



THE MEM EDGE

August 18, 2024 | Weekly Report

Economic Data Reported Last Week

- 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
- Jobless Claims Drop To Lowest Level In 5 Weeks
- Retail Sales Post Biggest Gain In 18 Months
- Housing Starts Plummet To 2020 Levels

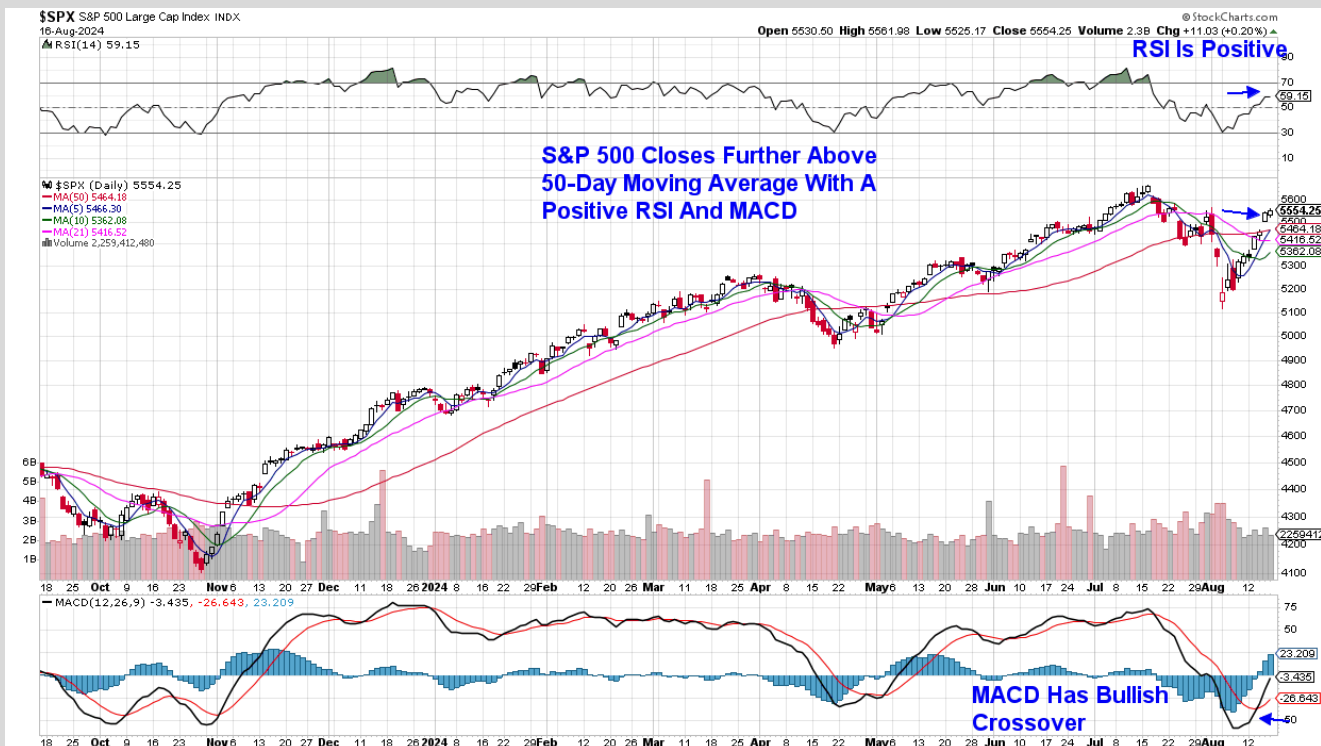
Market-Related Developments Last Week

- S&P 500 Index And Nasdaq Close Above Their 50-Day Moving Average
- Interest Rates Decline With 10-Year Yield At 3.89%
- Added **META, AAPL, MPWR, NVDA, CRUS**, and **TSM** To Suggested Holdings List On Tuesday
- Added **DECK** and **WMT** On Thursday

Economic Data Upcoming This Week

- Minutes From FOMC Meeting Next Wednesday
- Powell's Jackson Hole Speech On Friday

Daily Chart of S&P 500



The S&P 500 gained 3.9%, in a move that pushed the RSI into positive territory with the MACD posting a bullish crossover and very close to turning positive.

As noted in our Tuesday Alert report, the market posted a follow-through day with a rally of more than 1% on volume greater than the prior day, and more than 3 days from its recent low in price.

This signal of a market bottom was coined by Bill O'Neil after the study of many market turnarounds.

The S&P 500 has closed above its 50-day moving average and has further confirmed a new uptrend, as has the sharp advance of former leadership names such as Nvidia (**NVDA**).

The Nasdaq fared better for the week with a 5.3% gain led by a sharp rally in Technology and Retail stocks. Outperformance in most of the Magnificent 7 stocks also provided a boost.

With the Nasdaq closing the week above its 50-day moving average, and a positive RSI and MACD crossover, this Index has also entered a new uptrend which began with its Tuesday follow-through day.

Last week's rally took place amid news that Producer Prices were lower than anticipated while Consumer Price Index (CPI) data came in as expected. Both reports indicate that inflation is receding.

Data released on Thursday provided even more of a boost for the markets, after July Retail Sales posted their largest gain in 18 months. In addition, weekly jobless claims fell to their lowest level in 5 weeks.

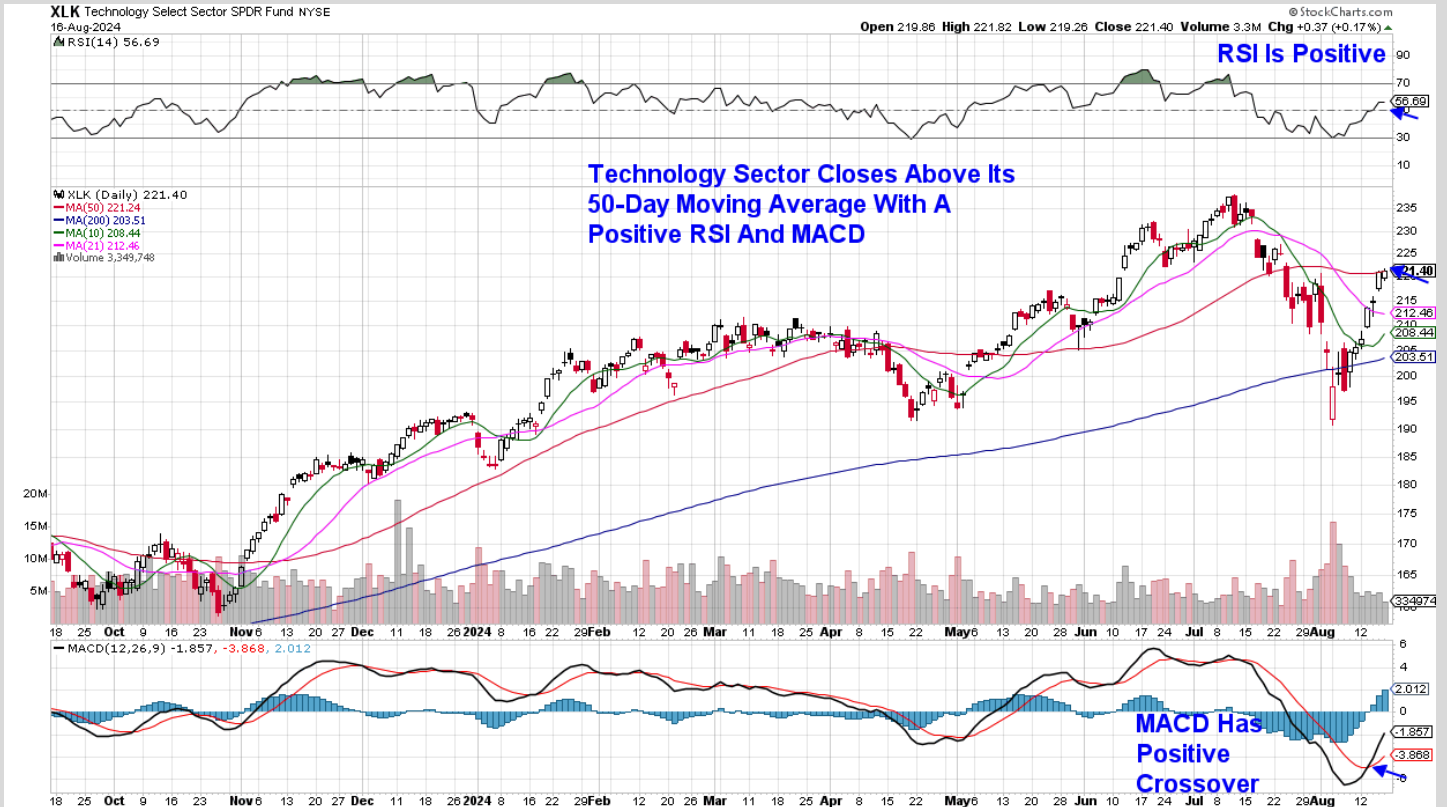
The news reduced recession fears and coupled with declining inflation, all but guarantees a rate cut at the Fed's September meeting.

Growth stocks were the clear winners last week, with the Vanguard Growth Fund (**VUG**) gaining 5.1% while the Value Fund (**VTV**) rallied 2.6%.

Economically sensitive areas rallied later in the week, such as Small-cap stocks (using ETF IWM) and Regional Banks (using ETF KRE).

Given the bullish price action in the broader market Indices, coupled with a broadening out of participation, we would continue to add to positions. However, it should be noted that we are close to entering the seasonally weak period of September. Over the past 10 years, the S&P 500 has lost an average of 2.4% during this month.

Daily Chart of the Technology Sector (XLK)



Technology Sector Posts Largest Gains

The Tech sector was the top performing, with outsized returns that were led by a rally in Semiconductor stocks. The group has now recovered from a move below its 200-day moving average which took place earlier this month amid heavy selling.

Semiconductor stocks are highly cyclical, and fears of a possible recession hurt this group quite a bit. A mixed earnings season also created recent weakness. Last week's economic data that points to economic strength has put this group closer to a confirmed uptrend. (using ETF SMH)

Nvidia (**NVDA**) was the biggest gainer, with a rally that put this stock back above its 50-day moving average with a positive RSI coupled with a bullish MACD crossover.

We are using the late May into early June period as precedence, and **NVDA** is in a strong buy zone.

Monolithic Power (**MPWR**) closed the week at a new high in price following Thursday's 1-month base breakout on above-average volume. The company reported a positive quarterly report earlier this month during a period that has been generally dismal for Semiconductor chip stocks.

MPWR is in a strong buy zone.

Cirrus Logic (**CRUS**) was also among the few winners among Semis this earnings season after the company posted earnings above estimates and guided higher for the year.

CRUS is an audio chip maker that gets 88% of its revenue from Apple products, including the iPhone.

CRUS is in a strong buy zone.

Taiwan Semiconductor (**TSM**) posted a more modest return for the week; however, the largest manufacturer of chips is trading above its 50-day moving average with a positive RSI and MACD.

This puts **TSM** in a technically bullish position however, chip manufacturing stocks overall are struggling relative to other areas after a tough earnings season. **TSM** is in a buy zone.

Today we are adding Broadcom (**AVGO**) back to our Suggested Holdings List after last week's close above its 50-day moving average with a now positive RSI and MACD. The company continues to be a top pick among respected Wall Street firms due to their exposure to the data center market.

AVGO is in a strong buy zone ahead of the release of their earnings in 3 weeks.

Software stocks had a strong week as well, with a 3.7% rally that put this group back into an uptrend with a close above its 50-day moving average and a positive RSI and MACD. (using ETF IGV)

The rally took place amid gains in companies that posted earnings that were ahead of estimates such as monday.com (**MNDY**) which we are adding back to our Suggested Holdings List after its gap up into a 5-week base breakout on heavy volume.

The work management software provider reported earnings and sales that were above estimates while guiding growth estimates higher. **MNDY** is in a buy zone.

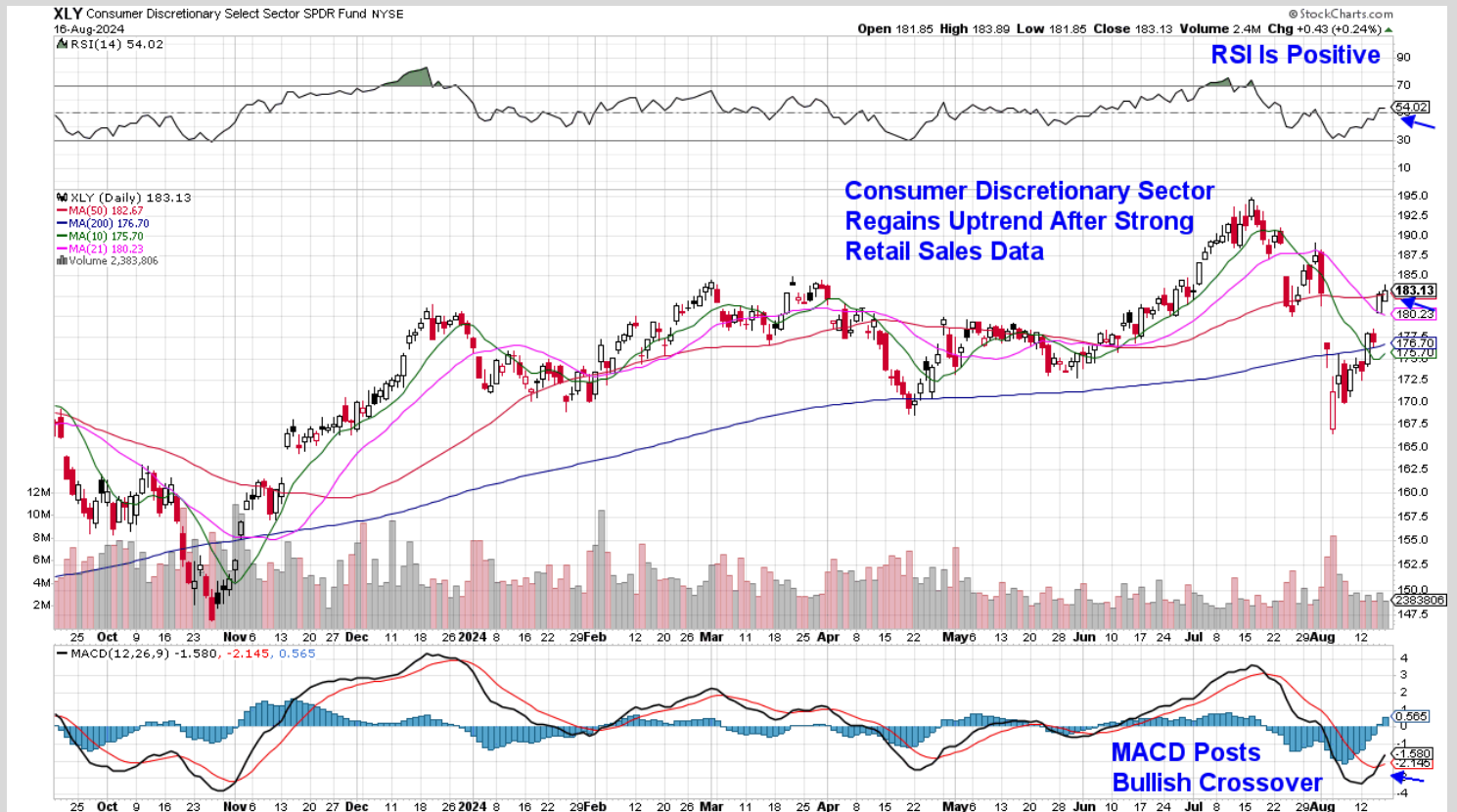
We are also adding Palantir (**PLTR**) back to our Suggested Holdings List. As mentioned last week, the stock was at the top of our Watch List after the company announced that it would be collaborating with Microsoft (**MSFT**) to advance U.S. government AI systems.

This is a significant expansion of their existing **MSFT** partnership that's expected to improve cloud, AI and analytic capability for the US defense community. The stock is in a buy zone.

Next week, closely followed Software stock Workday (**WDAY**) is due to report earnings. The company provides software in the same area as **MNDY** and their results may impact the group.

Recently added Apple (**AAPL**) remains in a confirmed uptrend as it finds support above its upward-trending 5-day simple moving average with a positive RSI and MACD. The stock is in a buy zone.

Daily Chart of the Consumer Discretionary Sector (XLY)



Consumer Discretionary Sector Regains Uptrend

A strong Retail Sales report for July, coupled with positive earnings from Walmart (**WMT**), pushed the Consumer Discretionary sector back into an uptrend following a sharp rally in Retail and Auto stocks.

Last week we added **WMT** to our Suggested Holdings List after the stock gapped up to a new high in price on heavy volume. The world's biggest retailer posted quarterly results that were above estimates while also raising their growth guidance going forward.

The gain pushed the RSI into positive territory similar to its late May gap up after earnings. Using this period as a guide, we anticipate **WMT** to trend sideways with an upward bias as it digests Thursday's big move.

Once the 5-day simple moving average reaches the current price, **WMT** will be in a better position from which to trade higher.

Deckers Outdoor (**DECK**) was also added to our List on Thursday after the stock closed above its 50-day moving average and the MACD joined its RSI in positive territory.

DECK reported earnings and sales above estimates 3-weeks ago and the stock is poised to trade higher after turning bullish. Ideally, we would like to see more volume on rally days which would move the stock from being in a buy zone to being in a strong buy zone.

This week, we are adding Ferrari (**RACE**) to our Suggested Holdings List after the stock broke out of

a 5-month base on heavy volume following their release of strong earnings and sales. As you can see on the weekly chart below, the MACD on the weekly chart is poised for a bullish crossover which bodes well for the longer-term outlook.

Last week, housing stocks underperformed after a Friday report that showed that new home construction posted a bigger-than-expected drop in July as builders scaled back new projects.

Next Tuesday, Toll Brothers (**TOL**) will be reporting their results, and any weakness in their numbers or outlook will negatively impact the stock as well as the group.

This week we are removing homebuilder Century Communities (**CCS**) from our Suggested Holdings List as the RSI is now in negative territory on the daily chart after a Friday pullback in the stock. Uncertainty regarding the outlook for the group is another concern.

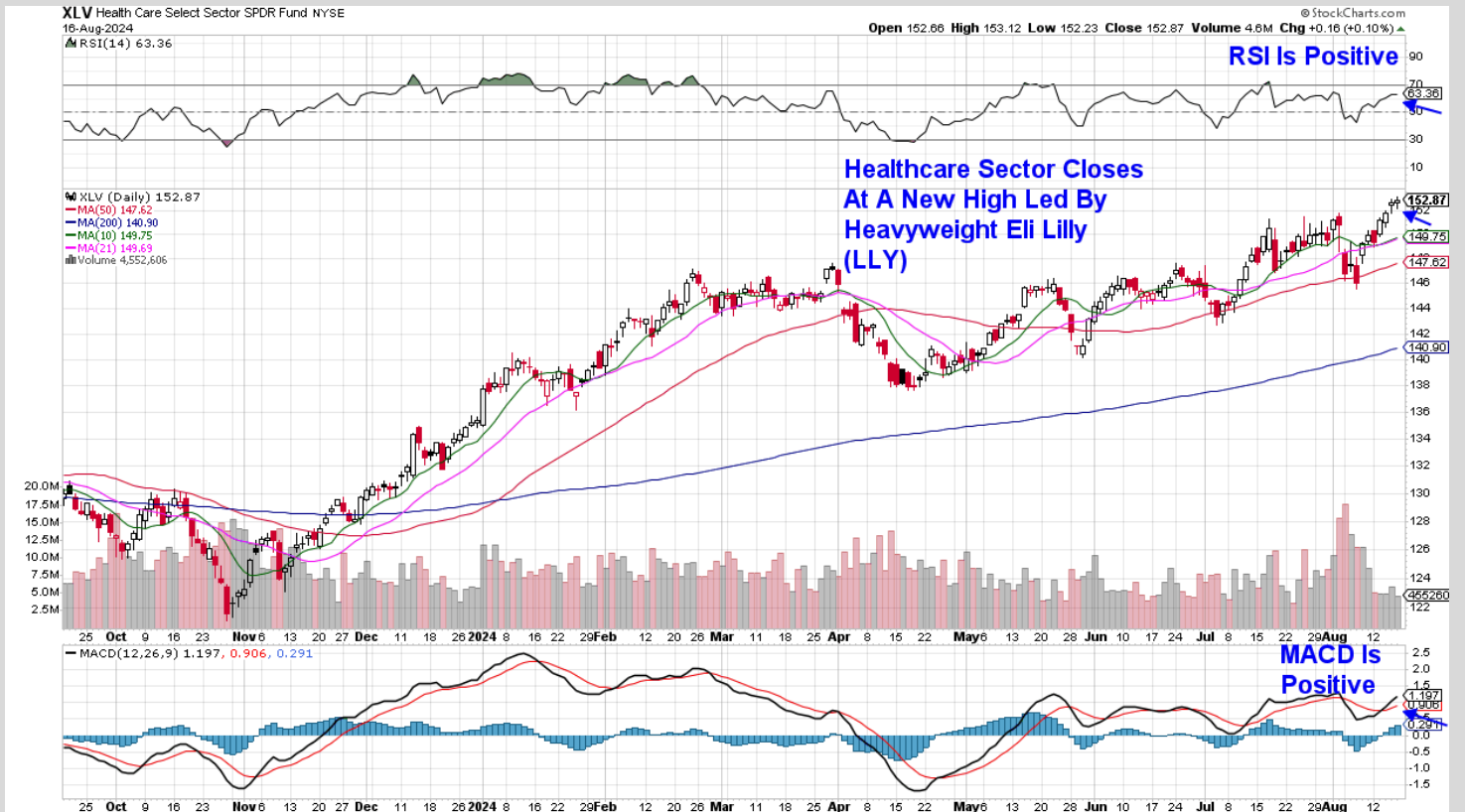
CAVA is at the top of our Watch List after last week's base breakout ahead of the release of their earnings on Thursday. We will await the earnings report before possibly adding the stock to our Suggested Holdings List.

Abercrombie and Fitch (**ANF**) is also at the top of our Watch List after Friday's close just below its 50-day moving average ahead of the release of their earnings later this month. We are on the lookout for a high volume close above its 50-day moving average coupled with a positive MACD.

Next week, well-known retailer Target (**TGT**) is due to report earnings. Similar to Walmart last week, the results are expected to impact other retail stocks.



Daily Chart of the Health Care Sector (XLV)



Healthcare Posts New High Despite Underperformance

The Healthcare sector is at a new high led by Eli Lilly (LLY) from our Suggested Holdings List. The stock accounts for an 11% weighting in this sector and it rallied 3.5% last week.

The company 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.

The news was on the heels of posting earnings the prior week that were 86% greater than the same

quarter last year while also being 43% above estimates. This was due to strong revenues in both their weight loss and diabetes drugs - Zepbound and Mounjaro.

LLY is in a buy zone as it finds support above its upward-trending 5-day simple moving average.

Pharmaceutical product developer AbbVie (ABBV) also outperformed the sector with a 2.1% gain that took place amid analyst upgrades. The company has been purchasing smaller drug companies with experimental immune disease drugs that will improve their growth if they win FDA approval.

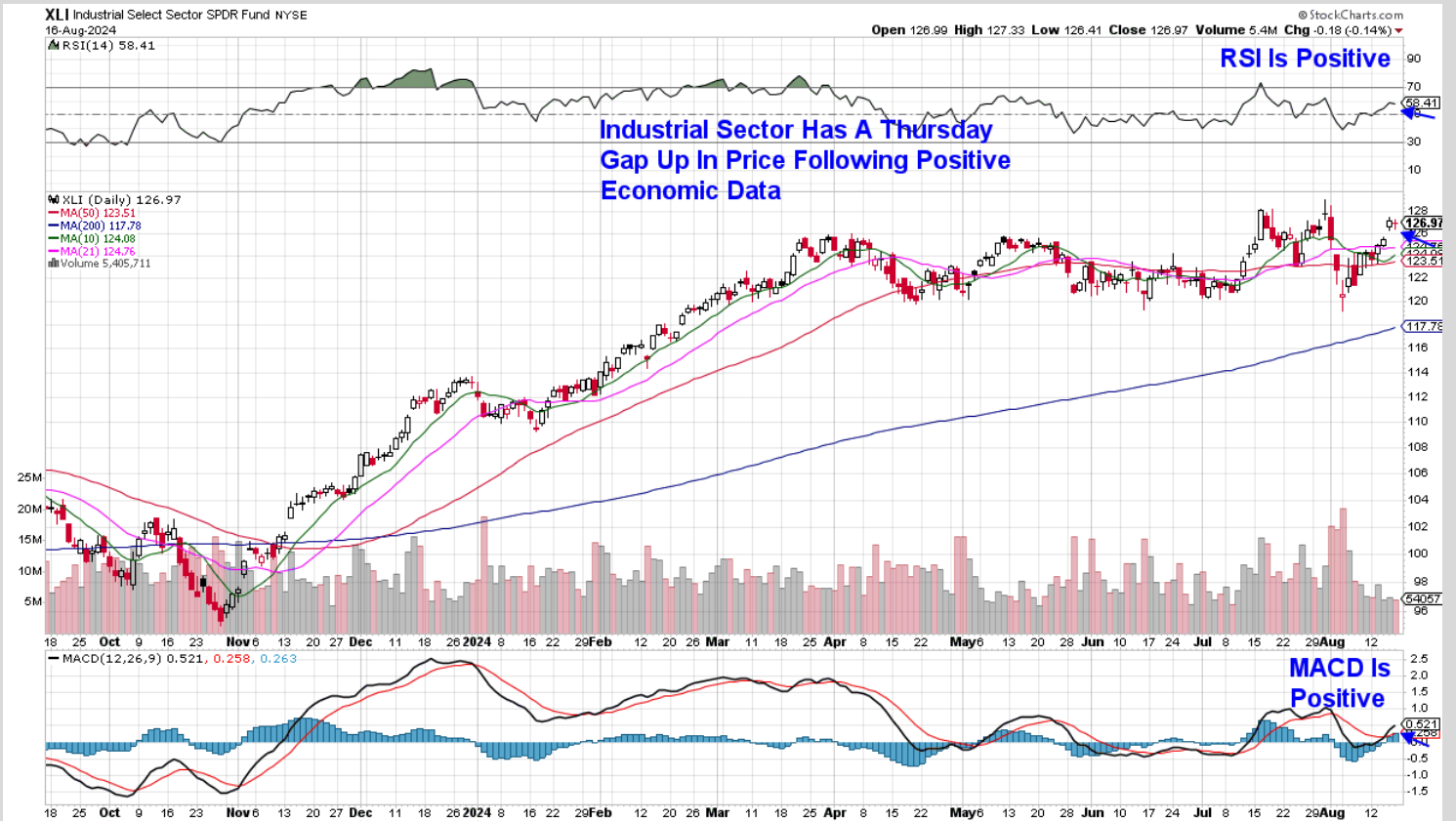
ABBV is in a buy zone as the stock finds support above its upward-trending 5-day simple moving average. The longer-term weekly chart looks quite attractive with the RSI and MACD having further upside potential.

Robotic-assisted surgical device company Intuitive Surgical (**ISRG**) also outperformed last week with a 3.5% rally amid analyst upgrades to earnings estimates for both this year and next.

ISRG is at a new high in price as it finds support above its upward trending 5-day simple moving average. The stock is in a buy zone.



Daily Chart of the Industrial Sector (XLI)



Industrial Sector Further Regains Uptrend Amid Positive Economic News

The Industrial sector is now above each of its moving averages after a Thursday rally due to data that suggests the economy is in a strong position from which to expand.

Among Small Caps, FTAI Aviation (**FTAI**) had a strong week after an 8.5% rally that was led by a Friday gain on news that Morgan Stanley upgraded the stock to its "top picks" list for Aerospace names.

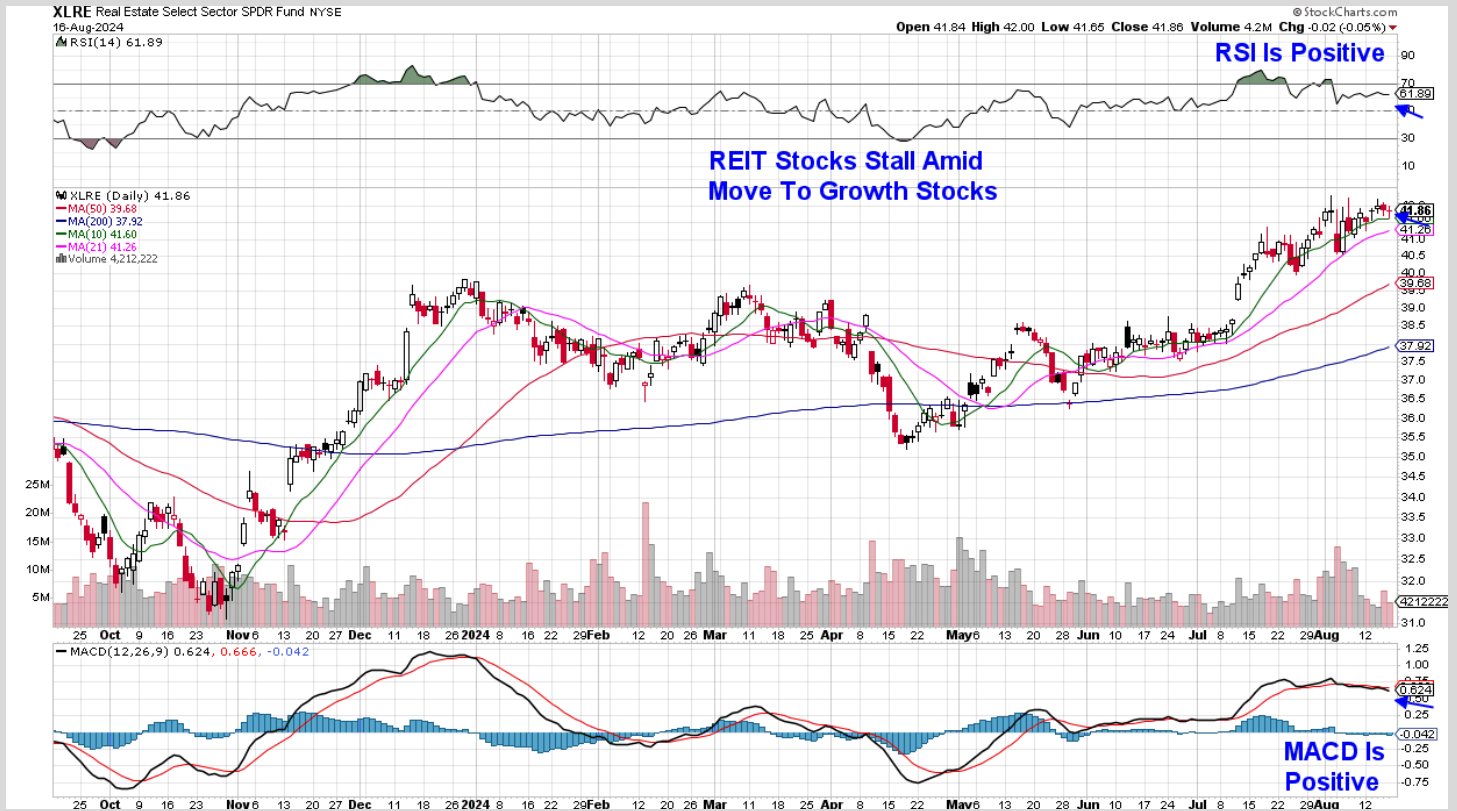
FTAI broke out of a flat base on heavy volume that pushed the MACD into a bullish crossover (black line up through the red) while the RSI is in positive territory. The move puts the stock into a strong buy

zone as it approaches a possible 3-week base breakout at \$117.5.

Fluor (**FLR**) was flat for the week after a Friday pullback to its 10-day moving average. Earnings estimates are continuing to be revised higher after the company reported quarterly results 2 weeks ago. **FLR** is in a buy zone.

We are continuing to add stocks from this sector to our Watch List. TransDigm (**TDG**) is an example after the stock closed back above its 50-day moving average on volume Friday amid analyst upgrades. We would like to see the MACD enter positive territory (a close above 0), before adding it to our Suggested Holdings List.

Daily Chart of the Real Estate Sector (XLRE)



Real Estate Stocks Are Worse Performing After Ending Week Flat

Real Estate stocks traded sideways amid a move back into Growth stocks. The sector remains in an uptrend however, the momentum has shifted to a sideways move similar to the June and July period of this year when the Technology sector was continuing to hit a new high in price.

This dynamic may continue over the near term however, among REIT stocks on our List, ProLogis, Inc. (**PLD**) was a general outperformer during this time due to its cyclical nature.

In addition to providing warehouse space for retailers globally, the company has announced a move into providing AI-related space for data centers within its large portfolio. **PLD** closed the

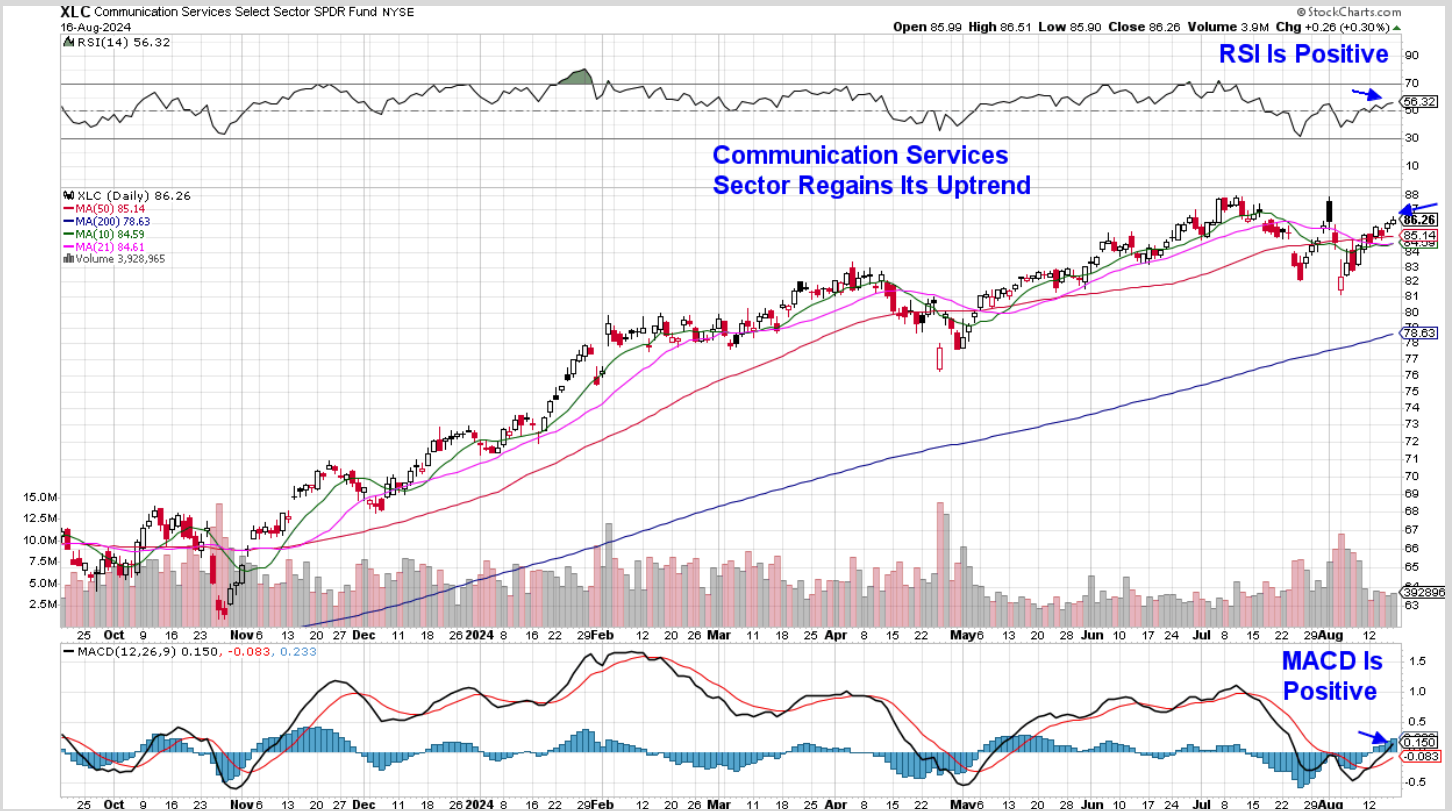
week at its 21-day moving average with a positive RSI and MACD.

The stock is in a buy zone however, the near-term momentum is not strong. A bullish MACD crossover would put the stock into a strong buy zone.

Equity Residential Property (**EQR**) remains in a confirmed uptrend above each of its moving averages but the near-term momentum is sideways. **EQR** can be held.

National Storage Affiliates (**NSA**) has also lost its near-term upside momentum with the RSI and MACD in positive territory. The 5.2% yielder can be held.

Daily Chart of the Communication Services Sector (XLC)



Communication Services Sector Regains Uptrend

Meta Platforms (**META**) ended the week flat after pulling back from a possible base breakout on Friday. The stock remains in a confirmed uptrend as it finds support above its upward-trending 5-day simple moving average.

META's earnings estimates continue to be revised upward for this year and next, following their release of earnings 3 weeks ago. Management cited increased user growth and advertising sales due to their effective deployment of AI.

META is in a buy zone.

Summary

Last week, inflation data continued to show a moderation while economic data pointed to an economy that's not on the edge of a possible recession.

In response, we saw a move back into Cyclical areas such as Semiconductors and Retail, as well as Bank stocks, which fare well during a period of economic expansion. The advance in the broader markets was quite bullish, as both the S&P 500 and the Nasdaq closed the week above their key 50-day moving averages.

Next Friday, Fed Chair Powell will be speaking from the annual Jackson Hole Symposium which will follow Wednesday's release of the Fed meeting notes. →

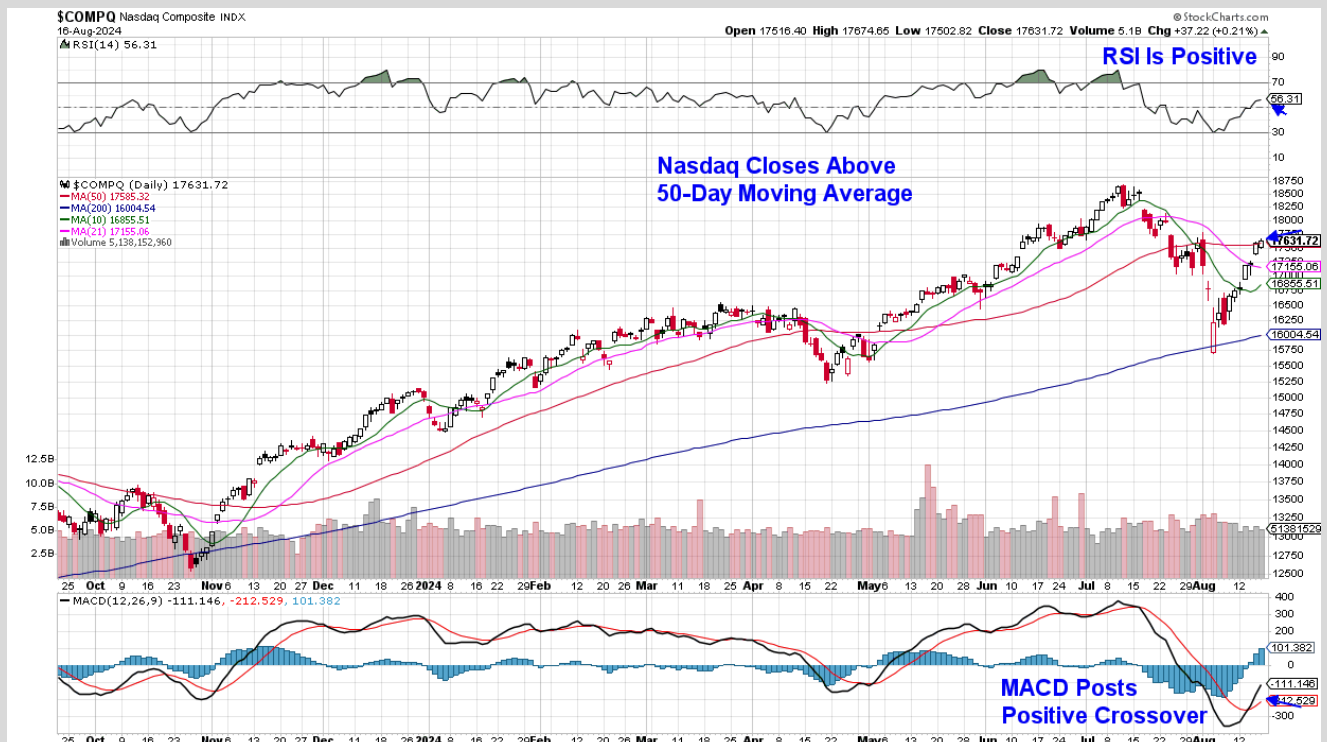
At this time, investors are on the lookout for at least a 0.25% rate cut at the next Federal Reserve meeting in September and the markets will be on the lookout for confirmation of this.

While we are constructive on the near-term prospects for the markets, we are approaching the seasonally weak period of September, with volatility expected to increase as we move closer to the election in November.

Second quarter earnings season is mostly behind us as well, and the boost this period provides for stocks will fade. In other words, we may see a pullback going into next month however, for now, the markets are in a confirmed uptrend.

Charts We Are Watching:

Daily Chart of the Nasdaq Composite (\$COMPQ)

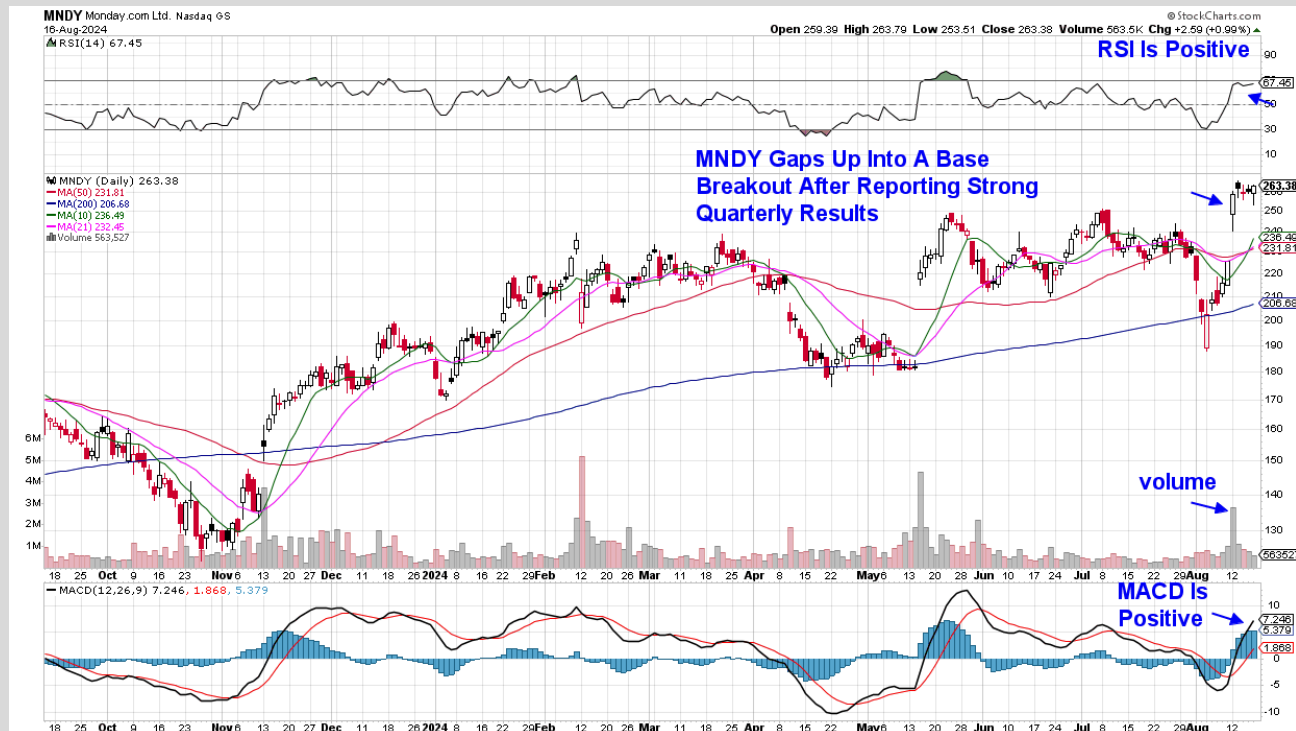


New Idea Charts:

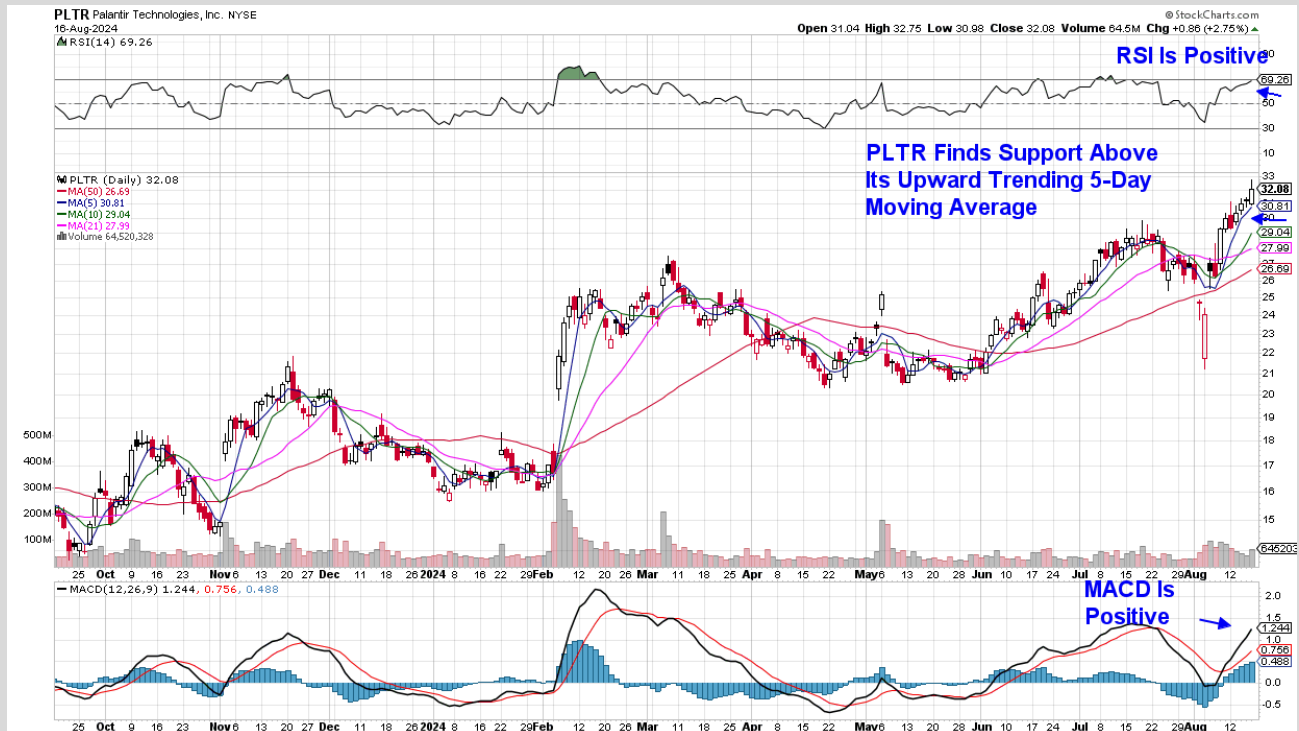
Daily Chart of Broadcom Inc. (AVGO)



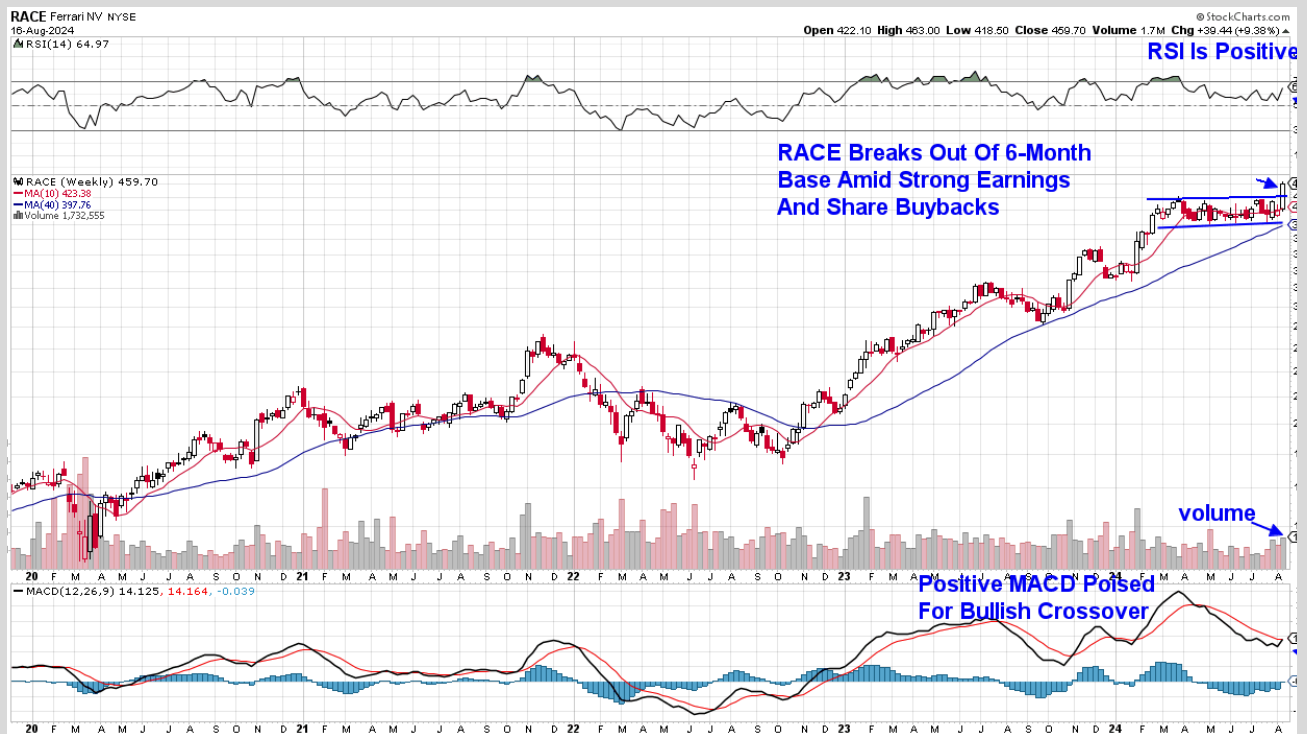
Daily Chart of Monday.com (MNDY)



Daily Chart of Palantir Technologies, Inc. (PLTR)



Weekly Chart of Ferrari NV (RACE)



MEM Edge Report Suggested Holdings

Stocks With Emerging Leadership Characteristics

\$ = Earnings Due	Buy Zone	Strong Buy	Buy on Pullback	Removed From List
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SYMB	COMPANY	PRICE	DATE ADDED	PERFORMANCE	EARNINGS DUE
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CONSUMER DISCRETIONARY					
CCS	Century Communities	\$90.50	7/14/2024	3.0%	
DECK	Deckers Outdoor	\$947.50	8/15/2024	0.5%	
RACE	Ferrari	\$459.70	8/18/2024		
TOL	Toll Brothers	\$139.50	7/27/2024	-5.5%	20-Aug
WMT	Walmart	\$72.90	8/15/2024	0.5%	

REAL ESTATE					
NSA	National Storage	\$44.20	7/21/2024	-2.0%	
PLD	Prologis	\$123.80	7/21/2024	-1.5%	
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	87.0%	

HEALTHCARE					
ABBV	AbbVie	\$185.10	7/28/2024	5.0%	
ISRG	Intuitive Surgical	\$598.80	5/19/2024	22.5%	
LLY	Eli Lilly	\$891.70	8/11/2024	3.5%	

TECHNOLOGY					
AAPL	Apple	\$221.70	8/13/2024	2.2%	
AVGO	Broadcom	\$165.70	8/18/2024		
CRUS	Cirrus Logic	\$137.70	8/13/2024	3.0%	
MNDY	Monday.com	\$263.40	8/18/2024		
PLTR	Palantir	\$32.10	8/18/2024		
MPWR	Monolithic Power	\$867.80	8/13/2024	5.5%	
NVDA	Nvidia	\$116.10	8/13/2024	9.0%	
TSM	Taiwan Semiconductor	\$172.30	8/13/2024	1.5%	

COMMUNICATION SERVICES					
META	Meta Platforms	\$531.50	8/13/2024	0.0%	

Longer Term Hold Candidates That Were Removed From Suggested Holdings List

SYMB	COMPANY NAME	CURRENT STATUS
MSFT	Microsoft	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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