



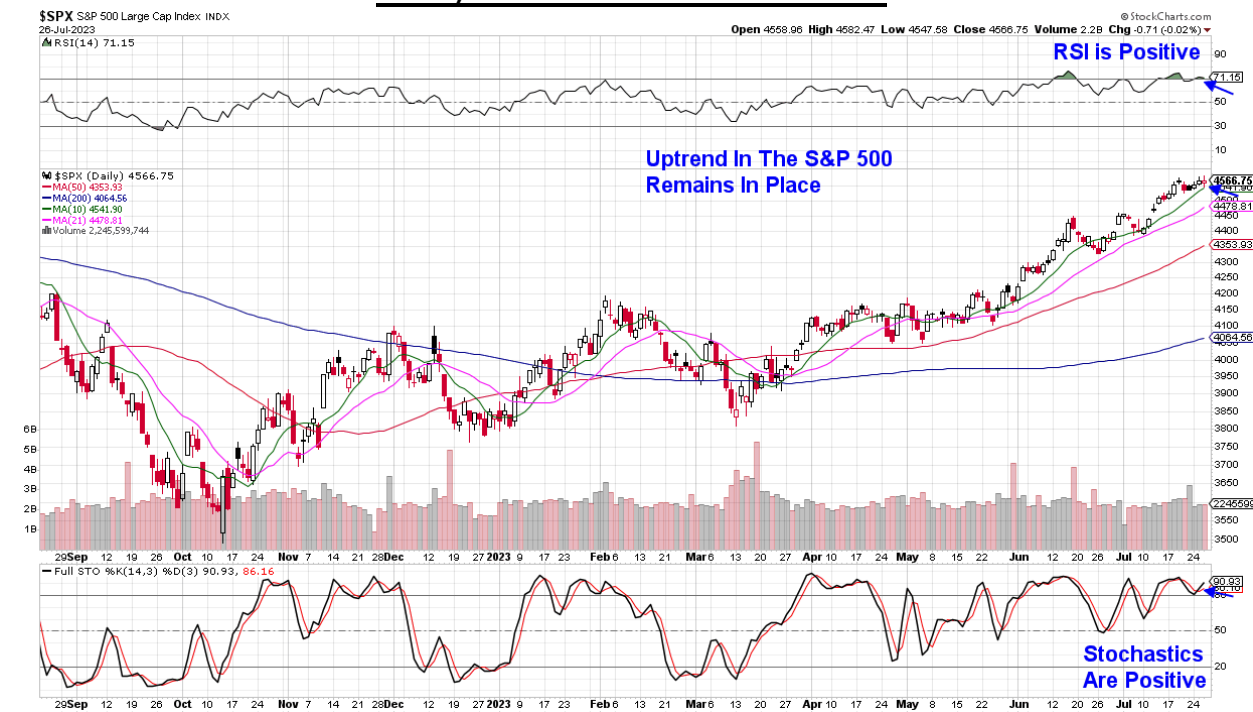
THE MEM EDGE

Midweek Report

Wednesday July 26, 2023

- U.S. Economy Grows At Slowest Pace In 5 Months
- Inflation Remains Sticky
- Consumer Confidence Climbs To 2 Year High
- New Home Sales Lose Momentum In June
- FOMC Raises Rates By 0.25% and With Fed Undecided About Future Hikes
- 2nd Quarter GDP and Core PCE Data Due Thursday & Friday
- Removing Novo Nordisk (NVO) From Suggested Holdings List and Anticipate Removing Chipotle (CMG)

Daily Chart of the S&P 500





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The S&P 500 has gained 0.4% for the week so far in a move that keeps its RSI and Stochastics in positive territory, with the uptrend in this Index firmly in place.

The Nasdaq has gained 0.5% which keeps the uptrend in place with this Index as well, as the RSI and Stochastics are in positive territory.

The markets were on edge ahead of today's Federal Reserve approval of a ¼% rate hike which had been widely anticipated. As for rate hikes going forward, Powell stated that the central bank will be making data-driven decisions on a meeting by meeting basis.

The news was met with indecision among investors as the markets will remain on alert for the release of any new data. First up will be this Friday's PCE report as it's the Feds preferred gauge of inflation.

Earnings reports are continuing to dominate price action within the markets with Alphabet (**GOOGL**) gaining 5.5% on news that ad sales are growing while Microsoft (**MSFT**) fell 4% after lowering guidance going forward. Both companies cited their intent to spend aggressively in AI infrastructure over the next year which gave top AI chip provider Nvidia (**NVDA**) a boost.

At this time, Microsoft (**MSFT**) is finding support at its 50-day moving average; however, the RSI has turned negative on the daily chart. While this is a near term negative for the stock, we're keeping it on our Suggested Holdings List. The lack of a move back above its 10 or 21-day moving average by the end of this week, will have us reconsidering our position.



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Among other Software stocks on our List, Shopify (**SHOP**) is continuing to pull back ahead of the release of their earnings next Wednesday. The good news is, the volume is very light and analysts are raising estimates going into their report. We would not be a buyer on this pullback but instead, would wait for a close above its 10-day moving average at \$67.

Adobe (**ADBE**) is pulling back slightly and a move back above its 10-day mav at \$521.5 would put the stock back into a buy zone.

Microsoft's quarterly results today showed a slight slowdown in their Azure Cloud services division which in turn, pulled down other cloud based software stocks. A pullback in the group is not concerning at this time as it's in line given its overbought position a week ago. (using ETF IGV)

Semiconductor stocks are flat for the week led by a decline in select semi equipment providers to the smart home and health devices markets, after Silicon Labs (SLAB) guided growth estimates lower in both areas today. The stock fell 9% today with other Semi stocks in the same group falling 4%-5% on the day.

The price action in these stocks highlights the fragility of Semiconductors that are not closely tied to the growth taking place in AI related categories.

Each of the stocks on our List are involved in AI development with Lam Research (**LRCX**) posting quarterly revenues above estimates today as they scramble to meet a surge in demand fueled by AI adoption. If today's 2% gain after the market's close holds, **LRCX** will be in a strong buy zone tomorrow. We're on the



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lookout for a bullish MACD crossover on its daily chart to confirm a new uptrend. (black line up through the red)

Nvidia (**NVDA**) is also outperforming this week with the stock trading above its 5-day moving average. The stock is in a buy zone with a bullish MACD putting the stock into a strong buy zone.

Consumer Discretionary stocks are being led lower by a continued pullback in heavyweight Amazon (**AMZN**) ahead of the release of their earnings next Thursday. We would not be a buyer on this pullback just yet. A close above its shorter term moving averages similar to early March and early May would be quite constructive.

Deckers (DECK) AND O'Reilly (ORLY) are trending higher going into the release of their earnings tomorrow after the markets close.

Chipotle (**CMG**) reported after the close today and the results were not good as they showed a slowdown in same store sales for the 2nd quarter. We anticipate the stock will trade below its 50-day moving average tomorrow which will put the stock into a sell zone with the RSI and MACD likely to enter negative territory.

Bank stocks are posting another strong week so far with names such as Zions Bancorp (**ZION**) gaining 6.5%. The stock is in a strong uptrend with the 200-day moving average being the next area of possible resistance which is 4.4% away.

Healthcare stocks are the worst performers this week amid softness in Large Cap Pharmaceuticals such as recently added



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Novo Nordisk (**NVO**). NVO was hit particularly hard after news today that the UK is probing the company's weight loss drug over suicidal, self harming thoughts.

We're removing **NVO** from our Suggested Holdings List after a close below its 50-day moving average coupled with a negative RSI and MACD.

Intuitive Surgical (**ISRG**) is struggling as well after the company's soft outlook on bariatric procedures due to increased use of weight loss drugs. The stock is finding support at its 50-day moving average however, we would not be a buyer on this pullback until we see a close above its 21 and 10-day moving averages. A weekly close below its 50-day mav would have us most likely removing ISRG.

Meta Platforms (**META**) - not on our List - reported revenues ahead of estimates after the close today while guiding growth estimates higher as well. The stock is surging after hours. Last quarter's strong quarterly results from META on April 26th, was instrumental in the Nasdaq's pivot into a strong uptrend as other Growth stocks took note.

Overall, we're seeing generally positive quarterly results with select names reversing lengthy downtrends and they're being added to our Watch List. This would include 3M (**MMM**) and Danaher (**DHR**) among others.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report