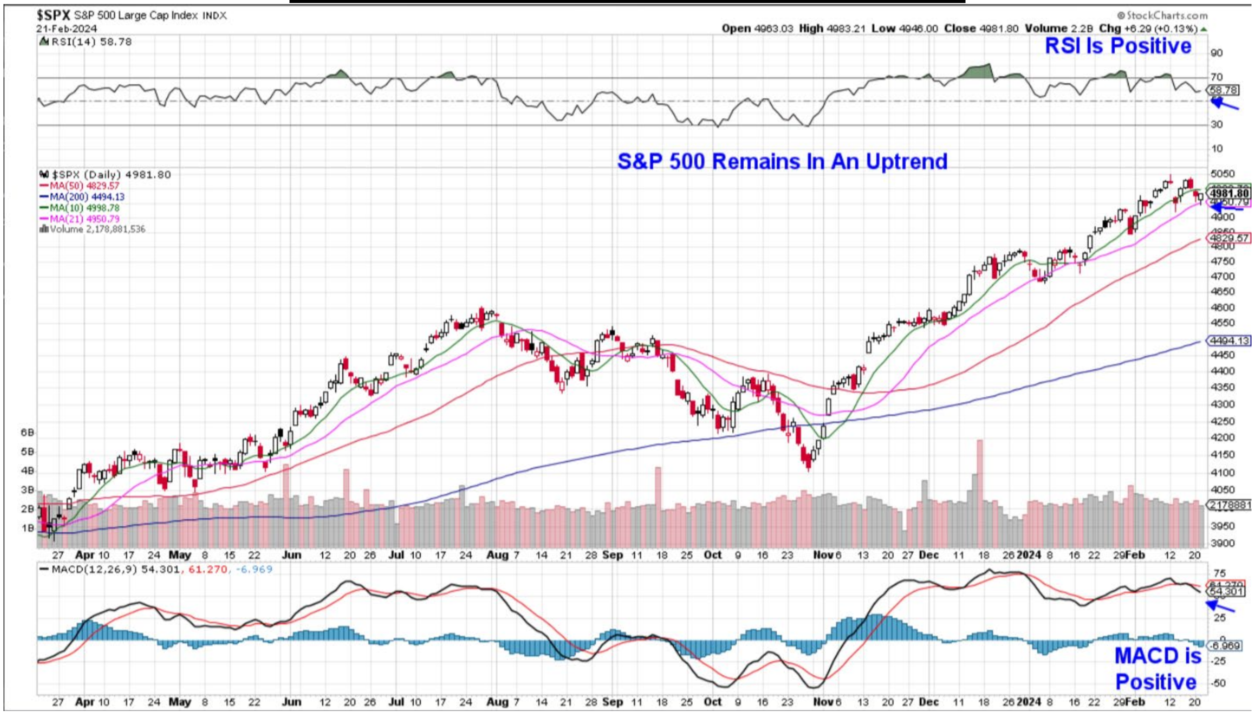
THE MEM EDGE

Midweek Report

Wednesday February 21st, 2024

- Fomc Meeting Notes Cite Risks of Cutting Rates Too Soon
- Interest Rates Continue to Rise
- Volatility Bumps Up To 15 (VIX)
- Software Group Closes Below 50-Day Moving Average (IGV)
- Technology Sector's Near-Term Momentum Turns Negative

DAILY CHART OF S&P 500 INDEX



The S&P 500 has lost 0.5%, so far this week in a move that has this Index pulling back to its 21-day simple moving average. With the RSI and MACD in positive territory, the near-term uptrend in the S&P 500 remains in place.

The equal weighted S&P 500 is flat for the week, in a nod to the impact that losses in The Magnificent Seven names have on pulling the markets a bit lower.

Similar to last week, more defensive areas of the market are the top performing, led by Staples, Utilities and REITs.

The Tech heavy NASDAQ is down 1.2% over the last 2 days and has closed below its 21-day simple moving average. With the RSI and MACD both in positive territory, the near-term uptrend is in place. Leading this index lower was a 7% drop in Nvidia which is due to report their earnings today.

Among industry groups, Software stocks have been the hardest hit this week, with a 4% decline that has puts it below its 50-day simple moving average with a negative RSI. The heavy volume selling points to a group that is under distribution.

Among the software stocks on our list, Crowdstrike (CRWD) has lost the most with an 11.2% decline ahead of the release of their earnings later this month.

The stock was among many Cyber Security software names that fell after peer stock Palo Alto (PANW) slashed their growth guidance due to a strategy shift where the company will be offering significant discounts to clients in an effort to ramp up subscription growth.

The “sympathy” decline in CRWD had no real relevance except for the speculation that Palo Alto’s strategy may take business from peer stocks.

Crowdstrike was able to recover from a break below its 50-day simple moving average and closed the day in the upper reaches of its trading range which is quite constructive. However, today's sharp sell-off did put the RSI below 50 and in negative territory.

Short-term investors will want to sell the stock due to its negative momentum.however, longer-term investors can stay with CRWD as the weekly chart is still positive.

Intuit (INTU) fell 2.7% ahead of the release of their earnings tomorrow after the market’s close. This stock also saw buying on the dip as the stock closed today at the top of its trading range. Should the company come in with positive results and see a bullish response, we'd be a buyer on a close back above its 10-day simple moving average at $651. A posting of a negative RSI in response to poor results would put into it in a near-term sell zone.

ServiceNow (NOW) which saw weakness last week due to selling among AI related stocks, pulled back again this week and while the stock has found support at its 50-day simple moving average, the RSI is now below 50. Shorter term investors will want to sell the stock if we close below the 50-day moving average. The longer-term, weekly chart remains constructive.

Salesforce (CRM) and Synopsis (SNPS) have both fallen less than the Industry Group with their RSI remaining in positive territory and a close above their 50-day simple moving average. We would not be a buyer on this pullback however and instead, would wait for close back above their 10-day simple moving averages.

Microsoft (**MSFT**) has pulled back 0.5% and the stock can be held.

As noted in our Monday report, Software stocks are highly sensitive to arise in interest rates and today we saw the yield on the 10-year Treasury close back above 4.3% which is a negative. Today's seemingly baseless sell-off in peer stocks to PANW, also points to a negative bias near term for Software stocks.

We would not be a buyer of Software stocks until the group at least regains its 50-day simple moving average and the RSI on the daily chart closes above 50 . (using ETF IGV)

Semiconductor stocks have lost 1.9% over the last 2 weeks led by heavyweight Nvidia (NVDA) which fell ahead of the release of their earnings. The group remains in an uptrend however, with a close above it's 21 day moving average and a positive RSI and MACD. (using ETF SOXX).

Nvidia (NVDA) is up over 8% in after hours trading as their revenues have soared due to demand for their AI related chips. Should the stock continue to Rally after the markets open tomorrow, again of just 5% would put NVDA back above its 10-day moving average and in a buy zone.

Advanced Micro (AMD) has fallen 5.5% over the last 2 days in sympathy with NVDA. The selling has been on below average volume however and we're on the lookout for a potential clothes back above its shorter-term moving averages which would put AMD into a buy zone.

Lam Research (LRCX) is in a bullish position after recovering from a brief dip below it's 10 day simple moving average. The stock is in a buy zone. Broadcom (AVGO) also experienced low volume selling and a close back above it's 10-day moving average at $1,255 would put the stock in a buy zone.

Retailers have pulled back 1.2% amid mixed earnings from several retailers. S&P Retail ETF (XRT) remains in an uptrend after closing back above it's 10 days simple moving average and the ETF is in a buy zone.

Shake Shack (SHAK) is holding in remarkably well with a 1.7% pullback following last week's 23.5% advance on strong quarterly results. As suggested in Monday's report, SHAK is consolidating as the 5-day simple moving average moves closer to its current price. This moving average can now act as support, and any pullbacks to this area become a buy point.

Deckers (DECK) and TJX (TJX) are both flat for the week, keeping them both in a buy zone as they are above upward trending short-term moving averages. Amazon (AMZN) is trading mostly sideways this week as well.

Healthcare stocks are outperforming again this week led by select names in the Medical Products space. (using ETF IHI). Boston Scientific (BSX) and Intuitive Surgical (ISRG) are trending mostly sideways and can be held while recently added Shockwave (SWAV) is down 1.5% as it consolidates after last week's gap up on earnings. We're on the lookout for the 5-day simple moving average to move closer to the current price where it can then act as support.

Eli Lilly (LLY) has lost 4.5% over the last 2 days in fairly heavy volume. The stock is due a pullback after the RSI rose above 90 on the daily chart last week. We're on the lookout for further consolidation near term, with a move back above its 10 day simple moving average putting LLY into a buy zone.

Elsewhere on our suggested Holdings list, both Eaton (ETN) and Trex (TREX) are flat for the week amid a lack of any news. up note, TREX is due to report their earnings on Monday after the market's close.

Netflix (NFLX) has pulled back to its 10-day simple moving average which keeps the stock in a buy zone.

This week's continued move into more defensive areas of the market as well as sharp selling among recently strong Technology stocks, points to an uncertain sentiment among investors. With earnings season close to being completed, a lack of strong quarterly reports to boost select stocks as well as the broader markets, may make for tough going over the near term.

At this time, we would keep the opening of new positions at a minimum until we see renewed strength among leadership areas. Historically, the loss of leadership can often spread to other areas of the market.

We will keep you alerted to any shift in sentiment.

Warmly,
Mary Ellen McGonagle