The MEMEdge
WEEKLY REPORT

MARCH 29, 2020

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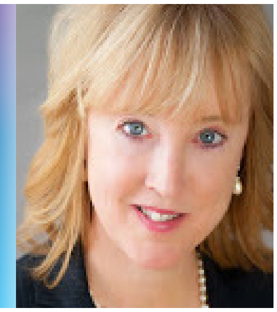
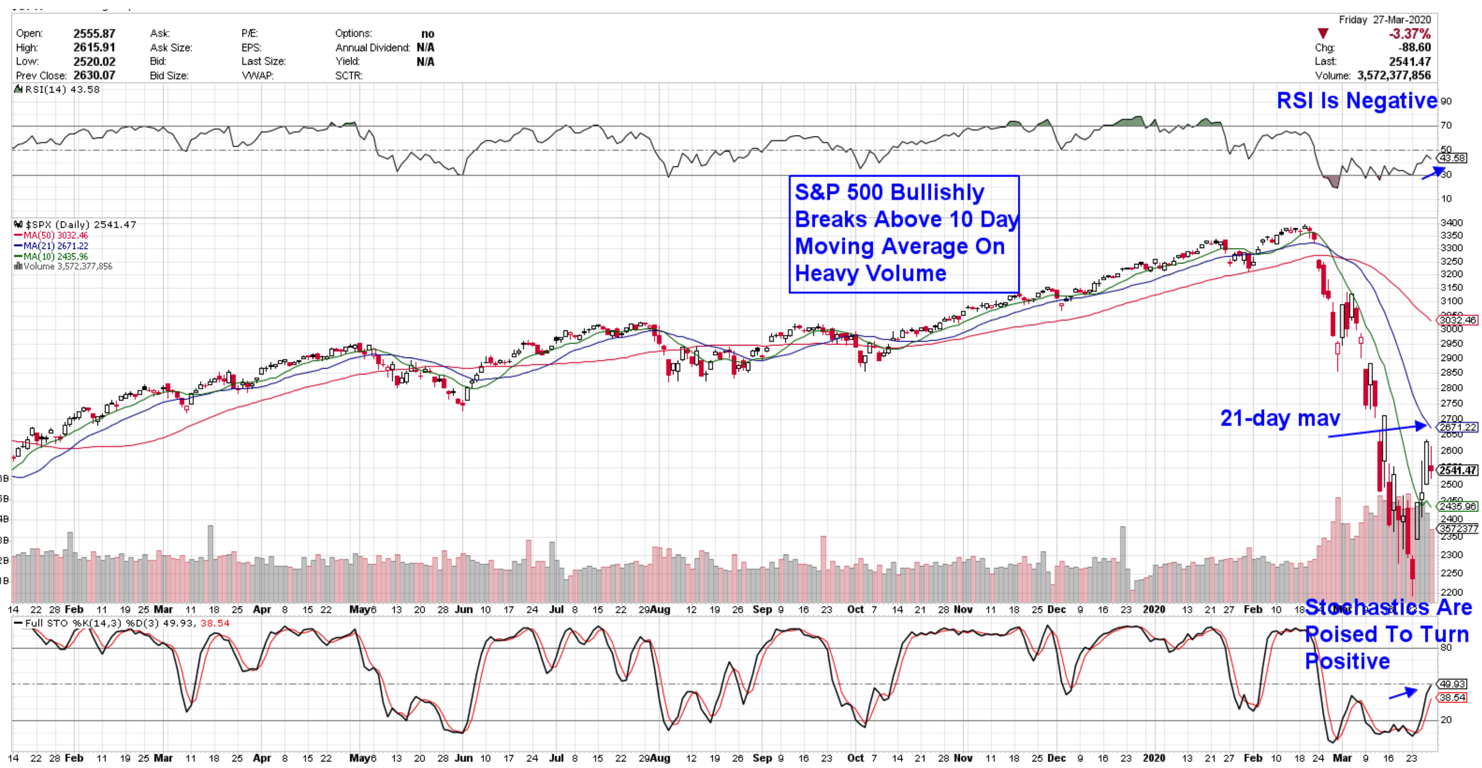


THIS WEEK'S HIGHLIGHTS

- Record $2 Trillion Stimulus Package Passed
- Markets Post Gains In Face Of Negative News
- Federal Reserve Provides Support Above 2008 Levels
- Defensive and Beaten Down Areas Of Market Outperform
- March Consumer Confidence and Manufacturing and Service Sector Data Due Next Week

DAILY CHART OF S&P 500 INDEX



The S&P 500 gained 10.3% in a move that pushed this Index above its 10-day moving average earlier in the week with the 21-day moving average now being the next area of possible upside resistance. The RSI is poised to turn positive as are the Stochastics on this daily chart. A break of the S&P 500 above its 21-day moving average together with a positive RSI and Stochastics would point to further near-term upside potential for stocks.

Last week's rally was from an oversold position as an exhaustion of selling gave way to buying that began on Tuesday. Overall, beaten down stocks that had dropped much further than the broader market indices saw the biggest bounce during the 3-day rally. Other areas of the market fared well also as breadth expanded on high volume which has us on alert for further upside.

While encouraging for the near-term, we're not expecting a straight shot higher but rather we anticipate continued volatility will temper gains. Historically, sharp upward moves that follow exhaustive near-term lows will have the markets retesting those lows in 4-6 weeks of time if not sooner.

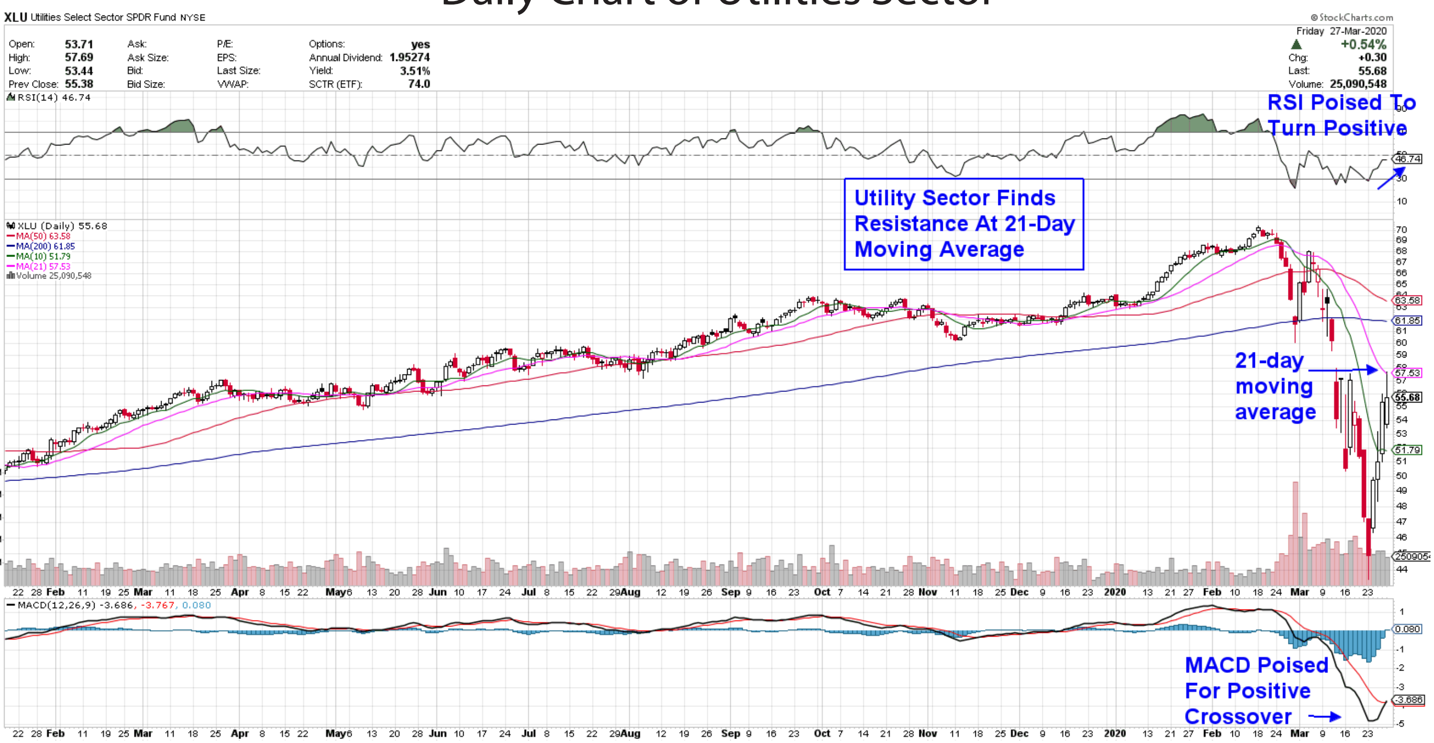
At this time, we would save any longer-term stock purchases for when the market's uptrend has fully resumed and use the current period as an opportunity to cautiously trade stocks with attractive characteristics which we will highlight below. Longer term, we will keep you apprised of when a new bull market phase emerges.

It was a record week for Wall Street in many aspects as the Dow Jones Industrial Average posted a 3-day increase not seen in over 80 years. Fiscal policy responses reached historical levels as well with the government stepping in with a record $2 trillion in stimulus package aid while the Federal Reserve has pledged unlimited liquidity in the form of bond buybacks and lower interest rates.

The markets response to all this news was in line with periods of high anxiety and uncertainty as we saw daily price swings that averaged above 5% for the week. The good news is, stocks rallied despite news of increased cases of the coronavirus as well as reports of record unemployment. This ability to withstand negative news signals that market sentiment has shifted – for now – as the recent, steep selloff may have priced in a fair amount of negative expectations.

Rallies during a bear market are very common as fear gives way to optimism until another round of highly negative news potentially pushes shares down again. The good news is, we may well have carved out a low last week from which the markets can slowly work upward from near-term while acting as support during our expected pullback.

Daily Chart of Utilities Sector



Utility Stocks Are Top Performer For Week

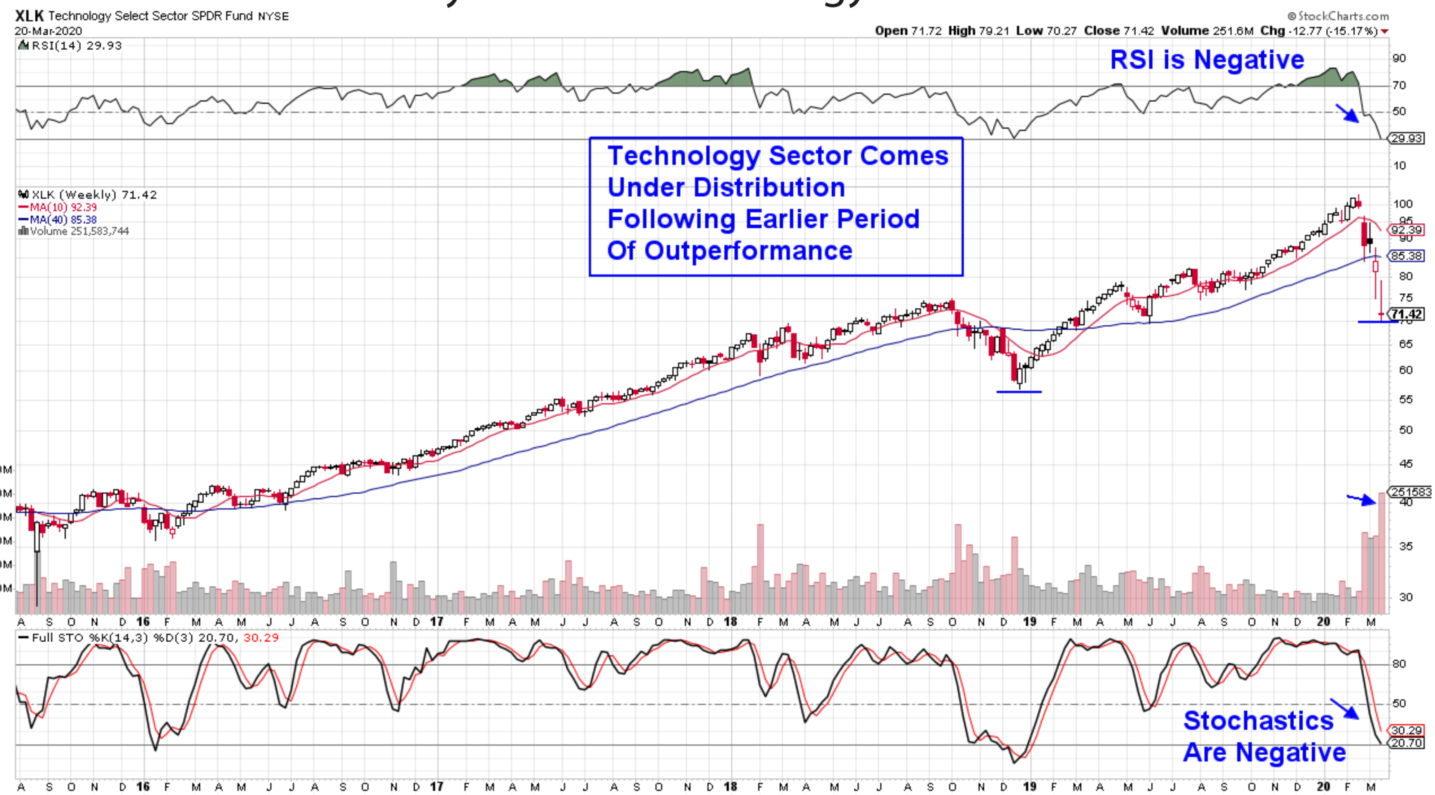
Utility stocks are at a crossroads as their higher dividends make them attractive relative to historically low Treasury yields however, reduced power needs from the corporate and industrial sectors will far outpace any increase from consumers stuck at home. The question at this juncture is just how long Industries will have to remain closed and that uncertainty will continue to drive volatility in this group.

The good news is, larger Utility companies have plenty of cash reserves to weather disruptions while others are issuing bonds to secure needed reserves. Experts expect these energy providers to be able to withstand a 2-month corporate shutdown before being negatively impacted.

Overall, the Utility sector has been the best performer during this bear market which implies their defensive status stands. However, a quick screen of these stocks reveals only 3 candidates that are currently trading above their 21-day moving average and are in a position to possibly trade higher.

Each of these companies provides services to the beaten down Texas area and if you examine a daily chart, you'll see that they formed a flat base or experienced a double bottom before breaking back above their 21-day moving averages. The stocks are Sempra (SRE) which was on our Suggested Holdings List earlier as well as N R G Engergy (NRG) and Spire (SR) which has the smallest market cap and is the most volatile. Look for the 50-day moving average to be the next area of upside resistance

Daily Chart of Technology Sector



Technology Sector Has Bright Spots

While the overall Tech sector underperformed the broader markets, select areas of Technology are seeing demand for their services increase dramatically as quarantined workers are requiring telecommuting tools while individuals are seeking digital ways to stay connected to friends and family. Live streaming and on-demand entertainment services are also seeing a spike in demand as the country's mandated stay-at-home ruling has many looking for ways to stave off boredom.

Ring Central (**RNG**) and Microsoft (**MSFT**) from our List are 2 leading companies that are benefitting from the shift of employees now working at home. RNG is a Software company that was on a high-growth path before the COVID-19 outbreak and increased demand for their services has only improved their outlook. The stock rose 30% last week as analysts raised earnings estimates. News that the company is due to release a video conferencing product similar to Zoom (ZM) next week sparked the rally. We'd be a buyer of the stock on any pullback.

Microsoft has been a bit of a laggard of late and while the company is seeing greatly increased sales of their Teams software which keeps remote workers connected, this product's impact to overall sales is not enough to drive the stock higher at this time. The company also has seen growth in their cloud computing products but unless we see a break above its shorter-term moving averages on volume, we would not be a buyer of MSFT at this time.

Within Technology, Semiconductor stocks saw the largest gains with Nvidia (**NVDA**) from our List being one of the biggest winners. The stock rallied 23% for the week on news that the company's artificial intelligence technology is providing critical information for scientist fighting the coronavirus pandemic. Analysts expect a surge in demand for this technology as it speeds up analysis procedures from days to less than an hour.

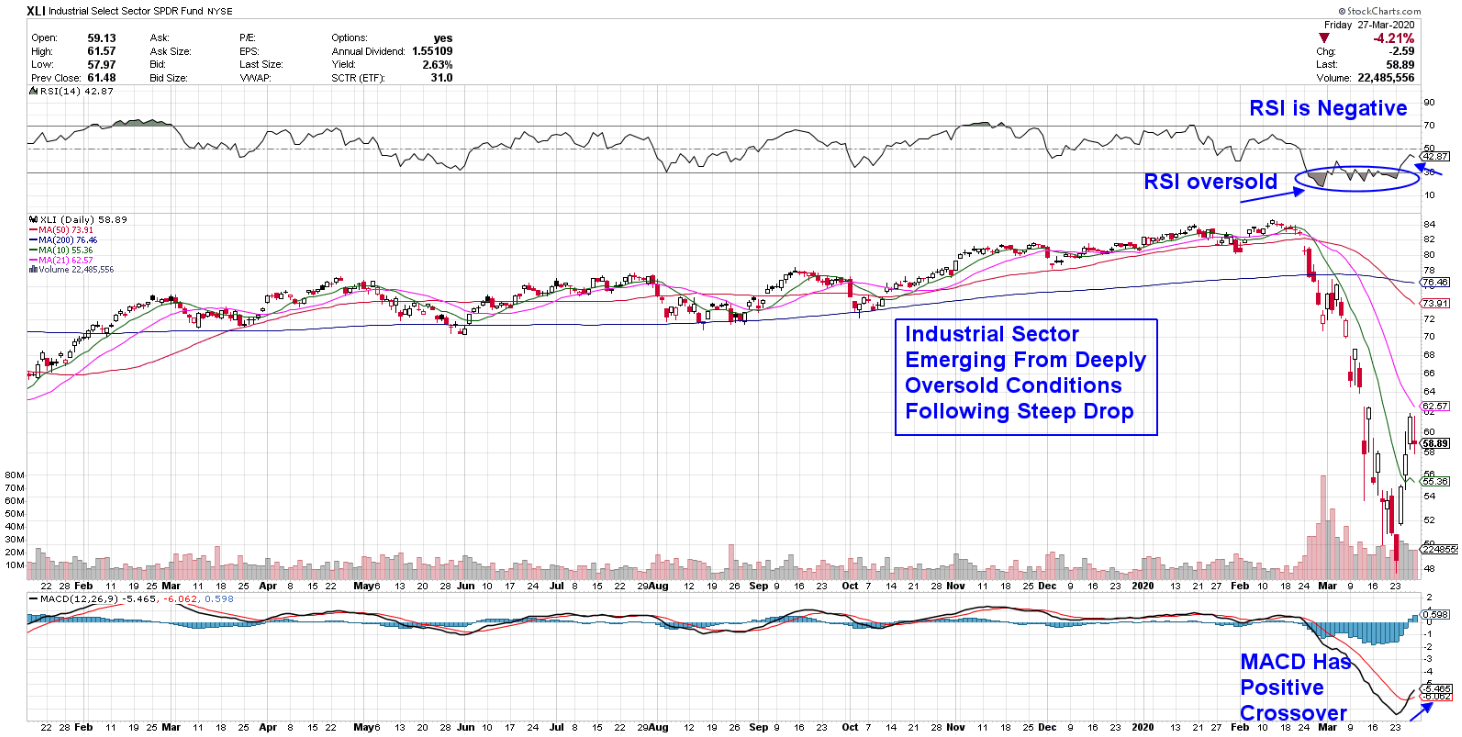
The company also provides chips to other high demand areas as well and NVDA is currently finding support at its 50-day moving average as it consolidates following last week's sharp rally.

Other Semiconductor stocks are withstanding downward pressure from the markets as well as their products are the backbone of the current technology-driven economy. The lockdown situation has spurred significant chip demand from PC manufacturers and data-center operators to name just a few areas.

Software stock Shopify (**SHOP**) from our List was also a big winner last week following its 22% rally. The cloud-based provider of a retail platform for businesses, boasts over 1 million clients with last week's gains coming on news of a stimulus package that may spur increased needs for their services.

SHOP has bullishly broken back above its shorter-term moving averages before now finding resistance at its 50-day mav. While the stock is a leader longer term, near-term we may see continued volatility as their growth prospects remain mired in uncertainty.

Daily Chart of Industrial Sector



Industrial Sector Among Winning Areas For The Week

Industrial stocks have been the hardest hit during this swift bear market with a 45% decline that was led by Airlines, Defense and Heavy Construction stocks which dropped 68% on average.

Last week's signing of the massive coronavirus stimulus package was a boost to 2 of these areas with the Airline and Defense related Industries both receiving assistance. Of these 2 areas, Airlines secured a much larger portion of funds given that travel restrictions have caused demand for flights to collapse.

That said, an early-week surge in Airline stocks was cut short on Friday as funding fell below expectations while major airlines revealed continued big losses on currently empty flights. Airline stocks plunged on the news Friday in action that highlights a currently volatile market that requires nimble responses for those looking to bottom fish among beaten down stocks.

Defense related stocks have a brighter outlook as demand for their services will continue given that the government invoked the Defense Production Act, forcing companies to provide goods and services in response to COVID-19 upon request.

Lockheed Martin (LMT) which we've highlighted in the past, has kept its plants running as the company plays an essential role in national security. The stock has bullishly broken back above both its 10- and 21-day moving averages, with the next area of possible upside resistance being its 200-day moving average, which is 9% away.

We're positive on the near-term prospects for LMT as the company was awarded two missile contracts last week worth over $1.5 billion which has analysts raising earnings estimates. In addition, we view stocks in this area as defensive as the need to retain cutting edge security measures will remain in place despite any slowing economy.

A quick look at the 2008 bear market shows that top-performing defense-related stocks held in relatively well while being big winners when the new bull cycle resumed in early 2009.

Daily Chart of Healthcare Sector

Healthcare Stocks Have Areas Of Strong Interest

While Healthcare stocks underperformed for the week, this sector has dropped over 40% less than the S&P 500 this month as very select areas of this sector were able to withstand the downward pressure. This would include Biotech stocks which we've continually highlighted due to companies on the forefront of the fight against coronavirus that are gaining emergency approval status from the FDA to help speed the path of their drugs to patients in need

Select large Pharmaceutical stocks are also faring well with Eli Lilly (**LLY**) from our List up 6.5% for the month. The company announced last week that they're halting enrollment in most ongoing studies to allow doctors and healthcare facilities to focus on efforts to combat the coronavirus disease, COVID-19. In addition, LLY restated their financial guidance for this year.

LLY has rallied up to its 50-day moving average and a break above this level would bullishly provide more upside potential for the stock.

Insulet Corp (**PODD**) from our List broke back above its 200-day moving average on volume following a 24% rally last week. While the stock is due a pause following this strong move, a break above its 50-day moving average would point to further upside.

Gilead (**GILD**) from our List is another Medical stock up for the month however, the stock has marked time of late in anticipation of the release of data in the coming weeks regarding their experimental treatment drug for the coronavirus. While GILD has been exhibiting wide daily price swings recently, the stock is bullishly emerging from an oversold position on its monthly chart.

West Pharmaceutical (**WST**) pulled back from its break back above key moving averages. The company provides critical drug delivery systems globally and we'd be a buyer with a break back above its 21-day moving average with a move above its 50-day mav being even more bullish.

Medical companies that provide products for non-essential services such as elective surgery remain in a downtrend as these services have been mandated to cease operations in the face of increased need for facilities and services to help coronavirus patients.

SUMMARY: While we see potential for more near-term upside, we would focus only on those stocks that are above key shorter-term moving averages with room to advance before being met with resistance at their next key moving average.

You can use the guidelines cited in last Tuesday's Alert Report following the S&P 500's break back above its 10-day moving average for reference. This information is for shorter-term traders and as you'll see, we highlight the signals of a near-term uptrend reversal as well.

Longer-term, the markets still have work to do before reversing out of this bear market. Using the methodology from my time at William O'Neil & Co., we are currently on the lookout for a follow-through day* in the markets which has been present at the beginning of every bear market reversal. That said, not every follow-through day works as other characteristics need to be present as well.

At this time, we could see a bullish follow-through day over the next several days as we need to see the markets trade higher on above average volume anytime from the 4th to the 7th day after a new low is established. Last Monday's sharp drop established a new low with Friday being the fourth day out.

That said, we would expect only a short rally from any follow-through day as we do not have other characteristics present such as a large number of leadership stocks poised to break out of sound bases.

Next week, we'll begin receiving economic data from this month that may begin to shed light on the coronavirus's potential impact on the U.S. economy. In addition to these reports, we'll also be on the lookout for any sentiment shifts as it relates to investor's response to the swift increase of coronavirus cases throughout the country.

As always, we will alert you to any new developments within the markets as well as stocks on our Suggested Holdings List.

*A brief description of a follow-through day can be found in this link here.

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.	1,900.10	945.89 B	12/29/2019	1.50%	Retail - Internet
HEALTHCARE						
GILD	Gilead Sciences Inc.	72.85	92.06 B	03/18/2020	-8.50%	Biotechnology
IBB	Biotechnology Index	104.71	6.39 B	03/04/2020	-14.00%	Biotechnology
LLY	Eli Lilly and Co.	134.11	128.35 B	03/04/2020	-4.50%	Pharmaceuticals
PODD	Insulet Corporation	175.75	11.05 B	1/12/2020	-3.50%	Medical Products
VRTX	Vertex Pharmaceuticals	217.24	56.32 B	03/04/2020	-11.50%	Biotechnology
WST	West Pharmaceutical Services, Inc.	141.08	10.41 B	03/26/2020	-3.00%	Medical Supplies
TECHNOLOGY						
MSFT	Microsoft Corp.	149.70	1.14 T	06/16/2019	13.00%	Software - Desktop
NVDA	**NVIDIA Corporation**	**252.73**	**154.67 B**	**12/18/2019**	**10.00%**	**Semiconductor - Graphics**
RNG	RingCentral Inc.	238.97	20.82 B	01/06/2020	35.00%	Software - Cloud Based
SHOP	Shopify Inc.	346.06	49.22 B	12/01/2019	25.00%	Computer Software-Enterprise

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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