



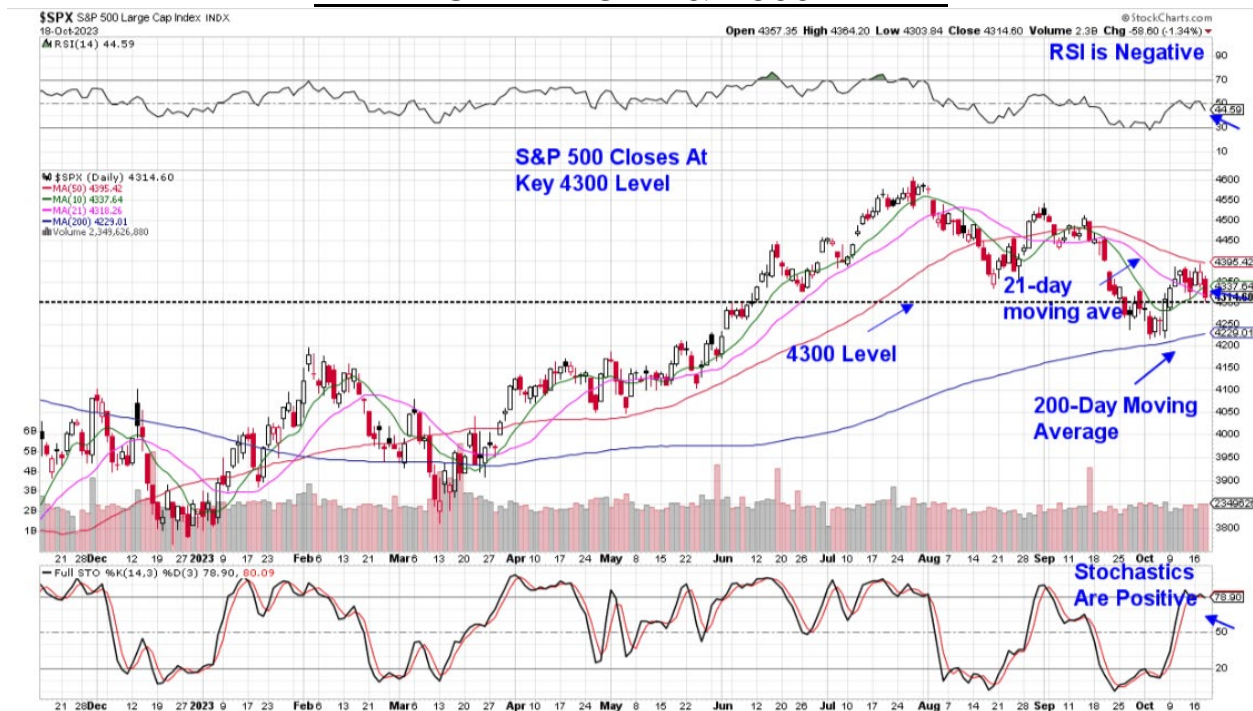
# THE MEM EDGE

Midweek Report

Wednesday, October 18, 2023

- Middle East Risks Escalate - Oil and Gold Prices Surge
- Yield On 10-Year Treasury Rises To 4.9%
- September Retail Sales Jumped Higher Than Expected (auto and online stores)
- Housing Starts Rebound In September
- U.S. Commerce Dept. Tightens Chip Export Restrictions - NVDA Slumps
- Majority Of Magnificent Seven Stocks Underperform
- Removing Nvidia (NVDA) From Suggested Holdings List

## DAILY CHART OF S&P 500 INDEX



The S&P 500 is down 0.3% for the week in a move that puts this Index below its 10 and 21-day moving averages. In addition, the RSI is now in negative territory with the S&P 500 closing just at the 4300 level which is a key area of possible support.



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Should we see a further pullback, the 200-day moving average is the next area of possible support and it's 2% away.

The Nasdaq has lost 0.7% which pushed this Index further below its 50-day moving average with a close today below its 21-day moving average. The RSI has moved further into negative territory while the Stochastics remain positive.

Energy stocks have been the top performers this week as continued strife in the Middle East escalated following a blast at a Gaza City Hospital. Oil prices as well as safe haven gold have also risen in response.

Also driving the markets was a report of better than expected Retail Sales in September which pushed interest rates higher as it points to a resilient economy. Data showing a rebound in housing starts today pushed rates even higher. The yield on the 10-year Treasury has jumped to 4.9% which has put downward pressure on the markets.

Heavyweight stock Nvidia (**NVDA**) sold off sharply this week following news that Biden will be initiating tighter controls surrounding semiconductor chip sales to China.

The tighter controls will target Nvidia's A800 and H800 chips created for the Chinese market after initial U.S. trade restrictions last October. NVDA gets 10%-10% of its AI sales from China. This week's pullback has put the stock below its 50-day moving average with the RSI and MACD in negative territory.

The heavy volume selling as well as its close below the key 50-day moving average, has us removing **NVDA** from our Suggested Holdings List.



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The Technology sector closed just below its 50-day moving average with the RSI now in negative territory. This week's pullback followed a 1.8% drop in Apple (AAPL) as well as underperformance in Semiconductor stocks (SOXX) which remain in a downtrend.

Software stocks are managing to sidestep the weakness elsewhere however, with a 0.2% gain that keeps this group in an uptrend. Adobe (**ADBE**) has gained 1.7% this week and the stock is in a buy zone after today's close at its 10-day moving average. CrowdStrike (**CRWD**) is trending mostly sideways with a 1% gain for as it digests last week's sharp gain. The stock can be held. And lastly, Microsoft (**MSFT**) is also trending sideways ahead of the release of their earnings next Tuesday.

Alphabet (**GOOGL**) and Meta Platforms (**META**) are also due to report their earnings next week and both stocks are up slightly while remaining in a positive uptrend.

The September Retail Sales report also sparked a rally in beaten down Retail stocks. Consumer spending has stayed fairly healthy because of rising wages and the lowest unemployment rate in decades. What's more, incomes are finally increasing faster than inflation for the first time in a few years.

The S&P Retail ETF (XRT) has posted a 3.3% gain for the week which puts this ETF close to reversing its 10-week downtrend. (see chart below).

Other retailers on the move higher are names such as Rost Stores (ROST) from our Watch List, which is in a buy zone as it heads for a possible base breakout at the \$123 level. We'd be more inclined to add the stock to our Suggested Holdings List if the broader markets were in a healthier position.



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Several key events have taken place after the market's closed which may boost sentiment going into the rest of the week. Netflix (**NFLX**) has seen new subscribership numbers come in well above estimates and the stock is up 12% after market hours.

In addition, the government's auction of 20-year Bonds was stronger than expected amid strong demand. This is expected to help reduce upside pressure on interest rates.

At this time, the broader markets remain in a volatile period with geopolitical concerns and strong economic data creating downward pressure as uncertainty among investors remains. We would refrain from adding new positions until we see a confirmed uptrend materialize.

Warmly,  
Mary Ellen McGonagle  
Editor, MEM Edge Report





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## DAILY CHART OF S&P RETAIL ETF (XRT)

