



THE MEM EDGE

April 14, 2024 | Weekly Report

This Week's Highlights

- CPI Comes In Higher Than Expected
- FOMC Notes Show Fed Needs More Confidence Inflation Is Moving Toward 2% Target Rate
- Producer Price Index Data Does Not Show Inflation Pressures
- Geopolitical Strife And Bets Of No Rate Cuts Hurt Stocks

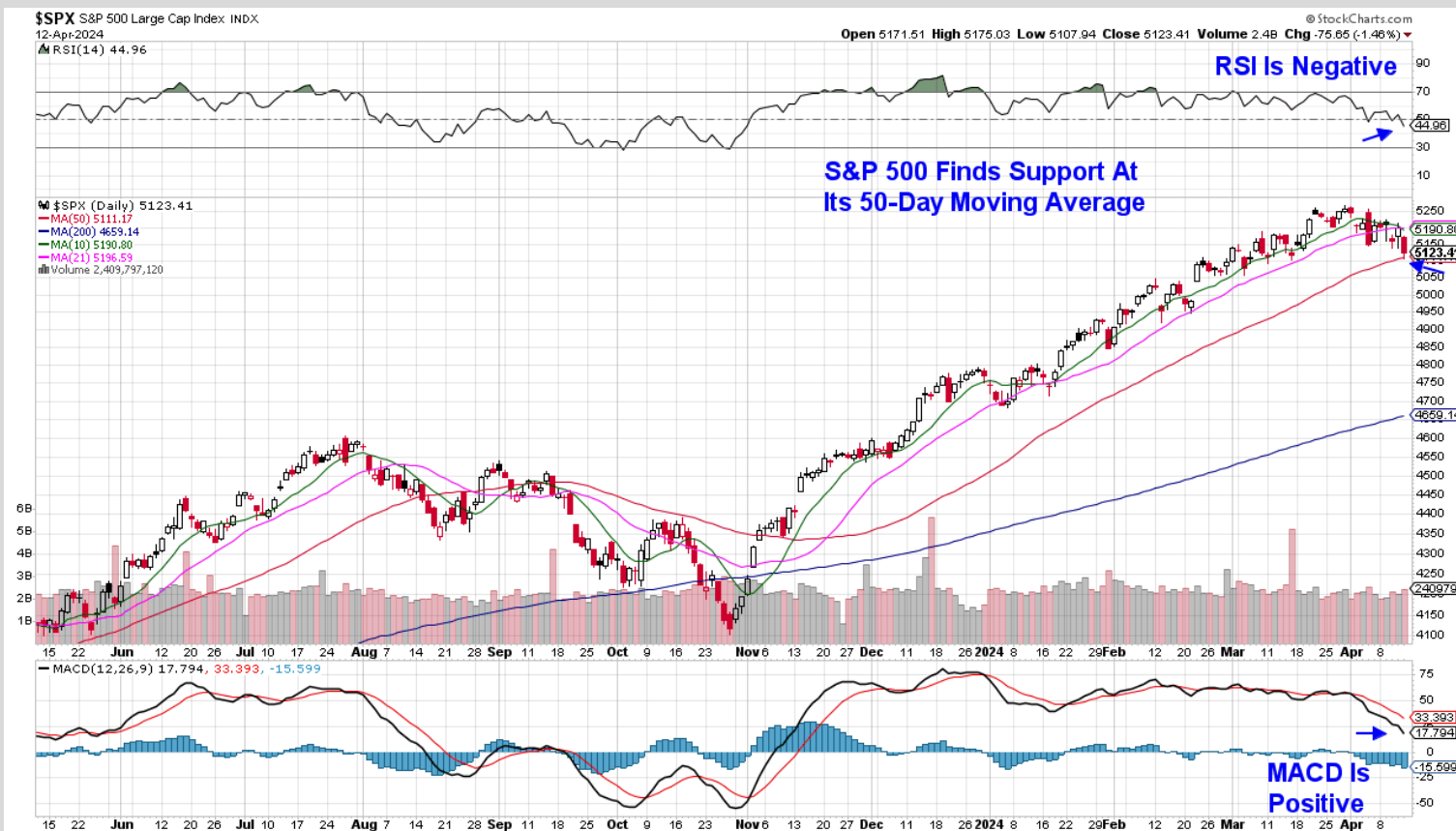
Upcoming Reports And Events For Next Week

- Fed Chair Powell Speaks Tuesday With 10 Additional Fed Officials Commenting
- March Retail Sales and Housing-Related Data Next Week

Notable Developments

- Markets Resembling September - November 2023 Period
- Iran Attacks Israel On Saturday - Futures Fall

Daily Chart of S&P 500



The S&P 500 fell 1.6% for the week, in a move that has this Index closing below its 21-day simple moving average with the RSI now in negative territory on the daily chart. Should we experience further selling, the 50-day moving average is the next area of possible support and it is 0.2% away.

A close below the 50-day simple moving average, coupled with a negative RSI and MACD, would point to further near-term weakness.

On the weekly chart, the S&P 500 has closed below its 10-week simple moving average with the MACD poised to post a negative crossover. We are highlighting this because historically, this combination has led to further weakness ranging from several weeks to 2022's prolonged bear market - as can be seen in the chart below.

At this time, we are not on the lookout for a bear market as the sharp rise in yields of 1% - 4%, coupled with an 8% inflation rate from that time, are not in place.

Instead, we may experience more of a pullback and we are using last year's September to November period as precedent - as the markets fell amid higher-than-anticipated inflationary reports coupled with a rise in interest rates.

Of note is that the yield on the 10-year got as high as 5.25% in late October, which led to a steeper decline in the markets that we are not currently anticipating - unless rates spike from their current level of 4.45% on the 10-year Treasury.

With earnings season beginning to pick up, it is also notable that the new uptrend that was forged in

early November was jump-started by strong earnings reports from M7 names such as Meta Platforms (**META**) and Microsoft (**MSFT**). Rates had also peaked as well. Both companies are due to report their results in less than 2 weeks.

The NASDAQ fared better with a 0.5% decline that was due to outperformance in all of the Magnificent Seven names except for Netflix (**NFLX**) and Meta Platforms (**META**).

This Index closed the week below its 21-day simple moving average but above its 50-day moving average, with its RSI in positive territory.

While the NASDAQ is faring better, breadth is declining as shown in the chart below. As you can see, reduced breadth signaled the start of last fall's pullback.

Also highlighted in the chart below are the improving breadth characteristics that signaled the start of a new uptrend in early November. We will of course be on the lookout for this.

Last week, the markets were impacted by a higher-than-expected inflation report after consumer prices jumped much more than anticipated. The news raised new concerns that rates may stay higher for longer and interest rate-sensitive areas of the market were most negatively impacted.

In response, interest rate-sensitive areas of the market fell the most with Regional Banks (KRE) and Home Builders (XHB) seeing the sharpest decline. Small Cap stocks also suffered (IWM) as the cost of loans for these companies will increase.

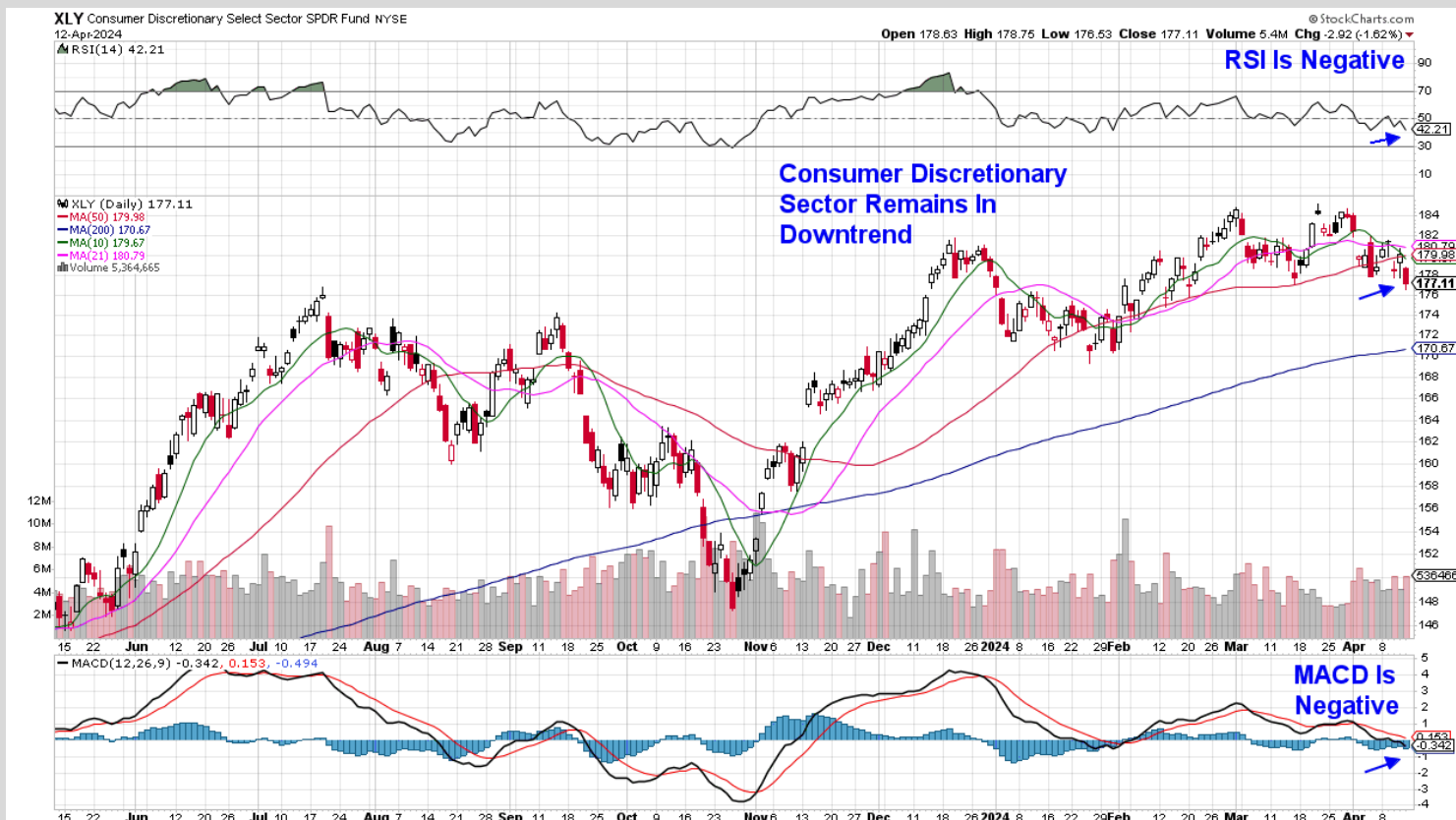
Also hurting the markets was weaker than expected earnings reports from several high-profile Banks with JP Morgan (**JPM**) falling the most amid a tepid growth outlook from management.

At this time we would not be a buyer of stocks until conditions improve. This will be marked by the S&P 500 closing back above its shorter-term moving averages with a positive RSI on the daily chart.

Geopolitical strife also negatively impacted the markets as uncertainty surrounding a possible elevation in tensions In the Middle East, caused a pullback on Friday that is anticipated to carry into next week after Saturday's attack.



Daily Chart of the Consumer Discretionary Sector (XLY)



Consumer Discretionary Sector Remains In A Downtrend

The Consumer Discretionary sector remains in a downtrend after being led lower by a sharp drop in the S&P Retail ETF (XRT). The decline in retailers took place amid last week's elevated CPI inflation report which cited an increased cost in consumer goods as one of the reasons. These higher prices are expected to down slow sales.

Shake Shack (**SHAK**) retested its 50-day simple moving average after dipping below it briefly on Wednesday and it closed the week below this key area of possible support. With the RSI and MACD now in negative territory on the daily chart, we are removing the stock from our Suggested Holdings List.

Target (**TGT**) was poised to end the week flat before a Friday pullback pushed the RSI on the daily chart into negative territory. With the daily chart pointing to further near-term weakness, we are removing the stock from our Suggested Holdings List. Longer-term investors can stay with the stock however as the weekly chart remains constructive.

A close below the 10-week simple moving average coupled with a negative RSI on the weekly chart, would be a sell signal for longer-term investors.

Amazon (**AMZN**) ended the week up 0.5% ahead of the release of their earnings in two weeks. While **AMZN** is the market leader in e-commerce, its cloud computing division (AWS) is the primary profit driver for the company, providing services such as storage, networking, and remote computing capabilities.

Amazon hit a new high in price on Thursday after the company published their annual letter to shareholders where the company touted their focus on AI due to it being the largest technology transformation since the cloud and perhaps the internet.

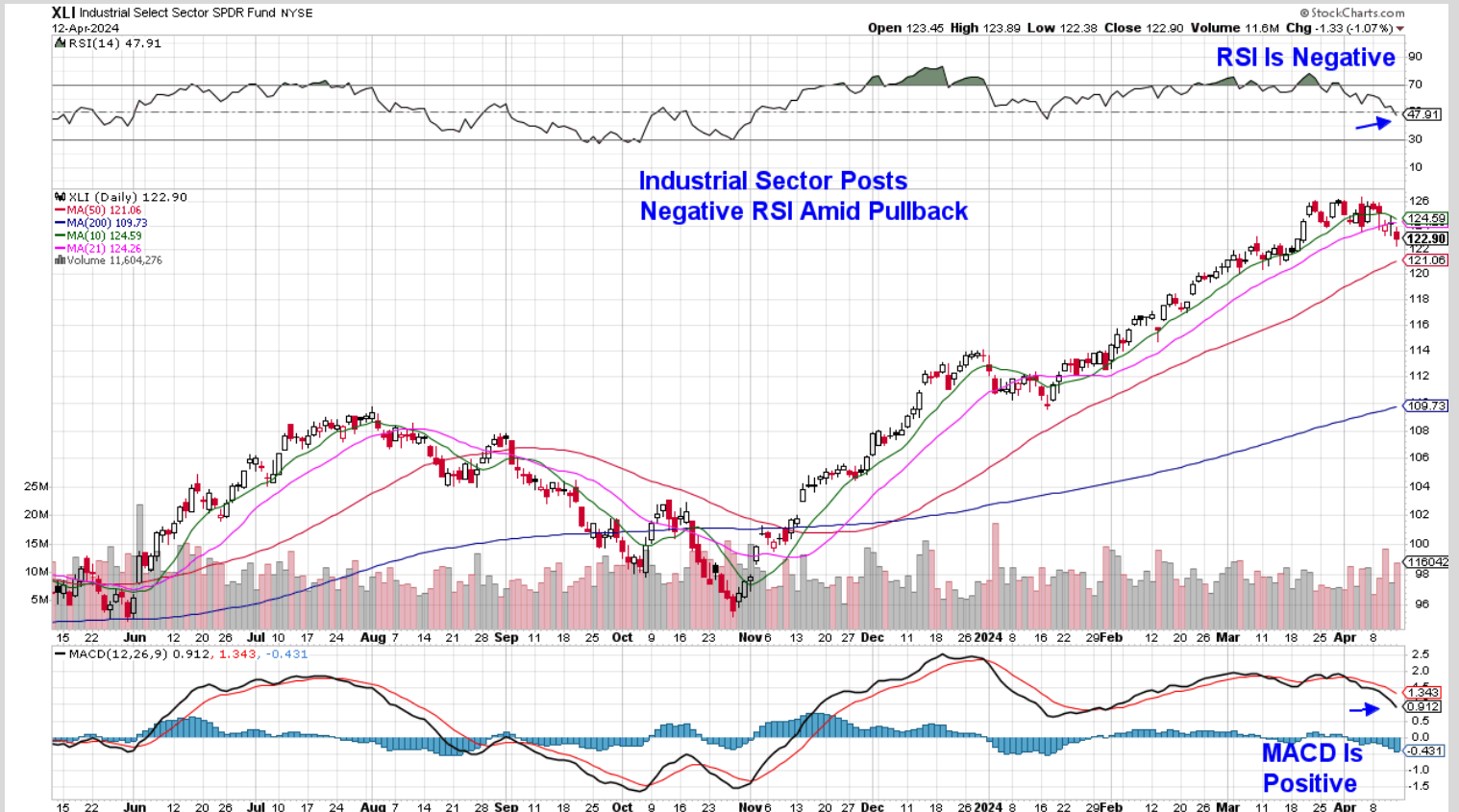
In March, AWS proved their commitment after purchasing AI startup, Anthropic, which was applauded by Wall Street analysts. **AMZN** is in a confirmed uptrend and the stock can be held.

Last week, heavyweight retailer Costco (**COST**) reported that March sales rose 7.7% year over year while also raising their quarterly dividend. The positive news pushed the stock back above its key 50-day simple moving average with the MACD posting a bullish crossover on the daily chart.

We are on the lookout for the stock to post several more days above this key 50-day mav and would like the MACD to enter into positive territory before we consider adding the stock to our Suggested Holdings List.



Daily Chart of the Industrial Sector (XLI)



Industrial Sector

The Industrial sector underperformed last week due to weakness amid building-related stocks that provide services to construction companies. The weakness took place due to an anticipated slowdown due to higher mortgage rates.

Transportation stocks also pulled back sharply, led by Truckers, Rails, and Airlines as a potential slowdown in consumer spending due to higher prices, will slow down the need for goods to be shipped. The U.S. Global Jets ETF (**JETS**) pulled back almost 3% with all of the decline taking place on Friday.

The drop in price pushed this ETF below its key 50-day simple moving average and with the RSI and MACD now in negative territory on its daily chart, we are removing **JETS** from our Suggested Holdings List.

Electrical power control provider Eaton Corp (**ETN**) recovered from a Tuesday pullback due to a Wall Street downgrade. The stock was able to recover from a dip below its 21-day simple moving average in a bullish move. With the RSI and MACD in positive territory, we would be a buyer of the stock after a close above its 10-day simple moving average at \$319.

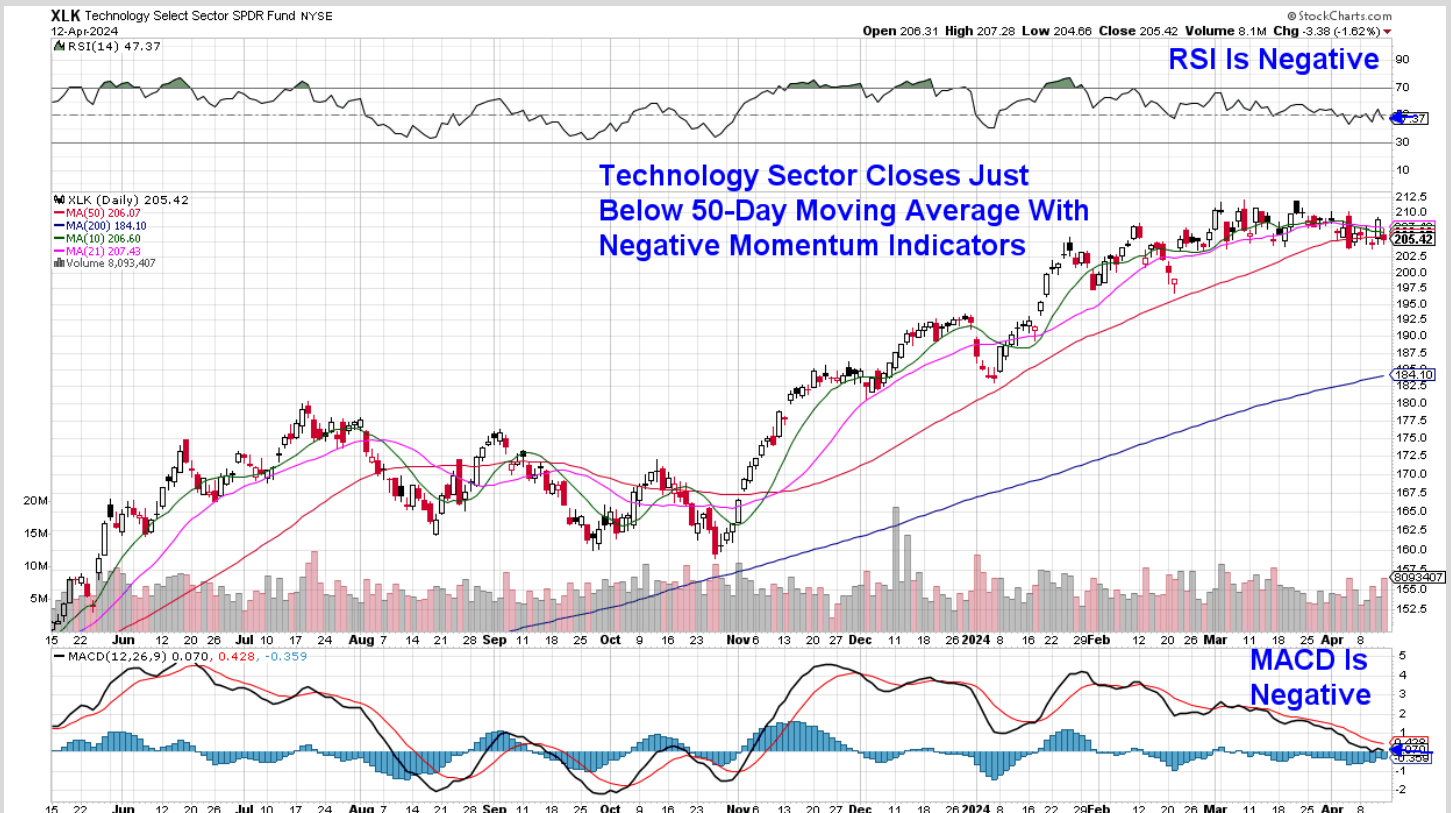
ETN is due to report their first quarter results at the end of this month.

FTAI Aviation (**FTAI**) pulled back to its 10-day simple moving average and while this would normally put the stock into a strong buy zone, the MACD on the daily chart is poised to post a negative crossover. On the daily chart of **FTAI**, a negative MACD crossover has signaled a pullback to the 21-day simple moving average which is currently at \$67. Historically, this pullback has proven to be an ideal buy point. For now, the stock can be held.

Sterling Infrastructure (**STRL**) is part of the Building and Construction Group that was hit the hardest last week. However, **STRL** outperformed with a 2.5% decline that keeps this stock above its 50-day simple moving average. The stock can be held.



Daily Chart of the Technology Sector (XLK)



Technology Sector Falls The Least For The Week

The Tech sector lost less than the markets due to a 4% rally in heavyweight name Apple (**AAPL**). The stock posted a late-week rally amid news that they will be revamping their Mac computer line with AI-focused M4 chips.

The move is expected to enhance Mac sales and the rally pushed the stock to just below its key 50-day simple moving average on heavy volume. While the rally pushed the RSI into positive territory, Apple still has a lot more work to do before turning bullish. We will continue to monitor the stock.

Elsewhere on our list, Arista Networks (**ANET**) was hit hard on Friday after a Wall Street downgrade pushed the stock below its 50-day moving average. While **ANET** has historically been able to recover quickly from this type of sharp sell-off - such as late

July and late October - Broader Market weakness has us removing the stock from our suggested Holdings list. Even more importantly, **ANET** has breached our 6-8% percent sell rule.

Recently added Dell Technologies (**DELL**) also experienced a Friday sell-off with a 5% loss that puts this stock at its 21-day simple moving average. A close below this moving average would most likely have us removing the stock because the RSI would in turn, be in negative territory, and again, our sell rules would be breached.

Software stocks continue to trend lower with a negative RSI and the MACD moving lower into negative territory. (using ETF IGV). Among names on our list, CommVault Systems (**CVLT**) continues to trend lower as well.

The stock closed the week below its 50-day simple moving average with an RSI that is now in negative territory. We are removing **CVLT** from our Suggested Holdings List.

CrowdStrike (**CRWD**) has also continued to drift lower on lighter volume. While we fully expect this leadership name to outperform once the Software group comes back into favor, a negative MACD crossover on the weekly chart has now weakened the longer-term outlook for this stock. We are removing **CRWD** from our Suggested Holdings List.

Software heavyweight Microsoft (**MSFT**) relatively outperformed with a pullback of less than 1% amid reports that their latest Xbox series is seeing the highest engagement since October of 2022.

MSFT has been in a tight trading range after hitting a new high in mid-March. Throughout this range-bound period, both the RSI and MACD have remained in positive territory with Microsoft closing above its shorter-term 21-day simple moving average. The stock can be held as we head into the release of their first quarter results later this month.

Semiconductor stocks moved closer to a close below their key 50-day simple moving average after a Friday pullback that erased gains from earlier in the week. (using ETF SOXX).

News from the world's largest chip manufacturer Taiwan Semi (**TSM**) helped bolster the group with the release of strong chip orders for March. The company cited AI-fueled demand for the growth and its positive news for companies they supply to, such as Nvidia (**NVDA**).

NVDA ended the week flat after pulling back From a Thursday close back above its 10-day simple moving

average which we had cited as being bullish. The Friday pullback in **NVDA** has negated the possibility of a MACD bullish crossover on the daily chart which we had been looking toward as a confirmation of a new uptrend.

NVDA can be held.

Broadcom (**AVGO**) also outperformed the group after ending the week slightly higher. The stock has been trending sideways for the past 3 weeks and has been generally outperforming the Semiconductor group. This is positive price action as it sets the stock up to outperform further once the group regains its upside momentum. (using ETF SOXX). **AVGO** can be held.

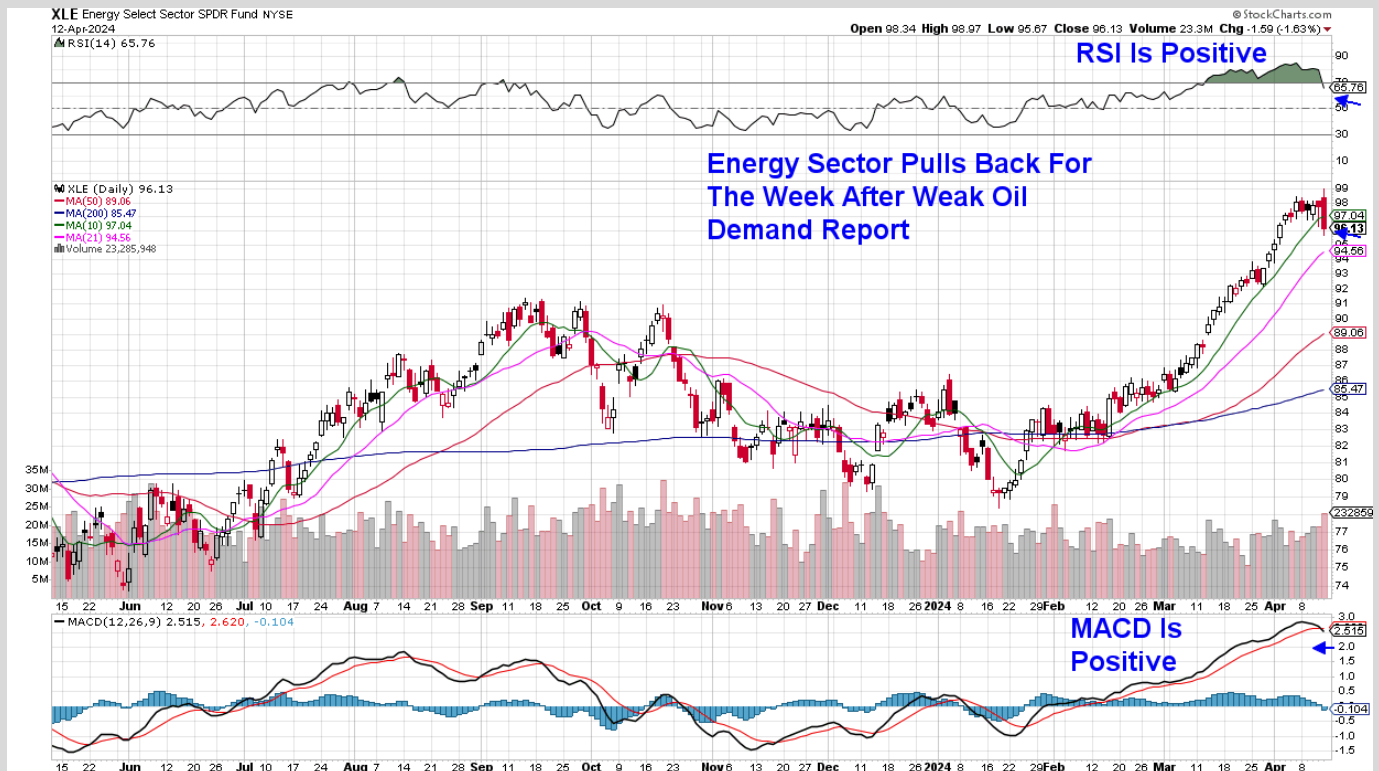
Lam Research (**LRCX**) continues to trend sideways yet lower in line with the Industry Group. The stock remains above its shorter-term moving averages with a positive RSI and MACD. **LRCX** can be held.

Chip equipment company ASML (**ASML**) as well as Taiwan Semiconductor (**TSM**) - who produces chips for NVIDIA - are due to report their earnings on Wednesday and Thursday of next week respectively. The results, as well as guidance for growth going into the remainder of this year, are sure to impact other Semiconductor stocks.

Recently added Dell Technologies (**DELL**) pulled back sharply on Friday in a move that puts this stock at its 21-day simple moving average. The pullback took place amid a lack of news with the decline being due more to a lack of an appetite for high-flying AI-related stocks.

Any further weakness will have us potentially removing the stock from our Suggested Holdings List due to our sell disciplines.

Daily Chart of the Energy Sector (XLE)



Energy Sector Underperforms Amid Friday Pullback

The Energy sector hit a new high in price on Friday before a bearish world oil demand growth forecast pushed stocks in this sector lower. The news outweighed concerns regarding geopolitical risk in the Middle East that may disrupt the oil supply.

Also weighing on the outlook for these stocks are fears that interest rate cuts may be pushed out. Higher interest rates can weaken economic growth and depress oil demand.

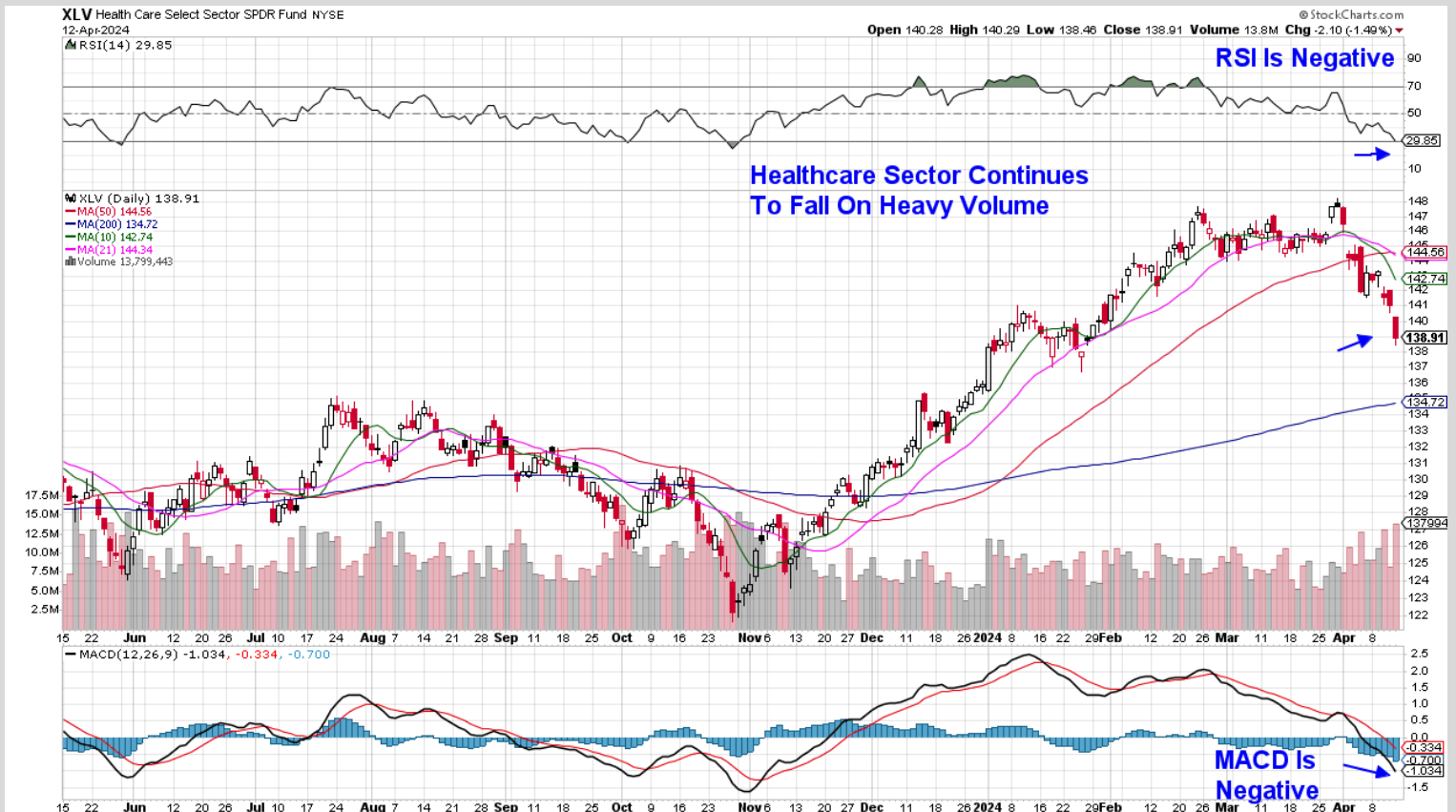
News on Friday that the number of new oil and gas rig count - an early indicator of future output - fell to its lowest level since November. The hardest hit on the news were Oil equipment companies that provide drilling and other services to these rigs. This would include Halliburton (**HAL**) from our List. The stock fell over 3% on Friday in a move that pushed this stock back

below its 10-day simple moving average on above-average volume. At this time, the stock can be held as it is finding support above its 21-day simple moving average. However, a negative RSI on the daily chart would have us reconsidering as this historically proceeds further near-term weakness.

Occidental Petroleum (**OXY**) fared better which is in line with other oil producers whose performance is more closely tied to the price of oil. The stock closed above its upward-trending 10-day simple moving average which is a positive. **OXY** can be held.

Oil prices are expected to rise on Monday after Iran's attack on Israel, however, further gains may depend on how Israel and the West choose to retaliate. At this time, oil supplies from the region have not been disrupted and while we may see an initial spike in the price of oil, unless supply is impacted, the increase will be short-lived.

Daily Chart of the Health Care Sector (XLV)



Healthcare Sector Continues To Suffer

Healthcare stocks fell further below their 50-day simple moving average amid continued declines in Biotech and Medical Products stocks.

Large Cap Pharmaceutical stocks were the hardest hit for the week with Eli Lilly (**LLY**) from our List falling 4% in a move that has the RSI now in negative territory with the MACD close to also turning negative on the daily chart. In addition, **LLY** closed below its key 50-day simple moving average.

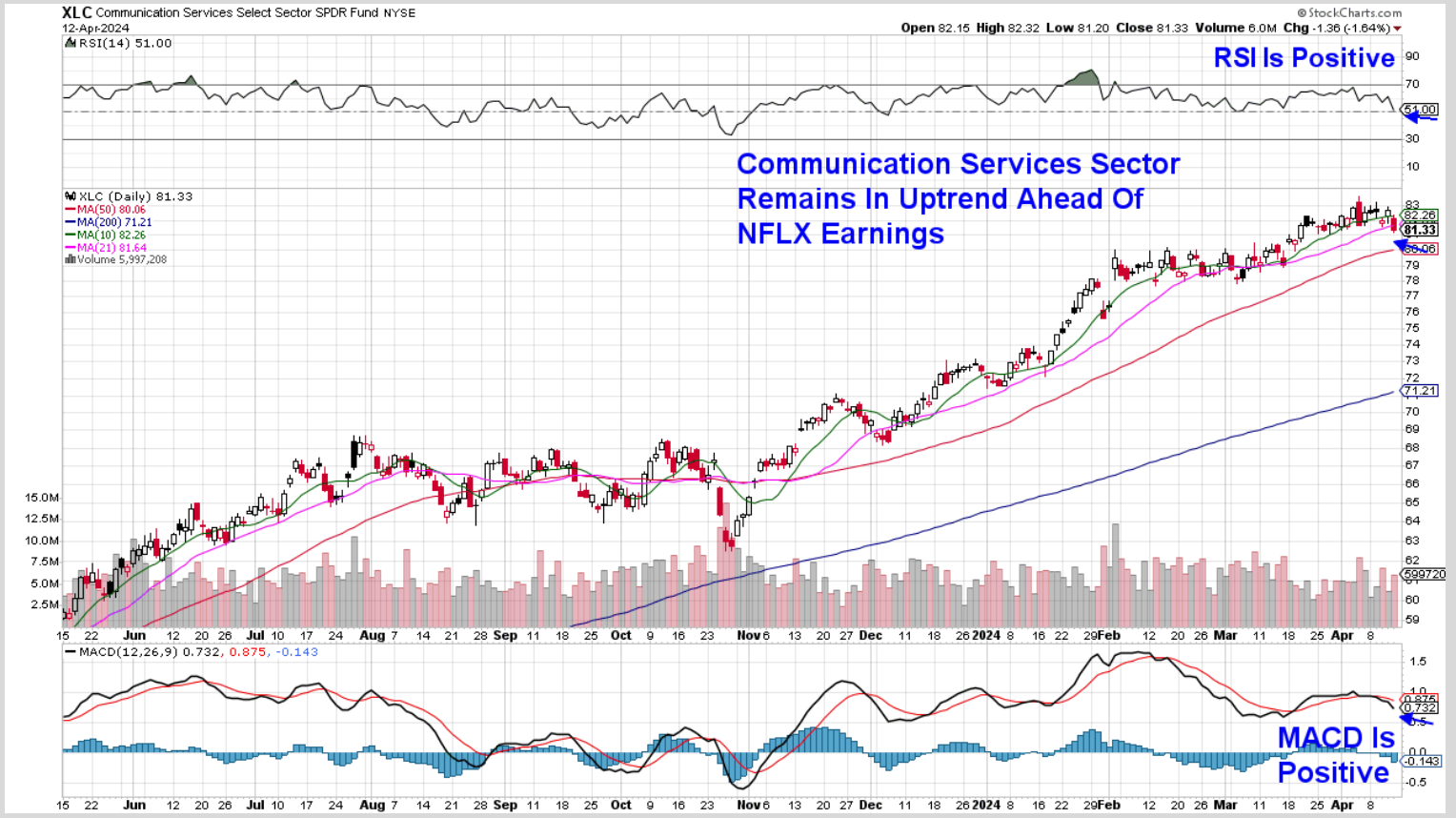
A pullback in Eli Lilly occurred amid a report from Goldman Sachs that the recent run-up in the stock has heightened the risk to disappoint investors amid supply issues for their obesity drug. We are removing the stock from our Suggested Holding List after its close below key support and negative RSI.

Merck (**MRK**) pulled back 1.5% for the week, however, it remains above its 21 and 50-day simple moving average. The stock can be held and a close back above its 10-day simple moving average at \$128 would put the stock into a buy zone.

Boston Scientific (**BSX**) gained almost 1% for the week as it remains above its key 21-day simple moving average with a positive RSI and MACD. The stock's relative outperformance took place amid a lack of any news and at this time, **BSX** can be held.

The continued weakness in the overall Healthcare sector has us negative on these stocks and while stocks holding support such as **BSX** and **MRK** can be held, stocks breaking key support should be sold.

Daily Chart of the Communication Services Sector (XLC)



Internet-Related Stocks Keep Communication Services Sector In Uptrend.

The Communication Services sector Received a boost from heavyweight name Alphabet (**GOOGL**) which rallied 3.3% for the week amid the release of new AI offerings for cloud computing customers. The stock closed above its upward-trending 5-day simple moving average with a positive RSI and MACD.

While this positive price action would normally put the stock in a strong buy zone, broader market cross currents would have us holding the stock for now. **GOOGL** is due to report their earnings in less than 2 weeks, on the 23rd.

Netflix (**NFLX**) however, is due to report their earnings this Thursday after the markets close.

The stock received price target upgrades from two major Wall Street firms late last week ahead of the release of their quarterly report.

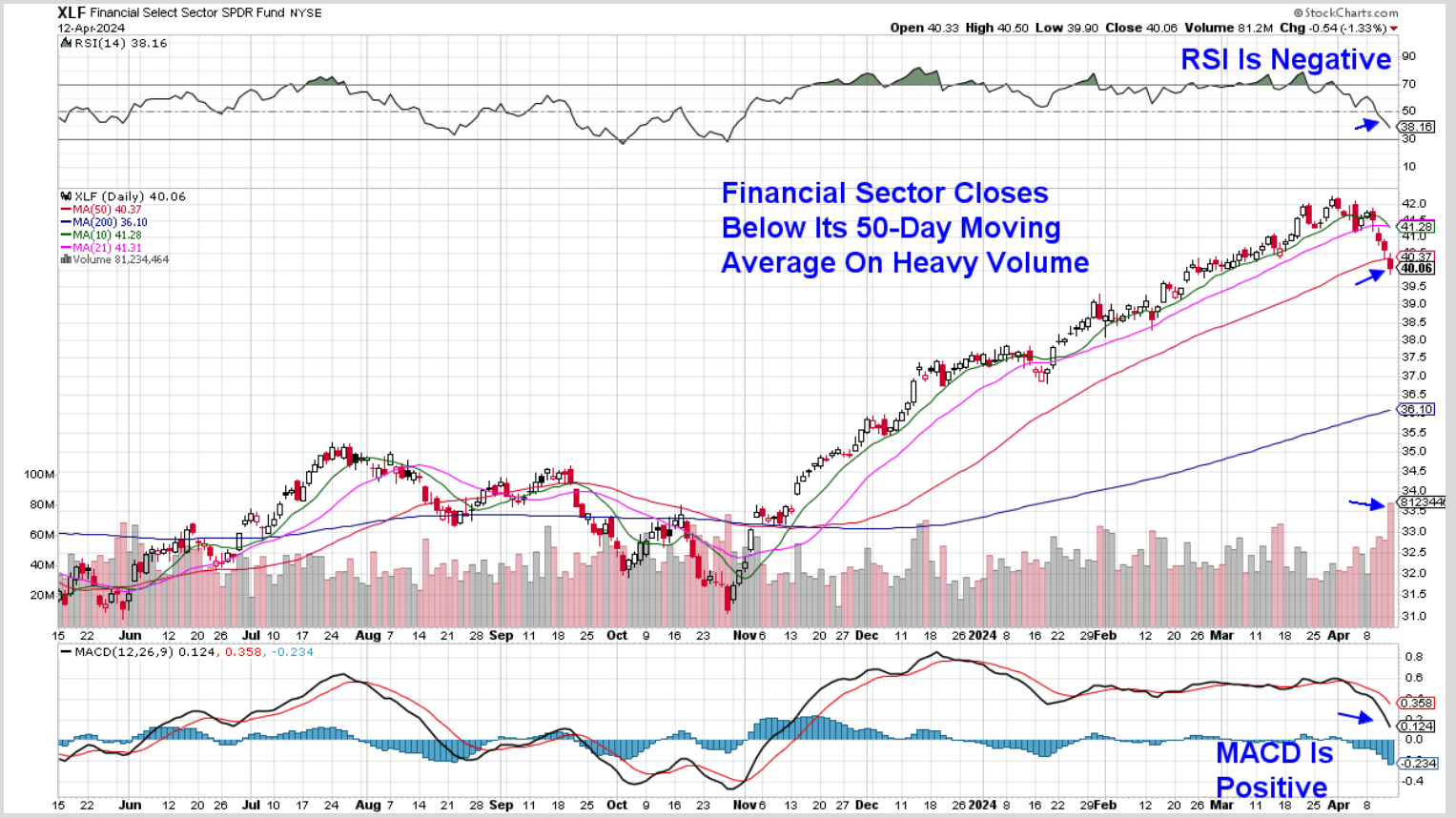
This is generally viewed as quite positive as analysts will not put their reputation on the line unless they had sound insights. The stock closed the week above each of its shorter-term moving averages and is in a confirmed uptrend.

Meta Platforms (**META**) pulled back 3% for the week ahead of their release of earnings on April 24th.

META also received a price target upgrade last week to \$580. The stock remains above its 10-day simple moving average and is in a confirmed uptrend.

META can be held.

Daily Chart of the Financial Sector (XLF)



Financial Sector Is Worse Performer

The Financial sector closed the week below its key 50-day simple moving average amid high volume selling that was led by a decline in Bank stocks. Several high-profile Banks reported their earnings on Friday, and the results were weaker than expected.

Insurance stocks fared even worse, with Life and Full Line Insurance companies falling over 5% for the week.

Allstate (**ALL**) fared better than its peers with a 3.8% decline that now has the stock trading below its 21-day simple moving average. The RSI and MACD both remain in positive territory however, and the stock can be held ahead of the release of its earnings later this month.

Summary

The markets had a tough period last week after a strong CPI inflation report renewed fears that interest rate cuts may take longer than anticipated. Investors initially appeared able to override this news, with a Thursday rally in the NASDAQ that had this Index closing above its shorter-term moving average amid a rally in AI-related names.

Uncertainty regarding a military strike in the Middle East coupled with weak earnings reports from select banks, overrode this sentiment on Friday, marked by a spike in the volatility index.

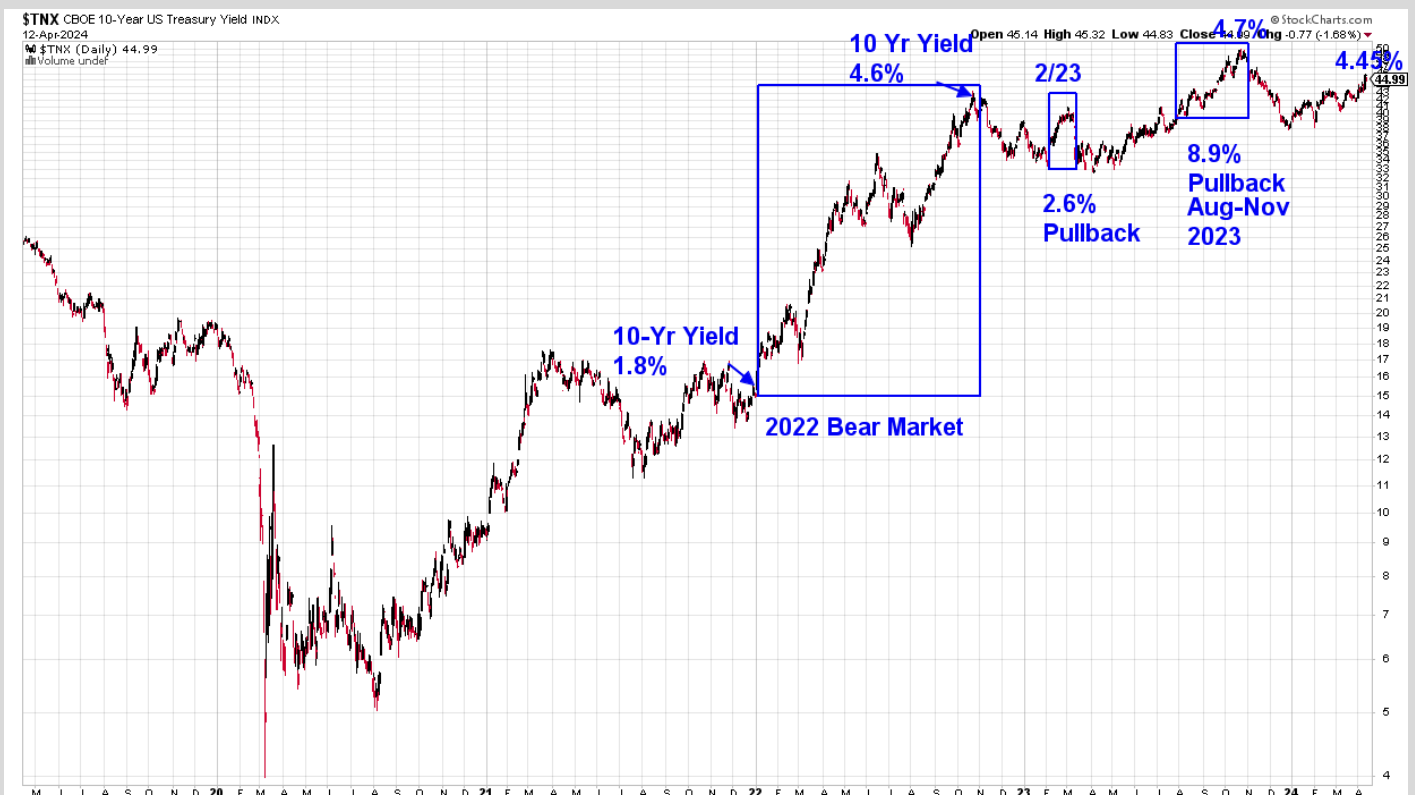
Next week, the number of corporate earnings results will increase and historically, these results as well as management's guidance for growth going forward have been known to override sentiment elsewhere.

That said, a possible uptick in yields would be a negative for the markets as can be evidenced in the chart below. As cited in our reports during last year's September to November pullback, leadership names can be held should we experience further market weakness as economic growth remains strong.

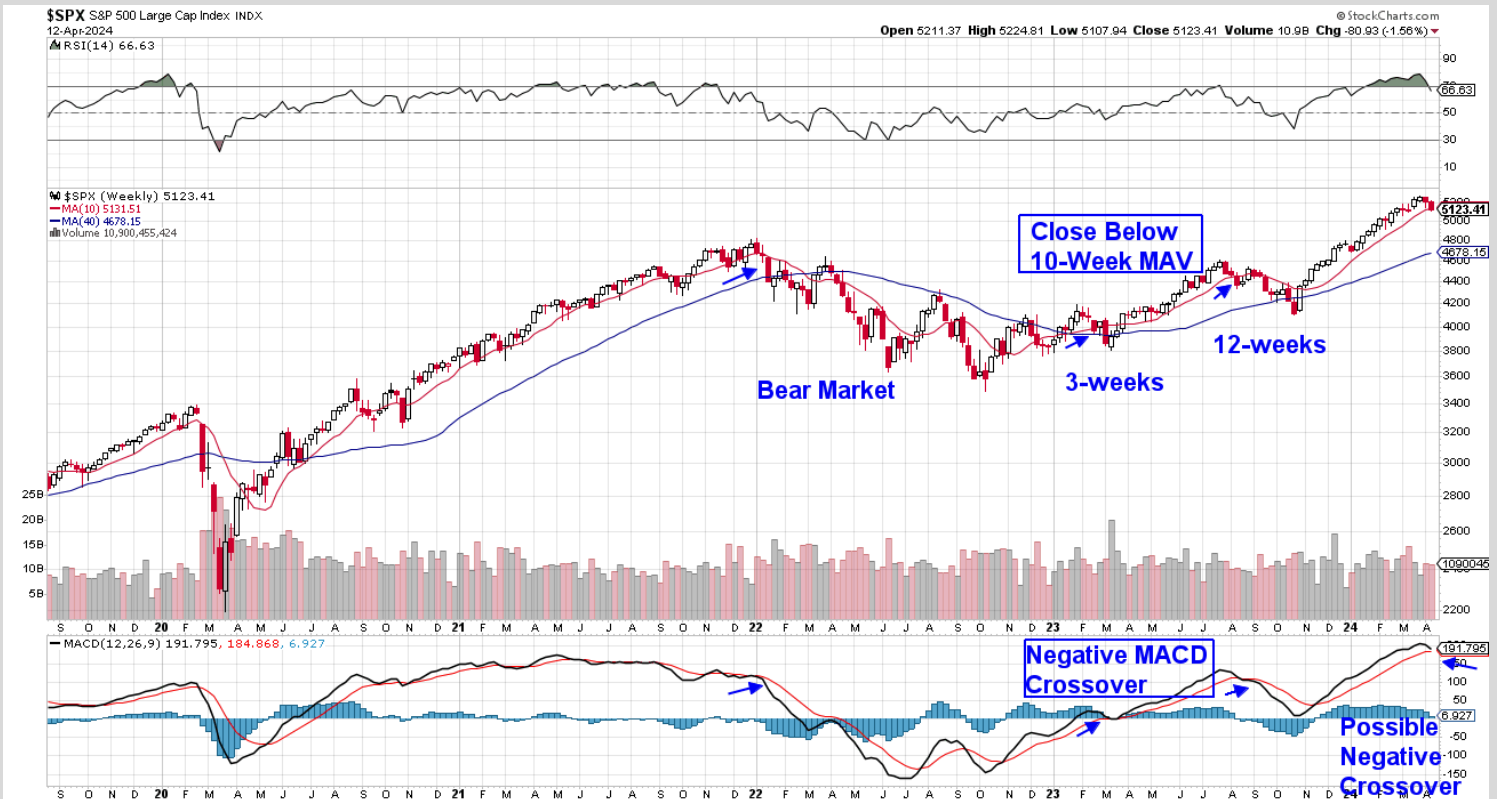
We will continue to monitor the weekly chart of the S&P 500 and until more directional clues are provided, we would remain with holdings that are above key support and would refrain from putting new money to work. We will alert you to any shift in sentiment.

Charts We Are Watching:

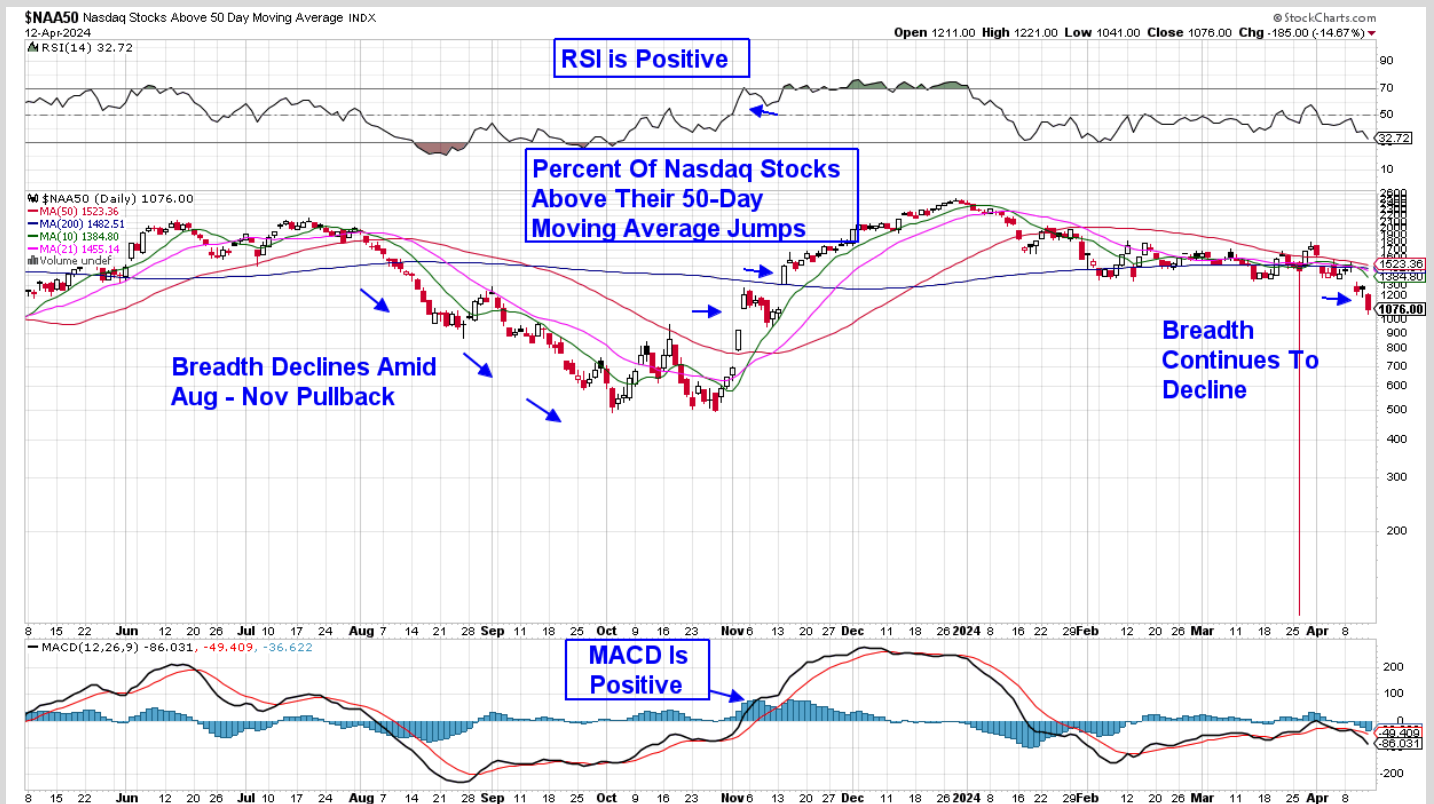
10-Year US Treasury Yield With Market's Performance In Response



Weekly Chart Of S&P 500 Index



NASDAQ Stocks Above Their 50-Day Moving Average



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	EARNINGS DUE
CONSUMER DISCRETIONARY						
AMZN	Amazon	\$138.60	11/5/2023	33.5%	Retail - Internet	
SHAK	Shake Shack	\$73.70	1/28/2024	32.50%	Retail - Restaurant	
TGT	Target Corp	\$167.00	3/10/2024	0.00%		
ENERGY						
HAL	Halliburton	\$41.24	4/7/2024	-4.0%		
OXY	Occidental Petroleum	\$69.24	4/7/2024	0.50%		
FINANCIAL						
ALL	Allstate	\$173.01	3/31/2024	-3.50%		
INDUSTRIAL						
ETN	Eaton Corp	\$260.00	2/4/2024	18.5%	Diversified Operations	30-Apr
FTAI	FTAI Aviation	\$58.00	3/17/2024	18.0%		25-Apr
JETS	US Global Jets ETF	\$20.50	3/31/2024	-4.0%		
STRL	Sterling Infrastructure	\$112.03	3/24/2024	-6.5%		
HEALTHCARE						
BSX	Boston Scientific	\$57.60	1/3/2024	18.5%		
LLY	Eli Lilly	\$618.50	1/3/2024	27.0%		
MRK	Merck & Co.	\$131.90	3/31/2024	-4.5%		
TECHNOLOGY						
ANET	Arista Networks	\$306.42	3/24/2024	-2.5%		
AVGO	Broadcom	\$944.30	12/10/2023	43.5%	Semiconductor	
CRWD	Crowdstrike	\$176.70	10/8/2023	64.0%	Software	
CVLT	CommVault	\$97.60	3/3/2024	2.5%		
DELL	DELL			-5.0%		
LRCX	Lam Research	\$865.00	2/11/2024	7.0%	Semiconductor	
MSFT	Microsoft	\$327.30	10/8/2023	27.5%	Software	25-Apr
NVDA	Nvidia	\$450.00	11/5/2023	77.5%	Semiconductor	
COMMUNICATION SERVICES						
GOOGL	Alphabet Inc.	\$156.61	4/10/2024	1.0%		
META	Meta Platforms	\$315.40	10/8/2023	57.0%	Internet-Content	24-Apr
NFLX	Netflix	\$432.30	11/5/2023	45.5%	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.

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