



THE MEM EDGE

January 5, 2025 | Weekly Report

Economic Data Released Last Week

- Purchasing Managers Index (PMI) Shows Surprising Weakness in Manufacturing
- Atlanta's Federal Reserve Reduces GDP Estimate For Next Year

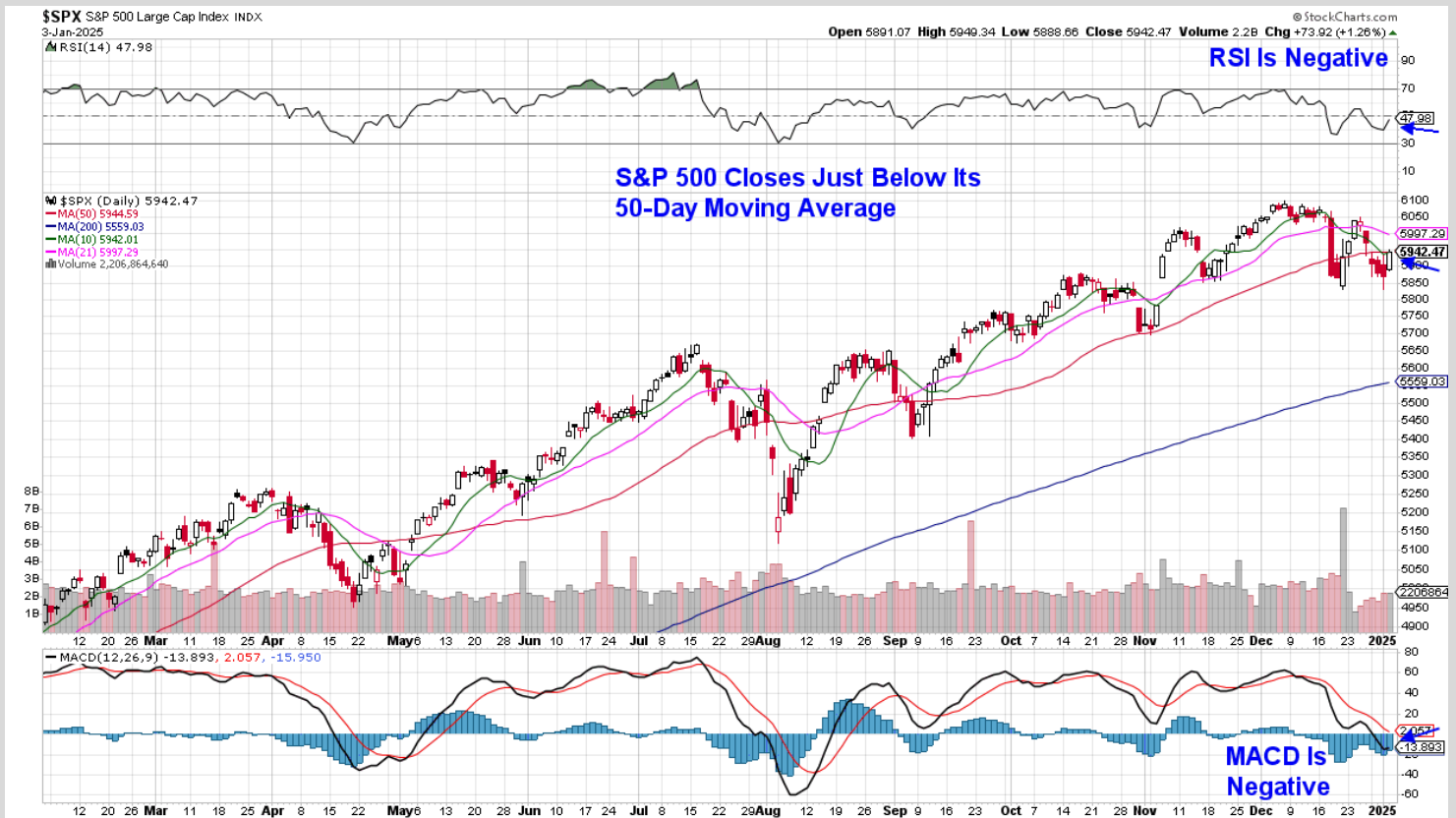
Economic Data Due Next Week

- Employment Data For December Due On Wednesday And Friday
- Minutes From Fed's December Meeting To Be Released On Wednesday

Market Developments Last Week

- Energy Stocks Post Strong Rally Amid Rise In Oil Prices And Gains In Nat Gas Stocks
- Interest Rates Remain Elevated With Yield On 10-Year Treasury At 4.6%
- M7 Stocks Mixed With Weak Data Hurting **AAPL** and **TSLA** While **NVDA** Gains On Major Wall Street Upgrade

Daily Chart of S&P 500



The S&P 500 Index ended the week down 0.5%, with a close just below its 50-day moving average. With the RSI and MACD in negative territory, the very near-term outlook remains weak.

However, the S&P 500 ended the week on a strong note, after a Friday rally that puts this Index a hair away from closing above its 50-day moving average. The RSI and MACD are moving closer to turning positive as well. (See chart below)

The longer-term outlook for the S&P 500 remains positive.

The NASDAQ also fell 0.5%, with a Friday rally that was positive for this Index after a rally in AI and clean energy-related growth areas which saw the biggest gains.

The near and longer-term outlook for the Nasdaq remains positive.

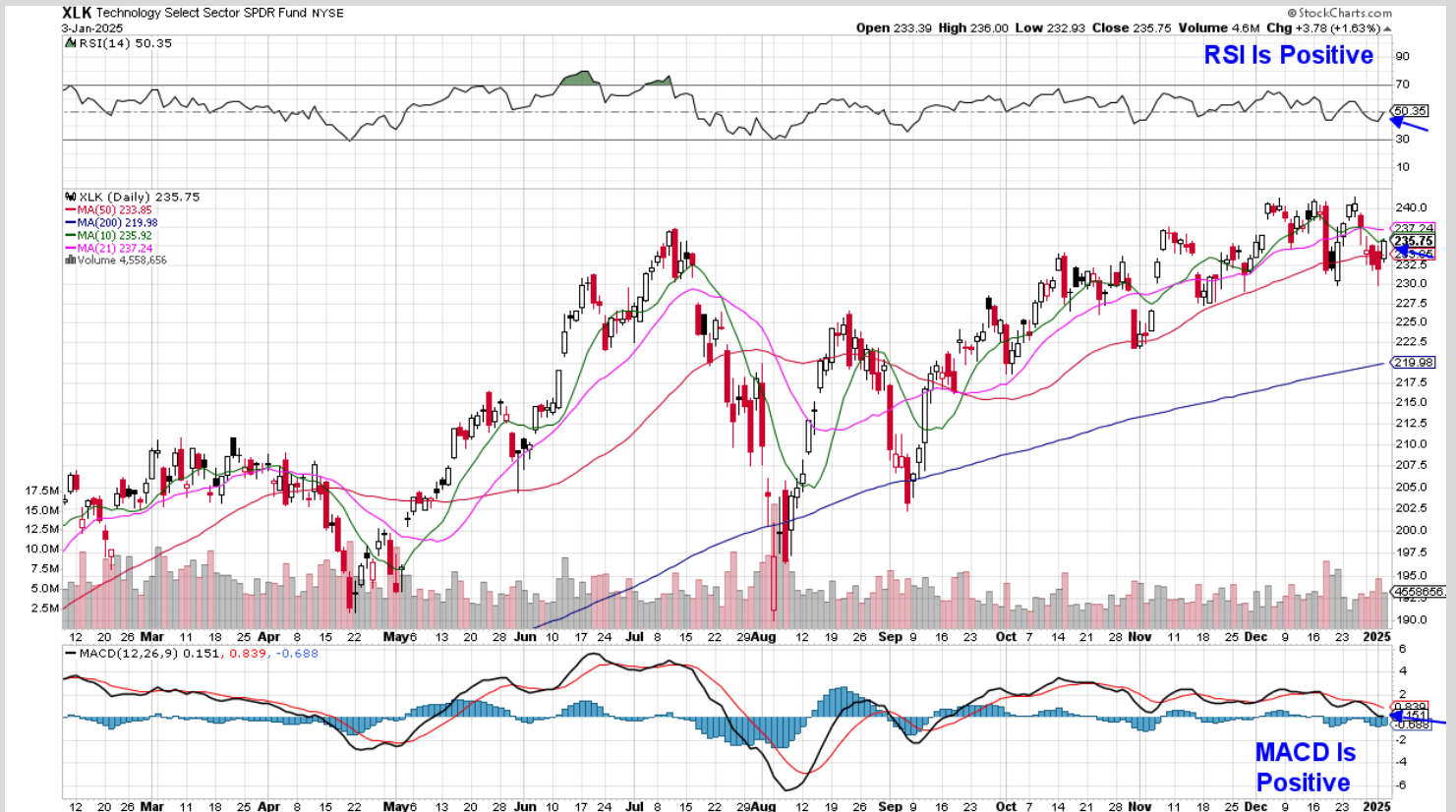
Last week's broader weakness in the markets was due to a surprise decline in the Purchasing Managers Index (PMI) which continues to show weakness in the manufacturing sector. News that Atlanta's Fed lowered their GDP forecast also weighed on the markets.

However, by week's end, a rally took place after Microsoft announced they anticipate spending \$80 Billion on AI data centers this year. The news boosted AI-related stocks such as those on our List and we have added **NVDA** back to the Suggested Holdings List with other data center-related stocks now in a buy zone.

Nuclear energy-related stocks also received a boost following news of Constellation Energy's (**CEG**) \$840M government deal to provide energy to several departments. An easing of hydrogen tax credit rules also boosted select Utility stocks. The sector remains in a downtrend, however.



Daily Chart of the Technology Sector (XLK)



Technology Sector Among Weaker Areas

The Tech sector spent most of the week below its key 50-day moving average before a Friday rally helped it regain this key mav.

Price action among its heavier-weighted names was the driver, with Apple (**AAPL**) falling almost 5% on weak sales in China. Microsoft (**MSFT**) also underperformed amid news that they expect to spend \$80 Billion on AI data centers this year.

MSFT's spending news was positive for AI chip providers such as heavyweight Nvidia (**NVDA**), which posted a 5.5% gain for the week. The gain pushed **NVDA** back into an uptrend with a close above its 50-day moving average and a now positive RSI and MACD.

We are adding **NVDA** back to our Suggested Holdings List given its bullish position. **NVDA** is in a buy zone.

On Monday, Nvidia's CEO will be officially opening the Consumer Electronics Show (CES) where companies showcase their upcoming products. Details regarding new products will be closely watched as last year's CES announcements sparked an extended rally in the stock.

Taiwan Semiconductor (**TSM**) also benefited from Microsoft's announcement of massive AI data center-related spending. The chip giant has seen a boost in sales due to demand from data centers. **TSM** is in a strong buy zone.

Arista Networks (**ANET**) also ended the week on a positive note, as the provider of needed networking hardware for data centers moved closer to a possible \$117 base breakout. **ANET** is in a buy zone with a base breakout putting the stock into a strong buy zone.

Software stocks struggled for most of last week as interest rates remained elevated. Due to the subscription-based model for most of these companies, rising rates hurt the value of future income which has already been negotiated.

Each of the stocks on our Suggested Holdings List outperformed, with Software Security company Fortinet (**FTNT**) gaining 1.5% in a move that puts the stock above each of its moving averages with a positive RSI and MACD.

FTNT is in a buy zone and a bullish MACD crossover on the daily chart (black line up through the red) would put the stock into a strong buy zone.

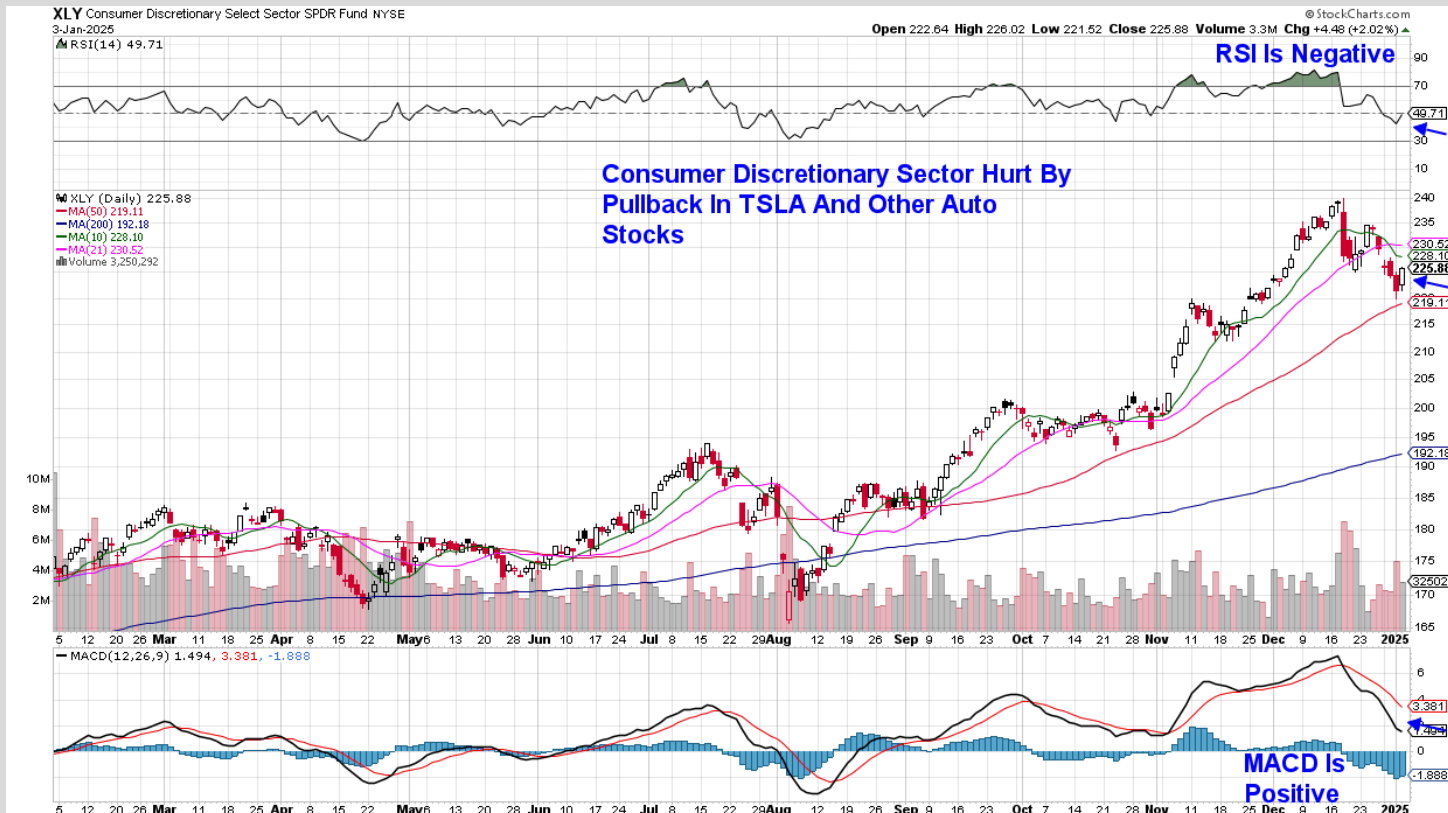
Palantir (**PLTR**) is a leading provider of artificial intelligence systems that take complex data and help enable data-driven decision-making. The stock closed the week above its 10-day moving average and is in a strong buy zone.

Q2 Holdings (**QTWO**) is in a very compelling position after pulling back to its 50-day moving average with a Friday rally putting the stock close to closing above its shorter-term moving averages.

Should **QTWO** close above the \$105 level coupled with a positive MACD crossover, the stock will be in a strong buy zone. For now, **QTWO** can be held.



Daily Chart of the Consumer Discretionary Sector (XLY)



Consumer Discretionary Sector Struggles

Consumer Discretionary stocks were among the worst performing, with a pullback to its 50-day moving average and a now negative RSI. The group was hurt by a decline in retailers such as Nike (**NKE**) and Costco (**COST**).

Each of the stocks on our Suggested Holdings List outperformed the sector, led by a 2.2% rally in Ralph Lauren (**RL**) which gained on a Wall Street upgrade. The stock is in a buy zone as it moves closer to a possible \$237 base breakout. **RL** is in a buy zone with a base breakout putting the stock into a strong buy zone.

Restaurant company Shake Shack (**SHAK**) is in a strong buy zone after closing the week above its

21-day moving average with a positive RSI and MACD.

Amazon (**AMZN**) closed the week below its 21-day moving average after a flat performance. A close above this mav in the \$225 range would put the stock into a strong buy zone, particularly if it was coupled with a bullish MACD crossover on the daily chart.

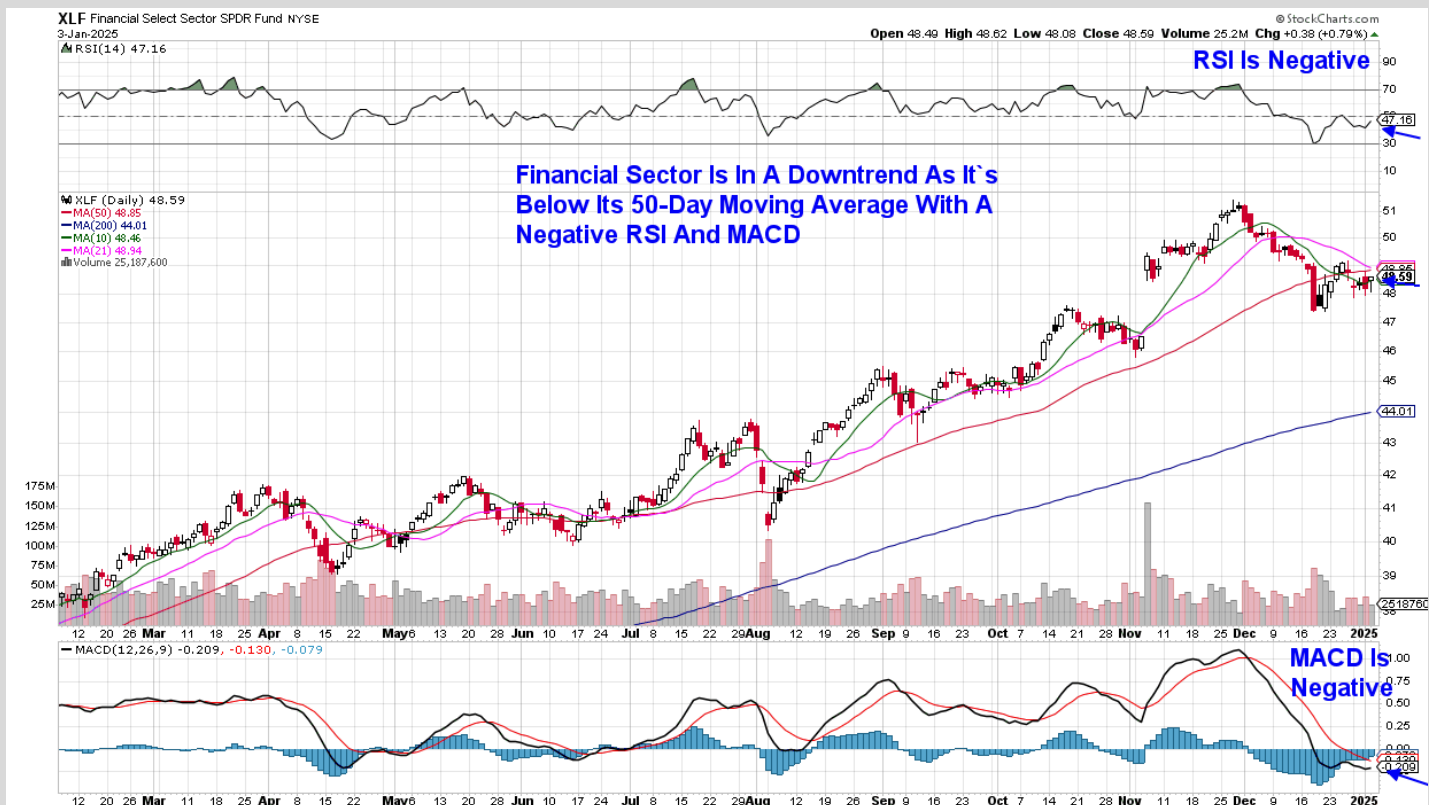
Walmart (**WMT**) pulled back again last week with a 1% loss that put the stock closer to its 50-day moving average with the RSI now in negative territory. The stock was due a pullback after November's 13% advance following their release of strong earnings.

WMT can be held, with a move above the \$93 level at its 21-day moving average putting it into a buy zone. A bullish MACD crossover would be even more bullish. For now, **WMT** can be held.

While we have expanded our Watch List to include several Retailers, this area of the markets struggled last week. (using ETF XRT) We will continue to monitor for signs of vibrancy and will add new names as warranted.



Daily Chart of the Financial Sector (XLF)



Financial Sector Below Key Moving Average

The Financial sector has been hurt by a lengthy pullback in Mortgage-related stocks in both the financing and insurance areas, due to a higher interest/mortgage rates.

As noted last week, larger money center banks such as Bank of America (**BAC**) are continuing to firm up ahead of the release of earnings later this month.

The potential for reduced regulatory pressures under a new Trump administration is positive for this group, and we will continue to monitor these stocks which currently remain in a downtrend.

Smaller Regional banks remain unattractive, as the group is trading below its 50-day moving average with a negative RSI and MACD. (using ETF KRE)

Regional banks account for 70% of total loans made to commercial real estate firms by US banks, and with many of these loans maturing through 2025 they face default risks.

Other Financial stocks are faring well, with buy now and pay later payment provider Affirm (**AFRM**) in a buy zone after closing above its 10-day moving average with a positive RSI. **AFRM** is in a buy zone and a bullish MACD crossover would put the stock into a strong buy zone.

Blue Owl (**OWL**), which invests in private companies, has their purchase of IPI Partners closing this quarter. IPI has a portfolio of 82 data centers and **OWL** has further expansions planned in this space.

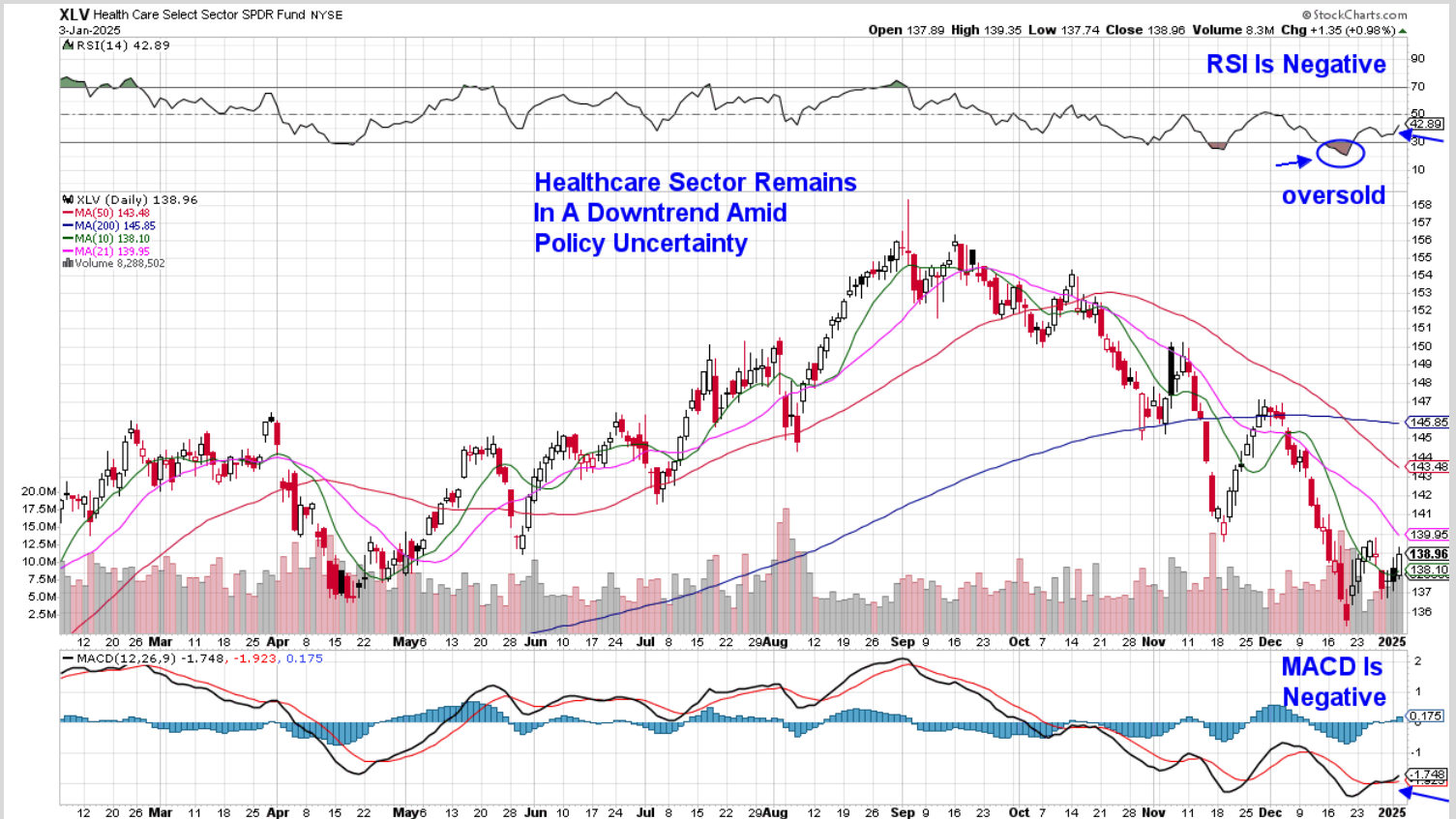
OWL is in a buy zone after closing above each of its moving averages with a positive RSI. A bullish MACD crossover would put the stock into a strong buy zone.

The bullish move took place after the company announced improving daily average revenue trades for both November and December. The stock is in a buy zone.

This week we are adding Interactive Brokers (**IBKR**) to our Suggested Holdings List after the provider of electronic brokerage services closed the week back above its 21-day moving average on volume.



Daily Chart of the Health Care Sector (XLV)



Healthcare Sector Remains In A Confirmed Downtrend

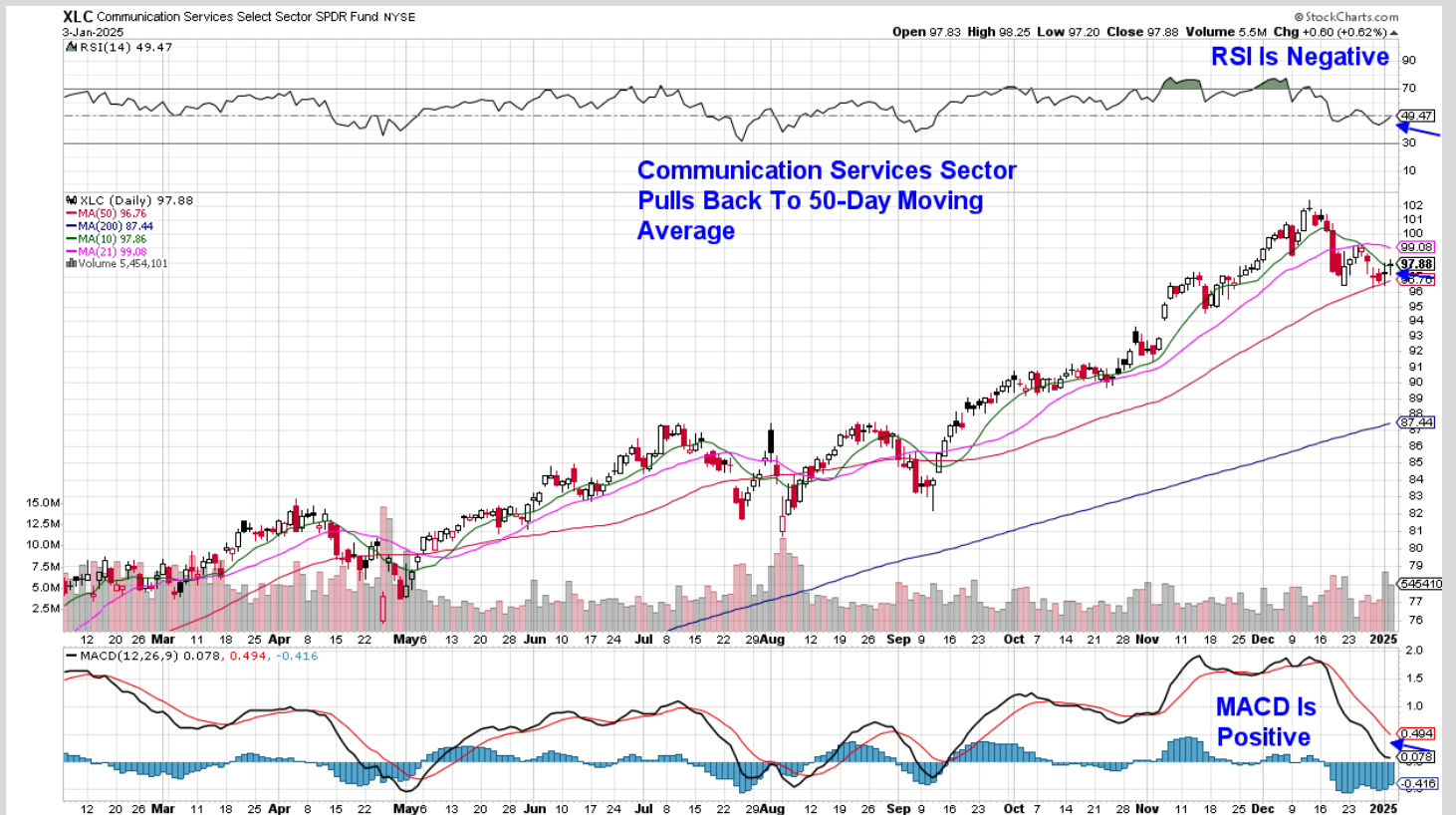
Healthcare remains in a downtrend amid fears of potential policy shifts under RFK Jr who will head the top US health agency.

Following his appointment, he vowed radical change including slashing staff at research and regulatory agencies and removing entire departments at the FDA. These moves would hinder the development and approval of new drugs and slow down growth at big Pharma companies.

Intuitive Surgical (**ISRG**) and Boston Scientific (**BSX**) ended the week flat as growth prospects for both companies remain strong. **ISRG** and **BSX** are in the Med Tech space which may be more immune to policy shifts.

Both stocks can be held.

Daily Chart of the Communication Services Sector (XLC)



Communication Services Sector Posts Mixed Week

The Communication Services sector pulled back to its 50-day moving average last week where it's finding support.

This sector hit a new high in price in early December amid strength in heavyweight names Meta Platforms (**META**) and Netflix (**NFLX**) from our List.

Last week, **META** recovered from a pullback to its 50-day moving average amid Wall Street upgrades to their earnings estimates. A close above its 21-day moving average at \$608 would put the stock into a strong buy zone as the RSI and MACD are in positive territory.

Netflix (**NFLX**) is trending lower with the RSI now in negative territory on the daily chart. A 3% pullback took place last week despite 2 Wall Street upgrades due to their continued product expansion.

With the MACD trending toward a negative close as well, we would not be a buyer on this pullback. Instead, we are on the lookout for a close above its 21-day moving average in the \$912 range coupled with a positive RSI. Until then, **NFLX** can be held.

Summary

U.S. equities have struggled over the past several weeks with breadth in the S&P 500 deteriorating. Only 18% of stocks were above their 50-day moving average before Friday's rally pushed it up to 25%.

The recent drop in the number of bullish stocks above this key moving average is similar to April and both times, a rising interest rate backdrop was in place. (see chart below)

At this time, only 3 sectors are above their 50-day moving average - Consumer Discretionary (XLY), Communication Services (XLC), and Technology (XLK) which points to a bias toward M7 stocks which each have an AI-related component.

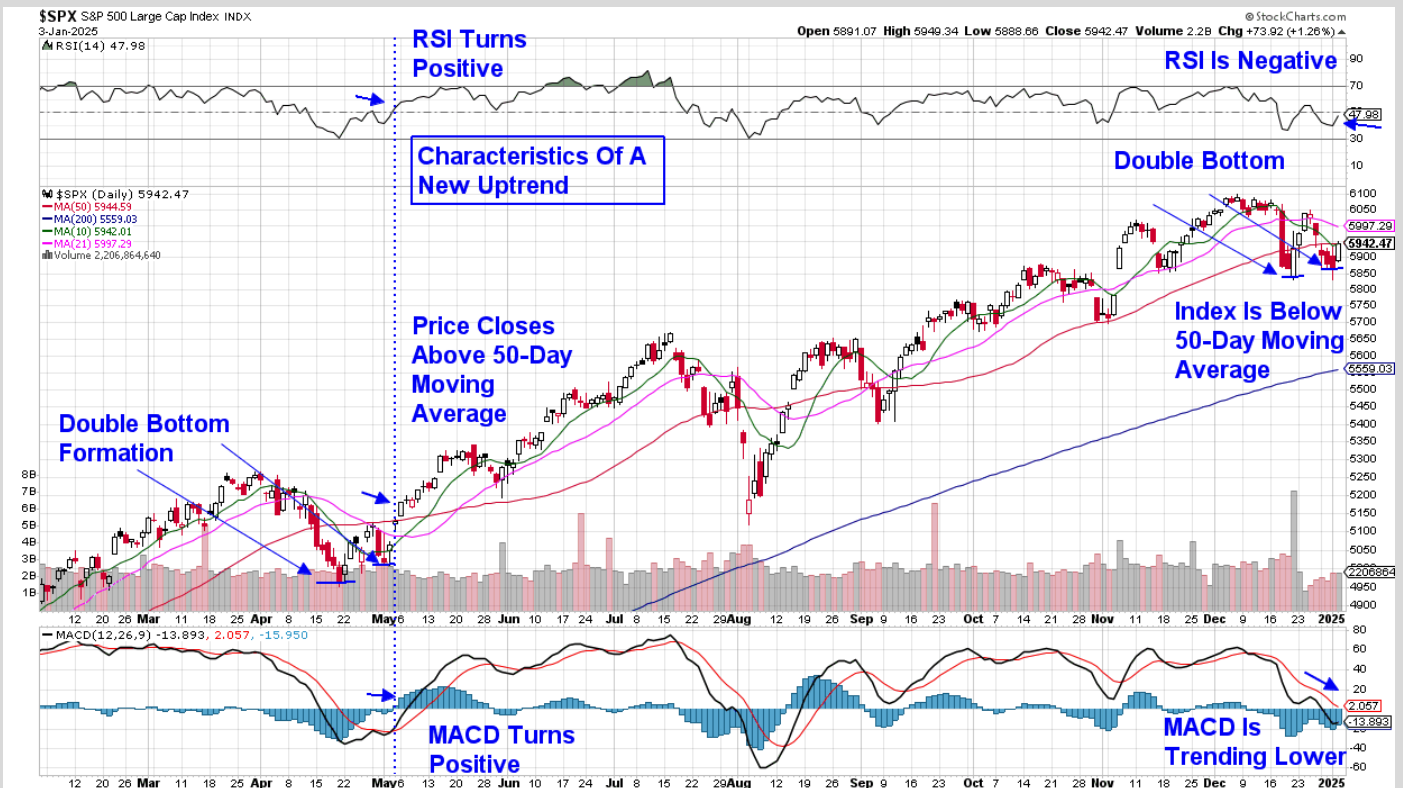
As you'll see below, the SPX % chart is in an oversold position, and we're due a potential bounce and →

broadening out into areas outside of Growth. (similar to April)

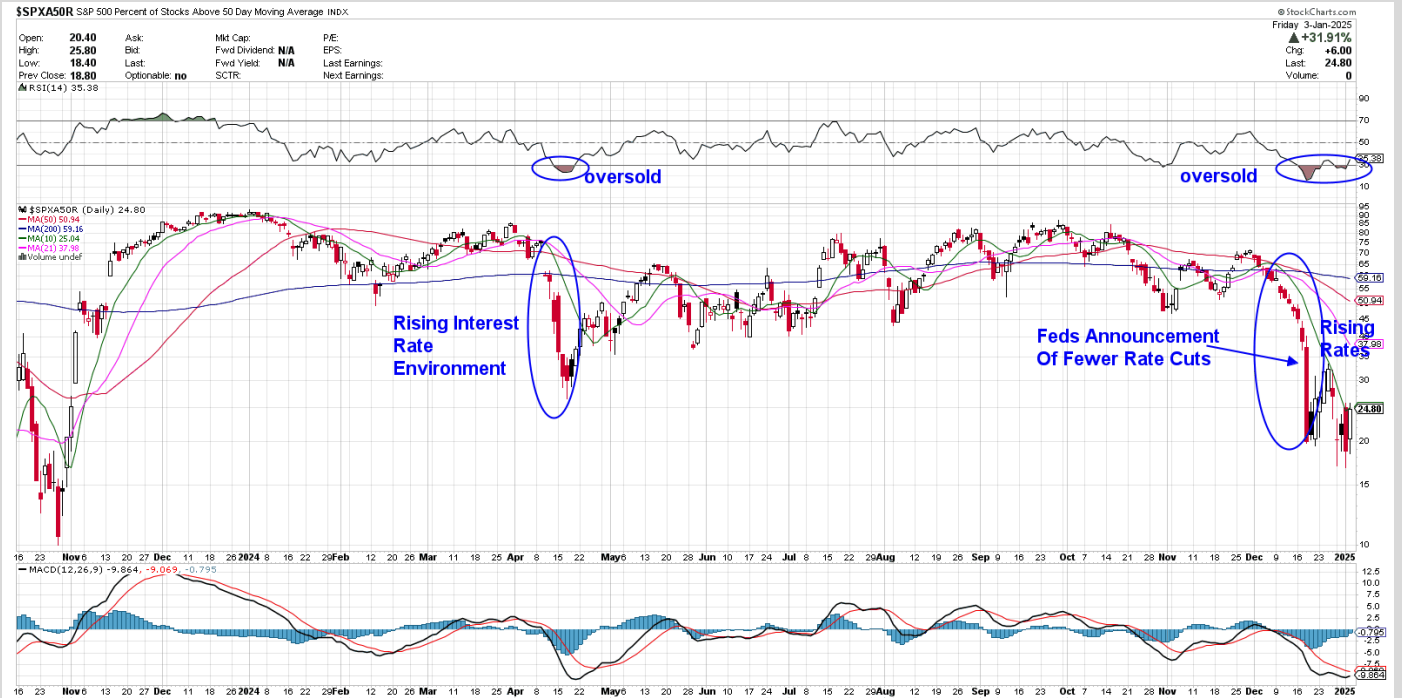
Next week's December jobs report may be the catalyst, as the Federal Reserve has cited their focus on employment data as a guide to interest rate policy.

The December jobs report is expected to show the US labor market added 153,000 jobs in the month, down from the 227,000 seen in November. Meanwhile, the unemployment rate is expected to hold steady at 4.2%. In essence, the Fed is looking for a steady cooling of the job market, and the estimated numbers are poised to show that. This should help the case for lower interest rates.

Daily Chart S&P 500

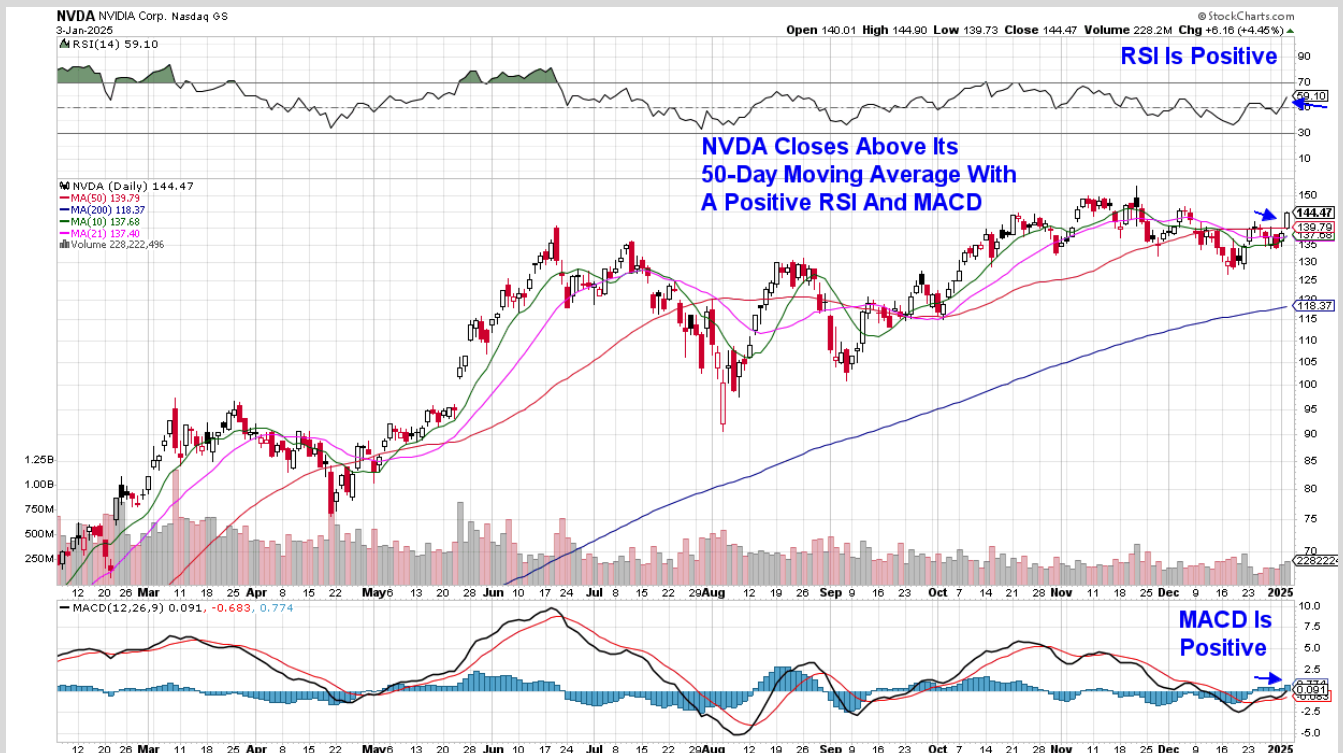


Percent of Stocks Above 50 Day Moving Average

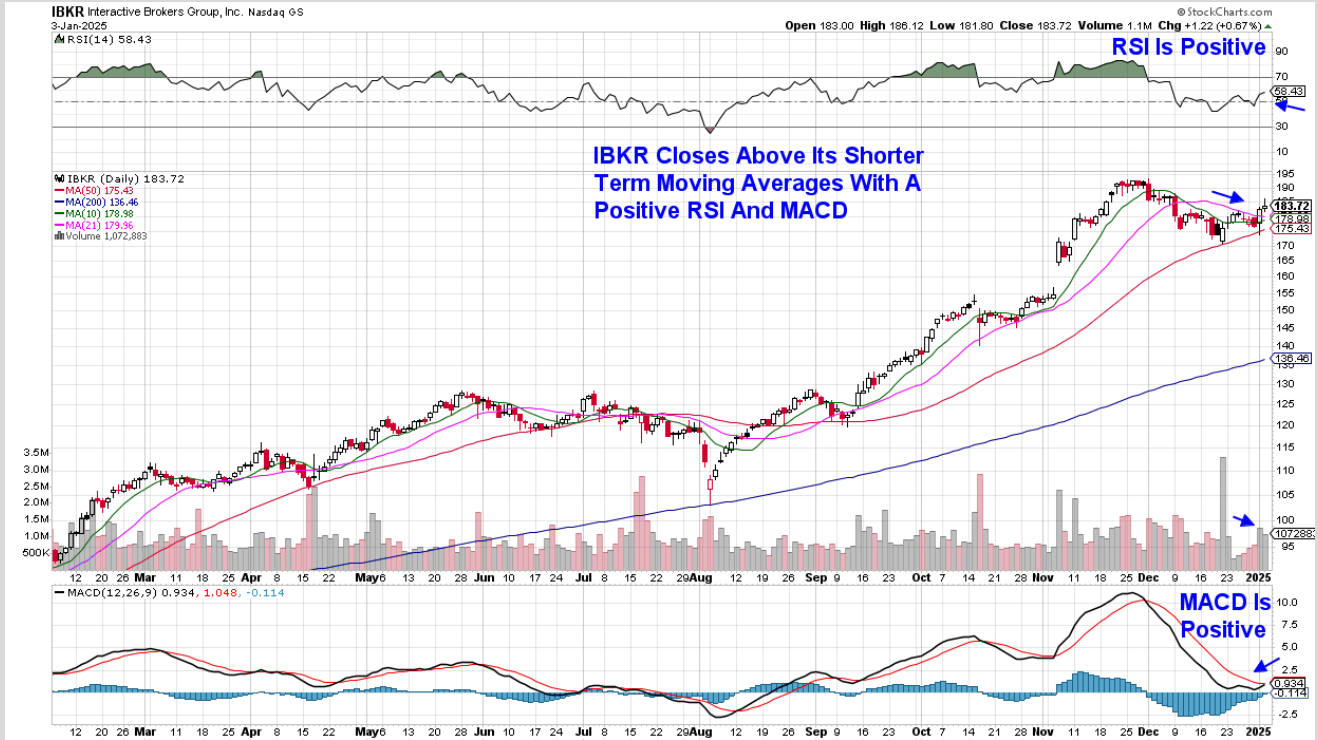


New Idea Charts

Daily Chart of NVIDIA Corp. (NVDA)



Daily Chart of Interactive Brokers Group, Inc. (IBKR)



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	23.5%	
RL	Ralph Lauren	\$230.30	12/22/2024	2.0%	
SHAK	Shake Shack	\$110.02	10/6/2024	22.0%	
WMT	Walmart	\$72.90	8/15/2024	22.5%	

FINANCIAL

AFRM	Affirm Holdings	\$56.10	11/17/2024	19.0%	
IBKR	Interactive Brokerage Group	\$183.70	1/5/2025		
OWL	Owl Capital	\$24.50	11/24/2024	-0.5%	

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	2.0%	
FTNT	Fortinet	\$82.80	10/13/2024	13.0%	
NVDA	Nvidia	\$144.50	1/5/2025		
PLTR	Palantir	\$32.10	8/18/2024	103.5%	
QTWO	Q2 Holdings	\$79.00	9/22/2024	26.0%	
TSM	Taiwan Semi	\$200.70	12/4/2024	2.5%	

COMMUNICATION SERVICES

NFLX	Netflix	\$701.40	9/2/2024	23.5%	
META	Meta Platforms	\$623.80	12/8/2024	-2.5%	

Longer Term Hold Candidates That Were Removed From Suggested Holdings List

SYMB	COMPANY NAME	CURRENT STATUS
AAPL	Apple	Hold
NVDA	Nvidia	Hold
AVGO	Broadcom	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.

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