



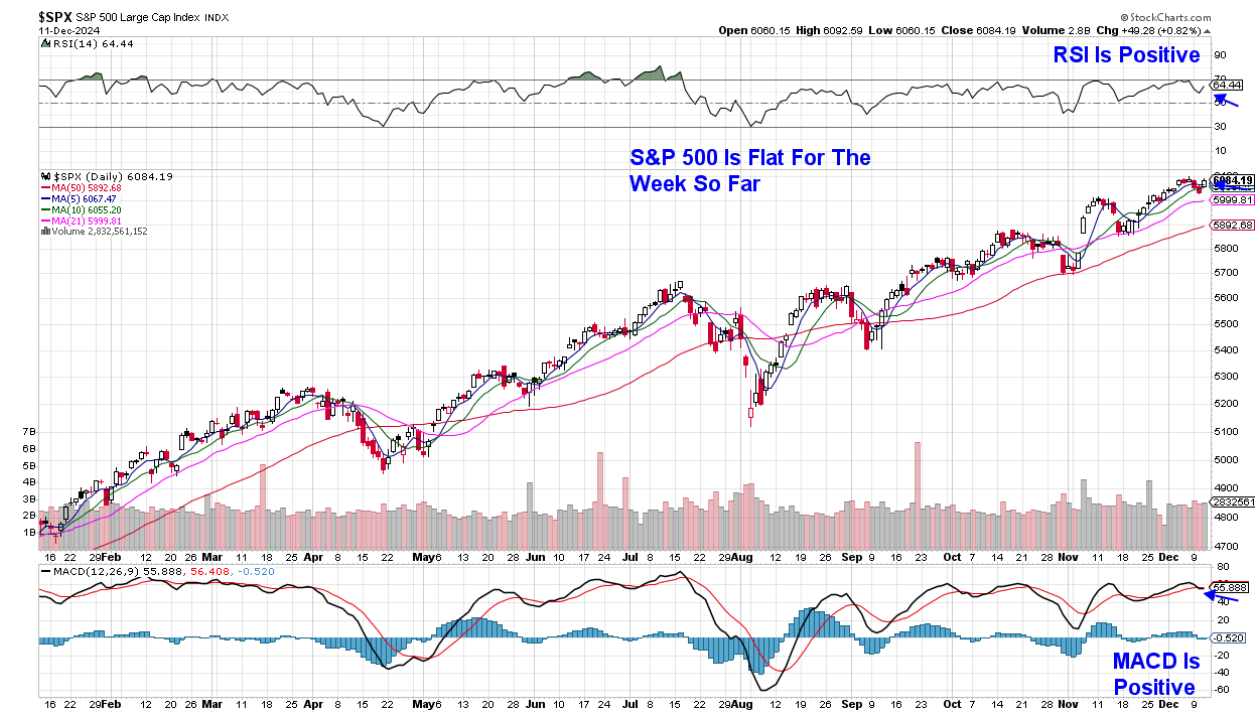
THE MEM EDGE

Midweek Report

Wednesday, December 11, 2024

- Inline CPI Inflation Data Raises Rate Cut Hopes
- Nasdaq Closes Above 20,000 Level
- Producer Price Index Due Tomorrow
- FOMC Rate Policy Meeting Next Week

DAILY CHART OF S&P 500 INDEX



The S&P 500 is flat for the week after recovering from a pullback on Monday and Tuesday following positive CPI data today. This keeps the near-term uptrend in place.

The Nasdaq has gained 0.9%, led by a sharp outperformance in Tesla (TSLA) and Alphabet (GOOGL) with both Apple (AAPL) and Amazon (AMZN) posting lesser gains, but closing at a new high.

This week's gain has put the Nasdaq above 20,000 with both the daily and weekly charts pointing to further near-term upside.



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The markets got off to a rocky start this week, with a pullback in many high-flying Growth stocks that were stretched beyond buy points. Today's CPI data brought buyers back. However, many stocks that have posted strong year-to-date gains remain in the red for the week to date.

Of the 11 S&P 500 sectors, only 2 are positive - Discretionary and Internet - led by large gains in Tesla and Alphabet. Overall, Growth stocks are mostly leading Cyclical areas again this week.

The Technology sector has pulled back 0.6%, after losses in the Software and Semiconductor groups which followed mixed earnings and sales reports from well-known companies.

Among Software stocks on our List, Fair Isaac (**FICO**) was hit the hardest, with a 7.4% loss that puts the stock at its 50-day moving average with a negative RSI. We would not be a buyer on this pullback, but rather would wait for the stock to regain its 10-day moving average with a positive RSI.

Palantir (**PLTR**) hit a new high in price on Monday before pulling back below its 10-day simple moving average today. PLTR recovered, to close above this MAV which puts the stock into a buy zone.

Q2 Holdings (**QTWO**) pulled back to its 21-day simple moving average with a close today that is a hair away from being above its 10-day simple moving average. This would put the stock into a buy zone with a positive MACD crossover providing further conviction.

Fortinet (**FTNT**) outpaced the Software group with a 1.2% pullback to its 10-day moving average. The relative outperformance is in line with other Software Security stocks as demand for corporate defense against cyber-attacks is strong.

Overall, the Software group remains strong after regaining its 10-day moving average on today's close. (using IGV) However, Adobe's weaker-than-expected earnings report after the close today has the stock down 8%. This may negatively impact the group tomorrow.

Semiconductor stocks are pulling back this week with both Taiwan Semi (**TSM**) and Nvidia (**NVDA**) falling further than the group. Both stocks were hurt by a negative sales report from **TSM**. Both **TSM** and **NVDA** can be held.



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Tomorrow, AI-related Semiconductor company Broadcom (**AVGO**) is due to report their earnings. The stock is in a bullish position to trade higher should they report strong earnings as well as a strong outlook. Their results are expected to impact other Semiconductor stocks.

Industrial stocks continued to sell off this week, with the sector closing just below its 50-day moving average with a negative RSI. (using XLI)

Hardest hit have been building related stocks such as EMCOR (**EME**) from our List, which is down 5.5%. The stock has found support at its 50-day moving average with a negative RSI.

A close back above its 10-day mav - in the \$500 range - would put the stock into a buy zone with a bullish MACD crossover signaling a new uptrend. (black line up through the red)

Vertiv Holdings (**VRT**) has pulled back close to its 50-day moving average and similar to EME, a close above its 10-day moving average would put the stock into a buy zone.

FTAI Aviation (**FTAI**) has closed below its 50-day moving average with a negative RSI and the MACD poised to turn negative as well. We may see further weakness near term, as profit-taking among year-to-date winners such as **FTAI** has taken hold.

We would lighten up on any positions as the weekly chart just posted a negative MACD crossover which points to possible weakness over the longer term.

Granite Construction (**GVA**) is trading below its 10 and 21-day moving averages however, both the RSI and MACD are in positive territory. A close above the \$98 range - its 10-day mav - would put the stock into a buy zone.

Consumer Discretionary stocks have been the top performing thanks to Tesla's sharp gain.

Amazon's (**AMZN**) move to a new high has also helped this sector, with the stock finding support above its upward-trending 5-day moving average. The stock is continuing to trend higher following last week's sharp rally after its AI-focused cloud conference.

AMZN now has an RSI that's in an overbought position on its daily chart which is not common. With the stock now 13% above its 50-day moving average, we're on the lookout for a pullback. The longer-term weekly chart points to further upside however.



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Walmart (**WMT**) has pulled back to its 10-day moving average where it has found support. We may see further upside later this week depending on results from big box rival Costco tomorrow. For now, the stock can be held.

Shake Shack (**SHAK**) remains in a confirmed uptrend above its 10-day moving average. The stock is in a buy zone.

Housing stocks are continuing to pull back with Toll Brothers (TOL) closing below its 50-day moving average with a negative RSI and MACD. The loss took place despite the company posting record revenues and earnings above estimates.

TOL is being removed from our Suggested Holdings List as the break below key support took place on heavy volume.

Financial stocks are pulling back and while Affirm Holdings (**AFRM**) lost a bit more than the group, the stock closed back above its 10-day moving average and into a buy zone.

Bank of America (**BAC**) Has a positive RSI and MACD and a close back above its 10-day simple moving average in the \$47 range, would put the stock into a buy zone.

Blue Owl Capital (**OWL**) is in a buy zone after today's 5.5% rally puts the stock close to a possible base breakout at the \$25 level.

Meta Platforms (**META**) is in a strong buy zone as the stock continues to find support above its 5-day moving average while at a new high in price. The RSI and MACD are at a relatively low level which allows for further upside near term.

Netflix (**NFLX**) also remains in a buy zone above its 5-day moving average. The stock is overbought on the longer-term weekly chart however and we would add to positions lightly.

Healthcare stocks are continuing to struggle, with both Intuitive Surgical (**ISRG**) and Boston Scientific (**BSX**) closing just at their 10-day moving averages.

BSX is currently in a better position to trade higher at this time however, negative group dynamics would have us underweighting these stocks.

Tomorrow, additional key inflation data will be released with Producer Price Index (PPI) data due before the markets open.



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Today's rally took place following CPI data which came in at estimates and increased traders' belief that we'll see a rate cut at next week's FOMC meeting. Similarly benign data tomorrow, would be bullish for the markets.

Overall, Mega Cap Growth stocks, led by M7 names, are continuing to see the most upside price action with Cyclical names continuing to pull back.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report