



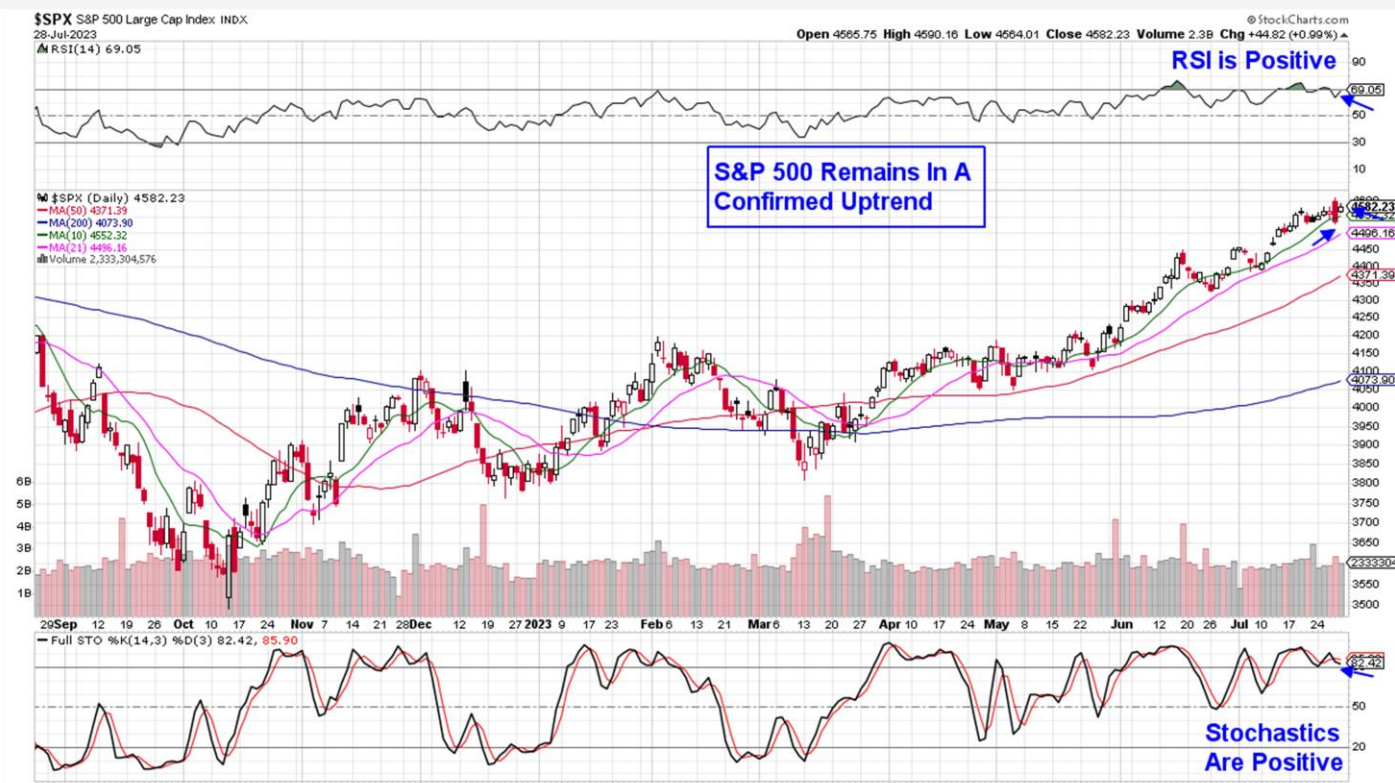
THE MEM EDGE

July 30, 2023 | Weekly Report

This Week's Highlights

- 2nd Quarter GDP Speeds Up To 2.4%
- Federal Reserve Economists No Longer See A U.S. Recession
- Consumer Confidence Climbs To 2 Year High
- FOMC Raises Rates By 0.25% and With Fed Undecided About Future Hikes
- Core PCE Shows Inflation Continuing To Cool
- July Employment Data and More Earnings Next Week

Daily Chart of S&P 500 Large Cap Index (\$SPX)



The S&P 500 gained 1% for the week in a move that keeps this Index above its 10-day moving average. With the RSI and Stochastics in positive territory, the uptrend in this Index remains in place.

Last week's advance puts the S&P 500 within 5% of an all time high in price. On the weekly chart of this Index, the RSI has entered an overbought position (above 70). While not concerning at this time - as we've seen this occur repeatedly during the late 2021 uptrend - a move into the 80 range has preceded a more pronounced

pullback. We'll continue to monitor the RSI on the weekly chart.

The Nasdaq gained 2% for the week led by sharp outperformance in Meta (**FB**) and Alphabet (**GOOGL**), as well as Semiconductor stocks. The gains were in response to strong quarterly earnings reports as well as positive guidance regarding growth going forward. Additional mega-cap FAANG names outperformed as well; however, it was more modest.

While earnings reports continue to impact the performance of companies releasing results and in many cases, their peer stocks, last week's price action in the markets was also heavily influenced by economic reports and the Federal Reserve's comments.

Most notable was data confirming that the economy remains strong, with 2nd quarter GDP data coming in at 2.4% vs an estimated 2% level. The report originally sparked a pullback in the markets due to fears of higher interest rates from the Fed to cool the economy. However, Friday's report of a slowdown in inflation negated these fears, and the markets regained their rally mode.

Comments from the Federal Reserve on Wednesday were mixed with Powell acknowledging that inflation is now well off its peak; however, he emphasized that future rate hikes remain on the table and will be dependent on inflation and jobs reports going forward.

In other words, we're close to seeing the rate hike cycle end but until then, every economic and inflation data point will be closely watched.

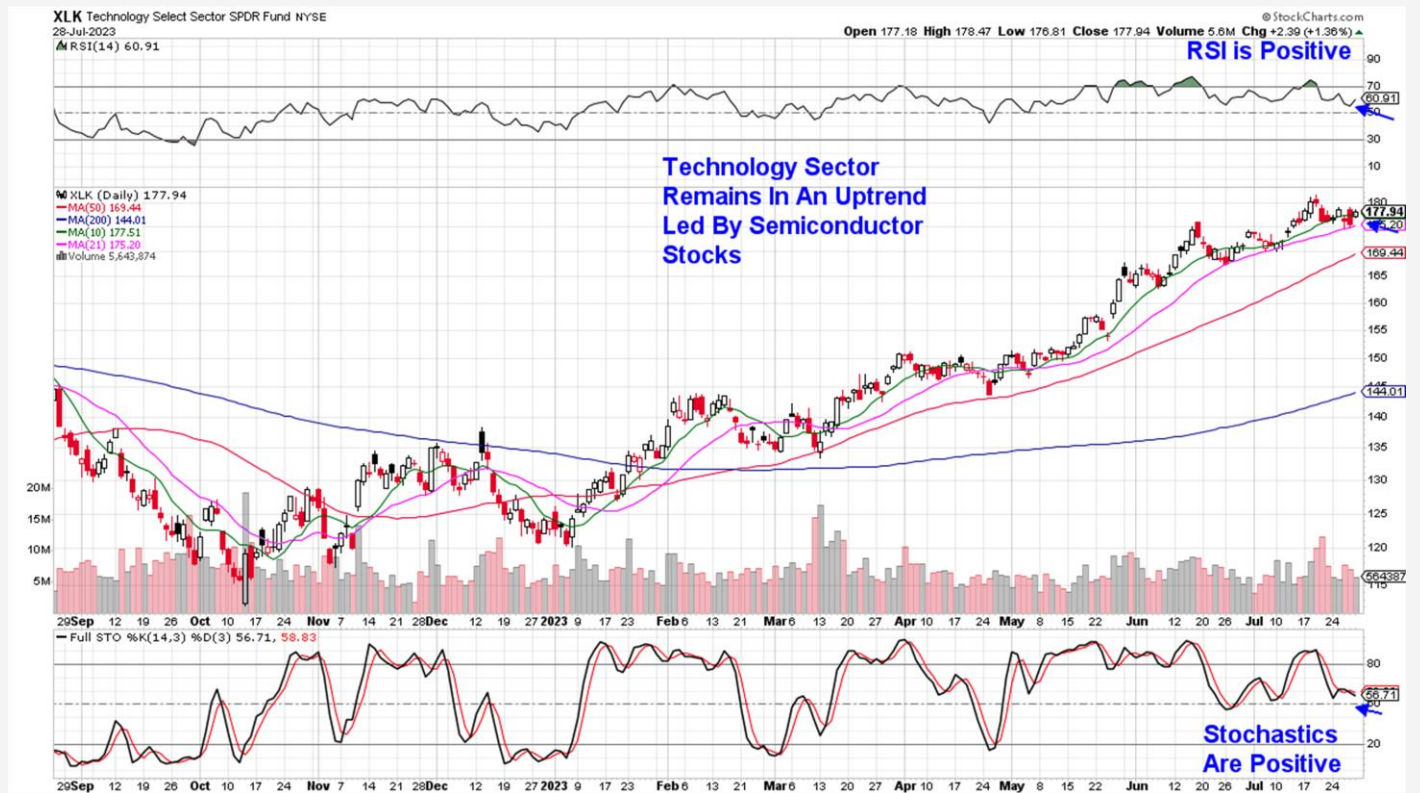
Overall, there are many reasons to be bullish on the markets with the Fed and other global central banks nearing an end to rate-hikes while inflation continues to moderate and economic growth remains resilient.

In turn, we've seen a broadening of leadership in the markets as economically sensitive areas such as Small-Cap stocks and cyclical sectors, have joined Growth stocks which have led for most of this year. Continued gains in beaten down Bank stocks is also constructive, as signs that the March banking crisis may be mostly behind us, is providing investors confidence in these financial companies.

Next week, mega cap names Amazon (**AMZN**) and Apple (**AAPL**) from our List will be posting their results which can historically be market moving. July employment data on Friday will also be closely watched, as Powell has cited the continued strength in the jobs market as a concern.



Daily Chart of Technology Select Sector SPDR Fund (XLK)



Technology Sector Mixed For The Week

The Technology sector was up 1%, as sharp gains in select Semiconductor stocks were offset by losses in Telecom Equipment names. Both areas were impacted by earnings reports with AI related Semi names forecasting strong demand going forward, while heavyweight Telecom names expect lower sales due to reduced cloud computing spending.

This dynamic exemplifies the rotation taking place within Technology as spending on cloud computing is slowing, while AI related technology growth is heating up.

AI related Semi stock Lam Research (**LRCX**) was the top performer in the S&P 500 last week after posting a 16% gain on the heels of reporting robust quarterly results and a bullish forecast due to AI driven demand for their equipment.

The results, as well as positive comments from LRCX's CEO that generative AI will drive demand for memory fabs for years to come, pushed other Semiconductor stocks in the AI space higher. LRCX gapped up into a 1-month base breakout on heavy volume. With the RSI in an overbought position, we'd be a buyer on any pullback to the \$680 range.

Axcelis Technologies (**ACLS**) posted a 10% gain ahead of the release of their earnings on Wednesday after the

market closes. The company provides equipment that's needed by the world's largest chipmakers amid heightened demand to produce chips for AI processing.

ACLS broke out of a 1-month base on volume, and while the stock is extended above a \$181 buy point at its 5-day mav, the MACD is poised to post a positive crossover which would signal a new uptrend.

Nvidia (**NVDA**) gained a more modest 5.5% gain for the week which put the stock back into an uptrend after closing above its 5 and 10-day moving averages. The company dominates the AI semiconductor market with GPU's that are well suited for AI. NVDA is in a strong buy zone.

Broadcom (**AVGO**) was surprisingly flat for the week which keeps the stock in a trading range that began earlier this month. A close above its Tuesday high of \$923 would put AVGO into a strong buy zone - particularly if we also see a MACD crossover which would confirm a new uptrend. (black line up through the red)

Last week's rally in Semis pushed the group back into an uptrend. (using ETF SOXX) Next week, ON Semiconductor (**ON**) (not on our List) will be releasing their quarterly results and their report will shed light on demand dynamics for EV-related chip companies.

Software stocks were flat for the week (using ETF IGV) due to declines in companies that posted weak results or a reduced growth outlook. Microsoft (**MSFT**) pulled back due to a light outlook for sales of their cloud system Azure, while also increasing their spending on AI investments.

MSFT recovered from a close below its 50-day moving average after a Friday rally pushed it back above this key mav. MSFT needs to close above its 10 and 21-day moving average before regaining its uptrend and being in a buy zone.

Adobe (**ADBE**) posted a 1.7% gain as the provider of AI services for creative professionals closed the week in an uptrend. ADBE regained its 5 and 10-day moving averages with a positive RSI and MACD. The move is similar to earlier this month when ADBE entered a new uptrend. The stock is in a strong buy zone with a positive MACD crossover providing even further conviction.

Uber (**UBER**) had similarly bullish price action with a close above its shorter term moving averages following a 2% rally. The stock is in a strong buy zone after a late-week price target upgrade however, UBER is due to report earnings on Tuesday before the markets open.

UBER's late April release of strong earnings sparked a strong uptrend however, the stock was more attractively priced, as it was at a year-to-date low last quarter.

Shopify (**SHOP**) closed above its shorter term moving averages and into a buy zone ahead of the release of their quarterly results on Wednesday after the market's close. SHOP has seen Wall Street upgrades recently with a price target as high as \$570 which is generally constructive going into an earnings report.

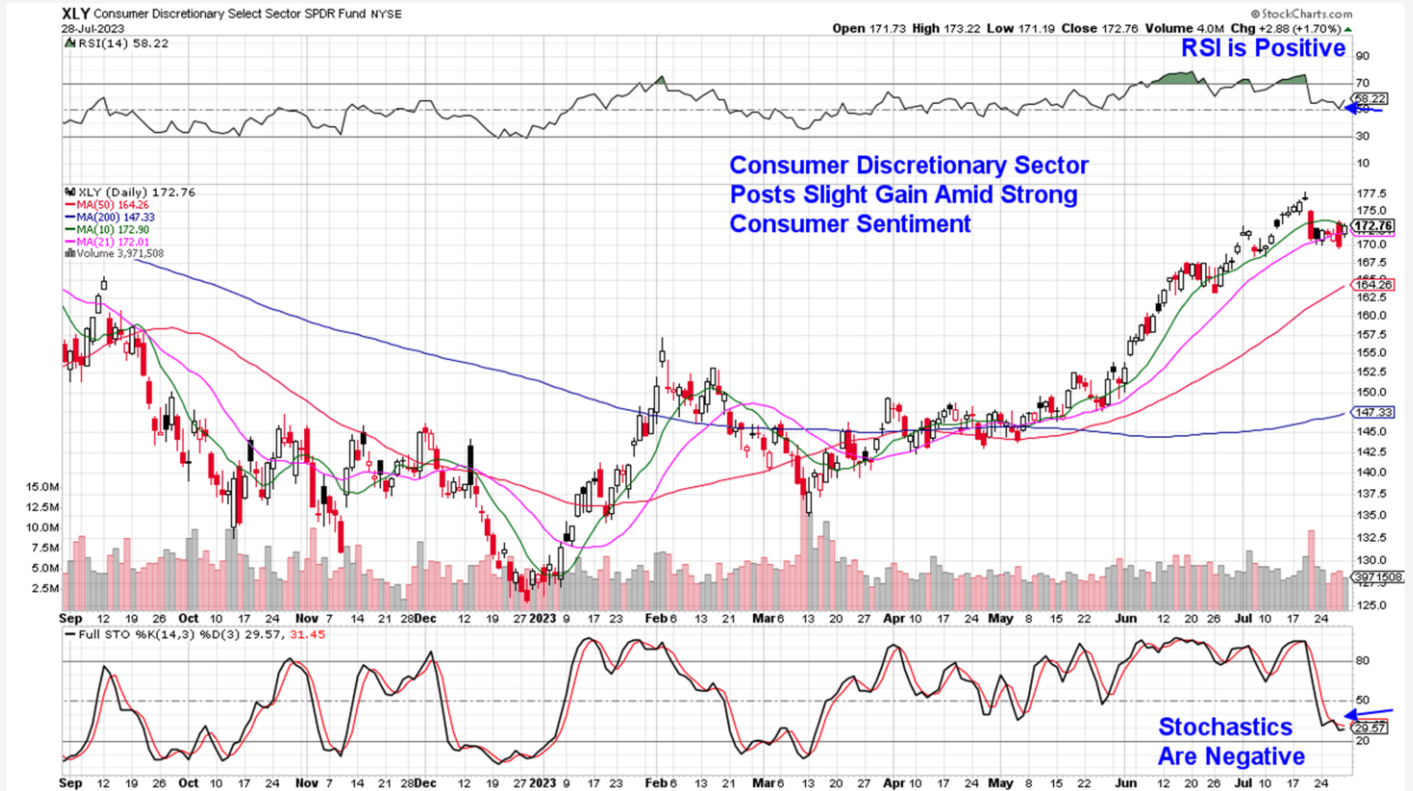
As you know, I'm not an advocate of buying stocks just before earnings due to the volatility risk.

Apple (**AAPL**) will be releasing their earnings on Thursday after the market's close. Investors are looking for increased iPhone sales as well as growth in their services segment to improve the company's outlook. This is because AAPL is lagging in their AI related growth prospects.

The stock remains in a confirmed uptrend after last week's 2.5% rally kept it above its moving averages with positive momentum indicators.



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



Consumer Discretionary Sector Trades In Line With Markets

Discretionary stocks were mixed as earnings reports caused outsized moves in select names. Meritage Homes (**MTH**) is a prime example after sharp rally on Friday pushed the stock out of a 2-week base on heavy volume.

Last week's 7% gain for MTH took place after the company reported a 2nd quarter record number of home sale closings, with earnings that were 42% above estimates. The stock is in a buy zone.

Restaurant stock Chipotle (**CMG**) experienced a negative response to earnings after losing 9% for the week. The decline was due to modest guidance for earnings going forward as well as a slight miss on revenues.

Unfortunately, CMG was priced for a perfect earnings report, and the break below its 50-day mav with a negative RSI and MACD has us removing the stock from our List.

Leisure related stocks fared well last week with Airbnb (**ABNB**) rallying to a near term high in price ahead of the release of their earnings on Thursday, after the market's close. The stock received a price target upgrade to \$174 on Tuesday which is a constructive event before earnings.

Decker's (**DECK**) pulled back despite reporting earnings and sales that were ahead of estimates. In addition, the company guided growth estimates higher going forward due to the increasing popularity of their Hoka running shoes. DECK would need to regain its 10-day moving average at the \$545 range in order to be back into a buy zone.

The stock received price target upgrades from 5 major Wall Street firms after the release of earnings with a target high of \$720 from UBS.

O'Reilly (**ORLY**) also pulled back despite reporting earnings and sales that were ahead of estimates. In addition, their CEO raised growth guidance going forward due to strong parts demand.

ORLY was trading at a new high in price prior to the release of their earnings implying that despite coming in ahead of estimates, their report was not strong enough to support the lofty valuation. The stock has a history of recovering from a close below its 50-day with early June being the most recent.

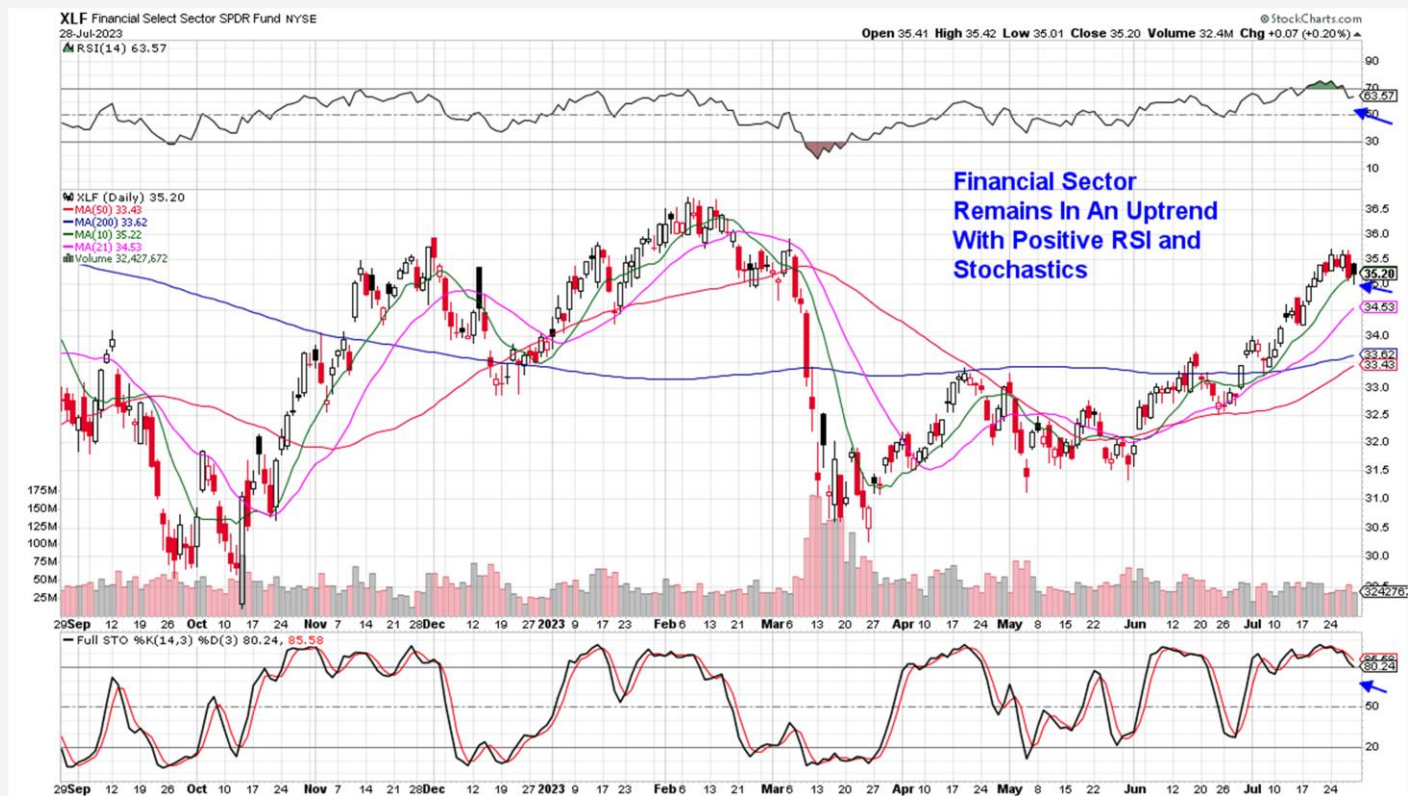
Longer term investors can remain with ORLY due to historical precedence as well as the fact that the weekly chart remains positive. Due to its negative near term position, we'd recommend lightening up on ORLY and

should it be unable to regain its 50-day moving average over the next several days, we may remove it from our Suggested Holdings List

Amazon (**AMZN**) closed the week in a very bullish position ahead of the release of their earnings on Thursday after the markets close. While AMZN's cloud computing division may see a deceleration, investors

are looking for growth in their Ad Sales and Retail divisions to offset that. A continued close above each of its moving averages would keep the stock in a buy zone.

Daily Chart of Financial Select Sector SPDR Fund (XLF)



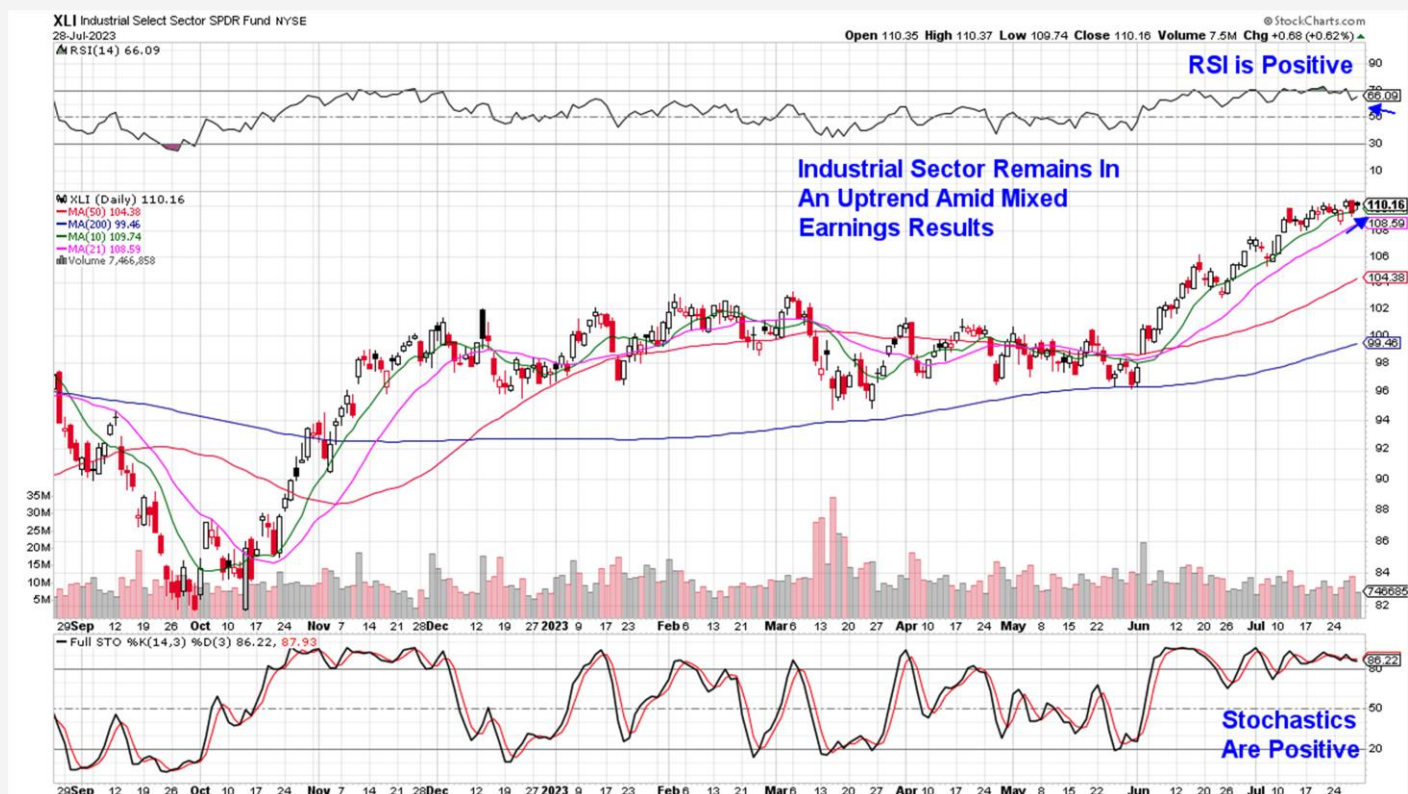
Financial Sector Underperforms

Gains in Regional Bank stocks are continuing to boost this sector. Zion Bancorp (**ZION**) was the top performer among Midsize Banks with a 7% rally that keeps this stock in an uptrend as it finds support at its 5-day moving average.

ZION is currently 3.5% away from its 200-day moving average which is a key area of possible upside resistance. A move above this level which is at \$40, would be quite positive for the probability of further near-term upside.

Morgan Stanley (MS) pulled back 2.5% to close the week just at its 10-day moving average. The decline allowed the RSI to move lower and out of an overbought position which is constructive. The stock is in a buy zone.

Daily Chart of Industrial Select Sector SPDR Fund (XLI)



Industrial Sector Remains In Uptrend Despite Underperformance

Industrials were mixed as earnings season heated up last week. Among the losers were Airline stocks which came under selling pressure after disappointing guidance from Alaska (**ALK**) and Southwest (**LUV**) spread throughout the group. Trucking and Rail stocks were on the rise however, amid earnings and sales that were ahead of estimates.

Improvement in Trucking and Rail stocks points to an improving economy as purchased goods need to be transported.

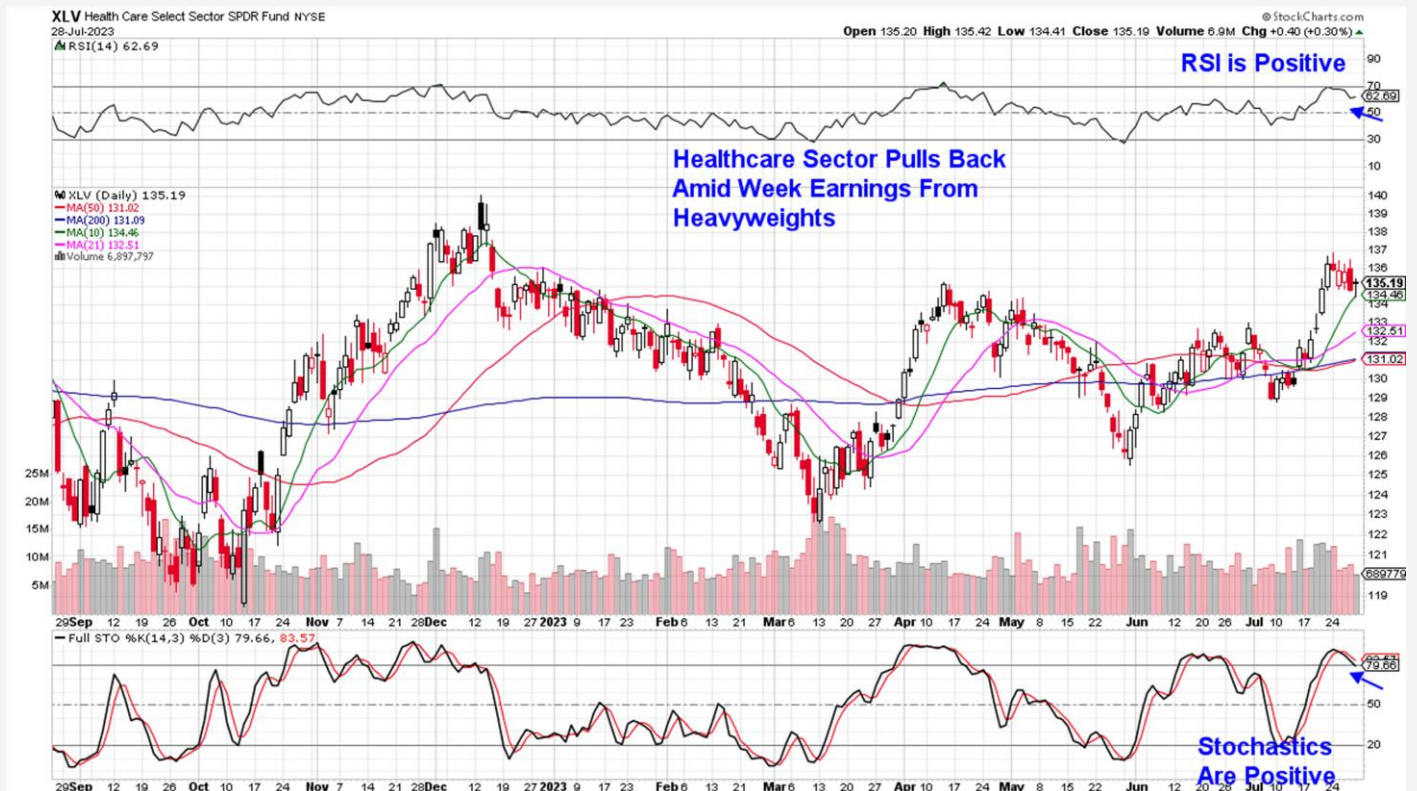
The Machinery group was equally mixed with Pentair (**PNR**) being the top performing Large Cap name after a 5% rally on the heels of reporting earnings and sales that were ahead of estimates. The stock gapped up into a 3-week base breakout on heavy volume. PNR is extended above its moving averages with an RSI in the overbought position. The stock can be bought on a pullback to the \$68 range.

Next week, several home construction products manufacturers from our Watch List will be reporting quarterly results and their results, as well as investors' response, will be closely watched as we continue to screen for additional buy candidates from the Industrial sector.

We are also tracking 3M (**MMM**) after last week's response to the company's earnings pushed the stock above its 200-day moving average in a move that reversed its downtrend. We'd like to see the stock trade above this key moving average for longer, to confirm the new uptrend.

Next Tuesday, heavyweight Industrial stock Caterpillar (**CAT**) will be releasing their quarterly results. The report, as well as management's growth guidance going forward, may impact other names in this sector.

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

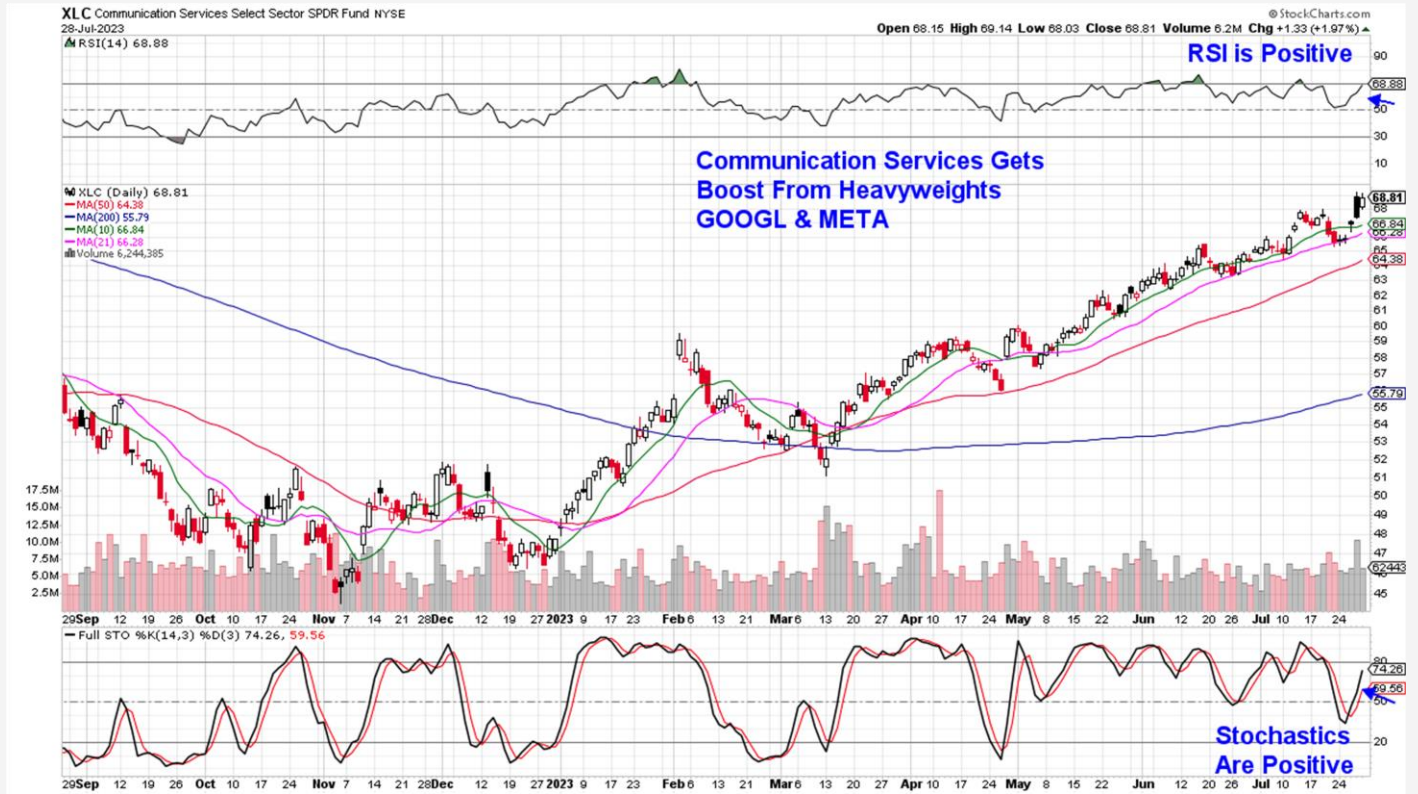


Healthcare Sector Underperforms

Healthcare stocks pulled back from the prior week's sharp gains led by Large Cap Pharma where several names traded lower on weak earnings reports. Biotechs also pulled back, led lower by Biogen (**BIIB**) who reported results below estimates.

Intuitive Surgical (**ISRG**) pulled back further last week and while the stock is finding support at its 50-day moving average, the RSI is in negative territory with the MACD poised to turn negative as well. We're removing the stock from our Suggested Holdings List.

Daily Chart of Communication Services Select Sector SPDR Fund (XLC)



Communication Services Sector Is Top Performing

Internet Related stocks Alphabet (**GOOGL**) and Meta Platforms (**META**) gave this sector a big boost after posting sharp gains in response to positive earnings reports and guidance.

We're adding both stocks to our Suggested Holdings List.

Alphabet reported strong 2nd quarter results amid signs that digital advertising appears to be recovering. Their YouTube division returned to growth after posting a decline in Q1 while Google Search posted an uptick in growth as well. In addition, the company cut costs by laying off 12,000 employees.

More important however, is Alphabet's renewed focus on AI with 90% of the CEO's 2nd quarter comments relating to generative AI. We're using GOOGL's early May period as precedence following its gap up in price into a new uptrend. A pullback to the 5-day moving average proved to be an ideal buy point.

Meta Platforms (**META**) easily beat Q2 estimates in a move that broke a streak of six quarters in a row of year-over-year declines. In addition, META's revenues rose for the 2nd quarter in a row. The company has been able to benefit from the ongoing shift to digital advertising while business messaging is another growth area with their WhatsApp service. CEO Zuckerberg sees generative AI adding growth over the near term and the metaverse over the long term.

While both stocks are in a position to trade higher near term, a weekly chart suggests that Alphabet (**GOOGL**) may have more upside potential longer term, as its RSI and Stochastics are at a lower position.

Summary

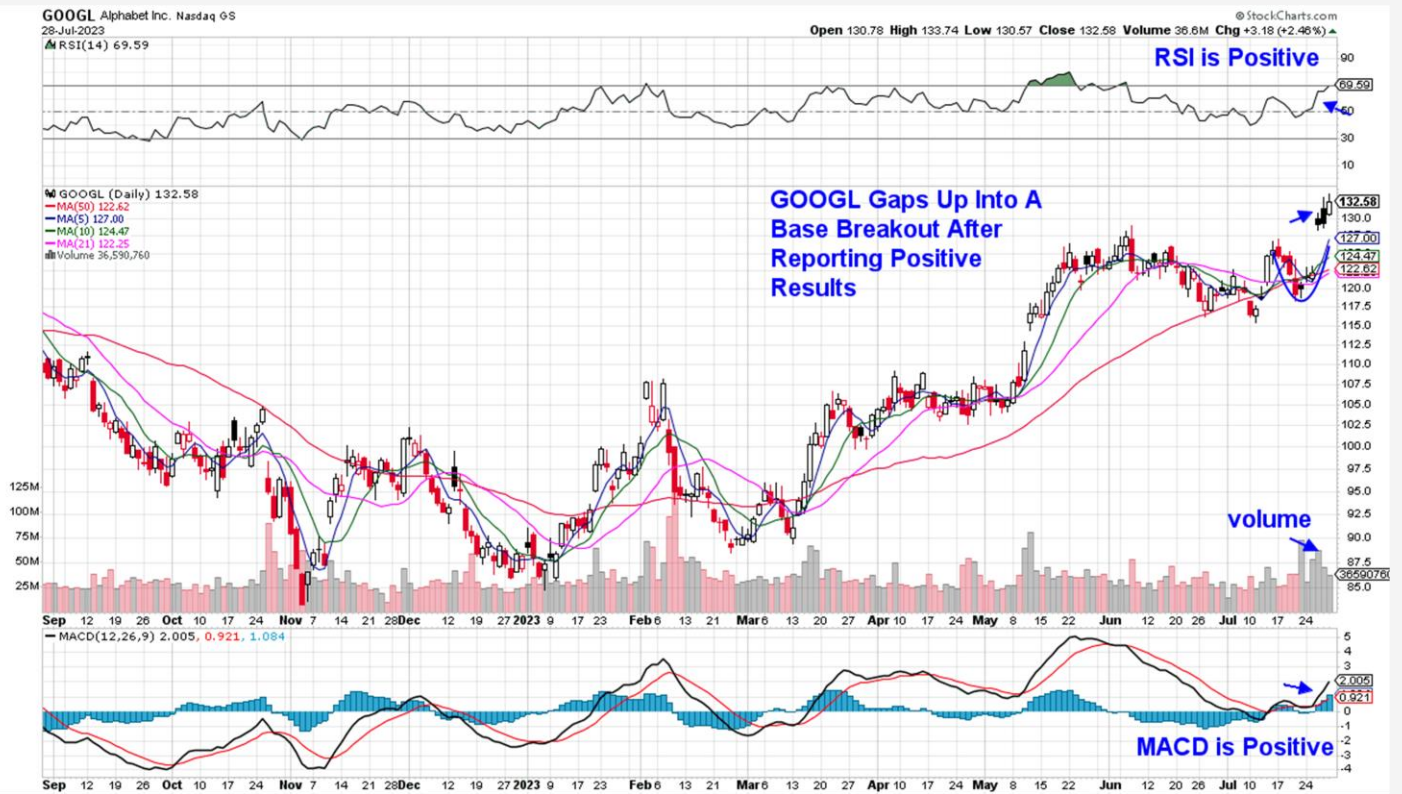
Last week's close in the markets has the S&P 500 on track to post its 5th monthly gain in a row, with investors continuing to increase exposure amid lower inflation and a resilient economy.

While seasonal headwinds may give the markets pause - August and September have been the 2 worst months for the markets over the past 30 years - strong earnings reports will continue to drive upward price action among select areas that post strong results.

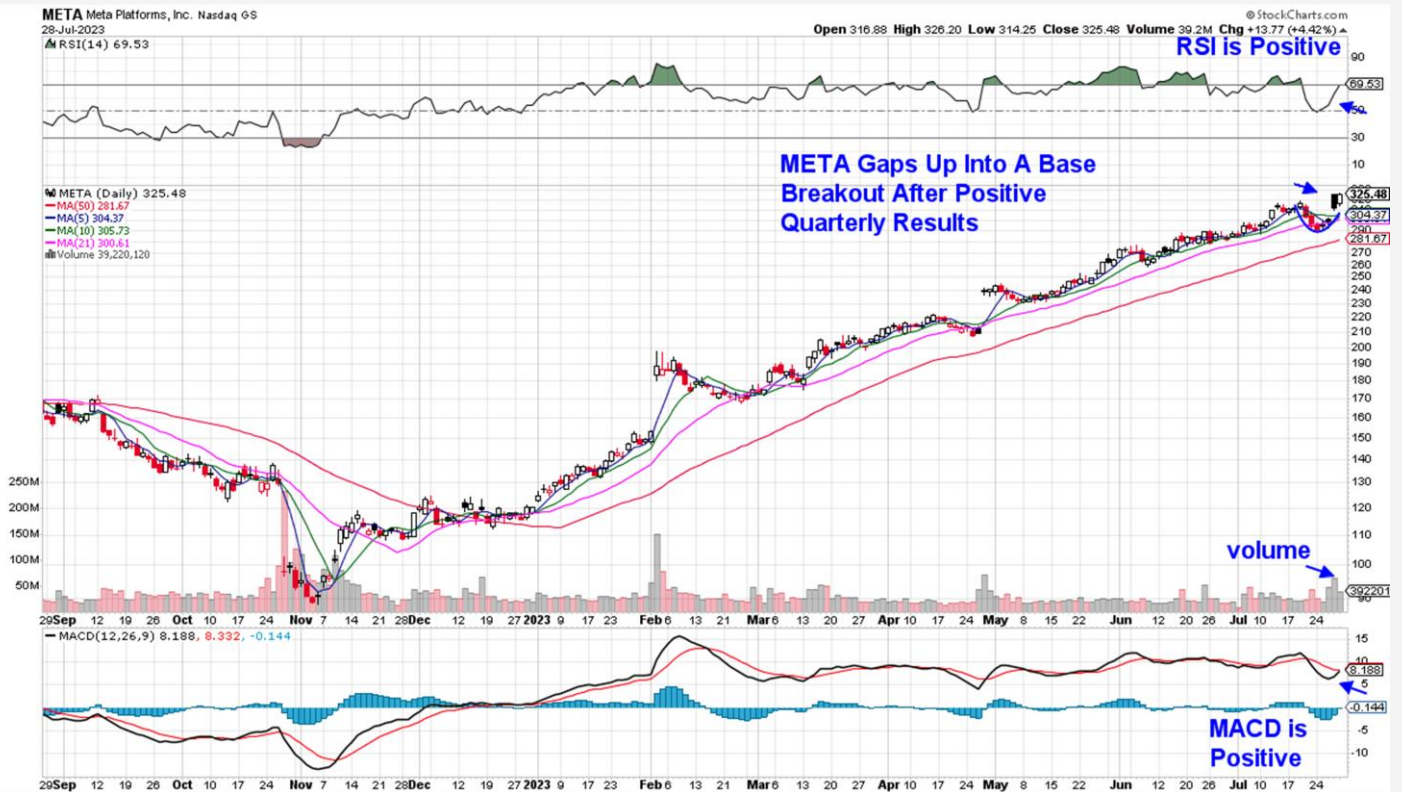
Currently, we're at the mid-point of Q2 earnings season and of note is that companies with higher international revenue exposure are driving underperformance with Health Care and Energy sectors being the top contributors. (according to Factset)

Next week, earnings reports will continue to hold sway with Apple (**AAPL**) and Amazon (**AMZN**) due to report amid a relatively light economic calendar until Friday's key jobs data.

Daily Chart of Alphabet Inc. (GOOGL)



Daily Chart of Meta Platforms Inc. (META)



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% | August 3 | Retail - Internet | | |
| ABNB | Airbnb | | \$143.40 | 7/16/23 | 3.5% | August 3 | Leisure-Travel Booking | | |
| CMG | Chipotle Mexican Grill | | \$2101.00 | 6/28/23 | 0.0% | July 26 | Retail Restaurant | | |
| DECK | Deckers Outdoors | | \$512.70 | 6/19/23 | 5.5% | July 26 | 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 | | |

| | | | | | | | | | |
|-----------|----------------|--|---------|---------|------|--|--|--|--|
| 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 | 4/23/23 | 3.0% | Medical Equipment | | | |

| 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 | Lam Research | \$642.00 | 6/28/23 | -2.5% | 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 |

| COMMUNICATION SERVICES | | | | |
|------------------------|----------------|----------|---------|------------------|
| GOOGL | Alphabet | \$132.60 | 7/30/23 | Internet-Content |
| META | Meta Platforms | \$325.48 | 7/30/23 | Internet-Content |

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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