



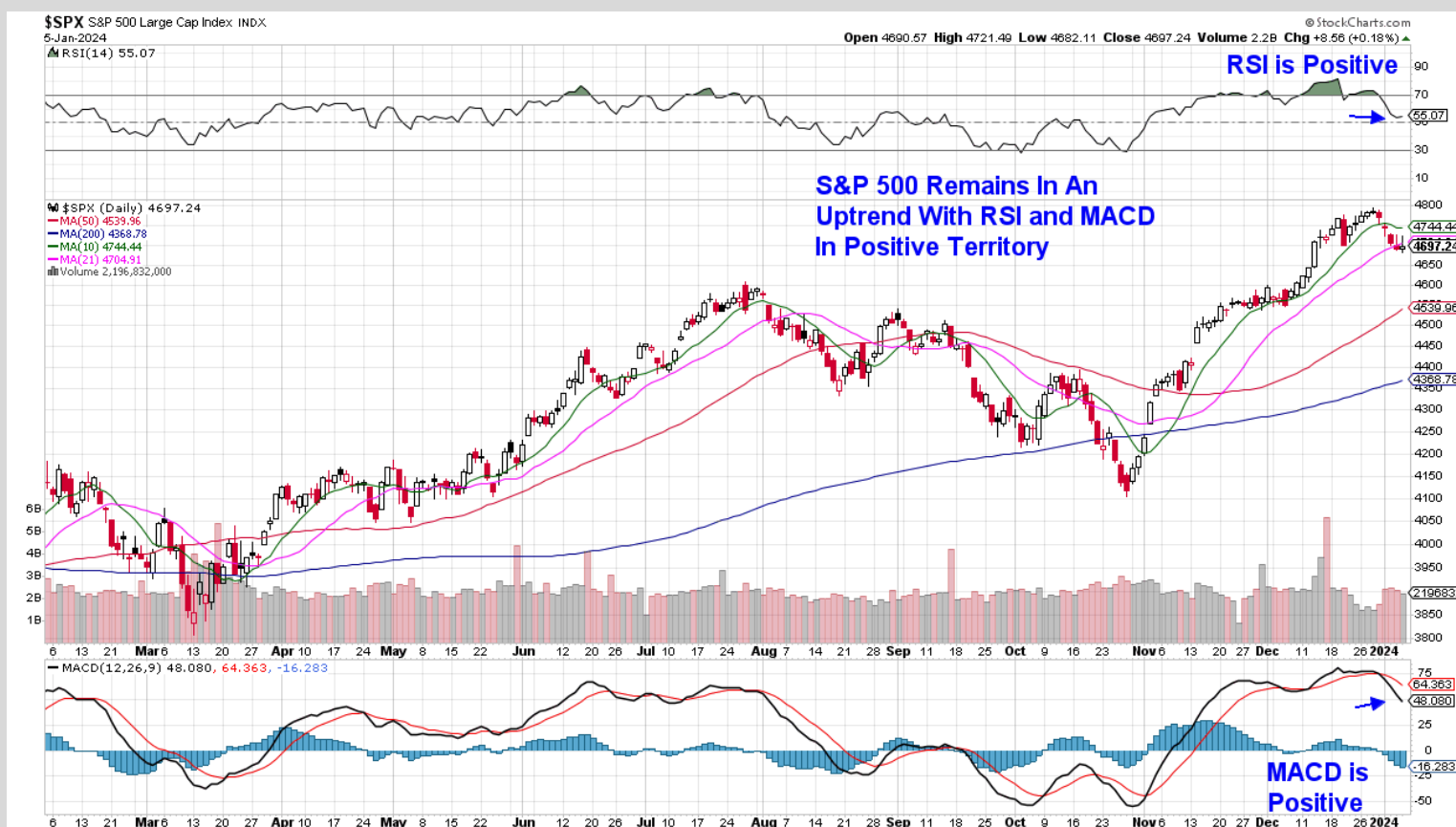
# THE MEM EDGE

January 7, 2024 | Weekly Report

## This Week's Highlights

- Technology Sector Falls 4% For The Week
- December Private Employment Data Shows Labor Market Still Strong While U.S. Jobs Data
- Fed Minutes Confirm Additional Rate Hikes Off Table
- Core CPI and PPI Next Week And The Start Of Earnings Season

### Daily Chart of S&P 500



The S&P 500 fell 1.5% last week in a move that has this Index closing just below its 21-day moving average. With the RSI and MACD both in positive territory, the near-term uptrend in this Index remains in place.

The NASDAQ fared quite a bit worse with a 3.3% decline for the week that in turn, pushed the RSI into negative territory with this Index now 1.4% below its 21-day moving average. Last week's selling took place on above-average volume and coupled with

the RSI turning negative, we're cautious on the near-term prospects for the Nasdaq.

The weekly chart remains positive with the RSI and MACD in positive territory. This has us bullish on the longer-term outlook for this tech-heavy Index.

It was a difficult start to the year for Growth stocks with Magnificent 7 names led lower by a 6% drop in Apple (**AAPL**) while Amazon (**AMZN**) and Tesla (**TSLA**) fell 4.5%. Software and Semiconductor stocks also underperformed for the week with declines of 6% and 4.5% respectively.

These relative winners from last year led the markets higher amid better-than-expected growth prospects. Last week's pullback may partially be profit-taking as the fundamental prospects have not shifted however, there was a rise in interest rates that cannot be ignored.

In particular, the yield on the 10-year Treasury closed above 4% as investors digested hotter-than-expected jobs data. This 4% number has historically caused a negative shift in the outlook for Growth stocks as higher rates reduce the value of future earnings.

Next week we may see further movement in interest rates as the latest Consumer Price Index reading is due Thursday, and Producer Price Index data will be released on Friday. These inflation reports are key to investors' sentiment regarding interest rate cuts from the Fed this year.

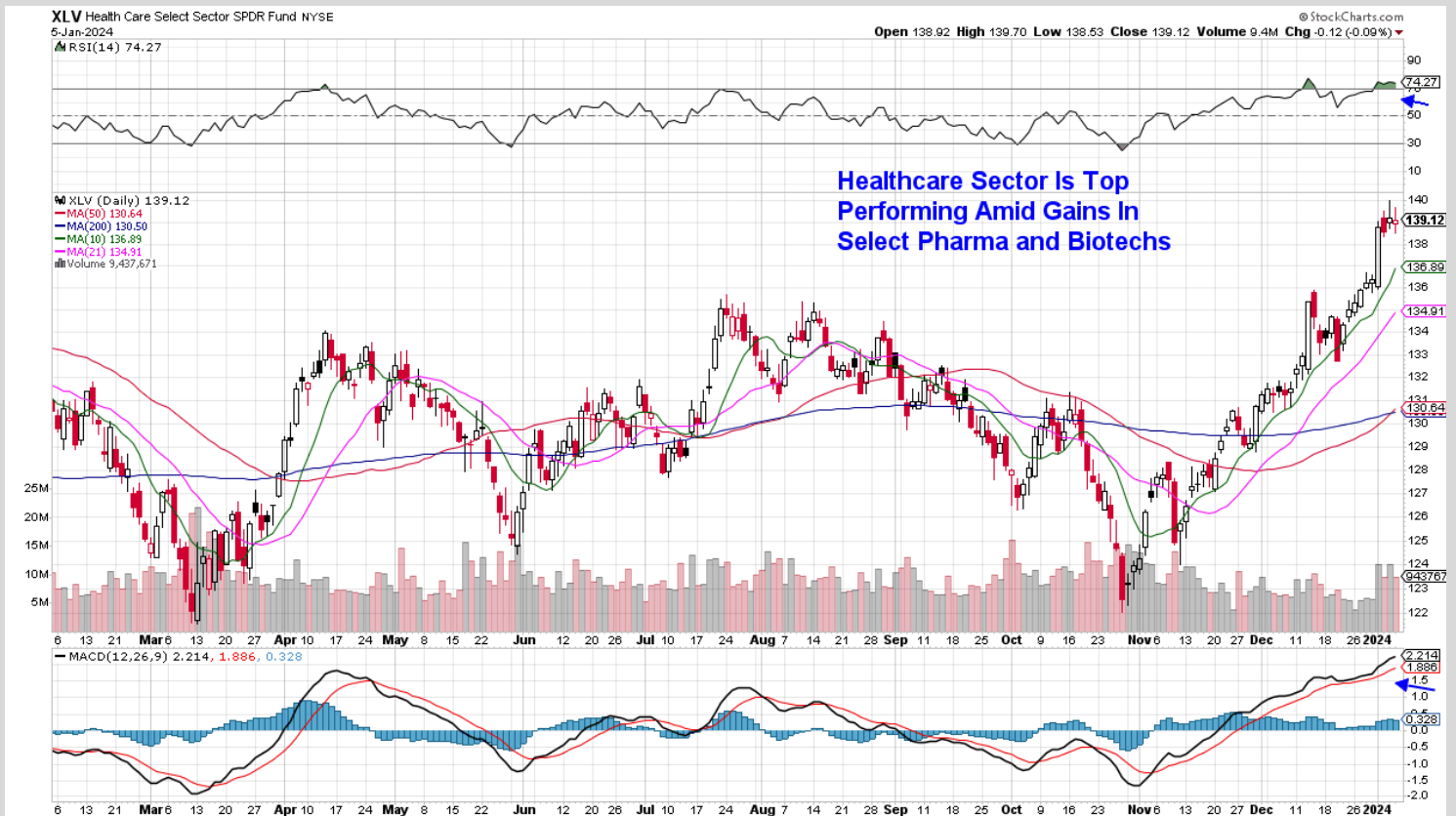
While Growth stocks came under selling pressure, Value stocks rose for the week led by Healthcare, Financials, and Staples which all posted gains. Money flows into last year's underperformers may continue, as investors search for opportunities in areas that didn't participate in last year's strong rally.

This will be particularly true if stocks from these beaten-down value areas come in with 4th quarter earnings that are above estimates. This would include sectors such as Financials and next week, a number of large banks are kicking off earnings season by reporting on Friday.

In addition to revealing corporate growth prospects, their results are expected to provide critical insights into the health of the economy, with lending activity being particularly closely examined.

At this time, we'd be a buyer of stocks in these newer areas such as Banks and Healthcare, but we remain cautious on the near-term prospects for Technology and other select growth areas which we'll discuss below.

## Daily Chart of the Healthcare Sector (XLV)



### Healthcare Sector Is Top Performing

The healthcare sector gained 2% for the week led by Pharmaceutical and Biotech stocks that posted gains amid positive drug trial initiations. Renewed interest in the growth possibilities of weight loss drugs that can offer further benefits also sparked select names.

Last week, Eli Lilly (**LLY**) gapped up into a base breakout after announcing the news that they've started a new online service offering direct home delivery of its new anti-obesity drug Zepbound.

We're adding the stock to our Suggested Holdings List as the MACD just entered positive territory while the RSI is already positive. **LLY** is in a buy zone.

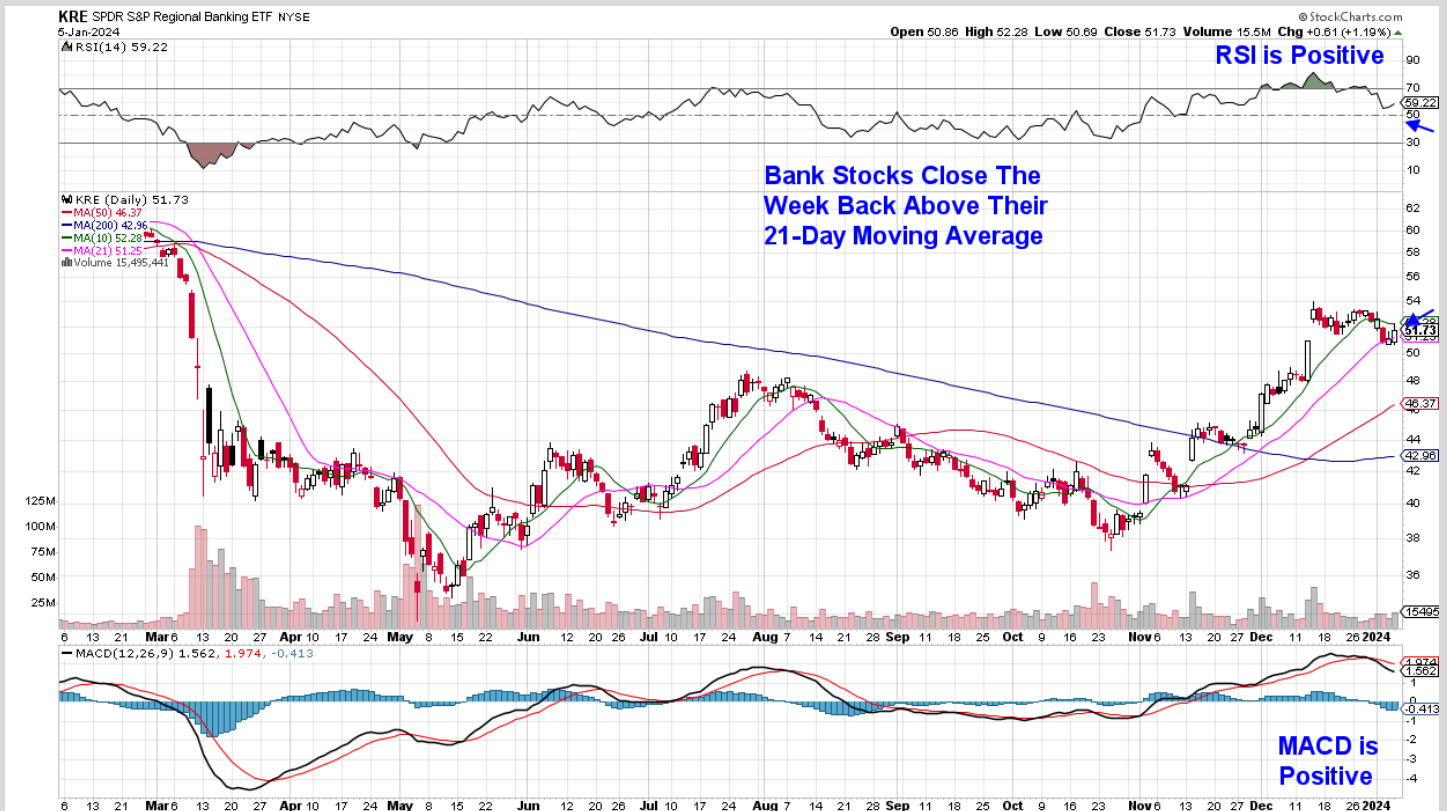
Select Medical Products stocks are on the move such as Boston Scientific (**BSX**) which we added to our

Suggested Holdings List on Wednesday. The stock remains in a confirmed uptrend which followed a base breakout the prior week. The bullish price action is in response to the company pushing up the approval of their pivotal device Farapulse to the 1st quarter of this year. **BSX** is in a buy zone.

We're also adding Biotech stock Vertex (**VRTX**) after last week's breakout above a flat base at \$413. The stock posted a gap up into a base breakout 3 weeks ago following news of the approval of their first therapy from its collaboration partner CRISPR Therapeutics.

Investors are now on the lookout for news from **VRTX's** pain relief program where several new drugs are in development. **VRTX** is in a buy zone.

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



### Bank Stocks Pull Back Ahead Of Earnings

The Regional Banking ETF (**KRE**) pulled back 1% last week with the RSI and MACD remaining in positive territory on the daily chart. Next week we'll get clues into the fundamental state of banks with notable Large Cap names such as JP Morgan (**JPM**), Bank of America (**BAC**), and Wells Fargo (**WFC**) due to report their 4th quarter results on Friday. Each of these companies has a bullish chart heading into their results.

Among the regional banks on our List, EastWest Bancorp (**EWBC**) gained almost 1%. The stock is in a strong buy zone after closing the week back above its 10-day moving average. The 2.6% yielder has seen their earnings estimates for this year revised higher ahead of the release of their 4th quarter results later this month.

Comerica (**CMA**) is in a strong buy zone as well, after last week's 1.5% gain keeps the stock in the range of its 5-month base breakout which took place last month. The 5% yielder is due to report earnings in two weeks.

Popular Inc. (**BPOP**) stumbled a bit more than its peers however, the stock ended the week back above its 10-day moving average amid Wall Street upgrades to its earnings estimates for this year. **BPOP** yields 3.1% and is in a buy zone ahead of the release of their earnings later this month.

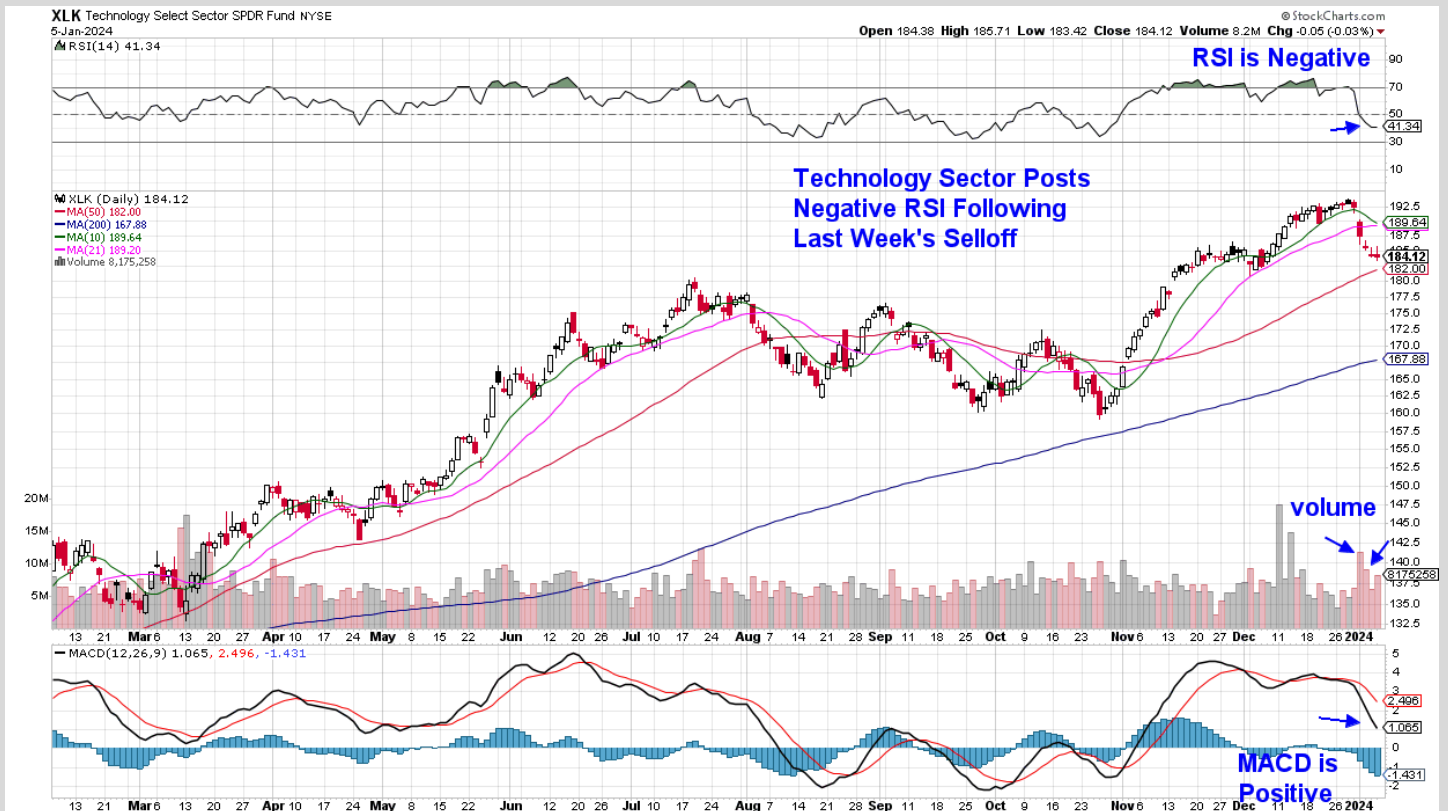
State Street (**STT**) is a point away from a 3-week base breakout amid upgrades to its earnings outlook for this year. The stock also received a price target upgrade to \$94 as analysts are optimistic that renewed interest in the stock market will continue to

help improve **STT's** growth. The stock is in a strong buy zone.

Charles Schwab (**SCHW**) underperformed slightly last week with a decline that puts this stock just below its 21-day moving average. We would not be a buyer on the pullback but instead would wait for a close above its 10-day moving average which is currently at \$68.



## Daily Chart of the Technology Sector (XLK)



### Technology Sector Is The Worst Performer

Tech stocks fell 4.2% led by a sharp decline in heavyweight stock Apple (**AAPL**) amid analyst downgrades. Underperformance in Semiconductor and Software stocks also hurt this sector.

Last week's heavy volume selling points to the potential for further near-term downside as the sector approaches its 50-day moving average which is 1% away. A close below this key area of possible support would be negative - similar to early August and September as well as the late October period from last year.

Semiconductor stocks were among the hardest hit with a 6% decline. While this group was among the top performers for 2023, this year may present

challenges as the market begins to weigh the risks of a potential new tech trade war with China.

Nvidia (**NVDA**) overcame the damage taking place elsewhere as it ended the week down 0.5%. The company has developed a less powerful chip that will sidestep the U.S. government's banned chips that can be sold to China. **NVDA** closed the week back above its 10-day moving average with a positive RSI and MACD.

Advanced Micro (**AMD**) and Broadcom (**AVGO**) both traded lower in line with the industry group. Of these 2 names on our List, **AMD** closed the week back above its 21-day moving average with a positive RSI, thereby putting the stock in a bullish position from which to trade higher once group pressures subside.

**AVGO** closed below its 21-day moving average with the RSI dipping into negative territory. This gives the stock just a bit more work to do before turning positive which would be signaled by a move back above its 21-day mav and a positive RSI.

All 3 chip stocks from our List held in relatively well and can be held as their daily and weekly charts put them in a position to trade higher once weakness in Semiconductor stocks subsides. A move of the RSI back above 50 coupled with a close back above its 21-day moving average would put this group back into an uptrend. (using ETF SOXX)

Software stocks also pulled back following a sharp November into December rally which boosted select areas such as top performer CrowdStrike (**CRWD**) from our List.

The stock pulled back less than its peers as buyers came in on its early week dip. With its RSI in positive territory, **CRWD** can be bought on a close back above its 10 and 21-day moving average. Bullish price action in the group - marked by a positive RSI - would also be needed. (using ETF IGV).

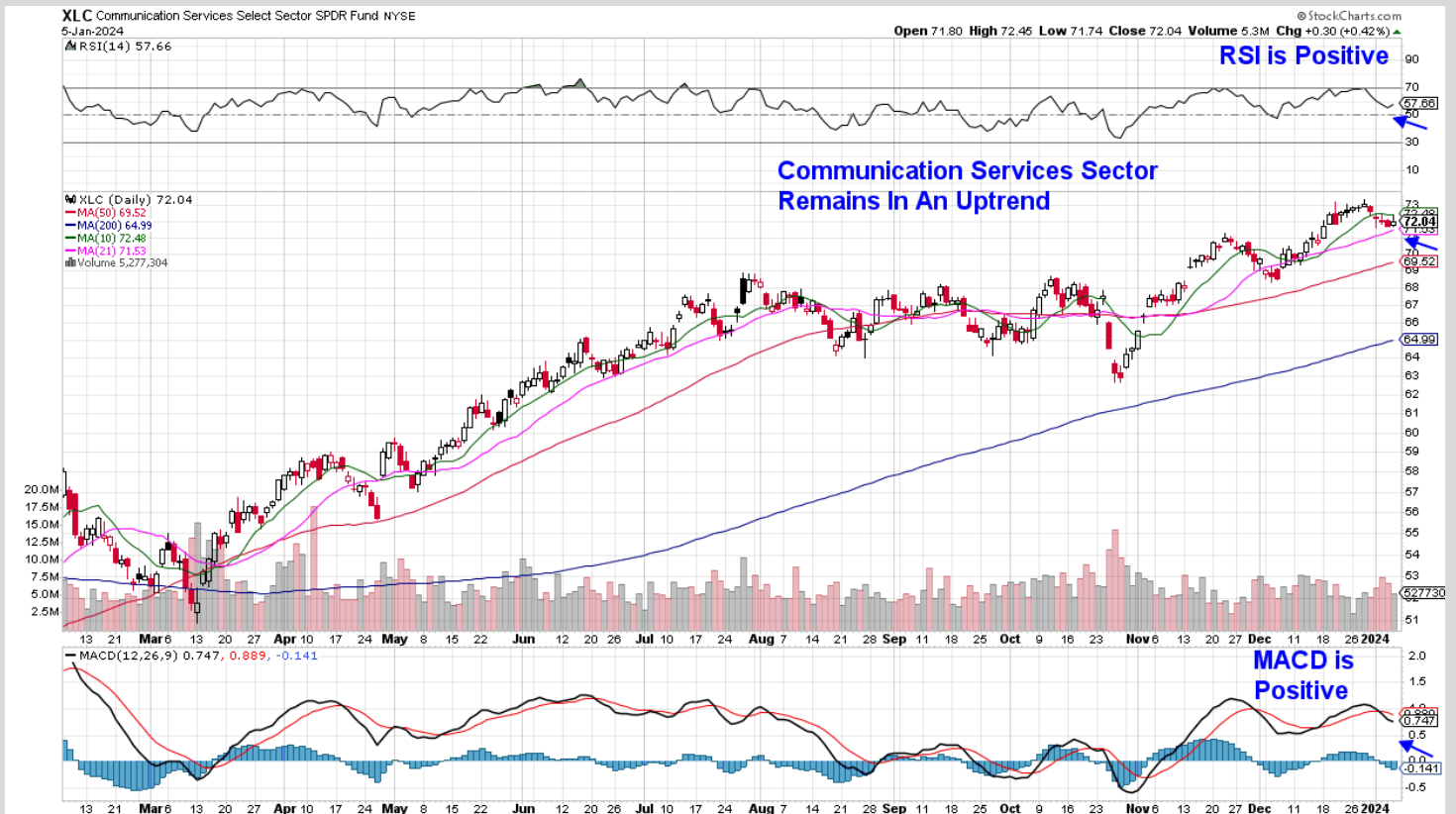
Salesforce (**CRM**) from our List traded in line with its industry with a pullback that puts the stock at the top of its recent base breakout at \$250. The RSI has dipped into negative territory however, the stock is in a position to easily recover its uptrend with a close above its 10 and 21-day moving averages.

While Microsoft (**MSFT**) fell less than other Software stocks, the heavyweight name saw its RSI fall below 50 as it approaches key support at its 50-day moving average. A close below this level would be negative and shorter-term investors will want to lighten up on position. The longer-term weekly chart remains positive.





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



### Communication Services Sector Outperforms

Communication Services sector loss less than the markets led by gains in Telecommunication stocks such as T-Mobile (**TMUS**) from our List. The stock is in a strong buy zone as it finds support at its 5-day moving average.

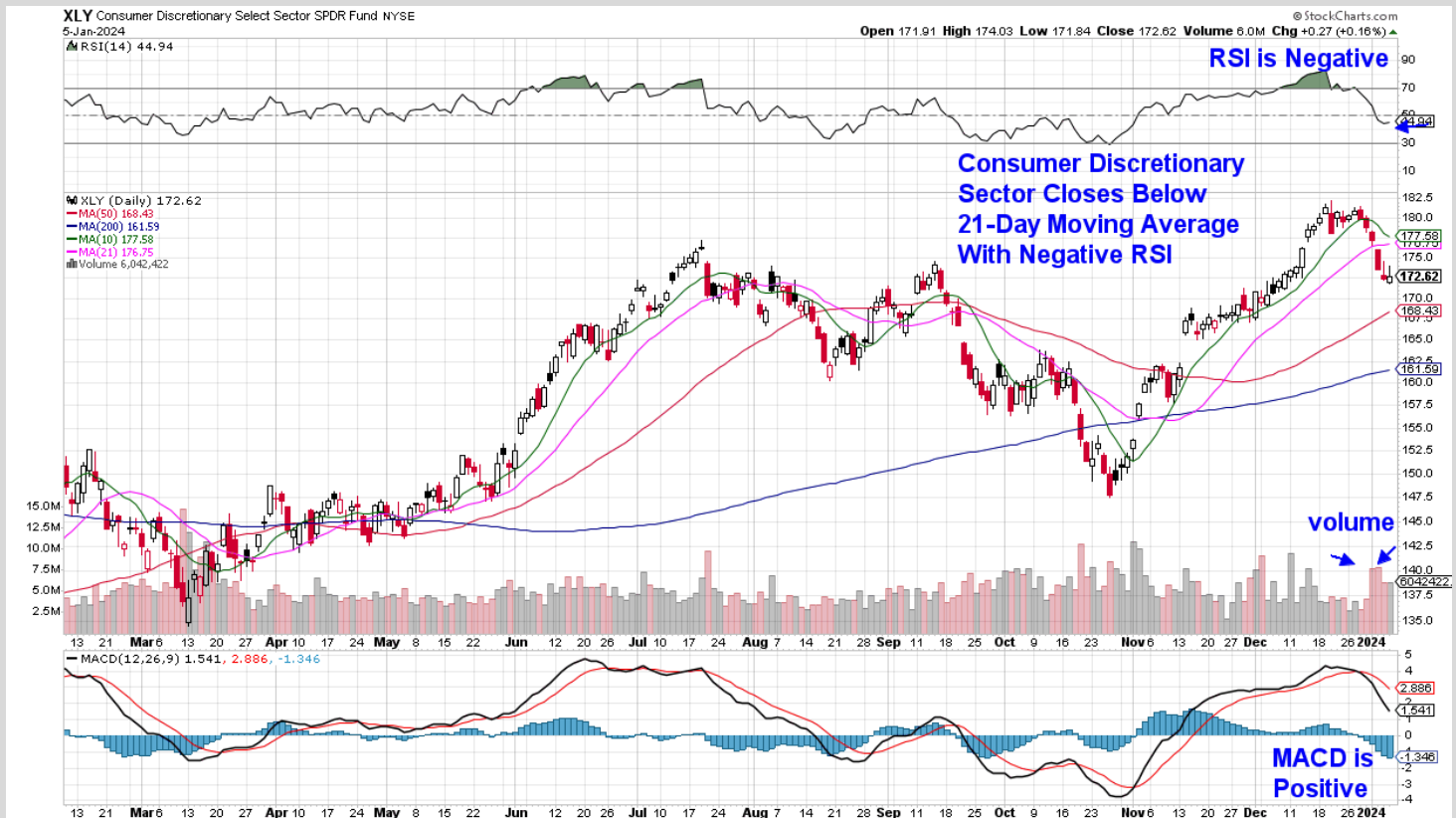
As you may recall from last week's report, an overhang on **TMUS** was removed in late December after former parent SoftBank was remunerated for shares of the company that were issued after its merger in 2020 with Sprint.

Heavyweight stock Meta Platforms (**META**) ended the week on a bullish note after closing back above its 10-day moving average with a positive RSI and MACD. The move puts the stock into a strong buy zone however, potential pressure on last year's winners may temper its near-term upside.

Netflix (**NFLX**) closed the week at its 21-day moving average with a positive RSI and MACD. The near-term momentum points to further sideways price action as the MACD continues to head downward. The stock can be held.



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



### Consumer Discretionary Sector Hurt By MegaCaps

The Discretionary sector was among the weakest areas led by 4% declines in both Amazon (**AMZN**) and Tesla (**TSLA**). Homebuilders also pulled back amid last week's uptick in interest rates.

**AMZN's** sharp decline occurred despite news that consumer spending online was up 5% this year during the holiday season. Other e-commerce stocks fell as well amid news from Bloomberg that TikTok is looking to grow its U.S. e-commerce business tenfold this year which would challenge Amazon.

Last week's pullback pushed **AMZN's** RSI below 50, with the stock closing just at its 50-day moving average. A close below this key area of possible support would be a negative, as it would point to further near-term downside.

Elsewhere in this group, Homebuilders came under selling pressure amid an increase in interest rates. While the group pulled back 3.5%, the RSI and MACD remain in positive territory with the group close to regaining its 21-day moving average. (using ETF XHB)

Toll Brothers (**TOL**) pulled back in line with the group and the stock closed the week back above its 21-day moving average with the RSI and MACD in positive territory. This puts the stock into a buy zone.

M/I Homes (**MHO**) pulled back further with a 7% decline for the week, however, given its outperformance of late the stock closed above its 21-day moving average with the RSI and MACD in positive territory. The stock can be bought.

Last week's uptick in interest rates puts mortgages back to levels last seen 2 weeks ago but still below the 7% level from a month ago. Next Wednesday, Homebuilder KBH Homes will report their earnings after the market's close. Their results and outlook for this year is anticipated to impact the group.

Discount Retailer TJX Cos (**TJX**) pulled back 2% from its prior week's base breakout. The stock remains above its 21-day moving average with a positive RSI and MACD however, we would not be a buyer until the stock regains its base breakout level at \$94.

Last week's pullback in the Consumer Discretionary sector put the RSI into negative territory amid a decline in every industry group in this sector. While this decline may be a part of last week's move away from Growth stocks the December employment data may be another reason.

Consumer consumption rates rise and fall depending on the health of the labor market and last week's report signals a slowing, as job growth was centered around non-growth areas such as local governments and healthcare.

We're cautious on the near-term prospects for this sector



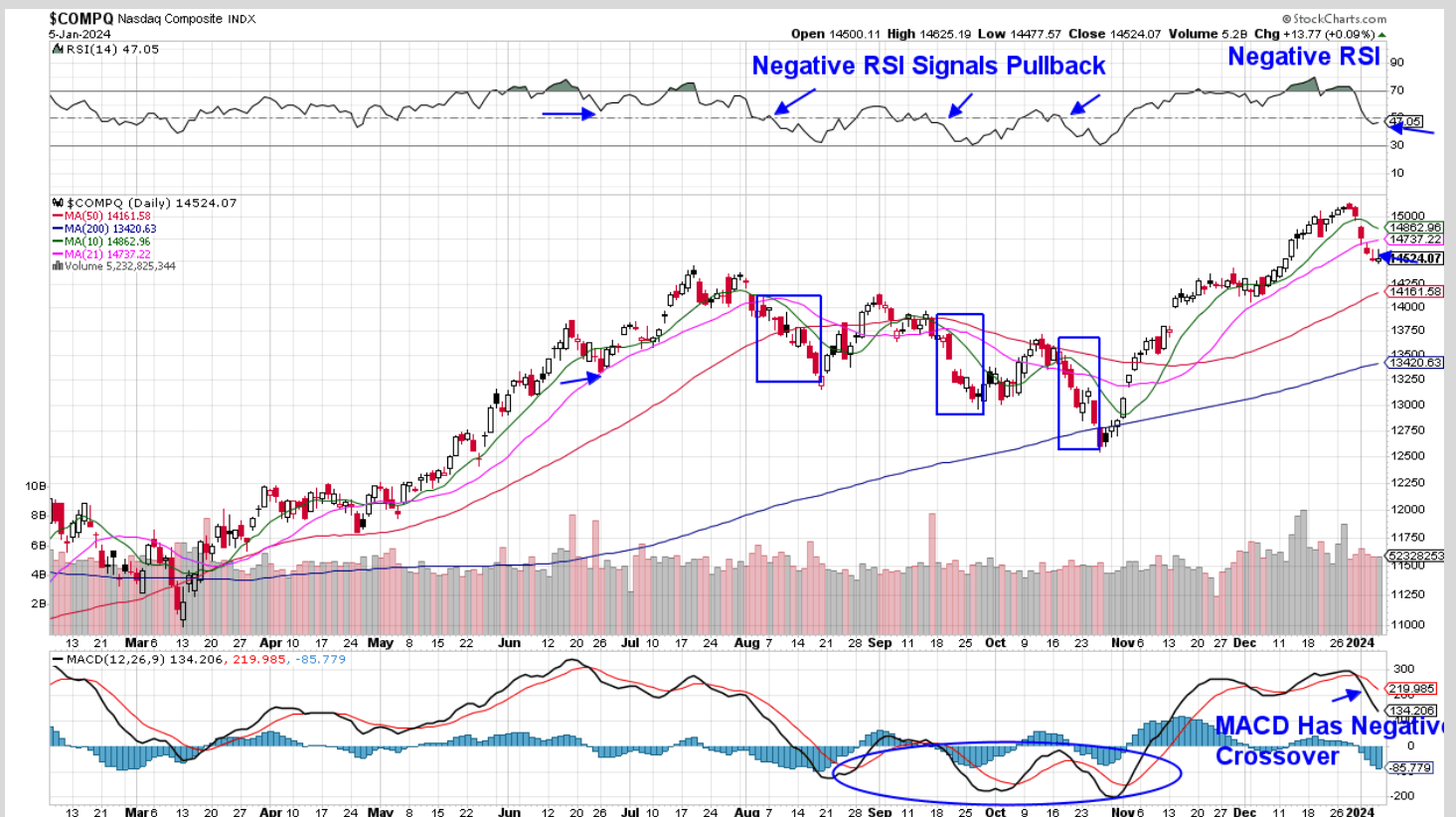
## Summary

Last week's move away from Growth stocks took place amid a rise in interest rates. While investors appear convinced that the Federal Reserve will begin cutting rates at the end of this quarter, last week's reaction to stronger-than-anticipated data highlights the fact that there are cracks in the confidence.

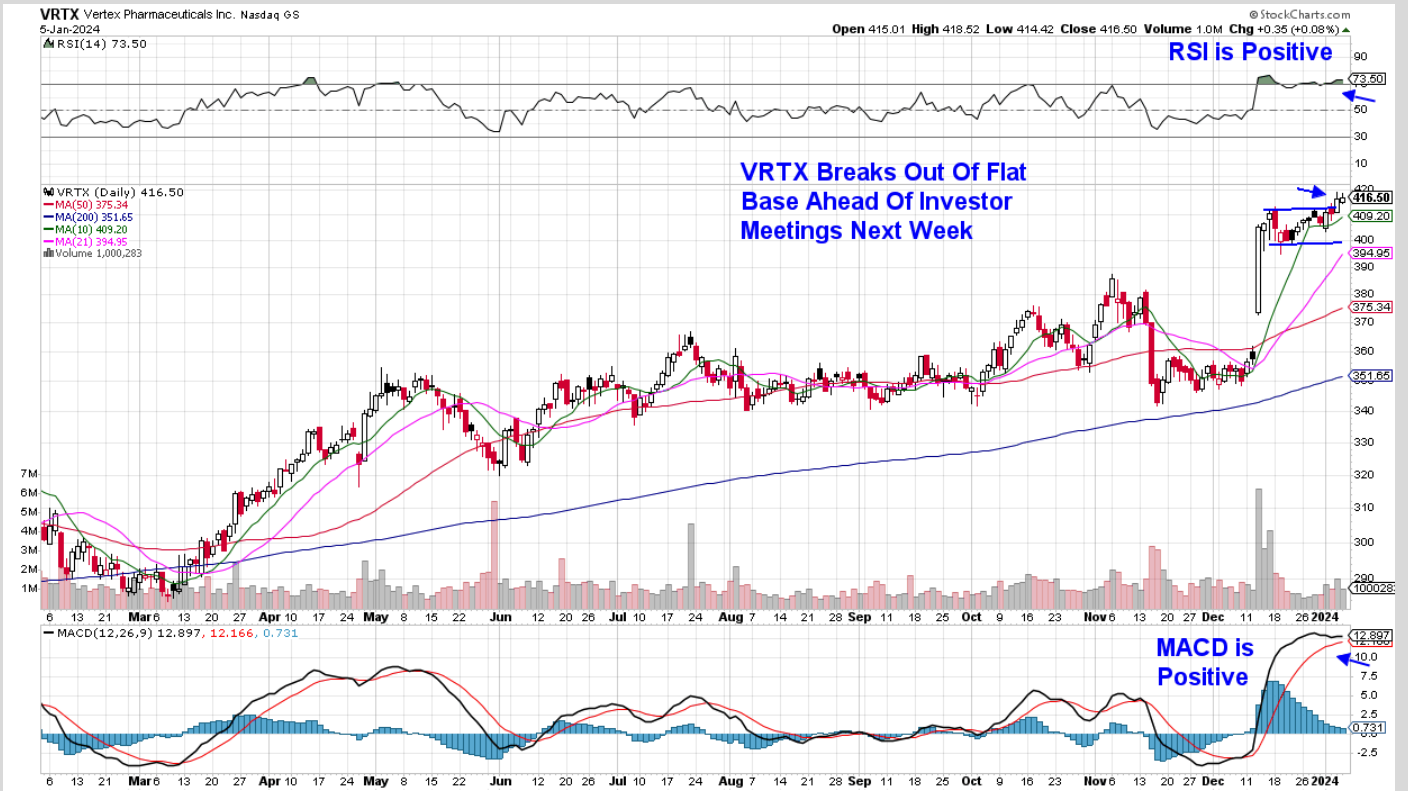
With economic data relating to inflation remaining a key metric to watch, next week's Consumer Price Index on Thursday followed by Producer Price Index data on Friday will be closely watched.

We anticipate a rebound back into Growth stocks however, we'll need to see interest rates move back below 4% before a momentum shift back into a bullish mode. Until then, we'll continue to focus on the recent move into value stocks with an eye toward how Banks fare next week as earnings season begins.

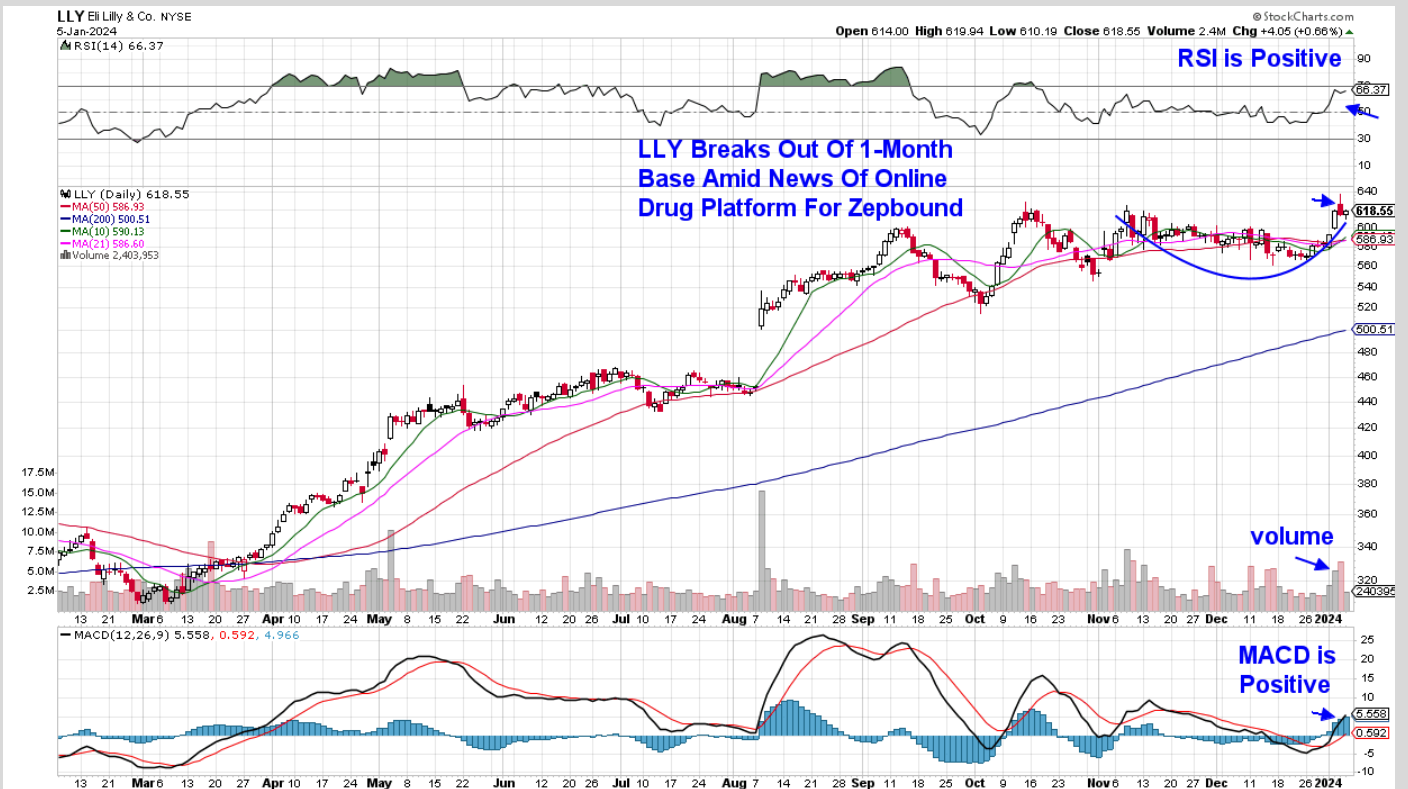
### Daily Chart of the Nasdaq Composite (\$COMPQ)



## Daily Chart of Vertex Pharmaceuticals Inc. (VRTX)



## Daily Chart of Eli Lilly & Co. (LLY)



# 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

AMZN	Amazon	\$138.60	11/5/2023	4.5%	Retail - Internet
MHO	M/H Homes	\$94.80	11/5/2023	32.0%	Home Builder
TJX	TJX Corp	\$93.81	1/1/2024	-2.0%	Discount Retailer
TOL	Toll Brothers	\$85.20	11/15/2023	17.0%	Home Builder

## FINANCIAL

BPOP	Popular, Inc.	\$72.70	11/15/2023	10.5%	Regional Bank
CMA	Comerica	\$55.40	12/17/2023	2.5%	Regional Bank
EWBC	East West Bancorp	\$61.90	11/15/2023	17.0%	Regional Bank
SCHW	Charles Schwab	\$68.58	12/24/2023	-2.0%	Brokerage
STT	State Street Corp	\$72.90	12/3/2023	7.0%	Investment - Asset Management

## HEALTHCARE

BSX	Boston Scientific	\$57.60	1/3/2024		
LLY	Eli Lilly	\$618.50	1/7/2024		
VRTX	Vertex Pharmaceuticals	\$416.50	1/7/2024		

## TECHNOLOGY

AMD	Advanced Micro Devices	\$118.50	11/12/2023	15.5%	Semiconductor
AVGO	Broadcom	\$944.30	12/10/2023	12.5%	Semiconductor
CRM	Salesforce	\$260.00	12/3/2023	-2.5%	
CRWD	CrowdStrike	\$176.70	10/8/2023	37.0%	Software
INTU	Intuit	\$608.50	12/17/2023	-3.5%	Software
MSFT	Microsoft	\$327.30	10/8/2023	12.5%	Software
NVDA	Nvidia	\$450.00	11/5/2023	9.5%	Semiconductor

## COMMUNICATION SERVICES

META	Meta Platforms	\$315.40	10/8/2023	17.5%	Internet-Content
NFLX	Netflix	\$432.30	11/5/2023	14.5%	Internet-Content
TMUS	T-Mobile US	\$160.30	1/1/2024	2.0%	Telecom Services

# 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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