



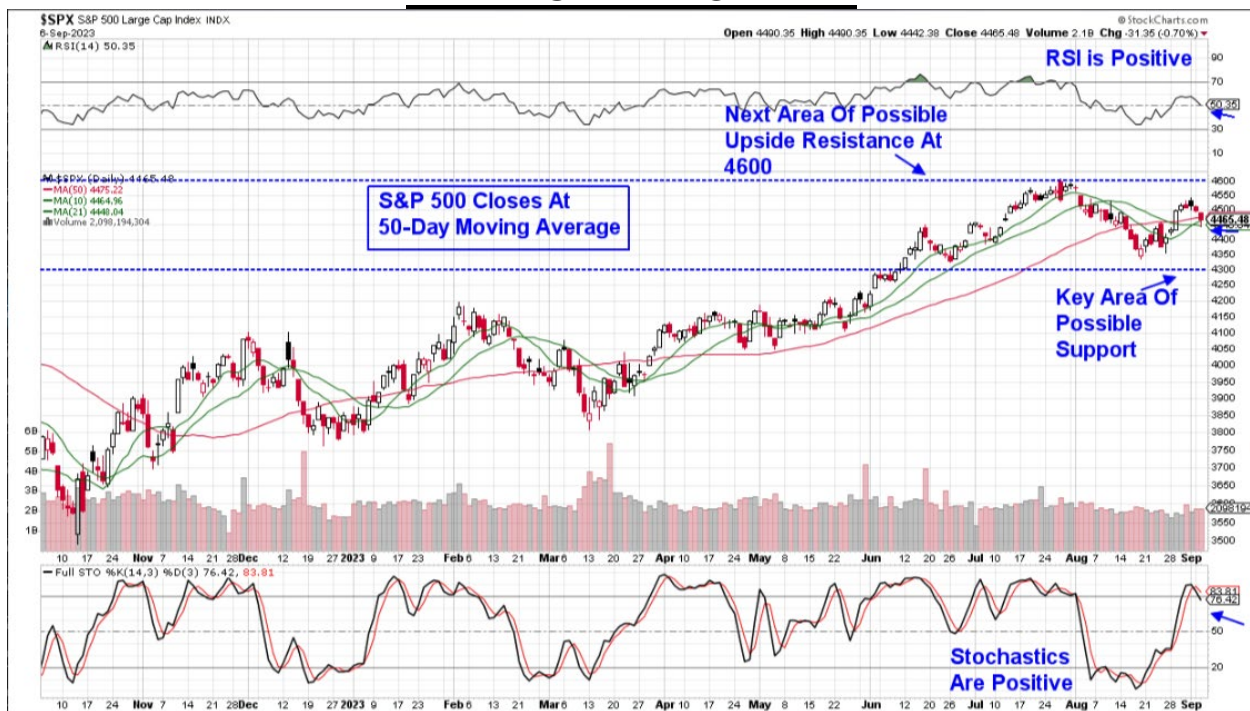
# THE MEM EDGE

Midweek Report

Wednesday, September 6, 2023

- Treasury Yields Rise With 10-Year Bond Now At 4.3%
- Crude Oil Trades Above \$90 Per Barrel
- Five Federal Reserve Presidents Speak Tomorrow
- Tech Holds In While Industrial and Materials Sell Off

## DAILY CHART OF SPX



The S&P 500 has pulled back 1.1% over that past two days in a move that has this Index closing just at its 50-day moving average with the RSI and Stochastics in positive territory.



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On any further decline, the late August low of 4350 is the next area of potential support. A close below the 4300 would be quite negative for the near-term prospects for the S&P 500 as this is a longer term area that had been key upside resistance for some time.

The Nasdaq experienced a similar pullback that has this Index closing just at its 50-day moving average with the RSI and Stochastics in positive territory. A close below this moving average would put the 21-day mav as the next area of possible support which is 1.2% away.

Should we experience a further pullback, the late August low would be the next area of possible support and is 3.6% away.

Given the uptick in interest rates, we're more cautious on the near-term prospects for the markets. The move of the broader market Indices closer to a close below their key 50-day moving averages is also concerning.

Most of this week's declines took place today, following the release of the services sector of the economy pointed to the possibility of growth. In turn, interest rates continued their recent rise with the yield on the 10-year Treasury now at 4.3% and at a level that has historically been a negative for the markets.



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In addition to higher interest rates, a 4% decline in heavyweight stock Apple (AAPL) also pushed the markets lower. AAPL pulled back following news that Chinese agencies will be banning the use of iPhones in their offices.

Technology stocks are trading in line with the markets despite AAPL's sharp drop with Software down only 0.5% while Semiconductors have pulled back 1%.

Heavyweight Semiconductor stock Nvidia (**NVDA**) is down 3% amid a pullback today after a widely followed analyst downgraded his outlook. The selling took place on below average volume and puts the stock just below its 10-day moving average with a positive RSI and MACD.





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While some areas within Semiconductors continued to see weakness this week (see Sunday's Report), AI related names such as those on our List generally outperformed.

This would include Broadcom (**AVGO**) Lam Research (**LRCX**) and ON Semi (**ON**) which are flat for the week in sideways price action that's taking place on light volume.

The Semiconductor group is not exhibiting upside momentum however, as mixed price action within the industry has the ETF SOXX trading sideways at its 50-day moving average with a flat RSI and MACD. Each of the names on our List can be held.

The Software group is behaving in a more bullish manner with the group finding support at its upward trending 5-day moving average with an upward trending RSI and MACD. (using ETF IGV)

ServiceNow (**NOW**) has gained 1.2% as it continues to advance toward a possible 6-week base breakout at \$614. This week's volume is light however and the stock can be held.

Uber Technologies (**UBER**) has pulled back 2.5% amid a lack of any news. The decline has stalled UBER's advance toward a possible base breakout at \$49.5 however, it remains positive above key support with a positive RSI and MACD.

The rise in rates this week has negatively impacted Home Builders as well as Building Materials stocks with recently added Toll Brother (**TOL**) falling 3%. The stock remains in a bullish position however, after finding support at its 50-day moving average with a positive RSI and MACD.



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Eagle Materials (**EXP**) fared a bit worse with a 6% decline that has the stock closing just at its 50-day moving average with the MACD in positive territory. Should we see further deterioration, we anticipate removing the stock from our Suggested Holdings List.

Home building related stock Pentair (**PNR**) pulled back to its 10-day moving average where it found support. A close above its 5-day mav at \$70 would put the stock into a buy zone.

Sherwin Williams (**SHW**) is not showing follow through to last week's downtrend reversal after pulling back 2% this week. The stock is no longer in a buy zone however, it can be held.

Energy stocks are the top performers so far this week following Brent crude's advance to \$90 per barrel after news on Monday that Saudi Arabia will continue their deep production cuts. Further news today of a drawdown in U.S. crude inventories kept prices elevated.

Oil & Gas-Field Services stocks are up the most with a 1.3% rally while most other sub-industry groups in Energy are flat or down for the week so far.

SLB (**SLB**) - in the Field Services group - has gained 1.7% as it continues to advance above last week's base breakout while finding support at its upward trending 5-day moving average. This week's high volume points to further upside and the stock can be bought on any pullback to the \$60 range at its 5-day mav.

Pioneer Resources (**PXD**) and Matador (**MTDR**) remain in uptrends as they find support at their 5-day moving averages.



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Tomorrow, 5 Federal Reserve Presidents are due to speak at various events and given the lack of economic or earnings data on the calendar, we anticipate that any comments - particularly those indicating the need for more rate hikes - will be cause for further weakness.

Warmly,  
Mary Ellen McGonagle  
Editor, MEM Edge Report