



MARKETS BRUSH OFF NEWS

Early in the week, Fed Chair Powell spoke but provided no comments about monetary policy or the current state of the economy, instead, reiterated the need for the Federal Open Market Committee (FOMC) to remain politically neutral and independent. Consumer Price Index (CPI) reported as expected and investors pushed equities higher on the expected rate of inflation. Despite the slowdown in growth to 6.5% inflation, the CPI report indicated consumers are still experiencing double digit inflation in food, utilities, and transportation costs. We can interpret the lower inflation outside of necessities as a dip in demand while prices remain high on the essentials.

Earnings Season kicked off with some of the larger bank stocks including Wells Fargo (WFC), Bank of America (BAC) JP Morgan (JPM) and Citigroup. Wells Fargo missed on Revenues while Citigroup missed on earnings, Jaime Dimon, CEO of JP Morgan, warned that there will be a recession this year, maybe not as bad as previously thought but it is coming. Banks overall seemed to be preparing for the

economic slowdown by slowing lending and increasing reserves. Wells Fargo announced that it would be exiting the correspondent business and shirking the mortgage exposure. Despite the warnings and mixed data, consumer sentiment remains high and equity indexes closed up nearly 2.5% for the week.

THE WEEK AHEAD:

The World Economic Forum will be held next week. This event is one where central bankers, prime ministers, trade ministers, finance ministers and business leaders from 90 countries spanning the world meet to discuss economic conditions and monetary policies and strategies. Speeches and comments from key officials can add volatility to the markets and hints to the current state of economic affairs in multiple countries. We expect more concern over a global recession being addressed. Additionally, the Producer Price Index (PPI) will be reported. PPI can act as the precursor of Consumer Price Index (CPI) inflation data.

Monday 01/16: U.S. Bank Holiday MLK Jr Day, World Economic Forum Annual Meetings (all week)

Companies Reporting Before: none

Companies Reporting After: none

Tuesday 01/17: Empire State Manufacturing Index, World Economic Forum Annual Meetings (all week)

Companies Reporting Before: MS, GS, CFG, SBNY

Companies Reporting After: UAL

Wednesday 01/18: Producer Price Index (PPI), Core PPI, Retail Sales, Core Retail Sales, World Economic Forum Annual Meetings (all week)

Companies Reporting Before: SCHW, PNC, JBHT

Companies Reporting After: PLD, KMI, DFS

Thursday 01/19: Philly Fed Manufacturing Index, Federal Open Market Committee (FOMC) Member Brainard Speaks, Weekly Unemployment Claims, World Economic Forum Annual Meetings (all week)

Companies Reporting Before: TFC, FAST, TEAM, AAL, MTB, FITB, NTRS, KEY

Companies Reporting After: PPG, SIVB

Friday 01/20: Existing Home Sales, FOMC Member Waller Speaks, World Economic Forum Annual Meetings (all week)

Companies Reporting Before: SLB, STT, HBAN, RF

Companies Reporting After: none

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.

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.

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, INTC gained over 5% but gapped past the trigger price, missing the entry. SPLK either hit the target in the first 10 minutes or

the stop in the first 20 minutes depending on where the order was filled. For next week, we are looking at ABT for a bullish trade and MO 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.

ABBOTT LABORATORIES (ABT)

Step 1, the Setup:

Buy ABT long or buy a call option with a 70 delta for 7-14 days, when price is anywhere between \$113.15 and \$112.50

Step 2, the stop loss:

Set a stop loss price \$1.30 below the entry price

Step 3, the profit target:

Consider taking profit if ABT rises \$0.90 per share higher.

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



ALTRIA GROUP INC (MO)

Step 1, the Setup:

Sell MO short or buy a put option with a 70 delta for 7-14 days, when price is anywhere between \$45.60 and \$45.80

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 MO falls \$0.15 per share lower.

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



Worthwhile Reading from the Past Week:

<https://www.investing.com/news/stock-market-news/stock-market-today-dow-scores-weekly-win-as-slowing-wage-growth-eases-fed-fears-2975235>

(Bullish to Neutral)

<https://www.investing.com/news/commodities-news/oil-posts-biggest-weekly-loss-in-a-month-after-reversing-gains-on-us-jobs-2975202> (Bearish

oil, Bullish equities)

<https://www.reuters.com/markets/us/us-jobs-report-breathes-life-into-feds-soft-landing-scenario-2023-01-06/>(Bullish)

-Blake Young