



THE MEM EDGE

April 21, 2024 | Weekly Report

This Week's Highlights

- U.S. Retail Sales Rises Sharply In Q1 - Could Boost GDP
- Home Builder Confidence Stalls Amid 7% Mortgage Rates
- New Home Construction Sees Biggest Drop In 4 Years
- Fed Chair Powell Warns Rates May Need To Stay High

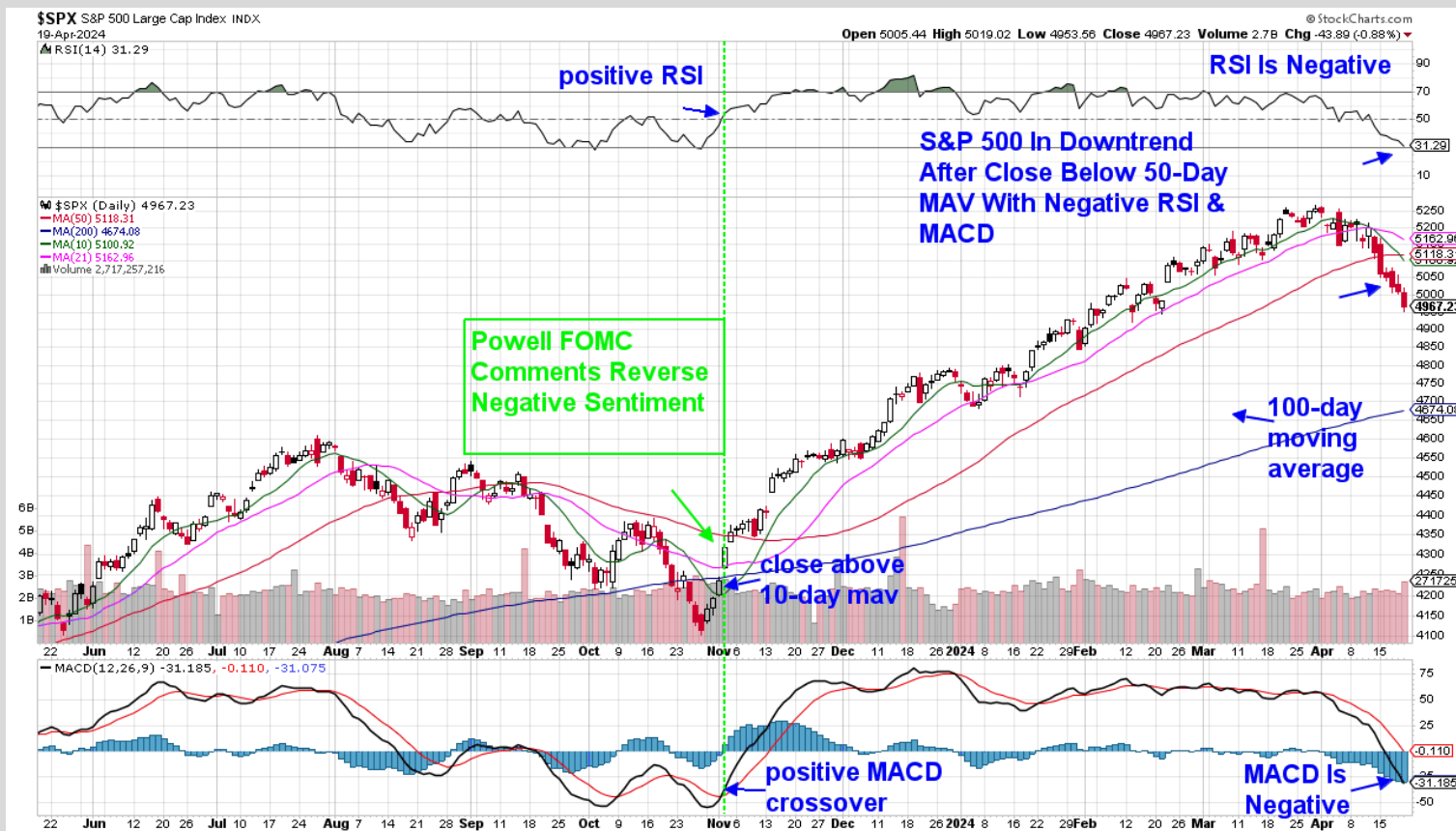
Upcoming Reports And Events For Next Week

- Core PCE Data Due Next Friday - April 26th
- Earnings Reports From GOOGL, META, TSLA, MSFT, CAT

Notable Developments

- Broader Markets Are In A Downtrend
- Market Now Pricing In September For First Rate Cut

Daily Chart of S&P 500



The S&P 500 fell 3.1% last week in a move that has this Index closing below its key 50-day simple moving average with a negative RSI and MACD. As highlighted in our Wednesday report, this puts the S&P 500 in a downtrend.

The weekly chart - which provides insights into the intermediate-term outlook for the markets - is now negative as well, as the MACD posted a negative crossover which was also highlighted on Wednesday.

Amid further selling, the first area of possible support is the 100-day simple moving average which is at 4935 and is less than 1% away. Should we experience a further decline, major support is at the 4800 level which is the top of the 2022 bear market and is 3.4% away.

On any rally attempts, the 10-day moving average is the first area of possible upside resistance and it is 2.6% away, at the 5101 level.

On the left side of the marked-up chart of the S&P 500 above, we have highlighted the characteristics of the early November downtrend reversal to be used as precedent as we move forward.

While a close above the 10-day simple moving average, as well as a positive RSI, marked the new November uptrend, it was investor sentiment that rate hikes were behind us that sparked the new rally. In turn, interest rates trended lower.

This will be important to keep in mind, as the S&P closed above its 10-day moving average with a positive RSI in late August as well as early October but were unable to rally further. As can be seen, it will take lower interest rates before a sustainable uptrend can take place.

Next week, this possibility of lower rates will be tested, as key inflation data will be released on Friday with the PCE report for March. This is the Federal Reserve's preferred measure of inflation and any hint of a slowdown would be a welcome relief for investors.

The NASDAQ fared worse last week, with a 5.5% decline that was marked by a sharp sell-off in most of the Magnificent Seven names. The Technology sector was down 6.3%, led lower by selling in Semiconductor and Software stocks.

The NASDAQ closed the week below both its 50 and 100-day simple moving averages with a negative RSI and MACD which puts this index firmly into a downtrend.

On the weekly chart, the NASDAQ posted a negative MACD crossover with the RSI now very close to turning negative as well. We will be closely watching this weekly chart as historically, a negative RSI can lead to further downside that is longer-term in nature.

Price action last week overall was quite negative, as declines outpaced advances every day. Volume picked up on Friday, with selling that was particularly evident in growth stocks.

As noted in recent reports, there has been a shift in the markets as traders have repriced Fed rate cuts and are now expecting just one cut in 2024 due to higher-than-anticipated inflation reports. A rise in geopolitical tensions - particularly in the Middle East - has also been a negative as it puts upward pressure on the price of oil which is a negative for inflation.

So far, the start of earnings season has also hurt the markets, as companies are generally coming in with earnings ahead of estimates, but management has been guiding growth estimates lower going forward.

As we have seen in the past, the markets can shift very quickly, and with earnings reports from mega-cap names due as well as key inflation data, we will be on the lookout for characteristics similar to early November. Of course, lower interest rates will be a key component.

At this time, we are using the late July to late October period as precedent and at that time, the S&P 500 lost 10.8%. Currently, the S&P 500 is 5.6% below its late March highs and while we would ideally like to stem losses, we cannot ignore that leadership names such as the M7 stocks have all broken below key support.

The good news is that economic growth remains in place which is an ideal backdrop for these leadership names and other areas to emerge from their pullbacks with strong recoveries.

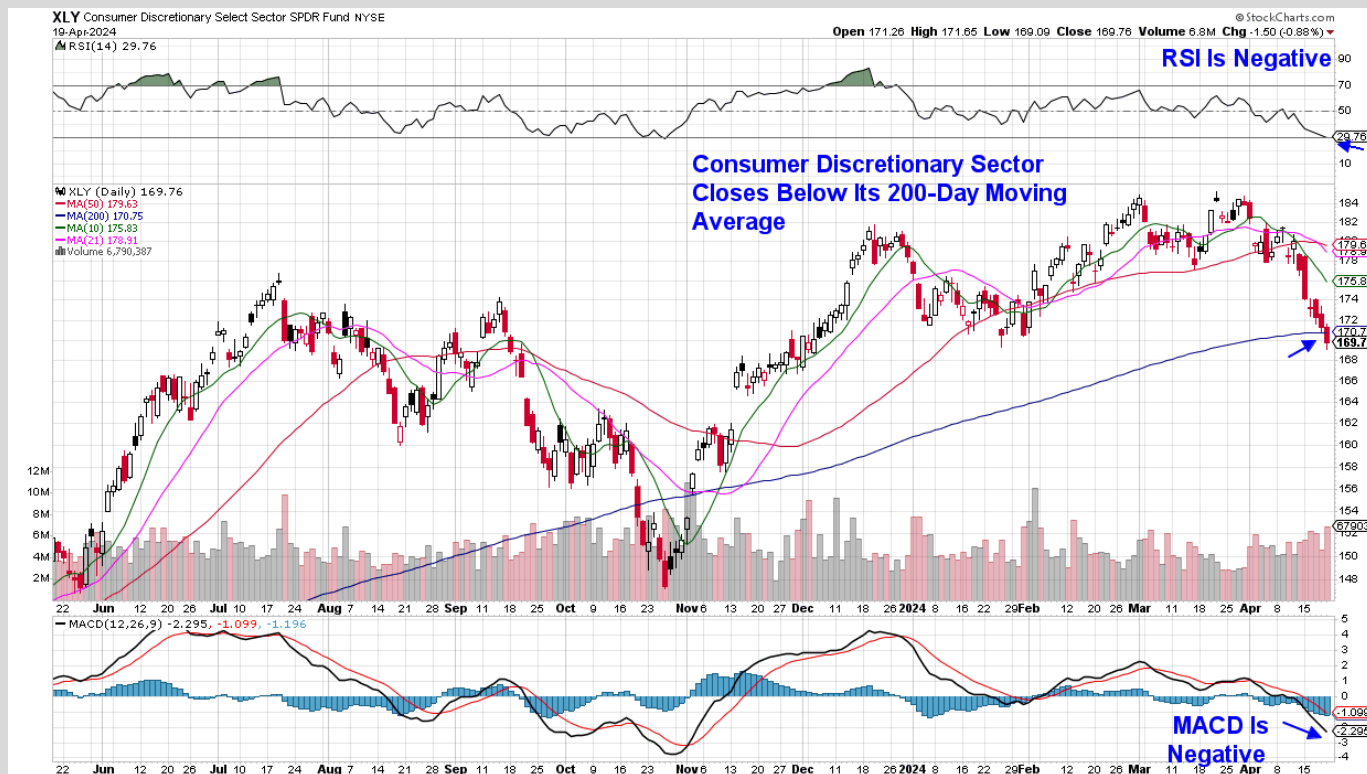
Not all areas of the market underperformed last week, as defensive areas such as Utilities (**XLU**) and Staples (**XLP**) were up for the week. Energy stocks fell (**XLE**), but much less than the broader markets as did Industrials (**XLI**). Overall, Value stocks gained as Growth stocks pulled back. (Using ETFs VUG vs VTV)

Next week we anticipate volatility to remain heightened amid key inflation data and earnings reports from market-moving stocks.

While we will continue to remove remaining stocks from our List if they break key support, we will continue to build out our Watch List in anticipation of adding stocks once the markets regain their uptrend. This will be similar to our October 30th report when we added 6 new names as the markets began to firm up.



Daily Chart of the Consumer Discretionary Sector (XLY)



Consumer Discretionary Sector Among Worse Performing

Consumer Discretionary stocks fell further than the markets, led lower by EV-related stocks such as Tesla (**TSLA**) which fell 14% for the week.

Housing-related stocks also took a hit amid a rising interest rate environment that had the group falling 4%. (using ETF XHB)

Heavyweight name Amazon (**AMZN**) also took a hit with a 6% loss that puts the stock below its key 50-day simple moving average. Friday's break below this key moving average took place on above-average volume and we are removing the stock from our suggested holding List.

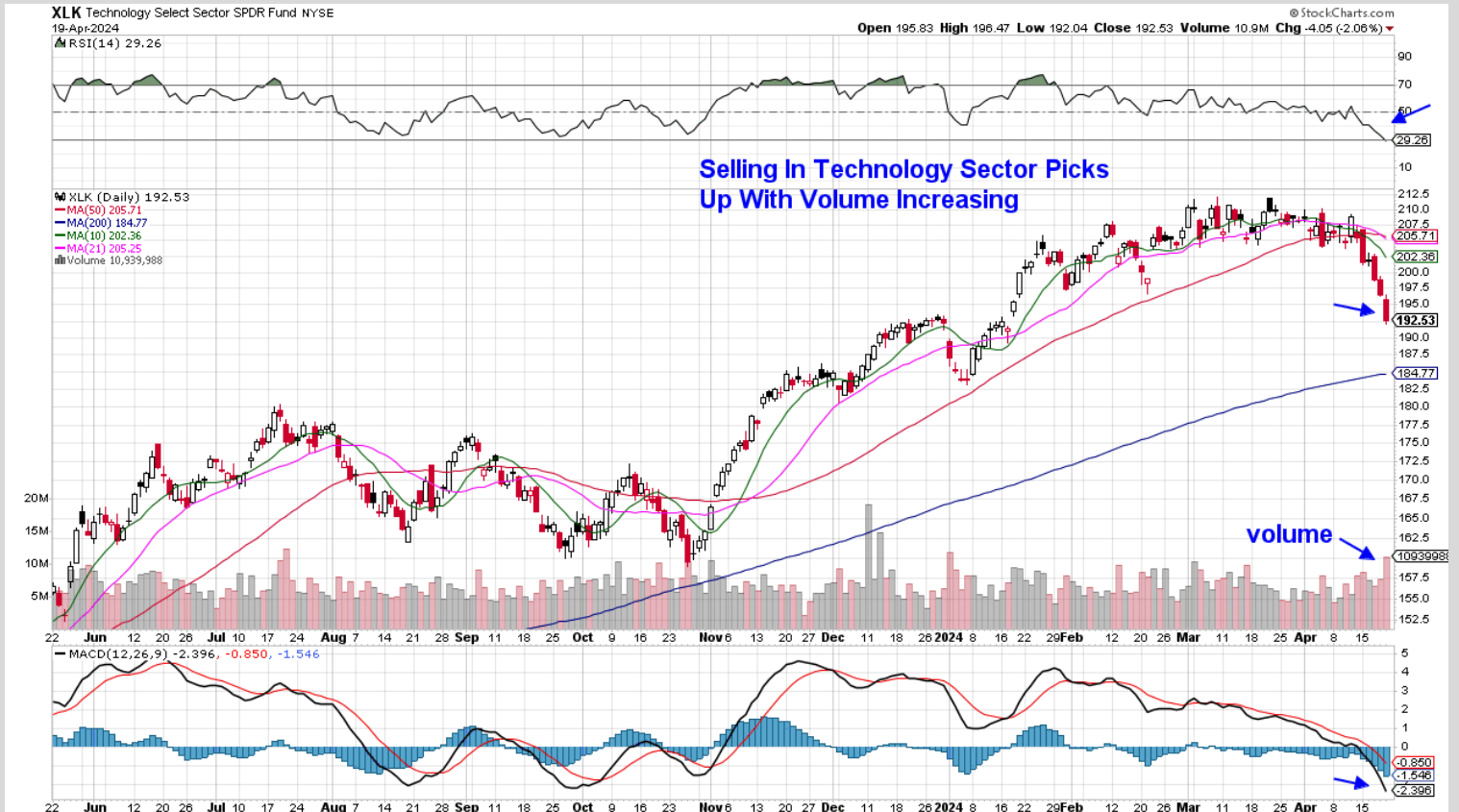
Of note is that Friday's drop below key support is similar to early September, when the stock broke key support in line with other high-growth names amid a rise in interest rates.

While we are removing (**AMZN**) from our Suggested Holdings list, longer-term investors can stay with the stock as long as the RSI remains in positive territory on the weekly chart.

Elsewhere in this sector, the S&P retail ETF (XRT) outperformed the markets amid bottom fishing buying among retailers such as Lululemon (**LULU**), Nike (**NKE**), and Starbucks (**SBUX**) which are emerging from deeply oversold positions.

Stocks from this sector such as heavyweight Home Depot (**HD**) were among the biggest winners after the markets entered a new uptrend in early November, and we will continue to expand our Watch List to include this deeply oversold stock as well as others.

Daily Chart of the Technology Sector (XLK)



Technology Sector Is Worse Performing

The Tech sector took it on the chin last week after heavyweight stock Apple (**AAPL**) lost 6.5% while Microsoft (**MSFT**) fell 5.5% into the release of their earnings next week.

While we removed **MSFT** from our List on Wednesday, longer-term investors can stay with the stock as the weekly chart shows the RSI is still in positive territory.

The weakest area in this sector was Semiconductor stocks after reports of a weak growth outlook for chip demand from well-known companies Taiwan Semiconductor (**TSM**) and ASML.

Market leader Nvidia (**NVDA**) fell almost 14% with most of the selling taking place on Friday on heavy

volume. The decline pushed **NVDA** below its key 50-day simple moving average and we are removing the stock from our Suggested Holdings list.

Longer-term investors can stay with the stock however, as the RSI is above 50 and in positive territory on the weekly chart.

Dell Technologies (**DELL**) held in relatively well with a 2.5% decline that keeps the stock above its key 50-day simple moving average.

While we are constructive on the longer-term outlook for this key AI-related stock, Friday's decline pushed the RSI into negative territory. We are removing **DELL** from our Suggested Holdings list as it has also breached our sell rule decline of 6%-8%.

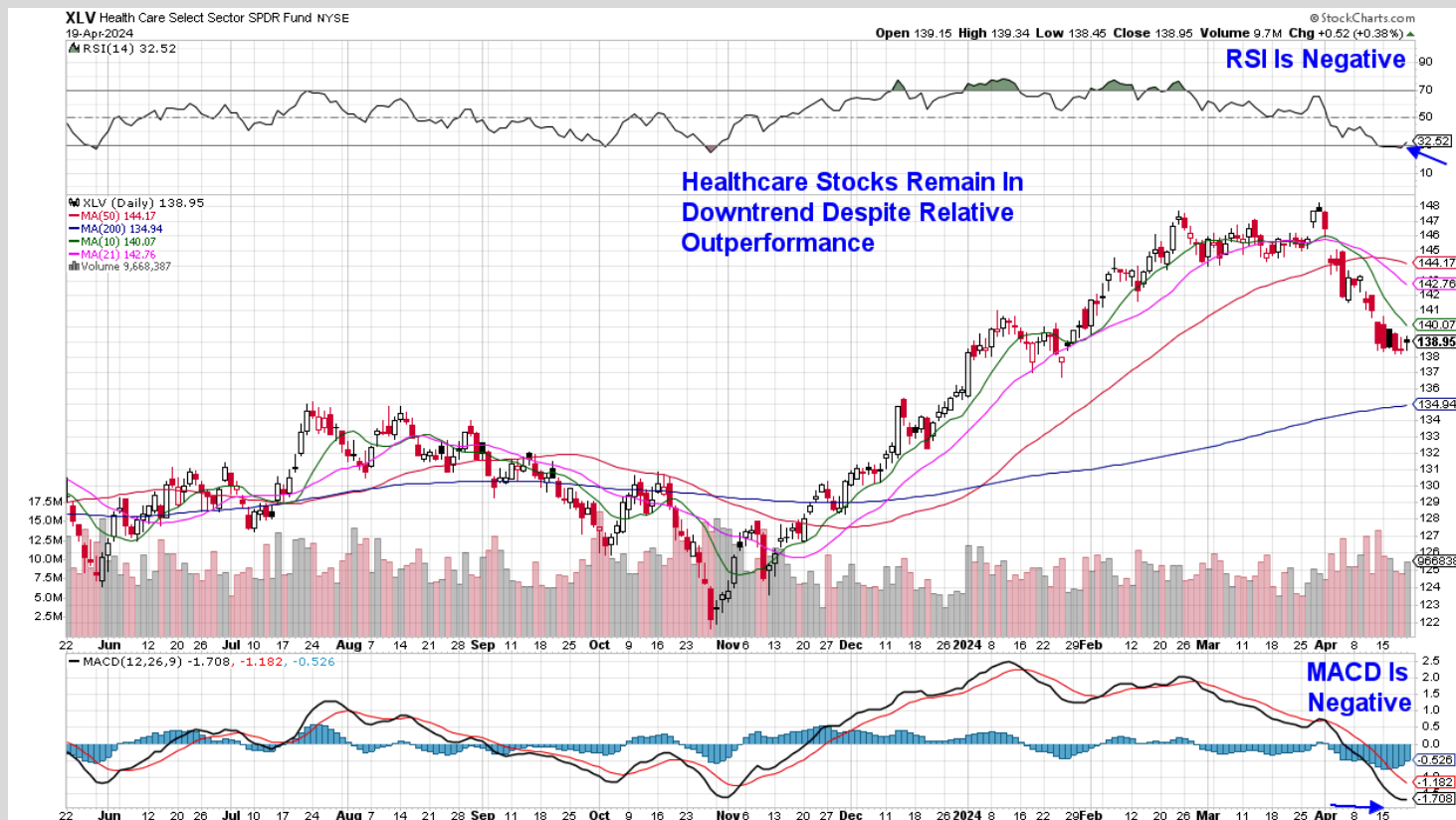
The stock will remain at the top of our Watch List however as it is viewed as a leadership name among AI equipment manufacturers. **DELL** is not due to report earnings until late May.

Microsoft's (**MSFT**) earnings, as well as investors' response, will be critical for Software while Lam Research's (**LRCX**) numbers will be closely watched for Semiconductors.

Next week could be critical for both Semiconductor and Software stocks that were hit hard on above-average volume last week. The RSI on their weekly charts are now in negative territory which points to further downside of a longer-term nature. (using SOXX and IGV respectively)



Daily Chart of the Health Care Sector (XLV)



Healthcare Sector Outperforms Amid Bounce In Healthcare Providers

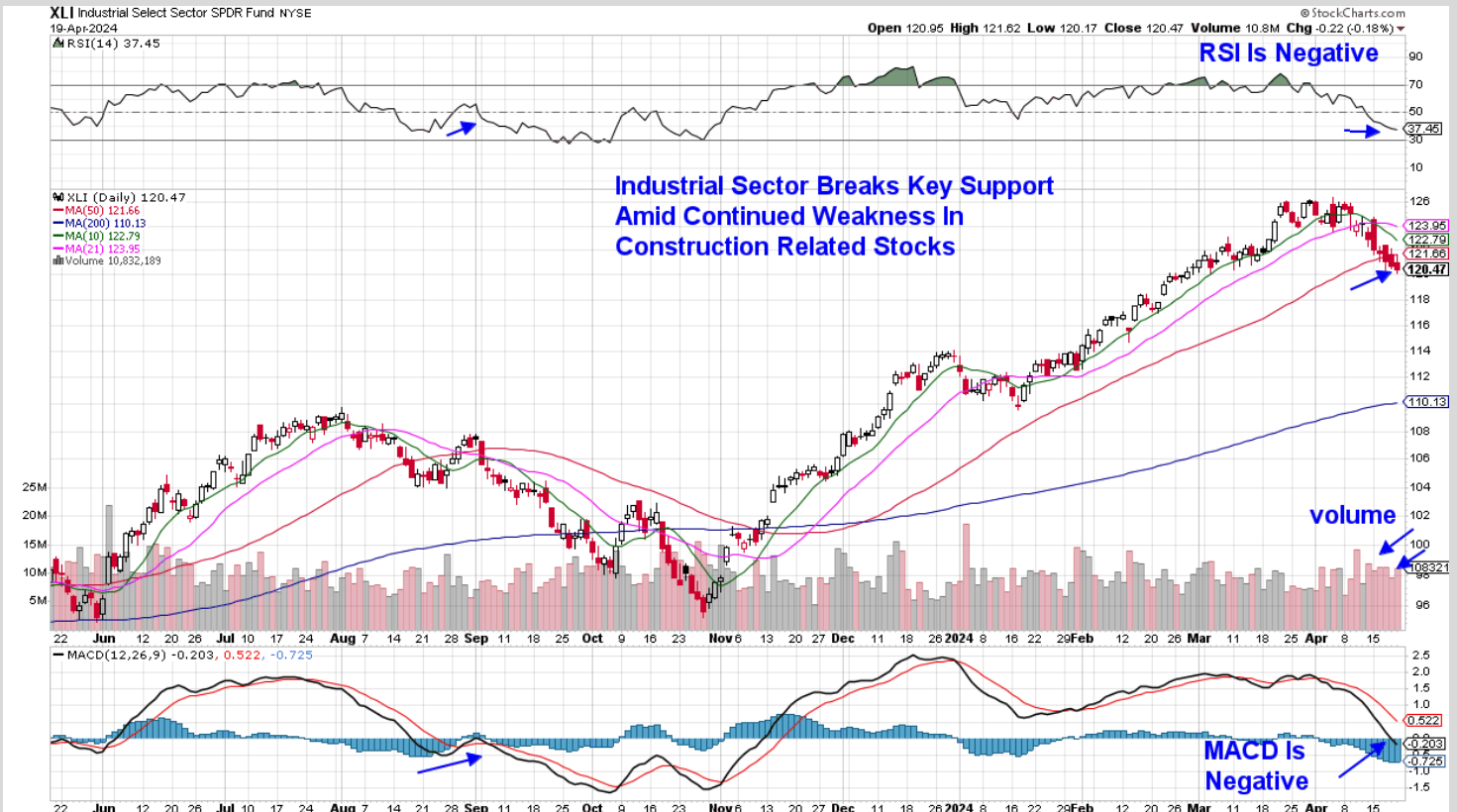
The Healthcare sector was flat for the week as insurers such as oversold stock United Healthcare (**UNH**) posted a sharp rally amid analyst upgrades. The news helped other stocks in this area.

Large Cap Pharmaceuticals also relatively outperformed with names such as Merck (**MRK**) from our Suggested Holdings list ending the week flat. **MRK** is due to release their earnings on Thursday and the company has received analyst upgrades going into the report.

Merck has been hovering around its key 50-day simple moving average for the last 2 weeks and a positive response to strong earnings would be quite constructive.

A move above its 21-day simple moving average at \$127 coupled with a positive MACD crossover would put the stock into a buy zone.

Daily Chart of the Industrial Sector (XLI)



Industrial Sector

The Industrial sector joined other areas with a break below its key 50-day simple moving average which puts it into a downtrend. Truckers were one of the weakest areas after poor earnings results from heavyweight name JB Hunt (**JBHT**) pushed this stock down double digits with its weakness spreading to other trucking names.

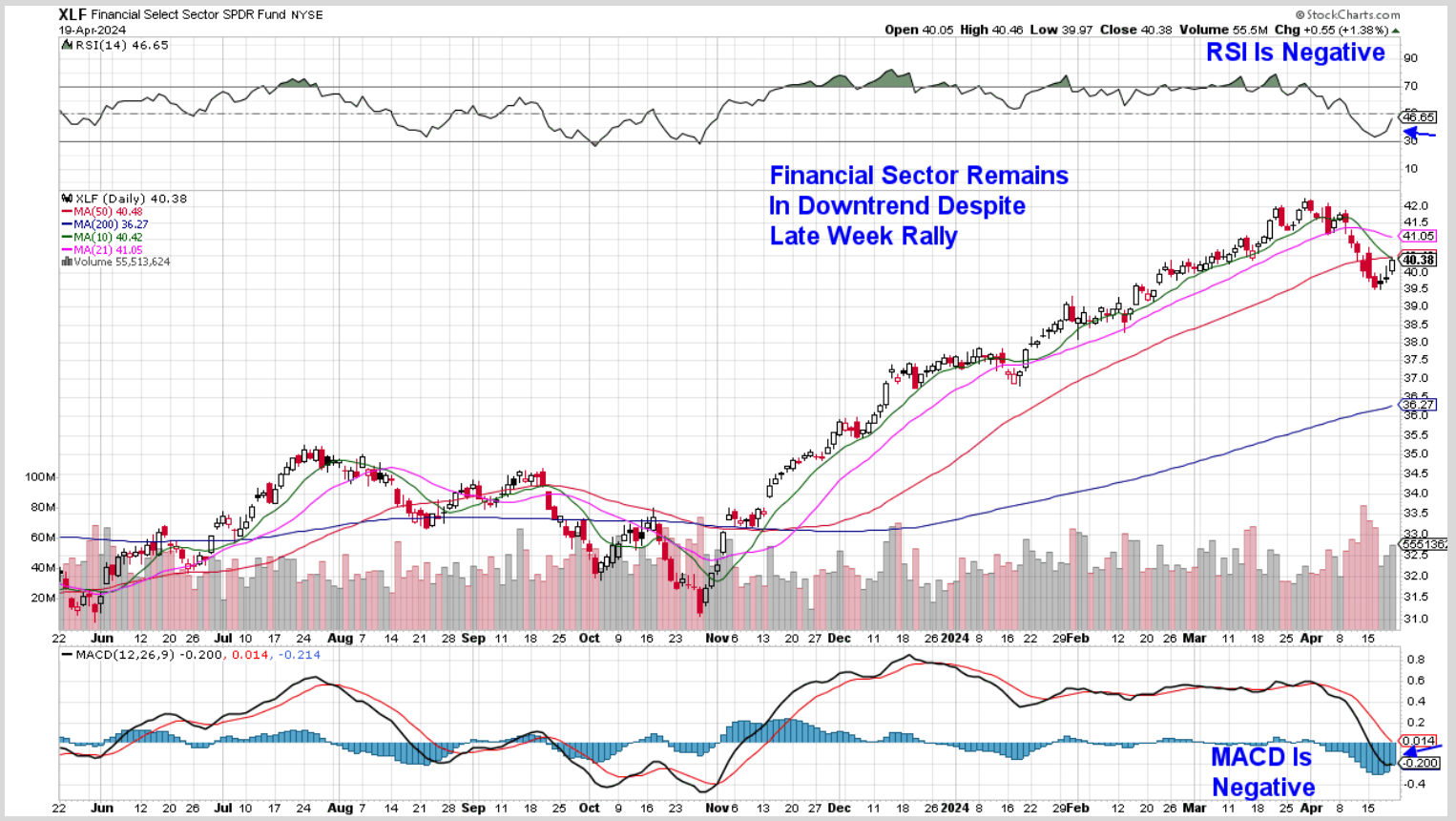
Building-related stocks also came under selling pressure amid a possible slowdown in home building due to the rise in mortgage rates.

Aerospace and Defense stocks such as FTAI Aviation (**FTAI**) fared better for the week with the stock trading higher on Friday in a bid to regain its 21-day moving average. **FTAI** is due to report its earnings on Thursday after the markets close.

Eaton Corp (**ETN**) is due to report their earnings at the end of this month and the stock pulled back close to its 50-day moving average with the RSI now in negative territory. **ETN** is in a position that is similar to early September when it pulled back in line with the markets and fell 20% overall, before recovering in late October.

We are removing Eaton (**ETN**) from our Suggested Holdings List.

Daily Chart of the Financial Sector (XLF)



Financial Sector Gets Late-Week Boost From Banks

The Financial sector was helped by better-than-expected earnings from select Bank stocks that reported their quarterly results on Friday. Despite a 2.5% gain in this group, it remains in a downtrend and has more work to do before turning bullish. (Using ETF KRE)

The biggest winners in this sector last week were select Insurance companies such as Allstate (**ALL**) from our list. The stock gained almost 4% following news that they will be increasing their fees for premiums due to catastrophic losses in the US.

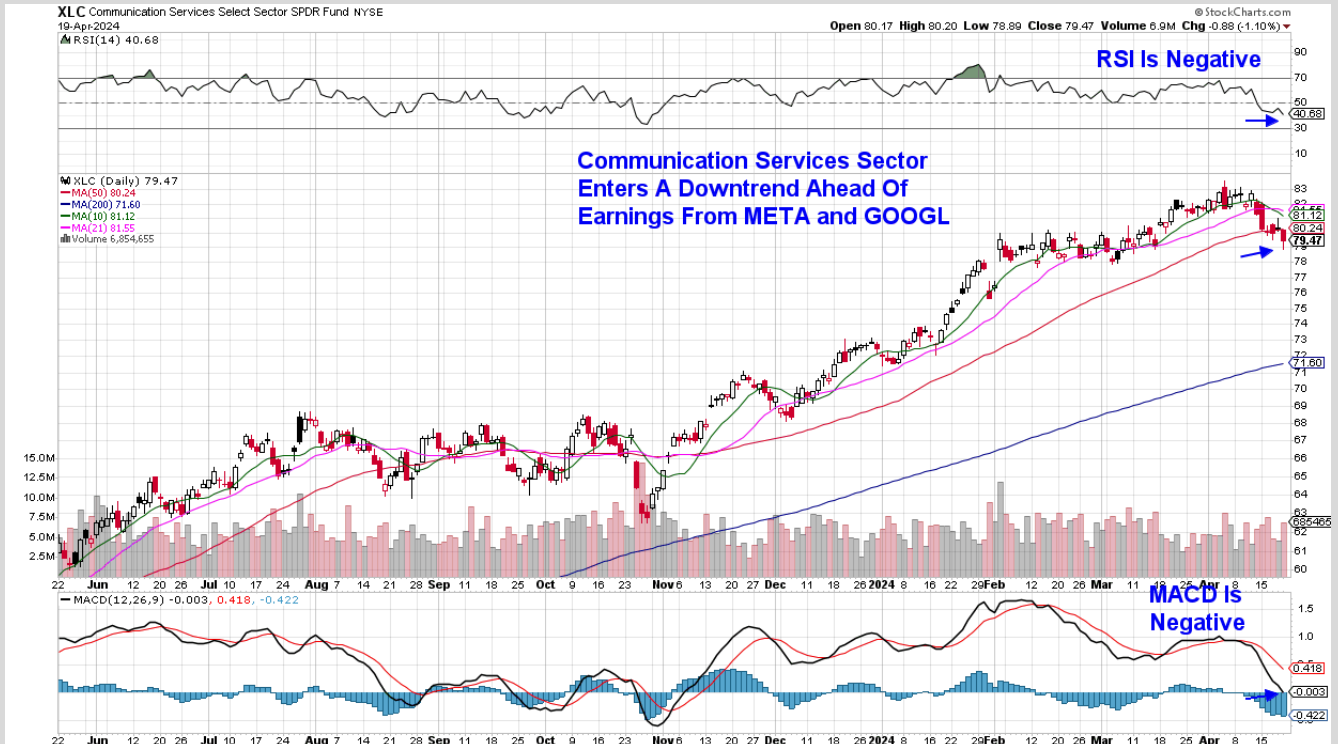
Allstate is also getting a boost from higher short-term interest rates which is improving their interest income. Like most insurance companies,

ALL invests their income from premiums in shorter-term investments.

Allstate (**ALL**) is in a buy zone after last week's rally pushed the RSI into positive territory with the stock closing above its shorter-term moving averages. We would be a buyer in the \$168 range at its 10-day simple moving average.

Next week, Q4 earnings reports from Bank stocks will pick up considerably. At this time, the industry group is in a downtrend and it needs to close above its shorter-term moving averages with a positive RSI and MACD before we would consider adding names to our Suggested Holdings List. (using ETF KRE)

Daily Chart of the Communication Services Sector (XLC)



Communication Services Sector Enters A Downtrend After Key Earnings

The Communication Services sector was hurt by a sharp drop in Netflix on Friday after the Company reported their quarterly results. While subscribership levels were up, management guided their growth prospects lower for the second quarter.

In addition, **NFLX** revealed that they will no longer be disclosing subscribership data which had investors speculating that growth in this area will be slowing. In response, the stock fell sharply on heavy volume in a move that has this stock now below its 50-day simple moving average with a negative RSI and MACD.

We are removing **NFLX** from our Suggested Holdings List.

Next week, heavyweight names Alphabet (**GOOGL**) and Meta Platforms (**META**) will be releasing their

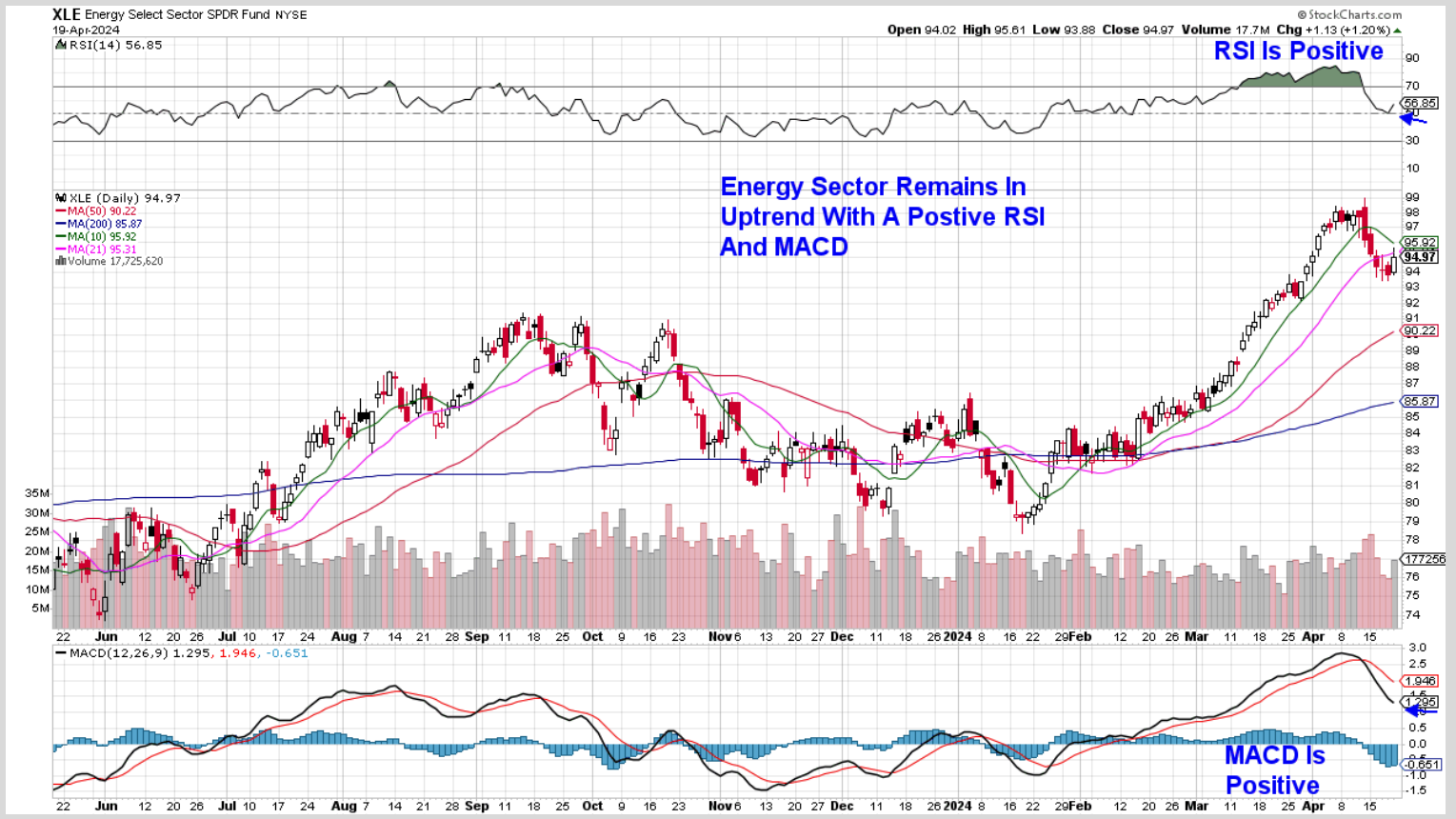
quarterly results as well as providing guidance for growth going forward.

META closed the week below its key 50-day simple moving average with the RSI now in negative territory. The stock has a history of quickly recovering from a dip below its 50-day simple moving average and we are keeping the stock on our List.

GOOGL is sitting near a record high in price after the company announced several AI-related updates including a new custom chip at their recent conference. Last quarter, the monetization of AI was closely watched and the same is expected this quarter.

Any weakness in either of these reports would of course be a negative for the markets, as well as other areas of AI, as both companies are at the forefront of new developments in AI.

Daily Chart of the Energy Sector (XLE)



Energy Sector Remains Positive

The Energy sector began on a weak note as a higher interest rate outlook continued to weigh on these stocks. Higher interest rates can weaken economic growth and depress oil demand.

Also impacting these stocks was a sharp drop in the price of Oil on Wednesday following news of an inventory buildup while escalating geopolitical risk in the Middle East pushed prices higher on Friday after reports of gunfire.

Despite the volatility last week, the price of oil remains elevated at \$87 per barrel and the sector remains in an uptrend. From here, earnings reports will be closely watched and last week heavyweight name Schlumberger (**SLB**) reported earnings and sales that were above estimates amid robust activity

internationally. The news was not enough to bolster the stock however and **SLB** traded lower after the news.

Occidental Petroleum (**OXY**) from our list is due to report earnings in 2 weeks and the stock remains in an uptrend as it closed above its 21 day simple moving average and is now close to being in a buy zone at the \$67 level.

Summary

Last week the markets broke below key support amid strong economic data which is expected to keep inflation high while diminishing hopes for a rate cut anytime soon. Next Thursday, estimates for the first quarter GDP will be released and any strength in this number will confirm that the economy is strong.

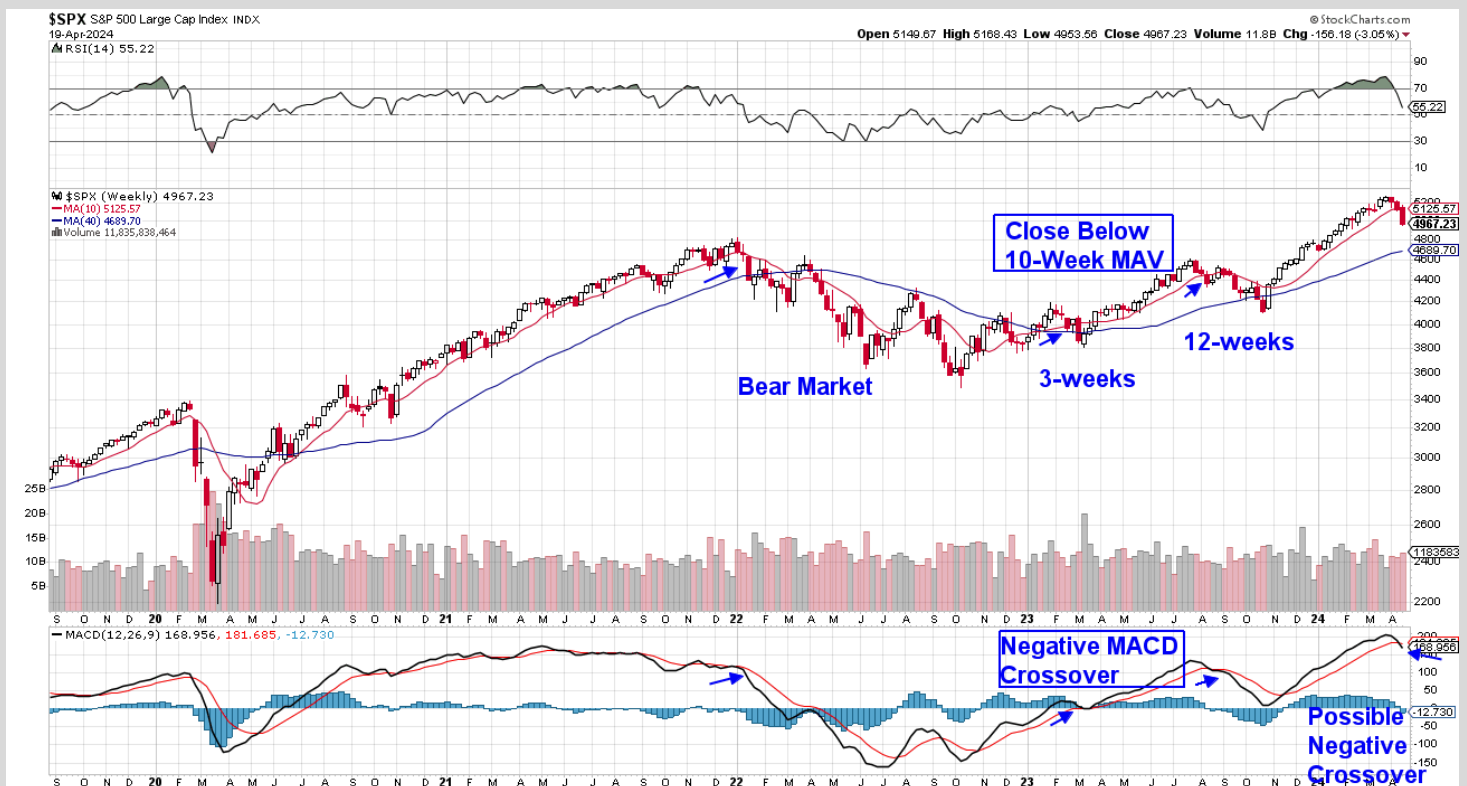
Weaker-than-expected growth outlooks from key companies was another negative factor last week. Strong corporate growth is the number one reason that stocks go on to far outpace the markets and next week will reveal given the number of mega-cap Growth stocks that are reporting.

On the inflation front, the Federal Reserve's preferred measure of this data will be released on Friday before the markets open with the core index expected to increase by 3%. Any number above this will give the markets pause.

As mentioned earlier, we are using the August to November period as precedent and using the weekly chart below, you'll see that the 12-week pullback period provided an ideal setup for another leg up for the markets. Next week's economic data and corporate earnings reports may shift this outlook to a shorter duration depending on the data. We will of course keep you apprised.

Charts We Are Watching:

Weekly Chart of the S&P 500



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	27.5%	Retail - Internet	30-Apr
ENERGY						
OXY	Occidental Petroleum	\$69.24	4/7/2024	0.50%		8-May
FINANCIAL						
ALL	Allstate	\$173.01	3/31/2024	0.50%		1-May
INDUSTRIAL						
ETN	Eaton Corp	\$260.00	2/4/2024	14.0%	Diversified Operations	30-Apr
FTAI	FTAI Aviation	\$58.00	3/17/2024	14.5%		25-Apr
HEALTHCARE						
BSX	Boston Scientific	\$57.60	1/3/2024	17.5%		24-Apr
MRK	Merck & Co.	\$131.90	3/31/2024	0.5%		25-Apr
TECHNOLOGY						
DELL	DELL			-7.5%		10-May
NVDA	Nvidia	\$450.00	11/5/2023	64.0%	Semiconductor	22-May
COMMUNICATION SERVICES						
GOOGL	Alphabet Inc.	\$156.61	4/10/2024	-1.0%		25-Apr
META	Meta Platforms	\$315.40	10/8/2023	45.0%	Internet-Content	24-Apr
NFLX	Netflix	\$432.30	11/5/2023	34.5%	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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