



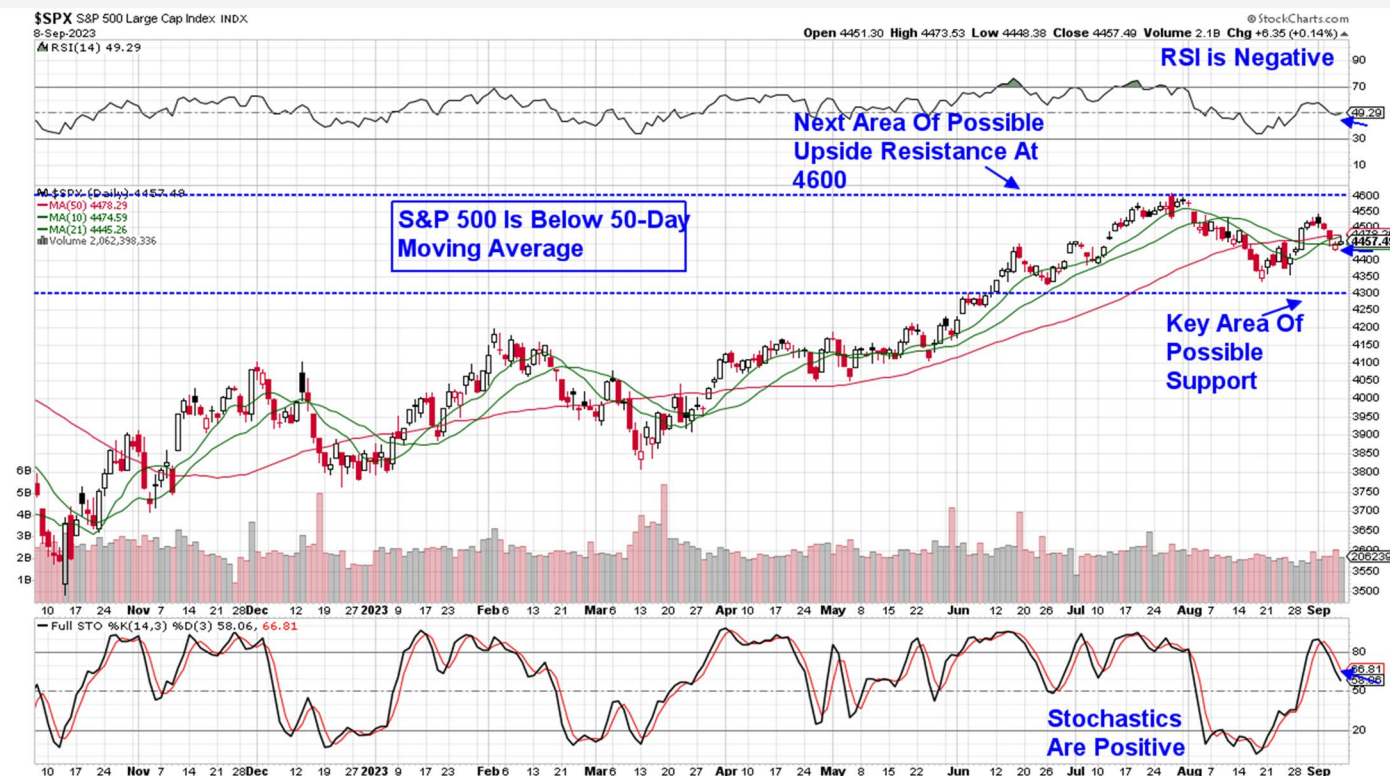
THE MEM EDGE

September 10, 2023 | Weekly Report

This Week's Highlights

- Treasury Yields Rise With 10-Year Bond Now At 4.3%
- Crude Oil Trades Above \$90 Per Barrel
- Weekly Jobless Claims Fall As Labor Market Picks Up
- Five Federal Reserve Presidents Spoke Last Week
- Core PPI & CPI Data Due Next Week

Daily Chart of S&P 500



The S&P 500 lost 1.3% last week in a move that has this Index closing just below its 50-day moving average with the RSI in negative territory. While the Stochastics remain positive, they're trending downward toward a close below 50 on the daily chart.

Should the markets pull back further, the 21-day moving average is the first area of possible support and it's 0.3% away. The next key area to watch if we close below the 21-day moving average is the 4300 level, as a close below this area would be quite negative. At this time, the S&P 500 is 3.7% above this level.

The markets may head higher next week depending on key economic data however, and a close back above the 50-day moving average would put the late July high of 4600 as the next possible area of upside resistance.

The longer-term weekly chart remains constructive, with the S&P 500 closing above its 10-week moving average with both the RSI and Stochastics in positive territory. This bodes well for the intermediate term outlook for the markets.

As cited during the market's last pullback in August, a negative RSI on the weekly chart would signal a more

pronounced downtrend. At this time, the RSI is in positive territory and safely above the 50 level.

The Nasdaq fell almost 2%, in a low volume selloff that has this Index in a similar position to the S&P 500 after closing below its 50-day but above its 21-day moving average.

A sharp drop in heavyweight stock Apple (**APPL**) offset gains in other FAANG names while mega-cap Nvidia (**NVDA**) led Semiconductor stocks lower which has this group now in a downtrend.

The next area of possible support for the Nasdaq is its mid-August low at the 13162 level, which is 4.4% away. On rallies, a close above the 50-day moving average would put the recent high of 14150 as the next area of possible resistance followed by the mid-July high.

Last week's pullback was triggered by an increase in interest rates amid the release of economic data that pointed to an economy that is showing signs of growth. While this news is reducing recession fears, it's also sparking rate hike fears.

Interest rate sentiment has been the largest driver of price action this year, and next week's release of Producer and Consumer Price Index data for August will most likely move the markets. Both metrics are closely watched by the Federal Reserve as a gauge of inflation with the month over month data being most closely watched.

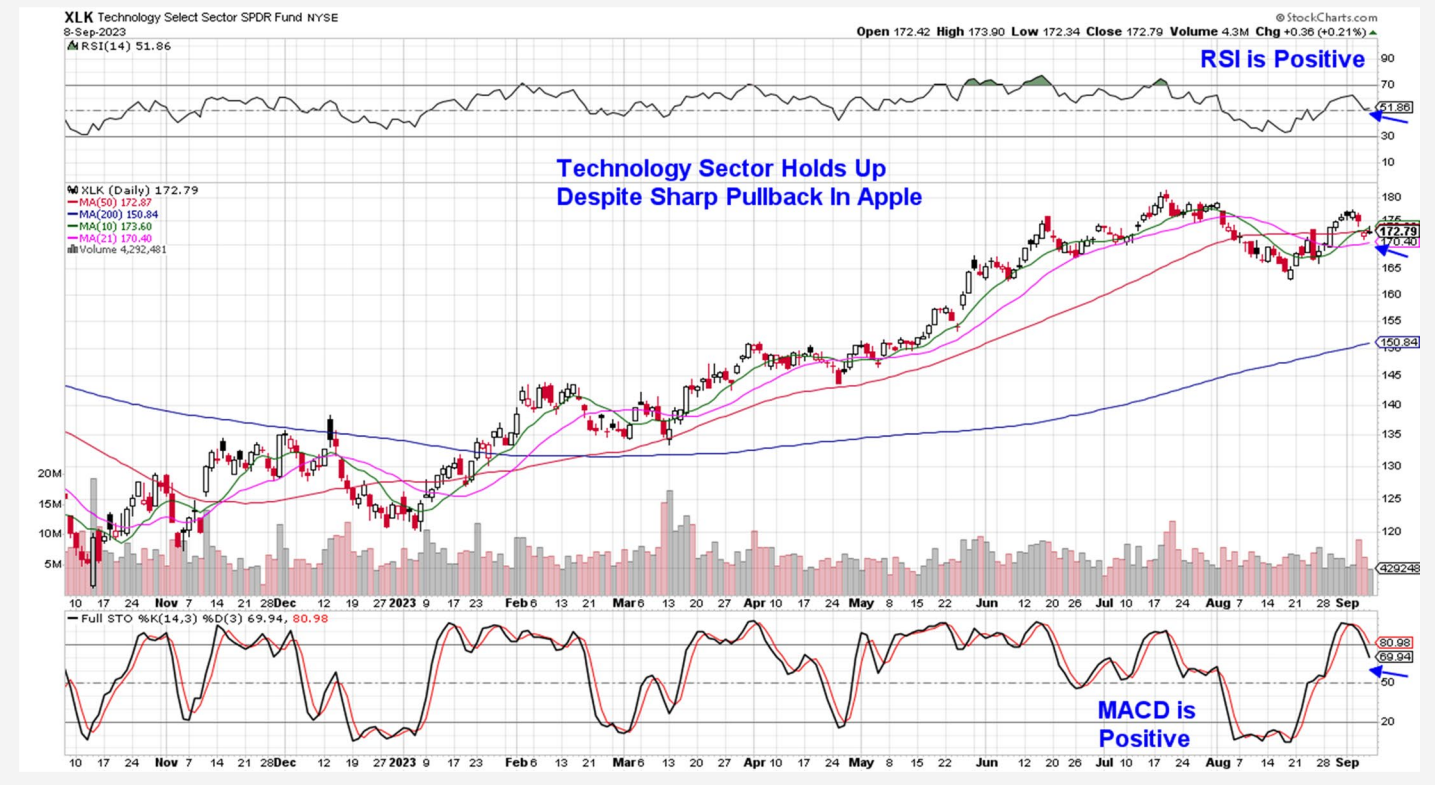
At this time, we're cautious on the prospects for the markets over the near term with next week's release of key inflation data expected to sway the markets.

At this time, only 2 of the 11 sectors in the S&P 500 are above their 50-day moving average with Healthcare, Financials, Industrials and Basic Materials reversing their recently created uptrends. This indicates a pullback that was broad based, with groups outside of interest rate sensitive Growth stocks seeing selling.

So far, September is proving to be the difficult period that it's known for. Until we see more positive price action similar to the June into the August period - when the markets were ignoring a rise in interest rates - we would keep new positions to a minimum.



Technology Select Sector SPDR Fund (XLK)



Technology Sector Clings To Uptrend

The Tech sector fell more than the markets with a 2% decline that was led by Apple's sharp drop on news that China may ban the use of their iPhones in office buildings. Apple is due to release their new product suite next Tuesday which may be another reason for last week's weakness as the company has a history of pulling back going into their annual meeting.

A 3.7% pullback in Semiconductor stocks also pulled the Tech sector down amid mixed earnings reports where select companies reported a weak chip demand outlook.

Nvidia (**NVDA**) pulled back more than the group with a 6% decline that puts the stock at its 50-day moving average with the RSI dropping into negative territory.

Last week's pullback occurred on below average volume and with the MACD in positive territory, our near term outlook is neutral. However, further industry group weakness will impact the stock as it did in mid-August and we would not be a buyer until SOXX turns positive.

Lam Research (**LRCX**) is in a similar position with a pullback last week to its 50-day moving average and the RSI dipping into negative territory. LRCX could post a cup with handle base on any rallies with the \$712 level being the handle's breakout level. Near term however, the price will be swayed by price action in the

Semiconductor group which at this time points to further weakness.

Broadcom (**AVGO**) outperformed the group however, the stock has a MACD that's poised to join its RSI in negative territory. A close back above its 10 and 50-day moving average would be needed before the stock can be bought.

ON Semiconductor (**ON**) also outperformed its peers and the stock is among the few Larger Cap Semis above their key moving averages with a positive RSI and MACD. The stock is in a position to trade higher once the group comes back into favor. Until then, ON can be held.

Software stocks outperformed last week led by a 2% gain in Microsoft (**MSFT**). The rally followed comments from their CFO that their AI tools will reach \$10 billion in revenue at a faster pace than any other business in the company's history.

MSFT is on our Watch List as the rally puts the stock closer to a downtrend reversal.

The Software group is in an uptrend and poised for an 8-week base breakout due to positive earnings reports from many well known companies that are trading higher in response. Key industries that are seeing

growth are Security, Workflow Automation and AI related Software companies.

Adobe (**ADBE**), which is experiencing growth due to their AI related innovations, pulled back from a near term high where it found support at its 10-day moving average. The company is due to report their quarterly earnings on Thursday after the market's close.

Unlike other areas of the market, many Software stocks that are trading close to nearterm highs have been able to trade even higher after reporting strong results.

AI related Software stock Oracle (**ORCL**) from our Watch List is also due to release earnings next week and is rallying ahead of their report on Monday.

ServiceNow (**NOW**) gained 1.5% for the week with the stock moving closer to a base breakout at the \$614 level. NOW - which provides workflow automation software and reported earnings that were 375% above estimates last quarter - is in a confirmed uptrend as it

finds support above its upward trending 5-day moving average.

Uber Technologies (**UBER**) recovered from a pullback to its 50-day moving average amid news of a possible share buyback program as the company grows its cash flow. There was also news last week that the company is working on offering a Task Rabbit like service in an effort to expand.

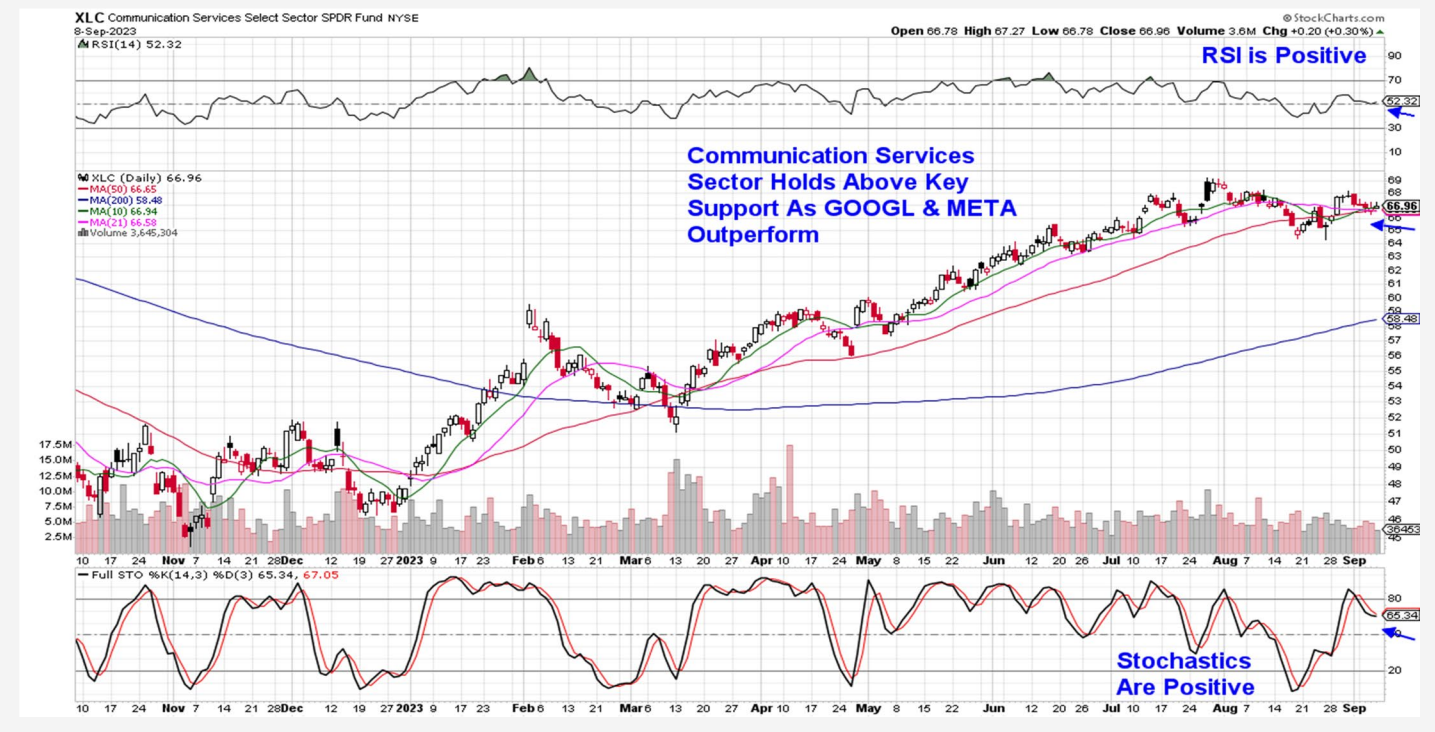
UBER is in a buy zone.

Last week, the Technology sector was able to retain its generally positive bias despite a sharp pullback in both Apple (**AAPL**) and Nvidia (**NVDA**) which account for a 26% weighting. The losses were offset by outperformance among many Software names as the need for companies to protect against possible cyber attacks or streamline their operations to control costs, is driving demand in this area.

We're continuing to expand our Watch List to include top candidates in these areas.



Communication Services Select Sector SPDR Fund (XLC)



Communication Services Sector Gets Heavyweight Boost

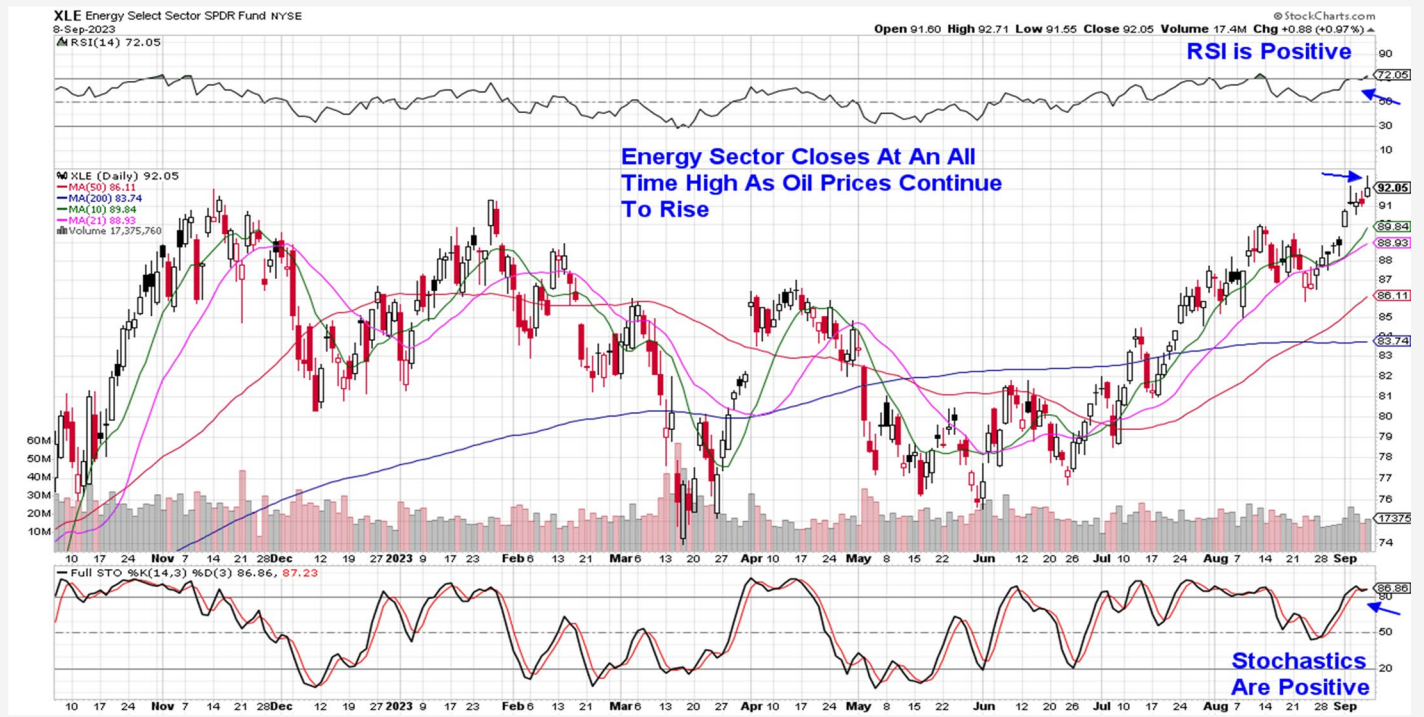
Mega-Cap Internet Related stocks Meta (**META**) and Alphabet (**GOOGL**) posted slight gains last week which held this sector up. Of the two stocks, GOOGL from our List is in a more bullish position from which to trade higher due to upside momentum and a positive RSI and MACD.

GOOGL rallied into last week's close on the heels of major Wall Street upgrades the prior week. The bullish

outlook followed the company's keynote speech at their Cloud Next event with growth prospects surrounding their AI applications creating the most buzz.

GOOGL is in a buy zone as it continues to find support at its upward trending 10-day moving average however, broader market pressures may stall the stock's uptrend.

Energy Select Sector SPDR (XLE)



Energy Sector Hits New High

Energy stocks rallied last week after Brent crude oil rose to as high as \$90 per barrel on news that Saudi Arabia will continue their deep production cuts. News of a drawdown of inventory in U.S. crude inventories also kept oil prices elevated.

Large Oil Producers saw the largest gains last week as they're most responsive to an uptick in the price of oil due to its direct impact to their bottom line.

This week, we're adding oil driller Helmerich & Payne (**HP**) after last week's gains put the stock closer to a cup with handle base breakout at the \$45 level. The 2.3% yielder is on track to continue to see its growth continue amid increased drilling rig activity. HP is in a buy zone.

SLB (**SLB**) from our List was flat for the week despite a price target upgrade from a major Wall Street firm who cited the company's growth prospects due to its advanced digital platforms that improve production

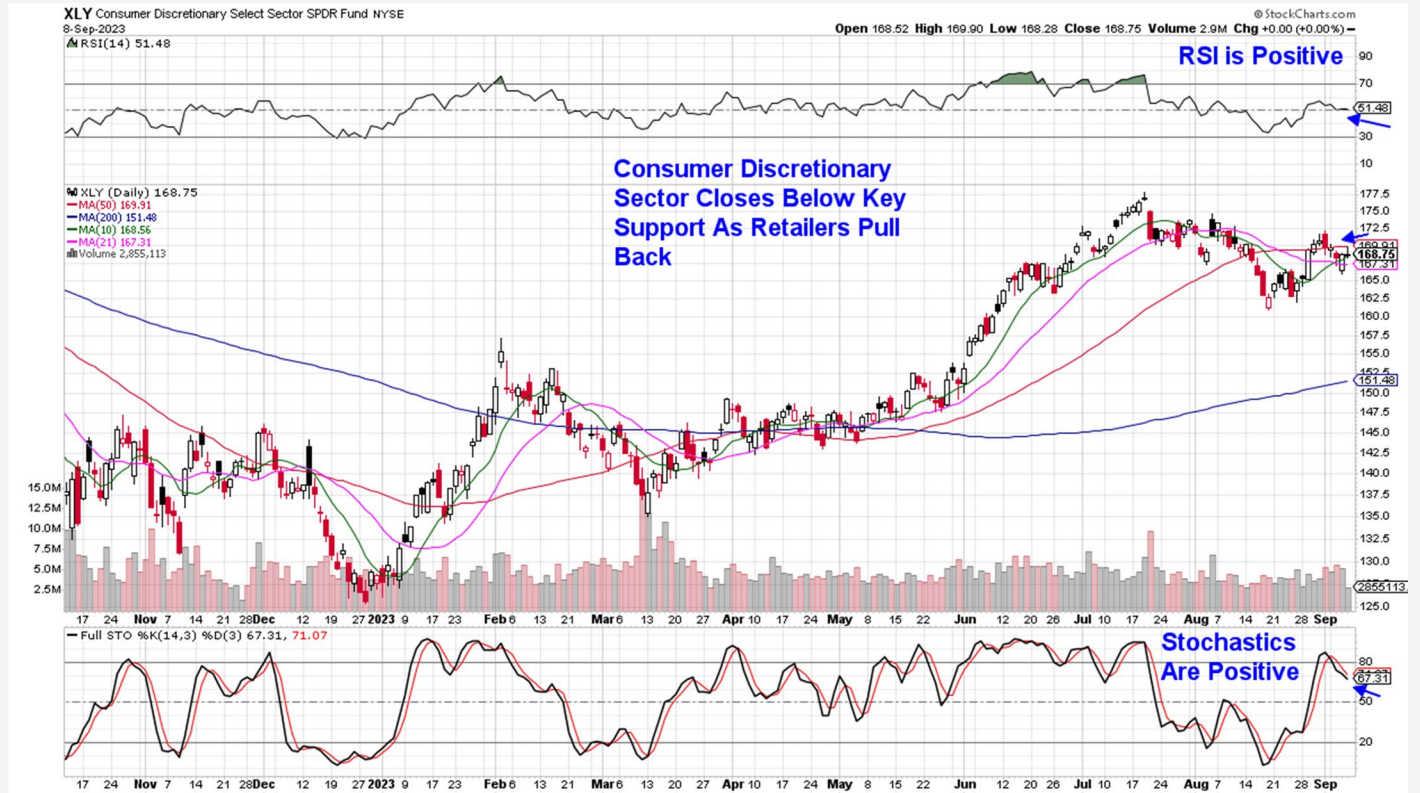
rates and profitability among its clients. SLB is in a buy zone.

Pioneer Resources (**PXD**) posted an orderly pullback to its 10-day moving average which took place on below average volume. The pullback allowed the RSI to decline from an overbought position with the MACD remaining in positive territory. The 6.9% yielder is in a buy zone.

Matador Resources (**MTDR**) had very similar price action with a pullback to its 10-day moving average that put the RSI back below an overbought position while the MACD remains positive.

As cited in last week's report, we were on the lookout for a pullback to the \$63 level as a buy point form MTDR which is where the stock closed this week. The longer-term weekly chart points to further upside with both the RSI and MACD trending higher.

Consumer Discretionary Select Sector SPDR Fund (XLY)



Consumer Discretionary Sector Falls Less Than Markets

The Consumer Discretionary sector was propped up by outperformance in heavyweight names such as Amazon (**AMZN**) and Tesla (**TSLA**) which account for a 45% weighting in this group.

Amazon (**AMZN**) bounced off its 50-day moving average and closed the week back above its shorter term 5-day moving average with the RSI and MACD remaining positive. The stock is in a buy zone.

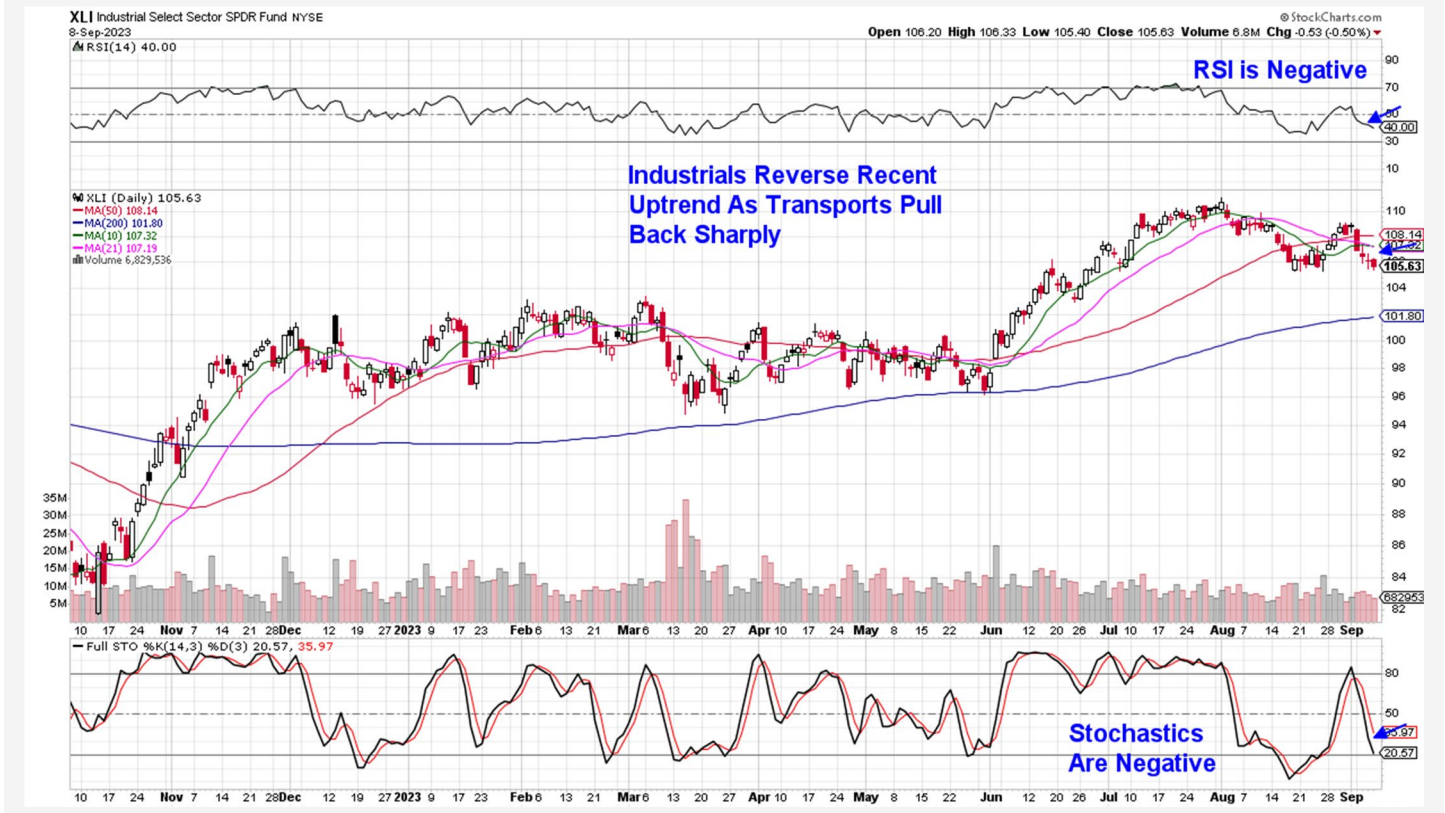
Consumer facing stocks elsewhere suffered as shown by the 4.2% decline in the S&P Retail ETF (**XRT**). Many of these retailers are down after reporting weak earnings and sales.

The exception is among large-cap discounters such as Walmart (**WMT**) and Costco (**COST**) which are continuing to see sales growth among staple products where they're able to provide lower pricing.

Last week's rise in interest rates pushed Homebuilding stocks lower with the group losing 3.5% (using S&P ETF **XBH**) for the week. Toll Brothers (**TOL**) traded in line with the group after an early week pullback to its 50-day moving average saw a recovery with a rally into the end of the week.

The price action keeps **TOL** in an uptrend with a close above its 10-day moving average and a positive RSI and MACD; however, the group's sensitivity to interest rates may cause volatility over the next week at least.

Industrial Select Sector SPDR Fund (XLI)



Industrial Stocks Lose Their Uptrend

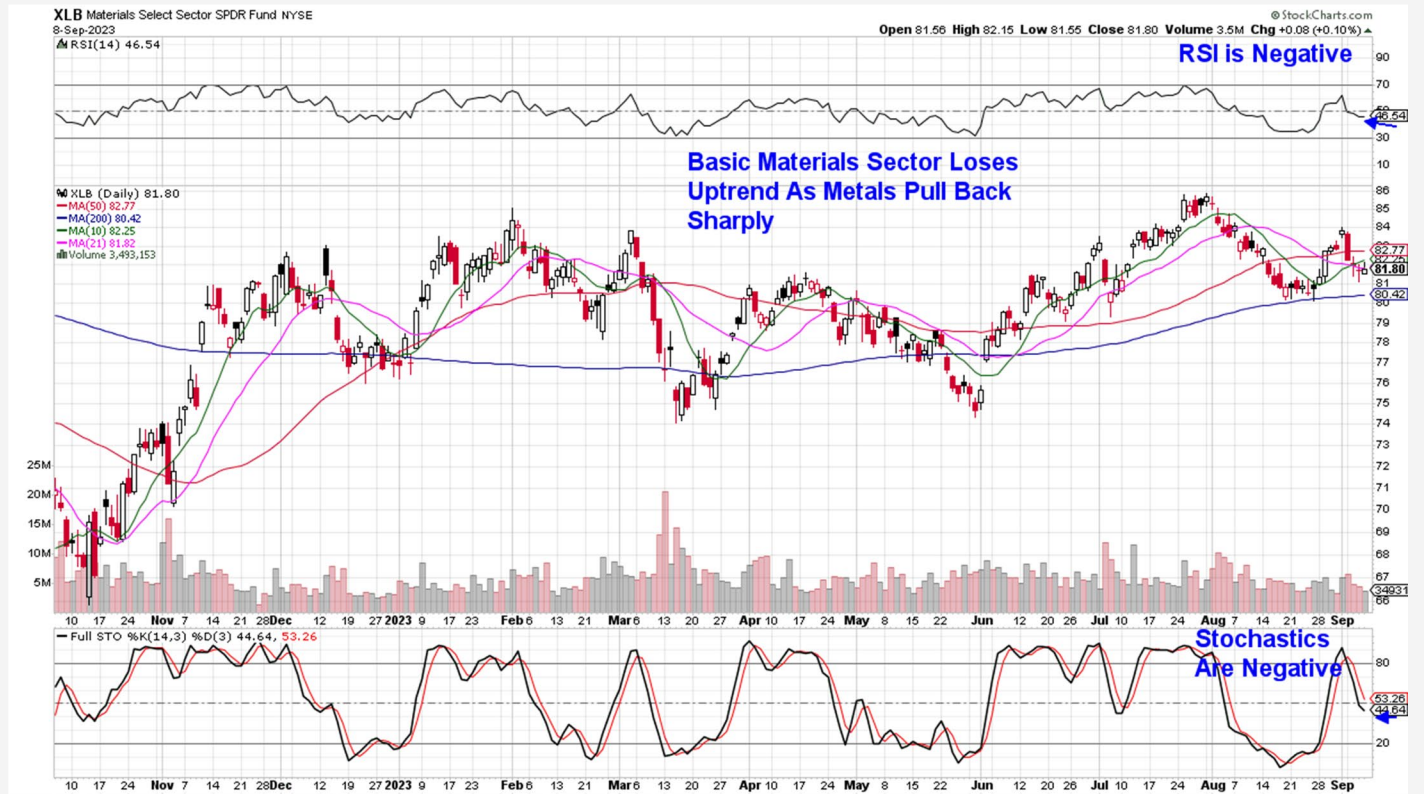
Industrials were the worst performing sector last week led by a decline in Transportation stocks such as Airlines, Trucking and Rail stocks which each fell an average of 4% for the week.

Construction related stocks also came under selling pressure amid the decline in Home Builders. This would include stocks such as Pentair (PNR) which pulled back toward its 50-day moving average on below average volume.

PNR has a history of trading to this key moving average and recovering however, a close below the 50-day mav will have us consider removing the stock from our List.

Caterpillar (CAT) pulled back to its upward trending 10-day moving average with a relative outperformance that was due to analyst upgrades to earnings for both this year and next. While the stock is in a buy zone from which its poised to trade higher, weakness in its group and sector has us posting the stock as a hold.

Basic Materials Select Sector SPDR Fund (XLB)



Basic Material Sector Among Worse Performing

Material stocks were led lower by a sharp drop in Aluminum after talks stalled between the U.S. and EU in their efforts to erect import barriers against China.

Residential building related stocks also sold off amid a decline in home builders. Recently added Eagle Materials pulled back sharply from last week's base breakout with the stock closing below its 50-day moving average with a negative RSI and MACD. We're removing EXP from our Watch List.

Sherwin-Williams (**SHW**) recovered from an early week pullback to its 50-day moving average to close the week back above its 10 and 21-day moving averages. The move puts SHW on track to regain its uptrend however, a rally above the \$275 level on volume would provide us with more confidence that the stock can continue forming the right side of a base.

Summary

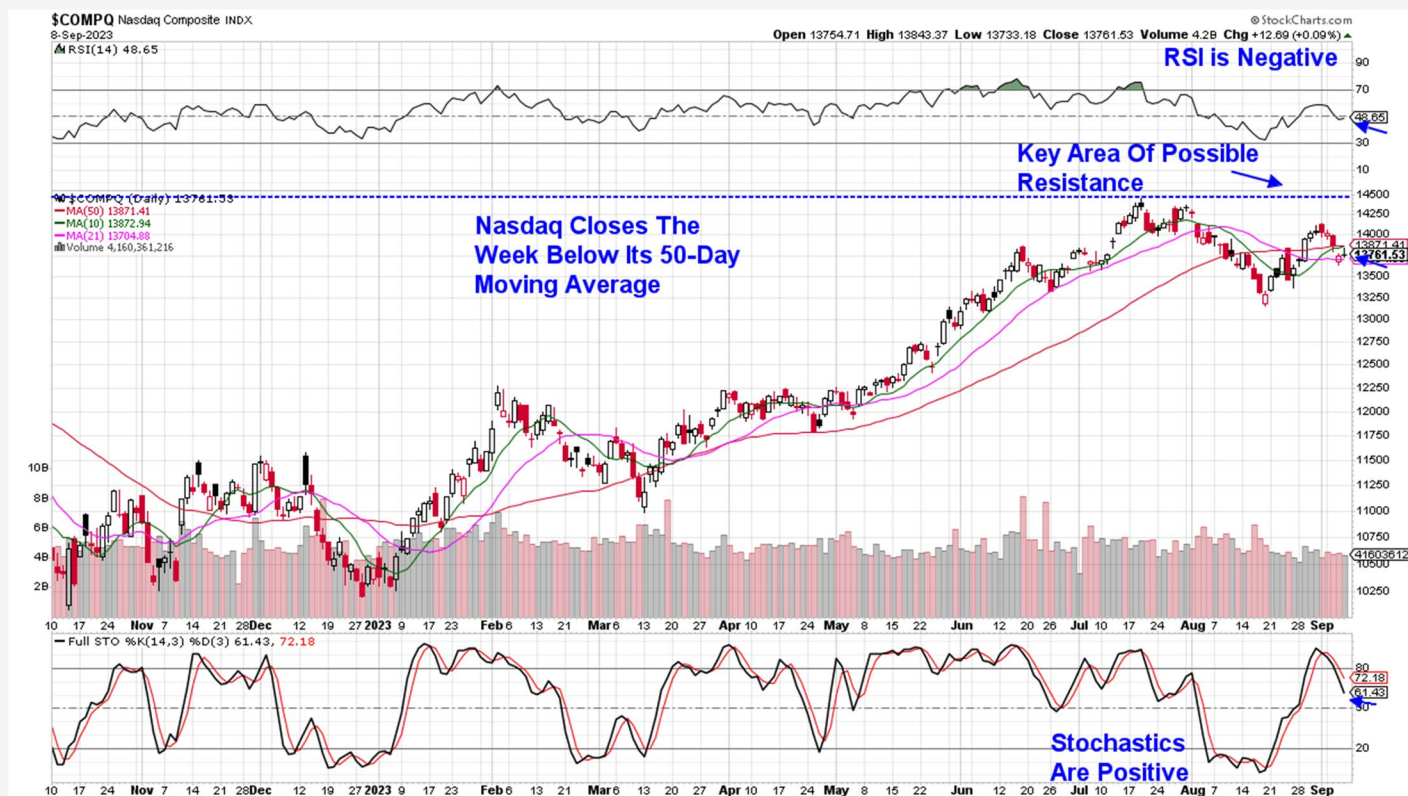
Last week's sloppy price action highlights investor uncertainty as we head into the final quarter of the year. On the one hand, the markets are hopeful that the economy will continue to remain strong while also seeing inflation recede. Unfortunately, that's a tough balance and last week's reports of increased productivity and a healthy jobs report pushed the markets lower.

Next week's inflation reports may sooth nerves however, as any indication of prices moving lower on both the consumer and producer front would provide the needed balance to give investors confidence.

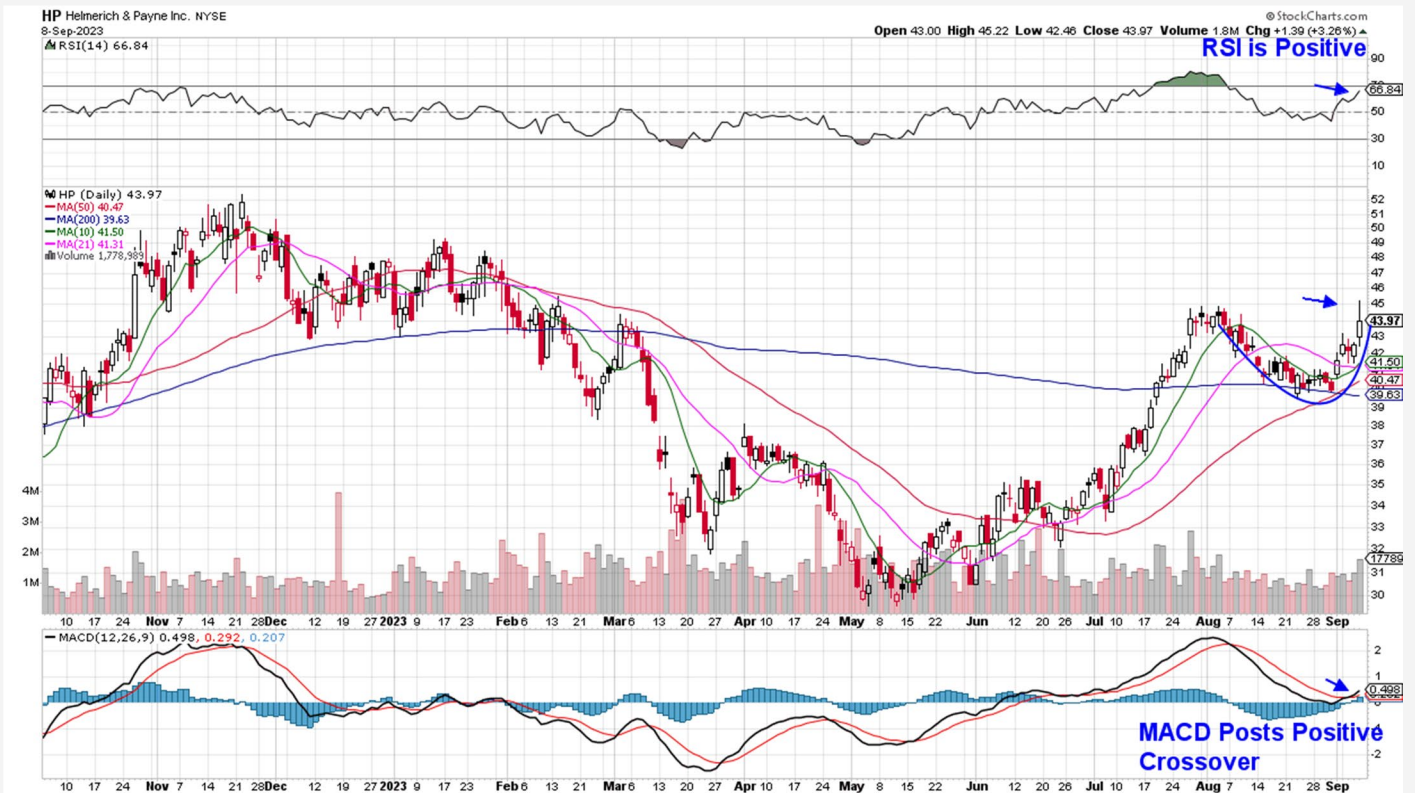
While most sectors in the S&P 500 are trading below key support, a majority of the heavyweight FAANMG names that have led these markets higher this year, remain in an uptrend. A broadening out of participation beyond these mega-cap Growth names would of course be ideal to support a sustainable uptrend.

Until then, stocks in select areas of the market can be held or lightly added to such as Software and Energy names. Beware of volatility however, as September's reputation of being a tough period for the markets is showing signs of playing out yet again this year.

Daily Chart of NASDAQ Composite (\$COMPQ)



Daily Chart of Helmerich & Payne Inc. (HP)



The
MEMEdge
WEEKLY REPORT

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						
AMZN	Amazon	\$134.70	7/16/2023	1.0%	-	Retail - Internet
TOL	Toll Brothers	\$83.83	9/4/2023	-3.5%	-	Bldg - Residential

ENERGY						
HP	Helmerich & Payne	\$43.90	9/10/2023		-	Oil Driller
MTDR	Matador Resources	\$61.00	8/20/2023	4.0%	-	Oil & Gas Exploration
PXD	Pioneer Resources	\$236.80	8/13/2023	1.0%	-	Oil & Gas Exploration
SLB	Schlumberger	\$59.70	8/13/2023	2.5%	-	Oil & Gas Field Services

INDUSTRIAL						
CAT	Caterpillar	\$285.20	8/13/2023	-1.0%	-	Machinery
PNR	Pentair	\$64.60	7/2/2023	6.5%	-	Machinery

TECHNOLOGY						
ADBE	Adobe	\$507.40	7/12/2023	13.0%	EARNINGS DUE	Software
AVGO	Broadcom	\$876.00	8/23/2023	-2.0%	-	Semiconductor
LRCX	Lam Research	\$642.00	6/28/2023	0.5%	-	Semiconductor
NOW	ServiceNow	\$568.00	8/23/2023	5.5%	-	Software
NVDA	Nvidia	\$471.00	8/23/2023	-2.5%	-	Semiconductor
ON	ON Semiconductor	\$98.80	8/30/2023	-1.5%	-	Semiconductor
UBER	Uber Technologies	\$46.50	8/30/2023	1.5%	-	Software

COMMUNICATION SERVICES						
GOOGL	Alphabet	\$132.60	7/30/2023	3.5%	-	Internet-Content

BASIC MATERIALS						
EXP	Eagle Materials	\$194.80	9/4/2023	-7.0%	-	Machinery
SHW	Sherwin Williams	\$274.80	9/4/2023	-1.0%	-	Machinery

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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