



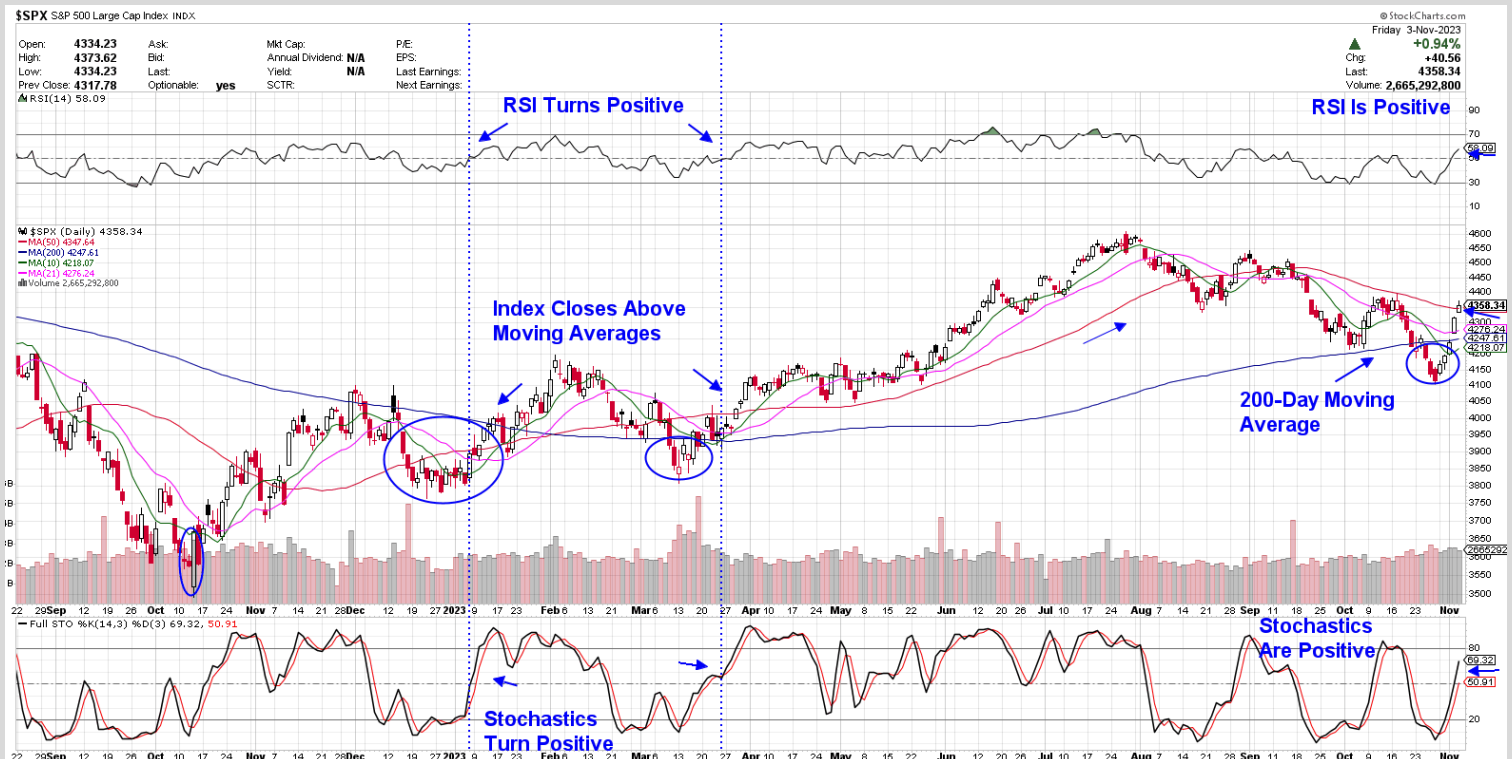
# THE MEM EDGE

November 5, 2023 | Weekly Report

## This Week's Highlights

- Consumer Confidence Falls Amid Inflation Fears and High-Interest Rates
- ADP Employment Report Shows Labor Market Slowing In October
- ISM Factory Index Drops, Remaining Below 50
- Fed Unanimously Agrees To Keep Interest Rates Steady
- Volatility and Interest Rates Pull Back
- Modest Number Of Jobs Added Unemployment Rate Rises In October
- Fed Chair Powell Speaks 2 Times Next Week As Well As Several Fed Governors

## Daily Chart of S&P 500



The S&P 500 gained 6% last week in a move that pushed this Index above each of its moving averages with both the RSI and Stochastics now in positive territory. Given these bullish characteristics, as well

as the above-average volume on last week's rally, we're now positive on the near-term prospects for the markets.

On the longer-term weekly chart, the RSI is now positive. The last time we moved from a negative to a positive position for this momentum indicator on the weekly chart was late March, which preceded a 4 month rally for the S&P 500. At this time, the faster-moving Stochastics momentum indicator is not confirming a longer-term positive bias for as it did in late March.

While the new uptrend in the S&P 500 is bullish for the near term, prospects for the markets on a longer-term outlook remain mixed.

On any further rallies, the mid-October high of 4394 is the next area of possible upside resistance followed by the early September high of 4541. A move above these levels would have us setting our sights on the late July all-time high for the markets of 4607, which is 5.7% above this past Friday's close.

Should we experience a pullback, the 50-day moving average is now the first area of possible support, followed by the 21 and then 200-day moving averages.

The Nasdaq gained even more, with a 6.6% rally led by heavyweights Microsoft (**MSFT**) and Nvidia (**NVDA**) as well as Semiconductor and Software groups which entered a new uptrend after outperforming.

Last week's rally puts the Nasdaq above each of its moving averages with the RSI and Stochastics in positive territory. This puts this Index into a near-term uptrend. The intermediate-term weekly chart presents a mixed picture however with the RSI in positive territory while the Stochastics are exiting an oversold position but remain negative.

The markets posted their strongest weekly gain since last year's mid-October bottom which took place amid strong quarterly results and declining interest rates.

Last week's sharp gains took place amid a similar backdrop, with corporate results coming in above estimates while interest rates pulled back.

Data pointing to a moderating jobs market and a slowdown in the economy fueled hopes that interest rates may have peaked and while Growth stocks outperformed, gains last week were broad-based.

Also pushing interest rates lower was a dovish policy statement from the Federal Reserve.

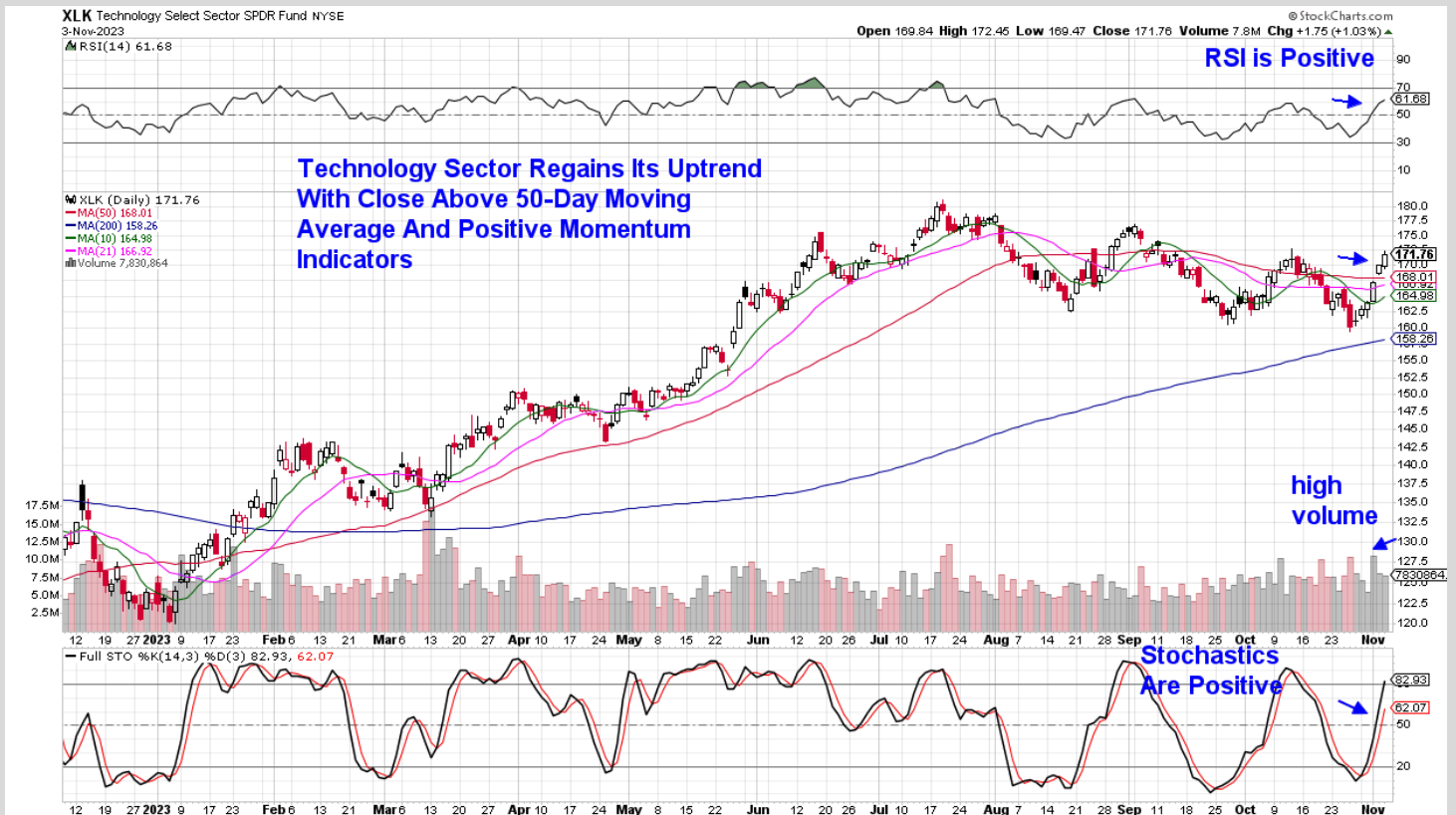
We're now well into earnings season and while those companies that have reported above estimated quarterly results were outperformers, the top gainers last week were areas that fare well in a lower interest rate environment.

This would include Real Estate and Financials which were deeply oversold. Bank stocks in particular outperformed with a 12% rally while housing stocks also received quite a boost amid anticipated lower mortgage rates.

Confidence has been restored among many investors with earnings season mostly behind us and key economic data pointing to a needed slowdown in the economy. The Volatility Index fell as well, with a close below 16 which signals reduced fear among investors.

At this time, we'll be adding stocks to our Suggested Holdings List to take advantage of the new market rally.

## Daily Chart of the Technology Sector (XLK)



### Technology Sector Regains Bullish Uptrend

The Tech sector close above its key 50-day moving average led by a sharp gain in heavyweight Semiconductor stock Nvidia (**NVDA**). Other Semiconductor stocks also outperformed, which in turn pushed the group close to reversing its downtrend. (using ETF SOXX). While the RSI is in positive territory, the MACD remains below 50 while this ETF closed just below its key 50-day moving average.

Nvidia (**NVDA**) is the leader in AI chips and the stock regained its uptrend after closing above its 50-day moving average with the RSI now in positive territory. The gain puts the stock into a buy zone however, the MACD is not yet confirming, as it's below 50. We're adding **NVDA** to our Suggested

Holdings List, however, new positions should remain light until we receive confirmation.

Software stocks also outperformed, with a rally that pushed the group into a new uptrend after a close above the 50-day moving average and an RSI that's in positive territory. (using ETF IGV). Here again, the MACD is not quite in positive territory however, select stocks are exhibiting confirmed uptrends.

This would include ServiceNow (NOW) which is very close to posting a 2-month base breakout after rallying on above-average volume last week. The company reported strong quarterly results in late October led by Federal government spending on their data consolidation software products.

**NOW** is also initiating AI-related products which has analysts upbeat on the company's continued growth prospects. The stock can be bought on a pullback to its 5-day moving average at the \$595 range.

Adobe (**ADBE**) also regained its 50-day moving average with the RSI and MACD now in positive territory. The company has 2 main AI products. One that can help clients market to missed audiences while the other - Firefly - can create images from just a text prompt. Both products make **ADBE** a leader in AI-related growth.

We're adding **ADBE** back to our Suggested Holdings List and the stock is in a buy zone as it approaches a \$574 base breakout level.

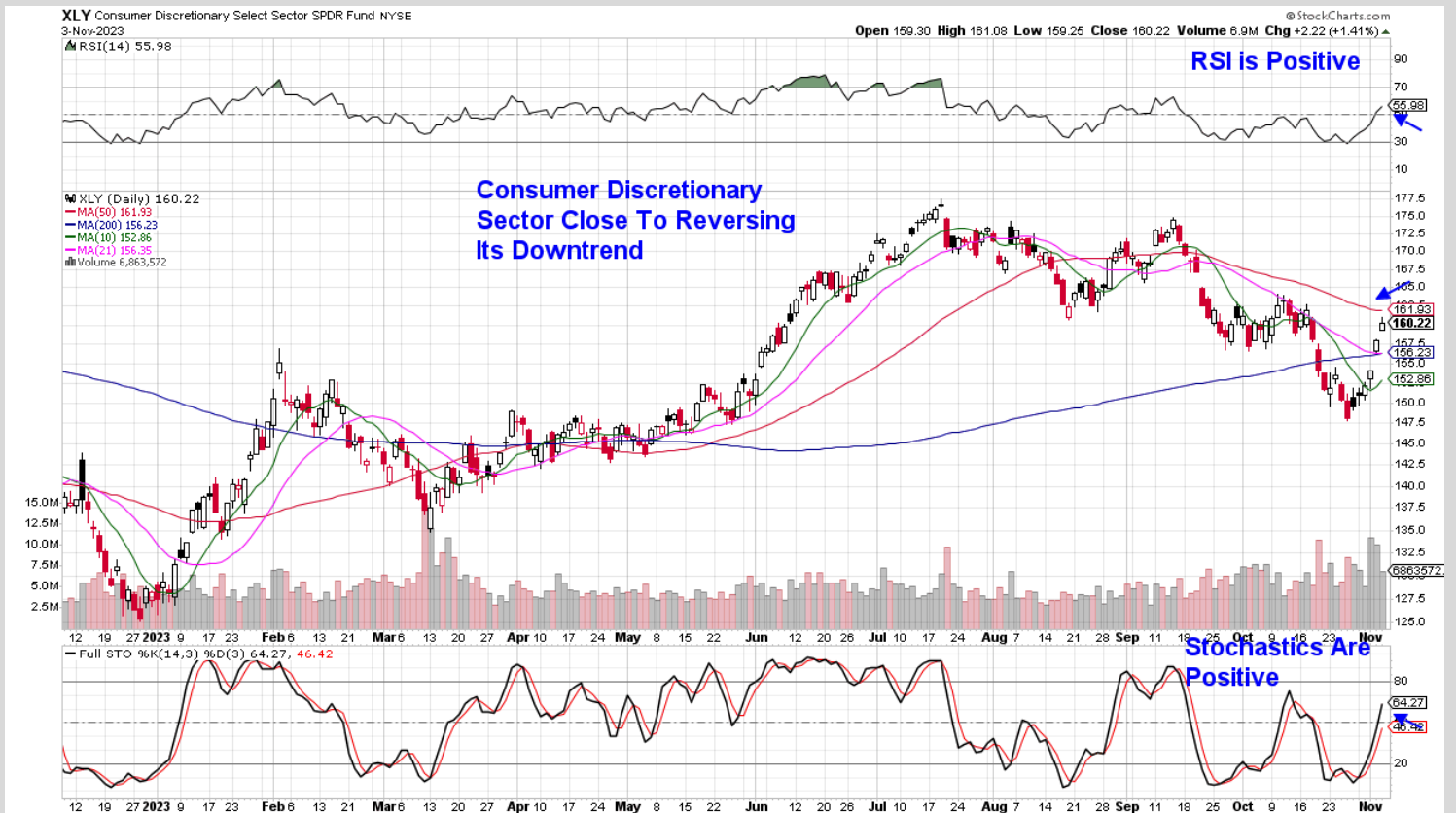
CrowdStrike (**CRWD**) from our List outpaced its peers with a 9% rally after being cited as a cloud security leader due to their cybersecurity platform powered by AI chatbots. **CRWD** closed above its 50-day moving average on its way to a 3-week base breakout. The stock can be bought on a pullback to the \$181 range at its 5-day moving average.

Microsoft (**MSFT**)'s recent release of earnings proved that the company is a leadership name in AI-related growth. The company posted a blowout quarter last week due to better-than-expected results from its Azure cloud computing arm. Azure's growth came from AI-related workloads that came in well above estimates.

**MSFT** is in a strong buy zone as it approaches a 10-week base breakout at \$367.



## Daily Chart of the Consumer Discretionary Sector (XLY)



### Consumer Discretionary Sector Among Top Performing

The Consumer Discretionary sector received a boost from heavyweight names Amazon (**AMZN**) and Tesla (**TSLA**) which both outperformed for the week while emerging from oversold positions.

Advertising has been Amazon (**AMZN**)'s fastest growing division for the past 3 quarters, with revenue from their online ad platform growing 25% in their most recent quarter.

The company saw growth in their web services division as well, amid a turnaround from last year that followed steep cost-cutting marked by massive layoffs. We're adding **AMZN** to our Suggested Holdings List after last week's close above its 50-day

moving average with its RSI and MACD now in positive territory. The stock can be bought in the \$136 range at its 5-day moving average.

Last week's drop in interest rates gave a big boost to Home Construction stocks as investors anticipate a drop in mortgage rates. Strong earnings reports from home builders who have recently reported was another driver.

This would include M/I Homes (**MHO**) which we're adding to our Suggested Holdings List after the company recorded a record quarter of sales 2 weeks ago. The company continues to expand due to demand amid a lack of existing homes being placed on the market.

**MHO** is due a pullback after last week's sharp advance and we'd be a buyer on any pullback to the \$90 range.

On Tuesday, Uber (**UBER**) is due to report their quarterly results and the stock reversed its downtrend last week in anticipation of the company reporting strong numbers. The stock is on our Watch List as we're looking to add it to our Suggested Holdings List should they come in ahead of estimates.

The recently reported GDP numbers for October showed that the economy grew at a 4.9% annualized rate that was fueled mainly by consumer spending as Americans poured their disposable income into vacations, dining out, and online shopping.

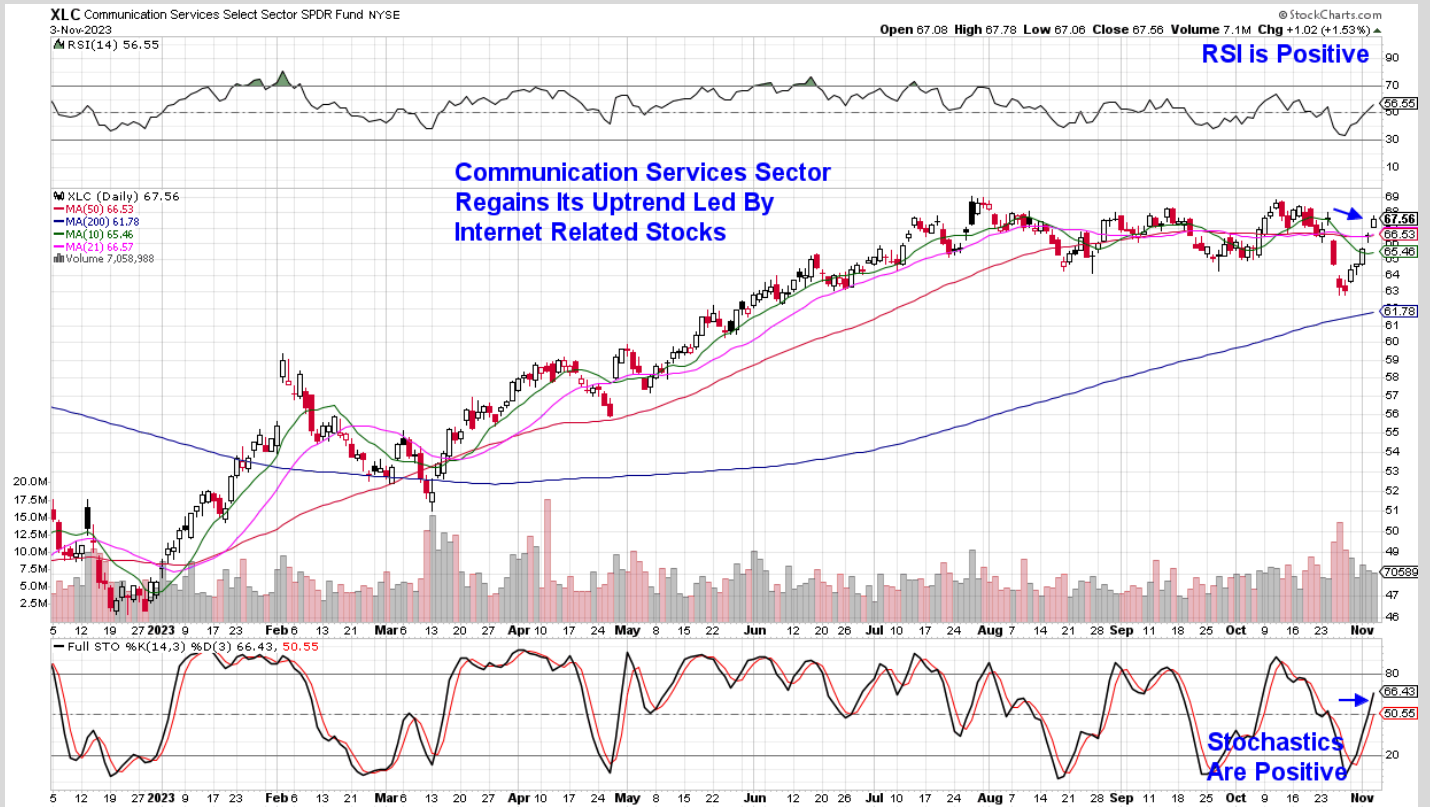
The pace of growth was the fastest since late 2021, and we're seeing the impact of this increased spending in the strong earnings reports of many Retail stocks.

This week, we're adding Wingstop (**WING**) to our Suggested Holdings List as the stock continues to form the right side of a base after reporting strong quarterly results last week that were well above estimates. The company is continuing to expand globally and this expected growth is also pushing the stock higher. **WING** is extended after last week's rally and we'd be a buyer on any pullback to its 5-day moving average.





## Daily Chart of the Communication Services Sector (XLC)



### Communication Services Sector Reverses Downtrend

The Communication Services Sector saw a broadening out of participation amid better-than-expected earnings from oversold Media-related stocks. Much of the increased growth was due to increased subscribership or improved ad sales.

This is in line with Meta (**META**)'s recent report of its ad revenue jumping 23.5% over last year which marked their fastest growth in two years. **META** is in a strong buy zone after closing above its 50-day moving average with its RSI and MACD now in positive territory.

Netflix (**NFLX**) continues to trend higher after reporting that they signed up 15 million subscribers for their ad-supported tier of streaming media. In addition, the company offers five different lengths of ads while also providing the ability to target the audience by demographics.

**NFLX** also guided growth estimates higher during their earnings call last month due to increased subscribership and ad sales going forward.

We're adding Netflix (**NFLX**) to our Suggested Holdings List and the stock can be bought on a pullback to its 5-day moving average at the \$419 level.

# Summary

The S&P 500 posted its best weekly performance since late last year, following news that the jobs market is softening. Fed Chair Powell's comments on Wednesday also boosted the markets after he cited the recent rise in interest rates as helping slow the economy. In turn, interest rates declined sharply as investors focused on the possibility of the Fed halting their rate hike campaign.

In the chart below, we highlight the downtrend reversal that took place in the S&P 500 at the beginning of March, with the yield on the 10-year Treasury overlaid on top. The March rally was sparked by strong earnings reports as well as interest rates trending lower. While this is similar to current market conditions, interest rates currently remain elevated above the 4.2% rate that preceded the July peak in the markets.

At this time, we will need to see interest rates fall further to sustain the new uptrend. In addition, we'll need to see a continued broadening out of the markets. In the second chart below, the S&P 500 Equal Weighted Index shows that last week's rally was indeed broad-based as this Index experienced the same gain for the week as the heavily skewed S&P 500 Index.

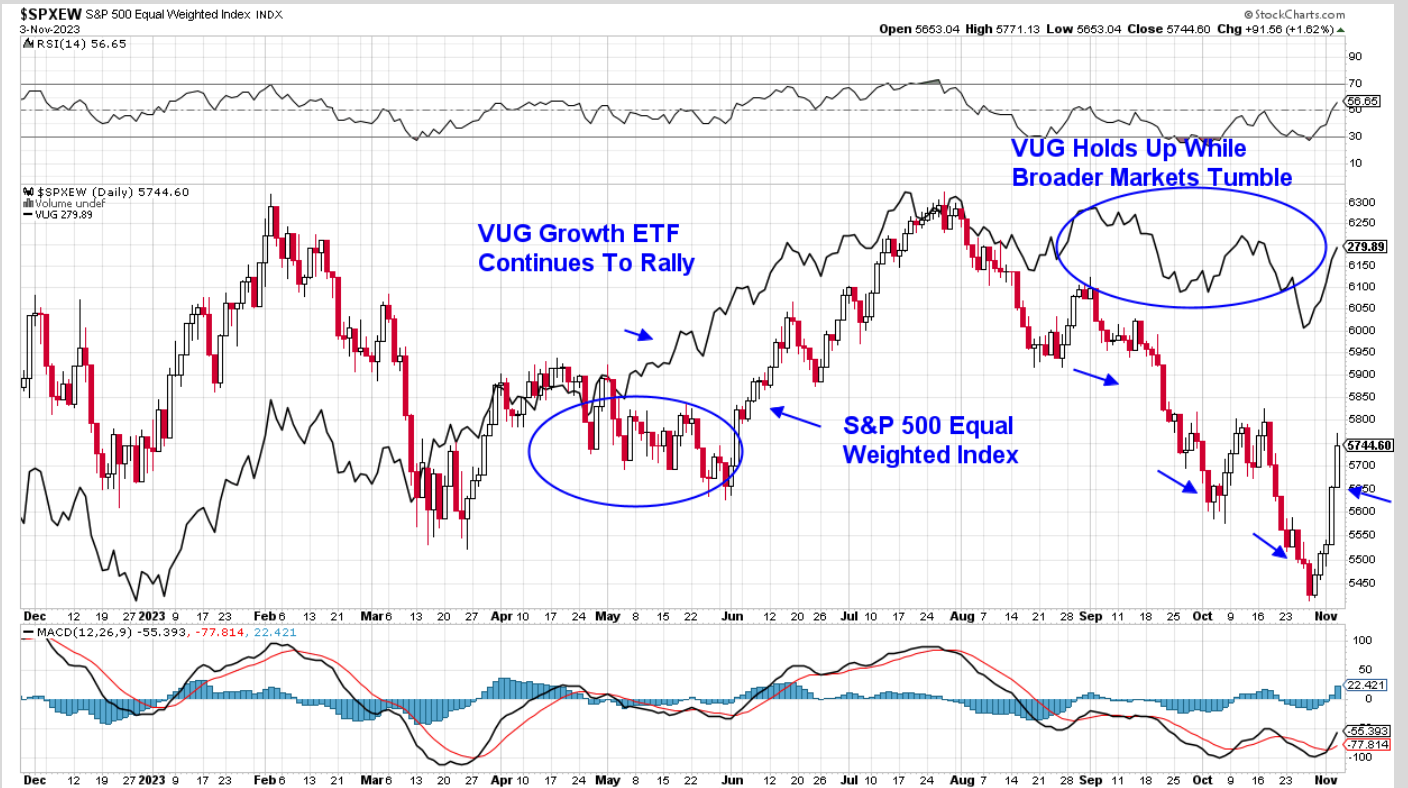
At this time, the new uptrend in the markets is buyable however, new positions should be entered lightly as we still have potential upside resistance with the October high of 4393 being the first area followed by the September high of 4541. We'll continue to alert you to any shift in sentiment regarding the markets.

## Daily Chart of the S&P 500 Large Cap Index (\$SPX)

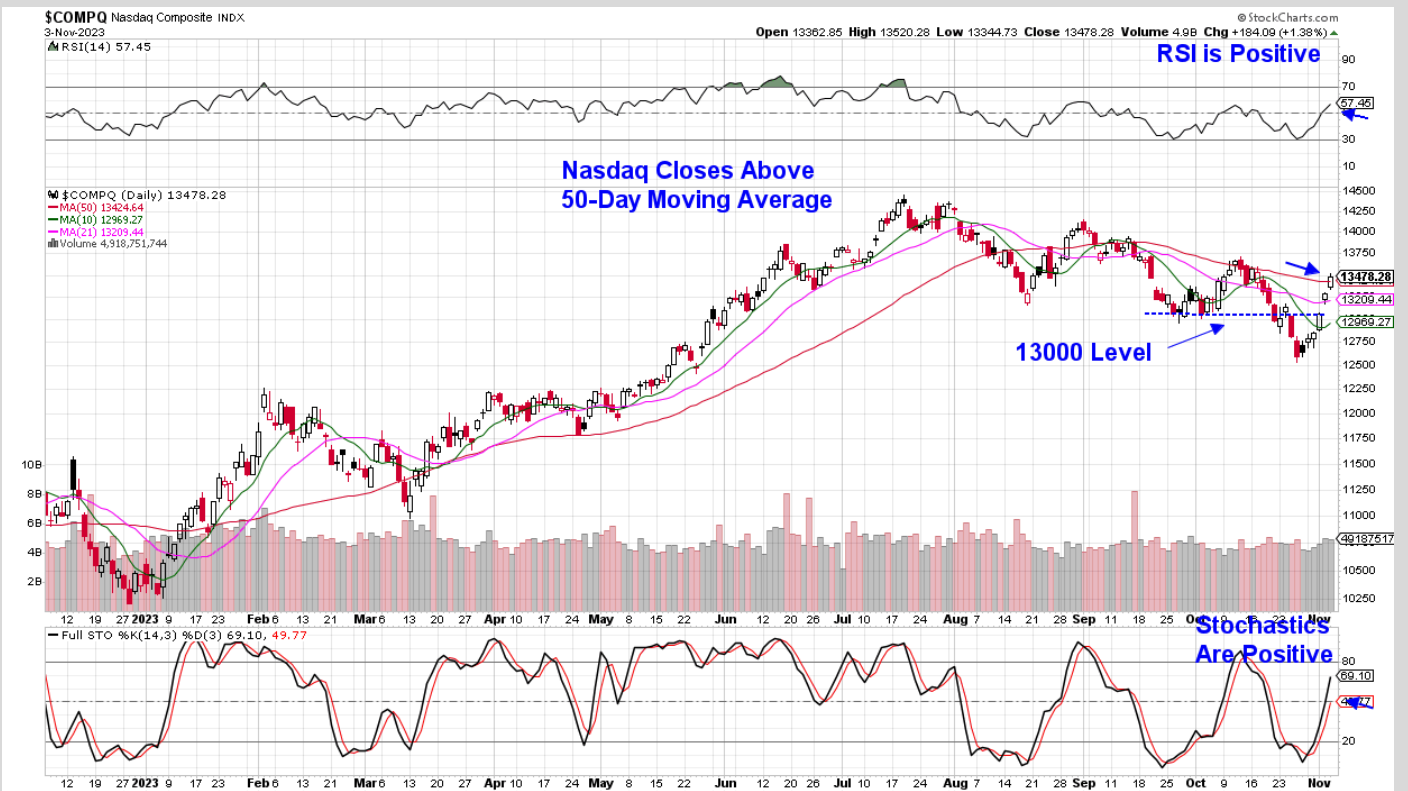




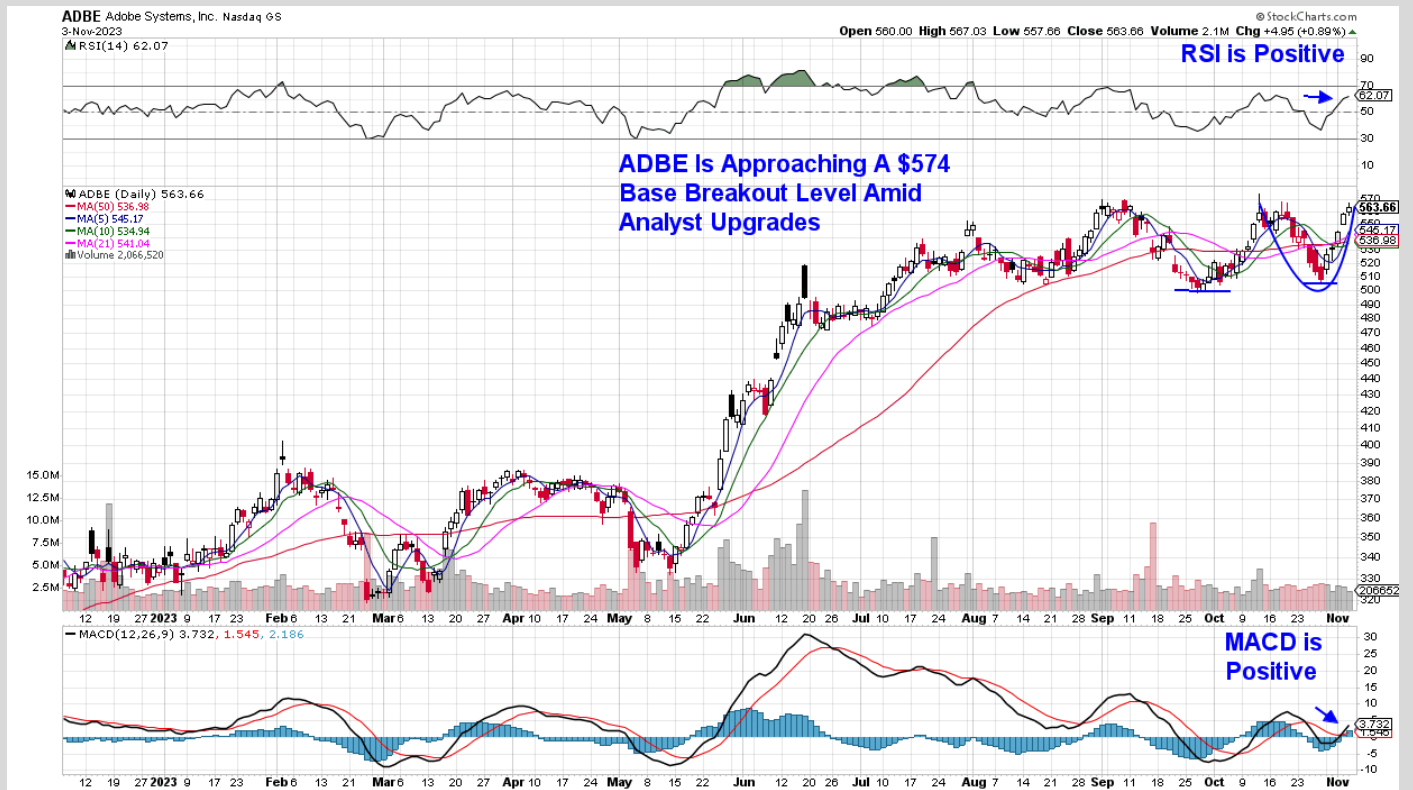
## Daily Chart of the S&P 500 Equal Weighted Index (\$SPXEW)



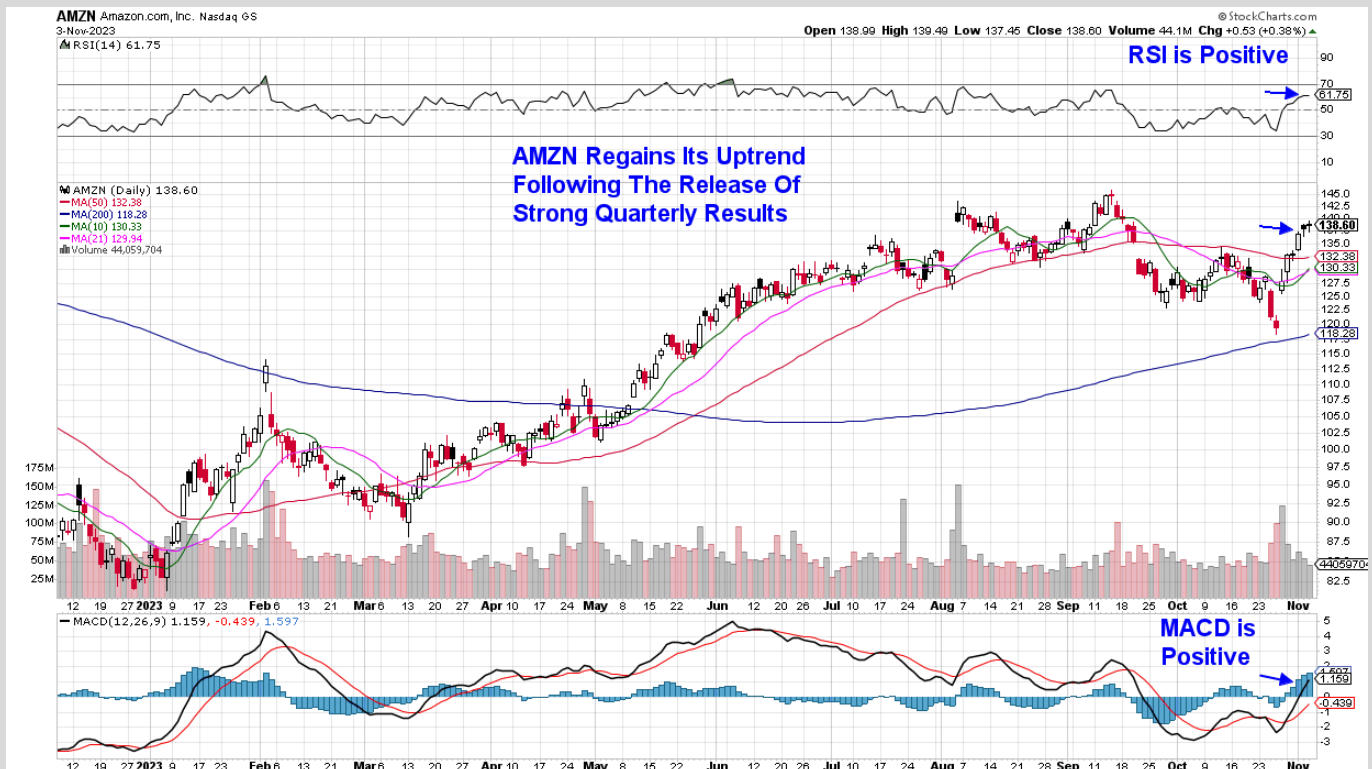
## Daily Chart of the Nasdaq Composite (\$COMPQ)



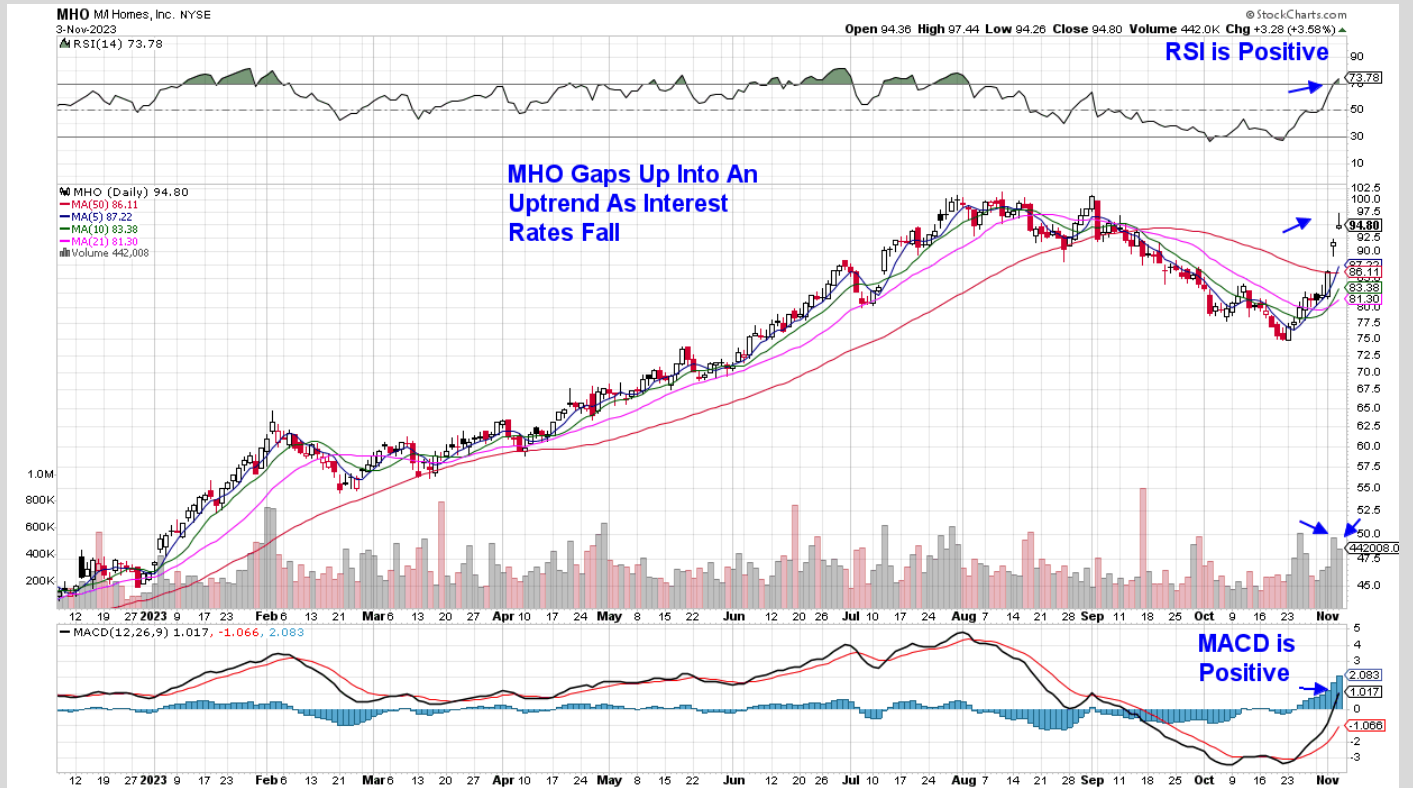
## Daily Chart of Adobe Systems, Inc. (ADBE)



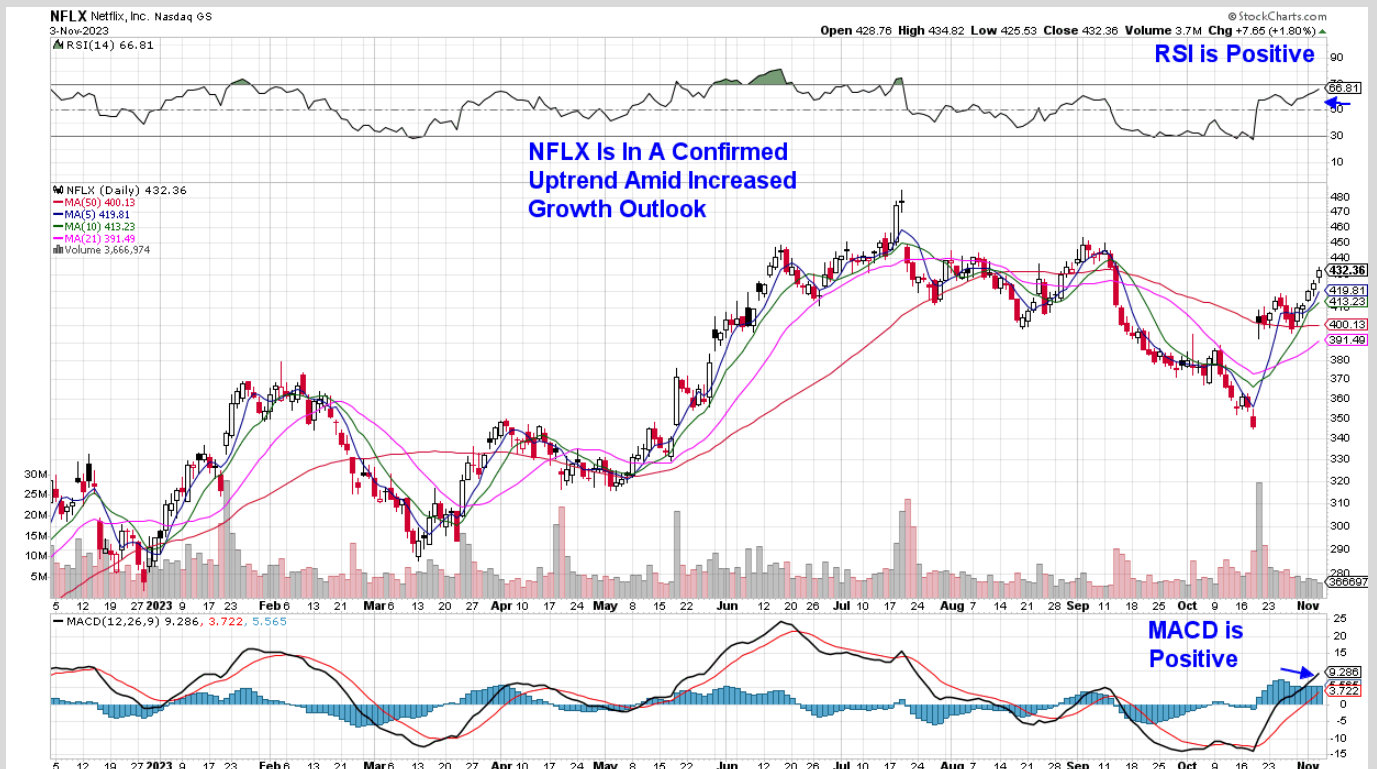
## Daily Chart of Amazon.com, Inc. (AMZN)



## Daily Chart of M/I Homes, Inc. (MHO)



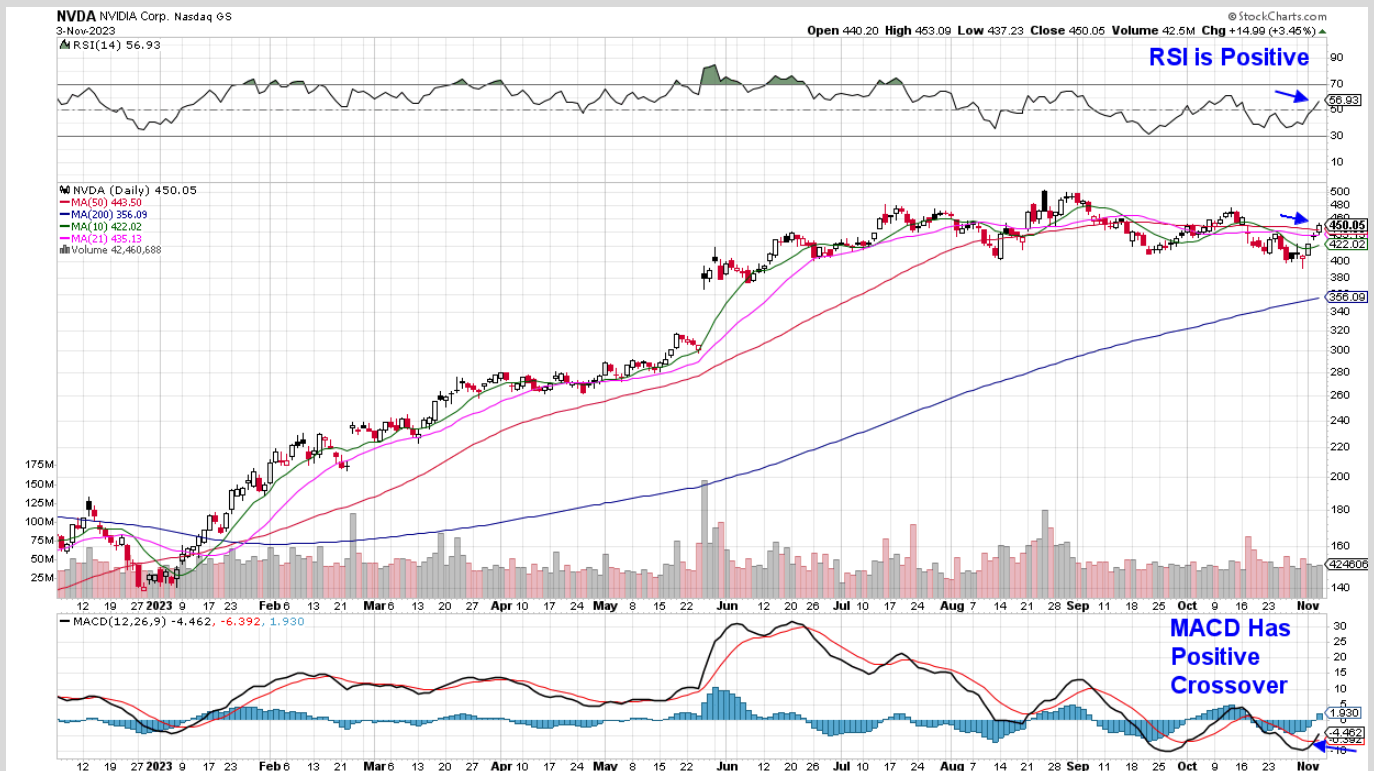
## Daily Chart of Netflix, Inc. (NFLX)



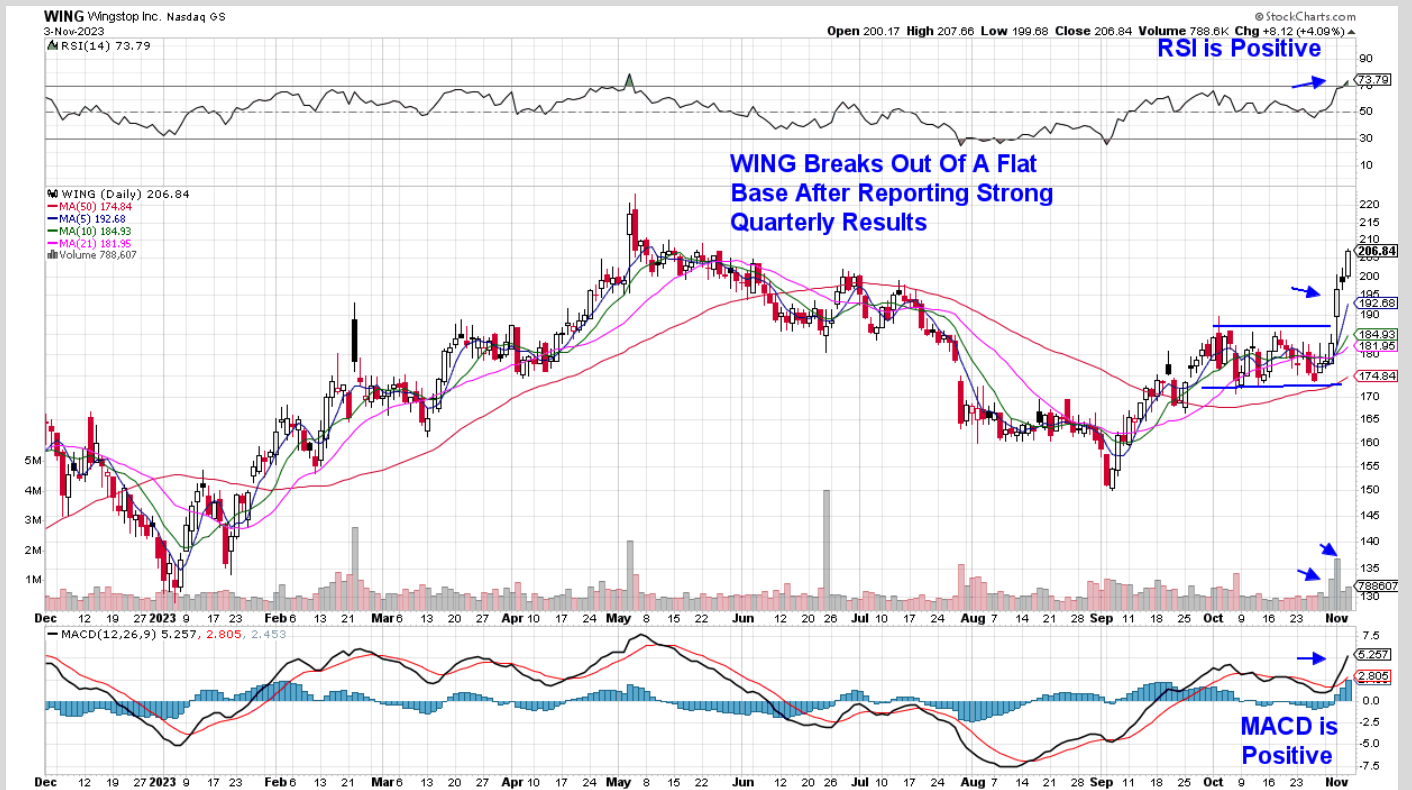
## Daily Chart of ServiceNow, Inc. (NOW)



## Daily Chart of NVIDIA Corp. (NVDA)



## Daily Chart of Wingstop Inc. (WING)



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
SYMB	COMPANY	PRICE	DATE ADDED	PERFORMANCE	INDUSTRY GROUP
CONSUMER DISCRETIONARY					
AMZN	Amazon	\$138.60	11/5/2023		
MHO	M/H Homes	\$94.80	11/5/2023		
WING	Wingstop	\$206.80	11/5/2023		
TECHNOLOGY					
ADBE	Adobe	\$563.00	11/5/2023		Software
CRWD	Crowdstrike	\$176.70	10/8/2023	7.0%	Software
MSFT	Microsoft	\$327.30	10/8/2023	8.0%	Software
NOW	ServiceNow	\$606.70	11/5/2023		
NVDA	Nvidia	\$450.00	11/5/2023		Semiconductor
COMMUNICATION SERVICES					
META	Meta Platforms	\$315.40	10/8/2023	0.0%	Internet-Content
NFLX	Netflix	\$432.30	11/5/2023		



# Glossary of Terms Used From Our Suggested Holdings

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## 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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