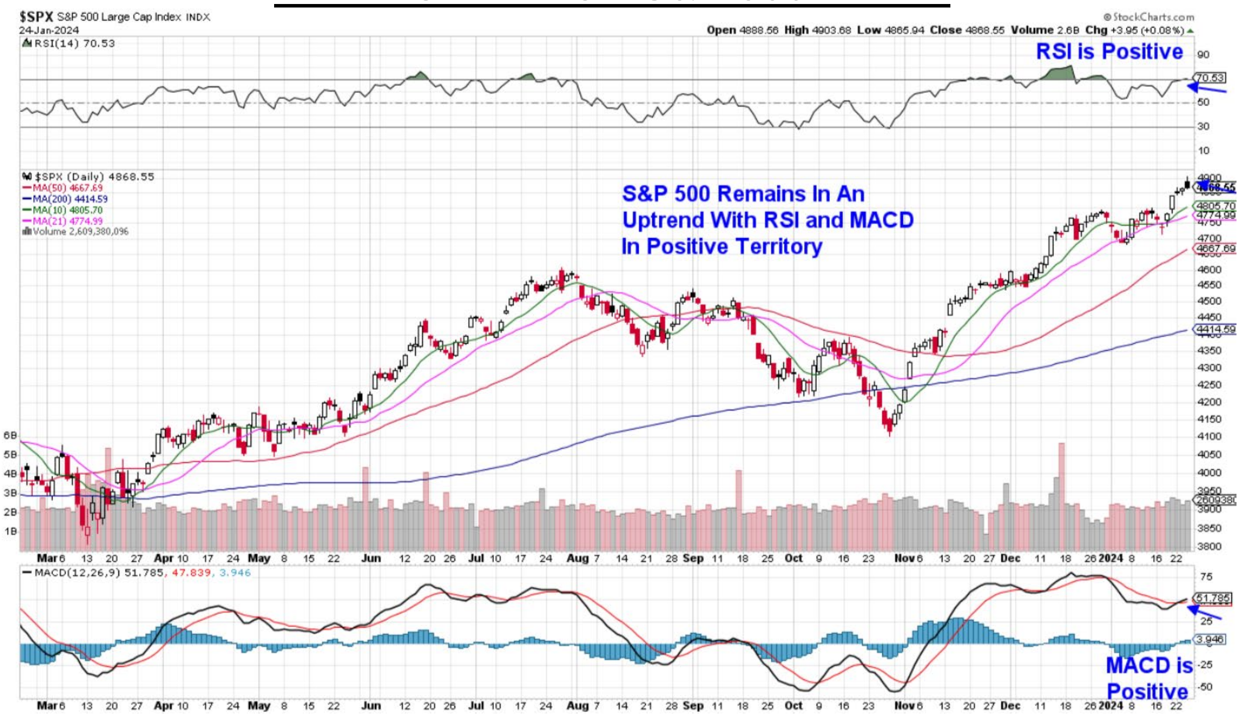
THE MEM EDGE

Midweek Report

Wednesday January 24, 2024

- Q4 GDP Estimate and December New Home Sales Data Due Tomorrow
- Personal Consumption Expenditures (PCE) Report On Friday
- Earnings Reports Drive Price Action Among Winners and Losers

DAILY CHART OF S&P 500 INDEX



The S&P 500 has gained 0.6% for the week in a move that keeps the near term uptrend for this Index in place as it continues to hit a new high. An initial rally today fizzled into the close however, as investors digest earnings reports amid a slight uptick in interest rates.

The Nasdaq is faring better with a 1.1% gain that was spurred by a sharp rally in Netflix (NFLX) after the company reported better than expected 4th quarter results. Gains in Semiconductor and Software stocks also provided a boost.

Netflix (NFLX) gapped up 11% today due to reporting new subscribership growth that has not been seen since the pandemic. The gain took place on well above average volume and pushed the RSI into an overbought position while the MACD posted a bullish crossover. (black line up through the red)

NFLX posted an even higher gap up in price in response to their last quarterly earnings release in October, and while we'd like to use this period as precedent, both the MACD and RSI were at much lower levels last fall. Instead, we're on the lookout for back and fill price action as the stock consolidates on its way to further gains.

Other earnings driven price action took place among Home Builders, with the group losing 3% after DR Horton (DHI) reported earnings that were below estimates due to falling home prices. Among stocks on our List, Toll Brothers (TOL) has fallen 5% which puts the stock close to a close below its 50-day moving average.

We're removing TOL from our Suggested Holdings List as the RSI is now negative which points to the possibility of further near term weakness.

M/I Homes (MHO) has held in better ahead of the release of their earnings next Wednesday with the RSI in positive territory and the weekly chart remaining constructive as well. The stock can be held.

Semiconductor stocks were given a boost today after ASML Holding (ASML) reported strong quarterly results that were above estimates.

Among Semi stocks on our list, Advanced Micro Devices (**AMD**) gapped up to a new high in price today amid 2 Wall Street upgrades due to a positive outlook of sales growth for their AI chips. The upgrades come ahead of AMD's earnings report next Tuesday. The stock is in a confirmed uptrend and can be bought at the $171 range at its 5-day moving average.

Nvidia (**NVDA**) is also at a new high in price as it continues to advance while finding support at its 5-day moving average. The weekly chart of NVDA remains compelling with the MACD moving higher after recently posting a bullish crossover. This bodes quite well for the longer term outlook for NVDA which is due to report earnings in 30 days.

Broadcom (**AVGO**) added to last week's sharp gain with Friday's base breakout setting the stage for this week's 3.5% rally. The stock is extended and can be bought on any pullback to the $1211 range at its 5-day moving average.

Software stocks are selectively outperforming led by Software Security names such as Crowdstrike (**CRWD)** which remains in an uptrend after hitting a new high in price this week.

The uptrend remains in place and the stock can be bought on any pullback to the $294 range.

Heavyweight Microsoft (**MSFT**) is due to report their earnings next Tuesday and the stock is continuing to advance in a confirmed uptrend ahead of the release. MSFT is in a strong buy zone.

Adobe (**ADBE**) is struggling this week after reversing its downtrend last week. As cited on Sunday, the stock has a bullish RSI and MACD however, we'd need to see the stock trade higher above its 50-day moving average on volume before creating a full position.

ServiceNow (**NOW**) Is trading flat after hours despite posting earnings and subscription sales that were ahead of estimates. The weak response may be due to the fact that NOW is trading at new highs.

We mentioned this possibility as a concern, and should we see a similar flat or negative response in NOW tomorrow, it may be indicative of what may occur with other highly valued stocks that release results.

Healthcare stocks are underperforming this week amid a decline in Medical Product stocks (using IHI), as well as select Pharmaceuticals.

Intuitive Surgical (**ISRG)** was initially able to sidestep the pullback after hitting a new high today in response to earnings that were ahead of estimates. The stock pulled back to its 10-day moving average where it's finding support and ISRG can be held.

Boston Scientific (**BSX**) looks a bit more vulnerable however, as the stock has closed below its 10-day moving average on heavy volume today which has the MACD poised to post a negative crossover. BSX is due to report their earnings next Wednesday and the stock can be held.

Regeneron Pharmaceuticals (**REGN**) remains in a confirmed uptrend as it finds support at its upward trending 5-day moving average. The stock is in a buy zone following a Wall Street upgrade to its price target to $1020.

Heavyweight stock Tesla (**TSLA**) is down over 4% after hours today, after the company reported sales that were below estimates while guiding growth estimates lower going forward due to lower volume growth. The negative report may cast a shadow over the markets tomorrow.

Well the broader markets are posting gains this week, the areas exhibiting strength are again quite focused on select Growth names with the Magnificent Seven stocks (ex TSLA) each outperforming. Semiconductor and Software groups also remain in a confirmed uptrend.

As noted in the chart below of the yield on the 10-year Treasury, interest rates are remaining above 4% which historically can lead to weakness among Growth stocks. On Friday, key inflation data will be released and should we see core PCE data above 0.2%, we anticipate a negative response by investors.

Of course, any signs of a slowdown in inflation would be a positive. As always, we remain on the lookout for broader participation within the markets to provide confidence in the prospects of a longer term uptrend.

Warmly,
Mary Ellen McGonagle

NASDAQ COMPOSITE VS THE 10-YEAR TREASURY YIELD