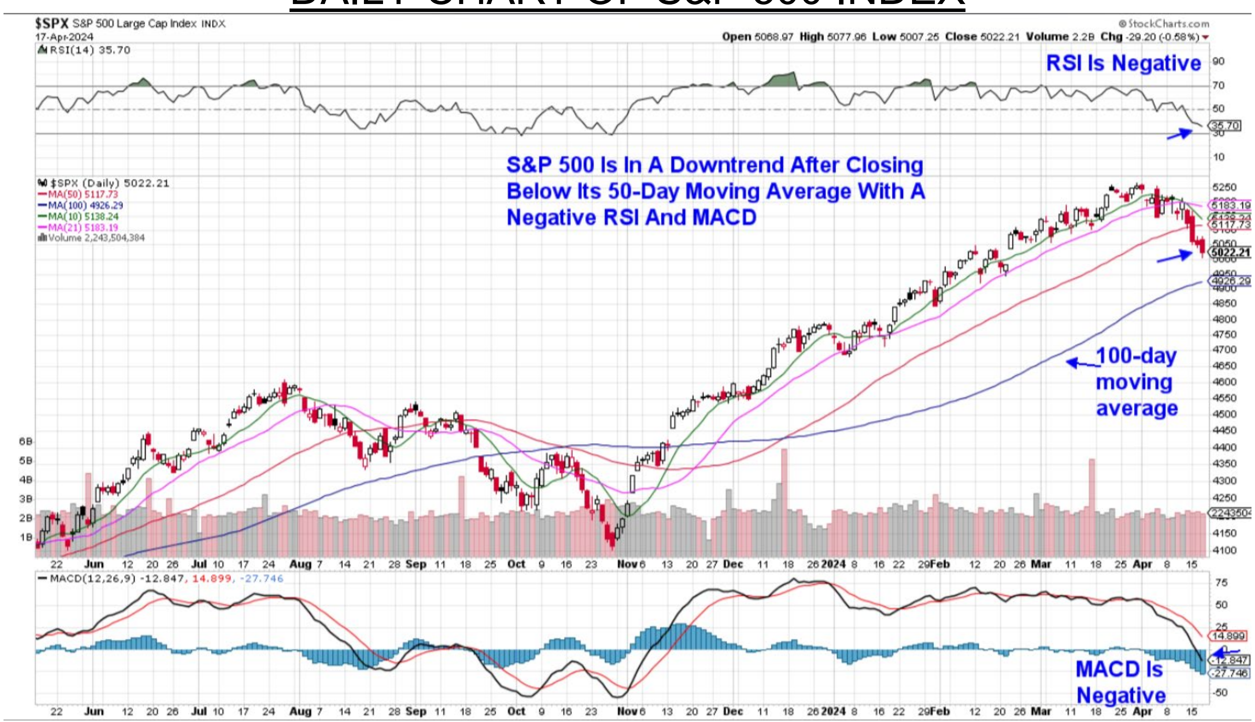
THE MEM EDGE
Midweek Report

Wednesday, April 17, 2023

- U.S. Retail Sales Rises Sharply In Q1 - Could Boost GDP
- Home Builder Confidence Stalls Amid 7% Mortgage Rates
- New Home Construction Sees Biggest Drop In 4 Years
- Fed Chair Powell Warns Rates May Need To Stay High
- Market Now Pricing In September For First Rate Cut
- Core PCE Data Due Next Friday - April 26th
- SPX Posts Negative Crossover On Weekly Chart
- NFLX Reports After Close Tomorrow
- Removing LRCX, AVGO, STRL and HAL From Suggested Holdings List

DAILY CHART OF S&P 500 INDEX



The S&P 500 is down 1.4% so far this week in a move that puts the MACD IN negative territory on the daily chart where it joins the already negative RSI. With this index now below it's key 50-day simple moving average, the S&P 500 is now in a downtrend.

On the weekly chart which is shown below, the MACD has posted a negative crossover and as cited in our Sunday report, this historically precedes further weakness of a longer term nature. We are continuing to use the September to November period as precedent.

The next widely followed area of possible support is the 5000 level which is ½ of 1 percent away. From there, The 100 day simple moving average is the next area of possible support and it is now 2.3% away. On any rally attempts, the first area of possible resistance is the 50-day moving average which is 1.7% away.

The NASDAQ has fared worse with a 2.9% decline that's being led by a sharp pullback in Semiconductor and Software stocks. Most of the Magnificent Seven stocks are underperforming as well, led by an 8.2% decline in Tesla (TSLA).

The selling has pushed the NASDAQ below it's 50 day simple moving average, with both its RSI and MACD now in negative territory. This puts this Index into a downtrend.

Breath in the NASDAQ continues to deteriorate as highlighted in the chart below. Quite simply, this indicates that weakness in this growth heavy index has expanded beyond the Mega Cap M7 names which is a negative.

Several factors are pushing the markets lower this week with the yield on the 10-year Treasury continuing to trend upward. This is a negative for Growth stocks as it devalues their future earnings estimates.

A key reason for the uptick in interest rates was comments from Fed chair Powell and other Fed officials on Tuesday that monetary policy needs to remain restrictive for longer in order to get inflation numbers closer to their 2% target level.

Strong retail sales numbers in March also pushed rates higher as it further supports the fact that the economy is healthy which will further delay any interest rate cut. At this time traders have pushed out the possibility of an interest rate cut to September.

Also impactful this week has been earnings reports with Semiconductor stocks getting hit hard today after ASML (ASML) reported a decrease in orders for their lithography machines which are essential for manufacturing semiconductors. The news was a reminder that despite a boom in chips used for AI technology, many other sectors are still experiencing a slowdown.

Both Lam Research (**LRCX**) and Broadcom (**AVGO**) from our List have closed below their key 50-day simple moving average amid selling today. We are removing both stocks from our Suggested Holdings List as in addition to the drop below key support, the RSI and MACD are now in negative territory.

The longer term weekly chart remains constructive for both stocks and longer term investors can remain with LRCX and AVGO. (Of note, using the September to November period as precedent, less widely known stock LRCX experienced a more advanced selloff so remaining with the stock may cause a bit of pain)

Nvidia (NVDA) also experienced selling today that pushed the RSI into negative territory on the daily chart. The stock was able to find support at its 50-day simple moving average however, and the MACD is still in positive territory. If NVDA were to close below the 50-day simple moving average, it would have us removing NVDA from our Suggested Holdings List.

Software stocks also underperformed with a 2.8% decline that puts this Industry group further into a downtrend With the RSI now in negative territory on the weekly chart. (using ETF IGV).

While this negative RSI occurred for one week in late October before the group's November turnaround, a lengthier period of this negative RSI has historically preceded a much lengthier pullback. We will continue to monitor

Heavyweight Software stock Microsoft (MSFT) - who is due to report earnings next Thursday - closed below its key 50-day simple moving average with a negative RSI .The MACD is now poised to turn negative as well.

This unhealthy price action is similar to late July into August period and MSFT subsequently experienced further losses of more than 10%. (It’s July 25th earnings was one of the reasons, as the company reported earnings below estimates.) We're removing the stock from our Suggested Holdings list.

Dell Technologies (DELL) has gained 1.5% as it remains above its 21-day moving average with a positive MACD and RSI. While this would normally be considered putting the stock into a buy zone, the broader market's down trend has us suggesting that the stock can be held.

Energy stocks are continuing to come under selling pressures despite Oil prices remaining elevated. The pullback is not news driven with headlines citing profit taking as a primary driver.

Both Halliburton (**HAL**) and Occidental (OXY) both remain above their 50-day simple moving average however, the RSI is in negative territory. HAL, who is due to report earnings next Tuesday, has broached our 6%-8% loss sell rule and we're removing the stock from our List. OXY can be held.

The Industrial sector has closed below its 50-day moving average, led lower by Building Related stocks that are declining due to higher interest rates leading to higher mortgage rates. This would include Sterling Infrastructure (**STRL**) from our List which has closed below its 50-day moving average with a now negative RSI and MACD. We're removing STRL from our List.

Both Eaton (ETN) and FTAI Aviation (FTAI) remain in uptrends and can be held.

Healthcare stocks are outperforming with a flat performance for the week due to Pharmaceutical stocks that are trading sideways. This would include Merck (MRK) from our List and the stock can be held. A close back above its 10-day simple moving average would put the stock into a buy zone.

Boston Scientific (BSX) is also trading in sideways price action and the stock can be held.

Consumer Discretionary and Retail stocks continue to trade lower and Amazon (AMZN) is pulling back this week. The stock was able to regain its 21-day moving average later today and with the RSI and MACD in positive territory, the stock can be held.

The Communication Services sector is performing in line with the markets with Alphabet (GOOGL) bullishly closing above its 10-day moving average with a positive RSI and MACD. This would normally be considered being in a buy zone however, given weakness in the broader markets, the stock can be held.

Netflix (NFLX) is due to report their earnings tomorrow after the markets close. Most impactful will be the company’s subscription numbers as well as management's comments regarding growth prospects going forward. Ad revenue will also be closely watched following the company’s move to offer tiered pricing.

In summary, the broader markets have broken key support with the weekly chart now pointing to further weakness as well. We would refrain from putting new money to work at this time.

Volatility remains elevated as its above 18 and we expect this to continue as we head into earnings reports from key M7 companies over the next two weeks. In addition core PCE data - the Federal Reserve’s preferred metric for inflation - will be released next week.

WEEKLY CHART OF S&P 500 INDEX

PERCENT OF STOCKS BELOW 50-DAY MAV