



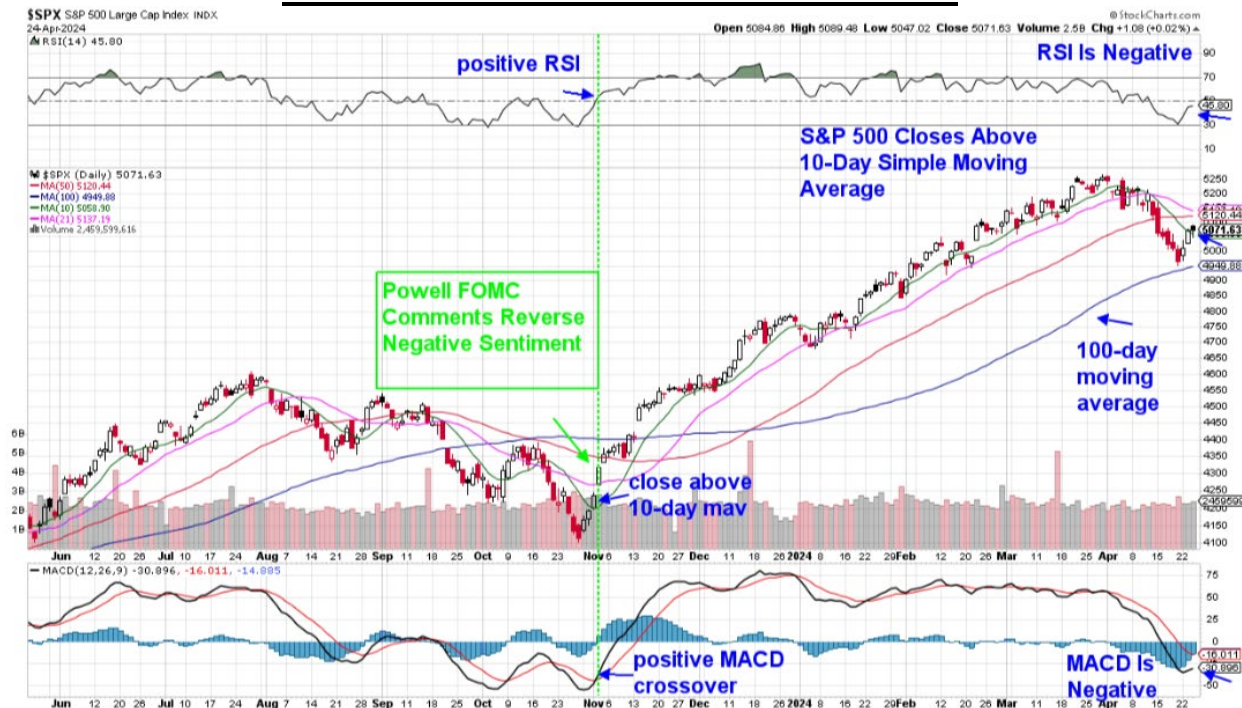
THE MEM EDGE

Midweek Report

Wednesday, April 24, 2024

- New Home Sales Jump In March
- Q1 GDP Due Thursday and PCE Data On Friday
- April Employment Data Due Next Week
- META Drops Sharply After Hours After Boosting Capital Spending Outlook

DAILY CHART OF S&P 500 INDEX



The S&P 500 has gained 2.2% so far this week in a move that puts this index back above its 10-day simple moving average. While this is constructive, both the RSI and MACD remain in negative territory, which keeps the near-term downtrend in place.



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As noted in our Sunday report, on the left side of the S&P 500 chart above we've 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 has now closed above its 10-day moving average which is similar to late August as well as early October but this Index was unable to rally further. It took lower interest rates in early November before a sustainable uptrend took place.

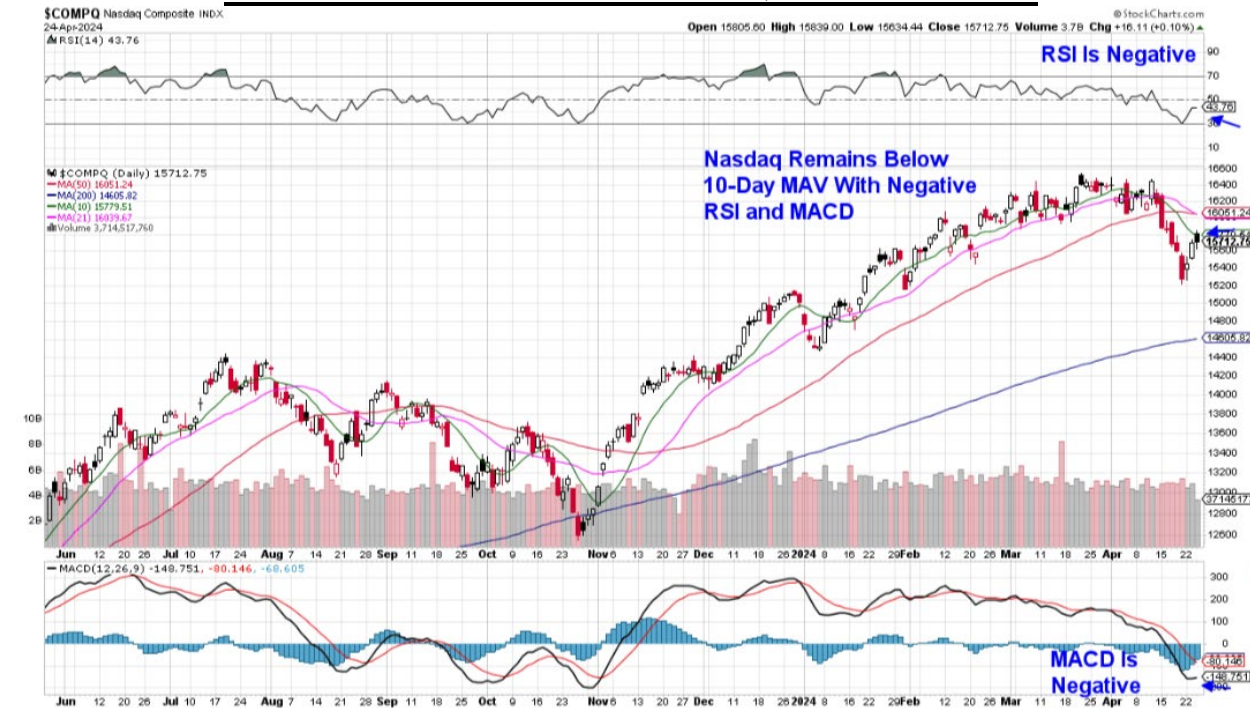
Should the S&P 500 rally further, the 50-day moving average is the next area of upside resistance which is 1% away. On any pullback, the 10-day moving average is now the first area of possible support and it is 0.3% away. A close below this moving average puts the 100-day moving average as the next area of possible support which is 2.4% away.



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DAILY CHART OF NASDAQ COMPOSITE



The NASDAQ fared better with a 2.8% rally amid outperformance in most of the Magnificent Seven names. A sharp rally in Semiconductors as well as gains in Software and Biotechs stocks also gave this Index a boost.

Despite the gains, the NASDAQ remains below its key 10-day simple moving average with a negative RSI and MACD. This keeps the near-term downtrend in place.

We anticipate further weakness in the NASDAQ tomorrow following news after today's close that Meta Platforms (**META**) is down 15% after guiding growth estimates lower due to plans to boost their capital expenditures to keep up with AI advancements.



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The news is expected to negatively impact other AI related stocks as it raises doubts regarding the near term profitability of these companies.

The Technology sector has been the top performer, led by a 5% rally in Semiconductor stocks which were beaten down after last week's sharp selloff. Most of the biggest gainers have been deeply oversold smaller stocks. Despite the gain in this group, it remains in a downtrend with its RSI and MACD in negative territory.

Large Cap Semi Texas Instruments (TXN) posted losses that were less than expected which gave this stock as well as other names a boost today. Tomorrow, well known Intel (INTC) is due to report their quarterly results.

Closely watched NVIDIA (NVDA) did not rally today, after beginning the week with gains before finding resistance at its 50 day simple moving average. The stock remains in a downtrend.

Software stocks emerged from an oversold position with a 3% rally for the week however this group remains firmly in a downtrend.

After the market's close today, well-known software company ServiceNow (NOW) is down over 5% despite beating earnings estimates.



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The selling is due to the company's lighter than expected guidance for growth going forward. We anticipate this to negatively impact other software stocks ahead of tomorrow's highly anticipated release of earnings from Microsoft (**MSFT**) after the markets close.

Not all of the news is negative however with Medical Products stock Boston Scientific (**BSX**) gaining over 8% for the week led by a gap up into a base breakout today following their release of strong earnings and an improved growth outlook.

While the game puts **BSX** into a strong buy zone, negative broader market conditions would have us holding off from adding to any positions.

Merck (**MRK**) from our Suggested Holdings list posted a more modest 1% gain ahead of the release of their earnings tomorrow before the market's open.

Industrial stocks are underperforming this week ahead of the release of earnings from heavyweight name Caterpillar (**CAT**) tomorrow.

FTAI Aviation (**FTAI**) from our List is also due to report Quarterly results tomorrow after the market's close. the stock has gained 7% going into report in a move that has this stock a hair away from a two-week base breakout.



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Allstate (**ALL**) is flat for the week so far ahead of the release of their earnings next Wednesday. The stock pulled back from a 3-week base breakout on Monday, and is above key support with a positive RSI and MACD. The stock remains in a buy zone however broader market conditions would have us adding lightly to any new positions.

Both Alphabet (**GOOGL**) and Microsoft (**MSFT**) are due to report their results after the markets close tomorrow. Their results around anticipated AI spending relative to current AI related sales levels will be closely watched. Given that both stocks are sitting relatively close to new highs - similar to META - puts them in highly vulnerable position.

We anticipate we'll be removing **META** from our Suggested Holdings List.

Energy stocks have gained less than the broader markets amid a lack of any news. Occidental Petroleum (**OXY**) from our list is trading in line with the group with a 1% gain. The stock can be held.

As noted in our Sunday report, we were on the lookout for volatility due to earnings reports from several Magnificent Seven stocks as well as key economic data.

Investor's sharp negative response to META's weak revenue outlook signals that investor's appetite for high growth stocks that falter in any way, is non-existent. During healthier market environments, investor's have an ability to forgive negative news and essentially look the other way.



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We will continue to monitor the markets and used last Fall's period as president. At this time, we remain in a downtrend as we approach key earnings and economic data over the next two days.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report