



Rate Hikes and More to Come

The week's economic data was very mixed. Inflation data as reported in Consumer Price Index (CPI) and Producer Price Index (PPI) both showing continued inflation growth. Rising inflation initially saw the Fed Funds Futures and expected rate hike in July's rate decision to increase 100 basis points (1%).

The Bank of Canada raised rates by a full percentage point also paving the road for the Federal Reserve. By the end of the week, the probability of a full point dropped from 84% to 30%. Expectations remain locked at a 75-basis point rate hike.

Retail Sales, Empire State Manufacturing Index, and Consumer Sentiment all out paced expectations. The U.S. dollar continued to strengthen against the other major currencies, reaching a new 20-year high. Gold and silver fell to a new annual low.

THE WEEK AHEAD

Earnings season has started mixed and continues aggressively into next week. Equities have missed earnings and downgraded guidance in about half of reports the past week. We expect to continue to see the impact of inflation on earnings next week as well. There are only a few economic reports next week. Service and Manufacturing Purchasing Managers Index (PMI) will be reported on Friday.

Monday 07/18: none

Companies Reporting Before: BAC, GS, SCHW, PLD, SYF

Companies Reporting After: IBM

Tuesday 07/19: None

Companies Reporting Before: JNJ, LMT, TFC, SBNY, HAL, CFG, HAS

Companies Reporting After: NFLX, JBHT, OMC

Wednesday 07/20: Existing Home Sales

Companies Reporting Before: ABT, ASML, ELV, BIIB, MTB, NDAQ, NTRS, MKTX, MKI, LVS, STX, CMA

Companies Reporting After: TSLA, CCI, CSX, DFS, EFX, UAL, LSTR

Thursday 07/21: Philly Fed Manufacturing Index, Weekly Unemployment Claims

Companies Reporting Before: T, PM, UNP, MMC, DHR, IQV, FCX, DOW, DHI, TSCO, FITB, HBAN, DOV, DGX, KEY, POOL, IPG, SNA, ISRG, NEM, TRV, NUE, FE, DPZ, GL, AAL, ALK

Companies Reporting After: none

Friday 07/22: Flash Services Purchasing Managers Index (PMI), Flash Manufacturing PMI

Companies Reporting Before: VZ, AXP, SLB, ROP, RF, HCA, TWTR, NVR

Companies Reporting After: none

Forecast

Equities rallied this week on Friday on lower volume. The move erased most of the week's bearishness, however, we believe the market has not priced in the full percent rate hike. We could see selling next week attempting to price in the rate hike.

For the Profit Harvester Trade recommendations below, be sure to 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)

Profit Harvester Trade Recommendations

(The following is intended for education 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, XLK gapped down and barely filled the order followed by a drop to the stop. FCX went the correct direction but gapped down past our entry price missing the strong bearish opportunity.

For next week, we are looking at NFLX and INTC for bullish trades. There were no bearish trade setups. For all of the Profit Harvester examples, if the trade does not trigger within the first two trading days of next week, the trade is cancelled.

Netflix Inc (NFLX)

Step 1, the Setup:

BUY NFLX long or buy a call option with a 70 delta for 7-14 days, when price is anywhere between \$186.40 and \$182.00

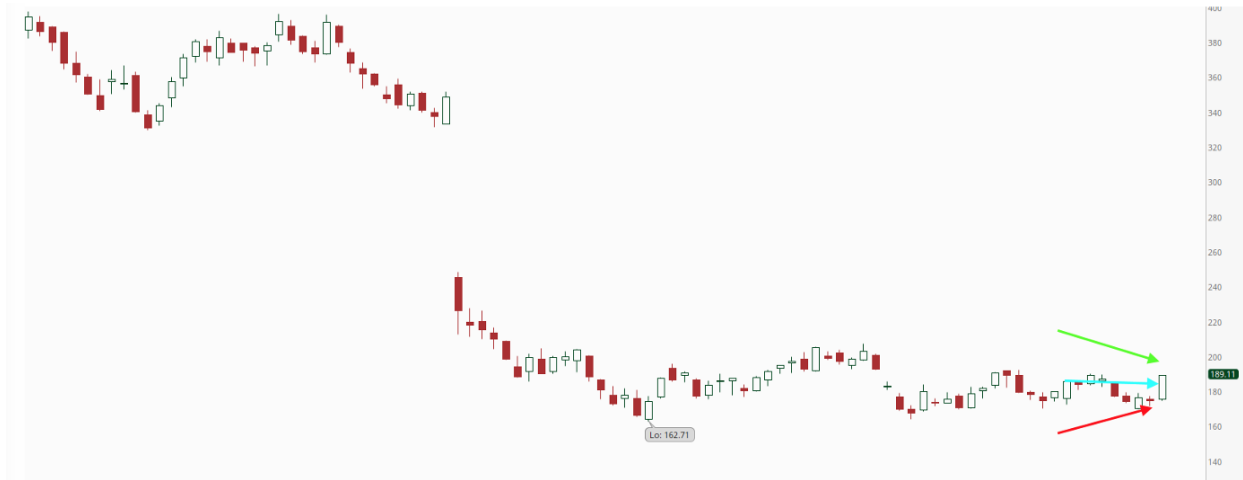
Step 2, the stop loss:

Set a stop loss price \$9.00 below the entry price

Step 3, the profit target:

Consider taking profit if NFLX rises \$6.00 per share higher.

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



If you cannot see the chart clearly, click to download below:

[Netflix Inc \(NFLX\).png](#)

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 \$38.40 and \$38.10

Step 2, the stop loss:

Set a stop loss price \$0.70 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 64% probability of a win.



If you cannot see the chart clearly, click to download below:

[Intel Corp \(INTC\).png](#)

Worthwhile Reading from the Past Week

<https://www.forex.com/en-us/market-analysis/latest-research/us-yield-curve-sees-its-deepest-in-version-since-2000-what-does-it-mean-for-major-markets/> (Bearish)

<https://www.reuters.com/markets/us/us-retail-sales-beat-expectations-june-2022-07-15/> (Bullish to Neutral)

<https://www.reuters.com/markets/europe/futures-crawl-higher-wells-fargo-down-after-results-2022-07-15/> (Neutral)

-Blake Young