



THE MEM EDGE

May 27, 2024 | Weekly Report

This Week's Highlights

- FOMC Notes Point To Inflation Worries
- U.S. Existing Home Sales Fall In April
- Jobless Claims Drop, Pointing To Strong Labor Market

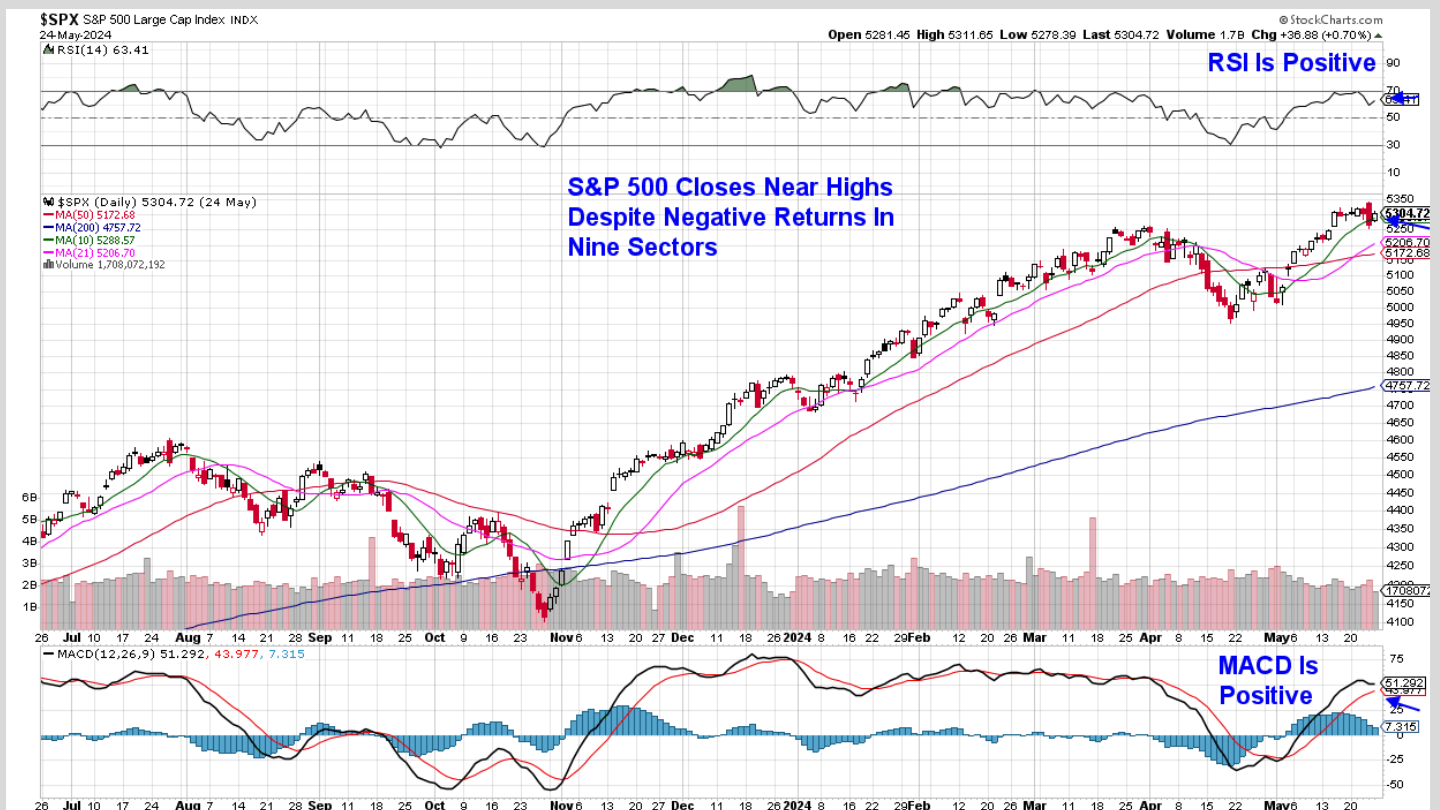
Upcoming Reports And Events For Next Week

- Q1 GDP Revision Wednesday And Core PCE Data Due On Friday
- Earnings Reports From **DELL, COST, CRM, DKS, GPS**

Notable Developments

- Energy Sector (XLE), Retail (XRT) And Homebuilder Groups (XHB) Enter A Downtrend
- Several Fed Governors Not Against A Possible Interest Rate Increase Amid High Inflation
- Interest Rates Trend Higher With Yield On 10-Year At 4.46% As Rate Cut Odds Point To September

Daily Chart of S&P 500



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

The Equal-Weighted S&P 500 (\$SPXEW) fell 1.2% with a close at its 50-day moving average. The decline in this Index highlights the narrowness among those stocks that had any gains as every stock has the same weight.

Last week, 3 of the top 10 performers in the S&P 500 were on our Suggested Holdings List with **NVDA**, **QCOM**, and **PWR** each moving higher amid strong AI-related growth prospects.

The NASDAQ fared better, with a 1.4% gain that puts this index at another new high. With the RSI and MACD in positive territory, the near-term uptrend in this Index remains in place. Gains in this Index were fueled by outperformance in Semiconductor stocks led by a sharp gain in **NVDA** following their strong earnings.

As noted, other AI-related stocks posted gains as well, which we will review below.

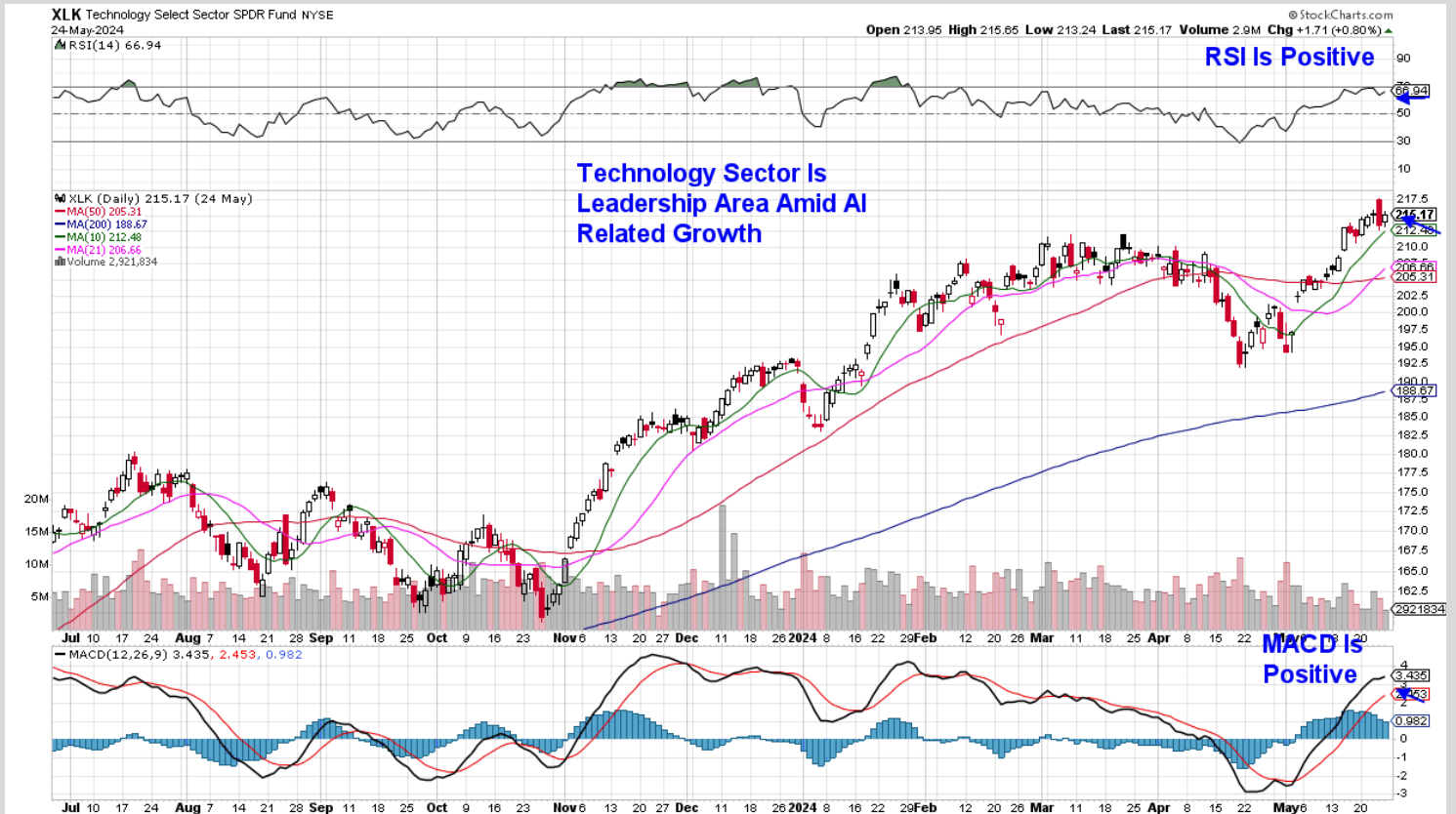
Weakness took place elsewhere in the markets amid a rise in interest rates after notes from the latest FOMC meeting revealed that several Fed governors would not be against raising interest rates due to high inflation. Traders are now pushing out the possibility of any rate cut into September.

Most negatively impacted last week were interest rate-sensitive stocks such as REITS (**XLRE**) and Banks (**KRE**) which lost an average of 4%. Riskier areas of the market such as Biotechs (**IBB**) and Small Caps (**IWM**) also pulled back as higher rates will make the funding of operations higher.

We expect further weakness in these areas should interest rates climb higher due to next week's PCE data coming in higher than expected. This Personal Consumption Expenditures data is the Federal Reserve's preferred gauge of inflation. Growth stocks outside of AI will also be at risk.

The longer-term monthly chart of the S&P 500 remains positive, as this Index is finding support at its 6-month moving average while both the RSI and MACD have further upside before possibly entering into an overbought condition. This bodes well for the longer-term outlook for the markets.

Daily Chart of the Technology Sector (XLK)



Technology Sector Outperforms

The Tech sector was one of only two that were positive, with gains that were led by Semiconductor stocks while heavyweight stock Microsoft (**MSFT**) outperformed as well.

Nvidia (**NVDA**) was the leader after it shot up 15% for the week following the release of quarterly 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.

NVDA broke out of a 2-month base on heavy volume which put the stock at a new high in price. We are using the recent February earnings period as

a guide after **NVDA** gapped up to what was then a near-term high in price. The stock rallied for several weeks to another new high, before rising interest rates pushed Semis and **NVDA** lower.

At this time, **NVDA** is in an uptrend after Thursday's gap up in price with the stock in a buy zone as it trends higher. Unlike its late February gap up, the MACD has further near-term upside, with the RSI just entering into an overbought position on the daily chart. Both conditions are favorable for further near-term upside.

NVDA also announced a 10-1 stock split which will take place on June 7th. The lower cost of shares could bring in more investors.

Using the daily chart of **NVDA**, the RSI can historically remain in an overbought position for 2 months or more, such as the January into March period of this year.

This is in line with gains that have taken place among other leadership names when a new technology such as AI emerges. During the runup in internet stocks in 1999 into the beginning of 2000, leadership name Qualcomm (**QCOM**) posted an overbought RSI for 2 months (in November and December) before pulling back.

The pullback signal at that time for **QCOM**, as well as, **NVDA's** recent 22% pullback, was a negative MACD crossover which signaled a shift in the near-term upside momentum.

While we are constructive on the near-term prospects for **NVDA**, interest rate risk is in place after last week's FOMC notes and ahead of next week's PCE report. We will alert you should we see a negative MACD crossover on the daily chart of Nvidia.

Last week, Qualcomm (**QCOM**) was the next largest gainer among big cap Semi's. As noted in last week's report, the company's 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.

QCOM is in a confirmed uptrend and can be bought on a pullback to the \$203 range at its 5-day simple moving average.

Broadcom (**AVGO**) underperformed its peers despite its robust pipeline of AI-related projects. The stock is

in a buy zone as it finds support above its 5-day moving average.

Dell Technologies (**DELL**) hit another new high in price ahead of the release of their earnings next Thursday after the market closes. The company is benefiting from their partnership with Nvidia to develop AI-powered servers. Analysts have been revising the estimates higher for the company which is generally a bullish sign going into earnings.

While the stock is in a strong uptrend, as noted in the past, we would not be a buyer going into earnings unless you have stop losses or other risk-averse measures in place.

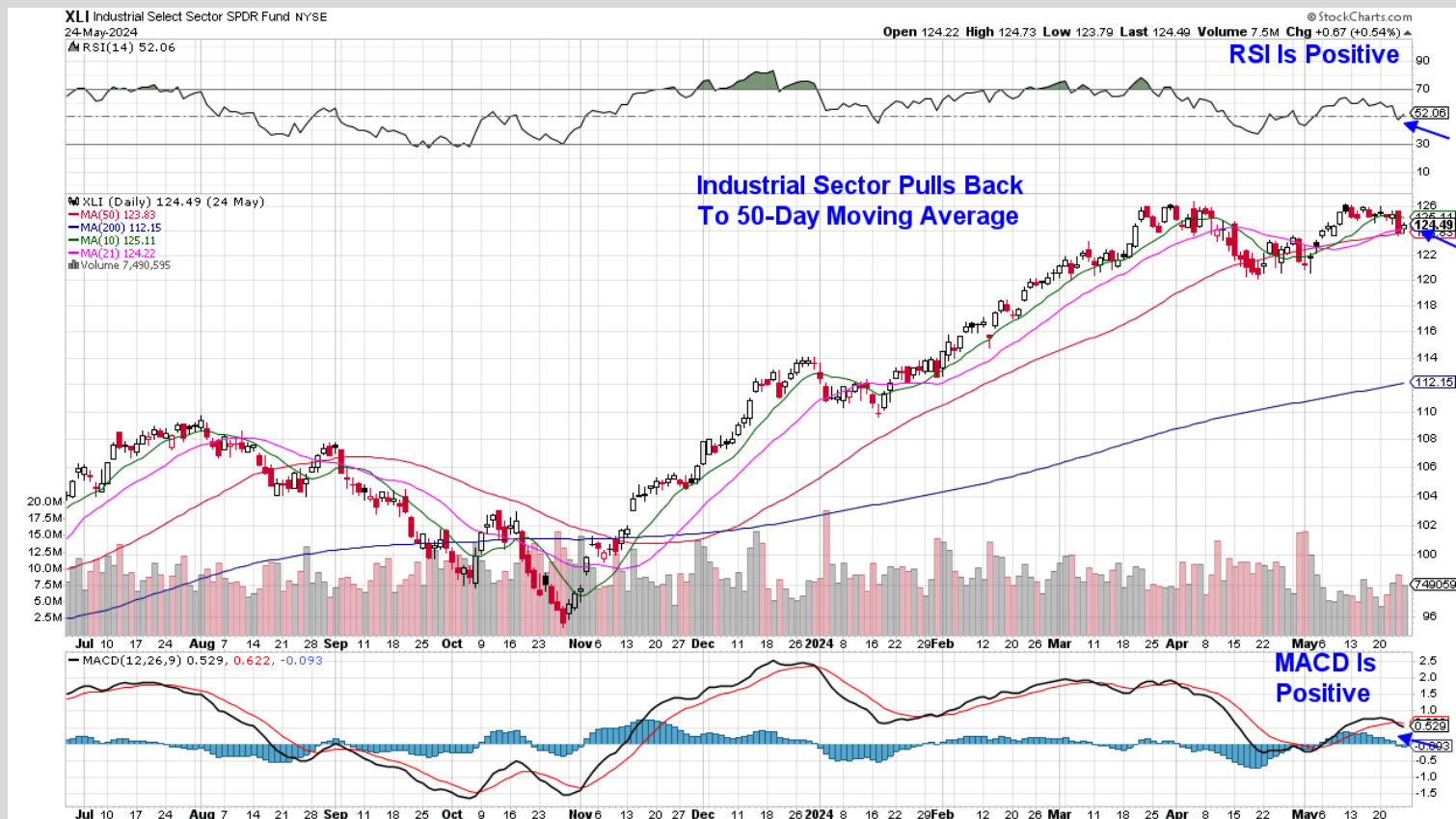
Software stocks pulled back last week amid a rising interest rate environment, as well as, weaker-than-expected earnings reports from companies such as Workday (**WDAY**) which gapped down 15%.

The company is a peer stock to ServiceNow (**NOW**) from our List which pulled back in sympathy. The heavy volume on Friday's decline coupled with the RSI now in negative territory has us removing the stock from our Suggested Holdings List.

Oracle (**ORCL**) pulled back from a near-term high however, buyers came in on Friday's dip in price and the stock closed above its 10-day simple moving average in bullish price action. **ORCL** is in a buy zone.

Among software stocks on our list, CrowdStrike (**CRWD**) is in the most bullish position after a Friday rally on relatively high volume put the stock closer to a 3-month base breakout at \$365. The stock is in a buy zone as it moves closer to its quarterly earnings release in less than 2 weeks.

Daily Chart of the Industrial Sector (XLI)



Industrial Sector Pulls Back Amid Weakness In Transports

Weakness in transportation stocks such as Truckers and Rails pulled the Industrial sector lower last week.

There were bright spots among this sector however as companies that provide AI-related services posted gains. This would include Quanta Services (**PWR**) which broke out of a 3-week base on heavy volume Thursday.

Quanta Services is the nation's largest electrical construction contractor and with 40% of a data center's cost being electrical systems, **PWR** is expected to experience big growth over the next several years.

The stock is extended after last week's 7% rally and can be bought on a pullback to the \$275 range at its 5-day moving average.

Eaton (**ETN**) which provides electrification services to data centers and infrastructure companies rallied 3.5% which keeps its near-term uptrend in place. The stock is in a buy zone.

FTAI Aviation (**FTAI**) remains in a confirmed uptrend as it finds support above its upward-trending 5-day moving average. The stock received a price target upgrade to \$100 amid increased growth in their aircraft and aircraft engine leasing services which is constructive.

FTAI has shown that pullbacks to its 5-day moving average is an ideal buy point. At this time, this would be in the \$82 range.

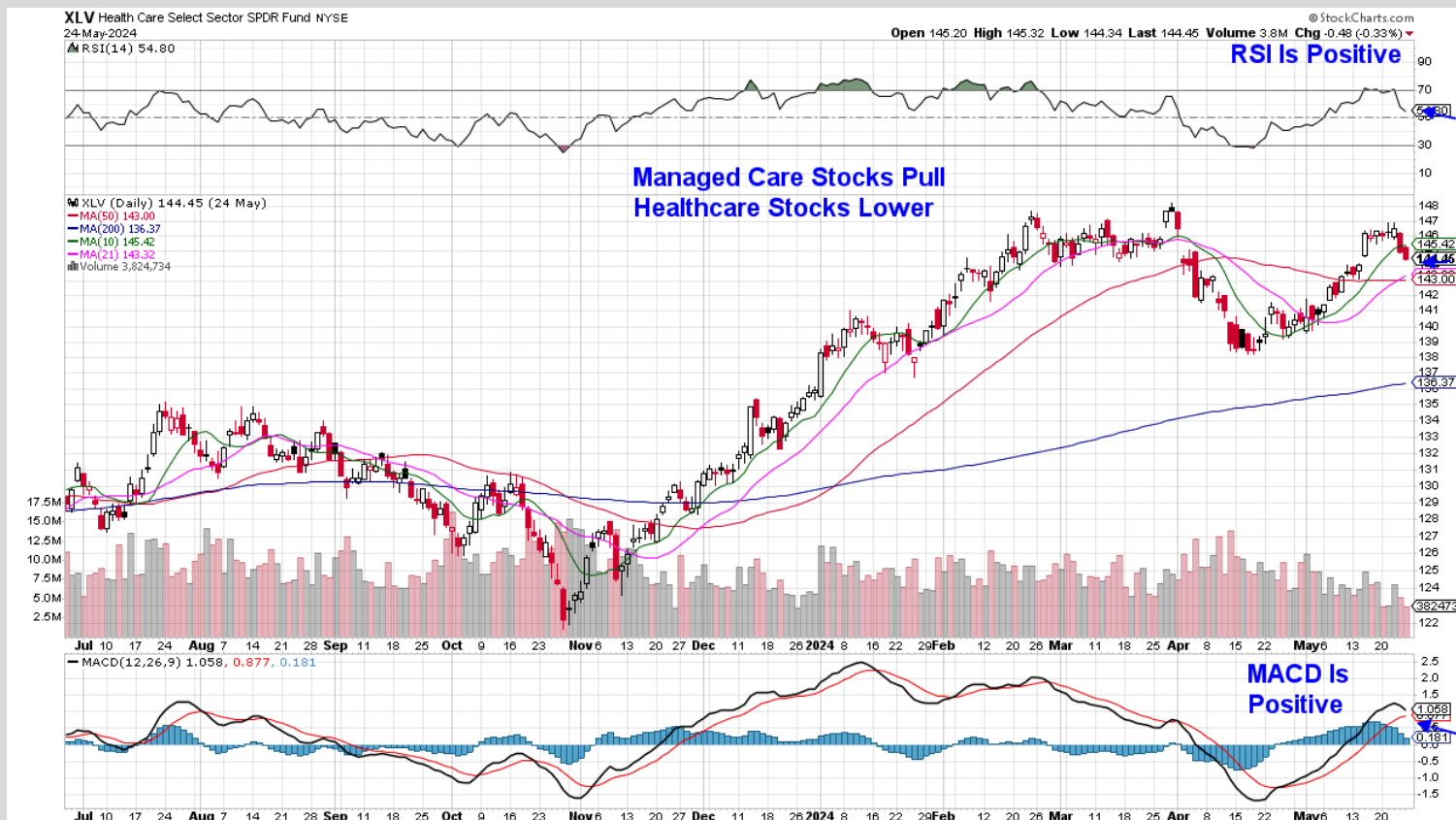
Last week's strength in AI-related Industrial stocks highlights the prospects for companies that provide services that are instrumental in the growth and expansion of this new technology.

This week we have added Fluor (**FLR**) to our Watch List. The stock is forming the right side of a base amid the company's upgraded growth outlook due to their ability to support the build-out of data centers in the US and globally. The company is currently working with Microsoft in India to expand their data centers.

FLR's MACD just entered positive territory and joined the already positive RSI on the daily chart. We are on the lookout for a pullback to the \$40 level as a possible point to add the stock to our Suggested Holdings List.



Daily Chart of the Health Care Sector (XLV)



Healthcare Sector Pulls Back On Light Volume

Healthcare stocks remain in an uptrend with the sector above its key 50-day simple moving average and the MACD and RSI still in positive territory.

Riskier areas such as Biotech stocks (**IBB**) pulled back later in the week amid the prospects of higher interest rates which would lower their access to borrowing funds. Less than 1% of all publicly traded Biotechs have earnings.

Biotech stock Vertex (**VRTX**) is one of those earners and the company recently reported earnings above estimates while also announcing that they have begun the submission process for a non-addictive pain medication.

VRTX broke out of a 4-month base on above-average volume on Thursday with the stock advancing further on Friday. The stock is sitting on its upward trending 5-day simple moving average which puts it in a buy zone however, the RSI is in an overbought position on the daily chart.

We would start any new positions lightly at this time and be on the lookout for a pullback to add to positions. The longer-term weekly chart is particularly compelling as it just posted a bullish MACD crossover. This bodes well for the longer-term outlook of **VRTX**.

Medical Products stocks also pulled back last week (using IHI) however, both Intuitive Surgical (**ISRG**) and Boston Scientific (**BSX**) gained 1.5% which followed midweek pullbacks.

ISRG broke out of a 2-month base and bullishly closed the week back above its upward trending 5-day simple moving average. The company raised its growth outlook for its robotic surgical tool as their latest version will be released later this year. **ISRG** is in a buy zone.

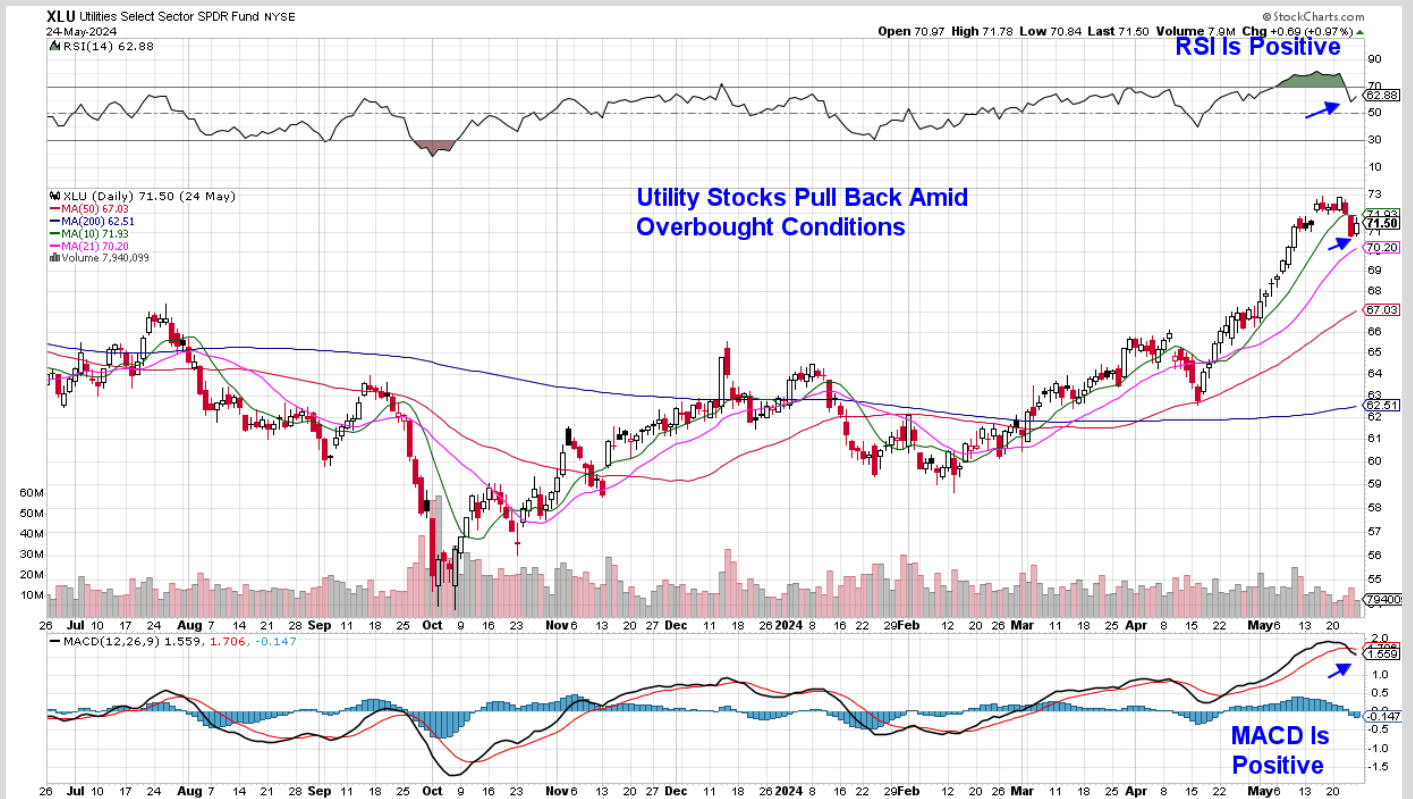
BSX continues to trend higher as it finds support above its upward-trending 5-day simple moving average. The gains have taken place amid analyst upgrades due to increased demand for their heart related medical products among an aging population. **BSX** is in a buy zone.

Merck (**MRK**) pulled back from last week's potentially bullish position with a close below its 21-day simple moving average. Overall, the stock has exhibited flat momentum over the past 3 weeks amid a lack of news following its late-April release of strong earnings.

This is despite the earnings growth outlook being upgraded for both this year and next year amid continued demand for their cancer drug Keytruda. At this time, **MRK** can be held with a base breakout at the \$133 level putting the stock into a strong buy zone.



Daily Chart of the Utilities Sector (XLU)



Utility Stocks Underperform

Utility stocks pulled back last week following an advance over the last 5 weeks that has made their dividends look less attractive as their stock prices have moved higher. The prospects of higher interest rates amid sticky inflation also makes these stocks less attractive from a dividend perspective.

Utility stocks that offer electricity would have an additional reason to pull back and that is their overbought position following a sharp advance over the past 5 weeks.

This would include companies such as Southern Co. (**SO**) which had rallied due to an increased electricity demand outlook amid AI-related usage.

SO pulled back 2.5% on light volume last week which has the stock closing below its 10-day simple moving average. The stock is due a period of consolidation

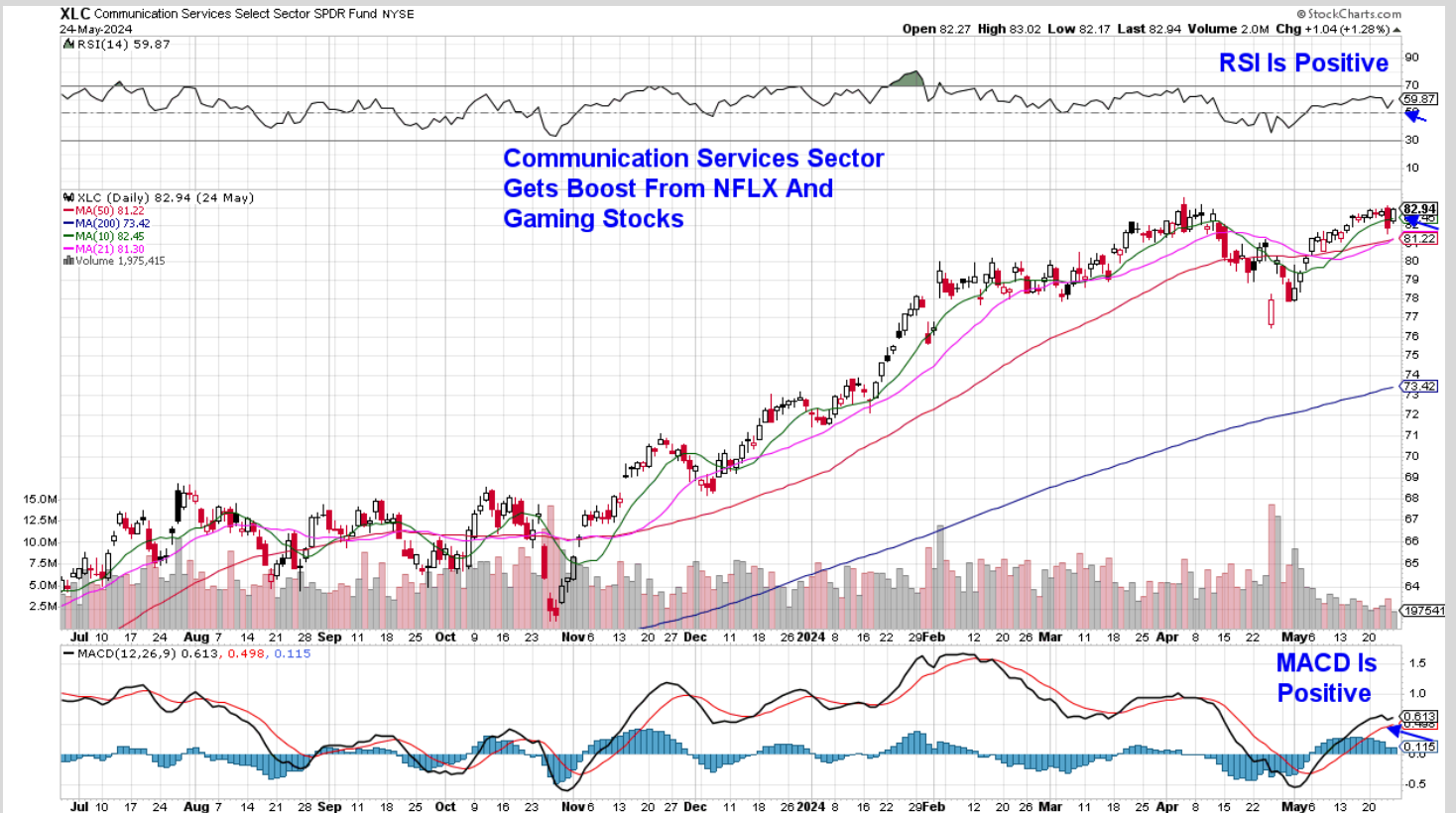
and a move back above its 10-day simple moving average would put **SO** into a buy zone.

Duke Energy (**DUK**) experienced a similar pullback with a close below its 10-day moving average. Similar to **SO**, the MACD posted a negative crossover (black line down through the red) on the daily chart which signals that the near-term upside momentum has shifted.

This is not a sell signal but rather, a heads-up that we may experience a period of consolidation or a further pullback. A close back above the 10-day moving average at \$103 would put **DUK** back into a buy zone.

At this time both **SO** and **DUK** can be held however, a negative RSI on the daily chart may have us removing the stocks from our buy list depending on other market conditions.

Daily Chart of the Communications Services Sector (XLC)



Communication Services Sector Outperforms

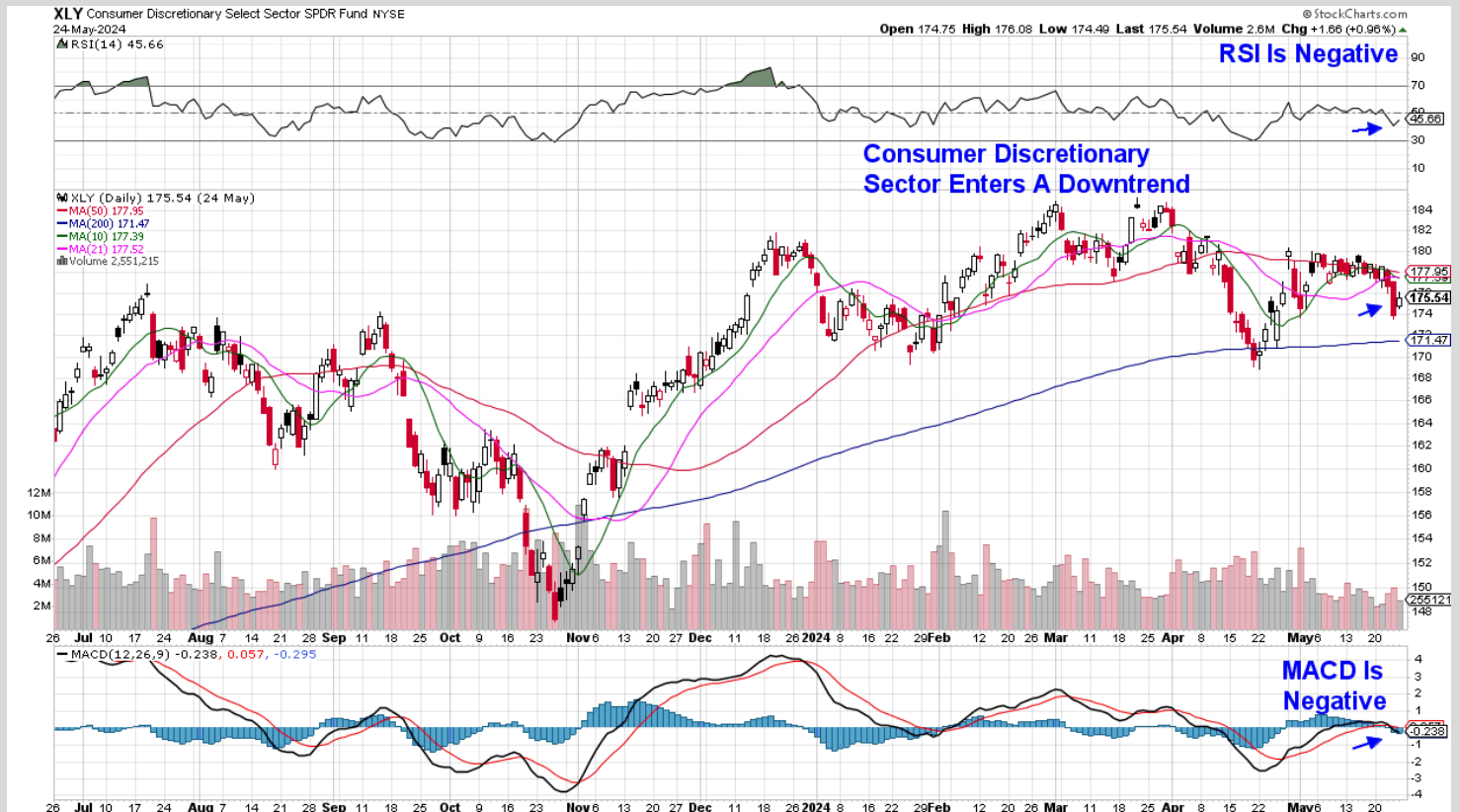
The Communication Services sector remains in an uptrend after posting a slight gain amid a rally in gaming stocks such as Electronic Arts (**EA**) and Take Two Interactive (**TTWO**) which are in recovery mode as they reverse downtrends amid positive news.

Heavyweight stock Netflix (**NFLX**) also gave this sector a boost after a 4% gain that pushed the stock out of a 6-week base. Analysts have been raising the earnings estimates for the company with growth for this year expected to exceed last year by 55%.

Alphabet (**GOOGL**) pulled back from a base breakout to a new high in price and the stock is in a strong buy zone as it finds support at its 10-day moving average.

The company made waves at its I/O developer event earlier this month where they highlighted advances in their Gemini AI product which is slowly being integrated with their search and other functions.

Daily Chart of the Consumer Discretionary Sector (XLY)



Consumer Discretionary Sector In A Downtrend

The Consumer Discretionary sector fell 1.5% with this group now back below its 50-day simple moving average and in a downtrend. The weakness took place amid a 4.5% decline in Home Construction stocks amid last week's rise in interest rates. Home improvement and furnishing retailers also fell sharply.

It's been a tough period for many retailers, including McDonald's, Starbucks, and Target, all pointing to a consumer that may be pulling back spending due to higher prices. Recent retail sales as well as consumer confidence data has come in below expectations as well.

Not all retailers are suffering however with Deckers Outdoors (**DECK**) gapping up into a base breakout after reporting earnings and sales that were well above estimates. The company has seen demand for their Hoka sneakers and Ugg boot brands of footwear continue to expand with sales overseas coming in particularly strong.

We're adding Deckers (DECK) to our Suggested Holdings List as Friday's high volume points to accumulation characteristics that will help drive the stock higher. In addition, the MACD is turning upward from a relatively low level which points to further upside. **DECK** has a history of gapping up after earnings and continuing to trend higher.

Mega retailer Amazon (**AMZN**) has drifted into a downtrend with the stock closing below its 50-day moving average with the RSI now in negative territory. While this does not bode well for the near term, the weekly chart remains constructive and the stock can be held.

Next week, several well-known retailers will be reporting their results such as Costco (**COST**), Dicks Sporting Goods (**DKS**), and Abercrombie and Fitch (**ANF**). Among them, **DKS** could be the most interesting as the stock is moving closer to possibly reversing its downtrend.



Summary

The broader market Indices posted mixed results last week with the Dow losing 2.3% while the tech-heavy Nasdaq marched to new highs. The S&P 500 was flat however, the equal-weighted S&P 500 fell 1.5%.

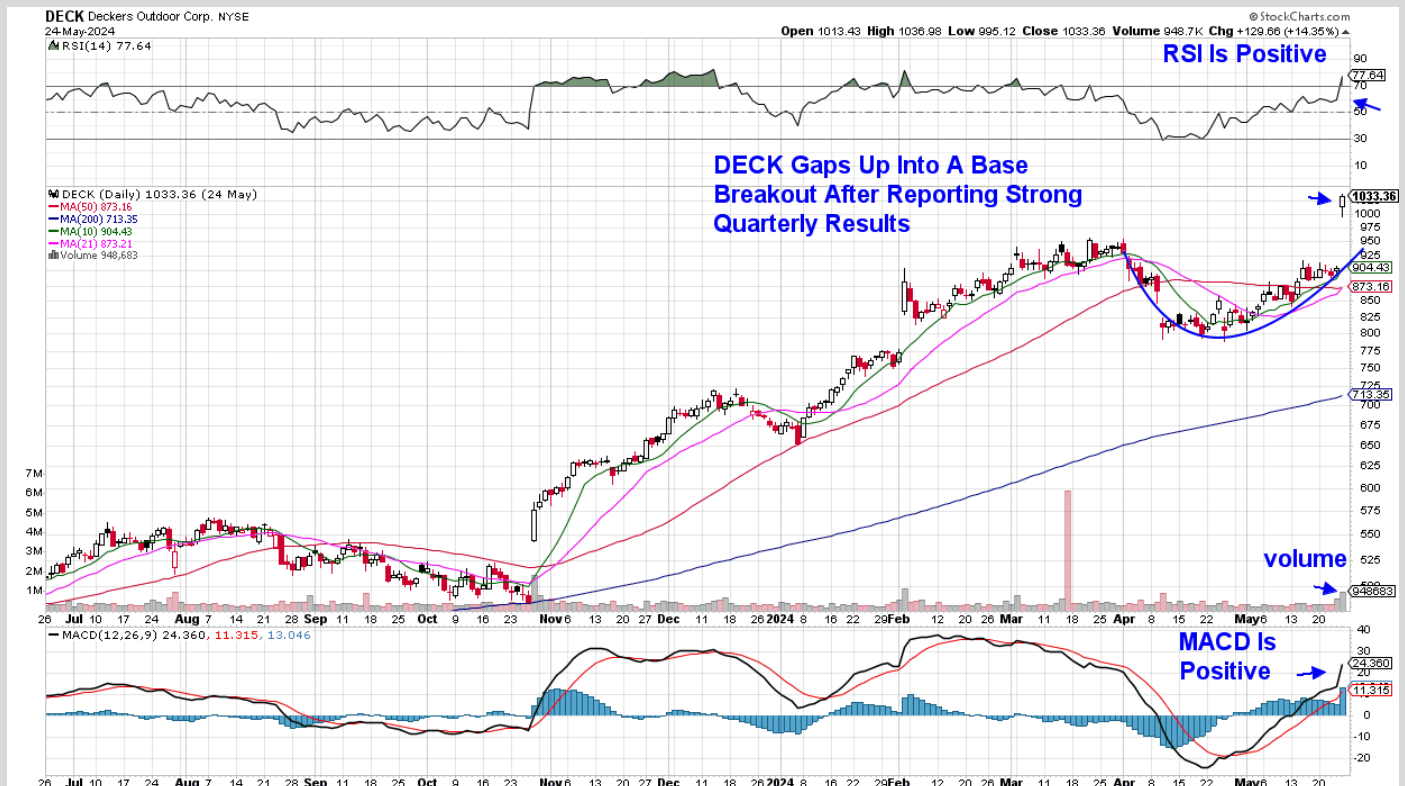
The primary factor for this divergence was AI chipmaker Nvidia (**NVDA**)'s sharp gain and strong outlook which provided an add-on rally effect for other companies that are poised to benefit from the expansion and strong demand for AI.

On Thursday, following **NVDA**'s results, nearly 90% of stocks in the S&P 500 closed lower as speculation that the Federal Reserve would wait to cut interest rates spurred selling. While we experienced a recovery rally on Friday, interest rate-sensitive areas continued to struggle.

As seen, interest rates have been a key driver of any market pullbacks such as last fall, as well as, April of this year. With earnings season mostly behind us, any further uptick in yields may have more of an impact. This prospect has us a bit cautious as we head into Friday's PCE data.

New Idea Charts:

Daily Chart of Deckers Outdoor Corp. (DECK)



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	-2.5%	Retail - Internet	
DECK	Deckers Outdoor	\$1,033.30	5/27/2024			
UTILITY						
DUK	Duke Energy	\$99.30	5/1/2024	4.5%		
SO	Southern Company	\$77.60	5/8/2024	0.0%		
INDUSTRIAL						
ETN	Eaton Corp. PLC	\$330.40	5/8/2024	3.5%		
FTAI	FTAI Aviation	\$58.00	3/17/2024	43.0%		
PWR	Quanta Services	\$271.50	5/12/2024	5.0%		
HEALTHCARE						
BSX	Boston Scientific	\$57.60	1/3/2024	30.5%		
ISRG	Intuitive Surgical	\$598.80	5/19/2024	1.5%		
MRK	Merck & Co.	\$131.90	3/31/2024	3.5%		
VRTX	Vertex Pharmaceuticals	\$414.80	5/12/2024	8.0%		
TECHNOLOGY						
AVGO	Broadcom	\$1,390.00	5/15/2024	1.0%		
CRWD	CrowdStrike	\$326.00	5/15/2024	2.5%		
DELL	Dell Technologies	\$131.60	5/8/2024	20.5%		
NOW	ServiceNow	\$747.00	5/15/2024	-1.0%		
NVDA	Nvidia	\$887.90	5/5/2024	20.0%		
ORCL	Oracle	\$120.00	5/19/2024	2.5%		
QCOM	Qualcomm	\$179.60	5/5/2024	16.5%		
COMMUNICATION SERVICES						
GOOGL	Alphabet Inc.	\$156.61	4/10/2024	11.5%		

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 Shack	4/17/24	REMOVE
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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