



THE MEM EDGE

Midweek Report

Tuesday, September 3, 2024

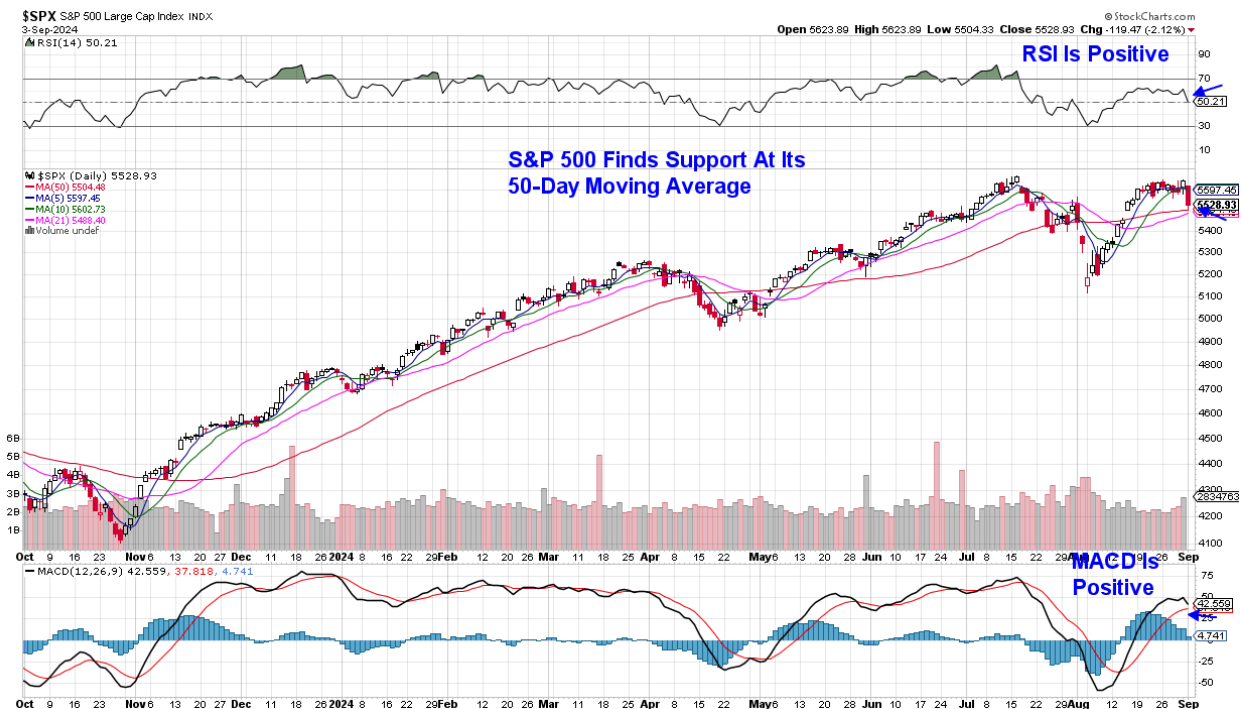
Economic Data Moving Markets Today:

- Purchasing Managers' Index (PMI) Comes in Below Estimates
- ISM Manufacturing Index - A Key Gauge of Factory Activity - Posts 5th Consecutive Monthly Decline

Market-Related Developments:

- Recession Fears Re-emerge
- Economically Sensitive Areas Are Hardest Hit - Industrials (**XLI**), Semiconductors (**SOXX**), Small Caps (**IWM**) and Homebuilders (**XHB**)
- **Nasdaq Re-enters Downtrend** as Technology Sector Slumps
- Volatility (**\$VIX**) Jumps By 30% To 18.7
- Removing Wingstop (**WING**), Nvidia (**NVDA**), Monolithic Power (**MPWR**), Broadcom (**AVGO**), Comfort Systems (**FIX**), (**WING**), and Deckers (**DECK**) From Suggested Holdings List

DAILY CHART OF S&P 500 INDEX





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The S&P 500 has fallen 2% today, with this Index approaching its 50-day moving average which is now 0.4% away.

The Nasdaq is back in a confirmed downtrend however, after closing back below its 50-day moving average with a negative RSI.

Today's losses took place following news from the manufacturing sector that this area of the economy is continuing to contract.

The ISM Manufacturing Index is considered one of the most reliable economic barometers of the U.S. economy and today, it posted its 5th consecutive monthly decline.

As you may recall, the ISM was similarly weak early last month, and the markets struggled before a surprisingly weak employment report later in the week, pushed the markets down further.

This Friday, key employment data is due to be released and hence, investors are on edge.

Hardest hit today have been economically sensitive areas of the markets such as Industrials (XLI), Semiconductors (SOXX), Small Caps (IWM), and Homebuilders (XHB).

While Semis (SOXX) were the hardest hit, other areas of Technology also came under selling pressure such as heavyweight names Microsoft (MSFT) and Apple (AAPL) which pulled back.

A 9% decline in Nvidia (**NVDA**) had the most negative impact, as the move pushed the Tech sector further below its 50-day moving average with a negative RSI and MACD.

As cited in yesterday's report, a close below the 21-day moving average for **NVDA** would be a negative, as the next area of possible support is the early August lows of \$90.7 which is now ~16% away. Shorter-term investors will want to reduce exposure.

For longer-term investors, the weekly chart shows an RSI at 51.91 and as suggested, a close below 50 has historically preceded downward pressure of a longer-term nature. For now, **NVDA** can be held.



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Monolithic Power (**MPWR**) and Broadcom (**AVGO**) also came under selling pressure with sharp declines that have these stocks closing below their 50-day moving average with a negative RSI on the daily chart. This points to further weakness over the near term and we're removing them from our Suggested Holdings List.

Longer-term, and using the weekly chart, **MPWR** and **AVGO** can be held.

Industrial stocks also pulled back today, amid news that factories have cut production for the first time since January due to a lack of orders. In addition, new order inflows fell in August at the sharpest rate for 14 months, with export orders declining at the steepest rate for a year.

The news negatively impacted Industrial stocks such as Fluor (**FLR**) and FTAI Aviation (**FTAI**). Both stocks can be held as they are finding support above key moving averages. A further decline in **FLR** however, would be cause to sell, as it's just holding on to its 50-day moving average.

Should we see a rally back above their 10-day moving averages, **FTAI** and **FLR** can be bought, as long as the broader markets are healthy.

Recently added Comfort Systems (**FIX**) was hit hard today amid news that construction spending has slowed. The heavy selling puts the stock below its 50-day moving average with a now negative RSI. We are removing the stock from our Suggested Holdings List.

Also pulling back sharply were select Retailers such as Wingstop (**WING**) and Deckers (**DECK**). Both stocks have closed below their 50-day moving averages with a negative RSI and we are removing them from our Suggested Holdings List.

The longer-term weekly charts remain constructive and longer-term investors can stay with these stocks.

Defensive areas of the market outperformed such as REITs and Healthcare as well as Walmart (**WMT**), as did companies that are immune to a possible economic slowdown such as Ferrari (**RACE**).

Today's sharp pullback in the markets was accompanied by an uptick in the volatility index (**\$VIX**) which spiked to 20.7. A VIX above 18 indicates elevated levels of fear and we are on the lookout for further possible upside in volatility ahead of Friday's employment data.



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We will continue to elaborate on the markets further in our Midweek Report tomorrow.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report

DAILY CHART OF NASDAQ COMPOSITE

