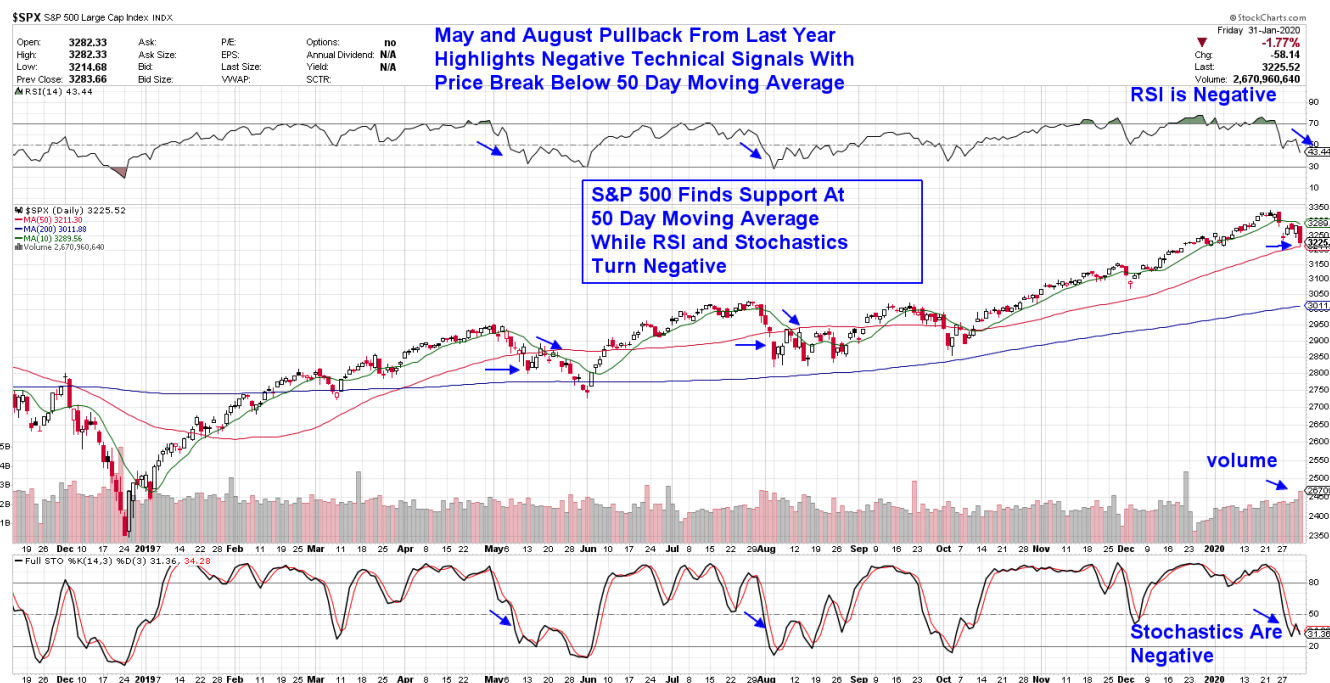




THIS WEEK'S HIGHLIGHTS

- Markets Drop Sharply As Coronavirus Fears Pick Up
- Semiconductors & Energy Stocks Hit The Hardest For Week
- Risk Off Environment With Small Caps & Biotech Groups Selling Off
- U.S. Consumer Confidence & Sentiment Are Positive While Q4 GDP Is Mixed
- Federal Reserve Congressional Meeting, Manufacturing Data & NonFarm Payroll Next Week

DAILY CHART OF S&P 500 INDEX



The S&P 500 fell 2.1% on heavy volume for the week in a move that erased earlier gains for the month. While this Index found support at its key 50 day moving average, the RSI and Stochastics are now both in negative territory – putting the near-term uptrend in the markets under pressure.

Historically, a negative position of the RSI and Stochastics on a daily chart coupled with a price break of the S&P 500 below its 50-day moving average, signals an uptrend reversal for the markets. While we haven't seen this trifecta just yet as the S&P is finding support at its 50-day mav, there is enough other negative action to have us concerned about the near-term prospects for the markets.

Surprisingly, U.S. investors were able to bullish focus on strong earnings reports for most of the week despite the

backdrop of a potentially deadly virus taking hold in China. Friday's news of an increase in the number of coronavirus cases as well as its spread outside of China, brought a fear-induced selloff in every sector.

The exception was Consumer Discretionary which was kept afloat by an 8% gain in heavyweight stock Amazon (AMZN) from our List following their strong 4th quarter report.

Fear among investors can induce much faster downside action than positive news will impact on the upside. And with a coronavirus vaccine being at least a year out, we expect more selling over the near term as reports of an increase of reported cases will fan the fears of a slowdown of economic growth in China.

For the S&P 500, should we see a break below its 50-day moving average which is currently very close, the next area of support is the December low of 3070 which is 4.8% below the current price level.

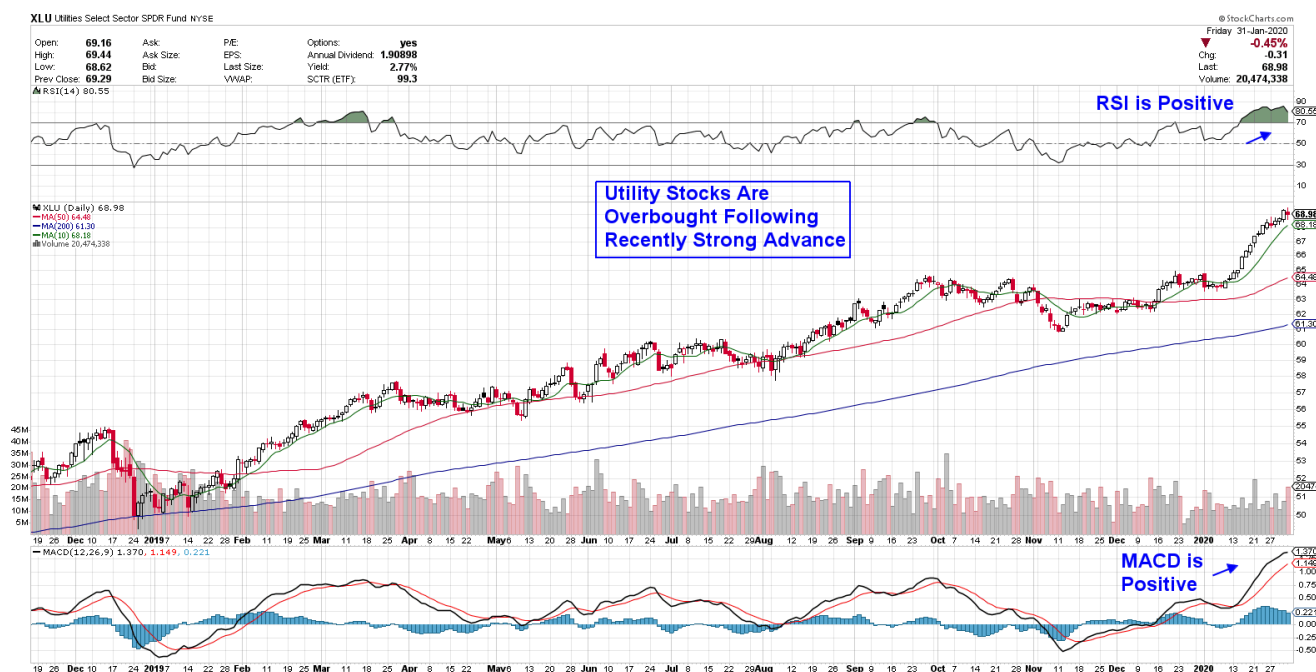
The Volatility Index (VIX) which closed the week above 18, is also pointing to more potential downside risk. Historically, this has been a critical level as each of the pullbacks in 2019 such as May, August and late September coincided with a VIX above 18.

The swift breakdown of recently strong Small Cap stocks is

also concerning, as the Russell 2000 Index has now broken below its 50-day moving average as have Biotech stocks. Both areas contain riskier stocks and a breakdown here highlights a lack of investor confidence in the markets.

Surprisingly, there were pockets of strength within several non-defensive, heavyweight areas of the market which we'll review below. It's important to keep track of these stocks as overall, those growth stocks that can withstand downward pressure in the broader markets will go on to become your leaders once the market pressure subsides.

Daily Chart of Utilities Sector



Utilities Stocks Post 4th Consecutive Week of Gains

Utility stocks posted a strong performance for the month of January and while this is historically a seasonally strong period for this sector, high profile activity among alternative energy providers was what kicked this defensive area into action several weeks ago.

Nextera (NEE) from our Suggested Holdings List is a prime example as the company is one of the largest renewable solar and wind power producers in the world. NEE reported mixed results last week but guided growth higher for this year and next as the company continues to add to its backlog of renewable energy contracts while seeing growth in its customer base at Florida Power and Light (FPL)

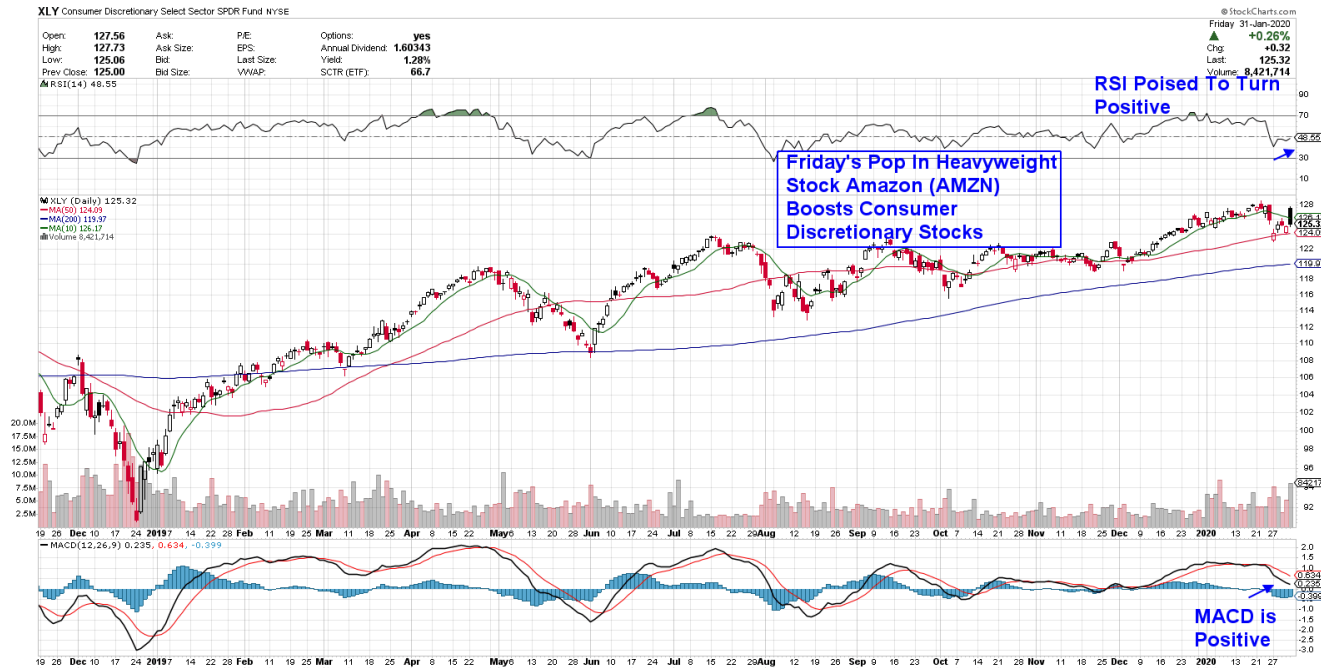
While NEE is in a strong, confirmed uptrend, it is currently overbought and this 1.9% yielder can be bought on any

kind of a pullback as it appears poised for further upside.

Duke Energy (DUK) from our List is also heavily involved in providing energy by way of alternative sources such as solar and wind. The company is continuing to expand their solar footprint in Texas with the acquisition of a new project there. The 3.9% yielder is also a bit overbought on its daily chart however, the weekly chart shows more upside potential as its emerging from an oversold position following a recent base breakout.

There are other areas within Utilities that have promising growth prospects that make them interesting beyond their defensive nature. Expanding population growth within certain areas of the U.S. as well as major corporation's commitment to "going green" also bode well for this sector. We're adding a stock from this sector to our List.

Daily Chart of Consumer Discretionary Sector



Consumer Discretionary Stocks Propped Up By Amazon

Consumer Discretionary stocks were hit particularly hard last week as travel related stocks and retailers were down almost 5% (using etf XRT).

Heavyweight stock Amazon (AMZN) was the exception after Friday's gap up on earnings pushed the stock up 8%. While success with their 1-day shipping helped, it was strength in their cloud computing area that really drove the company's 4th quarter earnings higher. Under different market conditions, we'd be a buyer of AMZN as the stock is poised to trade higher. For now, the stock can be held.

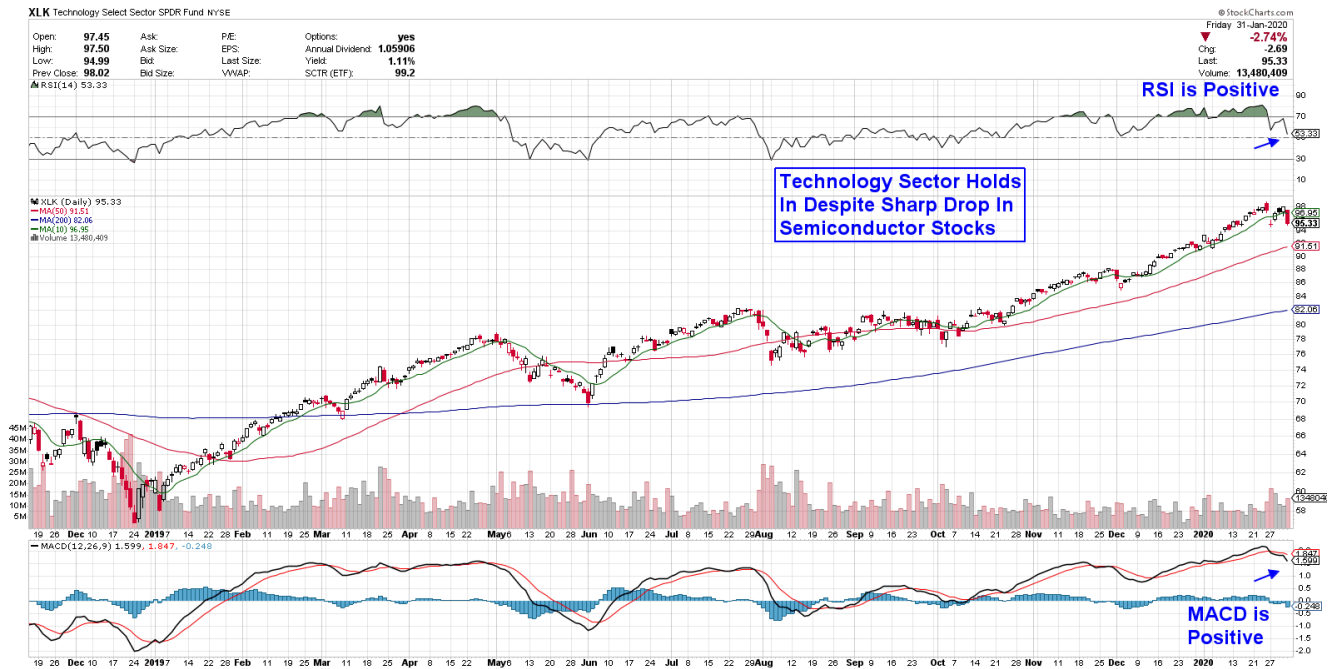
There were other pockets of relative outperformance as select Restaurant stocks such as Wingstop (WING) and Chipotle (CMG) were flat for the week. Both stocks are finding support at their 10-day mav as WING historically does well during Super Bowl Sunday while CMG is due to report earnings on Tuesday.

Recently strong Retailers Lululemon (LULU), Costco (COST) and Home Depot (HD) are each finding support at their 21-day moving averages. While Costco famously opened a wildly popular store in China, they may very well have to curtail their expansion plans there for this year, which may negatively impact the stock at some point.

Those Consumer Discretionary companies that had growth expectations based on a growing Chinese economy were hardest hit last week with stocks such as Nike (NKE) from our List and Starbucks (SBUX) down over 6%. NKE has cited increased digital sales from China as their primary reason for recent growth while SBUX has closed over half of their 4,100 stores there. We're removing Nike (NKE) as the stock has broken below its 50-day moving average on volume.

Lowes (LOW) is also being removed from our List following the stocks break below its 50-day moving average on volume.

Daily Chart of Technology Sector



Technology Stocks Hit By Huge Drop In Semiconductor Stocks

Fears of an economic slowdown in China hit Semiconductor stocks particularly hard with the group dropping 7% for the week. Most of these companies derive at least a portion of their revenues from China and the anticipation of tech manufacturing facilities being closed beyond the already extended Lunar New Year holiday there has really impacted Semis.

We're removing A S M L (ASML) as the Chip company has broken below its 50-day moving average on volume. China focused Jabil (JBL) is also being removed following a similar break below key support.

Software stocks are holding in remarkably well with leading stocks such as Ring Central (RNG) from our List up 4%. The stock posted a bullish outside reversal candle on its weekly chart and appears poised for further upside. Microsoft (MSFT) is in a similarly bullish position after smashing 2nd quarter earnings estimates. The stock hit a new high as sales from their cloud business improved.

Paylocity (PCTY) rallied 2.5% following a brief pullback

while Autodesk (ADSK) and Shopify (SHOP) were flat as was Software platform stock Perficient (PRFT) from our List.

Historically, Software stocks have been punished when fears of global growth emerge. A quick look at etf IGV will show pullbacks in May and August of last year that were related to global recession fears. Interestingly, we've had other periods in time when Software stocks were viewed as defensive because of their revenue models which contractually support steady streams of income. For now, sentiment among investors is bullish for these Software stocks and they can be held.

Heavyweight stock Apple (AAPL) is also holding in surprisingly well given the company's reliance on China for both component supplies for manufacturing as well as consumer sales there. The stock did dip below its 21-day mav on volume Friday with the next area of support being its 50 day, which is 7% away.

Daily Chart of Healthcare Sector



Healthcare Stocks Break Key Support

Every area of Healthcare got hit last week led by another sharp drop in Biotech stocks. These riskier Biotechs had been on track for an exceptional year, however the risk off sentiment among investors has the group headed for potential declines not seen since the fall of 2018 which was a similarly negative period for the markets.

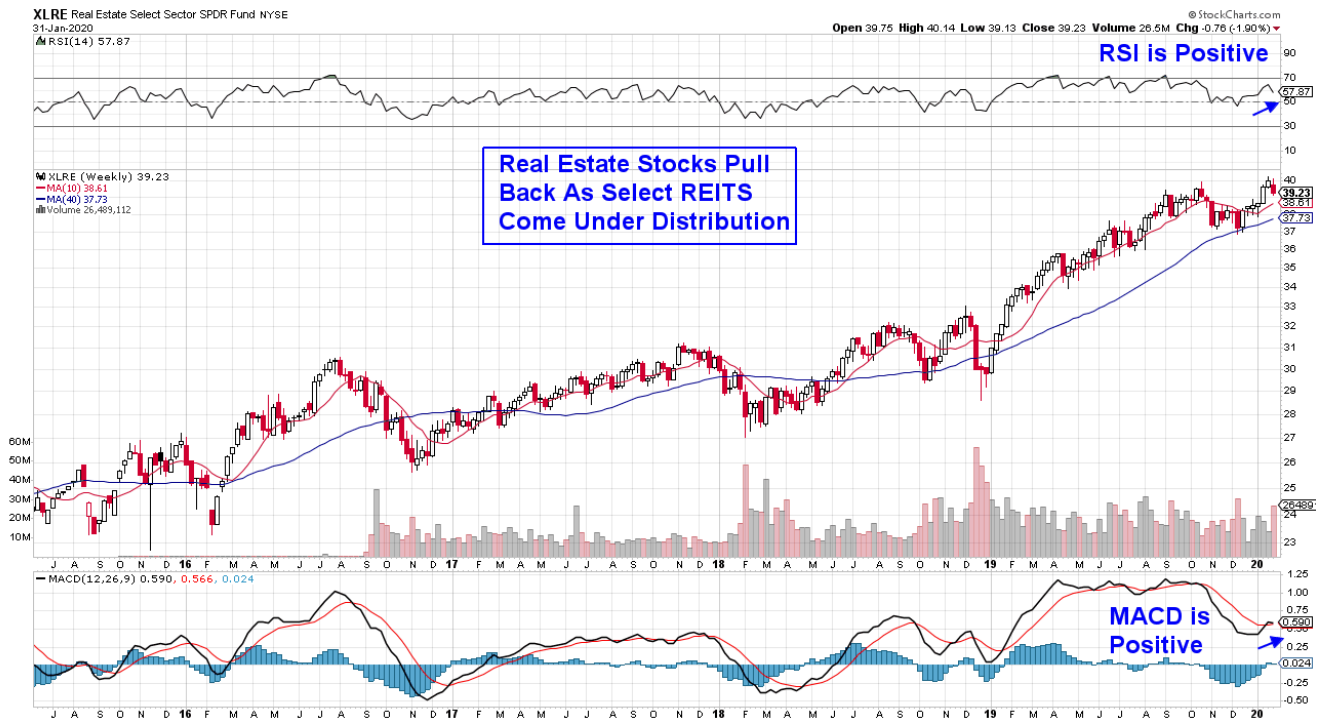
Other dynamics are also hitting this group as next week the Iowa caucus will take place. Healthcare is a political hot button and with Sanders popularity gaining strength, his Medicare For All proposal will come under close scrutiny as it's a negative for most medical companies.

Managed Care stocks were also hit hard last week as proposals to reduce drug costs will most likely make their

way to the political arena, which is a negative for these stocks. A quick look at Healthcare stocks prior to the 2016 election shows it was a tough period. Things may heat up again next month with 14 states due for a Democratic primary in early March.

Most of the Healthcare stocks on our List were able to sidestep last week's sharp selloff with Insulet Corporation (**PODD**) up 1% as it hit another new high in price. Both Vertex (**VRTX**) and Bristol Myers (**BMJ**) pulled back to their 50 day moving averages and will be watched closely while West Pharmaceutical (**WST**) was flat.

Weekly Chart of Real Estate Sector



Real Estate Stocks Post Mixed Results

The defensive REIT area of the markets was down for the week led by a sharp drop in already weak Retail and Lodging REITs.

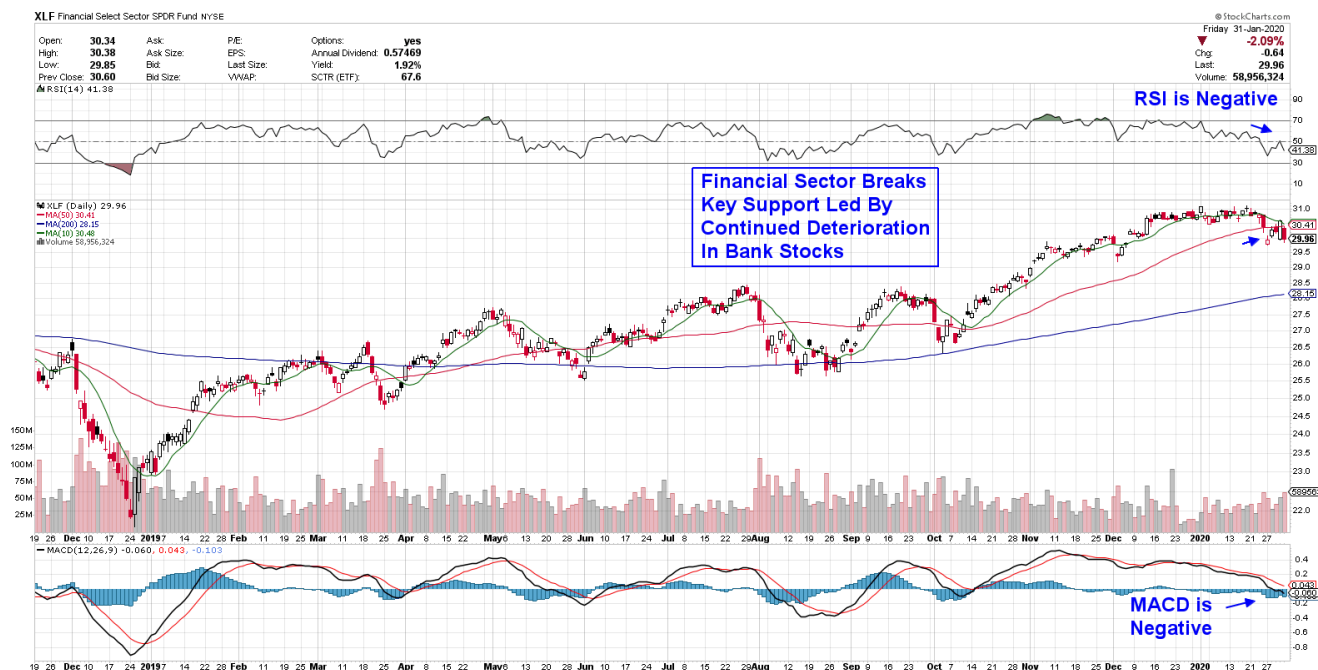
Well run Specialty REITs such as those on our List fared much better with Store Capital (**STOR**) and Sun Communities (**SUI**) both up 2% for the week. STOR and SUI are emerging from oversold positions on their weekly charts as they form the right sides of a base and can be bought.

Crown Castle (**CCI**) was flat for the week but continues

to find support at its 10-day moving average. The 3.2% yielder remains above its recent base breakout level and can be bought.

Medical Properties (**MPW**) from our List is the highest yielder with a 4.7% dividend however, the stock got caught in the Healthcare selloff and has dipped below its 10-day moving average. A quick look at the 60 minute chart (using a 5 and 8 simple mav) points to further near term downside before reversing.

Daily Chart of Financial Sector



Bank Stocks Testing Key Level Of Support

Financial stocks broke below their 50-day moving average as low interest rates continue to negatively impact Bank stocks. Using etf KRE, Banks have now pulled back to their key 200 day moving average after a sharp 7% drop for the month of January.

The most recent period that KRE broke below its 200-day mav was in late September of 2018 which of course was the beginning of a tough period for the markets.

Both of the recently strong Payment Processing stocks

from our List pulled back to their 21-day moving averages and remain in uptrends. That said, continued fears of a slowdown in global growth would not be positive for these companies that derive income from consumer usage fees.

Daily Chart of Industrial Sector



Industrial Stocks Suffer On Global Growth Woes

The Industrial sector broke below its 50-day moving average led by a sharp drop in Transportation stocks. Travel plans are expected to decrease as any outbreaks continue to increase with major airlines now ceasing flights into China.

Heavy Construction and Machinery stocks are also getting hit as fears of an economic slowdown in China has spread to Emerging Market countries as well where demand for these products tends to originate.

Aerospace and Defense related stocks held in relatively well however with heavyweight stock Lockheed Martin (LMT) dropping only 1% for the week as analysts raise earnings estimates for this year and next for this 2.2% yielder.

Defense stocks tend to fare well during periods of uncertainty particularly as military spending in the U.S. and globally is reaching record highs

SUMMARY: The broader markets appear poised for further near-term downside particularly if we see the precipitous drop that's expected in the Chinese markets. China's market has been closed all last week for their Lunar New Year holiday and the pent-up selling pressure could easily spill over to the U.S. market.

In addition to paying attention to the S&P 500 price action relative to its 50 day moving average, we'll also be on the lookout for a possible drop of the shorter term 10 day moving average below its 50 day. This "death cross" formation is another characteristic that preceded each of the most pullbacks in the 2nd half of last year where

there was more than a 5% drop.

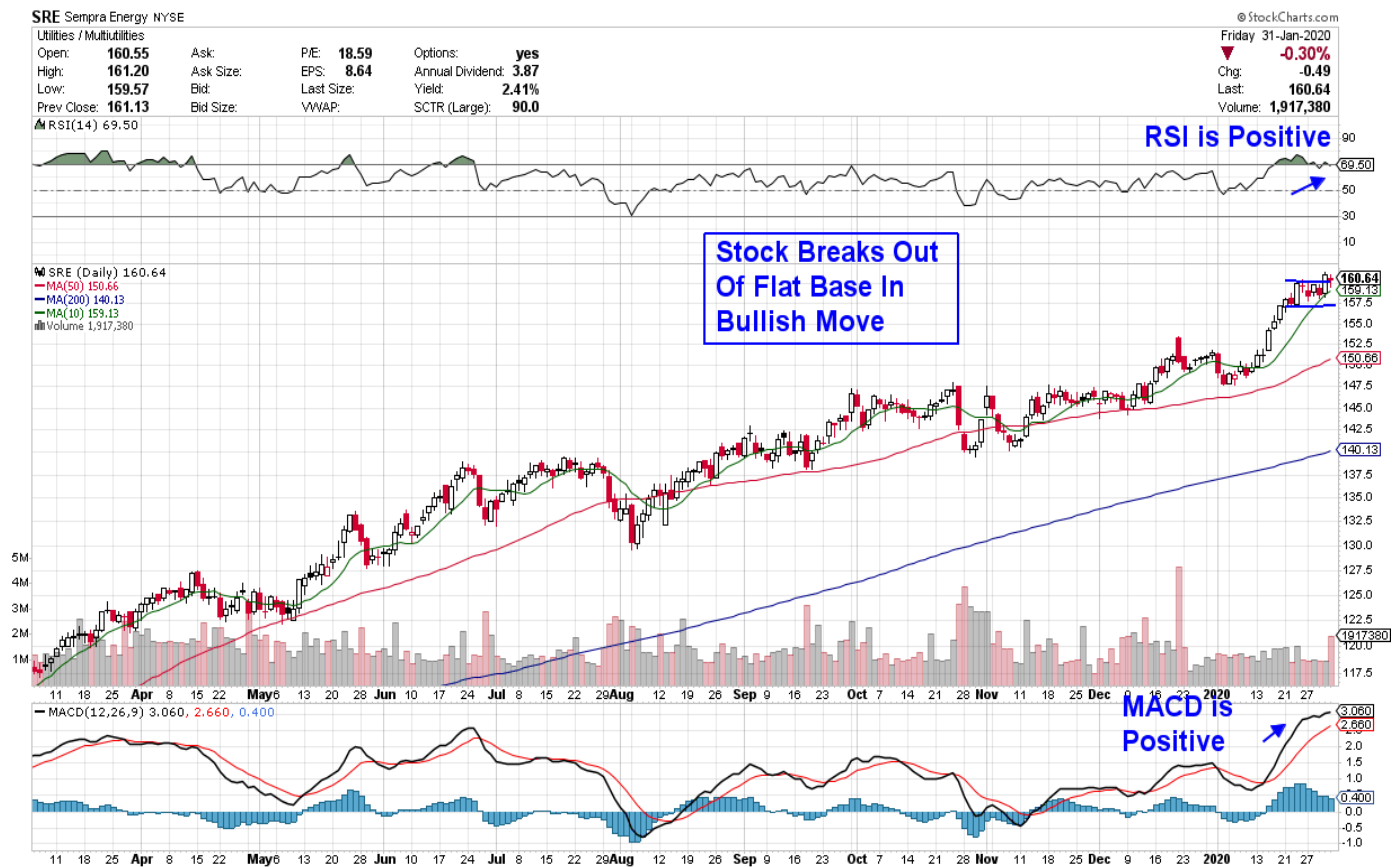
While pullbacks in the market can be painful, they are a healthy event that allows stocks to set up for another leg up. At this time, we would pare back on stocks that break below their key 50 day moving average with an eye toward re-entering these high-quality stocks once the markets overcome the current uncertainty surrounding the coronavirus.

We will continue to monitor the markets closely and will alert you to any significant shift surrounding our outlook.

BUY: SEMPRA ENERGY

| SYMBOL | COMPANY | PRICE | MARKET CAP | INDUSTRY |
|--------|---------------|----------|---------------|--------------------------|
| SRE | Sempra Energy | \$160.64 | 45.28 Billion | Utility - MultiUtilities |

Daily Chart of Sempra Energy (SRE)



Sempra Energy (SRE) is an energy-service holding company, that provides gas and electricity services through the following segments: San Diego Gas &

Electric Company (SDG&E), Southern California Gas Company (SoCalGas), Sempra South American Utilities, Sempra Mexico, Sempra Renewables,

and Sempra LNG & Midstream. The 2.4% yielder is in a strong buy zone.

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 | MKT CAP | DATE ADDED | PERFORMANCE | INDUSTRY GROUP |
|-------------------------------|------------------------------------|----------|----------|------------|-------------|------------------------------|
| CONSUMER DISCRETIONARY | | | | | | |
| AMZN | Amazon.com Inc. | 2,008.72 | 995.92 B | 12/29/2019 | 7.50% | Retail - Internet |
| CMG \$ | Chipotle Mexican Grill | 866.76 | 24.09 B | 12/01/2019 | 6.50% | Retail - Restaurants |
| COST | Costco Wholesale Corporation | 305.52 | 134.97 B | 01/19/2010 | 0.50% | Retail - Major Chains |
| HD | The Home Depot Inc. | 228.10 | 248.82 B | 01/19/2020 | -1.50% | Retail - Building Products |
| LOW | Lowe's Companies, Inc. | 116.24 | 89.10 B | 09/05/2019 | 1.50% | Retail - Home Improvement |
| LULU | Lululemon Athletica | 239.39 | 31.19 B | 09/08/2019 | 18.00% | Retail - Apparel |
| NKE | Nike, Inc. | 96.30 | 119.64 B | 12/08/2019 | -0.50% | Apparel - Shoes |
| WING | Wingstop Inc. | 92.77 | 2.73 B | 12/12/2019 | 6.50% | Retail - Restaurants |
| INDUSTRIAL | | | | | | |
| CAE \$ | CAE Inc. | 29.68 | 7.88 B | 11/03/2019 | 16.00% | Aerospace & Defense |
| LMT | Lockheed Martin Corp. | 428.12 | 120.76 B | 01/05/2020 | 3.50% | Aerospace & Defense |
| HEALTHCARE | | | | | | |
| BYM \$ | Bristol-Myers Squibb | 62.95 | 147.57 B | 12/08/2019 | 5.00% | Medical - Drugs |
| PODD | Insulet Corporation | 194.04 | 12.00 B | 1/12/2020 | 6.50% | Medical Products |
| VRTX | Vertex Pharmaceuticals | 227.05 | 58.39 B | 12/22/2019 | 3.00% | Biotechnology |
| WST | West Pharmaceutical Services, Inc. | 155.95 | 11.54 B | 06/05/2019 | 33.00% | Medical Supplies |
| FINANCE | | | | | | |
| GPN | Global Payments Inc. | 195.45 | 58.74 B | 11/10/2019 | 15.00% | Finance - Payments Processor |
| MA | Mastercard Inc. | 315.94 | 315.13 B | 12/15/2019 | 6.50% | Finance - Payments Processor |
| REAL ESTATE | | | | | | |
| CCI | Crown Castle International Corp. | 149.84 | 62.30 B | 01/15/2020 | 4.00% | Real Estate - REIT |
| MPW | Medical Properties Trust, Inc. | 22.15 | 11.46 B | 01/15/2020 | 1.50% | Real Estate - REIT |
| STOR | Store Capital Corp. | 39.25 | 9.22 B | 01/21/2020 | 1.50% | Real Estate - REIT |
| SUI | Sun Communities, Inc. | 162.17 | 15.03 B | 01/21/2020 | 3.00% | Real Estate - REIT |

Continued on next page

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 | MKT CAP | DATE ADDED | PERFORMANCE | INDUSTRY GROUP |
|-------------------------------|-------------------------|----------|----------|------------|-------------|------------------------------|
| TECHNOLOGY | | | | | | |
| AAPL | Apple Inc. | 309.51 | 1.35 T | 10/06/2019 | 36.50% | Phones & Hardware |
| ADSK | Autodesk Inc. | 196.85 | 43.31 B | 11/17/2019 | 21.50% | Computer Software - Design |
| ASML | ASML Holding N.V. | 280.66 | 118.39 B | 07/28/2019 | 21.50% | Semiconductor |
| COUP | Coupa Software Inc. | 161.15 | 10.28 B | 01/05/2020 | 1.00% | Software - Enterprise |
| INTU | Intuit Inc. | 280.38 | 72.98 B | 01/08/2020 | 2.50% | Software - Financial |
| IPHI \$ | INPHI Corporation | 75.96 | 3.47 B | 11/10/2019 | 5.50% | Semiconductor |
| JBL | Jabil Inc. | 38.89 | 5.91 B | 10/06/2019 | 9.50% | Contract Manufacturing |
| LRCX | Lam Research Corp. | 298.21 | 42.48 B | 09/08/2019 | 31.00% | Semiconductor |
| MSFT | Microsoft Corp. | 170.23 | 1.29 T | 06/16/2019 | 28.50% | Software - Desktop |
| NVDA | NVIDIA Corporation | 236.43 | 144.70 B | 12/18/2019 | 3.00% | Semiconductor - Graphics |
| PCTY \$ | Paylocity Holding Corp. | 141.89 | 7.59 B | 12/19/2019 | 17.00% | Computer Software |
| PRFT | Perficient Corp. | 49.70 | 1.62 B | 06/16/2019 | 52.00% | Computer - Tech Services |
| RNG | RingCentral Inc. | 205.58 | 17.25 B | 01/06/2020 | 16.00% | Software - Cloud Based |
| SHOP | Shopify Inc. | 465.66 | 53.97 B | 12/01/2019 | 38.50% | Computer Software-Enterprise |
| COMMUNICATION SERVICES | | | | | | |
| GOOGL \$ | Alphabet Inc. | 1,432.78 | 988.71 B | 07/10/2019 | 25.50% | Internet - Content |
| UTILITIES | | | | | | |
| DUK | Duke Energy Corporation | 97.63 | 71.54 B | 01/19/2020 | 4.00% | Utilities - Diversified |
| NEE | NextEra Energy Inc. | 268.20 | 131.09 B | 01/15/2020 | 6.50% | Electric Services |

Continued on next page

Glossary of Terms Used From Our Suggested Holdings List

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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