



# THE MEM EDGE

November 10, 2024 | Weekly Report

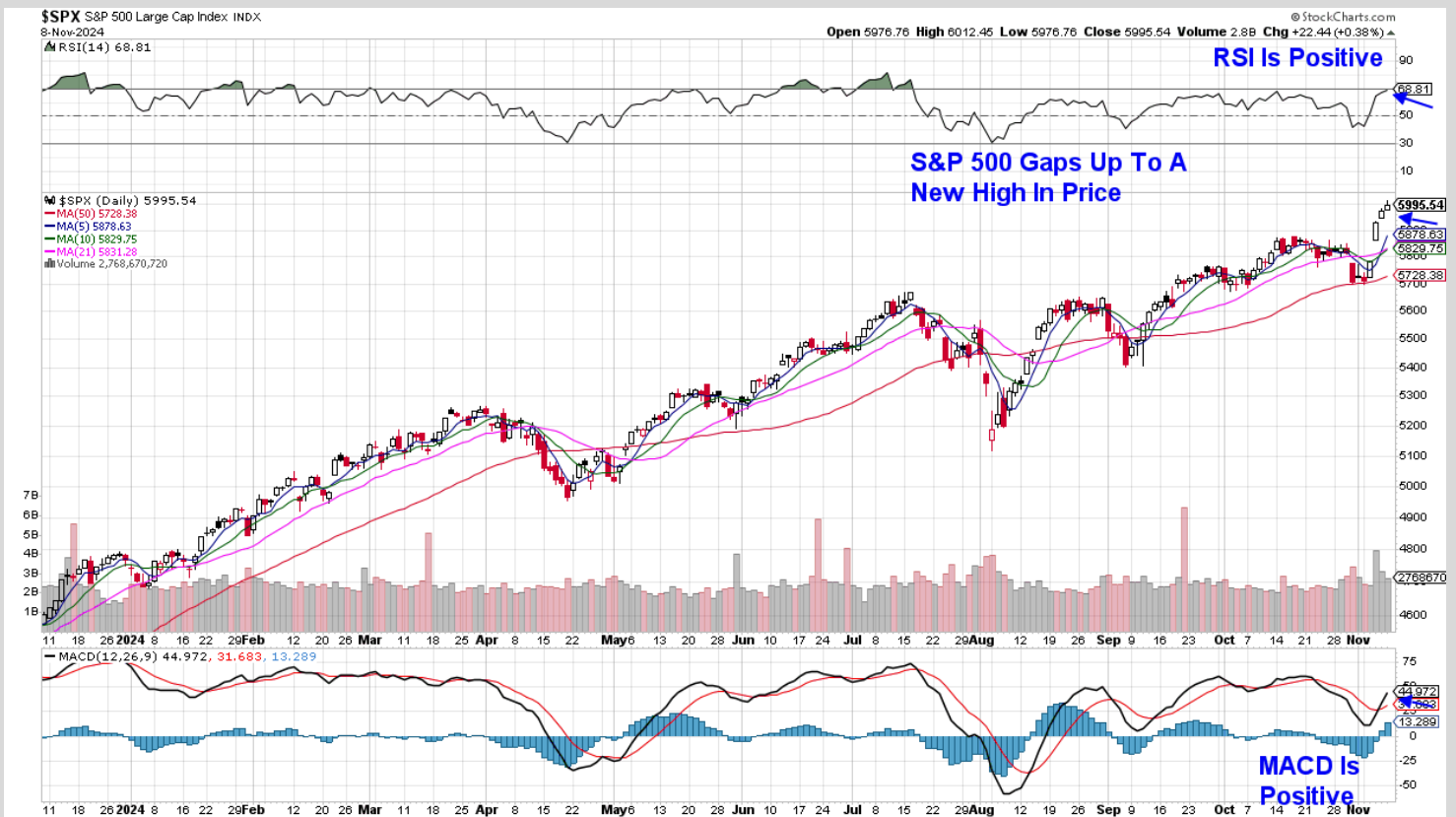
## Market Developments Last Week

- Trump's Election Spurs Sharp Rally
- Banks, Industrials, Consumer Discretionary, and Tech Stocks Among Biggest Gainers
- S&P 500, DOW And Nasdaq Close At New Highs
- Federal Reserve Cuts Interest Rates By 1/4%
- China's Fiscal Stimulus Package Disappoints

## Upcoming Data

- Core CPI On Wednesday And PPI Data Due On Friday
- October Retail Sales Due On Friday
- **MNDY**, **DIS**, and **HD** Earnings Due Next Week

### Daily Chart of S&P 500



The S&P 500 gained 4.7% last week which puts this Index at a new high in price. With both the RSI and MACD in positive territory, the near-term uptrend in the S&P 500 remains in place.

Of note is that the RSI and MACD on the daily chart are both in a position from which to trend higher, which bodes well for the possibility of further near-term upside for the S&P 500.

The Nasdaq fared even better, with a 5.7% advance that was led by a sharp gain in Software stocks. Select M7 stocks also provided a boost which we will review below.

On its weekly chart, the Nasdaq posted a bullish MACD crossover last week, which is quite positive for the longer-term outlook for this Index.

Last week's sharp advance began on Wednesday, as investors reacted bullishly to Trump's return to the White House. Areas that saw the most gains were those that would benefit from Trump's campaign promises, with corporate tax cuts being a big boost to stocks.

The higher corporate growth that is expected from tax cuts pushed economically sensitive areas up sharply as Industrials, Consumer Discretionary, Banks, and Technology were among the biggest winners for the week.

Energy stocks gained the most however, as increased demand for Oil is anticipated amid a growing economy. In addition, Oil stocks fare well in periods of rising inflation, and Trump's potential tariff and immigration programs are anticipated to increase inflation.

Among M7 stocks, Tesla (**TSLA**) was the biggest gainer as Musk's support for Trump is expected to put him in a position to shape the future of EVs. Amazon (**AMZN**) and Netflix (**NFLX**) also outperformed, amid positive AI-related news.

Nvidia (**NVDA**) outperformed even more however and again, the company's key position in the world of AI was one of the primary reasons. In fact, most of the biggest winners last week were AI-related companies as this area is expected to get support from the Trump administration.

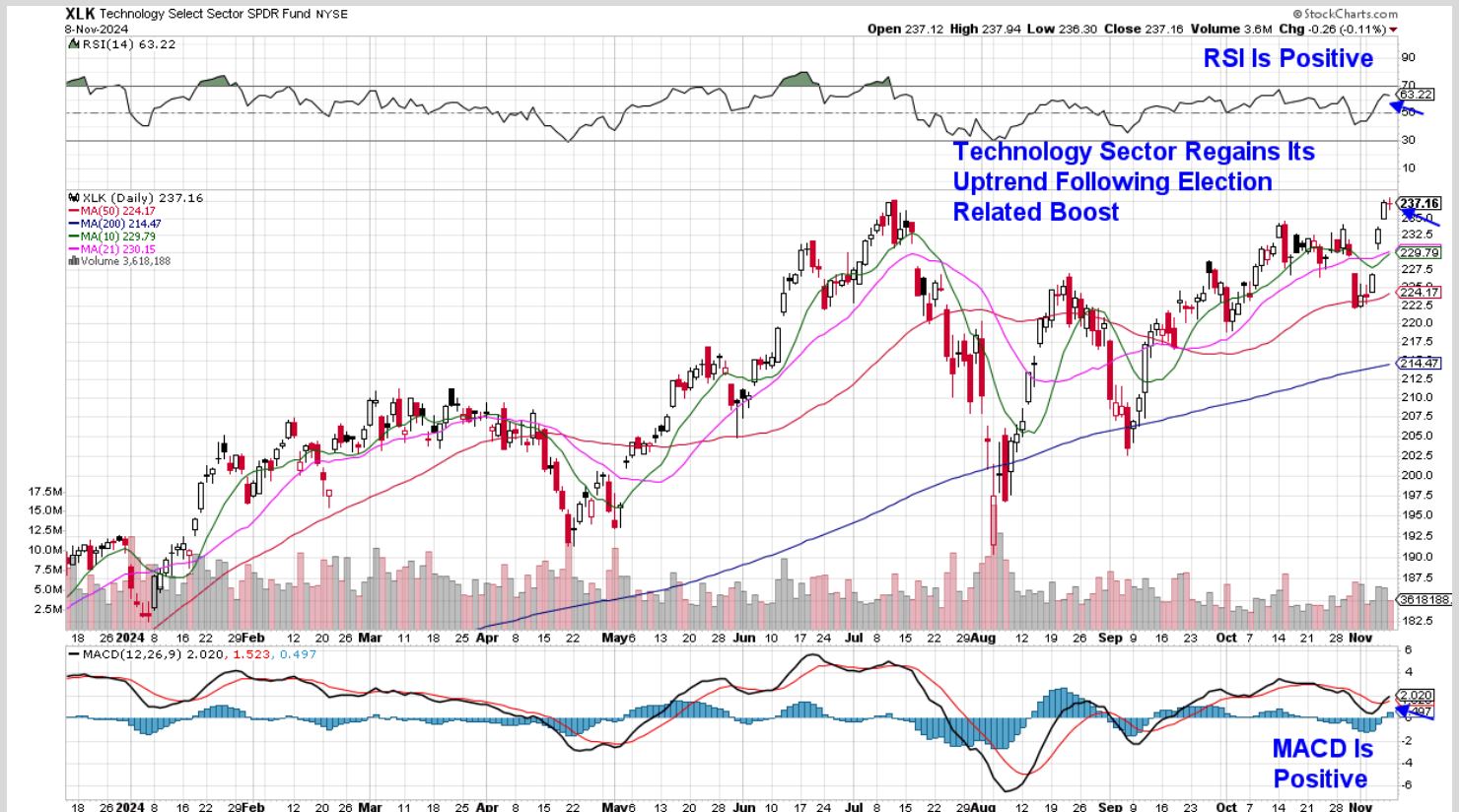
Bank stocks drove the Financial sector higher, as a more relaxed policy stance from Trump is expected to improve profit margins. Loan activity is also anticipated to pick up amid a pro-growth environment.

Among broader Indices, Small Cap stocks gained the most, with an 8.4% rally that pushed the Russell 2000 Index out of a 14-week base on heavy volume. Small Caps fare well in a period of economic expansion.

With the uncertainty of the elections behind us and a strong earnings season nearing its end, the markets appear poised to trend higher. A declining interest rate backdrop is a positive as well.

However, new inflation data is due next week which may give the markets pause if the numbers on Wednesday and Friday come in above estimates. We will alert you to any shift in our bullish sentiment.

## Daily Chart of the Technology Sector (XLK)



### Technology Sector Among Top Performing

The Tech sector outpaced the broader markets, led by outsized gains in Software stocks which rallied after posting earnings that were above estimates with many companies also guiding growth higher going forward.

Among the biggest winners was Palantir (**PLTR**), which ended the week up 39% after reporting earnings and sales that were above estimates. The company guided growth estimates higher for next year as well.

**PLTR** has proven itself as an AI leader amid high demand from the US government to counter-terrorism. According to management, their next area of growth will come from an expansion into commercial industries.

The stock's RSI on both its daily and weekly charts is in an overbought position as it is above 80 and we are on the lookout for a period of consolidation similar to late February of this year. **PLTR** can be held.

Q2 Holdings (**QTWO**) also outperformed with a 21% gain that followed the company's release of sales numbers that were above estimates. **QTWO** also guided growth estimates higher for next year.

The provider of digital solutions for regional banks received 8 Wall Street price target upgrades after their strong results. The sharp gain has put the RSI above 86 on both the daily and weekly charts however which means the stock is overbought.

Using the early May period as precedent, we are on the lookout for **QTWO** to consolidate over the next week. The stock can be held.

Fortinet (**FTNT**) broke out of a 3-week base after a 17% move higher following their release of earnings and sales that were above estimates. The news confirmed the firewall market is rebounding, after a lackluster start to the year.

Using the stock's early August period as precedent, **FTNT** is in a strong buy zone with the MACD just posting a bullish crossover on the daily chart.

Fair Isaac (**FICO**) also far outpaced other Software stocks with a 17.5% gain following strong quarterly results. The company announced they will be increasing the per-score fee for mortgages which is expected to improve **FICO**'s sales even further.

The stock may increase a bit further from here, but its RSI is quickly approaching an overbought position. We are on the lookout for a period of consolidation and at that time, positions can be added to more heavily.

Monday.com (**MNDY**) broke out of a flag formation on Wednesday which put it in a strong buy zone. The stock advanced further so that it gained 8.3% ahead of the release of their earnings on Monday before the markets open.

**MNDY** is poised to trade higher on any positive news.

The Software group closed at another new high in price with last week's runup putting the group close to an overbought position with the RSI above 77 on the daily chart. (using ETF IVG)

That said, this group is anticipated to continue to fare well as a reduction in corporate taxes will allow more funds to be put toward highly productive software. We will continue to add new names as they emerge.

The Semiconductor group has regained its uptrend after a 4.7% rally that put it back above its 50-day moving average. (using ETF SOXX).

The group received a boost from heavyweight stock Nvidia (**NVDA**) which gained 9% led by a gap up in price on Wednesday, after election results were released. This is because AI-related projects are expected to be supported by the new administration

Last week's gain pushed **NVDA** out of a 3-week base on volume and into an uptrend. The stock is in a strong buy zone after its bullish MACD crossover on Friday.

AI-focused chipmaker Broadcom (**AVGO**) also posted a 9% gain which puts the stock into a strong buy zone as it approaches a possible base breakout at the \$186.4 level. **AVGO** posted a bullish MACD crossover on its daily chart.

Taiwan Semi (**TSM**) had a more modest 4.5% gain for the week due to negative comments from Trump before his election regarding **TSM**'s dominance in chip manufacturing.

**TSM** is in a buy zone however, as it is forming the right side of a base. A MACD crossover on its daily chart would put the stock into a strong buy zone.

Arista Networks (**ANET**) fell sharply on Friday despite reporting earnings and sales that were above estimates. The pullback may be due to the company's 2025 guidance which was lower than expected.

**ANET** closed the week below its 21-day moving average after Friday's high volume selloff. A close back above this moving average in the \$403 range, would put **ANET** into a buy zone.

The Technology sector recovered from its prior week's downtrend after **MSFT** and **AAPL** disappointed and Semiconductor stocks fell on weak chip sales.

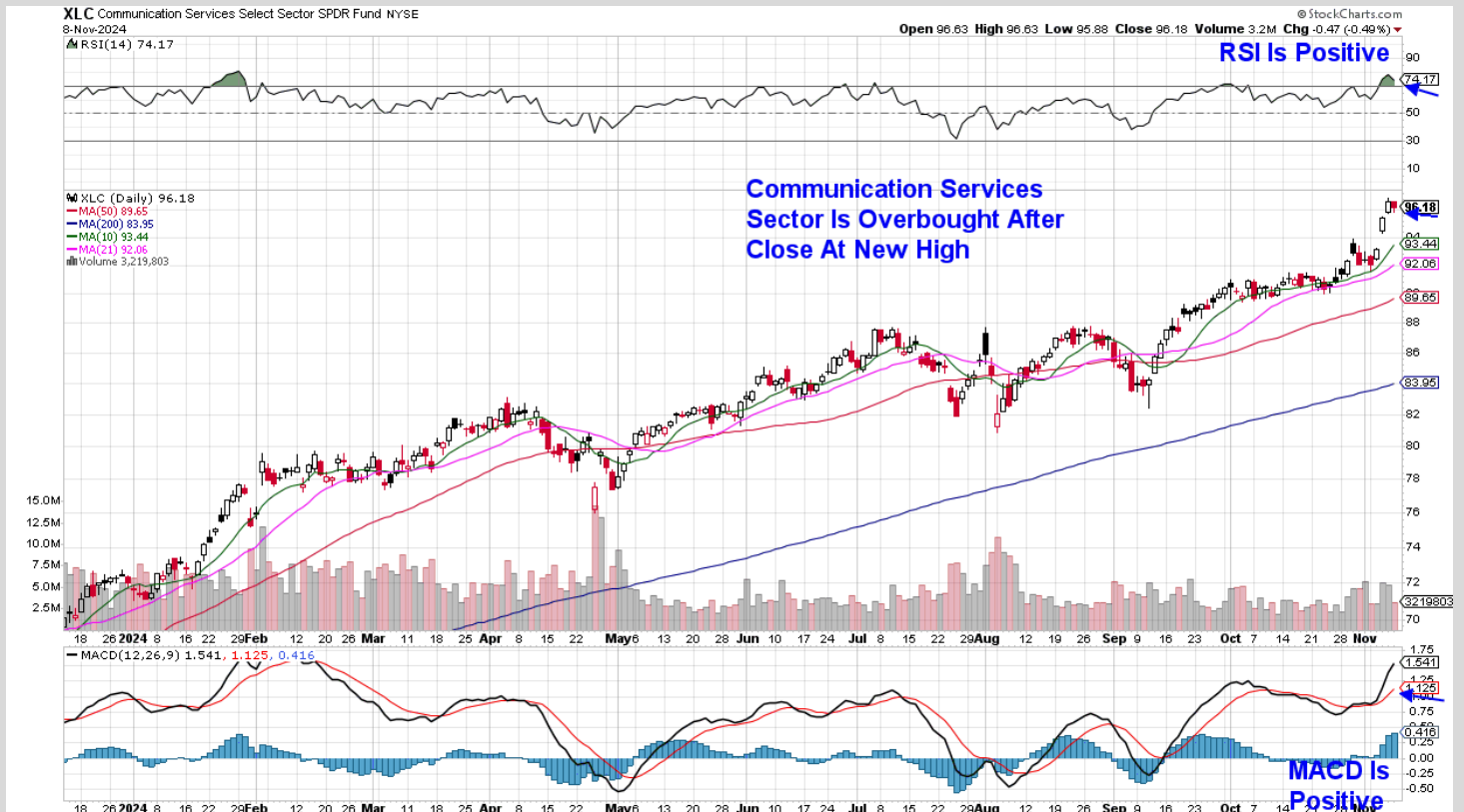
Last week's election results gave Tech stocks a real boost - particularly those involved in AI.

A review of the Tech sector during Trump's prior tenure shows an outperformance of these stocks vs other areas (see below). At that time, the new technology driving Tech stocks higher from 2017-2021 was Cloud Software stocks.

We anticipate Tech stocks to outperform again, and our focus will continue to be on AI-related names that are at the forefront of monetizing this analytical tool.



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



### Communication Services Sector At A New High

Internet-related stocks were among the best performing in this sector, with heavyweight name Netflix (**NFLX**) gaining 5%.

The company announced a shift in focus last week, with plans to use generative AI as a creative tool to accelerate the development of new games. In turn, ad revenues are expected to increase which gave the stock a boost.

**NFLX** broke out of a 2-week base on Wednesday and the stock is in a buy zone as it trends higher.

Alphabet (**GOOGL**) is very close to a possible 2-week base breakout at the \$182 level. The stock is trading very similarly to the late April into early May period when **GOOGL** pulled back after a gap up on

earnings. Using this as precedent, the stock is in an uptrend and can be bought on any pullback.

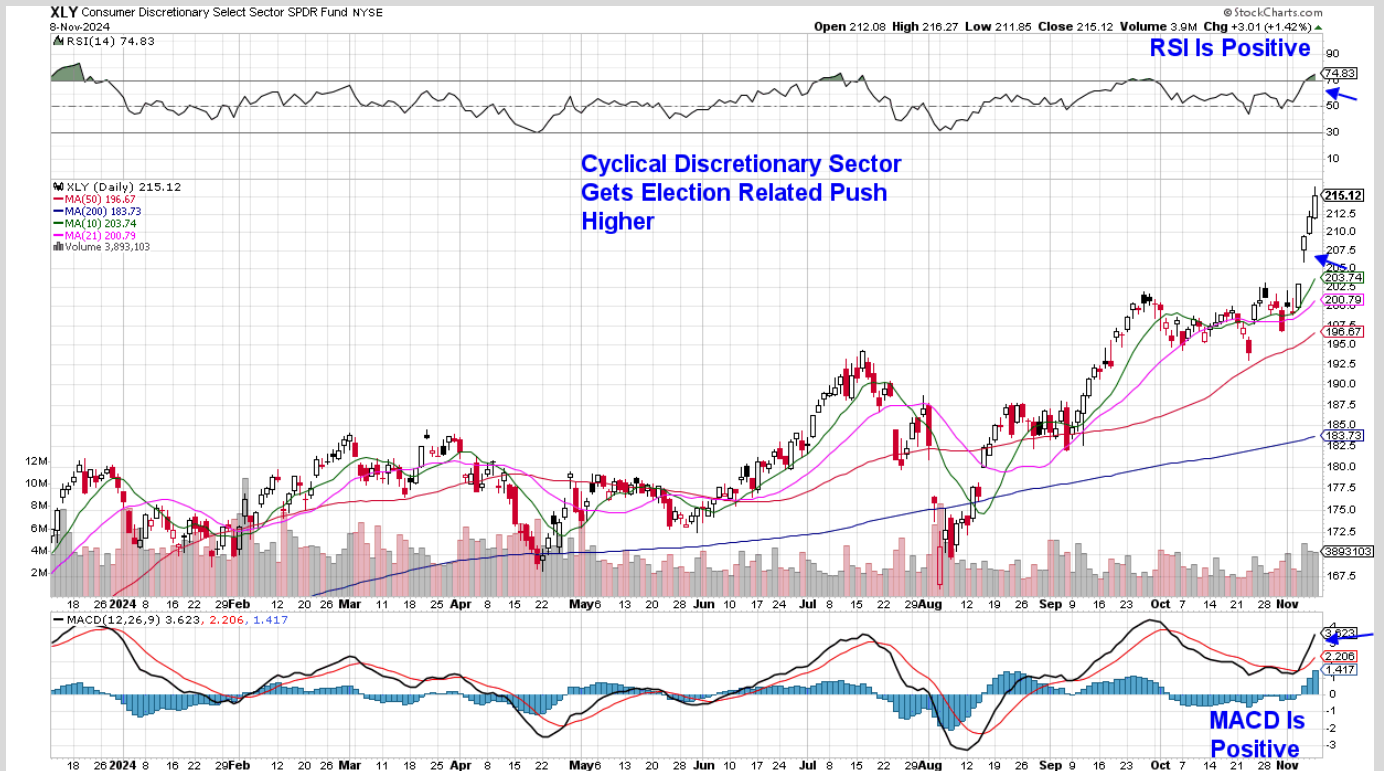
Meta Platforms (**META**) originally sat out the election-related rally due to concerns around Zuckerberg's seemingly tense relationship with Trump.

The stock received a boost on Thursday however, after a federal judge ruled that **META**'s CEO is not liable in 25 lawsuits accusing his company of addicting children to social media.

**META** is in a buy zone as the MACD posted a positive crossover on its daily chart. We would add to positions lightly as volume on its rally days has been below average indicating a lack of true upside momentum.



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



### Consumer Discretionary Sector Is Top Performing

The Consumer Discretionary sector broke out of a 5-week base on heavy volume as these economically sensitive stocks rallied after the election news.

A 29% gain in Tesla (**TSLA**) boosted this sector as well, as Musk's support of Trump paid off. Another heavyweight name, Amazon (**AMZN**), broke out of a 4-month base on heavy volume. The stock is in a buy zone.

Home Builders underperformed, with the group close to reversing its recent downtrend after a 3.6% rally. (using XHB)

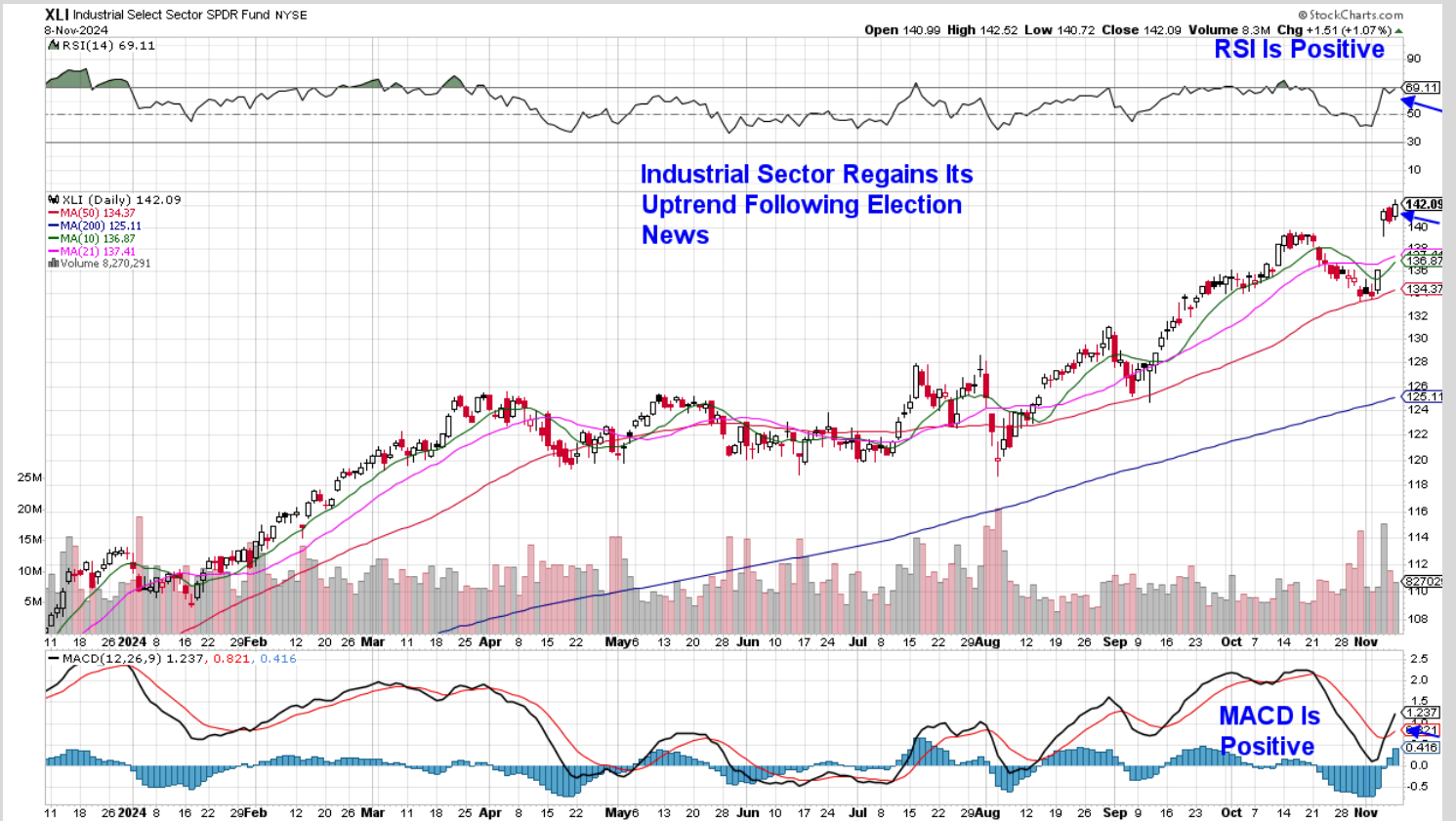
Toll Brothers (**TOL**) fared quite a bit better after bullishly closing above each of its moving averages.

The stock posted a 7.6% gain for the week that puts it in a strong buy zone as **TOL** moves closer toward a possible \$160 base breakout.

Shake Shack (**SHAK**) gapped up out of a 1-week base with a 5.6% gain for the week. As cited on Wednesday, we are using the mid-February period as precedent and we would be a buyer on any pullback to its 5-day moving average. This occurred on Friday which puts **SHAK** into a buy zone.

Walmart (**WMT**) closed the week in a confirmed uptrend as it finds support above its upward-trending 5-day moving average. The stock is in a buy zone with a positive RSI and MACD which posted a bullish crossover. **WMT** is due to report earnings later this month.

## Daily Chart of the Industrial Sector (XLI)



### Industrial Sector Breaks Out Of 1-Month Base

The Industrial sector (XLI) was among the top performing after a 6.1 rally for the week. The potential for a growing economy is bullish for Industrials.

Among names on our List, **EMECOR (EME)** was a top performer with a 13.4% rally for the week. The company posted record revenues and operating income earlier this month due to strong demand for their manufacturing of data center and semiconductor plants.

While **EME** is in an overbought position with the RSI above 80, historical precedent in the late February to early March period indicates that the stock can still trade higher from here.

**EME** can be bought on any pullback near the \$492 level at its 5-day moving average.

Granite Construction (**GVA**) gained 13.3% last week on the heels of a bullish reversal day on Oct. 31st after reporting earnings. A further boost was provided by the elections as the company is well-positioned to capitalize on public infrastructure funding.

Heavy volume buying of **GVA** over the past 2 weeks is bullish however, the RSI is now at 86 on the daily chart. We are on the lookout for a period of consolidation which would set the stock up for another leg up.



FTAI Aviation (**FTAI**) gained 10.3% last week as the stock continued to rally after news of a parts approval from the FAA that will greatly improve revenue. As noted on Wednesday, **FTAI** was on the cusp of a \$150 base breakout which would put the stock into a strong buy zone.

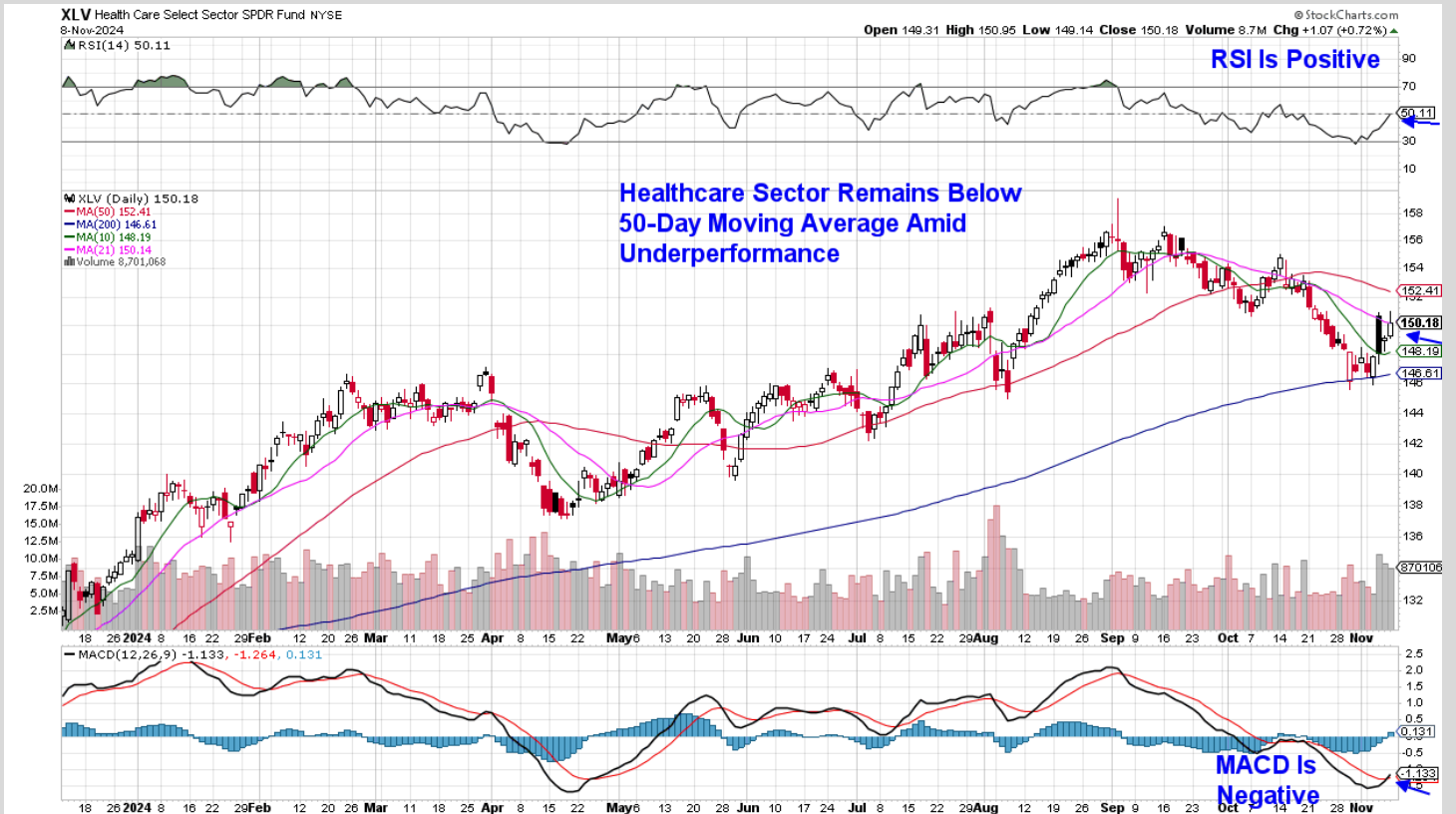
This breakout took place on Thursday and advanced further on Friday. **FTAI** also posted a bullish MACD crossover from a relatively low level which puts the stock into a strong buy zone.

This week, we are adding GE Aerospace (**GE**) from our Long Term Buy And Hold List. The stock regained its uptrend with a close above each of its moving averages and a now positive RSI.

We would begin any new position lightly and use a MACD crossover on the daily chart as a time to add. **GE** is in a buy zone.



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



### Healthcare Sector Among Underperformers

Healthcare stocks were held back by a sharp decline in several Large Cap Pharmaceutical stocks. The sector remains below its 50-day moving average however, a late week MACD crossover and a now positive RSI points to the possibility of a new uptrend soon.

Not all areas of Healthcare were weak with Medical Products stocks such as those on our List, outperforming the markets.

Intuitive Surgical (**ISRG**) broke out of a 3-week base on volume and is now in an uptrend. Look for a slight pullback into the \$522 range as a buy point.

Boston Scientific (**BSX**) also outperformed with a 5.5% gain that puts the stock very close to a possible \$89 base breakout. The MACD posted a bullish crossover on Friday and it is positioned in a low enough position so that there's room for further upside.

**BSX** is in a strong buy zone.

## Summary

Last week's election results removed a cloud of uncertainty from the markets. While it's unclear how many of the campaign proposals may become policy, the fundamental conditions that drive the markets higher over the long term are now more positive than not.

As noted earlier in today's report, AI related stocks have seen the sharpest upside price action following the election as well as after posting strong growth prospects. Oftentimes, the first names out of the gate following a new leadership will go on to continue to lead the markets higher.

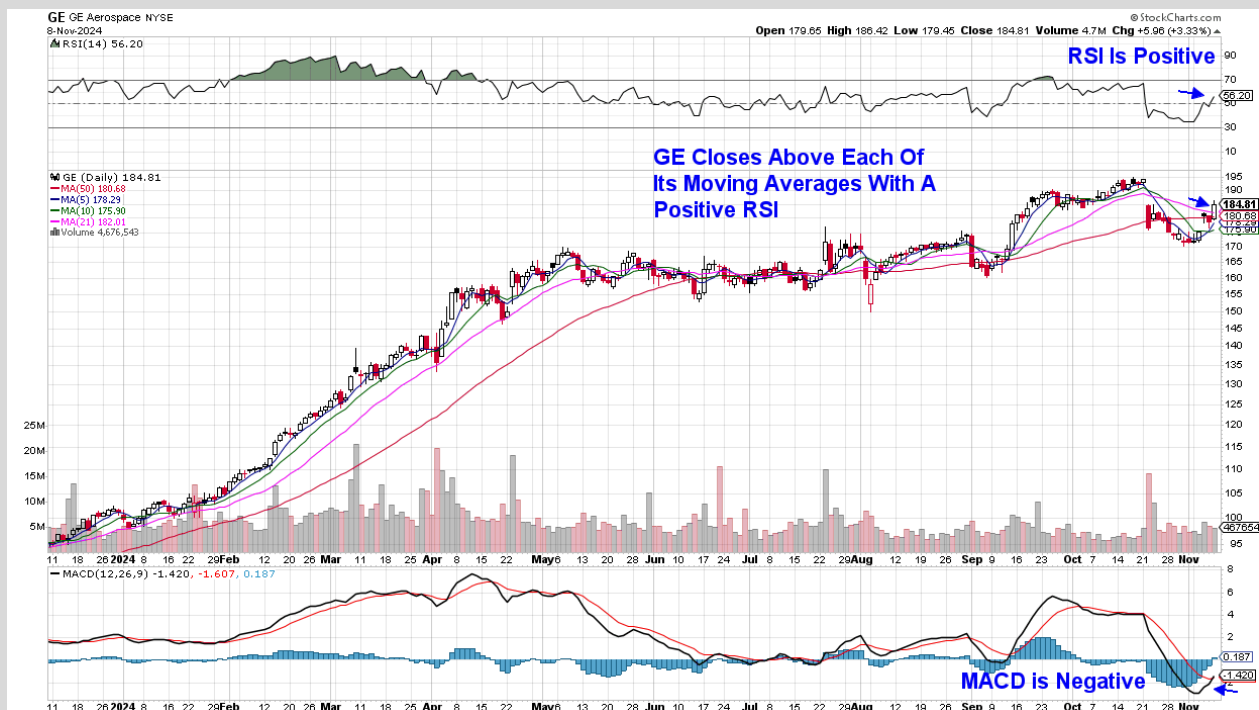
On the other hand, they can oftentimes become the most volatile, as they'll be subject to speculation as well as be more impacted by any rhetoric.

As you may recall, leading cloud software stocks fell sharply in the Fall of 2018 after increased tariffs were levied on China. In turn, it led to the brief yet painful late 2018 into early 2019 bear market.

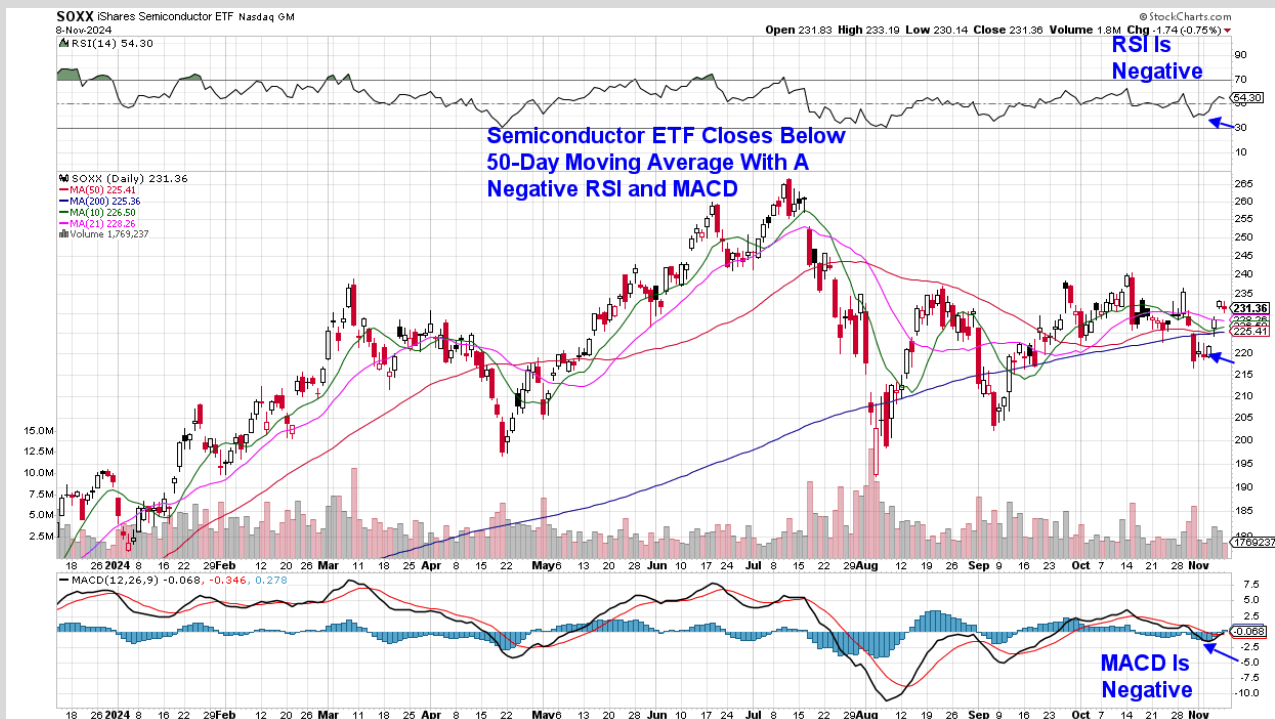
In the chart below, you'll see the S&P 500 from the 2016 election until November of 2017. As you can see, the markets paused in the initial rally phase after exuberance pushed the RSI into an overbought position. We'll be on the lookout for similar possible price action.

## New Idea Charts:

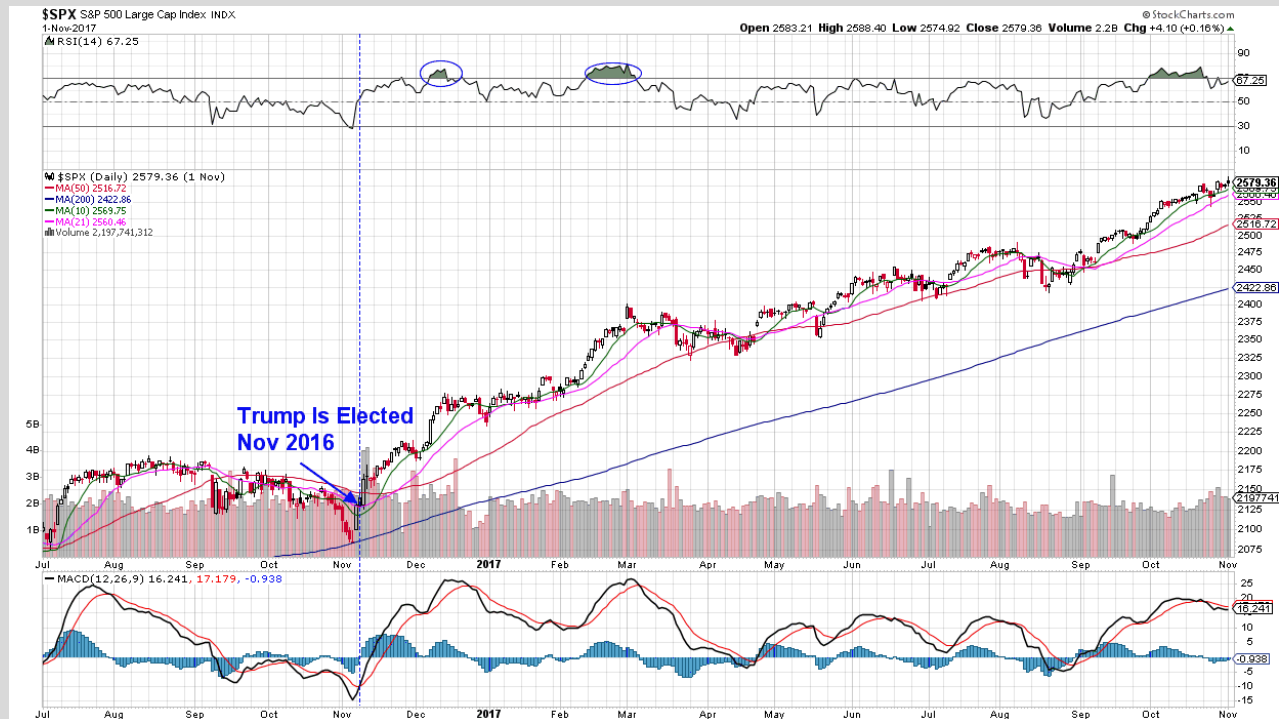
Daily Chart of GE Aerospace (GE)



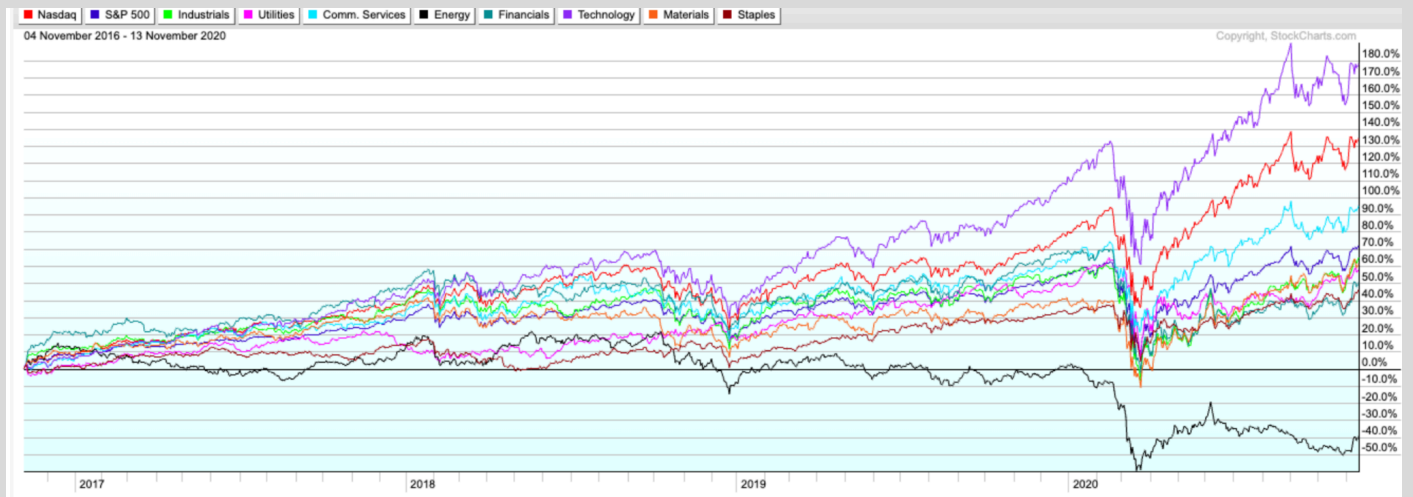
## Daily Chart of Nasdaq Composite (\$COMPQ)



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



## S&P 500 Sector Performance Chart Nov. 2016-2020



# 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 |                      |            |            |                 |                   |
| AMZN                   | Amazon               | \$191.60   | 9/22/2024  | 6.5%            |                   |
| SHAK                   | Shake Shack          | \$110.02   | 10/6/2024  | 19.0%           |                   |
| TOL                    | Toll Brothers        | \$139.50   | 7/27/2024  | 17.0%           |                   |
| WMT                    | Walmart              | \$72.90    | 8/15/2024  | 14.5%           |                   |
| INDUSTRIAL             |                      |            |            |                 |                   |
| EME                    | Emecor Group         | \$420.00   | 9/22/2024  | 18.0%           |                   |
| FTAI                   | FTAI Aviation        | \$58.00    | 3/17/2024  | 123.5%          |                   |
| GE                     | General Electric     | \$184.80   | 11/10/2024 |                 |                   |
| GVA                    | Granite Construction | \$76.37    | 9/15/2024  | 26.0%           |                   |
| HEALTHCARE             |                      |            |            |                 |                   |
| BSX                    | Boston Scientific    | \$81.80    | 9/2/2024   | 8.5%            |                   |
| ISRG                   | Intuitive Surgical   | \$598.80   | 10/20/2024 | 28.0%           |                   |
| TECHNOLOGY             |                      |            |            |                 |                   |
| ANET                   | Arista Networks      | \$384.50   | 9/22/2024  | 4.0%            |                   |
| AVGO                   | Broadcom             | \$175.50   | 9/25/2024  | 6.5%            |                   |
| FICO                   | Fair Isaac           | \$2,024.90 | 10/9/2024  | 16.0%           |                   |
| FTNT                   | Fortinet             | \$82.80    | 10/13/2024 | 12.0%           |                   |
| MNDY                   | Monday.com           | \$258.99   | 9/12/2024  | 27.0%           |                   |
| NVDA                   | Nvidia               | \$123.50   | 9/25/2024  | 19.0%           |                   |
| PLTR                   | Palantir             | \$32.10    | 8/18/2024  | 70.5%           |                   |
| Q TWO                  | Q2 Holdings          | \$79.00    | 9/22/2024  | 25.0%           |                   |
| TSM                    | Taiwan Semiconductor | \$181.90   | 9/25/2024  | 12.0%           |                   |
| COMMUNICATION SERVICES |                      |            |            |                 |                   |
| GOOGL                  | Alphabet             | \$171.30   | 11/3/2024  | 4.5%            |                   |
| NFLX                   | Netflix              | \$701.40   | 9/2/2024   | 12.0%           |                   |
| 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           |
| 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

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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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