



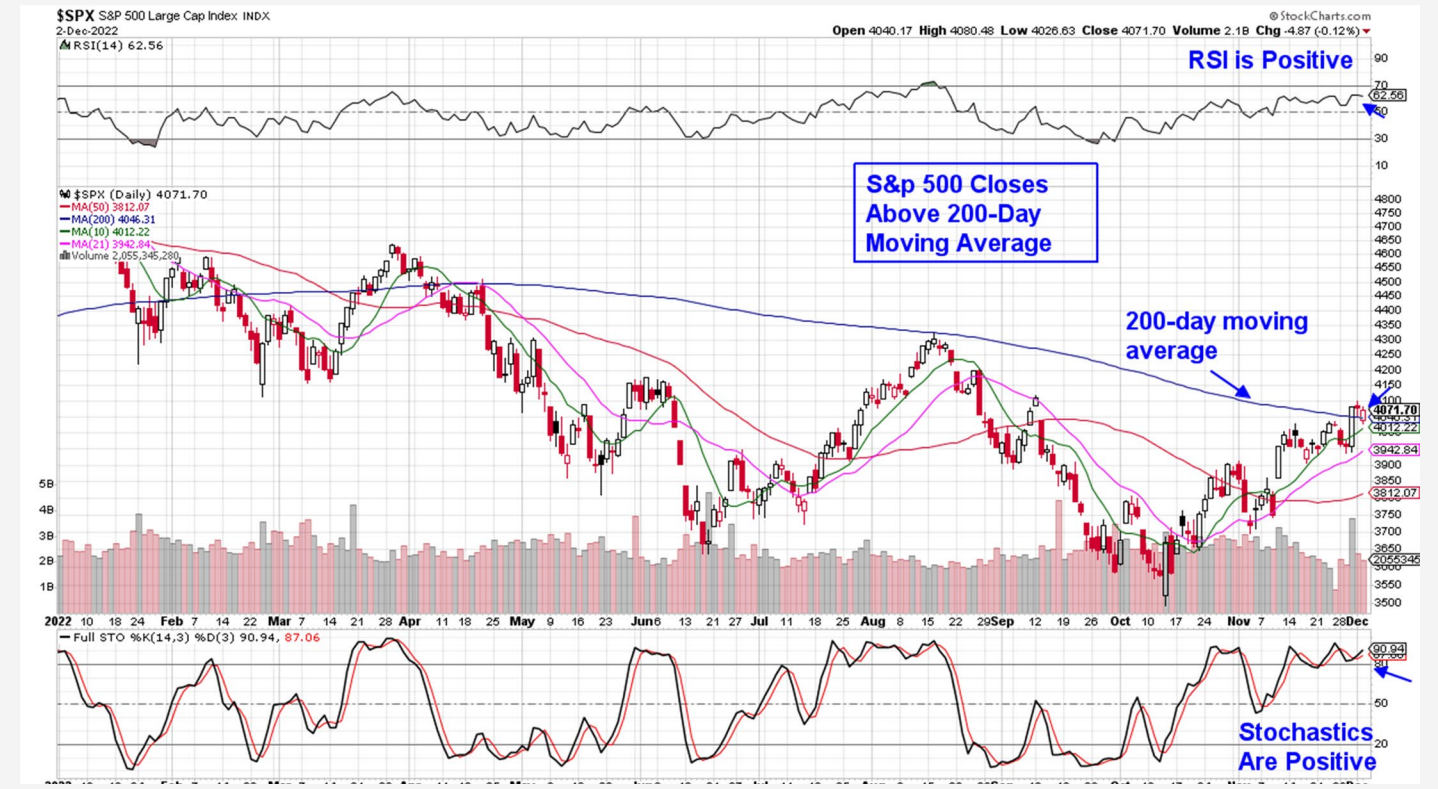
THE MEM EDGE

December 4th, 2022 | Weekly Report

This Week's Highlights

- Fed Chair Powell Confirms Possible Slowdown In Large Rate Hikes
- Consumer Confidence Falls Due To Inflation While Private Job Growth Slows
- PCE Inflation Numbers Come In Lighter Than Expected
- November Unemployment Report Comes In Stronger Than Expected
- Light Economic Calendar And Quiet Federal Reserve Period Next Week

Daily Chart of S&P 500



The S&P 500 gained 1.1% last week which pushed this Index above its key 200-day moving average. With the RSI and Stochastics in positive territory, we remain bullish on the market's near-term uptrend.

Wednesday's move of the S&P 500 above its 200-day moving average is constructive for the prospects of the markets, and this 200-day moving average is now the first area of near-term support should we experience a pullback.

While we'd like to see a longer period with the S&P 500 above its 200-day moving average to provide confidence that the bear market rally will continue, the good news is that last week Growth stocks outperformed. This provides a broadening out of participation within the markets beyond the safer-haven Dow Jones stocks which have been outperforming since mid-October.

As mentioned in last week's report, in order for the markets to experience a longer-term uptrend, we'd

need to see the S&P 500 and Nasdaq exhibit outperformance as well as the Dow, as a move into heavier weighted areas such as Information Technology has been the hallmark of a strong bull market.

While the Tech sector did outperform last week, it was by a narrow margin.

The Tech heavy Nasdaq was the top performer for the week with a 2.2% gain led by a sharp rally in most of the FAANMG stocks. A rally in Software, Medical Products and Biotech stocks also boosted this Index.

Last week's gain in the Nasdaq helped push it further up toward its 200-day moving average which is the next area of possible resistance and is now 4.9% away. Should we see a pullback, the 10-day moving average is the next area of support which is 2.1% away.

Last week's trading activity was lackluster at first, until Fed Chair Powell's comments on Wednesday pushed the markets - particularly growth stocks - sharply higher on the day.

Of note was Powell's reiteration that the Federal Reserve is open to lowering the percent of rate hike increases going forward. This is the same position that was uncovered the prior week, when notes from the most recent FOMC meeting were released.

The news helped push interest rates on the 10-year Treasury bond down for the week. Lower interest rates are good for stocks - particularly ones in Growth areas as the value of their future earnings are not negatively impacted.

More positive news was released on Thursday, as core Personal Consumption Expenditures data (PCE) - a key

metric of inflation for the Federal Reserve - came in lower than expected. The market's response was muted however, as employment data was due on Friday.

Employment data is another hot button for the Federal Reserve, as high employment will put upward pressure on wages which in turn, will increase inflation due to higher consumer spending. This was precisely the case for November, as Friday's report showed a large number of new jobs were added, while wages rose sharply.

The markets initially sold off on the news however, most of the losses were recovered by the close so that the S&P 500 ended the day flat. This is a positive move that underscores a generally bullish bias in the markets.

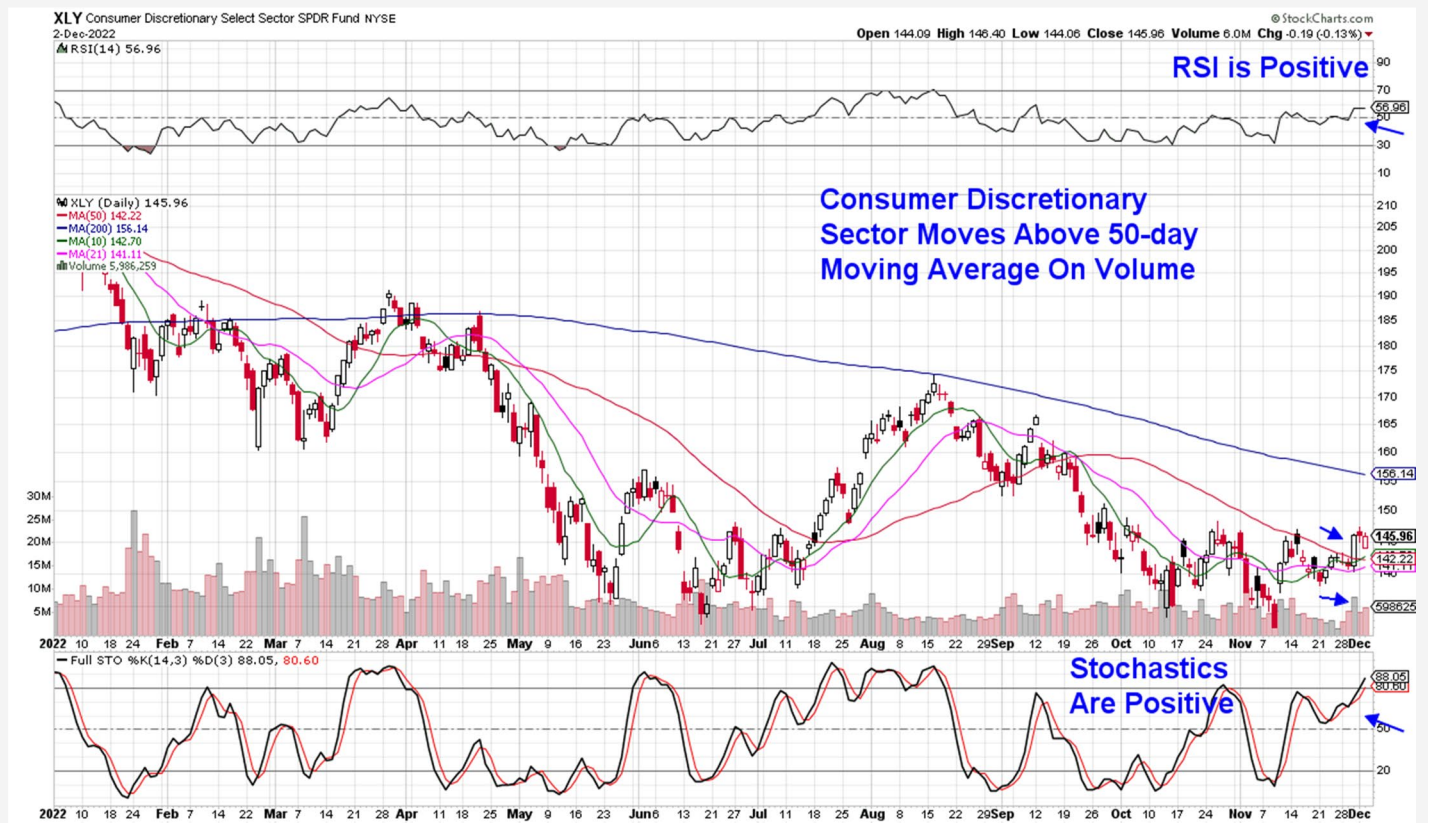
Next week, the economic calendar is light until Friday, when a final number for November's Producer Price Index (PPI) is released. This is another closely followed gauge of inflation. Also of note, Federal Reserve officials will go into a mandated "quiet period" ahead of their final FOMC meeting the following week.

Investors will be left with keeping a close eye on interest rates as well as the U.S. dollar as recent declines in both areas have created a positive backdrop for the markets. News regarding a possible easing of China's Covid lockdown policy has also been impactful, with metals such as silver and steel rallying on the news.

Given the bullish bias in the markets, we would add to positions as we head into year-end. We may see headwinds with the new year however, so caution longer-term is still advised.



Consumer Discretionary Select Sector SPDR Fund (XLY)



Consumer Discretionary Sector Outperforms

The Discretionary sector outperformed last week led by gains in Retail companies that rallied after reporting earnings that were ahead of estimates. Retailers are the last to report their quarterly results each quarter and any hint of positive news is pushing these stocks higher, as most of these names are well off their highs from a year ago.

Select Retailers that reported positive earnings earlier this month remain in an uptrend such as Home Depot (**HD**) and Walmart (**WMT**) from our List which both posted slight gains last week.

HD experienced a sharp reversal rally on Wednesday which pushed the stock back above its 10-day moving average on volume and back into an uptrend.

In addition to rebounding with the markets, Home Depot announced on Wednesday the purchase of solar energy that will replace 8% of their total electricity usage. The move is part of the company's plan to use alternative energy for all their needs by 2030. HD is in a buy zone as analysts continue to revise their estimates higher for next year.

Walmart exhibited similar price action on Thursday which pushed the stock into a buy zone. The rally followed news of a Wall Street price target upgrade to \$185 which is over 20% above WMT's current price with

the analyst updating their forecast model following earnings. WMT is in a buy zone.

Last week, major discount Retailer Costco (**COST**) tumbled after the company pre-announced weak same store sales ahead of the release of their earnings on Thursday. The company cited weakening sales among non-food products as consumers face high inflation.

While **COST**'s weak numbers may be built into their earnings report on Thursday, we may see an impact on WMT and elsewhere depending on management's comments.

Recently added Lululemon (**LULU**) is due to report earnings next Thursday after the market's close and analysts are revising their estimates higher going into the report which has historically been bullish. LULU was among a handful of retailers where Wall Street firms noted higher than average shopping traffic over the Thanksgiving holiday period which may help improve guidance from management.

Last week's move into the Consumer Discretionary sector pushed it back above its 50-day moving average which is constructive. However, the group is currently among the bottom 2 performers year-to-date. Much of this is due to a 50% loss in heavyweight names Amazon (**AMZN**) and Tesla (**TSLA**).

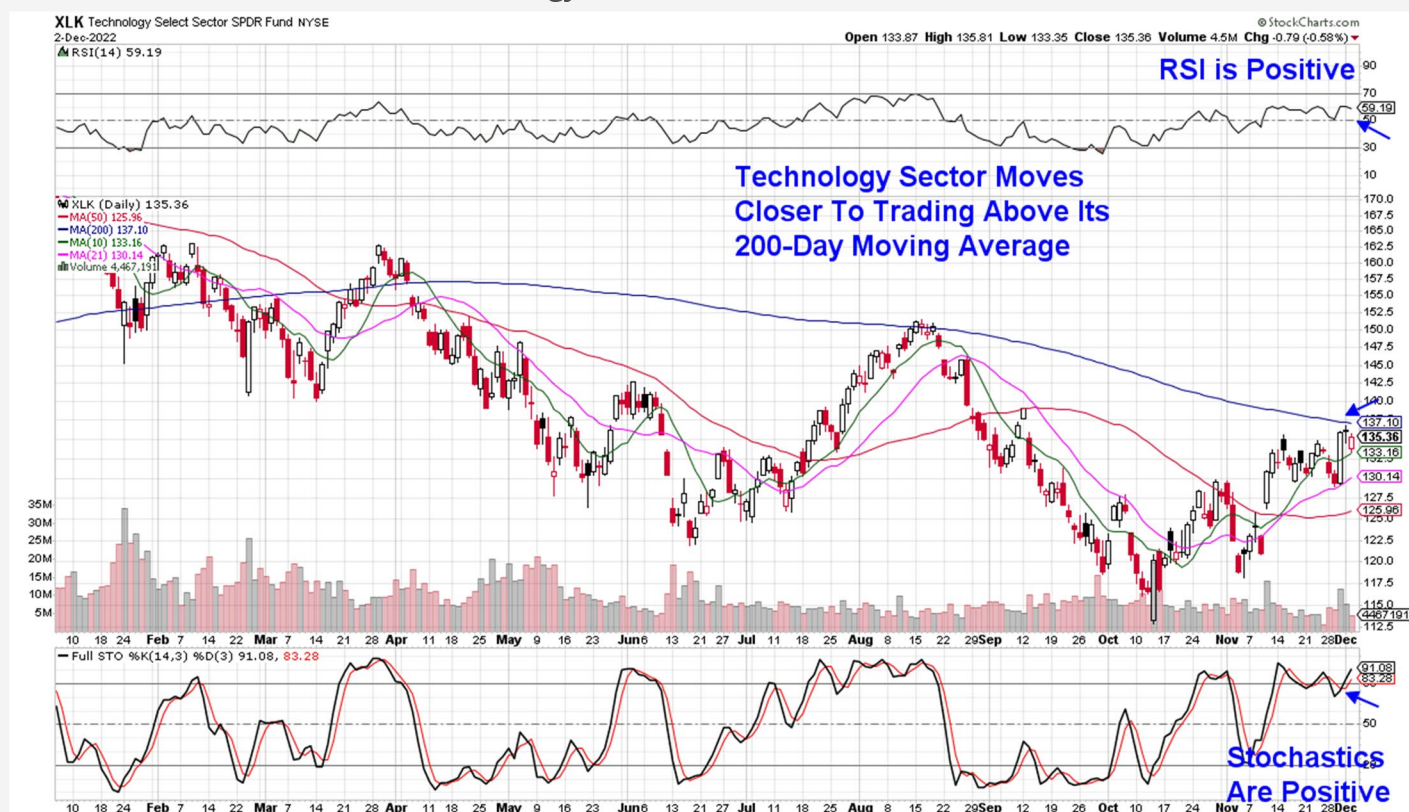
Other Retailers are also well off their highs which is making them attractive on any hint of growth going forward. This week we're adding Crocs Inc. (CROX) after last week's 2-week base breakout.

CROX reported strong 3rd quarter results several weeks ago as demand for their popular footwear remains strong. In addition, management expects growth to remain strong going forward due to their acquisition of peer company Hey Dude.

The weekly chart of CROX looks quite healthy as well with the MACD just entering positive territory. This bodes well for a longer-term continuation rally.

Next week, Morgan Stanley will be holding their annual Consumer & Retail conference where management from many Retail companies will present. Comments from this conference have moved stocks in this area in the past.

Technology Select Sector SPDR Fund (XLK)



Technology Sector Moves Closer To Downtrend Reversal

While select areas of Growth rallied following Fed Chair Powell's comments on Wednesday, Technology stocks did not participate in a meaningful way with Semiconductor stocks underperforming while heavyweight stock Apple (AAPL) was flat for the week.

Software stocks were a bit of a bright spot with a 2.2% gain that was led by a rally in very beaten down companies that have recently reported earnings. Many of these stocks remain below key areas of upside resistance however and are not close to reversing their downtrends.

Microsoft (MSFT) is moving closer to possibly reversing its downtrend after last week's 3% rally put the stock closer to its 200-day moving average. A break above this moving average would put MSFT into a new uptrend.

Microsoft is in a buy zone and can be purchased at current levels with the MACD moving into positive territory and poised to trend higher on its daily chart. The company received a price target upgrade to \$307 from a major Wall Street firm that's anticipating growth in their commercial business area.

The weekly chart looks even more inviting with the RSI just entering positive territory while the MACD had a positive crossover last week. A move above the 40-week mav would have us quite bullish on the longer term prospects for MSFT.

Semiconductor stocks underperformed after the group's Wednesday rally up to its 200-day moving average pulled back after failing to move above this area of possible resistance (using SOXX).

Earnings reports and corporate announcements regarding growth prospects going into next year have been mixed for this group this earnings season and less than half of the stocks in SOXX are above their key 200-day moving average.

ON Semiconductor (**ON**) has been exhibiting choppy price action since gapping up into a base breakout after reporting earnings 3 weeks ago. The stock posted a double bottom formation last week with a higher low which is constructive, and the stock is in a buy zone after moving back above its 10-day moving average.

Near-term, the stock is poised to trade higher however, I'm keeping a close eye on the MACD of the daily chart as a negative crossover has preceded lengthier downtrends particularly when coupled with a negative RSI. ON is in a buy zone.

A S M L (**ASML**) is also in a buy zone after pulling back from a 2-week base breakout and finding support at its 10-day moving average. The stock is in a consolidation phase after a sharp rally in early November that pushed the stock above its 200-day moving average. The move occurred after very bullish comments from

management regarding growth prospects for the company going into 2025.

The weekly chart of ASML points to further upside on a longer-term basis, as the MACD turned positive last week while the RSI is already in positive territory.

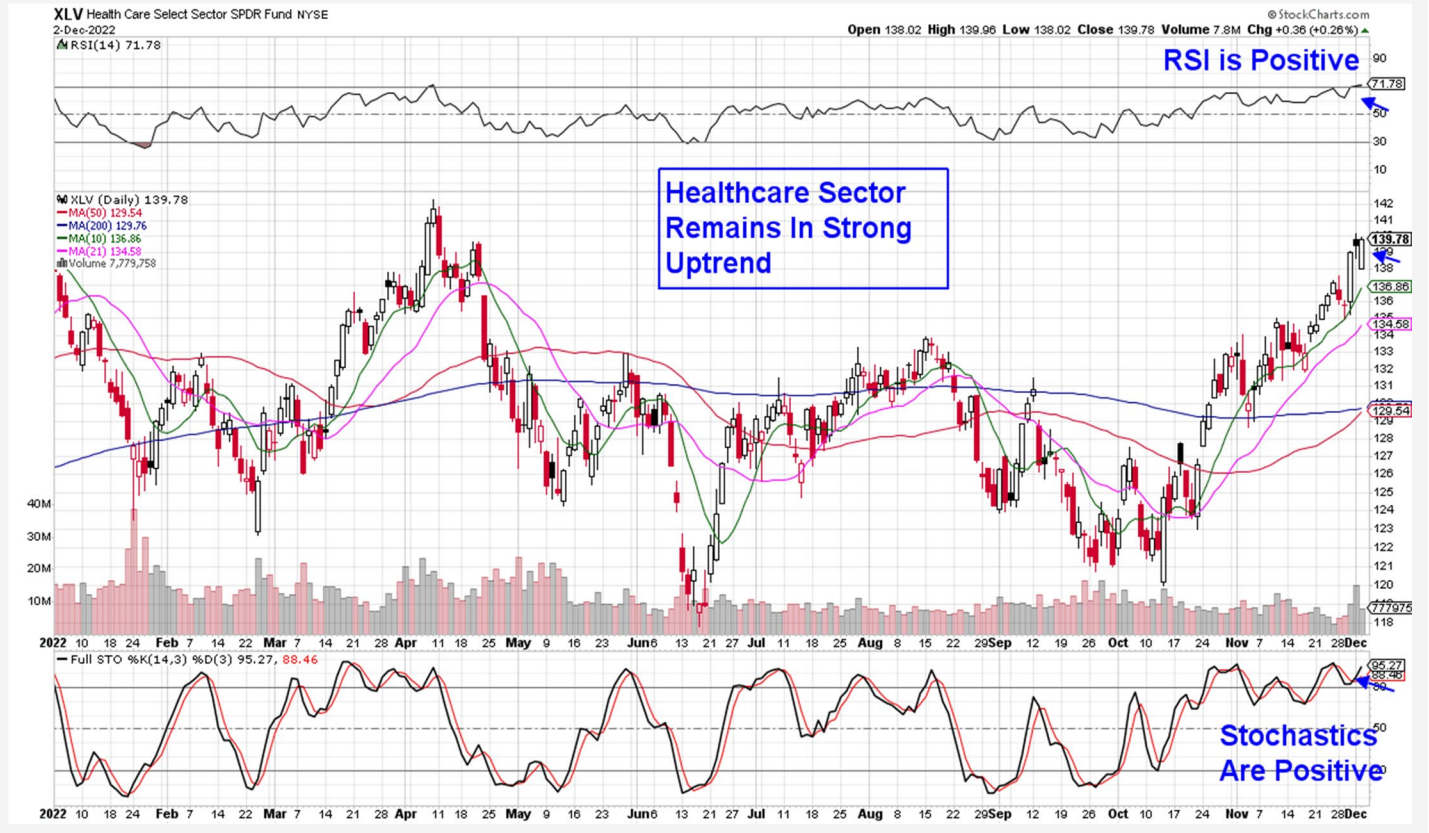
Alternative Energy Equipment stocks were down for the week however, Enphase (**ENPH**) broke out to a new high in price on Friday after announcing news of their expansion into the European solar market. The move pushed ENPH out of a 3-month base on heavy volume which points to further upside.

Historical precedence points to a pullback as being an ideal buy point after a sharp 1-day rally, and we'd be a buyer on any pullback to \$320 as that's the top of the range of its recent period of consolidation.

While Alternative Energy stocks traded lower last week, Solar related stocks such as ENPH fared better as news such as Home Depot's purchase of solar generated energy has upgraded the growth prospects for these companies.



Healthcare Select Sector SPDR Fund (XLV)



Healthcare Sector Remains In A Strong Uptrend

Healthcare stocks are close to hitting a new high in price as the group continues to outperform the broader markets.

The strength in this sector is due to several factors as Large Cap Pharmaceutical stocks that are viewed as safe haven names that will fare well regardless of a potential recession, have gained interest. These Pharma stocks have another important element as well, and that is they are experiencing growth due to recent drug approvals or acquisitions while also trading at a low P/E or multiple.

Another vibrant area within healthcare has been Biotechnology stocks which turned positive in late October amid the development and approval of new drugs among Large Cap names such as Amgen (**AMGN**) and Gilead (**GILD**) from our List.

This is another area that can perform well despite any weak economy as was evidenced during the recession and bear market of 2008. This is an important consideration given the Federal Reserve's resolve to slow down the economy to fight inflation.

AMGN had been consolidating over the past 3-weeks as it digests its extensive move in October. The stock is finding support above its 21-day moving average as analysts continue to raise earnings estimates for both this year and next.

We're on the lookout for a move above its 10-day moving average which would signal the beginning of a new base formation for AMGN. This 2.7% yielder is in a buy zone.

Gilead (**GILD**) broke out of a 19-month base last week on above average volume which is reminiscent of its lengthy base breakout in mid-2012 which preceded a multi-year uptrend. The markets were in a more bullish phase in 2012 however, dynamics relating to new drug developments are similar to now.

GILD has shown that a pullback to its 5-day moving average is an ideal buy point which is currently at \$87.

Recently added Biomarin Pharma (**BMRN**) sprinted into an uptrend after its base breakout on volume the prior week. Its 9% rally last week has put the stock in an oversold position, and we'd be a buyer on any pullback into the \$101 range. The above average volume last week points to further near-term upside.

Harmony Biosciences (**HRMY**) continues to form the right side of a base as it approaches a base breakout which is a point away. The MACD just posted a positive crossover on its daily chart which signals a new uptrend. HRMY is in a strong buy zone.

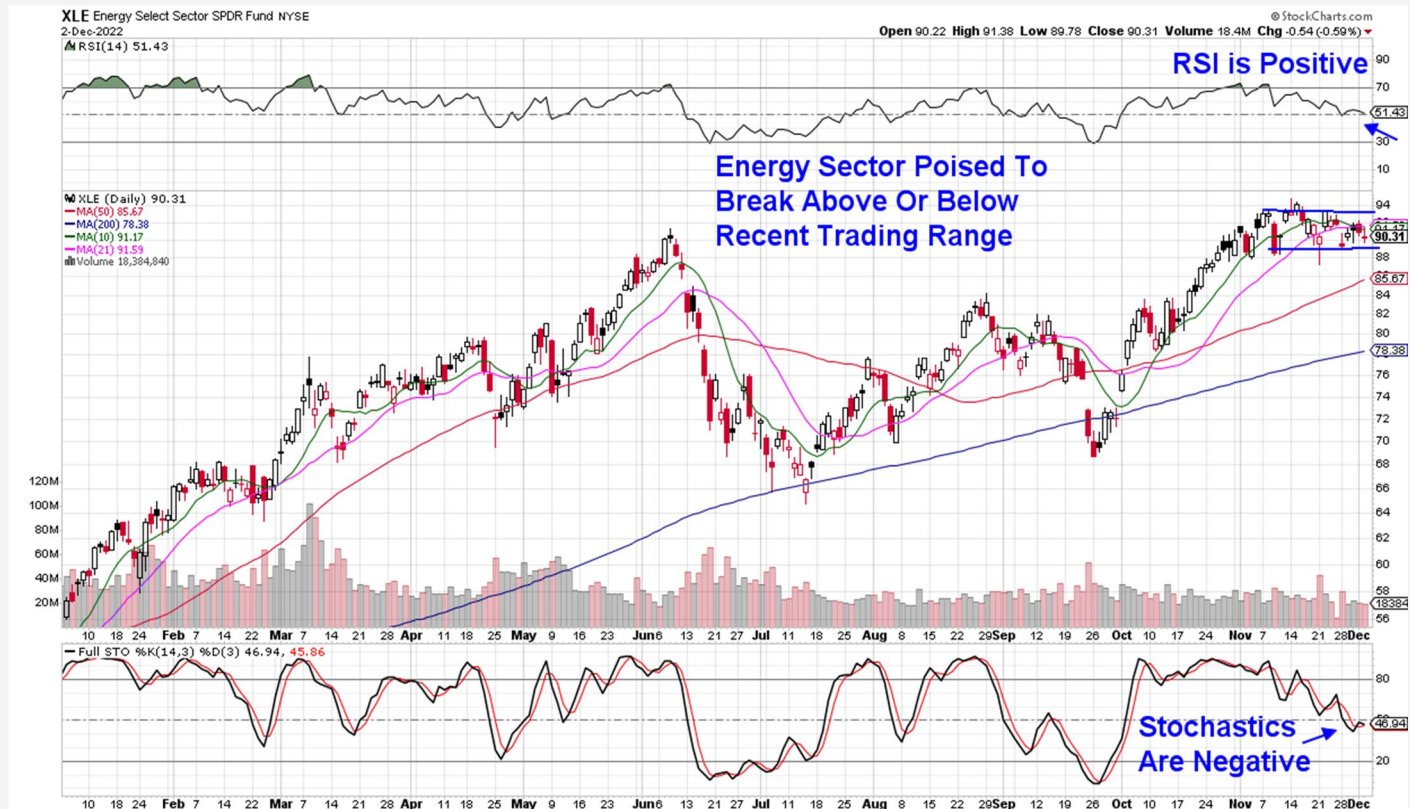
Vertex Pharma (**VRTX**) has been trading in a tight range but remains in an uptrend as it hugs its 10-day moving

average. The stock is in a buy zone as analysts continue to raise earnings estimates for both this year and next.

Given the vibrancy among leading Biotech stocks, the ETF for this group is equally positive as it bullishly broke back above its shorter-term moving averages on Wednesday. IBB is in a strong buy zone.

AstraZeneca (AZN) is among the Large Cap Pharmaceuticals that are on the move. The stock gained 3.5% last week amid news of their intent to acquire a private biotech firm that will provide next-generation therapies. The stock is in a strong uptrend however, it's extended and can be purchased on a pullback to its 5-day moving average.

Energy Select Sector SPDR Fund (XLE)



Energy Sector Is Worse Performer

The Energy sector continues to underperform amid a drop in Oil prices due to China lockdowns and increased output from Russia.

Next week may be pivotal for this group as OPEC+ voted today to keep oil production levels reduced which may boost the price of oil. In addition, the EU's embargo on Russian crude oil imports will begin today and Russia's reaction will be closely watched.

Exploration and Production stocks such as Exxon (XOM) and E O G Resources (EOG) have been weaker over the past week despite upgrades to their earnings growth for both this year and next.

We would not be a buyer on this weakness however but instead, would be on the lookout for a move back above their shorter term 10-day moving averages as a buy point.

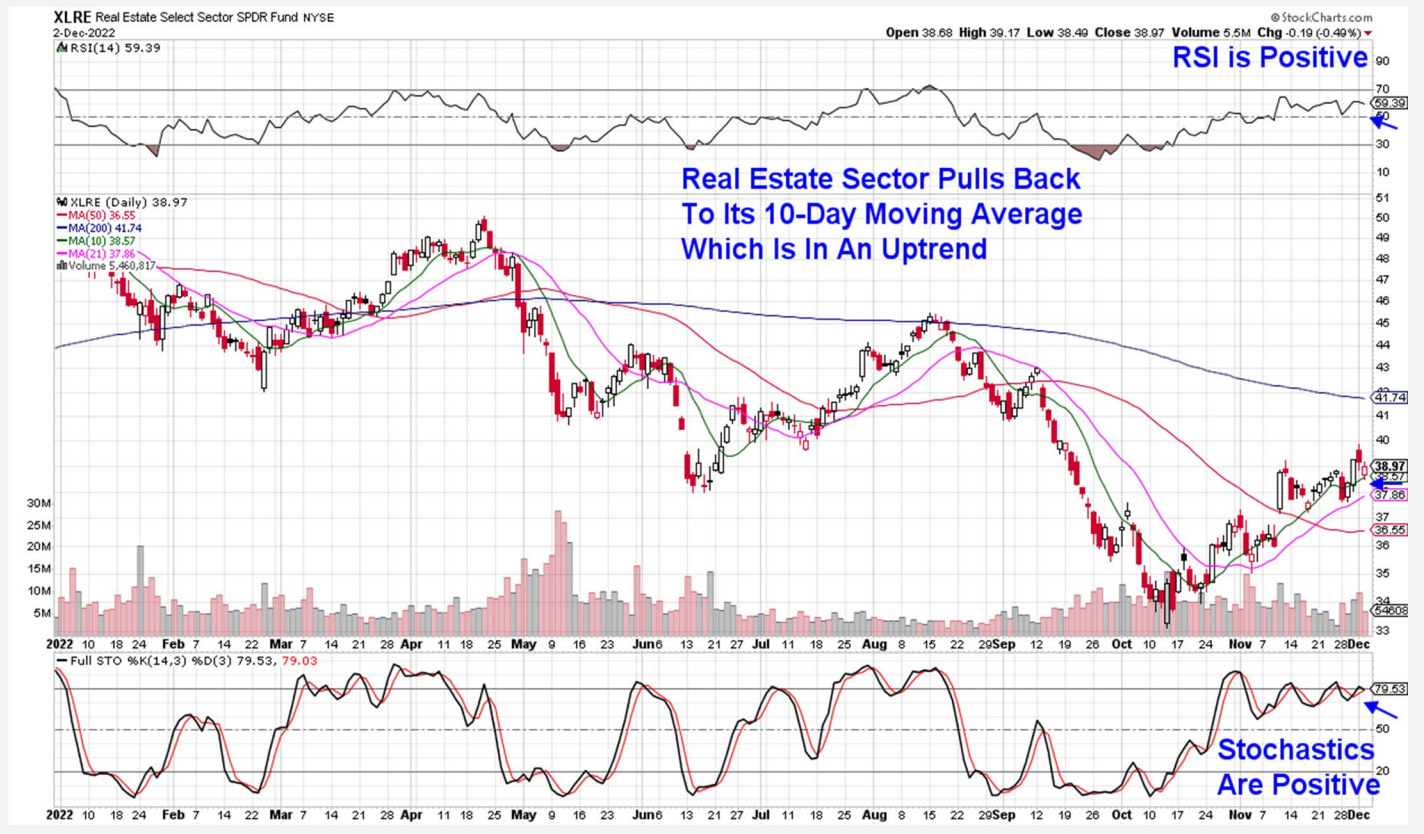
The next area of downside support for EOG is its November 28th low of \$136.6 and a break below this would be negative as the RSI is dipping into negative territory.

XOM can look for possible support at its November low of \$107 and a break below this level coupled with a negative RSI would be negative for the near-term.

Both EOG and XOM remain positive on their longer-term weekly charts as they remain above key moving averages with positive momentum indicators.

Other areas of Energy have been firming up with recently removed Halliburton (HAL) forming the right side of a base and trending higher. We may add the stock back to our Suggested Holdings List depending on how the overall Energy sector performs next week.

Real Estate Select Sector SPDR Fund (XLRE)



Real Estate Sector Remains in Uptrend Amid Underperformance

Real Estate stocks pulled back from a near term high on Thursday and found support at their upward trending 10-day moving average. While this group generally performs well in a declining interest rate environment, fears of a slowdown in the economy are a negative.

Sun Communities (SUI) traded in similar fashion with the stock closing the week flat while still in an uptrend. While SUI is poised to continue to trend higher, we're removing the stock from our Suggested Holdings List so that we can focus on opportunities that possess more bullish characteristics.

Summary

Overall, the markets are behaving in a positive manner with additional stocks trading above key moving averages and finding support.

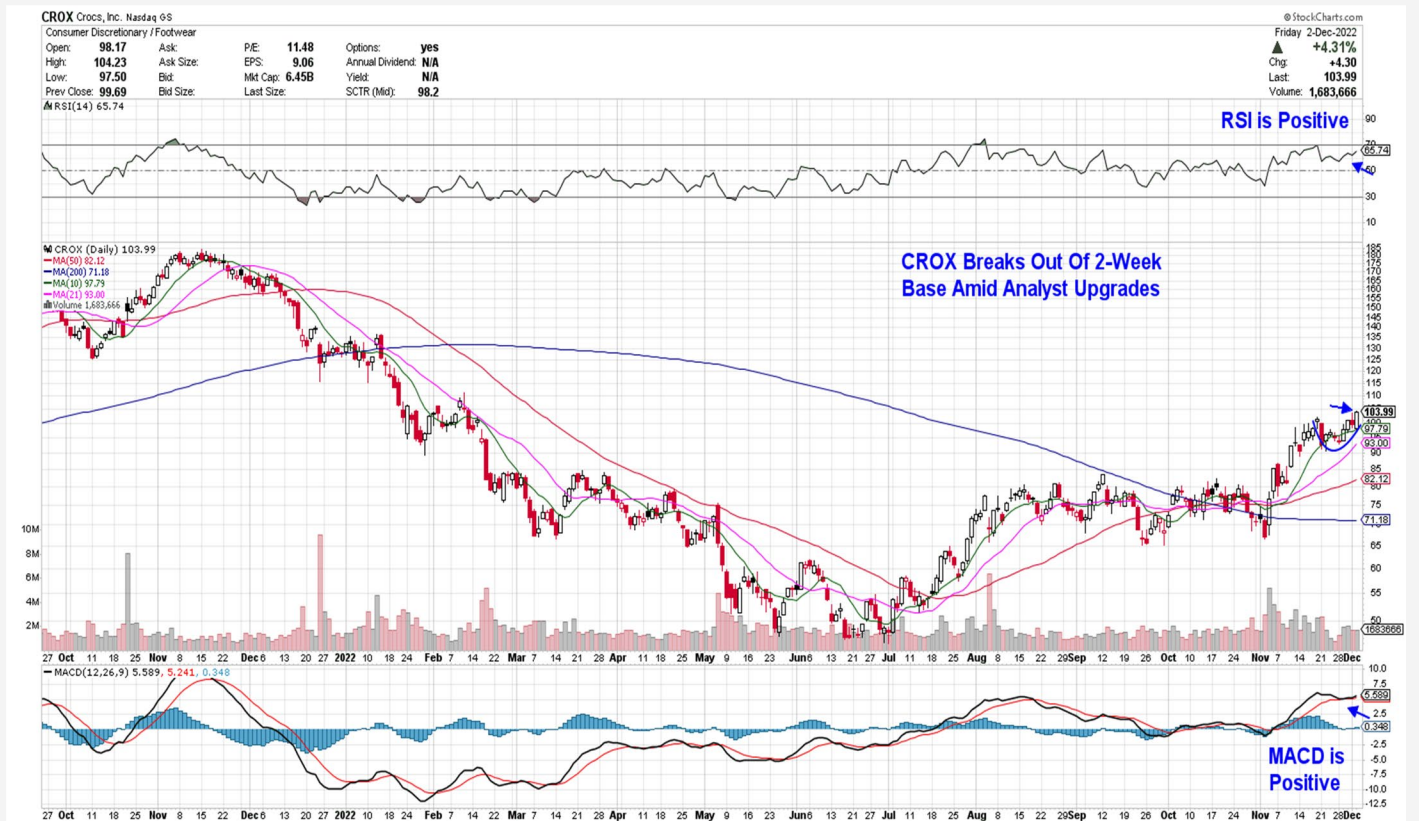
While positions can be added to at this time, of note is the fact that earnings season is very close to ending and companies reporting above estimates have been a key driver of this current rally.

In addition, the Federal Reserve's next FOMC meeting will take place in 10 days with the closely watched press conference from Fed Chair Powell taking place after. On the docket will be information relating to the projected timeline as well as peak interest rate for the Fed's rate hike campaign.

All of this is to say that new positions should be entered with a short term bias at this time.

Last week's choppy price action highlights investor's uncertainty as every economic data point is being examined for signs of where the economy and/or inflation is headed. Next week's light economic calendar coupled with a lack of Federal Reserve official speaking will provide little direction but may lead to a less volatile period.

Daily Chart of Crocs, Inc. (CROX)



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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CONSUMER DISCRETIONARY						
CROX	Crocs Inc.	\$104.00	12/4/2022	0.0%	4-Mar	Consumer Products
HD	Home Depot	\$326.40	11/27/2022	0.0%	11-Feb	Consumer Products
LULU	Lululemon Athletica	\$386.00	12/1/2022	1.5%	8-Dec	Consumer Products
WMT	Walmart Inc.	\$142.58	10/30/2022	7.5%	15-Feb	Consumer Products

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	2.6%	24-Jan	Semiconductor
ON	ON Semiconductor	\$75.05	11/10/2022	0.5%	31-Jan	Semiconductor

ENERGY						
EOG	EOG Resources	\$147.11	10/23/2022	3.5%	23-Feb	Petroleum
XOM	Exxon Mobil	\$113.95	10/30/2022	-0.5%	7-Feb	Oil

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

HEALTHCARE						
AZN	Astrazeneca PLC	\$65.10	11/20/2022	5.5%	10-Feb	Biopharmaceutical
AMGN	Amgen Inc.	\$285.02	11/4/2022	6.5%	6-Feb	Biotechnology
BMRN	BioMarin	\$0.97	11/27/2022	9.0%	26-Jan	Biotechnology
IBB	iShares Biotech ETF	\$134.25	10/30/2022	7.0%	N/A	Biotechnology
GILD	Gilead Sciences Inc.	\$81.82	10/30/2022	11.0%	7-Feb	Biopharmaceutical
HRMY	Harmony Biosciences	\$60.48	12/1/2022	1.0%	1-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.

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