



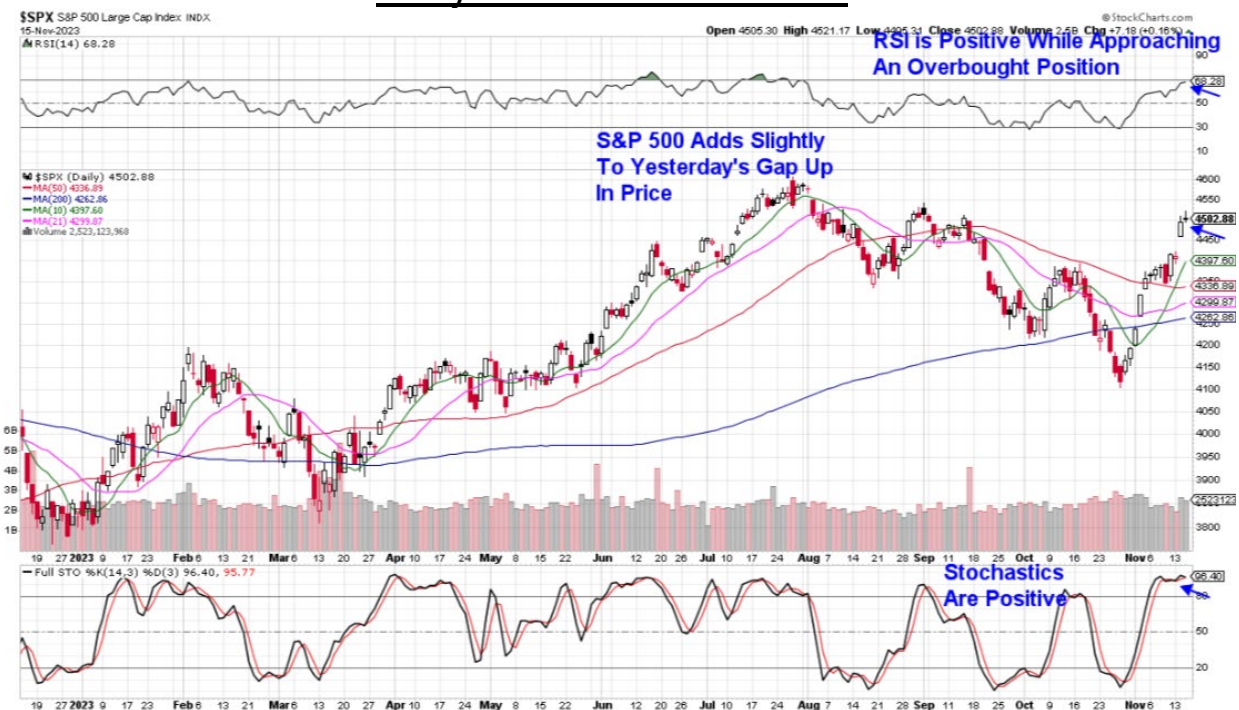
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Midweek Report

Wednesday, November 15, 2023

- October Core CPI Comes In Below Estimates
- Producer Prices Fall By 0.5% In October
- Retail Sales Fall For First Time In 7 Months
- Mortgage Demand Jumps After Rates Drop
- 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

Daily Chart of S&P Index



The S&P 500 gained 0.2% today, following yesterday's sharp rise after a softer than expected CPI report. Today's Producer Price Index (PPI) data fell in October - further extending investor's



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sentiment that the Federal Reserve may be at the end of their rate hike cycle.

Both data points are key in determining whether inflation is on the rise, and their decline pushed interest rates down yesterday for the most since March of this year. Today, the yield on the 10-year Treasury rose slightly.

This week's rally keeps the near term uptrend in place for the S&P 500, while also boosting the longer-term outlook as the Stochastics are now in positive territory where they join the already positive RSI. This puts our intermediate term outlook as positive.

As noted in yesterday's Tuesday Alert Report, the Equal Weighted S&P 500 gained 2.8% for the day with an outperformance that points to a broadening out of the markets beyond the mega-cap Magnificent Seven names which is quite constructive. The EW SPX outperformed again today.

The Nasdaq gained 0.7% today led by strong outperformance in Tesla (TSLA) and Netflix (NFLX). Aside from these two stocks, the Magnificent Seven names are underperforming for the week.

Instead, it's beaten down Retail, Bank and Medical Products stocks that are posting gains, as investors seek out undervalued names that may have been overly sold off with the recent pullback.



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Gains in select Semiconductor and Software stocks have given the Nasdaq a boost as well this week, and this Index is in an uptrend on both the daily and weekly charts indicating a near and intermediate term outlook that's positive.

As suggested in yesterday's Alert Report, a pullback to the 5-day moving average in both ServiceNow (**NOW**) and CrowdStrike (**CRWD**) which had gapped up into an overbought position, would be an ideal buy point. News after hours that PaloAlto (**PANW**) guided growth lower may push peer stock CRWD into a buy zone.

Yesterday, we added monday.com (**MNDA**) which rallied 4.6% today. As cited, we're using the mid-May period as precedence as the stock exhibited similar bullish price action after a strong earnings release. We're on the lookout for a pause allowing the 5-day moving average to trend upward toward the current price.

Semiconductor stocks added to yesterday's gap up on volume which keeps the uptrend intact for this group. (using ETF SOXX). Nvidia (**NVDA**) and Advanced Micro (**AMD**) are in a buy zone after pulling back to their 5-day moving average.

Home Builders are benefitting from a lower interest rate environment and M/I Homes (MHO) and recently added Toll Brother (TOL) both pulled back slightly on low volume. News today that mortgage applications jumped following this week's drop in interest rates should give the group a boost.

Key housing data will be released on Thursday and Friday which may impact these stocks as well. Both stocks are in a buy zone following yesterday's cup with handle base breakout.



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Today's positive earnings report from bellwether Retailer Target (**TGT**) gave other retail stocks a boost in a move that puts the S&P Retail ETF (XRT) into an uptrend. Tomorrow's earnings report from Walmart (WMT) will provide further insight into this group.

Wingstop (**WING**) has far outpaced the group and its peers with a 6.5% gain for the week so far as the stock continues to advance following their strong earnings report earlier this month. WING has broken out of a 6 ½ month base which points to further upside as historically, the longer the base breakout, the longer the advance out of that base.

As noted in yesterday's Alert report, we added East West Bancorp (EWBC) and Popular Bank (BPOP) to our Watch List after both stocks posted a cup with handle base breakout. In addition, we were on the lookout for the Regional Bank group to turn positive (using ETF KRE), before adding these names to our Suggested Holdings List.

Today, KRE closed above its 200-day moving average which puts the group into an uptrend with its RSI and MACD in positive territory.

We're adding both **EWBC** and **BPOP** to our Suggested Holdings List however, both stocks need to pullback before being into a buy zone. For EWBC that would be in the \$60 range which was its cup with handle base breakout level. For BPOP, the \$70 range would be an ideal buy point.



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In addition, we're adding Paypal (**PYPL**) to our Suggested Holdings List after today's close above its 50-day moving average reverses its downtrend. Today's reversal took place amid news that the company has overhauled their leadership team while also creating three new divisions.

We would not consider **PYPL** as a major portfolio holding as the stock has overhead supply nearby that may keep its advance tempered.

The current uptrend in the markets is taking place amid a stabilization of interest rates due to a cooling of inflation which is highly constructive. However, the S&P 500 is approaching an overbought condition with the RSI close to moving above 70 which historically has preceded a pause. At this time, we would keep new positions in equally overbought positions light while focusing on names and areas that are newer in their uptrends.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report