



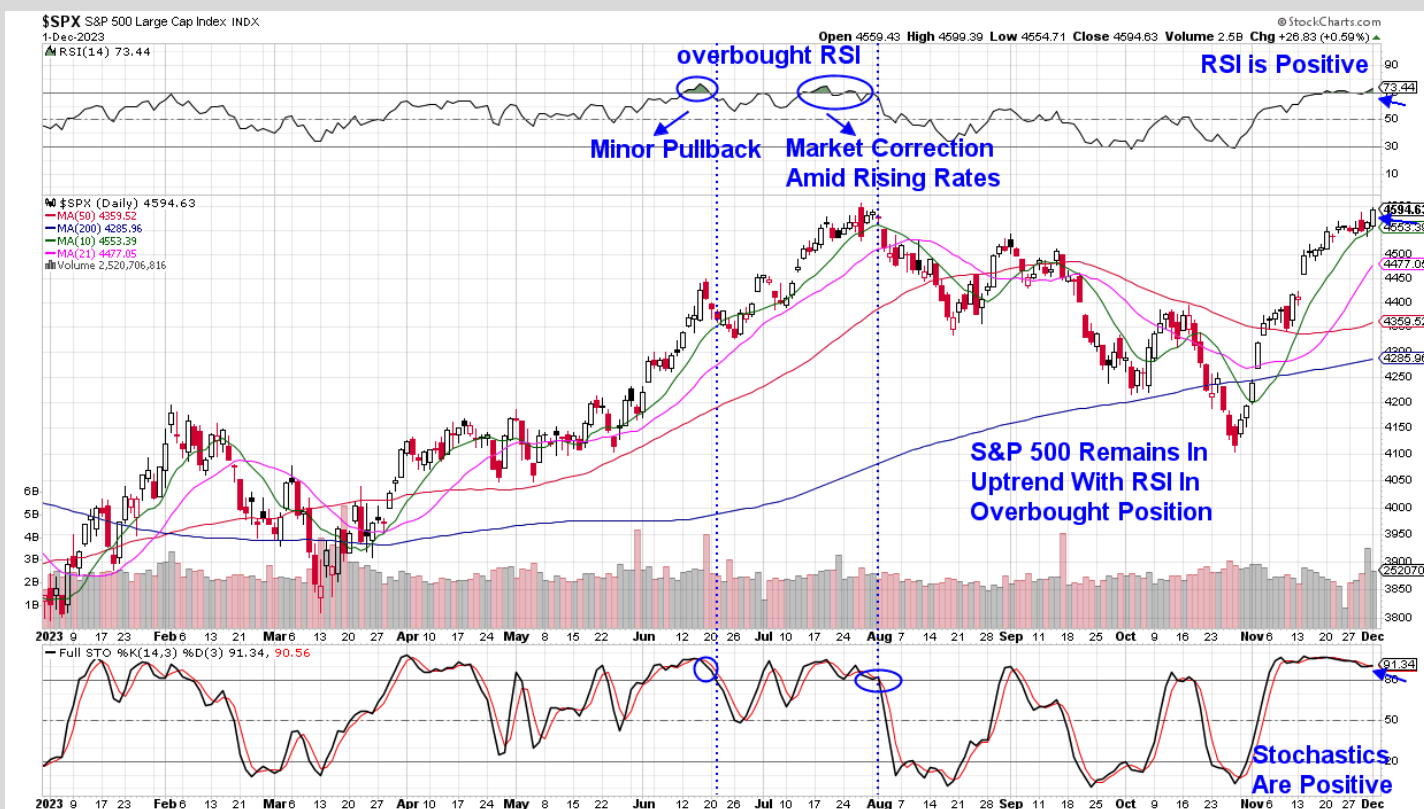
THE MEM EDGE

December 3, 2023 | Weekly Report

This Week's Highlights

- October New Home Sales Fall Amid Higher Mortgage Rates
- Q3 GDP Revised To a 5.2% Gain - However The Economy Is Cooling Going Into Q4
- Core PCE Data Show Inflation Is Slowing Again
- Fed Chair Powell's Comments Have Hawkish Tone
- November Employment Data, Factory Orders & Consumer Sentiment Next Week

Daily Chart of S&P 500



The S&P 500 gained 0.8% last week, in a move that keeps the near-term uptrend firmly in place with both the Stochastics and the RSI in positive territory. Of note is that last week's gain has put the RSI back into an overbought position on the daily chart as it's above 70.

As noted in the chart above, an RSI above 70 has historically preceded a pullback in both late June and early August of this year. The August pullback which turned into a correction, was during a period of rising yields on the 10-year Treasury.

At this time, interest rates are continuing to decline, so that a possible correction is not under consideration. A pause or a slight pullback however, would not be out of line given November's strong advance which put the markets into an oversold position. At this time, we'd be a buyer on any pullback.

The NASDAQ gained less, with a 0.4% increase last week amid underperformance in all but one of the Magnificent Seven stocks.

There were bright spots in this Index however, highlighted by a big gain in Software stocks and select Retailers, with Biotech stocks also coming back into play after posting a new uptrend. (using ETFs IGV, XRT, and IBB respectively)

The relative underperformance in the NASDAQ allowed the RSI to settle below 70 which is good news. In addition, on Friday this Index regained its 10-day moving average on above-average volume which is quite constructive.

While the mega-cap FAANG stocks underperformed last week, outperformance elsewhere helped a broadening out of the markets which is continuing to take place. This is good news for the prospects of a continuation rally for the markets.

Friday in particular was a very strong day for newer areas with Bank stocks rallying on a drop in interest rates that followed news earlier in the week that inflation is continuing to recede. Retail names also posted a strong week due to strong holiday sales.

Last week, the equal-weighted S&P 500 gained 2.4% relative to the broader market S&P 500 which was up 0.8%. This highlights not only the broadening out of the market beyond heavily weighted stocks but

also, a seeming disinterest in the M7 stocks which have led the markets year to date.

Again last week, some of the biggest gainers were companies that posted earnings and sales that were ahead of estimates, with many of these names gapping up into base breakouts or downtrend reversals.

This is another constructive sign for the markets as most new bull market uptrends have been triggered by a positive response to strong corporate earnings. One need only look at the November into December period of last year as an example.

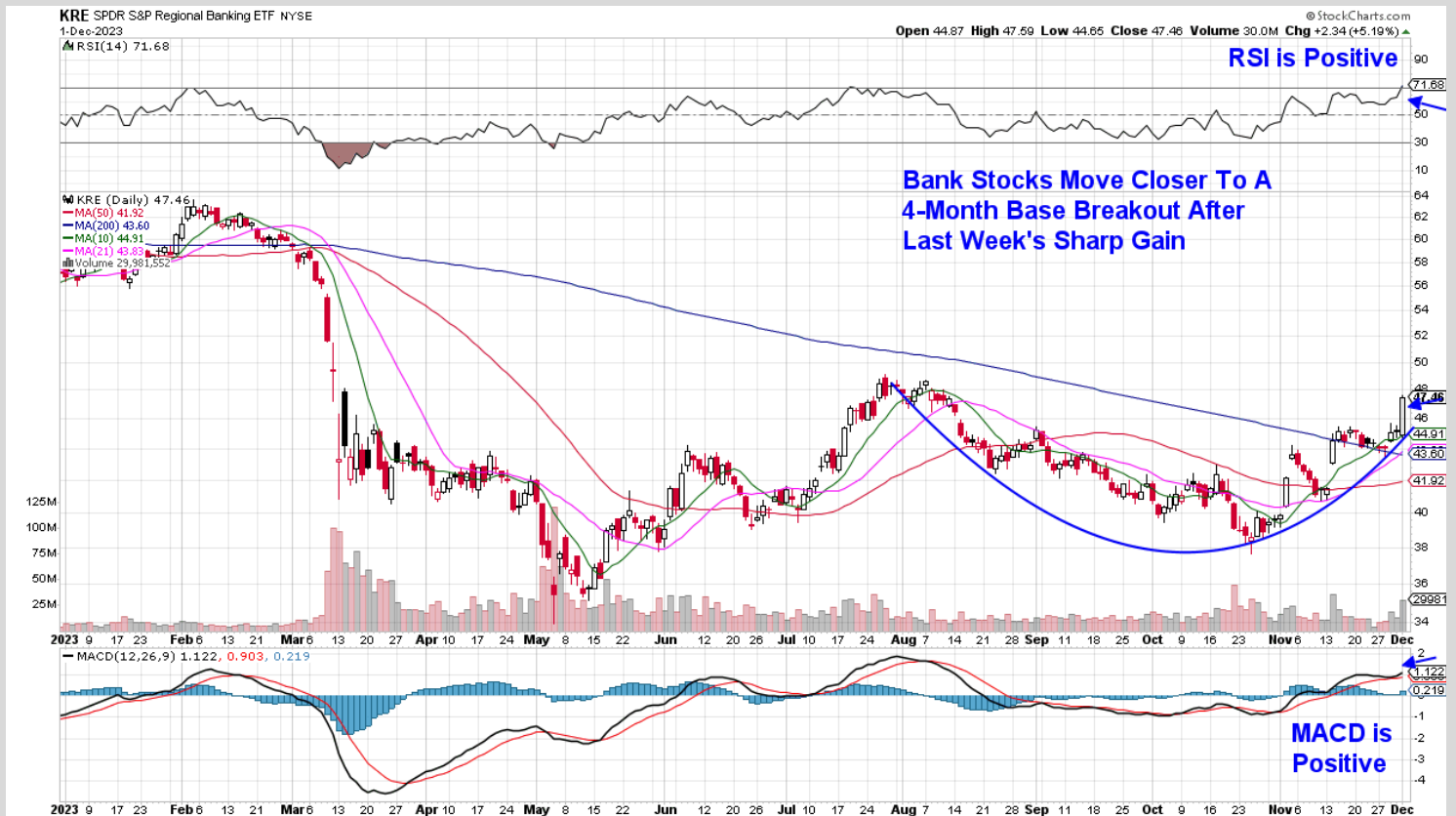
Among the broader market Indexes, Small caps reversed their downtrend led by a Friday rally that was fueled by the move into Bank stocks. Within the Russell 2000, Financials account for over 15% of this index.

The Dow Jones Industrial Average posted the largest gains, with the Dow moving closer to regaining its highs from January 2022. As cited in last Sunday's report, this Index is designed to be representative of the broader market economy and its outperformance is in line with the rally in the equal-weighted S&P 500.

As has been the case this year, price action in the markets last week was dictated by the drop in interest rates which is bullish for the markets. This declining interest rate environment may be tested next week as critical employment data for the month of November will be released on Wednesday and Friday.

Overall, the broader markets remain in a bullish uptrend with last week's rotation into newer areas such as Banks, Retail, and Biotechs helping provide a stronger base from which we can spring higher.

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



Financial Sector Among Top Performing

The Financial sector posted a 2.2% gain last week boosted by a sharp rally in Bank stocks as well as Asset Management companies that are seeing an inflow of capital amid an improvement in investor's confidence.

This would include stocks such as State Street (**STT**) which we are adding to our Suggested Holdings List after last week's downtrend reversal which took place on above-average volume amid analyst upgrades.

STT is among the largest asset management firms due to their dominance in the creation and management of exchange-traded funds (ETFs). The stock can be bought on a pullback to the \$72 range at its 5-day moving average.

East West Bancorp (**EWBC**) From our list outperformed the banking group following a buy rating from 2 major Wall Street firms last week. A sharp rally on Friday pushed the 2.9% yielder back above its recent base breakout level and into a strong uptrend. The stock can be bought on any pullback to the \$63 range which is its 5-day moving average.

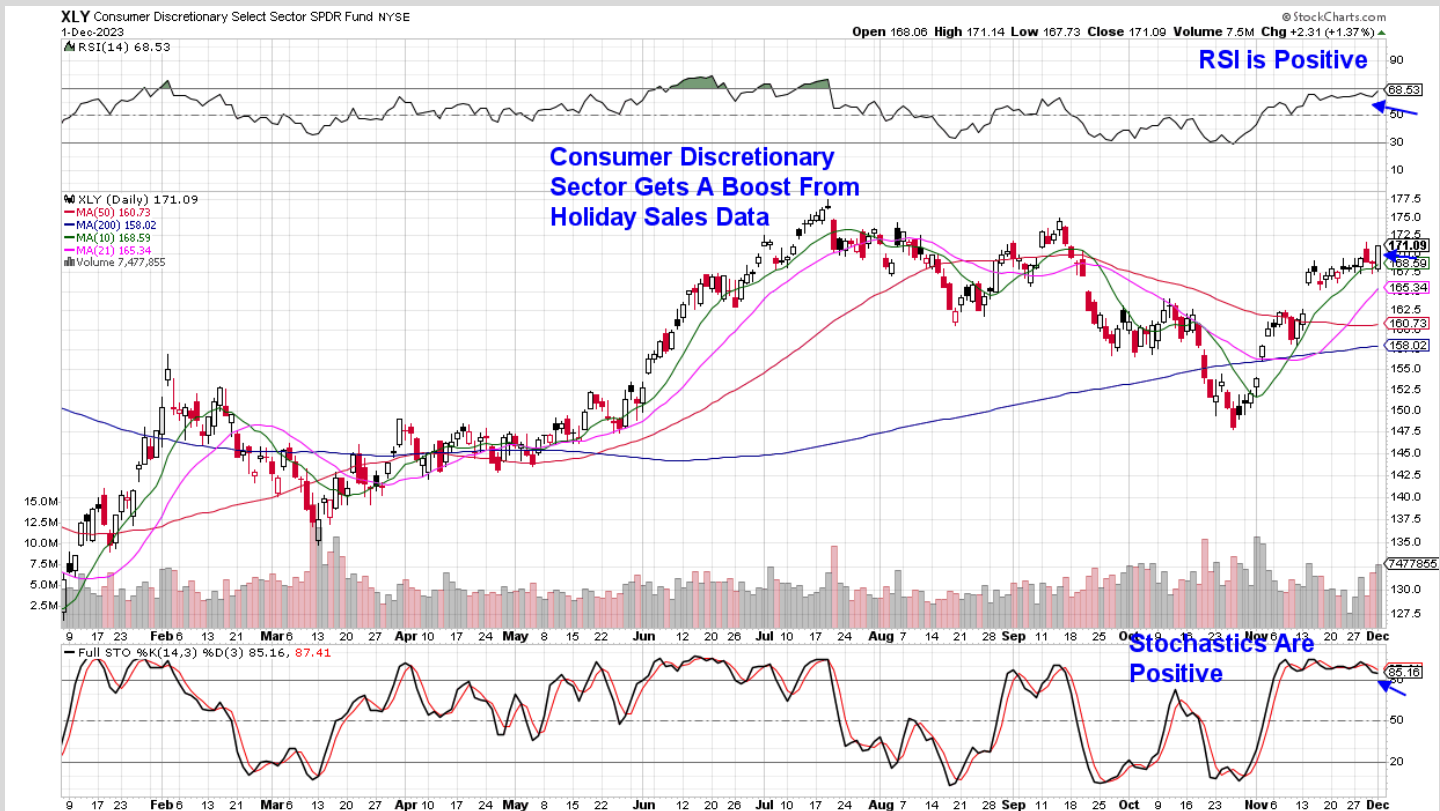
Popular Bank (**BPOP**) from our list exhibited similar price action, as it regained its cup with handle base breakout and is now in a confirmed uptrend. **BPOP** also received a Wall Street upgrade last week with Friday's rally pushing the stock well above its 5-day moving average. Any pullback to this mav at the \$74 range, would be an ideal buy point.

We've added several Bank stocks to our Watch List however, we are not adding them today as sharp advances on Friday have pushed them out of buy zones. We'll reexamine these names upon any pullback in the group.

Last week's rally in Bank stocks occurred amid a general shift in sentiment among analysts who now see these companies as having emerged out of the banking crisis and in a position to see increased lending activity as interest rates pull back.



Daily Chart of Consumer Discretionary Sector (XLY)



Consumer Discretionary Stocks Get Boost From Retailers

Last week's news that Cyber Monday sales were up 10% from last year, provided a boost to Retail stocks with the group further improving its uptrend. (using ETF XRT).

Other consumer-driven areas also posted gains such as lodging company Airbnb (**ABNB**) which we're adding to our Suggested Holdings List after a Friday rally pushed the stock out of a flat base. The MACD is now in positive territory where it joins an already positive RSI.

We're using the late June period as precedent and **ABNB** can be bought on any pullback that puts the stock closer to the \$130 level, at its 5-day moving average.

Also on the move higher last week were housing stocks which rallied on news that interest rates are not only continuing to fall but are expected to remain at low levels given the recent report of declining inflation.

M/I Homes (**MHO**) From our list posted a two-week flat base breakout on Friday that was on heavy volume. We're using the June period of this year as precedent and at this time, the weekly chart points to further upside as the MACD has only recently posted a bullish crossover.

Should we see a pullback at some point, the 21-day moving average has proven to be a key area of support for **MHO**.

Toll Brothers (**TOL**) posted a similarly bullish flat base breakout, with both the daily and weekly charts pointing to further upside. The stock can be bought on any pullback to the \$86 range at its 5-day moving average.

According to real estate marketplace company Redfin (**RDFN**), mortgage applications for the purchase of homes increased 5% for the week of Nov. 24th as interest rates dropped. However, the inventory of available homes remains tight. This dynamic will continue to drive sales of newly built homes.

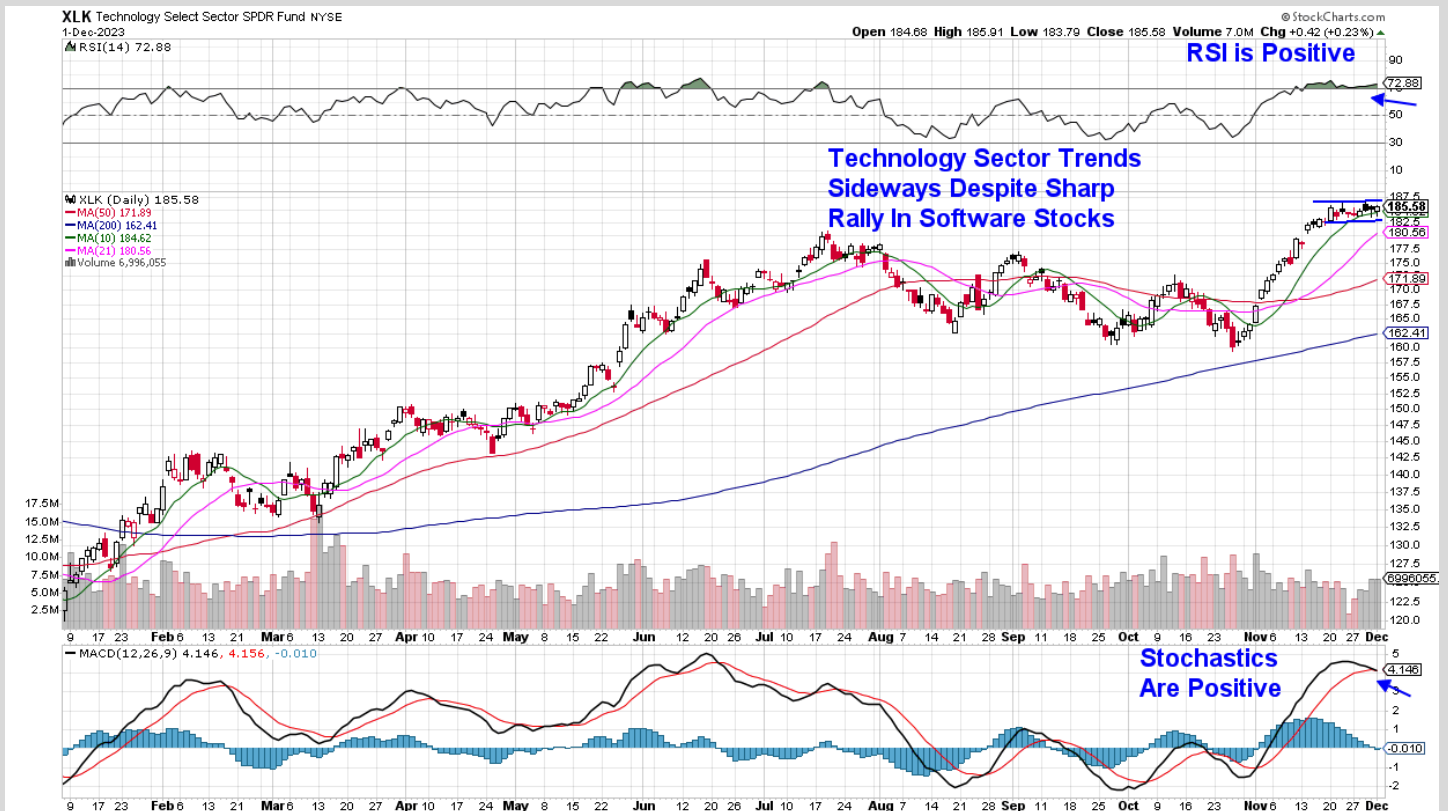
While restaurant stocks gained 1.5% last week, Wingstock (**WING**) from our list advanced double that amid analyst upgrades to their earnings to 31% for this year. This is well above the industry average of 17%. EPS growth. The stock remains in a confirmed uptrend and is poised for further upside.

Amazon (**AMZN**) closed the week flat despite reporting record-breaking Black Friday and Cyber Monday holiday sales events. The company received a major Wall Street price target upgrade to \$200 amid the news.

Last week's underperformance in **AMZN** was inline with other mega-cap names which are being overlooked as newer areas of the market gain traction. The stock is in a buy zone with any high-volume rally putting it into a strong buy zone.



Daily Chart of the Technology Sector (XLK)



Technology Sector Underperforms For The Week

The Tech sector gained less than the broader markets led by a pullback in heavyweight stock Microsoft (**MSFT**). Underperformance in Semiconductor stock also hurt this sector.

There were bright spots however with Software stocks continuing to advance amid strong earnings reports from select companies. CrowdStrike (**CRWD**) from our List is a prime example as the stock rallied 11.5% for the week after reporting earnings and sales that were ahead of estimates.

CRWD saw strength in demand for cloud security and identity protection as companies shore up protection from cyber attacks. The stock gapped up into a strong uptrend and can be bought in the \$226 range at its 5-day moving average.

Another stock that gapped up in price on heavy volume was Salesforce (**CRM**). The gain was due to strong earnings and it pushed the stock out of a 4 ½ month base amid price target upgrades from 24 Wall Street firms. Goldman Sachs posted the highest target with \$350.

CRM's management also guided growth estimates higher going forward which was an additional reason for Wall Street's exuberance. We're adding the stock to our Suggested Holdings List as the stock posted a bullish MACD crossover on its weekly chart which points to further upside longer term.

Near term however, the stock is extended and we'd be a buy on any pullback to the low of its gap up in price at \$245 as a buy point.

ServiceNow (**NOW**) from our List gained a more modest 2.5% with the stock remaining in a confirmed uptrend. The stock can be bought in the \$678 range at its 5-day moving average. Given **NOW's** overbought position which has been in place for several weeks, we would add lightly to any positions.

Monday.com (**MNDY**) pulled back to its 10-day moving average where it found support. This puts the stock into a buy zone. A close back above its 5-day moving average would be quite constructive.

Microsoft (**MSFT**) and Adobe (**ADBE**) both pulled back to their 21-day moving average with buyers coming in to support the stocks. Both **MSFT** and **ADBE** are in a strong buy zone. Of note, **ADBE** is due to release their earnings later this month.

Semiconductor stocks were flat for the week amid a disappointing forecast for 4th quarter growth from Marvell (**MRVL**) which pushed the stock down 6% for the week. Buyers came in on the stock's pullback however so that **MRVL** closed the day back above its 50-day moving average.

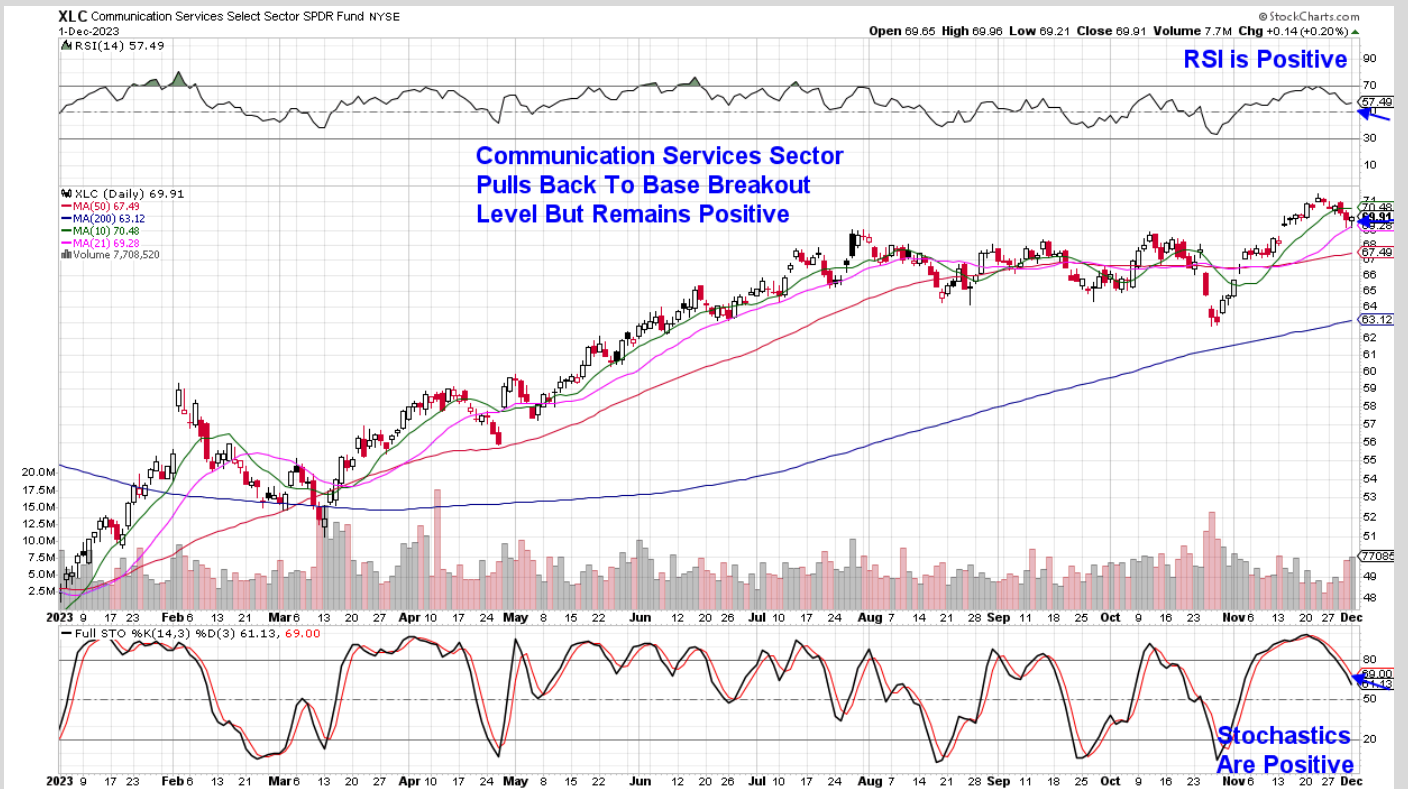
This bullish price action on Friday points to further near-term upside for the stock however, the now negative RSI coupled with the stock's general underperformance prior to its earnings report has us removing the stock from our Suggested Holdings List.

Nvidia (**NVDA**) pulled back 2% for the week as news last week of the company's delay of their new China-focused chip carried into this week. While the daily chart is exhibiting weakness, the weekly chart remains constructive with the RSI in positive territory. **NVDA** can be held.

Advanced Micro Devices (**AMD**) remains in an uptrend after a Friday pullback bullishly attracted buyers so that the stock closed in positive territory for the day. We would not be a buyer however due to general weakness in the group. **AMD** can be held.



Daily Chart of the Communication Services Sector (XLC)



Communication Services Sector Is Worse Performing

Mega-Cap heavyweights Meta (**META**), Netflix (**NFLX**), and Alphabet (**GOOGL**) each traded lower by an average of 3.5% last week with the losses occurring despite a lack of significant news.

These year-to-date winners are certainly due a pause given their outperformance this year.

That said, the potential loss of leadership among these and other mega-cap Growth stocks will be monitored. Historically, when leadership names begin to pull back, they can pull the rest of the markets down as well.

At this time, the equal-weighted S&P 500 remains in an uptrend indicating that the broader market's advance remains intact.

Given **META's** pullback, shorter-term investors may want to take profits as the RSI has turned negative on the daily chart while the Stochastics are poised to turn negative on the weekly chart. Longer-term investors can stay with **META** as the stock has a history of snapping back quickly after relatively short-lived pullbacks.

Netflix (**NFLX**) is in a more positive position both near and longer term however, we would not be a buyer on last week's pullback but instead would look for a close back above its 10-day moving average.

ARK Innovation ETF (**ARKK**) remains in a confirmed uptrend with most of last week's 8% gain taking place on Friday. A daily chart shows that a pullback to the 5-day moving average is an ideal buy point which at this time is at \$46. Given the overbought condition of the RSI, we would need to see a pullback before entering a new position.

Summary

November was a very strong month with a 9% gain that erased the weakness from August through October when interest rates were on the rise.

Last month's rally took place amid very favorable news with inflation trending lower, the economy continuing to remain strong, and the Federal Reserve signaling that they don't have to keep raising rates from here. Corporate earnings have been coming in above estimates as well. This bodes well for the markets as we head into the seasonally positive month of December.

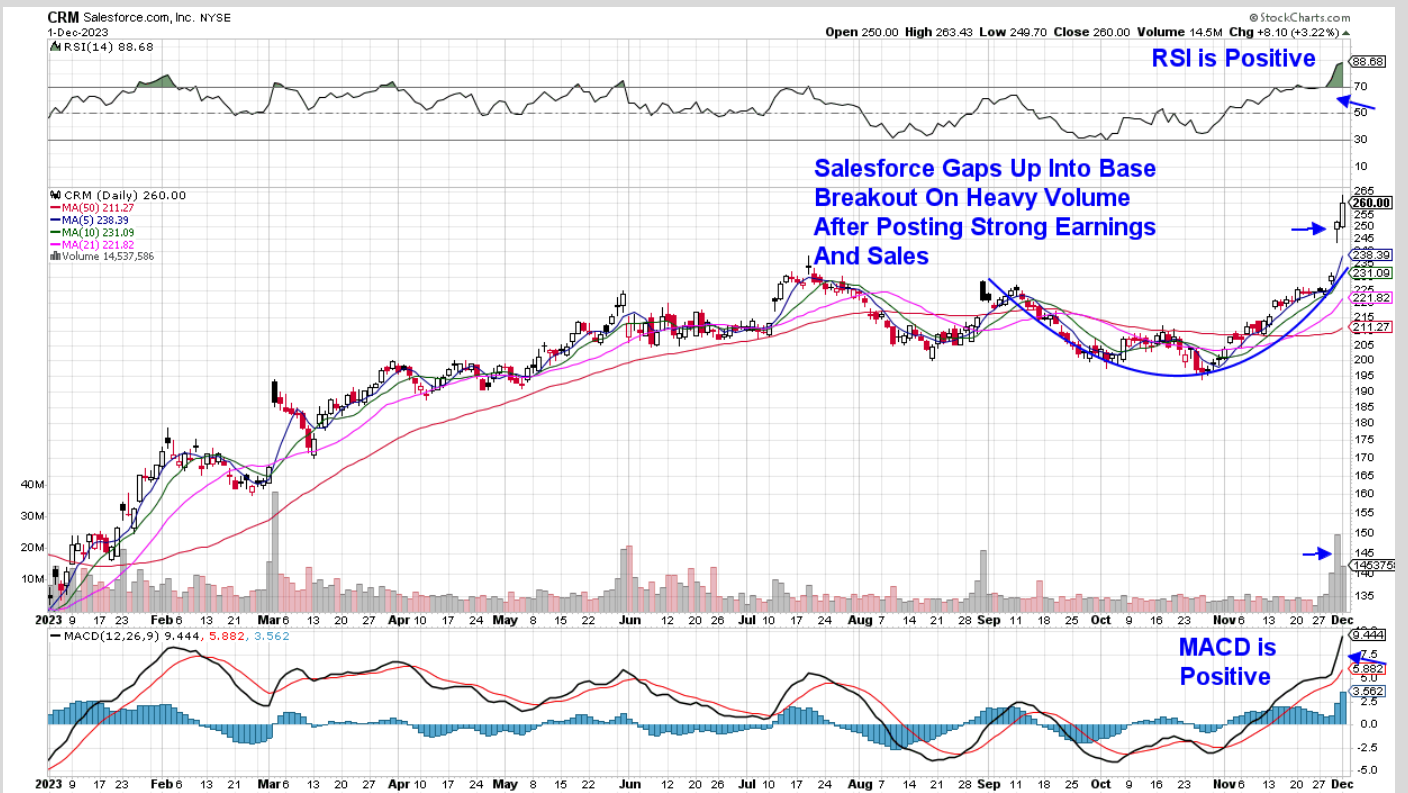
Next week, monthly employment data will take center stage, and any hint of job growth or wage increases during October, may dampen the currently positive bias in the markets. This is especially true given the sharp advance in the markets last month amid sentiment that the Fed is through with their rate hike campaign.

Any pullback in the markets would be constructive, as it would allow a setup from which stocks could trade significantly higher.

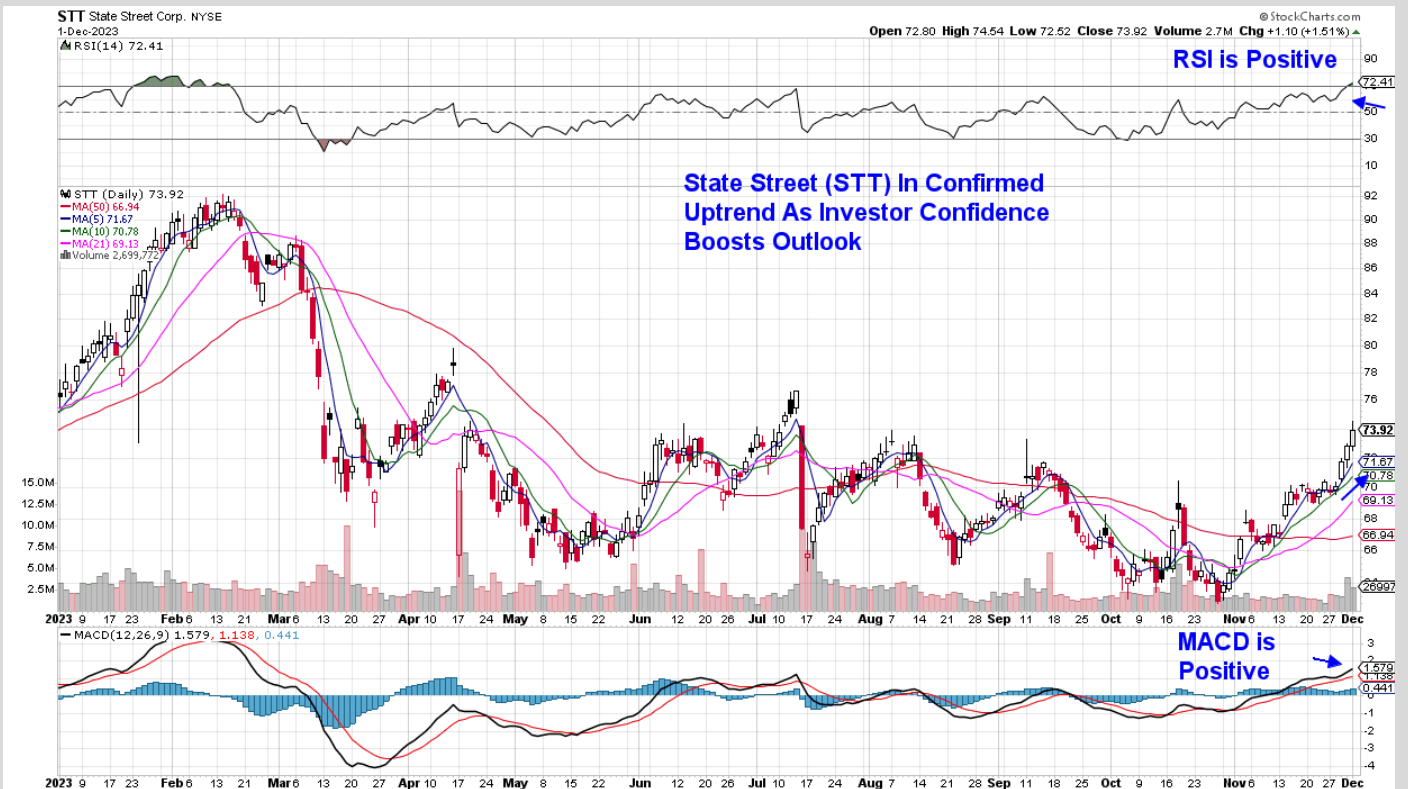
Daily Chart of Airbnb Inc. (ABNB)



Daily Chart of Salesforce.com, Inc. (CRM)



Daily Chart of State Street Corp. (STT)



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					
ABNB	Airbnb	\$135.00	12/3/2023		
AMZN	Amazon	\$138.60	11/5/2023	5.5%	Retail - Internet
MHO	M/H Homes	\$94.80	11/5/2023	14.5%	Home Builder
TOL	Toll Brothers	\$85.20	11/15/2023	3.5%	Home Builder
WING	Wingstop	\$206.80	11/5/2023	16.5%	Retail - Restaurant
FINANCIAL					
BPOP	Popular, Inc.	\$72.70	11/15/2023	5.0%	Regional Bank
EWBC	East West Bancorp	\$61.90	11/15/2013	7.0%	Regional Bank
STT	State Street Corp	\$72.90	12/3/2023		Investment - Asset Management
TECHNOLOGY					
ADBE	Adobe	\$563.00	11/5/2023	9.0%	Software
AMD	Advanced Micro Devices	\$118.50	11/12/2023	2.0%	Semiconductor
CRM	Salesforce	\$260.00	12/3/2023		
CRWD	Crowdstrike	\$176.70	10/8/2023	31.0%	Software
MNDY	Monday.com	\$163.70	11/14/2023	8.0%	
MRVL	Marvel	\$57.00	11/14/2023	-6.0%	
MSFT	Microsoft	\$327.30	10/8/2023	14.0%	Software
NOW	ServiceNow	\$606.70	11/5/2023	13.0%	Software
NVDA	Nvidia	\$450.00	11/5/2023	4.5%	Semiconductor
COMMUNICATION SERVICES					
META	Meta Platforms	\$315.40	10/8/2023	3.5%	Internet-Content
NFLX	Netflix	\$432.30	11/5/2023	7.5%	Internet-Content
ARKW	ARK Innovation ETF	\$44.88	11/26/2023	8.0%	Internet ETF

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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