



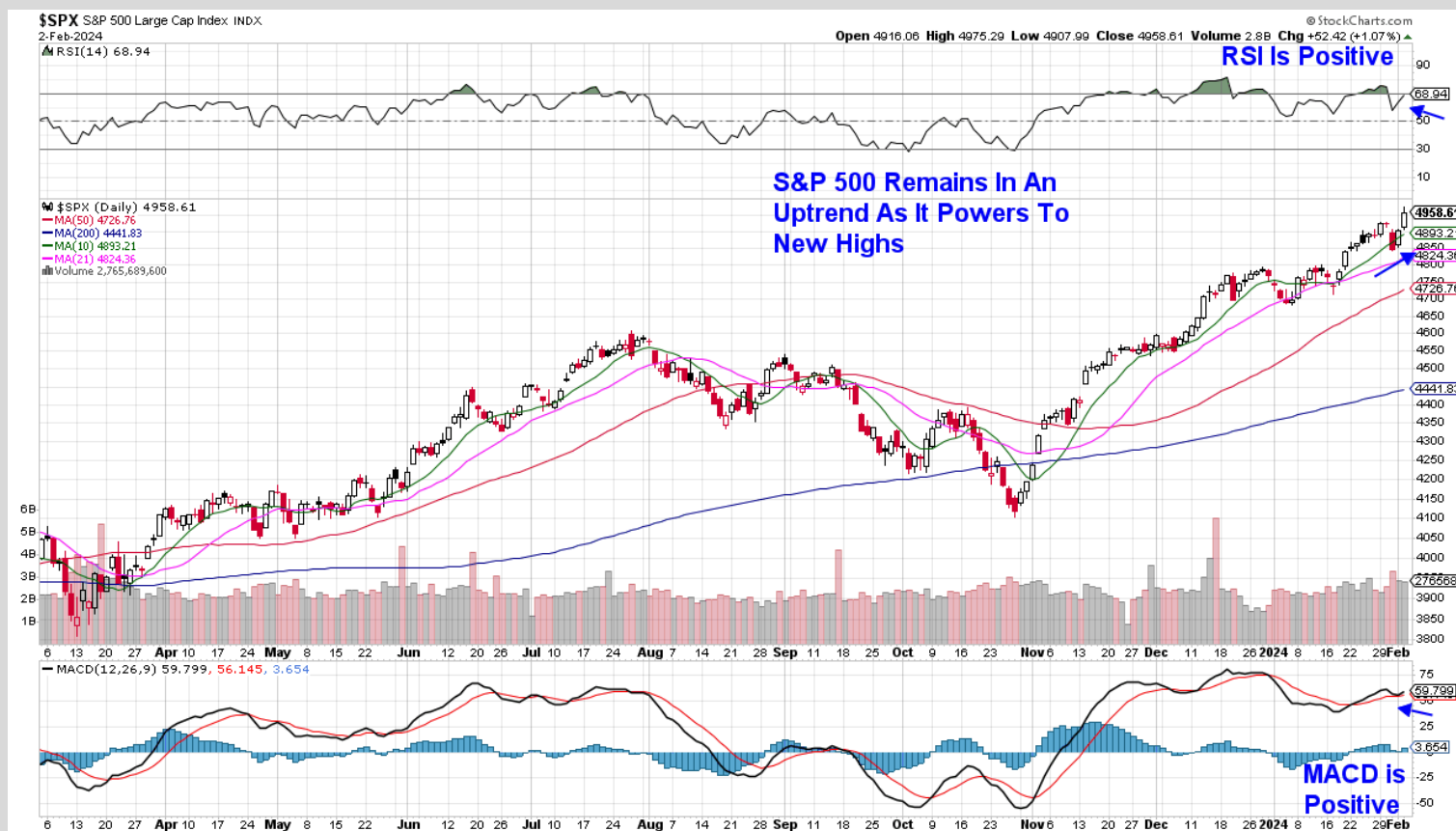
THE MEM EDGE

February 4, 2024 | Weekly Report

This Week's Highlights

- December Job Openings Shows Sturdy Labor Market
- Federal Reserve Indicates Not Ready To Begin Cutting Interest Rates
- Consumer Sentiment Jumps to 2 1/2 Year High
- Ten Fed Officials Speaking At Events Next Week
- U.S. Jobs Growth Accelerates In January With Wages Increasing By Most In 2 Years

Daily Chart of S&P 500



The S&P 500 gained 1.4% for the week in a move that has this index hitting another new high in price. With the RSI and MACD in positive territory, the near-term uptrend for this Index remains firmly in place.

The weekly chart of the S&P 500 is also in a bullish position however, the RSI is now in an overbought position (above 70 - now at 72). As noted in the past, we are not overly concerned at this level; however, if the RSI were to advance to 80 or above, we'd be on

the lookout for a possible intermediate-term pullback.

Last week's largest gainers in this Index were companies that reported strong earnings while guiding estimates for their growth prospects higher for this year. While Meta Platforms led the list, the other top performers were in the Healthcare and Industrial sectors - both of which outperformed last week with 2% gains. We're adding 2 stocks from these areas to our Suggested Holdings List.

The NASDAQ Composite was also impacted by earnings, however; not all were positive with heavyweights Alphabet (**GOOGL**) and Apple (**AAPL**) falling sharply after reporting results that were below estimates. Other magnificent 7 names Meta Platforms (**META**) and Amazon (**AMZN**), helped make up for those losses with gains of 20% and 8% respectively after posting positive results.

Among the top 8 performers in the Nasdaq last week, half are on our Suggested Holdings List with gains ranging from 4.5% to 21%. Below we'll review how to trade these stocks after their sharp rallies.

In all, the Nasdaq gained 1.1% for the week, and with a positive RSI and MACD, the uptrend in this Index remains firmly in place.

It was a busy period for the markets last week with significant earnings reports and economic data being released. Fed chair Powell's comments regarding the Fed's inclination to not lower rates in March had a big impact, as it pushed the markets sharply lower on Wednesday.

Overall, however, earnings reports dominated underlying price action in the markets with the

largest gainers and losers driven by their quarterly results as well as management's outlook for growth going forward.

Among areas negatively impacted by quarterly results were Regional Banks, after New York Community Bancorp (**NYCB**) reported a surprise loss after writing off bad real estate loans. The news brought out fears of another banking crisis and negatively impacted other regional banks, with the group losing 7.2%. (using ETF KRE). As you may recall, we removed all of our Bank stocks from the Suggested Holdings List last month.

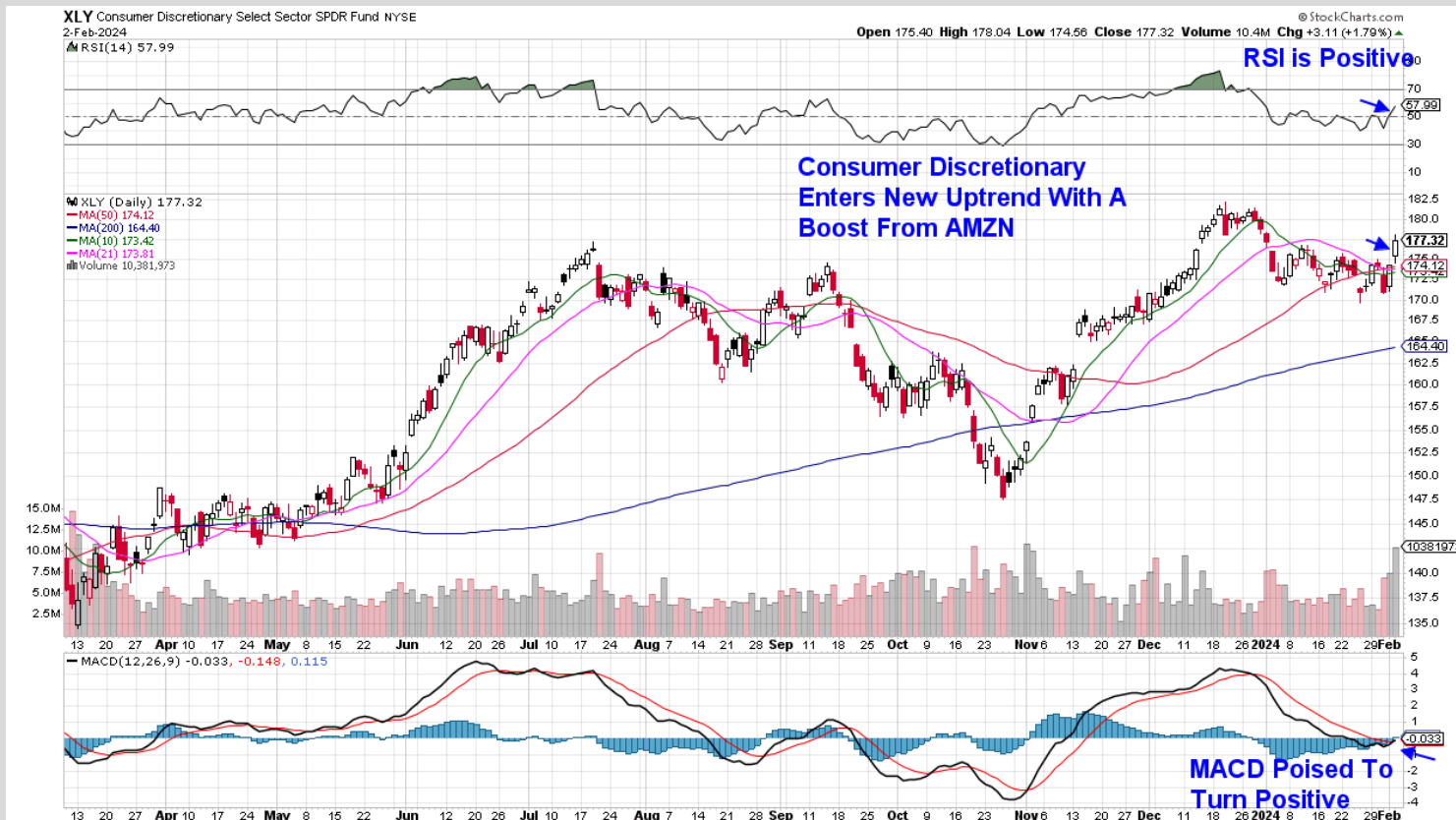
Next week, we don't have marquee names such as the Magnificent Seven reports from these last 2 weeks however, we do have over 400 companies due to release their earnings with Caterpillar (**CAT**), Disney (**DIS**), and Eli Lilly (**LLY**) being among the most notable.

The economic calendar is light next week however, appearances from 10 different Federal Reserve officials may move the markets. Friday's hot jobs report reduced traders' conviction that we'll see a rate cut in May and the strong January employment report pushed interest rates sharply higher on Friday, with the yield on the 10-year treasury now back above 4%.

Any insights into possible monetary policy changes will be closely watched for.

At this time the broader markets remain in a confirmed uptrend and new positions can be initiated and existing positions can be added to.

Daily Chart of the Consumer Discretionary Sector (XLY)



Consumer Discretionary Sector Enters New Uptrend

The Consumer Discretionary sector entered a new uptrend after a 3.3% rally pushed it back above its shorter-term moving averages and the RSI is now in positive territory with the MACD poised to turn positive as well.

Friday's downtrend reversal in this sector took place following Amazon's (**AMZN**) gap up of 8% after a strong earnings report. **AMZN** saw exceptional strength in their core e-commerce division after a strong holiday season. The company's cloud computing division also saw growth. **AMZN** is in a strong buy zone.

Using Netflix (**NFLX**)'s gap up on earnings 2 weeks ago as precedent, you'll see that Amazon had

further near-term upside potential before its MACD and RSI are in an overbought position.

Footwear retailer Deckers (**DECK**) had an even bigger gain last week with a 15% rally on Friday following their report of strong earnings which were 33% above estimates. The growth was mostly due to the sneaker division Hoka however, their Ugg shoes division also saw growth.

DECK experienced an even sharper earnings-driven gap up in price in late October from which the stock advanced quite higher. Of note, however, is that **DECK's** RSI and MACD were emerging from a negative position following a 3-month pullback at that time.

Friday's gap-up took place while the stock was at a new high in price and the weekly chart of **DECK** has an RSI that's now at 83 which is very overbought. We anticipate a period of consolidation before the stock moves higher.

Recently added Shake Shack (**SHAK**) also outperformed, with a 5.5% gain last week ahead of the release of their earnings later this month. The stock is in the process of forming a tight flag formation from which a breakout to new highs would be very bullish.

SHAK is in a strong buy zone as both the daily and weekly charts point to further upside with an RSI and MACD that are not even close to being in an overbought position.

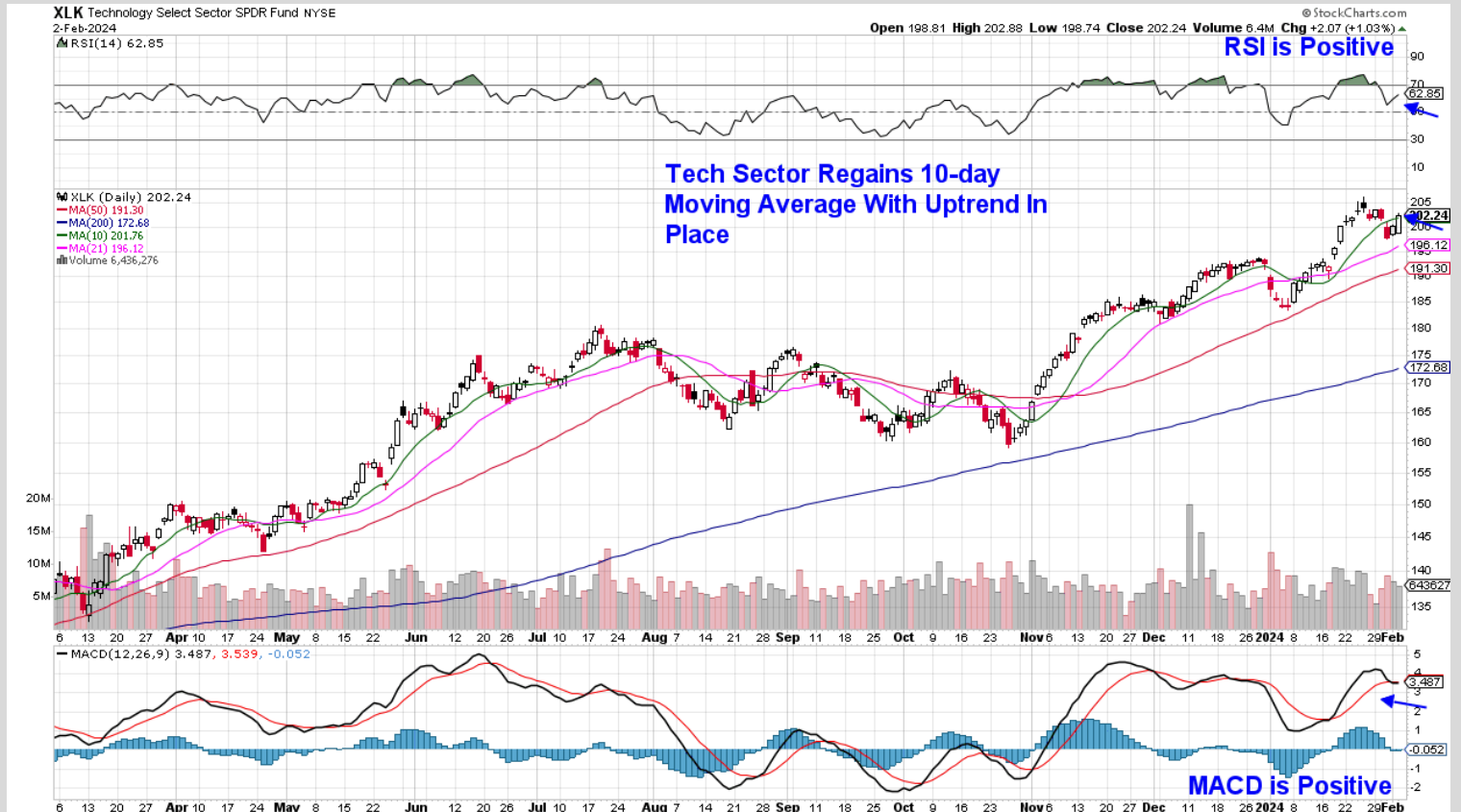
TJX Cos (**TJX**) is in a buy zone as it continues to hit a new high in price while trending upward above its 10-day moving average amid analyst upgrades. The advance is similar to its June uptrend into earnings in early August.

While **TJX** is in a buy zone, it does not have near-term upside momentum to make it an overweight candidate at this time.

While the Retail group is beginning to turn positive - using the S&P 500 Retail ETF (XRT) - there is a dearth of viable candidates. This week, we added Target (**TGT**) to our Watch List after a Goldman upgrade pushed the stock out of a 3-week base. We may add the stock should we see higher volume amid an advance.



Daily Chart of the Technology Sector (XLK)



Technology Sector Among Weakest Areas

The Tech sector was hurt by a pullback in Apple (**AAPL**) which took place despite the company reporting a sales increase for the holiday quarter. However, weakness of sales in China where revenue sank more than expected, pushed shares lower.

Heavyweight Tech name Microsoft (**MSFT**) also reported results last week with the stock gaining 1.8% after posting earnings and sales that were ahead of estimates. One of the reasons for the tepid response could be the company's capital expenditure forecast in capital expenditures in their bid to become the leader in the AI race.

While **MSFT's** spending May depress their earnings somewhat over the near term, it's anticipated to set

them up to be the AI leader going forward. The stock is in a buy zone.

Semiconductor stocks (**SOXX**) were flat for the week as additional companies joined Intel (**INTC**) in cutting their March quarter forecasts for chip sales during their earnings call.

Not all semi-stocks are suffering, however, with each of the Semiconductor stocks on our list in a buy zone.

Advanced Micro (**AMD**) also reduced their March quarter sales outlook, and while the stock originally sold off, the company's increased guidance for data center AI chip sales had 17 Wall Street firms raising their price target.

AMD closed the week back above its 10-day moving average and the stock can be bought. **AMD's** overbought condition on the weekly chart may limit the longer-term upside, however. While painful, a pullback similar to the 3rd quarter of last year would set the stock up for much larger gains.

Nvidia (**NVDA**) gained 8.5% last week with much of the gain taking place on Friday following news that the company has begun taking orders for their China-specific AI chip.

As you may recall, the U.S. sanctioned the sale of AI chips to China, and in response, **NVDA** developed a less sophisticated chip which passed the restriction.

NVDA broke out of a flat base and to a new high which puts the stock into a buy zone. The stock can be bought in the \$632 range at its 5-day moving average. **NVDA** is still in the beginning stages of advancing from a flat 6-month base breakout and has further upside on a long-term basis.

Broadcom (**AVGO**) regained its bullish bias with a close back above its 10-day moving average amid analyst upgrades to this year's earnings. **AVGO** is in a buy zone with the stock's 5-day period of consolidation before Thursday's advance, being an ideal example of how pullbacks can set up for near-term upside.

Software stocks gained 1.4% last week in a move that keeps the uptrend for this group in place. (using ETF IGV)

Among the Software stocks on our List, CrowdStrike (**CRWD**) outperformed the group with a 4.6% gain that took place amid analyst upgrades to the company's earnings estimates.

The price target upgrades were due to **CRWD's** recurring revenue model and the anticipated growth in demand for their cybersecurity software. The stock is poised to break out of a two-week base and is in a strong buy zone.

Adobe (**ADBE**) is also in a strong buy zone after a 3.5% rally pushed the stock out of a 7-week base. The rally took place after Adobe ended an acquisition proposal which will free up \$20 billion that analysts believe can be put toward enhancing current AI products. **ADBE** is in a strong buy zone.

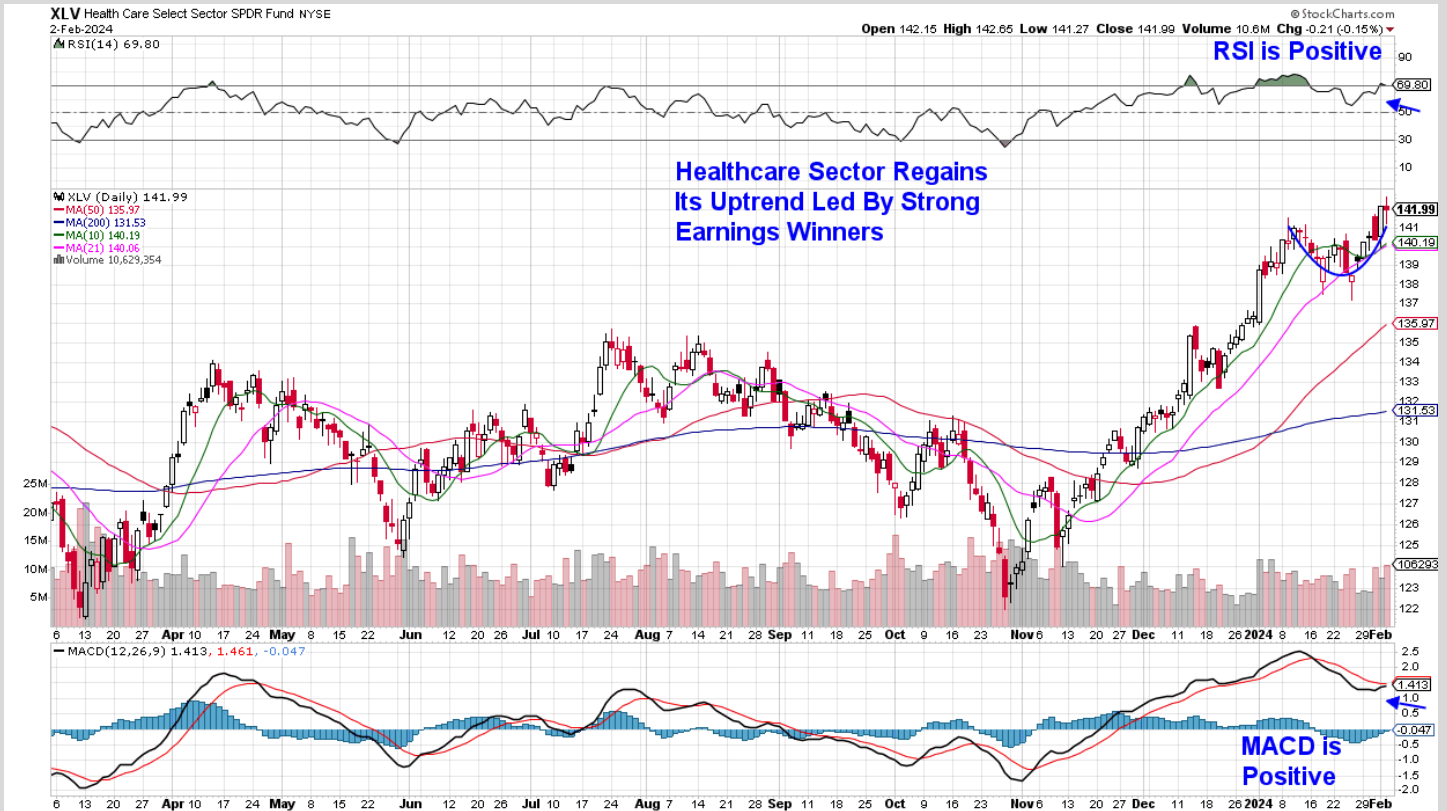
Salesforce (**CRM**) remains in a confirmed uptrend as the stock continues to find support at its upward-trending 10-day moving average. Pullbacks to this moving average have proven to be an ideal 5 point which currently is at \$282.

Intuit (**INTU**) and ServiceNow (**NOW**) both regained their 10-day moving averages after a rally on Friday. **NOW** remains in a confirmed uptrend after reporting earnings the prior week that were 150% above estimates. **INTU** is due to report earnings later this month. Both stocks are in a buy zone.

This week, we're adding Synopsys (**SNPS**) to our Suggested Holdings List as the Semiconductor chip design software company is poised for a cup with handle base breakout amid upgrades to estimates for this year.

We'd be a buyer of **SNPS** after a move above the \$555 breakout level - ideally on above-average volume.

Daily Chart of the Health Care Sector (XLV)



Healthcare Sector Outperforms Amid Earnings Growth

The Healthcare sector broke out of a 1-month base following a 2% rally that was led by Medical stocks posting strong earnings and sales last week.

This would include companies such as Boston Scientific (**BSX**) which gapped up to a new high in price After reporting double-digit sales increases across all products. In addition, management guided estimates higher for sales going forward.

BSX is due a period of consolidation after last week's 5.5% advance pushed the RSI above 80. We'd be a buyer on a pullback to the \$63 range, at its 5-day moving average.

Select Pharmaceutical stocks also outperformed with Eli Lilly (**LLY**) gaining 4.5% for the week after a 2-week base breakout ahead of the release of their earnings next Tuesday.

The rally in **LLY** took place after rival company Novo Nordisk (**NVO**) gained after releasing positive earnings last week due to strong sales of their weight loss and diabetes drugs which both compete directly with **LLY**.

Intuitive Surgical (**ISRG**) continues to trend higher following the release of strong quarterly results early last month. The stock remains in a confirmed uptrend and can be bought on a pullback to its 5-day moving average. However as suggested in our

Mid-week report, the near-term momentum has softened and we would not overweight the stock at this time.

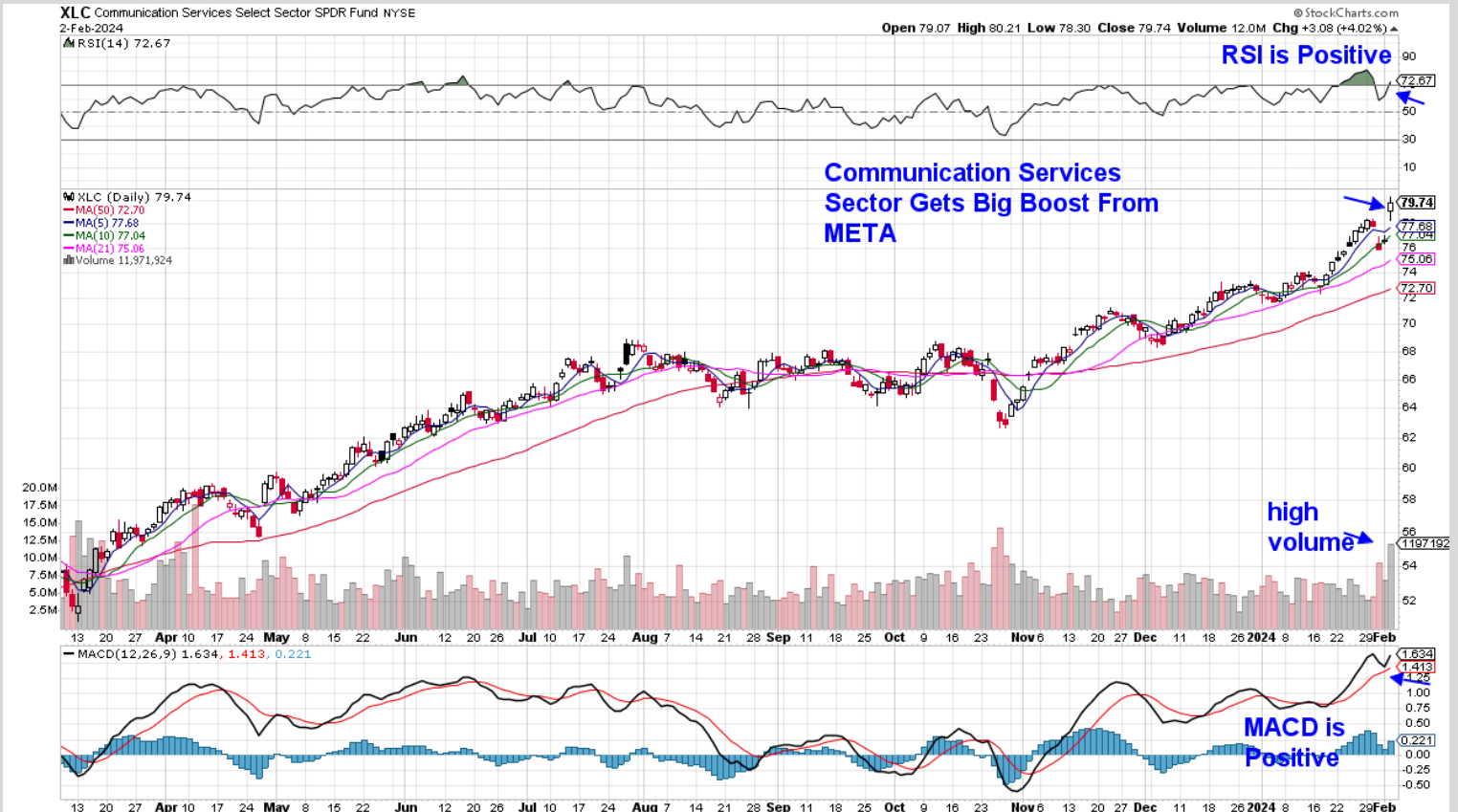
Biotech stock Vertex (**VRTX**) dropped below its 21-day moving average on Friday amid an analyst downgrade to their estimates ahead of the release of their earnings on Monday. This is not a positive development as it puts the RSI on the cusp of turning negative.

We anticipate removing **VRTX** should the stock fall further amid reporting weak results.

This week, we're removing Regeneron (**REGN**) from our Suggested Holdings List after a bullish earnings and sales report was met with selling. The decline on above-average volume Friday may have stemmed from analysts' assessment that the company's growth outlook going forward is not strong enough to justify the stock's high in price.



Daily Chart of the Communications Services Sector (XLC)



Communication Services Sector Gets Big Boost From META

The Communication Services sector had two heavyweight names reporting earnings last week, with Meta Platform's (**META**) rallying sharply on strong results while Alphabet (**GOOGL**) sold off due to softer than expected ad sales.

Meta Platform (**META**) closed at a record high after reporting a 203% increase in earnings, as well as, record revenues for the 4th quarter. The company's initiation of significant cost cuts last year helped them execute AI and advertising sales growth at a lower cost.

META's announcement of a first-ever dividend as

well as boosting their share buyback program, was also well received with Wall Street firms raising their price targets significantly.

META's advance on Friday was on volume that's almost 400% above average and Wall Street's enthusiasm has price targets that are over \$100 above its current price.

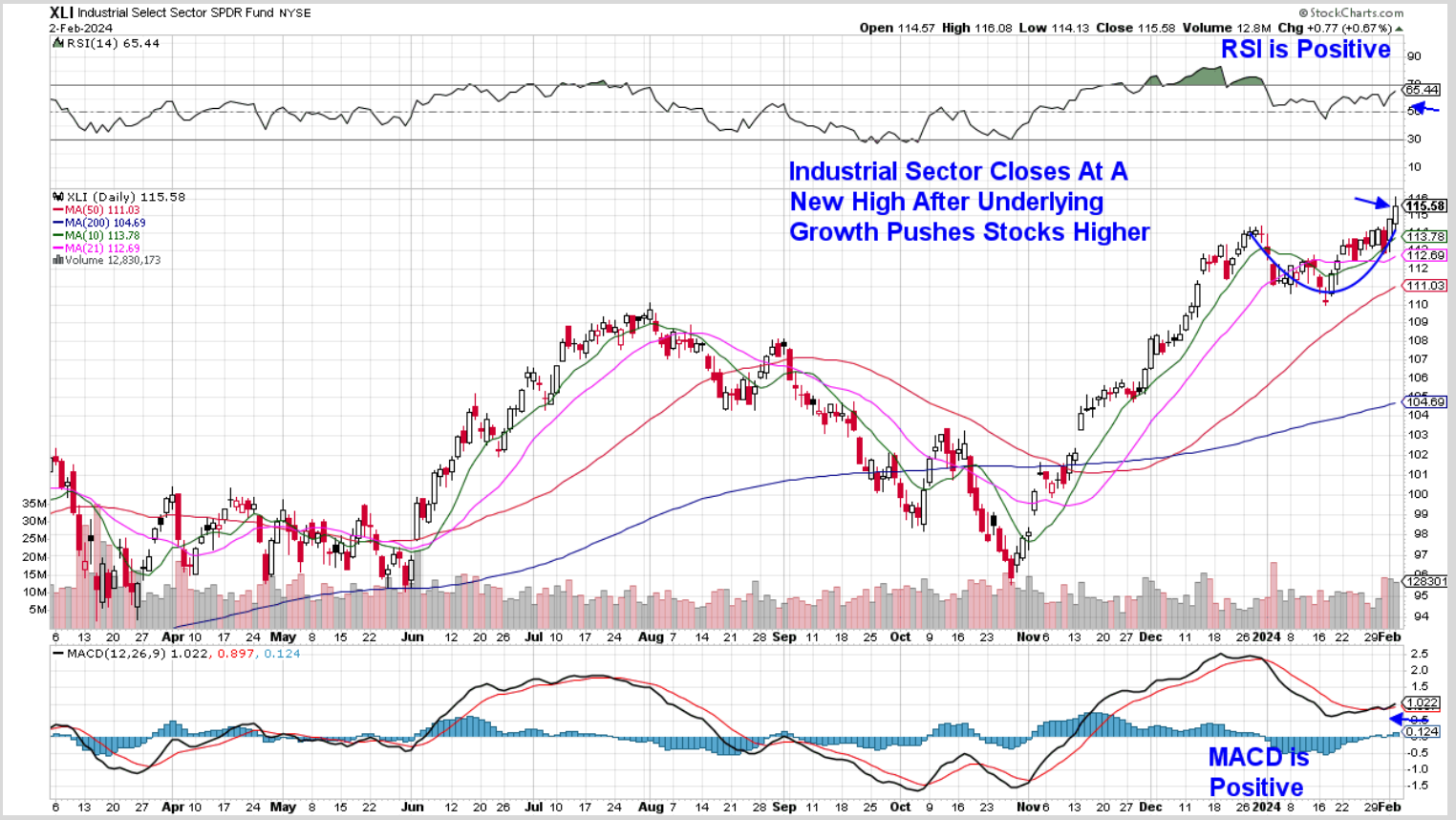
The current period is similar to **META's** sharp gap up on February 2nd of 2023, when the company announced a share buyback program and cost-cutting measures that have since come into play. Based on this precedence, **META** may consolidate for a week or two before advancing much higher.

A pullback of 6%-7% would be in line with historical precedence which would put the buy zone in the \$446 range. Over time, however, we expect **META** to trade much higher.

Netflix (**NFLX**) closed the week down 1% amid back-and-fill price action that signals the stock is consolidating after its prior week advance of 18%, due to huge growth in their subscribership base. We expect further consolidation over the near term with a close above its 5-day moving average on volume signaling a new uptrend. Longer term, **NFLX** is poised to trade much higher.



Daily Chart of the Industrial Sector (XLI)



Industrial Sector Outperforms

The Industrial sector closed at a new high in price after a 1.9% advance after a rally in select stocks that posted strong growth. This is a varied sector with Transportation stocks such as Rails and Truckers exhibiting strength amid an expanding economy that needs purchased goods delivered.

Building-related stocks are also faring well and today, we're adding wood-alternative manufacturer Trex (**TREX**) to our Suggested Holdings List.

TREX broke out of a 5-week base on above-average volume last week after an upgrade to estimates for this year's earnings. The company is due to release results in 3 weeks and their focus on residential construction and the utilization of recycled materials has put them at the forefront of their industry.

TREX is a Midcap company and one that we would not overweight; however, it's in a strong buy zone and is poised to trade higher.

Among diversified companies in this sector, we're adding Eaton (**ETN**) to our Suggested Holdings List. **ETN** is a provider of electrical power and control equipment and the stock gapped up on heavy volume after reporting earnings above estimates while guiding estimates higher for this year and next.

Electricity demand growth is projected to accelerate, due to data centers processing AI, EVs, and heat pumps. Last week's base breakout puts **ETN** in a bullish position to trade higher. The stock can be bought on a pullback to the \$260 range.

Heavyweight stock Caterpillar (**CAT**) is due to report their earnings before the markets open. The global facing manufacturer of construction equipment's results have been known to impact other Industrial stocks. Most closely watched will be any comments regarding sales to China where economic growth is showing signs of slowing.



Summary

Last week's push to new highs took place amid many crosscurrents with Federal Reserve comments and inflation-related jobs data impacting the markets. Taking center stage, however, were earnings reports, as last week's biggest gainers and losers were companies that reported quarterly results.

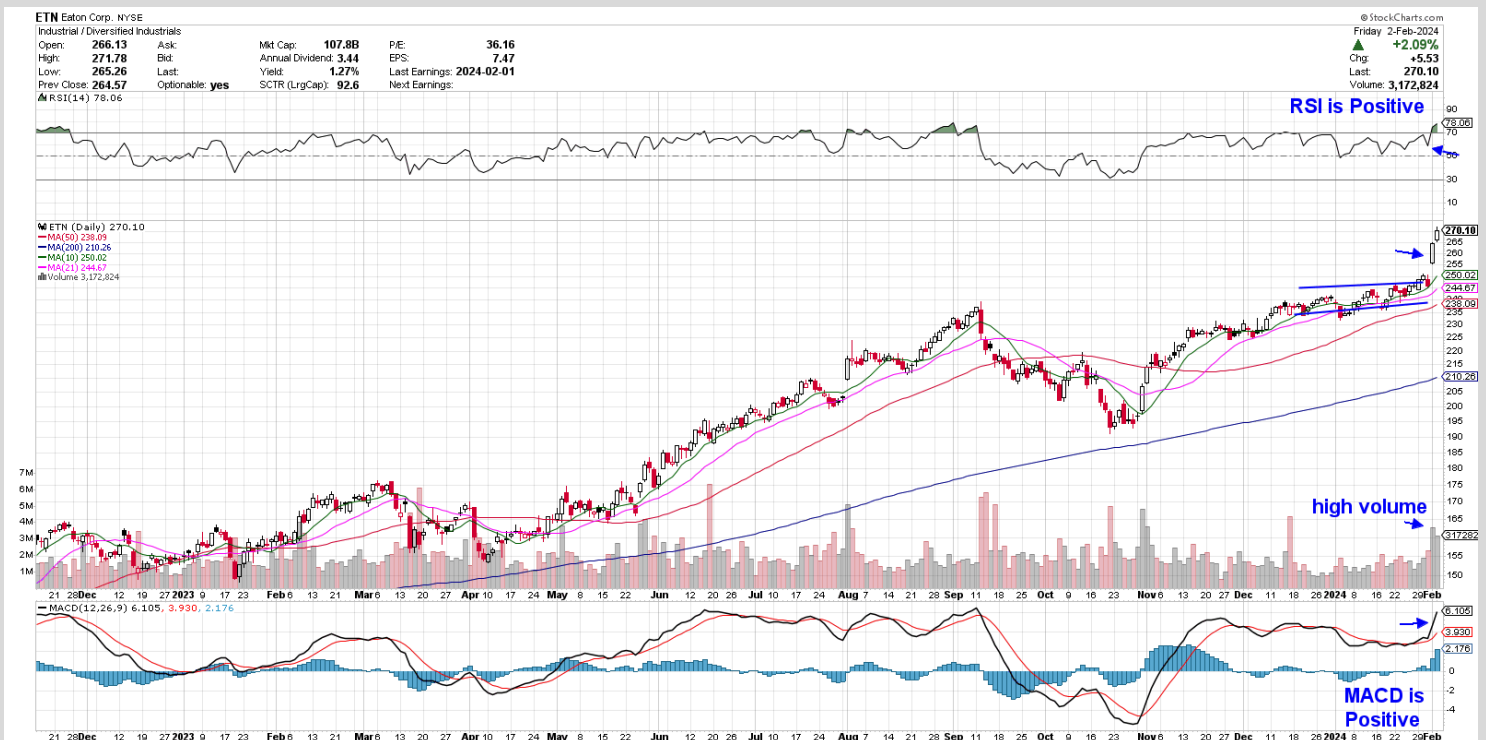
While Meta Platforms (**META**) liftoff made the most waves, beneath the surface other big winners were on the move higher after reporting strong growth and guiding estimates higher. In response, we're seeing select areas such as Retail enter an uptrend as names such as Amazon (**AMZN**) and Deckers (**DECK**) from our List soared on strong results.

Industrials and Healthcare are also in new uptrends due to strength in select companies with positive growth outlooks.

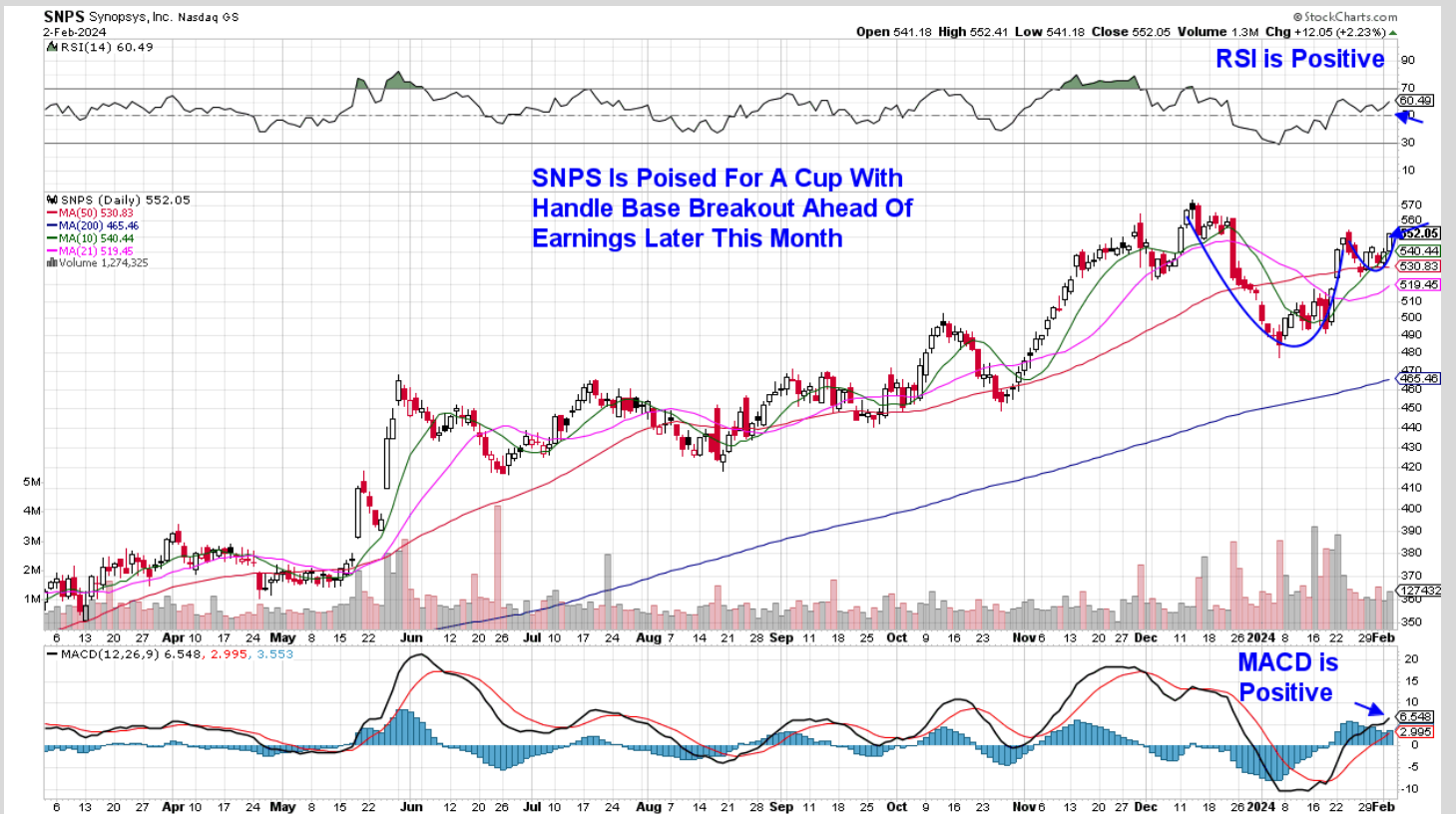
Earnings season has often marked a period of sector rotation as corporate growth attracts money flows into specific areas of the market. While we anticipate volatility due to comments from Fed officials next week, earnings results will continue to drive price action among individual stocks.

New Idea Charts:

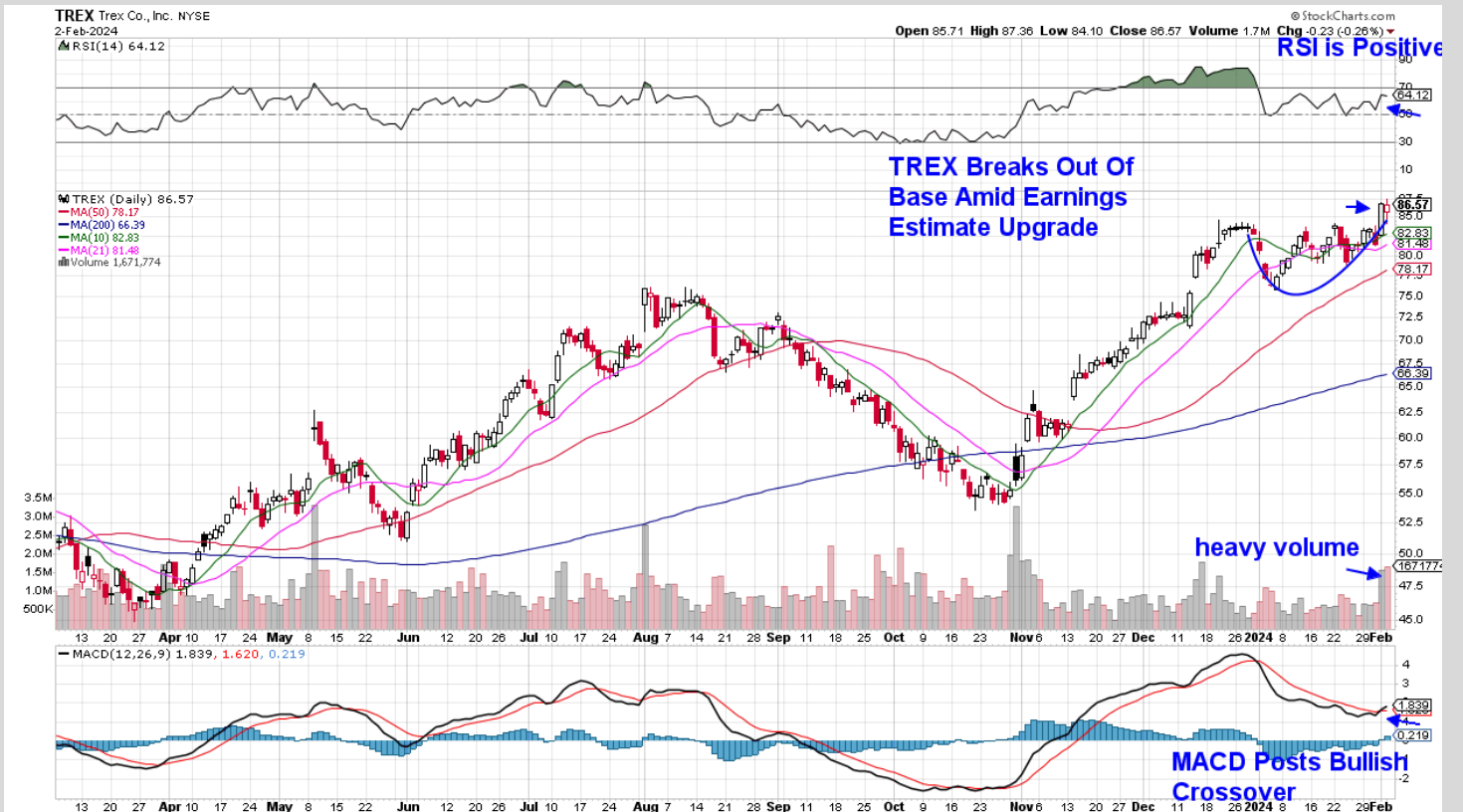
Daily Chart of Eaton Corp. (ETN)



Daily Chart of Synopsys, Inc. (SNPS)



Daily Chart of Trex Co., Inc. (TREX)



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	22.0%	Retail - Internet	
DECK	Deckers	\$695.91	1/10/2024	25.0%	Retail Apparel Shoe	Hold
TJX	TJX Corp	\$93.81	1/1/2024	4.0%	Discount Retailer	28-Feb-24
SHAK	Shake Shack	\$73.70	1/28/2024	5%%	Retail - Restaurant	15-Feb-24

INDUSTRIAL						
ETN	Eaton Corp	\$260.00	2/4/2024		Diversified Operations	
TREX	Trex Co.	\$86.70	2/4/2024		Building/Construction	26-Feb-24

HEALTHCARE						
BSX	Boston Scientific	\$57.60	1/3/2024	10.5%		
ISRG	Intuitive Surgical	\$363.70	1/15/2024	5.5%		23-Jan-24
LLY	Eli Lilly	\$618.50	1/3/2024	8.5%		6-Feb-24
REGN	Regeneron	\$933.00	1/15/2024	0.5%		
VRTX	Vertex Pharmaceuticals	\$416.50	1/7/2024	5.0%		5-Feb-24

TECHNOLOGY						
ADBE	Adobe Systems	\$611.50	1/20/2024	4.0%	Software	14-Mar-24
AMD	Advanced Micro Devices	\$118.50	11/12/2023	42.5%	Semiconductor	
AVGO	Broadcom	\$944.30	12/10/2023	28.5%	Semiconductor	7-Mar-24
CRM	Salesforce	\$260.00	12/3/2023	11.0%	Software	6-Mar-24
CRWD	CrowdStrike	\$176.70	10/8/2023	59.0%	Software	5-Mar-24
INTU	Intuit	\$608.50	12/17/2023	5.5%	Software	22-Feb-24
MSFT	Microsoft	\$327.30	10/8/2023	24.5%	Software	30-Jan-24
NOW	ServiceNow	\$714.30	1/10/2024	9.5%	Software	24-Jan-24
NVDA	Nvidia	\$450.00	11/5/2023	41.0%	Semiconductor	21-Feb-24
SNPS	Synopsis	\$552.00	2/4/2024		Software	21-Feb-24

COMMUNICATION SERVICES						
META	Meta Platforms	\$315.40	10/8/2023	51.0%	Internet-Content	
NFLX	Netflix	\$432.30	11/5/2023	35.5%	Internet-Content	

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.

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