



Employment Remains Strong

U.S. Employment data report this past week shows a resilient job market. ADP and NonFarm Payroll both showed increases in new employment. NonFarm Payroll reported 263,000 new jobs, well above the expected 248,000.

The unemployment rate fell to 3.5%, tying the lowest unemployment rate seen over the past two years.

Job Openings and Labor Turnover Survey (JOLTS) showed job openings decreased. Still, the number of available jobs remains at a highly elevated 10 million openings.

After Friday's NonFarm Payroll report, the Fed Funds Future rate for December priced in a Fed Funds rate of 4 1/8%, confirming expectations of more rate hikes.

THE WEEK AHEAD:

Next week will be earnings reports from the big banks. We expect numerous misses and lowered guidance which could shake the equity markets.

Additionally, we will see inflation data from the Consumer Price Index (CPI) and Producer Price Index (PPI). Both are expected to increase from the previous month, and show sustained inflationary pressures.

Monday 10/10: Federal Open Market Committee (FOMC) Member Brainard Speaks, Bank Holiday

Companies Reporting Before: none

Companies Reporting After: none

Tuesday 10/11: FOMC Member Mester Speaks

Companies Reporting Before: none

Companies Reporting After: none

Wednesday 10/12: FOMC Meeting Minutes, Producer Price Index (PPI) m/m, Core PPI

Companies Reporting Before: PEP

Companies Reporting After: none

Thursday 10/13: Consumer Price Index (CPI), Core CPI, Weekly Unemployment Claims

Companies Reporting Before: BLK, WBA, FAST, DAL, DPZ, PGR

Companies Reporting After: none

Friday 10/14: Retail Sales, Core Retail Sales, Preliminary University of Michigan (UoM) Consumer Sentiment, Preliminary UoM Inflation Expectations

Companies Reporting Before: UNH, JPM, WFC, MS, C, PNC, USB, FRC

Companies Reporting After: none

Saturday 10/15: FOMC Member Bullard Speaks

Forecast:

Inflation remains the focus of the markets. With rising oil prices this week and strong employment data, we will continue to see inflation build. The “CME FedWatch Tool” is pricing in an 80% probability of a 75 basis point hike for November’s meeting.

Unless there are signs to counter inflation or comments by the Federal Reserve that is less hawkish, we expect another spike in interest rates and another drop in U.S. equity prices.

We expect home builders and tech companies to be the most negatively impacted by the rising rates.

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

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)

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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 risk tolerance. Investors must recognize that investing holds no guarantees—you could lose money.)

In the previous week's Profit Harvester, FCX gapped above our entry price and did not trigger our entry. BSX triggered the trade and reached the target in early trading on Monday.

For next week, there are no bullish trades again. We are looking at BMY and BAC for bearish trades.

For all of the Profit Harvester examples, the trade is canceled if the trade does not trigger within the first two trading days of next week.

Bristol-Meyers Squibb Co (BMY)

Step 1, the Setup:

Sell BMY short or buy a put option with a 70 delta for 7-14 days when the price is anywhere between \$69.65 and 70.15

Step 2, the stop loss:

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

Step 3, the profit target:

Consider taking profit if BMY falls \$0.45 per share lower.

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



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

[Bristol-Meyers Squibb Co \(BMY\).png](#)

Bank of America Corporation (BAC)

Step 1, the Setup:

Sell BAC short or buy a put option with a 70 delta for 7-14 days when price is anywhere between \$30.75 and \$31.00

Step 2, the stop loss:

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

Step 3, the profit target:

Consider taking profit if BAC falls \$0.40 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:

[Bank of America Corporation \(BAC\).png](#)

Worthwhile Reading from the Past Week:

[Wall Street ends sharply lower as jobs report cements rate hike regime | Reuters](#) (Bearish)

[Oil Bulls Ride OPEC+ Wave to Push Brent Near \\$100 a Barrel By Investing.com](#) (Bearish to Neutral)

[No, Credit Suisse Won't See A 'Lehman-Style Explosion'—Here's Why \(forbes.com\)](#) (Bullish to Neutral)

-Blake Young