



Inflation Slows

Inflation data as reported in the Consumer Price Index (CPI) and Producer Price Index (PPI) both showed a slowdown in growth. It is important to remember that the month-to-month data showing 0% and -0.5% respectively still saw 8.5% and 9.8% for the year-over-year inflation numbers. It is good to see inflation slowing on a monthly basis but the economy will need to see better results on a yearly basis before we can expect the Federal Reserve to slow or stop raising rates. U.S. equities rallied to a multi-month high, driven by the hopes of inflation getting under control.

THE WEEK AHEAD

Next week is a light economic week. Wednesday, however, is an important day. Retail sales will be reported which can confirm the dip in inflation if retail sales slow as expected. More importantly, the Federal Reserve minutes will be released which can give additional insight into the Federal Reserve's plans for future rate hikes and shirking the balance sheet.

Monday 08/15: Empire State Manufacturing Index

Companies Reporting Before: none

Companies Reporting After: none

Tuesday 08/16: none

Companies Reporting Before: WMT, HD

Companies Reporting After: AIG, IFF, OKE, TTWO, PFG, NWS, NWSA

Wednesday 08/17: Retail Sales, Core Retail Sales, Federal Open Market Committee (FOMC) Meeting Minutes

Companies Reporting Before: LOW, ADI, JD, TGT, TJX

Companies Reporting After: CSCO, SNPS, KEYS, AMCR, BBWI

Thursday 08/18: Philly Fed Manufacturing Index, Existing Home Sales, FOMC Member George Speaks, Weekly Unemployment Claims

Companies Reporting Before: EL, NTES, TPR

Companies Reporting After: AMAT, ROST

Friday 08/19: none

Companies Reporting Before: DE

Companies Reporting After: none

Forecast

Equities rallied to a 3-month high on Friday with lower volume than average. Bond yields have edged higher. If the Fed minutes confirmed heightened inflation continuing, we expect bonds to fall, yields to rise and equities to pullback from the week's high.

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, TWTR rallied well past our target but did not fill as Monday prices gapped higher. SU filled the short order and reached the target on Tuesday.

For next week, we are looking at MU and NKE. There were no signals for bearish trades. 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.

Micron Technology Inc (MU)

Step 1, the Setup:

BUY MU long or buy a call option with a 70 delta for 7-14 days, when price is anywhere between \$64.60 and \$63.60

Step 2, the stop loss:

Set a stop loss price \$2.00 below the entry price

Step 3, the profit target:

Consider taking profit if MU rises \$1.40 per share higher.

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



If you cannot see the screenshot, click the link below:

[Micron Technology .png](#)

Nike Inc (NKE)

Step 1, the Setup:

BUY NKE long or buy a call option with a 70 delta for 7-14 days, when price is anywhere between \$115.70 and \$114.90

Step 2, the stop loss:

Set a stop loss price \$2.00 below the entry price

Step 3, the profit target:

Consider taking profit if NKE rises \$0.80 per share higher.

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



If you cannot see the screenshot, click the link below:

[Nike Inc.png](#)

Worthwhile Reading from the Past Week:

<https://www.investing.com/news/stock-market-news/stock-market-today-dow-in-4th-weekly-win-as-chip-helps-tech-shine-2871665> (Bullish)

<https://www.reuters.com/markets/europe/wall-st-week-ahead-soft-landing-hopes-us-economy-brigten-outlook-stocks-2022-08-12/> (Bullish)

<https://www.forbes.com/sites/jonathanponciano/2022/08/11/rising-unemployment-claims-signal-rapid-deterioration-in-job-market-but-heres-why-the-data-may-be-misleading/?sh=2bdc0b94413>
(Bearish to Neutral)

-Blake Young