



# THE MEM EDGE

*Midweek Report*

Wednesday, February 15, 2023

- Annual CPI Slows Slightly While Monthly Core Data Shows Increase
- Federal Reserve Presidents Advise Keeping Rates Elevated
- January Retail Sales Surge
- Weekly Jobless Claims and Final January PPI Data Due Tomorrow With Leading Indicators Due Friday
- Holiday Shortened Period Next Week

The S&P 500 has risen 1.2% so far this week in a move that puts this Index back above its 10-day moving average. With the RSI and Stochastics in positive territory as well as the S&P 500 moving further above the 4100 level, our conviction regarding the current uptrend in the market has improved.

The Nasdaq is continuing to outperform with a 2.8% gain for the week that's been led by outperformance in most of the FAANMG stocks as they recovered from sharp losses last week. Also boosting this Index was a 3.7% gain in Semiconductor (SOXX) stocks while Software names had similar gains (IGV).

The rally in the Nasdaq pushed this Index back above its 10-day moving average which had been acting as support during its ascent earlier this year. This is quite constructive as is the RSI's move upward and away from a possible move into negative territory.



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## Daily Chart of S&P 500



Below we've included the 3-year daily chart of the Nasdaq where we've highlighted the shift in the RSI which bodes well for the near-term prospects for this Tech-heavy Index.

Among underlying industry groups, Retail stocks posted the sharpest gain with a 4.7% rally that puts this group back into an uptrend. (using ETF XRT). These stocks were given a boost today after Retail Sales Numbers for January (ex auto sales) grew by 3% which was well above estimates.

While the strong retail sales data originally pushed the markets lower due to its ability to keep inflation elevated, the markets recovered amid strong earnings results from select Growth stocks.



Among Retailers on our List, Wingstop (**WING**) posted the sharpest gain with a 12% advance that took place ahead of the company's release of earnings next Wednesday. The gain pushed the stock out of a 3-month base and while the daily chart points to further upside, a pullback to its 5-day moving average would be an ideal buy point.

Crocs (**CROX**) has been another big winner ahead of their earnings report tomorrow before the market opens. We're on the lookout for further gains from CROX provided they report earnings ahead of estimates and guide growth estimates higher going forward.

The MACD on the daily chart is poised for a positive crossover while the RSI re-entered positive territory this week.

General Motors (**GM**) has been pushed back into an uptrend following gains this week and the stock can be bought in the \$42 range at its 5-day moving average.

The Semiconductor Index (SOXX) regained its near-term uptrend with a move back above its shorter term moving averages on this week's rally.

The group was helped by a sharp rally in Lattice Semiconductor (**LSCC**) from our Suggested Holdings List after reporting earnings and sales above estimates on Tuesday. The producer of chips for the industrial and automotive space also guided estimates higher due to demand for their new family of Avant chips which we highlighted in Sunday's report.



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LSCC is in an overbought position following this week's 14% rally and we're using the early November '22 period as precedence. At that time, LSCC gained 18% over 2 days (11/10 and 11/11) and managed to push even higher from there.

A negative MACD crossover in early December was the original signal that a consolidation phase was beginning which in turn, gave way to a pullback.

Nvidia (**NVDA**) remains in a confirmed uptrend ahead of the release of their earnings next Wednesday and the stock can be bought. As noted over the weekend, NVDA's weekly chart shows the MACD just entering into positive territory.

Among Industrial stocks, Transdigm (**TDG**) remains a leadership name following its 5% advance on above average volume. TDG is in a confirmed uptrend following last week's strong earnings report and remains in a buy zone as it finds support at its 5-day moving average.

Both Adobe (ADBE) and Servicenow (NOW) continue to underperform their peers and while the stocks can be held, we would not overweight these positions.

Within Software stocks, the vibrancy has been among those companies that offer the ability to analyze data quickly such as Splunk (**SPLK**) which we're adding to our Suggested Holdings List. The company is due to report earnings in 2 weeks and analysts are revising estimates higher going into the report which is a positive.





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SPLK is in an uptrend on its daily chart and can be bought in the \$107 range at its 5-day moving average. The weekly chart for SPLK is also attractive with its MACD just entering positive territory.

Software stocks that offer security such as firewall and routing services are also a strong area and we've added Cloudflare (NET) to our Watch List as the stock is overbought after a recent strong rally. We'll alert you if we add it to our Suggested Holdings List on a pullback.

Tomorrow, the final Producer Price Index (PPI) data for January will be released and this gauge of inflation may produce volatility depending on the numbers.

At this time however, the markets are in a position to trade higher with Growth stocks back in demand. We may see selling late Friday as traders tend to lighten up on positions ahead of a long holiday weekend.

Warmly,  
Mary Ellen McGonagle  
Editor, MEM Edge Report



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## 3-YEAR \$COMPQ CHART

