



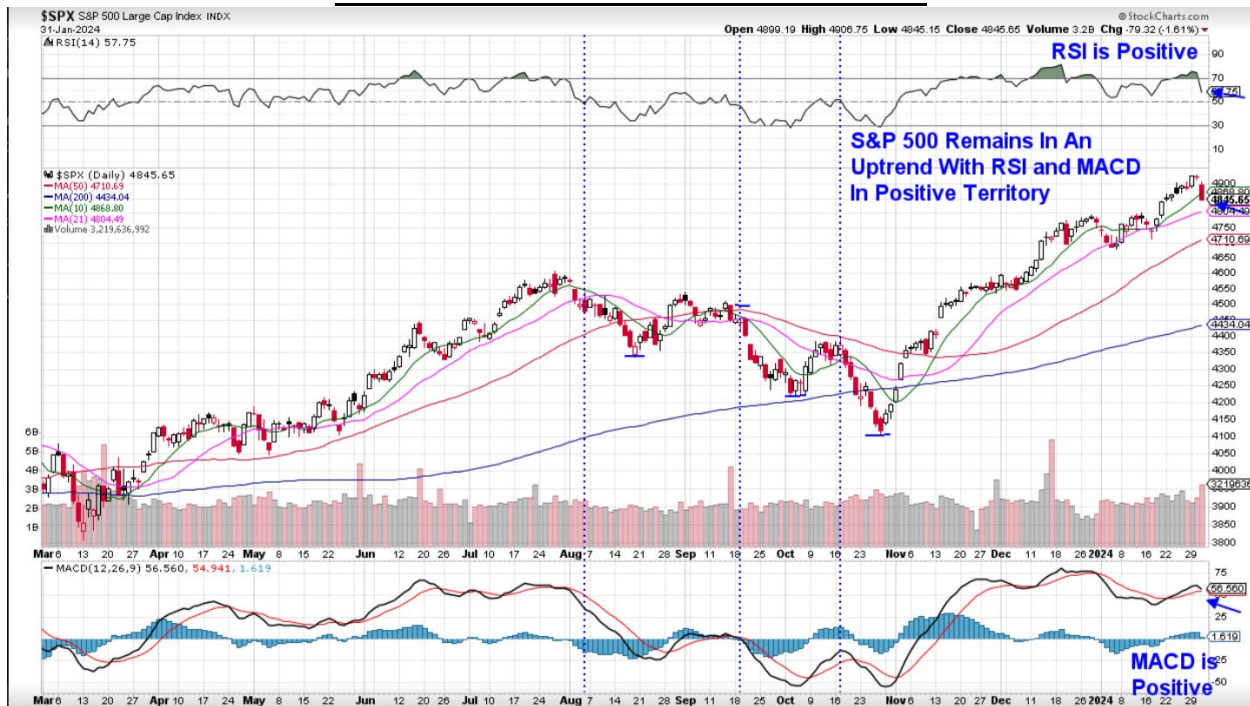
THE MEM EDGE

Midweek Report

Wednesday, January 31, 2024

- Private Jobs Data Shows Sharp Slowdown In Hiring
- December Job Openings Shows Sturdy Labor Market
- Federal Reserve Indicates Not Ready To Begin Cutting Interest Rates
- January Employment Data On Friday
- Removing M/I Homes (MHO) From Suggested Holdings List

DAILY CHART OF S&P 500 INDEX



The S&P 500 is down 0.9% for the week in a move that has this Index closing below its 10-day moving average. With the RSI and MACD in positive territory, the near term uptrend in this Index remains in place.

Should we experience further selling, the next area of possible support is the 21-day moving average which is 0.8% away.



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A close below the 21-day moving average coupled with a negative RSI could signal further downside, as this characteristic preceded the three pullbacks highlighted above with declines that ranged from 3.1% to 5%.

The interest backdrop during those three pullbacks was different vs now however as they were rising while this week, the yield on the 10-year Treasury is declining.

Driving this week's pullback which took place mostly today, was weaker than expected earnings reports as well as news that the Federal Reserve will most likely not cut rates at their upcoming March meeting.

The Nasdaq fared the worst, with a 1.9% pullback that has this Index closing below its 10-day moving average. With the RSI and MACD in positive territory, the uptrend in this Index remains in place.

The underperformance in the Nasdaq was due to a sharp drop in Alphabet (GOOGL) while Apple (AAPL) and Amazon (AMZN) underperformed as well. Weakness in Semiconductor stocks also pushed this Tech heavy Index down after Advanced Micro (AMD) fell sharply following weak guidance.

At this time, the markets remain in an uptrend however, today's sharp selloff in Technology and Internet names has put a cloud over these areas. Until we see the Technology (XLK) and Internet (XLC) sectors regain their 10-day moving average, we'd keep buying in these areas light.

Advanced Micro (**AMD**) projected lower than expected revenue due to weak demand in video gaming and personal computer chips. The company does expect greater sales of their AI processors however, AMD's march to new highs last week left investors wanting a perfect report.



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AMD closed above its base breakout level from earlier this month and with a positive RSI, the stock remains in an uptrend. The MACD is on the cusp of a negative crossover similar to June however, which has us cautious on the near-term prospects. **AMD** can be held.

Nvidia (**NVDA**) - which is due to report results in 3 weeks - remains in a confirmed uptrend with a 1% gain for the week while it finds support at its 10-day moving average. Our near term cautious stance on the group has the stock as a hold.

Broadcom (**AVGO**) has pulled back this week with a 2% decline that's in line with the Semiconductor group. (using SOXX) The decline is on below average volume which is constructive. **AVGO** may fall further to its 1152 base breakout level which may prove to be an ideal buy point should the Semis regain their footing.

Semiconductor stock Qualcomm (QCOM) reported positive earnings after market close today and the stock is trading flat after hours.

Software stocks also showed weakness today led by heavyweight stock Microsoft (**MSFT**) which pulled back despite posting its highest profit growth in more than 2 years. Today's 2.7% pullback occurred on above average volume as investors sold shares amid disappointment that their AI related outlook was not more robust.

We'd be a buyer of MSFT after it regains its 10-day moving average at the \$402 level.

Adbe (**ADBE**), Salesforce (**CRM**), ServiceNow (**NOW**), Intuit (**INTU**) and CrowdStrike (**CRWD**), each had pullbacks today that were on below average volume with the stocks finding support at their 10-day moving averages. This puts them in a positive position from which to trade higher.

Despite their bullish positions, we're on the lookout for the markets to regain their 10-day moving averages before putting new money to work.



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The Healthcare sector is the top performing this week led by Medical Products stocks such Boston Scientific (**BSX**) which gapped up in price today following news that their 4th quarter earnings came in ahead of estimates. **BSX** also raised their growth guidance higher going forward on the heels of FDA approval of their Farapulse system.

BSX is poised for further upside near term and we would use prior gaps up in price as precedence. In early July 2023, a negative MACD crossover on the daily chart was the first signal of its pullback. **BSX** can be bought at current levels.

Eli Lilly (**LLY**) has gained 1.5% with a 2-week base breakout today ahead of the release of their earnings next Tuesday.

Peer stock Novo Nordisk (**NVO**)'s popped today after releasing positive earnings today due to strong sales of their weight loss and diabetes drugs which both compete directly with **LLY**. **LLY** is in a buy zone.

Intuitive Surgical (**ISRG**) remains in a confirmed uptrend and can be bought; however, we would not overweight the stock as the near term momentum is weakening.

Vertex (**VRTX**) pulled back from yesterday's high in price that resulted from Wall Street upgrades. Today, several analysts lowered their estimates going into the company's earnings report next Monday. The stock remains in an uptrend amid a mixed outlook as it's finding support at its upward trending 10-day moving average.

Regeneron (**REGN**) remains in a confirmed uptrend ahead of the release of their earnings Friday before the market opens.



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Homebuilders are down 1% for the week (using XHB) amid mixed earnings reports from companies such as M/I Homes (**MHO**). the stock fell 3.5% after today's release of mixed earnings results that showed a slowdown in revenues while new home contracts have increased. The decline has the stock at its 50-day moving average

We're removing **MHO** from our Suggested Holdings List after the stock closed below its 50-day moving average with a negative RSI.

Amazon (**AMZN**) is due to report their quarterly results tomorrow after the market closes. The release comes following a Wall Street price target upgrade to \$185 today. As mentioned in the past, upgrades going into earnings reports tend to be a bullish sign.

Deckers (**DECK**) is also due to report its earnings after the market closes tomorrow with analysts upgrading their outlook ahead of the release. TJX Co. (**TJX**) is down 1% for the week in a move that puts the stock into a buy zone as its finding support at its 10-day moving average.

Results from Amazon (**AMZN**), Apple (AAPL) and Meta Platforms (**META**) will be out tomorrow after the close with key employment data due out on Friday.

Warmly,
Mary Ellen McGonagle