



THE MEM EDGE

December 15, 2024 | Weekly Report

Economic Data Last Week

- Inline CPI Inflation Data Raises Rate Cut Hopes
- Nasdaq Closes Just Below 20,000 Level
- Small Increase In Producer Price Index (PPI)

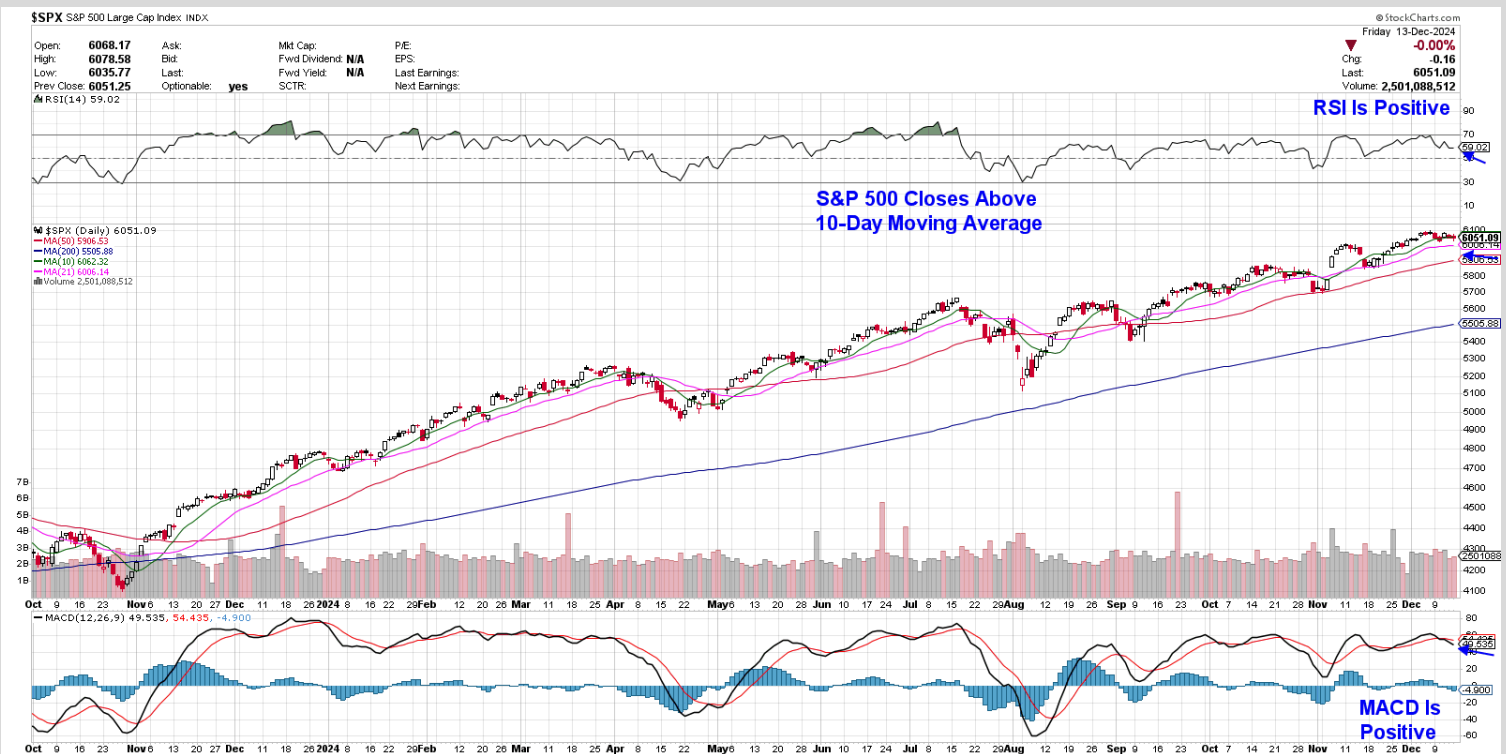
Data Due Next Week

- FOMC Rate Interest Decision On Wednesday
- Retail Sales, Housing Starts And Q3 GDP Estimate
- PCE Data Due For November On Friday

Market Developments Last Week

- Interest Rates Rise As Rate Cut Anticipation For 2025 Recedes
- Breadth In Markets Deteriorates
- 6 Of 11 S&P Sectors Are Below Key 50-Day Moving Average

Daily Chart of S&P 500



The S&P 500 lost 0.6% and with this Index closing above its 10-day simple moving average. With a positive RSI and MACD, the near-term uptrend remains in place.

Breadth in the markets remained weak however, with the Equal Weighted S&P 500 declining 1.6%. Only 1 sector posted a gain - Consumer Discretionary - due mostly to a sharp rally in Tesla (**TSLA**).

The Nasdaq fared better with a 0.3% increase due to earnings-related gains in select M7 and Semiconductor stocks. This Index remains in an uptrend after hitting a new high in price last week.

Inflation-related data was key last week, with both the Consumer Price Index (CPI) and Producer Price Index (PPI) showing that prices have remained mostly unchanged.

While flat inflation was good news for the markets, the fact that it's not going down while economic growth remains persistent has lowered investor's confidence in aggressive rate cuts next year.

Trump's policies beginning next year for fiscal spending and tariffs, both of which create inflation, are also reducing Fed rate cut possibilities.

This shift in rate expectations led to a rise in bond yields, with the 10-year Treasury reaching a 3-week high of 4.38%. This level is getting dangerously close to 4.5%, which may trigger broader market volatility.

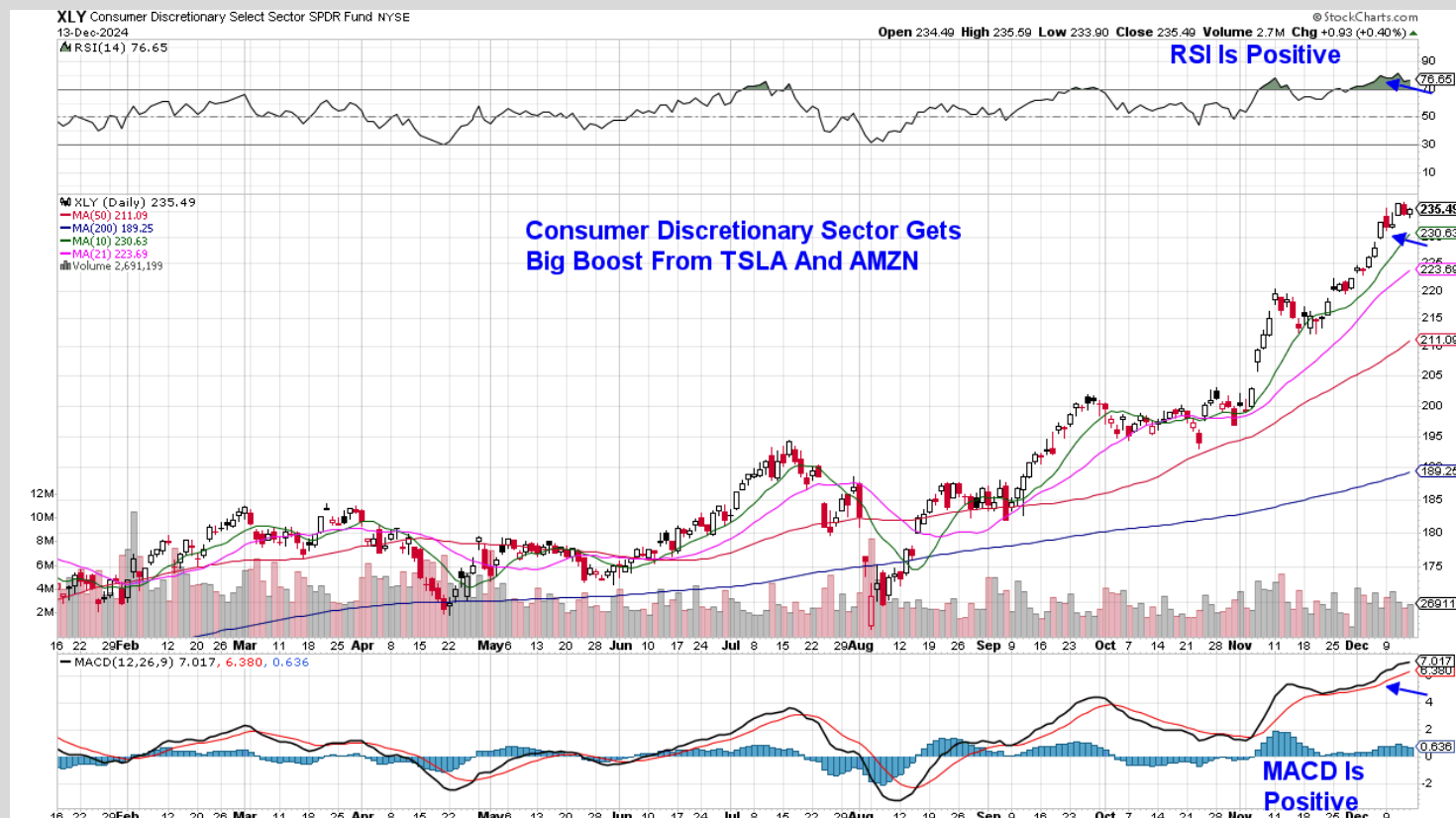
Last week, areas that fare poorly in a rising rate environment tumbled, with housing stocks dropping 4% while Biotechs were down 3.3% and Small Caps fell 2.5%. Each of these areas depends on a lower cost of capital in order to grow.

Should we see higher-than-expected PCE data next week, these areas will continue to fall. This would especially take place if the Fed does not lower interest rates at their meeting next week. At this time, over 95% of traders believe the Fed will cut by 0.25%.

Other dynamics were also at play last week, as many stocks that have been recently outperforming pulled back sharply. This was especially true of Industrials, Banks, and other economically sensitive areas. Top-performing growth stocks also saw selling.

Given the strong post-election advance we have seen in the markets, a period of consolidation would not be unexpected. We are using the late October period as precedent as rising interest rates pushed the markets down 3%, while economically sensitive sectors fell further.

Daily Chart of the Consumer Discretionary Sector (XLY)



Consumer Discretionary Sector Is Only Positive Area

Consumer Discretionary stocks had another week where Tesla provided a big boost after rallying 12.1%. Other economically sensitive areas such as Home Construction, Travel, and Retailers pulled back more than the markets.

This would include Shake Shack (**SHAK**) from our list which pulled back 5% where it found support at its 21-day simple moving average. The stock can be bought on a close above its 10-day moving average in the \$135 range.

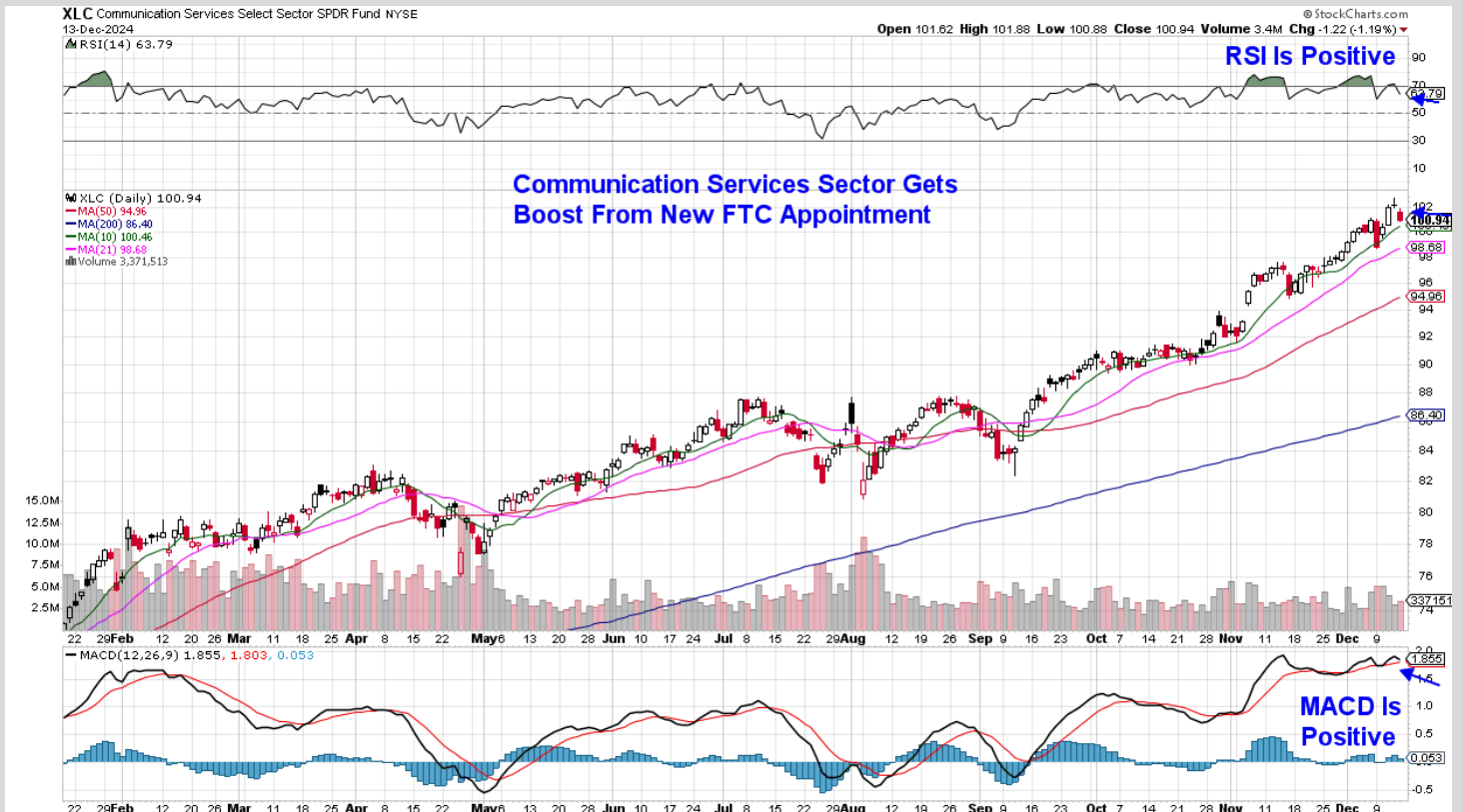
Walmart (**WMT**) lost 1.5% last week and remains in a confirmed uptrend with a close back above its

10-day moving average. Of concern, however, is the negative MACD crossover on the daily chart which signals a period of consolidation at the least and in some cases, precedes a pullback. **WMT** can be held.

Amazon (**AMZN**) closed the week flat and remains in an uptrend after closing at its 5-day moving average.

As noted in our Wednesday report, **AMZN** now has an RSI that is in an overbought position on its daily chart which is not common. With the stock now 13% above its 50-day moving average, we are on the lookout for a pullback. The longer-term weekly chart points to further upside and we would be a buyer on any pullback.

Daily Chart of the Communication Services Sector (XLC)



Communication Services Sector Ends The Week Flat

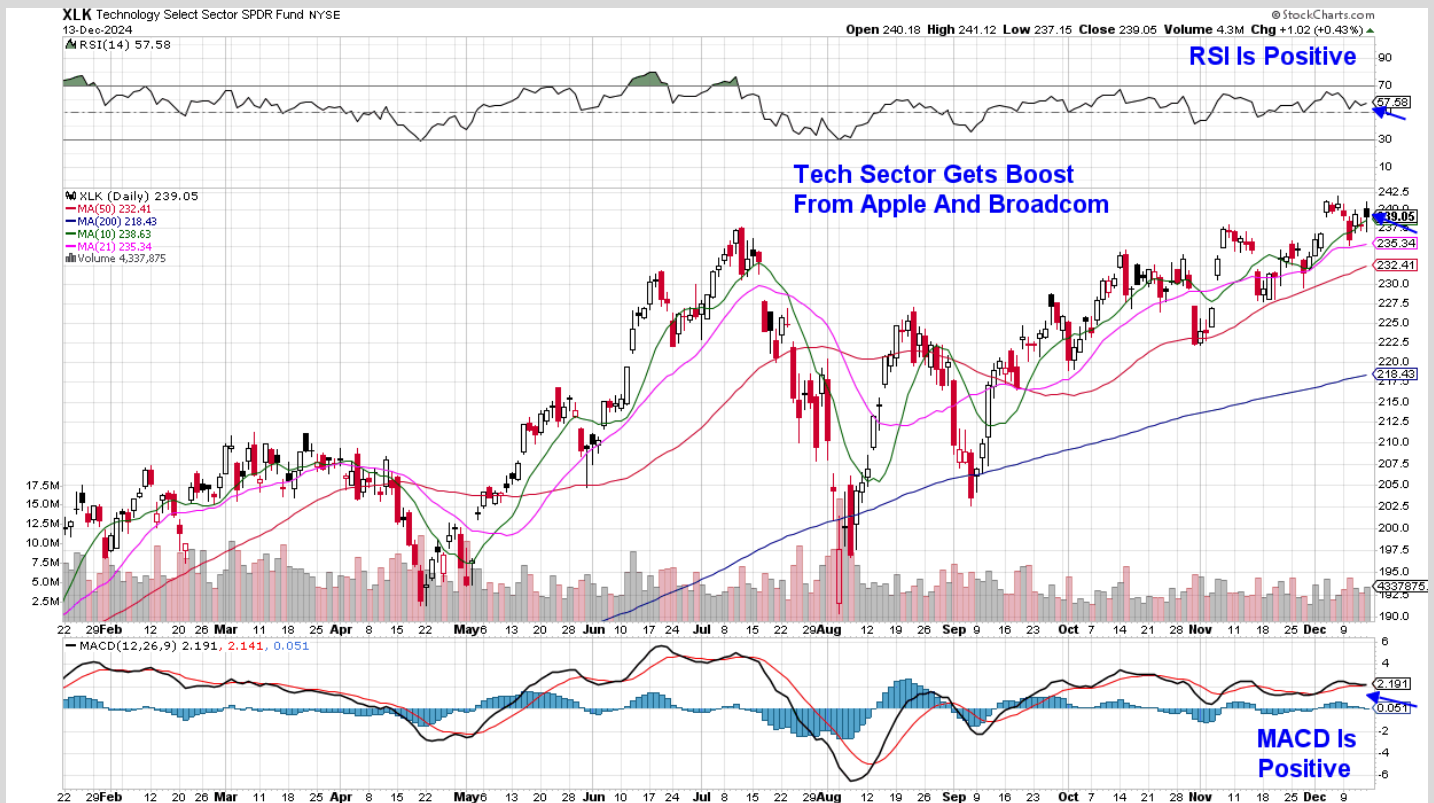
The Communication Services sector received a boost from Alphabet's (**GOOGL**) 8.7% gain following news of their new AI model Gemini 2.0.

Trump's appointment of a new FTC Chair was also cheered, as it indicated the departure of harsh regulator Lina Khan.

Meta Platforms (**META**) rose 0.6% with the stock remaining in an uptrend above its upward-trending 10-day moving average. With a positive RSI and MACD, the stock is in a buy zone.

Netflix (**NFLX**) is in a similarly positive position above its 10-day moving average; however, the stock is in an overbought position on its weekly chart. We would add lightly to any new position.

Daily Chart of the Technology Sector (XLK)



Technology Sector Gets Boost From Apple And Select Semiconductor Stocks

The Tech sector closed the week back above its 10-day simple moving average and with a positive RSI and MACD, the uptrend in this sector remains in place.

It was a mixed week for these stocks however, with heavyweights Apple (**AAPL**) and Microsoft (**MSFT**) both outperforming, while Nvidia (**NVDA**) fell 5.8%.

Software stocks pulled back sharply with a 3.9% loss amid a weak growth outlook from Adobe (**ADBE**) and Oracle (**ORCL**). Both stocks fell double digits on the news which negatively impacted other Software stocks.

Profit-taking was also at play, after last month's 15% gain in these stocks. (using ETF IGV) In addition, Software stocks do not fare well in a rising rate environment, as the future value of earnings is lowered.

At this time, the group remains above its 21-day moving average; however, the RSI and MACD are both heading lower. We are using the late October period as precedent and anticipate a recovery in Software stocks however, near-term selling pressures may remain.

Of stocks on our List, Fair Isaac (**FICO**) was hit the hardest, with an 8.6% loss that puts the stock at its 50-day moving average with a negative RSI.

FICO is a leader in analytics software however, the need for their credit scoring product is not as needed in a rising interest rate environment. An overlay of the yield on the 10-year Treasury on top of **FICO** shows that historically, the stock will pull back in a rising interest rate environment.

At this time, **FICO** has a negative RSI with the MACD close to turning negative on the daily chart. While we are leaving the stock on our Suggested Holdings List, we would not be a buyer but would wait for the stock to regain its 10-day moving average with a positive RSI.

Q2 Holdings (**QTWO**) also pulled back last week with a 5% decline that puts the stock at its 21-day moving average. With the RSI and MACD in positive territory, a close above its 10-day moving average in the \$107 range would put the stock into a buy zone.

Fortinet (**FTNT**) fared better than its peers, with a close above its 10-day moving average. That said, its positive RSI and MACD are both trending sideways similar to the September to mid-October period when the stock was consolidating.

We would not be adding to **FTNT** at this time. A breakout above the early November high of \$100.6 would put the stock into a buy zone.

Palantir (**PLTR**) was among the top performing Large Cap Software stocks with a 0.4% loss that keeps the stock above its 10-day moving average.

On Friday, **PLTR** was added to the Nasdaq 100 Index which pushed the stock up 4%. The rebalancing will take place December 23rd and historically, inclusion in this Index has been positive over the near term. (after reviewing 2023 additions)

PLTR is attractive on a near-term basis however, the longer-term weekly and monthly charts are in an overbought position with the RSI at 86 on both time frames. (an RSI above 70 is overbought)

The stock is in an uptrend however, any new positions should be closely monitored.

Semiconductor stocks were up 1.6% after heavyweight name Broadcom (**AVGO**) reported earnings above estimates on Friday with its AI revenue soaring 220%. The news pushed **AVGO** up 24% with other AI-related stocks benefitting as well.

Taiwan Semi (**TSM**) was among those names that rallied given their dominance in AI chip manufacturing. The stock ended the week down 1% after regaining its 10-day simple moving average on Friday.

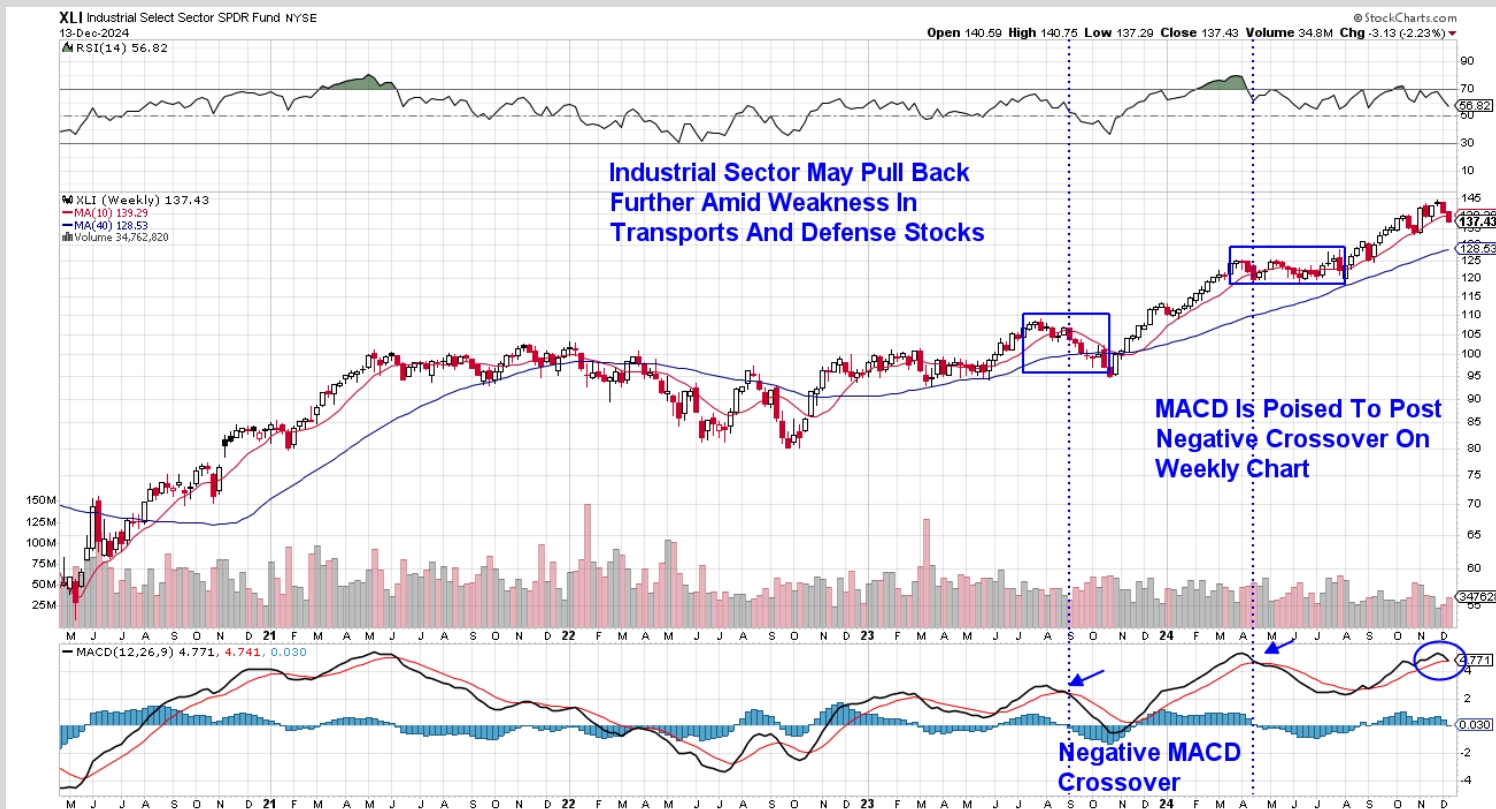
TSM is in a buy zone with a close above the \$205.6 level putting it into a strong buy zone as this would be a cup with handle base breakout.

Nvidia (**NVDA**) pulled back 2.3% on Friday as **AVGO**'s news that two large firms were using their chips to develop next-generation AI processors, poses a threat to their competitive edge.

NVDA closed the week below its 50-day simple moving average with both its RSI and MACD now in negative territory. While we are removing the stock from our Suggested Holdings list, the long-term outlook for the stock remains constructive.

Micron Technology (**MU**) is the U.S.'s largest memory chip provider and the company will report earnings next Wednesday. Their results historically impact Semiconductor stocks.

Weekly Chart of the Industrial Sector (XLI)



Industrial Sector Among Weaker Areas

Industrials pulled back again last week, with this sector now below its 50-day moving average with a negative RSI and MACD.

In the weekly chart of this sector above, we have highlighted 2 previous periods where the MACD turned negative. As you will see, it can signal a further pullback (last September) or merely a period of consolidation (April - August). The negative MACD crossover has not occurred yet. We will continue to monitor.

Each of the names on our List underperformed the group, with FTAI Aviation (**FTAI**) getting hit the hardest. As noted on Wednesday, we advised

lightening up on any positions and today, we are removing the stock from our Suggested Holdings List.

In addition to pulling back with other top year-to-date performers, news from Boeing (**BA**) that they are ramping up production of their dreamliner aircraft hurt the stock. **FTAI** leases aftermarket aircraft parts to older aircraft.

Building-related stocks were also under selling pressure amid rising rates. EMCOR (**EME**) pulled back to its 50-day moving average and the stock can be held. A close above its 10-day moving average in the \$495 range would put the stock into a buy zone.

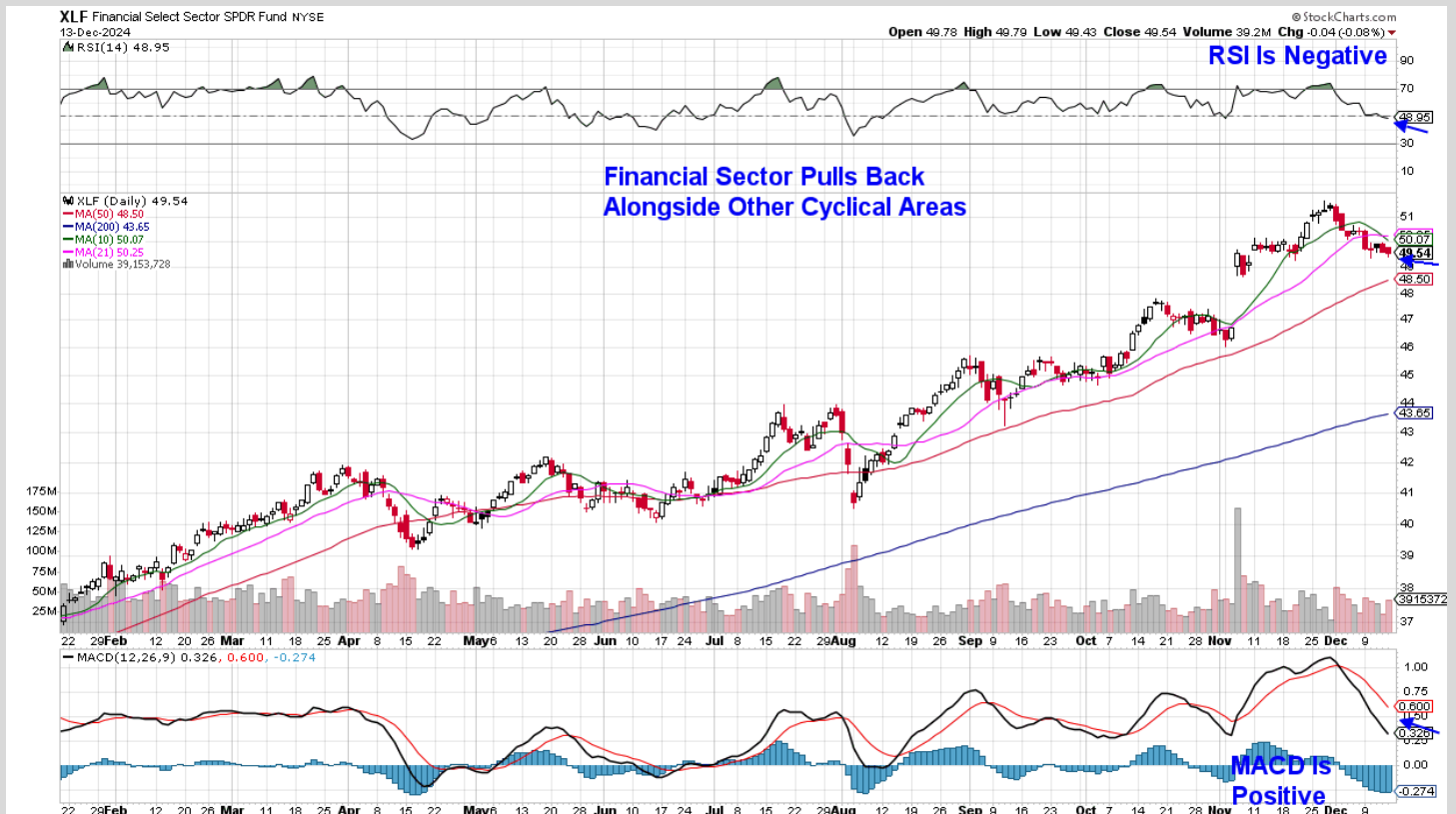
Infrastructure construction company Granite Construction (**GVA**) pulled back as well, with buyers coming in after Friday's decline. A close above its 10-day moving average in the \$97 range would put the stock into a buy zone.

Data center power equipment company Vertiv Holdings (**VRT**) pulled back as well. However, the stock remains above its 50-day moving average with a positive RSI. A close above the \$129 range would put the stock into a buy zone.

While we have identified that **VRT**, **EME**, and **GVA** can be bought on a close above their shorter-term moving averages, we would underweight these economically sensitive areas at this time.



Daily Chart of the Financial Sector (XLF)



Financial Sector Hurt By Mortgage And Other Lenders

The Financial sector pulled back so that the RSI is now in negative territory. A weak outlook for housing stocks due to rising interest rates and other factors hit mortgage lenders the hardest. Regional Banks also pulled back sharply.

Bank of America (**BAC**) pulled back; however, its RSI and MACD remain in positive territory. The stock exhibited similar price action in late October before Trump's election reversed its modest pullback. His policies for Banks are viewed as less restrictive.

A decline in interest rates due to affirmative comments from Fed Chair Powell next week may help produce a similar pullback reversal. A close

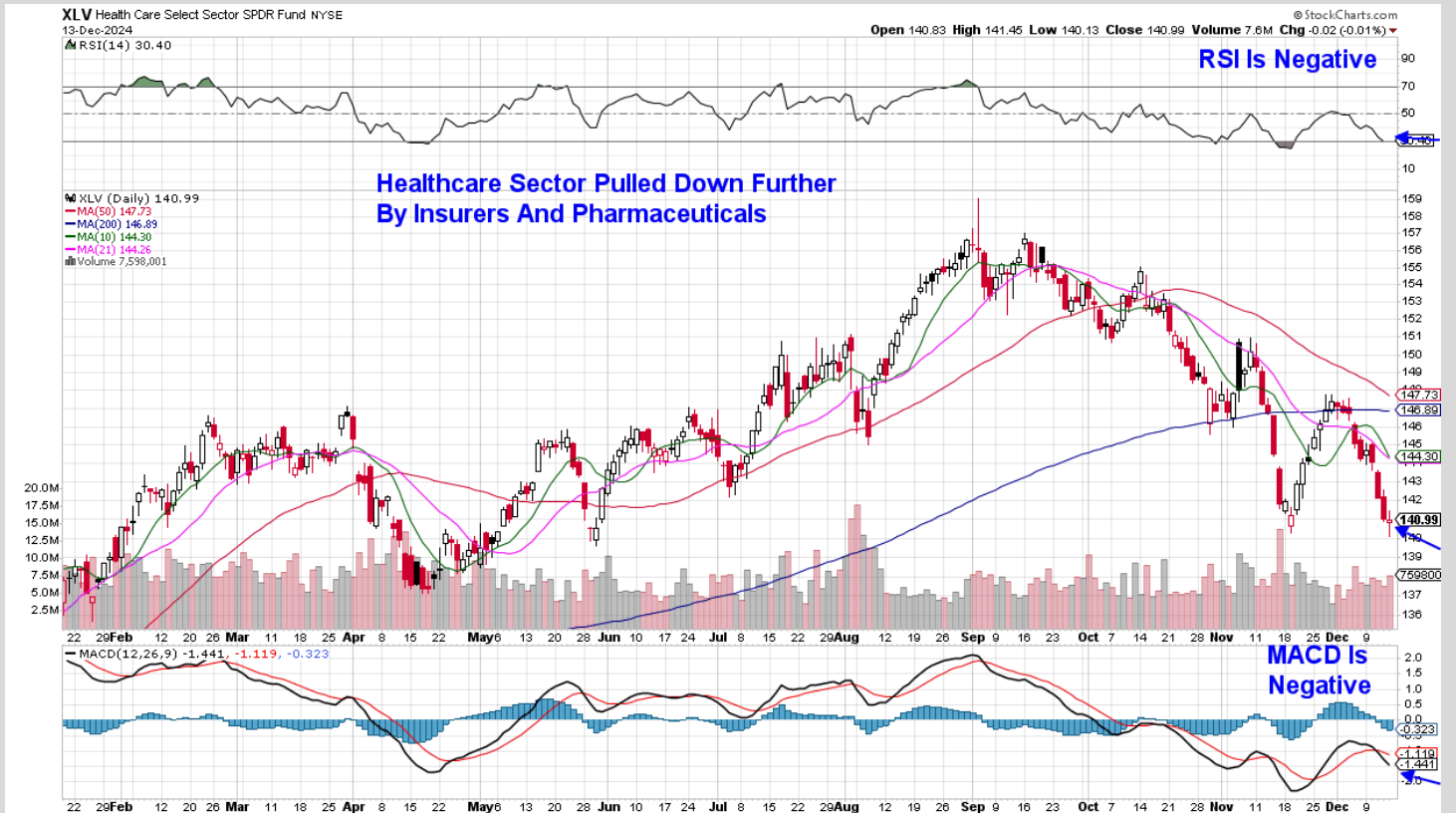
back above \$46 would be bullish for **BAC**. For now, the stock can be held.

Affirm Holdings (**AFRM**) lends to consumers with a leading buy now, pay later model that's been adopted by several major Retailers including Amazon.

Next week's retail sales data may impact **AFRM** and for now, the stock can be held.

Blue Owl Capital (**OWL**) gained 3.3% following news on Wednesday that the stock will be added to the KBW Nasdaq Capital Markets Index. A base breakout in the \$25 range would put **OWL** into a strong buy zone.

Daily Chart of the Health Care Sector (XLV)



Healthcare Sector Remains Among Weakest Areas

Healthcare stocks were pulled lower again last week, led by Healthcare Insurers such as United Healthcare (**UNH**). The decline followed public outcry among those who had health claims denied following the shooting death of UNH's CEO.

Big Cap Pharmas are also continuing to decline as are Biotech stocks.

The Medical Products group fared better, after falling 1% for the week. Both Intuitive Surgical (**ISRG**) and Boston Scientific (**BSX**) can be held after closing the week around their 21-day moving averages with a positive RSI and MACD.

Weakness in the Healthcare sector overall would have us underweighting this area.

Summary

Next Wednesday's FOMC meeting notes, coupled with Powell's comments, are anticipated to have a big impact on the markets. This is due to uncertainty surrounding the path of inflation under a Trump administration, which has investors searching for clues regarding possible Fed policy next year.

The markets do not fare well under an uncertain environment and at this time, more information is needed to calm investors.

Last week's pullback in the markets due to rising interest rates has certainly occurred before, with the late October period being the most recent. →

Also similar to now, that period was marked by "profit taking" as the markets had rallied 24% going into the end of October.

The markets recovered quite nicely - most notably due to Trump's election and we expect the same result going into year-end. Until then, we have refrained from adding new stocks to our Suggested Holdings List with an eye toward a clearer outlook that would bring investors back into the markets.

We have updated the Watch List on the dashboard in anticipation of adding stocks once the markets regain confidence.



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	EARNINGS DUE
CONSUMER DISCRETIONARY					
AMZN	Amazon	\$191.60	9/22/2024	25.0%	
SHAK	Shake Shack	\$110.02	10/6/2024	20.5%	
WMT	Walmart	\$72.90	8/15/2024	26.0%	
FINANCIAL					
AFRM	Affirm Holdings	\$56.10	11/17/2024	24.5%	
BAC	Bank of America	\$46.80	11/17/2024	-1.5%	
OWL	Owl Capital	\$24.50	11/24/2024	0.5%	
INDUSTRIAL					
EME	Emecor Group	\$420.00	9/22/2024	11.5%	
FTAI	FTAI Aviation	\$58.00	3/17/2024	106.0%	
GVA	Granite Construction	\$76.37	9/15/2024	21.5%	
VRT	Vertiv Holdings	\$140.10	11/24/2024	-9.0%	
HEALTHCARE					
BSX	Boston Scientific	\$81.80	9/2/2024	11.0%	
ISRG	Intuitive Surgical	\$598.80	10/20/2024	29.0%	
TECHNOLOGY					
FICO	Fair Isaac	\$2,024.90	10/9/2024	13.0%	
FTNT	Fortinet	\$82.80	10/13/2024	16.0%	
NVDA	Nvidia	\$123.50	9/25/2024	10.0%	
PLTR	Palantir	\$32.10	8/18/2024	98.5%	
Q TWO	Q2 Holdings	\$79.00	9/22/2024	28.5%	
TSM	Taiwan Semi	\$200.70	12/4/2024	-1.0%	
COMMUNICATION SERVICES					
NFLX	Netflix	\$701.40	9/2/2024	27.5%	
META	Meta Platforms	\$623.80		-0.5%	

Longer Term Hold Candidates That Were Removed From Suggested Holdings List

SYMB	COMPANY NAME	CURRENT STATUS
AAPL	Apple	Hold
ANET	Arista Networks	Hold

These stocks were removed due to short term downtrends after breaks below key support. However, their longer term weekly charts remain constructive and these stocks can be held.

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.