



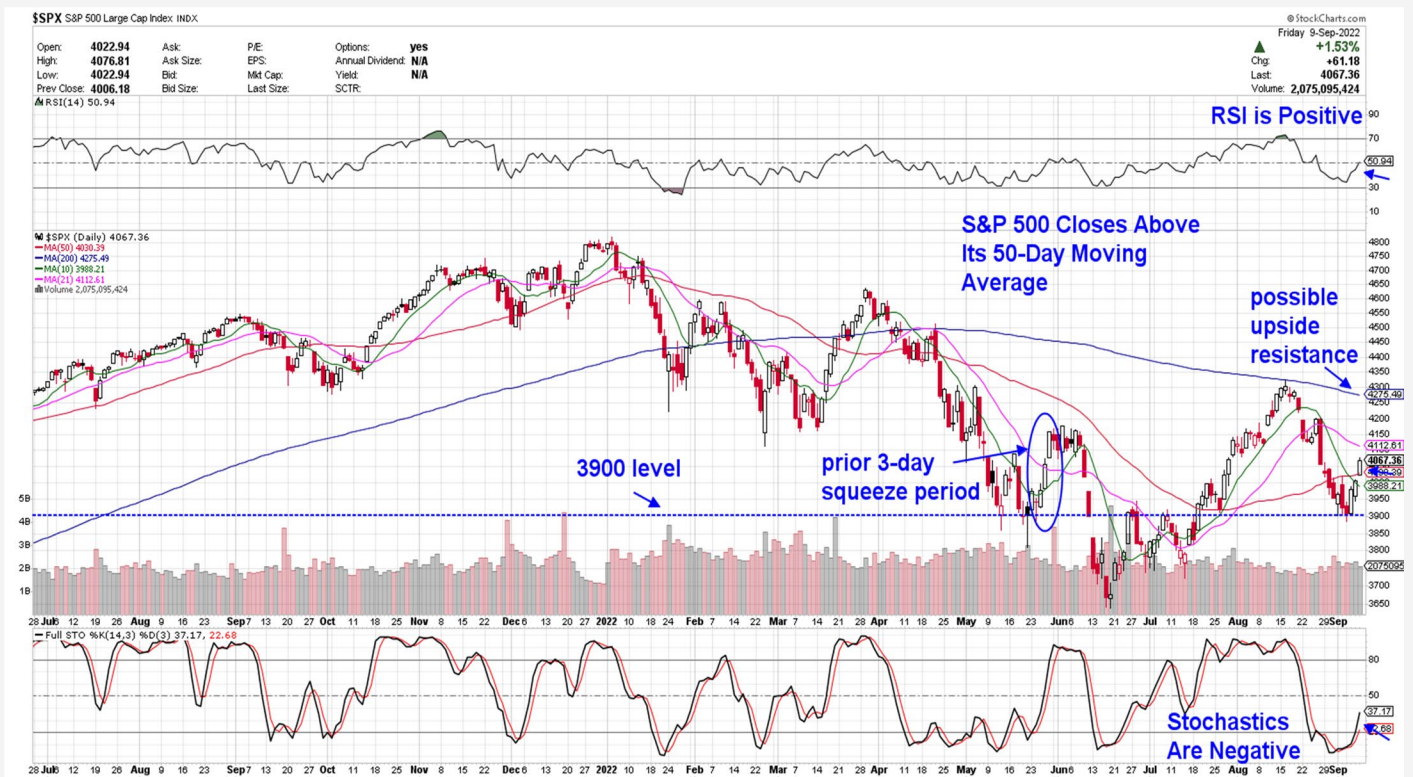
THE MEM EDGE

September 11, 2022 | Weekly Report

This Week's Highlights

- Interest Rates & U.S. Dollar Remain Elevated
- Alternative Energy Stocks Outperform
- Fed Official's Rate Hike Comments Are Shrugged Off
- August CPI Report Due Before Market Open On Tuesday
- August Retail Sales & September Consumer Sentiment Data Due Thursday and Friday

Daily Chart of S&P 500



The S&P 500 gained 3.7% for the week in a move that pushed this Index back above its 50-day moving average which was near-term, upside resistance. The RSI is now in positive territory with the Stochastics not yet above 50 at this time.

The mixed momentum indicators from last week's oversold bounce have us cautiously optimistic about the very near-term upside for the S&P 500. That said, the 200-day moving average is the next area of upside resistance and at this time, it's 4.9% away.

The Nasdaq fared a bit better led by oversold Semiconductor and Software stocks which averaged a 5% gain for the week. Both areas remain below key resistance however, which we'll review below.

While several heavyweight FAANMG stocks outperformed, the majority of these mega-caps posted gains that were below the Nasdaq. These names such as Apple, Microsoft and Alphabet remain below key resistance. In order for the broader markets to have

true lift-off, we'd ideally like to see these names not only participate, but outperform.

The Nasdaq ended the week just above its 50-day moving average however, the RSI and Stochastics are in negative territory. With the negative momentum indicators, we remain cautious on the near-term prospects for this Tech heavy Index.

Last week's rally in the markets was anticipated as we were on the lookout for an oversold bounce; however, the extent of the gains were surprising given the number of hawkish remarks from Federal Reserve officials throughout the week.

Their comments further the possibility that rates will be increased by 75 basis points at their next meeting later this month, while also pointing to a prolonged path of higher rates into next year.

In response, interest rates rose which is normally a negative for stocks. This is particularly true of Growth stocks as future earnings are reduced in value.

A rally despite hawkish remarks from the Fed occurred in late May as well, with a 3-day rebound that came after the release of Fed meeting notes that outlined a willingness to be restrictive to fight inflation.

The chart of the S&P 500 above highlights the late May rally. The top performing stocks in both late May and last week were highly shorted names. Known as a short-squeeze, an initial rally will cause short sellers to cover by buying the stock, which pushes it even higher.

Oftentimes, these short squeeze rallies can reverse quickly however, oversold conditions in the markets

persist despite last week's rally and we anticipate further upside into next week

with Tuesday's release of the Consumer Price Index (CPI) taking center stage.

This is an important gauge of inflation and in the event that CPI comes in ahead of estimates and the markets continue to shrug off a higher interest rate scenario, we expect a runup toward the 200-day moving average to pick up momentum. A break above this moving average would be quite positive for the markets.

At this time, we've built out the Watch List in anticipation of a potential continuation rally. The list is composed of fundamentally sound companies with positive charts and the names are sorted by sector.

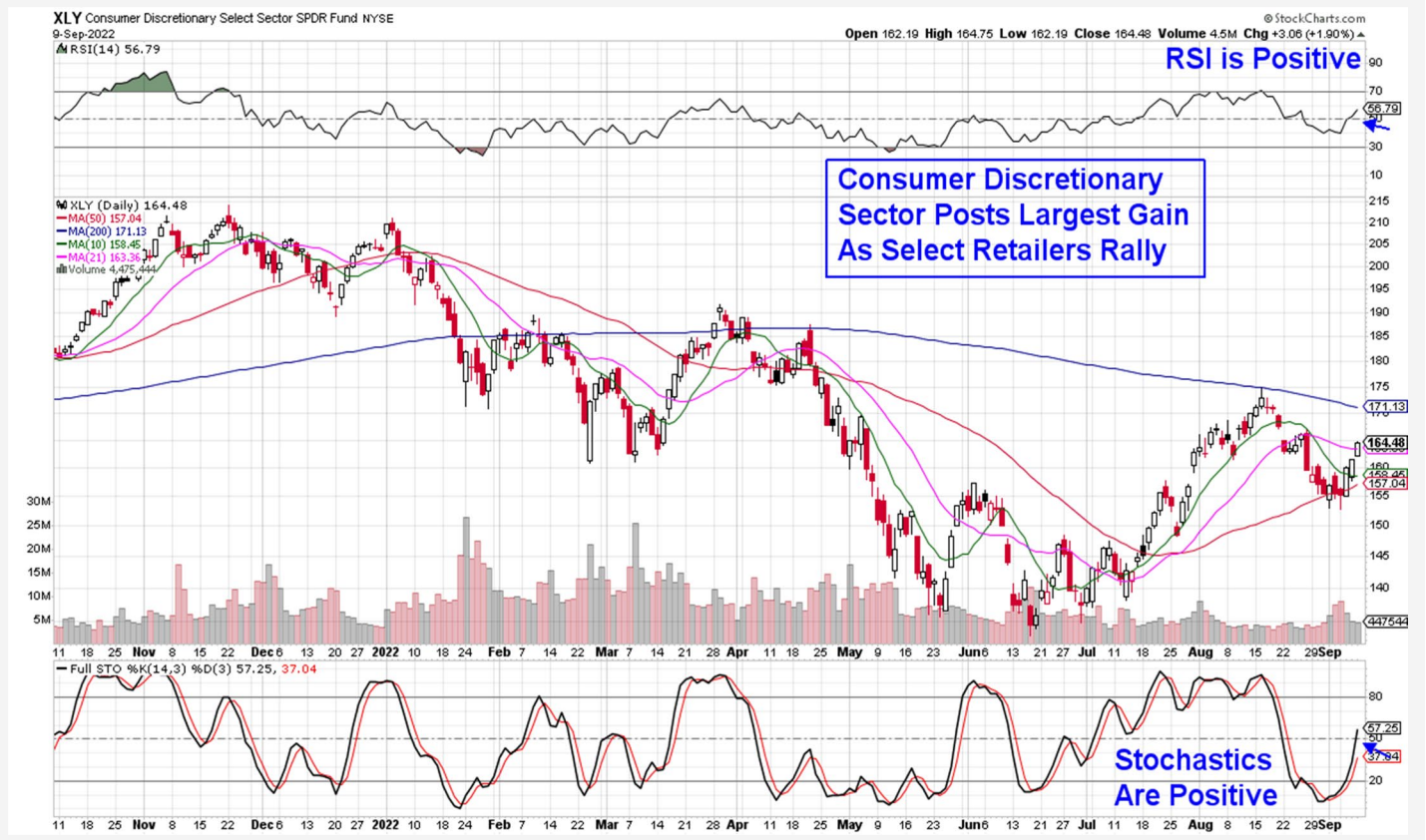
Last week, Technology and Internet Related stocks underperformed indicating that while investors are shrugging off the Fed's hawkish comments, they're not quite ready to overweight High Growth Technology names.

While Semiconductor and Software stocks outperformed last week with a 4.7% and 5.6% rally respectively, they only regained an average of 35% of losses from a selloff in the prior 3 weeks. Most other areas regained ~60% of the losses from their selloffs from late August into early September.

We'll continue to monitor this relatively lower interest in Technology as leadership in this area is the hallmark of a strong bull phase.



Consumer Discretionary Select Sector SPDR Fund (XLY)



Consumer Discretionary Is Top Performer

Discretionary stocks received a boost from heavyweight stock Tesla (**TSLA**) which broke back above its 200-day moving average following news that the company is exploring the possibility of operating its own lithium refinery in an effort to reduce EV production costs.

In other news, TSLA's production in Shanghai during August is being heralded as the highest on record which will boost sales in China. The company received a Wall Street upgrade on the news with a new, \$360 price target.

We're adding TSLA to our Suggested Holdings List after last week's gain pushed the stock above resistance with its RSI and MACD now in positive territory..

Outperformance in Amazon (**AMZN**) also gave this sector a boost with a rally that followed news of their purchase of a warehouse machinery company that is expected to positively boost efficiency for the company's massive fulfillment network.

AMZN is on our Watch List as last week's rally pushed the RSI into positive territory on its daily chart. A move above its 200-day moving average coupled with a positive RSI would have us adding AMZN to our List amid analyst upgrades to earnings for this year.

Other Retailers also fared well last week following Goldman Sachs 29th annual Retail conference where

management for these companies provided their outlook for the upcoming year.

Dicks Sporting Goods (**DKS**) from our Watch List presented on Wednesday and management remained optimistic about demand trends in athletic apparel and footwear. The stock broke out of a 3-week base on volume and we intend to add it to our Suggested Holdings List on any pullback to the \$110 area.

Select Discount Retailers posted some of the most notable gains despite reducing their sales forecasts in late August. Analysts view stocks such as TJX Cos. (**TJX**) and Ross Stores (**ROST**) as a defensive play they can offer quality products at a lower cost. Both stocks have positive charts and are on our Watch List.

Chipotle Mexican Grill (**CMG**) outperformed its restaurant peers with a 6.5% gain that puts the stock on the cusp of a cup with handle base breakout. The stock has the highest EPS rating among Restaurant stocks with analysts raising earnings estimates for both this year and next. CMG is in a strong buy zone.

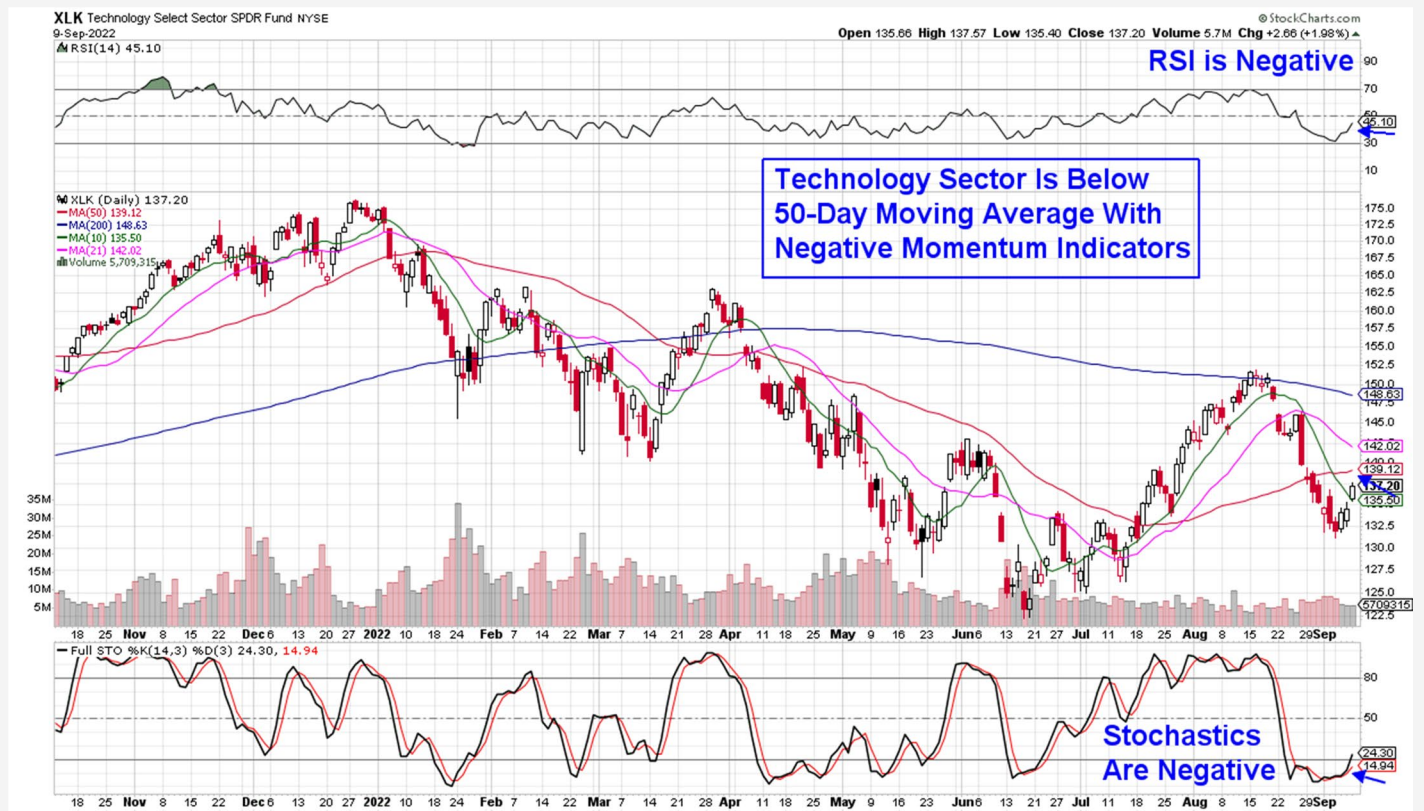
Elsewhere in this group, big box Retailers such as Walmart (**WMT**) and Target (**TGT**) continue to firm up with WMT poised to break back above its 200-day moving average while TGT is moving closer to a 3-week base breakout. Target's CEO announced he'll be

remaining with the company which pushed the stock higher.

Next Thursday, Retail Sales data for August will be released and economists are looking for an increase of

0.4% (ex-Auto sales) due to a strong back to school season. A positive response to any uptick in retail sales should give a boost to this area.

Technology Select Sector SPDR Fund (XLK)



Technology Sector Underperforms For The Week

The Tech sector gained less than the broader markets despite outperformance in the Semiconductor and Software groups last week.

While both areas posted healthy gains, they remain below key moving averages with Software stocks being closer to reversing their recent downtrend after closing above its 50-day moving average. (using IGV).

The pool of possible candidates among Software names is limited at this time with only a handful of stocks above both their 50 and 200-day moving average with a larger market cap.

These stocks are better positioned to trade higher once the Technology sector and Software stocks turn positive and they are on our Watch List. Among them are Paycom (**PAYC**) and Intuit (**INTU**) which were on our Suggested Holdings List during the July rally.

Semiconductor stocks remain weak due to a 15% decline from mid-August into early September. The group was hit by a projected slowdown in chip sales from heavyweight Semi stocks Nvidia (NVDA) and

Micron (MU). Higher interest rates also pushed this group lower.

Despite last week's rally, the Semiconductor group remains below each of its key moving averages with a negative MACD and RSI. We have several stocks on our Watch List from this group that are exhibiting bullish characteristics however, with O N Semi (**ON**) being the best positioned to benefit from a downtrend reversal in Semis.

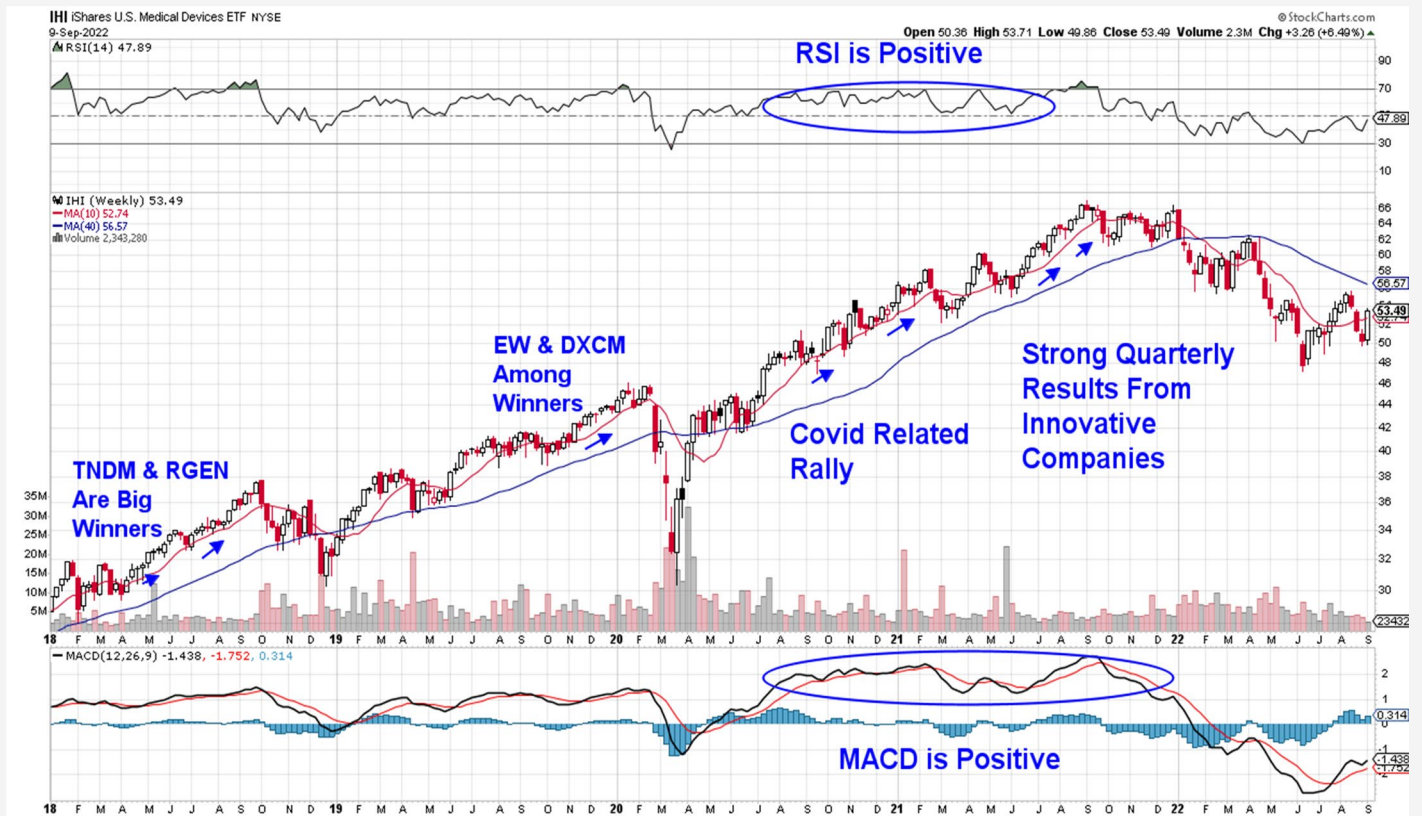
Alternative Energy Equipment stocks were a bright spot last week with stocks such as Enphase (**ENPH**) from our List rallying 9.5% on above average volume. The stock is in a strong buy zone after Friday's pullback to its 10-day moving average as well as a positive MACD crossover on the daily chart.

First Solar (**FSLR**) pulled back to its 5-day moving average and is also in a strong buy zone as analysts raise earnings estimates for the stock. While FSLR is in an overbought condition on its daily chart, upside momentum coupled with high volume on last week's rally points to further near-term upside.

Heavyweight Tech stocks Microsoft (**MSFT**) and Apple (**AAPL**) underperformed last week as analysts lowered earnings estimates for both companies.

Technology is currently among the weaker sectors as it's positioned below each of its moving averages with negative momentum indicators. A move back above its 50-day moving average coupled with a positive RSI would be bullish.

Weekly Chart Of iShares U.S. Medical Devices ETF (IHI)



Healthcare Sector Among Top Performing

Last week, the Medical Products industry group staged an impressive rally that pushed the group up 6.5% for the week. This group is now above each of its shorter term moving averages with a positive RSI and MACD crossover on its daily chart. (using EFT IHI)

Medical Products stocks have historically been a vibrant area that can yield many outperforming stocks when conditions are aligned. The weekly chart above provides price history going back over 2 years.

While some Medical Product companies are viewed as defensive due to the need for their products regardless of the economy, most stocks in this group fall into the Growth category and will be negatively impacted by a rising interest rate environment.

We've added 4 stocks to our Watch List from this area that are in bullish positions including Danaher (**DHR**), Boston Scientific (**BSX**) Resmed (**RMD**) and Dexcom (**DXCM**).

Biotech stocks also posted a strong week with a 6% rally. (using IBB) that was led by Regeneron (**REGN**) that posted a 25% gain for the week following positive news regarding two separate drug trials.

Vertex (**VRTX**) which was on our List earlier this year has moved back above its moving averages on volume. A continuation rally in this stock as well as the group will provide confidence to add VRTX back to our Suggested Holdings List.

During the 2008 recession when the markets were tumbling, both Vertex and biotech company Amgen (**AMGN**) were among the top 10 performers in the S&P 500 as their innovation at that time was driving growth.

Last week's gains in Biotech and Medical Products helped the Healthcare sector outperform the broader markets. It's now close to a new uptrend with a break back above its 200-day moving average which is only 1% away. This bullish move would have us adding stocks from our Watch List to the Suggested Holdings List.

Summary

The markets posted a strong rally last week in the face of evidence that the Federal Reserve will raise interest rates by 0.75% at their next meeting, regardless of the results from next week's CPI report.

Last week's rally is reminiscent of the first 2 weeks of August when the markets rose despite hawkish comments from the Federal Reserve. At that time however, corporations were reporting earnings that were above estimates which helped boost stocks.

While current signals point to a continuation rally into next week, the lack of a bullish signal for longer-term upside has us refraining from adding more names to our Suggested Holdings List.

A rally in the S&P 500 that would help push the stochastics into positive territory would provide more conviction as would a strengthening among the largest component of this Index - Information Technology which accounts for 28%.

As mentioned, we've broadened our Watch List with each of the stocks on the list currently in bullish positions as they are trading above at least short term resistance with positive momentum indicators. In addition, several names are breaking out of bases.

We'll add stocks from this List as warranted over the next week.

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
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TECHNOLOGY

ENPH	Enphase Energy	\$305.70	7/10/2022	41.0%	25-Oct	Alternative Energy Equip
FSLR	First Solar Inc.	\$135.82	9/7/2022	1.0%	3-Nov	-
STEM	Stem Inc.	\$16.40	8/14/2022	5.0%	8-Nov	Software

CONSUMER DISCRETIONARY

CMG	Chipotle Mexican Grill	\$1,723.32	8/7/2022	7.5%	20-Oct	Retail - Restaurants
TSLA	Tesla	\$299.68	9/11/2022	-	20-Oct	-

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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