



THE MEM EDGE

Midweek Report

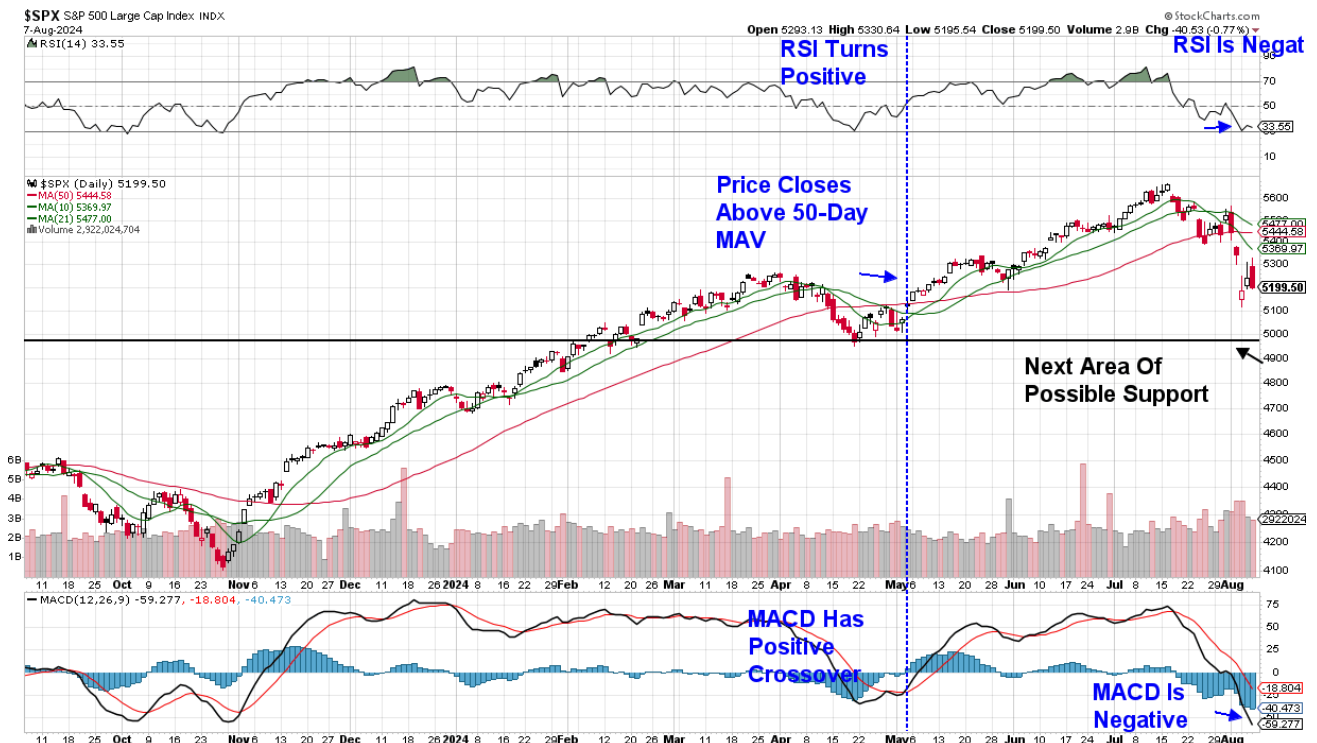
Wednesday, August 7, 2024

- Services PMI Shows Monthly Expansion in July, Extending the Current Sequence of Growth To 18 Months.
- ISM Report Shows Economy Is Still Growing in July
- Weekly Jobless Claims Tomorrow
- Core July CPI and PPI Inflation Data Due Next Week

Developments This Week

- Volatility Remains Elevated
- Interest Rates Climb With 10-Yr Yield At 3.9%
- Technology Sector (XLK) In Bear Market Led Lower by Semiconductors (SOXX) Removing (**IBB**) and (**VRTX**) From Suggested Holdings List

DAILY CHART OF S&P 500 INDEX





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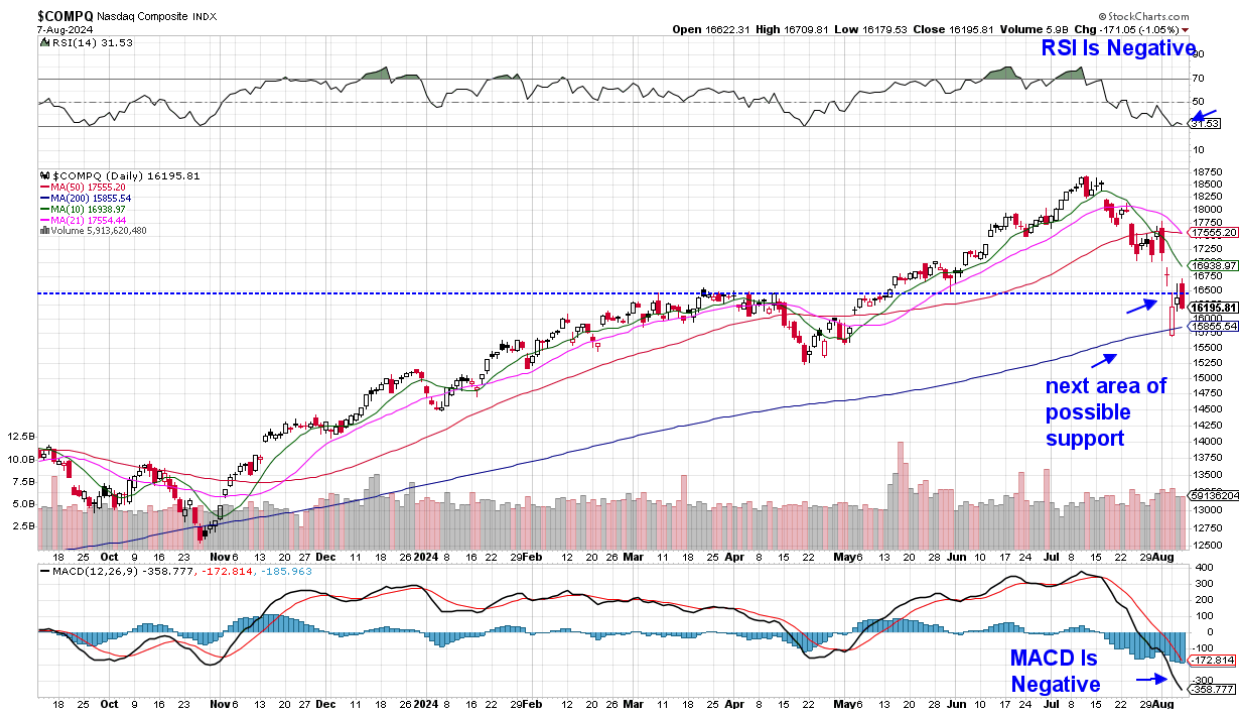
The S&P 500 is down 2.8% in a move that puts the RSI and MACD further into negative territory on the daily chart. On any further selling, the next area of possible support is the May low of 5192, which is 0.5% away.

On the weekly chart, the RSI is now in negative territory and as you will see in the chart below, this signal - when coupled with a negative MACD crossover - has preceded a pullback ranging from 5 weeks (Oct. last year) to 10 weeks (April '22).

As for signs of a possible downtrend reversal, we will use the daily chart and we are on the lookout for the signals on the left side of the vertical dashed line on chart above. This includes a close above the 50-day moving average, coupled with a positive RSI and a bullish MACD crossover.

We would not be a buyer of stocks at this time.

DAILY CHART OF NASDAQ COMPOSITE



The Nasdaq has fared worse, with a 3.5% decline that has this Tech-heavy Index closing below its 1st area of possible support at its May low. At this time, the next area of possible support is the 200-day moving average which is 2.1% away.



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On the weekly chart, the Nasdaq closed below its 40-week line. This is not a common occurrence and it took place in late March and late October '23 and was able to recover after one week. However, the early January 2022 close below this support, preceded a more prolonged downtrend. (see chart below)

At this time, we remain above the 40-week or 200-day moving average however, we will continue to monitor this.

This week's pullback is taking place despite the release of economic data that points to growth in the services sector, which accounts for a majority of the U.S. economy.

Of note is the sharp rise in interest rates led today by a weaker-than-expected Treasury auction for the 10-Year bond. In turn, stocks are continuing to pull back with Growth stocks again being hit the hardest.

Interest rate sensitive areas are also under selling pressure with the rise in rates hitting Home Construction stocks such as those on our List.

Both Toll Brothers (TOL) and Century Communities (CCS) are above their 50-day moving average however, we would not be a buyer on this dip as the RSI is now negative on the daily chart.

Semiconductor stocks are under selling pressure again this week led lower by Nvidia (NVDA) which is down 7.8%. Each of the M7 stocks are below their 50-day moving averages with TSLA, AMZN, and MSFT also below their 200-day moving averages.

Riskier Biotech stocks are also in the red with a 4.2% decline that has us removing this ETF from our Suggested Holdings List after closing below its 50-day moving average with a negative RSI. (**ETF IBB**).

Vertex (**VRTX**) has fallen a similar percent and the stock has closed below its 50-day moving average on heavy volume with a now negative RSI. We are removing **VRTX** from our Suggested Holdings list.

Elsewhere in Healthcare, Intuitive Surgical (**ISRG**) and AbbVie (**ABBV**) remain in bullish uptrends as they are above their upward-trending shorter-term moving averages with a positive RSI and MACD. We would be cautious with any new positions however given the broader market's negative bias.

The Industrial sector is relatively outperforming however, it remains below its 50-day moving average amid general weakness.



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FTAI Aviation (**FTAI**) was able to close above its 50-day moving average as buyers came in on the dip however, the stock remains below its shorter-term 10 and 21-day moving averages with a negative RSI. The stock can be held.

A bullish MACD crossover (black line up through the red) coupled with a close above its 10-day mav would put the stock into a buy zone however, the broader markets would need to be back in an uptrend before adding to any position.

Fluor (**FLR**) is in a similarly positive position after recovering from a dip below its 50-day moving average. This RSI is positive for **FLR** and a close above its 21-day moving average would be constructive. Broader market concerns would have us reluctant to add to any positions.

REIT stocks are relatively outperforming with a 1.5% loss for the week so far and the sector remains in an uptrend.

Among stocks on our List, Equity Residential (EQR) is in the most positive position as it is above its upward 10-day moving average with a positive RSI and MACD. The company announced they will be purchasing a \$1 billion property portfolio from Blackstone today.

EQR can be held as can Prologis (PLD) and National Storage (NSA).

Today was a negative reversal day after the broader markets closed down after being in the green for most of the day. Decliners far outpaced advancers with breadth diminishing.

As noted in our Sunday report, the broader markets were expected to remain volatile amid a lack of solid economic data as a guide to economic growth.

Instead, investors are continuing to take Growth stocks lower with the Technology sector now down 20% over the past 3 ½ weeks. Defensive areas are also under some pressure amid earnings reports that are not meeting expectations.

We will elaborate further in our weekly report.

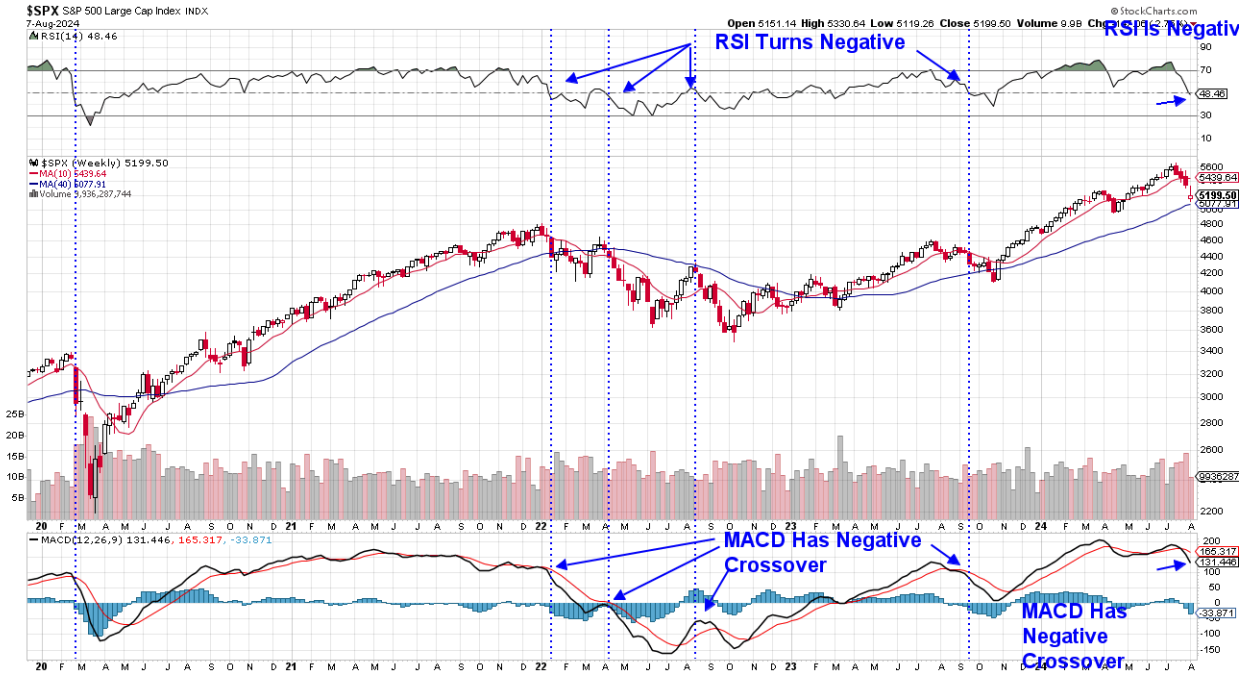
Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report



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WEEKLY CHART OF NASDAQ COMPOSITE

