



# THE MEM EDGE

September 29, 2024 | Weekly Report

## Reported Data Last Week

- Consumer Confidence Falls By The Most In 3 Years
- Q2 GDP Shows Economy Still Expanding
- Weekly Unemployment Claims Drop
- Core PCE Data Shows Inflation Continuing To Cool
- Micron (MU) Reports Strong Q2 Chip Sales

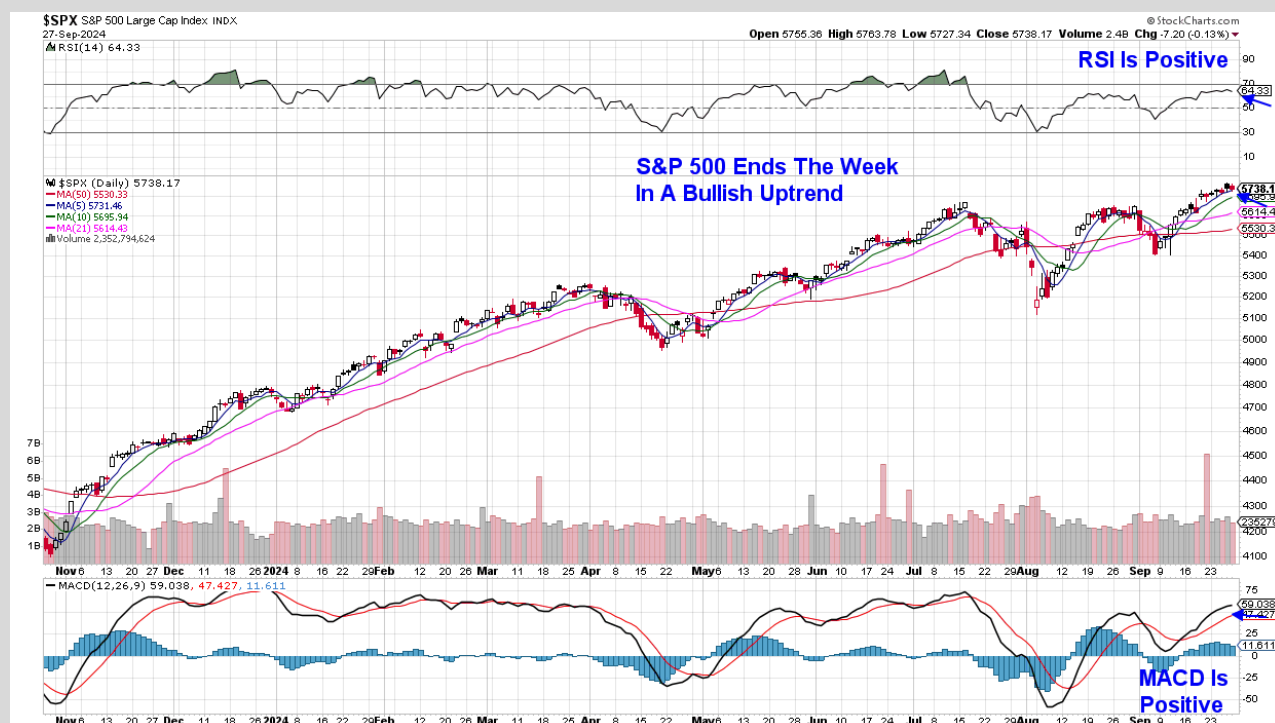
## Upcoming Data Next Week

- Key Monthly Employment Data Due On Wednesday And Friday
- Manufacturing And Services PMI Data Next Week
- Fed Chair Powell Speaks On Monday

## Market Developments Last Week

- Semiconductor Group Turns Positive
- China's Stock Market Rallies Over 19%
- Small Caps, Banks, And Home Construction Stocks Pull Back Amid An Uptick In Interest Rates

### Daily Chart of S&P 500



The S&P 500 closed the week up 0.6% and with the RSI and MACD in positive territory, the near-term uptrend in this index remains in place.

The weekly chart of the S&P 500 is in an equally bullish position, with the MACD poised to post a positive crossover. (black line up through the red).

A crossover would increase our confidence in a bullish long-term outlook for the S&P 500.

The equal-weighted S&P 500 posted a 1.2% gain amid strength in many areas, while most of the Magnificent Seven stocks struggled. While we would ideally like to see all M7 names fare well, the fact that other areas of the market are outperforming is quite positive for the prospects for a continuation rally.

The biggest factor in last week's broadening out was new stimulus measures in China, which boosted aluminum and other metal stocks, as well as, consumer-facing names. Growth in China's economy would be globally bullish.

The last time China initiated a similar stimulus was in November of 2008. China's stock market went on to advance 80% into 2009. The ETF MCHI would be a possible way to participate in any further advance.

The NASDAQ gained 1%, led by a sharp rally in Semiconductor stocks which posted late-week gains after bellwether name Micron Technologies (**MU**) reported strong chip growth.

The positive close puts the Nasdaq within 3% of regaining its late July high and with a positive RSI and MACD, the near-term uptrend for this Index remains in place.

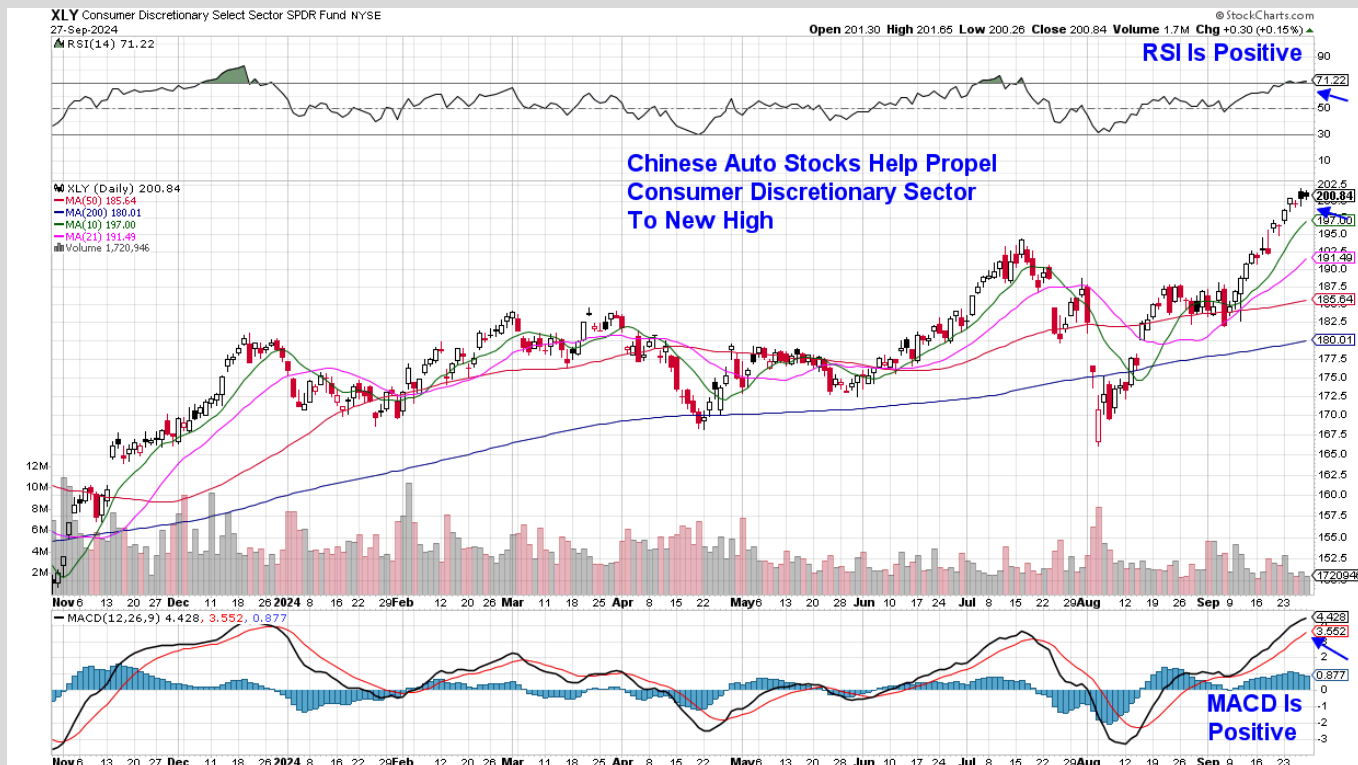
Small Cap stocks underperformed, due mostly to a sharp pullback in Bank stocks which account for 8% of the Russell 2000 Small Cap Index. Biotech stocks, another area that's viewed as risky, pulled back another 2% last week.

The decline in these riskier areas points to a lingering cautiousness among investors, as we head into next week's September employment data.

Mixed economic data also had investors on edge, with the 2nd quarter GDP revision showing that the economy is continuing to expand while inflation continues to decline. As noted last week, however, the Fed is most concerned with employment numbers, and private sector data on Wednesday, as well as, broader numbers on Friday will be closely watched.

We added one new stock idea this week while several names on our Suggested Holdings List have pulled back into buy zones.

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



### Consumer Discretionary Sector Among Top Performing

The Consumer Discretionary sector was given a boost by a sharp rally in Chinese auto manufacturers amid China's new stimulus measures. Tesla's 9.5% rally also gave this sector a boost.

Home Construction stocks posted a 1.7% gain after data showed that new home sales declined however, a renewed interest has taken place due to lower interest rates. Friday's report that inflation is continuing to recede also gave homebuilders a boost as interest rates will most likely continue to decline.

Both homebuilders on our Suggested Holdings List outperformed, with Green Brick Partners (**GRBK**)

rallying 3.6% amid a Friday rally that had the stock briefly hitting a near term high. **GRBK** is in a buy zone.

Toll Brothers (**TOL**) rallied 3.5%, which pushed the stock out of a 1-week base on volume after a Friday rally. **TOL** is in a buy zone.

We expect home building stocks to continue to outperform with the longer term weekly and monthly charts of the group remaining in an uptrend. (using ETF XHB)

Heavyweight Retailer Amazon (**AMZN**) closed the week below its 10-day moving average amid a late week pullback on below average volume. A close back above its 10-day moving average in the \$190 range would put **AMZN** into a buy zone.

However, we are keeping a close eye on the RSI and MACD on the daily chart of **AMZN** as well, as both momentum indicators are now trending downward.

Upcoming events for **AMZN** include the start of their Prime Day sale in less than 2 weeks, followed by the release of their quarterly results in three weeks.

Walmart (**WMT**) pulled back from a Wednesday new high in price, and posted a 1% gain for the week that has this stock bullishly closing above its 10-day moving average.

That said, **WMT** did not post a confirming RSI or MACD when it hit a new high last week, and the momentum overall has shifted sideways. While **WMT** is in a buy zone, we would not overweight the stock at this time.

SharkNinja (**SN**) is another name that lost its sharp upside momentum last week after ending flat. The stock is due a period of consolidation after this month's 10.5% gain. A close above its recent high of \$108.7 would put the stock into a buy zone.

This week we are adding Williams Sonoma (**WSM**) to our Suggested Holdings List as the stock continues to find support above its upward trending 10-day simple moving average amid Wall Street upgrades.

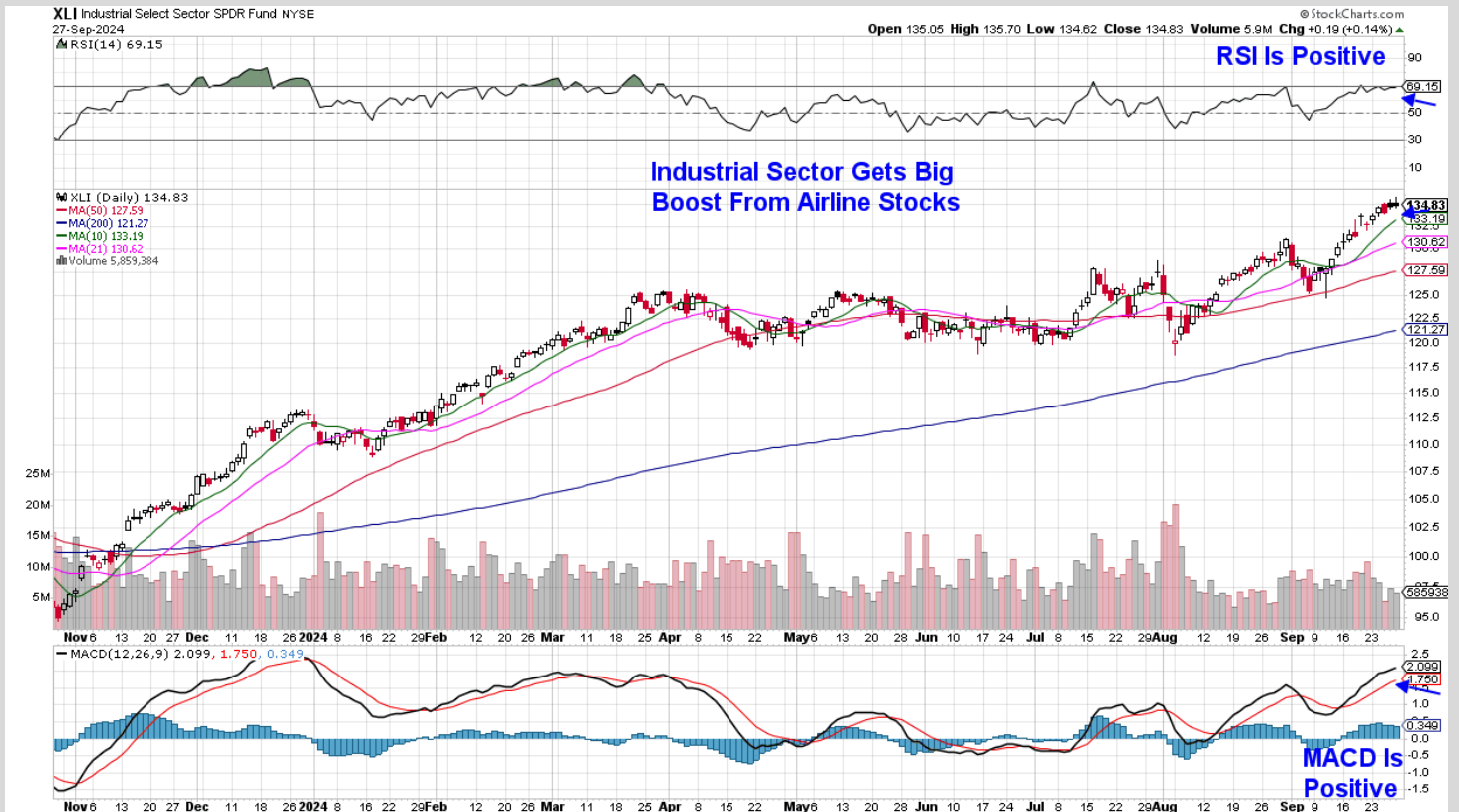
The company is the world's largest digital-first home goods retailer with well known brands such as Pottery Barn. **WSM** reported strong quarterly results last month. Earlier this month, the stock received a boost after a strong sales report from peer stock Restoration Hardware (**RH**) which improved sentiment for the home goods market.

**WSM** is in a buy zone as it moves closer to a possible \$174 base breakout.

Next Tuesday, heavyweight retailer Nike (**NKE**) will be reporting their quarterly results. We expect their numbers to impact other retailers.



## Daily Chart of the Industrial Sector (XLI)



### Industrial Sector Gets Airline Boost

The Industrial sector was led higher by an 8% gain in Airline stocks which are continuing to report high August and September load factors amid stronger than expected travel demand.

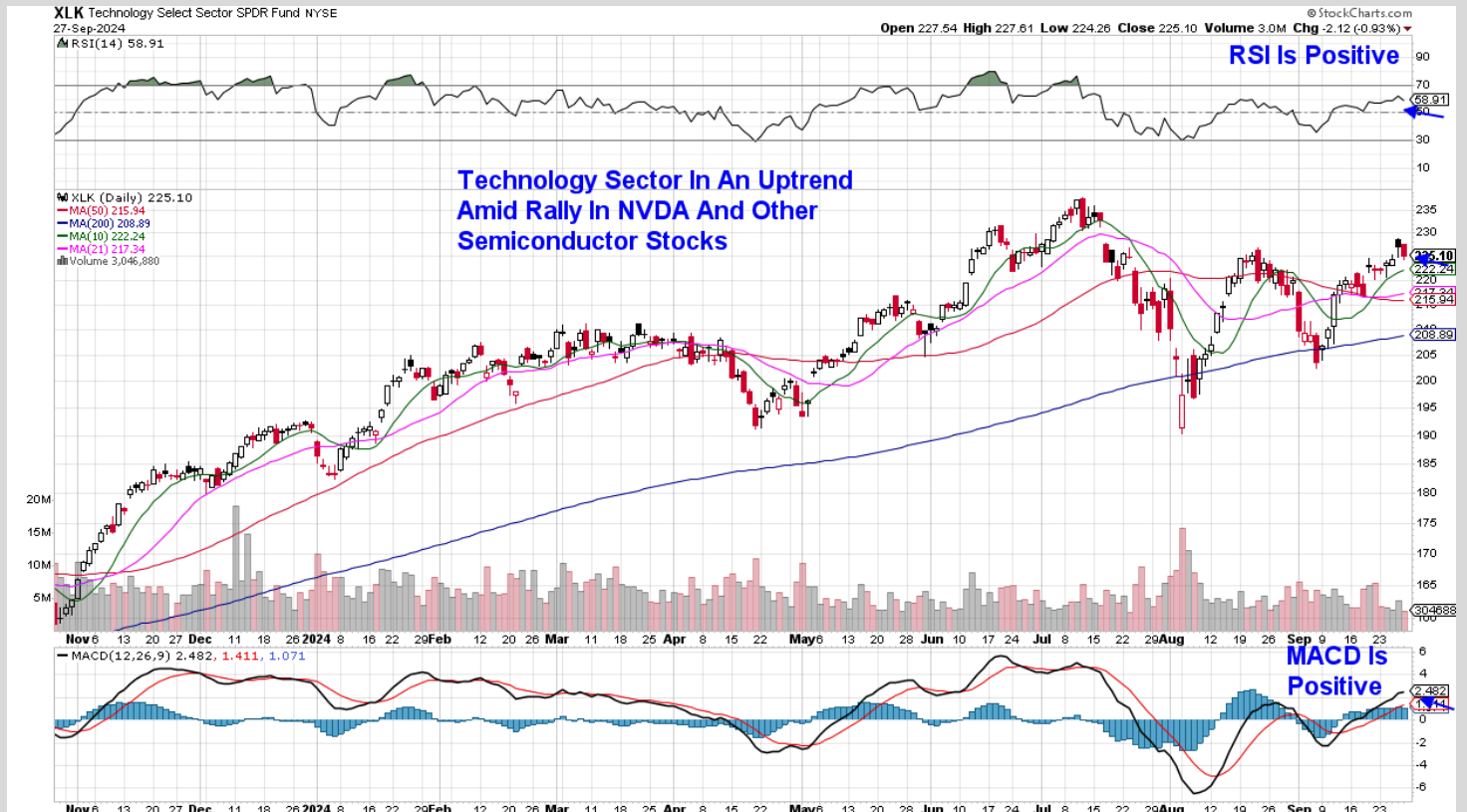
Aerospace and Defense stocks such as those on our List underperformed, with slight pullbacks that put them into a buy zone after finding support above their 10-day moving averages.

This would include FTAI Aviation (**FTAI**), General

Electric (**GE**) and Transdigm (**TDG**) which each pulled back on below average volume and found support at their 10-day moving averages. Each of these stocks are in a buy zone.

Building related stocks also underperformed, with both Granite Construction (**GVA**) and EMCOR (**EME**) pulling back to their 10-day moving averages. Both stocks are in a buy zone however on any further weakness, a close below their 10 day mav's - \$425 range for **EME** and \$78 range for **GVA**- would be a near term negative.

## Daily Chart of the Technology Sector (XLK)



### Technology Sector Enters Uptrend Led By Semiconductors

The Tech sector was mixed last week, with the Semiconductor group getting a big boost on Thursday amid news of strong chip sales from Micron Technology (**MU**).

Semiconductor stocks are now back in an uptrend, with the RSI and MACD in positive territory. (using ETF SOXX). Not all Semi stocks are trending higher however, as AI related companies are outperforming, such as those names on our Suggested Holdings List.

Chip sales elsewhere are weak however, due to a slowdown in demand for consumer electronics. This is creating a mixed outlook for the group.

Overall however, price action in Semiconductors is being driven by heavyweight name Nvidia (**NVDA**), and Semis (SOXX) pulled back on Friday led by **NVDA**.

**NVDA** closed the week above its 10-day moving average however, and with the RSI and MACD in positive territory, the stock is in a buy zone.

Broadcom (**AVGO**) also closed the week above its 10-day moving average despite a 3% pullback on Friday. A move even closer to the \$170 range would put **AVGO** into a buy zone.

Taiwan Semiconductor (**TSM**) pulled back the most on Friday however, the stock remained above its 10-day moving average with the RSI and MACD in

positive territory. A move closer to the \$176 level would put the stock into a buy zone.

At this time, we are keeping an eye on the weekly Semiconductor chart with an eye toward a MACD crossover which would be quite bullish for the long term outlook for this group. (using ETF SOXX)

Software stocks were last week but remain at a near term high.

The group was mixed with monday.com (**MNDY**) pulling back 3% after the prior week's 9.5% gain. The stock closed the week at its 10-day moving average which keeps the stock in an uptrend.

The longer term uptrend remains in place as well, when using the weekly chart. The stock is in a buy zone.

Palantir (**PLTR**) pulled back 1% last week, which was enough for the stock to post a negative MACD crossover on the daily chart. (black line down through the red). Historically, this can lead to near term weakness such as late August.

At this time, the stock can be held, particularly as the longer term weekly chart remains positive. A move toward last week's high in price would put **PLTR** into a buy zone.

Q2 Holdings (**QTWO**) declined to its 10-day moving average which is what we were on the lookout for. The financial software provider is in a strong buy zone.

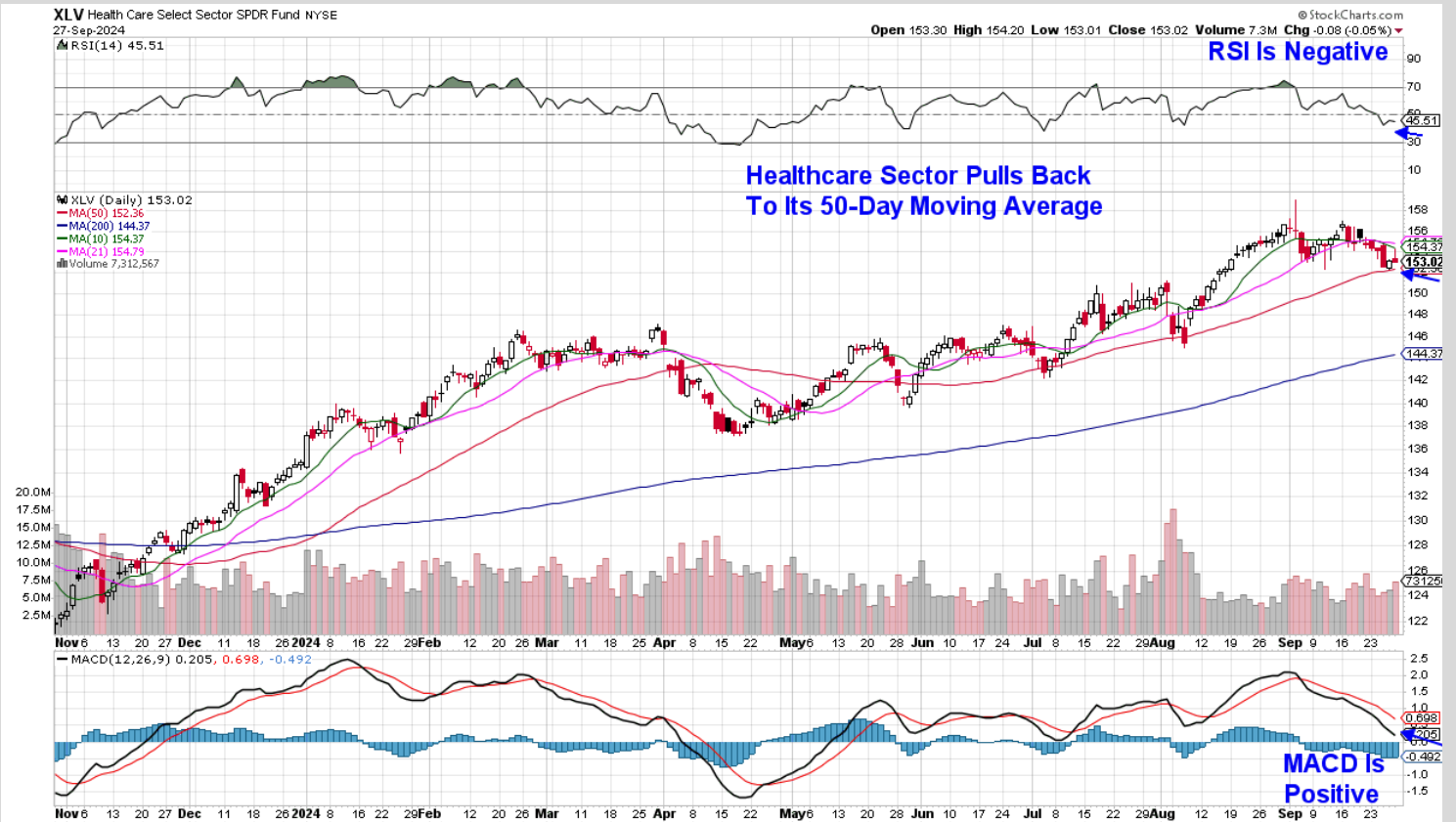
Recently added Networking stock Arista Networks (**ANET**) pulled back to its 10-day moving average which is also its recent base breakout level. The stock is in a buy zone.

As mentioned, the company works with Nvidia and Broadcom among others, to connect processing units and provide a network for AI applications.





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



### Healthcare Sector Remains An Underperformer

The Healthcare sector continues to struggle, with last week's sharp decline in Pharmaceutical stocks such as Eli Lilly (**LLY**) being the latest pain point.

**LLY** pulled back almost 5% last week, despite news of an approval of their Alzheimer's drug in Japan. This is the company's 2nd largest market.

The pullback in **LLY** has put the stock below its key 50-day moving average with both the RSI and MACD now in negative territory. This price action has us removing the stock from our Suggested Holdings List.

Longer term investors can remain with **LLY** as the weekly chart remains constructive.

Intuitive Surgical (**ISRG**) pulled back 1.4% with the decline taking place on Friday amid a lack of news. While the RSI is now in negative territory, the stock remains above its key 50-day simple moving average with its MACD in positive territory.

A close back above the \$485 range would put **ISRG** into a buy zone. On any further selling, a close below its 50-day moving average in the \$472 range would be negative. For now, the stock can be held.

Boston Scientific (**BSX**) has pulled back to its 21-day moving average and a close back above its 10-day moving average in the \$83 range would put the stock into a buy zone.



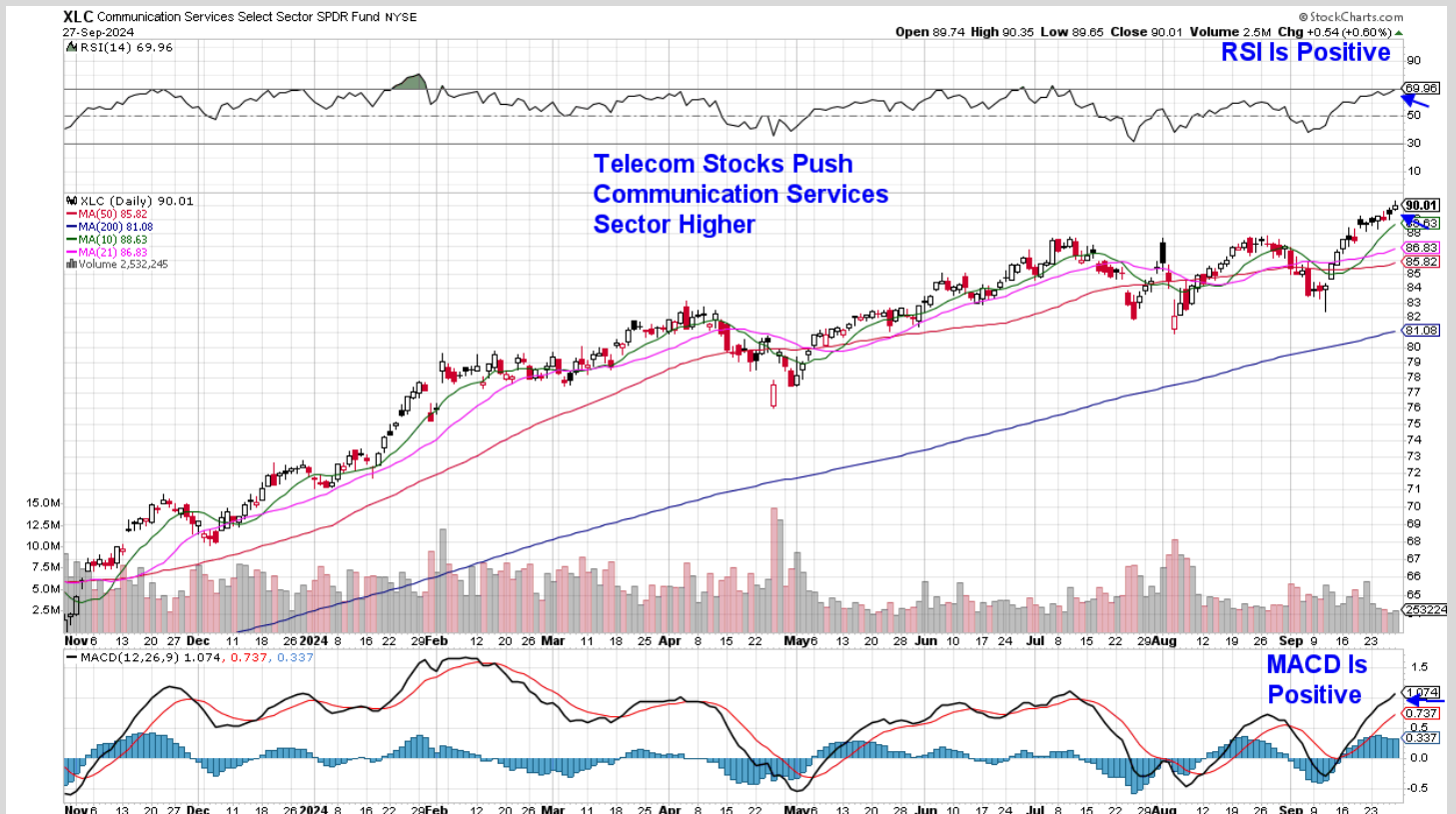
Analysts have revised earnings estimates higher for next year after **BSX** received approval in Japan for their minimally invasive treatment for cardiac arrhythmias.

**ABBV** rallied following news that their Parkinson's drug has met its main goal in its late stage clinical trials.

AbbVie (**ABBV**) is in a very interesting position after a late week rally has pushed the stock back above its shorter term moving averages with the RSI now back in positive territory. This puts the stock into a buy zone with a bullish MACD on the daily chart putting it into a strong buy zone.



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



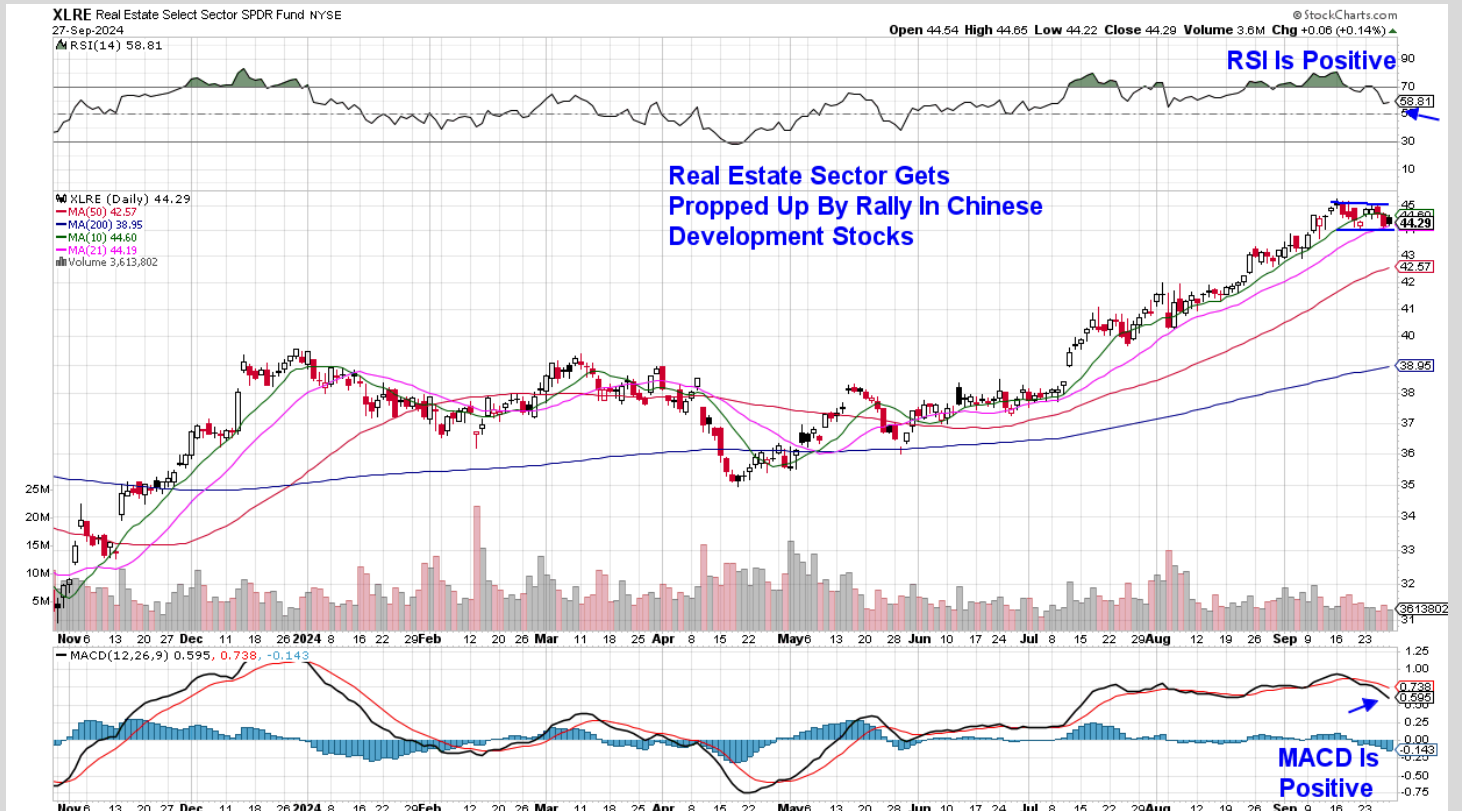
### Communication Services Sector

Netflix (**NFLX**) gained 1% despite a late week pullback from its \$711 base breakout level. A move back above this level would put the stock into a buy zone. **NFLX** has seen earnings estimates revised higher ahead of the release of their earnings in less than 3 weeks.

Meta Platforms (**META**) is also seeing their earnings estimates revised higher - following the company's annual developers conference last Wednesday. It was there that the company announced their Meta AI voice licensing with famous actors. News that their smart glasses are selling well also sparked upgrades.

**META** is in a buy zone as it finds support above its 5-day moving average. The weekly chart is particularly attractive, after last week's MACD crossover coupled with a bullish RSI.

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



### Real Estate Sector Remains In Two Week Trading Range

Real Estate stocks were flat last week after a rally in Chinese based RE development firms was offset by a pullback in U.S. REITs.

Equity Residential (**EQR**) pulled back 3.4% last week following a downgrade from Bank of America. The research team views any softening in the labor market as a negative for **EQR**'s urban and coastal portfolio of apartments.

**EQR** can be held, as it remains above its 50-day moving average with a positive MACD. A close back above its 10-day moving average in the \$76 range would put the stock into a buy zone.

Should we experience further selling, a cross of the 10-day moving average below its 21 day moving average would be near term negative. This is known as a death cross which generally precedes further weakness. The 3.7% yielder can be held.

National Storage (**NSA**) also pulled back however, the stock closed the week back above its 21-day moving average which is quite constructive. A close above its 10-day moving average in the \$48 range would put **NSA** into a buy zone.

## Summary

Last week, the S&P 500 hit a record high, led by China's stimulus plans as well as AI related hopes. This positive news can be added to the prior week's half-point cut in interest rates, which pushed the Nasdaq back into an uptrend. Rate sensitive areas also gained.

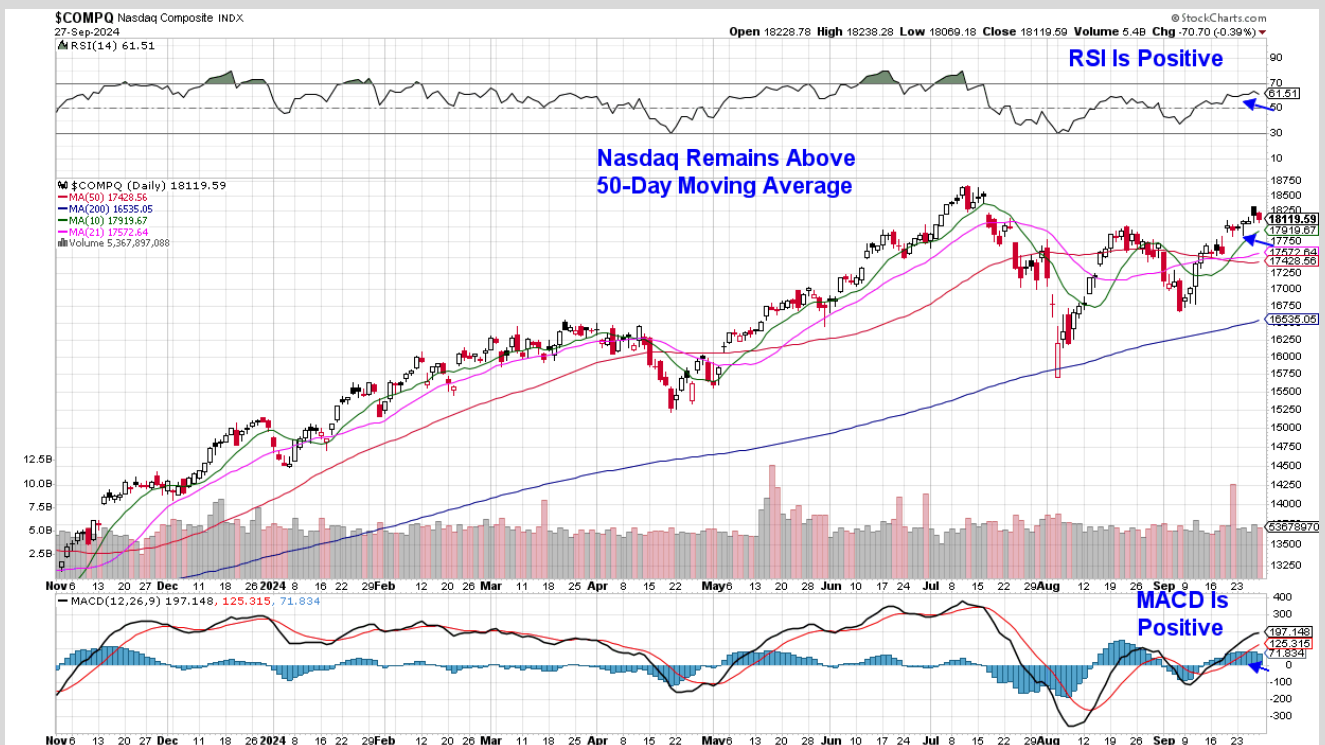
In turn, the Equal Weighted S&P 500 is keeping step with the M7 dominated "standard" S&P 500, which further confirms a broadening out of participation in the markets.

Overall, cyclical areas are outperforming - with Discretionary, Industrials, Housing and select Semiconductors among the top performing over the past 2 weeks.

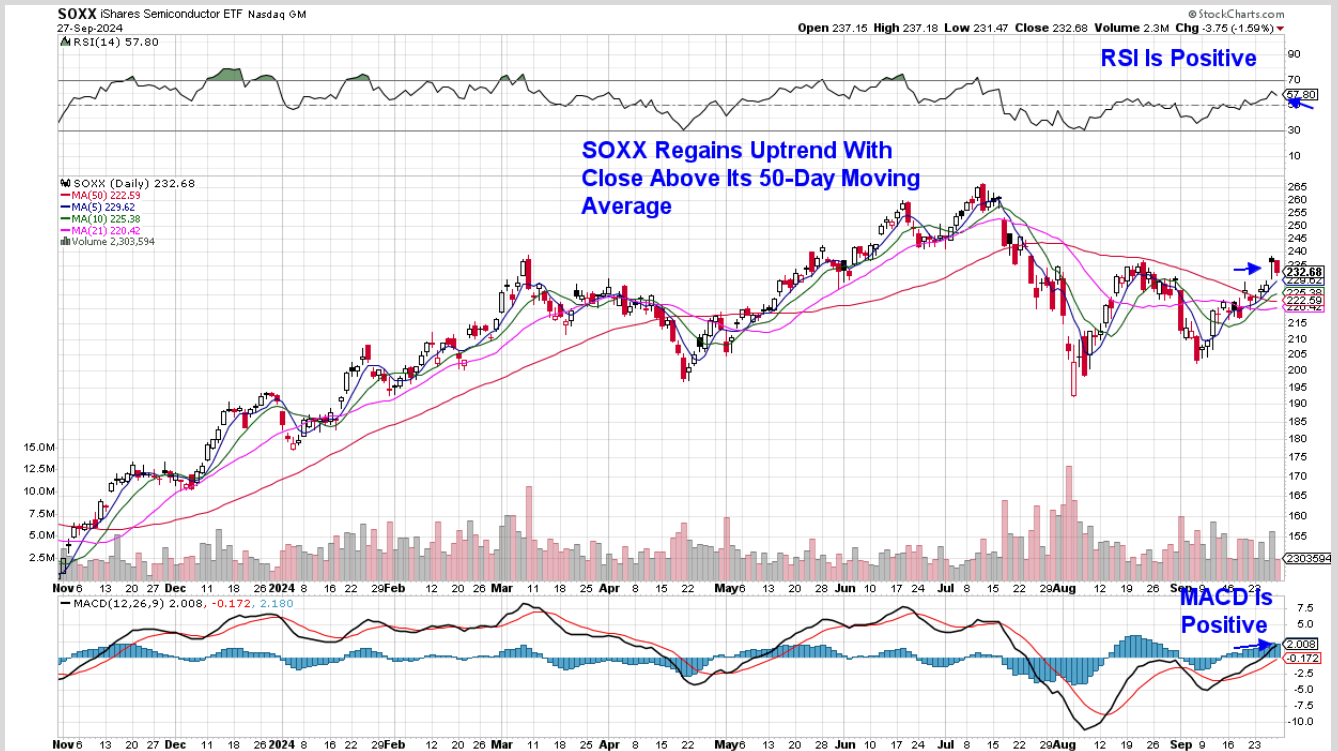
Next week, this rotation may be tested, as each of the areas highlighted above are economically sensitive. Any hint of weakness in September's employment data could bring back fears of a recession, which would hurt stocks that depend on a strong economy.

## Charts We Are Watching:

Daily Chart of the Nasdaq Composite (\$COMPQ)



## Daily Chart of the iShares Semiconductor ETF (SOXX)



## New Idea Charts:

### Daily Chart of Williams Sonoma, Inc. (WSM)



# 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	-2.0%	
GRBK	Green Brick Partners	\$80.10	9/22/2024	3.5%	
SN	SharkNinja	\$95.80	9/2/2024	10.5%	
TOL	Toll Brothers	\$139.50	7/27/2024	14.5%	
WMT	Walmart	\$72.90	8/15/2024	8.5%	
WSM	Williams Sonoma	\$154.40	9/29/2024		

REAL ESTATE					
NSA	National Storage	\$44.20	7/21/2024	8.5%	
EQR	Equity Residential	\$16.50	7/21/2024	6.5%	

INDUSTRIAL					
EME	Emecor Group	\$420.00	9/22/2024	-2.0%	
FTAI	FTAI Aviation	\$58.00	3/17/2024	103.0%	
GE	GE Aerospace	\$178.26	9/15/2024	4.0%	
GVA	Granite Construction	\$76.37	9/15/2024	3.5%	
TDG	Transdigm	\$1,348.03	9/12/2024	4.0%	

HEALTHCARE					
ABBV	AbbVie	\$185.10	7/28/2024	5.0%	
BSX	Boston Scientific	\$81.80	9/2/2024	2.5%	
ISRG	Intuitive Surgical	\$598.80	5/19/2024	24.0%	
LLY	Eli Lilly	\$891.70	8/11/2024	0.0%	

TECHNOLOGY					
ANET	Arista Networks	\$384.50	9/22/2024	-1.0%	
AVGO	Broadcom	\$175.50	9/25/2024	-1.5%	
MNDY	Monday.com	\$258.99	9/12/2024	8.5%	
NVDA	Nvidia	\$123.50	9/25/2024	-1.5%	
PLTR	Palantir	\$32.10	8/18/2024	16.5%	
Q TWO	Q2 Holdings	\$79.00	9/22/2024	-3.0%	
TSM	Taiwan Semiconductor	\$181.90	9/25/2024	-2.0%	

COMMUNICATION SERVICES					
NFLX	Netflix	\$701.40	9/2/2024	0.50%	
META	Meta Platforms	\$550.00	9/22/2024		

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

SYMB	COMPANY NAME	CURRENT STATUS
AAPL	Apple	Hold
LLY	Eli Lilly	Hold
MPWR	Monolithic Power	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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