



# THE MEM EDGE

July 21, 2024 | Weekly Report

## Economic Data Last Week

- Retail Sales Rose 0.8% In June - Ex Autos
- Home Builder Confidence Falls To Seven-Month Low

- Housing Starts Bigger Than Expected Increase
- Weekly Jobless Claims Jump

## Market Developments Ahead Of Next Week

- President Biden Ends Presidential Bid - Endorses Kamala Harris
- Semiconductors Sell Off Sharply Amid Tighter Export Controls and Potential U.S. Policy To Taiwan

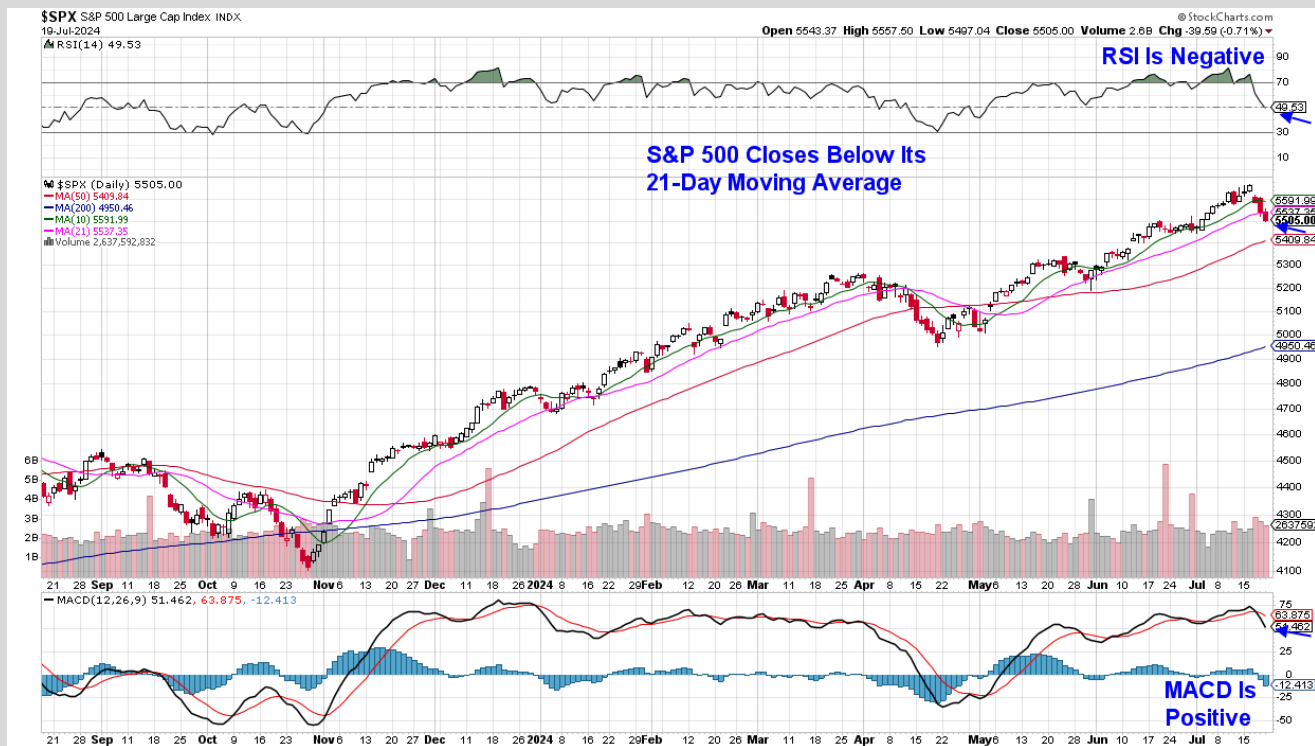
- AI Related Trade Loses Its Luster
- Rotation Into Small Caps And Value Stocks Continues
- Election-related Volatility Emerges
- Volatility Index (VIX) Spikes

## Key Data Due Next Week

- Existing Home Sales Due Tuesday, New Home Sales Due Wednesday
- Q2 GDP And Durable Goods Orders Due Thursday AM

- Core PCE Data Due Friday AM
- Alphabet (**GOOGL**) ServiceNow (**NOW**) And Tesla (**TSLA**) Due To Report Earnings

### Daily Chart of S&P 500



The S&P 500 fell 2% last week in a move that pushed this Index below its key 21-day simple moving average. In addition, the RSI is now in negative territory on the daily chart while the MACD remains positive.

This price action has us a bit cautious on the near-term prospects for the markets with select areas under more pressure than others, which we will review below.

Upon any further selling, the 50-day moving average is the next area of possible support and it's 2.6% away.

On any rallies, a close back above its 21-day moving average, coupled with a positive RSI and MACD, would put the S&P 500 back in a near-term uptrend.

Longer term on the weekly chart, the uptrend in the S&P 500 remains in place.

The Equal-Weighted S&P 500 was flat for the week amid a Wednesday to Friday pullback that impacted most areas except REITs, Staples, and Utilities which are defensive.

The Nasdaq fared quite a bit worse, with a 3.7% decline for the week that has this Index closing below its 21-day moving average with the RSI now in negative territory. The pullback took place amid a sharp drop in Semiconductors, as well as, underperformance in each of the Magnificent 7 stocks.

At this time, most of the Mag 7 names as well as Netflix (**NFLX**) are below their key 50-day moving average, with the exception of Tesla (**TSLA**), Apple (**AAPL**), and Nvidia (**NVDA**).

The break of these leadership names below key support is concerning, as a loss of leadership often precedes a correction - or more - in the broader markets. Many of these names are due to report earnings over the next several weeks and depending on results, we may see a resurgence in these stocks.

At this time, we are seeing a continued rotation into cyclical and defensive areas of the market with regional banks being the top performers amid better-than-expected earnings reports. Value stocks gained 0.5% while Growth stocks fell 3.9%. (Using ETFs VTV and VUG respectively.) Small Cap stocks outperformed the markets again last week as well.

We expect this price action to continue as we move closer to a possible interest rate cut in September. Next week's PCE data - the Fed's preferred inflation metric - will provide further insight.

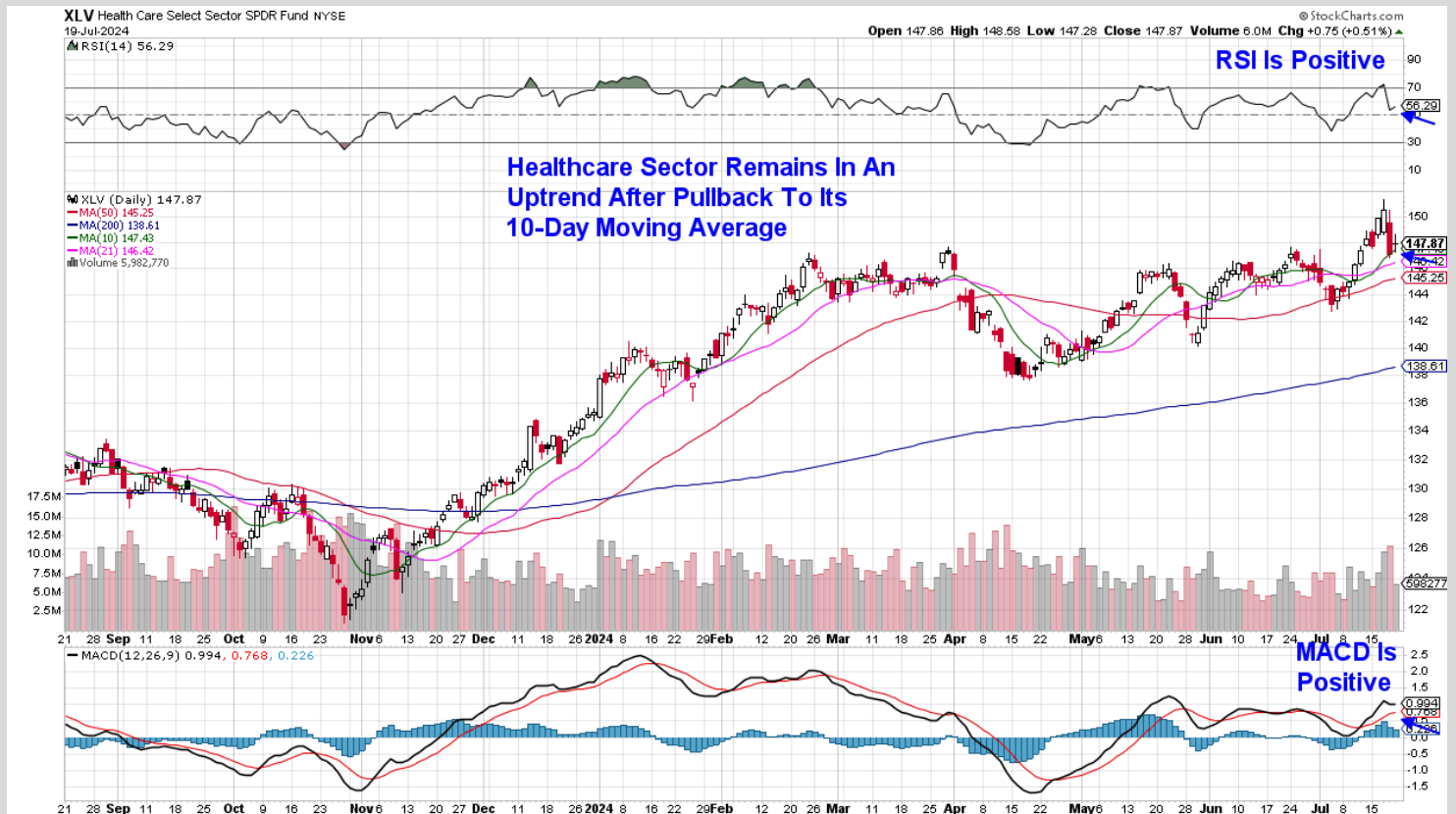
The Tech heavy Nasdaq may continue to suffer however, depending on upcoming earnings reports from heavier weighted names. Tesla (**TSLA**) and Alphabet (**GOOGL**) are due to report next week.

Meta Platforms (**META**), Microsoft (**MSFT**), Apple (**AAPL**), and Amazon (**AMZN**) each report the following week.

Overall, stocks saw wide swings last week, with the volatility index moving higher amid concerns of possible policy changes should leadership in Washington shift.

Today, Biden withdrew from the Presidential race and endorsed Kamala Harris as a replacement candidate. The markets may rally on the news as it gives Trump a leg up as his policies are generally more favorable for the markets.

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



### Healthcare Sector Is In A Confirmed Uptrend

Intuitive Surgical (**ISRG**) closed the week up 2.5% following a Friday gap up in price in response to the company reported quarterly results that were well above estimates. In addition, **ISRG** raised guidance for growth going into the remainder of this year.

The stock is in a buy zone as it is poised for further upside after Friday's large volume rally coupled with **ISRG** closing in the upper portion of its trading range.

Boston Scientific (**BSX**) is due to report their quarterly results on Wednesday, and the stock posted a bullish close above its 10-day moving average after reversing from a pullback below its 50-day mav. Analysts have been raising estimates for the company going into their report which is bullish behavior.

Biotech stocks pulled back after hitting a near-term high on Tuesday amid late-week uncertainty in the markets. (using ETF IBB)

Vertex (**VRTX**) fared better with a 0.6% gain ahead of the release of their earnings early next month. **VRTX** is in a buy zone as it finds support above its upward-trending 10-day moving average.

Eli Lilly (**LLY**) pulled back 9.5% last week amid news that rival company Roche is developing a rival oral weight-loss drug. In addition to mimicking **LLY's** same hormones that improve feelings of fullness, Roche's drug is a daily pill instead of a weekly shot.

The pill form is expected to be more desirable than administering a shot, and **LLY** closed the week just at its 50-day moving average.

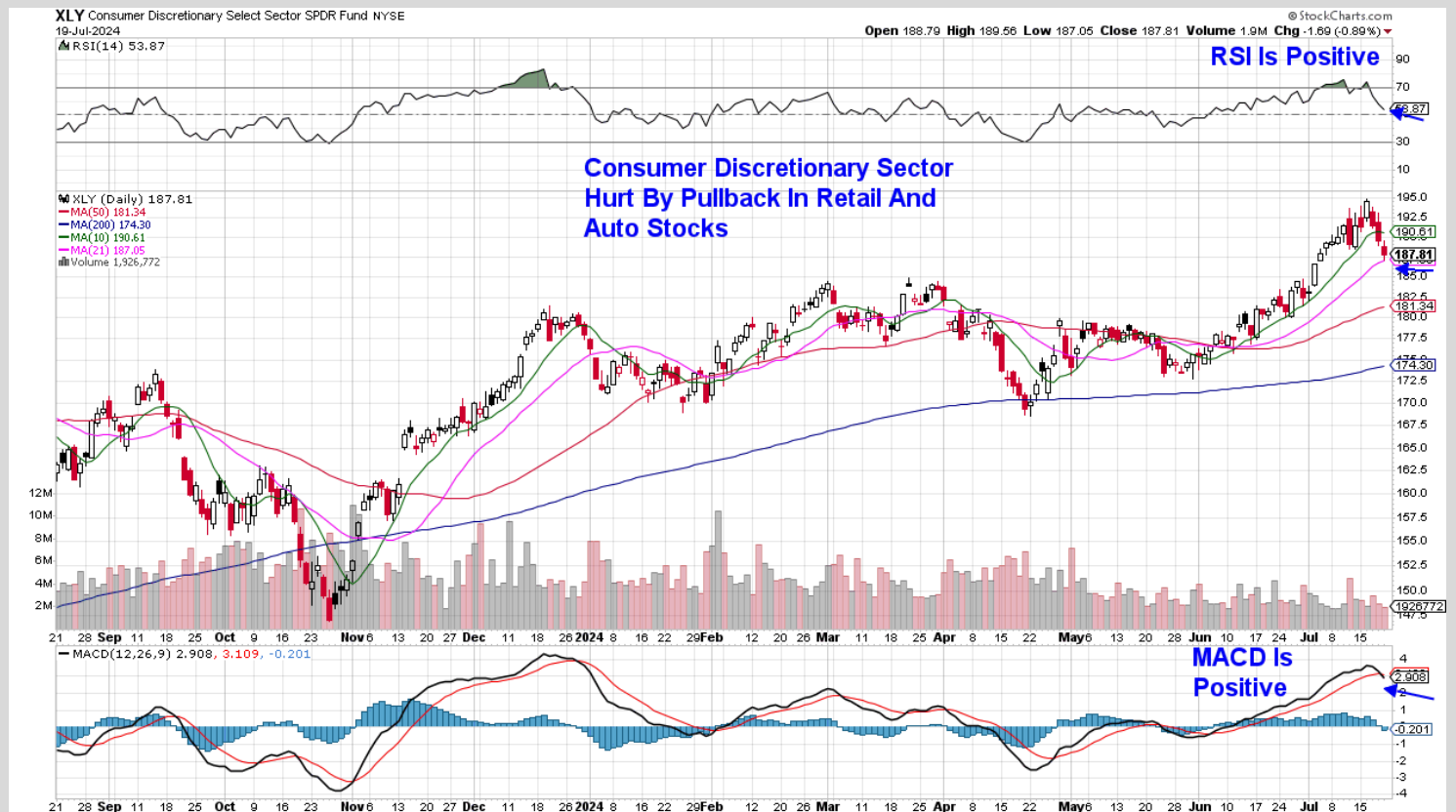
Eli Lilly rallied 1% on Friday amid news that their weight loss drug was approved in China which is estimated to hold the highest number of overweight people. The stock can be held as the weekly chart remains constructive.

We would use an hourly chart to pinpoint a possible entry with a close above its 5 and 13-hour moving averages coupled with a positive RSI. A close below its 50-day moving average on the daily chart would be a negative.

For longer-term investors, the weekly chart remains positive.



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



### Consumer Discretionary Sector Among Weakest Performing

Consumer Discretionary stocks ended on a weak note led by a 6% pullback in heavyweight name Amazon (**AMZN**). The stock fell despite reporting record sales at their prime day event earlier in the week.

The company derives the majority of their income from their Amazon Web Services (AWS) however, and last week's pullback was in line with other AI-related stocks amid market uncertainty.

Again, this is similar to **AMZN's** April 19th week when the stock pulled back 6.2% before fully recovering and hitting a new high earlier this month.

Last week, Amazon closed the week below its 50-day moving average and we are removing the stock from our Suggested Holdings List as the RSI is in negative territory as well.

Longer-term investors can stay with the stock as the weekly chart remains constructive.

Tesla (**TSLA**) is also a large component of this sector and the stock fell 3.6% ahead of the release of their earnings next Tuesday.

Last week's pullback took place amid comments from Trump that he would eliminate Federal support for EVs immediately if he took office.

Home Builders were a bright spot for this sector with the group gaining 3.3% amid lower interest rates as well as strong earnings from home builder DR Horton (**DHI**).

Century Communities (**CCS**) outperformed with a 6% gain for the week ahead of the release of their earnings on Wednesday.

**CCS** focuses on first-time home buyers with 94% of home buyers being entry-level. The company operates in 18 states and has delivered 21 consecutive years of profitability. The stock is in an uptrend after pulling back from a \$98 base breakout last week.

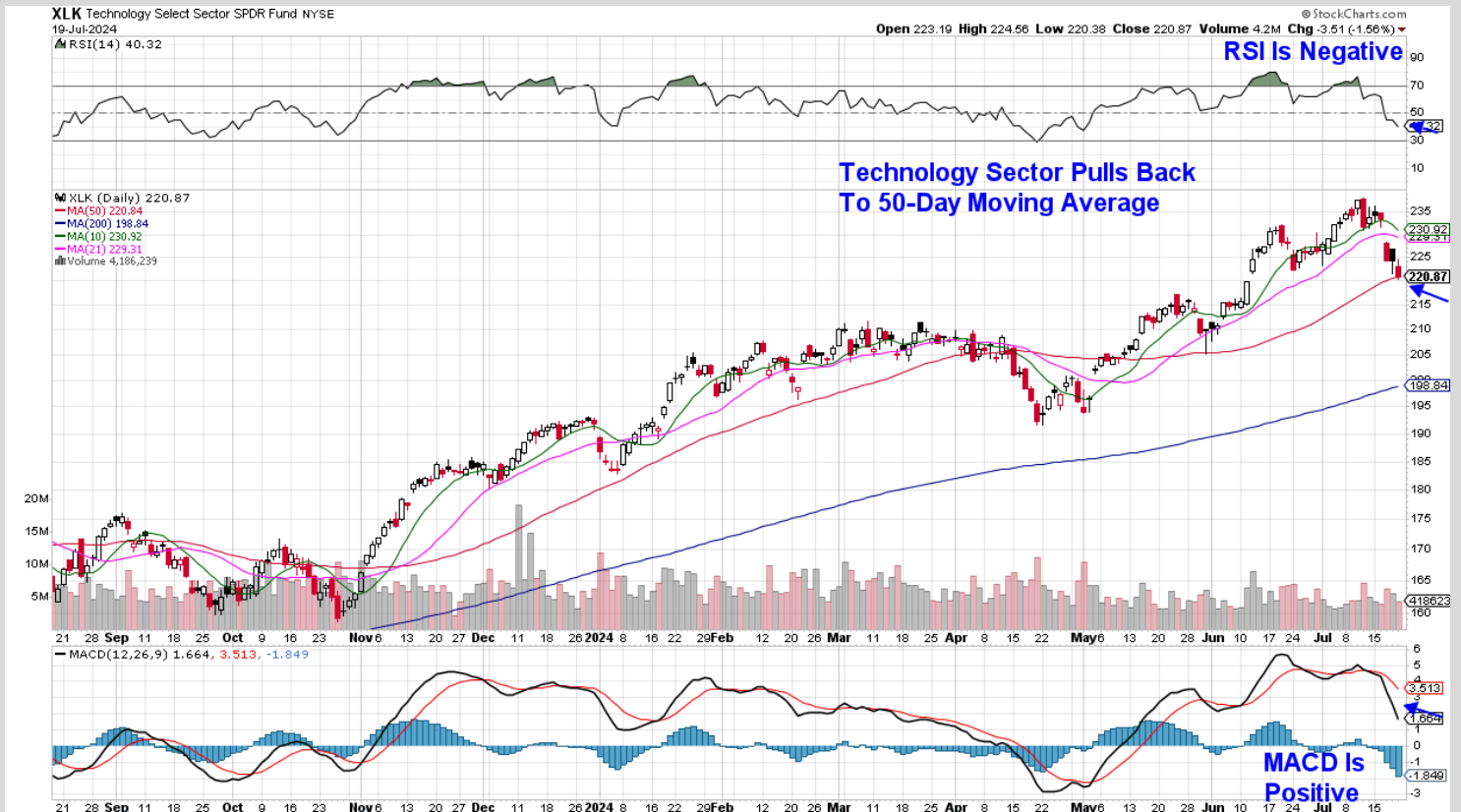
Hilton (**HLT**) pulled back to its 10-day moving average which puts the stock into a buy zone as it's very close to its \$216 base breakout level. The company is due to report their earnings in 2 weeks.

A declining interest rate environment is a positive backdrop for discretionary stocks however, tailwinds from recently high inflation are holding many of these stocks back. Last week, the S&P 500 Retail ETF closed below its 50-day moving average. (using ETF XRT)

We will continue to add stocks to our Watch List such as Brinker (**EAT**) and Abercrombie and Fitch (**ANF**) which are close to reversing their downtrends amid analyst upgrades.



## Daily Chart of the Technology Sector (XLK)



### Technology Sector Sells Off Sharply

The Tech sector fell 5.5% last week, led lower by a rout in Semiconductor stocks which lost 9% (Using ETF SOXX). A major IT outage that hit businesses on Friday also hurt this sector.

This is not the first time this year that Semis have had a tough period. The group fell 9% the week of April 19th, amid a rising interest rate environment. Weaker-than-expected results from **ASML** also hurt the group that week.

Last week, **ASML** reported better-than-expected results however, the stock plummeted as geopolitical concerns overshadowed the report. In particular, the Biden administration said that it is considering drastic steps to crack down on **ASML** technology going to China. (49% of ASML's Q2 revenue is from China).

This would put **ASML** and other foreign chip companies on an equal footing to U.S. companies, with the geopolitical risk expected to possibly dampen returns over the coming months.

We removed **ASML** from our Suggested Holdings List on Wednesday; however, it is a part of our long-term hold list due to its superior fundamentals.

Using the mid-April period and the daily chart as a guide, a close back above its 10-day moving average would be the first step of its recovery. A close above its 50-day mav would signal a buy point, as the RSI and MACD at that time, simultaneously turned positive.

Nvidia (**NVDA**) pulled back in line with the group, and the stock has found support at its 50-day moving average. Using the mid-April pullback period



as precedence, the stock at that time undercut its 50-day moving average briefly before recovering.

Throughout that period and similar to now, the weekly chart remains constructive with the RSI and MACD in positive territory for **NVDA**.

Below is a weekly chart of the stock which shows basing periods which follow strong uptrends. As you can see, bases can last from 10 weeks to 7 months and the stock can be held unless the weekly chart posts a negative RSI coupled with a close below its 10-week moving average. (early January of 2022)

For longer-term investors, **NVDA** can be held. Shorter-term investors will want to lighten up on any positions and a close below its 50-day moving average would be a sell signal.

Broadcom (**AVGO**) is in a similar position with a pullback last week that puts the stock just above its 50-day moving average. Given risks to the group, shorter-term investors will want to lighten up on positions. For longer-term investors, the stock can be held.

At this time, the Semiconductor group is in a downtrend after closing below its 50-day moving average with a negative RSI (using SOXX). Using the late April period as a guide, a close back above its 50-day mav coupled with a positive RSI would put this group back into an uptrend.

Analysts are on the lookout for very strong earnings from chip companies amid AI-related demand and we anticipate a recovery in this group. Of course, broader market sentiment regarding Tech will have to improve.

Arista Networks (**ANET**) pulled back sharply in line with other AI-related names. The stock found support at its 50-day moving average. A close below this key moving average would most likely have us removing the stock from our Suggested Holdings List. For now, the stock can be held.

Software stocks pulled back 3% last week led lower by a sharp drop in CrowdStrike (**CRWD**) after the company's software caused global outages of businesses. Other AI-related software stocks also fell further than the group.

Palantir (**PLTR**) was an exception, as the provider of decision-making software based on AI technologies rose 1.8%. The company counts the US government as their largest client and analysts are raising estimates ahead of the release of their earnings in 2 weeks, **PLTR** is in a confirmed uptrend as it finds support above its 10-day moving average. The stock can be held.

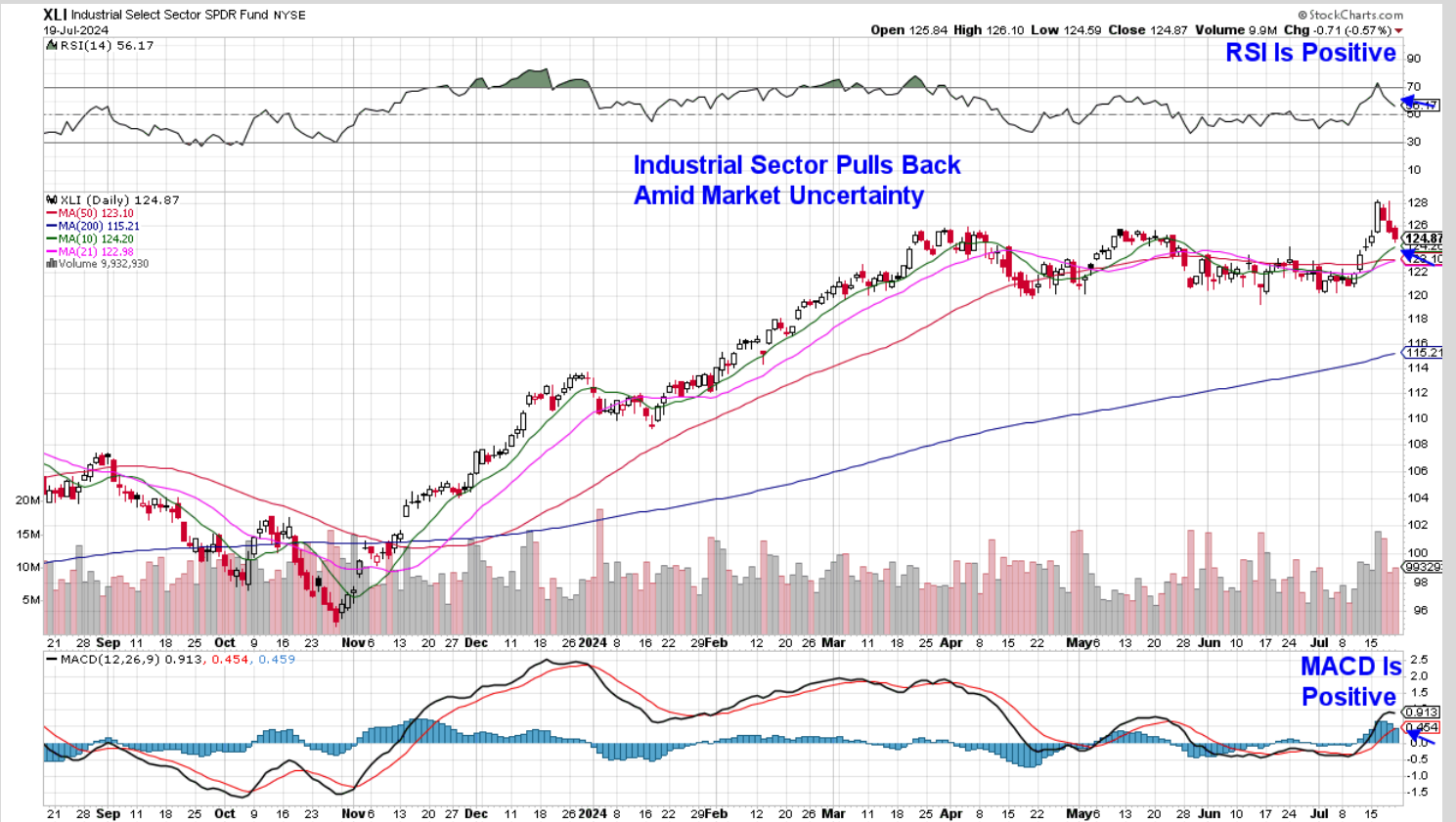
Monday.com (**MNDY**) pulled back 1% where it found support above its 50-day moving average. The light volume selling took place amid analyst upgrades ahead of the company's release of earnings early next month. The stock can be bought on a close above its 10-day moving average at the \$234 level.

Next Wednesday, peer software stock ServiceNow (**NOW**) will be reporting their earnings. The company provides services that are similar to **MNDY** so the results are expected to impact them.

Last week's pullback in Technology stocks pushed the sector down to its 50-day moving average with the RSI now in negative territory. A close below this moving average would point to further near-term weakness. At this time, we would refrain from new positions in this area.



## Daily Chart of the Industrial Sector (XLI)



### Industrial Sector Pulls Back For The Week

Industrials started the week on a strong note before losing steam amid a broader market pullback later in the week.

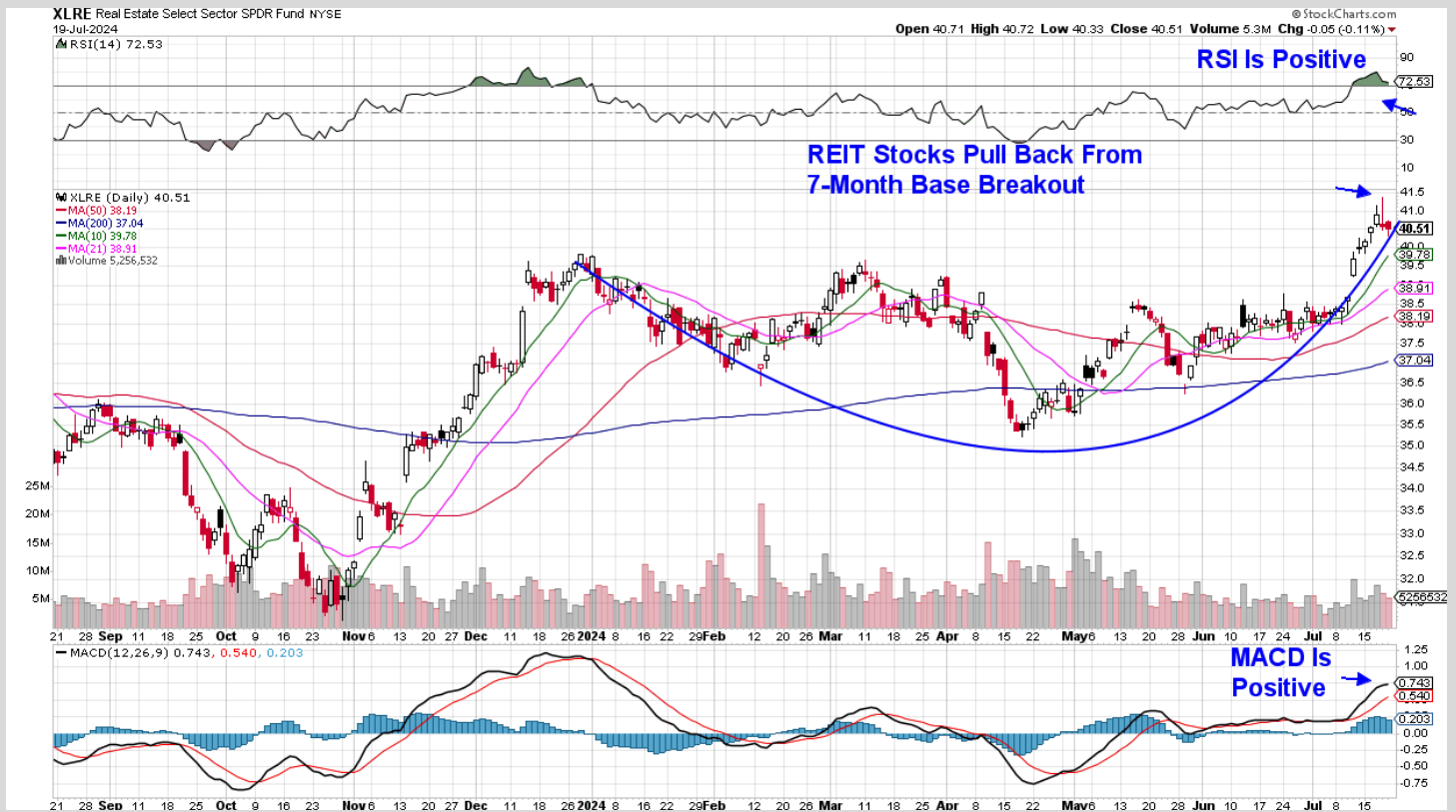
Among stocks on our List, FTAI Aviation (**FTAI**) continues to outperform with a 4.5% gain ahead of the release of their earnings on Tuesday. The stock is finding support above its upward-trending 21-day moving average and is in a position to trade higher should they report strong results.

Honeywell (**HON**) is in a similar position as the stock is finding support above its 21-day moving average ahead of the release of their earnings on Thursday.

Analysts have been revising estimates higher for both stocks going into their reports which is generally bullish.

Fluor (**FLR**) does not report results until early next month and the stock is now in a buy zone after pulling back from a new high in price and finding support at its upward trending 21-day moving average.

## Daily Chart of the Real Estate Sector (XLRE)



### Real Estate Sector Pulls Back From Lengthy Base Breakout

REIT stocks were among the top performing again last week as this year-to-date underperformer has sprung to life amid a drop in interest rates. These companies fare well when rates fall as it allows them to expand their portfolios at a lower cost.

This week, we are adding Equity Residential (**EQR**) to our Suggested Holdings List after the owner and manager of apartment properties broke out of a 3-week base on above-average volume.

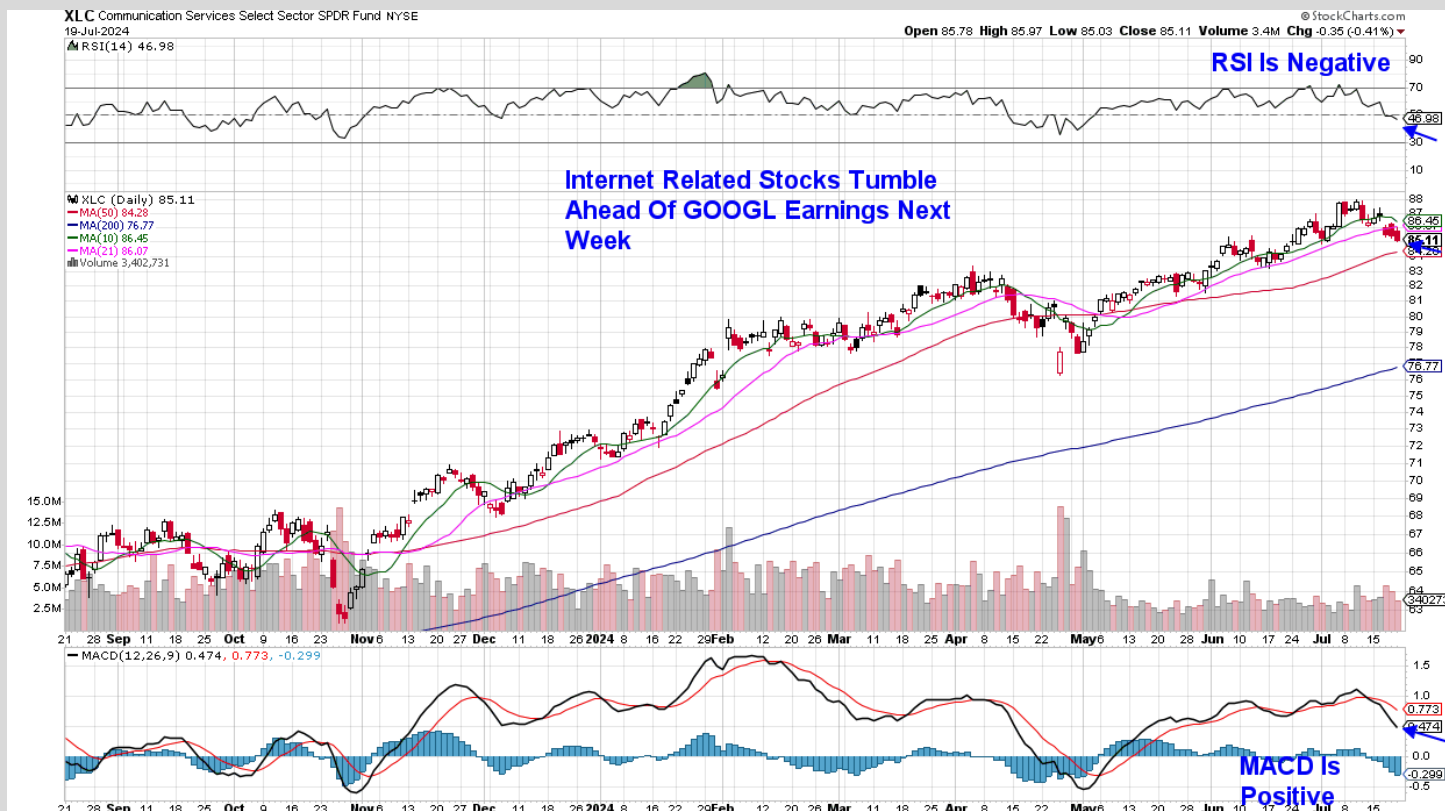
The 4% yielder has seen their estimates revised higher due to strong demand and pricing power in East Coast markets among other factors.

We are also adding Prologis (**PLD**) after the world's largest real estate company boosted its full-year outlook after reporting better-than-expected earnings last week.

We are also adding Smaller Cap self-storage REIT National Storage Affiliates Trust (**NSA**). The company's portfolio has over 1,000 storage facilities under 12 brands and it has maintained an 86% occupancy rate. It also offers a 5% yield.

**NSA** can be bought on a pullback to the \$43 range at its 10-day moving average.

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



### Communication Services Sector Hurt By Heavyweights

Internet-related stocks pulled back last week led by heavyweights Meta Platforms (**META**), Netflix (**NFLX**), and Alphabet (**GOOGL**).

Alphabet is due to report their 2nd quarter results on Tuesday with Wall Street expecting 12.8% growth in sales and 27% growth in earnings. The stakes are high as their AI platform Gemini is still a work in progress.

Netflix (**NFLX**) reported excellent results on

Thursday evening with their new ad-supported service having a positive impact on new subscriber sign-ups. These results, as well as, positive comments from management was not enough and the stock fell on Friday.

**NFLX** closed the week below its 50-day moving average with both the RSI and MACD now in negative territory. We are removing the stock from our Suggested Holdings List.

For longer-term investors, the stock can be held as the weekly chart remains positive.

## Summary

Last week's volatility in the markets hit Technology stocks the hardest amid possible policy changes if control shifts in Washington. While Biden has stepped down as a candidate, his party line is expected to remain, with possible restraints against China and elsewhere in Asia. Trump's message was equally tough.

The rotation away from Tech also highlighted investor's anticipation of a rate cut in September, which would help Small-Cap and Cyclical companies continue to outperform amid a growing economy.

Earnings results will take center stage with next week's reports from Alphabet and Tesla due to get the most attention. The following week, several M7 companies are due →

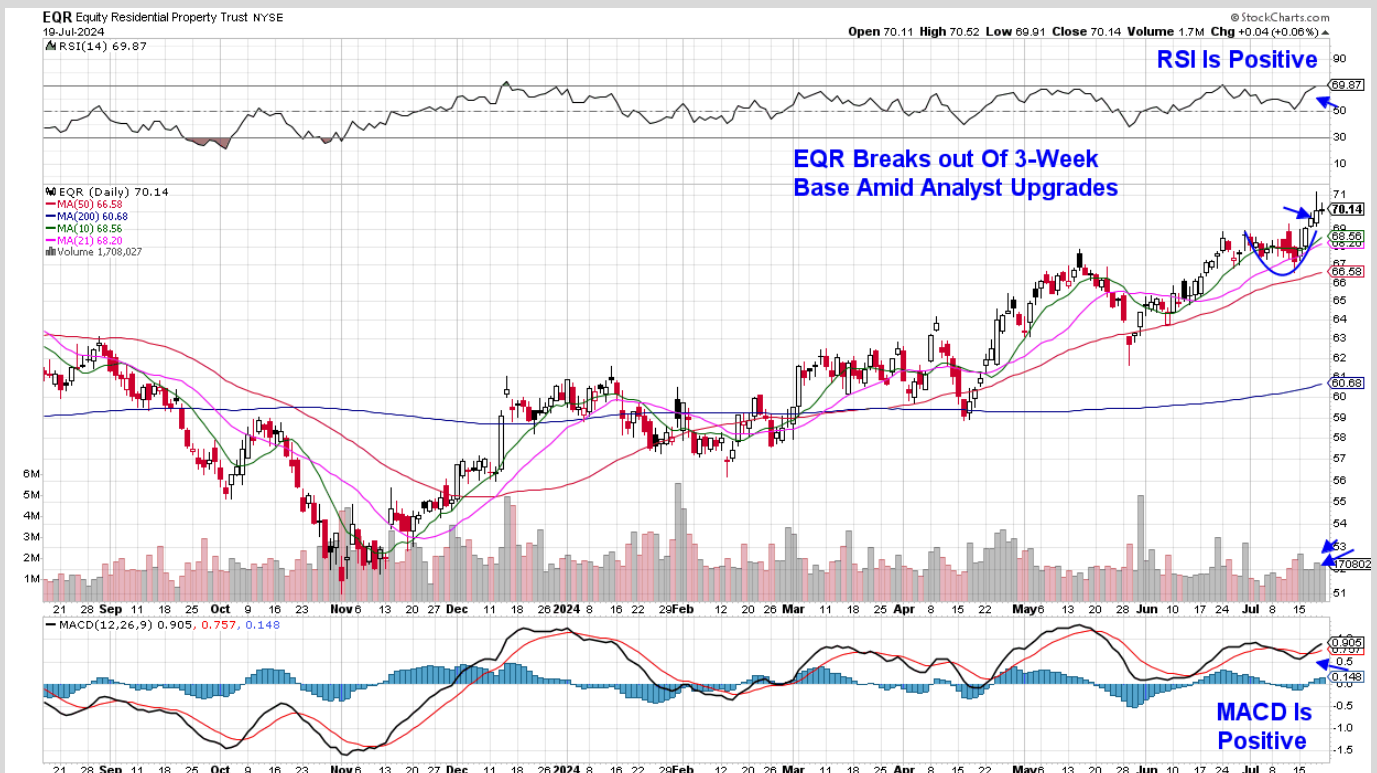
to report. Their results - as well as investors' responses - will shed light on a possible continuation of the rotation away from Tech.

Until then, according to BofA strategist Kwon, the "other 493 stocks" are due to come out of an earnings recession and continue their ascents. A continued broadening out would be good for the markets however loss of leadership such as the M7, has been known to damage uptrends.

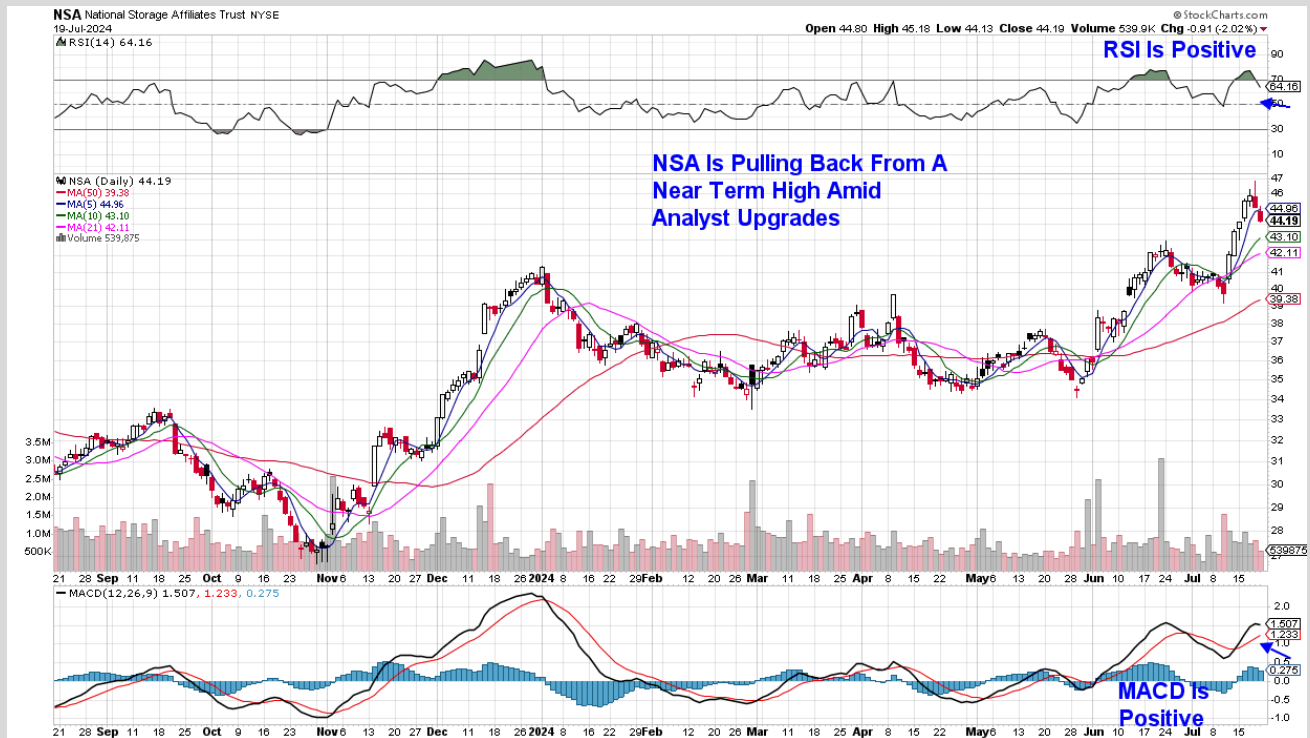
At this time, we would refrain from adding to Technology stocks until the sector regains its uptrend. In addition, we will continue to broaden out our Suggested Holdings List to include Cyclical and Small Caps.

## New Idea Charts:

### Daily Chart of Equity Residential Property Trust (EQR)

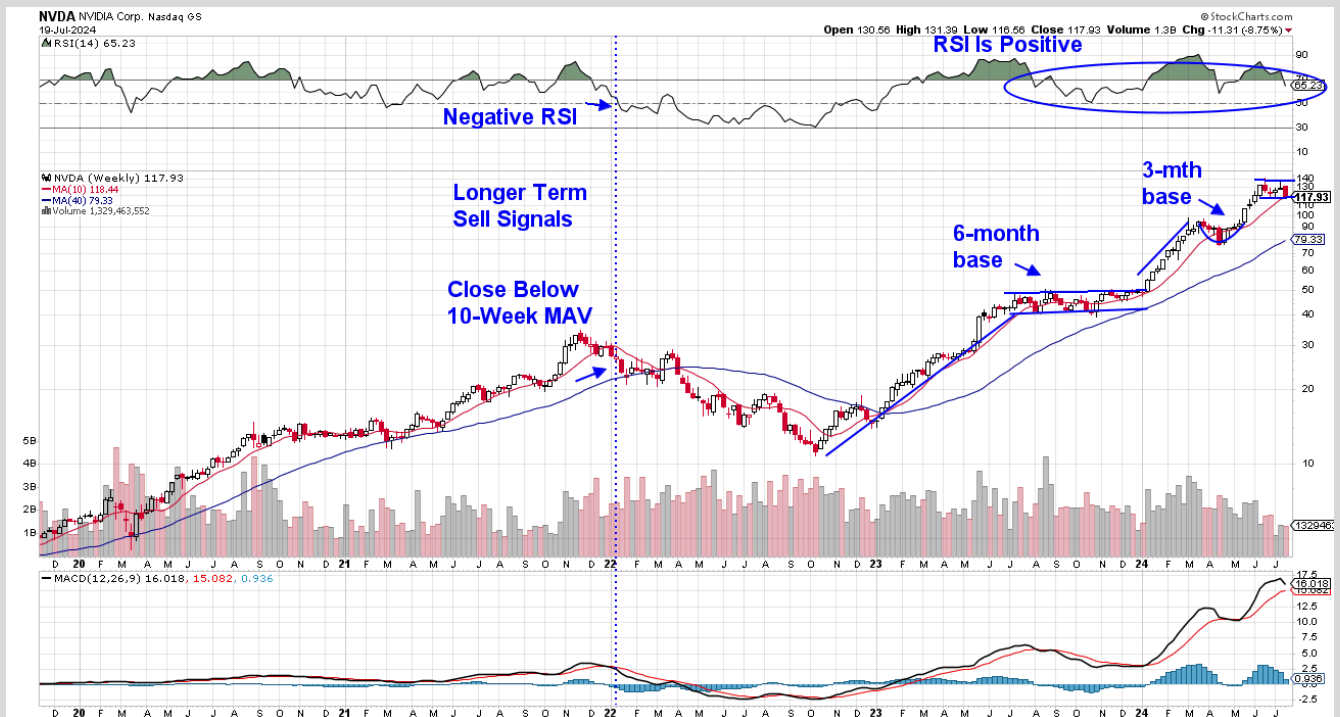


## Daily Chart of National Storage Affiliates Trust (NSA)

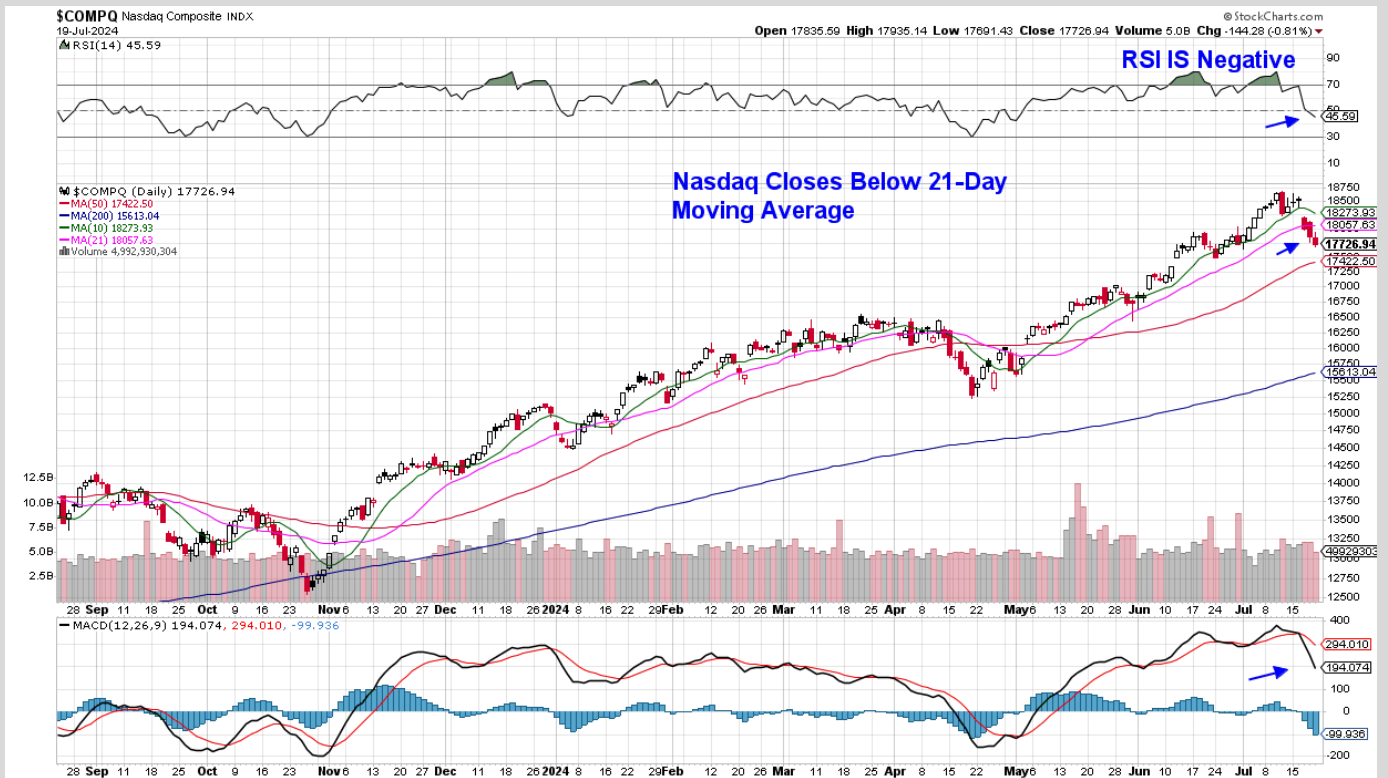


## Charts We Are Watching:

### Weekly Chart of Nvidia Corp. (NVDA)



## Daily Chart of Nasdaq Composite (\$COMPQ)



The  
**MEMEdge**  
WEEKLY REPORT

# 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	-0.5%	1-Aug
CCS	Century Communities	\$90.50	7/14/2024	5.7%	
HLT	Hilton	\$215.90	6/22/2024	2.0%	14-Aug

REAL ESTATE					
NSA	National Storage	\$44.20	7/21/2024		
PLD	Prologis	\$123.80	7/21/2024		
SBRA	Sabra Healthcare	\$16.50	7/21/2024		

INDUSTRIAL					
FLR	Fluor Corp.	\$43.40	6/2/2024	10.5%	3-Aug
FTAI	FTAI Aviation	\$58.00	3/17/2024	64.5%	24-Jul
HON	Honeywell International	\$215.40	6/23/2024	1.0%	25-Jul

HEALTHCARE					
BSX	Boston Scientific	\$57.60	1/3/2024	33.0%	24-Jul
ISRG	Intuitive Surgical	\$598.80	5/19/2024	14.0%	18-Jul
LLY	Eli Lilly	\$820.30	6/2/2024	5.5%	9-Aug
VRTX	Vertex Pharmaceuticals	\$414.80	5/12/2024	15.0%	1-Aug

TECHNOLOGY					
ANET	Arista Networks	\$328.50	6/16/2024	1.5%	29-Jul
AVGO	Broadcom	\$1,495.50	6/12/2024	6.50%	
MNDY	Monday.com	\$248.90	7/7/2024	-7.5%	14-Aug
NVDA	Nvidia	\$887.90	5/5/2024	31.0%	21-Aug
PLTR	Palantir	\$25.33	6/28/2024	12.5%	6-Aug

COMMUNICATION SERVICES					
GOOGL	Alphabet Inc.	\$156.61	4/10/2024	17.0%	23-Jul
NFLX	Netflix	\$669.40	6/16/2024	1.5%	18-Jul

## Longer Term Hold Candidates That Were Removed From Suggested Holdings List

SYMB	COMPANY NAME	CURRENT STATUS
ARM	ARM Holdings	Hold
ASML	ASML Holdings	Hold
AMZN	Amazon	Hold
CRWD	CrowdStrike	Hold
DELL	Dell Technologies	Hold
MSFT	Microsoft	Hold
META	Meta Platforms	Hold
NFLX	Netflix	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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