



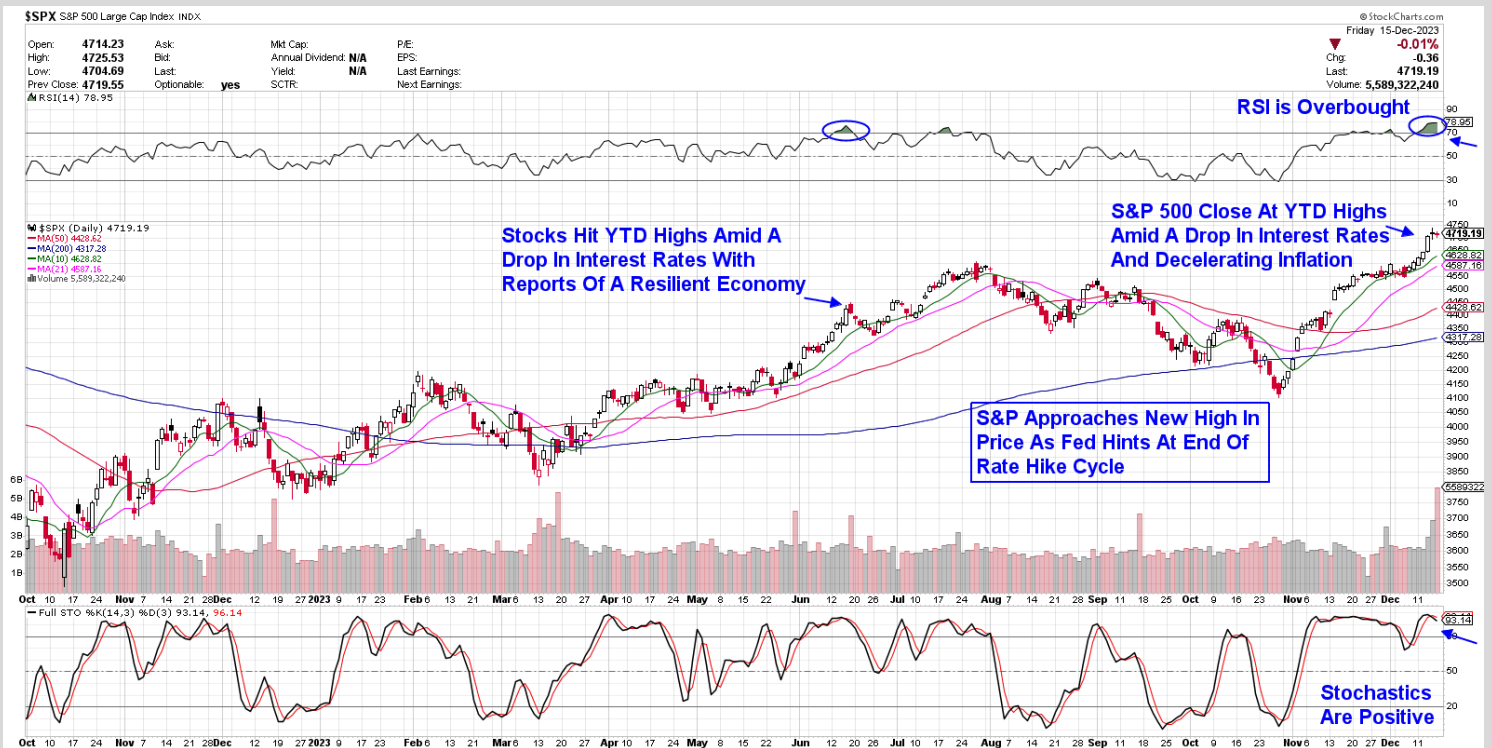
# THE MEM EDGE

December 17, 2023 | Weekly Report

## This Week's Highlights

- Federal Reserve Signals Likely End To Rate Hike Campaign
- Inflation Continues To Temper After Consumer Price Index and Producer Price Data Show Slowdown
- Potential Rate Interest Rate Cuts On Horizon For Next Year
- Retail Sales Show Strong Start To Holiday Sales
- Core PCE Data, Q3 GDP And Housing Data Due Next Week

### Daily Chart of S&P 500



The S&P 500 has gained 2.5% for the week in a move that puts this Index above resistance and on its way toward a new high in price at the 4818 level which was the late 2021 peak. With the RSI and Stochastics in positive territory for both the daily and weekly charts, the uptrend for this Index remains firmly in place.

The equal-weighted S&P 500 gained more, with a 3.4% advance that confirms a broadening out of participation in this confirmed uptrend. This is good news as narrow leadership would not support a sustained uptrend.

Most of last week's gains took place on Wednesday, following comments from Fed Chair Powell that signaled that we may be at the end of the Fed's rate hike campaign. In turn, interest rates dropped with the yield on the 10-year Treasury now below 4%. Tame inflation data earlier in the week also boosted sentiment that rates are heading lower.

In response to the drop in rates, the Growth heavy Nasdaq outperformed last week, with a 2.9% gain that was sparked by considerable outperformance in Semiconductor stocks, as well as, Biotechs and select Retailers. With the exception of Netflix (**NFLX**) and Tesla (**TSLA**), most of the M7 stocks underperformed for the week.

While both Indexes are in a confirmed uptrend, they're also in an overbought position with their RSI above 70. As noted in prior reports, an overbought RSI on the daily chart of a broader market index is not common and often precedes a pullback.

Given the reduced rate environment as a backdrop, we're anticipating a pullback similar to mid-June of this year which was a buying opportunity. A move of the Stochastics below 80 was the first signal of a potential pullback in June and at this time, the Stochastics are at 93 however, they're trending lower.

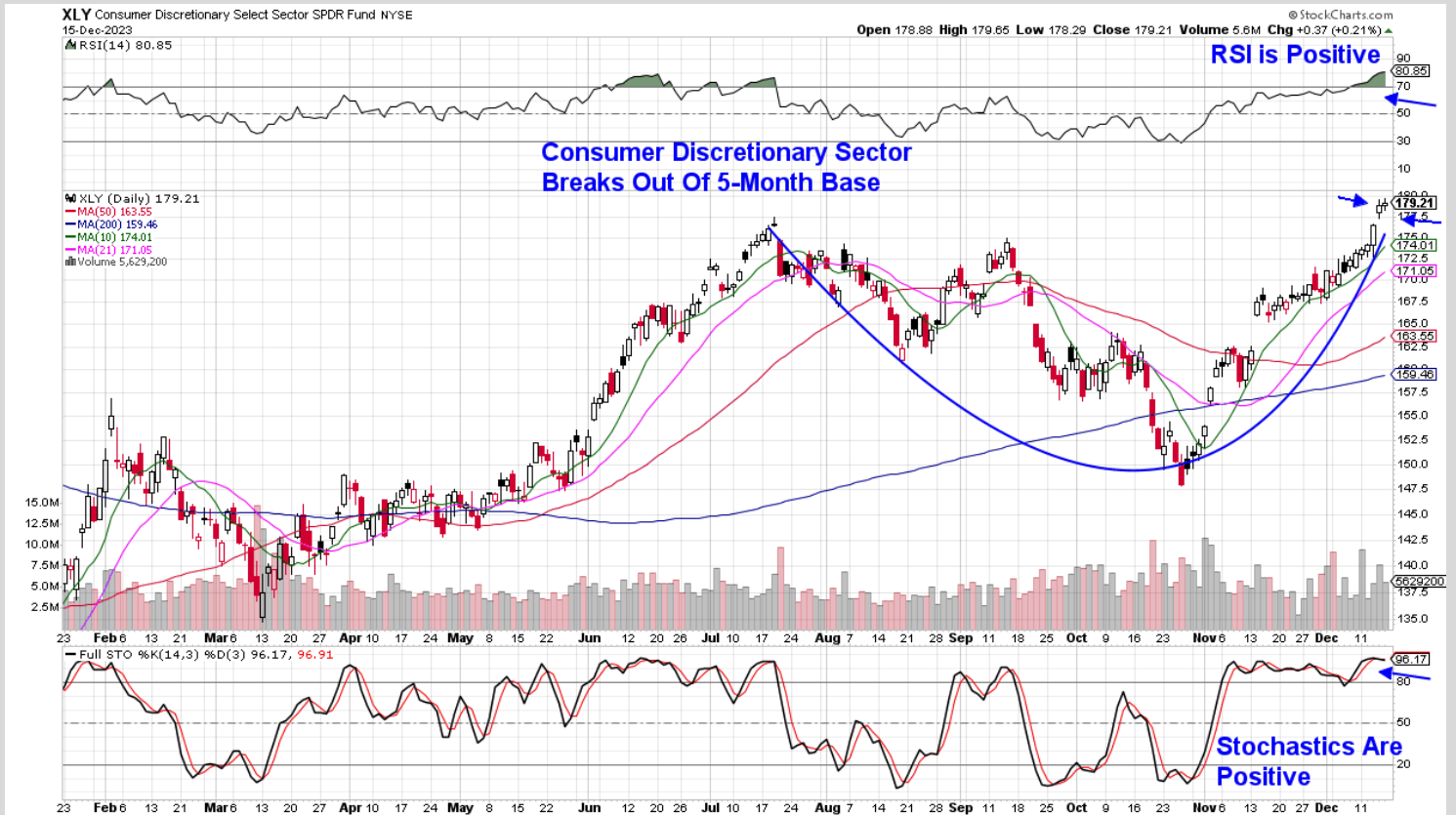
In addition to Growth stocks which fare better in a declining interest rate environment, Banks and housing-related stocks also outperformed which we'll review below. Interest rate-sensitive REIT stocks were the top performers, with more defensive Utilities, Staples, and Healthcare sectors each underperforming for the week.

Going forward, we anticipate areas that fare better in a declining interest rate environment to continue to trade higher. In addition, the broadening out of the markets has shown that recently underperforming areas such as Small Caps and oversold Retail and Biotechs are poised to continue higher.

Unfortunately, last week's sharp rally in these areas has left many names in an overbought position and out of a buy range. The Watch List has been updated with a focus on stocks from newer areas that can be bought on a pullback.



## Daily Chart of Consumer Discretionary Sector (XLY)



### Consumer Discretionary Sector Among Top Performing

The Consumer Discretionary sector broke out of a 5-month base on Thursday following news that retail sales in November rebounded and showed considerable strength. The strong start to the Holiday sales season was led by increased spending at internet Retailers as well as restaurants.

Amazon - the world's largest internet retailer - posted a modest 2% gain for the week in a move that has the stock closing just above its late November highs. This puts it in a position from which to trade higher and a bullish MACD crossover - black line up through the red - would signal a new uptrend and put the stock into a strong buy zone.

Among Restaurants stocks, Wingstop (**WING**) closed the week down a half of a percent, in a move that has the MACD closing lower and the RSI falling below 70. **WING's** RSI has been overbought for 6 weeks, and at this time we are removing the stock from our Suggested Holdings list as near-term, we anticipate continued underperformance.

Instead, we'll be looking to add Shake Shack (**SHAK**) to our List on any pullback as the stock is extended following last week's rally which puts the stock closer to an \$80.5 base breakout.

A drop in interest rates last week pushed mortgages lower, which gave a big boost to housing stocks.

Both of the Home Construction stocks on our list outperformed their peers, with Toll Brothers (**TOL**) gaining 10.5% in a move that pushed the RSI further into an overbought position. Last week's gains came amid news of a cash dividend as well as a share repurchase program. The news points to a strong cash flow position for the company as it continues to break ground on new luxury properties.

With the uptrend remaining firmly in place, we'd be a buyer of **TOL** on any pullback to its 5-day moving average which is currently at \$98.5

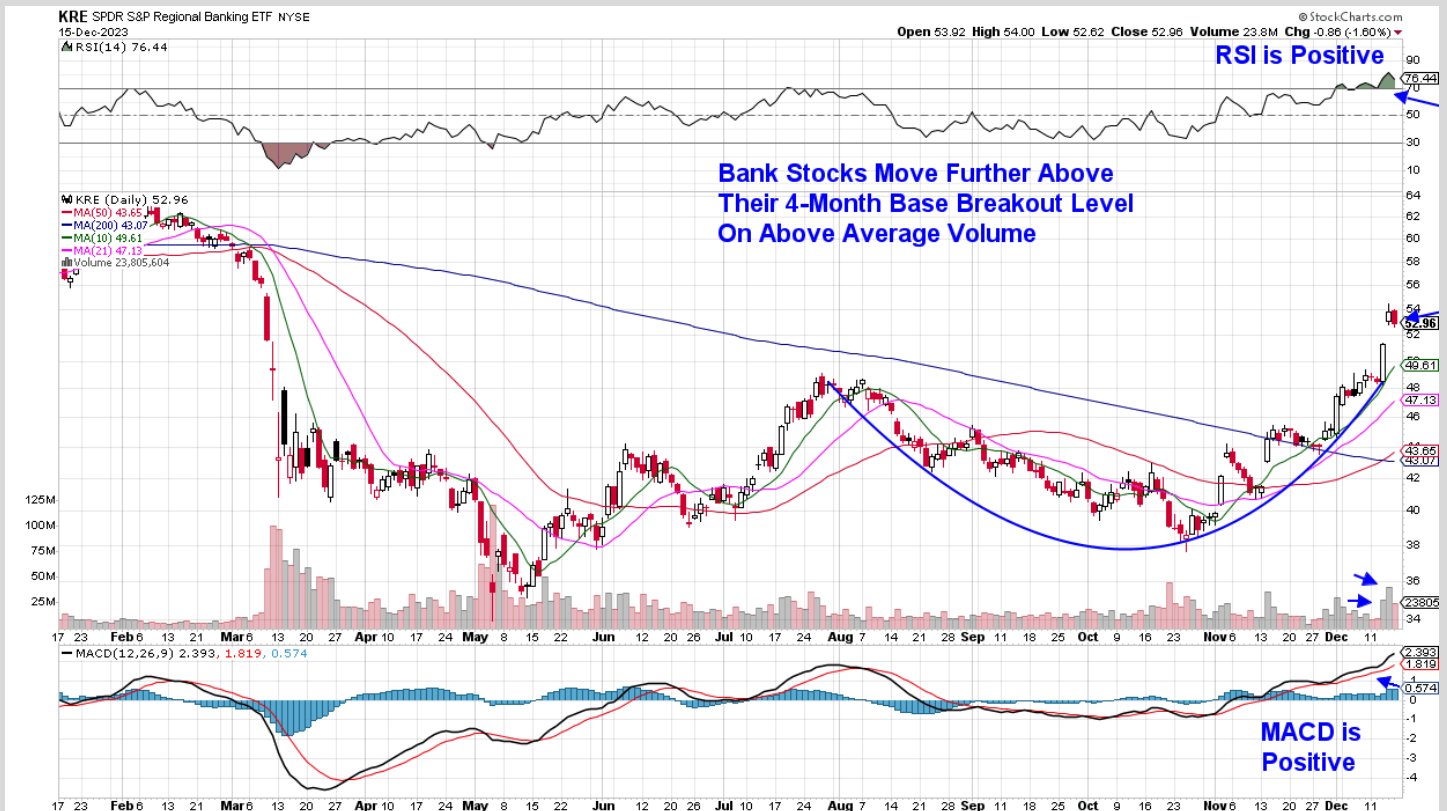
Last week's rally in M/I Homes (**MHO**) puts this stock into an extended position as well, and the stock can be bought on any pullback to the \$118 range.

Housing data for the month of November will be released on Monday and Tuesday and the results may impact these stocks.

Travel-related stocks also fared well last week in light of consumer's spending taking place elsewhere. Airbnb (**ABNB**) remains in a confirmed uptrend after last week's 4.5% rally pushed the stock closer to a 3-month base breakout at the \$151 level. The stock is in a strong buy zone.



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



### Financial Sector Continues To Come On Strongly

Financials outperformed again last week led by Asset Management firms that are rallying due to increased assets under management as investors regain confidence in the equity markets.

State Street (**STT**) from our Suggested Holdings list is a prime example, as the largest provider of asset management services gained 5% for the week. Friday's slight pullback in the stock puts it in a strong buy zone.

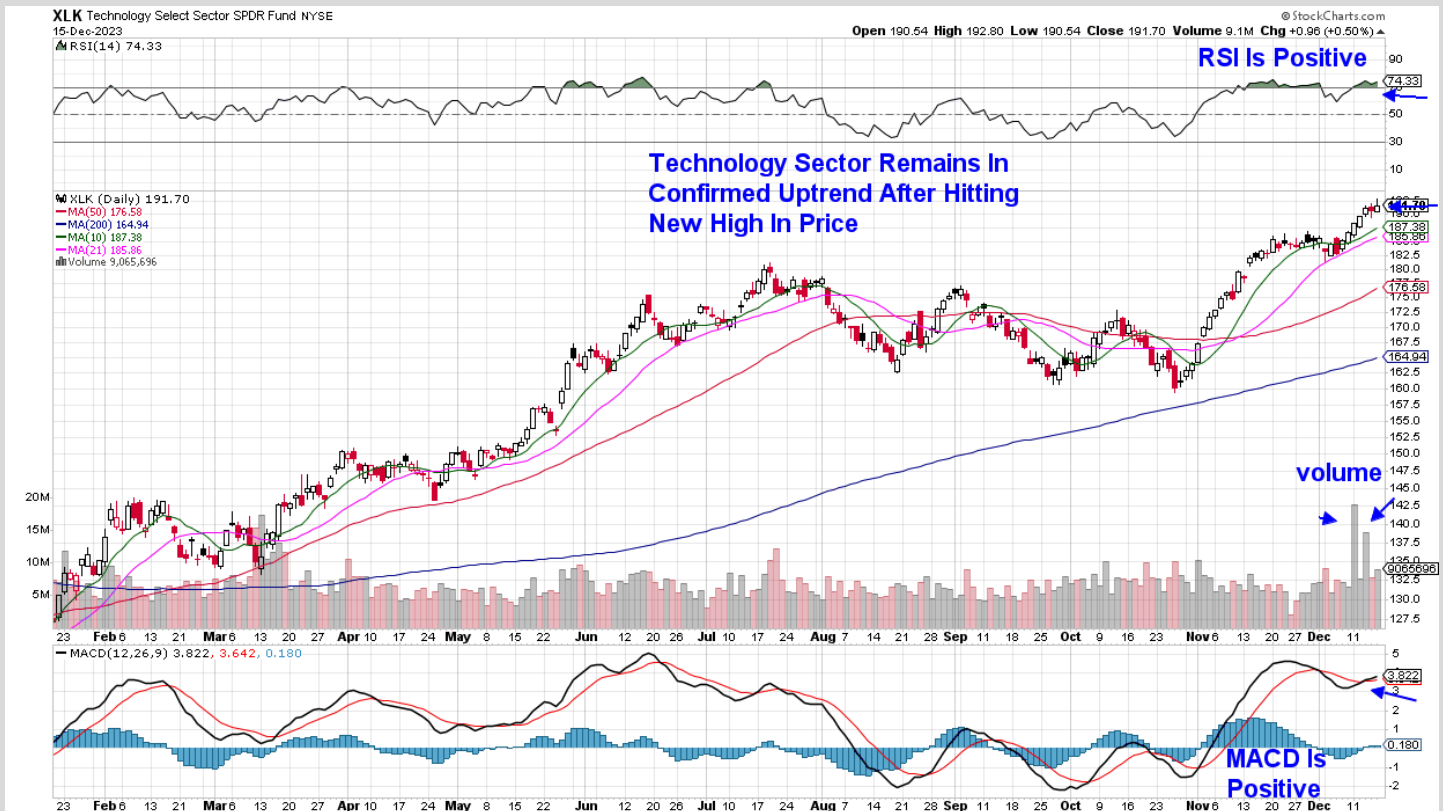
The weekly chart looks particularly compelling for **STT** with the MACD just entering positive territory while the RSI is trending higher. This puts the longer-term outlook into a bullish mode as well. **STT** is in a strong buy zone.

Bank stocks also outperformed amid a declining rate backdrop that increases the outlook for increased lending activity going forward. Both East West Bancorp (**EWBC**) and Popular Inc. (**BPOP**) gained 4% for the week with a pullback on Friday that puts each of these stocks into a strong buy zone.

The longer-term outlook is also positive as the weekly charts of **EWBC** and **BPOP** point to the strong possibility of further upside, as the MACD has only recently entered positive territory.

Today, we're adding Comerica (CMA) to our Suggested Holdings List after last week's rally pushed the 5.1% yielder out of a 5-month base on heavy volume. The stock is in a buy zone.

## Daily Chart of the Technology Sector (XLK)



### Technology Sector Hits New High In Price

The Tech sector underperformed due to lackluster performance in heavyweight names Apple (**AAPL**) and Microsoft (**MSFT**) which were flat for the week. Software stocks also underperformed (using ETF IGV).

There were bright spots among this sector however, with outperformance in Semiconductor stocks which was led by Broadcom (**AVGO**) from our Suggested Holdings list which rallied 20%. The stock was the 2nd best performer in the Nasdaq amid a number of Wall Street price target upgrades due to growth synergies of their VMWare acquisition as well as their move into AI.

**AVGO** is in a strong uptrend as it finds support at its upward trending 5-day simple moving average with both the daily chart and weekly chart pointing to

further upside. Heavy volume on last week's rally is also a bullish signal, as institutions build out their positions. The stock can be bought in the \$1086 range.

As with all stocks, a negative MACD crossover - black line down through the red - would be an initial signal that the uptrend may be pausing or that we may see a pullback. At this time, the MACD is in an uptrend.

Advanced Micro (**AMD**) from our List remains in a confirmed uptrend after last week's 8% rally pushed the stock out of a 6-month base. In addition, **AMD** continues to hug its upward trending 5-day moving average with heavy volume on rally days that points to further upside for the stock.



As you may recall, interest in **AMD** was sparked by management's talking up the merits of their new AI chip at their MI300x event earlier this month.

The weekly chart looks particularly compelling with the MACD in the early stages of an uptrend and last week's 6-month base breakout putting the stock on track for further gains longer-term as well as near-term. **AVGO** is in a buy zone.

Nvidia (**NVDA**) continues to underperform its peers however, last week's 3% rally pushed the stock above each of its moving averages with the MACD posting a bullish crossover last week on the daily chart.

This puts the stock technically into a strong buy zone however, lackluster interest in the year-to-date winner due to a possible ban of their new China-focused chip may stem any near-term outperformance. **NVDA** is in a buy zone and we'll alert you to any more bullish outlook when it unfolds.

On Wednesday, Micron Technologies (**MU**) is due to report their quarterly results and historically, the results from this manufacturer of memory chips can move Semiconductor stocks depending on their outlook for chip demand.

Software stocks underperformed last week with a 2% rally that followed weaker-than-expected earnings from AI heavyweights Oracle (**ORCL**) and Adobe (**ADBE**) from our List. Both companies cited that growth from AI initiatives may take longer than anticipated.

**ADBE** can be held as the stock found support at its 50-day moving average following last week's pullback. The stock would need to trade back above its 10 and 21-day moving averages as well as the RSI

getting back into positive territory, before it can be bought. A close below its 50-day moving average would have us turning more negative on the prospects of Adobe.

Other Software stocks on our list outpaced the group led by Software Security stock CrowdStrike (**CRWD**) which gained 7.5% for the week. The stock remains in a confirmed uptrend as it continues to find support at its 5-day simple moving average.

While we would add to the stock at this time, its very overbought RSI must be noted. That said, upward trending MACD points to further near-term upside with the weekly chart also in a bullish position to trade higher due to the position of its MACD. We would suggest adding lightly to any new positions.

Monday.com (**MNDY**) broke out of a 5-month base on Thursday after J P Morgan added the stock to their Focus List due to a bullish outlook regarding the company's growth prospects. The company offers cloud-based work management software tools and is a collaborator with major M7 firms. Last week's base breakout puts **MNDY** into a strong buy zone.

Salesforce (**CRM**) is in a strong buy zone after entering a new uptrend that followed a one-week consolidation after a gap up in price due to strong earnings as well as a strong growth outlook from management.

ServiceNow (**NOW**) ended the week flat after a Wall Street upgrade pushed the stock up 3% on Friday, a move that helped it recover from a Thursday pullback. Given NOW's advance since we added it on November 5th as it was breaking out of a base, the stock is due a pause. A close back above the 10-day moving average would put ServiceNow back into a buy zone.

Heavyweight software stock Microsoft (**MSFT**) continues to struggle for the second week in a row with a close back below its shorter-term 10 and 21-day moving averages. The 1% decline is in line with the underperformance among other select M7 stocks as money is flowing to newer areas of the market.

A close back above these shorter-term moving averages coupled with a bullish MACD crossover, would put **MSFT** into a strong buy zone. For now, the stock can be held.

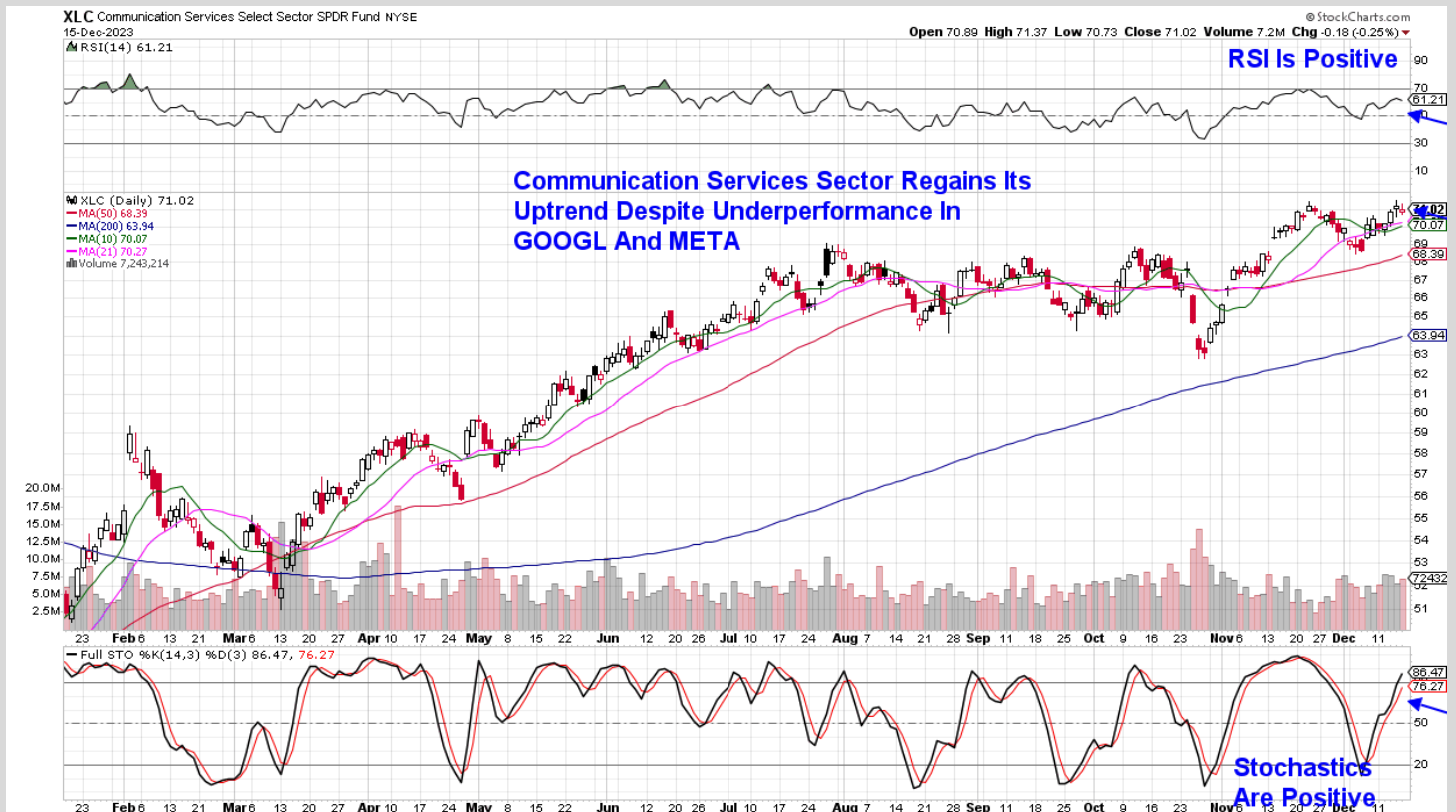
This week, we're adding Intuit (**INTU**) to our Suggested Holdings List after last week's 2-week base breakout puts the stock on track to trade higher.

Intuit is at the forefront of commercial applications of AI across all of its businesses including QuickBooks and TurboTax to name just two. The company has been investing in AI for many years and analysts are expecting this investment to pay off handsomely going into next year and beyond. **INTU** can be bought in the \$600 range at its 5-day moving average.





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



### Communication Services Sector Is Worse Performing

A 2% decline in heavyweight stock Alphabet (**GOOGL**) coupled with a meager 1% gain in Meta Platform (**META**) weighed this sector down.

**META** from our List remains in an uptrend with the MACD posting a positive crossover last week while the RSI remains in positive territory. This price action would normally put **META** into a strong buy zone however, a lack of Interest in big year-to-date winners such as **META** is anticipated to hold this stock back over the near term. We'll alert you when the dynamics turn more bullish. Until then, **META** can be held.

Netflix (**NFLX**) regained its early November uptrend on Wednesday after a close back above its 21-day moving average on volume. The midweek gain took

place following Netflix's first-ever release of their most watched shows which revealed that their original programming provided their highest viewership. This is viewed as giving an edge to **NFLX** as production costs are lower. **NFLX** is in a buy zone.

Ark's Innovation ETF (**ARKK**) broke out of a 5-month base on Thursday led by gains in its largest holdings such as Coinbase (**COIN**), Tesla (**TSLA**), and Block (**SQ**). These bullish holdings each have constructive charts and are poised to trade higher.

The daily chart of **ARKK** is extended and the stock can be bought on a pullback to its 5-day mav at \$50. The weekly chart points to much further upside with the MACD just entering positive territory.

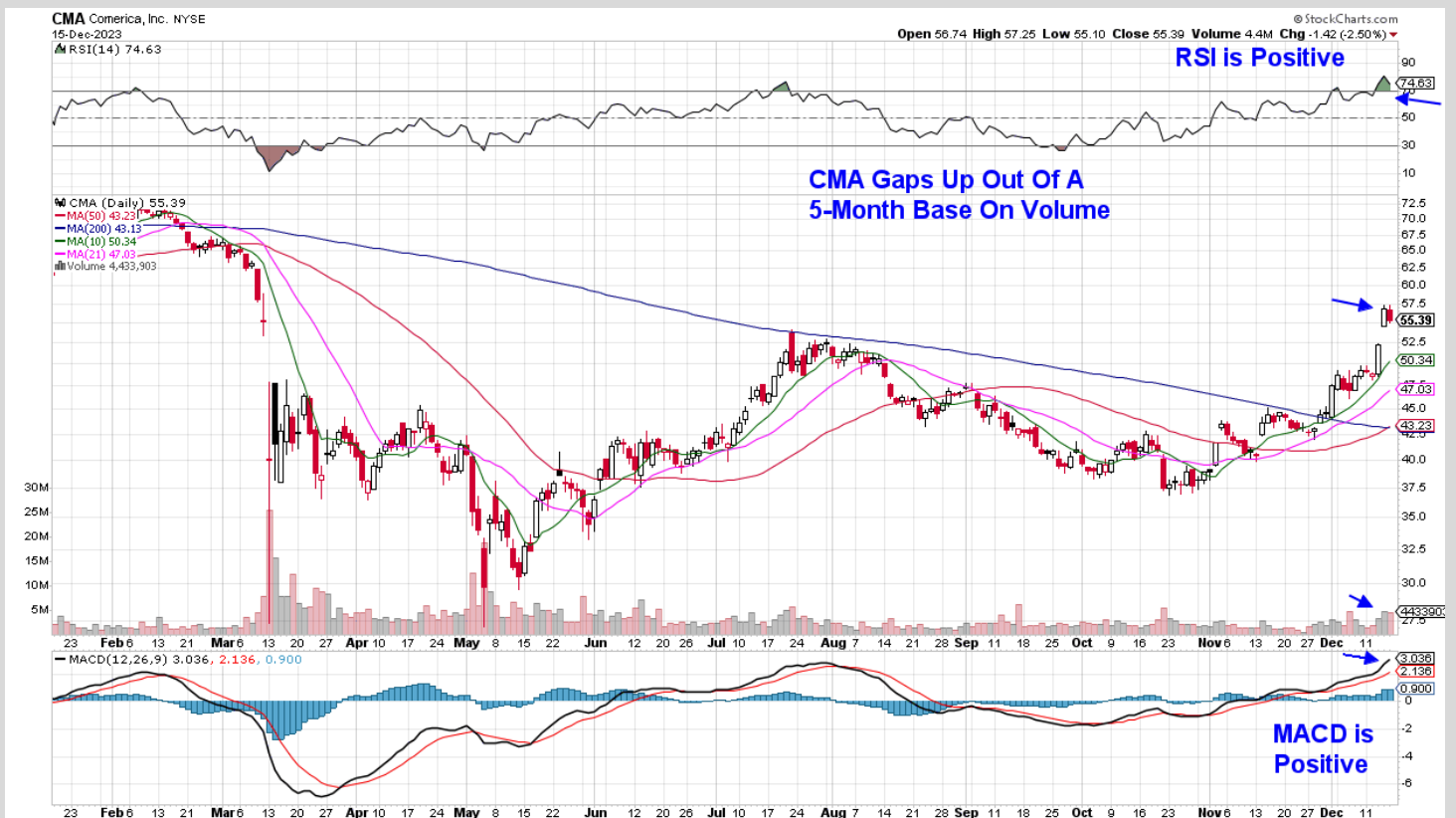
## Summary

Last week's news that the Federal Reserve's rate hike campaign has likely ended is great news for the markets with this week's broadening out of participation providing a stage from which the markets can trend higher. With inflation cooling and yields moving lower, there's much to celebrate as we head into year-end.

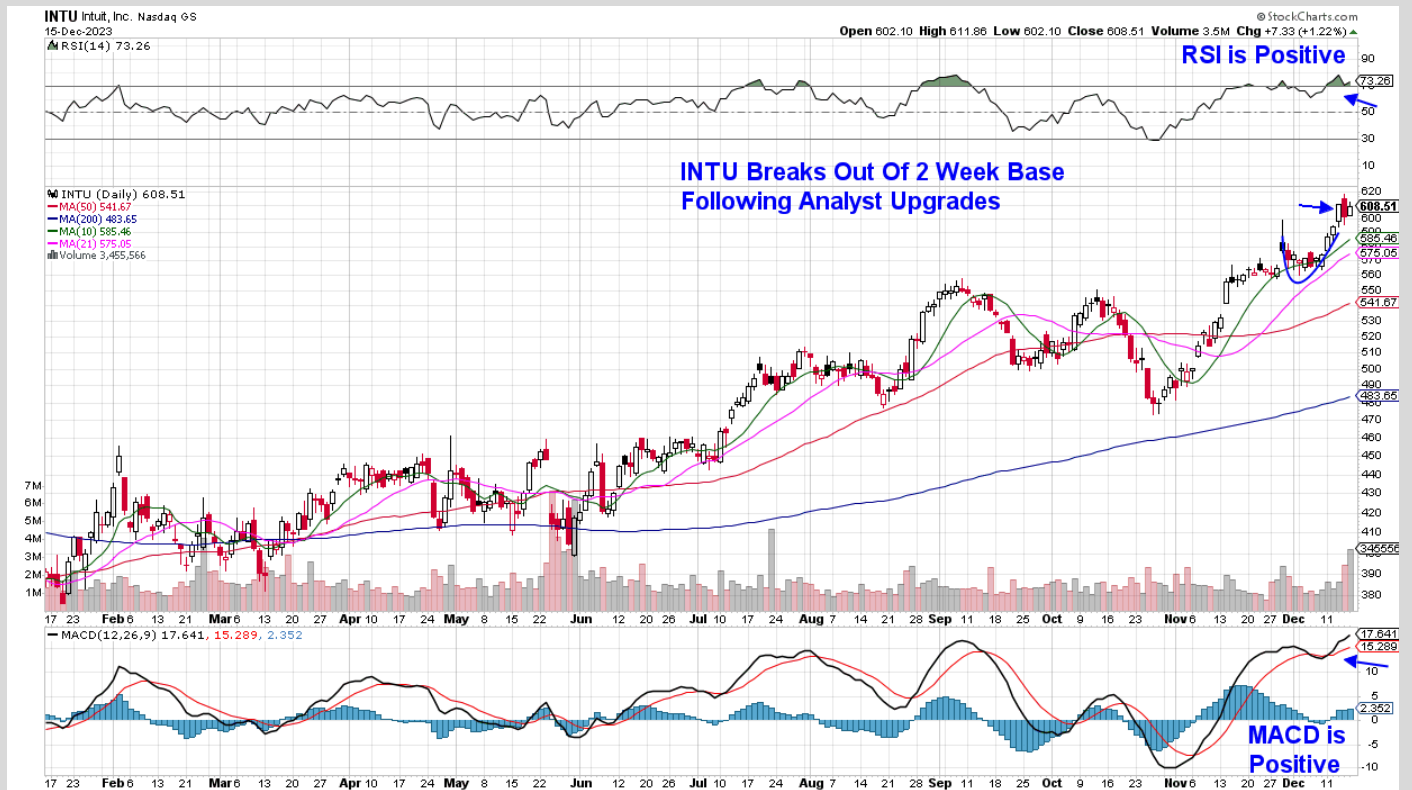
As we head into the holiday season, we anticipate the current market momentum to continue given the fundamental backdrop of lower inflation, the potential for Fed rate cuts, and a gradually cooling economy. Money flows out of lower-yielding bonds and into equities will also provide a boost.

Near term however, we are on the lookout for a pause given the currently overbought conditions due to over-exuberance among investors after last week's Fed comments. Any pullback at this juncture would be healthy, and we'd be a buyer of stocks on our List which we will continue to broaden out.

### Daily Chart of Comerica, Inc. (CMA)



## Daily Chart of Intuit, Inc. (INTU)



The  
**MEMEdge**  
WEEKLY REPORT

# 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	8.5%	
AMZN	Amazon	\$138.60	11/5/2023	7.5%	Retail - Internet
MHO	M/H Homes	\$94.80	11/5/2023	28.0%	Home Builder
TOL	Toll Brothers	\$85.20	11/15/2023	20.0%	Home Builder
WING	Wingstop	\$206.80	11/5/2023	18.0%	Retail - Restaurant
FINANCIAL					
BPOP	Popular, Inc.	\$72.70	11/15/2023	10.0%	Regional Bank
CMA	Comerica	\$55.40	12/17/2023		Regional Bank
EWBC	East West Bancorp	\$61.90	11/15/2013	15.5%	Regional Bank
STT	State Street Corp	\$72.90	12/3/2023	5.0%	Investment - Asset Management
TECHNOLOGY					
ADBE	Adobe	\$563.00	11/5/2023	5.0%	Software
AMD	Advanced Micro Devices	\$118.50	11/12/2023	16.0%	Semiconductor
AVGO	Broadcom	\$944.30	12/10/2023	20.0%	Semiconductor
CRM	Salesforce	\$260.00	12/3/2023	1.0%	
CRWD	Crowdstrike	\$176.70	10/8/2023	42.0%	Software
INTU	Intuit	\$608.50	12/17/2023		Software
MNDY	Monday.com	\$163.70	11/14/2023	15.0%	
MSFT	Microsoft	\$327.30	10/8/2023	13.0%	Software
NOW	ServiceNow	\$606.70	11/5/2023	14.0%	Software
NVDA	Nvidia	\$450.00	11/5/2023	9.0%	Semiconductor
COMMUNICATION SERVICES					
META	Meta Platforms	\$315.40	10/8/2023	7.0%	Internet-Content
NFLX	Netflix	\$432.30	11/5/2023	9.0%	Internet-Content
ARKW	ARK Innovation ETF	\$44.88	11/26/2023	13.5%	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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