



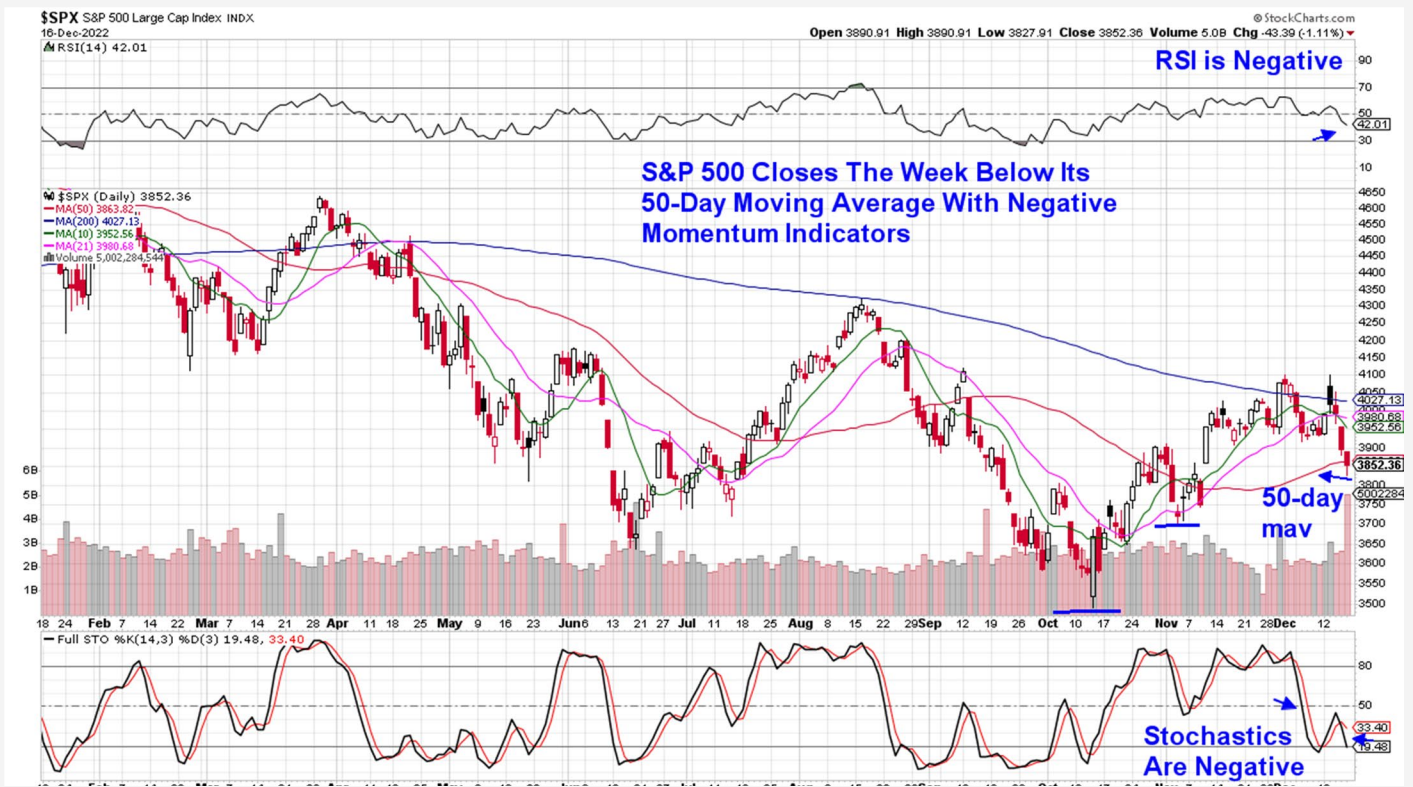
THE MEM EDGE

December 18, 2022 | Weekly Report

This Week's Highlights

- Consumer Price Index (CPI) Lower Than Expected
- Interest Rate Hike Is 0.5% / Peak Rate At 5.25%
- GDP Forecast For 2023 Lowered to 0.5%
- Weekly Jobless Claims Drop & Retail Sales Posts Large Decline Due To Car Sales
- PMI Report Points To Weakening Economy
- PCE Price Index & Housing Data Due Next Week

Daily Chart of S&P 500



The S&P 500 fell 2.1% last week in a move that pushed this Index below its key 50-day moving average. With the RSI and Stochastics in negative territory, we're now negative on the prospects for the broader markets.

The next area of possible downside support for the S&P 500 is its early November low which is 4% away.

As for any rally attempts, the first step toward regaining a positive bias will need to be a move back above the 50-day moving average. We will need to see more, however, by way of a close above the shorter term 10

and 21-day moving averages in the S&P 500. Until then, we would not put new money to work.

The Nasdaq fell further with a 2.7% decline that was led by a sharp drop in heavyweight stocks Tesla (TSLA) and Netflix (NFLX). While Biotech and Software stocks were flat for the week, Semiconductor stocks fell more than the markets. Overall however, Growth stocks such as those in this Index, fared the worst for the week.

The Nasdaq is also below its key 50-day moving average with the November 4th low being the next

area of possible support which is 4.1% away. As for any possible rally attempts, the first area of upside resistance is 2% away which is the Nasdaq's 50-day moving average.

Last week's price action in the markets pointed to a negative bias among investors as a lower than expected Consumer Price Index (CPI) report on Tuesday resulted in a rally that fizzled into the close.

Instead, the focus was on comments from Federal Reserve Chair Powell on Wednesday where he outlined a lengthy period of elevated interest rates in order to bring inflation rates closer to their 2% target rate. The central bank also raised their target interest rate to a higher level than previously forecast.

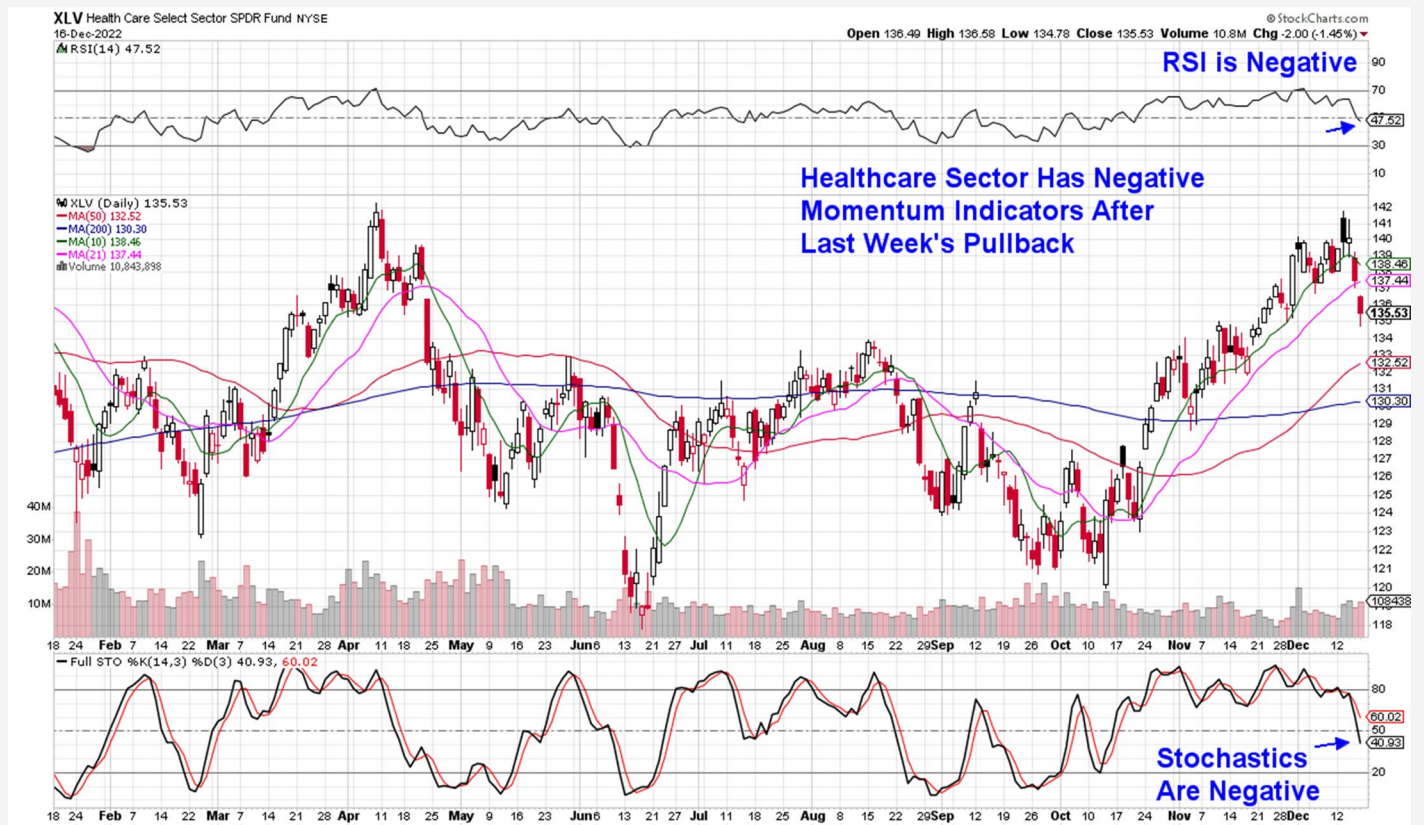
The news brought about increased fears of a recession, with areas most sensitive to this possibility being hardest hit last week. This would include consumer facing areas such as Retail (XRT) which lost 4.1% as well as REITs and Technology which also underperformed.

More defensive areas pulled back less than the markets last week such as Consumer Staples and Healthcare. Both areas tend to fare better than their peers during a recessionary period.

Next week, additional inflation data will be released with the Personal Consumption Expenditures (PCE) Index for November being reported on Friday. Other impactful data includes weekly jobless claims and Durable Goods orders - also at the end of the week.



Health Care Select Sector SPDR Fund (XLV)



Healthcare Sector Has Negative Momentum Near Term

The Healthcare sector outperformed the broader markets led by Biotechnology stocks which were flat during an otherwise down period.

The Biotech ETF (**IBB**) originally traded mostly in line with the markets after a gap up in price that followed lower than expected CPI numbers on Tuesday. However, the group was able to post a slight gain on Wednesday as well, while other riskier areas such as the Nasdaq, dropped 3.5%.

At this time, IBB is finding support at its recent low in price of \$132 however, we'd wait for a move back above its 10-day moving average at \$135 before adding to this ETF. This is primarily because the RSI drifted into negative territory while the overall appetite for riskier assets broke down last week.

Among stocks on our List, Biomarin Pharmaceutical (**BMRN**) posted a new one year high after gaining 8% for the week. The company focuses on hereditary conditions and its gap up in price on volume in late November followed news of being on a fast track for approval of their hemophilia drug.

Last week's rally in BMRN was on above average volume which bodes well for further upside as it continues to find support at its upward trending 5-day moving average.

Astrazeneca (**AZN**) pulled back from a possible base breakout at \$71 and is now finding support at its 21-day moving average. With the MACD experiencing a negative crossover and the RSI trending downward from an oversold position, AZN will need to hold support here to remain positive.

Shorter term, AZN is oversold on its intraday/1-hour chart, and a move back above its 5 & 13 hour moving average coupled with a positive MACD crossover and RSI would point to near-term upside. We're using November 21st as precedent however, at that time, AZN was not overbought on its daily chart which gave the stock more room to trade higher.

Price action over the next 2 days will provide further insight as a rally above its 1 hour mavs would be bullish and a break below its 21-day moving average on its daily chart would be negative.

Gilead (**GILD**) pulled back less than the markets and was able to recover from a move below its 21-day moving average. The company continues to receive Wall Street upgrades amid positive clinical trial news from their subsidiary firm Kite.

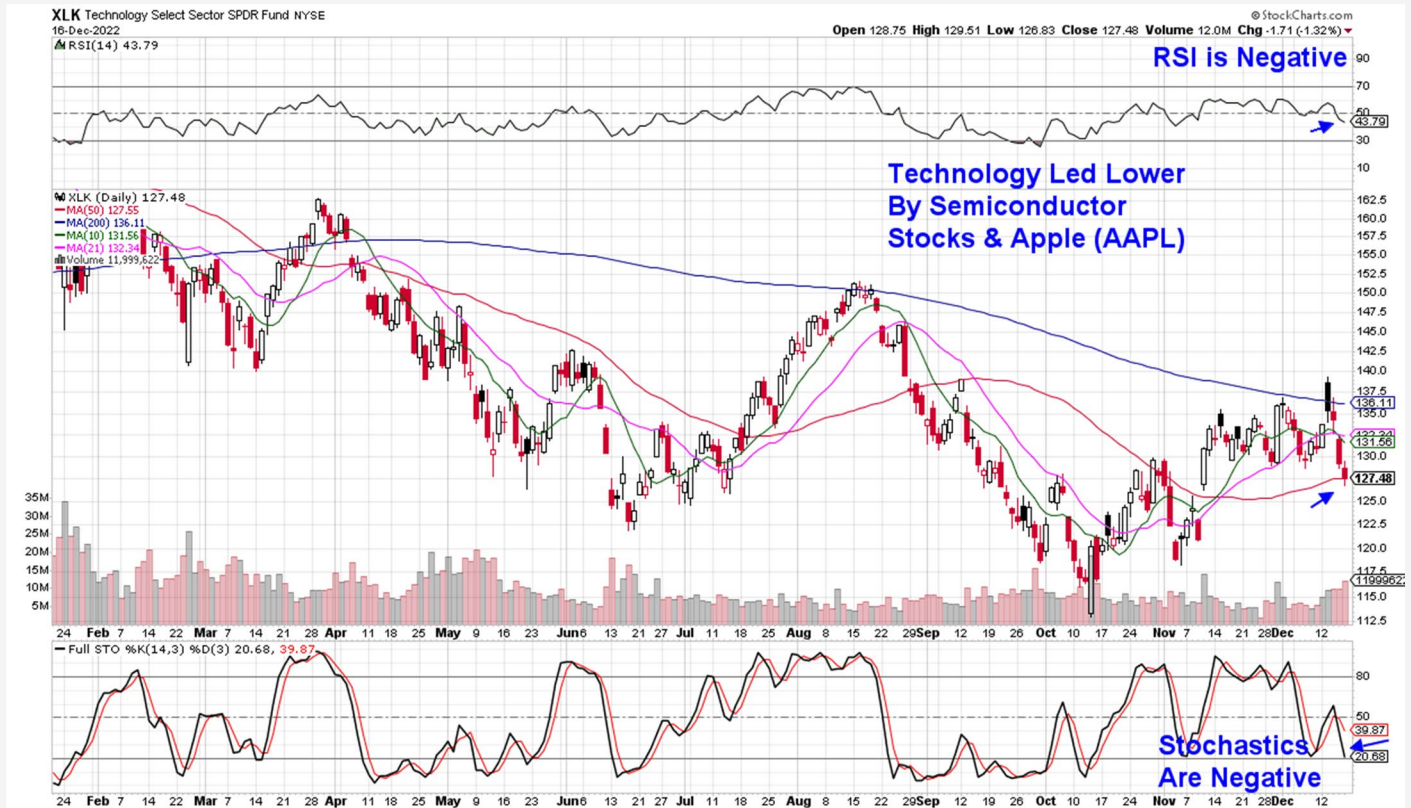
Recently added DexCom (**DXCM**) fell below its shorter-term 10 and 21-day moving averages after pulling back with the markets at the end of the week. The decline

pushed the RSI just below its neutral area of 50 however, the MACD remains in positive territory.

Analysts continue to revise earnings estimates higher for the company with Citigroup raising their price target to \$146 as demand for their continuous glucose

monitoring machine is expected to remain high after this month's FDA approval of their latest version. We would not be a buyer until the stock moves back above upside resistance into the \$118 range.

Technology Select Sector SPDR Fund (XLK)



Technology Sector

The Technology sector closed the week at its 50-day moving average after being pushed lower by a 5.5% decline in Apple (AAPL) as well as a 3.5% drop in Semiconductor stocks.

Apple's decline occurred on the heels of concerns of reduced iPhone production due to China's prolonged lockdown period and the stock is now at key support. Further deterioration will put the stock into a confirmed downtrend where it'll join other FAANMG stocks such as Alphabet (GOOGL) and Amazon (AMZN).

As stated in prior reports, a prolonged uptrend in the markets will need to include these mega-cap Growth stocks due to their heavyweight status.

At this time, Meta Platforms appears to be in the beginning stages of trying to reverse its 70% year to date decline while Netflix (NFLX) is in the strongest position as its been mostly range-bound over the past several months.

Microsoft (MSFT) from our List had a slight loss after failing to break back above its 200-day moving average

following an early-week rally. The stock is now below its shorter term moving averages with momentum now mixed.

The longer-term weekly chart of MSFT shows how formidable a barrier this 200-day moving average has been this year, after an April and mid-August attempt to move above this mav also failed. We're removing Microsoft from our Suggested Holdings List and will revisit the stock after a move back above its 200-day moving average.

Alternative Energy Equipment stocks posted a mixed week with companies such as Plug Power (PLUG) trading higher after news of a collaboration with a major EV producer while Enphase (ENPH) pulled back after a Wall Street downgrade due to its high valuation.

ENPH found support at the \$300 level however, the RSI has dipped into negative territory which is similar to early November of this year. A move back above its shorter term 10 and 21-day moving averages would have us positive on the near-term prospects however, a close below its 50-day moving average would have the

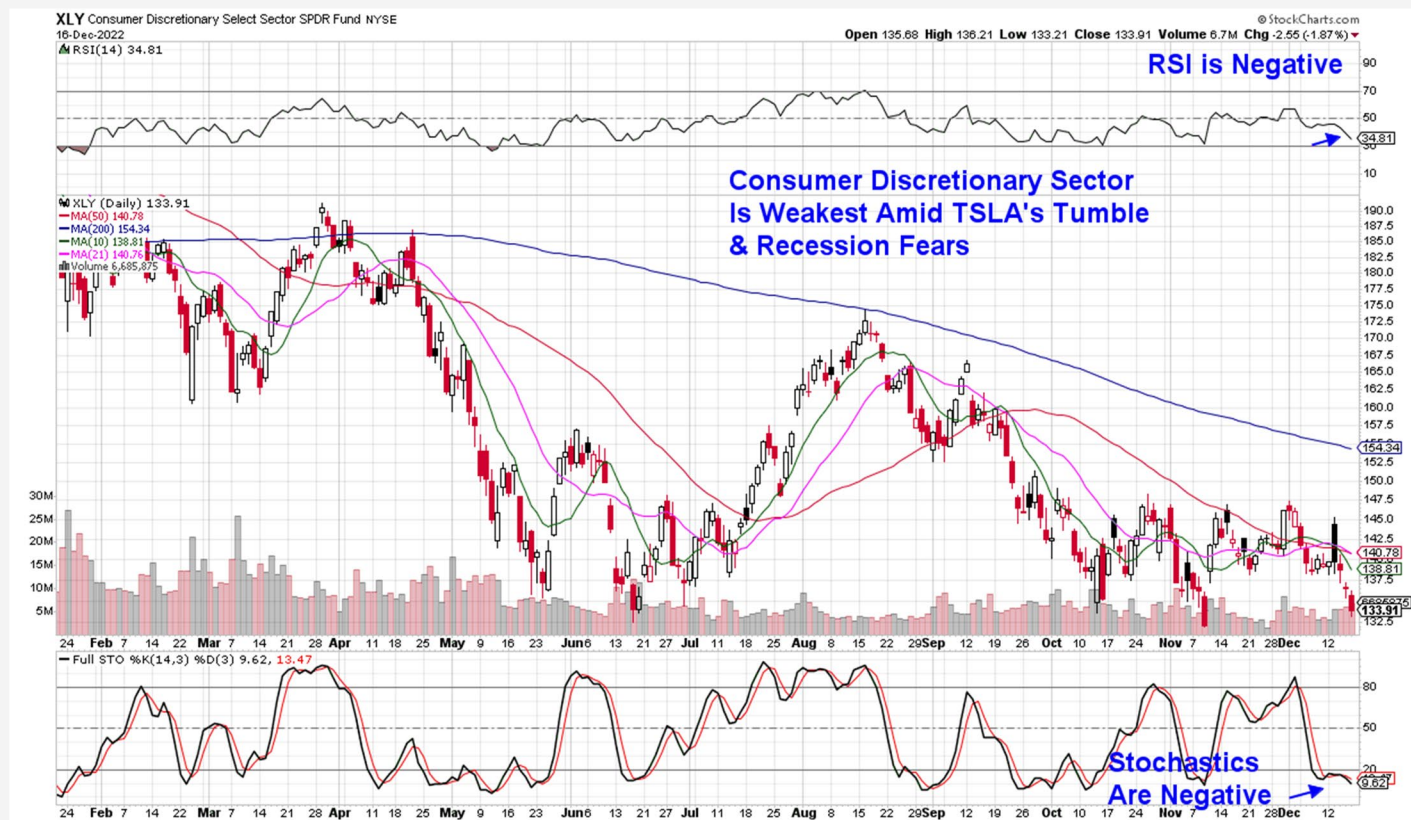
opposite impact. For now, we'd hold the stock and use near-term price action as a guide.

Semiconductor stocks pulled back 3.4% for the week led lower by a downgrade in heavyweight names such as Nvidia (NVDA) due to a possible Semi chip inventory correction, as well as Qualcomm (QCOM) due to their high smartphone exposure.

The pullback in this group pushed it back below its 200-day moving average as well as its shorter term mavs. (SOXX).

ASML (ASML) from our List pulled back from a 2-week base breakout on Tuesday. The stock has been outperforming its peers due to the company's strong longer-term growth outlook as it has proprietary manufacturing systems. In turn, the weekly chart remains positive for ASML with the daily chart painting a more mixed picture. We would not be a buyer at this time.

Consumer Discretionary Select Sector SPDR Fund (XLY)



Consumer Discretionary Sector Is Worse Performer

Consumer Discretionary stocks fell 4% led by a similar drop in Retail stocks which declined amid recession fears as well as weak Retail Sales numbers.

These stocks stand to be among the areas most negatively impacted should we experience a recession. In addition, higher prices amid continued high inflation is also expected to slow growth among many retailers.

Home Depot (HD) held in relatively well after retaining a 1% gain following a pullback from a 4-month base breakout. The early week breakout occurred on news of a price target upgrade to \$379 from a major Wall Street firm.

HD is close to regaining its 10-day moving average with its RSI and MACD in positive territory. The stock is positioned to trade higher however, retail group dynamics may create headwinds.

Corcs Inc. (CROX) also posted a slight gain while retaining a positive RSI and MACD. A move back above its 10 and 21-day moving average would put the stock into an uptrend. CROX also received a price target upgrade last week due to the popularity of their footwear.

In addition to many Retail stocks coming under selling pressure, Leisure related stocks were also hit last week such as hotels and travel related companies due to recession fears.

The real drag for this sector last week was a 16% decline in heavyweight stock Tesla (TSLA) as CEO Musk continues to sell shares. Auto stocks in general sold off last week as November Retail Sales data showed a sharp drop in auto sales.

Summary

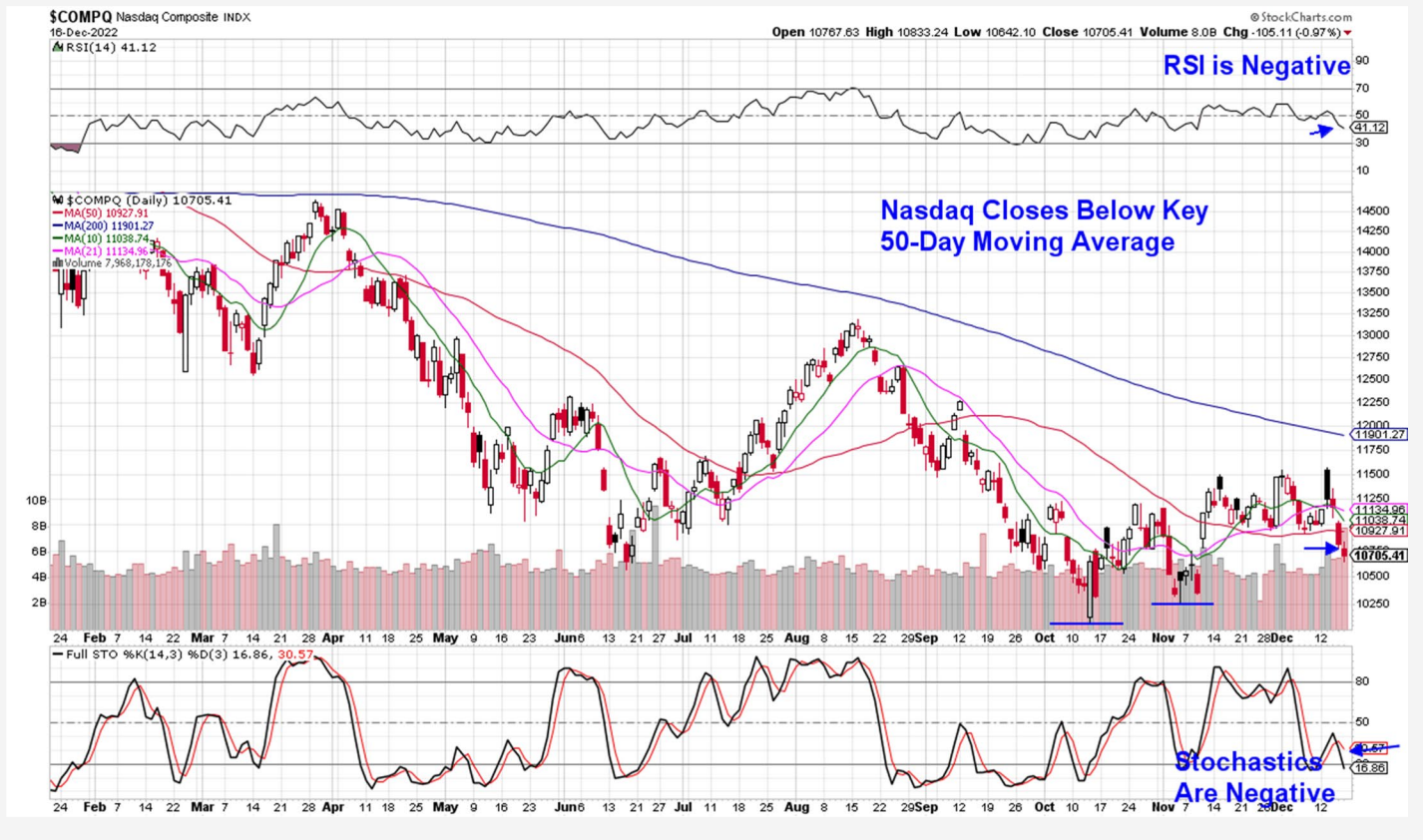
Last week's pullback in the markets occurred amid increased fears of a slowdown in the economy following the Federal Reserve's announcement of a higher than expected interest rate hike for a more prolonged period.

The result was a decline in areas that will be most negatively impacted by any economic slowdown, while bright spots such as Biotech and more defensive Staples, Utilities and Healthcare fell less than the markets.

Gold stocks also outperformed after closing the week flat. Historically, this safe haven asset can outperform during recessionary periods as well, particularly if the U.S. dollar remains relatively low as it has been.

Overall, price action last week was not positive and at this time we would not put new money to work. Should we see a resumption of the recent bear market rally with a move above key moving averages for the major indexes, any new positions would need to have a short term horizon.

Daily Chart of NASDAQ Composite (\$COMPQ)



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
HEALTHCARE						
AZN	AstraZeneca PLC	\$65.10	11/20/2022	-4.5%	10-Feb	Biopharmaceutical
BMRN	BioMarin	\$0.97	11/27/2022	14.0%	26-Jan	Biopharmaceutical
DXCM	Dexcom	\$114.60	12/14/2022	-5.5%	27-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	8.5%	7-Feb	Biotechnology
HRMY	Harmony Biosciences	\$60.48	12/1/2022	-7.0%	1-Feb	Biopharmaceutical
CONSUMER DISCRETIONARY						
CROX	Crocs Inc.	\$95.00	12/4/2022	-9.0%	4-Mar	Retail
HD	Home Depot	\$326.40	11/27/2022	0.0%	11-Feb	Retail
TECHNOLOGY						
ASML	A S M L Holding	\$576.40	11/13/2022	-2.5%	24-Jan	Semiconductors
ENPH	Enphase Energy	\$292.01	10/26/2022	-4.0%	14-Feb	Solar
MSFT	Microsoft Corp.	\$247.11	11/13/2022	-2.0%	24-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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