



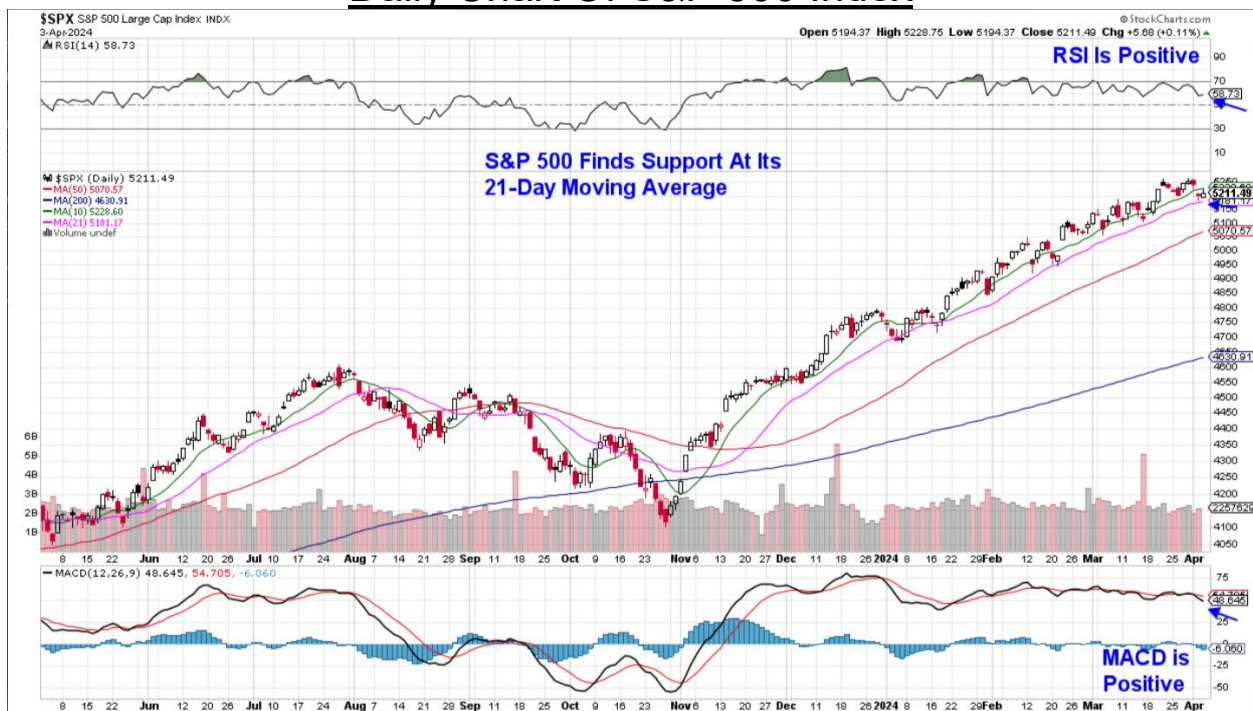
THE MEM EDGE

Midweek Report

Wednesday, April 3, 2024

- Manufacturing Gauge Turns Positive - 1st Time In 17 Months
- Factory Orders Rise & Private Sector Hiring Strongest In 8 Months
- 10 Fed Officials Due To Speak Over Next 2 Days
- Key Employment Data For March Due Friday

Daily Chart Of S&P 500 Index



The S&P 500 has pulled back 0.8% which puts this index 0.6% above its 21-day simple moving average. With the RSI and MACD in positive territory, the near-term uptrend in this index remains in place.



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The NASDAQ has pulled back less, with a 0.6% loss that keeps this Index above its 21-day simple moving average as well. This index has been given a boost by outperformance in most of the Magnificent Seven names and with the RSI and MACD in positive territory, the uptrend in the Nasdaq remains in place.

Weak price action elsewhere in the markets has been due to strong economic data and an increase in the price of oil, which has investors concerned that inflation could remain elevated and delay an interest rate cut. In turn, interest rates have risen by 4% with the yield on the 10-year treasury now at 4.3%.

Most negatively impacted has been dividend paying stocks such as REITs, Staples and Healthcare which are generally more attractive as an alternative to bonds when interest rates are falling. .

Growth areas of the market are also seeing weakness, as higher interest rates reduce the value of future earnings in these faster growing companies.

This would include Software stocks which are down 1.1% for the week in a move that's pushed the MACD into negative territory on the daily chart. (using ETF IGV).

Among software stocks on our list, Microsoft (MSFT), CrowdStrike (CRWD) and CommVault Systems (CVLT) each remain above key moving averages and in an uptrend. These stocks can be held.



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Semiconductor stocks are flat for the week With Broadcom (AVGO), being among the top performing Large Cap Semis with a 3% rally. The gain has put the stock into an uptrend and in a buy zone.

Lam Research (LRCX) is also in an uptrend after closing above its shorter-term moving averages which puts the stock into an uptrend and buy zone as well. That said we would add to positions lightly in either of these stocks given the current conditions.

Nvidia has pulled back 1.5% as it continues to digest its large year-to-date move. As mentioned in our report on Sunday, we are in a much-needed period of consolidation that will ultimately allow the stock to experience another leg up. At this time, the stock can be held.

Consumer Discretionary stocks are struggling this week led by a sharp decline in Retail stocks. Analyst downgrades has been a major impact this week, as has management's negative outlook comments at the JP Morgan Retail Conference which is currently taking place.

The Retail ETF (XRT) has pulled back sharply this week which has put the RSI into negative territory on the daily chart. Shorter term investors will want to lighten up on their positions while longer term investors can stay with this ETF as the weekly chart remains constructive.



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Among the retail stocks on our list, both Shake Shack (SHAK) and Crocs (CROX) can be held as their RSI is in positive territory on the daily chart. We would look for a move back above their 10-day simple moving average before adding to any position.

Target (TGT) has held in remarkably well amid selling elsewhere in this group. The stock is in a buy zone as it closed above its 5-day simple moving average; however, we would add lightly to any position given the weakness elsewhere in this group.

Deckers (DECK) has closed below its shorter term moving average; however, this week's pullback has occurred on below average volume and the stock can be held.

Home builders have pulled back amid the rise in interest rates with recently added Century Communities (CCS) pulling back further than the markets. The stock has found support above its 21 and 50-day moving averages; however, we are on the lookout for the stock to continue to recover.

Nimble investors can use the one-hour chart for CCS, and when the RSI and MACD turn positive, the stock can be bought.

Toll Brothers (TOL) remains in a confirmed uptrend and a close back above its 10-day simple moving average would put the stock in a buy zone.

The Industrial sector is outperforming despite a sharp drop in Airline stocks which are being negatively impacted by an increase in the price of oil. JETS From our list remains in an uptrend and a close above its 10-day simple moving average at \$20.50 would put this ETF into a buy Zone.



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FTAI Aviation (FTAI) from our list has gained over 4% for the week with today's rally taking place on above average volume. The supplier of aircraft components is benefiting from a Wall Street upgrade to peer stock General Dynamics (GD) which is in the same space.

FTAI is extended and can be bought on any pullback to the \$68 range at its 5-day simple moving average.

Eaton Corp (ETN) broke out of a two-week base today amid a Wall Street upgrade. The stock remains in a confirmed uptrend and can be bought in the \$317 range.

Recently added Lincoln Electric (LECO) is struggling as the provider of systems for construction is pulling back with other stocks in this area due to the decline in Home Construction stocks. LECO can be bought on a clothes back above its 10 day simple moving average at \$253.

Bank stocks have lost their uptrend with the ETF now below its 50-day simple moving average with a negative RSI on the daily chart. (using ETF KRE).

While both Comerica (CMA) and East-West Bancorp (EWBC) remain in an uptrend, we would not be a buyer given the negative conditions of the group. Both stocks can be held however.

Meta Platforms (META) regained its uptrend with a close above each of its shorter term moving averages. This puts the stock in a buy zone and a MACD crossover on the daily chart would put META into a strong buy zone.



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Netflix (NFLX) also regained its uptrend with a close above its shorter term moving averages which puts the stock into an uptrend.

Healthcare stocks are pulling back this week led by underperformance in both Biotech and Medical Products stocks. (using IBB and IHI respectively).

Not all areas are pulling back, with Eli Lilly (LLY) in a buy zone after closing today back above its 10 day simple moving average. Pharmaceutical stock Merck (MRK) is also outperforming its peers and a close back above its 5-day simple moving average at \$131 would put the stock into a buy zone.

With investors increased scrutiny of strong economic data and higher oil prices impacting inflation and hence interest rates, Friday's March employment data may take on more importance. We will of course review any impact in our weekly report on Sunday.

Warmly,
Mary Ellen McGonagle