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Midweek Report

Wednesday, October 16, 2024

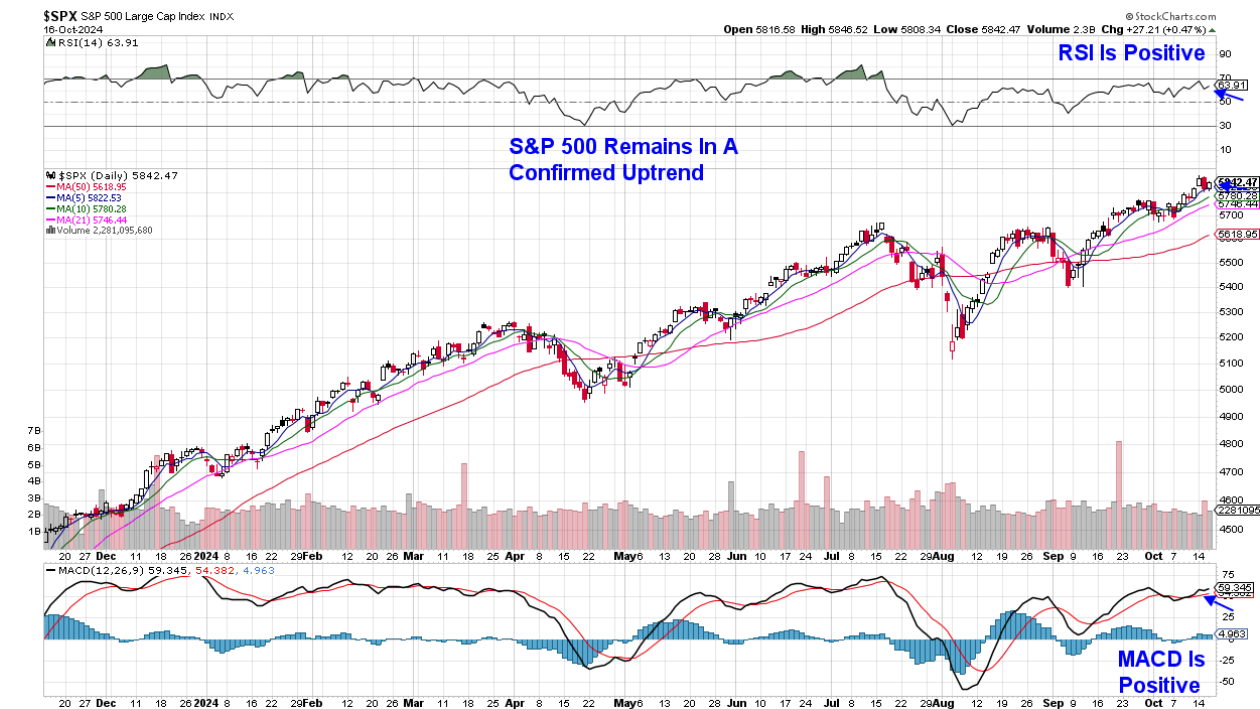
Upcoming Economic Data This Week

- Weekly Jobless Claims, Retail Sales, and Industrial Production Report Tomorrow
- Housing Starts and Building Permits Data for September Due Friday
- Netflix (**NFLX**) and Taiwan Semi (**TSM**) Due to Report Earnings Tomorrow

Market Developments This Week

- Semiconductor Stocks Drop Following Weak Earnings Report from ASML
- Nuclear Power-Related Stocks Jump on News Amazon Will Be Joining Microsoft and Alphabet in Big Nuclear Power Bet
- Removing AbbVie (**ABBV**) and Intuitive Surgical (**ISRG**) from Suggested Holdings List
- Adding Dominion Energy (**D**) to Suggested Holdings List

DAILY CHART OF S&P 500 INDEX





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The S&P 500 has gained 0.5% in a move that keeps the near-term uptrend in place for this Index. As noted on Sunday, the weekly chart posted a bullish MACD crossover which is a positive for the longer-term outlook.

The Nasdaq posted a 0.1% gain amid a pullback in Semiconductor stocks and select Software names. This Index remains above its 10-day moving average with its uptrend in place.

Semiconductor stocks initially pulled back after it was reported that the Biden administration is looking to curb sales of advanced AI chips to certain countries. The selling picked up further after **ASML** issued weaker-than-expected earnings. They lowered their outlook as well, due to weak chip demand outside of AI.

The news hit Semi Equipment Makers such as ASML the most, while AI-related companies, such as those on our List, fared better.

Nvidia (**NVDA**) is back above its 5-day moving average after recovering most of yesterday's ASML-related pullback. The stock is in a buy zone as it moves closer to a possible \$147 base breakout level.

Taiwan Semiconductor (**TSM**) also held in better than the Semiconductor group (using SOXX). The company is due to report their earnings tomorrow before the market's open. Tomorrow's results will be closely watched as they will impact other Semiconductor stocks.

Broadcom (**AVGO**) posted price action that was a bit weaker than its AI-related chip peers. We are on the lookout for a close above its 10-day moving average at \$179 as an entry.

Software stocks are pulling back 1% in an orderly pullback following last week's close at a new high. (using ETF IGV)

Monday.com (**MNDY**) bullishly closed in the upper portion of its daily trading range over the last 2 days so that it is in a buy zone.

Q2 Holdings (**QTWO**) has also pulled back; however, its momentum is trending lower on the RSI and MACD. A close above its late September high of \$82.72 would put the stock into a buy zone.



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Fair Isaac (**FICO**) has pulled back to its 5-day moving average which is historically a good buy point as it remains in an uptrend. Fortinet (**FTNT**) is in a similarly bullish position after closing above its 5-day moving average.

Arista Networks (**ANET**) recovered from a pullback yesterday. The stock is in a buy zone after closing above its 10-day moving average.

Homebuilding stocks have rallied ahead of housing-related data that's due to be released over the next two days. Toll Brothers (**TOL**) broke out of a 2-week base today which puts the stock into a buy zone. The MACD is poised to post a bullish crossover on the daily chart which would put **TOL** into a strong buy zone.

Green Brick (**GRBK**) is also outperforming the group this week with a 5.8% rally that puts the stock within points of a 2-week base breakout at \$84.21. This would put the stock into a buy zone.

Restaurant stocks are mixed this week with Shake Shack (**SHAK**) remaining above its upward trending 10-day simple moving average. The stock is in a buy zone with a close above \$111.17 putting it into a strong buy zone amid a 2-month base breakout.

Walmart (**WMT**) posted a 2-week base breakout following a Wall Street price target upgrade. The stock pulled back slightly today and is in a buy zone after closing in the upper portion of its trading range today.

Ferrari (**RACE**) has pulled back to its 10-day moving average however, the RSI and MACD remain in positive territory. The stock is in a buy zone however, we are on the lookout for the MACD to trend higher on the daily chart for confirmation.

The Industrial sector is seeing a gain in data center-related construction stocks following news today that Amazon (**AMZN**) will be investing heavily in nuclear power amid AI energy needs.

AMZN is pulling back slightly ahead of the release of their earnings next Thursday as increased AI spending may dampen earnings. The stock can be bought on a close above its 21-day moving average at \$187.5.

Each of the names from the Industrial sector on our List are in a buy zone, as they are above their shorter-term moving averages which are trending upward. Questions regarding individual positions can be sent to maryellen@simplertrading.com



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The Healthcare sector has pulled back slightly however, the sector is back below its 50-day moving average with a negative RSI.

Both Intuitive Surgical (**ISRG**) and AbbVie (**ABBV**) are now below their 50-day moving averages with a negative RSI and MACD. We are removing the stocks from our Suggested Holdings List.

For longer term investors, the weekly charts remain constructive, and both stocks can be held.

Both Boston Scientific (**BSX**) and Eli Lilly (**LLY**) can be held.

Netflix (**NFLX**) will report their quarterly results tomorrow after the market's close. The stock is pulling back this week despite analyst upgrades to the company's earnings going into its report.

A close above the \$711 base breakout level on a positive quarterly report would put **NFLX** into a buy zone.

Meta Platforms (**META**) is also pulling back despite analyst upgrades. A close above its 10-day moving average in the \$587.5 range would put **META** into a buy zone.

The Utility sector is the top performer this week following Amazon's report of seeing a greatly increased need for energy to support AI-related activity.

AMZN announced today that they have agreed to work with Dominion Energy (**D**) to explore the development of small modular nuclear reactors (SMRs) We are adding Dominion (**D**) to our Suggested Holdings List after today's sharp rally pushed the MACD into a bullish crossover on the daily chart.

Using Constellation Energy (**CEG**) as precedence following news of their partnership with Microsoft, we anticipate Dominion (**D**) to trend higher.

Tomorrow, two market-moving stocks will be reporting their quarterly results. Both NFLX and TSM are on our List, and we will review those results, as well as the market's response, in our report on Sunday.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report



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DAILY CHART OF DOMINION ENERGY, INC. (D)

