



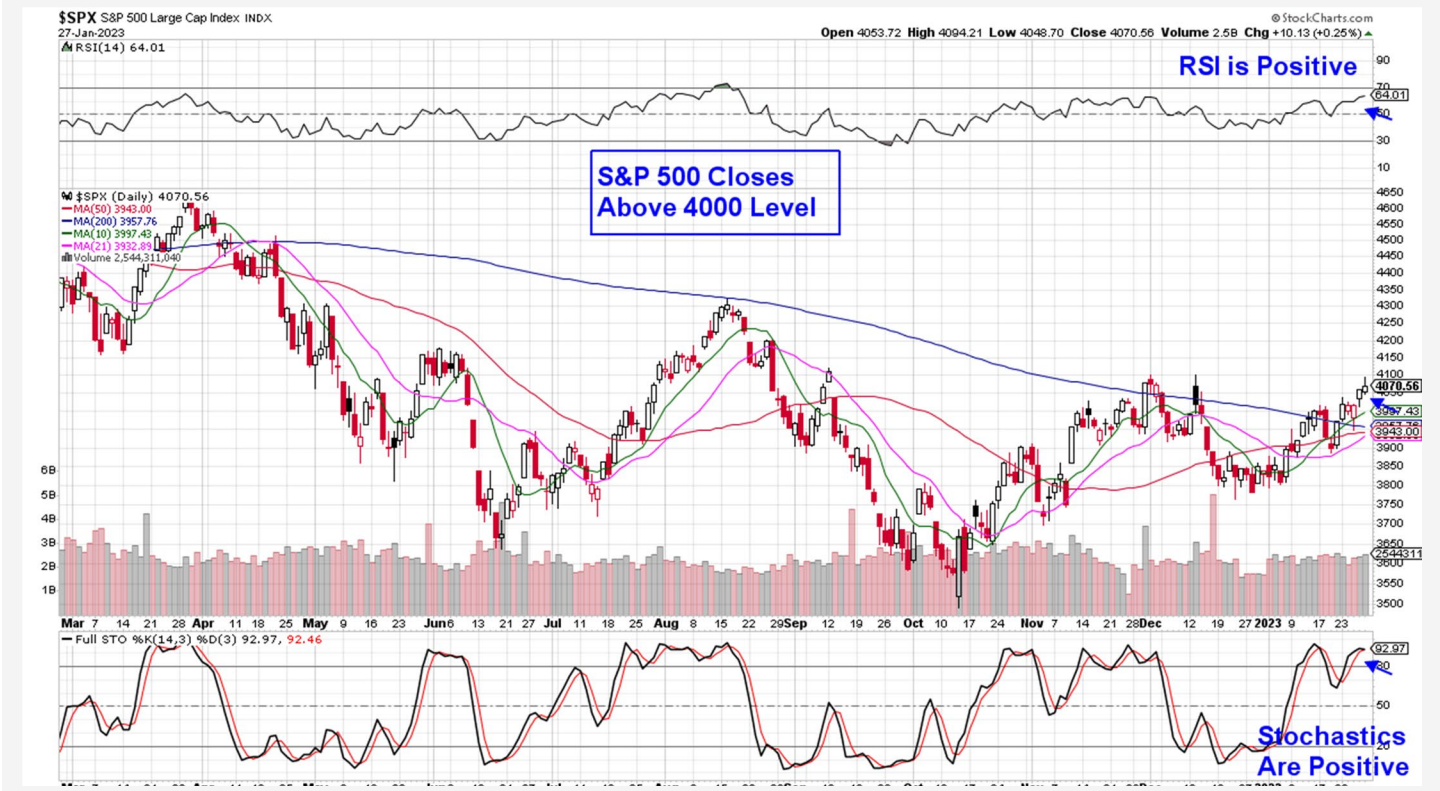
THE MEM EDGE

January 29, 2023 | Weekly Report

This Week's Highlights

- Growth Stocks Lead Markets Higher
- Manufacturing & Services PMI Remain Weak In January
- U.S. GDP For Q4 Gains 2.2% and Core CPE Rose 0.1%
- FOMC Rate Decision, Consumer Confidence, Weekly & Monthly Employment Report Due Next Week

Daily Chart of S&P 500



The S&P 500 gained 2.6% last week in a move that puts this Index above each of its key moving averages. With the RSI and Stochastics in positive territory, the near-term uptrend remains.

On the weekly chart, the RSI is now in positive territory where it joins the Stochastics which had already been above 50 and trading higher. With positive momentum on the weekly chart occurring on volume greater than the prior week, the longer-term outlook for the markets is turning positive as well. This is very bullish news.

The Nasdaq fared even better for the week with a 4.3% gain that was led by outperformance in most of the heavyweight FAANMG stocks as well as a sharp rally in Semiconductor, Software and Retail stocks. (using SOXX, IGV and XRT).

The rally pushed the Nasdaq above its 200-day moving average on heavy volume and with the RSI and Stochastics in positive territory on both its daily and weekly chart, the near and long-term outlook is now positive.

Last week's gains in the market occurred amid mixed economic and earnings data however overall, the news was positive. Most encouraging was Friday's Personal Consumption Expenditures (**PCE**) data which showed that consumer spending fell in December which puts the economy on a lower growth path.

This news of slowing inflation coupled with Friday's jobs report that shows a steady demand for workers, improves the chances of a soft landing for the economy which helped buoy investor's sentiment.

Other drivers of last week's gains included comments from Fed governor Waller that ample evidence of slowing demand is taking shape while Treasury Secretary Yellen said she was encouraged by lower energy prices as well as easing of supply chain bottlenecks which are cooling global inflation.

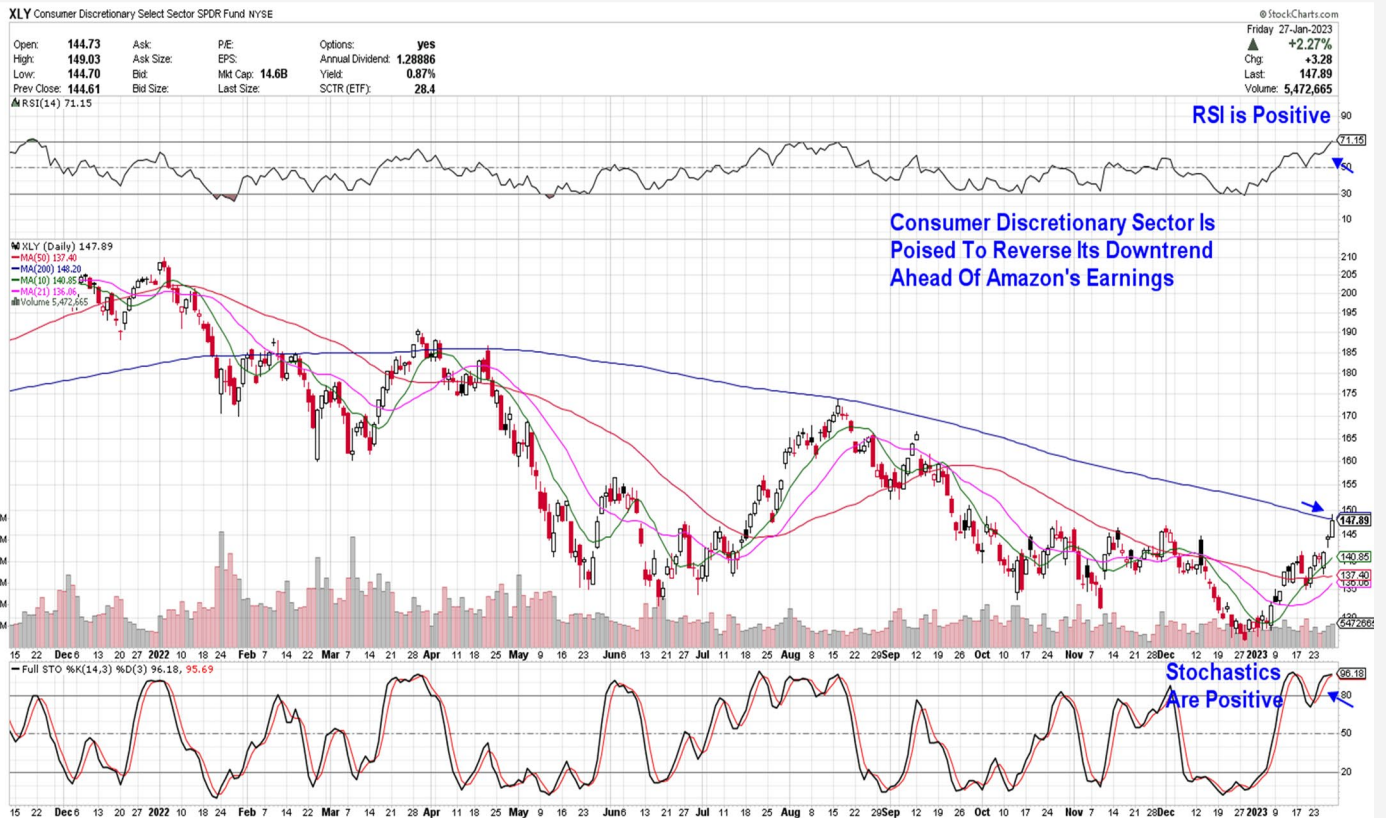
Over the past several weeks, the move into Growth stocks has been pronounced as stocks in those areas that were the worst performers last year have been trading higher. In turn, breadth in the markets has improved. This bodes well for a continuation rally in the markets.

At this time, we're positive on the prospects for the broader markets however, critical inflation data on Tuesday as well as comments from Fed Chair Powell after the FOMC meeting on Wednesday may cause volatility.

In addition, earnings reports from Meta (**META**), Apple (**AAPL**), Amazon (**AMZN**) and Alphabet (**GOOGL**) as well as over 300 other companies are due next week.



Consumer Discretionary Select Sector SPDR Fund (XLY)



Consumer Discretionary Sector Posts Largest Gains

Discretionary stocks were led higher by a big gain in heavyweight stock Tesla (**TSLA**) as well as outperformance in Amazon (**AMZN**). Both stocks are heavyweights in this sector.

Other consumer facing areas also rallied amid better than expected earnings while travel-related stocks outperformed amid China's reopening from Covid related lockdowns. Many of these areas are potentially emerging from a lengthy downtrend while recently strong stocks such as those on our Suggested Holdings List are stalling.

This would include Crocs (**CROX**) which fell 1% on light volume as the stock consolidates following its outperformance earlier this month. As mentioned last week, we anticipate price action similar to early December when the stock traded mostly sideways while its momentum indicators remained in positive territory.

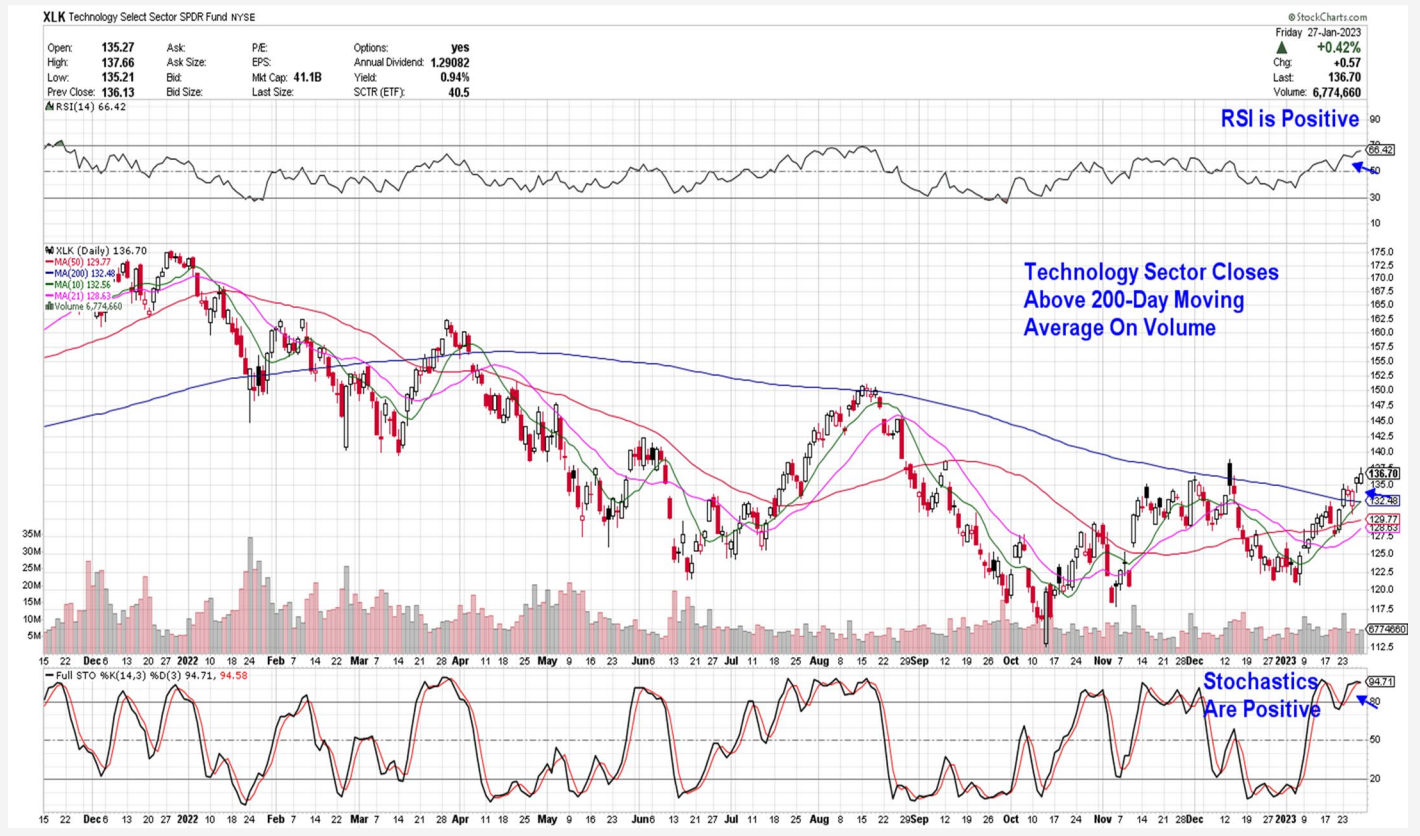
Deckers Outdoor (**DECK**) from our List fared better with a 2% rally that took place into the release of their earnings this Thursday. Wall Street raised their price target to \$515 for the stock last week in anticipation of strong holiday sales.

This week we're adding Wingstop (**WING**) to our Suggested Holdings list following a Thursday move back above its 50-day moving average on above average volume. The gains pushed the RSI into positive territory where it joined the already positive RSI indicator. The stock is in a buy zone as it forms the right side of a base on its way to a possible \$170 breakout level.

Next Thursday, heavyweight retailer Amazon (**AMZN**) is due to release their earnings and sales for the 4th quarter and their results as well as management's guidance is expected to sway price movement among other stocks in this group.

Last week's rally pushed the Consumer Discretionary sector up to its 200-day moving average as it moves closer to possibly reversing its lengthy downtrend.

Technology Select Sector SPDR Fund (XLK)



Technology Sector Closes Above Its 200-Day Moving Average

Tech stocks helped lead the Nasdaq higher with Semiconductor and Software stocks outperforming for the week. A 6% gain in heavyweight stock Apple (**AAPL**) ahead of the release of their earnings next week also boosted this sector.

Of note last week was the downtrend reversal which took place in Software stocks after the group closed above its 200-day moving average on heavy volume. The positive price action took place despite weak results from Microsoft (**MSFT**) which posted gains due only to news of company wide job layoffs.

This week, we're adding Adobe (**ADBE**) and ServiceNow (**NOW**) on our Suggested Holdings List after each name is now above each of their key moving averages amid upgrades to their earnings outlook.

ServiceNow (**NOW**) posted strong quarterly results which were above estimates last week due to increased subscribership of their workflow automation software. In turn, the stock gained further ground above its 200-day moving average amid 8 Wall Street Upgrades to the stock's price target. NOW is in a buy zone as it finds support at its upward trending 5-day moving average.

ADBE provides design and publishing software to their core creative and marketing clients and last week's

close above its 200-day moving average puts the stock into a buy zone as its RSI and MACD are in positive territory.

Semiconductor stocks remain in an uptrend as the group continues to advance above its 200-day moving average. (using SOXX).

Semis rallied last week amid positive earnings results from select chip manufactures as well as upgrades to the growth prospects for the group going into 2024.

As you may recall, Semis received a boost earlier this month after analysts at BOA highlighted the current demand for AI and automotive chips while stating that demand for chips elsewhere is due to pick up in the 2nd half of this year.

Nvidia (**NVDA**) from our List provides products for the growing AI and auto chip space and the stock gained 14% last week on heavy volume which pushed the stock further out of last week's base breakout.

Last week's rally pushed NVDA's RSI into an overbought position which is similar to the November 2021 period when we also had the stock on our List. At that time, a negative MACD crossover (black line down through the red) was the first signal that the uptrend may be

running out of momentum. We're not in that position at this time and NVDA is in a buy zone.

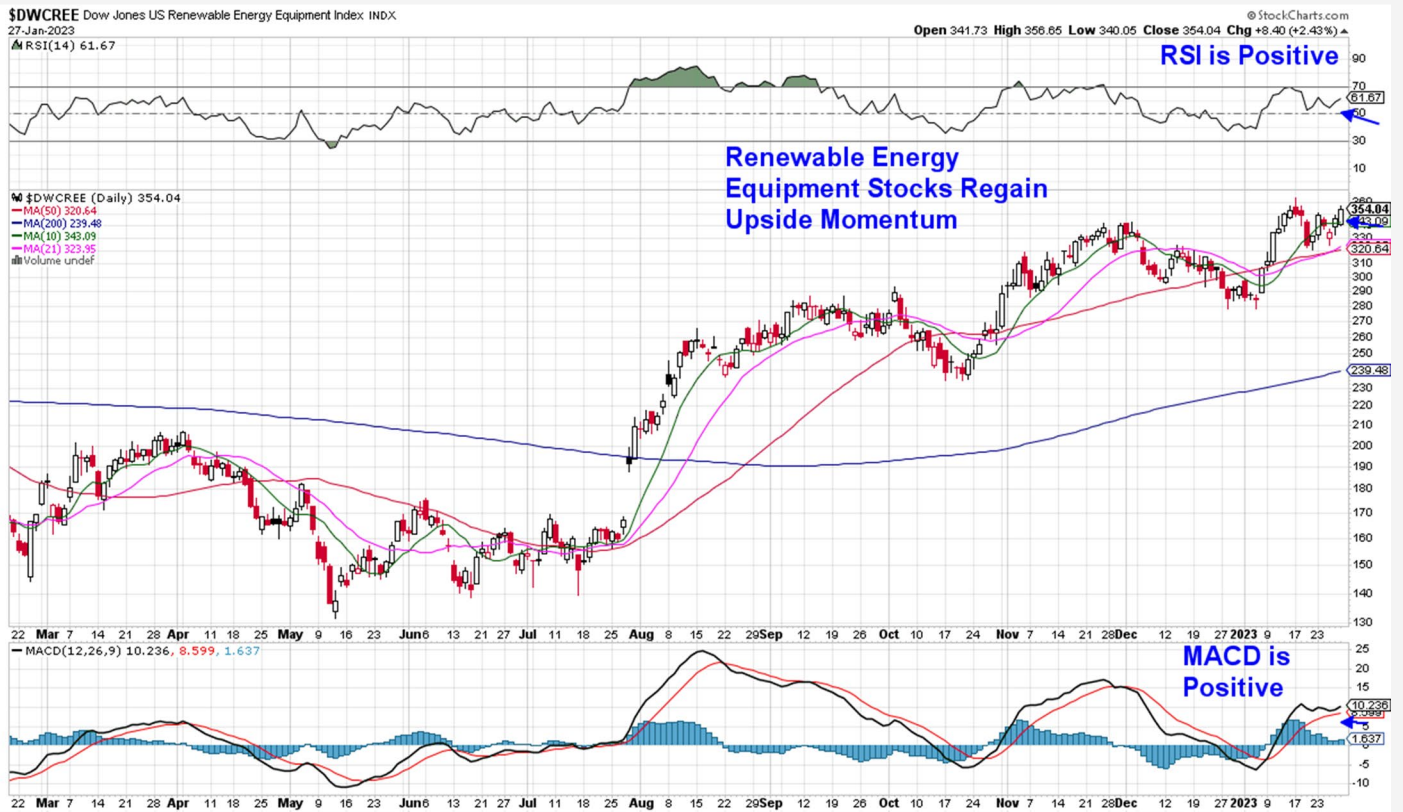
A S M L Holding (**ASML**) from our List posted a more modest 3% gain despite reporting earnings that were ahead of estimates while also guiding estimates higher. ASML pulled back to its 10-day moving average which has historically been a buy point.

Lattice Semi (**LSCC**) provides logic devices for both the Industrial and Consumer areas which remain strong.

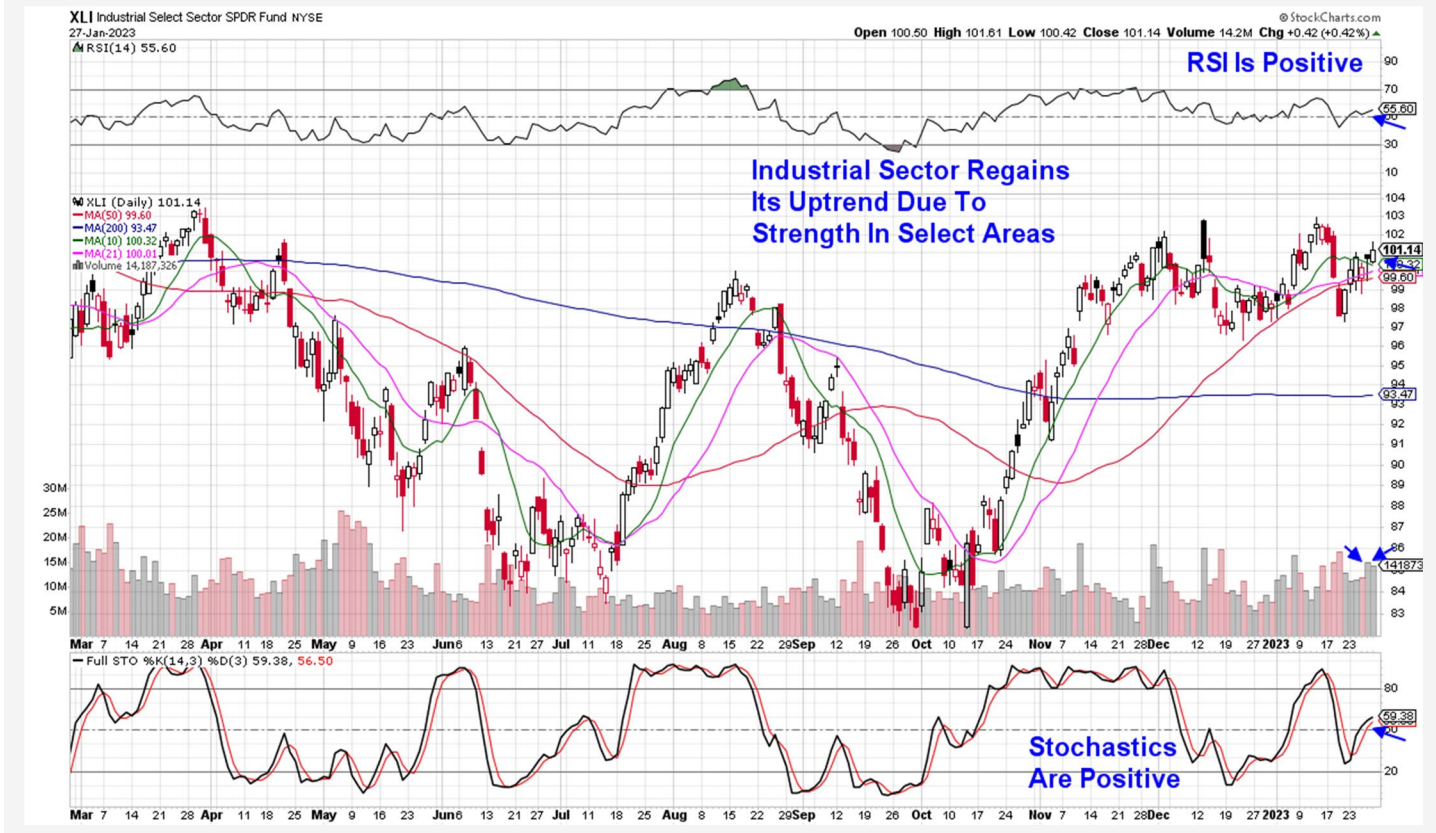
The stock pulled back from a Thursday base breakout and found support at its 5-day moving average which has been an ideal buy point. LSCC is in a strong buy zone.

Alternative Energy Equipment stocks regained their upside momentum led by Solar stock First Solar (**FSLR**) from our List. The stock recovered from a pullback to its 50-day moving average to close the week above its 10-day mav following a 7% rally. FSLR is in a buy zone.

Daily Chart of Dow Jones US Renewable Energy Equipment (\$DWCREE)



Industrial Select Sector SPDR Fund (XLI)



Industrial Sector Regains Uptrend

Industrial stocks ended the week back above each of its moving averages despite weakness in Rail and other transportation stocks that reported quarterly results that were mixed.

Among the better performers were Aerospace stocks which gained amid strong earnings reports from stocks such as Hexcel Corp. (**HXL**) which reported 150% year over year earnings growth due ramp ups at Boeing and Airbus who are key clients.

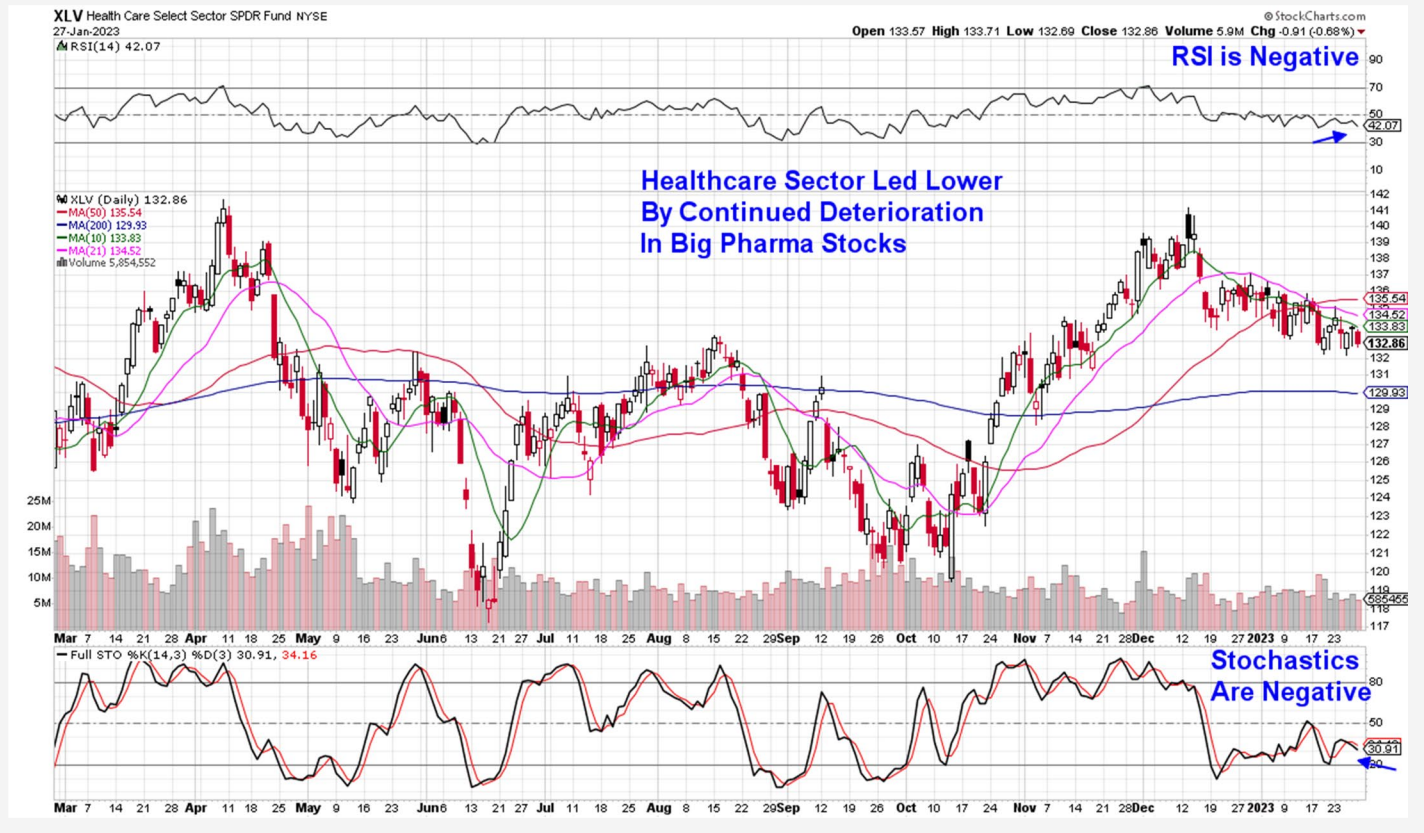
Transdigm (**TDG**) from our List also produces components to the aerospace industry and while the company did not report earnings last week, it gained 6% amid analyst upgrades to its outlook. TDG is due to report earnings in 2 weeks.

Similar to the middle of this month, TDG is extended and can be bought on a pullback to the \$700 range at its 5-day moving average.

Mining and Construction Equipment stocks also posted gains with heavyweight stock Caterpillar (**CAT**) rallying 6% ahead of the release of their earnings on Tuesday. CAT hit a new high in price amid an improving global growth outlook as China reopens. Increased infrastructure and manufacturing spending in the U.S. is also boosting shares.

We've added Hexel (**HXL**) to our Watch List and are on the lookout for a pullback to the \$65.5 range before adding it as a buy.

Health Care Select Sector SPDR Fund (XLV)



Healthcare Sector Is Negative For The Week

Defensive areas of the market continue to take a back seat to Growth stocks as investor's shift from a cautious stance. Large Cap Pharmaceuticals have been hit particularly hard over the past several weeks and these stocks account for a weighting in this sector.

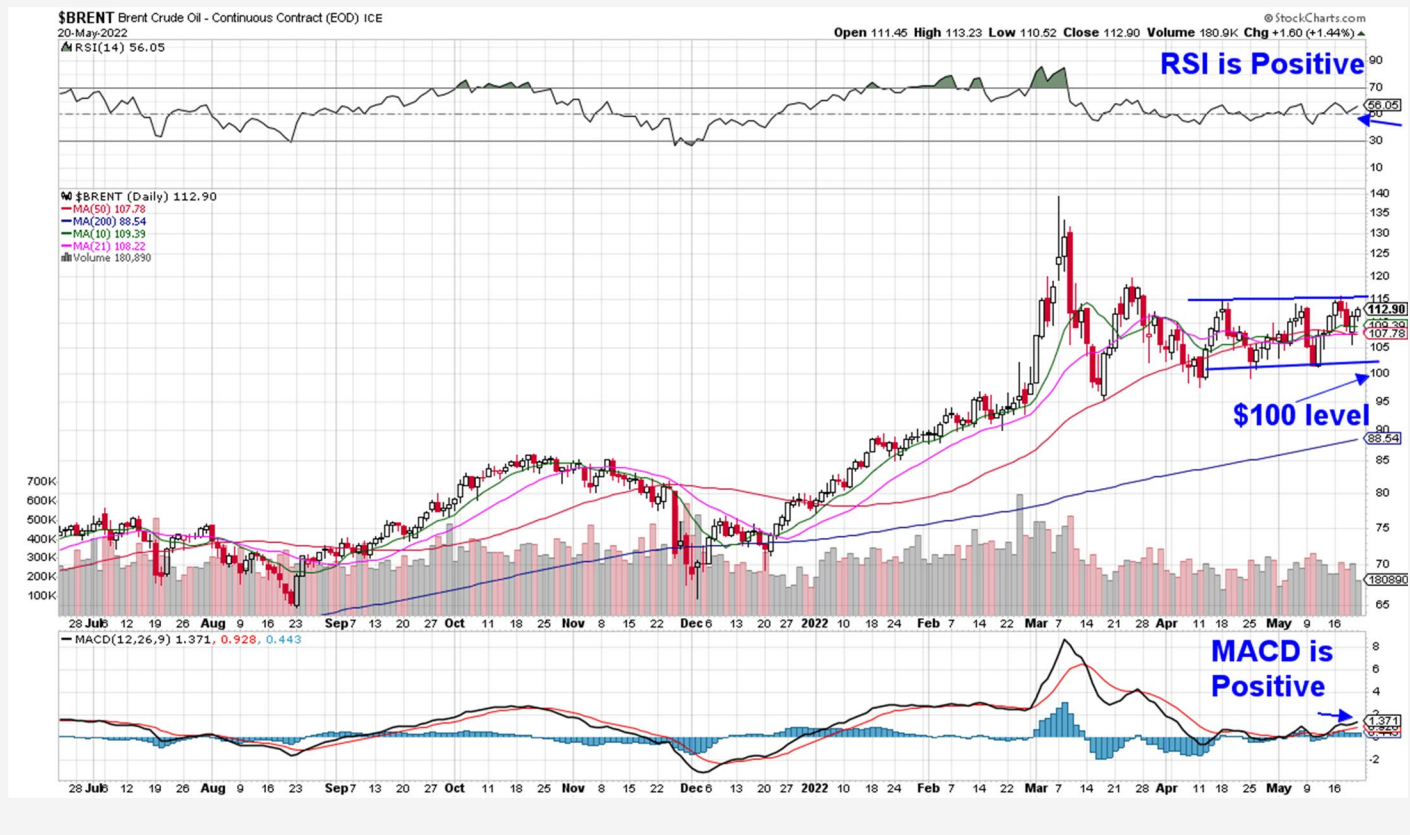
Next week, several Large Cap pharmaceuticals will be reporting earnings such as Merck (**MRK**), Pfizer (**PFE**) and Eli Lilly (**LLY**) and their results as well as management's guidance may provide a boost.

Other areas of Healthcare are faring better with Biotech stocks remaining in a steady uptrend as they approach their early December near-term high in price.

Biomarin (**BMRN**) has been a top Biotech performer of late due to its advances in its hemophilia drug which is expected to reach \$500M in sales over the next several years. BMRN remains in an uptrend after last week's 6% rally and the stock can be bought in the \$115 range at its 5-day moving average.

Recently added Pacific Biosciences (**PACB**) posted a 4.5% gain during a volatile week that included a sharp drop on Wednesday which positively closed above its 5 and 10-day moving averages. The stock is in an uptrend and can be bought as it finds support above its 5 and 10-day moving averages.

Materials Select Sector SPDR Fund (XLB)



Basic Materials Sector Trends Slightly Higher

Material stocks were mostly quiet last week amid a flat dollar and an increased outlook that interest rates will remain tame as inflation appears to be subsiding.

The backdrop offsets the increased interest in these stocks that took place earlier this month after China announced an earlier than anticipated reopening. China is the largest importer of most metals.

Rio Tinto (**RIO**) from our List outpaced its group with a 1.5% gain for the week. The 8.6% yielder remains in a confirmed uptrend and is in a buy zone after closing the week back above its 5-day moving average.

RIO's strength of late can be attributed to its resources which have a wide range of applications in the growing EV market such as copper and lithium. Despite hitting a new high in price last week, the stock remains cheap as it's trading at a multiple of 7 times trailing 4 quarter earnings.

Summary

Last week's rally pushed stocks higher amid hopes that inflation is moderating while the economy is not deteriorating as quickly as had been feared.

This sentiment will be put to the test next week, as on Tuesday the Labor Department releases the Employment Cost Index which is a broad measure of wages and benefits. On Wednesday, job openings for December are due. Both metrics are closely watched by the Federal Reserve who are on a path to reduce employment numbers while seeing downward pressure on wages as well.

Even more impactful will be the Federal Reserve's announcement of their latest rate increase on Wednesday. In addition to being on the lookout for a 0.25% increase, investors will be closely examining Fed Chair Powell's comments at his press conference.

Key points will be how much higher the central bank intends to raise rates and what officials need to see before pausing their rate hike campaign.

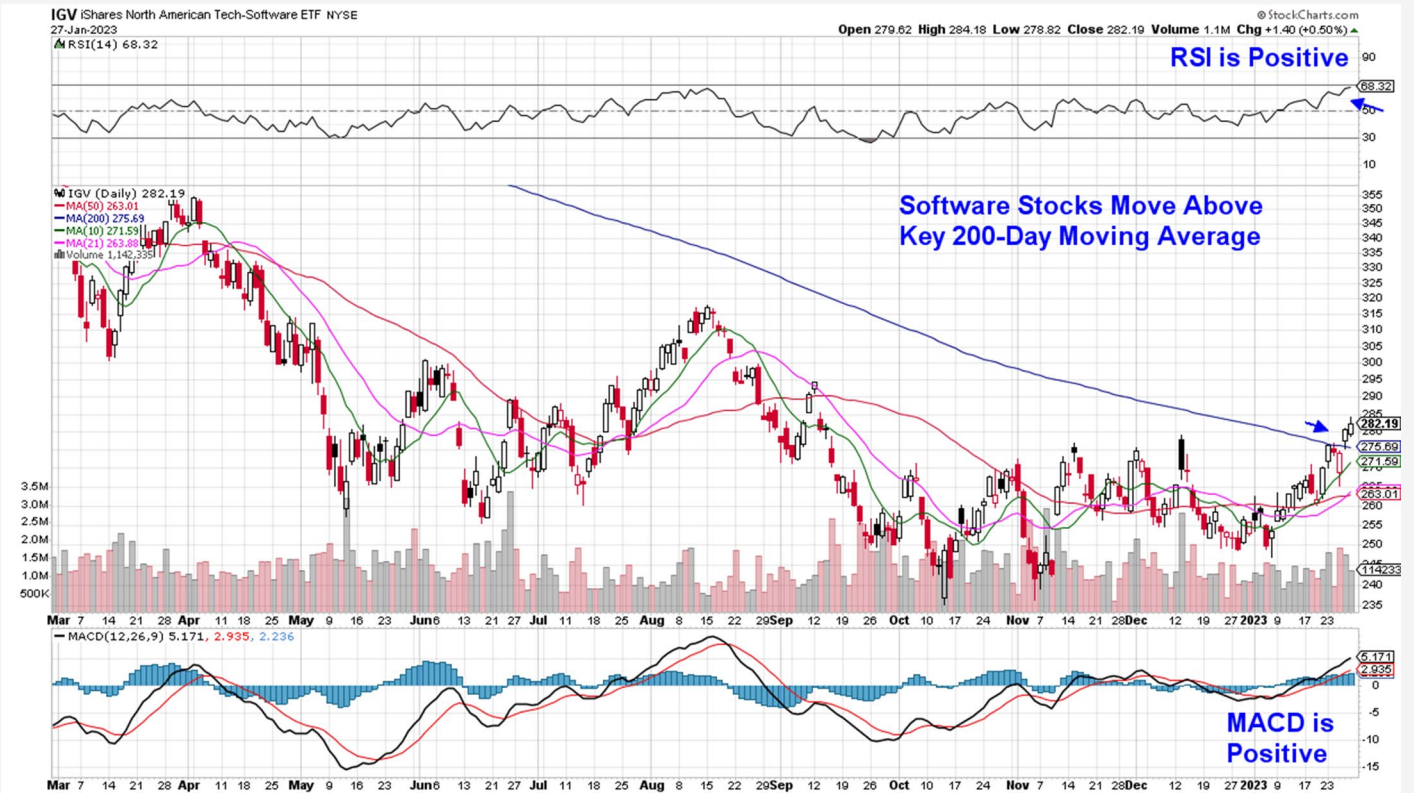
Overall, the broadening out of participation in this bear market rally coupled with promising economic data has us constructive on the near term prospects for the markets.

With key data due next week as well as quarterly results from over 300 corporations, we still advocate a more cautious stance when putting new money to work. We will alert you to any shift in sentiment as the week progresses.

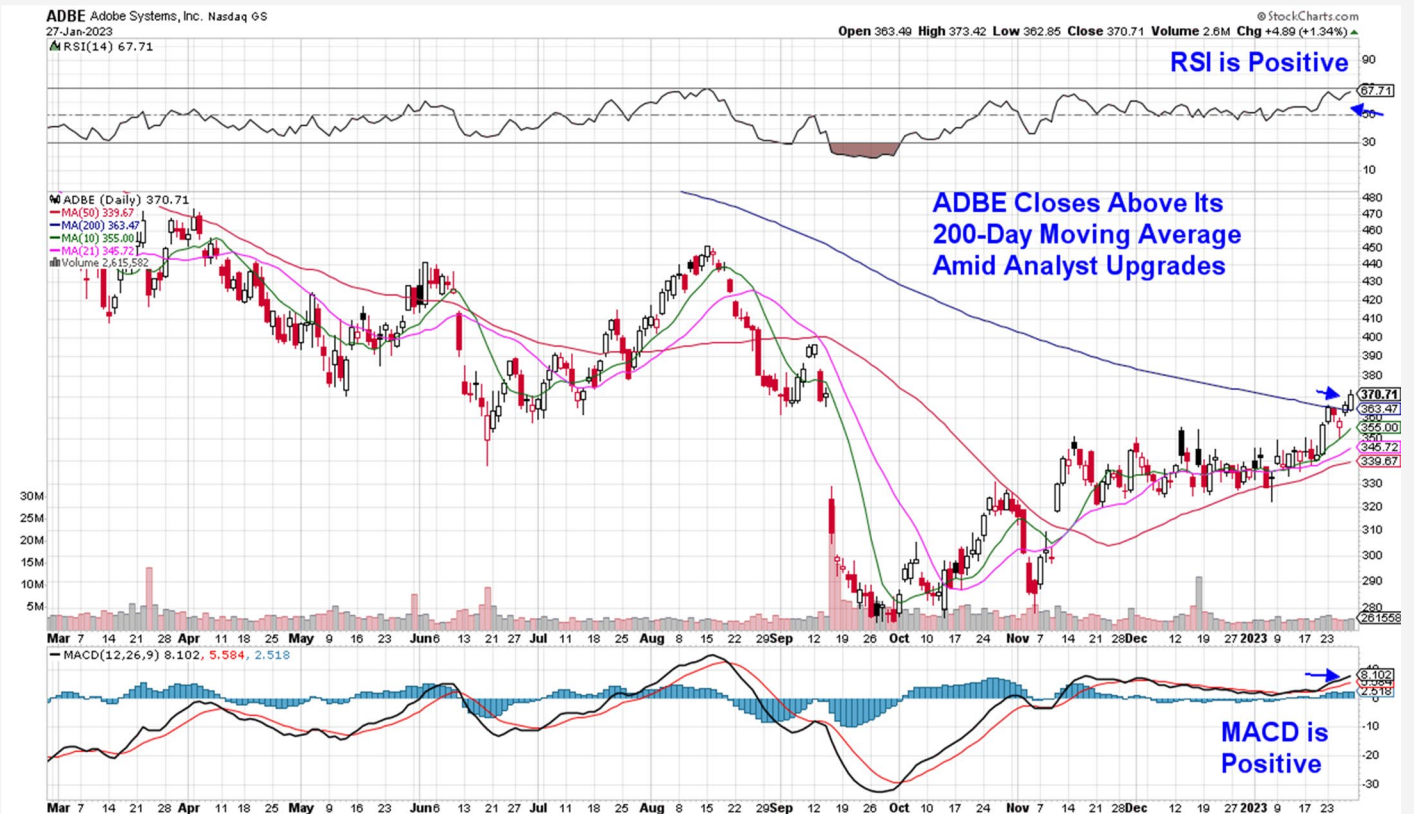
Daily Chart of NASDAQ Composite (\$COMPQ)



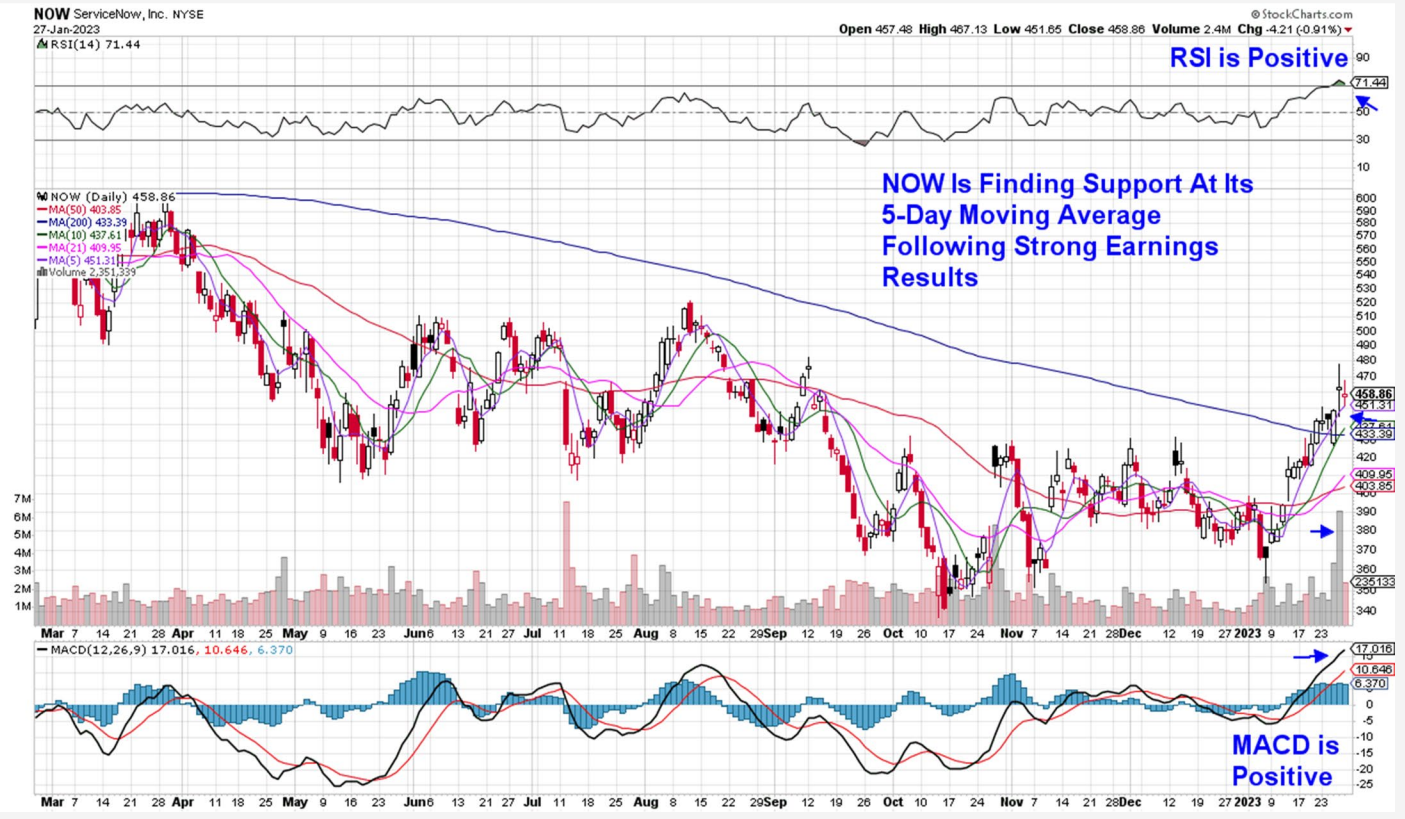
Daily Chart of iShares North American Tech-Software ETF (IGV)



Daily Chart of Adobe Systems, Inc. (ADBE)



Daily Chart of ServiceNow, Inc. (NOW)



Daily Chart of Wingstop, Inc. (WING)



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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TECHNOLOGY						
ADBE	Adobe	\$370.70	1/29/2023	0.0%	-	Software
ASML	A S M L Holding	\$659.70	1/16/2023	1.5%	-	Semiconductor
FSLR	First Solar Inc.	\$180.20	1/16/2023	0.0%	-	Solar
LSCC	Lattice Semiconductor	\$72.60	1/16/2023	4.5%	-	Semiconductor
NOW	ServiceNow	\$458.90	1/29/2023	0.0%	-	Software
NVDA	Nvidia Corp	\$178.40	1/22/2023	14.0%	-	Semiconductor

INDUSTRIALS						
CAT	Caterpillar Inc.	\$358.50	1/8/2023	6.5%	Earnings Due	Construction
TDG	Transdigm Group Inc.	\$683.90	1/8/2023	10.0%	-	Aerospace

ENERGY						
HAL	Haliburton	\$42.70	1/2/2023	3.0%	-	Oil
SLB	Schlumberger	\$58.30	1/2/2023	7.0%	-	Oil
TDW	Tidewater	\$39.00	1/2/2023	22.0%	-	Oil

HEALTHCARE						
BMRN	BioMarin	\$112.70	11/27/2022	22.0%	-	Biopharmaceuticals
PACB	Pacific Biosciences	\$11.29	1/22/2023	4.0%	-	Biopharmaceuticals

CONSUMER DISCRETIONARY						
CROX	Crocs Inc.	\$125.80	12/4/2022	17.0%	-	Footwear
DECK	Deckers Outdoor Corp	\$420.00	1/16/2022	1.0%	Earnings Due	Retail
WING	Wingstop Inc.	\$157.80	1/29/2023	0.0%	-	Restaurant

BASIC MATERIALS						
RIO	Rio Tinto Plc ADR	\$77.50	1/8/2023	7.5%	-	Mining

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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