

ECB Hikes 75 bpp, Fed to Follow

The European Central Bank (ECB) raised rates by 75 basis points, as anticipated. The rate change did not immediately cause the euro to gain, in fact, the euro lost to the U.S. dollar by the end of the day. Friday, however, the U.S. dollar did give back some recent gains, stabilizing at the average price trade over the past 2 weeks. If the Federal Reserve raises rates by 75 basis points on the 21st, then we will expect to see the U.S. dollar rise and equities to dip further.

This week's Institute of Supply Management (ISM) Services Purchasing Managers Index (PMI) rose, showing a strong service sector. Weekly new unemployment filings also fell, confirming a strong labor market. With strong economic data, it is no wonder Fed Chair Jerome Powell again reiterated their strong commitment to fight inflation and leave rates high for a longer period of time. We believe we will see the Federal Reserve raise rates 75 basis points this month and again at the next meeting.

THE WEEK AHEAD

Inflation data with Consumer Price Index (CPI) and Producer Price Index (PPI) will both be reported next week. Inflation is expected to slow with the recent drop in energy prices. However, Core CPI and Core PPI are expected to remain high. A bounce in oil prices will likely push inflation higher in the following month. Next week is arguably the beginning of earnings season with Oracle and Adobe reporting but the big earnings rush will start with banks and financials the week following next.

Monday 09/12: none

Companies Reporting Before: none

Companies Reporting After: ORCL

Tuesday 09/13: Consumer Price Index (CPI) m/m, Core CPI

Companies Reporting Before: none

Companies Reporting After: none

Wednesday 09/14: Producer Price Index (PPI) m/m, Core PPI

Companies Reporting Before: none

Companies Reporting After: none

Thursday 09/15: Empire State Manufacturing Index, Retail Sales m/m, Core Retail Sales, Philly Fed Manufacturing Index, Weekly Unemployment Claims

Companies Reporting Before: none

Companies Reporting After: ADBE

Friday 09/16: Preliminary University of Michigan Consumer Sentiment, Preliminary University of Michigan Inflation Expectations

Companies Reporting Before: none

Companies Reporting After: none

Forecast

Equity investors are caught in the cross fire of a pullback in inflation with the drop in oil prices while also expecting ongoing rate hikes from central banks around the world. If inflation is already sliding, then confidence will rise. However, if inflation is falling and rates continue to rise, disinflation will settle in and we could see a deep recession. The next two weeks will likely point the direction into the end of the year. If bullish bias prevails, expect a strong “Santa Claus Rally”. If bearishness prevails, we expect to see another 15 to 20 percent drop in equities by the end of the year.

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 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, COP traded in a wide range on Monday. Depending on where you go the fill, you either limited out on Tuesday or stopped out on Wednesday. order and hit the target before the end of day. SBUX gapped past our price level and did not fill the order. For next week, we are looking at COP for a bullish trade again and DVN for a bearish trade. For all of the Profit Harvester examples, if the trade does not trigger within the first two trading days of next week, the trade is cancelled.

Conoco Phillips (COP)

Step 1, the Setup:

BUY COP long or buy a call option with a 70 delta for 7-14 days, when price is anywhere between \$111.50 and \$110.60

Step 2, the stop loss:

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

Step 3, the profit target:

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

Probabilities: For initial target from the entry provides a 68% probability of a win.



If you cannot see the chart clearly click below:

[Conoco Phillips \(COP\).png](#)

Devon Energy Corp (DVN)

Step 1, the Setup:

Sell DVN short or buy a put option with a 70 delta for 7-14 days, when price is anywhere between \$68.50 and \$69.00

Step 2, the stop loss:

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

Step 3, the profit target:

Consider taking profit if DVN falls \$0.45 per share lower.

Probabilities: For initial target from the entry provides a 68% probability of a win.



If you cannot see the chart clearly click below:

[Devon Corp \(DVN\).png](#)

Worthwhile Reading from the Past Week:

[U.S. household wealth suffers record drop in second quarter | Reuters](#) (Bearish)

[Oil rises over 3% on supply threats, still set for weekly drop By Reuters \(investing.com\)](#) (Bullish to Neutral)

[Recession Fears And The Crude Oil Price Drop: Forbes AI Newsletter - September 3rd](#) (Bearish)