



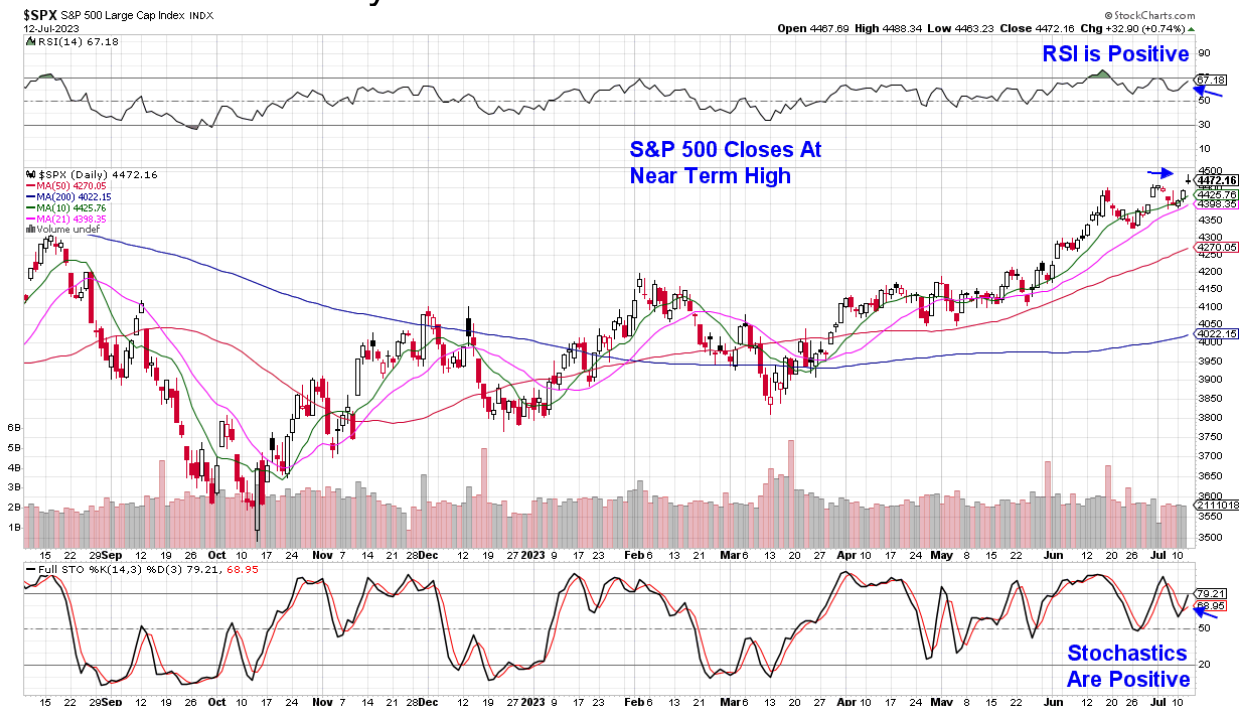
# THE MEM EDGE

Midweek Report

Wednesday, July 12, 2023

- Yields Pull Back With 10-Yr Treasury Down 4.5%
- Core CPI Rises Smallest Amount In 2 Years
- Weekly Jobless Claims and Core PPI Data For June Data Due Tomorrow
- July Preliminary Consumer Sentiment Report On Friday
- Adding Monolithic Power (MPWR), Shopify (SHOP) and Adobe (ADBE) To Suggested Holdings List

## Daily Chart of The S&P 500 Index



The S&P 500 has gained 1.7% this week in a move that puts this Index back above its 10-day moving average and at a new near



# THE MEM EDGE

*Midweek Report*

term high. With the RSI and Stochastics in positive territory, the uptrend in this Index remains in place.

Should we experience a pullback, the 10-day moving average is now the first area of possible support and is 1% away.

The Nasdaq fared better with a 1.9% gain that was led by outperformance in Semiconductor and Software stocks. Aside from Meta Platforms (META), most of the mega cap FAANMG stocks are underperforming. The Nasdaq is also at a near term high in price with a positive MACD and Stochastics which keeps this Index in an uptrend.

This week, every sector is in positive territory, led by Energy and Internet Related stocks. Cyclical areas - Industrials, Consumer Discretionary and Basic Materials - are continuing to outperform.

Bank stocks are also adding to last week's gains with a 4% rally so far this week. The gains are occurring ahead of earnings reports from well known Banks on Friday, such as J P Morgan (JPM), Citigroup (C ) and Wells Fargo (WFC). This week's rally has pushed the Bank group into positive territory and we intend to add stocks from this group to our Suggested Holdings List over the weekend - depending on results from the majors who are reporting later this week.

The S&P 500 Equal Weighted Index has gained 2.5% for the week as it moves closer to highs reached late last year. This broadening out of the markets bodes well for the markets intermediate and longer term prospects.



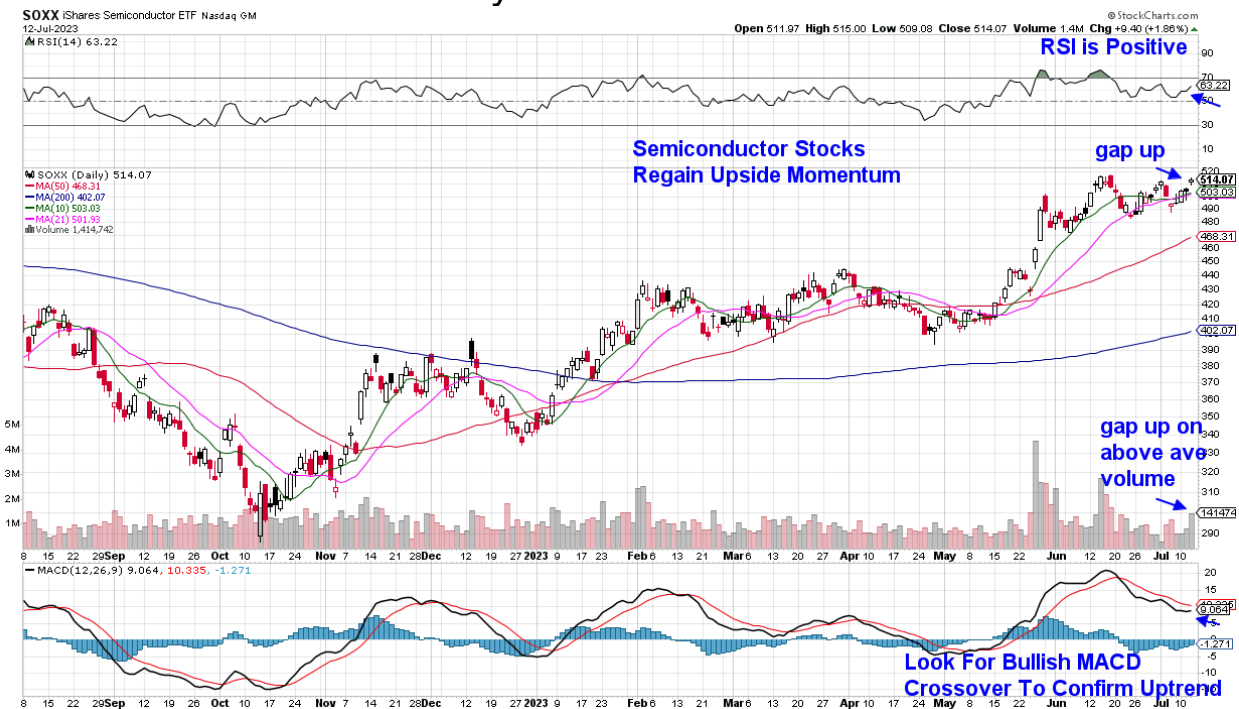
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## Midweek Report

Also notable this week is a pullback in interest rates led by today's inflation report which showed that core CPI data - Consumer Price Index minus volatile gas and food - rose at the lowest rate in two years. The news is being viewed as a shift for inflation into a downtrending phase.

While this is generally good news for the markets, comments from several Federal Reserve officials this week make it clear that they will not be lowering interest rates any time soon with one official stating that it will take 4 years to get inflation to the Fed's 2% target rate.

### Daily Chart of SOXX



Semiconductor stocks outperformed this week with a rally that has this group back above its shorter term moving averages. In



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Midweek Report

addition, the RSI is now trending higher and away from a possible move into negative territory. (using ETF SOXX)

Among Semi's on our list, Broadcom (**AVGO**) was the top performing with a 5.1% rally that took place on the heels of the news that the company's acquisition of Software company VMware (VMW) has been conditionally approved.

The gain puts AVGO on the cusp of a 1-month base breakout at \$890 and into a strong buy zone.

Nvidia (**NVDA**) posted a 3.5% gain with most of the gains taking place today amid news that the company may be an anchor investor in chip company Arm's IPO. The rally puts NVDA on the cusp of a 3-week base breakout at \$440 and into a strong buy zone.

Axcelis (**ACLS**) posted a more modest gain for the week with the stock trending mostly sideways and below its shorter term moving averages. A close above its 10-day moving average would put ACLS into a buy zone.

Lam Research (**LRCX**) has had a similar period with the stock remaining below its shorter term moving averages. With LRCX however, the MACD is trending lower on the daily chart. At this time, we would underweight the stock given its continued underperformance.

Today we're adding Monolithic Power Systems (**MPWR**) to our Suggested Holdings List after today's gap up on above average volume has pushed the stock out of a 6-week base. The developer of semiconductor based electronics for the automotive,





# THE MEM EDGE

*Midweek Report*

industrial and computing industries received 2 price target upgrades this week and the stock can be bought on a pullback to the \$550 range.

Software stocks are trending higher than the broader markets amid a broad based rally in the group. This week's biggest gainers have been mostly names that are well off their highs and in the throes of reversing their downtrends.

This would include stocks such as Shopify (SHOP) which is a bit further along in its downtrend reversal process but remains 63% below its highs from last year. Today, SHOP closed above its 10-day moving average on news that the company is adding an AI component to assist users of their commerce platform.

We're adding Shopify (SHOP) to our Suggested Holdings List and the stock can be bought in the \$64 range at its 21-day moving average.

We're also adding Adobe Systems (ADBE) to our Suggested Holdings List after a rally this week has pushed the stock out of a flat base on its way to a possible 1-month base breakout at \$516. The stock had been trending sideways as it digested a sharp move leading into and beyond its June 15th earnings release.

Uber Technologies (UBER) gained almost 4% this week amid news of several new partnerships. In addition, the stock was added to a major Wall Street firms outperform list which prompted gains. UBER can be bought in the \$43.5 range at its approaches a 2-week base breakout.



Housing stocks have come roaring back this week amid a pullback in interest rates. Meritage Homes (**MTH**) sprinted above its 10-day moving average today and into a strong buy zone. Look for a pullback into the \$138 range as a buy point.

Deckers (**DECK**) is having a strong week ahead of the release of their earnings later this month. The stock is in a strong uptrend and can be bought in the \$541 range at its 5-day moving average.

O'Reilly Automotive (**ORLY**) posted a 2-month base breakout on Monday which pushed the stock out of a buy zone which would be at the \$956 range at its 5-day mav. The stock received a price target upgrade to \$1038 amid a strong outlook for continued growth.

Industrial stocks are outperforming this week led by equipment providers for residential applications amid a sharp rise in homebuilding stocks. Pentair (**PNR**) is a prime example with a 6.5% gain that puts the stock above a buy point in the \$65 range at its 5-day mav.

The Healthcare sector remains in a downtrend after underperforming again this week. Intuitive Surgical (**ISRG**) outperformed its peers led by 2 Wall Street price target upgrades to as high as \$319. **ISRG** is due to report earnings next Thursday and upgrades ahead of this event are historically bullish. We'd be a buyer on any pullback to the \$338 range.

This week's rally in the markets has put a positive bias back into place with news of a slowdown of inflation being particularly bullish.



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*Midweek Report*

Tomorrow, Producer Price Index data for June will be released and any sign of decreased prices at the production level would be another positive for the markets.

Warmly,  
Mary Ellen McGonagle  
Editor, MEM Edge Report