



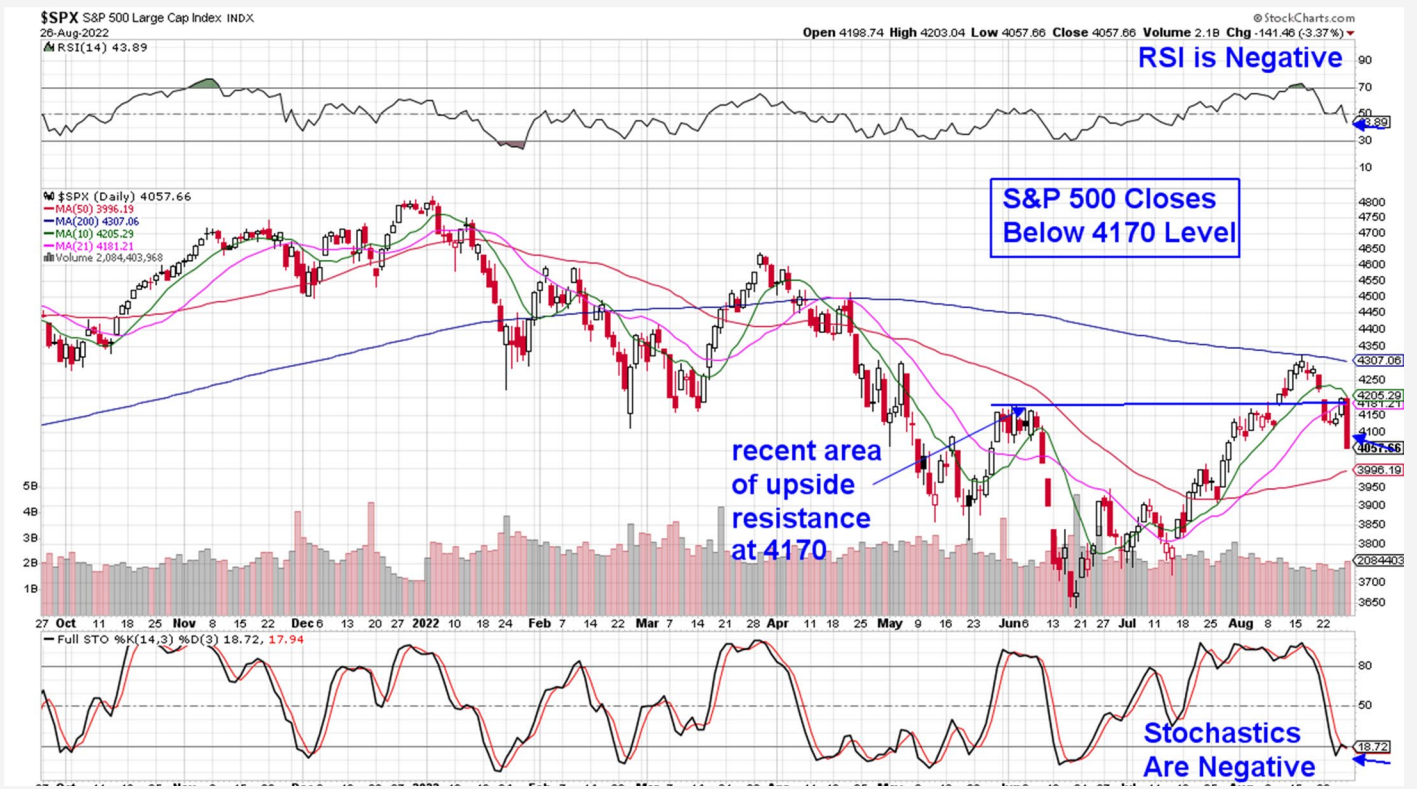
THE MEM EDGE

August 28, 2022 | Weekly Report

This Week's Highlights

- Yield On 10-Year Moves Above 3% Level
- Brent Crude Rises Above \$100 Per Barrel
- Q2 GDP Second Estimate Revised Upward
- Powell Firmly Reiterates Aggressive Rate Hike Policy
- Lower Gas Prices Lead To Decline In July PCE or Inflation Report
- Consumer Confidence and Monthly Unemployment Reports Due Next Week

Daily Chart of S&P 500



The S&P 500 fell 4% for the week in a move that has this Index back below the 4170 level which has been a key area in determining the near-term trend of the markets.

The RSI and MACD indicators on the daily chart are now in negative territory and coupled with the S&P 500's close below 4170, this puts the markets in a negative near-term position.

The Nasdaq fell further for the week with a 4.4% loss that was led by sharp declines in Semiconductor, Software and Retail stocks as Growth names sold off.

Heavyweight FAANG stocks were hit the hardest with both Microsoft (**MSFT**) and Alphabet (**GOOGL**) now below their key 50-day moving averages after sharp drops on Friday. A break below the 50-day mav on volume is usually a hard and fast sell signal; however, mega-cap stocks can rebound swiftly depending on the broader markets.

That said, using price action from late April into late May as precedence, each of the FAANG stocks are currently poised for further downside due to a negative

RSI as well as a negative MACD crossover in these stocks.

The exception is Tesla (**TSLA**) which has been in a period of consolidation for the past month. A break below \$280 would be negative.

As stated over the past several weeks, these heavyweight names act as a proxy for investor's sentiment toward Growth stocks and last week's negative price action sent a clear message that these stocks are currently out of favor.

The Nasdaq's 4.4% decline has pushed the RSI and Stochastics into negative territory and the next area of possible support is its 50-day moving average which is currently 1.7% away.

The most impactful news last week was the release of notes from Fed Chair Powell's speech on Friday where he made it clear that rates will continue to be pushed higher in an effort to tame inflation.

In response, there was a steep selloff in higher growth areas such as Technology and Retail. Higher interest rates are not good for faster growing companies as they reduce the value of future earnings.

Other areas also pulled back, with every sector in the markets ending Friday in the red. At this time, only the Energy and Utility sectors are above their key 200-day moving average.

For the week, areas that fare well in a rising rate environment outperformed, led by a 4.3% gain in Energy stocks with Materials, Utilities and Staples falling less than the broader markets.

Earlier this year, Energy stocks were able to sidestep the bear market due to supply demand imbalances and the high price of oil. Oil and other commodity prices rise during periods of high inflation and rising rates and they are moving higher now.

We will continue to add stocks from these areas as warranted.

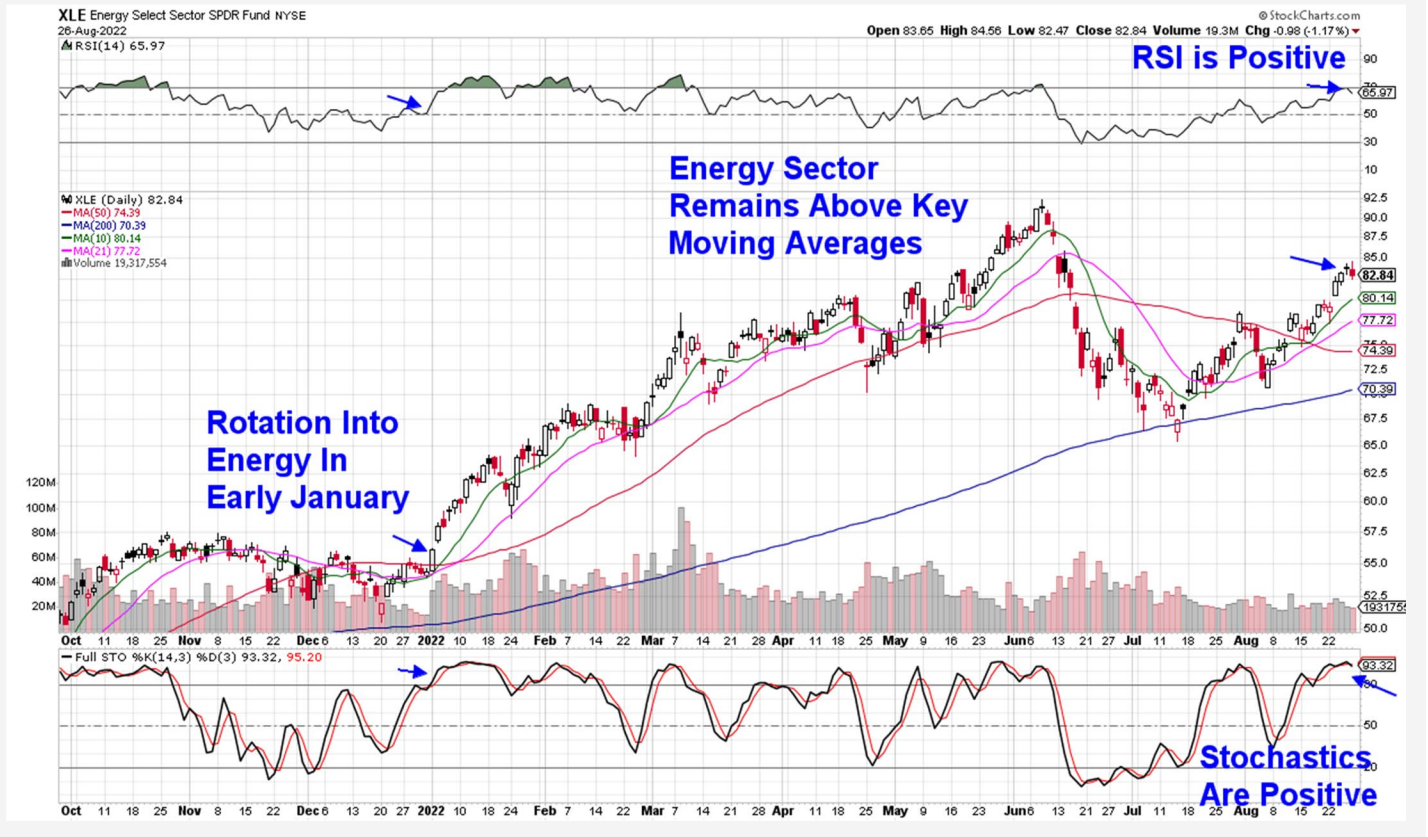
Last week, the markets flashed a warning signal on Monday as yields rose to 3% which in turn, pushed Growth stocks lower. Retail, Software and Semiconductor stocks were weakened which had us removing Nvidia (**NVDA**) and Intuit (**INTU**).

Each of these growthier industry groups are on the cusp of breaking below their 50-day moving average which would point to further weakness. (Using ETF's XRT for Retail, SOXX for Semis and IGV for Software.)

Next week, the economic calendar is light and with earnings season all but over, we expect the focus to remain on any increases in yields which would continue to push growth stocks lower. A spike in the Volatility Index (**\$VIX**) last week points to increased anxiousness among investors which may also stall any upside potential.



Energy Select Sector SPDR Fund (XLE)



Energy Sector Far Outpaces Markets

Last week, Energy stocks were the top performing as oil prices moved back above the \$100 per barrel price amid supply concerns.

Occidental (**OXY**) from our List is poised to trade higher following its 3-month base breakout on heavy volume. In addition to higher oil prices, Warren Buffet's continued purchase of shares is also giving the stock a boost. On August 19th, Buffet was granted approval to purchase up to 50% of available shares of OXY and at this time, he's built up a 20% position.

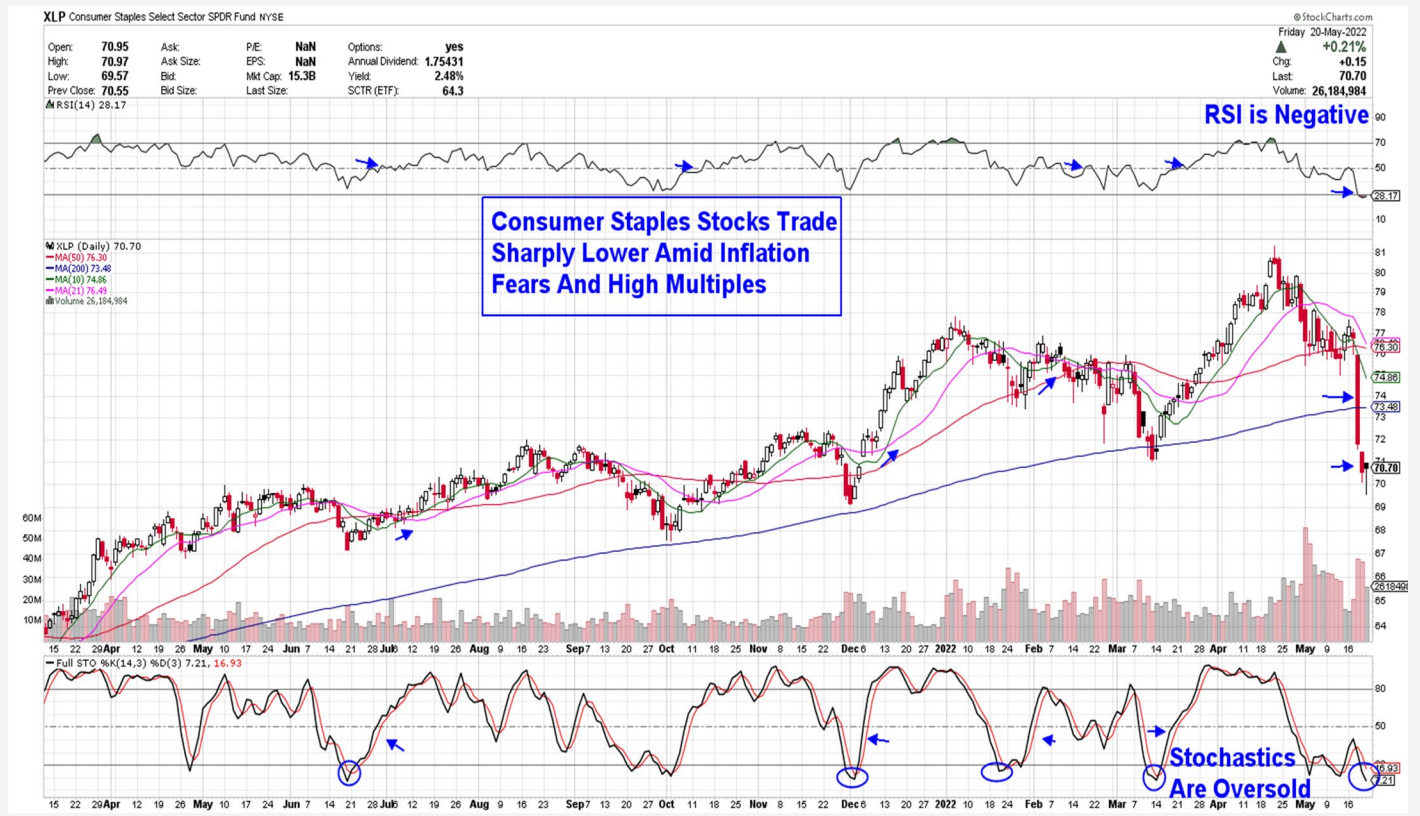
Buffet's interest in the stock goes deeper than the company's strong earnings in the face of higher oil

prices. OXY has formed a dedicated unit to develop and commercialize carbon capture and storage technology which is anticipated to provide enormous growth in the future.

As cited in our Midweek Report, a pullback to its 5-day simple moving average in the \$72 range is an ideal entry point and OXY is now in a strong buy zone after a late week pullback to this level.

The weekly chart is also in a positive position for OXY, with a MACD positive crossover taking place amid last week's high volume breakout.

Health Care Select Sector SPDR Fund (XLV)



Healthcare Sector Falls Below Support

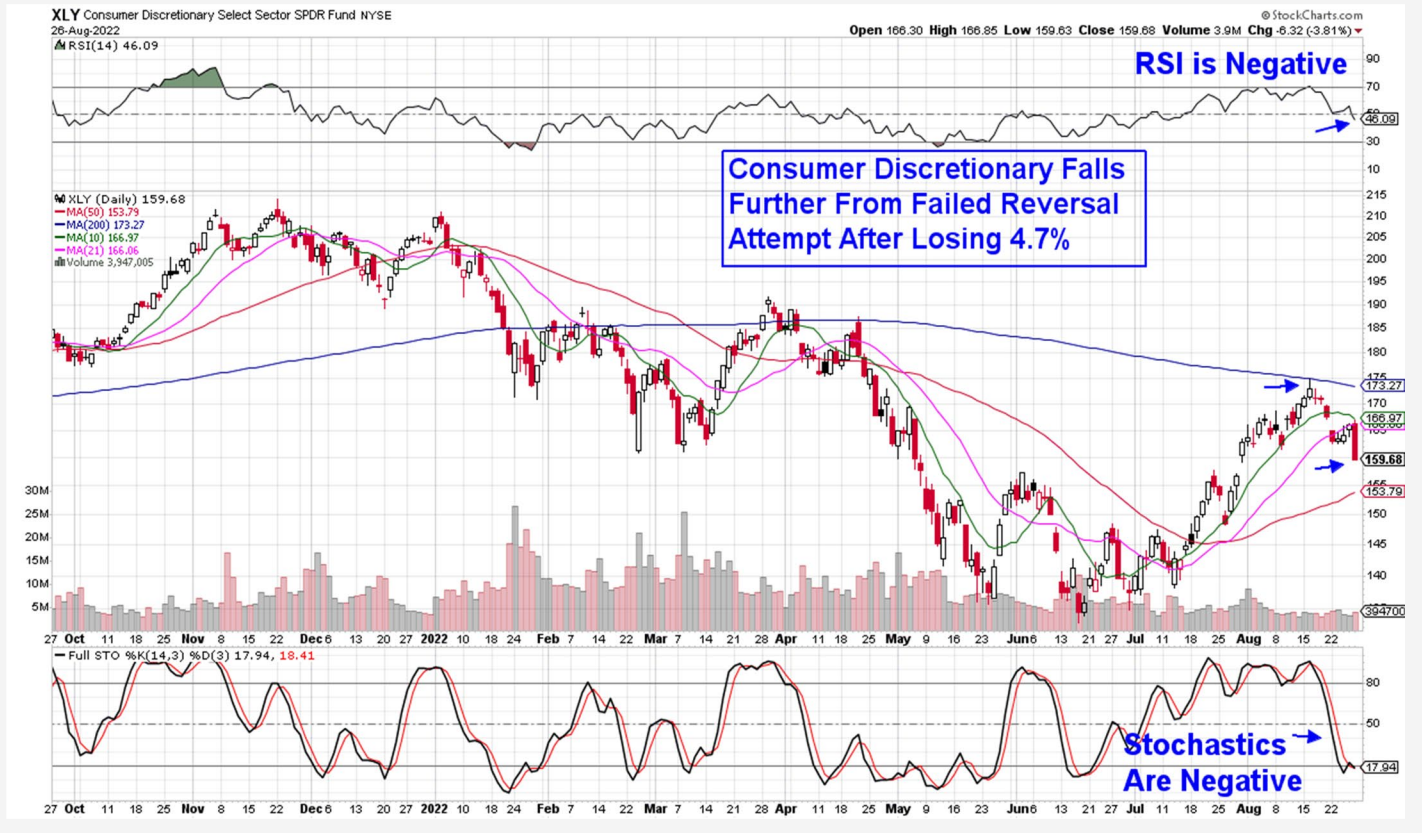
Healthcare stocks underperformed last week with a 4.2% decline that put this sector below each of its key moving averages. Hardest hit were Growth areas such as Medical Product stocks. Riskier Biotechs also fell sharply and the Healthcare sector is now in a downtrend.

Vertex (**VRTX**) from our List closed the week below its 50-day moving average and while the stock is back at its

cup with handle base breakout level of \$279, we're removing it from our Suggested Holdings List as its RSI is now in negative territory on the daily chart.

Longer term investors can stay with Vertex (**VRTX**) as the weekly chart shows a positive RSI and MACD position. VRTX has solid earnings prospects due to its dominance on providing therapies for the treatment of cystic fibrosis.

Consumer Discretionary Select Sector SPDR Fund (XLY)



Consumer Discretionary Sector Among Worse Performing

Discretionary stocks lost almost 5% despite reports on Friday that inflation for July came in less than expected due to lower gas prices. Lower inflation would spur spending elsewhere.

Consumer Confidence for August also posted a positive report as sentiment rose higher than expected.

Friday's news that Powell intends to keep rates high despite a potential slowdown in the economy and rise in unemployment, had a greater impact on these stocks.

Amazon (**AMZN**) from our List fell 5.4% with almost all of the loss coming on Friday. In addition to its large Retail division, AMZN is also a heavyweight in cloud computing which are both high growth areas that would be negatively impacted from the Fed's stance.

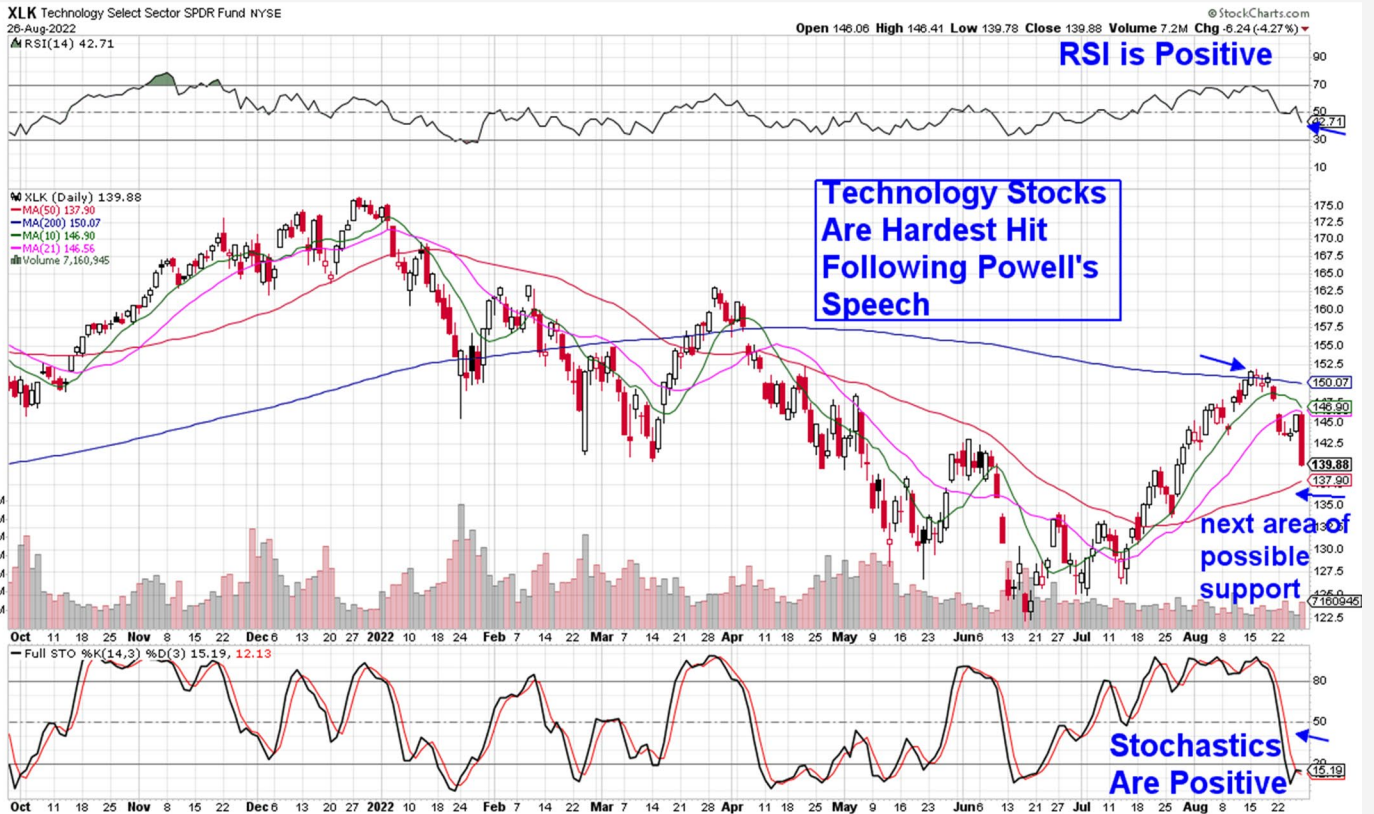
The decline put the RSI into a negative position on both its daily and weekly chart which puts the stock in a position to trading lower from here. We're removing AMZN from our Suggested Holdings List.

Chipotle (**CMG**) fared better with a 2.7% pullback that was on very light volume. The RSI and MACD remain in positive territory amid analyst upgrades to earnings for both this year and next.

We would not be a buyer on this pullback however as a breakdown in competitors such as Wingstop (**WING**) and McDonalds (**MCD**) has us cautious on stocks in the Restaurant group.

A move back above its 10 and 21-day moving average would have us positive on CMG's near-term prospects.

Technology Select Sector SPDR Fund (XLK)



Technology Sector Is Worse Performer

The Tech sector experienced most of its losses for the week on Friday as well, following news of Powell's resolve to fight inflation by raising rates.

Semiconductor stocks were hit the hardest with a 6.4% decline on Friday that pushed the group back to its 50-day moving average. (using SOXX) The RSI is now in negative territory with the MACD heading in the same direction.

O N Semiconductor (**ON**) from our List was among the few outperformers with a 1.3% loss for the week despite a Friday pullback of almost 7%.

ON provides components that are instrumental in the electrification of autos and earlier this month, the company reported strong earnings with management guiding growth estimates higher for both this year and next.

The stock pulled back from a new high in price and remains above its recent base breakout level of \$71.2 while finding support at its 10-day moving average.

The Software group closed the week just below its 50-day moving average on above average volume and with its negative RSI, we anticipate further weakness. (using IGV)

Paycom (**PAYC**) from our List fell less than its peers and on lighter volume. Among Software stocks, companies such as Paycom that provide employee management solutions that provide efficiency while reducing costs, are faring better in the tight employment environment that's currently in place. At this time, PAYC can be held.

Stem Inc. (**STEM**) closed the week just above its 5-day moving average which is quite positive. The company provides clean energy intelligence which aids in energy storage management.

The company is expected to benefit from the recently passed IRA which has earmarked a record amount of funding for alternative energy solutions.

Both Enphase (**ENPH**) and Sunpower (**SPWR**) will also benefit from this bill with ENPH providing solar generation and storage for homes while SPWR operates large grid-connected solar power plants.

These companies were already on track to grow earnings and both recently reported strong quarterly results as well as positive growth prospects going forward.

Alternative Energy Equipment stocks - such as SPWR and ENPH - are not impacted by the ebb and flow of interest rates however, they do trade in tandem with the S&P 500 (as do most stocks).

At this time, we're using signals from the late November downtrend as precedence to guide our timing for any selling. While we've experienced a negative MACD crossover in ENPH and SPWR, a negative RSI on the daily chart would be a more powerful sell signal. At this time, both stocks can be held with a move back above their 10-day moving average putting them into a buy zone.

Apple (**AAPL**) slumped last week with a 4.6% decline that puts the stock below its 21-day moving average. Most of the selling occurred on Friday and the volume was above average. With the RSI now in negative territory, we're removing AAPL from our Suggested Holdings List.

Longer term investors can stay with the stock as the weekly and monthly charts remain positive with the RSI above 50.



Summary

The market's response to Powell's strongly worded desire to stem high inflation at all costs was swift, with stocks selling off Friday on volume that was greater than the prior day.

Most concerning were comments that restoring price stability will likely require maintaining a restrictive policy stance for some time; and that higher interest rates, slower growth and softer labor market conditions will be needed to bring down inflation.

The remarks increased fears of a harder landing for the economy and pushed the volatility index back above its 200-day moving average after a spike on Friday. Rising volatility is a negative for the markets. (using \$VIX)

Next Tuesday and Wednesday, three Federal Reserve Governors will be speaking and depending on their comments, they may help soothe investor's frayed nerves. On the data front, the August jobs report will take center stage and that's on Friday. Any nonfarm payroll gain above 250,000 would add to the Fed's case for further aggressive rate hikes.

At this time, we expect volatility to remain elevated into next week as investors digest Fed Chair Powell's comments and evaluate the potential impact on the economy and the markets. Growth stocks remain susceptible to further weakness and are currently poised to trade lower.

We will continue to provide Alert Reports throughout the week should sentiment regarding the markets or any stocks on our List shift.

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.	\$163.62	7/28/2022	4.0%	27-Oct	Telecom-Consumer
ENPH	Enphase Energy	\$288.59	7/10/2022	33.5%	25-Oct	Alternative Energy Equip
ON	ON Semiconductor Corp.	\$71.58	7/20/2022	19.0%	7-Nov	Semiconductor
PAYC	Paycom Software Inc.	\$360.60	8/7/2022	-2.5%	1-Nov	Software
SPWR	SunPower Corp.	\$25.06	8/7/2022	4.0%	2-Nov	Alternative Energy Equip
STEM	Stem Inc.	\$14.63	8/14/2022	-6.0%	27-Oct	Software

CONSUMER DISCRETIONARY						
AMZN	Amazon.com Inc.	\$130.75	7/28/2022	7.0%	27-Oct	Retail internet
CMG	Chipotle Mexican Grill	\$1,627.86	8/7/2022	1.5%	20-Oct	Restaurants

ENERGY						
OXY	Occidental Petroleum	\$73.55	8/24/2022	0.0%	-	Oil & Gas Production

HEALTHCARE						
VRTX	Vertex Pharmaceuticals	\$281.68	8/7/2022	-2.0%	1-Nov	Biotechnology

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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