



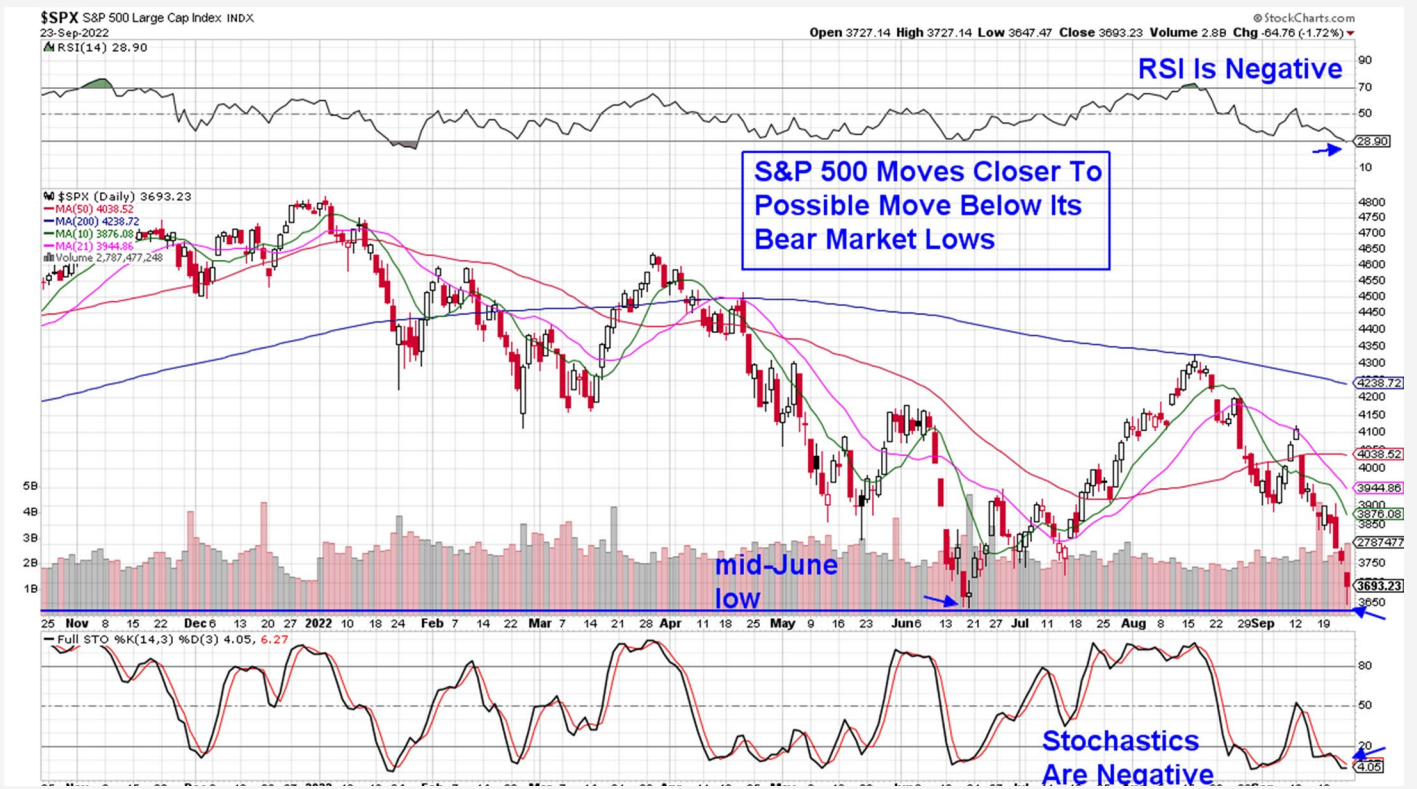
THE MEM EDGE

September 25, 2022 | Weekly Report

This Week's Highlights

- Federal Reserve Raises Rates By .75% And Targets 4.6% As Peak
- U.S. Dollar Jumps To New Near-Term High On Fed Hike News
- Leading Index Falls For 6th Month In A Row
- Labor Market Remains Strong
- Durable Goods Orders, Consumer Confidence, Q2 GDP and Fed Official Comments Next Week

Daily Chart of S&P 500



The S&P 500 fell 4.7% for the 2nd consecutive week in a move that puts this Index very close to its June lows at 3636. This is the next area of possible support. With the RSI and Stochastics in negative territory on the daily chart, the markets remain in a confirmed downtrend.

The June low of 3636 for the S&P 500 marks the bear market low for this Index, and it's being very closely watched by traders as a break below this level will most likely spark further selling to new near-term lows

The Nasdaq fared a bit worse with a 5.1% decline that was led by steep losses in Semiconductor, Software and Biotech stocks with heavyweights Amazon (AMZN) and Tesla (TSLA) selling off even further.

Last week's losses followed news that the Federal Reserve is on a path to have interest rates continue to go sharply higher over the next several months in an effort to combat currently high levels of inflation.

Most impactful were Fed Chair Powell's comments that "no one knows if this raising of rates will lead to a

recession or, if so, how significant that recession would be." This led to heavy selling late Wednesday which continued into Friday after news that business activity in Europe slowed again for the third consecutive month. Many economists feel that Europe has already entered a recession.

The U.S. dollar rose to a 20-year high on the news while Treasury yields rose to levels not seen in 15 years.

Economically sensitive areas that would suffer in a recessionary period were hit the hardest, such as Consumer Discretionary, REITs and Financials. Commodity related stocks also suffered due to the potential slowing of the economy as well as the rise in the dollar.

The Energy Sector fell 9.2% as the higher dollar pushed oil prices lower as did the prospects of lower demand.

Defensive areas of the market such as Consumer Staples, Utility and Healthcare sectors were down the least and while we have several stocks in these areas on our Watch List, their sectors are in a confirmed downtrend and we will not be adding them to our

Suggested Holdings List until we see more constructive price action in the group charts.

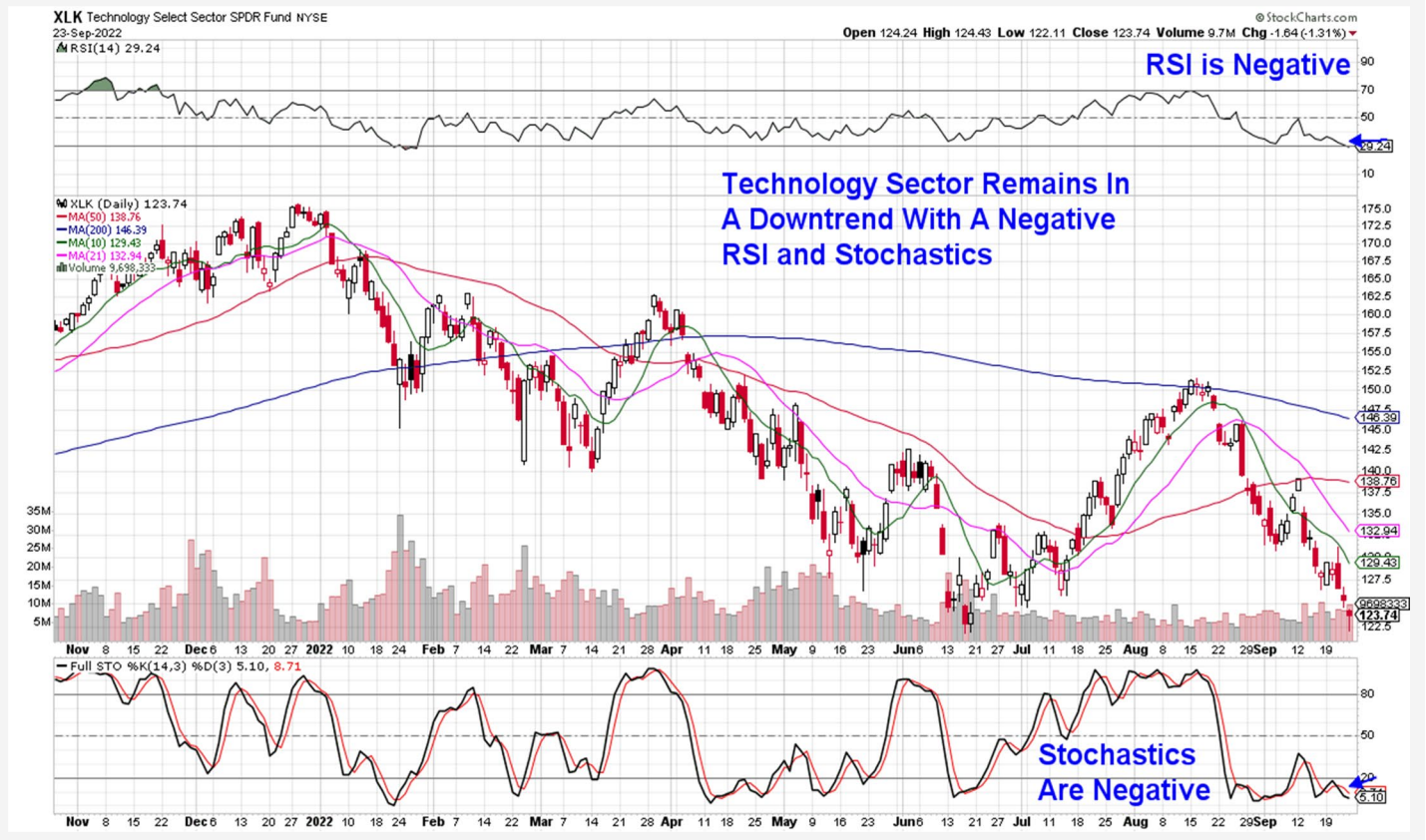
There is a high degree of negativity in the markets which has pushed the Volatility Index - also known as the fear index - up to the 30 range. Spikes into the 35 range have sparked rallies this year such as late-January, mid-May and mid-June and similar to those periods, we expect any possible rally at this time to be brief.

Of most concern going into next week is the market's price action around its June low at 3636, as a break below this area of possible support would be negative for the markets.

Below we've included a Monthly chart of the S&P 500 as it captures the characteristics of a market bottom coming out of a more prolonged bear market. Unlike the late 2018 and early 2020 bear market periods which lasted 90 and 33 days respectively, this current period is already 9 months in length. (for reference, the average bear market is 11 months).



Technology Select Sector SPDR Fund (XLK)



Technology Sector Outperforms

The Tech sector fell less than the markets due to relative outperformance in both Apple (**AAPL**) and Microsoft (**MSFT**). Combined, these 2 stocks account for 42% of this Index and AAPL ended the week flat while MSFT fell 2.5%.

Elsewhere in Technology, things were not as bright, with Software stocks down more than the markets, bringing the losses for this group to 43.8% from their 52 week highs last November.

Rising interest rates and downward earnings estimate revisions have hurt this group the most with Software names that had the highest price to earnings multiples getting hit the hardest. In a rising interest rate environment, the value of future earnings growth is reduced and investors are not willing to pay a high multiple.

Microsoft - who raised their dividend last week - will report their 3rd quarter earnings later next month and the report will be followed by those from the hundreds of other publicly traded Software stocks.

Most closely watched during this period will be management's guidance regarding growth going forward. Even more important will be investor's response to any upward revisions, as sentiment will be

the overriding factor that will drive price action in these stocks.

Overall, the demand for software is likely to remain strong as companies continue to transform to digital platforms to improve productivity and save costs. This area of Software has held in the best with names such as Paycom Software (**PCTY**) which is on our Watch List after recently being pulled from our Suggested Holdings List.

Semiconductor stocks also had a tough week with a 5.8% decline that brings this group down 40% for the year.

Semiconductor stocks are an economically sensitive group as their chips are an essential part of most industries. A slowdown in the economy would result in reduced demand which we've already seen, due to lower PC and video game sales.

Analysts are calling for more pain before things turn around after Micron Technology (**MU**)'s CFO recently remarked that the slowdown in chip demand is spreading to auto and industrial customers.

Typically chip stocks fall ahead of a downturn in semi demand and rise before an actual recovery in the market. With 3rd quarter earnings due to begin in mid-

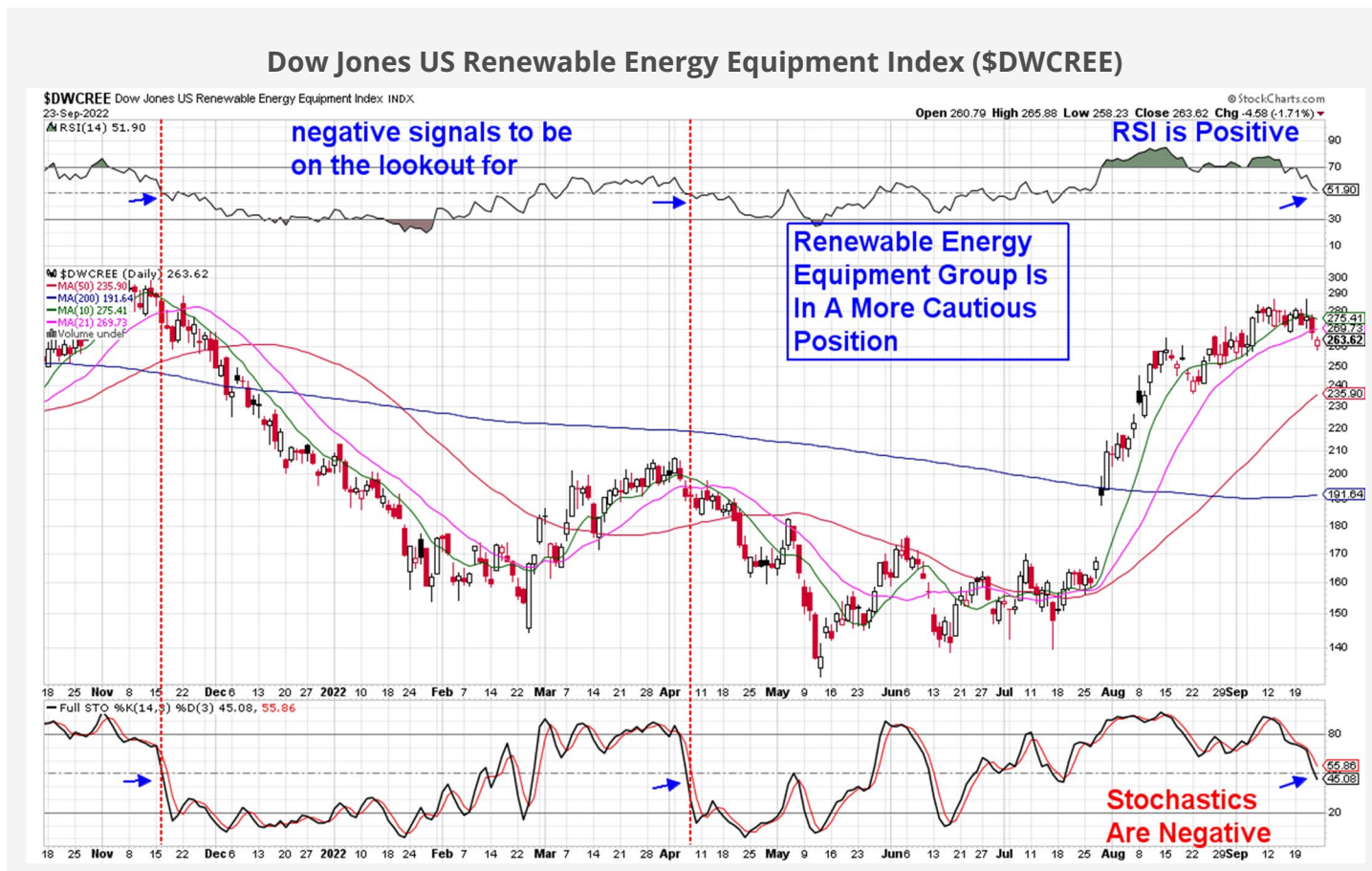
October, we'll be on the lookout for any signs that the current downtrend in this group is reversing. We have 2 stocks from this group that are currently on our Watch List.

Renewable Energy Equipment stocks fell over 5% for the week with Enphase (**ENPH**) getting hit much harder despite an upgrade to their growth prospects in Europe on Monday. The drop pushed ENPH below its 50-day

moving average and we're removing it from our Suggested Holdings List.

First Solar (**FSLR**) fared better than its peers and saw buying on Friday after it broke below its 21-day moving average. The stock can be held.

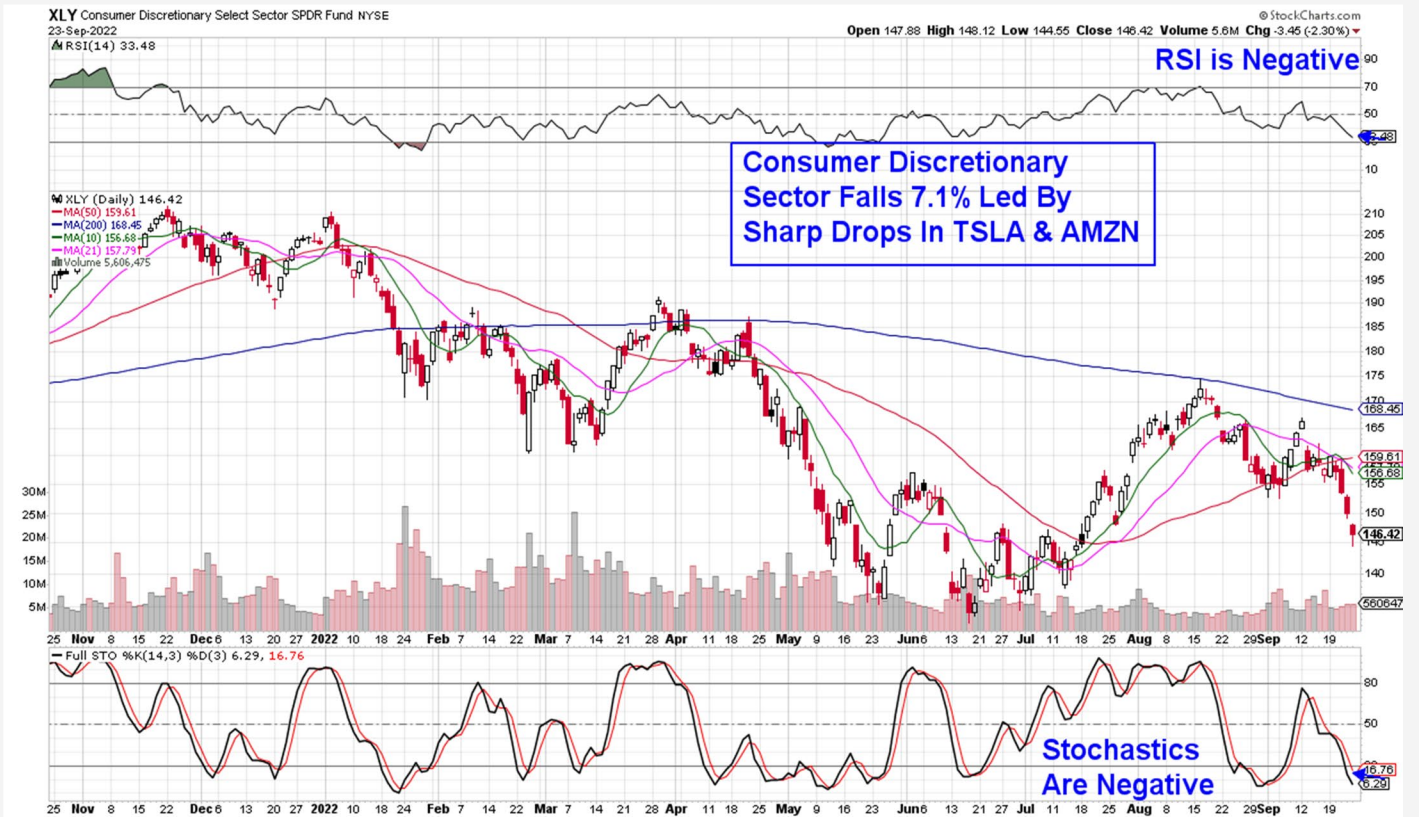
Below is a chart of the Alternative Energy Equipment group which we highlighted last week as being our guide for our near-term outlook for stocks in this group such as ENPH and FSLR.



We've highlighted the Stochastics which turned negative after last week's decline for the group;

however, the RSI is still in positive territory. We'll continue to monitor the daily chart of this group.

Consumer Discretionary Select Sector SPDR Fund (XLY)



Consumer Discretionary Sector Among Worse Performing

Last week's mention of a possible recession hit discretionary stocks the hardest with Retail names down 6.6% (using XRT). Travel related stocks were hit even harder as investors priced in the possibility that consumers will cut back on spending.

A large decline in heavyweight stocks Tesla (**TSLA**) and Amazon (**AMZN**) also hurt this sector.

In addition to contending with the recall of over 1.1 million cars last week, fears of reduced demand from China due to a slower economic outlook, pushed TSLA below its 50-day moving average on Friday which has us removing the stock from our Suggested Holdings List.

Chipotle (**CMG**) from our List experienced a similar break below its 50-day moving average on Friday

despite an overweight recommendation from a major Wall Street firm. We're removing CMG from our List following its break below key support. Longer term investors may want to stay with the stock as the RSI and MACD remain in positive territory.

Last week, Costco (**COST**) reported their quarterly results and the stock tumbled despite reporting earnings that were ahead of estimates. Recession fears overrode the results and the stock is now deeply oversold.

Generally, discount retailers such as COST can fare well during a recession as was seen during the 2008 recession when Dollar Tree (**DLTR**) and Ross Stores (**ROST**) were among the top performers for that year. We'll continue to monitor stocks in this group for signs of a recovery.

Summary

Last week's sharp drop in the markets following the Federal Reserve's clear message that the fight to tame inflation will create real economic damage, has put the markets into a sharp, near-term downtrend.

Longer term, the outlook is similarly negative as can be seen in the monthly chart below.

At this time, if the S&P 500 falls below the recent June low of 3,666.7, we could easily see a fall to lower levels.

That said, the current bear market has sent extreme pessimism into its 3rd longest stretch and according to data from Ned Daid Research, in the year following prior periods of similar bearishness the S&P 500 has rallied 20% on average.

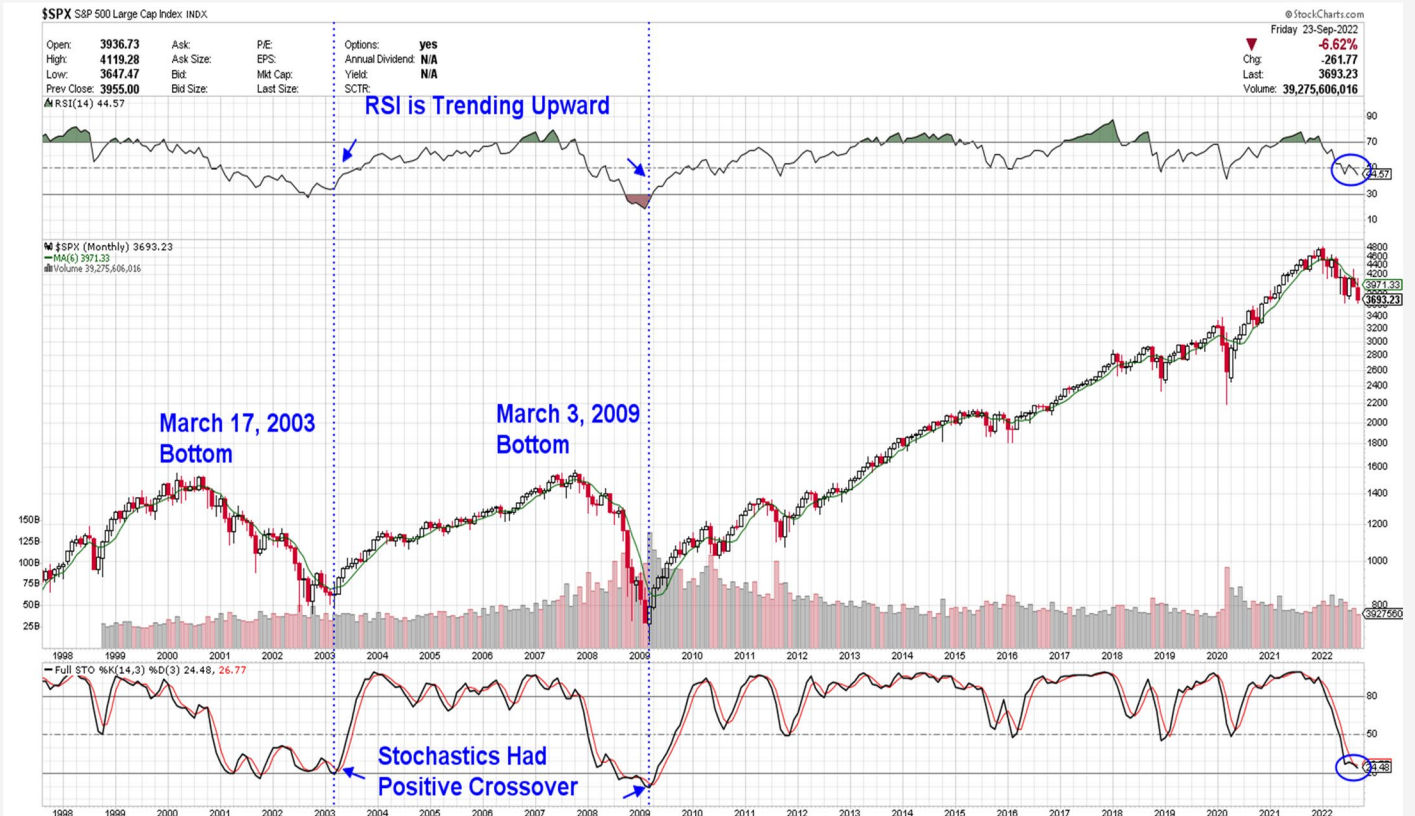
Other studies show similarly positive performance after a negative stretch such as FactSet's work that highlights the period after stocks have retested prior lows later in a bear market. Their study shows that when this occurred -using six bear market bouts going back to 1970 where prior lows were tested - performance has been positive over the following 12 months.

Next week, a key inflation report will be released on Friday with core PCE data for August due. In addition, up to 15 appearances by Federal Reserve officials including Chair Powell will take place throughout the week with investors on the lookout for more clues on the trajectory and potential peak in yields.

Historically, once interest rates peak it's been a powerful catalyst for positive longer-term stock returns.

Near term however, the broader markets are poised to trade lower.

Monthly Chart Of S&P 500 Index



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	\$318.01	7/10/2022	35.0%	25-Oct	Semiconductors			
FSLR	First Solar Inc.	\$135.81	9/7/2022	1.0%	3-Nov	Semiconductors			
CONSUMER DISCRETIONARY									
CMG	Chipotle Mexican Grill	\$1,693.57	8/7/2022	-2.0%	20-Oct	Consumer Services			
TSLA	Tesla	\$303.35	9/11/2022	-8.0%	19-Oct	Automobiles & Components			

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.