



Mixed Economic Signals Ahead of the Holidays

This past week was filled with mixed economic signals that had investors changing directions every other day and finishing the week relatively flat. Consumer Confidence rose showing consumers are likely unafraid to continue spending. Final Gross Domestic Product (GDP) reported at 3.2%, higher than the expected 2.9%. Both reports indicate a resilient economy. Investors initially priced in more Federal Reserve rate hikes in February and March of 2023. On Friday, however, Personal Consumption and Expenditure, the Federal Reserve's preferred inflation indicator, showed inflation slowing to 4.7% year over year. Slowing inflation gives the hope that the rate hikes have been effective without damaging the economy. Friday, investors would not commit to a direction, confirming the mixed economic reports providing no clear direction for equities.

THE WEEK AHEAD:

Next week there are no earnings reports of significance and only 2 economic reports of minor importance. Monday will be a bank and market holiday, leaving a

shortened, uneventful week for traders. Keep in mind, investors often tax-loss harvest in down years during the final two weeks. It appears that some tax-loss harvesting has already occurred and more next week could push equities into another weekly loss. The House passed the \$1.7 trillion spending bill to avoid government shutdown. This new spending is kicking the can down the road and only contributes to spending which could further feed inflation pressures.

Merry Christmas, Happy Holidays, and have a wonderful weekend.

Monday 12/26: Bank Holiday

Companies Reporting Before: none

Companies Reporting After: none

Tuesday 12/27: None

Companies Reporting Before: None

Companies Reporting After: None

Wednesday 12/28: None

Companies Reporting Before: none

Companies Reporting After: none

Thursday 12/29: Weekly Unemployment Claims

Companies Reporting Before: none

Companies Reporting After: none

Friday 12/30: Chicago Purchasing Managers Index (PMI)

Companies Reporting Before: none

Companies Reporting After: none

Forecast:

If CPI increases higher-than-expected, following PPI, then we will likely see the market price in higher rates in the futures and a drop in equities. Normally, we expect December to be somewhat bullish but all bets are off until after the Fed Rate Decision and CPI.

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, BA triggered the bullish entry on Monday's open and hit the target on Monday. FSLR triggered the short on Monday's open. Depending on the fill price, the target was reached in the first 5 minutes but if the order was delayed after opening, the stop would have been reached first. For next week, we are looking at HAL for a bullish trade and LI 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.

For the Profit Harvester Trade recommendations below, be sure to follow the entry and exit rules, especially the entry prices.

Halliburton CO (HAL)

Step 1, the Setup:

Buy HAL long or buy a call option with a 70 delta for 7-14 days, when price is anywhere between \$38.70 and \$38.40

Step 2, the stop loss:

Set a stop loss price \$0.80 below the entry price

Step 3, the profit target:

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

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



LI Auto Inc (LI)

Step 1, the Setup:

Sell LI short or buy a put option with a 70 delta for 7-14 days, when price is anywhere between \$19.00 and \$19.60

Step 2, the stop loss:

Set a stop loss price \$1.10 above the entry price

Step 3, the profit target:

Consider taking profit if LI falls \$0.75 per share lower.

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



Worthwhile Reading from the Past Week:

<https://www.investing.com/news/stock-market-news/sp-500-advances-but-on-track-to-extend-losing-streak-as-wild-swings-continue-2969845> (Bearish to Neutral)

<https://www.reuters.com/markets/us/us-consumer-spending-inflation-slow-november-2022-12-23/> (Bullish to Neutral)

<https://www.forbes.com/sites/brianbushard/2022/12/23/house-passes-17-trillion-spending-bill-to-avoid-government-shutdown/?sh=5ad39dc5791e> (Bearish)

-Blake Young