



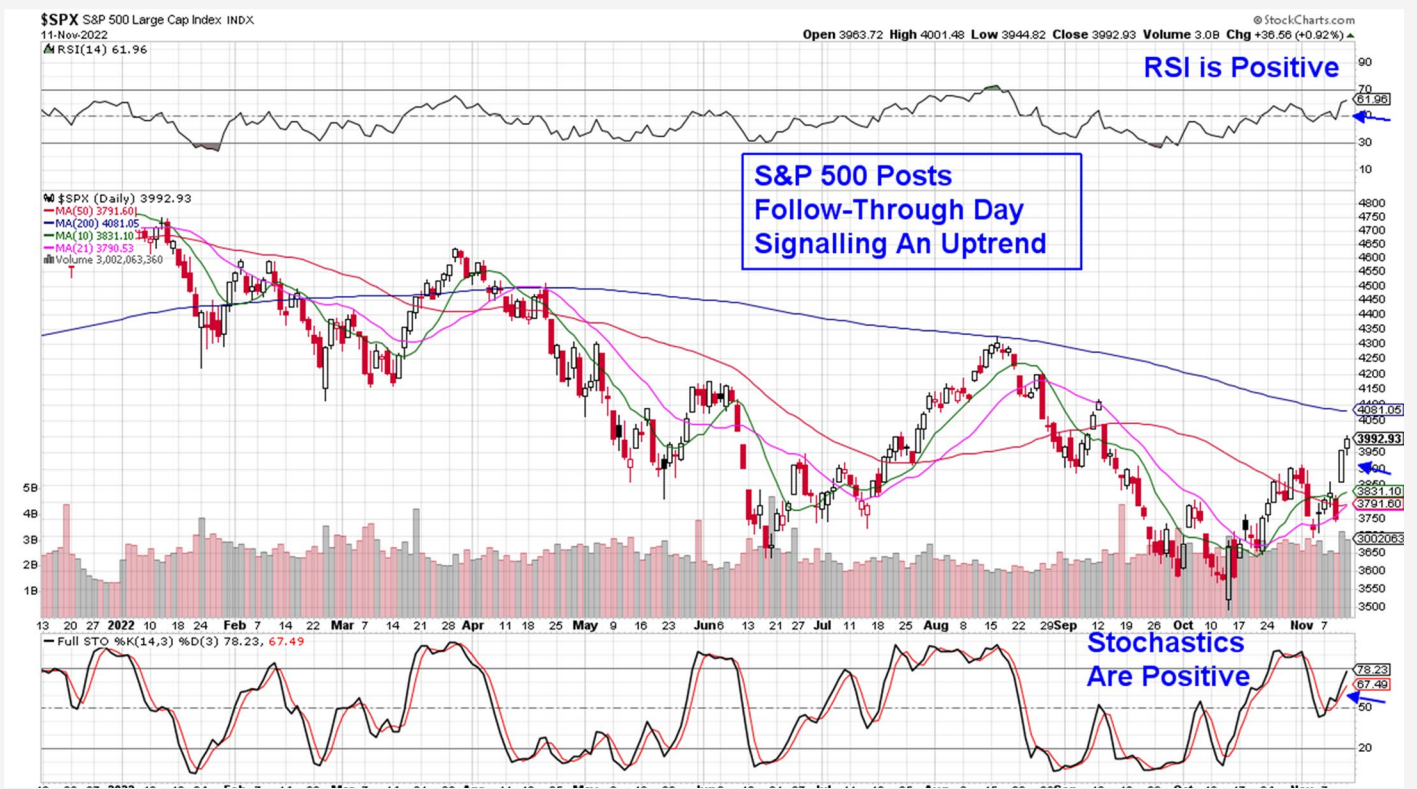
THE MEM EDGE

November 13th, 2022 | Weekly Report

This Week's Highlights

- Core CPI Data For October Is Lower Than Expected
- Interest Rates Drop As Inflation Cools
- Stocks Have Largest Rally Day Since April 2020 On Thursday
- Markets Post Bullish Follow-Through Day
- Cryptocurrencies Fall Sharply Amid Exchange Woes
- October PPI, Retail Sales & Housing Data Due Next Week

Daily Chart of S&P 500



The S&P 500 gained 5.9% for the week in a move that pushed this Index above its 50-day moving average. With the RSI and Stochastics in positive territory as well, the markets are in an uptrend.

Thursday's price action was particularly impactful as a sharp gain on volume greater than the prior day helped the S&P 500 post a follow-through day. As you may recall, a follow-through day has marked the beginning of every bear market bottom.

However, not every follow-through day works, as it may signal a countertrend or bear market rally.

In addition to the price action of a follow-through day, we also need to see a reversal of the event that pushed the markets into bear market territory in order to call a market bottom. At this time, inflation needs to subside and while we've seen encouraging data, more information is needed. Until then, we're treating the uptrend in the markets as a shorter-term buying opportunity.

The next area of possible upside resistance for the S&P 500 is its 200-day moving average, which is 2.2% away. A move above the 200-day mav would be quite constructive, particularly if it's coupled with a move of the Stochastics into positive territory on the weekly chart. (using the 40-week moving average)

The Nasdaq fared even better last week with an 8.1% gain that pushed this Index above its 50-day moving average. With the RSI and Stochastics in positive territory, the Nasdaq is also in an uptrend.

Last week's rally in the Nasdaq was led by double digit gains in most of the FAANMG stocks with Semiconductor and Software stocks also posting outsized gains. The next area of upside resistance for the Nasdaq is its 200-day moving average, which is 7.4% away.

Last week's Thursday into Friday rally in the markets was sparked by a report that inflation is easing as the October Consumer Price Index (**CPI**) data fell with the core CPI coming in at 6.3% instead of the anticipated 6.5% rate.

The core CPI report is very closely watched by the Federal Reserve as it strips away volatile food and energy prices and provides a clearer view of current inflation levels.

The fact that inflation cooled off pushed interest rates sharply lower and stocks higher, as investors are now on the lookout for a moderation of interest rate hikes by the Federal Reserve in 2023.

As stated in the past, a sign of reduced inflation would be the needed first step in reversing the bear market and Thursday's news coupled with the follow-through day, is certainly constructive.

From here, we will need to closely monitor jobs data - another hot button for the Federal Reserve - for signs of a cooling off of the currently strong employment market.

Growth areas of the market responded most favorably to the drop in interest rates with Technology and Consumer Discretionary stocks being among the top performers.

Midterm Elections also pushed stocks around last week as the anticipated "red wave" where Republican wins dominate the election, did not come to pass. Politically sensitive areas of the market saw volatility as Defense related as well as Alternative Energy stocks experienced volatility.

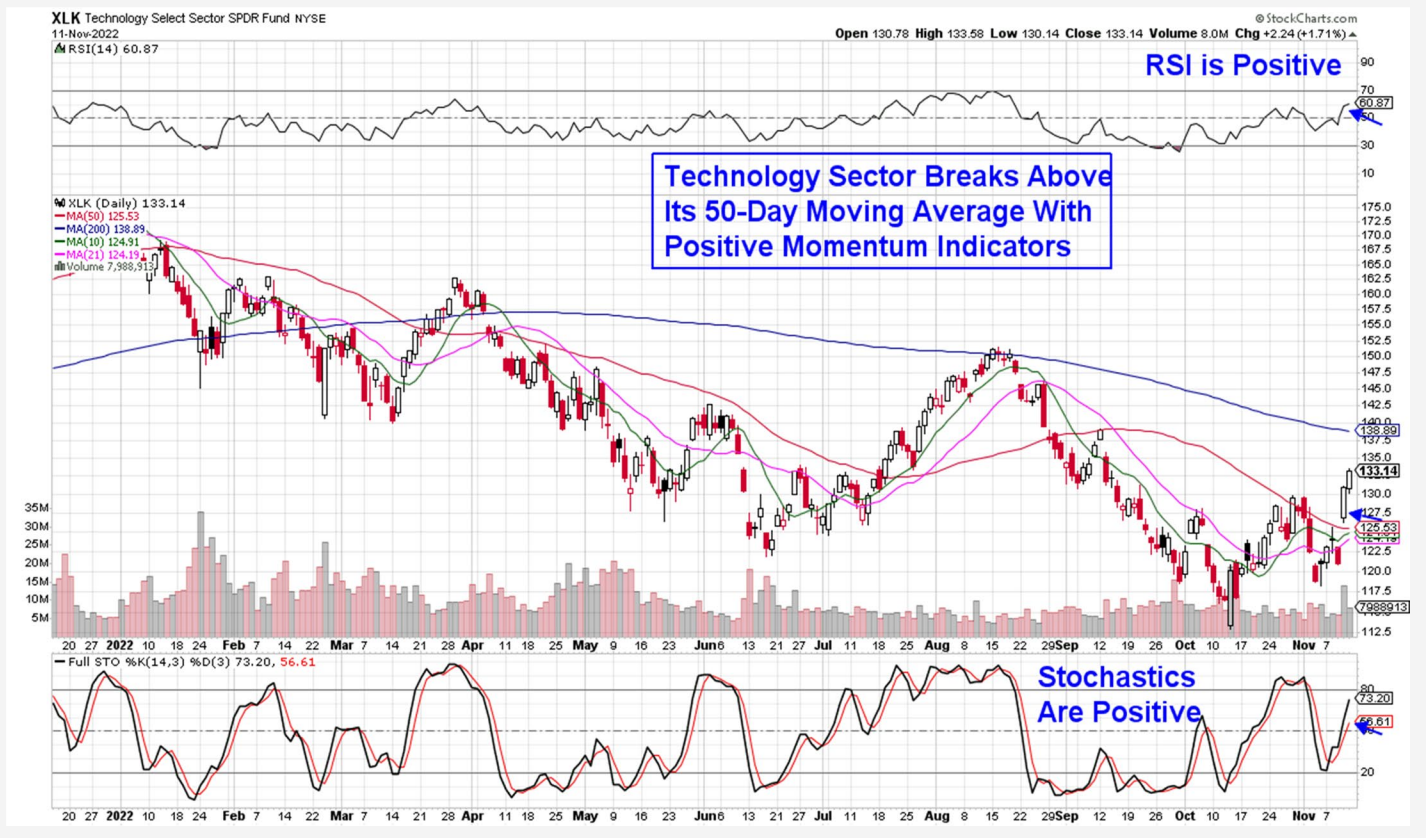
Next week, the economic calendar is relatively light with the exception of the final Producer Price Index (**PPI**) data for October which will be released before the markets on Tuesday. This data will provide additional inflation insight with estimates calling for a 0.4% increase.

In addition, several heavyweight Retailers are due to report 3rd quarter earnings however, and results may sway this area of the markets.

(The U.S. dollar fell on the news of decelerating inflation last week which pushed commodity stocks higher. xlb)



Technology Select Sector SPDR Fund (XLK)



Technology Sector Reverses Downtrend

Beaten down Tech stocks were among the top performers last week led by Semiconductor stocks which rallied 15%. We were on the lookout for a downtrend reversal in Semiconductors and the sharp rally certainly delivered - with the group moving back above its 50-day moving average on volume.

Semiconductor companies that have reported strong 3rd quarter results were among the top performing and this would include recently added O N Semi (**ON**). The stock is now a point away from a 10-week base breakout and is in a strong buy zone with its MACD just entering positive territory on its daily chart.

A S M L Holding (**ASML**) and Lam Research (**LRCX**) also reported strong results recently and both stocks are in a confirmed uptrend after breaking back above their 200-day moving average.

We are adding the stocks to our Suggested Holdings List however, their oversold positions on their daily chart would have us waiting for a pullback to their 200-day moving average before buying.

Software stocks also posted double digit gains however, only a third of the names in this group are above their key 50-day moving average and many do not yet have positive momentum indicators.

This would include Microsoft (**MSFT**) which has bullishly broken above its 50-day moving average on above average volume. We're adding the stock to our Suggested Holdings List and would begin a position lightly until the MACD on the daily chart turns positive. We've highlighted a similar period in late July on the chart below.

Elsewhere in Tech, Alternative Energy Equipment stocks had a more rocky period due to uncertainty surrounding the midterm election results. Biden's recently passed Inflation Reduction bill includes heavy funding for clean energy; however, the lack of an overwhelming Republican win last week has tempered gains in solar stocks.

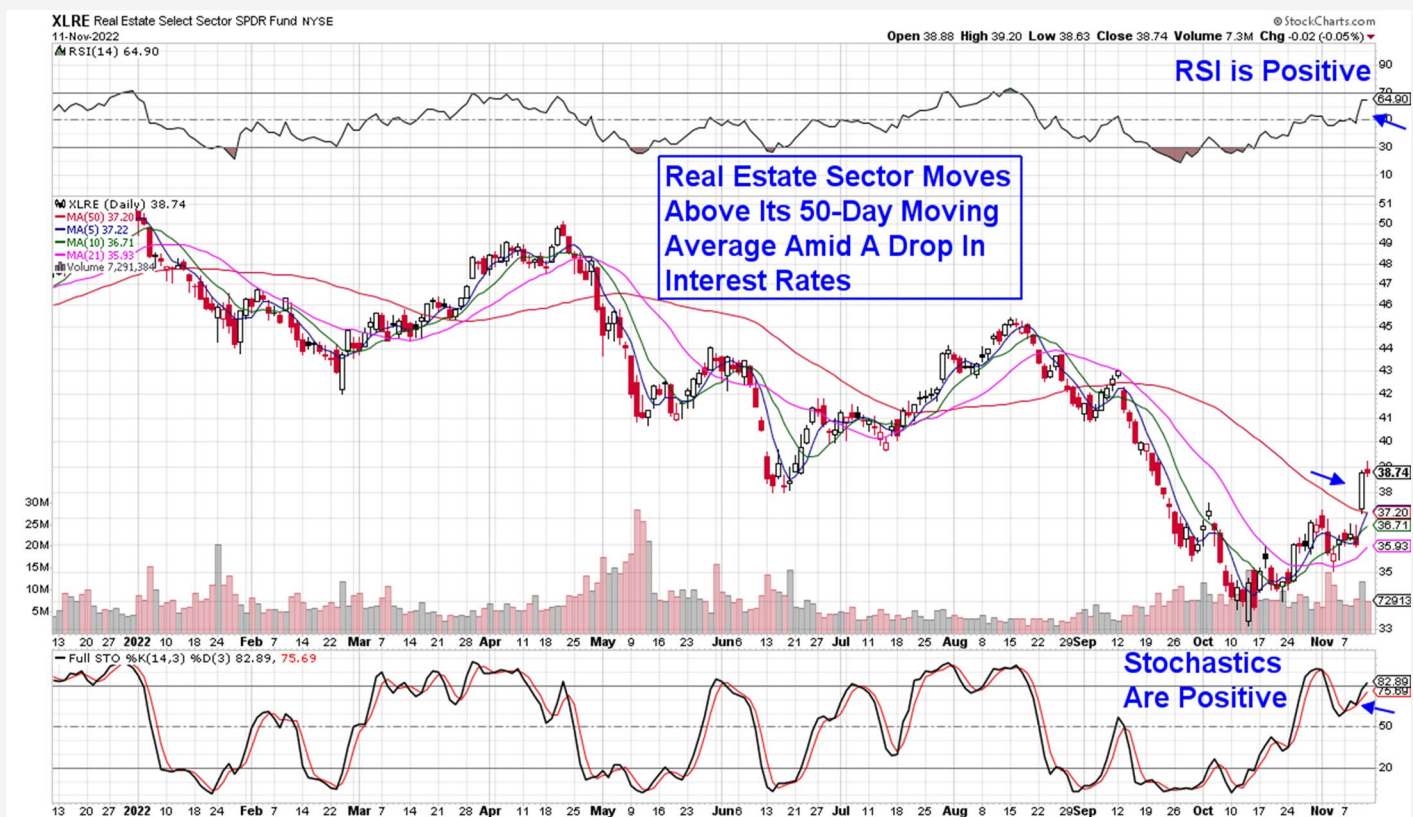
This is primarily because it was expected that Biden would allow more Oil related projects as a trade off to clean air initiatives should republicans win a majority. Instead, the Democratic party is leading results which should be a boost for solar stocks.

Despite an underperformance of Alternative Energy Equipment stocks, the group remains in a confirmed uptrend. ENPH is in a buy zone as a Friday pullback puts the stock at its 10-day moving average where it's finding support.

Data Storage stocks also posted a solid rally on volume and we're adding Netaap (**NTAP**) to our Suggested Holdings List. The manufacturer of network storage and data management hardware has seen its growth

estimates upgraded due to their exposure to digitization and data centers. NTAP is indue to report earnings in 2 weeks.

Real Estate Select Sector SPDR Fund (XLRE)



Real Estate Sector Outperforms

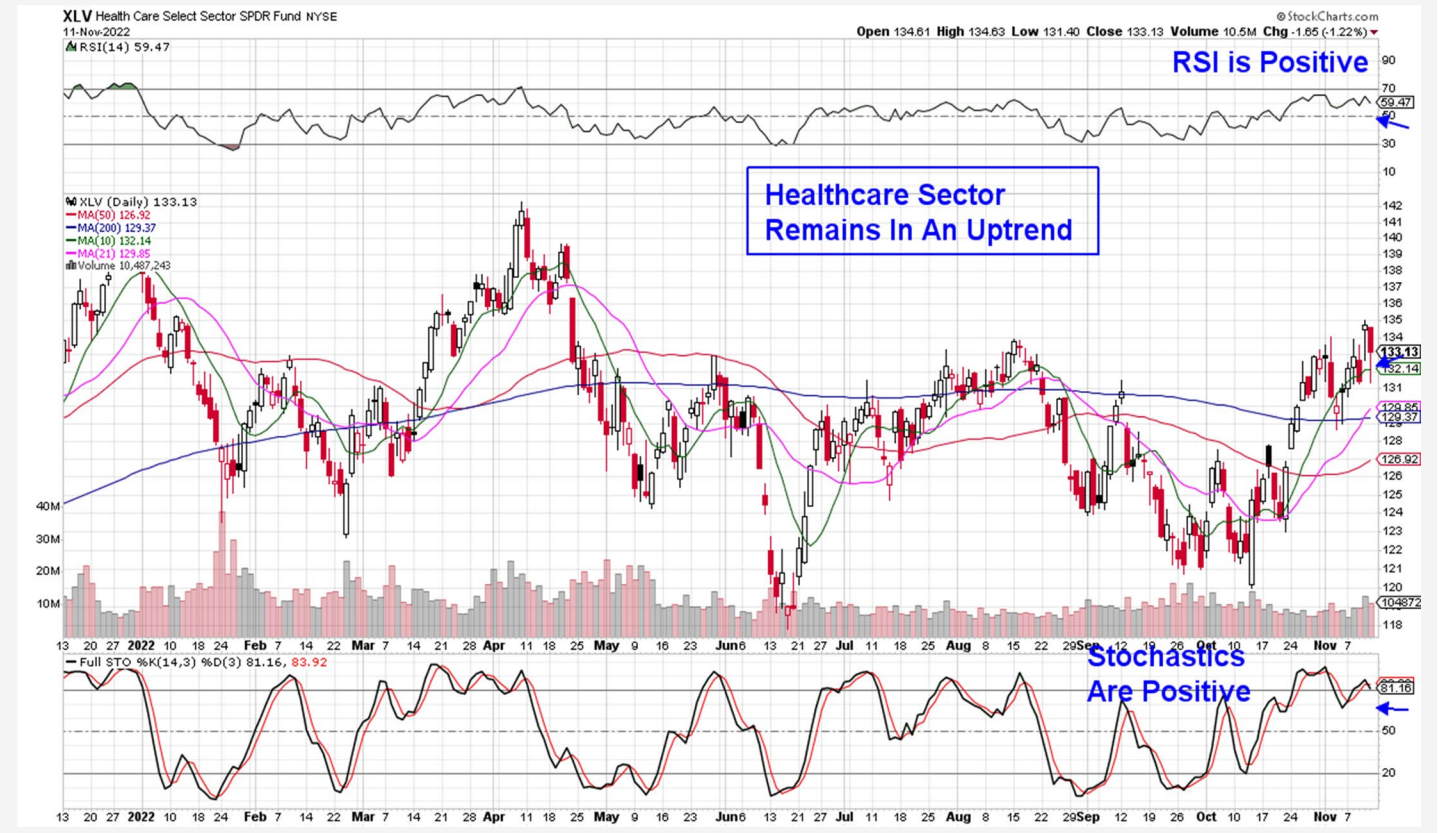
Real Estate stocks posted a strong gain on Thursday as the prospects of a less aggressive rate hike campaign by the Federal Reserve gave this group a boost. Lower interest rates allow REIT companies to borrow capital needed for expansion at a lower cost, which in turn boosts their returns.

Many companies in this sector have sold off sharply amid the recent rise in interest rates however, not all companies are seeing the same recovery rate among occupancy as work from home trends remain high while continued increases in online shopping is hurting retail centers.

Recently added Sun Communities (**SUI**) is experiencing positive growth among their properties however. The company is the leading owner and operator of manufactured housing and RV resorts with a focus on communities with age 55 and above.

SUI has traded back above its 50-day moving average with its momentum indicators turning positive. The stock is in a buy zone and can be bought on a pullback to the \$140 range.

Health Care Select Sector SPDR Fund (XLV)



Healthcare Sector Is Weakest Area

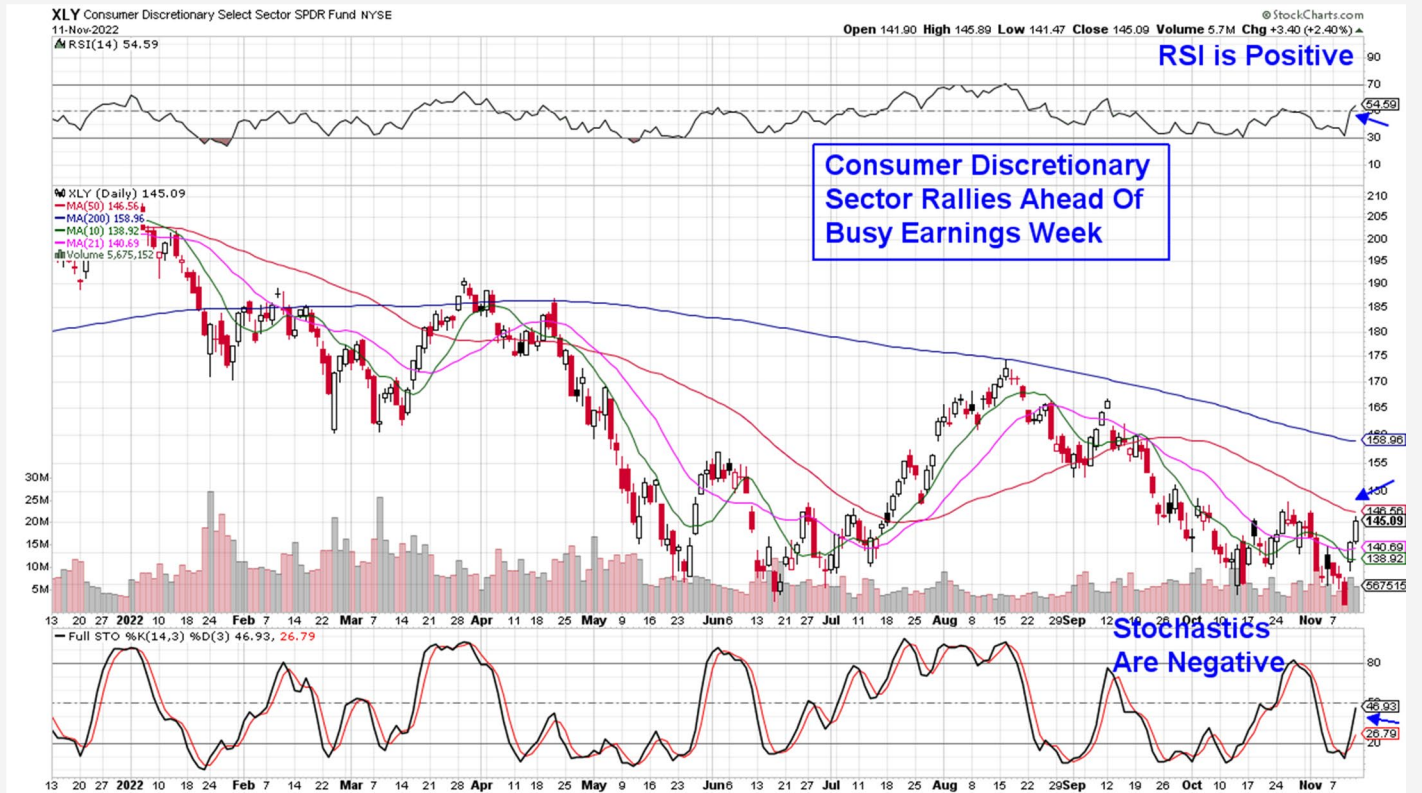
Healthcare stocks underperformed as this recently strong and more defensive area of the markets gained far less than the markets amid a rotation into Growth stocks.

Biotechs were the exception however, as an appetite for these riskier stocks picked up amid a 4.6% rally in ETF IBB from our Suggested Holdings List. IBB is in a buy zone as it is now less than a point away from a 3-month base breakout while trending higher on above average volume.

Gilead Sciences (**GILD**) is in a strong buy zone after a pullback on Friday had buyers pushing the stock back above its 10-day moving average. Amgen (**AMGN**) from our List also saw buying on a pullback to its 10-day moving average and this stock is also in a buy zone.

Vertex (**VRTX**) has not been as vibrant and it would need to trade back above its 10-day moving average to be in a buy zone. The stock has not participated in the rally among other Biotechs and we're considering removing it from our Suggested Holdings List if it retests its 50-day moving average again. For now, the stock can be held.

Consumer Discretionary Select Sector SPDR Fund (XLY)



Consumer Discretionary Sector Gets Earnings Boost

Retail and other consumer related stocks are the last to report quarterly results and last week, the best performers in this sector were beaten down companies that reported 3rd quarter earnings above estimates. This would include names such as Ebay (**EBAY**), Wayfair (**W**), Yeti (**YETI**) and Fiverr (**FVRR**) to name a few that posted double digit returns after reporting earnings.

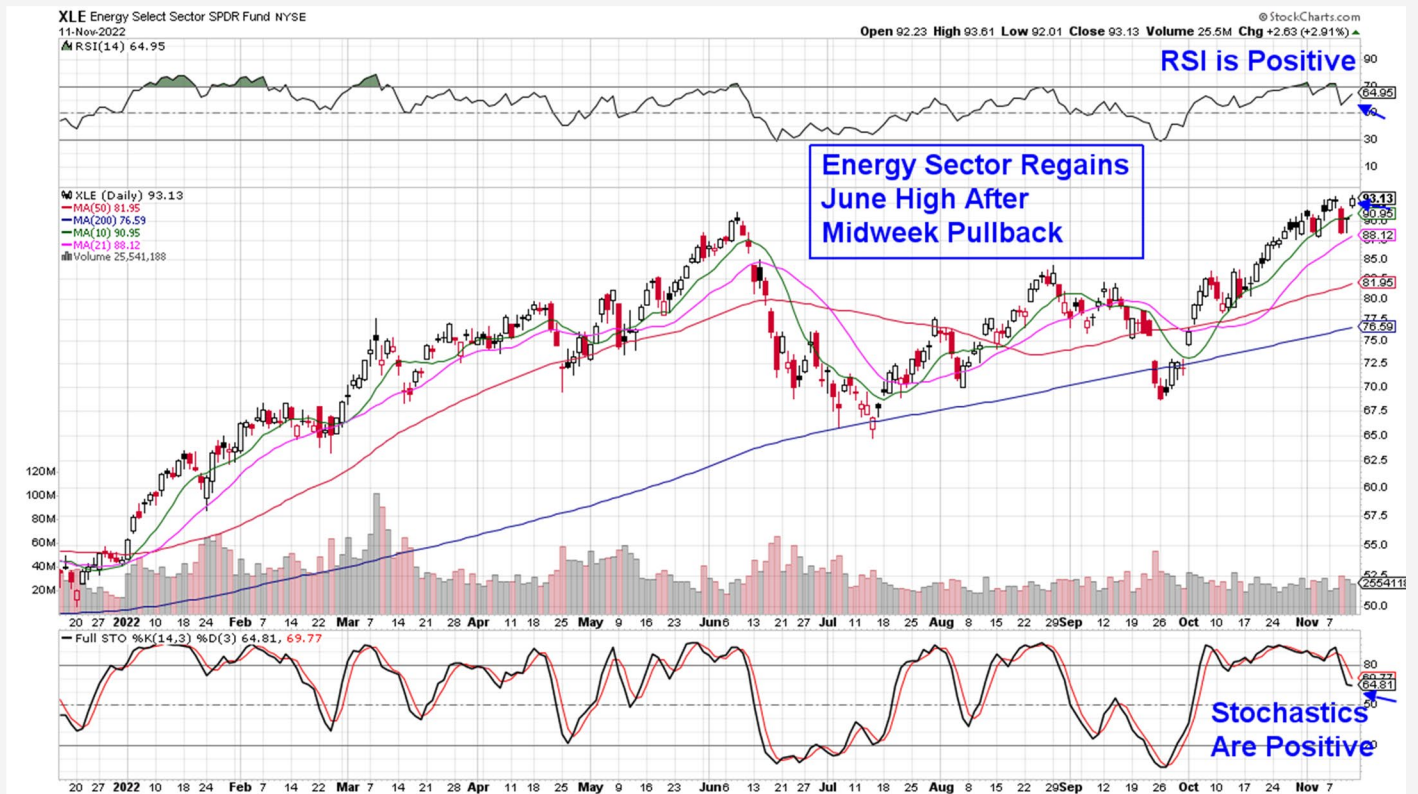
In contrast, Retail stocks that have been outperforming after reporting positive quarterly results last month, were flat for the week. This would include Genuine Parts (**GPC**) from our List which fell below its 10-day moving average on volume Friday with the MACD on its daily chart poised to have a negative crossover.

Given the rotation into newer earnings winners within this sector, we're removing GPC from our Suggested Holdings List and locking in profits while making way for other candidates from our Watch List that are due to report next week.

Depending on results from these companies, we'll add them accordingly to our Suggested Holdings List. Companies of interest include Williams Sonoma (**WSM**), Home Depot (**HD**), Gap Inc. (**GPS**).

Walmart (**WMT**) which is already on our Suggested Holdings List is due to report 3rd quarter results on Tuesday before the markets open. Last Friday, WMT received a downgrade from 2 separate Wall Street firms which is generally not good news going into earnings.

Energy Select Sector SPDR Fund (XLE)



Energy Sector End Week On A High Note

Energy stocks pulled back 5% on Wednesday following signs that Republicans may not be taking control of Congress after midterm elections. Investors were hopeful that Biden would need to make tradeoffs regarding the green lighting of new oil projects in return for support for climate initiatives.

The sector regained Wednesday's losses to end the week close to a new high in price amid news of a weekly increase in new oil rigs that was the largest since June.

Increased drilling activity improves the outlook for Oil & Gas Field Services companies such as Schlumberger (SLB) & Halliburton (HAL) from our Suggested Holdings List. Both companies provided needed drilling and project management services and analysts are raising their growth estimates.

HAL and SLB are in a strong buy zone after Friday's pullback to their 5-day moving average.

EOG Resources (EOG) from our List received 2 price target upgrades last week to as high as \$172 after closer review of their strong quarterly results earlier this month. The stock is in a strong buy zone after closing the week at its 5-day moving average.

Exxon (XOM) also closed the week just above its 5-day moving average on a price target upgrade on Friday. The stock is in a strong buy zone. On Saturday, the company announced their 1st fossil fuel discovery in Angola in 20 years which may give the stock a boost going into next week.

Summary

Last week's sharp rally which followed a lower than expected Consumer Price Index (CPI) report, pushed the markets into a new, near-term uptrend. The gains were sparked primarily by investors anticipation that the Federal Reserve may ease their rate hike campaign into next year.

This positive speculation will be tested as more economic data is released going into the Federal Reserve's next meeting in December. As noted, we need more than one inflation report to expect the Fed to pivot.

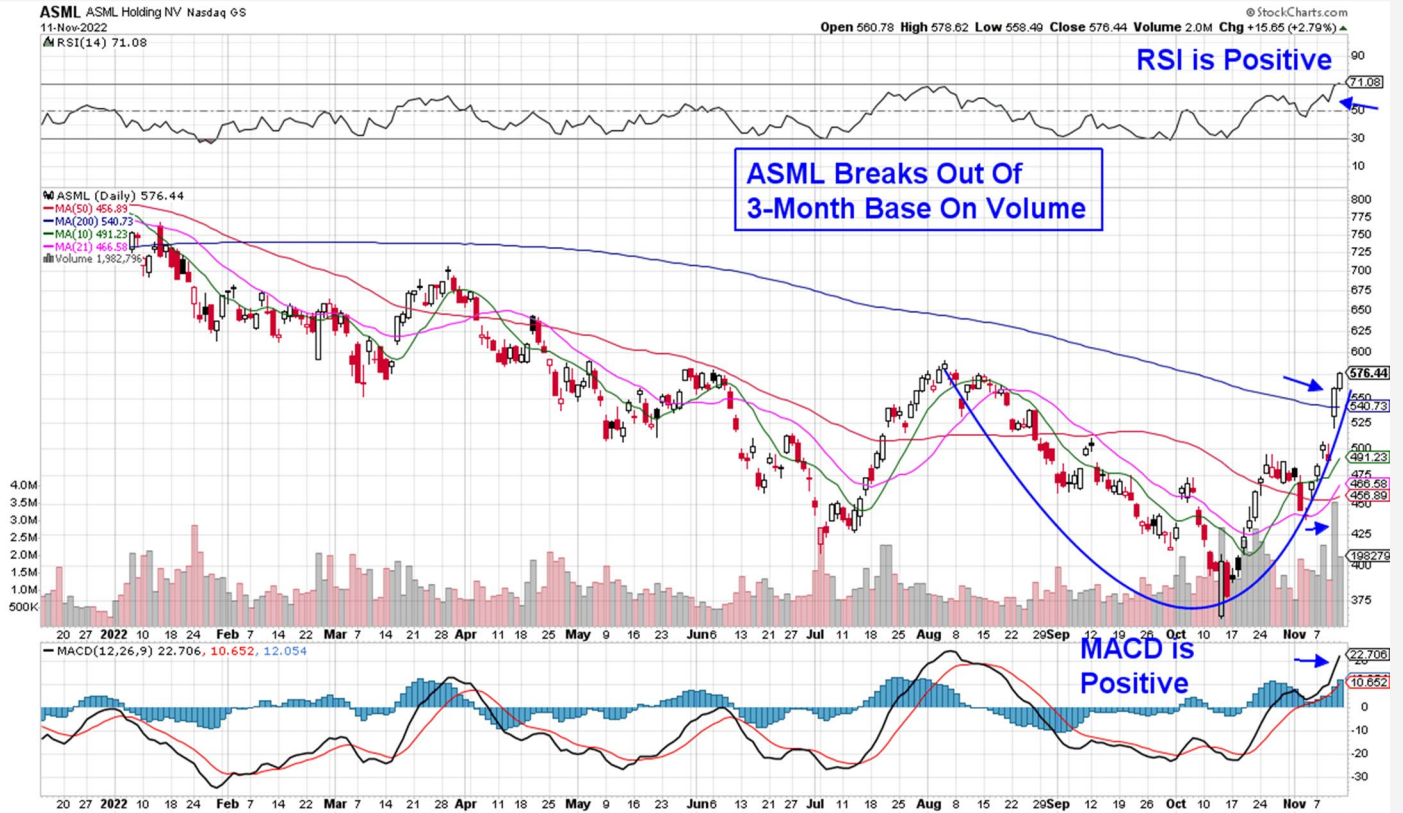
Most closely watched will be employment data as the strength in this area has been a concern for the Federal Reserve due to increased wage pressures. Higher salaries will keep spending among consumers high and in turn, keep inflation elevated.

Next week, we'll receive inflation data with PPI numbers and while not as impactful as the CPI, we may see volatility depending on the results.

Earnings releases from major Retailers may also impact the markets next week particularly as it relates to management's guidance heading into the important holiday season.

At this time, we're positive on the prospects of the markets over the near term while continuing to monitor interest rates as well as the U.S. dollar. Both metrics fell sharply last week which provided a bullish backdrop for stocks.

Daily Chart of ASML Holding NV (ASML)



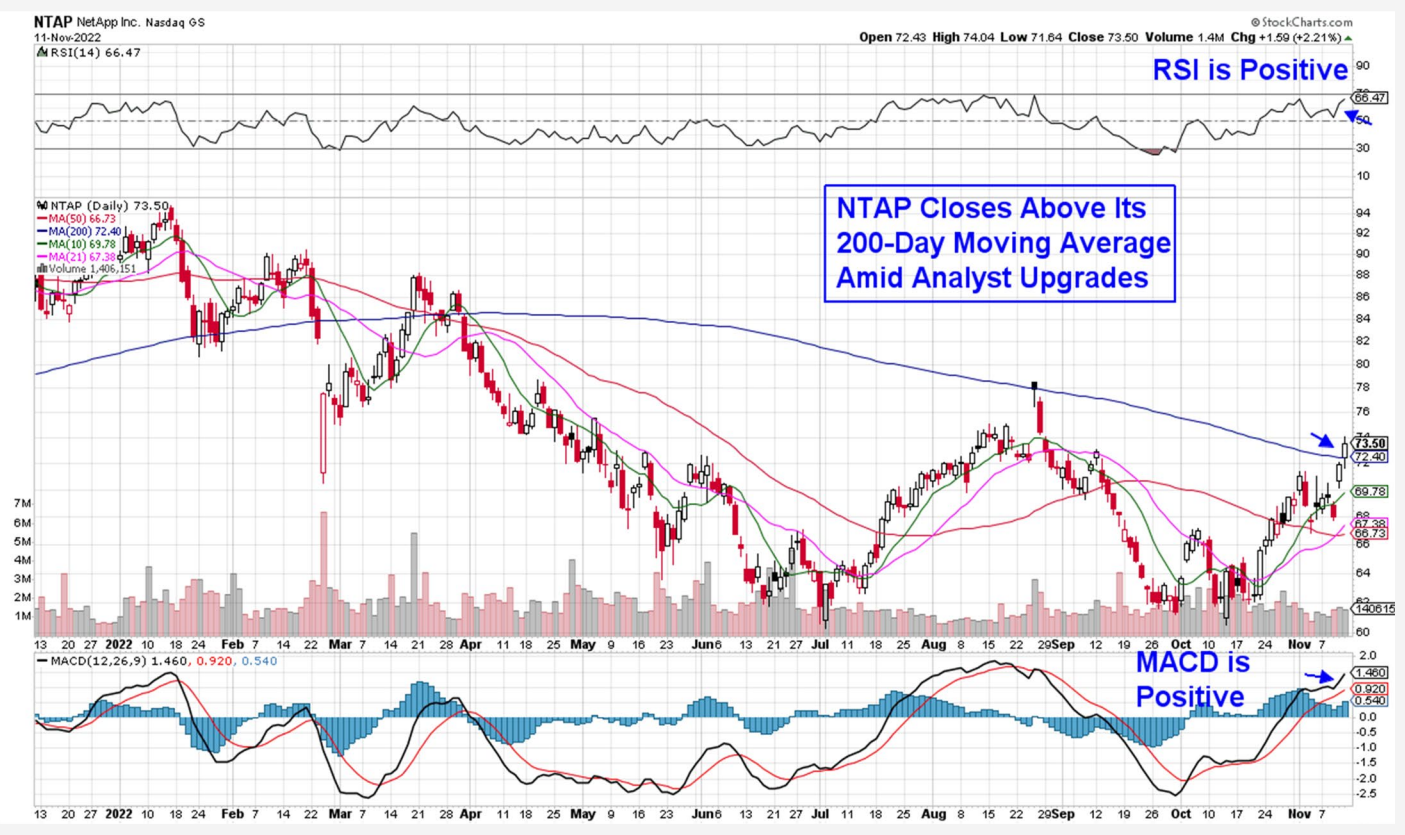
Daily Chart of Lam Research Corp. (LRCX)



Daily Chart of Microsoft Corp. (MSFT)



Daily Chart of NetApp Inc. (NTAP)



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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TECHNOLOGY						
ASML	A S M L Holding	\$576.40	11/13/2022		24-Jan	Semiconductors
ENPH	Enphase Energy	\$292.01	10/26/2022	-1.0%	14-Feb	Solar
LRCX	Lam Research Corp.	\$500.80	11/13/2022		25-Jan	Semiconductors
MSFT	Microsoft Corp.	\$247.11	11/13/2022		24-Jan	Software
NTAP	Netapp Inc.	\$73.50	11/13/2022		29-Nov	Computer Hardware
ON	ON Semiconductor	\$75.05	11/10/2022	3.0%	31-Jan	Semiconductors

CONSUMER DISCRETIONARY						
GPC	Genuine Parts Co.	\$177.96	10/23/2022	9.5%	16-Feb	Industrial
WMT	Walmart Inc.	\$142.58	10/30/2022	0.0%	15-Nov	Retail

ENERGY						
EOG	EOG Resources	\$147.11	10/23/2022	9.0%	23-Feb	Energy Exploration
HAL	Halliburton	\$38.74	11/6/2022	0.5%	23-Jan	Energy Exploration
SLB	Schlumberger	\$54.82	11/6/2022	8.5%	20-Jan	Oil and Gas
XOM	Exxon Mobil	\$113.95	10/30/2022	3.0%	7-Feb	Oil and Gas

REAL ESTATE						
SUI	Sun Communities	\$144.50	11/10/2022	1.0%		Real Estate

HEALTHCARE						
AMGN	Amgen Inc.	\$285.02	11/4/2022	6.0%	6-Feb	Biotechnology
IBB	iShares Biotech ETF	\$134.25	10/30/2022	3.5%	N/A	Biotechnology
GILD	Gilead Sciences Inc.	\$81.82	10/30/2022	3.0%	7-Feb	Biopharmaceutical
VRTX	Vertex Pharmaceutical	\$303.26	10/30/2022	-3.5%	25-Jan	biopharmaceutical

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.

Heading Earnings Due

These are stocks that are due to report their earnings at some point over the next week. If you own a stock due to report already and are comfortable, that stock can be held. We would not be a buyer of a stock just before the release of their earnings due to the risk factor of a company missing results and falling sharply.

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