



THE MEM EDGE

May 12, 2024 | Weekly Report

This Week's Highlights

- Interest Rates Remain Elevated
- S&P 500 Closes Above 50-Day Moving Average
- Earnings Reports Continue To Drive Winners And Losers
- Initial Jobless Claims Jump To Highest Level In 9 Months
- US Consumer confidence fell to its lowest level since July 2022

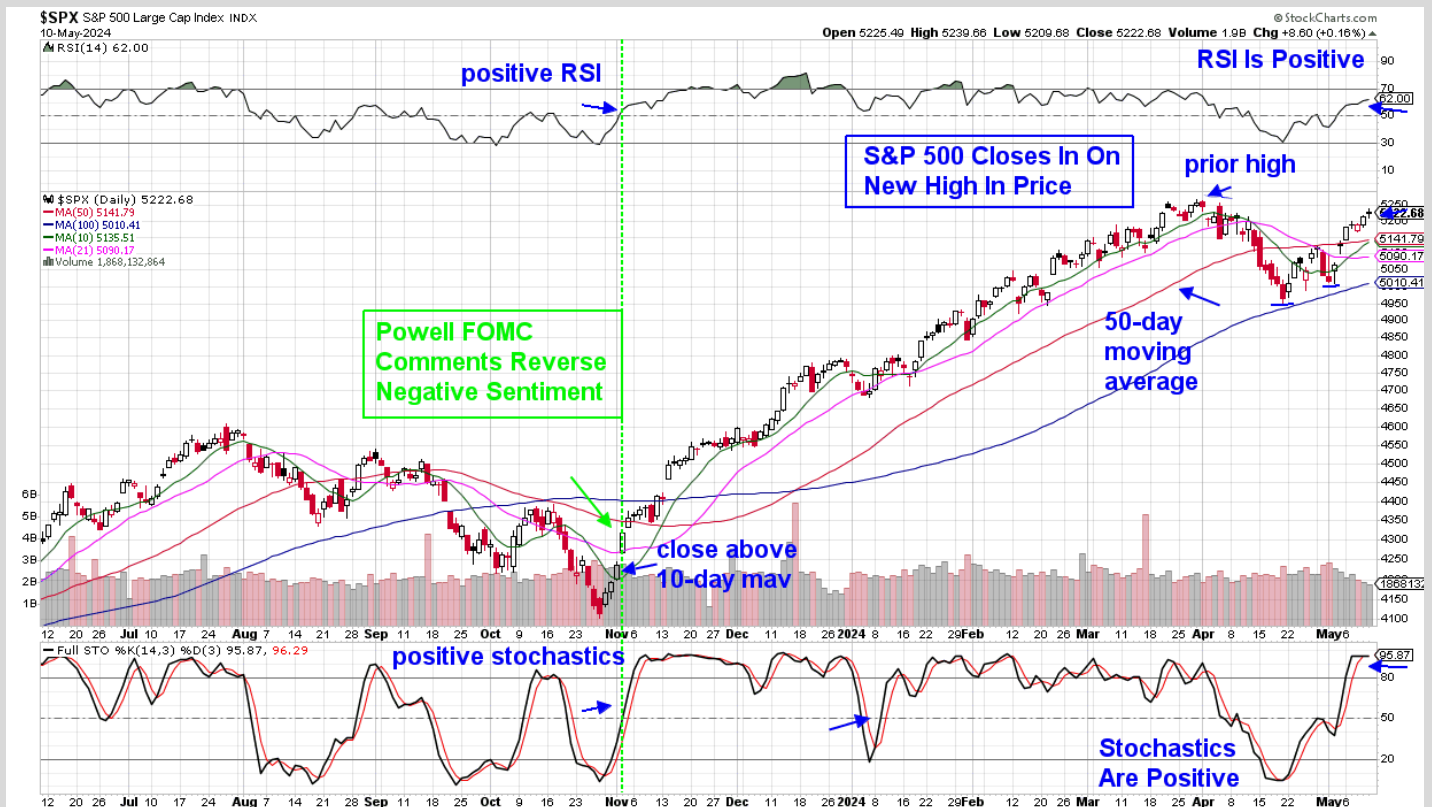
Upcoming Reports And Events For Next Week

- Core PPI Data (Tuesday) And CPI (Wednesday) For April Due Next Week
- Federal Reserve Officials Due To Speak Throughout The Week
- Home Depot (HD), Walmart (WMT), Deere (DE) and Applied Materials (AMAT) Earnings Reports Due

Notable Developments

- S&P 500 Within 1% Of A New High In Price
- Semiconductor Stocks Firm Up Amid Strong AI Chip Demand
- Housing Stocks Are Bullish Despite Elevated Interest Rates
- Global Economic Growth Estimates Revised Upward

Daily Chart of S&P 500



The S&P 500 gained 1.8% last week in a move that pushes this index within 1% of a new high in price. With the RSI and MACD in positive territory, the near-term uptrend in this index remains in place.

On the daily chart, the shorter-term 10-day simple moving average is very close to crossing above the 50-day simple moving average. This is known as a bullish golden cross formation.

The last 2 times this occurred was early May and early November of last year and both times, it preceded an uptrend. The gains lasted 2.5 and 4 months respectively, with the rally phases being halted by an increase in the yield of the 10-year Treasury to the 4.3% level.

At this time, the yield on the 10-year Treasury stands at 4.5% which may temper any further uptrend in the markets.

The NASDAQ gained 0.9% in a move that keeps the uptrend in place for this Index as well. The underperformance in the NASDAQ took place amid weakness in Apple (**AAPL**) as well as Software and Biotech stocks.

The NASDAQ is also very close to posting a bullish golden cross with early November and mid-January being the two most recent periods. Both times, the NASDAQ entered an uptrend for 2 months before pulling back.

Amid the broader markets, the Utility sector continued its outperformance led by companies that rallied in response to earnings reports that were

above estimates, as well as improved growth outlooks.

Cyclical areas of the market also outperformed and again, strong earnings were at play. This would include Basic Material and Industrial stocks. These areas are also faring well due to an improved growth outlook for the global economy after the Eurozone emerged from a recession.

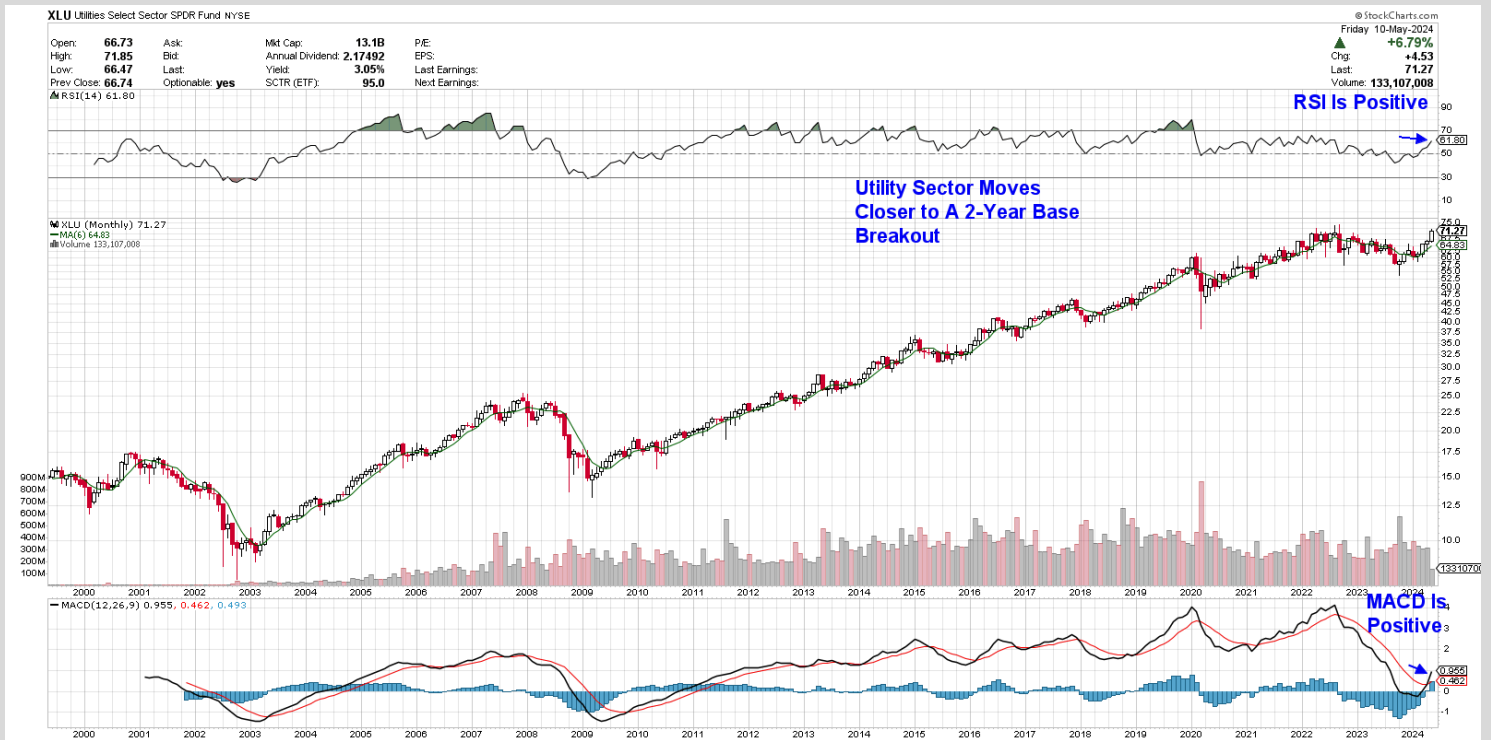
The equal-weighted S&P 500 outperformed amid last week's broadening out into newer sectors such as Cyclical as well as Healthcare and this is a positive for the markets.

As we have noted, we are using the early November downtrend reversal in the markets as precedent for the current period. While the current chart is similar, we have not experienced the drop in interest rates that propelled the markets higher last fall.

At this time, traders remain unconvinced that the Federal Reserve will lower rates this year with the odds of a rate cut in September at 48%. (using CME Fed Funds tool) Next week's key inflation numbers will need to come in lower than expected to shift sentiment.

Until then, we would continue to keep new positions in Growth stocks light as they are more sensitive to higher interest rates.

Monthly Chart of the Utilities Sector (XLU)



Utility Sector Is Top Performing

Utility stocks gained 4.2% for the week amid positive earnings reports coupled with bullish growth outlooks for select companies going forward. Last week's advance has put this sector into an overbought condition on both its daily and weekly charts.

That said, both the weekly and the monthly charts point to further upside for the intermediate and longer-term time periods. Near-term however, we are on the lookout for a pullback which would be an ideal buying opportunity for companies such as recently added Southern Company (**SO**).

SO advanced further out of its one-year base

breakout after the release of strong earnings earlier this month. The company has seen electricity sales to data centers and other commercial customers increase.

SO is also the leader in solar expansion in the Southeastern part of the US which is another driver for growth. The Stock can be bought on a pullback to its 5-day simple moving average in the \$77 range.

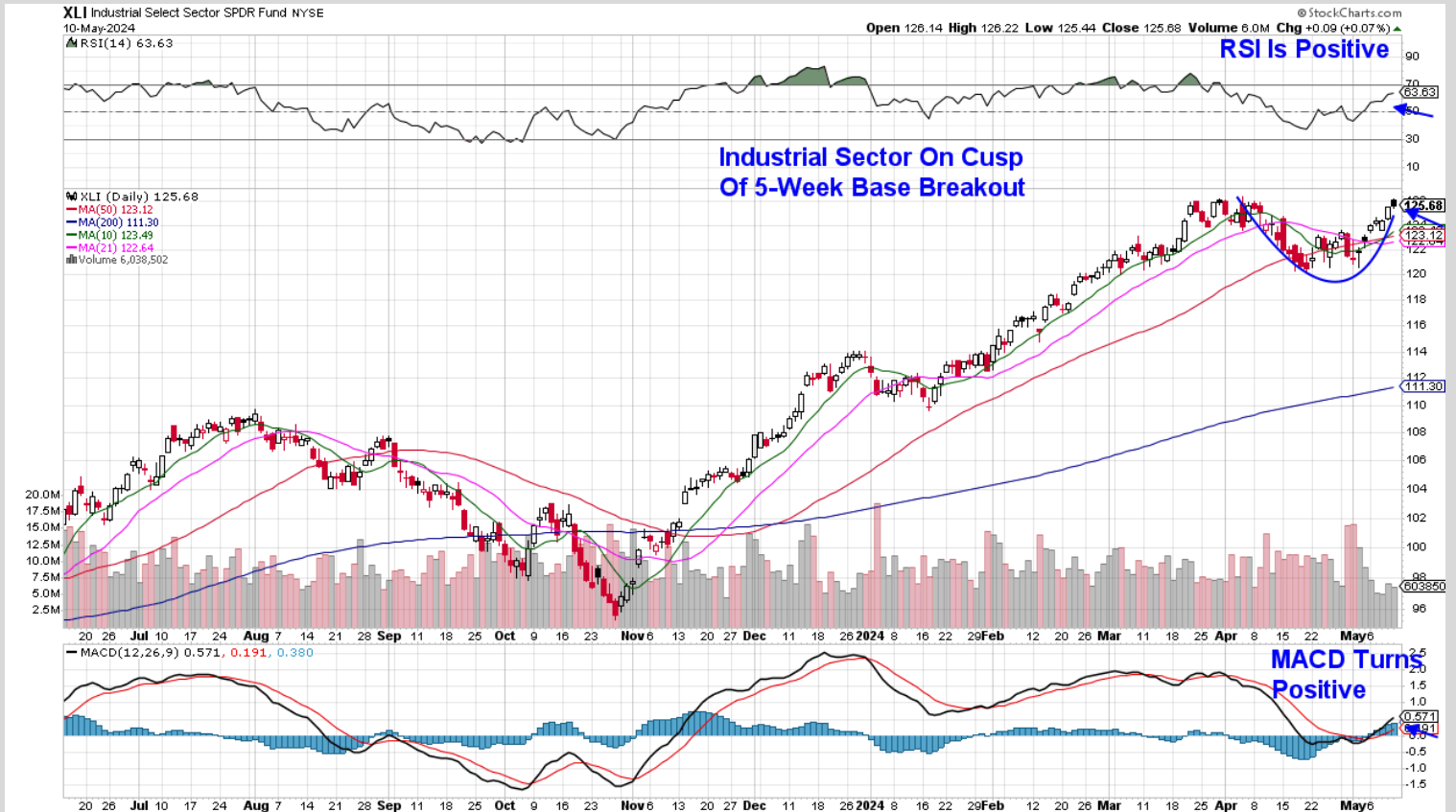
Duke Energy (**DUK**) gained 2% last week in a move that keeps the stock in a buy zone following Tuesday's 5-month base breakout at \$100. The breakout - which took place on above-average volume - followed the company's release of earnings and sales that were above estimates.

The company services North and South Carolina as well as Florida and other states that have seen an influx of new residents which in turn, has increased the demand for residential utilities. The 4% yielder is in a buy zone.

We intend to add more Utility stocks from our Watch List on any pullback.



Daily Chart of the Industrial Sector (XLI)



Industrial Sector Moves Further Into An Uptrend

The Industrial sector outperformed last week amid continued strength among heavy construction and infrastructure-related stocks which are seeing increased demand for their services.

This would include Quanta Services (**PWR**) which provides design installation and maintenance services to Utility companies that are ramping up spending due to higher demand.

We are adding **PWR** to our Suggested Holdings list after the stock broke out of a 5-week base following the release of earnings and sales that were ahead of estimates. The company also provides services to power-intensive data centers.

PWR is in a buy zone as it finds support at its upward-trending 5-day simple moving average.

Eaton Corp, (**ETN**) which we just added back to our Suggested Holdings list, is another electrical equipment manufacturer that serves the Utilities market. In addition, **ETN** provides power management services to data centers which is another source of growth.

The stock is in a buy zone as it finds support above its upward-trending 5-day simple moving average. We are using the February into April period as precedent and a base breakout at the \$332 level would be even more bullish for the stock.

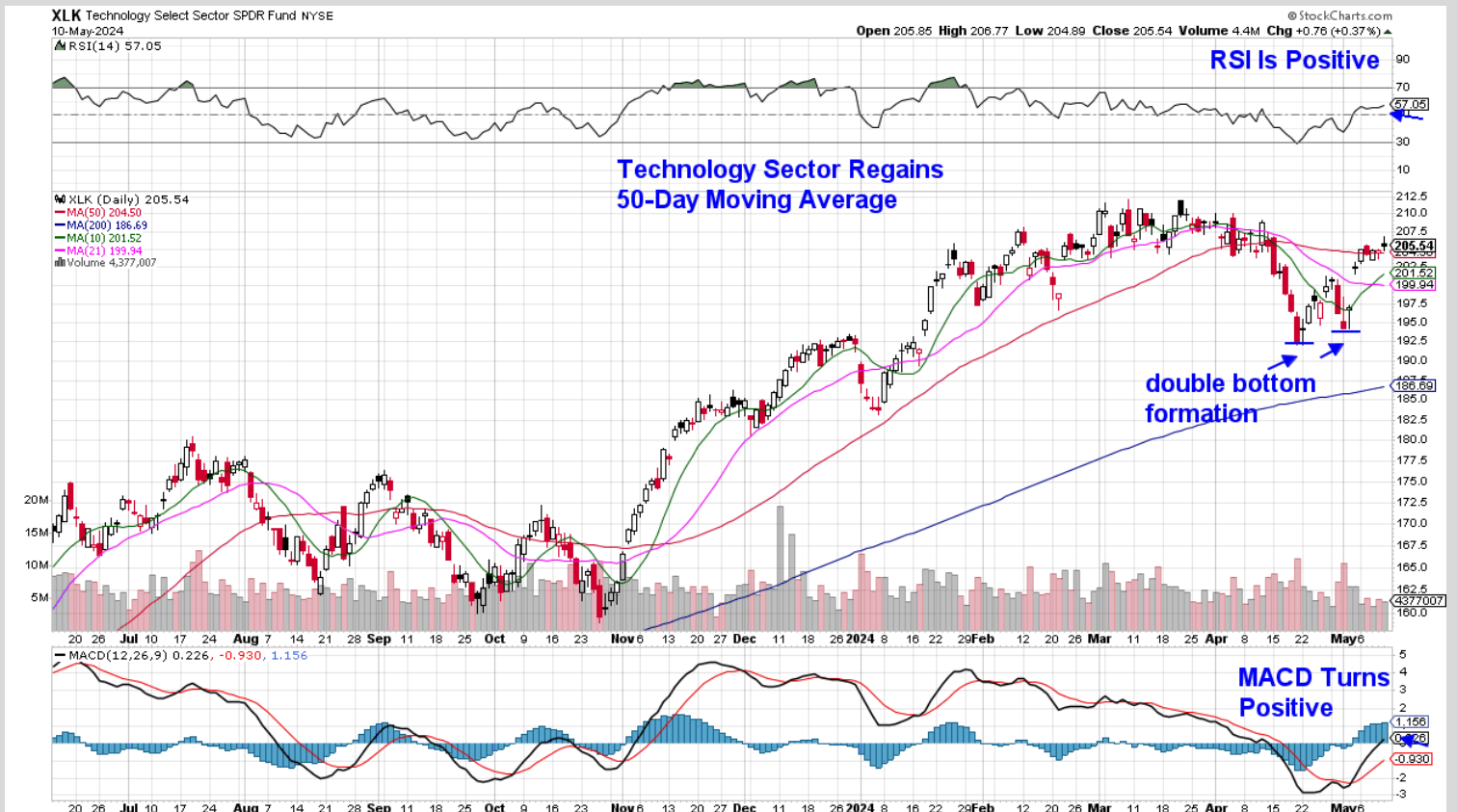
Commercial aerospace-related companies have also been outperforming, as production glitches have caused major delays in the production of new aircraft. Companies that provide aftermarket aircraft components to the many older planes that remain in service are benefitting.

This would include FTAI Aviation (**FTAI**) from our List which trended mostly sideways last week as it digests its 11% gain from the prior week. **FTAI** - a provider of aircraft engine components, is in a strong buy zone.

With global growth prospects being revised upward, we expect this sector to continue to fare well. Caterpillar (**CAT**) is at the top of our Watch List and we intend to add the stock as the stock moves further above its 50-day moving average coupled with a bullish MACD.



Daily Chart of the Technology Sector (XLK)



Technology Sector Closes Back Above Its 50-Day Moving Average

The Technology sector closed the week just above its key 50-day simple moving average with the MACD now in positive territory. The positive price action took place amid a very busy earnings period for both Software and Semiconductor stocks. Several former high-flying Software stocks fell sharply despite reporting quarterly results that were above estimates. Shopify (**SHOP**), JFROG (**FROG**), and Duolingo (**DUOL**) were among the hardest hit as they each fell over 15%. Instead, investors focused on weaker-than-expected growth outlooks, and the stocks were punished.

There are bright spots within this group however, such as CrowdStrike (**CRWD**) from our Long-term

Holdings list which gained 3% in a move that puts this stock back above its key 50-day simple moving average. The company signed a strategic partnership with Alphabet (**GOOGL**) earlier in the week.

Software company Samsara (**IOT**) from our Watch list which we mentioned last week, is now a hair away from a 1-month base breakout. We intend to add the AI leader to our Suggested Holdings List once we see more strength in the overall software group.

Software stocks have struggled since early February and the group remains in a downtrend as it is trading below a downward trending 50-day moving average. (using IGV)

The Semiconductor group gained almost 2% following last week's busy earnings period. (using SOXX) Similar to the overall Tech sector, the group has ended the week just above its 50-day simple moving average with the MACD now in positive territory.

Among other Semiconductor stocks on our list, recently added Qualcomm (**QCOM**) remains in a buy zone after a 1.5% rally that puts the stock just above its \$176 base breakout level from the prior week. The stock's bullish price action was in response to a strong earnings report due to chip demand in China's smartphone market.

AI-related names got a late-week boost following Taiwan Semi's (**TSM**) report on Thursday that April chip sales were strong due to a surge in demand for AI-related chips.

Nvidia (**NVDA**) had a rather muted response with a 1.5% rally for the week ahead of the release of their earnings later this month. The stock remains above each of its shorter-term moving averages with a positive RSI and MACD and is in a buy zone.

Dell Technologies (**DELL**) ended the week on a high note as it edges closer to a 6-week base breakout at \$136. The company is viewed as a leader in AI-related technologies with their portfolio of servers, storage solutions, and networking products.

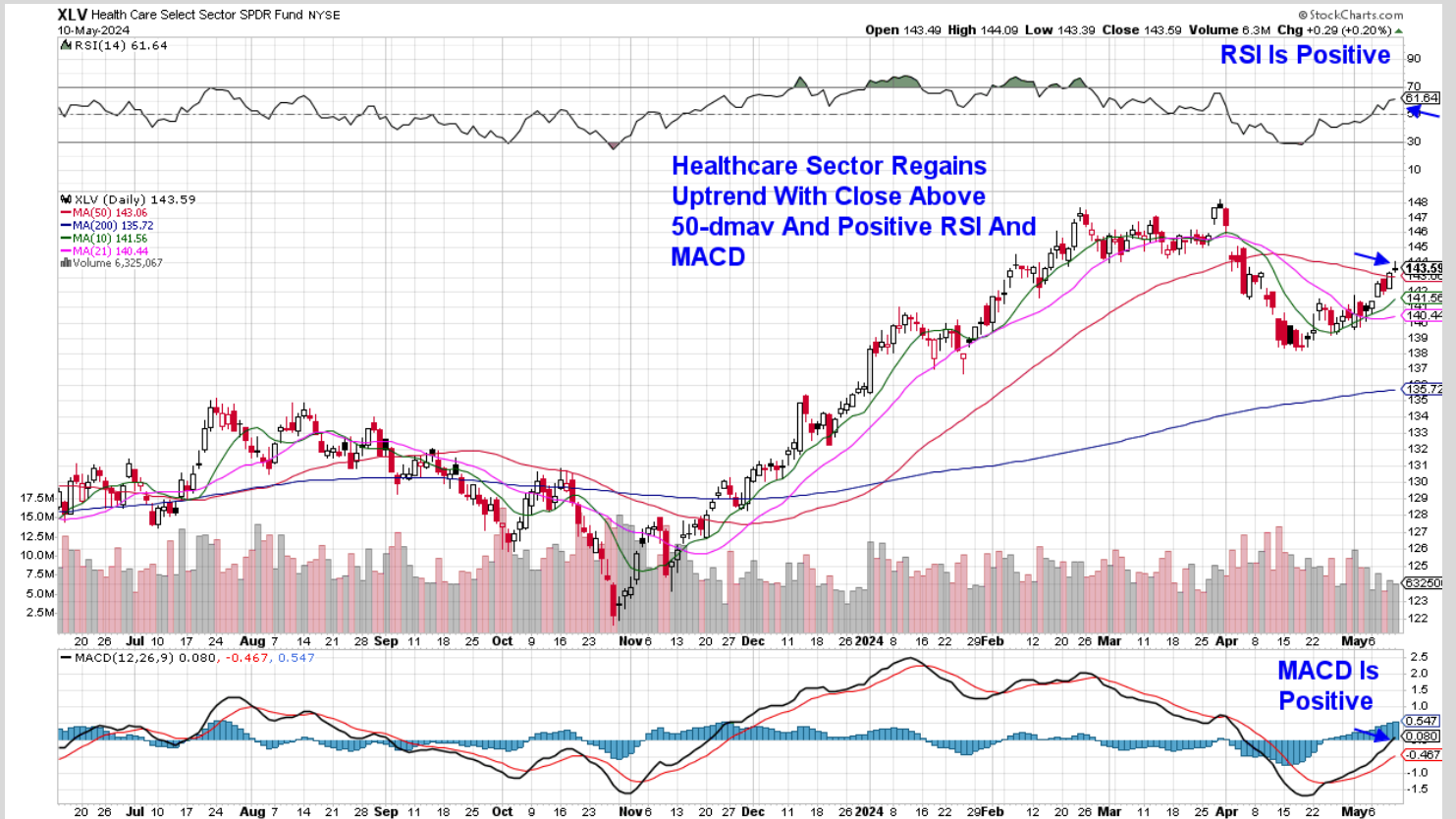
DELL is in a buy zone as it finds support above its upward-trending 5-day simple moving average. In addition, the RSI and MACD are not only in positive territory, but they also have further upside possibilities over the near time.

The Technology sector has been underperforming as of late and while it closed above its 50-day moving average last week, the move did not take place on high volume which was the hallmark of the November and January downtrend reversals.

While we have highlighted stocks in this sector as being in a buy zone, we would keep tight stops on new positions at this time. Technology stocks are particularly sensitive to a rise in interest rates and next week's key inflation reports are expected to impact yields.



Daily Chart of the Health Care Sector (XLV)



Healthcare Sector Regains Uptrend

The Healthcare sector closed the week back above its 50-day simple moving average with both the RSI and MACD now in positive territory. Biotech stocks are in a similarly positive position with a close back above its key moving average. (using IBB)

While Pharmaceutical stocks underperformed, Merck (**MRK**) from our Suggested Holdings list gained 2% for the week. The rally followed news that Canada approved Merck's Keytruda for select types of cancer.

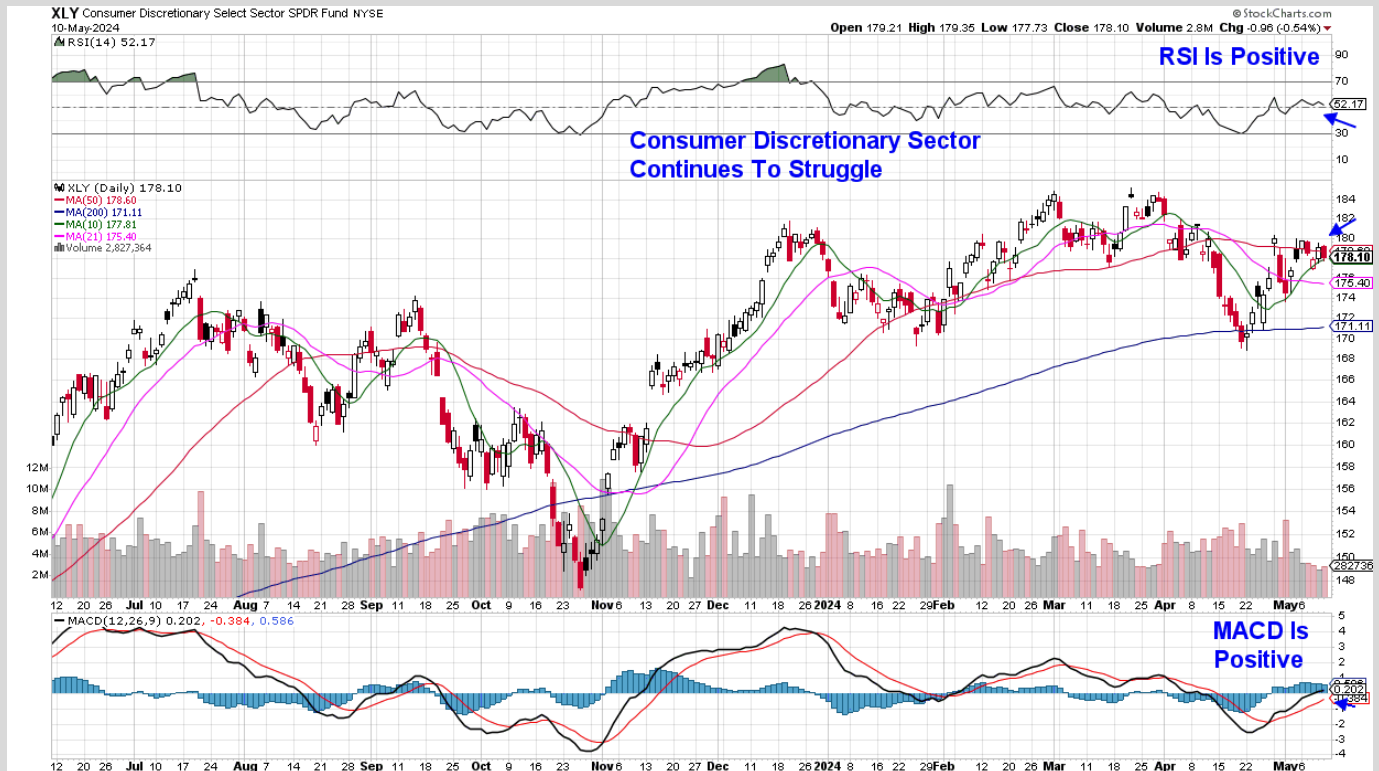
Keytruda is the world's top-selling drug and news of additional approvals has analysts raising earnings estimates for Merck. **MRK** is in a buy zone after closing above its key 10-day simple moving average with a positive RSI and MACD.

Boston Scientific (**BSX**) trended higher amid a substantial price target upgrade based on a strong growth outlook for the company's cardiovascular products. **BSX** is in a buy zone as it approaches a possible 3-week base breakout at the \$75 level.

This week, we are adding Vertex Pharmaceuticals (**VRTX**) following the Biotech company's downtrend reversal last week after reporting strong earnings that were well ahead of estimates. In addition, management noted that they have begun the submission process for FDA approval of their new pain medicine.

The company does not expect to have the results for this new drug until 2025 however, the news sparked interest due to the revenue potential for the company. **VRTX** can be bought on a pullback to its 5-day simple moving average in the \$414 range.

Daily Chart of the Consumer Discretionary Sector (XLY)



Consumer Discretionary Sector Continues To Struggle

The Consumer Discretionary sector continues to struggle with a flat performance last week that was led by weakness in Autos and Travel-related stocks. Many consumer-related stocks - particularly Retailers - will begin reporting their quarterly results next week which may provide a needed boost.

First up will be Home Depot (**HD**) and Walmart (**WMT**) and both stocks are in a compelling position to trade higher depending on results. **WMT** is poised for a 6-week base breakout while **HD** is moving closer to a possible downtrend reversal. Both stocks are on our Watch List.

Home Builders outperformed the markets last week despite higher mortgage rates. (using XHB). The group is back in an uptrend as it forms the right side of a base above its 50-day moving average.

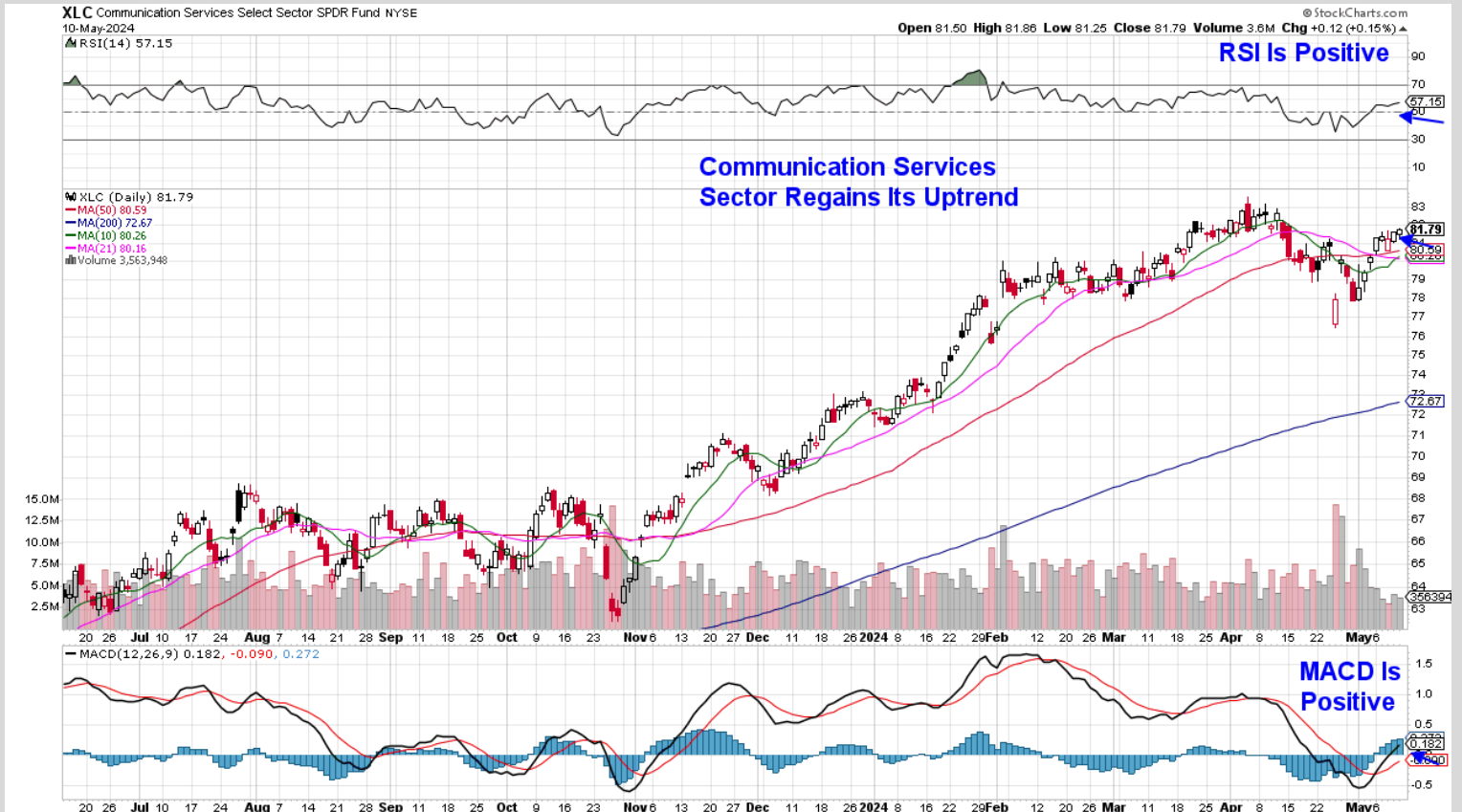
This week we are adding Toll Brothers (**TOL**) back to our Suggested Holdings List as it is very close to a cup with handle base breakout at \$128.8. Analysts have been revising the company's earnings estimates higher for both this year and next ahead of their release of earnings later this month.

Amazon (**AMZN**) - which hit a record high on Thursday - traded mostly sideways last week amid a lack of news. The stock remains in an uptrend as it is above its shorter-term moving averages with a positive RSI and MACD.

Among the Magnificent Seven stocks, Wall Street price targets have Amazon on track to post the largest upside with a \$220 price target which is 18% above its current price.

In addition to e-commerce, **AMZN** has two other high-growth areas with their digital advertising and cloud computing markets. **AMZN** is in a buy zone.

Daily Chart of the Communication Services Sector (XLC)



Communication Services Sector Regains Uptrend

Internet-related stocks continue to propel this sector higher due to higher advertising sales on their digital platforms. Alphabet (**GOOGL**) is a prime example after the company reported a 21% increase in ad sales on their YouTube platform in late April.

GOOGL received an early week boost after announcing their hiring of hundreds of employees for their AI sales team and engineers. The stock is in a buy zone after a Friday pullback to its 10-day simple moving average.

Summary

The broader markets are very close to hitting a new high in price driven by a strong earnings season. Over 90% of the S&P 500 companies have reported their first quarter results and so far, we are on track for the highest year-over-year earnings growth rate since Q2 2022.

While strong earnings are the key driver of a bullish market, high interest rates have historically put a stock to the upside price action. This is particularly true of high-growth stocks as future earnings are devalued amid a higher-rate environment.

Next week, key inflation data which will impact the near-term trajectory of Interest rates will be →

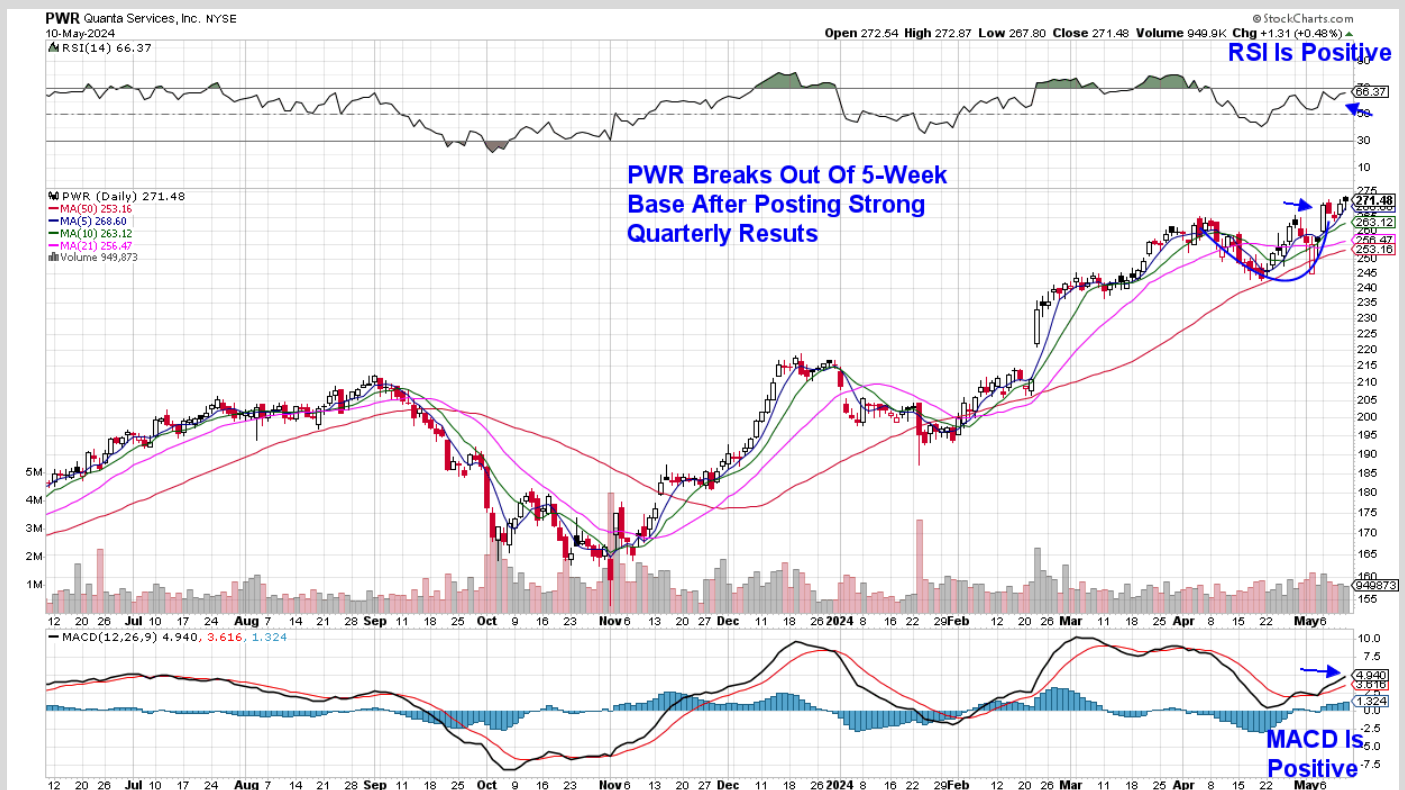
released with PPI and CPI numbers for April due on Tuesday and Wednesday respectively.

Several signs have been emerging that suggest consumers are pulling back and the economy may be slowing amid softer labor data earlier this month as well as last week's drop in consumer sentiment. Any hint that inflation is decelerating as well would be very good news for the markets.

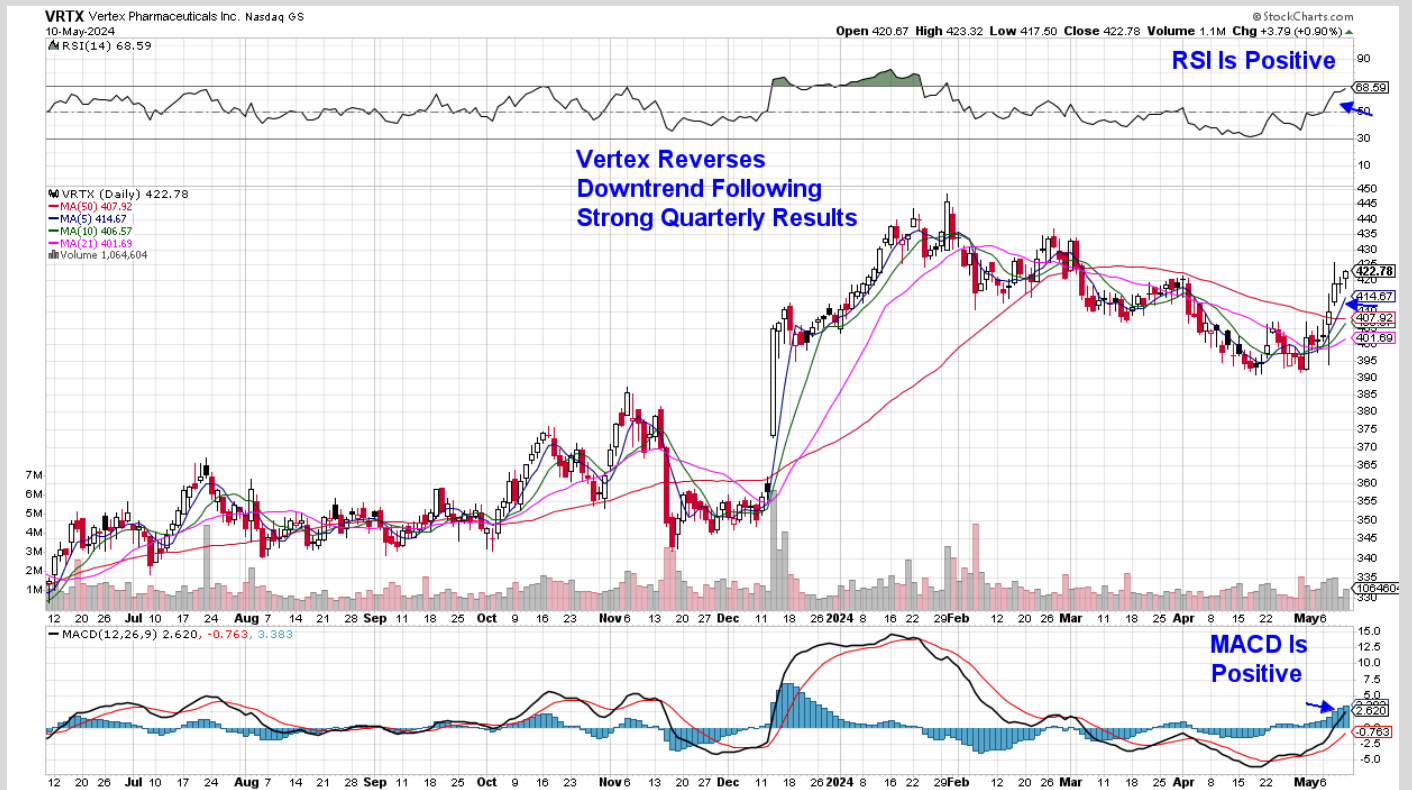
If so, we anticipate that higher-growth areas such as Technology and Consumer Discretionary would respond the most favorably. We have added several new names from these areas to our Watch List which is on the Dashboard page.

New Idea Charts:

Daily Chart of Quanta Services, Inc. (PWR)



Daily Chart of Vertex Pharmaceuticals Inc. (VRTX)



The
MEMEdge
WEEKLY REPORT

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	1.0%	Retail - Internet	
TOL	Toll Brothers	\$127.02	5/12/2024			
UTILITY						
DUK	Duke Energy	\$99.30	5/1/2024	5.0%		
SO	Southern Company	\$77.60	5/8/2024	0.5%		
INDUSTRIAL						
ETN	Eaton Corp.	\$330.40	5/8/2024	0.0%		
FTAI	FTAI Aviation	\$58.00	3/17/2024	36.0%		
PWR	Quanta Services	\$271.50	5/12/2024			
HEALTHCARE						
BSX	Boston Scientific	\$57.60	1/3/2024	27.5%		
MRK	Merck & Co.	\$131.90	3/31/2024	4.0%		
VRTX	Vertex Pharmaceuticals	\$414.80	5/12/2024			
TECHNOLOGY						
DELL	Dell Technologies	\$131.60	5/8/2024	1.0%		
NVDA	Nvidia	\$887.90	5/5/2024	1.0%		
QCOM	Qualcomm	\$179.60	5/5/2024	1.5%		
COMMUNICATION SERVICES						
GOOGL	Alphabet Inc.	\$156.61	4/10/2024	8.0%		

Longer Term Hold Candidates That Were Removed From Suggested Holdings List

SYMB	COMPANY NAME	DATE REMOVED	CURRENT STATUS
AVGO	Broadcom	4/17/24	Hold
CRWD	Crowdstrike	4/7/24	Hold
CMA	Comerica Bank	4/10/24	Hold
EWBC	EastWest Bancorp	4/10/24	Hold
LRCX	Lam Research	4/17/24	Hold
MSFT	Microsoft	4/14/24	Hold
SHAK	Shake Shak	4/17/24	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.

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