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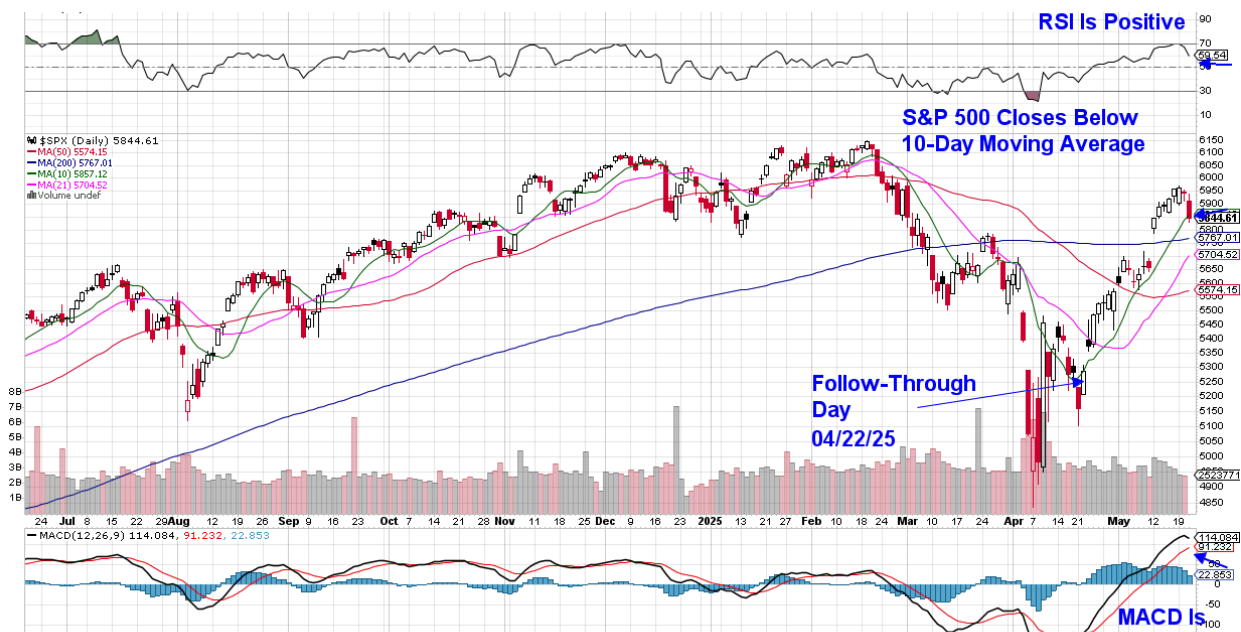
Midweek Report

Wednesday, May 21st, 2025

Economic and Market Developments This Week

- Moody's Ratings Downgrades U.S. Government Credit Rating
- Treasury Yields Rise On U.S. Debt Worries
- Retailers Issuing Mixed Guidance Amid Tariff Uncertainty
- Volatility Index Spikes While Gold Stocks Gain
- Removing Dutch Bros. (BROS) from Suggested Holdings List
- Snowflake (SNOW) Pops After AI Related Earnings Beat

DAILY CHART OF S&P 500 INDEX



The S&P 500 is down 1.9% this week in a move that puts this Index below its 10-day moving average. With the RSI and MACD in positive territory, the uptrend in this Index remains in place.

The Tech heavy Nasdaq is down 1.7% and it has found support at its 10-day moving average. This keeps the near term uptrend in place.



THE MEM EDGE

Midweek Report

The broader market's decline is taking place as interest rates rise, amid worries that a new U.S. budget bill would put even more pressure on an already large deficit. The deadline for a passage of the bill is Memorial Day.

Mixed earnings reports and uncertain outlooks from major retailers is also hurting the markets, with profit taking among recent winners also taking hold.

Pullbacks in a strong uptrend are common, and while certain stocks should be trimmed due to excessive losses, most of the stocks on our Suggested Holdings List remain in an uptrend.

A close look at the sharp recovery period out of the 2020 bear market reveals that there were similar 1-2 day pullbacks after a five week rally from the bottom.

For instance, economic concerns and uncertainty around the pandemic pushed the markets down 3.1% over 2 days in early May 2020. Other "bumpy periods" (losses less than 5%) emerged as well, before a recovery into early June.

Among the hardest hit areas this week are economically sensitive, such as Retailers, Banks and Housing stocks.

Safer haven areas such as Gold are rallying as the Volatility or "fear index" closed back above 18 which is viewed as a threshold level. A rise above 18 signals above average fear as uncertainty takes hold.

Rising interest rates have pressured consumer lenders amid concerns of reduced spending, with Capital One (**COF**) retreating today. Adding to the decline, the company agreed to a \$435M settlement over a savings account lawsuit.

COF closed below its 21-day moving average, with the RSI nearing negative territory and the MACD close to a bearish crossover (black line crossing below red). A similar setup in July 2021 preceded a prolonged downturn as rates climbed.

At this time, **COF** can be held however, we'd be a seller should the RSI and MACD post negative signals.

Bank of New York (**BK**) and Interactive Brokers (**IBKR**) had much more modest pullbacks as the stocks reset after their recent gains. Both stocks can be held.

As noted, Retailers pulled back today amid consumer spending concerns with Restaurant stocks being among the hardest hit.



THE MEM EDGE

Midweek Report

Dutch Brothers (**BROS**) has fallen 12% this week, with the stock finding support above its 21-day moving average. Given its more than 8% decline, coupled with a now negative RSI, we're removing the stock from our Suggested Holdings List.

Travel related stocks also pulled back with Carnival Corp (**CCL**) falling almost 6%. At this time, the stock can be held with a close back above its 10-day moving average in the \$23 range putting it into a buy zone.

Semiconductor stocks have also pulled back as the group digests its 39% gain from its April lows. (using ETF SOXX).

Nvidia (NVDA) is down 2.6% after CEO Huang stated that U.S. measures to stop China from getting their chips as been "a failure" as the country is securing new sources. NVDA can be held ahead of the release of their earnings next Wednesday.

ASML Holding (**ASML**) has fared better than the group with a more modest pullback to its 10-day moving average. The stock can be held.

Broadcom (**AVGO**) pulled back from a new high in price today after Bank of America added the stock to their model portfolios as a top AI bet. The stock is in a buy zone however, risks to the overall group near term would have us adding lightly.

Software stocks have pulled back 2.8% amid a sharp drop in select stocks such as Fair Isaac (FICO) following news of a price hike for their credit reporting services.

Palantir (**PLTR**) is also underperforming with a 6.9% decline amid a lack of news. Given its recently sharp advance, profit taking appears to be at play. The stock has found support above its 21-day moving average and a close above its 10-day mav in the \$125 range, would put the stock into a buy zone.

Q2 Holdings (**QTWO**) has pulled back amid a decline in the outlook for their banking and lending clients. A close back above its 10-day moving average in the \$90 range would put the stock into a buy zone.

Take-Two (**TTWO**) pulled back sharply today after announcing a \$1B stock offering. Today's heavy volume selling has put the stock below its 21-day moving average. A close above its 10-day moving average in the \$229 range would put the stock into a buy zone.

The issuance of new shares can be viewed as both a positive or a negative for a stock. While the issuance dilutes the value of existing shares, fresh capital can benefit the company over the long term.



THE MEM EDGE

Midweek Report

A negative RSI for **TTWO** would signal further near term selling.

Snowflake (**SNOW**) is up 6.5% after hours following the company's release of strong earnings due to increased spending in AI. A gain of more than 2.2% after the open tomorrow would put the stock into a strong buy zone as it would indicate a cup with handle base breakout.

The Industrial sector fell less than the markets amid an uptick in defense related stocks. This would include AeroVironment (**AVAV**) which has rallied 2.4% this week following news of their Army contract for their Tomahawk product.

AVAV can be added to lightly here with a close above its 200-day moving average in the \$172 range putting the stock into a strong buy zone.

Both Quanta Services (**PWR**) and Masdec (**MTZ**) have pulled back to their 10-day moving averages and are in a buy zone as demand for their AI related construction services remains strong.

Healthcare stocks are down less than the markets amid a rally in select Biotech stocks (using ETF IBB).

Boston Scientific (**BSX**) has pulled back to its 10-day moving average amid a lack of news. The stock is in a buy zone.

Walmart (**WMT**) is struggling this week amid a pullback in Retailers due to tariff fears.. A close back above its 10-day moving average in the \$97 range would put the stock into a buy zone.

Netflix (**NFLX**) has been classified as a defensive area of the markets due to the streaming media company's ability to sidestep tariff fears. The stock is in a confirmed uptrend and can be bought.

With the economic calendar being light this week, the focus has turned to the U.S. deficit ahead of this weekend's deadline for a new budget bill. Tariff related fears have also resurfaced amid uncertain outlooks for major Retailers that have been reporting results.

Earnings from heavyweight AI related Software stock Snowflake (**SNOW**) is expected to boost stocks in this area such as names on our List.



THE MEM EDGE

Midweek Report

For now, the uptrend in the markets remains in place. Over the weekend, we'll provide further information regarding pullbacks of 5% or more during the 2020 bear market's recovery period and in particular, the signals preceding this.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report