



THE MEM EDGE

May 19, 2024 | Weekly Report

This Week's Highlights

- Producer Price Index Rises (PPI) More Than Expected
- Core Consumer Price Index (CPI) Rises Less Than Expected
- Retail Sales Flat In April - Below Expectations
- Home Builder Confidence Falls While Housing Starts Rise
- Weekly Jobless Claims Slow Down

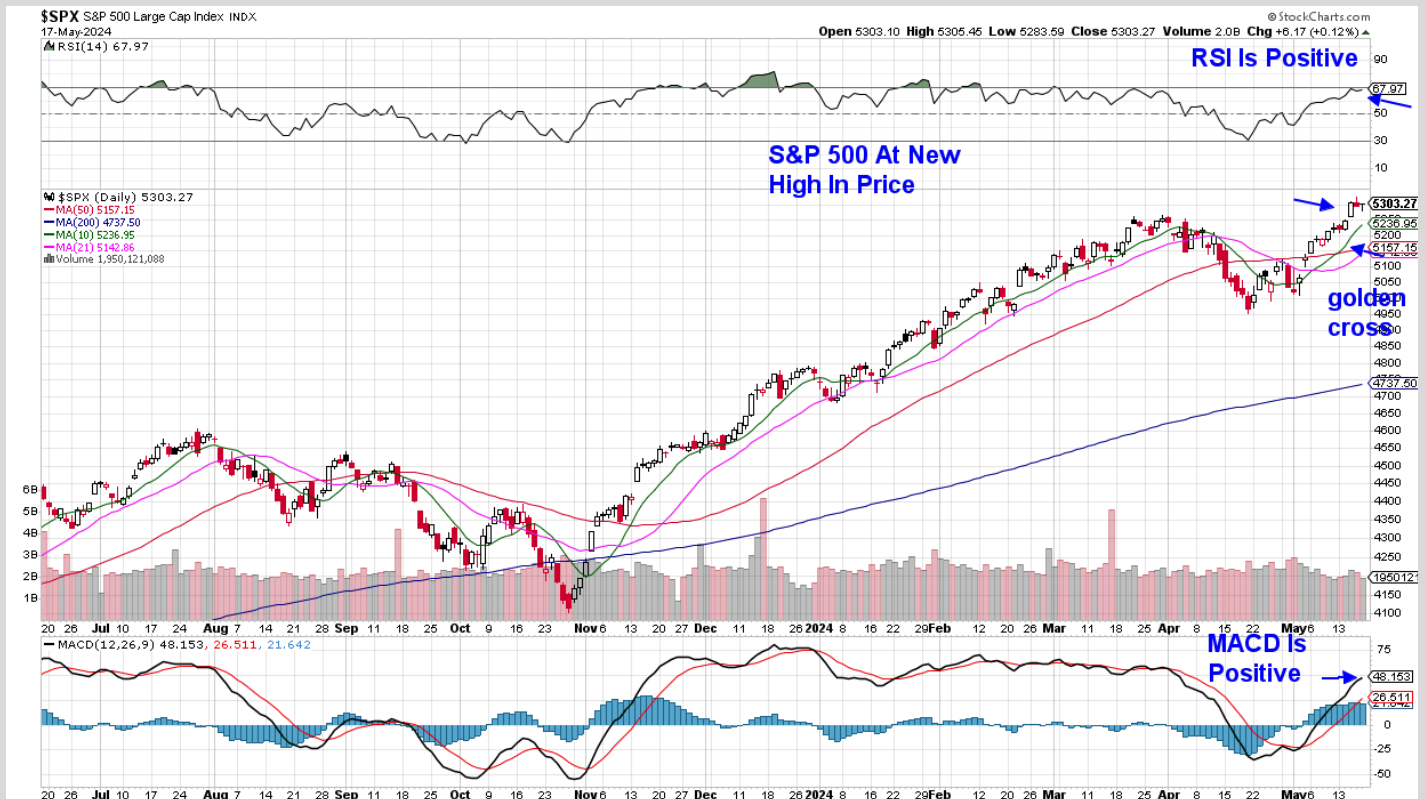
Upcoming Reports And Events For Next Week

- Earnings Report From Nvidia (**NVDA**) Due Wednesday With Notable Software Companies Due Next Week As Well
- Minutes From the May FOMC Meeting Released Wednesday

Notable Developments

- S&P 500 and Nasdaq Both Close Near New Highs
- 10-Year Treasury Yield Falls To 4.4%
- Semiconductor Stocks Regain Bullish Bias
- Software Stocks Reverse Downtrend
- CrowdStrike (**CRWD**), ServiceNow (**NOW**), Broadcom (**AVGO**) Added To Suggested Holdings List On Wednesday
- Oracle (**ORCL**) and Intuitive Surgical (**ISRG**) Added Today

Daily Chart of S&P 500



The S&P 500 closed the week up 1.5% in a move that puts this Index close to its new high in price. With the RSI and MACD in positive territory, the uptrend in this Index remains firmly in place.

The longer-term monthly chart of the S&P 500 looks particularly compelling with last month's pullback finding support at its 6-month moving average while this month's recovery regained that pullback and more. Both the RSI and MACD on this longer-term chart have further upside before possibly entering into an overbought condition.

This bodes well for the longer-term outlook for the S&P 500.

The NASDAQ fared better with a 2.1% gain that was led by a rally in Semiconductors, Software, and Biotech stocks. Outperformance in most of the Magnificent Seven names also gave this index a boost.

With the RSI and Stochastics in positive territory, as well as, this index closing the week close to a new high in price, the uptrend in the NASDAQ remains firmly in place.

Most of this week's bullish price action took place on Wednesday after Consumer Price Index (CPI) data not only came in below estimates, it showed a decline in two key inflation-related areas. Namely, shelter and auto insurance prices fell which was important, as these two areas had been of concern in prior reports.

In turn, interest rates dropped with the yield on the key 10-year Treasury closing the week at 4.4%

Sectors that fare well in a declining interest rate environment fared the best last week, with high growth Technology stocks being the top performing followed by REIT stocks. Healthcare stocks also outperformed amid strong earnings reports from select names.

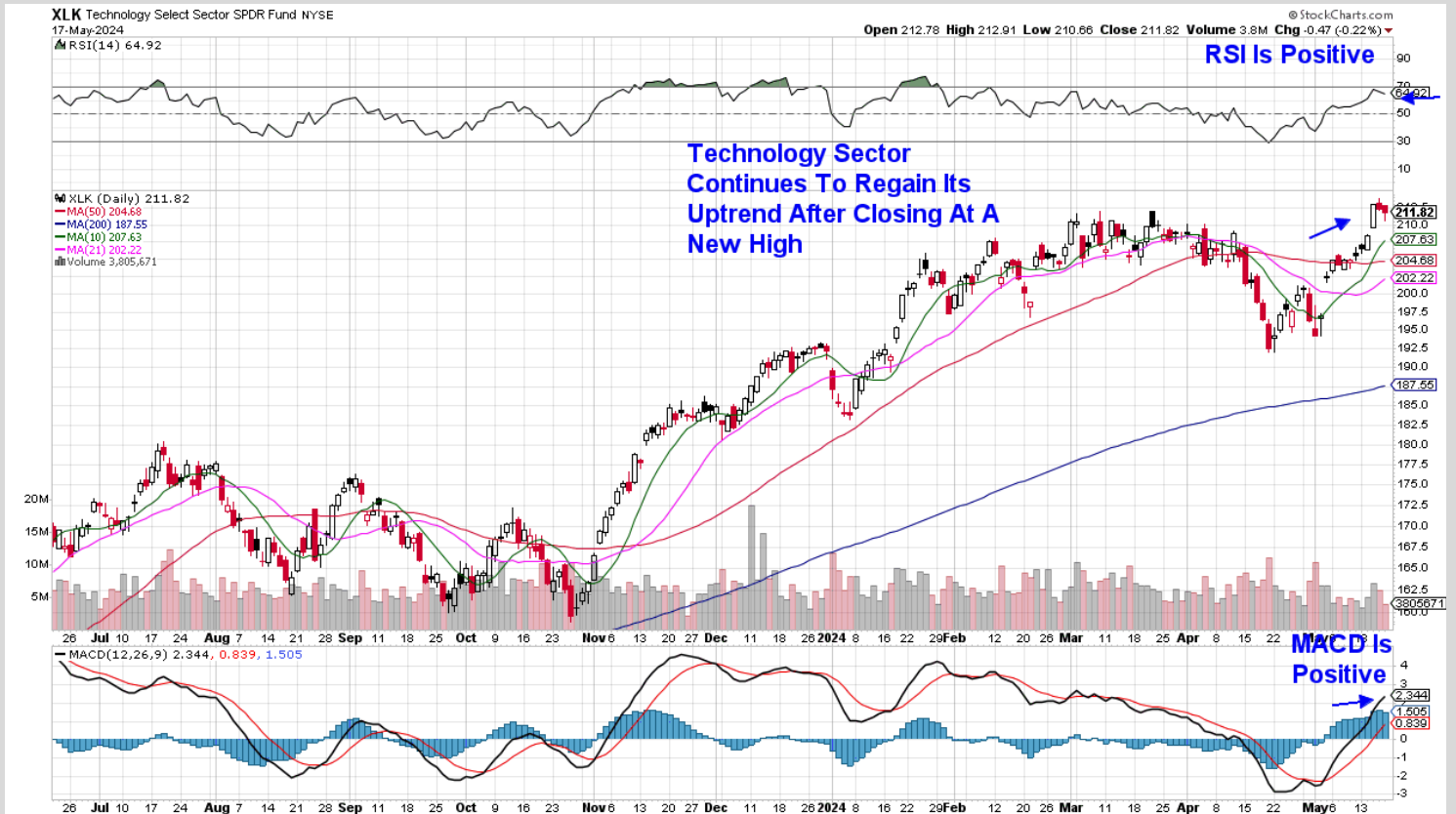
Each of these sectors have reversed their downtrends in a positive move that points to a broadening out of the markets which bodes well for a continuation rally.

That said, we will need to see interest rates continue to decline in order for the markets to trend higher. This is particularly the case as the currently strong earnings season which has been a key driver of this market's march to new highs, is close to being completed.

Next Wednesday, notes from the Federal Reserve's last meeting will be released and any hint that the Fed will push out a rate cut could stall the market's current uptrend. Several key Fed officials will be speaking throughout the week as well which may sway interest rates.

Overall however, a near and longer-term uptrend in the market is in place with Growth stocks joining already strong areas such as Industrials, Utilities, and Healthcare.

Daily Chart of the Technology Sector (XLK)



Technology Sector Continues Its New Uptrend

The Technology sector was the top performing for the week with a 3% rally that puts this sector close to a 13-week base breakout and a new high in price. As you may recall, the Tech sector has struggled since hitting a new high in early March due to a rise in interest rates.

Gains last were led by outperformance in Semiconductor stocks led by names such as Qualcomm (**QCOM**) which rallied 6.5% amid news that their chips are expected to be used in more than half of all generative AI-equipped smartphones shipped in 2024 and 2025. The stock is in a buy zone as it finds support at its upward-trending 5-day simple moving average.

Nvidia (**NVDA**) pulled back from a midweek peak in price ahead of the release of their earnings next Wednesday after the markets close. This price action puts Nvidia (**NVDA**) in a strong buy zone, however, we would not be a buyer going into earnings unless you had a stop loss or other measures to protect any position.

Going into the report, analysts are anticipating significant revenue growth driven primarily by their data center segment due to AI demand. **NVDA** is in a very bullish position to trade higher as the stock moves closer to a longer-term breakout at the \$974 level.

In addition, the RSI and MACD on the daily chart have further upside before possibly entering an overbought position.

Recently added Broadcom (**AVGO**) pulled back to its 5-day simple moving average since being added to the Suggested Holdings list on Wednesday. As noted in our Midweek Report, a pullback to this level puts the stock into a strong buy zone.

Broadcom makes data-center AI chips for Alphabet (**GOOGL**) and Meta Platforms (**META**) and in March, the company announced that it added a new AI customer but did not identify the company. Wall Street analysts speculate that the company is TikTok.

Other large cap Semi's were also on the move last week as well, with laggard company Advanced Micro (**AMD**) rallying after Microsoft said on Thursday it plans to offer its cloud computing customers a platform of AMD artificial intelligence chips that will compete with components made by Nvidia.

AMD is very close to reversing its lengthy downtrend after last week's 8.3% rally pushed the stock up to its 50-day moving average with RSI now in positive territory. With last week's heavy volume pointing to accumulation, we anticipate adding the stock to our Suggested Holdings list once it closes above its 50-day mav coupled with a positive MACD.

As highlighted in the chart of Semiconductors in our Midweek Report, the group is now in a confirmed uptrend.

We anticipate **NVDA's** comments regarding their growth outlook to impact other AI chip-related companies. This would include each of the Semi's on our Suggested Holdings list. That said, **AMD** is a relative latecomer to the AI chip space.

Software stocks also posted a downtrend reversal last week after Wednesday's rally put the group back above its key 50-day simple moving average on above-average volume. In addition the RSI is in positive territory. (using IGV).

In response, we added CrowdStrike (**CRWD**) and ServiceNow (**NOW**) to the Suggested Holdings list on Wednesday.

CrowdStrike began firming up earlier this month after impressing analysts at an annual software security IT conference. At the time, Morgan Stanley cited **CRWD** as having the most improved outlook for growth among its competitors.

Peer Software Security company Palo Alto (**PANW**) is due to release their quarterly results after the market closes on Monday and the results may impact **CRWD**.

ServiceNow (**NOW**) closed back above its 50-day moving average Wednesday on heavy volume. This puts the stock into a new uptrend with the MACD now in positive territory where it joins the positive RSI.

We are using the late October period as precedent and would not chase the stock. Instead, look for a pullback to the \$750 range as a buy point.

Today, we are adding software company Oracle (**ORCL**) to our Suggested Holdings List. The stock reversed its downtrend with a close back above its key 50-day simple moving average on Tuesday.

The new uptrend took place amid news that Elon Musk's AI startup is in talks with Oracle on a multi-year \$10-billion cloud computing deal. The rally following the news has pushed the MACD into positive territory where it joins the already positive RSI. **ORCL** can be bought in the \$120 range near its 5-day moving average.

AI leader Dell Technologies (**DELL**) rallied 12.5% after a gap up into a base breakout and a new high in price on Wednesday. The advance took place after Morgan Stanley called the company the best way to play the AI infrastructure build-out.

The RSI on the daily chart is now in an overbought position and **DELL** can be bought on a pullback to the \$142 range at its 5-day simple moving average.

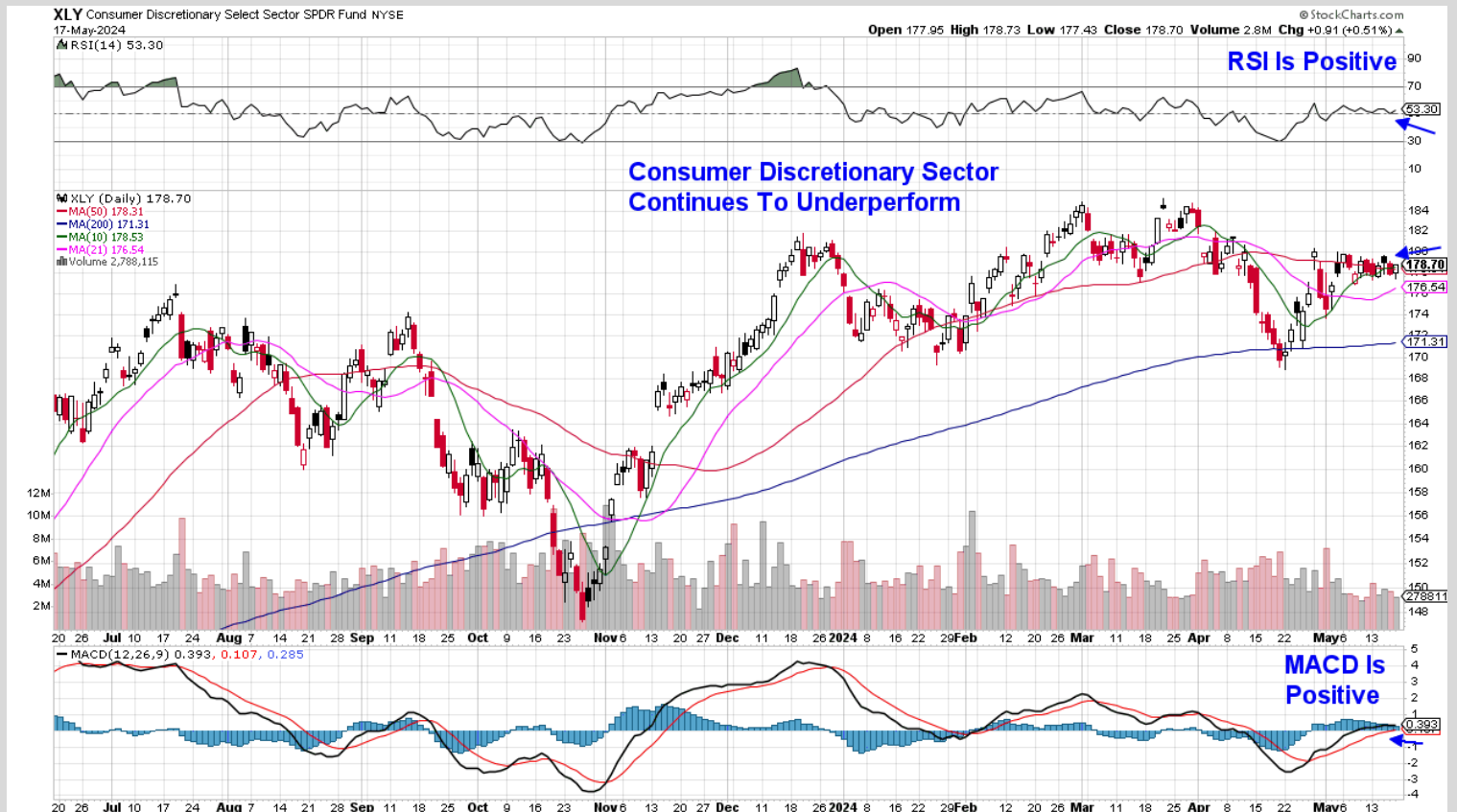
Last week's downtrend reversal in the Technology sector took place following Wednesday's CPI report which came in lighter than expected and in turn, pushed interest rates lower.

Next week's earnings reports from **NVDA** and other key tech players will play a big role in whether technology stocks continue to trend upward.

As we have seen in the past, lower interest rates will also be a key ingredient for these high-growth stocks to trade higher. At this time, we remain positive on technology stocks.



Daily Chart of the Consumer Discretionary Sector (XLY)



Consumer Discretionary Sector Among Worse Performing

The Consumer Discretionary sector was flat for the week despite a strong earnings report from Walmart (**WMT**) as well as large retailer Costco (**COST**).

WMT gapped up into a base breakout due to strong e-commerce sales as well as the company's increase in advertising sales after their purchase of media company VIZIO.

While **WMT** is poised for further near-term upside, the daily and weekly charts have an RSI in the overbought position so we are not adding the stock to our Suggested Holdings List at this time. Instead, we are on the lookout for a pullback closer to its 10-day moving average.

This would be similar to the price action that followed Alphabet's (**GOOGL**) gap up on strong earnings in late April where a pullback allowed the stock to set up for another leg up.

Home Builders were down last week amid mixed data that had home builder confidence falling amid higher mortgage rates while housing starts rose. (using XHB)

Toll Brothers (**TOL**) gapped up into a cup with handle base breakout on heavy volume Wednesday before the stock pulled back with the group toward the end of the week. The company is due to release their earnings on Tuesday.

While **TOL's** pullback to its 5-day moving average puts the stock into a strong buy zone, we would not buy going into earnings unless you have stop loss or other protective measures in place.

Heavyweight stock Amazon (**AMZN**) pulled back 1.5% following news that the company's head of their AWS cloud computing division has stepped down. The stock has found support at its 21-day moving average with a positive RSI and MACD.

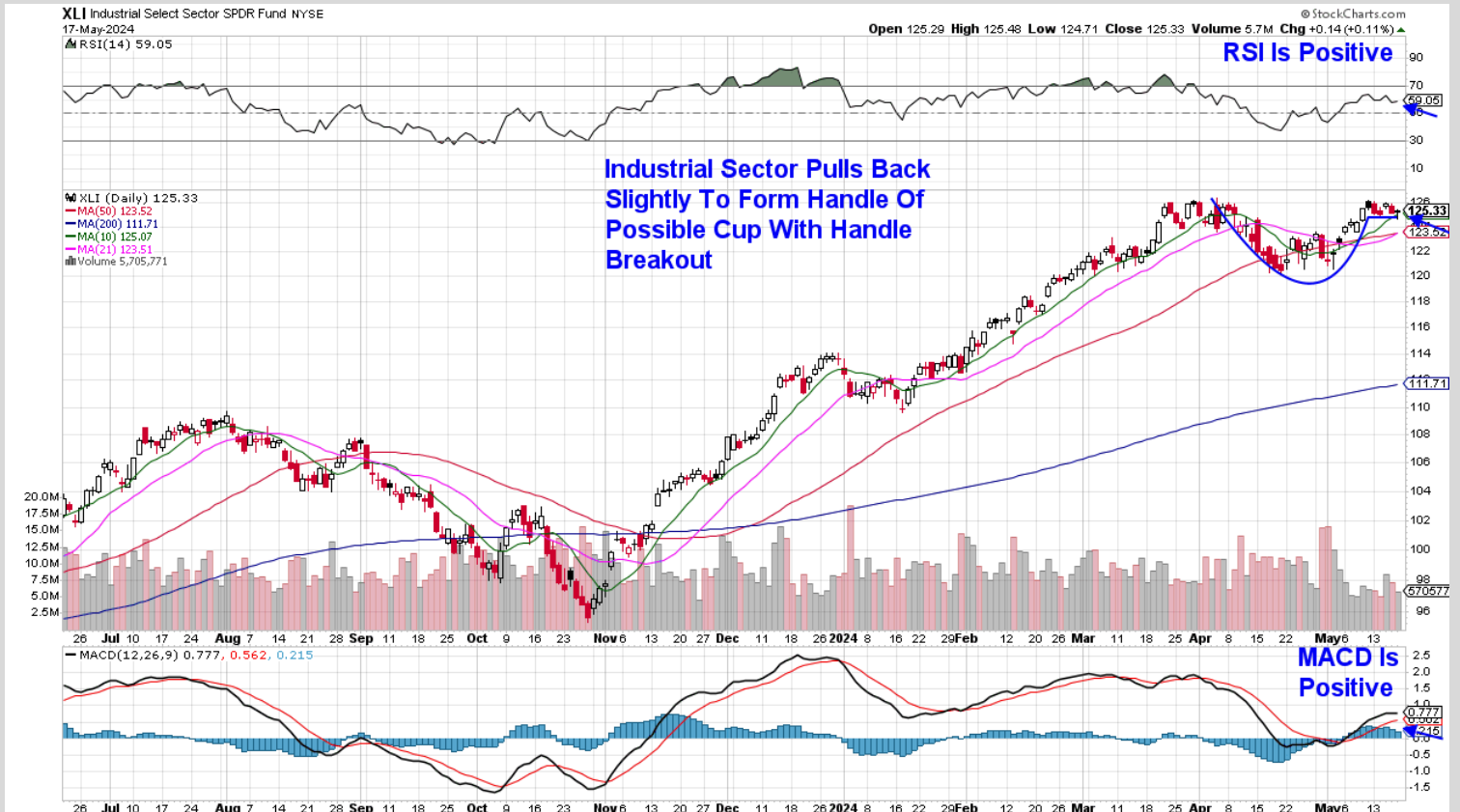
AMZN can be bought on a close back above its 10-day moving average - currently at \$187.

Next Thursday, footwear manufacturer Deckers (**DECK**) from our WatchList will be reporting their quarterly results and analysts have been revising their earnings estimates higher for both this year and next ahead of the release.

DECK is in a bullish position ahead of earnings as the stock reversed its downtrend last Wednesday. However, we are awaiting the release of their results before possibly adding the stock to our Suggested Holdings list.



Daily Chart of the Industrial Sector (XLI)



Industrial Sector Pulls Back

The Industrial sector was the worst performing for the week amid continued weakness among Transportation stocks such as Rails and Truckers.

Recently added Quanta Services (**PWR**) pulled back for the week despite a major price target upgrade on Friday from Wall Street. The company provides services to Utility companies, as well as, power-intensive data centers that are seeing higher demand due to increased AI usage.

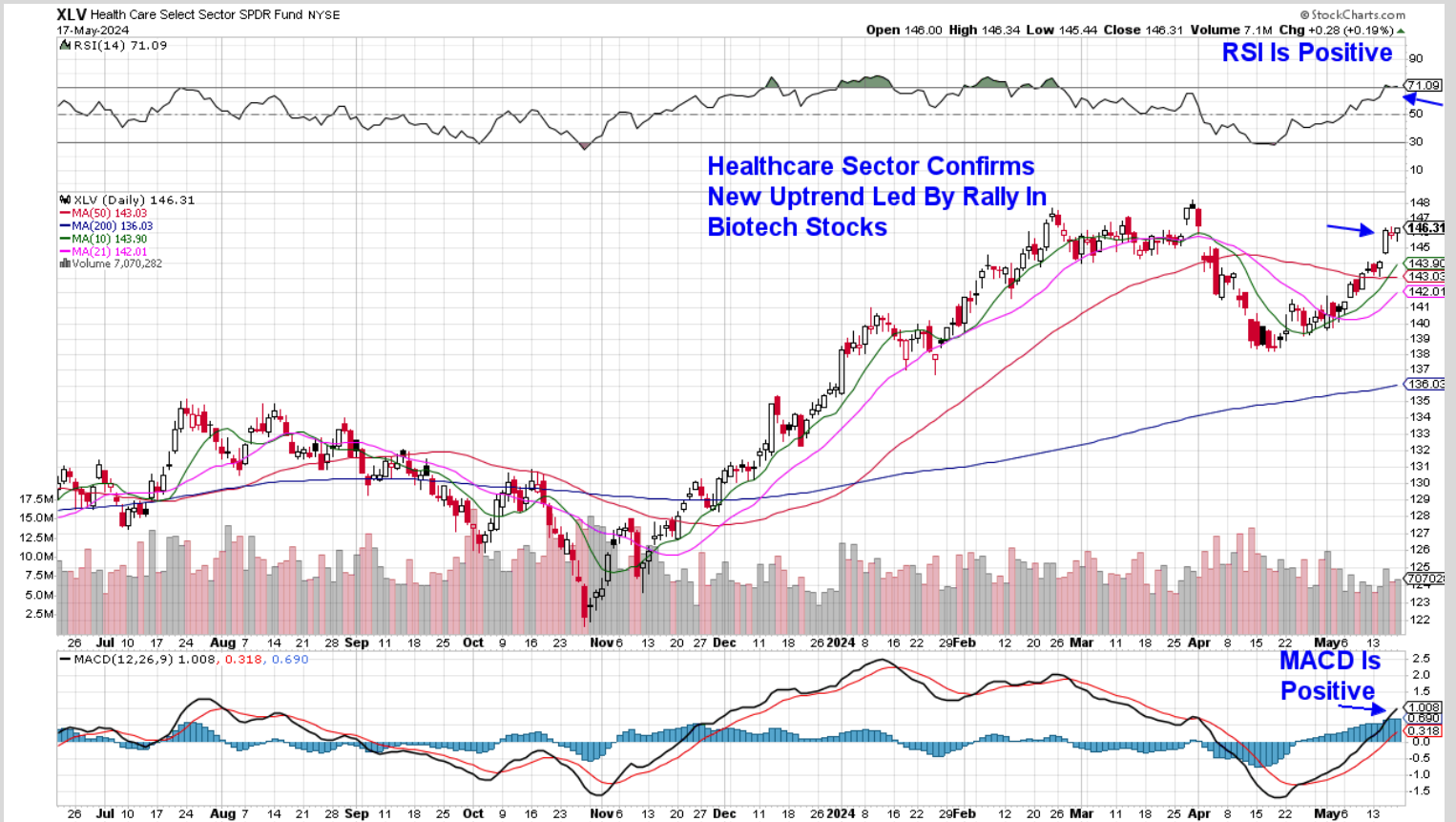
PWR is in a buy zone as it finds support at its upward-trending 5-day simple moving average.

Eaton (**ETN**) - which provides services to data centers and infrastructure companies similar to **PWR** - ended the week flat amid a lack of news. The stock closed the week above its 10-day moving average and in a buy zone.

FTAI Aviation (**FTAI**) also pulled back slightly as the stock digests its 11% gain earlier this month following the release of strong earnings and sales.

While the stock closed the week above its 10-day moving average, we would be a buyer on a close above its recent high of \$81.5 which would improve the near-term momentum and point to further upside. **FTAI** can be held.

Daily Chart of the Health Care Sector (XLV)



Healthcare Sector Among Top Performing

The Healthcare sector outperformed last week led by a 2.5% gain in Biotech stocks. (using ETF IBB)

Biotechs are continuing to reverse their recent downtrend led by large-cap leaders such as recently added Vertex (**VRTX**) which outperformed last week as it continues to trend higher toward a possible 14-week base breakout at \$449.5.

The recent advance in **VRTX** has taken place on above-average volume which indicates accumulation characteristics and is quite positive. The biotech company reported strong earnings earlier this month that were ahead of estimates while also announcing that they have begun the submission process for a non-addictive pain medication.

VRTX is in an overbought position following last week's rally and the stock can be bought on a pullback to the \$436 range at its 5-day simple moving average.

Boston Scientific (**BSX**) is in a strong buy zone after Friday's 3-week base breakout at \$74.5. The company is continuing to receive upgrades to its earnings outlook following the release of strong results 3 weeks ago.

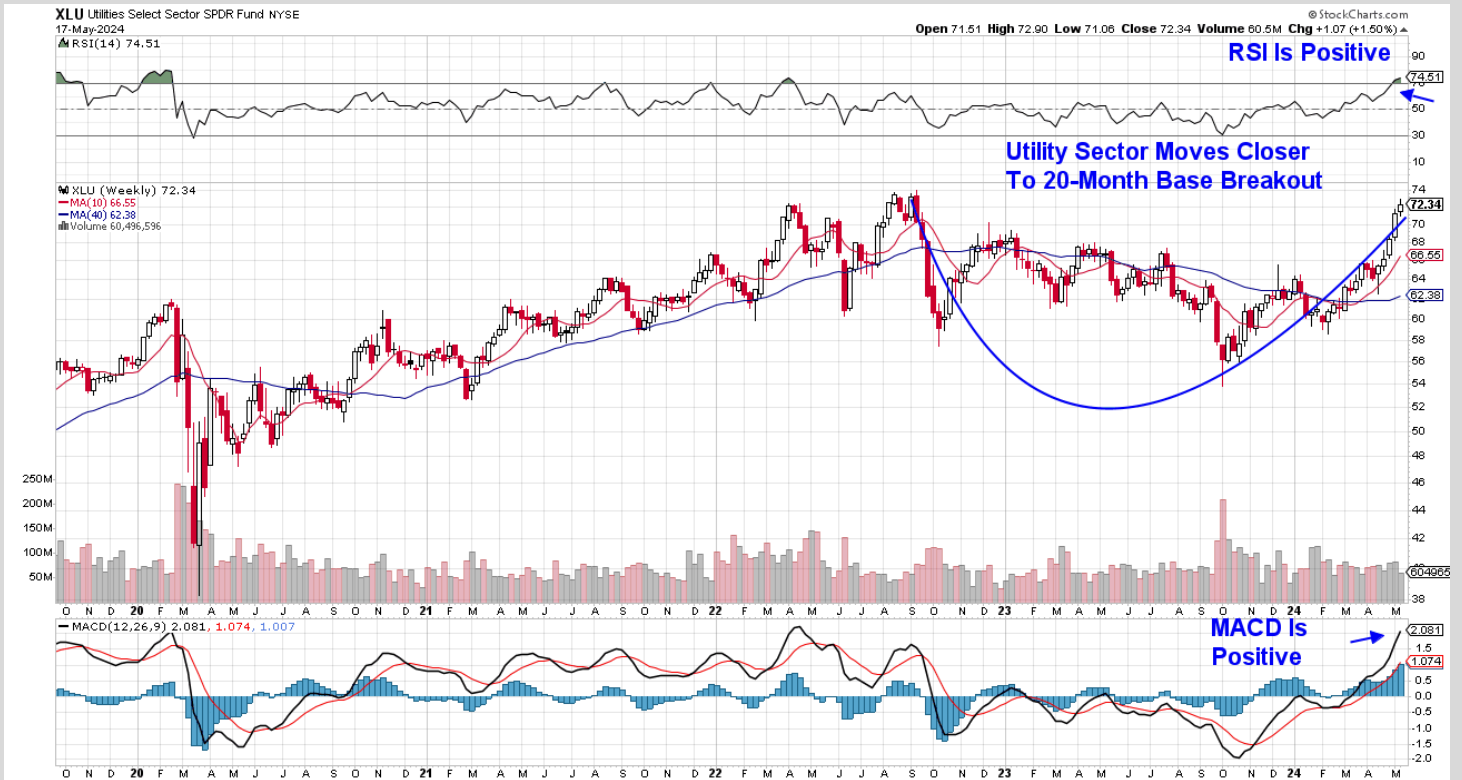
Merck (**MRK**) is also exhibiting bullish price action after last week's 1% rally puts the stock closer to a \$133 base breakout. The company is continuing to see sales increase for their cancer drug Keytruda which is the world's top-selling drug. **MRK** is in a buy zone.

This week we are adding Intuitive Surgical (**ISRG**) to our Suggested Holdings list as the stock inches closer to a 2-month base breakout. The creator of robotic surgery systems raised their growth guidance ahead of the release of their latest version of their robotic da Vinci system which will be released later this year.

ISRG is in a buy zone with a base breakout at \$404 putting the stock into a strong buy zone.



Weekly Chart of the Utilities Sector (XLU)



Utility Sector Continues To Outperform

Electric Utility stocks continue to advance as growth outlooks are calling for US power usage to expand by almost 5% over the next 5 years. According to a study from Goldman Sachs, this kind of spike in power demand has not been seen in the US since the early years of this century and it is due primarily to AI-driven demand.

Electric utility company Southern Company (**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.

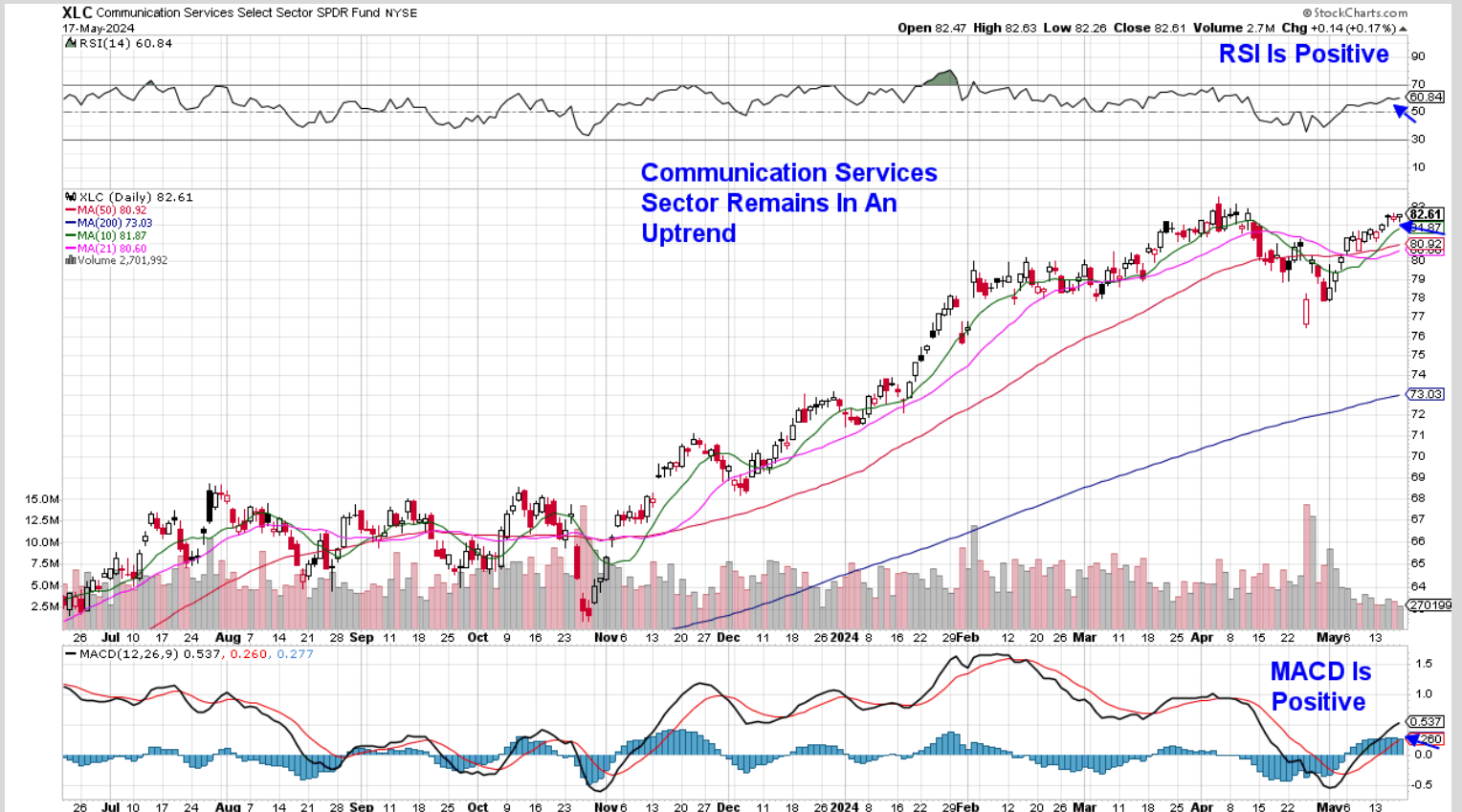
SO is in an overbought position with its RSI above 70 on the daily and weekly charts. A longer-term

monthly chart however points too much further upside with the MACD just recently experiencing a bullish crossover. We would add to **SO** on any pullback to its 5-day moving average which is currently in the \$78.5 range.

Duke Energy (**DUK**) is in a very similar position with the longer-term monthly chart pointing to further upside. On the daily chart, **DUK** is extended and the stock can be bought on a pullback to its 5-day moving average in the \$102 range.

Both Utility companies are located in the southern part of the US where population growth is driving demand among consumers while government incentives for new companies is driving commercial demand for electricity.

Daily Chart of the Communication Services Sector (XLC)



Communication Services Sector Remains In An Uptrend

The Communication Services sector underperformed despite a 4.5% gain in heavyweight stock Alphabet (**GOOGL**).

The stock advanced following several new product releases at their annual Google I/O conference last week. Among the most notable was their latest GPT model which can analyze images, videos, and speech. This and many other announcements had several Wall Street firms more bullish on Alphabet's AI position.

GOOGL broke out of a 3-week base on Friday which put the stock into an overbought position on its daily chart. We would be a buyer on any pullback to its 5-day moving average in the \$173 range.

Summary

Last week the stock market rallied to a new all-time high amid a pullback of interest rates due to better-than-expected inflation numbers. A continuation of strong corporate earnings reports also provided a boost.

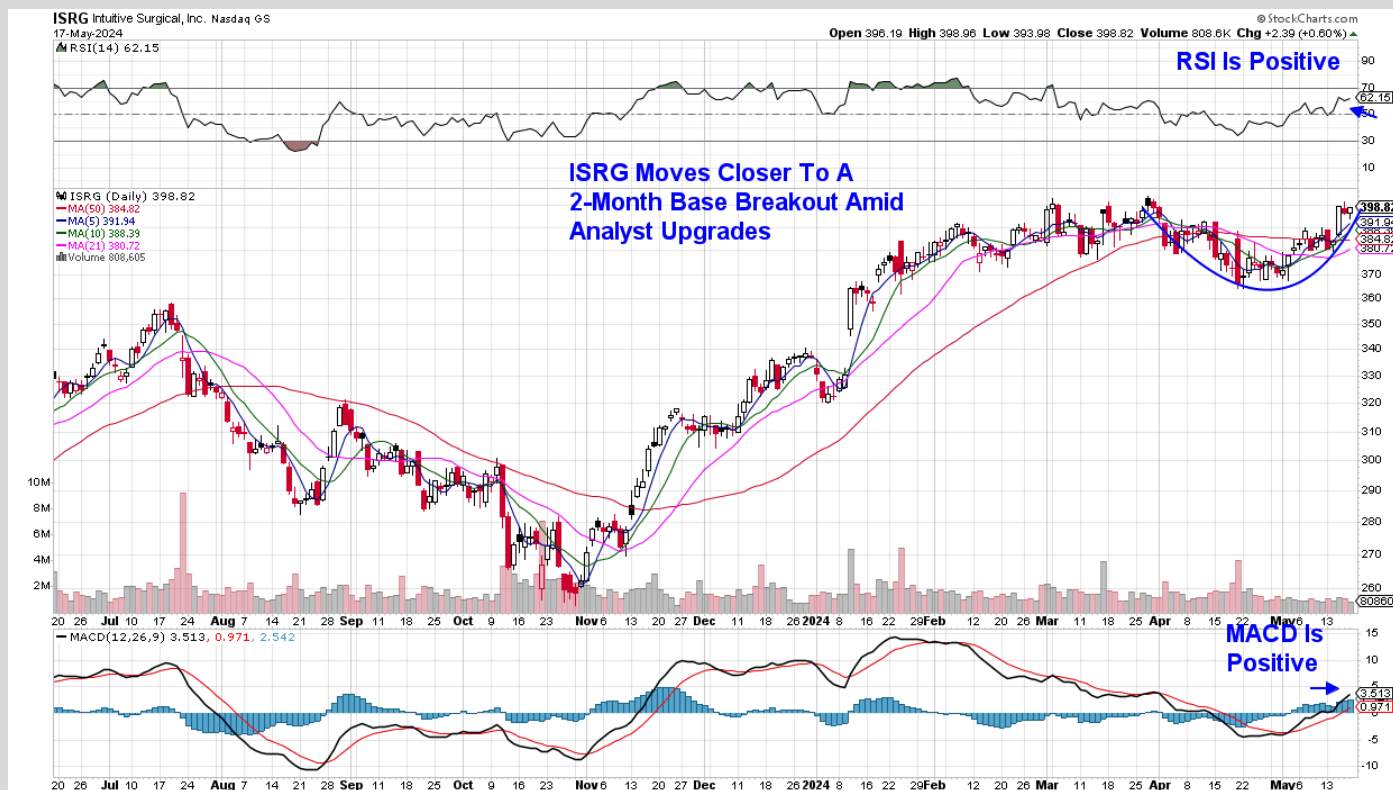
The good news is, the rally to new highs has been driven by a broader leadership beyond the Magnificent Seven stocks that were responsible for most of last year's gains. In addition, historical precedence shows that after the markets reach a new high in price, stocks have in most cases, gone on to log strong gains.

While inflation numbers are well off their peak, they are still high relative to the Federal Reserve's 2% target rate and in turn, we may see continued volatility surrounding news such as next week's release of notes from the Federal Reserve's latest meeting.

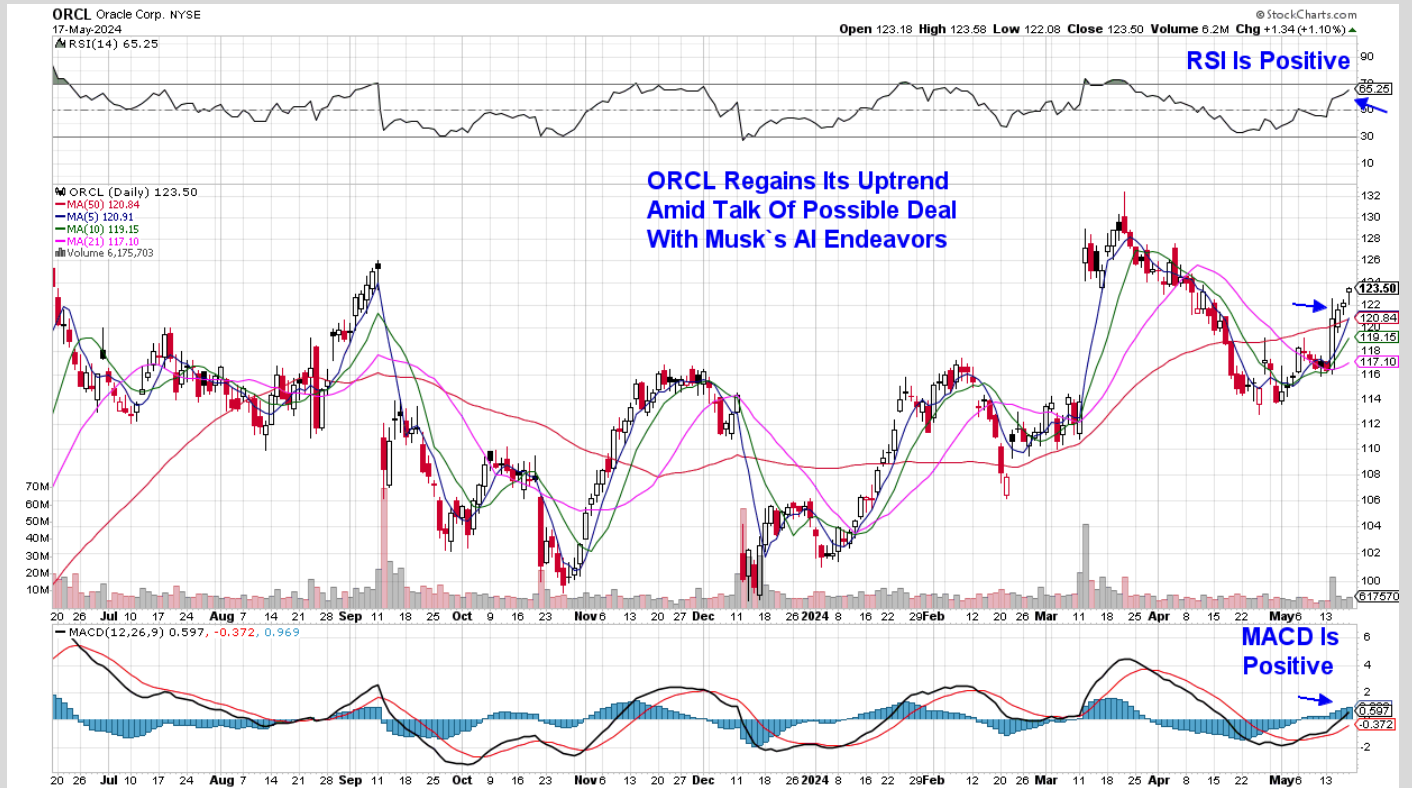
Overall however, each of the 11 sectors in the S&P 500 is above their key 50-day moving average and in an uptrend. This is quite positive and bodes well for a continuation of the current rally phase. Selectivity is key however, and we will continue to highlight leadership names in the strongest groups with an eye toward relative outperformance.

New Idea Charts:

Daily Chart of Intuitive Surgical, Inc. (ISRG)



Daily Chart of Oracle Corp. (ORCL)



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	-0.5%	Retail - Internet	
TOL	Toll Brothers	\$127.02	5/12/2024	3.0%		
UTILITY						
DUK	Duke Energy	\$99.30	5/1/2024	7.0%		
SO	Southern Company	\$77.60	5/8/2024	2.5%		
INDUSTRIAL						
ETN	Eaton Corp.	\$330.40	5/8/2024	0.0%		
FTAI	FTAI Aviation	\$58.00	3/17/2024	35.0%		
PWR	Quanta Services	\$271.50	5/12/2024	-2.5%		
HEALTHCARE						
BSX	Boston Scientific	\$57.60	1/3/2024	29.0%		
ISRG	Intuitive Surgical	\$598.80	5/19/2024			
MRK	Merck & Co.	\$131.90	3/31/2024	5.0%		
VRTX	Vertex Pharmaceuticals	\$414.80	5/12/2024	5.5%		
TECHNOLOGY						
AVGO	Broadcom	\$1,390.00	5/15/2024	0.0%		
DELL	Dell Technologies	\$131.60	5/8/2024	13.5%		
NVDA	Nvidia	\$887.90	5/5/2024	4.0%		
ORCL	Oracle	\$120.00	5/19/2024			
QCOM	Qualcomm	\$179.60	5/5/2024	8.0%		
COMMUNICATION SERVICES						
GOOGL	Alphabet Inc.	\$156.61	4/10/2024	12.0%		

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
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.

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