



THE MEM EDGE

Midweek Report

Wednesday, September 18, 2024

Economic Data Released This Week

- Federal Reserve Cuts Rates by Half A Percentage Point
- Retail Sales Rise Slightly in August
- Home Builders Confidence Index Rises and New Home Construction Posts Largest Increase In 6 Months

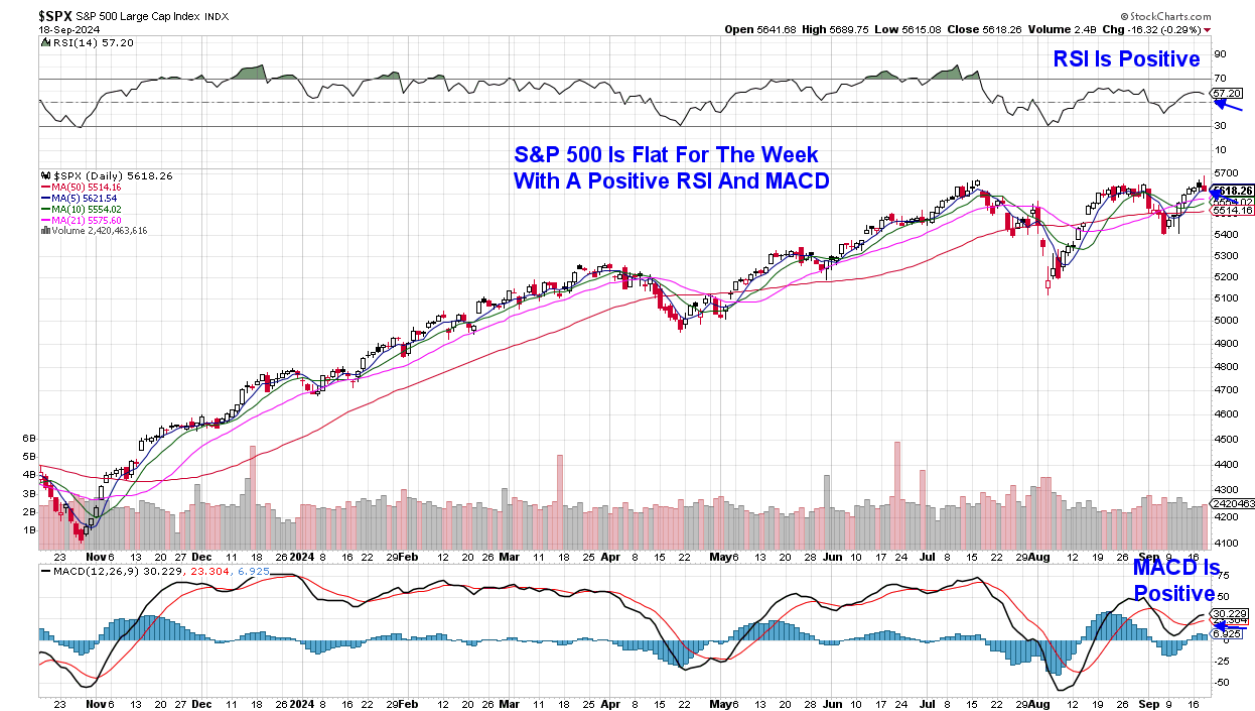
Market Developments This Week

- Volatility Rises To 18
- Banks And Home Builders Outpace Markets but Pull Back After Rate Cut Removing **NVDA**, **MPWR**, **AVGO**, and **RACE** from Suggested Holdings List

Upcoming Economic Data

- Weekly Employment Data Due Tomorrow
- PMI, Core PCE Data, and Q2 GDP Revision Due Next Week

DAILY CHART OF S&P 500 INDEX





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The S&P 500 pulled back from a new high in price today and is down 0.1% for the week. With the RSI and MACD in positive territory, the near-term uptrend remains in place.

On the weekly chart of the S&P 500 both the RSI and MACD are in positive territory which bodes well for the longer-term outlook for the markets.

The Equal Weighted S&P 500 has gained 0.7% for the week and this Index is exhibiting upside momentum on both the daily and weekly charts. This signals strength outside of the Magnificent 7 stocks which we'll review below.

The Nasdaq has pulled back 0.6% with this Mag 7 heavy Index closing just above its downward trending 50-day moving average with a positive RSI and MACD. While this Index remains in an uptrend, we would underweight select areas which we will review below.

The markets were on edge this week heading into today's press conference with Fed Chair Powell where it was announced that the Fed Funds rate will be lowered by 0.5%. This is larger than what was generally anticipated and originally, the markets rallied in response.

Economically sensitive areas pulled back into today's close however with Banks, Small Caps, Housing, and Retail stocks seeing the most selling into the last hour of trading. The move may signal concerns that the rate cut was larger than anticipated to stem a slowing economy.

Overall however, the Federal Reserve's comments indicate that they are pleased with the backdrop of slowing inflation and rising unemployment, coupled with economic activity that's continuing to expand at a solid pace.

The Industrial sector was among the top performing this week led by stocks such as GE Aerospace (**GE**) from our List which remains in a confirmed uptrend as it finds support above its upward-trending 5-day moving average.

The stock is in a buy zone as analysts revise earnings estimates higher for next year.

Granite Construction (**GVA**) has gained 1.5% amid a rally in heavy construction stocks. The stock is in a buy zone after today's pullback to its 5-day moving average.

FTAI Aviation (**FTAI**) has pulled back from today's 3-week base breakout and the stock is in a buy zone after today's pullback to its 5-day moving average.



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TransDigm (**TDG**) also pulled back from a 3-week base breakout today which puts the stock into a buy zone amid upward revisions to their earnings estimates.

Consumer Discretionary stocks gave back a 1.5% gain as this economically sensitive area of the markets saw selling into today's close.

Home Builders pulled back the most late today however, the group remains in a confirmed uptrend. (using ETF XHB). Toll Brothers (**TOL**) is in a buy zone as the stock finds support above its upward-trending 5-day moving average.

This week, it was reported that the Home Builders Confidence Index rose and New Home Construction posted their largest increase in 6 Months. This is bullish for the group as it is the declining interest rate backdrop.

SharkNinja (**SN**) remains in a confirmed uptrend as the stock continues to find support above its upward-trending 5-day moving average. The manufacturer of home appliances is in a buy zone.

Walmart (**WMT**) has pulled back 2% this week amid news that the company will be raising wages at their Sam's Club division. They anticipate growing wages further going forward amid a competitive retail landscape. The pullback puts **WMT** at its 10-day moving average which historically is an ideal buy point.

Ferrari (**RACE**) is being removed from our Suggested Holdings List after this week's pullback puts the RSI into negative territory with the stock finding upside resistance below its downward trending 10-day moving average.

The weekly chart remains constructive and longer-term investors can stay with **RACE**.

Real Estate stocks are underperforming this week with REIT Prologis (**PLD**) closing today below its 21-day moving average. As cited on Sunday, the near-term momentum has shifted sideways and we are on the lookout for a close back above its 10-day moving average in the \$129 range as a buy point. **PLD** can be held.

National Storage (**NSA**) is in a more bullish position, as it finds support above its upward trending 5-day moving average. The stock is in a buy zone.

The Technology sector also saw selling into today's close, led by heavyweight stock Nvidia (**NVDA**) which now has a negative RSI on its day chart after closing below its 50-day moving average on relatively high volume.



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While longer-term investors can remain with the stock as the weekly chart is constructive, we are removing **NVDA** from our Suggested Holdings List as near-term, the daily chart is negative.

In addition, the Semiconductor group is poised to post a negative death cross on its weekly chart. (the shorter-term 10-week moving average is poised to cross below the longer-term 40-week moving average. (using **SOXX**). The daily chart is also exhibiting negative characteristics.

Given these dynamics, we are removing Monolithic Power (**MPWR**) and Broadcom (**AVGO**) from our Suggested Holdings List as well. The longer-term weekly charts remain positive for both stocks however, and the stocks can be held for longer-term investors.

Software stocks are mixed this week with the group down 0.5%. However, both monday.com (**MNDY**) and Palantir (**PLTR**) are outperforming with a 2% gain for the week. Both stocks remain in a confirmed uptrend as they are finding support above their 5-day moving averages.

Healthcare stocks continue to underperform with each of the names on our Suggested Holdings List pulling back. We would not be a buyer on this pullback as both Eli Lilly (**LLY**) and AbbVie (**ABBV**) have slightly negative RSI's with downward trending MACD's.

For now, **LLY** and **ABBV** can be held and we will review further over the weekend.

Netflix (**NFLX**) remains in a confirmed uptrend above its 10-day moving average. The stock can be held.

While the broader markets remain in a confirmed uptrend, we anticipate further volatility this week as investors continue to digest the Fed's 0.5% rate cut.

Today's late-day pullback in economically sensitive areas of the market was concerning and ideally, we would like to see a move back into these areas - particularly given Powell's generally bullish comments regarding the economy as well as continued rate cuts into next year.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report