



# THE MEM EDGE

December 29, 2024 | Weekly Report

## Economic Data Last Week

- Stronger Than Expected Employment Data Hurts Markets
- Consumer Confidence Tumbles On Tariff Fears

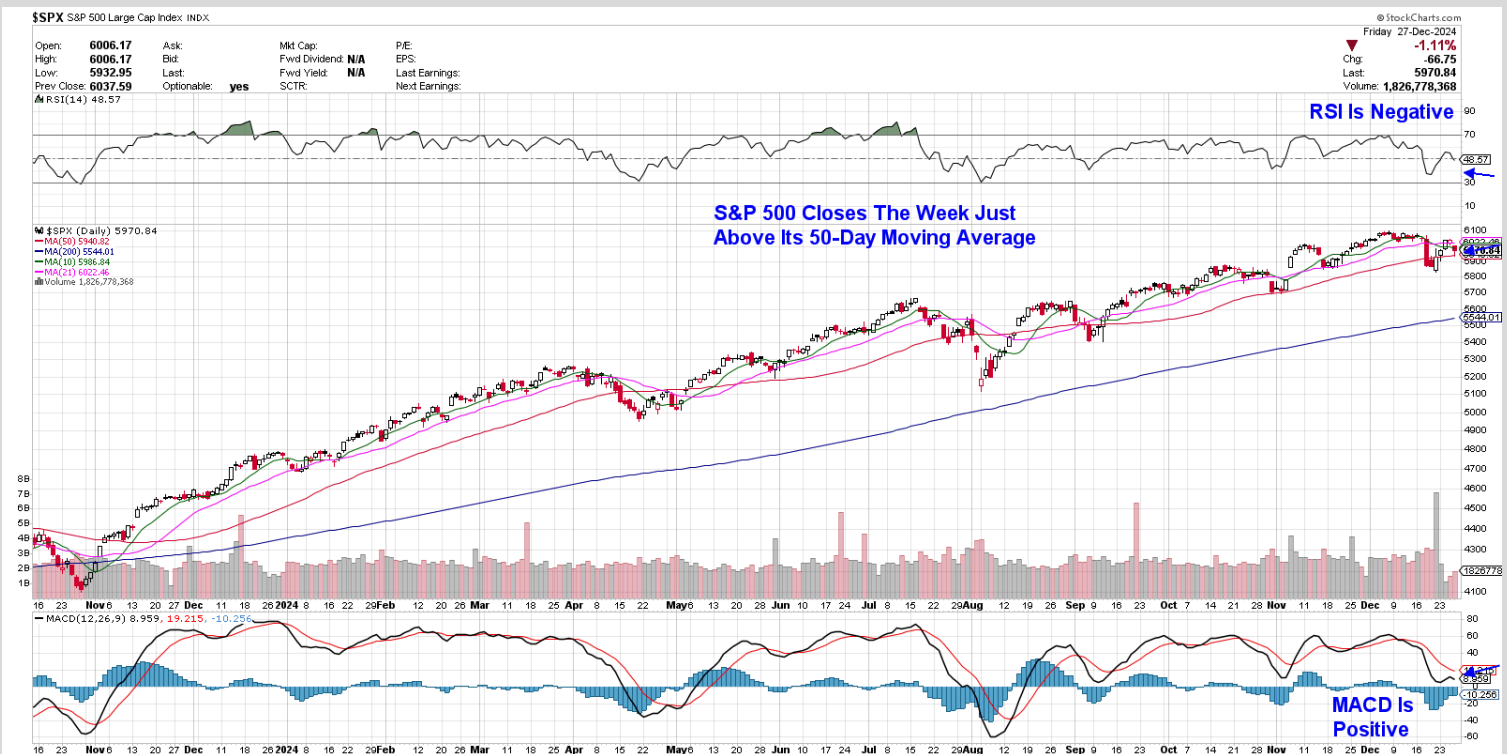
## Market Developments Last Week

- Interest Rates Continue To Rise
- Semiconductor Rally Helps Tech Sector
- Software Stocks Continue To Slide

## Economic Data Due Next Week

- Pending Home Sales On Monday
- Weekly Jobless Claims On Thursday
- Manufacturing Data Due On Friday
- TSLA Quarterly Auto Sales Due Jan. 2nd

### Daily Chart of S&P 500



Both the S&P 500 and the NASDAQ closed above their 50-day moving averages but below their 10-day simple moving averages, after posting similar gains of 0.7% and 0.8% respectively.

It was mostly a positive period last week, until a Friday pullback amid profit-taking in many years-to-date winners. In fact, the 45 top performers year-to-date on the S&P 500 all finished lower on Friday.

Last week's holiday-shortened period saw low volume and low conviction among investors, which is expected to continue into next week.

Growth stocks outperformed again last week, with half the M7 stocks posting gains above market averages while defensive areas of the market such as Staples, REITs, and Utilities were among the weakest.

Interest rates continued to climb, with the yield on the 10-year Treasury rising to 4.6%, due to inflation and concerns of strong economic growth.

While rates are at an elevated level, the fact that one of the concerns is a strong economy makes it less impactful. Last week, the markets rallied despite higher interest rates.

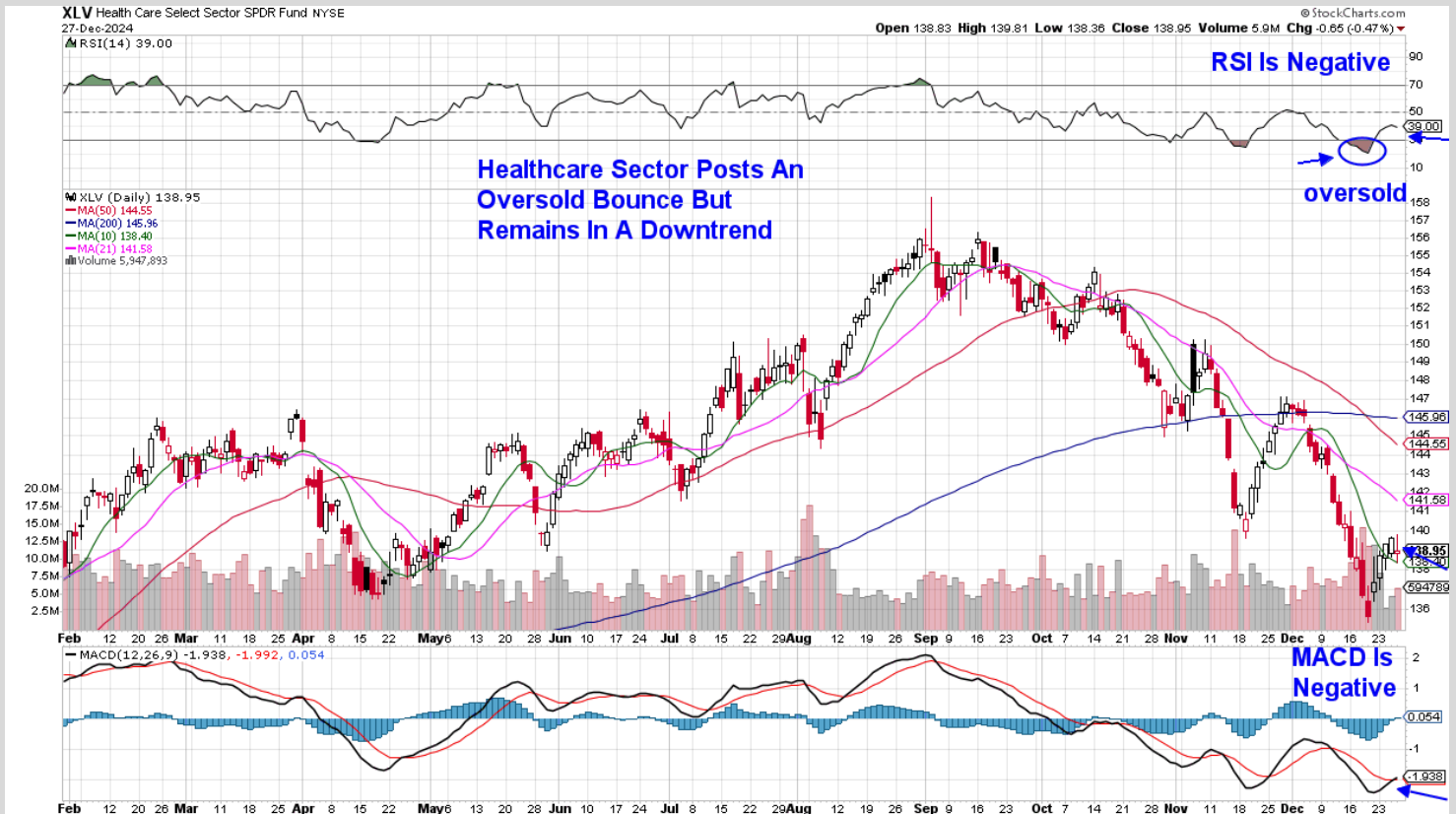
With only 3 of the 11 S&P 500 sectors above their key 50-day moving average, of note is that those 3 are all Growth areas led by Consumer Discretionary, Technology, and Communication Services.

Also of note is that the M7 stocks reside in these sectors as do many other innovative AI-related names which have gained favor of late.

As for the broader markets, ideally, we would like to see a broadening out of participation in the markets that would indicate a healthy environment that would support a sustainable, lengthy rally.

The good news is that we are beginning to see green shoots, as last week several down-and-out sectors experienced the beginnings of a possible downtrend reversal. This would include Healthcare, Financials, and Energy. There is more work before these and other areas enter a new uptrend, and we will continue to monitor closely.

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



### Healthcare Sector Is Top Performing

The Healthcare sector posted a 0.7% gain last week amid an oversold bounce that had many down and out Medical stocks posting modest gains. The sector remains in a confirmed downtrend and is still emerging from an oversold position.

As you may recall, the already declining sector was hurt further after Trump announced the appointment of RFK Jr as the Department of Health and Human Services Secretary. Most of the selling was due to investors' uncertainty regarding his stance on various healthcare policies.

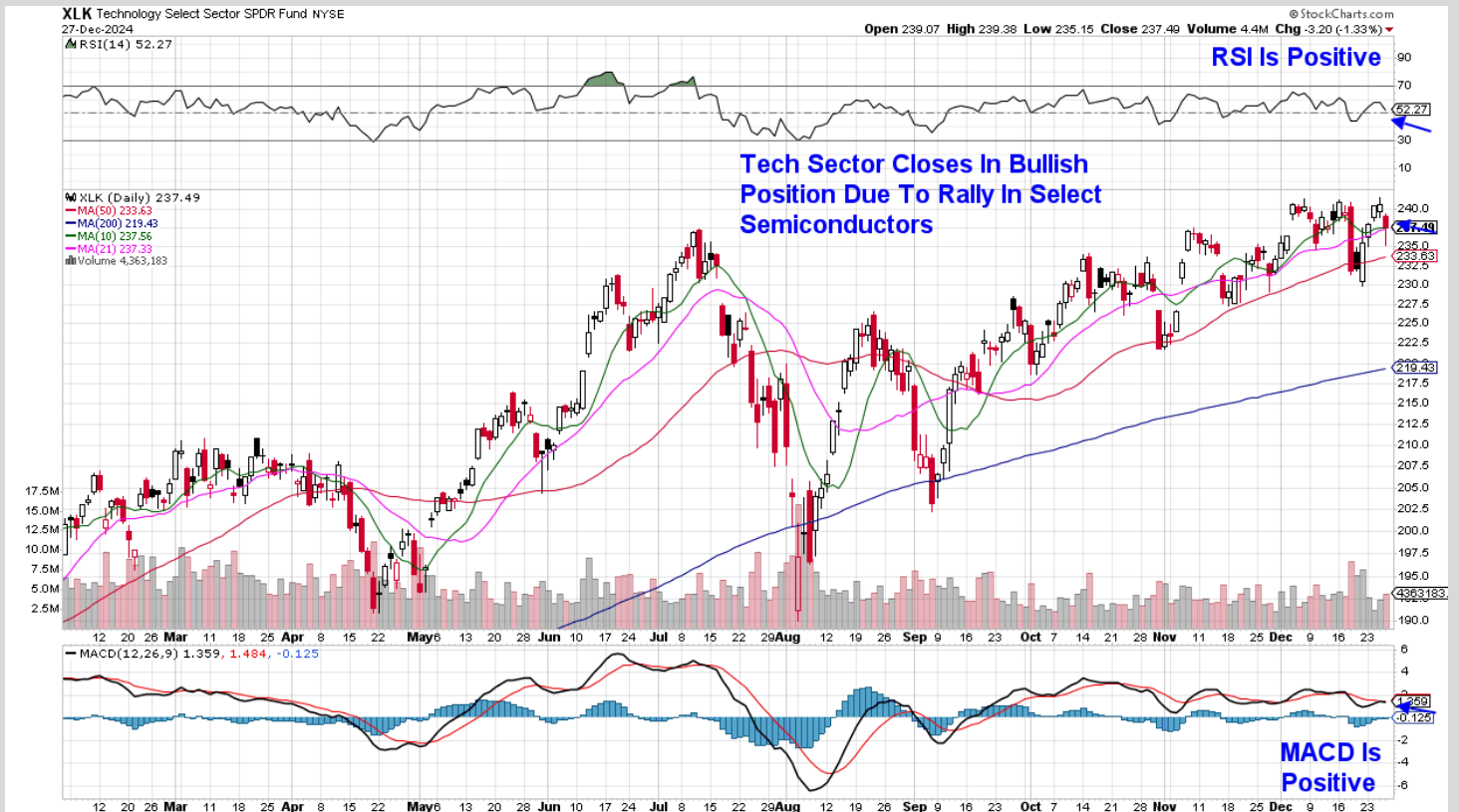
Select Medical Products stocks outperformed such

as Boston Scientific (**BSX**) and Intuitive Surgical (**ISRG**) from our List. Both stocks gained 2% last week amid Wall Street upgrades due to their lower exposure to healthcare policy rhetoric as well as their product innovations.

Of the 2 stocks on our List, Boston Scientific (**BSX**) is in a more bullish position to trade higher as the stock is above its moving averages with a positive RSI and MACD. **BSX** is in a buy zone.

While **ISRG** has a positive RSI and MACD, the stock would need to close above its 21-day simple moving average in the \$539 range before being in a buy zone.

## Daily Chart of the Technology Sector (XLK)



### Technology Sector Closes Near New High In Price

The Tech sector hit a new high in price on Thursday before pulling back with the markets on Friday. Last week's strength was due mostly to a 3% rally in Semiconductors after the Biden administration launched a new trade investigation into Chinese-made semis.

Heavyweight stock Nvidia (**NVDA**) gained 1.7% in a move that puts this stock very close to a possible downtrend reversal. The stock would need to close above its 50-day moving average in the \$140 range as well as have the RSI and MACD close in positive territory.

We will alert you if **NVDA** regains its uptrend.

Taiwan Semi (**TSM**) is in a buy zone as the stock closed just above its 10-day moving average with a positive RSI and MACD.

Despite gains in Semiconductor stocks last week, the group remains in a confirmed downtrend as it is below its longer-term 200-day simple moving average. (Using SOXX) A close above this moving average - in the \$226 range - would put the group in a bullish position however, political headwinds may curtail a strong uptrend.

Software stocks pulled back more than the markets with a 1.3% decline that keeps the RSI in negative territory with the MACD poised to also turn negative. (using IGV) This group is continuing to pull back after hitting a new high-end price earlier this month.

The selling in software stocks picked up after the Federal Reserve announced they will be reducing the number of expected rate cuts next year. Software stocks fair poorly in a rising interest rate environment as the value of their future earnings is reduced.

Each of the Software stocks on our List pulled back modestly, with Fortinet (**FTNT**) down 1% as the stock continues to trade sideways after its November gap up on earnings. **FTNT** can be bought on a close above its 10 and 21-day moving average in the \$97 range. A positive MACD crossover (black line up through red) would provide more conviction.

Q2 Holdings is also trending sideways below its 10 and 21-day moving averages. While the RSI and MACD are both positive, the stock would need to close above the \$106 level before being in a buy zone.

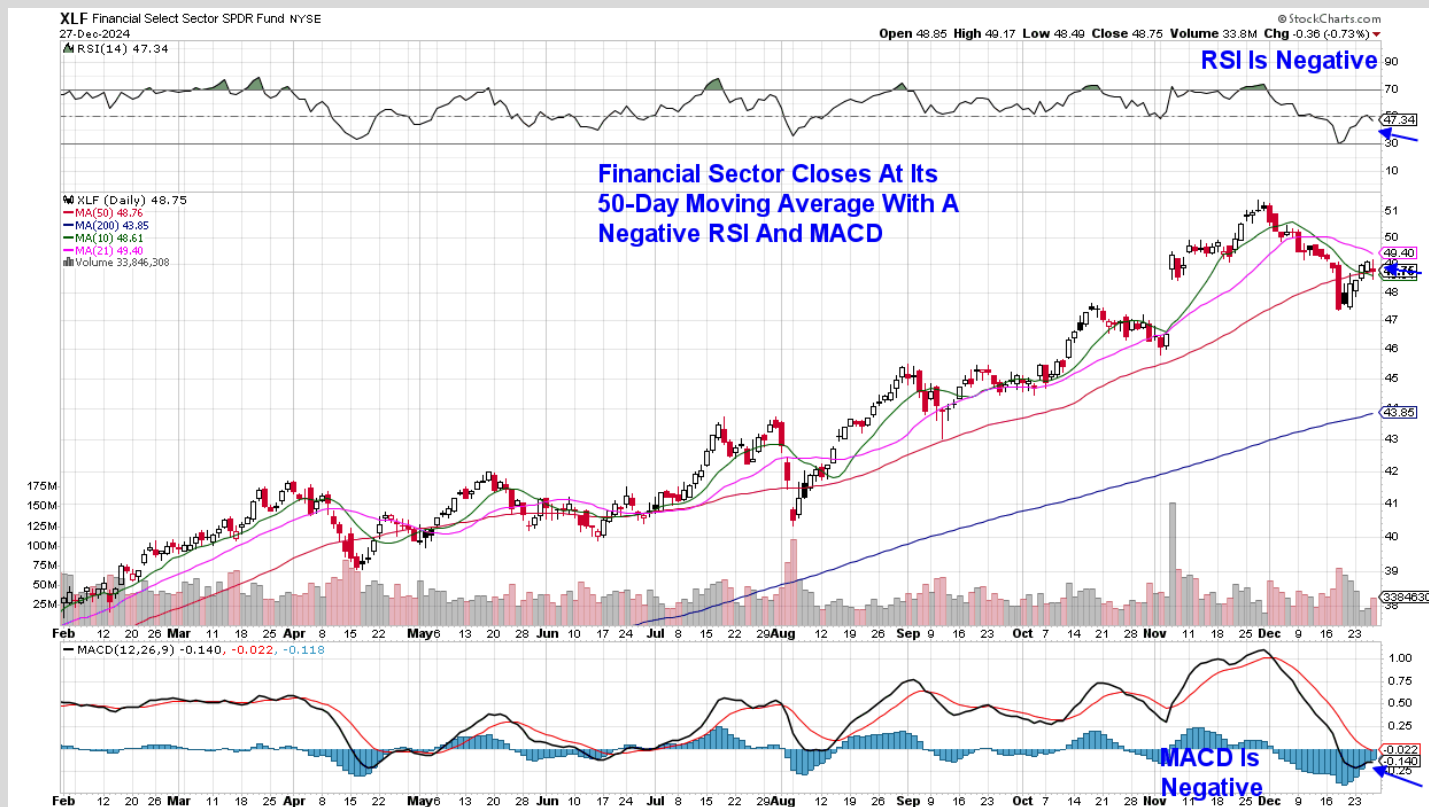
Palantir Technologies (**PLTR**) pulled back to its 10-day simple moving average and the stock is in a buy zone with a positive RSI and MACD. Overall weakness in the Software group may dampen upside potential over the near term however.

Recently added Arista Networks (**ANET**) is also in a buy zone after closing back above its 10-day simple moving average with a positive RSI and MACD.

The company is viewed as a leader in their field as they offer switches and routers that are optimized for next-generation data center networks.



## Daily Chart of the Financial Sector (XLF)



### Financial Sector Gets Boost From Big Banks

The Financial sector gained 0.5% due to a boost from big Bank stocks such as Morgan Stanley (**MS**) and Goldman Sachs (**GS**) among others, who have joined forces to sue the Federal Reserve due to a lack of transparency for their annual stress test requirements. Uncertainties surrounding the test have made it difficult for banks to plan and manage capital effectively, leading to higher borrowing costs for customers.

Any change to a less strenuous capital requirement and a more streamlined process would be positive for these big banks.

Large Bank stocks are beginning to form the right

side of bases and with the yield on t-bills now below the yield on the 10-year, analysts are raising estimates for this year. This is because profit margins on lending activities will improve. We will continue to monitor.

Last week's gain in Bank stocks was offset by a continued decline in mortgage-related lending names, as mortgage rates rose again last week.

Among Financial stocks on our List, Affirm (**AFFM**) pulled back 1.5% and the stock remains below its 10 and 21-day moving averages. The provider of "buy now, pay later" technology now has a negative RSI with the MACD trending downward.

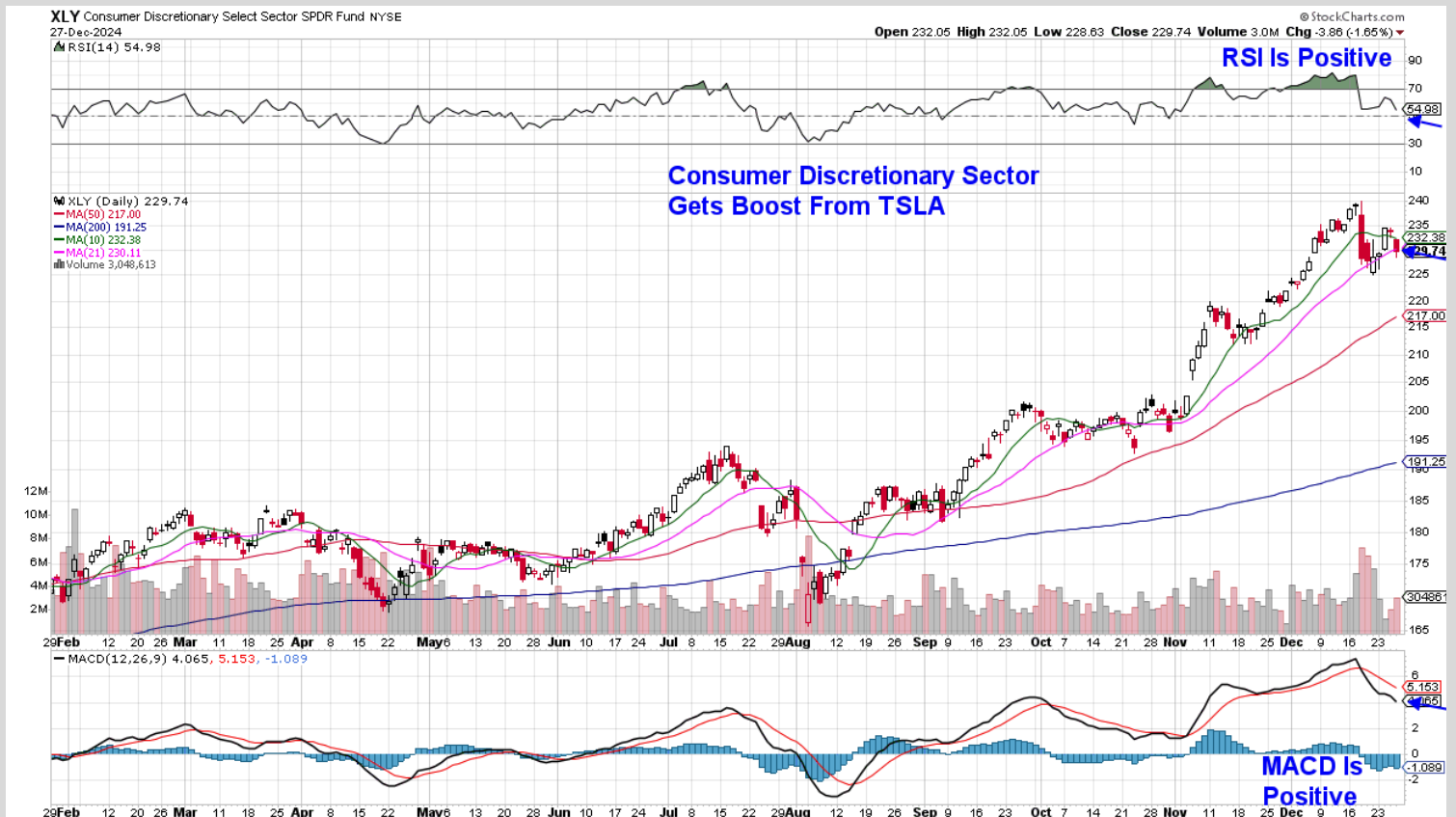
A close above \$68 coupled with a positive RSI, would put **AFRM** into a buy zone.

Blue Owl Capital (**OWL**) gained 0.5% after an early week price target upgrade provided a boost. The stock closed below its shorter-term moving averages however with the RSI and MACD trending lower. We would not be a buyer at this time.





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



### Consumer Discretionary Sector Is Mixed

Consumer stocks were mixed last week after a report that Consumer Confidence has fallen ahead of next year's possible tariffs.

Heavyweight stock Tesla (**TSLA**) outpaced the markets ahead of the release of their quarterly vehicle sales numbers next week. The numbers will be closely watched as high price incentives and a possible slowdown in China may dampen their results.

The other heavyweight stock in this sector is Amazon (**AMZN**) and it gained 0.5% amid news of several possible partnerships for their music as well as wi-fi divisions. The stock is in a buy zone after regaining its 21-day moving average with a positive RSI and MACD.

Restaurant stock Shake Shack (**SHAK**) gained 3% last week following a published report that named the company as being among the biggest net gainers of consumer fans over the past 5 years. (in the casual fast food category)

**SHAK** is in a buy zone with a bullish MACD crossover providing further conviction. (black line up through the red).

Walmart (**WMT**) pulled back 0.5% as tariff fears remain. As you may recall, management announced they may need to raise prices in the event Trump increases tariffs on imports.

For now, **WMT** can be held, with a close back above its 21-day moving average in the \$93.5 range putting it into a buy zone.

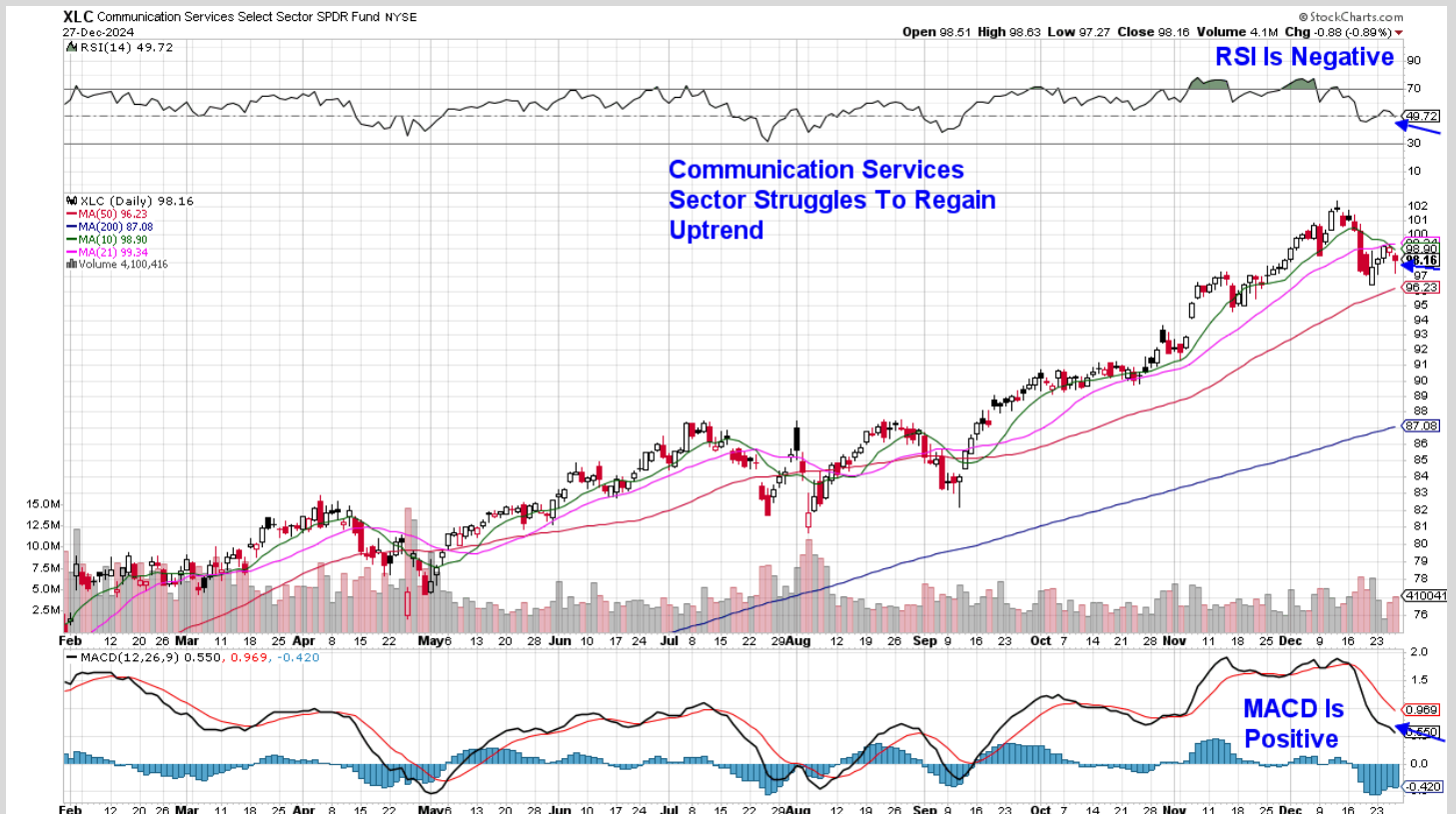


Recently added Ralph Lauren (**RL**) traded sideways amid a lack of news. The stock remains in a buy zone as it is above its 10-day moving average and a bullish MACD crossover would provide further conviction.

Earlier this year, **RL** rolled out an AI-driven inventory system which has helped drive sales. The company plans to roll out this predictive buying model across all categories.



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



### Communication Services Sector Ends Flat

The Communication Services sector remains below its shorter-term moving averages after a mixed week had the sector ending mostly flat for the week.

Heavyweight Meta Platforms (**META**) is in a similar position, as it's trading below its shorter-term moving averages. This is despite strong outperformance last week.

With the RSI now at 50 and the MACD trending lower, we would need to see the stock close above the \$606 level coupled with positive momentum indicators before adding to any position.

Netflix (**NFLX**) ended the week down slightly despite the company's record-setting viewership of 2 NFL games on Wednesday. The news may have already been built into the stock as it was approaching a new high going into the games.

A close above its 10-day moving average in the \$913.5 range would put **NFLX** into a buy zone as the RSI and MACD are in positive territory.

# Summary

The "Santa Claus Rally," a period of historically strong stock market performance around Christmas, has not materialized this year.

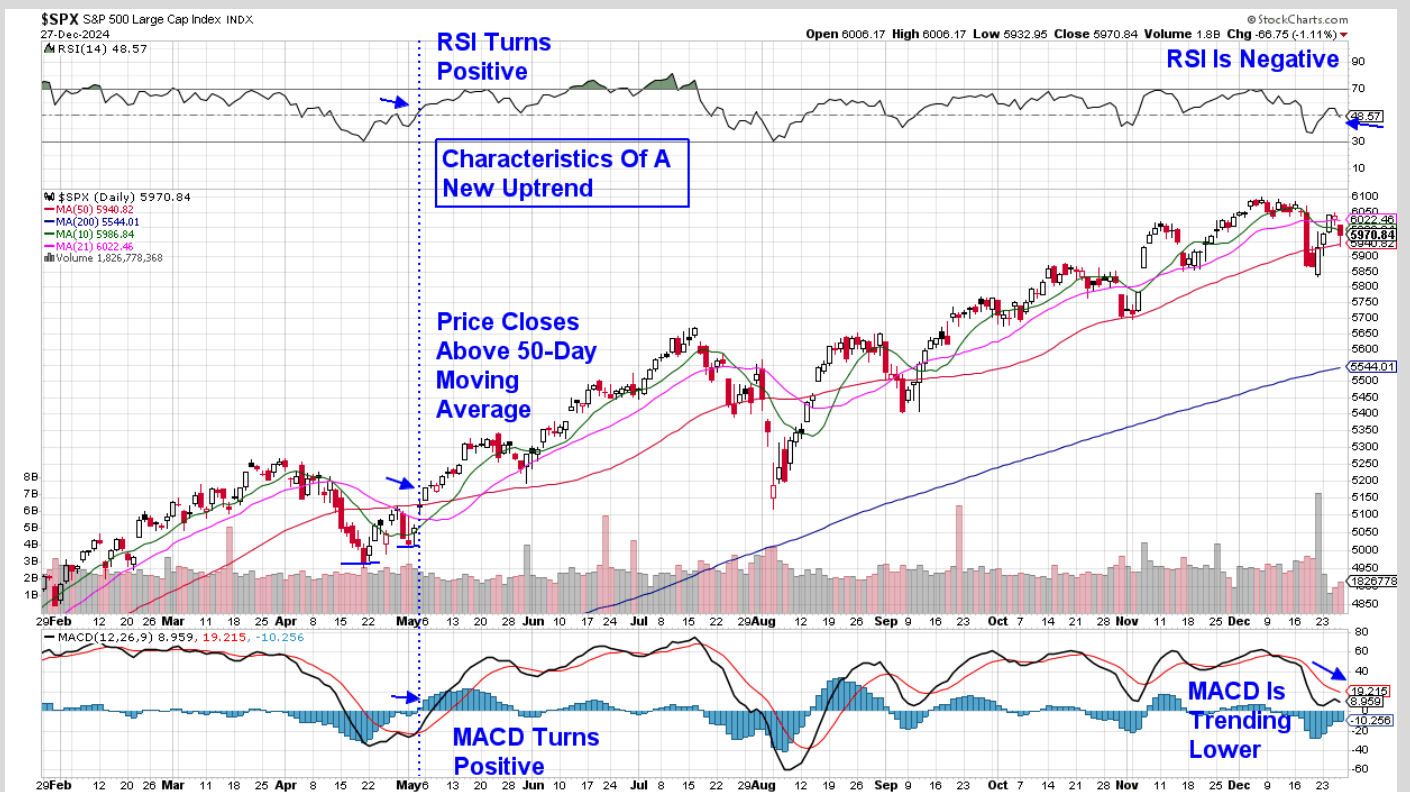
Since 1950, the S&P 500 has risen 1.3% during the seven trading days beginning Dec. 24, well above the typical seven-day average of 0.3%. Currently, the S&P 500 has declined over the first three days of this potential rally period.

While we may yet see a more bullish bias over the next week, the holiday-shortened period will have limited news with the markets closed for New Year's Day on Wednesday, and no major companies slated to report quarterly results. →

At this time, we have close to 40 stocks on our updated Watch List which has the heaviest weighing in Retail names. We intend to add new names to our Suggested Holdings List once the S&P 500 flashes a positive RSI coupled with a bullish MACD crossover (as noted in the chart below)

Until then, we would add to existing positions lightly.

## Daily Chart S&P 500 Highlighting Uptrend Signals In Early May



# MEM Edge Report Suggested Holdings

*Stocks With Emerging Leadership Characteristics*

<b>\$ = Earnings Due</b>	<b>Buy Zone</b>	<b>Strong Buy</b>	<b>Buy on Pullback</b>	<b>Removed From List</b>
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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	23.5%	
RL	Ralph Lauren	\$230.30	12/22/2024	0.0%	
SHAK	Shake Shack	\$110.02	10/6/2024	21.5%	
WMT	Walmart	\$72.90	8/15/2024	23.5%	

FINANCIAL					
AFRM	Affirm Holdings	\$56.10	11/17/2024	16.0%	
OWL	Owl Capital	\$24.50	11/24/2024	-2.5%	

HEALTHCARE					
BSX	Boston Scientific	\$81.80	9/2/2024	12.0%	
ISRG	Intuitive Surgical	\$598.80	10/20/2024	29.0%	

TECHNOLOGY					
ANET	Arista Networks	\$112.80	12/22/2024	0.0%	
FTNT	Fortinet	\$82.80	10/13/2024	14.5%	
PLTR	Palantir	\$32.10	8/18/2024	102.5%	
Q TWO	Q2 Holdings	\$79.00	9/22/2024	27.0%	
TSM	Taiwan Semi	\$200.70	12/4/2024	-1.0%	

COMMUNICATION SERVICES					
NFLX	Netflix	\$701.40	9/2/2024	26.5%	
META	Meta Platforms	\$623.80	12/8/2024	-3.5%	

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

SYMB	COMPANY NAME	CURRENT STATUS
AAPL	Apple	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.

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