



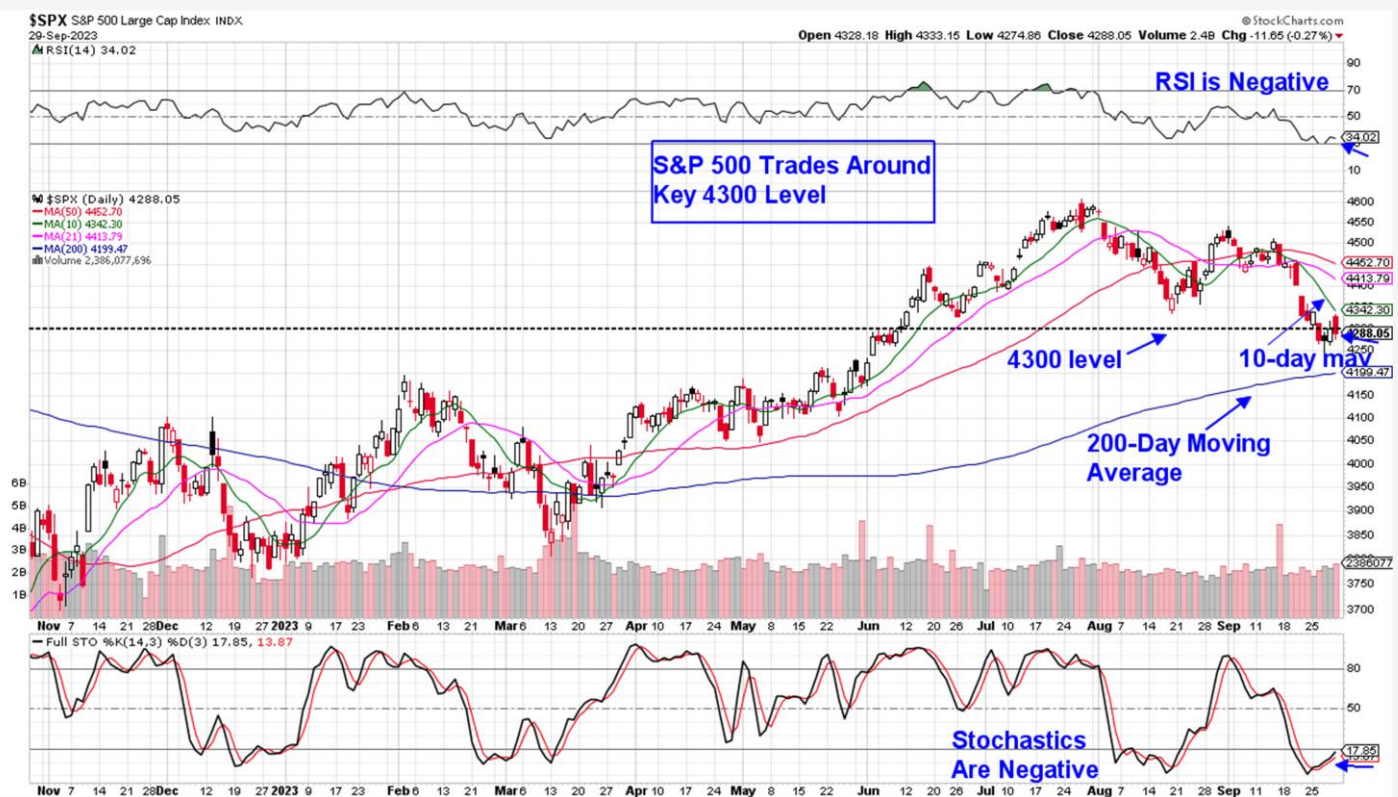
THE MEM EDGE

October 1, 2023 | Weekly Report

This Week's Highlights

- Price Of Oil Nears \$94 Per Barrel Before Pullback
- Yield On 10-Year Treasury At 4.6% Level
- New Home Sales Drop 8% In August Amid High Mortgage Rates
- Consumer Confidence Drops To 4-Month Low
- Q2 GDP Shows That Economy Is Sound
- Personal Consumption Expenditures(CPE) Data Comes In High Due To Gas Prices
- September Employment Data Due On Friday

Daily Chart of SPX With March Downtrend Reversal



The S&P 500 fell 0.8% for the week in a move that has this Index just below key support at the 4300 level. With the RSI and Stochastics in negative territory and the Index still below its 50-day moving average, we remain negative on the near term prospects for the markets.

Should we pull back further, the 200-day moving average is the next area of possible support and is 2.1% away. A close below this longer term moving average would be quite negative.

On any rallies, the first area of possible upside resistance is the 10-day moving average which is 1.2% away. A close above this mav would put the 21-day moving average into focus as the next area of possible resistance.

A move above the 10 and 21-day moving averages would be very constructive as in turn, it would push the RSI and Stochastics into positive territory and signal a strong possibility of a new uptrend.

Below we've included a chart that highlights the March downtrend reversal in the S&P 500 and at that time, a declining interest rate environment was a key component in addition to positive momentum signals.

The Nasdaq fared better for the week after closing above its key area of support at the 13162 level. On Friday, this Index briefly traded above its 10-day moving average; however, a pullback on news of a possible closure of the Federal government pushed it back below. The 10-day moving average is 0.7% away, and is the first area of possible upside resistance.

Last week's relative outperformance in the Nasdaq put both the Stochastics and RSI in a slightly more positive territory after Semiconductor heavyweights Nvidia (**NVDA**), Applied Materials (**AMAT**) and Intel (**INTC**) posted gains above 4%. Outperformance in select Software stocks also gave this Index a boost.

Breadth remains narrow however with the next area of possible upside resistance for the Nasdaq being its 21-day moving average which is 2.9% away. A close above this moving average would go a long way in helping to push this Index back into an uptrend.

As cited however, we'll need to see interest rates recede before any lasting turnaround in the markets and last week, they remained elevated with the yield on the 10-year Treasury at 4.6%. Lower inflation data will be a driver however, Friday's report that core consumer prices - and hence inflation - are softening, did little to push interest rates lower.

Among sectors, Utilities, Staples and Real Estate stocks continue to trade lower as their above average dividends are not attractive when Treasury bonds are offering 4.7%. The Energy sector remains the only one above its 50-day moving average as historically, these stocks fare well in a high inflation/rising interest rate environment.

Last week, GDP data showed that the U.S. economy maintained a fairly solid pace of growth in the 2nd quarter. While economic expansion is positive, the growth occurred despite a rising interest rate environment which gives the Fed more leeway to keep rates elevated.

We may see a positive start to next week after Congress approved a short-term funding bill Saturday which averted a government shutdown. Volatility may follow however, as monthly employment data is due on both Wednesday - with the private sector - and Friday with broader employment numbers.

Employment data is closely watched by the Federal Reserve as a strong jobs market has been cited as spurring inflation due to increased spending.

At this time, we would remain on the sidelines until evidence of a new uptrend in the markets materializes.



Daily Chart of Technology Select Sector SPDR Fund (XLK)



Technology Sector Pulls Back From Close Above 10-Day MAV

The Tech sector outperformed the broader markets with a 0.3% pullback that kept this sector above its mid-August low which is acting as near term support.

As mentioned in last Sunday's report, Semiconductor stocks had fallen 14% over the prior 7 weeks, which put stocks such as Nvidia (**NVDA**) into an oversold position from which we anticipated a near-term bounce.

Last week's 4.5% gain in NVDA puts the stock back above its 10-day moving average; however, the rally did not have much conviction as volume was below average. At this time, the 21 and 50-day moving averages are the next areas of possible upside resistance at 2.4% and 3.2% away respectively. A higher volume rally with a close above its key 50-day moving average and a positive RSI would put NVDA back into an uptrend.

As cited in our August 11th and September 15th reports, while the stock was removed due to near term weakness, our outlook for longer term investors was bullish due to a positive weekly chart and our constructive outlook for the company's growth prospects going forward. We'll alert you should NVDA regain its near-term upside momentum.

Positive price action in the Semiconductor group will also be an important consideration (using ETF SOXX). At this time, SOXX is attempting to post a downtrend reversal with a close above its 10-day moving average and the RSI and MACD trending upward.

Software stocks are in a more bullish position as unlike SOXX, the group is moving toward a possible new uptrend without having fallen below its mid-August low. (using ETF IGV). This potential double bottom formation would be a positive place for IGV to enter a new uptrend from. We'll keep you alerted to any progress toward this possibility.

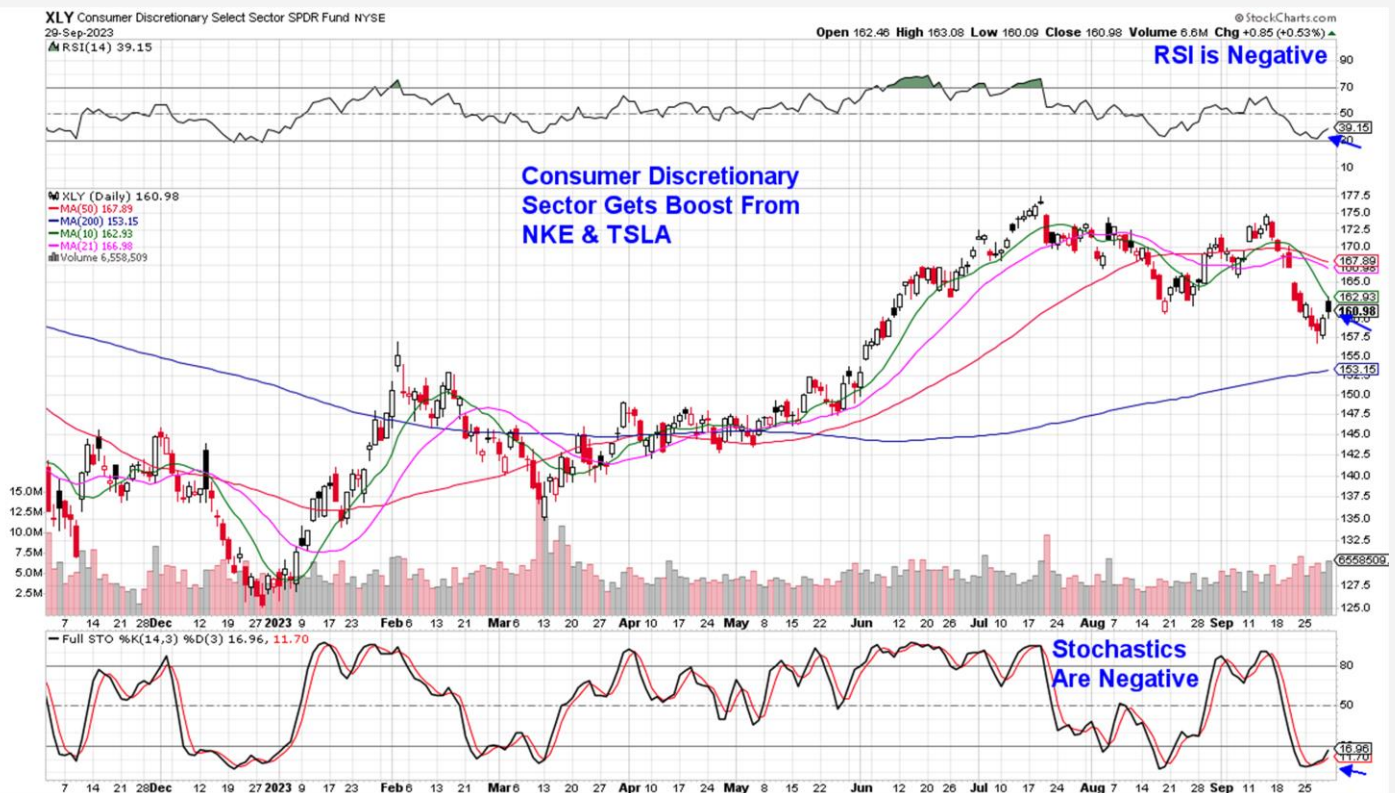
ServiceNow (**NOW**) which we removed as a near-term buy idea but suggested that longer term investors stay with it, posted a bullish reversal candle for the week as it traded below its mid-August lows but closed in the upper portion of its weekly trading range. The stock has more work to do before turning positive near term however, the longer term, weekly chart remains positive.

The Technology sector still has quite a bit of work to do before turning positive as it remains below each of its moving averages while its heavyweight components -

Microsoft (**MSFT**) and Apple (**AAPL**) - are in confirmed downtrends. This high growth sector is the most at risk to a rising rate environment as this reduces the value of future revenues for the underlying companies.

We expect Tech to regain its leadership status once the markets turn positive however and will continue to monitor progress among the Semiconductor and Software groups.

Daily Chart of Consumer Discretionary Select Sector SPDR Fund (XLY)



Consumer Discretionary Sector Is Flat For The Week

The Consumer Discretionary sector was given a late week boost after Nike's (**NKE**) earnings report came in above estimates and pushed other footwear retailers higher on Friday. NKE as well as other names in this group remain in confirmed downtrends despite the rally.

Costco (**COST**) also reported strong earnings last week. The stock exhibited very bullish price action in response, after an initial pullback was reversed and the stock closed in the upper portion of its trading range on the day. COST is now poised for a 2-month base breakout at \$571. If the markets were in a better position, we would be adding this to our Suggested Holdings List.

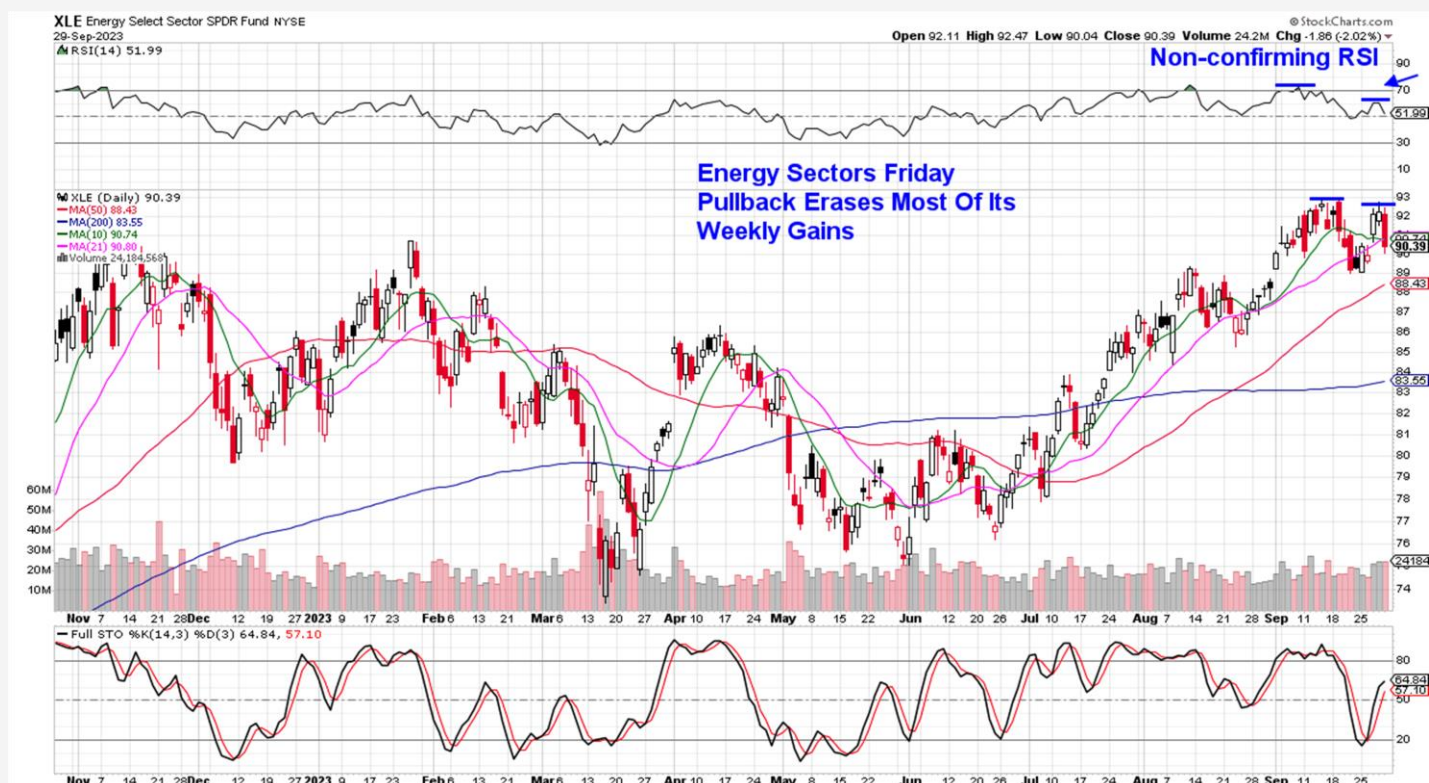
Auto stocks also outperformed, led by Rivian (**RIVN**) which posted a sharp gain after receiving a Wall Street upgrade that was followed by news of That RIVN will be building a new EV plant.

Heavyweight EV manufacturer Tesla (**TSLA**) rallied 2% ahead of their release of quarterly auto deliveries which is expected on Monday. The analyst consensus is around 460,000 and a number above this may put the stock closer to a possible cup with handle base breakout at \$279.

Elsewhere in this sector, gains in names such as Wingstop (**WING**), Abercrombie (**ANF**) and American Eagle (AEO), put them back above their 50-day moving averages and onto our Watch List where they'll join Airbnb (ABNB) which is close to entering a new uptrend.

We'll continue to broaden this list out as names turn constructive; however, we'll have to see strength in the sector before adding them to our Suggested Holdings List.

Daily Chart of Energy Select Sector SPDR Fund (XLE)



Energy Sector Ends On A Weak Note

Oil related stocks were trending higher for the week before a Friday pullback gave back most of the gains. Worries about the Chinese economy were cited as shares of property developer Evergrande Group were suspended until further notice. Should the R.E. company collapse, a credit crunch in China is expected.

Continued strength in the U.S. dollar is also creating headwinds, as this makes the price of oil expensive for other countries such as China and India that must buy dollar-denominated oil. The U.S. dollar will continue to rise in tandem with a rising interest rate environment.

Oil prices started the week strong following the Energy Information Administration (EIA)'s announcement Wednesday that crude inventories fell by 2.2 million barrels last week. The price pulled back as the week progressed however.

Next Wednesday, OPEC+ will provide a key update for the markets at their meeting. At this time, there's anticipation that Saudi Arabia's voluntary supply cuts will be reduced which is expected to push oil prices lower.

Schlumberger (SLB) was on track to post solid gains for the week before a sharp pullback on Friday gave those

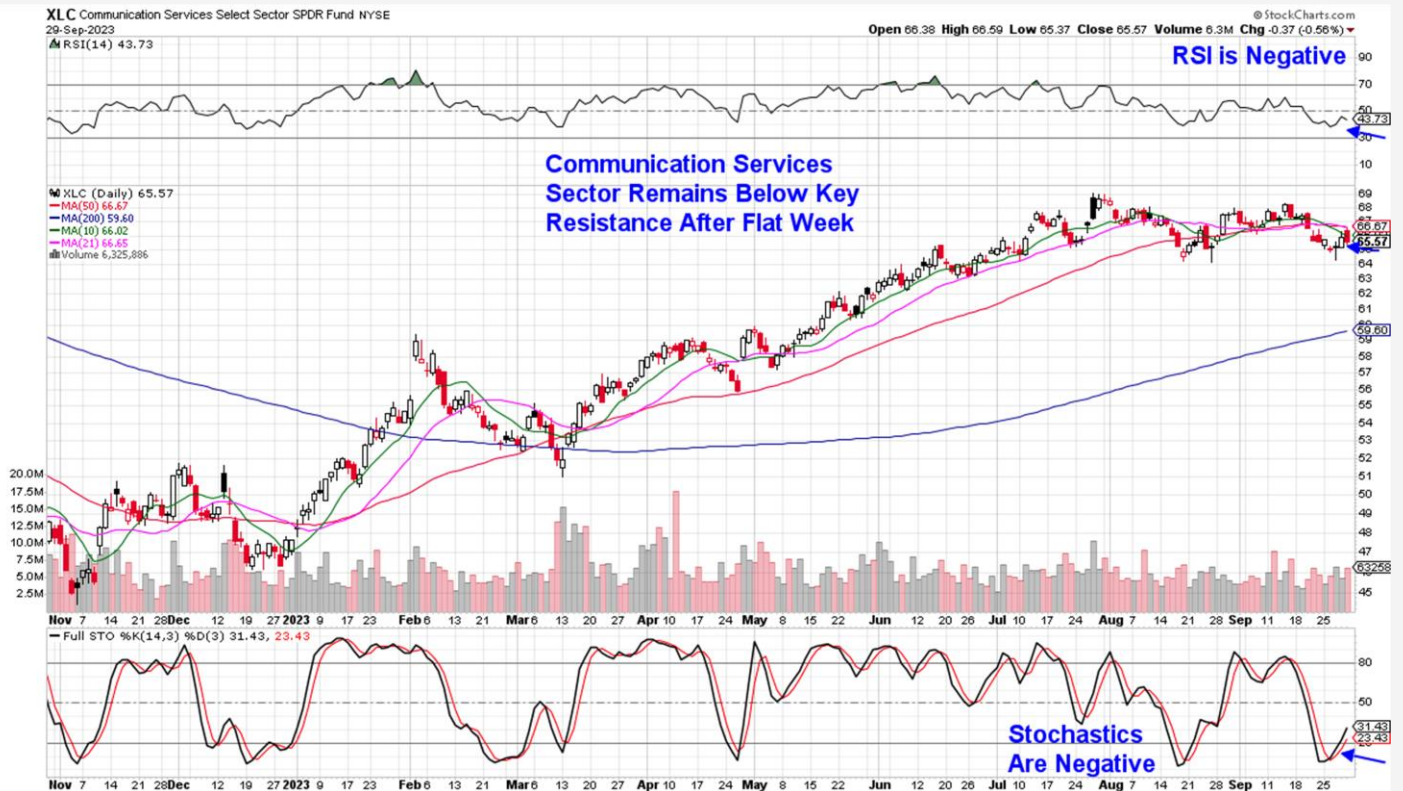
gains back. The stock closed below its 50-day moving average with the RSI now in negative territory. Friday's high volume is another negative and we're removing the stock from our List.

Helmerich & Payne (HP) experienced similar price action with a Friday pullback that has the stock closing below its 50-day moving average with a negative RSI. We're removing HP as well.

While both stocks are posting signals that point to further near term weakness, their weekly charts remain constructive so that longer term investors can remain with these stocks.

As noted in the Energy chart above, last week's rally that put the sector close to a near term high, was not confirmed by its RSI which did not push higher toward its high earlier this month. As you'll see, the July rally in this sector was confirmed by a rising RSI. A non-confirming RSI on the daily chart is a negative for the near term prospects for the group. The weekly chart is more constructive.

Daily Chart of Communication Services Select Sector SPDR Fund (XLC)



Communication Services Sector Ends The Week Flat

The Communication Services sector was a relative outperformer thanks to a 0.5% gain in both Meta (**META**) and Alphabet (**GOOGL**). Both stocks combined account for a 40% weighting in this sector.

GOOGL's advance pushed the stock above its 50-day moving average which is quite constructive. As cited in last Sunday's report, the stock has a history of recovering quickly from any pullback below this key moving average. The stock is not yet in an uptrend however as the RSI and MAC remain in negative territory.

We'll need a confirming/higher RSI to have conviction that GOOGL can advance back toward its high earlier in September. The company is due to report their earnings in 3 weeks. GOOGL can be held.

Summary

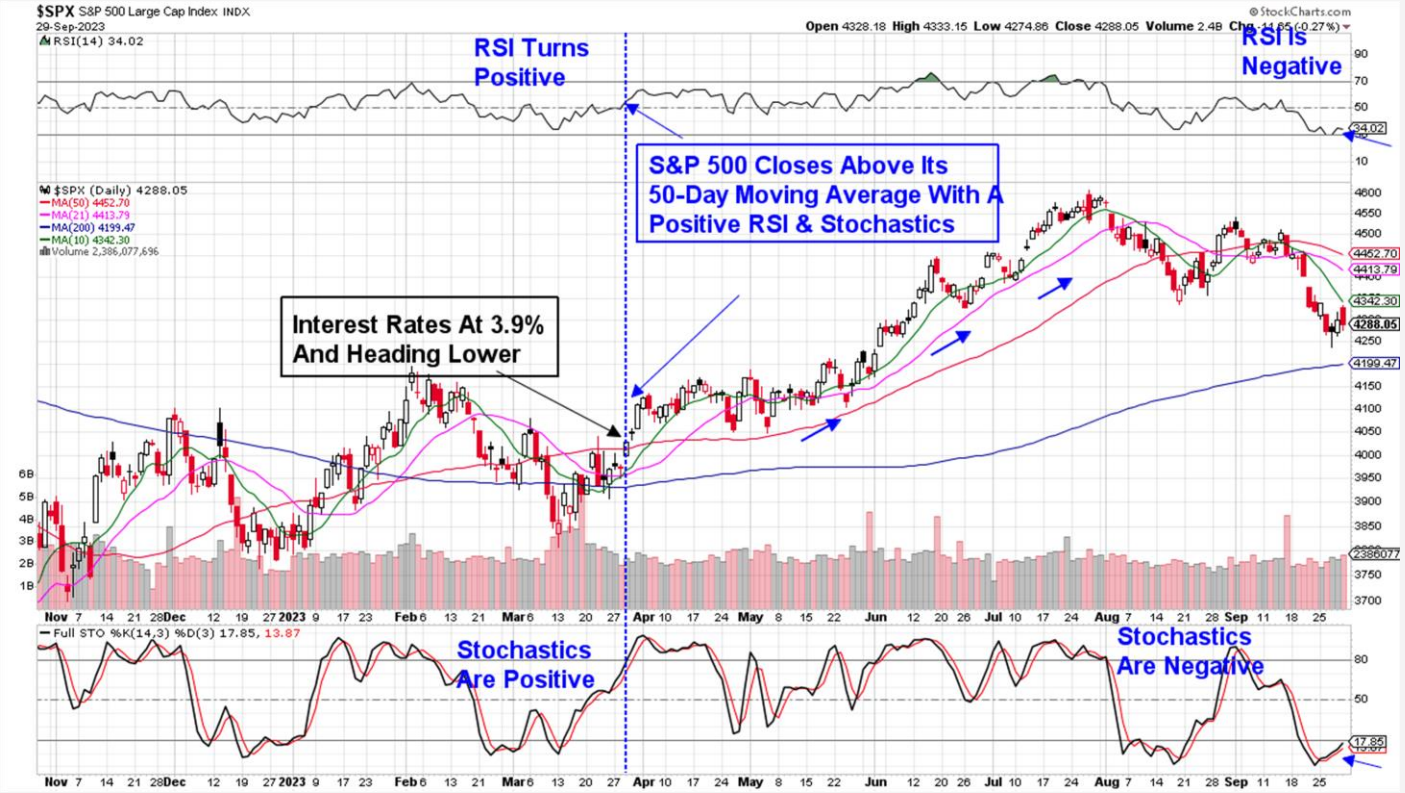
September's pullback in the markets had the S&P 500 posting its worst month of the year, after a 4.9% decline that's pushed the year-to-date returns for this Index almost in half. Weakness in the markets has been spurred by rising interest rates and recent comments from the Federal Reserve have investors on alert for these rates to remain elevated over the near term.

While the markets have suffered since their late July peak in price, if history is any guide we may see strength into the year-end. Since 1990, in the 11 years when stocks fell in the 3rd quarter, the S&P 500 rebounded with a 4th quarter gain 9 times with an impressive average return of 10.6%.

Of course, we'll need to see interest rates decline from their elevated level before we see the beginnings of a new uptrend. This will take lower inflation numbers led by a decline in the price of oil with next week's employment data potentially reducing inflation fears as well.

Until rates recede, volatility will remain high. As cited last week, market reversals can take shape quickly as overly negative sentiment will build up shorts that then need to be covered. Positive earnings reports later this month could also be a spart. We'll alert you to any shifts in market sentiment as they occur.

Daily Chart of S&P 500 INDEX



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						
HP	Helmerich & Payne	\$43.90	9/10/23	-3.5%		Oil Driller
SLB	Schlumberger	\$59.70	8/13/23	0.0%		Oil & Gas Field Services

INDUSTRIAL						
CAT	CATERPILLAR	\$285.20	8/13/23	-3.0%		Steel

COMMUNICATION SERVICES						
GOOGL	Alphabet	\$132.60	7/30/23	-1.0%		NASDAQ

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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