



THE MEM EDGE

June 2, 2024 | Weekly Report

Last Week's Market Moving Events

- Minn. Fed President States Many Months Of Lower Inflation Data Needed Before Rate Cut
- Q1 GDP Comes In Slightly Lower Than Anticipated
- Personal Consumption Expenditures (PCE) Comes In As Expected

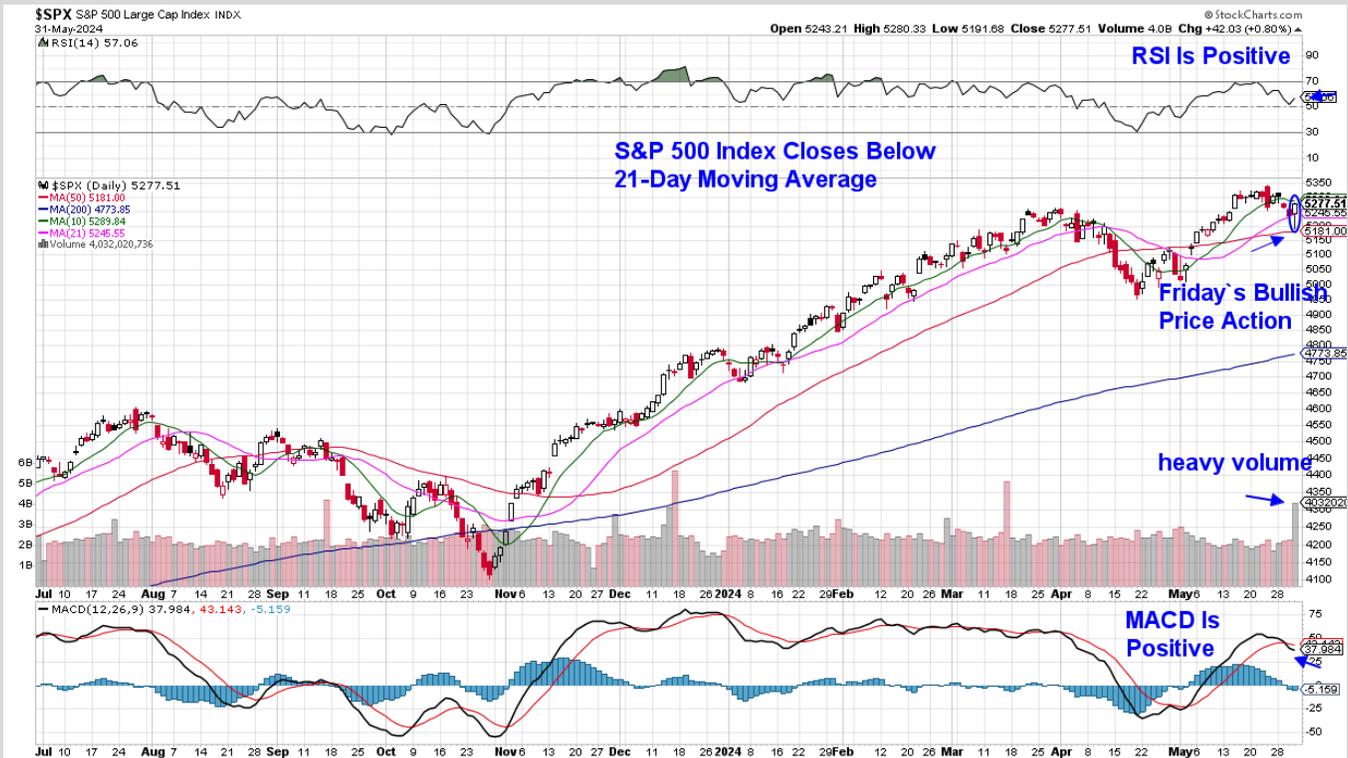
Notable Developments

- Markets Close The Week On A Bullish Note
- Yield On 10-Year Treasury Pulls Back From Midweek High
- Majority Of Sectors Regain Their Uptrends

Upcoming Events

- May Employment Data Due On Friday
- Next FOMC Meeting Is June 12th

Daily Chart of S&P 500



The S&P 500 fell 0.5% last week in a move that has this Index closing above its 21-day simple moving average. With the RSI and MACD both in positive

territory, the near-term uptrend for this index remains in place.

Friday's end-of-day price action was particularly constructive after the markets closed at the upper reaches of its trading range for the day on above-average volume that followed a pullback to its 50-day moving average. We will remain vigilant however, as the MACD posted a negative crossover on Thursday. While this occurred repeatedly from February to April, when coupled with a negative RSI, it preceded downside price action. As noted, the RSI is currently in positive territory.

The S&P 500 ended the month of May up 4.8% with the monthly chart pointing to further upside as the MACD and RSI are positive and trending upward, with further advancement possible before entering an overbought condition. This bodes well for the longer-term outlook for the markets.

While the markets ended the week on a high note, it was not a smooth ride, as angst surrounding the Federal Reserve's monetary policy initially pushed interest rates higher before yields pulled back amid weaker-than-expected GDP and inflation data later in the week. In turn, the markets trended lower earlier in the week before reversing.

Until we see further data pointing to reduced inflationary pressures, we expect market volatility to remain.

Next week, the release of employment data for May will provide more insight into both employment and wage strength, when released on Friday. This report is closely watched by the Federal Reserve as a gauge for inflation.

The Nasdaq pulled back 1.2% last week - led lower by a sharp drop in Software stocks after bellwether name Salesforce (**CRM**) lowered their growth

outlook while other well-known software providers announced cautious commentary as well.

Underperformance in select AI-related Tech names also weighed on this Index after Dell Technologies (**DELL**) posted lower gross margins amid stiff competition and higher prices. The Technology sector (XLK) was the worst performer for the week.

The Nasdaq remains in an uptrend however, with a close just below its 10-day simple moving average and both the RSI and MACD are in positive territory. Similar to the S&P 500, the monthly chart for this Index also points to a bullish longer-term outlook.

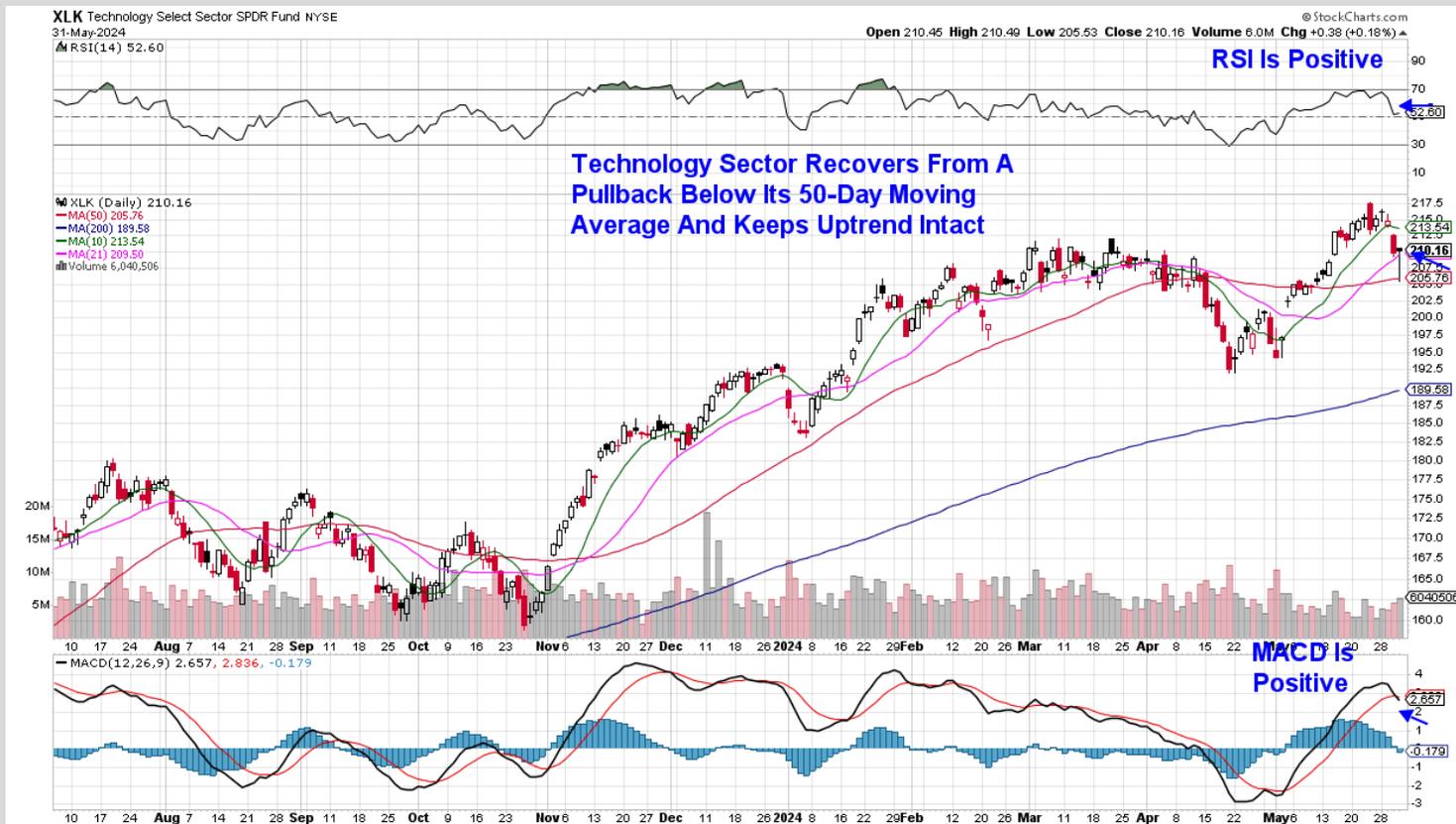
While select headline Tech stocks posted sharp losses last week, there were certainly winners with AI-related companies continuing to see demand. We have added one new stock from this sector and will continue to screen for additional candidates.

In other notable price action last week, Energy stocks rallied 2% ahead of today's OPEC meeting. Further gains may push this sector into an uptrend.

In addition, more defensive areas of the markets outperformed led by REITs, Utilities, and Staples. These higher-yielding stocks can fare well in a lower interest rate environment as they are viewed as more attractive.

Overall, we are encouraged by Friday's late-day price action as it sets the market up for a continuation rally into next week. That said, Friday's employment data will present a hurdle if the numbers are strong. With the longer-term uptrend firmly in place for the markets, we anticipate continuing to add stocks to our Suggested Holdings List.

Daily Chart of the Technology Sector (XLK)



Technology Sector Is Worst Performing

The Tech sector was hurt by a sharp pullback in the Software group after heavyweight name Salesforce (**CRM**) reported sales that were below estimates. In addition, the company said that their push into AI software will not provide a boost to earnings this year.

Other widely followed enterprise software companies were hurt as well such as Uipath (**PATH**). Not only did they reduce their full-year outlook, they also announced the surprise departure of their CEO. The stock lost 35%.

Cloudflare (**CRWD**) from our List fell 10% after the company's CEO took a cautious view on their global economic outlook while speaking to Wall Street analysts last week.

CRWD closed below its 50-day moving average with a negative RSI and the stock is being removed from our Suggested Holdings List ahead of the release of their earnings on Tuesday.

The longer-term, weekly chart remains constructive and while we believe last week's response to their **CRWD's** CEO comments was overdone, the stock has breached our percent loss limit while closing below its 50-day mav.

Oracle (**ORCL**) is also being removed after a close below its 50-day moving average coupled with a negative RSI. While Friday's price action points to the possibility of near-term upside, we would be a seller into any rally.

Overall, investors are anxious regarding the outlook for enterprise software spending as AI-related expenditures are taking precedence.

While the Software group has repeatedly been able to recover from weekly pullbacks of this magnitude, last week's close below its 40-week moving average on the weekly chart, as well as, closing below its 6-month moving average on the monthly chart, points to further downside of a longer-term nature. (using ETF IGV)

Dell (**DELL**) had reached a 34% gain for the month of May before the release of their quarterly results after the market's close on Thursday. While the company reported better-than-expected earnings and sales due to surging demand for their AI-related servers, their gross margins fell amid steep pricing competition.

In response, the stock pulled back sharply before late-day buying on Friday pushed the stock into the upper portion of its trading range. **DELL** found support at its 50-day moving average however, the RSI is now in negative territory on the daily chart.

While the longer-term weekly and monthly charts for **DELL** remain positive, we would not be a buyer on this dip until the stock closes back above its 21-day simple moving average and in turn, pushes the RSI into positive territory on its daily chart.

Major Wall Street analysts are also bullish on the long-term growth prospects for Dell as they expect margins will expand as the company scales up their AI servers, with a ramp-up in profitability in the 2nd half of this year.

Semiconductor stocks underperformed last week as well, after Biden's fresh AI chip export restrictions to

the Middle East hit select stocks on Friday. Disappointing results from chip company Marvel Technology (**MRVL**) also hurt the group.

Semiconductor stocks rebounded late Friday however, and the group closed just shy of regaining its 10-day simple moving average with both its RSI and MACD in positive territory. (SOXX) This keeps the group in a strong uptrend.

While the Middle East is not a primary market for Broadcom (**AVGO**), it does have a significant presence in the region, particularly in the telecom and data center sectors.

News of Biden's restrictions pushed **AVGO** below its 50-day moving average with the RSI now in negative territory. While longer-term investors can stay with the stock as the weekly chart remains constructive, near-term we are removing the stock from our Suggested Holdings List.

Nvidia (**NVDA**) gapped up to a new high in price last week after Elon Musk's AI startup said it raised \$6 billion in its latest Venture round. They are among the many clients of **NVDA**. **NVDA** remains in a confirmed uptrend as it closed at its 5-day moving average with a positive RSI and MACD. The stock is in a buy zone,

Qualcomm (**QCOM**) posted a similarly negative Candlestick on its weekly chart after it closed in the lower portion of its trading range for the week. The stock is certainly due a period of consolidation after this month's 23% advance due to Wall Street upgrades. 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 is in a buy zone.

We are adding Analog Devices (**ADI**) to our Suggested Holdings List after the stock pulled back from a gap up in price following the release of earnings that were ahead of estimates. In addition, the company guided growth prospects higher going forward.

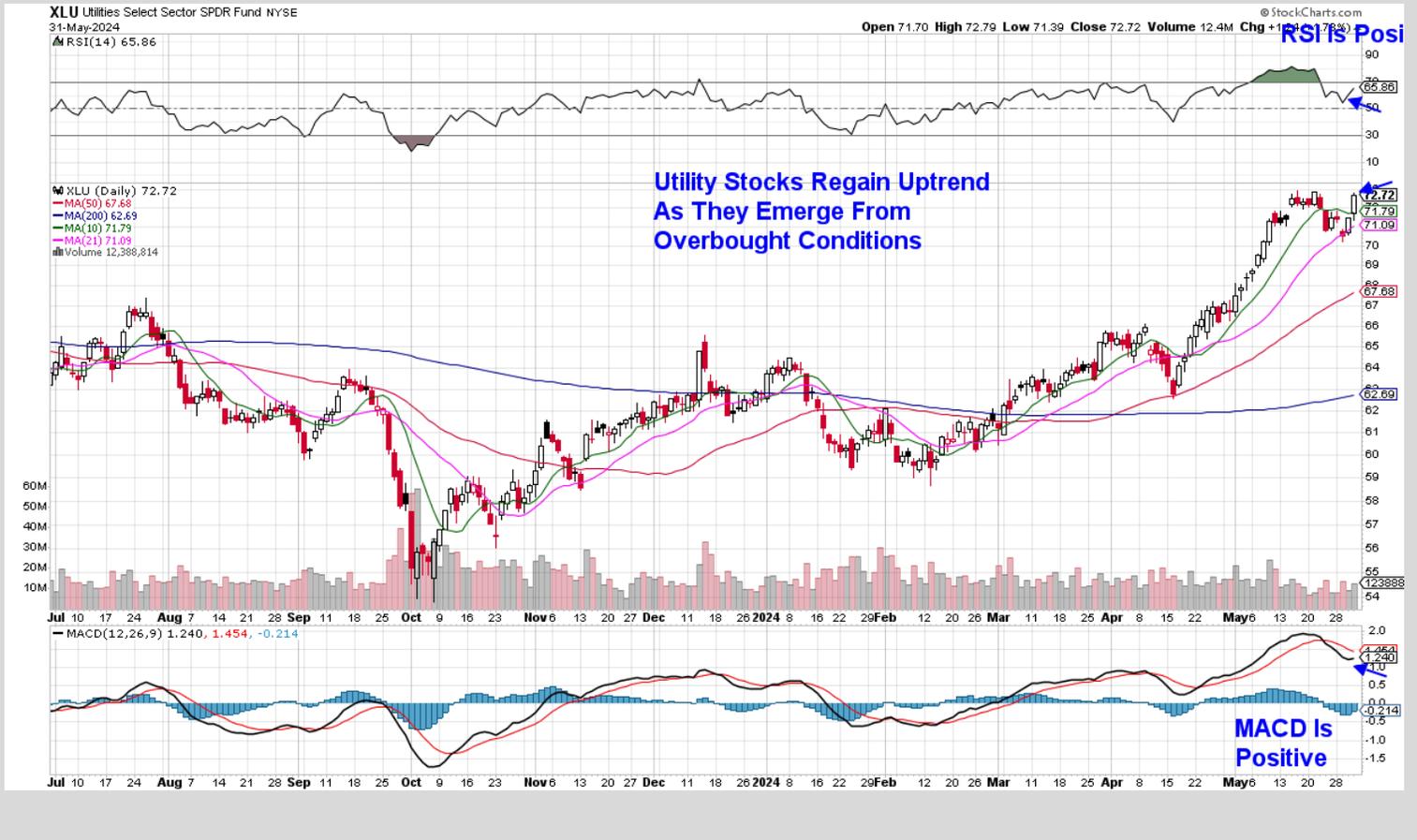
ADI makes chips that accompany microprocessors which are considered the brains of computers and consumer electronics. Analysts project that sales of those chips will rise as the AI boom continues to roll out. **ADI** is in a buy zone as it forms the right side of a base and moves toward a possible \$240 base breakout level.

Today, Nvidia's Jensen Huang led a gathering of tech leaders at the Computex summit which is taking place in Taipei. His comments revealed that **NVDA** will roll out Blackwell Ultra chips in 2025 and a new Rubin platform in 2026. The news is expected to boost shares of **NVDA** next week.

The chief executives of top chipmakers AMD (**AMD**), Intel (**INTC**), and Qualcomm (**QCOM**) are also scheduled to give separate keynote speeches at the annual Computex trade show.



Daily Chart of the Utilities Sector (XLU)



Utility Sector Regains Last Week's Pullback

Utility stocks were among the top performers last week with a 1.7% gain that puts the sector back above its 10-day moving average and confirms its near-term uptrend.

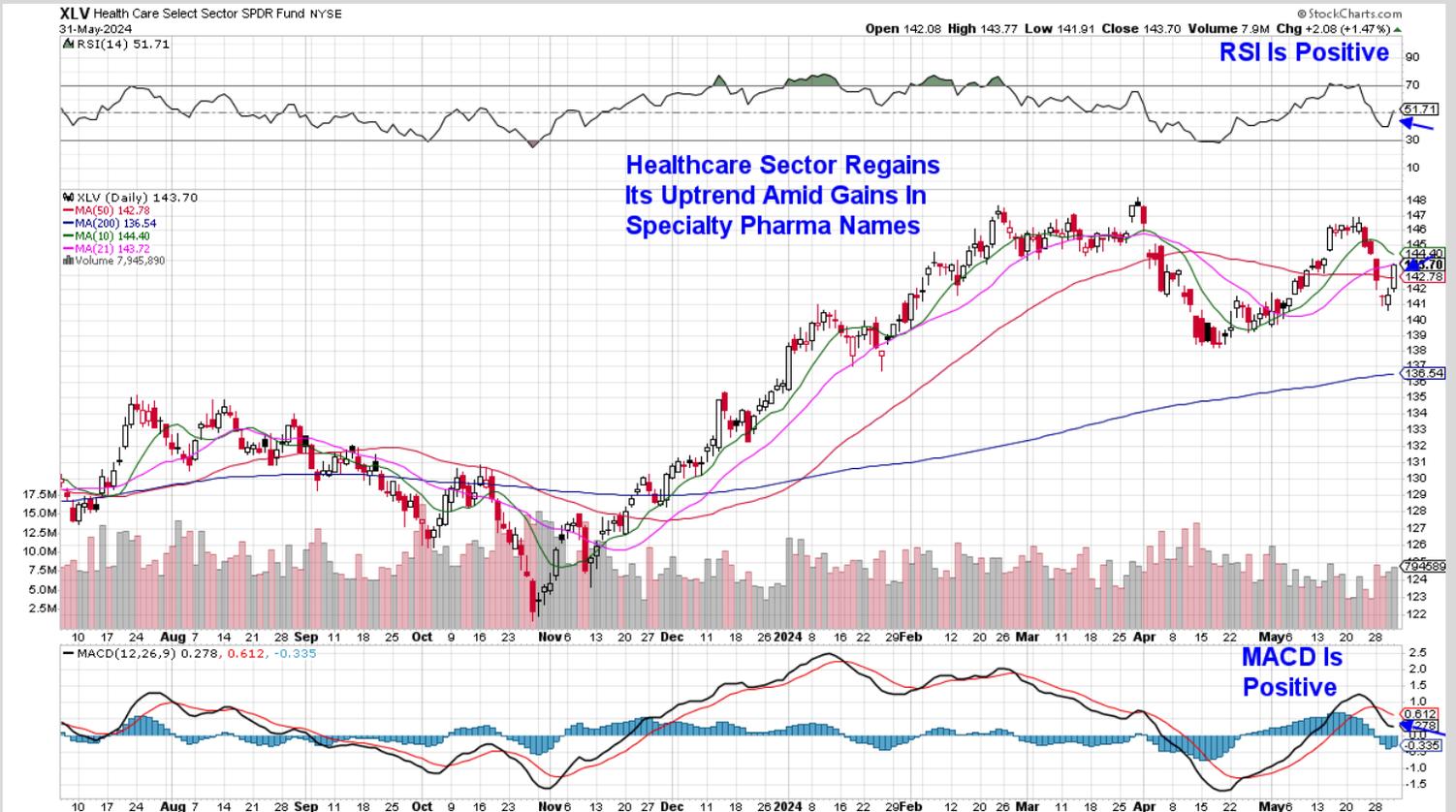
Southern (**SO**) outperformed with a 3% gain that pushed the stock out of a one-week base on heavy volume. The company is among the largest providers of electricity which puts it in a position to benefit from the increased demand for power due to AI lead data centers.

SO is a bit extended after last week's gain and the stock can be bought on a pullback to the \$78.5 range.

Duke Energy (**DUK**) is also in a position to benefit from the increased need for AI-related electricity and the stock Closed the week back above its 10-day simple moving average on above-average volume. The stock is in a strong buy zone and can be bought in the \$102.5 range.

This week, we are adding AES Corp (**AES**) to our Suggested Holdings List. The eclectic power company is at the forefront of "grid enhancing technologies" (GETs) which help quickly unlock the additional capabilities of the electric grid to carry energy. The stock broke out of a 2-week base last week amid analyst upgrades. The weekly chart is particularly compelling with the MACD recently entering positive territory and trending higher. **AES** is in a buy zone.

Daily Chart of the Health Care Sector (XLV)



Healthcare Sector Regains Uptrend

The Healthcare sector closed back above its 50-day simple moving average following a rally in select generic pharmaceutical stocks such as Cardinal Health (**CAH**) which we have added to our watch list.

The company raised their annual profit forecast earlier in May due to strength in sales of their costly specialty drugs used to treat complex conditions such as cancer. **CAH** is in the throes of possibly reversing a 3-month downtrend after closing back above its 10 and 21-day simple moving averages last week.

A close back above its 50-day simple moving average which is 4% away, would have us considering adding the stock to our Suggested Holdings list, particularly if its recent high volume on rallies remains in place.

Vertex Pharmaceuticals (**VRTX**) bullishly regained its uptrend after a close back above its 10-day simple moving average on heavy volume Friday. The rally took place after a major Wall Street upgrade due to their outlook on the potential for the company's non-addictive pain management drug.

VRTX also regained its recent base breakout level and the stock can be bought in the \$450 range at its 5-day simple moving average.

Boston Scientific (**BSX**) remains in an uptrend as demand for their heart-related medical products has analysts raising their estimates. The stock is in a buy zone after closing the week in a bullish position above its upward-trending 5-day moving average.

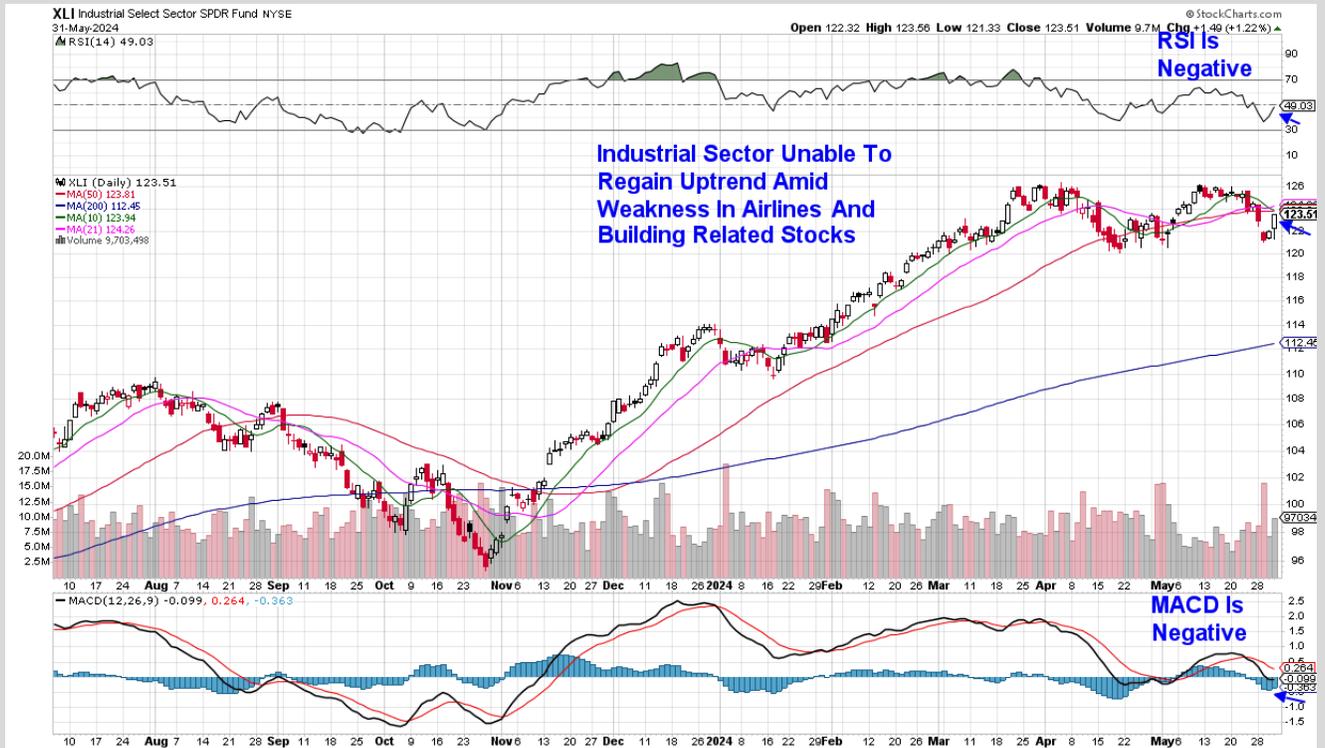
Intuitive Surgical (**ISRG**) also remains in an uptrend above each of its moving averages however, the near-term momentum has shifted sideways. A close back above its recent high of \$410 would put the stock in a strong buy zone.

This week, we are adding Ely Lilly (**LLY**) to our Suggested Holdings List as the stock is in a strong uptrend following news of promising results for their Crohn's disease treatment earlier this month. In addition (**LLY**) is moving toward FDA approval of their potential Alzheimer's treatment while also developing a next-generation approach to weight loss.

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



Daily Chart of the Industrial Sector (XLI)



Industrial Sector Moves Closer To An Uptrend

The Industrial sector (XLI) was unable to regain its uptrend last week however, it did post a strong finish into Friday's close which puts XLI closer to a close back above its 50-day moving average and into an uptrend.

The late Friday rally was led by Aerospace and Defense stocks such as FTAI Aviation (**FTAI**) from our Suggested Holdings List. As noted last week, the stock received a price target upgrade to \$100 amid increased growth in their aircraft and aircraft engine leasing services, **FTAI** is in a buy zone and can be bought on any pullback to the \$82 range at its 10-day moving average.

AI-related companies such as Eaton Corp (**ETN**) and Quanta Services (**PWR**) struggled, with both companies pulling back to key support that keeps them in a buy zone.

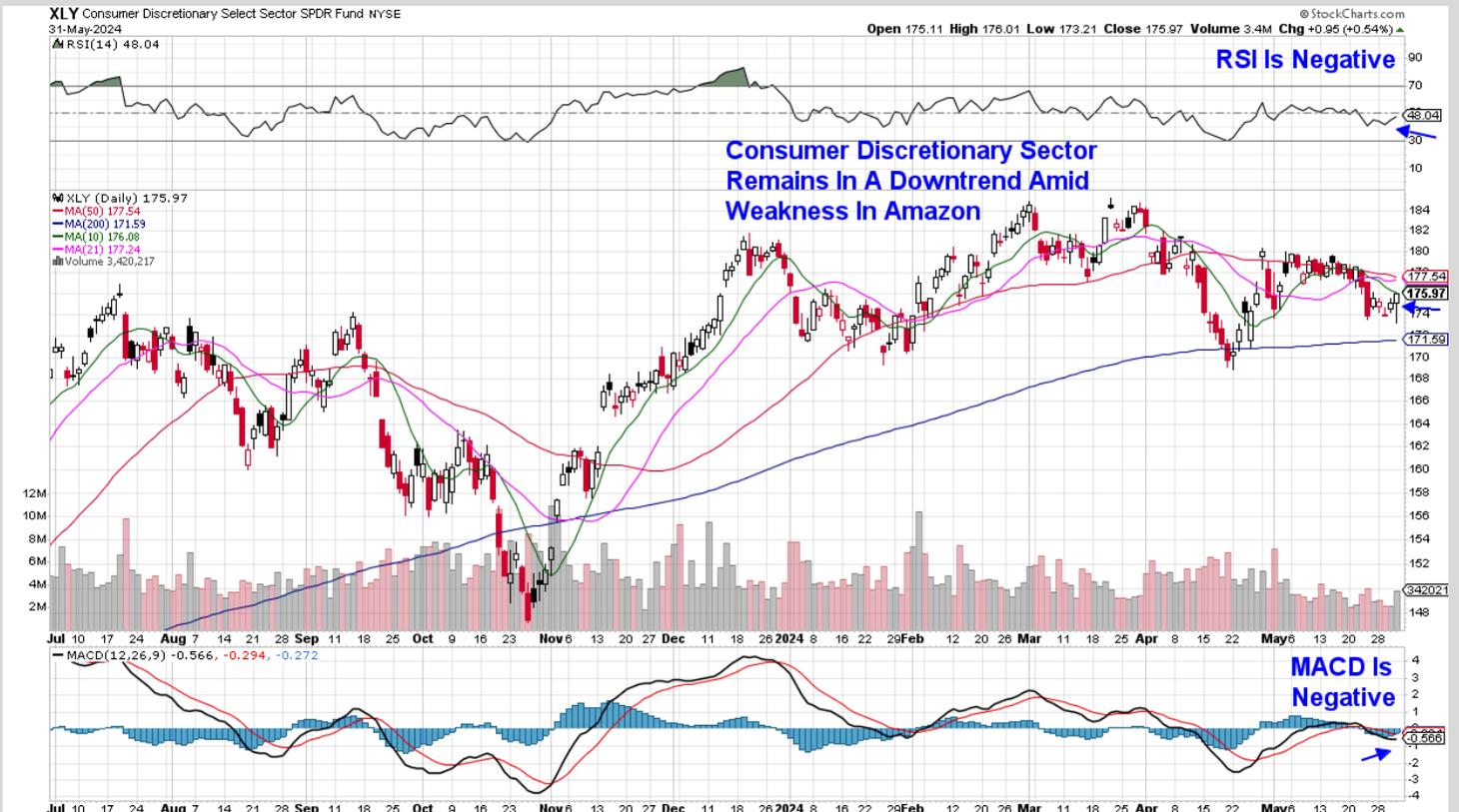
ETN recovered from a pullback to its 50-day moving average and closed the week back above its 21-day moving average. A close above its 10-day mav at \$335 would put the stock into a buy zone.

PWR pulled back to its 21-day simple moving average however, the stock was able to regain its 10-day mav and it is currently in a buy zone at \$276.

This week we are adding Fluor (**FLR**) to our Suggested Holdings List. As mentioned in last week's report, the company has an upgraded growth outlook due to their ability to support the build-out of data centers in the US and globally. Among their clients, **FLR** is currently working with Microsoft in India to expand their data centers.

FLR broke out of a 2-month base on heavy volume Friday which puts the stock into a strong buy zone.

Daily Chart of the Consumer Discretionary Sector (XLY)



Consumer Discretionary Sector Remains A Laggard

The Consumer Discretionary sector remains in a downtrend as it continues to trade below its 50-day simple with a negative RSI and MACD. Year to date, the sector is down 1.7% relative to the S&P 500 which has gained 10.6%. Among the biggest losers have been Autos and Clothing Retailers which are both down over 23%.

Friday's PCE report showed that growth in spending by consumers weakened by more than economists expected. Growth in incomes for Americans also slowed last month.

There have been select areas of outperformance however, such as recently added shoe company Deckers (**DECK**) which added another 6% to its gains

last week on the heels of upside momentum following the release of their blowout earnings report.

DECK remains in a confirmed uptrend as it finds support at its upward-trending 5-day simple moving average. We are using the post-earnings November and post-earnings February periods as guidance and both times, the stock gapped up into a 2-month uptrend after reporting strong quarterly results.

The initial possible downtrend signal for both periods was a negative MACD crossover with a negative RSI being the true sell signal for shorter-term investors while the longer-term weekly chart remains constructive. At this time, the MACD remains trending upward and **DECK** can be bought.

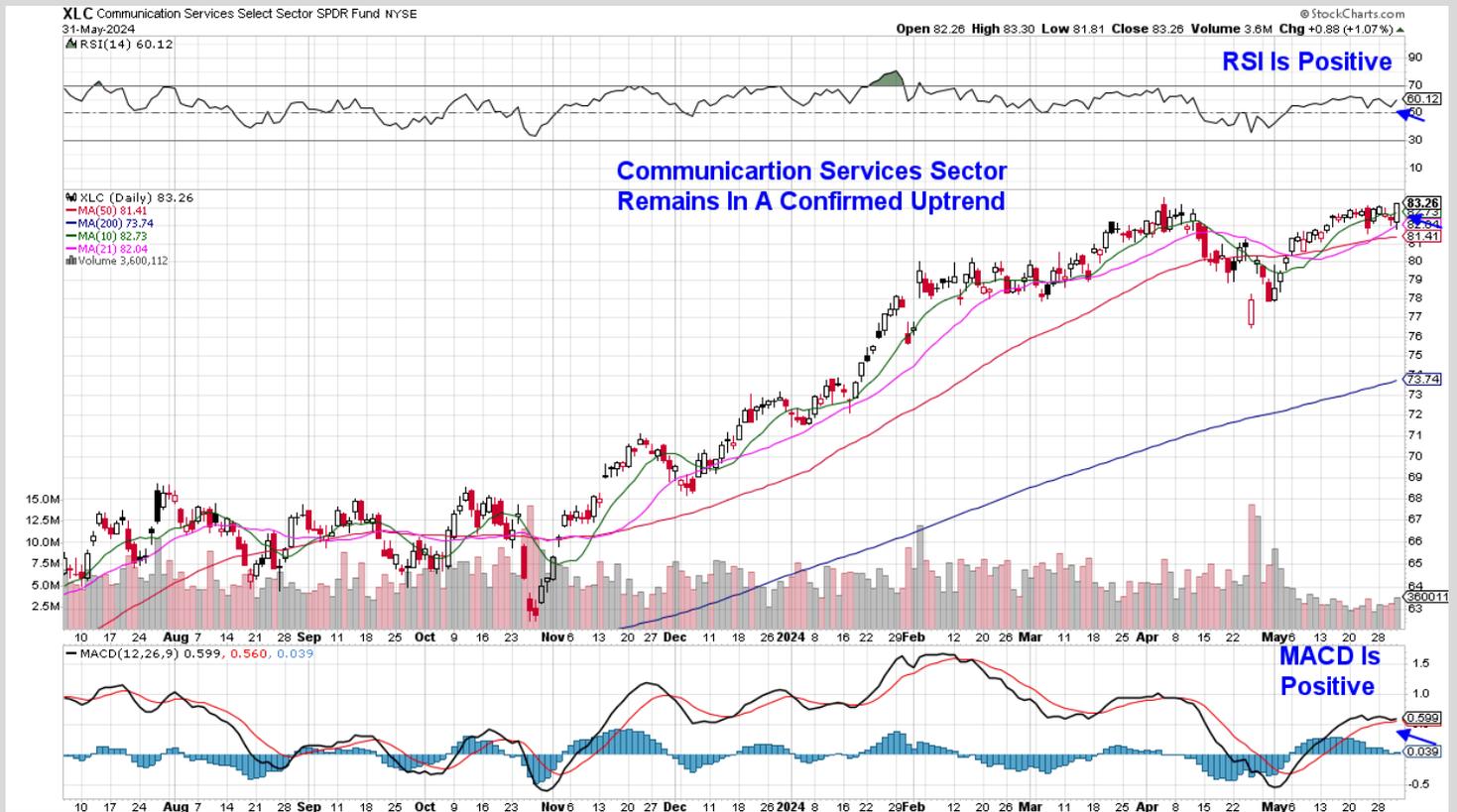
Amazon (**AMZN**) continues to trend lower and as noted in Monday's report, the stock has drifted below its 50-day moving average and can be held while the longer-term weekly chart remains constructive.

That said, **AMZN** is moving closer to our 6%-8% decline tolerance levels despite strong growth prospects for this year due to advertising sales. At this time, the stock can be held as we continue to monitor its price action.

Several other retailers gapped up in price following the release of better-than-expected results including Dicks Sporting Goods (**DKS**), Gap (**GPS**), and Abercrombie and Fitch (**ANF**).



Daily Chart of the Communication Services Sector (XLC)



Communication Services Sector Outperforms

Heavyweight Stock Alphabet (**GOOGL**) pulled back from a new high that was reached 2 weeks ago. The light volume decline was amid a lack of news and it allowed the stock to pull back from an overbought condition as its RSI was above 70.

Alphabet's capital spending jumped 91% in the first quarter of this year in an effort to bolster its AI infrastructure. On Thursday, the company announced plans for a \$2 billion data center in Malaysia in an effort to expand their global presence.

The stock closed Friday in the upper portion of its trading range on heavy volume in a move that puts the stock into a strong buy zone.

Summary

Friday's bullish close points to a market that wants to trade higher as buyers swooped in late in the day to pick up stocks that had pulled back earlier in the week with advancers outpacing decliners 4 to 1.

Most of the late-day buying took place in Industrial and Technology stocks with a focus on AI-related names. The move highlights a fear of missing out among investors who recognize the growth prospects of generative AI and accelerated computing demand which in **NVDA's** CEO Huang's words "have reached a tipping point".

While many AI-related stocks are in the beginning stages of their advance, last week's pullback in names such as Dell, highlights the vulnerability of →

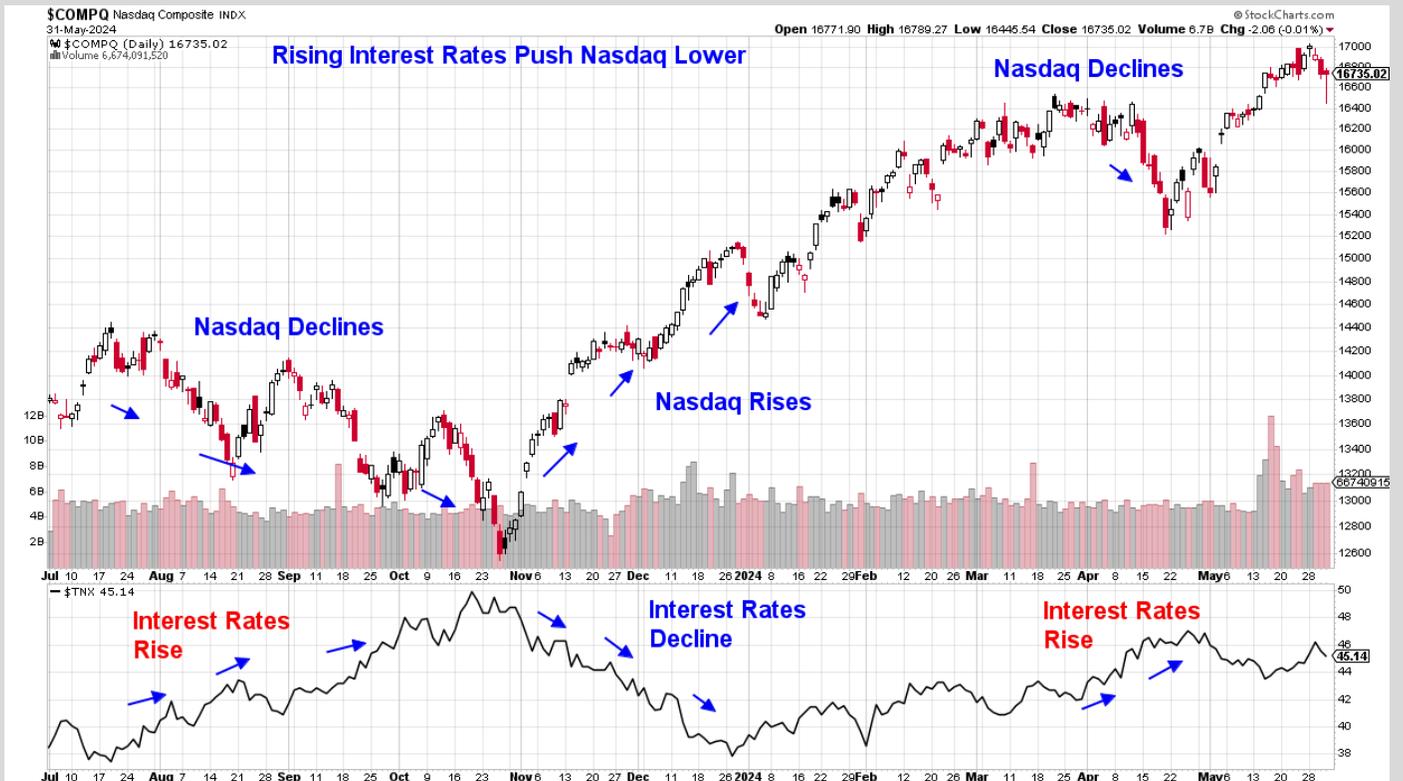
names that far outpace the markets over a short period of time.

The prospects of higher interest rates may also dampen enthusiasm for these high-growth stocks and next week's employment report will be key in shaping investor's outlook for a possible rate cut later this year.

With earnings season mostly behind us, more attention will be paid to interest rates with the Federal Reserve's next meeting taking place on June 12. As cited earlier, we expect volatility to remain in the markets until a clearer path to lower rates is carved.

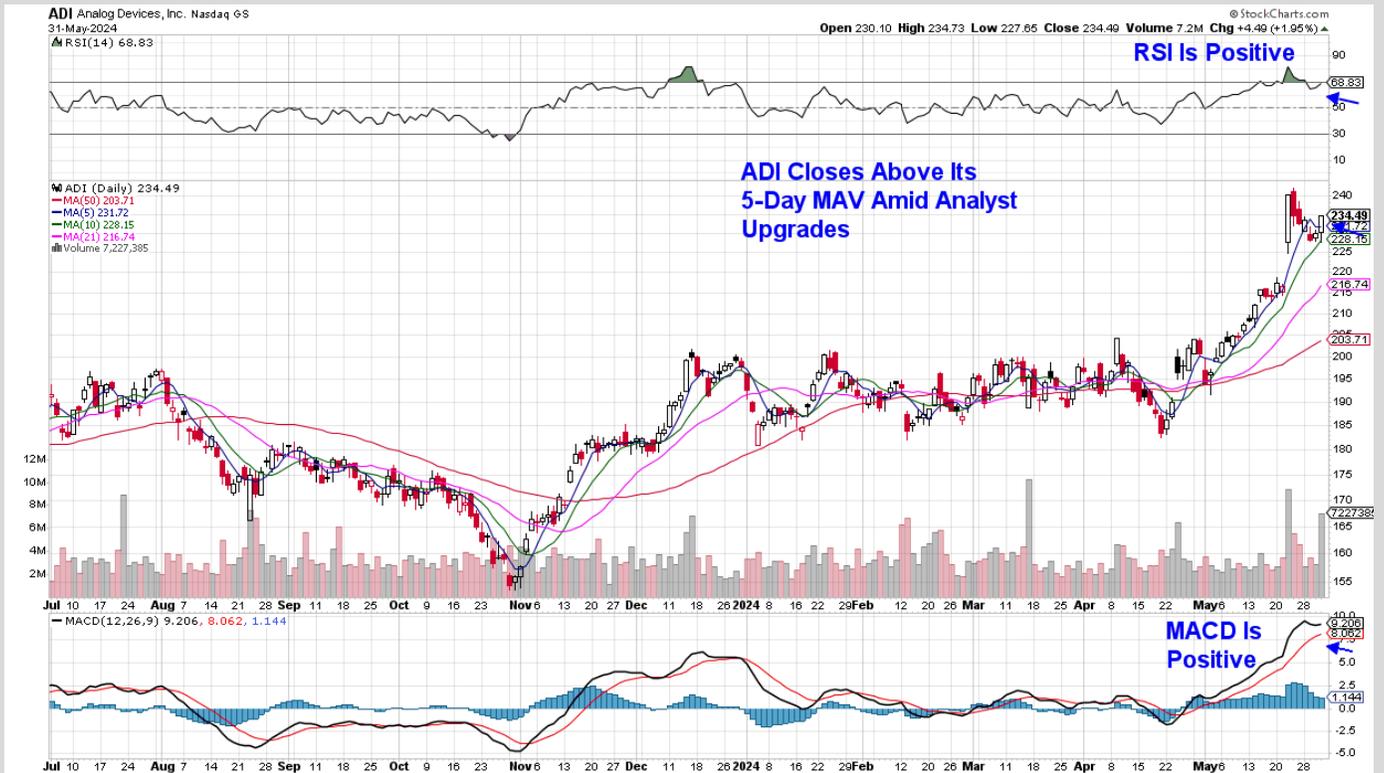
Charts We Are Watching:

Daily Chart of Nasdaq Composite (\$COMPQ)

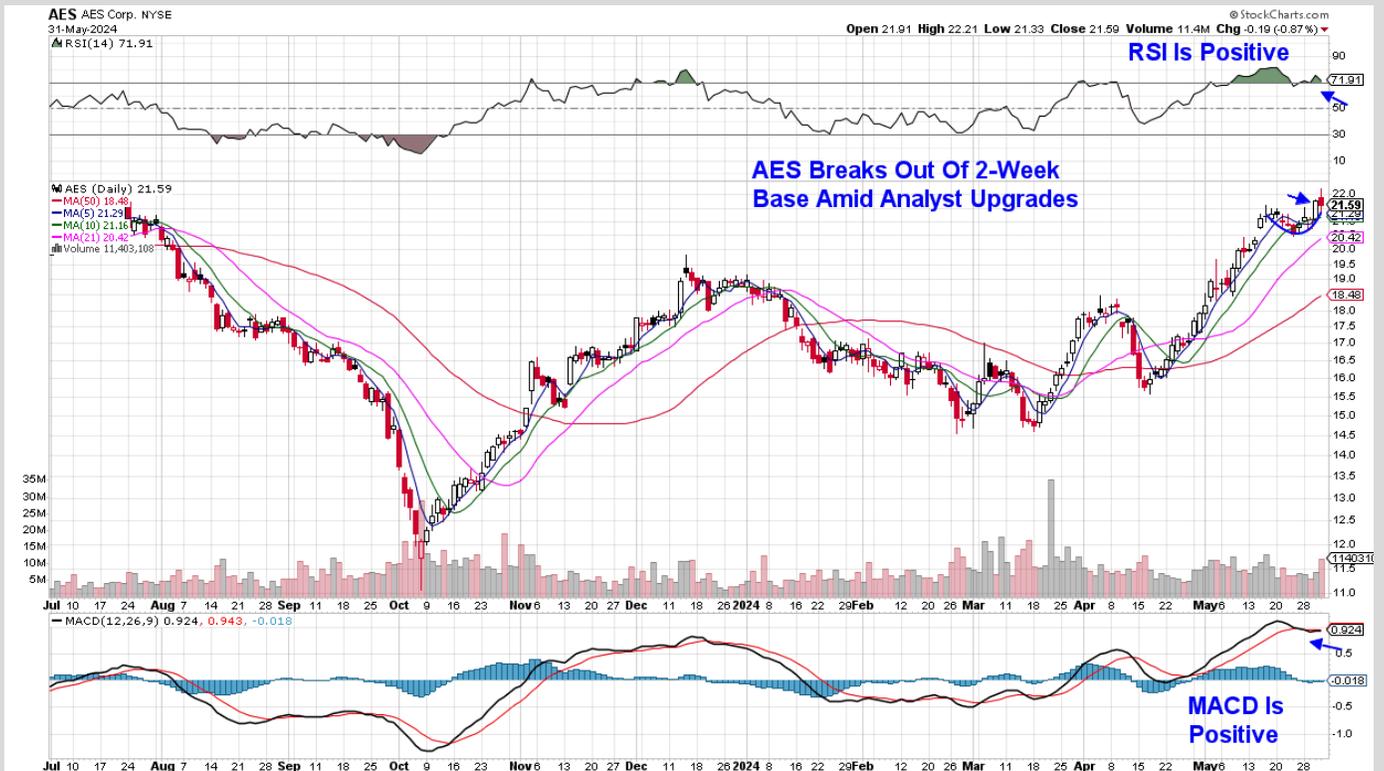


New Trade Ideas:

Daily Chart of Analog Devices, Inc. (ADI)



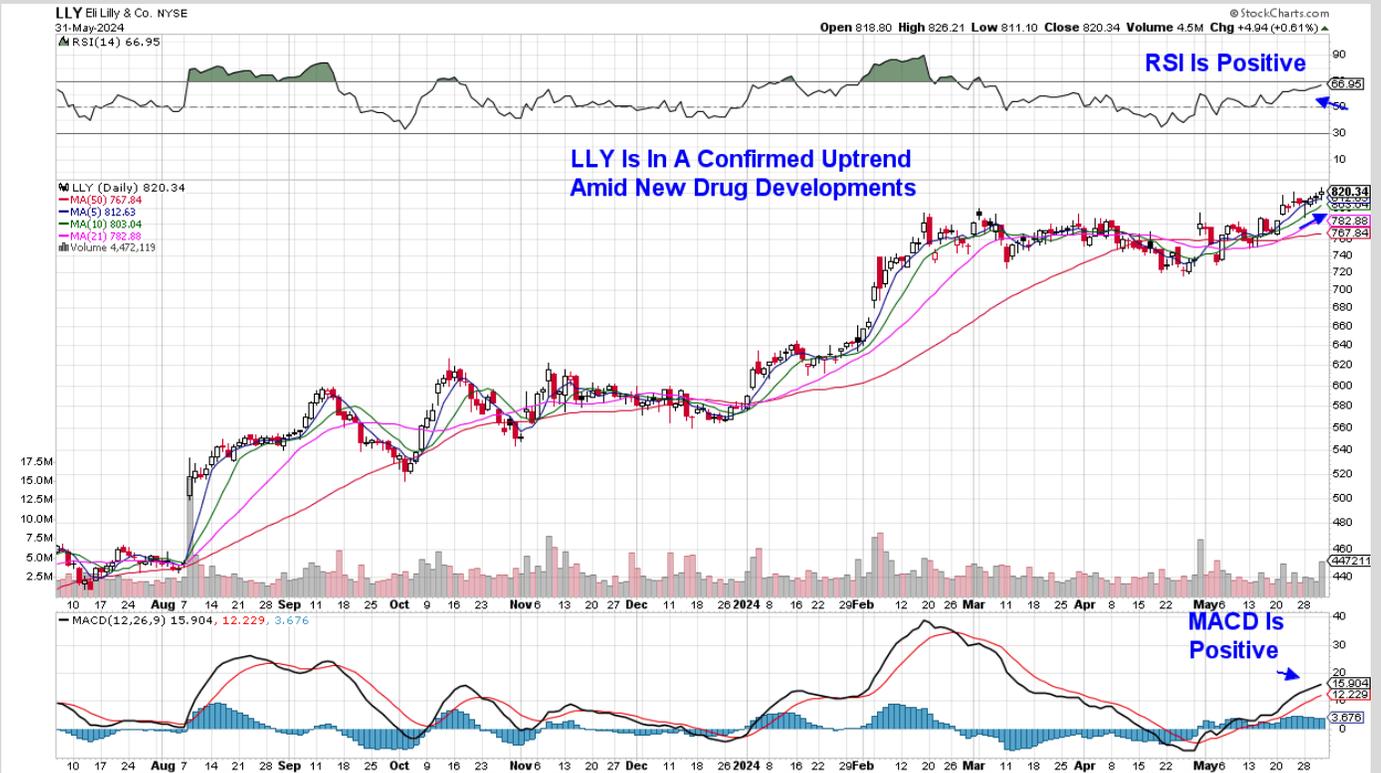
Daily Chart of AES Corp. (AES)



Daily Chart of Fluor Corp. (FLR)



Daily Chart of Eli Lilly & Co. (LLY)



MEM Edge Report Suggested Holdings

Stocks With Emerging Leadership Characteristics

\$ = Earnings Due	Buy Zone	Strong Buy	Buy on Pullback	Removed From List
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SYMB	COMPANY	PRICE	DATE ADDED	PERFORMANCE	EARNINGS DUE
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CONSUMER DISCRETIONARY

AMZN	Amazon	\$186.20	5/5/2024	-5.0%	1-Aug
DECK	Deckers Outdoor	\$1,033.30	5/27/2024	6.0%	25-Jul

UTILITY

AES	AES Corp.	\$21.60	6/2/2024		
DUK	Duke Energy	\$99.30	5/1/2024	6.0%	6-Aug
SO	Southern Company	\$77.60	5/8/2024	3.0%	8-Aug

INDUSTRIAL

ETN	Eaton Corp. PLC	\$330.40	5/8/2024	0.5%	30-Jul
FLR	Fluor Corp.	\$43.40	6/2/2024		
FTAI	FTAI Aviation	\$58.00	3/17/2024	43.0%	24-Jul
PWR	Quanta Services	\$271.50	5/12/2024	2.5%	1-Aug

HEALTHCARE

BSX	Boston Scientific	\$57.60	1/3/2024	30.5%	24-Jul
ISRG	Intuitive Surgical	\$598.80	5/19/2024	1.0%	18-Jul
LLY	Eli Lilly	\$820.30	6/2/2024		
VRTX	Vertex Pharmaceuticals	\$414.80	5/12/2024	8.0%	1-Aug

TECHNOLOGY

AVGO	Broadcom	\$1,390.00	5/15/2024	-4.5%	12-Jun
CRWD	CrowdStrike	\$326.00	5/15/2024	-8.5%	4-Jun
DELL	Dell Technologies	\$131.60	5/8/2024	7.5%	30-May
NVDA	Nvidia	\$887.90	5/5/2024	23.0%	21-Aug
ORCL	Oracle	\$120.00	5/19/2024	-2.5%	10-Jun
QCOM	Qualcomm	\$179.60	5/5/2024	13.5%	1-Aug

COMMUNICATION SERVICES

GOOGL	Alphabet Inc.	\$156.61	4/10/2024	10.0%	
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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
LRXK	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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