



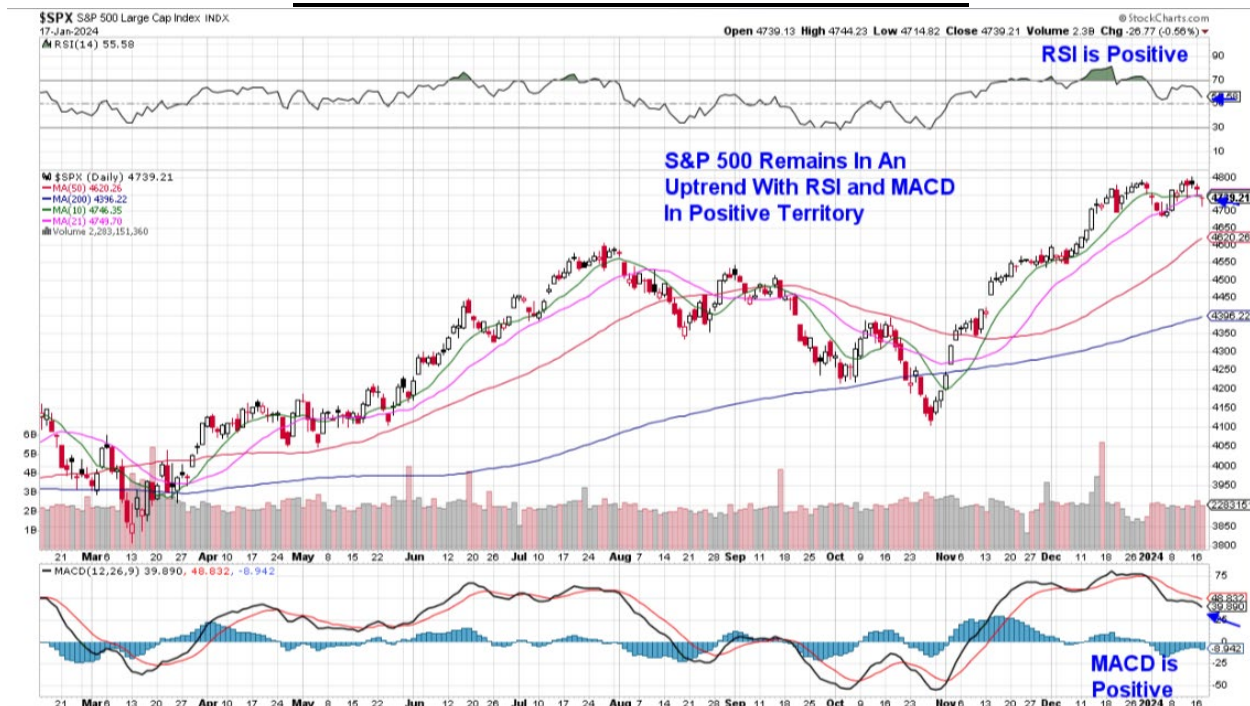
THE MEM EDGE

Midweek Report

Wednesday, January 17, 2024

- Retail Sales Jump In December
- Yield On 10-Year Treasury Climbs To 4.1%
Confidence In Possible March Rate Cut Drops
- Home Builder Confidence Index Jumps In January
- Building Permits, Home Sales, Consumer Confidence and Fed Governors Talks Due Over Next 2 Days
- China's GDP Shows Slowest Growth Since 1976
- Removing EastWest Bancorp (EWBC), State Street (STT) and Popular Bank (BPOP) From Our Suggested Holdings List

DAILY CHART OF S&P 500 INDEX



The S&P 500 has declined 0.9% over the past 2 days in a move that has this Index closing just below its 10 and 21-day moving



THE MEM EDGE

Midweek Report

averages. The MACD and RSI remain in positive territory which keeps the near term uptrend in place.

The Nasdaq has fallen 0.8%, with a late day rally today that has this Index closing back above its 10-day moving average. With the RSI and MACD in positive territory, the uptrend in this Index remains in place.

The Equal Weighted S&P 500 has fallen 1.5% for the week as most of the S&P sectors fell further than the broader markets. The percent of stocks in the Nasdaq that are below their 50-day moving average has dropped by 15% as areas that we highlighted in our Weekly Report continue to exhibit weakness. (see charts below)

As you may recall, these weaker areas have been led lower due to poor earnings and growth outlooks such as Banks, Airlines and Autos to name a few. ***This week, we can add rising interest rates as an additional headwind for the markets.***

The yield on the 10-year Treasury is at 4.1% following news today that Retail Sales came in hotter than expected. With Consumer Spending accounting for 2/3rds of the U.S. economy, strong sales has put cold water on the expectation that the Fed will cut interest rates in late March. In fact, investor's bets for a cut have dropped to 50% which is down from 71% a month ago.

Not all the news is poor this week however, with Semiconductor stock Advanced Micro (**AMD**) from our List gaining 9.5% following a bullish report regarding the sales outlook of their AI chips. The stock has rallied on above average volume both yesterday and



THE MEM EDGE

Midweek Report

today and is in a strong buy zone as it's poised to trade higher from here.

AMD is due to report their earnings in 2 weeks.

Nvidia (**NVDA**) posted a more modest 2.5% gain following last week's sharp rise due to Wall Street upgrades. **NVDA** is also in a strong buy zone as it finds support at its upward trending 5-day moving average. The company will not report quarterly results until later next month.

Software stocks have pulled back with CrowdStrike (**CRWD**) falling 2.5% after being among the top performers last week. The stock remains in a confirmed uptrend and is in a buy zone.

Intuit (**INTU**) is down 2% with the RSI on the daily chart now poised to turn negative while the MACD continues to move lower. We would not be a buyer on this week's pullback.

Both Salesforce (**CRM**) and ServiceNow (**NOW**) are flat for the week and remain in confirmed uptrends after closing above their shorter term moving averages with positive momentum indicators. **NOW** is due to report its earnings next Wednesday.

Microsoft (**MSFT**) is in a strong buy zone after regaining its 5-day moving average today.

While we've highlighted most of the Tech names on our List as being in a buy zone, interest rate risks are present as Software stocks in particular are negatively sensitive to rising rates. This is because rising rates negatively impact the value of their earnings going forward.



Given this backdrop, we would add to any positions lightly.

Rising rates are also a negative for Homebuilders (XHB) however, a jump in Homebuilders Confidence this month has helped buffer the negative impact.

Toll Brothers (**TOL**) is down more than the group however in a move that has the RSI on the cusp of turning negative. We're looking for the stock to find support at its late December low of \$97.5 as a close below that level would have the next area of support being its 50-day moving average which is 6.4% away.

We're using the rising rate environment from late August into September as a precedent and as you'll see, XHB was negatively impacted. **TOL** and **MHO** can be held for now.

Overall, retailers did not respond favorably to today's strong Retail Sales data with the S&P 500 Retail ETF down almost 1% for the week. Both Amazon (**AMZN**) and Target (**TGT**) have pulled back from their base breakouts last week with both stocks remaining above support and in confirmed uptrends.

Internet Related stocks are underperforming for the week however, Meta Platforms (**META**) remains in a strong buy zone after finding support at its 10-day moving average.

Elsewhere in this group T-Mobile (**TMUS**) is also in a strong buy zone after today's 2-week base breakout on heavy volume. The company is due to report its quarterly results next Thursday.

Bank stocks are continuing to decline as more companies come out with mixed earnings reports. EastWest (**EWBC**) and Popular



THE MEM EDGE

Midweek Report

Bank (**BPOP**) from our List have dropped ahead of the release of their earnings next week. The decline has pushed the RSI into negative territory and we're removing both stocks from our Suggested Holdings List.

State Street (**STT**) has also posted a negative RSI ahead of the release of its earnings on Friday. The above average volume coupled with overall weakness in Financials has us removing this stock from our Suggested Holdings List as well.

Healthcare stocks are trading in line with the markets with Boston Scientific (**BSX**), Vertex (**VRTX**) and Regeneron (**REGN**) each outperforming while remaining in confirmed uptrend. Eli Lilly (**LLY**) also remains in a confirmed uptrend after pulling back to its 10-day moving average where it's found support.

While we've highlighted stocks as being in a buy zone, each of the stocks on our Suggested Holdings List has a growth component that will make it sensitive to any continued rise in interest rates.

Over the next 2 days, four Federal Reserve Governors are due to speak at various engagements. Tuesday's negative response to Fed Governor Waller's comments that a rate hike is currently not in sight, highlights the impact that comments may have over the next two days.

At this time, we're cautious on the near term prospects for the markets however as we've seen in the past, strong earnings reports from mega-cap names - which are due to begin reporting later this month - can easily turn sentiment depending on their



THE MEM EDGE

Midweek Report

results and more importantly, their outlooks for growth going forward.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report

DAILY CHART OF EQUAL WEIGHTED S&P 500





THE MEM EDGE

Midweek Report

DAILY CHART OF PERCENT OF STOCKS IN NASDAQ ABOVE THEIR 50-DAY MOVING AVERAGE.

