



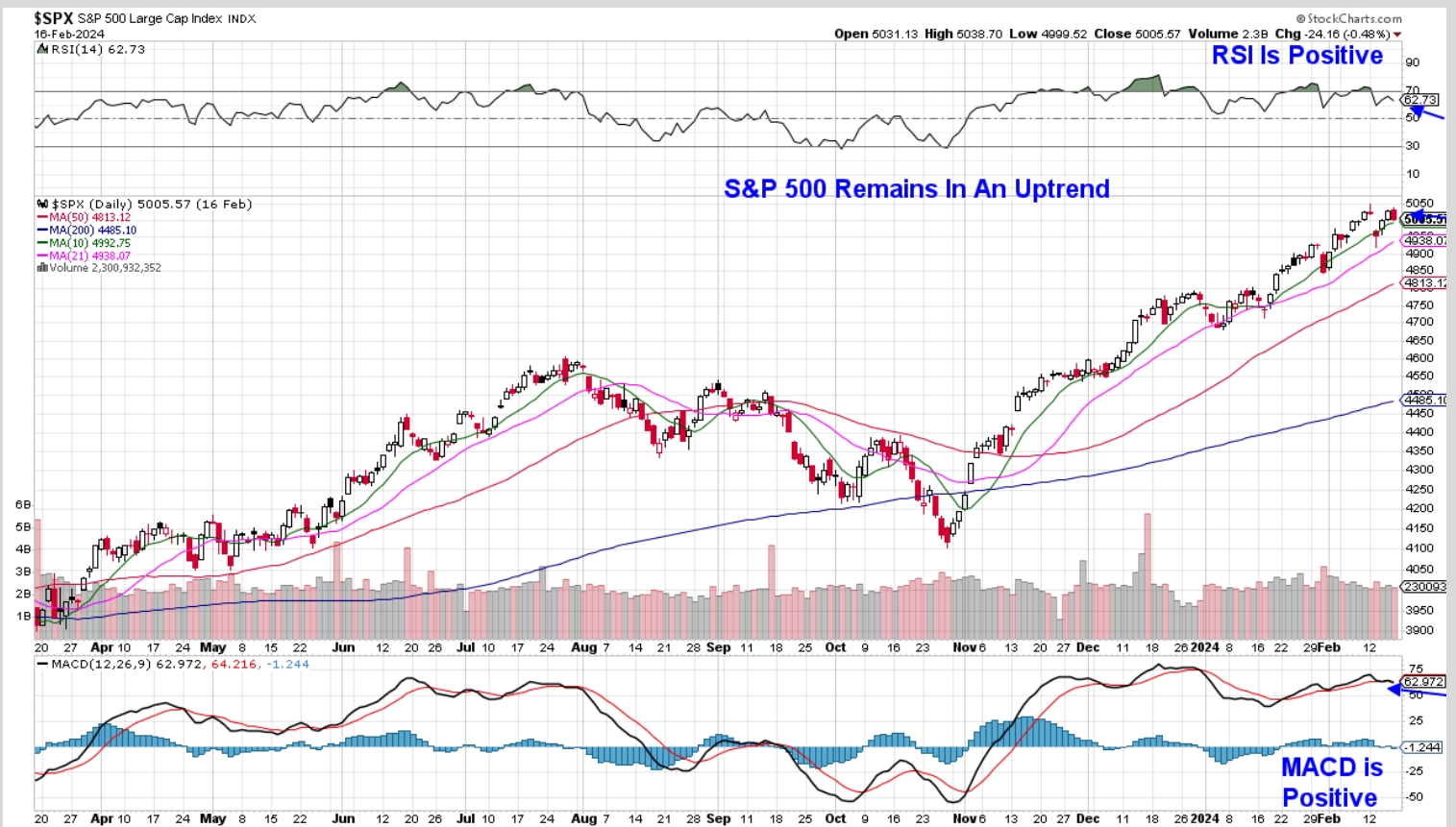
# THE MEM EDGE

February 19, 2024 | Weekly Report

## This Week's Highlights

- Consumer Price Index (CPI) for January Comes In Stronger Than Expected
- January Retail Sales Posts Biggest Drop in 10 Months
- Wholesale Costs Rise To Highest Level In 5 Months (PPI)
- Yield on 10-year Treasury jumps to 4.3%
- FOMC Meeting Notes Released Next Wednesday
- **NVIDIA** Earnings Release On Wednesday

### Daily Chart of S&P 500



The S&P 500 ended the week down 0.4% in a move that keeps this index above its shorter-term moving averages with its RSI and MACD in positive territory. The near-term uptrend in the S&P 500 remains in place.

The Equal Weighted S&P 500 gained 0.6% for the week amid relative outperformance among stocks outside of the Magnificent Seven. In fact, a majority of sectors rallied over 1% led by Energy, Materials, Financial, Health Care, and Industrials.

Last week's uptick in interest rates due to hotter-than-expected inflation data was a key contributor to this relative outperformance. A rise in rates will push the dollar higher and increase the price of commodities, such as energy and materials. Financials will also benefit from higher rates due to larger profit margins on lending activity.

By contrast, most of the Magnificent Seven stocks underperformed, led by Alphabet (**GOOGL**) and Microsoft (**MSFT**) which averaged losses of 5% for the week. Software and Semiconductor stocks also pulled back with the software ETF IGV down 3% for the week.

In turn, the NASDAQ fell 1.3% with a close just below its 10-day simple moving average. The RSI and MACD remain in positive territory which keeps the near-term uptrend for this Index in place.

It was a choppy period last week as the markets pulled back on both Tuesday and Friday when the Consumer Price Index (CPI) and Producer Price Index (PPI) reports showed higher-than-expected inflation.

In addition, quarterly earnings reports, as well as, management's guidance regarding growth prospects going forward, continued to have the most impact in determining the week's winners and losers.

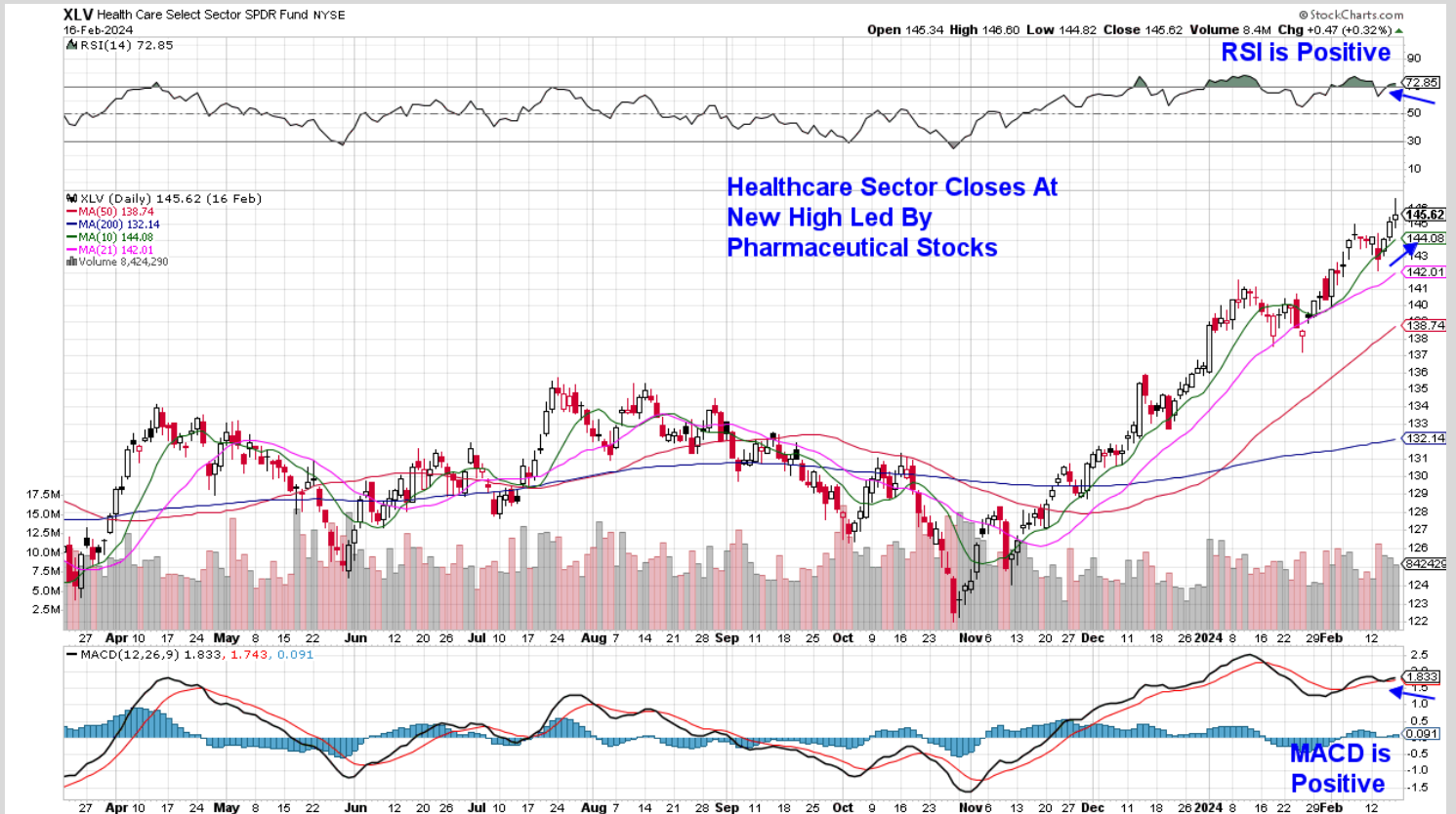
With earnings season winding down, we expect volatility to pick up as investors focus on economic growth prospects amid sticky inflation. Next Wednesday, notes from the Federal Reserve's latest meeting will be released which may provide insights into monetary policy over the near term.

As for inflation data, the Fed's preferred metric is the Personal Consumption Expenditures report which will be released on February 29th. (PCE)

At this time, Technology and other areas of growth are continuing to lead the markets higher and we will continue to overweight these areas. Last week's expansion into other areas of the market outside of high growth is constructive.



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



### Healthcare Sector Closes Remains In Confirmed Uptrend

The Healthcare sector outperformed last week led by gains in pharmaceutical stocks such as Eli Lilly (**LLY**) which hit a new high in price after a 6% gain. The rally took place amid several Wall Street price target upgrades which followed the company's release of strong earnings 2 weeks ago.

As cited in our mid-week report, **LLY** broke out of a high tight flag formation on Wednesday on its way to further gains. **LLY** remains in a confirmed uptrend and can be bought on a pullback to the \$755 range at its 5-day moving average.

Elsewhere in this sector, Medical Products stocks were flat for the week (using ETF IHI). However,

Intuitive Surgical (**ISRG**) from our Suggested Holdings list pulled back 2.5% and closed below its 21-day moving average with its RSI and MACD trending lower.

At this time, **ISRG** can be held and we will be on the lookout for a move back above its 10-day moving average at \$385 before we add to any position.

Boston Scientific (**BSX**) fared better with a 0.5% gain for the week after pulling back from a new high in price on Friday. The stock remains in a confirmed uptrend after its gap up in price following a strong earnings release two weeks ago. **BSX** is in a buy zone.

Today we're adding Shockwave Medical (**SWAV**) to our Suggested Holdings list after the company's gap up in price on heavy volume Friday following the release of earnings that were well above estimates.

**SWAV** creates products that treat individuals with calcium buildup in their arteries and management cited meaningful tailwinds that will support a continued adoption of their products and improve revenues going forward.

**SWAV** is due a period of consolidation and using the sharp gain on January 10th as precedent, we're on the lookout for the 5-day moving average to move closer to its current price and act as support. With the MACD on the daily chart pointing to a further upside, **SWAV** can be nibbled on here.

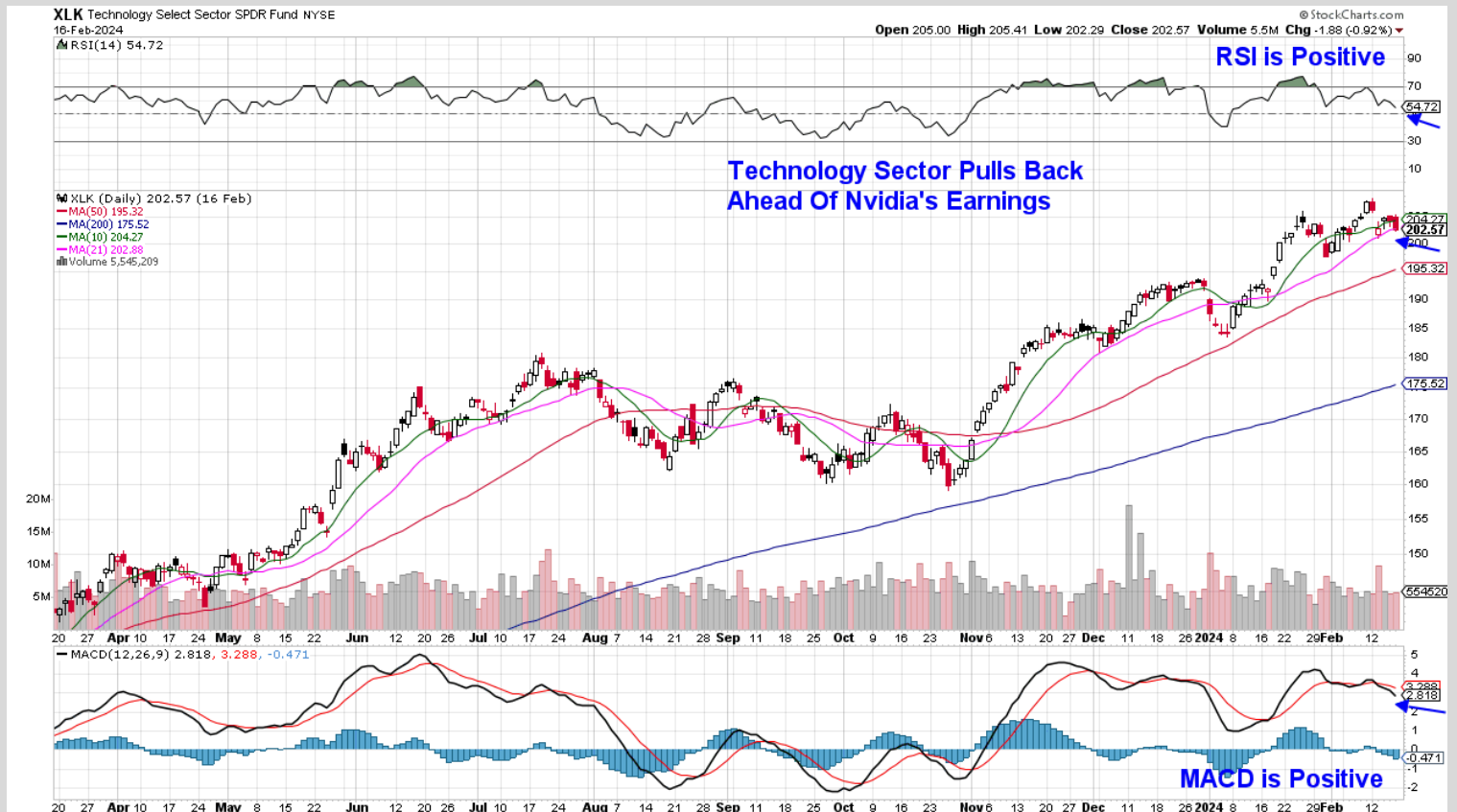
Biotechs gained almost 1% last week in a bid to regain their uptrend from late last year. (using ETF IBB) The group was led higher by smaller cap names such as Intracellular Therapies (**ITCI**) which is on our Watch List and due to report earnings on Thursday.

We will consider adding names from this group should we see a further advance toward **IBB's** potential base breakout at \$140.

Biotech stocks are generally viewed as riskier due to the fact that most companies do not have earnings as they are in developmental stages. A move into this area is generally bullish for the broader markets, as it implies investor confidence.



## Daily Chart of the Technology Sector (XLK)



### Technology Sector Is Worse Performing

The Tech sector was hit by a sharp pullback in heavyweight names Microsoft (**MSFT**) and Apple (**AAPL**). Software stocks also fell more than the broader markets, with the biggest losers being companies that came in with earnings that were below estimates.

Software stocks suffered their biggest losses on Tuesday and Friday after higher-than-expected inflation data pushed interest rates higher. Historically, software stocks are the most negatively impacted by a rise in interest rates as the value of the future growth in their subscription-based products is reduced.

Below, we've included a marked-up chart showing the impact of a rise in interest rates using the yield on the 10-year Treasury (**\$TNX**), versus the software group using ETF IGV. At this time, we don't see the current level of interest rates as a big threat however we will continue to monitor this relationship.

ServiceNow (**NOW**) was the biggest decliner among Software names on our Suggested Holdings list, with a 6% drop that has the RSI on the cusp of turning negative on the daily chart.

**NOW's** recent advance was due primarily to the use of AI in many of their tools and last week's decline in AI-related stocks impacted **NOW**. A negative RSI

would have us considering removing the stock from our list.

Synopsis (**SNPS**) experienced a pullback however, the stock remains above its 21-day moving average and just below its cup with handle base breakout level. The stock is due to report its earnings on Wednesday.

Intuit (**INTU**) is also due to report their earnings next week and the stock held in much better than its peers ahead of Thursday's release as it closed above its 10-day moving average.

Salesforce (**CRM**) and CrowdStrike (**CRWD**) also held in remarkably well after closing the week flat. Both stocks remain above their shorter-term moving averages and in confirmed uptrends however, weakness near-term in the broader Software group has this refraining from suggesting them as buy ideas this week.

Heavyweight software stock Microsoft (**MSFT**) closed the week below its 21-day moving average with both its RSI and MACD trending lower. The stock - which has a history of remaining below its 21-day moving average during a consolidation phase - fell Tuesday following mixed reviews of their Copilot software product.

We would not be a buyer on last week's pullback; however, **MSFT** can be held.

Semiconductor stocks ended the week down half of a percent. This group was also impacted by a decline in AI-related stocks with Broadcom (**AVGO**) falling 3% for the week.

**AVGO** remains in a confirmed uptrend above its 21-day moving average with a positive RSI and MACD.

Lam Research (**LRCX**) pulled back from a new high in price which took place after peer stock Applied Materials (**AMAT**) came out with earnings ahead of estimates on Friday. **LRCX** can be bought in the \$912 range at its 5-day moving average.

Nvidia (**NVDA**) gained almost 1% ahead of the release of their earnings after the market closed on Wednesday. The report, as well as management's guidance for growth going forward, is expected to impact not just Nvidia but other AI-related stocks as well.

Advanced Micro (**AMD**) remains in a confirmed uptrend as it finds support above its shorter-term moving averages. The company has seen its earnings estimates revised higher after the release of their latest quarterly report two weeks ago. The stock is in a buy zone however, Industry Group risk is present ahead of Nvidia's earnings report.

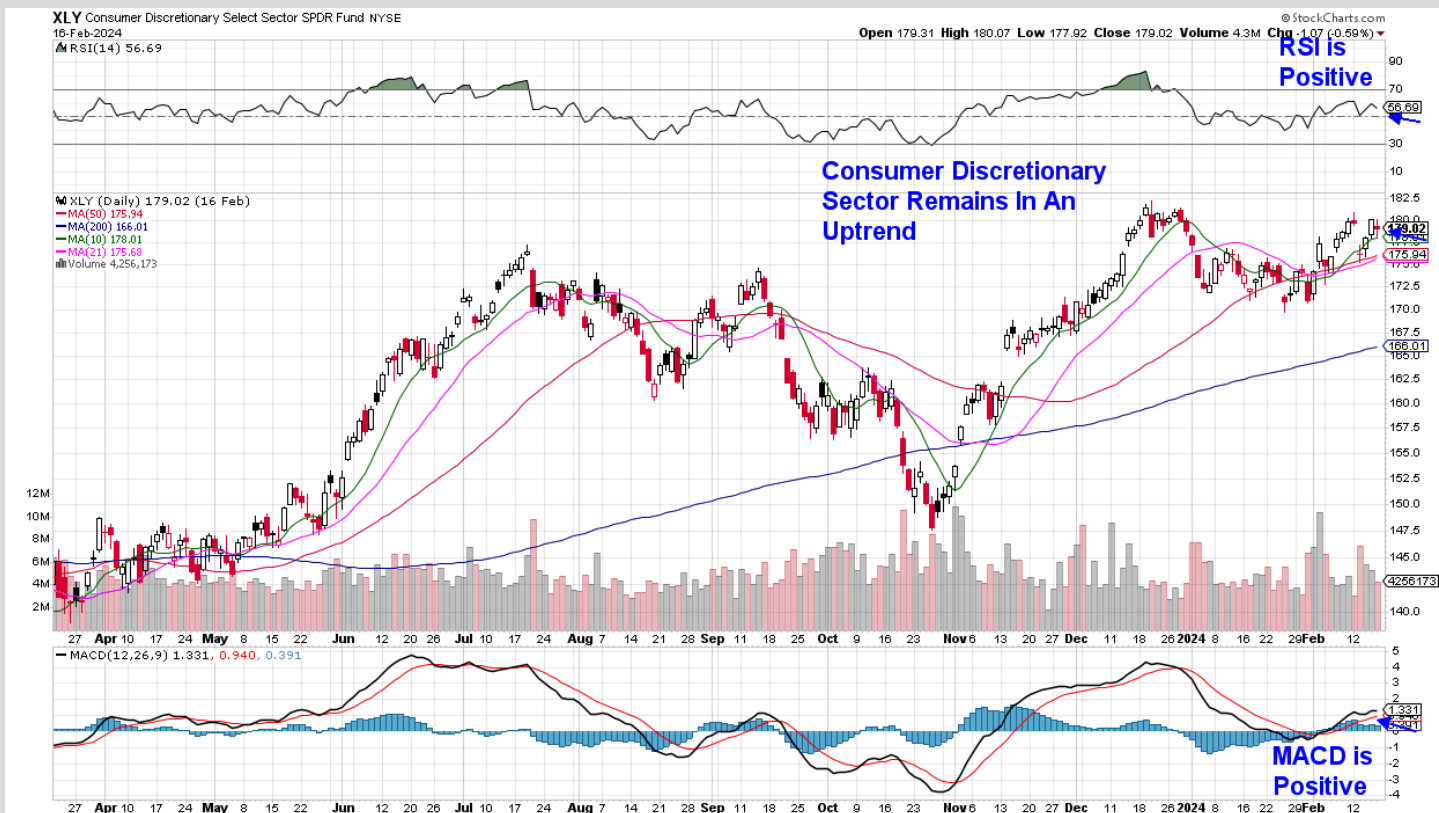
At this time, the Semiconductor group remains in a confirmed uptrend as it's trading above its upward-trending 10-day moving average with a positive RSI and MACD. The group has been buoyed by above-estimated earnings - particularly from Semiconductor Equipment stocks. (using ETF SOXX)

Next week's response to Nvidia's earnings report will clearly set the pace for this group over the near term. With so many investors crowded into the stock, anything less than perfect results could easily result in a pullback.

The stock is currently overbought by any measure on both the daily and the weekly chart. Should we experience a pullback, longer-term investors will want to stay with the stock while shorter-term, investors can take their cues from the RSI. Using last September's pullback as an example, a negative RSI on Sept. 8th preceded a 13% decline.



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



### Consumer Discretionary Sector Pulls Back Slightly

The Consumer Discretionary sector remains in an uptrend after a 3% pullback in heavyweight Amazon (**AMZN**) was offset by a 3% rally in Tesla (**TSLA**) so that the sector ended flat.

Most of Amazon's losses took place on Tuesday amid weakness in AI-related stocks. **AMZN** opened lower every other day of the week as well. On each of these days, buyers came in so that **AMZN** closed in the upper reaches of its trading range.

This daily price action is quite constructive and we would be a buyer on a close back above its 10-day moving average in the \$170 range.

Tesla (**TSLA**) is at the top of our Watch List as the stock continues to form the right side of a base after recently posting a double-bottom formation. At this time, the 50-day moving average is the next area of possible upside resistance and is 9.5% away. We will continue to monitor the stock and will alert you if it enters a buy zone.

Restaurant company Shake Shack (**SHAK**) reported earnings above estimates and the stock gained 23.5% in response. In addition, management guided growth estimates higher into the remainder of this year.

**SHAK** is poised to trade higher from here after triggering what's called the "eight-week hold rule" using the O'Neil methodology.

Under this rule, if a stock moves 20% or more above a buy point in two weeks or less, investors should hold that stock for 8 weeks from the breakout as research shows a strong chance that the stock will move even higher.

Using Decker's Outdoors (**DECK**) sharp advance following earnings 2 weeks ago as precedent, we're on the lookout for the 5-day moving average to move closer to **SHAK's** current price and act as support as the stock continues to trade higher. **SHAK** is in a buy zone.

**DECK** is also in a buy zone as the stock moves closer to a possible 2-week base breakout at the \$900 level.

TJX Cos (**TJX**) remains in an uptrend despite a 0.7% pullback as the stock closed the week above its 10-day moving average and within 5% of its recent base breakout level of \$94. The stock is in a buy zone amid earnings estimate upgrades for earnings which are due later this month.

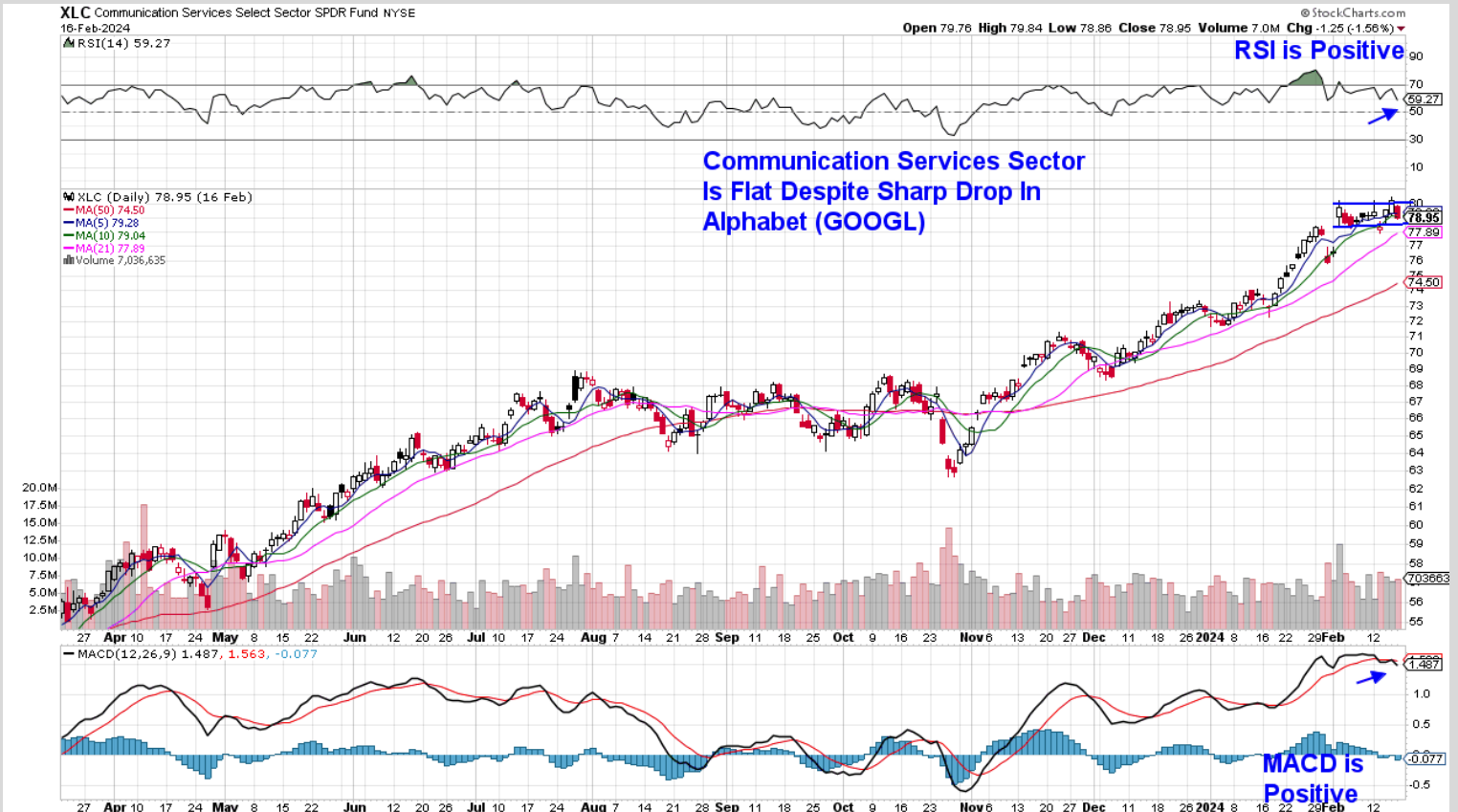
Retail Sales data for January showed their largest decline in 10 months however, this month historically comes in weak after a strong December holiday month. Instead, it was earnings reports that drove price action among retailers last week.

The S&P Retail ETF (**XRT**) outperformed the markets with a 1% rally that pushed this group out of a 2-month base on above-average volume. **XRT** is in a strong buy zone.





## Daily Chart of the Communications Services Sector (XLC)



### Communication Services in Consolidation Phase

Heavyweight name Alphabet (**GOOGL**) fell 6% in response to news of OpenAI's development of a new product that would compete directly with them.

This decline was offset by a 4% rally in Netflix (**NFLX**) which broke out of a 3-week base on volume amid analyst upgrades following news of the company's huge increase in subscribership which was reported last month.

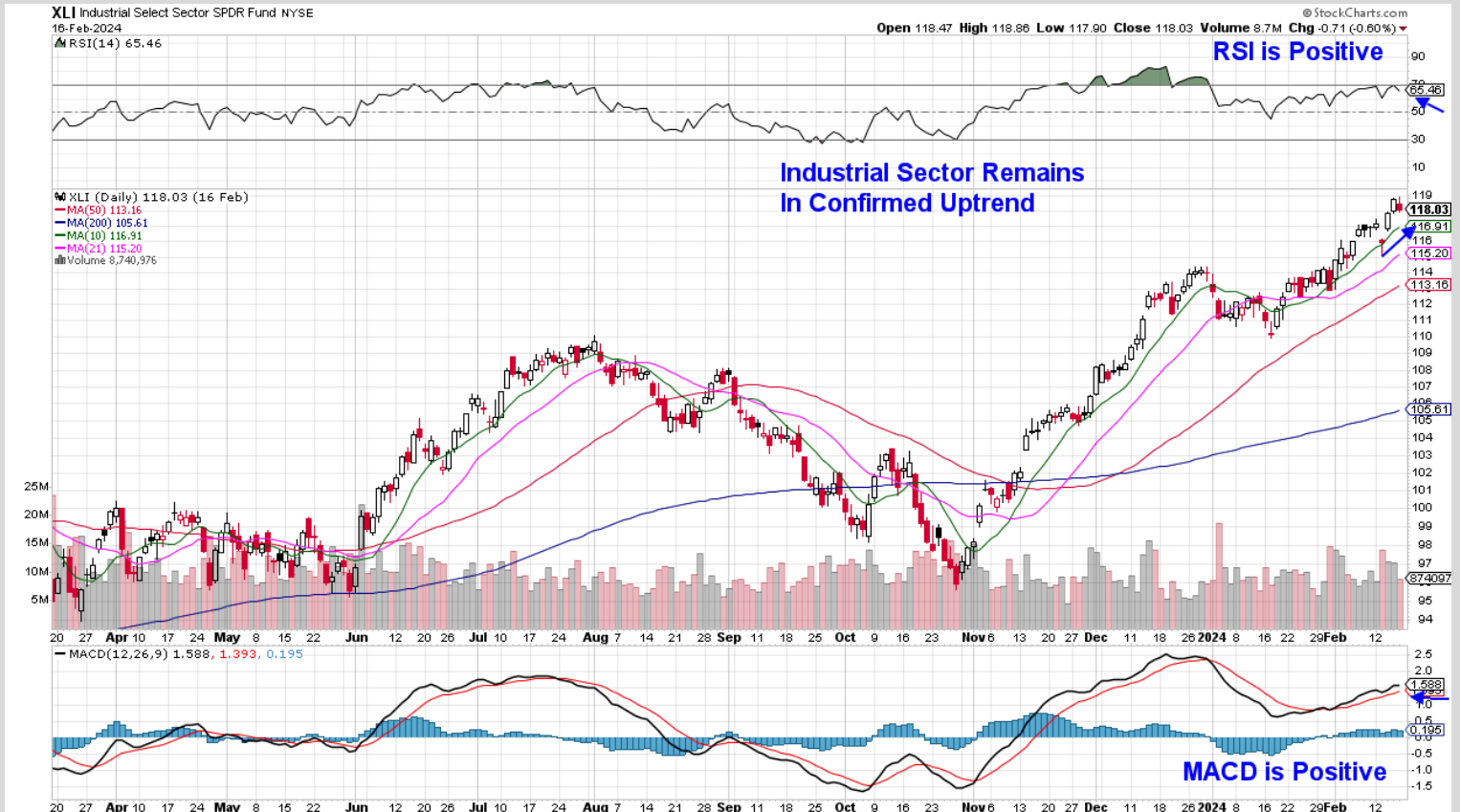
**NFLX** is in a strong buy zone and can be bought in the \$574 range at its 5-day moving average. The stock's new uptrend is poised to replicate November's advance, when **NFLX** headed higher

after a period of consolidation following a strong earnings report.

Meta Platforms (**META**) is in a buy zone as the stock continues to trade in a tight trading range while consolidating after its huge gap up in price last month in response to strong earnings.

**META** is also under the "eight-week hold rule" after moving 20% above a buy point in less than 2 weeks following the release of their strong earnings report earlier this month.

## Daily Chart of the Industrial Sector (XLI)



### Industrial Sector In Confirmed Uptrend

Industrial stocks were mixed last week with a strong earnings report from Waste Management (**WM**) pushing stocks in that group higher while transports traded it lower.

Eaton Corp (**ETN**) ended the week flat and in an uptrend amid analyst upgrades to earnings estimates for this year. As cited earlier this month after the company reported their results, demand for electricity has been expanding rapidly particularly among data centers that execute AI-driven tasks. **ETN** is in a buy zone.

Trex Co. (**TREX**) is in an uptrend as it finds support above its upward-trending 10-day moving average.

The stock is in a strong buy zone ahead of the release of their earnings next Monday. The manufacturer of decking products has seen their estimates being revised higher going into their report which is generally bullish.

We've added Emerson Electric (**EMR**) to our Watch List as the weekly and monthly charts are very attractive after the stock's gap up in price following the release of strong earnings 2 weeks ago. The daily chart however shows an overbought position with the RSI above 70. We will continue to monitor **EMR** and alert you when it's in a buy zone.

## Summary

Last week's price action in the markets highlights the fact that interest rates remain a key component for investor sentiment as higher rates after hotter-than-expected inflation reports, pushed stocks lower. Next Wednesday's release of the FOMC's latest meeting notes may stir the markets again, depending on the tone.

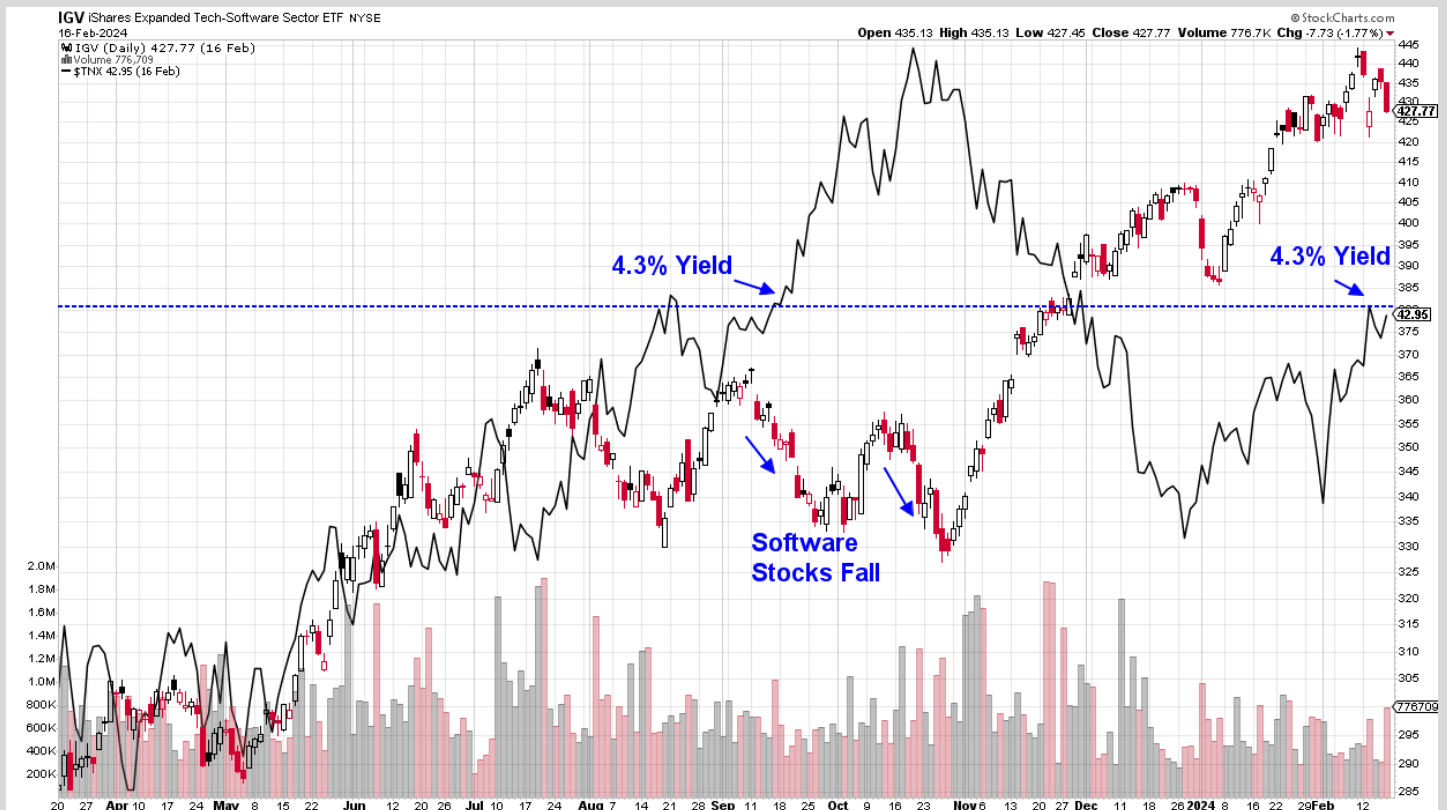
Frothiness surrounding recently strong AI-related stocks also gave pause, as potential competition pushed down heavyweight Alphabet (**GOOGL**).

A pullback among high-flying AI stocks will also be tested next week, as Nvidia reports earnings while also providing guidance regarding their growth prospects.

Overall, the uptrend in the market remains in place and the best plan of action at this time would be to solidify the time horizon of your investing plan as longer-term investors will want to hang on to your leadership names regardless of bumpiness while shorter-term investors will want to monitor the RSI on a daily chart for any possible sell signal.

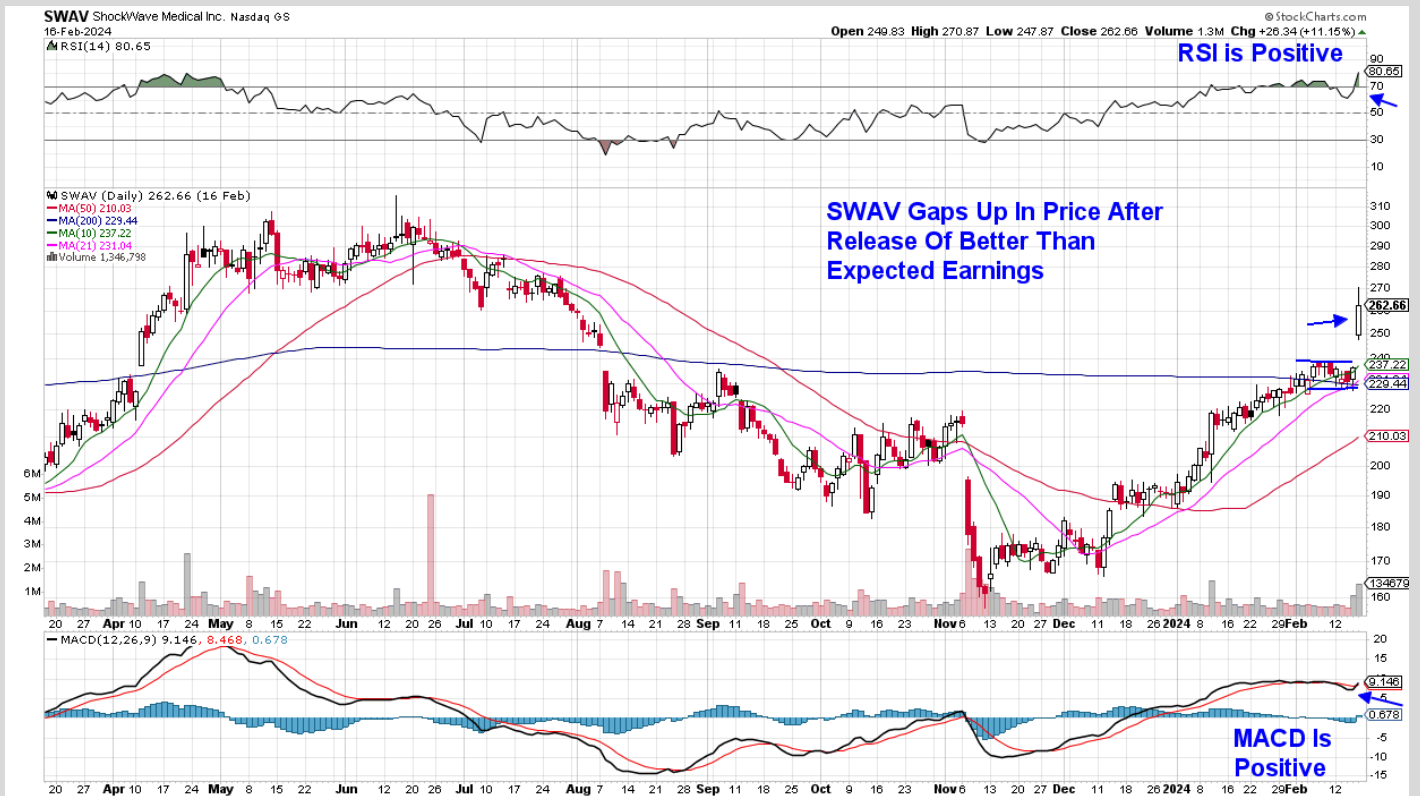
## Charts We're Watching:

Daily Chart of Software ETF vs Yield Of 10-Year Treasury (IGV)



# New Idea Charts:

## Daily Chart of ShockWave Medical Inc. (SWAV)



# MEM Edge Report Suggested Holdings

Stocks With Emerging Leadership Characteristics

<b>\$ = Earnings Due</b>	<b>Buy Zone</b>	<b>Strong Buy</b>	<b>Buy on Pullback</b>	<b>Removed From List</b>
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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	20.5%	Retail - Internet	
DECK	Deckers	\$695.91	1/10/2024	23.0%	Retail Apparel Shoe	
TJX	TJX Corp	\$93.81	1/1/2024	4.5%	Discount Retailer	28-Feb-24
SHAK	Shake Shack	\$73.70	1/28/2024	31.50%	Retail - Restaurant	15-Feb-24
XRT	S&P Retail ETF	\$72.70	2/11/2024	1.00%		

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	13.0%		
ISRG	Intuitive Surgical	\$363.70	1/15/2024	4.0%		
LLY	Eli Lilly	\$618.50	1/3/2024	25.5%		
SWAV	Shockwave Medical	\$262.70	2/19/2024			

TECHNOLOGY						
AMD	Advanced Micro Devices	\$118.50	11/12/2023	39.5%	Semiconductor	
AVGO	Broadcom	\$944.30	12/10/2023	33.5%	Semiconductor	7-Mar-24
CRM	Salesforce	\$260.00	12/3/2023	13.0%	Software	6-Mar-24
CRWD	Crowdstrike	\$176.70	10/8/2023	67.5%	Software	5-Mar-24
INTU	Intuit	\$608.50	12/17/2023	8.0%	Software	22-Feb-24
LRCX	Lam Research	\$865.00	2/11/2024	1.5%	Software	
MSFT	Microsoft	\$327.30	10/8/2023	23.0%	Software	30-Jan-24
NOW	ServiceNow	\$714.30	1/10/2024	7.5%	Software	24-Jan-24
NVDA	Nvidia	\$450.00	11/5/2023	41.0%	Semiconductor	21-Feb-24
SNPS	Synopsis	\$552.00	2/4/2024	0.0%	Software	21-Feb-24

COMMUNICATION SERVICES						
META	Meta Platforms	\$315.40	10/8/2023	50.5%	Internet-Content	
NFLX	Netflix	\$432.30	11/5/2023	38.5%	Internet-Content	

# 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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