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Midweek Report

Tuesday, November 14, 2023

- October Core CPI Comes In Below Estimates
- Treasury Yields Fall By Most Since March
- Weekly Chart Of S&P 500 Turns Positive
- October PPI and Retail Sales Data Due Tomorrow
- November Home Builders Confidence Due Thursday
- October Housing Starts & Building Permits Data Due Friday
- Adding monday.com (MNDY) Marvel Technologies (MRVL) and Toll Brothers (TOL) To Suggested Holdings List

WEEKLY CHART OF S&P 500 INDEX



The S&P 500 has gained 1.9% today in a move that occurred on heavy volume. The rally keeps the near term uptrend in place while also boosting the longer-term outlook as the Stochastics are



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now in positive territory. (see chart above). We're now positive on the intermediate term period for the markets.

Of note is that Equal Weighted S&P 500 gained 2.8% for the day. This outperformance points to a broadening out of the markets beyond the mega-cap Magnificent Seven names which is quite constructive.

Today's move higher took place after Core CPI data came in below estimates due primarily to a drop in gasoline prices. In response, the yield on the 10-year Treasury posted its largest decline since March of this year and it now stands at 4.4%.

Broadening out of participation in the markets coupled with a sharp drop in interest rates is quite bullish for the markets.

The Nasdaq gained 2.4% today, led higher by select Software and Semiconductor stocks as well as Tesla (TSLA) which is now emerging from an oversold position and poised to enter an uptrend.

Of the other "Magnificent Seven" stocks, several saw gains just below the Nasdaq - including Amazon (AMZN), Meta (META) and Nvidia (NVDA) from our Suggested Holdings List. The remaining stocks on this List underperformed. They each remain in uptrends however.

Within the broader markets, REIT stocks were the top performing and while these names tend to fare well in a lower interest rate environment, they were also the most highly shorted group going into today. In fact, many of today's biggest winners were from highly shorted stocks.



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There were plenty of winners outside of today's outsized gainers due to short covering. Among them would be Software stocks which gained 2.7% which pushed the group out of a 4-month base on above average volume. (using ETF IGV)

Both ServiceNow (**NOW**) and CrowdStrike (**CRWD**) gapped up into an overbought position with the RSI now in an overbought position. We'd be a buyer on any pullback.

Today, we're adding monday.com (**MNDY**) to our Suggested Holdings List after the stock reversed its downtrend on heavy volume following earnings and sales that were ahead of estimates. At this time, we're using the mid-May period as precedence as the stock exhibited similar bullish price action after a strong earnings release.

Semiconductor stocks gapped up on above average volume today in a move that keeps the uptrend intact for this group. (using ETF SOXX). Today, we're adding Marvel Technologies (**MRVL**) to our Suggested Holdings List after an analyst upgrade pushed the stock further into an uptrend.

The company received a big boost in earnings from AI their last quarter however, other areas were lagging. With chip demand coming back, **MRVL** is in a position to continue to reverse its recent downtrend. Today's advance pushed the MACD into positive territory where it joined the RSI.



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Homebuilders which fare well in a lower interest rate environment, posted sharp gains today with M/I Homes (**MHO**) in a strong buy zone after posting a cup with handle base breakout today. We're adding Toll Brothers (**TOL**) to our Suggested Holdings List after the stock posted a similar breakout. TOL is due to report their earnings in 3 weeks.

Of note, key housing data will be released on Thursday and Friday which may impact these stocks. In addition, tomorrow's PPI report may shift interest rates back up depending on the data.

As noted in last Sunday's report, in addition to Homebuilders, Bank stocks also fare well in a lower rate environment and we've added East West Bancorp (EWBC) and Popular Bank (BPOP) to our Watch List after both stocks posted a cup with handle base breakout today.

Once the Regional Bank group turns positive (using ETF KRE), we'll consider adding these names to our Suggested Holdings List.

Today's report that core prices are cooling, provided a huge boost to the markets as this data is key in the Federal Reserve's assessment of inflation levels. Over the next several days, there will be 12 Federal Reserve officials speaking at various engagements and their comments will be closely watched for hints that investor's bullish sentiment regarding a halt to rate hikes is confirmed.

Warmly,
Mary Ellen McGonagle
Editor, MEM Investment Research



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DAILY CHART OF EQUAL WEIGHTED S&P 500 INDEX

