



The Week Ahead

Pause in Equities

Fed Chair Jerome Powell spoke on Tuesday and continued to focus on raising rates and getting inflation below 3% and approaching the 2% target rate. With overall inflation rates holding near 6% and double-digit inflation on food, we expect a rate hike in March. Consumer sentiment continues to improve despite inflation. Earnings were mixed this past week. Equity indexes closed lower for the week and nearly erased the previous week's gains. Bond prices fell through support and closed at the lowest daily close for 2023. With bond prices falling, interest yields are going higher which adds to downside pressure to U.S. equities.

THE WEEK AHEAD:

Next week will see inflation data reporting via Consumer Price Index (CPI) and Producer Price Index (PPI). Inflation is expected to move higher from the previous month and hold above 6% year over year, further supporting the case for raising key interest rates in the months to come. Retail sales will also be reported which is estimated to report higher as well, indicating no slowdown in demand.

Monday 02/13: none

Companies Reporting Before: ADP

Companies Reporting After: CDNS, ANET, FE, SEDG, VNO

Tuesday 02/14: Consumer Price Index (CPI) m/m, CPI, y/y, Core CPI m/m

Companies Reporting Before: KO, ZTS, MAR, ECL, GFS, PKI, HWM, LDOS, IPGP

Companies Reporting After: ABNB, DVN, ES, AKAM

Wednesday 02/15: Retail Sales m/m, Core Retail Sales m/m, Empire State Manufacturing Index

Companies Reporting Before: ADI, KHC, FIS, BIIB, MLM, WAT, WAB, GNRC, CRL

Companies Reporting After: CSCO, EQIX, SNPS, AIG, RSG, WELL, ALB, AWK, SGEN, AEE, CF, ROL, MRO, TYL, HST

Thursday 02/16: Producer Price Index (PPI) m/m, Core PPI m/m, Philly Fed Manufacturing Index, Weekly Unemployment Claims

Companies Reporting Before: DDOG, VMC, LH, ETR, EPAM, WST, ZBRA, POOL, HSIC, HAS, OGN, CEG, PARA

Companies Reporting After: AMAT, DLR, ED, BIO, FBIN

Friday 02/17: Preliminary University of Michigan (UoM) Consumer Sentiment, Preliminary UoM Inflation Expectations, FOMC Member Waller Speaks

Companies Reporting Before: DE, PPL, CNP

Companies Reporting After: none

Forecast:

Earnings reports will continue to slow and have less impact in future weeks. Additionally, investors brushed of the hawkish tone from the Federal Reserve. Economic data is showing steady demand and inflation which will need more

central bank response to curtail inflation. We expect all the major central banks to continue to combat inflation and raise rates throughout the year.

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, BMY triggered on the open of the week and our target on Monday. NEM gapped down and was bearish as we anticipated but did not fill the order by Tuesday. For next week, we are looking at ABBV for a bullish trade and NVDA 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.

ABBVIE INC (ABBV)

Step 1, the Setup:

Buy ABBV long or buy a call option with a 70 delta for 7-14 days, when price is anywhere between \$152 and \$151

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 ABBV rises \$1.00 per share higher.

Probabilities: For initial target from the entry provides a 67% probability of a win.



NVIDIA CORP (NVDA)

Step 1, the Setup:

Sell NVDA short or buy a put option with a 70 delta for 7-14 days, when price is anywhere between \$213.25 and \$215.50

Step 2, the stop loss:

Set a stop loss price \$4.50 above the entry price

Step 3, the profit target:

Consider taking profit if NVDA falls \$2.80 per share lower.

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



Worthwhile Reading from the Past Week:

<https://www.investing.com/news/stock-market-news/sp-500-pares-losses-but-struggles-for-direction-as-nvidia-lyft-weigh-3001011> (Bearish to Neutral)

<https://www.reuters.com/world/us-violating-principles-market-economy-mullin-g-property-ban-chinese-foreign-2023-02-10/> (Bearish to Neutral)

<https://www.forbes.com/sites/mattnovak/2023/02/07/5-predictions-for-a-soft-landing-that-were-totally-wrong/> (Bearish)

-Blake Young