



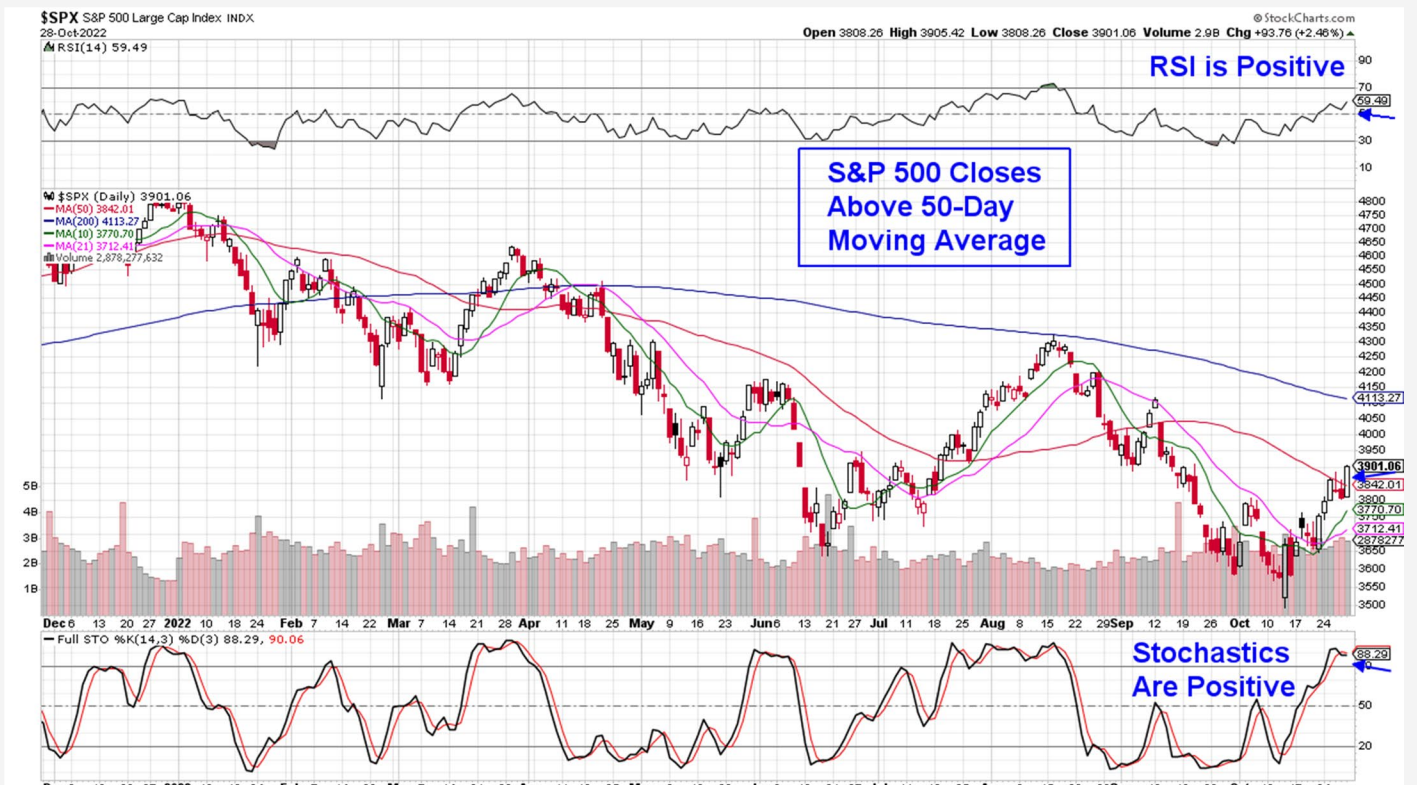
# THE MEM EDGE

October 30, 2022 | Weekly Report

## This Week's Highlights

- Service Sector Index Falls In October
- Consumer Confidence Falls On Inflation and Recession Fears
- Q3 GDP Rebounds 2.6% , Unemployment Up
- Personal Income, Personal Spending Rises as does Consumer Sentiment
- Core Personal Consumption Expenditures (PCE) Report Remains High
- Federal Reserve Rate Hike Announcement Due Wednesday, October Unemployment

### Daily Chart of S&P 500



The S&P 500 gained 4% last week in a move that pushed this Index above its key 50-day moving average. With the RSI and Stochastics in positive territory on the daily chart, we're positive on the near-term prospects for the markets.

From here, the next area of possible upside resistance is the 200 day moving average which is 5.2% away.

As for support on any pullbacks, the 50-day moving average is now the first area, and a break below this

level would have us looking at the 10-day moving average as support.

The Nasdaq gained significantly less with a rally that was dampened by significant losses in heavyweight names Amazon (**AMZN**) and Meta Platforms (**META**) which fell 16% and 23% respectively. Other areas helped offset these losses as Biotechs posted a strong rally while Semiconductor and Software stocks outperformed as well.

The largest gainers in the market were those that reported earnings above estimates while corporations who guided growth estimates higher going forward, spiked even higher.

In turn, Industrials, Consumer Staples, Financials, Real Estate and the Healthcare sectors outpaced the markets amid stronger than expected quarterly results. Companies in these same areas as the positively reporting companies, also saw gains.

This broadening out into areas of the market that had been struggling, has improved breadth as the number of stocks above their key 50-day moving average within the S&P 500 Index more than doubled last week to 64% .

Among the sectors that outperformed, Healthcare (**XLV**) and Industrials (**XLI**) have reversed their downtrends while Financials (**XLF**) are very close to doing the same.

Also compelling is the move into REIT and Utility stocks which are in the beginning stages of potentially reversing their lengthy downtrends after closing above their shorter term moving averages.

Next week, the markets may face some headwinds however, as the Federal Reserve will be meeting to determine their rate hike decision which will be announced on Wednesday.

At this time, the markets are anticipating a 0.75% rate hike. Equally important will be the notes from the meeting that provide insights into future hikes as will Fed Chair Powell's comments.

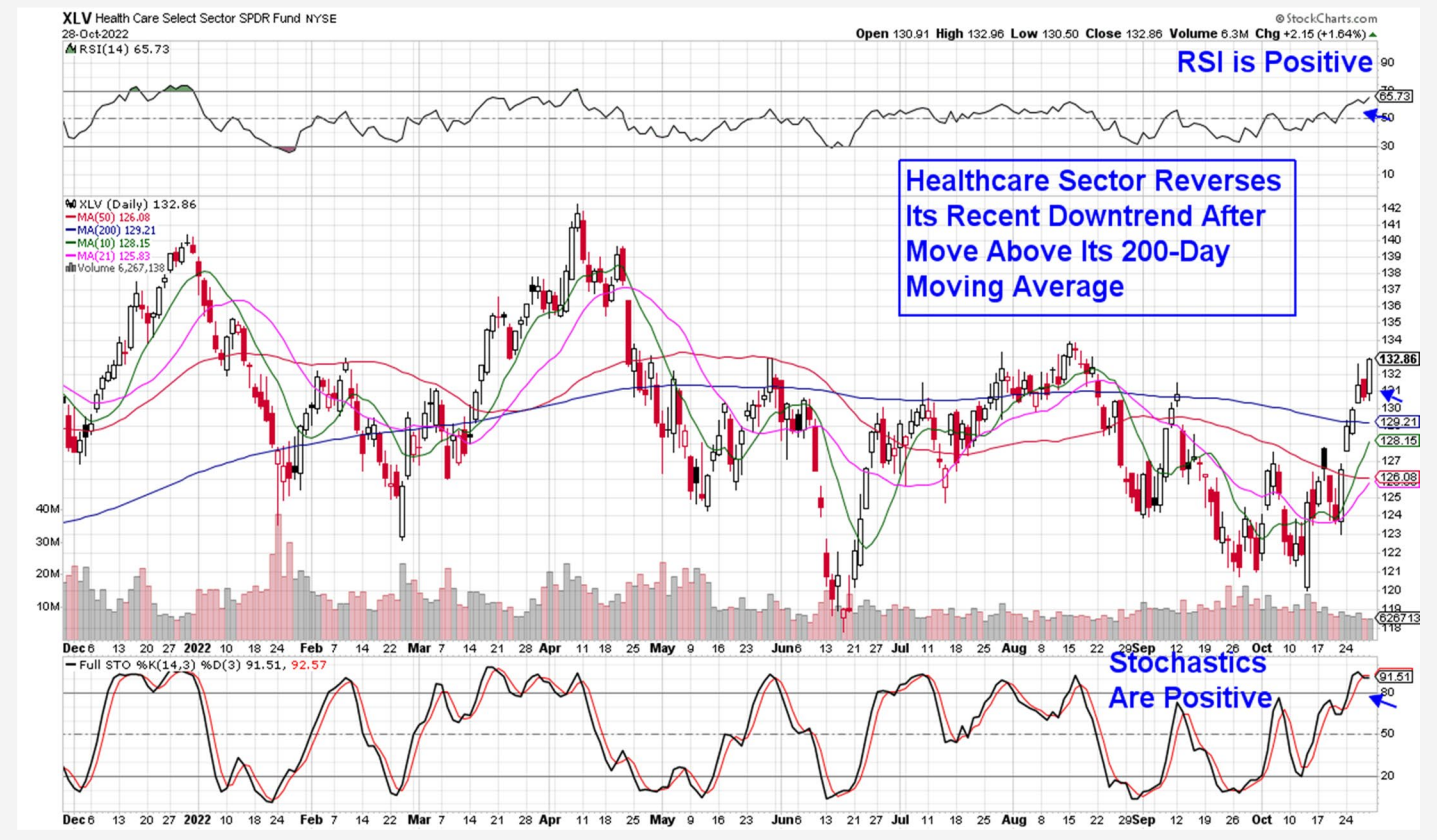
As you may recall, this year's prior bear market rallies in March and July were both stopped in their tracks by talk of an aggressive rate hike policy from Fed Chair Powell.

Interest rates pulled back slightly last week but remain elevated with the yield on the 10-year at the 4% level. Declining interest rates were one of the hallmarks of the March and July rallies with earnings reports also driving the markets higher during July.

Any hint of a possible rate hike in December in the 0.5% range from Powell would be a huge boost for the markets.



## Health Care Select Sector SPDR Fund (XLV)



### Healthcare Sector In New Uptrend

Healthcare stocks were boosted by a large gain in Biotech stocks such as Large Cap names Gilead (**GILD**) which gapped up into a 10-month base breakout on Friday following increased sales of their hepatitis C and HIV drugs.

In addition, management raised their full-year growth guidance dramatically due to these drugs as well as an 80% improvement in sales of their oncological cell therapy product.

We're adding Gilead (**GILD**) to our Suggested Holdings List.

Mega-Cap Biotechs Amgen (**AMGN**) and Regeneron (**REGN**) are due to report earnings later next week. Both stocks are on our Watch List as they're exhibiting positive price action going into their reports.

We're also adding Vertex Pharmaceuticals (**VRTX**) to our Suggested Holdings List after Friday's release of strong

3rd quarter earnings of their cystic fibrosis drug. VRTX also increased their growth guidance for next year while also reiterating their intent to submit their gene-editing blood therapy to the FDA for approval.

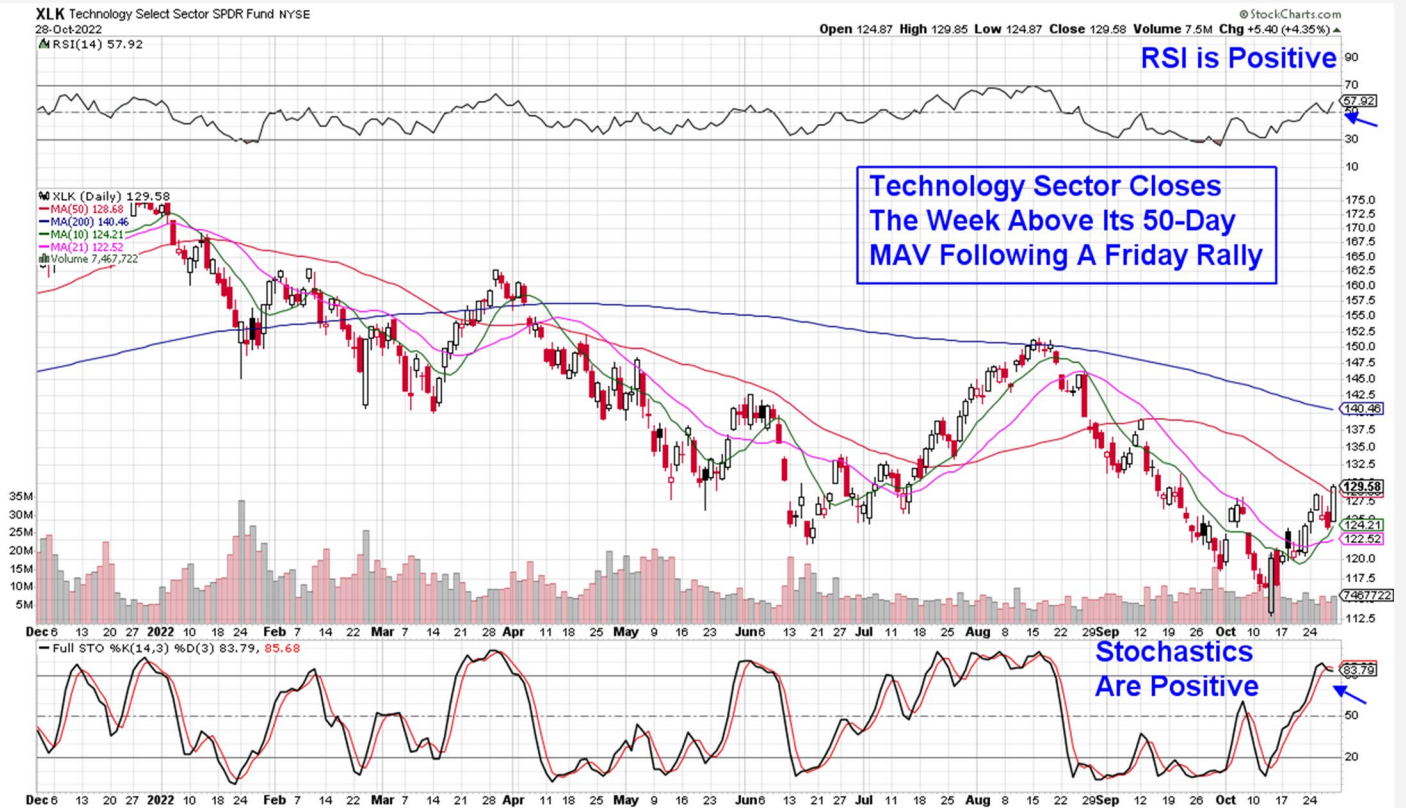
VRTX came close to a 10-week base breakout and the stock is in a buy zone. A move above its recent high of \$317 would put the stock into a strong buy zone.

Lastly, we're adding Biotech ETF (**IBB**) to our buy list after its move back above its longer term 50 and 200-day moving average on volume last week.

Larger Biotech stocks have a history of performing well even in difficult periods such as the 2008 bear market when both Celgene (**CELG**) and Amgen (**AMGN**) posted healthy gains while the markets fell 37%.

Primarily, the demand for their innovative therapies remained in place despite a difficult economy and stock market.

## Technology Select Sector SPDR Fund (XLK)



### Technology Sector Inches Into An Uptrend

The Tech sector was underperforming last week until a sharp rally on Friday pushed the group back above its 50-day moving average.

Earlier weakness was due to reports from heavyweights Amazon (AMZN), Microsoft (MSFT) and Intel (INTC) that customers were cutting back on cloud and datacenter spending. AMZN and MSFT cited the strong dollar as a headwind to tech growth as well. (Amazon has a large cloud computing division (AWS))

Apple's (AAPL) report of above estimate iPhone and Mac sales late Thursday gave Tech a boost as chip and other suppliers rallied. Intel's (INTC) announcement of sharp cost cutting gave this stock a sharp boost on Friday as well.

This week we're adding Apple (AAPL) to our Suggested Holdings List however, we'd need to see a move above \$157 - its 200-day moving average- before being a buyer.

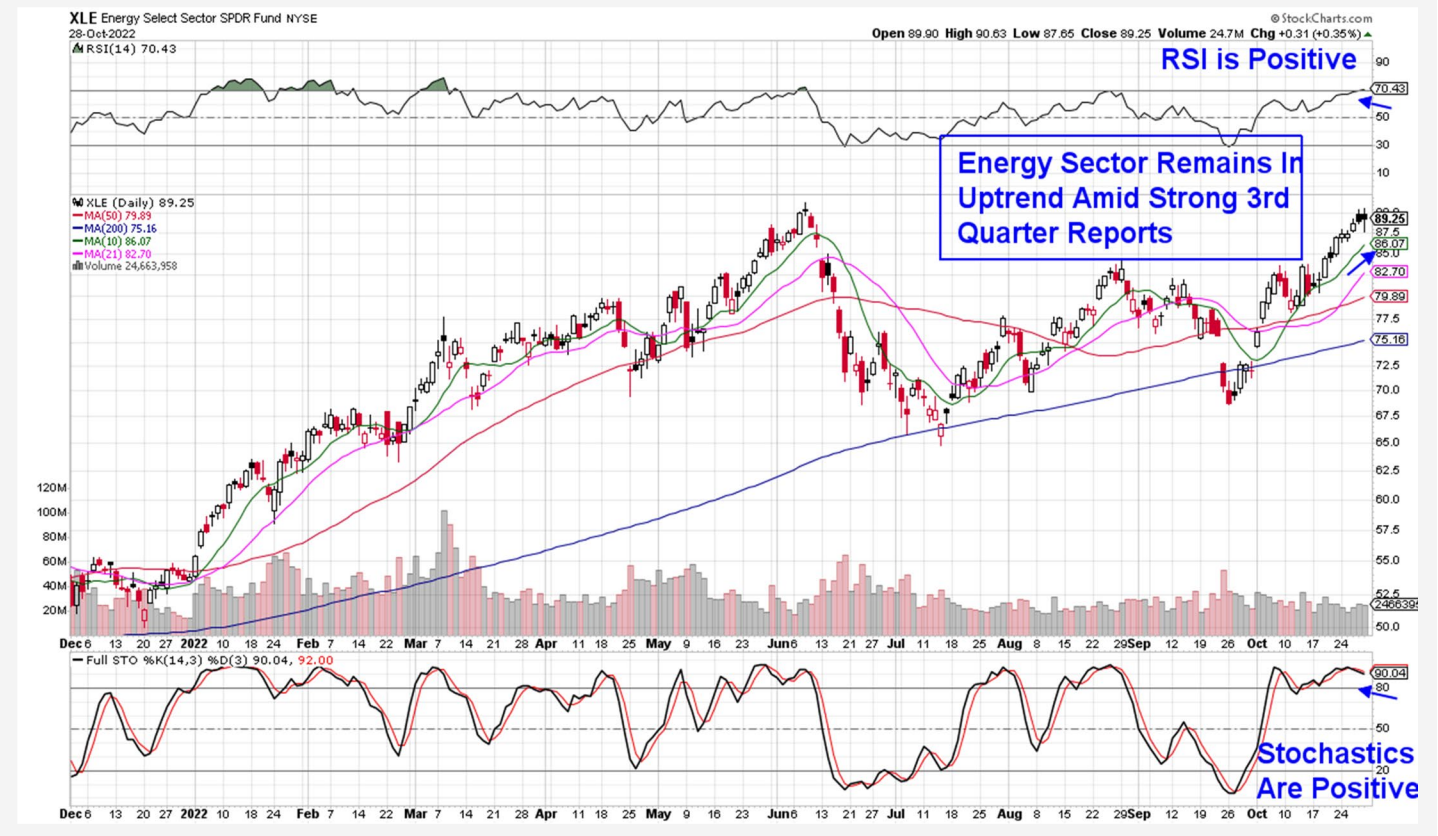
Recently added Iridium (IRDM) continued to trend higher after reporting triple digit growth the prior week while growth estimates were revised higher going forward due to demand for their satellite systems. IRDM remains in a strong buy zone and we'd be a buyer on any pullback to the \$49 range (its 5-day mav).

Last week's move into Renewable Energy Equipment stocks fizzled into Friday due to a weak earnings and sales report from heavyweight name First Solar (FSLR).

Recently added Enphase (ENPH) remains the leader in this group after reporting earnings above estimates amid strong demand for their home alt energy products. ENPH gained 4.5% since we added it to our Suggested Holdings List on Wednesday. The stock is in a strong buy zone.

Elsewhere in Tech, we're continuing to add fundamentally sound stocks from the Semiconductor and Software groups to our Watch List; however, until we see these groups turn positive (using SOXX and IGV), we will refrain from adding them to our Watch List.

## Energy Select Sector SPDR Fund (XLE)



### Energy Sector Remains In Uptrend

The Energy sector has been the largest contributor to earnings growth for the S&P 500 for Q3 2022 with companies such as Exxon Mobil (**XOM**) reporting one of its best quarters in history on the heels of record profits. In turn, XOM raised their quarterly dividend.

We're adding XOM to our Suggested Holdings List after last week's strong quarterly report brought buyers that pushed the stock out of a 4 ½ month base on heavy volume. The stock is in a strong buy zone.

Devon Energy (**DVN**) from our Suggested Holdings List broke out of a 2-month base mid-week before pulling back with the group. The company is due to report earnings next Tuesday after the markets close.

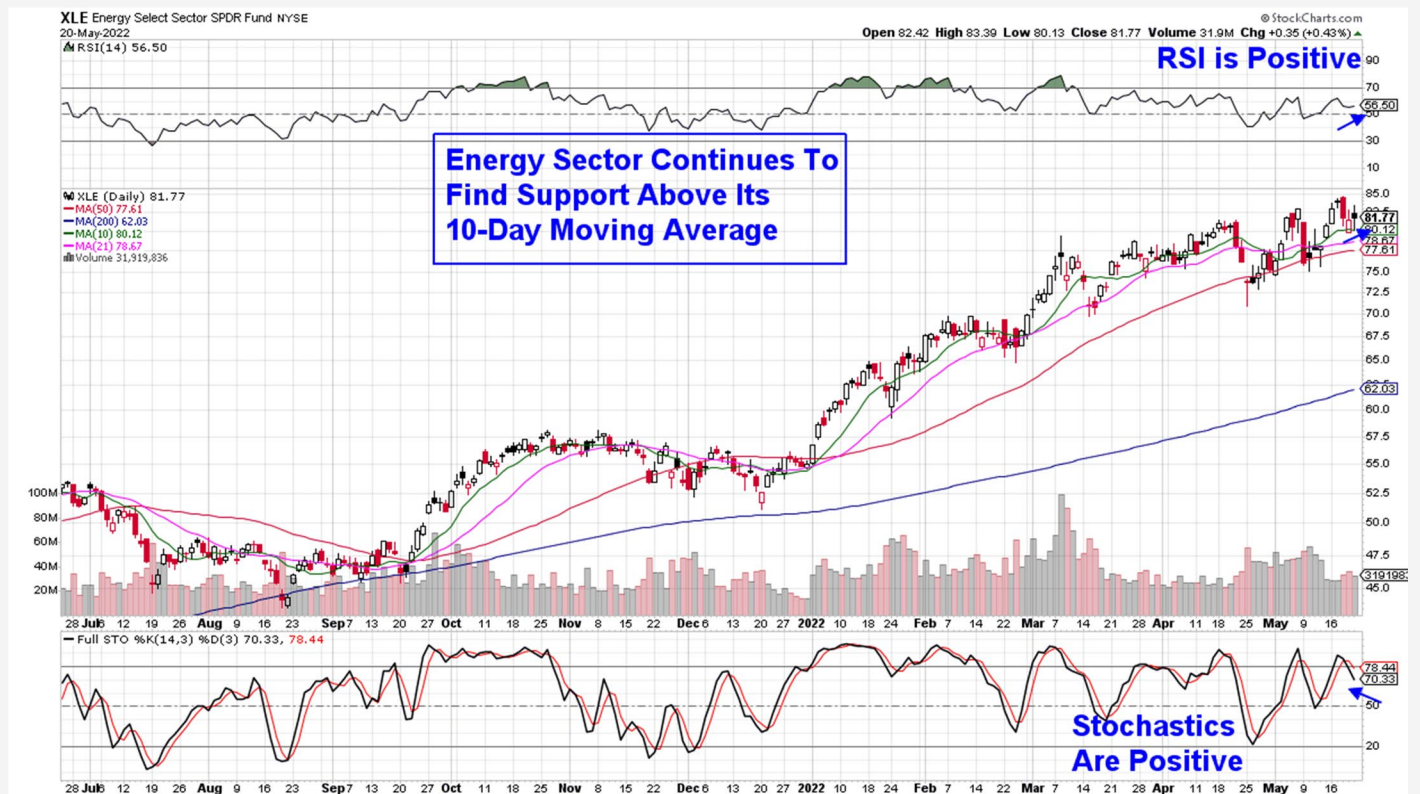
Recently added EOG Resources (**EOG**) was mostly flat for the week ahead of the release of their earnings

after the market's close on Thursday. The stock remains in a buy range after its cup with handle base breakout the prior week however, we'd refrain from adding to the stock ahead of their earnings report.

Teekay Tankers (**TNK**) pulled back into the close of last week ahead of the release of their earnings on Thursday. The drop pushed the RSI on its daily chart toward neutral however, as noted in our Midweek Report, a positive MACD has historically overridden any negative signals from the RSI.

Several other well-known Energy stocks are due to report earnings next week as well. Their results as well as investors' response could set the pace for this group in the coming weeks.

## Consumer Discretionary Select Sector SPDR Fund (XLY)



### Consumer Discretionary Sector Underperforms

Discretionary stocks were among the worse performing last week led by a 13.5% drop in heavyweight stock Amazon (**AMZN**) who reported slower than expected 3rd quarter growth while guiding estimates much lower for their 4th quarter.

Other Retailers also suffered amid mixed reports of consumer spending and sentiment as prices remain elevated for most goods.

There were bright spots however as Discount Retailers such as McDonalds (**MCD**) rallied last week after reporting strong same store sales. Management also guided growth prospects higher into next year as sales have continued despite the company raising prices.

Other large discounters also rallied such as Walmart (**WMT**) which broke out of a 10-week base on Friday ahead of the release of their earnings in 2 weeks. We're

adding WMT to our Suggested Holdings List as its in a strong buy zone as it finds support at its 5-day moving average.

Both MCD and WMT are known for performing well in periods of economic contraction which is of note as at this time, many economists are anticipating some form of a recession going into next year.

Auto and industrial parts retailer Genuine Parts (**GPC**) from our List gained over 10% last week in a move that was sparked by its Monday base breakout on heavy volume. As noted in our Midweek Report, we're using the July base breakout period as a precedent where pullbacks to the 5-day moving average were an ideal buy point. We're a bit extended from the 5-day mav at this time while the RSI is now in an overbought position on the daily chart. We'd be a buyer on any pullback to the \$173 range.

# Summary

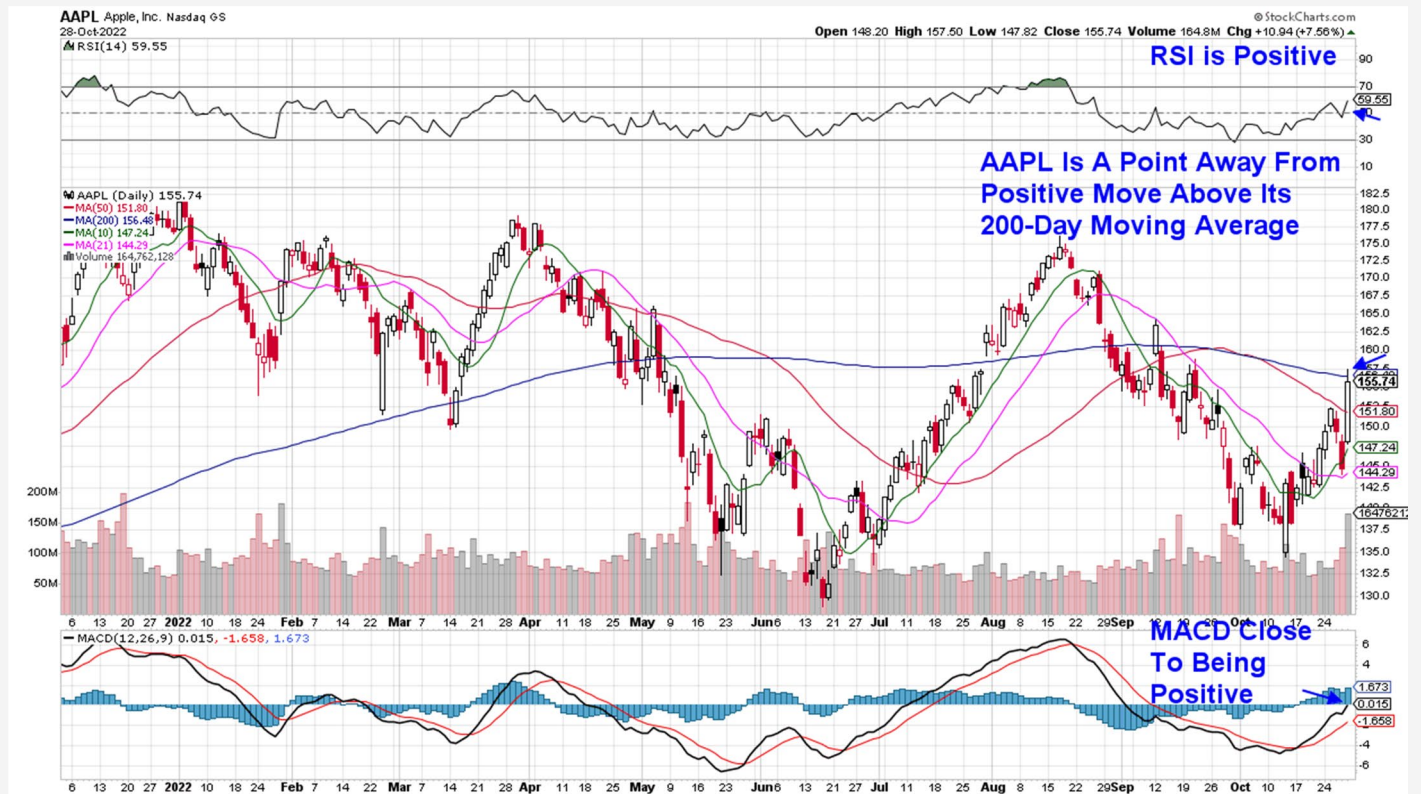
Last week, the markets experienced their best weekly gain since June as bond yields and the U.S. dollar retreated. Rising rates and a higher dollar had been creating a headwind for the markets.

The largest boost to the markets these past two weeks however, has been the release of corporate earnings reports that have been mostly above analyst estimates. And while this is constructive, the Q3 earnings season is almost half over at this time so tailwinds from results is more behind us than not.

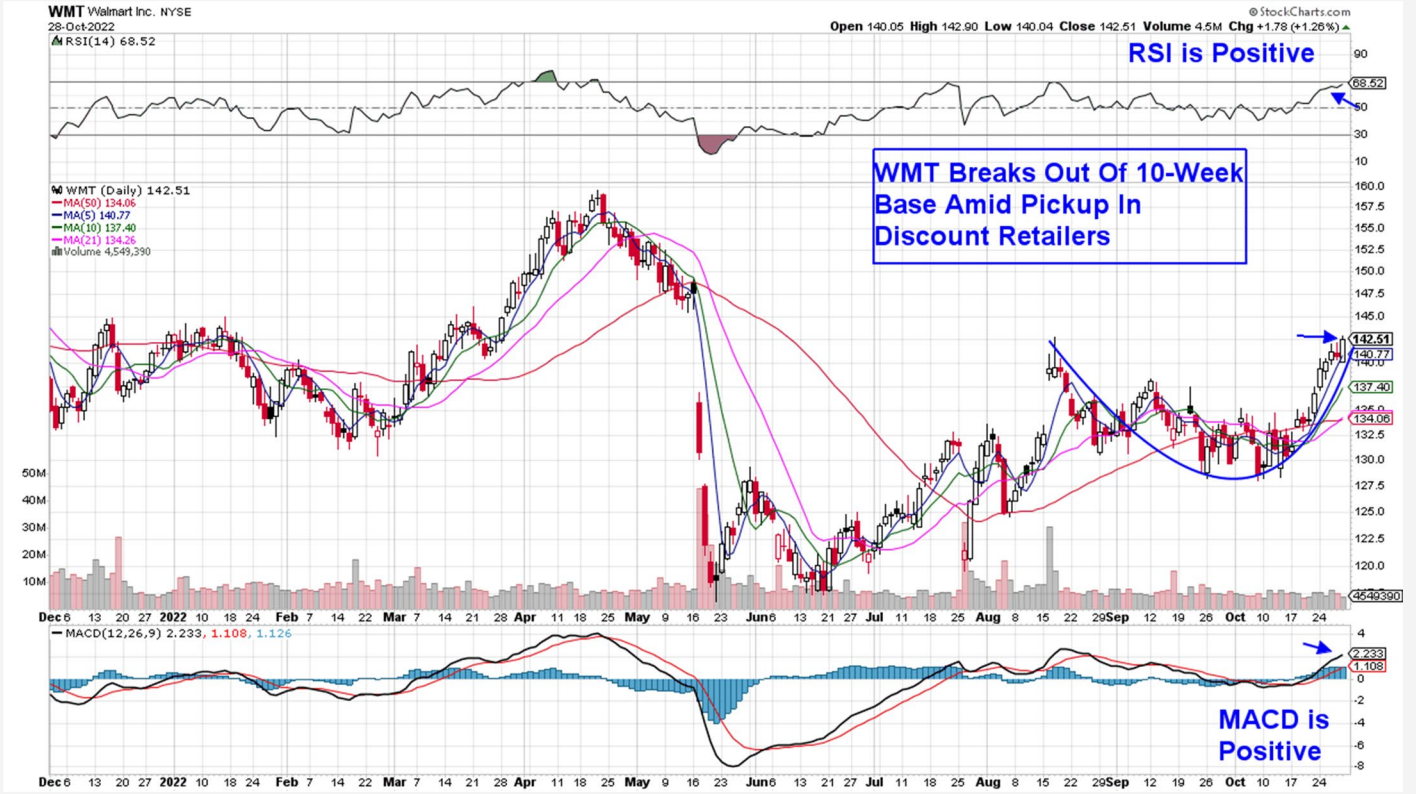
While strong results will most likely continue to drive select stocks and their peers higher, ultimately investors are buying stocks because they're hopeful for a pivot by the Federal Reserve in their aggressive rate hike campaign.

This is why next week's interest rate news and Fed Chair Powell's press conference following, will carry such importance. While we've highlighted stocks as being in buy zones, we would keep positions smaller in size until after Wednesday's Fed meeting results.

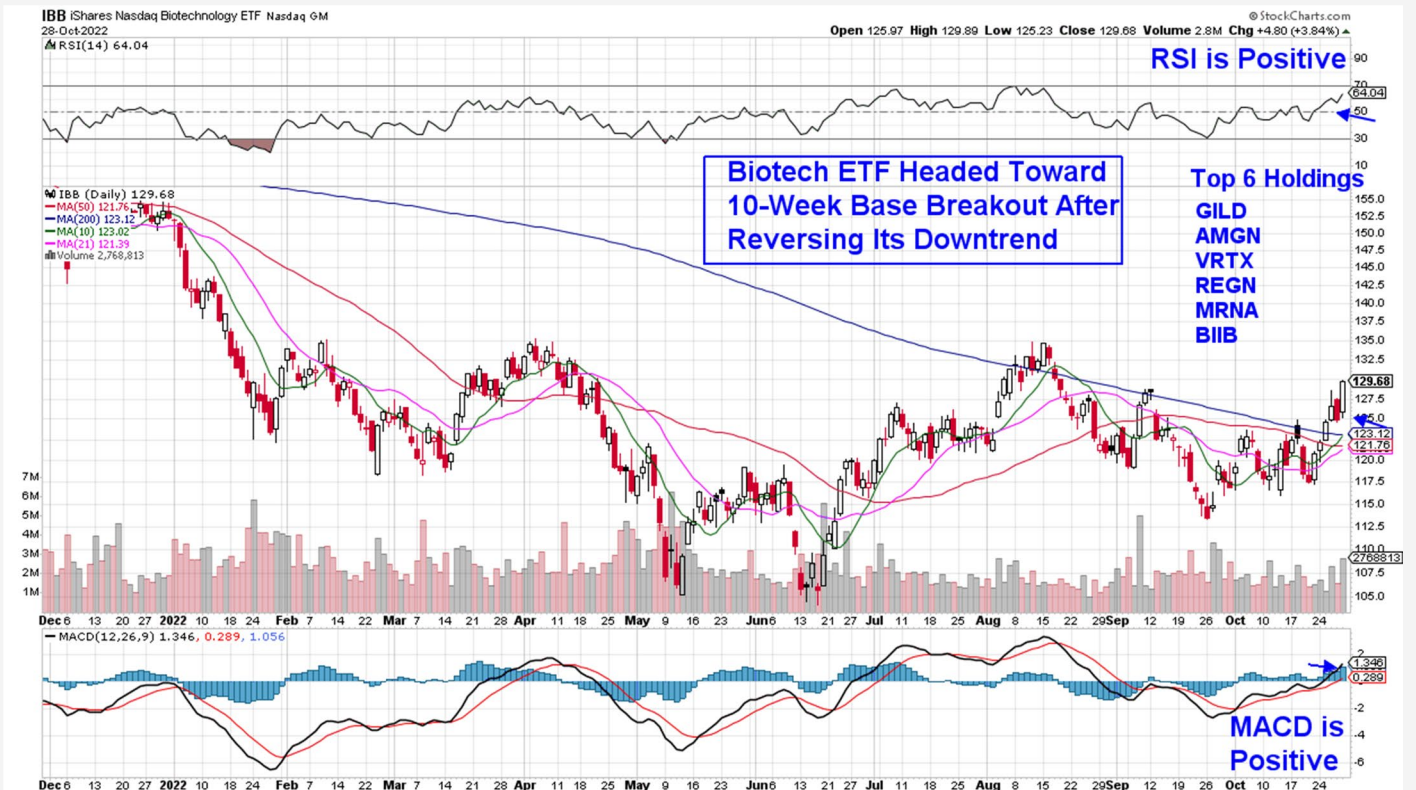
## Daily Chart of Apple (AAPL)



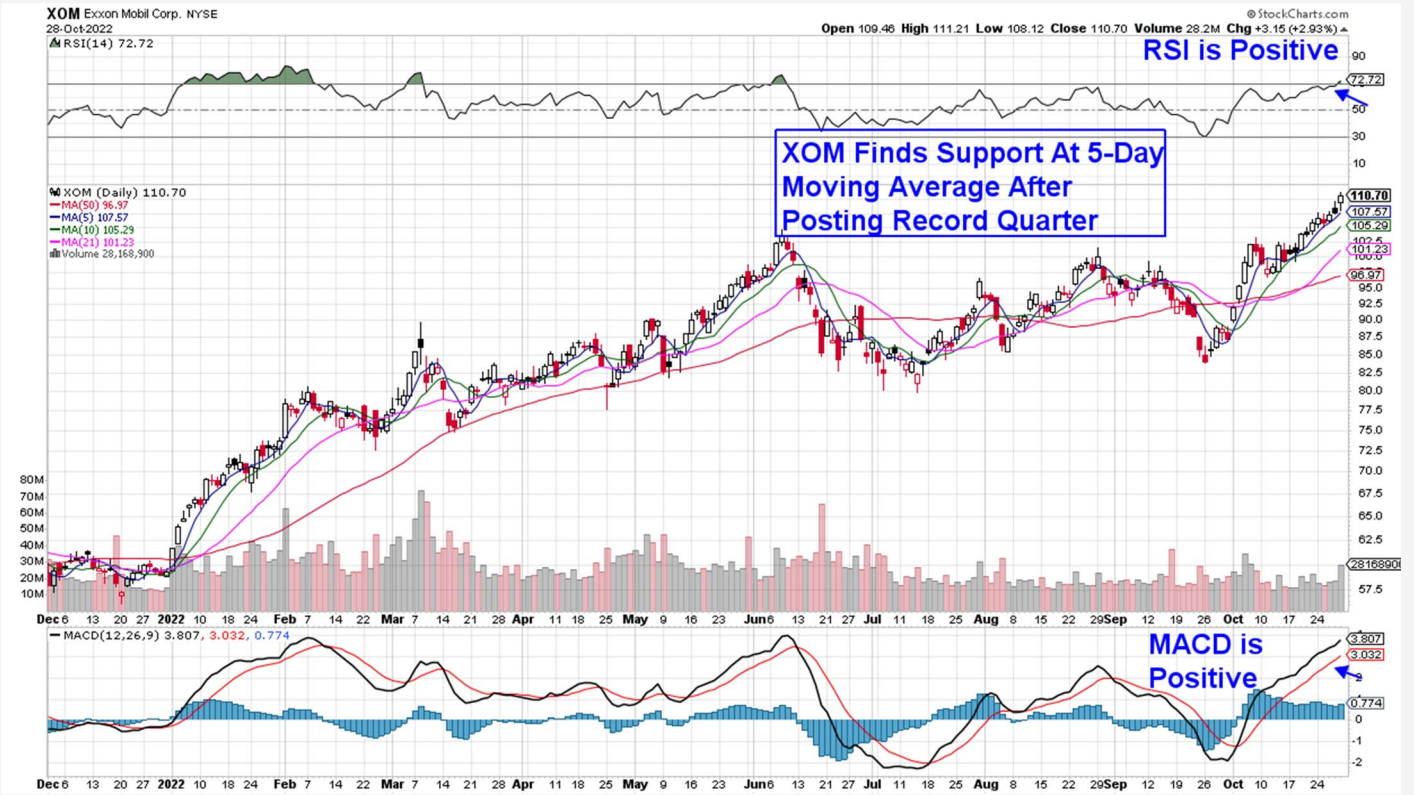
## Daily Chart of Walmart (WMT)



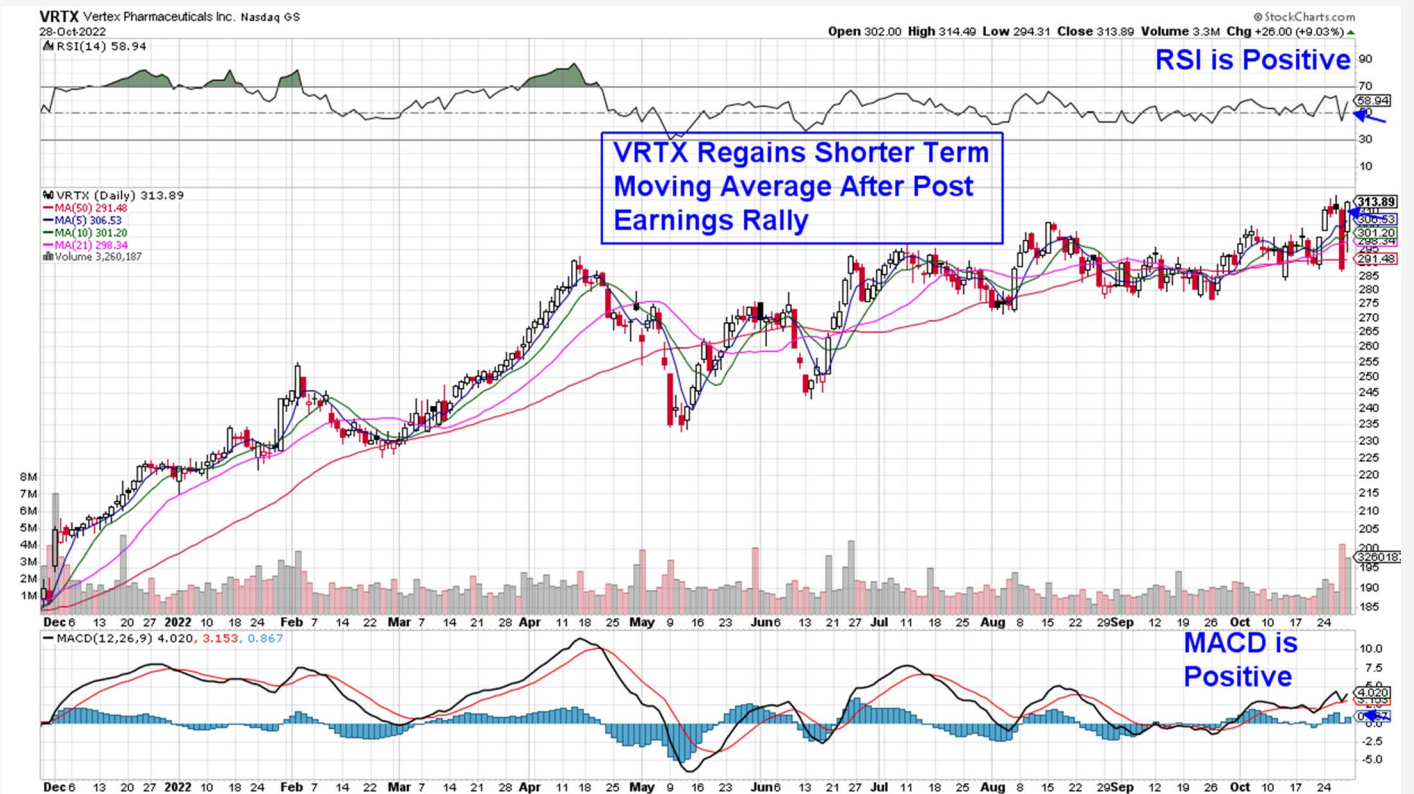
## Daily Chart of iShares NASDAQ Biotechnology ETF (IBB)



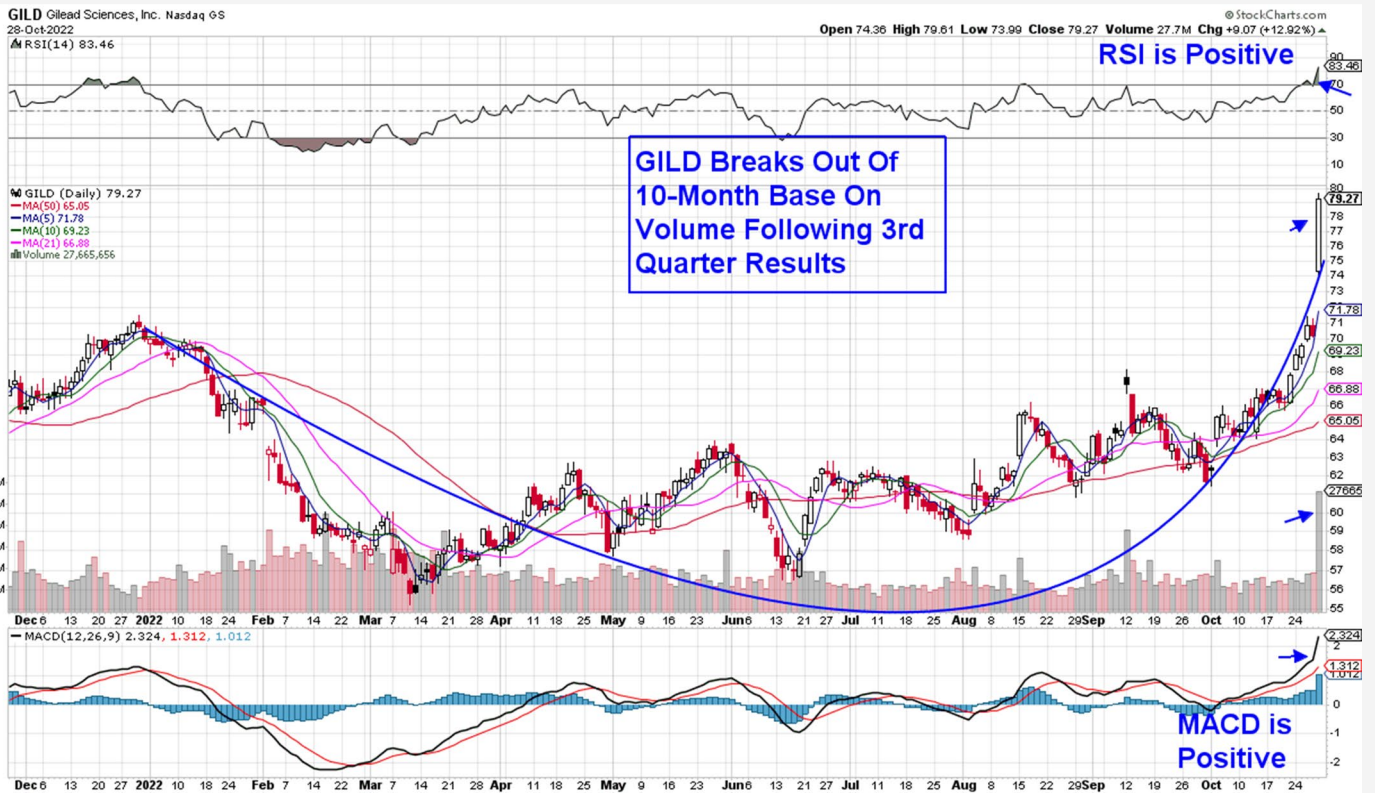
## Daily Chart of Exxon Mobile (XOM)



## Daily chart of Vertex Pharmaceuticals



# Daily chart of Gilad Sciences



# 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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ENERGY						
DVN	Devon Energy	\$76.20	10/9/2022	6.5%	DUE	Exploration & Oil
EOG	E O G Resources	\$133.70	10/23/2022	-1.0%	DUE	Exploration & Oil
TNK	Teekay Tankers	\$30.80	10/16/2022	0.0%	DUE	Energy Transportation

CONSUMER DISCRETIONARY						
GPC	Genuine Parts Co	\$178.80	10/23/2022	10.0%	-	Industrial
WMT	Walmart Inc.	\$142.50	10/30/2022	-	-	Retail

TECHNOLOGY						
AAPL	Apple Inc.	\$155.70	10/30/2022	-	-	Technology Hardware
IRDM	Iridium Communications	\$50.60	10/23/2022	6.5%	-	Satellite Communications

HEALTHCARE						
IBB	iShares Biotech ETF	\$129.70	10/30/2022	-	-	Biology Sector
VRTX	Vertex Pharmaceutical	\$313.90	10/30/2022	-	-	Pharmaceuticals
GILD	Gilead Sciences Inc.	\$79.30	10/30/2022	-	-	

# Glossary of Terms Used From Our Suggested Holdings

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## **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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