



Equities Stuck in Wide Range for 4 Weeks

Equities traded around the 8-9% range the past four weeks yet have closed within 1% of the open by the close. Earnings reports were mixed. Some of the earnings beats also provided warnings in the guidance.

Empire State Manufacturing and Philly Fed Manufacturing both missed expectations, reporting a slowdown of five of the past six weeks.

Additionally, bond prices fell to new multi-decade lows, and yields reached a 15-year high. Generally, with high rates, you would see economic slowdowns and a drop in equities. Equities were resilient, and the broad market closed nearly up 3% on Friday.

THE WEEK AHEAD:

Next week will see some significant tech stocks earnings. High-interest rates have a higher impact on corporations that borrow, and stocks in the tech sector are some of the largest borrowers in all sectors.

Additionally, there have already been some warnings about SNAP market spending, which could see a miss or negative guidance in META, GOOG, and other online advertisers.

Monday 10/24: Flash Services Purchasing Managers Index (PMI), Flash Manufacturing PMI, Treasury Secretary Janet Yellen Speaks

Companies Reporting Before: KEX, ZION

Companies Reporting After: CDNS, DFS, ARE, WRB, BRO, PKG

Tuesday 10/25: Consumer Confidence, Richmond Manufacturing Index, FOMC Member Waller Speaks

Companies Reporting Before: KO, UPS, RTX, GE, NEE, LMT, MMM, ITW, SHW, GM, VLO, ADM, MCO, CNC, KMB, MSCI, HAL, SYF, PHM, BIIB, TWTR, PCAR, AMP, GLW, TER, RHI, PNR, JBLU

Companies Reporting After: GOOG, GOOGL, V, TXN, CB, CMG, EQR, IEX, BXP, JNPR, FFIV

Wednesday 10/26: New Home Sales

Companies Reporting Before: TMO, BMY, ADP, BA, GD, MSFT, WM, CME, BSX, NSC, KHC, APH, ROP, HLT, IQV, ODFL, ROL, GRMN, AVY, MAS, R, HES, ENPH, CTSH, OTIS, AVB, FTV, RJF, EBAY, DTE, URI, TDY, CINF, TYL, IVZ

Companies Reporting After: META, NOW, F, ORLY, KLAC, DLR, MAA, ALGN, ESS, UDR, RE, VFC, FBHS

Thursday 10/27: Advanced Gross Domestic Product (GDP) q/q, Advance GDP Price Index q/q, Durable Goods Order m/m, Core Durable Goods Order m/m, Weekly Unemployment Claims

Companies Reporting Before: AMZN, GILD, MO, MA, MRK, MCD, LIN, CMCSA, HON, CAT, SPGI, AMT, NOC, SO, FISV, KDP, AEP, PCG, BAX, WTW, TROW, CBRE, LUV, LH, LKQ, TXT, KIM, IP, WDC, SWK, BWA, ALLE, AOS, NEM, XEL, RMD, WBD, BIDU, CARR, FE, WST, CMS, MPWR, ABMD, BIO, TFX, UHS

Companies Reporting After: AAPL, INTC, EW, LHX, RSG, DXCM, AJG, COF, SGEN, WY, HIG, PFG, CRSN, EMN, MHK

Friday 10/28: Core Personal Consumption and Expenditure (PCE) Price Index, Pending Home Sales m/m, Revised University of Michigan Consumer Sentiment

Companies Reporting Before: XOM, CVX, ABBV, CHTR, AON, GWW, CHD, CL, CTRA, RCL, NWL

Companies Reporting After: none

Forecast:

With bonds reaching a new low and yields reaching new highs, we expect to see prices in equities to struggle. If earnings disappoint, we expect to see another move lower.

If the mega cap stocks miss, we expect prices to accelerate to the bearish side.

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, DIS gapped past the entry price. DHI triggered the trade and triggered the stop.

For next week, there are no bullish trades again. We are looking at C for a bullish trade and USB for bearish trades.

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.

Citigroup Inc (C)

Step 1, the Setup:

Buy C long or buy a call option with a 70 delta for 7-14 days, when price is anywhere between \$43.50 and \$43.75

Step 2, the stop loss:

Set a stop loss price \$0.75 below the entry price

Step 3, the profit target:

Consider taking profit if C rises \$0.40 per share higher.

Probabilities: For initial target from the entry provides a 65% probability of a win.



If you cannot see the chart clearly click the link to download:

[Citigroup Inc \(C\).png](#)

UBS Group AG (UBS)

Step 1, the Setup:

Sell UBS short or buy a put option with a 70 delta for 7-14 days, when price is anywhere between \$14.80 and \$15.00

Step 2, the stop loss:

Set a stop loss price \$0.65 above the entry price

Step 3, the profit target:

Consider taking profit if UBS falls \$0.40 per share lower.

Probabilities: For initial target from the entry provides a 62% probability of a win.



If you cannot see the chart clearly click the link to download:

[UBS Group AG \(UBS\).png](#)

Worthwhile Reading from the Past Week:

<https://www.reuters.com/markets/us/inflation-is-not-becoming-embedded-economy-yellen-says-2022-10-21/> (Neutral)

<https://www.investing.com/news/stock-market-news/stock-market-today-dow-in-best-week-since-june-as-hopes-on-slowing-hikes-emerge-2918819> (Bullish)

<https://www.forbes.com/sites/baldwin/2022/10/11/does-vix-volatility-foretell-a-crash/?sh=3656b0f4298d> (Bearish to Neutral)

-Blake Young