



# THE MEM EDGE

Midweek Report

Wednesday, July 24, 2024

## Key Data Reported This Week

- Existing Home Sales Fall For 4th Straight Month
- Services PMI Continues to Expand - Largest Part of U.S. Economy
- Manufacturing PMI Falls to A 6-Month Low

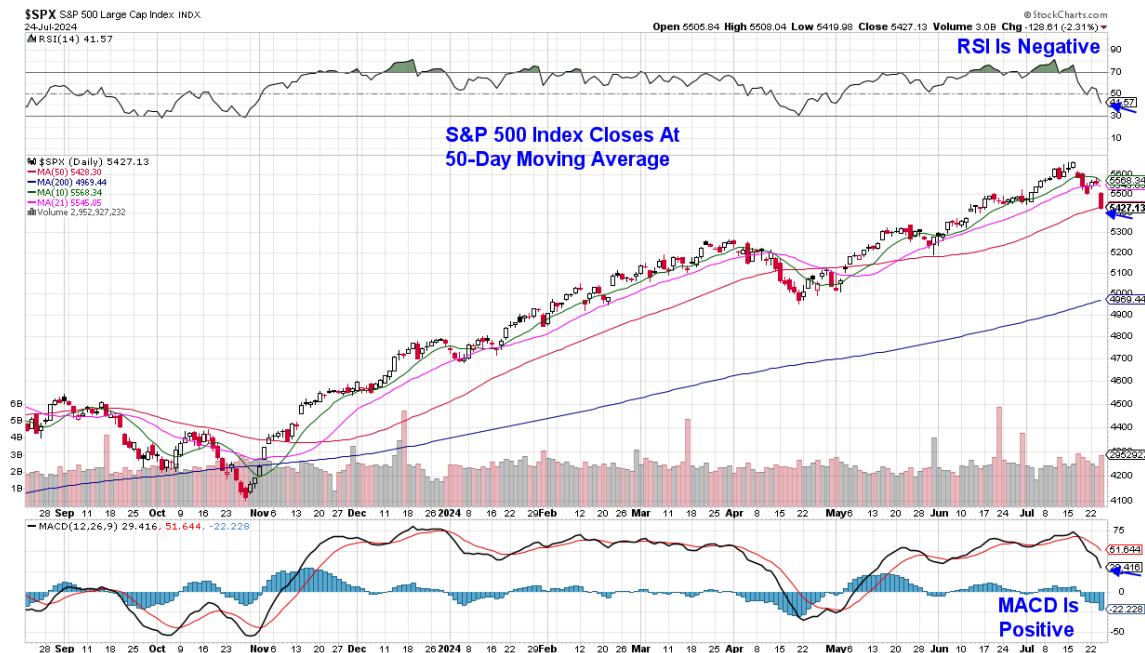
## Key Developments This Week

- Nasdaq Is In A Downtrend
- Volatility Index (\$VIX) Spikes
- Technology (XLK), Consumer Discretionary (XLY), and Communication Services (XLC) Sectors Enter Downtrend
- Removing Nvidia (**NVDA**), Broadcom (**AVGO**), and Alphabet (**GOOGL**) From Suggested Holdings List

## Upcoming Data This Week

- Q2 GDP And Durable Goods Orders Due Thursday AM
- Core PCE Data Due Friday AM

## DAILY CHART OF THE S&P 500 INDEX





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The S&P 500 is down 1.4% so far this week in a move that has this Index pulling back to its 50-day moving average. In addition, the RSI is in negative territory while the MACD is positive.

Similar to our Sunday report, this price action has us cautious on the near-term prospects for the markets with select areas now in a downtrend, which we will review below.

On any further selling, the S&P 500 will close below its 50-day moving average which would put this Index into a near-term downtrend. The longer-term uptrend remains in place.

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.

The Nasdaq fell further, with a 2.2% decline that has this Index in a downtrend as it has closed below its 50-day moving average with a negative RSI. In addition, today's selling took place on above-average volume which heightens the possibility of further near-term selling.

This Tech heavy Index was hurt by a weaker-than-expected outlook from heavyweight Alphabet (**GOOGL**) who is anticipating a weak 3rd quarter due to infrastructure and employee growth costs as they shore up their AI capabilities.

**GOOGL** fell sharply on the news and the stock is now below its 50-day moving average with a negative RSI and MACD. We are removing the stock from our Suggested Holdings List.

The news pushed other AI-related stocks lower, as it underscored the strong possibility that any increased monetization from AI-related activity may be pushed out.

Semiconductor stocks were among the hardest hit this week, with the group remaining in a confirmed downtrend after last week's sharp losses.

Nvidia (**NVDA**) is down 3% for the week which puts the stock below its 50-day moving average with the RSI and MACD now in negative territory. This puts NVDA into a near-term downtrend and we are removing it from our Suggested Holdings List.

Longer-term investors can stay with **NVDA** as the weekly chart remains constructive. A negative RSI on the weekly chart would be a sell signal.



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Broadcom (**AVGO**) also closed below its 50-day moving average with a negative RSI and we are removing this stock as well. The longer-term weekly chart remains constructive.

As you may recall, we suggested that shorter-term investors lighten up on both stocks in our Sunday report.

Software stocks also pulled back this week with a 2.3% decline that was led by AI and bitcoin-related stocks. This would include Palantir (**PLTR**) which had been holding up well until today's slide that pushed the stock below its 21-day moving average with the RSI dipping below 50.

**PLTR** is poised for further weakness and shorter-term investors will want to lighten up on the stock as the next area of possible support is its 50-day moving average which is 8.7% away.

The longer-term weekly chart remains constructive.

Arista Networks (**ANET**) began the week in rally mode before a sharp AI-related drop today. The stock closed below its 50-day moving average with a negative RSI and the stock is being removed from our Suggested Holdings List. Longer-term, the stock can be held.

The Consumer Discretionary sector is now in a downtrend led by an 8% decline in Tesla (TSLA) after reporting 2nd quarter earnings that were 40% below estimates.

Restaurant and other retail stocks sold off sharply as well. Hilton (**HLT**) is down 2% for the week due to a selloff today that pushed the stock below its 21-day moving average with the RSI now in negative territory.

The stock can be held ahead of the release of their earnings in 2 weeks.

FTAI Aviation (**FTAI**) has gained 7% this week with a rally into today's earnings that were well above analyst estimates. The stock is in a buy zone however, broader market pressures may dampen the upside near term.

Fluor Corp (**FLR**) is down 1.3% this week after a sharp pullback today. The stock could come under further selling pressure as its recent advance has been tied to data center growth - making it an AI-related trade. The stock can be held for now.



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Honeywell (**HON**) pulled back today as well, ahead of the release of their earnings tomorrow before the markets open.

**Interest-sensitive stocks that have been rallying due to anticipation of a rate cut by the Federal Reserve in September pulled back today. This would include Homebuilders, Small Caps, REITs and Banks.**

The decline took place amid a slight uptick in interest rates this week ahead of the Core PCE data which will be released on Friday.

Of the REIT stocks on our List, Prologis (**PLD**) and Equity Residential (**EQR**) remain above their 10-day moving averages with National Storage (**NSA**) closing below this MAV. Each of these stocks remain in an uptrend and can be held.

Healthcare stocks are outperforming led by a rally in Biotech and select Medical Products stocks. With the exception of Eli Lilly (LLY), each of the healthcare stocks on our list are in an uptrend as they have closed above their 10-day moving average with a positive RSI and MACD.

This would include Intuitive Surgical (ISRG), Vertex (VRTX), and Boston Scientific (BSX).

LLY would need to regain its 10-day moving average with a positive RSI before regaining its near-term uptrend.

Today, Volatility spiked as the sharp selloff in Alphabet (GOOGL) and Tesla (TSLA) spooked the markets.

Investor's response to earnings reports can be very telling as during a confidence-infused uptrend, they will be more forgiving of nuanced misses. We are not seeing this which signals a lack of confidence which may well continue into next week as several additional mega-cap stocks report 2nd quarter results.

Reducing positions as they break key support is advised for shorter-term positions.

Warmly,  
Mary Ellen McGonagle  
Editor, MEM Edge Report



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## DAILY CHART OF NASDAQ COMPOSITE

