



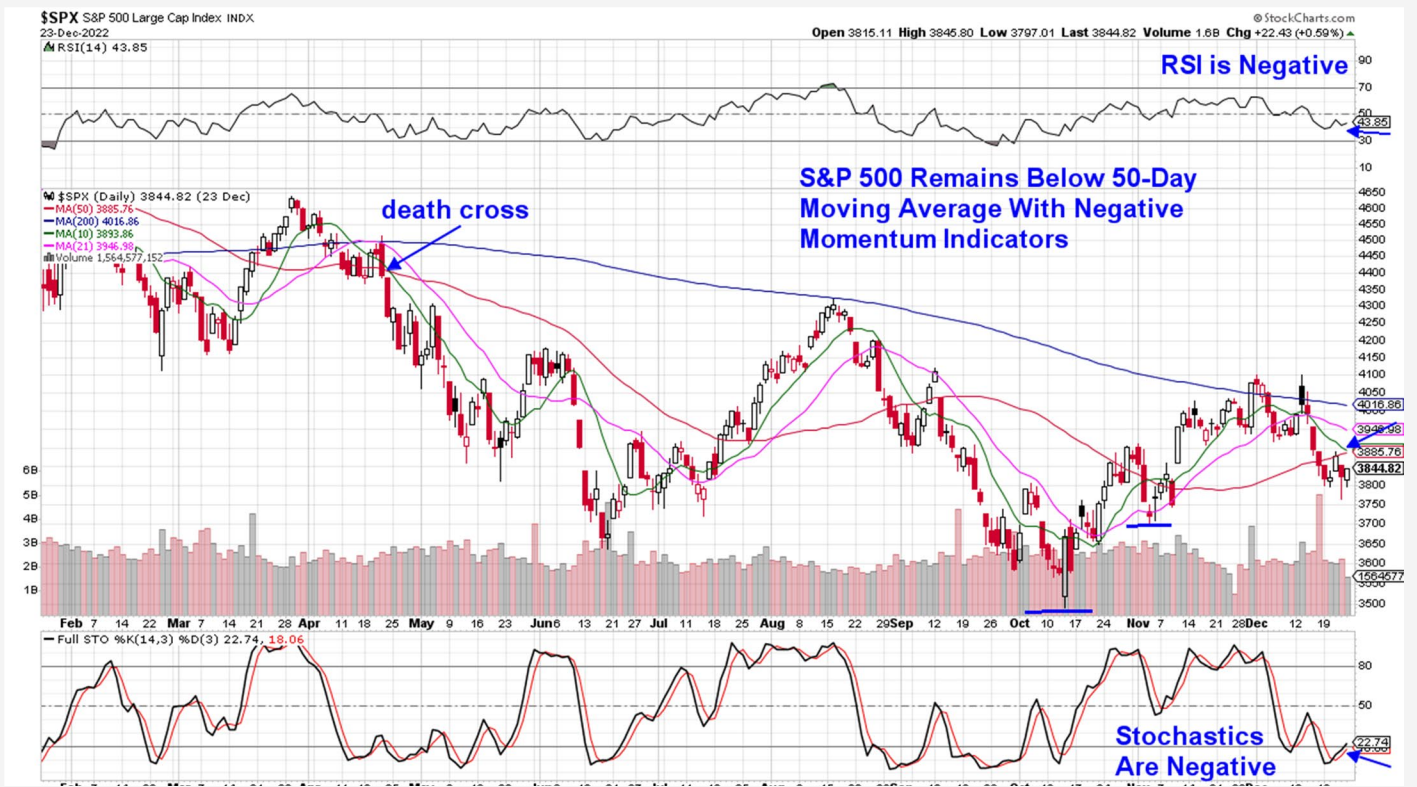
THE MEM EDGE

December 26, 2022 | Weekly Report

This Week's Highlights

- Consumer Confidence Hits 8-Month High
- Weekly Jobless Claims Inch Higher
- U.S. GDP Revised Upward To 3.2% For 3rd Quarter Due To Consumer Spending
- Core Personal Consumption Expenditures (PCE) Shows Inflation Is Cooling Slightly
- Durable Goods Orders Drop As Economy Slows
- Light Economic Calendar Next Week

Daily Chart of S&P 500



The S&P 500 lost 0.2% for the week in a move that keeps this Index below its 50-day moving average with the RSI and Stochastics both in negative territory. These adverse dynamics have us remaining negative on the near-term prospects for the markets.

At this time, the next area of possible support for the S&P 500 is its early November low, which is 3.8% away. On the daily chart, we're keeping a close eye on the 10-day moving average as it's close to closing below its 50-day moving average.

When this shorter term moving average closes below a longer term mav, a negative signal known as a death cross takes place which can often point to further downside. This has occurred several times this year and I've highlighted the early April occurrence above.

The Nasdaq fell quite a bit further last week with a 2.3% decline that puts this Index closer to its November 4th low which is the next area of possible support. The selloff occurred amid underperformance

in each of the mega-cap FAANMG stocks with Tesla (TSLA) posting a sharp 18% loss.

Semiconductor and Software stocks fell further than the markets as well, as Growth stocks suffered amid recession fears and rising interest rates.

Defensive areas of the market outperformed, led by Utility, Staples and Healthcare stocks. These areas tend to fare better during periods of heightened concerns of a recession such as now.

Despite their outperformance, the percent of technically positive stocks in each of these sectors - those trading above their 50 & 200 day moving averages - balances out to 30%, which indicates the need for selectivity if trading into these defensive areas.

The largest gains last week were among Energy stocks which rallied on news that Russia may cut oil production. In turn, the price of Brent crude rose to \$87 per barrel which buoyed oil related stocks. This week, we're adding names from this group to our Watch List as they've turned technically positive. The updated list will be posted in the members area.

Last week, stronger than expected economic data - particularly a revision higher for Q3 GDP - pointed to a

resilient consumer that continues to spend despite higher prices. High consumer spending will keep inflation elevated and given the Fed's clear resolve to lower inflation by raising interest rates, the data raised fears of a prolonged rate hike cycle.

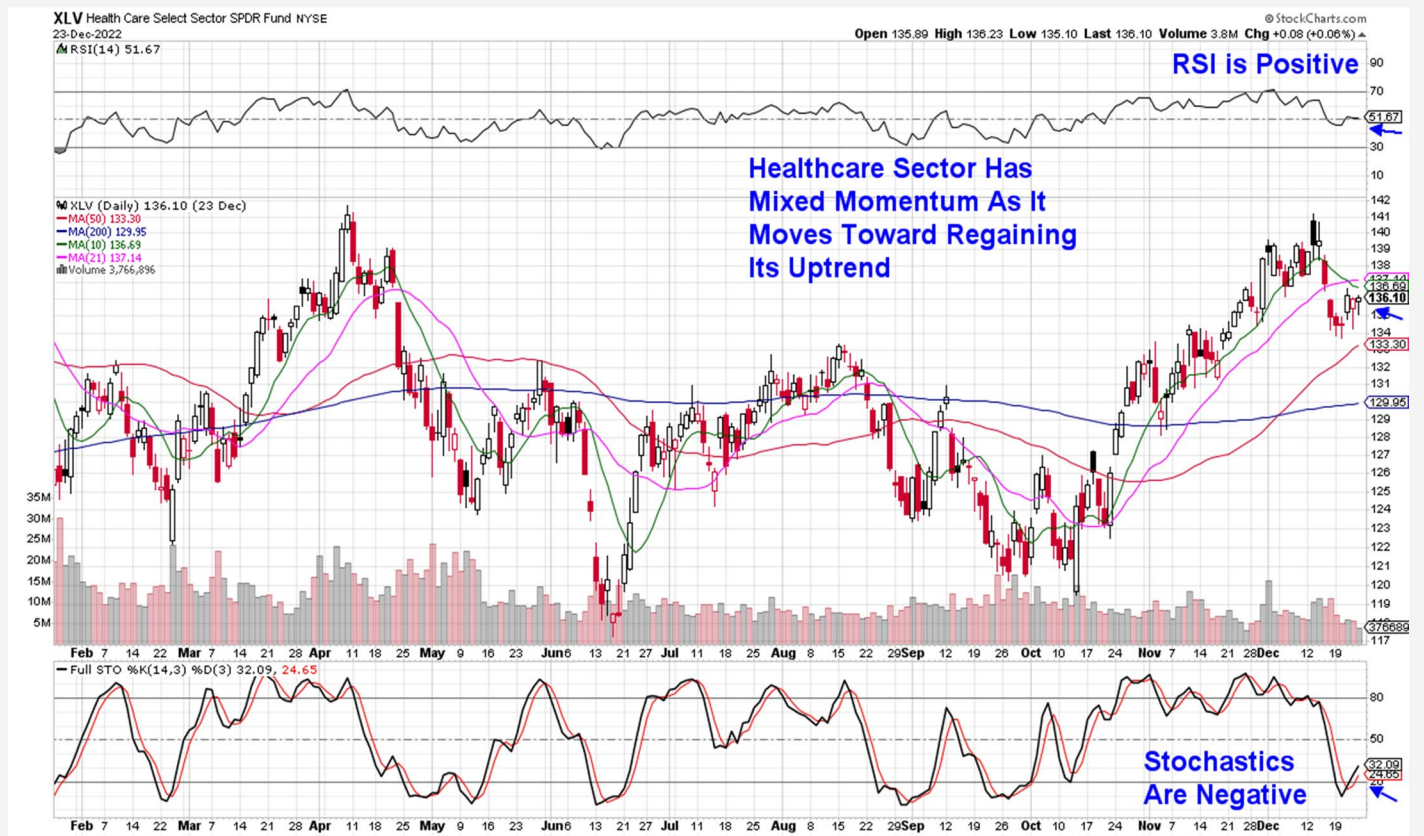
A big concern among investors is that this elevated and lengthier period of rising interest rates will in turn, push the economy into a recession. Last week's weaker performance among Technology and Consumer Discretionary stocks highlighted this concern as both areas fare poorly during a recession.

Next week's holiday shortened period will provide few economic clues as data will be sparse outside of weekly jobless claims. This last week of the year into the first 2 trading days of the New Year is historically a period of positive returns for the markets, known as the Santa Claus rally.

At this time, it will take some muscle to push this possible rally into action however, there are plenty of oversold stocks - think Growth stocks such as Apple, Amazon and Costco - that would be ripe for a bounce. While Tesla is clearly oversold, news over the weekend that Shanghai production will be halted until the New Year, may cause further near-term weakness.



Health Care Select Sector SPDR Fund (XLV)



Healthcare Sector Outperforms

The Healthcare sector edged a bit higher for the week in a bid to move back above its shorter term moving averages and into an uptrend.

Riskier Biotechs pulled back to their 50-day moving average with ETF IBB from our List unable to break back above its shorter term 10 and 21-day moving averages. A close above these mavs would be needed to restore our confidence in the group's ability to move higher over the near-term.

The longer-term weekly chart of IBB remains positive, with the RSI and Stochastics in positive territory.

Among the Biotechs on our List, Gilead (**GILD**) lost 2% for the week. The stock pulled back sharply on news that next year's earnings will be reduced due to their acquisition of Tmunity Therapeutics. Buyers came in on the pullback however, and GILD closed each day in the upper portion of its trading range last week which is a positive.

GILD's RSI and MACD remain positive however, we're on the lookout for a close back above its 10 and 21-day moving averages to confirm that the stock has regained its uptrend.

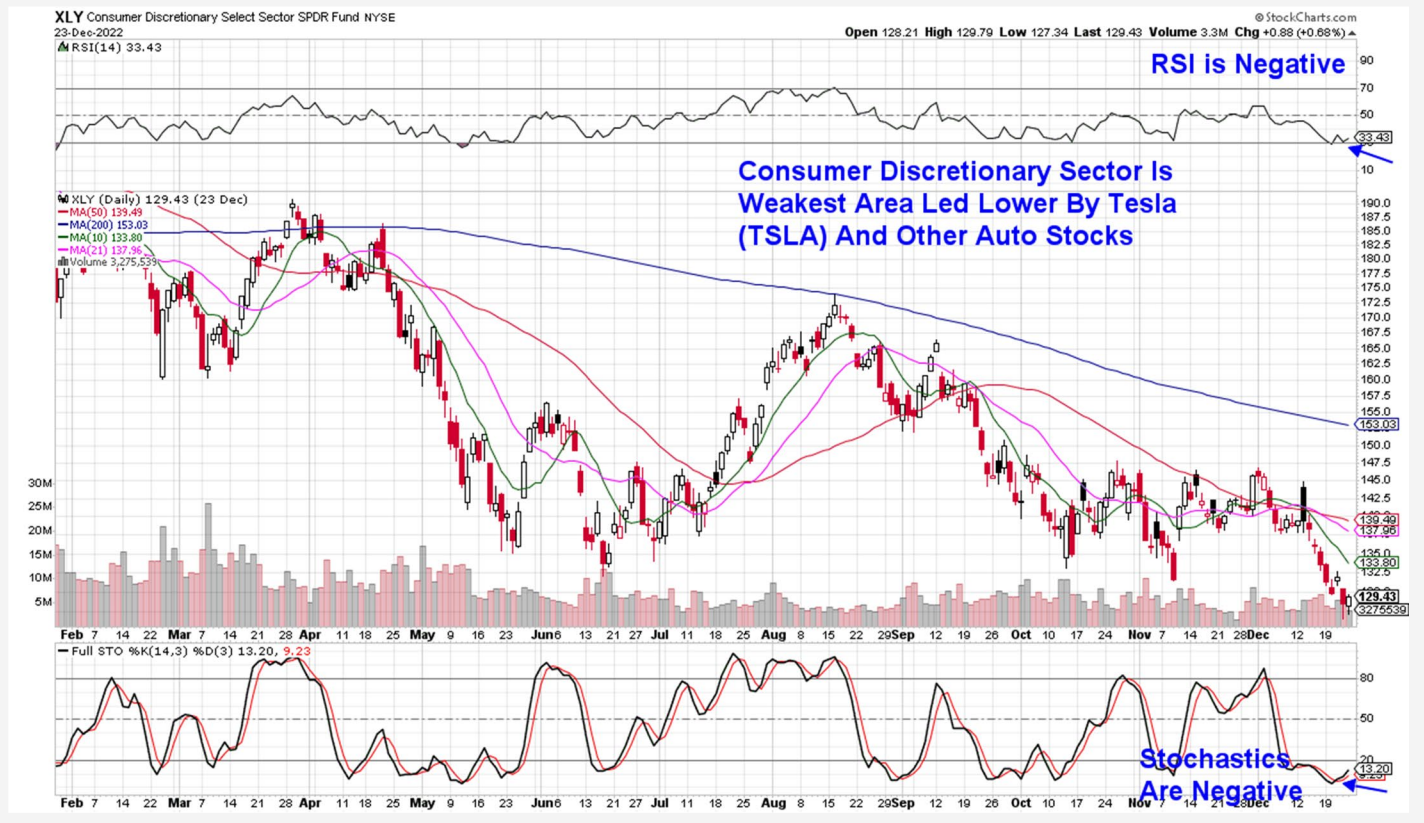
BioMarin Pharmaceutical (**BMRN**) pulled back 4% last week which had the MACD posting a negative crossover (black line down through the red). While this move is not a sell signal, it does indicate a shift in the stocks strong uptrend. As stated in our Midweek Report, we'd take at least partial profits in the stock at this time.

A move back above the 10-day moving average would put BMRN back into an uptrend, however, a break below its 21-day moving average could push the RSI into negative territory. We'll continue to watch the price action for further near-term clues.

AstraZeneca (**AZN**) remains below its 21-day moving average despite positive news last week that their cancer drug was approved for use in the EU. A move above this moving average would put AZN into a buy zone.

DexCom (**DXCM**) closed the week below its 50-day moving average despite a Wall Street upgrade. With the RSI now in negative territory, we're removing the stock from our Suggested Holdings List as the near-term outlook is weak.

Consumer Discretionary Select Sector SPDR Fund (XLY)



Consumer Discretionary Sector Is Weakest Area

Discretionary stocks suffered another week of heavy selling amid a drop in Auto stocks. Tesla (TSLA) experienced a step decline after the company announced further price discounts. Other auto stocks followed suit, with both Ford (F) and General Motors (GM) falling much more than the markets.

With recession fears remaining high due to the prospects of a prolonged rate-hike cycle, other consumer facing groups were also pulled lower such as travel and leisure related stocks.

Not all areas within this sector traded lower however, after Nike's (NKE) report of earnings and sales that were ahead of estimates pushed this stock as well as other footwear names higher.

This would include shoe company Crocs Inc. (CROX) from our List which is approaching a possible 1-month base breakout at \$104 after last week's 8.5% rally. The

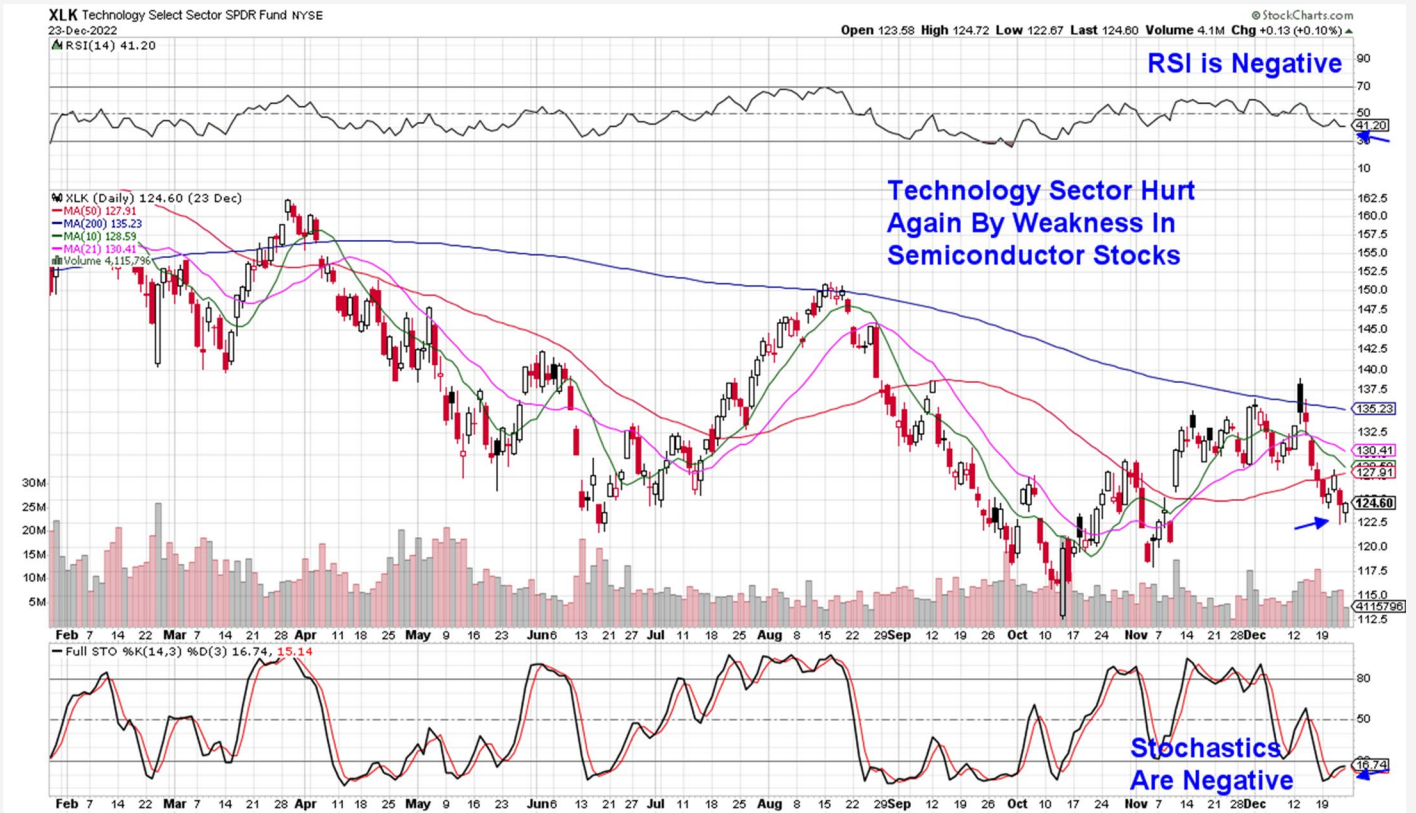
stock is in a confirmed uptrend with the MACD posting a positive crossover on Friday. CROX is in a buy zone.

Home Depot (HD) fell less than its peers with its RSI and MACD in positive territory. The stock would need to break back above its 10 and 21-day moving average in order to regain its recent uptrend and the stock can be held for now.

Discount Retailers are also holding up well despite downward pressure elsewhere in Retail. Ross Stores (ROST), TJX Cos. (TJX) and Burlington Stores (BURL) are all on our Watch List as they form 5-6 week flat bases.

With the Retail group (XRT) and the Discretionary sector (XLY) in a downtrend, we will not be adding new holdings from this area but instead, will continue to build out our Watch List for when this area turns positive.

Technology Select Sector SPDR Fund (XLK)



Technology Sector Breaks Below 50-Day Moving Average

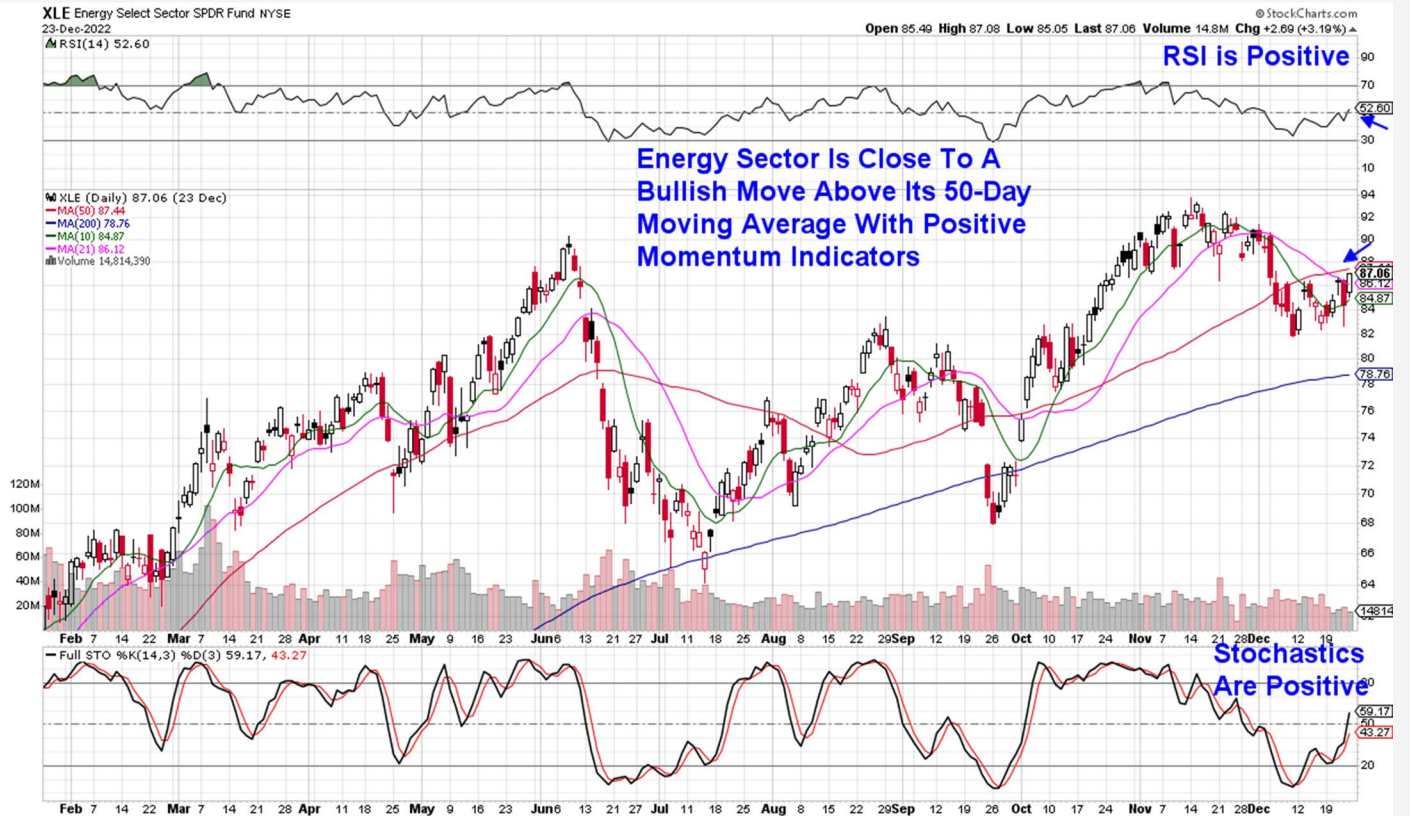
Technology stocks were among the weakest sectors after Semiconductor stocks fell 3.6% following a terrible earnings report from heavyweight name Micron (MU) last week. In addition to reporting quarterly results well below estimates, the company guided growth projections lower going well into next year due to weak chip demand.

A S M L (ASML) from our List found support at its 50-day moving average however, with the RSI now in negative territory and the MACD poised to also turn negative, we're removing the stock from our List.

Alternative Energy stocks also traded lower for the week with companies lacking earnings getting hit the hardest. Enphase (ENPH) pulled back with the group despite a Wall Street upgrade last week and the decline put the stock below its 50-day moving average. The RSI and MACD are now in negative territory as well and we're removing the stock from our Suggested Holdings List.

Longer term on the weekly chart, ENPH remains constructive, and longer-term investors can remain with the stock.

Energy Select Sector SPDR Fund (XLE)



Energy Sector Is Top Performer

Energy stocks outperformed as U.S. oil inventories came in well below consensus expectations. In addition, it was reported that Russia's Deputy Prime Minister said oil production may be slashed by 500,000 to 700,000 barrels a day early next year.

Earlier this month, G-7 nations imposed a \$60 price cap on Russian oil exports in response to their invasion of Ukraine. This is well below the current per barrel price of \$87. (using Brent crude prices) or \$79 per barrel using West Texas Crude (WTI).

In response to reduced inventory and higher oil prices, Energy stocks rallied 4.3% for the week. The gain did not put the sector above its 50-day moving average however, several stocks from our Watch List such as Schlumberger (SLB) and Haliburton (HAL) are in a position to trade higher as they've regained their key 50-day mav.

We've added these and other Energy stocks to our Watch List and intend to add them once the group turns positive.

Summary

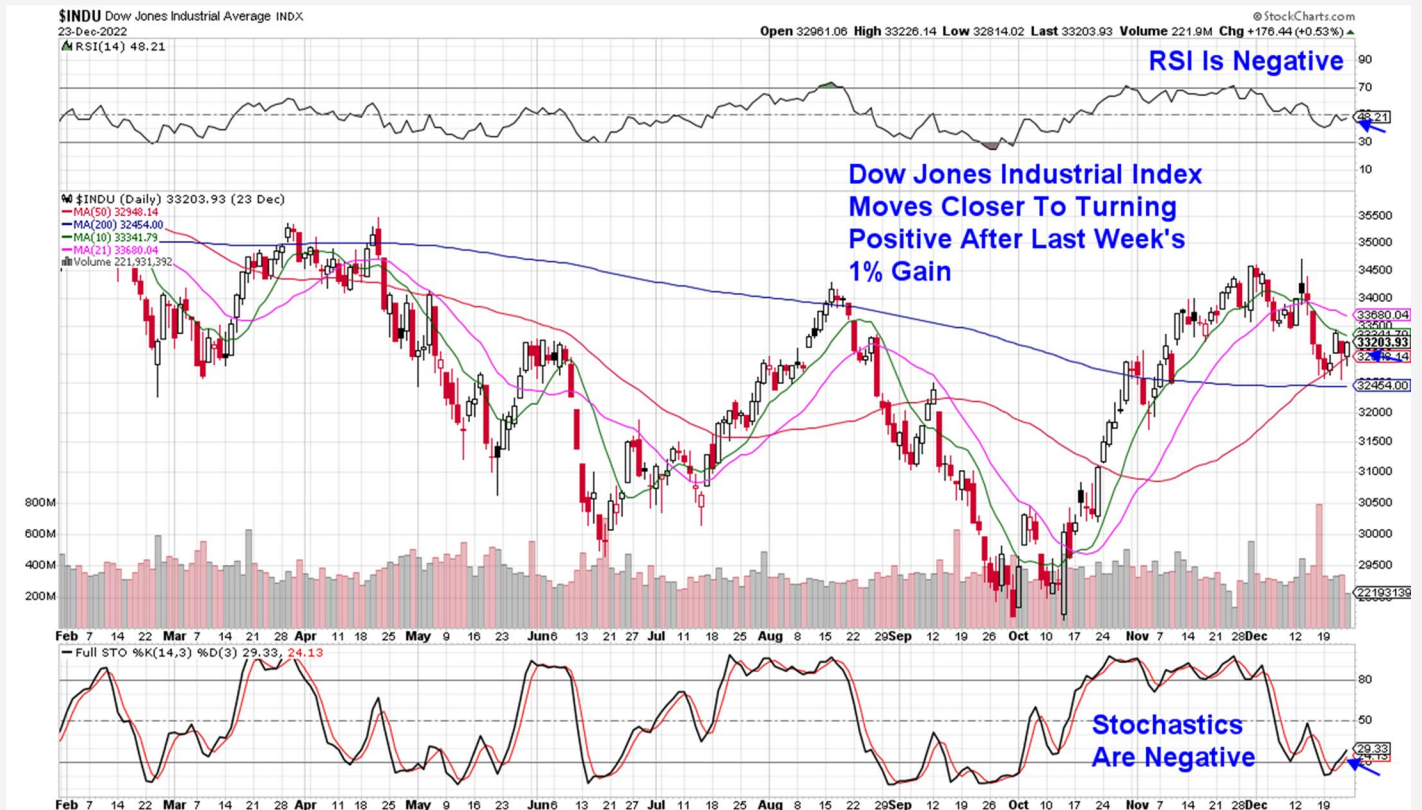
Last week, concerns centered around the Federal Reserve's firm commitment to continue to raise rates until inflation is lowered closer to their 2% target level, continued to be a key factor weighing on the markets. Comments from former NY Fed President Dudley on Monday also heightened concerns as he stated that optimistic markets could only result in the central bank tightening more aggressively.

Higher interest rates are a negative for Growth stocks as it lowers the value of any future earnings. Other areas will also suffer, particularly if rates increase to a level that slows the economy so that we enter a recession or contraction of growth.

Not all areas of the market are being negative impacted by these investor's concerns however, as many stocks in the Dow Jones Industrial Index are faring well due to their higher dividend yields as well as relatively strong growth prospects.

This would include Travelers Co. (TRV), Caterpillar (CAT) and Boeing (BA) to name just a few, with last week's rally in Oil stocks helping boost this Index as well. We've added the top candidates in this Index to our Watch List with an eye toward adding them once the Dow Jones Industrial Index (\$INDU) turns positive.

Dow Jones Industrial Average (\$INDU)



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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HEALTHCARE						
AZN	Astrazeneca PLC	\$65.10	11/20/2022	-4.5%	10-Feb	Biopharmaceutical
BMRN	BioMarin	\$0.97	11/27/2022	10.0%	26-Jan	Biopharmaceutical
DXCM	Dexcom	\$114.60	12/14/2022	-5.5%	27-Jan	Biotechnology
IBB	iShares Biotech ETF	\$134.25	10/30/2022	2.5%	N/A	Biotechnology
GILD	Gilead Sciences Inc.	\$81.82	10/30/2022	6.5%	7-Feb	Biopharmaceutical

TECHNOLOGY						
ASML	A S M L Holding	\$576.40	11/13/2022	-6.5%	24-Jan	Semiconductors
ENPH	Enphase Energy	\$292.01	10/26/2022	-7.0%	14-Feb	Solar

HEALTHCARE						
CROX	Crocs Inc.	\$95.00	12/4/2022	-0.5%	4-Mar	Retail
HD	Home Depot	\$326.40	11/27/2022	-1.5%	11-Feb	Retail

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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