



THE MEM EDGE

Midweek Report

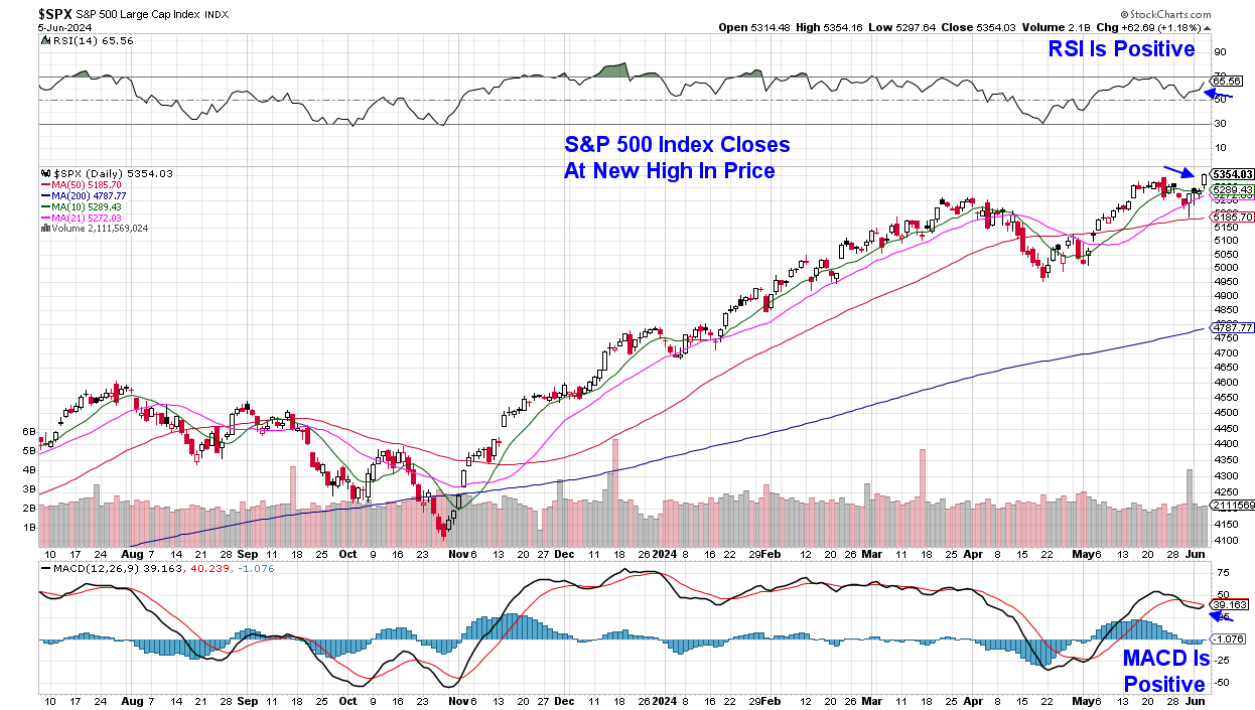
Wednesday June 5, 2024

- Institute for Supply Management's Manufacturing Index (ISM) Falls To 3- Month Low
- Construction Spending Fell In April
- New Corporate Jobs Have Lowest Increase This Year
- U.S. Employment and Wage Report for May Due Friday
- Adding ASML (**ASML**), Amazon (**AMZN**) Close to Reversing Downtrend

Notable Developments

- Bank of Canada Cuts Rates By ¼ Point - Similar Cut Expected from ECB Tomorrow
- Yield On 10-Year Treasury Falls To 4.3% On Weak Employment Data
- Big Tech Leads Rally as Equal-Weighted S&P 500 Is Down 0.5%

DAILY CHART OF S&P 500 INDEX





THE MEM EDGE

Midweek Report

The S&P 500 has gained 1.4% for the week and a move that puts this Index at a new high in price. With the RSI and macd in positive territory and not in an overbought position, the near-term uptrend remains in place.

The longer-term weekly and monthly charts remain constructive as well, pointing to a constructive setup for a long-term uptrend.

Today's rally was in response to corporate employment data which came in lower than expected which in turn, pushed interest rates lower. This is on the heels of softer-than-expected manufacturing data which is also good news as the Federal Reserve is looking for the economy to slow down in an effort to tame inflation.

The yield on the 10-year Treasury is now at 4.3% which is quite constructive.

The NASDAQ has fared even better, with a 2.7% rally which is being fueled by a 3.7% gain in Semiconductor stocks - led by AI chip leader Nvidia (NVDA) which is up 11.7% for the week.

The gain puts the NASDAQ at a new high in price as well, with the near- and longer-term uptrends firmly in place.

Software stocks are on the move higher as well, with a 2.5% rally which followed CrowdStrike's (CRWD) better-than-expected earnings report after the market's close yesterday.

As cited in our weekend report, the longer-term, weekly chart remained constructive and while we believed last week's response to their CRWD's CEO comments was overdone, the stock had triggered our sell signals. In line with our Sunday comments, longer-term investors can continue to remain with the stock.

Once the Software group regains its uptrend (using IGV), we anticipate adding CRWD back to our Suggested Holdings List.

Elsewhere in Technology, Dell (**DELL**) remains a hold after last week's sharp selloff following their report of lower-than-expected profit margins.

The longer-term weekly and monthly charts for Dell remain positive however, we would not be a buyer 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.



THE MEM EDGE

Midweek Report

This week, Semiconductor stocks have taken center stage with AI-related names seeing the most upward price action. As anticipated in our Sunday report, Nvidia's Jensen Huang's reveal of a new Blackwell Ultra line of chips for 2025, boosted shares of NVDA. NVDA is extended out of a buy zone after today's sharp rally and the stock can be bought on a pullback to the 5-day moving average in the \$1148 range.

Also helping semiconductor stocks were bullish comments from ASML today, as they relayed on a Wall Street call that they're anticipating orders from TSM Semiconductor who is the world's biggest maker of advanced chips.

ASML is the world's biggest semiconductor equipment maker and among other comments, the company continues to see revenue in the upper half of their guidance range. We are adding **ASML** to our Suggested Holdings list as today's sharp rally confirms their new uptrend which first developed at the end of May.

Using the late January period as a guide, **ASML** may continue upward with the 5-day simple moving average eventually catching up to the price and acting as support. The stock is in a buy zone.

As anticipated, Qualcomm (**QCOM**) trended sideways until today's rally which was in line with the group. The stock remains in a buy zone.

Broadcom (**AVGO**) was another stock that triggered a near-term sell signal with a close below its 50-day moving average with the RSI in negative territory. As stated on Sunday, longer-term investors can stay with the stock as the weekly chart remains constructive. In addition, today's price action has the stock regaining its near-term uptrend.

We will continue to monitor the price action regarding adding the stock back to our Suggested Holdings List.

Recently added Analog Devices (**ADI**) is in a strong buy zone as it forms the right side of a base and moves toward a possible \$240 base breakout level.

Healthcare stocks regained their uptrend with a close back above the 50-day moving average amid a 3% rally in Biotechnology stocks. (using IBB).



THE MEM EDGE

Midweek Report

Among the winners has been Vertex Pharmaceuticals (**VRTX**) which is up 6% for the week as anticipation for their non-addictive pain medicine has analysts raising earnings estimates for the company. Management's presentation at William Blair's growth conference yesterday also ignited interest in the stock.

VRTX is extended out of a buy zone and the stock can be bought on a pullback to the \$465 range with this week's above-average volume pointing to bullish accumulation characteristics.

Intuitive Surgical (**ISRG**) moved into a strong buy zone today after trading above the \$410 level we had highlighted. The stock rallied following FDA clearance of revised labeling on their DaVinci robotic surgical system to a more favorable stance.

Eli Lilly (**LLY**) remains in a confirmed uptrend and in a buy zone as it continues to find support at its upward-trending 5-day simple moving average.

Alphabet (**GOOGL**) remains in a strong buy zone with today's close back above its shorter-term moving averages providing even further conviction. As mentioned over the weekend, the company is continuing to fund their AI advances.

Mega Cap name Amazon (**AMZN**) is up almost 3% for the week in a move that puts the stock closer to a possible downtrend reversal. A close back above its 50-day simple moving average at \$182, coupled with a move of the RSI into positive territory, would put AMZN into a strong buy zone.

Industrial stocks are continuing to struggle this week with Eaton (**ETN**) pulling back 2%. The stock bullishly recovered from a pullback yesterday below its 50-day simple moving average.

We would need the stock to move back above its 10-day simple moving average coupled with a move of the RSI back above 50 before adding to any position.

FTAI Aviation (**FTAI**) also recovered from a Thursday pullback and a close back above its 10-day mav at \$82 would put the stock back into a buy zone.

Fluor (**FLR**) remains in a strong uptrend and the stock can be bought on a pullback to the \$43.5 range at its 5-day simple moving average. **PWR** is in a buy zone after closing back above its 10-day mav.



THE MEM EDGE

Midweek Report

Utility stocks are continuing to digest their sharp mid-April to mid-May advance, and the sector is down almost 2% for the week. (using XLU)

Both Duke (**DUK**) and Southern (**SO**) are outperforming the group and in a buy zone after pulling back to their shorter-term moving averages.

Of concern however is that we are not seeing confirmation of their recent highs with the RSI and MACD also hitting a new high. Therefore, we would add to positions lightly until we see the momentum signals pick up further.

While today's rally was driven by a drop in interest rates due to softer-than-expected employment data, Friday's employment data could easily present a different picture. This has historically been the case as ADP's corporate data does not always align with the government's broader employment data information.

While we are constructive on the near and long-term prospects for the markets, we are on alert for continued possible volatility surrounding inflation-related data such as Friday's wage and employment report.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report



THE MEM EDGE

Midweek Report

DAILY CHART OF ASML HOLDING NV (ASML)

