



THE MEM EDGE

June 23, 2024 | Weekly Report

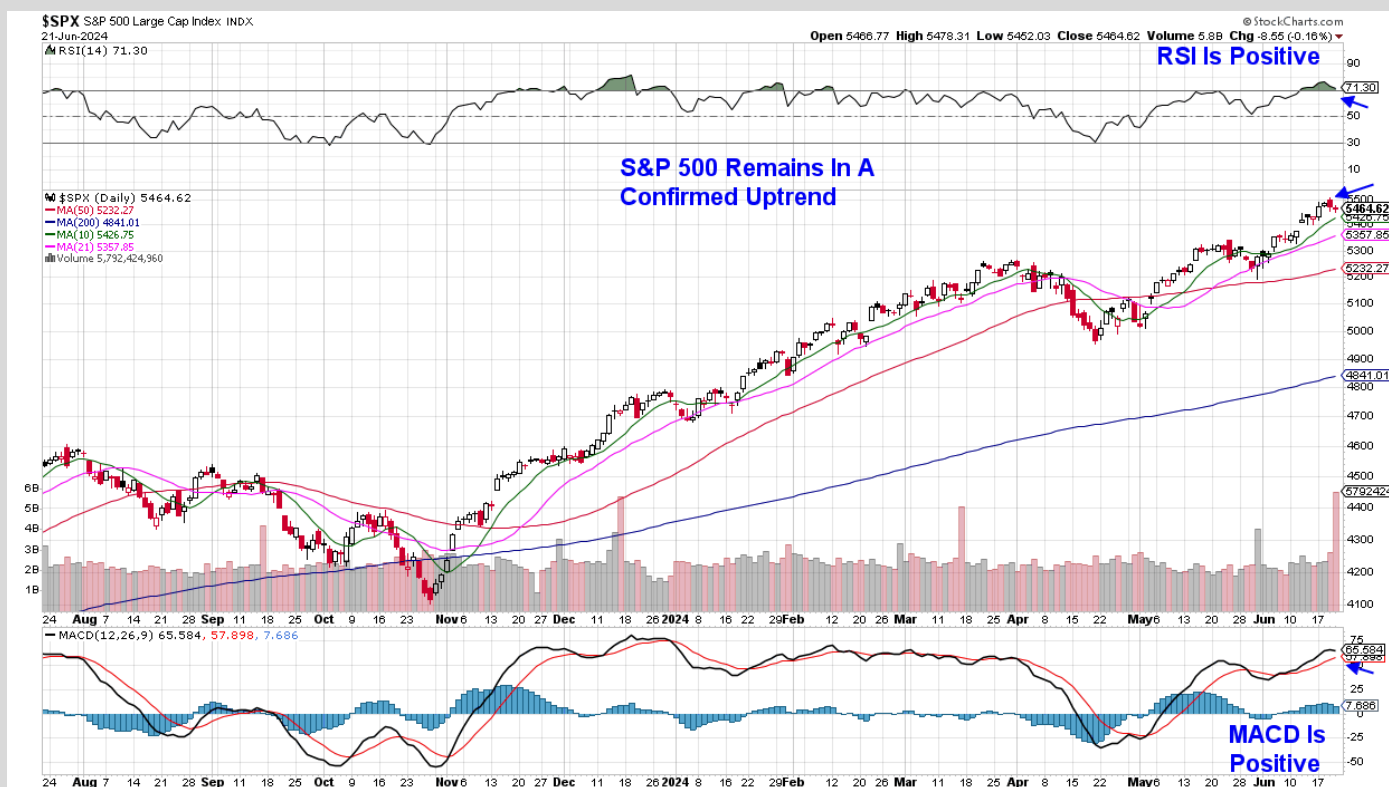
This Week's Highlights

- Retail Sales Rise Only Slightly In May
- Housing Starts Below Estimates While Existing Home Sales Fall Amid Rising Rates
- Jobs Market Continues To Cool
- S&P Services And Manufacturing Indexes Climb
- Industrial Production Sees Largest Increase In 10 Months

Notable Events Upcoming This Week

- Q1 GDP (2nd revision) Data Thursday And Core PCE Data Friday
- Rebalancing of Technology Sector (XLK) Before Market Opens Monday - NVDA up / Apple down

Daily Chart of S&P 500



The S&P 500 gained 0.6% last week in a move that pushed the S&P 500 to all-time highs before pulling back slightly on Friday. With the RSI and MACD in

positive territory, the near-term uptrend in this Index remains in place.

While the RSI is in an overbought position on both the daily and the weekly charts, it is averaging in the 72 range. Historically, a level closer to 80 is troublesome as it often precedes a pullback.

The NASDAQ was flat for the week amid a pullback in Semiconductor stocks such as heavyweight Nvidia (**NVDA**) which lost 4%. Apple (**AAPL**) and Meta Platforms (**META**) also underperformed as did other AI-related stocks that lost their luster as the week wore on.

Last week's pause in this tech-heavy Index helped reduce its distance from its 50-day moving average while also lowering the position of the RSI. This price action helps lessen its overbought condition.

As noted last week, a rise in interest rates coupled with a negative MACD crossover (black line down through the red) would have us concerned about the near-term prospects for the NASDAQ. At this time, interest rates remain flat while the MACD is moving closer to a possible negative crossover.

Next week could be pivotal for interest rates as the Federal Reserve's preferred gauge of inflation will be released on Friday before the markets open. Q1 GDP data will be released on Thursday as well, and any revision higher to this number could push rates higher.

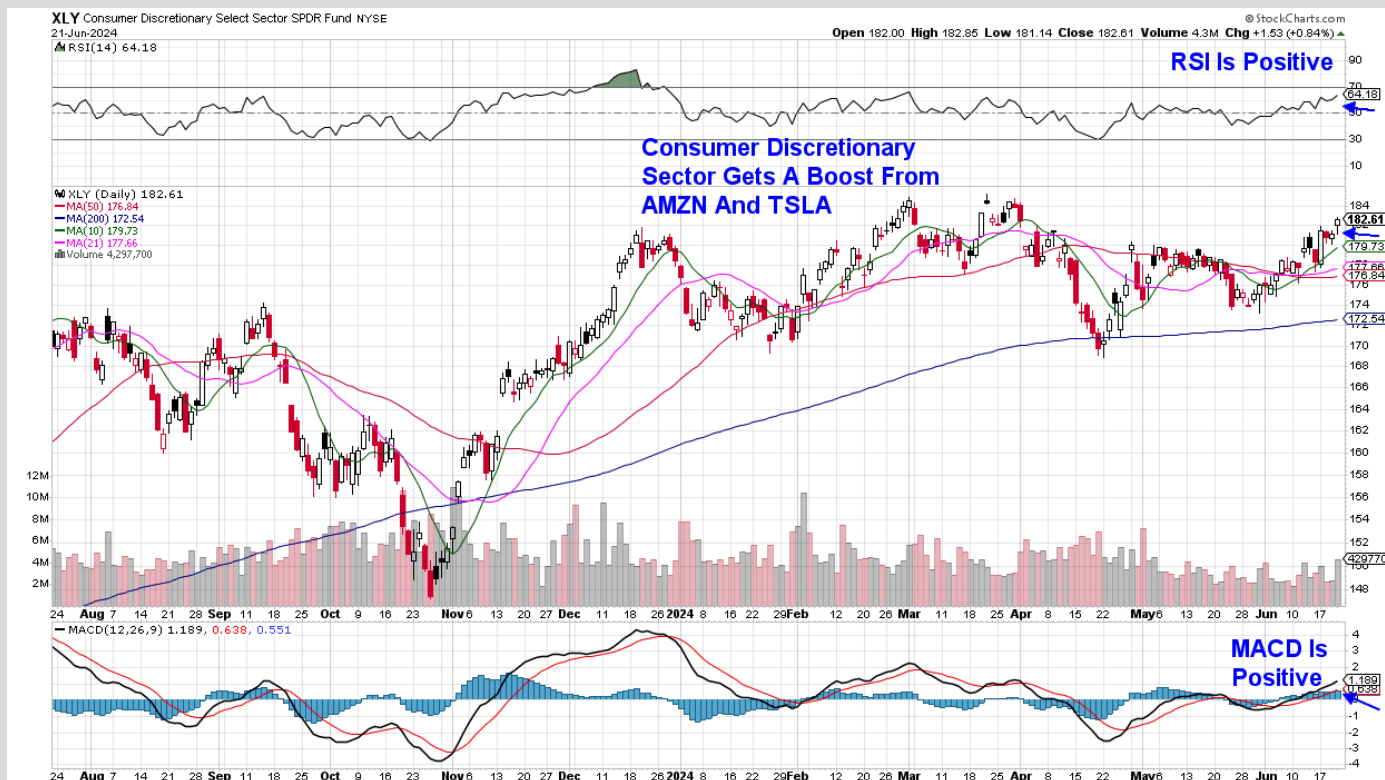
Concerns regarding a possible uptick in interest rates could explain the late-week move away from recently hot Tech names as Nvidia is now down 10% from its Thursday high.

Elsewhere in the markets, the Industrial sector (XLI) moved closer to regaining its uptrend, with a 1.5% rally that took place on the heels of strong Industrial Production data for July that showed the largest increase in 10 months.

Other economically sensitive areas also outperformed last week, such as Consumer Discretionary and Financials. In all, a majority of the sectors in the S&P 500 outperformed in a move that had the equal-weighted version of this Index outperforming.

A broadening out of participation in the markets is good news, as it helps bolster the possibility of a continuation of the current uptrend.

Daily Chart of the Consumer Discretionary Sector (XLY)



Consumer Discretionary Sector Is Top Performing

Consumer Discretionary stocks gained 2.4%, led by outperformance in both Amazon (**AMZN**) and Tesla (**TSLA**).

AMZN gapped up in price on Friday amid news that they are considering a monthly fee for their revamped Alexa with AI. The stock is in a strong buy zone and can be bought on any pullback to the \$185 range at its 5-day simple moving average.

Chipotle (**CMG**) had a tough week after the stock lost 6% on Thursday after the US Department of Agriculture suspended avocado imports from Mexico due to security issues.

CMG pulled back to its 21-day moving average where it found support while the RSI remains in positive territory. The issue was resolved late Friday and we anticipate the stock to rebound. A close

back above its 10-day simple moving average at the \$3235 level would put Chipotle in a strong buy zone.

Deckers (**DECK**) is continuing to trend lower as it is finding upside resistance at its shorter-term moving averages. Last week, the RSI turned negative on the daily chart which has us removing the stock from our Suggested Holdings list. Long-term investors can stay with the stock, as the weekly chart remains constructive.

This week, we are adding Hilton (**HLT**) to our suggested Holdings List after the company posted a 4-month-based breakout on heavy volume. The breakout took place amid analyst upgrades to **HLT's** earnings growth for both this year and next after they announced an expansion plan that will double the number of their "lifestyle" hotels over the next four years.

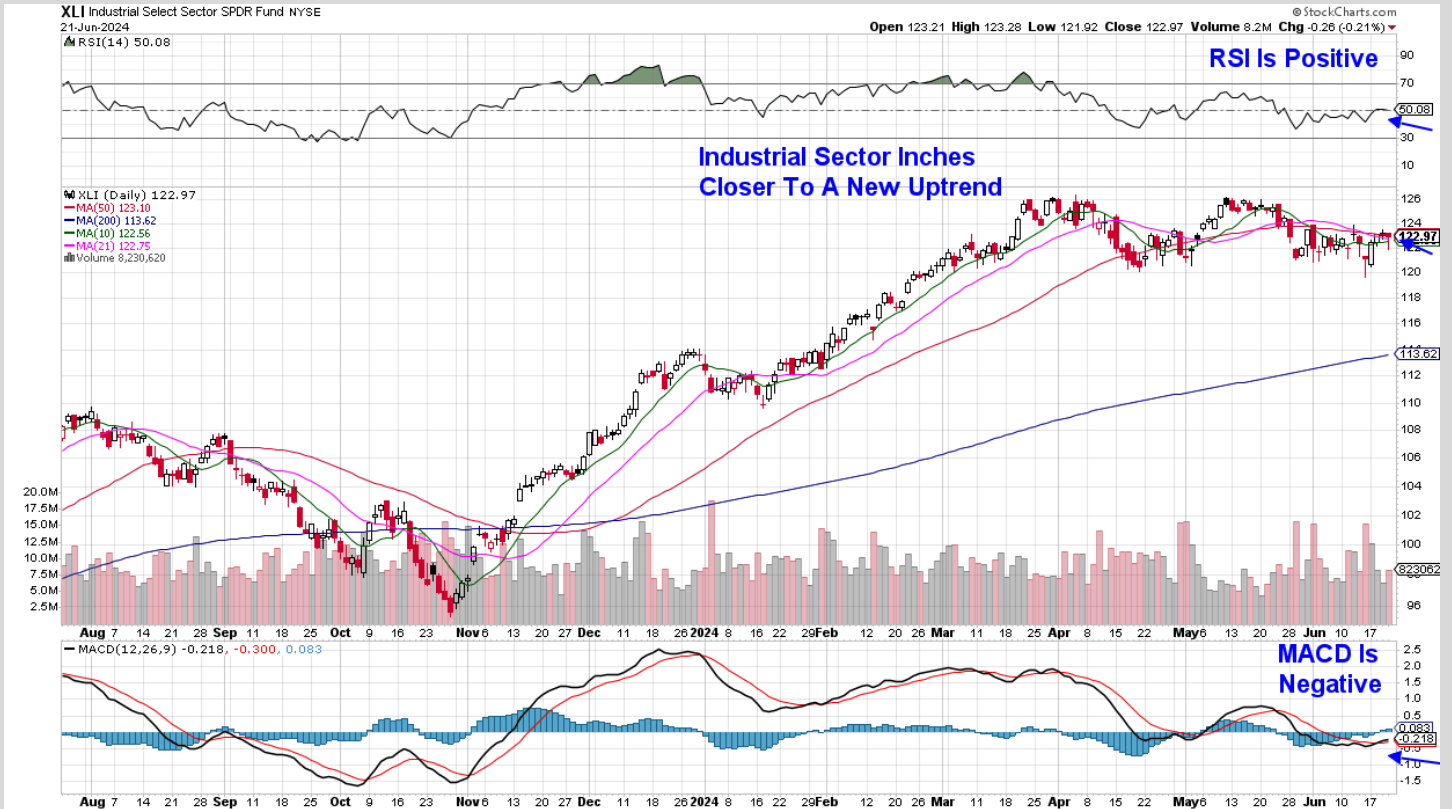
HLT is in a buy zone.

We anticipate adding additional stocks from this sector over the near term.

Last week, Home Construction stocks pulled back amid weaker-than-expected home sales data due to high interest rates. (using XHB). Overall however, there was vibrancy in this sector last week as many down-and-out Retail names such as Nike (**NKE**) rallied due to low valuations and an improving outlook. **NKE** is due to report their earnings next week.



Daily Chart of the Industrial Sector (XLI)



Industrial Sector On Verge Of Regaining Uptrend

Industrial stocks outperformed following the release of Industrial Production numbers earlier in the week that showed activity had increased the most in 10 months.

Among the stocks on our list, FTAI Aviation (**FTAI**) continues to shine with a 10% gain that puts the stock at a new high in price. Demand for their aircraft engine components remains strong and the stock is in a buy zone amid a confirmed uptrend.

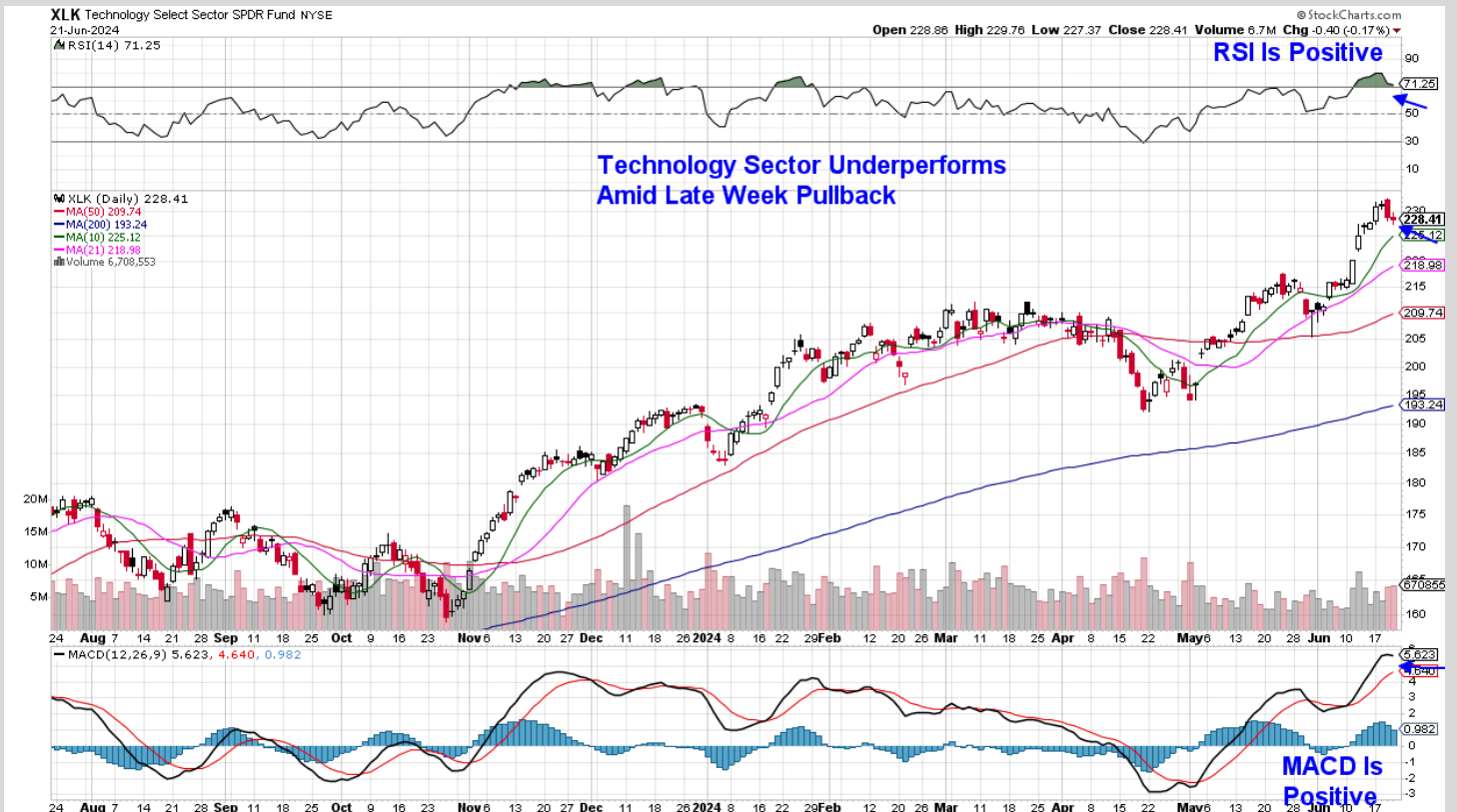
Heavy construction company Fluor (**FLR**) gained 1% last week amid news that they were awarded a large operating contract. While the stock is in a buy zone, the MACD on the daily chart is poised to post a negative crossover which would signal that the near-term upside momentum has subsided. We would add lightly to any position at this time.

Quanta Services (**PWR**) has been trading sideways after hitting a new high in late May. The stock did post a bullish candle on Friday after closing the day at the upper reaches of its trading range. We would be a buyer on a close above its 10-day moving average in the \$276 range.

This week, we are adding Honeywell International (**HON**) to our Suggested Holdings List after last week's 6-month base breakout on heavy volume. On Thursday, the company announced a deal to purchase a company that will help them upgrade their defense programs and improve their revenue streams.

HON can be bought on a pullback to its 5-day moving average in the \$215 range.

Daily Chart of the Technology Sector (XLK)



Technology Sector Has Late Week Pullback

The Tech sector hit another new high before Wednesday's holiday. However, a pullback on Thursday that was led by Nvidia and other AI-related stocks had this sector closing the week flat.

Nvidia (**NVDA**) posted a 4% pullback for the week with a close below its key 10-day simple moving average. The high volume selling took place despite news that the Technology sector will be rebalancing their top holdings so that Nvidia will account for 20% of this sector.

The Tech sector ETF (XLK) rebalancing will take place before the market opens on Monday and we may see a boost as ~79 million shares will be bought. For perspective, **NVDA** trades an average of 420 million shares per day.

Last week however, Thursday's reversal in **NVDA** after hitting a new high, was followed by further selling on Friday. The decline points to profit-taking given its recently sharp advance as the selling spilled over into other AI-related stocks - most notably Semiconductors.

As noted in the past, a negative MACD crossover has historically preceded further weakness for stocks and we are on the cusp of this taking place in **NVDA**. When coupled with a negative RSI, further weakness ensues.

Late March is the most recent occurrence of these negative signals where a negative MACD was followed by a negative RSI. The pullback took place amid a rising interest rate environment and **NVDA** pulled back 22.6%.

As cited at the time, longer-term investors were advised to use a weekly chart and stay with the stock, as the chart remained constructive.

NVDA can be held at this time and a close back above its 10-day moving average at \$127.5 would put it into a buy zone. Amid any further weakness however, the next area of possible support is its 21-day moving average which is 6.2% away.

A stop loss for shorter-term investors is advised while longer-term investors can stay with the stock and use the weekly chart as a guide.

Among other Semis on our list, Broadcom (**AVGO**) pulled back the most, with a 4.4% decline for the week. As you may recall, we are using late May of 2023 as a guide, where the stock spiked to a new high after earnings and then pulled back before trending sideways as it digested its large post-earnings gains.

At this time, we are on the lookout for **AVGO** to find support at its 10-day simple moving average at the \$1619 level which is 2% away. A close below this would be concerning, as the next area of possible support would be its 21-day moving average in the \$1500 range. We would wait to see **AVGO's** price action at its 10-day mav before adding to any position.

Qualcomm (**QCOM**) lost 1.3% for the week after a late-week reversal. The stock closed above its 21-day moving average which is in line with its March into April period where it pulled back with the group. **QCOM** would be in a buy zone after a close above its 10-day simple moving average at the \$215 level.

Analog Devices (**ADI**) continues to trade sideways with a lack of momentum that has us removing the

stock from our Suggested Holdings List while we focus on names with a more promising outlook.

This would include Lam Research (**LRCX**) which posted a 1.4% gain for the week with a close above its 10-day simple moving average. While this would put the stock into a buy zone, **LRCX's** status as an AI-related leader will make it susceptible to possible continued weakness in AI-related names.

We are neutral on the stock at this time and **LRCX** can be held.

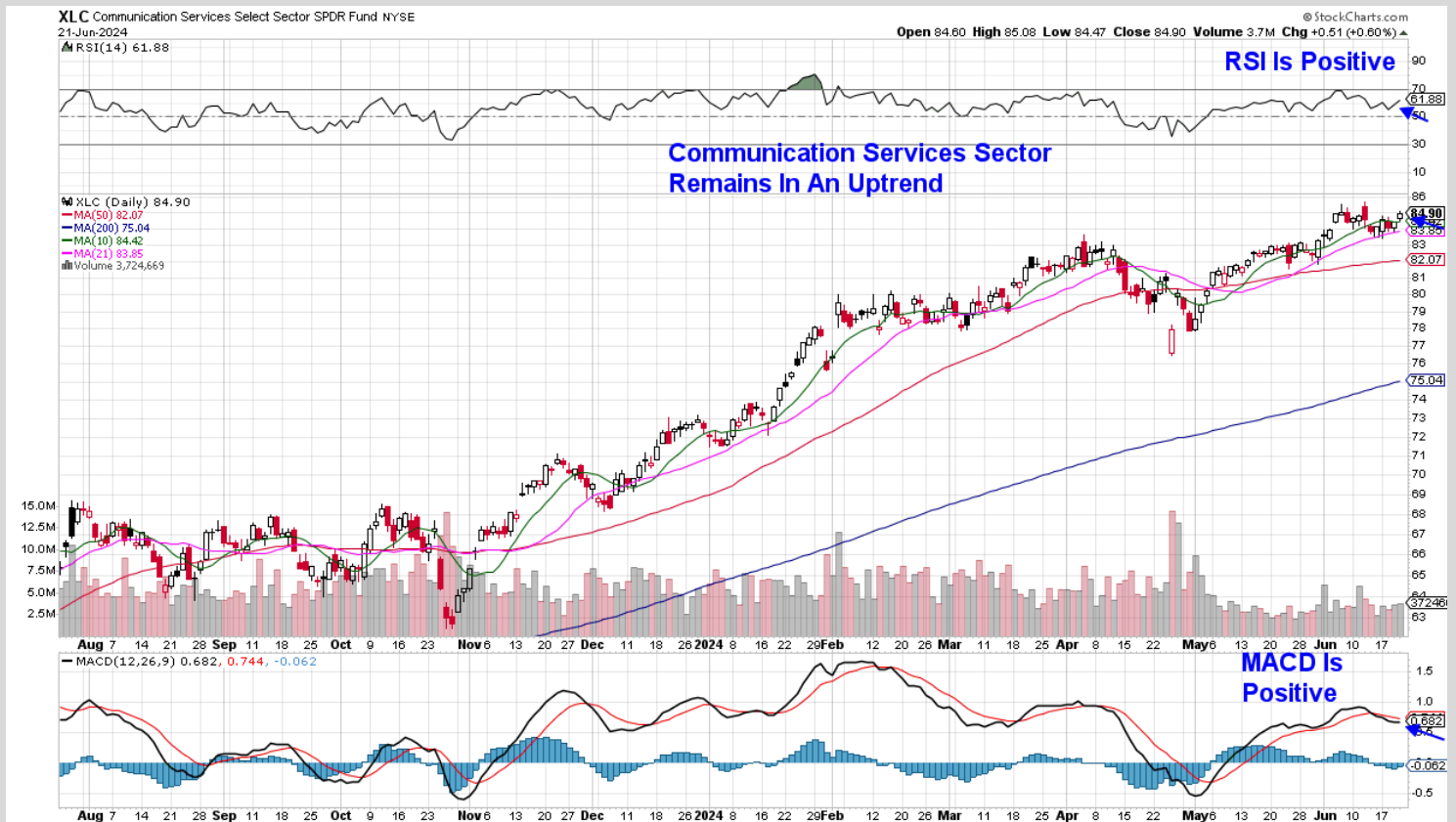
ASML Holding (**ASML**) gained 1% and closed the week with a bullish candle on Friday as buyers came in after its slight pullback. A close back above its 10-day moving average at \$1046 would put the stock into a buy zone.

Next week, Semiconductor-related company Micron (**MU**) is due to report their earnings on Wednesday after the markets close. The company's results and outlook historically impact Semiconductor stocks.

Not all AI-related stocks fared poorly last week as Arista Networks (**ANET**) closed the week with a 2.7% gain. On Friday, **ANET** bullishly closed in the upper reaches of its trading range after a pullback to its 5-day simple moving average. Buyers came in after a price target upgrade to \$380 from Bank of America. **ANET** is in a buy zone with caution, as we may see further weakness in recently strong AI-related names.

While Software stocks traded higher last week, AI-related names such as CrowdStrike (**CRWD**) pulled back 1.3% for the week. The stock is close to regaining its 10-day moving average which would put it into a buy zone.

Daily Chart of the Communications Services Sector (XLC)



Communication Services Sector Outperforms

The Communication Services sector was given a boost after outperformance in heavyweight names Alphabet (**GOOGL**) and Netflix (**NFLX**) from our Suggested Holdings List.

GOOGL broke out of a 1-month base on heavy volume Friday in a move that puts the stock into a buy zone. A positive MACD crossover would provide further confidence. (black line up through the red).

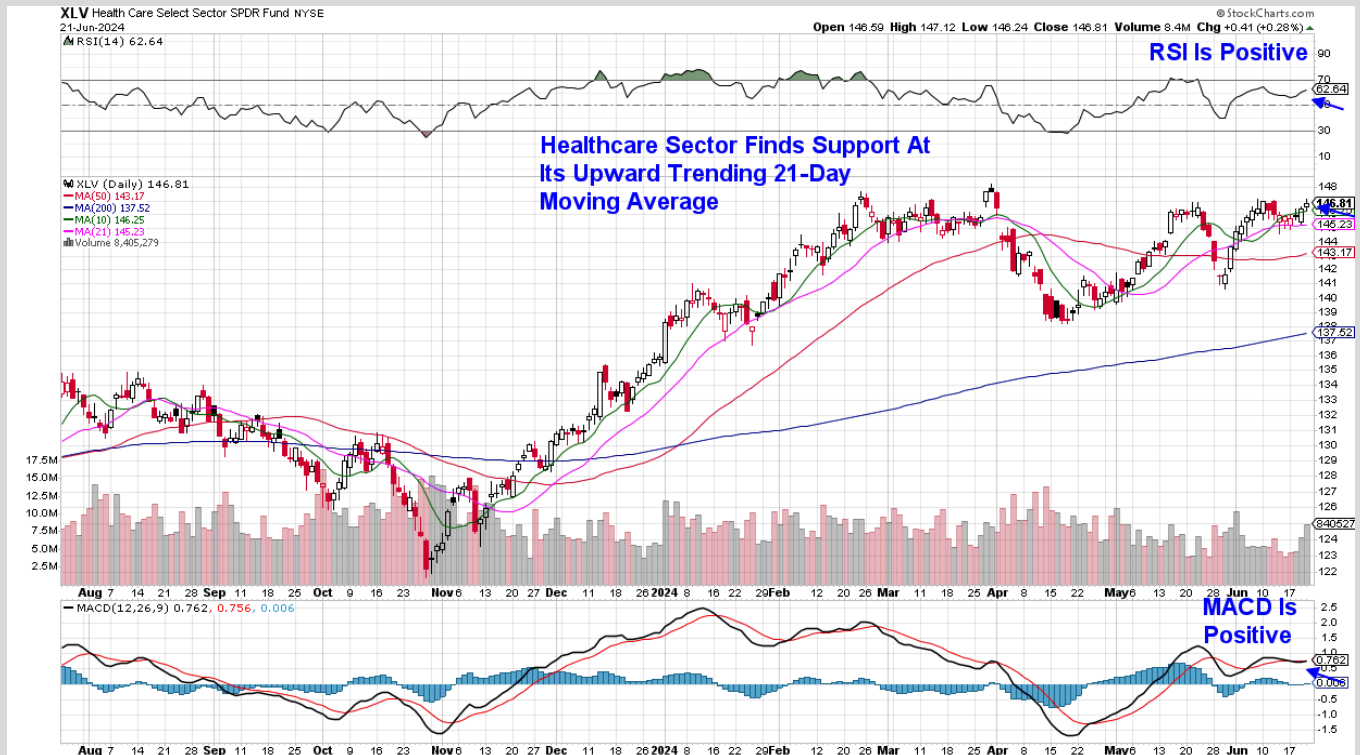
Netflix (**NFLX**) continues to trend higher following reports earlier this month that the company's media streaming service is experiencing increased viewership. The news has helped deflate uncertainty surrounding the company's decision to no longer provide subscribership information.

NFLX is in a buy zone as the stock continues to hug its upward-trending 5-day simple moving average.

Pinterest (**PINS**) pulled back after hitting a new high in price on Thursday and it ended the week flat. The momentum in **PINS** has been sideways over the past 2 weeks amid a lack of any news. Last week's flat performance took place on below-average volume which is generally good news. We would be a buyer on a close back above its 10-day simple moving average in the \$44 range.

The prior week's uptrend in Meta Platforms (**META**) did not carry into this week as it posted a 2% pullback which has the stock now creating a downward-sloping handle as part of a possible cup with handle base breakout. A close above \$514 on volume would signal this breakout and be quite bullish for **META**. Until then, the stock can be held.

Daily Chart of the Health Care Sector (XLV)



Healthcare Sector Remains In An Uptrend

The Healthcare sector traded in line with the broader markets in a move that keeps its uptrend firmly in place.

Among Medical stocks on our list, Boston Scientific (**BSX**) is in a very bullish position after closing the week back above its 10-day simple moving average. **BSX** had pulled back earlier in the week following news of their acquisition of Silk Road Medicine (**SILK**).

SILK develops a stroke prevention product that would tie in very well with **BSX's** existing medical products line. **BSX** is in a buy zone.

Intuitive Surgical (**ISRG**) also outperformed with a 1.6% gain that keeps the near-term uptrend very firmly in place. The stock is poised for further near-term upside as it finds support above its 5-day

moving average with the MACD trending higher as well. **ISRG** is in a buy zone.

Eli Lilly (**LLY**) traded sideways ahead of the release of their earnings late next month. The stock is in an overbought position after its healthy gains this month and is due a period of consolidation.

The MACD on the daily chart is poised for a negative crossover which would signal further consolidation however, a close above its recent high on Thursday of \$905 would put **LLY** into a buy zone. For now, the stock can be held.

Vertex (**VRTX**) pulled back last week despite positive news regarding clinical trials of their stem cell-derived therapy for diabetes. The stock found support at its 21-day moving average which is quite constructive. A close back above its 10-day moving average at \$476 would put **VRTX** into a strong buy zone.

Summary

Last week, some signs of tech exhaustion emerged amid a pullback in bellwether name Nvidia which is now down 10% from its Thursday peak in price. Other AI related names followed suit ahead of key inflation data that will be released on Friday before the markets open.

Any hint of higher inflation could easily derail tech and other growth stocks further after their big run ups.

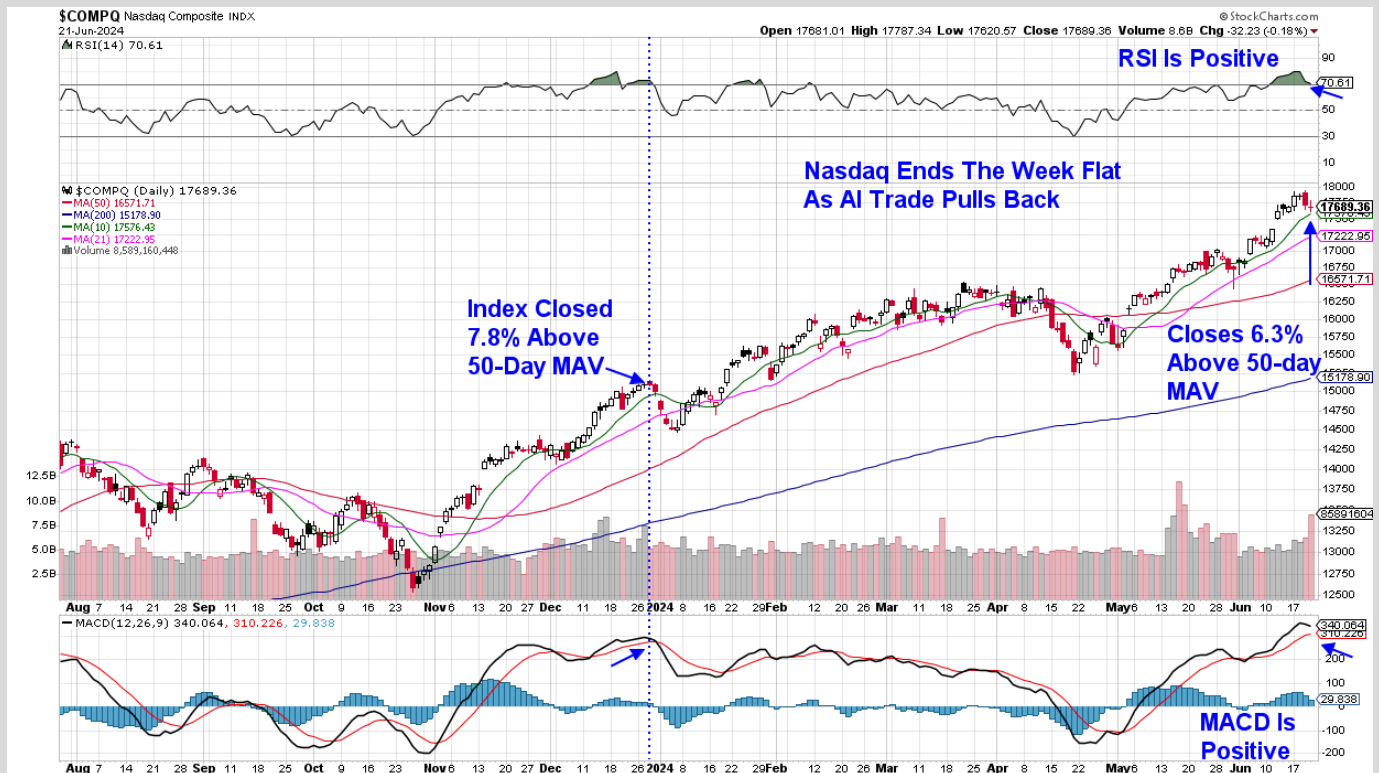
As is the case during periods when earnings reports are not dominating the headlines, volatility can →

increase due to the lack of conviction that reports of strong corporate growth can provide. We expect rotation - where riskier assets pull back while value stocks gain traction - to continue into next week.

Bigger picture, a bull case remains for the markets and in particular growth stocks - amid an expanding economy and a recently strong earnings season. At this time, we would keep new positions in growth stocks light until a clearer path toward lower interest rates is made.

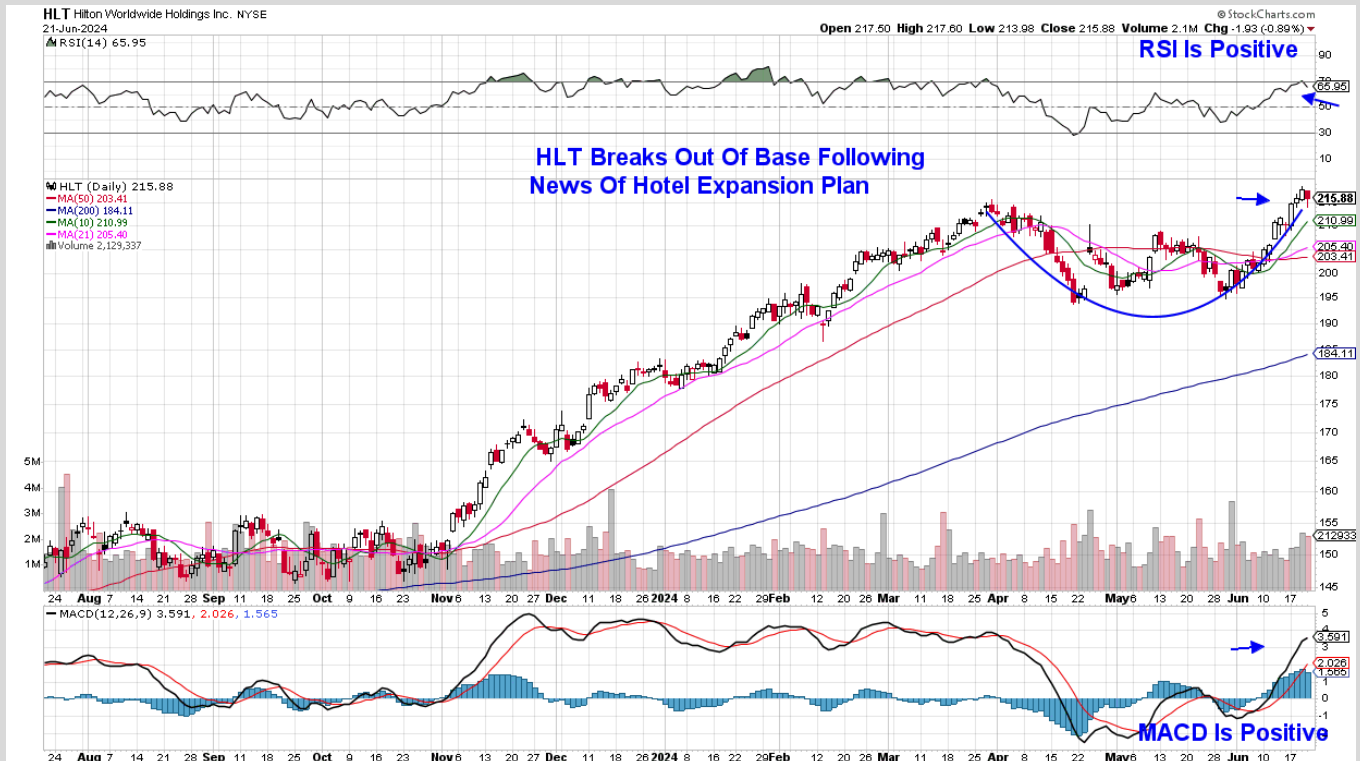
Charts We Are Watching:

Daily Chart of Nasdaq Composite vs 50 Day Moving Average

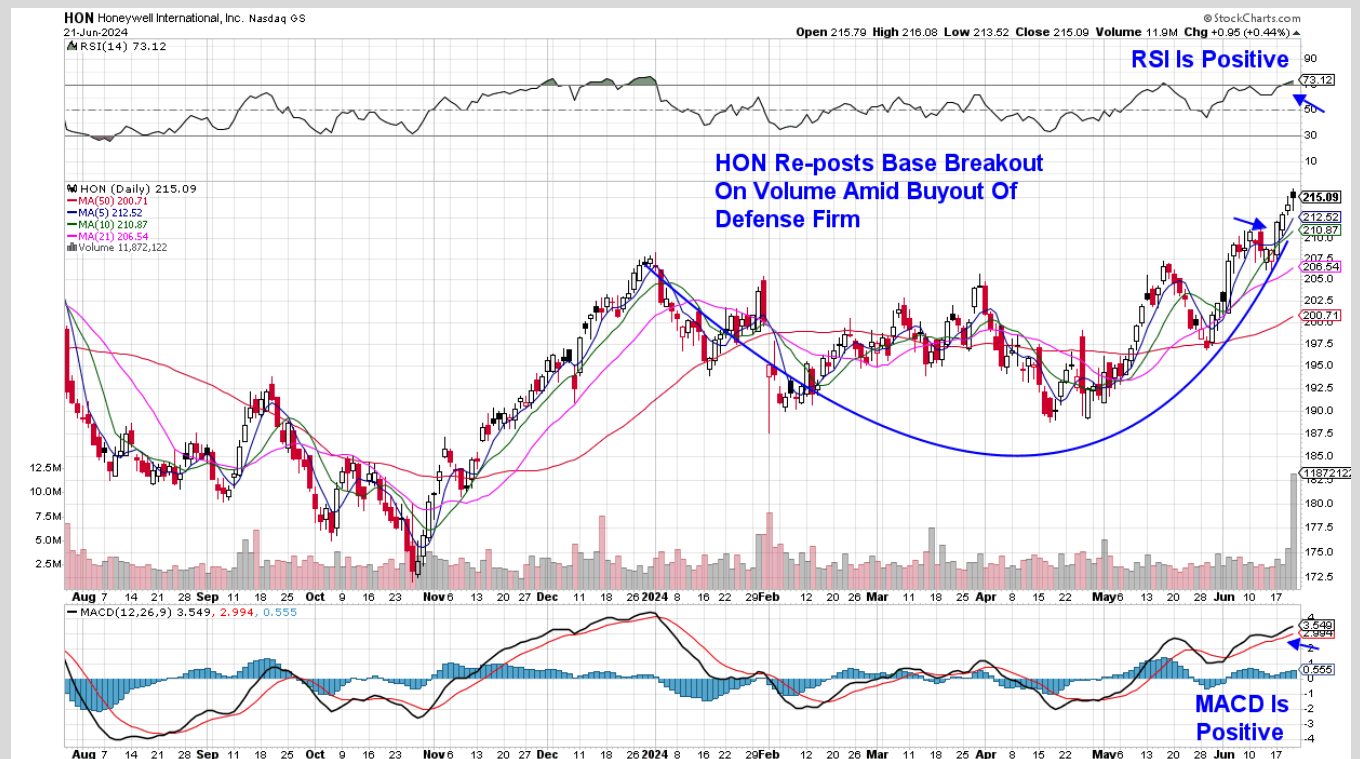


New Idea Charts:

Daily Chart of Hilton Worldwide Holdings Inc. (HLT)



Daily Chart of Honeywell International, Inc. (HON)



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	2.5%	1-Aug
CMG	Chipotle	\$3,169.00	6/9/2024	1.5%	24-Jul
DECK	Deckers Outdoor	\$1,033.30	5/27/2024	-4.0%	25-Jul
HLT	Hilton	\$215.90	6/22/2024		24-Jul

INDUSTRIAL					
FLR	Fluor Corp.	\$43.40	6/2/2024	4.0%	
FTAI	FTAI Aviation	\$58.00	3/17/2024	53.5%	24-Jul
HON	Honeywell International	\$215.40	6/23/2024		
PWR	Quanta Services	\$271.50	5/12/2024	2.0%	1-Aug

HEALTHCARE					
BSX	Boston Scientific	\$57.60	1/3/2024	33.0%	24-Jul
ISRG	Intuitive Surgical	\$598.80	5/19/2024	8.5%	18-Jul
LLY	Eli Lilly	\$820.30	6/2/2024	8.0%	
VRTX	Vertex Pharmaceuticals	\$414.80	5/12/2024	10.0%	1-Aug

TECHNOLOGY					
ADI	Analog Devices	\$234.50	6/2/2024	-1.5%	
ANET	Arista Networks	\$328.50	6/16/2024	3.0%	
ASML	ASML	\$950.80	6/4/2024	0.0%	
AVGO	Broadcom	\$1,495.50	6/12/2024	11.00%	
CRWD	CrowdStrike	\$387.40	6/12/2024	-1.0%	
LRCX	Lam Research	\$1,036.00	6/15/2024	1.5%	
NVDA	Nvidia	\$887.90	5/5/2024	38.0%	21-Aug
QCOM	Qualcomm	\$179.60	5/5/2024	18.0%	1-Aug

COMMUNICATION SERVICES					
GOOGL	Alphabet Inc.	\$156.61	4/10/2024	14.0%	23-Jul
META	Meta Platforms Inc.	\$492.90	6/9/2024	0.5%	25-Jul
NFLX	Netflix	\$669.40	6/16/2024	2.5%	
PINS	Pinterest	\$42.50	6/9/2024	-1.0%	

Longer Term Hold Candidates That Were Removed From Suggested Holdings List

SYMB	COMPANY NAME	CURRENT STATUS
AVGO	Broadcom	Hold
CRWD	CrowdStrike	Hold
DELL	Dell Technologies	Hold
ETN	Eaton Corp. PLC	Hold
LRCX	Lam Research	Hold
MSFT	Microsoft	Hold
NVDA	Nvidia	Hold
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.

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