



THE MEM EDGE

October 27, 2024 | Weekly Report

Economic Data Reported Last Week

- Existing Home Sales Fall While New Home Sales Jump
- Consumer Sentiment Hits 6-Month High - Poll Among Consumers Favors Trump
- Slump In Manufacturing Sector Continues With Low Durable Goods Orders
- Weekly Jobless Claims At Low Level

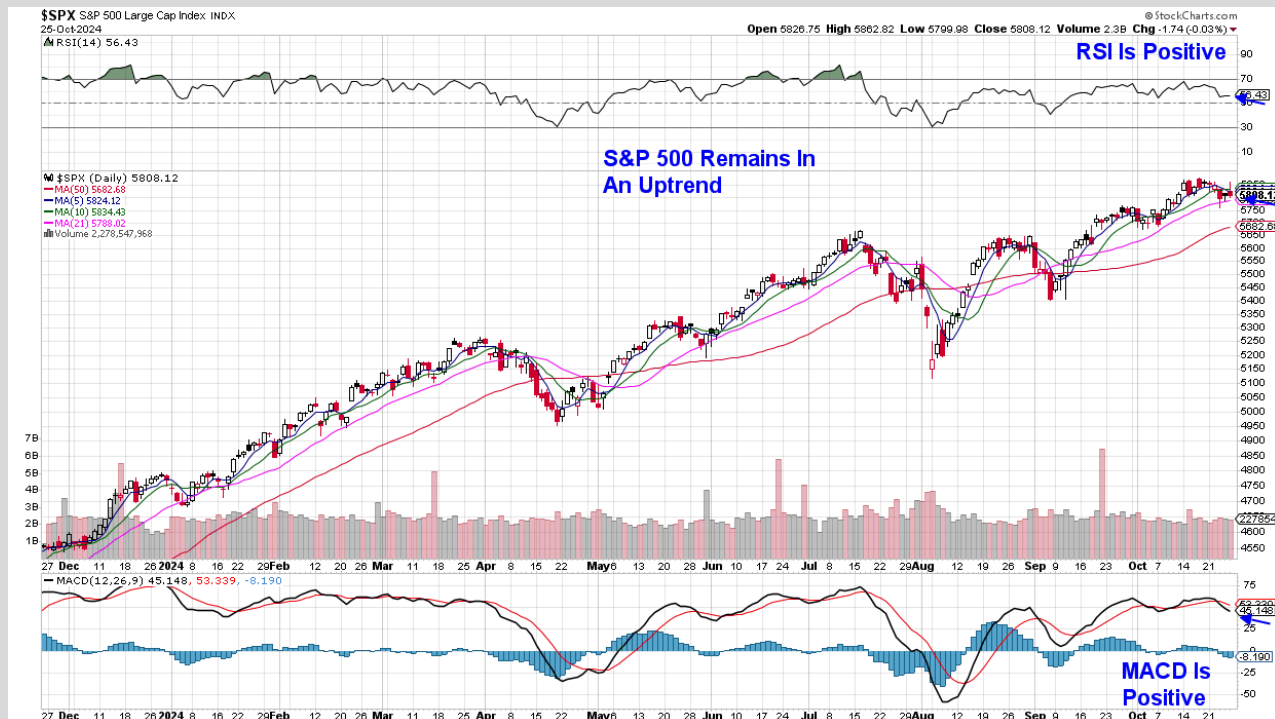
Developments This Week

- Tesla (TSLA) Rallies 22% After Earnings Above Estimates
- Volatility Index (VIX) Closes Above 20
- Yield On 10-Year Treasury Rises To 4.24%

Upcoming Data Next Week

- October Employment Data Due Wednesday and Friday
- Personal Consumption Expenditures (PCE) Due Thursday
- AAPL, AMZN, META, MSFT and GOOGL Due To Report Earnings
- Q3 GDP Estimates

Daily Chart of S&P 500



The S&P 500 closed the week down 1%, in a move that has it moving closer to its 21-day simple moving average. With the RSI and MACD in positive territory, the uptrend in this Index remains in place.

The NASDAQ closed the week up 0.2%, after a 22% rally in Tesla (**TSLA**) following their earnings report.

Outperformance in heavyweight name Nvidia (**NVDA**) also buoyed the NASDAQ as did gains in Microsoft (**MSFT**) and Alphabet (**GOOGL**) - both due to report earnings next week.

Last week, the markets were most heavily impacted by a rise in interest rates due to investor's outlook that the Federal Reserve will reduce their rate cutting activity. Most negatively impacted were Small Caps, Housing, and Biotech stocks.

The recent rise in yields has been about a more robust than anticipated labor market. Steady growth in the economy has also pushed rates higher.

Next week could be pivotal as we review October employment data on both Wednesday and Friday. The Federal Reserve has made it clear that they are keeping a close eye on jobs data as a way to time rate cuts.

Other key data is due next week as well, with earnings reports from 5 of the Magnificent 7 stocks with the calendar listed here →

Earnings Due Next Week

TUESDAY -

Google

WEDNESDAY-

Microsoft

Meta

THURSDAY -

Apple

amazon

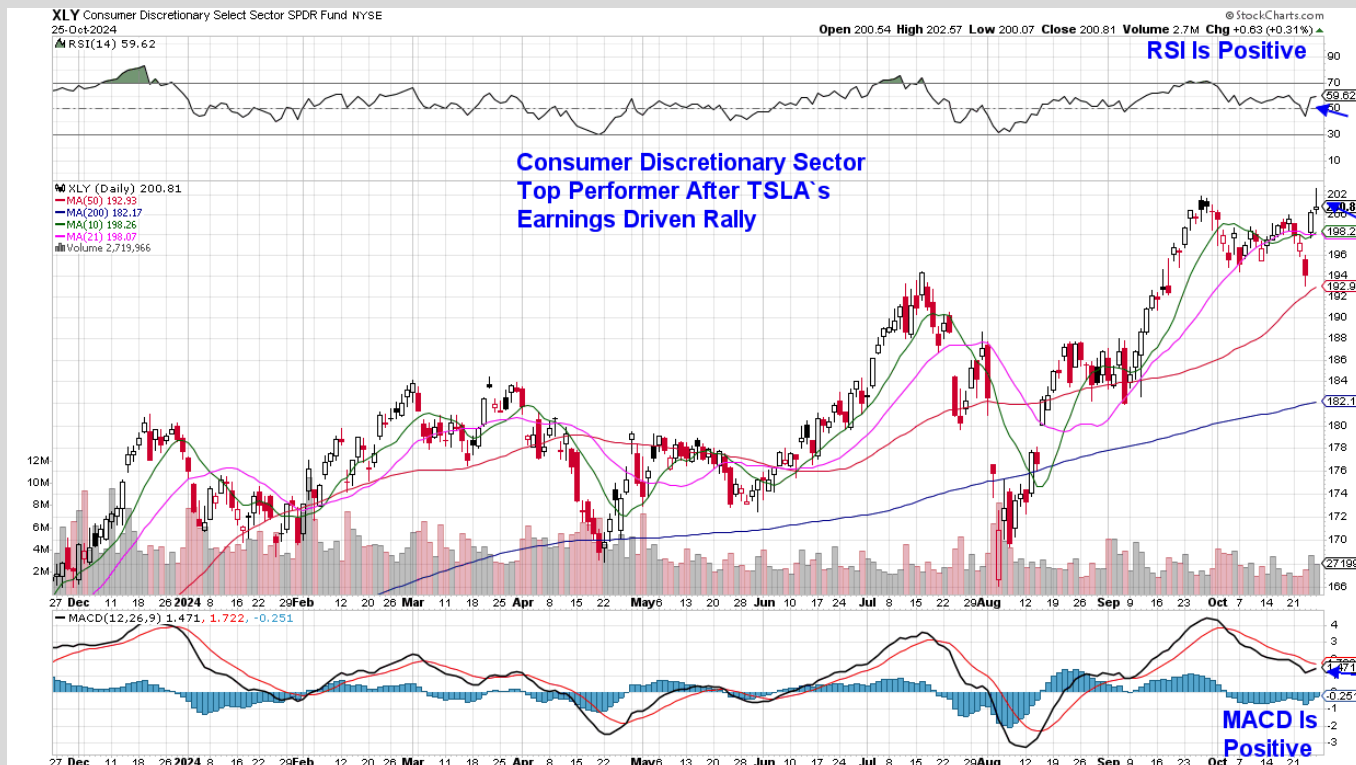
And in case that was not enough to digest, Core PCE data will be released on Thursday. This is the Federal Reserve's preferred gauge of inflation. Lastly, election worries are emerging as we head toward November 5th.

With all the uncertainty, the Volatility Index (VIX) has risen above 20. (A level above 18 is viewed as negative for the markets.)

Historically, volatility will spike going into elections and often the markets will pull back. Below is a chart of the Volatility Index before elections for 2016 as well as the market's pullback. We did not include 2020 because COVID cases had reached a peak in late October.

At this time, the broader markets are in an uptrend however, caution going into next week's big earnings and economic data releases is advised. Election uncertainties are also a concern.

Daily Chart of the Consumer Discretionary Sector (XLY)



Consumer Discretionary Sector Is Top Performing

Tesla (**TSLA**) is the second top holding in this sector and last week's sharp rally pushed the Discretionary group out of a 1-month base before a Friday pullback.

Not all the news was good for this sector however, as Homebuilders fell over 7% after last week's rise in interest rates. In turn, Home Furnishing stocks had a similarly sharp drop.

Toll Brothers (**TOL**) pulled back to its 50-day moving average however, it was unable to regain its shorter-term moving averages and ended the week with a negative RSI.

We would not be a buyer on this pullback and a close below its 50-day moving average at \$147.4 would be a sell signal. Should **TOL** close above its

10-day moving average in the \$153 range, it would be a buy signal. For now, the stock can be held.

Heavyweight stock Amazon (**AMZN**) is due to report their earnings on Thursday after the market's close. While the company's primary source of income is its retail sales, their cloud services division generates the bulk of their operating income.

AMZN's earnings last quarter were disappointing as retail revenue dropped and management guided lower for the 3rd quarter. Ad sales were also weaker than expected.

However, the company is all in with their AI businesses after announcing their partnership with Dominion Energy (**D**) to develop small modular reactors in an effort to use clean energy to power their cloud computing division.

Amazon's results in each of these divisions will undoubtedly impact the markets, as news regarding retail sales, AI-related trends, and ad sales will be very revealing.

The stock closed the week above each of its moving averages with a positive RSI and MACD which puts it in a positive position from which to benefit should results come in better than expected.

Major retailer Walmart (**WMT**) gained 1.5% for the week after a Wall Street upgrade followed news they will be offering same-day prescription delivery. **WMT** is in a strong buy zone after closing the week at its 5-day moving average with a bullish MACD crossover and a positive RSI.

Restaurant retailer Shake Shack (**SHAK**) was flat last week ahead of their earnings before the market's open on Wednesday. The stock has been in a volatile yet flat trading range over the past 2 weeks with a close above the \$111.2 level on any positive news putting the stock into a buy zone.

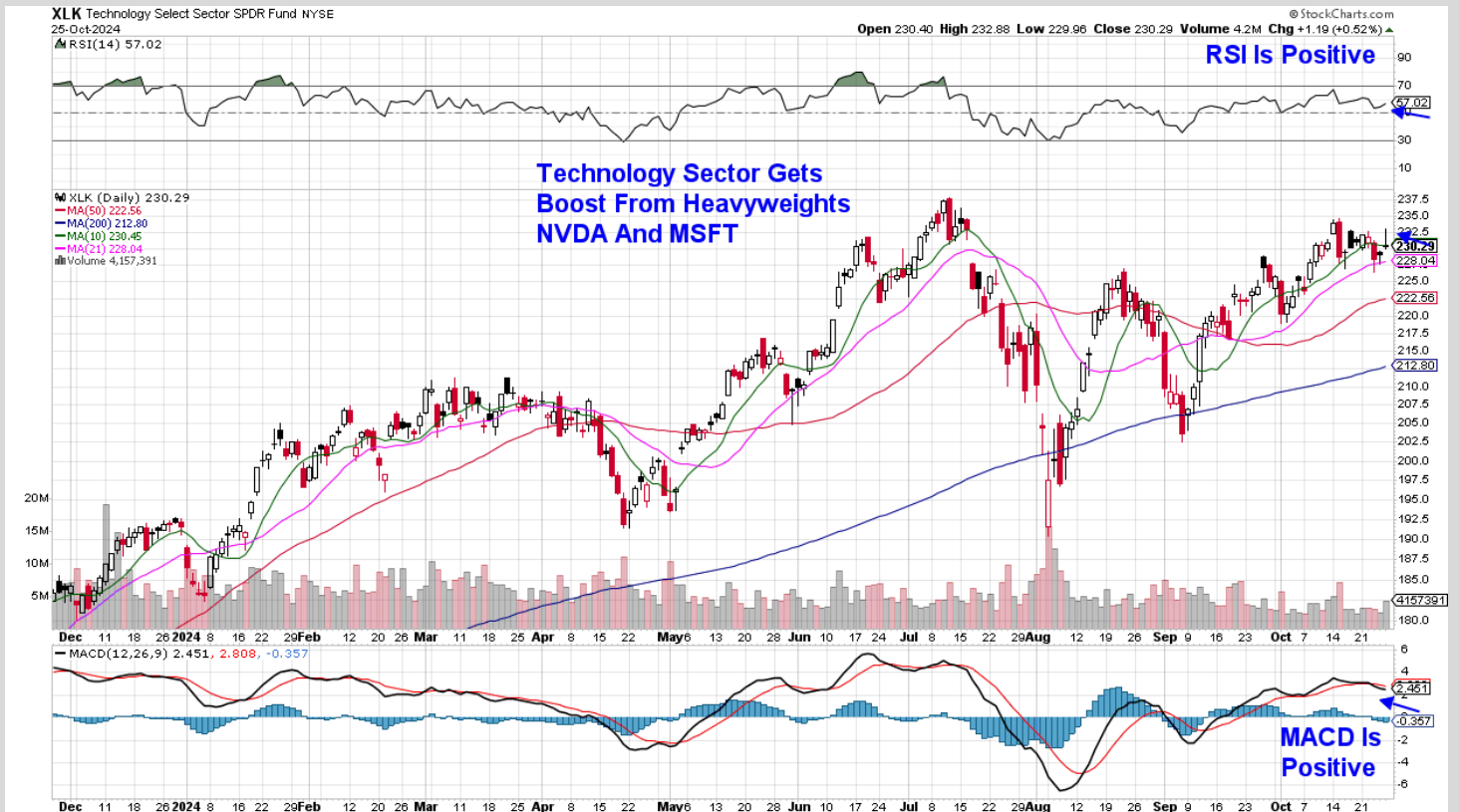
Smaller home appliance manufacturer SharkNinja (**SN**) ended the week flat ahead of the release of their earnings on Thursday before the market's open. Analysts have been revising earnings estimates higher ahead of their report which is bullish.

SN is poised for a \$110 base breakout should they report positive results. Coupled with a MACD crossover, this would put the stock into a strong buy zone.

Luxury car manufacturer Ferrari (**RACE**) is in a confirmed uptrend and in a buy zone as it is above its upward-trending 5-day moving average with a positive RSI and MACD. **RACE** is due to report their quarterly results early next month.



Daily Chart of the Technology Sector (XLK)



Technology Sector Outperforms

The Tech sector was helped by a 2.5% gain in both Microsoft (**MSFT**) and Nvidia (**NVDA**) which are heavyweights.

Both stocks are in groups that outperformed with Software and Semiconductor stocks ending the week flat.

Among larger cap Software stocks, Palantir (**PLTR**) was a top performer, with a 4.5% gain following news of a partnership with defense company L3Harris (**LHX**) to boost AI-driven defense capabilities.

PLTR broke out of a 2-week base on volume Friday ahead of the release of their earnings early next month. The stock can be bought on a pullback to the \$43.5 range at its 5-day moving average.

Monday.com (**MNDY**) also gained 4.5% for the week due mostly to a sharp rally on Thursday after peer stock ServiceNow (**NOW**) reported strong earnings. **MNDY** broke out of a 2-week base on volume, and the stock can be bought on a pullback to the \$292 range at its 5-day moving average.

Q2 Holdings (**QTWO**) had a more modest 1.3% gain which keeps the stock in a confirmed uptrend above its upward-trending shorter-term moving averages. The stock is in a buy zone.

Fortinet (**FTNT**) pulled back 1% with a close near its 21-day moving average. With the RSI and MACD trending lower on its daily chart, we are on the lookout for the stock to find support at its 21-dmav in the \$80 range. A close above its 10-day moving average in the \$81.5 range would be bullish. For now, **FTNT** can be held.

Fair Isaac (**FICO**) is finding support above its upward-trending 21-day moving average amid upgrades to estimates for next year's earnings. The stock can be held with a close above its 10-day moving average putting **FICO** into a buy zone.

Among Semiconductor stocks, Nvidia (**NVDA**) gained 2.6% for the week following news that the company fixed the flaw in their Blackwell AI chip.

The stock closed the week at its upward-trending 5-day moving average and its positive RSI and MACD puts the stock in a buy zone as **NVDA** remains above its \$141 base breakout level.

Taiwan Semi (**TSM**) ended the week with a 1.3% gain after a Friday upgrade from Bank of America. The stock is finding support at its 10-day moving average and is in a buy zone.

Broadcom (**AVGO**) also received a BOA upgrade as the company is among the few that provide chips needed to provide AI-related enhancements for data centers. (**NVDA** and **TSM** are among the others)

AVGO fell 4% for the week however, and the stock can be held as it remains above its 50-day moving average.

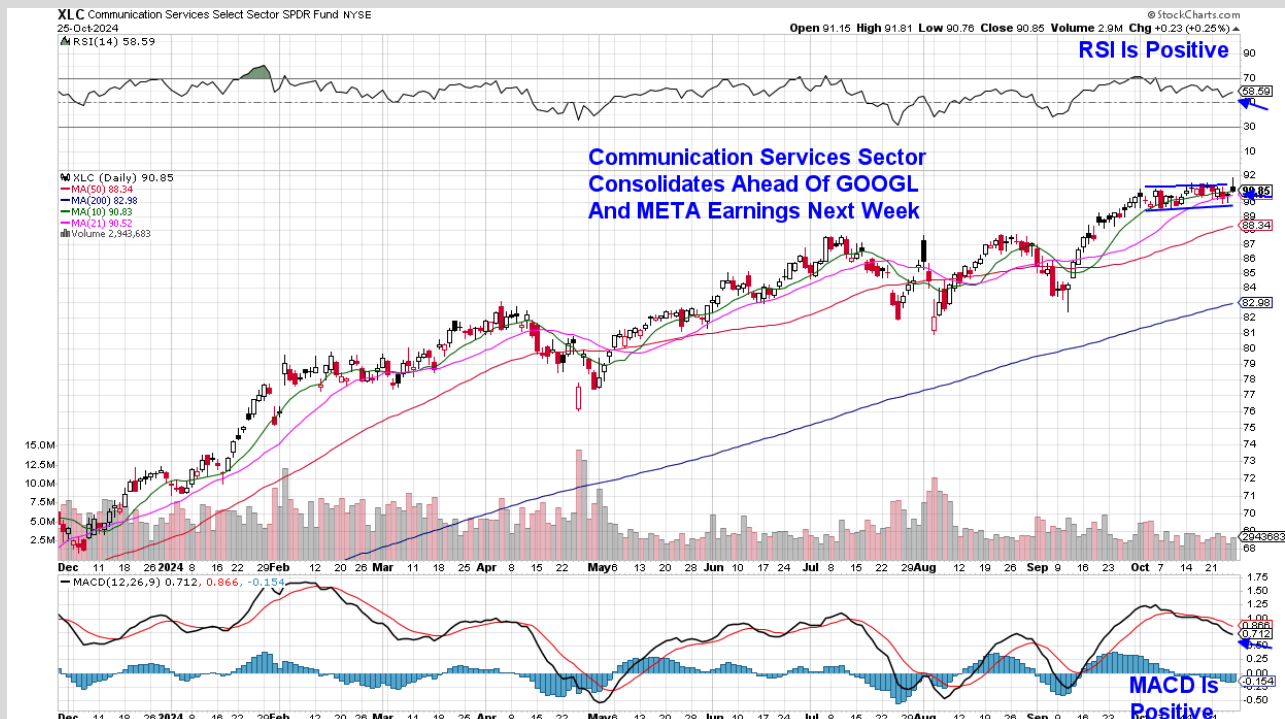
Next week's earnings reports from Amazon (**AMZN**), Alphabet (**GOOGL**), Meta Platforms (**META**) and Microsoft (**MSFT**) will be key for the Semi stocks on our Suggested Holdings List. Continued spending on AI data center gear will be bullish for them while reduced spending would be a negative.

Arista Networks (**ANET**) also provides equipment that's vital for data center's AI-related activity. The stock has been trending downward over the past 2 weeks and is now below its 21-day moving average with an RSI and MACD that's trending lower.

The networking stock can be held ahead of the release of their earnings early next month. A close above its 10-day moving average in the \$401 range would put **ANET** into a buy zone.



Daily Chart of the Communication Services Sector (XLC)



Communication Services Sector Remains In An Uptrend

The Communication Services sector has been consolidating for the past month with a positive RSI and MACD. The sector is expected to see a change in character after next week however, as heavyweight names Alphabet (**GOOGL**) and Meta Platforms (**META**) will be reporting their quarterly results.

Both companies derive a large portion of their income from advertising revenue and that will be closely watched. Also important will be news surrounding AI-related spending as well as earnings possibilities from their AI efforts.

GOOGL is well below its July peak in price after reporting ad revenue from YouTube last quarter that was below estimates. Any sign of positive news would be bullish for the stock which has been trending sideways for the past 3 weeks.

If **GOOGL** closes above the \$169 level on positive quarterly results and outlook, we will most likely add the stock to our Suggested Holdings List.

META is in an entirely different position, as it is 4% below its early October peak in price after pulling back ahead of their earnings next Wednesday. Wall Street is bullish on their outlook for the company due to the potential for increased ad sales. Use of their AI assistant is also expected to see growth.

META closed below its 21-day moving average with the RSI and MACD in positive territory. A close above its 10-day moving average in the \$577 range on any positive news would put the stock into a buy zone.

Netflix (**NFLX**) closed just below its 5-day moving average after a 1% pullback on the heels of last week's sharp advance following an earnings report that was above estimates. **NFLX** is in a buy zone.

Daily Chart of the Industrial Sector (XLI)



Industrial Sector Pulls Back Amid Weak Earnings Reports

Industrial stocks pulled back from their recent high in price after 2 heavyweight stocks (**GE** and **HON**) reported disappointing earnings. A drop in construction-related stocks after Home Builders fell, also weighed on this sector.

GE Aerospace (**GE**) fell 7% after the release of their quarterly results. The decline took place after **GE** reported sales in their commercial aircraft division came in slightly below estimates.

GE was “priced for perfection” as it was trading at an 8-year high in price ahead of their earnings. While

the military and aviation parts divisions saw growth, the commercial division came in below estimates due to supply chain issues.

GE closed the week just below its 50-day moving average with its RSI in negative territory. We are removing **GE** from our Suggested Holdings List however, longer-term investors can remain with the stock as the weekly chart remains positive.

FTAI Aviation (**FTAI**) closed on a bullish note with a close above its 10-day moving average on relatively high volume. The price action comes ahead of the company’s release of earnings on Wednesday before the market’s open.

FTAI is in a position to trade higher should results be positive.

Transdigm (**TDG**) supplies parts for nearly all aircraft currently in service with their components used in military and commercial aircraft. The stock pulled back after **GE**'s disappointing sales data and the stock is now below its 21-day moving average.

The RSI and MACD remain in positive territory and the stock can be held. **TDG** is due to report earnings early next month. A close above its 10-day moving average would be positive.

EMCOR (**EME**) is also due to report their earnings next week, with a Thursday release before the markets open. The stock pulled back sharply on Friday amid selling in construction-related companies due to a drop in home builders.

While the RSI is now negative, the stock can be held. A close above its 10-day moving average on positive results would put **EME** into a buy zone.

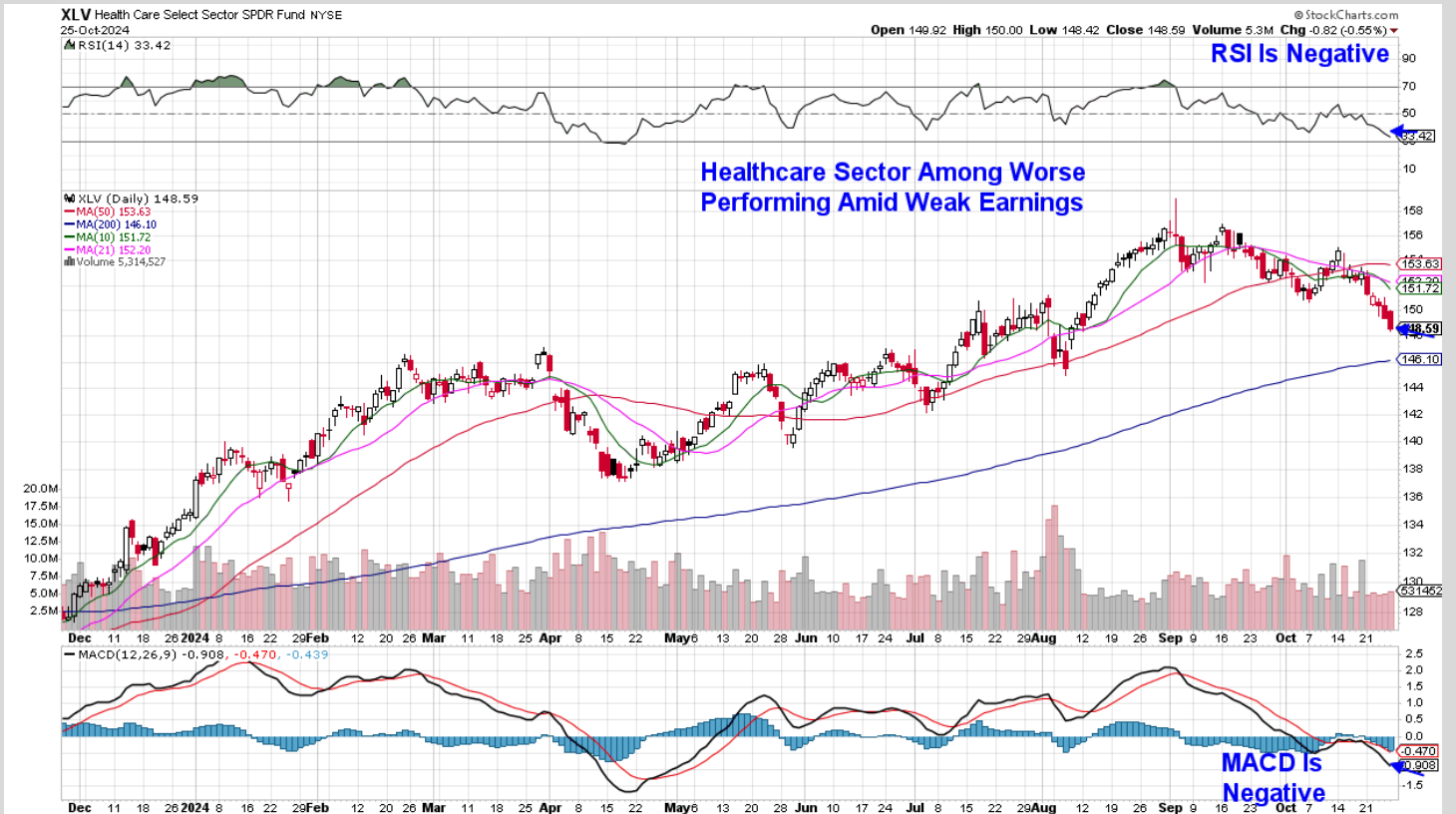
Granite Construction (**GVA**) is another construction-related stock that is due to report earnings next week; however, the company is involved in roadways and infrastructure products that rely on government spending.

GVA remains in an uptrend going into earnings and a MACD crossover on any positive news would put the stock into a strong buy zone.

Despite recent weakness in Industrials, the sector continues to sit at all-time highs. Stocks in this group are generally going to be more susceptible to selling on any hint of weak earnings.



Daily Chart of the Health Care Sector (XLV)



Healthcare Sector Among Worse Performing

Healthcare stocks pulled back again last week after a drop in Biotech's which fare poorly in a rising interest rate and uncertain environment.

Medical Products stocks saw weakness as well, amid poor earnings reports from several heavyweights. Boston Scientific (**BSX**) was among the heavyweights with the stock pulling back despite strong earnings.

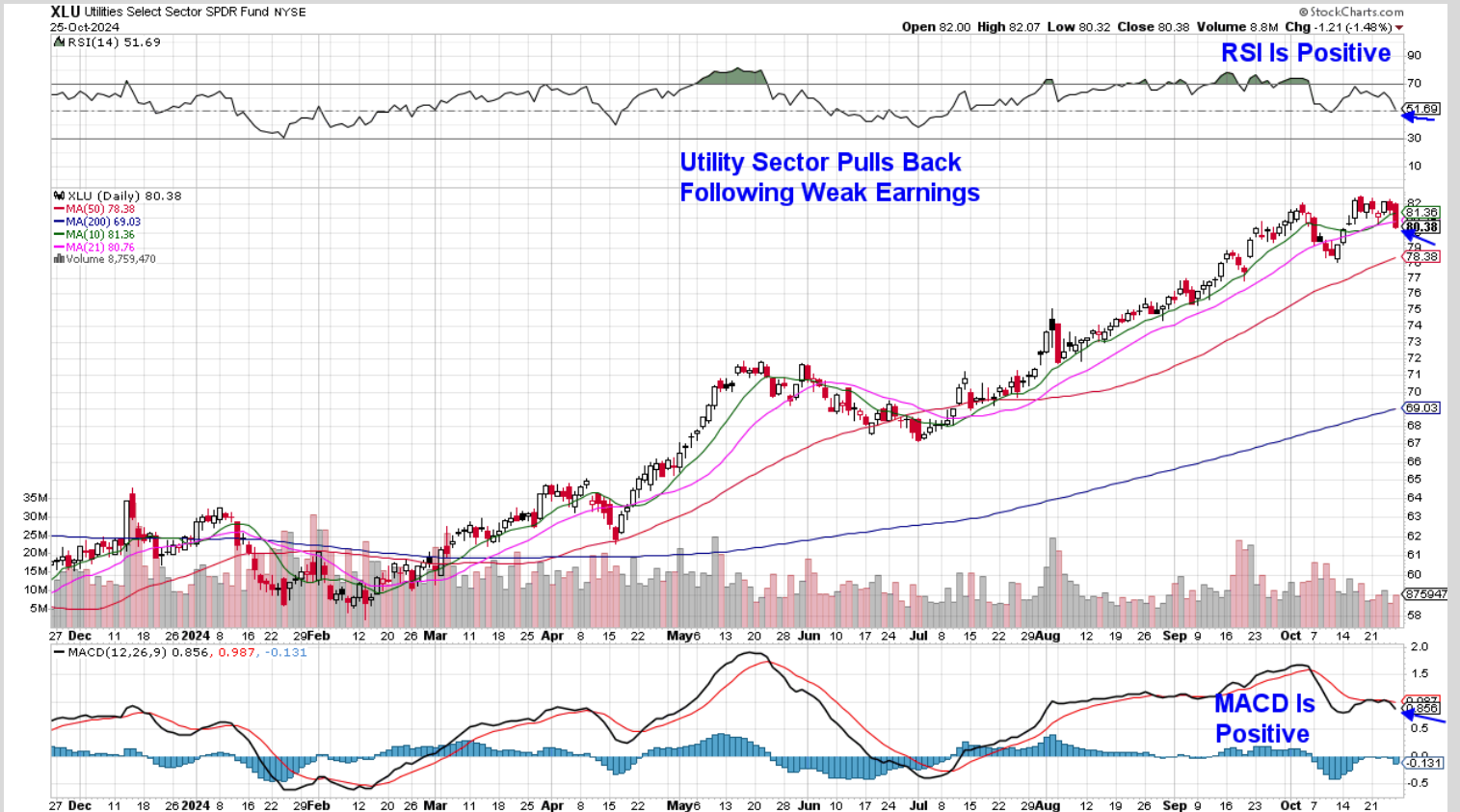
BSX is currently finding support above its 50-day moving average; however, the RSI is in negative territory. For now, the stock can be held however, we would not add to positions here.

Intuitive Surgical (**ISRG**) is continuing to consolidate following the stock's gap up on strong earnings the prior week. Using the January gap up on earnings as precedent, a close above its 5-day moving average at the \$514 level would put **ISRG** into a buy zone.

Eli Lilly (**LLY**) is due to report their earnings on Wednesday after the market's close. The stock has been trending downward amid news that rival companies are offering a knock off version of their weight loss drug.

LLY will need to close above its moving averages with a positive RSI before it is in a buy zone.

Daily Chart of the Utilities Sector (XLU)



Utility Sector Ends On A Weak Note

Utility stocks pulled back on Friday following the release of earnings from DTE Energy (**DTE**) which fell Friday due to weakness in their natural gas unit. **DTE** focuses on clean energy initiatives and is viewed as a peer stock to Dominion (**D**) from our List.

Dominion's partnership with Amazon sets the stock apart however, as they are exploring the production of smaller reactors to meet the expanding power demand due to AI needs. Bullish comments in this area may buoy the stock.

Dominion (**D**) will be reporting their quarterly earnings this Friday before the market's open. The stock pulled back in tandem with **DTE** however, Dominion found support above its upward-trending 10-day moving average.

Summary

Last week's selling pressures in the market were primarily driven by rising yields. Driving those yields higher has been stronger than expected economic data while inflation numbers have remained sticky. A resilient economy presents a favorable backdrop for the markets to continue to trade higher.

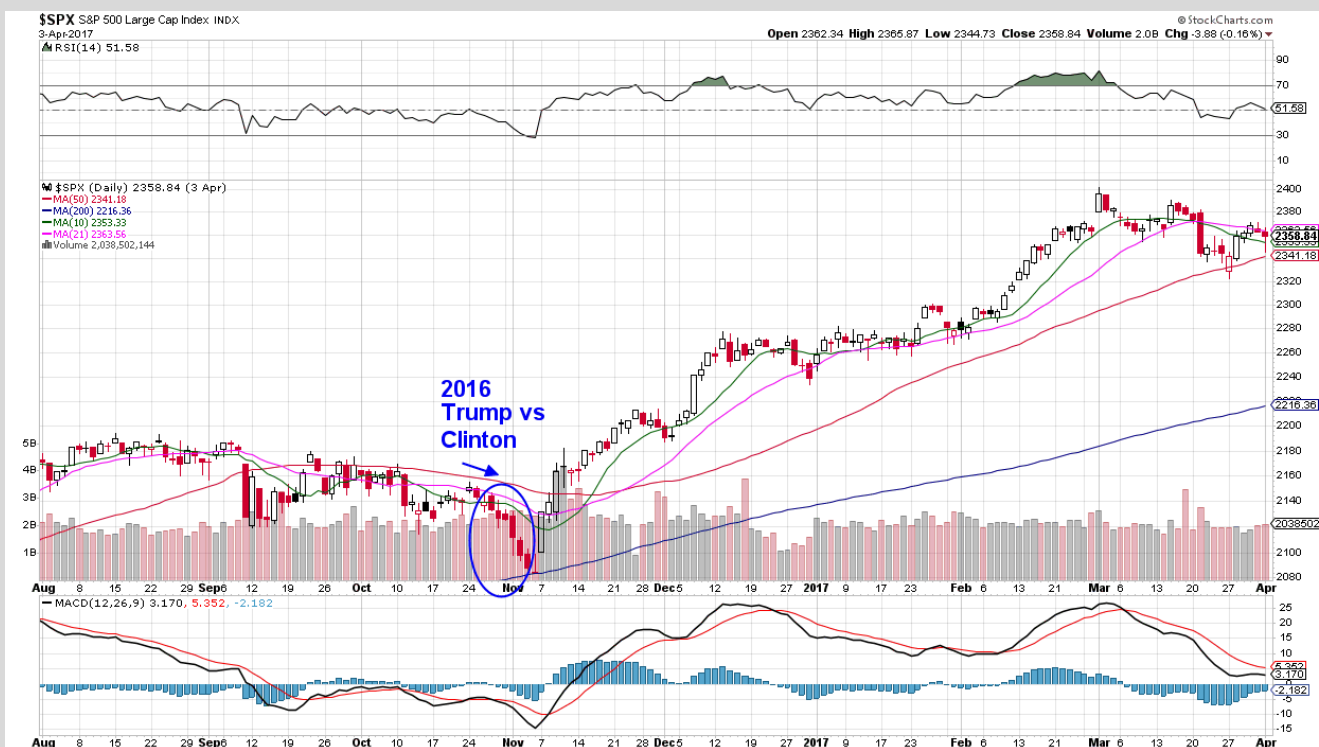
Earnings reports have also been a dominant force for price movement and over the near term, earnings season picks up considerably with results from M7 stocks expected to set the pace. →

Volatility going into the elections will also provide crosscurrents as will key employment and inflation data.

At this time, we remain constructive on the longer term prospects for the markets however near term, we anticipate volatility to pick up as investors sort through key developments.

Charts We Are Watching:

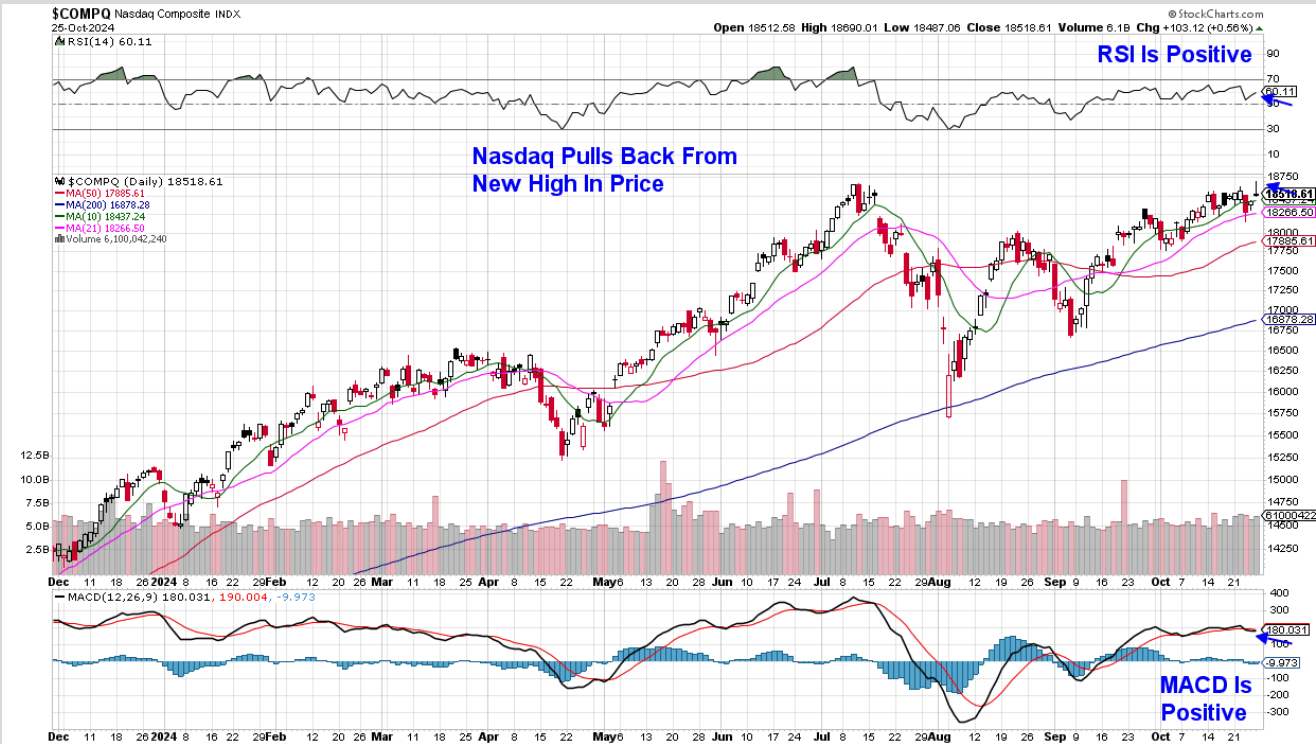
Daily Chart of S&P 500 (2016-2017)



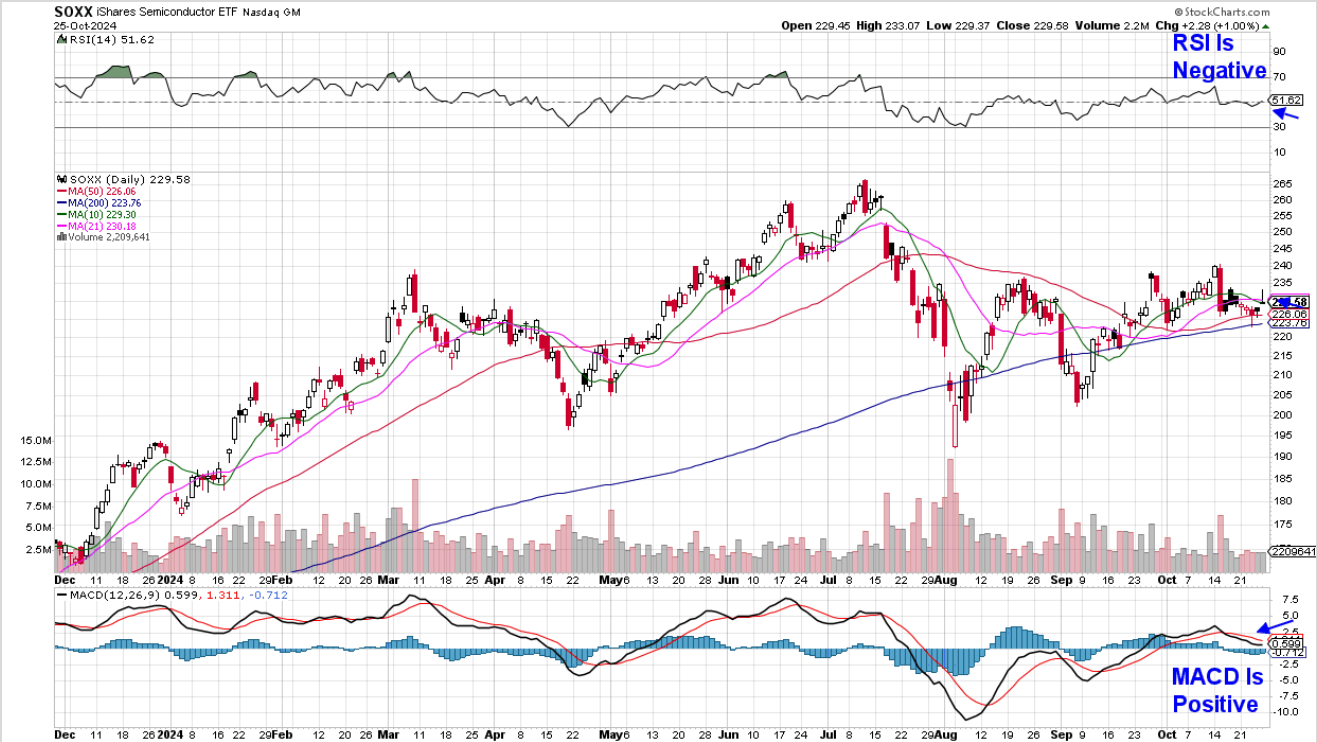
Daily Chart of the Volatility Index VIX (2016-2017)



Daily Chart of the Nasdaq Composite (\$COMPQ)



Daily Chart of iShares Semiconductor ETF (SOXX)



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	
SYMB	COMPANY	PRICE	DATE ADDED	PERFORMANCE	EARNINGS DUE
CONSUMER DISCRETIONARY					(AM) - After Market Closes (BM) - Before Market Opens
AMZN	Amazon	\$191.60	9/22/2024	-3.0%	Oct. 31 AM
RACE	Ferrari	\$469.08	10/13/2024	3.0%	
SHAK	Shake Shack	\$110.02	10/6/2024	0.5%	Oct. 30 BM
SN	SharkNinja	\$95.80	9/2/2024	15.5%	Oct. 30 BM
TOL	Toll Brothers	\$139.50	7/27/2024	11.0%	
WMT	Walmart	\$72.90	8/15/2024	12.0%	
FINANCIAL					
D	Dominion Energy	\$60.50	10/16/2024	-1.5%	Aug. 1 BM
INDUSTRIAL					
EME	Emecor Group	\$420.00	9/22/2024	-1.5%	Oct. 31 BM
FTAI	FTAI Aviation	\$58.00	3/17/2024	114.0%	Oct. 30 BM
GE	GE Aerospace	\$178.26	9/15/2024	1.0%	
GVA	Granite Construction	\$76.37	9/15/2024	6.5%	Oct. 31 BM
TDG	Transdigm	\$1,348.03	9/12/2024	6.0%	
HEALTHCARE					
BSX	Boston Scientific	\$81.80	9/2/2024	4.5%	
ISRG	Intuitive Surgical	\$598.80	10/20/2024	23.0%	
LLY	Eli Lilly	\$919.70	10/9/2024	-3.0%	Oct. 30 AM
TECHNOLOGY					
ANET	Arista Networks	\$384.50	9/22/2024	2.5%	
AVGO	Broadcom	\$175.50	9/25/2024	0.0%	
FICO	Fair Isaac	\$2,024.90	10/9/2024	-1.0%	
FTNT	Fortinet	\$82.80	10/13/2024	-3.0%	
MNDY	<u>Monday.com</u>	\$258.99	9/12/2024	18.5%	
NVDA	Nvidia	\$123.50	9/25/2024	14.5%	
PLTR	Palantir	\$32.10	8/18/2024	37.5%	
QTWO	Q2 Holdings	\$79.00	9/22/2024	2.5%	
TSM	Taiwan Semiconductor	\$181.90	9/25/2024	12.5%	
COMMUNICATION SERVICES					
NFLX	Netflix	\$701.40	9/2/2024	8.0%	
META	Meta Platforms	\$550.00	9/22/2024	2.0%	Oct. 30 AM

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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