



## Earnings Misses Signal Bearish Pressure

Earnings are now underway and earnings are showing the impact of inflation and rising interest rates. Multiple companies reported misses in earnings and/or revenues. Of the large cap and mega cap stocks we watch, more than half of the earnings reports this week were considered a miss or disappointing report. Despite a shortened trading week, equities reversed and retested the previous week's open in just 3 days. Friday, equities rose 2%, erasing much of the week's selloff and finishing the week down less than 1%. Economic data weighs on equities as well. Manufacturing data from the Empire State Manufacturing Index and Philly Fed Manufacturing Index both misses, reporting the lowest numbers in 14 years, not including the COVID lockdowns. Retail sales and Purchasing Price Index (PPI) also missed expectations showing further economic slowdown.

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### THE WEEK AHEAD:

The upcoming week is a very active earnings week with large tech reporting as well as other mega cap companies. With the missed revenues and earnings

reported this week, we might expect more misses next week. Despite this expectation, multiple companies, including Microsoft (MSFT), Amazon (AMZN) and Alphabet (GOOG, GOOGL) have announced layoffs preemptively. Announcing layoffs before earnings allows companies to report poor performance in the current quarter while providing guidance of a better next quarter due to the cost savings of the layoffs. We see the many layoff announcements as window dressing or misdirection to have the focus on future quarters rather than the current quarter underperformance.

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**Monday 01/23: none**

**Companies Reporting Before:** BKR, SYF

**Companies Reporting After:** BRO, ZION

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**Tuesday 01/24: Flash Services PMI, Flash Manufacturing PMI, Richmond Manufacturing Index**

**Companies Reporting Before:** JNJ, DHR, VZ, RTX, LMT, GE, ISRG, MMM, HAL, DHI, IVZ, PCAR, WAT

**Companies Reporting After:** MSFT, TXN, COF, FFIV

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**Wednesday 01/25: none**

**Companies Reporting Before:** ASML, ABT, NEE, T, BA, ELV, ADP, USB, FCX, GD, HES, APH, KMB, TEL, NDAQ, TDY, MKTX, PGR, NSC, PTC, TXT, WYNN

**Companies Reporting After:** WYNN, TSLA, IBM, NOW, LRCX, CCI, LVS, AMP, URI, RJF, TER, PKG, STX, WHR

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**Thursday 01/26: Advance Gross Domestic Product (GDP) q/q**, Advance GDP Price Index q/q, Durable Goods Orders m/m, Core Durable Goods Orders m/m, Weekly Unemployment Claims, New Home Sales

**Companies Reporting Before: MA, CMCSA, MMC, NOC, SHW, VLO, ADM DOW, NUE, XEL, ROK, TROW, TSCO, MKC, AAL, ALK, AEP, NVR, RCL, WDC**

**Companies Reporting After: V, INTC, KLAC, AJG, LHX, RMD, WY, WRB, EMN, RHI**

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**Friday 01/27: Core Personal Consumption and Expenditures (PCE) Price Index m/m**, Pending Home Sales m/m, Revised University of Michigan Consumer Sentiment

**Companies Reporting Before: CVX, AXP, HCA, CHTR, CL, ROP, CHD, VFC**

**Companies Reporting After: none**

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## Forecast:

Inflation data from CPI showed a slowing of inflation though inflation remains higher than the Federal Reserve target rate. Next week's PPI is expected to confirm and continue the inflation slowdown which will likely be taken as a bullish market indication. We expect bullishness to remain until or unless we see earnings reports miss next week.

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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, ABT filled the order shortly after the open and reached the target within the first hour of trading. MO had a volatile first minute which caused the trade to be filled and hit the target in the first 1 minute of trading, filled stopped out in the first 12 minutes of trading, or did not fill in the first minute and filled later in the trading session reaching the target within 15 minutes of filling the order. For next week, we are looking at QCOM for a bullish trade and EWZ 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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## Qualcomm (QCOM)

Step 1, the Setup:

Buy QCOM long or buy a call option with a 70 delta for 7-14 days, when price is anywhere between \$121.50 and \$120.15

Step 2, the stop loss:

Set a stop loss price \$2.50 below the entry price

Step 3, the profit target:

Consider taking profit if QCOM rises \$1.20 per share higher.

Probabilities: For initial target from the entry provides a 67% probability of a win.



# IShares Brazil ETF (EWZ)

Step 1, the Setup:

Sell EWZ short or buy a put option with a 70 delta for 7-14 days, when price is anywhere between \$29.15 and \$29.30

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 EWZ 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.reuters.com/markets/us/us-existing-home-sales-lowest-since-2010-price-growth-slows-2023-01-20/> (Bearish to Neutral)

<https://www.reuters.com/markets/us/wall-st-week-ahead-tech-stock-rebound-faces-doubters-with-earnings-season-ahead-2023-01-20/> (Bullish to Neutral)

<https://www.forbes.com/sites/chrisgentilviso/2023/01/19/the-us-hit-its-debt-limit---what-now/?sh=66f75b47a289> (Bearish)

*-Blake Young*