



Mixed Data Creates Wider Swings

This past week has seen significant volatility around key inflation data and bank earnings reports. Consumer Price Index reported a slower growth rate of inflation but still showing higher inflation than the Federal Reserve wants to see. Initially, the markets spiked higher only to sell off and close near the week's lows. Producer Price Index, conversely, reported disinflation, missing expectations, and reporting -0.05% drop month over month. Disinflation should have caused investors to price in no rate hike for the next Fed meeting, but according to the CME FedWatch tool, investors continued to bet on a rate hike the first week of May, pushing the probability over 80% on Friday. Banks began reporting earnings this week and those that reported earnings outperformed expectations. All Earnings Per Share (EPS) were higher than the analyst expectations. This came as a surprise considering the fears of bank failure. Perhaps the market is more confident that the banks are stable, and we could see continued growth

THE WEEK AHEAD:

Next week, the earnings season continues in full force. More financial institutions as well as tech and health care companies will report their earnings. Economic

news will be focused on manufacturing data. Currently, manufacturing is slowing, and analysts anticipate further slowing in manufacturing. The slowing manufacturing can be a sign of slower demand and inflation being controlled but it can also be an indication of economic turndown and pending recession.

Monday 04/17: Empire State Manufacturing Index

Companies Reporting Before: SCHW, STT

Companies Reporting After: MTB

Tuesday 04/18: none

Companies Reporting Before: JNJ, BAC, LMT, GS, PLD, BK

Companies Reporting After: NFLX, ISRG, OMC

Wednesday 04/18: none

Companies Reporting Before: ASML, ABT, MS, ELV, USB, TRV, BKR, NDAQ, SYF, CFG, GL, SBNY

Companies Reporting After: TSLA, IBM, LRCX, CCI, LVS, KMI, DFS, EFX, FFIV, ZION

Thursday 04/19: Weekly Unemployment Claims, Philly Fed Manufacturing Index, Federal Open Market Committee (FOMC) Member Waller Speaks, Existing Home Sales

Companies Reporting Before: PM, T, AXP, UNP, MMC, TFC, NUE, DHI, GPC, FITB, HBAN, POOL, SNA, KEY, CMA, ALK, PNR

Companies Reporting After: PPG, WRB, STX, SIVBQ

Friday 04/20: Flash Manufacturing Purchasing Managers Index (PMI), Flash Services PMI

Companies Reporting Before: PG, HCA, SLB, FCX, RF

Companies Reporting After: none

Forecast:

Equities are at a multi-month resistance level and investors are pricing in another rate hike. The pressure is building, and the only thing needed for a pullback is earnings misses. We expect any significant earnings misses next week will extinguish consumer confidence and investors' risk appetites before the May Fed Meeting.

Profit Harvester Trade Rules:

- 1- Watchlist High Liquidity: 500k shares a day and penny increment options
- 2- Signal: Big move on Friday: 2.5% or more up (or down)
- 3- Signal Confirmation: Single Deviation breakout based on 20 days (using a 20-day Bollinger with a single deviation as confirmation to the 2.5% breakout move.
- 4- Entry Price: Confirmed intraday distribution entry at OB or OS pullback - This is a Time Price Opportunity chart (monkeybar) distribution projection. It generally means it needs to pull back to within 20% of the mid-price of Friday's large candle.

5- Target is a "fair price" or projected 50% level on the new distribution for the next day. (I hand calculated this on Friday after close)

For the Profit Harvester Trade recommendations below, be sure to follow the entry and exit rules, especially the entry prices.

Profit Harvester Trade Recommendations:

(The following is intended for educational purposes only. Investors should research for due diligence and understand their own risk tolerance. Investors must recognize that investing holds no guarantees—you could lose money.)

The previous week's Profit Harvester. PINS filled the entry and reached the target on Tuesday. BYND triggered the short price on Monday and blasted past the target within 2 hours of the open. For next week, we are looking at CPNG for a bullish trade and CLF for a bearish trade. For all Profit Harvester examples, if the trade does not trigger within the first two trading days of next week, the trade is canceled.

Coupang Inc (CPNG)

Step 1, the Setup:

Buy CPNG long or buy a call option with a 70 delta for 7-14 days, when price is anywhere between \$16.00 and \$15.80

Step 2, the stop loss:

Set a stop loss price \$0.30 below the entry price

Step 3, the profit target:

Consider taking profit if CPNG rises \$0.17 per share higher.

Probabilities: For initial target from the entry provides a 66% probability of a win.



Cleveland Cliffs Inc (CLF)

Step 1, the Setup:

Sell CLF short or buy a put option with a 70 delta for 7-14 days, when price is anywhere between \$17.40 and \$17.60

Step 2, the stop loss:

Set a stop loss price \$0.60 above the entry price

Step 3, the profit target:

Consider taking profit if CLF falls \$0.30 per share lower.

Probabilities: For initial target from the entry provides a 66% probability of a win.



Worthwhile Reading from the Past Week:

<https://www.investing.com/news/stock-market-news/sp-500-slumps-as-fed-rate-hike-fears-overshadow-earnings-led-rally-in-banks-3056042> (Bearish)

<https://www.reuters.com/markets/us/fed-can-hit-mark-hold-with-one-more-rate-hike-bostic-says-2023-04-14/> (Bullish to Neutral)

<https://www.forbes.com/sites/qai/2023/04/14/jpmorgan-citi-and-wells-fargo-all-beat-wall-streets-expectations-but-looming-credit-crunch-could-burst-bubble/?sh=27a6ea1d51b4> (Bullish to Neutral)

-Blake Young