



THE MEM EDGE

August 11, 2024 | Weekly Report

Market Data Last Week

- Services PMI Shows Monthly Expansion In July
- ISM Report Shows Economy Is Still Growing

- Jobless Claims Fall And Drop From 1 Year High

Market Developments Last Week

- Interest Rates Rise - 10-Year Yield At 3.9%
- Volatility Falls But Remains Elevated At 20.7 (\$VIX)

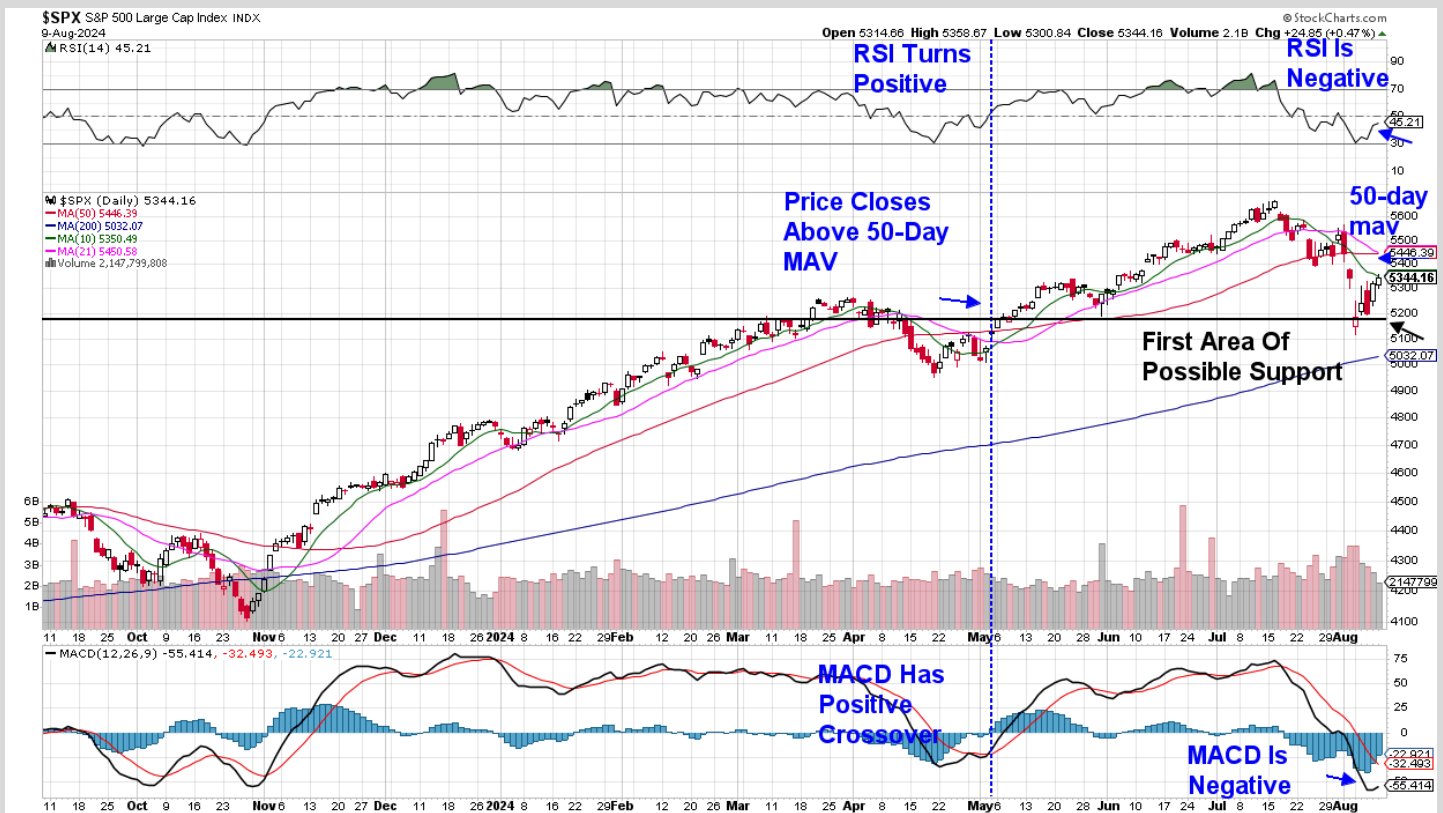
- Markets Remain In Confirmed Downtrend

Key Data Due Next Week

- Core PPI Data Due Next Tuesday
- Core CPI Data Due Wednesday
- Housing Related Data Due Friday

- Weekly Jobs Data, Retail Sales And Industrial Production Due Thursday

Daily Chart of S&P 500



The S&P 500 closed the week flat, in a move that has this Index just below its 10-day simple moving average. With the RSI and MACD in negative territory, the near-term downtrend in the S&P 500 remains in place.

On any rally attempts, a close above its 50-day moving average in the 5446 range, coupled with a positive RSI and a positive MACD crossover*, would put this Index back into an uptrend. (*black line up through the red).

As noted in our Thursday Alert Report, the needed signals for a new uptrend are similar to early May of this year, which is highlighted in the chart above.

Should the S&P 500 experience further selling, the May 29th low of 5264 is the next area of possible support and it's 1.5% away.

On the longer-term weekly chart of the S&P 500 below, the RSI and MACD are in positive territory which is constructive. A close above the 10-week moving average at 5454, would put the intermediate-term prospects for the market in a bullish position.

The Nasdaq closed the week down slightly which puts this Index 0.5% below its 10-day simple moving average. With the RSI and MACD in negative territory, the near-term downtrend in this Index remains in place.

Because of the Nasdaq's steep decline from mid-July to early August, it will take more time for this Index to regain its uptrend, with its 50-day moving average now 4.6% above its current level.

It was a whipsaw period last week with recession fears continuing to drive the markets lower before a drop in jobless claims on Thursday morning sparked a late-week rally.

Other concerns have also driven volatility higher and the markets lower, following news earlier this month that the Bank of Japan will be raising interest rates after 10 years of easy monetary policy.

Hedge funds were borrowing the Japanese yen to invest in higher-yielding assets such as US Growth stocks. With the sharp rise in the yen, it has been speculated that traders were forced to sell their holdings in U.S. stocks to cover their short-yen positions.

While the yen has stabilized, experts believe it may take more time to unwind the selling of stocks to cover the yen.

The current summer vacation is also being cited as a reason for increased volatility with volume last week being light. Next week may bring more of the same.

Data due to be released will certainly test the markets, as key information regarding inflation is due on Tuesday and Wednesday with PPI and CPI numbers being released.

Any exaggerated market moves similar to the 8% drop in the Nasdaq over the 3 days of August 1st to August 5th - after the Bank of Japan's announcement - would signal the continued impact of Japan's increase in interest rates.

Also due next week are July Retail Sales and Industrial Production numbers.

Interest rates closed the week higher amid weak Treasury auctions and in turn, interest rate-sensitive areas such as Home Builders and Small Caps pulled back.

In addition, the AI-related trade continued to lose some steam after server maker Super Micro Computer (**SMCI**) fell sharply despite reporting revenues that were doubled from last year due to AI-related sales. Nvidia (**NVDA**) also struggled amid news of a chip delay.

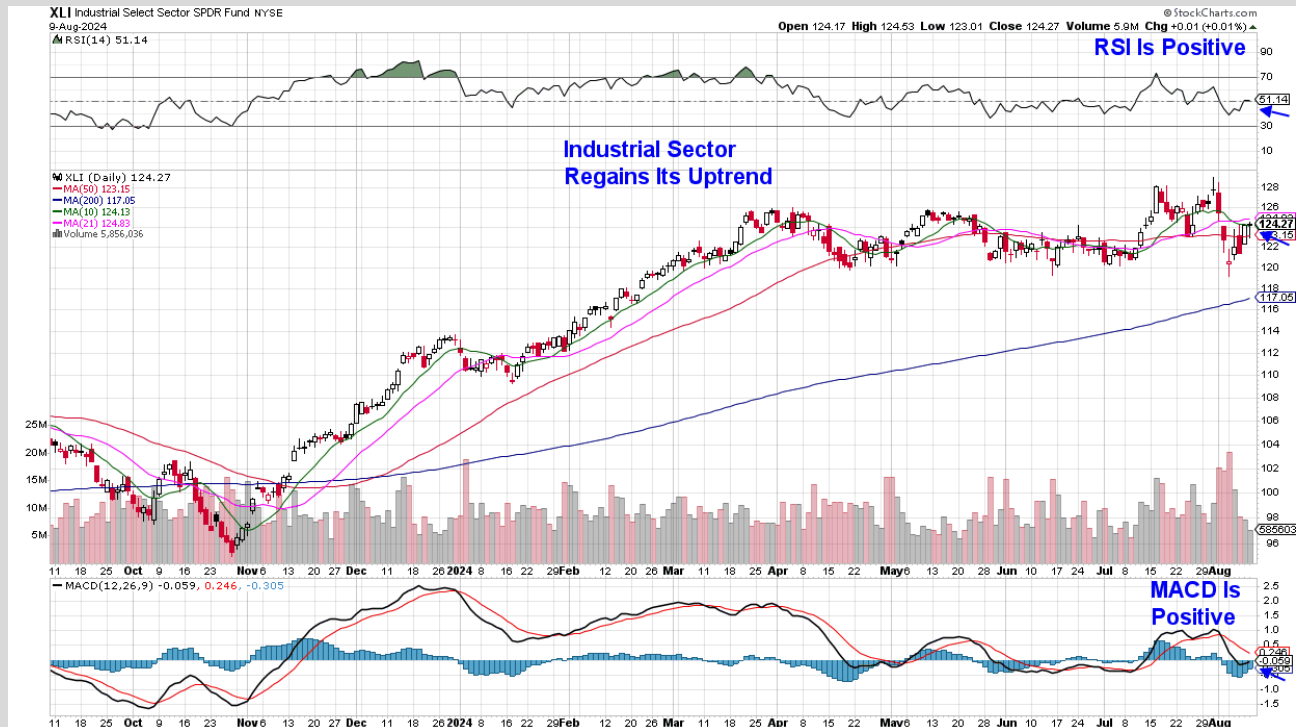
Not all of the news were poor last week, with the Vanguard Growth Fund (**VUG**) slightly outperforming the Vanguard Value Fund (**VTV**) after posting a 0.4% gain for the week led by a 6% rally in Meta Platforms (**META**). **VUG** closed above its 10-day moving average in a bid to turn positive.

The markets appear to be firming up however, we remain cautious over the near term until we see the broader market Indices turn positive.

We have added several names in Technology and Aerospace to the top of our Watch List and intend to add them once the broader markets regain their uptrend. They are listed below. In addition, we have added a defensive Healthcare stock to the Suggested Holdings List.



Daily Chart of the Industrial Sector (XLI)



Industrial Sector Is Top Performer

The Industrial sector regained its uptrend after closing above its 50-day moving average with a positive RSI and MACD.

The outperformance was due to a rally in companies that reported better than expected earnings from the Aerospace and Defense group as well as Heavy Construction names.

Fluor (**FLR**) - who reported earnings the prior week - gained 2.5% as analysts continue to revise their earnings estimates higher for this year and next. The stock is in a strong buy zone after closing back above its 21-day moving average with a positive RSI and MACD.

FTAI Aviation (**FTAI**) also posted a 2.5% gain amid analyst upgrades to earnings estimates for next year which are calling for a 1,200% increase over this

year. The stock is in a buy zone with a positive RSI and a close above its 21-day moving average.

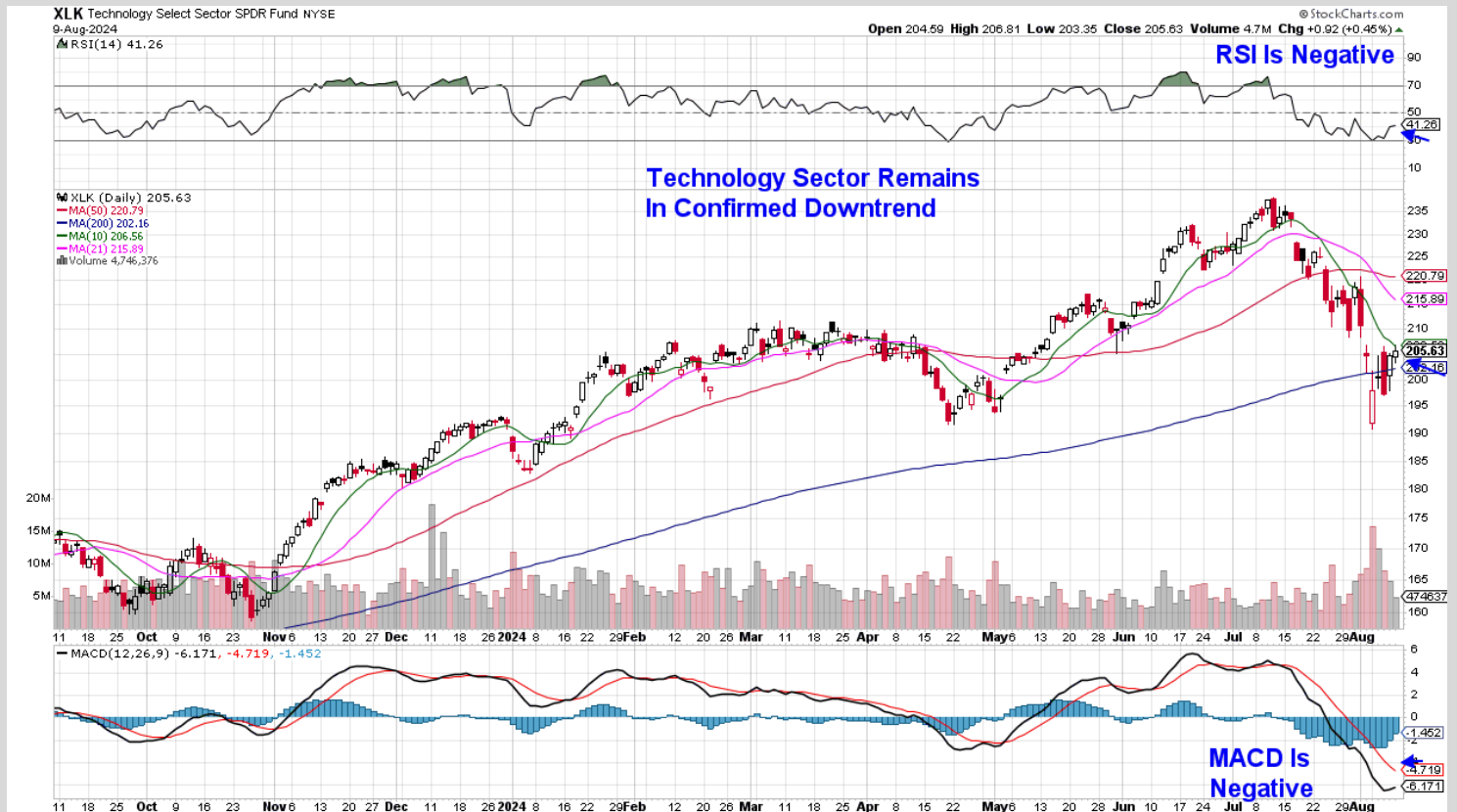
A close above its 10-day mav coupled with a bullish MACD crossover (black line up through the red) would put **FTAI** into a strong buy zone.

Recently removed General Electric (**GE**) has regained its uptrend after closing above each of its moving averages with a positive RSI and MACD. We have added the stock to the top of our Watch List and intend to add it once the markets turn positive

We are also adding Curtis Wright (**CW**) to our Watch List after the company regained its \$288 base breakout level following the release of quarterly results which were ahead of estimates.

In addition, **CW** announced an 18% yoy increase in new orders, driven by strong demand for their naval defense and commercial aerospace products.

Daily Chart of the Technology Sector (XLK)



Technology Sector Remains In A Downtrend Despite Outperformance

The Tech sector received a boost from a 2.5% rally in beaten-down Semiconductor stocks. Software stocks also rallied with a 2.8% gain that moves this group closer to turning positive. (using ETF IGV).

Among the winners was Palantir (**PLTR**) which is at the top of our Watch List after the stock broke out of a 3-week base on heavy volume Friday. The company announced that it would be collaborating with Microsoft (**MSFT**) to advance U.S. government AI systems.

This is a significant expansion of their existing **MSFT** partnership that is expected to improve cloud, AI and analytic capability for the US defense community.

Most impactful is expected to be **PLTR's** "boot camps" where they work side by side with users to develop programs.

As mentioned in our Wednesday Alert Report, cybersecurity software stocks are outperforming their peers after strong earnings from companies such as Fortinet (**FTNT**) which gapped up in response to reporting earnings that were 40% above estimates.

Checkpoint (**CHKP**) is a part of this group and the stock is top of our Watch List as it approaches a \$187 base breakout level. The company reported better-than-expected quarterly results in late July after posting its largest billing beat in 10 quarters.

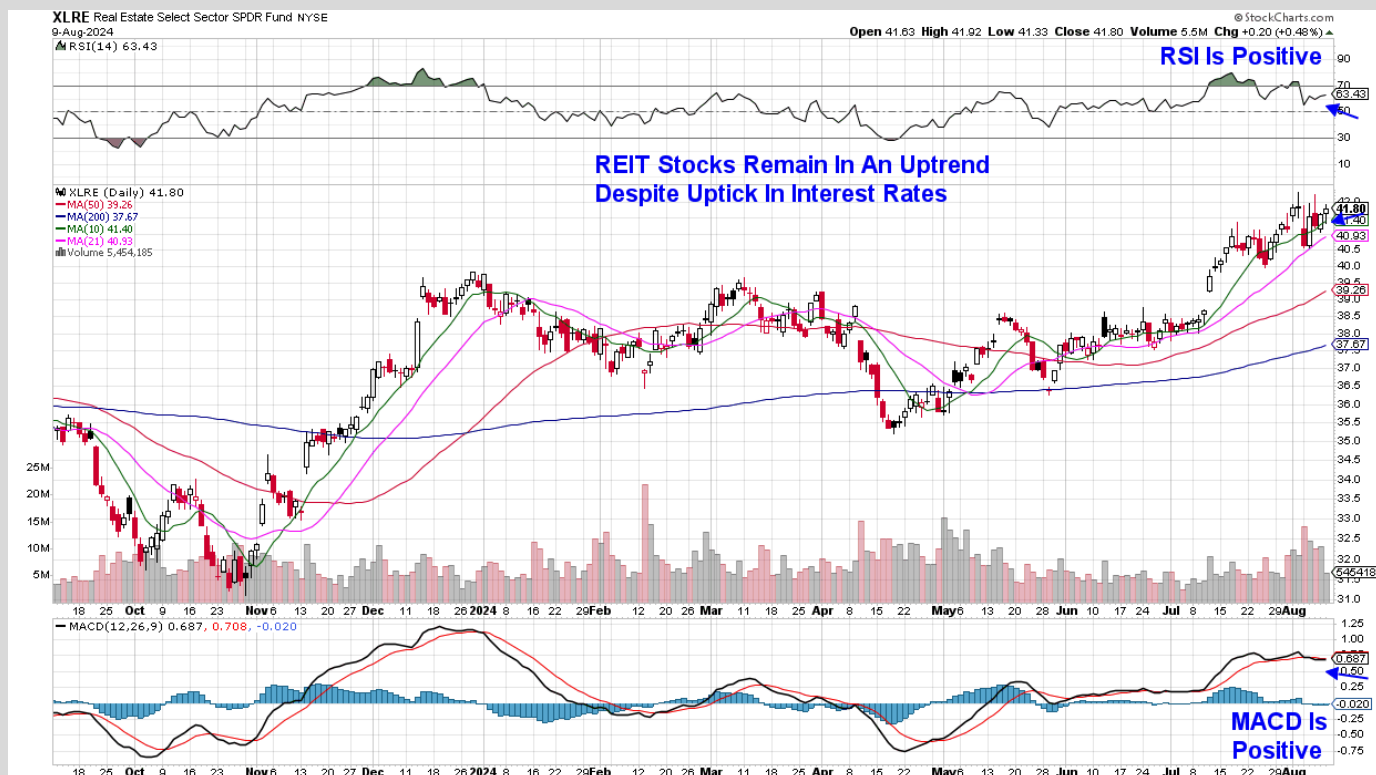
CHKP also announced the appointment of a new CEO who Goldman believes will put the company on the leading edge of the innovation curve. We intend to add the stock to our Suggested Holdings List once the markets turn positive.

Heavyweight Tech name Apple (**APPL**) is moving very close to a downtrend reversal as the stock recovers from a sharp Buffet driven selloff. On Aug. 3rd, Berkshire Hathaway BRK/B revealed that they had sold off nearly half of its huge stake in the iPhone maker last quarter.

With the selling well behind it, **AAPL** has closed back above its 50 and 10-day moving averages with the RSI very close to turning positive on its daily chart. We intend to add the stock following a positive RSI and MACD signal.



Daily Chart of the Real Estate Sector (XLRE)



Real Estate Sector Ends Flat Despite Rise In Rates

REIT stocks remain in a confirmed uptrend after closing the week above their 10-day moving average with a positive RSI and MACD.

Among stocks on our List, Equity Residential Property Trust (**EQR**) is in a strong buy zone after regaining its 10 and 21-day moving averages following news that they will be purchasing a \$1B property portfolio from Blackstone on Thursday.

The purchase marks the biggest U.S. multifamily purchase by a public REIT in 7 years and highlights the company's belief in the vibrancy of the rental marketplace.

EQR is in a strong buy zone.

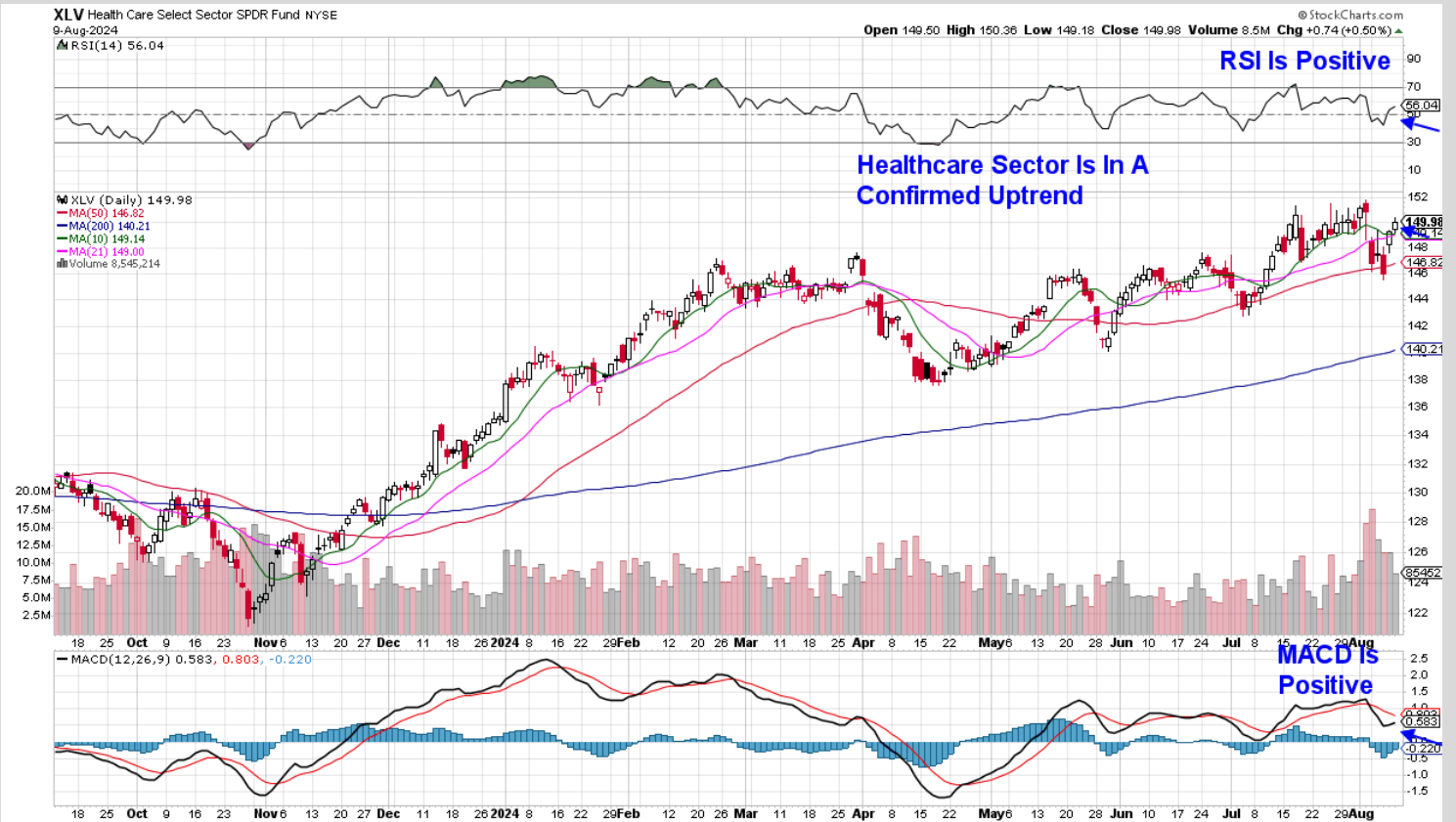
National Storage (**NSA**) ended the week up 0.5% after a 3% rally on Friday which puts the stock in the beginning stages of forming the right side of a base. The stock is in a buy zone after closing above its 10-day moving average.

A close above its 21-day moving average coupled with a positive MACD crossover would put **NSA** into a strong buy zone.

Prologis (**PLD**) - the largest publicly traded REIT - operates warehouse space across several global markets. The company recently began leveraging its massive land position to tap into the emerging growth opportunity in data centers.

PLD has a positive RSI and MACD and a close above its 10-day moving average at \$123 would put the stock into a buy zone.

Daily Chart of the Health Care Sector (XLV)



Healthcare Sector Regains Its Bullish Status

Healthcare stocks recovered from a move below its 50-day moving average with a late-week rally which was led by heavyweight name Eli Lilly (**LLY**) which rallied sharply after posting earnings that were 86% greater than the same quarter last year.

In addition, the results were 43% above estimates due to strong revenues in both their weight loss and diabetes drugs - Zepbound and Mounjaro. In addition, **LLY** raised their revenue guidance for the remainder of this year.

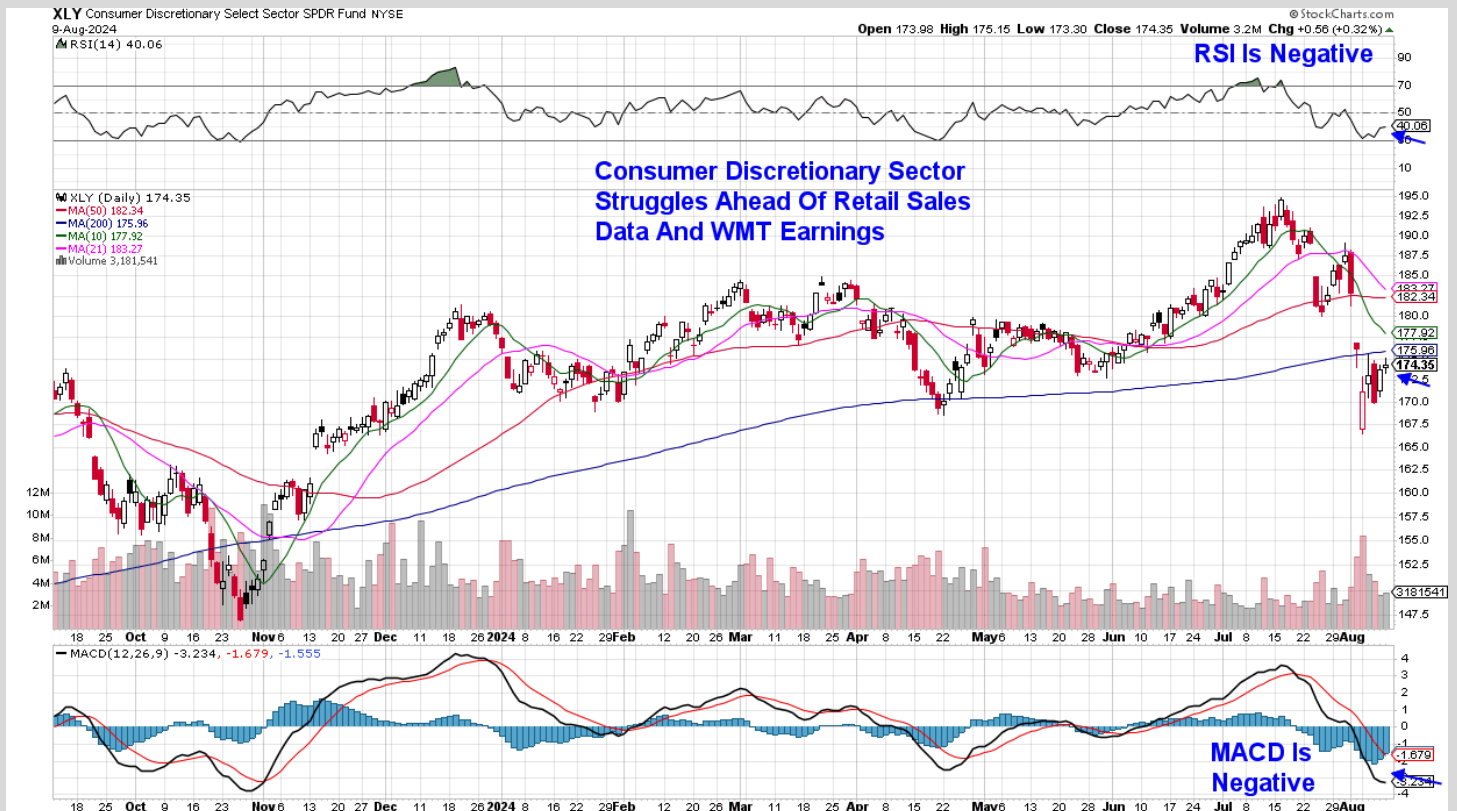
We are adding **LLY** back to our Suggested Holdings List after the stock closed back above its 50-day moving average while posting a positive RSI and a bullish MACD crossover. **LLY** is in a buy zone.

Among stocks already on our List, AbbVie Inc. (**ABBV**) remains in a confirmed uptrend above its upward-trending 10-day simple moving average. The weekly chart looks quite compelling with a MACD and RSI that have further upside following several weeks of high volume gains.

ABBV is in a buy zone.

Intuitive Surgical (**ISRG**) is moving closer to a \$468 base breakout after the stock regained its uptrend last week after pulling back with the markets. The company reported earnings that were ahead of estimates 3 weeks ago with analysts raising earnings estimates going forward for the robotic surgical system developer. **ISRG** is in a buy zone.

Daily Chart of the Consumer Discretionary Sector (XLY)



Consumer Discretionary Sector Among Weakest Areas

The Consumer Discretionary sector remains in a confirmed downtrend with a close below its 200-day moving average led by losses in Home Construction stocks which pulled back amid recession fears as well as a rise in interest rates.

Despite the 3% pullback, the group remains above its 50-day moving average with a positive MACD. (using ETF XHB).

Among stocks on our List, Toll Brothers (**TOL**) and Century Communities (**CCS**) are in a similar position. The stocks are finding support above their 50-day moving averages with a positive RSI and can be held.

Toll Brothers (**TOL**) is due to release their earnings later this month.

Other areas of this economically sensitive sector pulled back as well, such as Autos led by heavyweight name Tesla (**TSLA**) which lost almost 4%. The stock remains in a confirmed downtrend as it is below its 200-day moving average.

Retail stocks also continue to struggle with the S&P 500 Retail ETF remaining below its 50-day moving average with a negative RSI and MACD. (using ETF XRT)

Next Thursday, heavyweight retailer Walmart (**WMT**) is due to report earnings, and the results are expected to impact other stocks in this group.

On Friday, Costco (**COST**) from our Watch List turned bullish with a close above its 50-day moving average coupled with a positive RSI and a bullish MACD crossover.

The company reported strong July sales numbers with the biggest boost coming from online sales which saw a 20.2% increase. The company is due to report their quarterly results in six weeks.

We have added the stock to the top of our Watch List.



Summary

Last week, the S&P 500 posted both its worst and best single-day performances of the year. The volatile price action signaled investors' shift in sentiment regarding an economy that's growing too fast to one that may suffer because the Federal Reserve waited too long to cut interest rates.

We did see the markets firm up in the latter part of last week which is encouraging.

Next week's inflation data could provide the fuel needed to push the markets back into an uptrend. Expectations are for the Consumer Price Index (CPI)

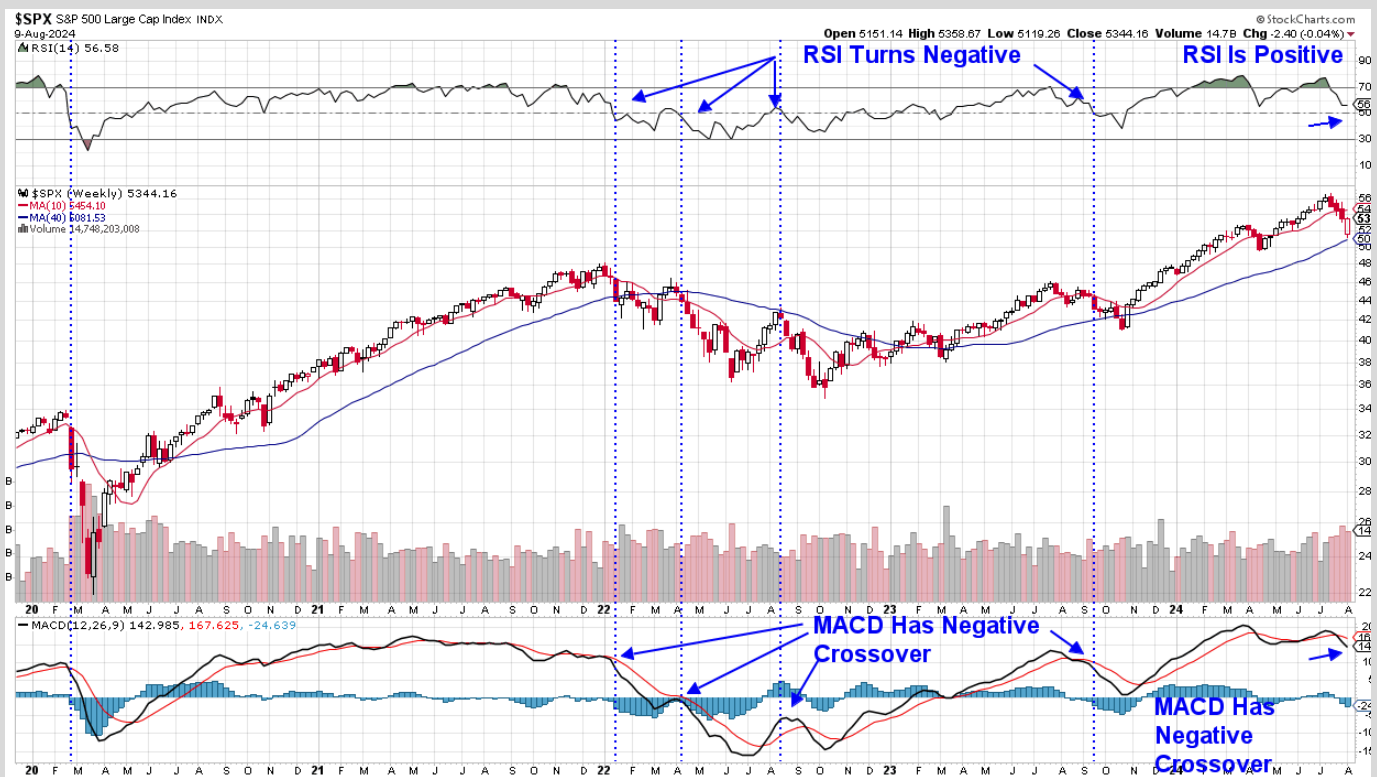
to show inflation rose 0.2% in July while consumer prices increased 3% from the prior year. On a core basis, prices are expected to have risen 3.2% from a year ago.

Any numbers above these expectations could roil the markets however, and bring back recession fears. Retail sales data will also be closely watched.

Should we see the markets turn positive, we will alert you and new positions can be initiated in the stocks noted as being at the top of our Watch List as well as those on the Suggested Holdings List.

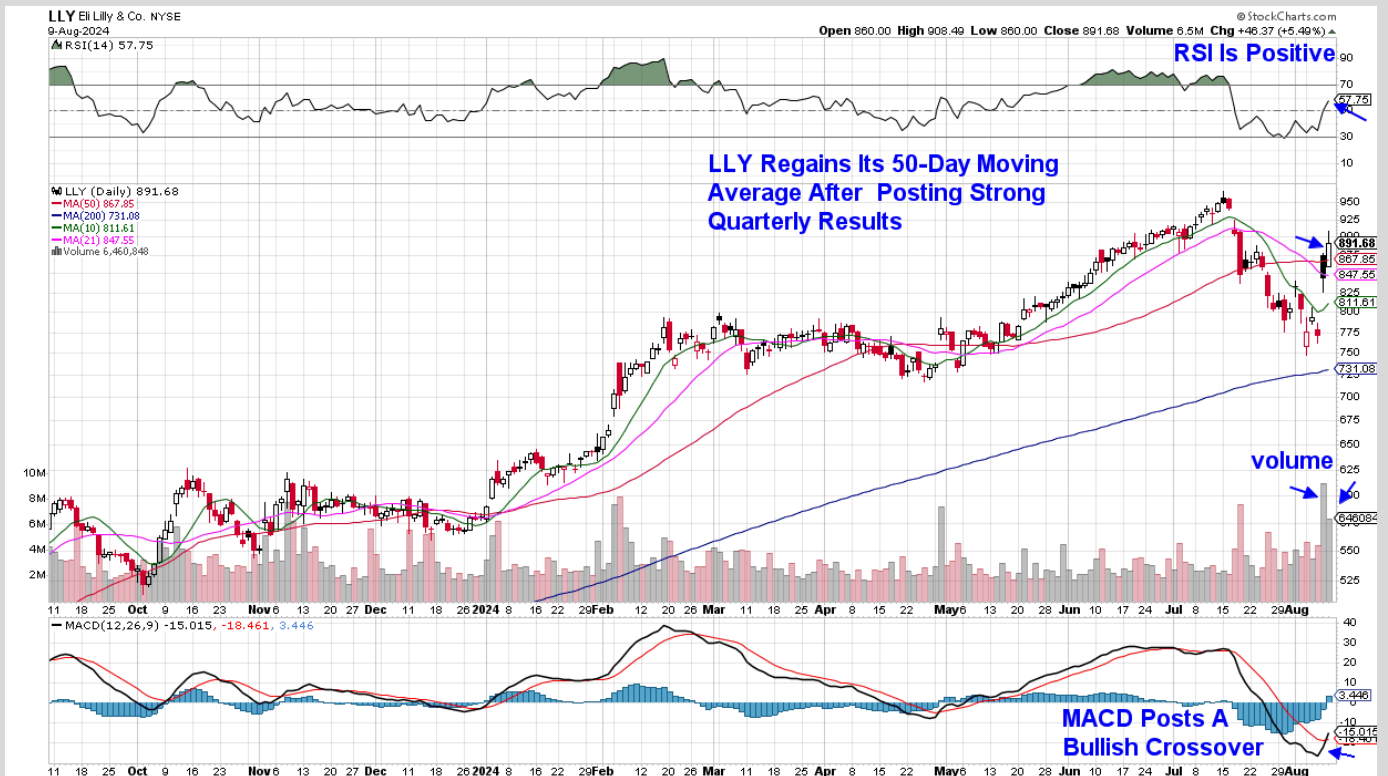
Charts We Are Watching:

Weekly Chart of S&P 500



New Idea Charts:

Daily Chart of Eli Lilly & Co. (LLY)



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	
SYMB	COMPANY	PRICE	DATE ADDED	PERFORMANCE	EARNINGS DUE
CONSUMER DISCRETIONARY					
TOL	Toll Brothers	\$139.50	7/27/2024	-7.0%	
CCS	Century Communities	\$90.50	7/14/2024	2.0%	
REAL ESTATE					
NSA	National Storage	\$44.20	7/21/2024	-1.0%	
PLD	Prologis	\$123.80	7/21/2024	-2.5%	
EQR	Equity Residential	\$16.50	7/21/2024	2.5%	
INDUSTRIAL					
FLR	Fluor Corp.	\$43.40	6/2/2024	14.0%	
FTAI	FTAI Aviation	\$58.00	3/17/2024	78.5%	
HEALTHCARE					
ABBV	AbbVie	\$185.10	7/28/2024	3.0%	
ISRG	Intuitive Surgical	\$598.80	5/19/2024	19.0%	
LLY	Eli Lilly	\$891.70	8/11/2024		

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.

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