



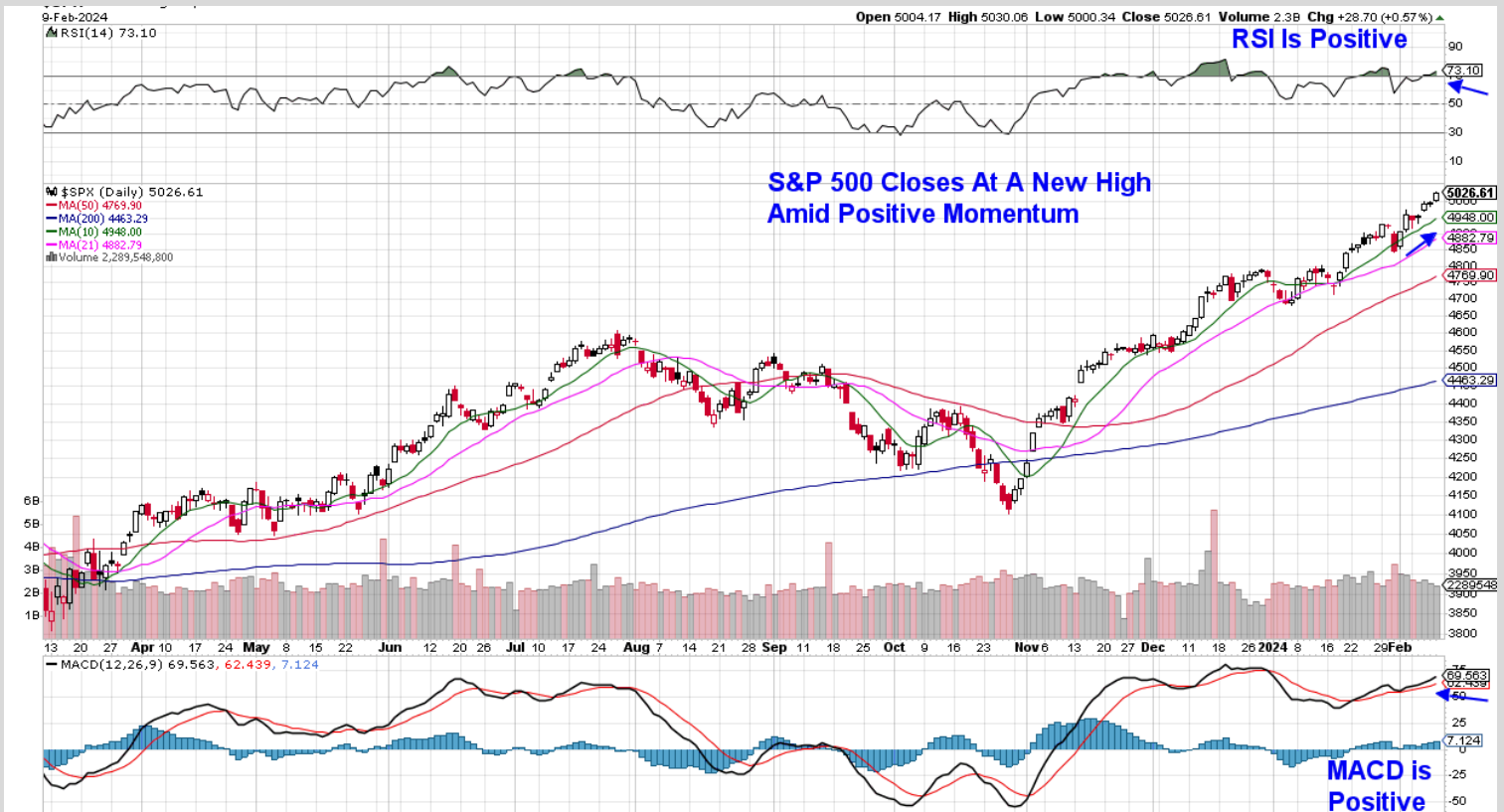
THE MEM EDGE

February 11, 2024 | Weekly Report

This Week's Highlights

- Interest Rates Remain Elevated Amid Fedspeak
- Economic Calendar Was Light 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



The S&P 500 gained 1.4% last week in a move that pushed this index above the key 5,000 level and to a new high in price. With the RSI and MACD in positive territory, the uptrend in the S&P 500 remains firmly in place.

As noted, we're keeping a close eye on the absolute level of the RSI as a move above 80 will often result in a pullback. At this time, the RSI is at 73 on the daily chart with further room to trend higher. A negative MACD crossover would be a secondary

signal and currently, we are not in a position for that to take place.

Last week's list of top gainers in the S&P 500 was dominated by Semiconductor stocks; however, there were names from a broad array of other areas such as Eli Lilly (**LLY**) in Healthcare and Walt Disney (DIS) in Media to name just two. All of the stocks had one thing in common which was either the release of strong earnings with bright growth outlooks or an upgrade to their estimated earnings going forward.

The NASDAQ fared better last week with a 2.3% gain that was fueled by sharp gains in select Semiconductor and Software stocks such as those on our Suggested Holdings List. Again, an improved growth outlook was the catalyst.

Last week's rally puts the Nasdaq a hair away from closing above its late November 2021 high in price with a positive RSI and MACD that points to further upside.

While reported earnings and an improved growth outlooks were the primary driver of stocks that outperformed, a lowered revision of December's CPI inflation data gave an additional boost on Friday.

While yields remain relatively elevated with the 10-year bond hovering above 4%, the new possibility that next week's January CPI comes in below estimates, bodes well for rates to recede. Of note, the U.S. Treasury's largest 10-year auction ever, saw solid demand last week and pushed the yields lower.

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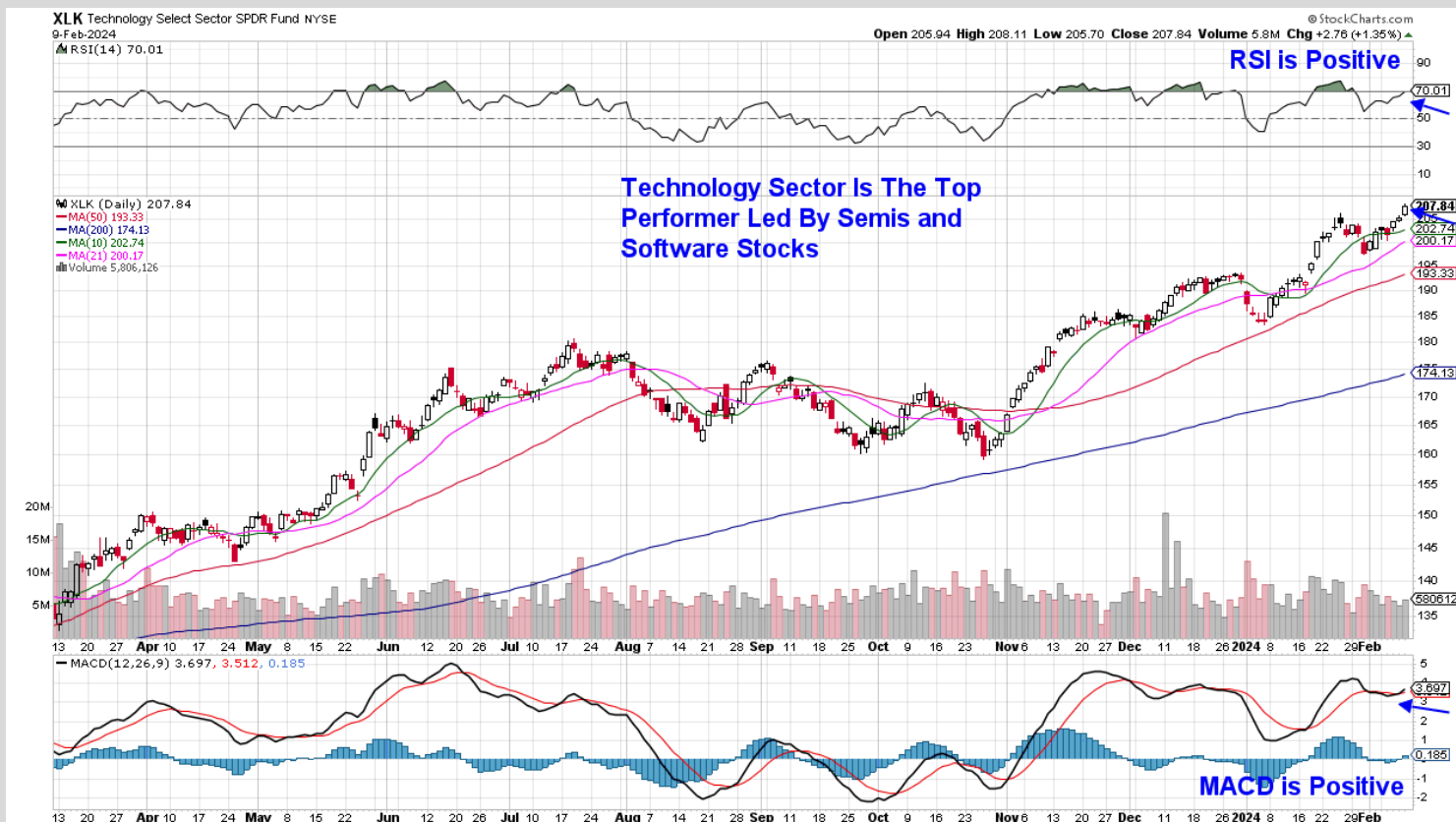
Growth stocks fare well in a declining interest rate environment.

At this time, the broader markets remain in a confirmed uptrend with excitement surrounding AI picking up after reports from several Tech companies that are seeing increased demand.

While most of the Magnificent 7 stocks that led the at the start of the new year remain in uptrends, we're continuing to see a broadening out of participation into other areas as corporate reports are showing strength in Industrials, Healthcare and select Discretionary companies.

We anticipate this broadening out within the markets to continue as earnings season enters its latter stages. At this time, 67% of companies in the S&P 500 have reported.

Daily Chart of the Technology Sector (XLK)



Technology Sector Hits New High

The Tech sector gained 2.8% last week led by an improved growth outlook for select areas of software following the release of earnings.

Most notable was Fortinet (**FTNT**) and Cloudflare (**NET**)'s reports with both cloud based software companies coming in ahead of estimates. The results convinced investors that corporations are renewing their spending in this area and in turn, helped boost peer stocks such as CrowdStrike (**CRWD**) on our List.

CRWD has been the leadership name in cybersecurity stocks and last week's gain of 8.5% puts the stock in an overbought position. CRWD can be bought on a pullback to its 5-day moving average in the \$315 range.

Strong earnings drove other areas of Software as well, after Palantir (**PLTR**) surged following the company's report of big demand for its AI technology. The news pushed other AI related stocks higher such as ServiceNow (**NOW**).

ServiceNow (**NOW**) outperformed with a 4% gain that pushed the stock out of a 2-week base and to a new high in price. The rally took place amid 2 Wall Street upgrades due to the company's strategic alliance with a leading European firm that's expected to improve growth in that area. NOW is in a confirmed uptrend and can be bought in the \$793 range at its 5-day moving average.

Tax software provider Intuit (**INTU**) broke out of a 2-week base ahead of the release of their earnings in two weeks. The stock is in a buy zone and can be bought in the \$647 range.

Synopsys (**SNPS**) is in a strong buy zone after Thursday's cup with handle base breakout on volume. The software provider for semiconductor design platforms

Next week, Software heavyweight HubSpot (**HUBS**) are due to report results as is smaller company JFrog (**FROG**). Both stocks are on our Watch List due to their bullish charts and generally strong growth outlooks. We'll review results which are due Wednesday, before adding them to our Suggested Holdings List.

Salesforce (**CRM**) and Adobe (**ADBE**) both underperformed for the week with CRM remaining in a confirmed uptrend after last week's 2% gain however, the MACD's sideways price action points to further relative weakness.

ADBE is in a more constructive position after regaining its 10-day moving average on Friday however, we're on the lookout for a move back above its \$634 base breakout level from earlier this month before adding to any position.

Heavyweight Software stock Microsoft (**MSFT**) closed at a new high ahead of next week's business update event for their gaming division. In January, the company posted gaming revenues that were up 49% due to their Activision acquisition while also announcing big layoffs.

MSFT remains in a confirmed uptrend and can be bought on a pullback to the \$412 range at its 5-day moving average.

Semiconductor stocks closed at a new high in price with last week's rally pushing the MACD into a bullish crossover on the daily chart. (using ETF SOXX)

In addition to strong earnings as well as upgrades to select companies, the Biden administration's announcement on Friday that they expect to invest over \$5 billion in semiconductor related development, gave the group its largest 1-day gain for the week.

Semiconductor Equipment stocks stand to gain the most from the government's investment and we've added Lam Research (**LRCX**) to our Watch List with a pull back to the \$865 range making it attractive. We'll alert you to when it's added to the Suggested Holdings List

Among the top performers was Nvidia (**NVDA**) which gained 9% amid news that the company is planning to develop a custom chip unit targeting the cloud, automotive, video game and telecom industries.

NVDA remains in a confirmed uptrend and is poised to trade higher however, it is overbought on both its daily and weekly charts following its year-to-date gains of 41%. We would add to positions lightly here and are on the lookout for a period of consolidation or a pullback which would be initially signaled by a negative MACD crossover. We're using the late November 2023 period as precedent.

Broadcom (**AVGO**) rallied this week after JP Morgan cited the company's dominance in providing AI chips. JPM also raised their price target due to expected chip demand from data centers. AVGO is in a buy zone after pulling back to its 5-day moving average.

Advanced Micro (**AMD**) pulled back for the week amid news from earlier this month that China is pivoting towards an open source chip solution designed to circumvent U.S. sanctions. While this proposed chip solution is a ways off, it's expected to

challenge the AMD's dominance in the global semiconductor market at some point.

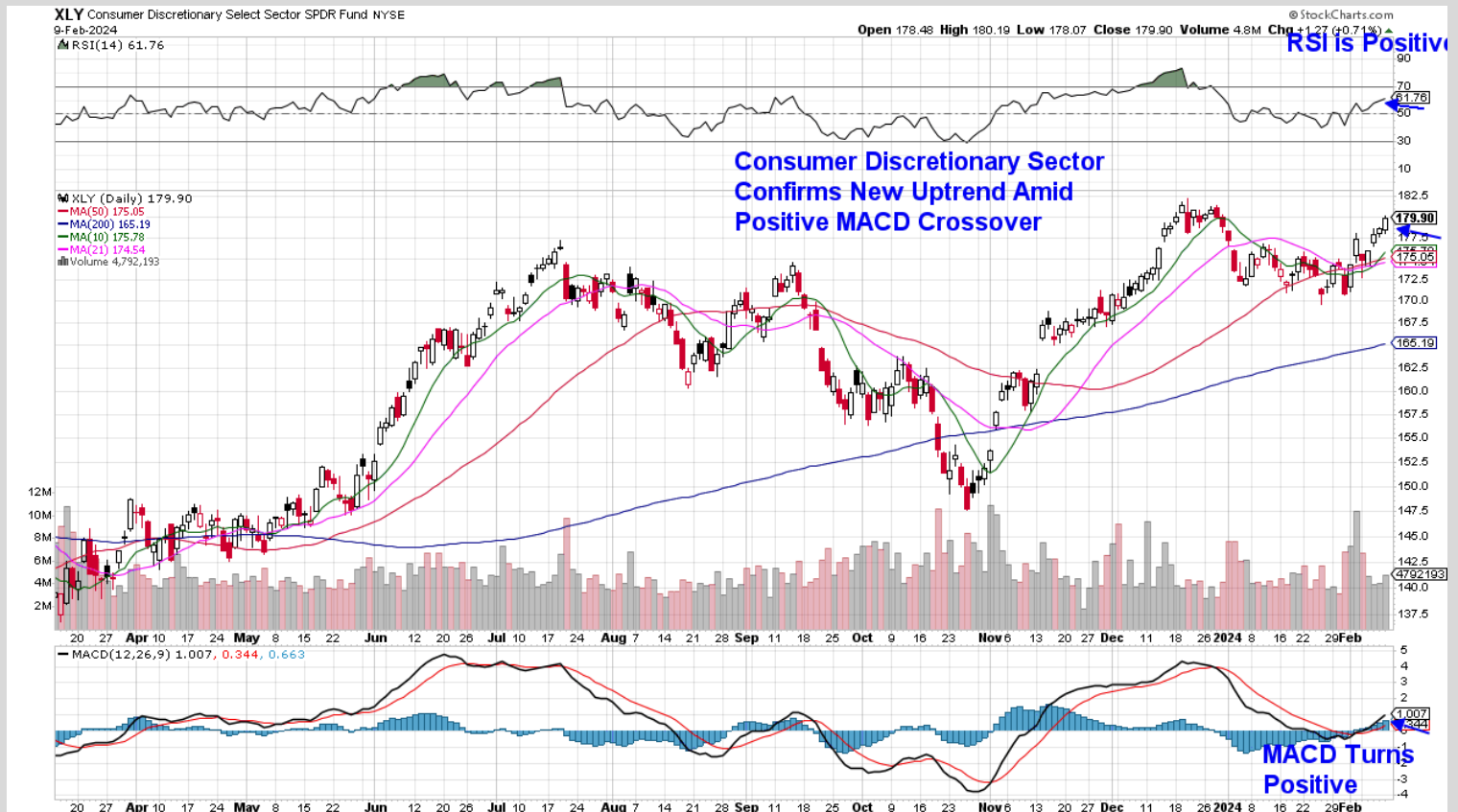
A more dominant reason for AMD's recent underperformance may well be its overbought condition following a runup in price going into their earnings release 2 weeks ago. From November to the end of January, AMD had advanced over 50%.

The stock is finding support at its upward trending 21-day moving average and may require a bit more consolidation. However, a MACD crossover similar to mid January would present an ideal buy point for the stock. For new positions, AMD can be nibbled on at this point with a bullish MACD crossover being a more ideal buy point.

Last Thursday, Semiconductor company Monolithic Power (**MPWR**) posted strong gains after guiding growth estimates higher due to demand for chips for AI systems. The news pushed other stocks in the group higher. Next week, additional Semi stocks such as Applied Materials (**AMAT**) and Lattice Semi (**LSCC**) are due to report quarterly results which may also impact the group.



Daily Chart of the Consumer Discretionary Sector (XLY)



Consumer Discretionary Sector Confirms New Uptrend

The Consumer Discretionary advanced further above its key moving averages after the sector posted gains in line with the markets.

Again, earnings reports were the driver for gainers with Restaurant stocks rallying after Chipotle (**CMG**) reported results ahead of estimates and guided growth higher. Peer stock Shake Shack (**SHAK**) from our List was given a boost on the news, with a 3% rally that pushed the stock into a base breakout ahead of the release of their earnings on Thursday.

Heavyweight retailer Amazon (**AMZN**) broke out of a high tight flag formation on Friday with a 2.7% rally that pushed the stock closer to a new high in price. Friday's rally took place on above average volume as

analysts continue to upgrade the stock following its strong earnings the prior week.

AMZN is poised for further upside as it trends just above its upward trending 5-day moving average.

Discount retailer TJX Cos. (**TJX**) is also finding support above its 5-day moving average; however, the MACD remains flat as the stock has been trading just a bit above the S&P 500 Index over the past 6 weeks.

The weekly chart shows a bit more upside momentum which bodes well for the longer term prospects. TJX is due to report earnings in less than 3 weeks and we may see the stock trend higher going into their release.

Footwear provider Deckers (**DECK**) pulled back 4% last week as the stock digests its big gain the prior week after reporting strong earnings. Despite the pullback, DECK remains in a very overbought position on its weekly chart which points to further consolidation over the next week.

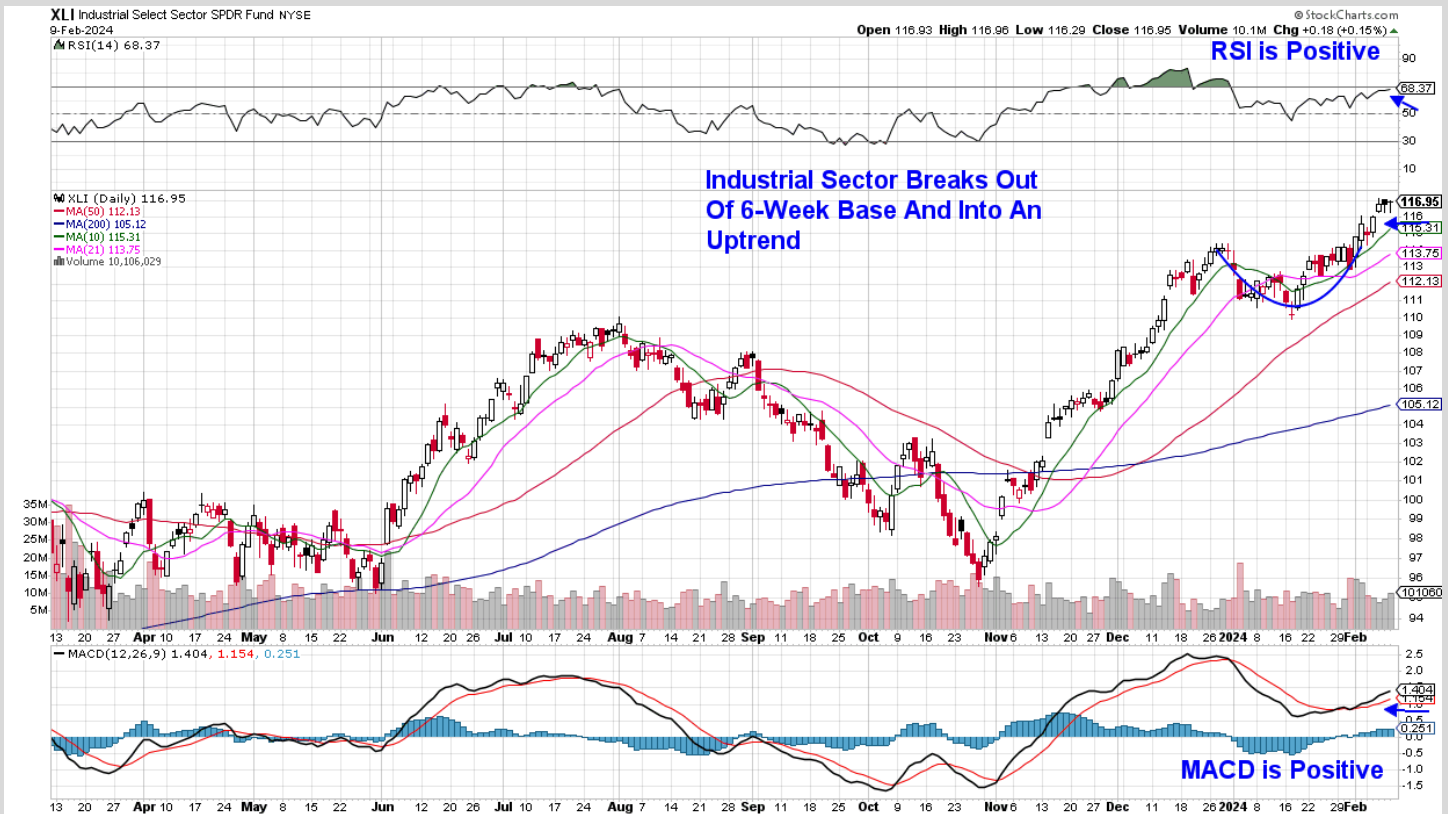
Look for upside momentum on the MACD of the 1-hour chart to signal near term upside. This would be similar to the Jan. 8th to 23rd period on this intraday chart.

While the daily chart of the S&P 500 Retail ETF has entered an uptrend similar to the Consumer Discretionary sector, we're unable to uncover quality stocks that are also in the beginning stages of a new uptrend. (using ETF XRT)

Instead, we're adding the Retail ETF to our Suggested Holdings List as the MACD has just posted a positive crossover on the daily chart with an already positive RSI. XRT can be bought in the \$71 range at its 5-day moving average.



Daily Chart of the Industrial Sector (XLI)



Industrial Sector Remains In Uptrend

Industrials were led higher by a rally in Transports stocks which have experienced a very volatile start to the year.

With the new uptrend in this sector, our focus has instead been on construction related stocks such as Trex Co. (**TREX**) which gapped up into a base breakout on Wednesday after peer stock Griffon (**GFF**) posted strong earnings that were 25% above estimates.

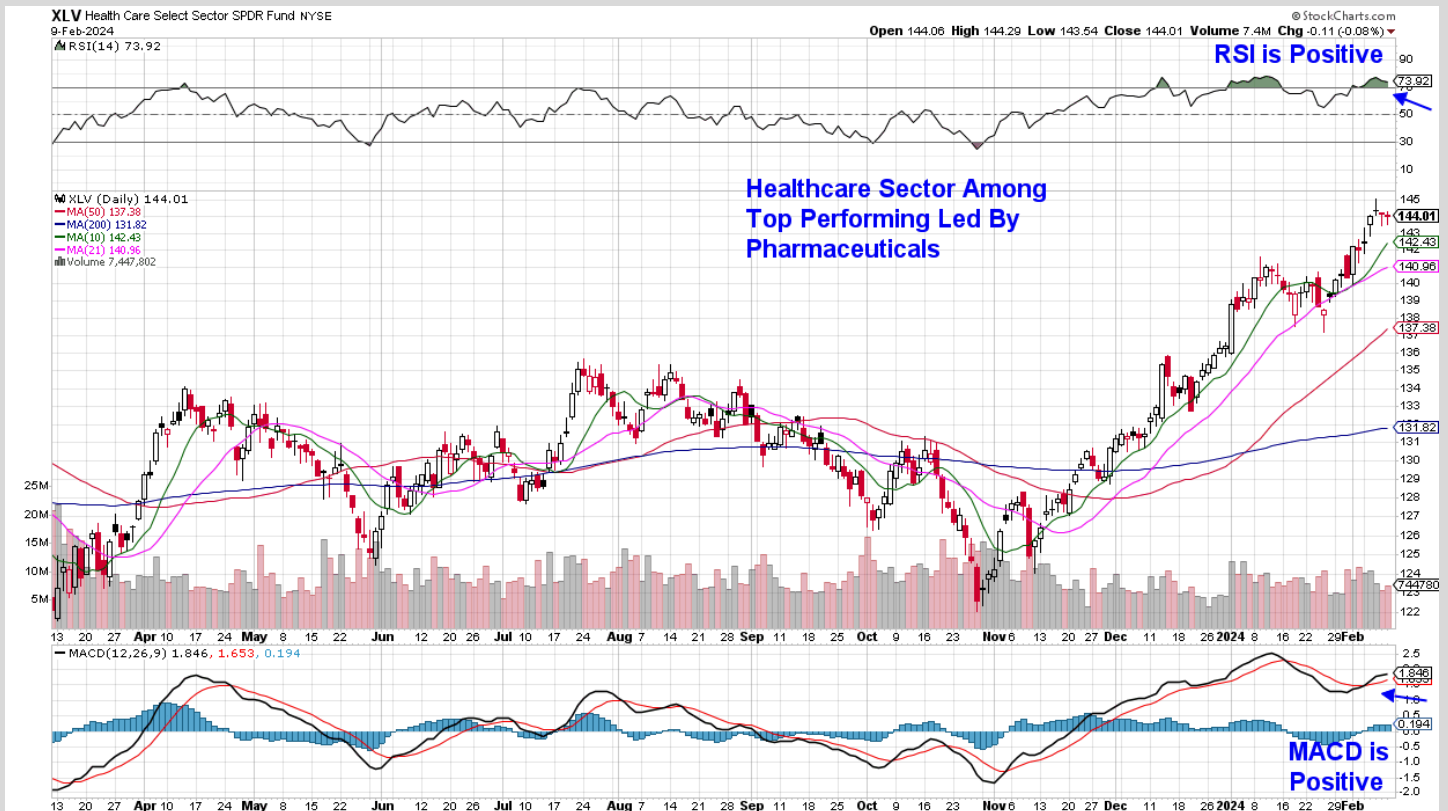
TREX is in a position similar to its November 13th gap up in price from which it trended higher. The manufacturer of decking other residential products is in a buy zone. TREX is due to report in 2 weeks.

Eaton (**ETN**) remains in a confirmed uptrend following last week's 3% rally amid analyst upgrades. The RSI on the daily chart is now above 80 which has us anticipating a pullback. Near term however, the stock is poised for further upside.

Look for a negative MACD crossover on the daily chart to signal a period of consolidation or pullback.

ETN is a provider of electrical power and control equipment and with electricity demand growth projected to accelerate, due to data centers processing AI, EVs and heat pumps, earnings estimates have been revised upward for both this year and next.

Daily Chart of the Healthcare Sector (XLV)



Healthcare Sector Gets Boost From Select Pharmaceuticals

The Healthcare sector performed in line with the markets after a gain in Pharmaceutical stocks was offset by weakness in Biotech and Medical Products. (using ETFs IBB and IHI)

Among Large Cap Pharma's Eli Lilly (**LLY**) was the top performing after posting an 11% gain going into and following the release of their quarterly earnings. The company reported strong sales of their new weight loss drug as well as promising results of their liver treatment.

Analysts are now calling for 94% earnings growth for this year. While LLY is overbought on the daily chart following last week's sharp rally, the weekly chart points to further upside with the RSI just entering an

overbought position which can historically remain above 70 for some time.

LLY can be bought as the stock is poised to trade higher from here.

BSX continues to trend higher after its prior week's gap up in price after the company reported double digit sales increases across all products. In addition, management guided estimates higher for sales going forward.

The stock is poised to trade higher as it finds support at its upward trending 5-day moving average.

Intuitive Surgical (**ISRG**) traded higher however as mentioned in our last week's reports, the near-term

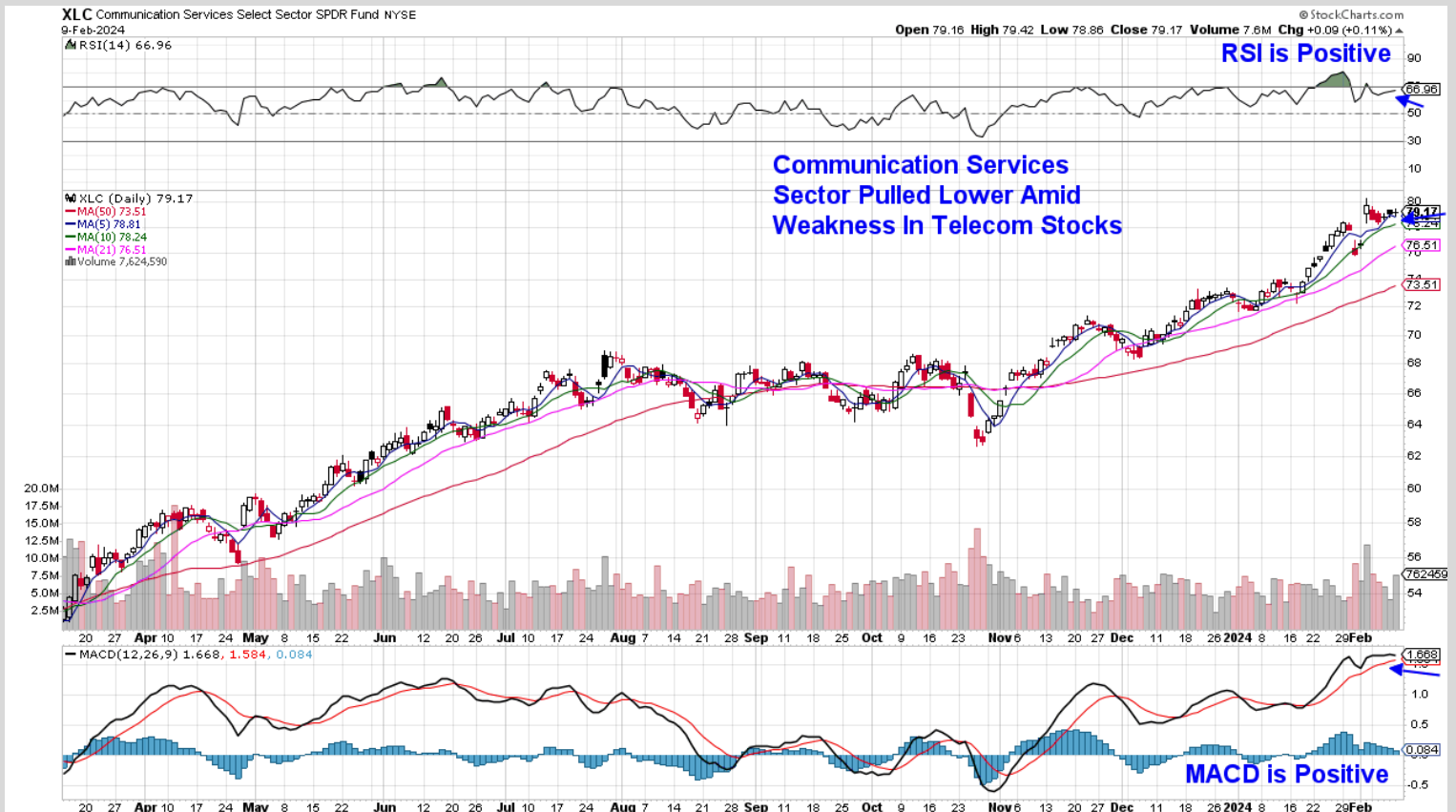
momentum has softened and we would not overweight the stock at this time.

Vertex (**VRTX**) slumped despite reporting earnings and sales last week that were above estimates. Investors were disappointed by the slow rollout of the company's sickle cell disease treatment which has analysts revising sales estimates lower.

With the RSI closing the week in negative territory and the stock below each of its shorter term moving averages, we're removing Vertex (VRTX) from our Suggested Holdings List.



Daily Chart of the Communication Services (XLC)



Communication Services Sector Is Among Worst Performing

Internet related stocks are showing generally positive results amid an uptick in ad sales among social and streaming media outlets. Last week's big move in Meta Platforms (**META**) was due to improved ad sales as well as growth in AI related activities

The company announced a first ever dividend as well as boosting their share buyback program which is quite bullish.

Last week, we cited the stock's February 2, 2023 period as a precedent, where META consolidated for a week or two before advancing much higher. At this time, the stock is trending sideways in a tight

trading range with the 5-day moving average now acting as support.

We anticipate META to consolidate further given its very overbought condition on both the daily and the weekly charts.

Netflix (**NFLX**) is also in a period of consolidation after its late January gap up on strong quarterly numbers. The good news is, the current pullback is taking place on below average volume. A move back above the \$580 level on volume would put the stock into a buy zone.

Summary

The S&P 500 closed at another record high driven by Tech companies that are posting strong results amid high demand for AI related products. Considered one of the most revolutionary technologies of the 21st century, AI is finally seeing monetization after many years of development and refinement.

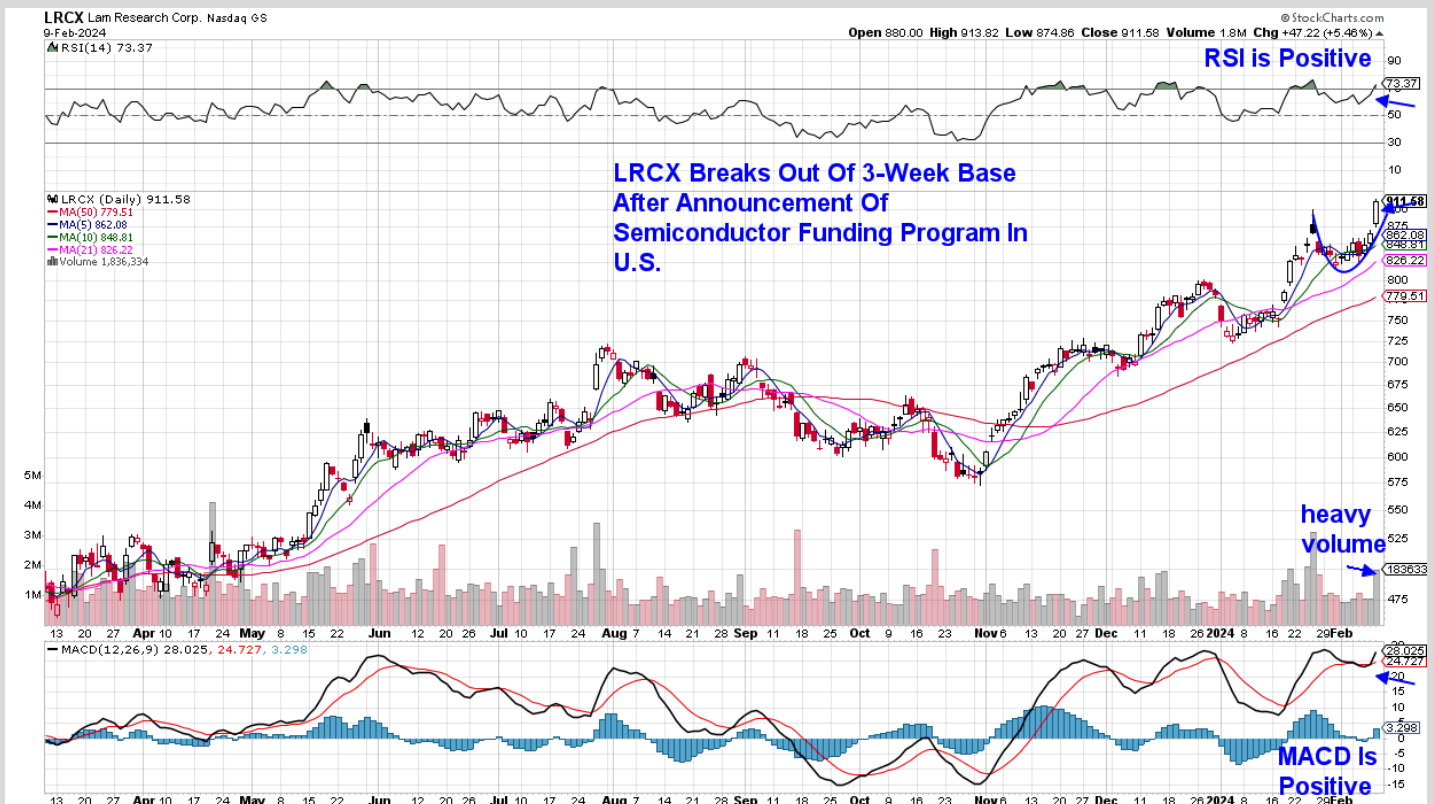
While continued growth in AI related companies will drive these companies higher, we're currently in a period where the interest rate backdrop remains a concern. Next week, core CPI and PPI data will provide insights into whether inflation is receding enough for the Federal Reserve to consider cutting rates.

Earnings reports will also be closely watched next week as well, as investors continue to sort through results with a keen eye on management's growth estimates going forward.

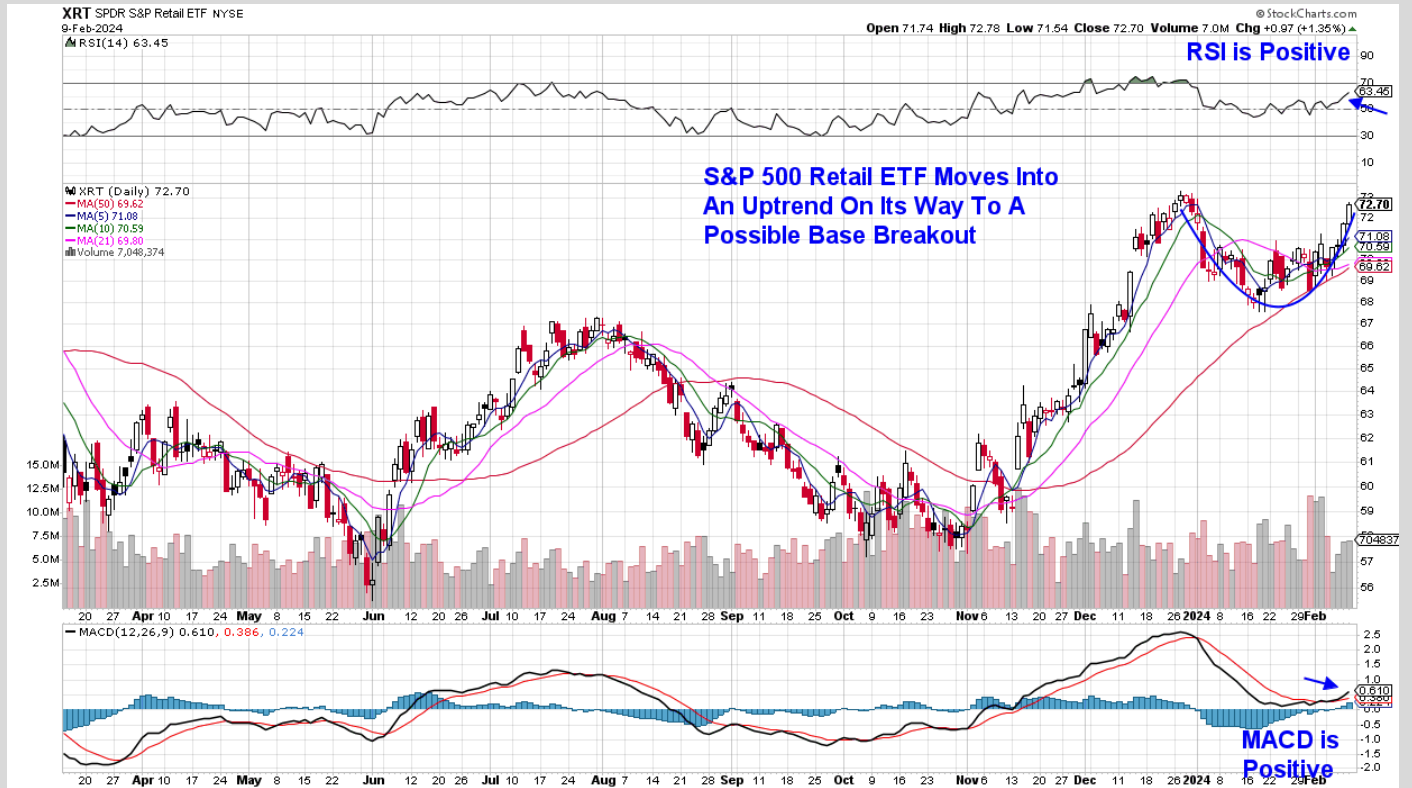
Given the market's continued climb to new highs, currently, it's stretched and due for a pullback. However, until we see a close below the day coupled with a negative MACD, the current uptrend remains firmly in place.

New Idea Charts:

Daily Chart of Lam Research Corp. (LRCX)



Daily Chart of SPDR S&P Retail ETF. (XRT)



MEM Edge Report Suggested Holdings

Stocks With Emerging Leadership Characteristics

SYMB	COMPANY	PRICE	DATE ADDED	PERFORMANCE	INDUSTRY GROUP	EARNINGS DUE
CONSUMER DISCRETIONARY						
AMZN	Amazon	\$138.60	11/5/2023	23.5%	Retail - Internet	
DECK	Deckers	\$695.91	1/10/2024	21.0%	Retail Apparel Shoe	
TJX	TJX Corp	\$93.81	1/1/2024	5.5%	Discount Retailer	28-Feb-24
SHAK	Shake Shack	\$73.70	1/28/2024	8.0%%	Retail - Restaurant	15-Feb-24
XRT	S&P Retail ETF	\$72.70	2/11/2024			
INDUSTRIAL						
ETN	Eaton Corp	\$260.00	2/4/2024	3.0%	Diversified Operations	
TREX	Trex Co.	\$86.70	2/4/2024	5.5%	Building/Construction	26-Feb-24
HEALTHCARE						
BSX	Boston Scientific	\$57.60	1/3/2024	12.5%		
ISRG	Intuitive Surgical	\$363.70	1/15/2024	6.5%		
LLY	Eli Lilly	\$618.50	1/3/2024	19.5%		
VRTX	Vertex Pharmaceuticals	\$416.50	1/7/2024	5.0%		
TECHNOLOGY						
ADBE	Adobe Systems	\$611.50	1/20/2024	4.0%	Software	
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
LRCX	Lam Research	\$865.00	2/11/2024		Software	
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	49.5	Internet-Content	
NFLX	Netflix	\$432.30	11/5/2023	34.5	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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