



Inflation Highest Level Since 1981

Economic reports and earnings were limited this week but not unimportant. Secretary Janet Yellen said she didn't believe the U.S. was heading for a recession. However, she addressed the high inflation and the Biden administration's primary focus on the economy. On Friday, Consumer Price Index (CPI) reported a monthly rate of 1%. It was higher than expected and raised the year-over-year rate to 8.6%, the highest since 1981. Bonds fell, and yields spiked higher in adjusting to future expectations of Federal Reserve action to fight inflation. President Biden spoke late in the day and attempted to pass inflation on to Russia's invasion and oil producers/corporate greed. Although these certainly contribute to the rise in inflation, double-digit inflation is seen worldwide. It is not limited to Russia and oil prices.

THE WEEK AHEAD

Next week is another exceptionally light week economically. We will see Producer Price Index (PPI) data which should confirm an acceleration in inflation. Next week's most important event is the Federal Open Market Committee (FOMC) rate decision and press conference. Expectations are that the Federal Reserve will raise rates 50 basis points and likely provide further guidance on how the FOMC will continue to combat inflation.

Monday 06/13: FOMC Member Brainard Speaks

Companies Reporting Before: None

Companies Reporting After - ORCL

Tuesday 06/14: Producer Price Index (PPI), Core PPI

Companies Reporting Before - None

Companies Reporting After - None

Wednesday 06/15: Retail Sales, Core Retail Sales, Empire State Manufacturing Index, Federal Open Market Committee (FOMC) Economic Projects, FOMC Statement, FOMC Funds Rate, FOMC Press Conference

Companies Reporting Before - None

Companies Reporting After - None

Thursday 06/16: Philly Fed Manufacturing Index, Weekly Unemployment Claims

Companies Reporting Before - KR

Companies Reporting After - ADBE

Friday 06/17: Fed Chair Powell Speaks

Companies Reporting Before: None

Companies Reporting After - None

Saturday 06/18: FOMC Member Waller Speaks

Forecast

Equities tumbled to annual support levels and appear to be preparing for another drop as investors become more concerned about inflation and a potential pending recession. If the Federal Reserve indicates a consistent 50 basis point rate hike and a reduction of the Fed balance sheet. In that case, we expect to see the money supply tighten and borrowing costs rise, which will further impact inflation and slow economic growth.

***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 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.)

In the previous week's Profit Harvester, TWTR triggered the entry and hit the target on Wednesday. CI triggered the trade and hit the stop before falling by the end of the week.

Next week, we are looking at TWTR for a bullish trade and CI for a bearish trade. Please note that TWTR is a weaker bullish signal, but it is the only bullish signal that showed today.

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.

Hershey Company (HSY)

Step 1, the Setup:

BUY HSY long or buy a call option with a 70 delta for 7-14 days, when the price is anywhere between \$212.35 and \$210.35

Step 2, the stop loss:

Set a stop-loss price of \$4.00 below the entry price

Step 3, the profit target:

Consider taking profit if HSY rises by \$2.20 per share higher.

Probabilities: For initial target from the entry provides a 65% probability of a win.



If you cannot see the chart you can click to download it below:

[Hershey HSY.png](#)

Wells Fargo and Company (WFC)

Step 1, the Setup:

Sell WFC short or buy a put option with a 70 delta for 7-14 days when the price is anywhere between \$40.65 and \$41.40

Step 2, the stop loss:

Set a stop-loss price of \$2.50 above the entry price

Step 3, the profit target:

Consider taking profit if WFC falls \$1.10 per share lower.

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



If you cannot see the chart you can click to download it below:

[Wells Fargo and Company WFC.png](#)

Worthwhile Reading from the Past Week

<https://www.reuters.com/business/biden-urges-congress-pass-bills-cut-costs-curb-inflation-2022-06-10/> (Bearish)

<https://www.investing.com/news/economy/sp-dow-futures-dip-ahead-of-monthly-inflation-report-2835715> (Bearish)

<https://www.bloomberg.com/news/articles/2022-06-10/three-half-point-fed-rate-hikes-now-on-the-horizon-for-traders?srnd=markets-vp> (Bearish)

Have a great weekend!