



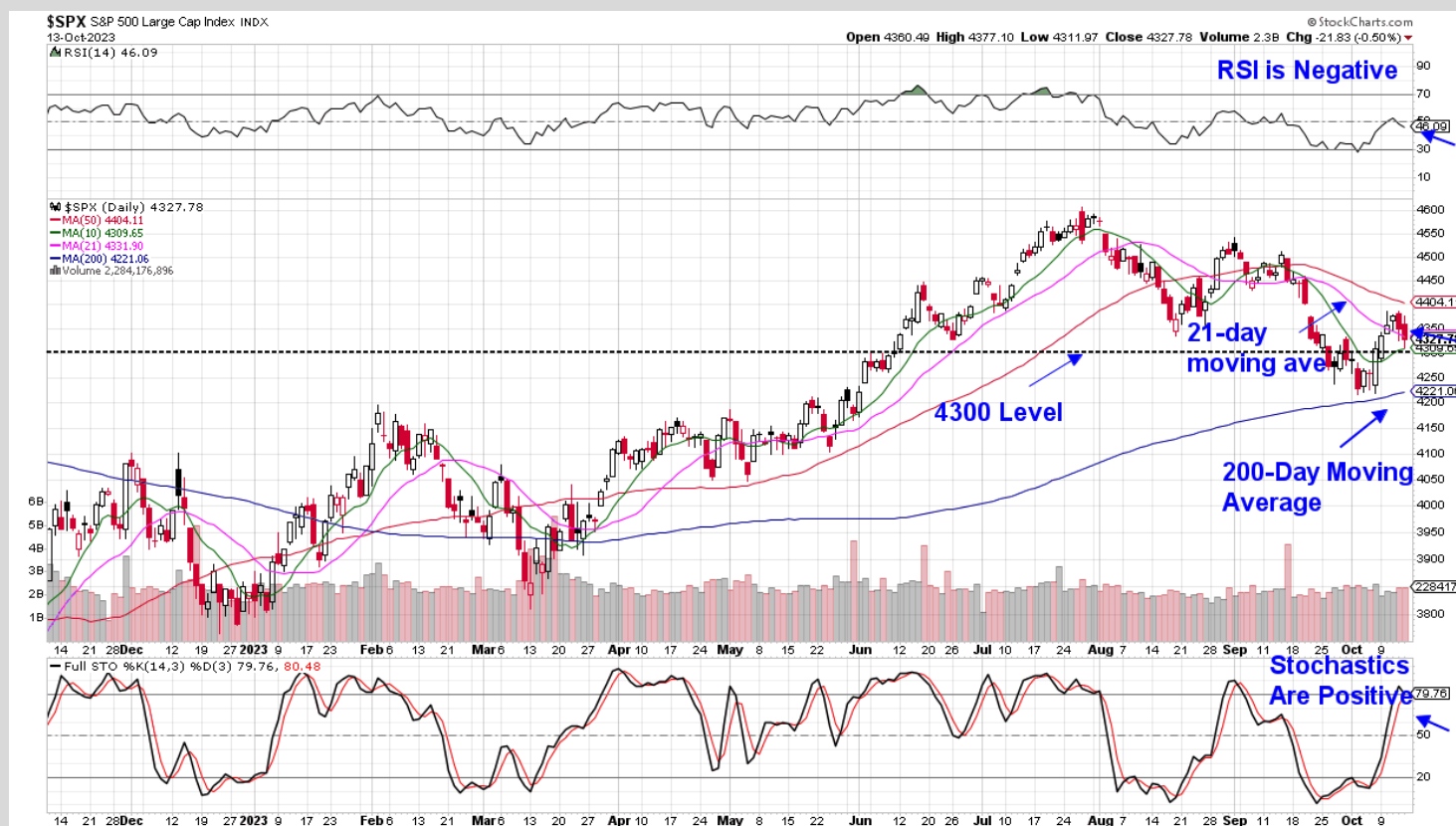
THE MEM EDGE

October 15, 2023 | Weekly Report

This Week's Highlights

- Producer Prices (PPI) Rises More Than Forecast
- Fed Minutes Raise Hopes Of Steady Rates Earlier In The Week
- Core CPI Data Comes In As Expected (Gas & Shelter costs remain high)
- Consumer Sentiment Falls Amid Inflation Fears
- Retail Sales Data, Several Fed Officials Including Powell Due To Speak Next Week

Daily Chart of S&P 500



The S&P 500 gained 0.4% last week during a volatile period which saw this Index pull back to the key 4300 level before closing above its 21-day moving average. The RSI ended the week in negative

territory with the faster moving Stochastics above 50 and positive. While we moved toward a more positive bias on the markets on Tuesday and

Wednesday, our suggestion to keep any new positions light remains in place.

This is primarily due to the fact that investor sentiment regarding interest rates continues to drive price action and while dovish comments from Fed officials earlier in the week pushed rates down (and the markets higher), hotter-than-expected inflation data on Thursday pushed rates higher (and the markets lower). We anticipate volatility surrounding rates to continue, as market participants try to assess the Fed's monetary policy stance.

Geopolitical strife in the Middle East also disrupted the markets, as global recession fears emerged amid a spike in Oil prices and the U.S. Dollar. The escalating conflict pushed the markets lower on Friday with riskier Growth stocks being hit the hardest.

On any further pullback in the S&P 500, the 4300 level is the next area of possible support and that's a ½ percent away with the 200-day moving average being the next area of possible support which is 2.5% away. A close below this key moving average would be quite negative for the markets.

The Nasdaq gave back most of its gains from earlier in the week as well and closed back below its key 50-day moving average with the RSI now in negative territory. This negative close has shifted our bullish bias for this Index to a more negative stance. While Friday's pullback was led by mega-cap Growth stocks, most of the Magnificent Seven names remain in confirmed uptrends. Further deterioration in these leadership names would weigh heavily on the markets.

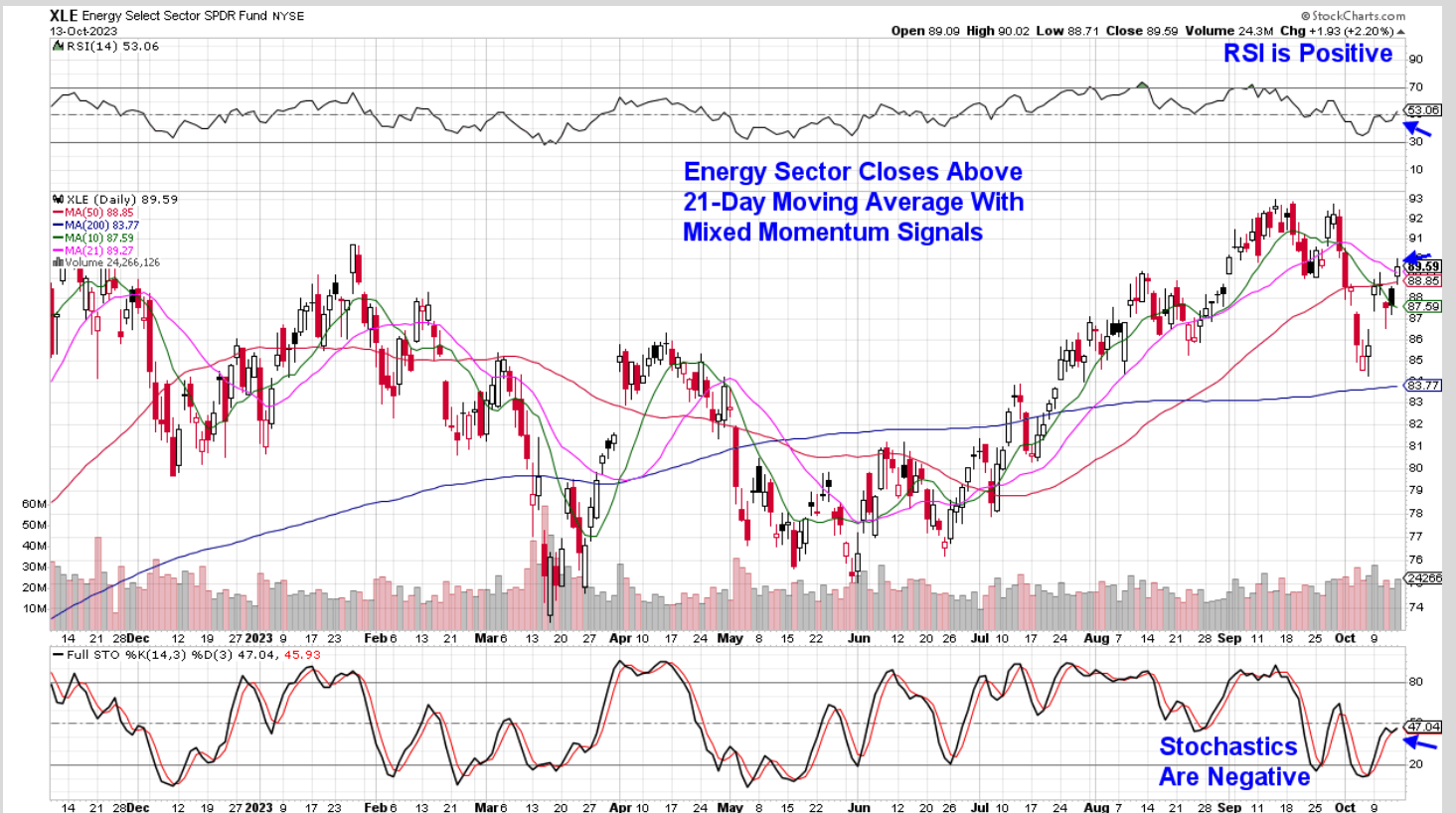
Elsewhere, beaten down Utility and REIT stocks were among the top performing as the decline in interest rates earlier in the week brought buying in these high yielders. Both sectors remain in a downtrend however.

Energy stocks saw the biggest gains last week due to a spike in the price of oil amid the Middle East conflict. Defense-related stocks also posted gains while safe-haven Gold stocks also rallied sharply.

Earnings season began last week with JP Morgan (**JPM**), Wells Fargo (**WFC**), and Citigroup (**C**) reporting results that were ahead of estimates. Each of these stocks ended the week lower however, as high inflation and interest rate fears pushed down estimates for growth going forward. Investor's response to earnings reports is a powerful gauge of sentiment as during bullish periods, not great news is ignored. We'll continue to monitor this as earnings season progresses but for now, the tepid response to strong earnings is not constructive.

Next week's earnings reports from Tesla (**TSLA**) and Netflix (**NFLX**) will be a true test for the markets, with mega-cap names Microsoft (**MSFT**) and Meta Platforms (**META**) releasing results the following week. Given the narrow leadership of these mega-cap names during bullish phases in the markets this year, we anticipate their results and even more importantly- investors' response - to be highly impactful.

Daily Chart of the Energy Sector (XLE)



Energy Sector Is Top Performer As Oil Prices Surge

The Energy sector was the top performing last week as fears surrounding a possible disruption in the supply of oil pushed prices higher. At this time, investors are closely watching whether Iran becomes actively involved in the Israel-Hamas conflict due to the size of their oil production. Iran's proximity to one of the biggest oil waterways is another consideration.

Should Iran get involved, oil prices are expected to go meaningfully higher for longer - which would keep Energy stocks elevated.

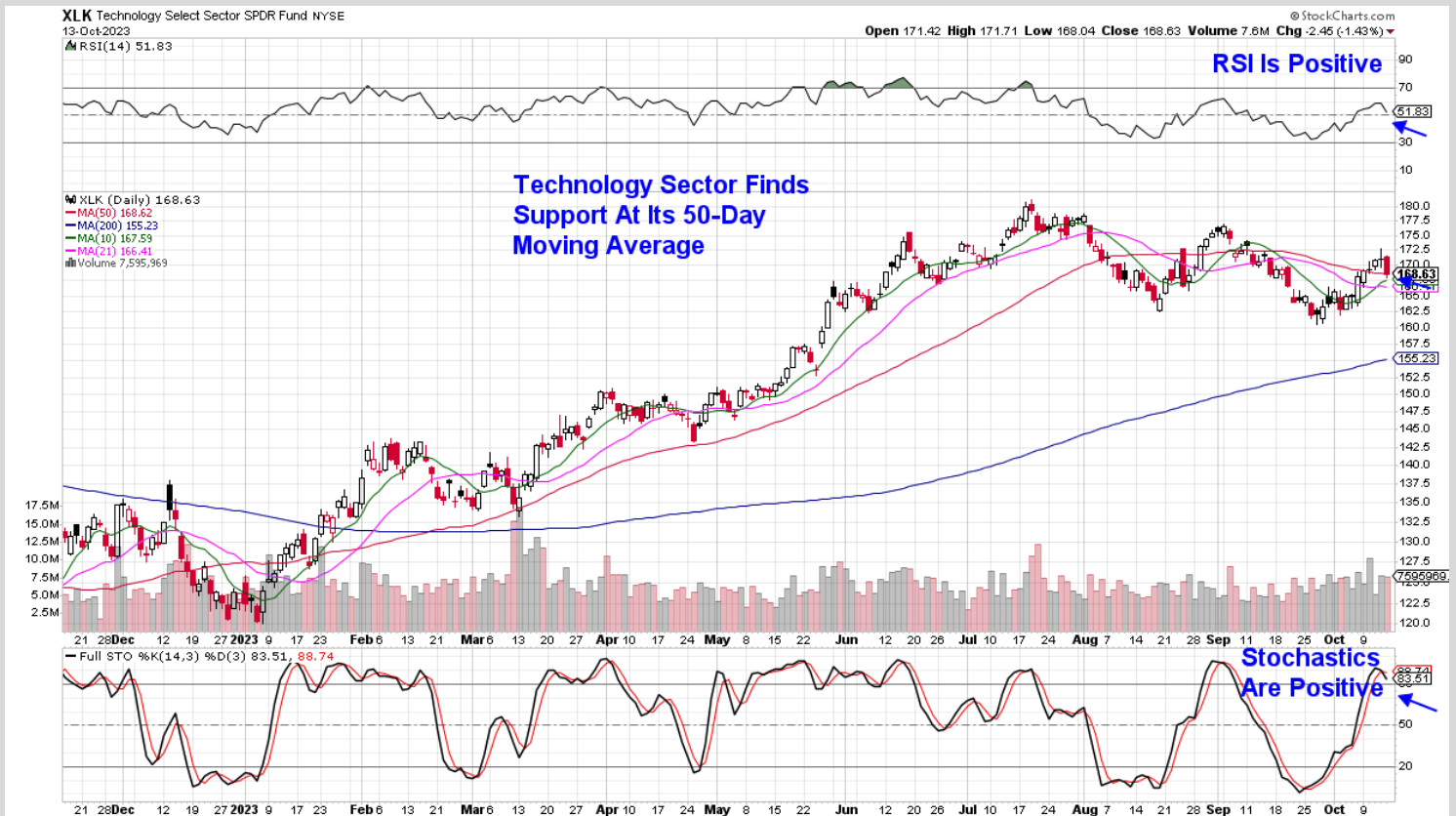
At this time, the Energy sector has closed above its 21-day moving average which was the remaining area of possible upside resistance. However, the sector does not have the characteristics of a

sustainable uptrend just yet. We're using the July into August rally as precedence when its moving averages were trending upward and acting as support which is the hallmark of a longer-lasting uptrend.

We may well enter this bullish position depending on how events unfold, and we've expanded and updated the list of Energy stocks on our Watch List for possible candidates should the Middle East conflict become elevated.

Next week, Schlumberger (**SLB**) is due to report earnings and the company's results as well as investors' response, may sway this group as well.

Daily Chart of the Technology Sector (XLK)



Technology Sector Outperforms

The Tech sector gained 0.8% led by a rally in heavyweight stock Apple (**AAPL**) which entered an uptrend after closing above its 50-day moving average with a positive RSI and MACD. The stock received a boost from a research report that suggested that laptop sales are on track to grow next quarter. We'll need to see bullish price action in the markets before adding the stock to our Suggested Holdings List.

Heavyweight stock Microsoft (**MSFT**) ended the week flat amid back-and-fill price action that keeps this stock above its moving averages with a positive RSI and MACD. While **MSFT** is in an uptrend, we would not be a buyer due to broader market uncertainties.

The company is due to report their earnings later this month.

Elsewhere in Software, security-related stocks were the top performing, led by names such as CrowdStrike (**CRWD**) from our Suggested Holdings List which gained 5% for the week. The stock remains in a confirmed uptrend as it finds support at its 5-day moving average with a positive RSI and MACD. **CRWD** can be held.

Adobe (**ADBE**) which we added on Wednesday, is also in a confirmed uptrend with positive momentum indicators. Friday's pullback with the markets puts the stock in a strong buy zone however, we would not be a buyer due to broader market conditions. **ADBE** can be held.

The Software group is above each of its moving averages with a positive RSI and MACD which is good news (using ETF IGV) however, we need a broadening out of participation within the group as well as bullish market conditions to really have lift-off Software names.

We're on the lookout for a period similar to the May into July rally which was kicked off by strong earnings from Microsoft and then boosted by strong results from other names such as Palo Alto (**PANW**), ServiceNow (**NOW**), and Take-Two (**TTWO**) to name just a few.

Microsoft (**MSFT**) will be releasing their results in 9 days followed by other major Software stocks in November.

Semiconductor stocks closed above their 50-day moving average on Wednesday however, Friday's 3% pullback in this group pushed it back below this key moving average with the RSI and MACD now in negative territory. (using ETF SOXX). A lack of breadth among names in this group was already an issue going into Friday's pullback. Those stocks that are able to withstand the pressure elsewhere in this group are setting up to be leaders once market pressures are lifted.

Nvidia (**NVDA**) is one of those relative outperformers however, it gave back earlier gains and closed the week down slightly after a Friday pullback. The stock remains above key moving averages with a positive RSI and MACD. **NVDA** can be held.

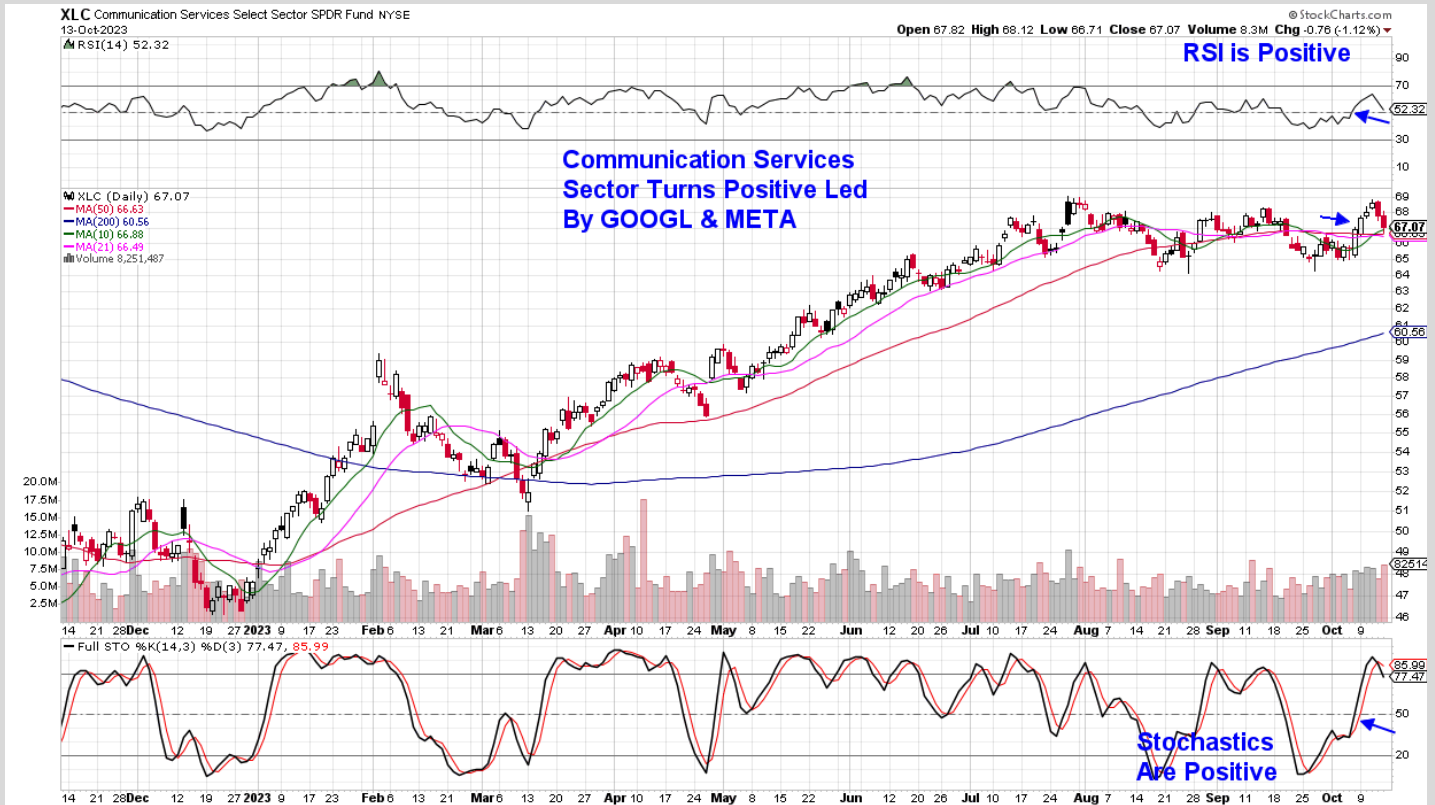
Next Tuesday, Semiconductor stock Lam Research (**LRCX**) will be reporting earnings which may sway sentiment for stocks in this group depending on results.

In the meantime, Broadcom (**AVGO**) remains at the top of our Watch List after posting an 18-week base breakout on Friday before pulling back with the markets. This relative outperformance within the markets as well as peer Semi stocks makes it a prime candidate to outperform once market and group pressures are lifted.

The Technology sector closed the week just above its 50-day moving average with its RSI in positive territory however, further selling would easily reverse its recently attained uptrend.



Daily Chart of the Communications Services Sector (XLC)



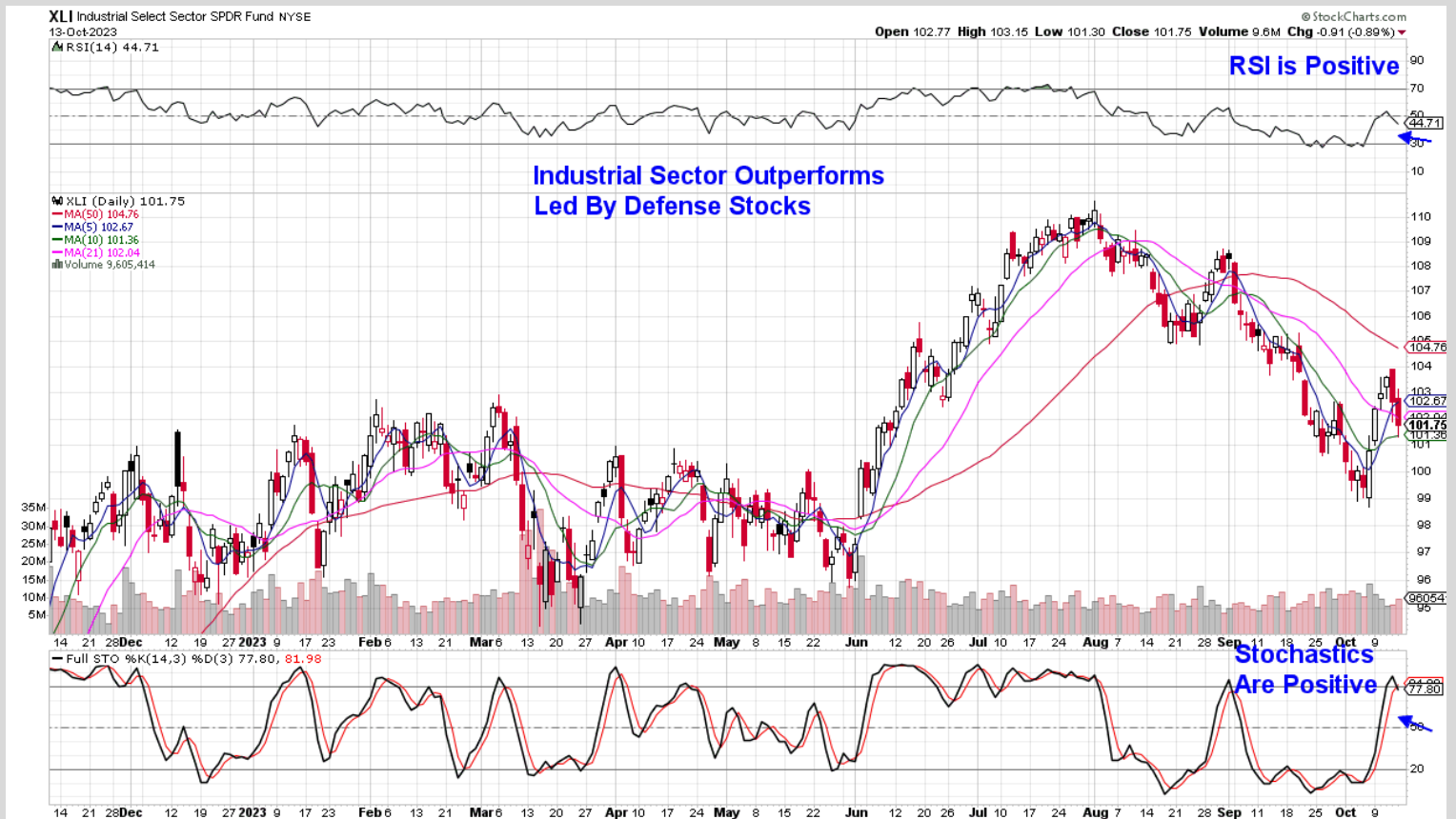
Communication Services Sector Trades In Line With Markets

The Communication Services sector (XLC) broke out of a 3-month base on Wednesday led by gains in heavyweight names Meta Platform (**META**) and Alphabet (**GOOGL**). Both stocks also posted midweek base breakouts before pulling back to their 10-day moving averages on Friday. Their uptrends are intact with a positive RSI and MACD.

META and **GOOGL** are due to report their earnings later this month and analysts are optimistic due to AI-related buzz as well as an expected increase in advertising sales. The weekly chart for both stocks is quite constructive, as they're trading above their 10-week moving average with a positive RSI and MACD. This bodes well for the longer-term outlook for these companies.

While both **META** and **GOOGL** are in a buy zone, unhealthy market conditions would have us refraining from adding to any positions at this time.

Daily Chart of the Industrial Sector (XLI)



Industrial Sector Gets Earnings and Wartime Boost

The Industrial sector posted a 1% gain for the week amid a sharp uptick in defense-related stocks. Gains in these names are common during periods of geopolitical uncertainty and given the escalation that's taken place over the weekend, we may see further gains in these stocks.

That said, Wall Street analysts believe that the impact to the fundamentals of these defense companies may be limited because Hamas won't be resupplied with military equipment or materials to make weapons. And while U.S. military spending may see a boost in support, the crisis is not expected to produce much in incremental sales.

That said, defense stocks jumped after the Ukraine invasion on February 25, 2022, and for most names, the gains were sharp in the first 2 weeks followed by sideways to down price action in names such as Lockheed Martin (**LMT**) and Northrop Gruman (**NOC**).

We've added several defense stocks to our Watch List as their charts have positive characteristics.

Select names in this sector also received a boost from the release of strong earnings from Fastenal (**FAST**) which gapped up into a base breakout in response. **FAST** provides supplies to the Industrial industry and several other stocks in this same area rallied as well. The Industrial part of the economy has remained strong this year.

Airline stocks fell sharply last week which countered gains in Defense stocks. The decline followed Delta Airlines (**DAL**)'s release of earnings where management guided growth prospects lower for next year.

Overall weakness in Consumer Discretionary stocks has been weighing on the markets as this sector is the 3rd largest component of the S&P 500 Index. Reduced inflation and lower interest rates would provide a needed spark for these stocks.



Summary

Geopolitical strife coupled with a cloudy outlook regarding the Federal Reserve's monetary policy going forward, is creating uncertainty for the markets. With uncertainty comes a reduced appetite for riskier assets such as stocks. On Friday, the VIX - better known as the fear index - jumped to 21 which is rather elevated. We're negative on the near-term prospects for the markets.

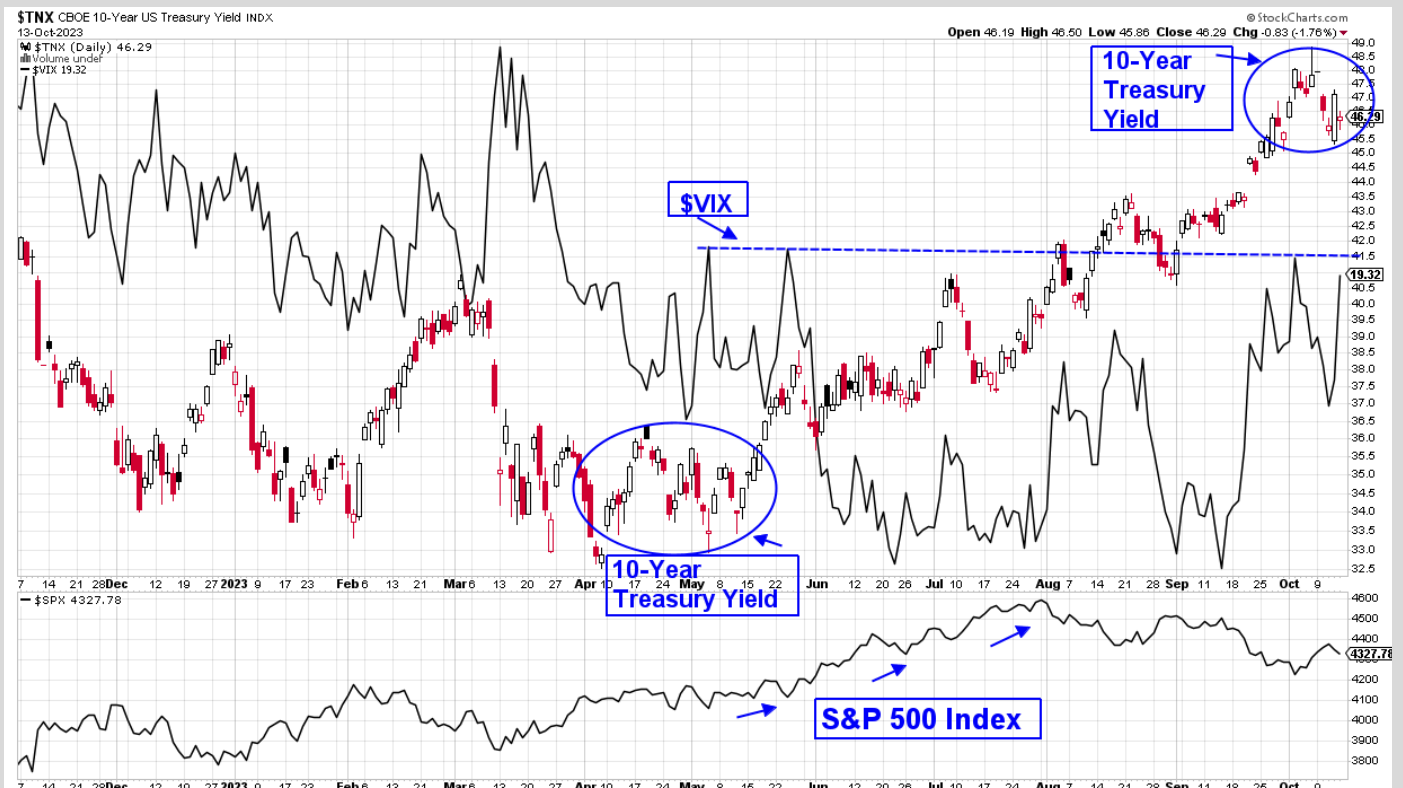
The good news is, the last time the VIX was at the 21 level was just before the May into July rally, which was a period that produced the bulk of the gains in the market for this year. That said, interest rates in May were at a much lower level than they are at this time. (see chart below). Real interest rates as well as the outlook for potential rate hikes going forward, are the primary driver of the markets at this time.

Earnings season is also renowned for moving the markets and in addition to a lower interest rate environment in early May, companies were reporting strong 1st quarter results led by names such as Meta and Microsoft. Other mega-caps such as Tesla and Netflix were also big movers after releasing earnings and both companies are due to report next week.

Of course, a Middle East war was not developing during the Q2 earnings season and this event is expected to trump all else. As of this writing, the U.S. is warning of an expansion of the conflict beyond Israel and Hamas which will increase fears of a global recession and bring the markets lower.

Historically, the markets have been able to eventually overcome geopolitical events however, shorter-term investors may want to take profits until the landscape shifts.

Daily Chart of CBOE 10-Year Us Treasury Yield (\$TNX)



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	INDUSTRY GROUP
------	---------	-------	------------	-------------	----------------

TECHNOLOGY					
------------	--	--	--	--	--

ADBE	Adobe	\$549.90	10/11/2023	0.0%	Software
CRWD	Crowdstrike	\$176.70	10/8/2023	5.0%	Software
NVDA	Nvidia	\$457.60	10/8/2023	-0.5%	Semiconductor
MSFT	Microsoft	\$327.30	10/8/2023	0.0%	Software

COMMUNICATION SERVICES					
------------------------	--	--	--	--	--

GOOGL	Alphabet	\$132.60	7/30/2023	4.0%	Internet-Content
META	Meta Platforms	\$315.40	10/8/2023	0.0%	Internet-Content

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.

Disclaimer: This publication "MEM Edge Report" is published by MEM Investment Research, LLC, and is both proprietary and intended for the sole use of subscribers. No license is granted to any subscriber, except for the subscriber's personal use. No part of this publication or its contents may be copied, downloaded, stored in a retrieval system, further transmitted, or otherwise reproduced, stored, disseminated, transferred, or used, in any form or by any means, except as permitted under the subscription agreement or with the prior written permission of MEM Investment Research, LLC. Any further disclosure or use, distribution, dissemination or copying of this publication, message or any attachment is strictly prohibited. MEM Investment Research, LLC is a financial publisher who publishes information about markets, stocks, industries, sectors and investments in which it believes subscribers may be interested. The information in this letter is not intended to be personalized recommendations to buy, hold or sell investments. MEM Investment Research, LLC is not permitted to offer personalized trading or investment advice to subscribers. Employees of MEM Investment Research, LLC may own positions in stocks mentioned or highlighted in THE MEM Edge Report. The information, statements, views and opinions included in this publication are based on sources (both internal and external sources) considered to be reliable, but no representation or warranty, express or implied, is made as to their accuracy, completeness or correctness. Such information, statements, views and opinions are expressed as of the date of publication, are subject to change without further notice and do not constitute a solicitation for the purchase or sale of any investment referenced in this publication. By using the information in THE MEM Edge Report, or from MEM Investment Research, LLC, or www.meminvestmentresearch.com, you assume full responsibility for any and all gains and losses, financial, emotional or otherwise, experienced, suffered or incurred by you. SUBSCRIBERS SHOULD VERIFY ALL CLAIMS AND DO THEIR OWN RESEARCH BEFORE INVESTING IN ANY INVESTMENTS REFERENCED IN THIS PUBLICATION. INVESTING IN SECURITIES AND OTHER INVESTMENTS, SUCH AS STOCKS, OPTIONS AND FUTURES, IS SPECULATIVE AND CARRIES A HIGH DEGREE OF RISK. SUBSCRIBERS MAY LOSE MONEY TRADING AND INVESTING IN SUCH INVESTMENTS.