



## Repositioning Risk

In response to the previous week's banking concerns, volatility spiked higher and intraday ranges widened. The major equity indexes traded in a 5% range but ended the week nearly flat on rising volume. Flat price and higher volume is a strong indication of repositioning which and reducing risk. Gold prices shot higher as investors priced in slower rate hikes. During the week, Consumer Price Index (CPI) came in at expectations. Manufacturing reports, Producer Price Index (PPI), Retail Sales, and Consumer Sentiment all missed expectations. These reports were not impacted by the bank concerns which indicates a slowdown in the economy regardless of the financial sector.

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## THE WEEK AHEAD:

The Federal Reserve will announce key rates on Wednesday. There has been a major shift in expectations of the size of rate hikes to be seen Wednesday and throughout the year. Just last week, the CME Fed Watch Tool was indicating a 50% probability of 25 basis point hike and 50% probability of a 50 basis point hike and a peak rate of 6.50% by the end of summer. As of today, the same CME Fed Watch Tool is showing 0% probability of a 50 basis point hike, 70% of a 25 basis point hike

and even showing a 30% chance of no hike at all. The shift has knocked the U.S. dollar back to support and caused a flight to safety into bonds and gold. We don't believe the FOMC will not raise rates at least 25 basis points which means a 50 basis point hike would cause a significant rise in the U.S. dollar and selloff in U.S. equities.

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**Monday 03/20:** none

**Companies Reporting Before:** PDD

**Companies Reporting After:** none

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**Tuesday 03/21:** Existing Home Sales

**Companies Reporting Before:** none

**Companies Reporting After:** NKE

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**Wednesday 03/22:** Federal Open Market Committee (FOMC) Federal Funds Rate, FOMC Statement, FOMC Economic Projections, FOMC Press Conference

**Companies Reporting Before:** ACN, GIS, DRI, FDS

**Companies Reporting After:** CTAS, CCL

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**Thursday 03/23:** Weekly Unemployment Claims, New Home Sales

**Companies Reporting Before:** DG

**Companies Reporting After:** none

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**Friday 03/24:** Flash manufacturing Purchasing Managers Index (PMI), Flash Services PMI

**Companies Reporting Before:** none

**Companies Reporting After:** none

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## Forecast:

Investors are having a difficult time in pricing in the correct interest rates ahead of the FOMC meeting. This week's price trading flat in a 5% range will have us looking for a directional breakout, up or down, of more than 5% next week post rate decision.

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## 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.

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# 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. GLD gapped up to start the week and ran over \$10 but did not reach the entry price. PYPL triggered the short and hit the target on Tuesday. For next week, we are looking at AG for a bullish trade and UBER 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.

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## First Majestic Silver Corp (AG)

Step 1, the Setup:

Buy AG long or buy a call option with a 70 delta for 7-14 days, when price is anywhere between \$7.30 and \$7.20

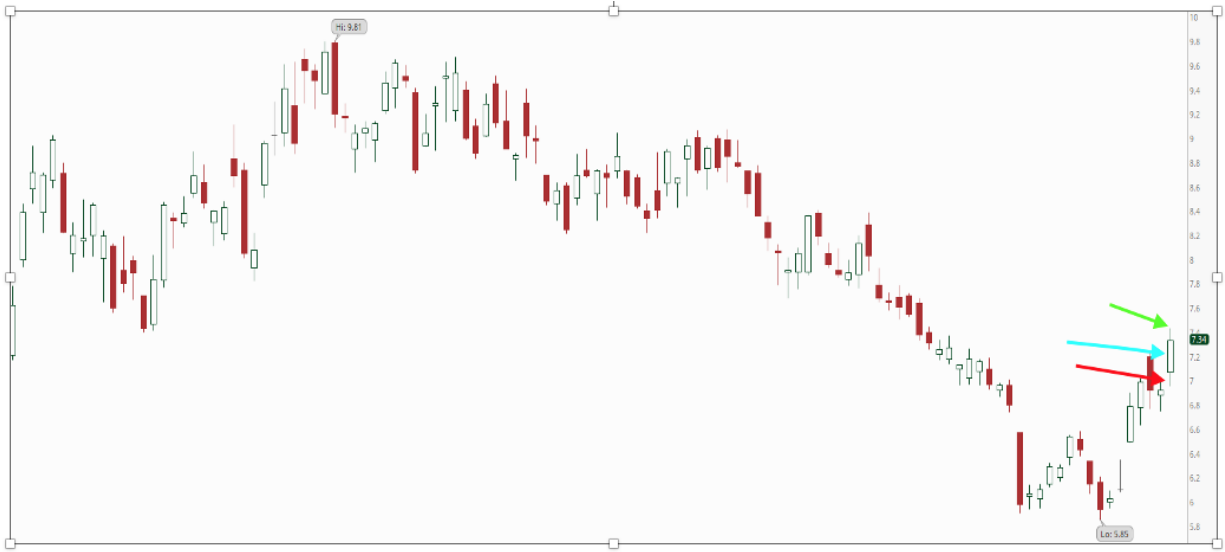
Step 2, the stop loss:

Set a stop loss price \$0.35 below the entry price

Step 3, the profit target:

Consider taking profit if AG rises \$0.15 per share higher.

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



## UBER Technologies Inc (UBER)

Step 1, the Setup:

Sell UBER short or buy a put option with a 70 delta for 7-14 days, when price is anywhere between \$31.85 and \$32.20

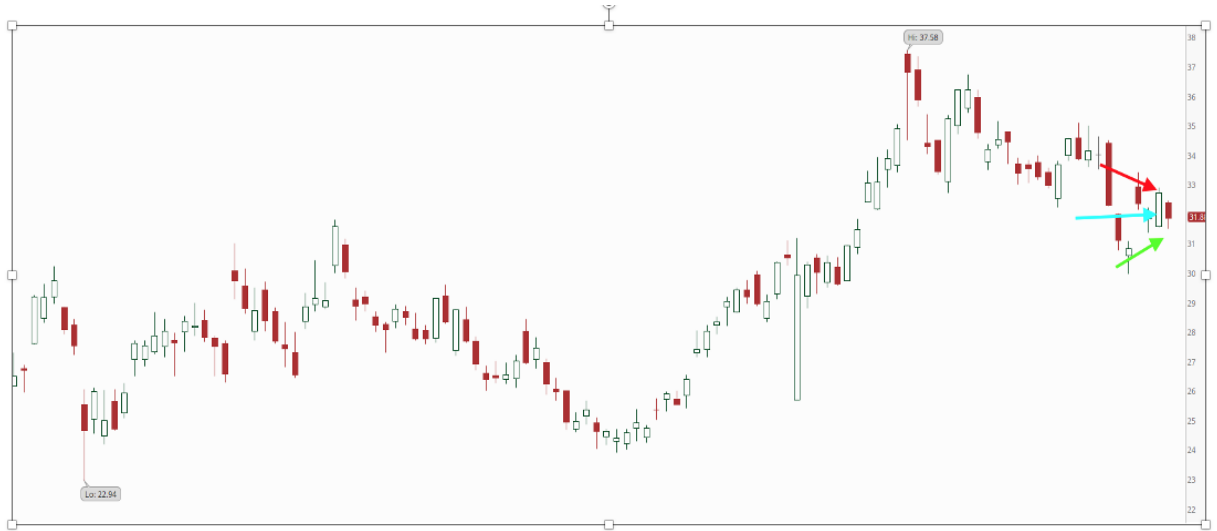
Step 2, the stop loss:

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

Step 3, the profit target:

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

Probabilities: For initial target from the entry provides a 66% probability of a win.



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## Worthwhile Reading from the Past Week:

<https://www.investing.com/news/stock-market-news/sp-500-slips-on-renewed-jitters-in-banks--despite-rescue-deal-for-first-republic-3033706> (Bearish)

<https://www.reuters.com/markets/us/futures-waver-banking-crisis-worries-persist-2023-03-17/> (Bearish)

<https://www.forbes.com/sites/kathleenhowley/2023/03/16/mortgage-rates-drop-as-us-bank-failures-compress-bond-yields/?sh=c6d6d3b271a8> (Bearish to Neutral)

-Blake Young