THE MEM EDGE

June 16, 2024 | Weekly Report

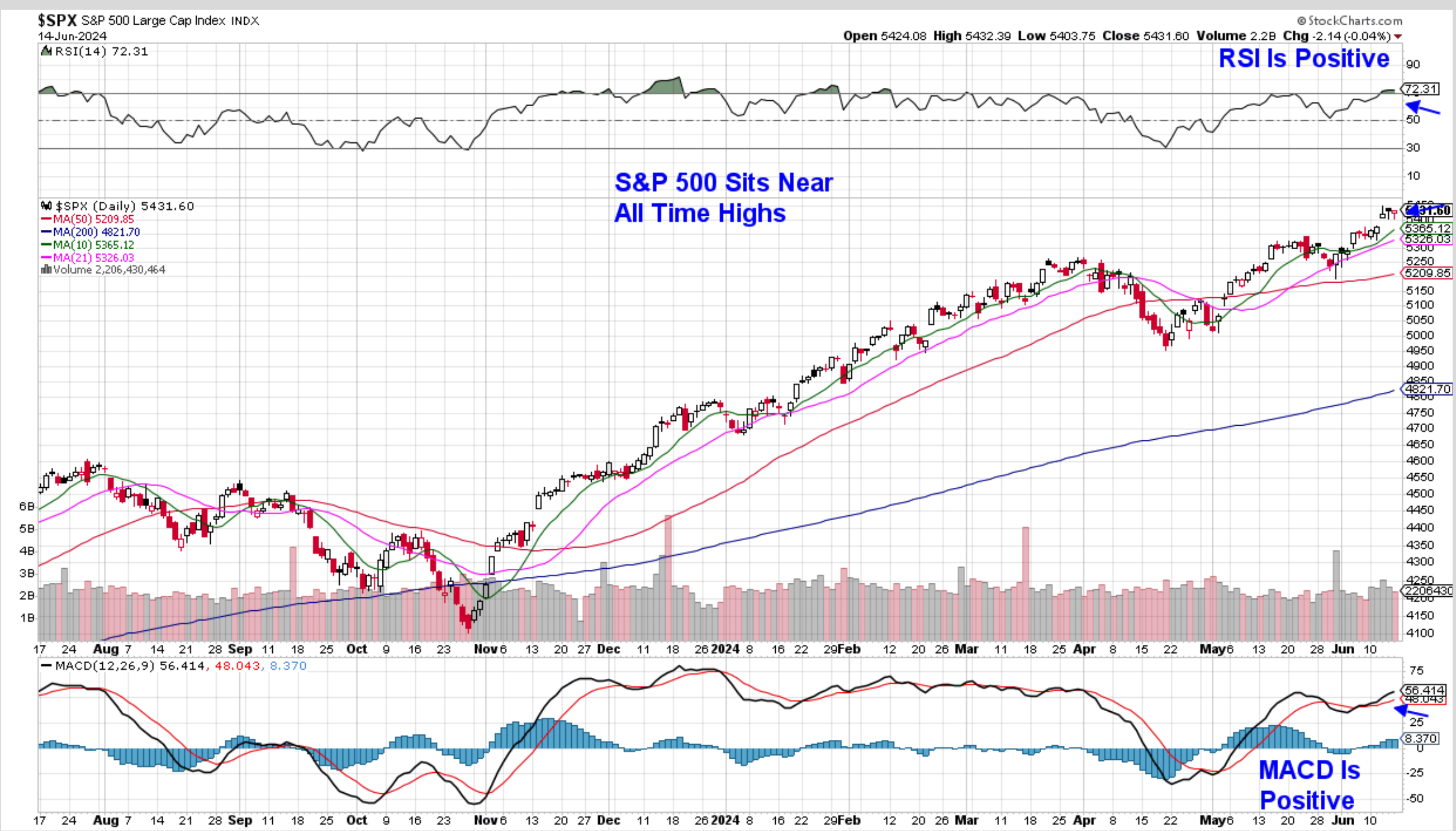
This Week's Highlights

- Consumer Price Index Down Month Over Month
- Core CPI - Ex Energy And Food - Posts Smallest Gain In 7 Months
- Fed Holds Rates Steady; Projects Only 1 Rate Cut This Year
- Producer Price Index (PPI) Data Shows Wholesale Prices Decline Again
- Manufacturing Survey, Retail Sales, Industrial Production and Home Builders Data Due Next Week

Notable Developments

- Yield On 10-Year Treasury Falls To 4.28%
- Technology Sector Jumps 5.5% Led By Apple's Sharp Gains
- Software Group Regains Its Uptrend (using IGV)
- Semiconductor Stocks Hit New High (using SOXX)
- Nasdaq, As Well As Tech Sector, Are Stretched Well Above Their 50-Day Moving Averages

Daily Chart of S&P 500



The S&P 500 gained 1.6% last week in a move that has this Index sitting at another new high in price. With the RSI and MACD in positive territory, the near-term uptrend for this Index remains in place.

Recent gains have pushed the RSI into an overbought position on the daily chart however, this overbought condition was in place at various times this year and the markets continued to advance higher. At that time as now, buying on pullbacks is an ideal strategy. This strategy will be in question if interest rates move higher however, as a pullback due to higher rates could evolve into a downtrend such as mid-April when the yield on the 10-year Treasury reached 4.7%. (The current yield is 4.2%).

We will continue to monitor interest rates, as well as, the broader market charts, and alert you to any potential shift in our bullish stance.

The NASDAQ fared much better again this week, with a 3.2% gain that was led by outperformance in most of the Magnificent 7 stocks. A sharp rally in Semiconductor stocks as well as outperformance among Software names, also gave this Index a boost.

Last week's rally has the NASDAQ closing 7.5% above its key 50-day simple moving average with the RSI in an overbought position.

The last time the Nasdaq was extended this high above its 50-day moving average was on December 28th of last year. As you may recall, many leading stocks pulled back into early January before resuming their uptrend. The 4.6% pullback lasted 5 days and allowed this Index an opportunity to reset before trading much higher. (SEE CHART BELOW)

We anticipate a similar pullback over the next 2 weeks and if so, we intend to use the longer-term weekly chart as a guide to ideally stay in our long-term leadership names.

Last week's rally took place after both the Consumer Price Index (CPI) and Producer Price Index (PPI) data showed that inflation is easing. In turn, interest rates fell with the yield on the 10-year Treasury ending the week at 4.2%.

The reports were the 2nd month in a row of lower-than-expected inflation data and it has us believing that the path to disinflation will continue in the months ahead.

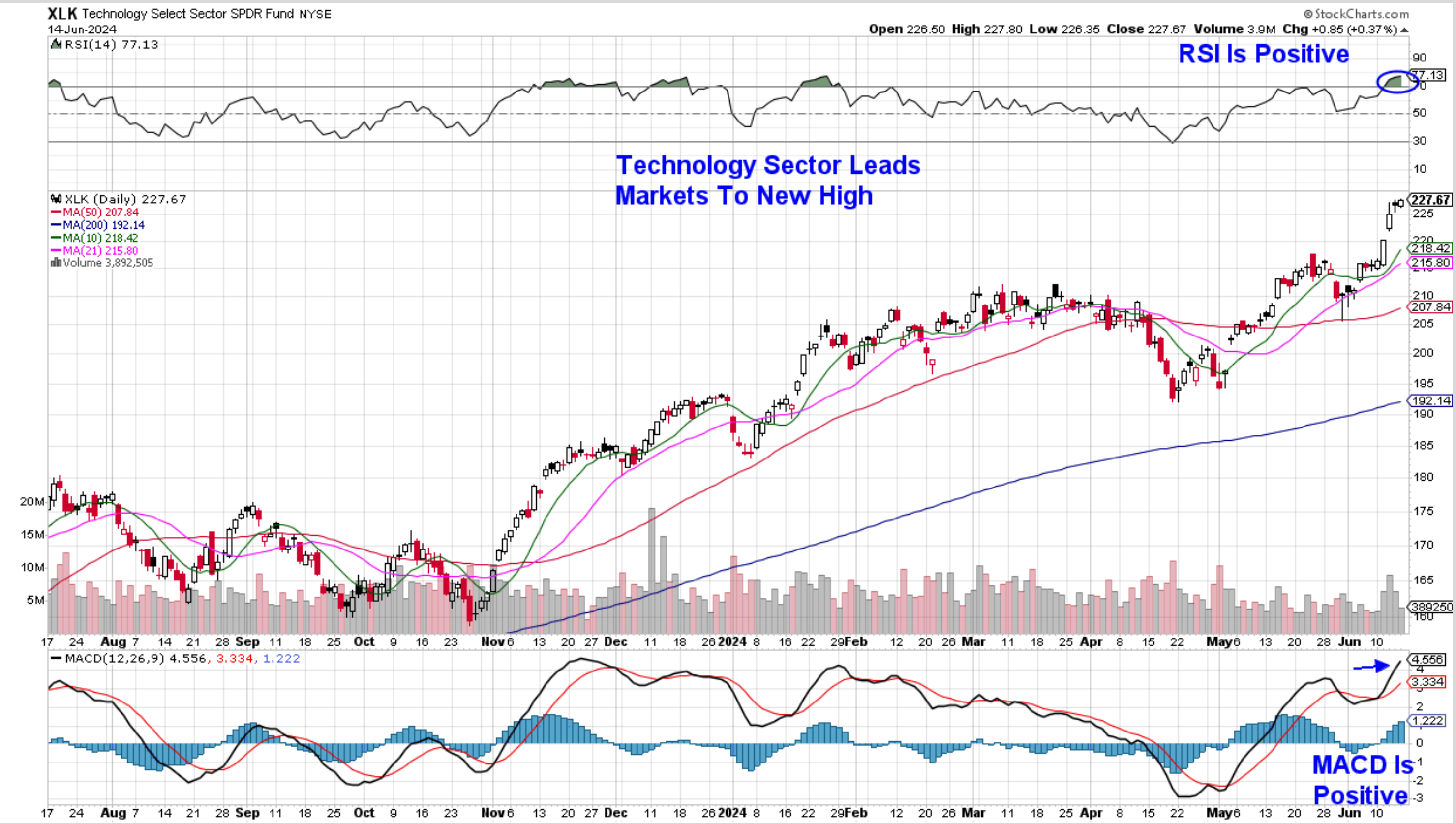
This would be highly constructive for a continuation rally however, money continues to funnel into the Technology sector while leaving economically sensitive areas behind. (SEE CHART BELOW)

This divergence in performance is related to concerns that the economy is weakening after soft employment and manufacturing data were released earlier this month. Lower-than-expected consumer confidence numbers were reported today.

In contrast, excitement regarding the growth prospects for AI-related companies is being confirmed, as companies are reporting better than expected earnings and sales due to demand.

We will continue to favor stocks in Technology as well as other growth areas such as Healthcare companies that are developing new drugs and medical products.

Daily Chart of the Technology Sector (XLK)



[Technology Sector Far Outpaces Broader Markets]

The Technology sector rallied 5.5% for the week led by heavyweight names Apple (**AAPL**), Nvidia (**NVDA**), and Microsoft (**MSFT**) which each performed far better than the broader markets.

Among these names, Nvidia (**NVDA**) was the top performing with a 9% rally that followed the company's 10 for 1 stock split on Monday. Speculation that a lower price would make Nvidia a candidate for the Dow 30 also boosted shares.

Helping the stock even further were price target upgrades from 3 major Wall Street firms each citing supply chain checks that show the transition to the company's new Blackwell chips will be smooth resulting in improving the company's already strong growth prospects.

Last week's rally has Nvidia in a highly overbought position and we would be a buyer on any pullback to the $126 range at its 5-day simple moving average.

Broadcom (**AVGO**) from our Long Term Buy and Hold list was added to our Suggested Holdings List on Wednesday after reporting strong quarterly results. **AVGO** went on to gain 15.5% over the next 2 days after the chipmaker reported sales above estimates due to strong demand for AI products.

Broadcom has had similarly large weekly gains after earnings, such as late May and mid-December of 2023. Both times, the stock advanced a bit further before pulling back to the 10 and 21-day moving averages respectively.

We anticipate further near-term upside with **AVGO** as the weekly chart is not overbought as it was in May and December of last year. The stock is in a buy zone.

As expected, Qualcomm (**QCOM**) broke out of a 2-week base at $217 on Thursday on above-average volume. Friday's nominal pullback puts **QCOM** into a strong buy zone after finding support at its 5-day simple moving average.

Analog Devices (**ADI**) briefly hit our buy zone target of $240 on Wednesday before pulling back. In turn, the MACD posted a negative crossover (black line down through the red).

While this is in no way a sell signal, it does point to the possibility of further sideways price action as the stock digests its sharp advance after earnings 3 weeks ago. We would be a buyer on a close back above its 10-day moving average at $235.

ASML Holding (**ASML**) experienced very similar price action with a 3 ½ month base breakout on Wednesday that was followed by a pullback into Friday's close. A close back above its 10-day moving average in the $1027 range would put **ASML** into a buy zone.

This week we are adding Lam Research (**LRCX**) which posted a Wednesday base breakout on heavy volume. The stock is a Semiconductor Equipment provider and their equipment is viewed as instrumental in the production of AI-related chips. **LRCX** is in a buy zone as it closed the week at its upward-trending 5-day moving average.

We are also adding Arista Networks (**ANET**) to our Suggested Holdings List after a Thursday rally pushed the stock out of a 1-month base breakout on above-average volume.

The gain followed a price target upgrade from Morgan Stanley due to **ANET's** strong position in the data center networking market, with clients that include Microsoft and Meta. The stock is in a buy zone.

Software stocks regained their uptrend on Wednesday with a closed back above the 50-day simple moving average. (using IGV)

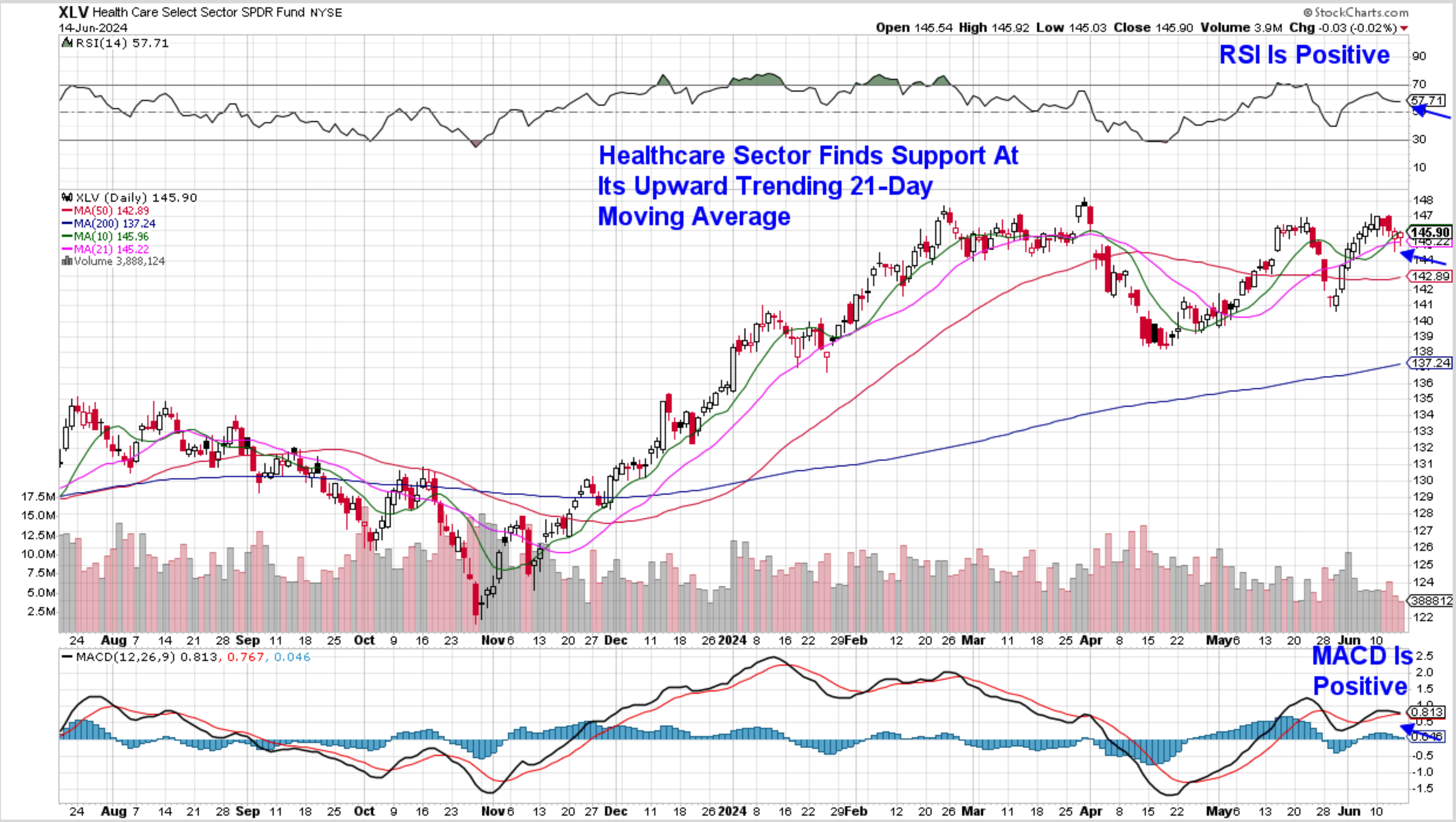
Crowdstrike (**CRWD**) from our long-term buy and hold list, was added to our Suggested Holdings List on Wednesday after the bullish move in the Software group provided conviction that the stock would trade higher.

CRWD jumped earlier in the week after it was announced that the stock will be added to the S&P 500 Index. **CRWD** can be bought in the $385 range at its 5-day moving average.

While we are positive on the prospects for the Technology sector, last week's 5.5% rally has put the RSI into an overbought position on the daily chart with the MACD in the upper portion of its range. In addition, the sector is now 9.5% above its key 50-day moving average. (using XLK)

We have seen similar exuberance for this sector during the Internet-led rally in 1999 - 2000 with the sector getting as high as 18% above its 50-day moving average. Pullbacks out of an overbought position during this time were initially signaled by a MACD crossover. We will continue to monitor for this possibility.

Daily Chart of the Health Care Sector (XLV)



[Healthcare Sector Remains In An Uptrend]

The Healthcare sector ended the week down slightly however, its near-term uptrend remains in place as it closed the week above each of its shorter-term moving averages with both the RSI and MACD in positive territory.

Among stocks on our Suggested Holdings list, Eli Lilly (**LLY**) was the top performer with a 3.5% gain that followed news on Monday that the company's Alzheimer's drug was endorsed by an FDA panel.

As noted last Sunday, analysts expected the drug to be approved and we noted **LLY** as being in a buy zone as it found support at its upward-trending 5-day moving average. The stock remains in a buy zone with similar characteristics this week as well. The stock can be bought in the $873 range.

Eli Lilly received additional positive news this week, as it was revealed that its Zepbound weight loss drug could help reduce cravings for alcohol and thus be part of a treatment plan for alcoholism.

Zepbound was also cited as helping heart disease and sleep apnea. Each of these discoveries is expected to increase the drug's demand among men, who until now had made up only 10% of their customer base.

Intuitive Surgical (**ISRG**) is in a strong buy zone after a close back above its 5-day moving average at $423. The stock is rallying following FDA clearance of revised labeling on their DaVinci robotic surgical system to a more favorable stance earlier this month.

Boston Scientific (**BSX**) is in a strong buy zone after pulling back to its 10-day moving average on light volume last week. The price action took place amid a lack of news however as cited in recent reports, demand for their medical products relating to surgeries has analysts raising their estimates as the company continues to expand their market share globally.

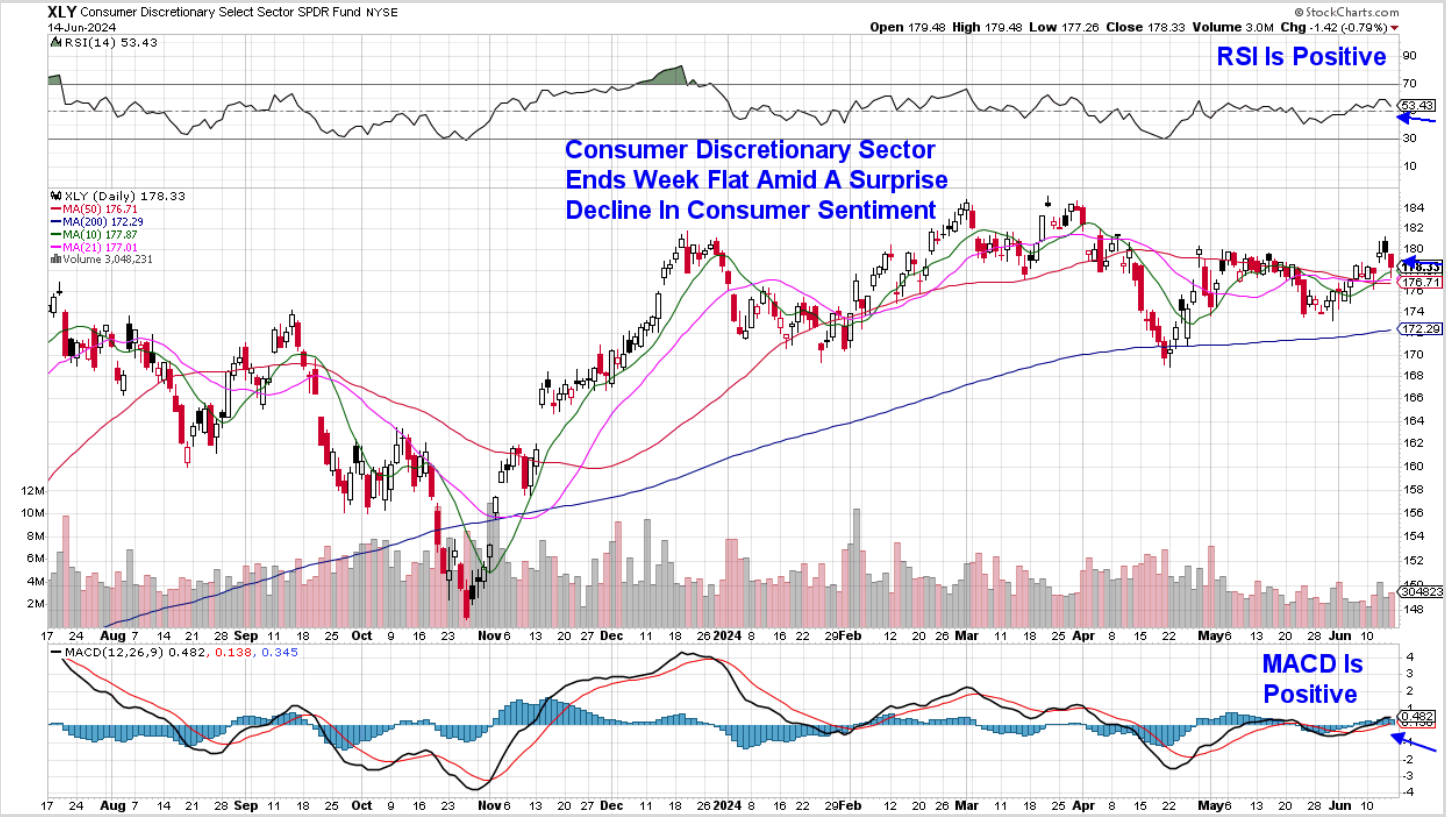
Vertex (**VRTX**) is in a buy zone after recovering from an early week pullback to close the week back above its 5-day simple moving average.

As noted last Sunday, we are using the January period as guidance and were on the lookout for a possible negative MACD crossover similar to late January which preceded a negative RSI - and a significant pullback.

VRTX's late-week rally helped the stock avert this negative MACD crossover and regain its uptrend. The stock's recent advance has been in response to management's positive outlook regarding the growth prospects for their non-addictive pain medicine.

The MEMEdge
WEEKLY REPORT

Daily Chart of the Consumer Discretionary Sector (XLY)



[Consumer Discretionary Sector Ends The Week Flat]()

The Consumer Discretionary sector was poised to post a gain last week before Friday's release of a drop in Consumer Confidence pushed retailers as well as other consumer-facing stocks lower.

Elsewhere in this sector, Home Builders and Home Improvement Retailers posted a gain amid a drop in interest rates, which is anticipated to increase home sales. Both groups remain in a downtrend however.

While Restaurant stocks overall were flat for the week, Chipotle (**CMG**) posted a 3.5% gain after 2 major Wall Street price target upgrades on Thursday due to an increased sales outlook. A Thursday rally pushed the stock out of a 5-week base on heavy volume which puts **CMG** into a strong buy zone. The stock also posted a bullish MACD crossover.

Heavyweight stock Amazon (**AMZN**) pulled back for the week in a move that put the stock at its 50-day moving average with the RSI hovering near neutral. The above-average volume on selling last week has us not being a buyer at this time.

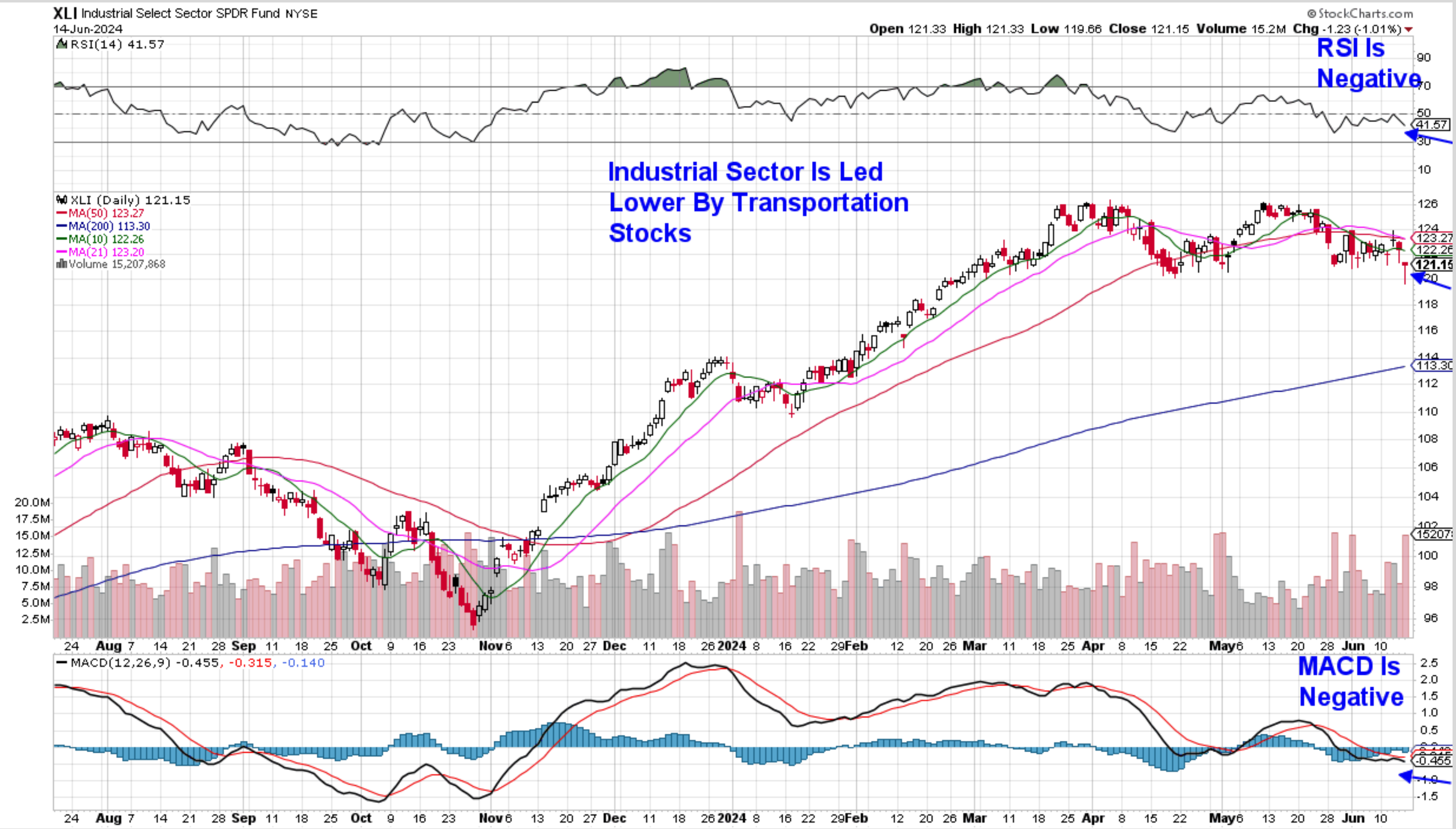
Instead, we are on the lookout for a rally similar to other periods where high-volume buying pushed the stock into a confirmed uptrend. Among Magnificent Seven stocks, we would underweight **AMZN** at this time.

Deckers (**DECK**) pulled back 2% on light volume amid a lack of substantial news. The pullback is similar to late December of last year, when the stock pulled back which allowed the RSI to trend lower from an overbought condition on the daily chart.

We would be a buyer on a close back above its 10-day moving average in the $1055 range.

Next Tuesday before the markets open, Retail Sales numbers for May will be released. The data will be closely watched after Friday's weaker-than-expected Consumer Confidence numbers have investors concerned that elevated inflation has consumers tightening their spending habits.

Daily Chart of the Industrial Sector (XLI)



[Industrial Sector Remains In A Downtrend]

The Industrial sector struggled again last week due to a decline in Transportation stocks as Airlines, Rail, and Marine-related names fell. A decline in Transports highlights fears of a slowdown in the economy, as a reduced need to transport goods is a sign that consumers are reducing their spending.

Consumer spending accounts for 2/3rds of the GDP and is an important part of the U.S. economy.

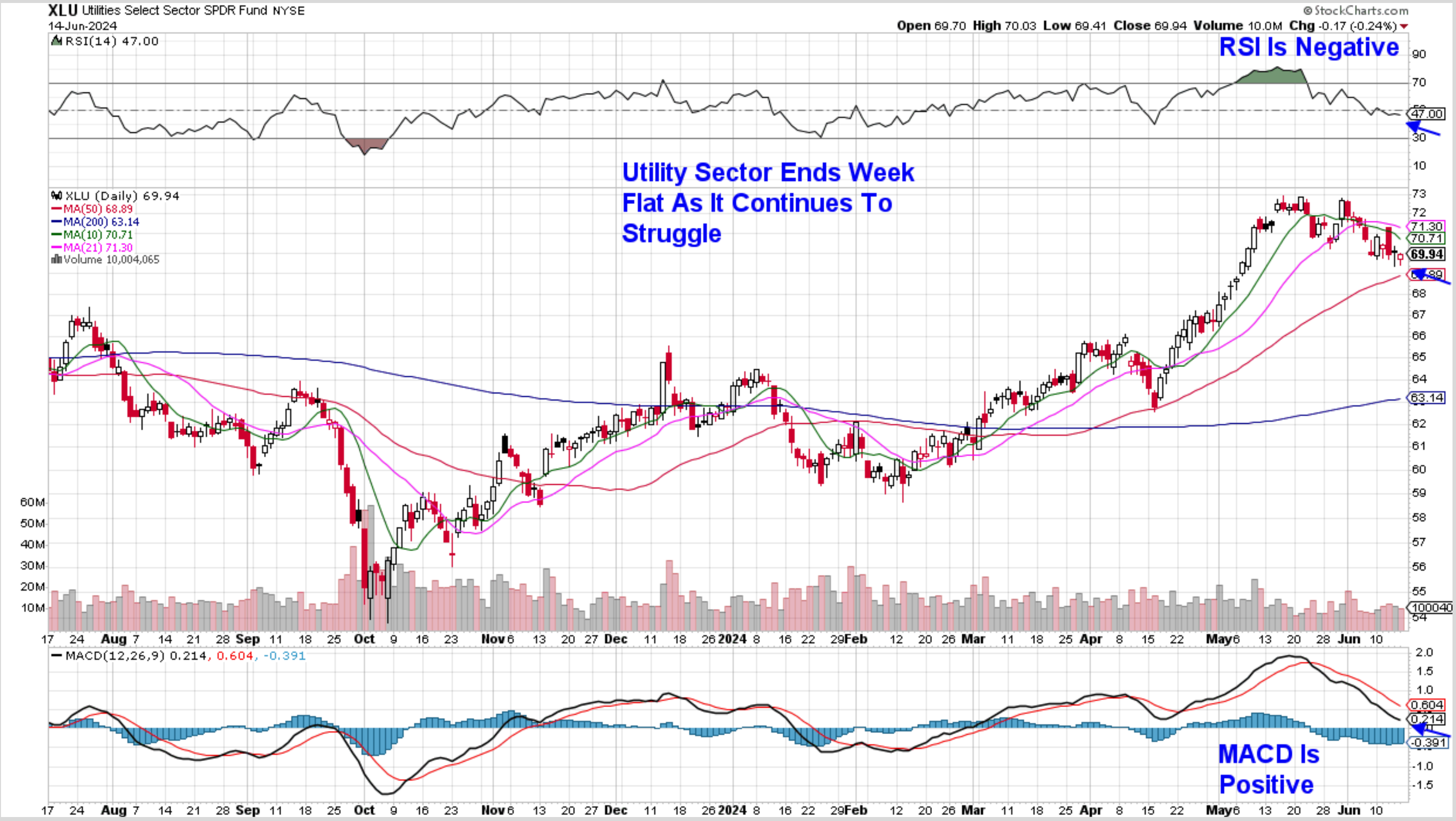
Each of the stocks from this sector on our list outperformed led by FTAI Aviation (**FTAI**) which pulled back from a Wednesday high in price. The stock exhibited bullish price action on Friday as buyers came in after it dipped below its 10 and 21-day simple moving averages. **FTAI** closed at the upper portion of its trading range which puts the stock into a strong buy zone.

Quanta Services (**PWR**) posted similarly positive price action after closing back above its 10 and 21-day simple moving averages on Friday in the upper reaches of its daily price range. **PWR** is in a strong buy zone.

Fluor (**FLR**) provides global construction services to companies such as Microsoft (**MSFT**) who are building data centers overseas. The stock remains in a confirmed uptrend and is in a buy zone.

Eaton (**ETN**) from our Long Term Buy and Hold List, closed the week back below its 50-day moving average with a negative RSI and MACD. The weekly chart remains constructive however, and longer-term investors can remain with the stock.

Daily Chart of the Utilities Sector (XLU)



[Utility Sector Is Flat For The Week]()

Utility stocks trended sideways following a sharp selloff the prior week. As noted last Sunday, both Duke (**DUK**) and Southern (**SO**) were outperformers as they pulled back much less than their peers. Both stocks have been cited as potential beneficiaries of the need for electricity to power data centers as AI adoption takes hold.

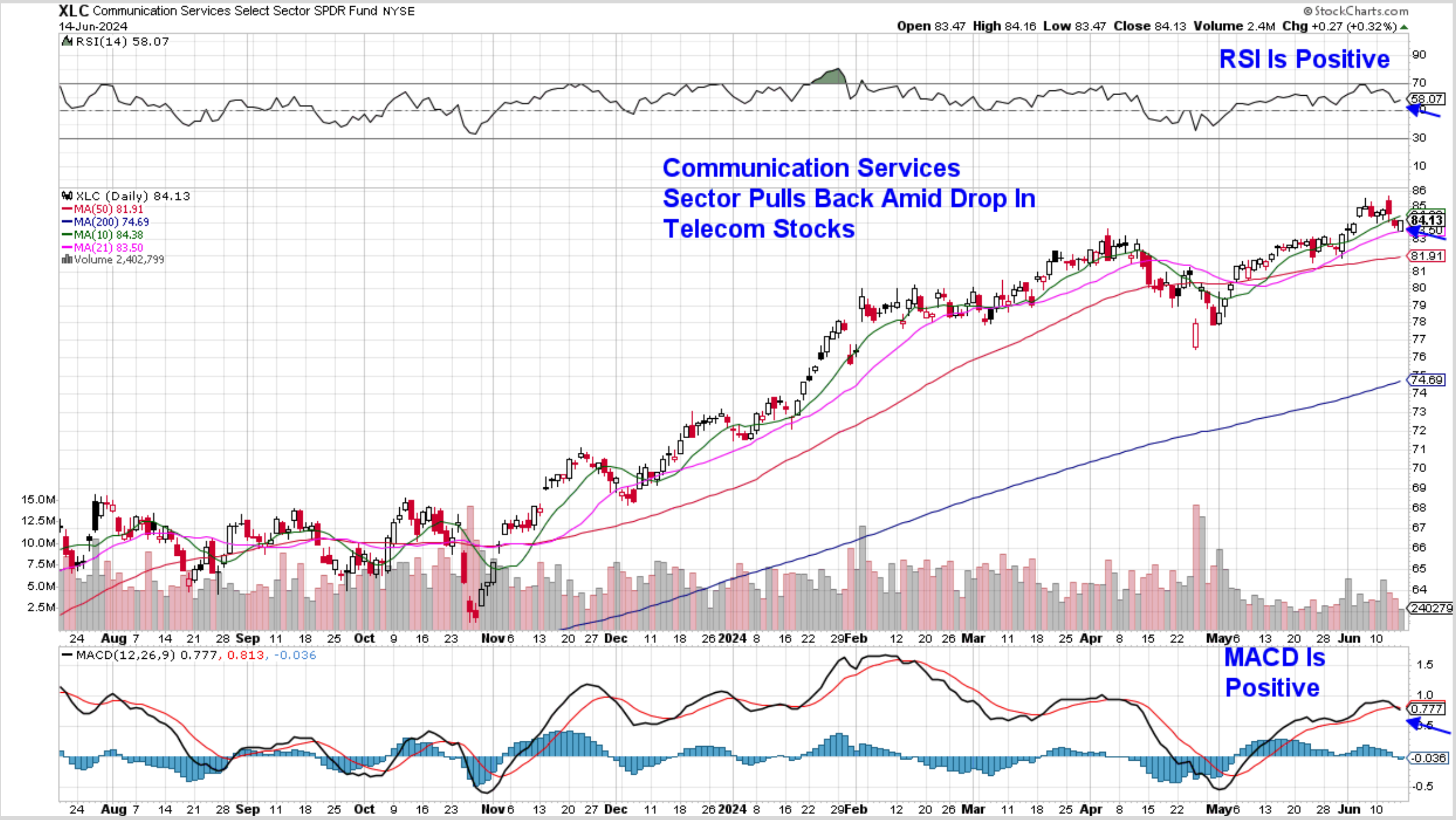
SO remains below its 5 and 10-day moving averages however, the stock closed in the upper portion of its trading range on Tuesday through Friday. This is generally bullish behavior and with the RSI and MACD in positive territory, we are on the lookout for a close above $79 - at its 10-day mav - as a buy point. Until then, the stock can be held.

DUK is in a similar position however, its daily price action has not been quite as constructive. A close above its 10-day moving average at $103 would put the stock into a buy zone.

Elsewhere in this sector, recently high momentum stocks that were bid higher due to their ability to transport needed electricity and possibly natural gas for AI-related activity, were top performers last week. This would include Constellation Energy (**CEG**) and Vistra (**VST**).

Their rallies last week are in line with renewed interest elsewhere for stocks that have rising growth prospects due to the growth of artificial intelligence (AI).

Daily Chart of the Communication Services Sector (XLC)



[Communication Services Sector Trades Mostly Sideways]()

Internet-related stocks such as Meta Platforms (**META**) and Alphabet (**GOOGL**) outperformed their peers last week with both stocks closing the week above their shorter-term moving averages and in a buy zone.

META posted a downtrend reversal the prior week, after a Wall Street upgrade due to the company's quick moves to capitalize on AI while also continuing to build out the infrastructure needed to succeed. **META's** relatively cheap valuation was also mentioned.

We were on the lookout for a further advance above its 50-day moving average to increase our confidence in the new uptrend and this did take place. **META** is in a buy zone as it moves closer to a possible 2-month base breakout at the $532 level.

As mentioned last week, **GOOGL's** downward-sloping MACD points to a lack of upside momentum near term, which remains the case. While the stock posted a Wednesday base breakout, the stock pulled back into the close for the week.

GOOGL closed the week above its shorter-term moving averages however, we are on the lookout for a bullish momentum shift similar to January which was signaled by a positive MACD crossover. The stock is in a buy zone in anticipation of this event.

Pinterest (**PINS**) is in a buy zone after closing the week at its $43 base breakout level with a positive RSI and MACD. The longer-term weekly chart is particularly constructive as the stock closed the week in the upper portion of its trading range with a positive MACD which has further upside potential.

Heavyweight stock Netflix (**NFLX**) broke out of a 1-month base on volume Friday. The move took place following a media report that shows higher subscriber engagement with the company's content.

NFLX tumbled after their earnings call in late April, as the company announced they will no longer be providing subscribership metrics. This new reporting approach gives more relevance to viewership information that's uncovered outside the firm. **NFLX** is in a buy zone.

Summary

The S&P 500 and Nasdaq hit new highs last week; however, their advance remained quite narrow for the second consecutive week. We have certainly seen prior periods where funds are funneled into select areas such as the big push into Internet stocks in 1999 into the beginning of 2000. For those on the lookout for a sharp bust in AI-related stocks similar to the 2000s internet-led crash, you may be disappointed.

While the U.S. economy is certainly showing some signs of slowing - which took place in Q3 of 2000 when the markets crashed - there is a key difference in Federal Reserve policy at this time.

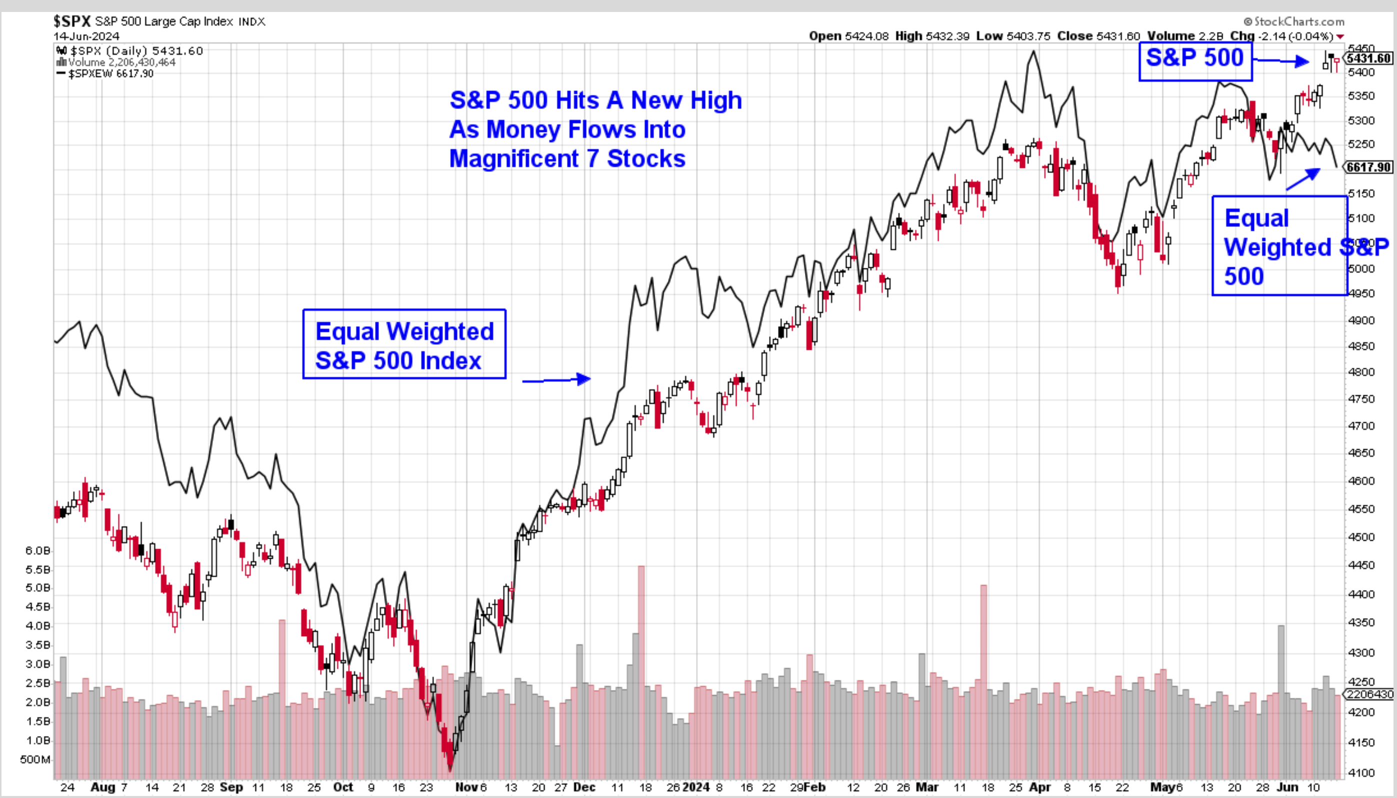
In particular, the Fed raised rates six times between June 1999 and May 2000 in an effort to cool the economy. At this time, the Federal Reserve is → projected to lower interest rates provided inflation continues to show signs of receding. Lower rates are constructive for growth stocks.

Another key difference between the internet-led rally in 1999 and today's AI-fueled rally is that companies are actually reporting growth of earnings and sales due to AI demand. Many of the winners in 1999 were based on speculation with a number of companies having long gone out of business.

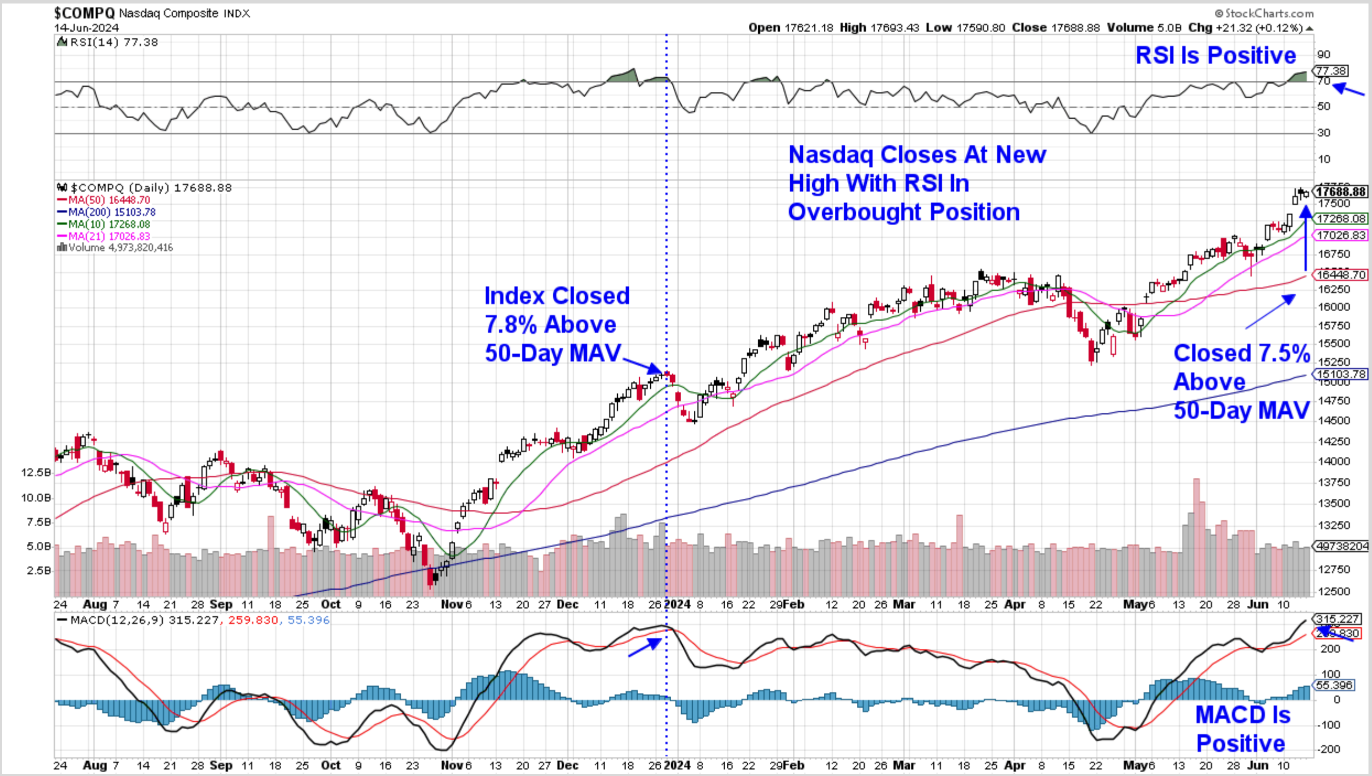
This does not mean that Technology and other AI-focused stocks will endlessly trade higher but rather, that the push into these areas has validity. We will continue to focus on these stocks and monitor their progress with an eye toward interest rates as a guide.

Charts We Are Watching:

S&P 500 Index vs Equal Weighted S&P 500

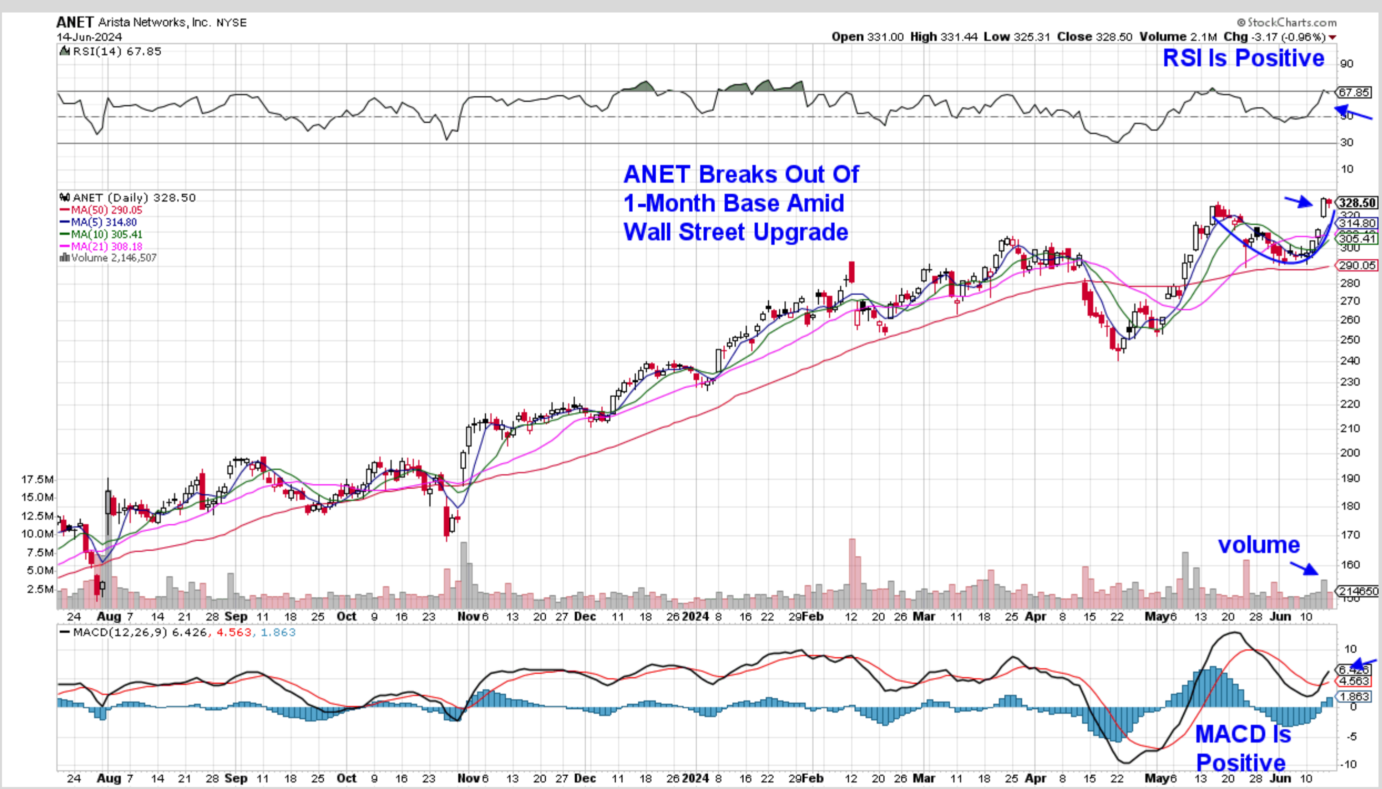


Daily Chart of Nasdaq Composite vs 50 Day Moving Average

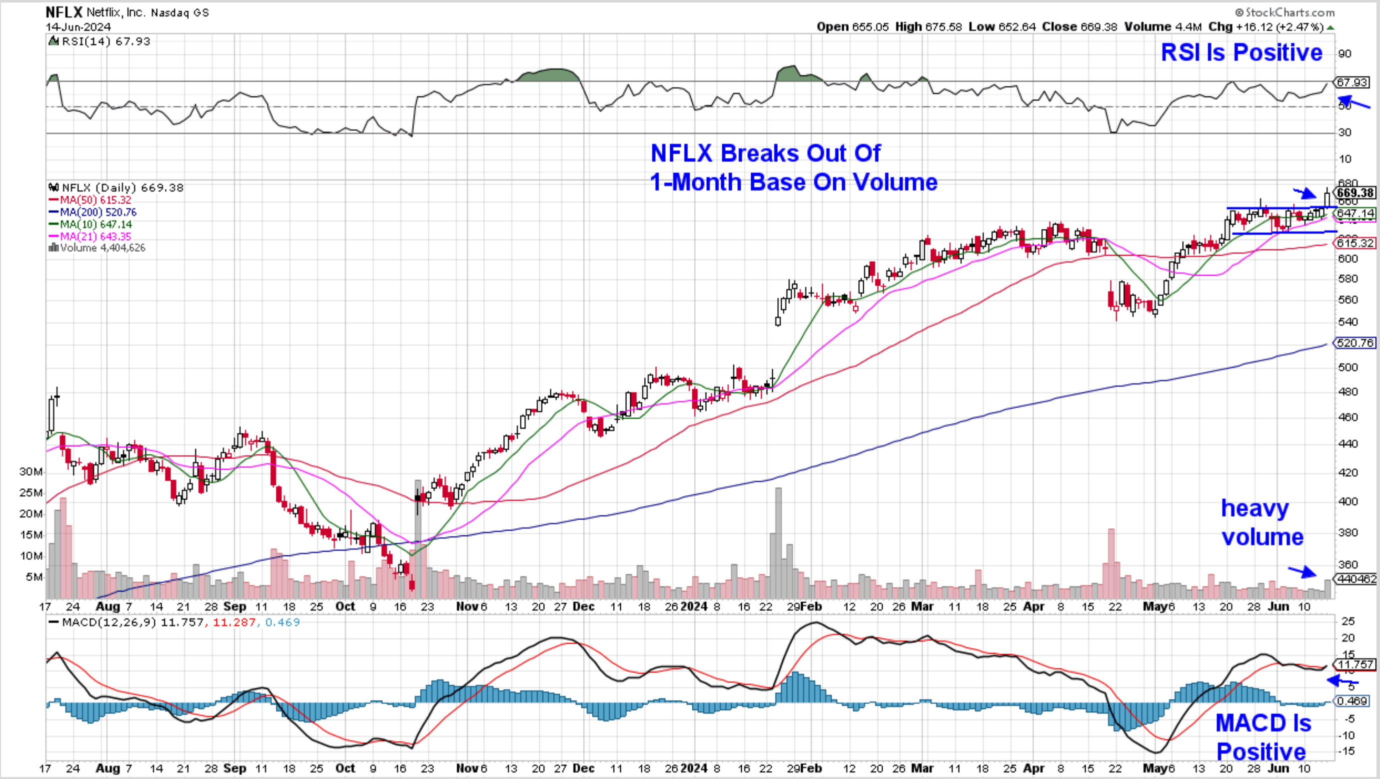


New Idea Charts

Daily Chart of Arista Networks, Inc. (ANET)



Daily Chart of Netflix, Inc. (NFLX)



Daily Chart of Lam Research Corp. (LRCX)

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	EARNINGS DUE
CONSUMER DISCRETIONARY					
AMZN	Amazon	$186.20	5/5/2024	-0.5%	1-Aug
CMG	Chipotle	$3,169.00	6/9/2024	3.5%	24-Jul
DECK	Deckers Outdoor	$1,033.30	5/27/2024	0.0%	25-Jul
UTILITY					
DUK	Duke Energy	$99.30	5/1/2024	5.0%	6-Aug
SO	Southern Company	$77.60	5/8/2024	1.0%	8-Aug
INDUSTRIAL					
FLR	Fluor Corp.	$43.40	6/2/2024	3.0%	
FTAI	FTAI Aviation	$58.00	3/17/2024	43.5%	24-Jul
PWR	Quanta Services	$271.50	5/12/2024	1.5%	1-Aug
HEALTHCARE					
BSX	Boston Scientific	$57.60	1/3/2024	32.0%	24-Jul
ISRG	Intuitive Surgical	$598.80	5/19/2024	7.0%	18-Jul
LLY	Eli Lilly	$820.30	6/2/2024	7.5%	
VRTX	Vertex Pharmaceuticals	$414.80	5/12/2024	12.5%	1-Aug
TECHNOLOGY					
ADI	Analog Devices	$234.50	6/2/2024	-1.5%	BUY ON CLOSE ABOVE MAV
ANET	Arista Networks	$328.50	6/16/2024		
ASML	ASML	$950.80	6/4/2024	-1.0%	BUY ON CLOSE ABOVE MAV
AVGO	Broadcom	$1,495.50	6/12/2024	15.50%	
CRWD	Crowdstrike	$387.40	6/12/2024	0.0%	
LRCX	Lam Research	$1,036.00	6/15/2024		
NVDA	Nvidia	$887.90	5/5/2024	42.0%	21-Aug
QCOM	Qualcomm	$179.60	5/5/2024	19.0%	1-Aug
COMMUNICATION SERVICES					
GOOGL	Alphabet Inc.	$156.61	4/10/2024	12.5%	23-Jul
META	Meta Platforms Inc.	$492.90	6/9/2024	2.5%	25-Jul
NFLX	Netflix	$669.40	6/16/2024		
PINS	Pinterest	$42.50	6/9/2024	-1.5%	

Longer Term Hold Candidates That Were Removed From Suggested Holdings List

SYMB	COMPANY NAME	CURRENT STATUS
AVGO	Broadcom	Earnings Due
CRWD	Crowdstrike	Hold
DELL	Dell Technologies	Hold
ETN	Eaton Corp. PLC	Hold
LRCX	Lam Research	Hold
MSFT	Microsoft	Hold
NVDA	Nvidia	
TOL	Toll Brothers	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.