



The Week Ahead

Wild Week Impacted by Powell

This week saw aggressive moves in equities, the U.S. dollar, and commodities. Much of the action was driven by Fed Chair Jerome Powell's comments at the Brookings Institute. Powell's comments appeared to solidify that the Federal Reserve would be raising rates at a slower pace than what has been seen throughout the year. All major indicators had already showed expectations of slower rate increases but equity investors were emboldened and drive equity prices up to multi-month highs. The U.S. dollar was knocked down, erasing gains early in the week. The dollar index (\$dxy) tumbled to close at the lowest value since June of this year. Gold prices shot higher while the U.S. dollar was pushed back to support. Gold reached a 4-month high. Friday, employment data beat expectations dramatically and the previous month was revised higher. The strong nonfarm payroll report saw equity prices drop 2% as a hedge to a more hawkish fed but the markets brushed off any concern and drove prices higher into the close. Equities have now closed higher 5 of the past 7 weeks.

THE WEEK AHEAD:

Next week is has very few major economic reports. The most important economic report will be Producer Price Index (PPI) as an indication of inflation. If this report outpaces expectations, we will expect to see equities fall again. If, however, PPI

reports at or below expectations, we will expect equities to continue bullish until the Fed rate decision the following week.

Sunday 12/04: OPEC Meetings

Monday 12/05: Institute of Supply Management (ISM) Services Purchasing Managers Index (PMI)

Companies Reporting Before: none

Companies Reporting After: none

Tuesday 12/06: none

Companies Reporting Before: AZO

Companies Reporting After: none

Wednesday 12/07: none

Companies Reporting Before: Bfb, CPB

Companies Reporting After: none

Thursday 12/08: Weekly Unemployment Claims

Companies Reporting Before: none

Companies Reporting After: AVGO, COST, LULU, COO

Friday 12/09: Producer Price Index (PPI), Core PPI, Preliminary University of Michigan (UoM) Consumer Sentiment, Preliminary UoM Inflation Expectations

Companies Reporting Before: none

Companies Reporting After: none

Forecast:

Futures and the Fed Watch tool all have priced in a 50-basis point hike. It appears investors have thrown caution to the wind and pushed equities to multi-month highs and volatility as seen in the VIX, a measure of hedging, to the lowest weekly close since January of 2022. Investors appear unconcerned and unprotected going into the final weeks of trading. We would urge a cautious stance in these final weeks.

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 education 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, BA was bullish this week as expected, however, the trade triggered on Monday's open and hit the target within minutes making it a successful but difficult trade. APA filled the bearish order price on Tuesday and quickly reached the target within an hour of filling the order as well. For next week, we are looking at DIS for a bullish trade and EOG 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.

Walt Disney Company (DIS)

Step 1, the Setup:

Buy DIS long or buy a call option with a 70 delta for 7-14 days, when price is anywhere between \$98.75 and \$98.25

Step 2, the stop loss:

Set a stop loss price \$1.00 below the entry price

Step 3, the profit target:

Consider taking profit if DIS rises \$0.70 per share higher.

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

EOG Resources Inc (EOG)

Step 1, the Setup:

Sell EOG short or buy a put option with a 70 delta for 7-14 days, when price is anywhere between \$139.50 and \$141.00

Step 2, the stop loss:

Set a stop loss price \$3.00 above the entry price

Step 3, the profit target:

Consider taking profit if EOG falls \$1.75 per share lower.

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



Worthwhile Reading from the Past Week:

<https://www.reuters.com/business/finance/blackstone-limits-redemptions-69-billion-reit-2022-12-01>

∟ (Bearish)

[S&P 500 stumbles as red-hot jobs report triggers Fed jitters By Investing.com](#) (Bearish)

U.S. labor market shrugs off recession fears; keeps Fed on tightening path | Reuters (Bullish to Neutral)

-Blake Young