



# THE MEM EDGE

Midweek Report

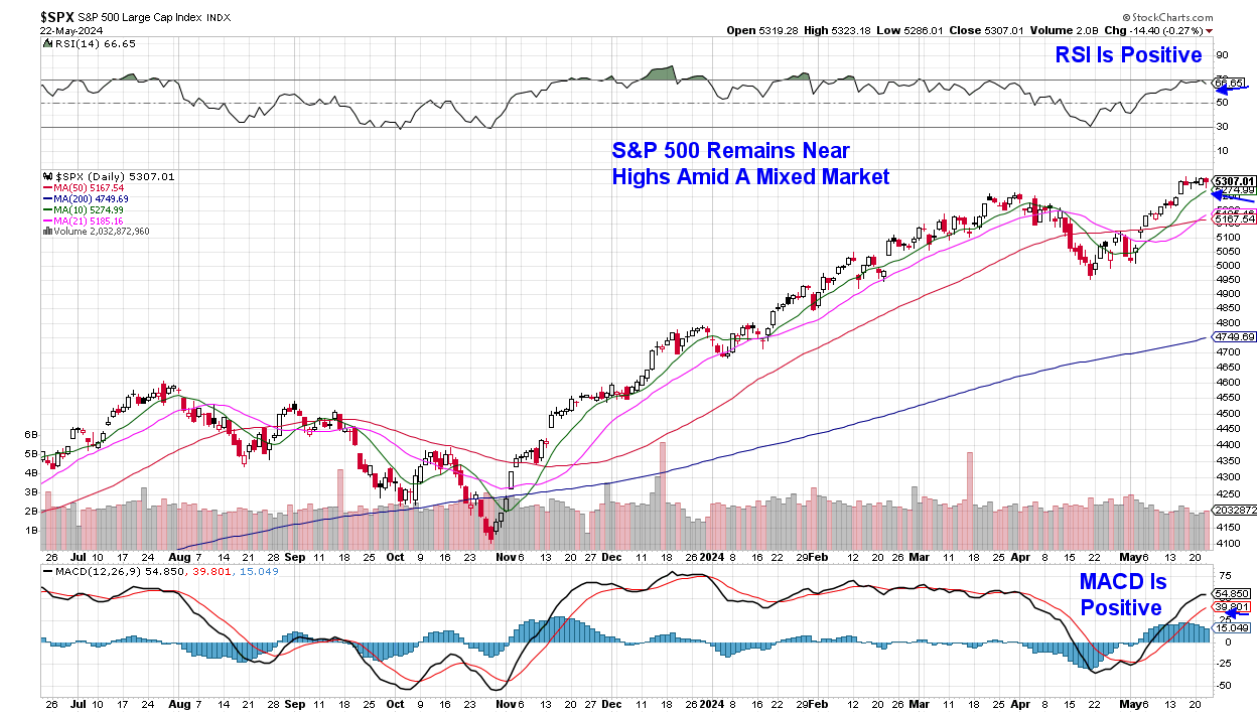
Wednesday May 22, 2024

- FOMC Notes Point To Inflation Worries
- U.S. Existing Home Sales Fall In April
- Weekly Employment Data Tomorrow and Consumer Sentiment Friday
- Core PCE Data and Q1 GDP Report Next Week
- Removing Toll Brothers (**TOL**) From Suggested Holdings List

## Notable Developments

- Energy Sector (XLE), Retail (XRT) And Homebuilder Groups (XHB) Enter A Downtrend

## DAILY CHART OF S&P 500 INDEX





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The S&P 500 is flat for the week in a move that keeps this Index above its key 10-day simple moving average. With its RSI and MACD in positive territory, the near-term uptrend remains in place.

The NASDAQ is faring better with a 0.7% gain that puts this index at a new high in price with its uptrend firmly in place. The relative outperformance is being led by a 3.3% gain in Semiconductor stocks which have broken out of a 7-week base ahead of Nvidia's earnings report today.

Among the top performers this week is Qualcomm (**QCOM**) which added to last week's sharp gains with a 4.7% advance. As you may recall, the company's chips are expected to be used in more than half of all generative AI-equipped smartphones shipped in 2024 and 2025.

QCOM remains in a buy zone as it finds support at its upward-trending 5-day simple moving average. We'd be a buyer on any pullback to the \$198 range however, the stock's overbought position would have us starting any new position lightly as it's due a pullback given its 11% gain over the past 1 ½ weeks.

Nvidia (**NVDA**) released their quarterly results after the close today and again, the company posted results that were well above estimates. In addition, they raised their growth guidance going forward due to AI-driven demand for their products. The company also announced a \$ 10-for-one stock split as well as a dividend increase.

The stock is up over 4% after hours in a move that would confirm today's 2-month base breakout should the gain take hold into tomorrow's open. This would put the stock in a strong buy zone.



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Most notable in today's report was Nvidia's data center sales which jumped 427% versus the first quarter of last year. These strong sales numbers will most likely provide a boost for other AI-related companies such as Dell

Technologies (**DELL**) which has pulled back 1% after last week's 12% gain.

Last week's advance took place after Morgan Stanley called the company the best way to play the AI infrastructure build-out. The stock is in a strong buy zone.

Broadcom (**AVGO**) has pulled back to its 10-day simple moving average in the stock is in a strong buy zone. AVGO is a leader in the data center silicon market and the company is poised to benefit from advancements in the artificial intelligence (AI) space.

Oracle remains in a confirmed uptrend as it finds support at its upward-trending 10-day simple moving average. The stock remains in a buy zone.

Software stocks are flat for the week and both ServiceNow (**NOW**) and CrowdStrike (**CRWD**) remain in a buy zone as they find support above their upward trending 5-day simple moving averages.

Utility stocks are pulling back after gaining 9% over the past three weeks. Electric utility stocks such as those on our list seeing a spike in power demand due primarily to AI-driven needs.

Both Southern Company (**SO**) and Duke (**DUK**) have pulled back to shorter-term moving averages where they're finding support. The move is in line with the sector (XLU). Both stocks are in a buy zone.



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Eaton (**ETN**) is a provider of needed electricity infrastructure and the stock is in a strong buy zone as it finds support at its upward-trending 5-day moving average. Quanta Services (**PWR**) also provides services to Utility companies and the stock is in a strong buy zone as well.

FTAI Aviation (**FTAI**) broke out of a 2-week base yesterday and the stock can be bought after today's pullback.

Consumer Discretionary stocks are continuing to struggle with the retail group down 2% this week following weaker-than-expected earnings from key retailers. (using XRT)

Medical stocks are flat for the week as are most of the names on our Suggested Holdings List.

Boston Scientific (**BSX**) is in a buy zone as it finds support at its upward-trending 5-day simple moving average. Vertex (**VRTX**) and Intuitive Surgical (ISRG) are also in a buy zone as they are quite close to a possible base breakout.

Retail giant Amazon (**AMZN**) has pulled back 1% which has put the RSI into negative territory. The stock can be held.

Home Construction stocks have entered a downtrend after closing below its 50-day moving average (using **XHB**). The decline took place amid a 9% decline in Toll Brothers (**TOL**) which fell sharply today despite posting strong sales and guiding their growth prospects higher for this quarter.

**TOL** closed below its 50-day moving average on heavy volume and the stock is being removed from our Suggested Holdings List.



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Today, notes from the latest FOMC meeting were released and it was revealed that several Federal Reserve governors would not be against raising interest rates if needed due to the fact that inflation levels remain elevated. Most negatively impacted were riskier areas of the market such as Biotechs and Small Caps which pulled back on the news. Interest-sensitive areas also dropped in late afternoon trading today such as REITS (XLRE) and Banks (KRE).

Surprisingly, yields remained mostly unchanged with the yield on the 10-year remaining in the 4.4% range.

Next week, the Federal Reserve's preferred measure of inflation will be released with core PCE data due. If we see inflation creep higher, we anticipate a continued pullback in interest rate-sensitive areas of the market.

Until this possibility, we expect to see Growth areas such as Semiconductors and other AI areas continue to advance on the heels of Nvidia's (NVDA) strong AI-related earnings and sales.

Warmly,  
Mary Ellen McGonagle  
Editor, MEM Edge Report