



THE MEM EDGE

September 8, 2024 | Weekly Report

Economic Data Reported Last Week

- Purchasing Managers' Index (PMI) Comes In Below Estimates
- ISM Manufacturing Index - A Key Gauge Of Factory Activity - Posts 5th Consecutive Monthly Decline
- U.S. Jobs Openings Fall More Than Expected In July
- Fed's Beige Book Shows Weakening Of Economic Activity
- Economy Created A Soft 142,000 New Jobs in August

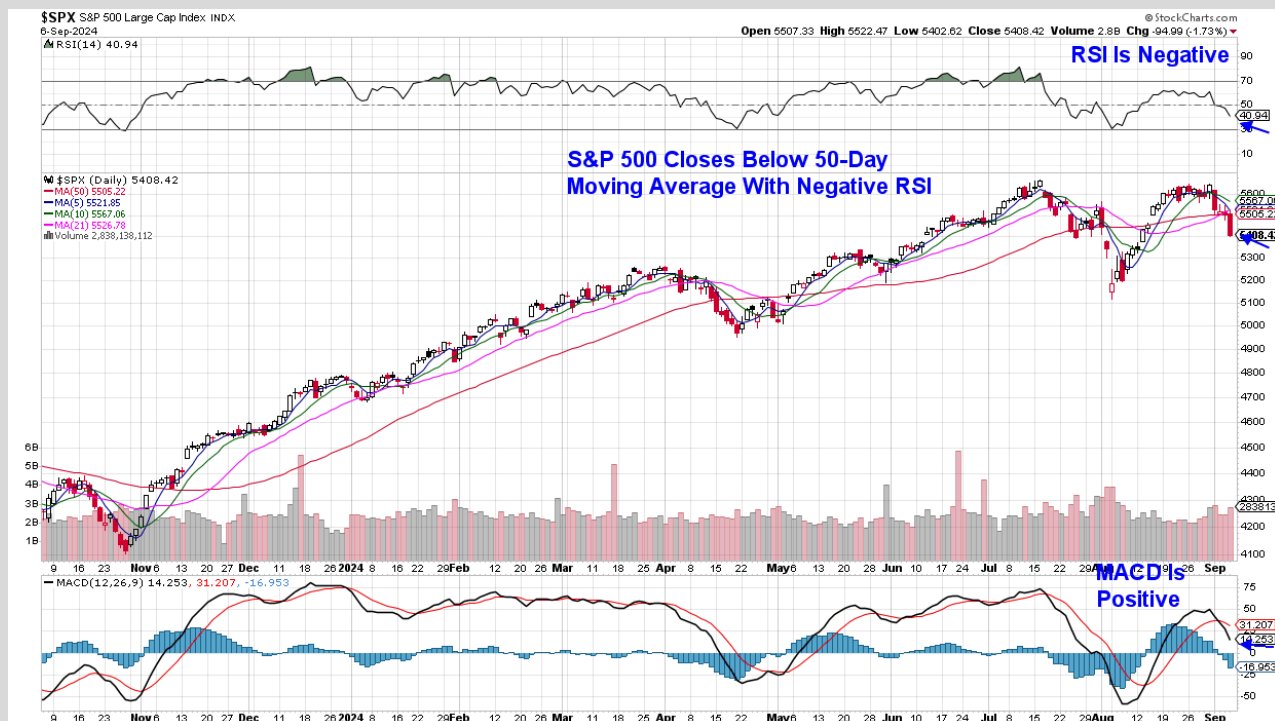
Market-Related Developments Last Week

- S&P 500 Joins Nasdaq In A Downtrend Along With Technology Sector And Semiconductors
- 10-Year Treasury Yield Falls To 3.7% As Recession Fears Pick Up
- Yield Curve Reverses Its Inversion
- Brent Crude Closes At One-Year Low In Price
- Volatility Index (\$VIX) Climbs To 22.3

Economic Data Due Next Week

- Core CPI Due Wednesday
- PPI Data And Weekly Jobless Claims Due Thursday
- Consumer Sentiment Due Friday
- Earnings From Adobe (ADBE) And Oracle (ORCL)

Daily Chart of S&P 500



The S&P 500 fell 4.3% last week in a move that pushed this index below its key 50-day moving average with the RSI now in negative territory. The S&P 500 is now in a near-term downtrend.

On the longer-term weekly chart, the S&P 500 closed below its 10 week moving average; however, its RSI and MACD remain in positive territory. While this keeps the longer term outlook in an uptrend, last week's price action puts this outlook in jeopardy.

The Tech-heavy NASDAQ fell even further, with a 5.8% loss that has this index below each of its shorter-term moving averages. With a negative RSI and MACD, this Index is in a downtrend.

Last week's losses took 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 which point to a slowdown in consumer spending.

Overall, last week's heavy economic calendar generally surprised to the downside, which raised fears that the Federal Reserve has waited too long to ease monetary policy.

Economically sensitive areas of the market were the hardest hit, with Industrials (XLI), Semiconductors (SOXX), Small Caps (IWM), and Homebuilders (XHB) among the weakest performing.

More defensive areas such as Real Estate, Staples, Healthcare, and Utilities each outperformed amid a surge in the Volatility Index (VIX), also known as the "fear index".

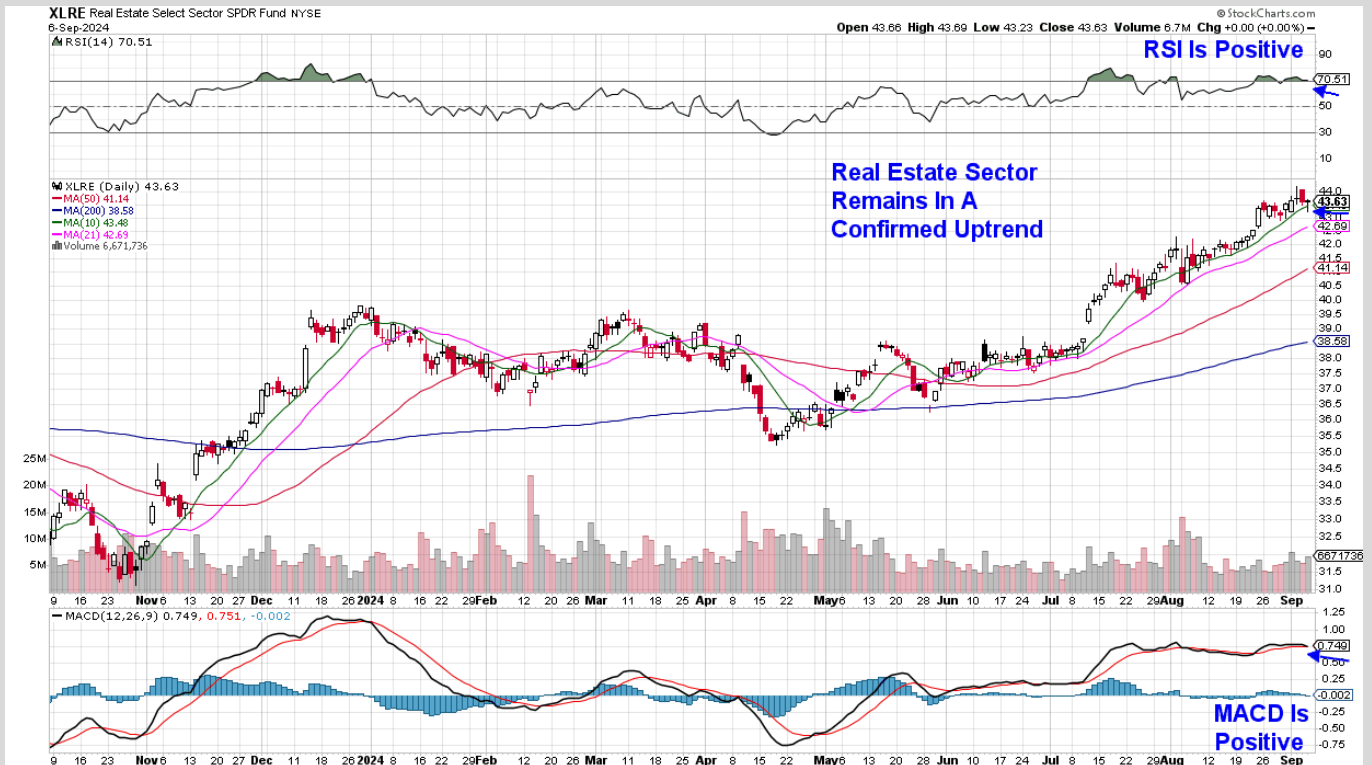
The percent of stocks trading above their 50-day moving average on the S&P 500 fell to 59% from 77% a week earlier. The weaker NASDAQ, has only 36% of its stocks now trading above their 50-day moving average.

A continued weakening of the once leading Nasdaq is a negative for the markets, as is the fact that a majority of the S&P 500 sectors are now below their key 50-day moving averages.

Key inflation numbers in the form of Consumer and Producer Price Index data are due next week, and we expect continued volatility as investors search for hints regarding the Federal Reserve's monetary policy.

At this time, we are negative on the near-term prospects for the markets and advise a cautious stance.

Daily Chart of the Real Estate Sector (XLRE)



Real Estate Sector Among Top Performing

REIT stocks pulled back much less than the markets; however, gains in this sector were selective with companies that have recently reported strong growth prospects being the outperformers.

This would include National Storage Affiliates (**NSA**) from our List which ended the week in a buy zone after regaining its 10-day moving average on Friday.

The 4.8% yielder recently announced a partnership with a solar energy provider who will use **NSA's** vast network of storage units to produce and sell energy.

Equity Residential Property (**EQR**) also ended the week back above its 10-day moving average. Last week, Goldman gave the stock an \$81 price target following news last month that **EQR** purchased a

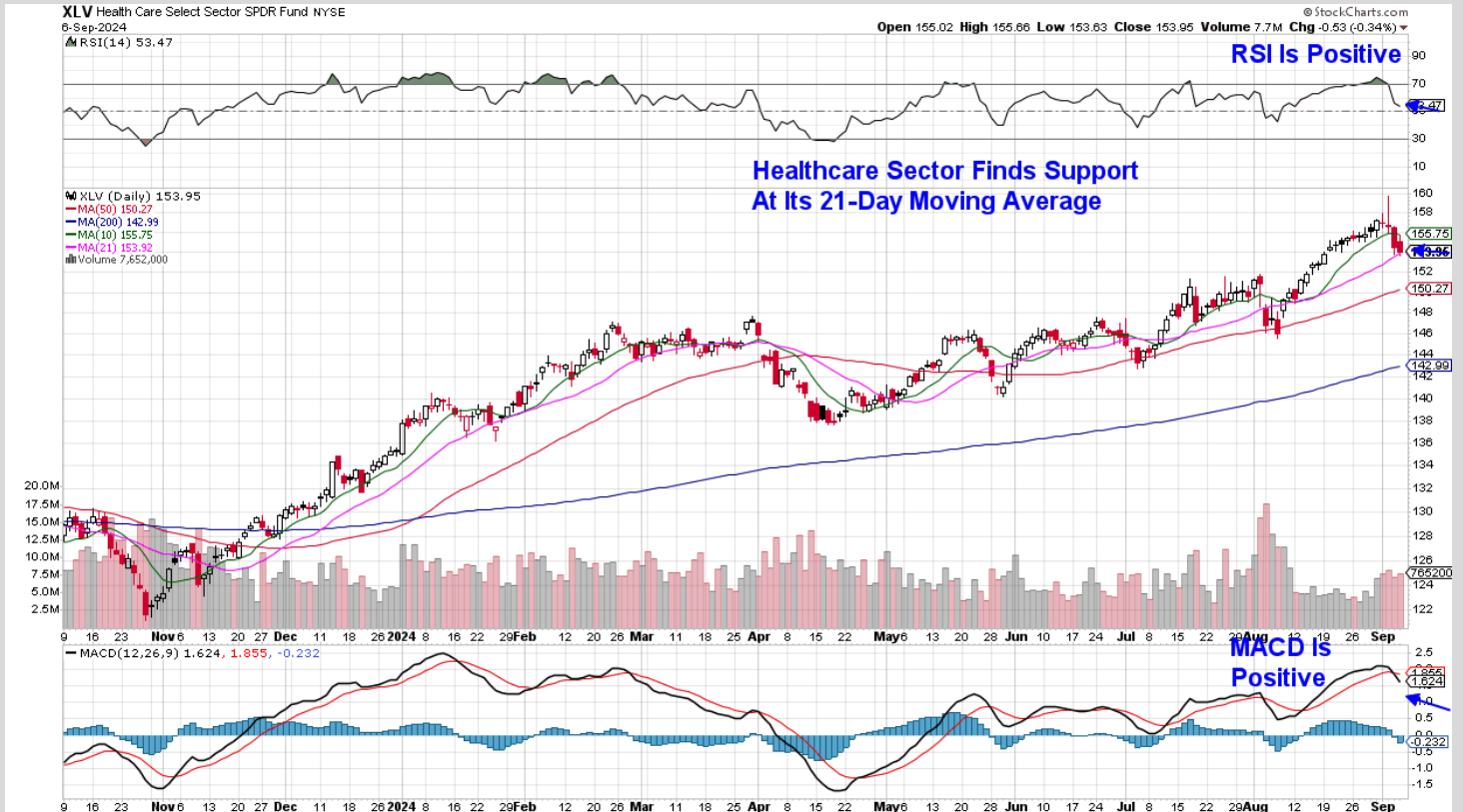
\$984M apartment portfolio from Blackstone. The 3.6% yielder is in a buy zone.

Prologis (**PLD**) ended the week just below its 10-day moving average; however, it did close in the upper portion of its trading range on Friday which is bullish. The company is the global leader in logistics real estate and the stock can be bought on a close above the \$128 level.

Next Tuesday, Bank of America will be hosting their annual Global Real Estate Conference and **PLD** will be presenting. Management's comments may move the stock next week.

Historically, REIT stocks outperform the broader stock market during recessions however, they are not immune to pullbacks. For now, the sector and the stocks on our List remain in an uptrend.

Daily Chart of the Health Care Sector (XLV)



Healthcare Sector Remains In An Uptrend

Eli Lilly (**LLY**) fell last week despite positive stage 3 clinical trial results for their once-weekly insulin drug. The company also announced a partnership with Qiagen to develop an Alzheimer's detection test.

Analysts continue to revise their earnings estimates higher for both this year and next as well. **LLY** has pulled back to its 50-day moving average with the RSI now in negative territory on the daily chart. A close below this moving average at \$894, would put **LLY** into a downtrend.

The longer-term weekly chart remains constructive for the stock. For now, **LLY** can be held with a close above \$942 at its 10-day moving average coupled with a positive RSI, putting the stock into a buy zone.

Intuitive Surgical (**ISRG**) pulled back as well, with the RSI now in negative territory. Buyers came in on each of its down days so that the stock ended the day in the upper portion of its trading range. This is generally bullish behavior.

A close back above its 10-day moving average at \$482 would put **ISRG** into a buy zone. However, a close below its 50-day moving average at \$458 would put the stock into a near-term downtrend. For now, **ISRG** can be held.

Recently added Boston Scientific (**BSX**) was flat for the week and it remained above its \$80 base breakout level.

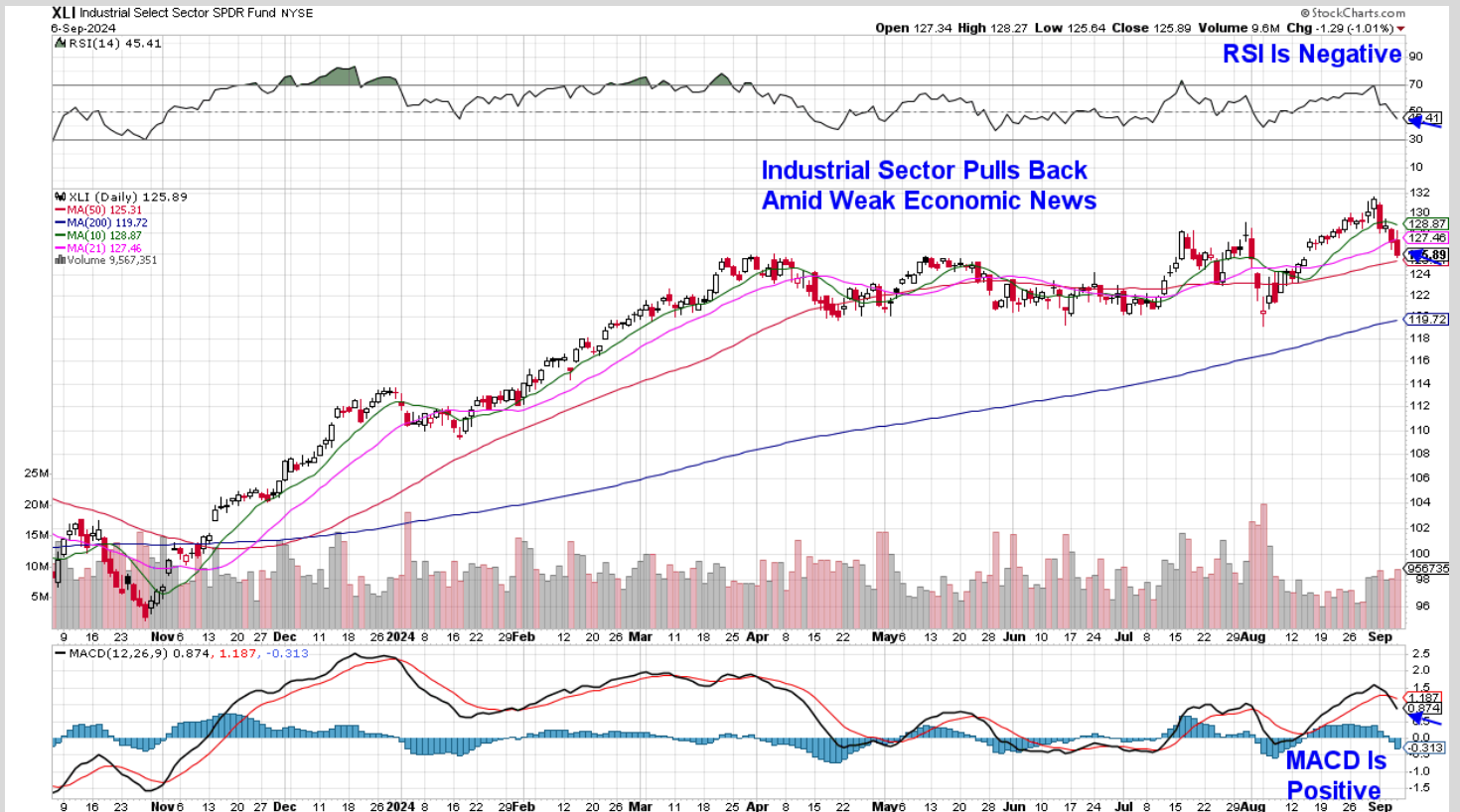
The prior week, **BSX** announced news that their updated aortic valve system was approved in the EU. The stock is in a buy zone as it remains above its upward-trending 10-day moving average.

AbbVie (**ABBV**) pulled back 1.5% despite their earnings estimates recently being revised upward for this year and next. The company is continuing to expand their product line of drugs in oncology and immunology.

The 3.2% yielder can be bought on a move above the \$196 range above its 10-day moving average.



Daily Chart of the Industrial Sector (XLI)



Industrial Sector Approaches 50-Day Moving Average

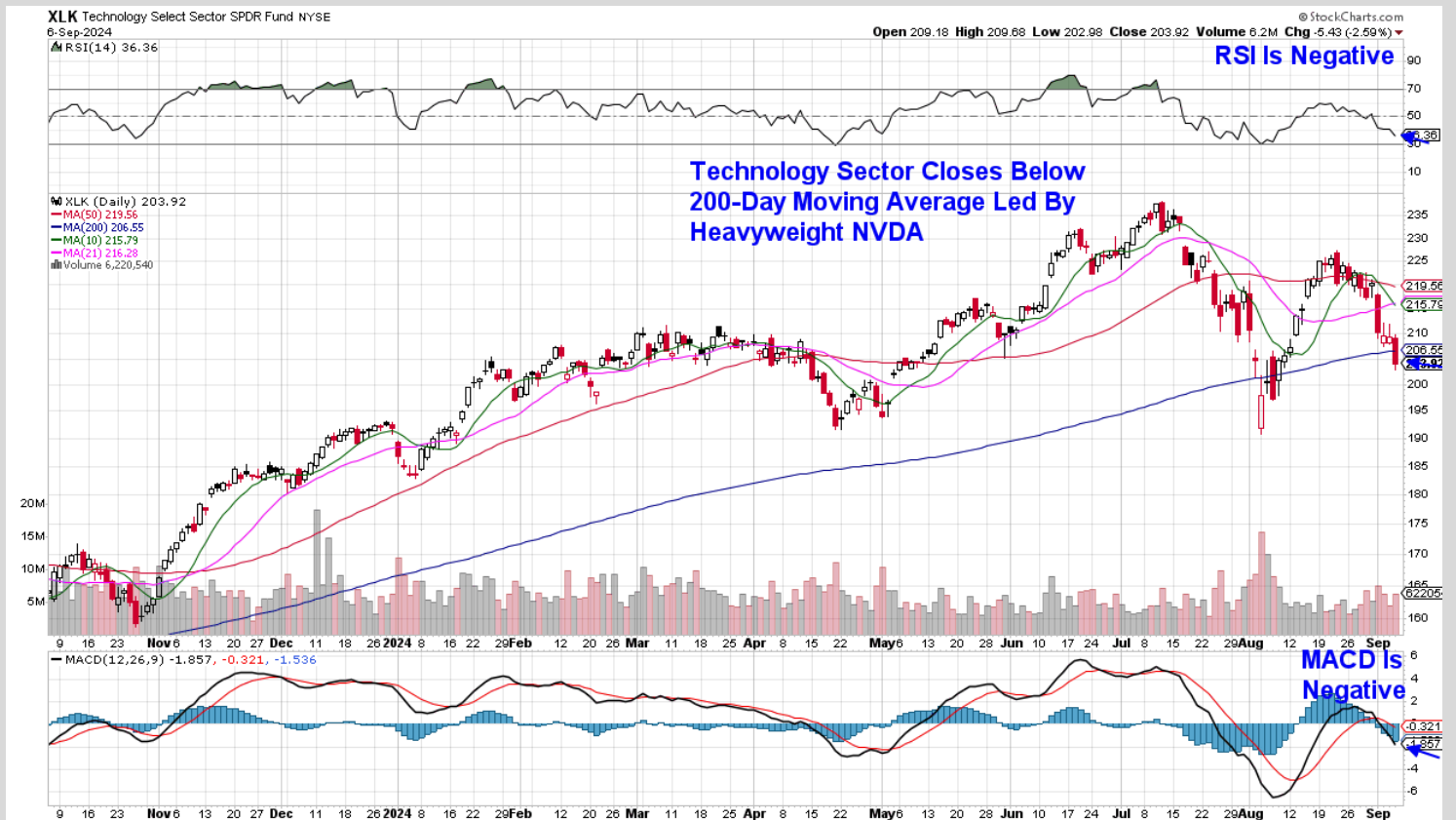
Industrial stocks pulled back amid negative economic news. Earlier in the week, it was reported that factories cut production for the first time since January due to a lack of orders. Also, new factory order inflows fell in August at the sharpest rate for 14 months.

Hardest hit were heavy construction stocks such as Fluor (**FLR**) which we cited as a sell in our Tuesday Alert report should it close below its 50-day moving average. The stock is in a confirmed downtrend on both its daily and longer-term weekly reports.

FTAI Aviation (**FTAI**) also pulled back sharply with the stock closing below its 21-day moving average on heavy volume. With the RSI in negative territory on the daily chart, we would lighten up on any positions.

Longer term, **FTAI's** weekly chart remains constructive however, economically sensitive Industrial stocks do not fare well in a weak economic period. For now, **FTAI** can be held with a close below its 50-day moving average having us reconsider our position.

Daily Chart of the Technology Sector (XLK)



Technology Sector Is Worst Performing

The Tech sector lost more last week than any period during the 2022 bear market, with a 7.5% decline that was led by a 14% drop in heavyweight stock Nvidia (**NVDA**).

The overall Semiconductor group fell almost 12% amid earlier weakness that was compounded by a weak earnings report from Broadcom (**AVGO**), which cited strong AI-related sales that were not enough to overshadow weakness elsewhere.

Semiconductor stocks are highly cyclical with their sales cycles very closely tied to global economic weakness or strength. The Semiconductor group remains in a confirmed downtrend (using SOXX).

Cirrus Logic (**CRUS**) had been holding in relatively well until a Friday pullback put the stock below its 50-day moving average with the RSI in negative territory. We are removing the stock from our Suggested Holdings List.

Last week, Nvidia (**NVDA**) fell 14% with the RSI and MACD now in negative territory on the daily chart. The next area of possible support for the stock is its early August low which is 13.3% away.

On the longer-term weekly chart, the RSI has dipped into negative territory with the MACD still positive. This mixed picture has us cautious however, longer-term investors can stay with **NVDA**.

Software stocks performed a bit better than the markets however, the group is now below its 50-day moving average with a negative RSI, which puts it in a downtrend. (using ETF IGV)

monday.com (**MNDY**) fell further than the group with a pullback that puts the stock below its 50-day moving average with a negative RSI. The decline is despite analyst upgrades to their growth outlook for both this year and next and we are removing **MNDY** from our Suggested Holdings List.

Palantir (**PLTR**) has held in better than its peers with a 3.5% decline that puts the stock close to a close above its 10-day moving average with a positive RSI.

Despite its bullish chart, **PLTR** can be held as negative sector and group dynamics put the stock at risk of pulling back.

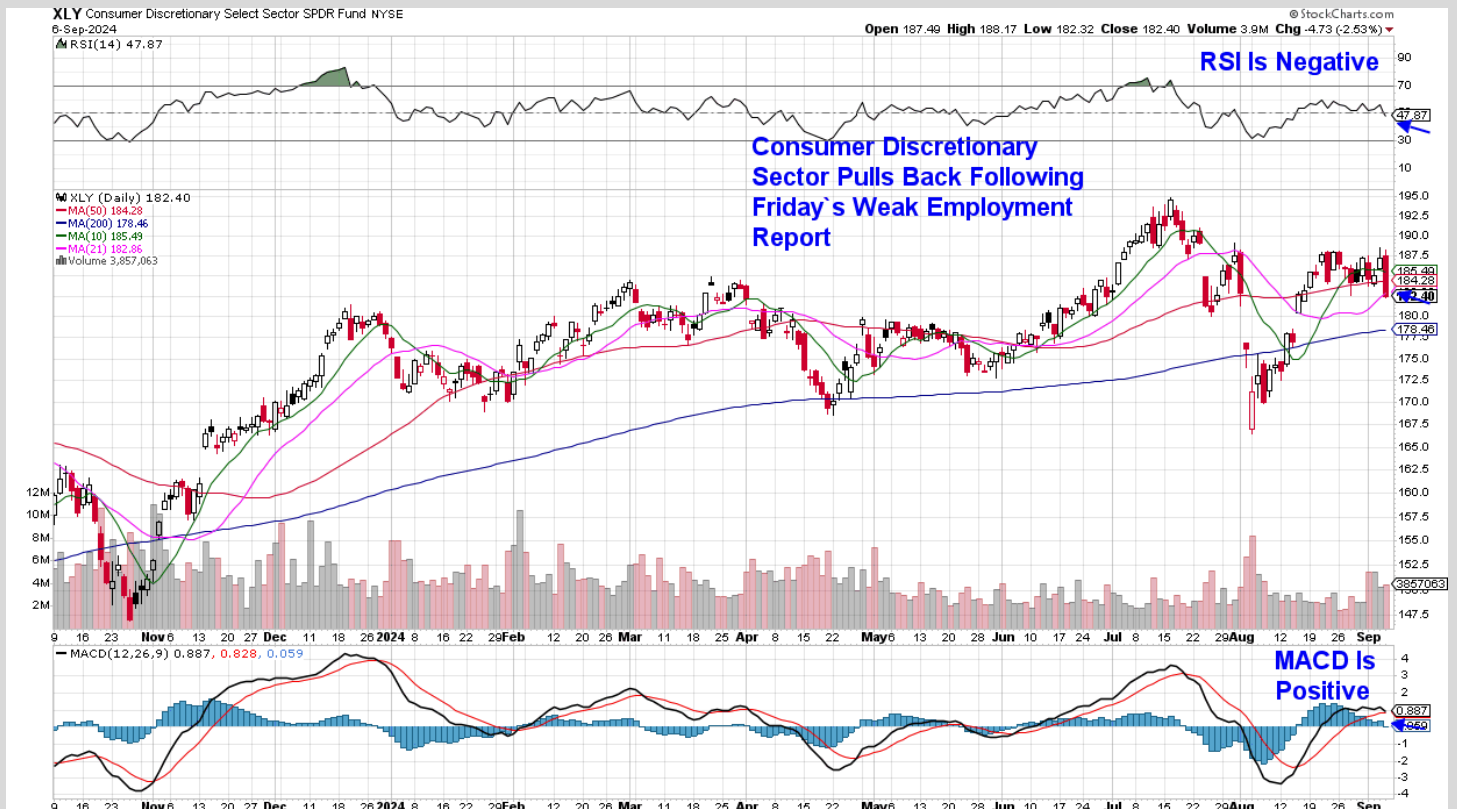
Investors with a longer-term outlook can also stay with **PLTR**, as the weekly chart shows a bullish bias in the stock since May of 2023. In other words, the stock has been able to withstand weakness in both the Software group as well as the broader markets.

Apple (**AAPL**) closed the week below its 50-day moving average with the RSI in negative territory. This negative close has us removing the stock from our Suggested Holdings List. However, longer-term investors can stay with the stock as the weekly chart remains constructive.

On Monday, Apple will be hosting their annual iPhone event where they will review new products in development.



Daily Chart of the Consumer Discretionary Sector (XLY)



Consumer Discretionary Sector Closes Week On Negative Note

The Consumer Discretionary sector was flat until Friday's employment report brought out recession fears that pushed these stocks lower. Hardest hit were Auto stocks with Tesla (**TSLA**) losing 8.5% for the day.

Heavyweight stock Amazon (**AMZN**) also lost ground, with a decline on the day that puts this stock below its 200-day moving average.

Luxury auto manufacturer Ferrari (**RACE**) pulled back 5% for the week; however, it remains in an uptrend with the RSI and MACD in positive territory.

Caution is advised however, as **RACE** posted a negative MACD crossover (black line down through the red) on its daily chart which historically - late November '23 and early March - has signaled near-term weakness as the stock entered a period of consolidation.

For now, **RACE** can be held.

Home Construction stocks held in relatively well for the week, amid supply/demand dynamics and a declining interest rate environment. (using ETF XHB)

However, the group is very susceptible to a decline should economic data continue to point toward a slowdown.

Toll Brother (**TOL**) remains in a bullish position with its RSI and MACD in positive territory. The stock closed below its 10-day moving average on Friday and a move back above this mav in the \$142 range would put **TOL** into a buy zone.

That said, negative group dynamics in the event of economic weakness will need to be taken into account. For now, **TOL** can be held.

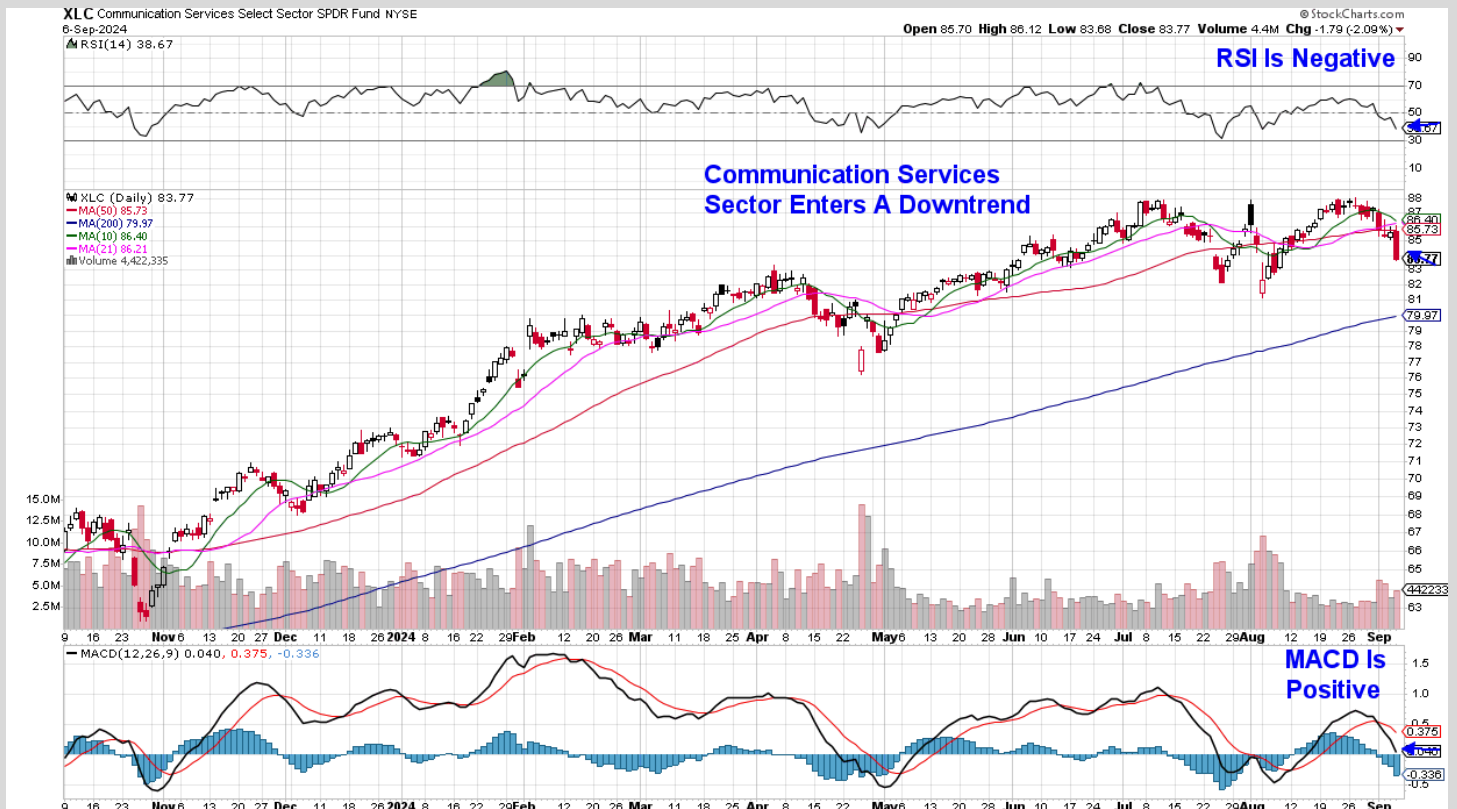
SharkNinja Inc. (**SN**) relatively outperformed for the week with a 1% pullback that keeps the stock above its 10-day moving average with a positive RSI and MACD. Last week's highest volume day was on Wednesday's rally day which is constructive. While **SN** is in a buy zone, market cautiousness has us suggesting you hold the stock.

Walmart (**WMT**) also remains above its 10-day moving average with a positive RSI and MACD. While constructive, the MACD is poised to post a negative crossover on the daily chart (black line down through the red) which would signal at least a period of consolidation.

WMT can be held.



Daily Chart of the Communication Services Sector (XLC)



Communication Services Sector Pulled Into Downtrend By Internet-Related Stocks

The Communication Services sector closed the week further below its 50-day moving average led by heavyweight stock Alphabet (**GOOGL**) which is now trading below its 200-day moving average.

Most Internet-related companies derive revenues from advertising sales on their social media or streaming media platforms.

Recently added Netflix (**NFLX**) has been in a confirmed uptrend due to increased subscribership on their lower price, ad-supported version of their streaming media. The stock pulled back 5% last week however, as fears of a recession had investors questioning their growth prospects.

NFLX now has a negative RSI on its daily chart and while the stock is above its 50-day moving average, its negative MACD crossover points to the possibility of further near-term downside. **NFLX** can be held with an eye on its price action around its 50-day moving average.

Meta Platforms (**META**) also pulled back, with most of last week's losses taking place on Friday amid weak employment data. The decline puts the stock below its 50-day moving average with a negative RSI.

We are removing **META** from our Suggested Holdings List. The longer-term weekly chart remains constructive however with a positive RSI and MACD. Longer-term investors can remain with **META**.

Summary

Last week's negative price action in the markets highlights investors' uncertainty, as mixed economic data has traders fearful that the U.S. economy is slowing.

While recent numbers have only hinted at this possibility, the move into defensive areas of the market, coupled with a sell off in economically sensitive areas, shows that the fear is real. A 49% move higher in the volatility index last week underscores this, with the VIX now well above the more neutral level of 16.

Given that investor sentiment drives price action, we expect volatility to remain elevated over the near term as the Federal Reserve's next interest rate policy meeting is not until later this month on the →

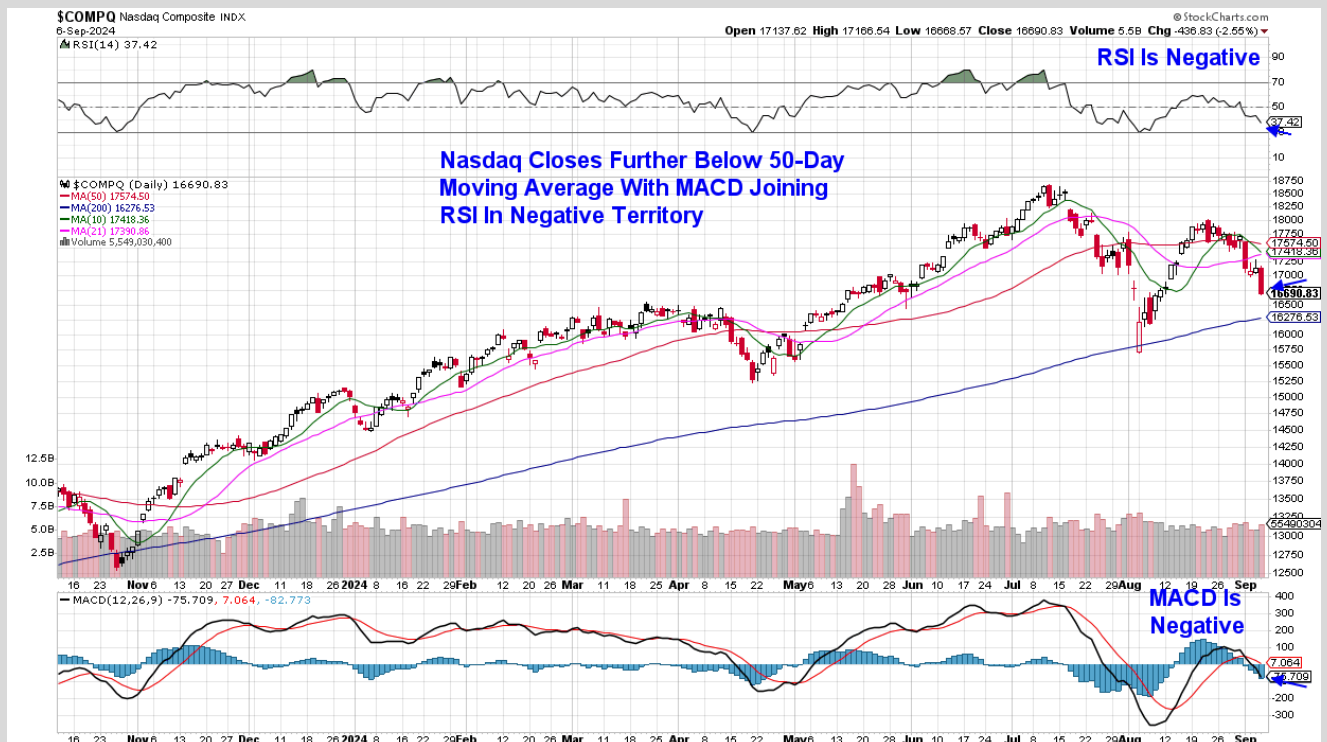
18th. The latest Retail and Industrial Production numbers will also be released that week.

While inflation numbers appear to have taken a back seat to economic data, next Wednesday's core CPI data will be closely watched. Any hint that inflation is not continuing to recede will impact the pace at which the Federal Reserve lowers rates and imply that a 0.25% cut is all but certain.

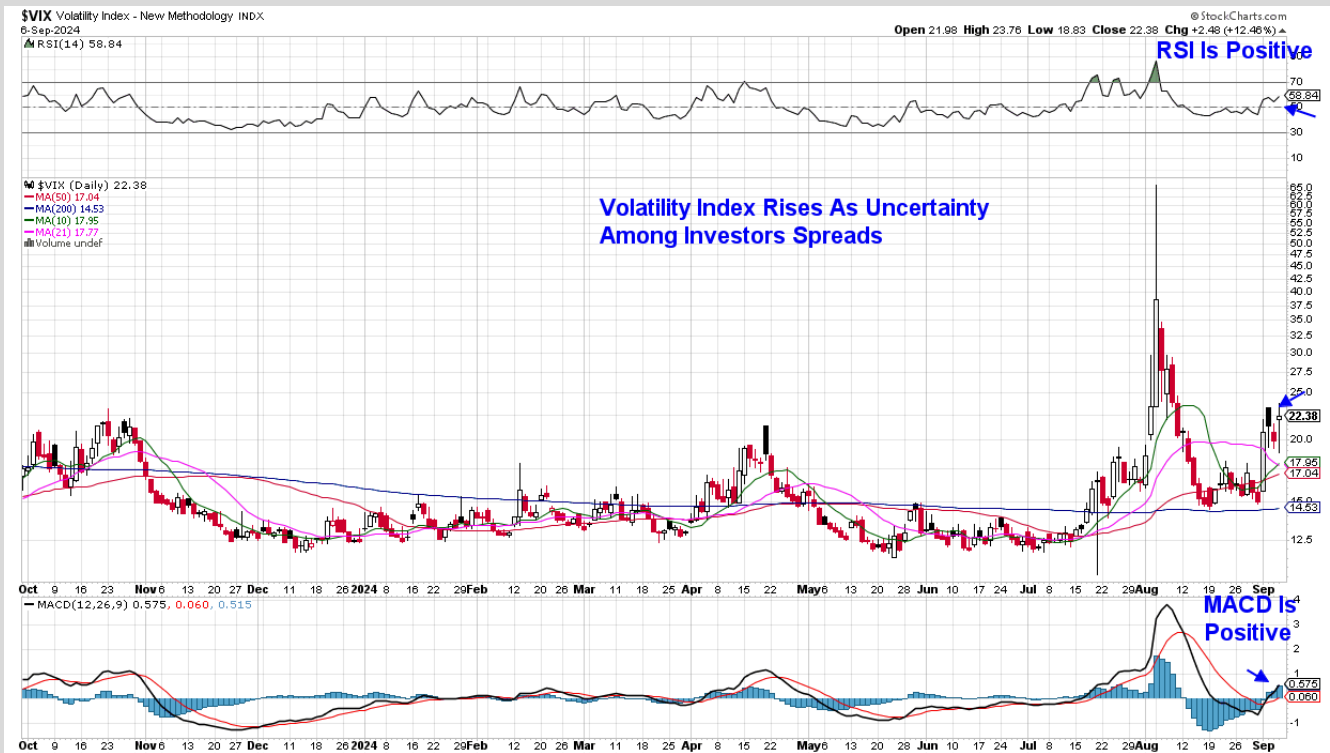
With uncertainty among investors negatively impacting the markets, we will continue to advise a cautious stance. A bullish bias will be renewed once the VIX falls closer to 16, coupled with the S&P 500 and Nasdaq regaining their 50-day moving averages.

Charts We Are Watching:

Daily Chart of the Nasdaq Composite (\$COMPQ)



Daily Chart of the Volatility Index (VIX)



The
MEMEdge
WEEKLY REPORT

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

RACE	Ferrari	\$459.70	8/18/2024	3.0%	
SN	SharkNinja	\$95.80	9/2/2024	-1.0%	
TOL	Toll Brothers	\$139.50	7/27/2024	2.5%	
WMT	Walmart	\$72.90	8/15/2024	4.5%	

REAL ESTATE

NSA	National Storage	\$44.20	7/21/2024	6.0%	
PLD	Prologis	\$123.80	7/21/2024	2.0%	
EQR	Equity Residential	\$16.50	7/21/2024	7.0%	

INDUSTRIAL

FLR	Fluor Corp.	\$43.40	6/2/2024	5.5%	
FTAI	FTAI Aviation	\$58.00	3/17/2024	87.0%	

HEALTHCARE

ABBV	AbbVie	\$185.10	7/28/2024	5.0%	
BSX	Boston Scientific	\$81.80	9/2/2024	0.0%	
ISRG	Intuitive Surgical	\$598.80	5/19/2024	22.5%	
LLY	Eli Lilly	\$891.70	8/11/2024	2.0%	

TECHNOLOGY

AAPL	Apple	\$221.70	8/13/2024	0.5%	
CRUS	Cirrus Logic	\$137.70	8/13/2024	-3.0%	
MNDY	Monday.com	\$263.40	8/18/2024	-8.0%	
PLTR	Palantir	\$32.10	8/18/2024	-5.5%	

COMMUNICATION SERVICES

META	Meta Platforms	\$531.50	8/13/2024	-3.0%	
NFLX	Netflix	\$701.40	9/2/2024	-5.0%	

Longer Term Hold Candidates That Were Removed From Suggested Holdings List

SYMB	COMPANY NAME	CURRENT STATUS
APPL	Apple	Hold
META	Meta Platforms	Hold
MSFT	Microsoft	Hold
NVDA	Nvidia	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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