



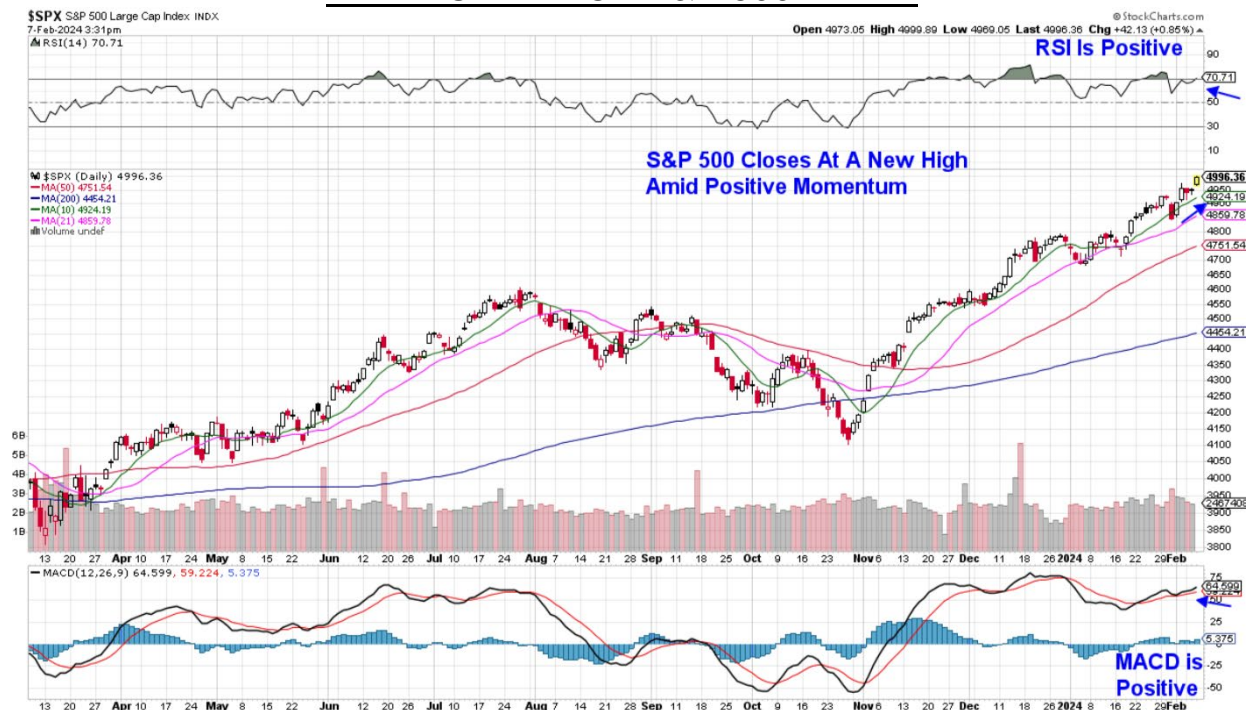
# THE MEM EDGE

Midweek Report

Wednesday, February 7, 2024

- Interest Rates Remain Elevated Amid Fedspeak
- Economic Calendar Slow This Week
- Semiconductors Regain Uptrend While Software Breaks Out
- Earnings Reports Continue To Set The Pace
- Key Inflation Data Next Week With Core CPI and PPI Due

## DAILY CHART OF S&P 500 INDEX



The S&P 500 has gained 0.7% so far this week, in a move that keeps the RSI and MACD in positive territory and the near term uptrend firmly in place.

The Nasdaq fared a bit better with a 0.8% gain that took place due to today's Tech fueled rally. Among the top 12 performers in the Nasdaq 100 today, half are from our Suggested Holdings List such as CrowdStrike (CRWD), META Platforms (META), Broadcom (AVGO) and recently added Cadence Design (CDNS) to name a few.



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Interest rate concerns took center stage this week following hawkish comments from Fed Chair Powell on 60 minutes Sunday night. Comments from several Fed officials this week have also kept rates elevated as most speakers are suggesting that a rate cut will not occur over the next several months.

Interest rates receded today however, after the U.S. Treasury's largest 10-year auction ever saw solid demand and pushed the yields lower. In turn, Tech stocks rallied which provided a boost to select names on our List.

Other outperforming sectors this week have been Healthcare and Industrial stocks led higher by strong earnings from select names such as Eli Lilly (LLY) which posted strong results led by sales of their obesity drug. LLY's move to new highs after an 8.6% rally this week has mostly been led by excitement over the sales potential for Zepbound and Mounjaro drugs which passed positive Phase 2 trials.

While LLY is overbought on the daily chart, the weekly chart points to further upside longer term with the MACD posting a bullish crossover this week. LLY can be bought on a pullback to its 5-day moving average at the \$693 range.

Intuitive Surgical (ISRG) remains in a confirmed uptrend with a 2% rally for the week. The stock has shown that a pullback to its 5-day moving average is an ideal buy point which is currently at \$387. We're keeping an eye on the RSI on the daily chart however, as its approaching a very overbought condition which would be above 80.

Boston Scientific (BSX) is in a very similar position as it remains in a strong uptrend however, the RSI is now at 82 which signals the possibility of a pullback similar to late January. Near term, further upside looks probable however, the upside may be limited. Longer term, BSX remains positive.



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Semiconductor stocks regained their uptrend with this week's 1.7% rally that put the group back above its shorter-term, 10-day moving average. (using ETF SOXX)

Among the top performers has been Nvidia (**NVDA**) which gained 6% for the week amid several Wall Street upgrades. Analysts enthusiasm is being led by NVDA's partnership with Cisco (CSCO) and other firms to help corporations build their own AI infrastructure away from data centers. The stock Continues to find support at its upward trending 5-day moving average with a buy point in the \$673 range.

Again, an overbought RSI and a MACD that's advanced over the past 5 weeks, points to a possible pullback near term. The initial signal of this possible pullback would be a negative MACD crossover. (black line down through the red) At this time, we are not close to that occurring.

Chip maker Broadcom (**AVGO**) also outperformed this week after JP Morgan cited the company as the second largest provider of AI chips. JPM also raised their price target due to expected chip demand from data centers. (**AVGO**) is in a strong buy zone and can be bought in the 1230 range at its 5-day moving average.

Advanced Micro (**AMD**) is pulling back in a very orderly fashion on below average volume. Look for the stock to close back above its 10-day moving average and use a 1-hour intraday chart to pinpoint an entry once the RSI and MACD turn positive.

Software stocks broke out of a one-week Base today following strong earnings from cybersecurity stock Fortinet (FTNT). The news helped other cybersecurity stocks rally such as Crowdstrike (**CRWD**) from our list which broke out of a two-week base on heavy volume following today's 5% rally. **CRWD** is in a strong buy zone and can be bought in the \$306 range at its 5-day moving average.





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Servicenow (**NOW**) Intuit (**INTU**) and Salesforce (**CRM**) are exhibiting flat momentum with a 1% gain that keeps these stocks above their shorter term 5-day moving averages. Both stocks are in near-term uptrends and can be bought. However, their flat momentum points to possible underperformance near term. INTU is due to report earnings in 2 weeks and we may see movement going into their results.

Cadence Design (**CDNS**) is in a more bullish position as the stock is a point away from a 2-week base breakout ahead of the release of their earnings next Monday. While the stock is in a buy zone, we'd be cautious about loading up on the stock ahead of the release of their results.

Among the industrial stocks we added over the weekend, Trex Co. (**TREX**) is in a strong buy zone after today's rally pushed the stock back above its shorter term moving averages with a bullish MACD crossover. The gain in TREX today occurred without news however, the Home Builder's group gapped up today amid a drop in interest rates. As you may recall, TREX provides wood decking.

Eaton (**ETN**) has inched higher as it finds support at its upward trending 5-day moving average after last week's strong performance following their release of earnings. The stock is in a buy zone.

Retail stocks are flat for the week with recently added Shake Shack (**SHAK**) pulling back on below average volume ahead of the release of their earnings next Thursday. A stock is in a buy zone after it regained its base breakout level at \$76.

Amazon (**AMZN**) Is consolidating after Friday's gap up in price following the release of strong earnings. The lack of a follow-through rally this week points to further sideways price action as it digests its gains going into, and after reporting results. AMZN can be held.

As suggested in our Sunday Report, Deckers (**DECK**) is pulling back this week after Friday's sharp rally put the stock into an overbought position. The stock can be nibbled on here however, we're on the lookout for further consolidation before a new uptrend emerges.



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*Midweek Report*

While a decline in interest rates helped spark today's rally, earnings reports and upgrades to growth outlooks have also been a major driver of upside price action. We expect these factors, as well as continued comments from Fed officials, to continue to push investor sentiment in the face of a very light economic calendar.

Next week however, we have key inflation data due with both Core CPI and PPI reports due which will be the backdrop for earnings reports from over 300 companies.

Warmly,  
Mary Ellen McGonagle