



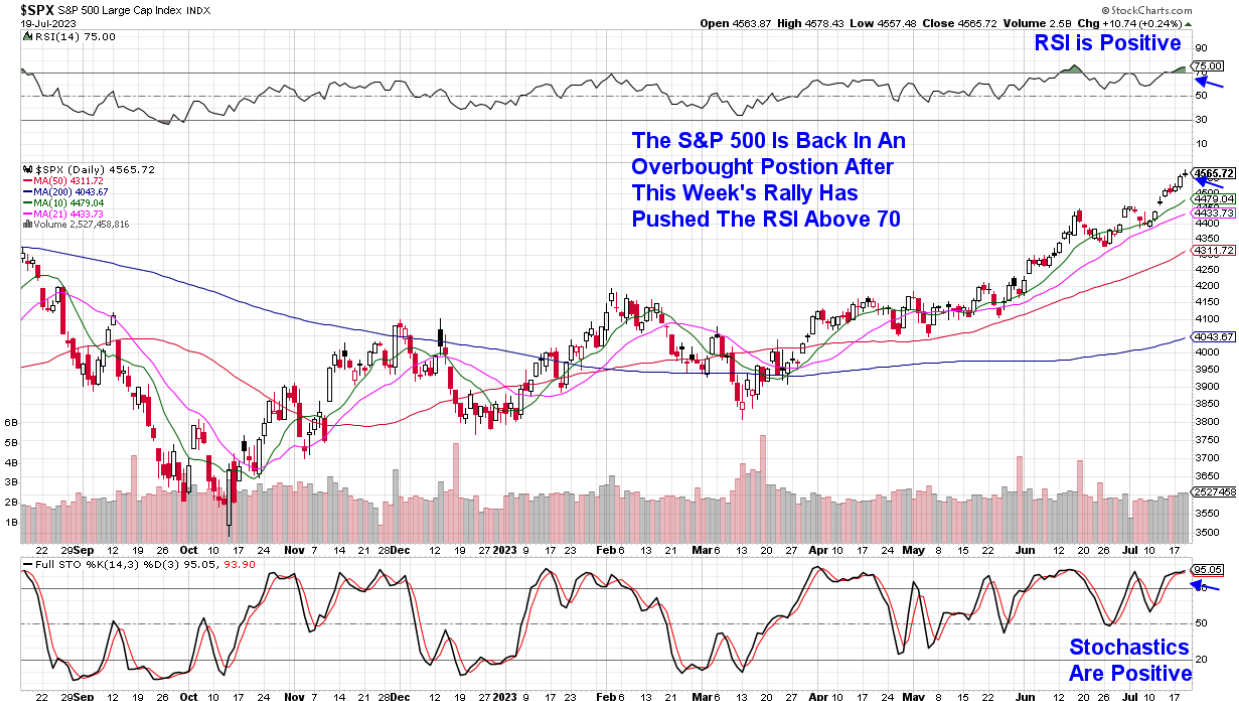
THE MEM EDGE

Midweek Report

Commentary Wednesday July 19, 2023

- Retail Sales Rise Only Slightly
- Industrial Production Fell In June
- Strong Home Buying Demand Boosts Builder's Confidence
- Housing Starts Post Largest Decline In A Year
- Weekly Jobless Claims and Existing Home Sales Data Due Tomorrow
- Adding Morgan Stanley (MS) and Zions Bancorp (ZION) To Suggested Holdings List

Daily Chart Of The S&P 500 Index



The S&P 500 has gained 1.4% so far this week in a move that keeps the near term uptrend in place. However, the RSI is now



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above 70 and in an overbought position. As cited in our Sunday Report, an overbought RSI has preceded pullbacks in mid-June and early August '22 with more recent pullbacks being relatively mild. (in mid-June, SPX pulled back 2.3%)

Should we experience a pullback, the 10-day moving average is the first area of possible support and it's 1.9% away.

The Nasdaq has posted a 1.7% rally led by outperformance among mega-cap Growth stocks such as MSFT and NVDA from our Suggested Holdings List. This advance has the Nasdaq Composite's RSI in an overbought position as well, which increases the possibility of a pullback over the near term.

This week, earnings season is in focus with Bank stocks posting the biggest gains amid generally positive quarterly results from those who've reported. The rally puts the group further into an uptrend (using ETF KRE) and we're adding Zions Bancorp (**ZION**) from our Watch List after today's 6-week base breakout on heavy volume.

ZION reported a solid 2nd quarter after the market's close today after experiencing a rebound in customer deposits amid continued reductions in non performing loans. The stock can be bought on any pullback to its base breakout level at \$32.3.

We're also adding Morgan Stanley (**MS**) to our Suggested Holdings List after yesterday's report of earnings and sales that were above estimates due to strong performance in their wealth management division. MS is a bit extended after yesterday's rally



and the stock can be bought on any pullback to its base breakout level at \$90.

Elsewhere in the markets, the Technology sector is also outperforming the markets led by a rally in Microsoft (MSFT) and Apple (AAPL) which combined account for an over 40% weighting.

MSFT broke out of a 1-month base on heavy volume and to a new high yesterday after the company outlined how they plan to monetize their AI innovations. The numbers were much higher than anticipated. The stock is in a buy zone however, of note is the fact that MSFT is due to report earnings next Thursday.

Apple (**AAPL**) broke out of a 3-week base today on heavy volume following news that they've created a framework for large language models for generative AI. The stock is in a strong buy zone.

Elsewhere in Software, Uber Technologies (**UBER**) is in a strong buy zone with this week's 5% gain coming on the heels of the company being cited as the best internet stock by a major Wall Street firm. The stock can be bought in the \$46 range.

Adobe (**ADBE**) remains in a confirmed uptrend with a pullback to its 5-day mav at the \$523 range being an ideal buy point. Shopify (**SHOP**)'s pullback this week puts the stock into a strong buy zone as it consolidates last week's 11% gain.



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Semiconductor stocks are performing in line with the markets this week after cautious guidance from Dutch semi equipment maker ASML pushing the group back a bit.

Nvidia (**NVDA**) continues to outperform however, with a 3.5% rally that keeps the stock uptrend as it finds support at its 5-day moving average. **NVDA** is in a strong buy zone.

Axcelis (**ACLS**) experienced a sharp rally on Monday following a large price target increase to \$225 from a Wall Street firm. The stock pulled back today with other Semi's and into as strong buy zone as it finds support at its 5-day moving average.

Broadcom (**AVGO**) remains in a strong uptrend at its 5-day moving average however, it needs more upside price action on volume to push the MACD black line up through the red to confirm a new uptrend. Lam Research (**LRCX**) continues to generally underperform but remains above support and can be held.

Tesla (**TSLA**) reported earnings above estimates after the close of the markets today however, higher costs have reduced profit margins enough so that the stock is not moving in response to results. TSLA is in a confirmed uptrend however, investor's response tomorrow may shift this.

Chipotle (**CMG**) broke out of a base on heavy volume this week after the company announced an agreement to open restaurants in the Middle East. Several Wall Street firms raised their price targets to as high as \$2,400 on the news. The stock is in a strong buy zone.



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Airbnb (**ABNB**) remains in a confirmed uptrend while finding support at its upward trending 5-day moving average. The RSI is in an overbought position which may lead to a period of consolidation.

O'Reilly (**ORLY**), Meritage Homes (**MTH**) and Deckers (**DECK**) are consolidating on light volume ahead of the release of their earnings next Wednesday and Thursday respectively.

Intuitive Surgical (**ISRG**) will release their quarterly results tomorrow after the markets close.

As suggested in our Sunday Report, this week's focus has been on earnings reports with the biggest movers being companies that have reported earnings or where analysts have raised estimates going into corporate reports.

After the close today, Netflix (NFLX) is trading down by 5% after the company reported revenues below estimates with management guiding growth estimates lower than anticipated going forward. The news may impact other mega cap growth names.

Overall however, earnings reports have been generally positive - particularly among large Bank names which in turn has buoyed investors confidence that the U.S. economy will remain resilient.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report