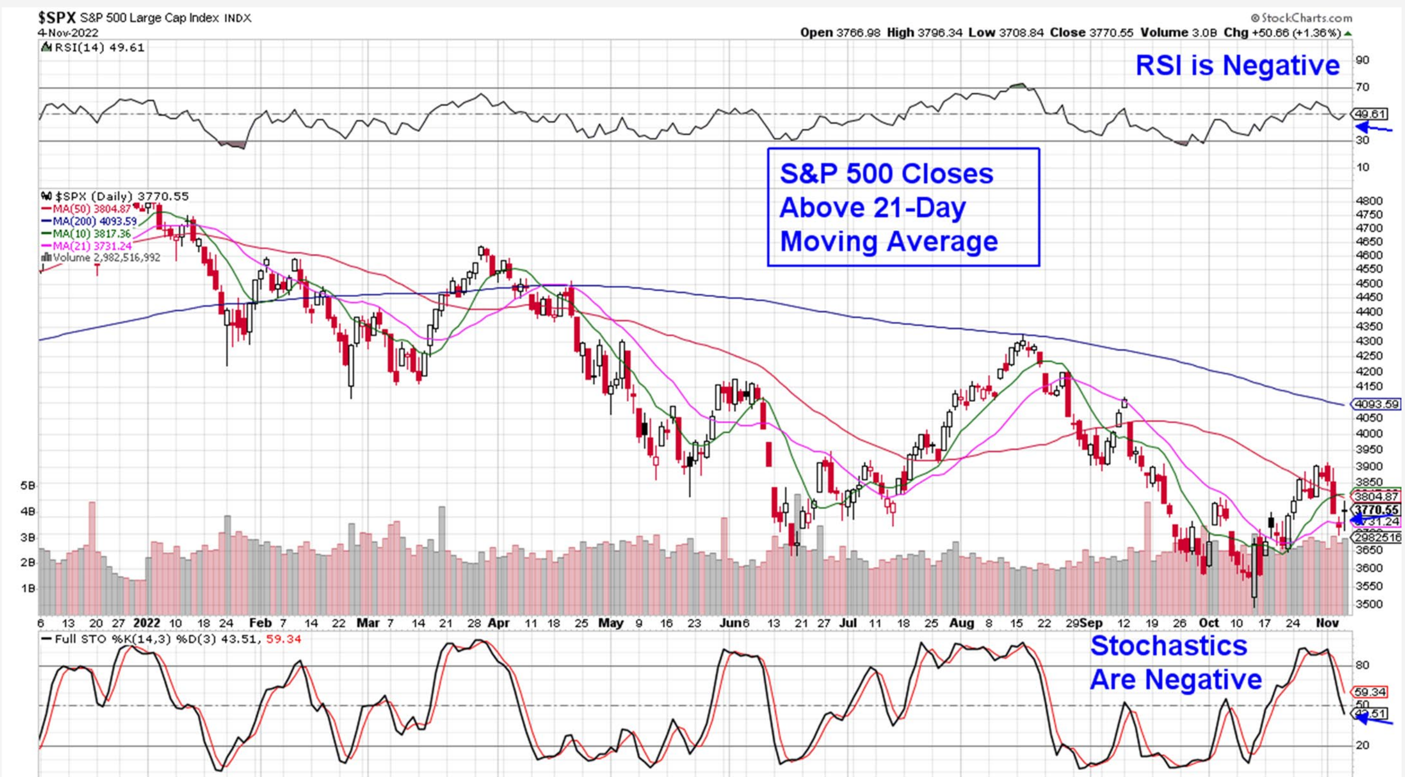
THE MEM EDGE

November 6, 2022 | Weekly Report

This Week's Highlights

- Federal Reserve Raises Rates By 0.75% With More Rate Hikes Ahead
- Chicago PMI Data Shows Contraction In Manufacturing
- Factory Orders Rise and U.S. Adds More JobsThan Anticipated In October
- Core CPI Numbers Next Thursday & Consumer Sentiment Due While Fed Officials Due To Speak Next Week

Daily Chart of S&P 500



The S&P 500 ended the week down 3.4% with the Index closing below its 50-day moving average. With this break below key support and its RSI and Stochastics in negative territory, we remain negative on the prospects of the broader markets.

The S&P 500 did close the week above its 21-day moving average which is now the first area of possible support for this Index. A move below this would put the mid-October low of 3492 as the next area of downside support which is 7.9% below current levels.

Should we see a rally next week, the 50 and 10-day moving averages are resistance to the upside, and that's currently 1% away from Friday's closing price.

The Nasdaq fell 5.7% for the week led by double digit declines in several mega-cap FAANMG stocks as well as a 10.2% loss in Software stocks (using IGV). The decline pushed the Nasdaq back below each of its moving averages with the mid-October level now being the next area of possible support. This is 3.7% away.

The markets steepest drop was on Wednesday after the Federal Reserve squashed any hopes for a pivot in their aggressive monetary policy aimed at taming inflation. Instead, Fed Chair Powell announced that the FOMC has revised their target rate higher, while also suggesting that interest rates will remain elevated into at least May.

In response, U.S. Treasury yields rose with the yield on the 10-year back above the 4% level. Mega-cap tech names were hit the hardest on the news; with Apple (**AAPL**) , Alphabet (**GOOGL**), Netflix (**NFLX**) and Amazon (**AMZN**) down double digits for the week.

In turn, Technology, Consumer Discretionary and Communication Services sectors were the worst performing sectors as the proposal of a more prolonged rate hike cycle with a higher peak rate, pushed these Growth stocks lower.

Not all the news for the markets was negative however, with Energy stocks posting a 2.5% gain while the Materials and Industrial sectors posted gains as well.

In fact, every sector outside of the three growth-related ones that suffered, fared much better than the broader markets. The question at this time is whether this relative strength is enough to buoy the broader markets.

In the meantime, we'll be focusing on select areas that historically fare well in a difficult market environment.

This would include Energy stocks which outperform in a rising interest rate environment as well as Healthcare names where demand remains high for needed drugs despite an economic contraction.

The Industrial sector also has a history of outperforming during a bear market with Defense as well as select Farm related and Chemical stocks outperforming during 2000 - 2003 period.

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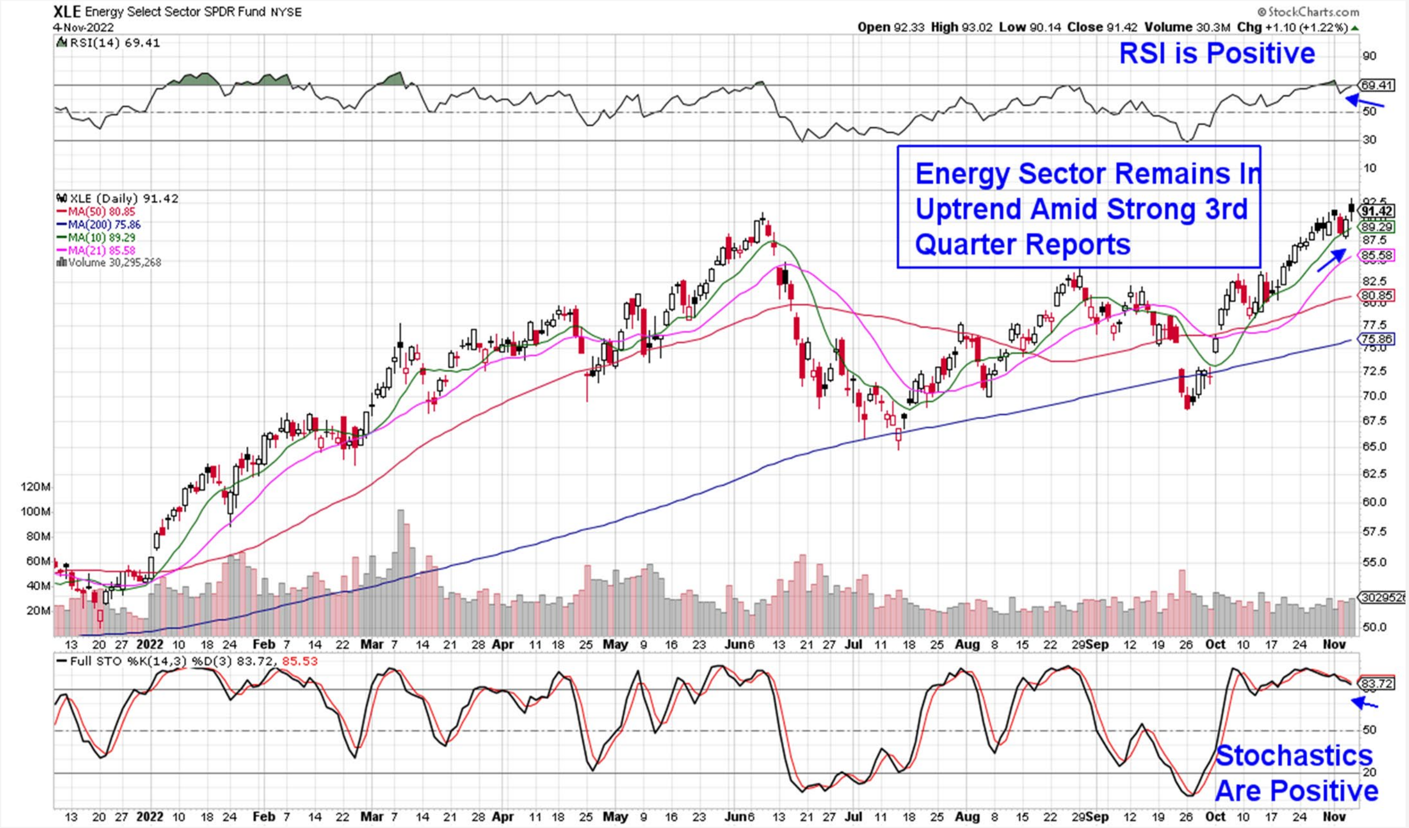
Energy Select Sector SPDR Fund (XLE)



[Energy Sector Gains Amid Higher Oil Prices]

The Energy sector is approaching its June high in price following last week's 2.4% rally. The gains occurred amid continued strong earnings among Energy companies as well as a rise in oil prices last week.

The Energy sector is reporting the highest (year-over-year) earnings growth of all eleven sectors due to the fact that the price of oil in Q3 2022 was 30% above the average price a year ago. In fact, this sector is the largest contributor to earnings growth for the S&P 500 this quarter

EOG Resources, Inc. (**EOG**) reported earnings last week that were 72% greater than last year, however, they were below estimates while management guided estimates lower for next year due to higher oil drilling costs.

EOG pulled back after an initial gap up in price on Friday due to their announcement of a dividend increase. We are keeping the stock on our Suggested Holdings List however, we would not overweight it at this time.

Teekay Tankers (**TNK**) from our List also reported quarterly results late last week with a 215% increase in earnings that were above estimates. The company is experiencing increased demand for their oil related shipping services ahead of Europe's sanctions against Russian oil in December.

TNK is in a buy zone and can be bought in the $33 range.

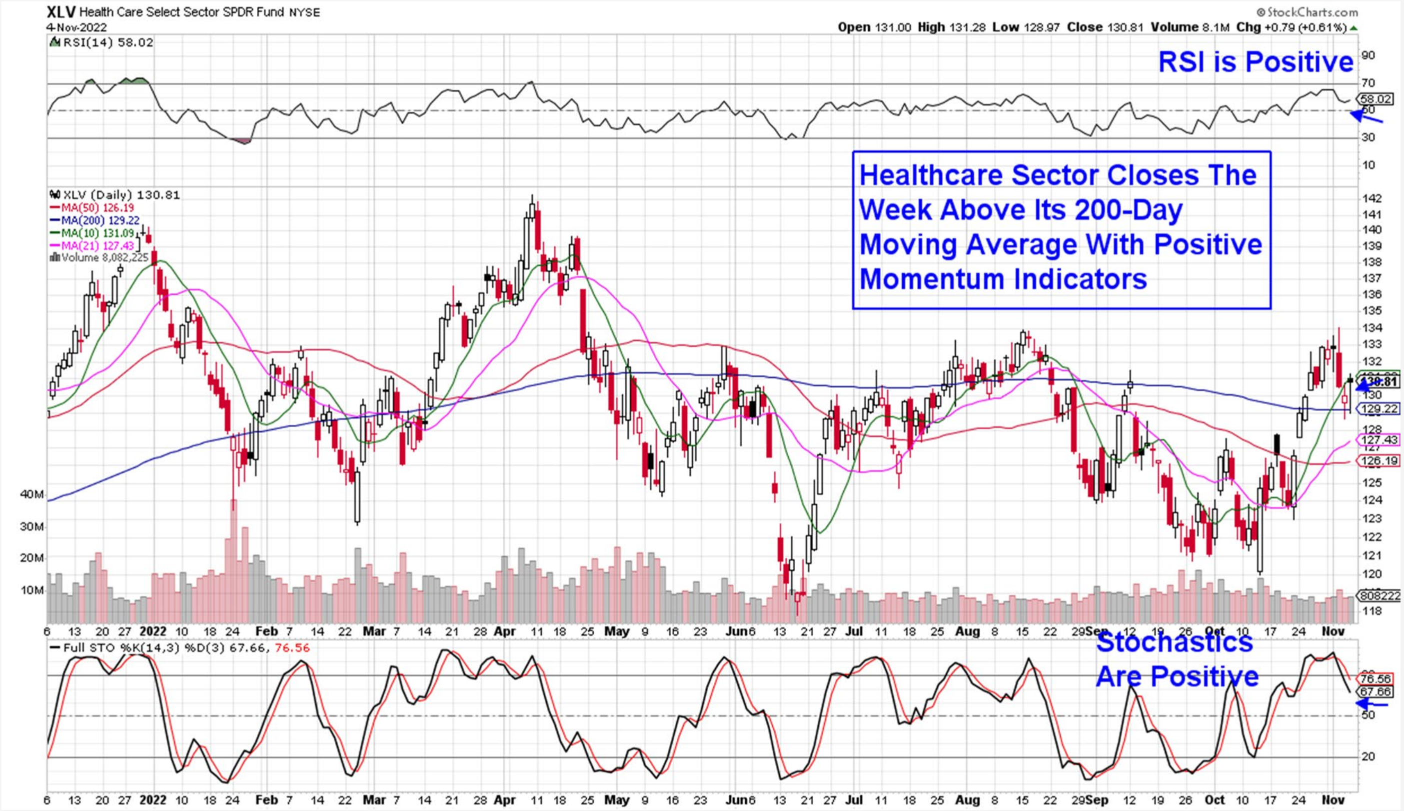
This week, we're adding Halliburton (**HAL**) to our Suggested Holdings List as the largest provider of energy industry services gapped up into a 1-week base breakout on Friday. HAL reported earnings recently that were more than double a year ago as higher oil prices have increased drilling activity and hence, demand for their services.

HAL looks particularly attractive on its weekly chart as the momentum indicators are just entering positive territory however, on the daily chart the stock is overbought. We'd be a buyer on a pullback to the $36 range.

The Energy sector is one that performs well in a rising interest rate environment that's coupled with healthy growth prospects for oil related companies. The beginning of this year is a prime example when we added select names such as Occidental Petroleum (**OXY**) that went on to trade much higher as interest rates began to rise.

Next Wednesday, the Energy Information Administration (**EIA**) will be releasing their crude oil inventories numbers and a decline will boost oil prices further.

Health Care Select Sector SPDR Fund (XLV)



Healthcare Sector Remains In Uptrend

Healthcare stocks were able to recover from a dip below their 200-day moving average to end the week back in an uptrend.

Biotechnology stocks posted a 1% decline in an otherwise tough market environment with heavyweight name Gilead (**GILD**) breaking out of a 1-week base on volume Friday as analysts continue to revise their earnings estimates higher for the company after they posted solid earnings over a week ago.

GILD is in a strong buy zone as this 3.6% yielder is finding support at its upward trending 5-day moving average.

Vertex (**VRTX**) pulled back to its 10-day moving amid a choppy week and the stock is in a strong buy zone with bullish characteristics on its intraday 15-minute chart with positive RSI and MACD and the price above its 5 and 13 simple moving average.

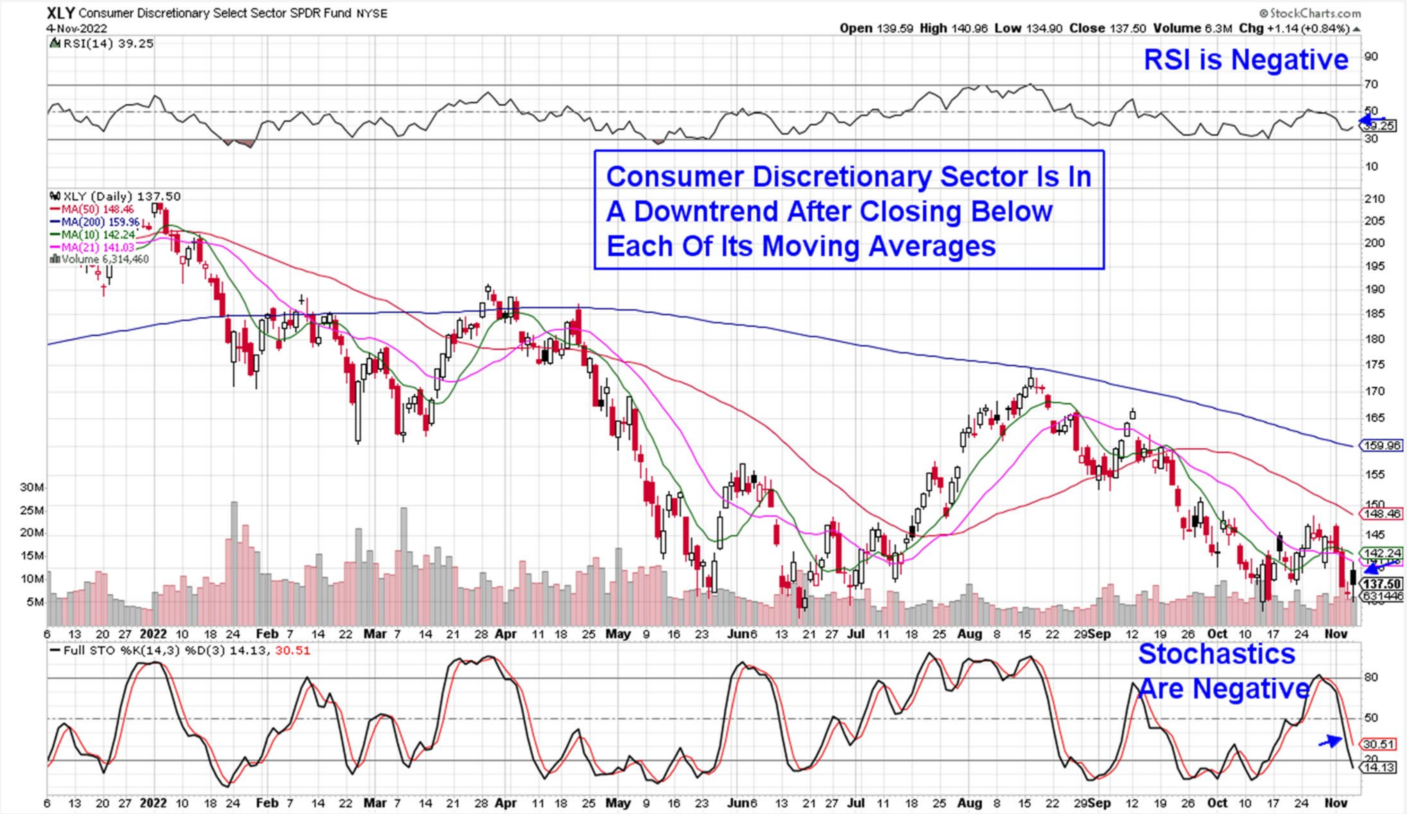
This week we're adding Amgen (**AMGN**) to our Suggested Holdings List after the 2.9% yielder closed above its 10-day moving average on Friday after reporting earnings and sales that were ahead of estimates. Management also guided growth prospects higher for the remainder of the year due to strong demand for their osteoporosis and migraine drugs.

AMGN is in a strong buy zone after closing above its 10-day mav and its intraday chart has positive characteristics similar to VRTX.

Biotech stocks have a history of performing well during a bear market. During 2008 when stocks fell 38%, Vertex (**VRTX**) and Amgen (**AMGN**) gained an average of 28% amid the development of new drugs that remained in high demand despite the recession.

Pharmaceutical stocks can also outperform during a recession and we have several names on our Watch List that are in uptrends however, they are currently overbought.

Consumer Discretionary Select Sector SPDR Fund (XLY)



[Consumer Discretionary Sector Hurt By Mega-Cap Names]

Discretionary stocks were led lower by sharp losses in heavyweight names Amazon (**AMZN**) and Tesla (**TSLA**) that fell 12% and 9.2% respectively. Other areas of retail were also under selling pressure amid analyst downgrades to already negative estimates.

There are pockets of relative outperformance as select names such as Walmart (**WMT**) from our Suggested Holdings List fell 1.5% with a pull back to its 10-day moving average. Discount retailers can also outperform during a bear market such as 2008 and WMT is in a strong buy zone ahead of the release of their earnings later this month.

Genuine Parts (**GPC**) from our List is also in a strong buy zone after closing the week above its 5-day moving average. The global distributor of automotive and industrial parts recently reported earnings that were well above estimates with management guiding growth prospects higher into next year.

GPC has a 2% yield and the stock was a big outperformer during the 2001 bear market amid continued growth and merger activity.

Retail stocks remain in the beginning stages of attempting to reverse their downtrend (using XRT) and while headwinds remain over the near-term, we are continuing to broaden our Watch List. These stocks were among the biggest winners in 2009 after the recession-led bear market.

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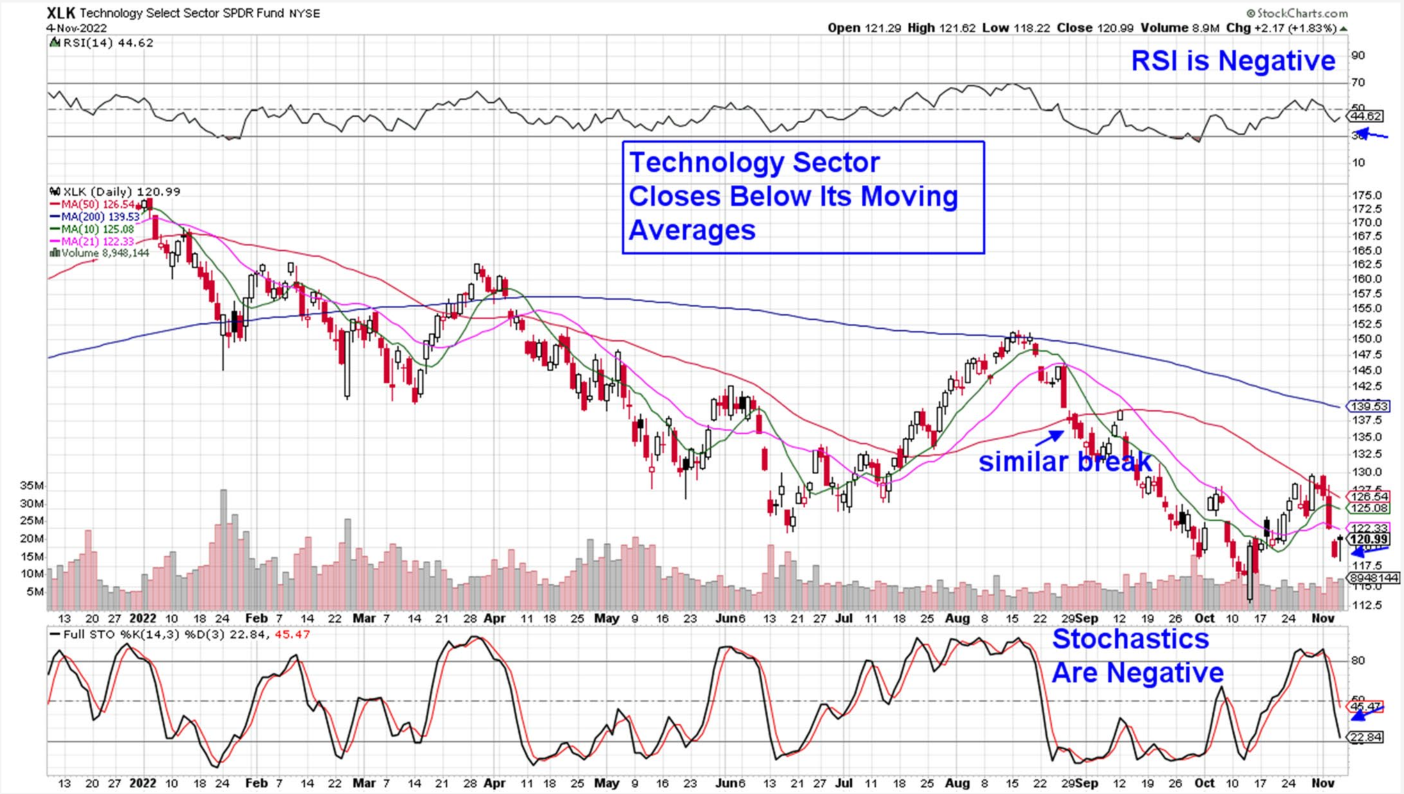
Technology Select Sector SPDR Fund (XLK)



Technology Sector Back Below Moving Averages

The Tech sector fell 6.6% last week led by a sharp drop in Software names as well as heavyweight stocks Apple (**AAPL**) and Microsoft (**MSFT**). The decline pushed this sector back below each of its moving averages in a move similar to its August to October decline.

High growth Tech names are the most vulnerable to a selloff in a rising interest rate environment and Powell's reiteration that we're nowhere near a point of being able to consider stopping rate hikes will continue to put pressure on this sector.

Software stocks were hit the hardest with heavy selling on volume that puts the group into an near-term oversold position however, further downside is ahead. In addition to rising interest rates, several companies have cited reduced sales of cloud based software products.

Amid fears of a potential recession, corporations will often pull back on software upgrades in particular which translates into reduced revenues for these Software companies.

Semiconductor stocks posted a surprising rally on Friday led by Skyworks (**SWKS**) who reported earnings ahead of estimates due to cost cutting earlier this year. The upside in SWKS occurred despite price target downgrades from 8 Wall Street firms who are eyeing the nearterm headwinds for this cyclical area of the markets.

The 4.6% rally in Semiconductor stocks on Friday puts the RSI close to positive territory with the group now 2.5% away from a move above its 50-day moving average. (using SOXX). We'll continue to monitor the price action in this group.

Alternative Energy Equipment stocks posted a mixed week with Enphase Energy (**ENPH**) managing to close the week above its 50-day moving average after a decline for the week that took place despite analyst upgrades.

The 15-minute intraday chart for ENPH points to near-term upside and we'd be a buyer on move back above its 10-day moving average at $290.

Summary

Next week, we're heading into an historically bullish period with midterm elections on Tuesday which usually push the markets higher - especially if the vote is split.

At this time, investors are betting on a Republican wave which would take away the risk of tax hikes while we could also see an increase in defense spending and other areas.

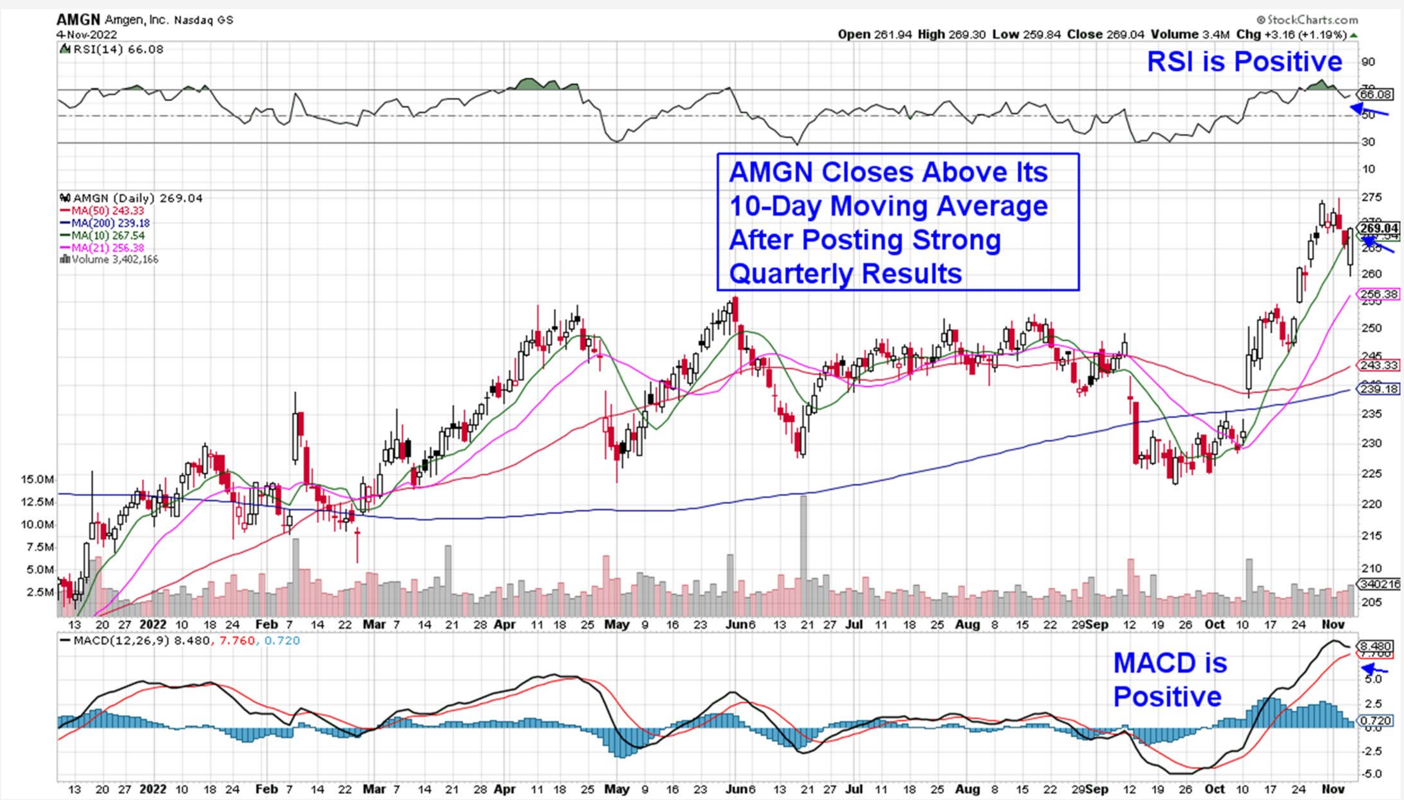
While the elections are expected to provide a bullish backdrop to the start of the week, Thursday's CPI report may have even more of an impact - particularly for the longer term.

Last week's price action highlighted investors' sensitivity to rising interest rates with mega-cap Growth stocks getting clobbered while areas that can withstand rising rates - such as Energy and other commodities - traded higher.

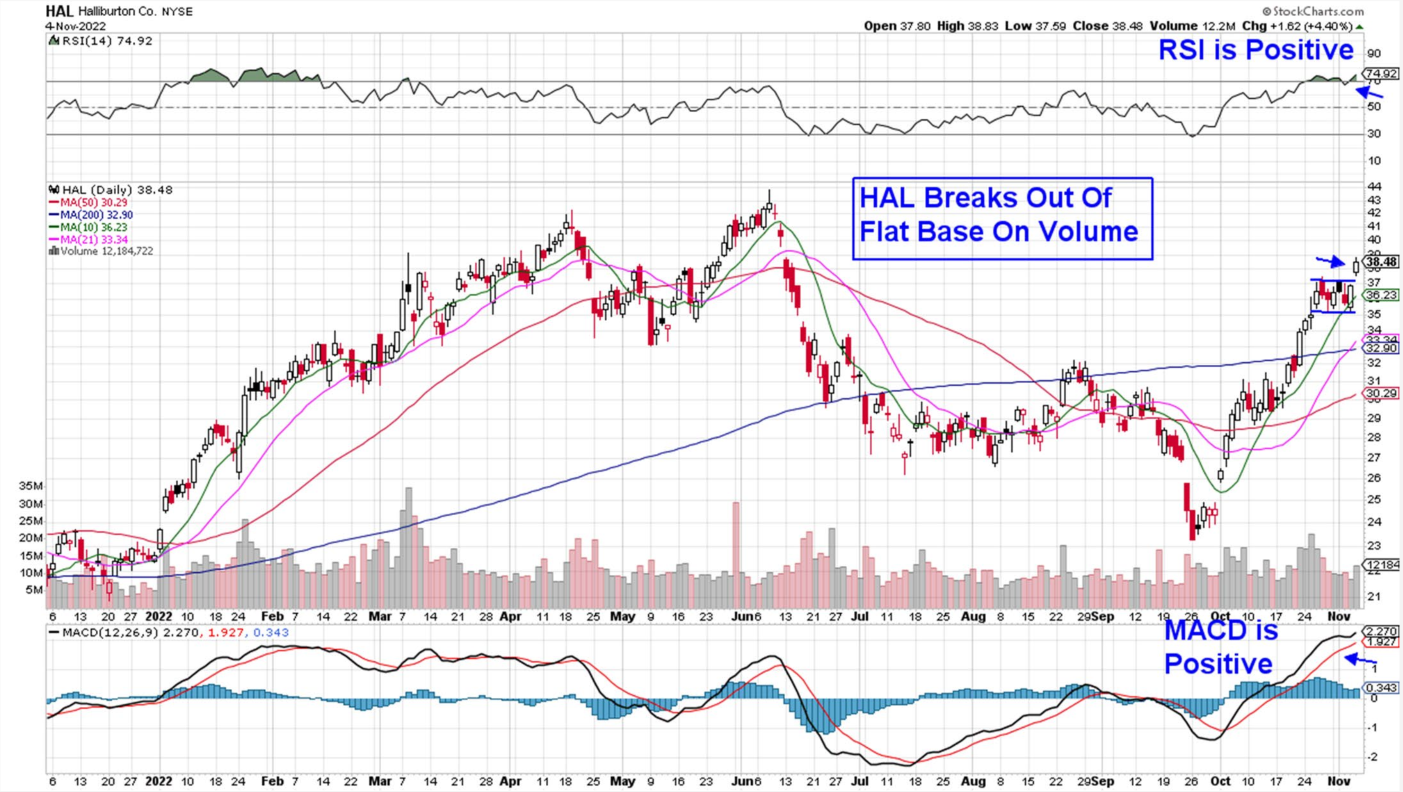
Select Healthcare and Industrial stocks also outperformed on the heels of strong quarterly results and improved growth outlooks going forward. These areas historically can withstand downward pressure in the markets due to rising rates.

While we've added stocks from these areas to our Suggested Holdings List, new positions should be kept relatively light given the anticipated volatility we may see next week.

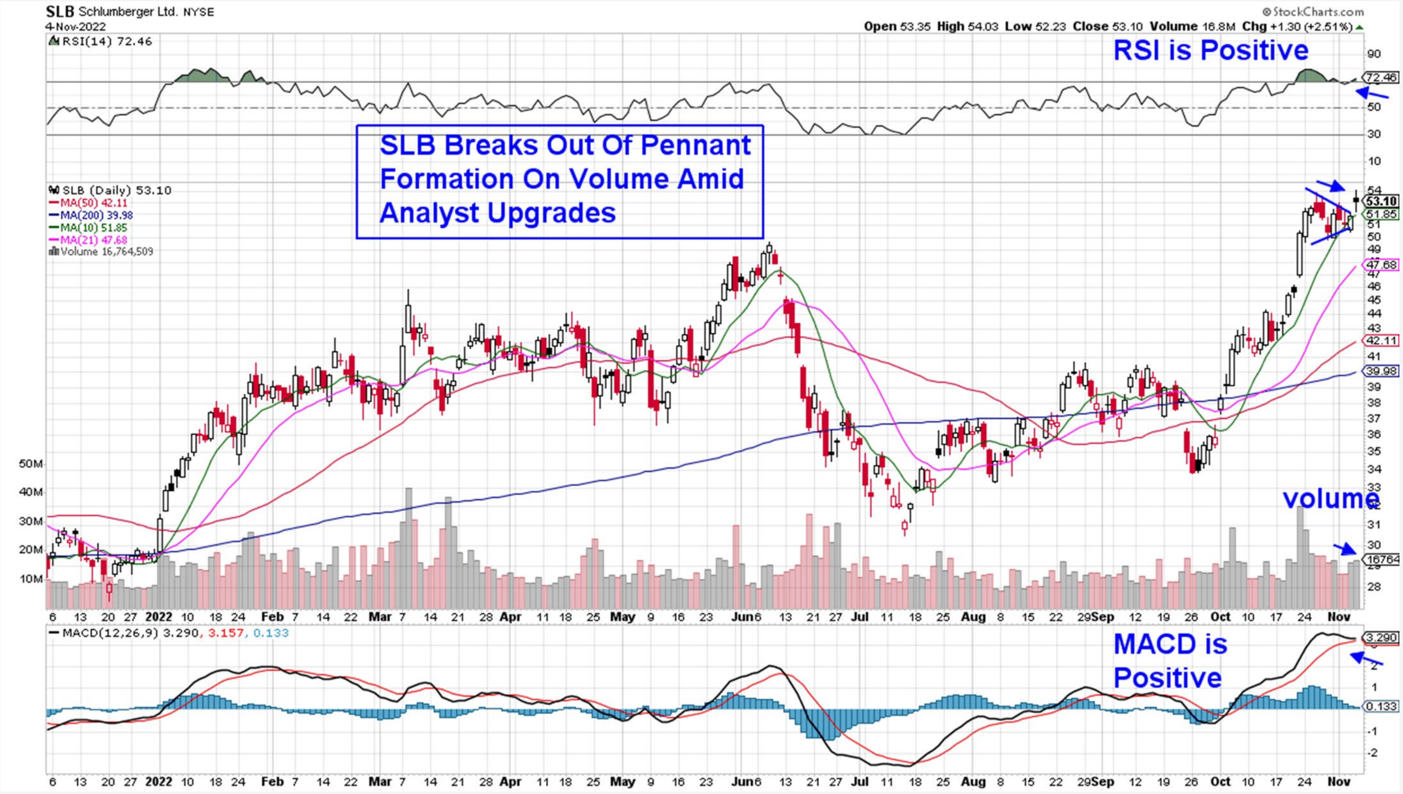
Daily Chart of Amgen, Inc. (AMGN)



Daily Chart of Halliburton Co. (HAL)



Daily Chart of Schlumberger Ltd. (SLB)



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
ENERGY						
EOG	E O G Resources	$133.70	10/23/2022	5.5%	-	Oil Equipment & Services
HAL	Halliburton	$38.48	11/6/2022	0.0%	-	Oil Equipment & Services
SLB	Schlumberger	$53.10	11/6/2022	0.0%	-	Oil Equipment & Services
TNK	Teekay Tankers	$30.80	10/16/2022	12.0%	-	Energy Transportation
XOM	Exxon Mobile	$112.30	10/30/2022	1.0%	-	Oil Equipment & Services
CONSUMER DISCRETIONARY						
GPC	Genuine Parts Co	$178.80	10/23/2022	10.0%	-	Industrial
WMT	Walmart Inc.	$142.50	10/30/2022	-1.0%	-	Retail
HEALTHCARE						
AMGN	Amgen Inc.	$269.00	11/4/2022		-	Biotechnology
IBB	iShares Biotech ETF	$129.70	10/30/2022	1.0%	-	Biotechnology
GILD	Gilead Sciences Inc.	$79.30	10/30/2022	1.5%	-	Pharmaceuticals
VRTX	Vertex Pharmaceutical	$313.90	10/30/2022	-1.5%	-	Pharmaceuticals
TECHNOLOGY						
ENPH	Enphase Energy	$282.40	10/26/2022	-3.0%	-	Solar Energy

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.