



# THE MEM EDGE

September 22, 2024 | Weekly Report

## Economic Data Released This Week

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

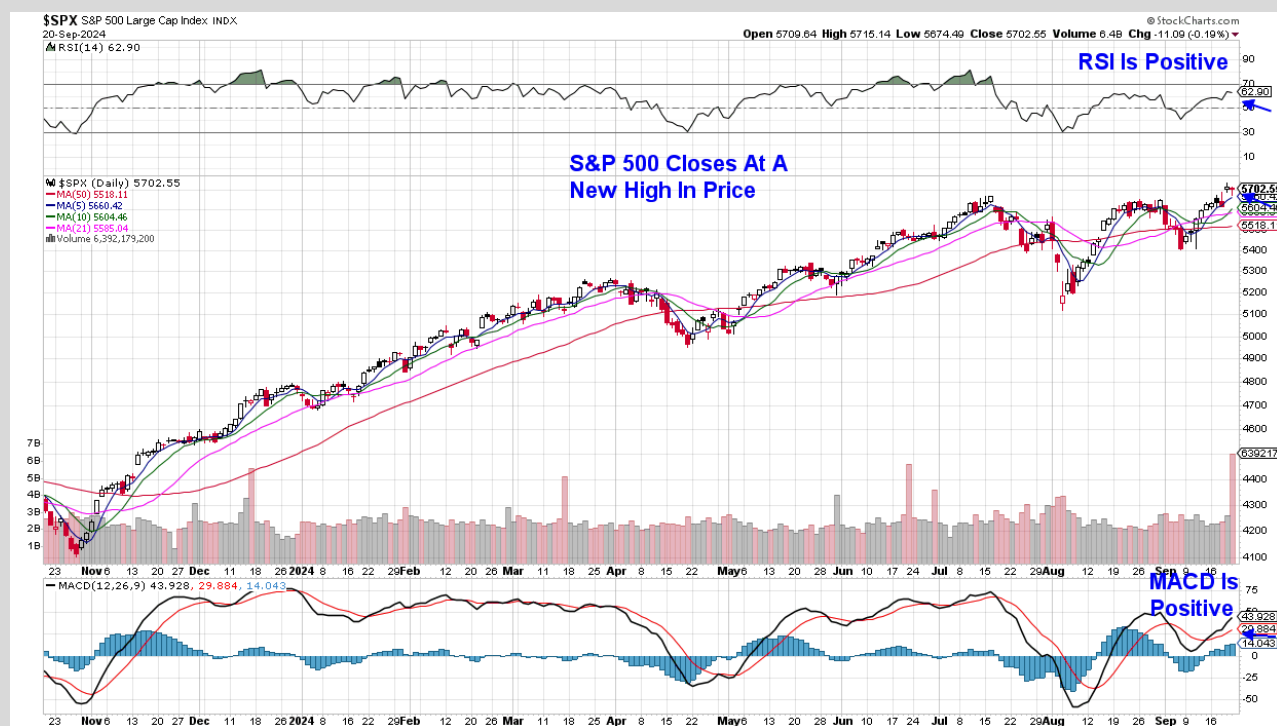
## Market Developments This Week

- Banks And Home Builders Among Areas That Outpace Markets
- Volatility Index Declines To 16

## Upcoming Economic Data

- S&P Flash PMI on Monday And Q2 GDP Revision On Thursday
- Micron Technology (MU) Earnings Due Wednesday
- Core PCE Data Due Friday

### Daily Chart of S&P 500



The S&P 500 gained 1.4% for the week, in a move that puts this index at an all-time high in price. With

the RSI and MACD in positive territory, the near-term uptrend is firmly in place for this Index.

The Equal Weighted S&P 500 gained 1.4% as well, closing at a new high in price earlier in the week. The move signaled a broad-based rally last week that included stocks outside of the Magnificent Seven names.

Last week's gains took place mostly on Thursday - a day after the Federal Reserve announced a larger-than-normal 0.5% cut in the Federal Funds rate. Comments from Fed Chair Powell regarding continued strength in the economy amid reduced inflation also buoyed the markets,

Economically sensitive areas that benefit from lower interest rates rallied the most, with Small Caps, Banks, Home Construction, and Industrial stocks all outperforming the broader markets.

More defensive areas of the market underperformed, with the Staples, REIT, and Healthcare sectors each closing lower for the week.

Outperformance in select M7 names gave the Nasdaq Composite a boost, and pushed the MACD into positive territory where it joined the RSI. This Index is in a near and long-term uptrend.

Not all areas in this tech-heavy index are faring well however, with Semiconductor stocks continuing to struggle, led by relative weakness in Nvidia.

Other areas of Tech are trending higher however, such as Software and Networking stocks. We have added a new name from each area.

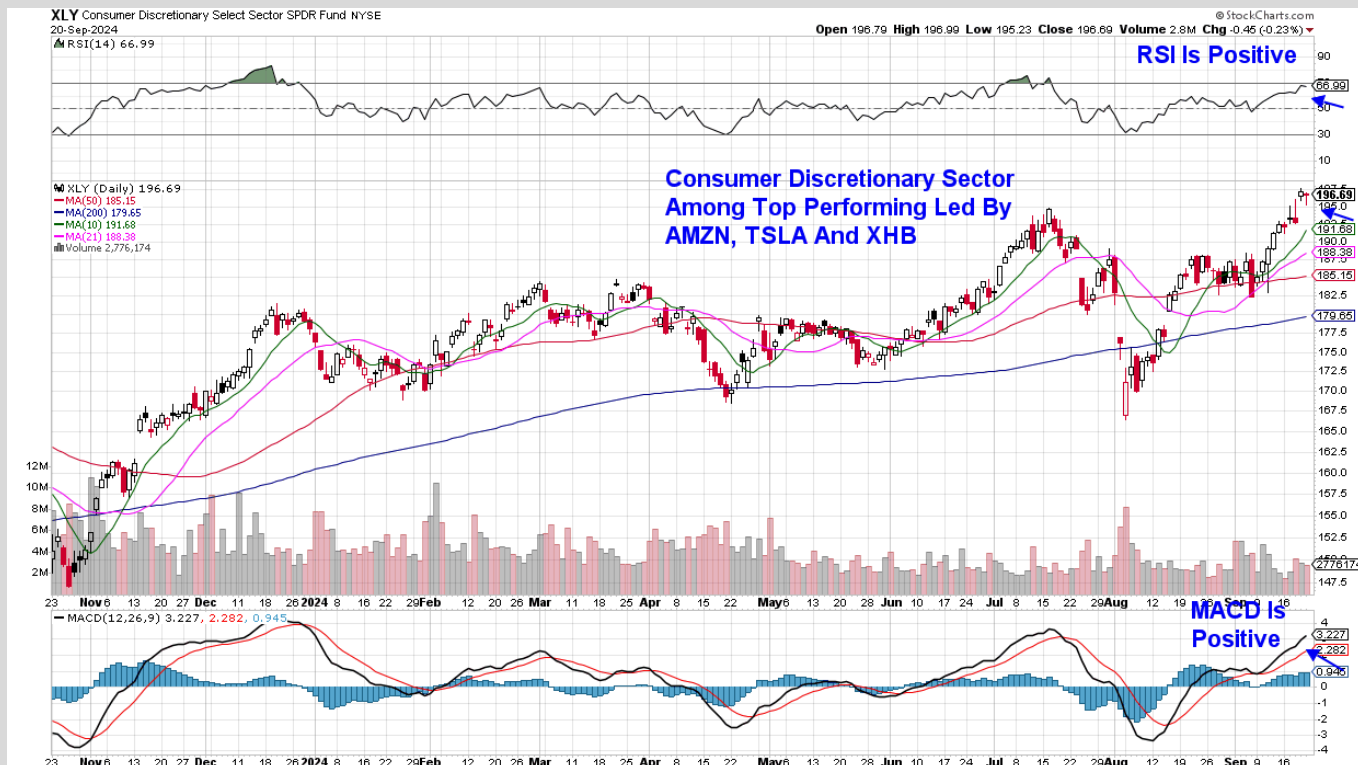
A continued resurgence in mega-cap growth stocks would be bullish for the Nasdaq Composite as **AAPL**, **MSFT**, **NVDA**, and **AMZN** account for almost a 40% weighting in this Index.

Last Thursday's Fed-induced rally pushed many Growth stocks out of bases where they joined already strong moves in Cyclical areas such as Industrials and Financials. Overall, the broad-based rally supports a continued move higher at this time.

Among the next possible hurdles for the markets will be economic data that will be closely watched for any signs of a possible slowdown. Next up will be earnings season, which begins later next month. Political headwinds may also cause bumpiness ahead of the November elections.

With this in mind, we would enter the markets with a bit of caution over the near term. As reviewed in today's summary, employment data in 2 weeks could be a negative if any softness is detected.

## Daily Chart of the Consumer Discretionary Sector (XLY)



### Consumer Discretionary Sector Among Top Performing

Discretionary stocks are another area that benefits from a reduced interest rate environment, as high-ticket items such as housing and autos can be purchased for less.

The already strong Home Construction group outperformed again last week, with a 3% rally that puts it at another new high in price.

Over the past several months, mortgage rates have declined from 7% to 6.1%. This is a dramatic decrease and while XHB pulled back from an overbought position on Friday, the weekly chart points to further upside for the long term.

Toll Brothers (**TOL**) posted a slight gain for the week, with the stock sitting at its 5-day moving average with a positive RSI and MACD. **TOL** is in a buy zone.

This week, we are adding Smaller Cap home builder Green Brick (**GRBK**) to our Suggested Holdings List. The developer of homes in the Dallas and Atlanta areas closed just below its \$81 base breakout level from earlier in the week. A close above this level would put the stock into a buy zone.

Retailers generally underperformed last week (using ETF XRT) despite a strong rally in Nike (**NKE**) and Amazon (**AMZN**).

Amazon's gain last week followed news that the company has unveiled a personal AI assistant for its 3rd party sellers. In addition, they may get a boost from new US tariff policies on low-priced goods.

We are adding **AMZN** back to our Suggested Holdings List as it finds support above its upward-trending 5-day moving average with a positive RSI and MACD.

On the weekly chart, the MACD is poised to post a positive crossover (black line up through the red) which would boost confidence regarding the longer-term prospects. **AMZN** is in a buy zone.

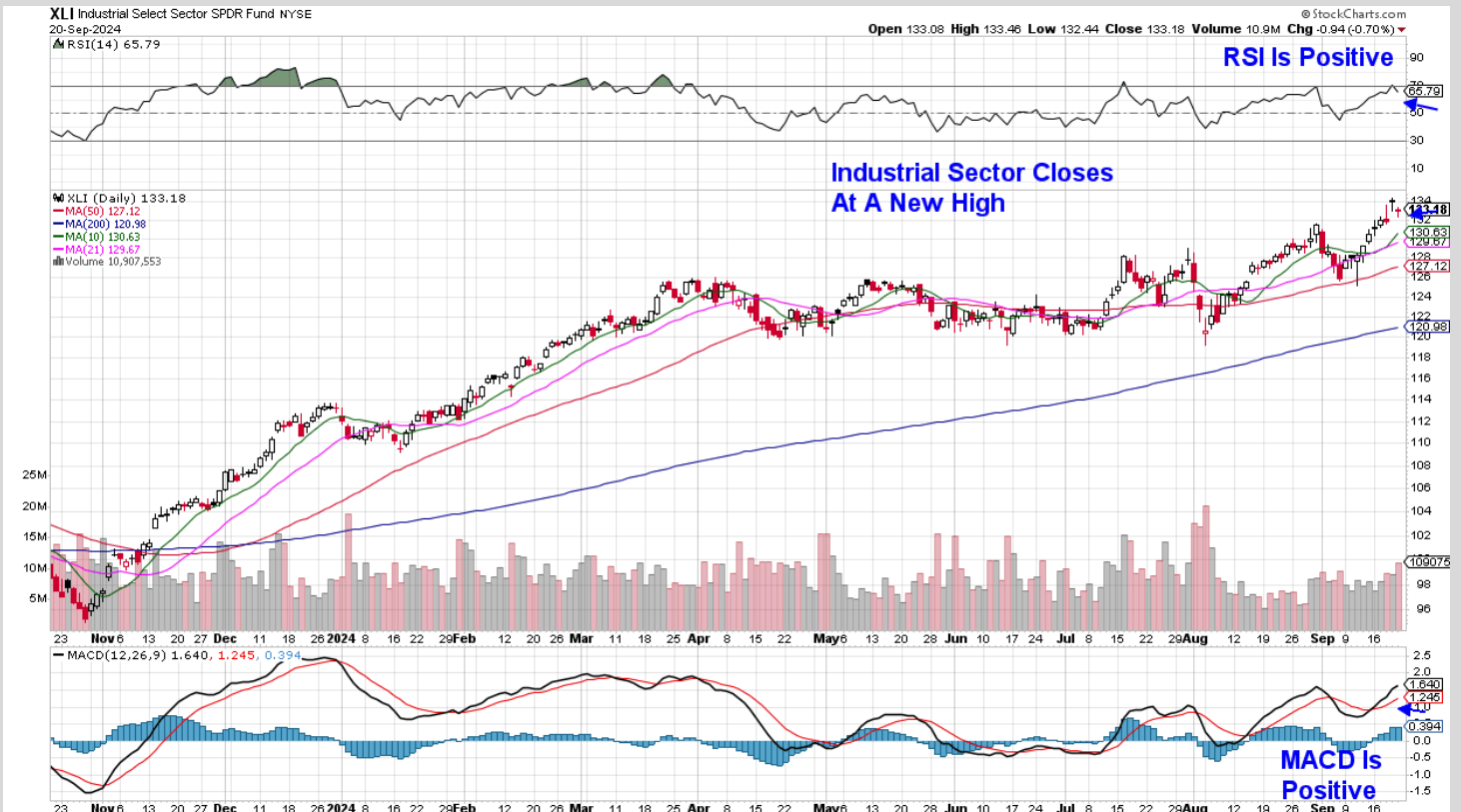
As anticipated, mega-cap retailer Walmart (**WMT**) pulled back after the RSI closed above 84 the prior week which we cited as historically preceding a brief period of consolidation.

In addition, **WMT** is viewed as a defensive stock due to their product mix of everyday needed items. The stock is in a buy zone after closing the week above its 10-day moving average at \$79.05.

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.



## Daily Chart of the Industrial Sector (XLI)



### Industrial Sector At New High In Price

The Industrial sector posted a 2% gain for the week which puts this sector at a new high in price. The gains were led by a rally in construction and building-related stocks which were already on the rise but received a boost from Wednesday's interest rate cut.

Infrastructure-related construction stock Granite Construction (**GVA**) posted a 5% gain for the week which pushed the stock further out of its \$75 base breakout the prior week. The company boasts a 30% average EPS growth over the past 5 years with estimates calling for 44% earnings growth next year.

**GVA** is in a buy zone as it finds support above its upward-trending 5-day moving average.

Recently added GE Aerospace (**GE**) rallied 5% after its \$176 base breakout the prior week. The gain followed news of Boeing's (**BA**) strike which means that aerospace suppliers for older planes can make more profits in the aftermarket.

**GE** is in a buy zone as it continues to find support at its upward-trending 5-day simple moving average. In addition, on the weekly chart, the MACD posted a bullish crossover while the RSI is trending higher, but below an overbought position.

FTAI Aviation (**FTAI**) also supplies aftermarket parts for airplanes, and last week's 4% gain keeps this stock in a buy zone as it continues to trade above its upward-trending 5-day moving average.

TransDigm Group (**TDG**) broke out of a \$1381 base breakout last Monday with a pullback into Wednesday which we identified as a buy point.

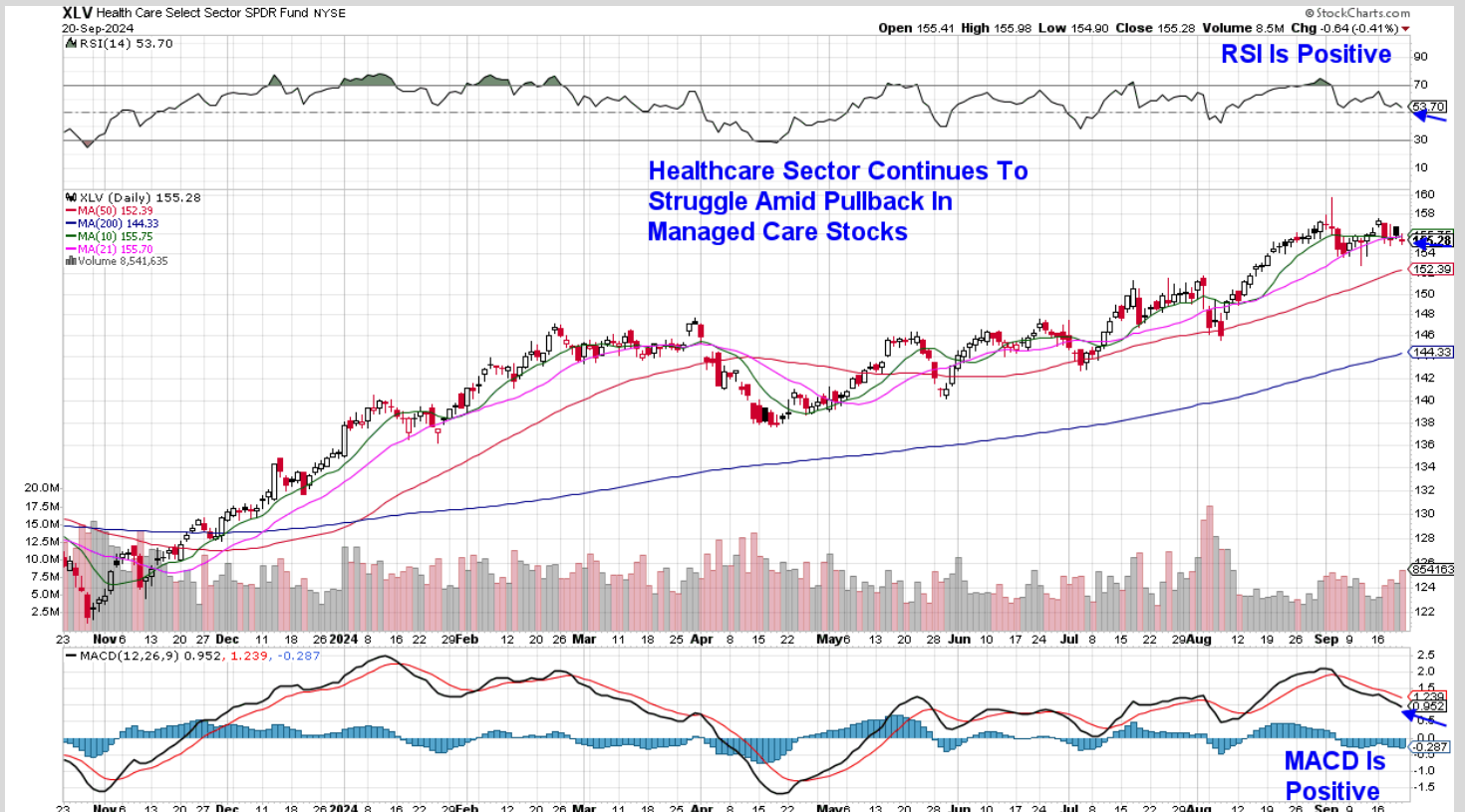
The company provides parts for nearly all aircraft currently in service, for both military and commercial aviation. **TDG** is in a buy zone as it finds support above its 5-day moving average. The weekly chart is also constructive with the MACD posting a crossover. (black line up through the red).

This week, we are adding EMCOR Group (**EME**) to our Suggested Holdings List after last week's base breakout put the MACD into a bullish crossover on the weekly chart. This bodes well for the longer-term outlook.

On the daily chart, the stock is extended and a pullback to the \$420 range would be an ideal buy point. **EME** is one of the leading providers of industrial and energy infrastructure construction and serves industrial and utility clients among others.



## Daily Chart of the Health Care Sector (XLV)



### Healthcare Sector Pulls Back

Healthcare stocks have continued to exhibit sideways to downward price action as more economically sensitive stocks have gained more interest.

Eli Lilly (**LLY**) from our List was mostly flat for the week after winning FDA approval for their new eczema drug. This and other recently positive news regarding their weight loss and other drugs has analysts raising estimates for next year's earnings.

We are on the lookout for a close back above its 21-day moving average at \$930.5 coupled with a MACD crossover on the daily chart to signal a strong buy zone. For now, **LLY** can be held.

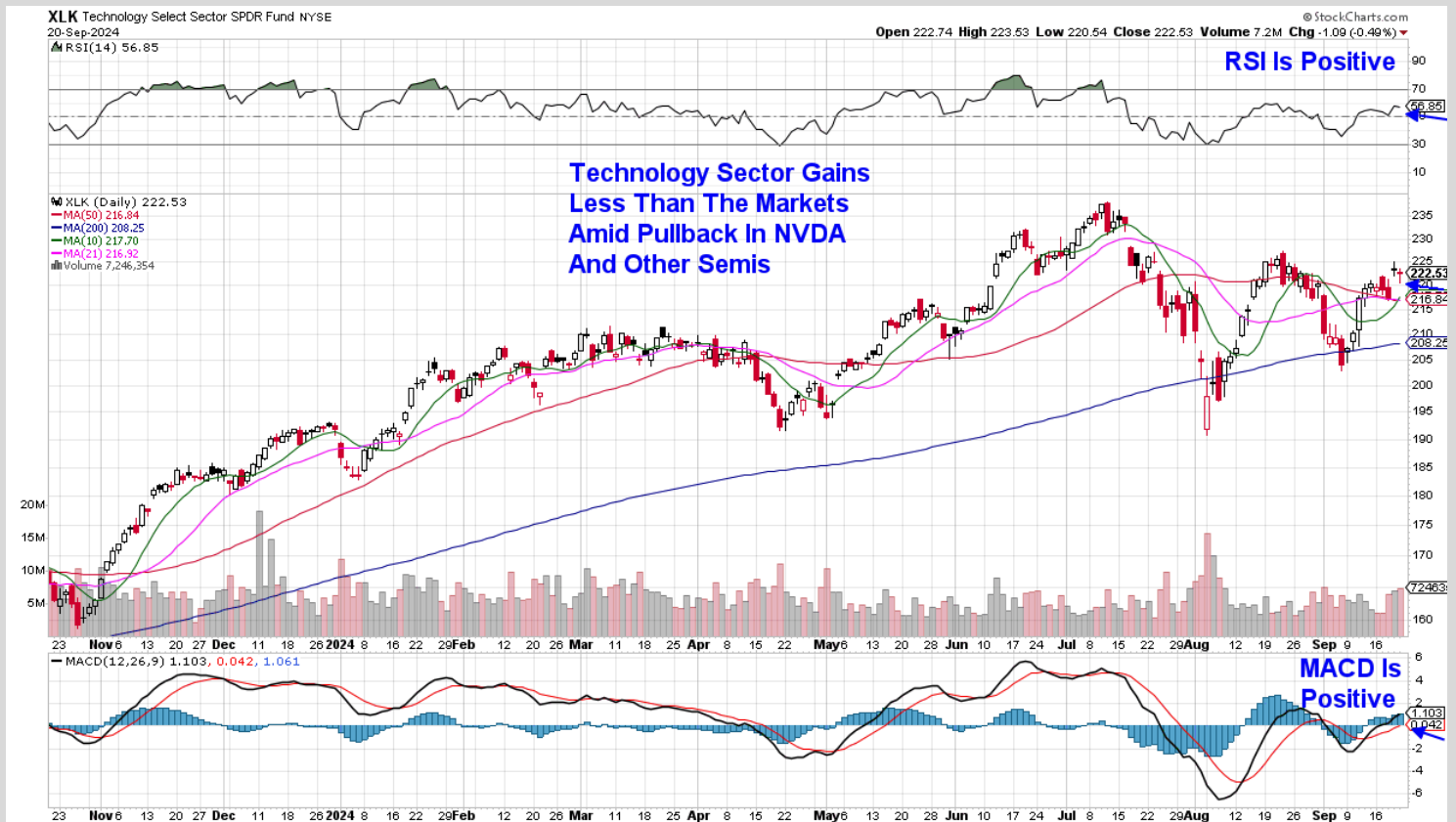
Cardiovascular device developer Boston Scientific (**BSX**) rallied 0.7% amid news that their acquisition of Silk Road Medical closed. The stock is continuing to find support above its upward-trending 10-day moving average with last week's gain taking place on above-average volume. **BSX** is in a buy zone.

Intuitive Surgical (**ISRG**) has been unable to regain its \$494 high from a month ago, as it has been trading sideways with downward trending momentum in its MACD. The stock can be held.

AbbVie (**ABBV**) is exhibiting very similar sideways price action with its MACD trending lower. We would not be a buyer at this time, but would wait for a close back above its 21-day moving average in the \$121 range. An uptrending RSI and MACD would also be needed.



## Daily Chart of the Technology Sector (XLK)



### Technology Sector Remains In New Uptrend Despite Underperforming

The Tech sector was weighed down by a pullback in Semiconductor stocks, led by heavyweight Nvidia (**NVDA**) which was down 2.6%.

The stock is on our Long Term Hold List and it closed the week just below its 50-day moving average with the MACD in negative territory on the daily chart. The weekly chart of **NVDA** remains constructive, and the stock can be held.

Using the daily chart, we are on the lookout for a possible cup with handle base breakout at \$120, coupled with a positive RSI and MACD to signal a new near-term uptrend.

Other Long Term Hold stocks such as Broadcom (**AVGO**) are faring better, as the stock approaches a possible 1-month base breakout in the \$172.4 range. **AVGO's** more bullish stance is after the company announced strong growth in sales of their AI-related chips earlier this month.

While **AVGO** is in a buy zone, we are on the lookout for the Semiconductor group to turn bullish before adding to any position. For longer-term investors, the stock can be held.

Monolithic Power (**MPWR**) - also on the long-term hold list - is in a less bullish position however, the stock can be held as the longer-term weekly chart remains constructive with a positive RSI and MACD.



The Semiconductor group can be easily sparked, and next Wednesday's earnings from Micron (**MU**) is expected to set the pace. The memory chip maker and Nvidia partner has historically moved semi-stocks depending on their results.

Software stocks fared better than the markets last week, with a 1.8% gain that puts this group just points away from regaining its high from late 2021. (using ETF IGV)

Among last week's winners was monday.com (**MNDY**) from our List which gained 9.5% in a move that puts the stock above its \$273 base breakout level which took place on above-average volume.

Last week's rally occurred on above-average volume, and it follows the company's strong earnings and sales report in August which was above estimates. **MNDY** is in a strong uptrend and can be bought on any pullback to the \$270 range near its 5-day moving average.

Palantir (**PLTR**) also outperformed, with a 4.5% gain that followed the stock's sharp rally the prior week after being added to the S&P 500 Index. **PLTR** is in a confirmed uptrend and bullishly closed above its upward-trending 5-day moving average.

While this puts **PLTR** into a buy zone, the RSI is approaching 80 which would indicate a highly overbought condition. We would add lightly to the stock and await a period of consolidation to add additional shares.

This week, we are adding Software stock Q2 Holdings (**QTWO**) to our Suggested Holdings List after last week's base breakout.

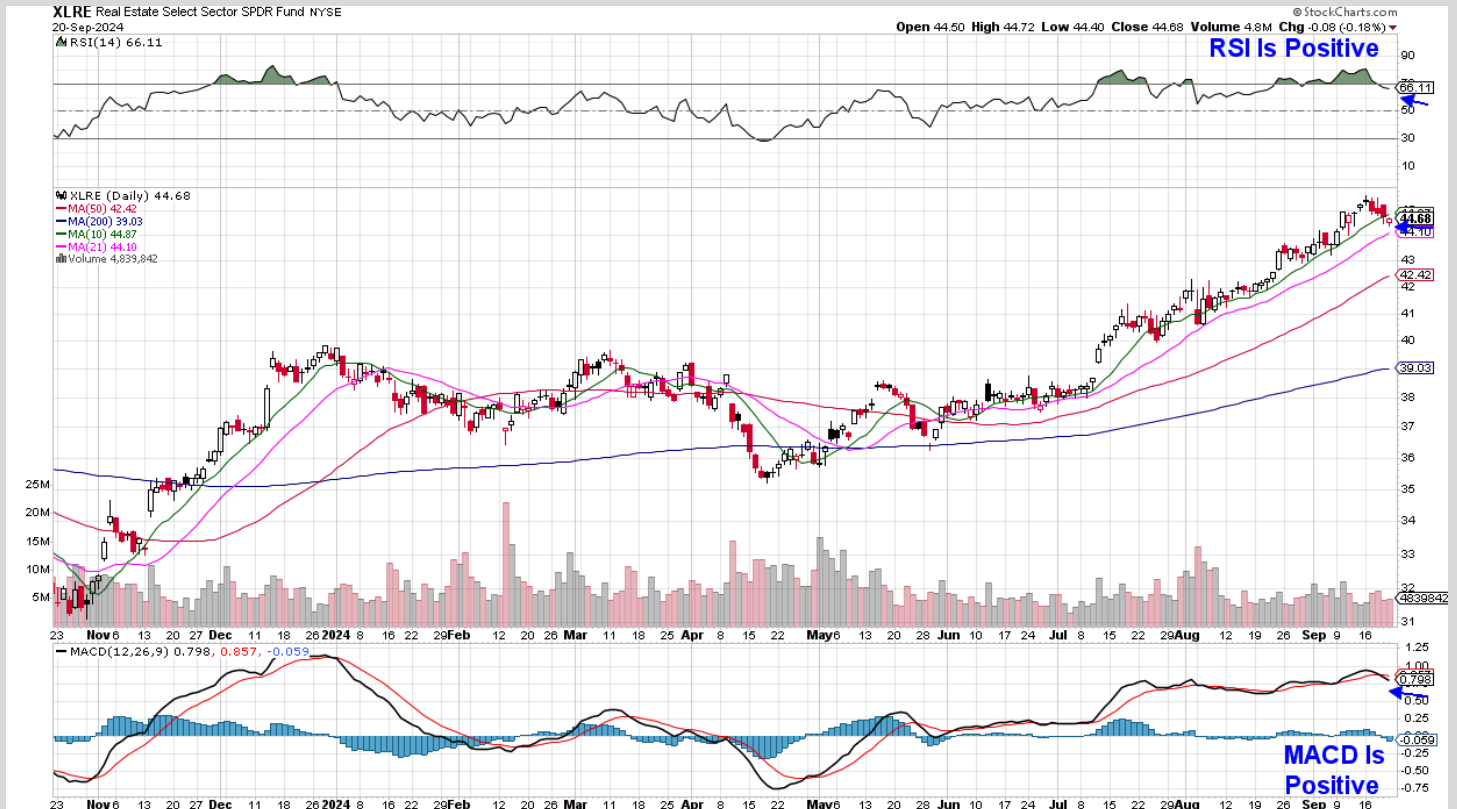
The company provides virtual banking software to regional financial institutions and estimates are being revised upward amid an improved outlook for Banks and other Financial institutions. **QTWO** can be bought on a pullback to the \$79 range at its base breakout level.

Other areas of Technology have also been exhibiting strength such as Networking stocks that provide products that are used in data centers to support AI workloads.

This week, we are adding Arista Networks (**ANET**) back to our Suggested Holdings List after last week's base breakout on above-average volume. The company works with Nvidia and Broadcom among others, to connect processing units and provide a network for AI applications.

**ANET** is in a buy zone.

## Daily Chart of the Real Estate Sector (XLRE)



### Real Estate Sector Pulls Back After 2-Month Advance

REIT stocks underperformed last week amid a 1.2% decline which took place on below-average volume. This sector has been in a confirmed uptrend since late July when we added names to our List, after its 8-month base breakout.

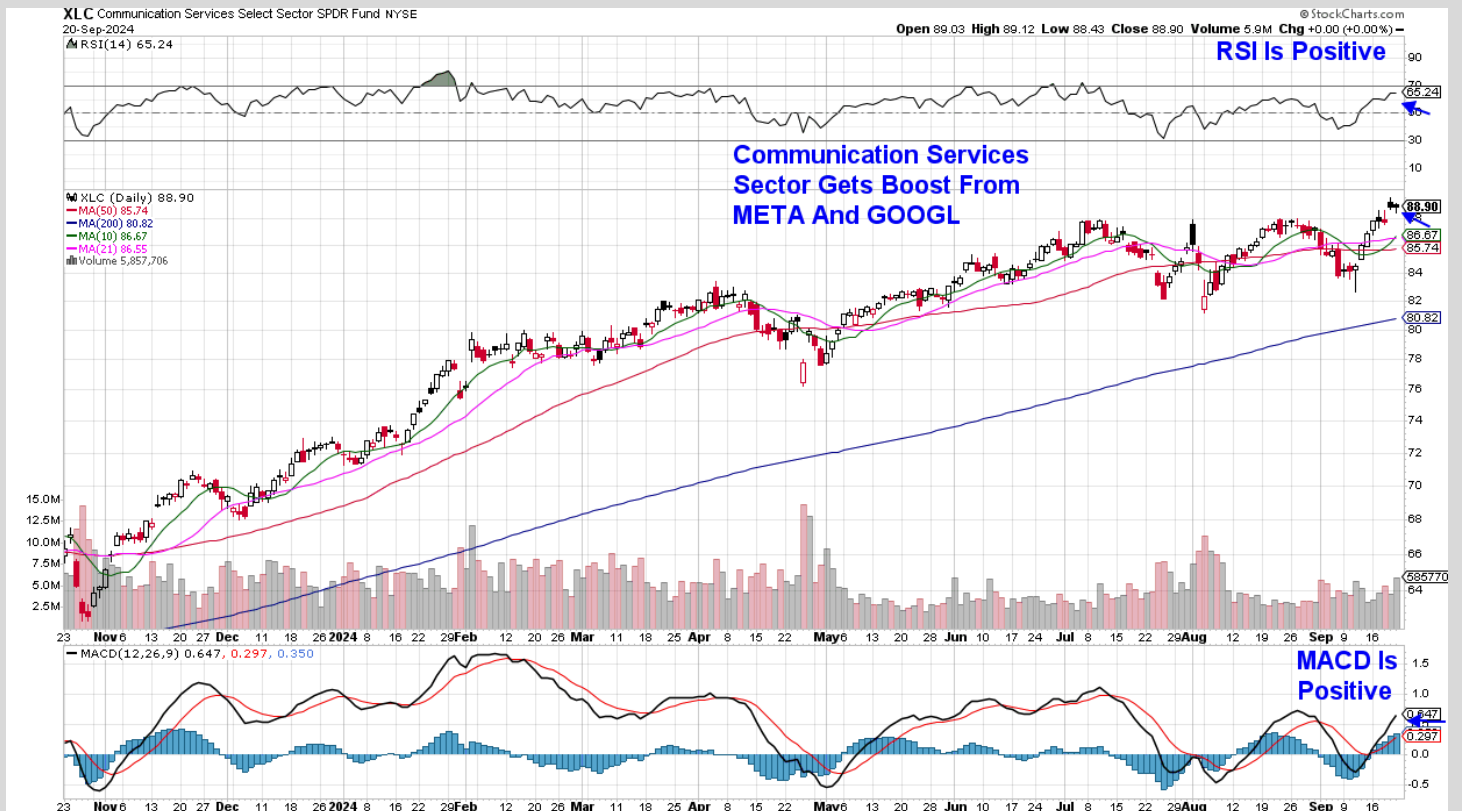
Recent gains in RE stocks had put the RSI above 80 on the daily chart, and last week's pullback may provide a needed period of consolidation.

REIT stocks on our List can be viewed individually, with National Storage (**NSA**) remaining in a confirmed uptrend above its 5-day moving average. The 4.6% yielder is in a buy zone however, we would add lightly to any positions given that the sector may consolidate further.

Equity Residential (**EQR**) closed the week below its 10-day moving average with the MACD posting a negative crossover on the daily chart. This may simply signal a needed period of consolidation, and the stock can be bought on a close back above its 10-day moving average in the \$77 range.

ProLogis (**PLD**) underperformed with a 3.5% loss on relatively high volume. The RSI is now in negative territory and while the longer-term weekly chart remains constructive, we are removing **PLD** from our Suggested Holdings List. Longer-term investors can remain with the stock.

## Daily Chart of the Communication Services Sector (XLC)



### Communication Services Sector

The Communication Services sector broke out of a 1-month base amid renewed interest in AI-related M7 stocks such as Alphabet (**GOOGL**) and Meta Platforms (**META**).

This week, we are adding **META** back to our Suggested Holdings list and from our Long Term Buy and Hold List after its base breakout on volume.

As noted in last Sunday's report, **META** was recently cited as the number one AI-related stock from a Wall Street firm. **META** is being viewed as a leadership name in AI, while also successfully navigating beyond AI to spatial computing. This is being seen as the next large opportunity in technology.

Zuckerberg's leadership was also cited, due to his ability to navigate major challenges successfully. A bullish MACD crossover on the daily chart took place last week and **META** can be bought in the \$550 range close to its 5-day simple moving average.

Netflix (**NFLX**) from our List pulled back from a Thursday base breakout at the \$711 level, amid a relatively lackluster week.

The company will be among the first well-known names to report earnings in just over 3 weeks. Analysts have been raising their estimates higher for the company amid bullish advertising sales reports. **NFLX** is in a buy zone.

## Summary

Last week's 0.5% rate cut in rates by the Federal Reserve was ultimately viewed as a positive by investors, with Thursday's sharp rally most positively influencing select M7 stocks which we reviewed above. Economically sensitive areas such as Industrials and Small Caps also received a boost.

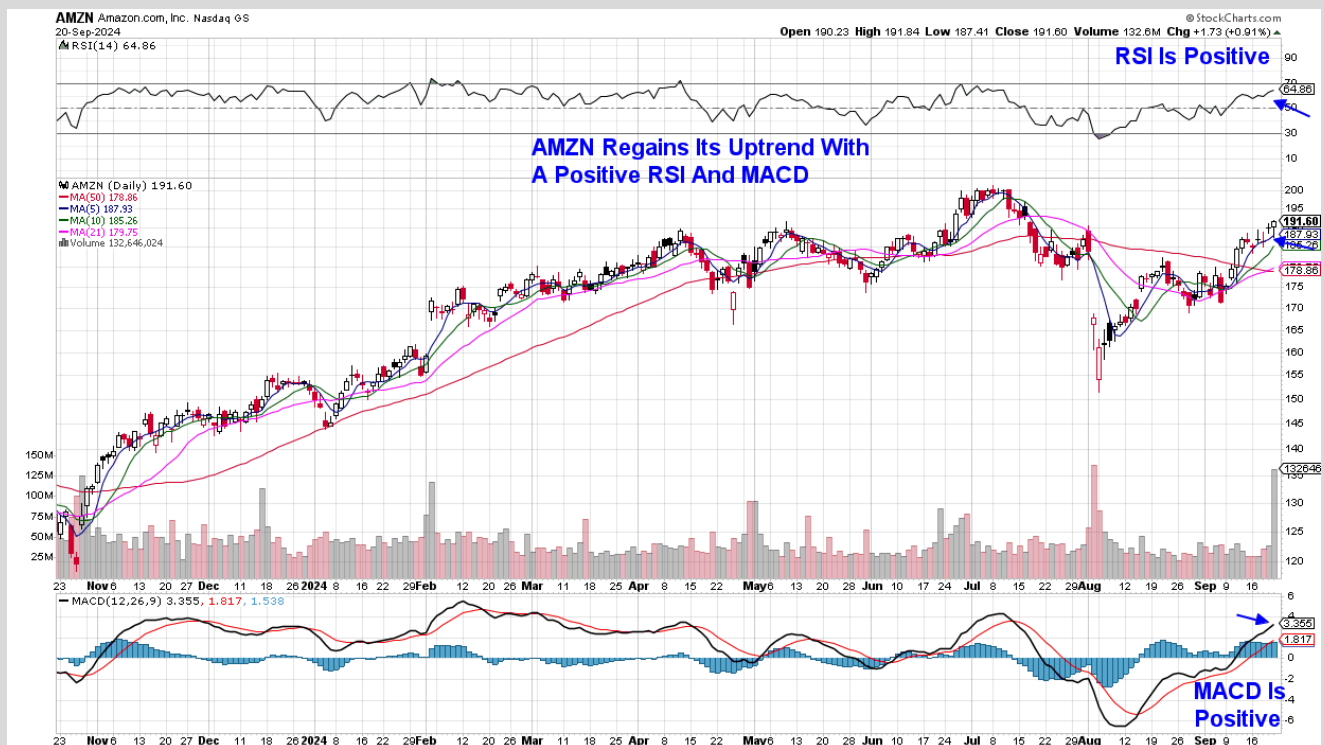
While this is good news for the markets, the unusually large drop in rates, as well as Powell's comments afterward, are a reminder that the Fed is concerned about the recent increase in the unemployment rate which is now at 4.2% - up from 3.4% level two years ago.

Most notable is that the focus has shifted from inflation - which is now at a tame level - to a cooling labor market which may at some point negatively impact the economy. The next major employment report will be on October 4th, when September numbers will be released.

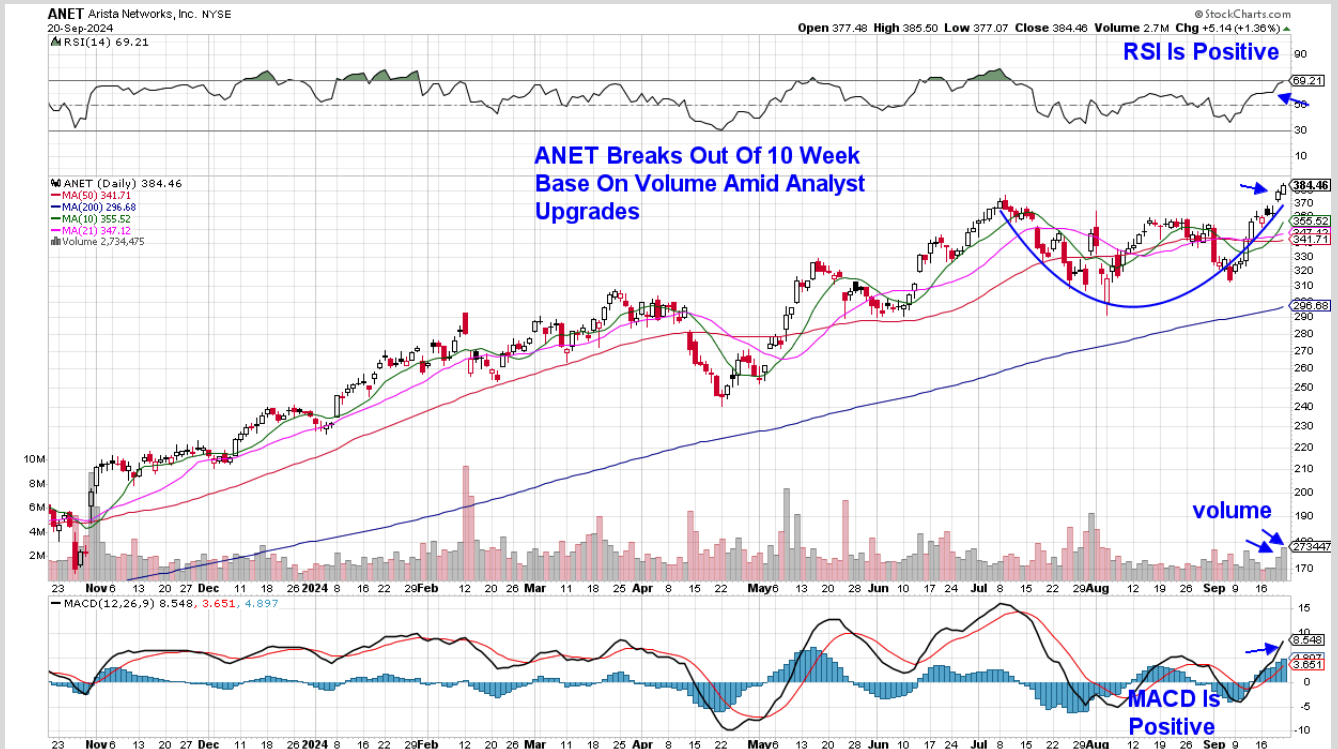
Any hint that employment is softening will negatively impact the markets. With this in mind, we would enter the markets with some caution, until further data is revealed early next month.

## New Idea Charts:

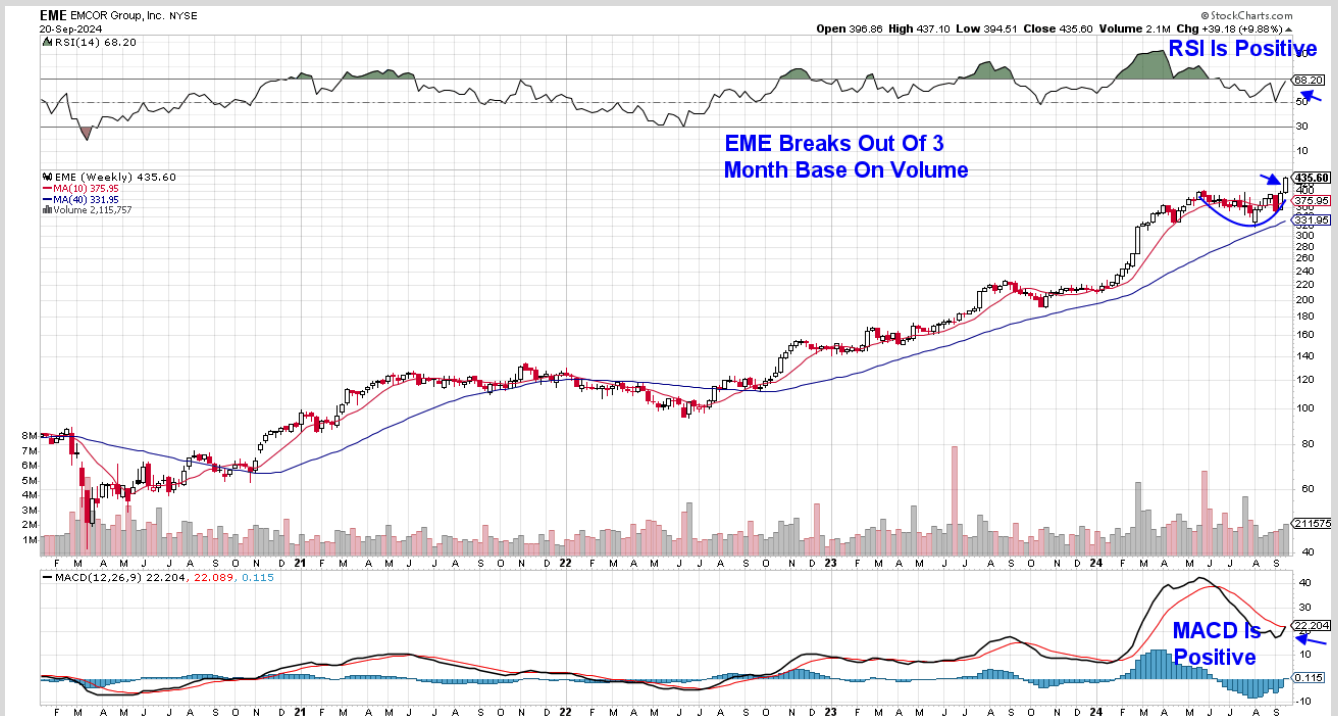
Daily Chart of Amazon.com, Inc. (AMZN)



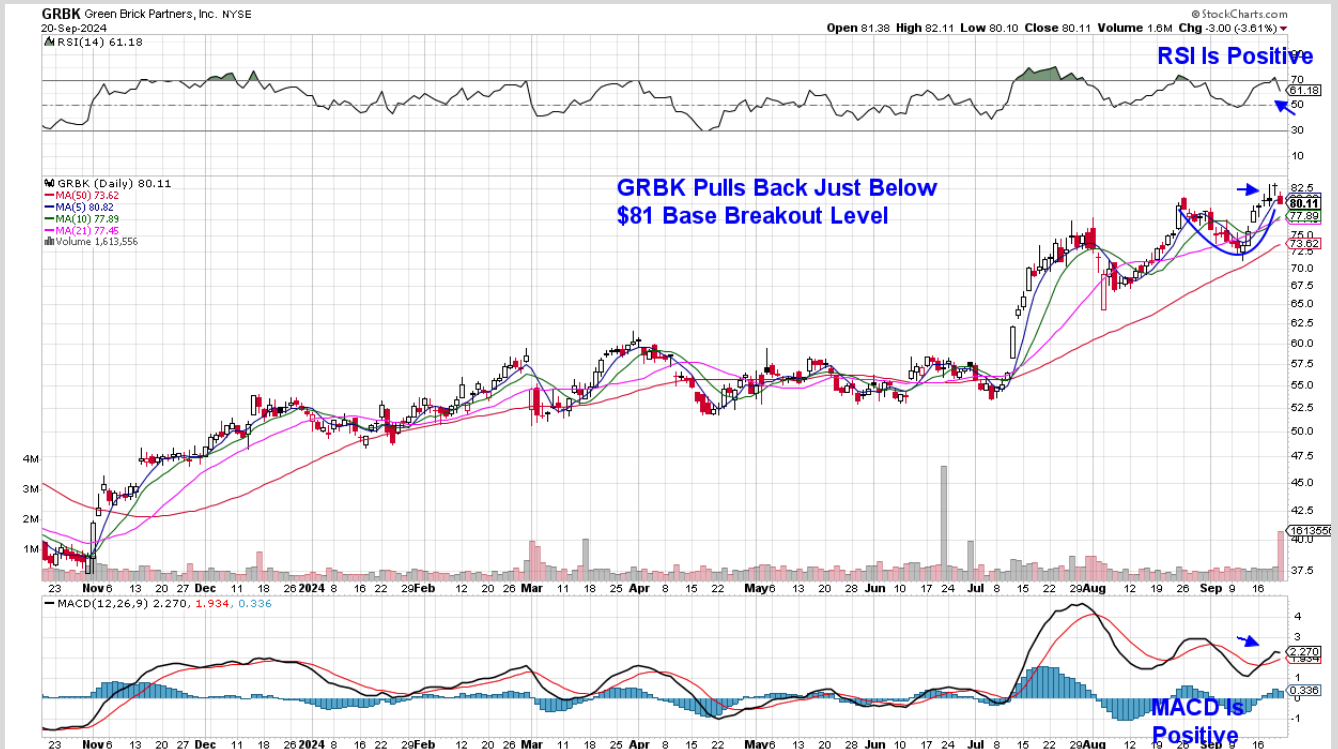
## Daily Chart of the Arista Networks, Inc. (ANET)



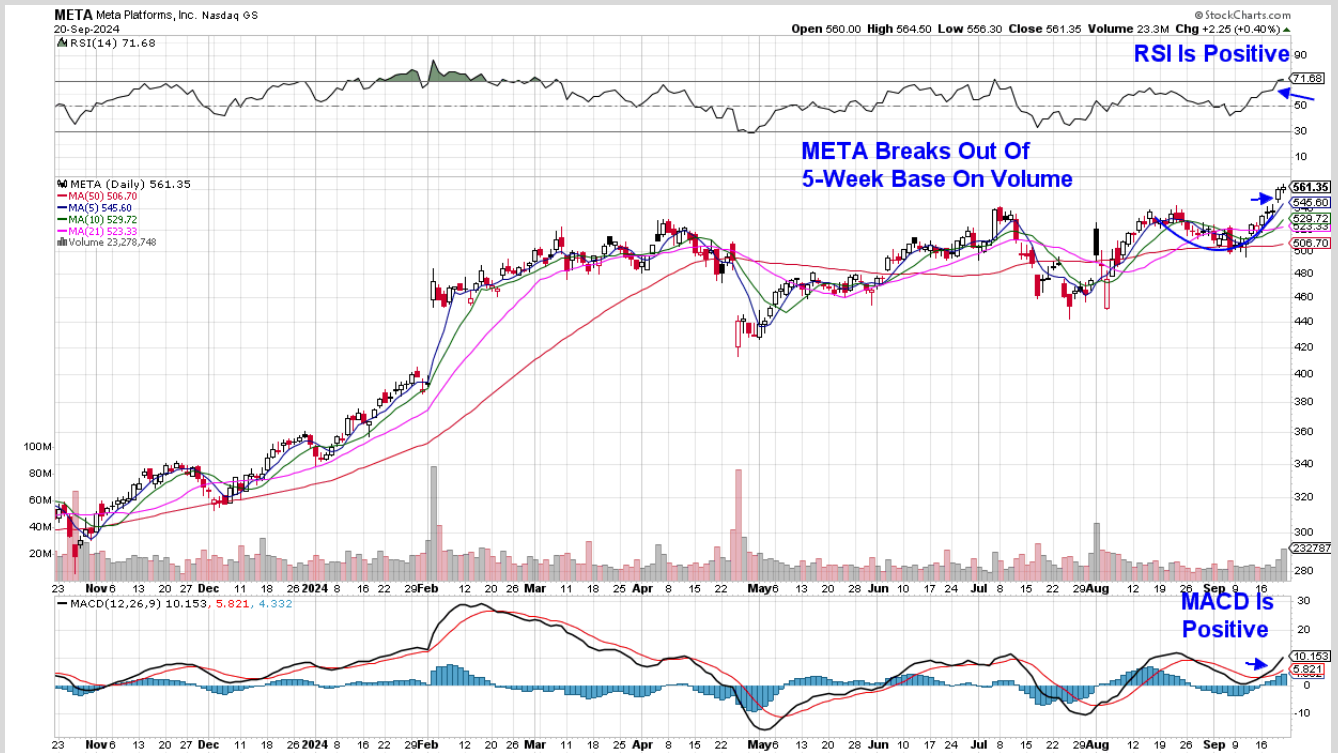
## Weekly Chart of the EMCOR Group, Inc. (EME)



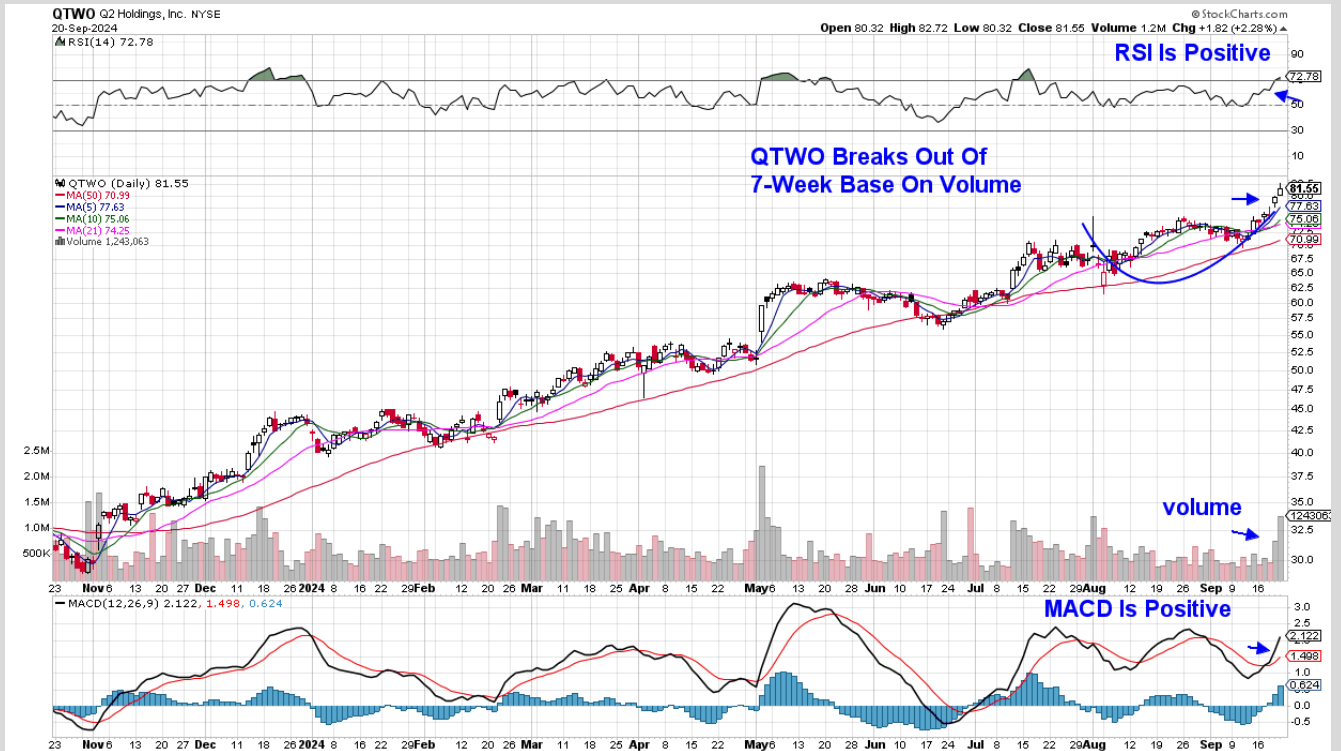
## Daily Chart of the Green Brick Partners, Inc. (GRBK)



## Daily Chart of the Meta Platforms, Inc. (META)



## Daily Chart of the Q2 Holdings, Inc. (QTWO)



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					
AMZN	Amazon	\$191.60	9/22/2024		
GRBK	Green Brick Partners	\$80.10	9/22/2024		
SN	SharkNinja	\$95.80	9/2/2024	10.5%	
TOL	Toll Brothers	\$139.50	7/27/2024	11.0%	
WMT	Walmart	\$72.90	8/15/2024	7.5%	

REAL ESTATE					
NSA	National Storage	\$44.20	7/21/2024	10.5%	
PLD	Prologis	\$123.80	7/21/2024	0.5%	
EQR	Equity Residential	\$16.50	7/21/2024	10.0%	

INDUSTRIAL					
EME	Emecor Group	\$420.00	9/22/2024		
FTAI	FTAI Aviation	\$58.00	3/17/2024	102.5%	
GE	GE Aerospace	\$178.26	9/15/2024	5.0%	
GVA	Granite Construction	\$76.37	9/15/2024	5.0%	
TDG	Transdigm	\$1,348.03	9/12/2024	4.5%	

HEALTHCARE					
ABBV	AbbVie	\$185.10	7/28/2024	4.0%	
BSX	Boston Scientific	\$81.80	9/2/2024	3.0%	
ISRG	Intuitive Surgical	\$598.80	5/19/2024	25.5%	
LLY	Eli Lilly	\$891.70	8/11/2024	4.5%	

TECHNOLOGY					
ANET	Arista Networks	\$384.50	9/22/2024		
MNDY	<a href="https://www.monday.com">Monday.com</a>	\$258.99	9/12/2024	8.5%	
PLTR	Palantir	\$32.10	8/18/2024	16.5%	
QTwo	Q2 Holdings	\$79.00	9/22/2024		

COMMUNICATION SERVICES					
NFLX	Netflix	\$701.40	9/2/2024	0.50%	
META	Meta Platforms	\$561.60	9/22/2024		

## Longer Term Hold Candidates That Were Removed From Suggested Holdings List

SYMB	COMPANY NAME	CURRENT STATUS
AAPL	Apple	Hold
AVGO	Broadcom	Hold
MPWR	Monolithic Power	Hold
NVDA	Nvidia	Hold
RACE	Ferrari	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

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## 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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