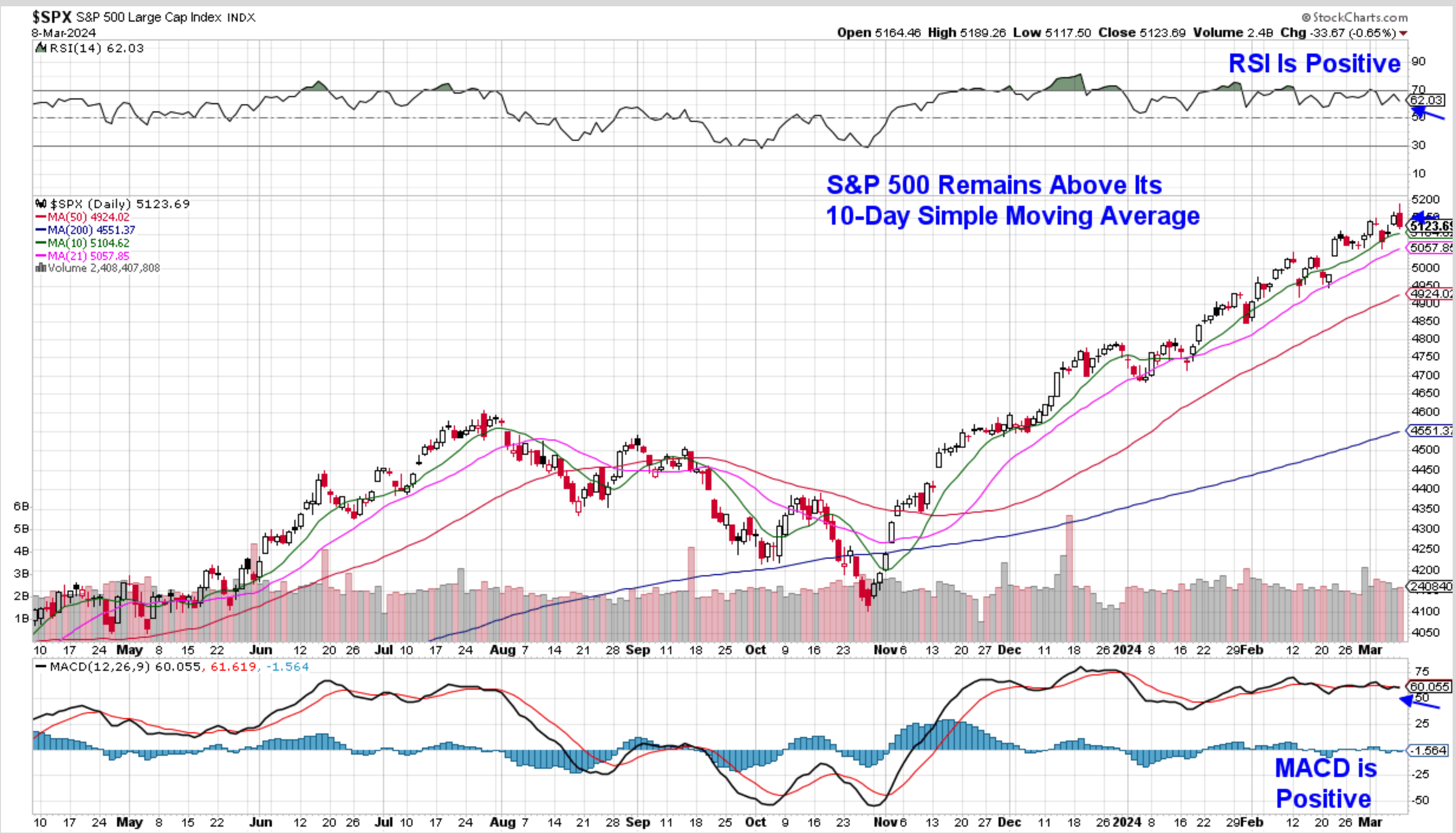
THE MEM EDGE

March 10, 2024 | Weekly Report

This Week's Highlights

- Chinese Economic Woes Hit Select Stocks
- Broader U.S. Markets Remain In Uptrend
- Powell's Testimony Is In Line With Earlier Comments
- More Than Expected New Jobs Created While Unemployment Levels Increase / Wages Remain Flat
- Core CPI and PPI Data As Well As Retail Sales Due Next Week

Daily Chart of S&P 500



The S&P 500 was down 0.2% last week in a move that keeps this index above its 10-day simple moving average. With the RSI and MACD in positive territory, the near-term uptrend in this Index remains in place.

While the RSI on the weekly chart of the S&P 500 closed lower to the 75.5 level, it remains elevated. We're keeping a close eye on this metric as historically, an RSI above 80 on the weekly chart has preceded a pullback of a longer duration when coupled with a negative MACD crossover occurring as well. We will continue to monitor this.

The equal-weighted S&P 500 gained 1.1% for the week due to outperformance in most sectors except for Growth areas such as Technology, Communication Services, and Consumer Discretionary which pulled back more than the markets.

The NASDAQ lost 1.2% for the week, led lower by Tesla's 13.5% loss as well as Apple's 5% decline. In fact, among the Magnificent Seven names, only Nvidia (**NVDA**) and Meta Platforms (**META**) outperformed. Continued weakness in Software stocks also hurt the Nasdaq.

Overall, Growth stocks took a back seat last week, as the largest gainers were from beaten-down areas of the market such as Utilities (**XLU**), Staples (**XLP**), and Bank (**KRE**) stocks. REIT stocks also outperformed.

Within the markets, the continued underperformance of Software stocks is concerning. As you can see in the comparative chart below, Software was the leading industry group from early December into the beginning of February.

The loss of a leadership group can spread to other areas. The caveat at this time however is that Semiconductor stocks were also a top group during this period and the strength in this area currently remains in place.

Should Semiconductor stocks pull back into a near-term downtrend, we'll evaluate this lost leadership concept further.

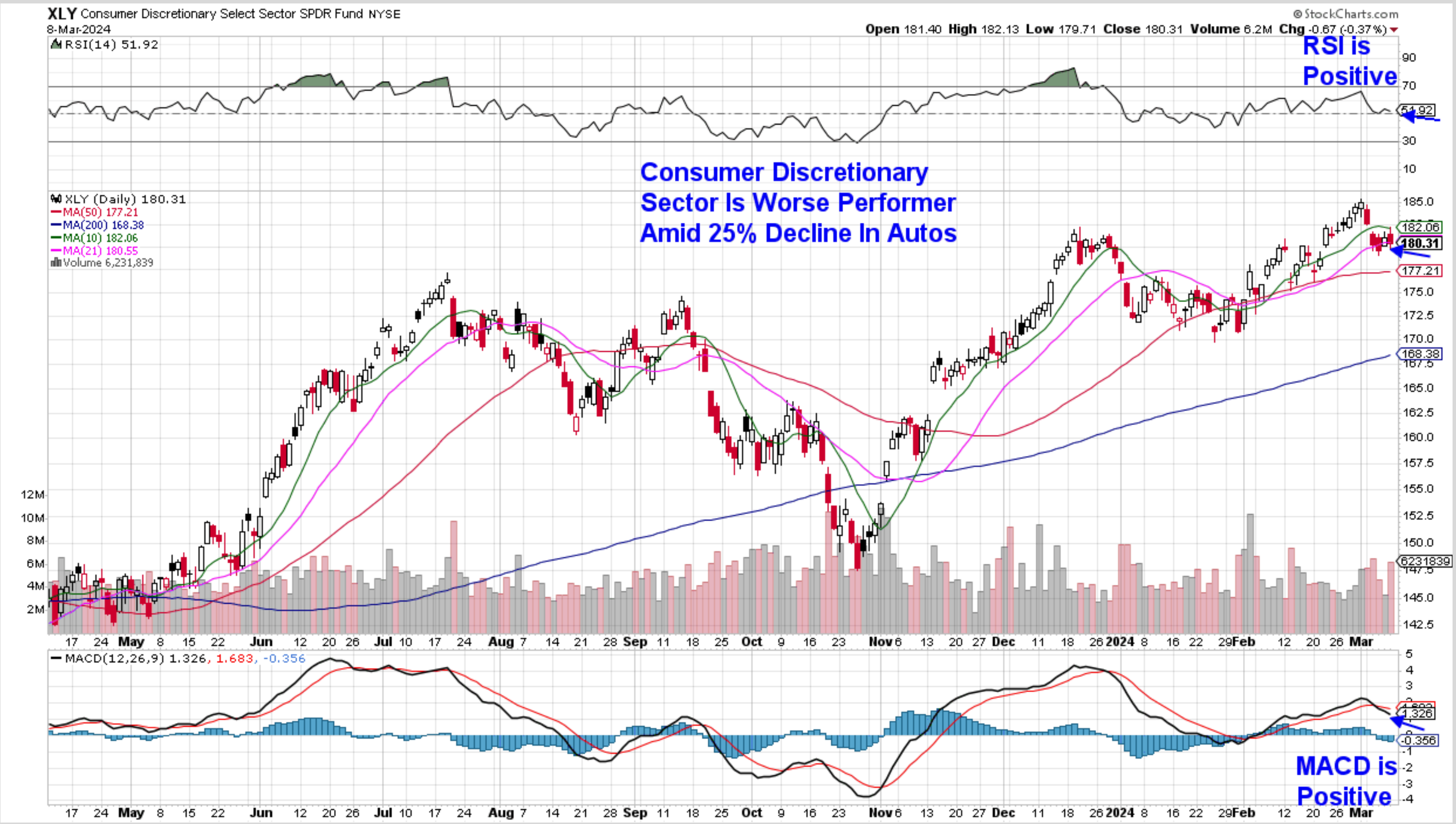
Last week, the markets were focused on Fed chair Powell's comments during his testimony in front of Congress. Investors remain on the lookout for any hints relating to when the Fed may begin to cut interest rates; however, his comments were in line with recent remarks that stated more evidence that inflation is declining is needed before rates can be cut.

Employment data that was released on Friday also lacked any guidance as the mixed report showed that the jobs market is mostly unchanged. Interest rates continued to trend lower throughout the week however, with the yield on the 10-year now standing at 4.1%. This was good news for select areas such as Home Builders which gained 0.5% last week.

Next week, core Consumer Price Index (CPI) and Producer Price Index (PPI) data will be released and again, the focus will be on whether this inflation data is pointing to a deceleration. Any uptick in inflation may push out the possibility of a rate cut into the fourth quarter which would be a negative for the markets.

For now, the uptrend in the broader markets remains in place however, we would be careful about adding to positions - particularly in areas of growth that have experienced recent exuberance such as AI-related names.

Daily Chart of the Consumer Discretionary Sector (XLY)



[Consumer Discretionary Sector Is Worse Performer]

The Consumer Discretionary sector was led lower by a 13.5% decline in Tesla (**TSLA**) as well as other EV companies on the heels of weak sales data from China.

Other large China-facing consumer stocks also fell last week such as Nike (**NKE**) which continues to try and lower ahead of the release of their earnings later this month. As cited in our Tuesday alert report, China has set their economic growth target for 2024 at 5%, which is far below the growth numbers they have been posting.

Heavyweight stock Amazon (**AMZN**) also underperformed with a pullback on very light volume. Unlike other retailers, however, **AMZN** has several considerable sources of revenue such as their cloud computing division and advertising sales which have been growing of late.

AMZN remains in an uptrend after closing the week above its 10-day simple moving average with its RSI and MACD in positive territory. The stock is in a buy zone.

A continued decline in interest rates last week provided a slight boost to Home Builders which remain in an uptrend amid positive data regarding housing starts.

Toll Brothers (**TOL**) from our list was a top performer with a 3.2% gain that keeps this stock in a confirmed uptrend. The stock entered a new uptrend in late February after posting strong quarterly results and guiding growth higher for this year.

TOL is a buy on any pullback to its 5-day simple moving average and the stock can be bought in the $118 range. Next week, peer homebuilder Lennar (**LEN**) is due to report their earnings and their results may impact Toll Brothers.

Footwear company Deckers Outdoor (**DECK**) posted a base breakout on Monday from which it pulled back as the week progressed. The stock closed the week at its 10-day simple moving average however, the near-term momentum appears flat. A close back above its $904 base breakout level would put **DECK** in a strong uptrend.

Peer Footwear company Crocs (**CROX**) ended the week on a bullish note with a two-day rally that had the stock closing back above its 10-day simple moving average.

CROX is in a buy zone amid analyst upgrades to earnings for both this year and next. The stock is currently trading at a P/E of 10 times its trailing four quarters earnings which makes it cheap relative to the average of all stocks in the S&P 500 which is 23 times.

Shake Shack (**SHAK**) had a bit of a volatile week as it digested the prior week's 9.5% gain. The stock regained its 10-day simple moving average which puts **SHAK** back into a buy zone.

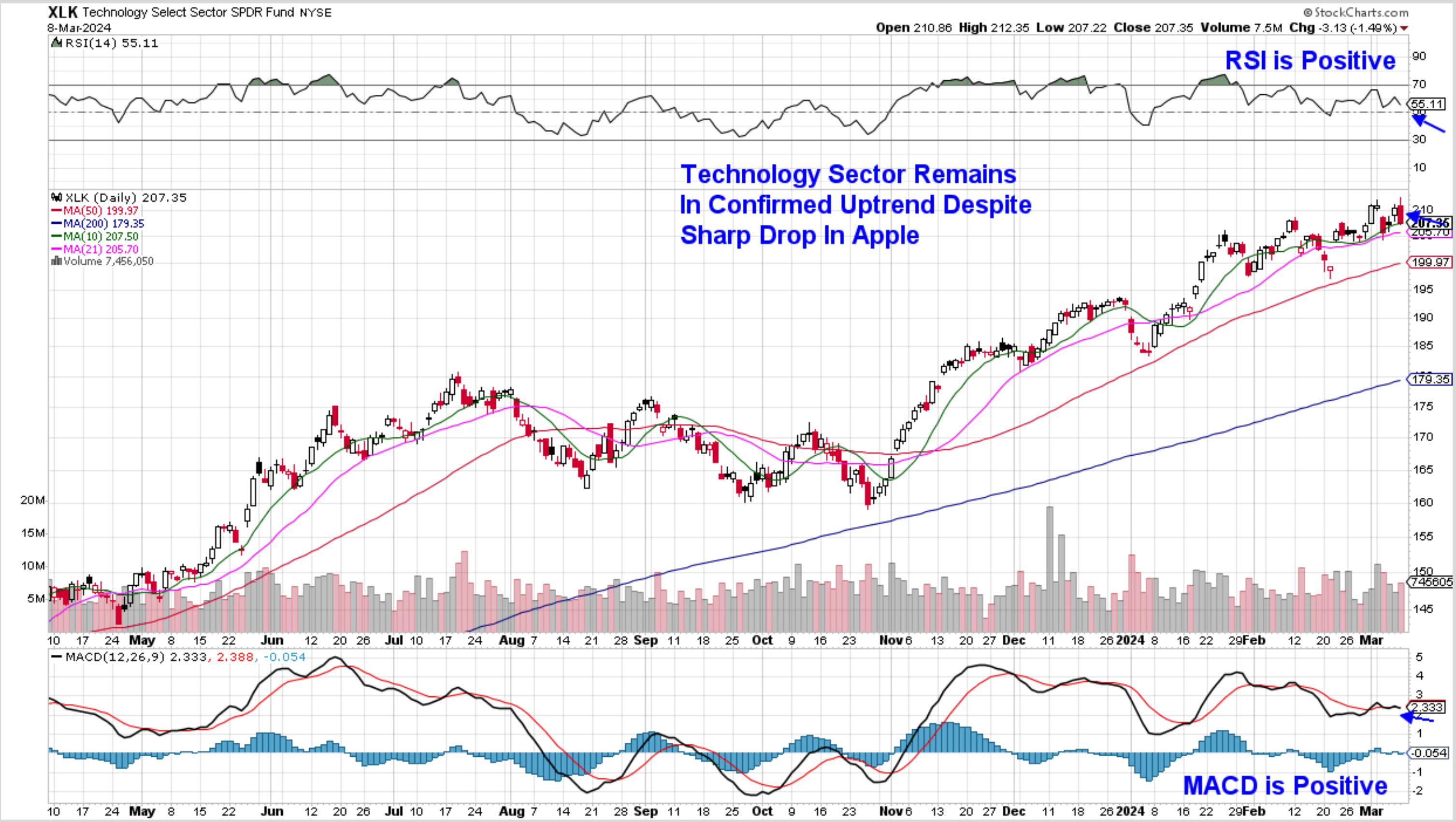
While earnings season for the 4th quarter is winding down, retail companies which are the last to report results, have been releasing mixed numbers of late. The S&P retail ETF (**XRT**) fell almost 2% after a sharp drop in heavyweight names such as Abercrombie and Fitch (**ANF**) and Nordstrom (**JWN**) more than offset gains elsewhere.

As cited in our mid-week report, a close back above its 10-day moving average would put **XRT** back into a buy zone, however, further weakness in the group would have us using January of this year as precedence. At this time, **XRT** can be held.

Among the more bullish retail earnings reports was Target (**TGT**) which gapped up over 12% in response to earnings that were ahead of estimates. The stock is being added to our Suggested Holdings list as the monthly chart is particularly compelling and points to further upside longer-term (as seen below).

TGT can be bought in the $167 range at its 5-day simple moving average. We are using the late November into December period as precedence.

Daily Chart of the Technology Sector (XLK)



[Technology Sector Pulls Back From New High]()

The Tech sector was flat for the week before a Friday pullback had the group ending the week down 1.6%. Friday's decline was led by a 4% drop in Semiconductor stocks following the release of a disappointing growth outlook from Broadcom (**AVGO**).

AVGO's management did cite growth in their AI-related chip division however, it was not enough to stem the heavy selling on above-average volume. Broadcom did find support at its 21-day simple moving average and closed the week with its RSI and MACD in positive territory.

The stock has a recent history of dipping below its 21-day simple moving average and quickly recovering. However a negative MACD such as early September on the daily chart, pointed to a more prolonged near-term downtrend as the RSI was a negative territory as well. During each of these pullbacks, the Semiconductor group was also trending lower as well.

We would not be a buyer on this dip and instead will keep a close eye on its price action as further selling would put the stock below its 21-day simple moving average with the next area of possible support being its 50-day moving average which is 7.5% away.

While Nvidia (**NVDA**) ended the week up 6.5%, on Friday the stock hit a new high before dropping 11%. The sharp reversal had the stock posting a bearish engulfing candle on heavy volume.

While this candle can point to further downside, **NVDA** remains in an uptrend with its first area of possible support at its 10-day simple moving average which is 4.5% away.

While not as high percentage-wise, Nvidia's recent sharp gains are reminiscent of Qualcomm's (**QCOM**) advance from November 1999 into February of 2000. As you may recall, **QCOM** was a big winner during the advance in internet-related stocks at that time. The stock peaked in price in early January of 2000 with a negative MACD crossover occurring a few days later.

The real signal that the near-term uptrend had ended was a negative RSI coupled with a break below its 50-day simple moving average in late January. The broader market was exhibiting weakness as well, with the S&P 500 closing below its 50-day moving average in mid-January.

At this time, the initial signal that a pullback may be shaping up for **NVDA** with a negative MACD crossover is currently not in a position to occur.

Advanced Micro (**AMD**) also posted a Friday reversal day on heavy volume after the stock had hit a new high. **AMD** remains above its 10-day simple moving average which is 5.5% away and remains in an uptrend until we see a negative MACD crossover. (black line down through the red on the daily chart)

Lam Research (**LRCX**) was poised to end the week with a gain before pulling back with the group on Friday. The stock found support at its 10-day simple moving average and the stock can be held.

While Friday's pullback in Semiconductor stocks pushed the group down over 4%, this industry group remains the largest percent gainer year to date. Semis are up 36% so far this year which is more than double the nearest Industry Group (which is Specialty Retailers, **ETF XRT**, that have sprung to life over the last month)

Next week's price action among the stocks in this group will of course provide more clues as to whether we are heading toward a near-term pullback in recently strong Semis.

As noted, software stocks continue to struggle with a 2.3% decline last week that keeps this group in a near-term negative position as it closed below its shorter-term moving averages while closing the week with a negative RSI. (using ETF IGV)

Among software stocks on our list, Salesforce (**CRM**) was down the most with a 3.5% decline. The stock was hit hard on Tuesday in line with other Software companies that derive revenue from China.

As mentioned in our Tuesday alert report, China had just posted their economic growth outlook for this year at a 5% level which is down substantially from prior years.

Salesforce'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.

Synopsis (**SNPS**) is another China-facing company as they have seen revenues from this country grow by an average of 70% annually over the past five years. The stock closed the week at its 21-day simple moving average and the stock can be held.

Crowdstrike (**CRWD**) ended the week up 2.6% after reporting earnings and sales above estimates on Wednesday after the market closed. The stock ended the week above its shorter-term simple moving averages with a positive RSI and MACD which puts the stock back into a near-term uptrend. However, until we see the Software group turn positive again, we would not initiate any new positions.

Recently added CommVault Systems (**CVLT**) is in a buy zone as it remains in a strong uptrend with positive momentum indicators. The stock is finding support at its upward-trending 5-day simple moving average. Again a resumption of the uptrend in Software stocks would support a move higher for **CVLT**.

While Duolingo (**DUOL**) ended the week above its upward-trending 10-day simple moving average, last week's fall from its recent high following the release of strong earnings has put the stock below our 6%-8% maximum loss range.

DUOL has a positive RSI and MACD on the daily chart and may well recover from last week's pullback however, we're removing the stock from our Suggested Holdings list.

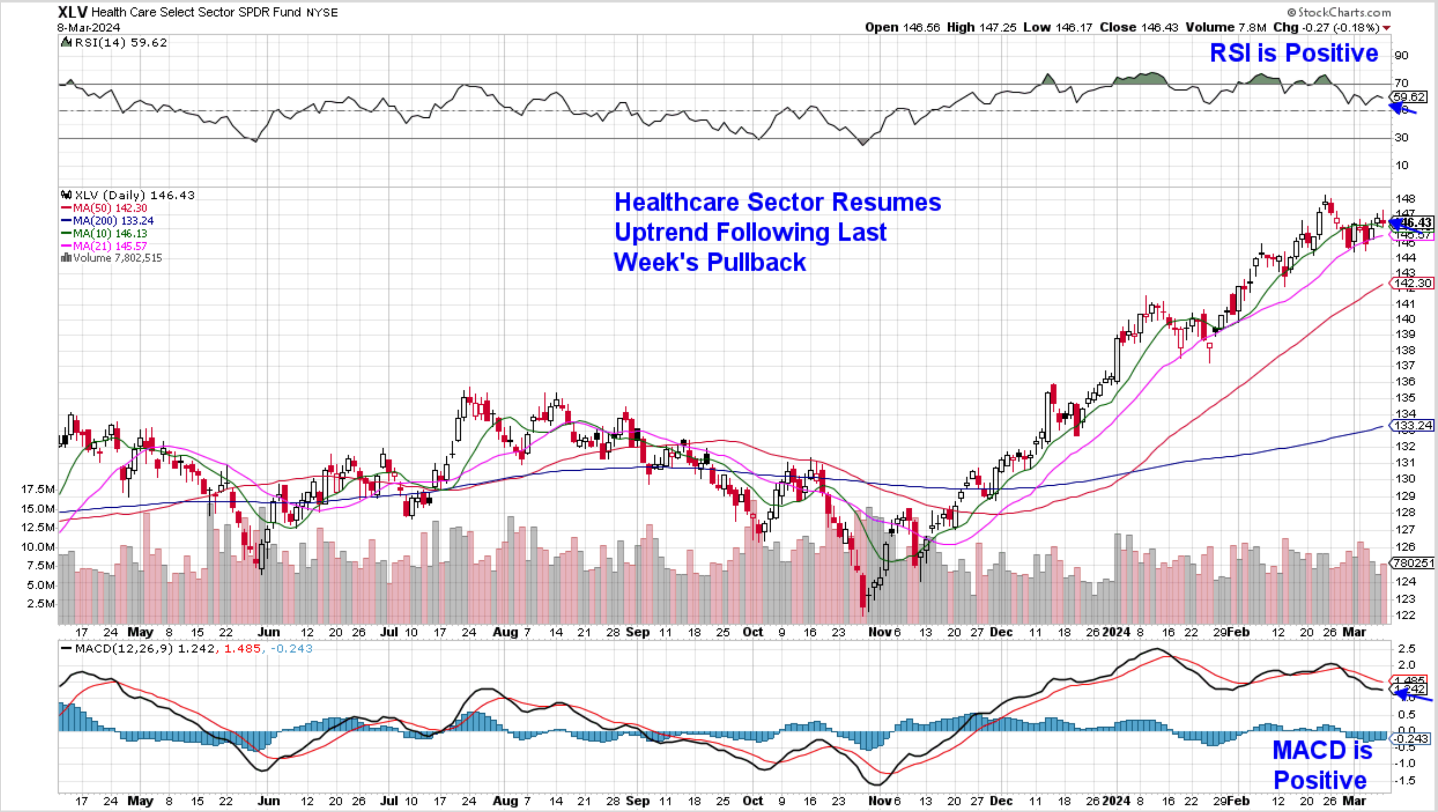
Microsoft (**MSFT**) pulled back in line with the Software group last week. The stock continues to trade sideways after it hit a new high in price in early February shortly after reporting strong quarterly results.

On the weekly chart, you'll see that the November to December period of consolidation in **MSFT**, similar to now, set the stock up for a leg up in January. However, we're close to a possible negative MACD crossover on the weekly chart which historically is not constructive.

We will continue to monitor the stock and for now, **MSFT** can be held.

Tomorrow, well-known software company Oracle (**ORCL**) will be reporting their quarterly results. Their growth outlook - particularly relating to AI - will be closely watched.

Daily Chart of the Healthcare Sector (XLV)



[Healthcare Sector Ends The Week Flat](#)

The Healthcare sector was mixed last week as losses in Biotech were offset by gains in select Medical Products stocks. Stocks in the sector can be driven by news related to either FDA approvals or potential merger activity among big Pharma and Biotech companies.

Last week, Eli Lilly (**LLY**) pulled back on news Friday that the FDA was delaying their decision on whether to approve their Alzheimer's drug which pushed the stock lower for the week. Investors were expecting an approval decision this quarter.

Despite the pullback, **LLY** found support at its 21-day simple moving average with a positive RSI and MACD which keeps the stocking in your turn uptrend. A close above its 10-day simple moving average at $772 would put the stock in a buy zone.

Boston Scientific (**BSX**) continues to trend higher as it finds support above its 5-day simple moving average. The stock has been quietly outperforming the broader markets this month following news of FDA approval of a drug-coated medical device for heart complications. **BSX** is in a buy zone.

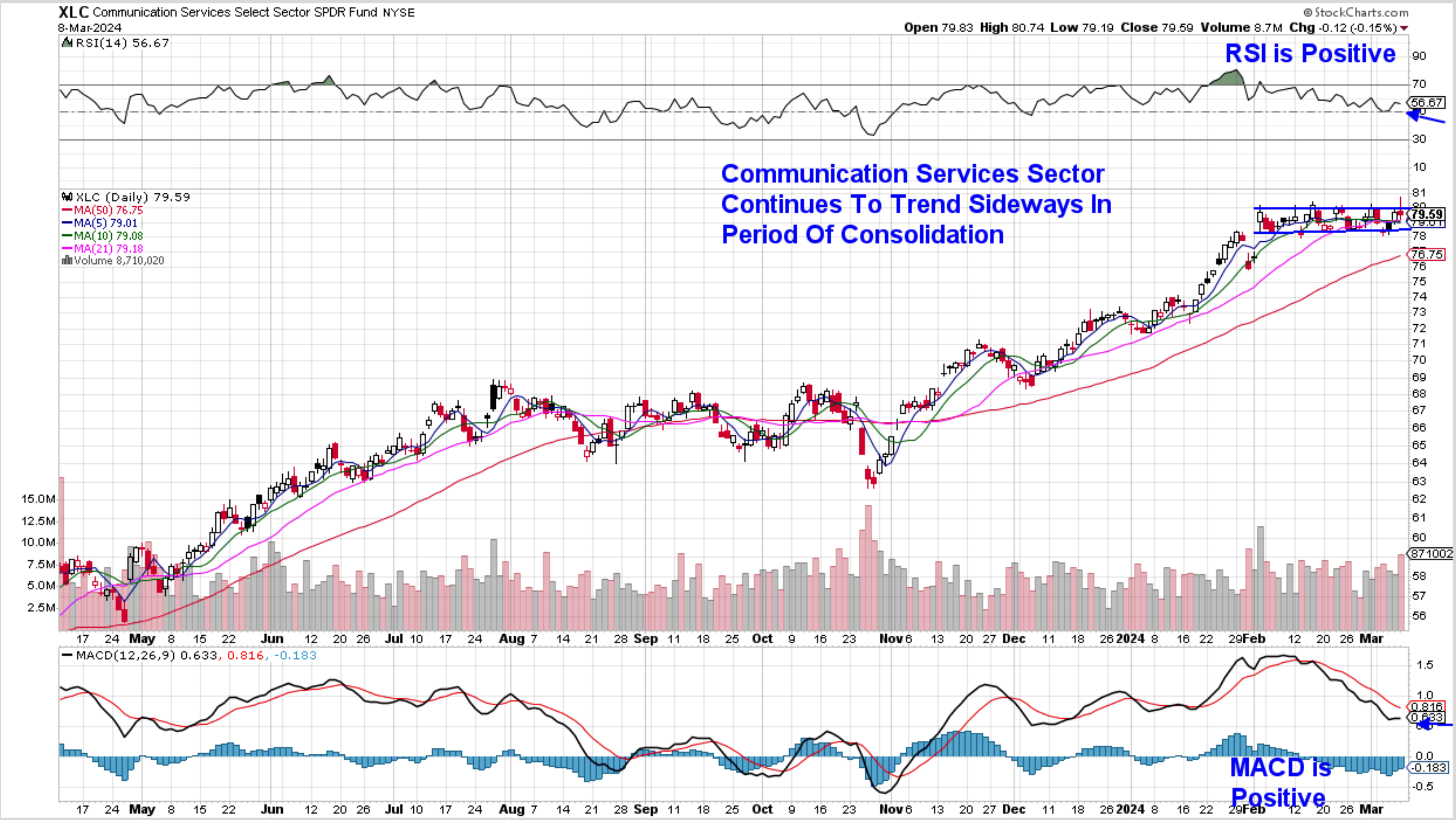
Biotech stocks struggled a bit last week as **ETF IBB** was unable to close back above its 10-day simple moving average. The RSI and MACD remain in positive territory and a close above the $139 level would put this ETF into a buy zone.

Intuitive Surgical (**ISRG**) pulled back 1.5% last week with most of the decline occurring on Tuesday amid news of weakness in China's economy. **ISRG’s** da Vinci robotic surgical system is China's second-largest procedure market, and concerns of a slowdown in demand there will impact the stock.

ISRG managed to close the week back above its 5-day simple moving average with a positive RSI and MACD, this puts the stock in a buy zone, a bullish MACD crossover would give us more conviction.

Shockwave Medical (**SWAV**) fell 4.5% last week despite a lack of news. The stock has been unable to capitalize on Its strong quarterly results which were released three weeks ago. Given its relative weakness and lack of follow-through on its gap up in response to earnings, we are removing **SWAV** from our Suggested Holdings list.

Daily Chart of the Communication Services Sector (XLC)



[Communication Services Sector Remains In Trading Range]()

The Communication Services sector has been trading in a very tight trading range for almost 6 weeks now. As you may recall, heavyweight names Alphabet (**GOOGL**), Meta Platforms (**META**), and Netflix (**NFLX**) each reported earnings in late January into early February.

The results established clear-cut leaders in this group with both Meta and Netflix from our List gapping up in price in response to strong earnings while Alphabet has struggled.

Both Netflix (**NFLX**) and Meta (**META**) remain in a confirmed uptrend and in buy zones as they find support above their shorter-term 10-day simple moving average with a positive RSI and MACD.

Last Wednesday, the head of Facebook presented details on how the company plans to use AI models across their ecosystem to help generate already strong ad sales revenue.

Netflix's continued uptrend after the release of their earnings is also related to advertising sales revenue. The company's crackdown on password sharing not only increased subscribership, it also boosted sales of the company’s cheaper ad-supported plan. The new plan helped increase net income in the 4th quarter and is continuing to push growth higher.

Summary

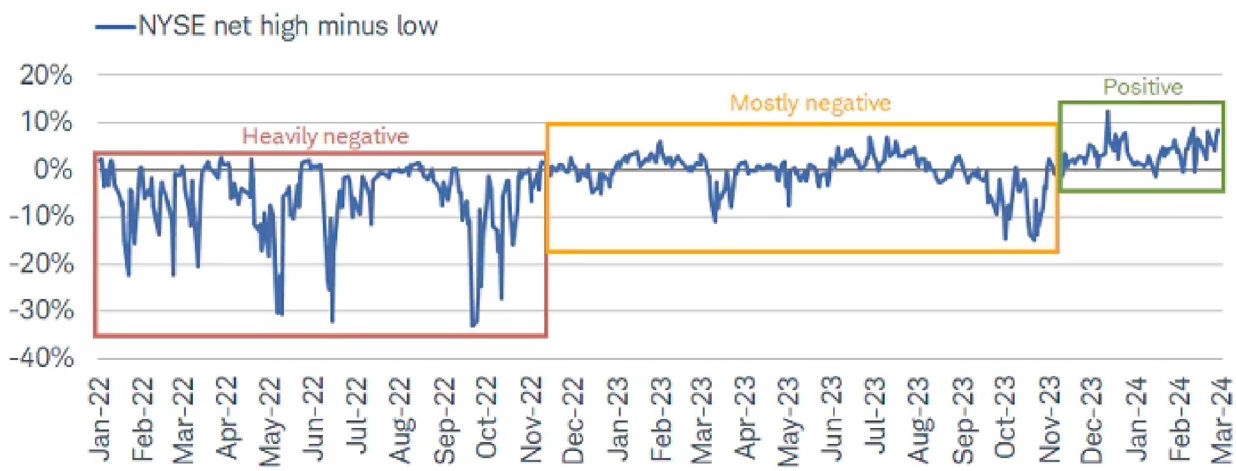
Friday's sharp reversal in Nvidia (**NVDA**) had the company losing its largest market capitalization in history during one day of trading. The stock was clearly overbought and due a pullback after posting a 76% gain over the past 10 weeks. Other year-to-date winners also took a haircut such as Wingstop (**WING**) and Modine (**MOD**) which had both been up over 45% year-to-date before pulling back on Friday.

The removal of frothiness in overbought stocks is nothing new and is needed at times to bring stocks back closer to parody with the markets.

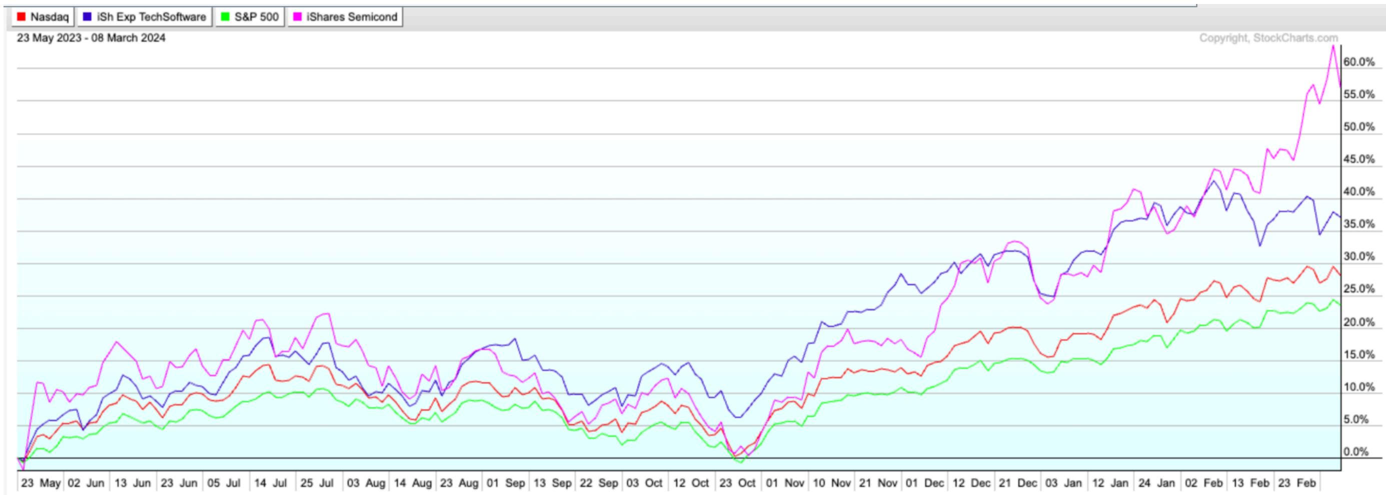
The good news is, we are seeing stocks in newer areas begin to emerge and hit new 1 year highs, such as Bank of America (**BAC**) and Citigroup (**C**) which are leading other larger Banks into confirmed uptrends.

Small-cap stocks are also continuing to outperform over the last several weeks amid better-than-expected earnings reports. The result is that so far in 2024, we are seeing more new highs than new lows. This is in contrast to 2023 and certainly 2022.

While we will continue to monitor the markets for continued breadth, there are threats such as China's weakening economy which may put a dent in some larger cap, global-facing companies. In other words, cross-currents are present which means that close scrutiny will be required over the near term including next week’s inflation data. We will continue to alert you to any shifts we see in the markets.

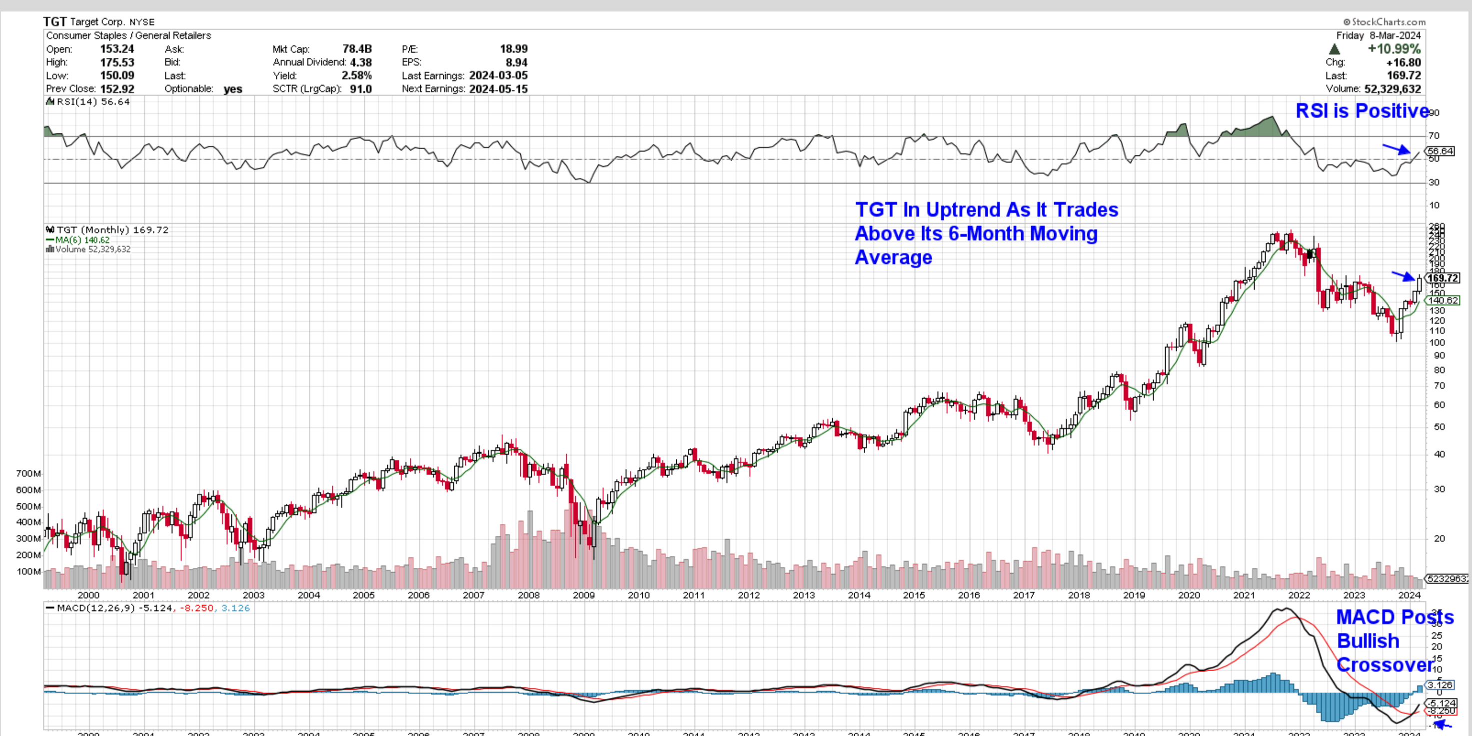


Software (blue) and Semiconductor (pink) Groups vs Nasdaq and S&P 500 May '23 - Mar '24



New Idea Charts:

Daily Chart of Target, Corp. (TGT)



MEM Edge Report Suggested Holdings

Stocks With Emerging Leadership Characteristics

$ = Earnings Due	Buy Zone	Strong Buy	Buy on Pullback	Removed From List

SYMB	COMPANY	PRICE	DATE ADDED	PERFORMANCE	INDUSTRY GROUP
CONSUMER DISCRETIONARY					
AMZN	Amazon	$138.60	11/5/2023	27.5%	Retail - Internet
CROX	Crocs, Inc	$124.80	3/3/2024	0.0%	
DECK	Deckers	$695.91	1/10/2024	28.5%	Retail Apparel Shoe
TOL	Toll Brothers	$111.30	2/25/2024	8.5%	
SHAK	Shake Shack	$73.70	1/28/2024	38.50%	Retail - Restaurant
TGT	Target Corp	$167.00	3/10/2024		
XRT	S&P Retail ETF	$72.70	2/11/2024	4.00%	
INDUSTRIAL					
ETN	Eaton Corp	$260.00	2/4/2024	10.5%	Diversified Operations
TREX	Trex Co.	$86.70	2/4/2024	10.0%	Building/Construction
HEALTHCARE					
BSX	Boston Scientific	$57.60	1/3/2024	16.0%	
IBB	iShares Biotech ETF	$138.20	2/25/2024	0.0%	
ISRG	Intuitive Surgical	$363.70	1/15/2024	7.5%	
LLY	Eli Lilly	$618.50	1/3/2024	24.0%	
SWAV	Shockwave Medical	$262.70	2/19/2024	-3.5%	
TECHNOLOGY					
AMD	Advanced Micro Devices	$118.50	11/12/2023	67.5%	Semiconductor
AVGO	Broadcom	$944.30	12/10/2023	40.0%	Semiconductor
CRM	Salesforce	$260.00	12/3/2023	18.5%	Software
CRWD	Crowdstrike	$176.70	10/8/2023	65.5%	Software
CVLT	CommVault	$97.60	3/3/2024	1.0%	
DUOL	Duolingo	$236.50	3/3/2024	-10.0%	
LRCX	Lam Research	$865.00	2/11/2024	5.0%	Semiconductor
MSFT	Microsoft	$327.30	10/8/2023	24.0%	Software
NVDA	Nvidia	$450.00	11/5/2023	76.0%	Semiconductor
SNPS	Synopsis	$552.00	2/4/2024	3.5%	Software
COMMUNICATION SERVICES					
META	Meta Platforms	$315.40	10/8/2023	58.0%	Internet-Content
NFLX	Netflix	$432.30	11/5/2023	42.0%	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.