



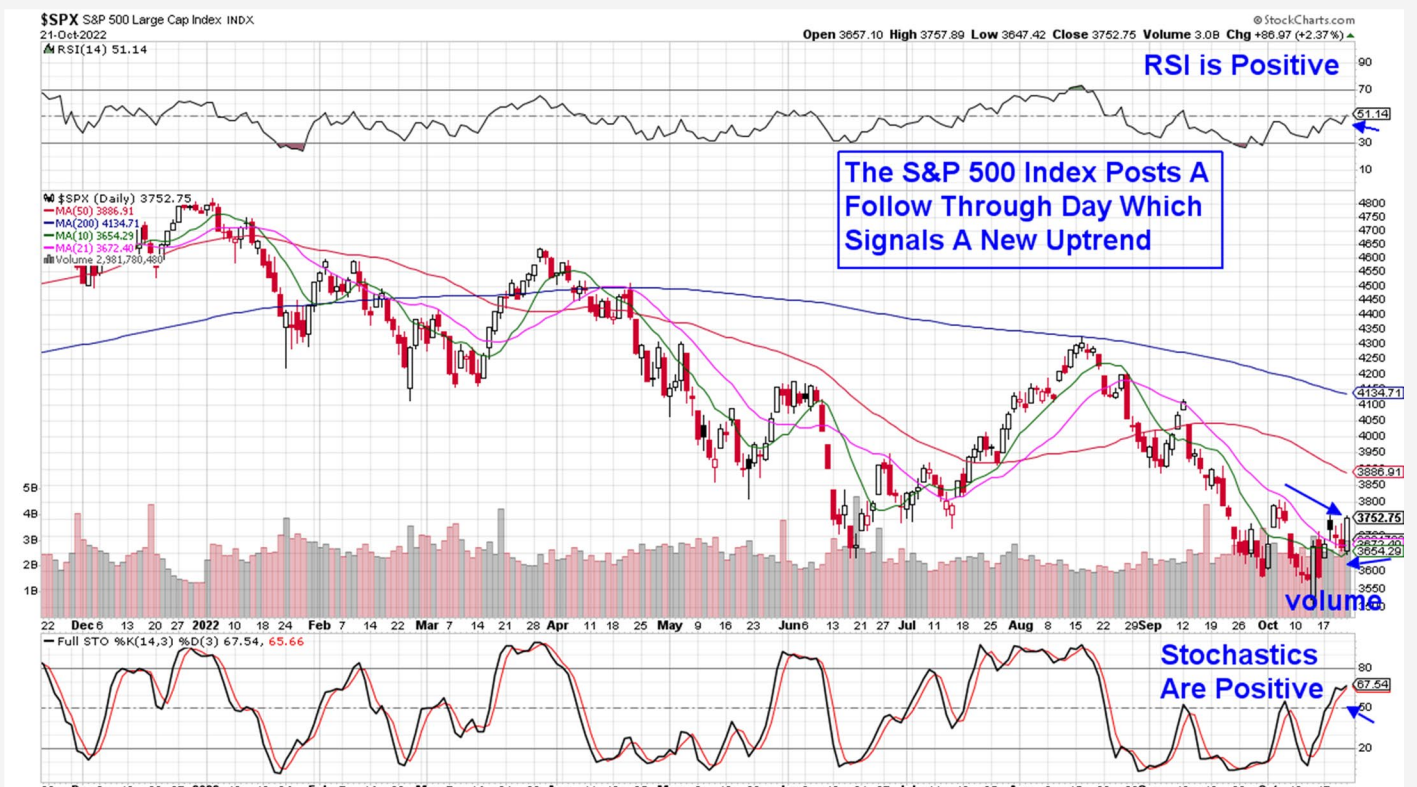
THE MEM EDGE

October 23, 2022 | Weekly Report

This Week's Highlights

- Positive Earnings Results Move Markets
- Industrial Production Comes In Ahead Of Estimates
- Housing Starts Retreat Amid Higher Interest Rates
- WSJ Article Boosts Optimism Of Lowered Fed Tightening
- Personal Consumption Expenditures (PCE) Next Week

Daily Chart of S&P 500



The S&P 500 gained 4.7% for the week in a move that puts this Index above its 21-day moving average. With the RSI and Stochastics in positive territory on the daily chart, we're constructive on the prospects for further near-term upside.

The Nasdaq rose even further with a 5.2% rally which placed this Index above its 21-day moving average with its RSI and Stochastics in positive territory as well.

The S&P 500 and Nasdaq both posted a follow-through day Friday, after gaining more than 1.6% on volume

greater than the prior day. While this signals a shift of the markets into a new uptrend, it does not signal the end of the bear market.

Before experiencing a market bottom, we'll need to see reports of lowered inflation as well as more stocks reversing their downtrends on their way to possible base breakouts.

Friday's downtrend reversal occurred after a WSJ report hinted at a slowdown of rate hikes by the Federal Reserve and was not based on actual reports of

lowered rates or a slowdown in inflation which would lead to lower rates.

As for the reversal of downtrends in stocks as another key signal of the markets bottoming, 75% of stocks in the Nasdaq remain below their 50-day moving average. Of those that are above this key mav, 80% are below \$2 billion in market cap and lack earnings and sales.

The biggest gainers in the market last week were companies that reported third quarter earnings reports that were either above estimates or where management guided growth prospects higher going forward.

Netflix (**NFLX**) led the charge with huge gains after news that subscribership had increased at twice the expected rate. The company also announced strategic moves that are expected to increase growth into next year.

The bullish response to constructive earnings reports was a welcome relief for the markets as the positive reports also pushed other stocks in the same industry higher.

Energy stocks were the top performers last week with Technology stocks coming on strong as well, with a 6.5% rally led by outperformance in both Semiconductor and Software stocks. Defensive areas such as Utilities, Consumer Staples and Healthcare stocks underperformed for the week.

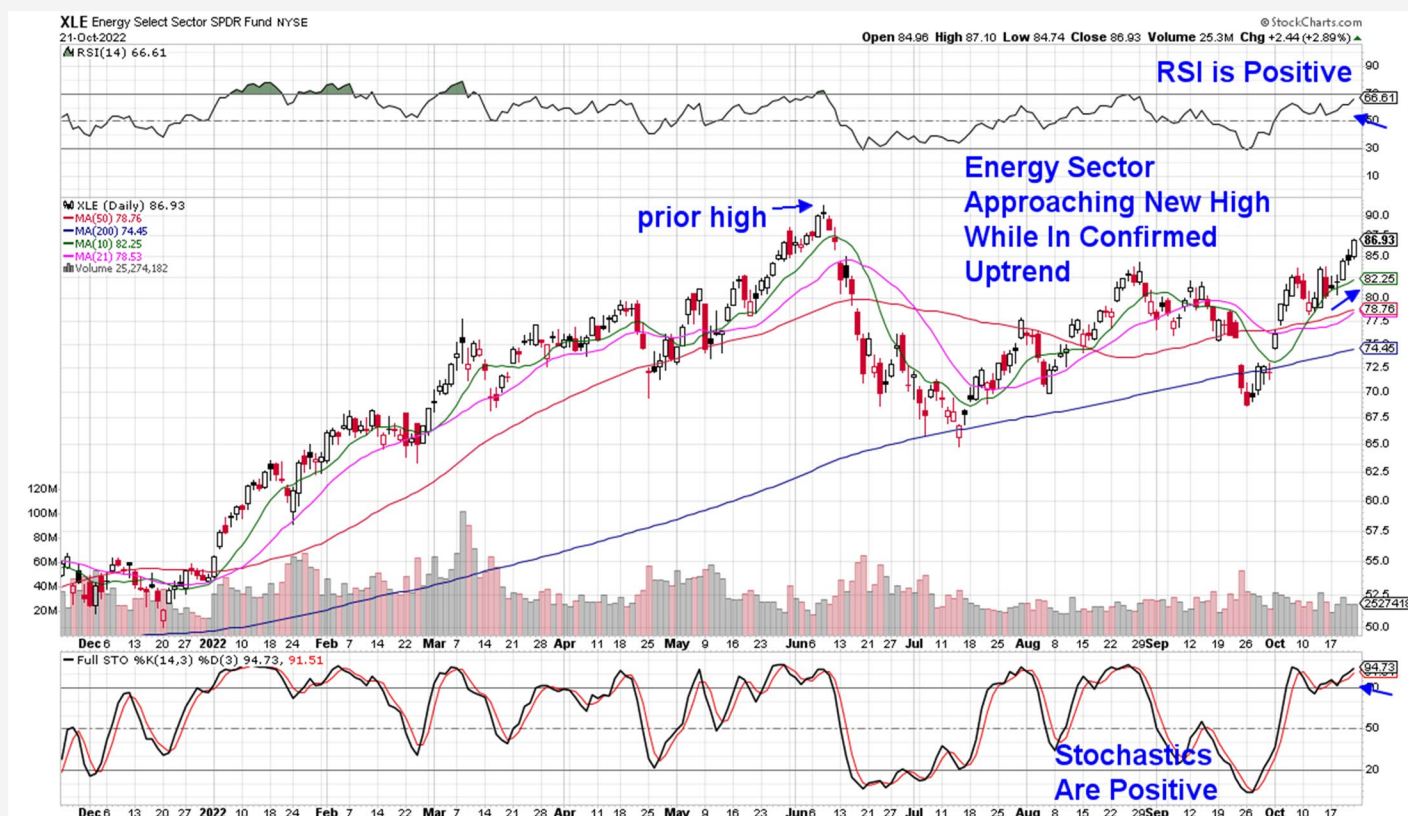
While we're positive on the near-term prospects for the market, we need to be on alert for possible selling as well, due to poor earnings results or strong economic data such as the Personal Consumption Expenditures (**PCE**) report on Friday.

For the S&P 500, its 10-and 21-day moving averages are now acting as support and a break below those moving averages would put the next area of downside support at the prior week's low of 3492 which is 6.9% away.

Next week, the economic calendar remains relatively light which will put earnings reports from most of the mega-cap FAANMG stocks firmly in focus as well as 3rd quarter results from over 600 other companies. At this time, we're on the lookout for companies to continue to report above estimates and in turn, be bid higher.



Energy Select Sector SPDR Fund (XLE)



Energy Sector Rallies On Strong Volume

The Energy sector remains in a confirmed uptrend and after last week's 8.3% rally, these stocks are closer to their all time high in price which was reached in early June.

Pushing Energy stocks higher were reports of an expected increase in oil prices following the midterm elections in the U.S. The E.U.'s upcoming embargo of oil from Russia in December is expected to put even more upward pressure on the price of oil with Wall Street analysts calling for a move back above the \$100 per barrel level to as high as \$115 into next year.

Oil prices have remained at or above this benchmark \$100 level most of this year, which is why Energy companies are on track to be the largest contributor to year-over-year earnings growth for the S&P 500 for the 3rd quarter.

Schlumberger (**SLB**) gapped up into a base breakout on volume Friday after reporting strong quarterly results. The company saw demand for their services jump amid a ramp-up of new oil drilling activity.

Next week, Exxon (**XOM**) and Haliburton (**HAL**) from our Watch List will be reporting results with both stocks in a bullish position to trade higher.

Devon Energy (**DVN**) from our Suggested Holdings List will be reporting their 3rd quarter results early next

month, and analysts are raising estimates going into the report which is a positive.

DVN is a point away from a 1-month cup with handle base breakout after last week's 9% rally. The stock is in a strong buy zone and can be bought on any pullback to the \$72 level.

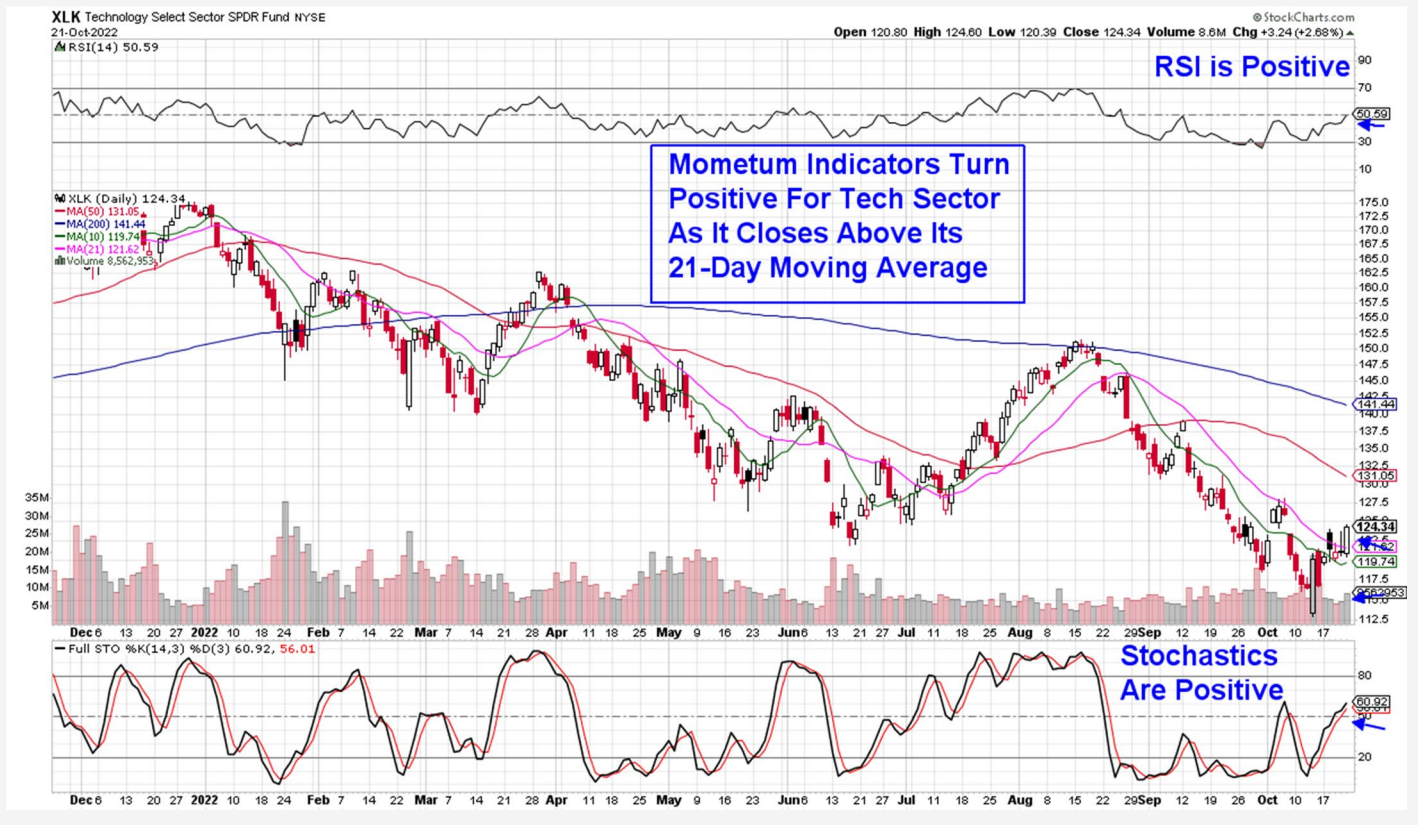
Teekay Tankers (**TNK**) from our List hit a new high in price on Tuesday and has been consolidating for the rest of the week. The stock broke out of a 1-month base and is in a strong buy zone as it finds support at its 5-day moving average. As mentioned in our Midweek Report, we'd be a buyer in the \$31.5 area.

The strength in TNK is due to increased demand for the services of tankers as we approach the December embargo of oil by the EU against Russia. In response, tankers will need to navigate longer routes that will result in higher fees while reducing their availability.

This week, we're adding E O G Resources (**EOG**) to our Suggested Holdings List after last week's cup with handle base breakout on volume. The company received 3 upgrades from major Wall Street firms due to their wide inventory depth and strong supply chain management.

We will be looking to add additional names from our Watch List this week following the release of their earnings.

Technology Select Sector SPDR Fund (XLK)



Technology Sector Turns Positive

The Tech sector closed the week above its 21-day moving average with its RSI and Stochastics now in positive territory. The outperformance in this sector was boosted by heavyweight stocks Apple (**AAPL**) and Microsoft (**MSFT**) which both gained more than the markets.

Both stocks are due to report earnings next week however, of the two, AAPL looks much stronger and in a better position to trade higher should the company come in with earnings ahead of estimates on Thursday.

Semiconductor and Software stocks both gained more than the markets; however, their gains were not enough to put their RSI into positive territory. (using ETF's SOXX and IGV respectively). In addition, the number of stocks above key areas of resistance in these groups is quite small in both number and market cap.

We've added several stocks from both groups to our Watch List and these are names that we'll consider adding as Semis and Software turn more constructive.

Last week's uptick in Semis pushed Proshares Ultrashort Semi (**SSG**) a lot lower on Friday, and we're removing the ETF from our Suggested Holdings List given the near-term dynamics in the markets. Longer term investors can take solace in the fact that this ETF has found support at its 21-day moving average while

the RSI is positive. That said, we'd be a seller on any rally.

Last week, Semiconductor stocks rallied following news of an impressive 3rd quarter from chip equipment providers A S M L (**ASML**) and Lam Research (**LRCX**). Management's guidance of higher growth due to demand pushed ASML higher for the week while LRCX gained due to an outlook that was not as bad as feared.

Next week, Texas Instruments (**TXN**) and KLA (**KLAC**) will be reporting results and their numbers will shed further insight into the prospects for Semi stocks.

Also reporting next week are Alternative Energy Equipment stocks Enphase (**ENPH**) and First Solar (**FSLR**) with the release of their quarterly results on Tuesday and Thursday respectively.

Both companies gapped up in price after reporting positive results last quarter and we're on the lookout for similar price action next week as analysts have been recently raising estimates.

As you may recall, both ENPH and FSLR were outperformers while on our Suggested Holdings List during the August into September period and they are both now on our Watch List.

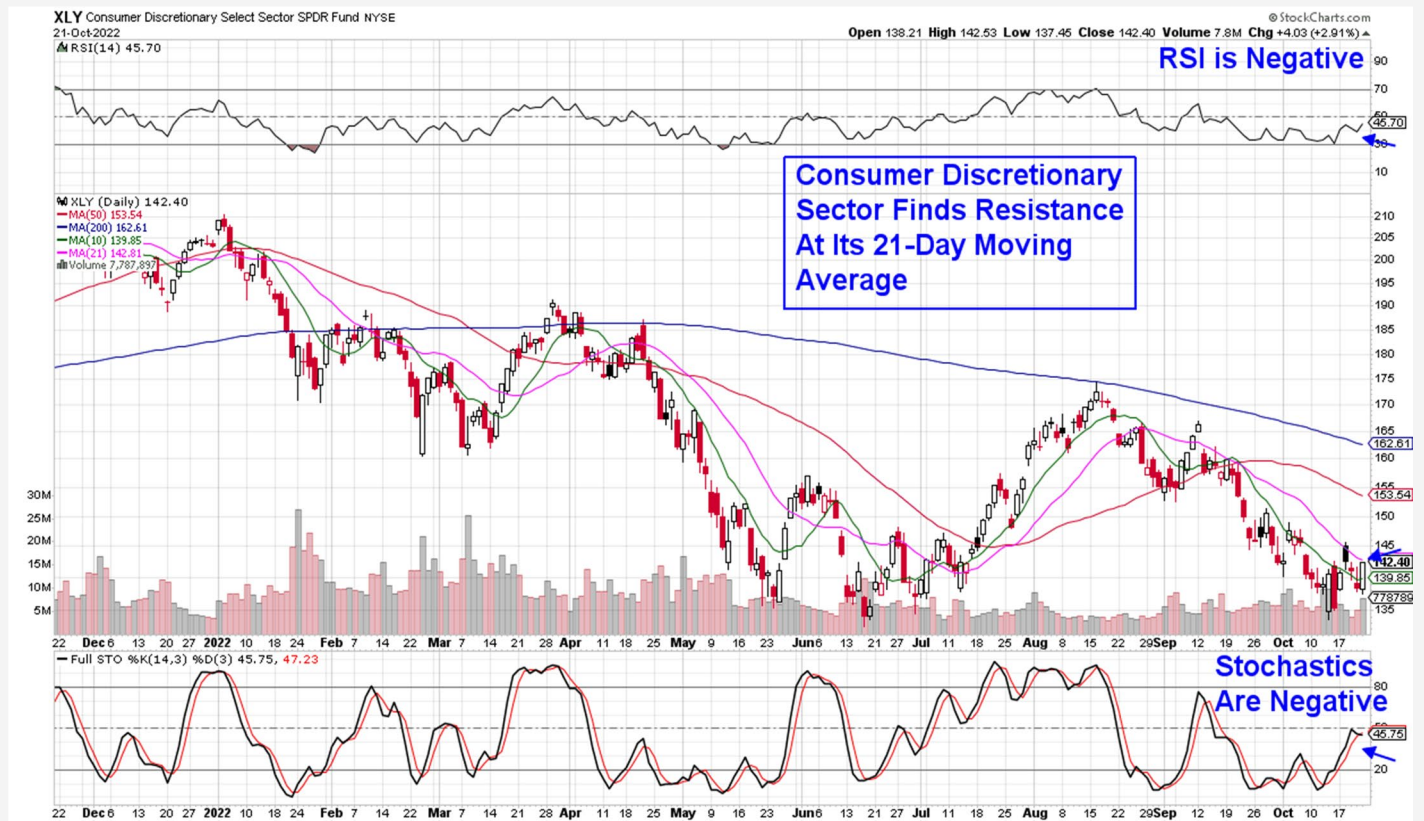
This week, we're adding Iridium Communications (**IRDM**) to our Suggested Holdings List after the company reported 200% year over year growth for

their 3rd quarter on Thursday with management guiding growth estimates higher into next year.

The company provides communication services through their satellite systems and analysts are

anticipating further growth due to their ability to generate revenue despite a tough economic backdrop. IRDM is in a strong buy zone.

Consumer Discretionary Select Sector SPDR Fund (XLY)



Consumer Discretionary Sector Remains Among Worse YTD Performer

Among other sectors in the S&P 500, Consumer Discretionary remains weak as it continues to trade below its 21-day moving average despite a strong rally in Amazon (**AMZN**) after Wall Street upgrades.

Amazon is due to report quarterly results next week as are General Motors (**GM**) and McDonalds (**MCD**).

Weakness in discretionary stocks is not surprising given the currently high level of inflation - particularly among needed products such as food and energy.

Despite a 5.3% rally last week, this sector is down almost 30% year to date as these faster growing stocks are being hurt by high inflation as well as high interest rates.

Next week, Consumer Confidence will be released on Tuesday and Consumer Sentiment for September on Friday. These reports have been known to impact Retail stocks however, earnings reports as well as

management's outlook will have a more direct impact - particularly **AMZN's** results.

Within Consumer Discretionary, we've added a handful of stocks to our Watch List as historically, discount retailers such as McDonalds and Walmart can perform well despite the overhang of a possible recession. Likewise with auto parts retailers.

Today, we're adding Genuine Parts Co. (**GPC**) to our Suggested Holdings List after last Thursday's announcement of 3rd quarter earnings and sales results that were above estimates. In addition, management raised growth guidance for the remainder of the year.

The distributor of auto and industrial replacement parts is in a strong buy zone as it's very close to a 6-week base breakout at \$165.

Summary

Over the past several weeks, about 20% of S&P 500 companies have reported 3rd quarter results and of those, 73% have reported above estimates.

We had been anticipating this dynamic as analysts were lowering estimates going into earnings season while corporate management remained optimistic. What we were unsure of was investor's response and so far, it's been quite positive with the stock of companies that have positive results being bid up.

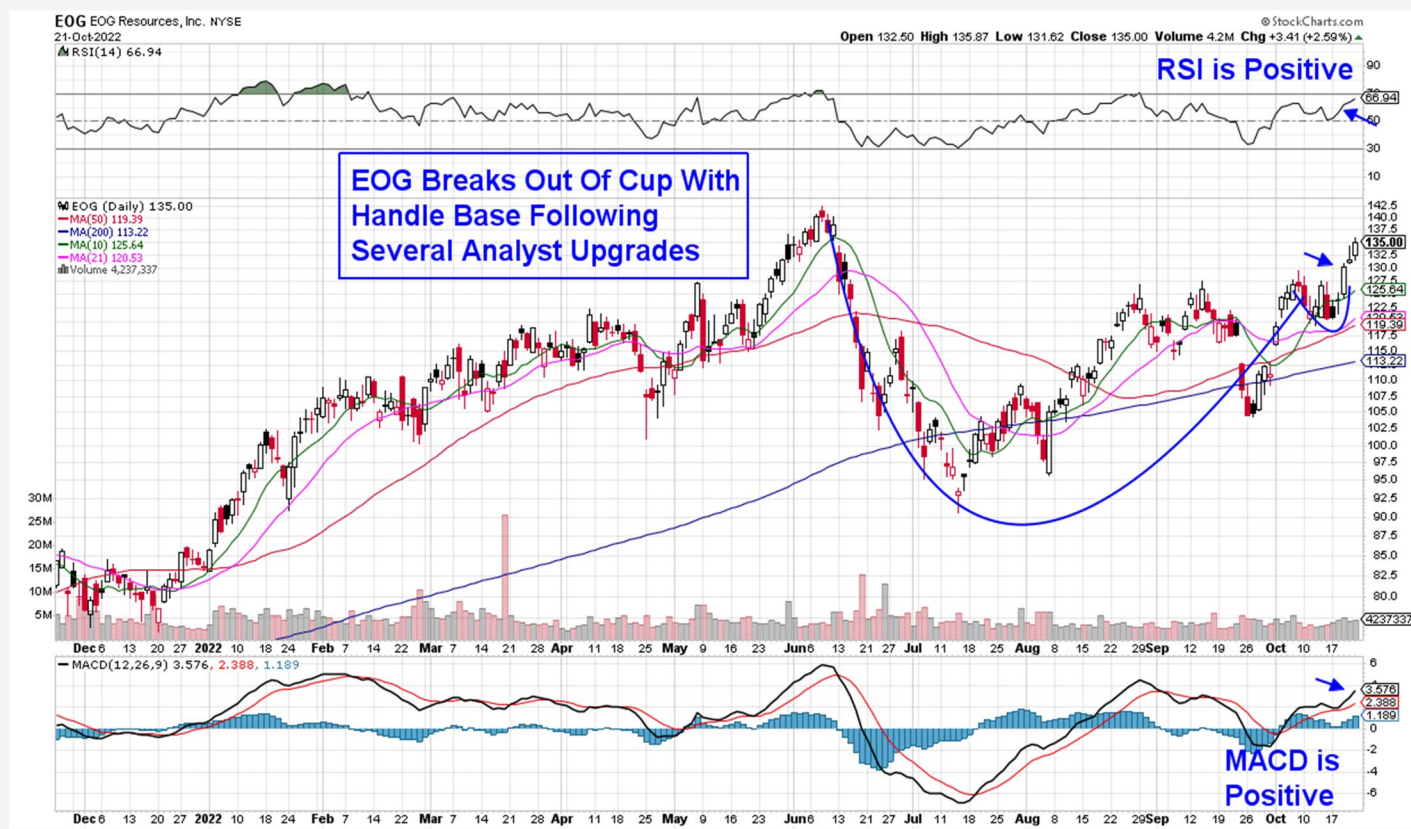
Of note is that this bullish response to above forecast earnings occurred amid a lack of inflation related data while appearances of Federal Reserve officials touting their aggressive rate hike plan was light.

Next week, a similar backdrop is in place as Federal Reserve officials are now in a "quiet period" ahead of their next meeting in early November. In addition, inflation related data will be released later in the week with CPE numbers for September.

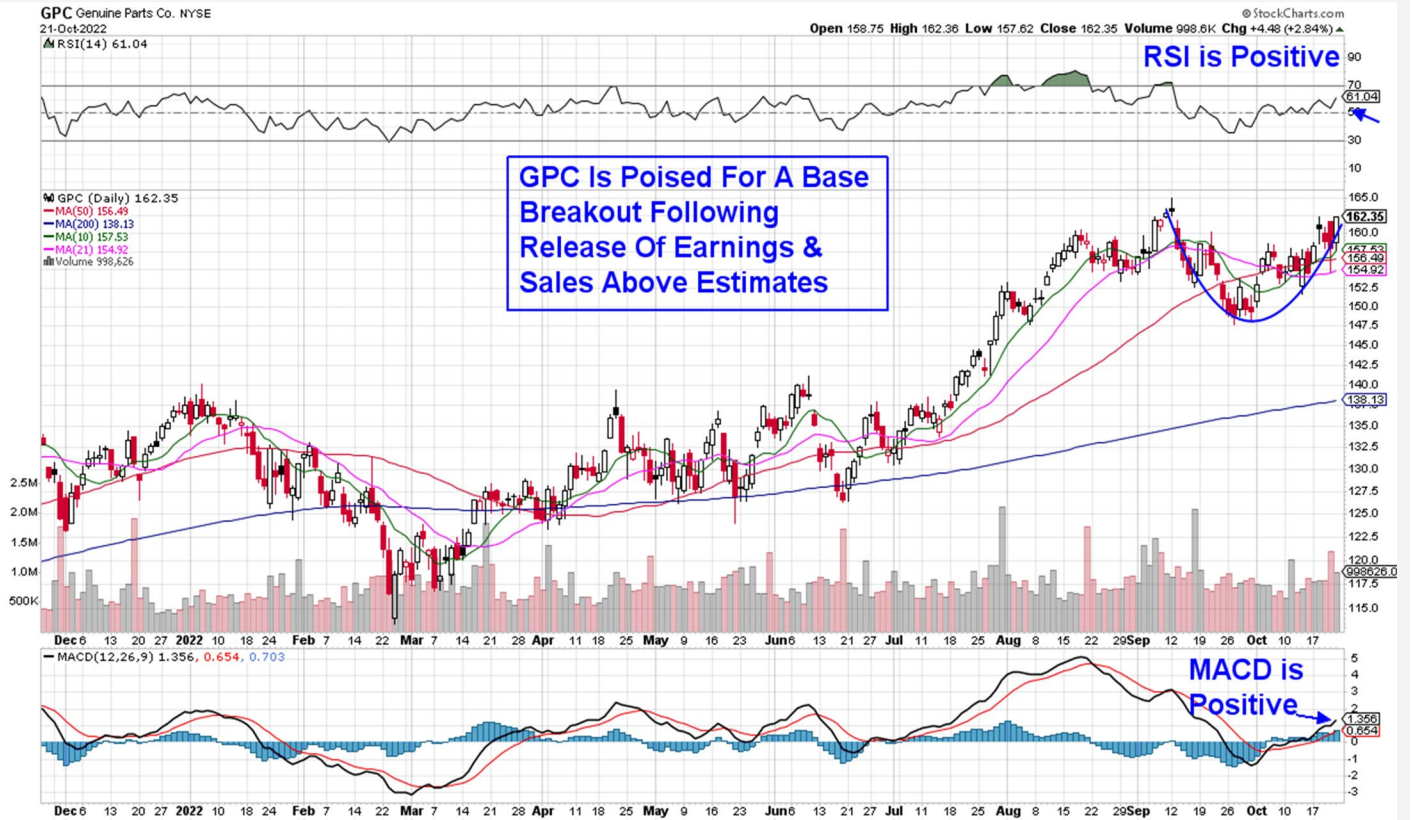
With that, we anticipate a continuation of positive responses to better than expected quarterly results; however, we're on the watch for a potentially negative impact from a rise in interest rates. Last week, the yield on the 10-year Treasury reached a 17 year high. As stated many times, rising interest rates are a negative for stocks - particularly high growth.

We'll continue to keep you updated should our sentiment shift regarding the broader markets or individual stocks.

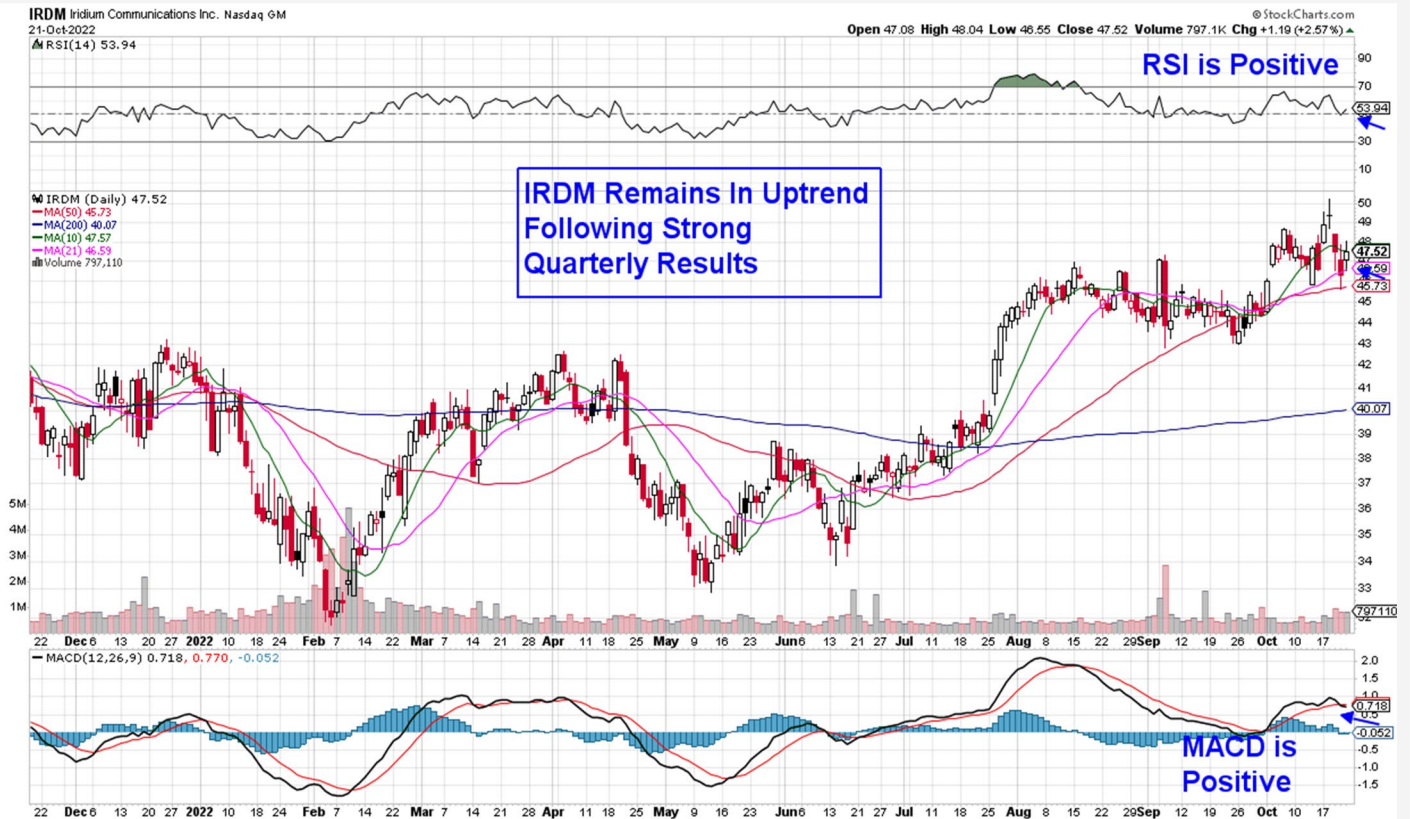
Daily chart of EOG Resources, Inc. (EOG)



Daily chart of Genuine Parts Co. (GPC)



Daily Chart of Iridium Communications Inc. (IRDM)



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									
IRDM	Iridium Communications	\$47.50	10/23/2022	-	-	Communications			
CONSUMER DISCRETIONARY									
GPC	Genuine Parts Co	\$162.40	10/23/2022	-	-	Industrial			
ENERGY									
DVN	Devon Energy	\$72.04	10/9/2022	4.0%	-	Oil			
EOG	E O G Resources	\$135.00	10/23/2022	-	-	Natural Gas			
TNK	Teekay Tankers	\$30.33	10/16/2022	7.5%	-	Energy Transportation			
FINANCIAL									
SSG	Proshares Ultrashort Semi	\$33.66	10/9/2022	0.0%	-	Semiconductors			

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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