



## Fed Inflation Fight Continues

This past week was focused on the Federal Open Market Committee (FOMC) rate decision and press conference. FOMC rates rose by 25 basis points as expected, the guidance from Fed Chair Jerome Powell was that rate hikes would continue as inflation remains too high and the job market remains very strong. Further guidance was that there were no rate cuts by the end of the year. Continuing to raise rates caused equities to reverse 3% from the week's high. New Home Sales missed expectations and the previous month was revised lower indicating a slowdown in new home construction. Durable Goods Orders also missed expectations and the previous month was also revised lower. The positives for the week were Flash Manufacturing and Services Purchasing Managers Index (PMI), both of which beat expectations and rose dramatically from the previous month's reports.

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## The Week Ahead:

With the FOMC Rate Decision past, we are looking forward to Final Gross Domestic Product (GDP) and Core Personal Consumption and Expenditure (PCE). Final GDP has less impact than Advanced GDP. Final GDP, however, will give the

market confirmation that we are not entering a recession during the first half of 2023. Core PCE is the most significant inflation reading used by the FOMC to determine monetary policy. If PCE reports higher-than-expected, we should expect investors to become more risk averse as inflation continues to run hot. Risk averse behaviors could see another 5% drop in equity prices.

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**Monday 03/27:** none

**Companies Reporting Before:** CCL

**Companies Reporting After:** PVH

**Tuesday 03/28: Consumer Confidence, Richmond Manufacturing Index**

**Companies Reporting Before:** WBA, MKC

**Companies Reporting After:** MU, LULU

**Wednesday 03/29:** Pending Home Sales m/m

**Companies Reporting Before:** CTAS, PYPL

**Companies Reporting After:** none

**Thursday 03/30: Weekly Unemployment Claims, Final Gross Domestic Product (GDP) q/q, Final GDP Price Index q/q, Treasury Secretary Yellen Speaks**

**Companies Reporting Before:** DG

**Companies Reporting After:** none

**Friday 03/31: Core Personal Consumption and Expenditure (PCE) Price Index m/m, Chicago Purchasing Managers Index (PMI), Revised University of Michigan Consumer Sentiment**

**Companies Reporting Before:** none

**Companies Reporting After:** none

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## Forecast:

Despite rising rates and overall poor economic reports, the markets have been resilient. The resilience may be due to the approach of the end of the quarter which can cause institutions to prop up investments through the last trading day of the quarter. Further negative news next week may prove too much bearish pressure for the markets to handle.

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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.

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## 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. AG filled the entry after the open and reached the target midday on Monday. UBER could have ended either way depending on the fill price. Any fill price above 32.90 would have hit the target. For next week, we are looking at CSCO for a bullish trade and WBD 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.

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## Cisco Systems Inc (CSCO)

Step 1, the Setup:

Buy CSCO long or buy a call option with a 70 delta for 7-14 days, when price is anywhere between \$50.40 and \$50.00

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 CSCO rises \$0.50 per share higher.

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



## Warner Bros Discovery Inc (WBD)

Step 1, the Setup:

Sell WBD short or buy a put option with a 70 delta for 7-14 days, when price is anywhere between \$14.00 and \$14.20

Step 2, the stop loss:

Set a stop loss price \$0.30 above the entry price

Step 3, the profit target:

Consider taking profit if WBD falls \$0.15 per share lower.

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



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## Worthwhile Reading from the Past Week:

<https://www.investing.com/news/stock-market-news/sp-500-cuts-losses-but-signs-of-further-cracks-in-banks-weigh-3039548> (Neutral)

<https://www.investing.com/news/economy/futures-waver-as-bank-worries-linger-investors-weigh-rate-hike-pause-3038807> (Bullish to Neutral)

<https://www.forbes.com/sites/jjkinahan/2023/03/24/bank-turmoil-continues-causing-more-fed-lending/?sh=43711e9b6450> (Bearish to Neutral)

-Blake Young

