



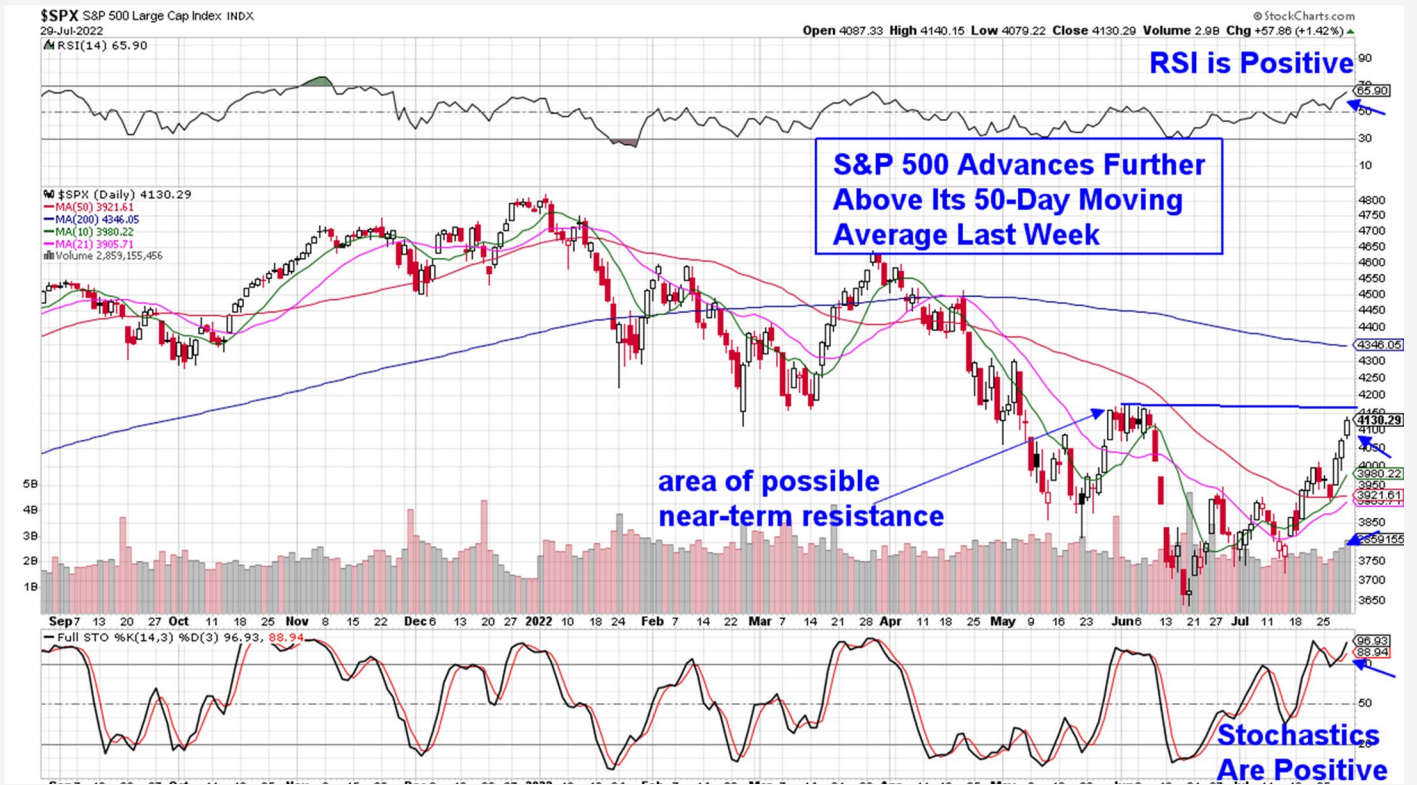
# THE MEM EDGE

July 31, 2022 | Weekly Report

## This Week's Highlights

- Federal Reserve Raises Rates By 0.75%
- Treasury Secretary Yellen Echoes Powell's Sentiment Of No Recession In Sight
- Consumer Confidence Declines In June
- Solar Stocks Shine Following Senate Deal
- Inflation Remains At 40 Year High Leaving Consumer Spending Flat
- Manufacturing PMI, July Employment And Factory Orders Next Week

### Daily Chart of S&P 500



The S&P 500 gained 4.3% with price action later in the week that added further conviction to a continuation of its near-term uptrend. A breakout above 4170 - which is less than 1% away and the top of heavy resistance - would be even more positive. The RSI and Stochastics remain in positive territory.

The weekly chart of the S&P 500 is firming up with the RSI on the cusp of turning positive and the Stochastics close to a move above 50 as well. A positive shift for

these momentum indicators would brighten the intermediate-term outlook for the markets.

In late March into early April, we experienced similar characteristics on the weekly chart; however, both momentum indicators quickly pulled back from positive territory before the S&P 500 experienced another leg down.

At that time, the Fed announced an aggressive policy to fight inflation which pushed already rising interest

rates higher. In turn, each of the mega-cap FAANMG stocks rolled over and led the markets lower.

At this time, interest rates are trending lower with Growth stocks trending higher and a continuation of this dynamic will improve the intermediate term outlook for the markets.

The Nasdaq gained 4.7% which was led by another strong week for Semiconductor stocks as well as sharp gains in all but 2 of the mega-cap FAANMG stocks.

The markets experienced a broad based rally last week with breadth expanding considerably on Thursday and Friday as upside momentum picked up following the Fed meeting results as well as the release of weak 2nd quarter GDP numbers.

In addition to raising the Fed Funds rate by 0.75% - less than expected - Fed Chair Powell indicated that they may ease rate increases as the year progresses depending on economic data. Powell also held firm that we are not heading into a recession as the economy remains strong.

The biggest signal after the Fed meeting and the report of negative GDP data, was a move lower in Treasury bond yields reflecting a market view that inflation and growth may be slowing and the Fed may increase rates more gradually going forward.

The move lower in yields helped spark the strong performance in Growth stocks which we initially

highlighted two weeks ago. Lower yields are a positive for high growth stocks.

Earnings reports that mostly came in above depressed levels, also boosted the markets last week.

Defensive areas outperformed due to strong earnings, led by the Utility and REIT sectors. These companies have been able to grow earnings by increasing their rates and their outlooks into year-end are positive.

Utility and REIT stocks generally perform well during periods of high inflation, and Friday's report of an increase in core PCE inflation index shows that inflation remains at a 40-year high. We intend to add stocks from these areas as more earnings are released.

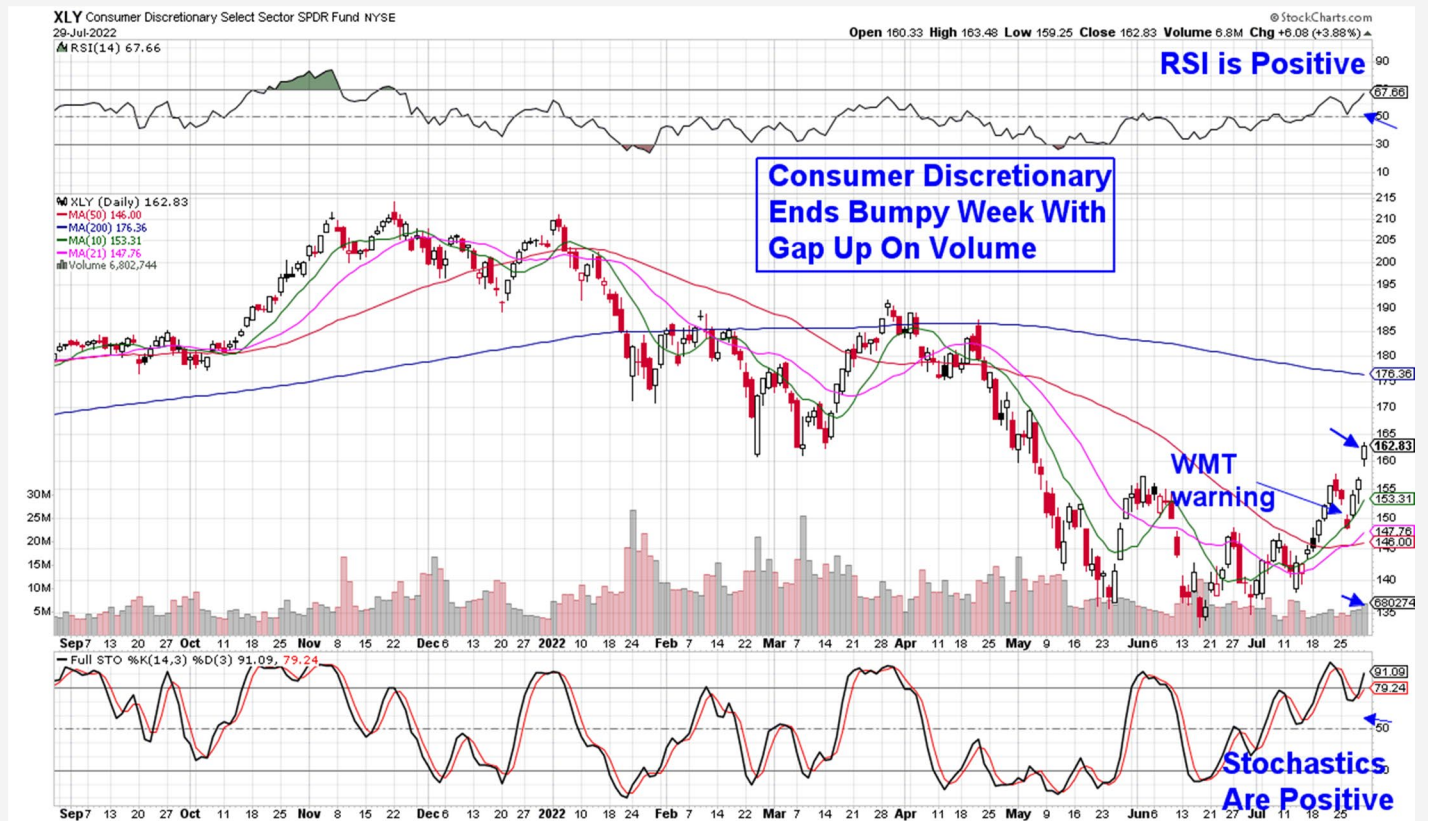
The best performing sector by a wide margin was Energy which posted a 10.2% gain amid a rise in the price of oil. Strong earnings also boosted these stocks and the Energy sector is now in an uptrend after moving above its 50-day moving average. (using XLE)

Industrial stocks also moved sharply higher last week led by Transports and Heavy Construction stocks. Caterpillar (**CAT**) is due to report earnings on Tuesday and their results have historically impacted other stocks in this sector.

Overall, the near-term uptrend in the markets remains positive with the intermediate term trend poised to turn positive as well.



## Consumer Discretionary Select Sector SPDR Fund (XLY)



### Consumer Discretionary Sector Gets Mega-Cap Boost

Discretionary stocks started the week with a sharp loss after Walmart (**WMT**) slashed their profit outlook for the 2nd quarter and beyond. The news pushed many Retail and discretionary areas lower amid the company's warning that high inflation has reduced consumer spending.

Strong earnings reports from other Retailers pushed these worries aside as companies such as Wingstop (**WING**) and Chipotle (**CMG**) posted results ahead of estimates with management guiding higher.

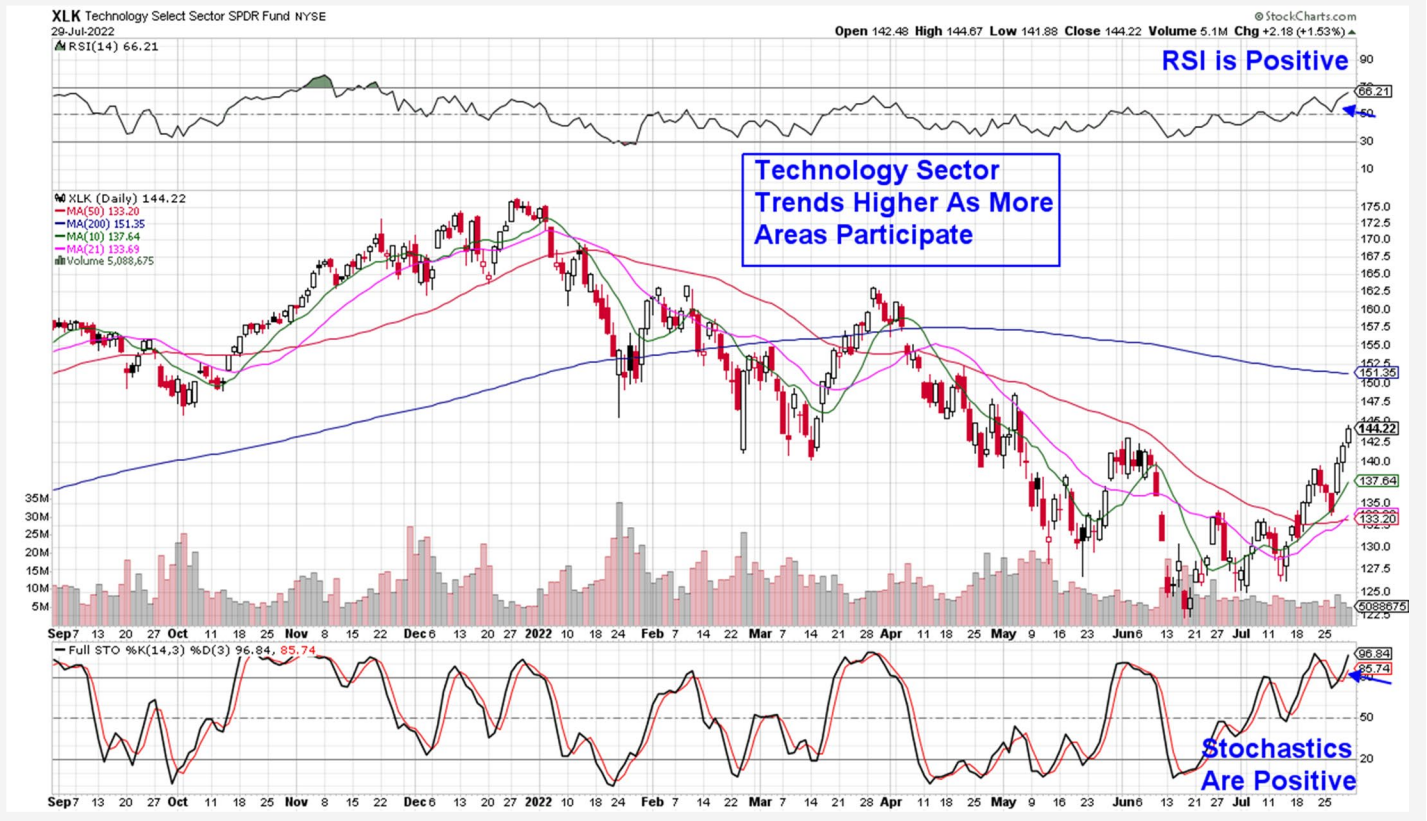
The biggest push for this sector came on Friday with heavyweight Amazon (**AMZN**) gapping up 10% after

sales came in better than expected. **AMZN** gapped up into a base breakout at \$129.

The current uptrend for **AMZN** is in its beginning stages with its shorter term moving averages just turning positive. We're on the lookout for **AMZN** to consolidate briefly before trading higher toward its 200-day moving average which is an area of possible upside resistance. **AMZN** is in a buy zone.

Foot retailer Crocs (**CROX**) is on our Watch List after a late week rally on volume puts the stock further into an uptrend. The company is due to report quarterly results next Friday and we'll review the outcome as well as price action at that time.

## Technology Select Sector SPDR Fund (XLK)



### Technology Sector Posts Successive Strong Week

It was another week of outperformance for the Tech sector and again, it was led by outsized gains in alternative energy equipment stocks such as Enphase (**ENPH**) on our List which rallied 34% after posting quarterly earnings that were double last year.

Management guided estimates higher going into next year as demand for ENPH's solar energy converters is seeing big growth - particularly in Europe.

The stock also received a boost from news that Biden's Inflation Reduction Act is moving closer to being passed. The bill has the largest climate solutions budget in history with funds allocated to promote solar and hydrogen cell energy.

The weekly chart is very constructive as ENPH broke out of an 8 month base on volume. Generally, the longer the base before a breakout, the longer the advance out of that base. ENPH is poised to consolidate before trading higher.

The daily and intra-day charts point to further near-term upside for ENPH.

Other areas of Tech also outperformed with Semiconductor stocks up 4.2% (SOXX).

O N Semiconductor (**ON**) from our List had the biggest gain among Large Cap names in this group. The company enables the electrification of the auto industry with fast charging systems that integrate their

semiconductor products and their involvement in sustainable energy puts them on the path to benefit from the Inflation act.

ON is due to report quarterly earnings on Monday.

Nvidia (**NVDA**) from our List also outperformed its peers with a 1-week base breakout while in a confirmed uptrend. The stock is in a buy zone.

Lam Research (**LRCX**) has even stronger near term dynamics, after reporting earnings on Wednesday that were 21% above estimates. The stock has since traded higher on volume that's well above average with the MACD now in positive territory.

LRCX is in a strong buy zone and we'd use the early November period from last year as a precedent where a pullback close to the 5-day moving average is a good entry point.

Software stocks also gained for the week led by heavyweight stock Microsoft (**MSFT**) which trended higher despite mixed quarterly results earlier in the week.

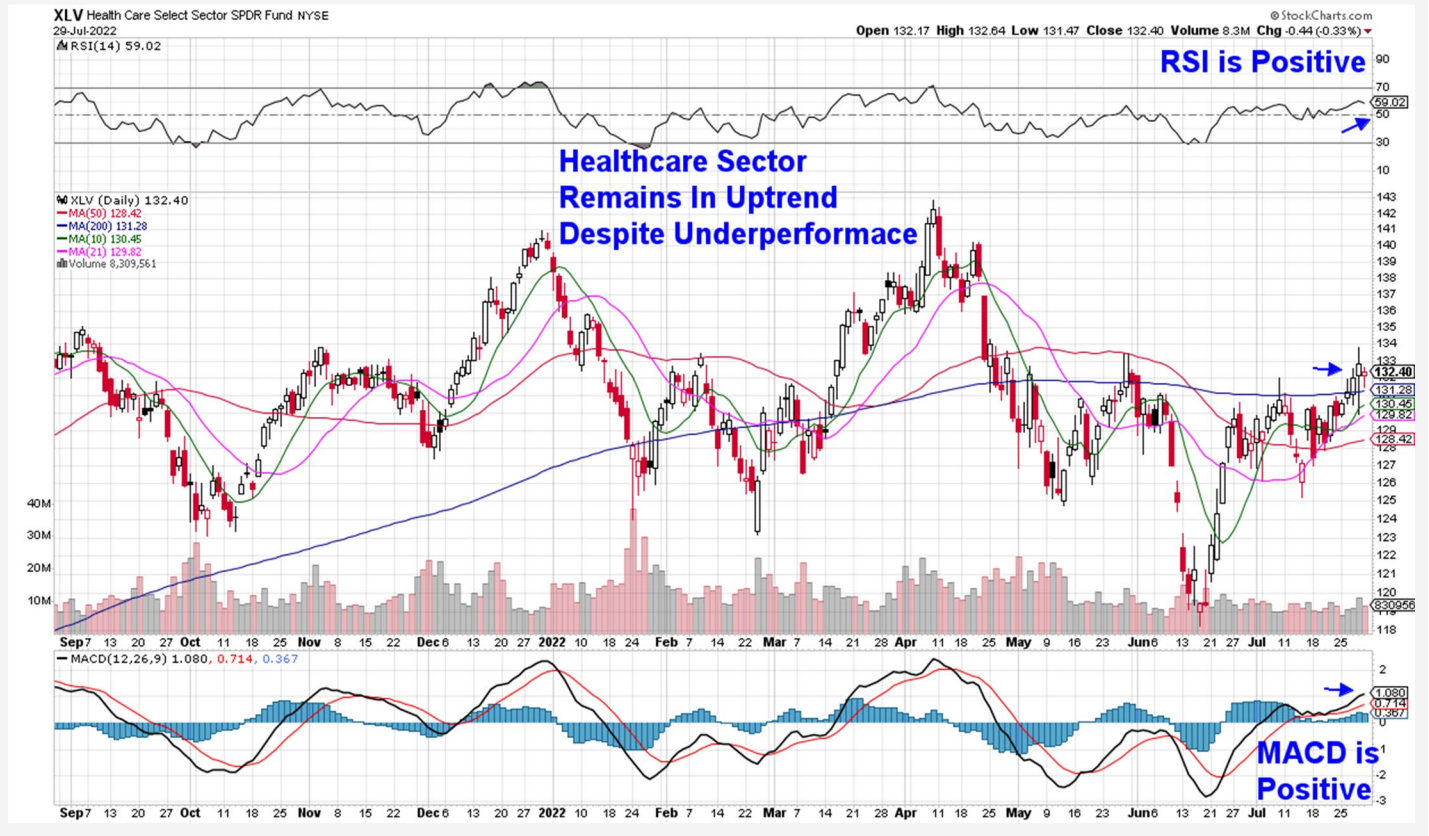
Recently added Intuit (**INTU**) posted gains on above average volume amid upgrades to their earnings outlook for this year. The company is not due to report earnings until late August.

INTU is in a confirmed uptrend and can be bought on any pullback to the \$436 range which is its 5-day mav. The next area of possible upside resistance is its 200-day moving average which is 9.5% away.

Apple (**AAPL**) gapped up in price on Friday after reporting a solid earnings beat and record quarterly revenues for their 3rd quarter. The strong quarter came despite inflation with CEO Cook anticipating revenue to accelerate further into next quarter. The stock is in a strong buy zone.



## Health Care Select Sector SPDR Fund (XLV)



### Healthcare Sector Underperforms

The Healthcare sector gained less than the broader markets after heavyweight Pharma stocks such as Merck (**MRK**) and Pfizer (**PFE**) fell despite reporting strong earnings and revenues that topped estimates.

These strong quarterly results were overridden by the Senate's new bill that would aim to lower drug costs by allowing Medicare to negotiate prices.

Eli Lilly (**LLY**) was able to withstand downward pressure that was seen in other large Pharmaceutical companies and next Thursday, they will be reporting their quarterly results.

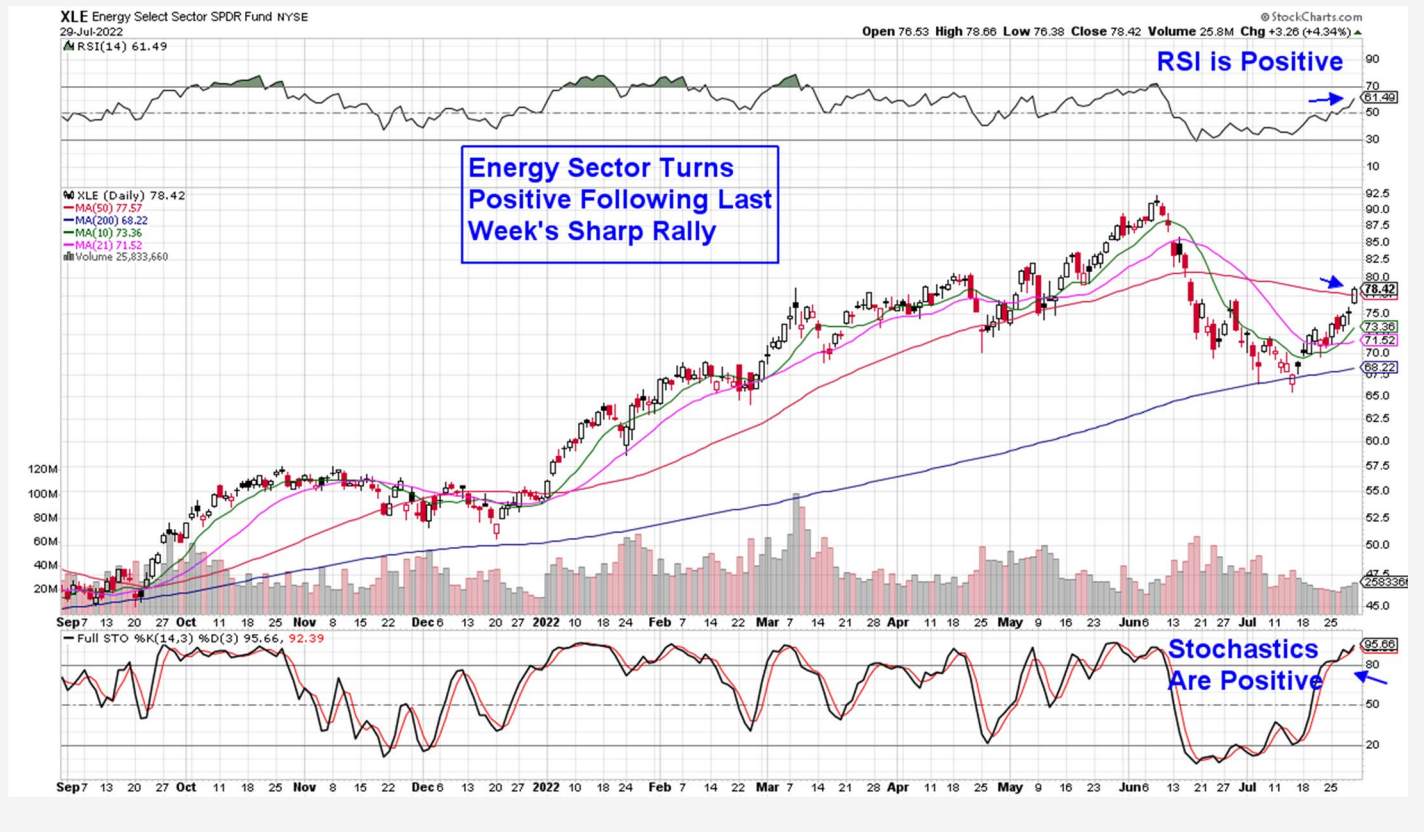
We'll be closely monitoring the daily chart of LLY as a negative RSI preceded the downside in both PFE and MRK.

Biotech stocks continue to underperform with mostly sideways price action. Next week could be pivotal for the Biotech ETF (**IBB**) as five of its heaviest holdings are due to release earnings. This would include Amgen (**AMGN**), Gilead (**GILD**) and Vertex (**VRTX**) to name a few.

A move above its recent high of \$127 on volume would be bullish for IBB and we'd be a buyer at that level.

Overall, the Healthcare sector is in a period of underperformance as other deeply oversold sectors such as Technology and Industrials, are under accumulation. We'll continue to monitor price action in this group but for now, LLY and IBB can be held.

## Energy Select Sector SPDR Fund (XLE)



### Energy Sector Turns Positive

Energy stocks traded higher as Oil prices climbed to the \$110 level last week amid tight supply issues. Strong earnings reports from Energy companies that are benefitting from the high price of oil also boosted this sector.

Chevron (**CVX**) is a prime example as they reported earnings growth of 240% on Friday which was 71% above estimates. In addition to their 3.5% yield, CVX intends to repurchase \$15 billion of shares which points to a strong cash flow position.

CVX has also been at the forefront of alternative fuel initiative to reduce its carbon footprint to fight against climate change with the purchase of biodiesel maker REGI earlier this year.

We're adding CVX to our Buy List following Friday's move back above its 50-day moving average on heavy volume. The stock is in a buy zone with a move of the MACD into positive territory, putting it into a strong buy zone.

In addition, we've added Devon (**DVN**), Occidental (**OXY**), Pioneer (**PXD**) and Diamondback (**FANG**) to our Watch List. These companies are due to report their quarterly results on Monday and Tuesday. We'll alert you to any moves onto the Suggested Holdings List.

Next week, the Organization of the Petroleum Exporting Countries (**OPEC**) will be meeting on Wednesday to discuss their production output plans for September. Announcements after this meeting can be impactful as a vote to increase supply can lower oil prices. At this time, analysts are anticipating no change.

## Summary

The ability of the markets to overcome last week's heavy calendar with the Fed's meeting, GDP and earnings reports from some of the biggest companies in the world, was impressive. Investor's ability to push stocks higher despite data and earnings that were not always positive, shows a shift in sentiment to a bullish bias. This is unlike last quarter when positive earnings and economic data were not rewarded amid a realm of uncertainty.

This shift in sentiment will be put to the test next week, as the ISM manufacturing index for July will be released followed by June job openings on Tuesday. Friday's July nonfarm payroll report will take center stage however, with the Fed watching closely. In addition, over 900 companies are due to report earnings next week.

At this time, we will continue to add to our Suggested Holdings List as companies on our Watch List report positive earnings coupled with constructive charts.

While current price action is signaling that a possible bottom in the markets has been put in, as stated in earlier reports, the removal of the issue that brought on the bear market must be removed. These issues would be high inflation and recession fears.

At this time, the risk and probability of a recession has increased, however, the labor market remains strong, consumers remain resilient and industrial output recently shows that supply chain issues are being resolved. This is good news.

As for inflation, Friday's core PCE numbers showed that inflation remains at a 40 year high and this may be a sticking point until evidence to the contrary is produced.

Until then, we would continue to add to positions with a near term outlook in mind.

# 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 DATE	INDUSTRY GROUP			
<b>TECHNOLOGY</b>									
AAPL	Apple Inc.	\$157.35	7/28/2022	3.5%	-	-			
ENPH	Enphase Energy	\$216.50	7/10/2022	31.5%	-	-			
INTU	Intuit Inc.	\$448.58	7/28/2022	1.5%	-	-			
LRCX	Lam Research Corp.	\$484.94	7/28/2022	3.0%	-	-			
NVDA	NVIDIA Corporation	\$178.07	7/20/2022	2.0%	-	-			
ON	ON Semiconductor Corp.	\$60.09	7/20/2022	11.0%	EARNINGS DUE	-			
<b>CONSUMER DISCRETIONARY</b>									
AMZN	AMAZON	\$122.28	7/28/2022	10.5%	-	-			
<b>HEALTHCARE</b>									
IBB	iShares Biotech ETF	\$126.66	7/10/2022	-2.0%	-	-			
LLY	Eli Lilly & Co.	\$324.70	6/26/2022	1.5%	-	-			
<b>ENERGY</b>									
CVX	Chevron Corp.	\$163.90	7/31/2022	-	-	-			

# 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.

**Disclaimer:** This publication "MEM Edge Report" is published by MEM Investment Research, LLC, and is both proprietary and intended for the sole use of subscribers. No license is granted to any subscriber, except for the subscriber's personal use. No part of this publication or its contents may be copied, downloaded, stored in a retrieval system, further transmitted, or otherwise reproduced, stored, disseminated, transferred, or used, in any form or by any means, except as permitted under the subscription agreement or with the prior written permission of MEM Investment Research, LLC. Any further disclosure or use, distribution, dissemination or copying of this publication, message or any attachment is strictly prohibited. MEM Investment Research, LLC is a financial publisher who publishes information about markets, stocks, industries, sectors and investments in which it believes sub-scribers may be interested. The information in this letter is not intended to be personalized recommendations to buy, hold or sell investments. MEM Investment Research, LLC is not permitted to offer personalized trading or investment advice to subscribers. Employees of MEM Investment Research, LLC may own positions in stocks mentioned or highlighted in THE MEM Edge Report. The information, statements, views and opinions included in this publication are based on sources (both internal and external sources) considered to be reliable, but no representation or warranty, express or implied, is made as to their accuracy, completeness or correctness. Such information, statements, views and opinions are expressed as of the date of publication, are subject to change without further notice and do not constitute a solicitation for the purchase or sale of any investment referenced in this publication. By using the information in THE MEM Edge Report, or from MEM Investment Research, LLC, or www.meminvestmentresearch.com, you assume full responsibility for any and all gains and losses, financial, emotional or otherwise, experienced, suffered or incurred by you. SUBSCRIBERS SHOULD VERIFY ALL CLAIMS AND DO THEIR OWN RESEARCH BEFORE INVESTING IN ANY INVESTMENTS REFERENCED IN THIS PUBLICATION. INVESTING IN SECURITIES AND OTHER INVESTMENTS, SUCH AS STOCKS, OPTIONS AND FUTURES, IS SPECULATIVE AND CARRIES A HIGH DEGREE OF RISK. SUBSCRIBERS MAY LOSE MONEY TRADING AND INVESTING IN SUCH INVESTMENTS.