



THE MEM EDGE

October 13, 2024 | Weekly Report

Economic Data Reported Last Week

- FOMC Meeting Notes Confirm Fed's Labor Market Concerns
- Consumer Price Index (CPI) Shows Inflation Higher Than Expected
- Producer Price Index (PPI) Shows Wholesale Prices Remain The Same

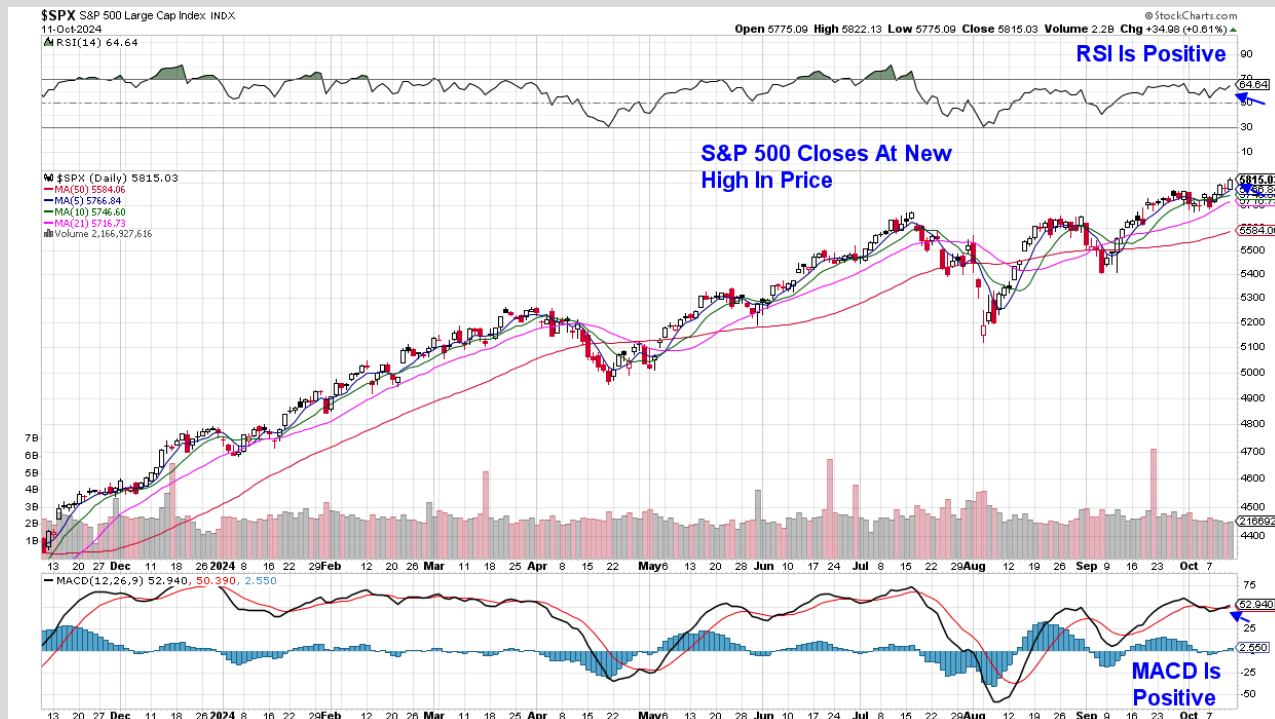
Economic Data Due Next Week

- Retail Sales, Industrial Production, And Housing-Related Data Due Next Week
- Taiwan Semiconductor (TSM) Due To Report Earnings Thursday

Market Developments This Week

- Chinese Stocks Pull Back Amid Lack Of Details For Stimulus Plan
- Volatility Index (VIX) Closes Above 20
- Yield On 10-Year Treasury Is Above 4%
- Healthcare Sector Regains Uptrend
- NVDA's Blackwell Chips Sold Out For 12 Months

Daily Chart of S&P 500



The S&P 500 gained 1.1% in a move to another record high. With the RSI and MACD in positive territory, the uptrend in this Index remains in place.

The move higher took place despite mixed economic data that showed a jump in weekly jobless claims while CPI ticked higher, indicating that consumer inflation remains sticky.

Instead, investors focused on positive earnings reports from several large banks as well as a key industrial stock. The news boosted other Bank and Industrial stocks. We expect earnings reports to take center stage next week as well, due to a relatively light economic calendar.

The Nasdaq rose 1.1%, led by a solid gain in Nvidia (**NVDA**) as well as other AI-related stocks. This Index is in a confirmed uptrend with the longer-term weekly chart posting a bullish MACD crossover which often signals a new uptrend. This bodes well for the longer-term outlook for the Nasdaq.

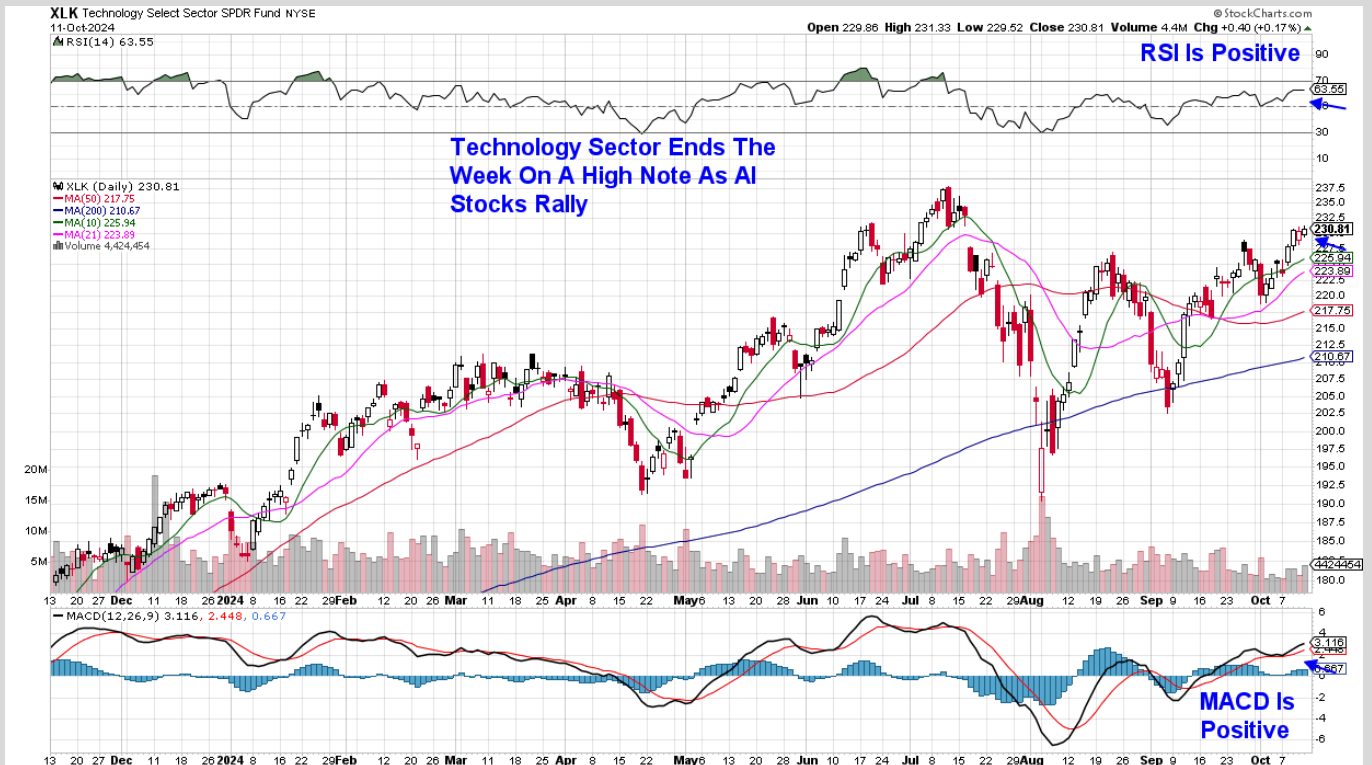
A key Semiconductor company is due to report earnings next week however, and Taiwan Semiconductor (**TSM**)'s results may sway other Tech stocks.

Overall, the broader markets are exhibiting exceptional strength with many sectors hitting a new high. Growth stocks are being favored with cyclicals such as Banks and Industrials also sitting at peak prices.

M7 quarterly reports are looming however, with "junior" name Netflix due to report next week and Alphabet and Amazon the following week. These results will be closely watched as they tend to set the pace for AI-related and other stocks.



Daily Chart of the Technology Sector (XLK)



Technology Sector Is Top Performer

The Tech sector was the best performer last week, with the 2.5% rally that was led primarily by AI-related stocks such as Nvidia (**NVDA**) which remains in a confirmed uptrend after its 8% rally.

The gains began earlier in the week after 2 of **NVDA**'s partners reiterated strong demand for its AI Blackwell chips. On Thursday, Nvidia's management revealed that Blackwell products are "booked out for 12 months".

NVDA is in a buy zone as it approaches a possible 4-month base breakout at the \$140.8 level.

Taiwan Semiconductor (**TSM**) - the world's largest chip manufacturer - is due to report their earnings this Thursday before the markets open.

TSM rallied 5.5% going into the report after sharing monthly sales numbers last week that were well above estimates due to AI-related demand. The company counts **NVDA** as one of their many clients.

Broadcom (**AVGO**) rallied almost 3% last week after investors responded to a preview of their new data center gear last week. The company will be among the presenters at next week's Open Compute Project Summit which may impact it further.

AVGO is in a strong buy zone after Friday's pullback to its 10-day moving average.

The Semiconductor group is in a confirmed uptrend however; not all stocks are participating, with AI-related chip companies such as those on our List outperforming.

Next week, ASML Holding (**ASML**) will be reporting their quarterly results as well, and any positive news may boost other Semiconductor Equipment stocks which have been lagging.

Computer Networking stocks also gave the Tech sector a boost, with names such as Arista Networks (**ANET**) from our List closing the week at another new high in price.

The company has seen its price target and earnings estimates revised higher lately, due to demand for their ethernet switches used for data-driven networking. **ANET** can be bought on any pullback into the \$410 range - close to its 5-day simple moving average.

Software stocks closed at a new high after a 3.3% rally (using ETF IGV) The gains were led by AI-related stocks such as Palantir (**PLTR**). The company now works with all five of the U.S. armed services in helping them overhaul their AI capabilities.

PLTR's commercial business is also growing, with estimates for this year being revised upward. The stock is in a confirmed uptrend and in a buy zone however, the RSI is overbought on both the daily and weekly charts. We would add to new positions lightly here.

Monday.com (**MNDY**) closed the week up 4.3% after a Thursday Wall Street upgrade gave the stock a boost. The company was rated as an overweight with a \$325 price target. **MNDY** broke out of a 2 ½ week base on relatively high volume Friday and is in a buy zone.

Q2 Holdings (**QTWO**) is points away from a possible 3-week base breakout following Friday's rally in the stock. The company provides software to Financial institutions and several major banks posted strong earnings. Improving growth for their target market is bullish for the stock which is in a buy zone.

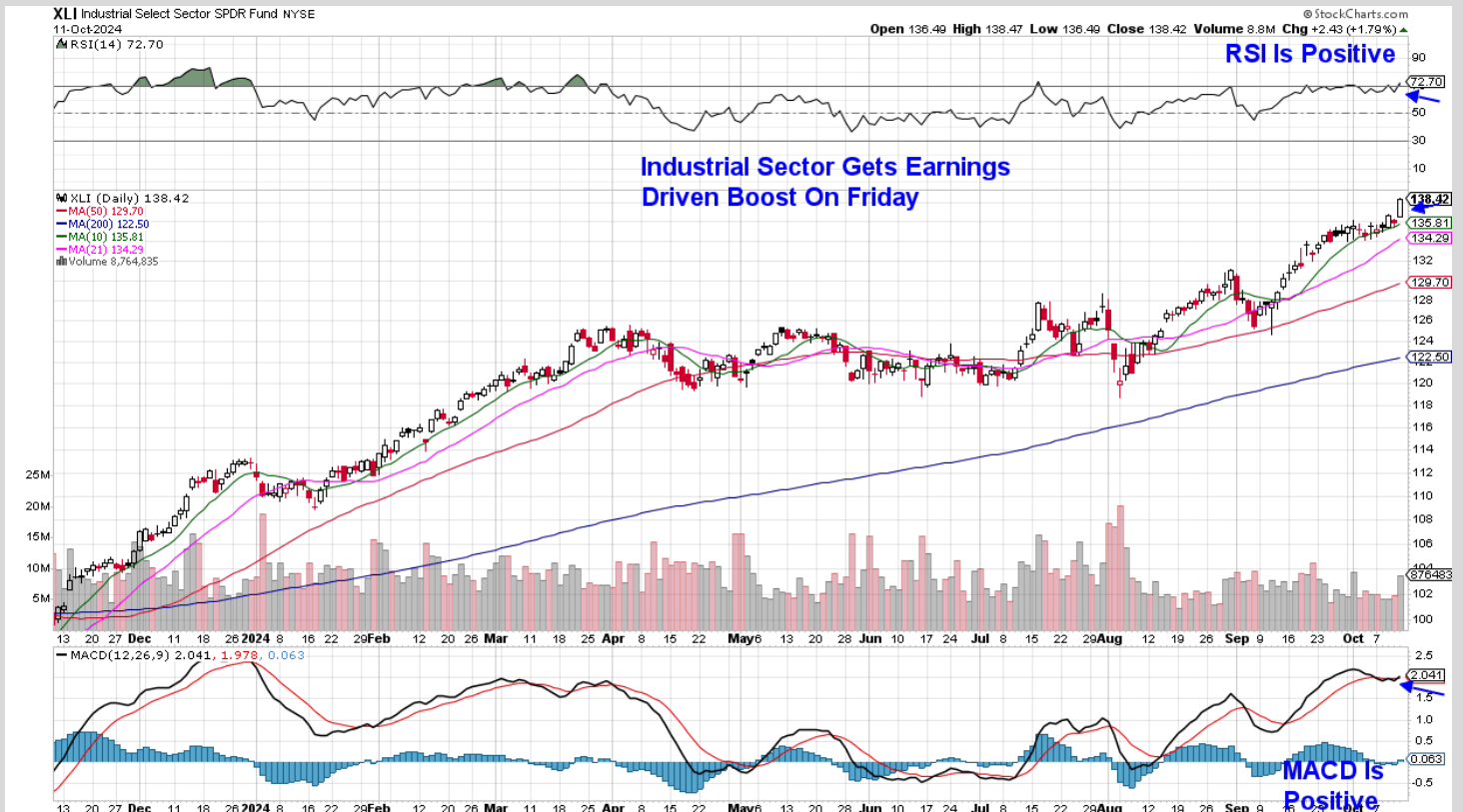
On Wednesday, we added Fair Isaac & Co. (**FICO**) to our Suggested Holdings List. The company develops digital technologies to manage risk and fight fraud. It's best known for its FICO credit scoring model which has seen an uptick in usage due to increased mortgage activity.

FICO is in a confirmed uptrend however, we are replacing the stock with Fortinet (**FTNT**).

Fortinet (**FTNT**) broke out of a 6-week base on volume last week amid a widespread rally in Software Security stocks. **FTNT** is an expert in securing wide area networks with analysts raising estimates for both this year and next.

The stock can be bought on a pullback to the \$80 range at its 5-day moving average.

Daily Chart of the Industrial Sector (XLI)



Industrial Sector Closes At New Highs

Industrials popped on Friday after a leading stock was the top performer in the S&P 500 on Friday.

Fastenal (**FAST**) - a supplier of the most basic products for manufacturers, heavy industry, and construction operations, reported earnings that were ahead of estimates. The company is viewed as a bellwether for economic trends and an increase in profits despite disruptions from Hurricane Helene, is viewed as quite positive.

Not all Industrial companies had good news, as Boeing (**BA**) announced they are laying off 17,000 employees as it continues to lose money amid its factory worker's labor strike. Boeing will also be delaying delivery of their jets.

Other companies have benefitted from **BA's** delivery delays as demand for aftermarket aircraft services such as engine leasing and maintenance has increased. FTAI Aviation (**FTAI**) is in the aftermarket space and the stock gained another 4.5% last week.

FTAI remains in a confirmed uptrend as it is above its upward-trending 5-day moving average. The stock is in a buy zone.

Transdigm (**TDG**) is another company that will benefit from **BA's** delays which will keep older aircraft operating for longer. The company derives over 35% of their revenue from aftermarket sales to commercial aircraft.

TDG remains in a confirmed uptrend however, it is extended above its 5-day moving average. We would be a buyer in the \$1385 range at its 5-dmav.

EMCOR (**EME**) benefited from the rally in AI-related stocks last week. The company's mechanical and electrical construction divisions has seen strong revenue growth for AI-type data center builds.

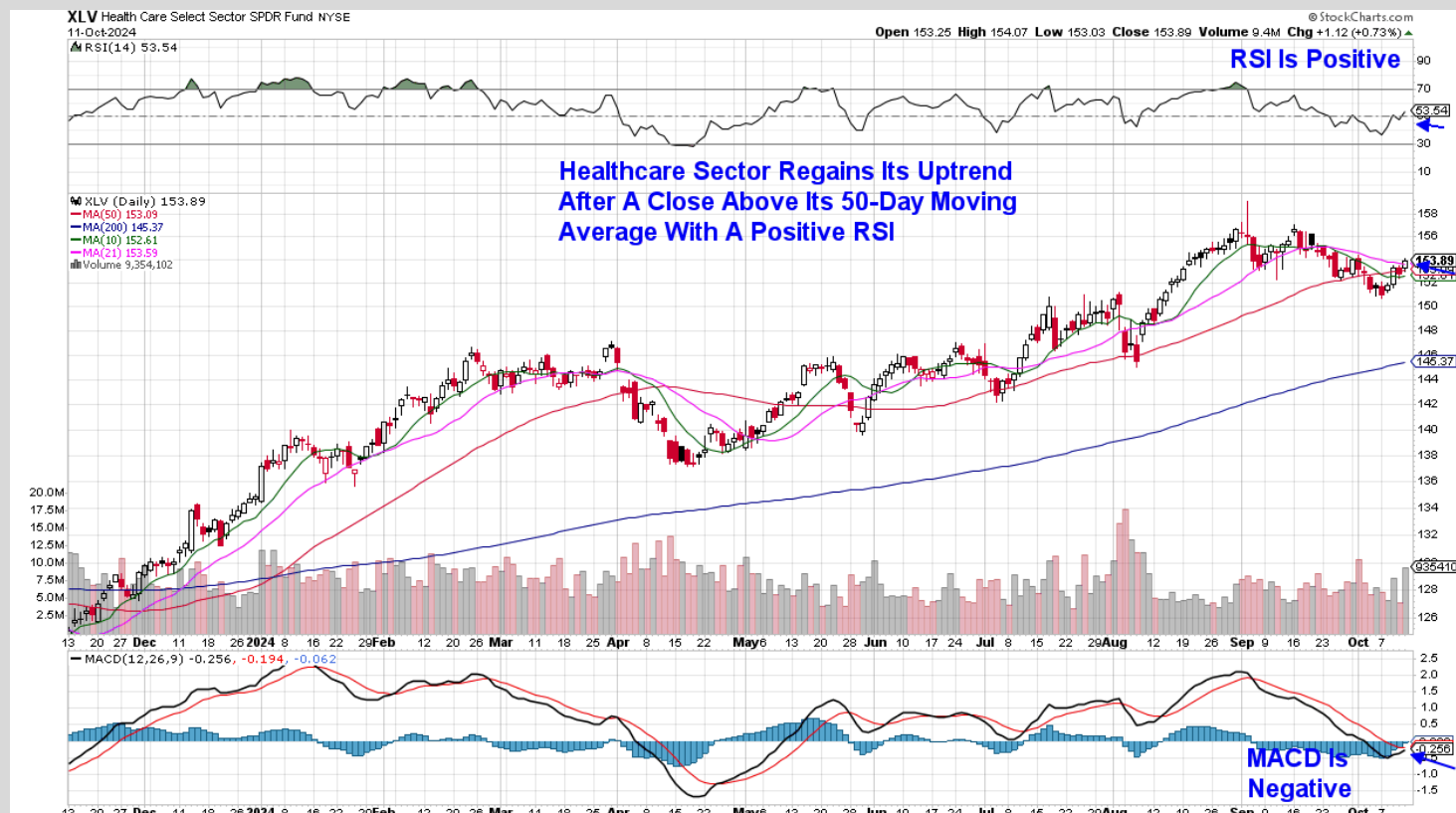
EME is in a buy zone as it finds support above its 5-day simple moving average.

General Electric (**GE**) is also in a buy zone after Friday's 3-week base breakout at the \$190.8 level. The stock is in a buy zone if we see a MACD crossover on the daily chart, the stock would be in a strong buy zone.

Granite Construction (**GVA**) posted a slight gain for the week amid analyst upgrades to earnings estimates for both this year and next. The stock is in a buy zone after last week's 3-week base breakout ahead of the company's earnings later this month.



Daily Chart of the Health Care Sector (XLV)



Healthcare Sector Regains Its Uptrend

The Healthcare sector closed the week above each of its moving averages with a positive RSI that puts this sector back into an uptrend.

Heavyweight name Eli Lilly (**LLY**) received an early week boost after Congress shared what the government's cost would be to cover the cost of their **LLY's** Zepbound to treat obesity. The report gives the company an early-mover advantage for being approved for coverage.

LLY is in a strong buy zone after closing above its 50-day moving average with a now positive RSI and MACD.

Select Medical Products stocks also outperformed such as Boston Scientific (**BSX**) which gained 3% after a Wall Street price target upgrade due to the company's positive utilization trends for Q3.

BSX is in a strong buy zone after last week's bullish MACD crossover on the daily chart. (black line up through the red) coupled with the stock finding support above its upward-trending 5-day moving average.

Intuitive Surgical (**ISRG**) remains in a flat base that's been forming over the past 2 months. The company is due to report their earnings on Thursday after the markets close. A bullish crossover of the MACD on the daily chart coupled with a close above its recent high of \$496 would be very positive for the stock.

On any poor earnings-related news, a close below its 50-day moving average would be quite negative.

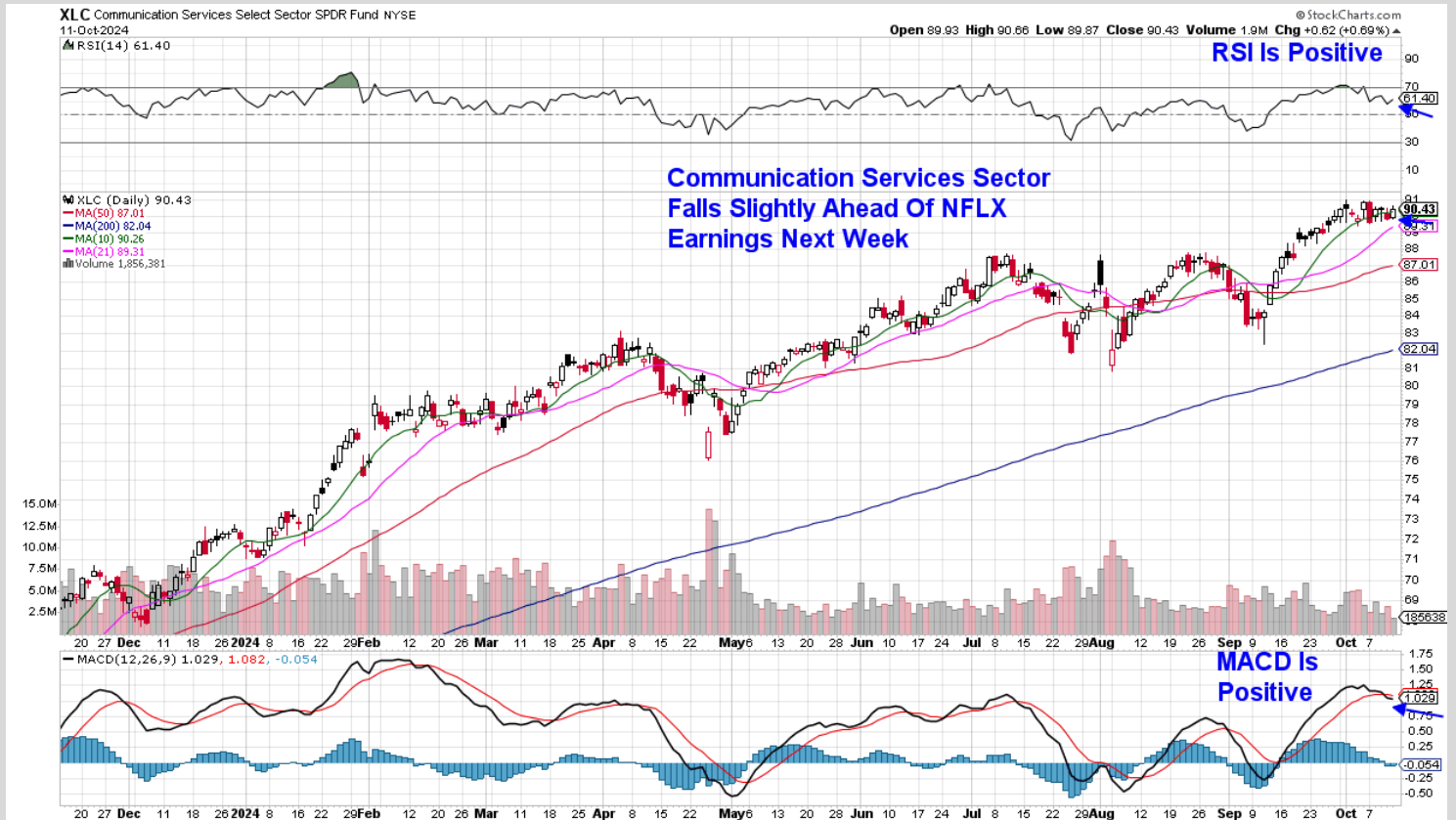
AbbVie (**ABBV**) was flat for the week despite several price target upgrades ahead of the release of their earnings later this month. The stock can be held however, a close above its 10-day moving average at the \$195 range would put **ABBV** into a buy zone.

Biotech stocks staged a Friday rally that put the group back into an uptrend after closing above its 50-day moving average with a now positive RSI.
(using ETF IBB)

Biotech stock Vertex (**VRTX**) posted a similarly bullish week however, the stock posted a late August and early September attempt to reverse its downtrend that failed. We are on the lookout for a positive MACD - similar to early May - as confirmation before adding the stock to our Suggested Holdings List.



Daily Chart of the Communication Services Sector (XLC)



Communication Services Sector Underperforms Amid Alphabet Pullback

Heavyweight stock Alphabet (**GOOGL**) pulled back after a Department Of Justice call to break the company up as a possible antitrust remedy.

Meta Platforms (**META**) also pulled back however, it was slight amid a lack of highly relevant news ahead of the release of their earnings later this month.

The stock is forming a positive high tight flag formation and a close above its Monday high of \$603 would be quite bullish. **META** is in a buy zone.

Netflix (**NFLX**) posted a small gain to close the week above its upward-trending 5-day moving average. The stock received several Wall Street upgrades going into the release of their earnings which is on Thursday, after the markets close.

Upgrades going into earnings are viewed as bullish, as most analysts will not put their reputation on the line unless they have analysis pointing to a positive report.

Daily Chart of the Consumer Discretionary Sector (XLY)



Consumer Discretionary Sector Pulls Back Further

Discretionary stocks were led lower by Tesla (**TSLA**) which fell sharply following their robotaxi event which fell flat. Other auto stocks also weighed on this sector with China-based companies seeing the worst declines amid a pullback in the Chinese stock market.

Heavyweight name Amazon (**AMZN**) outperformed with a 1.2% gain that took place on the heels of 2 new Wall Street buy ratings. The analysts based them on a bullish belief that their AWS cloud computing platform will continue to grow.

AMZN is now in a buy zone after closing above its 10 and 21-day moving averages. A bullish MACD crossover - (black line up through the red) would provide further conviction.

Home Construction stocks were flat last week as interest rates climbed to over 4% for the 10-year Treasury bond. Both Toll Brothers (**TOL**) and Green Brick (**GRBK**) ended the week flat as well.

Later next week, home builders confidence numbers for October will be released as will housing starts and building permits for September. The data is expected to impact these stocks. Both **TOL** and **GRBK** can be held for now.

Shake Shack (**SHAK**) posted a bullish reversal day on Friday where the stock dipped below its 50-day moving average before closing back above its 10-day moving average on heavy volume.

This puts **SHAK** into a buy zone. A close above its recent base breakout level of \$111 would be even more positive.

SharkNinja (**SN**) is consolidating after last month's 13% advance. The stock has pulled back to its 21-day moving average where it is finding support. A close below this moving average would be concerning as the next area of possible support would be its 50-day moving average which is 10% away.

We would not be a buyer of **SN** until it closes above its 10-day moving average in the \$109 range.

Walmart (**WMT**) is also in a period of consolidation with both the RSI and MACD trending downward but remaining positive. We would not be a buyer at this time however, the stock can be held.

This week we are adding Ferrari (**RACE**) back to our Suggested Holdings List after the stock reversed its downtrend with a close above its 50-day moving average and a positive RSI.

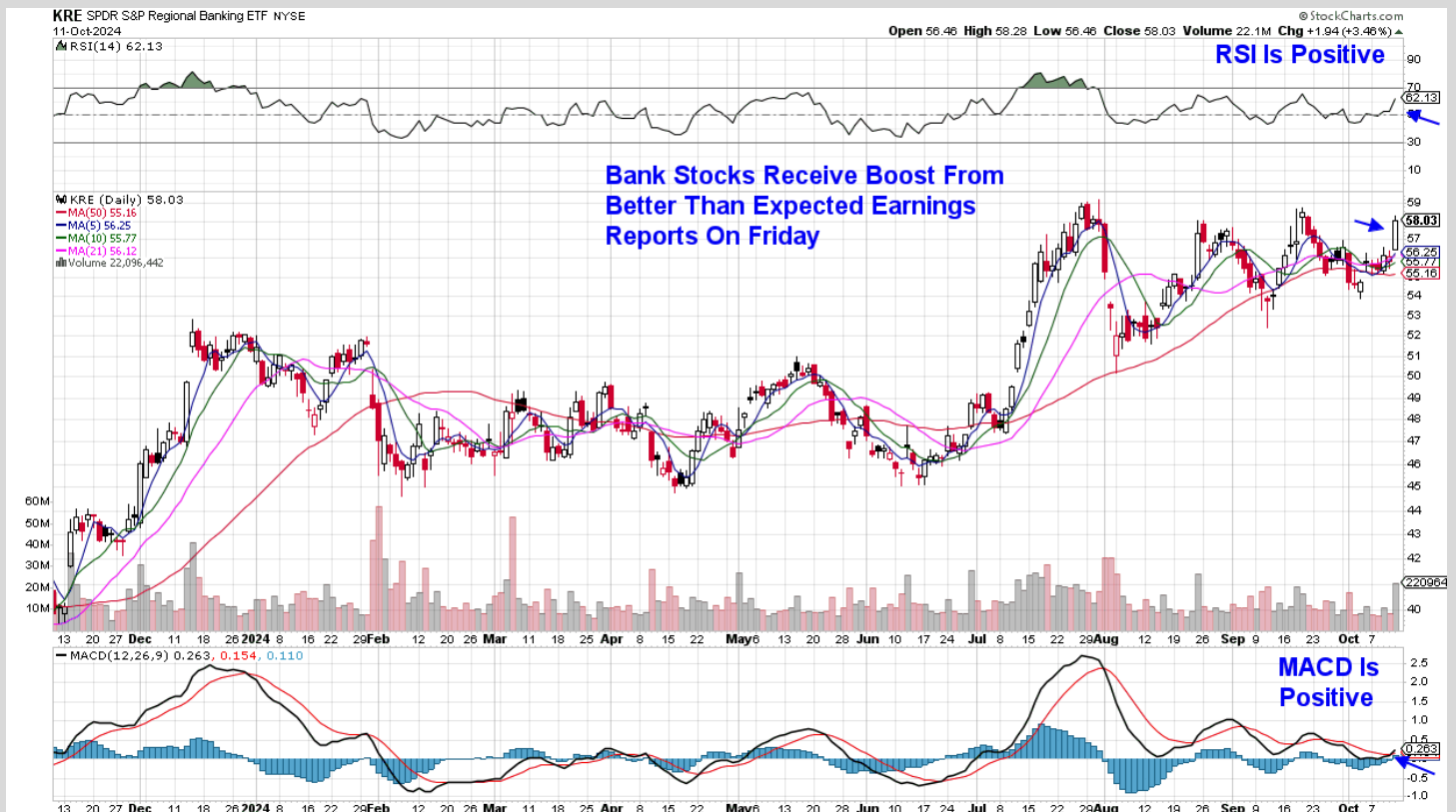
Friday's gap up into an uptrend took place after JP Morgan put the stock at an overweight rating while increasing the stock's price target to \$525. The upgrade was driven by recent CEO meetings where the company's robust earnings growth potential was highlighted.

While **RACE** is in a buy zone, we are on the lookout for a bullish MACD crossover on the daily chart to confirm its new uptrend.

Next Thursday, Retail Sales data for September will be released, and investors will be on the lookout for an increase over last year. Any disappointment may weigh on this group.



Daily Chart of the S&P Regional Banking ETF (KRE)



Financial Sector Gets Big Boost From Bank Stocks

Bank stocks rallied on Friday after JPMorgan (**JPM**) and Wells Fargo (**WFC**) gained after posting smaller-than-anticipated declines in Q3 profits.

The move has prompted us to add several names to our Watch List; however, each of these companies are due to report earnings next week. They include Comerica (**CMA**), Regions Financial (**RF**), and PNC Financial Services (**PNC**).

Depending on the results, we anticipate adding them to our Suggested Holdings List.

Summary

Last week, FOMC notes confirmed that Fed officials agree the risks of an increase in inflation have diminished while negative risks due to employment have increased. With that, the October jobs report will be closely watched however, it will not be released for 3 weeks.

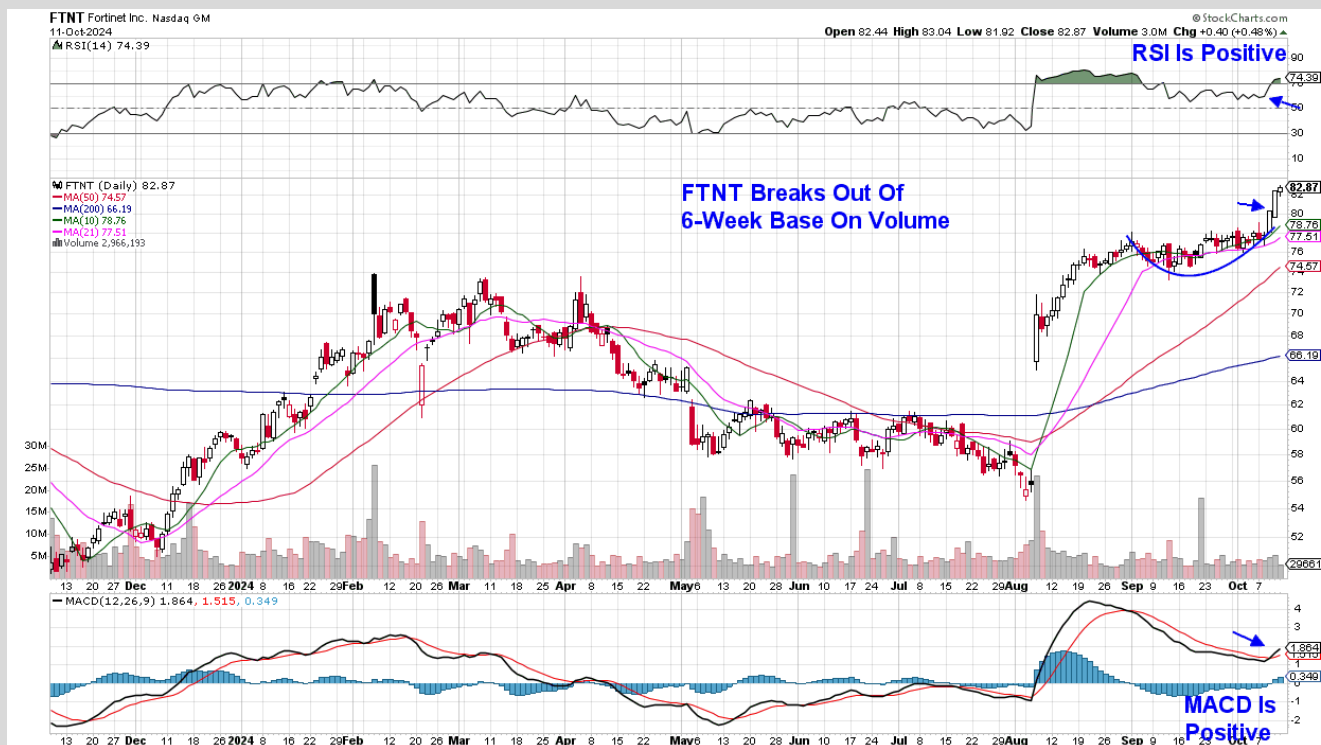
Until then, we'll have plenty of earnings reports to digest and if last week is any indication, a sharp response to any surprises is anticipated for both the stock and its peers.

Political headwinds may also pick up over the next few weeks as we head toward the election. With geopolitical strife remaining elevated, polls show that many voters would prefer a more seasoned politician at the helm. The election race is close at this time however, which may stir uncertainty among investors.

With the markets in a confirmed uptrend amid a broadening out of underlying participation, we'd be a buyer on any pullback. This is provided that yields and/or volatility (VIX) do not continue to rise.

New Idea Charts:

Daily Chart of Fortinet Inc. (FTNT)



Daily Chart of Ferrari NV (RACE)



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	-2.5%	
GRBK	Green Brick Partners	\$80.10	9/22/2024	-1.5%	
RACE	Ferrari	\$469.08	10/13/2024		
SHAK	Shake Shack	\$110.02	10/6/2024	-2.0%	
SN	SharkNinja	\$95.80	9/2/2024	14.0%	
TOL	Toll Brothers	\$139.50	7/27/2024	11.0%	
WMT	Walmart	\$72.90	8/15/2024	9.0%	

INDUSTRIAL					
EME	Emecor Group	\$420.00	9/22/2024	3.5%	
FTAI	FTAI Aviation	\$58.00	3/17/2024	115.5%	
GE	GE Aerospace	\$178.26	9/15/2024	7.0%	
GVA	Granite Construction	\$76.37	9/15/2024	7.0%	
TDG	Transdigm	\$1,348.03	9/12/2024	10.0%	

HEALTHCARE					
ABBV	AbbVie	\$185.10	7/28/2024	5.0%	
BSX	Boston Scientific	\$81.80	9/2/2024	7.0%	
ISRG	Intuitive Surgical	\$598.80	5/19/2024	25.0%	
LLY	Eli Lilly	\$919.70	10/9/2024	1.5%	

TECHNOLOGY					
ANET	Arista Networks	\$384.50	9/22/2024	8.0%	
AVGO	Broadcom	\$175.50	9/25/2024	5.0%	
FICO	Fair Isaac	\$2,024.90	10/9/2024	0.5%	
FTNT	Fortinet	\$82.80	10/13/2024		
MNDY	<u>Monday.com</u>	\$258.99	9/12/2024	15.0%	
NVDA	Nvidia	\$123.50	9/25/2024	9.5%	
PLTR	Palantir	\$32.10	8/18/2024	34.0%	
QTWO	Q2 Holdings	\$79.00	9/22/2024	1.0%	
TSM	Taiwan Semiconductor	\$181.90	9/25/2024	5.5%	

COMMUNICATION SERVICES					
NFLX	Netflix	\$701.40	9/2/2024	3.0%	
META	Meta Platforms	\$550.00	9/22/2024	4.0%	

Longer Term Hold Candidates That Were Removed From Suggested Holdings List

SYMB	COMPANY NAME	CURRENT STATUS
AAPL	Apple	Hold
MPWR	Monolithic Power	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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