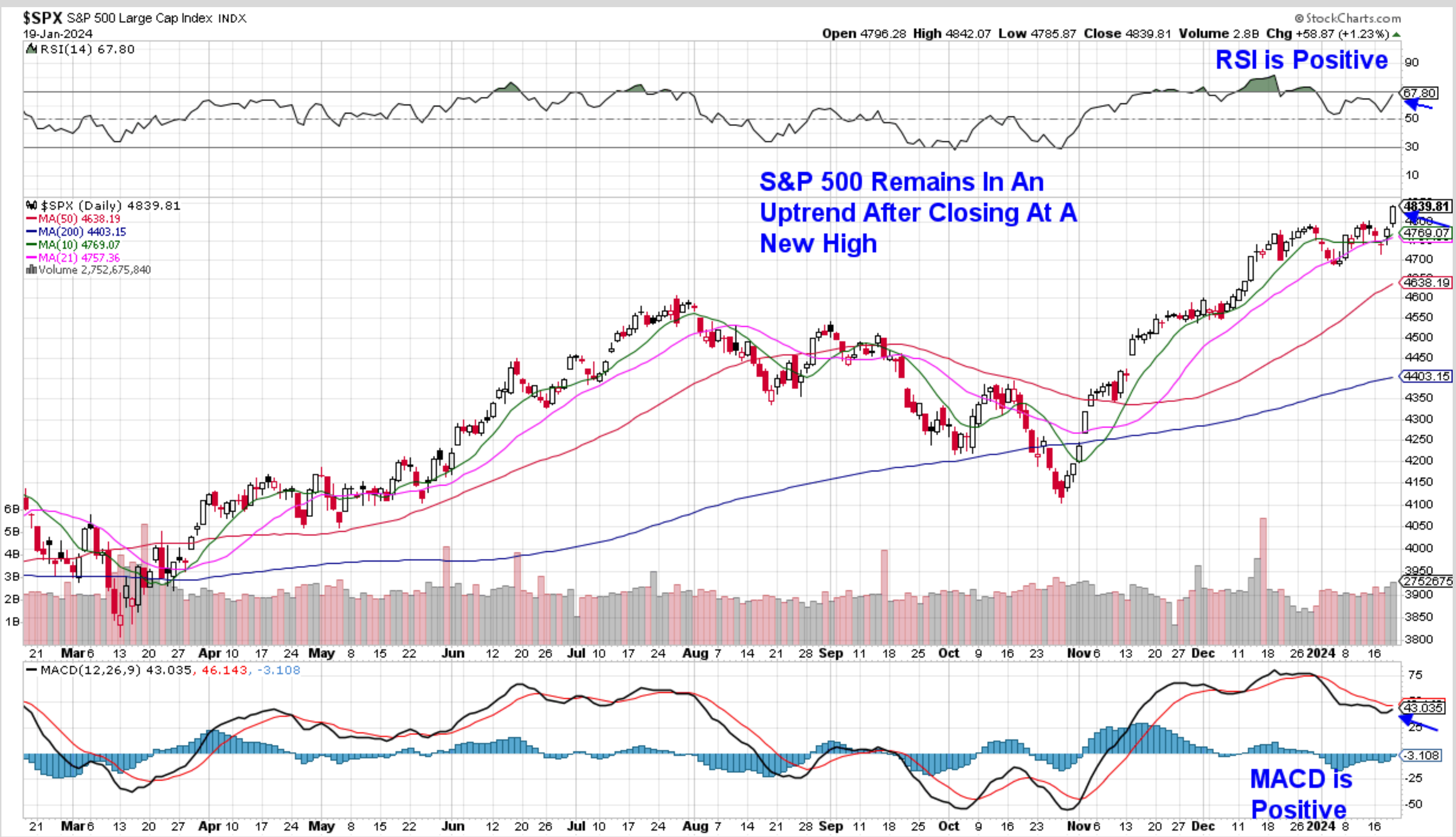
THE MEM EDGE

January 21, 2024 | Weekly Report

This Week's Highlights

- Retail Sales Jump In December and Consumer Sentiment Jumps
- Yield On 10-Year Treasury Climbs To 4.1%
- Confidence In Possible March Rate Cut Drops
- Home Builder Confidence Index Jumps In January
- China's GDP Shows Slowest Growth Since 1976
- Q4 GDP and Core PCE Data Next Week

Daily Chart of S&P 500



The S&P 500 gained 1.2% for the week in a move that puts this index at an all-time high in price. With the RSI and MACD in positive territory and trending upward, the near-term uptrend for this index remains firmly in place.

The weekly chart of this Index is in an equally bullish position and while the RSI is very close to entering an overbought position, we've seen this take place in the past with the most recent period being the last three quarters of 2021. A close of the RSI above 80 on the weekly chart would be more concerning.

The NASDAQ fared better with a 2.3% gain for the week which keeps the near-term uptrend in this index firmly in place as well. Last week's rally was fueled by outperformance in most of the Magnificent Seven names. Most notable, was an 8.7% gain in Nvidia (**NVDA**) amid a sharp rally in Semiconductor stocks. Software stocks posted a more modest outperformance.

While last week's rally in the markets was a welcome relief from the pullback and mostly sideways price action we saw at the start of this year, the gains were very focused among leading Growth stocks.

Only Technology and Communication Services sectors outperformed while more defensive areas such as Utilities, REITs, Healthcare and Staples ended the week in the red. By way of reference, the Vanguard Growth Fund (**VUG**) gained 2.3% while the Vanguard Value Fund (**VTV**) was flat for the week.

Most notable last week was investor's shift in sentiment that the Fed would lower interest rates at their March meeting. Given the continued strength among consumer spending along with indications that inflation remains elevated, traders are now looking at May as a more likely period.

In response, interest rates rose with the yield on the 10-year Treasury closing the week at the 4.1% level. The higher rate scenario pushed Small Cap stocks lower due to increased borrowing costs while higher yielding areas such as Utilities and Staples, sold off.

In the past, higher rates have been a negative backdrop for Growth stocks as it reduces the value of their future earnings. Should we see rates continue to climb, we expect to see this impact return.

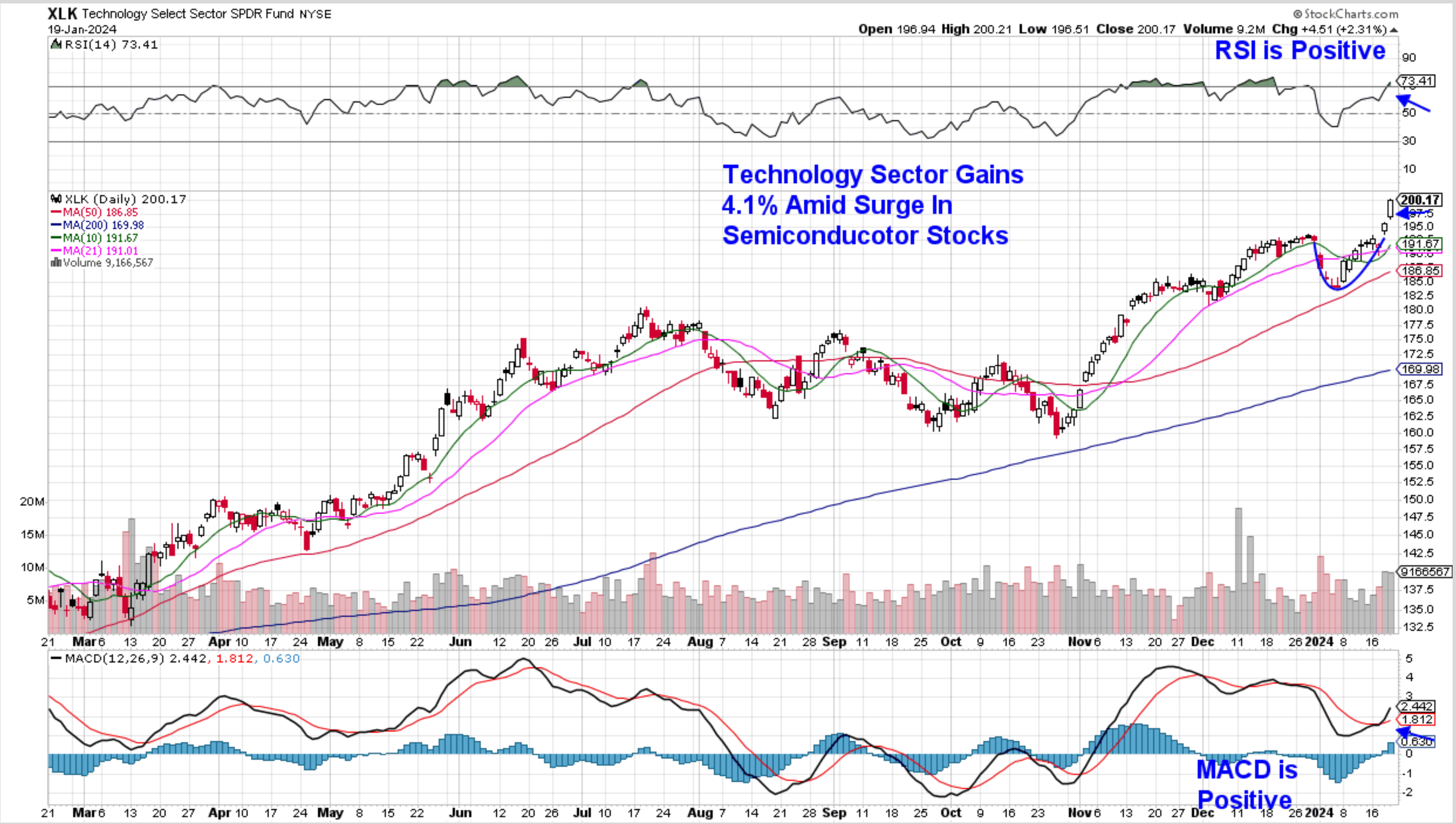
Next week, key inflation data will be released by way of Personal Consumption Expenditures data (PCE). This is the Federal Reserve's preferred inflation gauge and any uptick in consumer spending may push interest rates higher.

Earnings reports were another big driver of price action last week, with improved growth outlooks pushing Semiconductor stocks higher while earnings upgrades helped Apple (**AAPL**) and other stocks rally as well.

While the broader markets are in an uptrend, selective buying among leadership names such as those on our Suggested Holdings List is advised at this time. As earnings season progresses, we'll be on the lookout for participation among additional areas.

The MEMEdge
WEEKLY REPORT

Daily Chart of the Technology Sector (XLK)



[Technology Sector Leads Markets Higher]

Tech stocks rallied 4.1% led by outsized gains in Semiconductor stocks such as those on our Suggested Holdings List.

The move into Semi's began with Advanced Micro (**AMD**)'s sharp gain earlier in the week following a bullish report regarding the sales outlook of their AI chips. **AMD** went on to be the top performer in the Nasdaq 100, after a 19% rally for the week.

While last week's high volume advance puts the stock on track for further gains, the stock is now 32% above its 50-day moving average with the RSI at 80 - putting it in an upper, overbought position. These conditions were last seen during May's AI-fueled rally with the stock pulling back to its 10-day moving average followed by a more prolonged pullback amid a rising interest rate environment.

We'd be a buyer of **AMD** on any pullback to the $160 range which is its 5-day moving average. As for the possibility of a more pronounced pullback - which began in mid-June - this was signaled by a negative MACD crossover and a close below the 21-day moving average. We're not close to these conditions at this time.

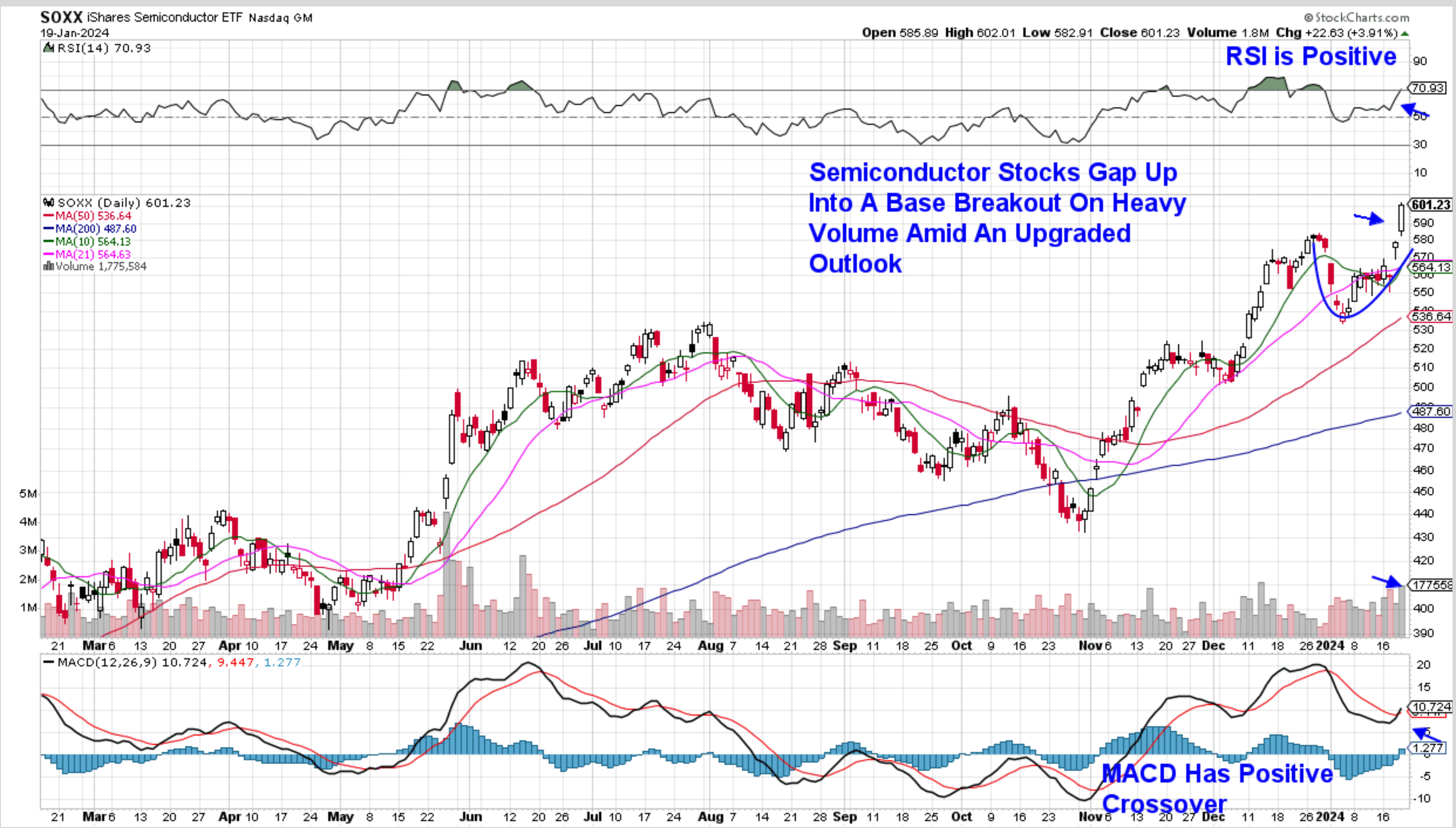
News later in the week of Taiwan Semi's (**TSM**)'s improved growth outlook spurred a broader based rally in Semiconductor stocks with the group breaking out of a 1-month base on heavy volume Friday. (using ETF SOXX) **TSM** is the world's largest chip manufacturer.

Broadcom (**AVGO**) was the 3rd best performer for the Nasdaq with a 9.5% gain spurred by a Friday rally into a base breakout following Goldman's upgrade. The stock is in a strong buy zone with a bullish MACD crossover (black line up through the red) and using the mid-December period as precedence, the stock can be bought.

Nvidia (**NVDA**) also outperformed its peers as the stock continued to advance higher out of its base breakout from 2 weeks ago. **NVDA** is finding support at its upward trending 5-day moving average and can be bought in the $568 range at its 5 dmav. The stock is in a confirmed uptrend.

As you'll see in the chart below, Semiconductor stocks are poised for further upside after last week's base breakout and the bullish MACD crossover. Next week, key Semiconductor stocks such as Intel (**INTC**), Lam Research (**LRCX**) and ASML Holdings (**ASML**) will be releasing their quarterly results as well as growth outlooks for this year. We expect their numbers to impact the group.

Daily Chart of iShares Semiconductor ETF (SOXX)



Both **INTC** and **LRCX** are strong contenders to be added to our Suggested List depending on their results next week.

Software stocks also posted a base breakout on Friday (using ETF IGV).

Heavyweight stock Microsoft (**MSFT**) remains in a confirmed uptrend as it finds support at its upward trending 5-day moving average. Last week's advance put the RSI into an overbought position and using late November as precedence, the stock can continue to trade higher despite an RSI above 70.

In November, a negative MACD crossover signaled a period of consolidation which lasted throughout December. We're not close to that occurring at this time. **MSFT** is in a strong buy zone.

Salesforce (**CRM**) from our List outperformed the group with a 3.5% rally that put the RSI into an overbought position. **CRM** has shown that it can remain in an overbought position for some time such as December. With the MACD just posting a bullish crossover, we'd be a buyer in the $274 range at its 5-day moving average.

ServiceNow (**NOW**) is in a very bullish position ahead of the release of their earnings on Wednesday after the markets close. With the stock trading at an all time high in price, their numbers will have to be stellar in order to keep its current uptrend in place. **NOW's** results as well as investor's response will be a proxy for other high flying Tech stocks trading at or close to new highs.

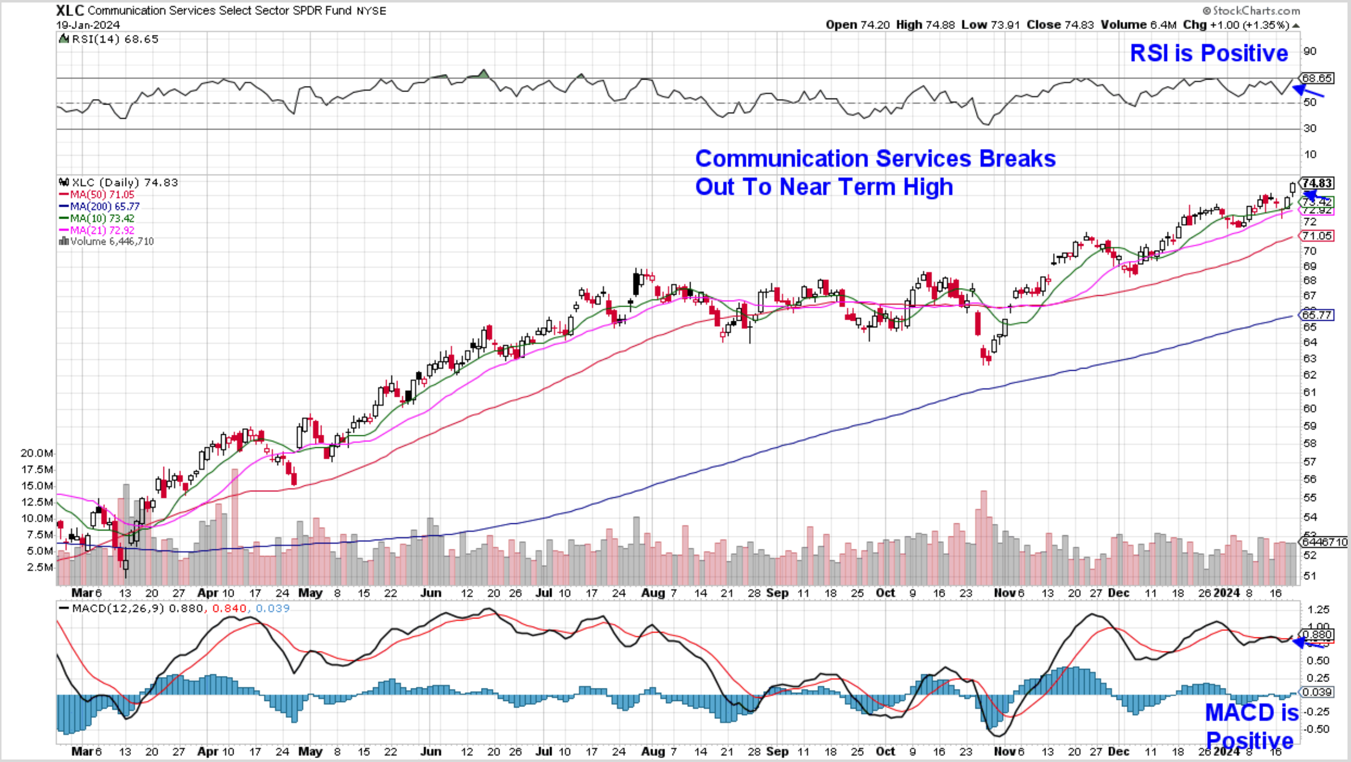
Crowdstrike (**CRWD**) is approaching new highs after this month's sharp advance. The stock is in a buy zone after Friday's 1-week base breakout.

Intuit (**INTU**) regained its uptrend after a 2% rally pushed the stock back above its short term moving averages on its way to a possible base breakout at $231. The business and tax software provider posted a double bottom formation before last week's move into a bullish position and **INTU** is in a strong buy zone.

This week, we're adding Adobe (**ADBE**) back to our Suggested Holdings List after the stock regained its uptrend following a close above its 50-day moving average on heavy volume Friday. The gains pushed the MACD into positive territory where it joined the already positive RSI.

Using the early November period as precedence, we would add to any new position in **ADBE** lightly, and pyramid up as the stock proves itself by advancing further above its moving averages.

Daily Chart of the Communication Services Sector (XLC)



[Communication Services Sector Outperforms](#)

This sector was the only other area of outperformance outside of Technology, with a Friday rally that included stocks such as Meta Platforms (**META**) which hit a new high in price on above average volume.

As mentioned in recent reports, **META** has seen their earnings estimates upgraded ahead of their release later this month due to cost cutting by way of reducing staff as well as reports of increased ad sales for Facebook and Instagram.

META remains in a confirmed uptrend on its daily chart with the weekly chart also in a bullish position which bodes well for the longer term prospects for this stock. **META** can be bought in the $374 range at its 5-day moving average.

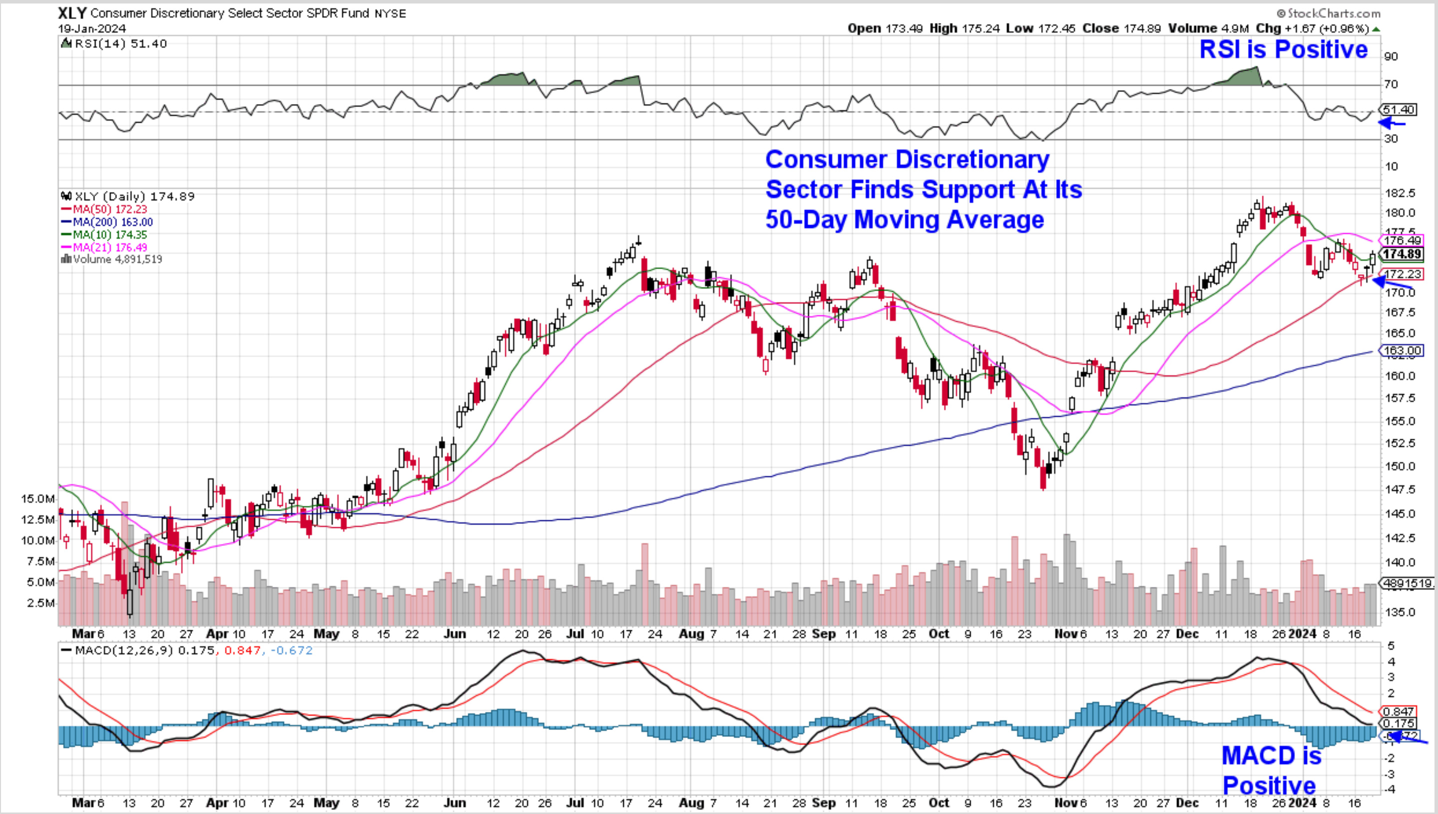
T-Mobile (**TMUS**) gained 1.5% ahead of the release of their earnings on Thursday. With the wireless playing field being reduced to 3 big players - Verizon (**VZ**), AT&T (**T**) and T-Mobile (**TMUS**), the less intense competitive landscape is expected to benefit these companies amid less aggressive promotions.

Among these 3 companies, **TMUS** is in the strongest position, with the stock hitting a new high last week amid double digit growth estimates that are well above its peers.

Netflix (**NFLX**) is also due to report results and the stock has been trending sideways over the past month despite upgrades to its estimates from 5 major Wall Street firms during last week alone. Subscribership numbers will be closely watched as many analysts are anticipating growth due the company's restriction of sharing passwords.

NFLX will be reporting Tuesday after the market's close and as the first of the former FAANMG stocks to report, the results may set the tone for other mega-cap Growth stocks.

Daily Chart of the Consumer Discretionary Sector (XLY)



[Consumer Discretionary Sector Underperforms Despite Strong Retail Sales Data]

Auto stocks pulled this sector lower again last week, led by Tesla (**TSLA**) which trended down ahead of the release of their earnings on Wednesday. Analysts are revising earnings estimates lower ahead of their report which is generally not good news. However, the stock is trading close to the lows of last year which may make it attractive on any hint of good news.

Housing stocks were able to outperform the markets slightly despite an increase in interest rates. The advance took place following news of a jump in Homebuilder Confidence which was reported earlier in the week.

M/I Homes (**MHO**) outperformed its peers with a 3% gain that pushed the stock into a new uptrend after closing above its shorter term 10 and 21-day moving averages. The move puts the stock into a buy one ahead of the release of their earnings later this month. A positive MACD crossover would provide further bullish sentiment for **MHO**.

Toll Brothers (**TOL**) was flat for the week with a Friday rally that puts the stock within a point of closing back above its shorter term moving averages. Most Home Building stocks were due a period of consolidation such as the past 3 weeks after sharp advances in November into December. **TOL** can be bought after a close above its 21-day moving average which is 0.6% away.

Well known home builder DR Horton (**DHI**) is due to report their quarterly results on Tuesday before the markets open. The stock broke out of a 1-month flat base on Friday and is in a bullish position to trade higher depending on results. We expect that management's outlook regarding growth going forward will impact the group.

Deckers (**DECK**) outpaced its peers with a 6% rally ahead of the release of their earnings early next month. The stock is in a confirmed uptrend as analysts raise estimates going into their report.

DECK can be bought on a pullback to the $728 range at its 5-day moving average. With the MACD trending upward from a low level, the stock is in a strong buy zone and poised to trade higher over the near term.

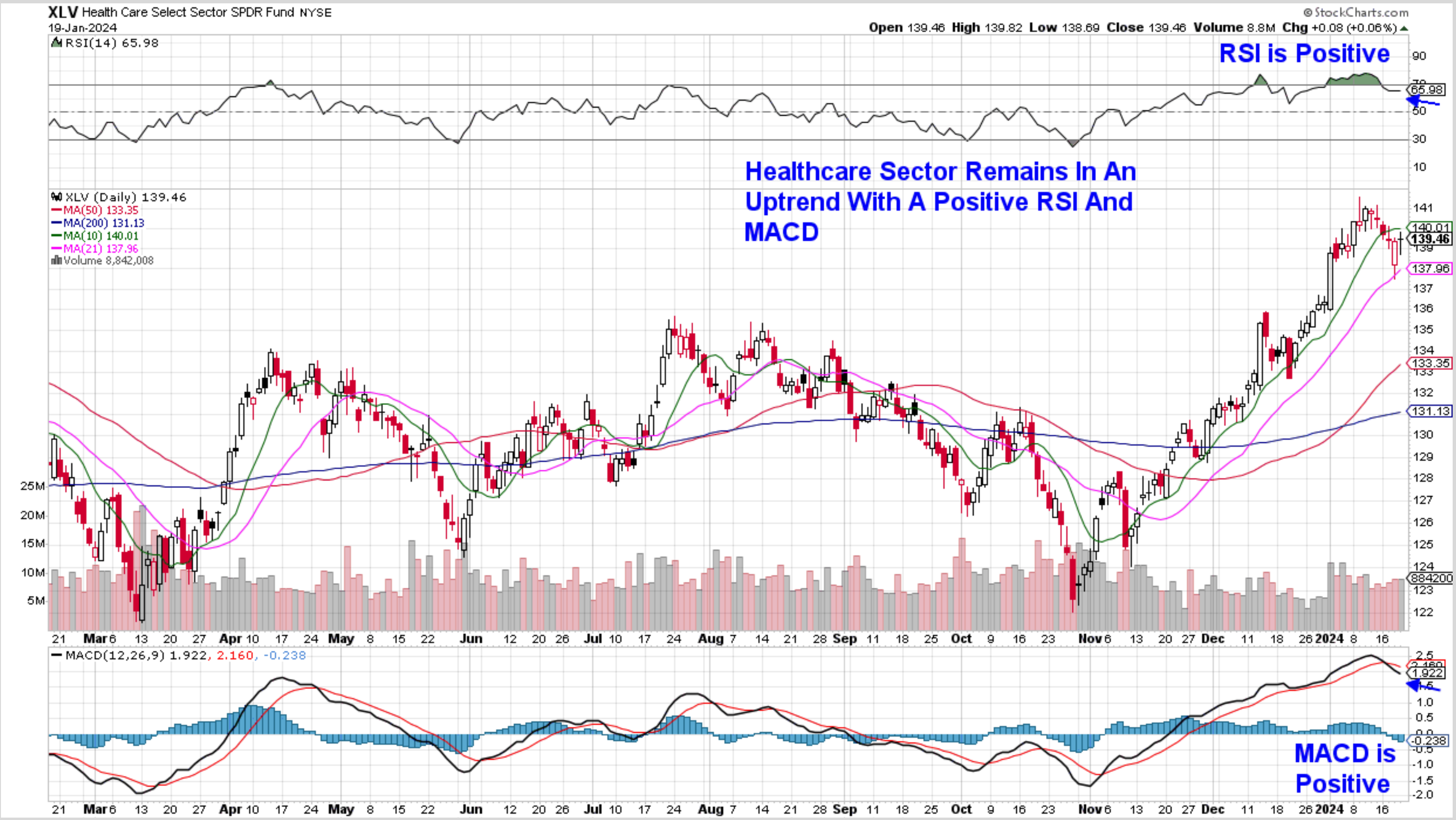
Discount Retailer TJX Cos (**TJX**) posted a 0.5% gain amid choppy price action that keeps the stock in a strong uptrend after closing back above its 5-day moving average.

TJX just posted a bullish MACD crossover on its weekly chart which points to further upside longer term however, the daily chart highlights that the stock is best bought on a pullback to its 10-day moving average which is currently at $94. This price is also the recent base breakout level.

While the Retail group is struggling, (using ETF XRT) we're on the lookout for winners from last year to regain their momentum. This would include lululemon athletica (**LULU**) which is on our watch list. A close above its 21-day moving average would put the stock into a buy zone as analysts continue to revise estimates higher for both this year and next.

Heavyweight name Amazon (**AMZN**) ended the week up less than 1% in lackluster trade that keeps the near term uptrend intact. The company is due to report earnings early next month which may provide a needed boost to spur upside momentum. **AMZN** is in a buy zone after Friday's 1-month base breakout on volume.

Daily Chart of the Health Care Sector (XLV)



[Healthcare Sector Retains General Uptrend Amid Underperformance]

Managed Care stocks pulled this sector down again last week amid a lowered outlook for the group after last week's poor earnings outlook from heavyweight United Healthcare (**UNH**). Larger Pharmaceutical stocks also pulled back as did Biotech stocks.

Select Medical stocks posted gains however, such as Intuitive Surgical (**ISRG**) which was the top gainer in its group after rallying 3% on top of last week's sharp advance.

ISRG is due to report their quarterly results on Tuesday after the markets close and the recent advance has followed management's preannouncement of strong growth ahead of their release.

As cited last week, we're using the weekly chart as precedence and in particular, the April into July period when **ISRG** trended higher after a strong earnings report. The key difference at this time however is that the stock is trading close at all time highs.

The market's appetite for stocks coming in with strong numbers and being at new highs will be tested with **ISRG**.

Boston Scientific (**BSX**) remains in a confirmed uptrend as the stock continues to find support at its 5-day moving average. While the stock is overbought, until we see a negative MACD crossover, we'll be on the lookout for further upside. **BSX** is due to report earnings at the end of this month.

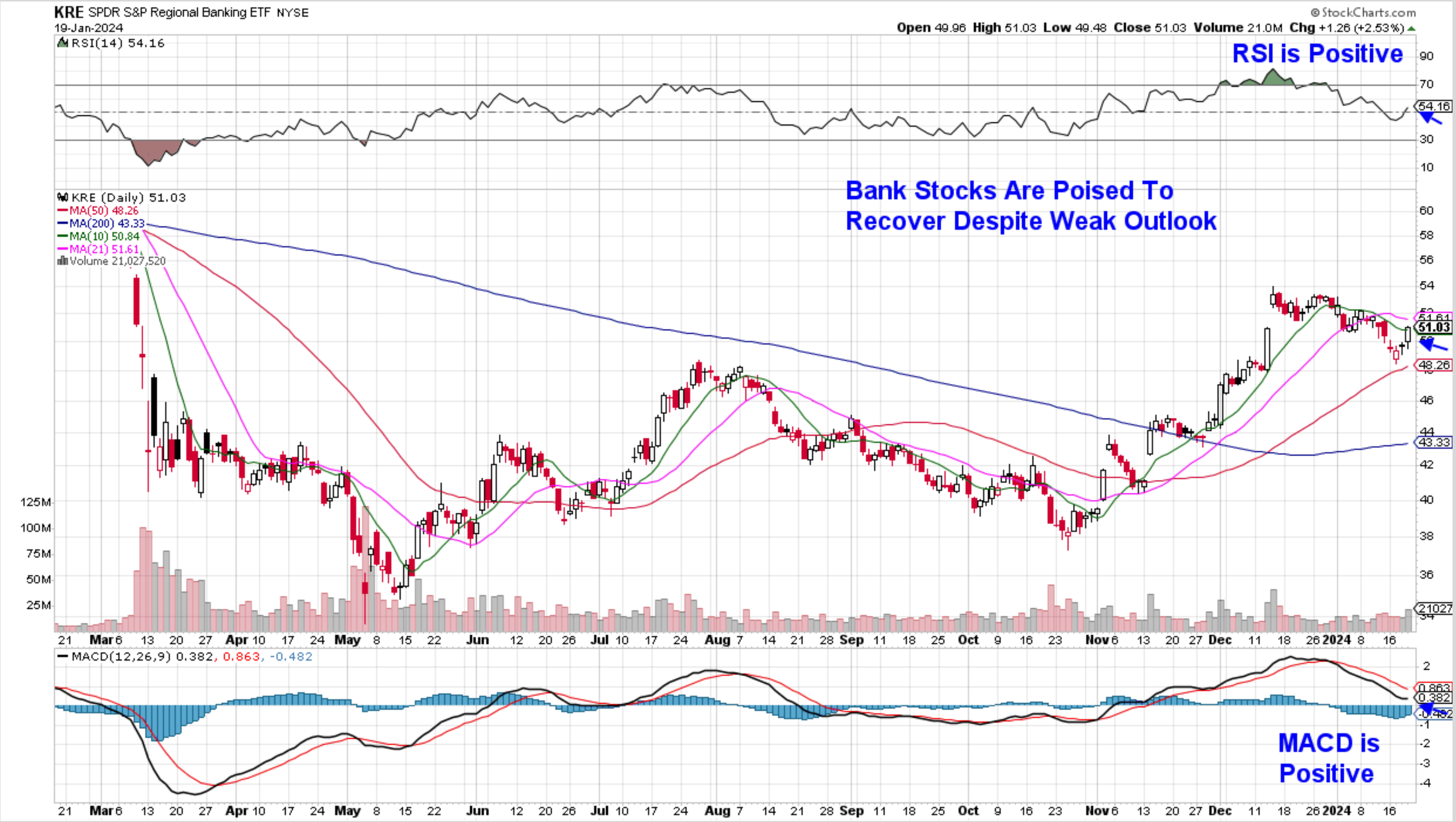
Vertex (**VRTX**) posted a 0.5% gain that keeps the stock in an uptrend after closing above its 5-day moving average. Until we see a negative MACD crossover such as mid-May of last year after a 3-week advance, we'll remain on the lookout for further upside.

Regeneron Pharmaceuticals (**REGN**) also outperformed the Biotech group after ending the week flat. This is another company that preannounced results after announcing 4th quarter sales of their blockbuster drug Eylea which generated $1.46B in U.S. sales.

The stock remains in an uptrend after closing above its 5-day moving average however, the stock's flat momentum last week points to continued underperformance over the near-term. **REGN** is due to report earnings in 2 weeks and the stock can be held.

Eli Lilly (**LLY**) pulled back with other big Pharmaceutical stocks last week. With its RSI and MACD in positive territory, the near term uptrend remains in place. A close above its 10-day moving average at $629 would put **LLY** into a strong buy zone.

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



[Financial Sector Held Back By Bank Stocks]

Bank stocks continued to dominate the earnings calendar last week with quarterly results that were mixed. Overall, the news has been negative with the inverted yield curve coupled with the high interest rate cost of deposits, presenting challenges.

On Friday, Comerica (**CMA**) from our List joined other large Regional banks in warning of lower net interest income (NII) in 2024 along with reporting reduced quarterly earnings. While lower NII points to lower profitability, **CMA** as well as other banks ended the week mostly flat.

Using the Regional Banking ETF (KRE), Bank stocks appear poised for a possible recovery; however, we're removing Comerica (**CMA**) from our Suggested Holdings List as the losses from when we added the stock are close to our 6% threshold.

Summary

For the year so far, economic growth, inflation and the Fed continue to be key drivers of the markets. Higher than anticipated inflation and economic data, coupled with hawkish comments from Fed officials, has increased volatility and held the broader markets back.

There have been bright spots however, with select Technology and Internet Related stocks continuing their outperformance from last year. Healthcare stocks are joining these sectors as the only 3 areas outperforming the S&P 500's year to date performance of 1.5%.

With earnings season picking up, we anticipate corporate results to overshadow interest rate fears over the near term; however, should we see a continued uptick in yields, we expect to see the markets pull back.

Next week, the Federal Reserve will enter a quiet period where no comments are allowed before their next meeting at the end of this month. There will be key inflation data released on Friday however, with the Fed's preferred gauge - PCE data - due.

With the broader markets in an uptrend, we'd continue to participate in areas of the market that are exhibiting strength such as stocks on our Suggested Holdings List. Ideally however, we'd like to see a broadening out of participation to support a more prolonged uptrend in the markets.

New Idea Charts:

Daily Chart of Adobe Systems, Inc (ADBE)

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	EARNINGS DUE
CONSUMER DISCRETIONARY						
AMZN	Amazon	$138.60	11/5/2023	11.5%	Retail - Internet	1-Feb-24
DECK	Deckers	$695.91	1/10/2024	7.5%	Retail Apparel Shoe	1-Feb-24
MHO	M/H Homes	$94.80	11/5/2023	37.0%	Home Builder	31-Jan-24
TJX	TJX Corp	$93.81	1/1/2024	2.0%	Discount Retailer	28-Feb-24
TOL	Toll Brothers	$85.20	11/15/2023	18.5%	Home Builder	20-Feb-24
FINANCIAL						
CMA	Comerica	$55.40	12/17/2023	-5.0%	Regional Bank	
HEALTHCARE						
BSX	Boston Scientific	$57.60	1/3/2024	5.0%		31-Jan-24
ISRG	Intuitive Surgical	$363.70	1/15/2024	3.0%		23-Jan-24
LLY	Eli Lilly	$618.50	1/3/2024	2.0%		6-Feb-24
REGN	Regeneron	$933.00	1/15/2024	0.0%		2-Feb-24
VRTX	Vertex Pharmaceuticals	$416.50	1/7/2024	7.0%		5-Feb-24
TECHNOLOGY						
ADBE	Adobe Systems	$611.50	1/20/2024		Software	14-Mar-24
AMD	Advanced Micro Devices	$118.50	11/12/2023	40.5%	Semiconductor	30-Jan-24
AVGO	Broadcom	$944.30	12/10/2023	27.5%	Semiconductor	7-Mar-24
CRM	Salesforce	$260.00	12/3/2023	9.5%	Software	6-Mar-24
CRWD	Crowdstrike	$176.70	10/8/2023	54.0%	Software	5-Mar-24
INTU	Intuit	$608.50	12/17/2023	2.5%	Software	22-Feb-24
MSFT	Microsoft	$327.30	10/8/2023	21.0%	Software	30-Jan-24
NOW	ServiceNow	$714.30	1/10/2024	5.0%	Software	24-Jan-24
NVDA	Nvidia	$450.00	11/5/2023	30.0%	Semiconductor	21-Feb-24
COMMUNICATION SERVICES						
META	Meta Platforms	$315.40	10/8/2023	26.5%	Internet-Content	1-Feb-24
NFLX	Netflix	$432.30	11/5/2023	16.5%	Internet-Content	23-Jan-24
TMUS	T-Mobile US	$160.30	1/1/2024	3.0%	Telecom Services	25-Jan-24

Glossary of Terms Used From Our Suggested Holdings

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.