



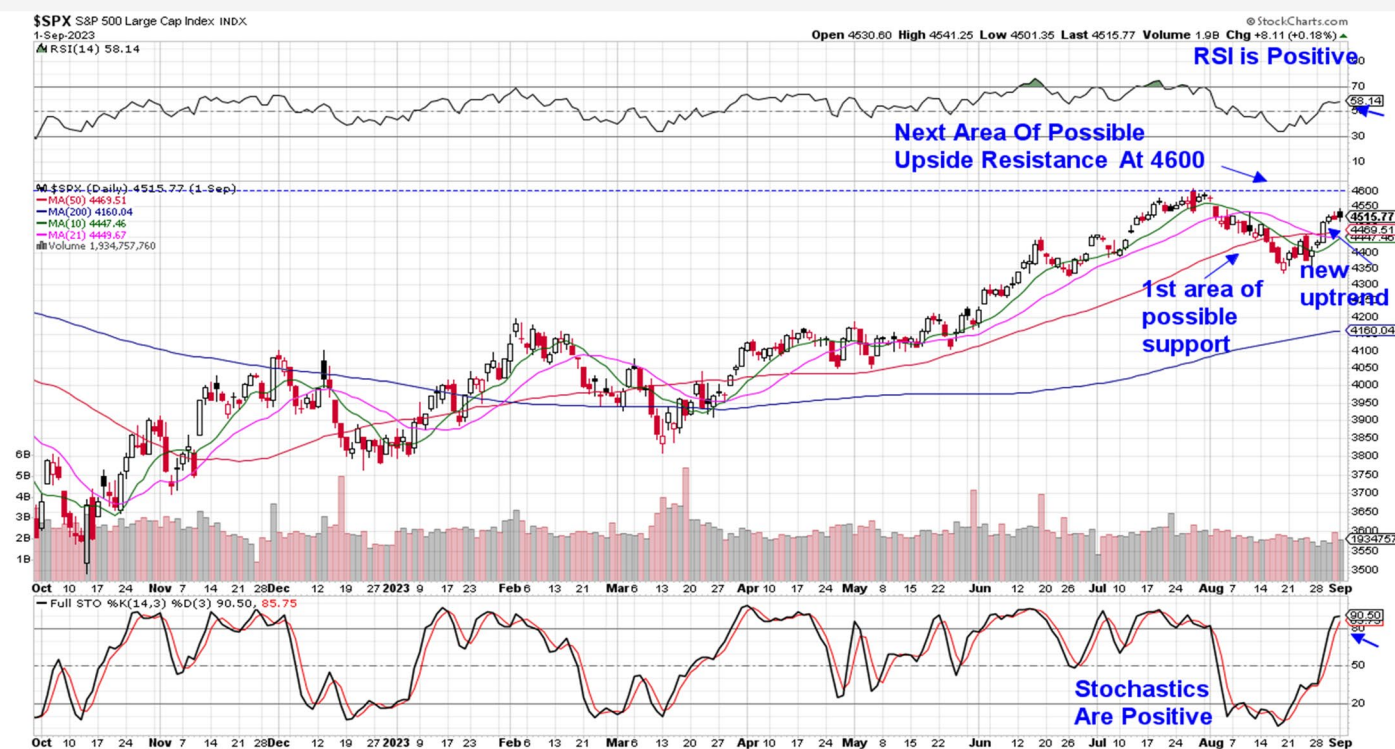
THE MEM EDGE

September 4th, 2023 | Weekly Report

This Week's Highlights

- Job Openings Fall To 28-Month Low As U.S. Labor Market Cools Off
- Consumer Confidence Cools Off Markedly In August
- ADP Private Employment Data Show Hiring Is Cooling
- Q2 GDP Revised Lower But Remains Relatively Strong
- Core PCE Inflation Data Shows No Significant Change
- August Unemployment Rate Jumps While New Jobs Cool Off
- Services PMI, Comments From 5 Federal Reserve Presidents on Thursday & Friday

Daily Chart of S&P 500



The S&P 500 gained 2.5% for the week in a move that pushed this Index back above its key 50-day moving average with the RSI and Stochastics now in positive territory. This bullish price action has us positive on the near term prospects for the markets.

At this time, the next area of possible upside resistance is the 4600 level which is the late July high in price and is 1.8% away. A close above this 4600 level, would then put all-time S&P 500 highs into sight.

On any pullbacks, the 50-day moving average is the first area of possible support which at this time is at 4470 and 1% away. The next area of possible support would be the 10 and 21-day moving averages, which is 1.5% away.

As for a critical area of possible support for the S&P 500, a close below the mid-August low of 4335 would be quite negative.

The Nasdaq outperformed again this week, with a 3.3% gain that pushed this Index back above its key 50-day moving average with the RSI and Stochastics both in positive territory. This bullish price action has us positive on the near term prospects for this Index.

Gains in the Nasdaq were led by a sharp rally in Semiconductor and Software stocks which we'll review below. Outperformance in most of the FAANG names also gave this Index a boost.

On any pullbacks, the 50-day moving average is the first area of possible support and it's 1% away with the 10 and 21-day moving averages being the next area. These moving averages are 1.5% below the current price of the Nasdaq.

Last week, the Nasdaq posted a golden cross formation with the 10-day moving average crossing above the longer term 21-day moving average. While this is

considered a secondary bullish signal as it occurs following initial positive price action it is constructive nonetheless. We've highlighted its prior occurrence in mid-March.

Last week's positive price action in the markets took place amid a drop in interest rates as economic data came in weaker than expected. First up was a downward revision of 2nd quarter GDP estimates, followed by the unemployment rate for August jumping to 3.8%. Even more important was a reduction in wage pressures which is closely watched by the Federal Reserve as a gauge of potential inflation. Core PCE data - another key inflation metric - came in mostly as expected.

In turn, the CME FedWatch Tool saw a sharp drop in the probability of an interest rate hike by the Federal Reserve as it stands at 7%. This is far lower than the 63% probability that was in place at the beginning of the week.

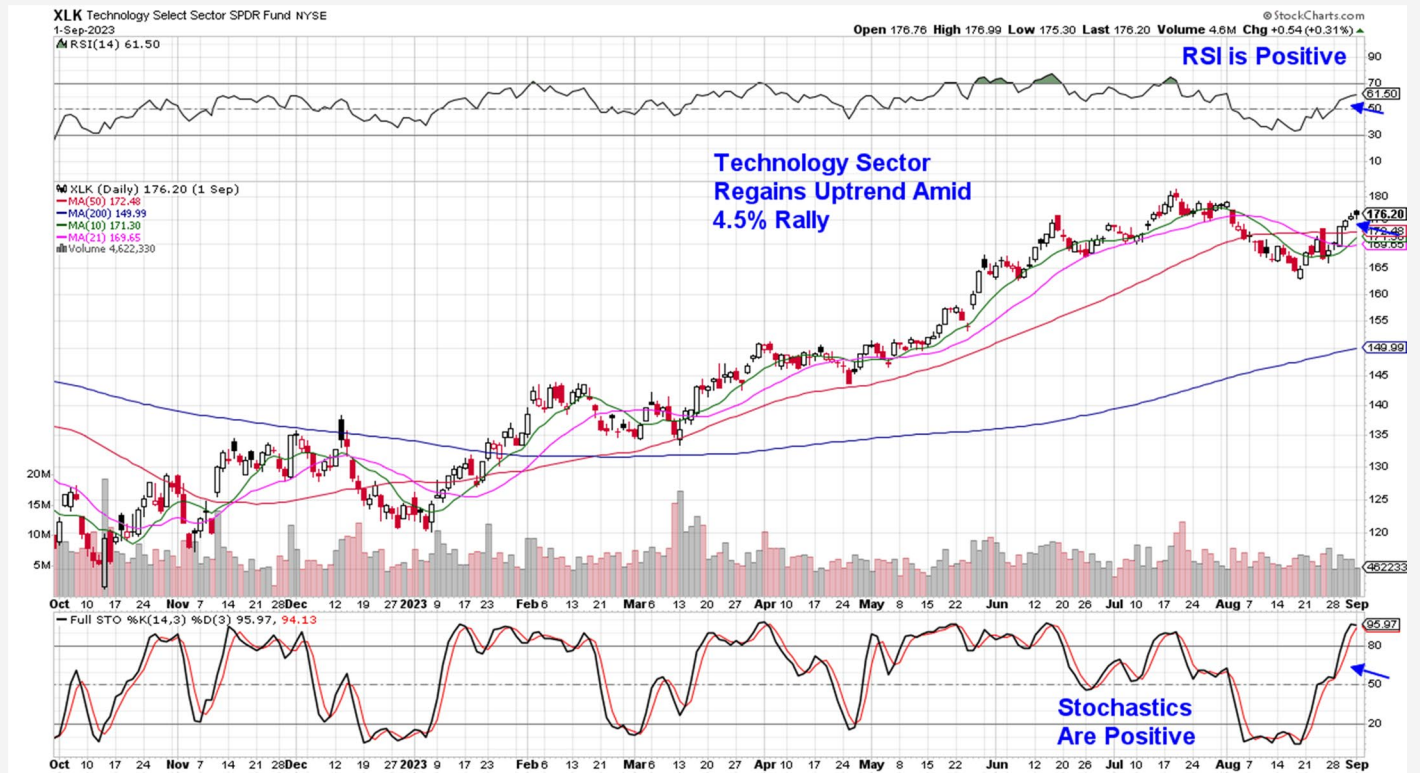
Daily Chart of CBOE 10-Year Treasury Yield (\$TNX)



Growth stocks such as Technology and Discretionary names benefited the most from last week's downward shift regarding a rate hike. Other areas also gained with Banks, Energy and select Industrial stocks outperforming the markets. Small Caps also outperformed with a 3.7% gain. This broadening out of participation is a positive for the prospects of a continuation rally.

The month of September can be a treacherous period however with numerous reports citing the generally negative performance of the markets during this period. As with most widely quoted market beliefs, they have a tendency to materialize. Below we review the September period going back 20 years and the news is not always bad.

Technology Select Sector SPDR Fund (XLK)



Technology Sector Approaches July Highs

The Tech sector outperformed with a 4.4% gain that was led by a sharp rally in heavyweight name Apple (**AAPL**) which entered a new uptrend ahead of the release of their new product lineup later this month.

Outperformance in both Software and Semiconductor stocks amid a decline in interest rates as well as strong earnings from select names, also gave this sector a boost.

At this time, the Tech sector has reversed its recent downtrend and is poised to regain its all time high in price which took place in early July. Last week's relatively high volume during the rally was constructive.

While Semiconductor stocks closed the week above their 50-day moving average with a positive RSI, the MACD has not yet crossed into positive territory (using ETF SOXX). In addition, only a third if the 95 stocks in this group are above their key 50-day moving average.

Most of the Semiconductor stocks that are currently in an uptrend are those that are not only benefitting from the rapid adoption of AI technologies, they're providing the needed Semi Equipment to meet the high demand for that adoption.

Semiconductor Equipment stock Lam Research (**LRCX**) is among those that are in the most bullish position from which to trade higher. The stock is poised to

regain its late July high of \$726 which was reached after the company reported strong earnings and sales in the face of AI related demand. LRCX is in a buy zone as it form the right side of a base.

On the other hand, those Semi companies involved in the manufacturing of chips used in laptops, smartphones and other electronics are suffering due to reduced demand.

Broadcom's (**AVGO**) release of earnings after the markets closed on Thursday, highlights this weakness. While the company posted earnings and sales that were above estimates, AVGO guided revenue lower for their 4th quarter due to continued weakness of chip demand in this electronics market.

However, Broadcom does expect sales related to the AI market to increase rapidly due to a strong demand from large cloud computing providers. That said, the revenue increase will not be immediate.

AVGO closed the week at its 50-day moving average after heavy selling on Friday. Buyers came in late in the day however, amid Wall Street price target upgrades from 8 major firms.

We would not be a buyer at this time as the RSI and MACD are in a position that may turn negative. A close above the 5-day moving average on volume, would put AVGO into a buy zone.

On Semiconductor (**ON**) is involved in providing semiconductor products that enable the electrification of EVs as well as the automation of industrial applications. With its revenue source originating outside of electronics, the company has regained its 50-day moving average amid analyst upgrades.

ON also has a positive RSI which puts the stock into a buy zone. However, a positive MACD would provide more confidence in its near term upside potential.

Nvidia (**NVDA**) ended up 5.5% after a rally early in the week that turned flat into Friday's close. NVDA's late week weakness can be attributed to Broadcom's (**AVGO**) weak revenue outlook on Thursday. While NVDA remains the clear cut leader in AI related chip production, it will remain subject to price action among the group.

Nvidia is in an uptrend above its 5-day moving average with a positive RSI and MACD that puts it in a buy zone.

Software stocks are in an uptrend after Tuesday's close above its 50-day moving average was coupled with a positive RSI and MACD. (using ETF IGV).

The group has been sparked by better than expected earnings from well known stocks such as Salesforce (CRM).

Adobe (**ADBE**) closed at a 52 week high after a 7.5% rally last week. The company has delivered hundreds of AI innovations across its Photoshop and Acrobat products and is on track to make the most of the AI-driven opportunities in its marketplace. According to analysts, we're in the beginning stages of AI related content creation demand.

ADBE broke out of a 1-month base breakout on Thursday which occurred on above average volume. With the MACD executing a bullish crossover last week, (black line up through the red) the stock is in a strong buy zone.

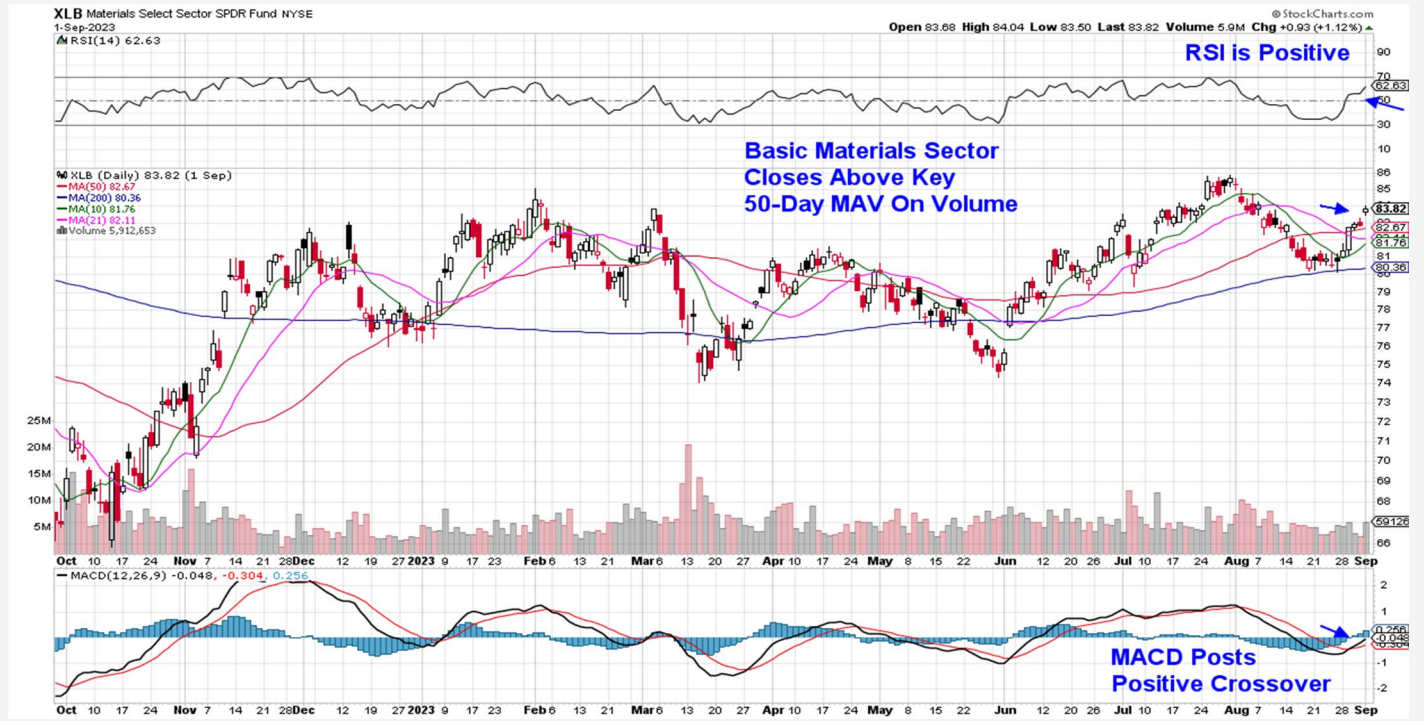
Recently added ServiceNow (**NOW**) gained 5% last week that pushed the stock further above its key 50-day moving average and into an uptrend. The cloud based provider of digital workflow automation is more insulated from possible macro headwinds because it helps companies operate more efficiently.

NOW is in a buy zone as it heads toward a 6-week base breakout at \$614 which is 4% away.

Uber Technologies (**UBER**) has gained 1% since being added to our Suggested Holdings List on Wednesday. Last week's overall gain puts the stock back above its 50-day moving average with a now positive MACD joining a positive RSI. UBER is in a buy zone.



Materials Select Sector SPDR Fund (XLB)



Basic Materials Sector Regains Uptrend

Basic Materials stocks gained over 3.5% last week amid a rally in precious metals as well as building related materials.

This week we're adding Eagle Materials (**EXP**) to our Suggested Holdings List following last week's 6-week base breakout on above average volume. The company provides cement and wallboard products for residential and infrastructure applications.

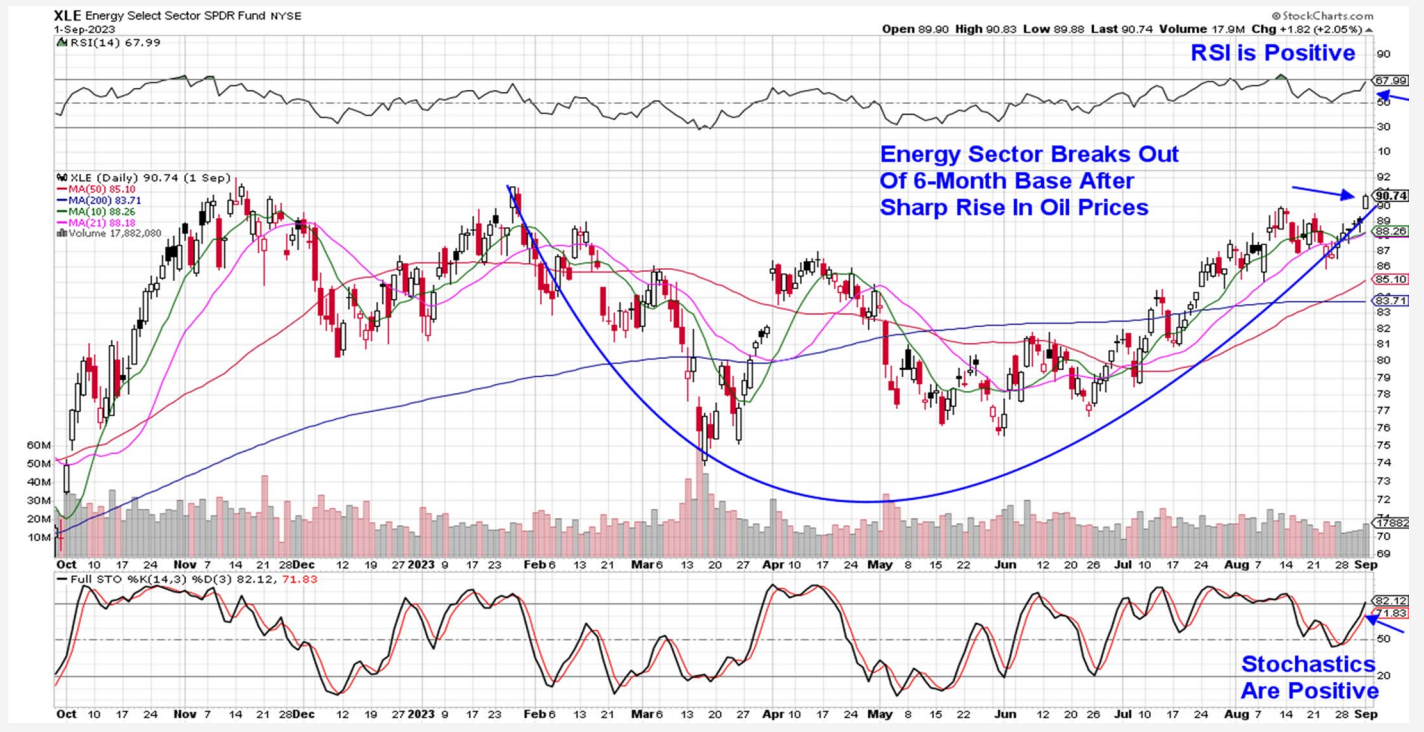
According to recent reports, the concrete mixer market is due to expand substantially over the next several years due to increased housing construction and a

continued emphasis on infrastructure development. EXP is in a confirmed uptrend and can be bought on any pullback to the \$188 range at its 5-day moving average.

We're also adding Sherwin Williams (**SHW**) to our Suggested Holdings List after Friday's downtrend reversal following its close above each of its moving averages. In addition, its positive MACD is poised to post a bullish crossover on the daily chart.

SHW has been executing a cost cutting program while also expanding their retail footprint which has improved the company's profit margins. The stock is in a buy zone

Energy Select Sector SPDR Fund (XLE)



Energy Sector Breaks Out 6-Month Base Amid Spike In Oil Prices

Energy stocks were among the top performers last week after the price of oil hit a year to date high amid falling inventory levels in the U.S. as well as production cuts in Russia which are expected to take place next week. Saudi Arabia has been cutting back production as well.

Measures from China to shore up their economy is also providing a boost for these stocks. China is the single largest importer of crude oil.

SLB (**SLB**) broke out of a 3-week base after posting a 6.5% gain for the week. The stock is in a strong buy zone after the MACD posted a bullish crossover on Friday with the RSI already in positive territory. The 1.7% yielder provides technology services that improve profit margins for all facets of the energy market.

Matador Resources (**MTDR**) remains in a strong uptrend as it continues to find support at its upward trending 5-day moving average. As noted in last week's report, the company has a strong presence in oil-rich areas of the Delaware Basin which has analysts raising their projections for production levels into next year.

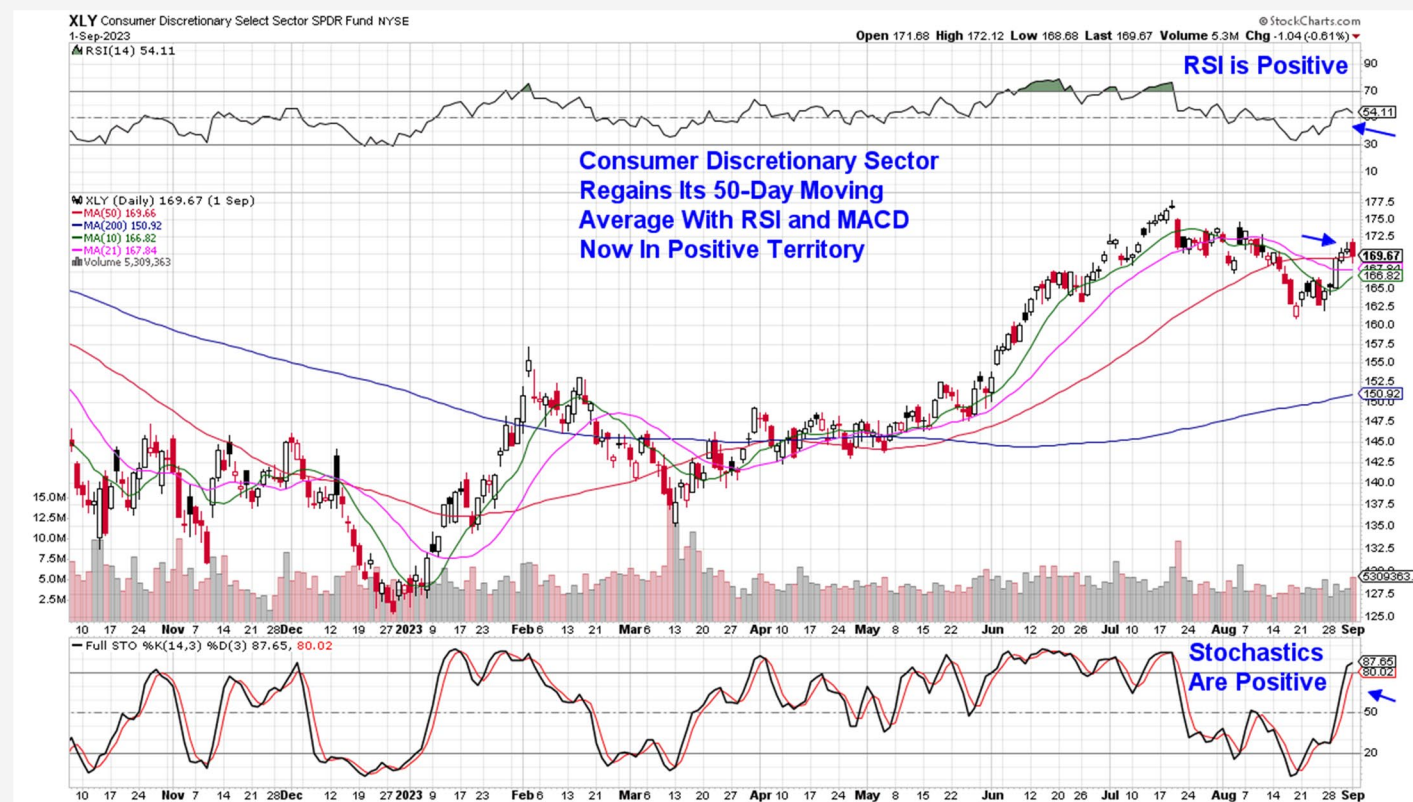
Last week's 6% rally has put the RSI into an overbought position on the daily chart and we'd be a buyer on any pullback to the 5-day moving average in the \$63 range. The longer-term weekly chart points to further upside with both the RSI and MACD having further upside potential.

Pioneer Natural (**PXD**) broke out of a 3-week base on heavy volume Friday following a price target upgrade from a major Wall Street firm. The 6.9% yielder has projected increased oil production into next year due to their operations in the Midland Basin in Texas. The stock can be bought on a pullback to the \$239 range at its 5-day moving average.

Brent Crude oil ended the week at the \$89 per barrel level after gaining 6%. Per barrel oil prices above \$85 per barrel are viewed as quite positive for underlying stocks in this sector. Reduced inventory levels amid lower output levels may keep oil prices elevated.

The industry's next OPEC meeting will take place on September 12th which will shed further light on whether reduced output levels from oil producing countries will continue.

Consumer Discretionary Select Sector SPDR Fund (XLY)



Consumer Cyclical Sector Outperforms

Consumer Cyclical stocks were given a boost due to a rally in Retail stocks amid better than expected earnings from select names. The S&P Retail ETF gained 4.2% however, the group has not regained its uptrend.

Home Construction stocks were top performers as well after a pullback in interest rates helped mortgage rates level off. Using the S&P Homebuilders ETF (**XHB**), the group is back in a new uptrend and poised for a 1-month base break out after last week's rally.

This week, we're adding luxury home builder Toll Brothers (**TOL**) after Friday's 6-week base breakout which occurred on above average volume. The company announced the development of 2 new communities in Nevada which is on the heels of opening new adult living communities in both New Jersey and Idaho.

The news has analysts raising earnings estimates for TOL for both this year and next. The stock is in a buy zone.

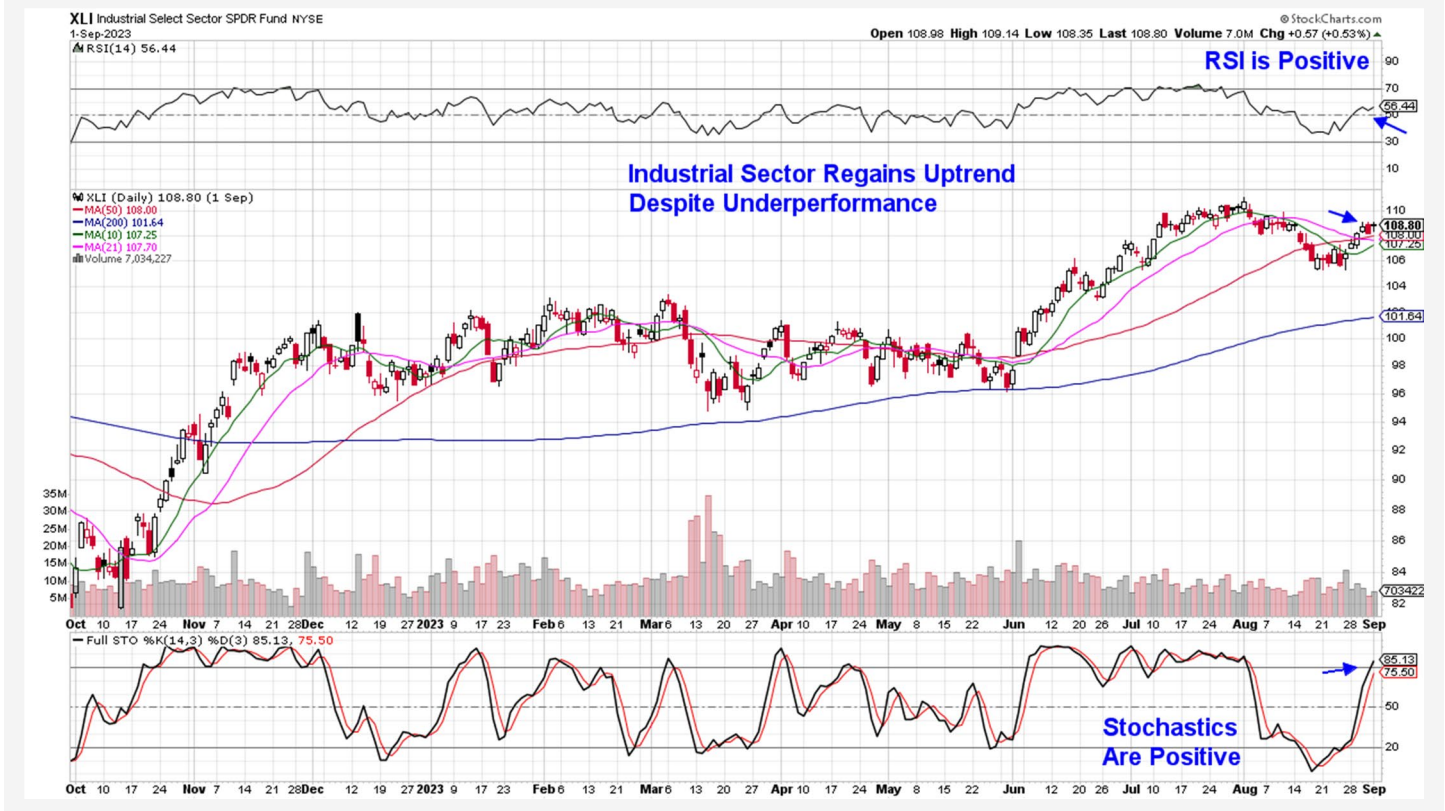
New home sales remain brisk despite elevated mortgage rates. This is due primarily to a lack of inventory among existing homes as property owners have low mortgages which makes moving undesirable.

Heavyweight Retailer Amazon (**AMZN**) gained 3.7% last week and is now forming the right side of a base after regaining its uptrend. The stock is in a strong buy zone as the MACD has posted a bullish crossover with the RSI in positive territory.

Last week, Amazon integrated their Buy With Prime App into online retail platform Shopify's ecosystem. The news was viewed as a positive development as AMZN can capitalize on Shopify's estimated \$230 billion in gross volume for 2023 alone.

Last week, Travel Related stocks also outperformed and we added Airbnb (**ABNB**) onto our Watch List. A close above its 50-day moving average would have us considering adding the stock to our Suggested Holdings List as the RSI is now in positive territory.

Industrial Select Sector SPDR Fund (XLI)



Industrial Sector Underperforms With Bright Spots

Emerging

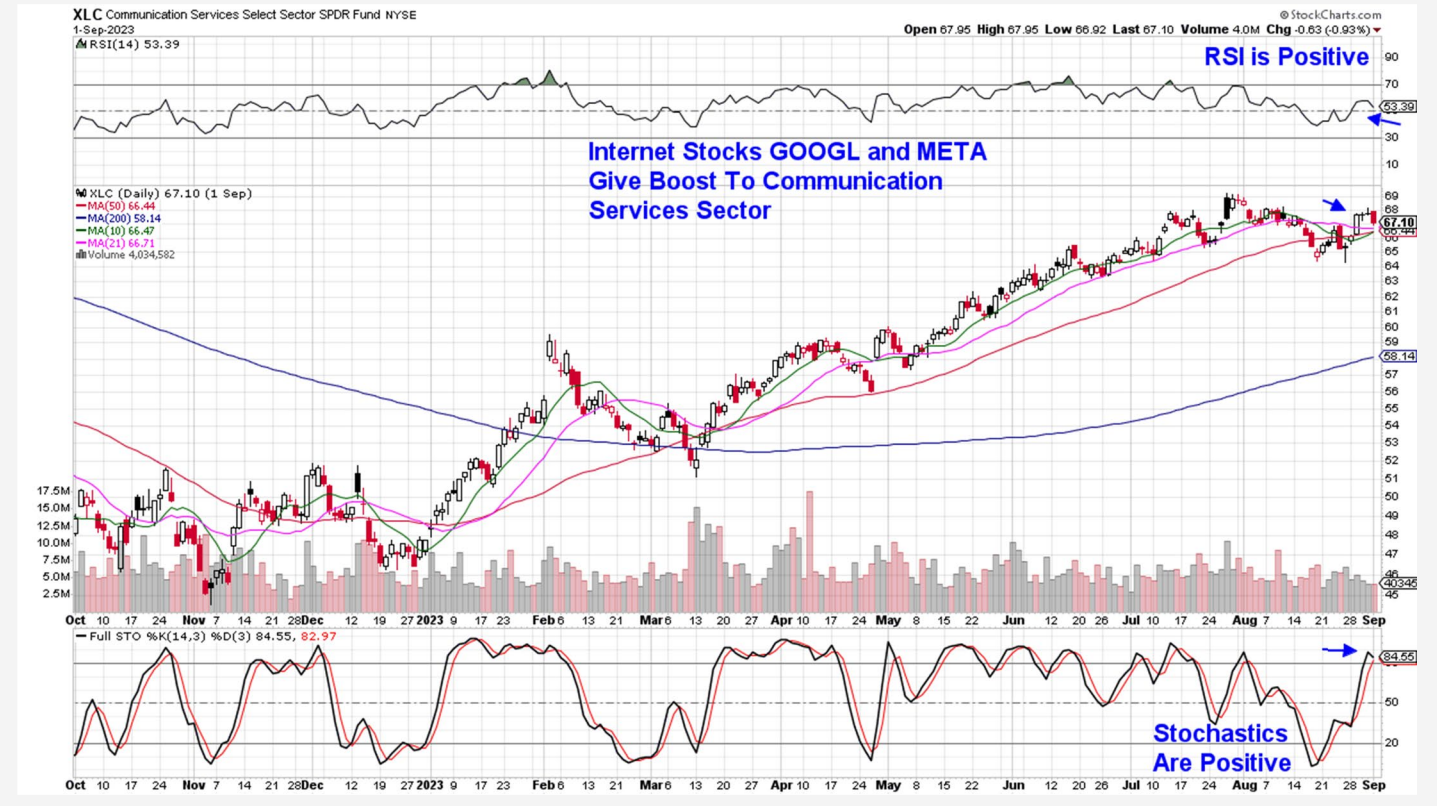
The Industrial sector is back in an uptrend however, it did not take place with as much momentum as other areas of the market as Airline and Freight Delivery stocks continue to weigh on the group.

Caterpillar (**CAT**) from our List posted a 5% gain last week after gains in Energy, Construction and Mining stocks - CAT's three main industries that they service - gave the stock a boost. The stock is forming the right side of a base and is poised to break out at \$294.

CAT is in a buy zone as it finds support at its upward trending 5-day moving average. The RSI is in positive territory with the MACD on the cusp of posting a bullish crossover on the daily chart.

Pentair (**PNR**) is also in a buy zone as the maker of water pumps and filtration systems for residential applications traded higher amid renewed interest in new home building stocks. The stock is close to a 3-week base breakout at \$72 and last week, PNR posted a bullish MACD crossover.

Communication Services Select Sector SPDR Fund (XLC)



Communication Services Sector Regains Uptrend

Internet Related stocks such as Alphabet (**GOOGL**) from our List. The company received Wall Street upgrades last week from 7 major firms after the company's keynote speech at their Cloud Next event today. The company's comments regarding growth prospects surrounding their AI applications created the most buzz.

Alphabet posted a bullish MACD crossover last week on high volume, which pushed the stock out of a 1-month base breakout at \$134 and into an uptrend. GOOGL is in a buy zone as it continues to find support at its upward trending 5-day moving average.

Summary

Last week's positive response to weaker than expected economic data points to a "bad news is good news" environment that may continue as we head into the Federal Reserve's next FOMC meeting on September 19-20th. Next week, the economic calendar is light, however, which will have investors paying close attention to comments from the 5 Fed President's who are due to speak.

Seasonality is also expected to impact the markets with September historically being a difficult period for investors. While the month of September is known to be the toughest period for the markets, a review going back to 2012 shows that the 3 worst Septembers were due to a news driven backdrop. In particular:

2015 - China slowdown worries pushed markets lower (-2.6%)

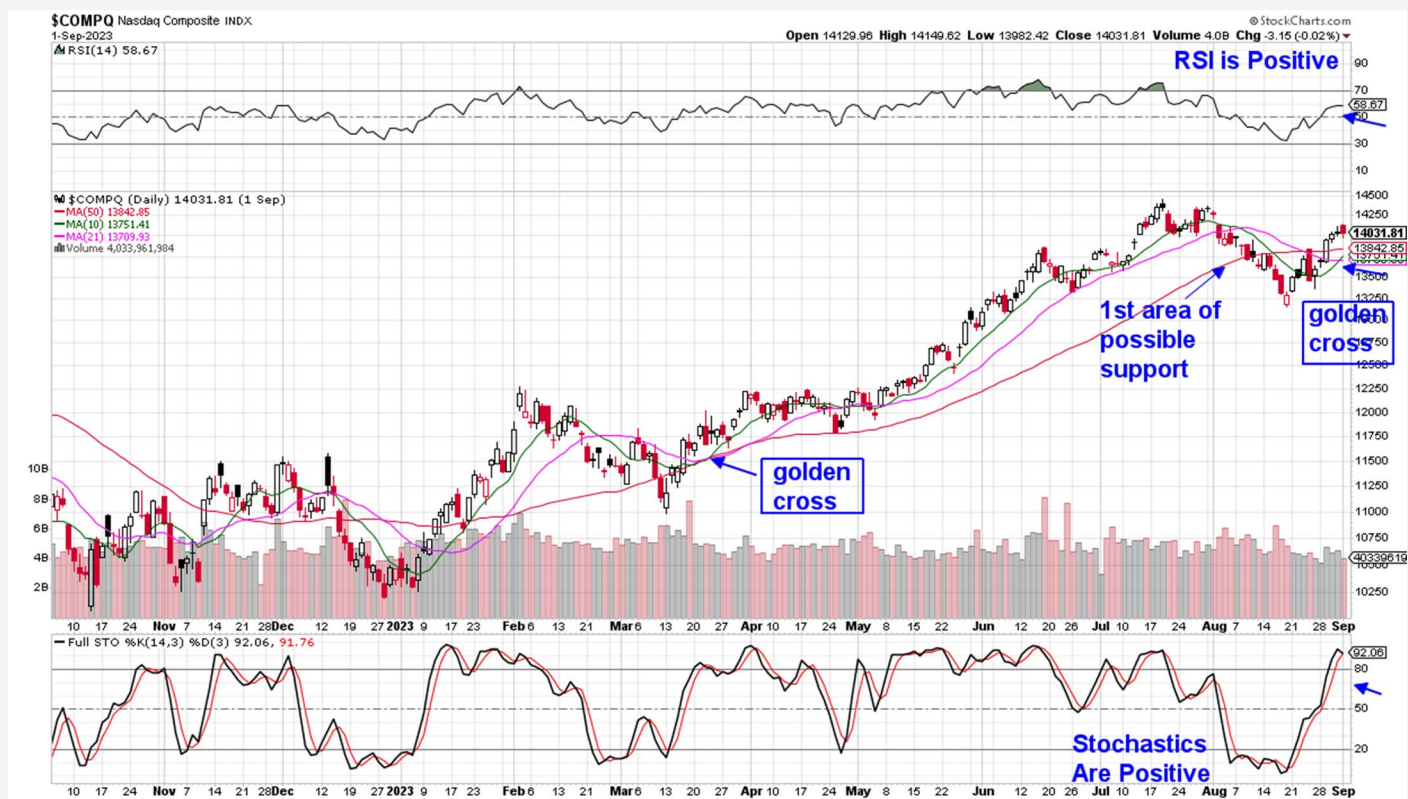
2020 - increased Covid cases & fiscal stimulus slowdown worries (-3.9%)

2021- rising interest rates & inflation and China's property market troubles (-4.8%)

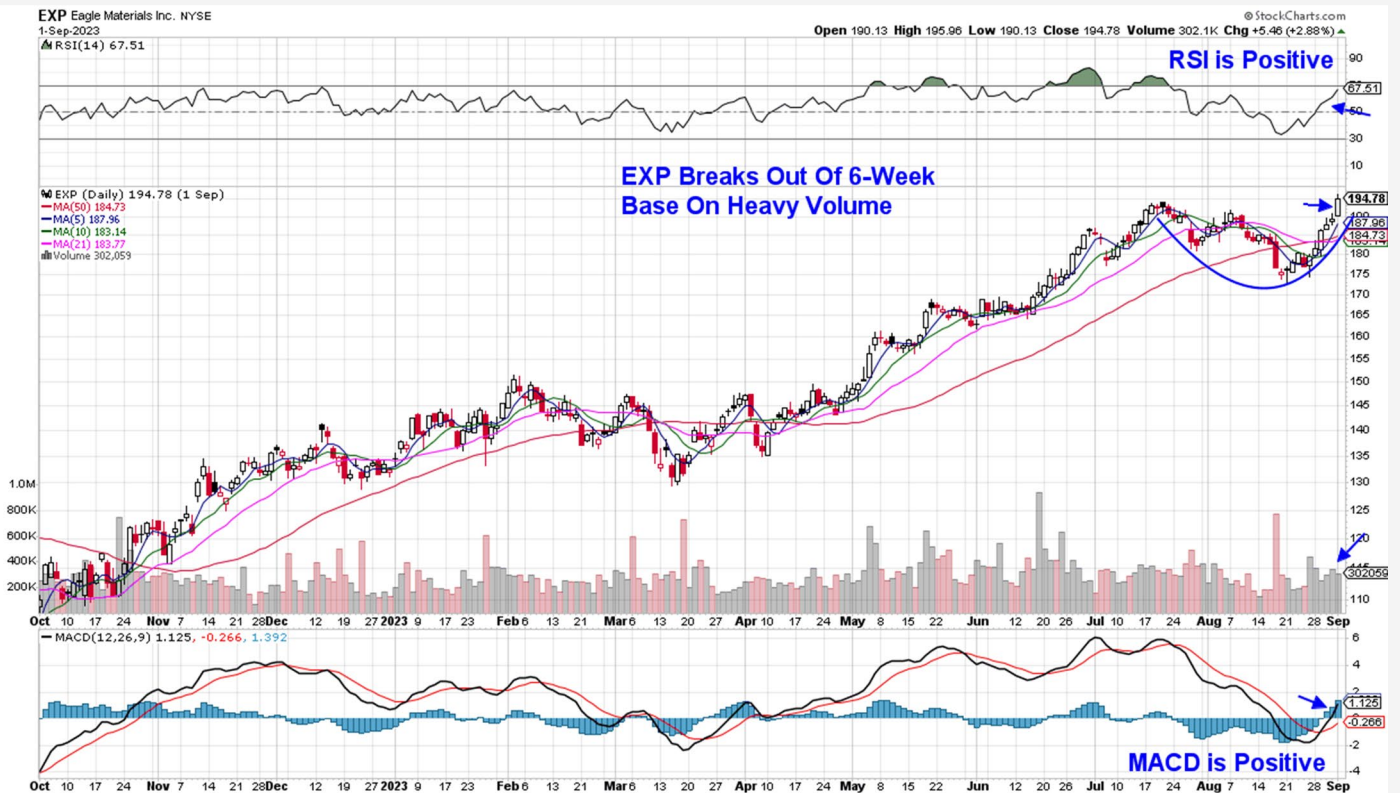
At this time, rising interest rates - similar to 2021 - could certainly cause a pullback over the next 30 days while a slowdown in China's economy - 2015 & 2021 - has been making headlines recently as well.

As usual, we'll let price action among the broader market Indices as well as leading names such as the Magnificent Seven guide our outlook. At this time both areas are in a positive position from which to extend their gains.

Daily Chart of NASDAQ Composite (\$COMPQ)



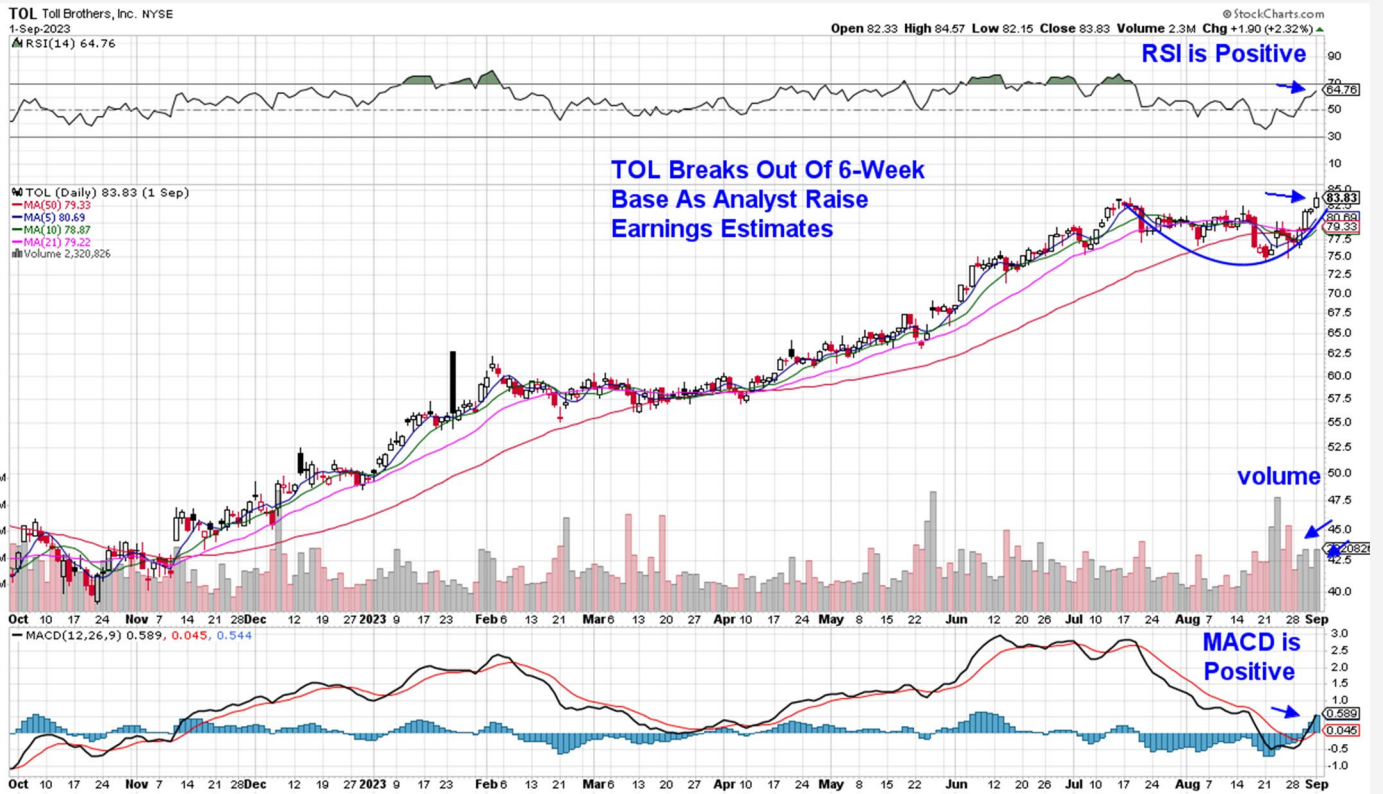
Daily chart of Eagle Materials Inc. (EXP)



Daily Chart of Sherwin Williams Co. (SHW)



Daily Chart of Toll Brothers, Inc. (TOL)



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	
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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
TOL	Toll Brothers	\$83.83	9/4/2023	-	-	Bldg - Residential

ENERGY						
MTDR	Matador Resources	\$61.00	8/20/2023	6.0%	-	
PXD	Pioneer Resources	\$236.80	8/13/2023	2.0%	-	Oil & Gas Exploration
SLB	Schlumberger	\$59.70	8/13/2023	2.5%	-	Oil & Gas Field Services

INDUSTRIAL						
CAT	Caterpillar	\$285.20	8/13/2023	0.5%	-	Machinery
PNR	Pentair	\$64.60	7/2/2023	10.6%	-	Machinery

TECHNOLOGY						
ADBE	Adobe	\$507.40	7/12/2023	13.5%	-	Software
AVGO	Broadcom	\$876.00	8/23/2023	-0.5%	-	Semiconductor
LRCX	Lam Research	\$642.00	6/28/2023	5.5%	-	Semiconductor
NOW	ServiceNow	\$568.00	8/23/2023	4.0%	-	Software
NVDA	Nvidia	\$471.00	8/23/2023	3.5%	-	Semiconductor
ON	ON Semiconductor	\$98.80	8/30/2023	0.0%	-	Semiconductor
UBER	Uber Technologies	\$46.50	8/30/2023	1.0%	-	Software

COMMUNICATION SERVICES						
GOOGL	Alphabet	\$132.60	7/30/2023	3.5%	-	Internet-Content

BASIC MATERIALS						
EXP	Eagle Materials	\$194.80	9/4/2023	0.5%	-	Bldg-Cement
SHW	Sherwin Williams	\$274.80	9/4/2023	10.6%	-	Chemicals-Paint

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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