



Rate Hikes Continue

The Federal Reserve, European Central Bank (ECB), and Bank of England (BoE) all raised rates. The Fed raised rates 25 basis points (bpp), 50 bpp, and 50 bpp respectively. The rising rates demonstrate continued concerns over inflation and determination to fight inflation. Fed Chair Jerome Powell indicated that they would continue to raise rates and have no plans on pausing as of yet. Investors seemed to shrug off Powell's hawkish comments. On Friday, U.S. Non-Farm Payroll not only outperformed expectations but also saw the best employment data in over 50 years. With the best employment scenario in over 5 decades, investors decided to price future rate hikes, taking profits, and erasing Thursday's gains. Earnings reports from the big tech stocks saw multiple misses but investors focused on guidance and pushed equities higher.

THE WEEK AHEAD:

Next week will see additional comments from Jerome Powell. We expect the markets to be a little more observant of the hawkish sentiment. Consumer Sentiment will be reported as well and a couple of earnings reports from larger companies. Outside of these few events, it should be a quiet week.

Monday 02/06: none

Companies Reporting Before: IDXX, CMI, TSN, L

Companies Reporting After: ATVI SPG, TTWO, CINF, SWKS, UDR

Tuesday 02/07: Fed Chair Powell Speaks

Companies Reporting Before: LIN, FISV, CNC, CARR, TDG, DD, IT, XYL, INCY, RCL, J, CTLT, FIS, ENPH, ESS, VFC, LUMN

Companies Reporting After: VRTX, CMG, FTNT, PRU, ILMN, PAYC, OMC, AMCR, ATO, FMC, PEAK, JKHY, AIZ

Wednesday 02/08: Federal Open Market Committee (FOMC) Member Williams Speaks, 10-year Bond Auction

Companies Reporting Before: CVS, ETN, CME, EMR, D, YUM, CDW, FOXA, FOX, TRMB, STE, CDAY

Companies Reporting After: DIS, ORLY, IFF, EFX< AVB, MPWR, FLT, MGM, RE, FRT, LNC

Thursday 02/09: Weekly Unemployment Claims

Companies Reporting Before: ABBV, PEP, AZN, PM,SPGI, HLT, WTW, BAX, K, IPG, KIM, MAS, BWA, TPR, HII, SEE, WBD, GPN, RL, MHK, UAA, UA

Companies Reporting After: PYPL, MSI, DXCM, EQR, VRSN, VTR, EXPE, NWS, NWSA, REG

Friday 02/10: Preliminary University of Michigan (UoM) Consumer Sentiment,
Preliminary UoM Inflation Expectations, FOMC Member Waller Speaks

Companies Reporting Before: IQV, NWL

Companies Reporting After: MTD

Forecast:

Most of the earnings reports from large companies have past and we are now past the Federal Reserve Meeting, we should see a little less volatility. Earnings reports have been very mixed and we are seeing what appears to be economic slowdown. With the higher interest rates and the missed earnings reports, we expect a flat to bearish month.

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, GM either triggered the stop by 3 cents or hit the target by Tuesday. CF triggered the trade and missed the target by 15 cents. For next week, we are looking at BMY for a bullish trade and NEM 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 cancelled.

Bristol-Myers Squibb (BMY)

Step 1, the Setup:

Buy BMY long or buy a call option with a 70 delta for 7-14 days, when price is anywhere between \$73.75 and \$73.30

Step 2, the stop loss:

Set a stop loss price \$0.75 below the entry price

Step 3, the profit target:

Consider taking profit if BMY rises \$0.50 per share higher.

Probabilities: For initial target from the entry provides a 60% probability of a win.



Newmont Corporation (NEM)

Step 1, the Setup:

Sell NEM short or buy a put option with a 70 delta for 7-14 days, when price is anywhere between \$50.50 and \$51.30

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 NEM falls \$1.00 per share lower.

Probabilities: For initial target from the entry provides a 62% probability of a win.



Worthwhile Reading from the Past Week:

<https://www.investing.com/news/stock-market-news/futures-fall-as-megacaps-slide-on-downbeat-earnings-2994813> (Bullish to Neutral)

<https://www.reuters.com/markets/us/fed-seen-more-likely-lift-rates-above-5-after-strong-jobs-report-2023-02-03/> (Bearish to Neutral)

<https://www.reuters.com/markets/major-central-banks-rekindle-rate-hike-push-after-dry-january-2023-02-03/> (Bearish)

-Blake Young