



# THE MEM EDGE

October 6, 2024 | Weekly Report

## Economic Data Released This Week

- U.S. Businesses Add More New Jobs Than Expected In September

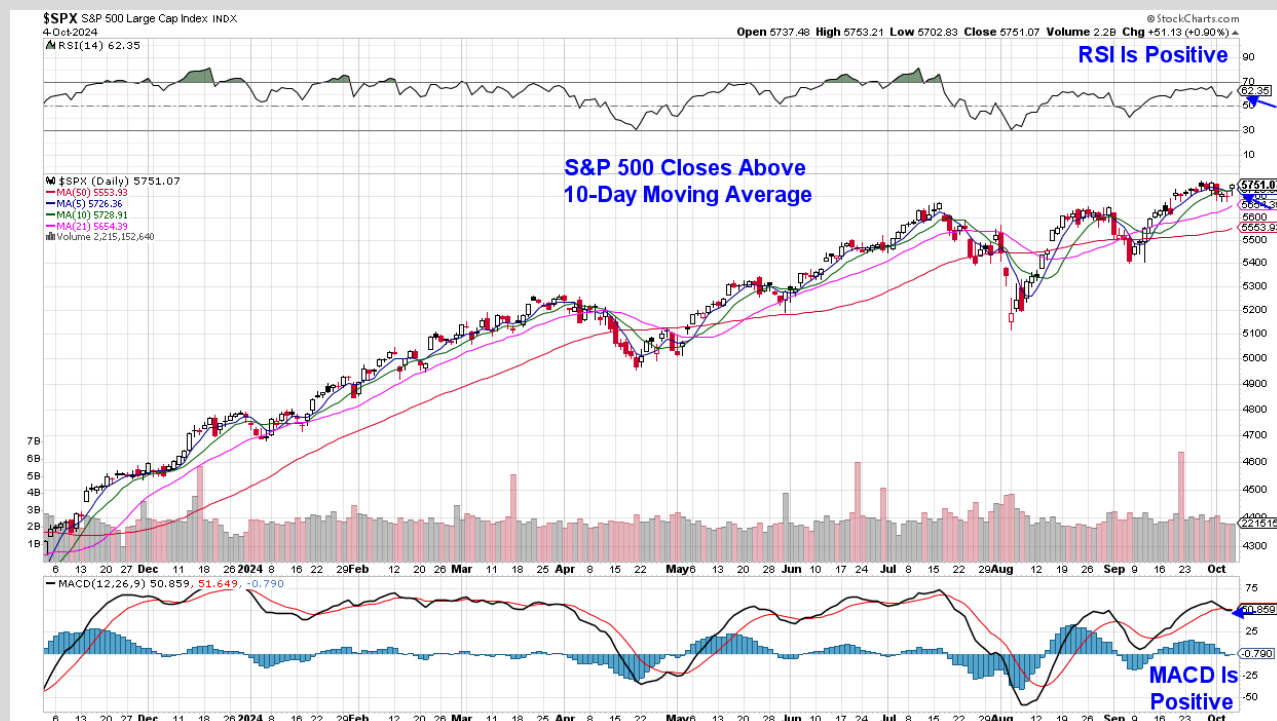
## Market Developments This Week

- Volatility Index (VIX) Rises To 19.7
- Chinese Stocks Continue To Trade Higher
- Dockworker's Strike Ends

## Economic Data Due Next Week

- FOMC Meeting Notes On Wednesday
- Earnings Season Begins Next Week With JPM And WFC Among Others Due To Report
- A Number Of Federal Reserve Officials Are Speaking Next Week
- Core CPI And PPI Report Next Thursday And Friday

### Daily Chart of S&P 500



The S&P 500 gained 0.2% during a tight but volatile week that was highlighted by key employment data. This Index closed the week above its 10-day simple moving average and with the RSI and MACD in positive territory, the near-term uptrend in the S&P 500 remains in place.

The NASDAQ inched higher by 0.1%, buoyed by a Friday rally that had this Index closing the week back above its 10-day simple moving average. With the RSI and MACD in positive territory, the near-term uptrend in this Index remains in place.

Reaction to headline news drove price action last week, with a dockworkers strike impacting select areas involved in receiving or delivering goods while strife in the Middle East pushed Oil stocks up 6.8%. The strike was resolved on Friday - also impacting the markets.

One of the biggest drivers, however, was employment data, with both private and public jobs numbers for September coming in above estimates. Friday's surprise increase in job growth coupled with a lower employment rate was most impactful, with investors' hopes of an aggressive rate cut campaign being dashed.

In turn, interest rates rose while the Volatility Index (VIX) climbed with a close of 19.7 which signals continued volatility as it's above the "threshold level" of 18.

Other themes also shaped up last week, with a continuation rally into Chinese stocks that took place following the prior week's announcement of an aggressive fiscal policy shift to spark economic growth in China.

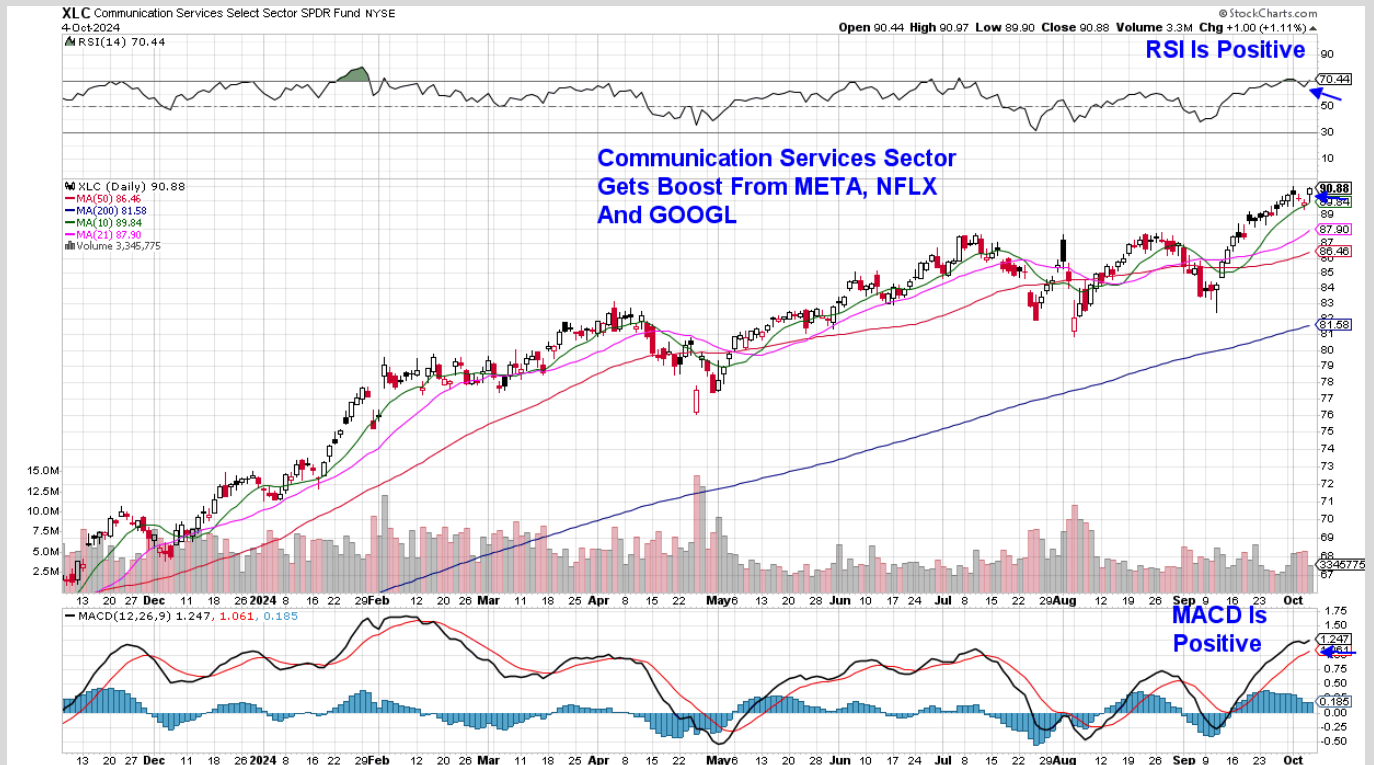
Utility stocks also continued to outperform, following news 2 weeks ago that Microsoft will be partnering with Constellation Energy (**CEG**) to revitalize dormant nuclear energy facilities to provide needed electricity for **MSFT**'s AI-related needs.

Nvidia's CEO sparked a Tech rally later in the week after commenting that AI-related chip sales are "insane". This boosted **NVDA** as well as other AI stocks on our List which we will review below.

Overall, the U.S. markets are in a confirmed uptrend amid an expanding economy and an accommodative Fed. Earnings season will begin next week, with several major Banks due to report their 3rd quarter results.

Any hint of strong corporate earnings over the next several months will help propel the markets higher.

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



### Communication Services Sector Gets Internet-Related Boost

The Communication Services sector posted a slight gain, led by heavyweight name Meta Platforms (**META**) which rallied 5% for the week. The gain pushed the stock out of a 2-week base amid outperformance in AI-related stocks later in the week.

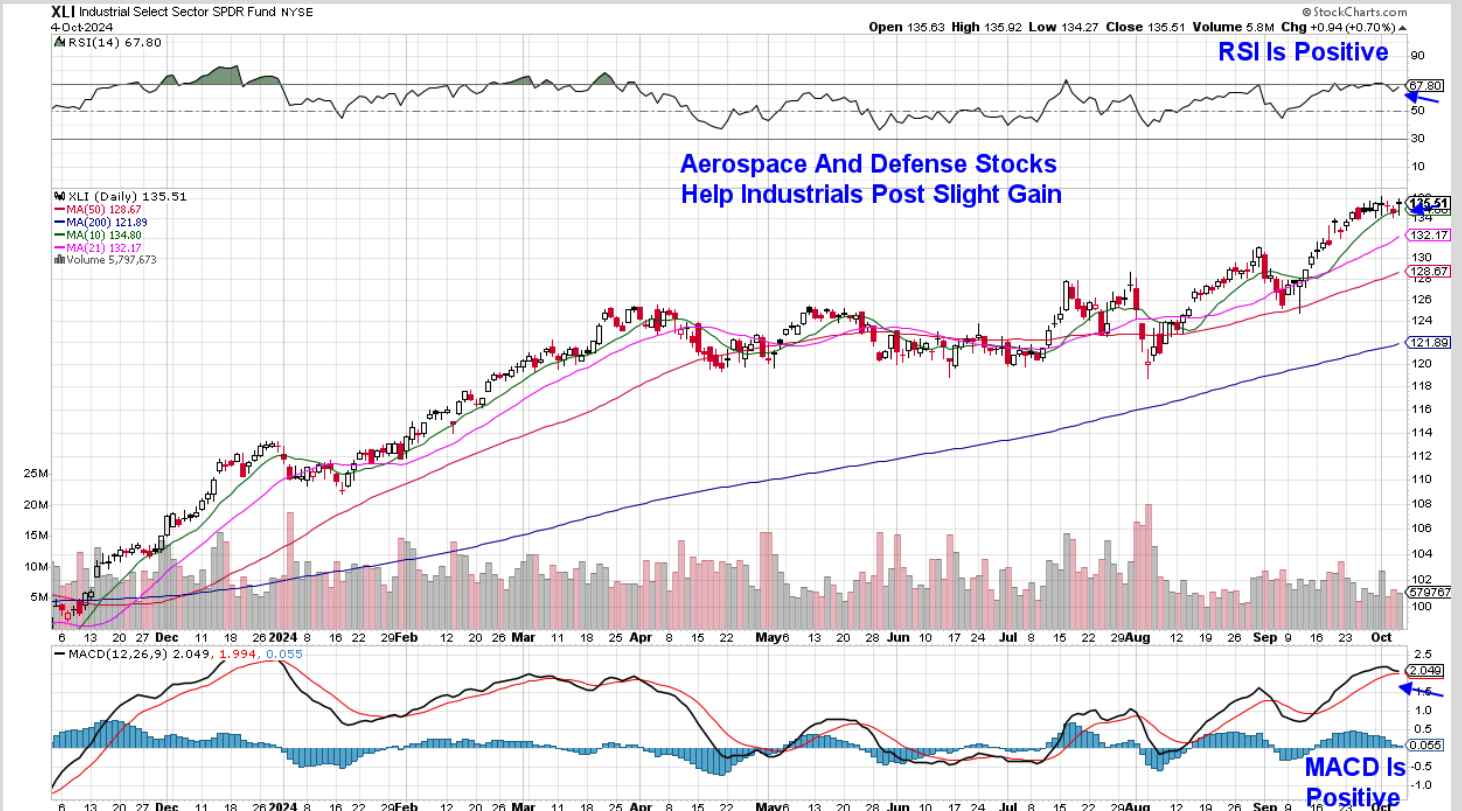
As noted in last Sunday's report, a bullish bias enveloped **META** following their annual developers conference where new AI and metaverse products were announced.

Confidence in the company's ability to grow increased further last week, with **META** hitting a new high in price Friday after announcing it had built a new AI model that can create tools similar to startups such as OpenAI.

**META** can be bought on a pullback to its 5-day moving average in the \$580 range.

Netflix (**NFLX**) outperformed as well, with a 1.8% rally that took place on Friday. The gain put the stock back above its 10-day moving average and into a buy zone. **NFLX** is due to report their earnings in less than 2 weeks.

## Daily Chart of the Industrial Sector (XLI)



### Industrial Sector Is Flat For The Week

Industrial stocks were mixed last week as Transportation areas such as Trucking and Rails pulled back sharply amid news of a port strike that would reduce their revenue.

Aerospace and Defense stocks outperformed, however, as tensions in the Middle East improved the outlook for these stocks.

Among names on our List, FTAI Aviation (**FTAI**) hit a new high in price last week after an 8.2% gain. The stock can be bought on a pullback to the \$135 range at its 5-day simple moving average.

Granite Construction (**GVA**) posted a 2-week base breakout on Friday following a 2.2% rally. **GVA** specializes in construction services that enable Utility companies to expand and modernize their systems.

The late-week rally in AI-related names gave Granite Construction a boost, which puts the stock into a strong buy zone.

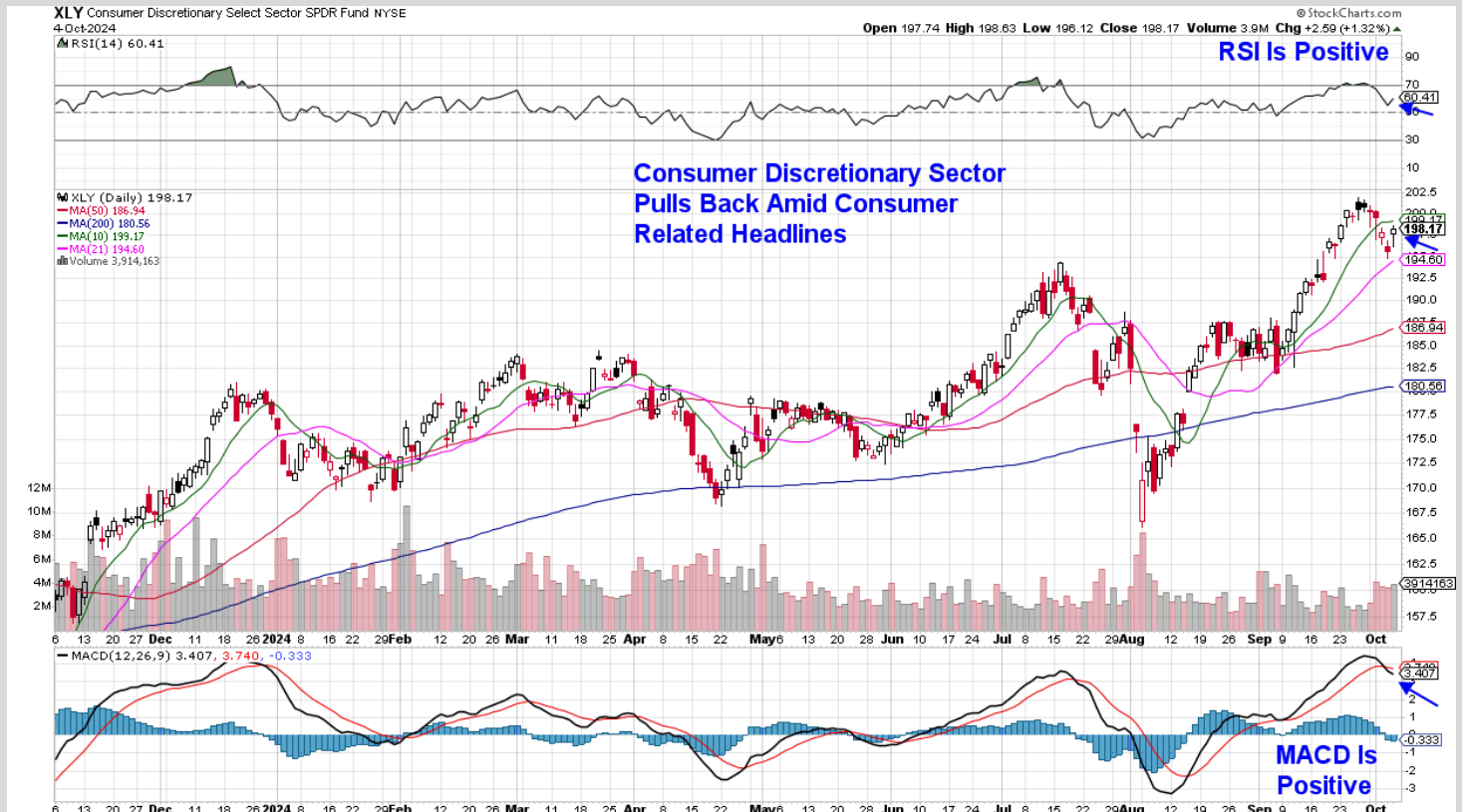
EMCOR (**EME**) is another infrastructure stock that's in a position to benefit from the increased need for electricity to power AI demands. The stock closed the week above its 10-day moving average which puts it into a buy zone.

GE Aerospace (**GE**) closed the week up 1% with the longer-term weekly chart looking very bullish due to a MACD crossover as the stock digests gains from earlier last month. **GE** is in a buy zone.

TransDigm Group (**TDG**) was up 2% for the week with a Friday reversal that put the back above its 10-day moving average and into a buy zone. The company provides systems for commercial and military customers and last week's gain took place amid an escalation of tensions in the Middle East.



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



### Consumer Discretionary Sector Hurt By Headline News

Discretionary stocks pulled back amid weak Nike (**NKE**) earnings, higher interest rates, and portworker's strike. Lower-than-expected auto delivery numbers from heavyweight Tesla (**TSLA**) also weighed on this group.

Homebuilder stocks pulled back last week, with the largest decline taking place on Friday as interest rates rose following news of a stronger-than-expected jobs report. (using ETF XHB)

Toll Brothers (**TOL**) recovered from a dip below its 21-day moving average in generally positive price action Friday.

However, both the RSI and MACD are trending downward on the daily chart. We would not be a buyer on this pullback but instead, would wait for a close above \$153 at its 10-day moving average.

Green Brick Partners (**GRBK**) exhibited similar price action however, the RSI is closer to turning negative (below 50) as the stock clings to its 21-day moving average. A close above \$82.5 at its 10-day moving average would put the stock into a buy zone. Both **TOL** and **GRBK** have healthy, longer-term weekly charts.

Walmart (**WMT**) pulled back earlier in the week as news of a port strike was expected to negatively impact their sales outlook. The stock closed the week back above its 10-day moving average however and is in a buy zone.

Look for a bullish MACD crossover on the daily chart to confirm a new uptrend in **WMT**. On the weekly chart, **WMT** is posting a high tight flag formation which is quite constructive for the long-term outlook.

Amazon (**AMZN**) also pulled back amid possible disruptions to the delivery of their goods. The stock posted a Friday rally that has the stock regaining its 21-day moving average with a now positive RSI. A close above \$188 at its 10-day moving average would put **AMZN** into a buy zone.

Williams Sonoma (**WSM**) pulled back 2% for the week, however, it is continuing to find support above its 10-day moving average. The near-term momentum is flat and we would be a buyer on a move closer to its recent high of \$155. For now, the stock can be held.

SharkNinja (**SN**) remains in a confirmed uptrend as it finds support above its upward-trending 10-day moving average. Last week's 3.5% gain took place amid the company's announcement of another new product that's expected to increase sales as we head into the holiday season. The stock is in a buy zone.

This week, we are adding Shake Shack (**SHAK**) to our Suggested Holdings List after Friday's cup with handle base breakout which took place on relatively high volume.

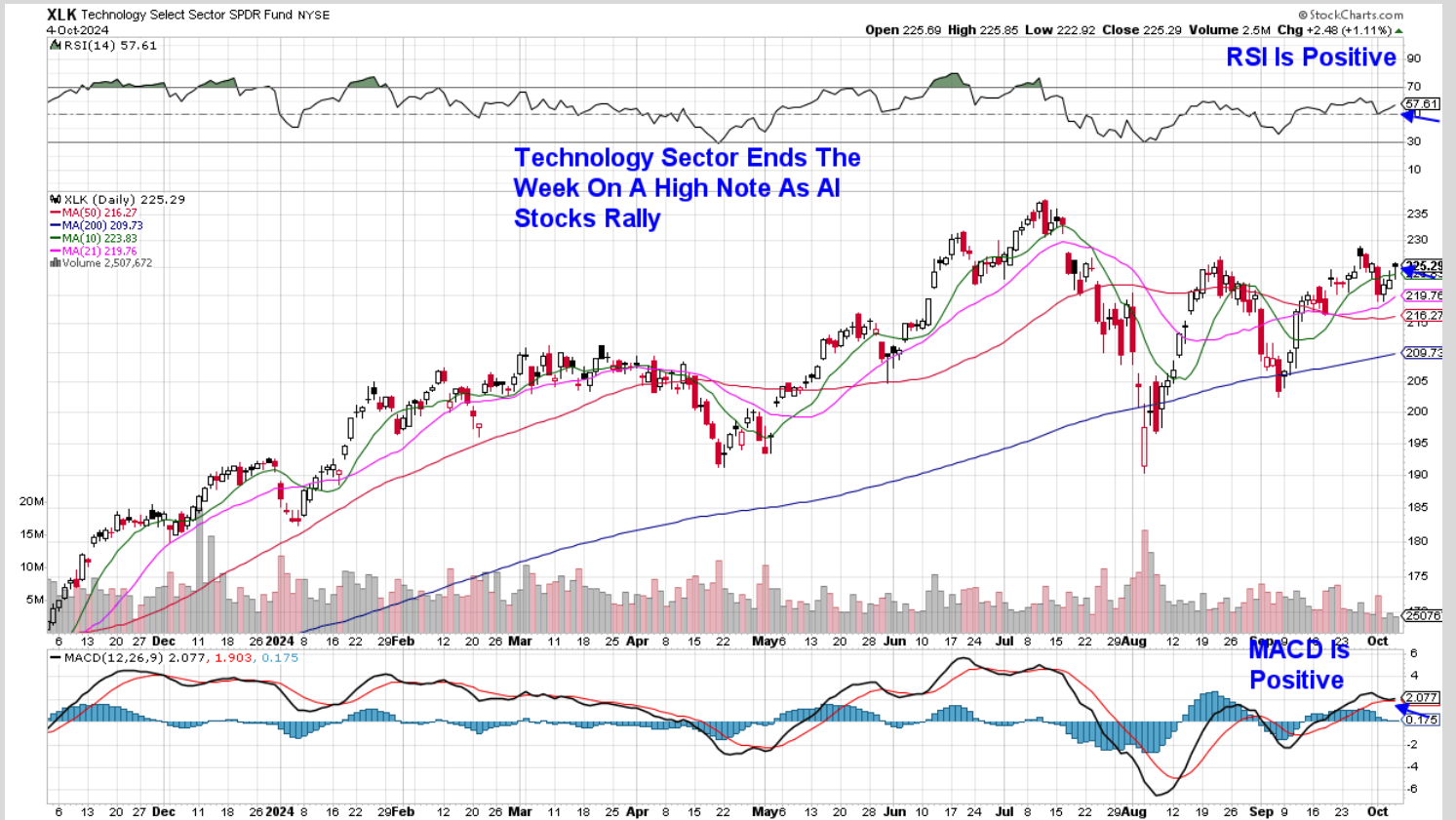
The shake and burger restaurant operator has seen their estimates revised higher ahead of the release of their earnings at the end of this month. **SHAK** is in a buy zone.

While the Consumer Discretionary sector originally pulled back due to headline news, Friday's rally took place amid stronger-than-expected employment data coupled with an increase in wages.

This news is a positive for Retailers as is Amazon's announcement that they have boosted their workforce by 250,000 as we head into the holidays. The move is in line with other retailers who are hiring and overall, Wall Street is on the lookout for a strong holiday season which would be constructive for these stocks.



## Daily Chart of the Technology Sector (XLK)



### Technology Sector Ends The Week On A High Note

The Tech sector struggled going into last week, led by weakness in Semiconductor stocks such as Nvidia (**NVDA**) which had lost 2%.

Other Semiconductors also pulled back amid news that China was advising local companies to avoid Nvidia's H20 chip and instead, look locally for alternatives. The port strike was also viewed negatively for these stocks.

The group received a late-week boost however after Nvidia's CEO commented that AI-related chip demand is "insane". **NVDA** ended the week in a buy zone after closing above its 10-day moving average with a positive RSI and MACD.

Both Broadcom (**AVGO**) and Taiwan Semiconductor (**TSM**) ended the week in a similarly bullish position, with a close above their 10-day moving averages with a positive RSI and MACD. **AVGO** and **TSM** are in a buy zone.

Not all Semiconductor stocks ended the week on a high note, however, with non-AI chip-related names underperforming.

Networking stock Arista Networks (**ANET**) broke out of a 1-week base amid a major Wall Street firm's price target upgrade to \$425 citing the company's potential for 25% revenue growth by next year.



The growth for **ANET** is due to AI Center's demand for the company's ethernet switches that are needed for data-driven networking. **ANET** is in a buy zone.

The Software group was flat for the week however, each of the names on our Suggested List posted gains. Our top performer was Palantir (**PLTR**) which gained 8.6% which pushed the stock out of a 2-week base on relatively high volume.

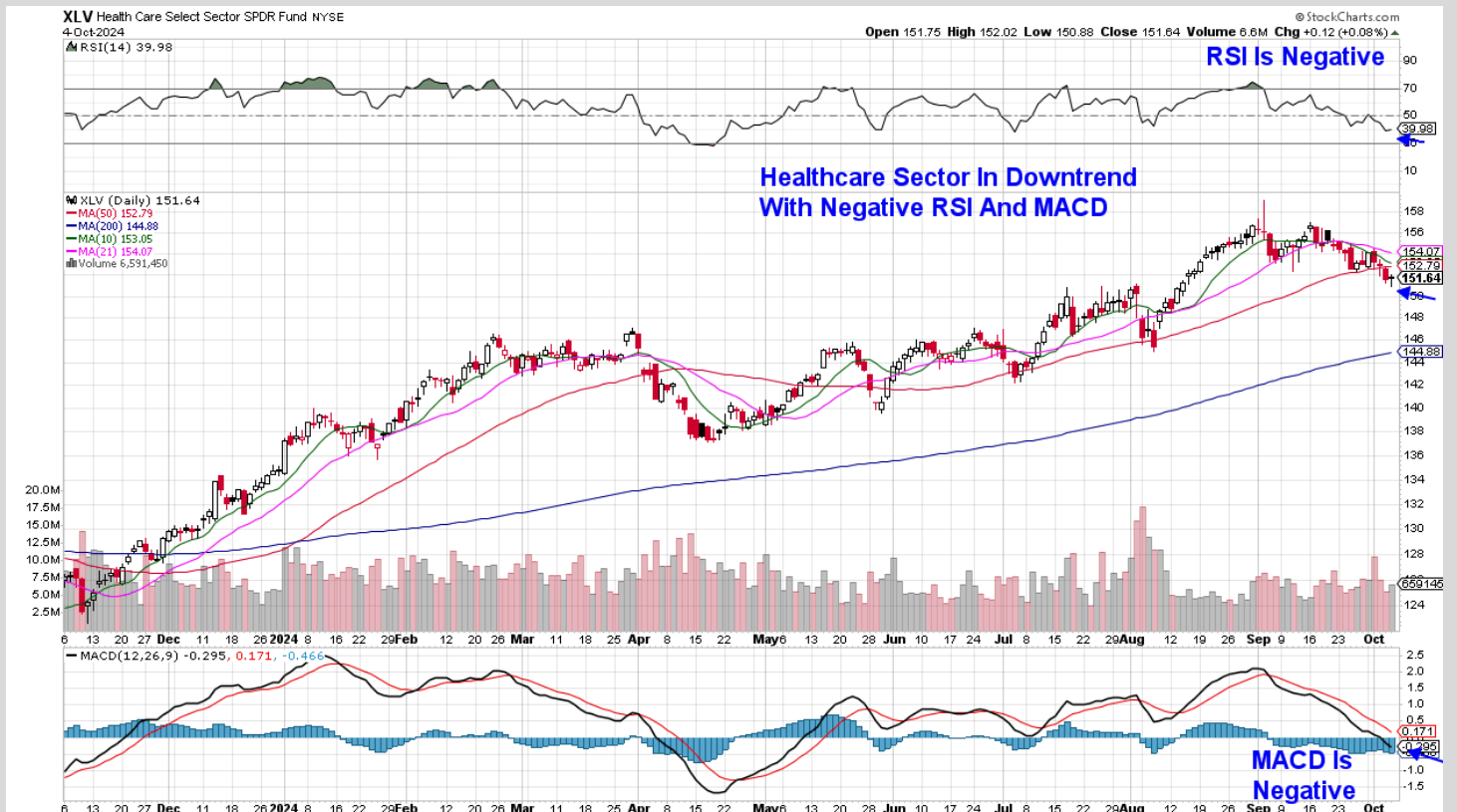
**PLTR** began to move higher after news last week that co-chair Theil completed his sale of 12.5 million shares. The stock can be bought on a pullback to the \$38.5 range near its 5-day moving average.

Project management software company monday.com (**MNDY**) closed the week up 2% with a move above its 10-day moving average which puts the stock into a buy zone.

Q3 Holdings (**QTWO**) also closed the week in a bullish position above its 10-day moving average. The stock was held back earlier in the week by a pullback in Bank stocks who are their primary clients. **QTWO** is in a buy zone.



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



### Healthcare Sector Continues To Struggle

The Healthcare sector closed the week below its 50-day moving average, with both the RSI and MACD now in negative territory. The move is in line with selling in other defensive areas such as Staples and REITs.

Boston Scientific (**BSX**) was able to withstand the downward pressure elsewhere, with a 1.4% gain that keeps the stock above its 10-day moving average. This keeps its near-term uptrend intact and the stock is in a buy zone. However, we would not overweight the stock at this time.

Intuitive Surgical (**ISRG**) bounced off of its 50-day moving average however, the RSI is negative and the MACD is trending downward on the daily chart.

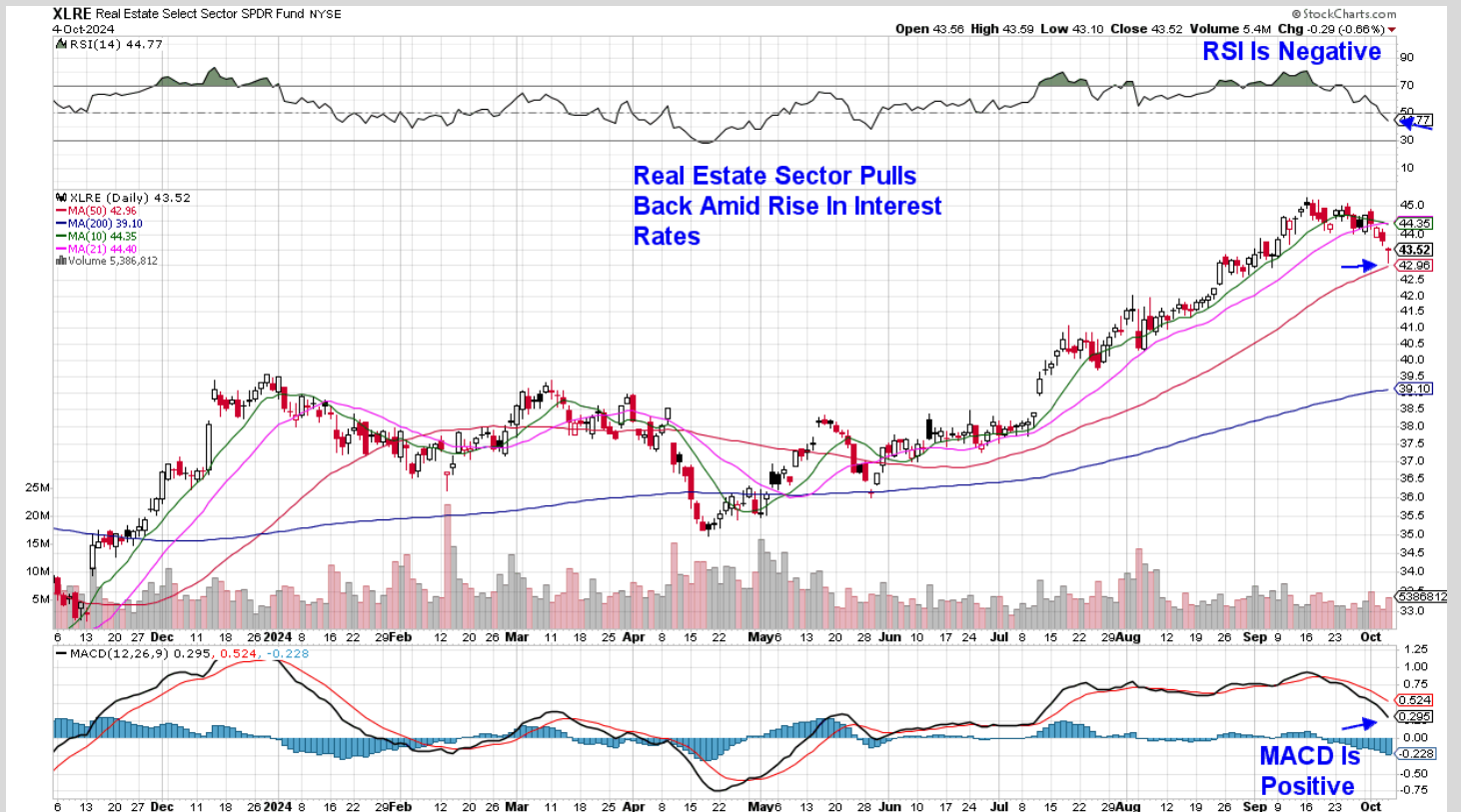
We are on the lookout for a close above its 10-day moving average in the \$485 range coupled with a positive MACD crossover to confirm a new uptrend. **ISRG** can be held.

AbbVie (**ABBV**)'s potential downtrend reversal faltered last week, with the stock losing 0.25% after a pullback to its 50-day moving average. The stock can be held with a close back above its recent high of \$199 putting it back into a buy zone.

Last week's close of this sector below its 50-day moving average with a negative RSI, signals further weakness ahead.

We would continue to underweight Healthcare stocks.

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



### Real Estate Sector Pulls Back To 50-Day Moving Average

The Real Estate sector was pulled lower, led by a sharp drop in Mortgage REITs on the heels of reduced confidence in the possibility of a large rate cut by the Federal Reserve. Every other category of REITs also declined.

REIT stocks fare well in a declining rate environment as the companies can borrow funds to grow their portfolios at a lower rate. Mortgage-related stocks will be hurt due to a lesser need for funding due to a lower number of new mortgages.

This week, we are removing National Storage (**NSA**) from our Suggested Holdings List after it closed below its 50-day moving average on heavy volume with the RSI now in negative territory.

The pullback was in line with other storage facility REITs that are expected to see less demand amid reduced home sales.

Equity Residential (**EQR**) also closed below its 50-day moving average with a negative RSI. We are removing **EQR** from our Suggested Holdings List. Longer-term investors can remain with the stock as it is in a positive position.

## Summary

Last week, the Volatility Index (VIX) - also known as the “fear index” - ended the week higher amid increased tensions in the Middle East as well as the upcoming U.S. presidential election and reduced odds of an aggressive rate cut program from the Fed.

The markets ended the week strongly however, led by an AI fueled rally in Tech names as well as a pickup in retail stocks on the heels of Friday's report of wage increases. While Growth stocks rallied, more defensive areas of the market weakened in a →

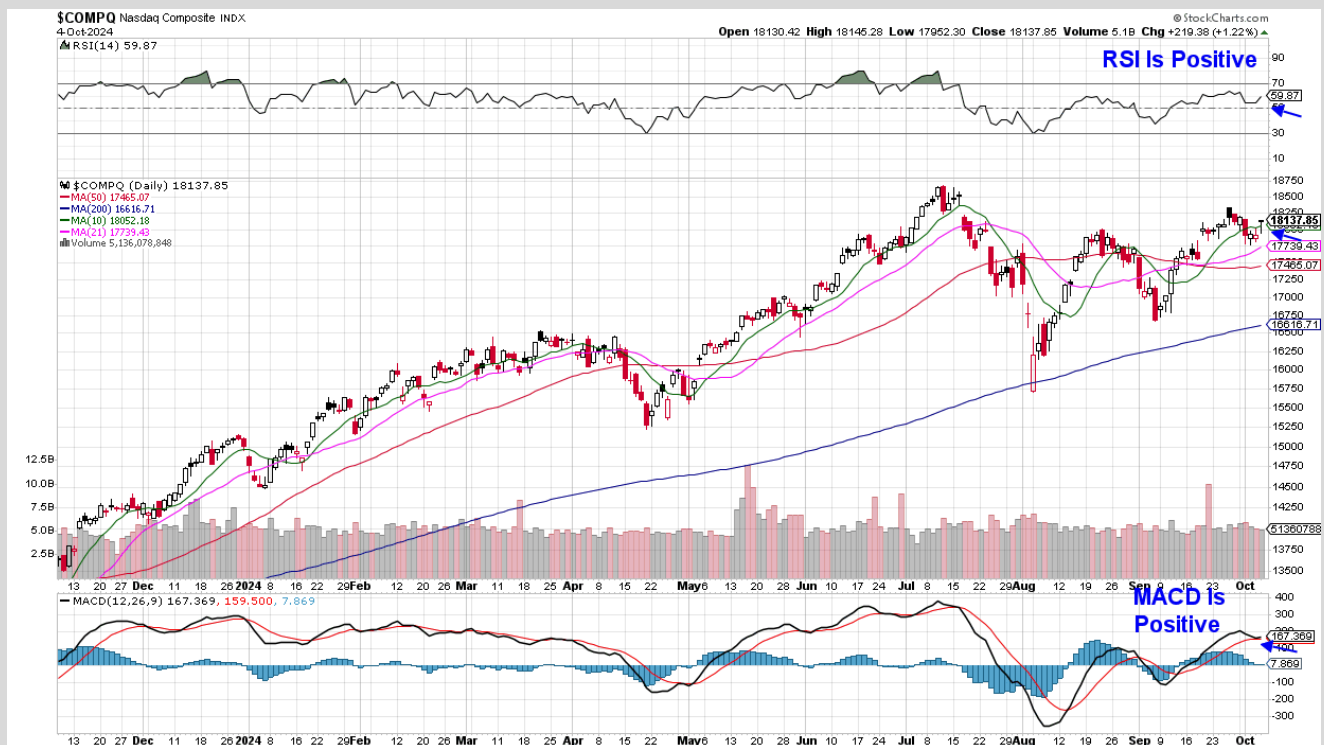
signal that investors have more confidence in the markets and are focusing on growing areas of the economy. Any further uptick in the VIX will have us questioning this confidence however.

China's aggressive stimulus program from 2 weeks ago continues to drive their market higher. In addition, the potential growth of their economy is spurring stocks higher globally.

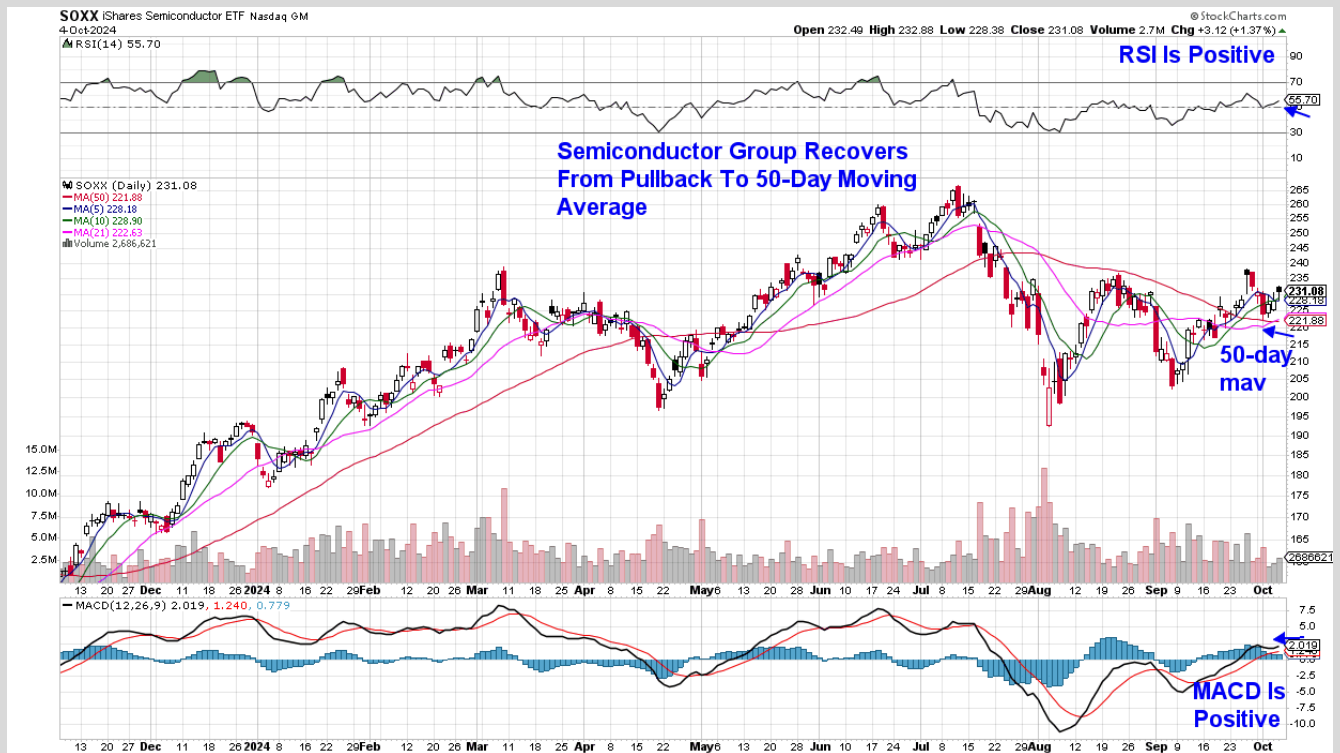
As mentioned last Sunday, you can use ETF (**MCHI**) as a possible way to participate in the rally among Chinese stocks.

## Charts We Are Watching:

Daily Chart of the Nasdaq Composite (\$COMPQ)

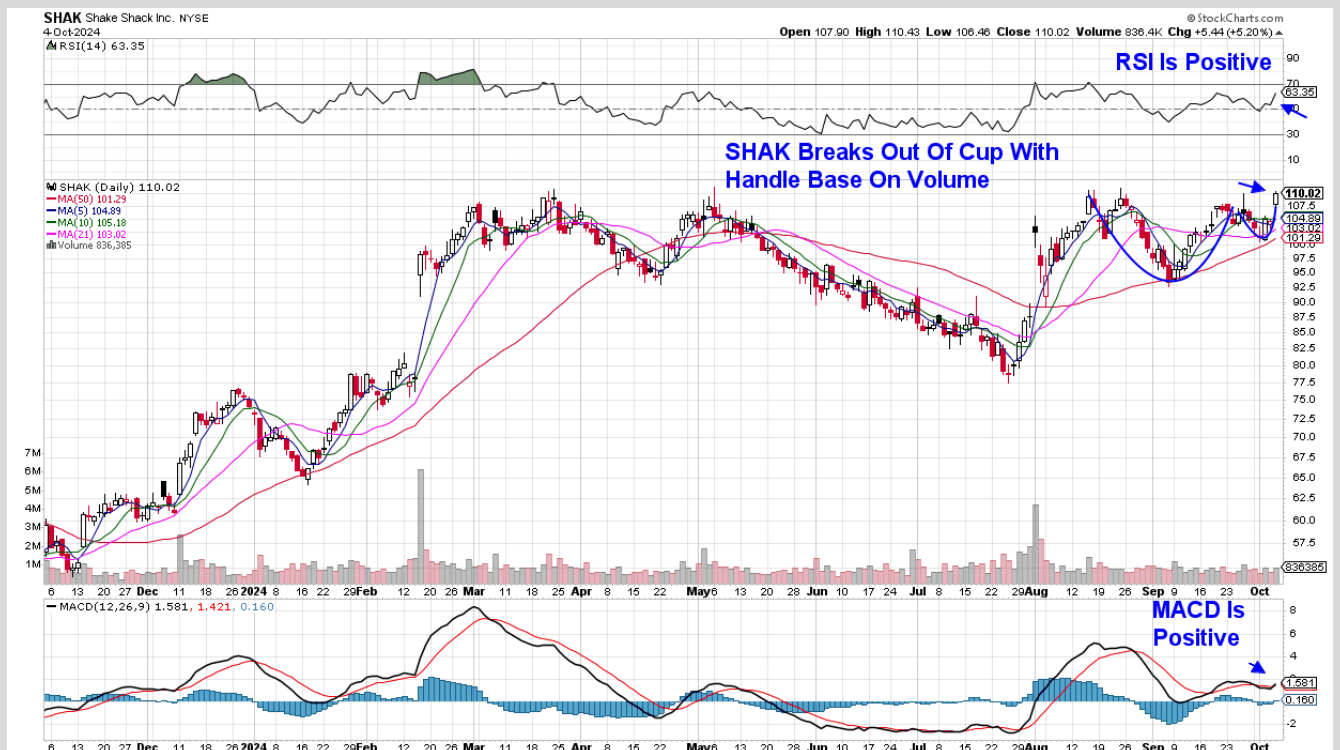


## Daily Chart of the iShares Semiconductor ETF (SOXX)



## New Idea Charts:

### Daily Chart of Shake Shack Inc. (SHAK)



# 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	-3.5%	
GRBK	Green Brick Partners	\$80.10	9/22/2024	-1.5%	
SHAK	Shake Shack	\$110.02	10/6/2024		
SN	SharkNinja	\$95.80	9/2/2024	16.0%	
TOL	Toll Brothers	\$139.50	7/27/2024	11.0%	
WMT	Walmart	\$72.90	8/15/2024	10.0%	
WSM	Williams Sonoma	\$154.40	9/29/2024	-2.0%	

REAL ESTATE					
NSA	National Storage	\$44.20	7/21/2024	2.5%	
EQR	Equity Residential	\$16.50	7/21/2024	6.0%	

INDUSTRIAL					
EME	Emecor Group	\$420.00	9/22/2024	0.0%	
FTAI	FTAI Aviation	\$58.00	3/17/2024	111.0%	
GE	GE Aerospace	\$178.26	9/15/2024	5.0%	
GVA	Granite Construction	\$76.37	9/15/2024	6.5%	
TDG	Transdigm	\$1,348.03	9/12/2024	6.0%	

HEALTHCARE					
ABBV	AbbVie	\$185.10	7/28/2024	5.0%	
BSX	Boston Scientific	\$81.80	9/2/2024	4.0%	
ISRG	Intuitive Surgical	\$598.80	5/19/2024	24.5%	

TECHNOLOGY					
ANET	Arista Networks	\$384.50	9/22/2024	3.0%	
AVGO	Broadcom	\$175.50	9/25/2024	2.0%	
MNDY	Monday.com	\$258.99	9/12/2024	10.5%	
NVDA	Nvidia	\$123.50	9/25/2024	1.5%	
PLTR	Palantir	\$32.10	8/18/2024	25.0%	
QTWO	Q2 Holdings	\$79.00	9/22/2024	-2.0%	
TSM	Taiwan Semiconductor	\$181.90	9/25/2024	0.0%	

COMMUNICATION SERVICES					
NFLX	Netflix	\$701.40	9/2/2024	2.50%	
META	Meta Platforms	\$550.00	9/22/2024	5.0%	

## 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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