



The Week Ahead

Mixed Data Coils Markets Ahead of Thanksgiving

During the past week, there were many mixed messages. The producer Price Index (PPI) slowed similarly to Consumer Price Index (CPI) the previous week. The slowdown in inflation had investors seeing signs of slowing demand and slowing growth for inflation. However, manufacturing data jumped dramatically, indicating higher demand, and retail sales confirmed the rising demand, reporting the highest retail sales data since February.

Initially, the economy was in the sweet spot of continued growth and demand while getting inflation in check. Countering the positive sentiment, multiple large companies, including Amazon, Micron, Meta, Twitter, and Capital One, announced layoffs, and Target missed earnings and warned of a significant slowdown in demand.

One of the most reliable indicators of a pending recession, an inverted yield curve has remained inverted and reached the most dramatic inversion in history. It is a significant warning of future recession and can reveal a decline in demand for long-term investments.

THE WEEK AHEAD:

Next week is a shortened week with U.S. markets closed on Thursday and a half day on Friday. Despite being a shortened week, we will see Flash Services and Manufacturing Purchasing Managers Index (PMI). The most significant economic event will be the Federal Open Market Committee (FOMC) Meeting Minutes. In the minutes, we can gather additional information from the FOMC and the sentiment surrounding the recent rate decision. We expect confirmation of the already hawkish Fed.

Monday 11/21: none

Companies Reporting Before: J, SJM

Companies Reporting After: A, ZM

Tuesday 11/22: Richmond Manufacturing Index, FOMC Member Mester Speaks, FOMC Member George Speaks, FOMC Member Bullard Speaks

Companies Reporting Before: MDT, ADI, BIDU, BBY, DLTR, CPB

Companies Reporting After: HPQ

Wednesday 11/23: Federal Open Market Committee (FOMC) Meeting Minutes, Flash Services Purchasing Managers Index (PMI), Flash Manufacturing PMI, Durable Goods Orders, Core Durable Goods Orders, Weekly Unemployment Claims, New Home Sales, Revised University of Michigan Consumer Sentiment.

Companies Reporting Before: DE

Companies Reporting After: none

Thursday 11/24: Thanksgiving Holiday, Markets Closed

Companies Reporting Before: PDD

Companies Reporting After: none

Friday 11/25: U.S. Markets Half Day

Companies Reporting Before: none

Companies Reporting After: none

Forecast:

The mixed messages during the past week saw a very unsure market. The S&P 500 traded in a narrow range. The index ended the week down only 14 points and the entire week's range was less than 4% the previous week was more than 7%. This indecision and coiling on mixed news have us expecting a breakout of nearly 7% above the week's high or 7% below the week's low. Next week is a shortened week with only 3 ½ days of trading. We are unsure if we will see enough volume or directional movement during Thanksgiving week to clear the high or low, but we expect the 7% move to happen within the next two weeks.

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, COP triggered the trade and reached the target on Monday morning. CVS filled the order price and hit the target by Wednesday. For next week, we are looking at BSX for a bullish trade and COF 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.

Boston Scientific Corp (BSX)

Step 1, the Setup:

Buy BSX long or buy a call option with a 70 delta for 7-14 days, when price is anywhere between \$42.95 and \$42.85

Step 2, the stop loss:

Set a stop loss price \$0.50 below the entry price

Step 3, the profit target:

Consider taking profit if BSX rises \$0.25 per share higher.

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



Capital One Financial Corp (COF)

Step 1, the Setup:

Sell COF short or buy a put option with a 70 delta for 7-14 days, when price is anywhere between \$99.15 and \$100.00

Step 2, the stop loss:

Set a stop loss price \$1.60 above the entry price

Step 3, the profit target:

Consider taking profit if COF falls \$1.05 per share lower.

Probabilities: For the initial target from the entry provides a 61% probability of a win.



Worthwhile Reading from the Past Week:

<https://www.reuters.com/markets/us/ny-fed-bank-liquidity-may-be-tighter-than-thought-with-policy-implications-2022-11-18/> (Bearish)

<https://www.reuters.com/markets/us/falling-q4-profit-forecasts-another-negative-us-stocks-2022-11-18/> (Bearish to Neutral)

<https://www.investing.com/news/commodities-news/gold-dips-as-fed-superhawk-bullard-caps-metals-biggest-week-in-30-months-2948212> (Bearish to Neutral)

-Blake Young