



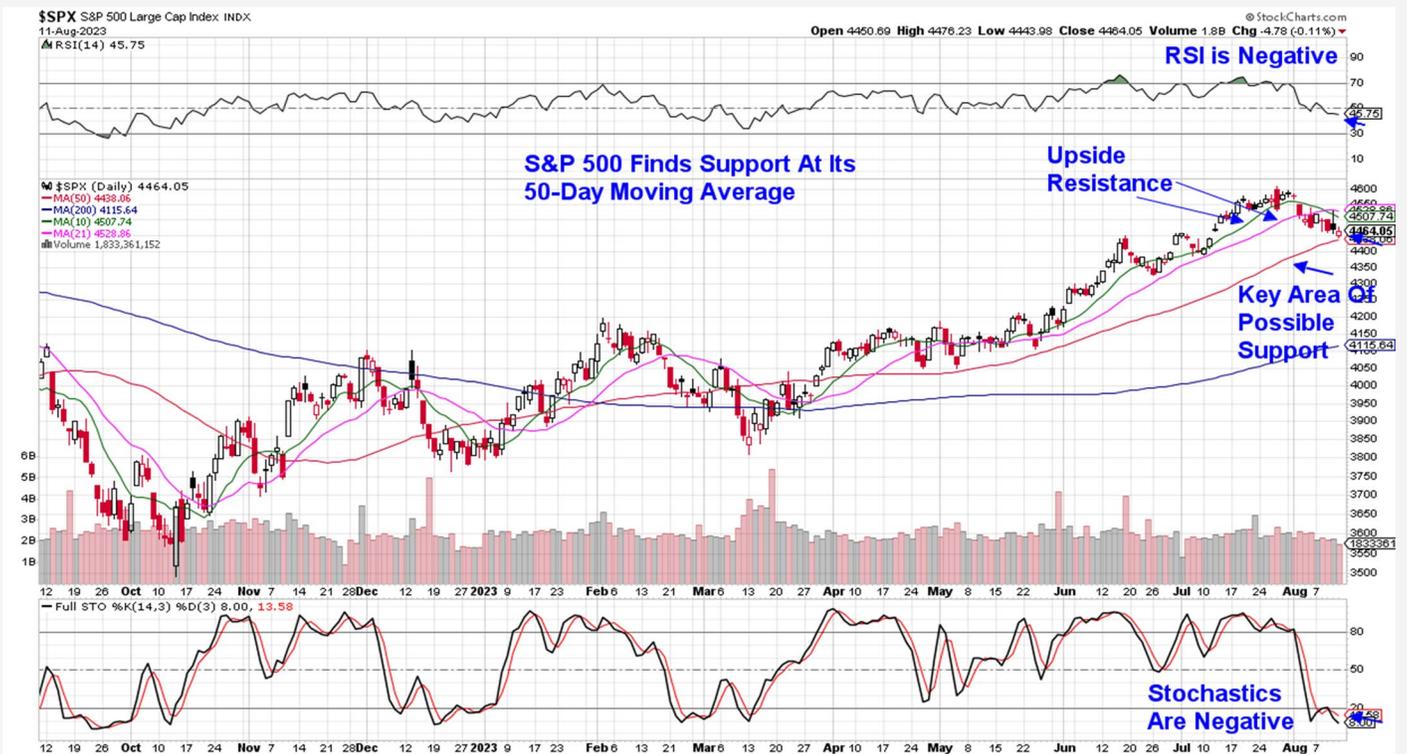
THE MEM EDGE

August 13, 2023 | Weekly Report

This Week's Highlights

- July Core CPI Creeps Up Slightly While PPI Increases
- Weekly Unemployment Edges Up
- 10-Year Treasury Yield Remains Above 4%
- Nasdaq Closes Below 50-Day Moving Average
- Retail Sales, FOMC Notes, Housing Starts & Industrial Production Numbers Next Week

Daily Chart of S&P 500



The S&P 500 pulled back to its 50-day moving average and with the RSI and Stochastics in negative territory, we remain cautious on the near term prospects for this Index, with a negative bias.

A close below this key 50-day moving average which is 0.6% away, would be a negative. It would also have us looking for the next area of possible support at the 4300 level, which is 3.7% away. As you may recall, the early June move above 4300 was heralded as a key event - as it was a longer term area of upside resistance. A close back below this level would most

likely create a psychological challenge for many investors.

The weekly chart of the S&P 500 remains constructive with the RSI and Stochastics in positive territory and the Index above its 10-week moving average. This bodes well for the intermediate term outlook for the markets.

On any rally attempts, the 10 and 21-day moving averages are areas of possible upside resistance and are 1% and 1.4% away respectively. A move back above these moving averages coupled with a positive RSI and Stochastics would indicate a resumed uptrend.

The Nasdaq fared worse with a 1.9% decline that has this Index closing below its key 50-day moving average with the RSI and Stochastics in negative territory.

Last week's pullback took place amid a sharp selloff in Semiconductors as well as underperformance in Software stocks and most of the FAANMG names. We're now negative on the near term prospects for the Nasdaq.

The last time the Nasdaq closed below its 50-day moving average was early March, and it took place in the throes of the Banking crisis which resulted in a spike in interest rates. At this time, interest rates are at the same elevated level, with the 10-year Treasury yielding 4.2%

This past week's rise in rates took place following news that inflation edged up higher in July after Producer Price Index data was released. The report brought back fears of a rate hike from the Fed. Rising interest rates are a negative for Growth stocks, as it reduces the value of future earnings.

At this time, we're using the late February 2021 into early May 2021 as possible precedence, as the Nasdaq pulled back from an overbought position amid a backdrop of elevated interest rates.

If rates recede and the yield of the 10-year Treasury drops back below 4%, any continued selling in the

markets would indicate a general lack of confidence in these Growth stocks following their sharp, year to date runup.

The weekly chart of the Nasdaq remains constructive with the RSI and Stochastics still in positive territory. This keeps the intermediate term outlook positive.

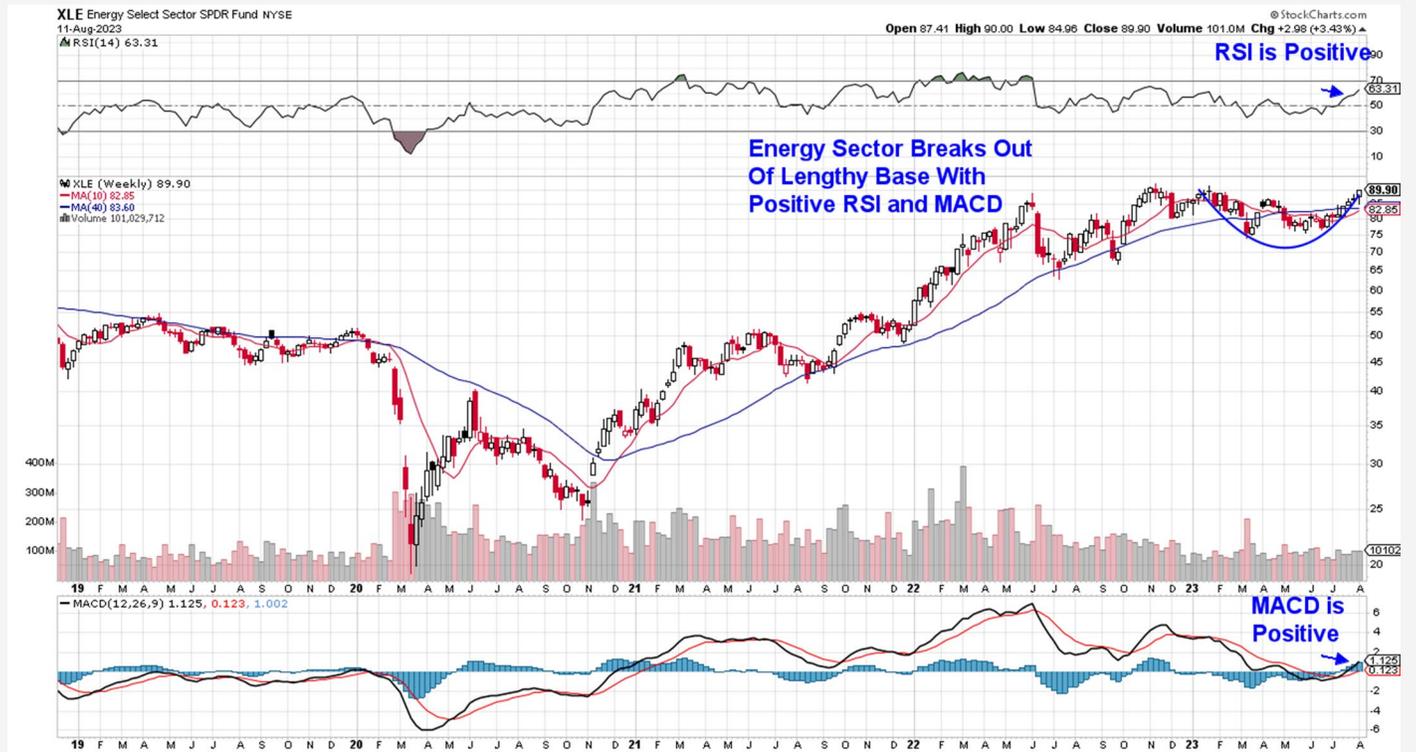
While Growth stocks struggled last week, Value stocks gained slightly - led by Energy and Healthcare companies that reported strong earnings. Select Industrial and Financial areas also posted gains. This week we'll be adding new names from these areas to our Suggested Holdings List.

With earnings season all but over, investors will continue to focus on inflation-related data - particularly after the Federal Reserve cited its importance in dictating their monetary policy. Next week, notes from the Fed's latest meeting will be released, and investors will be on the lookout for further clues regarding the possibility of further rate hikes this year.

At this time, we would not be a buyer during this current pullback in Growth stocks. Instead, we'll continue to broaden out our Watch List to include high quality names that are generally withstanding the downward pressure taking place elsewhere. Historically, these are the stocks that go on to outperform once market pressures are lifted.



Energy Select Sector SPDR Fund (XLE)



Energy Sector Breaks Out Of Long Base

Energy stocks were the top performing sector last week amid a continued rise in the price of Oil as well as better than expected earnings reports from select companies.

Exploration and Production (**E&P**) companies have been posting some of the strongest results due to technological advances that help lower the cost to produce oil. These E&P companies also benefit the most from a rise in the price of oil as it increases their per barrel sales price.

This week we're adding oil and gas producer Pioneer Natural Resources (**PXD**) to our Suggested Holdings List after the company reported earnings that were above estimates while guiding growth prospects higher going forward. The positive quarterly report was due to better than expected oil output from their shale fields. The news pushed the 7% yielder out of a 4-month base on above average volume. PXD is in a buy zone as it

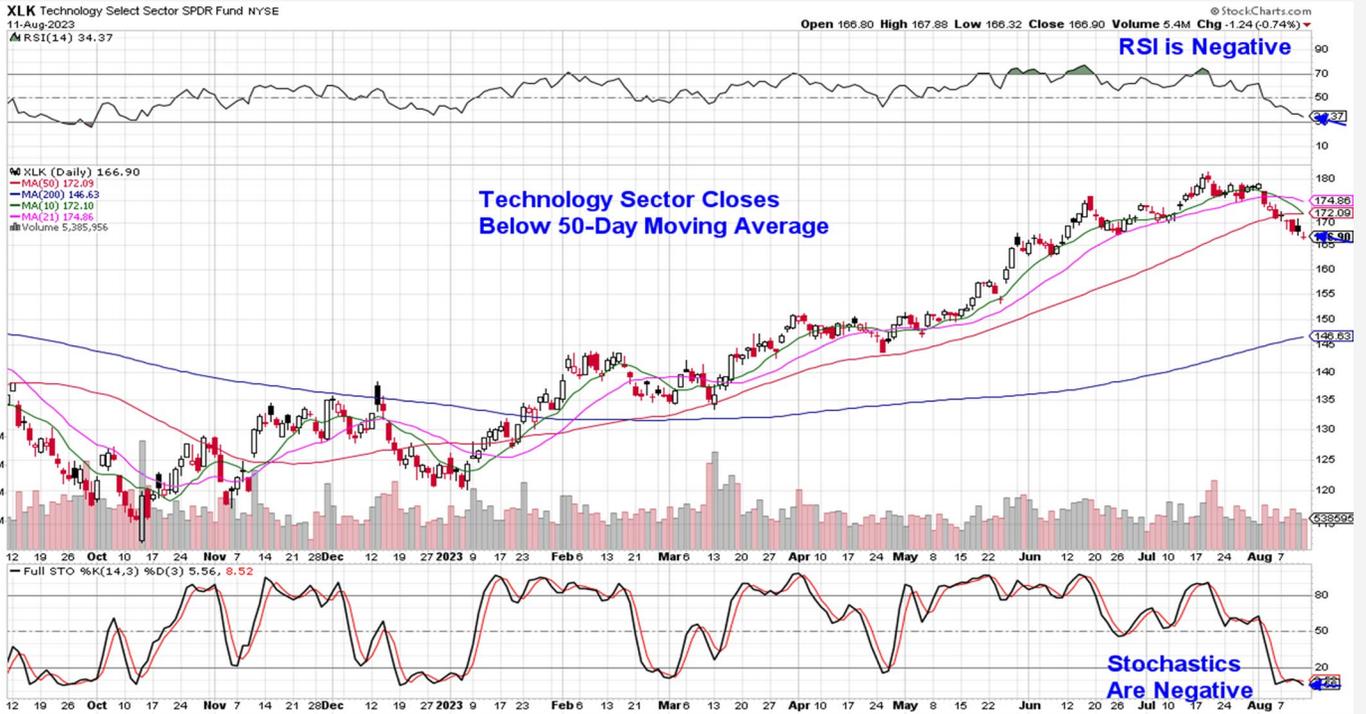
finds support at its upward trending 5-day moving average.

In addition, we're adding SLB (**SLB**) after last week's flat base breakout which took place on above average volume. The company provides technology for well drilling, production and oil and gas processing and is one of the companies that's been instrumental in helping E&P companies increase production.

SLB is in a buy zone as it finds support at its upward trending 10-day moving average.

The recent increase in the price of Oil has been due to reduced output from Saudi Arabia who has indicated they may extend production cuts further. However, the economic outlook for some of the biggest oil consumers such as China, has been questioned. This mostly positive but gray outlook, has us suggesting that you enter new positions lightly.

Technology Select Sector SPDR Fund (XLK)



Technology Sector Enters Downtrend

The Tech sector was the worst performer again this week with a 2.5% decline that pushed it below its 50-day moving average and into a downtrend.

Semiconductor stocks were down the most with a 5.1% drop on heavy volume that put the group below its 50-day moving average with a negative RSI and MACD. (using ETF SOXX)

Last week's decline is similar to late April when the group broke below support with negative momentum indicators. There is one big difference however and that is, selling in Semis over the past 2 weeks has been on above average volume.

This high volume indicates distribution which is not positive. The next area of possible support for this group is its mid-June low of \$470 which is 3.2% away. A re-established interest in the growth prospects of AI would certainly provide the needed catalyst for this group to resume its recent uptrend

Leading Semi stock Nvidia (**NVDA**) also experienced above average volume as the stock tumbled 8.6% to close the week below its 50-day moving average.

The decline occurred despite positive news of a more powerful AI super chip coming next year, as well as news that Chinese companies have been recently ordering over \$5 billion of NVDA's high performance chips.

The decline puts the stock in a better position from which to rally should earnings come in as strong as expected later this month however, NVDA is now in a downtrend which points to further near term downside. The next area of possible support is its June low of \$374, which is 6% away.

As cited in our Wednesday Report, shorter term investors will want to take profits. The intermediate term, weekly chart is also showing weakness, after NVDA's close below its 10-week moving average which points to the possibility of a longer pullback.

Nvidia remains in a long-term uptrend as it's trading above its 6-month moving average on the monthly chart. Given the company's leadership position and strong growth prospects, longer term investors can stay with the stock.

Be aware however, that a longer term pullback similar to the April into mid-May period may be shaping up.

Broadcom (**AVGO**) is in a very similar position after closing below support on both its daily and weekly chart with earnings due later this month. The longer term monthly chart remains in an uptrend.

Both NVDA and AVGO from our Suggested Holdings List are positioned for further near and intermediate term downside which has us removing them from our Suggested Holdings List. However, longer term we anticipate that their leadership status will resume once weakness in the Technology sector subsides.

Lam Research (**LRCX**) pulled back as well, with most of its losses taking place on Friday. The stock had been holding up despite pressures elsewhere in its group after its late July report of earnings that were well ahead of estimates.

LRCX closed above its 50-day moving average; however, its RSI is now in negative territory. This paints a positive yet mixed near term outlook. On the weekly chart, LRCX closed above its 10-week moving average with positive momentum indicators which bodes well for the intermediate term outlook.

At this time, Semiconductor stocks appear poised for further near-term downside and short term traders should continue to take profits as advised in our Wednesday Report. Longer term investors can remain with the Leadership names on our List.

Software stocks also came under pressure however, the selling was on below average volume and was coupled with rally days on Monday and Thursday. In the end, the group lost 1.8%, which was enough to put

it below its key 50-day moving average with an RSI that turned more negative. (using ETF IGV)

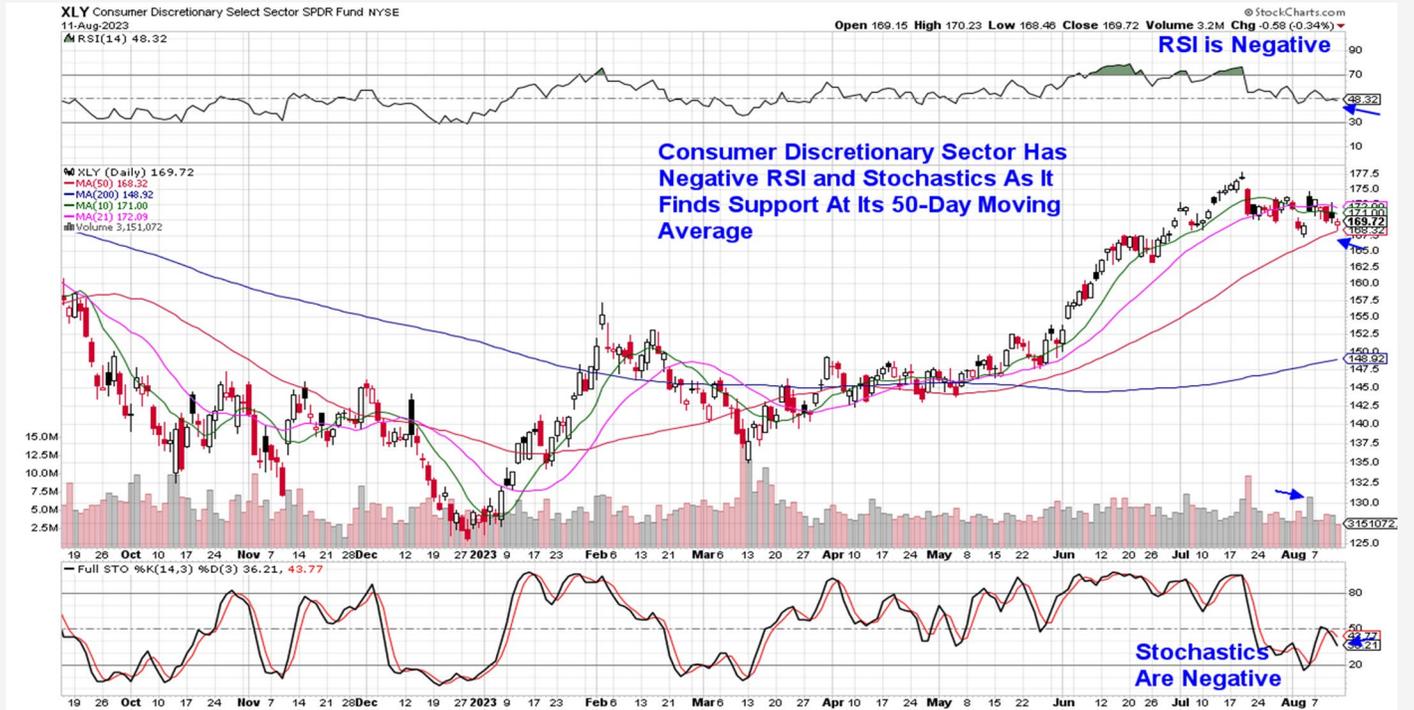
Among names on our List, Adobe (**ADBE**) - which had been holding up relative to its peers - fell 3.5% which pushed the RSI into negative territory. The stock remains above its 50-day moving average however, with a positive MACD.

Uber Technologies (**UBER**) fell further than the Software group as well, in a move that has the stock closing the week just below its 50-day moving average.

As suggested in our Midweek Report, a negative crossover of its 10-day moving average below its 21 dmaav will have us most likely removing the stock and that has occurred. Longer term investors can stay with the stock as the pullback has allowed the RSI to move below an overbought position on the weekly chart, while the RSI and MACD remain positive.



Consumer Discretionary Select Sector SPDR Fund (XLY)



Consumer Discretionary Sector Is Among Worse Performing

The Consumer Discretionary sector fell amid a sharp drop in Auto stocks led by fears of a strike among auto workers in the U.S., while Chinese names fell due to a drop in growth prospects for China.

Recently strong Travel related stocks were mixed last week with Airbnb (**ABNB**) falling 4.5% despite reporting record second quarter profits the prior week and receiving analyst upgrades this week. The stock closed just below its 50-day moving average with the RSI moving into negative territory.

While ABNB remains constructive on its weekly chart, the daily chart points to possible further downside near term and we're removing the stock from our Suggested Holdings List.

Footwear stocks were down for the week however, Deckers (**DECK**) was flat on below average volume. We're on the lookout for a positive MACD crossover (black line up through the red) on the daily chart to signal a new uptrend. In the meantime, DECK can be held.

Housing stocks pulled back amid an increase in interest rates that pushed the mortgage rate for a 30-year loan back above 7%. Meritage Homes (**MTH**) closed just below its 21-day moving average with its RSI and MACD in positive territory.

While MTH can be held, the near term momentum in housing stocks has stalled recently due to a lack of

earnings reports and a steady rise in interest rates. Next week, Housing Starts data for July will be released and the numbers may help the upside momentum return, if we see an increase.

O'Reilly (ORLY) closed the week back above its 21-day moving average with the RSI now in positive territory. While this is constructive, a bullish MACD crossover - black line up through the red - would confirm that a new uptrend is in place and put the stock into a buy zone.

Heavyweight retailer Amazon (**AMZN**) pulled back to its 10-day moving average with the RSI and MACD remaining in positive territory. The stock lost less than 1% on low volume. The move took place after the prior week's gap up after reporting operating income that was more than double last year. In addition, management guided growth prospects higher for next quarter.

AMZN bullishly remains above its gap up area of \$136.7 and is in a position to trade higher. We would tread lightly and wait for market pressures to lift before adding to any positions.

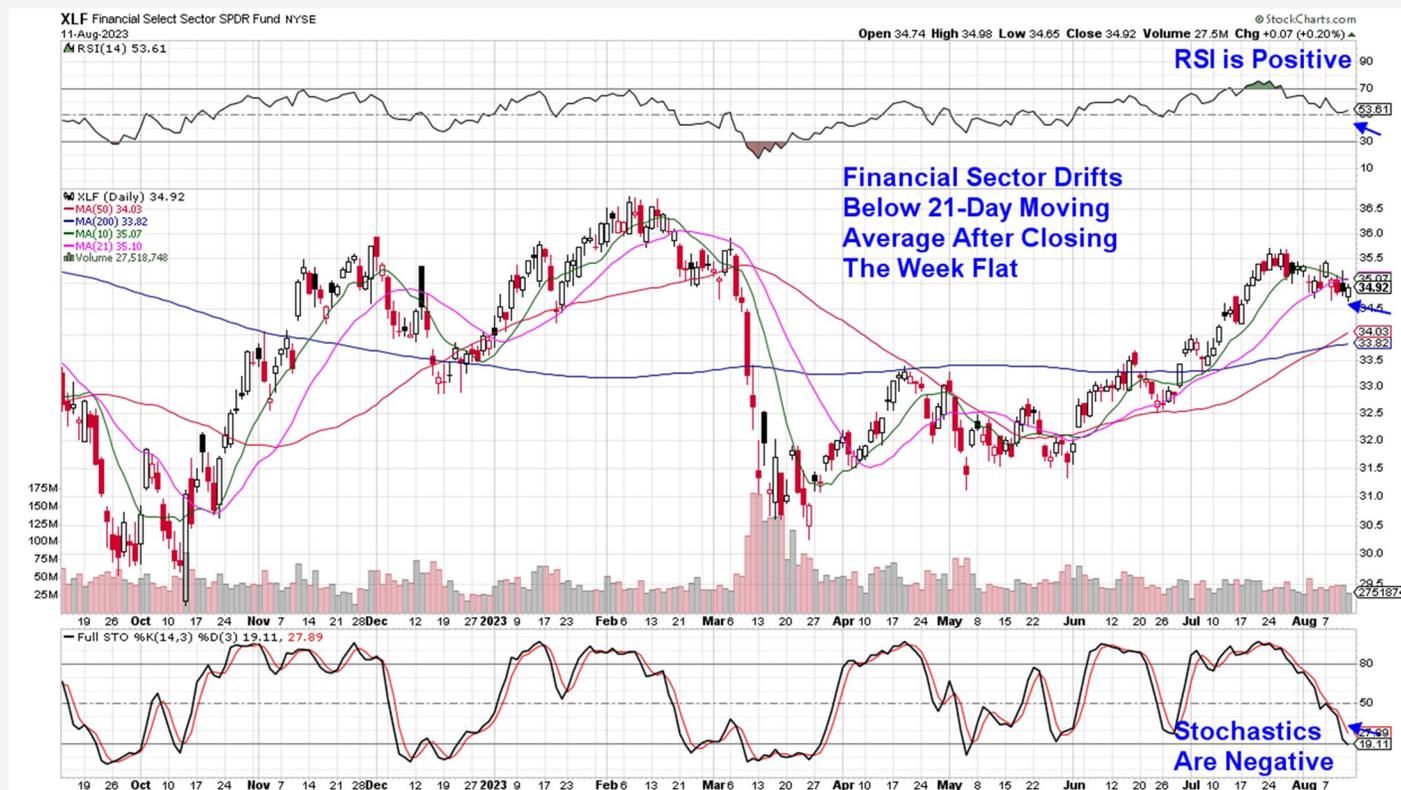
Retail stocks will be closely watched next week amid 2nd quarter earnings reports from Walmart (**WMT**), Home Depot (**HD**) and Target (**TGT**).

WMT and HD are trading at or close to near term highs which for this earnings season, sets them up for a

pullback if they report less than perfect results. Management's guidance regarding growth prospects going forward will also have a strong impact on these stocks.

Other Retailers will also be reporting as next week is the beginning of earnings season for this group.

Financial Select Sector SPDR Fund (XLF)



Financial Stocks Flat For The Week

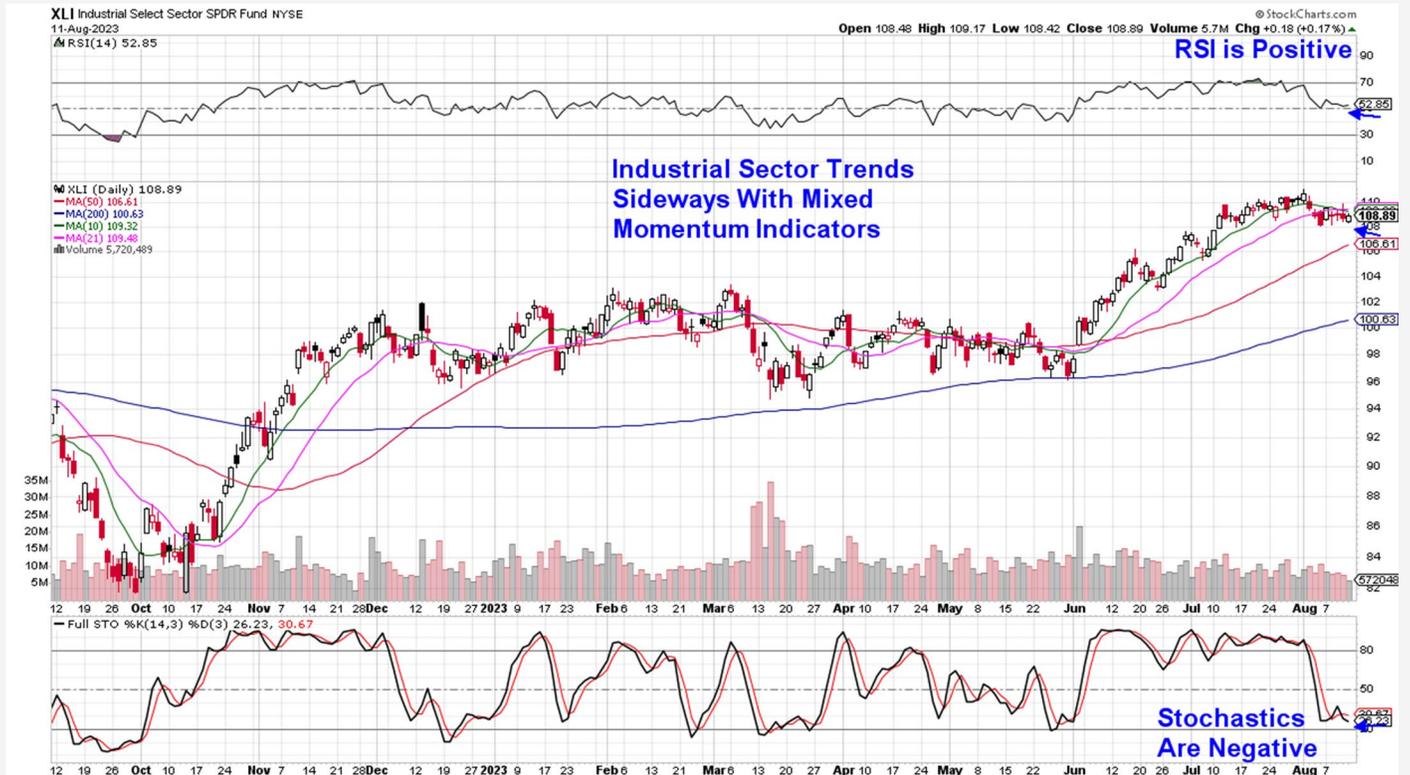
The Financial sector traded sideways after a downgrade of 10 Smaller banks pushed Regional Banks lower while a rally in heavyweight name Berkshire Hathaway counterbalanced the pullback.

Zion Bancorp (**ZION**) gained 1% last week after sideways price action kept its near term uptrend in place. The stock is continuing to find upside resistance at its 200-day moving average and a close above this mav at \$39.5 would put the stock into a buy zone.

Morgan Stanley (**MS**) closed the week above its 200-day moving average however, the near term downtrend remains in place. A bullish MACD crossover on its daily chart with a close above its 10-day moving average at \$89 would put the stock into a buy zone.

With earnings season for Banks behind us, the group may stall over the near term due to a lack of catalysts.

Industrial Select Sector SPDR Fund (XLI)



Industrial Sector Trends Sideways Amid Mixed Earnings and Outlook

Industrial stocks remain in a general uptrend as these Cyclical stocks are experiencing a positive outlook as inflation recedes and the economic outlook remains bright.

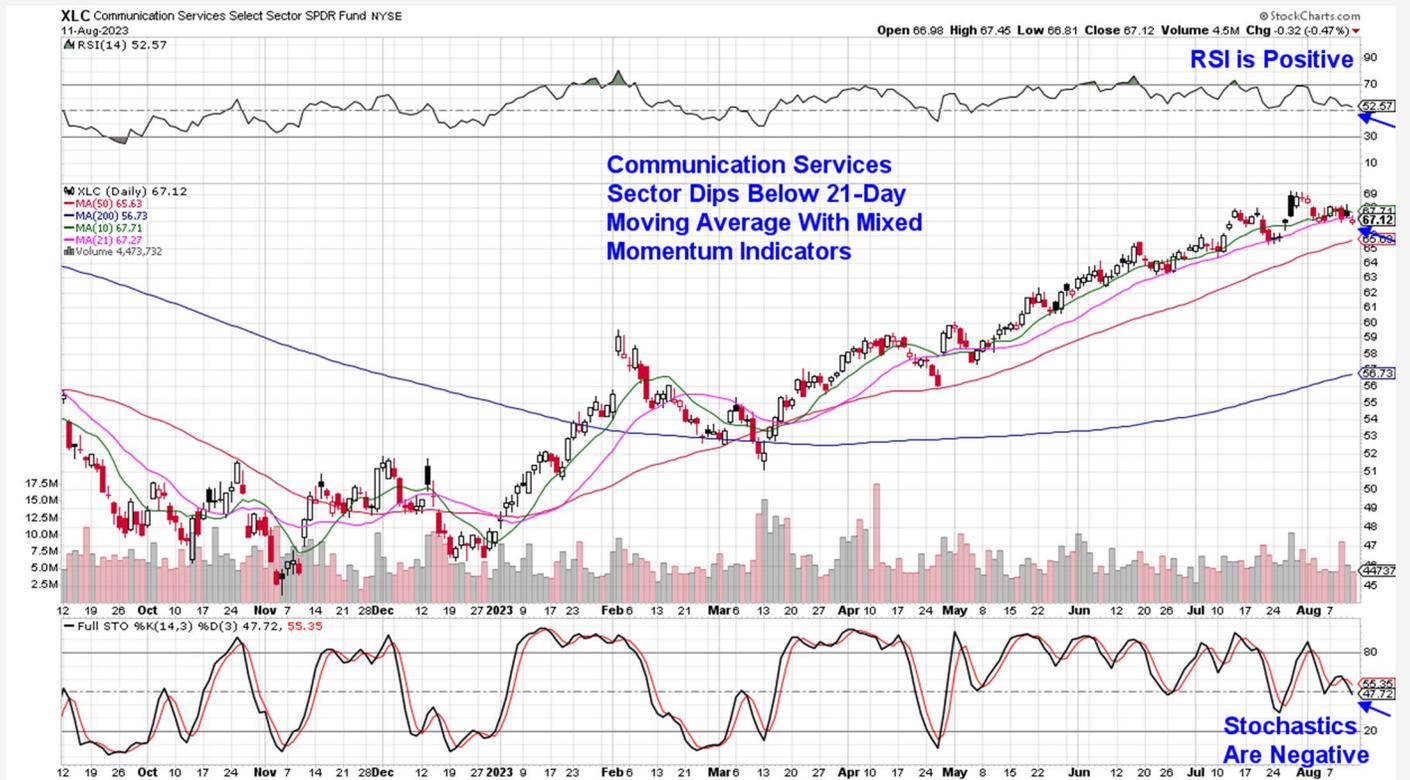
This week, we're adding Caterpillar (**CAT**) to our Suggested Holdings List after the construction equipment maker reported a sharp increase in sales earlier this month as construction activity remains strong. CAT also saw sales rise in their energy division.

The stock is in a buy zone after pulling back to its upward trending 10-day moving average following its gap up in price after releasing quarterly results.

Next week, heavyweight name Deere (**DE**) is due to report results which may impact this group. The company has evolved into a Technology company that's been instrumental in improving crop yields among clients by using energy efficient products. The stock is on our Watch List.

Pentair (**PNR**) ended the week flat with a close below its 10-day moving average which puts the RSI out of an overbought position. The stock remains in a confirmed uptrend and can be held.

Communication Services Select Sector SPDR Fund (XLC)



Communication Services Sector Outperforms

Alphabet (**GOOGL**) posted a 1% gain for the week as the stock continues to have a positive RSI and MACD as it retains its general uptrend. The company reported strong 2nd quarter results earlier this month due to digital sales picking up in both Youtube and Google Search. The stock is in a buy zone.

Meta Platforms (**META**) pulled back almost 3% in low volume with a close below its shorter term moving averages.

The RSI and MACD remain in positive territory. META is strategically embedding AI internally to streamline process and increase advertising profits.

The stock can be bought on a move back above its shorter term moving averages.

Summary

Last week's negative price action in the Nasdaq due to lost momentum in the Technology sector, has pushed this Index into a near term downtrend. The move has us regarding this area with a more defensive stance until we see a new uptrend emerge.

In the daily chart of the Nasdaq below, we've highlighted the positive characteristics from mid-March that signaled a new uptrend in this Index.

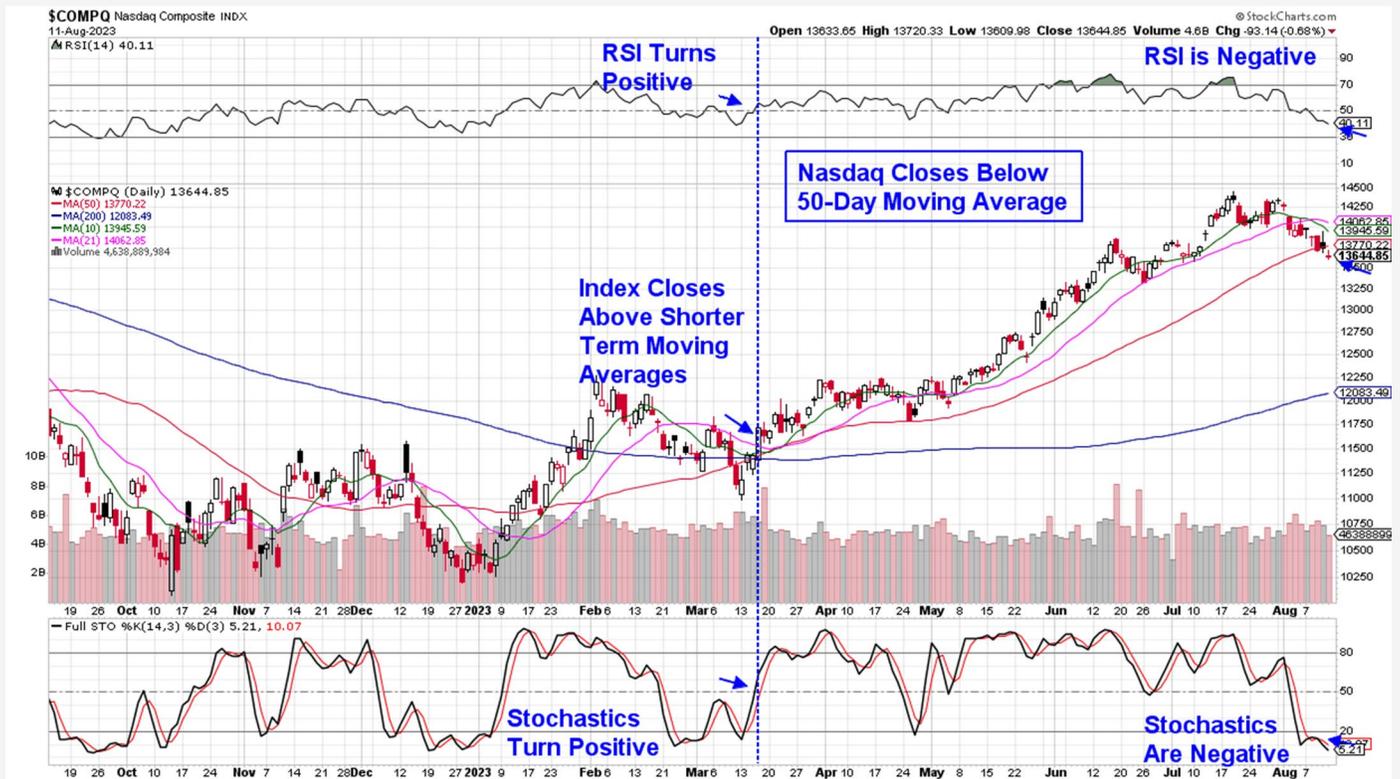
The recent pullback in most of the recently strong Magnificent Seven Growth stocks has not resulted in a rotation into other areas, as the Equal Weighted S&P 500 is also pulling back.

Rather, seasonal weakness - August is historically the 2nd worst month for the S&P 500 going back over 35 years - as well as the market's wariness around inflation numbers that don't support a continued decline - has investors on edge.

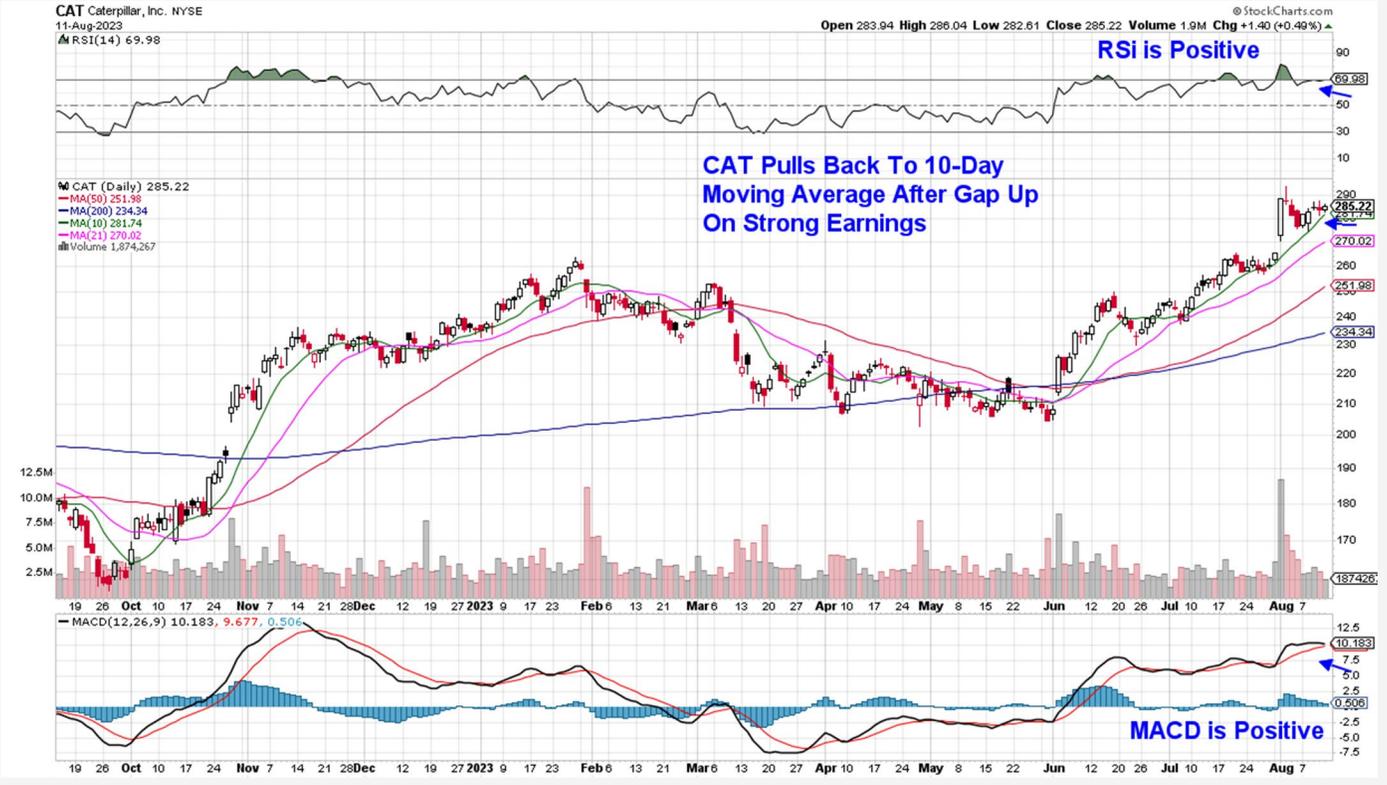
Next week, meeting notes from the Federal Reserve's most recent meeting will be released while quarterly results from heavyweight Retail names will take center state.

While we've highlighted stocks from our List as being in a buy zone, new positions should be entered lightly until the markets resume their upside momentum

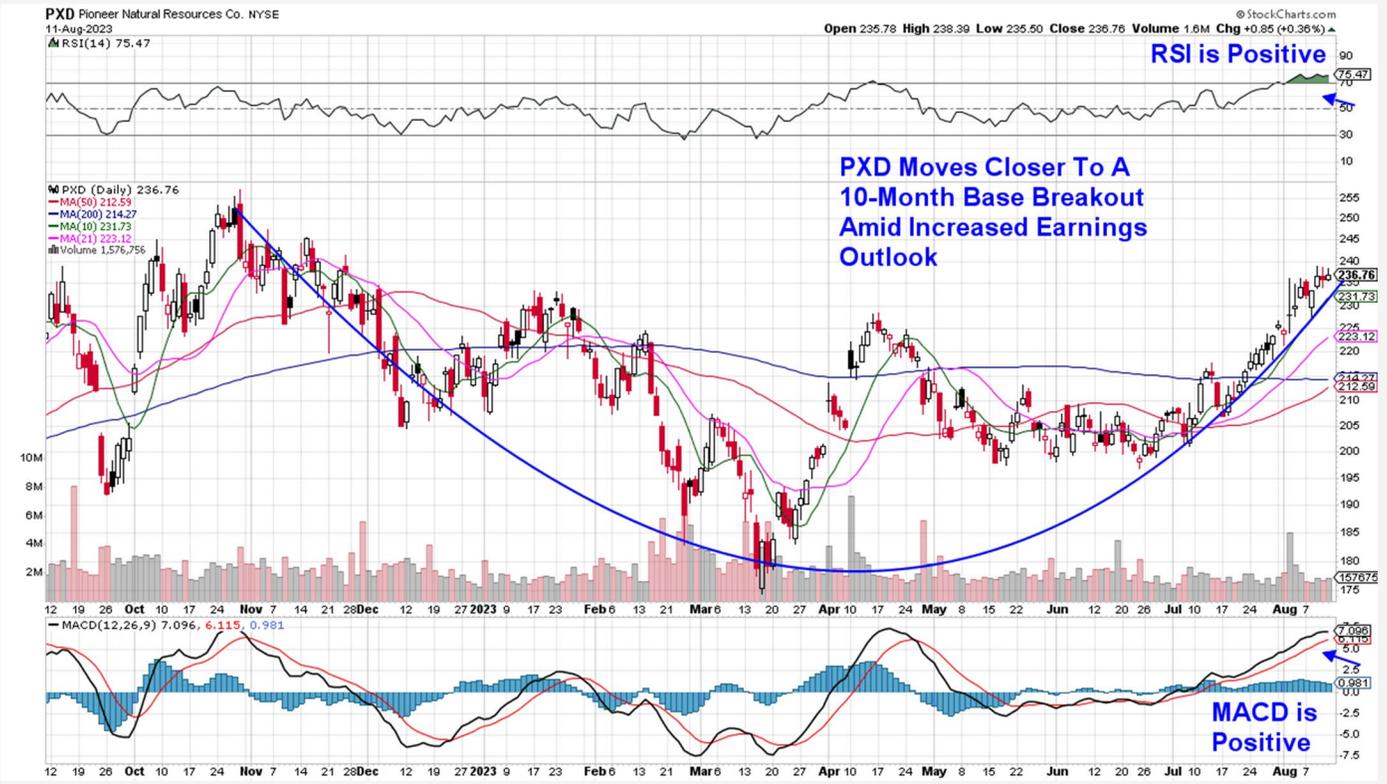
Daily Chart of NASDAQ Composite (\$COMPQ)



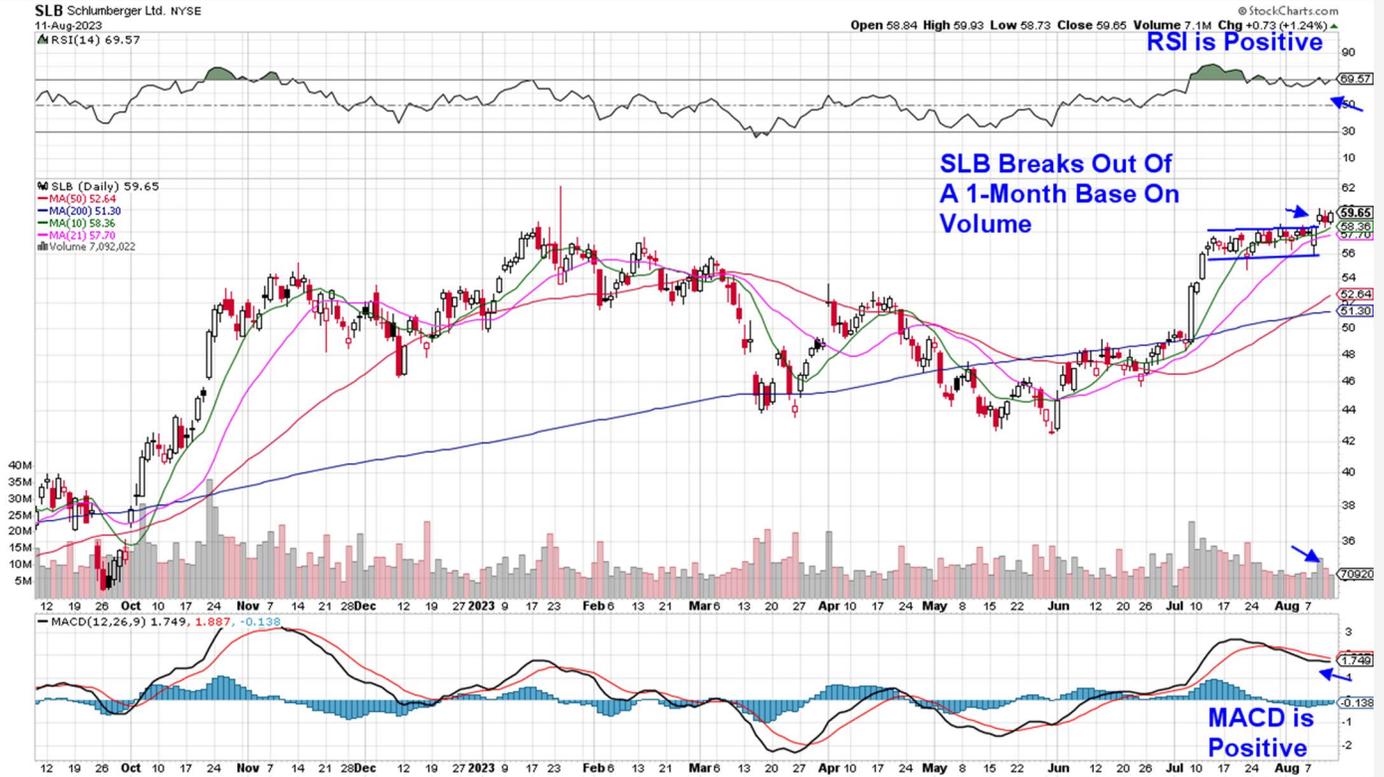
Daily Chart of Caterpillar, Inc. (CAT)



Daily Chart of Pioneer Natural Resources Co. (PXD)



Daily Chart of Schlumberger Ltd. (SLB)



MEM Edge Report Suggested Holdings

Stocks With Emerging Leadership Characteristics

\$ = Earnings Due	Buy Zone	Strong Buy	Buy on Pullback	Removed From List
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SYMB	COMPANY	PRICE	DATE ADDED	PERFORMANCE	EARNINGS DUE DATE	INDUSTRY GROUP
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CONSUMER DISCRETIONARY						
AMZN	Amazon	\$134.70	7/16/2023	1.0%	-	Retail - Internet
ABNB	Aribnb	\$143.40	7/16/2023	-2.0%	-	Leisure-Travel Booking
DECK	Deckers Outdoors	\$512.70	6/19/2023	9.0%	-	Retail - Shoes
MTH	Meritage Homes	\$137.06	6/25/2023	5.3%	-	Residential Builder
ORLY	O'Reilly Automotive	\$955.30	7/2/2023	7.0%	-	Retail Automotive

ENERGY						
PXD	Pioneer Resources	\$236.80	8/13/2023	-	-	Oil & Gas Exploration
SLB	Schlumberger	\$59.70	8/13/2023	-	-	Oil & Gas Field Services

FINANCIAL						
MS	Morgan Stanley	\$93.10	7/19/2023	4.4%	-	Money Center Bank
ZION	Zions Bancorp	\$34.40	7/19/2023	11.5%	-	Regional Bank

INDUSTRIAL						
CAT	Caterpillar	\$285.20	8/13/2023	-	-	Machinery
PNR	Pentair	\$64.60	7/2/2023	8.0%	-	Machinery

TECHNOLOGY						
ADBE	Adobe	\$507.40	7/12/2023	0.5%	-	Software
AVGO	Broadcom	\$657.50	5/17/2023	28.5%	-	Semiconductor
LRCX	Lam Research	\$642.00	6/28/2023	2.0%	-	Semiconductor
UBER	Uber Technologies	\$437.80	5/7/2023	16.0%	-	Software
NVDA	Nvidia Corp	\$178.40	1/22/2023	144.0%	-	Semiconductor

COMMUNICATION SERVICES						
GOOGL	Alphabet	\$132.60	7/30/2023	-2.5%	-	Internet-Content
META	Meta Platforms	\$325.48	7/30/2023	-7.5%	-	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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