



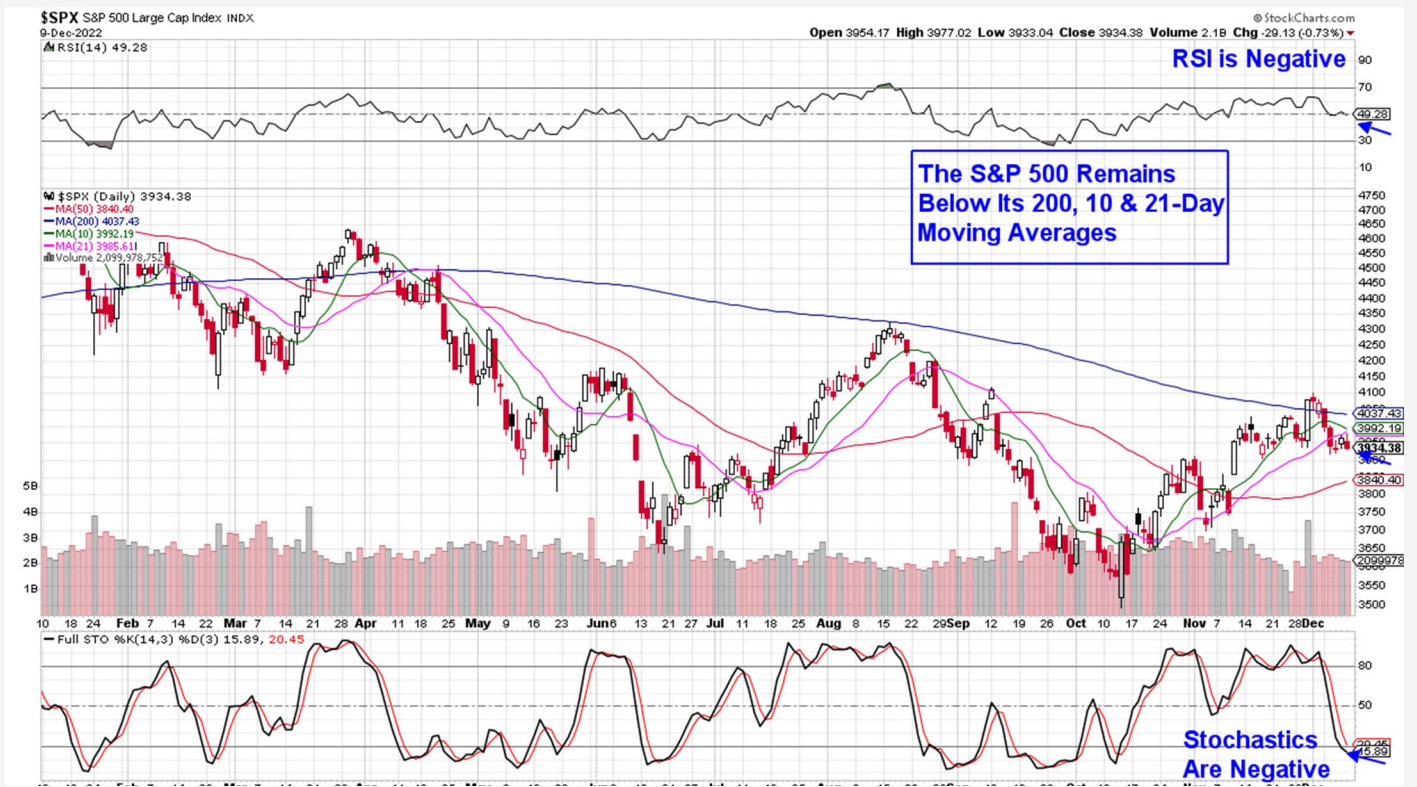
THE MEM EDGE

December 11th, 2022 | Weekly Report

This Week's Highlights

- ISM Service Sector Index Rises In November
- U.S. Trade Deficit Widens Sharply Amid Drop In Global Demand
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Daily Chart of S&P 500



The S&P 500 Index fell 3.4% for the week in a move that pushed this Index below its 10, 21 and 200-day moving averages. With the RSI and Stochastics now in negative territory, we are even more cautious on the prospects for the markets.

The 21-day moving average is now the first area of upside resistance and is 1.3% away with the 10 and 200 day mav's being the next two areas of possible upside resistance. As for any further pullback, the 50-day

moving average is the first area of possible support, which is 2.4% away.

The longer-term, weekly chart of the S&P 500 paints a more mixed picture with the RSI dipping into negative territory while the Stochastics are positive. In addition, this Index closed the week just above its 40-week moving average.

Historically, when the RSI and Stochastics turn negative on the weekly chart, coupled with a close below the 40-week moving average, a more prolonged downtrend

follows - such as mid-January and mid September of this year. We will continue to follow this closely.

The Nasdaq fell 4% for the week led lower by underperformance in each of the heavyweight FAANMG stocks (with the exception of Netflix (NFLX)).

Losses in most of the FAANMG stocks negated the prior week's gains, which were propelled by comments from Fed Chair Powell that alluded to a lower rate high campaign. Other areas of Growth also gave back more than their prior week gains, such as Software, Consumer Discretionary and Internet Related stocks.

Any thoughts of a near-term recovery for these beaten down areas of Growth have been squashed, as last week's losses pushed these areas back into a downtrend.

While the Nasdaq was able to close the week above its 50-day moving average, this Index is now 0.8% above this possible area of support. A break below this key moving average would put the November 4th low as the next area of possible support. This has the Nasdaq in a very vulnerable position, as a close below its key 50-day moving average would weigh negatively on the markets.

Last week's selloff took place amid increased fears of a recession following China's report of a slowdown in economic growth amid Covid restriction issues. The U.S. also showed a possible economic slowdown following Tuesday's report of a sharp drop in the U.S. trade deficit. Slowing global demand and a strong dollar pushed exports down to a 7-month low, which is expected to be a drag on economic growth this quarter.

News of China's economic slowdown pushed Oil prices lower, with Brent crude now trading at levels not seen since late last year. Energy stocks were the worst performers for the week and the group now in a confirmed downtrend after closing below its 50-day moving average. (using XLE)

On Friday, news that U.S. producer prices increased more than expected pushed the markets down further. This PPI report is closely watched by the Federal Reserve as a gauge of inflation and higher prices/inflation means higher rate hikes by the Fed.

On an annual basis however, producer prices are declining which has economists believing that the Fed will downshift their pace of rate hikes at next week's meeting. Should the Federal Reserve raise rates by more than 0.5% next week, the markets will suffer as this rate is anticipated and has been built into the markets.

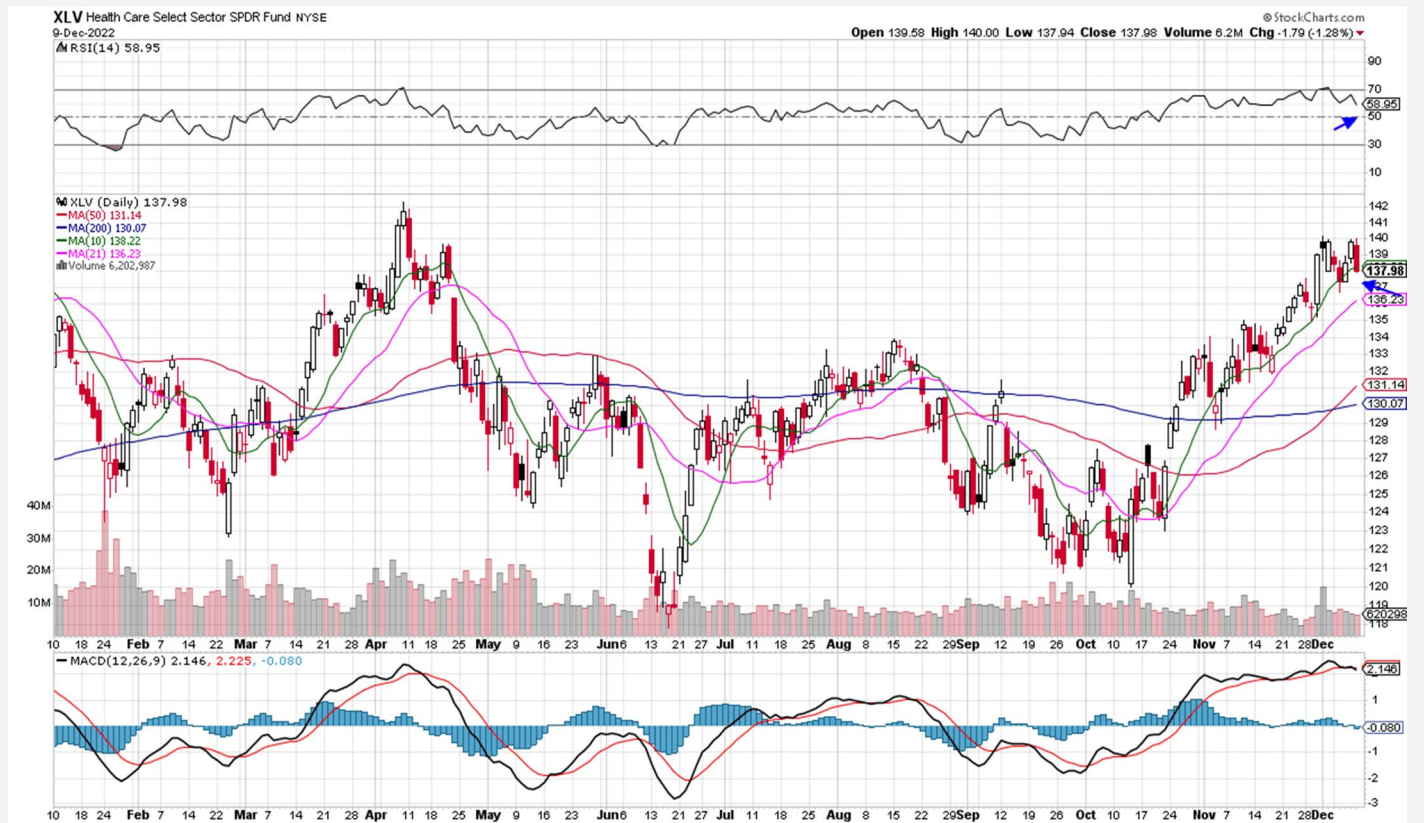
Overall, investors had a negative bias last week and the Volatility Index (VIX) - also known as the fear index - rose by 20% in a move that puts this index in a position to trade higher after moving above its shorter term moving averages. A rising VIX is a negative backdrop for the markets.

Defensive areas of the market fared the best last week with Healthcare, Utility, Staples and REIT stocks pulling back; however, it was much less than the broader markets. Semiconductor stocks also fared better than the markets which we'll review below.

While there are pockets of strength in the markets, we would refrain from putting new money to work at this time. Tuesday's Consumer Price Index (CPI) will provide further inflation data, while Wednesday's speech by Fed Chair Powell following the FOMC meeting will be dissected for clues regarding future rate hike activity.

A lower than expected CPI number could renew the recent uptrend in the markets however, we're on the lookout for a move of the S&P 500 back above its 200-day moving average before wading back into these markets.

Health Care Select Sector SPDR Fund (XLV)



Healthcare Sector

The Healthcare sector pulled back much less than the broader markets led by outperformance in Pharmaceutical and Managed Care stocks. Biotech stocks fared the worst with a 4% decline that pushed the RSI for this group closer to turning negative. (using IBB)

Despite the choppiness that's taken place in this group since it turned positive in late October, the RSI for IBB has remained positive. With the Stochastics already in negative territory, a move of the RSI below 50 at the same time has historically signaled further downside. Most recently, late August and mid September can be used as precedence.

Among the Healthcare stocks on our List, U.K Pharmaceutical company Astrazeneca (**AZN**) is inching toward an 8-month base breakout at \$71 while remaining in a confirmed uptrend. Historically, a pullback to its 5-day moving average has been an ideal buy point and last week's 1.5% pullback has put the stock at that level.

Last week, AZN announced positive clinical trial results for 2 different medications that target specific breast cancer types. The news had analysts raising earnings estimates for this 2% yielder.

Biotech company Gilead (**GILD**) pulled back 1% amid a Wall Street upgrade on news of a collaboration designed to promote their bone marrow treatment which is in Phase 2 of trials. The stock is in a buy zone as it finds support at its upward trending 10-day moving average.

Vertex Pharma (**VRTX**) continues to trade in an erratic fashion despite positive upgrades to their earnings for both this year and next. Last week's 3% pullback pushed the RSI into negative territory on its daily chart and we're removing the stock from our List.

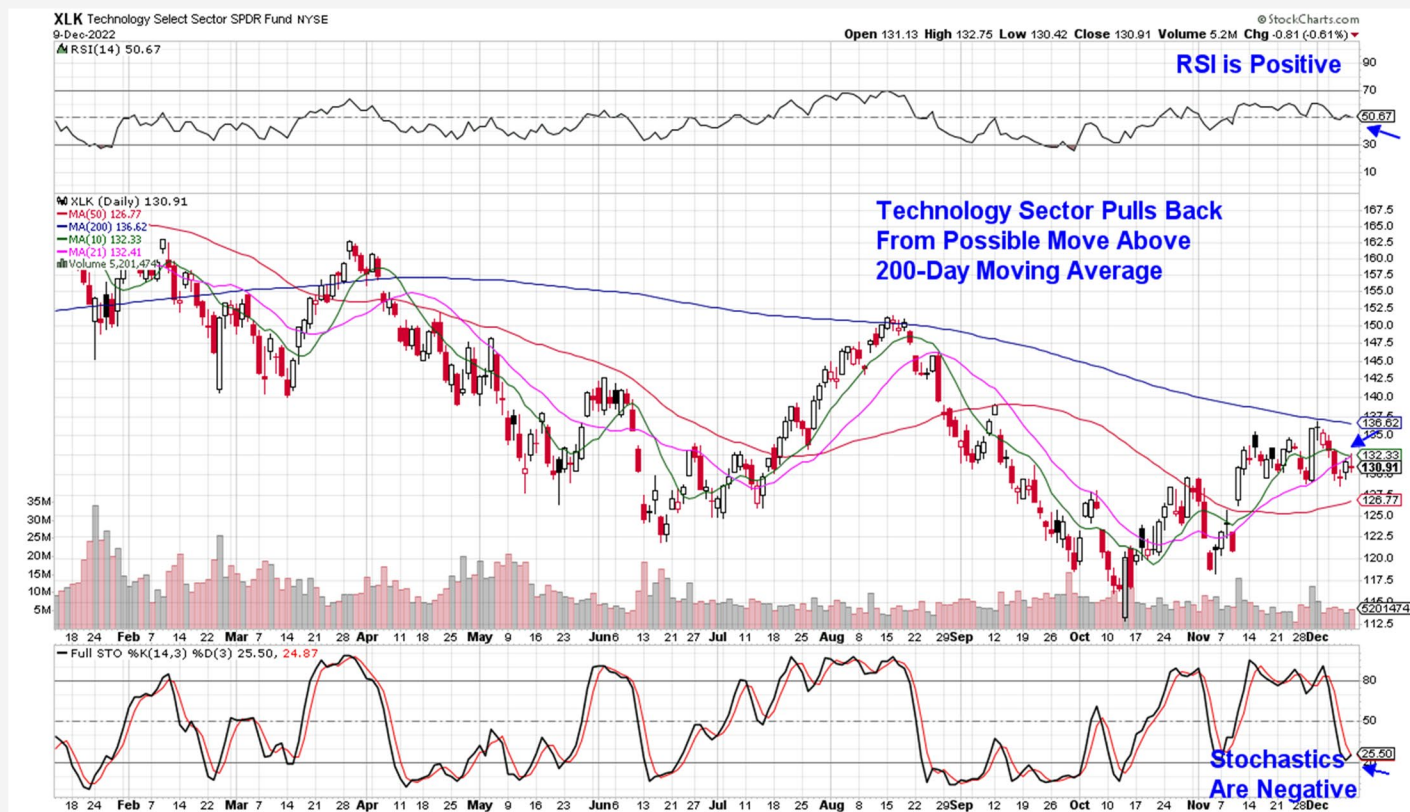
BioMarin's (**BMRN**) sharp uptrend may be running out of momentum near term with the MACD on its daily chart poised to have a negative crossover. The stock is finding support at its upward trending 10-day moving average with positive momentum (RSI and MACD) however, should BMRN break below its 10-day mav coupled with a negative MACD crossover, we may see further near-term downside. The stock can be held at this time until we see further signals.

Amgen (**AMGN**) was poised to end the week flat before a Friday pullback pushed the RSI into negative territory. The company received 2 separate price target upgrades last week after posting positive results from clinical trials of their obesity drug. We're removing AMGN from our Suggested Holdings List as well due to negative near-term dynamics for the stock.

Harmony Biosciences (HRMY) fared a bit better than its peers as the Biotech pulled back to its 21-day moving

average with its RSI and MACD remaining in positive territory. The stock can be held.

Technology Select Sector SPDR Fund (XLK)



Technology Sector Underperforms

Unlike the prior week, Tech stocks underperformed led by a 4.6% drop in Software stocks which were hit hard by recession fears. These stocks do not fare well during any period of slow economic growth as corporations tend to reduce spending on Software upgrades or new Software.

Microsoft (MSFT) fell in line with its group and the stock is clinging to its 21-day moving average after pulling back almost 4%. With its RSI and MACD in positive territory, we're keeping the stock on our Suggested Holdings List however, we would not be a buyer at this time. A move back above its 10-day moving average would put MSFT into a buy zone.

Renewable Energy Equipment stocks were the worst performers in this sector last week after the group fell 10%. The drop was spurred by a sharp downgrade of heavyweight name First Solar (FSLR) on speculation that their adjustable pricing contracts will hurt them in the future.

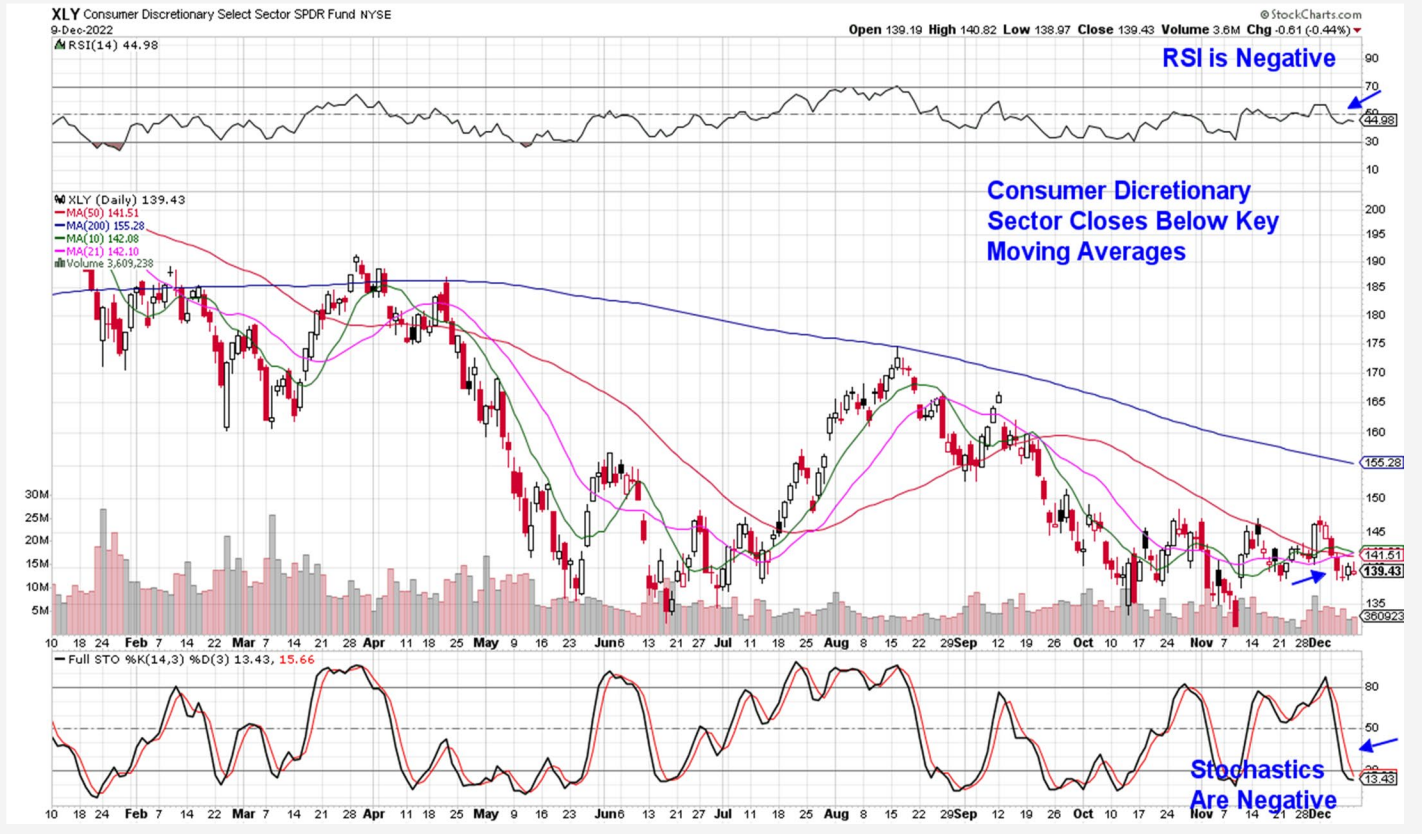
Enphase Energy (ENPH) from our List pulled back as well however, the stock found support at its upward trending 21-day moving average and can be held.

Semiconductor stocks fared better than the markets last week amid positive earnings reports from companies such as Broadcom (AVGO) which reported numbers that were above estimates. The 3.4% yielder was lauded by Wall Street for their low multiple amid the company's upgraded growth outlook for next year. The stock is on our Watch List.

ASML Holding (ASML) remains in a very tight trading range with its RSI and MACD in positive territory. The stock is still digesting its rally move that began a month ago when management guided growth prospects for the company higher going into 2025. The stock can be held as it finds support above its upward trending 21-day moving average.

ON Semi (ON) experienced choppy trading last week with a pullback that had the stock trading below its 10 and 21-day moving averages. A move back above its 10-day moving average would push the stock into a buy zone.

Consumer Discretionary Select Sector SPDR Fund (XLY)



Consumer Discretionary Sector Below Support

The Consumer Discretionary sector is back in a downtrend after closing the week below each of its moving averages. Last week's 4.5% decline was led by a sharp drop in Retailers that have reported weaker than expected earnings recently or where management has guided growth estimates lower going forward.

This would include Lululemon Athletica (**LULU**) from our List which tumbled 13% after guiding earnings estimates lower for the current quarter. The company did raise estimates for next year. The news had Wall Street mixed with several price target upgrades in addition to downgrades.

Overall, negative sentiment won out as the sharp decline pushed the stock below its 50-day moving average on heavy volume. We're removing the stock from our Suggested Holdings List,

Walmart (**WMT**) is being removed from our Suggested Holdings List as well, as the RSI turning negative after the stock traded below its 21-day moving average on Friday. On Tuesday, WMT's CEO announced that rising thefts may cause the company to increase prices and shutter stores. (market perform from bernstein vs outperform for hd)

Home Depot (**HD**) fared better with a 2.2% pullback that puts the stock just below its 10-day moving average. With its RSI and MACD in positive territory, the stock can be held.

Crocs, Inc. (**CROX**) pulled back from its prior week's base breakout to close the week just below its 21-day moving average. With its RSI and MACD in positive territory, the stock can be held. A move back above these shorter term moving averages would put CROX into a buy zone.

Summary

This upcoming week may prove to be pivotal for the markets as the S&P 500's inability to hold last week's move above its 200-day moving average has pushed the RSI and Stochastics into negative territory.

Further deterioration may push this Index below its 50-day moving average which in turn, would end the current bear market rally.

Last week's trend lower was based on fears that we may be headed for a recession which is a message that the bond markets have been sending for some time with its inverted yield curve. In turn, investor's put funds into more defensive areas of the market while exiting Growth stocks which traded lower.

As stated in the past, we'll need to see Growth stocks participate - as well as other areas - in order for any rally to experience a more sustained upward move.

The current bear market rally has been fueled primarily by companies that reported earnings above estimates or where management guided estimates higher. Earnings season is all but over now, which puts even more weight on key data such as CPI and Fed Chair Powell's comments after the FOMC meeting.

Given the uncertainty surrounding the markets as we head into next week, we would refrain from putting new money to work at this time.

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	Retail
HD	Home Depot	\$326.40	11/27/2022	0.0%	11-Feb	Reatil
LULU	Lululemon Athletica	\$386.00	12/1/2022	-12.5%	8-Dec	Retail
WMT	Walmart Inc.	\$142.58	10/30/2022	2.5%	15-Feb	Retail

HEALTHCARE

AZN	Astrazeneca PLC	\$65.10	11/20/2022	7.0%	10-Feb	Biopharmaceutical
AMGN	Amgen Inc.	\$285.02	11/4/2022	4.0%	6-Feb	Biopharmaceutical
BMRN	BioMarin	\$0.97	11/27/2022	6.0%	26-Jan	Biopharmaceutical
IBB	iShares Biotech ETF	\$134.25	10/30/2022	3.0%	N/A	Biotechnology
GILD	Gilead Sciences Inc.	\$81.82	10/30/2022	10.0%	7-Feb	Biopharmaceutical
HRMY	Harmony Biosciences	\$60.48	12/1/2022	-1.5%	1-Feb	Biotechnology
VRTX	Vertex Pharmaceutical	\$303.26	10/30/2022	0.5%	25-Jan	Biopharmaceutical

TECHNOLOGY

ASML	A S M L Holding	\$576.40	11/13/2022	1.5%	24-Jan	Semiconductors
ENPH	Enphase Energy	\$292.01	10/26/2022	1.0%	14-Feb	Solar
MSFT	Microsoft Corp.	\$247.11	11/13/2022	-1.5%	24-Jan	Semiconductors
ON	ON Semiconductor	\$75.05	11/10/2022	-3.0%	31-Jan	Semiconductors

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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