



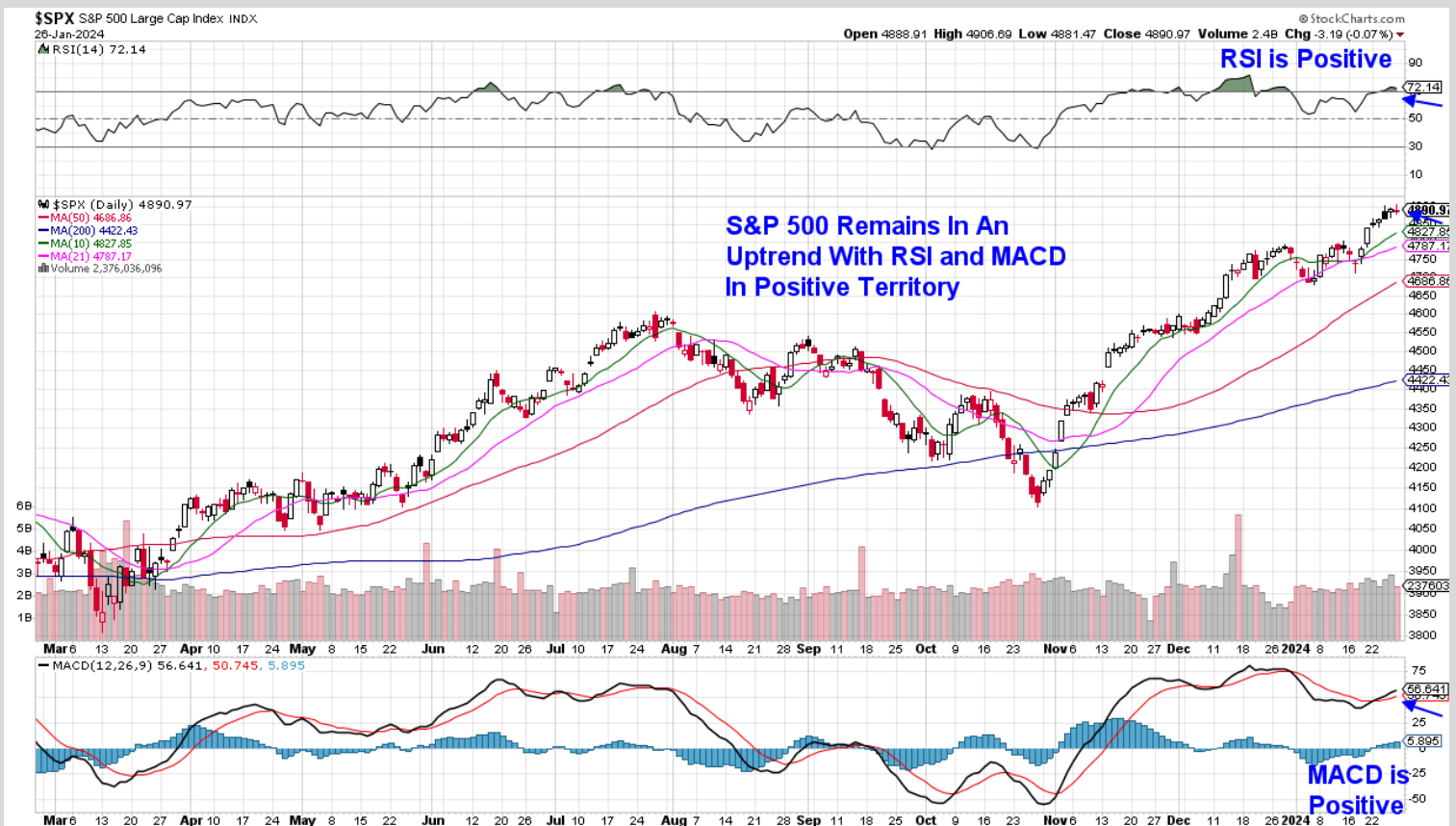
# THE MEM EDGE

January 28, 2024 | Weekly Report

## This Week's Highlights

- Q4 GDP Expands At Strong 3.3% - Recession Fears Recede
- New Home Sales Surge In December
- Personal Consumption Expenditures (PCE) Shows Core Inflation Slowing to 2.9%
- FOMC Meeting Next Week
- December Employment Data Due Next Week
- GOOGL, META, MSFT, AAPL, AMD Due To Report Earnings

### Daily Chart of S&P 500



The S&P 500 gained 1.1% last week in a move that puts this Index at a new high in price. With the RSI and MACD in positive territory, the near-term uptrend in this Index remains firmly in place.

While the RSI is in an overbought position on the daily chart, historically it can remain there and not be a threat. However, if the RSI gets up above 80, we'll be on the lookout for a pullback.

The weekly chart of the S&P 500 looks equally bullish which bodes well for the longer term prospects of this index.

Equally constructive for the longer term outlook of the markets is the fact that we saw a broadening out of participation beyond high growth Tech names with Energy, Financials, and select Industrial names outperforming for the week. As a proxy, the Vanguard Value fund (**VTV**) outperformed the Vanguard Growth Fund (**VUG**) with a 1.3% and 0.9% gain respectively.

Small Cap stocks were also on the move last week with the Russell 2000 Index rallying 1.9% in a bid to regain its uptrend from late last year.

The NASDAQ gained just under 1% for the week in a move that keeps the uptrend for this Tech-heavy Index firmly in place.

It was a mixed week for this index as select companies that reported earnings below estimates or guided their growth estimates lower, sold off sharply. This would include Tesla (**TSLA**) and Intel (**INTC**) to name just two. Most of the Magnificent Seven stocks outperformed however, led by a 19% advance in Netflix (**NFLX**) due to strong earnings.

Next week, heavyweight names Alphabet (**GOOGL**), Meta Platforms (**META**), Microsoft (**MSFT**) and Apple (**AAPL**) are due to report their fourth quarter results and their numbers, as well as investors' response, is expected to set the pace for the markets.

In addition to earnings reports, key economic data provided insight into the strength of the economy with Q4 GDP showing 3.3% growth over last year.

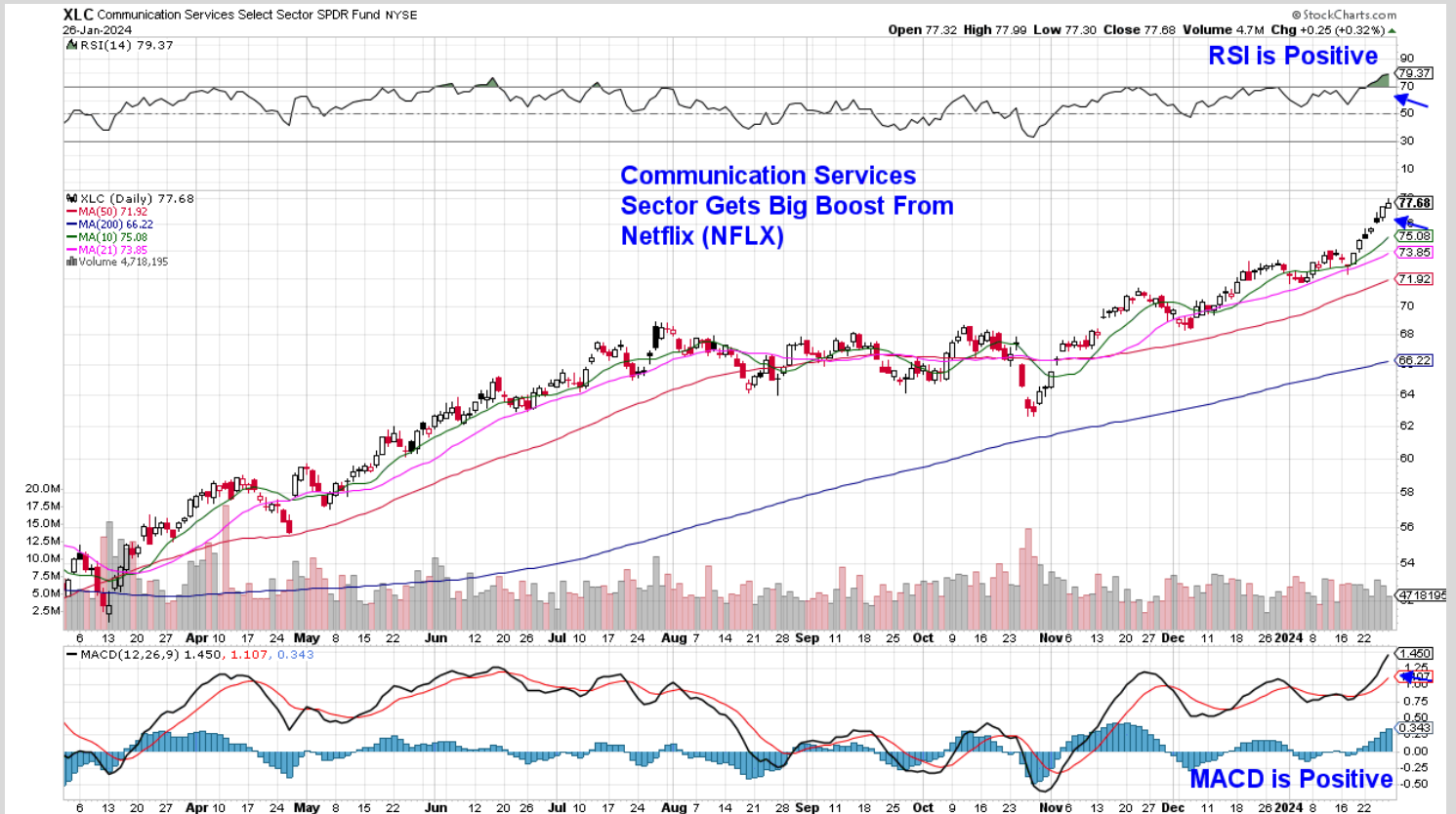
In addition, core CPE data for December revealed that inflation is declining. This combination where the economy continues to grow with the Fed ideally lowering interest rates soon, points to the possibility of a soft landing. This would be an ideal scenario as it would allow the markets to continue to trend higher.

Next week's release of employment data for December will provide further insight into the state of the economy while comments on Wednesday following the Fed's FOMC meeting will be watched closely for hints of any interest rate policy shifts.

As has been the case, economic data and interest rates are driving investor sentiment while the release of earnings reports is providing the juice. Next week could be critical as we have important data and earnings reports due to be released.

At this time, the broader markets remain in an uptrend and stocks on our Suggested Holdings List that are in a buy zone can be bought.

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



### Communication Services Sector Among Top Performing

The Communication Services sector hit another new high in price after last week's 3.8% gain. The move higher took place amid a rally in each of this sector's heavyweight names.

Netflix's (**NFLX**) advance was the most pronounced with a 19% rally after the company's reported huge gains in their subscribership base. The gains 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 in October. While we'd like to use this period as precedent, both the MACD and RSI were at much lower levels last

fall. **NFLX** is poised for further upside over the near term.

Heavier weighted stocks Meta Platform (**META**) and Alphabet (**GOOGL**) outperformed with gains of ~3.5% ahead of the release of their earnings next week.

Both stocks are sitting at new highs with analysts raising earnings estimates going into their reports. Most closely watched for both stocks will be revenues from digital advertising as well as any news regarding AI-related growth developments.

**META** has a history of gapping up in response to earnings - such as the first 2 reports last year - with their October release taking place amid elevated interest rates which resulted in a slight pullback, despite coming in ahead of estimates.

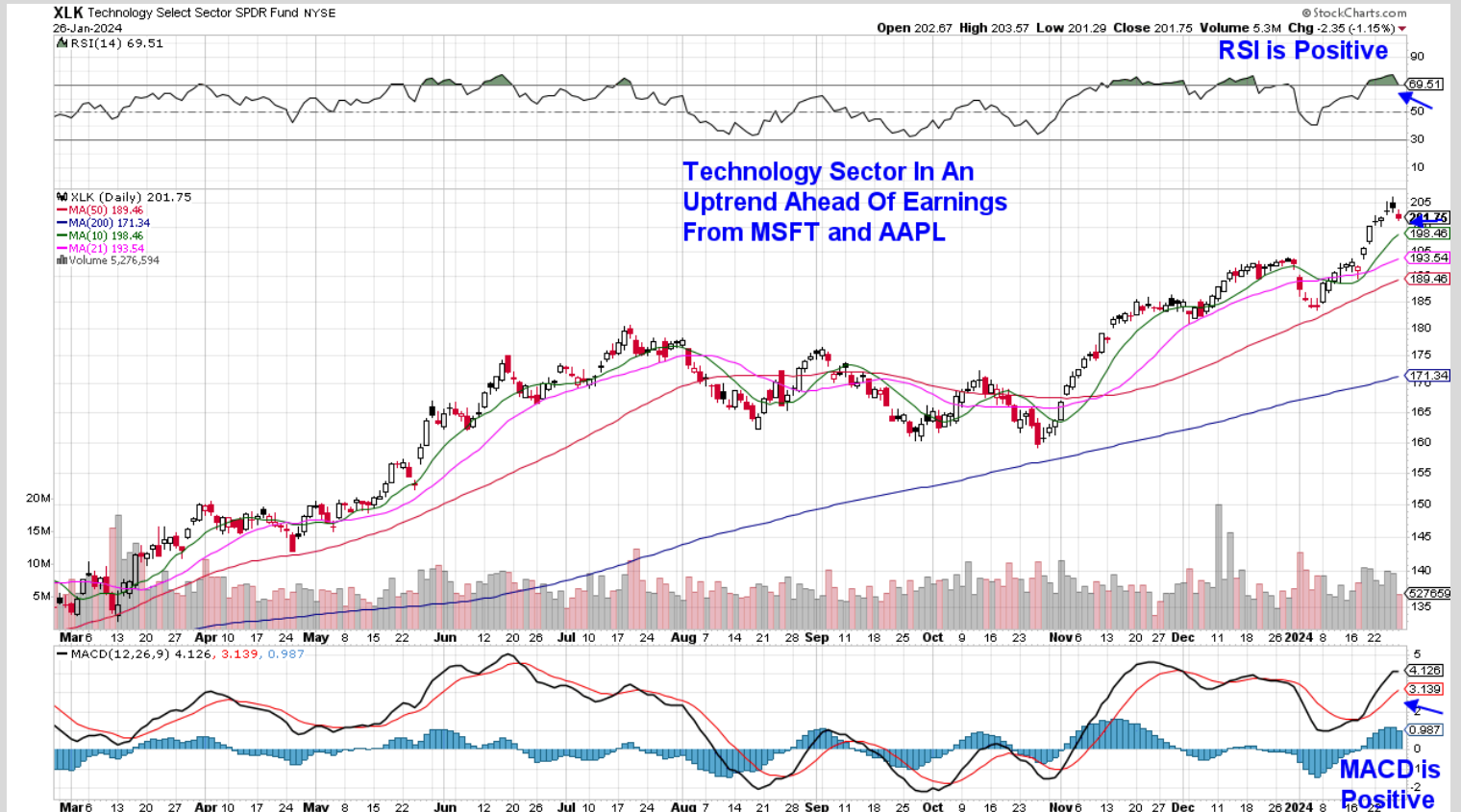
Prior gaps up in price in **META** were followed by a pullback which allowed a better entry point. **META** is due to report after the market's close on Thursday.

Alphabet (**GOOGL**) is due to report on Tuesday after the market's close and a look at their last quarter shows the stock dropping after posting disappointing Cloud business growth. The stock has since recovered amid optimism surrounding a rebound in digital sales spending; however, investors will be closely watching for improvement in their Cloud sales.

T-Mobile (**TMUS**) reported earnings last Thursday afternoon and the stock closed below its 21-day moving average after posting earnings that were below estimates. We're removing the stock from our Suggested Holdings List. While it may recover from last week's pullback, **TMUS** is not poised for outperformance over the near-term.



## Daily Chart of the Technology Sector (XLK)



### Technology Sector Underperforms Amid Friday Pullback

The Tech sector ended the week mixed with heavyweight stock Apple (**AAPL**) drifting lower ahead of the release of their earnings on Thursday. Another heavyweight - Microsoft (**MSFT**) - is also due to release quarterly results next week after the market's close on Tuesday.

Analysts have recently been raising earnings estimates for Microsoft (**MSFT**) which is constructive going into their report. While the stock is sitting at new highs, we've seen other major companies such as American Express (**AXP**) power much higher after earnings while at new highs.

Most closely watched will be news regarding the monetization of **MSFT's** Copilot AI product as well as

sales of their Azure cloud product. Each time frame of the chart for **MSFT** is in a bullish position.

Among other large cap software stocks, both Intuit (**INTU**) and ServiceNow (**NOW**) were outperformers, with an average gain of 3% for the week.

**NOW's** advance took place amid the company's release of strong earnings that were ahead of estimates with management guiding growth higher for the remainder of the year. The company credits the strong results in part to their rollout of AI software into its core offerings. **NOW** is in a buy zone as the stock finds support at its upward trending 5-day moving average.

**INTU** is also finding support at its upward trending 5-day moving average and this stock is in a strong

buy zone as it's RSI and MACD are trending higher from low levels. Last week's rally in **INTU** took place amid analyst upgrades to their earnings estimates. The company is not due to report their earnings for another month.

Recently added software stock Adobe (**ADBE**) is still trying to find its footing as it remains above each of its key moving averages and is experiencing above average volume on its rally days. The stock is in a strong buy zone.

CrowdStrike (**CRWD**) traded flat for the week following a late week pullback that took place in other Cybersecurity Software names. **CRWD** is due a pullback as the stock is the top performer year to date among large Software names. The stock managed to close above its 10-day moving average and is in a buy zone.

Salesforce (**CRM**) posted a half percent gain for the week amid news that the company is laying off 1% of their workforce in an effort to reduce costs. The stock remains in a confirmed uptrend as it finds support above its upward trending 5-day simple moving average. **CRM** is in a buy zone.

Semiconductor stocks experienced a sharp pullback on Friday amid a weaker than expected earnings report from Intel (**INTC**) which tumbled 12% on the news. Unlike rivals such as Nvidia (**NVDA**), Intel has yet to deliver significant AI chip revenue.

Other Semi stocks also pulled back following weak earnings reports such as equipment manufacturer KLA (**KLAC**) who guided growth estimates lower.

The Semiconductor group was due a pullback given its recent advance however, last week's earnings reports highlight the significance of having AI-related growth in order to see an improving outlook. Each of the Semiconductor stocks on our Suggested Holdings List are viewed as leaders in the AI chip space.

Among them, Nvidia (**NVDA**) pulled back much less than the group on Friday and has found support at its upward trending 5-day simple moving average. The move puts **NVDA** in a strong buy zone however, **AMD's** earnings report on Tuesday may shift this sentiment.

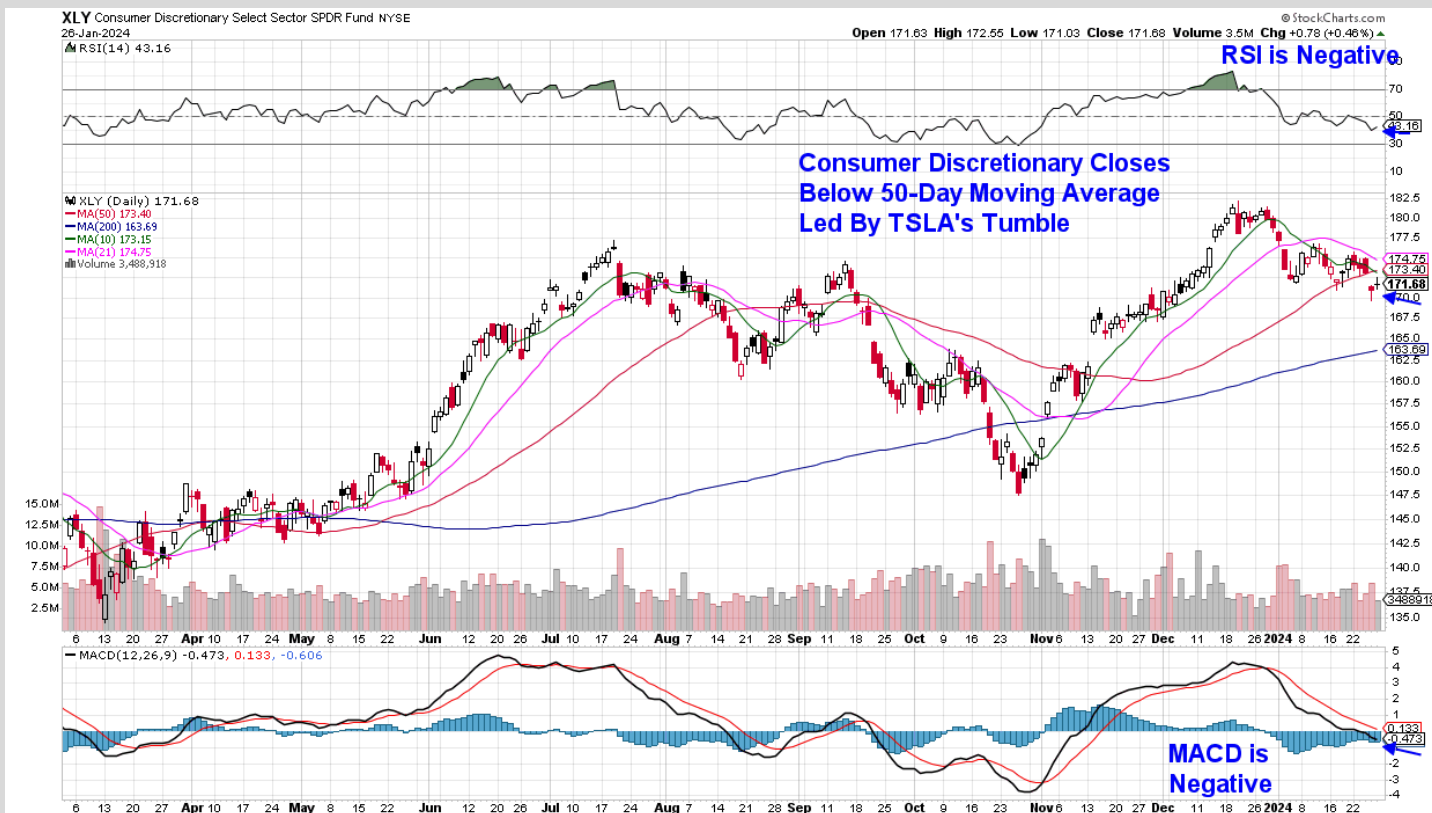
Advanced Micro (**AMD**) exhibited similar bullish price action with a modest pullback that puts the stock at its 5-day mav. **AMD** is due to report their earnings on Tuesday after the markets close and their results as well as investors' response is clearly expected to impact the group.

Broadcom (**AVGO**) also pulled back later in the week after hitting a new high on Wednesday. The stock is now in a buy zone as its within 5% of its recent base breakout at \$1152.

The high volume on last week's decline points to the possibility of further near term weakness however, the daily and weekly charts show the group in a confirmed uptrend. (using SOXX) Tuesday's release of earnings from **AMD** will certainly provide insight into the near term outlook for this group.



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



### Consumer Discretionary Sector Is Worse Performer

The Consumer Discretionary sector was pulled down by a 14% loss in heavyweight name Tesla (**TSLA**) which reported week earnings as well as a poor outlook for growth going forward amid reduced pricing as well as reduced demand for EVs. The news negatively impacted other auto stocks.

Home construction stocks also pulled back last week despite data that showed that new home sales surged in December due to a drop in mortgage rates. The selling pressure took place after the nation's largest homebuilder, DR Horton (**DHI**) reported poor earnings results amid increased labor and supply costs.

M/I Homes (**MHO**) from our List fell almost 2% for the week ahead of the release of their earnings on

Wednesday before the market opens. The stock has been able to retain its uptrend due to their focus on first time home buyers which is a key area of growth for home builders.

On a positive note, the S&P 500 Retail ETF rallied 1.8% amid gains in select retailers such as heavyweight name Amazon (**AMZN**) which gained 2.5% ahead of the release of their earnings on Thursday after the market closes.

**AMZN** has other primary areas of revenue in addition to retail, with their cloud business expected to see growth due to increased AI workloads. This area has decelerated in recent quarters and growth here would be important. Their massive e-commerce operations will also be key as the holiday period is very important for **AMZN**. The stock is in a confirmed uptrend.

Footwear manufacturer Deckers (**DECK**) also outperformed last week with a 2.5% rally ahead of the release of their earnings on Thursday after the markets close. The company has seen their earnings estimates raised for both this year and next amid increased demand for their sheepskin and athletic footwear.

**DECK** is estimated to almost double their earnings from 2021 which is not usual for a mature company of this size. Last week, **DECK** received a price target upgrade to \$850 from a major Wall Street firm which is also quite bullish.

TJX Co. (**TJX**) is in a confirmed uptrend following a 2-week base breakout on Friday. The company has seen their earnings estimates revised upward for both this year and next ahead of the release of their earnings next month. **TJX** is in a strong buy zone.

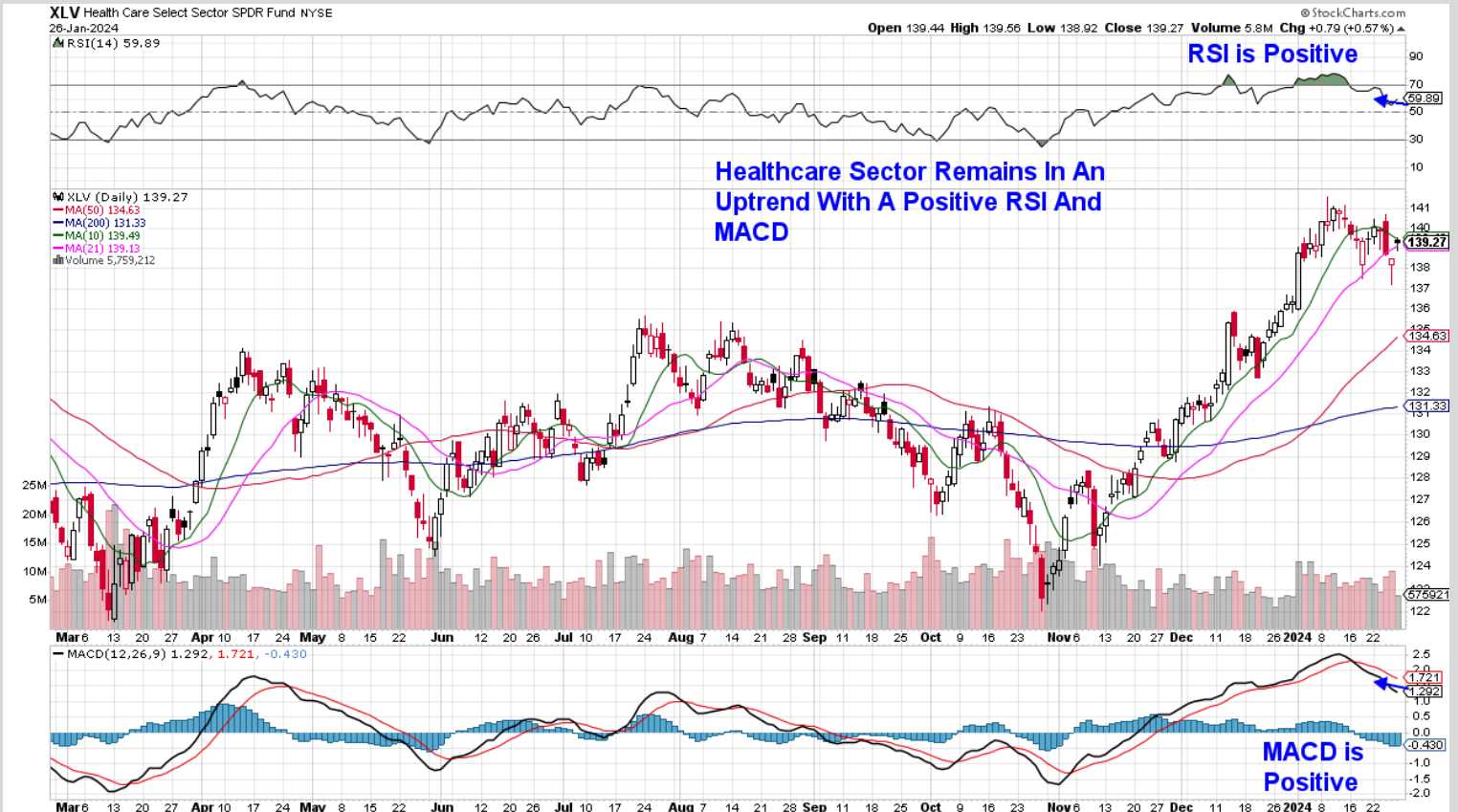
This week we're adding Shake Shack (**SHAK**) to our Suggested Holdings List as the stock continues to form the right side of a base on its way to a possible base breakout at \$77. Almost 60% of the companies sales are digital which has helped them improve growth by personalizing customer's sales experience.

Analysts have increased their earnings estimates for **SHAK** after the company announced price hikes. The stock is in a strong buy zone.





## Daily Chart of the Health Care Sector (XLV)



### Healthcare Sector Is Flat For The Week

Healthcare stocks trended sideways ahead of the release of earnings from heavyweight Pharma stocks Novo Nordisk (**NVO**) and Merck (**MRK**). Both stocks are on our Watch List as they have bullish charts ahead of their reports.

Eli Lilly (**LLY**) is not due to release quarterly results until early next month however, **NVO's** results are expected to impact **LLY** as they both produce blockbuster drugs that assist in weight loss among patients.

**LLY** gained almost 2% last week amid a price target upgrade to \$690 from a major Wall Street firm. The move puts the stock in a strong buy zone as it moves closer toward a 2-week base breakout.

Boston Scientific (**BSX**) is due to report their earnings on Wednesday before the markets open and investors will be watching closely for news surrounding their atrial fibrillation device which is expected to receive FDA approval this quarter.

Intuitive Surgical (**ISRG**) released their results last Tuesday and while they were quite positive, there were few surprises as the company had already pre-announced the strong results. The company did announce plans to launch a new version of their widely used da Vinci robotic surgery system this year.

Launch of the new system is expected in April and the news had 10 Wall Street firms raising their price targets for the stock. **ISRG** ended the week flat and remains in an uptrend. The stock is in a buy zone.

Vertex (**VRTX**) pulled back 1% last week due to a Wall Street downgrade midweek. The stock is wedging higher after Wednesday's drop and a close back above its 10-day moving average would put **VRTX** into a buy zone. Until then, the stock can be held. Vertex is due to release their earnings a week from tomorrow.

Regeneron (**REGN**) is due to report their earnings on Friday. The stock has been seeing analyst upgrades going into the release due to upbeat outlooks for continued growth in sales of their blockbuster drugs Dupixent and Eylea. **REGN** remains in a confirmed uptrend as it finds support at its upward trending 10-day moving average.



## Summary

With Tech leaders such as those on our Suggested Holdings List powering the markets higher, this week's earnings reports from mega-cap names such as Meta Platforms (**META**) and Advanced Micro (**AMD**) will play a big role in keeping the current uptrend in the markets in place.

The good news is, we're seeing signs of a broadening out of participation among newer areas which we expect to continue as earnings season progresses. Our Watch List has been expanded to include select Industrial stocks that are due to report earnings next week and each has a bullish chart which points to further upside should their results be positive.

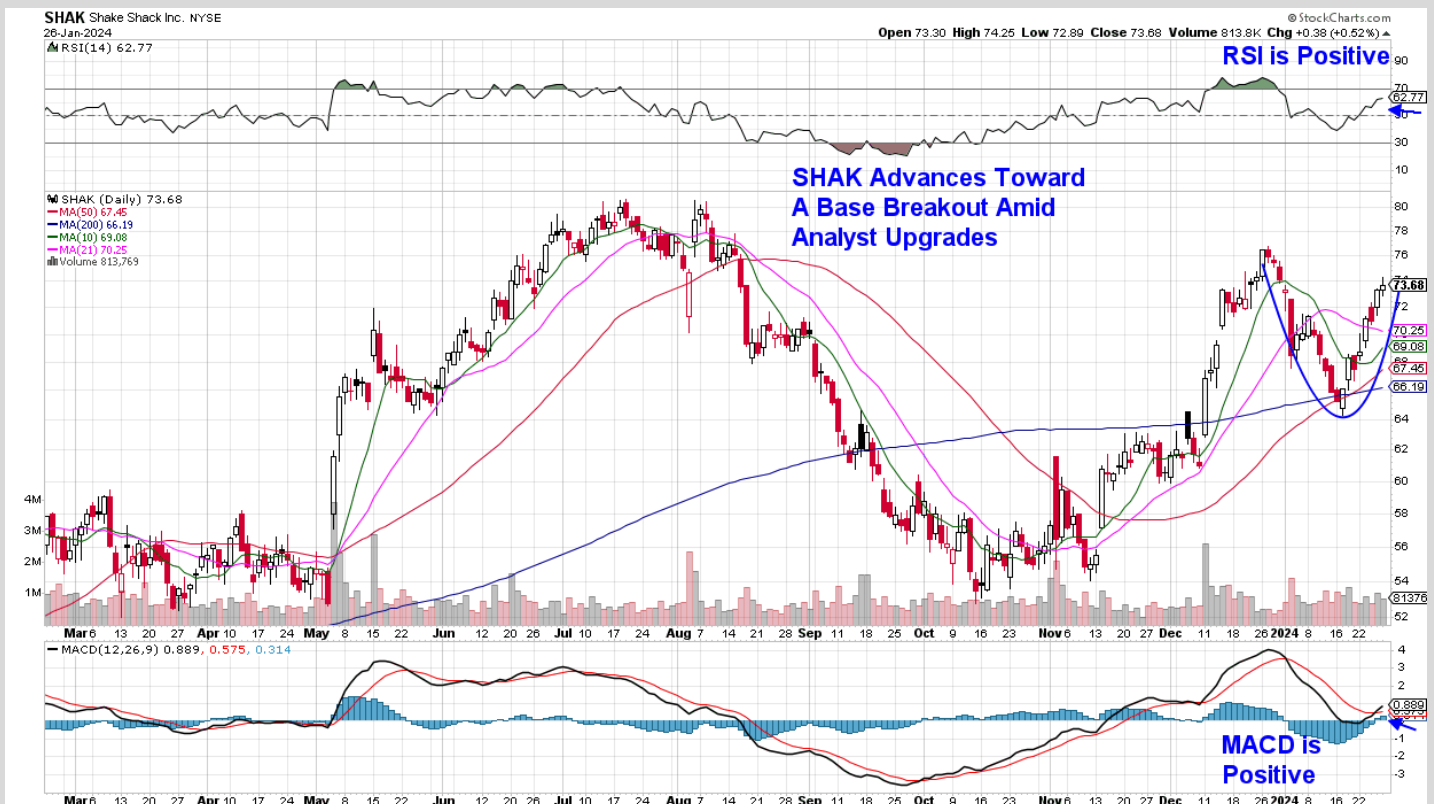
We've also added Financial stocks to the Watch List that are regaining their upside momentum along with select Retailers and we anticipate adding them to the Suggested Holdings List over the next week or two as they report results.

Equally important next week will be Wednesday's FOMC press conference as any hint of a possible shift in monetary policy following Friday's positive PCE report, will provide a bullish backdrop for the markets.

At this time, we would add to new positions lightly as the markets are extended going into critical earnings, employment data and Federal Reserve comments.

## New Idea Charts:

### Daily Chart of Shake Shack Inc. (SHAK)



# MEM Edge Report Suggested Holdings

Stocks With Emerging Leadership Characteristics

\$ = Earnings Due	Buy Zone	Strong Buy	Buy on Pullback	Removed From List
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SYMB	COMPANY	PRICE	DATE ADDED	PERFORMANCE	INDUSTRY GROUP	EARNINGS DUE
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CONSUMER DISCRETIONARY						
AMZN	Amazon	\$138.60	11/5/2023	14.0%	Retail - Internet	1-Feb-24
DECK	Deckers	\$695.91	1/10/2024	10.0%	Retail Apparel Shoe	1-Feb-24
MHO	M/H Homes	\$94.80	11/5/2023	35.0%	Home Builder	31-Jan-24
TJX	TJX Corp	\$93.81	1/1/2024	3.0%	Discount Retailer	28-Feb-24

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	4.0%		6-Feb-24
REGN	Regeneron	\$933.00	1/15/2024	1.0%		2-Feb-24
VRTX	Vertex Pharmaceuticals	\$416.50	1/7/2024	6.0%		5-Feb-24

TECHNOLOGY						
ADBE	Adobe Systems	\$611.50	1/20/2024	0.5%	Software	14-Mar-24
AMD	Advanced Micro Devices	\$118.50	11/12/2023	42.5%	Semiconductor	30-Jan-24
AVGO	Broadcom	\$944.30	12/10/2023	27.0%	Semiconductor	7-Mar-24
CRM	Salesforce	\$260.00	12/3/2023	9.0%	Software	6-Mar-24
CRWD	Crowdstrike	\$176.70	10/8/2023	54.0%	Software	5-Mar-24
INTU	Intuit	\$608.50	12/17/2023	5.5%	Software	22-Feb-24
MSFT	Microsoft	\$327.30	10/8/2023	22.5%	Software	30-Jan-24
NOW	ServiceNow	\$714.30	1/10/2024	8.0%	Software	24-Jan-24
NVDA	Nvidia	\$450.00	11/5/2023	32.5%	Semiconductor	21-Feb-24

COMMUNICATION SERVICES						
META	Meta Platforms	\$315.40	10/8/2023	30.0%	Internet-Content	1-Feb-24
NFLX	Netflix	\$432.30	11/5/2023	34.5%	Internet-Content	23-Jan-24
TMUS	T-Mobile US	\$160.30	1/1/2024	1.0%	Telecom Services	25-Jan-24

# 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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