



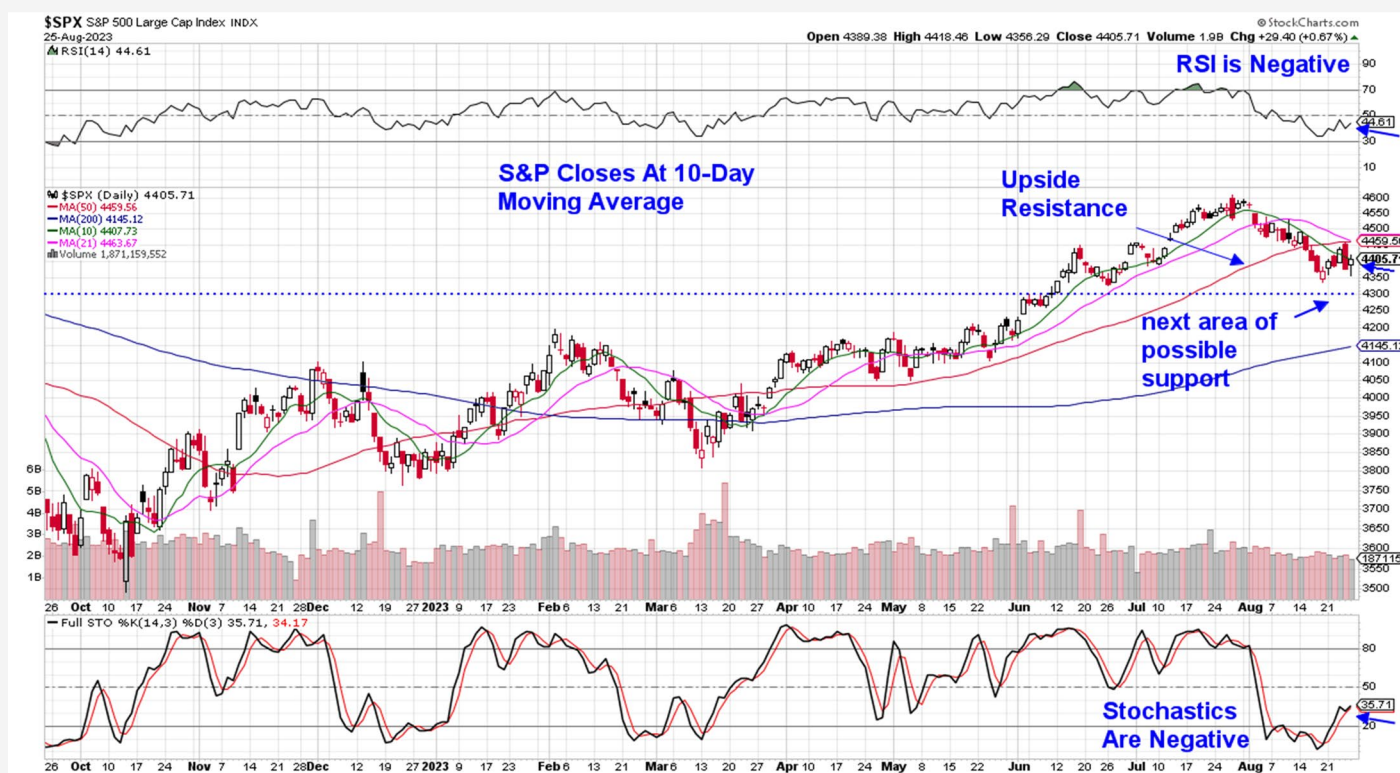
# THE MEM EDGE

August 27, 2023 | Weekly Report

## This Week's Highlights

- Yield On 10-Year Treasury Bond Remains Elevated
- Fed Chair Powell Hints At Further Rate Hikes Ahead Amid High Inflation
- Global Recovery Fears Pushing Energy And Other Stocks Lower
- Flash PMI Surveys Show U.S. Economy Is Slowing While Durable Goods Orders Show Industrials Stabilizing While Consumer Sentiment Dips – Mixed Economic Data
- U.S. Home Sales Fall To A 6-Month Low While New Home Sales Rise
- August Employment Data, Core PCE & Consumer Confidence Next Week

## Daily Chart of S&P 500



The S&P 500 ended the week up 0.8% in a move that has this Index moving closer to a close above its 10-day moving average. As you may recall, this is the first area of possible upside resistance. While the RSI and Stochastics are trending upward, they remain in negative territory. We remain negative on the near term prospects for this Index.

On any further rallies, the 50-day moving average is the next key area of possible upside resistance and at this time, it's 1.2% away. A close above this key moving

average coupled with a positive RSI and Stochastics would have us positive on the near term for the S&P 500 Index.

The Nasdaq fared quite a bit better, with a 2.3% rally that was led by outperformance in FAANMG names that regained most of their losses from the prior week. A rally in Software and select Semiconductor stocks also gave this Tech heavy Index a boost.

Last week's gain in the Nasdaq puts both the RSI and Stochastics very close to positive territory on the daily chart. A close above the 50-day moving average coupled with a positive RSI and Stochastics would put this Index back into an uptrend. At this time, the 50-day moving average is 1.6% away.

We've included a daily chart of the Nasdaq below which highlights the bullish characteristics that signaled a new uptrend in mid-March of this year. One key ingredient in March was a sharp drop in interest rates helped boost Growth stocks as they respond well to a declining interest rate backdrop.

At this time, interest rates remain elevated despite a pullback last week amid weaker than expected economic data.

Last week, anticipation of Nvidia (**NVDA**)'s earnings report after the market's close on Wednesday also drove price action. While reaction to the company's strong results was initially positive, selling took over and the stock closed lower.

The Thursday reversal in NVDA spread to the markets, and the price action pointed to a risk-off sentiment

among investors amid fears of further interest rate hikes.

On Friday, Fed Chair Powell left the door open to the possibility of more rate increases after stating that the Federal Reserve would consider raising rates to lower inflation. Rising interest rates are not good for the markets - particularly Growth stocks.

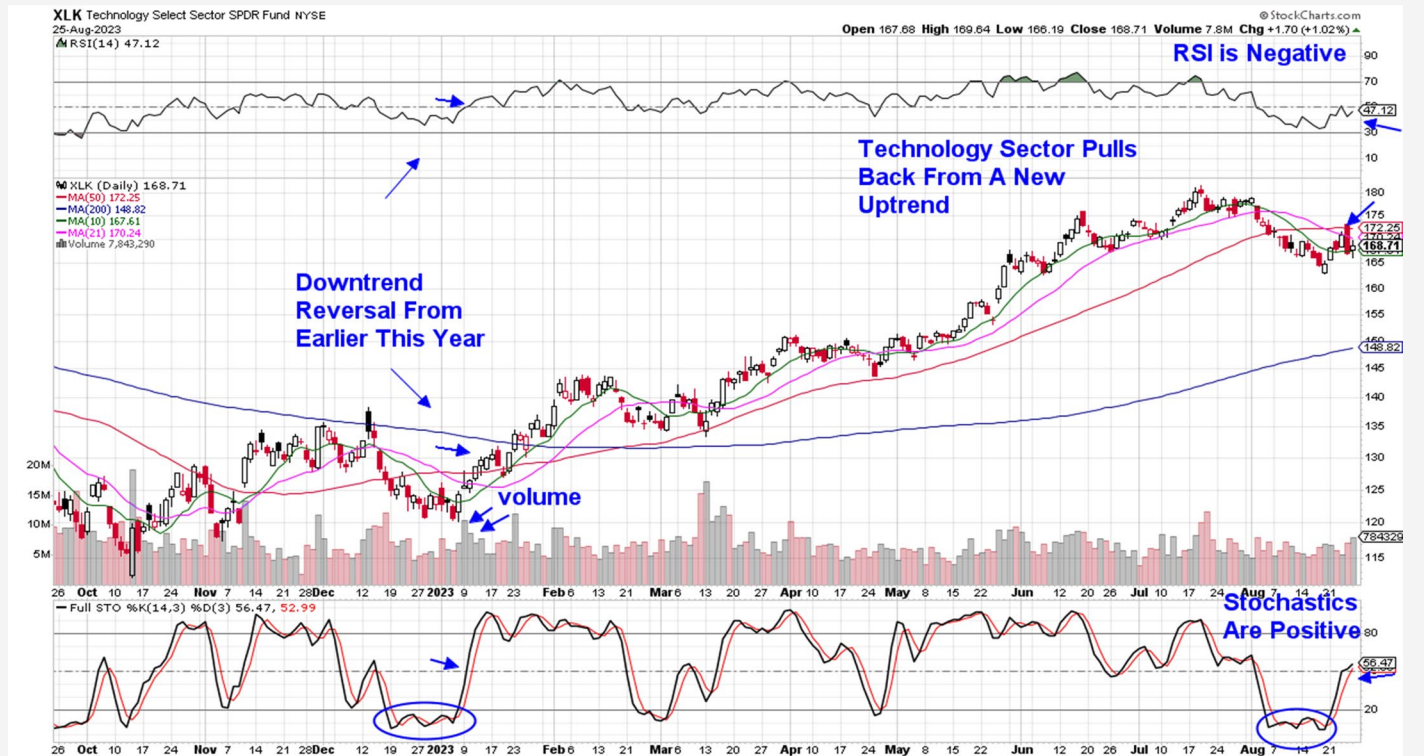
Next week, key inflation-related data will be reported with Personal Consumption Expenditures (**PCE**) due on Thursday followed by monthly Employment data on Friday. Both reports are used as key benchmarks for the Fed in their efforts to get inflation down to the 2% level.

Overall breadth in the markets remained steady last week, with the equal-weighted S&P 500 closing the week flat which indicates not strength, but rather a lack of general weakness in stocks outside of the mega-cap Growth names that supported the Nasdaq.

At this time, both the S&P 500 and Nasdaq remain below key resistance with negative momentum indicators. With key inflation related data due next week, we remain cautious on the prospects for the markets and would remain on the sidelines until a less volatile backdrop emerges.



## Technology Select Sector SPDR Fund (XLK)



### Technology Sector Is Top Performing

The Tech sector outperformed again this week, led by 2+% gains in heavyweight names Microsoft (**MSFT**) and Apple (**AAPL**). Despite their gains, both stocks remain below downward trending shorter-term moving averages and are in a downtrend.

Another boost for this sector was a 3% gain in Software stocks which helped push the RSI into positive territory with the MACD poised to post a positive crossover (black line up through the red). The group closed below its key 50-day moving average however, after a Thursday pullback that took the markets down. (using ETF IGV)

While Software stocks are on the cusp of turning positive, less than a third of the 358 names in this group are above their key 50-day moving average. A further broadening out of names would bolster our confidence in any new uptrend that materializes. Next week, several heavyweight stocks such as Salesforce (CRM) are due to report earnings.

Last week's gains in Software stocks were led by Large Cap names that posted strong earnings reports such as Intuit (**INTU**), Workday (**WDAY**) and Splunk (**SPLK**). Each of these stocks are on our Watch List after posting base breakouts.

Adobe (**ADBE**) rallied 2.5% during a choppy week that saw the stock closing back above each of its moving

averages with a positive RSI. The stock is in a buy zone and a positive MACD crossover would put the stock into a strong buy zone.

Recently added ServiceNow (**NOW**) closed just above its 50-day moving average with a positive RSI. A move of the MACD into positive territory with a bullish crossover, would put the stock into a strong buy zone.

Semiconductor stocks rallied only 1% last week after giving back healthy gains into Thursday that had pushed the group back above its 50-day moving average with a positive RSI.

The weak close leaves the downtrend in this group in place, with Semis back below their key 50-day moving average and the RSI and MACD in negative territory. (using ETF SOXX)

As cited, (**NVDA**) posted positive earnings and sales along with a strong growth outlook going into next year and beyond. The report had Wall Street analysts raising their price targets to an average of \$640 (per Factset). NVDA closed the week at \$460.

NVDA closed the week up 6% with the stock above each of its moving averages and the RSI and MACD in positive territory. While the stock is in a bullish position from which to trade higher, broader market price action as well as price action within the group (using

SOXX) will weigh heavily if we continue to experience selling pressure.

On Wednesday, we added Broadcom (**AVGO**) and Nvidia (NVDA) back to our Suggested Holdings List as Semi's were moving closer to a downtrend reversal. Subsequently negative price action in the group has served as a reminder to await confirmation of a new uptrend before taking action.

At this time, both stocks can be held however, a close below its 10-day moving average would have us considering a removal of AVGO from our Suggested Holdings List. Broadcom is due to report their earnings on Thursday.

Lam Research (**LRCX**) ended the week with a 1% gain that keeps the stock above its 10-day moving average with a MACD that's in positive territory. The stock can be held.

Last Thursday, the Technology sector briefly entered a new uptrend with a move back above its 50-day moving average coupled with a positive RSI and Stochastics.

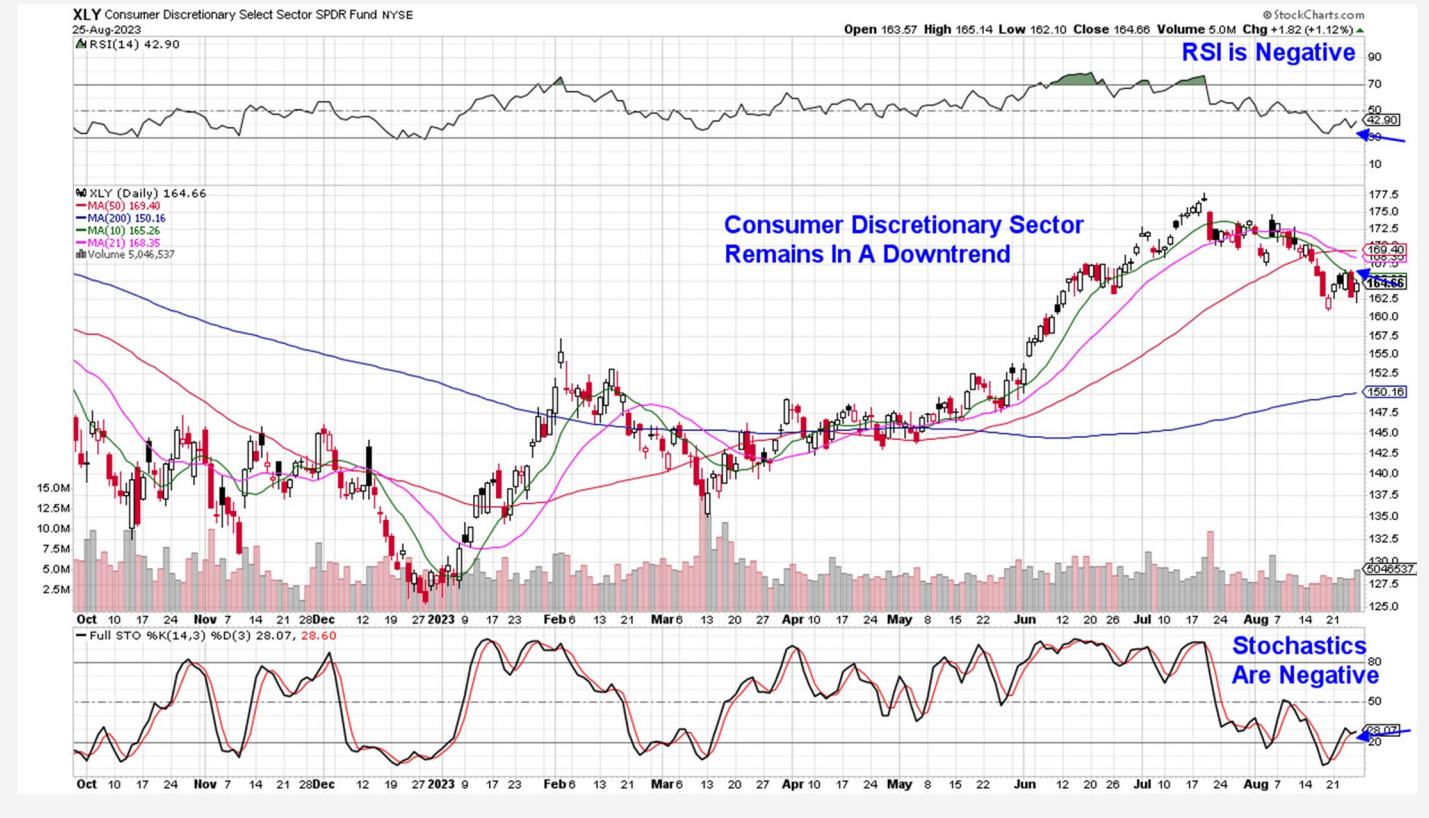
A late day reversal pushed the sector back below its 50-day and the RSI back into negative territory. The Stochastics remain positive however, as strength in Software stocks as well as heavyweights Apple and Microsoft helped keep this sector on the edge of turning positive on its daily chart.

Historically, the high growth stocks in Technology have pulled back when interest rates have risen - particularly Software - due to the fact that the value of future earnings is reduced. This correlation did not occur during the month of July and again last week.

At this time, we see rising rates as one of the biggest threats to the Tech sector however, we're also noting the recent disassociation with this factor due mostly to AI related exuberance. In the chart of the Technology sector above, we've highlighted the characteristics needed to turn this area positive.



## Consumer Discretionary Select Sector SPDR Fund (XLY)



### Consumer Discretionary Sector Outperforms Despite Weakness In Retail

The Consumer Discretionary sector was among the top performing last week due primarily to an 11% gain in heavyweight stock Tesla (**TSLA**) that was sparked by a major upgrade from Wall Street firm Baird.

Earnings season picked up among Retailers and the news was generally negative with several major Department Stores and well-known Retailers falling more than 10% amid weak earnings and reduced growth outlooks going forward. The S&P Retail ETF (**XRT**) fell 4% for the week.

Footwear stocks fell the most led by a sharp drop in sneaker retailer Footlocker (**FL**) which dropped 31% after reporting declining sales due to a pullback among consumers.

Deckers (**DECK**) from our List was caught in the downfall and the stock fell sharply on above average

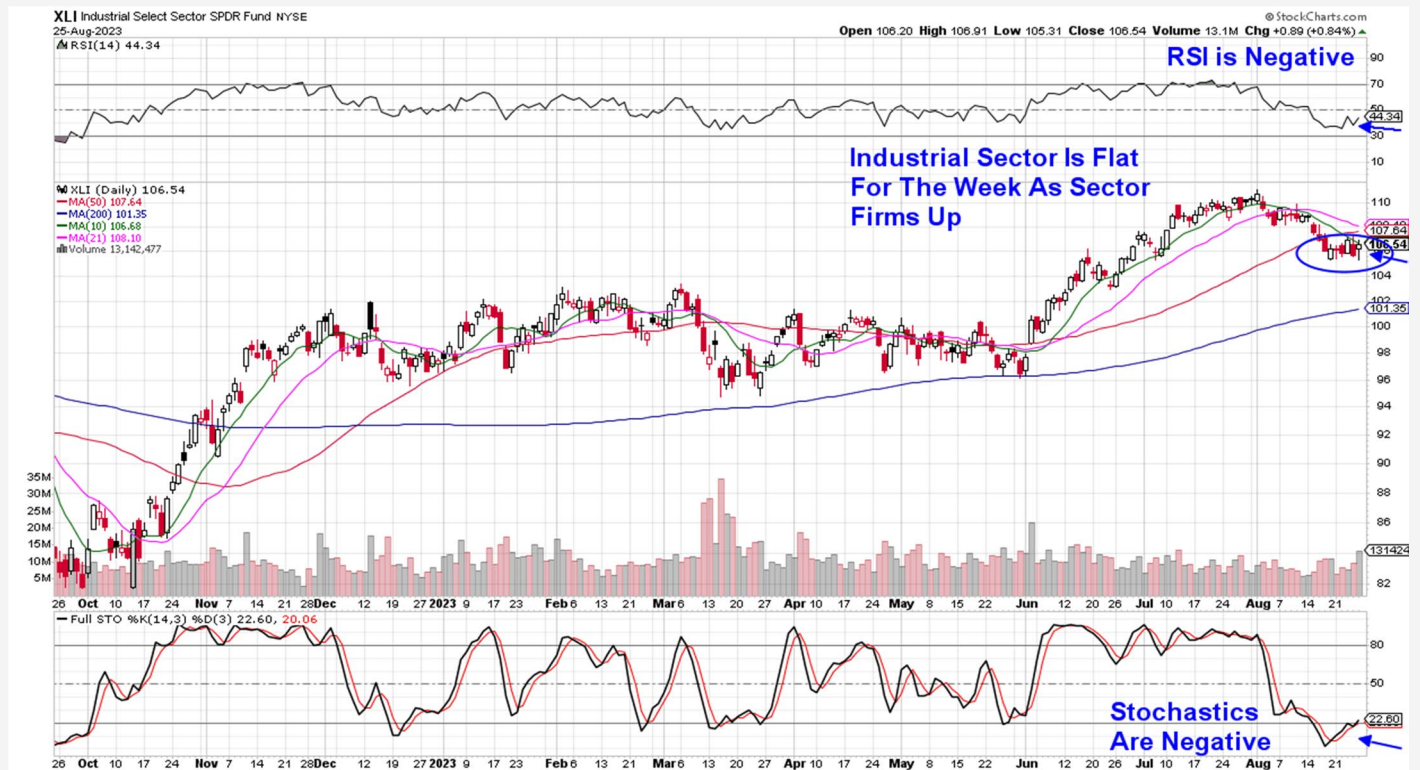
volume. The decline pushed DECK below its 50-day moving average with the RSI and MACD now in negative territory. We're removing the stock from our Suggested Holdings List.

Major retailer Amazon (**AMZN**) was flat for the week amid several Wall Street upgrades that cited the company's increased efficiency in shipping and fulfilling orders that are improving their operating income.

Amazon is also cited as being among the leading stocks poised to benefit from demand for AI technology as the company is building AI chips, models and AI-powered applications that are expected to help their AWS division see growth.

AMZN managed to close the week above its 50-day moving average with the RSI close to regaining a positive position above 50 and the MACD in positive territory. The stock can be held.

## Industrial Select Sector SPDR Fund (XLI)



### Industrial Sector Has Bright Spots Amid Flat Performance

Industrials closed the week up slightly as a weakness in Airlines and other transportation stocks was offset by strength elsewhere.

Screening throughout the week has shown that select Industrial stocks are showing the most promise as they are in the beginning stages of trending upwards or finding support at key moving averages after pulling back with the markets.

Parker Hannifin (**PH**) is an example as the stock pulled back on low volume after reporting earnings ahead of estimates earlier this month. Fluor (**FLR**)'s chart is a bit sloppier but the same principal applies with the stock pulling back on below average volume after reporting strong earnings earlier this month.

Both stocks as well as other Industrial names are on our Watch List. Among the drivers for relative strength among select Industrial names is the continued implementation of Biden's infrastructure bill that has

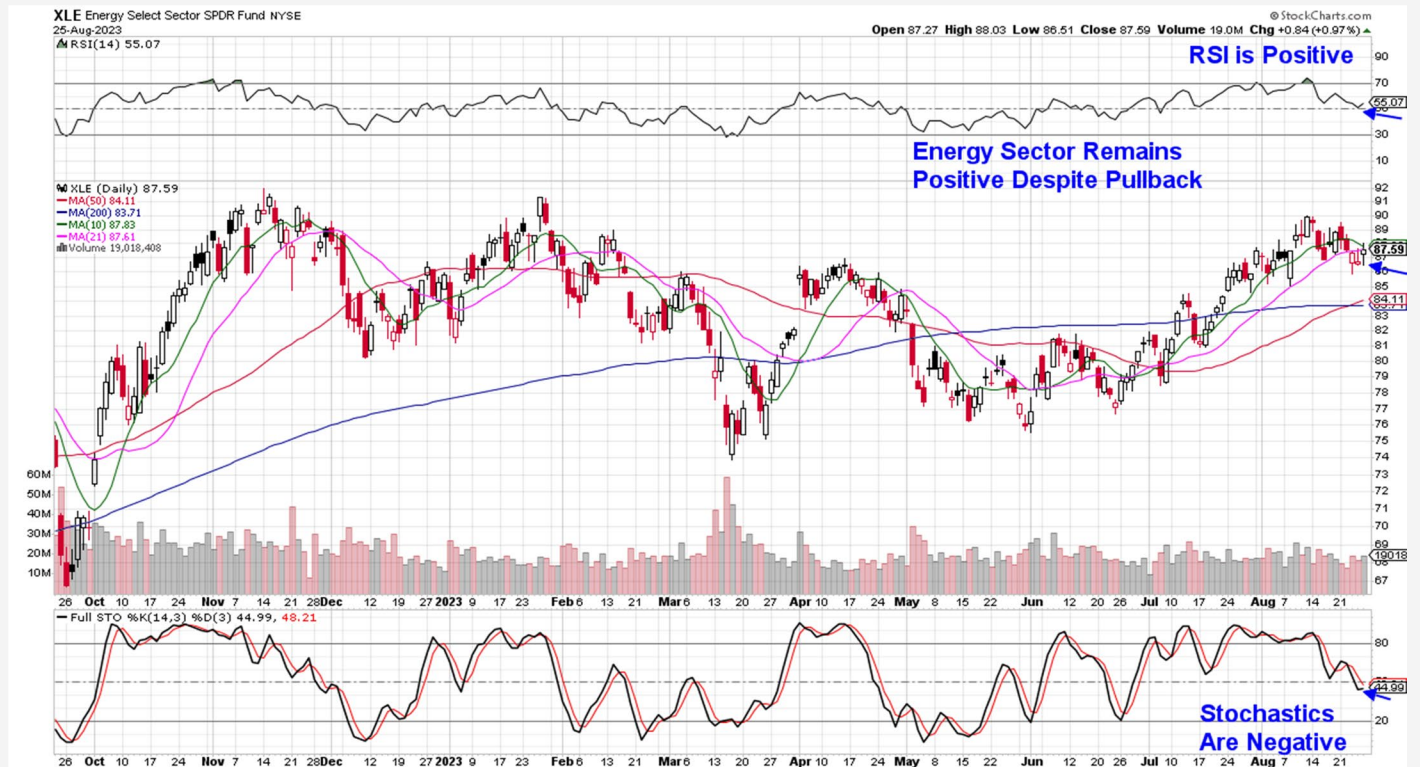
poured billions in funding toward rebuilding highways and other areas that need modernizing.

We'll continue to expand our Watch List with an eye toward adding stocks once the broader markets regain their upside momentum.

Caterpillar (**CAT**) pulled back slightly on below average volume in a move similar to other Industrial stocks that are consolidating after pulling back from earnings related gains earlier this month. The stock can be held and a close above its 21-day moving average would put the stock into a buy zone.

Pentair (**PNR**) is trending upward as it finds support at its upward trending 50-day moving average following a pullback earlier this month. A close above its 10-day moving average would be a first step in the stock's move toward retaining its uptrend from earlier this month. PNR can be held.

## Daily Chart of the Energy Sector (XLE)



### Energy Sector Is Worse Performing

Energy stocks pulled back last week as concerns surrounding China's economic slowdown continue to weigh on these stocks. China is the number one importer of oil and analysts are projecting that demand this year likely peaked in the 2nd quarter.

The price of oil remained steady last week with Brent crude closing the week at \$84 per barrel amid voluntary production cuts from Russia and Saudi Arabia. Levels above \$80 are viewed as constructive for oil related companies.

Among Energy stocks on our List, Matador (**MTDR**) held up the best as the stock continues to find support above its upward trending 10-day moving average. The company's strong presence in oil-rich areas of the Delaware Basin has analysts raising their projections

for oil production levels into next year. MTDR is in a buy zone.

Pioneer Natural (**PXD**) pulled back to its upward trending 21-day moving average where it found support. The decline pulled the RSI out of an overbought position while still positive. The 6.9% yielder projected increased oil production into next year on their earnings call earlier this month.

PXD can be held with a close above its 10-day moving average putting it into a buy zone.

SLB (**SLB**) fell further than its peers with a 2.5% pullback that pushed the RSI into negative territory. SLB is finding upside resistance at its shorter term 10 and 21-day moving averages and a close above these levels would set the stage for a new uptrend. Until then, the stock can be held.

# Summary

Last week's choppy price action occurred amid a backdrop of mixed economic and earnings reports with Fed Chair Powell's hawkish but balanced comments creating an uncertain environment. Overall, investors' optimism that the Federal Reserve's rate hike program was behind us, has faded with 54% of traders now anticipating an increase in rates this year.

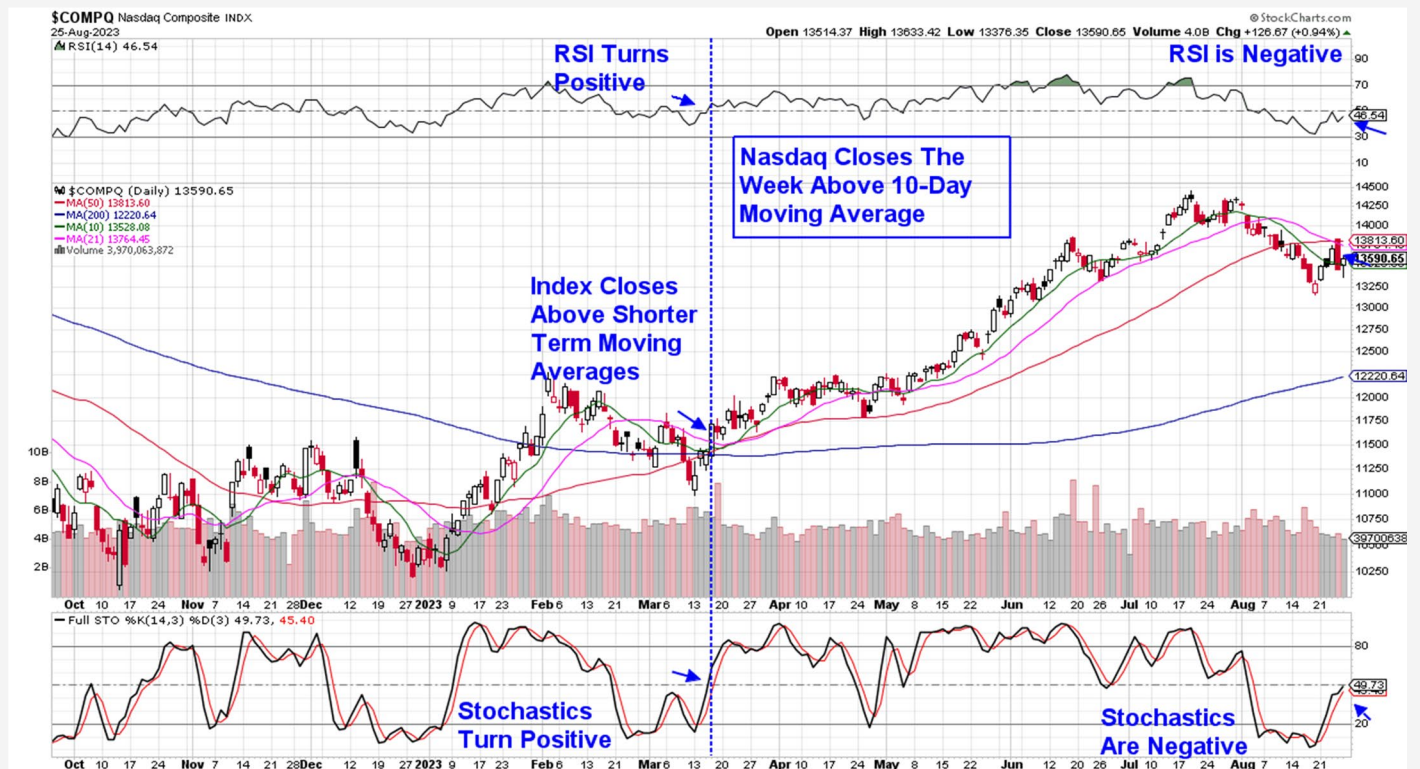
In his comments, Powell continued to highlight the Fed's dependency on economic data in charting their monetary policy path which will make next week's PCE and Employment data carry even more weight. In turn, volatility is expected to continue into next week.

Also tempering the market last week were signs that the AI trade may be losing its luster after last week's record sales report from Nvidia (NVDA) failed to boost the broader markets.

Until we see a positive shift in investor sentiment that would be marked by a bullish uptrend in the markets coupled by declining interest rates, we will remain cautious on the near term prospects for stocks.

As noted, we're continuing to expand our Watch List with quality stocks that are in the beginning stages of potentially reversing their downtrends as well as names that have recently or are close to posting base breakouts. Once the markets turn positive, we intend to add select names to the Suggested Holdings List.

## Daily Chart of NASDAQ Composite (\$COMPQ)



# 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	-3.0%	-	Retail - Internet
DECK	Deckers Outdoors	\$512.70	6/19/2023	19.0%	-	Retail - Shoes

ENERGY						
MTDR	Matador Resources	\$61.00	8/20/2023	0.0%	-	Oil & Gas Exploration
PXD	Pioneer Resources	\$236.80	8/13/2023	-1.5%	-	Oil & Gas Field Services
SLB	Schlumberger	\$59.70	8/13/2023	-4.0%	-	Oil & Gas Exploration

INDUSTRIAL						
CAT	Caterpillar	\$285.20	8/13/2023	-4.5%	-	Machinery
PNR	Pentair	\$64.60	7/2/2023	4.5%	-	Machinery

TECHNOLOGY						
ADBE	Adobe	\$507.40	7/12/2023	3.0%	-	Software
AVGO	Broadcom	\$876.00	8/23/2023	-3.0%	EARNINGS DUE	Semiconductor
LRCX	Lam Research	\$642.00	6/28/2023	3.0%	-	Semiconductor
NVDA	Nvidia	\$471.00	8/23/2023	-2.0%	-	Semiconductor

COMMUNICATION SERVICES						
GOOGL	Alphabet	\$132.60	7/30/2023	-1.0%	-	Internet-Content

# Glossary of Terms Used From Our Suggested Holdings

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## 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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