THE MEM EDGE

January 12, 2025 | Weekly Report

Economic Data Last Week

- Minutes from Feds Last Meeting Raises Doubts of Interest Cuts Taking Place This Year
- Stronger Than Expected December Payrolls Report Adds to Concerns of Rate Cuts

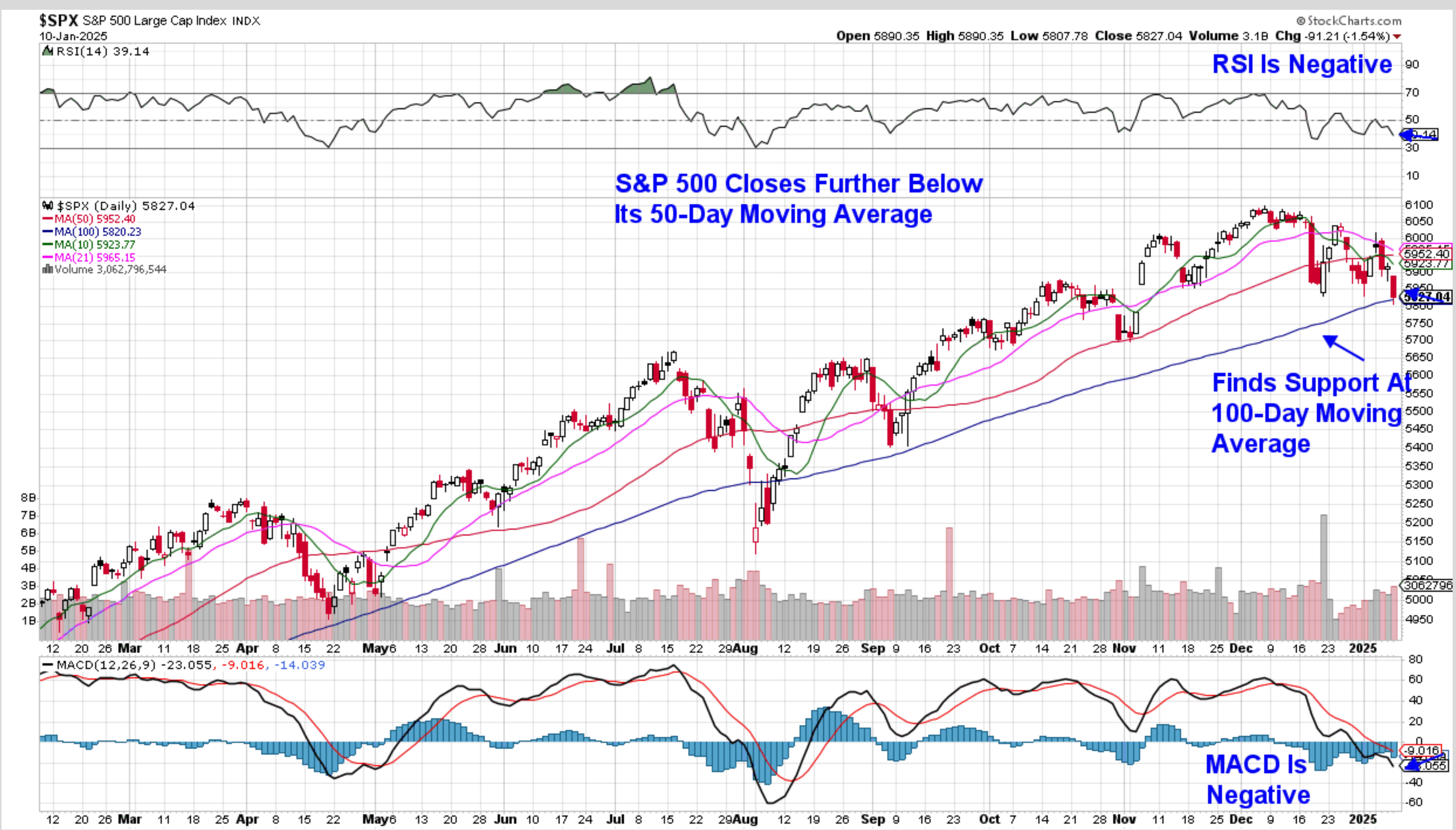
Market Developments Last Week

- Both The Nasdaq and S&P 500 Close Below 50-Day Moving Average
- Interest Rates Spike with 20-Year Treasury Closing Above 5%

Economic Data Due Next Week

- Earnings Season Begins Next Week
- Producer Price Index (PPI) Due Tuesday
- Consumer Price Index (CPI) Due Wednesday
- December Retail Sales Data Due Thursday
- Housing Starts and Industrial Production Due Friday

Daily Chart of S&P 500



The S&P 500 fell 1.9% last week in a move that puts this Index below its key 50-day moving average. With the RSI and MACD now in negative territory, our near-term outlook is negative.

At this time, the S&P 500 has found support at its 100-day moving average however, a close below this moving average would have us looking to the next possible area of support which would be its early November low of 5696.

As seen in the chart of the S&P 500 below, a close back above its 50-day moving average, coupled with a positive RSI and MACD, would put the S&P 500 back into a near-term uptrend.

On the longer-term weekly chart, the RSI and MACD remain in positive territory. This keeps our longer-term outlook positive.

The Nasdaq is also below its 50-day moving average, after a 2.3% decline that pushed the RSI into negative territory. The underperformance in this tech-heavy Index was led by a sharp drop in Nvidia (**NVDA**), with most of the other M7 stocks also falling further than the markets.

At this time we are negative on our near-term outlook for the Nasdaq while longer term, we remain constructive.

Last week's selloff in the markets took place amid a rising interest rate environment with the yield on the 10-year Treasury now at 4.8%. As noted in earlier reports, a yield above 4.5% has put downward pressure on the markets.

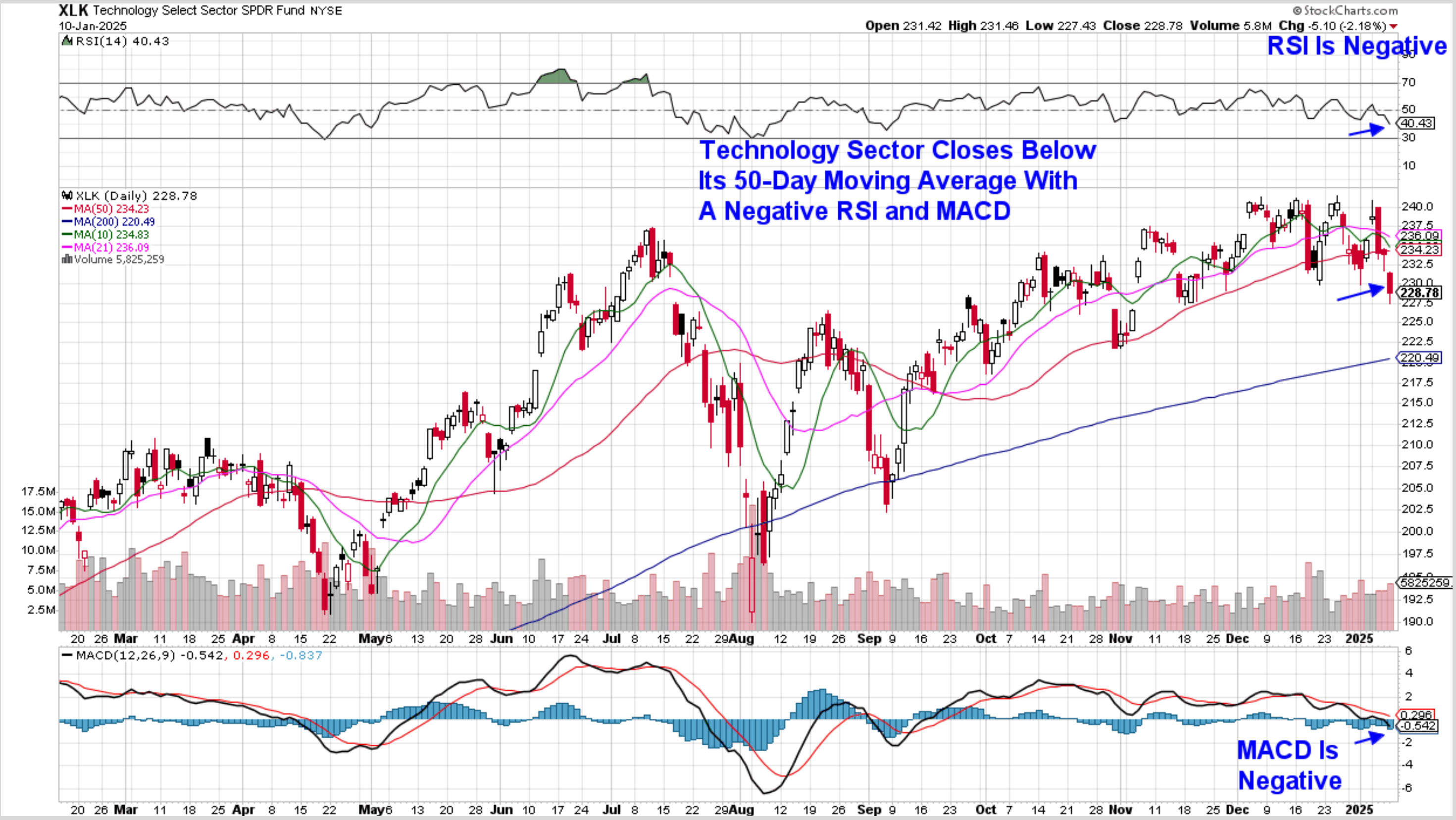
The Volatility Index ($VIX) is also on the rise, with a close on Friday at $19.5. Known as the "fear index", a close above 18 is generally a negative for the markets.

Despite broader market weakness, there were pockets of strength last week with Natural Gas, as well as, select Alternative Energy and Utility stocks gaining amid an expectation that data center-related electricity needs will continue to grow.

Select Medical Products stocks, such as those on our list, also gained for the week, which helped the Healthcare sector close in positive territory.

Next week's earnings season will begin with several major Banks due to report, as well as, chip giant Taiwan Semiconductor (**TSM**). Also, key inflation data will be released. Using the chart below of the S&P 500, the characteristics highlighted in early May would need to take place to signal a new uptrend.

Daily Chart of the Technology Sector (XLK)



[Technology Sector Among Weakest Areas]

The Tech sector pulled back 3% due to a sharp drop in heavyweight stock Nvidia (**NVDA**) which closed the week below its 50-day moving average.

The decline took place amid unconfirmed reports that the Biden administration is set to announce restrictions on chip exports to a majority of companies and a ban on a few countries such as China.

Comments from **NVDA**'s CEO at the annual CES conference also weighed on the stock as investors were disappointed that more news was not released regarding their advanced Blackwell chip used for AI.

NVDA can be held.

Taiwan Semiconductor (**TSM**) fared better, after closing the week flat ahead of the release of their earnings on Thursday. The stock is in an uptrend as it is above its 10-day moving average with a positive RSI and MACD.

Software stocks continue to decline due to a rise in interest rates. These stocks are particularly sensitive to rising rates, as it decreases the value of future earnings. Their earnings are based on subscription rates that are locked in and cannot be increased.

Among names on our List, Palantir (**PLTR**) was the hardest hit with a 15.8% decline due to a Morgan Stanley downgrade amid valuation concerns.

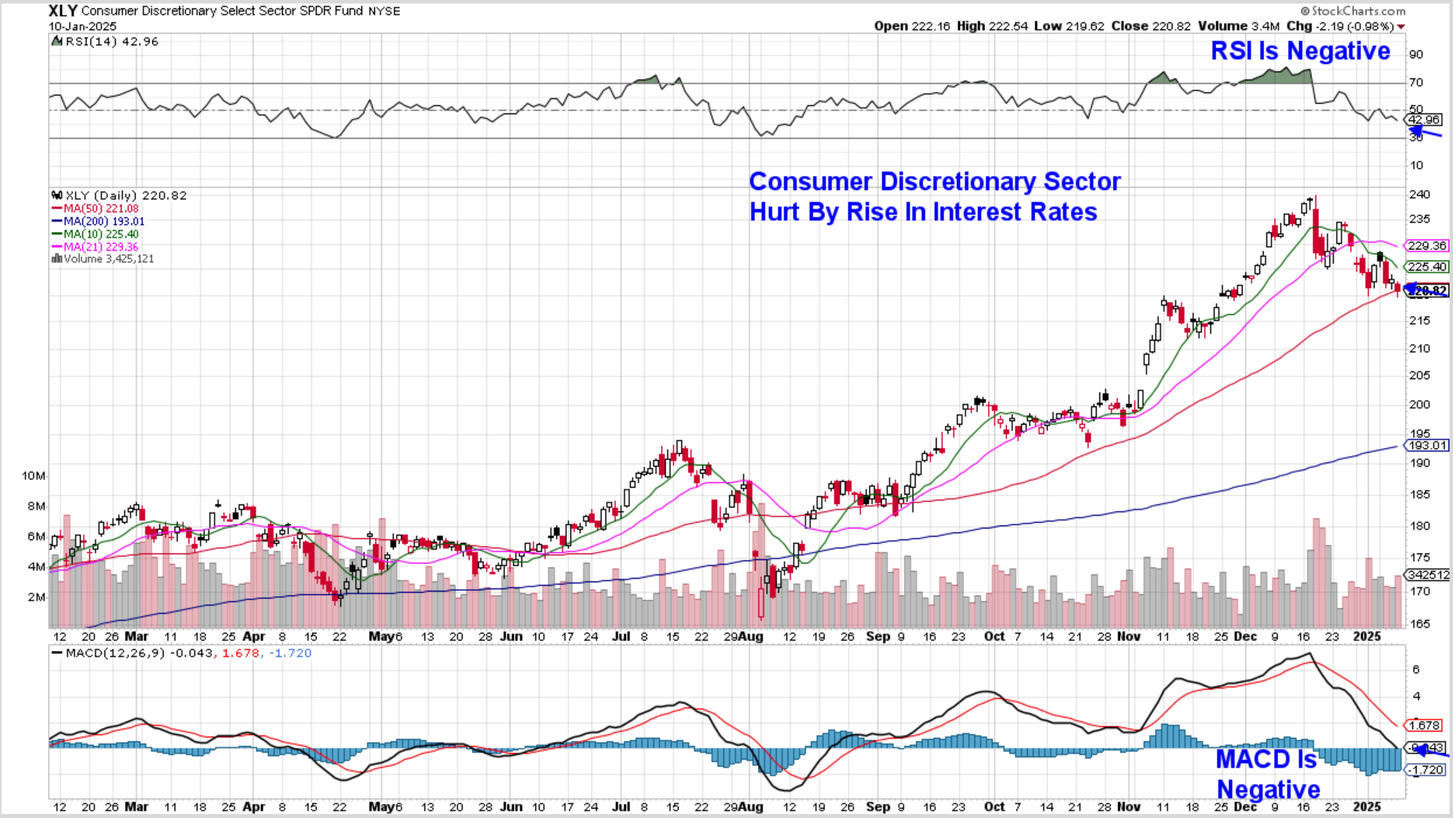
The RSI is now negative for **PLTR** however, the stock has a positive MACD. A close back above its 10-day moving average in the $75 range would put **PLTR** into a buy zone.

That said, the stock closed just at its 50-day moving average and a close below this mav, coupled with a negative MACD, would have us negative on its near-term prospects.

Fortinet (**FTNT**) is finding support at its 50-day moving average. With a negative RSI and a positive MACD, the stock can be held.

Arista Networks (**ANET**) closed above its 10-day moving average with a positive RSI and MACD. While this would put the stock into a buy zone, weakness in the Tech sector puts this stock as a hold.

Daily Chart of the Consumer Discretionary Sector (XLY)



[Consumer Discretionary Sector Pulls Back To 50-Day Moving Average]()

The Consumer Discretionary sector underperformed after being led lower by Housing and Auto stocks which will be hurt by any increase in interest rates.

Retail stocks were mixed, with Restaurant stocks being among the weaker areas. This would include Shake Shack (**SHAK**) which closed the week below its 50-day moving average with a negative RSI. The stock can be held.

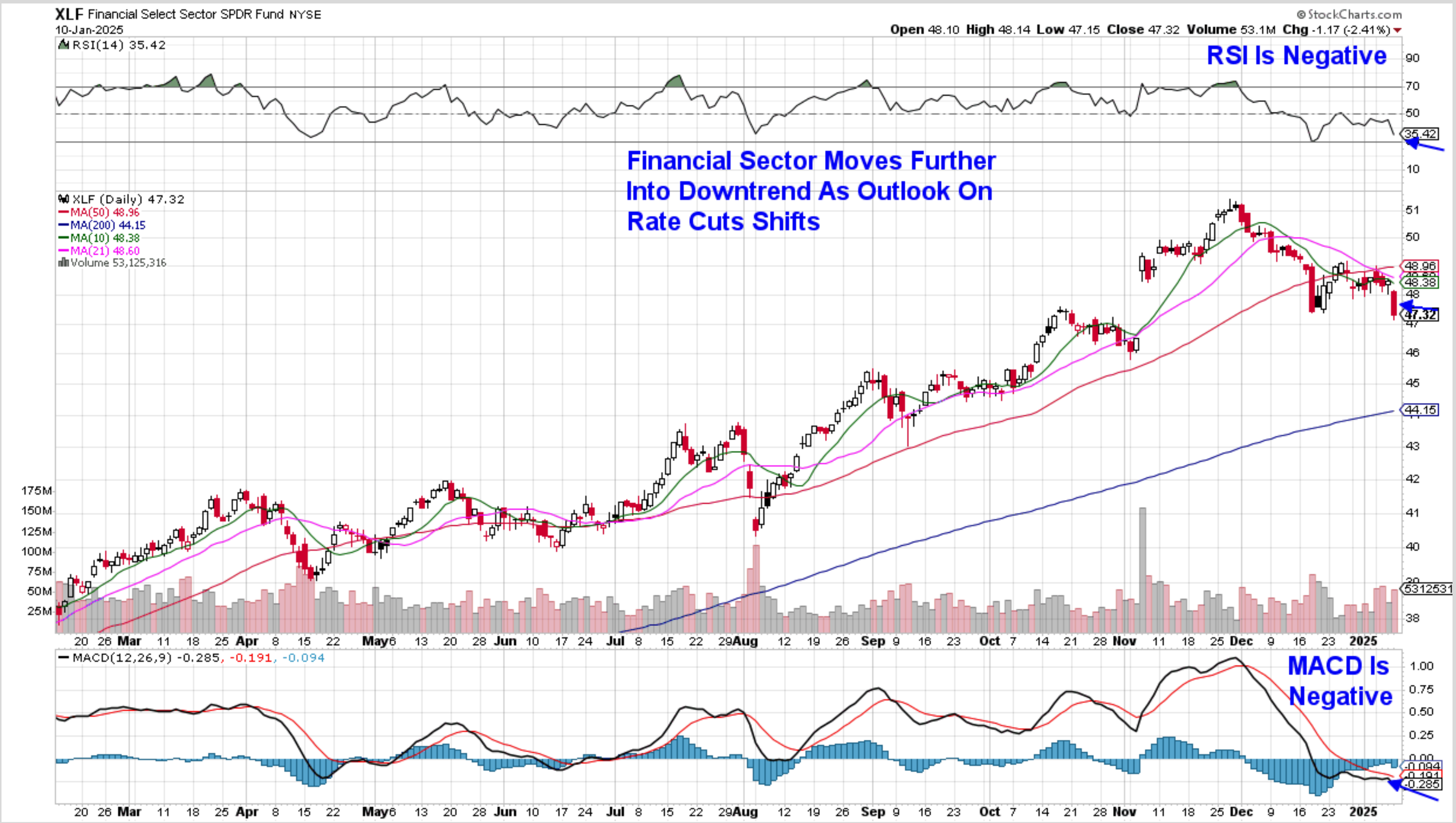
Retail giant Walmart (**WMT**) gained 2.5% due to several Wall Street price target upgrades last week. The stock closed the week above its 21-day moving average and is in a buy zone with a positive RSI and MACD.

WMT is often viewed as a defensive stock due to their sales of needed products regardless of a rising interest rate environment.

Amazon (**AMZN**) can be held and a close above its 21-day moving average in the $225 range would put the stock into a buy zone. The stock was chosen as a top pick for 2025 by several Wall Street firms.

Ralph Lauren (**RL**) is in a buy zone after pulling back to its 10-day moving average with a positive RSI and MACD. The stock received a major Wall Street upgrade on Wednesday due to an improving profit margin outlook.

Daily Chart of the Financial Sector (XLF)



[Financial Stocks Hurt By Pullback In Banks And Other Rate-Sensitive Areas]

The Financial sector was already in a downtrend before Friday's strong jobs report pushed these stocks down an additional 2.4%.

Asset Management stocks were hit the hardest as a rise in rates will negatively impact companies such as Blue Owl (**OWL**) which is a direct lender to middle-market companies.

The stock pulled back 6% for the week which puts it below its 50-day moving average with a negative RSI and MACD. We are removing **OWL** from our Suggested Holdings List.

Recently added Interactive Broker (**IBKR**) is in a buy zone after regaining its 10-day moving average on Friday. The stock received a major price target upgrade to $220 due to surging retail trading activity post-election.

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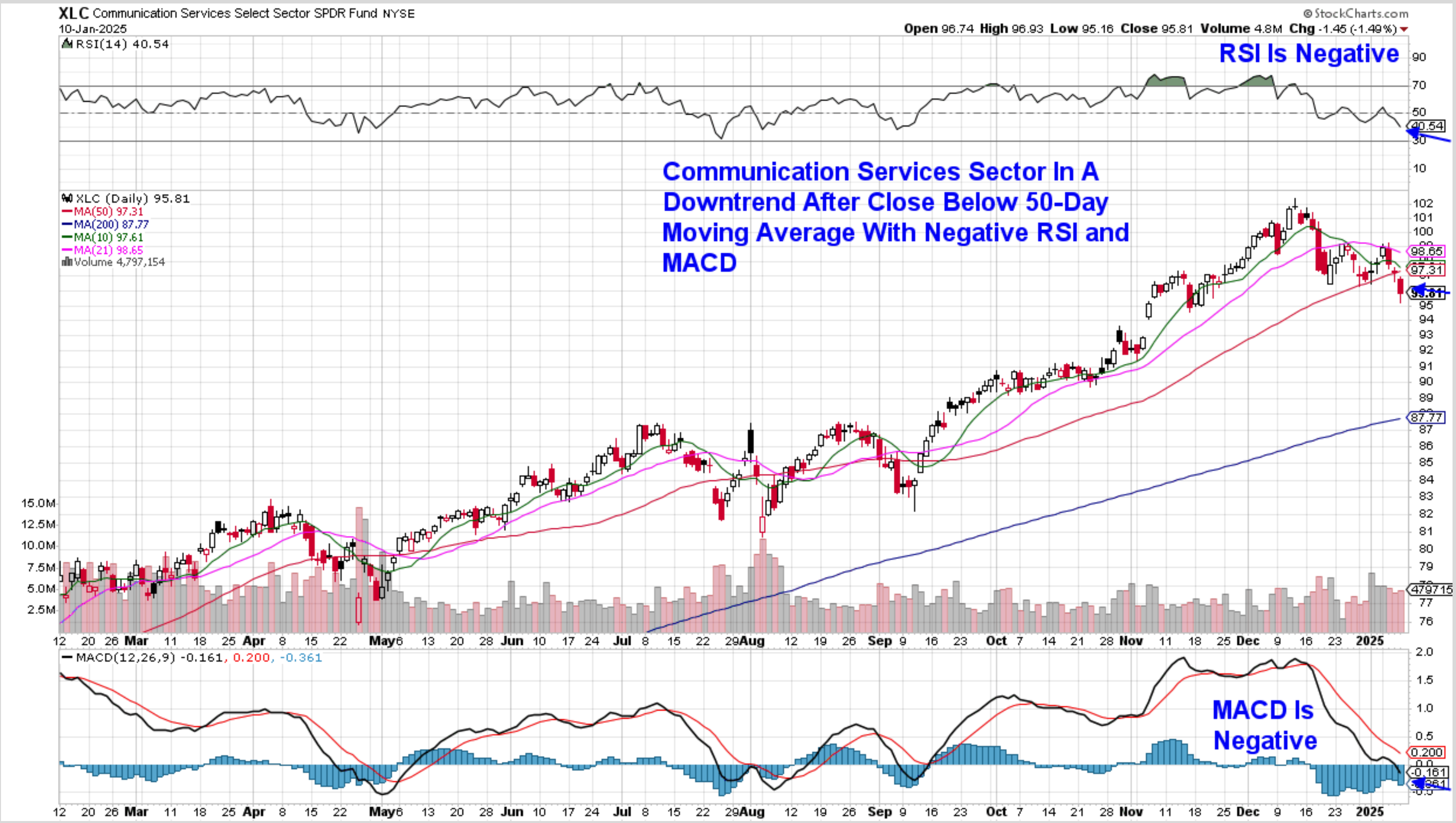
Daily Chart of the Communication Services Sector (XLC)



[Communication Services Sector In Downtrend](#)

The Communication Services sector closed below its 50-day moving average amid a sharp drop in Telecommunication stocks.

Heavyweight name Meta Platforms (**META**) from our List gained 2% last week after the Supreme Court heard arguments ahead of next week's ruling on a TikTok ban.

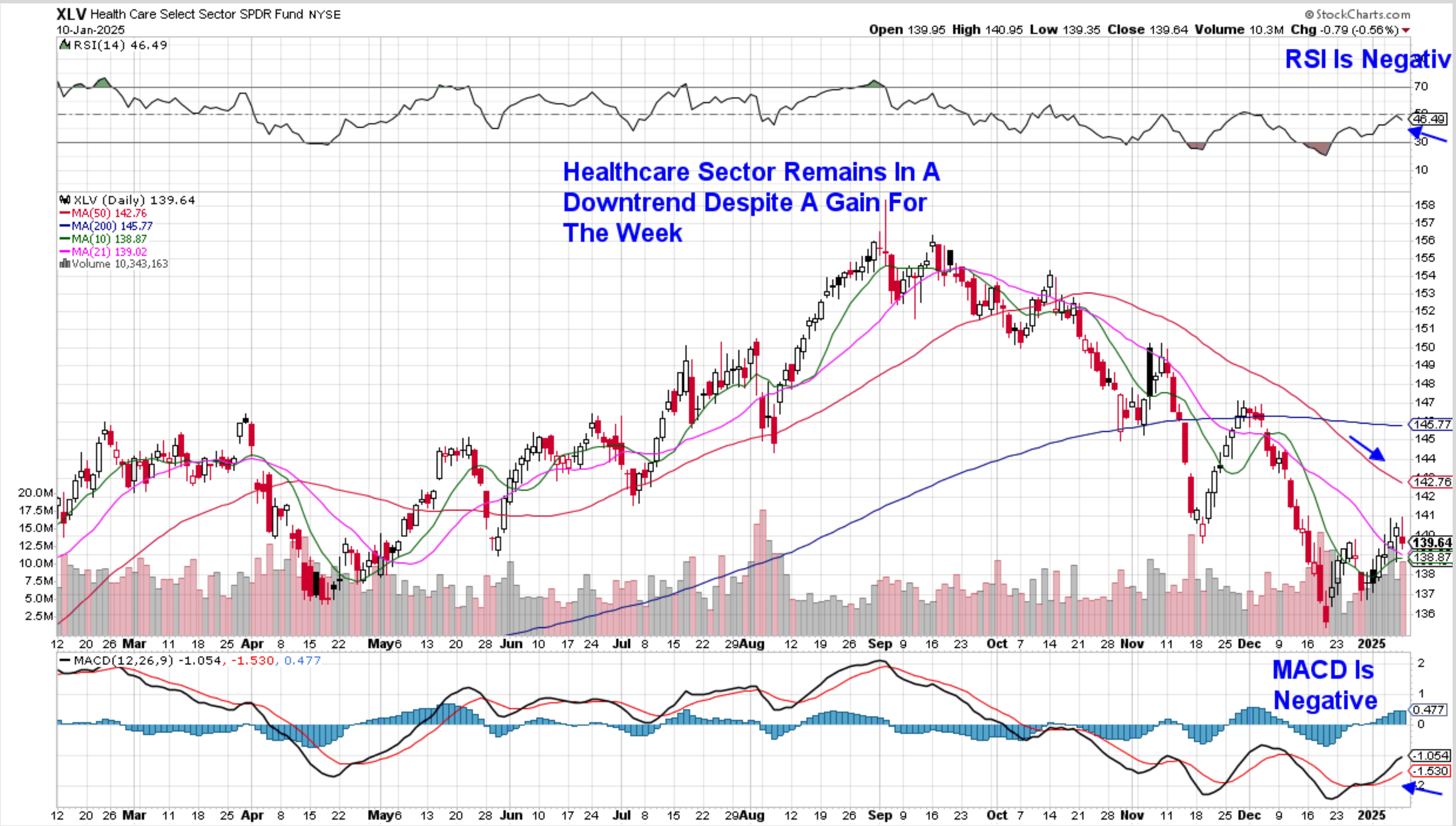
Meta's Reels video service would be a major beneficiary if TikTok is removed from the U.S.

The stock closed above its shorter-term moving averages with a positive RSI and MACD. This puts the stock into a buy zone.

Netflix (**NFLX**) fell 5% last week with the stock now in a confirmed downtrend after closing below its 50-day moving average with a negative RSI and MACD. The decline took place on Friday and followed a price target downgrade from JP Morgan.

We are removing **NFLX** from our Suggested Holdings List.

Daily Chart of the Health Care Sector (XLV)



[Healthcare Sector Gets Boost]()

The Healthcare sector gained 0.5%, amid a rally in Medical Product stocks. The positive price action was due to gains in heavyweight names such as Boston Scientific (**BSX**) from our List. The stock rallied following news of their acquisition of Bolt Medical which is expected to enhance their growth prospects.

BSX gapped up on above-average volume which helped it post a base breakout at $92. The stock pulled back on Friday but remains in a buy zone.

Intuitive Surgical (**ISRG**) is also in a buy zone as the stock is forming the right side of a base with a positive RSI and MACD. A base breakout at $556 would put the stock into a strong buy zone.

Summary

Last week's news that economic strength in the U.S. is improving, lowered the odds of further rate cuts. In turn, interest rates rose with the yield on the 20-year Treasury moving above 5% which has not been seen since 2023. Volatility also picked up.

At this time, we are cautious on the near term prospects for the markets however, next week's inflation reports may improve sentiment if they show prices declining.

Of the 2 data releases, the Producer Price Index (PPI) has more relevance as it provides more information regarding future inflation. →

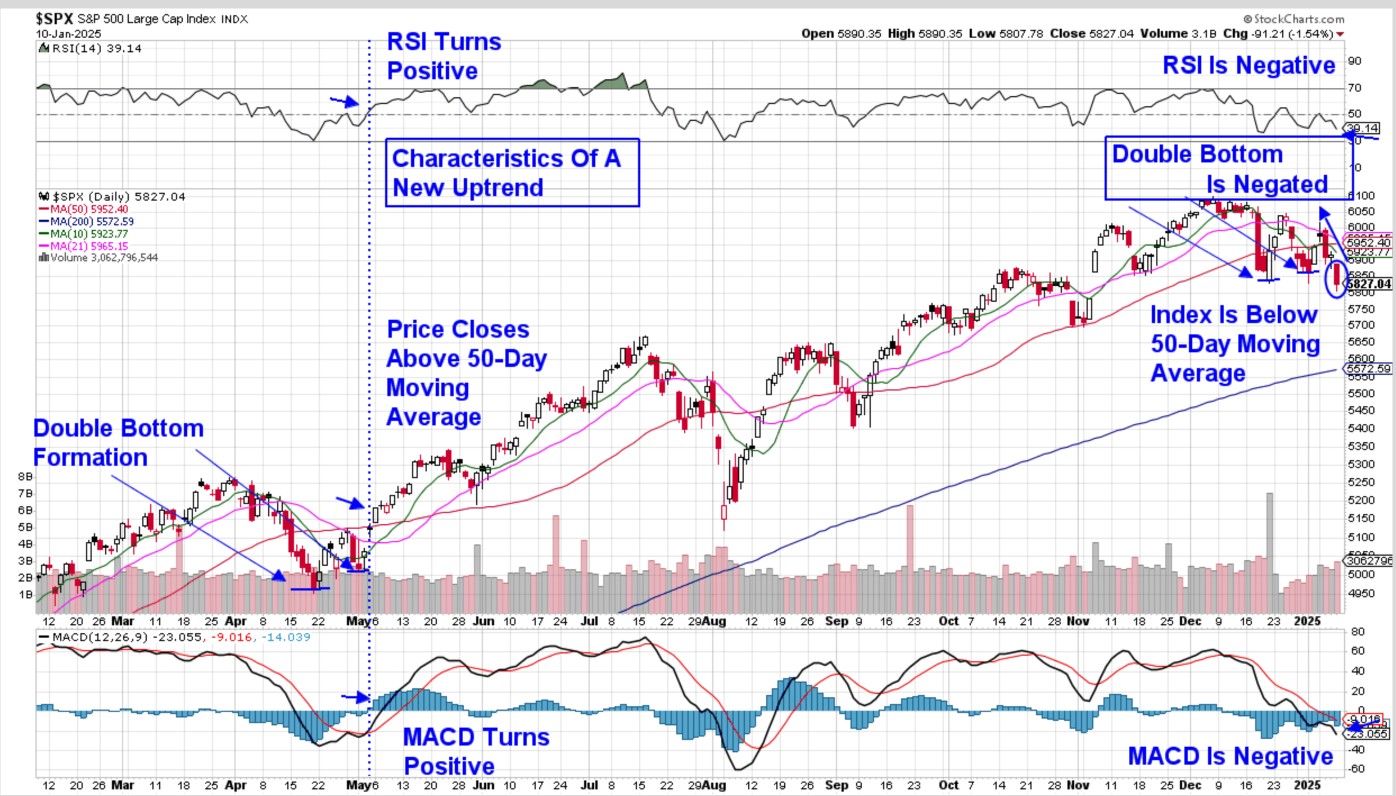
PPI for December will be released on Tuesday before the markets open.

Earnings season also begins next week and while higher interest rates may continue to put pressure on the markets, we expect to see a bullish turn as we head into what's expected to be a strong earnings period.

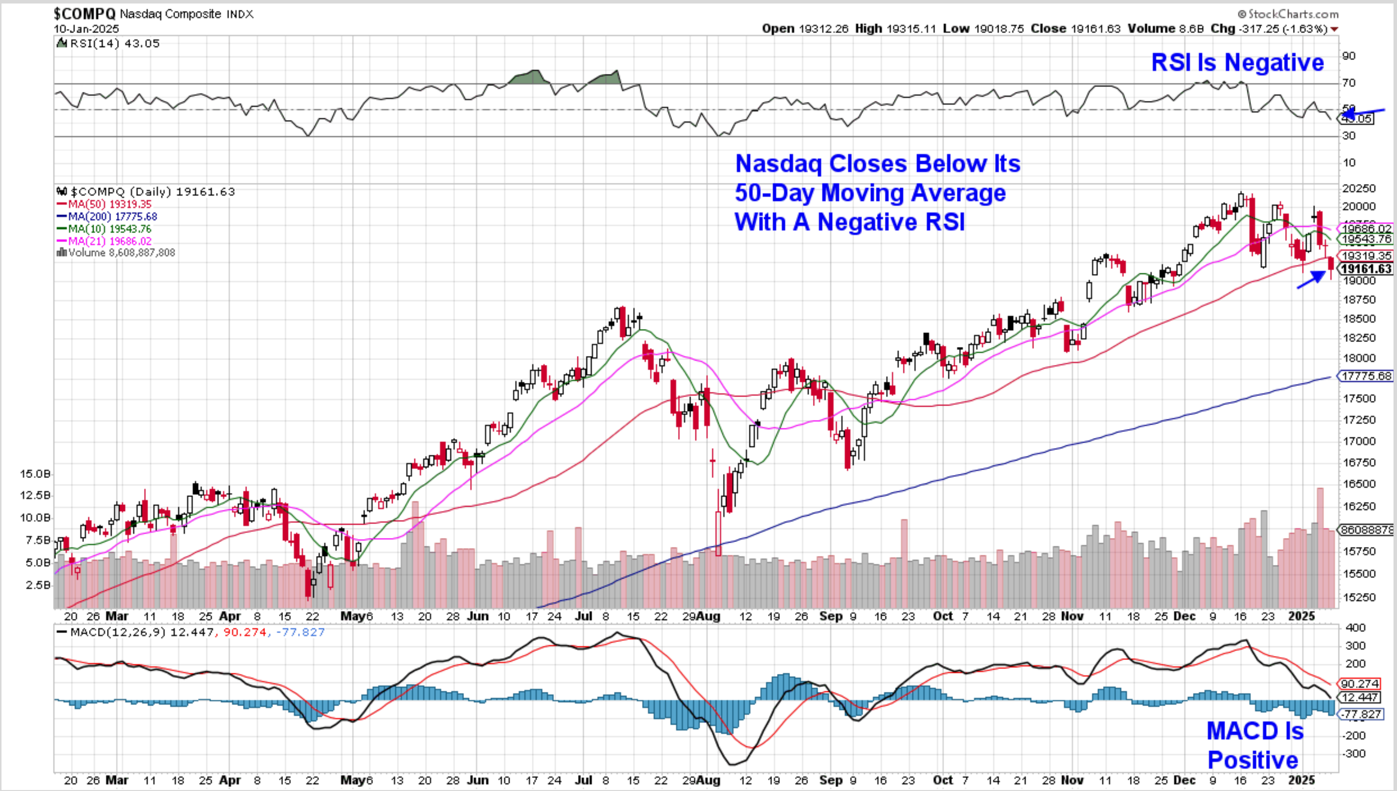
We have not added any new stocks this week however, we have expanded our Watch List in anticipation of a near term uptrend.

Charts We Are Watching:

Daily Chart of the S&P 500 ($SPX)



Daily Chart of the Nasdaq Composite ($COMPQ)



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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	21.0%	
RL	Ralph Lauren	$230.30	12/22/2024	1.0%	
SHAK	Shake Shack	$110.02	10/6/2024	18.5%	
WMT	Walmart	$72.90	8/15/2024	22.5%	
FINANCIAL					
IBKR	Interactive Brokerage Group	$183.70	1/5/2025	1.0%	
OWL	Owl Capital	$24.50	11/24/2024	-6.5%	
HEALTHCARE					
BSX	Boston Scientific	$81.80	9/2/2024	16.5%	
ISRG	Intuitive Surgical	$598.80	10/20/2024	31.5%	
TECHNOLOGY					
ANET	Arista Networks	$112.80	12/22/2024	1.0%	
FTNT	Fortinet	$82.80	10/13/2024	10.0%	
NVDA	Nvidia	$144.50	1/5/2025	-6.0%	
PLTR	Palantir	$32.10	8/18/2024	87.0%	
TSM	Taiwan Semi	$200.70	12/4/2024	2.5%	
COMMUNICATION SERVICES					
NFLX	Netflix	$701.40	9/2/2024	18.5%	
META	Meta Platforms	$623.80	12/8/2024	-0.5%	

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.