



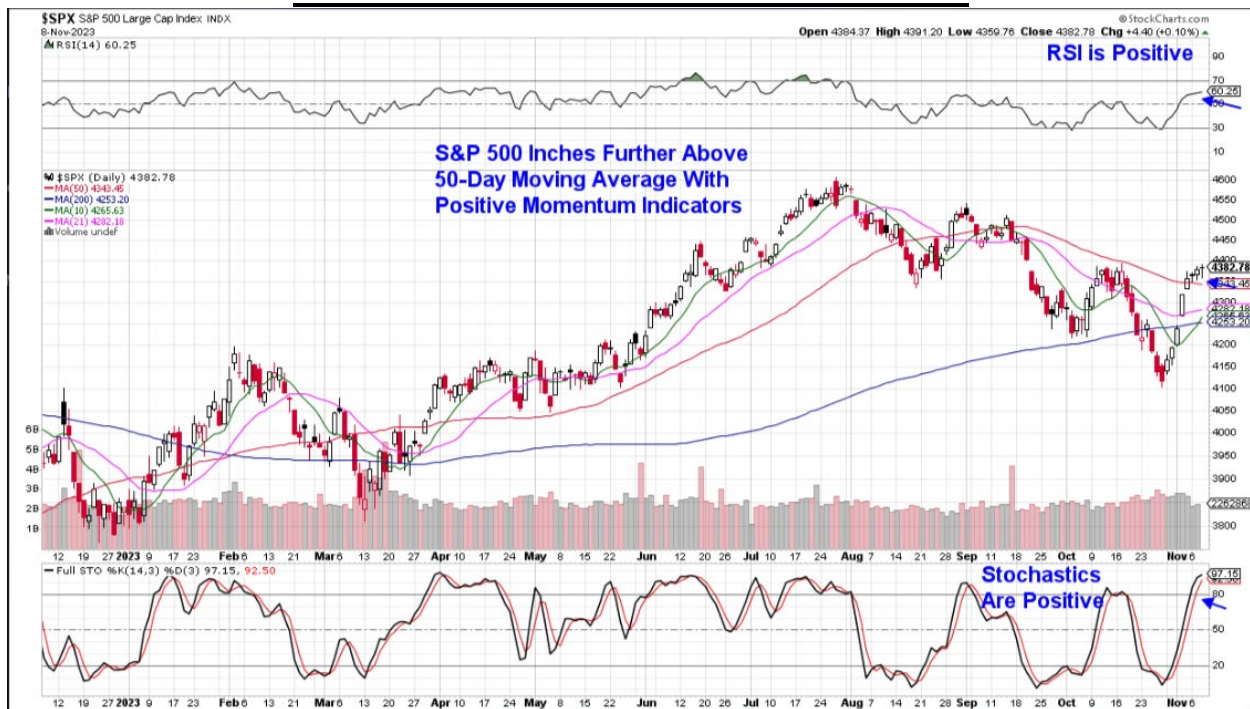
THE MEM EDGE

Midweek Report

Wednesday, November 8, 2023

- Interest Rates Continue To Recede
- Investors Are Pricing In Rate Cuts As Soon As May
- Fed Governor's Comments Paint Mixed Picture
- Consumer Sentiment Data Released Friday
- October Core CPI and PPI Data Due Next Week
- Powell Comments Tomorrow May Sway Markets
- Oil Prices Fall Below \$80

DAILY CHART OF S&P 500 INDEX



The S&P 500 Index has gained 0.6% so far this week in a move that keeps it above its key 50-day moving average with both the RSI and Stochastics in positive territory. This price action keeps the near term uptrend for this Index in place.



THE MEM EDGE

Midweek Report

The Nasdaq has fared better, with a 1.3% gain that's being led by outperformance in most of the Magnificent Seven stocks while gains in Software stocks are also giving this Index a boost. This week's rally has pushed the Nasdaq further above its 50-day moving average as well, with the RSI and Stochastics in positive territory. This keeps the near term uptrend in place.

On any possible pullback, the 50-day moving average is now the first area of possible support for both the S&P 500 and the Nasdaq.

The weekly chart of both Indices is shaping up quite nicely, with the RSI now in positive territory while the Stochastics are trending upward from an oversold position. This bodes well for the longer term outlook for the markets and once the Stochastics trade above 50, we'll be on the lookout for a longer term uptrend.

The Technology sector is the top performer so far this week led by outperformance in heavyweights Microsoft (MSFT) and Apple (AAPL) which are both in uptrends and poised for a base breakout.

MSFT has gained 3% on above average volume this week, as it trends higher toward a \$367 base breakout. At this time, we'd use any pullback to the 5-day moving average as a buy point which is currently at \$356.

This week's advance has put the RSI of **MSFT** into an overbought position on the daily chart which historically - late May into early June - has preceded a pullback to the 10 or 21-day moving average. A negative MACD crossover was the initial signal and at this time, we're not in a position for this to take place.



THE MEM EDGE

Midweek Report

On the longer-term weekly chart, the MACD has experienced a bullish crossover which is quite positive for the longer term prospects for **MSFT**. The stock is in a buy zone.

Elsewhere in Software, Adobe (**ADBE**) has also been a major outperformer with a 3.6% rally that pushed the stock out of a 1-month base on above average volume. While the RSI is approaching an overbought position, the MACD is still early in its upside advance which puts **ADBE** into a strong buy zone with a pullback to the \$572 range - its 5-day mav - being an ideal entry point.

CrowdStrike (**CRWD**) and ServiceNow (**NOW**) are also outperforming, with both stocks posting a 2.8% gain so far this week.

NOW's gain is on the heels of reporting earnings in late October that were well above estimates and this week's rally has pushed the stock out of a 14-week base on above average volume. NOW had further near-term upside potential before an eventual pause and the stock can be bought in the \$611 range.

CRWD experienced a 3-week base breakout and while the volume was relatively light, the position of the RSI and MACD points to further near term upside. We'd be a buyer at the \$189 range at its 5-day mav.



THE MEM EDGE

Midweek Report

While Semiconductor stocks are underperforming this week (using ETF SOXX), Nvidia (**NVDA**) is outpacing the markets with a 3.5% gain that's pushing the stock closer to a 1-month base breakout at \$476. The company is due to report their earnings in 2 weeks and investors are on the lookout for another blowout quarter.

Nvidia (**NVDA**) is in a strong buy zone.

Amazon (AMZN) is another mega-cap name that's outperforming with a 2.5% gain amid a rollout of early Black Friday deals as well as news that the company is working on a conversational AI product. The stock is in a buy zone as it finds support at its upward trending 5-day moving average. In addition, AMZN is poised for a 2-month base breakout at \$146.

Elsewhere in Retail, Wingstop (**WING**) is trending mostly sideways as it digests last week's sharp gain after a strong earnings report. The weekly chart of WING is very bullish with the MACD executing a bullish crossover. While we may see further consolidation near term, the longer-term outlook is quite constructive. WING can be held.

M/I Homes (**MHO**) is in a similar position as it trends sideways while finding support at its 5-day moving average. MHO is poised to consolidate further until the 10-day moving average moves closer to the current price.

MHO is trading in line with the homebuilders group (using ETF XHB) which is very sensitive to interest rates as higher rates lead to higher mortgage rates. The stock can be held.



THE MEM EDGE

Midweek Report

Both Meta Platforms (META) and Netflix (NFLX) remain in confirmed uptrends as they find support at their upward trending 5-day moving averages.

This week's gains in the market have taken place amid a slight pullback in interest rates with the yield on the 10-year Treasury sitting at the 4.5% range. As cited over the weekend, a move to the 4.2% level and below would be needed before we see more of a liftoff for the markets.

Tomorrow, Fed Chair Powell will be providing opening remarks at a conference and any comments surrounding monetary policy are expected to sway the markets. Several Fed Governors this week have stated that additional rate hikes are not off the table and further confirmation of this from Powell would be a negative.

Next week, Core CPI and PPI data for October will be released and these key inflation numbers have often moved the markets.

While earnings reports have been the primary driver of this week's biggest movers - to the upside and the downside - interest rates continue to impact the broader market's price action. At this time, rates are holding steady after last week's sharp drop which is a constructive backdrop.

Warmly.

Mary Ellen McGonagle

Editor, MEM Edge Report