



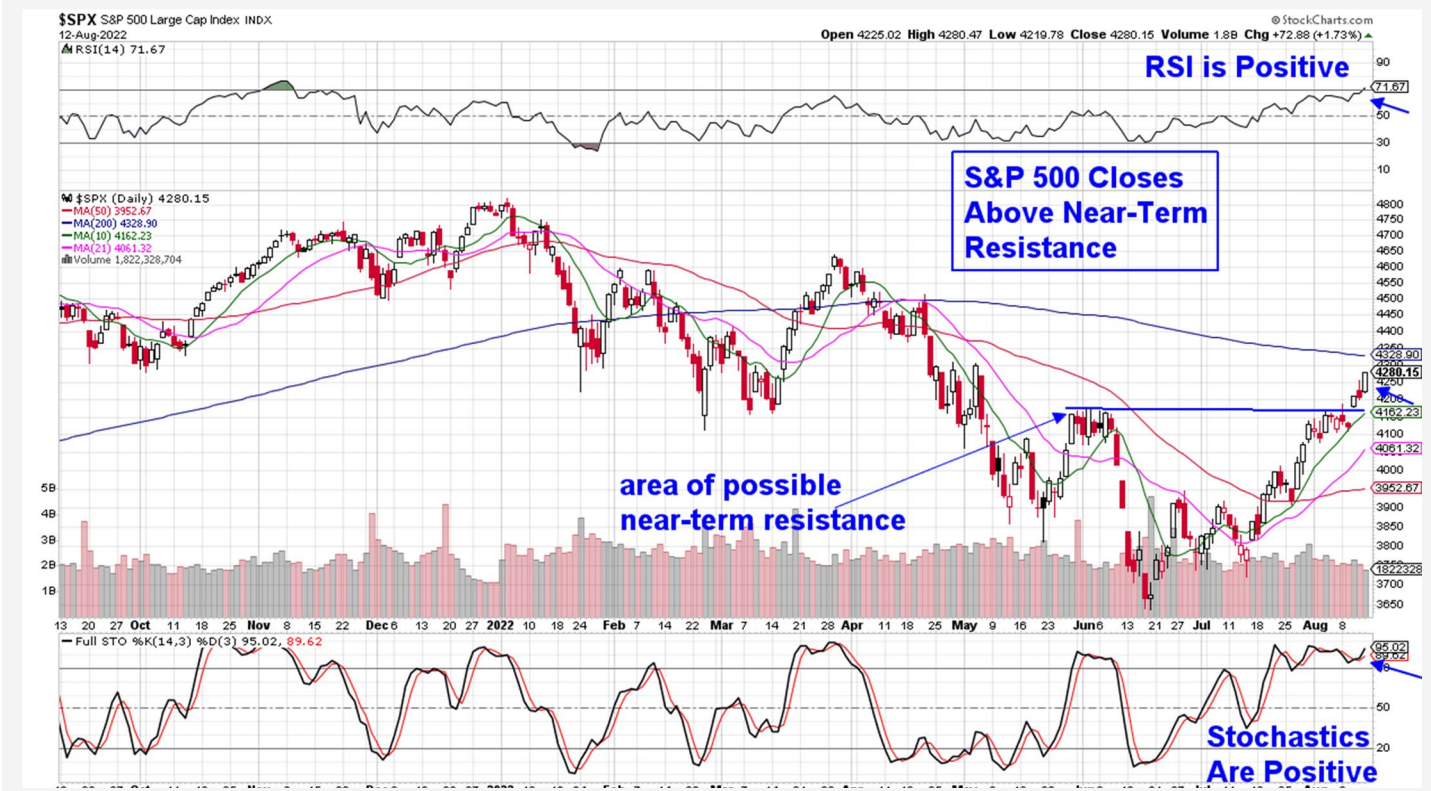
THE MEM EDGE

August 14, 2022 | Weekly Report

This Week's Highlights

- Nasdaq Exits Bear Market Status
- CPI Report Comes In Below Estimates/ Core CPI Remains High
- Producer Prices (PPI) Fall For First Time Since Recession
- Initial Weekly Jobless Claims Comes In Lower Than Expected
- Consumer Sentiment Rises Amid Lower Energy Costs
- Federal Reserve Meeting Notes, Industrial Production and Retail Sales Report Next

Daily Chart of S&P 500



The S&P 500 gained 3.3% last week in a move that pushed this Index above major near-term resistance at 4170. With the RSI and Stochastics in positive territory, the near term uptrend in this Index remains firmly in place.

The next area of possible upside resistance is at the 4300 level and a move above this area would reverse the longer-term downtrend in the S&P 500. This is about 1% away and a break above this level would be very positive.

It will be important that the S&P 500 remains above the recently surpassed resistance at 4170 as a move back below this level would be quite bearish.

The Nasdaq also rallied with a 3.1% gain that took place despite the Tech sector underperforming for the week after a pullback in Semiconductor stocks. The gain in the Nasdaq pushed this Index out of its bear market status as it helped this Index gain more than 20% from its June 16th lows.

This widely accepted criteria that defines the removal of a bear market status does not negate the overall downtrend that's in place for the Nasdaq. A move back above its 200-day moving average would need to take place and currently, it's 3.4% away.

Last week's gains in the market followed the release of data that showed signs that inflation has started to slow after both the Consumer Price Index (**CPI**) and Producer Price Index (**PPI**) came in below estimates - primarily due to reduced energy costs.

The news helped ease expectations of a more aggressive Fed going forward and helped spur a broad based rally that included most areas of the market.

At this time, six of the eleven S&P 500 sectors are now trading above their 200-day moving average as compared to last week where only 2 sectors were above this key area of upside resistance.

While most of the uptrending sectors are defensive areas, beaten down Growth sectors such as Technology and Consumer Discretionary are closing in on a move above this key moving average.

Last week, interest rates were volatile. However, they did end the week a bit higher and overall, rising interest

rates are not good for Growth stocks as they reduce the value of future earnings.

We're highlighting this because historically, a move to the 3% area for the 10-year Treasury bond has given pause to Growth stocks in the past. Below is a chart with the yield on the 10-year Treasury vs the Nasdaq Composite.

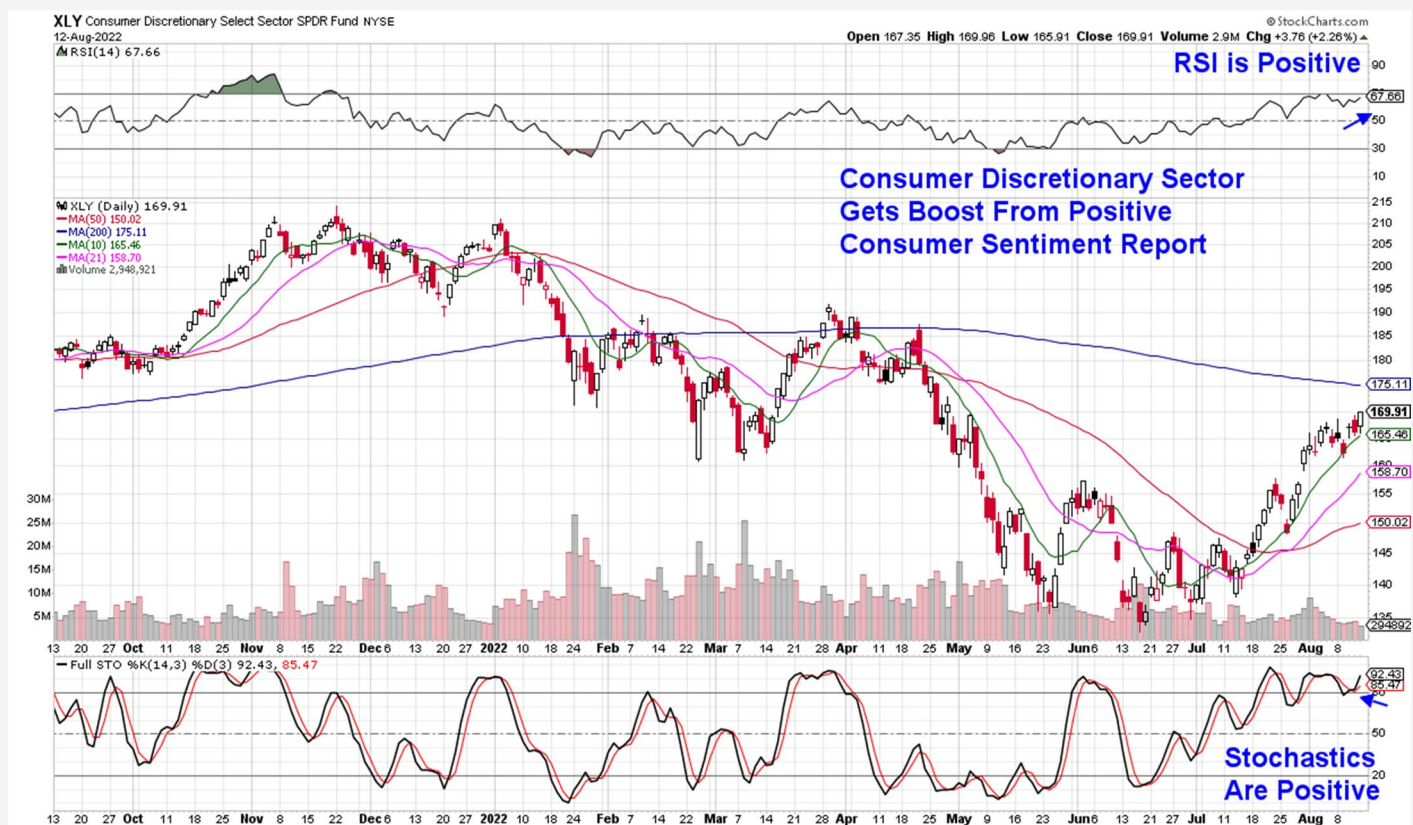
Energy stocks were the biggest gainers last week with a 7.4% rally that pushed this group back into an uptrend. The gains came despite a drop in the price of oil which is now below its peak from earlier this year.

Last week's move into Energy stocks came as analysts raised their earnings estimates for many names due to outstanding 2nd quarter earnings reports among companies that had reduced capital expenditures. As a result, these Energy companies have ample free cash flow that will allow them to continue to raise dividends.

At this time, the broader markets remain in an uptrend with next week's notable events being the release of earnings reports from major Retailers who moved the markets lower with their weak 1st quarter results. Also impactful will be the release of the Federal Reserve's notes from their recent meeting which will be closely examined for hints of monetary policy plans going forward.



Consumer Discretionary Select Sector SPDR Fund (XLY)



Consumer Discretionary Sector

Discretionary stocks outperformed last week as lower than expected inflation reports point to reduced costs for goods going forward. This would improve sales among retailers.

Friday's report that Consumer Sentiment for August improved more than expected gave this sector a real boost however, and the S&P Retail ETF gained 6.7% for the week. (XRT).

Next week will be a real test for this sector as many heavyweight retailers are due to report their 2nd quarter results. Among the companies is Walmart (WMT) who pre-announced lowered growth numbers due to reduced consumer spending amid high inflation.

Target (TGT) will also report as will Home Depot (HD) and Lowes (LOW). Each of these companies rallied last week in anticipation of better than expected results or increased guidance going forward which would further

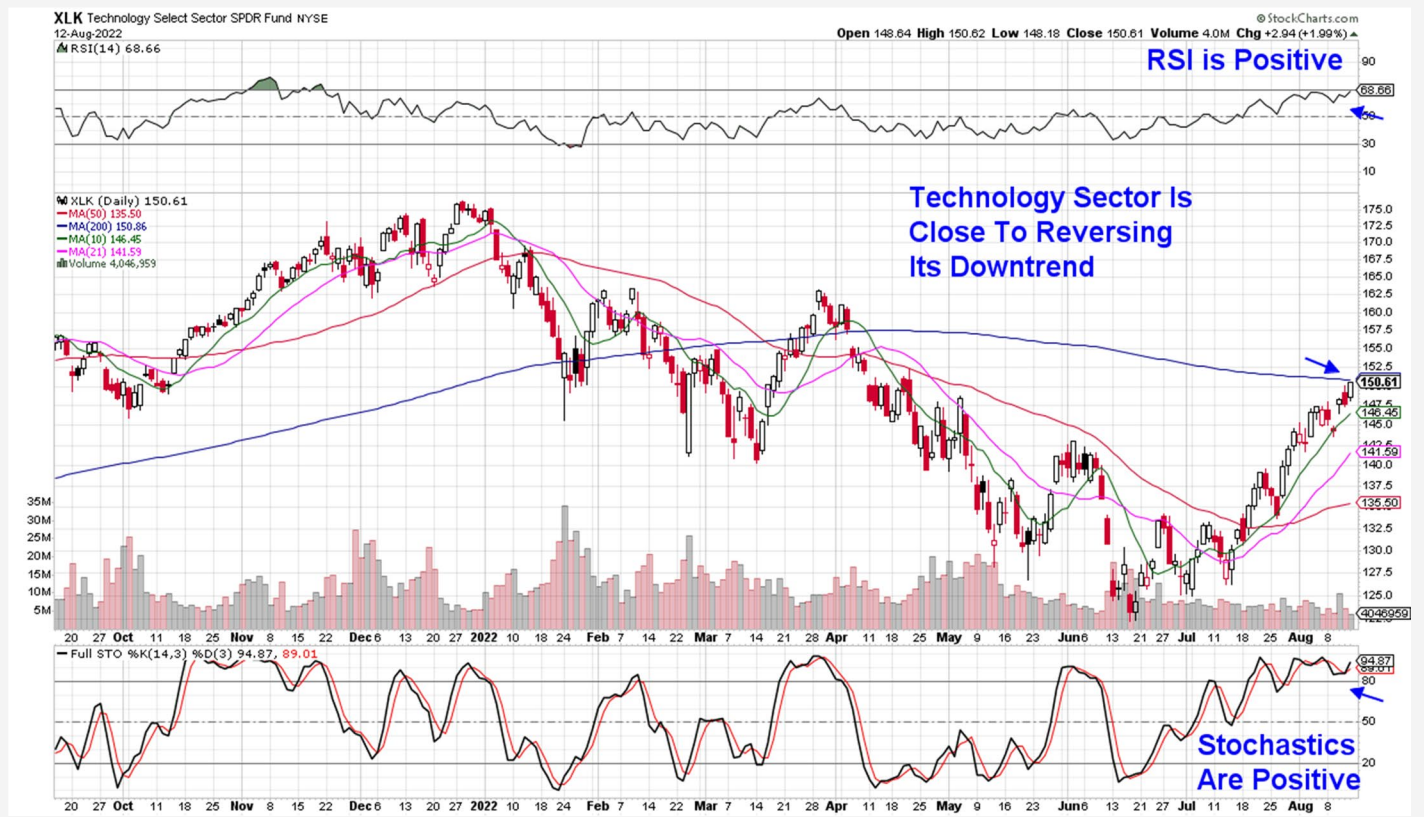
boost these stocks which are trading well below their March peaks in price.

Amazon (AMZN) posted a modest gain last week as it digested its 18% gain over the past two weeks since reporting better than expected quarterly results. The stock is 1% below its 200-day moving average and a move above this mav would put the stock in a strong buy zone.

Chipotle gained 4% for the week amid analyst upgrades to their earnings for both this year and next. Last week's gain occurred on above average volume and with the uptrend firmly in place, CMG is in a buy zone.

Depending on earnings reports from the retailers mentioned above, as well as investors' reactions, we anticipate adding names to our Suggested Holdings List such as William Sonoma (WSM) which broke above its 200-day moving average last week ahead of the release of their earnings later this month.

Technology Select Sector SPDR Fund (XLK)



Technology Sector Among Weakest Gainers

Tech stocks underperformed despite better than market gains in Microsoft (**MSFT**) and Apple (**AAPL**) which account for a 40% weighting in this sector. Renewable Energy Equipment stocks were big winners as well after outpacing the markets again last week.

The Tech sector was held back by a sharp pullback in Semiconductor stocks early in the week after Nvidia (NVDA) pre-announced that 2nd quarter revenues would fall well short of estimates.

The following day, Semi stock Micron (**MU**) reduced their quarterly revenue outlook and both announcements caused heavy selling among Semiconductor stocks.

However, news of a lower growth outlook from MU and NVDA lost its punch following Biden's signing of the Chips Act which will provide \$52 billion in subsidies for U.S. semiconductor production and research. The bill is designed to help make the U.S. more competitive with China's technology efforts.

NVDA ended the week down only 1.5% after recovering from a dip below its 50-day moving average. The stock closed the week above each of its simple moving averages and is in a buy zone.

Lam Research (**LRCX**) experienced very similar price action and the stock is in a strong buy zone after last week's rally days occurred on above average volume.

O N Semiconductor (**ON**) is in the most bullish position among Semis on our List after a rally on Friday pushed the stock out of a 7-month base on heavy volume. ON posted was the biggest gainer among large cap Semis amid analyst upgrades to earnings for both this year and next. The company reported 103% year over year quarterly earnings growth earlier this month.

On Friday, the House passed the Inflation Reduction Act which provides subsidies to consumers purchasing electric vehicles. ON produces semiconductor components that are critical to the electrification of vehicles and the news is boosting an already elevated outlook for the company. ON is in a strong buy zone.

In other news, Apple (**AAPL**) told suppliers to build 90 million iPhone 14 units this year. The number is the same as last year and indicates that smartphone demand on the high end remains resilient.

AAPL rallied 4% last week in a move that puts the stock within striking distance of a 7-month base breakout at \$183. The weekly chart for AAPL is also attractive with the MACD just entering into positive territory after a positive crossover several weeks ago. AAPL is in a strong buy zone.

GFS beat estimates Tuesday - involved in EVs

Software stocks gained 3% last week led primarily by companies that reported quarterly results where their earnings or revenues came in ahead of estimates.

Recently added Paycom Software (**PAYC**) reported above their estimates the prior week, and the stock outperformed last week with a 6.5% rally. PAYC was boosted last week by a Wall Street price target upgrade to \$425 which is 9% above its current price.

PAYC is in a strong buy zone and can be bought on a pullback to the \$380 range which puts the stock closer to its 5-day moving average.

Intuit (**INTU**) also outperformed its peers with a 3.8% rally that puts the stock 2.5% away from its 200-day moving average which is the next area of possible upside resistance. INTU is in a buy zone ahead of the release of their earnings later this month. A break above its 200 day would put the stock in a strong buy zone.

Servicenow (**NOW**) was added to our Suggested Holdings List on Wednesday after its 10-week base breakout put the stock into a buy zone. NOW is even more attractive following a pullback to its 5-day moving average and the stock is in a strong buy zone.

Renewable Energy Equipment stocks had yet another strong week amid upgraded outlooks for stocks that are reporting earnings or sales above estimates. Passage of Biden's Inflation Reduction Act (**IRA**) is another reason for the strength in these stocks as a record amount of capital is being allocated to fund alternative energy sources.

Sunpower (**SPWR**) gained 10% last week on the heels of coming in with earnings earlier this month that were well above estimates. Last week, the stock broke out of

a 4-month base at \$25.3. SPWR is in a strong buy zone as it continues to find support at its upward trending 5-day moving average.

We're continuing to use the October uptrend in SPWR as precedence as a negative MACD crossover on the daily chart was an initial signal that a period of consolidation or pullback was ahead. At this time, we're not close to this occurring.

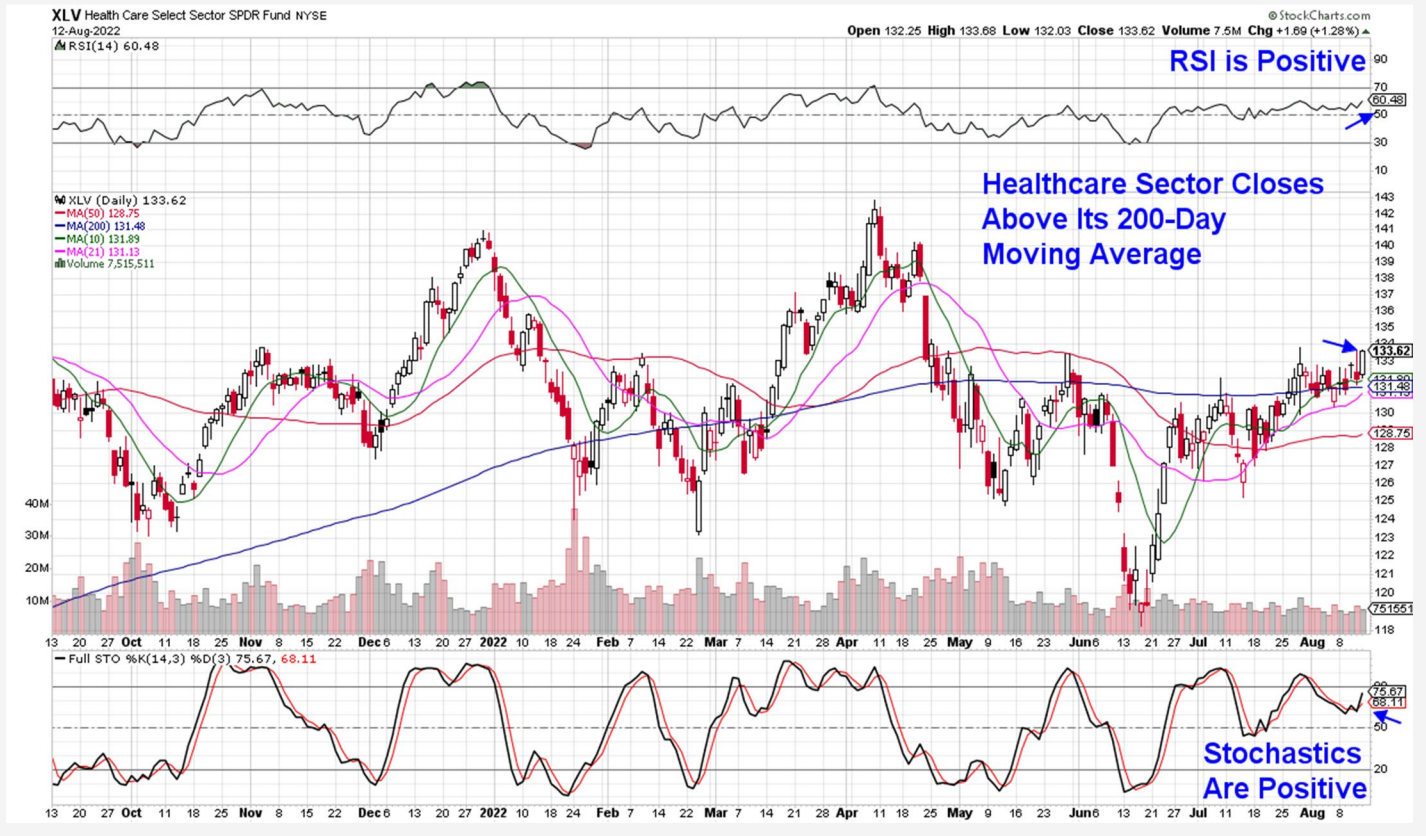
Enphase (**ENPH**) is continuing to consolidate following its sharp gain last month despite a Wall Street price target upgrade to \$363 on Thursday. The RSI is in an overbought position on the daily chart however, it is not heading downward. With the weekly chart pointing to further upside potential, ENPH is in a buy zone.

This week, we're adding Stem Inc. (**STEM**) to our Suggested Holdings List. The company offers software-enabled services to operate energy storage systems for renewable project developers, utilities and grid operators.

This Smaller Cap stock tends to be a bit more volatile however, the company is expected to benefit from the IRA. Earlier this month, they reported quarterly revenues that were ahead of estimates. STEM broke above its 200-day mav on volume last week and is in a strong buy zone.

We also intend to add Semiconductor stock GlobalFoundries (**GFS**) to our Suggested Holdings List after the company reported earnings ahead of estimates on Tuesday. Among other areas, the company produces chips used in EV's and management stated that demand is oversubscribed for both this year and next. The stock is outside of a buy zone after Friday's sharp rally and a move closer to its 10-day moving average at \$57 would be a more ideal buy point.

Health Care Select Sector SPDR Fund (XLV)



Healthcare Sector Underperforms

Healthcare stocks gained 1.7% for the week after being held back by underperformance in Pharmaceutical stocks. The soon to be signed IRA allows Medicare to negotiate with pharma companies on drug prices which is expected to reduce revenues.

Biotech stocks also underperformed with ETF IBB gaining less than 1% for the week. IBB remains above its 5-day moving average and is in a buy zone.

Vertex Pharmaceutical (**VRTX**) pulled back to its 5-day moving average and is in a strong buy zone as analysts continue to revise earnings estimates higher for both this year and next. The company boosted their full-year sales outlook by \$200 million due to increased sales of their cystic fibrosis medicines.

Summary

Last week's lower than expected inflation reports were a welcome relief for investors who have been on the lookout for data suggesting that the high cost of living may have peaked.

However, the Federal Reserve has made it clear that they will need to see convincing evidence of lower inflation which means that more data will be needed before calling a peak and reducing rate hikes.

On Wednesday, notes from the Federal Reserve's latest meeting will be released and of importance will be any hints of rate hike policy going forward. In the past, these notes have been market moving.

Last week, other highly important developments took place as well, with the Inflation Reduction Act now making its way to Biden's desk after approval from the House.

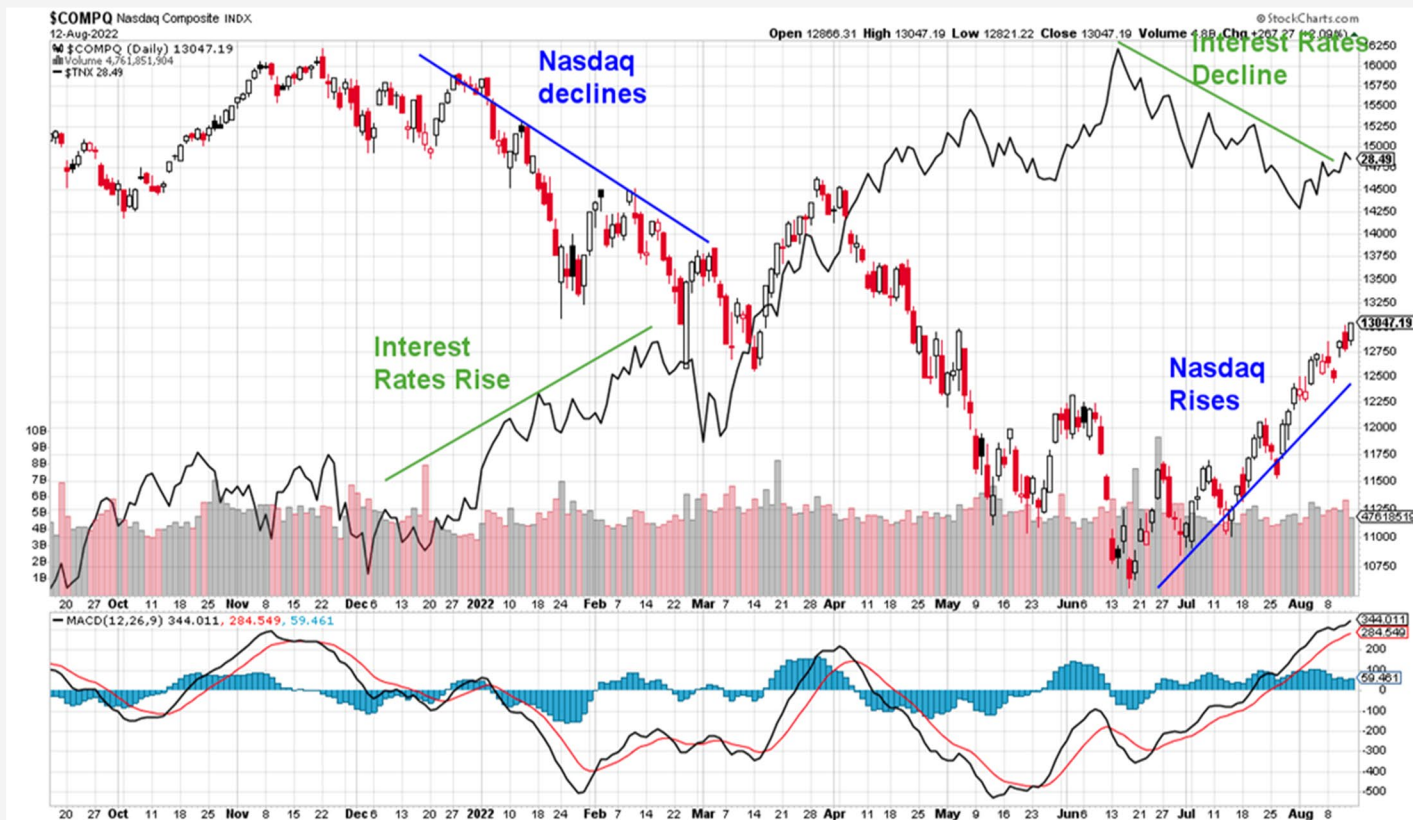
Government policy can have a profound effect on the stock market and the big winners from this bill will be renewable energy companies.

We will continue to add stocks from this area such as First Solar (FSLR) on any pullback from currently overbought positions.

Next week's earnings reports from heavyweight Retailers will also take center stage as management's tone regarding future growth will have the most importance.

As for the broader markets, last week's move above heavy resistance in the S&P 500 bodes well for a continuation rally at this time with select areas discussed in today's report having the most upside potential over the near term.

DAILY CHART OF NASDAQ WITH 10-YR TREASURY YIELD



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 DATE	INDUSTRY GROUP
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TECHNOLOGY						
AAPL	Apple Inc.	\$172.10	7/28/2022	9.5%	-	-
ENPH	Enphase Energy	\$299.26	7/10/2022	38.5%	-	-
INTU	Intuit Inc.	\$486.66	7/28/2022	8.5%	-	-
LRCX	Lam Research Corp.	\$518.59	7/28/2022	7.0%	-	-
NOW	ServiceNow Inc.	\$506.51	8/10/2022	-2.0%	-	-
NVDA	NVIDIA Corporation	\$187.09	7/20/2022	5.0%	-	-
ON	ON Semiconductor Corp.	\$71.16	7/20/2022	18.5%	-	-
PAYC	Paycom Software Inc.	\$393.91	8/7/2022	6.5%	-	-
SPWR	SunPower Corp.	\$26.62	8/7/2022	10.5%	-	-
STEM	Stem Inc.	\$15.60	8/14/2022	-	-	-

CONSUMER DISCRETIONARY						
AMZN	Amazon.com Inc.	\$143.55	7/28/2022	17.5%	-	-
CMG	Chipotle Mexican Grill	\$1,663.70	8/7/2022	4.0%	-	-

HEALTHCARE						
IBB	iShares Biotech ETF	\$132.52	7/10/2022	4.5%	-	-
VRTX	Vertex Pharmaceuticals	\$294.52	8/7/2022	2.5%	-	-

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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