



Rising Rates Around the World

This past week was very active. Consumer Price Index (CPI) was released, showing a slowdown in inflation, but inflation remains high at 7.1%. The Federal Reserve, the Bank of England, the European Central Bank, and the Swiss National Bank all raised rates by 50 basis points. Additionally, the Bank of Mexico raised rates to 10.5%. The aggressive and consistent rate hikes around the globe will extinguish all growth potential. The question is whether inflation falls to the Federal Reserve's 2% target before the global recession sets in. Services and Manufacturing Purchasing Managers Index (PMI) in the U.S., U.K., and Europe all reported at 50% or lower, indicating no economic growth and economic contraction.

THE WEEK AHEAD:

Next week will only have a few economic indicators ahead of the Christmas Holiday weekend. The Bank of Japan will announce rates, but it is expected they will leave rates at 0%. Canada will be reporting inflation data. The U.S. will report Consumer Confidence and Final Gross Domestic Product. The most significant report will be the U.S. Personal Consumption and Expenditures (PCE), the primary

inflation indicator the Federal Reserve uses to determine the monetary policy and future rate hikes.

Monday 12/19: none

Companies Reporting Before: none

Companies Reporting After: none

Tuesday 12/20: None

Companies Reporting Before: GIS, FDS

Companies Reporting After: NKE, FDX

Wednesday 12/21: Consumer Confidence

Companies Reporting Before: CTAS, CCL

Companies Reporting After: MU

Thursday 12/22: Weekly Unemployment Claims, Final Gross Domestic Product (GDP)

Companies Reporting Before: PAYX, KMX

Companies Reporting After: none

Friday 12/23: Core Personal Consumption and Expenditure (PCE) Price Index m/m

Companies Reporting Before: none

Companies Reporting After: none

Forecast:

If CPI increases higher than expected, following PPI, we will likely see the market price at higher rates in the futures and a drop in equities. We expect December to be somewhat bullish, but all bets are off until after the Fed Rate Decision and CPI.

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, CHWY, triggered the bullish entry on Monday's open and hit the target on Tuesday. BP triggered the short on Monday but triggered the stop on Tuesday. For next week, we are looking at BA for a bullish trade and FSLR for a bearish trade. For all Profit Harvester examples, the trade is canceled if the trade does not trigger within the first two trading days of next week.

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Boeing Co (BA)

Step 1, the Setup:

Buy BA long or buy a call option with a 70 delta for 7-14 days, when price is anywhere between \$185.00 and \$183.85

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 BA rises \$1.60 per share higher.

Probabilities: For initial target from the entry provides a 61% probability of a win.



First Solar Inc (FSLR)

Step 1, the Setup:

Sell FSLR short or buy a put option with a 70 delta for 7-14 days, when price is anywhere between \$155.65 and 156.65

Step 2, the stop loss:

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

Step 3, the profit target:

Consider taking profit if FSLR falls \$1.30 per share lower.

Probabilities: For initial target from the entry provides a 61% probability of a win.



Worthwhile Reading from the Past Week:

<https://www.investing.com/news/stock-market-news/stocks-are-falling-on-recession-fears-as-santa-rally-hopes-fade-2966493> (Bearish)

<https://www.forbes.com/sites/tylerroush/2022/12/16/us-buying-3-million-oil-barrels-for-reserves-suggesting-end-to-gas-price-crisis/?sh=7f62bc3c4f3b> (Bullish to Neutral)

<https://www.reuters.com/markets/us/futures-extend-losses-recession-fears-2022-12-16/> (Bearish)

-Blake Young
