



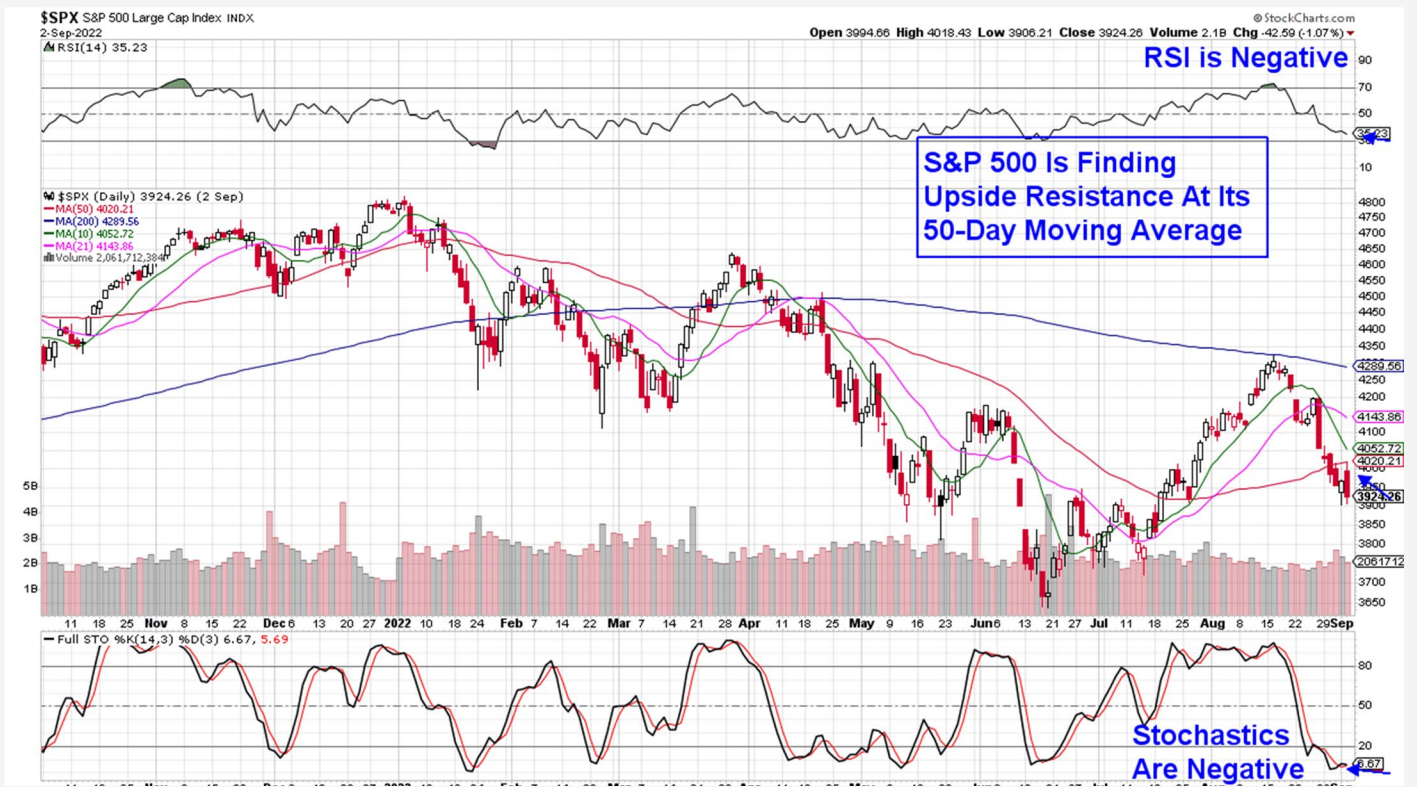
THE MEM EDGE

September 5th, 2022 | Weekly Report

This Week's Highlights

- Strong Dollar & Rising Yields Drive Price Action
- Volatility Remains Elevated
- Job Openings Increase & Consumer Confidence Rises In August
- Brent Crude Drops Below \$100 Per Barrel
- August Unemployment Rises While Payrolls Increase
- Several Fed President's as Well as Chair Powell Will Be Speaking On Wednesday & Thursday

Daily Chart of S&P 500



The S&P 500 fell 3.3% last week in a move that pushed this Index below its 50-day moving average which was the next area of possible support after the prior week's drop below 4170. With the RSI and Stochastics in negative territory, our outlook for the broader markets remains negative.

The Nasdaq fared worse with a 4.2% loss that pushed this Tech heavy Index below its 50-day moving average as well. Heavy losses in Semiconductors as well as Software and most of the FAANMG stocks weighed

heavy again on the Nasdaq for the 3rd consecutive week.

The next area of possible support for each of these Indexes is their mid-July lows which is 5% away for both the S&P 500 and the Nasdaq.

Last week began on a weak note as investors continued to digest Fed Chair Powell's comments outlining an aggressive Fed policy in an effort to reduce inflation. Most impactful were remarks stating that their efforts

would continue at all costs which may likely lead to household and corporate pain.

Primarily, efforts to slow the economy will come in the way of higher interest rates.

Higher interest rates are a negative for the stock market - particularly Growth stocks as the value of future earnings are diminished.

Most concerning to the Federal Reserve is the currently robust jobs market. This is leading to higher wages and in turn, increased spending which will keep inflation high.

Last week's news of increased job openings as well as strong non-farm payrolls in August, pushed stocks lower as it paves the way for the Fed to remain aggressive in their rate hike campaign as they combat high inflation.

The Fed's aggressive policy stance has pushed the U.S. dollar to a 20-year high due to foreign interest in relatively high bond yields. The dollar's safe haven status is another reason for increased demand.

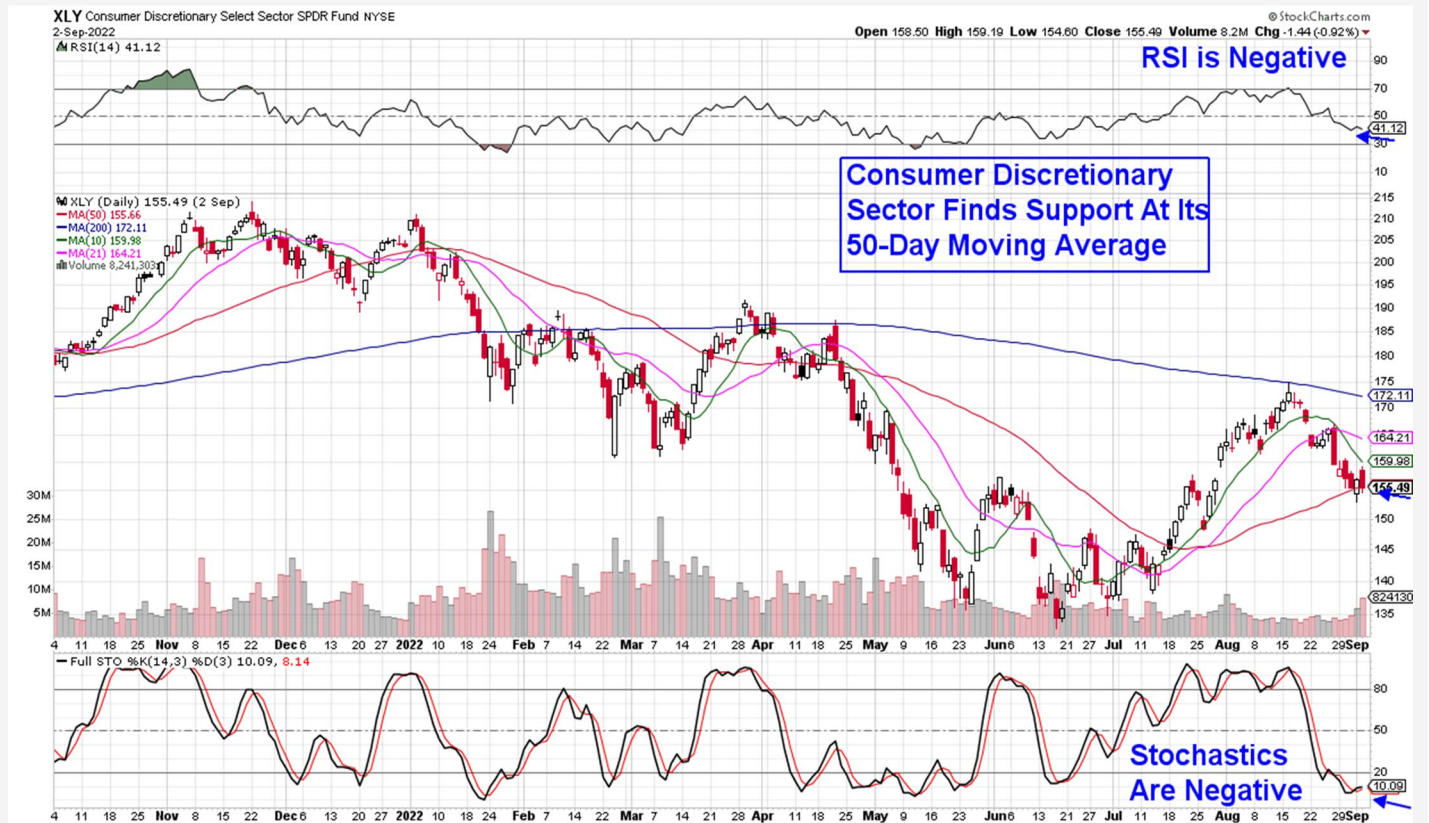
This is another headwind - particularly for the S&P 500 which houses the highest percent of multinational companies where a strong dollar reduces the value of revenues from goods that are sold overseas.

Not all of the news for the markets is negative however, with Energy stocks remaining in positive territory while news today of oil production cuts from OPEC could keep these stocks elevated. Select areas of retail that fare well during periods of slow growth are also holding in well.

Overall however, the markets are in a confirmed downtrend and while we may see a bounce next week due to oversold conditions on the broader indices, we would sell into any rallies.



Consumer Discretionary Select Sector SPDR Fund (XLY)



Consumer Discretionary Sector Finds Support

Discretionary stocks fell less than the markets led by Amazon (**AMZN**) which pulled back to its 50-day moving average where it found support amid news that the company will be cutting back on capital expenditures by halting construction on dozens of warehouse projects worldwide.

AMZN is on our Watch List as it's one of the few mega-cap FAANMG stocks that's finding support at its key 50-day moving average.

An rise in Consumer Confidence for August helped boost select Consumer Discretionary areas as did better than expected earnings results from retailers such as Lululemon (**LULU**) and Dollar General (**DG**).

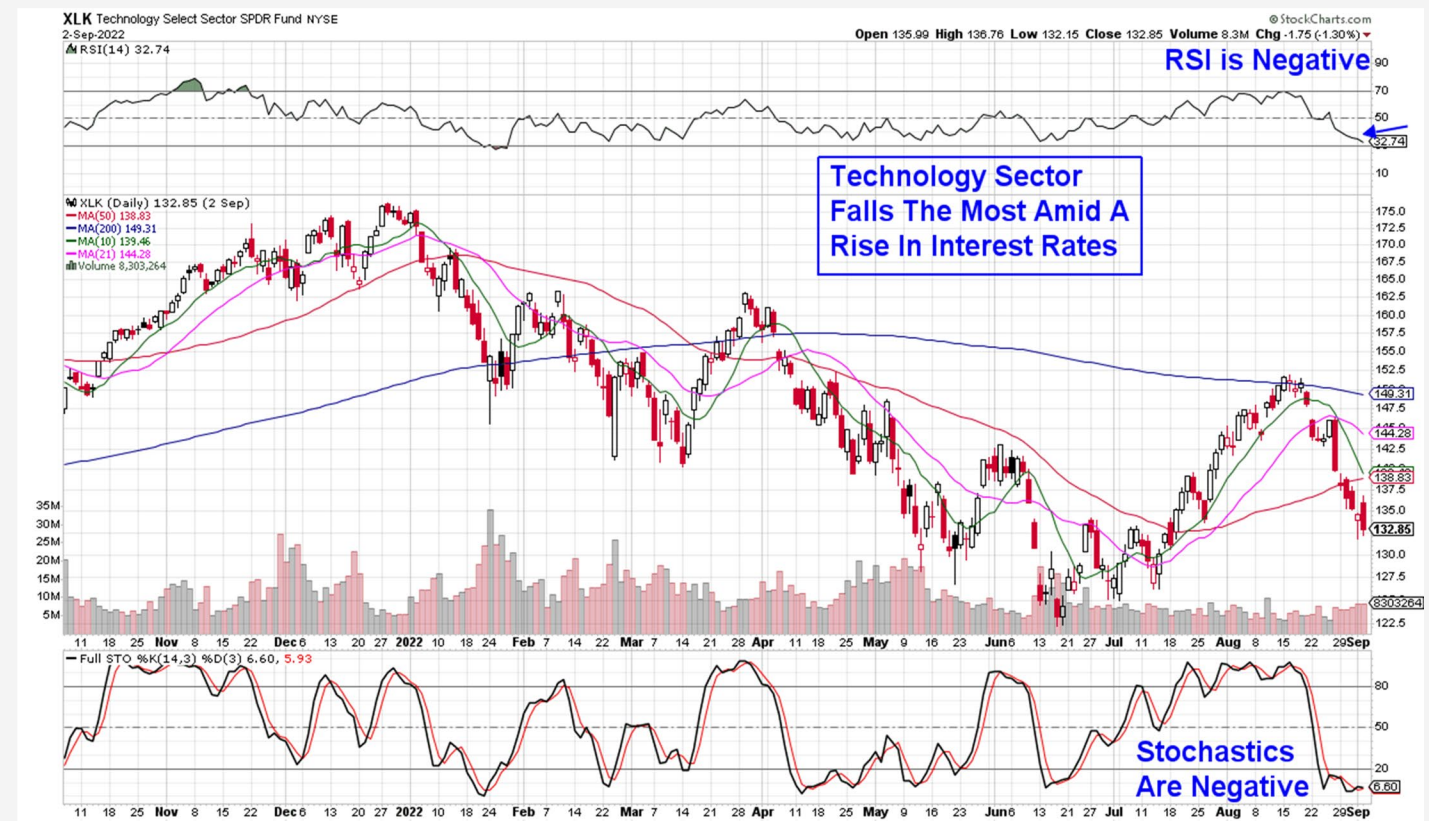
Overall however, Retail stocks are in a downtrend with the group now trading below its 50-day moving average

Retailers fall into the category of Growth stocks which can be negatively impacted by rising interest rates.

Select areas of retail are currently holding in well however, with Chipotle (**CMG**) from our List outperforming the markets with a 0.7% loss for the week. Analysts are upgrading earnings estimates for both this year and next. The stock is poised to break back above its 10 and 21-day moving averages with its RSI and MACD in positive territory. CMG can be held.

Discount retailers such as Walmart (**WMT**), Dollar General (**DG**) and McDonalds (**MCD**) - which were among the top performers during the 2008 bear market and recession - are also holding in relatively well. These names as well as other discount retailers that are on our Watch List will be closely watched as historically, they can fare well during periods of a slowdown in the economy.

Technology Select Sector SPDR Fund (XLK)



Technology Sector Is Worse Performer

The Tech sector fell 5% for the week led by a sharp decline in Semiconductor stocks which fell below their 50-day moving average last week amid a 7% drop in the group. (using SOXX).

Hardest hit was Nvidia (**NVDA**) which fell 15% after the U.S. government proposed a restriction on the sale of AI chips to China. Advanced Micro (**AMD**) also experienced a double digit loss on the news.

Semiconductor stocks have broken below their 50-day moving average on heavy volume with the group in a confirmed downtrend. (using SOXX)

ON Semi (**ON**) from our List fell less than its peers and ended the week with a positive MACD. However, the RSI closed just below 50 and into negative territory and we're removing the stock from our List.

While a potential move back above its 10 and 21-day moving average would be bullish for ON, historical precedence tells us that the stock is likely to decline with the group as some point.

Statistically, the price movement of the Industry Group and Sector that a stock is a part of, is responsible for 49% of the direction of a stock. With Semi's in a downtrend, we anticipate a pullback in ON despite its strong growth prospects.

Also pushing the Tech sector lower last week was a 5% decline in heavyweight stock Apple (**AAPL**) which we

removed from our Suggested Holdings List last Sunday. AAPL's decline pushed the stock below its 50-day moving average with its RSI and MACD now in negative territory.

Longer term investors can stay with Apple (**AAPL**) as the monthly chart has a positive RSI and MACD with the stock trading above its key 6-month moving average.

Next week, Apple will be introducing their new iPhone 14 which

Select Alternative Energy Equipment stocks fell less than the Tech sector however, Sunpower (**SPWR**) was an exception with a pullback last week that has us removing the stock from our Suggested Holdings List.

News last week that SPWR faces a class action suit over potential wage theft brought selling which pushed the RSI into negative territory on Friday.

As noted in earlier reports, we were on the lookout for a possible negative RSI signal on SPWR's daily chart as a sell signal. This followed a MACD negative crossover that had already occurred.

As you may recall, we were using the mid-November period as precedence for SPWR. At that time, a negative MACD coupled with a negative RSI signalled a prolonged downward move.

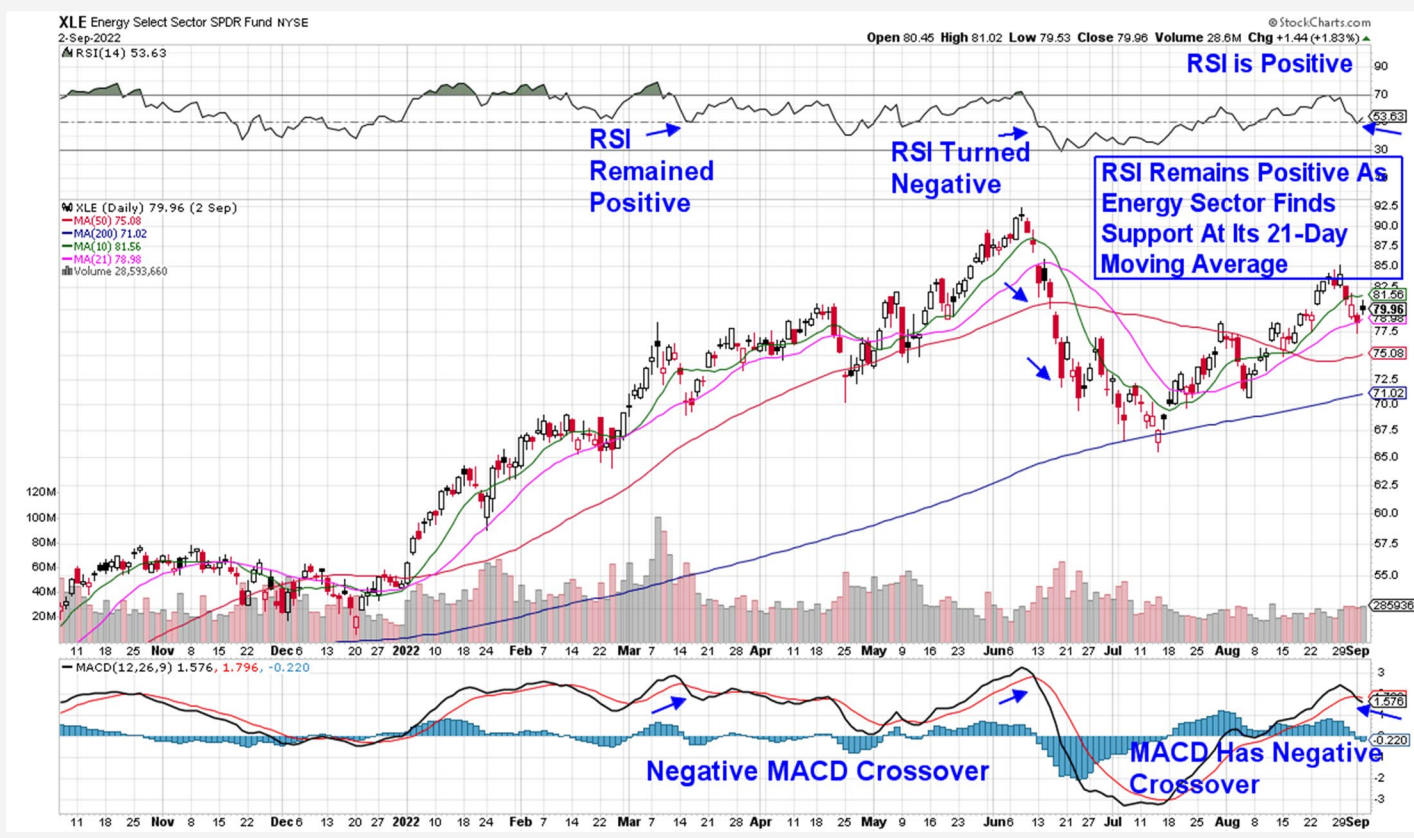
Enphase (ENPH) remains in a consolidation phase as it digests its 34% gain during the last week of July. The back and fill price action is lowering its momentum indicators on the daily chart however and a negative RSI signal would have us removing the stock.

ENPH remains constructive longer term however, with the weekly chart showing its momentum indicators remaining in positive territory.

Software stocks struggled again last week as this area is particularly sensitive to higher interest rates. The group is now below its 50-day moving average following its 4.4% loss for the week. (using IGV)

Stem, Inc. (STEM) pulled back even further and while the momentum indicators remain in positive territory on its daily chart, broader market as well as industry group risks have us removing the stock from our Suggested Holdings List.

Energy Select Sector SPDR Fund (XLE)



Energy Sector Pulls Back

China’s closure of major cities due to Covid constraints pushed the price of oil lower last week which in turn, pushed Energy stocks down. China is 2nd in the world for oil consumption.

The Energy sector pulled back to its 21-day moving average where it found support. In the chart above, we’ve highlighted the signals that led to the 30% pullback in Energy stocks that began in early June so that we can stay on top of this possibility under current conditions.

As you’ll see, a negative RSI coupled with high volume selling that pushed the group below its 50-day moving average preceded the June into July decline. At that time, a negative MACD signal also was present.

In addition, the price of Oil was declining during the June into July period with Brent crude dropping from \$122 per barrel down to \$95.

At this time, two of the three signals have flashed with the MACD experiencing a negative crossover while the price of oil is trending lower.

As for the price of oil, messages are mixed as today’s OPEC meeting where members agreed to cut oil production in October may push the price higher, China announced over the weekend that they’ve expanded their lockdown to include additional cities.

Given the crosscurrents this group is experiencing, we’re not adding additional stocks at this time.

Occidental (OXY) from our List can be held as the stock has found support at its 21-day moving average with its RSI and MACD both in positive territory.

Summary

Historically, Federal Reserve policy is one of the primary drivers of price action in the stock market and Fed Chair Powell's clear message that the Fed intends to mandate an aggressive monetary policy at all costs, is not great news for the markets as higher interest rates push most stocks lower.

This past July, we did see the markets rally however, it was on hopes that the Fed would slow rate hikes while corporate earnings reports were better than expected. With this backdrop no longer behind us, we anticipate a tough period as we head into September which has been the worst performing month going back over 70 years.

Next week, several Fed Presidents will be speaking as will Fed Chair Powell on Thursday. Whether their comments will help sooth frayed investor's nerves remains to be seen.

At this time, we'd lighten up on Growth stocks on any rallies. Longer term investors can use the monthly chart as a guide and there you'll see that names such a Apple (AAPL) and Tesla (TSLA) remain above key support with positive momentum indicators.

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				
TECHNOLOGY										
ENPH	Enphase Energy	\$279.07	7/10/2022	29.0%	25-Oct	Alternative Energy Equip				
ON	ON Semiconductor Corp.	\$67.51	7/20/2022	12.5%	7-Nov	Semiconductor				
SPWR	SunPower Corp.	\$22.84	8/7/2022	-5.0%	2-Nov	Alternative Energy Equip				
STEM	Stem Inc.	\$14.17	8/14/2022	-9.0%	8-Nov	Software				
CONSUMER DISCRETIONARY										
CMG	Chipotle Mexican Grill	\$1,616.52	8/7/2022	1.0%	20-Oct	Retail - Restaurants				
ENERGY										
OXY	Occidental Petroleum	\$68.77	8/24/2022	-8.0%	3-Nov	Oil & Gas Production				

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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