



THE MEM EDGE

August 25, 2024 | Weekly Report

Economic Data Released Last Week

- Leading Indicators Fall For Fifth Straight Month
- Bureau of Labor Statistics (BLS) Revises Job Growth Much Lower
- FOMC Meeting Notes Show A Likely Rate Cut In September
- New Home Sales Improve By 10%

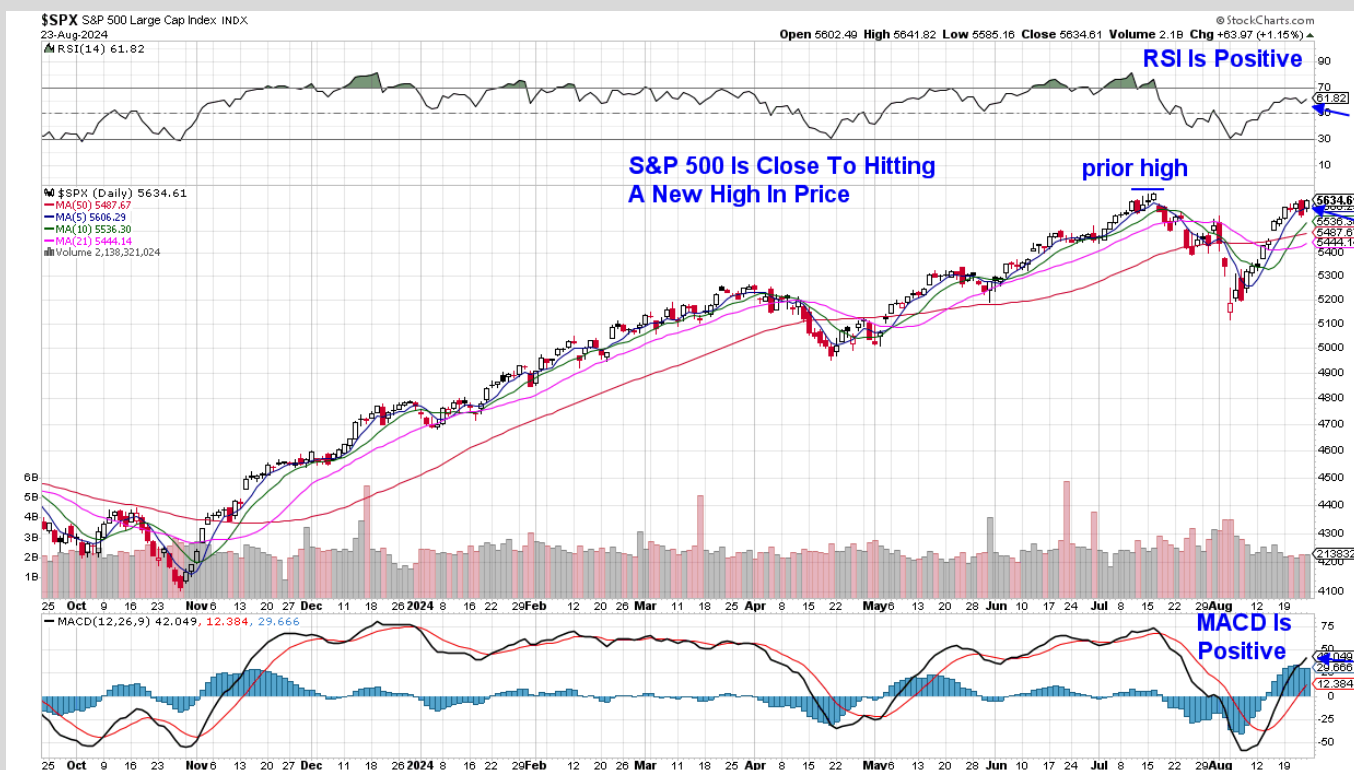
Market Developments This Week

- Target's (TGT) Strong Earnings Report Boosts Retail Stocks
- Friday's Housing Data Boosts Already Strong Home Construction Stocks (using XHB)
- REIT Stocks Outperform Amid Rate Cut Certainty

Upcoming Economic Data

- Core PCE Data and 2nd Quarter GDP Data Next Week
- NVDA Due To Report Earnings Next Wednesday

Daily Chart of S&P 500



The S&P 500 gained 1.5% last week in a move that puts this Index within points of a new high in price. With the RSI and MACD in positive territory, the near-term uptrend remains in place.

The weekly chart of the S&P 500 is equally constructive, with a positive MACD and RSI that keeps the longer-term outlook bullish as well.

The equal-weighted S&P 500 performed even better, with a 2% gain that puts this Index at a new high in price. This is great news for the possibility of a continuation rally as leadership is now broader based - unlike the start of this year, when the M7 stocks far outpaced other areas of the market.

The Nasdaq gained a similar 1.4% for the week amid underperformance in Technology stocks led by heavyweights Microsoft (**MSFT**) and Apple (**AAPL**) which were flat for the week. Semiconductor and Software stocks also underperformed.

The move away from Growth areas such as Technology, was offset by a rally in stocks that fare well in a declining interest rate environment. Economic news confirming a weakening in the economy, as well as FOMC notes pointing to a rate cut, started the shift.

Friday's comments from Powell that "the time has come for policy to adjust", further pushed the rotation into interest rate-sensitive areas. This would include REITs, Small Caps, Banks, and Housing stocks. We expect these areas of the market to continue to outperform.

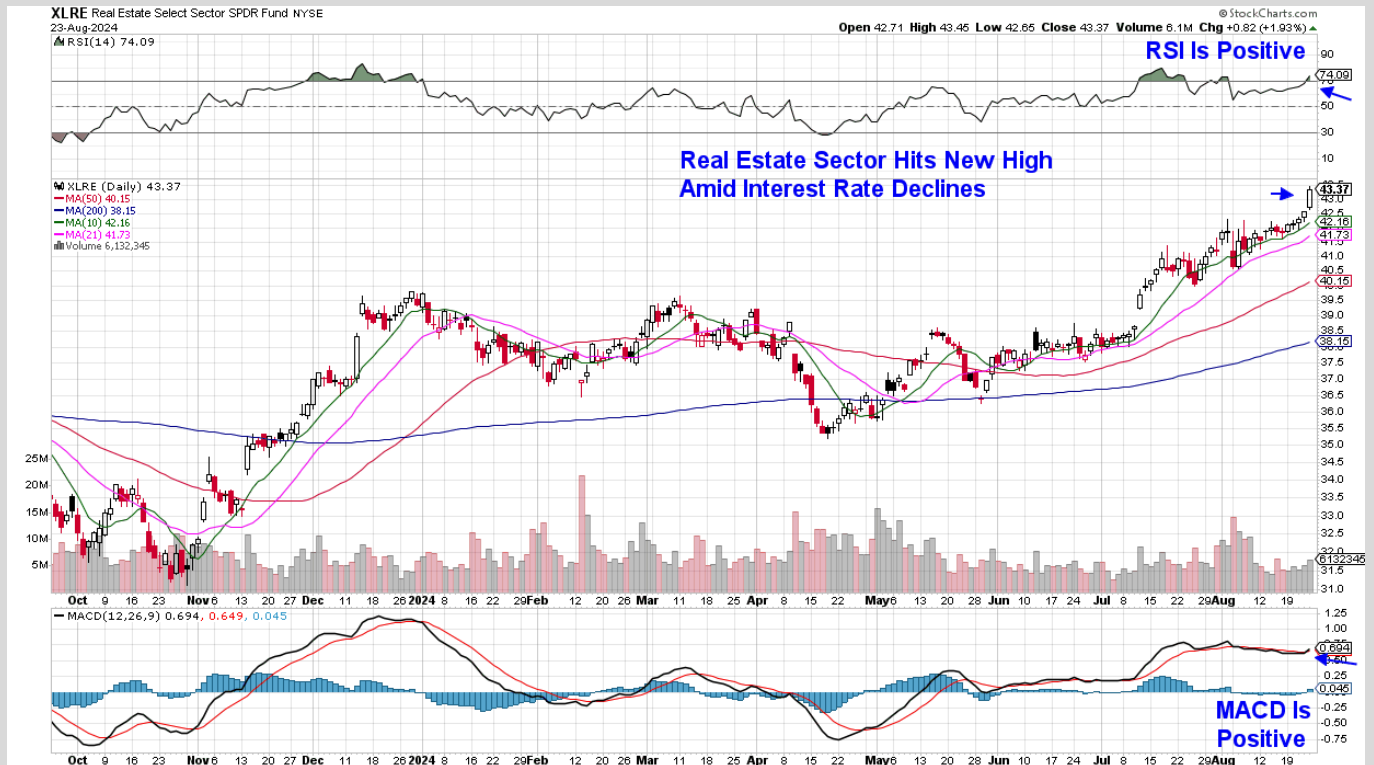
Earnings reports were also a driver of positive price action, after Target (**TGT**) posted earnings and sales ahead of estimates which in turn, pushed other retailers higher.

Among growth stocks, the Magnificent 7 underperformed again last week, after an unimpressive earnings season that was punctuated by the announcement of large capital outlays to improve their AI capabilities.

The exception was Nvidia (**NVDA**), which rallied last week ahead of the release of their earnings next Wednesday. The highly anticipated earnings report will provide insight into the growth prospects for companies that provide AI-related products.

Also closely watched next week will be key inflation data as the Federal Reserve's favored indicator - core Personal Consumption Expenditures (PCE) - will be released on Friday. While Fed Chair Powell's comments cleared the path for a rate cut, he also indicated that upcoming economic data will be crucial.

Daily Chart of the Real Estate Sector (XLRE)



Real Estate Sector Is Top Performing

Powell's confirmation that interest rates will be cut, coupled with a drop in yields, gave this sector a sharp boost. Lower rates allow REITs to expand their portfolios at a lower cost which improves their growth outlooks.

Among REITs on our List, National Storage Affiliates (**NSA**) was the top performing with a 6.2% gain for the week. An increase in new home sales has been known to increase the need for storage, and the stock is in a bullish position from which to trade higher.

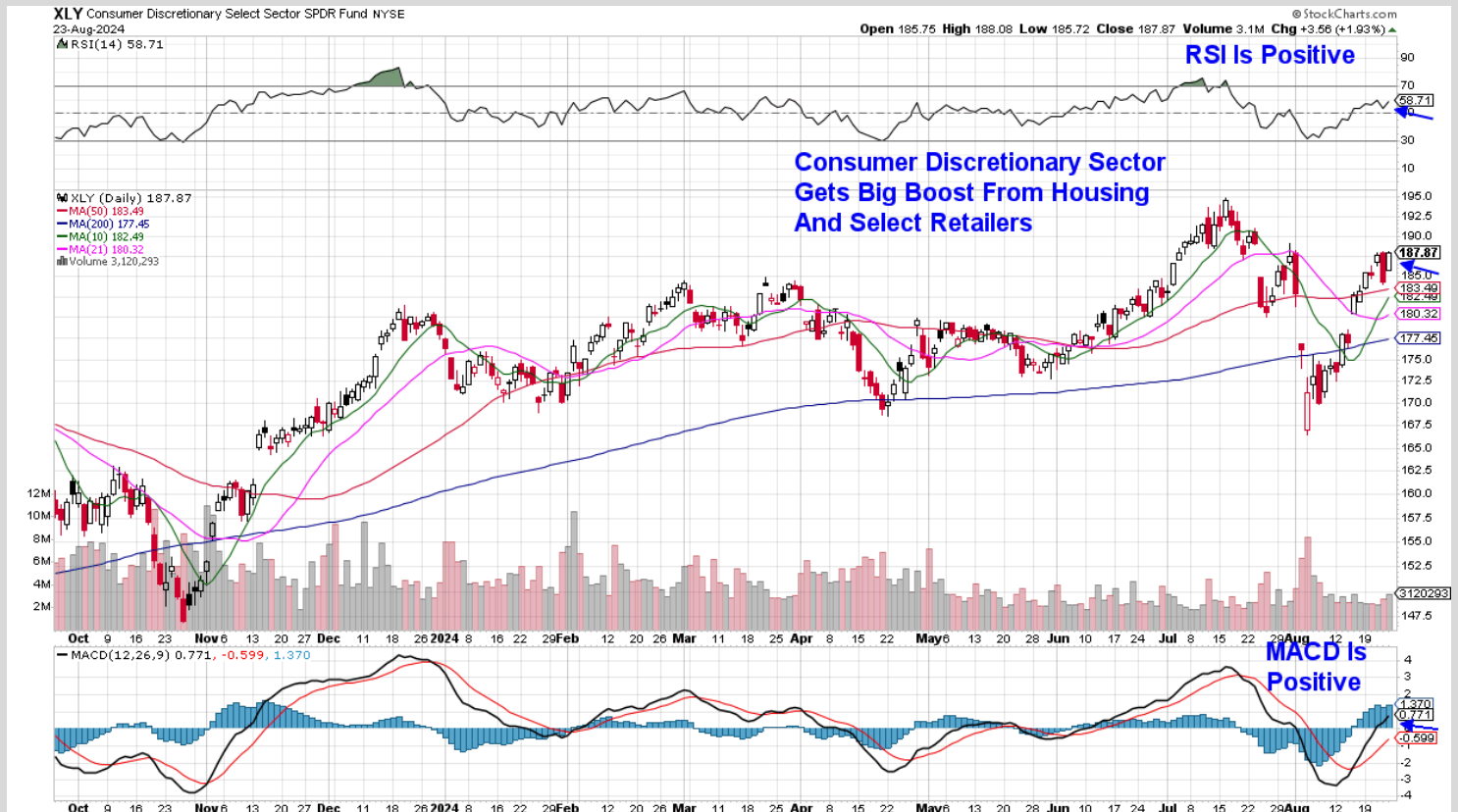
NSA is forming the right side of a base as it moves closer to a possible 6-week base breakout at \$47. The stock is in a buy zone as the MACD just posted a bullish crossover (black line up through the red), with the RSI in positive territory.

ProLogis (**PLD**) also posted a bullish MACD crossover on its daily chart, with a Friday gap up on volume that puts the stock very close to a 1-month base breakout at \$130. **PLD** is in a buy zone and can be bought in the \$126 range at its 5-day moving average.

As you may recall, **PLD** is the global leader in providing warehouse space and logistics to the retail industry. An improvement in the outlook for retailers such as Walmart and Target, as well as strong Retail Sales data the prior week, are reasons this REIT is outperforming.

Equity Residential Property (**EQR**) closed the week at a new high in price while posting a bullish MACD crossover. The 3.7% yielder can be bought on a pullback to its 5-day moving average in the \$72.5 range.

Daily Chart of the Consumer Discretionary Sector (XLY)



Consumer Discretionary Sector Advances Further Into An Uptrend

The Consumer Discretionary sector is continuing to form the right side of a base after closing back above its 50-day moving average the prior week. In addition, the sector's MACD just moved into positive territory where it joins the RSI.

This price action points to further upside for this sector and next week, several well-known retailers such as Gap (**GAP**), Abercrombie and Fitch (**ANF**), and Lululemon (**LULU**) will be reporting their quarterly results which will further impact this group.

While select Retailers were on the move higher last

week, it was Home Construction stocks that led this sector higher with Toll Brothers (**TOL**) being among the top performers. The company reported earnings and sales that were above estimates earlier in the week which had the stock gapping up into a buy zone on Wednesday.

TOL received a secondary boost on Friday when strong new home sales data pushed home builders even higher. **TOL** gained 15% last week and the stock is poised for even further upside as the MACD just posted a bullish crossover and the stock broke out of a 1-month base on volume Friday.

TOL can be bought in the \$140 range near its 5-day simple moving average.

Auto stocks are also positively impacted by a declining interest rate environment as financing rates are lower. While clients of Ferrari (**RACE**) may not always use credit, the stock rallied in tandem with other Auto stocks.

Last week's 5.3% rally pushed the MACD into a bullish crossover on the weekly chart, which bodes well for the longer-term outlook for the stock. Using the daily chart, **RACE** can be bought in the \$480 range - close to its 5-day simple moving average.

Walmart (**WMT**) rallied following Target's relatively strong earnings report and the stock is continuing to find support above its 5-day simple moving average. As noted last week, we are using the mid-May into late July period as precedence. **WMT** is in a buy zone.

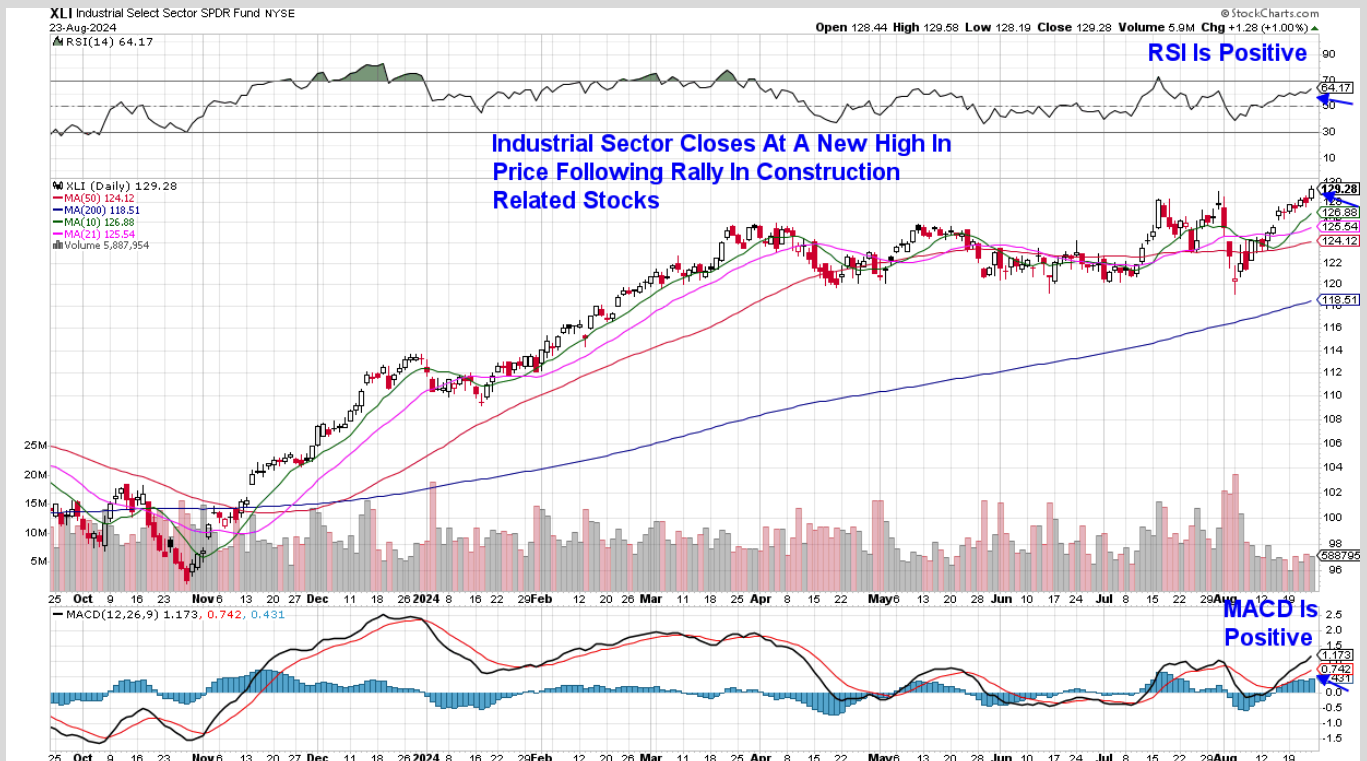
Hoka sneaker and Ugg footwear creator Deckers (**DECK**) continues to form the right side of a base. The stock has been getting more volume on rally days and it's in a strong buy zone at the \$965 range near its 5-day mav.

This week, we are adding Wingstop (**WING**) back to our Suggested Holdings List after the stock closed back above its 50-day moving average on above-average volume on Friday. In addition, the MACD is now in positive territory.

WING's rally took place on the heels of rival restaurant chain Cava's sharp rally on strong earnings. **WING** reported strong quarterly results several weeks ago and last week, announced an expansion into the U.K. The stock can be bought in the \$390 range near its 5-day moving average.



Daily Chart of the Industrial Sector (XLI)



Industrial Sector Gets Boost From Home Construction-Related Stocks

The Industrial sector outperformed last week, with a Friday rally that pushed these stocks to a new high in price. Strong new home sales data lifted home construction stocks while beaten down Airlines also outperformed.

Among stocks on our List, FTAI Aviation (**FTAI**) was a top performer with a 7.2% rally that puts the stock at a new high in price. Despite the company's strong advance this year, Wall Street is on the lookout for further upside.

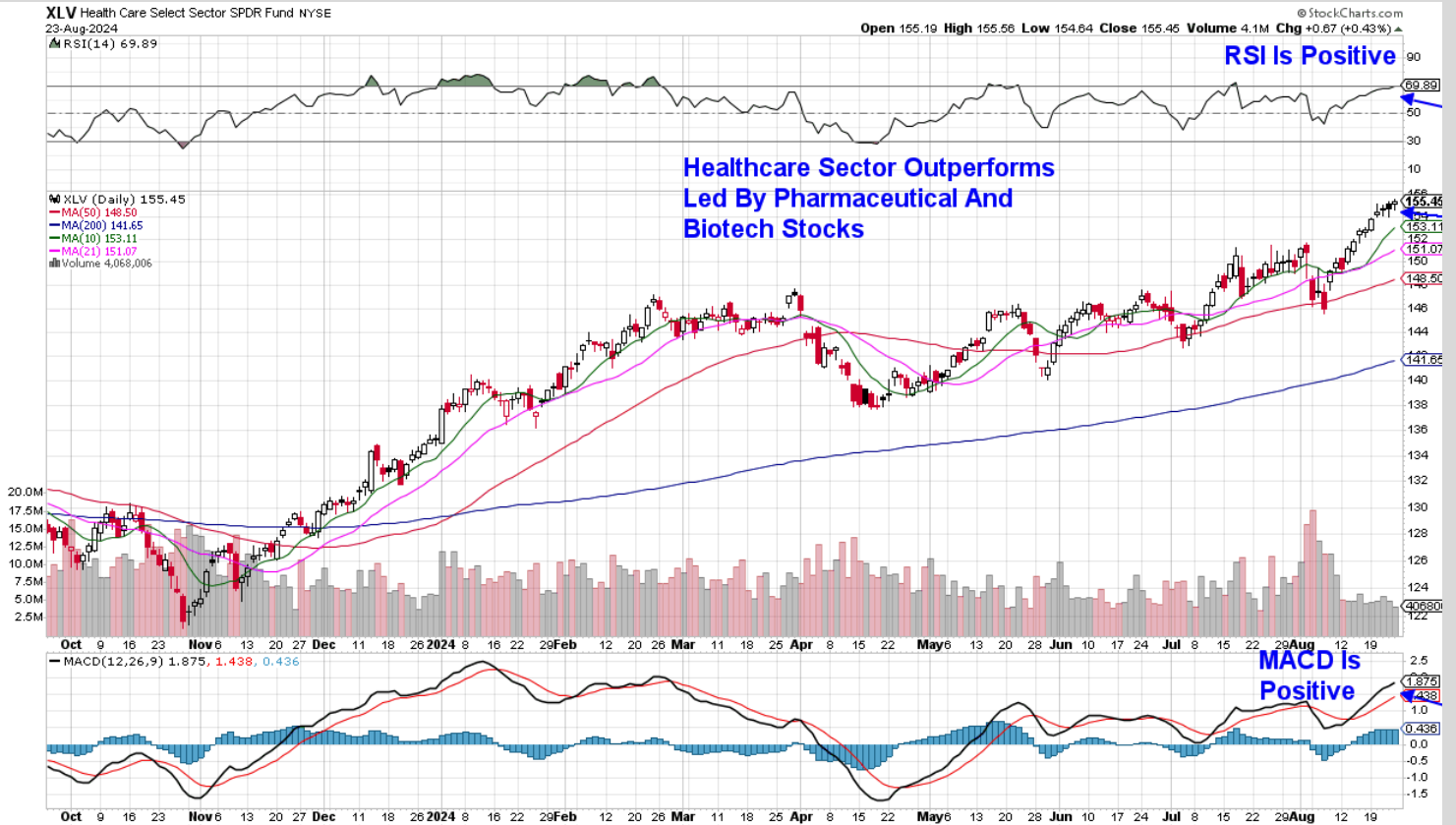
This is because their unique model of addressing airline engine shortages is more cost effective for airlines while also reducing the number of grounded flights. **FTAI** is in a buy zone as it finds support above its upward-trending 5-day simple moving average.

Heavy construction stocks posted gains as well, with Fluor (**FLR**) now forming the right side of a base as it approaches its mid-July high of \$52. The momentum remains muted however and while **FLR** is in a buy zone, we would not overweight the stock at this time.

This week, we are adding XPO Logistics (**XPO**) to our Suggested Holdings List. The largest provider of less-than-truckload transportation in the U.S. delivered earnings and sales above estimates earlier this month.

During the earnings call, management guided growth higher for the remainder of this year - particularly if interest rates begin to decline which will increase freight demand. **XPO** is in a buy zone with the weekly chart looking particularly attractive as the MACD just posted a bullish crossover. (black line up through the red.)

Daily Chart of the Health Care Sector (XLV)



Healthcare Sector Led Higher By Pharmaceutical And Biotech Stocks

The Healthcare sector closed at another new high in price as select areas continue to trade higher.

Among them are Pharmaceutical stocks such as Eli Lilly (**LLY**) from our Suggested Holdings List.

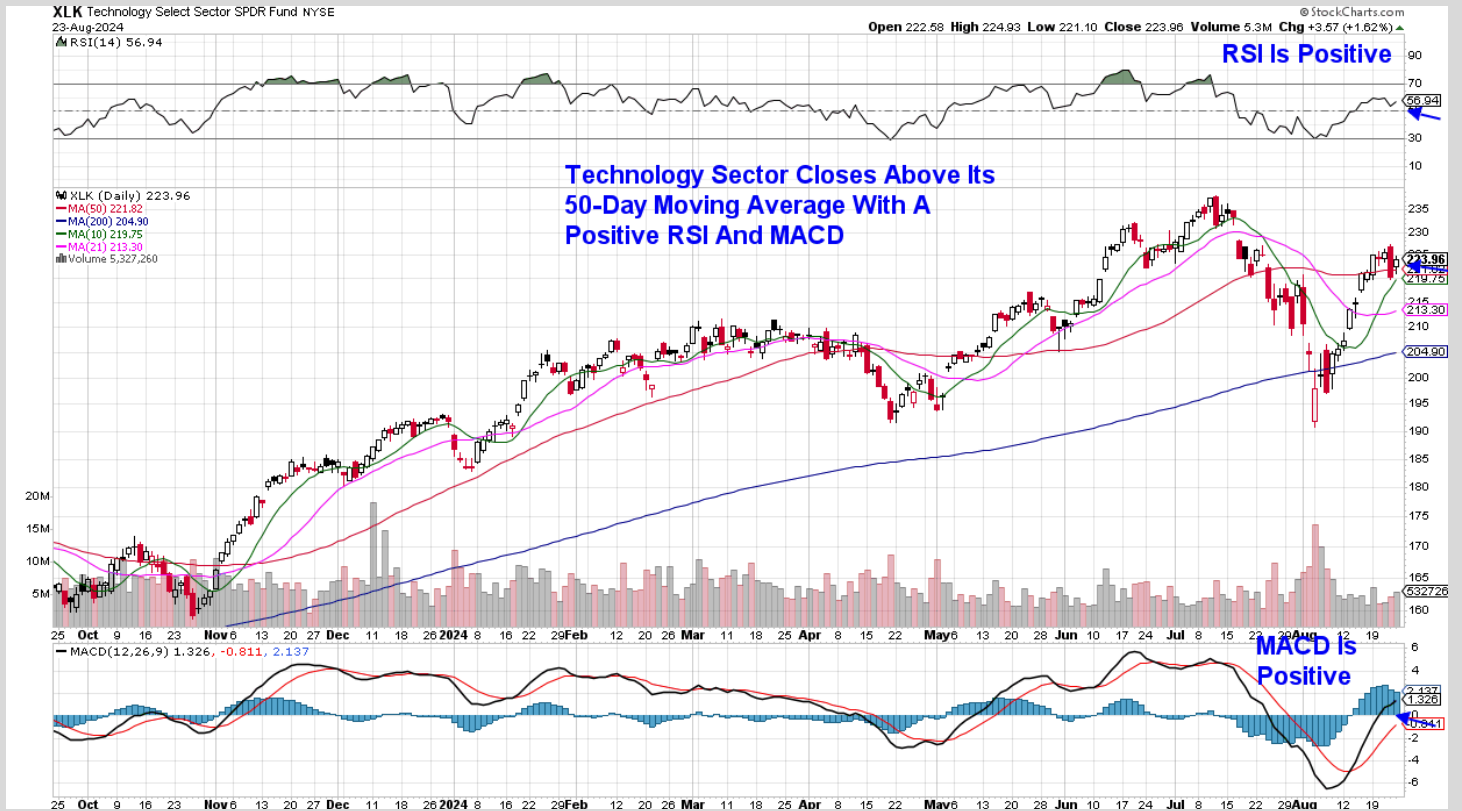
LLY posted a 3.3% rally last week amid news that their obesity drug has been shown to sharply reduce diabetes. The stock is in a confirmed uptrend and in a buy zone. The news has analysts raising earnings estimates for both this year and next with 158% and 37% growth expected respectively.

Abbvie (**ABBV**) is also in a confirmed uptrend following news that the company was granted conditional marketing authorization for their

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

Intuitive Surgical (**ISRG**) is also finding support above its upward trending 5-day simple moving average. Using the May into mid-July period as precedence, the current uptrend will remain in place unless we see the RSI enter negative territory on the daily chart. Longer-term investors could have stayed with the stock. **ISRG** is in a buy zone.

Daily Chart of the Technology Sector (XLK)



Technology Sector Underperforms

The Tech sector was among the weakest areas last week with heavyweights Microsoft (**MSFT**) and Apple (**AAPL**) ending the week flat.

AAPL did manage to close the week above its 5-day moving average however, it's currently trending sideways. The next big event for Apple will be their new product launch on September 10th.

Overall, analysts are expecting a big software launch for their iPhone, with AI features that will attract new buyers. **AAPL** is in a buy zone.

Semiconductor stocks underperformed last week with the group unable to regain its 50-day moving average despite a positive RSI and MACD. (using ETF SMH).

Nvidia (**NVDA**) was one of the exceptions however, after a 3.8% gain for the week ahead of the release of their earnings on Wednesday after the market's close. The stock posted its largest gain on Monday after Goldman Sachs suggested the stock be bought with conviction, as they are expected to top estimates when they report.

NVDA certainly has a positive chart as they go into the release of their earnings. Of concern however, is the potential impact of the 3-month delay to the production of their Blackwell AI chip.

Monolithic Power (**MPWR**) pulled back from a new high in price on Wednesday after a sharp pullback in the group. The stock closed above its 5-day simple moving average however and remains in a confirmed uptrend. **MPWR** is in a buy zone.

Cirrus Logic (**CRUS**) is in an even more bullish position after regaining its Wednesday base breakout level above \$143. The stock is in a post-earnings uptrend similar to its early May into late July period and the stock is in a strong buy zone.

Broadcom (**AVGO**) posted a more modest gain ahead of the release of their earnings early next month. The stock is in a buy zone as it continues to find support above its 5-day simple moving average.

As noted in our Midweek Report, Taiwan Semi (**TSM**) was exhibiting relative weakness however, it has been able to remain above its 50-day moving average with the RSI and MACD in positive territory. The near-term momentum is flat however and the stock can be held.

Software stocks underperformed last week, led lower by heavyweight names such as Intuit (**INTU**) which fell over 5% after the company issued disappointing growth guidance. Other heavyweight names in the Software ETF (IGV) such as Synopsis (**SNPS**), also pulled back after weaker-than-expected results.

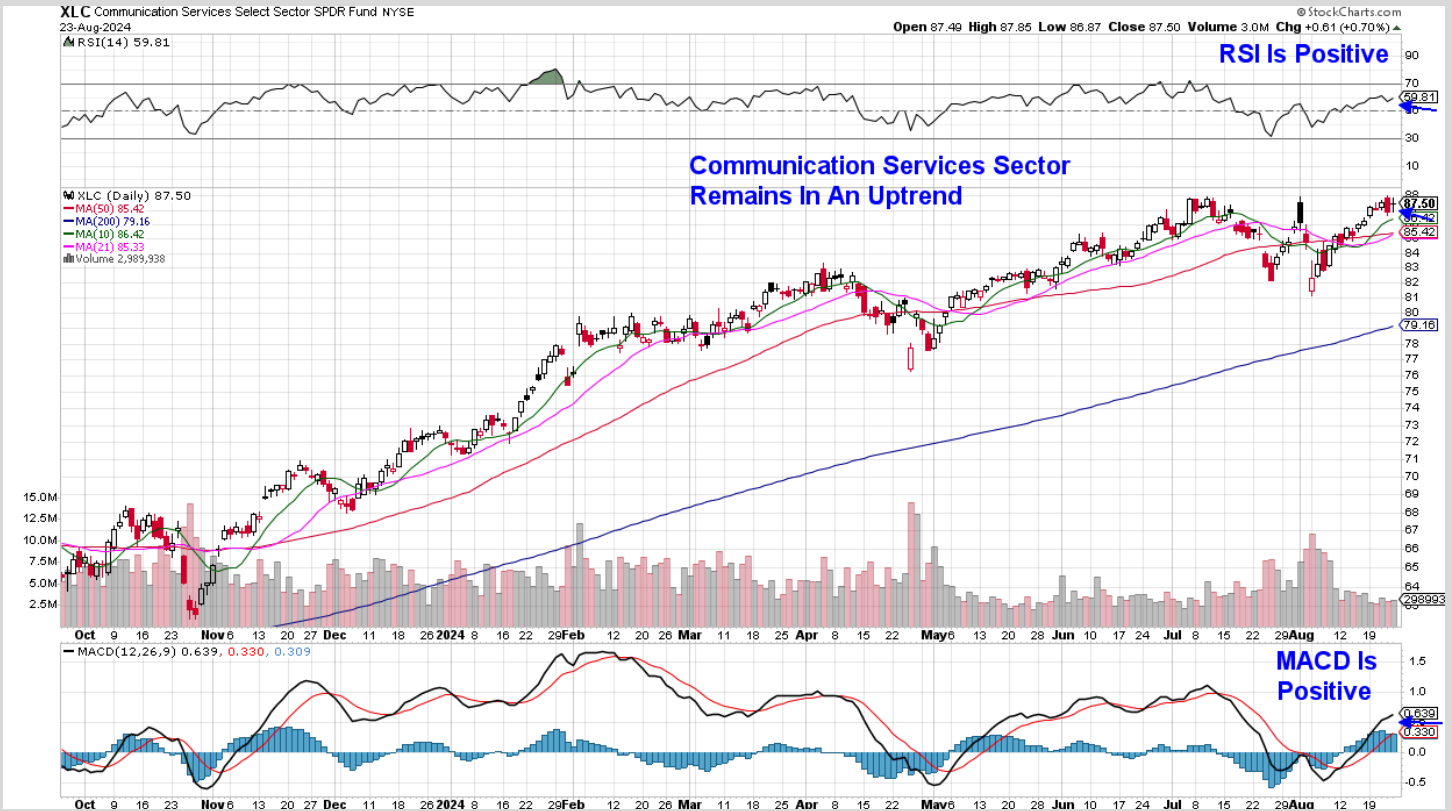
Among Software names on our Suggested Holdings List, monday.com (**MNDY**) ended the week flat on light volume as the stock digests its gap up in price following strong earnings. **MNDY** is finding support at its upward trending 10-day moving average and the stock is in a buy zone.

Palantir (**PLTR**) is also trending sideways after its advance following strong earnings earlier this month. The stock is in a consolidation phase however, any hint of strong AI-related sales from companies such as Nvidia may provide needed upside momentum. Until then, **PLTR** can be held.

Thursday's sharp pullback in the Technology sector was led by Semiconductor stocks and most notable was a 3.7% pullback in Nvidia (**NVDA**). The move highlights the volatility surrounding this group and **NVDA's** earnings on Wednesday are expected to impact the group as well as other AI-related stocks.



Daily Chart of the Communication Services Sector (XLC)



Communication Services Sector

The Communication Services sector underperformed last week after its heaviest-weighted stock Meta Platforms (**META**) ended the week flat amid a lack of news. The stock pulled back slightly from a 2-month base breakout on Thursday.

A close back above this base breakout level of \$542.8 would put **META** into a strong buy zone.

The next heaviest-weighted stock is Alphabet (**GOOGL**) and the stock is on our Watch List as it continues to firm up after a sharp 1-month drop from early July to August. A positive RSI, coupled with a more favorable outlook for AI-related stocks, would have us considering adding it to our List.

Summary

Friday's sharp rally following Powell's acknowledgement that the time has come to shift monetary policy reintroduced the "rotation trade" that was in focus earlier this summer. Namely, a move into Small Caps, retailers, homebuilders and other rate sensitive areas of the market.

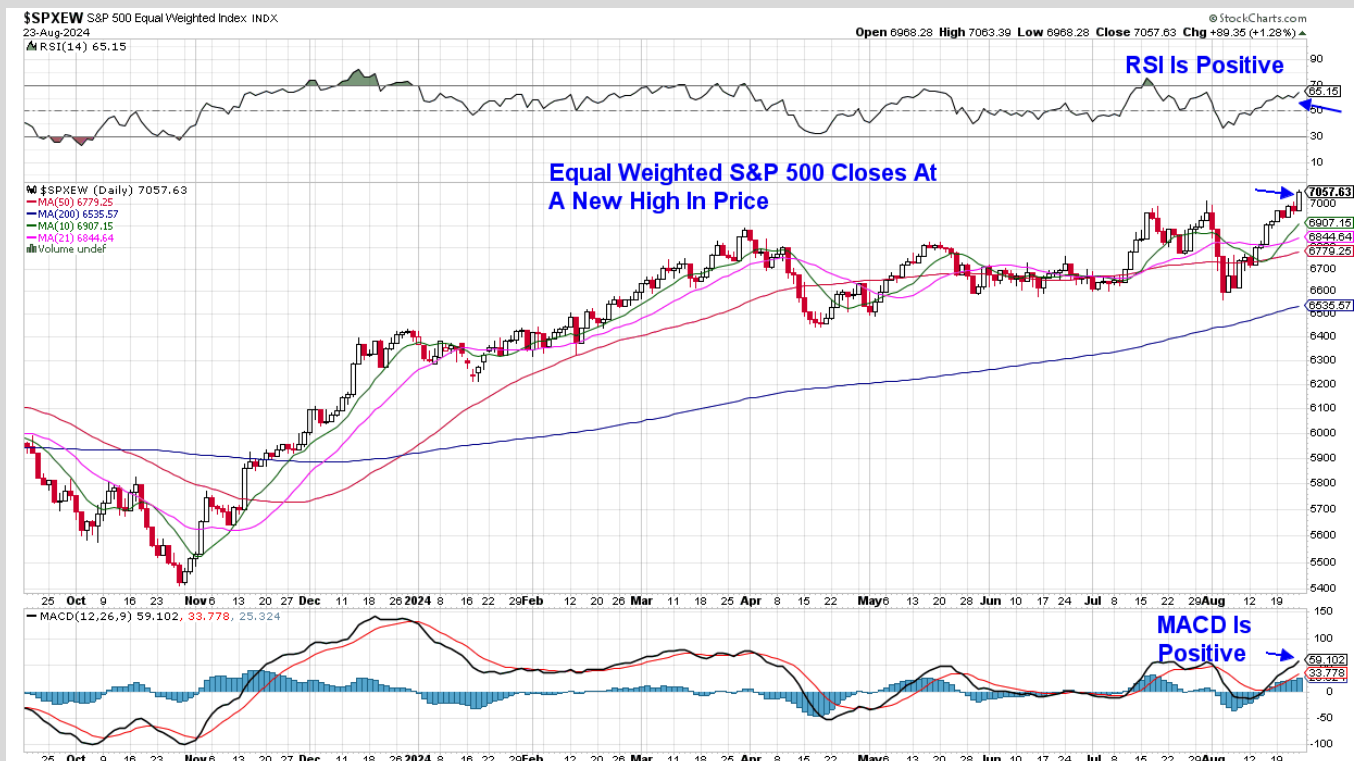
This week, we added a retailer and transport stock as both will benefit from a declining interest rate backdrop. We will continue to add names from rate sensitive areas as they emerge.

At this time, we're keeping a close eye on Technology stocks as they lost their appeal during the rotation into lower interest rate sensitive stocks earlier in the summer. Next week's earnings report from Nvidia (**NVDA**) will certainly provide clues. Any guidance disappointments or further product delays will certainly be negative.

Next week will also bring consumer confidence data on Tuesday as well as 2nd quarter GDP revisions on Thursday.

Charts We Are Watching:

Daily Chart of S&P 500 Equal Weighted Index (\$SPXEW)

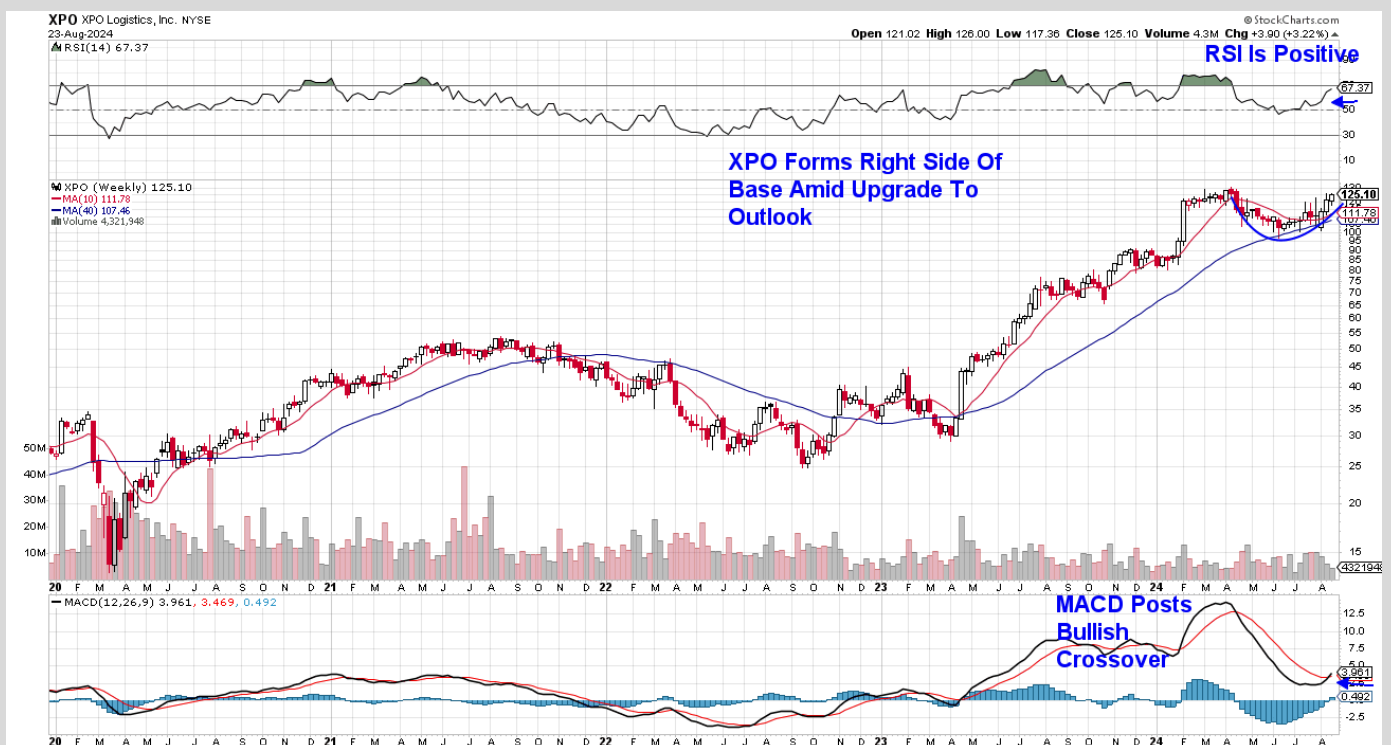


New Idea Charts:

Daily Chart of Wingstop Inc. (WING)



Weekly Chart of XPO Logistics, Inc. (XPO)



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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