



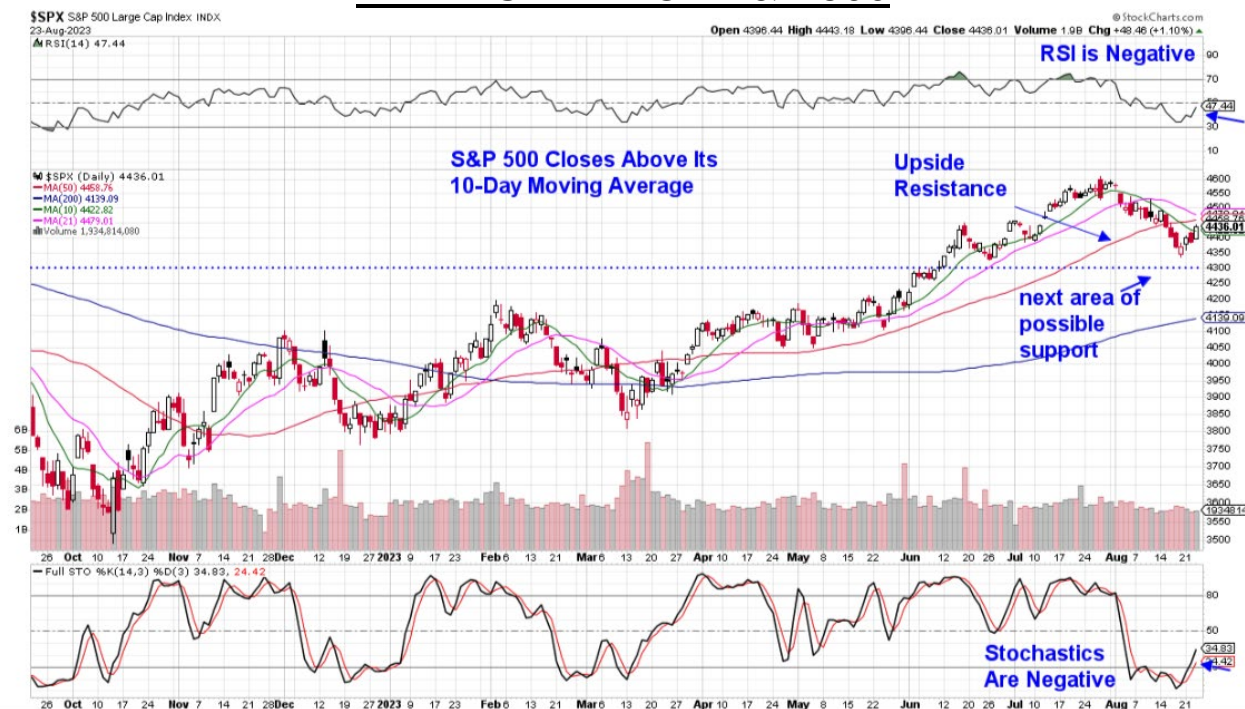
# THE MEM EDGE

Midweek Report

Wednesday, August 23, 2023

- U.S. Home Sales Fall To A 6-Month Low While New Home Sales Rise
- Flash Surveys Show U.S. Economy Is Slowing
- Weekly Jobless Claims, Durable Goods Orders & Consumer Sentiment Data Due Thursday & Friday
- Fed Chair Powell Speaks At Annual Jackson Hole Summit
- Adding Nvidia (NVDA), Broadcom (AVGO) and ServiceNow (NOW) To Suggested Holdings List

## DAILY CHART OF S&P 500



The S&P 500 has gained 1.5% so far this week in a move that has this Index closing above its 10-day moving average with the RSI and Stochastics remaining in negative territory. This keeps our near term outlook negative.



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Once we see a close back above the 50-day moving average coupled with a positive RSI and Stochastics, our outlook will shift to a positive outlook for the near term. At this time, the 50-day moving average is -0.5% away.

The weekly chart of the S&P 500 is mixed, with the Index remaining below its key 10-week moving average while the RSI and Stochastics are in positive territory. This creates a positive intermediate outlook however, a close above the 10-week moving average would provide more confidence.

The Nasdaq has fared quite a bit better with a 3.4% gain for the week that's put the RSI into positive territory on its daily chart, with the Stochastics trending upward. This Index has also closed above its 10-day moving average with the next area of possible resistance being the 50 and 21-day moving averages which are both 0.6% away.

This week's price action has us more constructive on the near term prospects for the Nasdaq and a close above its 21 and 50 day moving averages coupled with a positive Stochastics, would have us turn positive on our outlook for the near term prospects.

Outperformance in the Nasdaq is being led by gains in the mega-cap FAANMG stocks as well as a sharp rally in Semiconductor and Software stocks.

*As mentioned in our Sunday Report, Given that both of these groups (Semis & Software) 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.*



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The Technology sector, as well as the Software group (using ETFs XLK and IGV), both have a positive RSI which is a first step toward turning fully bullish. A close above their 50-day moving average would be the next key ingredient.

We anticipate the Technology sector and Semiconductor stocks (using SOXX) to turn positive tomorrow, should we see a continued rally in Nvidia (**NVDA**). The stock is trading higher after hours after reporting earnings and sales above estimates which in turn may push other Semiconductor names higher.

Of the Tech names on our Suggested Holdings List, Adobe (**ADBE**) is in a Strong Buy Zone after closing above each of its moving averages with a positive RSI and MACD.

Lam Research (**LRCX**) is in a similarly bullish position however, we'd need to see the stock close above its 21-day moving average to be in a Strong Buy Zone as the RSI and MACD are in positive territory.

Today, we're adding both Nvidia (**NVDA**) and Broadcom (**AVGO**) back to our Suggested Holdings List as both leading AI related Semiconductor companies are above their key 50-day moving average with a positive RSI.

We're adding Software stock ServiceNow (**NOW**) to our Suggested Holdings List as well after today's close above each of its moving averages pushed the RSI into positive territory. The provider of workflow automation software is in a buy zone.

Mega-Cap name Alphabet (**GOOGL**) has gained 4% for the week so far amid analyst upgrades due to strength in the company's ad





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sales division. The stock is in a Strong Buy Zone after today's close above each of its moving average. Any pullback to the \$130 range would be an ideal entry.

Retail stocks are pulling back this week amid mixed earnings reports with Amazon (AMZN) posting a 1.8% gain that keeps its RSI and MACD in positive territory. A close above its 10-day mav at \$136 would put the stock into a strong buy zone.

Deckers (**DECK**) pulled back with the Footwear group after Nike (NKE) posted their worse week since last Fall amid downgrades. A sharp drop in retailer Foot Locker (FL) also hurt the group.

**DECK** found support at its 50-day moving average however and in a bullish move, buyers came in on today's dip so that it closed the week in the upper portion of its trading range. A close above its shorter term moving averages and a bullish MACD crossover (black line up through the red) would put DECK back into an uptrend.

Energy stocks are the worst performers this week amid a drop in the price of oil as well as continued news regarding the economic slowdown in China.

Pioneer (**PXD**) from our List recovered from a break below its 21-day moving average today, to positively close at the top of its trading range. A close above \$235 would put the stock into a strong buy zone.

As cited in our Sunday Report, *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*



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*weekly chart is positive as well with the MACD just entering positive territory.*

Matador (**MTDR**) is now in a buy zone after today's pullback to its 10-day moving average at \$59 where it held support.

SLB (**SLB**) also recovered from a pullback today and a close above its 10-day moving average at \$58 would put the stock into a buy zone.

Industrial stocks are also underperforming with heavyweight name Caterpillar (**CAT**) trending sideways on light volume. A move above its 10-day mav at \$277 would put the stock into a buy zone.

Pentair (**PNR**) is faring a bit better with a 1.5% gain as it moves closer to a close above its 10-day moving average which is 1% away. Should PNR close above this mav coupled with a positive RSI, the stock would be in a buy zone.

While we're experiencing positive price action in the Nasdaq and S&P 500 which we anticipate to continue into tomorrow, Friday's comments from Fed Chair Powell may cause volatility depending on his emphasis.

While investors are now aware that the Fed intends to raise rates as needed to curb inflation, any remarks that discuss extending rate hikes into next year may stall this week's progress.

Warmly,  
Mary Ellen McGonagle  
Editor, MEM Edge Report