THE MEM EDGE

May 5, 2024 | Weekly Report

This Week's Highlights

- Federal Reserve Keeps Rates Steady But Eases Policy Slightly
- Softer than Expected Payroll Number And Reduced Wages Push Bond Yields Lower

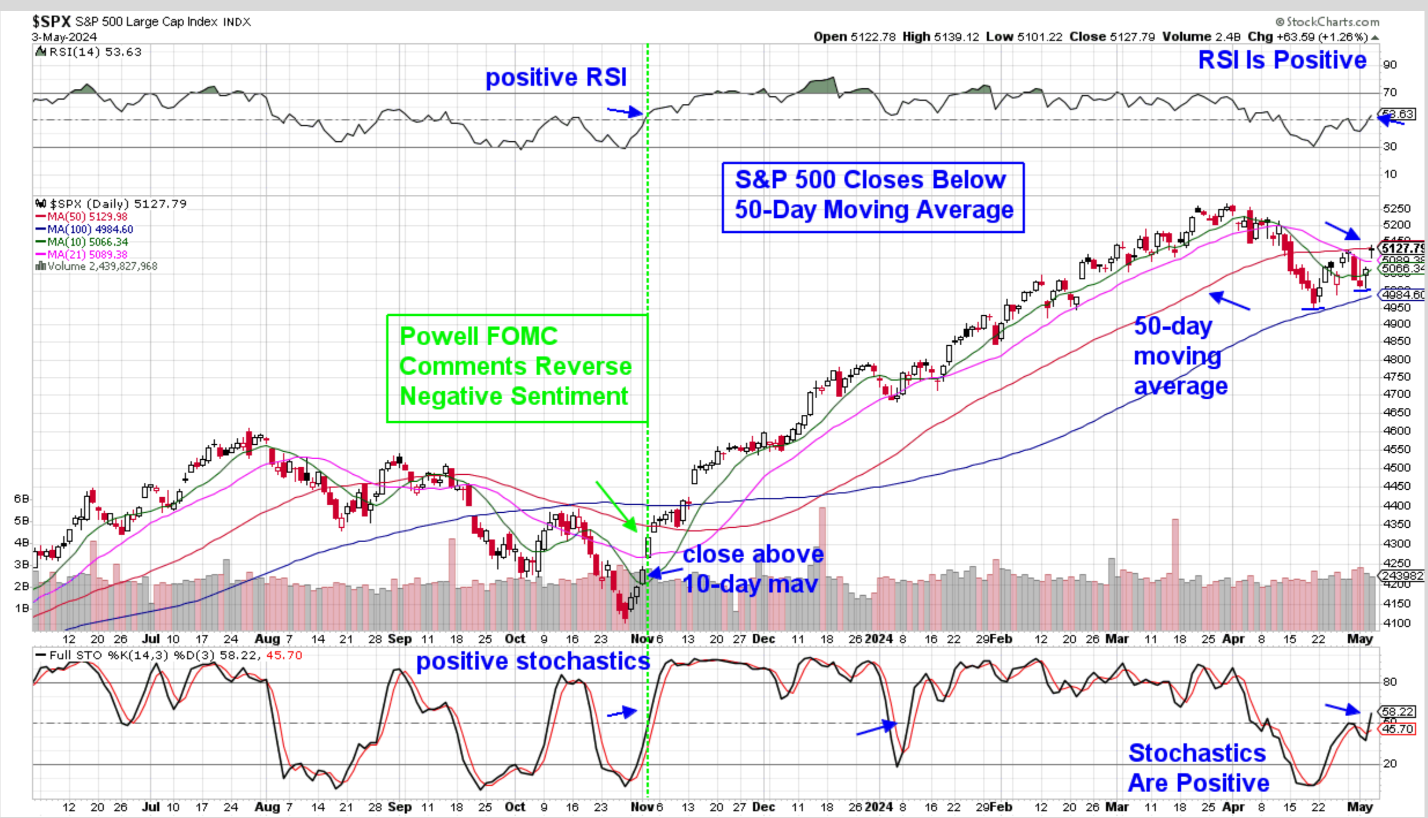
Upcoming Reports And Events For Next Week

- Markets Pricing In 48% Chance That Rates Are Lowered At November FOMC Meeting
- DIS, ARM, ABNB, PLTR Report Next Week
- Light Economic Calendar With Several Fed Officials Speaking Next Week

Notable Developments

- Nasdaq Enters New Uptrend
- Yield On 10-Year Treasury Declines
- Last Week's Biggest Winners Were Downtrend Reversals In Stocks Posting Positive Earnings
- Select Software Stocks Continue To Firm Up
- Eurozone Economy Emerges From Recession

Daily Chart of S&P 500



The S&P 500 gained 0.6% last week in a move that has this Index closing just below its key 50-day simple moving average. This week, we are using a faster-moving momentum indicator - the Stochastics - as it posted its first bullish signal since January. (shown at the bottom of this week's chart.) This positive signal of a move above 50, also took place during last November's downtrend reversal.

With both the RSI and Stochastics in positive territory, we are cautiously optimistic regarding the near-term prospects for the market. To turn fully bullish, we will need to see the S&P 500 close above its 50-day simple moving average on volume coupled with a continued decline in interest rates.

The NASDAQ fared better, with a gain that was fueled by a 2% rally on Friday that was led by outperformance in Tech stocks such as Apple (**AAPL**) and Nvidia (**NVDA**). The rally pushed this index back above its key 50-day simple moving average and with a positive RSI and Stochastic, the Nasdaq is now in an uptrend.

We would begin adding to growth stocks slowly and add to stocks further as interest rates continue to decline. The yield on the 10-year Treasury bond closed at a relatively high level of 4.5% which historically has dampened stock market gains.

As we have noted, we are using the November 1st downtrend reversal in the markets as precedent for the current period. The primary driver of November's new uptrend was a shift in investor's outlook for interest rates after comments from Fed Chair Powell following their FOMC meeting. A similar shift took place last week, with comments after the FOMC meeting that allayed fears of a possible rate increase. Friday's report of a weaker-than-expected April jobs report was the true pivot however, as it renewed hopes that interest rate cuts might be coming soon. Traders increased the odds of a rate cut in September to 48%. However, this is not as strong as might be needed to see rates continue to swiftly decline.

Key inflation numbers due out in mid-May may smooth this path, provided they show that inflation is not increasing.

Other common traits to last November are shaping up as well, with a continued increase in the number of stocks in the Nasdaq moving back above their 50-day moving average. Similarly, the rally in these stocks is currently taking place due to better-than-expected earnings reports.

Riskier Biotechs and Small Caps also outperformed in a sign that investor confidence in the markets is beginning to firm up.

Not all areas of the market were positive, however, with Energy stocks losing 3.8%. The decline was due mainly to a drop in the price of oil amid reports of increased oil inventories. Of note as well is that oil-related stocks do not fare well in a declining interest rate backdrop.

As has been the case over the past 4 weeks, the biggest winners last week were stocks that reported better-than-expected earnings. Most notable last week was that beaten-down stocks among earnings winners had the biggest gains, while stocks that were trading close to new highs had a more modest response.

We expect this dynamic to continue into next week and are keeping a close eye on names such as Disney (**DIS**) which is very close to reversing its downtrend ahead of the release of their earnings on Tuesday.

Defensive areas of the markets also outperformed last week, with Utilities up over 3% for the week while REIT and Healthcare stocks also fared well. Most of this was due to strong earnings and an improved growth outlook.

While we have moved toward a more optimistic market outlook, new positions should be tempered with an eye toward further confidence that the Federal Reserve is closer to lowering interest rates which will be reflected by a continued decrease in yields.

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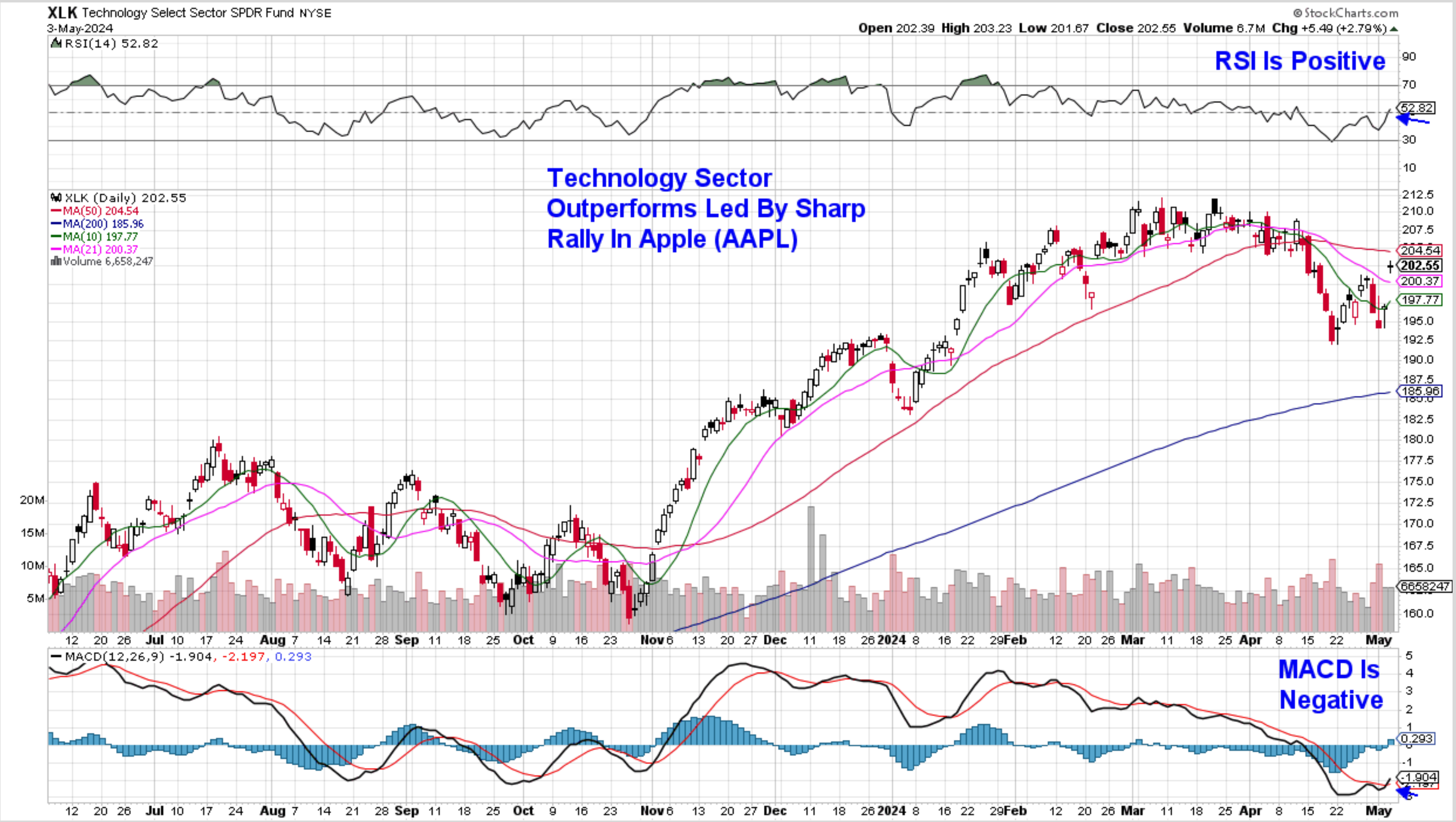
Daily Chart of the Technology Sector (XLK)



[Technology Sector]

The Technology sector outperformed for the week led by a sharp rally in Apple (**AAPL**) after the company posted earnings that were ahead of estimates. The stock may pull back into next week however, after news today that Warren Buffett cut his company's stake in Apple.

Semiconductor stocks ended the week down a half of a percent during a busy earnings period for the group. Among the winners was Qualcomm (**QCOM**) which gapped up into a base breakout on Thursday after reporting earnings and sales that were ahead of estimates. In addition, management guided their growth prospects higher going into the remainder of the year, due to strong chip demand in China's smartphone market.

We have added Qualcomm (**QCOM**) to our Suggested Holdings List however, we would begin with a very small position and wait for the Semiconductor group to turn positive before accumulating additional shares.

At this time, the Semiconductor group remains below its key 50-day simple moving average and while the RSI is positive, the MACD remains in negative territory. (using ETF SOXX)

We are also adding Nvidia (**NVDA**) to our Suggested Holdings List after last week's close back above its 50-day simple moving average. Again, we would begin with a very small position until we see interest rates decline further, as well as being on the lookout for the group to turn positive.

Next week, 30 Semiconductor companies (out of 101) will be reporting their quarterly results with heavyweight names Arm Holdings (**ARM**) and Microchip (**MCHP**) being among the names that will be most closely watched. We anticipate that their results, as well as management's guidance for growth going forward, will materially impact the group.

Software stocks also underperformed last week with a slight loss that keeps this group in a downtrend. (using ETF IGV). The group is firming up however as it continues to find support at its mid-April lows and maybe in the beginning stages of forming the right side of the base.

Crowdstrike (**CRWD**) - which is on our long-term hold list - is looking particularly interesting as it saw buying on Thursday and Friday that was on above-average volume. The rally puts the stock within 1% of closing back above its key 50-day simple moving average which in turn, would put the stock into an uptrend.

Software company Samsara (**IOT**) from our Watch list entered an uptrend last week, after the AI leader closed back above its 50-day moving average. We intend to add the stock to our Suggested Holdings List once we see more strength in the overall software group.

Among growth stocks, software companies are particularly sensitive to a rising interest rate environment due to their subscription-based revenue model. it continued decline in rates would of course be a positive for this group.

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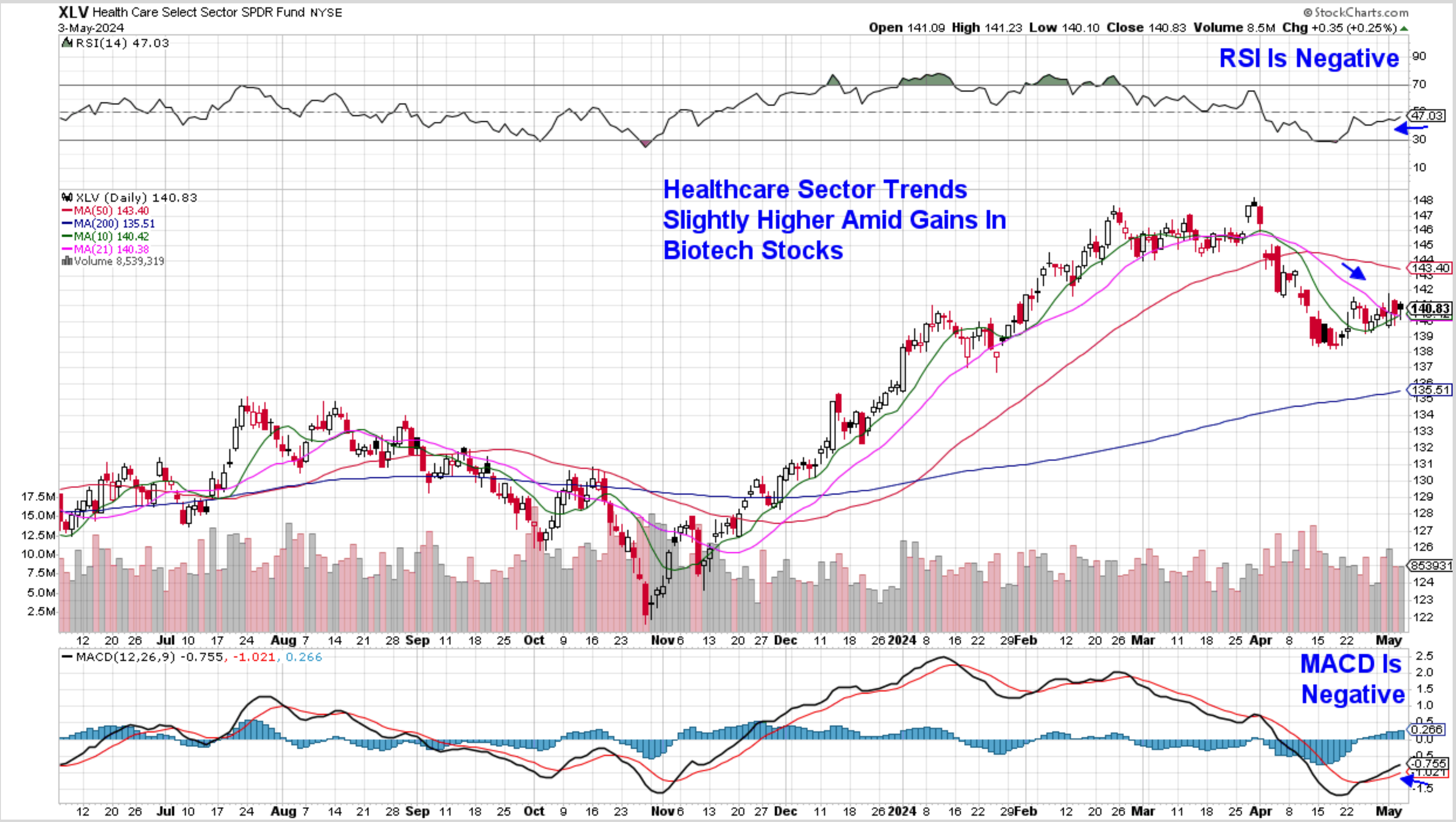
Daily Chart of the Health Care Sector (XLV)



[Healthcare Sector Outperforms Slightly]

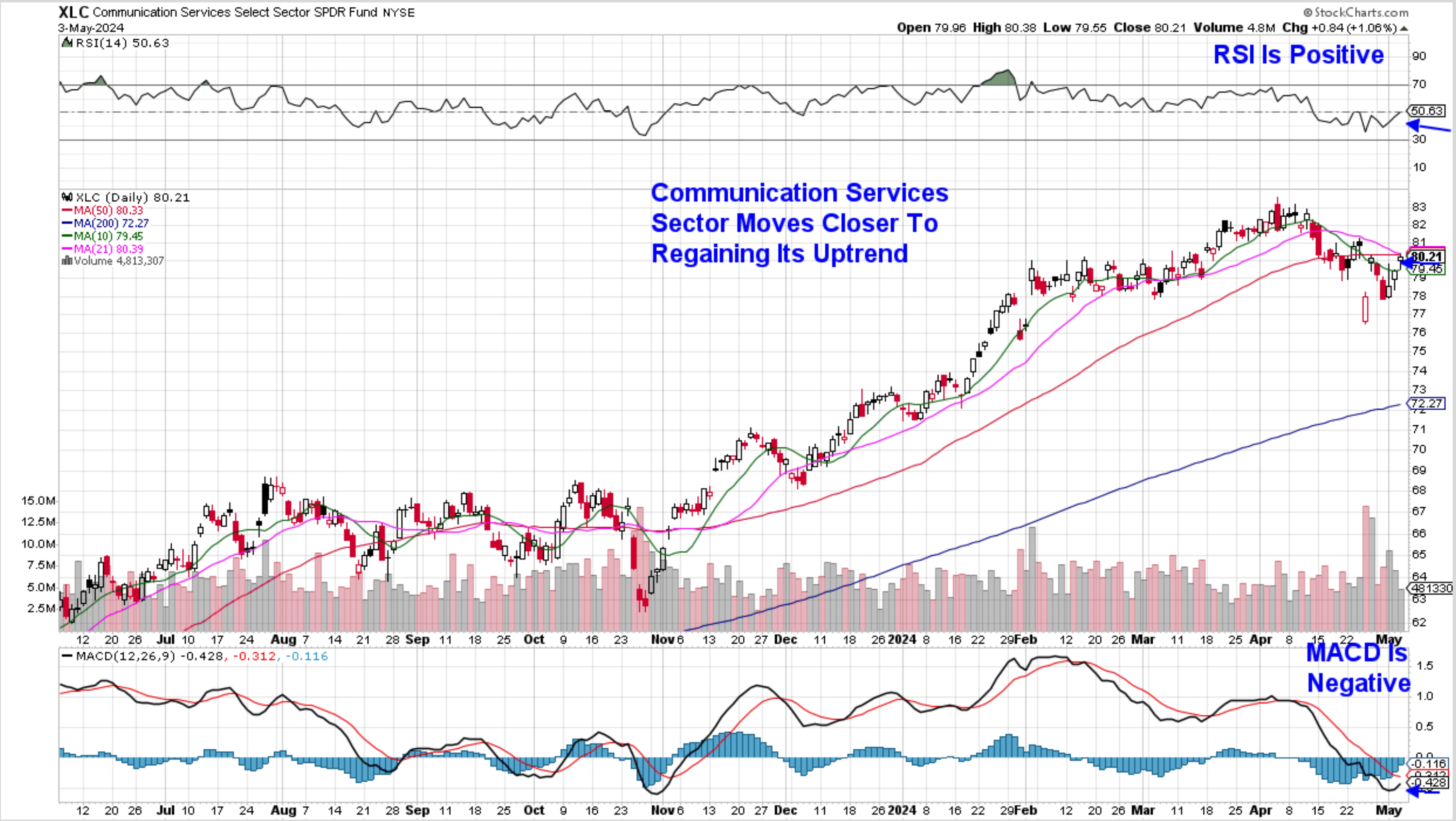
The Healthcare sector remains in a downtrend despite a sharp 5% rally in Biotech stocks. Gaines in this group were led by Amgen (**AMGN**) which was up 15% after announcing that they are developing a new weight loss drug.

Weighing this sector down last week was an underperformance in Managed Care companies such as CVS which dropped 17% after slashing their growth guidance for this year due to Medicare costs.

Boston Scientific (**BSX**) was flat for the week and as anticipated, the stock pulled back to its 10-day simple moving average following its gap up on earnings less than 2 weeks ago. The move puts **BSX** into a strong buy zone.

Merck (**MRK**) continues to drift lower on below average volume despite analyst upgrades to their earnings estimates for both this year and next. At this time, the stock can be held with a close back above its 10-day simple moving average putting **MRK** into a buy zone.

Daily Chart of the Communication Services Sector (XLC)



[Communication Services Sector Is Flat For The Week]()

The Communication Services sector recovered from an early week pullback which was in line with other growth stocks that pivoted higher amid anticipation that interest rates may begin trending lower.

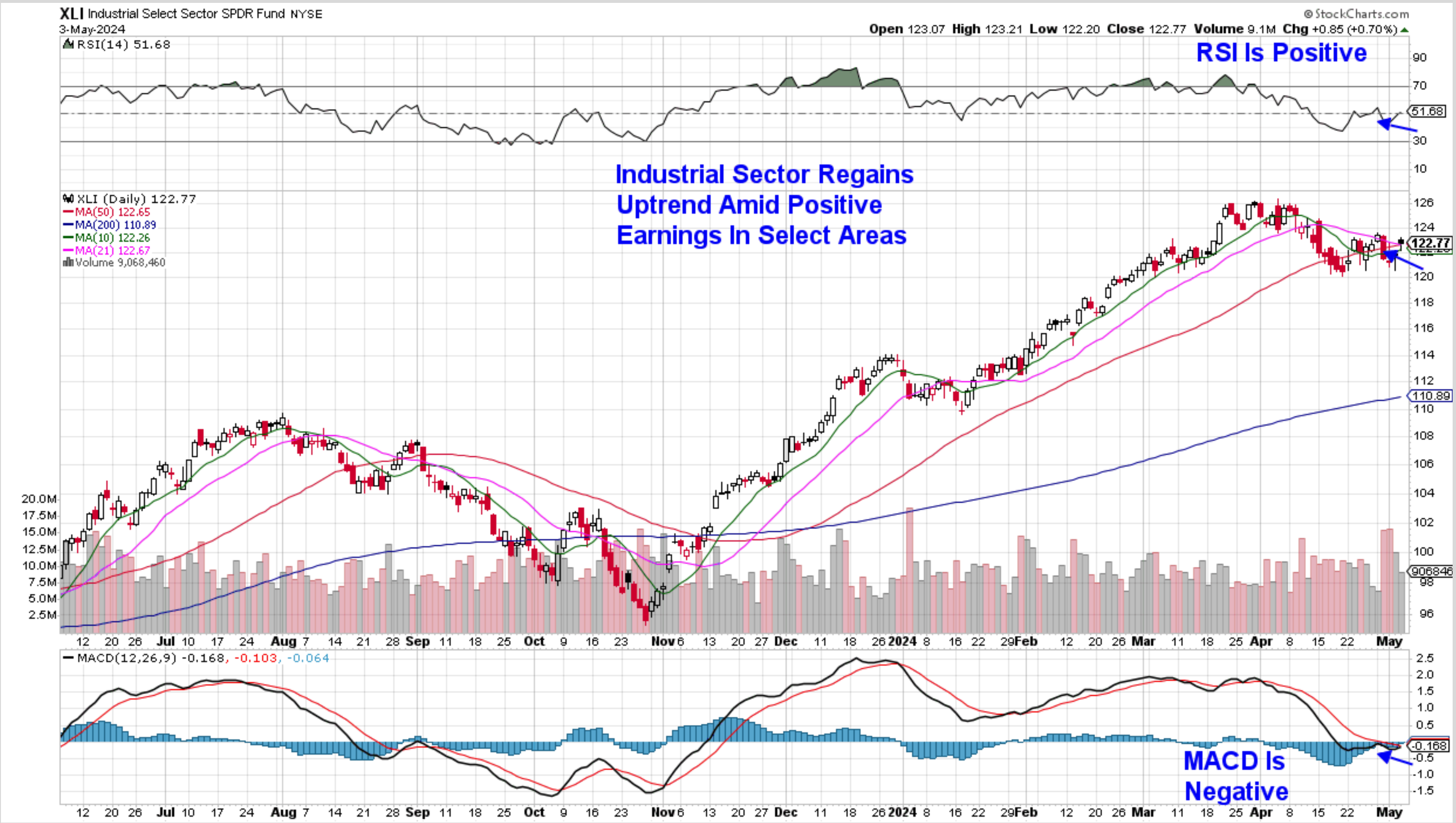
The move puts this group at its 50-day simple moving average amid a positive RSI. The late-week buying in this sector was on above-average volume which is quite encouraging.

Among Mega cap names, it was beaten down names such as Meta Platforms (**META**) that outperformed with a 1.4% rally that puts this stock at its 10-day simple moving average. While constructive, the stock has much more work to do before turning positive with both its RSI and MACD still in negative territory.

Netflix (**NFLX**), another loser after reporting weaker-than-expected quarterly results, also posted a late-week rally that has this stock moving closer to regaining its uptrend. Next week, peer stock Disney (**DIS**) will be reporting their results which is anticipated to have an impact on Netflix.

Alphabet (**GOOGL**) pulled back 3% for the week where it found support at its upward-trending 10-day simple moving average. While this puts the stock in a buy zone, our near-term cautiousness regarding the broader markets would have us adding only slightly to any positions.

Daily Chart of the Industrial Sector (XLI)



[Industrial Sector Gets A Boost From Boeing]

As cited earlier, some of the biggest winners last week were down-and-out stocks that saw buying following the release of earnings. Boeing (**BA**) would fit this profile with an 8% rally that puts the stock very close to closing back above its key 50-day simple moving average.

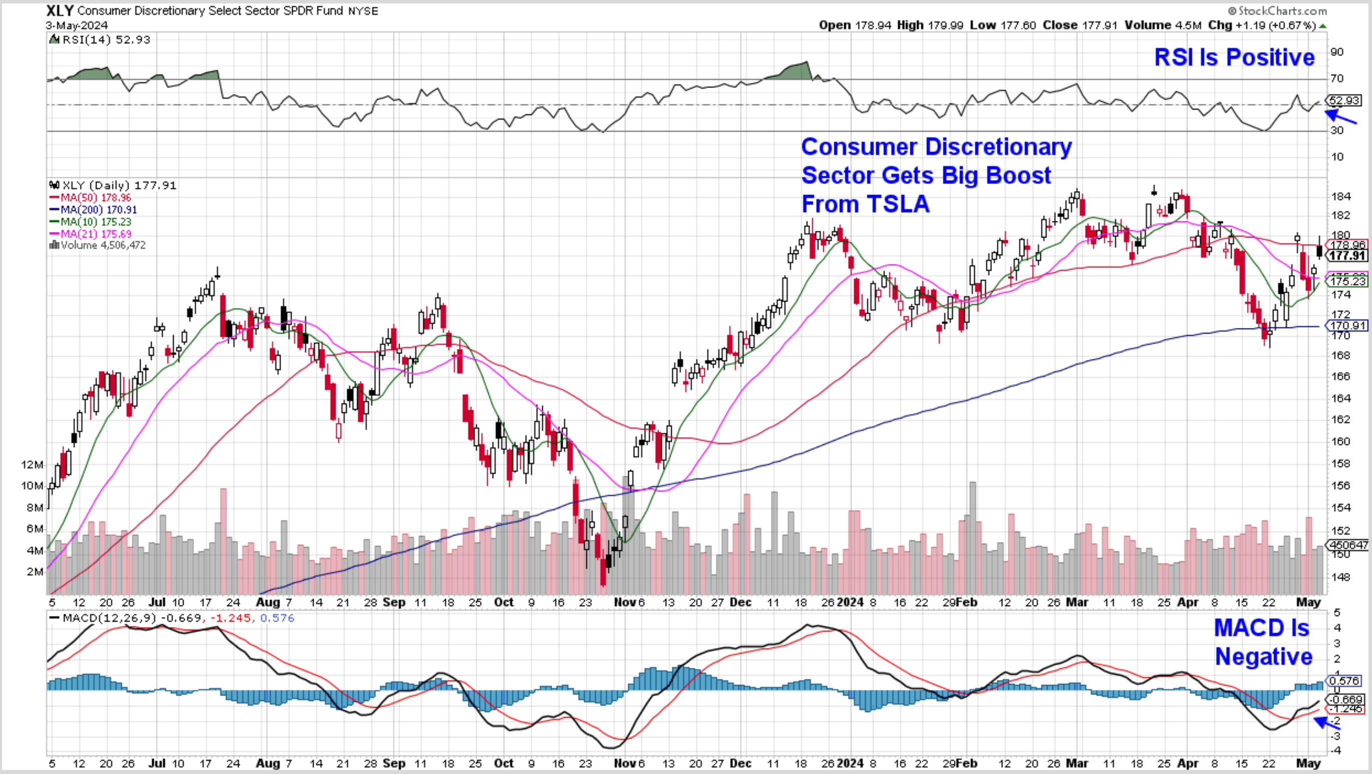
FTAI Aviation (**FTAI**) broke out of a one-month base on Thursday on above-average volume due to a bullish call and price target upgrade from a major Wall Street firm. The analyst noted **FTAI's** strong position in the engine lease and maintenance sector, which is expected to benefit from growing demand.

Construction-related stocks from this sector have sold off sharply with the recent rise in interest rates. We have two names at the top of our Watch List that are due to report earnings next week which may set them up to regain their former uptrends depending on results.

Jacobs Solutions (**J**) will be reporting results on Tuesday and the stock is in a bullish position to trade higher should they come in above estimates. Builders FirstSource (**BLDR**) will also be reporting on Tuesday and the stock is in a constructive position after closing above its 50-day simple moving average on Friday. We will of course alert you should either of these names meet our criteria to be added to our Suggested Holdings List.

Industrial stocks are cyclical and given the generally strong economic backdrop, we will continue to search for additional candidates as the markets firm up further

Daily Chart of the Consumer Discretionary Sector (XLY)



[Consumer Discretionary Sector Struggles To Regain 50-Day]

The Consumer Discretionary sector received a big boost on Monday when Tesla (**TSLA**) rallied 15% after Musk's trip to China where he plans to launch his autonomous driving technology.

The early week gains were offset by a 16% drop in Starbucks (**SBUX**) which fell on weak earnings that were below estimates. The news drove other restaurant stocks lower.

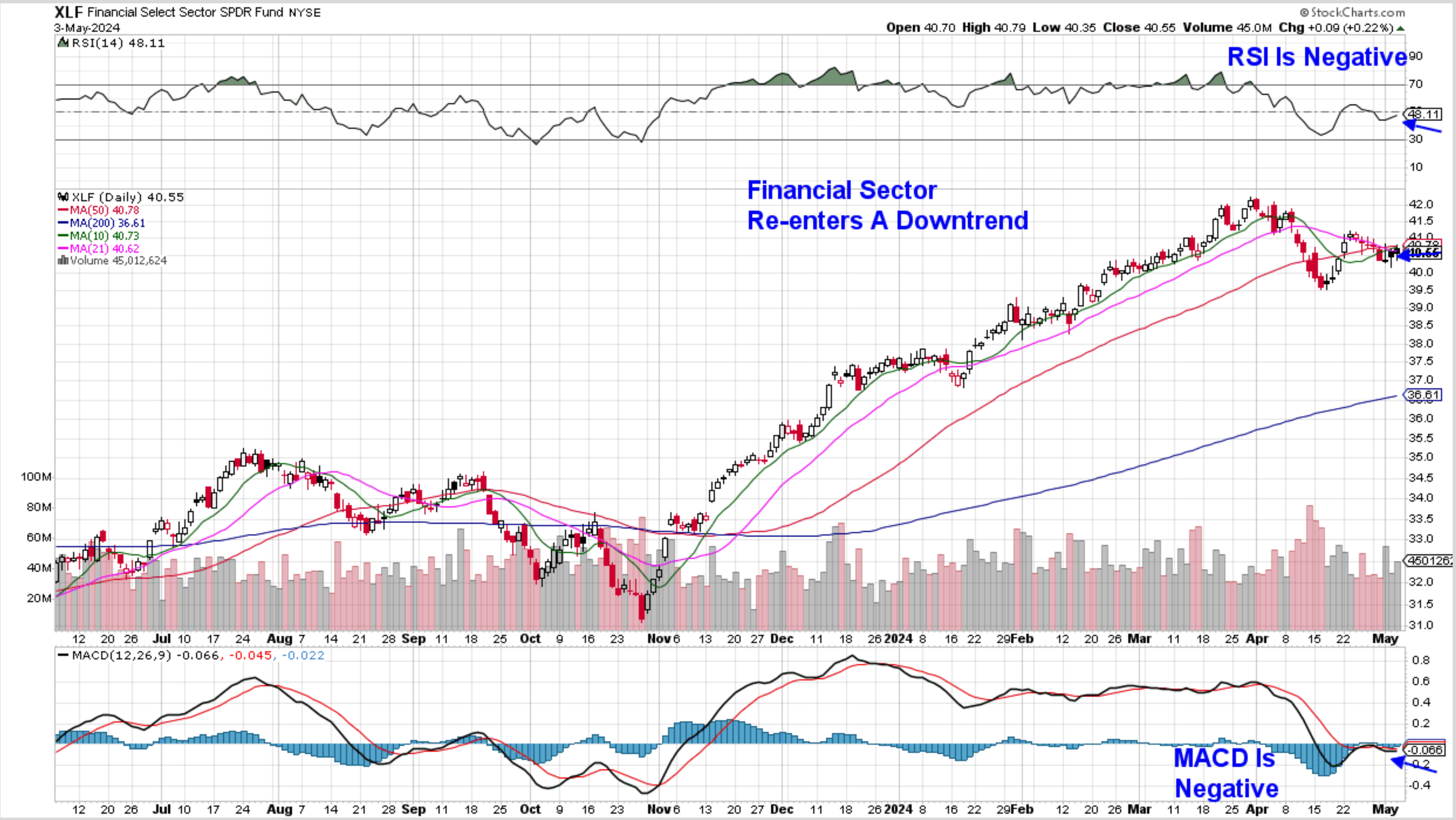
Shake Shack (**SHAK**) from our long-term Buy and Hold List was not among the losers, after the company reported earnings ahead of estimates while guiding growth higher for the year amid new store openings. The stock is in an uptrend.

Mega retailer Amazon (**AMZN**) reported their earnings as well last week, with earnings and sales that were ahead of estimates due primarily to strong advertising sales and gains in their AWS cloud computing division.

Amazon's e-commerce division also saw growth and the stock ended the week in a confirmed uptrend after a close above its shorter-term moving averages coupled with a bullish MACD crossover. The long-term buy-and-hold candidate is in a buy zone.

As mentioned, we are on the lookout for Home Builders to continue to trade higher should interest rates continue to decline. Toll Brothers from our Long Term Hold list would be a top candidate if so. We removed the stock on April 10th while citing that the weekly chart of Toll Brothers (**TOL**) remains constructive and longer-term investors can remain with the stock. **TOL** is currently in an uptrend ahead of the release of their earnings in 2 weeks.

Daily Chart of the Financial Sector (XLF)



[Financial Sector Underperforms]

The Financial sector ended the week with a slight pullback in a move that pushed the RSI into negative territory while the MACD remained in an already negative position.

The decline came amid weaker-than-expected earnings from well-known payment processors such as MasterCard and Visa. Both companies lowered their growth outlook due to Foreign Exchange headwinds and other factors.

Insurance stocks were more mixed with Allstate Insurance (**ALL**) posting a positive earnings report amid higher premiums and a stronger return on their Investments. The stock originally rallied into a two-week base breakout on Thursday before pulling back to its key 50-day simple moving average as investors reconsidered the company's report.

Listed among management's comments was speculation that their ability to raise auto insurance premiums further may be plateauing. Allstate found support at its 50-day moving average however, its late-week pullback pushed the RSI into negative territory.

The negative RSI coupled with a negative MACD crossover on the weekly chart, has us removing Allstate from our suggested Holdings List.

Regional banks outperformed last week with a 3.1% gain due to a late-week rally. (using ETF KRE). A potential decline in interest rates would be good for these stocks as it would improve the possibility of higher profit margins due to increased lending activity.

We will continue to monitor stocks in this group as both Comerica (**CMA**) and East-West Bancorp (**EWBC**) from our long-term hold list are now above their shorter-term moving averages and in a confirmed uptrend. Should interest rates continue to decline, we anticipate adding these stocks back to our Suggested Holdings List.

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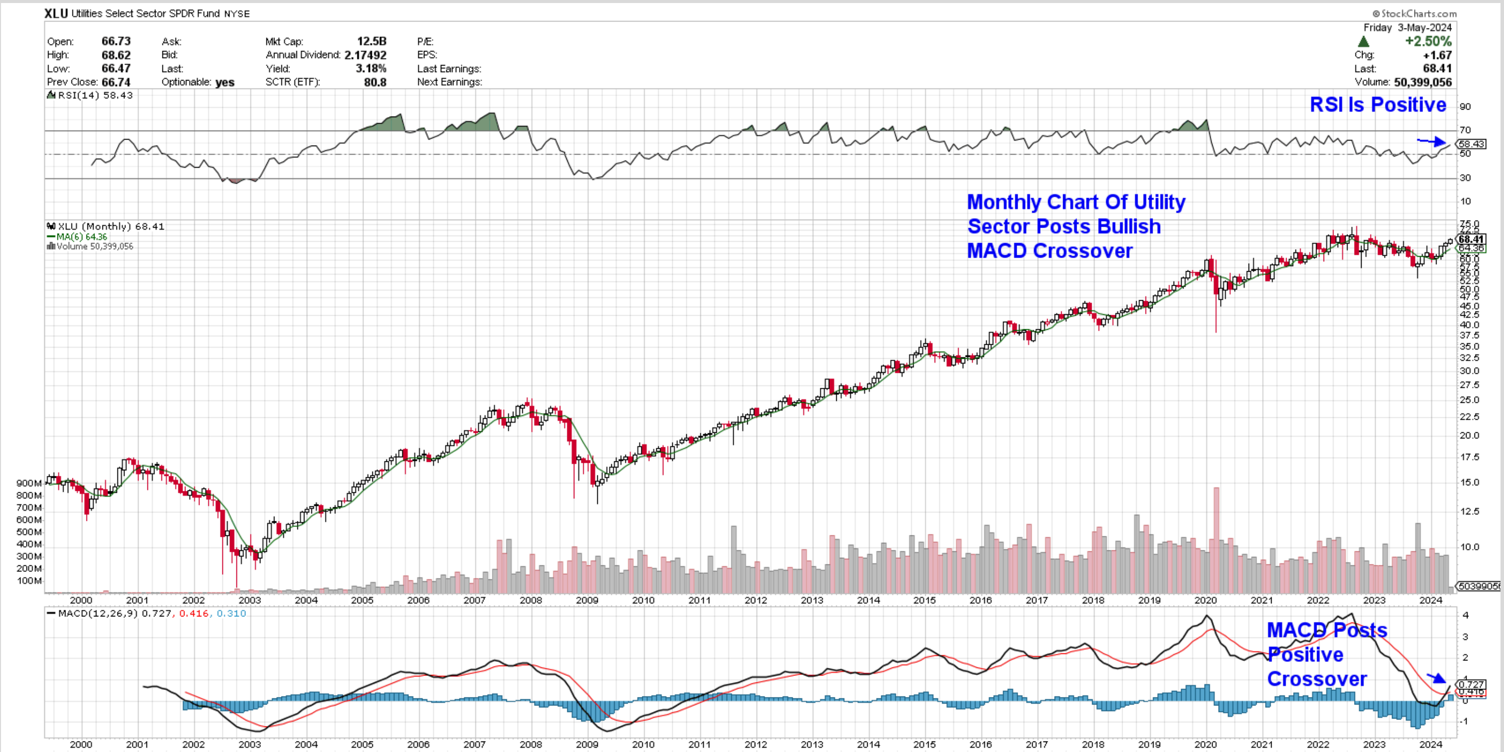
Monthly Chart of the Utilities Sector (XLU)



[Utility Sector Is Top Performing](#)

The Utility sector was the top performing, led by water suppliers that are emerging from a deeply oversold position. According to Industry reports, water demand has increased 29% over the last year due to severe weather conditions as well as excessive heat.

The outlook for Electric utilities is also improving as the power needs of AI data centers is driving electricity growth projections higher.

Last Wednesday, we added Diversified Utility company Duke Energy (**DUK**) to our Suggested Holdings List ahead of the release of their earnings on Tuesday before the markets open. The 4.1% yielder broke out of a 4-month base on Friday and is poised to trade higher should they report results above estimates next week.

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Summary

Last week was another challenging period with Fed policy, the jobs market, and corporate earnings reports taking center stage yet again. And while earnings results have been the most impactful on an individual stock level, interest rate levels continue to mandate broader market sentiment.

Friday's weaker-than-expected jobs report helped rates settle the week lower which in turn, gave growth stocks a healthy boost. Whether this carries into next week remains to be seen, particularly as the economic calendar is light.

While we have been citing last November as precedent for the current market, one key difference between last week's post-Fed meeting price action and →

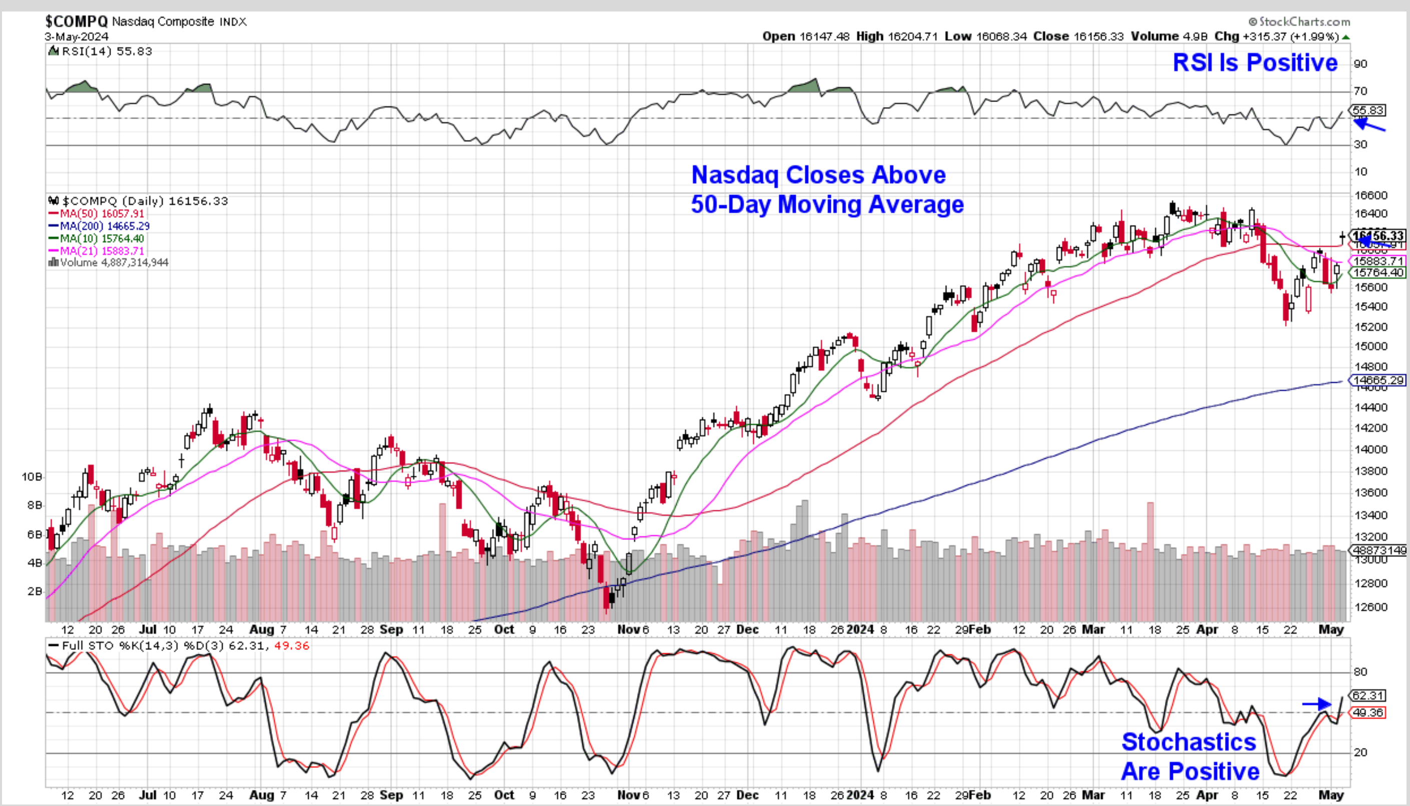
November 1st - 3rd of last year, is that the markets rallied 4% on heavy volume vs this past week's 1.9% gain on relatively low volume.

This is primarily because comments from Federal Reserve officials in October had been setting the stage for possible rate cuts by noting that elevated yields were "doing the work for them".

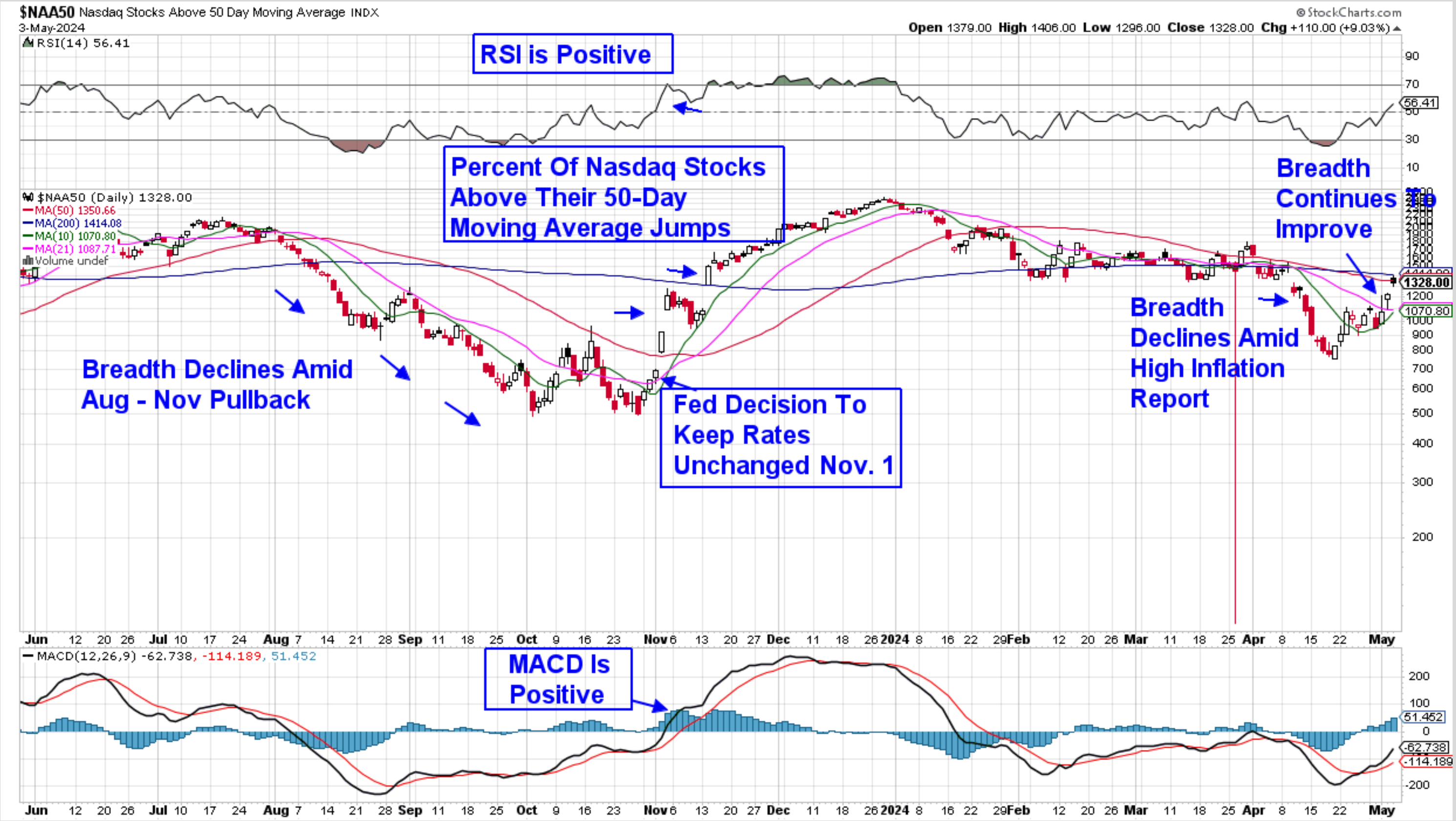
This has not been the case recently with Fed officials being more hawkish in their tone while suggesting that we may see high rates for a while until the sticky inflation environment recedes. We view this distinction as highly important and next week, nine Federal Reserve officials will be speaking at various events. *Their comments may easily sway the markets.*

Charts We Are Watching:

Daily Chart of Nasdaq Composite ($COMPQ)



NASDAQ Stocks Above Their 50-Day Moving Average



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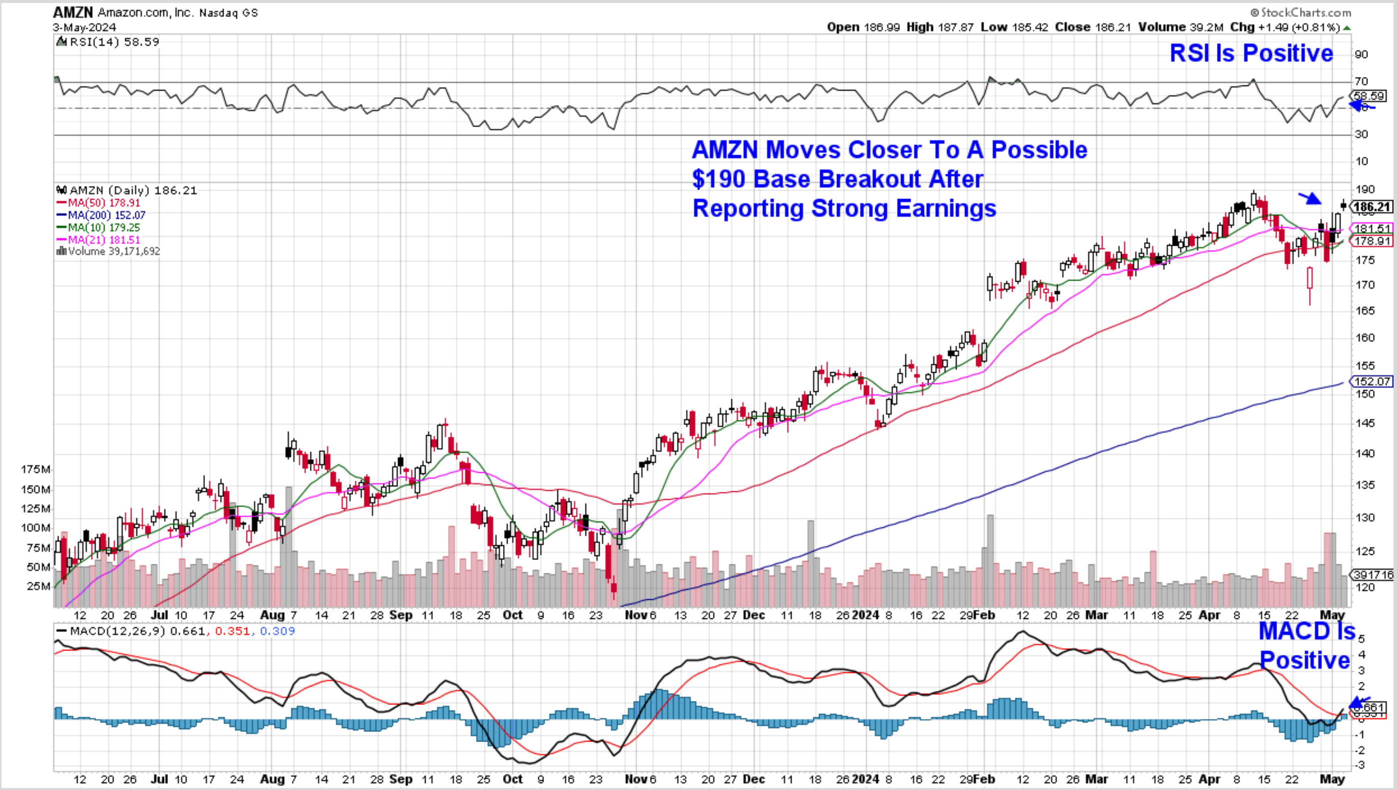
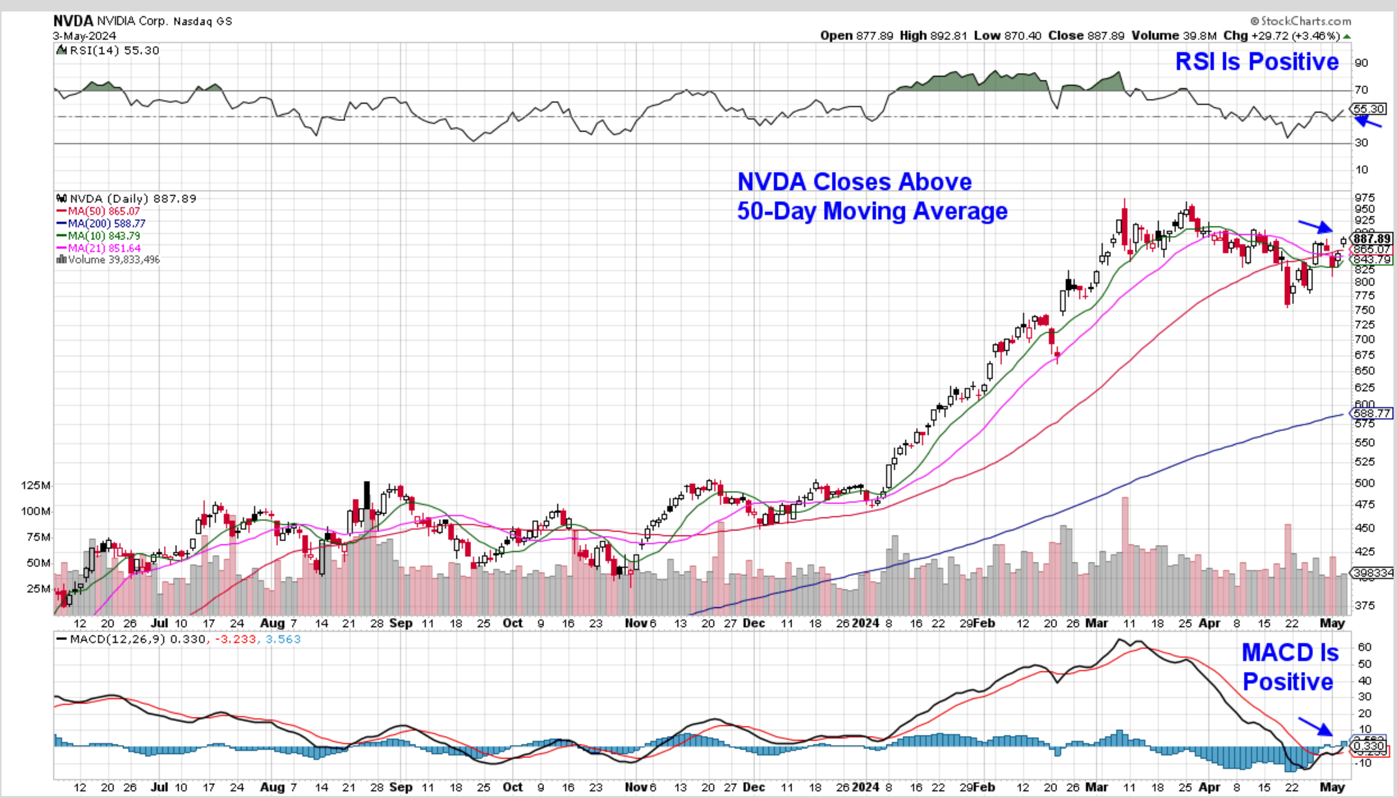
New Idea Charts:

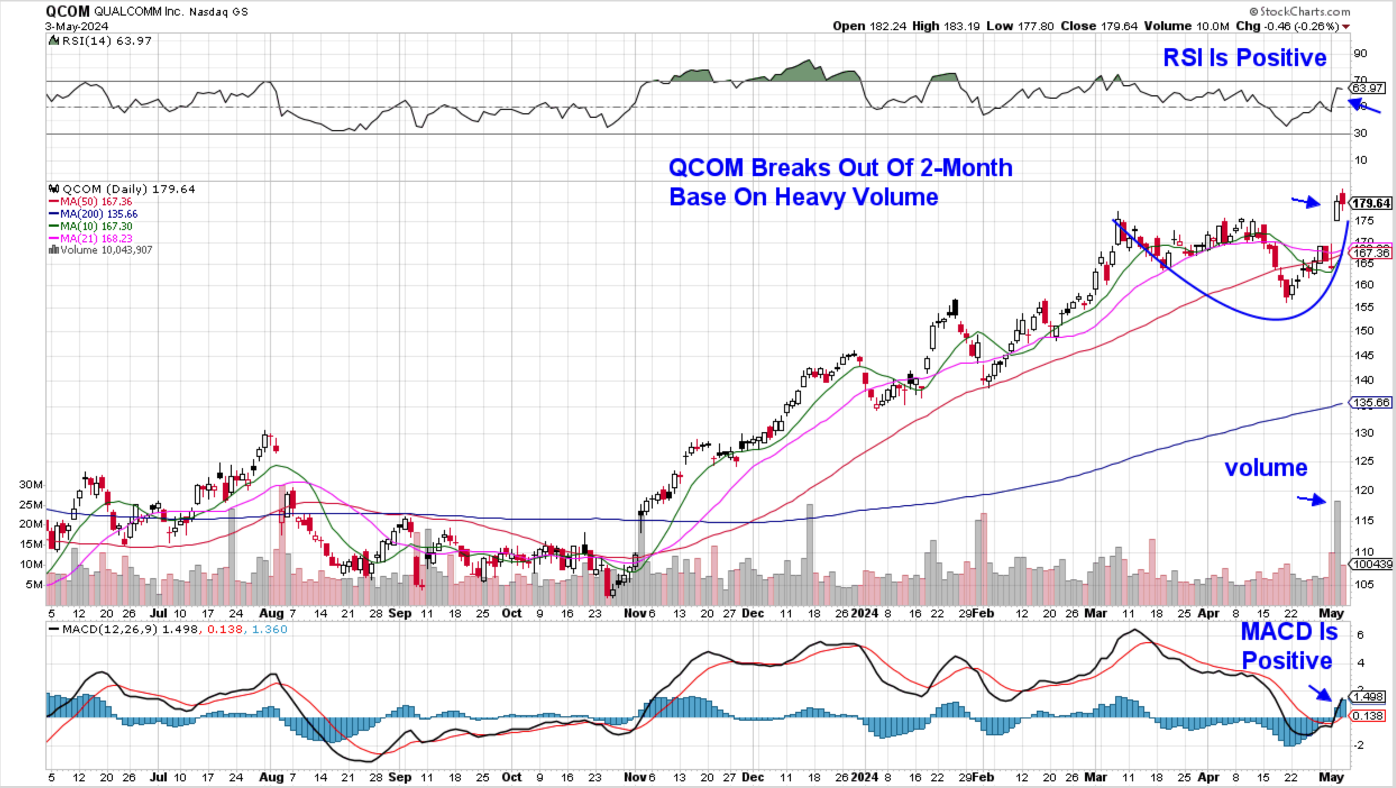
Daily Chart of Amazon.com, Inc. (AMZN)



Daily Chart of NVIDIA Corp. (NVDA)



Daily Chart of Qualcomm Inc. (QCOM)



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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	INDUSTRY GROUP	EARNINGS DUE
CONSUMER DISCRETIONARY						
AMZN	Amazon	$186.20	5/5/2024		Retail - Internet	
UTILITY						
DUK	Duke Energy	$99.30	5/1/2024	0.50%		7-May
FINANCIAL						
ALL	Allstate	$173.01	3/31/2024	-2.00%		
INDUSTRIAL						
FTAI	FTAI Aviation	$58.00	3/17/2024	21.0%		
HEALTHCARE						
BSX	Boston Scientific	$57.60	1/3/2024	26.5%		
MRK	Merck & Co.	$131.90	3/31/2024	2.0%		
TECHNOLOGY						
NVDA	Nvidia	$887.90	5/5/24			
QCOM	Qualcomm	$179.60	5/5/2024			
COMMUNICATION SERVICES						
GOOGL	Alphabet Inc.	$156.61	4/10/2024	7.0%		

Longer Term Hold Candidates That Were Removed From Suggested Holdings List

SYMB	COMPANY NAME	DATE REMOVED	CURRENT STATUS
AMZN	Amazon.com	4/21/24	Buy
AVGO	Broadcom	4/17/24	Hold
CRWD	Crowdstrike	4/7/24	Hold
CMA	Comerica Bank	4/10/24	Hold
DELL	Dell Technologies	4/21/24	Hold
EWBC	EastWest Bancorp	4/10/24	Hold
LRCX	Lam Research	4/17/24	Hold
MSFT	Microsoft	4/14/24	Hold
NVDA	Nvidia	4/21/24	Buy
SHAK	Shake Shak	4/17/24	Hold
TOL	Toll Brothers	4/10/24	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.