



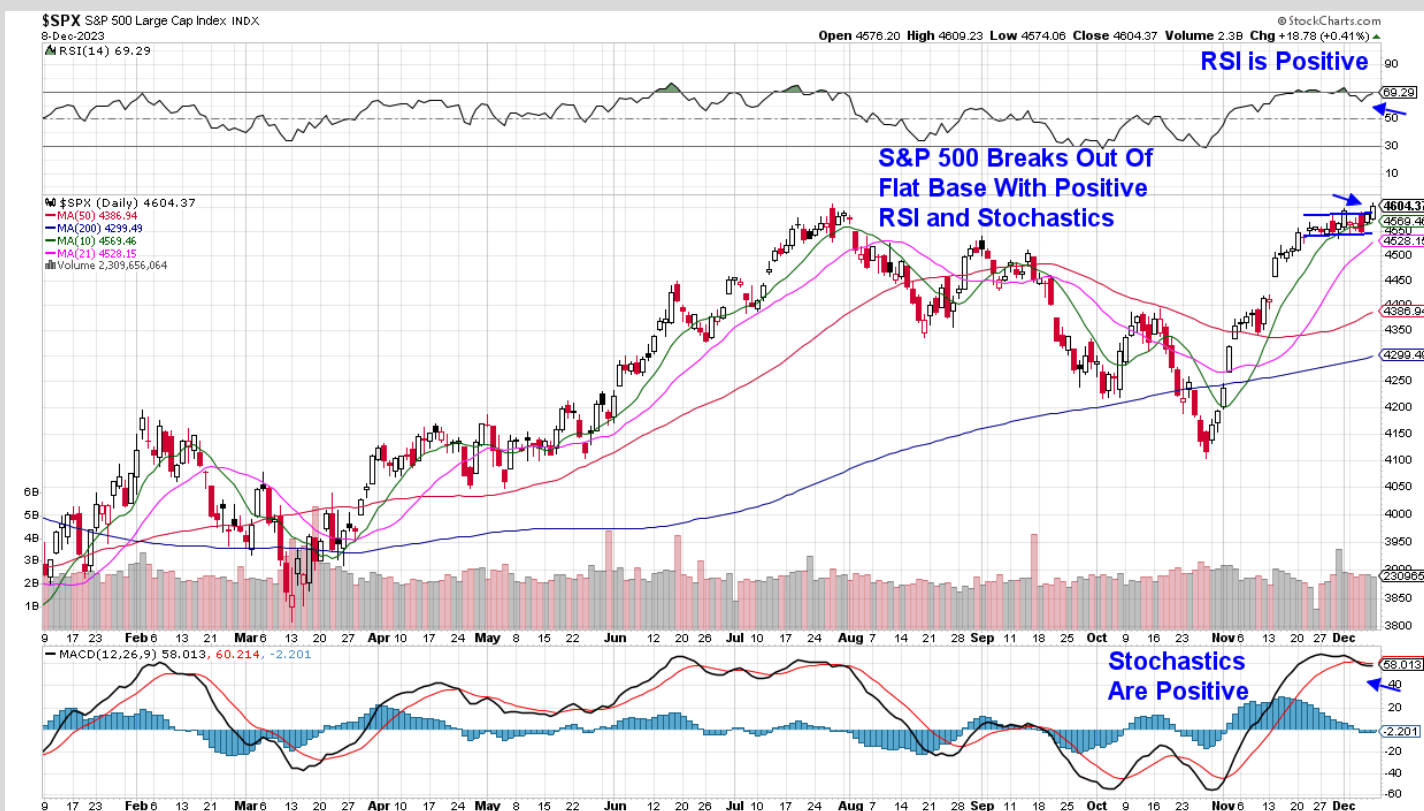
# THE MEM EDGE

December 10, 2023 | Weekly Report

## This Week's Highlights

- Private Jobs Report Shows Slowdown In New Openings
- Core CPI and PPI Data Due Next Week
- October Data Shows Wages Still Hot While 199k New Jobs Were Added
- Federal Reserve's FOMC Meeting Next Week
- Consumer Sentiment Jumps In October

### Daily Chart of S&P 500



The S&P 500 posted a 0.2% gain with a late week rally that bullishly pushed this Index out of a two-week base. With the RSI and stochastics in positive territory, the near-term uptrend for this index remains in place.

The S&P 500 is now within points of a 4-month base breakout at 4607. In addition to a breakout, a move above this level would put this Index above its July high, which is a key area of possible resistance.

A close above the July highs would have this Index on the path for further gains.

At this time, one concerning signal is that the Stochastics posted a negative crossover with the black line now below the red on the daily chart for the S&P 500.

That said, we've seen this negative crossover in the past and the markets have been able to continue to advance - such as the late June into mid-July period. The more impactful signal of a potential pullback is a negative RSI such as in early August, which coincided with a negative Stochastics crossover. In addition, the S&P closed below its 21-day moving average on volume. Currently, the RSI remains in positive territory and is poised to trade higher.

The NASDAQ ended the week on a more solid note with a Thursday into Friday rally that pushed this Index up 0.7% for the week. This was quite a recovery from the 1% loss that was in place into Wednesday's close. The move puts this Index back into an uptrend with a positive RSI and Stochastics which points to further near-term upside.

A review of the daily chart of the NASDAQ posted below shows that for this index as well, a negative RSI has historically preceded each of the past three pullbacks. At this time, the RSI is in positive territory as its above 50 and trending upward.

The biggest Nasdaq gainers during the late-week rally were heavyweights Meta (**META**), Alphabet (**GOOGL**), Apple (**AAPL**), and Nvidia (NVDA) with each of these names entering a new uptrend.

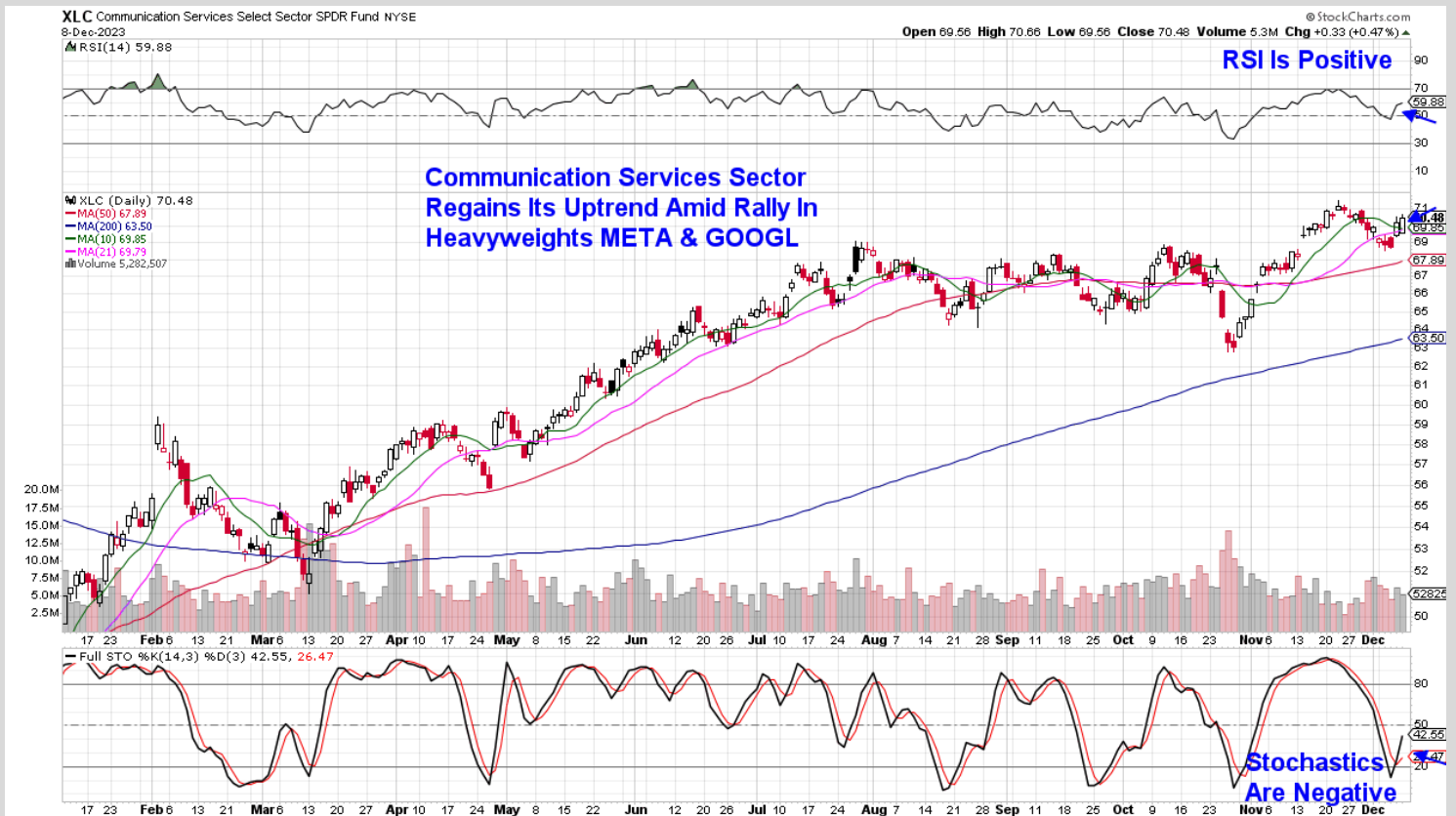
Overall interest rates trended lower for the week which helped Home Builders and Bank stocks which remain in strong uptrends. More defensive areas such as Consumer Staples, REITs, and Utilities pulled back as the week progressed.

The markets moved sideways at first last week despite a drop in interest rates. Investors pivoted on Thursday however, amid Google's introduction of their new AI model Gemini while Advanced Micro (**AMD**), announced the launch of their AI chips on the same day. The news sparked renewed interest in AI and other Tech names.

Next Wednesday, the Federal Reserve will announce their interest rate decision and while it's expected they'll keep rates level, investors will be on the lookout for comments that suggest a halt to rate hikes is on the horizon. This would set the stage for a decline in rates during the second half of next year.



## Daily Chart of the Communication Services Sector (XLC)



### Communication Services Sector Regains Uptrend

A rally in Internet-related stocks helped this sector move back into an uptrend, after closing back above its 10-day moving average with the RSI moving back into positive territory.

The gains were led by a sharp rally in Meta platforms (**META**) which jumped on Thursday after it was revealed that the company is currently testing some 20 AI-related projects that involve facilitating the integration of a chatbot and an AI image generator into its ecosystem.

The news had analysts raising their growth estimates for the company as their efforts are expected to bring increased recurring revenue going forward.

**META** is back above both its 10 and 21-day moving averages with the RSI entering positive territory as well. This bullish price action puts **META** into a strong buy zone.

Netflix (**NFLX**) underperformed the group with a 2.6% pullback. Losses were stemmed going into Friday however, with the RSI regaining its positive position above 50. A close above the 10 and 21-day moving average would put **NFLX** into a buy zone. The stock can be held.

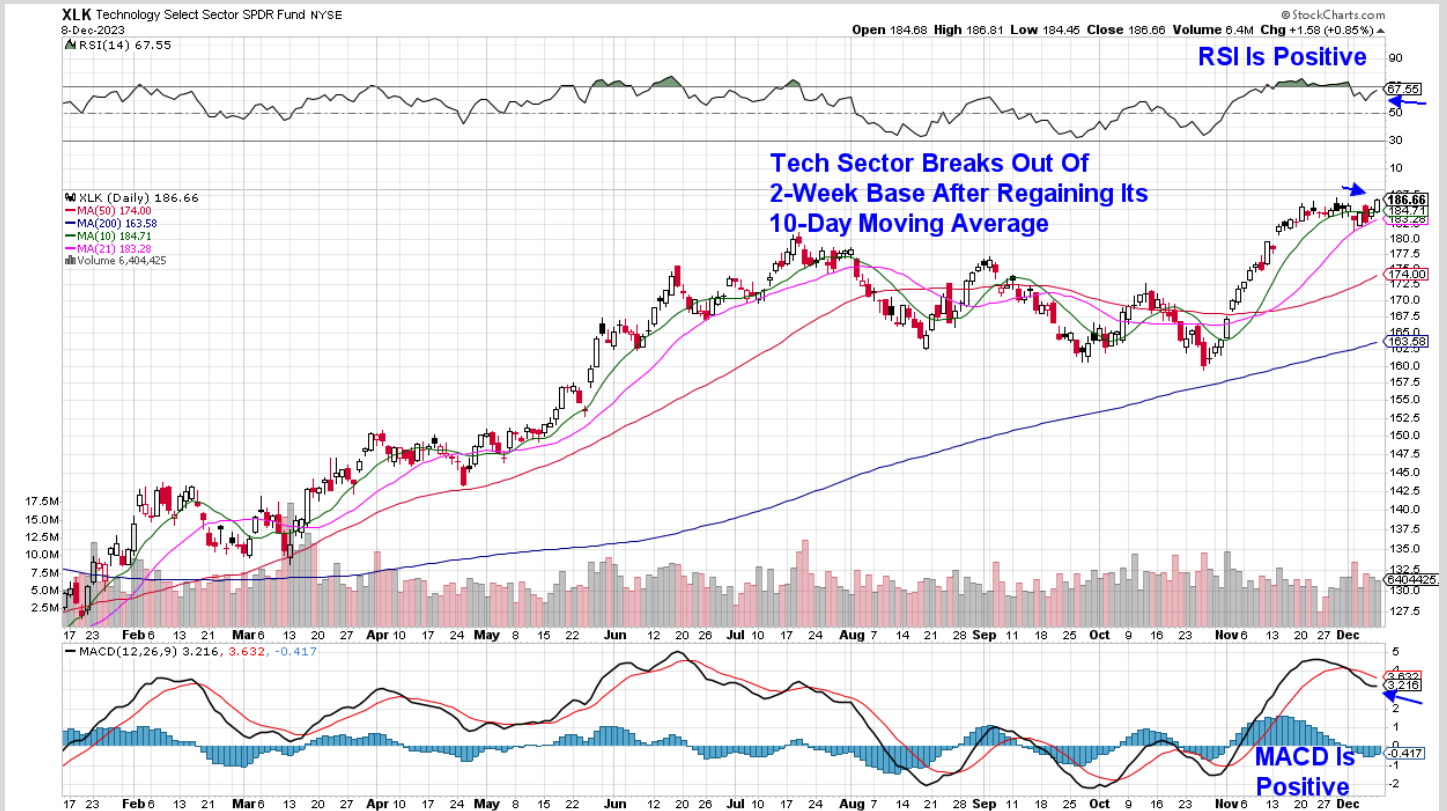
Ark Innovation ETF (**ARKK**) continues to trade above its upward-trending 5-day moving average. The weekly chart is in a bullish position as the MACD just posted a positive crossover and is now in positive

territory. This bodes well for the longer-term outlook for **ARKK**. The ETF is in a buy zone.

***Each of ARKK's top holdings are in a position to trade higher*** with Coinbase (**COIN**), Roku (**ROKU**), and UiPath (**PATH**) posting base breakouts while Zoom (**ZM**) and Block (**SQ**) have recently entered new uptrends.



## Daily Chart of the Technology Sector (XLK)



### Technology Sector Recovers From Early Week Pullback

The Tech sector posted a two-week base breakout in a move that put it back above its 10-day moving average and in a bullish position from which to trade higher. The positive price action was led by a rally in heavyweight Apple (**AAPL**) as well as outperformance in Semiconductor stocks.

Among Large Cap Semis, Advanced Micro (**AMD**) was the top performer with a 6.2% gain that pushed the stock out of a cup with a handle base on heavy volume. **AMD** was the top performer in the S&P 500 Thursday after the company launched a new line of chips at their AI event.

Using the early May period for **AMD** as president, the stock can be bought on a pullback that puts it

closer to its 5-day moving average which is currently at \$122.

Nvidia (**NVDA**) also posted a late-week rally, with a 4.5% gain that had the stock recovering earlier losses and ending the week up 1.5%.

**NVDA** is back above its 10-day moving average with the RSI now in positive territory. This puts the stock into a buy zone and a close above its 21-day moving average would be a strong buy zone.

The move back into these heavyweight Semiconductor stocks is very constructive for the group with the Semi ETF (**SOXX**) now back above each of its moving averages with an RSI and MACD that are both in positive territory.

We're adding Broadcom (**AVGO**) to our suggested Holdings list after the company reported solid earnings that were above estimates after the markets closed on Thursday. In addition, the company increased their dividend. **AVGO** closed the week above its 10-day moving average with the RSI now back in positive territory. The stock is in a buy zone with a close above its 21-day moving average putting it into a strong buy zone.

Software stocks underperformed last week as this overbought group pulled back to its 10-day moving average where it found support. (using ETF IGV) There were outperformers, however, such as CrowdStrike (**CRWD**) from our list, which gained 3.5% amid a price target upgrade from a major Wall Street firm.

While **CRWD** has an overbought position on both its daily and weekly chart, the stock still has room for further upside with the intermediate-term outlook being very constructive with the MACD trending upward from a midway point.

ServiceNow (**NOW**) from our list also outperformed after a Friday base breakout put the stock at a new high in price. The gains followed price target upgrades from several Wall Street firms to as high as \$775.

Analyst upgrades are due to the company's investment in the development of their generative AI which is seen as an accelerator for its business. **NOW** is in a buy zone.

Salesforce (**CRM**) pulled back last week as the stock consolidates following its prior week's sharp gain due to a strong earnings report. As suggested in last week's report, we'd be a buyer in the \$245 range which is the top of its base breakout level.

Adobe (**ADBE**) ended flat after recovering from a slight pullback earlier in the week. The company - which is due to report earnings on Wednesday - received two price target upgrades last week to as high as \$690 ahead of their release.

*Wall Street upgrades going into earnings is generally a bullish signal as analysts will not risk their reputation unless they had some insights to guide their positive bias.*

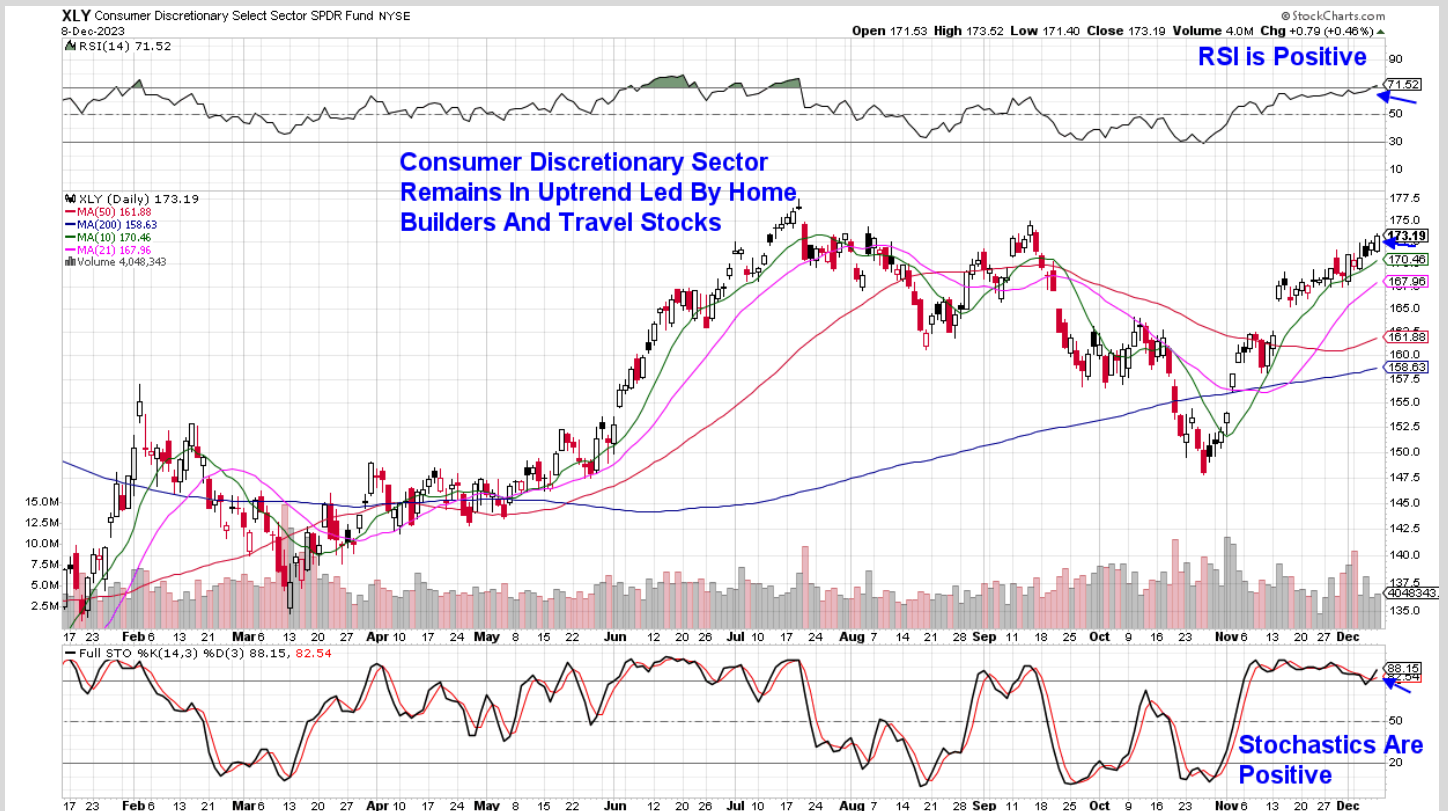
Monday.com (**MNDY**) pulled back almost 1% last week as unlike other growth stocks, it did not recover from a midweek pullback. At this time, the stock is above its 21-day moving average with a positive RSI. MNDY can be bought on a close back above its 10-day moving average at \$178.

Heavyweight software stock Microsoft (**MSFT**) ended the week flat amid news that the company's partnership with OpenAI is under regulatory scrutiny in the UK. The FTC in the U.S. is also said to be examining the relationship.

**MSFT** trended slightly higher as the week progressed with the RSI very much in positive territory. A close above the 10-day moving average at \$375, would put Microsoft into a buy zone.



## Daily Chart of the Consumer Discretionary Sector (XLY)



### Consumer Discretionary Sector Is Top Performing

Consumer Discretionary stocks remain in an uptrend despite a flat performance in the S&P 500 retail ETF. (using ETF XRT) The sector was the top-performing last week, led by gains in Home Construction and Travel Related stocks.

Residential home builders gained an average of 3.5% last week with select names such as those on our suggested Holdings list gaining almost double that. (using ETF XHB)

The demand for these stocks is taking place amid a drop in mortgage rates as well as the continued reporting of strong earnings results. These stocks are among the last to report their quarterly results, and several more companies are due to report next week.

Toll Brothers (**TOL**) from our List gained almost 6% for the week on heavy volume that put the stock at a new high in price. The rally last week has put **TOL** above its 5-day moving average and a pullback to this mav at \$90 would be an ideal buy point for the stock.

M/I Homes (**MHO**) also outperformed with a 5.5% gain that took place as the stock continues to find support at its upward-trending 5-day simple moving average. (**MHO**) Is in a buy zone with its weekly chart looking particularly compelling as the MACD trends higher.

Travel-related stocks also outperformed following news from several Airlines that cited the Thanksgiving holiday as a record travel period. This bodes well for lodging companies such as Airbnb

(**ARNB**) from our Suggested Holdings List which gained 4% as it continues to form the right side of a base while finding support at its upward trending 5-day simple moving average.

**ABNB** can be bought in the \$137 range which is its 5-day mav, as the stock approaches a 3-month base breakout at the \$150 level.

Retailers had a more difficult period last week, with names such as Walmart falling further below its key 200-day simple moving average on heavy volume amid analyst downgrades. Restoration Hardware - which is owned by Warren Buffett's fund - fell 14% after posting disappointing results as management guided growth prospects lower into next year.

Not all areas of retail are suffering however, with select restaurant stocks such as Wingstop (**WING**) continuing to trade higher. **WING** gained 2% for the week as the stock continues to find support at its upward-trending 5-day moving average. The MACD on the daily chart posted a negative crossover last week which may signal a period of consolidation as it digests the sharp gain it's seen over the past 6 weeks.

According to William O'Neil's methodology, profits can be taken in a stock after a 20 to 25% gain from its base breakout level.

**WING** is now 18% above its base breakout when we added it early last month. Profit taking at the 20% gain level would be advised if the RSI begins to trend lower such as the early May period of this year. We will continue to monitor price action and alert you to this shift if it occurs.

Amazon (**AMZN**) continues to trade in a flat base formation for the past 4 weeks despite analyst upgrades to their estimates for earnings going into the end of this year as well as next year.

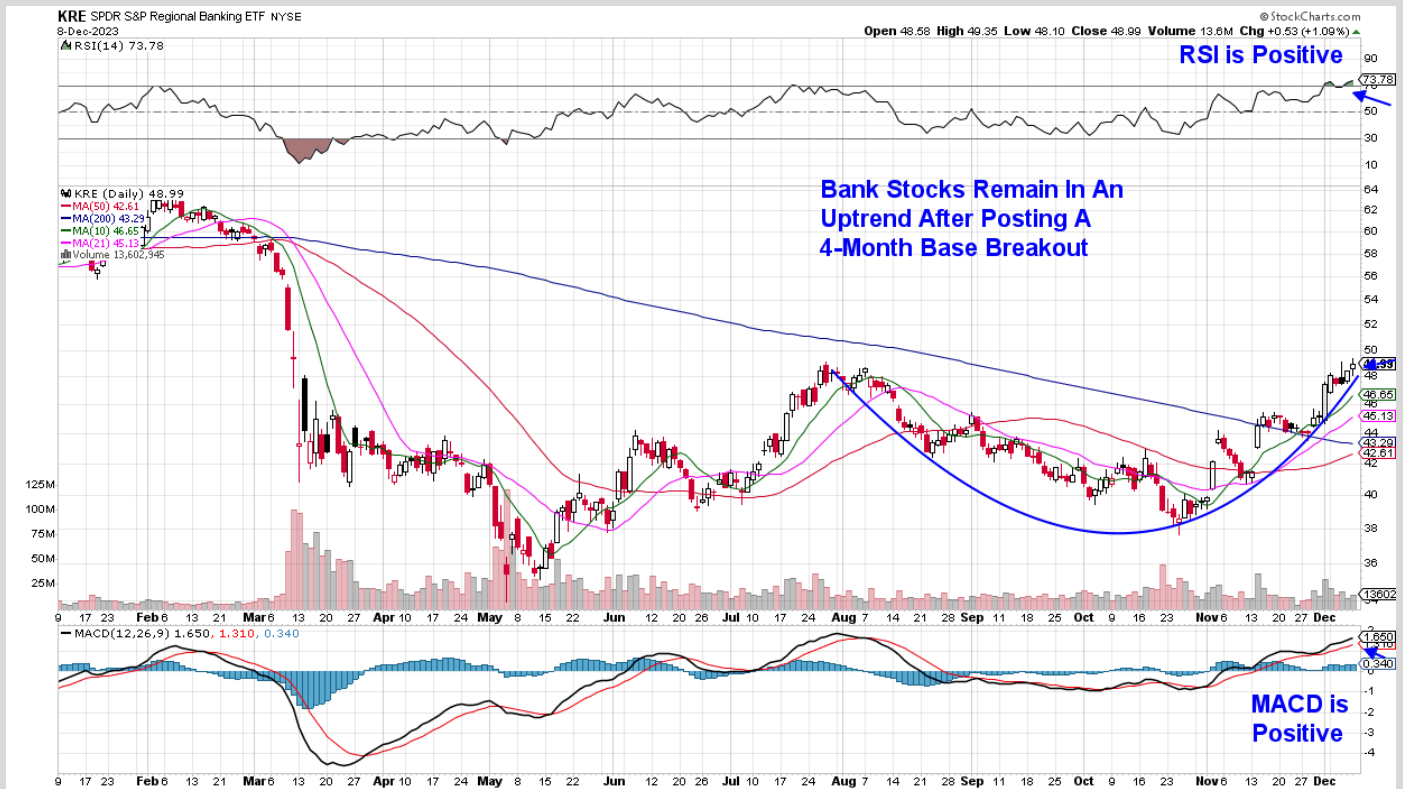
Last week, 2 major value-oriented Wall Street firms (Bernstein and TD Cowen) named Amazon as their top pick for 2024 due to high margins at their AWS unit as well as ad sale opportunities on Prime Video.

**AMZN** is in a buy zone with a close above \$149 putting the stock into a strong buy zone and into a base breakout.





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



### Bank Stocks Continue To Outperform

The Financial sector was flat for the week as a pullback among Insurance stocks countered a rally in Banks.

Insurance stocks had been on the move higher amid elevated interest rates. These companies invest their premiums in mostly shorter-term treasuries and with rates receding, their profit margins from this area are expected to fall.

Bank stocks on the other hand, are continuing to trend higher amid an improved outlook for their growth prospects as lower interest rates are expected to increase lending activity. Other factors are also at play as these companies are recovering from the April banking crisis.

Among stocks on our Suggested Holdings list, East West Bancorp (**EWBC**) continues to be an outperformer with a 4.5% rally last week that keeps the stock in an uptrend following its 4-month base breakout in early December. **EWBC** remains in a confirmed uptrend and is in a buy zone as the stock continues to trend higher.

Popular, Inc. (**BPOP**) also remains in a confirmed uptrend as it finds support above its upward-trending 5-day simple moving average. The stock is in a buy zone however, it's overbought position with the RSI above 70, points to a pullback to its 10-day moving average at the \$75 range as being an ideal buy point.

State Street (**STT**) closed the week flat after a pullback to its 10-day moving average from which it recovered.

As cited in last week's report, a pullback to this 10-day MAV at \$72 was an ideal buy point for **STT** given the stock's overbought position. **STT** is in a buy zone with the weekly chart looking very constructive as the MACD is poised to turn positive. We'd be a buyer of **STT**.

We anticipate Bank stocks to continue to trend higher as major Wall Street firms are upgrading their outlooks to outperform given their relatively cheap valuations and improved growth outlooks.



## Summary

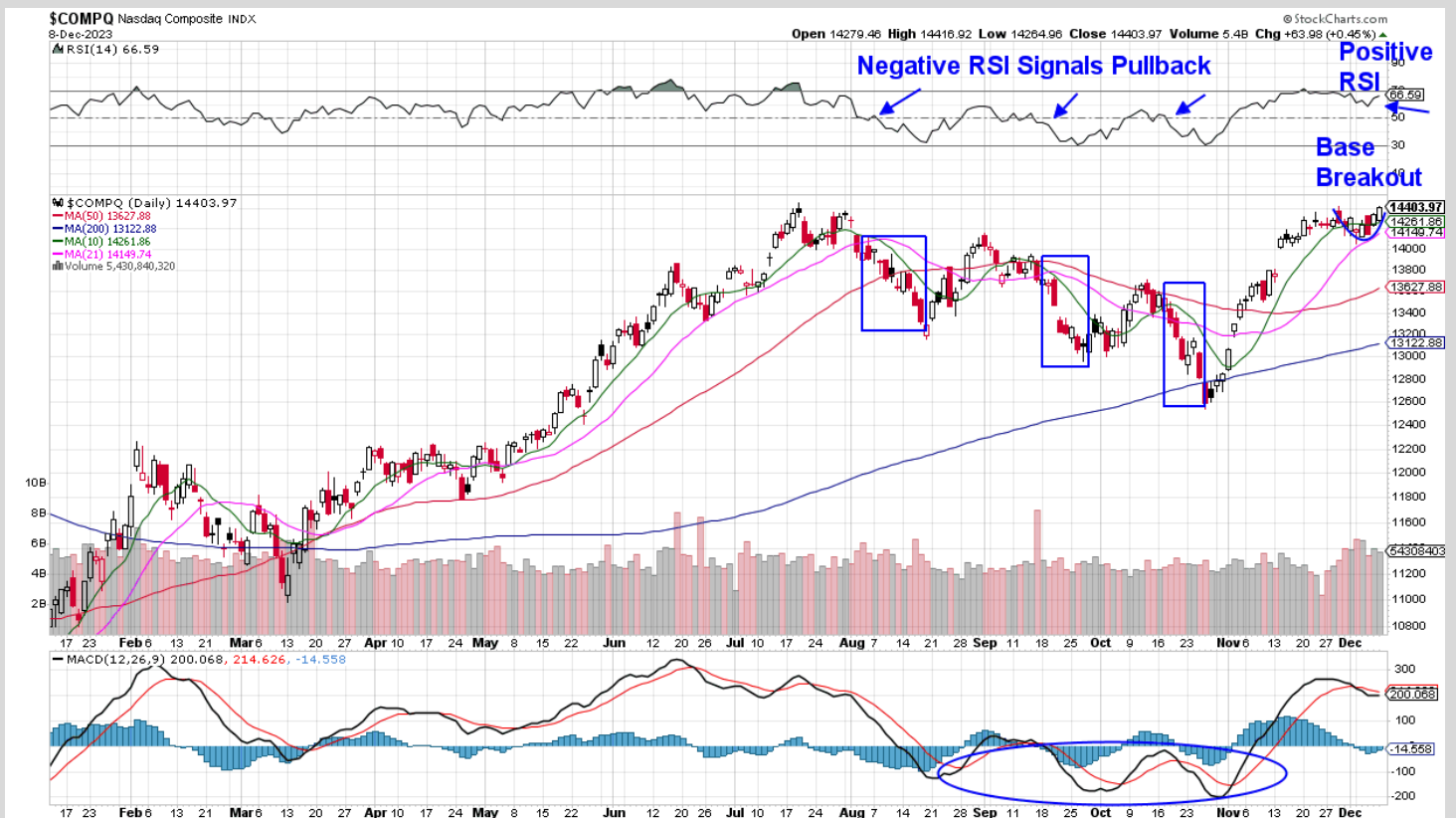
The Market's late week pivot into a more bullish mode took shape following exciting news regarding new AI products that will not only improve the growth outlook for select companies such as Alphabet, Meta, and Advanced Micro, but will also increase productivity on a wider basis with faster cloud computing capabilities.

More impactful for the broader markets beyond AI-related stocks is the fact that investors saw past the stronger-than-expected jobs numbers on Friday and instead, focused on the possibility for a better economy next year. With Treasury yields well below their mid-October high of 5% as well as many of the Magnificent Seven stocks regaining their uptrends, the path for a continued advance in the markets is back in place.

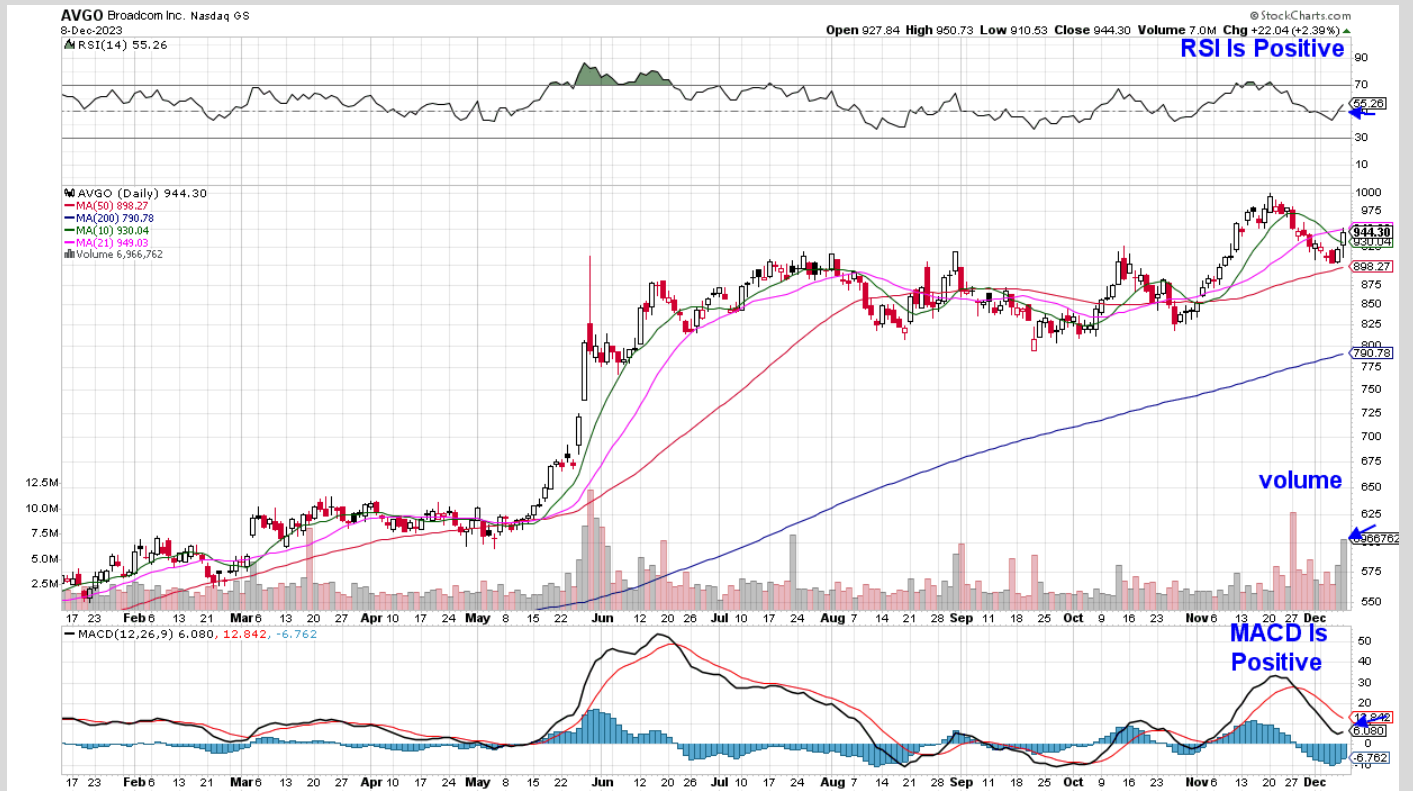
That said, earnings season is now behind us, as is the boost that strong quarterly reports have provided. Without this tailwind, next week's FOMC meeting may cause volatility, particularly if Fed Chair Powell dampens investor's anticipation of rate reductions next year. Core CPI and PPI data on Tuesday and Wednesday will also be closely watched for confirmation that inflation is receding.

Overall, an uptrend in the markets is in place, with current strength taking place in Housing and Banks that are benefitting from lower rates while AI and other Tech names are seeing renewed strength. We'll continue to focus on these areas while on the lookout for newer areas to emerge.

### Daily Chart of Nasdaq Composite INDX (\$COMPQ)



## Daily Chart of Broadcom Inc. (AVGO)



# MEM Edge Report Suggested Holdings

*Stocks With Emerging Leadership Characteristics*

<b>\$ = Earnings Due</b>	<b>Buy Zone</b>	<b>Strong Buy</b>	<b>Buy on Pullback</b>	<b>Removed From List</b>
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SYMB	COMPANY	PRICE	DATE ADDED	PERFORMANCE	INDUSTRY GROUP
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CONSUMER DISCRETIONARY					
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ABNB	Airbnb	\$135.00	12/3/2023	4.0%	
AMZN	Amazon	\$138.60	11/5/2023	5.5%	Retail - Internet
MHO	M/H Homes	\$94.80	11/5/2023	20.0%	Home Builder
TOL	Toll Brothers	\$85.20	11/15/2023	9.5%	Home Builder
WING	Wingstop	\$206.80	11/5/2023	18.5%	Retail - Restaurant

FINANCIAL					
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BPOP	Popular, Inc.	\$72.70	11/15/2023	6.0%	Regional Bank
EWBC	East West Bancorp	\$61.90	11/15/2013	11.5%	Regional Bank
STT	State Street Corp	\$72.90	12/3/2023	0.0%	Investment - Asset Management

TECHNOLOGY					
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ADBE	Adobe	\$563.00	11/5/2023	9.0%	Software
AMD	Advanced Micro Devices	\$118.50	11/12/2023	8.0%	Semiconductor
AVGO	Broadcom	\$944.30	12/10/2023		Semiconductor
CRM	Salesforce	\$260.00	12/3/2023	-3.5%	
CRWD	Crowdstrike	\$176.70	10/8/2023	34.5%	Software
MNDY	Monday.com	\$163.70	11/14/2023	7.0%	
MSFT	Microsoft	\$327.30	10/8/2023	14.0%	Software
NOW	ServiceNow	\$606.70	11/5/2023	14.0%	Software
NVDA	Nvidia	\$450.00	11/5/2023	6.0%	Semiconductor

COMMUNICATION SERVICES					
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META	Meta Platforms	\$315.40	10/8/2023	6.0%	Internet-Content
NFLX	Netflix	\$432.30	11/5/2023	5.0%	Internet-Content
ARKW	ARK Innovation ETF	\$44.88	11/26/2023	9.5%	Internet ETF

# Glossary of Terms Used From Our Suggested Holdings

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## 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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