



THE MEM EDGE

Midweek Report

Wednesday, August 21, 2024

Economic Data Released This Week

- Leading Indicators Falls for Fifth Straight Month
- Bureau of Labor Statistics (BLS) Revises Job Growth Much Lower
- FOMC Meeting Notes Show a Likely Rate Cut Coming in September

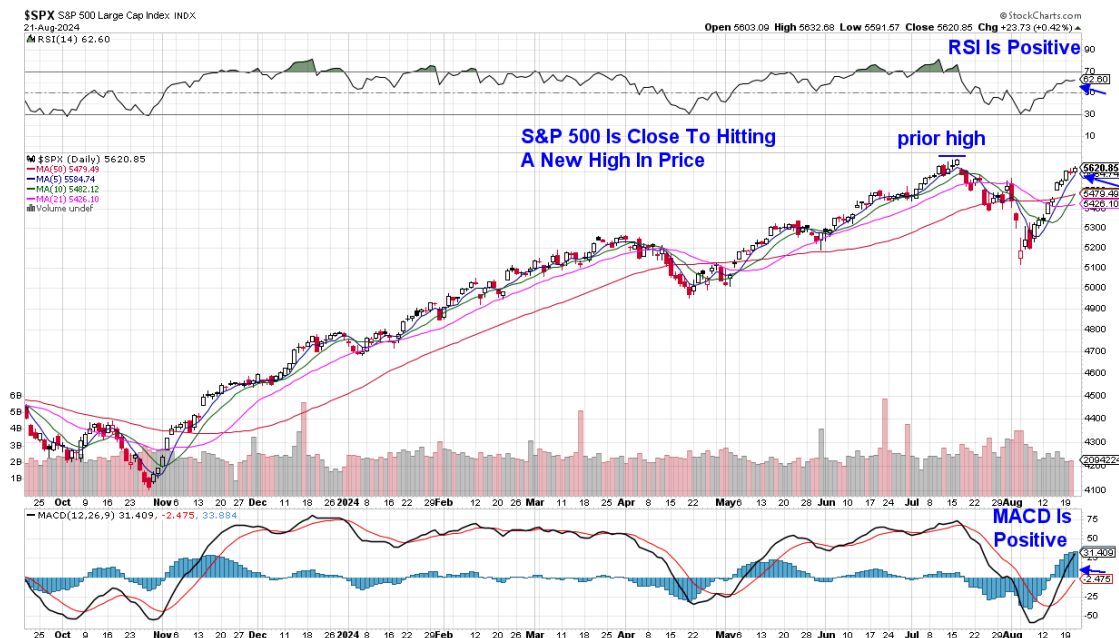
Market Developments This Week

- (BLS) Data Today Smooths the Path Further for Powell to Make Case for Rate Cut in Speech Friday
- Markets Are Pricing In 100% Odds of A 75 Basis Point Rate Cut by Year End
- Target's (TGT) Strong Earnings Report Today Boosts Retailers

Upcoming Economic Data

- Weekly Jobless Claims Tomorrow
- Fed Chair Powell's Jackson Hole Speech on Friday
- NVDA Due to Report Earnings Next Wednesday

DAILY CHART OF S&P 500 INDEX





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The S&P 500 has gained 1.2% this week in a move that puts this Index very close to closing at a new high in price. With the RSI and MACD in positive territory, the near-term uptrend in this Index remains in place.

The weekly chart remains constructive so that the longer-term outlook for the markets is positive as well.

The Nasdaq has rallied 1.6% in a move that puts this Index further above its 50-day moving average with the MACD joining the RSI in positive territory on the daily chart. This keeps the Nasdaq in a confirmed uptrend.

The markets are trading higher this week amid weaker-than-expected economic data with Leading Indicators declining another month while job growth for July was revised downward.

In addition, comments from the latest FOMC meeting point to a very strong possibility of a rate cut at their next session in four weeks. Friday's speech from Powell is expected to set the stage for this.

Today's muted response to the strong possibility of a rate cut implies that the news is mostly built into the markets. In addition, while weaker economic data supports a rate cut, it also brings out recession fears.

The strongest sector this week has been Consumer Discretionary stocks led by a 4.2% advance in Home Construction stocks led by strong earnings and sales from Toll Brothers (**TOL**) today.

TOL gapped up on very heavy volume in response, with the MACD posting a bullish crossover on the daily chart. (black line up through the red). This signals a new uptrend similar to its mid-February period and the stock can be bought.

Ferrari (**RACE**) is also outpacing the markets with a 4.2% gain amid news that they will be introducing a new hybrid supercar among their 15 new models going into 2026.

Using the early February into April period as precedence, the stock can be bought on any pullback to its 5-day simple moving average in the \$466 range.

Today, Retail stocks rallied after Target (TGT) reported earnings and sales that were above estimates. Peer retailer Walmart (**WMT**) gained on the news and has posted 2.4% this week. As you may recall, we are using the mid-May into late July period as a guide.



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WMT remains in a confirmed uptrend and can be bought in the \$74 range at its 5-day mav.

Deckers (**DECK**) remains in a confirmed uptrend and the stock is in a buy zone.

Technology has been the next top performer this week, led by a slight outperformance in select Software and Semiconductor stocks. (using IGV and SMH respectively)

Among Tech stocks on our List, Monolithic Power (**MPWR**) has outpaced its peers with a 3.5% gain that keeps the stock in a strong uptrend as it finds support above its 5-day simple moving average. **MPWR** is in a buy zone as the RSI remains well below an overbought position.

Nvidia (**NVDA**) is in a similarly bullish position after outperforming. The stock posted its largest gain on Monday after Goldman suggested the stock be bought with conviction as they are expected to top estimates when they report earnings next Wednesday.

NVDA is in a buy zone.

Cirrus Logic (**CRUS**) remains in a buy zone after pulling back from a 1-month base breakout today.

Taiwan Semi (**TSM**) is exhibiting relative weakness however, it remains above its 50-day moving average. The stock can be held.

Overall, the Semiconductor group has not turned bullish as it remains below its 50-day moving average with the MACD not in positive territory. (using ETF SMH). Next week's earnings from **NVDA** may change that.

Software stocks are in a more bullish position with stocks such as Palantir (PLTR) remaining in a confirmed uptrend and in a buy zone. Monday.com (MNDY) is in a similarly positive position.

Healthcare stocks are trading in line with the markets however, select names such as Eli Lilly (**LLY**) are outperforming with a 3% rally amid news that their obesity drug sharply reduces diabetes. The stock is in a confirmed uptrend and in a buy zone.

Both Intuitive Surgical (**ISRG**) and Abbvie (**ABBV**) are in confirmed uptrends and in a buy zone as well.



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REIT stocks are generally underperforming however, National Storage (**NSA**) is in a strong buy zone after today's rally pushed the stock out of a flat base with a MACD positive crossover taking place.

Among Industrials, FTAI Aviation (**FTAI**) posted a sharp gain today which pushed the stock out of a 3-week base. Last week, Morgan Stanley raised their price target for **FTAI** to \$150 which is over 25% above its current price. The stock is in a buy zone and can be bought in the \$115 range.

Meta Platforms (**META**) moved closer to a \$543 base breakout after today's rally on relatively high volume. The stock is in a buy zone.

This week's gains in the markets have been broad based with most sectors performing either at or above the S&P 500's 1.2% gain for the week. The equal-weighted index for both the S&P 500 and the Nasdaq are both performing in line with their more concentrated counterparts.

Small Cap stocks are also firming up. (using ETF IWM)

This is good news for a continuation rally in the markets. As cited earlier however, while weaker-than-expected economic data supports a rate cut next month, it has also been known to bring on recession fears.

Tomorrow's weekly employment data will provide more clues regarding investor sentiment. If a weak number brings selling, recession fears may be taking a front seat.

At this time, the broader markets remain in a confirmed uptrend and stocks that are highlighted as being in a buy zone can be added to.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report