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Midweek Report

Wednesday, August 14, 2024

Economic Data Released

- Producer Prices (PPI) Increase Less Than Expected At 0.1%
- Year-over-year PPI rose 2.2%
- YOY Core Consumer Price Index (CPI) Comes in As Expected

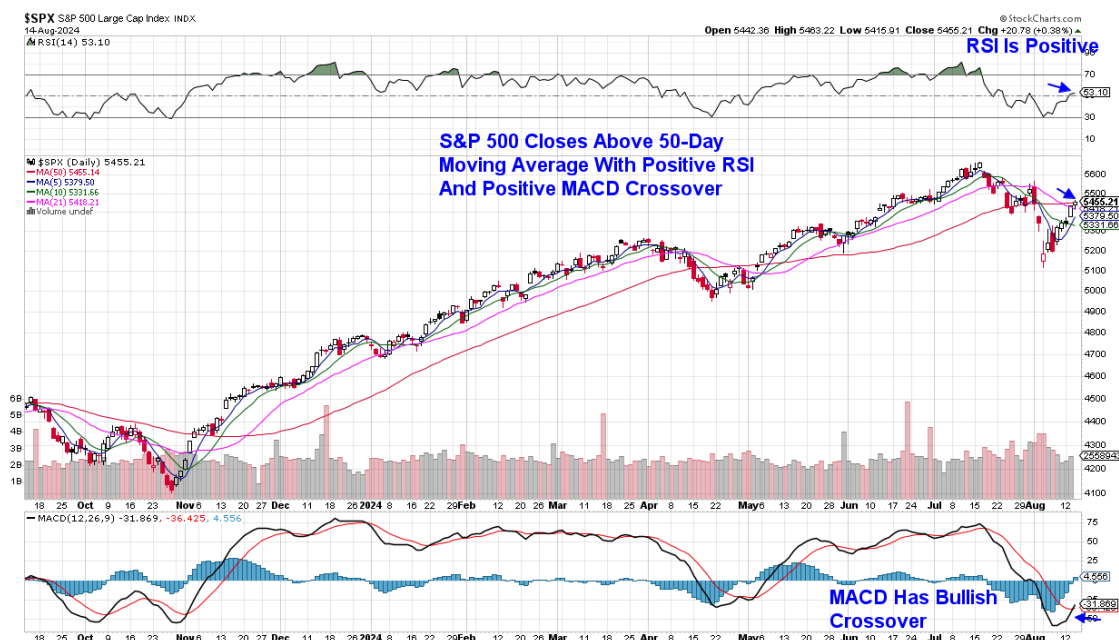
Economic Data Upcoming

- **Weekly Jobless Claims, Retail Sales,** and Industrial Production Data Due Thursday
- Housing Related Data Due Friday
- **Minutes From FOMC Meeting Next Wednesday**
- **Powell's Jackson Hole Speech on Friday The 22nd**

Market-Related Developments This Week

- S&P 500 Index and Nasdaq Post "Follow-Through Day" On Tuesday, Signaling Possible Market Bottom
- Interest Rates Decline With 10-Year Yield At 3.82%
- Volatility Remains Below 20 At 16.2
- Atlanta Fed President Bostic Downplays Recession Fears
- Added META, AAPL, MPWR, NVDA, CRUS, and TSM To Suggested Holdings List on Tuesday

DAILY CHART OF S&P 500 INDEX





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The S&P 500 has gained 2.1% for the week so far with a rally today that puts this Index above its 50-day moving average with the RSI in positive territory and the MACD posting a bullish crossover (black line up through the red).

As cited in yesterday's Tuesday Alert report, the S&P 500 posted a "follow-through" day which is known to signal a market bottom.

Today's price action is providing confirmation however, we would ideally like to see higher volume on rally days coupled with a positive MACD on the daily chart.

We would continue to add to stocks lightly as we await further confirmation in both the S&P 500 and Nasdaq.

Today, Consumer Price Index (CPI) data came in as expected and while the data confirms that inflation is not rising, it did not come in low enough to bring more buyers into the market.

The tech-heavy Nasdaq has fared better, with a 2.7% rally led by semiconductors and select software stocks such as Microsoft (MSFT).

The Nasdaq posted a follow-through day yesterday as well, with a slight gain today that has this Index closing above its 21-day moving average and the MACD posting a bullish crossover.

The Index remains below its 50-day moving average however, with a negative RSI. New positions in Growth stocks can be added to lightly as we continue to firm up.

Tomorrow, weekly employment data will be released and with the Fed emphasizing this aspect of the economy, the numbers could easily move the markets.

Next Wednesday, notes from the latest FOMC meeting notes will be revealed with comments from Powell after. On Friday, Powell's infamous Jackson Hole comments will take place.

Given that the markets are somewhat at a crossroads regarding interest rates and the economy, these events will take on considerable importance.

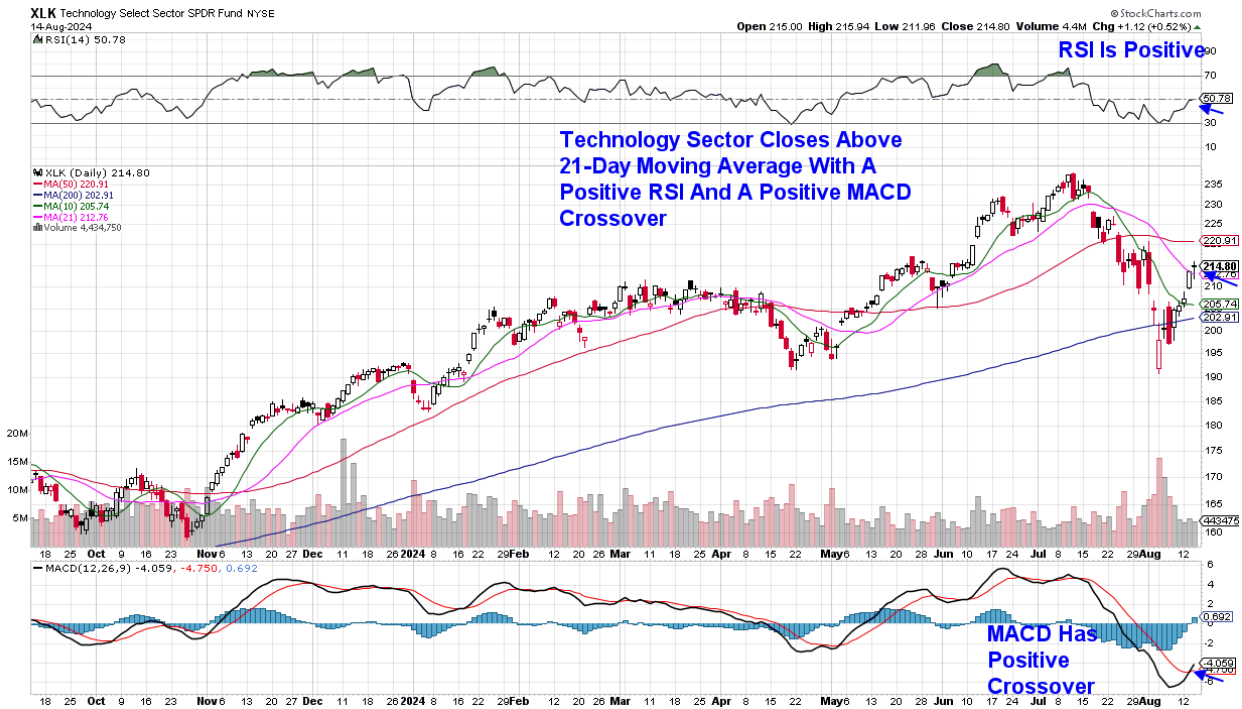
The Technology sector has gained 4.5% this week and as you will see in the chart below, it is now above its 21-day moving average with a positive RSI and a positive MACD crossover. This is constructive price action.



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DAILY CHART OF THE TECHNOLOGY SECTOR (XLK)



As mentioned, Semiconductors are on the move higher, with Nvidia (**NVDA**) posting a positive RSI and a bullish MACD crossover after posting outsized gains this week. Today's volume was higher than yesterday, and the stock is 1.7% away from a close above its 50-day moving average.

NVDA is in a buy zone with a close above its 50-day moving average putting it into a strong buy zone.

Broadcom (**AVGO**) and Taiwan Semi (**TSM**) are in a more bullish position, with a close just above their 50-day moving average coupled with a positive RSI and a bullish MACD crossover. The stocks are in a buy zone.

Monolithic Power (**MPWR**) is technically in the strongest position to trade higher, with a positive RSI and MACD that is coupled with a price above its moving averages. However, on a valuation basis - current price relative to earnings - TSM, AVGO, and NVDA are cheaper.

MPWR is in a buy zone.



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Apple (**AAPL**) has a positive RSI and is also trading above each of its moving averages. We are on the lookout for a positive MACD to confirm it as a strong buy. In the meantime, the stock can be added to lightly.

Cirrus Logic (**CRUS**) is finding support above its 5-day moving average and the stock is in a buy zone.

Just added Meta Platforms (**META**) is in a buy zone as it finds support above its upward trending 5-day simple moving average with a positive RSI and MACD.

Healthcare stocks are underperforming however, the sector remains in a confirmed uptrend led by stocks such as Eli Lilly (**LLY**) which we added on Sunday. The stock has gained 4.4% this week with a large part of that gain taking place today following news that the company has sent a cease-and-desist letter to U.S. healthcare providers who had been selling copycat weight loss drugs.

The providers had been doing so legally as **LLY's** drug was in short supply however, the FDA has listed the drug as now available. **LLY** is in a buy zone.

Intuitive Surgical (**ISRG**) and AbbVie (**ABBV**) are also in buy zones as they remain in confirmed uptrends above their upward trending 5-day moving averages.

As noted in yesterday's report, interest rate sensitive areas of the market are underperforming despite a continued decline in yields. This would include REIT stocks such as Equity Residential (**EQR**) which remains in a confirmed uptrend however the momentum is now sideways. The stock can be held.

Prologis Inc. (**PLD**) and National Storage (**NSA**) are in a buy zone however after closing back above their 21-day moving averages today coupled with a positive RSI and MACD.

We anticipate this sector to outperform as we move closer to possible rate cuts.

Industrial stocks are also underperforming however, Fluor (**FLR**) remains in a confirmed uptrend as it forms the right side of a base. The stock is in a buy zone and a MACD crossover would put the stock into a strong buy zone.

FTAI Aviation (**FTAI**) is exhibiting flat momentum as the stock trades sideways amid a lack of news. The stock can be held.



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Homebuilders are another interest rate sensitive area that is underperforming despite lower interest rates. Both Century Communities (**CCS**) and Toll Brothers (**TOL**) - due to report earnings next Thursday - can be held.

Housing starts, Building Permits, and Home Builder confidence index for July will be released on Friday. The data is expected to impact stocks in this group.

While the markets are generally posting positive price action, today's tepid response to inflation that fell but was in line with estimates is telling.

Overall, investors are awaiting further confirmation that the economy is growing and that inflation is receding. Data over the next 2 days and into next week may provide that confidence. Until then, we would continue to keep new positions light.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report

DAILY CHART OF NASDAQ COMPOSITE

