



# THE MEM EDGE

Midweek Report

Wednesday, September 4, 2024

## Economic Data Today:

- U.S. Jobs Openings Fall More Than Expected in July
- Fed's Beige Book Shows Weakening of Economic Activity

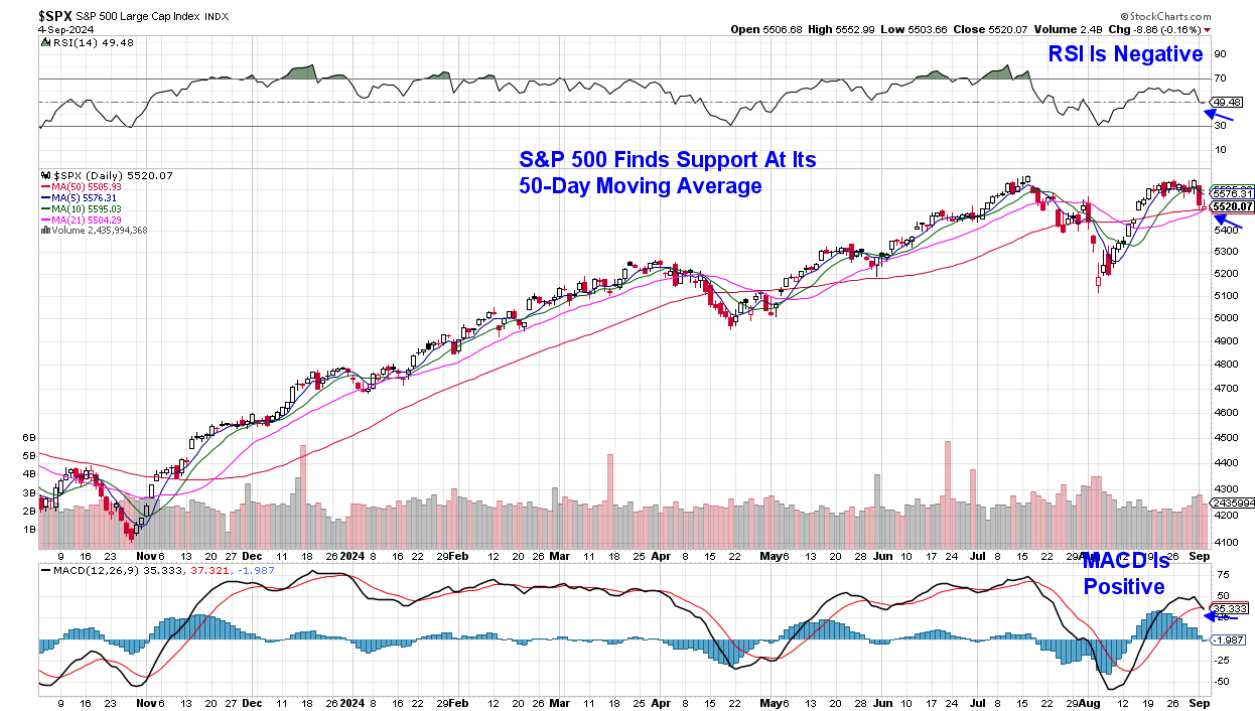
## Market Developments Today:

- Recession Fears Pick Up
- 10-Year Treasury Yield Falls To 3.76%
- Yield Curve Reverses Inversion
- Nasdaq Along with Technology Sector and Semiconductors Remain in Downtrend
- Brent Crude Closes at One-Year Low in Price
- Volatility Index (\$VIX) Climbs To 21.3

## Upcoming Data:

- Services PMI, Weekly Jobless Claims, and Private Sector Employment Data On Thursday
- July Employment Data on Friday

## DAILY CHART OF S&P 500 INDEX





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The S&P 500 has fallen 2.2% so far this week, with this Index approaching its 50-day moving average which is now 0.3% away. The MACD is positive however, the RSI has dipped into negative territory on the daily chart.

While this paints a generally positive bias, we are cautious on the near-term prospects for the markets as the Volatility Index - also known as the fear index - continues to rise amid renewed fears of an economic slowdown.

The Nasdaq has pulled back even more, with a 3.6% decline that puts this Index below its 50-day moving average with a negative RSI and MACD. This puts the Nasdaq into a near-term downtrend.

This week's losses have taken place following news that the economy is continuing to contract amid weak manufacturing and employment data. In addition, the Fed released their Beige Book survey results today and they point to a slowdown in consumer spending.

Economically sensitive areas of the markets have been hit the hardest - such as Industrials (XLI), Semiconductors (SOXX), Small Caps (IWM), Homebuilders (XHB), and Banks (KRE).

As noted in yesterday's Alert Report, Semiconductors have seen the most selling, led by Nvidia (NVDA) which is now down 11% over the past two days. We removed Nvidia (NVDA), Monolithic Power (MPWR), and Broadcom (AVGO) after they closed below key support on heavy volume. Broadcom will be reporting earnings after the market close tomorrow.

Each of these stocks remains on our Long Term Buy and Hold List however, as their weekly charts remain constructive.

Among names on our List, FTAI Aviation (**FTAI**) is close to regaining its uptrend which would be signaled by a close back above its 10-day moving average at \$121.5.

Walmart (**WMT**) - considered a defensive stock - remains in a confirmed uptrend and any pullback to its 5-day moving average has been an ideal buy point. Ferrari (**RACE**) - which we highlighted yesterday as being immune to economic weakness - is in a buy zone after regaining its 10-day simple moving average today.

Healthcare stocks are also defensive, and the sector is outperforming the markets. Both Eli Lilly (**LLY**) and AbbVie (**ABBV**) remain in a confirmed uptrend above their 10-day moving averages with a positive MACD.



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Intuitive Surgical (**ISRG**) has pulled back and a close back above its 10-day moving average at \$485.3 would put the stock into a buy zone.

REIT stocks are also defensive, given their higher yields and ability to grow in a declining rate environment.

National Storage (**NSA**) is down slightly for the week but remains in a confirmed uptrend as it is points away from a 6-week base breakout at \$46.8.

Equity Residential (**EQR**) is also in an uptrend with a 0.8% gain that keeps this stock above its upward-trending 5-day simple moving average. The stock is in a buy zone. Prologis (**PLD**) can also be bought as the 3% yielder is above each of its moving averages with a positive RSI and MACD.

Communication Services stocks are pulling back with the markets, led lower by a 3% pullback in Netflix (**NFLX**). The consumer-facing company is more susceptible to a weakening economy. **NFLX** can be held as its RSI and MACD are in positive territory. A close back above its 10-day moving average at \$689 would put the stock into a buy zone.

Meta Platforms (**META**) has pulled back to its 50-day moving average where it has found support. Given the company's reliance on advertising sales to drive revenue, this company is also vulnerable to a slowing economy. **META** can be held.

The Technology sector remains in a downtrend after a 4.8% loss over the past two days.

Select Software stocks are coming under distribution such as monday.com (**MNDY**) which has pulled back almost 7%. The stock remains above its 50-day mav however and can be held.

Palantir (**PLTR**) is faring better with a close today that puts the stock back above its 21-day moving average with a positive RSI and MACD. A close above its 10-day moving average at the \$31 range would put **PLTR** in a buy zone.

Consumer Discretionary stocks are mixed with SharkNinja (**SN**) in a strong buy zone following its continuation rally after Friday's base breakout.

Despite a pullback in Home Construction stocks, Toll Brothers (**TOL**) remains in an uptrend with a positive RSI and MACD. The stock can be held.



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Today, volatility ticked higher after additional data pointed to a possible slowdown in the economy. Also of note is that the yield on the 10-year Treasury continues to drop and in turn, the inverted yield curve is very close to reversing. This is often a signal of a downturn in stocks.

With the markets on edge going into Friday's critical July employment data, we would keep new buys to a minimum until we see evidence of a renewed interest in non-defensive areas of the markets.

In addition, we would like to see volatility get back below 16, to ensure that confidence has been restored.

Warmly,  
Mary Ellen McGonagle  
Editor, MEM Edge Report

## DAILY CHART OF NASDAQ COMPOSITE (COMPQ)

