



## Big Rate Hike and More to Come

This past week was the Federal Funds Rate Decision where the FOMC raised rates by 75-basis points. The rate hike was expected but the guidance from Fed Chair Jerome Powell was more hawkish creating bearish sentiment and hedging in the equity markets. Powell indicated that there would not only be more rate hikes to come but also would likely see unemployment rise and a recession in the months to come.

Some estimates are that the Fed's fight of inflation could see a loss of 1.2 million job losses. Strong Existing Home Sales and better-than-expected Service and Manufacturing Purchasing Managers Index (PMI) showed stability which helps justify the future rate hikes.

### THE WEEK AHEAD:

Next week will see additional speeches from Federal Open Market Committee (FOMC) members including Fed Chair Jerome Powell. We should get further guidance on how aggressive the Federal Reserve will likely be in raising rates and fighting inflation. Additionally, Personal Consumption and Expenditure (PCE) will be reported. Many analysts see the PCE as more important and a better indication of inflation. There are only a couple of key earnings reports next week.

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Monday 09/26: FOMC Member Mester Speaks

Companies Reporting Before: none

Companies Reporting After: none

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Tuesday 09/27: Fed Chair Powell Speaks, Consumer Confidence, Durable Goods Orders m/m, Core Durable Goods Orders m/m, FOMC Member Bullard Speaks, New Home Sales, Richmond Manufacturing Index

Companies Reporting Before: none

Companies Reporting After: none

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Wednesday 09/28: Fed Chair Powell Speaks, FOMC Member Bullard Speaks, Pending Home Sales m/m

Companies Reporting Before: PAYX, CTAS

Companies Reporting After: none

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Thursday 09/29: FOMC Member Bullard Speaks FOMC member Mester Speaks, Final Gross Domestic Product (GDP), Weekly Unemployment Claims

Companies Reporting Before: MU, KMX, CCL

Companies Reporting After: NKE

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Friday 09/30: Core Personal Consumption and Expenditures (PCE) Price Index m/m, FOMC Member Brainard Speaks, Revised University of Michigan Consumer Sentiment

Companies Reporting Before: none

Companies Reporting After: none

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## Forecast:

Rate hikes and restrictive Fed monetary policy is putting the pressure on equities and strengthening the U.S. dollar. The Santa Claus rally may be subdued if not non-existent as we head into earning season and into the next Fed meeting.

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## 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 education 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, MDLZ triggered the entry and reached the target. CRM was tricky with a gap down a spike higher and a slide lower. Depending on the entry price, the trade either hit the stop or target in the first 2 hours of trading. For next week, there are no bullish trades. We are looking at COP and CVS for bearish trades. For all of the Profit Harvester examples, if the trade does not trigger within the first two trading days of next week, the trade is cancelled.

## CVS (CVS)

Step 1, the Setup:

Sell CVS short or buy a put option with a 70 delta for 7-14 days, when price is anywhere between \$98.35 and \$99.00

Step 2, the stop loss:

Set a stop loss price \$1.80 above the entry price

Step 3, the profit target:

Consider taking profit if CVS falls \$1.00 per share higher.

Probabilities: For initial target from the entry provides a 64% probability of a win.



If you cannot see the chart clearly click the link below:

[CVS \(CVS\).png](#)

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## Conoco Phillips (COP)

Step 1, the Setup:

Sell COP short or buy a put option with a 70 delta for 7-14 days, when price is anywhere between \$101.20 and \$103.00

Step 2, the stop loss:

Set a stop loss price \$3.50 above the entry price

Step 3, the profit target:

Consider taking profit if COP falls \$1.70 per share lower.

Probabilities: For initial target from the entry provides a 67% probability of a win.



If you cannot see the chart clearly click link below:

[Conoco Phillips-COP.png](#)

### Worthwhile Reading from the Past Week:

<https://www.reuters.com/markets/europe/global-markets-wrapup-1-2022-09-23/>  
(Bearish)

<https://www.forbes.com/sites/petercohan/2022/09/21/federal-reserve-raises-rates-075-w-hat-investors-and-savers-should-do/?sh=4709bbcd7369> (Bearish to Neutral)

<https://www.investing.com/news/stock-market-news/dow-plunges-into-bear-market--as-recession-fears-rattle-investors-2898149> (Bearish)

-Blake Young