



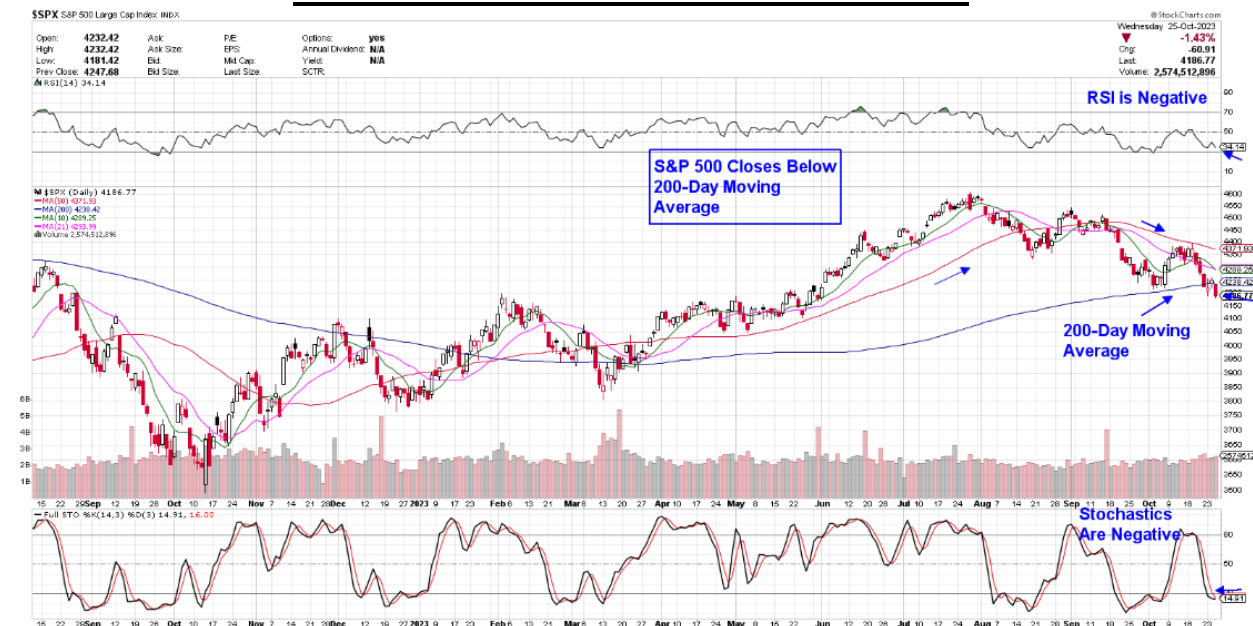
# THE MEM EDGE

Midweek Report

Wednesday, October 25, 2023

- Volatility And Yields Remain Elevated
- New Home Sales Surge To Highest Level Since February 2022
- Third Quarter GDP And Durable Goods Orders Report Tomorrow
- Key Inflation Data With Core PCE Due On Friday
- Removing Alphabet (GOOGL) From Suggested Holdings List

## DAILY CHART OF S&P 500 INDEX



The S&P 500 is down 0.9% so far this week, in a move that has this Index closing below its key 200-day moving average with the RSI and Stochastics remaining in negative territory. Our near-term outlook for the markets remains negative.



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Near term, we may see a bounce however given the distance of this Index relative to its 50-day moving average. At this time, it's 4.2% below with the RSI approaching an oversold position.

The Nasdaq has declined 1.3%, with today's sharp pullback putting this Index below its key 13000 level. The next area of possible support is the 200-day moving average which is 0.4% away.

Price action this week was dominated by Treasury yields as well as earnings reports, with a Tuesday rally in stocks occurring on the heels of a slight decline in interest rates coupled with a strong day of earnings reports.

The landscape quickly turned negative today however, after a negative earnings report from mega-cap name Alphabet (**GOOGL**) sparked a drop in the stock which gapped down 9.5% on heavy volume. We're removing the stock from our Suggested Holdings List.

Selling spread to other high growth areas with Semiconductor stocks losing 4% today which pushed the group decisively below its 200-day moving average on heavy volume. This is another area that's oversold and due a bounce however, we'd be a seller into any strength at this time. (using ETF SOXX)

Part of the weakness in Semis followed Texas Instruments (TXN)'s earnings release Tuesday after the market's closed with management guiding growth prospects lower as they see no recovery in China and are seeing soft demand in every end market outside of autos.



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Software stocks also came under selling pressure despite Microsoft's (**MSFT**) rally which followed the release of quarterly results which were well above estimates. MSFT gapped up into a 1-month base breakout and with a positive RSI and MACD, the stock is poised to trade higher. Given broader market conditions, we'd refrain from adding any new positions at this time.

Elsewhere in Software, Shares of cloud and AI related stocks came under the most selling pressure as results from GOOGL highlighted the fact that growth in these areas is not a positive for all names.

Adobe (**ADBE**) has pulled back 3.5% so far this week in a move that has this stock closing below its 50-day moving average with the RSI now in negative territory. While the longer term, weekly chart remains constructive, shorter term investors will want to reduce positions. We're removing ADBE from our Suggested Holdings List.

CrowdStrike (**CRWD**) is down 2% after today's sharp drop gave back an earlier gain of 4%. The stock remains above its key 50-day moving average with a positive RSI and MACD however, we would not be a buyer at this time.

Today after the close, Meta Platforms (**META**) reported record sales as ad sales continue to rebound. Cost cutting within the company also helped their bottom line. While the stock originally jumped 4% on the news, at this time META is down 1% after hours.



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META closed below its 50-day moving average today with the RSI in negative territory before the release of earnings. We'll remove the stock from our Suggested holdings list on any further weakness. Longer term investors can stay with META as the weekly chart has a positive RSI and MACD.

It's been a volatile week as uncertainty remains high among investors amid mixed earnings reports and interest rates that remain elevated as the 10-year yield hovers around the 5% level. With sentiment seemingly mixed for META after hours and Amazon's earnings due tomorrow, volatility will remain high.

Most impactful later in the week will be Friday's core PCE data which is a key inflation report for the Federal Reserve. Economists are expecting a 0.1% increase for September and 3.9% year over year. Any report that is higher would be a negative.

Until we see interest rates decline and volatility recede, we will remain on the sidelines.

Warmly,  
Mary Ellen McGonagle  
Editor, MEM Edge Report