



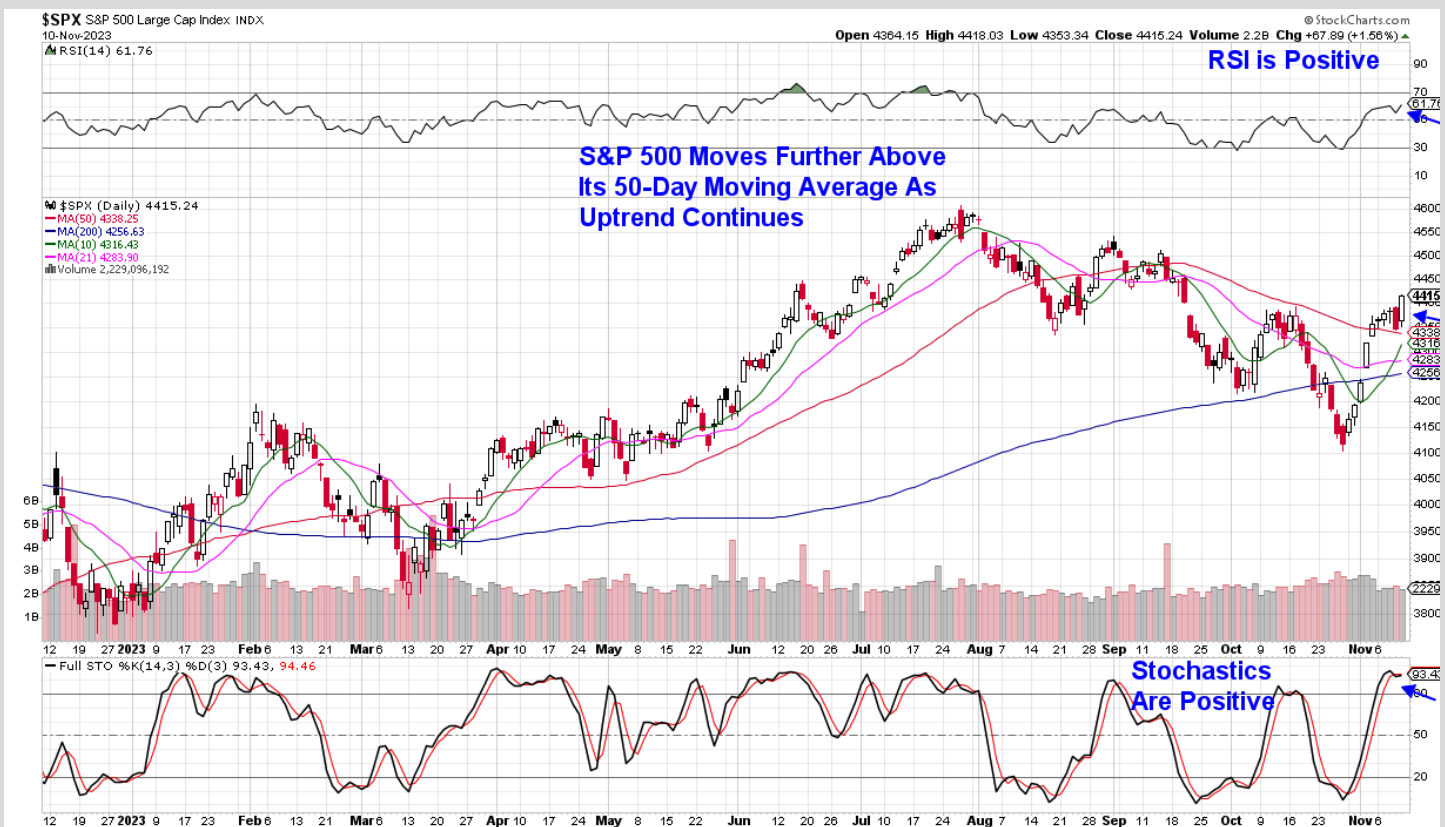
THE MEM EDGE

November 12, 2023 | Weekly Report

This Week's Highlights

- Fed Governor's Comments Paint Mixed Outlook For Interest Rates
- Powell's Comments Ignite Rate Hike Fears
- Consumer Sentiment Falls For 4th Month In A Row
- October Core CPI and PPI Data Due Next Week
- Moody's Cuts Its U.S. Outlook to Negative

Daily Chart of S&P 500



The S&P 500 gained 1.3% for the week in a move that puts this Index further into an uptrend as it trades above its key 50-day moving average with its

RSI and Stochastics in positive territory. This keeps the near-term uptrend in place.

The weekly chart of the S&P 500 is continuing to firm up with the RSI now in positive territory and the Stochastics poised to turn positive as well. This price action bodes well for the longer-term prospects for the markets.

The Nasdaq fared the best last week, with a 2.4% gain led by outperformance in each of the Magnificent Seven* stocks which gained more than the broader markets. A sharp rally in Software and Semiconductor stocks also gave the Nasdaq a boost. The rally keeps the near-term uptrend firmly in place with the longer-term weekly chart continuing to firm up.

Interest rates dominated investor's bias again, with an early week pullback in yields boosting the markets, while hawkish comments from Fed Chair Powell as well as several Fed Governors, tempering upside price action as interest rates rose.

Next week, critical inflation data will be released with the Core Price Index (CPI) for October due on Tuesday, and the Core Producer Price Index (PPI) due on Wednesday. Both reports have been known to move the markets as any hint of higher consumer or producer prices will push rates higher and stocks lower.

While the third quarter earnings season is winding down, next week we have several heavyweight Retailers due to report. Over the past month, upside surprises from mega-cap Technology companies were a major catalyst for Growth stocks to trade higher. We may see a similar spark for retail depending on big box stores Target, Home Depot, and Walmart results.

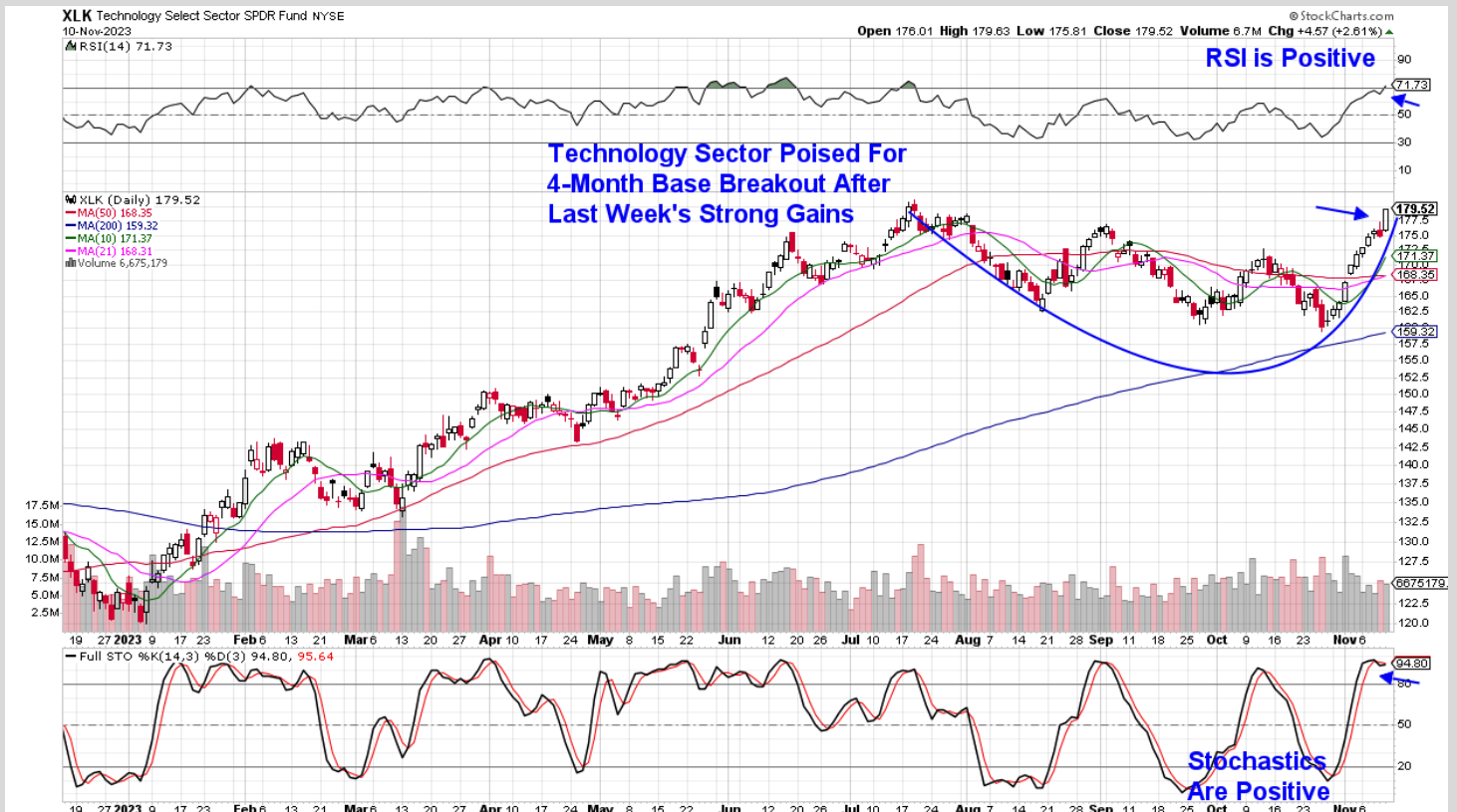
Strength in the markets was quite narrow last week, as sectors outside of Technology and Communication Services all underperformed. In turn, the equal-weighted S&P 500 Index fell with Small Cap stocks being hit the hardest, after a 3.1% decline.

At this time, we remain constructive on the near-term prospects for the markets however, we'll need to see interest rates decline further before turning bullish longer term. The yield on the 10-year Treasury is currently sitting at 4.6% and historically, levels closer to 4.2% and lower have sparked more sustained rallies such as May into late July of this year.

While next week's inflation reports may provide the needed push lower for interest rates, last week's comments from Fed Chair Powell that he would not hesitate to tighten again if needed, has left investors on edge.

General consensus among economists is that we have sticky inflation that may stay with us for some time while also is well above the Fed's targeted 2%. This will create headwinds for the broader markets as interest rates remain elevated

Daily Chart of the Technology Sector (XLK)



Technology Sector Is Top Performing

The Tech sector posted a strong 4.5% gain last week amid sharp rallies in heavyweight names Apple (**AAPL**) and Microsoft (**MSFT**). Outperformance in Semiconductor and Software stocks also buoyed this sector.

The Technology sector is clearly the leadership area as it's near an all-time high in price. Among leadership names, Nvidia (**NVDA**) posted a 7.5% gain last week which pushed the stock out of a 1-month base on heavy volume.

Last week, **NVDA** introduced 3 new Semiconductor chips that are being produced for the Chinese market. These AI chips were developed to comply with new U.S. restrictions on sales to China as they have reduced computing power.

NVDA is in a strong buy zone as it heads toward the release of their quarterly results later this month. The stock can be bought on any pullback to its 5-day moving average which is at the \$470 level. Both its daily and weekly charts are in a bullish position.

Microsoft (**MSFT**) from our List is also in a strong buy zone after hitting an all-time high on Friday, with the MACD in the early stages of turning positive on its daily chart. The company is due to announce its latest advancements in AI at a conference next Wednesday.

MSFT's recent advance has come on the heels of its October 24th earnings report where they came in above estimates and guided growth estimates higher going forward. The longer-term weekly chart is also in a confirmed uptrend.

Software stock Adobe (**ADBE**) from our List is also at the forefront of introducing AI tools with its Firefly integration. Price hikes for this cloud product took place on November 1st. which is anticipated to push growth higher for the company.

ADBE broke out of a 1-month base on heavy volume last week and the stock remains in a strong buy zone as it finds support at its upward trending 5-day moving average. The stock can be bought in the \$585 range.

ServiceNow (**NOW**) broke out of a 14-week base on heavy volume last week which pushed the stock into a 1-year high in price. The company highlighted their AI capabilities in their latest earnings report 2 weeks ago, with management raising their growth guidance. **NOW** can be bought on any pullback to its 5-day moving average which is currently in the \$621 range.

CrowdStrike (**CRWD**) executed a 3-week base breakout last week with the position of its RSI and MACD pointing to further near-term upside. The company introduced their AI-based Falcon platform earlier this year, which provides cybersecurity software

We'd be a buyer at the \$192 range at its 5-day moving average. The company is due to release their quarterly results in 3 weeks.

Last week's advance in Software stocks puts the group on track for a 4-month base breakout which would bode well for the near-term prospects for this group. (using ETF IGV) Of the names on our Suggested Holdings List, each is in the top 2.5% of Software names - both fundamentally and technically - using the RS and EPS rankings from MarketSmith.

Last week, Semiconductor stocks underperformed for most of the week before a strong monthly revenue report from **TSMC** - the world's largest chip foundry - sparked a sharp rally on Friday, with the group's MACD now joining its RSI in positive territory. (using SOXX)

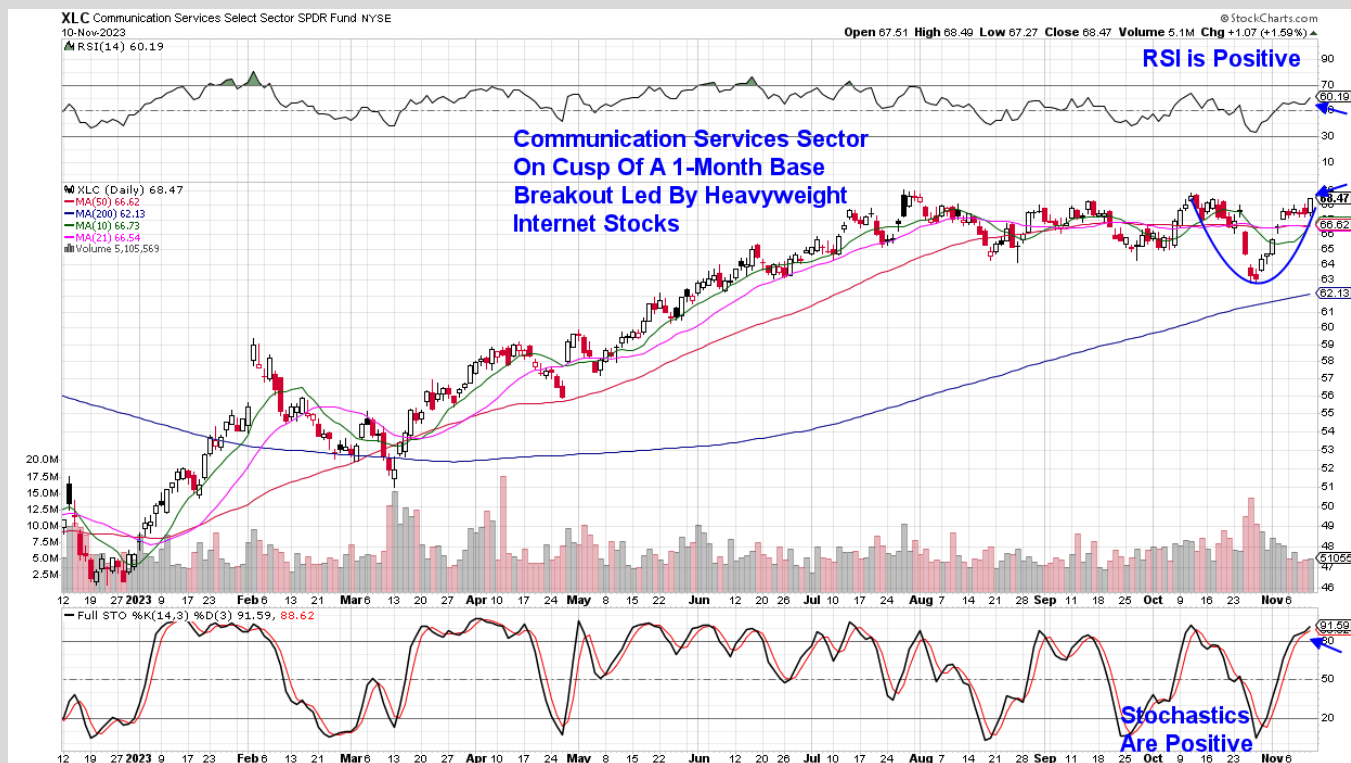
This week, we're adding Advanced Micro Devices (**AMD**) to our Suggested Holdings List after a continuation rally since reporting earnings has pushed the stock toward a 5-month base breakout.

While **AMD** focuses on selling chips for gaming and personal computing, the company revealed its new lineup of data center chips designed for AI workloads. The company says that their new chips could exceed \$2 billion in sales in 2024 which would be the fastest product ramp up in **AMD's** history.

The weekly chart of **AMD** is particularly compelling as the MACD has posted a crossover with the RSI turning positive. We'd be a buyer in the \$119 range at its 5-day moving average.

While we've highlighted each of the Tech names on our Suggested Holdings List as being in a strong buy zone, it's important to note that these Growth stocks are negatively impacted by any rise in interest rates. Next week's core inflation data may cause volatility depending on the reports.

Daily Chart of the Communication Services Sector (XLC)



Communication Services Sector Trends Higher

Internet-related stocks helped this sector gain more than the S&P 500 with a rally that was led by Meta Platforms (**META**) from our Suggested Holdings List. The stock is continuing to trade higher following their recent earnings release that highlighted their continued growth in ad sales due to AI technology.

META is in a buy zone as it approaches a 1-month base breakout at the \$331 level.

Netflix (**NFLX**) from our Suggested Holdings List also gave this sector a boost after a JP Morgan price target upgrade brought buyers. The upgrade was due to several new media releases as well as the company's new strategy of charging customers a fee for extra member slots on their accounts.

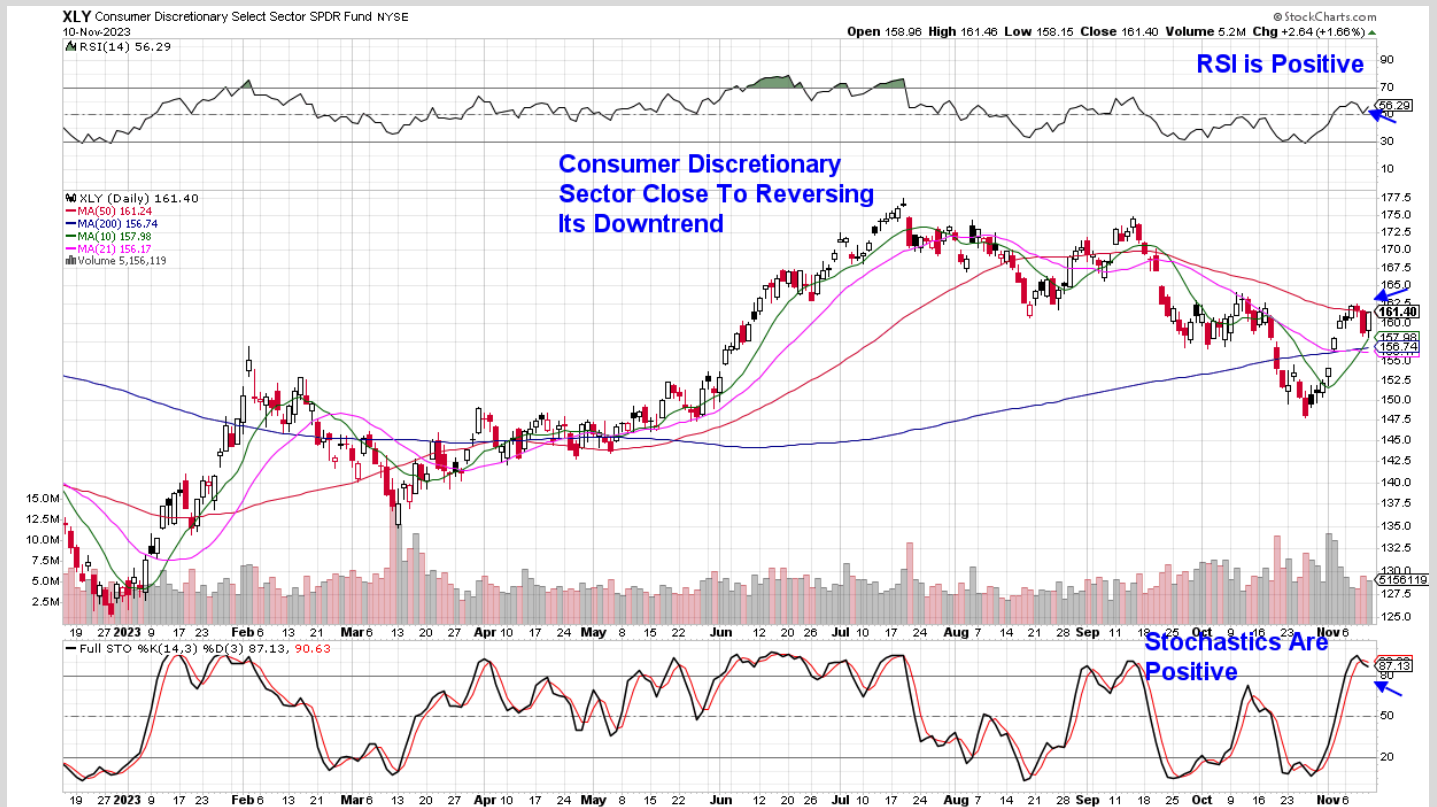
NFLX is moving closer to a possible 4-month base breakout at \$454 which would be quite bullish. On

the weekly chart, the MACD posted a bullish crossover and when coupled with its positive RSI, the long-term outlook is now positive for **NFLX**.

Elsewhere in the group but not on our Suggested Holdings List, Alphabet (**GOOGL**) is moving closer to regaining its uptrend as it approaches its 50-day moving average following an impressive recovery from its steep, earnings-driven loss last month. Last week, the RSI turned positive and the MACD posted a bullish crossover.

The Communication Services sector remains in a confirmed uptrend as it approaches a 1-month base breakout however, the bullish price action is being driven primarily by the heavyweight names we highlighted above.

Daily Chart of the Consumer Discretionary Sector (XLY)



Consumer Discretionary Sector Close To Posting An Uptrend

Retail stocks continue to struggle with the group pulling back 3.5% last week amid mixed earnings reports. (using ETF XRT) Next week, widely followed Target (**TGT**), Walmart (**WMT**) and Home Depot (**HD**) are due to report their quarterly results.

Of these stocks, **WMT** is in the most bullish position heading into its report; however, any hint of positive news from beaten down **TGT** and **HD** may boost shares.

Heavyweight name Amazon (**AMZN**) from our List outpaced the markets last week following news Wednesday that the company is investing in its own AI model which could top both OpenAI and Alphabet's technology. The gains were part of a

continuation rally that was sparked by the company's report of earnings and sales 2 weeks ago that were ahead of estimates. The retail giant has seen revenue steadily grow after significant cost-cutting throughout this year.

AMZN is a point away from a 2-month base breakout which would keep the stock in a strong buy zone.

Home Builders were flat for the week amid a dearth of new earnings reports and Thursday's uptick in interest rates. (using ETF XHB).

M/I Homes (**MHO**) posted a 1% gain that followed the company's report of record 3rd quarter revenue and net income late last month. The stock is in a buy zone as it finds support at its 5-day moving average.

Home builders are highly sensitive to interest rates and we may see volatility next week depending on the core inflation data that's due to be released.

Longer term, the weekly chart of **MHO** is setting up nicely and we're on the lookout for a MACD crossover to signal a new, longer-term uptrend.

Restaurant stocks were mostly flat last week amid news of falling consumer sentiment which fell for the 4th month in a row. Higher ingredient costs have created additional headwinds for many of these companies.

Wingstop (**WING**) posted a 1% gain for the week on the heels of posting strong earnings and sales the prior week that were well above estimates. In addition to reporting an increase in same-store sales, the company has benefitted from the lower cost of poultry.

WING is in a buy zone as it moves closer to a 6-month base breakout at \$224. The longer-term weekly chart just posted a bullish MACD crossover which is quite constructive.

Elsewhere in this sector, Auto stocks continue to trend lower amid a cooling off of electric vehicle demand in today's high-interest rate environment. Most Internet Retailers are also struggling, with former leaders such as Etsy (**ETSY**) finding it difficult to compete for discretionary income with the currently high inflation levels.

Next Wednesday, Retail Sales data for October will be released.



Summary

Last week, positive news centered around major Technology companies provided a big boost for this sector which has regained its leadership status from earlier in the year. Similar to then, the most compelling stocks at this time are mega-cap names with growth prospects related to AI innovations.

Next week it'll be time for Consumer stocks to take center stage, with major big box retailers due to report their quarterly results while also providing updates on the health of the US consumer. Core spending numbers by way of the Consumer Price Index (CPI) will also be in focus, with this key inflation reading for the Federal Reserve due out on Tuesday before the markets open. Lastly, October Retail Sales data will be released midweek.

Above all else, interest rates will remain in focus with the yield on the 10-year Treasury being the most closely watched metric. As stated earlier, we'll need to see rates decline further to keep Growth stocks moving higher. Additional areas impacted by rates include Home Builders and Financials with lower rates being a positive for both groups. Most impactful for rates will be the core CPI as well as PPI data (due on Wednesday).

Next week's inflation reports come at a critical juncture for the markets as investors have been alerted to the possibility of an additional rate hike after Powell's comments last week. That said, any number below the current estimate of 0.3% for October and 3.3% year over year for Core CPI, may well spark a rally.

Daily Chart of Advanced Micro Devices, Inc. (AMD)



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	3.5%	
MHO	M/H Homes	\$94.80	11/5/2023	1.5%	
WING	Wingstop	\$206.80	11/5/2023	2.0%	
TECHNOLOGY					
ADBE	Adobe	\$563.00	11/5/2023	6.0%	Software
AMD	Advanced Micro Devices	\$118.50	11/12/2023		Semiconductor
CRWD	Crowdstrike	\$176.70	10/8/2023	11.5%	Software
MSFT	Microsoft	\$327.30	10/8/2023	13.0%	Software
NOW	ServiceNow	\$606.70	11/5/2023	4.5%	Software
NVDA	Nvidia	\$450.00	11/5/2023	7.5%	Semiconductor
COMMUNICATION SERVICES					
META	Meta Platforms	\$315.40	10/8/2023	4.5%	Internet-Content
NFLX	Netflix	\$432.30	11/5/2023	3.5%	

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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