



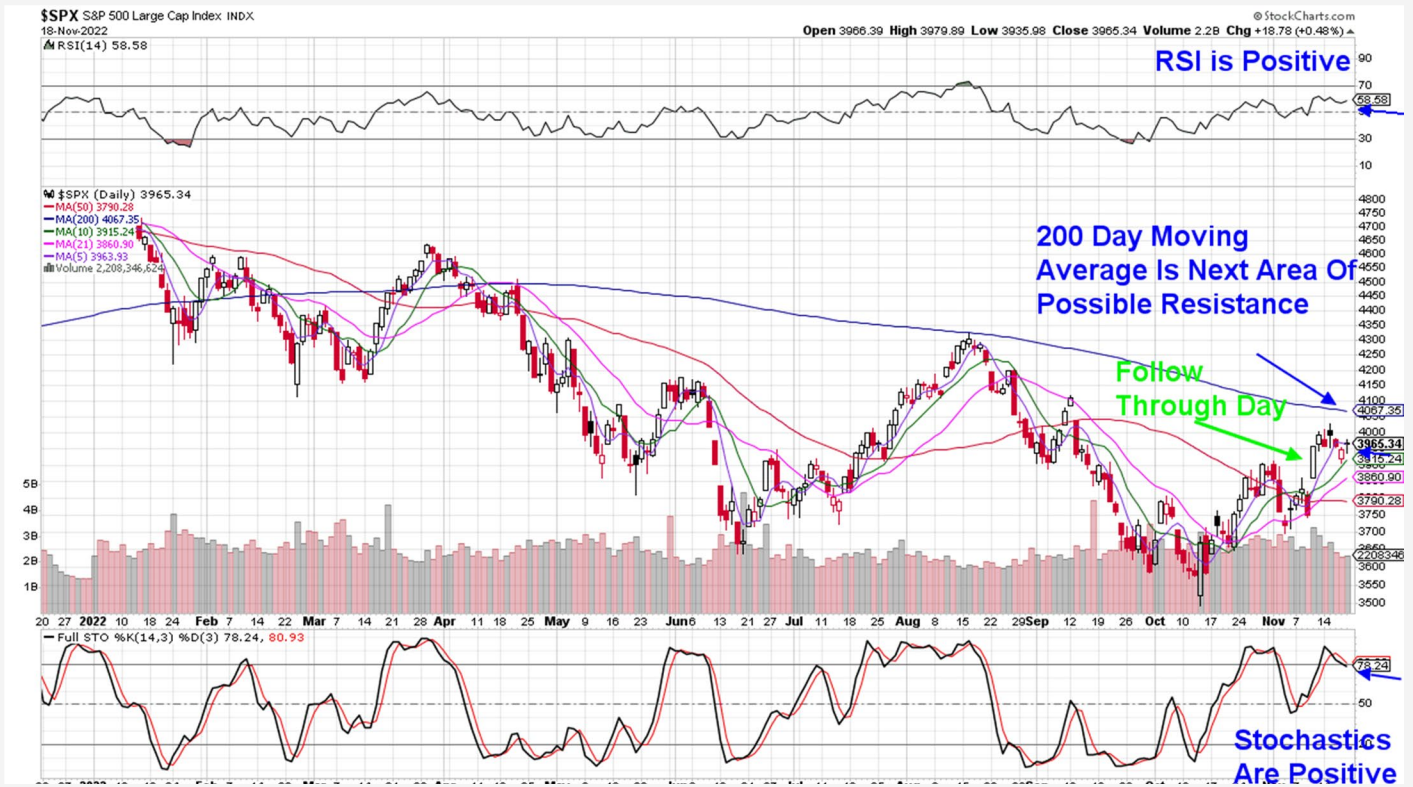
THE MEM EDGE

November 20th, 2022 | Weekly Report

This Week's Highlights

- Producer Price Index Points To Softening Inflation
- Job Layoffs Pick Up & Leading Indicators Point To A Possible Recession In Place
- Strong Walmart (WMT) Earnings Boost Market Tuesday/ Weak Target (TGT) Report Dampens Market Wednesday
- Durable Goods Orders, Manufacturing PMI & FOMC Minute Notes Due Next Week
- Retail Sales Jumps In October

Daily Chart of S&P 500



The S&P 500 lost 0.7% for the week in a pullback that keeps this Index above each of its shorter term moving averages. With the RSI and Stochastics in positive territory, we remain positive on the near-term prospects for the markets.

As noted in the chart above, the S&P 500 posted a bullish follow-through day on Thursday of the prior week, with an advance greater than 1.4% on volume that was heavier than the prior day. While this marks a near-term uptrend, the upside possibilities at this time

are limited due to the overall bear market status that remains in place.

In order to enter a sustainable bull market phase, we will need to see further evidence of declining inflation coupled with remarks from the Federal Reserve that they are considering reversing their rate hike campaign.

The next area of possible upside resistance for the S&P 500 is the 200-day moving average which is currently 2.5% away.

Should we experience a further pullback, the first area of possible support is the 10-day moving average which is 1.3% away with the 50-day moving average being the more critical area that we'd like to see this Index remain above. This key support area is now 4.6% below Friday's close.

Breadth in the markets remains healthy despite last week's pullback with 83% of stocks in the S&P 500 trading above their 50-day moving average.

Among the underlying sectors in this Index, a majority are above both their 50 and 200 day moving averages with the exceptions being higher growth areas such as Retail, Technology & Communication Services as well as Utility and REITs. Each of these areas are negatively impacted by higher interest rates.

The Nasdaq fell 1.6% for the week led by outsized losses in both Tesla and Amazon, while select areas of Software pulled back sharply as well. The decline pushed the Nasdaq to its 50-day moving average where it found support and with its RSI and Stochastics in positive territory, the near-term uptrend in this index remains intact. At this time, the Nasdaq is 1.7% above its 50-day moving average.

Last week was choppy as investors digested mixed economic and earnings reports while Federal Reserve officials continued to publicly speak about interest rates being nowhere near high enough to reduce currently high inflation levels.

A slowdown in producer prices as well as an increase in job layoffs both pointed to a slowdown in the economy while Friday's drop in the leading index has economists

concerned that we're already in a recession. As noted in prior reports, bad news for the economy is generally good news for the markets as it creates a path for a lower interest rate policy.

On the other hand, strong retail sales in October show that consumer spending remains elevated. Consumer spending is a large part of the U.S economy and continued spending will keep inflation high.

Adding to the uncertainty, heavyweight Retailer Walmart (**WMT**) posted strong quarterly results and guided growth estimates higher going forward while rival retailer Target (**TGT**) posted a dismal quarter and guided growth lower.

Behind the scenes, Federal Reserve officials are consistently relaying a message of caution regarding interest rates with speeches that warn of rates reaching as high as 7% before we could see an impact on the currently high level of inflation.

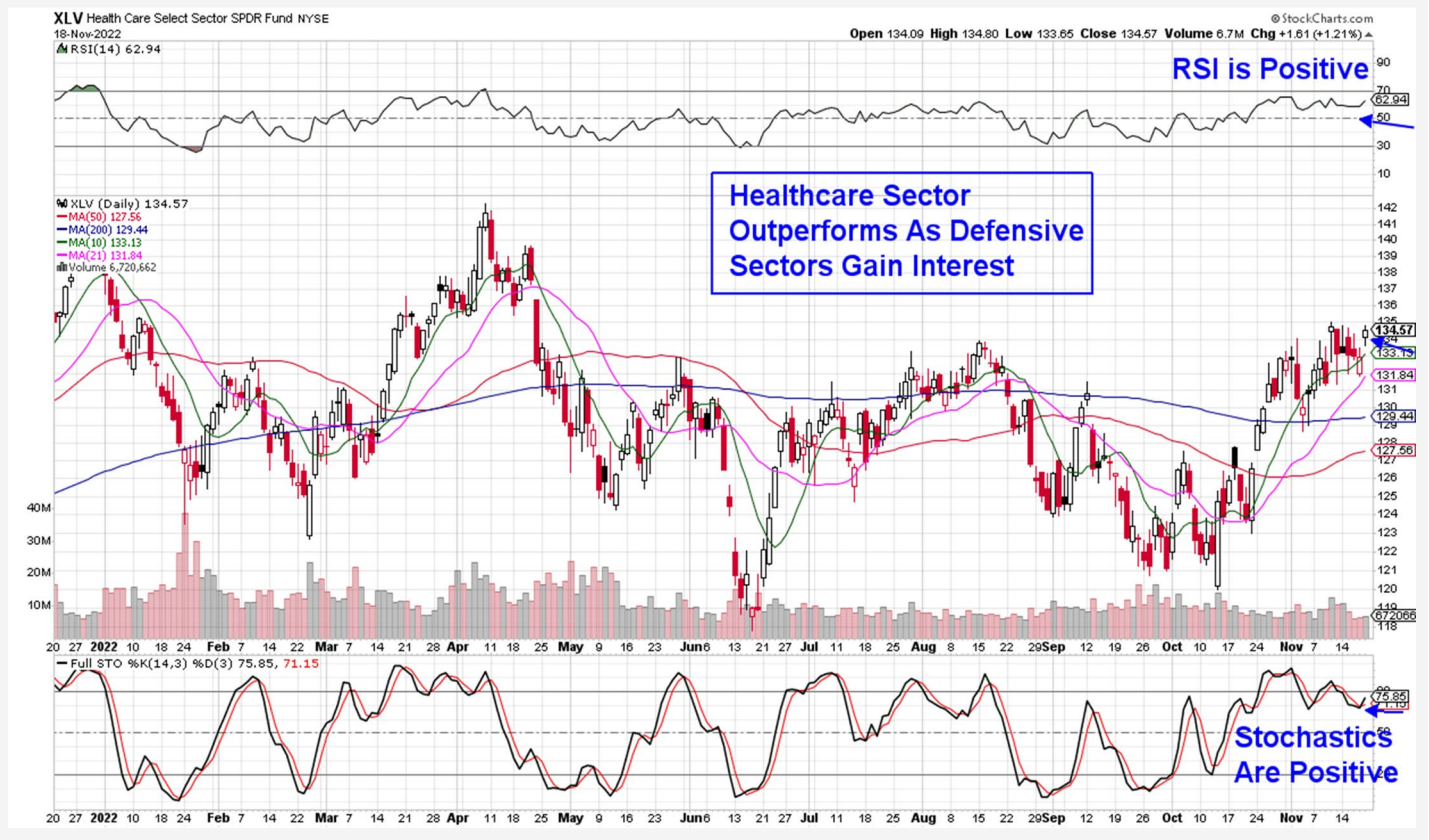
The mixed backdrop created a muted market as it gave investors a lot to digest however, there were pockets of strength beneath the surface with defensive areas such as Staples, Utility and Healthcare stocks outperforming. Other areas also fared well which we'll review below.

Next week is a holiday shortened period however, important data will be released such as Consumer Sentiment, Durable Goods orders and most notable, Wednesday's release of notes from the Fed's last meeting.

We would continue to keep new positions light with a nimble mindset.



Health Care Select Sector SPDR Fund (XLV)



Healthcare Sector Outperforms

Healthcare stocks picked up the pace last week with a 1% gain that was led by a rebound in managed care stocks that had sold off due to midterm election results. Other bright spots included select Medical stocks that were spurred higher after positive clinical trials that moved them closer to FDA approval for their products.

Biotech stocks were flat for the week with the ETF IBB from our List now in a strong buy zone after pulling back from a near-term high that was reached on Tuesday. IBB found support at its upward trending 10-day moving average on the low volume pullback, with its RSI and MACD in positive territory.

Amgen (**AMGN**) is in a strong buy zone as well, as the 2.7% yielder continues to find support at its upward trending 10-day moving average. Analysts are continuing to revise their estimates higher for the stock after the company posted promising results from their obesity drug which is being developed.

Biotech giant Gilead (**GILD**) also remains in an uptrend as the market for its HIV treatment is continuing to grow. The company's oncology drug sales soared in the 3rd quarter as well. GILD has a 3.5% yield with the

company raising their payouts by 40% over the past 5 years. The stock is in a buy zone.

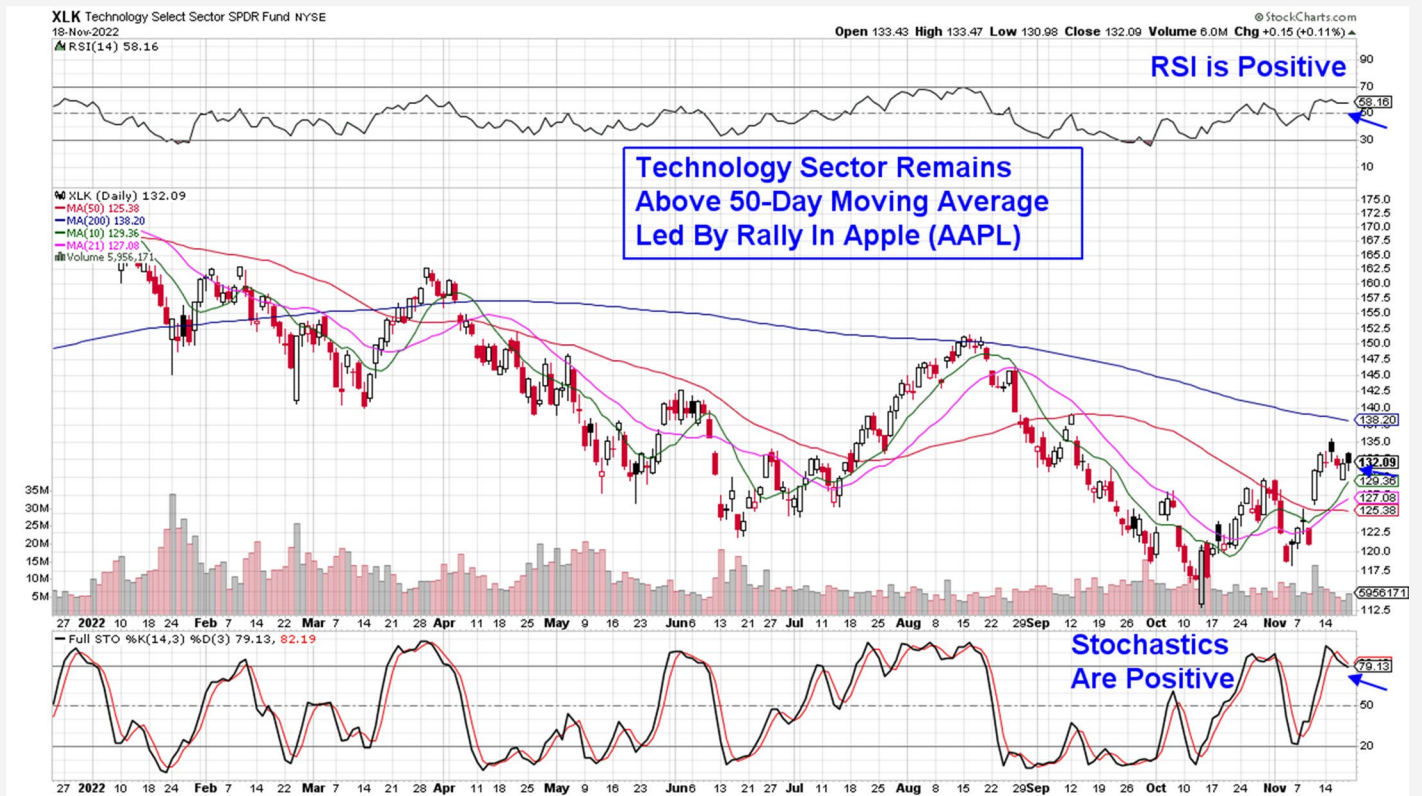
Vertex (**VRTX**) is another mega-cap Biotech firm that's getting analyst upgrades following recently reported strong 3rd quarter earnings results. In addition to their cystic fibrosis treatment, the company has a pipeline of promising drugs that are in the late stage of development including one for kidney disease.

VRTX is in a strong buy zone as it approaches a 3-week base breakout at \$318.

Biotech companies have proven they can thrive in a period of economic contraction such as now. Both VRTX and AMGN were among the top 10 performers in the S&P 500 during the 2008 recession. Their ability to develop and release new groundbreaking treatments for diseases makes them attractive regardless of the economic backdrop.

This week, we're adding AstraZeneca (**AZN**) to our Suggested Holdings List as the U.K based company is continuing to benefit from its 2021 acquisition of rare disease expert Alexion Pharma. AZN reported earnings growth of 68% year over year which was above estimates.

Technology Select Sector SPDR Fund (XLK)



Technology Sector Remains In An Uptrend

Technology stocks were mixed last week with Software stocks taking it on the chin with a 3.7% loss amid data that shows the economy may be softening. As mentioned in prior reports, corporate spending to upgrade or purchase new software is often the first area to see cuts as growth slows.

Heavyweight names such as Salesforce (**CRM**) and Intuit both fell sharply. Microsoft (**MSFT**) from our List fared a bit better than the group after finding support above its 50-day moving average. That said, we would not be a buyer at this time as overall group dynamics appear weak. We will continue to monitor price action as last week's tight trading on light volume is positive, while a break below its 50-day moving average would be negative for MSFT.

Telecom Equipment stocks were the biggest winners last week after positive quarterly results from heavyweight stock Cisco (**CSCO**) brought buyers to this stock as well as others in the group. Management raised growth guidance into next year for CSCO as supply chain issues eased.

Netapp Inc. (**NTAP**) from our List provided network and data storage management and last week, the stock regained its 200-day moving average after a rally on Friday that was on above average volume. The move puts the stock into a buy zone.

Semiconductor stocks were mixed as weak growth guidance from large companies such as Nvidia (**NVDA**)

and Micron (**MU**) brought many stocks in this group lower. Semis remain in an uptrend however as the group is above its shorter term moving averages.

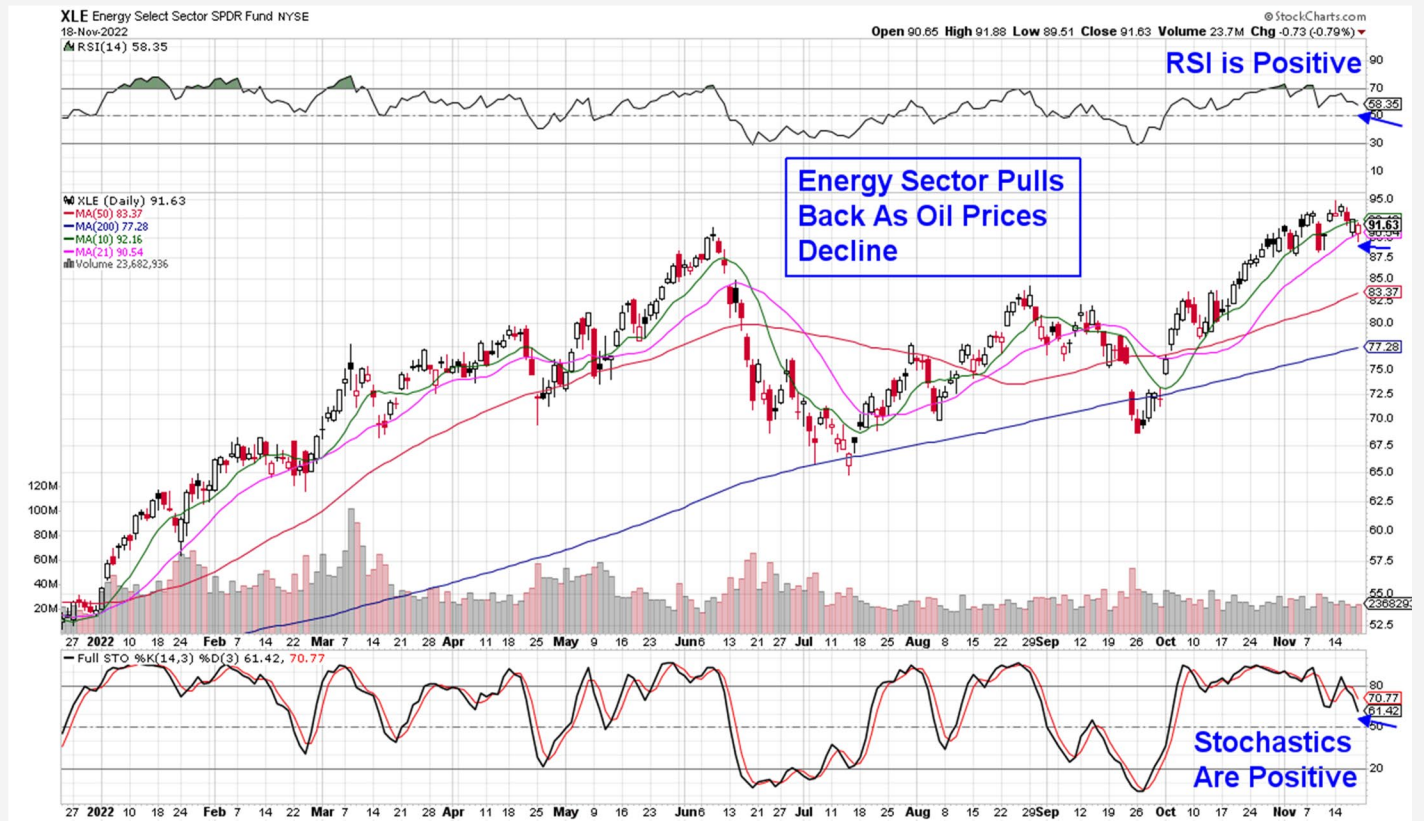
A S M L (**ASML**) was able to sidestep selling elsewhere to close the week up by 3% following several Wall Street upgrades - one well-respected firm raised its price guidance for the company to \$850.

The upgrades followed ASML's Investor Day on Friday November 11th, where management guided their long-term growth prospects much higher with revenues expected to double by 2025. The stock is in a strong buy zone as it finds support at its 5-day moving average.

ON Semi (**ON**) is also in a strong buy zone after recovering from a pullback earlier in the week. The company provides key components that are essential in the electrification of autos and news on Thursday that General Motors raised their electric vehicle forecast as it ramps up assembly plants, helped push ON back above its 10-day moving average.

Alternative Energy company Enphase (**ENPH**) posted a 6.8% gain for the week amid analyst upgrades. The company provides converters for solar power systems and demand remains high as they expand internationally. ENPH is in a strong buy zone as it finds support at its 5-day moving average.

Energy Select Sector SPDR Fund (XLE)



Energy Sector Pulls Back Amid Lower Oil Prices

Oil prices came under selling pressure amid news that China is cutting back their oil imports due to increased lockdowns related to Covid. Reports that Europe may now have more oil than needed due to stockpiling ahead of their upcoming embargo against Russian crude.

The decline pushed Energy stocks lower for the week with Haliburton (**HAL**) from our List falling below its 21-day moving average despite a price target upgrade. Buyers stepped in on the pullback so that HAL ended the day Friday in the upper reaches of its trading range. This is bullish price action and we'd be a buyer of HAL on a move back above its 21-day moving average.

Should we see continued selling into next week however, we'll be closely watching the RSI on the daily chart as a move into negative territory below 50, would have us negative on the near-term prospects for HAL.

Schlumberger (**SLB**) which is in the same Energy Services industry group fared a bit better for the week

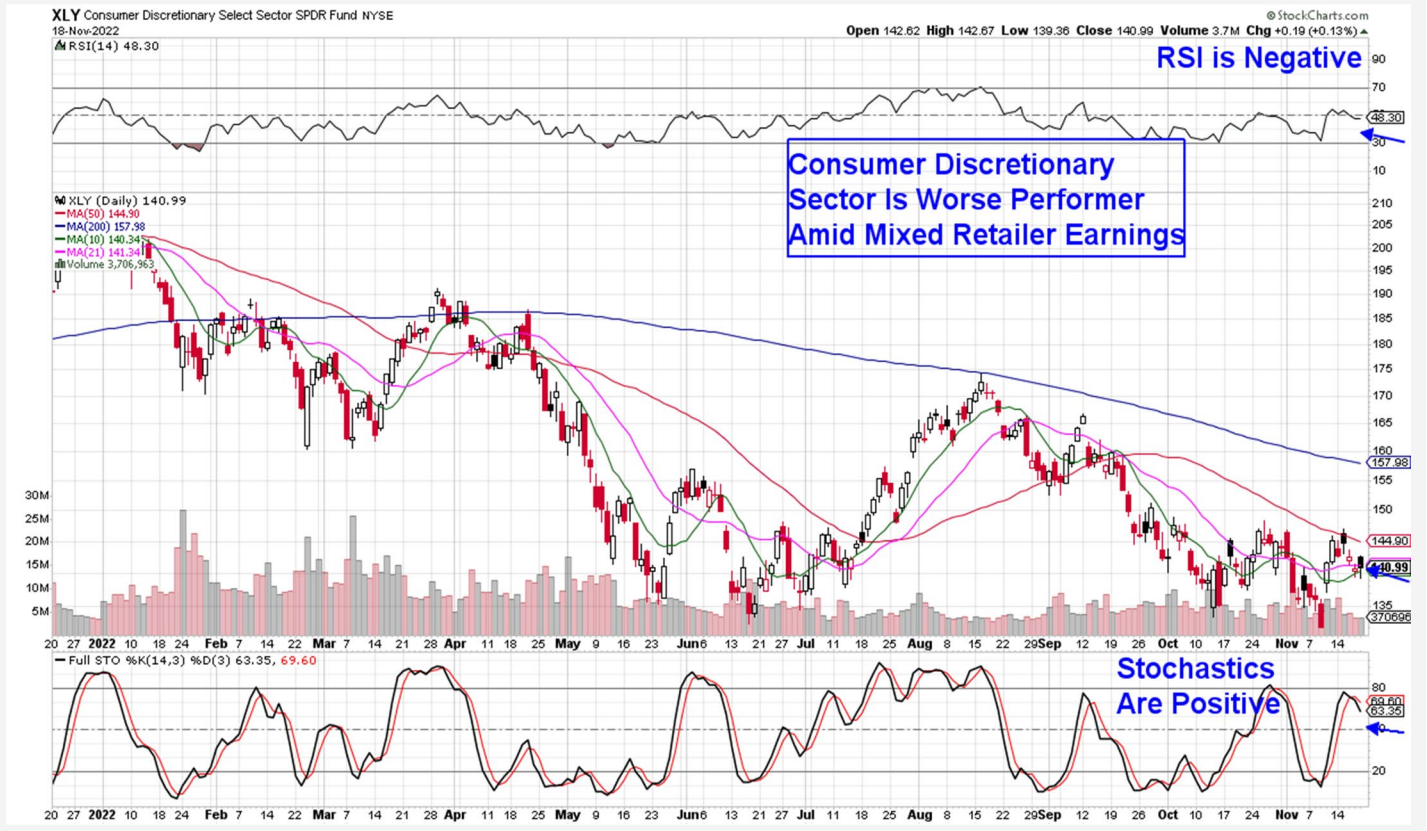
with a rally on Friday that's pushed the stock back above its 21-day moving average with its RSI in a better position on its daily chart. A break back above its 10-day moving average would put SLB into a strong buy zone.

Exxon (**XOM**) and E O G Resources (**EOG**) also closed the week above their 21-day moving averages and are in a buy zone.

While lower oil prices have negatively impacted Energy stocks in the past, more recently a direct synergy has not been evident. Instead, investors are focused on the strong growth prospects of Energy companies as well as the above average dividend yields that these companies provide.

At this time, we're on the lookout for a recovery into a strong buy zone for these stocks and will alert you to any shift in sentiment.

Consumer Discretionary Select Sector SPDR Fund (XLY)



Consumer Discretionary Sector Is Worse Performing

While a sharp drop in heavyweights Tesla and Amazon pulled this sector lower, other areas also came under selling pressure with Travel, Leisure Related and select Retailer stocks dropping more than the markets.

This high growth area had plenty of news to digest with many companies reporting earnings that were mixed at best while economic data pointing to a softening of the economy overrode a jump in retail sales.

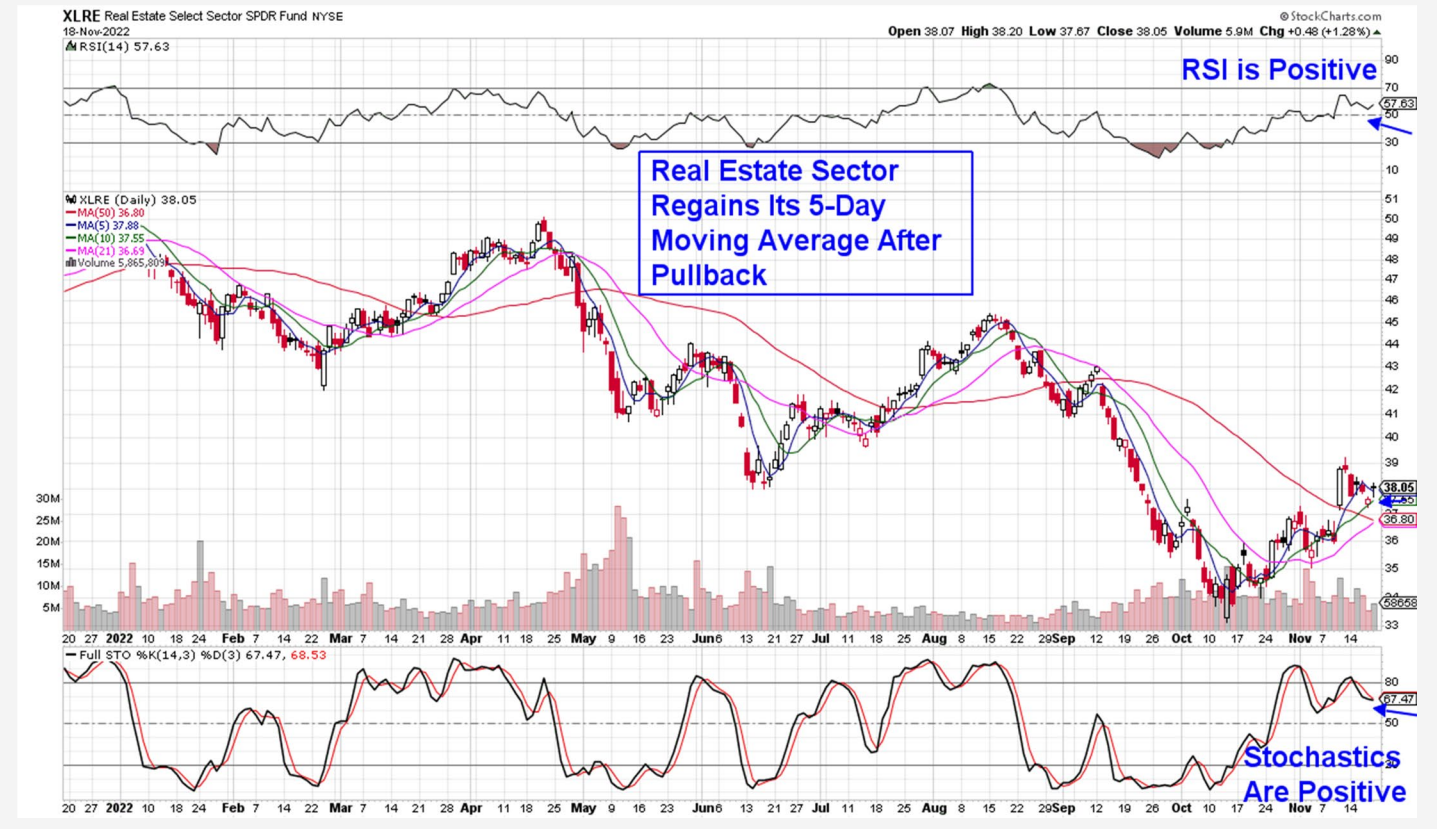
Overall, discount retailers have been one area able to outperform. This is in line with other periods of high inflation and economic contraction when consumers gravitate toward lower priced products.

Walmart (**WMT**) from our List is a prime example as the company has fared well in prior recessionary periods such as 2008. Last week, WMT reported strong same store sales driven primarily by an increase in grocery sales which are a needed product despite a weak economic backdrop.

In addition, management guided growth estimates higher into year end as WMT continues to take market share from other large discount retailers.

WMT is in a strong buy zone and the stock can be bought on any pullback to the \$148 range.

Real Estate Select Sector SPDR Fund (XLRE)



Real Estate Sector Underperforms

REIT stocks fell further than the markets led by a sharp drop in Mortgage REITs. The decline occurred amid data that showed a drop in builders confidence which is now at its lowest level since June 2012. Prospects of a hawkish Federal Reserve which points to higher interest rates is also a negative for this group of REITs.

Real Estate Services companies such as Zillow also fell sharply.

Sun Communities (SUI) from our List pulled back with the group however, the stock found support at its 10-day moving average. With its RSI and MACD in positive territory, SUI is in a strong buy zone following Friday's rally on high volume which pushed the 2.5% yielder closer to a 1-week base breakout.

Despite last week's pullback, the Real Estate sector (XLRE) remains in an uptrend.

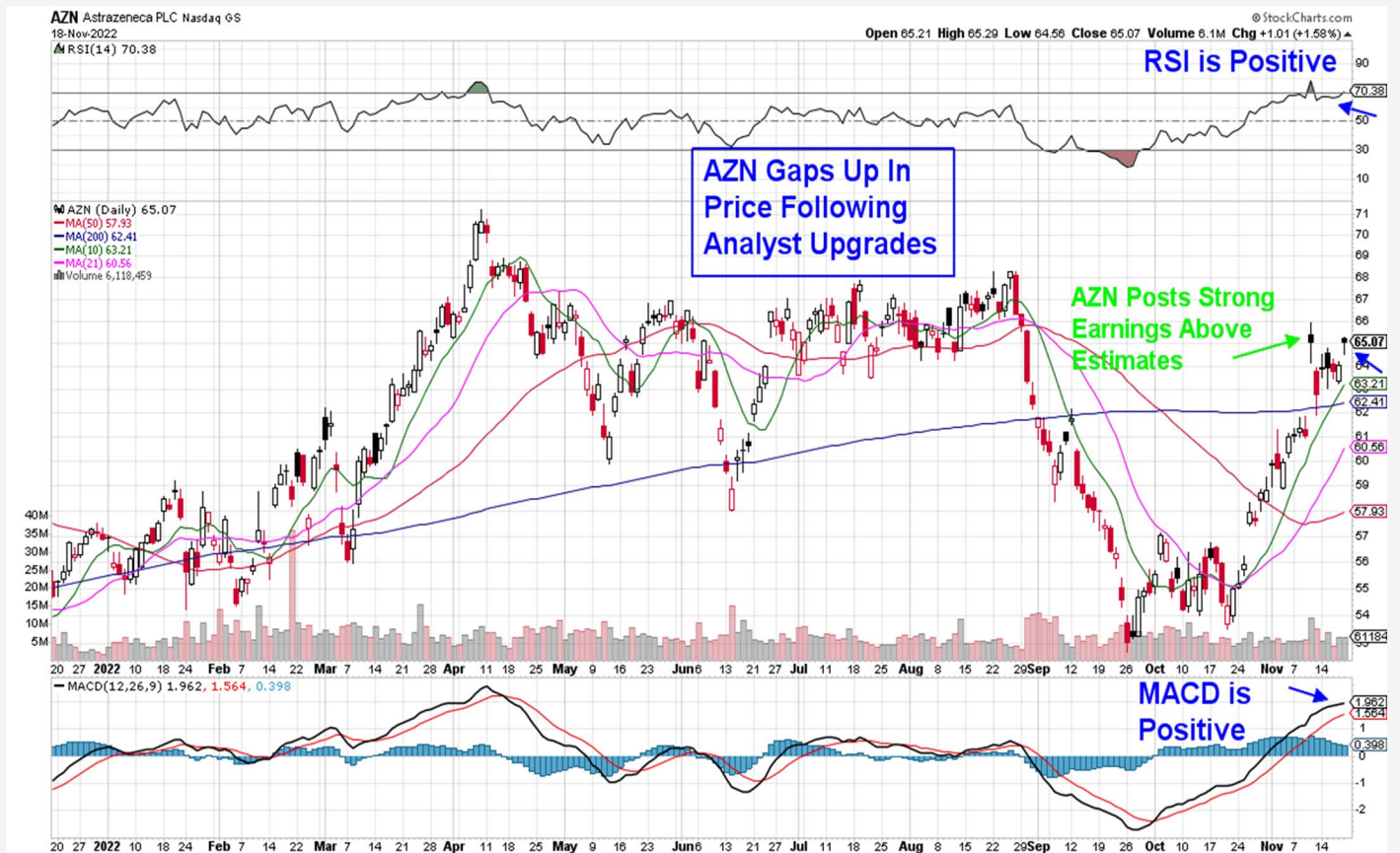
Summary

Last week, the markets were unable to keep the prior week's upward momentum going despite a cooler than expected PPI inflation report. Commentary from Fed officials that pointed to continued upward pressure on interest rates overrode any pivot hopes while economic data that showed the beginning of cracks beneath the surface of the economy, also weighed heavy.

At this time, we will continue to favor inflation resistant stocks that tend to fare well during the late stages of an economic business cycle. This week, we added only 1 new candidate to our list amid crosscurrents surrounding economic data. In addition, Wednesday's release of notes from the Fed's latest meeting may cause volatility.

Despite the upcoming holiday shortened week, I'll continue to forward any needed Alert Reports should there be any shift in sentiment regarding the markets or stocks on our List.

Daily Chart of AstraZeneca PLC (AZN)



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	3.0%	24-Jan	Semiconductor
ENPH	Enphase Energy	\$292.01	10/26/2022	6.0%	14-Feb	Solar
MSFT	Microsoft Corp.	\$247.11	11/13/2022	0.0%	24-Jan	Technology
NTAP	Netapp Inc.	\$73.50	11/13/2022	0.0%	29-Nov	Technology
ON	ON Semiconductor	\$75.05	11/10/2022	-0.5%	31-Jan	Semiconductor

CONSUMER DISCRETIONARY						
WMT	Walmart Inc.	\$142.58	10/30/2022	5.5%	15-Nov	Retail

ENERGY						
EOG	EOG Resources	\$147.11	10/23/2022	5.0%	23-Feb	Oil Exploration
HAL	Halliburton	\$38.74	11/6/2022	-4.5%	23-Jan	Energy
SLB	Schlumberger	\$54.82	11/6/2022	6.0%	20-Jan	Petroleum
XOM	Exxon Mobil	\$113.95	10/30/2022	1.5%	7-Feb	Oil

REAL ESTATE						
SUI	Sun Communities	\$144.50	11/10/2022	0.0%	20-Feb	Real Estate

HEALTHCARE						
AMGN	Amgen Inc.	\$285.02	11/4/2022	7.0%	6-Feb	Biotechnology
IBB	iShares Biotech ETF	\$134.25	10/30/2022	3.5%	N/A	Pharmaceuticals
GILD	Gilead Sciences Inc.	\$81.82	10/30/2022	5.0%	7-Feb	Biotechnology
VRTX	Vertex Pharmaceutical	\$303.26	10/30/2022	0.5%	25-Jan	Pharmaceuticals
AZN	Astrazeneca PLC	\$65.10	11/20/2022	0.0%	10-Feb	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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