into a buy zone.

Industrial Select Sector SPDR FUND (XLI)



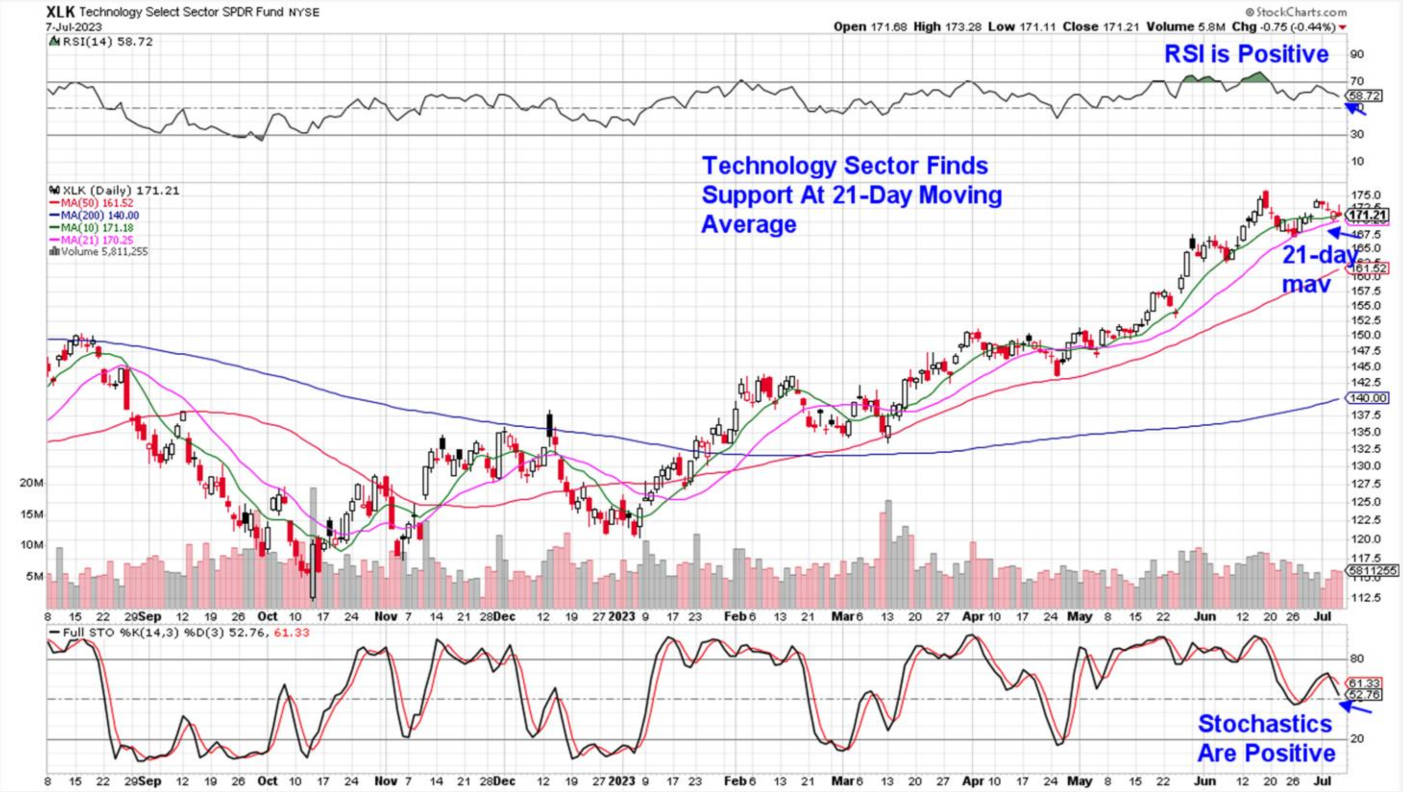
[Industrial Sector Pulls Back]

The Industrial sector fell less than the markets with a selloff in Building related stocks hurting the group. The weakness was due to reduced confidence in Home Builders. Pentair (**PNR**) from our List manufactures water pumps and other equipment for both residential and industrial applications and the stock pulled back to its 10-day moving average. PNR is in a strong buy zone.

In searching for additional stocks to add from this sector, high quality stocks that fit our screening criteria have an RSI in an overbought condition with MACD's that are in the upper area of their range.

Rather than chase these stocks, an ETF such as Vanguard's industrials (**VIS**) or Invesco's S&P 500 Equal Weight Industrials (**RSPN**) would be ideal way to participate in the uptrend in the Industrial Sector.

Technology Select Sector SPDR Fund (XLK)



[The Technology Sector Among Worst Performing]

The Tech sector pulled back amid a decline in Semiconductor and Software stocks. Heavyweight names Apple (**AAPL**) and Microsoft (**MSFT**) also were down for the week.

As noted in last Sunday's Report, AAPL entered this week extended after a rally that pushed the stock's market cap above the $3 trillion mark for the first time since January. The stock pulled back 1.7% and is now at the buy point we suggested last Sunday - the $189 range. AAPL remains in a confirmed uptrend and is in a buy zone.

Microsoft (**MSFT**) pulled back less than its Software group in part due to a late week bullish call from analysts at Morgan Stanley who raised their price target to $415 for the stock. In addition, they named MSFT their top pick among large cap Software companies due to expected growth of AI.

The rest of Wall Street is overwhelmingly bullish on Microsoft as well, with 53 analysts rating it a buy. The stock is in a buy zone as it trends above each of its shorter term moving averages.

The Software group fell 1.8% last week amid a broad based decline that saw stocks that had recently hit a new high in price falling the most. The group (using ETF IGV) remains above its 21-day moving average with its RSI and MACD in positive territory.

Software stocks historically get hit the hardest in a rising interest rate environment however, last week's decline was on light volume and in no way distressing. We'll continue to monitor price action.

Uber Technologies (**UBER**) dipped 0.5% with a Friday rally that put the stock back above its 10-day moving average. UBER can be bought on a close above $43 which is its 5-day moving average.

Semiconductor stocks declined 2.5% in a move that has the group closing below its 21-day moving average. The RSI and MACD remain in positive territory. (using ETF SOXX). Given the outsized strength in select Semiconductor stocks over the past 2 months, a pullback at this time is not out of line.

The uptrend in the group remains in place however, a move of the RSI below 50 on the daily chart would negatively impact the near term prospects for Semis. The longer-term, weekly chart remains bullish.

Nvidia (**NVDA**) gained 0.5% last week with the stock remaining above each of its key moving averages. The stock's resilience amid selling elsewhere in the group solidifies its leadership status. NVDA is in a buy zone. Broadcom (**AVGO**) is in a similarly bullish position with a positive RSI and MACD amid a pullback to its 21-day moving average.

Recently added Lam Research (**LRCX**) posted a more disappointing week with a pullback that put the stock below its 21-day moving average and the RSI close to turning negative. The stock can be held with a rally back above its 10-day moving average putting it into a buy zone.

Axcelis (**ACLS**) found support at its 21-day moving average following last week's pullback with its RSI and MACD in positive territory. The stock can be held.

Rambus (**RMBS**) posted the most disappointing price action among Semi stocks on our List. In addition to its RSI dipping into negative territory, the stock closed below its shorter term moving averages. We're removing the stock from our List as the near term outlook points to further near term distribution.

Overall, the Technology sector remains in an uptrend as it finds support at its 21-day moving average with a positive RSI and Stochastics. Last week's pullback is providing an opportunity for this sector to consolidate after entering an overbought condition last month. This reset is necessary before the group can experience another leg up.

Health Care Select Sector SPDR Fund (XLV)

[Healthcare Sector Is Bottom Performer]

Healthcare stocks sold off last week led by a sharp drop in Pharmaceutical, Medical Supply and Healthcare Providers after the Centers for Medicare and Medicaid Services shared their price negotiation guidance for medical drugs and supplies. The ability of the government to negotiate prices is a result of the passage of the Inflation Reduction Act last August.

The negotiations are targeted to reduce the high cost of drugs and other supplies and Pharmaceutical and Medical Products companies will be the most negatively impacted, as they'll have to reduce prices.

Among stocks on our List, Vertex (**VRTX**) was hit the hardest with a 4% decline that pushed the stock below its 50-day moving average with the RSI entering negative territory. We're removing the stock from our Suggested Holdings List.

Boston Scientific (**BSX**) experienced similarly negative price action with a close below its 50-day moving average and the RSI now in negative territory. Above average volume was another negative characteristic and we're removing the stock from our List.

Intuitive Surgical (**ISRG**) fared better with a pullback that puts the stock at its 21-day moving average with the RSI and MACD in positive territory. In addition, ISRG experienced a rally on Friday on above average volume. The manufacturer of robotic surgical devices can be held.

Last week's decline puts the Healthcare sector back below its 200-day moving average and into a downtrend.

Summary

Last week's holiday shortened period brought the recent rise in interest rates into focus which in turn, pulled the markets down. Overall, a resilient backdrop remains in place as an orderly period of consolidation is taking place among high flying Technology names while an uptrend in Cyclical areas such as Industrials and Discretionary stocks remains in place.

More recently, we're seeing a move into economically sensitive areas such as Real Estate, which highlights investor's confidence that the economy remains on firm footing. Any further deterioration in the markets would have us reconsidering our positive bias and we'll alert you to any shift in sentiment.

The markets will be focused on inflation reports next week to help clarify monetary policy going forward. Any slowdown in inflation reflected in the CPI and PPI reports, will quell interest rate hike fears and would be a positive for the markets.

Also, next week is the beginning of earnings season and this will be a true test for the markets over the coming months. Bank names will report next week and any hint that the recent crisis is behind us, will be positively viewed. The following week, Netflix (**NFLX**) and select Technology companies will report. Most closely watched will be guidance regarding growth prospects going forward as a gauge for a possible recession.

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	$2101.00	6/28/23	-1.0%		Retail Restaurant
DECK	Deckers Outdoors	$512.70	6/19/23	3.3%	August 25	Retail - Shoes
KBH	K B Home.	$41.70	4/23/23	14.5%	Sept 20	Residential Builder
MTH	Meritage Homes	$137.06	6/25/23	-2.5%	July 27	Residential Builder
ORLY	O'Reilly Automotive	$955.30	7/2/23	67.0%	July 26	Retail Automotive
TSLA	Tesla	$214.00	6/4/23	18.5%	July 19	Auto Manufacturer
INDUSTRIAL						
PNR	Pentair	$54.30	7/2/23	-3.0%	July 25	Machinery
HEALTHCARE						
BSX	Boston Scientific	$54.30	6/19/23	--3.0%	July 26	Medical Products
ISRG	Intuitive Surgical	$130.99	4/23/23	9.0%	July 18	Medical Equipment
VRTX	Vertex Pharmaceuticals	$54.51	6/4/23	1.5%	August 1	Medical - Biomed
TECHNOLOGY						
AAPL	Apple	$160.30	3/256/23	19.5%		Telecom – Cons Products
ACLS	Axcelis Technologies	$137.00	5/17/23	25.5%	August 4	Semiconductor
AVGO	Broadcom	$657.50	5/17/23	28.0%	August 2	Semiconductor
LRCX	Lam Research	$642.00	6/28/23	-4.0%		Semiconductor
MSFT	Microsoft	$276.20	3/16/23	19.5%	July 25	Software
RMBS	Rambus	$64.17	7/2/23	-6.0%	August 1	Semiconductor
UBER	Uber Technologies	$437.80	5/7/23	13.5%	August 1	Software
NVDA	Nvidia Corp	$178.40	1/22/23	93.0%	August 24	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.