



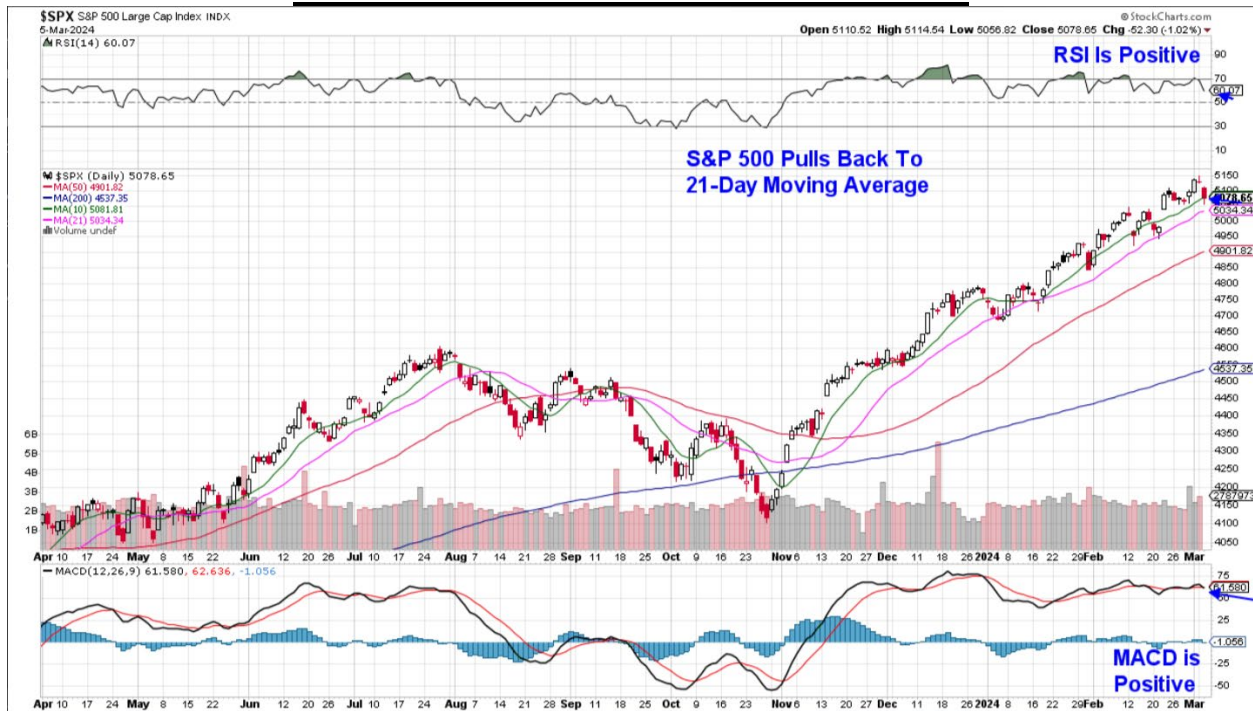
THE MEM EDGE

Midweek Report

Tuesday, March 5, 2024

- Chinese Economic Woes Hit Select Tech Stocks
- Broader U.S. Markets Remain In Uptrend
- Powell's Testimony and Private Sector Employment Data Tomorrow
- Broader Employment and Wage Data Due Friday

DAILY CHART OF S&P 500 INDEX



The S&P 500 is down 1.1% with most of those losses taking place today. The pull back has this index finding support at its 10-day simple moving average and with a positive RSI and MACD, the near-term uptrend in this index remains in place.



THE MEM EDGE

Midweek Report

The Nasdaq has fallen lower amid a sharp sell-off today in heavyweights Tesla (TSLA), Microsoft (MSFT), Apple (AAPL) and Netflix which are each underperforming the markets this week. Software stocks were also among the worst performers.

Today's decline took place amid news that Apple's iPhone sales have fallen by 24% in the first 6 weeks of this year. While Chinese government pressure to reduce usage of U.S. based Apple is part of the reason, serious headwinds for the Chinese economy are another.

In fact, China set their economic growth target for 2024 at 5%. This is far below the double digit growth that the world's second largest economy has been posting for decades.

As noted Software stocks were hit the hardest today and historically, this area suffers when China's economy stumbles or when we are in conflict with the country.

This would include October of 2018 when trade war fears were at play. January and February of 2016 was another period, when economic fears around China's growth pushed these stocks lower. Both times, the software group recovered after a 4-8 week pull back.

Among software stocks on our list, Salesforce (**CRM**) pulled back 5% on above average volume. This company's CRM products have been cited as the most popular in China accounting for 9% of the country's CRM usage. Currently, CRM is finding support at its 10-day simple moving average and can be held.



THE MEM EDGE

Midweek Report

Synopsis (**SNPS**) from our ILst is another China facing company as they've seen revenues from this country grow by an average of 70% annually over the past five years. The stock closed at its 21 day simple moving average with today's selling taking place on below average volume. **SNPS** can be held.

CrowdStrike (**CRWD**) does not sell products to China. Instead, the recent losses in the stock are centered more around weakness in cyber security software stocks. **CRWD** is up 22% after hours after reporting quarterly results above estimates. Should the stock open at this level tomorrow, it will be trading back in an uptrend and at a new high in price.

Duolingo's (**DUOL**) decline this week is less clear although today's pullback is in line with other AI related names that saw losses to primarily to profit taking.

On a positive note, **DUOL** found support at its 50-day simple moving average with Buyers coming in on the dip so that the stock bullishly closed today in the upper range of its trading range. in addition, the RSI and MACD are in positive territory. A clothes back above the 10-day moving average would put **DUOL** back in a buy zone.

While we are highlighting Software stocks that can be held or bought on any rallies, we would need to see the group regain its 50-day simple moving average and have the RSI move back above 50. (using ETF IGV).



THE MEM EDGE

Midweek Report

We anticipate any outsized gains in CrowdStrike to potentially push other software stocks higher. If this is not the case, We suggest that shorter term investors should lighten up on names should their RSI turn negative.

Today's Alert Report has been centered around Software stocks primarily due to sharp losses in select names such as those on our list and also, because the overall group is now in a negative position. (using ETF IGV).

Tomorrow's Midweek Report will expand further, as we'll review the continued strength in Nvidia (**NVDA**) and Advanced Micro (**AMD**) which is quite bullish for those stocks.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report