



THE MEM EDGE

Midweek Report

Wednesday, July 31, 2024

Economic Data Reported This Week

- Job Openings Dip Again in June in Sign of Cooling Labor Market
- U.S. Businesses Add Lowest Number of New Jobs In 6 Months
- FOMC Keeps Rates at Same Level
- Fed Chair Powell Sets Stage for September Rate Cut

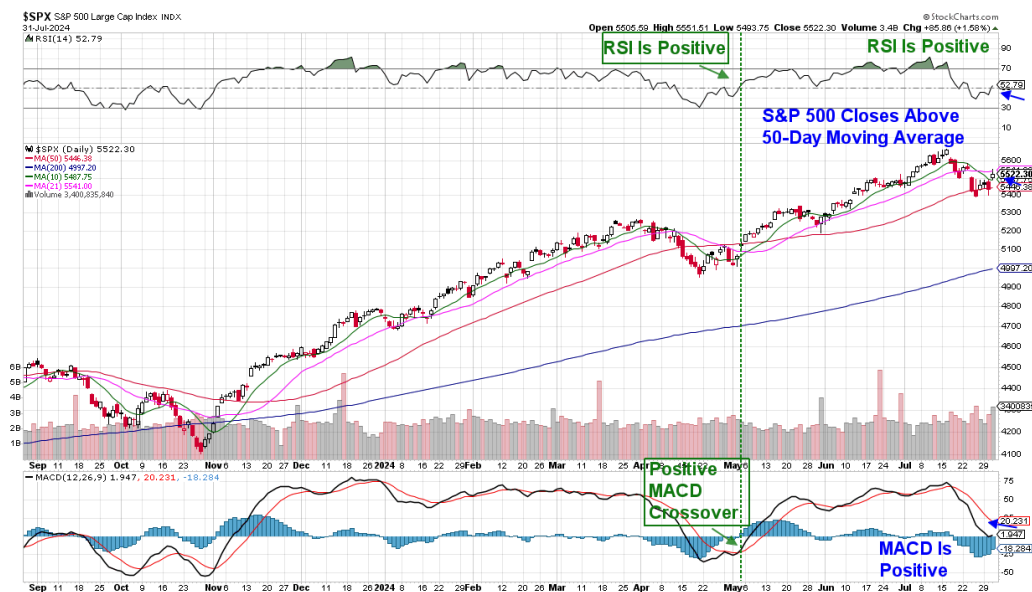
Market Developments This Week

- Earnings Report from **MSFT** Boosts AI Trade - **META**'s Report After Close May Boost Higher
- Interest Rates Fall with Yield On 10-Year At 4.1%
- Communication Services (XLC) And Consumer Discretionary (XLY) Sectors Regain Their Uptrends

Economic Data Due Remainder Of This Week

- **AMZN** and **AAPL** Report Tomorrow After Markets Close
- Manufacturing PMI Due Thursday
- June Unemployment Data Due Friday

DAILY CHART OF S&P 500 INDEX





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The S&P 500 has gained 1.2% so far this week in a move that has this Index above its 50 and 10-day moving averages with the RSI now in positive territory. While constructive, we are on the lookout for a bullish MACD crossover - similar to early May - as well as a close above the 21-day moving average to confirm a renewed uptrend.

The Nasdaq has gained 1.4% which has this Index closing just above its 50-day moving average; however, both the RSI and MACD are in negative territory. A close back above its 21-day moving average - which is 2% away would also need to take place before a new uptrend is declared.

Gains this week have been spurred by earnings reports as well as comments today from Fed Chair Powell that pave the way for lower interest rates.

On the earnings front, Microsoft's (MSFT) numbers today were disappointing due to a miss in their cloud computing division; however, their announcement of increased spending on AI developments gave Semiconductor stocks a boost.

Also boosting this group was a major Wall Street upgrade to Nvidia (**NVDA**) after Morgan Stanley announced that the stock is their number 1 pick.

NVDA gained 13% today after the dual boost however, the stock remains below its 50-day moving average with a negative RSI and MACD. It is not in a buy zone at this time.

We would also like to see the Semiconductor group turn positive. (using ETF SMH)

Long-term hold Semi-stock Broadcom (**AVGO**) is in a bit better of a position as it is above its 50-day moving average with a positive RSI however, a negative MACD coupled with weak group dynamics has us holding back from adding the stock back to the Suggested Holdings List.

Today's sharp shift into recently lagging areas such as Retail and Semiconductors took place amid a pullback in recently strong areas such as Biotechs, Homebuilders, and Bank stocks.

This may continue if we see money shifting back into Big Tech and select Retailers such as Restaurants. We will elaborate further on Sunday after we see how the week closes out.



THE MEM EDGE

Midweek Report

Software stocks are flat for the week with both monday.com (**MNDY**) and Palantir (**PLTR**) below key moving averages with mixed momentum signals. Both stocks can be held.

The Consumer Discretionary sector regained its uptrend led by a rally in Homebuilders and Retailers as well as Autos led by a 5.5% gain in Tesla (TSLA).

Century Communities (**CCS**) and Toll Brothers (**TOL**) both far outpaced the group with an average 5% gain that keeps these stocks in a strong uptrend. While attractive, both stocks have an overbought RSI and we would add to positions lightly.

Hilton (**HLT**) has pulled back 2% to its 50-day moving average ahead of the release of their earnings next Wednesday. The weakness took place amid rival company Marriott's weak earnings report. The stock can be held.

REIT stocks gained 2% for the week amid the strong prospects of lower interest rates. Not all areas participated however, with AI-related names faring the best.

This would include Prologis (**PLD**) which gained 4.5% in a move that puts the stock just above a buy zone as its 5-day simple moving average is in the \$124 range.

Equity Residential (**EQR**) and National Storage (**NSA**) can be held with a close above their 10-day moving averages putting them in a buy zone.

Industrial stocks are gaining again this week with recently added Applied Industrial Technologies (**AIT**) gaining 1.5%. The stock is in a buy zone.

Fluor (**FLR**) is also in a buy zone after closing above its 10-day moving average; however, the company is due to report earnings on Friday. We would not be a buyer going into earnings.

Both General Electric (GE) and FTAI Aviation (FTAI) are in a confirmed uptrend above their upward trending 5-day moving average - putting them both in a buy zone.

Healthcare stocks are underperforming however, Intuitive Surgical (**ISRG**) is in a buy zone with a close above its 21-day moving average. A bullish MACD crossover (black line up through the red) would provide further conviction.

Vertex (**VRTX**) and AbbVie (**ABBV**) are also in buy zones as they are both finding support above their upward trending 5-day simple moving averages.



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Midweek Report

Regional Bank stocks are pulling back this week Keycorp (**KEY**) finding support at its 10-day moving average which is now showing less upside momentum. The stock can be held.

As mentioned, today's sharp shift into recently lagging areas such as Retail and Semiconductors took place amid a pullback in recently strong areas such as Biotechs, Homebuilders, and Bank stocks.

This may continue if we see money shifting back into Big Tech and select Retailers such as Restaurants.

Friday's employment data for July may provide further clues as well as earnings reports from Amazon (**AMZN**) and Apple (**AAPL**).

Meta Platform (**META**) reported a big jump in their AI-related spending for the remainder of this year which may provide a further boost to Semis and other AI-related stocks.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report



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DAILY CHART OF NASDAQ COMPOSITE

