



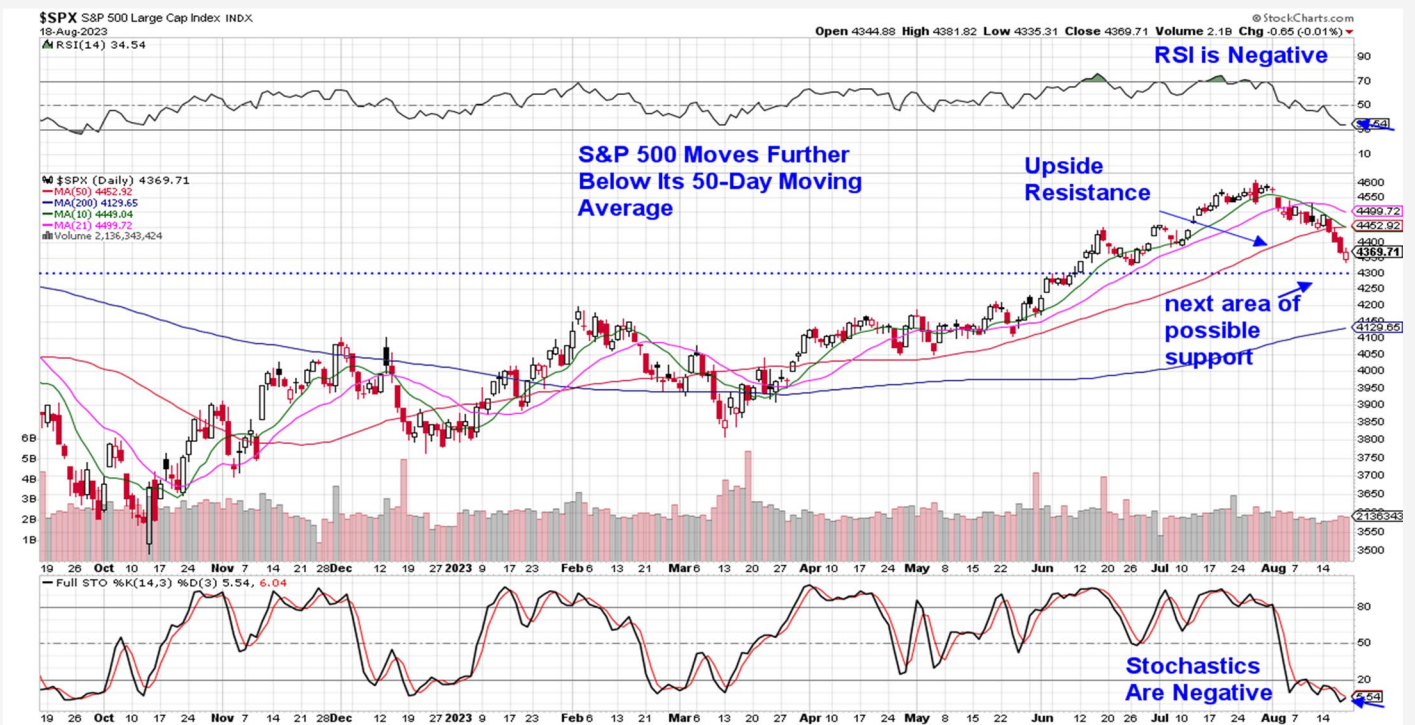
THE MEM EDGE

August 20, 2023 | Weekly Report

This Week's Highlights

- Federal Reserve Meeting Notes Hint At Further Rate Hikes Ahead
- Yield On 10-Year Treasury Bond Continues To Rise
- Bank Stocks Under Pressure Following Fed Official Comments
- China Reports Industrial Production and Retail Sales Below Expectations
- Global Recovery Fears Push Energy And Other Stocks Lower
- Leading Indicators Fall But GDP Growth On Track For 5% In Q3
- Flash PMI, Powell Jackson Hole Speech, August Consumer Sentiment Report Next Week

Daily Chart of S&P 500



The S&P 500 fell 2.1% last week in a move that pushed it further below its 50-day moving average. We remain negative on the near term prospects for this Index as the RSI and Stochastics remain in negative territory on the daily chart.

Should the markets fall further, the next area of possible support is at the 4300 level which is 1.6% away. A break below this key level would be quite negative.

The weekly chart of the S&P 500 is mixed, with the Index below its key 10-week moving average while the

RSI and Stochastics remain in positive territory. While this creates a positive intermediate outlook, clearly the markets are under pressure and caution is warranted.

On any rally attempts, the 50-day moving average is the first area of possible upside resistance and is 1.9% away. We would also need to see the RSI trend upward and above 50 to confirm a new uptrend. This would be similar to the late March period of this year.

The Nasdaq fared a bit worse with a 2.6% decline that occurred on above average volume and put this Index

further below its key 50-day moving average. We remain negative on the near term prospects for the Nasdaq.

We are closely monitoring the weekly chart of the Nasdaq as the RSI and Stochastics are trending lower. Historically, when these momentum metrics turn negative simultaneously (below 50), a more pronounced downside takes place. (The weekly chart of the Nasdaq is below)

Last week's pullback in the Nasdaq was due mostly to a sharp decline in Tesla (**TSLA**) and Meta Platforms (**META**) while heavyweights Netflix (**NFLX**) and Amazon (**AMZN**) also underperformed.

Not all Growth stocks in this Index came under selling pressure however, with an early week rally helping Semiconductor and Software stocks end the week down far less than the Nasdaq. Given that both of these groups were one of the first areas of the market to show weakness, we're closely watching price action for possible signals of strength that may have these groups leading us out of the current downtrend.

The primary driver of last week's negative price action was a sharp increase in interest rates, with the yield on the 10-year Treasury closing at 4.25%.

The rise in rates was sparked by stronger than expected economic data however, Wednesday's meeting notes from the Federal Reserve's latest gathering pushed yields even higher. Most notable was the fact that Fed officials are still worried that inflation could rise again, which would necessitate more interest rate hikes.

Next week, Fed Chair Powell will be speaking at his annual meeting in Jackson Hole. While the FOMC notes made it clear that the Fed's fight against inflation isn't over, any comments from Powell regarding the need to

reign in recently robust economic growth may increase rate hike fears further.

Global growth news also pushed the markets lower after China reported lower than expected Industrial Production and Retail Sales numbers. The reports triggered concerns of an economic slowdown, with Energy and global-facing Industrial stocks pulling back in response.

At this time Energy and Healthcare are the only sectors that are above their key 50-day moving averages, signaling a continued deterioration of breadth. As you may recall, the Energy sector was the only positive area of the markets for most of 2022, when the broader Indices were descending into bear market status.

This is because Energy stocks historically fare well in a rising interest rate and high inflationary period. While we may not see outsized returns similar to 2022 because of tougher yoy growth comparisons, the group is certainly poised to trade higher due to other factors which we'll review below.

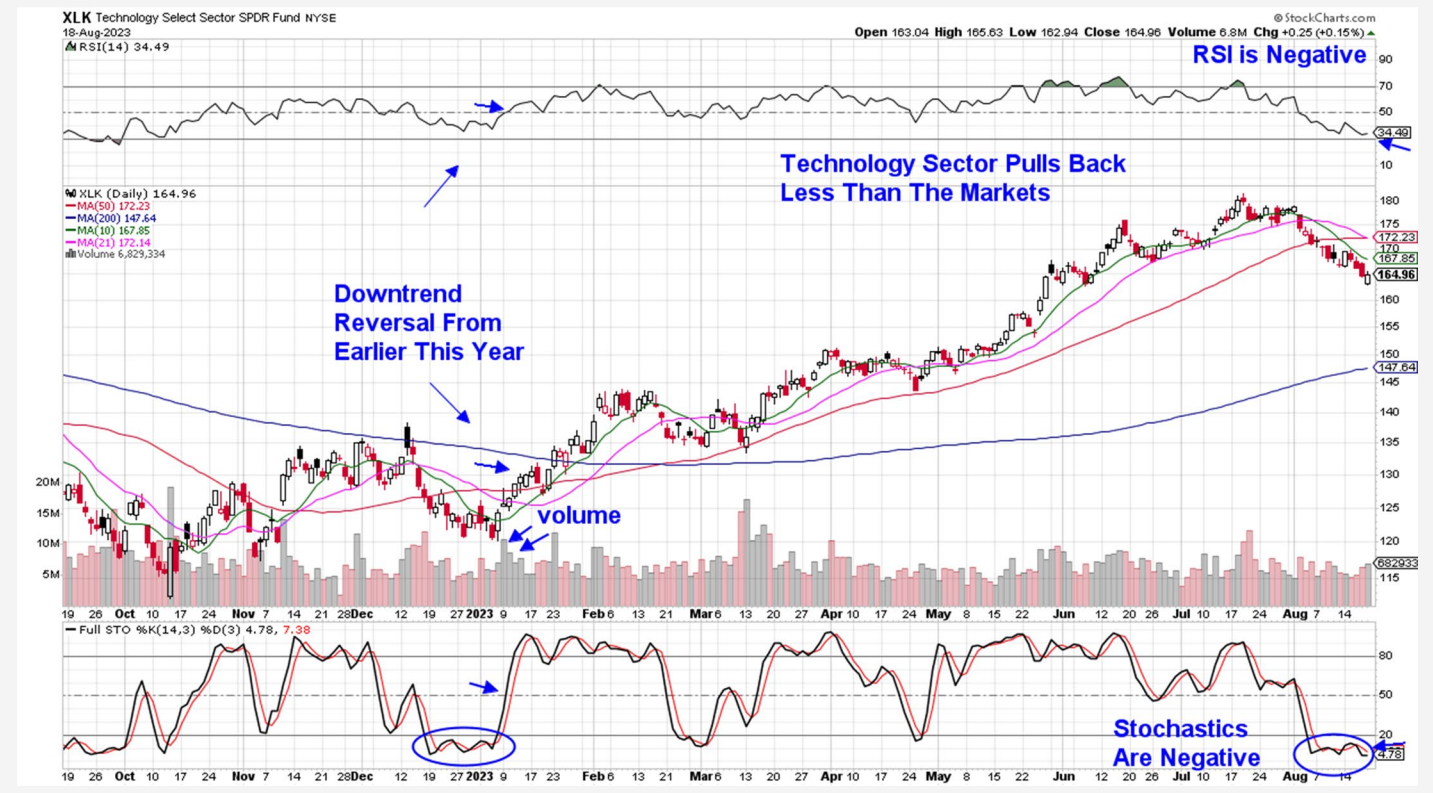
Given the status of the broader markets, we could continue to refrain from putting new money to work - especially in Growth areas of the markets. A rising interest rate environment is especially negative for these stocks as it reduces the value of future earnings.

Instead, we'll continue to broaden out our Watch List while closely monitoring the markets for signs of a leveling off that may lead to a new uptrend. At this time, rising interest rates are the biggest threat for the markets.

With earnings season now mostly behind us and the Fed vowing to reduce inflation, each new economic report will take on even more importance. In other words, volatility will remain high until investors resume their optimistic outlook that interest rate hikes are behind us and the economy is on firm footing.



Technology Select Sector SPDR Fund (XLK)



Technology Sector Outperforms Broader Markets

The Tech sector fell less than the markets last week due to relative outperformance in Semiconductor and Software stocks that were given a boost by a Monday rally.

Semiconductor stocks fell only 1.2% led by relative outperformance in Equipment stocks that are posting positive earnings and strong growth outlooks. Applied Materials (**AMAT**) was the latest - reporting results on Thursday that were above estimates due to strong demand from AI applications.

Lam Research (**LRCX**) from our List also provides needed equipment for AI adaptation and the company posted strong results 3 weeks ago where management cited that growth from AI was in its beginning stages. LRCX was flat for the week as it retained its presence above its 50-day moving average.

The stock can be held as both its daily and weekly charts remain positive.

Nvidia (**NVDA**), which we removed from our Suggested Holdings List last week due to a break below its 50-day moving average and a negative RSI and MACD, posted a 6% gain ahead of the release of their earnings next week.

As noted last week, the longer term prospects for the stock remained healthy with the weekly chart exhibiting positive momentum. A close above its 21-day moving average with a positive RSI and MACD would have us more constructive on the near term prospects for NVDA.

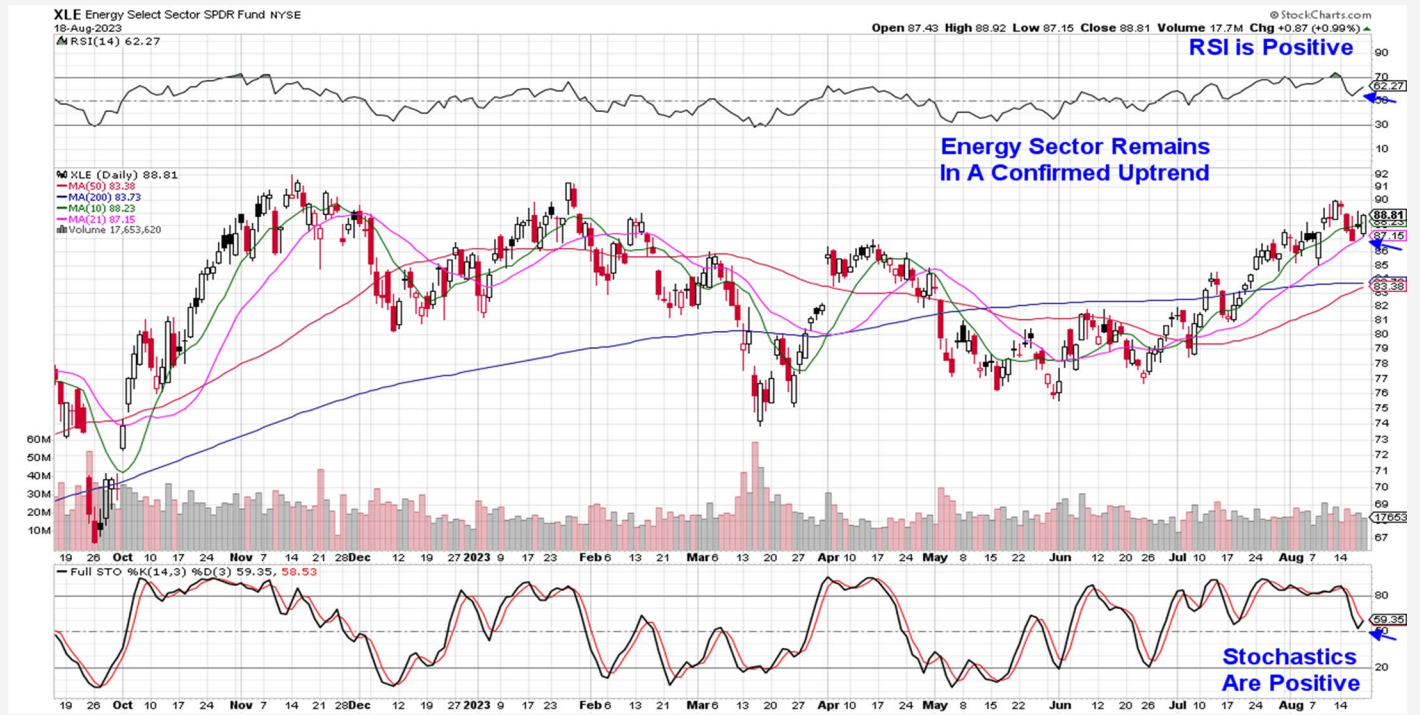
Investors' response to NVDA's quarterly results and outlook will be very important as news earlier this month of a "super AI" chip due next year and news of \$5B in chip sales to China was met with selling.

Buying on increased volume following any positive news may signal more of a risk on sentiment among investors.

Software stocks fell only 1.5% last week led by relative outperformance in Large Cap companies in this group such as Adobe (**ADBE**) which was flat for the week. ADBE has pulled back to its 50-day moving average in a move that puts the RSI into negative territory with the MACD in positive territory. The stock can be held.

At this time, we're viewing the late December into January period as a possible precedent for the Technology sector, as the group was below its key moving averages with oversold Stochastics before reentering an uptrend in early January. The key reason for the bullish turnaround was strong earnings reports from Semiconductor stocks.

Energy Select Sector SPDR Fund (XLE)



Energy Sector Remains In An Uptrend

Energy stocks pulled back earlier in the week after disappointing economic data from China spurred fears of reduced demand for oil from the world's largest importer. The group remains in a confirmed uptrend however, after finding support at its upward trending 21-day moving average and a positive RSI and Stochastics.

Prices of crude oil remain elevated due to voluntary production cuts from Russia and Saudi Arabia which is helping these stocks trade higher. Exploration and production companies benefit the most from a rise in the price of oil and many of these companies are also seeing their operating costs come down as supply chain issues are easing.

In turn, companies are reporting strong 2nd quarter results with increased drilling efficiencies due to newer technology also boosting their profits. These dynamics are expected to remain in place into next year.

Pioneer Natural Resources (**PXD**) gained 0.5% last week with its uptrend intact. The weekly chart looks particularly compelling with the MACD recently entering

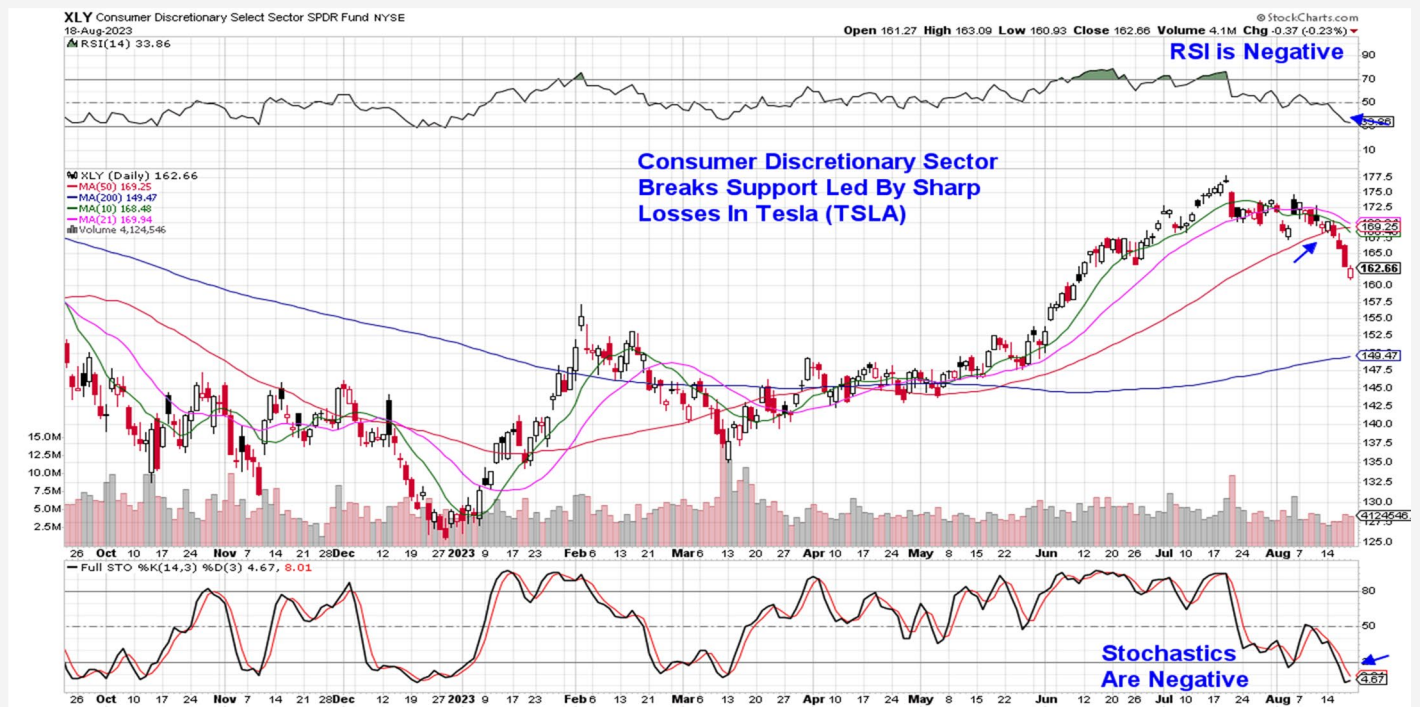
into positive territory. The company reported results above estimates earlier this month, with management guiding production levels higher and expenses lower for 2023. PXD also provides a 6.9% yield and the stock is in a buy zone.

Among the companies providing improved technologies to Oil Producers is SLB (**SLB**) from our List. The stock pulled back last week on below average volume but managed to close back above its 21-day moving average. The stock can be bought on a close above its 10-day mav. A bullish MACD crossover (black line up through the red) would be even more positive for the near term prospects.

This week, we're adding Matador Resources (**MTDR**) to our Suggested Holdings List amid Wall Street upgrades due to the company's strong presence in oil-rich areas of the Delaware Basin that has management raising oil production levels into next year.

MTDR is in a confirmed uptrend with a positive RSI and MACD. The stock can be bought on a pullback to its 10-day moving average in the \$59 range. The weekly chart is positive as well with the MACD just entering positive territory.

Consumer Discretionary Select Sector SPDR Fund (XLY)



Consumer Discretionary Sector Worst Performing

The Consumer Discretionary sector was hurt by an 11% decline in Tesla (**TSLA**) due primarily to price cuts as well as news that China's economy may be slowing.

Heavyweight stock Amazon (**AMZN**) also pulled back more than the markets and while the volume was relatively light, the RSI has dipped into negative territory. We've seen similar price action in late July and early August, when the stock pulled back to its 50-day moving average and was able to recover. AMZN can be held.

Last week's strong Retail Sales data for July was given quite a boost by the success of Amazon Prime Day's positive internet sales purchases.

Home Construction stocks were hurt by the recent increase in interest rates as mortgage rates are now at levels not seen in 21 years.

Meritage Homes (**MTH**) was among the housing stocks that came under selling pressure, with a pullback that puts the stock below its 50-day moving average with a negative RSI and MACD.

Existing and New Home sales numbers for July will be released next week and while positive data may provide a boost for the group, we're removing MTH from our Suggested Holdings List due to its negative chart.

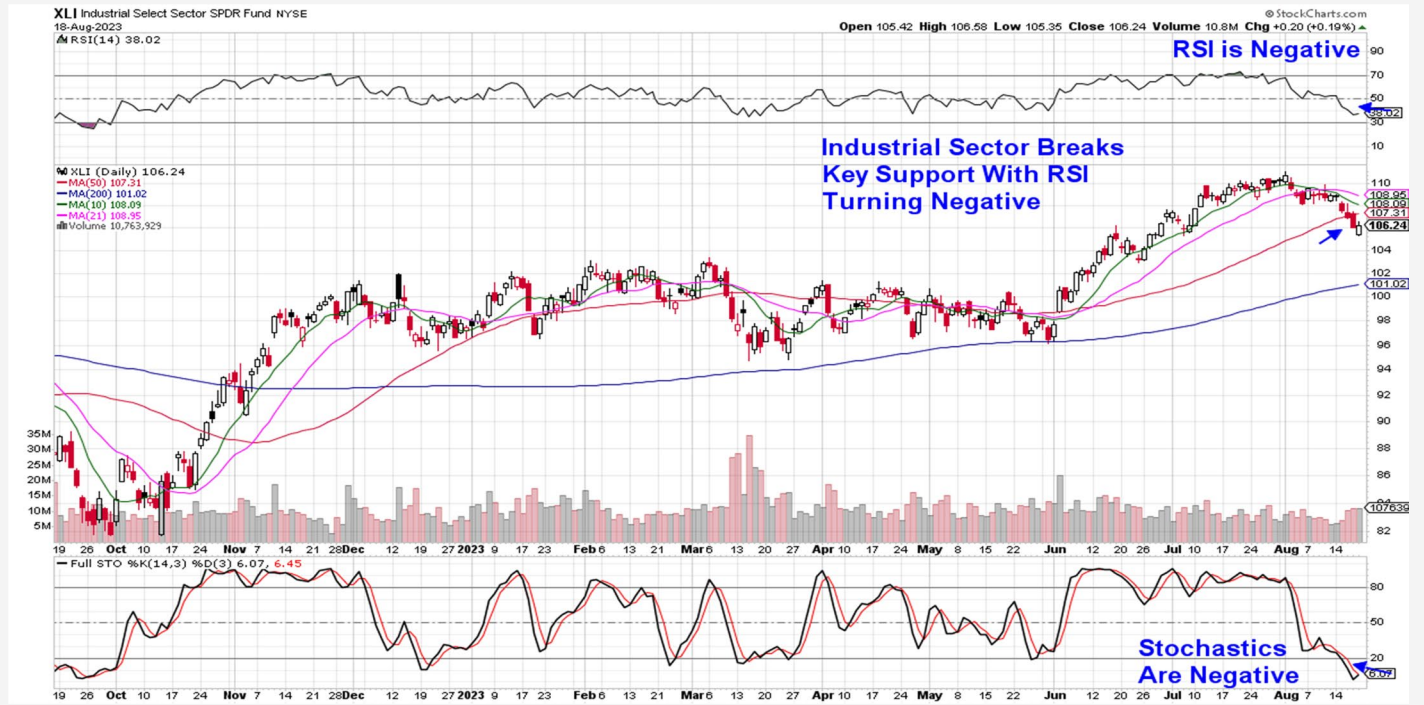
Footwear manufacturer Deckers (**DECK**) posted a 1% gain for the week with a Friday rally that puts the stock back above its 10-day moving average. While the stock is in a position to trade higher with a positive RSI and MACD, general market pressures have us rating DECK as a hold.

O'Reilly Automotive (**ORLY**) fell 0.5% for the week after a Thursday pullback erased earlier gains. While the longer term weekly chart remains constructive, the daily chart has us cautious on the near term prospects for this stock. We're on the lookout for a bullish downtrend reversal similar to late March however, further weakness will have us removing the stock from our List.

It was a mixed week for Large Retailers reporting results, with Walmart (**WMT**) posting strong numbers and guiding higher while Target (**TGT**) and Home Depot (HD) each guided growth lower going forward. High inflation was cited as a reason for lower guidance while discounter WMT has been able to benefit due to its lower pricing model.

Discounters Ross (**ROST**) and TJ Maxx (**TJX**) also reported strong quarterly results and gapped up into a base breakout in response. Both stocks are on our Watch List as is WMT.

Industrial Select Sector SPDR Fund (XLI)



Industrial Sector Turns Negative

The Industrial sector underperformed last week led by a sharp drop in Transportation stocks such as Airlines and Trucking companies that are seeing reduced demand. Building related stocks also came under selling pressures after rising interest rates pushed the outlook for housing stocks lower.

Pentair (**PNR**) from our List is in the building related space as they manufacture water pumps and filtration systems and the stock pulled back 4.5% for the week. PNR found support at its 50-day moving average; however, the RSI is now in negative territory.

We're using the late May period as precedent as the stock experienced a similar pullback to its 50-day mav. A move of the RSI back into positive territory coupled with a positive MACD crossover signaled a new uptrend.

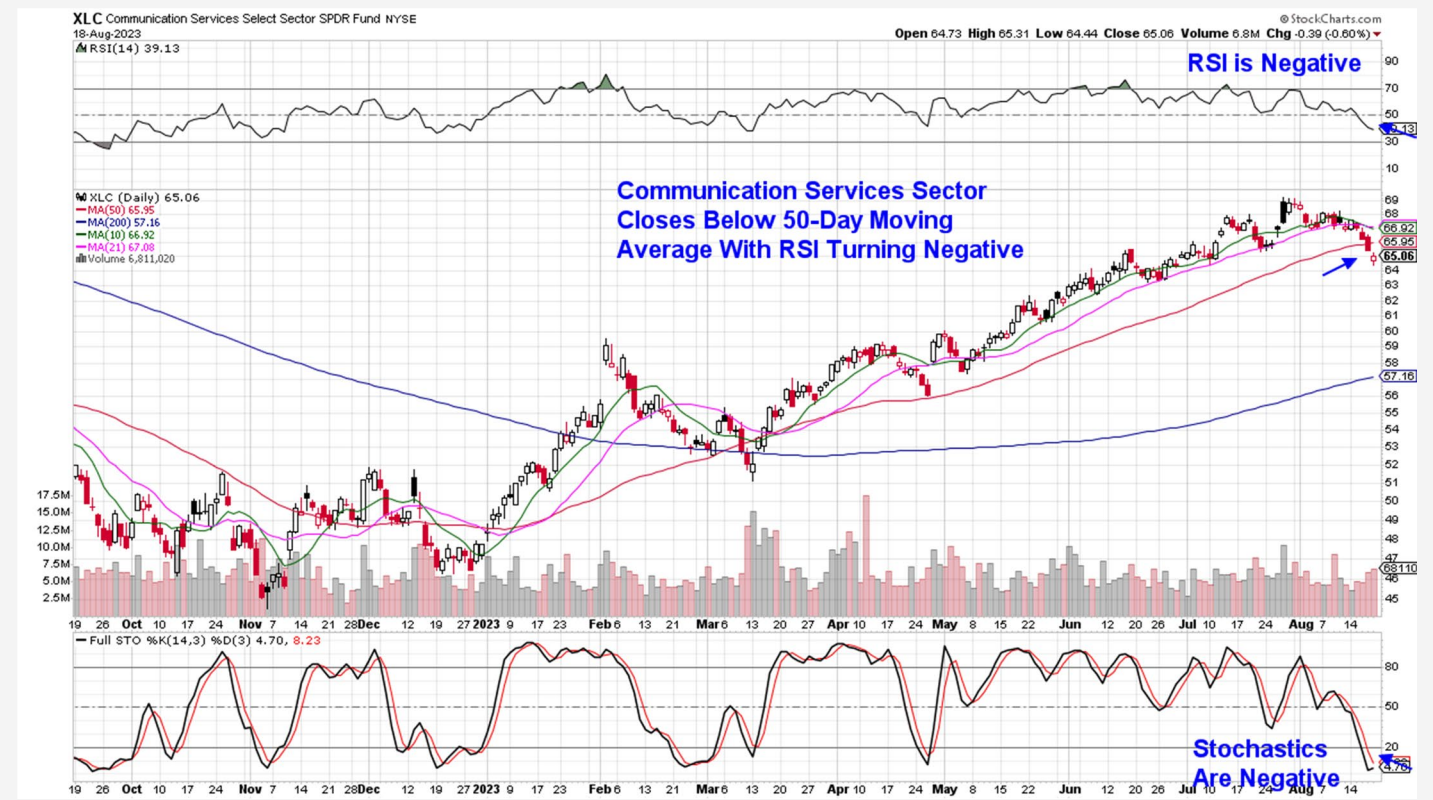
Caterpillar (**CAT**) pulled back last week as weak economic reports from China threatened to reduce

already slow sales from the country. CAT had cited reduced growth from China on their earnings call earlier this month. The stock was able to recover with a close above its 21-day moving average while the RSI and MACD remained in positive territory. A close above its 10-day mav in the \$280 range would put CAT in a buy zone

Heavyweight Industrial stock Deere (**DE**) posted strong quarterly results and guided estimates higher late Thursday however, the stock pulled back sharply on heavy volume. The decline took place due to fears that the recent boom in tractor supplies may falter due to softening crop prices.

Caterpillar provides services to the same industry and for now, we did not see weakness spread to CAT due to the reduced outlook.

Communication Services Select Sector SPDR Fund (XLC)



Communication Services Sector Hurt By Mega-Caps

Sharp underperformance in heavyweight names Meta Platforms (**META**) and Netflix (**NFLX**) had the Communication sector among the worst performing last week.

META's decline pushed the stock below its 50-day moving average on Thursday and with the RSI and MACD now in negative territory, we're removing the stock from our Suggested Holdings List. Last week's decline took place despite positive news regarding ad sales.

Longer term, the monthly chart remains constructive and we anticipate the stock to recover due to its dominance in the move to adopt AI however near term META is poised for further downside.

Alphabet (**GOOGL**) held in much better with a 1.5% decline that took place on Friday. The relative outperformance took place amid news of cost cutting as well as a Wall Street price target upgrade. A close above its 10-day moving average would put the stock back into a buy zone.

Summary

The mood among investors has shifted as enthusiasm surrounding a U.S. economy that's on firm footing coupled with inflation that was moderating, has been challenged by global growth concerns and a move higher among interest rates.

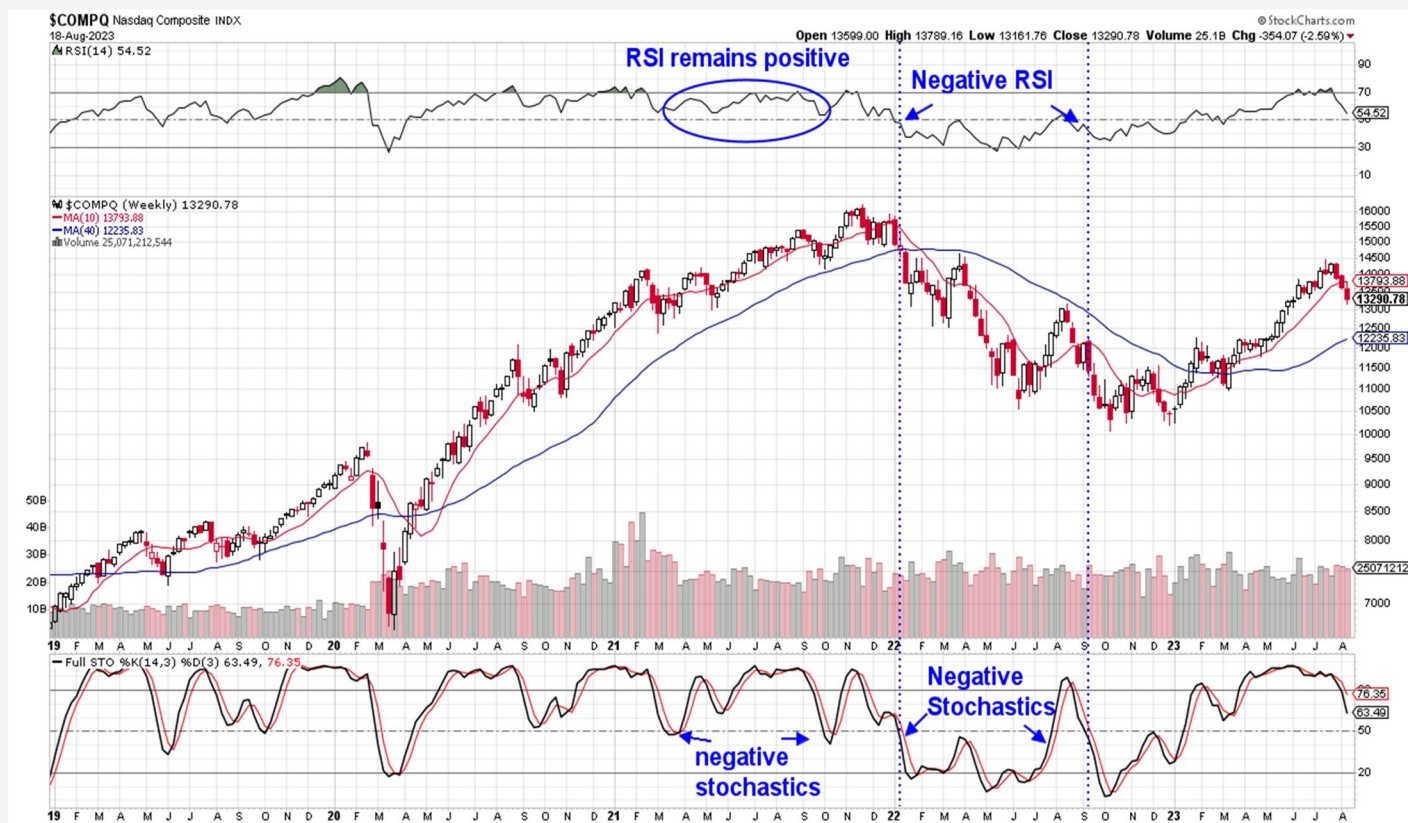
Investor sentiment drives stock market price action and the recent surge in bond yields reflects investor's concern that the Federal Reserve may need to raise rates further to quell a resilient economy.

Next week, investor sentiment will be tested as Nvidia (NVDA) will be releasing their quarterly results on Wednesday after the market's close.

As you may recall, the company's 1st quarter results sparked a Tech fueled rally after the company espoused the tremendous growth prospects due to the adoption of AI in many areas. These same comments may not elicit a similarly bullish response next week and if so, it will indicate a continued risk-off sentiment among traders.

At this time a more cautious stance is warranted as breadth continues to narrow and higher valuation stocks remain under pressure. The stage for a renewed uptrend in the markets remains in place however, following a strong earnings season amid continued spending among consumers. That said, a new uptrend won't take place until interest rates and inflation subside.

Weekly Chart of NASDAQ Composite (\$COMPQ)



Daily Chart of Matador Resources Co. (MTDR)

MTDR Matador Resources Co. NYSE
18-Aug-2023
RSI(14) 67.55

Open 59.56 High 61.04 Low 59.56 Close 60.99 Volume 1.5M Chg +0.82 (+1.03%)

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RSI is Positive

MTDR Is Under Accumulation
With Higher Volume On Rally
Days

MACD is
Positive

The
MEMEdge
WEEKLY REPORT

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	7/16/2023	-3.0%	-	Retail - Internet		
DECK	Deckers Outdoors		\$512.70	6/19/2023	19.0%	-	Retail - Shoes		
MTH	Meritage Homes		\$137.06	6/25/2023	0.0%	-	Residential Builder		
ORLY	O'Reilly Automotive		\$955.30	7/2/2023	6.5%	-	Retail Automotive		
ENERGY									
MTDR	Matador Resources		\$61.00	8/20/2023		-			
PXD	Pioneer Resources		\$236.80	8/13/2023	0.5%	-	Oil & Gas Exploration		
SLB	Schlumberger		\$59.70	8/13/2023	-2.5%	-	Oil & Gas Field Services		
INDUSTRIAL									
CAT	Caterpillar		\$285.20	8/13/2023	-4.0%	-	Machinery		
PNR	Pentair		\$64.60	7/2/2023	3.5%	-	Machinery		
TECHNOLOGY									
ADBE	Adobe		\$507.40	7/12/2023	0.5%	-	Software		
LRCX	Lam Research		\$642.00	6/28/2023	2.0%	-	Semiconductor		
COMMUNICATION SERVICES									
GOOGL	Alphabet		\$132.60	7/30/2023	-3.0%	-	Internet-Content		
META	Meta Platforms		\$325.48	7/30/2023	-9.0%	-	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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