



THE MEM EDGE

October 20, 2024 | Weekly Report

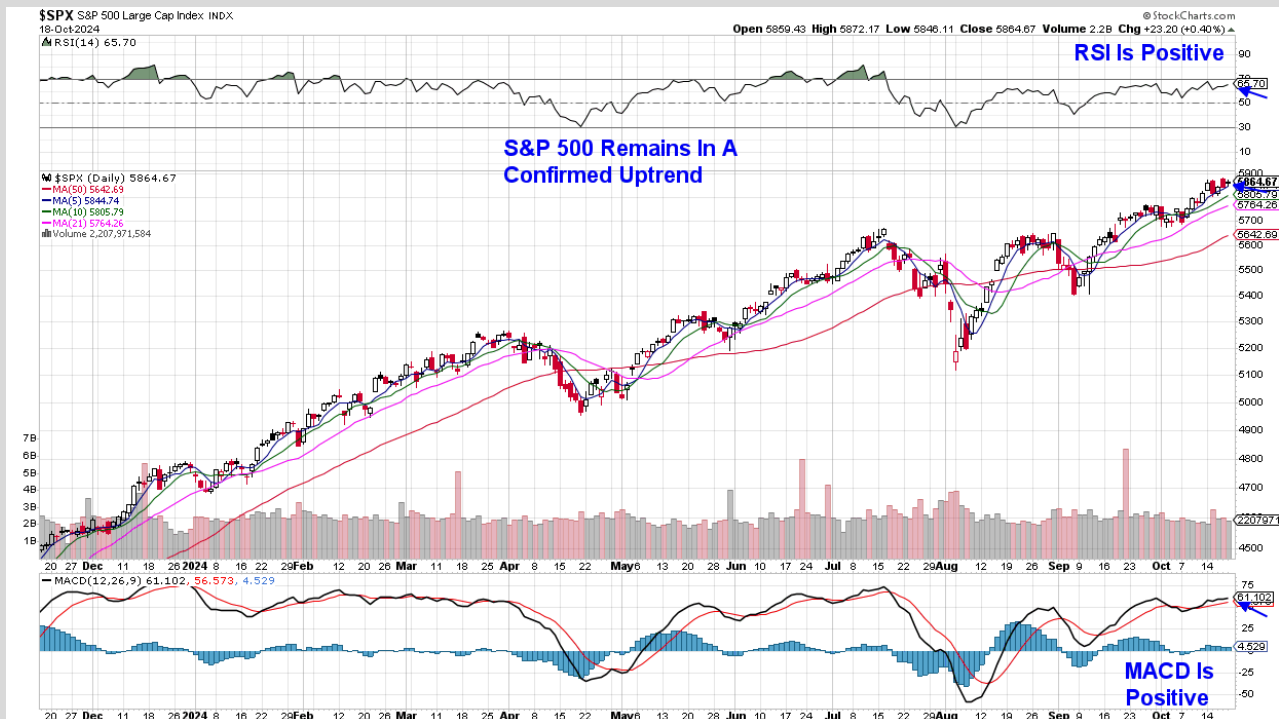
Economic Data Last Week

- Retail Sales Post Solid Gains
- Industrial Production Falls Due To Hurricanes
- Homebuilders Confidence Remains Strong While Housing Starts Are Flat

Data Due Next Week

- First Estimate For 3rd Quarter GDP
- TSLA, KO, and IBM Due To Report Earnings Next Week
- Existing Home Sales On Wednesday, Flash Services, PMI Reports, And New Home Sales On Thursday
- Durable Goods Orders On Friday

Daily Chart of S&P 500



The S&P 500 gained 0.9% last week in a move that keeps the uptrend in this Index in place, as the RSI and MACD are in positive territory and trending higher.

The Equal Weighted S&P 500 gained a bit more, due to a broadening out of participation amid groups where stocks are posting strong earnings reports. This would include Financials, Healthcare and select Semiconductor stocks.

The Nasdaq posted a 0.8% gain on the heels of outperformance in Apple (**AAPL**), Netflix (**NFLX**), and Nvidia (**NVDA**), as well as Homebuilders and select Retailers.

This Index remains in a confirmed uptrend as it trends higher above each of its moving averages with a positive RSI and MACD.

Last week, the longer-term weekly chart of the Nasdaq posted a bullish MACD crossover* which bodes well for the long-term outlook for this Index. (*MACD black line up through the red signal line.)

A similar bullish MACD crossover on the weekly chart of the Nasdaq signaled the November into April move higher, as well as, the more recent June into July uptrend.

Last week's biggest gainers in the broader market were stocks that reported earnings above estimates and companies that received Wall Street upgrades amid positive news. This would include stocks in the Utility, REIT, and Financial sectors.

This move into stocks with earnings-related news was primarily because the economic calendar was light. Next week, we may see a similar focus on earnings as the economic calendar remains light.

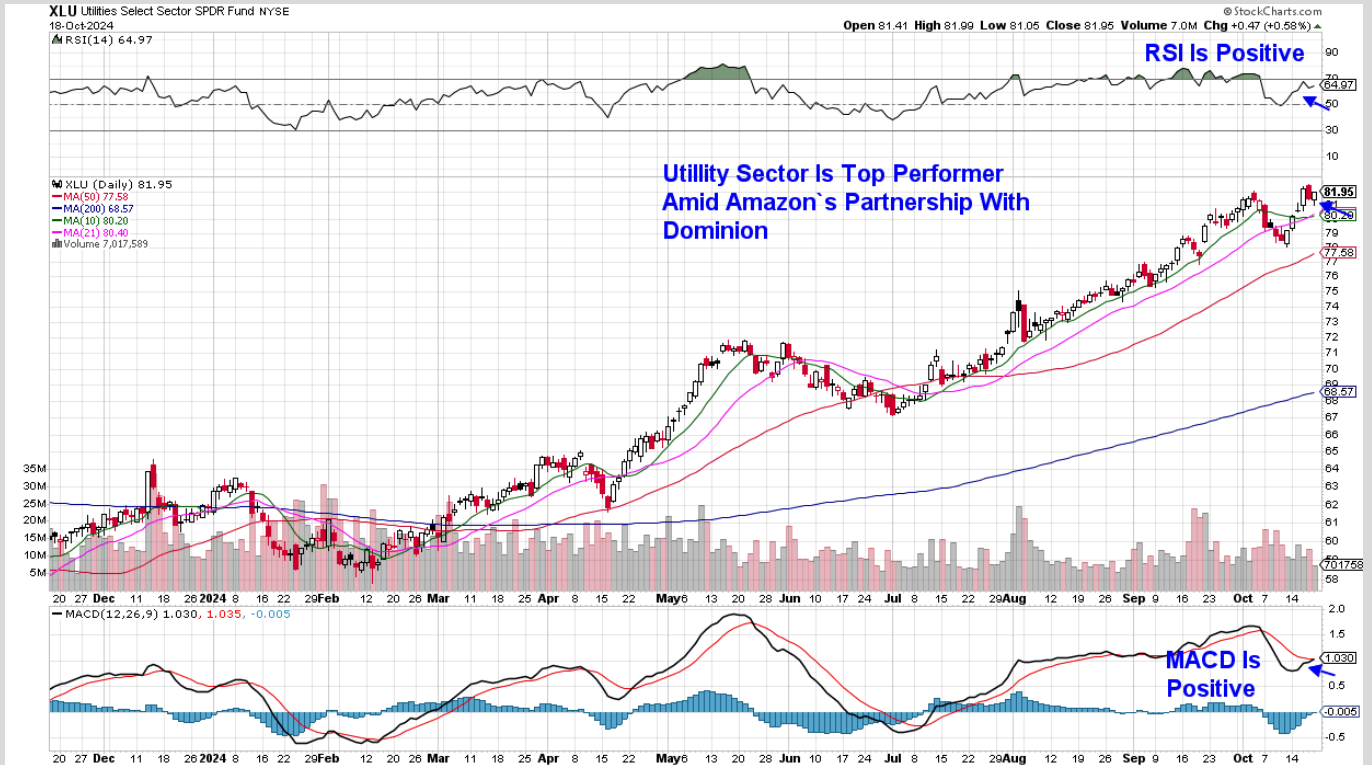
Next week, Tesla's (**TSLA**) earnings will be in focus as will quarterly reports from major Industrial companies such as 3M (**MMM**) and GE Aerospace (**GE**) - which is from our List. 400 other companies are also due to report next week as well.

The following week, things will heat up more, with key October employment data due, as well as, earnings from several Magnificent 7 stocks. While headline news has recently driven select areas higher, strong earnings reports have had an even bigger impact. This has historically been the case for the markets where strong earnings and a bullish outlook can move not only an individual stock, but also its peers.

Overall, the broader markets remain in a confirmed uptrend with AI-related companies seeing the most interest. This focus may shift however, as more companies report results.



Daily Chart of the Utilities Sector (XLU)



Utility Sector Is Top Performer

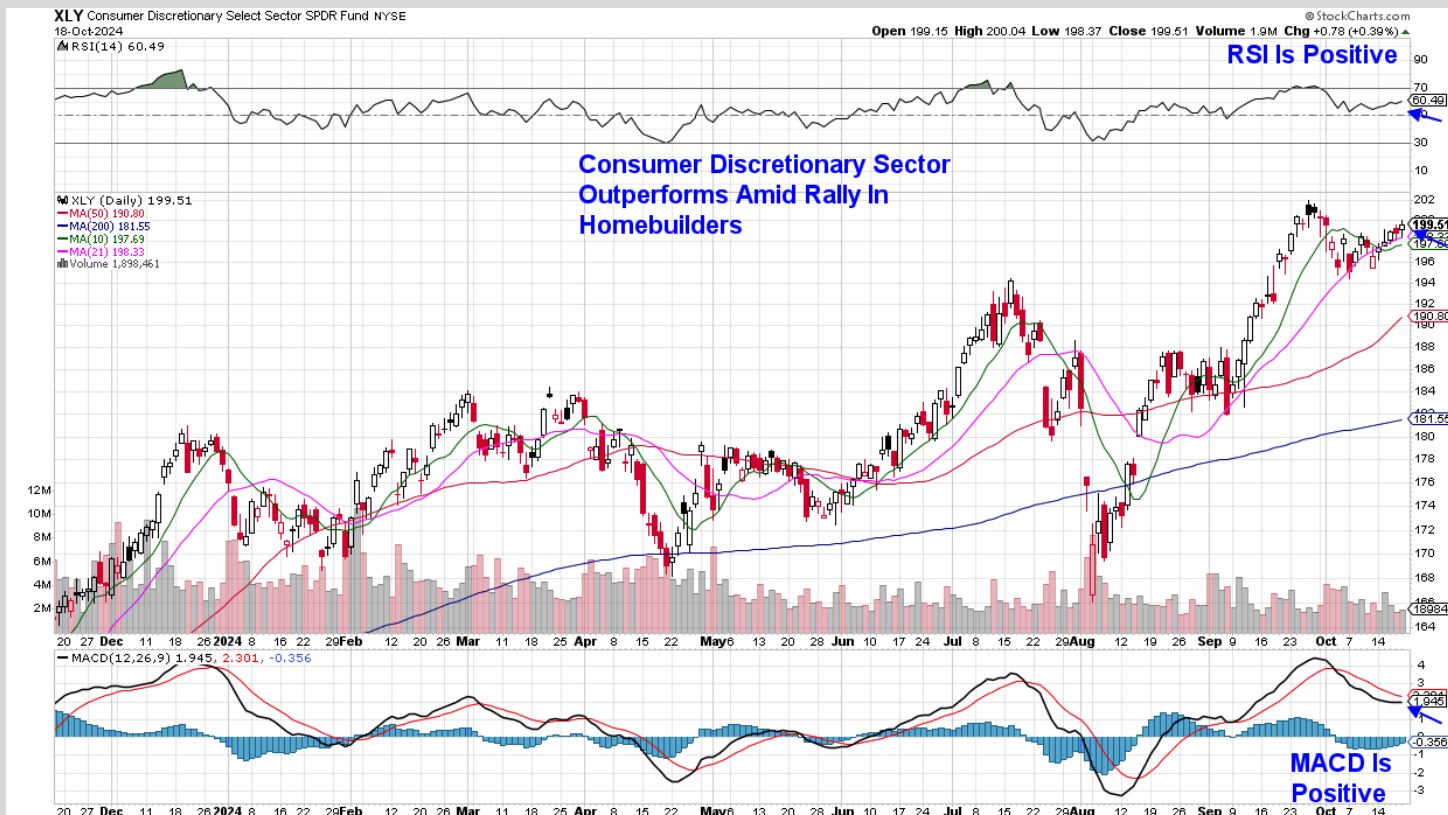
The Utility sector closed at a new higher after a boost from **AMZN**'s announcement that they have working with Dominion Energy (**D**) to explore the development of small modular nuclear reactors (SMRs) as a way to meet the increased need for electricity for AI-related activity.

We added Dominion (**D**) to our Suggested Holdings List after a sharp rally pushed the MACD into a bullish crossover on the daily chart.

We are using Constellation Energy (**CEG**) as precedent following news from a month ago of their partnership with Microsoft to increase energy output using nuclear power. As you will see on **CEG**'s daily chart, the stock has trended higher since the partnership news.

Dominion (**D**) is poised to trend higher, with any pullback to its 5-day moving average being a buy point.

Daily Chart of the Consumer Discretionary Sector (XLY)



Consumer Discretionary Sector Gets Boost From Homebuilders

Homebuilding stocks gained a robust 3.8%, amid a 4-month high in homebuilder confidence due to anticipation of lower mortgage rates.

Among stocks on our List, Toll Brothers (**TOL**) hit a new high in price after gaining 6.5% for the week. The stock is finding support above its upward trending 5-day moving average after last week's 2-week base breakout at the \$156 level.

TOL is in a strong buy zone as the MACD posted a positive crossover on its daily chart. (black line up through the red). We would be a buyer in the \$157 range at its 5-day moving average.

Green Brick (**GRBK**) is also in a strong buy zone after last week's 5.4% gain put the stock just below a recent base breakout level of \$84.2. Also constructive is the MACD's posting of a bullish crossover on the daily chart. **GRBK** is due to report quarterly results in 1 ½ weeks.

As we head into the elections, of note is that the Harris Campaign has promised incentives for both home buyers and builders. This is expected to impact homebuilding stocks over the coming weeks.

Elsewhere in Consumer Discretionary, Ferrari (**RACE**) advanced 3% which puts the RSI and MACD further into positive territory after the recent reverse of its downtrend. The stock is in a strong buy zone as it approaches a possible 2-month base breakout at the \$498 level.

Restaurant stocks were mixed with Shake Shack (**SHAK**) gaining 2.3% during a volatile week where the stock bounced around its 10-day moving average while the MACD trended sideways.

The stock is in a buy zone with a close above the \$111 - a 2 1/2 month base breakout level - putting **SHAK** into a strong buy zone.

SharkNinja (**SN**) closed the week back in an uptrend after closing above its 10-day moving average on Friday. This puts the stock closer to a possible \$111 base breakout level and coupled with a bullish MACD crossover, this would put **SN** into a strong buy zone.

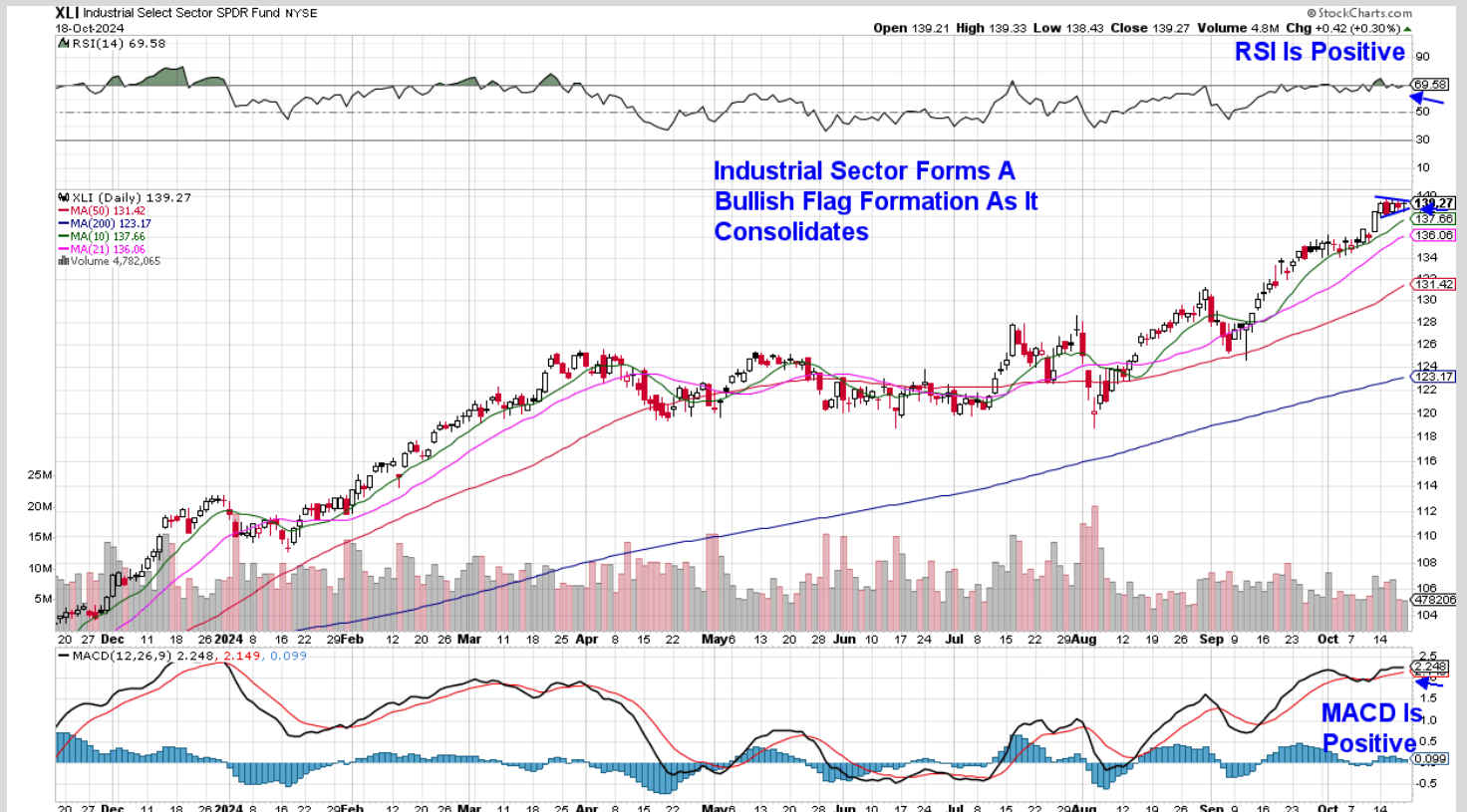
SN rallied amid a Wall Street upgrade to peer appliance maker MasterBrand (**MBC**). **SN** is due to report their earnings at the end of this month.

Walmart (**WMT**) is a hair away from regaining its \$81.6 base breakout level. **WMT** is in a buy zone however, a close above \$81.6 coupled with a MACD crossover on the daily chart would put the stock into a strong buy zone. **WMT** has been consolidating for 1 month and is ripe for another leg up.

Heavyweight name Amazon (**AMZN**) ended the week flat and remains in an uptrend as it is above its 5 and 10-day moving averages with a positive RSI and MACD. A move closer to a possible base breakout at \$220 would put **AMZN** into a strong buy zone, as this would trigger a 4-month base breakout.



Daily Chart of the Industrial Sector (XLI)



Industrial Sector Gets Big Boost From Airline Stocks

The Industrial sector gained 0.6% after an earnings related gain in airline stocks was offset by weakness in other transports such as Rails and Trucking.

In between, select Construction and Aerospace-Defense related names rallied such as GE Aerospace (**GE**) which remains in a confirmed uptrend above its 5-day moving average which is trending upward.

The MACD and RSI are trading sideways however, as the momentum is flat for **GE** despite last Friday's base breakout at the \$191 level. The company is due to report their quarterly results on Tuesday before

the markets open. A close above \$191 on a positive report would be a strong buy zone for **GE**.

Emecor (**EME**) also remains in an uptrend after closing at another new high after last week's 0.8% gain. The momentum however is sideways as their earnings report is due later the month. **EME** is in a buy zone.

Granite Construction (**GVA**) moved higher amid analyst upgrades to their earnings estimates. This diversified provider of construction services and materials is in a buy zone ahead of the release of their earnings later this month. The company continues to see a strong market due to healthy state budgets from the 2021 infrastructure bill.

Both Transdigm (**TDG**) and FTAI Aviation (**FTAI**) pulled back slightly amid news that Boeing (**BA**) workers are close to ending their strike.

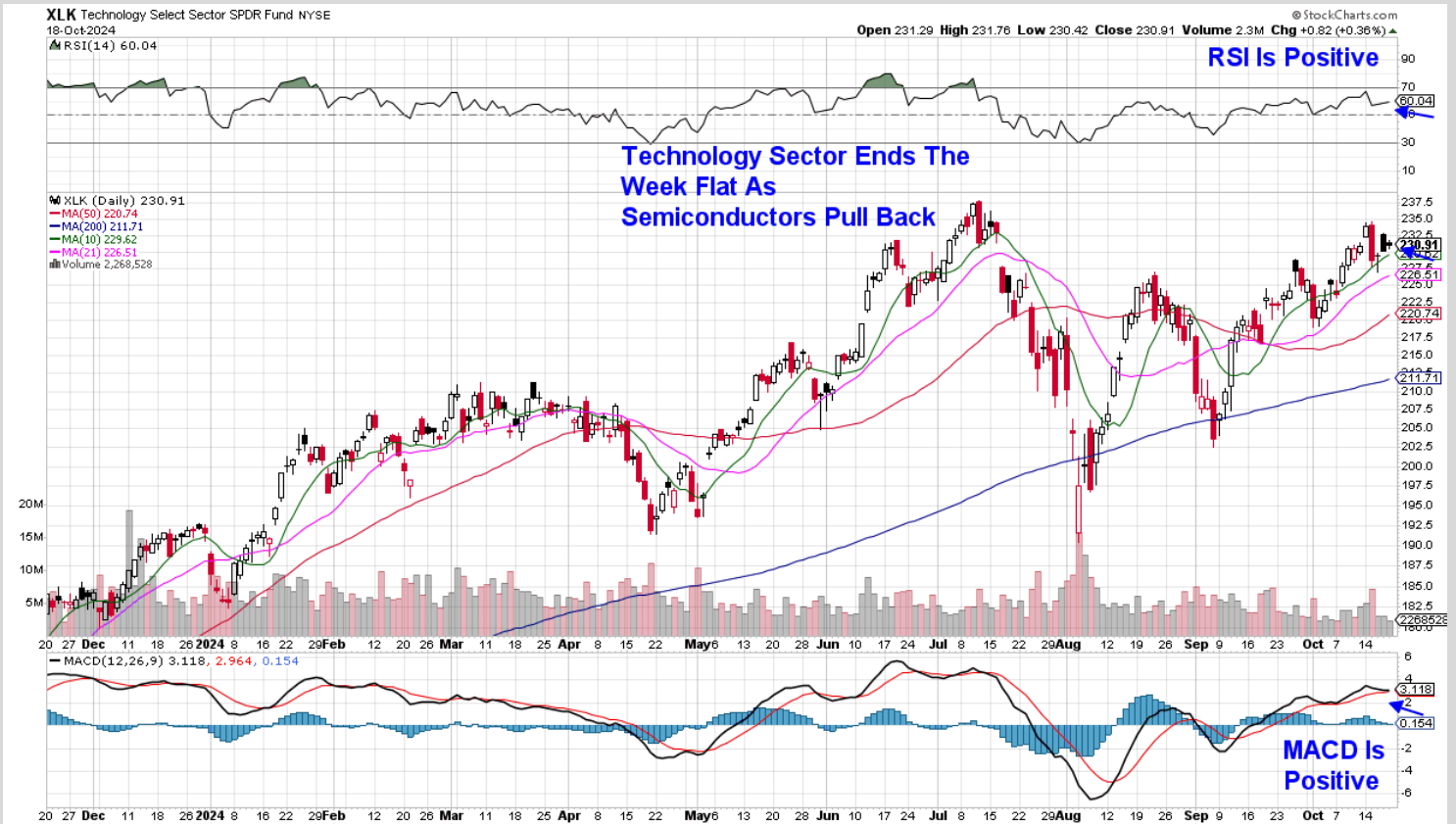
TDG and **FTAI** supply aircraft parts used in older planes, and **BA**'s strike was increasing demand for their products as the production of newer airplanes was being pushed out.

Both stocks remain in an uptrend with **TDG** in a buy zone while **FTAI** can be bought on a close back above its 10-day moving average in the \$145 range. However, we would not overweight the stocks at this time.

Over the weekend, it was announced that a deal was struck, and the Boeing strike has been resolved.



Daily Chart of the Technology Sector (XLK)



Technology Sector Hurt By Weakness In Semiconductors

The Tech sector ended the week flat amid a pullback in select Semiconductor and Software stocks. The sector remains in an uptrend however, as it is trading above its upward trending 10-day simple moving average.

Earnings reports were the big driver of price action among Semiconductors last week. Weak earnings from Semiconductor Equipment stock ASML pushed the stock down 14% while the group overall, fell 9.5%. Weak Semiconductor chip demand outside of AI-related areas led to the downfall.

Later in the week, Taiwan Semiconductor (**TSM**) rallied 10% after reporting record earnings amid what the company calls "an AI boom that's real". In addition, management is expecting revenue to triple over the next year.

The reports underscore the divide between continued strength in AI chip demand vs weak demand for chips used for iPhones and other consumer-related products.

The Semiconductor stocks on our List are all dominant in the AI chip space with Nvidia (**NVDA**) of course, being the leader. The stock is in a strong buy zone as it's 2 ½ points away from a possible 4-month base breakout.

Broadcom (**AVGO**) is also very close to a possible 4 ½ month base breakout which puts the stock in a strong buy zone.

Taiwan Semi (**TSM**) ended the week up 5.3%, which keeps the stock above its 3-month base breakout level of \$192.5. The stock is in a strong buy zone as the weekly chart just posted a bullish MACD crossover.

Arista Networks (**ANET**) pulled back sharply earlier in the week despite a price target upgrade. The decline put the RSI out of an overbought position on the daily chart which is constructive.

ANET is in a buy zone with a close above its 10-day moving average at \$405 putting the stock into a strong buy zone.

Software stocks pulled back slightly in an orderly fashion after the group's recent runup. (using IGV)

Among stocks on our List, Q2 Holdings (**QTWO**) ended the week with a bullish close above its upward trending 5-day moving average. **QTWO** is in a buy zone, with a close above \$82.7 putting the stock into a 1-month base breakout and into a strong buy zone.

Monday.com (**MNDY**) also closed the week above its 5-day moving average which keeps its near-term uptrend in place. The stock is in a buy zone.

Software Security stock Fortinet (**FTNT**) pulled back after a Wall Street downgrade however, it has held support above its 10-day moving average which keeps the stock in a buy zone.

Fair Isaac (**FICO**) fell almost 3% due to a Friday pullback amid news that price hikes for their services may be capped.

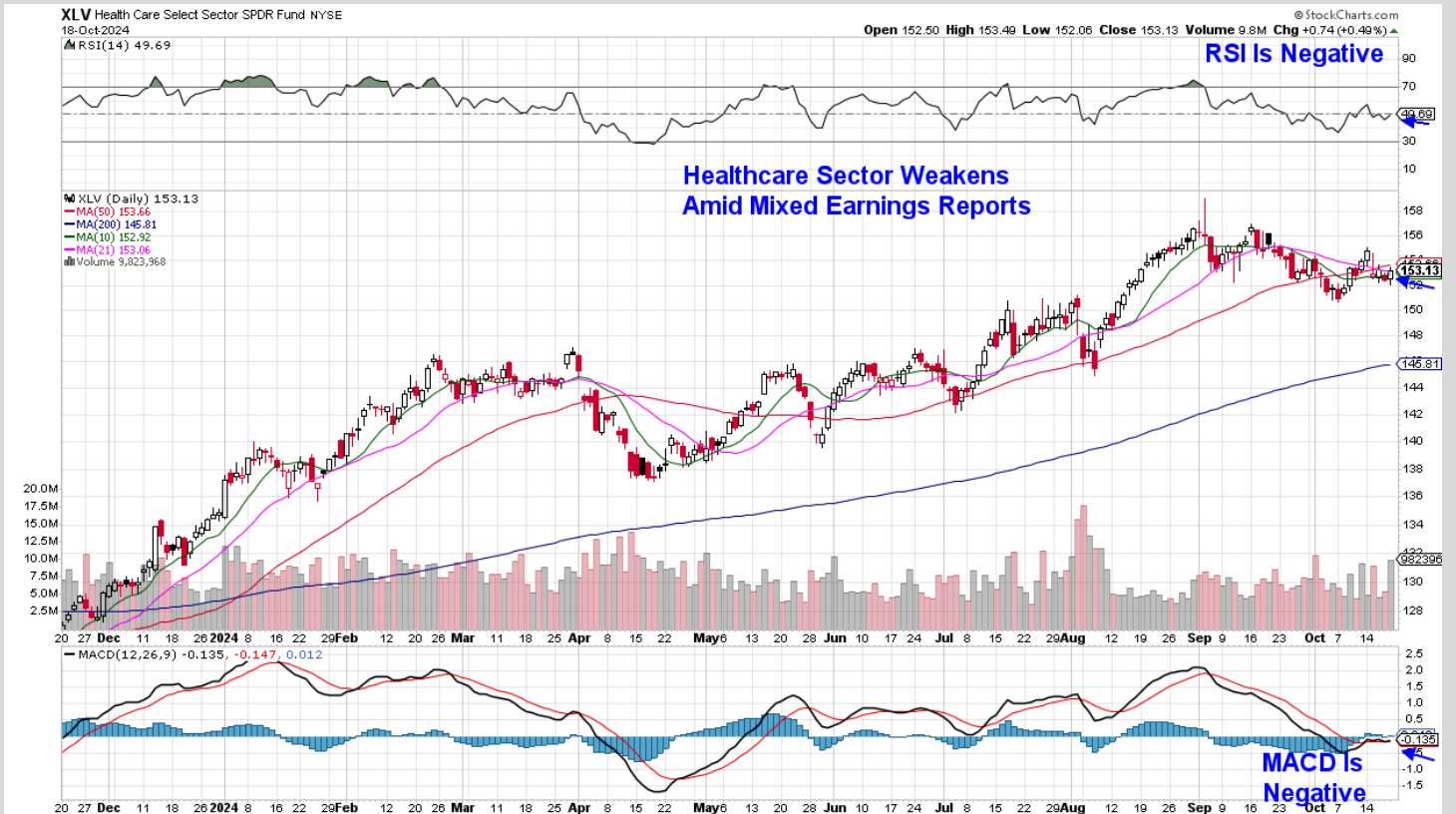
Friday's pullback took place on heavy volume and despite the stock finding support at its 21-day moving average, we are removing **FICO** from our Suggested Holdings List to make room for other candidates.

Palantir (**PLTR**) closed the week above its upward trending 10-day moving average. This puts the stock into a buy zone as it is poised for further upside.

However, as **PLTR**'s RSI is approaching 80 on the weekly chart, we would keep new positions light until a consolidation phase lowers the RSI below its overbought position.



Daily Chart of the Health Care Sector (XLV)



Healthcare Sector Hurt By Sharp Pullback In Health Care Providers

The Healthcare sector closed back below its 50-day moving average following weak earnings reports from several Managed Care companies including heavyweight United Healthcare (**UNH**).

Not all the news was bad for this sector however as Medical Products stocks gained 3% after heavyweight name Intuitive Surgical (**ISRG**) gained 7.5% after reporting earnings that were well above estimates.

On Wednesday, we removed the stock due to its weak chart, while urging longer-term investors to remain with **ISRG**. Given the heavy volume base breakout on Friday, coupled with analyst upgrades

to their earnings, we are adding **ISRG** back to our Suggested Holdings List.

This is an unusual move for us, however, the company's strong revenue outlook coupled with securing approval for its daVinci 5 system in South Korea has us bullish on our outlook.

We are using **ISRG**'s early January gap up in price as precedent, where the stock digested its large gain but generally trended higher. The stock is in a buy zone.

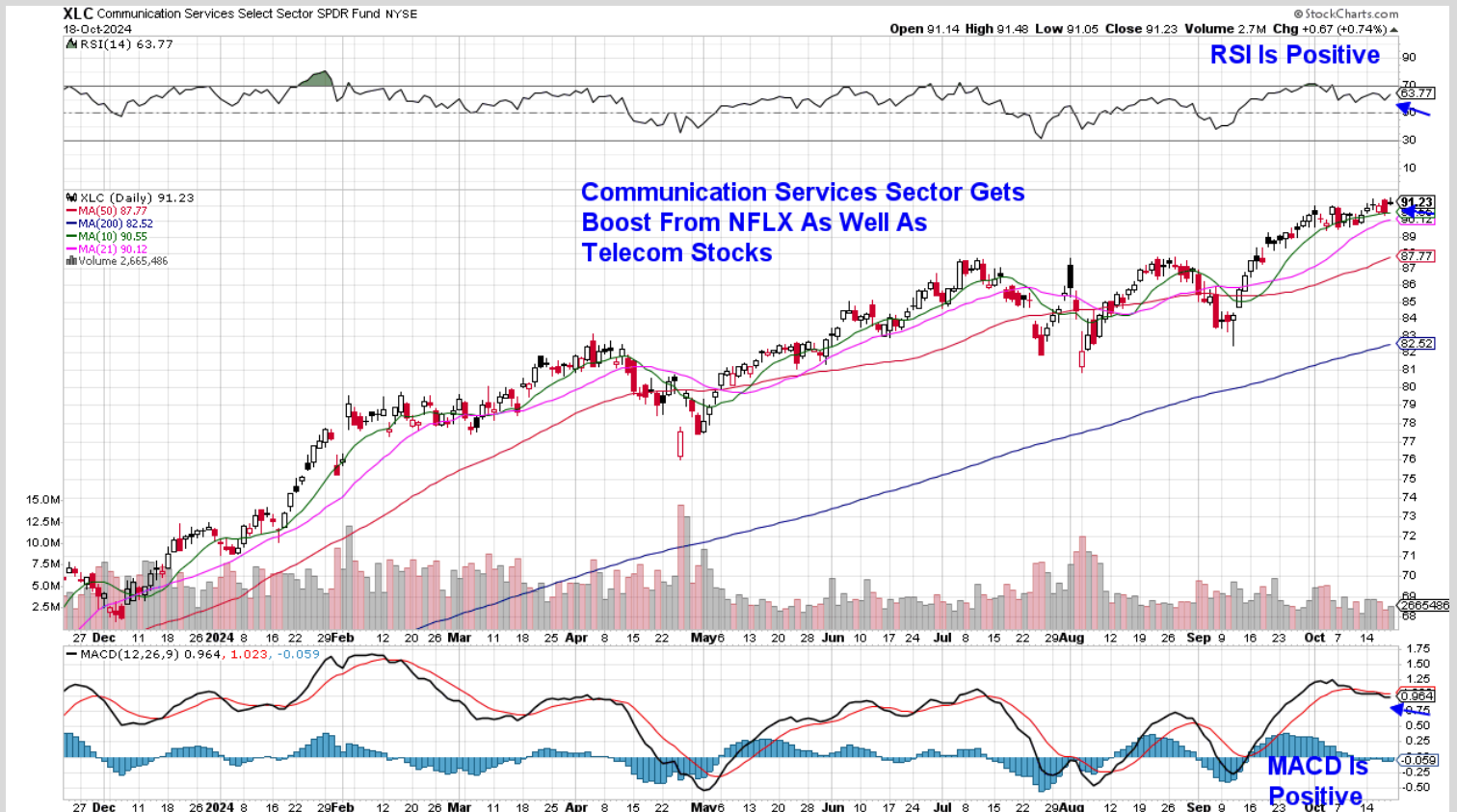
ISRG's strong earnings report buoyed other Medical Products stocks such as Boston Scientific (**BSX**) from our List which gained 1% ahead of the release of their earnings on Wednesday before the markets open.

Eli Lilly (**LLY**) remains in a confirmed uptrend above its upward trending 10-day moving average. The stock pulled back 1.5% last week amid news that the FDA is reconsidering their decision to ban the compounding of drugs that are similar to **LLY**'s weight loss drug.

Eli Lilly is struggling to regain its 50-day moving average due to its sideways momentum. A close above its near-term high of \$932 would put **LLY** into a buy zone. For now, the stock can be held.



Daily Chart of the Communication Services Sector (XLC)



Communication Services Sector Continues To Shine

The Communication Services sector got a boost from heavyweight name Netflix (**NFLX**) which rallied sharply higher following their strong earnings release on Friday.

NFLX recovered from a move below its 50-day moving average and closed the week at a new high in price. The stock is in a position that's similar to late January when it gapped up in price after a positive earnings report.

The position of the MACD and RSI points to further upside and the stock is in a buy zone.

Meta Platforms (**META**) pulled back ahead of the release of their quarterly results in less than 2 weeks. The stock closed the week just below its 21-day moving average with the RSI and MACD in positive territory. A close back above \$535 at its 10-day moving average would put **META** into a buy zone.

Summary

Better than expected quarterly reports, coupled with economic data that points to an economy that's expanding, has kept the bullish bias in the markets in place.

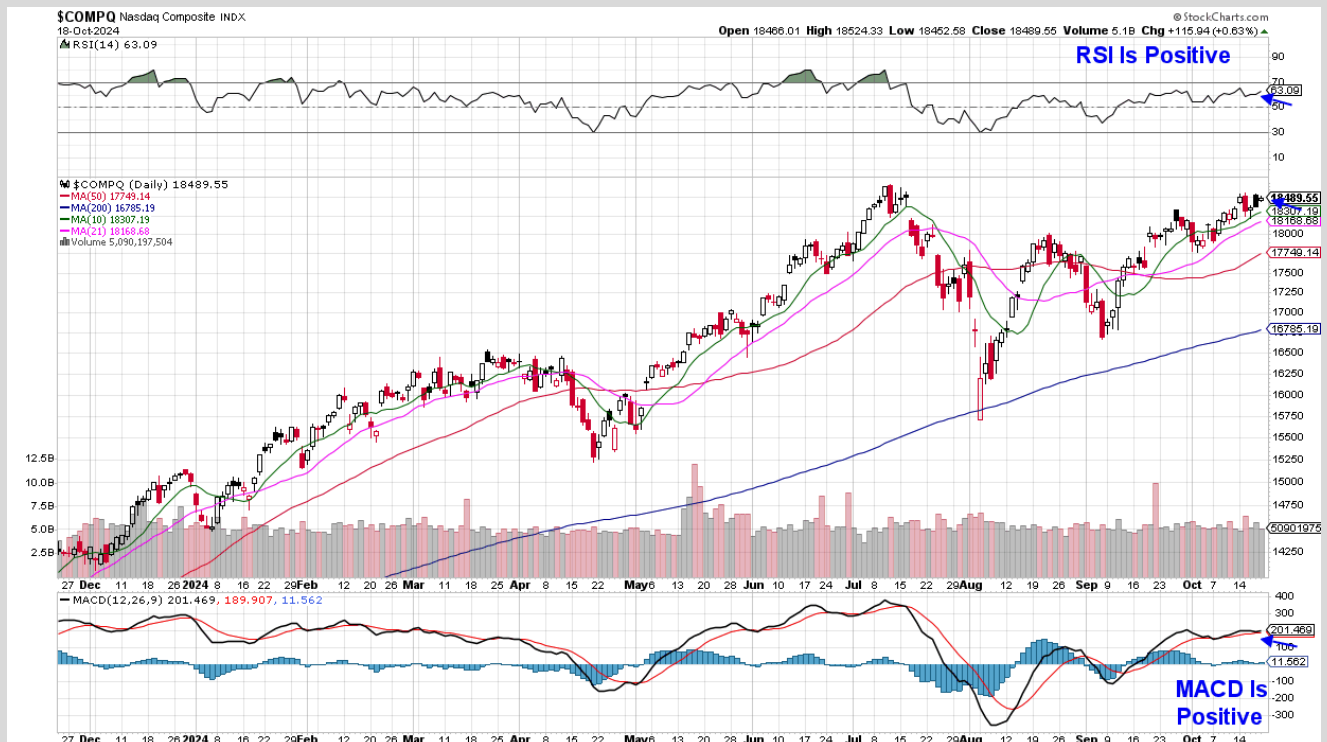
As for participation, over the past 4 weeks Financials and Industrials are just behind the Technology sector in leading these markets higher. The recent move back into Tech names is bullish, as these Growth stocks are joining Cyclical areas of the market in a move that creates a healthy backdrop for a continuation rally.

The markets have potential roadblocks going forward however, with uncertainty surrounding the election as well as key earnings from M7 stocks later this month. AI chip maker Nvidia is expected to be the biggest contributor to 3rd quarter earnings growth, and they will be reporting results on November 14th.

The Fed's easing of policy is another positive as it is expected to help pave the way for further gains. Among the potential winners is Smaller Caps due to lower borrowing costs for these generally higher leveraged companies.

Charts We Are Watching:

Daily Chart of Nasdaq Composite (\$COMPQ)



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	3.0%	
RACE	Ferrari	\$469.08	10/13/2024	3.0%	
SHAK	Shake Shack	\$110.02	10/6/2024	0.5%	
SN	SharkNinja	\$95.80	9/2/2024	15.5%	
TOL	Toll Brothers	\$139.50	7/27/2024	17.5%	
WMT	Walmart	\$72.90	8/15/2024	10.5%	

FINANCIAL					
D	Dominion Energy	\$60.50	10/16/2024	-1.0%	

INDUSTRIAL					
EME	Emecor Group	\$420.00	9/22/2024	4.5%	
FTAI	FTAI Aviation	\$58.00	3/17/2024	113.5%	
GE	GE Aerospace	\$178.26	9/15/2024	8.0%	
GVA	Granite Construction	\$76.37	9/15/2024	7.5%	
TDG	Transdigm	\$1,348.03	9/12/2024	9.0%	

HEALTHCARE					
BSX	Boston Scientific	\$81.80	9/2/2024	8.0%	
ISRG	Intuitive Surgical	\$598.80	10/20/2024	25.0%	
LLY	Eli Lilly	\$919.70	10/9/2024	0.0%	

TECHNOLOGY					
ANET	Arista Networks	\$384.50	9/22/2024	4.5%	
AVGO	Broadcom	\$175.50	9/25/2024	4.0%	
FICO	Fair Isaac	\$2,024.90	10/9/2024	-2.5%	
FTNT	Fortinet	\$82.80	10/13/2024	-2.0%	
MNDY	Monday.com	\$258.99	9/12/2024	14.0%	
NVDA	Nvidia	\$123.50	9/25/2024	12.0%	
PLTR	Palantir	\$32.10	8/18/2024	33.0%	
Q TWO	Q2 Holdings	\$79.00	9/22/2024	1.0%	
TSM	Taiwan Semiconductor	\$181.90	9/25/2024	11.0%	

COMMUNICATION SERVICES					
NFLX	Netflix	\$701.40	9/2/2024	9.0%	
META	Meta Platforms	\$550.00	9/22/2024	2.0%	

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.