



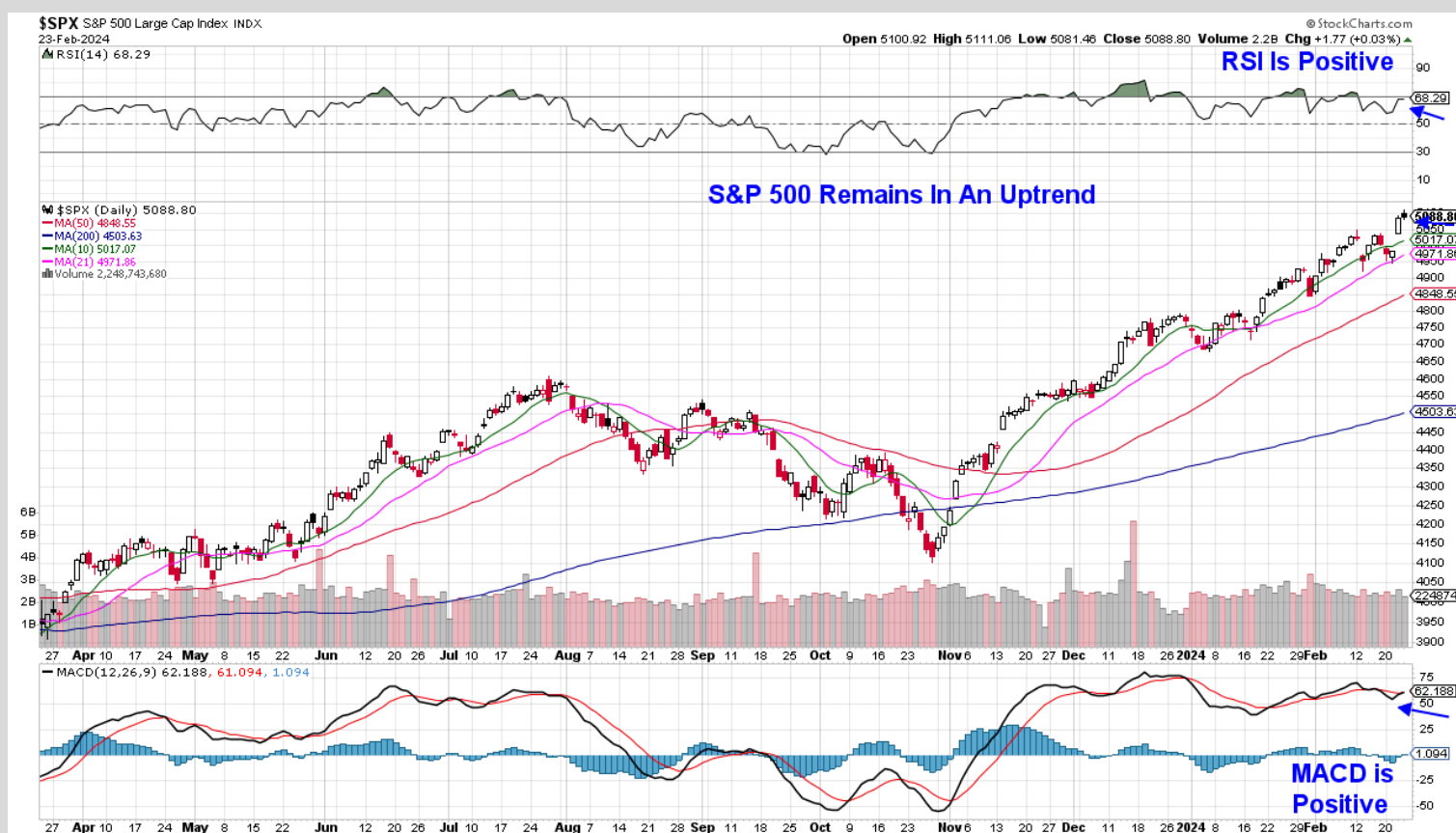
# THE MEM EDGE

February 25, 2024 | Weekly Report

## This Week's Highlights

- FOMC Meeting Notes Cite Risks Of Cutting Rates Too Soon
- Core Personal Consumption Expenditures (PCE) Data Due Next Thursday
- NVDA Reports Strong Earnings And Sales
- Amazon (AMZN) Joins Dow Jones Industrial Average
- Technology Sector Regains Near Term Momentum

### Daily Chart of S&P 500



The S&P 500 gained 1.7% last week in a move that puts this index at a new high in price. With the RSI and MACD in positive territory, the near-term uptrend remains in place.

Last week's gains also pushed the RSI higher, so that it's now at 75.5 on the weekly chart. As noted in prior reports, the RSI can be in an overbought position (above 70) and the S&P 500 can still trend higher however, should it move above 80,

historically we'll see a pullback with a longer duration. We will continue to monitor.

The NASDAQ gained 1.4% during a volatile week that began with a sharp pullback due to uncertainty regarding Nvidia's (**NVDA**) earnings as well as heightened AI competition that pushed select M7 names lower.

However, weakness in these areas was reversed on Thursday - after Nvidia (**NVDA**) posted exceptional earnings and sales which convinced investors that the ability to monetize AI-related products is real.

The news helped the NASDAQ close back above its 10-day simple moving average with its RSI and MACD in positive territory. This keeps the near-term uptrend for this Index in place.

Software stocks came under the most pressure last week which held the Nasdaq back; however, strength in Biotech and Medical Products stocks as well as other areas of growth, helped offset this.

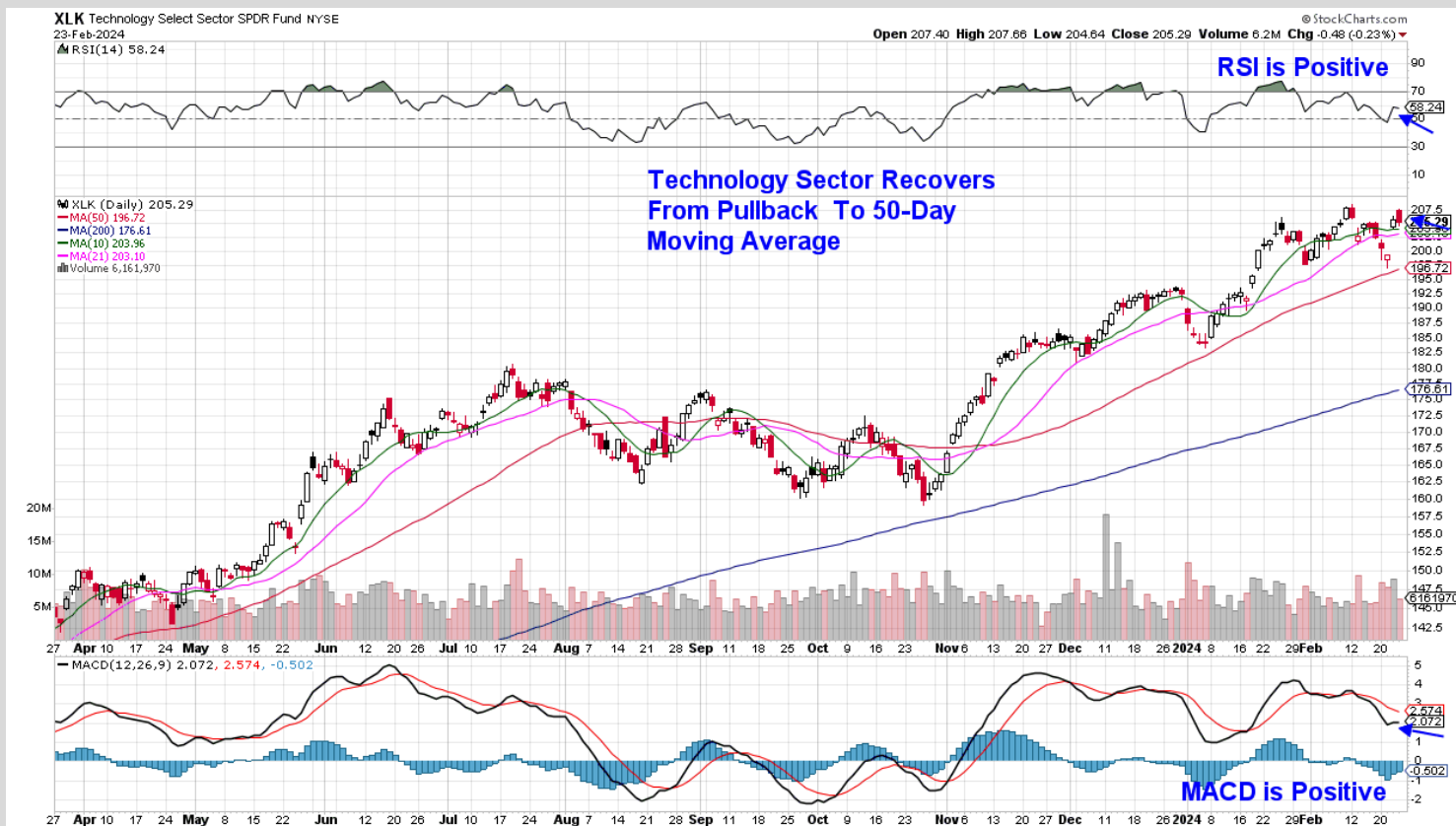
While the economic calendar was quiet, notes from the Federal Reserve's most recent meeting were released on Wednesday and the markets remained calm despite comments that rate hikes would not begin until later in the year.

This lack of a reaction regarding higher rates for longer may be tested next week, as the Fed's preferred gauge of inflation will be released on Thursday. (core PCE) In addition, 8 different Fed officials will be speaking at various events which may spark interest rate volatility.

Higher interest rates are generally a negative backdrop for the broader markets, specifically Growth stocks. This is because these higher rates reduce the value of future earnings. At this time, the yield on the 10-year Treasury is hovering around 4.3%, and historically, yields above 4% are considered elevated. Next week's inflation report could prove to be quite telling relative to the near-term trend for rates.



## Daily Chart of the Technology Sector (XLK)



### Technology Sector Undergoes AI-Fueled Rally

On Wednesday after the markets closed, Nvidia reported that their quarterly sales tripled due to soaring demand for AI-related computing power. Going into the report, Nvidia had fallen 9% amid uncertainty over whether the company could meet lofty expectations due to the stock's high price.

Nvidia certainly came through, with revenue for their data center segment coming in at five times its level from a year ago. The company said that it expects revenue from this segment to keep growing sequentially. This news sparked a jump in other AI-related companies.

**NVDA's** gap up in price to new highs is similar to its late May rally last year which also followed a strong quarterly earnings report. At that time, the stock

pulled back slightly and consolidated before rallying to a new high in price in late June. We're expecting a similar period of consolidation at this time and would look for a pullback to its 10-day simple moving average before adding to any position.

Broadcom (**AVGO**) experienced a Thursday rally following Nvidia's results, and the gains pushed the stock out of a one-month base on above-average volume. As cited in our report two weeks ago, JP Morgan views Broadcom as the second largest supplier of AI-related chips next to Nvidia.

**AVGO** is in a buy zone with a positive MACD crossover (black line up through the red) being even more bullish for the stock's near-term prospects. The company is due to release their earnings early next month.

Advanced Micro (**AMD**) ended the week up 1.5% despite a 10% rally on Thursday that took place on above-average volume. The sloppy price action highlights investors' uncertainty regarding **AMD's** near-term revenue prospects from AI projects.

**AMD** closed the week above each of its shorter-term moving averages with a positive MACD and RSI. A bullish MACD crossover would put **AMD** into a strong buy zone.

Lam Research (**LRCX**) closed the week flat however, it regained its shorter-term 5-day simple moving average to end the week in an uptrend. The Semiconductor Equipment Manufacturer is in a buy zone.

Software company Synopsis (**SNPS**) from our list also jumped following an AI-driven earnings report that was better than estimates. The stock fizzled into the close on Thursday however Friday's light volume pullback in **SNPS** had the stock closing in the upper reaches of its trading range which is bullish price action.

The provider of Semiconductor design software tools stayed above its \$575 base breakout level. **SNPS** is in a buy zone.

Salesforce (**CRM**) closed the week up 1% ahead of the release of their earnings after the market's close on Wednesday. Despite hitting a new high, the stock is not in an overbought position. This puts **CRM** in a position to trade higher should they come in with results ahead of estimates.

Intuit (**INTU**) closed the week flat after rallying

following the release of their quarterly results on Thursday. The stock closed the week above its shorter-term moving averages and is in a bullish position to trade higher.

ServiceNow (**NOW**) entered the week trending lower amid weakness in AI-related stocks however, it was not able to capitalize on the strength in AI later in the week. **NOW** would need to close back above its 10-day simple moving average at \$776 before being in a buy zone with a bullish MACD crossover being even more constructive for the stock.

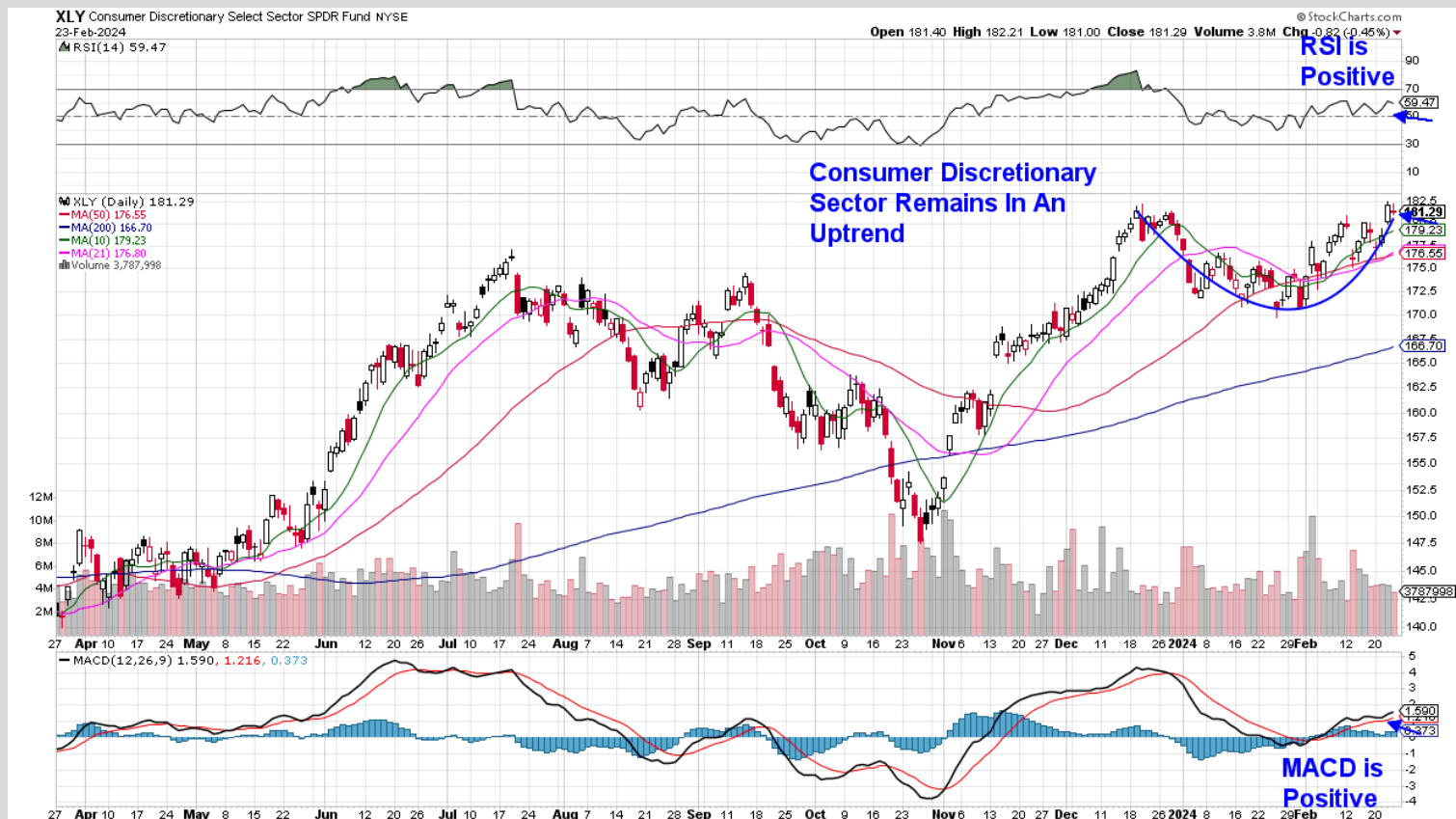
Other Software stocks experienced a tough week with many Cyber Security software names falling after peer stock Palo Alto (**PANW**) slashed their growth guidance due to a strategy shift.

CrowdStrike (**CRWD**) is a competitor, and the stock fell by as much as 15% before recovering and ending the week down 5.4%. While the stock regained its positive RSI, we're on the lookout for a close above its 10-day simple moving average at \$321. This would put **CRWD** into a buy zone.

Microsoft (**MSFT**) regained its uptrend after a Thursday rally pushed the stock back above its 10-day simple moving average. The move puts Microsoft in a buy zone with a positive MACD crossover being even more constructive.

Overall, the Software group is exhibiting weakness with the RSI barely getting into positive territory and the group below its shorter term 10 and 21 days simple moving averages. We would add to new positions in Software lightly here until we see more bullish dynamics. (using ETF IGV).

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



### Consumer Discretionary Sector Poised For Breakout

The Consumer Discretionary sector is very close to a 2-month base breakout led by a 3% gain in Home Construction stocks following strong quarterly results from heavyweight name Toll Brothers (**TOL**). In addition to coming in with earnings ahead of estimates, the company guided growth estimates higher for the remainder of this year.

Since mid-January, Toll Brothers has seen a big increase in demand for their new homes despite interest rates that remain relatively elevated. Wednesday's base breakout on volume in response to the strong results, has us adding the stock back to our Suggested Holdings List as it has entered a new uptrend. **TOL** is in a buy zone.

Retailers also trended higher for the week after Walmart's (**WMT**) stronger-than-expected results on Tuesday boosted other big box stores. The S&P 500 retail ETF (**XRT**) gapped up out of a two-week base on heavy volume Friday. This ETF can be bought on a pullback to its 5-day simple moving average in the \$74 range.

Heavyweight retailer Amazon (**AMZN**) from our list gained 3.2% last week on the heels of news that the company will join the Dow Jones Industrial Average this Monday. Most of the gains for the week followed Nvidia's strong earnings due to Amazon's cloud computing arm which provides generative AI-related services that are seeing increased demand.

**AMZN** is in a buy zone after Friday's 2-week base breakout on above-average volume.

Footwear retailer Deckers (**DECK**) remains in an uptrend amid analyst price target upgrades to as high as \$960 per share. The upgrades are in response to the company having two highly profitable brands that are continuing to see growth with Hoka sneakers now outpacing the Ugg brand. **DECK** is in a buy zone.

TJX Cos. (**TJX**) Is forming the right side of a base on its way to a possible three-week base breakout ahead of the release of their earnings before the markets open on Wednesday.

Shake Shack (**SHAK**) held in remarkably well with a flat finish following last week's 23.5% advance on strong quarterly results. **SHAK** is consolidating as the 5-day simple moving average has moved closer to its current price. This moving average can now act as support.

The stock can be nibbled on at these levels but may need a bit more consolidation. We're using Deckers as precedent as the stock consolidated for some period following its 20% advance on strong earnings, but has generally trended higher.

Retailers are the last major area to report their earnings with major box stores such as Costco (**COST**) and Target (**TGT**) due to release their numbers in early March. Recent IPO and footwear company Birkenstock (**BIRK**) from our Watch List, is due to report this Thursday.



## Daily Chart of the Healthcare Sector (XLV)



### Healthcare Sector Continues To Hit New Highs

Healthcare stocks hit another new high in price with a boost coming last week from Medical Products stocks which outperformed. This would include names from our list such as Intuitive Surgical (**ISRG**) which entered a new uptrend after its 3% rally pushed the stock back above its 10-day simple moving average.

The rally in **ISRG** took place amid a price target upgrade from Wall Street to \$419. The stock is in a buy zone as it approaches a \$392 base breakout which would be even more constructive for its near-term prospects.

Boston Scientific (**BSX**) is continuing to trend higher after its late January base breakout that took place after the company reported strong quarterly results.

The stock can be bought on a pullback to its 5-day simple moving average in the \$66 range.

Lastly, common Shockwave (**SWAV**) continues to consolidate following its gap up in price after reporting strong earnings last week. **SWAV** is in a buy zone as it has pulled back to its 5-day simple moving average which is trending higher.

Eli Lilly (**LLY**) pulled back 1.5% amid general underperformance among Pharmaceutical stocks. This pullback is quite healthy given that the RSI on the daily chart reached 90 at the beginning of this week.

**LLY** is a long-term winner as it continues to announce products for treatments outside of their top-selling weight loss drugs. While the stock is in an

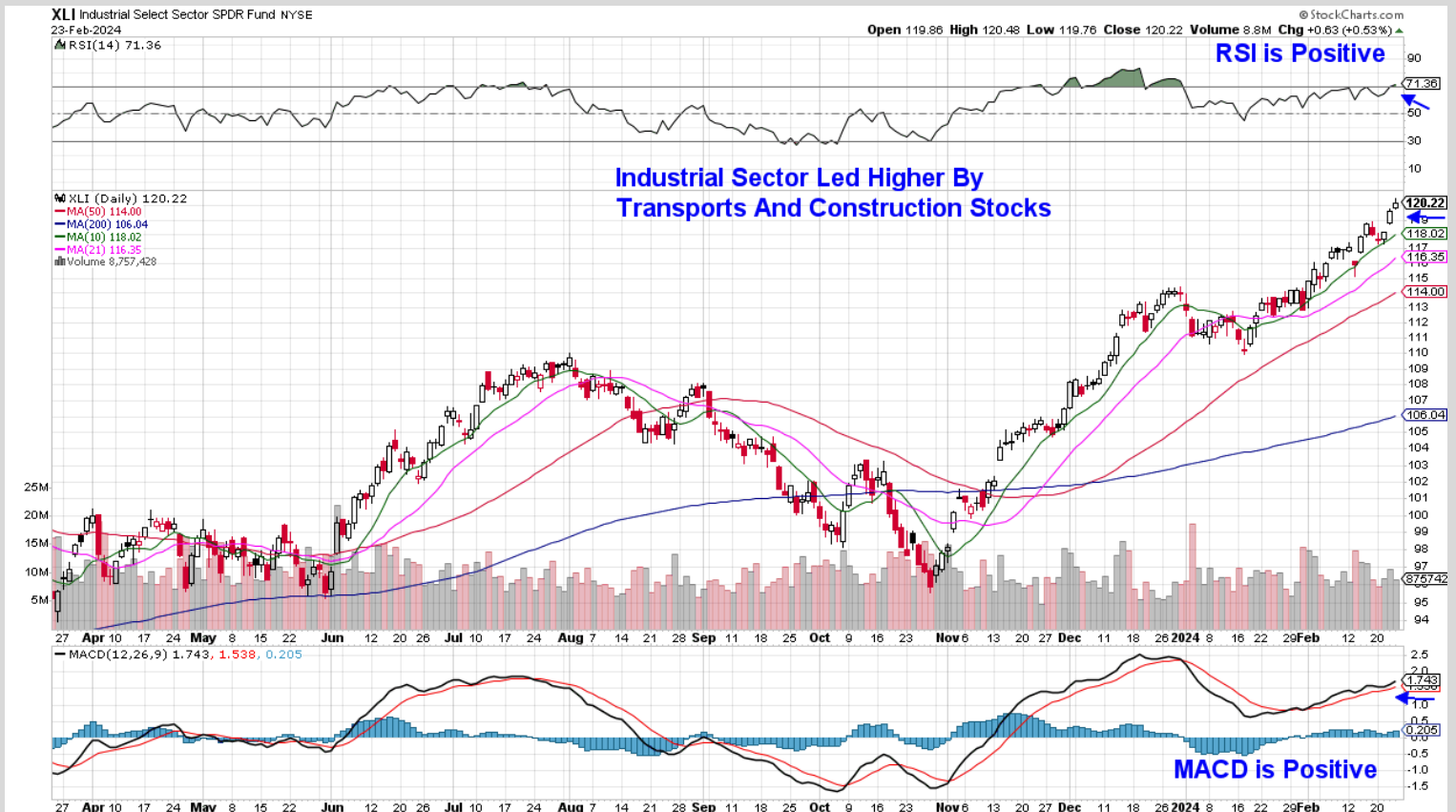
uptrend as it closed the week back above its 5-day simple moving average, we are on the lookout for further consolidation. The stock can be held.

Biotech stocks are on the move higher as the group forms the right side of a base on its way to a \$139 base breakout level. (using ETF IBB). The recent rally is being led by gains in oversold names that are beginning to see an interest from investors.

We're adding **IBB** to our suggested Holdings list as the positive RSI and recent MACD crossover point to further upside near-term. We would not overweight this position however, as last week's rally did not take place on above-average volume.



## Daily Chart of the Industrial Sector (XLI)



### Industrial Sector Sees Broad-Based Rally

Industrial stocks hit another new high led by gains in Transportation and Heavy Construction related names as well as other areas. Continued gains in Transports such as Rail and Trucking stocks that are rallying on strong earnings, points to an economy that's continuing to expand as purchased products need to be delivered.

Heavy Construction stocks on the other hand are seeing earnings due to the current administration's investment in infrastructure projects designed to bolster road, bridge, and waterway conditions in the U.S. The topic is expected to continue to heat up during this election year as it's already been a hot topic.

Eaton (**ETN**) from our list is considered an infrastructure stock due to its production of electricity related equipment. The need for electricity for AI is an important area of growth for **ETN**. As noted in Nvidia's earnings report last week their chips are needed by data centers to crunch large amounts of data however, a large amount of electricity is also needed.

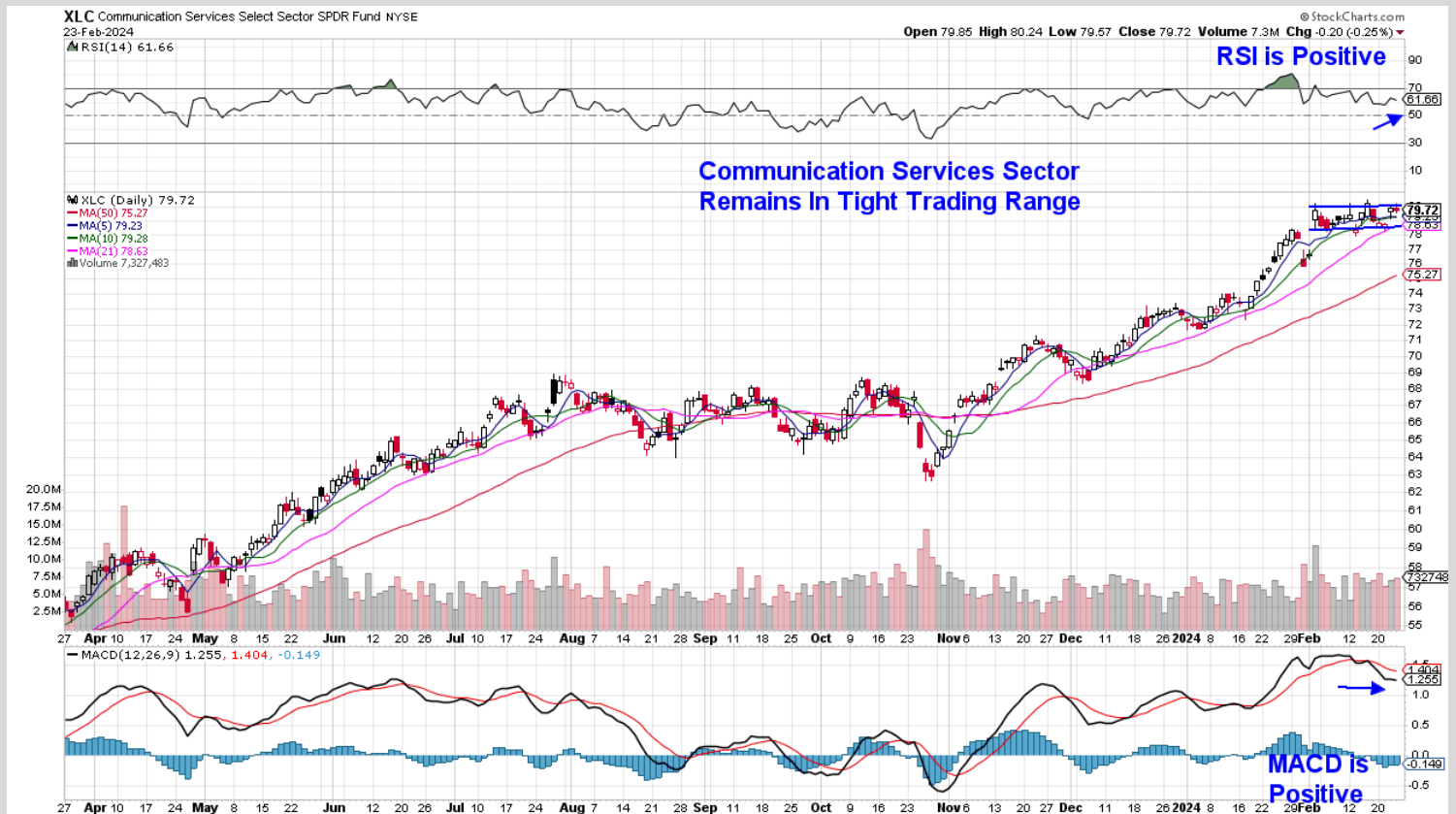
**ETN** gapped up out of a flat base on Thursday on heavy volume in a move that put the stock in an overbought position. We'd be a buyer on a pullback to its 5-day simple moving average at the \$280 range.

Trex (**TREX**) is due to report their earnings tomorrow after the market's close. Generally, home construction-related stocks have fared well after reporting strong earnings and we're on the lookout for a continuation of last week's high tight flag breakout should their earnings be positive.

Among construction-related infrastructure stocks, Sterling (**STRL**) on our Watch List is due to report earnings tomorrow. The company focuses on building data centers and has recently jumped into the housing construction market after acquiring a large plumbing company. We intend to add the stock should they respond favorably to positive earnings.



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



### Communication Services Sector Remains In Tight Trading Range

The Communication Services sector has been trading in a tight trading range this month despite big gains in heavyweight names such as Meta Platforms (**META**). As you may recall, **META** gapped up 20% in response to the company's release of strong quarterly results at the beginning of this month.

Since then, the stock has remained in a tight trading range which is quite constructive. We're using **META's** late April period from last year as precedent as the stock consolidated for almost 4 weeks after a gap up following strong earnings. **META** is in a buy zone.

Netflix (**NFLX**) is also in a consolidation phase after the stock gapped up in response to a report of greatly increased subscribership for their streaming media service. Since then, there's been very little news.

This period of back-and-fill price action will allow Netflix to set up for another leg up. The stock is in a buy zone as it is trading above its shorter-term moving averages with a positive RSI and MACD.

We would not overweight the stock with your new positions at this time however, we do anticipate a general upward trend as the stock continues to digest its large upside price action a month ago.

## Summary

The stock market hit a record high last week and while Nvidia's strong earnings report was a major factor, other considerations were at play heading into last week. This would include strong corporate earnings announcements for the 4th quarter which have largely beat expectations.

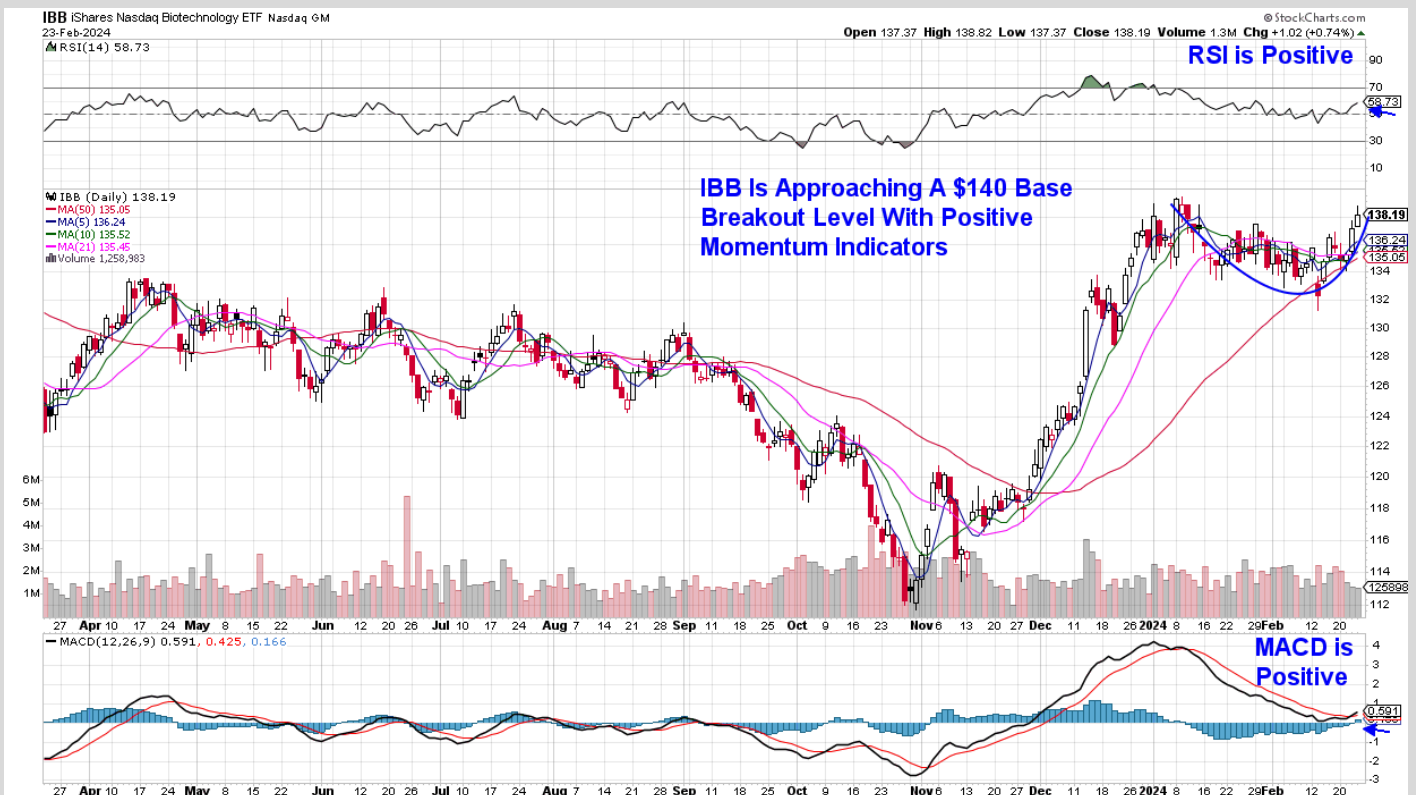
Of the 82% of S&P 500 companies that have reported quarterly results, their average earnings beat was above the 10-year average. This took place amid a backdrop of healthy economic activity with GDP expected to grow at a 2.2% rate this year. Lastly, while inflation has been sticky, key metrics point to a deceleration.

Reduced uncertainty would be among the last key ingredients for the markets to confidently trend higher, and last week's muted response to news that the Fed will wait longer before cutting rates while also cutting rates less this year than previously anticipated, may signal that.

While we're confident that the markets can continue to trend higher, we would not be alarmed if the markets paused or pulled back slightly - particularly after earnings season ends in mid-March. Of course, an RSI above 80 on the weekly chart of the S&P 500 would have us modifying our outlook regarding the possible severity of any pullback.

## New Idea Charts:

Daily Chart iShares Nasdaq Biotechnology ETF (IBB)



## Daily Chart of Toll Brothers, Inc. (TOL)

TOL Toll Brothers, Inc. NYSE

Consumer Discretionary / Home Construction

Open: 110.76	Ask:	Mkt Cap: 11.6B	P/E: 8.60
High: 112.55	Bid:	Annual Dividend: 0.84	EPS: 12.95
Low: 110.17	Last: 111.30	Yield: 0.75%	Last Earnings: 2024-02-20
Prev Close: 109.85	Optionable: yes	SCTR (LrgCap): 94.6	Next Earnings: 2024-05-21

RSI(14) 67.83

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Friday 23-Feb-2024

▲ +1.32%

Chg: +1.45

Last: 111.30

Volume: 1,454,693

RSI Is Positive

TOL Breaks Out Of 2-Month  
Base On Volume On Strong  
Earnings Report

TOL (Daily) 111.30  
MA(50) 101.37  
MA(5) 106.90  
MA(10) 104.79  
MA(20) 102.09  
Volume 1,454,693

MACD(12,26,9) 2.413, 1.449, 0.964

MACD Is Positive

The  
**MEMEdge**  
WEEKLY REPORT

# 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	27.0%	Retail - Internet	
DECK	Deckers	\$695.91	1/10/2024	25.0%	Retail Apparel Shoe	
TOL	Toll Brothers	\$111.30	2/25/2024			
TJX	TJX Corp	\$93.81	1/1/2024	6.0%	Discount Retailer	28-Feb-24
SHAK	Shake Shack	\$73.70	1/28/2024	31.50%	Retail - Restaurant	
XRT	S&P Retail ETF	\$72.70	2/11/2024	2.50%		

INDUSTRIAL						
ETN	Eaton Corp	\$260.00	2/4/2024	6.0%	Diversified Operations	
TREX	Trex Co.	\$86.70	2/4/2024	9.0%	Building/Construction	26-Feb-24

HEALTHCARE						
BSX	Boston Scientific	\$57.60	1/3/2024	15.0%		
IBB	iShares Biotech ETF	\$138.20	2/25/2024			
ISRG	Intuitive Surgical	\$363.70	1/15/2024	7.0%		
LLY	Eli Lilly	\$618.50	1/3/2024	24.0%		
SWAV	Shockwave Medical	\$262.70	2/19/2024			

TECHNOLOGY						
AMD	Advanced Micro Devices	\$118.50	11/12/2023	50.0%	Semiconductor	
AVGO	Broadcom	\$944.30	12/10/2023	38.5%	Semiconductor	7-Mar-24
CRM	Salesforce	\$260.00	12/3/2023	14.0%	Software	6-Mar-24
CRWD	CrowdStrike	\$176.70	10/8/2023	62.0%	Software	5-Mar-24
INTU	Intuit	\$608.50	12/17/2023	8.5%	Software	22-Feb-24
LRCX	Lam Research	\$865.00	2/11/2024	1.5%	Semiconductor	
MSFT	Microsoft	\$327.30	10/8/2023	24.5%	Software	30-Jan-24
NOW	ServiceNow	\$714.30	1/10/2024	8.5%	Software	24-Jan-24
NVDA	Nvidia	\$450.00	11/5/2023	49.5%	Semiconductor	21-Feb-24
SNPS	Synopsis	\$552.00	2/4/2024	4.0%	Software	21-Feb-24

COMMUNICATION SERVICES						
META	Meta Platforms	\$315.40	10/8/2023	53.0%	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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