



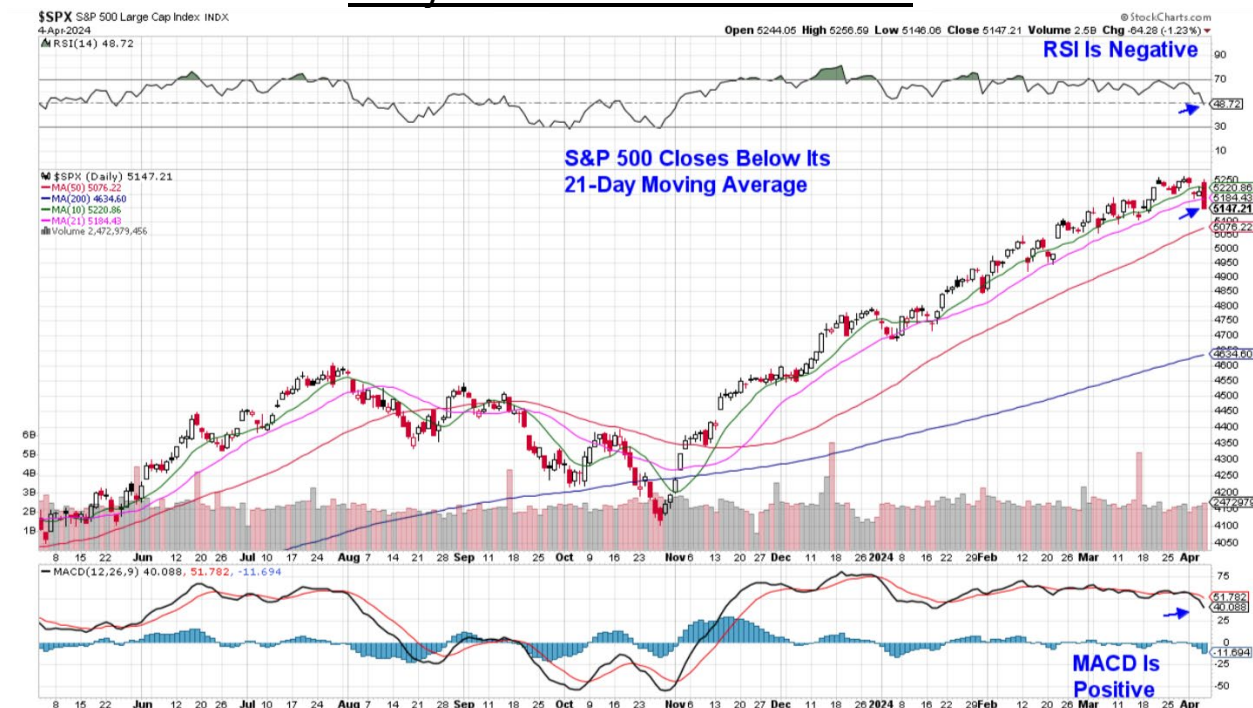
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Midweek Report

Thursday Alert Report, April 4, 2024

- S&P 500 and Nasdaq Close Below 21-Day Moving Average
- March Jobs Data Due Before Market's Open Tomorrow
- Technology and Healthcare Sectors Close Below 50-Day Moving Average
- Removing Salesforce (CRM) and Advanced Micro (AMD) From Suggested Holdings List

Daily Chart Of S&P 500 Index



The S&P 500 has closed below its 21-day moving average in a move that's pushed the RSI into negative territory on the daily chart. Should we experience further downside, the next area of possible support is the 50-day simple moving average at 5076 which is 1.4% away.



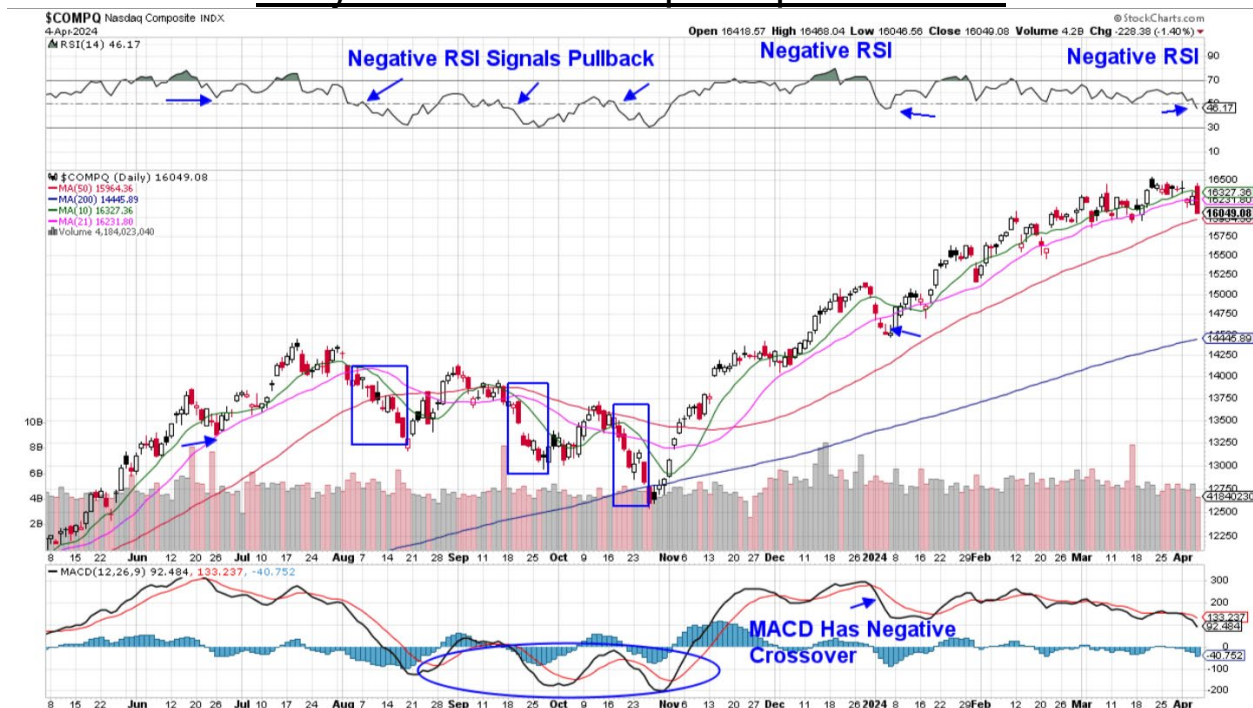
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The NASDAQ also closed below its 21-day moving average, with a pullback that has put this index within 0.5% of a close below its 50 day simple moving average. The RSI is now in negative territory on the daily chart.

As highlighted in the daily chart of the NASDAQ below, a close below the 50-day simple moving average coupled with a negative RSI has historically led to a near-term pullback. Last year, the October pullback was the biggest decline in the 8% range. At this time, we have not yet closed below the 50-day moving average.

Daily Chart of Nasdaq Composite Index



Of note today was a 3.5% decline in Nvidia (NVDA) which has been holding in well on days when the broader markets have seen downside pressure. The decline has pushed the RSI into negative territory on the daily chart.



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Given NVDA's widespread ownership, we may see further near-term weakness as weaker investors look to lock in profits should tomorrow's employment data come in stronger than expected.

At this time, the next area of near-term support for NVIDIA is its March 19th low of \$850. A close below this level would have the 50-day simple moving average at \$793.

Each of the names on our Suggested Holdings List remain above their key 50-day simple moving average and can be held. The exception is Salesforce (**CRM**) which we are removing from our List after today's close below its 50 day simple moving average after selling that took place on above average volume.

We're also removing Advanced Micro Systems (**AMD**) from our list as the stock has decisively moved lower below its key 50-day simple moving average.

Other stocks such as Deckers (DECK) are being closely watched as the Retail Group (using XRT) overall continues to come under selling pressure.

Today's sharp reversal day is very similar to December 20th of last year, which was the last time we saw the markets decline more than 1.5% in the last 2 hours of trading. The concerns at that time were similar, in that investors had run the markets higher in anticipation of rate cuts with Fed official's comments dampening those hopes.



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The markets are in a very different position today however, as we've had many stocks experience large gains amid AI hype as other stocks that have rallied amid continued signals that the economy remains resilient. Runups in these stocks are going to be more susceptible to continued weakness should the markets fall further tomorrow.

Today, the Technology sector (XLK) has closed below its 50-day simple moving average and similar to the chart of the NASDAQ above, this price action has preceded further weakness. Shorter term investors will want to lighten up on positions in this sector while longer term investors can use the weekly chart as a guide.

The Healthcare sector (XLV) also turned negative with a close below its 50 day simple moving average amid continued weakness in Medical Products (IHI) and Biotech (IBB) stocks. Both industry groups are now in a downtrend.

At this time, we're on the lookout for further weakness in the broader markets and in particular, Technology stocks. We will elaborate further on the conditions of the markets as well as stocks on our List, in our report on Sunday.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report