



# THE MEM EDGE

December 22, 2024 | Weekly Report

## Economic Data Released Last Week

- FOMC Lowers Number of Rate Cuts Next Year Interest Rates Cut By 0.25% at Wednesday's Meeting
- Q3 GDP Comes In Stronger Than Expected With Estimates Up For Q4 GDP
- Personal Consumption Expenditures (PCE) Show A Slowdown In Inflation

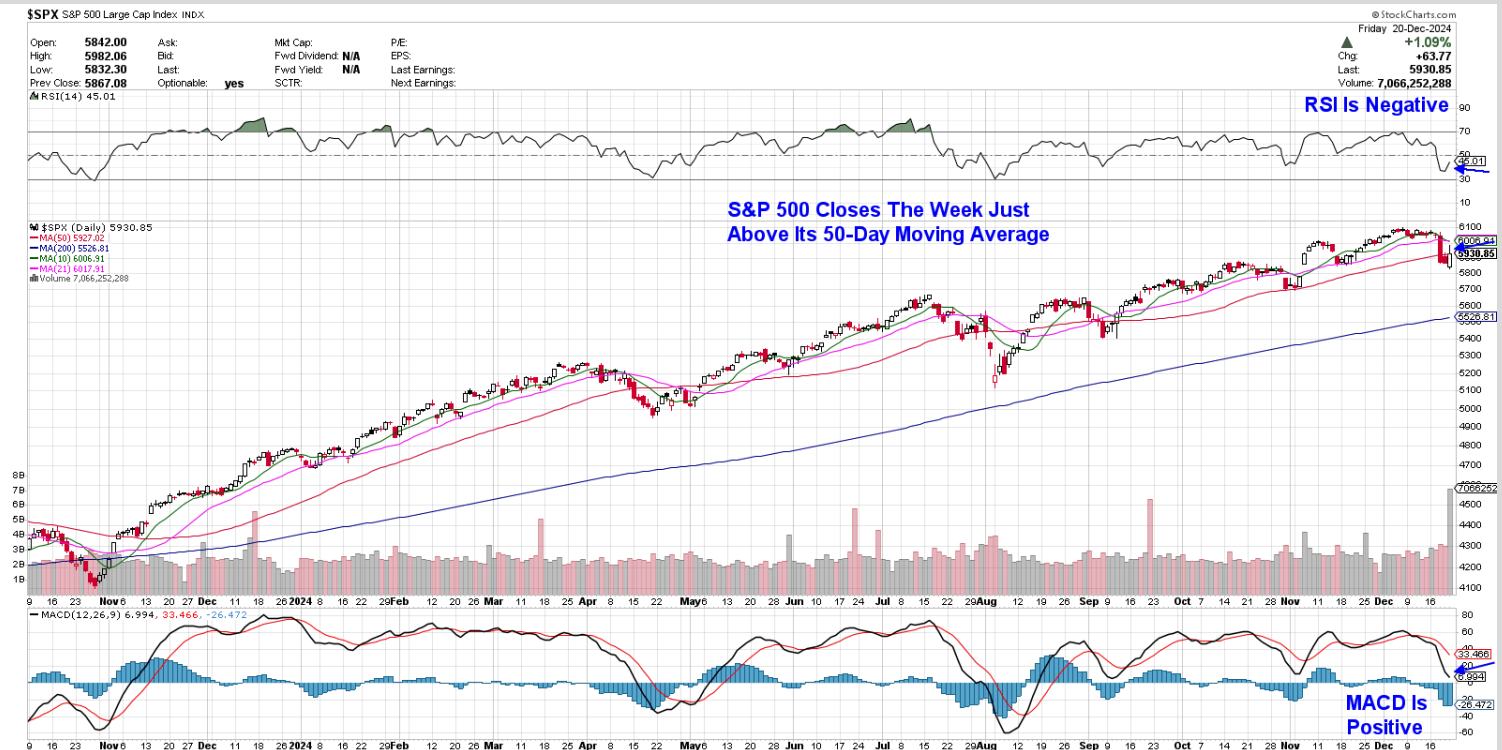
## Market Developments Last Week

- Yield on 10-Year Treasury (\$TNX) Now At 4.5%
- Interest Rate Sensitive Areas Suffer
- Markets Regain Key 50-Day Moving Average On Friday

## Economic Data Due Next Week

- Consumer Confidence, Durable Goods, and Weekly Jobless Claims Due During Next Week's Holiday Shortened Period

### Daily Chart of S&P 500



US Stocks fell last week with the biggest losses taking place on Wednesday, after the Federal Reserve announced they will be executing fewer rate cuts than expected next year.

In turn, already rising interest rates increased further, so that the yield on the 10-year Treasury rose to 4.5% where it ended for the week.

Each of the 11 sectors closed the week in negative territory, with interest rate-sensitive areas falling the most. Hardest hit were Housing (XHB), Banks (KRE), Biotechs (IBB), and Small Caps (IWM).

On Friday, the markets experienced a relief rally in response to softer-than-expected Personal Consumption Expenditures (PCE) data which showed prices are declining. This points to the possibility of lower inflation which would be good for the markets.

The Friday rally helped the S&P 500 regain its 50-day simple moving average. This is good news however, the RSI remains in negative territory on the daily chart, which creates a mixed near-term outlook for this broad market index.

The weekly chart is positive, so that the longer-term outlook for the markets remains constructive.

At this time, we are continuing to build out our Watch List and in the chart of the S&P 500 below, we have highlighted the characteristics of the downtrend reversal from last April when a rising interest rate environment pushed the markets lower. As you will see, a close above the 50-day moving average, coupled with a positive RSI and MACD, signaled a new uptrend.

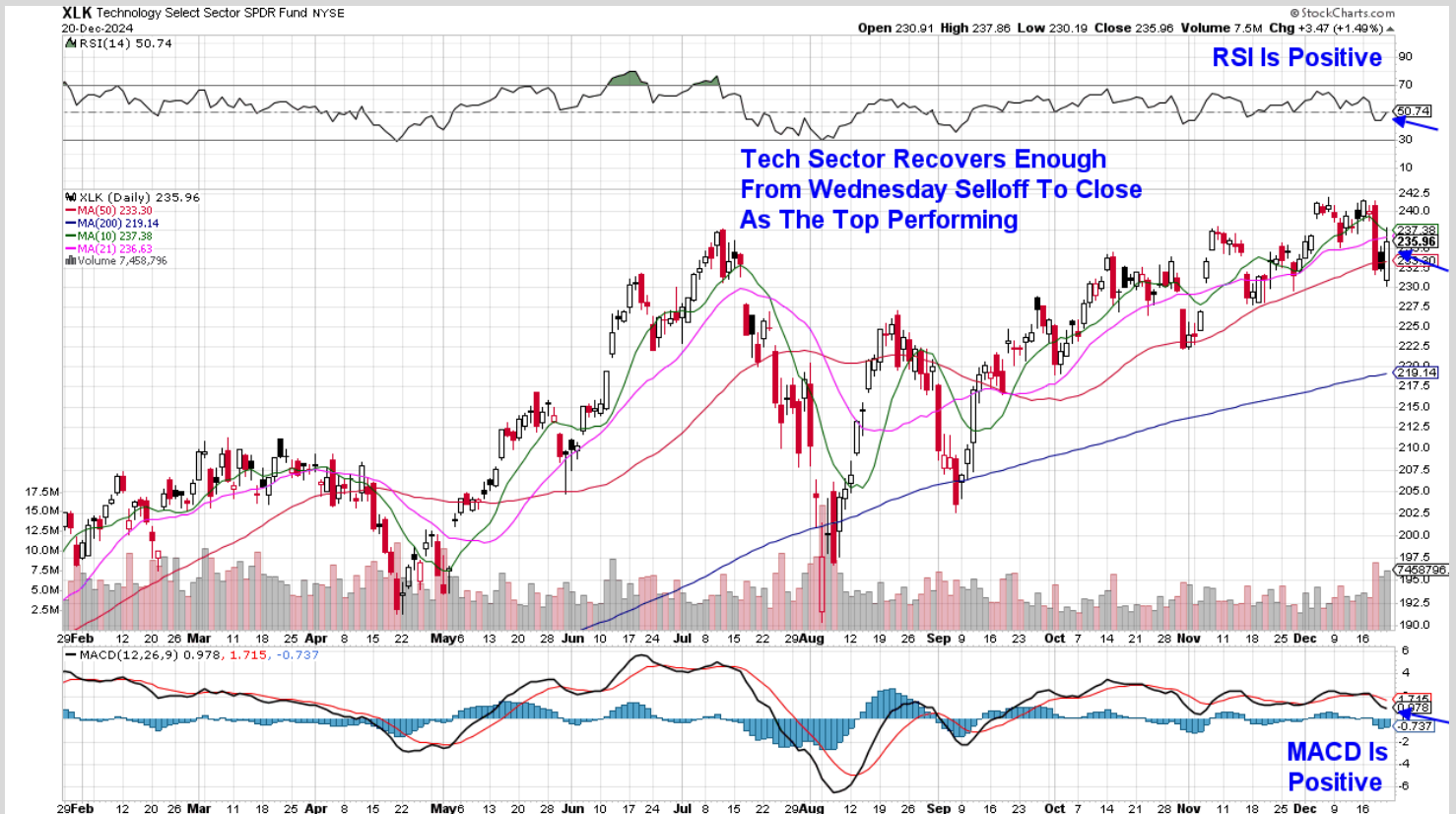
The NASDAQ posted similar price action last week, after a sharp sell-off on Wednesday was partially recovered on Friday. This index closed the week above its 21-day simple moving average and with a positive RSI and MACD, the near-term uptrend in the NASDAQ remains in place.

Outperformance in most of the M7 stocks helped this Index.

We are adding names to our Suggested Holdings List while identifying others as being in a buy zone and at this time, we would add to new positions lightly.

We are also expanding the Watch List to include new possible candidates for when the markets turn fully positive again.

## Daily Chart of the Technology Sector (XLK)



### Technology Sector Regains 50-Day Moving Average

The Tech sector ended the week down 1.2% - less than the markets - after Apple (**AAPL**) closed the week in positive territory, while heavyweight name Nvidia (**NVDA**) was flat for the week.

Both the Semiconductor (SOXX) and Software (IGV) groups underperformed however, IGV remains in an uptrend while SOXX is in a further downtrend.

Among Software stocks on our List, Palantir (**PLTR**) was the top performing Large-cap name with a 6% rally that puts the stock within a hair of a 2-week base breakout at \$81. Last week, the company announced several new partnerships, as well as, the extension of their Army Vantage partnership with a \$620 million award.

**PLTR** is in a buy zone.

Fortinet (**FTNT**) ended the week back above its 10-day moving average as it recovered from Wednesday's sharp selloff.

The bullish move followed 4 price target upgrades from Wall Street as the company is viewed as being well positioned to benefit from the expected corporate upgrades to their cyber security efforts.

**FTNT** is in a buy zone and a positive MACD crossover (black line up through the red) on the daily chart would provide further confidence.

Q2 Holdings (**QTWO**) also received several price target upgrades on the heels of announcing new contracts with several regional banks. A close back above its 10-day moving average in the \$105 range would put the stock into a buy zone.

Semiconductor stocks pulled back last week amid continued weakness in Semi manufacturing and equipment stocks following a weak earnings season. Designers of Semiconductor chips that are related to AI, have fared much better such as Broadcom (**AVGO**) which posted a sharp gain last week after raising their growth forecasts going into 2027.

Nvidia (**NVDA**) is also a chip designer, however, the stock has negative momentum indicators on its daily chart. As you know, we are bullish on **NVDA** longer term and will alert you when it regains its near-term uptrend.

Taiwan Semiconductor (**TSM**) who manufactures chips for companies such as **NVDA** and **AAPL** pulled back with the markets midweek and the stock regained its 10-day simple moving average on Friday.

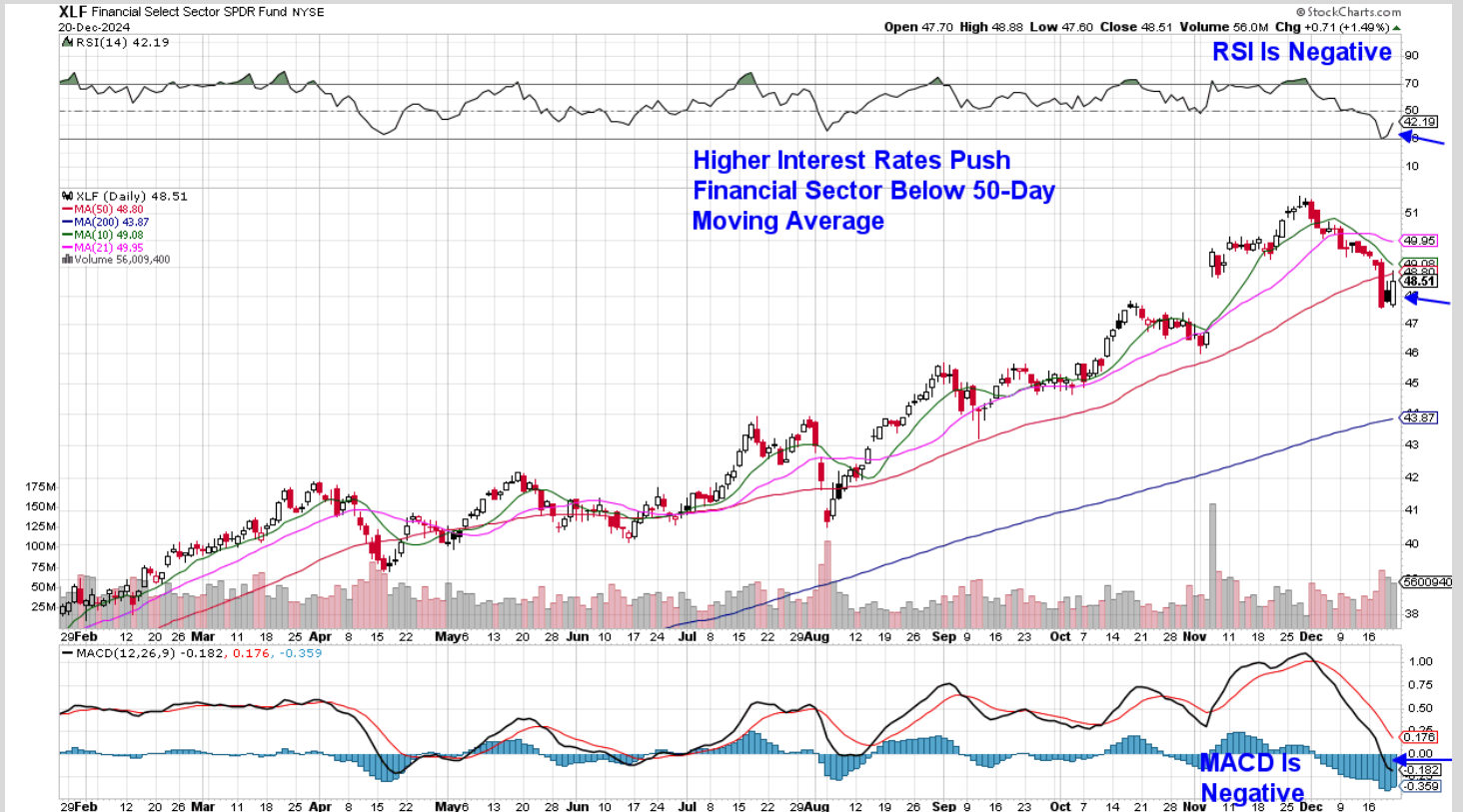
While this puts **TSM** into a buy zone with a positive RSI and MACD, overall weakness in the Semiconductor industry has us rating the stock as a hold.

This week, we are adding Arista Networks (**ANET**) back to our Suggested Holdings list after the cloud networking company regained its 10-day simple moving average.

On Tuesday, the company received a major Wall Street upgrade due to its leadership in offering switches and routers that are optimized for next-generation data center networks. **ANET** is in a buy zone.



## Daily Chart of the Financial Sector (XLF)



### Financial Sector Gets Hurt By Higher Interest Rates

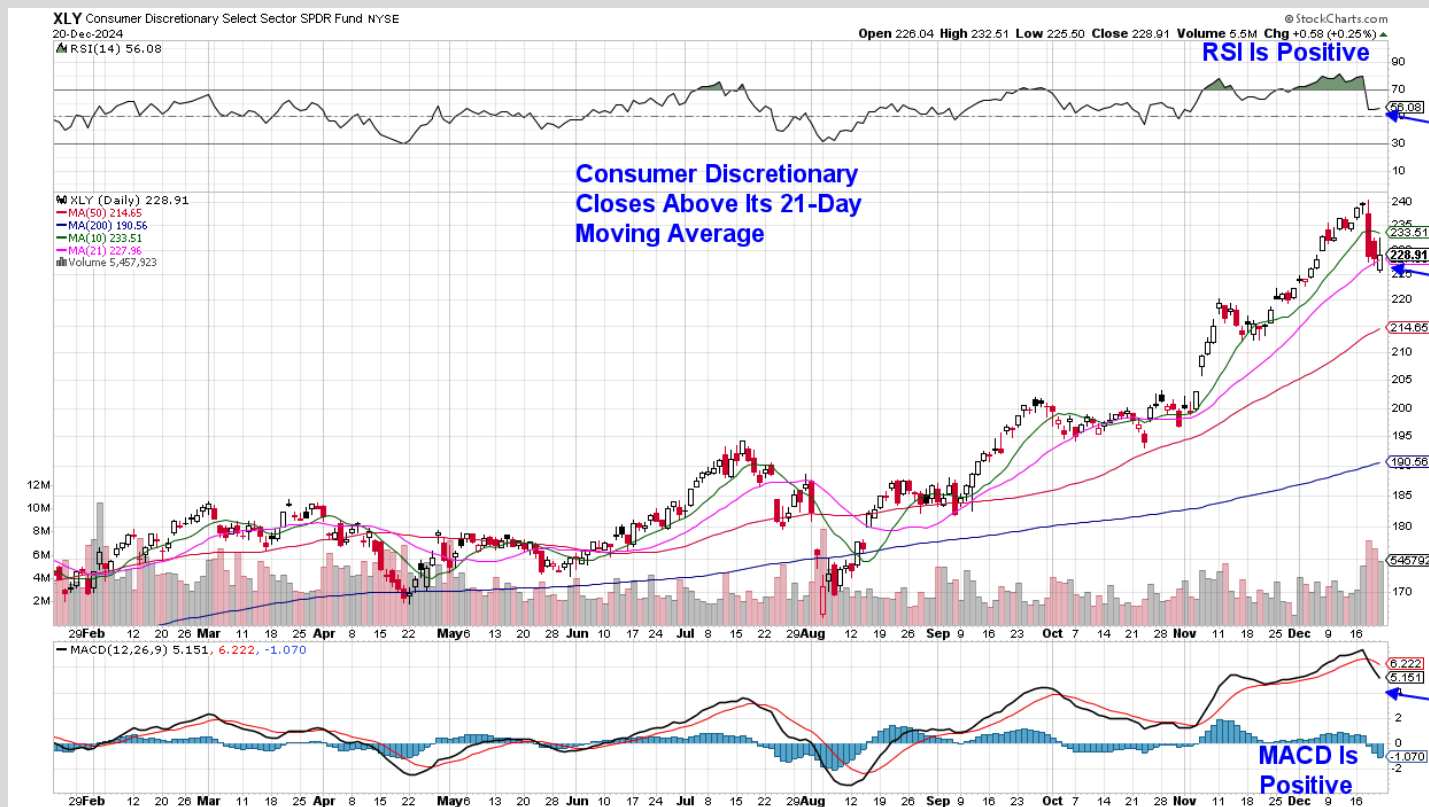
Last week's rise in rates hurt Banks as well as Mortgage Financiers, as business is expected to slow down amid higher lending rates.

Asset Managers also struggled, as higher rates may shift investors' focus to bonds. Blue Owl Capital (**OWL**) pulled back sharply on Wednesday but was able to regain some of those losses later in the week. The company focuses on longer-term investments and **OWL** ended the week above its 50-day moving average. A close above its 10-day moving average in the \$24 range, would put the stock into a buy zone.

Buy now and pay later provider Affirm (**AFRM**), ended the week down sharply due to a Wednesday pullback that took place despite a \$4B lending commitment from investment firm Sixth Street.

The stock closed the week with a positive RSI and MACD and a close above its 10-day moving average in the \$68 range would put the stock into a buy zone.

## Daily Chart of the Consumer Discretionary Sector (XLY)



### Consumer Discretionary Sector Hurt By Rising Rates

The Consumer Discretionary sector pulled back 2%, hurt by a sharp drop in Home Construction stocks as well as Home Improvement retailers and Auto stocks. A rise in interest rates was the primary driver.

Among Retailers on our List, Amazon (**AMZN**) fared the best with a 1% decline for the week that had the stock finding support at its 21-day moving average. A close above its 10-day moving average in the \$227 range would put the stock into a buy zone.

While **AMZN** is the world's largest online retailer, the company's AI-related endeavors are why several

Wall Street firms put it on their "best idea for 2025" list. A close above its 10-day moving average in the \$227 range, would put the stock into a buy zone.

Walmart (**WMT**) pulled back 2% to close the week below its 21-day moving average with the RSI and MACD trending lower. The stock is due a period of consolidation after its recent runup in price however, tariff fears are also at play.

**WMT's** president said they may need to raise prices in the event Trump increases tariffs on imports. This would be a negative for the stock. For now, it can be held with a close back above its 10-day moving average in the \$94 range putting it into a buy zone.

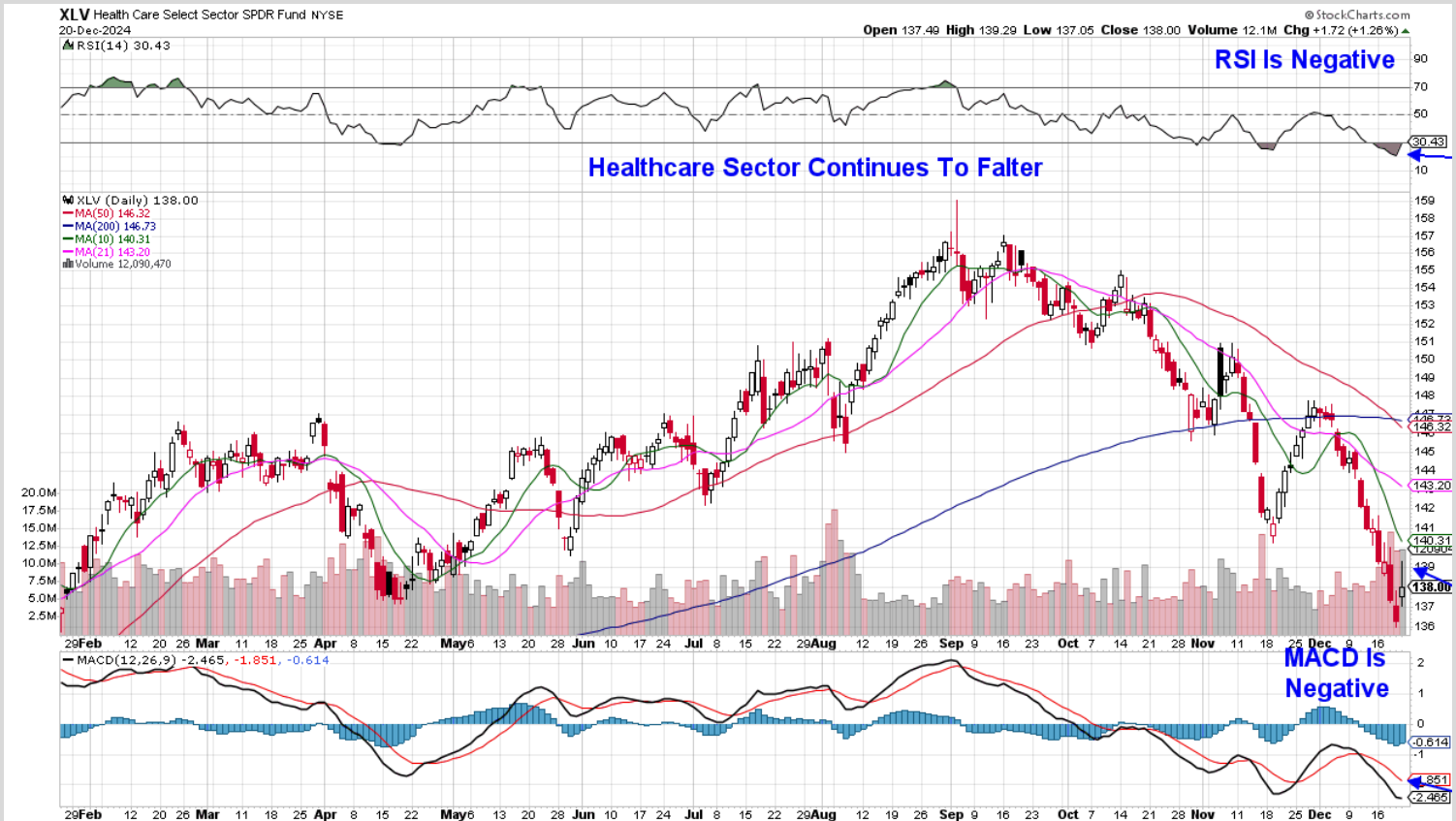
Shake Shack (**SHAK**) pulled back 2% despite Wall Street upgrades to their future growth due to the opening of new stores. A close above its 10-day moving average in the \$132.5 range coupled with a positive RSI, would put **SHAK** into a buy zone.

This week, we are adding Ralph Lauren (**RL**) to our Suggested Holdings List. The marketer of luxury lifestyle products is approaching a \$237 base breakout level amid price target upgrades. The stock is in a buy zone with a base breakout putting it into a strong buy zone.





## Daily Chart of the Health Care Sector (XLV)



### Healthcare Sector Continues To Suffer

The Healthcare sector is now in a downtrend in both its daily and weekly charts which means the near and intermediate term outlook is negative.

The much longer term monthly chart is also poised to turn negative, with the RSI now sitting at 50 and the sector below its key 6 month simple moving average.

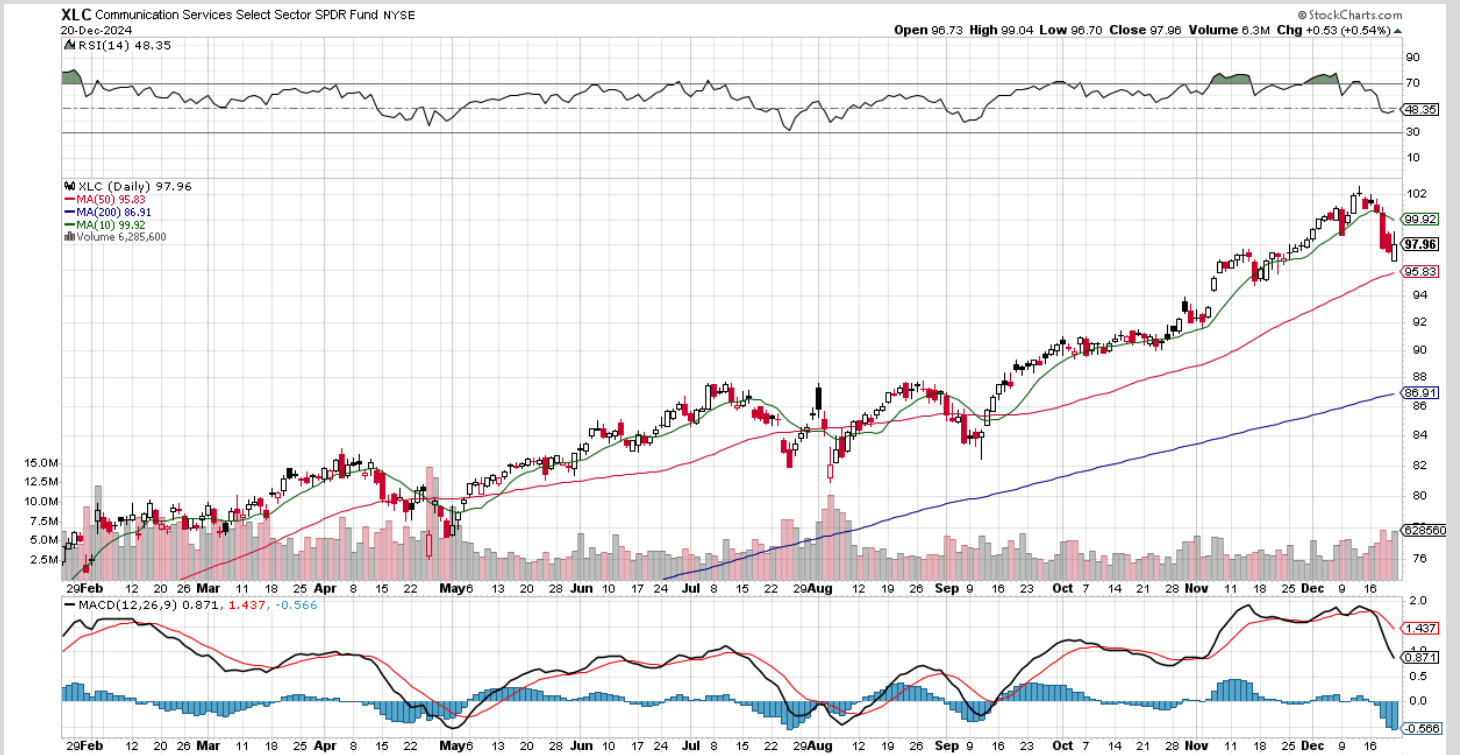
At this time, this is an area we would continue to underweight.

Among the stocks in this sector on our List, Boston Scientific (**BSX**) closed the week above its 50-day moving average; however the RSI is negative. The stock can be held.

Intuitive Surgical (**ISRG**) can also be held despite a close just below its 50-day moving average and a negative RSI however, we would not be a buyer at this time.



## Daily Chart of the Communication Services Sector (XLC)



### Communication Services Sector Underperforms

The Communication Services sector was hurt by a 4% pullback in Meta Platforms (**META**) despite a price target upgrade from J.P. Morgan to \$725 due to their AI Investment growth prospects.

**META** closed the week above its 50-day moving average and while the RSI is negative on the daily chart, the MACD is positive. The longer-term weekly chart of **META** is constructive as well.

**META** can be bought on a close above its 10-day moving average in the \$614 range.

Netflix (**NFLX**) fared better with a 1% decline that has the RSI and MACD remaining in positive territory with a close above its 21-day moving average.

**NFLX** can be bought on a close above its 10-day moving average in the \$915 range.

## Summary

Last week's Federal Reserve decision to take a more cautious approach in cutting rates for 2025, has investors believing that the Fed is positioning for possible disruptions from Trump policies.

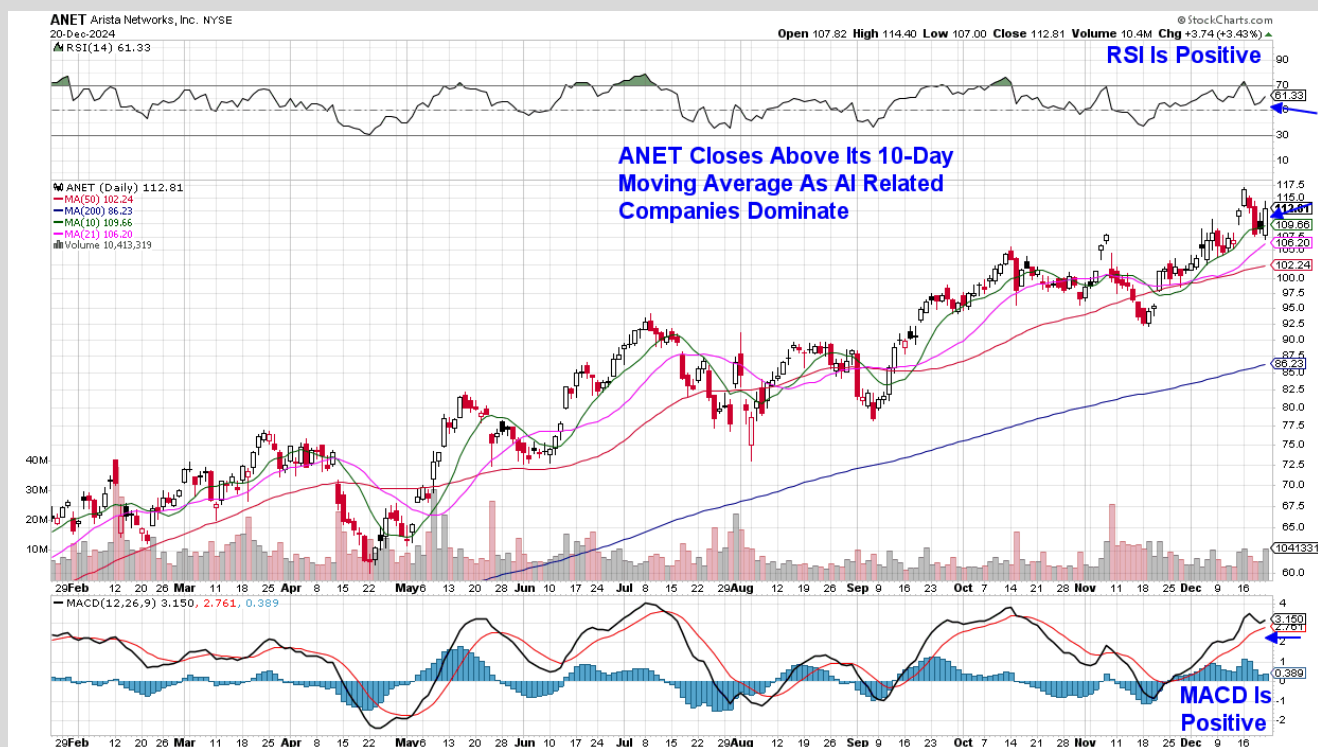
The Federal Reserve also announced that they will be closely watching economic data - in particular employment-related numbers - as a guide for any policy decisions.

Overall, this approach implies that the only thing we can be certain of going into next year is uncertainty. In other words, volatility will unfortunately remain in place.

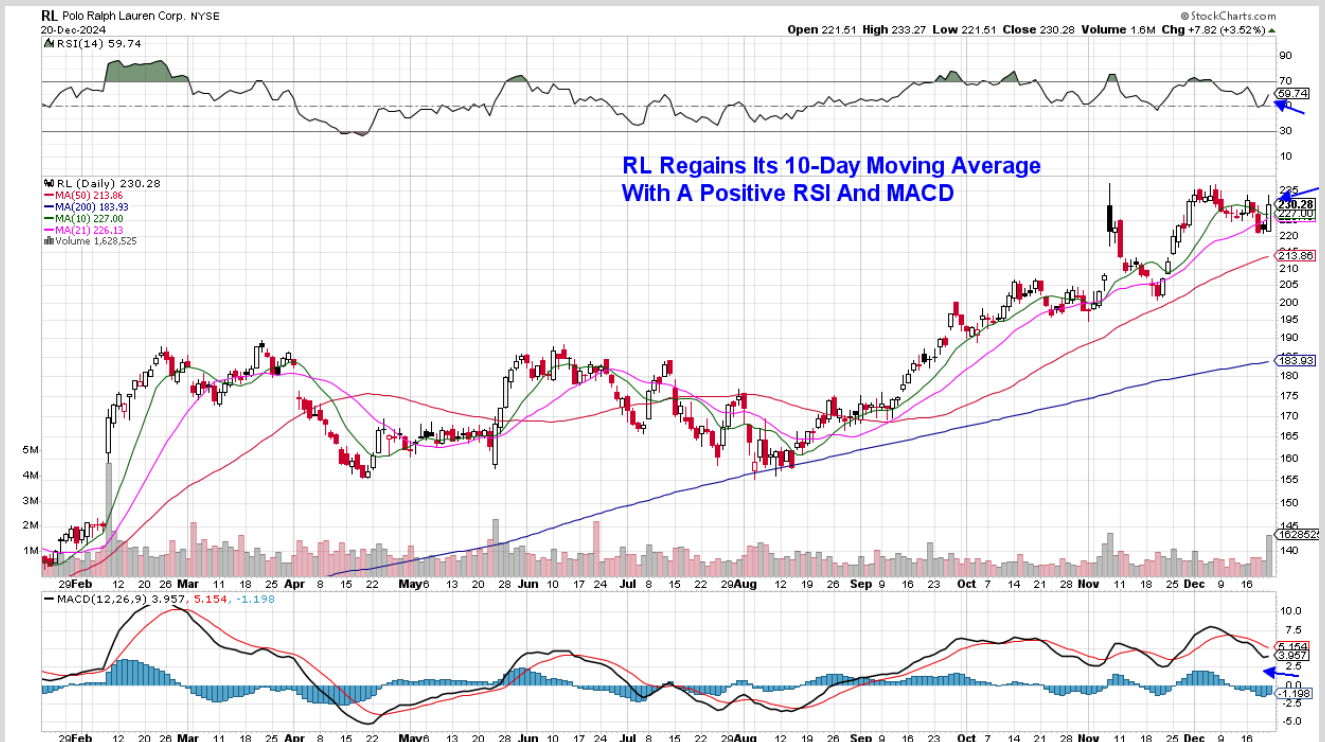
Until we see a broadening out of market participation coupled with advancers leading decliners on a regular basis, we would keep new purchases focused on areas that are remaining strong. At this time, that includes AI related stocks and select Retailers.

## New Idea Charts:

### Daily Chart of Arista Networks, Inc. (ANET)

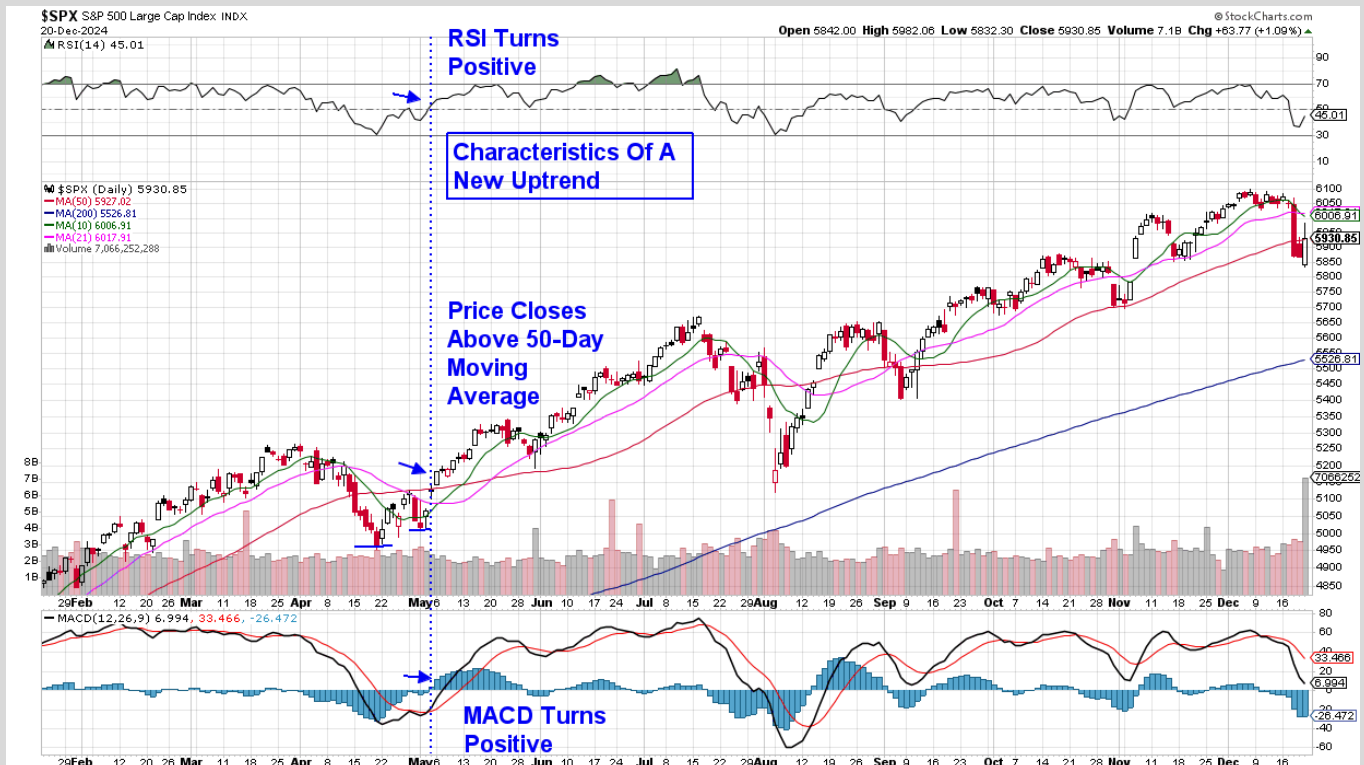


## Daily Chart of Polo Ralph Lauren Corp. (RL)



## Charts We Are Watching:

### S&P 500 - Early May DownTrend Reversal



# MEM Edge Report Suggested Holdings

*Stocks With Emerging Leadership Characteristics*

\$ = Earnings Due	Buy Zone	Strong Buy	Buy on Pullback	Removed From List
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SYMB	COMPANY	PRICE	DATE ADDED	PERFORMANCE	EARNINGS DUE
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## CONSUMER DISCRETIONARY

AMZN	Amazon	\$191.60	9/22/2024	24.0%	
RL	Ralph Lauren	\$230.30	12/22/2024		
SHAK	Shake Shack	\$110.02	10/6/2024	18.5%	
WMT	Walmart	\$72.90	8/15/2024	24.0%	

## FINANCIAL

AFRM	Affirm Holdings	\$56.10	11/17/2024	17.5%	
OWL	Owl Capital	\$24.50	11/24/2024	-3.0%	

## HEALTHCARE

BSX	Boston Scientific	\$81.80	9/2/2024	10.0%	
ISRG	Intuitive Surgical	\$598.80	10/20/2024	27.0%	

## TECHNOLOGY

ANET	Arista Networks	\$112.80	12/22/2024		
FTNT	Fortinet	\$82.80	10/13/2024	15.5%	
PLTR	Palantir	\$32.10	8/18/2024	104.5%	
Q TWO	Q2 Holdings	\$79.00	9/22/2024	28.0%	
TSM	Taiwan Semi	\$200.70	12/4/2024	-3.0%	

## COMMUNICATION SERVICES

NFLX	Netflix	\$701.40	9/2/2024	26.5%	
META	Meta Platforms	\$623.80	12/8/2024	-6.0%	

## Longer Term Hold Candidates That Were Removed From Suggested Holdings List

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

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## 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.