



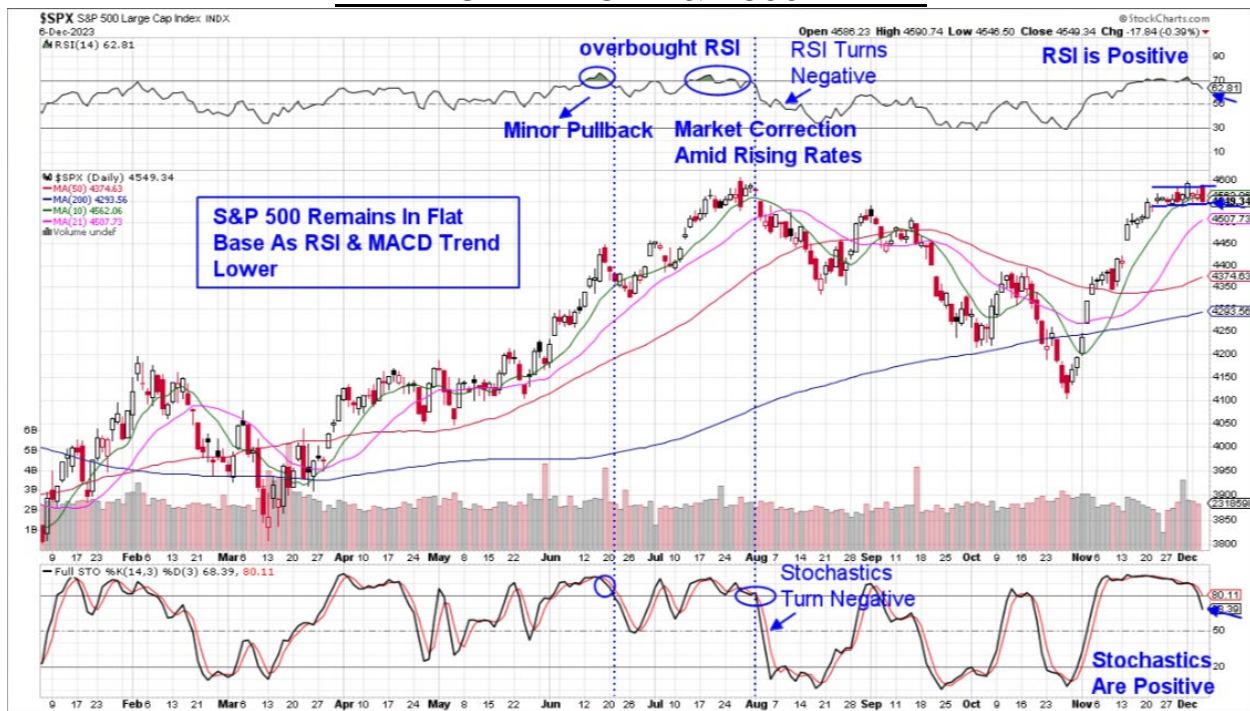
# THE MEM EDGE

Midweek Report

Wednesday, December 6, 2023

- Private Jobs Report Shows Slowdown In New Openings
- October U.S. Employment and Wage Data Due Friday
- Consumer Sentiment Released Friday As Well
- Core CPI and PPI Data Due Next Week

## DAILY CHART OF S&P 500 INDEX



The S&P 500 has lost 1% this week in a move that has lowered the RSI out of an overbought position on the daily chart, with the stochastic's trending lower as well. At this time, the S&P 500 remains in a trading range with a flat base that began two weeks ago, and the near-term uptrend is in place.

This week's pullback is concentrated mostly in areas of growth that experienced significant gains during the month of November while defensive areas such as Healthcare, REITs and Utilities are flat.



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The NASDAQ is experiencing a similar pullback, with a 1% decline that's pushing the RSI lower on the daily chart. Of note however, is that the stochastics are now in negative territory. In the chart below we've highlighted the subsequent price action that followed a negative stochastic in this Index three other times this year. As you'll see, most of the damage occurs when a negative RSI is also in place. We'll continue to monitor for this negative RSI possibility.

Within the Nasdaq, mega-cap FAANMG names are continuing last week's underperformance with the most weakness taking place again, in Internet Related stocks such as Meta (META) and Netflix (NFLX) from our list.

**META** has a negative RSI with the Stochastics poised to turn negative as well. At this time, the stock is continuing to find support at its 50-day moving average. META has a history of dipping below its 50-day mav with a negative RSI and MACD. The stock has a history of recovering quickly from this negative price action such as mid-August and late October of this year. At this time **META** can be held.

Ark Innovation (**ARKK**) remain in an uptrend as it finds support at its 5-day moving average.

Netflix (**NFLX**) is in a more negative position with a close below its 21-day moving average and a negative MACD. We see further near term downside for NFLX with the longer term weekly chart remaining positive.

Interest rates are continuing to decline which is good news for areas such as Home Builders. Both M/I Homes (**MHO**) and Toll (**TOL**) from our List have gained with MHO continuing to find support at its upward trending 5-day moving average which keeps it in a buy zone. TOL gapped up to a new high in price today, and can be bought on a pullback to its 5-day mav at \$87.



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Bank stocks are mixed with a gain in East West Bancorp (EWBC) being offset by a pullback in Popular Bank (BPOP). **EWBC** remains in an uptrend as it finds support at its upward trending 5-day moving average. Historically, **BPOP** can be bought on a pullback to its 10-day moving average which is currently at \$73.

State Street (**STT**) has experienced a more pronounced pullback however, the stock was able to find support at its upward trending 10-day moving average with the RSI and MACD remaining in positive territory on the daily chart. We would not be a buyer on this pullback however as STT is poised to move below its 200-day moving average. This would reverse its recent uptrend.

The Technology sector is underperforming as Software (IGV) and Semiconductor (SOXX) pull back from last week's outperformance.

At this time Semiconductor stock are the most vulnerable to further downside with the group's RSI poised to turn negative and a possible close below its 21-day moving average. Tomorrow, heavyweight Semiconductor stock Broadcom (**AVGO**) will be releasing their results after the market's close. Their numbers - as well as investors' response - is expected to impact the group.

As stated over the weekend, Nvidia (**NVDA**)'s RSI has turned negative however, the stock is continuing to find support at its 50-day moving average. Similar to META, Nvidia has a history of closing below its moving averages with negative momentum indicators recover within 2-3 weeks. The longer term weekly chart remains positive.

More recently, AI related stocks have lost their luster, with Adobe (**ADBE**) pulling back 3% this week in a move that has the RSI poised to turn negative. Semiconductor stock Advanced Micro (**AMD**) is in a similar position on both the daily and weekly chart. Both stocks can be held with a close above the 10-day moving average putting both **AMD** and **ADBE** back into an uptrend.





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Salesforce (**CRM**) has pulled back and is now in a tight sideways trading range. CRM can be held as the stock consolidates. Crowdstrike (**CRWD**) is forming a high tight flag formation as it continues to bullishly trend higher. While the stock is poised to move higher, weakness creeping into last month's winners such as CRWD, has us neutral with the stock now as a hold.

At this time, the broader markets are exhibiting some weakness, with the negative Stochastics on the daily chart of the Nasdaq having us hitting the pause button on adding to any positions in most Growth areas until we see strength resume in Technology and Internet related stocks.

Interestingly, today's report of a slowdown in private jobs did little to boost the markets despite a further decline in interest rates. On Friday, we'll see the broader U.S. employment data for the month of November and again, it will be telling as to how the markets respond.

Currently, investors appear to be in a wait and see mode after November's sharp advance. While there is profit taking in spots, a disinterest has taken over, as earnings season continues to recede.

While we suggested buying on any pullback over the weekend, we would look to areas that are newer to the market's uptrend such as Banks and Discretionary stocks such as Airbnb (**ABNB**) which we just added to our Suggested Holdings List.

Of note, next week core CPI and PPI data will be released and this inflation focused data may sway sentiment regarding the Fed's rate policy.

Warmly,  
Mary Ellen McGonagle  
Editor, MEM Edge Report



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## DAILY CHART OF NASDAQ COMPOSITE

