



The Week Ahead

News Bullish But Not Enough

During the first week of the new year, we saw multiple, high-impact news reports. Institute of Supply Management Purchasing Managers Index (ISM PMI) for services and manufacturing continue to show contraction and lower demand. However, the contraction appears to conflict with the jobs data. The primary focus for the week was on employment data. Job Openings and Labor Turnover Survey (JOLTS) showed an increase of job openings, rising to 10.46 million jobs available. ADP and the government Non-Farm Payroll reports both reported an increase of new jobs. The details in the data confirmed we have a growing workforce, a growing number of employed and a declining number of unemployed while more employers want workers. With what can be described as a “hot” employment market, we would think we would either see equities respond positively as consumers are likely to spend or price in more Federal Reserve rate hikes because the jobs market is so strong. Instead, equities traded to short-term resistance and stopped. The broad markets have been experiencing 2% swings up and down but have not broken out of the narrow range of trading seen over the past three weeks.

THE WEEK AHEAD:

Next week will see the beginning of earnings season with some of the financial stocks. The financial stocks may report solid earnings, but our bigger concern will be earnings in the technology sector in the weeks to follow. Inflation data with Consumer Price Index (CPI) and Fed Chair Powell speaking will likely see continued inflationary pressure and Powell confirming more rate hikes in the future. For some reason, investors have been dismissive of Powell's hawkish tone in the preceding months.

Monday 01/09: none

Companies Reporting Before: none

Companies Reporting After: none

Tuesday 01/10: Fed Chair Jerome Powell Speaks

Companies Reporting Before: None

Companies Reporting After: None

Wednesday 01/11: 10-year Bond Auction

Companies Reporting Before: none

Companies Reporting After: none

Thursday 01/12: Consumer Price Index (CPI) y/y, CPI m/m, Core CPI m/m, Weekly Unemployment Claims

Companies Reporting Before: none

Companies Reporting After: none

Friday 01/13: Preliminary University of Michigan (UoM) Consumer Sentiment, Preliminary UoM Inflation Expectations

Companies Reporting Before: **UNH, JPM, BAC, WFC, BLK, C**, BK, DAL, FRC

Companies Reporting After: none

Forecast:

If inflation data continues to show rising inflation, we expect to see equities to remain capped to the upside and possibly favoring a bearish move. With the recent spending package and consumers remaining highly employed, we believe persistent inflation will continue and become an elevated concern.

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.)

Intel Corp (INTC)

Step 1, the Setup:

Buy INTC long or buy a call option with a 70 delta for 7-14 days, when price is anywhere between \$28.50 and \$28.10

Step 2, the stop loss:

Set a stop loss price \$0.90 below the entry price

Step 3, the profit target:

Consider taking profit if INTC rises \$0.40 per share higher.

Probabilities: For initial target from the entry provides a 70% probability of a win.



Splunk Inc (SPLK)

Step 1, the Setup:

Sell SPLK short or buy a put option with a 70 delta for 7-14 days, when price is anywhere between \$84.50 and \$85.50

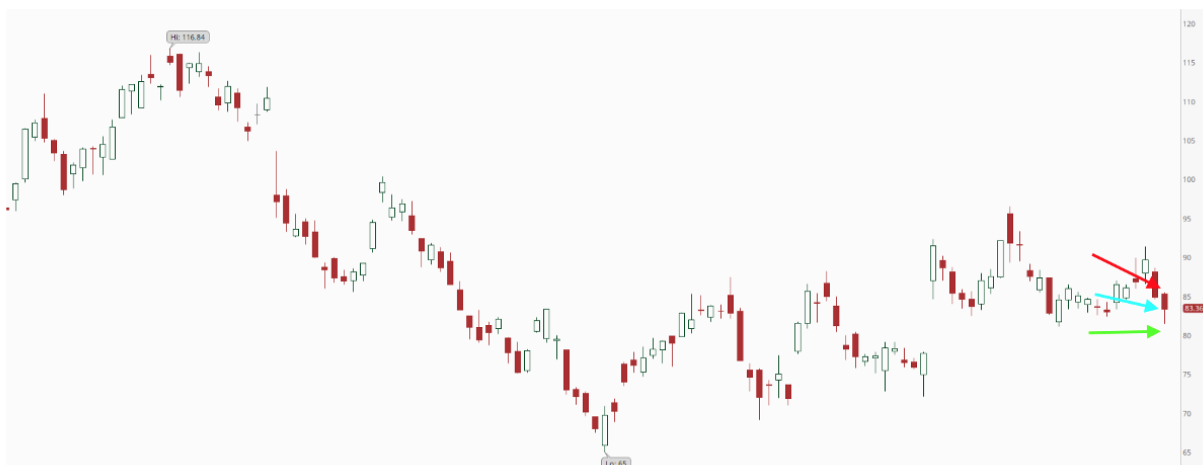
Step 2, the stop loss:

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

Step 3, the profit target:

Consider taking profit if SPLK falls \$0.90 per share lower.

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



Worthwhile Reading from the Past Week:

<https://www.investing.com/news/stock-market-news/stock-market-today-dow-scores-weekly-win-as-slowing-wage-growth-eases-fed-fears-2975235>

(Bullish to Neutral)

<https://www.investing.com/news/commodities-news/oil-posts-biggest-weekly-loss-in-a-month-after-reversing-gains-on-us-jobs-2975202> (Bearish oil, Bullish equities)

<https://www.reuters.com/markets/us/us-jobs-report-breathes-life-into-feds-soft-landing-scenario-2023-01-06/>(Bullish)

-Blake Young