



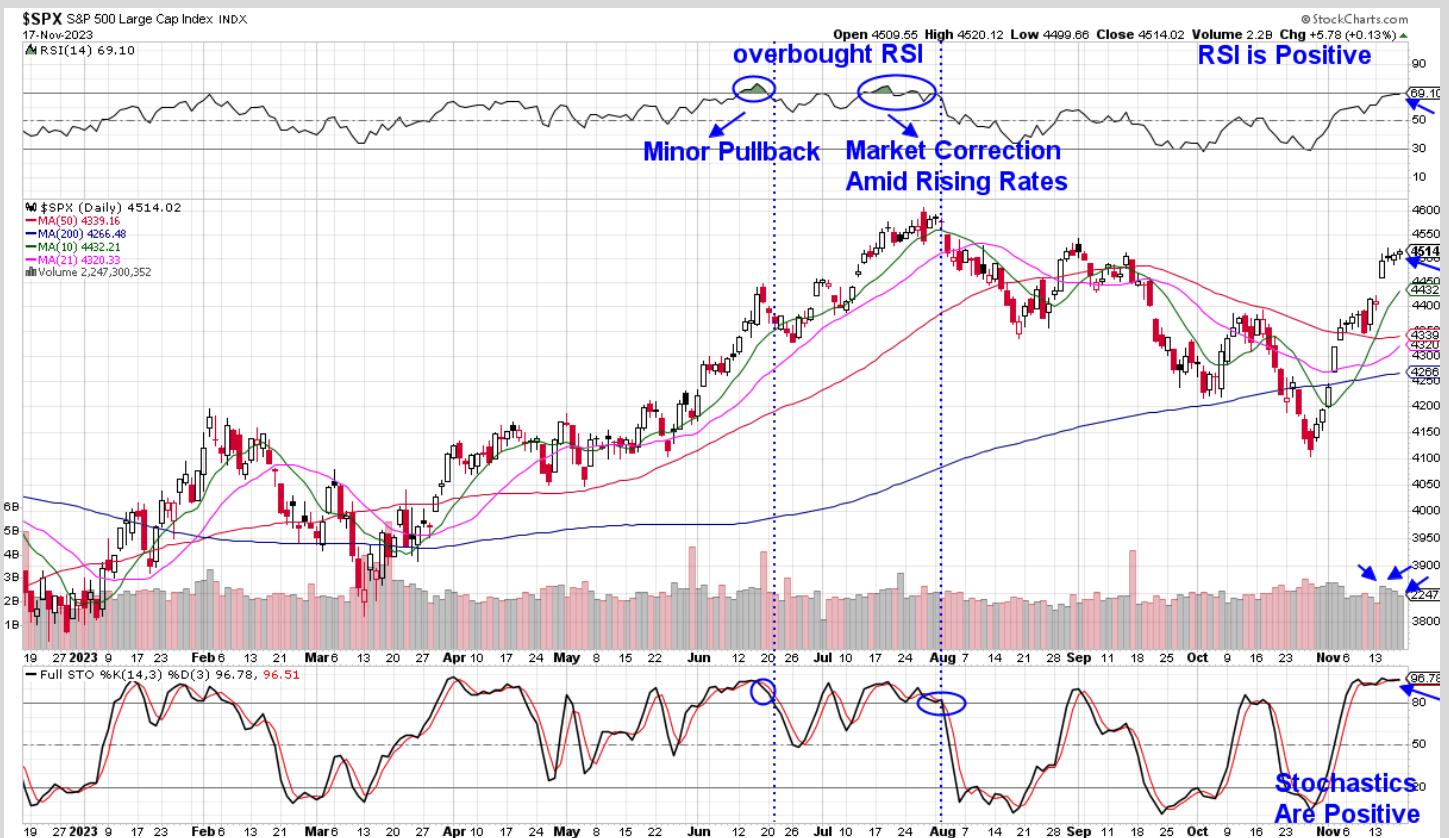
THE MEM EDGE

November 19, 2023 | Weekly Report

This Week's Highlights

- October Core CPI Comes In Below Estimates While Producer Prices Fall By 0.5%
- Retail Sales Fall For First Time In 7 Months
- November Home Builders Confidence Drops but Housing Starts & Building Permits Increase
- **Next Week:** FOMC Meeting Notes, Leading Indicators, Durable Goods Orders and Flash PMI Data On Friday
- **Following Week:** Q3 GDP and Core PCE Data

Daily Chart of S&P 500



The S&P 500 gained 2.2% last week in a move that keeps the near and longer-term uptrend firmly in place. At this time, the late July high in price is the next area of possible upside resistance which is 2%

away. On any pullbacks, the 10-day moving average is the first area of possible support and is 1.8% away.

While the short and intermediate-term charts of the S&P 500 point to further upside, the daily chart has an RSI that is very close to closing above 70, which would put this Index into an overbought position. This is similar to the mid-June and late July periods and both times, we experienced a pullback that was first signaled by a negative MACD crossover.

At this time, the MACD on the daily chart is not in a position to post a negative crossover. We will continue to monitor and should this occur, we would look to near-term areas of possible support on any potential pullback. Of note - the market correction which began in August, was marked by a rising interest rate environment. At this time interest rates are falling. Any pullback at this time would be short-term in nature and a buying opportunity.

Most of last week's upside in the markets took place on Tuesday, following the release of key inflation data that came in below estimates. The lower-than-expected CPI report sent yields down sharply, as investors now anticipate that further Fed rate hikes are behind us.

Last week could prove to be pivotal, as reduced inflation and lower interest rates are very bullish for a continued uptrend. The next release of key inflation data will be the PCE Price Index which is due later this month. This is the Federal Reserve's preferred measure of inflation.

In addition, we are on the cusp of entering a "power trend" in the markets, defined by investors.com as a period when aggressive yet disciplined buying is supported by bullish chart conditions. At this time, a move of the 21-day moving average above the 50-day on the Nasdaq is the last remaining signal, and we may see this next week.

The Nasdaq posted a 2.4% rally last week sparked by a sharp gain in Tesla (**TSLA**) and outperformance in Netflix (**NFLX**) as well as Semiconductor and Software stocks. Similar to the S&P 500, most of the gains in the Nasdaq took place after Tuesday's softer-than-expected inflation data was released.

The weekly chart of the Nasdaq points to a longer-term upside, with the Stochastics entering positive territory. This last occurred in January of this year with prior precedence being April 2020, coming out of the bear market. Both times, this Index was above key moving averages.

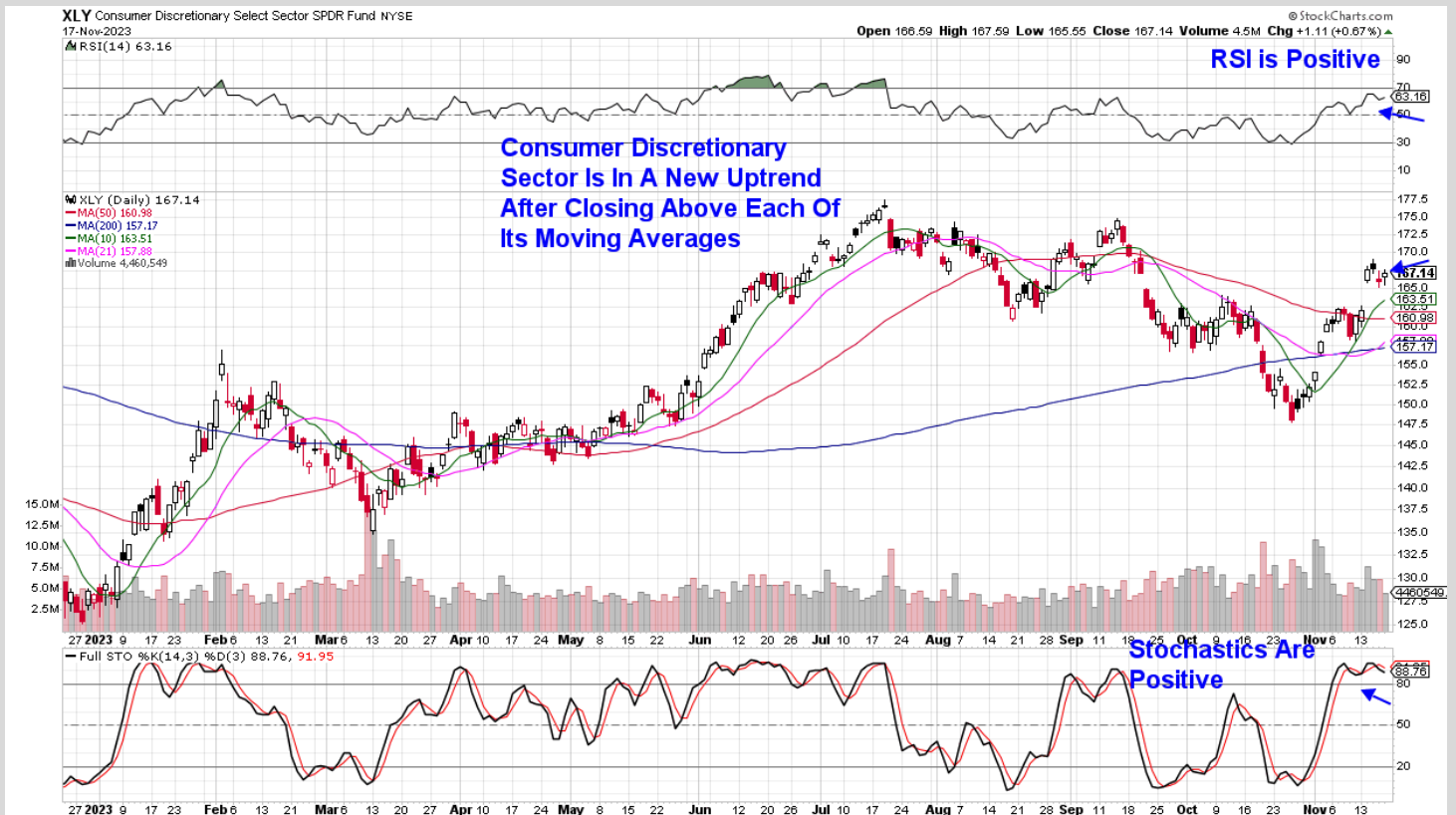
Earnings season is winding down however, several major retailers posted reports last week which impacted others in this group. The S&P Retail ETF (XRT) posted a downtrend reversal which we'll review below.

Downtrend reversals took place in Bank and Housing stocks as well, as both areas fare well in a declining interest rate environment.

This broadening out of the markets beyond the Magnificent Seven and other Technology stocks, creates a constructive backdrop as it improves the probability of a sustained uptrend in the markets.

At this time, stocks are in a confirmed uptrend with a constructive backdrop of declining interest rates due to lower inflation. Next Tuesday's earnings report from heavyweight stock Nvidia could easily impact the broader markets as well as other high-flying AI stocks. On the same day, the FOMC will be releasing notes from their most recent meeting which may sway investors.

Daily Chart of the Consumer Discretionary Sector (XLY)



Consumer Discretionary Sector Among Top Performers

While Tesla (**TSLA**)'s sharp gain gave this sector a boost, Home Builders, and select areas of Retail also outperformed. Last week's 3.5% rally in this sector pushed it into an uptrend, with a close above each of its moving averages coupled with positive momentum indicators.

While a lower interest rate gave consumer stocks a boost, Target (**TGT**)'s earnings release also buoyed select names. Primarily, stocks that were deeply oversold and reported above estimate earnings - similar to **TGT** - were the biggest gainers. This would include Home Depot (**HD**) which regained its uptrend.

Walmart (**WMT**) who also reported results, fell sharply after providing full-year guidance that was below estimates.

Similar to elsewhere in the markets, down and out stocks with any hint of positive news were bid up while stocks such as Walmart - which was trading at new highs - sold off sharply despite coming in above estimates on earnings and sales.

Housing stocks outperformed last week amid a drop in interest rates. Many of these stocks sold off during the rise in rates that began in July, and remained in downtrends despite posting solid earnings and sales.

M/I Homes (**MHO**) outperformed with an 8.5% rally that pushed the stock out of a 3-month base on above-average volume. We're using the April into July period as precedence and while the RSI is in an overbought position, we anticipate further upside given its longer-term base breakout. We'd be a buyer in the \$102 range at its 5-day moving average.

On the weekly chart, **MHO** just posted a positive MACD crossover which is constructive for the longer-term outlook for the stock.

Toll Brothers (**TOL**) was added last week after posting a cup with handle base breakout on above-average volume. The stock is trending sideways as it consolidates and is in a strong buy zone. The weekly chart on TOL shows a MACD crossover developing which bodes well for a longer-term move higher.

Last week it was reported that pending home sales in October rose to the highest level in a year and with this month's decline in interest rates, home sales are expected to escalate further.

Restaurant stocks traded in line with the markets however, Wingstop (**WING**) far outpaced its peers with a 9% gain amid analyst upgrades to earnings estimates for both this year and next. Last week's rally pushed **WING** out of a 6-month base and coupled with a recent MACD positive crossover on the weekly chart, the long-term outlook for the stock is positive.

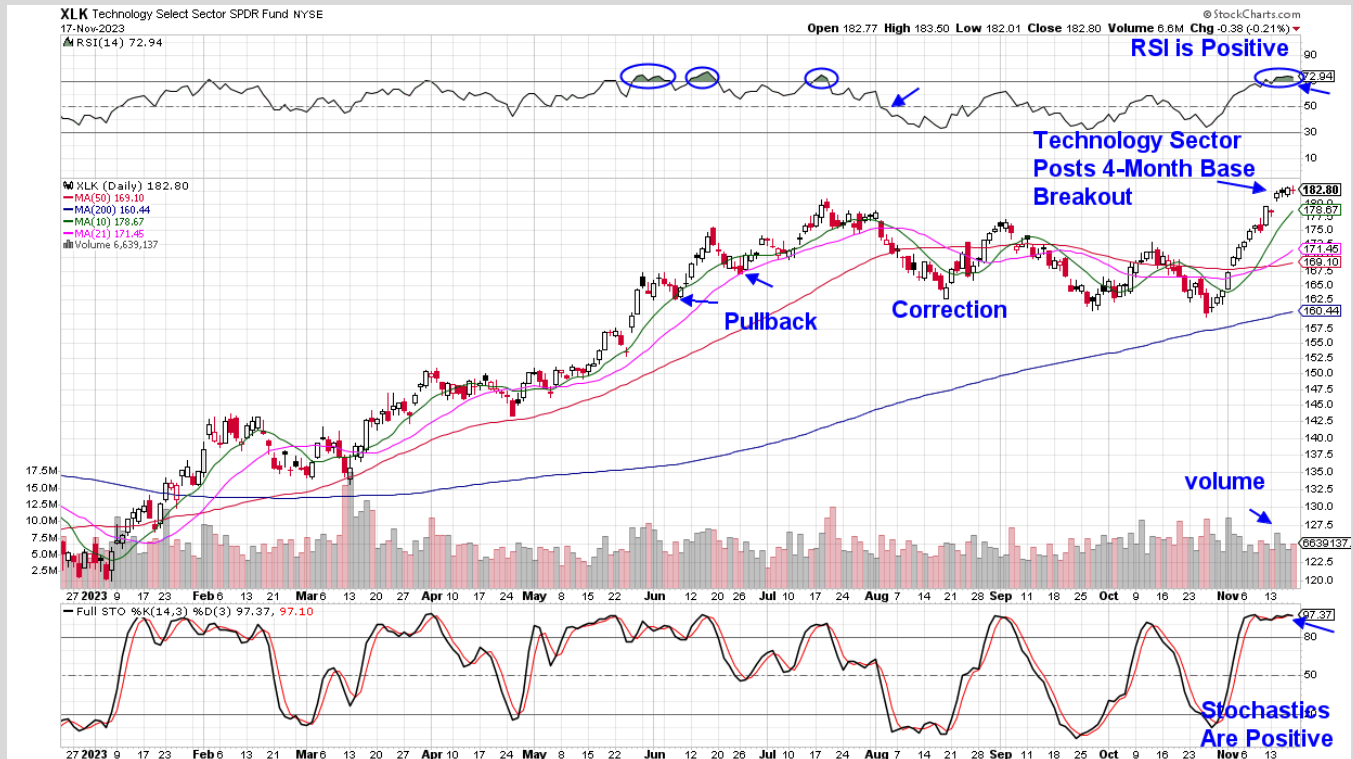
Near term however, **WING** is overbought and due a period of sideways price action to digest this month's gains. A pullback to the 5-day moving average at \$223 would be ideal. For now, the stock can be held.

Heavyweight stock Amazon (**AMZN**) pulled back from a Tuesday base breakout and found support at its 10-day moving average. The stock is in a strong buy zone amid news that they will be selling automobiles on their site beginning next year.

Amazon's underperformance last week was in line with other mega-cap names which are generally consolidating after posting sharp gains earlier this month.



Daily Chart of the Technology Sector (XLK)



Technology Sector Breaks Out Of 4-Month Base

The Tech sector gained less than the markets due to underperformance in heavyweight names Microsoft (**MSFT**) and Apple (**AAPL**).

This sector did close at a new high in price however after posting a 4-month base breakout that was led by strong outperformance that took place in the first 2 weeks of this month.

Semiconductor stocks were outperformers last week due to a rally in smaller companies that are in the beginning stages of reversing their downtrends.

Larger Semis had a more muted week with Nvidia (**NVDA**) posting a 2% gain amid the announcement of new AI-focused chips. The company is due to report earnings on Tuesday after the markets closed

and investors are on the lookout for a blowout quarter.

As noted earlier, stocks that are trading close to new highs going into earnings - as is **NVDA** - have pulled back if they announce numbers that are not well above estimates or if management hints at any possible slowdown in growth.

At this time **NVDA** is "priced for perfection" however, if they report numbers that are well above estimates, we anticipate that the stock will trade higher due to investors' fear of missing out on a great growth opportunity.

Advanced Micro Devices (**AMD**) is continuing to form the right side of a base however, volume is lacking. While the near-term dynamics appear weak on a relative basis, the longer-term outlook is quite

positive for **AMD** as the stock posted a MACD crossover last week on its weekly chart.

Marvel Technologies (**MRVL**) was pushed further into an uptrend after an analyst upgrade last week due to an overall increase in chip demand. **MRVL** saw a pickup in earnings from their AI in their last quarter with growth in this area expected to continue.

The stock's MACD entered positive territory on its daily chart where it joined the RSI. **MRVL** is in a strong buy zone after pulling back to its 10-day moving average. The company is due to report earnings on December 1st.

Software stocks broke out of a 4-month base last week as additional companies are releasing strong quarterly results. Recently added monday.com (**MNDA**) is a prime example as the provider of work management software gapped up into an uptrend last week after posting earnings that were 200% above estimates.

We're using the mid-May period for **MNDA** as precedence, as the stock exhibited similar bullish price action after a strong earnings release. As anticipated in our Midweek Report, the stock has paused, allowing the 5-day moving average to trend upward toward the current price. The stock is in a buy zone.

Among larger Software stocks, CrowdStrike (**CRWD**) was a top performer after gaining 5.5% for the week. The stock is in a confirmed uptrend and poised to trade higher.

ServiceNow (**NOW**) also outperformed last week however, its recent advance has put the RSI in an overbought position. While **NOW** is in a confirmed uptrend, we would await further consolidation before adding to any position.

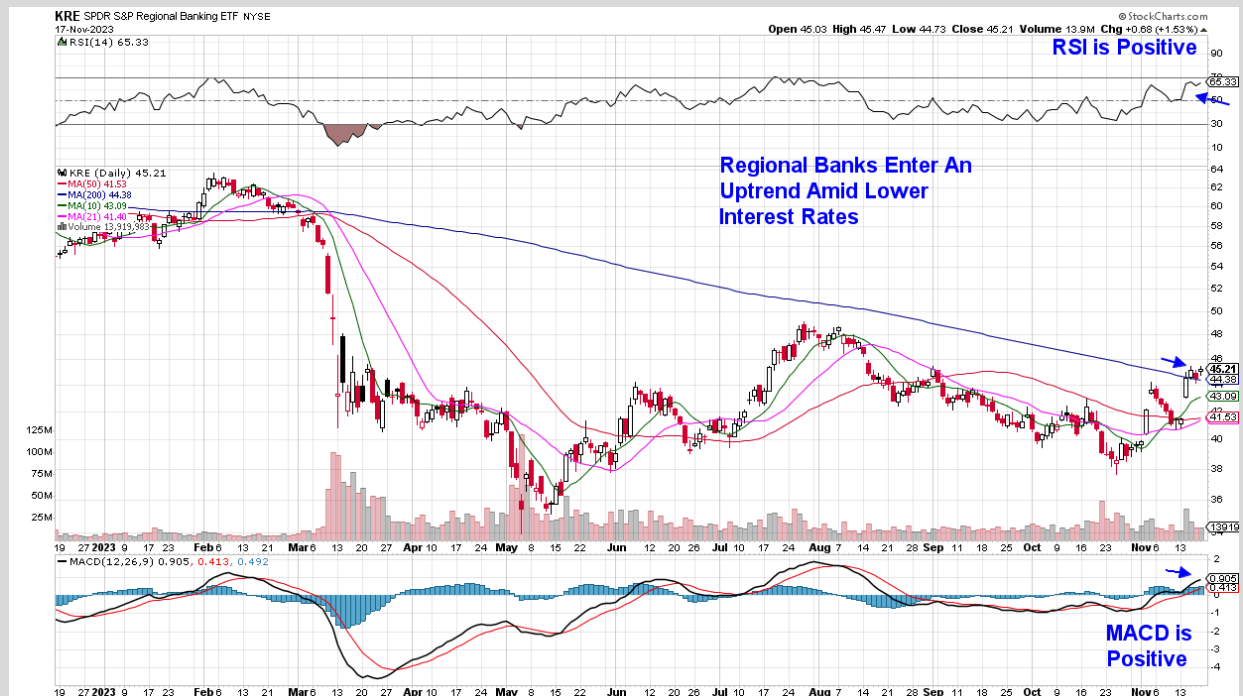
Adobe (**ADBE**) is in a confirmed uptrend as it finds support at its upward-trending 5-day moving average. The company initiated price hikes for their AI-driven Firefly products on November 1st however, management has not provided any guidance for 2024 which has investors on edge. The stock is in a buy zone.

Microsoft (**MSFT**) ended the week flat as investors digested news of the company's development of 2 new AI chips to compete with Nvidia. The stock remains in a confirmed uptrend as it finds support at its upward-trending 5-day moving average. Similar to other mega-cap names, however, the stock is poised to trade sideways over the near term.

Longer term, **MSFT** is set up to continue to trade higher with the MACD posting a bullish crossover on the weekly chart. The stock is in a buy zone.

Despite underperformance last week, the Technology sector remains the leadership area and we will continue to add stocks as they emerge.

Daily Chart of the SPDR S&P Regional Banking ETF (KRE)



Financial Sector Outperforms Amid Lower Interest Rates

Bank stocks outperformed the broader markets last week, as lower interest rates help increase lending activity and in turn, boost profits. Beaten-down Regional Banks saw the largest gains with many of these stocks entering new uptrends as they recover from the crisis that took place in March of this year.

Another positive for these banks is that a decline in rates will lower their payout rate to depositors which will improve their net interest income (NII).

On Wednesday, we added both East West Bancorp (**EWBC**) and Popular Inc. (**BPOP**) to our Suggested Holdings List after they each posted a cup with handle base breakout of volume.

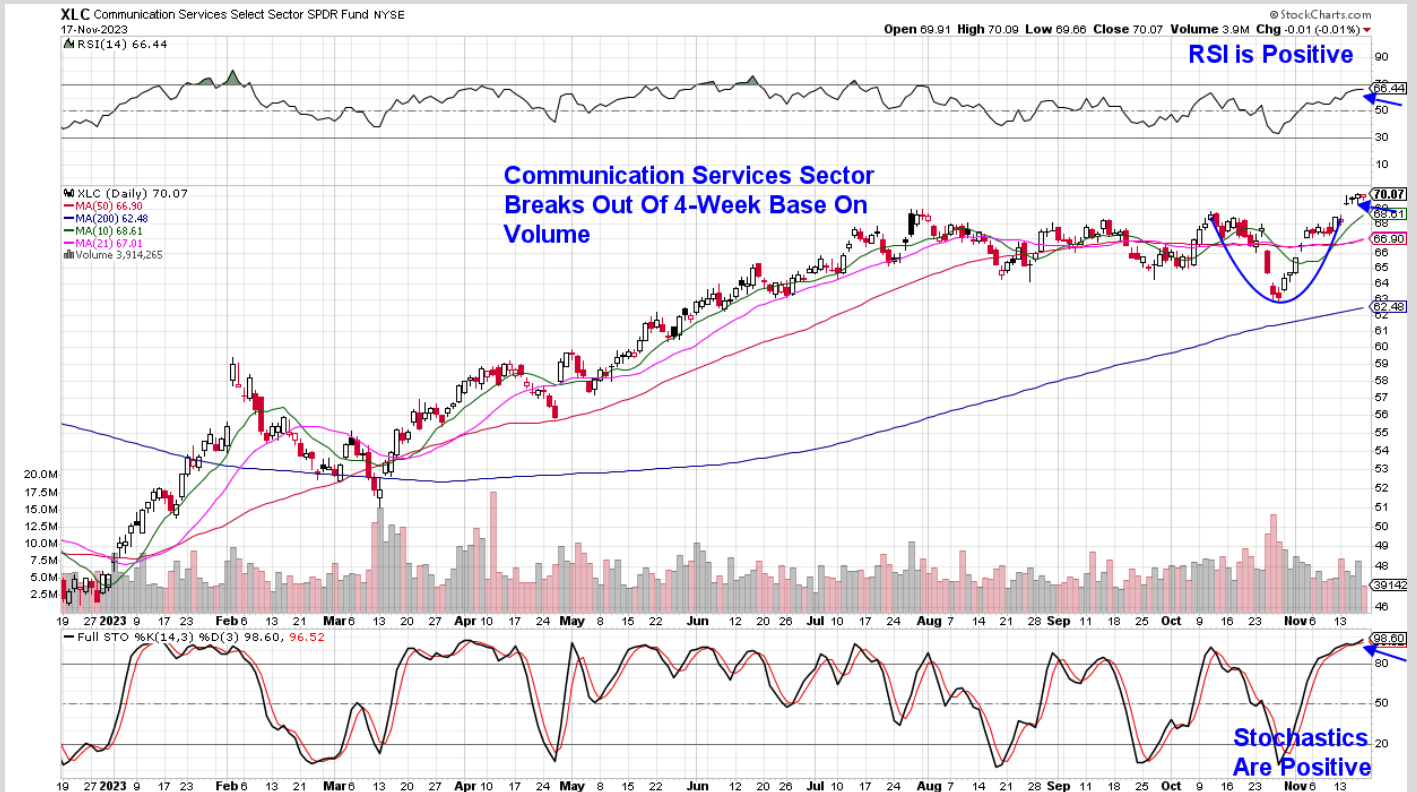
EWBC received 2 Wall Street upgrades earlier this month after the company increased their dividend to 3.1% while also reporting capital levels that are

above industry standards. The stock can be bought on any pullback to its 5-day moving average at \$60.

BPOP is a Puerto Rican-based bank that reported earnings that were above estimates late last month. Puerto Rico's 2023-2024 fiscal year began in July and economic activity has expanded a robust 3.5% while continuing to reduce their debt. Last week, **BPOP** increased their dividend to 3%. The stock can be bought on a pullback to its 5-day moving average at \$71.

Last week, we also added payment solutions firm Paypal (**PYPL**) to our Suggested Holdings list after a downtrend reversal which followed a shakeup within management amid the creation of new divisions. Since then, **PYPL** has not exhibited any follow-through and has pulled back below its 50-day moving average. We're removing the stock from our List.

Daily Chart of the Communication Services Sector (XLC)



Communication Services Sector Posts Base Breakout

This sector was given a boost after heavyweight stock Netflix (**NFLX**) posted a 4% gain for the week. On Wednesday, the stock received a big vote of confidence after being added to Bank Of America's Tier 1 collection of top stock ideas.

NFLX has been in an uptrend since reporting impressive quarterly results several weeks ago due to their cracking down of customer's sharing subscription codes. Last week's rally has put the RSI into an overbought position as the stock heads toward a 4-month base breakout at \$485.

The stock can be bought as the longer-term weekly chart points to further upside after posting a bullish MACD crossover last week. Near term the stock looks bullish as well.

Meta Platforms (**META**) is in a strong buy zone after last week's 1-month base breakout. The company posted a rebound in earnings last month due to increased ad spending coupled with cost-cutting measures. The longer-term weekly chart is also bullish for **META**.

Summary

Last week's rally was driven by inflation data that came in below estimates which pushed bond yields lower. Equally important was investor's renewed confidence that this positive news would bring an end to the Fed's tightening cycle.

This newfound confidence will be tested next week when the FOMC meeting notes are released on Tuesday. Any harsh wording relating to the need to bring inflation much lower may bring rates up again and stall the current rally.

As noted by Deutsche Bank strategist Henry Allen, this is the seventh time since mid-2022 that the markets have anticipated a pivot by the Fed toward lower shorter-term interest rates, and each previous time, the Fed has not yet been comfortable cutting rates.

That said, recently elevated yields appear to have done quite a bit of the Fed's work for them already and until we receive further economic data such as PCE numbers later this month, we won't know for sure.

Until then, the market's uptrend is exhibiting strength and positive November into December seasonality trends appear to be in place. Until we see evidence to the contrary, we would continue to put new money to work.



MEM Edge Report Suggested Holdings

Stocks With Emerging Leadership Characteristics

\$ = Earnings Due	Buy Zone	Strong Buy		Buy on Pullback	Removed From List
SYMB	COMPANY	PRICE	DATE ADDED	PERFORMANCE	INDUSTRY GROUP
CONSUMER DISCRETIONARY					
AMZN	Amazon	\$138.60	11/5/2023	4.5%	
MHO	M/H Homes	\$94.80	11/5/2023	10.0%	
TOL	Toll Brothers	\$85.20	11/15/2023	1.0%	
WING	Wingstop	\$206.80	11/5/2023	11.0%	
FINANCIAL					
BPOP	Popular, Inc.	\$72.70	11/15/2023	0.0%	
EWBC	East West Bancorp	\$61.90	11/15/2013	1.0%	
PYPL	Paypal	\$58.30	11/15/2023	0.0%	
TECHNOLOGY					
ADBE	Adobe	\$563.00	11/5/2023	7.0%	Software
AMD	Advanced Micro Devices	\$118.50	11/12/2023	1.7%	Semiconductor
CRWD	Crowdstrike	\$176.70	10/8/2023	17.0%	Software
MNDY	Monday.com	\$163.70	11/14/2023	3.5%	
MRVL	Marvel	\$57.00	11/14/2023	-2.0%	
MSFT	Microsoft	\$327.30	10/8/2023	13.0%	Software
NOW	ServiceNow	\$606.70	11/5/2023	7.5%	Software
NVDA	Nvidia	\$450.00	11/5/2023	9.5%	Semiconductor
COMMUNICATION SERVICES					
META	Meta Platforms	\$315.40	10/8/2023	6.5%	Internet-Content
NFLX	Netflix	\$432.30	11/5/2023	7.5%	

Glossary of Terms Used From Our Suggested Holdings

Buy Zone

This means the stock is in a confirmed uptrend and is finding support at its upward-trending key moving averages and can be bought. If you own the stock, stay with it.

Strong Buy

This means we have slightly more conviction in the ability of this stock to outperform the markets over the next week. The stock may be poised to break out of a base, it may be in a strong industry group or there may be recent good news. In other words, the stock has some edge that should help propel the stock higher.

Buy on Pullback

In this case, the stock is a bit over-bought (or extended) and may need to come in a little before buying. This is usually following a particularly strong week where the stock was up a lot. We would look for a pullback to the stock's upward-trending 10-day moving average as an optimal entry point.

Not Highlighted

These are stocks that remain positive and can be held if you own them. However, they currently do not appear poised to have an upward move. The stock may be consolidating after a large advance or be in an industry group that is not in favor. The longer-term uptrend remains in place however.

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