



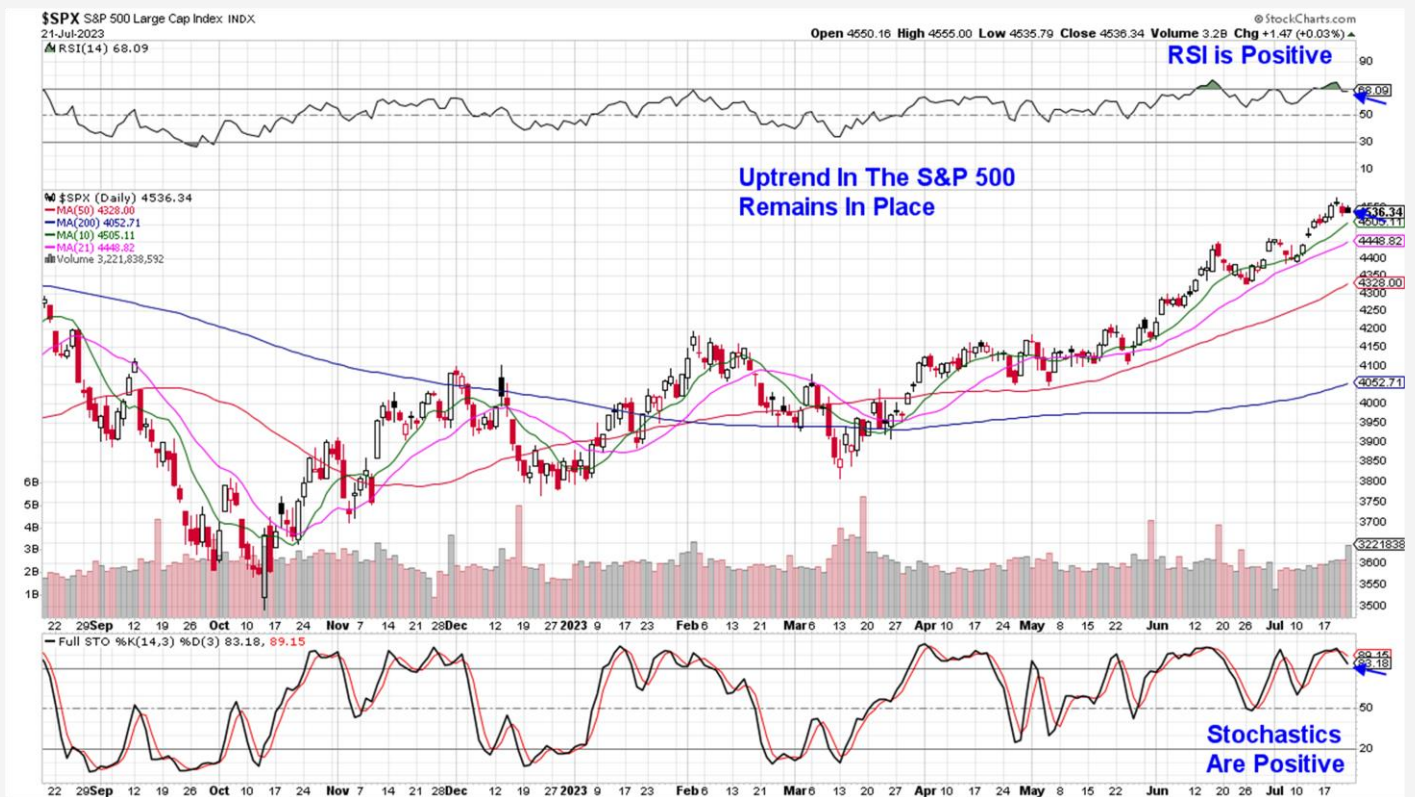
THE MEM EDGE

July 23, 2023 | Weekly Report

This Week's Highlights

- Retail Sales Rise Only Slightly
- Industrial Production Fell In June
- Housing Starts Post Largest Decline In A Year
- Weekly Jobless Claims Fall Unexpectedly – Pushing Yields Higher
- Nasdaq 100 Rebalancing Takes Place Before Open On Monday
- FOMC Interest Rate Policy Decision, Q2 GDP Data and Core PCE Data Due Next Week

Daily Chart of the S&P 500



The S&P 500 gained 0.7% for the week in a move that keeps this Index above its 10-day moving average with its RSI and Stochastics in positive territory. The near term uptrend remains in place.

Should we see a pullback, the 10-day moving average is the next area of possible support which is 0.7% away.

The Nasdaq fell 0.6% after a late week pullback erased gains from earlier in the week. The decline occurred amid underperformance in most of the heavyweight names in this Index due to less than perfect earnings

from Tesla (**TSLA**) and Netflix (**NFLX**) as well as a rebalancing of the Nasdaq 100 which will take place before the market's open on Monday.

The rebalancing is to reduce the heavy weighting that the largest market cap names have, so that the influence of their performance is more limited. In response, select investment funds that track the Nasdaq 100 needed to sell shares of select mega-caps to align with the modification.

The Nasdaq closed the week just below its 10-day moving average with its RSI and Stochastics in positive territory. This keeps the uptrend in place. Should we see further selling, the next area of possible support is the 21-day moving average which is 1.4% away.

The markets began the week in rally mode amid mostly positive quarterly reports as earnings season ramped up. Investor's shifted gears on Thursday however, after TSLA and NFLX's less than perfect results caused both stocks to tumble an average of 9%. The selling spread to other Nasdaq stocks after two heavyweight Semiconductor companies signaled continued weakness in the chip market.

Stocks from beaten down areas of the market were treated quite differently however, with several healthcare giants spiking higher after beating guidance and raising their full year outlook. Bank stocks - another area that's underperformed amid their recent crisis - were the biggest winners as they continued to rally on earnings even if they missed views.

This difference in response to earnings could signal a shift in the markets as investors appear less forgiving of any weakness among stocks that have run up in price, while lower valuation stocks are being handsomely rewarded for beating estimates.

Next week we'll see a test of this possibility with high flying Microsoft (**MSFT**), Meta Platform (**META**),

Alphabet (**GOOGL**) and Amazon (**AMZN**) set to release their 2nd quarter results as will a number of Bank and Healthcare names.

The Federal Reserve's interest rate decision on Wednesday will be another key event, with Fed Chair Powell's comments set to be closely watched for any hints of fiscal policy going forward. Last Thursday we saw a spike in interest rates amid fears that the Fed will keep rates elevated after lower than expected jobless claims data. Higher interest rates are a negative for Growth stocks.

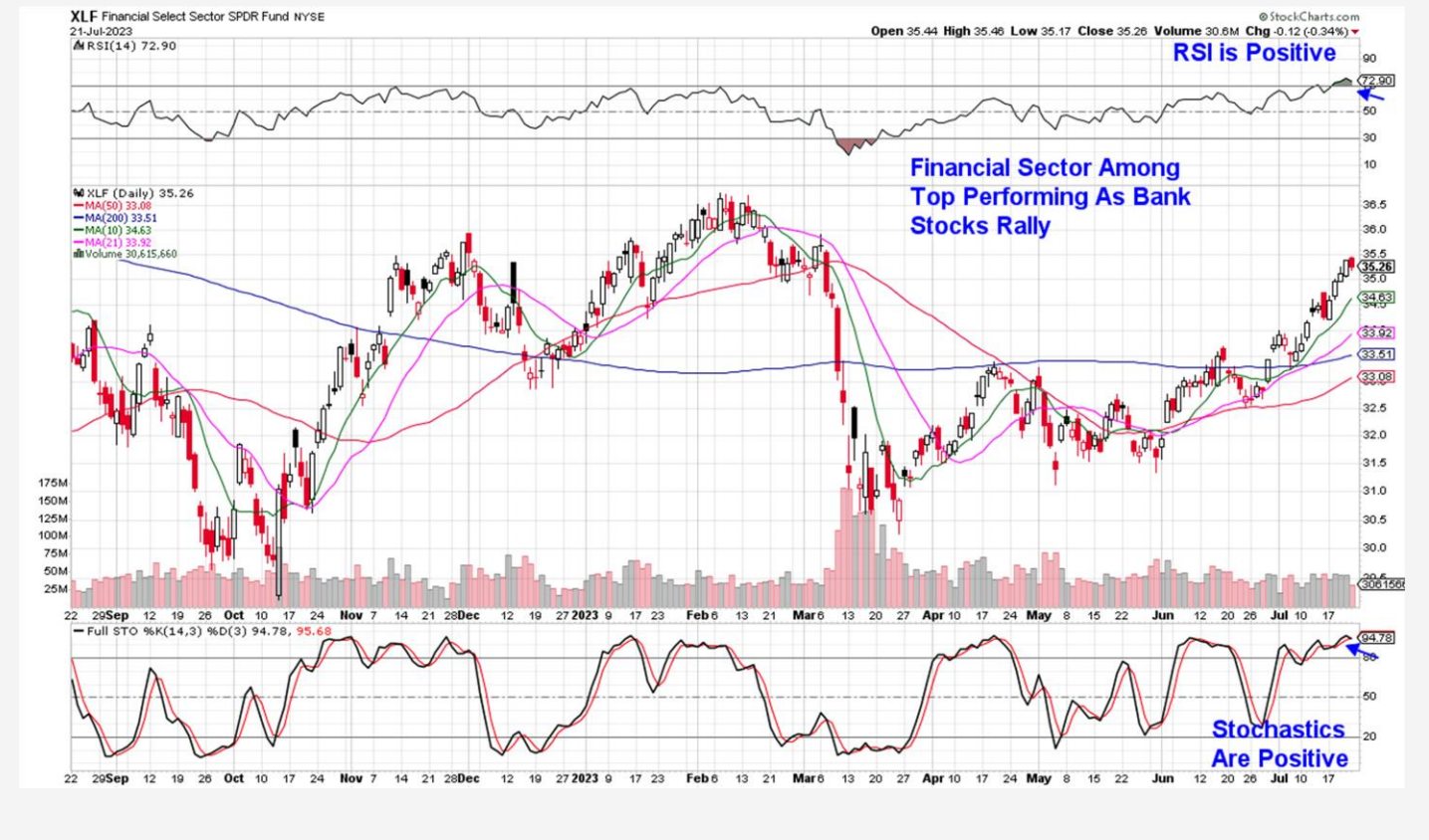
Core inflation data is also due with Personal Consumption Expenditures (PCE) data being reported on Friday. This is the Federal Reserve's favored inflation gauge and investors are on the lookout for a continued slowdown of inflation.

While the Fed's decision and key economic data may move the markets next week, price action over the past two weeks has shown that investor's response to earnings reports has been the biggest driver among the markets' weekly winners and losers.

At this time, the markets remain in an uptrend and are poised to trade higher. Select areas are in a stronger position to participate however and we review this below.



Daily Chart of the Financial Select Sector SPDR Fund (XLF)



Financial Sector Among Top Performing

The Financial sector has moved closer to posting a positive year to date return after last week's 3% rally. Outsized gains in beaten down Regional Bank names gave this sector a boost. (using ETF KRE). Larger Bank names also outperformed with names such as Morgan Stanley (**MS**) posting rallying last week despite posting a 14% drop in 2nd quarter profits.

The gains occurred amid their report of record revenues from their wealth management unit while MS's CFO cited improvement in other areas such as investment banking. We're using the January rally in MS as precedence, with pullbacks to the 5-day moving average being an ideal buy point. Currently, MS can be bought at the \$92.00 level.

Regional bank Zions Bancorp (ZION) posted earnings and sales that were ahead of estimates while customer deposits jumped 3% from the first quarter. The stock will need to trade above its 200-day moving average in order to be in a longer term uptrend and that is 11% above Friday's close.

ZION can be bought in the \$35 range which is its 5-day moving average with close attention being paid as it approaches its 200-day mav.

While ZION and other Regional banks posted sharp profit declines, they were above lowered estimates which was enough to spark a rally. In addition, their deposits were stable or higher compared to the first quarter. This amounted to good news for investors as confidence in the banking system appears to have been restored.

We'll continue to add new names from our Watch List as warranted.

Daily Chart of the Health Care Select Sector SPDR Fund (XLV)



Healthcare Sector Breaks Out Of Base On Volume

Healthcare stocks regained their uptrend amid an earnings driven rally in Pharmaceuticals, Biotech and Health Care Providers. Similar to Banks, many stocks in these areas have been underperforming and signs of possible growth going into the 2nd half of this year was welcome news.

The Healthcare sector is now in the green for the year as it has a positive return.

Today we're adding pharmaceutical company Novo Nordisk (**NVO**) to our Suggested Holdings List after last week's close above resistance at its 50-day moving average. The company produces two weight loss drugs while also working on additional treatments that are seeing positive results in trial studies.

On Friday, Wall Street firm Morgan Stanley raised their forecast for annual sales of weight loss drugs to \$77 billion as patient demand for the medicines has outstripped supply.

NVO is in a buy zone with the MACD entering positive territory where it joins the already positive RSI.

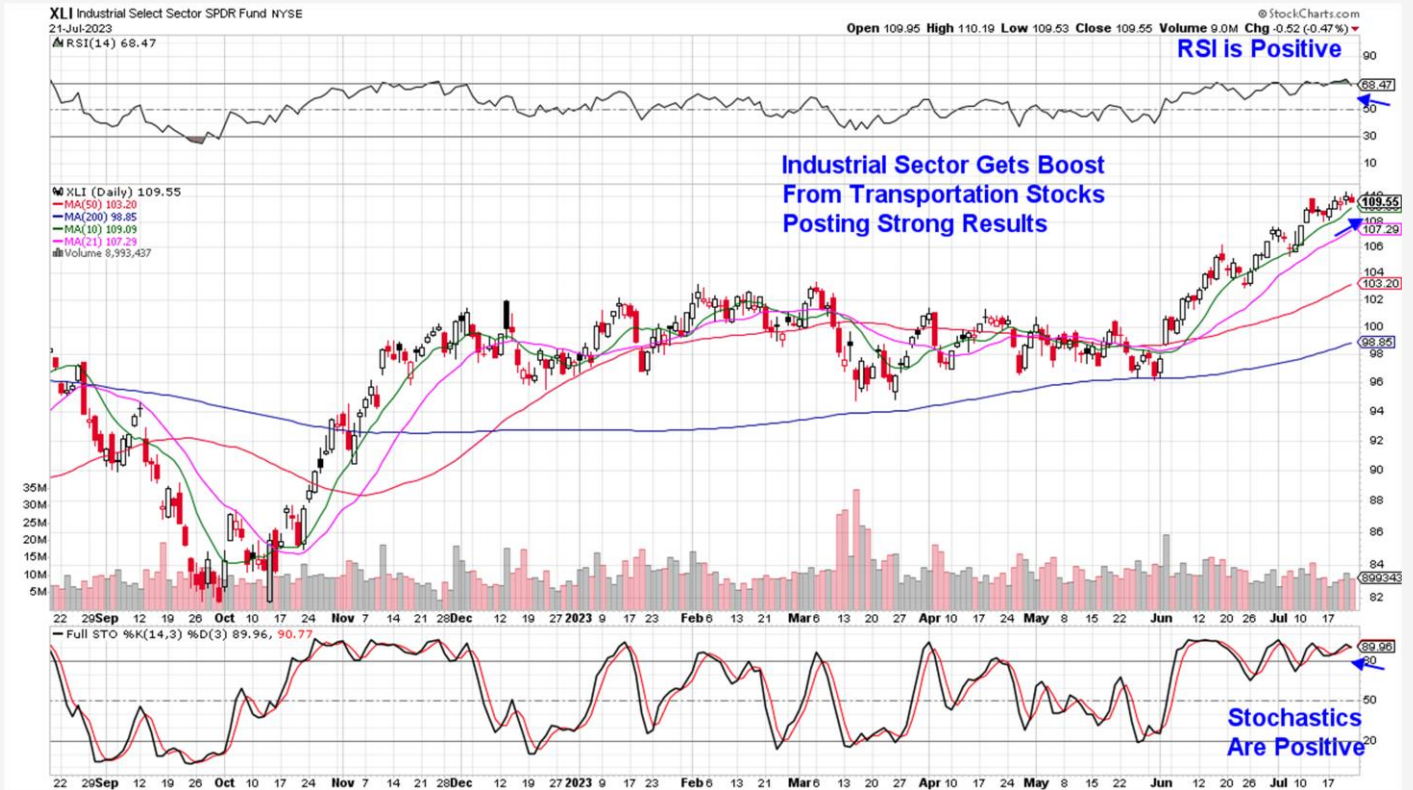
Next Thursday, Pharmaceutical giant AbbVie (**ABBV**) from our Watch List is due to report quarterly results. We'll be monitoring the stock's results as well as investors' response with an eye toward adding it to our Suggested Holdings List.

Intuitive Surgical (**ISRG**) pulled back sharply last week despite reporting earnings and sales that were ahead of estimates. The selling took place after management cited a slowdown in bariatric procedures due to increased use of weight loss drugs. Not all of the news was bad for the company as sales of instruments popped 20% - well above estimates.

Reduced bariatric procedures is hard for investor's to ignore however as it accounts for approximately \$400 million in instrument revenue for ISRG.

Selling on Friday pushed the RSI down to 50 and a close below this level will have us considering removing the stock from our Suggested Holdings List.

Daily Chart of the Industrial Select Sector SPDR Fund (XLI)



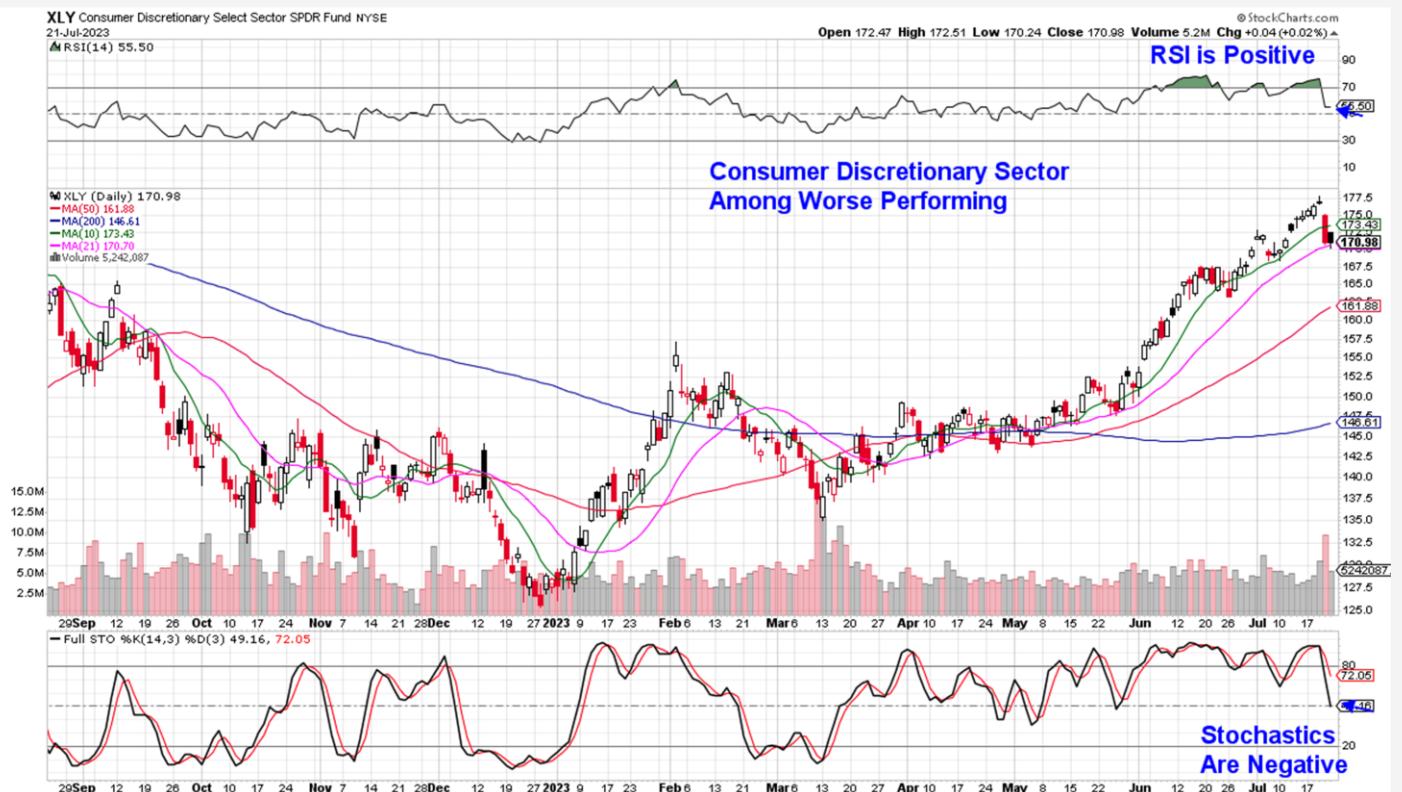
Industrial Sector Remains Strong

Transportation stocks were the biggest gainers in this sector led by Trucking names that are hitting new highs ahead of the release of their earnings next week. Recent gains in many of these stocks has occurred due to the possibility that trucking stock Yellow will declare bankruptcy with peer truckers gaining their business.

Airline stocks continue to rally as well, due to strong demand among travelers. Strength in the Transportation Index (**TRAN**) is positive, as it implies economic strength and reduced recession possibilities as purchased goods need to be moved and consumers are spending on travel.

Pentair (**PNR**) from our List remains in an uptrend ahead of the release of their earnings before the markets open on Thursday. The company has been executing cost cutting and other initiatives in an effort to stem any possible slowdown in their core pool equipment business.

Daily Chart of the Consumer Discretionary Select Sector SPDR Fund (XLY)



Consumer Discretionary Sector Pulls Back

The Consumer Discretionary sector pulled back amid a drop in Auto and Housing stocks which fell in response to weak earnings and/or economic data.

Tesla (**TSLA**) fell 7.5% for the week after announcing that operating profits fell 2.6% vs last year despite revenues improving by 47%. The selling occurred on above average volume with the RSI dipping into negative territory.

TSLA was able to eventually recover from a 9.8% drop after first quarter earnings were released in April however, there was another 5% drop which put the stock into oversold position before it reversed higher.

At this time, we're removing TSLA from our Suggested Holdings List as near term, the stock is poised for further downside. Longer term investors can stay with TSLA as the weekly chart is constructive with its MACD and RSI in positive territory.

Next week's earnings release from General Motors (**GM**) may provide further insights into the state of the Auto industry.

Housing stocks pulled back after Thursday's uptick in interest rates due to the weekly employment numbers. Meritage Homes (**MTH**) fell 3.5% for the week ahead of the release of their earnings next Thursday after the market's close.

Peer home construction company DR Horton (**DHI**) reported earnings last Thursday and they crushed estimates due to the strong market for new-home sales.

On a positive note, travel related stocks fared well last week led by Airbnb (**ABNB**) which rallied 3.8% amid analyst upgrades ahead of their release of earnings in two weeks. On Monday, ABNB broke out of a 5-month base which pushed the RSI into an overbought position. The stock is in a strong uptrend however and can be bought in the \$146 range at its 5-day moving average.

Chipotle (**CMG**) outpaced its Restaurant peers with a 2% rally ahead of the release of their earnings on Wednesday after the market closes. The stock received several price target upgrades to as high as \$2,570 last week after announcing their expansion into the Middle East. Upgrades just before earnings are historically positive.

O'Reilly Automotive (**ORLY**) is also due to release 2nd quarter results next Wednesday after the close and the stock received an overweight recommendation from Wells Fargo on Thursday. As cited, an upgrade so close to earnings often foretells a positive report simply because analysts will rarely put their reputation at stake unless their analysis is constructive.

Deckers (**DECK**) will release results on Thursday after the close of the markets. Two major Wall Street firms upgraded their price targets on Friday to as high as \$715. The company continues to see growth in their sneaker line HOKA which retails for up to \$180 per pair.

DECK pulled back 1% this week which put the RSI lower and out of an overbought position which is constructive.

Daily Chart of the Technology Select Sector SPDR Fund (XLK)



Technology Sector Ends Week Flat

The Tech sector pulled back after hitting a new high on Wednesday due primarily to slippage in Semiconductor stocks that responded negatively to weak growth outlooks from both ASML Holding (**ASML**) and Taiwan Semi (**TSM**) who reported quarterly results.

Among Semiconductor stocks on our List, Monolithic Power (**MPWR**) was hardest hit with a 5.5% decline that pushed the stock below its 21-day moving average. The RSI closed below 50 and last week's price action points to further downside over the near term. Longer term, the stock can be held as the weekly chart remains constructive.

Lam Research (**LRCX**) pulled back to its 50-day moving average ahead of the release of their earnings after the markets close next Wednesday. The stock remains within its flat base area of consolidation which has been taking shape over the past two months.

A move below its 50-day moving average would have us removing LRCX from our List while a close above its 10-

day moving average would put the stock into a buy zone. The release of their earnings will provide clarity.

Axcelis Technologies (**ACLS**) pulled back from a new high in price to close the week below its 21-day moving average and the RSI is now in negative territory. Late June and early July pullbacks in ACLS found support at the 21-day mav before trending higher and the RSI did not turn negative.

We would not be a buyer of ACLS now as it would need to close back above its 10-day moving average at \$181 before being in a buy zone.

Broadcom (**AVGO**) gained 1% last week amid news that their acquisition of VMware is moving closer to completion. The stock is one of four companies that have robust opportunities ahead in AI and its diversification into other areas as well has the company in a better position to remain a relative outperformer. AVGO is in a buy zone.

Nvidia (**NVDA**) pulled back more than the group with the Nasdaq 100 rebalancing being a possible factor. The weighting of NVDA is among those top names being reduced. Should the stock pull back further, the 21-day moving average is the next area of possible support and it's 2% away. Recently a pullback to this area has been an ideal buy point.

Software stocks were flat for the week with the group remaining in an uptrend after pulling back from an overbought position and finding support at its 10-day moving average. (using ETF IGV)

Uber (**UBER**) was the top performer among Large Cap names in this group with a 5.5% gain that followed the company being cited as the best internet stock by a major Wall Street firm earlier in the week. UBER is in a strong buy zone as it finds support at its 5-day moving average.

Adobe (**ADBE**) remains above its 10-day moving average and in an uptrend as it finds support. ADBE has been a relative outperformer of late due to its highly touted AI suite of tools named Firefly. The stock is in a strong buy zone after pulling back to its 10-day moving average.

Microsoft (**MSFT**) is due to report their earnings on Tuesday after the market's close. The stock hit a new high in price last week after announcing their plans to charge a premium price to use their AI features. The stock pulled back with other mega-cap Growth names and is finding support at its 21-day moving average.

Shopify (**SHOP**) underperformed its peers after a Wall Street downgrade due to the stock's valuation. SHOP pulled back to its 21-day moving average with its RSI and MACD in positive territory. A move back above its 10-day moving average at \$66.5 would put the stock into a buy zone.

Apple (**AAPL**) pulled back from a 3-week base that took place following news that they've created a framework for large language models for generative AI. The stock remains in a confirmed uptrend ahead of the release of their earnings early next month.

Both the Semiconductor (**SOXX**) and Software (**IGV**) groups remain in an uptrend as they're finding support at their 21 and 10-day moving averages respectively with a positive RSI and MACD.

That said, Software stocks are in a stronger position to trade higher at this time due to higher volume days on their rally last week and only a 1-day pullback that keeps the RSI and MACD in an elevated position.

Semiconductor stocks on the other hand, have an RSI that's close to moving into negative territory and last week's pullback pushed well known companies below their 50-day moving average. This would include Advanced Micro (**AMD**) ASML, Taiwan Semi (**TSM**), KLAC and Applied Materials (**AMAT**) to name a few.

Not all of the news is bad for Semiconductor stocks however, as INTC, QCOM and TXN are larger names that appear poised for further upside as these lower multiple names (lower valuations) are above key moving averages that are trending higher.

Earnings reports next week from Intel (**INTC**) and Texas Instruments (**TXN**) as well as Lam Research (**LRCX**) will provide further insights into the health of the Semiconductor industry.



Summary

Last week's pullback in the Technology sector may signal that this year to date outperformer is due a pause. At this time, the uptrend remains in both the daily and weekly charts which we'll continue to monitor as we head into this summer's busiest week for the markets. Any pause or pullback in these high growth stocks could present an ideal buying opportunity.

The good news is, we're seeing advances beyond Technology as evidenced by the Dow Jones Industrial Average posting its longest winning streak in nearly six years. Outperformance among Healthcare, Finance and Energy names in this Index gave it a boost.

Each of these areas are in the worst performing sectors this year and money flows into these areas point to a confidence that the Federal Reserve will be able to tame inflation without the economy going into a recession.

Small Cap stocks are also on the move higher which is another signal of investor confidence. The Russell 2000 is up 3.8% so far this month relative to the Nasdaq and S&P 500 which have both gained just under 2%.

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									
AMZN	Amazon		\$134.70	7/16/23	-3.5%	July 27		Retail - Internet	
ABNB	Airbnb		\$143.40	7/16/23	3.5%	August 25		Leisure – Travel Booking	
CMG	Chipotle Mexican Grill		\$2,101.00	6/28/23	0.0%	July 26		Retail Restaurant	
DECK	Deckers Outdoors		\$512.70	6/19/23	5.5%	August 25		Retail - Shoes	
MTH	Meritage Homes		\$137.06	6/25/23	3.0%	July 27		Residential Builder	
ORLY	O’Reilly Automotive		\$955.30	7/2/23	5.0%	July 26		Retail Automotive	
TSLA	Tesla		\$214.00	6/4/23	20.0%	July 19		Auto Manufacturer	
FINANCIAL									
MS	Morgan Stanley		\$93.10	7/19/23	1.0%				
ZION	Zions Bancorp		\$34.40	7/19/23	5.0%				
INDUSTRIAL									
PNR	Pentair		\$64.60	7/2/23	3.0%	July 25		Machinery	
HEALTHCARE									
ISRG	Intuitive Surgical		\$300.22	4/3/23	11.0%	July 18		Medical Equipment	
NVO	Novo Nordisk ADR		\$165.70	7/23/23		August 11		Pharmaceutical	
TECHNOLOGY									
ADBE	Adobe		\$507.40	7/12/23	2.5%	Software			
AAPL	Apple		\$160.30	3/26/23	22.0%	Telecom – Cons Products			
ACLS	Axcelis Technologies		\$137.00	5/17/23	31.0%	August 4		Semiconductor	
AVGO	Broadcom		\$657.50	5/17/23	36.5%	August 2		Semiconductor	
LRCX	Broadcom		\$642.00	6/28/23	-2.5%	Semiconductor			
MPWR	Monolithic Power		\$561.00	7/12/23	-4.5%	Semiconductor			
MSFT	Microsoft		\$276.20	3/16/23	31.0%	July 25		Software	
SHOP	Shopify		\$65.90	7/12/23	0.0%	Software			
UBER	Uber Technologies		\$437.80	5/7/23	31.0%	August 2		Software	
NVDA	Nvidia Corp		\$178.40	1/22/23	165.5%	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.

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