



The Week Ahead

Inflation Remains Strong

Inflation data as reported by Consumer Price Index (CPI) and Producer Price Index) reported higher-than-expected. Retail sales also outperformed jumping from a slowdown of -1.1% to a significant increase of 3.0% month over month. CPI and PPI are demonstrating inflation resilience despite the previous Federal Reserve rate hikes. The sustained inflation over 6% should see the markets pricing in additional rate hikes. The current projected rate hikes could see a Fed Funds rate of over 5% by June. Equities in response to the high inflation closed positions and corrected lower, closing at the lowest weekly close in four weeks.

THE WEEK AHEAD:

Next week will see Purchasing Managers Index (PMI) in both services and manufacturing. The G20 meetings will be held next week as well. G20 is a meeting of the finance ministers and central banks from the largest 20 industrialized economies. Although the meetings don't cause significant moves in equities, a strong macro view of monetary policy can provide guidance in long-term trends. The more impactful events next week will be the Federal Open Market Committee (FOMC) minutes and Preliminary Gross Domestic Product (GDP).

Monday 02/20: Presidents' Day Bank Holiday

Companies Reporting Before: none

Companies Reporting After: WMB

Tuesday 02/21: Flash Services Purchasing Managers Index (PMI), Flash Manufacturing PMI, Existing Home Sales

Companies Reporting Before: WMT, HD, MDT, PEG, IR, TAP, EXPD

Companies Reporting After: PSA, PANW, O, KEYS, CSGP, SBAC, FANG, CZR

Wednesday 02/22: FOMC Meeting Minutes, G20 Meetings

Companies Reporting Before: TJX, GRMN, CRL, NI, ALLE, CPRT, BBWI

Companies Reporting After: NVDA, PXD, EBAY, ANSS, EXR, LCID, CTRA, MOS, ETSY, NTAP, APA, DVA

Thursday 02/23: Preliminary Gross Domestic Product (GDP) q/q, Weekly

Unemployment Claims, G20 Meetings

Companies Reporting Before: AMT, MRNA, KDP, NEM, CBRE, GPC, PWR, DTE, IRM, TFX, EOG, MELI, LKQ, DPZ, NCLH, DISH

Companies Reporting After: INTU, BKNG, ADSK, WBD, LYV, LNT, CE

Friday 02/24: Core Personal Consumption and Expenditure (PCE) Price Index

m/m, New Home Sales, Revised University of Michigan Consumer Sentiment, G20 Meetings

Companies Reporting Before: EVRG

Companies Reporting After: none

Saturday 02/25: G20 Meetings

Forecast:

There are additional earnings next week but the FOMC minutes will likely be the focus of the market. With this week inflation running hotter than expected, the FOMC minutes can provide us with a clear view of how hawkish the Federal Reserve will be at March's Fed meeting as well as future rate hikes.

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, ABBV triggered on the open of the week and our target on Monday. NVDA triggered the trade and hit the target in the first 10 minutes of trading. For next week, we are looking at ABBV for a bullish trade and MU 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.

WALMART INC (WMT)

Step 1, the Setup:

Buy WMT long or buy a call option with a 70 delta for 7-14 days, when price is anywhere between \$145.50 and \$145.00

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 WMT rises \$0.75 per share higher.

Probabilities: For initial target from the entry provides a 58% probability of a win.



MICRON TECHNOLOGY INC (MU)

Step 1, the Setup:

Sell MU short or buy a put option with a 70 delta for 7-14 days, when price is anywhere between \$59.10 and \$59.50

Step 2, the stop loss:

Set a stop loss price \$0.80 above the entry price

Step 3, the profit target:

Consider taking profit if MU falls \$0.35 per share lower.

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



Worthwhile Reading from the Past Week:

<https://www.investing.com/news/stock-market-news/sp-500-off-lows-but-remains-under-pressure-as-ratehike-fears-dent-tech-3007413> (Bearish to Neutral)

<https://www.reuters.com/markets/rates-bonds/us-bond-funds-see-first-weekly-outflow-six-weeks-rate-hike-concerns-2023-02-17/> (Bearish)

<https://www.forbes.com/sites/jonathanponciano/2023/02/17/housing-market-slows-again-as-hot-inflation-drives-up-mortgage-rates-heres-what-that-means-for-buyers/?sh=2f5fc4b76997> (Bearish)

-Blake Young