



# THE MEM EDGE

April 28, 2024 | Weekly Report

## This Week's Highlights

- New Home Sales Jump In March
- Q1 GDP Slows To 1.6% Amid Continued Price Pressures
- Year Over Year Core PCE Increases To 2.8%
- Mega Cap Earnings Report Drive Markets META, MSFT, GOOGL, TSLA

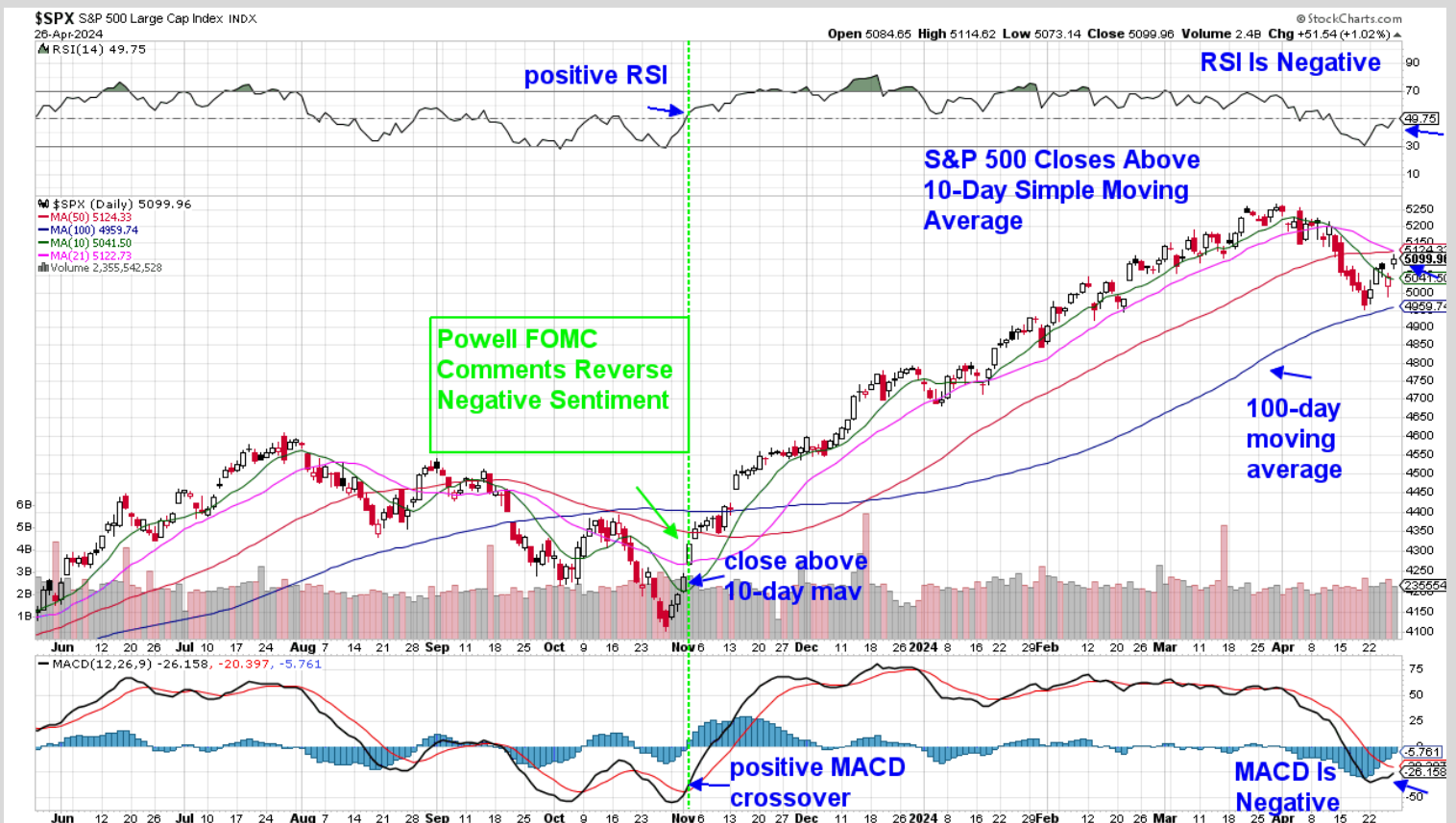
## Upcoming Reports And Events For Next Week

- Markets Pricing In 19% Chance That Rates Aren't Lowered Into Year End
- AAPL and AMZN report next week
- FOMC Meeting Notes Due Wednesday and April Employment Data on Friday

## Notable Developments

- Markets Remain In Near Term Downtrend
- Retail Sector Begins To Firm Up
- Semiconductor Stocks Post Sharp Gains Ahead Of Many Earnings Reports Next Week

### Daily Chart of S&P 500



The S&P 500 gained 2.9% for the week in a move that puts this Index above its 10-day simple moving average; however, it closed just below its key 50-day simple moving average. This, in addition to the fact that the RSI and MACD are both in negative territory, keeps the near-term downtrend for this index in place.

While a close above the 50-day simple moving average and a positive RSI would be constructive, ideally we would like to see the yield on the 10-year Treasury move below the currently elevated level of 4.7%.

As noted in prior reports, we're using the August to late October period as precedent for the current markets, as that downtrend took place amid a rising interest rate environment.

A sentiment shift among investors that interest rates were set to be cut, sparked the downtrend reversal on November 1st, as yields fell on the news. Higher interest rates are a negative for the markets - particularly growth stocks - as the future value of earnings is reduced. The next impactful data for interest rates will be next Wednesday's Fed Chair comments and Friday's April employment data.

Should the markets rally next week, the next area of upside resistance for the S&P 500 is the 50 and 21-day simple moving averages which are both 0.5% away. Should we pull back, the 10-day simple moving average is the first area of support and it's 1.2% away. A move below this would put the 100-day moving average into focus which is 2.8% below current levels.

The NASDAQ posted a 4.4% rally that was fueled by a sharp out performance among M7 names Nvidia (**NVDA**), Tesla (**TSLA**) and Alphabet (**GOOGL**). A 9.5% rally in Semiconductor stocks also provided a boost as did outperformance in Semiconductor and Retail stocks.

Despite the sharp gain, the NASDAQ closed below its key 50-day simple moving average. A close above the 50-day simple moving average - which is 0.8% away - would be constructive for this Index. However, lower yields would be needed to provide us conviction that a prolonged uptrend could take place.

Last week's reports of worrisome gains in inflation is not encouraging; however, we've seen the markets pivot quickly on any hints of lower rates such as the comments from Fed Chair Powell on November 1st. On Wednesday, Powell will be speaking after the FOMC's latest interest rate decision is released and any comments that point to a possible rate hike later this year could easily shift sentiment.

Earnings reports from 4 of the Magnificent Seven stocks had the most impact on the markets last week. META's sharp drop on Thursday after forecasting lower sales this year, pushed Tech names lower. Google's sharp rally on Friday after reporting strong earnings and their first share buyback and dividend, gave the market's a boost.

Next week, My stocks Apple (**AAPL**) and Amazon (**AMZN**) are due to release their results.

While interest rate sentiment will drive the overall trend of the markets, the biggest gainers and losers over the past several weeks have been companies reporting their quarterly results and providing growth guidance going forward.

So far, it's been a robust earnings season with 78% of companies coming in with earnings that were above estimates. Many of these companies have been rewarded with sharp gains into base breakouts such as names from our List which we review below.

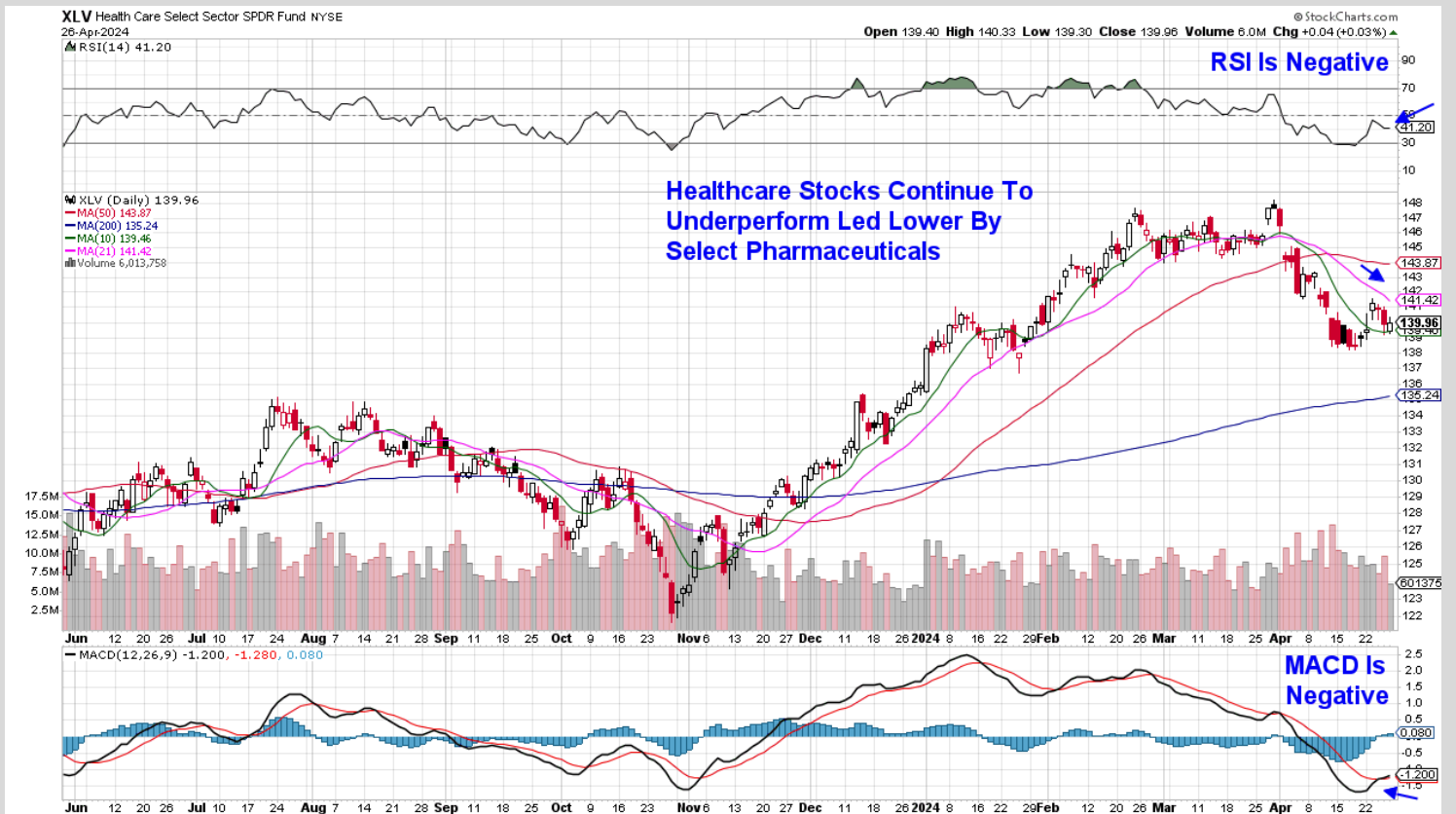
With 46% of the companies in the S&P 500 having already reported their results, we're on the lookout

for a continuation of this positive response to positive results to provide a needed boost for the markets. At this time, most of the 11 sectors in the S&P 500 remain below their key 50-day moving average led by heavyweight areas such as Technology, Consumer Discretionary, Internet Related and Healthcare.

At this time, we're seeing green shoots among these downward trending sectors amid better than expected earnings however, we'd tread lightly into these markets until we see a shift in interest rate sentiment and a declining rate environment that would support a new uptrend.



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



### Healthcare Sector Remains In Downtrend

The Healthcare sector remains in a downtrend after gaining less than 1% last week in a move that keeps these stocks well below their key 50-day simple moving average with a negative RSI and MACD.

The sector was weighed down by a sharp decline in Large Cap Pharmaceuticals such as Bristol-Myers and AbbVie (**ABBV**) after they reported negative earnings.

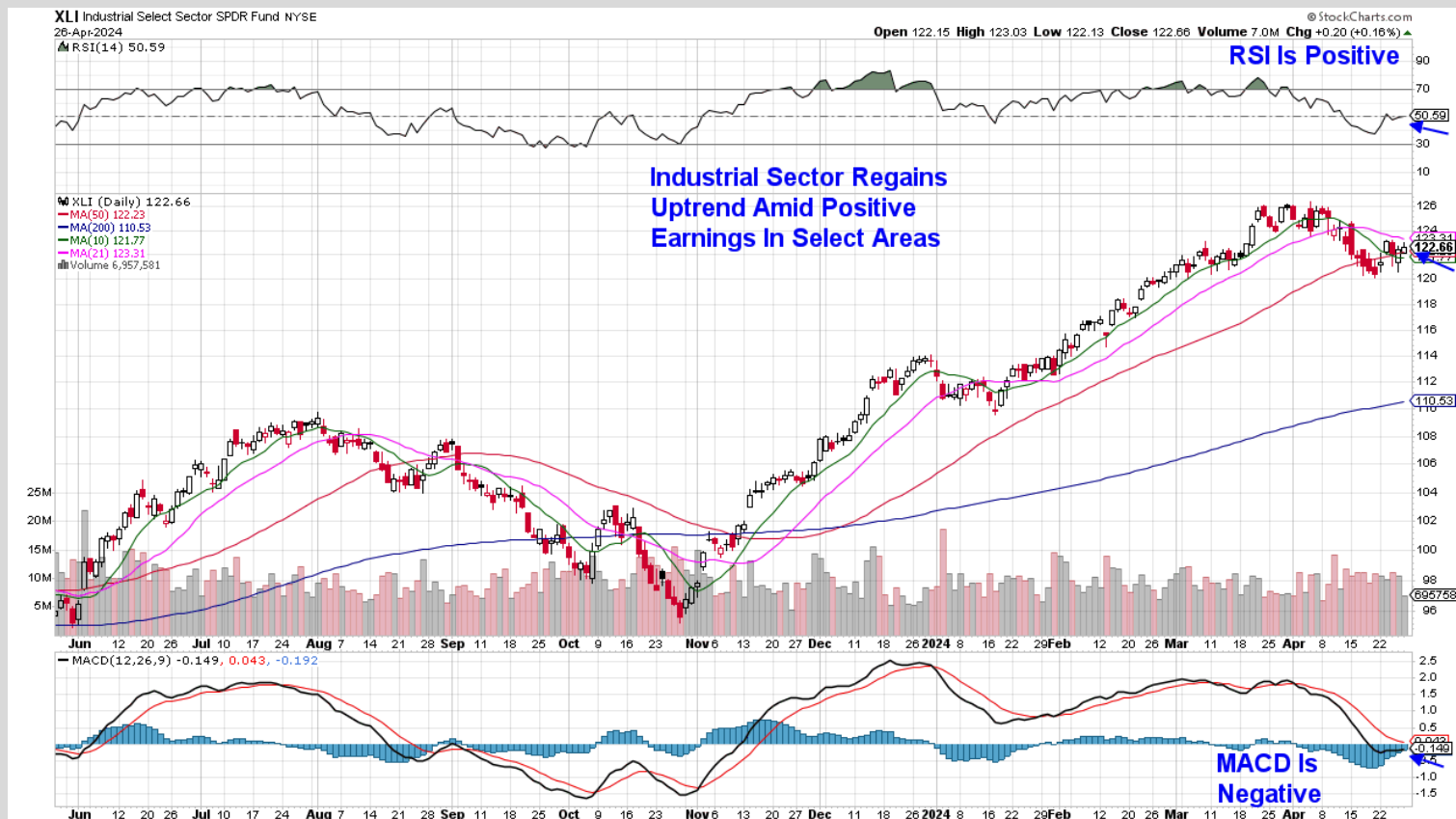
Merck (**MRK**) from our list outperformed the group with a 4.5% gain after the company announced that its cancer drug Keytruda pushed earnings and sales higher than expected. In addition, the company raised their forecast for sales going into the end of 2024 in anticipation of a continued increased in sales of Keytruda - the world's top selling drug.

Thursday's gap up in price in response, pushed the MACD into a bullish crossover which confirms a near-term uptrend with the stock now poised for a one month base breakout at \$133. The weekly chart for MRK is also quite positive and the stock is in a buy zone.

Boston Scientific (**BSX**) also outpaced its peers, with a 9% rally on a gap up in price on Wednesday after the company reported earnings ahead of estimates due to strong sales of their cardiovascular products.

BSX is poised to trade higher however, we anticipate further consolidation of its gains. We're using the early February period as precedent after the stock gapped up in response to earnings at that time as well. Once the 5-day simple moving average caught up to the price, it then entered an uptrend.

## Daily Chart of the Industrial Sector (XLI)



### Industrial Sector Is Hurt By Decline In Truckers

The Industrial sector underperformed despite inching back above its 50-day simple moving average. The group was hurt by a sharp pullback in Trucking stocks due to weak earnings and a weak outlook from several companies.

There were bright spots in this group however such as Heavy Construction stock Sterling Infrastructure (**STRL**), which regained its uptrend on Friday after closing back above its key 50-day simple moving average ahead of the release of their earnings early next month. The stock is at the top of our Watch List.

Other names on our Watch List are Modine Manufacturing (**MOD**), which is a Smaller Cap building-related stock that also regained its uptrend with a close above each of its moving averages. We

look forward to adding these stocks as the markets firm up.

Aerospace and defense stock FTAI Aviation (**FTAI**) pulled back on Friday after releasing quarterly earnings that were below estimates. Buyers came in on the dip however, so that the stock ended the week 3.5% higher with a close above its 10 day-simple moving average.

While this puts FTAI in a buy zone, we're on the lookout for a MACD crossover to confirm a bullish uptrend. The stock can be held.

Eaton (**ETN**) which we removed from our Suggested Holdings list last week in order to lock in profits, has regained its uptrend ahead of the release of their

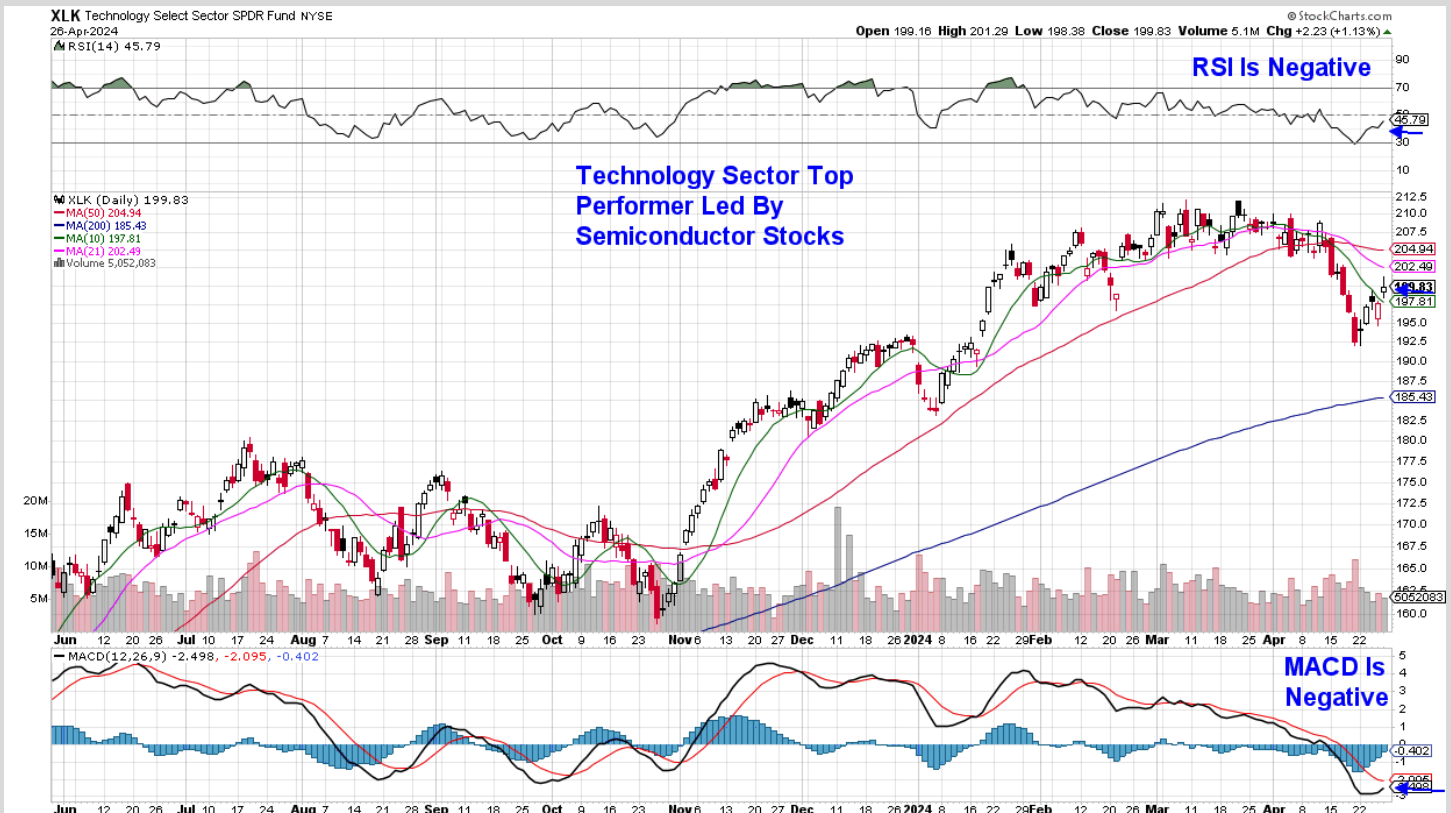
earnings on Tuesday. Longer term on its weekly chart, the stock remains positive.

The company is an AI leader with its electrification and digitization of power management hardware

which is instrumental for AI adoption. As suggested, longer term investors can remain with the stock and shorter term, we'll monitor ETN after the release of their quarterly results.



## Daily Chart of the Technology Sector (XLK)



### Technology Is Top Sector Amid Rally In Semiconductor Stocks

The Technology sector was the top performing last week led by a 9.3% gain in Semiconductor stocks.

As you may recall, Semis lost 9.4% the prior week, after a weak growth outlook from Taiwan Semiconductor (**TSM**) - the largest producer of chips. A closer look at the numbers for TSM however, revealed that while demand is expected to remain weak in some areas, AI related chip demand remains firmly in place for TSM.

In fact, NVDA was a top gainer for the week with a Friday rally that put the stock back into an uptrend after it closed above its key 50-day simple moving average with its RSI now back in positive territory.

NVDA also received a big boost last week after Meta Platform's announcement that they'll be investing substantially in AI. Earlier this year, CEO Zuckerberg indicated that NVDA's chips are at the heart of their AI projects.

Elsewhere, strong earnings from chip equipment company Teradyne (**TER**) last week pushed the stock up 18% while also giving Nvidia a boost. TER has partnered with Nvidia to improve their robotics capabilities and their growth will increase demand for Nvidia's chips.

As you may recall, we removed NVDA last Sunday from our Suggested Holdings List after it broke key support with the markets in a downtrend. At the same time, we encouraged longer-term investors to stay with the stock. NVDA is in a buy zone and



investors can add lightly to positions until the broader markets turn positive.

Other AI related Semiconductor stocks also saw gains last week. This would include Broadcom (**AVGO**) which was removed from our Suggested Holdings List on April 17th after closing below its 50-day moving average. At that time, we advised longer term investors to stay with AVGO due to its bullish weekly chart.

AVGO has regained its uptrend after closing on Friday above its 50 and 21-day simple moving averages with a positive RSI. We anticipate adding both NVDA and AVGO back to our Suggested Holdings list once the broader markets turn bullish.

Several well-known semiconductor stocks will be reporting their quarterly results next week led by Advanced Micro Devices (**AMD**) who will release results on Tuesday after the markets close. The stock has declined 20% from its March peak in price, which puts AMD in a position to rally should they report above estimates or guide growth higher.

As you may recall, AMD has been a laggard in the AI chip space due to their relatively late entry into product developments. Any news of AI new related products would certainly give the stock a boost as well.

Heavyweight Software stock Microsoft (**MSFT**) also released their earnings last week and while they were above estimates, management's lower than expected guidance for growth, pushed the stock lower on Thursday.

Using the early October period of last year as precedent, a move back above its shorter term moving averages coupled with a positive MACD

crossover and RSI, would put MSFT back into a buy zone.

As cited in our April 14th report when we removed the stock after it closed below its 50-day simple moving average, we remain positive on the longer term outlook for the stock as its weekly chart remains constructive.

Other well-known software companies such as ServiceNow (**NOW**) also fell after beating estimates but guiding growth lower than expected on Wednesday.

Overall, the Software group remains in a downtrend as it's trading below its key moving averages with negative momentum indicators. (using IGV) As mentioned in the past, software stocks are negatively impacted by higher interest rates, as the valuation of their recurring revenue streams is reduced going forward.

AI related stock Dell Technologies (**DELL**) is another name we removed last Sunday amid overall weakness in the Technology sector as well as the markets. The stock regained its uptrend later last week after closing above its 10-day simple moving average amid analyst upgrades to their earnings estimates.

Longer term investors can stay with DELL and shorter term, we'd add to positions once the markets regain their uptrend.

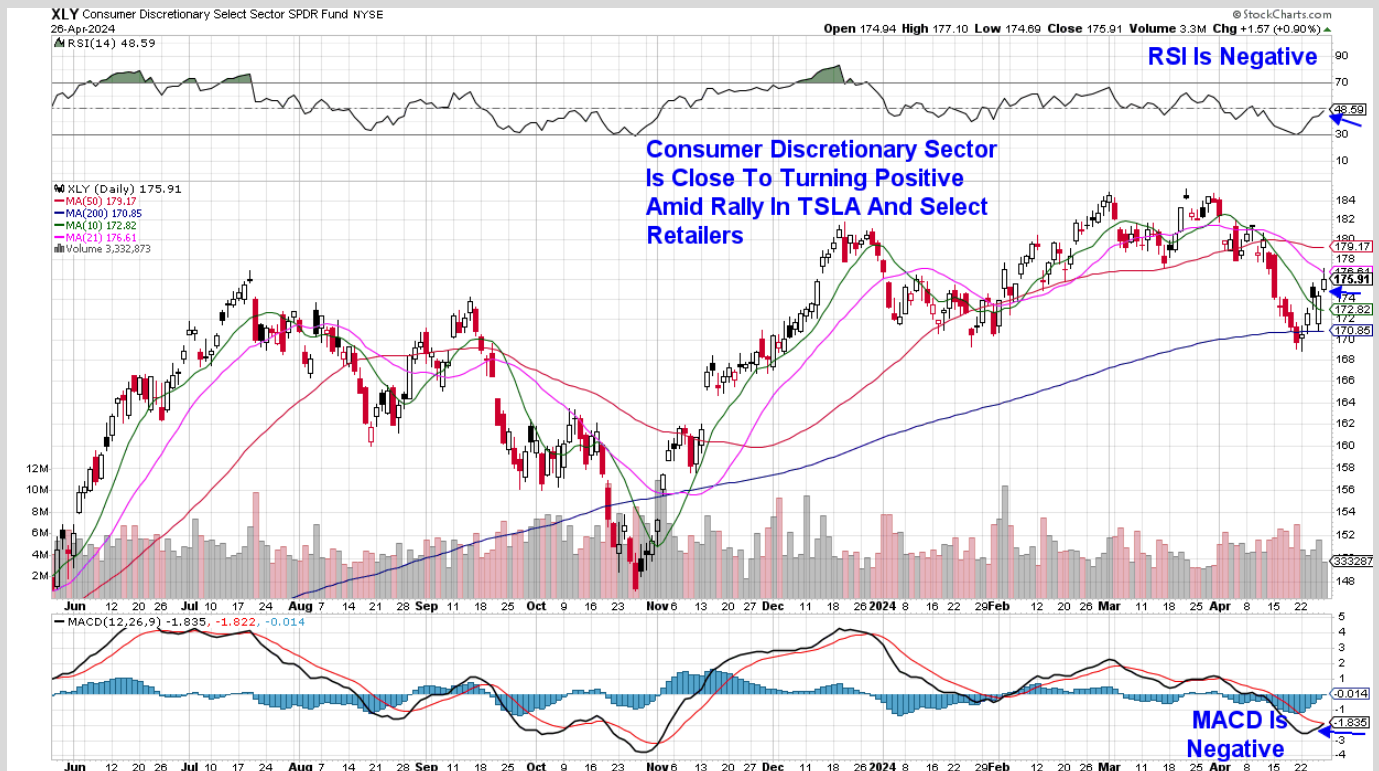
Next week, heavyweight Tech name Apple (**AAPL**) will be reporting their earnings on Thursday after the market's close. AAPL has not been a part of our Suggested Holdings list for some time, as both its short and longer-term charts remain in a



downtrend. The company's report will still be closely watched and is anticipated to impact the sector.



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



### Consumer Discretionary Sector Remains In Downtrend

Consumer discretionary stocks were the second best performing sector led by a 13.5% rally in Tesla (**TSLA**) after the company's earnings report where they announced that new product releases that are expected in 2025. The stock was deeply oversold going into the report and TSLA remains in a downtrend despite its sharp rally.

Other positive areas last week were home construction stocks with the group gaining 3.7% after news of strong new home sales despite an increase in mortgage rates. (using XHB).

Toll Brothers (**TOL**) which we removed from our Suggested Holdings List on April 10th due to near-term weakness, was among the top performers with a rally that pushed the stock back above its key 50-day simple moving average. As mentioned in

early April, longer term investors can stay with this stock due to its healthy weekly chart.

Overall however, the Home Builders Group remains negative as it's below its key 50-day simple moving average with a negative RSI and MACD.

Heavyweight retailer Amazon (**AMZN**) underperformed its peers with a 3% rally ahead of the release of their earnings on Tuesday after the market's close. AMZN ended the week on a strong note with a 3.5% rally after news that Microsoft's Cloud infrastructure unit reported strong results. Investors are anticipating similar strength in Amazon's Cloud unit.

Amazon was removed from our Suggested Holdings list last week after it closed below its 50 day simple moving average on above average volume. As stated then, longer term investors can stay with the stock, given the strength of its longer term weekly chart.

Retail stock are very close to turning bullish with the group posting a bullish MACD crossover and the RSI very close to turning positive (using XRT).

Last week, Chipotle (**CMG**) posted a one month base breakout on heavy volume following the release of strong earnings that were ahead of estimates. If the markets were in a bullish phase, we'd be adding the stock to our suggested Holdings list.

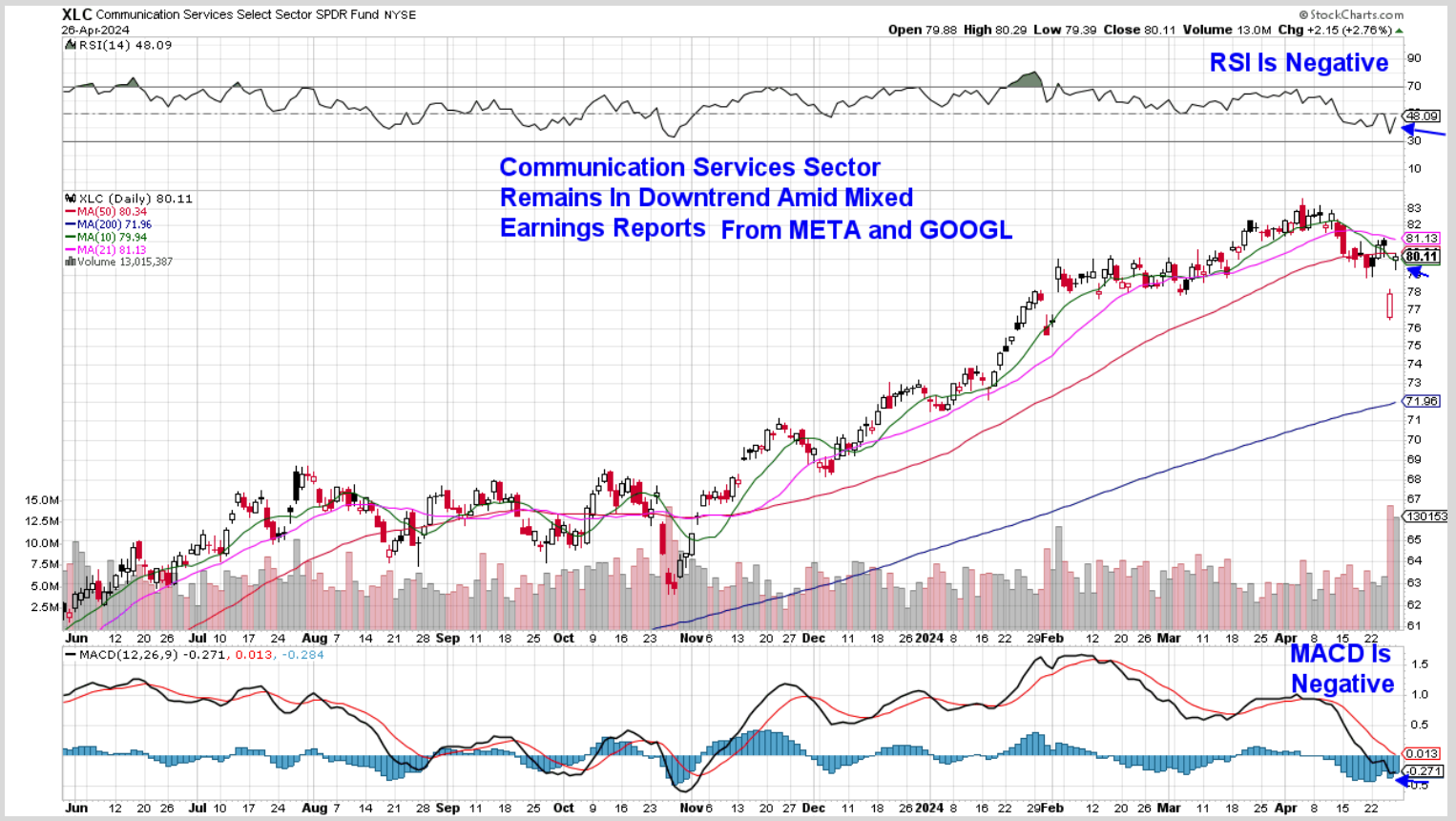
Other Restaurant stocks rallied in response, with recently removed Shake Shack (**SHAK**) reversing its downtrend after its close above it's 50-day simple

moving average on Friday, ahead of the release of their earnings next Thursday. This is another stock that we advocated staying with given its strong weekly chart and high growth outlook and longer term investors can stay with SHAK.

Additional former leadership names such as Dick's Sporting Goods (**DKS**) is also in the throes of reversing its pull back to its 50-day simple moving average. Each of these names are on our Suggested Holdings list and we intend to add them once the Markets and the Retail Group turn bullish.



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



### Communication Services Sector Underperforms Despite Gains In GOOGL

It was a volatile week for the Communication Services sector as heavyweight Internet Related stocks had mixed responses to their results after the release of first quarter earnings.

Meta Platforms (**META**) gapped down 10.5% on Thursday despite reporting earnings that were above analyst estimates. The decline took place after the company announced they'll be spending significantly on AI related projects which had them reducing their revenue outlook for this year.

As noted in our Midweek report, we're removing META from our Suggested Holdings list after the stock's close below its key 50-day moving average on heavy volume. At this time, the weekly chart remains

constructive, as the RSI and MACD are both in positive territory. Longer term investors can remain with META and we will continue to monitor the stock.

Alphabet (**GOOGL**) appears to be further ahead in its AI developments with the company announcing that ad sales in Search and YouTube have doubled in the 1st quarter of this year with other areas such as cloud subscriptions also advancing.

While the company will continue to spend heavily on AI developments, their announcement of a first-ever quarterly dividend and a \$70 billion stock buyback program after reporting strong earnings and sales, had investors bidding the stock up 10% on heavy volume.

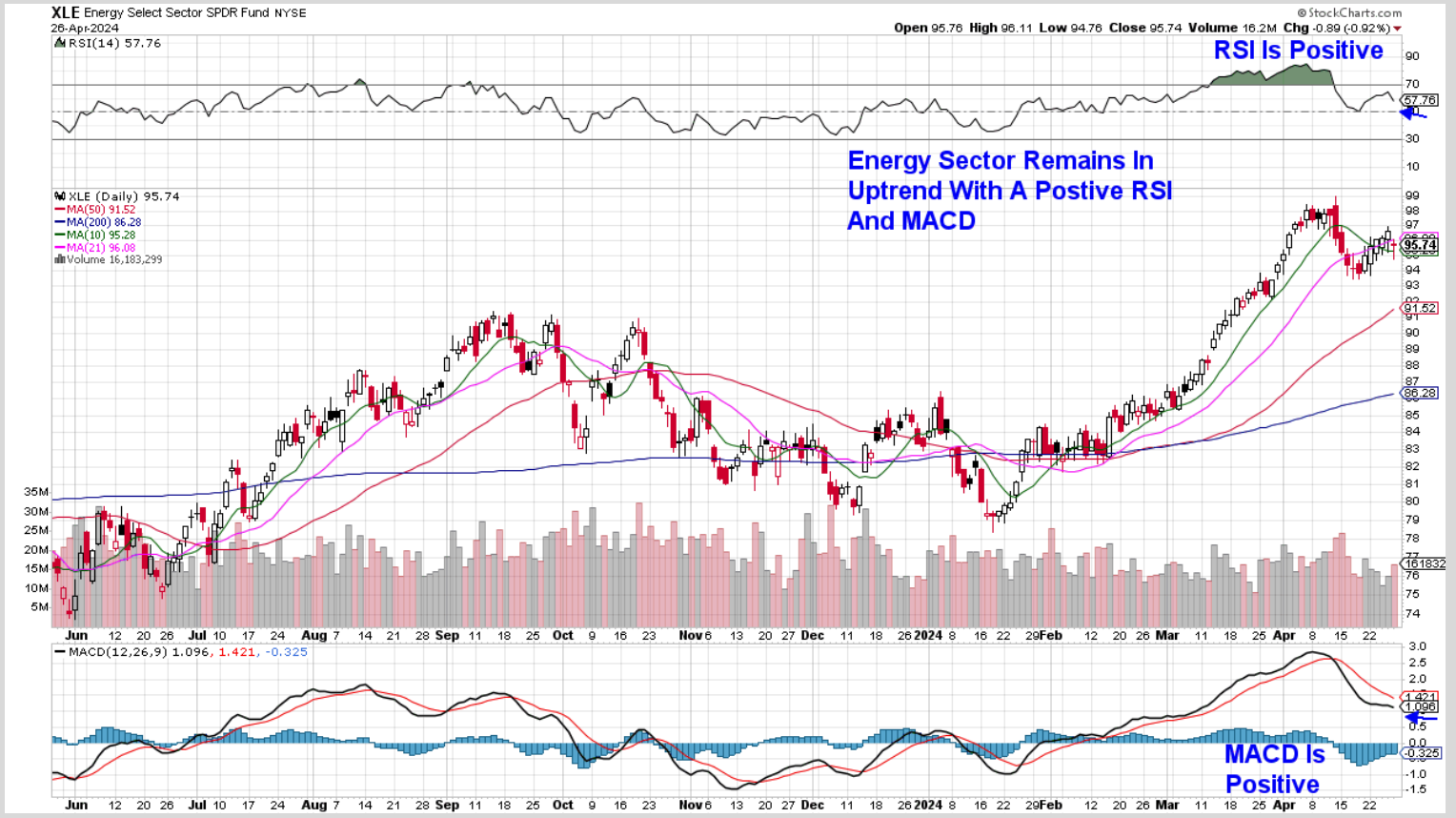
While GOOGL is poised to trade higher from here on both its daily and week chart, a period of consolidation is in order after it's sharp Friday advance.

price action took place until the 5-day simple moving average caught up to the price. From there, META then entered a near-term uptrend.

We're using the early February gap up in price in META on similarly bullish news, where sideways



## Daily Chart of the Energy Sector (XLE)



### Energy Sector Underperforms Amid Steady Oil Prices

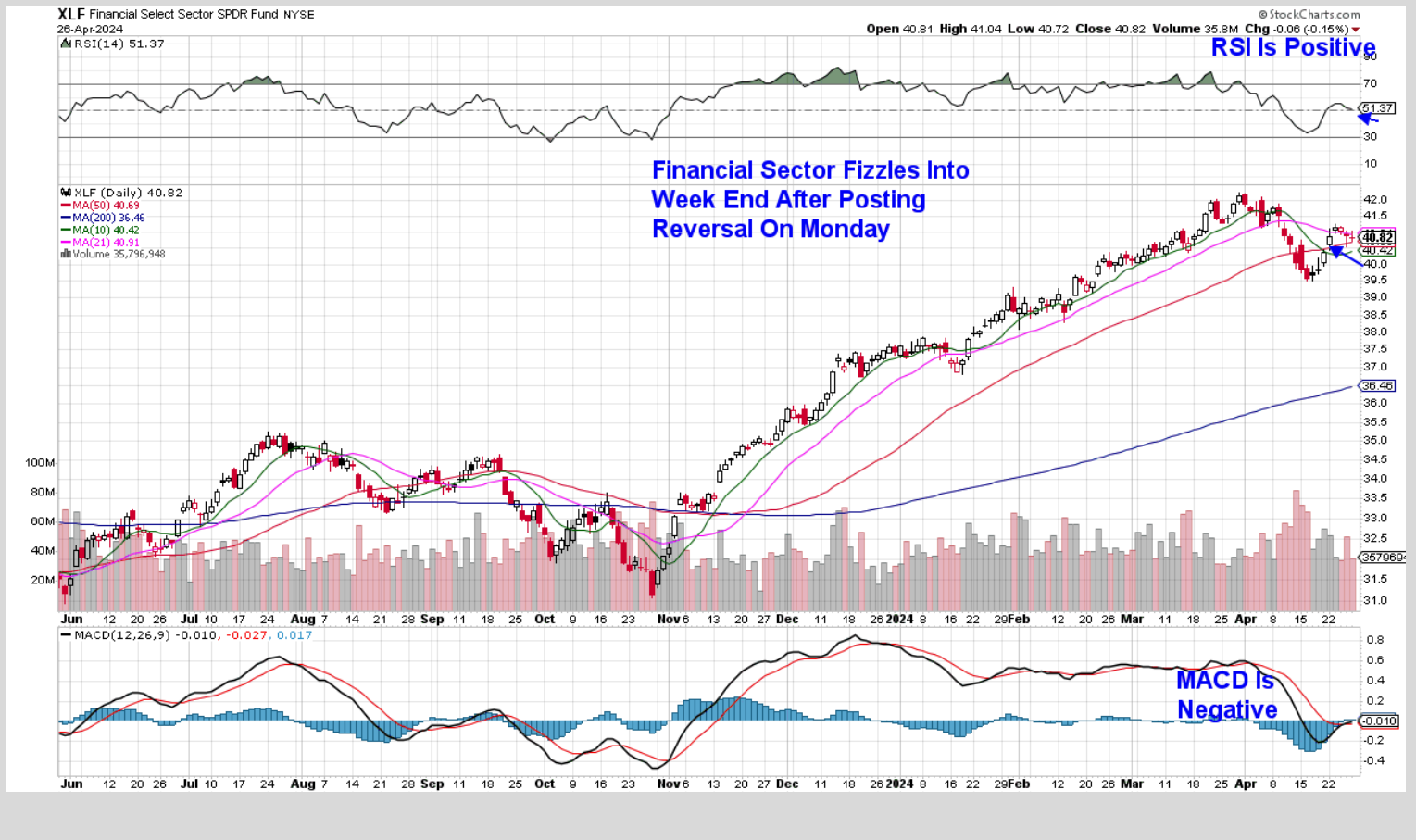
Oil prices remained flat last week as worries over the conflict in the Middle East eased. News that business activity in the US has slowed following a first quarter GDP report that was below estimates, also weighed on oil prices.

Occidental Petroleum (**OXY**) from our list gained almost 2% amid analyst upgrades to their earnings outlook for both this year and next. The stock closed the week above its shorter term moving averages and with a positive RSI and MACD, the stock is in a buy zone.

The upside momentum in this sector has waned however amid weaker than expected earnings reports from megacap names such as Exxon Mobil (**XOM**) which fell 3% on Friday after reporting results that were below estimates.

OXY - which is due to report earnings in under 2 weeks - can be held.

## Daily Chart of the Financial Sector (XLF)



### Financial Sector Remains Relatively Weak

Financial stocks underperformed last week amid a lack of earnings reports as well as relative weakness among Bank and Insurance stocks.

On Saturday, regulators closed First Republic Bank based in Philadelphia. The Regional bank had around \$6 Billion in deposits and is among other smaller banks that are struggling amid rising interest rates and falling commercial real estate values. We anticipate the announcement to cause weakness in Bank stocks on Monday.

Elsewhere in this group, Allstate (**ALL**) pulled back ahead of the release of their earnings on Wednesday after the markets close. The stock rallied last week amid news that the company will be

raising their premiums due to higher than anticipated losses last year.

Analysts are raising estimates going into next week's report which is generally bullish. A move back above \$174 would put the stock into a buy zone.



## Summary

Next week, the largest number of companies will be releasing their earnings reports for this earning season and among them will be two Magnificent Seven stocks - Apple and Amazon. As we've seen over the last several weeks, reports from these Mega cap names can heavily influence the broader markets.

Also on deck is Wednesday's FOMC interest rate policy decision as well as key economic data by way of Friday's employment data for April. Given these factors, we expect volatility in the markets to remain elevated next week.

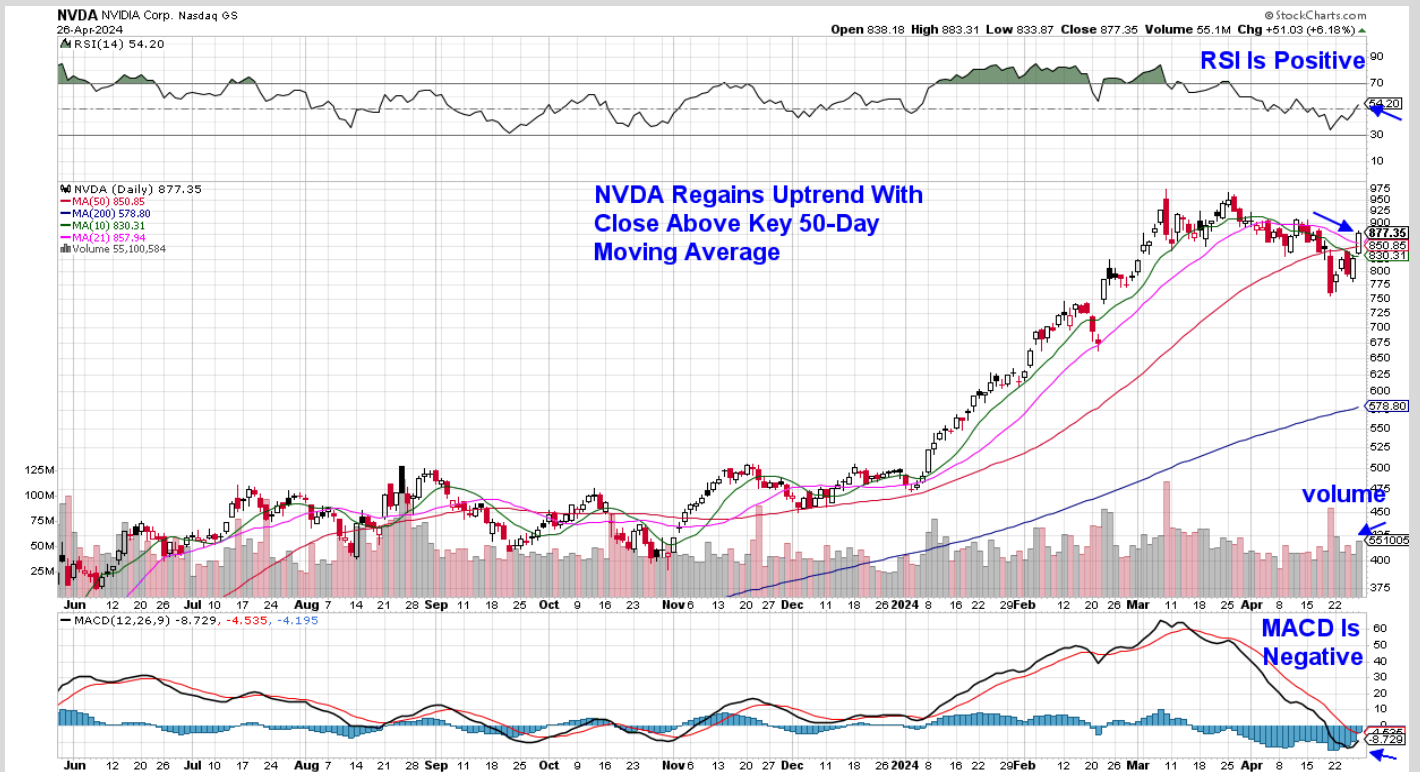
Most closely watched for us will be whether strong earnings reports can continue to buoy stocks despite a relatively high interest rate backdrop. Wednesday's price action after Powell's comments will certainly provide clues.

As noted at the beginning of this report, the broader markets remain in a downtrend and while we may see a close above the key 50-day simple moving average, we still have more sectors that are in downtrends than not. Even more important is the fact that the yield on the 10-year Treasury remains at 4.7%.

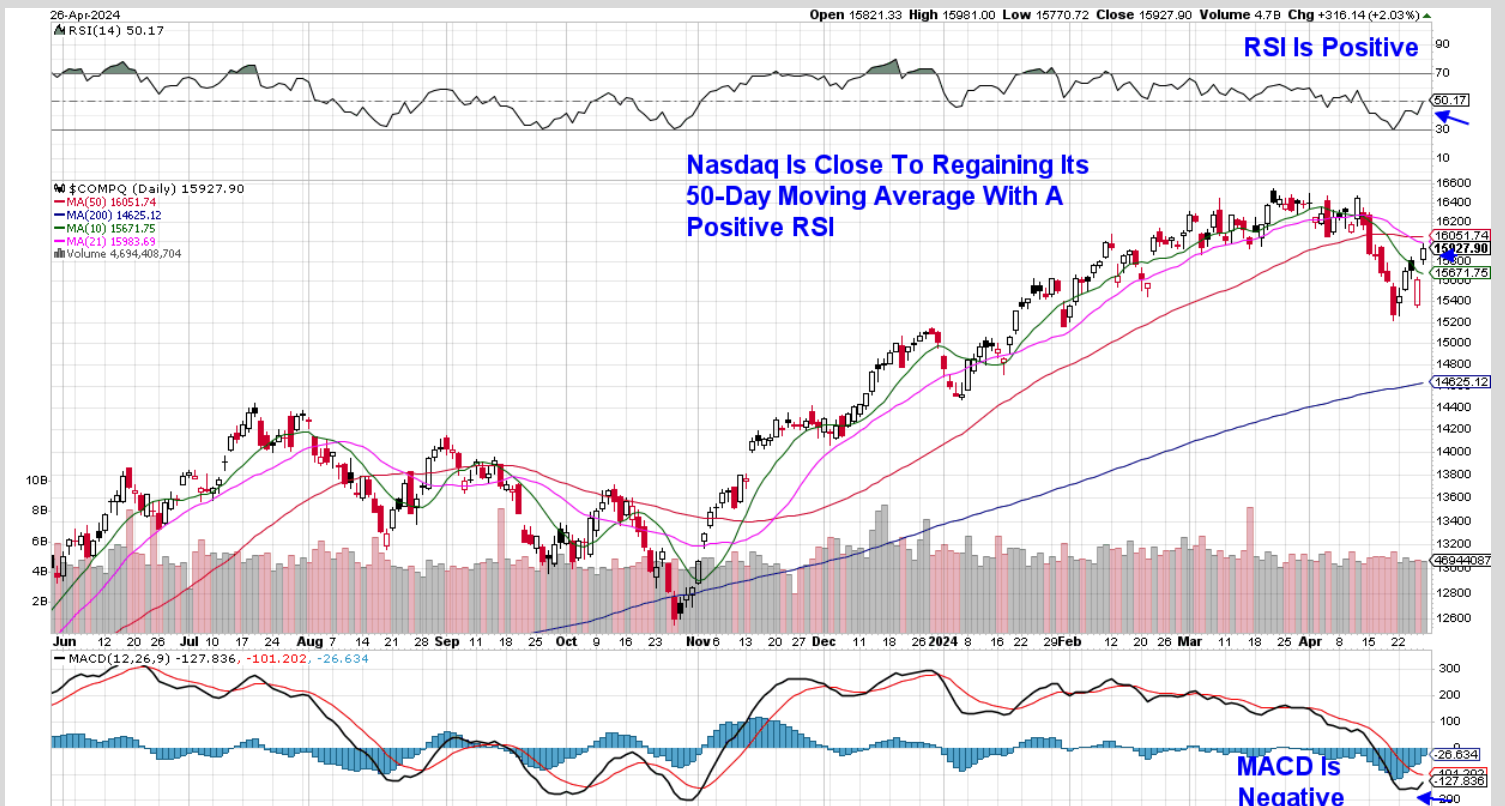
At this time, we would keep any new positions light until we receive further confirmation that a new uptrend is in place and can be sustained. We will alert you when this is in place.

# Charts We Are Wathching:

## NVIDIA Corp. (NVDA)



## NASDAQ Composite (\$COMPQ)



# 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	INDUSTRY GROUP	EARNINGS DUE
ENERGY						
OXY	Occidental Petroleum	\$69.24	4/7/2024	2.50%		8-May
FINANCIAL						
ALL	Allstate	\$173.01	3/31/2024	-1.00%		1-May
INDUSTRIAL						
FTAI	FTAI Aviation	\$58.00	3/17/2024	17.5%		25-Apr
HEALTHCARE						
BSX	Boston Scientific	\$57.60	1/3/2024	26.5%		24-Apr
MRK	Merck & Co.	\$131.90	3/31/2024	5.0%		25-Apr
COMMUNICATION SERVICES						
GOOGL	Alphabet	\$132.60	7/30/2023	10.5	Internet-Content	25-Apr
META	Meta Platforms	\$315.40	10/8/2023	45.0%	Internet-Content	24-Apr

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

*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.*

SYMB	COMPANY	DATE REMOVED
LONGER TERM HOLD CANDIDATES THAT WERE REMOVED FROM SUGGESTED HOLDINGS LIST		
AMZN	Amazon.com	4/21/2024
AVGO	Broadcom	4/17/2024
CRWD	CrowdStrike	4/7/2024
CMA	C Comerica Bank	4/10/2024
DELL	Dell Technologies	4/21/2024
EWBC	EastWest Banco	4/10/2024
LRCX	Lam Research	4/17/2024
MSFT	Microsoft	4/14/2024
SHAK	Shake Shack	4/17/2024

# 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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