



# THE MEM EDGE

June 30, 2024 | Weekly Report

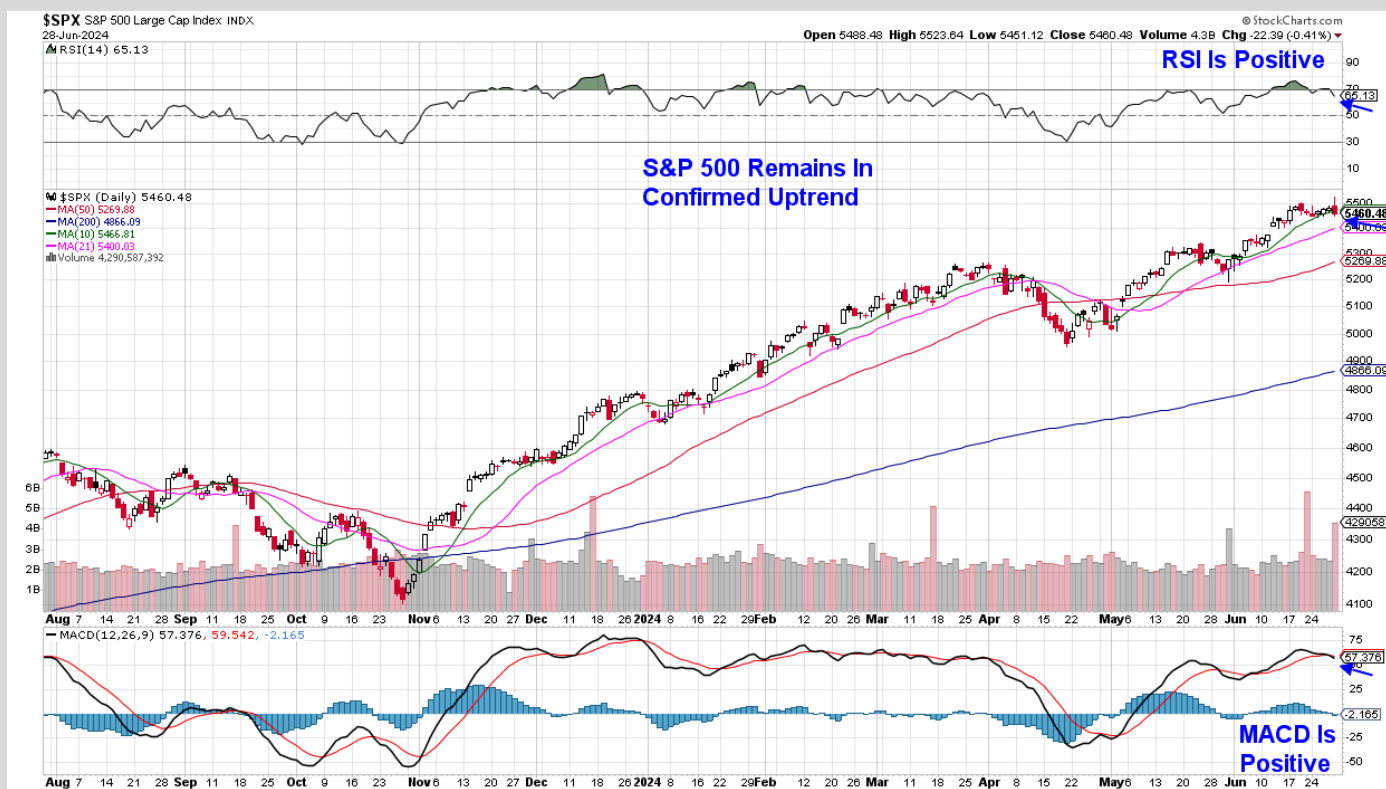
## This Week's Highlights

- Consumer Confidence Dips In May
- New Home Sales Drop To Lowest Level Since November
- Q1 GDP Revised Lower Amid Weak Consumer Spending
- Durable Goods Orders Show Continued Weakness
- PCE Data Shows Inflation Is Slowing

## Key Inflation Data Upcoming This Week and Next

- Minutes From June FOMC Meeting Due Next Wednesday
- June Employment Data Due Next Thursday

### Daily Chart of S&P 500



The S&P 500 closed flat for the week in a move that keeps the near-term uptrend for this Index in place as it closed just below its upward-trending 10-day

simple moving average with its RSI and MACD in positive territory.

The longer-term weekly chart also remains positive, which bodes well for the intermediate-term outlook for the markets.

The Nasdaq posted a slight gain after pulling back from a new high in price on Friday. Late-day selling impacted several M7 stocks such as Alphabet (**GOOGL**), Meta (**META**), Apple (**AAPL**), and Nvidia (**NVDA**) which lost between 0.7% and 1.6% in the last 30 minutes of trading.

The selling took place amid a late-day rise in interest rates. Commentary from several Wall Street firms that these stocks have gone up “too far and too fast” in the first half of the year, thereby stretching their valuations, may also have spurred the selling.

Sentiments such as this have been voiced in the past (think the end of 2023) and these stocks have marched higher. At this time, each of these M7 stocks remains in an uptrend.

A further rise in interest rates may stall progress however and next week, minutes from the Federal Reserve’s most recent meeting will be released on Wednesday, with June employment data due on Friday. Both data points are expected to impact rates depending on their reports.

Elsewhere in the markets, economically sensitive areas struggled amid news of reduced spending among consumers, as well as a continued slowdown in manufacturing. This would include Consumer Discretionary and Industrial stocks which pulled back.

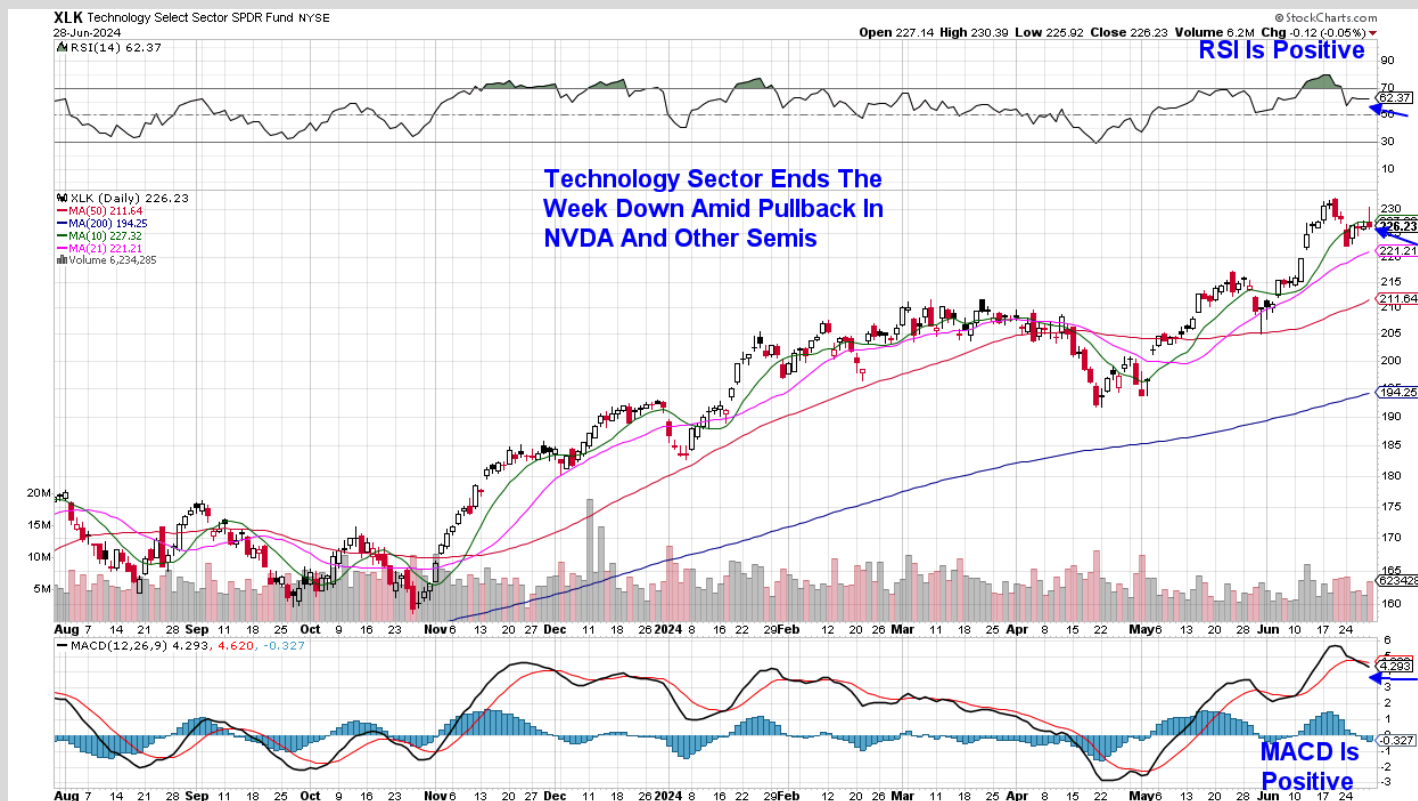
At this time, the broader markets remain in an uptrend however, leadership beyond the Magnificent 7 and AI-related names remains somewhat elusive.

We did see 2 areas of the market that have struggled for much of this year finish last week on a strong note, as Regional Banks (KRE) and Software (IGV) stocks rallied on positive news.

We will examine this more closely below.



## Daily Chart of the Technology Sector (XLK)



### Technology Sector Underperforms As Semiconductors Underperform

The Tech sector pulled back 1% for the week due to a pullback in several heavyweight Semiconductor stocks such as Nvidia (**NVDA**) which fell 2.5% for the week. The pullback pushed the MACD into a negative crossover (black line down through the red) on the daily chart.

This is not a sell signal but rather, an indication that its sharp uptrend from late May into late June is no longer in place. From here, we are on alert for the stock to continue to find support above its 21-day moving average with a close back above its 10-day moving average - in the \$127 range - being a buy zone.

Should **NVDA** pull back further, we expect the RSI to also turn negative which would signal further near-term weakness. Short-term investors will want

to lighten up if this takes place - if you haven't already.

Of note, a simultaneously negative RSI and MACD signal took place several times in the 2nd half of last year as well as mid-April of this year, and each time, the longer-term weekly chart remained constructive for **NVDA**, with an RSI above 50. Longer-term investors will want to heed this chart.

Broadcom (**AVGO**) pulled back almost 3% with late-week buying that keeps the RSI and MACD in positive territory. In addition, the stock closed in the upper portion of its trading range for the week. While this is constructive, we would not be a buyer until the stock closes back above its 10-day moving average in the \$1669 range.

While select Semi stocks were hurt by Micron's (**MU**) unimpressive growth outlook last Wednesday,

Semiconductor Equipment stocks such as ASML (**ASML**) and Lam Research (**LRCX**) traded higher after **MU** forecasted a sizable increase in capital spending.

**LRCX** gained 1.4% for the week in a move that has this stock closing above its 10-day simple moving average and in a buy zone.

**ASML** on the other hand had a more muted response to the news as the company is not expected to benefit quite as much. The stock is 1% below its 10-day moving average and a close above this level in the \$1032 range, would put **ASML** in a buy zone.

While we have identified Semi stocks as being in a buy zone, Friday's reversal of this group back below its 10-day moving average has us cautious over the near term. (using SOXX). New positions should be kept light until we see the group close back above its 10-day moving average.

While Semiconductor stocks struggled, Software stocks were big winners last week with a 2.5% gain that confirms the rotation into this relatively weaker area of the markets which has struggled since early February.

Among last week's gainers were AI-enhanced cybersecurity names such as Palantir (**PLTR**) which is moving closer to a possible 4-month base breakout at the \$27.5 level. The stock is currently in a buy zone as it finds support at its upward-trending 5 and 10-day simple moving averages.

CrowdStrike (**CRWD**) is also in this industry and it gained 1% for the week. The nominal participation in last week's rally could be due to its outperformance

earlier this month, after being added to the S&P 500 Index.

**CRWD** has been in a flat base since its June 10th pop in price and a close above this base high of \$393 would put the stock into a buy zone.

Arista Networks (**ANET**) gained 4% last week following a research note from Barclays that stated that large cloud computing companies are investing heavily in infrastructure to support AI initiatives this year. **ANET** is seen as a major beneficiary of this as their networking gear is an important component.

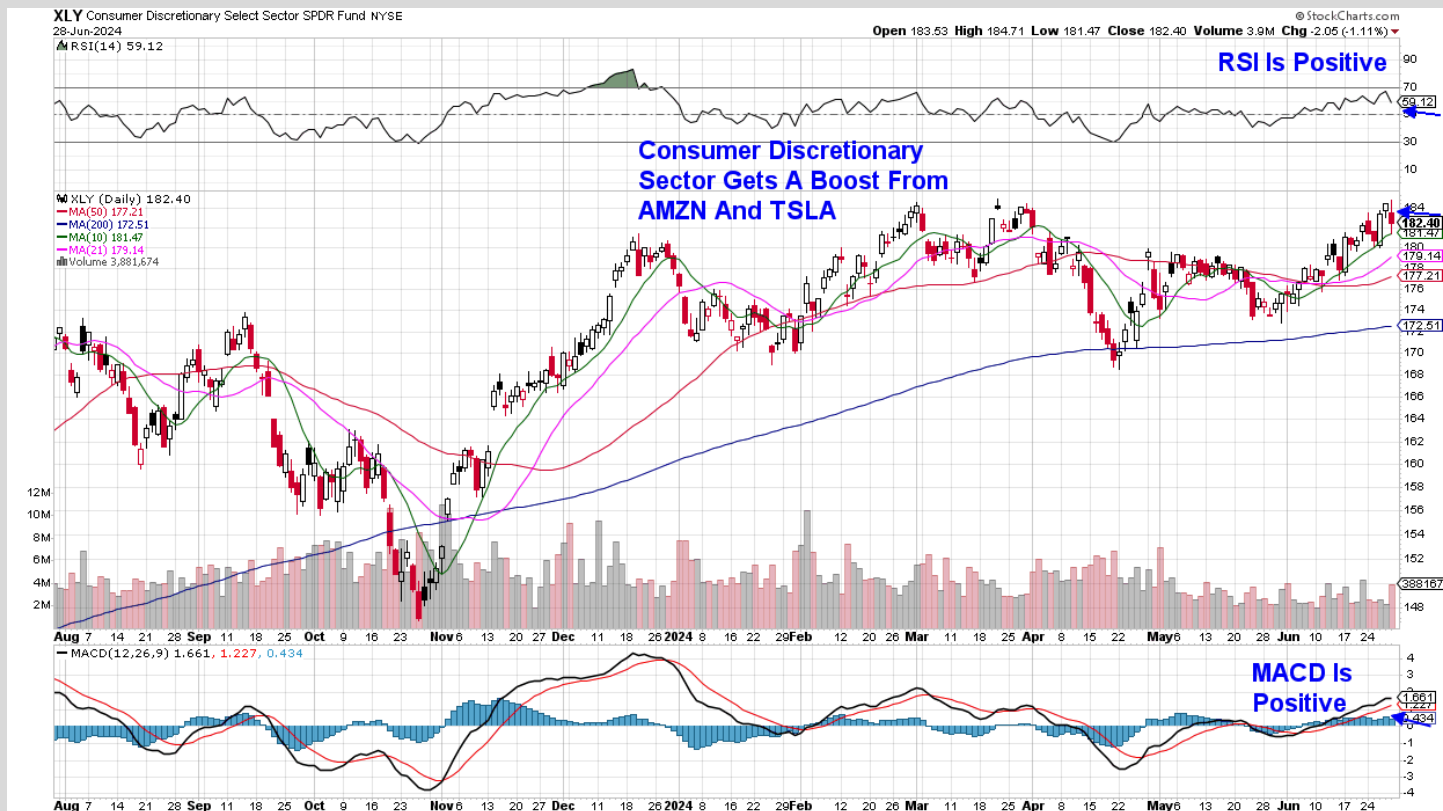
**ANET** broke out of a 1-week base on volume Thursday with a rally into Friday that has the stock in an overbought position. We would be a buyer on any pullback to the \$340 range at its 5-day simple moving average.

In addition, Barclays expects increased spending will be for needed GPUs AND ASICs for AI server deployments.

Nvidia (**NVDA**) is the top producer of data center GPUs and Broadcom (**AVGO**) is the main provider of custom ASICs.

While the Technology sector pulled back last week, it is up a robust 7.7% for the month of June despite this being a period where earnings reports were relatively light. Overall, the sector remains in an uptrend and while we may see continued consolidation in areas such as Semiconductors over the near term, the longer-term outlook for the Tech sector remains strong.

## Daily Chart of the Consumer Discretionary Sector (XLY)



### Consumer Discretionary Sector Ends Flat Despite Sharp Selloff In Retailers

The Consumer Discretionary sector remains in a confirmed uptrend after getting a boost from gains in heavyweight names Tesla (**TSLA**) and Amazon (**AMZN**) which helped offset losses elsewhere in this sector.

Retailers were hit particularly hard after weak earnings reports from both Nike (**NKE**) and Levi's (**LEVI**). Their poor showing spread to other retailers in the apparel industry amid a drop in consumer confidence as well as reports of reduced spending reflected in the Q1 GDP data.

Tourist-related stocks fared well however, due to strong earnings from Carnival Cruise Lines (**CCL**).

While the hotel group was flat, Hilton (**HLT**) from our List gained 1% in a move that puts the stock back into its recent base breakout level of \$216.

**HLT** is in a strong buy zone.

As mentioned, Amazon (**AMZN**) was among the M7 stocks that sold off on Friday however, gains earlier in the week had it closing up over 2% for the week. The pullback puts **AMZN** into a buy zone in the \$192 level.

As mentioned last Wednesday, the stock broke out of a 1-month base on news that they are setting up a separate discount retailer similar to the popular Chinese company Temu.

Chipotle (**CMG**) is continuing to struggle with a 2.5% loss last week that has the stock closing below its key 50-day simple moving average with its RSI now in negative territory. Given these dynamics, we are removing the stock from our Suggested Holdings List.

The longer-term, weekly chart of **CMG** is also exhibiting weakness as the stock closed below its 10-week line on heavy volume. This points to weakness in the long term as well.

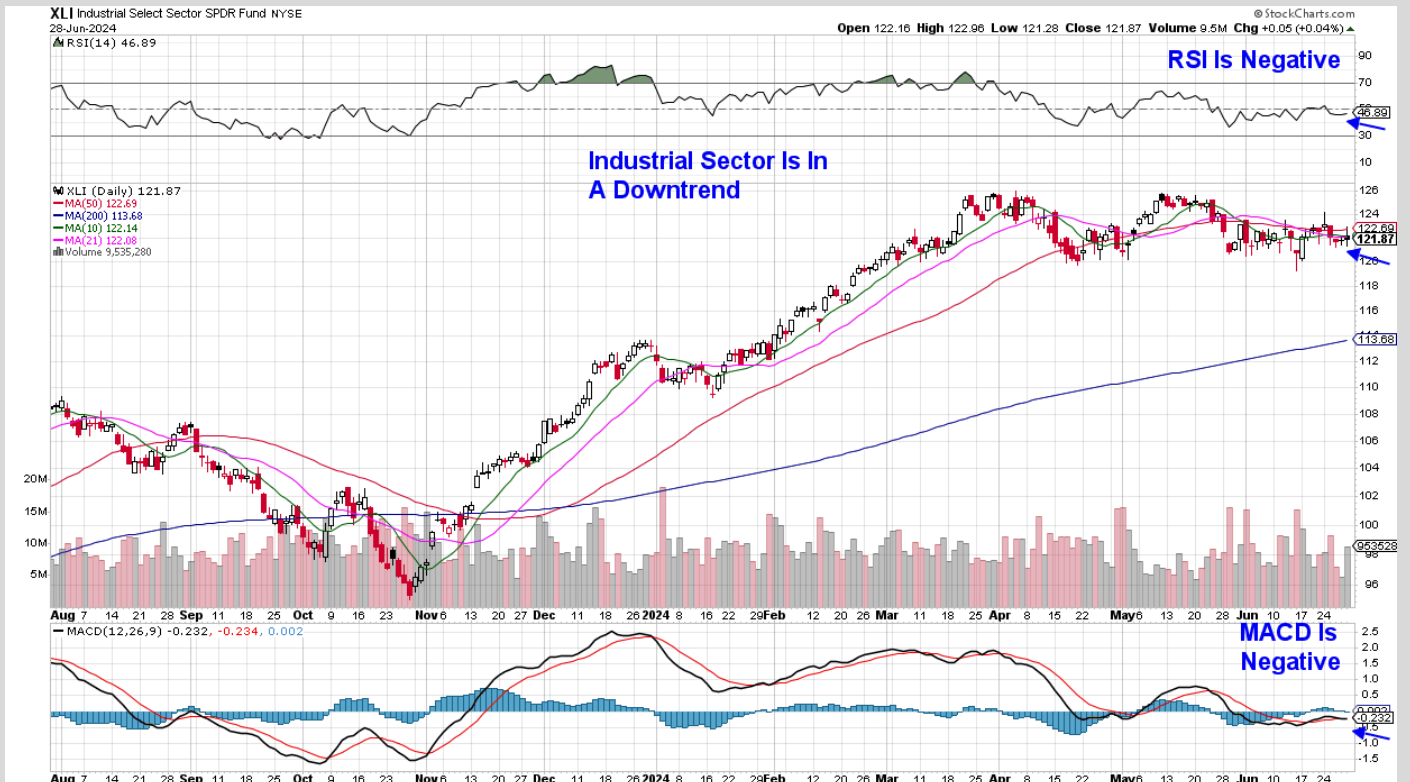
The Consumer Discretionary sector is economically sensitive and reports of reduced consumer spending in the Q1 GDP data, as well as a drop in consumer confidence, may continue to weigh on retailers in this sector.

At this time, we are updating our Watch List to include beaten-down names such as Shake Shack (**SHAK**) which is trading 19% below its early May peak in price despite estimated earnings growth of 100% this year.

A downtrend reversal would be signaled by a close above its 50-day mav with a positive MACD and RSI. We will alert you to this when it occurs.



## Daily Chart of the Industrial Sector (XLI)



### Industrial Sector Remains In A Downtrend

Industrial stocks underperformed last week amid reports of weaker-than-expected GDP data in the U.S. for the first quarter. Risks to growth in areas such as China are also impacting this economically sensitive area of the markets.

Global construction company Fluor (**FLR**) pulled back in line with its peers before a Friday rally pushed the RSI back into positive territory with the stock closing in the upper portion of its trading range for the day. A close back above its 10-day moving average in the \$44 range would put the stock into a buy zone.

Recently added Honeywell (**HON**) is in a strong buy zone after closing above its 10-day simple moving average on heavy volume Friday. The company received a boost the prior week after an acquisition helped strengthen their aerospace division.

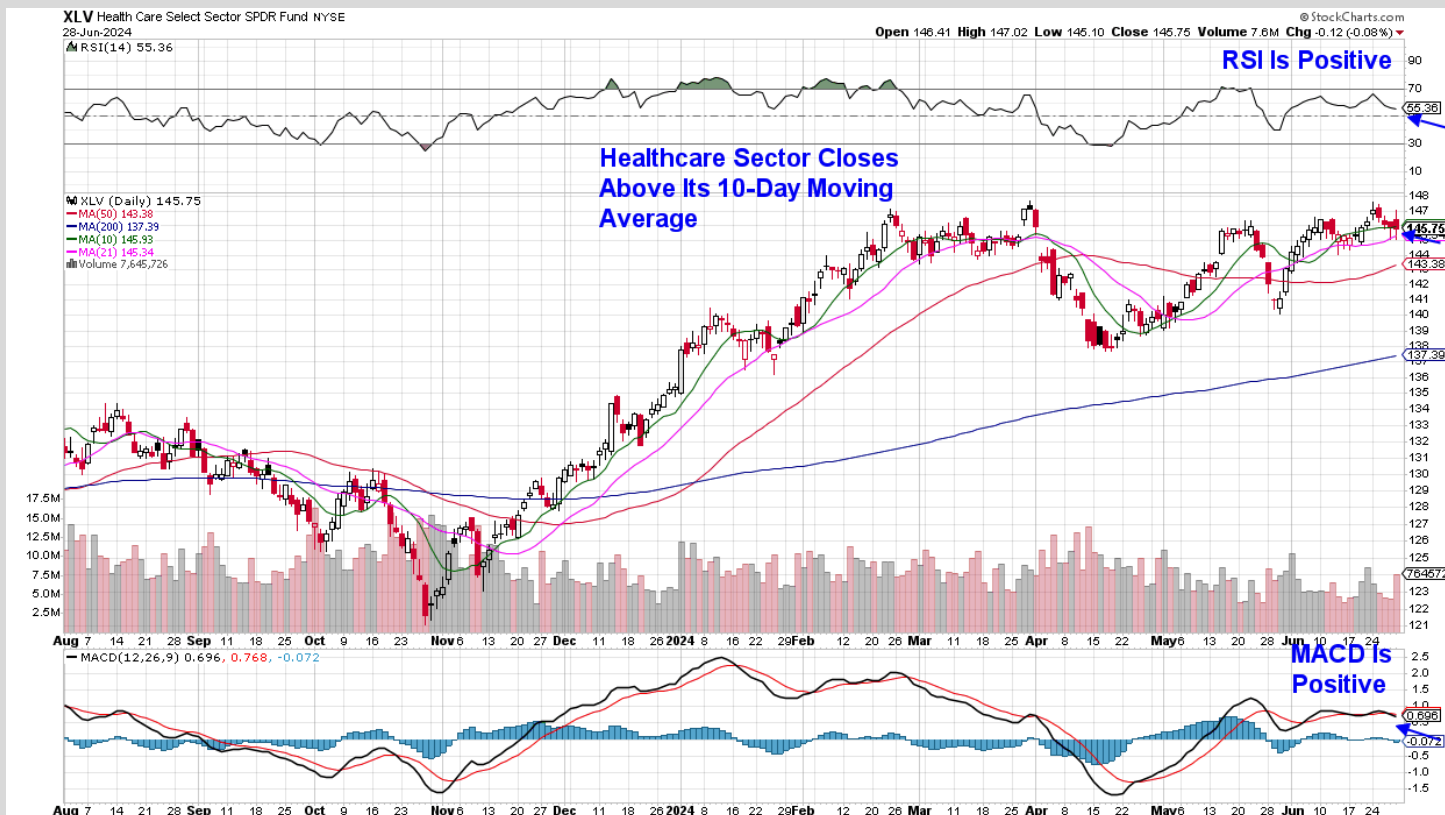
Last Thursday, the stock received another boost from a detailed Barron's article which highlighted the company's operational improvements which are expected to boost profit margins substantially.

FTAI Aviation (**FTAI**) posted another stellar week with an 11.5% gain after Jefferies initiated coverage of the stock with a buy rating due to the company's quicker, low-cost alternative for airline maintenance. **FTAI** was given a \$180 price target which is well above its current price.

**FTAI** is trading at \$103 and the stock can be bought in the \$99 range at its 5-day simple moving average.



## Daily Chart of the Health Care Sector (XLV)



### Healthcare Sector Remains In An Uptrend

The Healthcare sector was mixed last week with Medical and Pharmaceutical stocks pulling back, while Biotechs were flat. Overall, the sector remains in an uptrend despite underperforming the broader markets.

Among stocks on our List, Intuitive Surgical (**ISRG**) posted a 3% gain after being cited as 1 of 10 “best of breed” stocks for the third quarter by Bank of America. The manufacturer of robotic surgical devices is in a confirmed uptrend ahead of the release of their earnings in ten days.

The company has seen an increase in the number of procedures using their equipment which is expected to boost earnings. The stock is in a buy zone as it

finds support at its upward-trending 5-day moving average.

Eli Lilly (**LLY**) also outperformed with a 2.4% gain that was boosted by news that the company is partnering with ChatGPT to develop new treatments to combat drug-resistant diseases. **LLY** is in a buy zone as it continues to find support at its upward-trending 5-day moving average.

Vertex (**VRTX**) is continuing to trade sideways amid a lack of new developments. The stock is continuing to digest its gains from May after the company released news of the development of a non-narcotic pain killer that is moving closer to approval. A close back above its 10-day simple moving average in the \$472 range would put the stock into a buy zone.

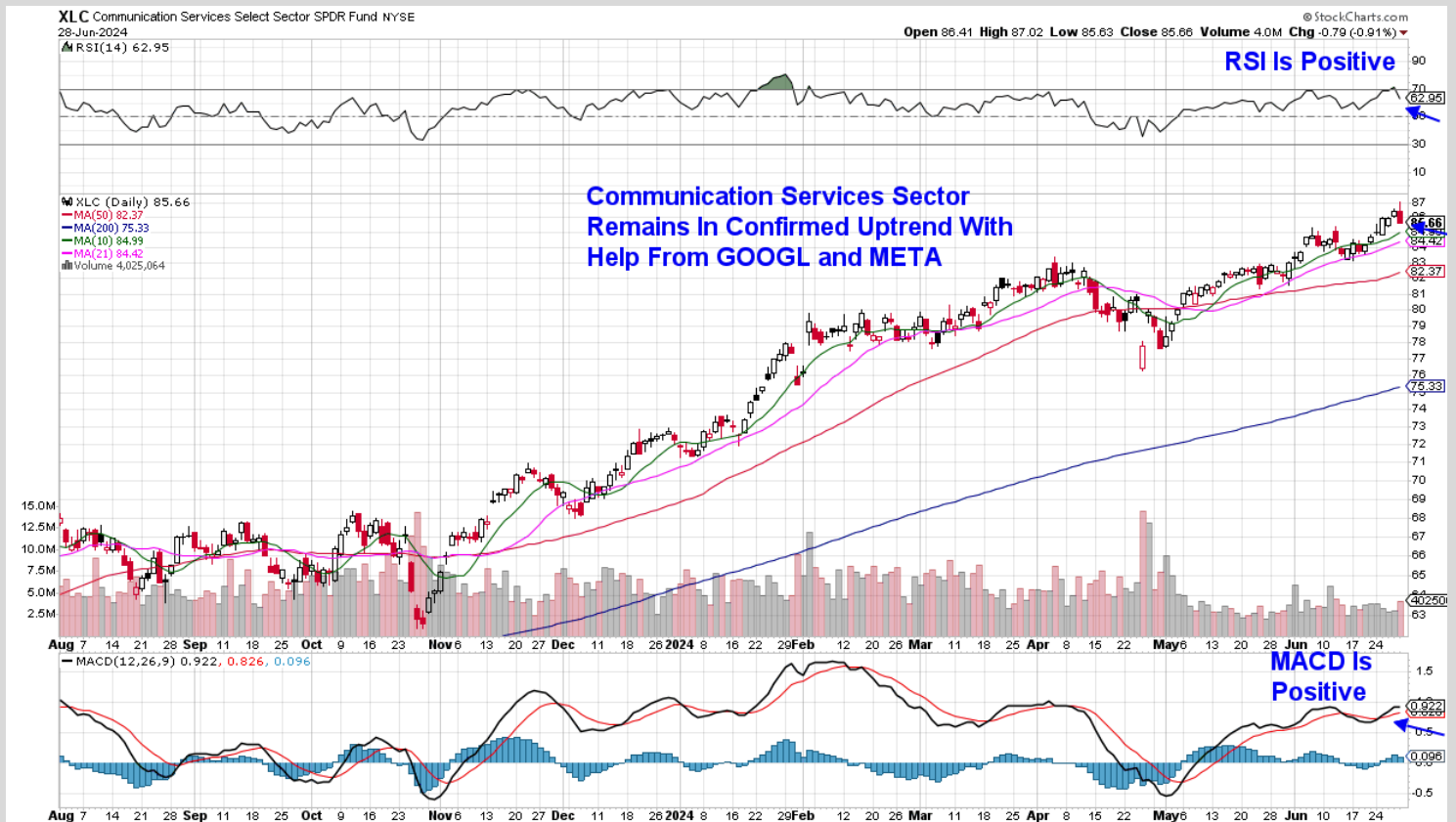


Boston Scientific (**BSX**) fell 1% for the week in a move that keeps the stock flat for the month of June. This is in line with the Medical Products group (using ETF IHI) which has been generally underperforming for the last month.

**BSX** remains in a confirmed uptrend with a positive RSI and MACD however, the near-term momentum points to further sideways price action. We would underweight the stock at this time with an eye toward the release of their 2nd quarter earnings in 3 weeks.



## Daily Chart of the Communications Services Sector (XLC)



### Communication Services Sector Outperforms

Internet-related stocks pulled back on Friday with other Tech names, with Meta Platforms (**META**), Netflix (**NFLX**), and Alphabet (**GOOGL**) experiencing losses that softened their gains from earlier in the week.

**META** pulled back from a cup with handle base breakout on Friday however, the stock ended the week up 2%. Gains earlier in the week were spurred by rumors that the company was in talks with Apple for an iPhone AI partnership.

**META** has closed just below its 10-day moving average and a move back above this mav in the \$505 range would put the stock into a buy zone.

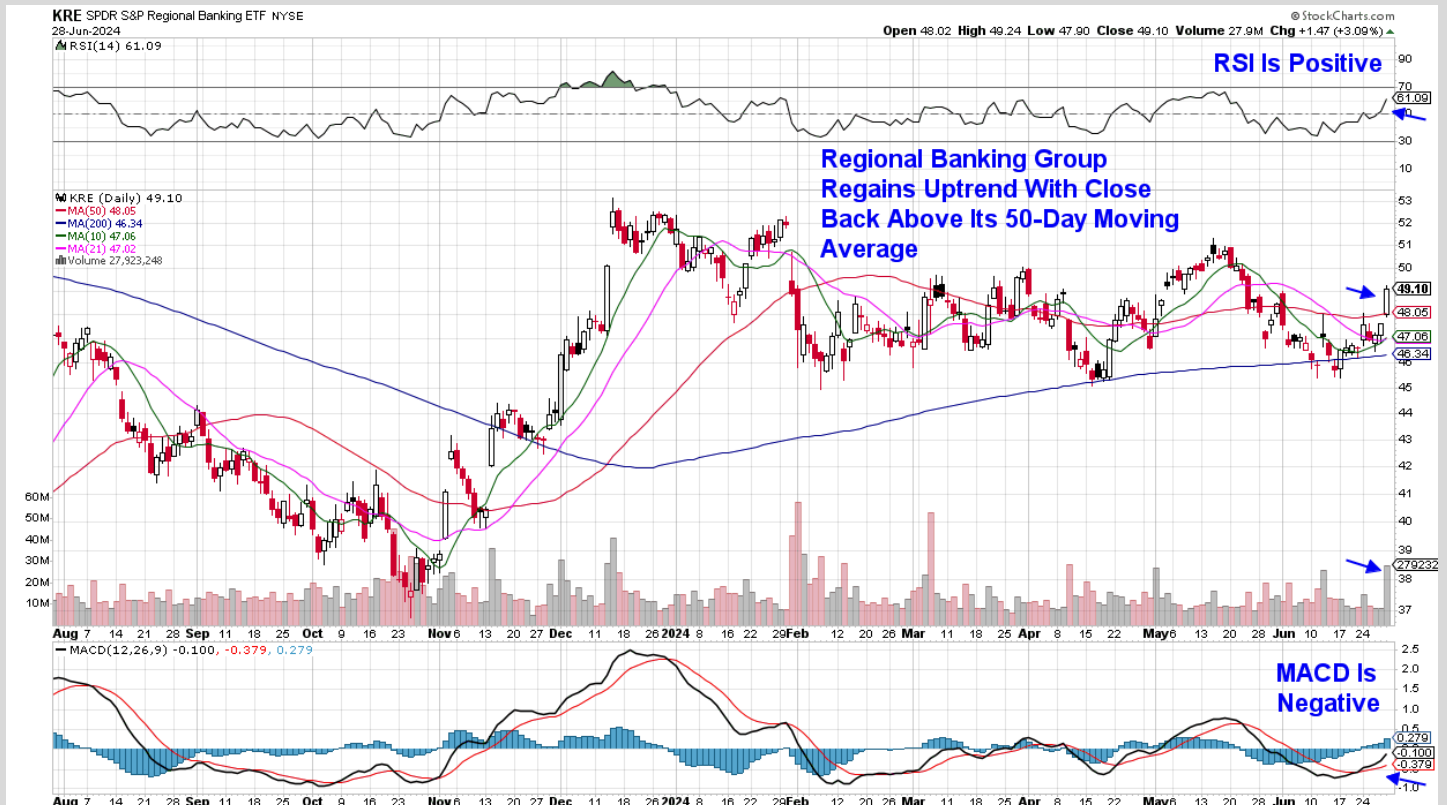
**GOOGL's** Friday pullback occurred on the heels of a

Wall Street downgrade and it pared the stocks gains for the week to 1.5%. Alphabet remains in a buy zone as it closed the week at its upward-trending 5-day simple moving average.

Pinterest (**PINS**) pulled back to its 5-day simple moving average and into a buy zone after Tuesday's break out to a new high in price. We would add to positions lightly and be on the lookout for a MACD crossover on the daily chart to put the stock into a strong buy zone.

Netflix (**NFLX**) closed just below its 10-day moving average after a Friday reversal day that points to further possible downside over the very near term. A close back above this moving average in the \$678 range, would put the stock into a strong buy zone.

## Daily Chart of the S&P Regional Banking ETF Sector (KRE)



### Bank Stocks Get Boost Ahead Of Earnings

The Financial sector underperformed amid a sharp pullback in credit card companies which hold a heavy weight in this sector. The decline took place amid news of reduced consumer spending in the 1st quarter GDP data which would lower credit card usage.

Bank stocks posted a strong week however with a 4.5% gain in Regional Banks (using ETF KRE). Larger, money center banks also fared well ahead of the release of their earnings in less than 2 weeks.

Pushing these stocks higher was news that the Federal Reserve is considering significantly lighter additional capital requirements for banks than originally proposed, in the wake of the regional banking crisis in March 2023.

In other news, The Fed announced that all 31 of the large U.S. banks remained above their minimum capital levels, potentially allowing them to return capital to shareholders in the form of dividends and buybacks.

J.P. Morgan (**JPM**) and Morgan Stanley (**MS**) did just that with the announcement of a large share repurchase program and an increase in their quarterly dividends. This is quite bullish. Citigroup and Bank of America both announced a dividend increase.

Among these names, J.P. Morgan (**JPM**) and Citigroup (**C**) have the most bullish charts as they have traded back above their 50-day moving average with a positive MACD and RSI.

Regional Banks were also given a boost as the yield curve steepened as the week progressed. (shorter-term rates declined while longer-term rates rose slightly). This dynamic is bullish for banks as it improves their profit margins on lending activity.

(Banks can borrow funds at the lower, shorter-term rate and lend using the higher, longer-term rate.)

At this time, we have **JPM, C**, and Regions Financial (**RF**) at the top of our Watch List. We are refraining from adding them at this time until we gain further conviction which would be signaled by a base breakout on volume.



## Summary

Last week's price action saw the broader markets close the week near new highs while their equal-weighted counterparts pulled back. The move confirms the dominance of M7 names amid a pullback in economically sensitive areas such as Industrials, Materials, and Housing.

Bigger picture, stocks posted a strong 1st half to the year amid strong corporate earnings and ongoing prospects of a Fed rate cut taking place in September. Historically, strong first halves have seen the markets go on to produce above-average full-year returns.

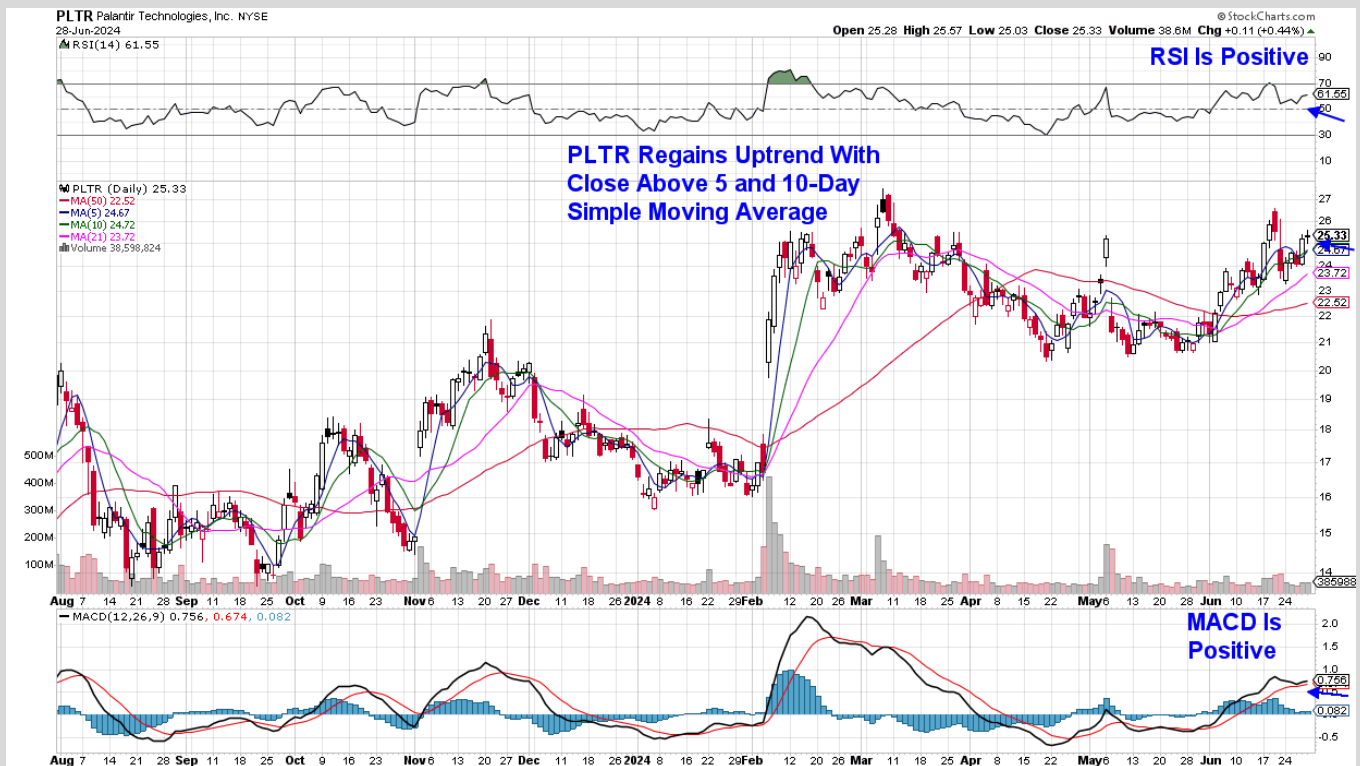
We expect this to be supported by a strong earnings season which is due to begin in less than 2 weeks as well as a continued decline in inflation. Next week's employment data will provide further clues.

Volatility may pick up as we head closer to this year's election however, with tax implications potentially having the most impact due to the expiration of the 2017 tax cuts in 2025.

Overall, the uptrend in the broader markets remains in place with the tech-heavy Nasdaq being the leadership area.

## New Idea Charts:

Daily Chart of Palantir Technologies, Inc. (PLTR)



# 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	5.0%	1-Aug
CMG	Chipotle	\$3,169.00	6/9/2024	1.5%	24-Jul
HLT	Hilton	\$215.90	6/22/2024	1.0%	24-Jul
INDUSTRIAL					
FLR	Fluor Corp.	\$43.40	6/2/2024	0.5%	3-Aug
FTAI	FTAI Aviation	\$58.00	3/17/2024	65.0%	24-Jul
HON	Honeywell International	\$215.40	6/23/2024	-0.5%	25-Jul
HEALTHCARE					
BSX	Boston Scientific	\$57.60	1/3/2024	32.0%	24-Jul
ISRG	Intuitive Surgical	\$598.80	5/19/2024	11.5%	18-Jul
LLY	Eli Lilly	\$820.30	6/2/2024	10.5%	9-Aug
VRTX	Vertex Pharmaceuticals	\$414.80	5/12/2024	10.0%	1-Aug
TECHNOLOGY					
ANET	Arista Networks	\$328.50	6/16/2024	7.0%	29-Jul
ASML	ASML	\$950.80	6/4/2024	-1.0%	17-Jul
AVGO	Broadcom	\$1,495.50	6/12/2024	8.00%	
CRWD	Crowdstrike	\$387.40	6/12/2024	0.5%	
LRCX	Lam Research	\$1,036.00	6/15/2024	3.0%	24-Jul
NVDA	Nvidia	\$887.90	5/5/2024	35.5%	21-Aug
PLTR	Palantir	\$25.33	7/19/2024		6-Aug
COMMUNICATION SERVICES					
GOOGL	Alphabet Inc.	\$156.61	4/10/2024	14.0%	23-Jul
META	Meta Platforms Inc.	\$492.90	6/9/2024	4.5%	25-Jul
NFLX	Netflix	\$669.40	6/16/2024	1.0%	18-Jul
PINS	Pinterest	\$42.50	6/9/2024	0.0%	30-Jul

## 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

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## 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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