



Apple Drives Big Rally

Throughout the past week, the majority of the economic reports missed expectations. Both the service and manufacturing Purchasing Managers Index (PMI) missed analyst estimates and the previous month's numbers. Richmond Manufacturing Index and Pending home sales tumbled lower, demonstrating a significant slowdown in the housing markets. Durable goods orders also fell. Advanced GDP jumped to 2.6% from a previous negative quarter. A positive GDP quarter indicates a recession, defined by two negative quarters, is over. It gives the Fed some additional opportunities to raise rates in the foreseeable future to control inflation.

Despite the many negative economic reports and multiple misses in earnings, equities rallied and closed the week more than 10%, up from the lows. From a technical perspective, the bear market may be over. The rally on Friday has been attributed to the earnings beat from Apple (AAPL), which missed in iPhone sales but beat in earnings and revenues.

THE WEEK AHEAD:

Next week will see continued earnings reports, including oil and energy stocks. Next week's most important events are jobs data and the Federal Reserve Rate Decision and Statement. We expect employment to continue to grow but at a slower rate than in previous months and for the Federal Reserve to raise rates by 75 basis points. The big question is what the Fed will say about future rate hikes, the current inflation state, and the economy.

Monday 10/31: none

Companies Reporting Before: HWM, MDZ, NXPI, MOS, AKAM, BEN, UAA, UA, BRKb

Companies Reporting After: SYK, AFL, ANET, ANET, AWK, HOX, VNO

Tuesday 11/01: Institute of Supply Management (ISM) Manufacturing Purchasing Managers Index (PMI), Job Openings and Labor Turnover Survey (JOLTS)

Companies Reporting Before: LLY, PFE, PSX, ECL, SYYY, SPG, WEC, EIX, XYL, WAT, WAB, ZBRA, TAP, HSIC, SEE, ETN, MPC, FIS, GPN, IDXX, VRSK, ES, SIRI, PAYC, INCY, LDOW, MTCH, TECH, GNRC, AIZ, IPGP, UAA, UA

Companies Reporting After: AMD, MCK, PSA, DVN, AIG, PRU, EA, OKE, EXR, CLX, FMC, PEAK, CZR

Wednesday 11/01: ADP NonFarm Payroll, employment Change, Federal Open Market Committee (FOMC) Statement, Federal Funds Rate, FOMC Press Conference

Companies Reporting Before: CVS, QCOM, EL, HUM, YUM, ZBH, ETR, WMB, TEL, TT, WELL, CDW, VMC, CF, IR, BR, STE, PKI, FOXA, FOX, TRMB, FLT, EVRG, PTC, SEDG, ETSY, PARA, CRL, CDAY, WRVO, LUMN, NCLH

Companies Reporting After: BKNG, MET, EQIX, FTNT, O, ALL, ALB, MRO, APA, MGM, HST, CHRW, LNC

Thursday 11/01: ISM Services PMI, Weekly Unemployment Claims

Companies Reporting Before: COP, CI, REGN, AMGN, EOG, ABNB, ZTS, APD, EXC, CMI, ABC, K, BALL, HII, PNW, PENN, BDX, MRNA, ICE, MELI, MSI, PH, MCHP, ED, AME, DD, APTV, IT, MLM, PWR, EPAM, PPL, LYV, AES, EXPE, NLOK, IRM, SWKS, NWS, NWSA, DISH, DXC, XRAY

Companies Reporting After: SBUX, PYPL, CTVA, ILMN, MTD, CE, REG, FRT

Friday 11/01: NonFarm Payroll Employment Change, Unemployment Rate, Average Hourly Earnings m/m, FOMC Member Collins Speaks

Companies Reporting Before: HSY, CAH, CBOE, SRE, AEE, VTR

Companies Reporting After: none

Forecast:

Friday's rally in equities seemed to be overdone as the primary lift came from Apple.

Bond prices fell on Friday and yields bounced higher which often indicates higher prices for borrowing and a lower equity market.

The U.S. dollar also bounced which would have us watching for a drop in stocks. Due to the economic reports and missed earnings, we expect to see a pullback from Friday's rally of at least half of Friday's range.

Overall, we expect the FOMC meeting to be the strongest indicator of equity prices through the remainder of the calendar year.

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, C triggered the trade and reached the target on Tuesday.

UBS gapped past our order area and did not fill the trade.

For next week, we are looking at BBY for a bullish trade and SLB 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.

Best Buy Co Inc (BBY)

Step 1, the Setup:

Buy BBY long or buy a call option with a 70 delta for 7-14 days, when price is anywhere between \$67.10 and \$67.90

Step 2, the stop loss:

Set a stop loss price \$2.00 below the entry price

Step 3, the profit target:

Consider taking profit if BBY rises \$1.00 per share higher.

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



If you cannot see the link clearly click the link below to download:

[Best Buy Co Inc \(BBY\).png](#)

Schlumberger Limited (SLB)

Step 1, the Setup:

Sell SLB short or buy a put option with a 70 delta for 7-14 days, when price is anywhere between \$51.00 and \$51.50

Step 2, the stop loss:

Set a stop loss price \$1.00 above the entry price

Step 3, the profit target:

Consider taking profit if SLB falls \$0.55 per share lower.

Probabilities: For initial target from the entry provides a 65% probability of a win.



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

[Schlumberger Limited \(SLB\).png](#)

Worthwhile Reading from the Past Week:

<https://www.reuters.com/markets/europe/global-markets-wrapup-1-2022-10-28/> (Bullish)

<https://www.reuters.com/markets/europe/us-data-brings-some-encouraging-signs-inflation-weary-fed-2022-10-28/> (Bullish to Neutral)

<https://www.investing.com/news/stock-market-news/sp-500-in-rally-mode-as-apple-surge-lifts-big-tech-2925853> (Bullish to Neutral)

-Blake Young