



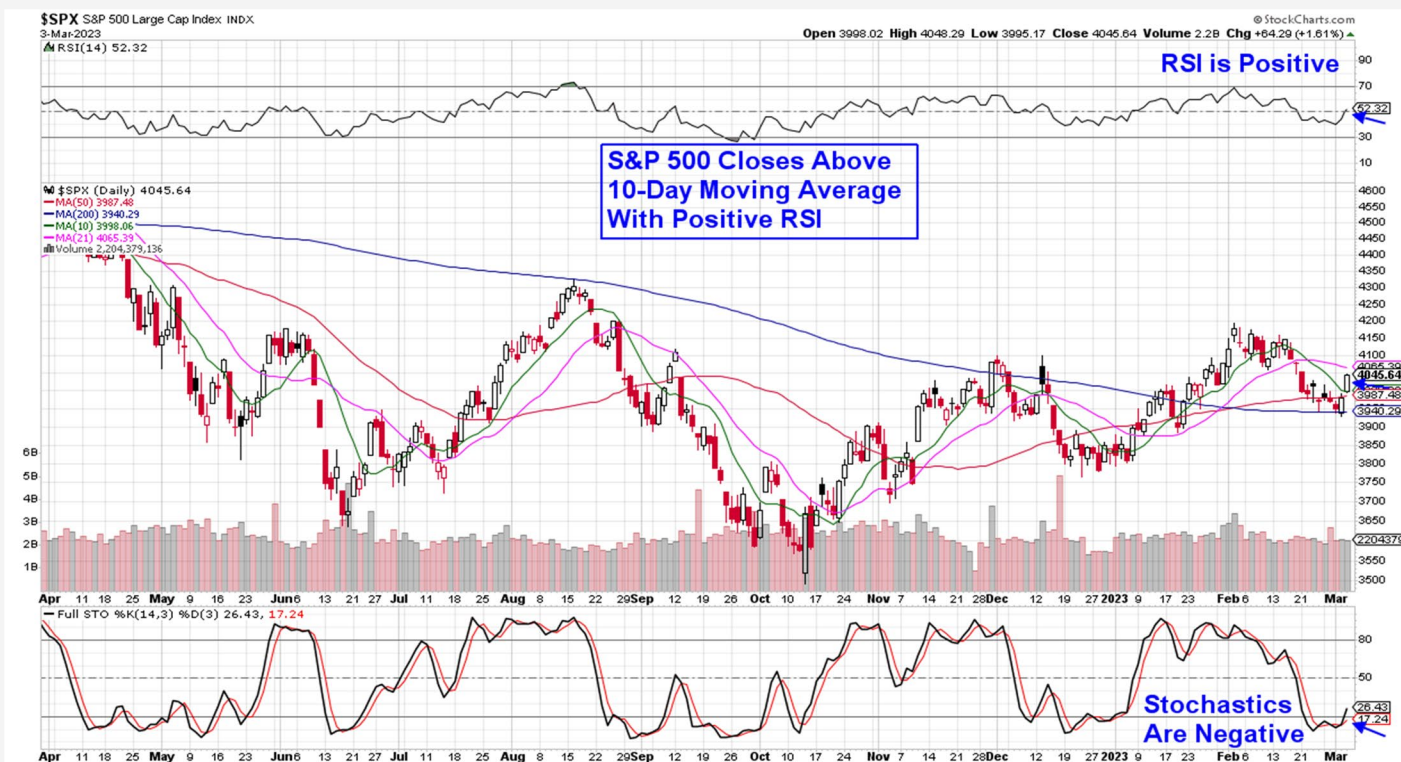
THE MEM EDGE

March 5th, 2023 / Weekly Report

This Week's Highlights

- China Posts Strongest Manufacturing Activity In A Decade
- Durable Goods Orders Show Economy Still Growing
- Consumer Confidence Slips On Inflation Fears
- Fed President Comments Spur Late Week Rally
- Weekly Jobless Claims Fall & Services PMI Data Shows Continued Growth
- February Employment Report, Factory Orders Next Week

Daily Chart of S&P 500



The S&P 500 gained 1.9% last week in a move that has this Index now above its 50 and 10-day moving averages which were key near-term areas of resistance. The rally also pushed the RSI into positive territory and the combined dynamics put the S&P 500 back into a nearterm uptrend.

In other constructive news, the RSI on the weekly chart of the S&P 500 is back in positive territory. As cited in last Sunday's report, a negative RSI and Stochastics on a

weekly chart - particularly during a bear market - historically leads to further downside.

A close for the S&P 500 above longer-term resistance at the 4100 level would be even more constructive as would a move of the Stochastics into positive territory on the daily chart.

The Nasdaq was the best performer for the week with a 2.6% rally that pushed this Index back above its 10-day moving average while the RSI turned positive. This bullish price action puts the Nasdaq into a nearterm

uptrend as well, with a move above its 21-day moving average - which is 0.5% away - providing further conviction.

The Nasdaq's outperformance was boosted by a rally in Tech stocks that gained momentum later in the week. Biotech and Medical Products stocks also posted gains in the 3% range amid positive earnings.

Last week's rally followed an early week pullback, with both the S&P 500 and Nasdaq posting a bullish engulfing candle for the week. Historically, this can signal a positive change in character for the markets.

While we're positive on the near term prospects for the markets, there are possible roadblocks next week with Federal Reserve Chair Powell testifying to both the Senate and the House on Tuesday and Wednesday.

Impactful Employment data will be released on Wednesday, Thursday and Friday as well, which may move the markets lower depending on how strong they are. High employment rates have been a real sticking point for the Fed as it serves to keep inflation elevated.

Should we see a pullback, the 10-day moving average is the next area of possible support for both the Nasdaq and S&P 500.

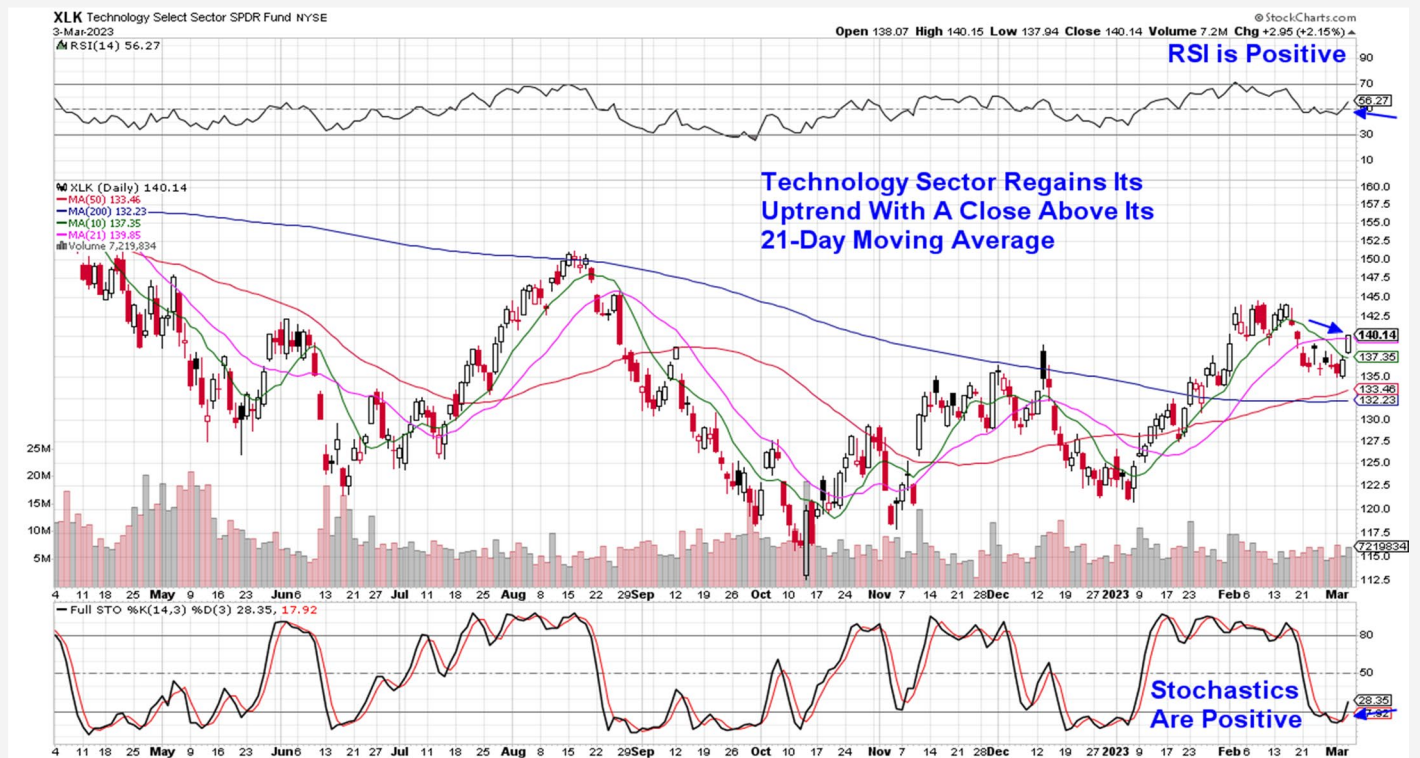
The markets began last week trending lower amid strong manufacturing data as well as negative comments from a Fed official which in turn, kept rate hike fears elevated. Heavyweight retailers Target and Lowes posted weak earnings on Monday which also dampened the markets mood.

Late Thursday, the markets turned sharply higher after Fed President Bostic stated that the "Fed could be in position to pause their rate hike campaign by mid to late summer." In response, the yield on the 10-year Treasury declined.

Growth stocks were the most positively impacted with the Technology sector turning positive while already strong Basic Materials and Industrial stocks raced higher. News from China that manufacturing activity is at a 10-year high had pushed these cyclical stocks higher earlier in the week.



Technology Select Sector SPDR Fund (XLK)



Technology Sector Turns Positive

The Tech sector gained 3% in a move that puts it above its 21-day moving average which was the last area of possible upside resistance. The RSI is now in positive territory as well after last week's rally, and this sector is now in an uptrend.

The strongest area for the week was Alternative Energy Equipment stocks which rallied after heavyweight name First Solar (**FSLR**) posted strong earnings and a positive outlook. According to management, the company's growth prospects are stellar going into 2024. The stock is clearly a leadership name in solar and we anticipate adding the stock to our Suggested Holdings List on any pullback.

This week, we're adding Canadian Solar (**CSIQ**) to our Suggested Holdings List after the stock moved into an uptrend on above average volume. The company has seen its earnings estimates revised higher ahead of the release of their earnings later this month.

CSIQ is in a strong buy zone with the MACD just entering positive territory as it finds support at its 5-day moving average.

Semiconductor stocks turned positive after a 3% rally that pushed the group above resistance on relatively high volume. The biggest winners in this group were Small and Midcap companies that are developing innovative technology that's improving chip performance.

Among larger Semiconductors, we're adding Lattice Semiconductor (**LSCC**) back to our Suggested Holdings List after last week's rally pushed the stock back into an uptrend. As you may recall, the company reported strong earnings and sales mid-February due to increased demand from the Industrial and Auto industries.

LSCC is in a buy zone with a pullback to the 5-day moving average (currently at \$88) being an ideal entry point.

We're also adding Broadcom (**AVGO**) to our Suggested Holdings List. The stock gapped up into a base breakout on Friday following the release of earnings and sales that were ahead of estimates. The stock is in a buy zone.

Recently added Applied Materials (**AMAT**) is also in an uptrend after last week's news of a system that will help chip designers reduce costs helped push the stock above its shorter term 10-day moving average. AMAT is in a strong buy zone as it finds support at its upward trending 5-day moving average.

Nvidia (**NVDA**) advanced less than the group as it digested last week's gap up in price following a positive earnings report. The stock traded to a new high in price however, and is in a strong buy zone. NVDA can be bought in the \$233 range which is its 5-day moving average.

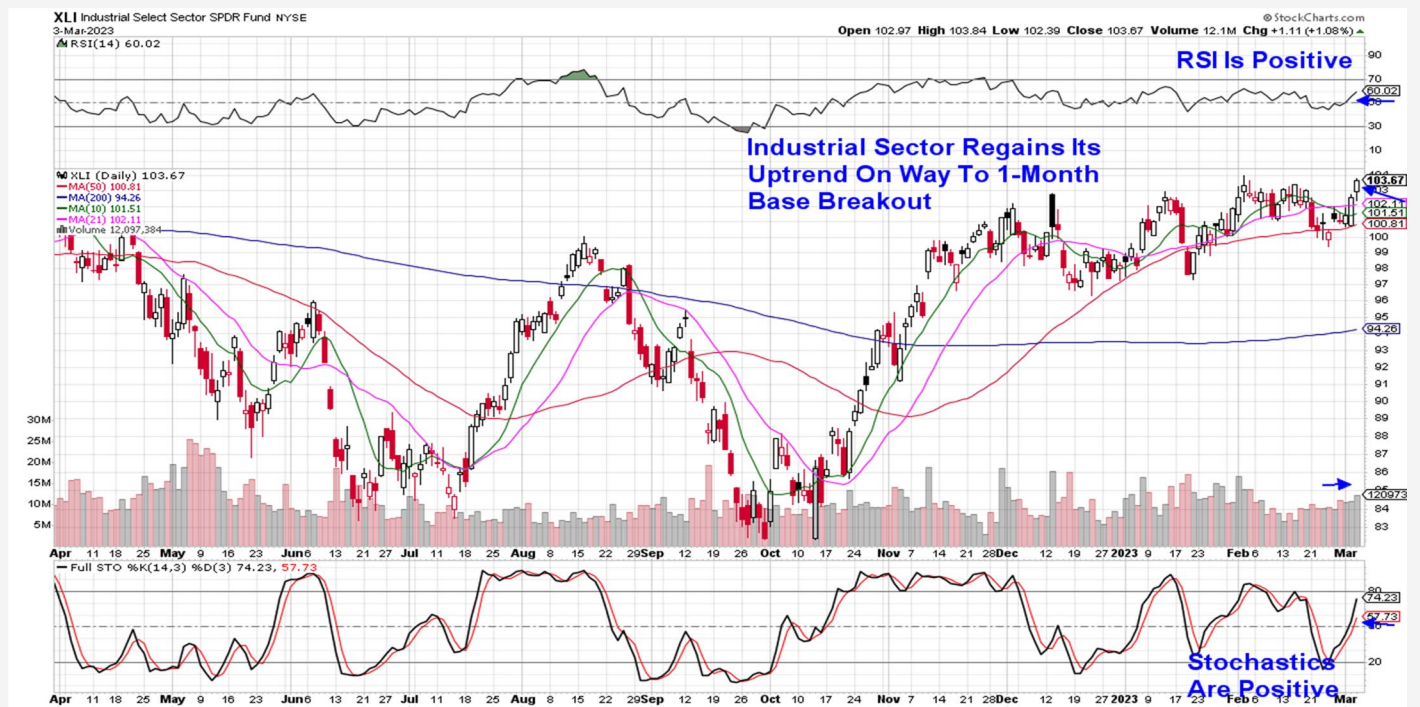
Software stocks regained their uptrend as well after a late week rally put the group back above its 21-day moving average with the RSI now in positive territory. (using IGV).

We're adding Software company Fortinet (FTNT) to our Suggested Holdings List after the stock regained its uptrend after pulling back from a gap up in price due to strong earnings. The cybersecurity company provides cybersecurity and networking solutions that are

considered best in breed. FTNT is in a buy zone as it heads toward a \$63 base breakout.

We're also added Cadence Design Systems (CDNS) to our Suggested Holdings List after the design automation software company moved back into an uptrend. The company's products are used in the semiconductor chip area for applications such as autonomous driving and gaming which are in high demand. CDNS has regained its \$195 base breakout level and is in a buy zone.

Industrial Select Sector SPDR Fund (XLI)



Industrial Sector Regains Upside Momentum

Industrials were among the top performing areas last week after a 3% rally pushed the sector back above each of its key moving averages with both the RSI and Stochastics reentering positive territory.

This sector has seen an improvement due to reduced raw material costs and supply chain issues which had plagued many manufacturing companies last year. Increased spending among a growing airline industry has also boosted select stocks.

This would include Transdigm Group (TDG) from our Suggested Holdings List which remains in a strong uptrend after last week's 3.4% rally pushed the stock close to a \$768 base breakout level.

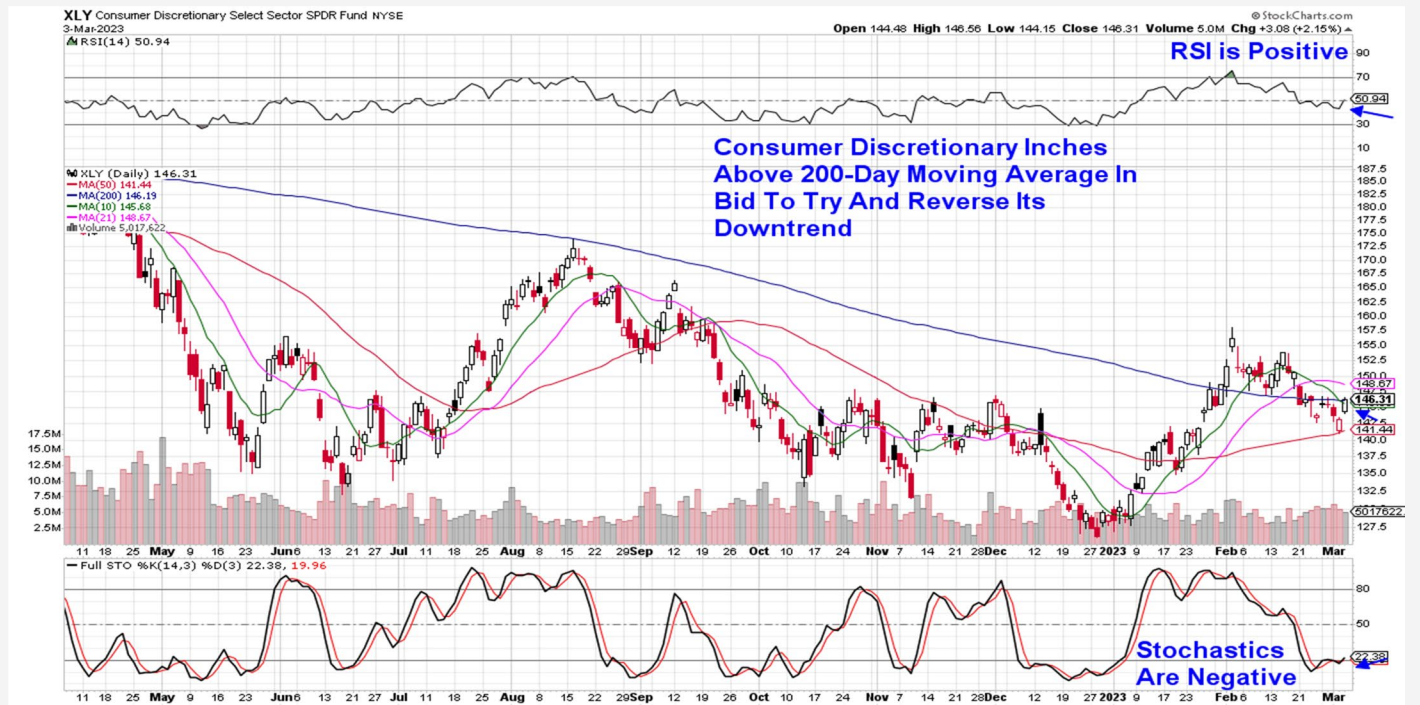
TDG received a price target upgrade to \$890 from Bank of America last week due to an improved outlook for growth in demand for their aerospace components. China's reopening was another reason for the upgrade.

Other stocks were also boosted by an improved outlook in China's economy. Last week, the country reported an increase in manufacturing activity that was the highest in over 10 years.

This week, we're adding Caterpillar (CAT) back to our Suggested Holdings List as the manufacturer of construction equipment as expected growth from China has analysts raising earnings estimates. The stock has traded above each of its moving averages and has regained its uptrend with the RSI and MACD now in positive territory as well.

Last week, Commercial Trucking stocks were the top performers with companies such as Paccar (PCAR) from our List breaking out of a 5 week base and to new highs after a 5.4% rally. While the stock is in a confirmed uptrend, it's extended after last week's move. PCAR can be bought on a pullback to the \$74 range at its 5-day moving average.

Consumer Discretionary Select Sector SPDR Fund (XLY)



Consumer Discretionary Sector Underperforms As Retailers Lag

The underperformance in this sector followed weak earnings reports from both Lowes (**LOW**) and Target (**TGT**) who joined other large retailers in citing reduced consumer spending amid increased prices.

Heavyweight stocks Amazon (**AMZN**) and Tesla (**TSLA**) also struggled amid analyst downgrades.

Overall, Retail stocks have struggled amid mostly negative earnings reports from heavyweight names. There are bright spots however such as Crocs (**CROX**) from our List which gained 2.6% last week in a move that has the MACD on the cusp of a bullish crossover on the daily chart. The stock is above each of its moving averages and in a buy zone.

Wingstop (**WING**) is exhibiting similarly positive price action after closing the week above each of its moving averages in a bid to regain its \$171 base breakout level.

Both WING and CROX recently reported exceptional earnings reports with results that have analysts continuing to raise estimates for growth going forward.

O'Reilly Automotive (**ORLY**) is close to trading above its 10-day moving average however, its nearterm momentum is weak. A move above this 10-day moving average on volume would provide a needed shift to put this stock into a buy zone.

Auto stocks received a late week boost with General Motors (**GM**) ending the week higher by 5% amid news of employee cuts in white collar positions. More impactful was a report on Friday that GM will team up with Samsung to build a manufacturing plant in Michigan.

GM is in a buy zone as last week's rally pushed the stock above its shorter term moving averages which had been acting as resistance while the stocks momentum indicators remain in positive territory.

Next week Dicks Sporting Goods (**DKS**) from our Watch List is due to report earnings. The stock is in a bullish position heading into the results and we'll be on the lookout to add it to our Suggested Holdings List depending on results.

Summary

Last week's rally was a welcome relief after February's tough period as Thursday's upside reversal day carried into Friday. The gains were broad based so that every non-defensive sector was positive for the week which in turn, improved breadth in the markets.

Most impressive was that stocks rallied despite elevated interest rates and stronger than expected growth in the services sector on Friday.

This bullish bias will be tested next week however, as critical employment data will be released while investors will be paying close attention to comments from Fed Chair Powell on Tuesday and Wednesday.

Also of note is that 99% of companies within the S&P 500 have reported their 4th quarter earnings. Price jumps in companies that came in above estimates has been a big driver of individual stock as well as group movement's higher.

That said, positive investor sentiment has been known to drive stocks higher despite a scarcity of positive earnings reports.

While we've highlighted stocks on our Suggested Holdings List as being in a buy zone, we would tread into the markets slowly until further evidence of reduced inflation and economic data can support a more accommodative Fed.

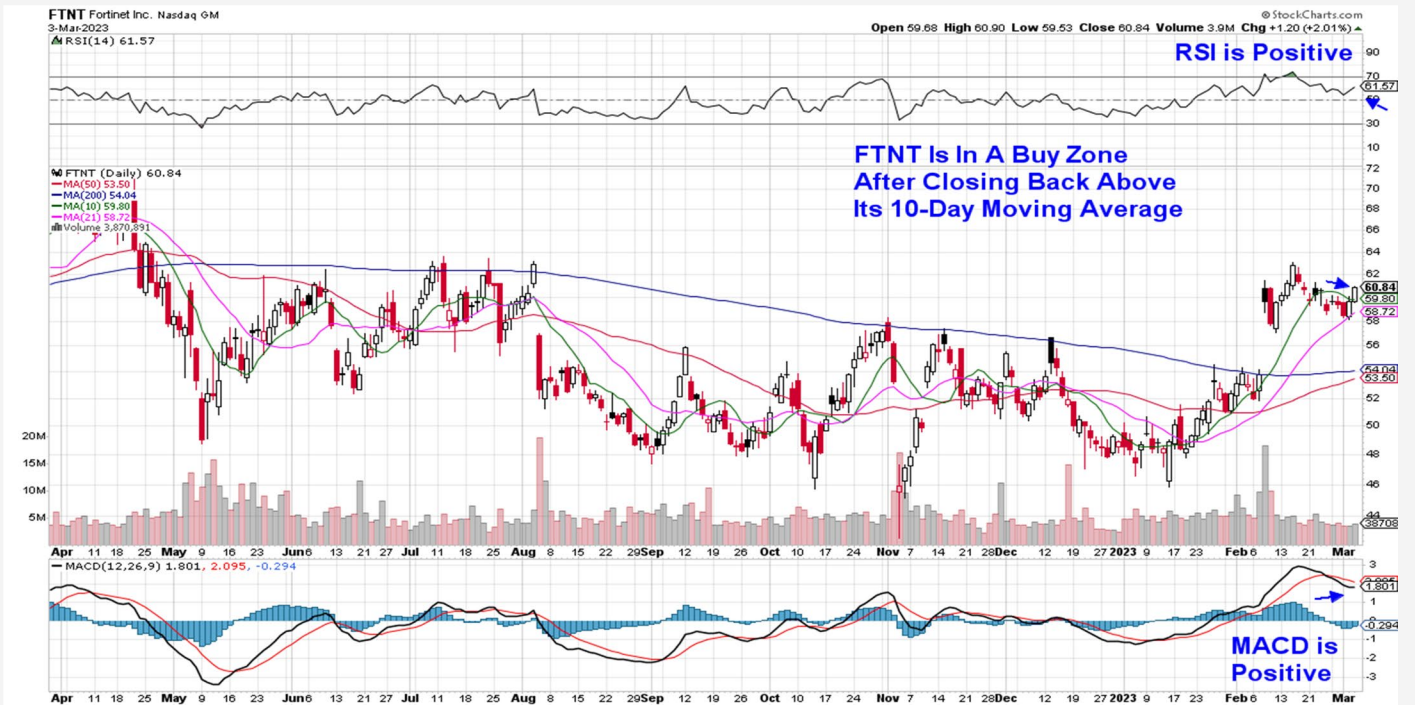
Daily Chart of Broadcom Inc. (AVGO)



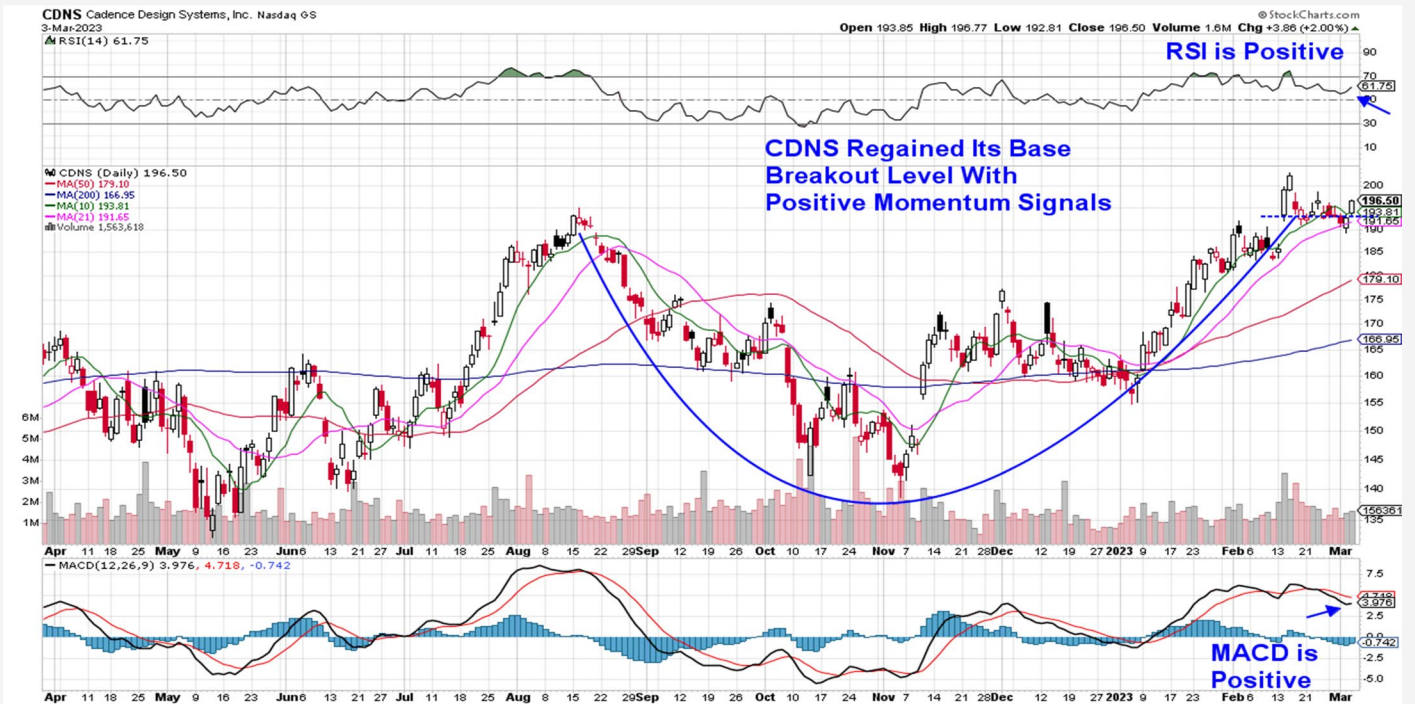
Daily Chart of Canadian Solar Inc. (CSIQ)



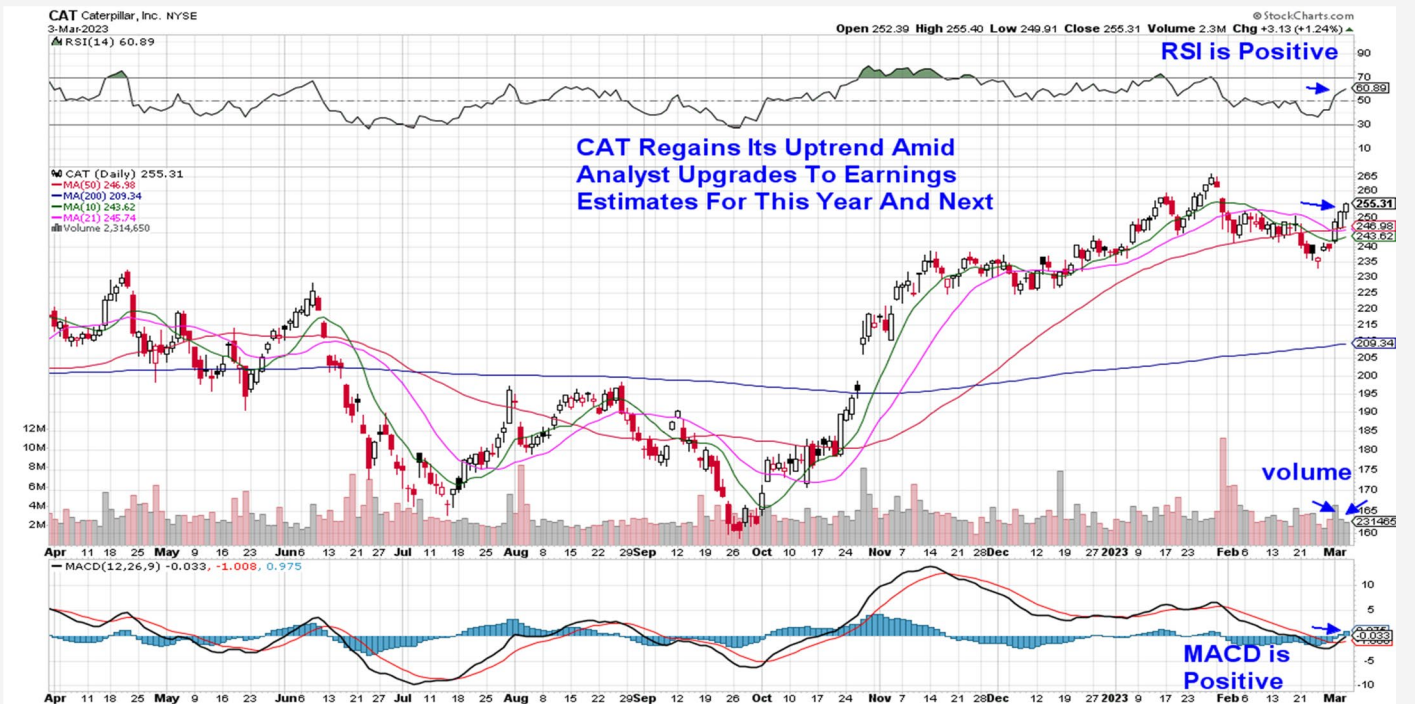
Daily Chart of Fortinet Inc. (FTNT)



Daily Chart of Cadence Design Systems, Inc. (CDNS)



Daily Chart of Caterpillar, Inc.



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
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CONSUMER DISCRETIONARY

CROX	Crocs Inc.	\$104.00	12/4/2022	29.0%	-	Foot Wear
GM	General Motors			1.0%	-	Automotive
ORLY	O'Reilly Automotive Inc.	\$873.00	2/20/2023	-4.0%	-	Retail
WING	Wingstop Inc.	\$157.80	1/29/2023	13.5%	-	Restaurant

BASIC MATERIALS

CAT	Caterpillar Inc.	\$255.30	3/5/2023	0.0%	-	Construction
PCAR	Paccar Inc.	\$75.70	2/20/2023	1.0%	-	Industrial
TDG	Transdigm Group Inc.	\$649.00	1/8/2023	18.0%	-	Aerospace

TECHNOLOGY

AVGO	Broadcom Inc.	\$632.80	3/5/2023	0.0%	-	Semiconductor
CSIQ	Canadian Solar	\$41.75	3/5/2023	0.0%	-	Solar
CDNS	Cadence Design	\$196.12	3/5/2023	0.0%	-	
LSCC	Lattice Semiconductor	\$88.60	3/5/2023	0.0%	-	Semiconductor
NVDA	Nvidia Corp	\$632.80	1/22/2023	29.5%	-	Semiconductor

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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