



Surprise 75 Basis Point Hike

The Federal Reserve announced a 75 basis point hike instead of the expected 50 basis point hike. Chair Powell indicated that the FOMC would aggressively attack inflation with the 75 basis point hike and similarly sized increases. Powell further stated that Federal Reserve would continue to raise rates to the point where the interest rate is restrictive. The rising Fed Funds rate could reach 3.5% within the year. They further stated that inflation is a higher priority than employment, and the increasing rates will likely see higher unemployment and economic slowing. Investors pushed equities higher after the Fed statement but tumbled to the lowest level since December 2020. The Bank of England raised key interest rates again, furthering the expectation of rising rates and global economic contraction.

THE WEEK AHEAD

Next week is another light week economically. We will see the Existing Home Sales and Purchasing Managers Index (PMI). Next week's most important event is the Federal Reserve Chair Jerome Powell Testifying on Wednesday and Thursday. With the shift to a definitively hawkish tone, we will watch for an even more aggressive stance on inflation and more precise guidance on the Federal

Reserve's actions to reduce the balance sheet. Monday is a bank holiday, and the markets will be closed.

Monday 06/20: Juneteenth Bank Holiday, FOMC Member Bullard Speaks

Companies Reporting Before: None

Companies Reporting After - None

Tuesday 06/21: Existing Home Sales

Companies Reporting Before: LEN

Companies Reporting After - None

Wednesday 06/22: Fed Chair Powell Testifies

Companies Reporting Before: None

Companies Reporting After - None

Thursday 06/23: Fed Chair Powell Testifies, Weekly Unemployment Claims, Flash Manufacturing Purchasing Managers Index (PMI), Flash Services PMI

Companies Reporting Before: ACN, DRI, FDS, CCL

Companies Reporting After - FDX

Friday 06/24: Revised University of Michigan Consumer Sentiment

Companies Reporting Before: KMX

Companies Reporting After - none

Forecast

Equities tumbled to annual support levels and appeared to be preparing for another drop as investors became more concerned about inflation and a potential pending recession. If the Federal Reserve indicates a consistent 50 basis point rate hike and a Fed balance sheet reduction. In that

case, we expect the money supply to tighten and costs of borrowing to rise, which will impact inflation and slow economic growth further.

For the Profit Harvester Trade recommendations below, 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, HSY triggered the entry on Monday and missed the target by 35 cents, falling back to hit the stop on Tuesday. WFC gapped below the trigger price and continued to fall without returning to the entry price.

Next week, we are looking at JD for a bullish trade and HSBC for a bearish trade. 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.

JD.com (JD)

Step 1, the Setup:

BUY JD long or buy a call option with a 70 delta for 7-14 days, when the price is anywhere between \$65.60 and \$64.90

Step 2, the stop loss:

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

Step 3, the profit target:

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

Probabilities: The initial target from the entry provides a 63% win probability.



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

[JD.com \(JD\).png](#)

HSBC Holdings PLC ADR (HSBC)

Step 1, the Setup:

Sell HSBC short or buy a put option with a 70 delta for 7-14 days, when price is anywhere between \$31.05 and \$31.25

Step 2, the stop loss:

Set a stop loss price \$0.45 above the entry price

Step 3, the profit target:

Consider taking profit if HSBC falls \$0.20 per share lower.

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



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

[HSBC Holdings PLC ADR \(HSBC\).png](#)

Worthwhile Reading from the Past Week

<https://www.reuters.com/markets/europe/futures-rebound-after-rout-recession-worries-weigh-2022-06-17/> (Bullish to Neutral)

<https://www.investing.com/news/stock-market-news/sp-500-climbs-on-tech-rebound-but-energy-rout-limits-gains-2838419> (Neutral)

<https://www.reuters.com/markets/europe/global-markets-rates-graphic-2022-06-17> (Bearish)