



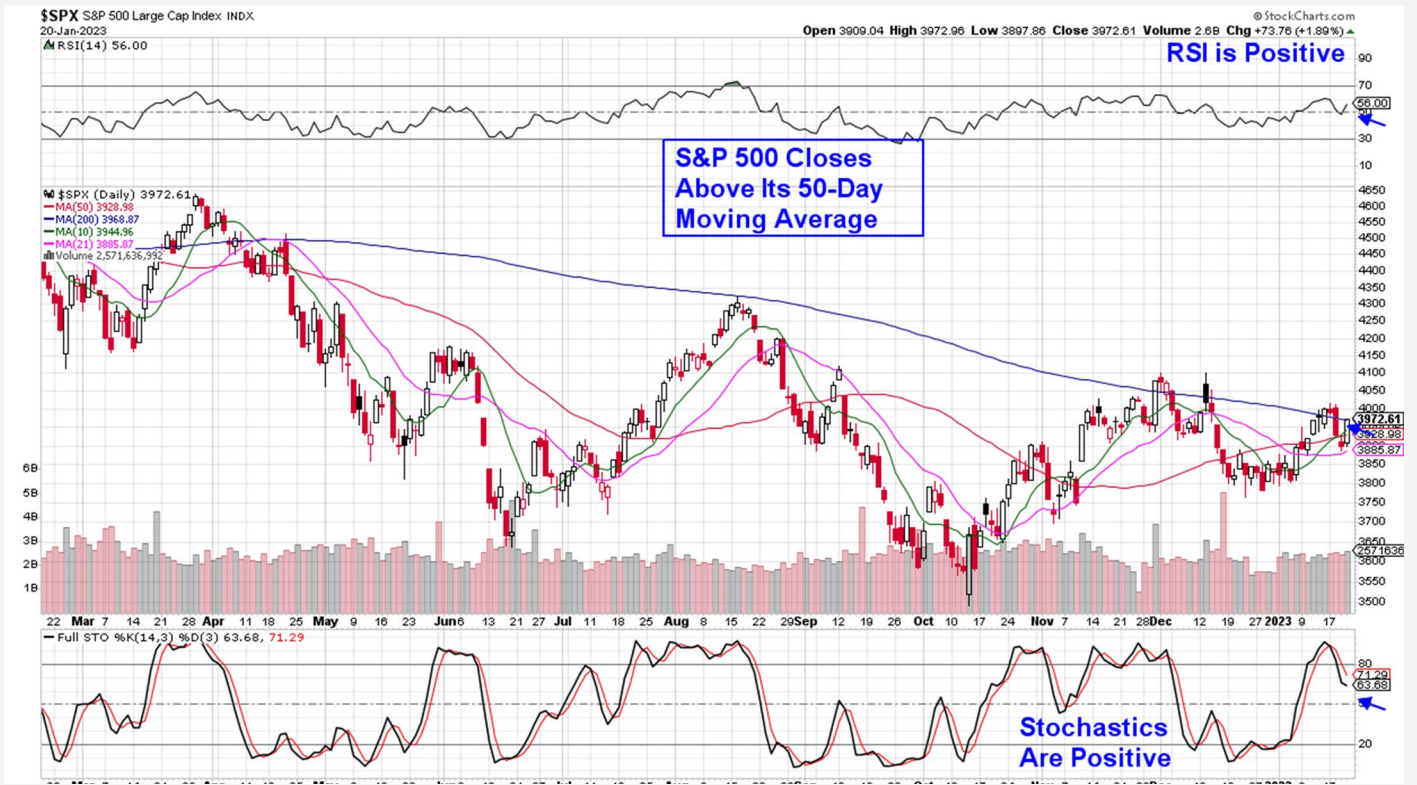
THE MEM EDGE

January 22, 2023 | Weekly Report

This Week's Highlights

- Retail Sales Slump In December
- Wholesale Prices Post Biggest Drop Since 2020 Due To Gas & Food Prices (PPI)
- Several Fed Officials See Elevated Rates For Some Time With Fed Funds Rate Over 5%
- Weekly Jobless Claims Fall To 4-Month Low
- January Manufacturing & Services PMI & Core Personal Consumption Expenditures (PCE)

Daily Chart of S&P 500



The S&P 500 fell 0.7% amid a Friday rally which had this Index closing back above its 200-day moving average on above average volume. With the RSI and Stochastics now back in positive territory, we're more positive on the near-term prospects for the markets as it has regained its uptrend.

The next area of possible upside resistance is the 4000 level and a move above this as well as the mid-December high which is 4101 and 3.1% away, would be

highly constructive for the chances of a continuation rally.

The Nasdaq posted an even larger gain on Friday, amid heavy volume which pushed this Index back above its 50-day moving average and into an uptrend. The next area of possible resistance is its 200-day moving average which is 3.7% away.

The 200-day moving average has proven to be a formidable barrier for the Nasdaq since it fell below this longer-term moving average exactly a year ago.

This Nasdaq Index was boosted by outperformance in most of the mega-cap FAANG stocks on Friday which rallied on news of strong quarterly results from Netflix as well as corporate layoffs news from Alphabet and Microsoft. Software and Semiconductor stocks also ended the week strong.

The markets began the week on a down note following comments from Federal Reserve officials who reiterated their consensus that interest rates will not only surpass 5%, they will remain elevated throughout this year in an effort to bring inflation down.

Friday's news of corporate layoffs at GOOGL and MSFT, as well as NFLX's increased subscribership, provided a needed boost which had every sector trading higher on the day. Other big winners were companies that reported strong earnings.

The price action last week was a reminder that investor's focus on inflation data and the Federal Reserve's possible response can be overtaken by bullish sentiment for companies that post corporate results that are above lowered estimates or where management guides growth estimates higher going forward.

Overall however, the 4th quarter earnings season is not off to a strong start with Financials posting the weakest numbers with many coming in below estimates,

followed by Basic Materials companies that on average, are showing a decline in earnings. The ability for the markets to overlook this and bid many of these stocks higher indicates that investors are looking ahead to the 2nd half of this year. At this time, analysts are projecting average earnings growth of 4.6% for Q3 and 10.5% for Q4 compared to projected declines in earnings of 1.1% in the Q1 and Q2.

Next week, earnings season heats up with Tesla (**TSLA**), IBM, Intel (**INTC**) and Boeing (**BA**) to name just a few, are due to report results.

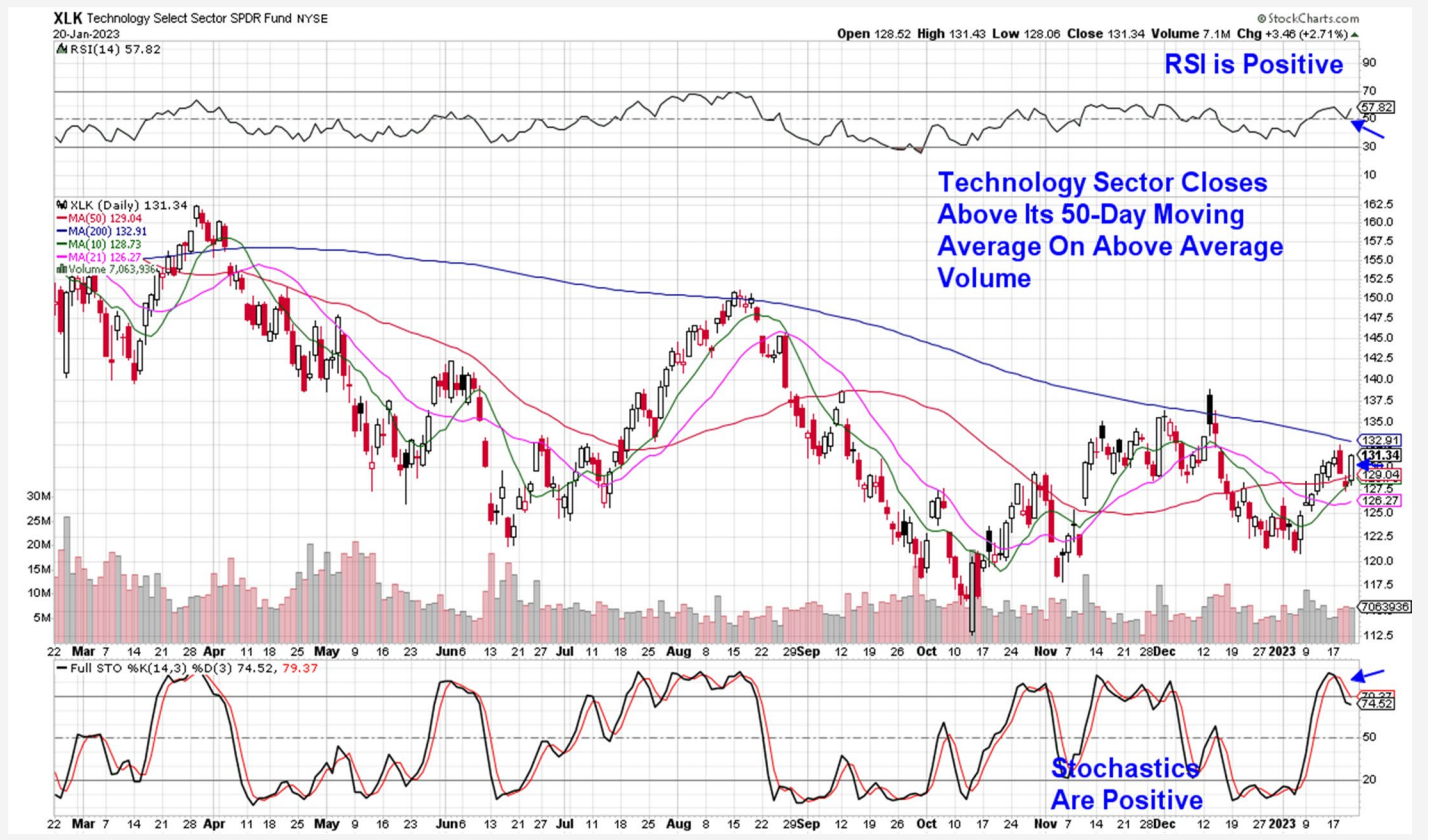
While the week ended on a positive note, not all areas fared well with defensive sectors such as Utilities and Staples falling 3% while Industrials dropped 3.4%. Growth stocks outperformed led by Internet related and Software as well as select Retail stocks.

Inflation data will be released next week with Core Personal Consumption Expenditures (**PCE**) data for December due on Friday before the market opens. This is the Federal Reserve's preferred inflation measure as it excludes volatile food and energy prices.

Odds for a 25-basis-point hike at the February Fed meeting rose to 99.2%. That would take the fed funds rate to the 4.5%-4.75% range, according to the [CME Group FedWatch Tool](#).



Technology Select Sector SPDR Fund (XLK)



Technology Sector Among Best Performing

The Tech sector was among the top performing led by gains in beaten down Software stocks which gained 1.5% for the week (using ETF IGV). Despite its gains, the group remains below its key 200-day moving average which is 2.6% away.

We're continuing to add stocks from this group to our Watch List; however, Software's vulnerability to a potential uptick in interest rates has made us slow to add those names to our Suggested Holdings List.

Next Wednesday, Software stock Servicenow (**NOW**) from our Watch List is due to report its quarterly earnings and the company's results as well as guidance may help shift our sentiment.

Semiconductor stocks were flat for the week however, the group was able to retain its bullish status as it reminded above each of its moving averages. (using ETF SOXX). The group received a boost due to bullish notes from analysts at Bank of America who noted that demand for AI and automotive chips remains high while demand elsewhere is anticipated to pick up in the 2nd half of the year.

Breakthroughs in AI applications and new products are being developed by Nvidia (**NVDA**) which has estimates being revised upward for the stock. We're adding NVDA to our Suggested Holdings List following last week's

move above its 200 day moving average on above average volume.

Semi stock ASML (**ASML**) from our List pulled back a bit more than the group however, the stock found support at its 10-day moving average and is in a buy zone with its RSI and MACD in positive territory

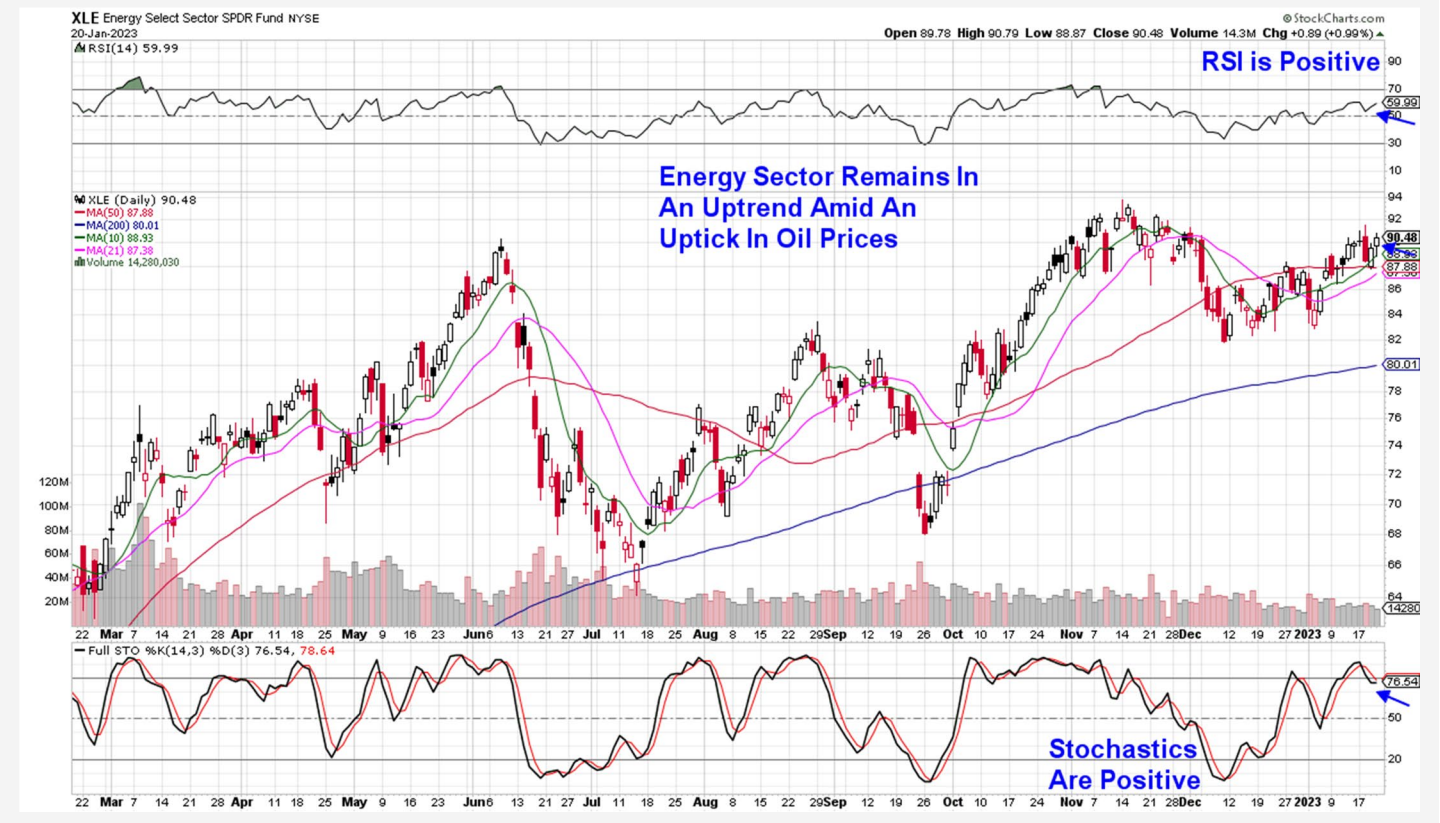
Lattice Semi (**LSCC**) pulled back in line with the group and is also in a buy zone after finding support at its 10-day moving average. Its RSI and MACD are in a buy zone.

Alternative Energy Equipment stocks took it on the chin last week with the group losing 6.1%. Solar stocks fell even further despite Wall Street upgrades. First Solar (**FSLR**) from our List is a prime example after the stock fell 6.8% last week despite several price target and earnings estimate upgrades last week.

Despite the pullback, the stock was able to retain its positive RSI and MACD and a move back above its 10-day moving average would put the stock in a buy zone.

The Technology sector is in a near-term uptrend however, a move back above its 200-day moving average would provide us with more confidence that this area will continue to trade higher.

Energy Select Sector SPDR Fund (XLE)



Energy Sector Remains In An Uptrend

Energy stocks were also among the top performing areas with the group remaining above each of its moving averages and in a near term uptrend. The gain in the sector followed an uptick in the price of oil that took place despite a rise in U.S. crude inventories. This is primarily because investors are anticipating that oil demand from a reopened China will keep prices of crude elevated.

Higher oil prices will of course bode well for the profits of oil related companies which has been the case during the current earnings season. While we're in the beginning stages of companies reporting, Energy is the top sector in producing net profit margins versus last year.

This would include Schlumberger (**SLB**) from our List which reported 79% year over year earnings growth which was 30% above estimates. In addition, SLB's CEO sees very strong profit margin expansion into the remainder of this year.

SLB's response was muted given that it had rallied to a new near term high going into the report. With positive

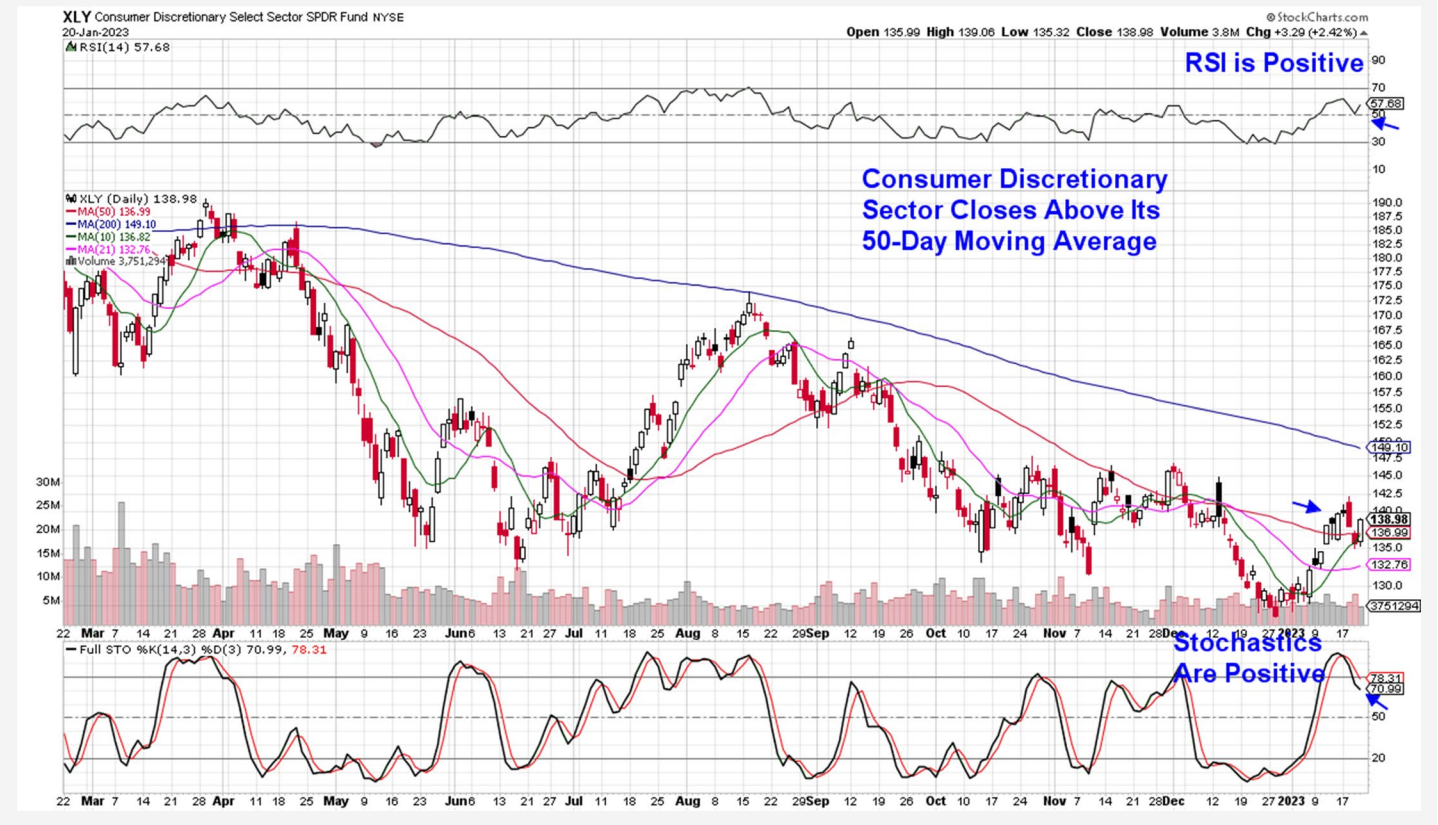
momentum indicators, the stock remains in an uptrend after finding support at its 10-day moving average and the 1.7% yielder is in a buy zone.

Halliburton (**HAL**) is due to report their earnings on Tuesday and the stock pulled back to its 21-day moving average ahead of reporting results.

Tidewater (**TDW**) fared much better than its peers with a 9% gain that puts the stock at a near term high in price. TDW is in a confirmed uptrend and can be bought on a pullback to its 5-day moving average in the \$41 range.

On its daily chart, the RSI is now in an overbought condition which signals that we may be due a period of consolidation within the next 2 weeks. A negative MACD crossover (black line down through the red) coupled with a break below key moving averages would signal a pullback. (We're using the mid November period as precedence). For now however, the stock remains in a bullish uptrend.

Consumer Discretionary Select Sector SPDR Fund (XLY)



Consumer Discretionary Sector Regains Uptrend

Discretionary stocks pulled back earlier in the week following news that Retail Sales had slumped in December. Hardest hit were those stocks that had outperformed the most of late with Footwear stocks being the weakest performers last week.

This would include Crocs (**CROX**) from our List which had initially hit a new high in price after the stock received more price target upgrades to as high as \$165. Wall Street's bullishness was boosted the prior week after Croc's management guided Q4 sales estimates quite a bit higher.

CROX pulled back to its 10-day moving average where it found support. This puts the stock into a buy zone however, a negative MACD crossover may signal a

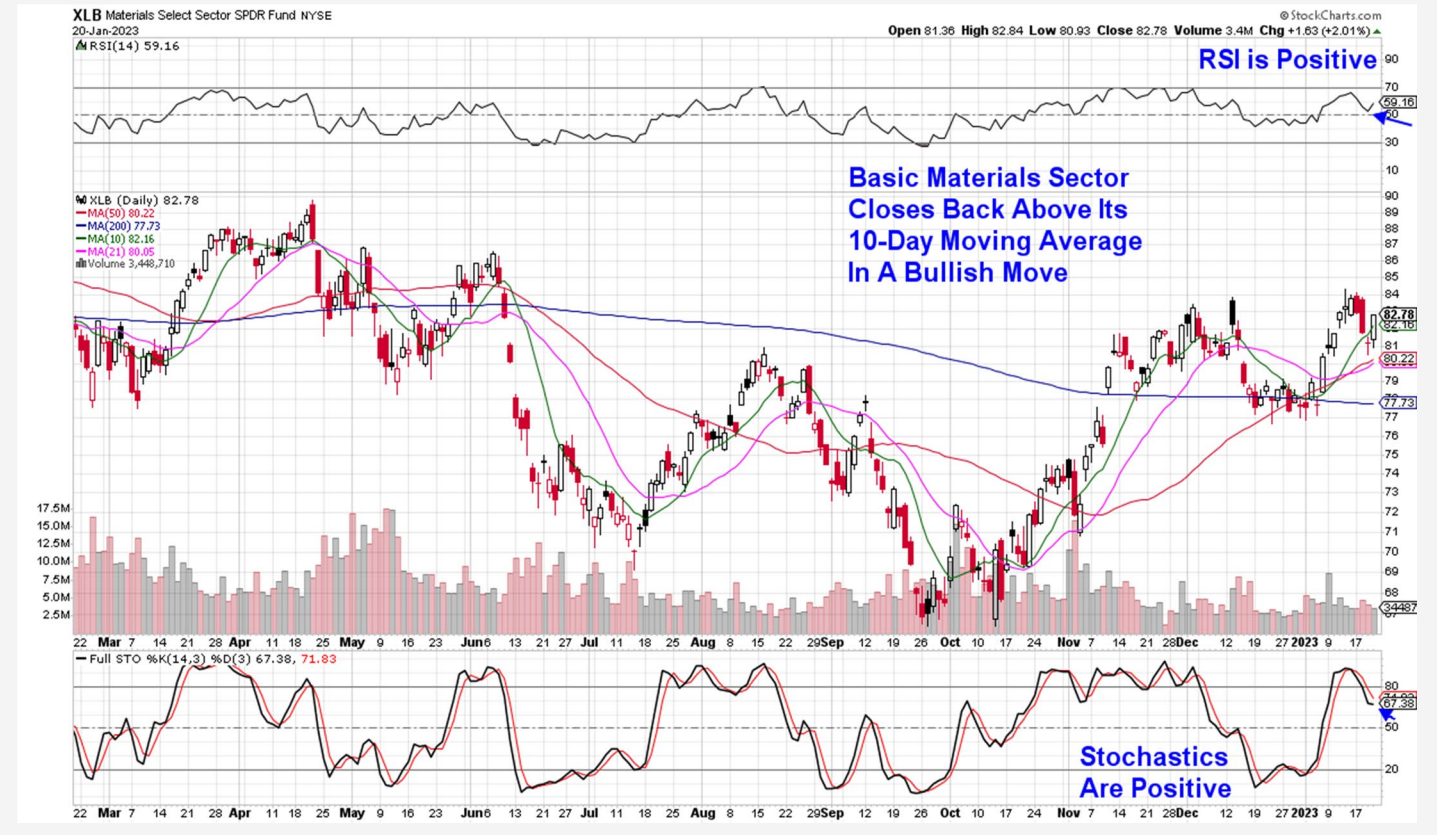
period of consolidations similar to its late November period. For now, the stock remains in a strong uptrend.

Deckers Outdoor (**DECK**) had a slighter pullback to its 10-day moving average in a move that puts the stock in a tight trading range. A move above its 5-day moving average would put DECK in a buy zone.

Home Depot (**HD**) from our List fell below its 50-day moving average on heavy volume on Thursday and was unable to recover despite a rally on Friday. We're removing the stock from our Suggested Holdings List.

Discretionary stocks were among the top performing during Friday's bullish market action with beaten down names in this Growth area posting the strongest gains.

Materials Select Sector SPDR Fund (XLB)



Basic Materials Sector Underperforms

Material stocks fell for most of the week before a Friday rally put the sector back into an uptrend. The earlier declines occurred amid news of reduced metal output guidance from Barrick Gold (**GOLD**) which stated that output is at a 22-year low.

Aluminum miner Alcoa (**AA**) also reported lower than anticipated output after its earnings report on Wednesday. The company cited the increased cost of raw materials such as Oil. Aluminum stocks fell almost 7% for the week.

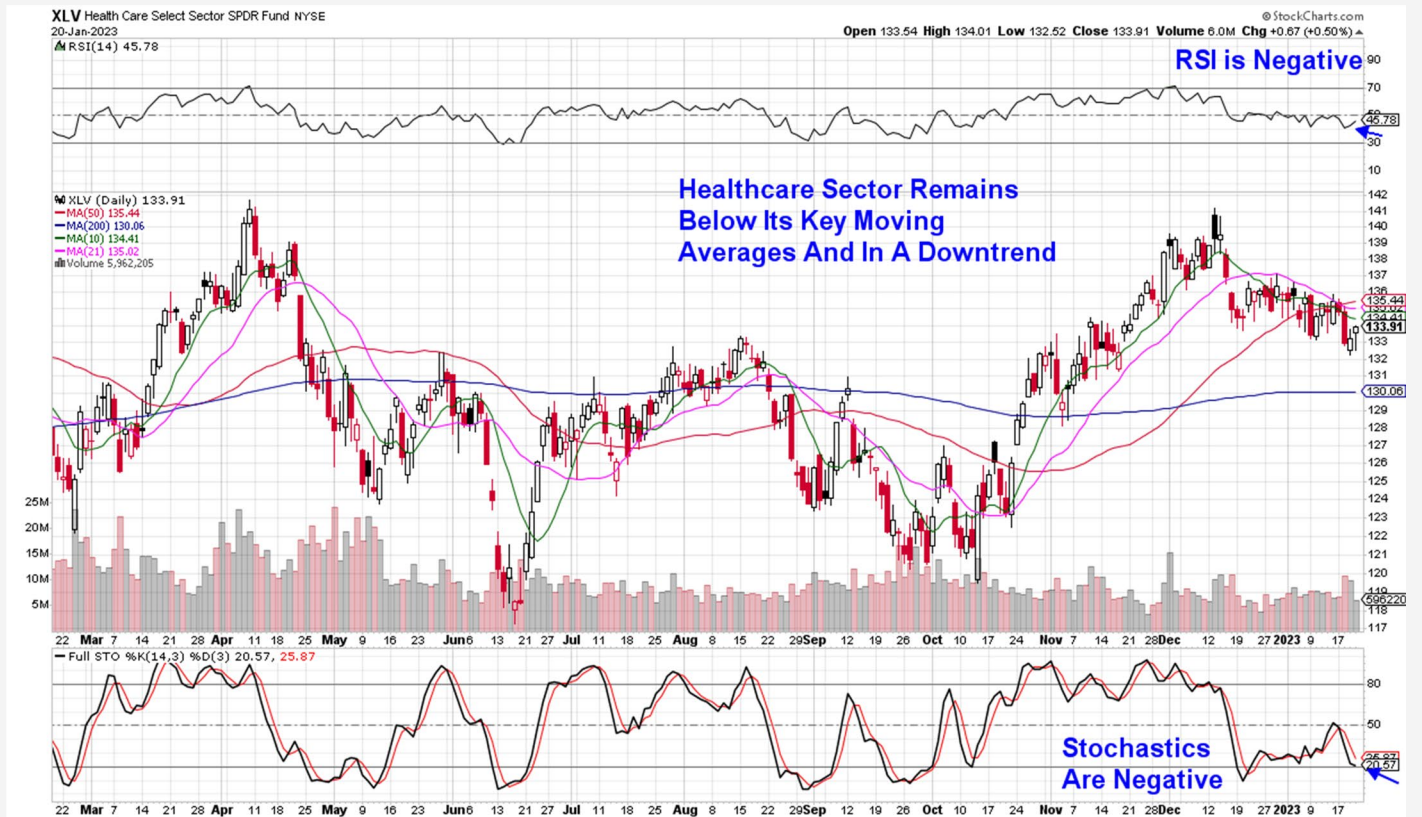
Rio Tinto (**RIO**) from our List outpaced its peers with a 1% gain that was spurred by a price target upgraded from JP Morgan. The stock remains in an uptrend as it

finds support at its upward trending 5 day moving average with its MACD trending upward from a relatively low level.

The reopening of China is expected to continue to boost stocks in this sector as the country is the largest importer of metals and they are now in a rebuilding stage after reducing covid restrictions.

A continued decline in the US dollar is also a boost for this group and while high inflation can be a drag on select areas of consumer related stocks, it is a bullish backdrop for commodities.

Health Care Select Sector SPDR Fund (XLV)



Healthcare Sector Remains In A Downtrend

The Healthcare sector was held down again by weakness in Larger Pharmaceutical stocks such as Pfizer (PFE) which fell due to Wall Street calls for a "covid reset" as the drug giant continues to count on sales from Paxlovid which is in reduced demand.

Eli Lilly (LLY) also pulled back after the FDA rejected their Alzheimer drug due to a lack of data.

Elsewhere in Healthcare, Biotech stocks were flat for the week in a move that keeps the group above each of its moving averages and in an uptrend. Biomarin (BMRN) is in a similar position with its momentum indicators in positive territory.

AstraZeneca (AZN) closed the week below its 21-day moving average in a move that put the RSI into negative territory on its daily chart with the MACD poised to turn negative as well. We're keeping the stock on our List as we're on the lookout for a move back above its 21-day moving average however, should the stock trade lower, we'll consider removing it.

This week, we're adding Pacific Biosciences (PACB) to our Suggested Holdings List as the stock is on the cusp of a 1-month base breakout amid an upgrade to this years results due to robust demand for their newly launched Revio system as well as other genetic sequencing products.

Industrial Select Sector SPDR Fund (XLI)



Industrial Sector Is Worse Performer

The Industrial sector is the worst performer this week amid a pullback in heavyweight names such as 3M (MMM), Honeywell (HON) and Eaton (ETN) which fell due to analyst downgrades to select Aerospace stocks.

Transdigm Group (TDG) from our List fared better with a pullback from near term highs that has the stock closing above its 10-day moving average. The company is more tied to the improving airline industry and is in a buy zone as analysts raise earnings estimates.

Caterpillar (CAT) is also in a buy zone after pulling back to its 21-day moving average and finding support. The company is expected to fare well amid an anticipated increase in demand for mining equipment due to China's reopening.

Last week's sharp drop in the Industrial sector has put it into a downtrend which has us refraining from adding stocks such as Fluor (FLR) from our Suggested Holdings List. We'll continue to monitor this sector.

Summary

Last week's pullback allowed several names from our Suggested Holdings List an opportunity to pull back to key areas of support while Friday's rally put the markets back into an uptrend. While this is a very positive scenario, next week will bring a slew of new earnings reports as well as Friday's much anticipated CPE report.

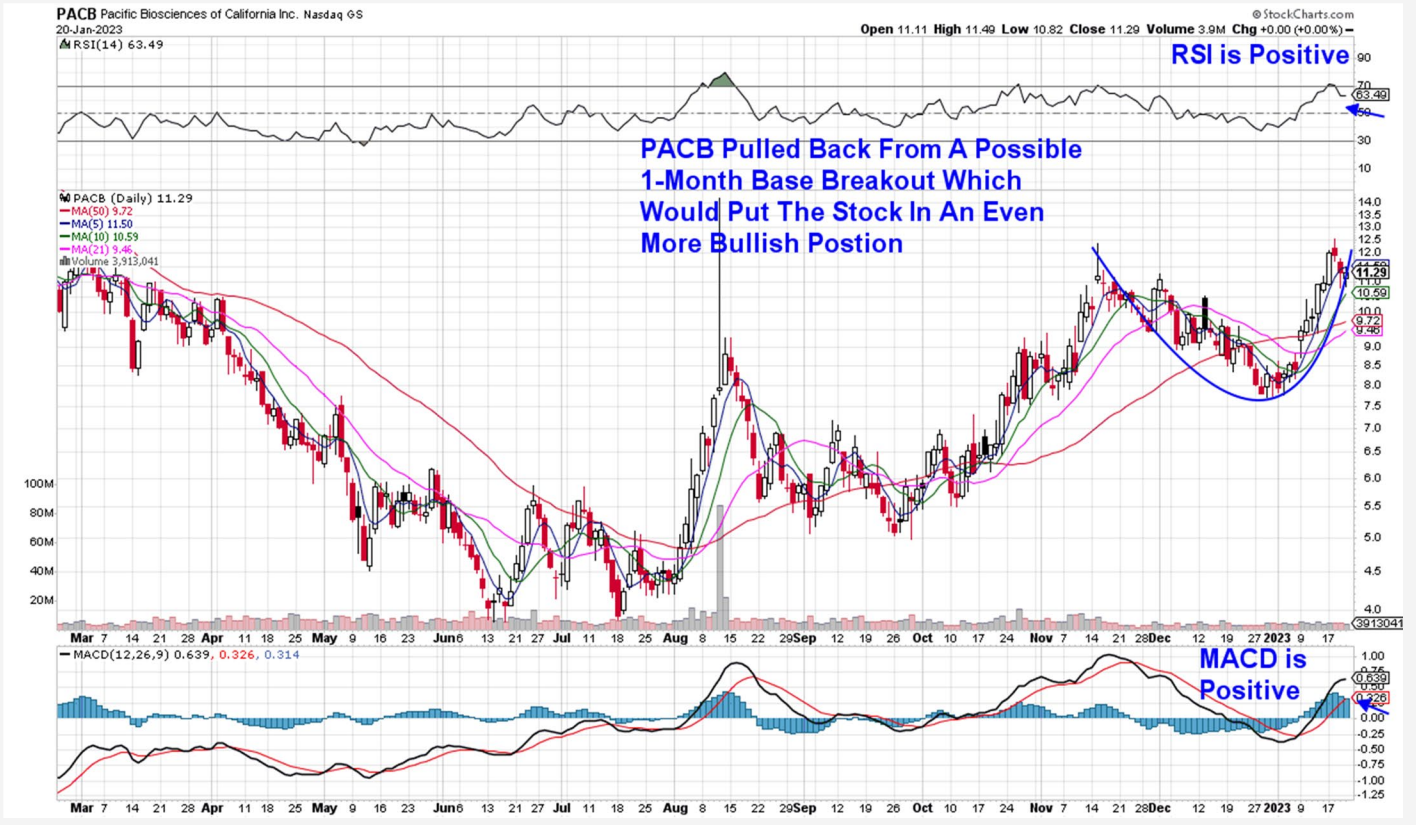
As noted earlier in this report, inflation data and the Fed's possible response, as well as earnings reports, have been the key driver of price action within the markets. Analyst upgrades and downgrades are also pushing stocks around.

Overall however, a bullish bias has been reinstated with Growth stocks beginning to firm up while more value oriented Commodity stocks have mostly retained their uptrends.

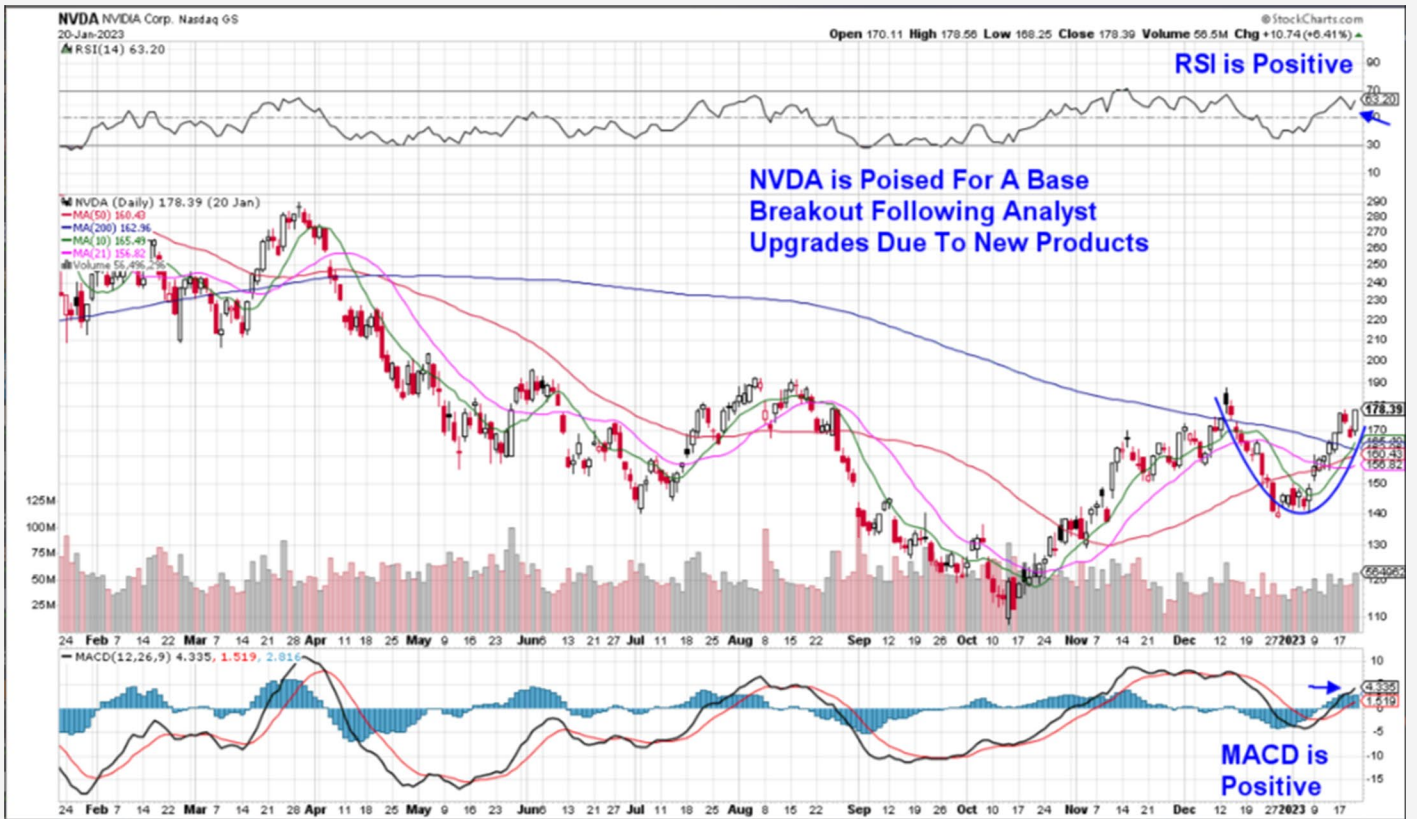
Daily Chart of NASDAQ Composite (\$COMPQ)



Daily Chart of Pacific Biosciences of California Inc. (PACB)



Daily Chart of Nvidia Corp. (NVDA)



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.	\$125.80	12/4/2022	18.0%	4-Mar	Footwear
DECK	Deckers Outdoor Corp	\$420.00	1/16/2022	-1.0%	2-Feb	Retail
HD	Home Depot	\$331.20	11/27/2022	2.5%	11-Feb	Retail

INDUSTRIALS						
CAT	Caterpillar Inc.	\$358.50	1/8/2023	0.5%	31-Jan	Industrial
TDG	Transdigm Group Inc.	\$683.90	1/8/2023	4.0%	10-Feb	Aerospace

ENERGY						
HAL	Haliburton	\$42.70	1/2/2023	3.5%	24-Jan	Energy
SLB	Schlumberger	\$58.30	1/2/2023	7.5%	20-Jan	Petroleum
TDW	Tidewater	\$39.00	1/2/2023	20.0%	3-Feb	Energy

HEALTHCARE						
AZN	Astrazeneca PLC	\$65.10	11/20/2022	-2.5%	10-Feb	Pharmaceuticals
BMRN	BioMarin	\$112.70	11/27/2022	16.0%	26-Jan	Pharmaceuticals
PACB	Pacific Biosciences	\$11.29	1/22/2023			Biotechnology

BASIC MATERIALS						
RIO	Rio Tinto Plc ADR	\$77.50	1/8/2023	6.0%	14-Mar	Materials

TECHNOLOGY						
ASML	A S M L Holding	\$659.70	1/16/2023	-1.5%	25-Jan	Semiconductors
FSLR	First Solar Inc.	\$180.20	1/16/2023	-7.0%	7-Mar	Solar
LSCC	Lattice Semiconductor	\$72.60	1/16/2023	0.0%	15-Feb	Semiconductors
NVDA	Nvidia Corp	\$178.40	1/22/2023	0.0%	23-Feb	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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