THE MEM EDGE

August 4, 2024 | Weekly Report

Economic Data Last 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
- Fed Chair Powell Sets Stage For September Rate Cut
- Weekly Jobless Claims Surprisingly Rise
- ISM Manufacturing Index Comes In Weaker Than Expected

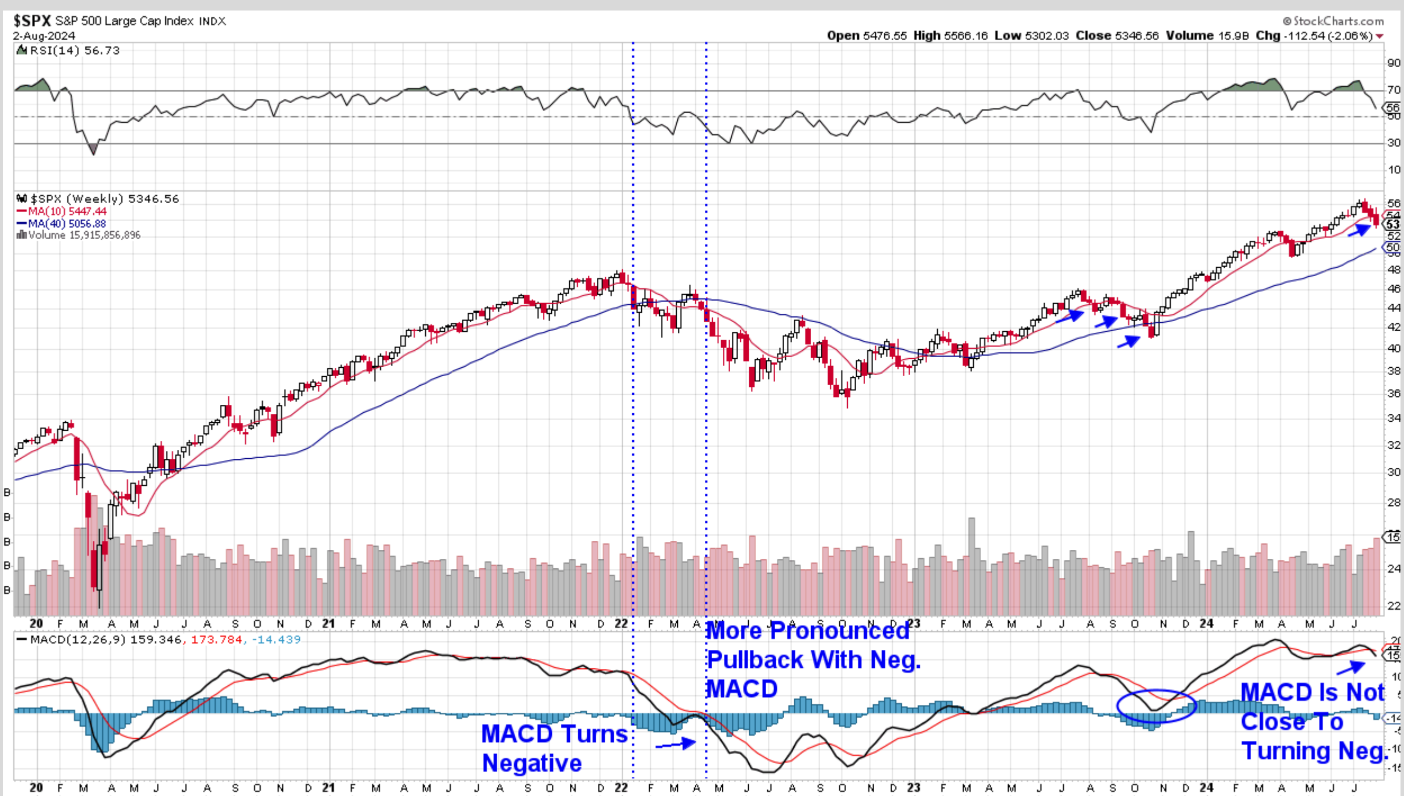
Market Developments This Week

- Small Caps, Semiconductor, Bank, And Homebuilding Stocks Get Hit Hard
- Interest Rates Fall With Yield On 10-Year At 3.9%
- **Nvidia (NVDA)'s Blackwell AI Chip Production Will Be Delayed For Months**

Economic Data Due Next Week

- Light Economic Calendar

Daily Chart of S&P 500



The S&P 500 fell 2.1% last week led by a Friday selloff that pushed this Index below its key 50-day moving average on above-average volume. With the RSI and MACD in negative territory, the S&P 500 is now in a near-term downtrend.

On the weekly chart, both the RSI and MACD are in positive territory; however, the S&P 500 has closed below its 10-week simple moving average on heavy volume.

In the chart above, you will see that if the RSI and MACD go into negative territory, it signals further downside of a longer-term nature.

On any further pullbacks, the late May low of $5277 would be the next area of possible support which is 1.3% away.

Should the markets rally, we would need to see a close above the 21-day moving average coupled with a positive RSI and MACD before initiating any possible new positions.

The Tech heavy Nasdaq fell 3.4% last week - led lower by a rout in Semiconductor stocks while Software and Retail stocks suffered as well. This Index is now in a correction as it is down 10% from its July 10th peak in price.

As noted last Sunday, the Nasdaq had entered a downtrend after closing below its 50-day moving average with a negative RSI and MACD. At this time, the next area of possible support is the late May low of 16445, which is 1.9% away.

Fed Chair Powell's FOMC comments last week triggered a strong rally on Wednesday; however, those gains were erased on Thursday driven by weak employment and manufacturing data. Friday's jobs report triggered worries about a potential recession, sending stocks into a freefall.

It was a brutal week for the markets with Growth stocks, as well as, Cyclicals coming under selling pressure. Small caps also took it on the chin amid concerns about a slowdown in economic growth.

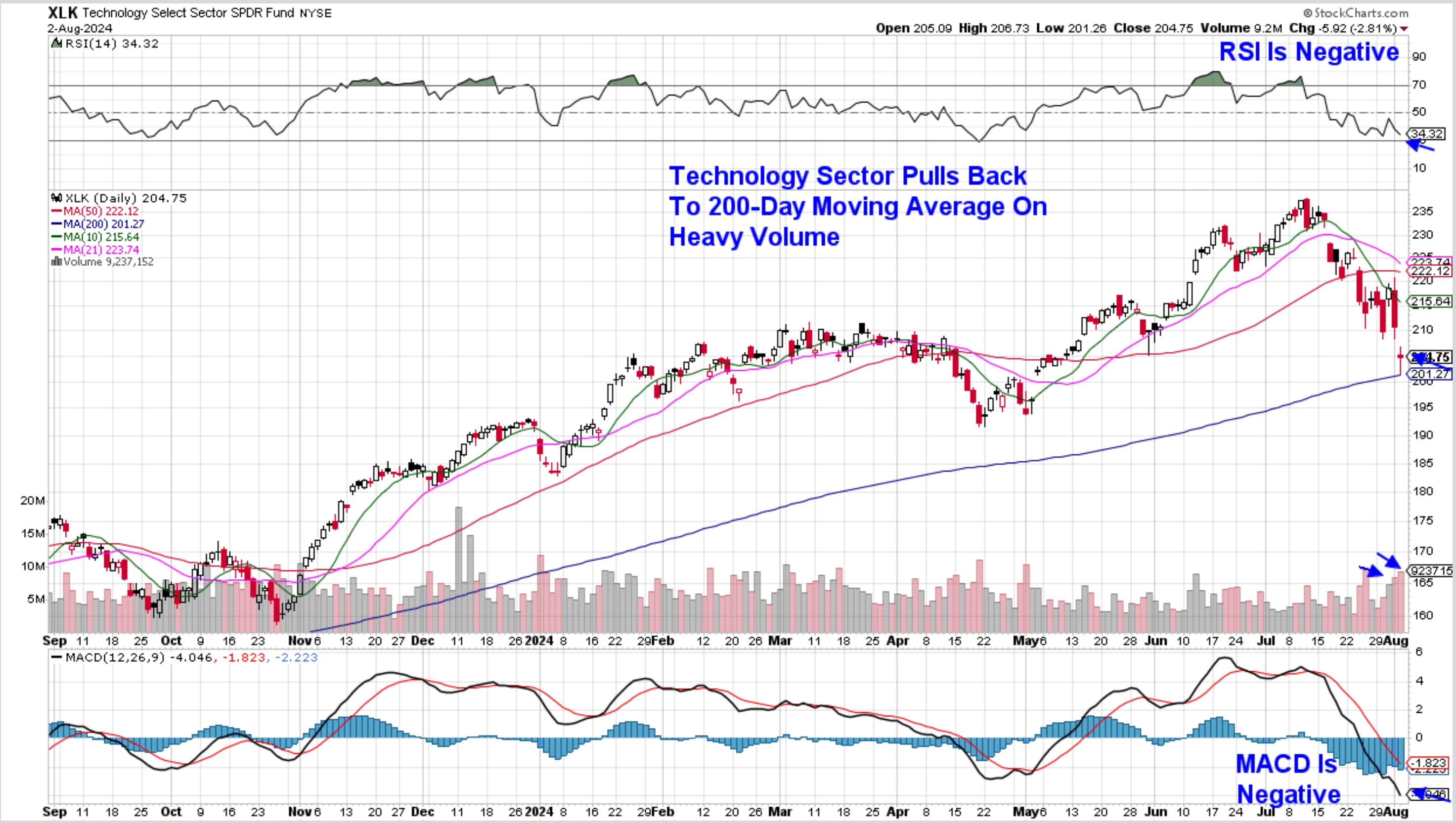
In turn, volatility jumped to a 2-year high with the VIX - also known as the fear index - jumping as high as 30 as panic seemingly took hold on Friday.

As the week progressed, defensive areas of the market outperformed led by Utility stocks while REITs, Staples, and Healthcare stocks also outperformed.

While the markets are due a bounce after sharp selling on Thursday and Friday, we would not be buyers at this time - particularly in areas that are in a downtrend such as Technology.

This week, we removed several longer-term buy-and-hold candidates after closing below their 10-week moving average coupled with a negative RSI on the weekly chart.

Daily Chart of the Technology Sector (XLK)



[Technology Sector Is Worse Performing]()

The Tech sector fell sharply with losses taking place on Thursday and Friday that wiped out gains from earlier in the week.

Two of the largest names in this sector came in with earnings last week with Microsoft (**MSFT**) reporting that their cloud computing division came in with numbers lower than expected while Apple (**AAPL**) beat estimates due to strong iPad sales.

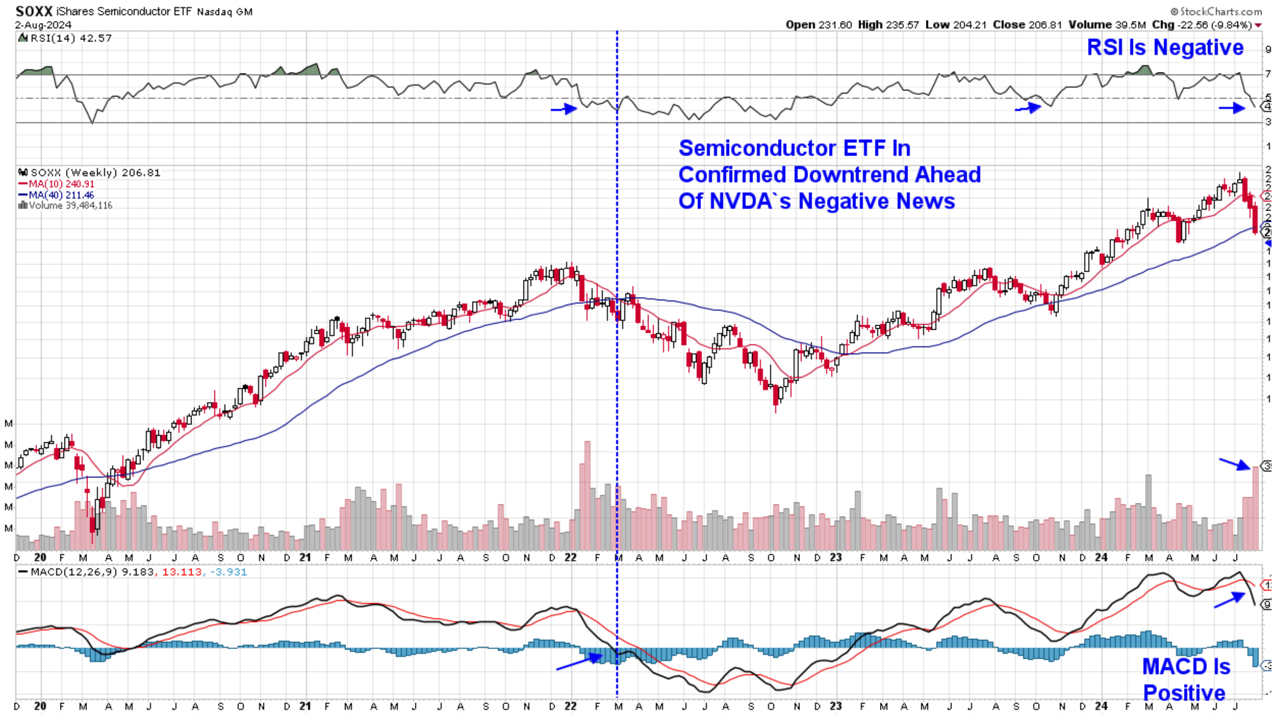
Software stocks fell 5.4%, with the group now trading below its 200-day moving average and both the RSI and MACD now in negative territory. (using ETF IGV) This puts this group in a downtrend.

Both Software stocks on our List sold off more than the group, with monday.com (**MNDY**) among the biggest decliners. Most of the losses took place on Thursday and Friday, with the stock now below its 50-day moving average with a negative RSI and MACD. The company is due to report earnings a week from tomorrow. **MNDY** is being removed from our Suggested Holdings List.

Palantir (**PLTR**), which is due to report their earnings tomorrow, closed the week below its 50-day moving average with a negative RSI. This puts the stock into a downtrend and we are removing it from our Suggested Holdings List.

Semiconductor stocks were among the worst performers last week, with a 10% decline that puts the group below its 200-day moving average. (using ETF SOXX) On the weekly chart, the RSI is now negative which points to the possibility of further selling.

Weekly Chart of iShares Semiconductor ETF (SOXX)



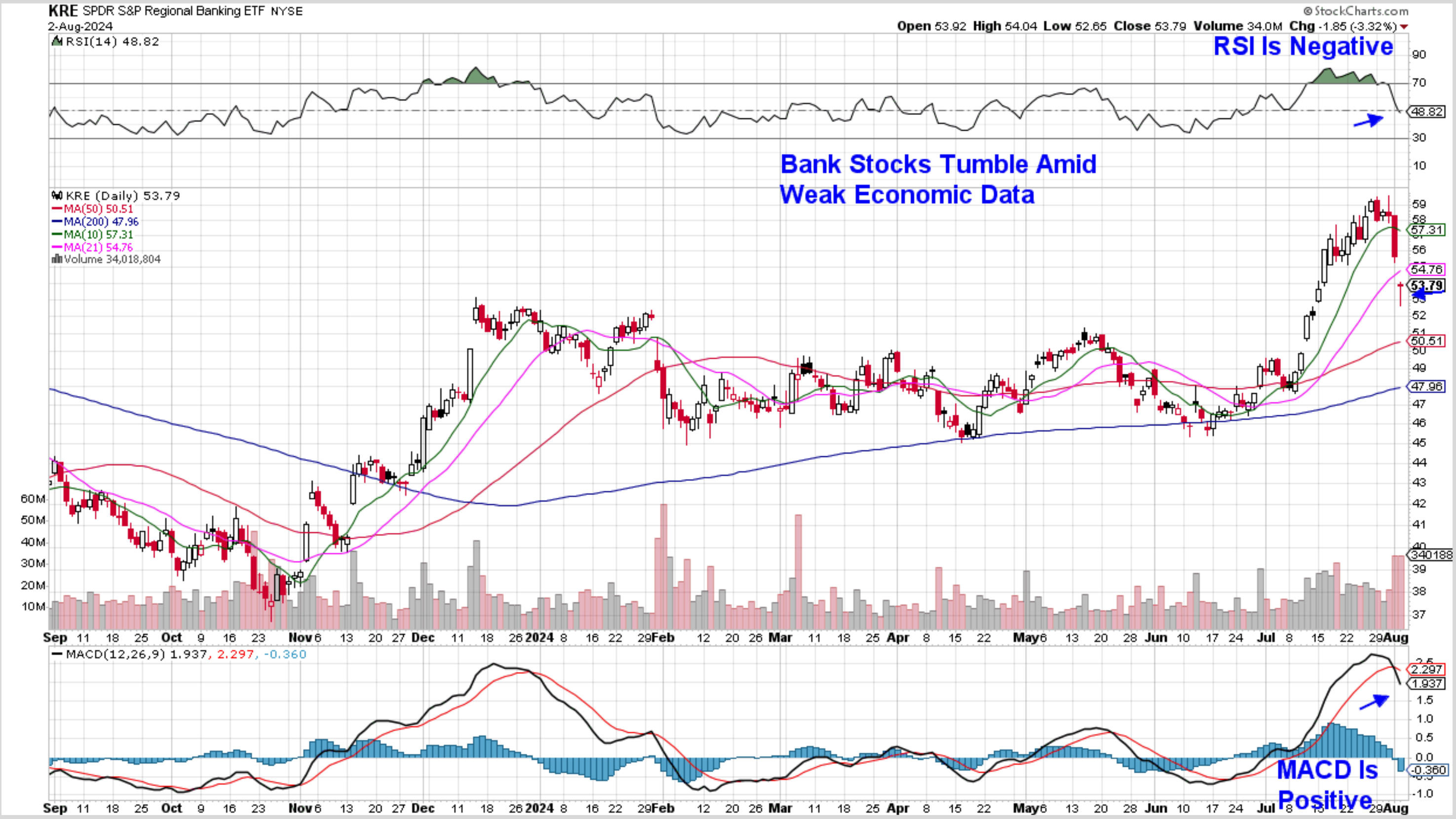
In the weekly chart above, we have highlighted the last 2 times the RSI turned negative with the late October pullback re-entering an uptrend before the MACD entered negative territory.

In contrast, the March 2022 pullback sold off further, after the MACD joined the RSI in negative territory on the weekly chart.

Of note is the news released on Saturday that Nvidia (**NVDA**) must delay their Blackwell chip manufacturing for several months. This will impact upcoming earnings and sales and we anticipate further selling in **NVDA** next week.

The Technology sector is in a confirmed downtrend with the RSI now in negative territory on the weekly chart. As with SOXX, a negative MACD on the weekly chart of XLK will point to the strong possibility of further downside.

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



[Regional Bank Stocks Tumble On Recession Fears]

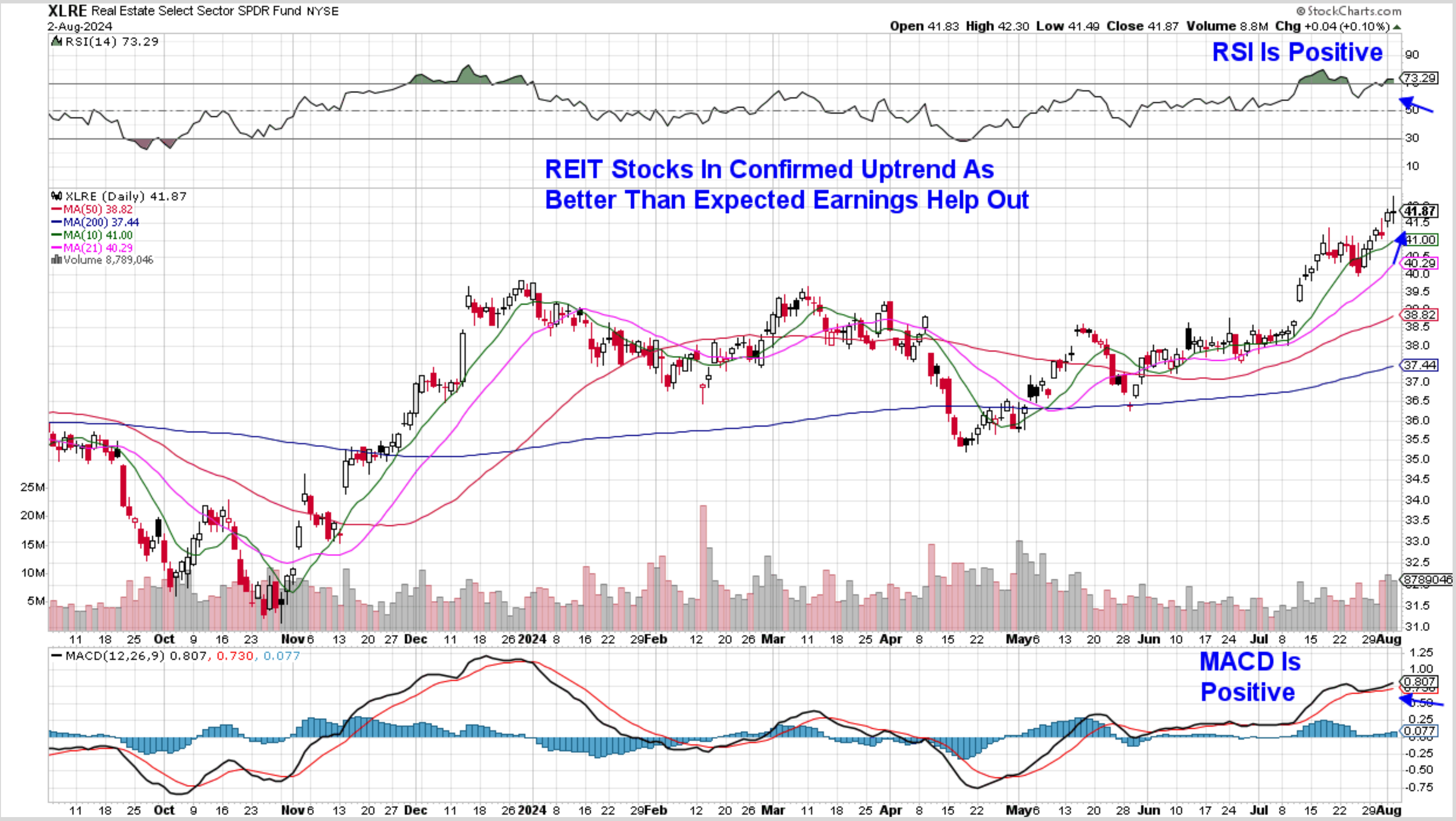
The Regional Bank ETF (KRE) fell 9% last week amid weak economic data that points to borrowers cutting back on their loan activity.

In addition, yields dropped dramatically last week amid a bond market rally, as investors realized that the Fed may need to loosen its tight monetary policy faster than expected to avoid a recession.

In turn, the yield curve is now poised to reverse its inverted position - where shorter-term rates are higher than longer-term - which has been in place for 2 years. A more normalized yield curve is good for banks however, a slowing economy will trump.

Keycorp (**KEY**) fell further than the group, in a move that has this stock below its 50-day moving average with the RSI now in negative territory. We are removing **KEY** from our Suggested Holdings List.

Daily Chart of the Real Estate Sector (XLRE)



[Real Estate Stocks Outperform The Markets]()

The REIT sector was the second-best performer amid strong quarterly results from select wireless tower owners.

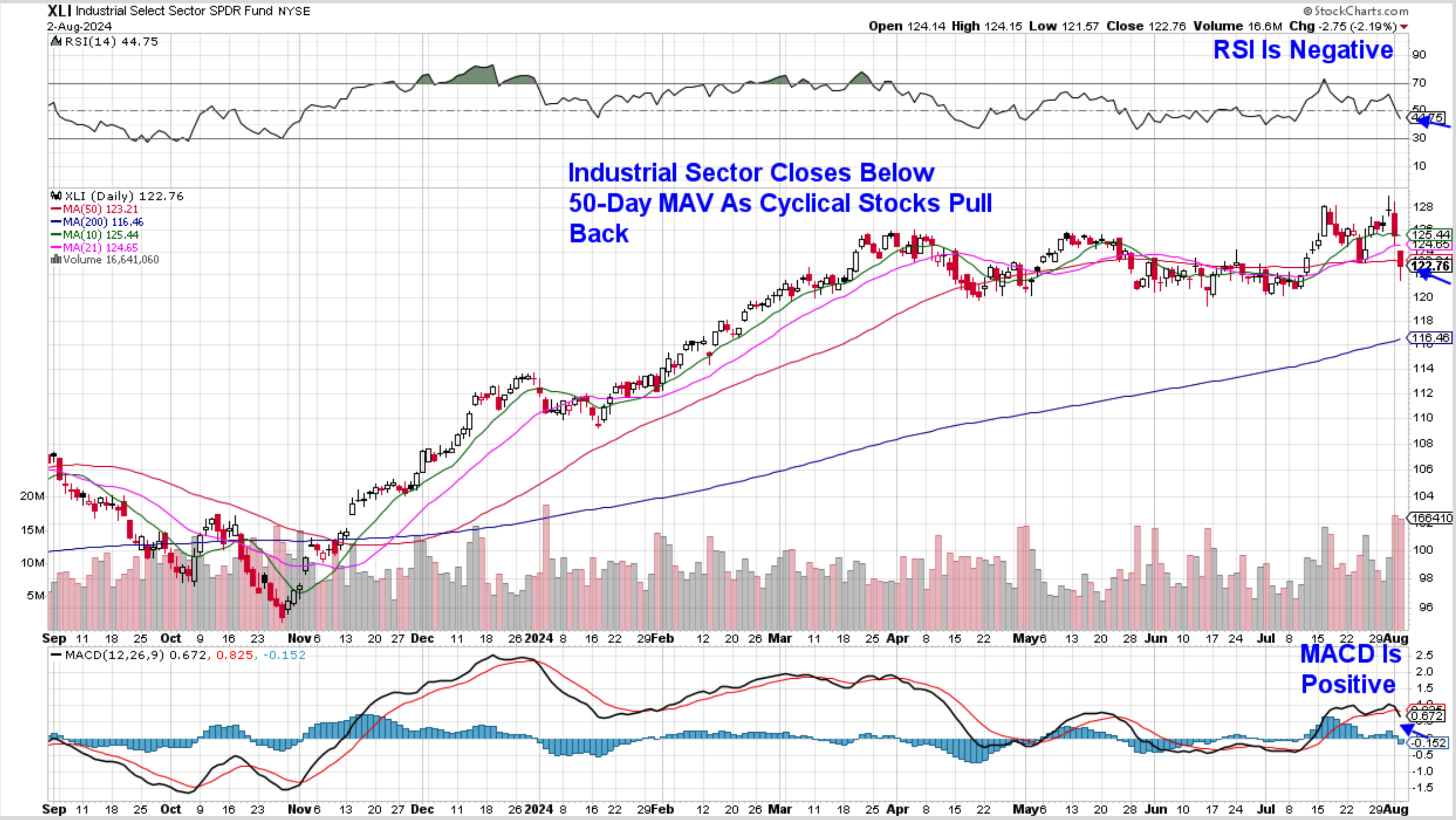
Among stocks on our List, Prologis (**PLD**) gained 1% amid news that they will be leveraging their massive land positions to tap into the enormous data center opportunity.

The company owns over 5,500 warehouses around the world with plans to convert select existing warehouses to data centers. **PLD's** move to a new high last week was not confirmed by its RSI which would also need to reach a new high. The stock can be held at this time.

Equity Residential (**EQR**) posted strong quarterly results last week as their massive residential portfolio is located in cities with high rents. In addition, **EQR's** occupancy rate is 96% which is quite high. The 3.8% yielder can be held.

National Storage Affiliates (**NSA**) pulled back to its 21-day moving average where it found support. A close above its 10-day moving average at $44 would put the stock into a buy zone. The company is due to report earnings tomorrow after the markets close.

Daily Chart of the Industrial Sector (XLI)



[Industrial Sector Closes Below Key Support]

The Industrial sector had hit a new high in price on Wednesday, before a sharp Thursday into Friday pullback had these stocks closing below their 50-day simple moving average.

With the RSI now in negative territory, the Industrial sector is in a near-term downtrend.

Industrial stocks fare well during a growing economic backdrop, and the late-week news hit this Cyclical area of the markets.

Small Cap stocks also pulled back sharply after hitting a new high on Wednesday amid weak manufacturing and employment data. (Using ETF IWM)

In turn, those stocks in this sector that were Smaller Cap were hit the hardest. This would include Applied Industrial Technologies (**AIT**) which fell sharply on Thursday after hitting a new high on Wednesday.

While **AIT** has found support at its 50-day moving average, the above-average volume on its selling, coupled with a negative RSI, has us removing the stock from our Suggested Holdings List.

FTAI Aviation (**FTAI**) is another small-cap stock, and its recent outperformance may have investors taking profits in addition to reacting to weak economic data. **FTAI** closed below its 21-day moving average with the RSI now in negative territory.

Shorter-term investors will want to take profits unless we rally back above the 10-day moving average. The longer-term weekly chart remains constructive.

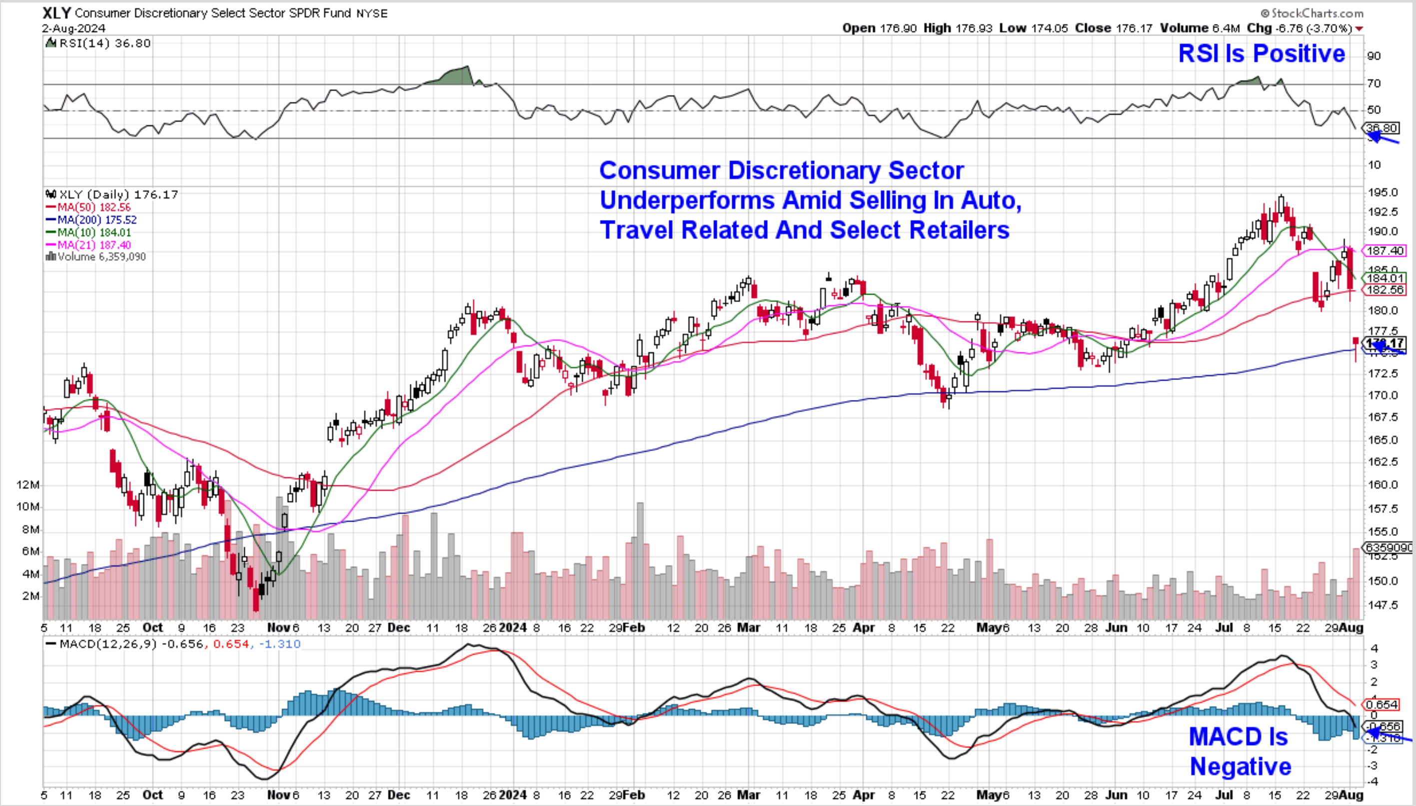
Global engineering and construction company Fluor (**FLR**) relatively outperformed with a 1.4% pullback. The company reported quarterly results on Friday that were mixed with earnings coming in above estimates while revenues missed slightly.

FLR can be held as the daily and weekly charts remain constructive.

General Electric (**GE**) had been holding steady all week before a Friday selloff pushed the stock down 5.5%. In turn, **GE** closed the week below its 50-day moving average with a negative RSI.

Under more constructive market conditions, we would stay with the stock as the MACD remains in a positive position however, broader worries regarding the economy may trickle in again.
We are removing GE from our Suggested Holdings List.

Daily Chart of the Consumer Discretionary Sector (XLY)



[Consumer Discretionary Sector Remains In A Downtrend]()

The Consumer Discretionary sector was on track to regain its uptrend on Wednesday before late-day selling that continued into Friday, put XLY back into a downtrend.

News of a possible slowdown in the economy which was marked by higher unemployment, is a negative for this group as discretionary spending may slow down. The hardest hit were travel-related areas such as Cruise lines.

Hotel stocks also sold off after Marriott (**MAR**) came in with revenues below estimates and management guided growth lower for the remainder of this year.

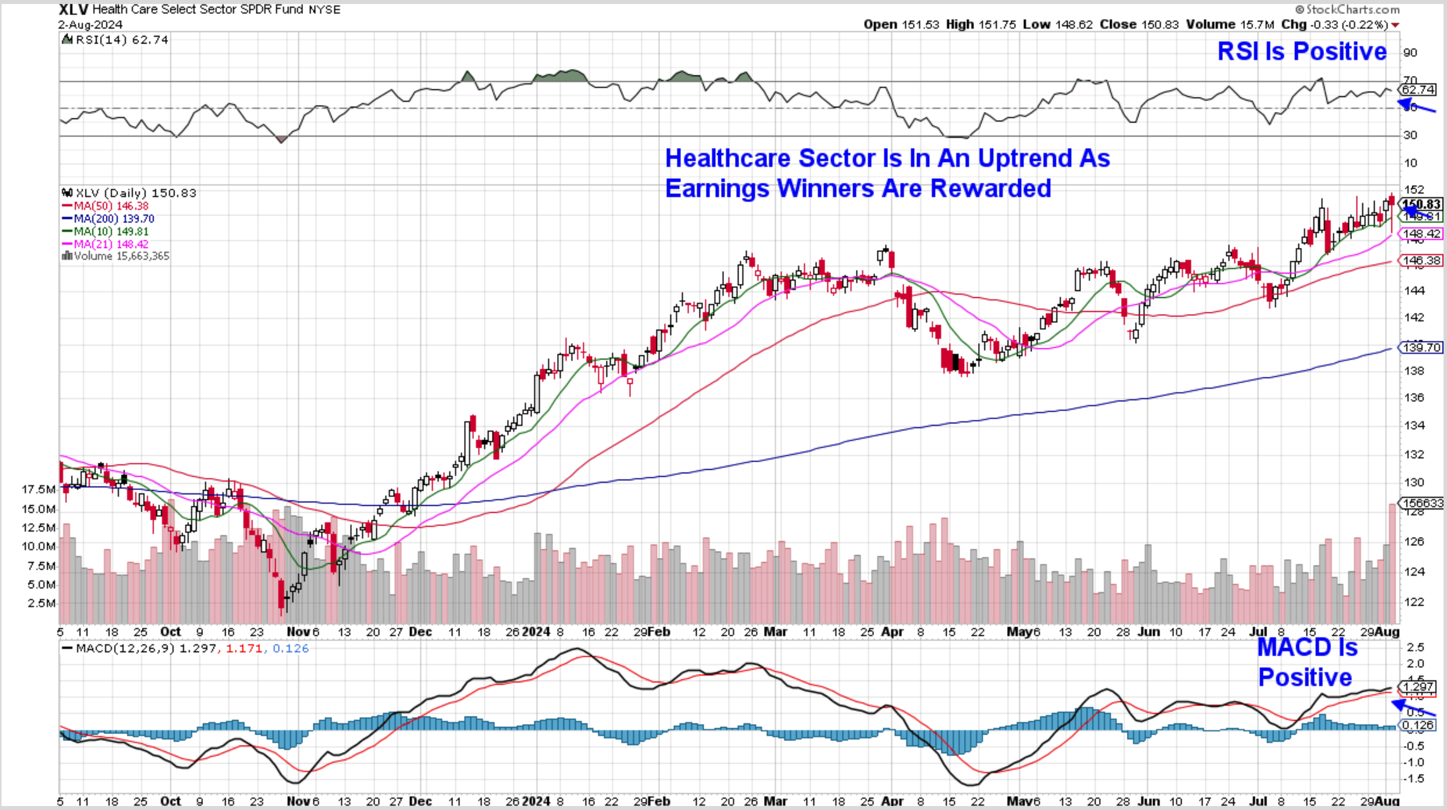
Hilton (**HLT**) from our List is due to report results this Wednesday however we are removing the stock from our Suggested Holdings List after last week's pullback puts the overall losses below our 8% threshold.

Housing stocks pulled back sharply as well, as the benefit of lower interest rates was overshadowed by a potentially weak consumer appetite. (using ETF XHB)

Small-cap home builder Century Communities (**CCS**) pulled back less than the group after reporting strong quarterly results a week and a half ago. **CCS** can be held as it remains above its 21-day moving average with a positive RSI and MACD.

Toll Brothers (**TOL**) is in a similarly positive position above its 21-day moving average with a positive RSI and MACD. The company reports its earnings in 2 ½ weeks.

Daily Chart of the Health Care Sector (XLV)



[Healthcare Sector Ends The Week Positive]

The Healthcare sector remains above its upward trending 10-day moving average amid buying in deeply oversold Medical Products stocks (**DXCM**, **QDEL**, **WAT**, and **OMCL**) that have reported earnings recently.

Intuitive Surgical (**ISRG**) from our List reported positive results 2 weeks ago however, the stock sold off with the group. Analysts have been revising estimates higher and **ISRG** closed the week above its 10-day moving average with a positive RSI and MACD and it is in a buy zone.

While defensive areas of the market such as Healthcare may continue to outperform over the near term, we would keep any new positions very light given the broader market risk.

AbbVie (**ABBV**) reported results over a week ago and in response to strong numbers, the stock broke out of a 4-month base on volume. The stock rallied 2.5% last week and remains in a confirmed uptrend above its upward-trending 5-day simple moving average.

This would put the stock into a buy zone however again, broader market pressures may hinder progress.

Riskier Biotech stocks fared okay until a 2% pullback on Friday put this ETF below its 21-day moving average. Biotechs have been known to outperform during difficult market periods if they are creating products and/or showing earnings. (think VRTX in 2008).

Vertex (**VRTX**) - who reported earnings last week - is holding in relatively well with a flat finish for the week above its 21-day moving average. The stock can be held.

The Biotech ETF (ETF IBB) pulled back 2.8% for the week with a close just below its 21-day moving average and a positive RSI and MACD. **IBB** can be held.

Next Thursday, Eli Lilly (**LLY**) which was on our Suggested Holdings list early last month, will be reporting their earnings. Their results as well as investor's responses may sway this sector further.

Summary

Despite Tech giants announcing continued heavy AI spending and the Fed paving the way for rate cuts, the stock market sold off as recession fears flared up later in the week.

Mixed earnings reports from Alphabet (**GOOGL**), Microsoft (**MSFT**), and Amazon (**AMZN**) has also dampened the appetite for mega-cap growth that formerly led the markets higher.

Next week, the economic calendar is relatively light which will put more emphasis on earnings reports from companies such as Disney (**DIS**) and Caterpillar (**CAT**).

With most of the 11 S&P 500 sectors dipping below their 50-day moving average last week, it is safe to say we have seen a shift in market sentiment. Utilities, REITs, Staples, and Healthcare are the only areas above their shorter-term moving averages while → Growth areas are decidedly negative.

At this time, 75% of S&P 500 companies have reported earnings and of those, 78% reported a positive earnings surprise. Unlike prior earnings periods, however, the response to these positive numbers has not been uniform.

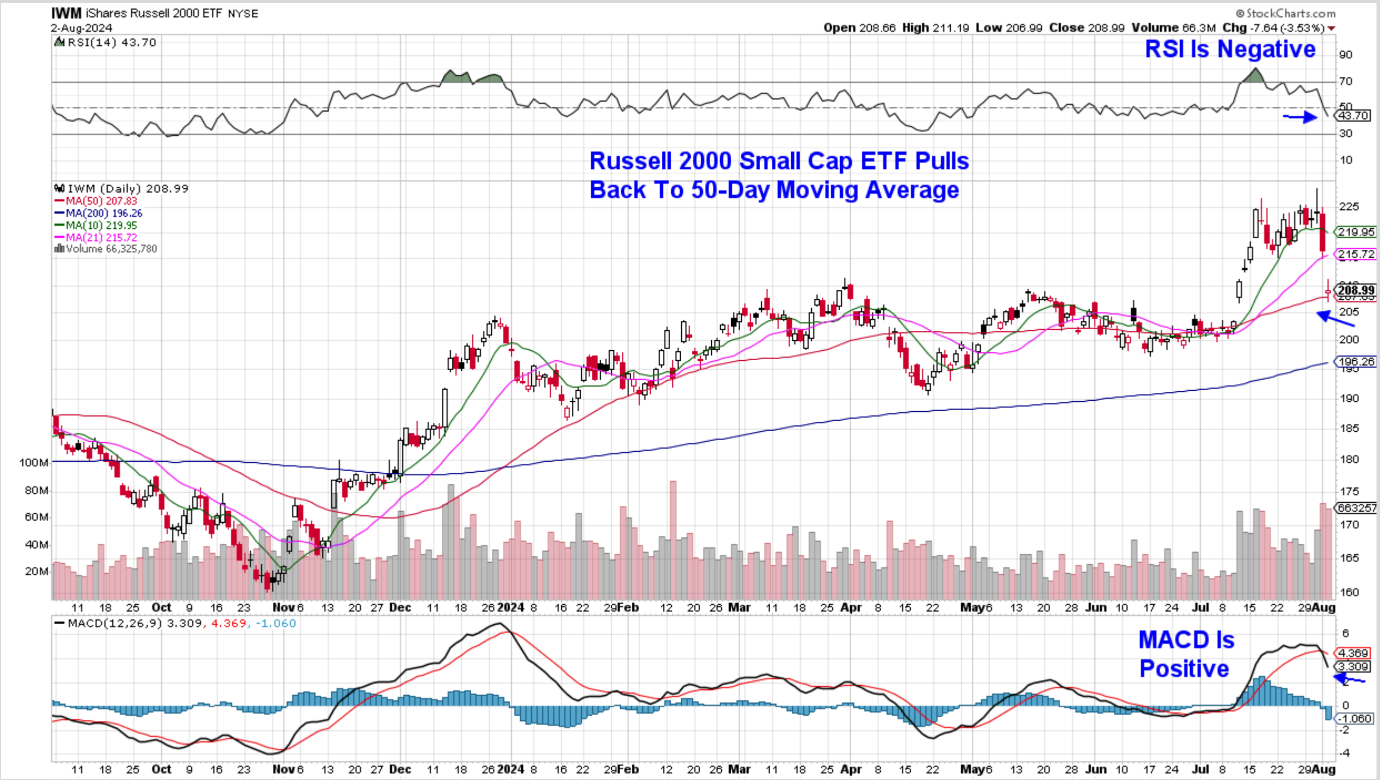
Stocks that are in the lower portion of their YTD trading range or are just now breaking out, are seeing the most upside. This is another example of the risk-off mentality among investors.

We will continue to monitor price action this week for further clues. Of note, we may see a selloff in Nvidia (**NVDA**) following news over the weekend that due to a design flaw, their proprietary Blackwell chips will need to pause production for several months.

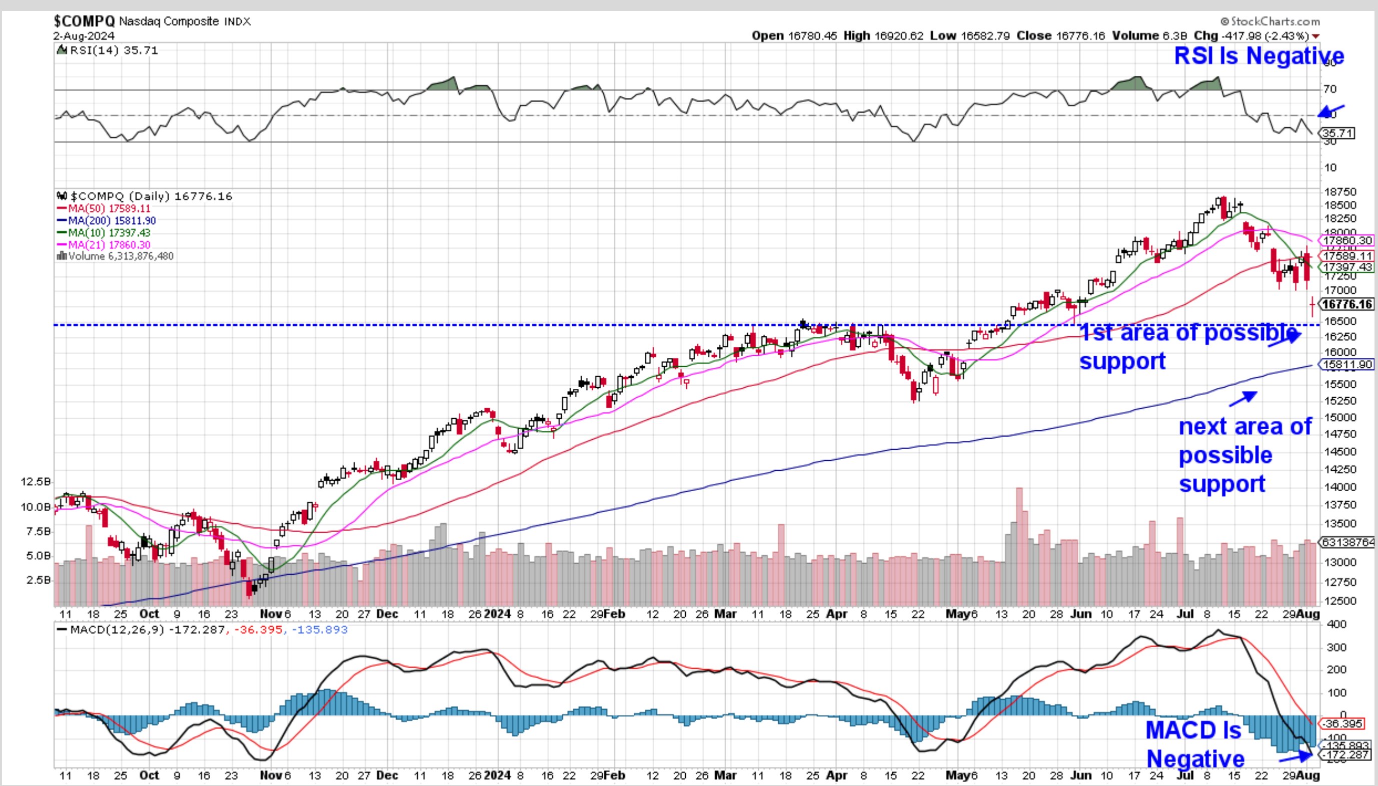
The MEMEdge
WEEKLY REPORT

Charts We Are Watching:

Weekly Chart of iShares Russell 2000 ETF (IWM)



Daily Chart of Nasdaq Composite ($COMPQ)



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					
TOL	Toll Brothers	$139.50	7/27/2024	-3.0%	
CCS	Century Communities	$90.50	7/14/2024	8.0%	
HLT	Hilton	$215.90	6/22/2024	-4.5%	14-Aug
REAL ESTATE					
NSA	National Storage	$44.20	7/21/2024	-1.5%	5-Aug
PLD	Prologis	$123.80	7/21/2024	-1.0%	
EQR	Equity Residential	$16.50	7/21/2024	1.0%	29-Jul
INDUSTRIAL					
AIT	Applied Industrial Tech.	$215.10	7/28/2024	-7.5%	
FLR	Fluor Corp.	$43.40	6/2/2024	11.5%	Hold
FTAI	FTAI Aviation	$58.00	3/17/2024	76.0%	Hold
GE	GE Aerospace	$169.90	7/28/2024	-5.5%	
HEALTHCARE					
ABBV	AbbVie	$185.10	7/28/2024	2.5%	
IBB	iShares Biotech ETF	$148.20	7/28/2024	-2.5%	
ISRG	Intuitive Surgical	$598.80	5/19/2024	16.0%	
VRTX	Vertex Pharmaceuticals	$414.80	5/12/2024	15.0%	
TECHNOLOGY					
MNDY	Monday.com	$248.90	7/7/2024	-16.0%	14-Aug
PLTR	Palantir	$25.33	6/28/2024	-2.0%	6-Aug

Longer Term Hold Candidates That Were Removed From Suggested Holdings List

SYMB	COMPANY NAME	CURRENT STATUS
MSFT	Microsoft	Hold
META	Meta Platforms	Hold
NFLX	Netflix	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.