



# THE MEM EDGE

Midweek Report

Wednesday, January 15, 2025

## Economic Data Released This Week:

- Both PPI And CPI Data Point to Lower Inflation
- Bank Stocks Rally Sharply Amid Strong Earnings Reports

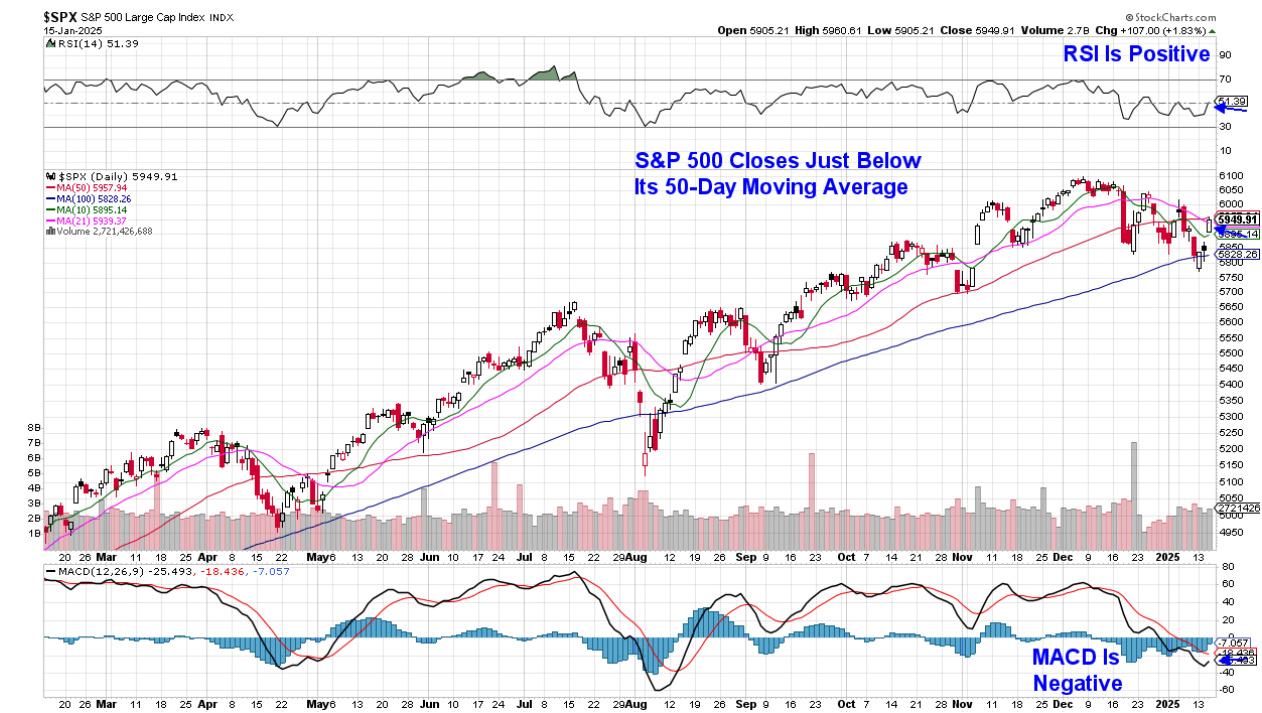
## Market Developments This Week

- Interest Rates Fall on Cooler Inflation Data
- Oil Prices Break Out Of 9-Month Base Amid Wider U.S. Sanctions on Russia and Cold Weather in Most of U.S. and Europe
- Removing SHAK From Suggested Holdings List
- Adding TSLA and CEG To Suggested Holdings List

## Upcoming Economic Data This Week

- December Retail Sales Data Due Thursday
- Housing Starts and Industrial Production Due Friday
- Taiwan Semiconductor (TSM) Earnings Due Tomorrow Before Markets Open

## DAILY CHART OF S&P 500 INDEX





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The S&P 500 has gained 2.1% for the week in a move that's pushed this Index up to its 50-day moving average. While the RSI is back in positive territory, the MACD remains negative.

This keeps our cautious near-term outlook for the markets in place however, as you'll see in the chart of the S&P 500 below, we are again moving closer to a possible downtrend reversal. A close above the 50-day moving average coupled with a positive MACD are needed.

The Nasdaq has gained 1.8% which has put this Index back above its 50-day moving average and with the RSI and MACD in positive territory, we are more positive on the near-term prospects for the Nasdaq.

Most of this week's gains for both Indexes took place today after cooler-than-expected CPI data showed a deceleration in inflation for December. The news followed a report on Tuesday that showed Producer Prices had a smaller-than-expected increase.

The declining inflation backdrop pushed interest rates lower, which provided a boost for Home Construction and select Growth areas.

Strong earnings reports from major Bank stocks today also pushed the markets higher, with Regional Banks gaining 7.6% for this week. As cited in our Sunday Report, we are anticipating a relatively strong earnings season which would continue to support a market uptrend.

Among stocks on our List, Intuitive Surgical (**ISRG**) was a top performer after gaining 6% following the release of their preliminary 4th quarter earnings which were well above estimates.

The stock gapped up into a base breakout on heavy volume today in a bullish move that points to further upside. While we may see a period of consolidation similar to the mid-October price action following earnings, and we would be a buyer on any pullback into the \$560 range.

**ISRG** is due to report quarterly earnings next Thursday.

Boston Scientific (**BSX**) gained 2% and the stock remains in an uptrend following last week's news of their acquisition of Bold Medical. The stock is in a buy zone.



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The Technology sector has underperformed this week, led by Software stocks which have rallied but not to the extent of the broader markets. The group remains in a downtrend. (using ETF IGV)

Among Software stocks on our List, Palantir (**PLTR**) managed to close back above its 50-day moving average. While this is constructive, we would need the RSI to turn positive on the daily chart before it would be in a buy zone.

Fortinet (**FTNT**) is struggling to regain its 50-day moving average with a negative RSI and MACD. The stock can be held.

Semiconductor stocks were held back by underperformance in mega-cap names such as Nvidia (**NVDA**) which remains below its 50-day moving average with a negative RSI. We would not be a buyer at this time.

Taiwan Semiconductor (**TSM**) is due to report their earnings tomorrow before the markets open. The results as well as management's outlook will have a big impact on other chip stocks. The stock is in a bullish position to trade higher should they release a bullish report.

The Consumer Discretionary sector received a boost from Tesla (**TSLA**) which rallied 8.5% after a major Wall Street upgrade.

We are adding the stock to our Suggested Holdings List as it is in a bullish position to trade higher after closing above its shorter-term moving averages with a positive RSI and MACD. A positive MACD crossover (black line up through the red) would put the stock into a strong buy zone.

Amazon (**AMZN**) is very close to turning bullish and a close above its 21-day moving average in the \$224 range would put the stock into a buy zone.

Walmart (**WMT**) is not following through on last week's new uptrend amid a lack of news this week. A close back above its 21-day moving average in the \$92 range coupled with a bullish MACD crossover would put the stock into a buy zone.

Shake Shack (**SHAK**) pulled back sharply this week after their release of preliminary 4th quarter results on Monday was unimpressive. The stock is oversold and we'd be a seller on any rally. We're removing the stock from our Suggested Holdings List.



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As noted, Financial stocks have rallied sharply amid strong Bank earnings. The group has not regained its uptrend however and should this occur, we intend to add stocks to our Suggested Holdings List from this group.

Tomorrow, Bank of America (BAC) and Morgan Stanley (MS) will report results which may provide further bullish price action.

Meta Platforms (META) is flat for the week amid volatile price action ahead of this week's ruling on a possible TikTok ban. Meta's Reels video service would be a major beneficiary if TikTok is removed from the U.S.

It's expected that the Supreme Court will issue a ruling on whether to uphold the ban over the next couple of days.

META is in a buy zone after closing above its shorter-term moving averages with a positive RSI and MACD.

Energy stocks are the top performing this week amid an uptick in oil prices due to positive supply/demand characteristics that were revealed in the latest Oil Market Report. Cold weather in much of Europe and the U.S. also pushed oil higher.

Natural Gas prices are also on the rise and today, we are adding Constellation Energy (CEG) to our Suggested Holdings List following Wall Street price target upgrades after their acquisition of Calpine.

Calpine's focus on natural gas is seen as beneficial to the growth prospects of **CEG**. The stock is in a buy zone.

Today's rally in the markets following 2 reports that showed inflation is declining, has pushed the S&P 500 closer to a new uptrend. In constructive news, the Equal Weighted SPX is outperforming this week following a move into Industrials, Financials, and Energy stocks. A broadening out of the markets beyond mega-cap M7 stocks would provide a healthy backdrop for a further rally.

We are not quite in bullish mode yet however, as only 3 sectors are above their 50-day moving averages (XLE, XLF, and XLY), with the broader market SPX needing further positive characteristics.

We intend to add additional stocks to our List this weekend depending on how we end the week.



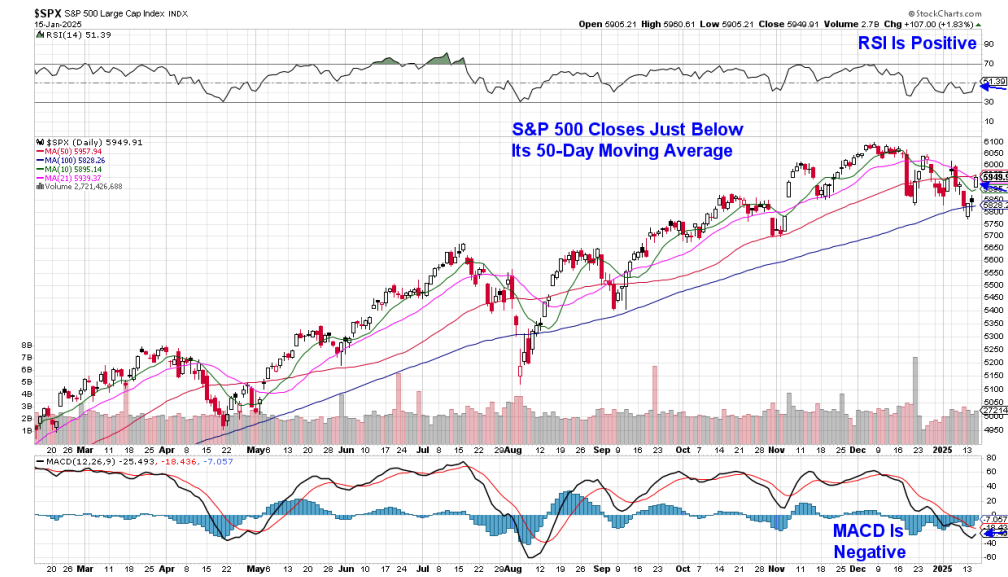


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Midweek Report

Warmly,  
Mary Ellen McGonagle  
Editor, MEM Edge Report

## DAILY CHART OF S&P 500 - BULLISH SIGNALS NEEDED FOR UPTREND



## DAILY CHART OF NASDAQ COMPOSITE

