



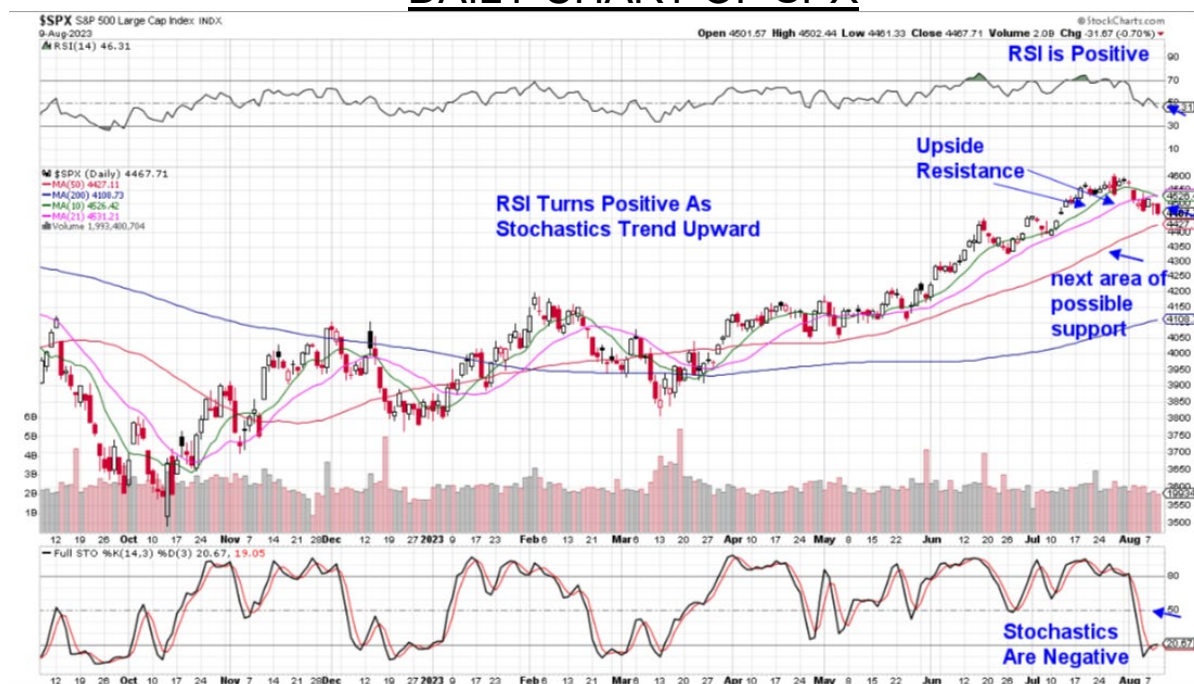
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Midweek Report

Wednesday, August 9, 2023

- 10-Year Treasury Yield Remains Above 4%
- Nasdaq Closes Below 50-Day Moving Average
- July Core CPI and Weekly Employment Data Due Tomorrow
- July Core PPI Reports on Friday
- Removing Axcelis (ACLS) From Suggested Holdings List

DAILY CHART OF SPX



The S&P 500 has lost 0.2% for the week in a move that keeps this Index below its 21-day moving average with the RSI and Stochastics in negative territory. We are maintaining our cautious stance with a negative bias.

The Nasdaq has fared worse with a 1.4% decline that's put this Index below its key 50-day moving average with the RSI and Stochastics remaining in negative territory. Should we experience



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further weakness, the June 26th low of 13335 is the next area of possible support which is 2.9% away.

Weakness in the Nasdaq is being led by underperformance in Semiconductor stocks amid weaker than expected earnings or growth outlooks going forward. Software stocks are also faring worse than the markets as less than perfect earnings reports are pushing stocks in this area lower as well.

Not all areas of the market are under selling pressure however with Energy stocks outperforming amid an uptick in the price of Oil. We've expanded our list of names on our Watch List to include top candidates and it can be access on the dashboard.

More defensive areas of the market such as Staples, Healthcare and Utilities are also outperforming as each area is posting gains for the week.

The Technology sector is the worst performing this week led by 2%+ losses in Semis and Software as well as continued underperformance in Microsoft (MSFT) and Apple (AAPL) which hold a heavy weighting.

Both the Semiconductor and Software groups are now in a downtrend with a close below their 50-day moving averages with their RSI in negative territory.

Among Semiconductor stocks on our List, Broadcom Axcelis (**ACLS**) closed below its 50-day moving average on above average volume in a move that has us removing the stock from our Suggested Holdings List. Longer term investors can use the



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weekly chart and while the RSI is still in positive territory, the MACD has posted a negative crossover

Nvidia (**NVDA**) and Broadcom (**AVGO**) have also closed below their 50-day moving averages today with a negative RSI on their daily chart. The move points to further near term downside however, we're keeping them on our Suggested Holdings List as their longer term weekly charts remain constructive. Shorter term investors will want to lock in profits.

Lam Research (**LRCX**) is outperforming with a 0.6% loss that has this index dipping just below its 10-day moving average with the RSI remaining in positive territory.

Among Software stocks, Adobe (**ADBE**) has closed just below its 21-day moving average on below average volume in a move that has us neutral on its near term prospects. However, the RSI is poised to turn negative and if this occurs, our outlook would shift to negative. Longer term and using the weekly chart, ADBE is above key support with positive momentum indicators and can be held.

Uber (**UBER**) has pulled back to its 50-day moving average on below average volume however, the RSI on the daily chart is now negative. Shorter term investors will want to reduce exposure while longer term on the weekly chart, **UBER** remains above its 10-week moving average with positive momentum indicators.

Given the negative charts of both Software and Semiconductor groups (using IGV and SOXX), taking at least partial profits in positions that have closed below key support such as their 50-day moving average, is advised,



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Consumer Discretionary stocks are also underperforming led by a decline in Retail stocks that are reporting results that are below estimates.

Amazon (**AMZN**) has pulled back to its 5-day moving average where it's found support with its RSI and MACD in positive territory. The stock can be held.

Deckers (**DECK**) be held as the stock is up 0.5% for the week with positive RSI and MACD.

Homebuilders are flat for the week with Meritage Homes (**MTH**) trading in line with the group. The stock remains above each of its moving averages with positive momentum.

Recently added Alphabet (**GOOGL**) and Meta Platforms (**META**) can both be held, as they're above key support with a positive RSI and MACD. Of the two, GOOGL is in a more bullish position as its above each of its moving averages and trending higher. META on the other hand, has an RSI that is close to turning negative.

Industrial stock Pentair (**PNR**) is in a confirmed uptrend as the stock finds support at its upward trending 5-day moving average. The stock is in a buy zone.

This week's pullback in Technology has put the sector in a position to trade lower near term however, longer term the RSI on the weekly chart remains above 50 with the slower moving Stochastics in positive territory as well.

While elevated interest rates can be cited as one reason for the near term weakness in Tech, profit taking given the overall outperformance in this sector year to date, may also be at play.



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The CPI and PPI reports over the next two days will provide more insight. If inflation continues to show signs of cooling, investor confidence that the Fed may refrain from further rate hikes should bring rates down.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report.