

Research Document for the [Week of 1-16-23](#)

// **Tuesday 1-17-23** //

The Market

Stocks roared higher last week after economic data validated inflation slowing down. This created a sense of relief for traders implying that the Fed will slow down the historic interest rate increase.

With earnings season kicking in, and the next [FOMC decision in two weeks](#), things are setting up well for active trades. Chips stocks and the goal of domestic manufacturing added an extra kick to the bullish frenzy. #NVDA rose nearly 14% last week.

The challenge we face this week comes in the form of profit potential. A deep dive into today's new trades shows many stocks far beyond the optimal entry or facing strong resistance. (#UAL #AAL)

This likely sets up a need for a pause before the risk/reward looks better. We'll still find solid ideas, we just need to go deeper into sector rotation.

Which brings us to the coming complaint that I'll hear from new traders this week. If the market needs a couple of days to rest, rookies will complain "it's slow!"

And at that moment they might be right. But they're focusing on the wrong moment.

Last week was amazing, with a capital "A." **Did you get paid?**

Better yet, did you get paid well?

We spend so much time (deservedly so) on risk management, and preserving capital, but once in a while a perfect scenario unfolds and you need to see it in the moment.

The same way that you need to see less than perfect, you need to be ready for stacked order flow. And when it's there, it's required that you increase your expectations.

Bigger position size, hold trades longer. Best case scenario, both.

This is when you need a coach, or a community. Someone to hold you accountable, and someone who provides context. Anyone can recognize when it's choppy. But did you get bigger last week? Did you make more?

Maybe that \$3,000 week wasn't so good if \$5,000 was available, on the same trades. Context is everything. You might say *"But I did good! Don't rain on my parade!"*

Yeah you did, but you need those big wins to overcome all of those small losses. Otherwise you'll remain a break even trader.

We've spotted the problem, that's stage one. Now start working on the solution.

Ask yourself the question: "How can I see it next time, **in the moment**, and how do I trade it?"

It's great to pat yourself on the back for managing risk, but we're here to make money. You need to grab it when it's there.

Sector Rotation

Technology exploded last week, no other way to word it, it's the chip stocks that won first prize. Communication services #META continued a solid two-week rally.

Industrial stocks have pretty much carried the market higher for four months, but they got hit with the cover jinx over the weekend. The weekend edition of [Investors business Daily](#) featured #CAT and the government backed rally.

The article presented a case for the sector to outperform in a recession. Cue the “sell the news” cliché. #GE rallied a hefty 11.40% last week, with eleven consecutive higher highs on the daily chart. Impressive for sure, but a bullish echo. (An obvious bullish trend, but needs to pause before the next swing trade.) #CAT and #BA remains a must-watch.

Financials remain strong. Recent earnings were mixed, but higher interest rates will keep them moving higher.

If the market sees profit taking, you’ll need a list of stocks to hedge or sell short.

Consumer defense #PEP or healthcare #CNC #PFE fits the criteria.

12-19-22	12-26-22	1-2-23	1-9-23	
1.00%	-0.04%	4.13%	4.76%	Basic Materials
-0.34%	0.08%	3.04%	4.36%	Communication Services
-2.92%	0.07%	3.74%	5.94%	Consumer Cyclical
0.97%	-0.37%	1.48%	-0.74%	Consumer Defensive
4.63%	2.53%	-0.29%	3.64%	Energy
1.74%	1.11%	3.17%	2.73%	Financial
0.62%	-0.19%	0.09%	0.82%	Healthcare
0.37%	0.48%	2.38%	2.30%	Industrials
-0.15%	-0.04%	1.72%	4.58%	Real Estate
-2.37%	-0.13%	0.08%	5.58%	Technology
1.42%	0.32%	-0.18%	0.94%	Utilities

Industry Groups

Software infrastructure #SQ #ORCL showed solid bullish order flow last week.

Semiconductor stocks won the week by a country mile. #TSM #NVDA #AMD.

Credit services traded higher, some names include #MA #V #PYPL. Internet retail marched higher as #AMZN and #BABA topped the list again.

Oil and gas equipment services showed nice gains from #SLB and #HAL. Healthcare plans look weak and a good place to look for shorts include #UNH after Friday's earnings.

Stock Picks

#DDOG traded into a bear flag last week after breaking below major support. The profit potential looks great with plenty of room to go down if sellers control the market this week. [\$67.25 sell stop (short sale) // \$71 stop loss // IPT \$55]



Legend

All swing trade setups assume the daily chart provides the initial trade setup:

=====

- ★ Order Flow: The current dominant side of the market. Buying or selling pressure.
- ★ Tape Reading: The art and skill of determining if order flow is still valid, and if it has changed.
- ★ Optimal Entry: The art and skill of entering new positions at or near the moment of greatest reward potential.

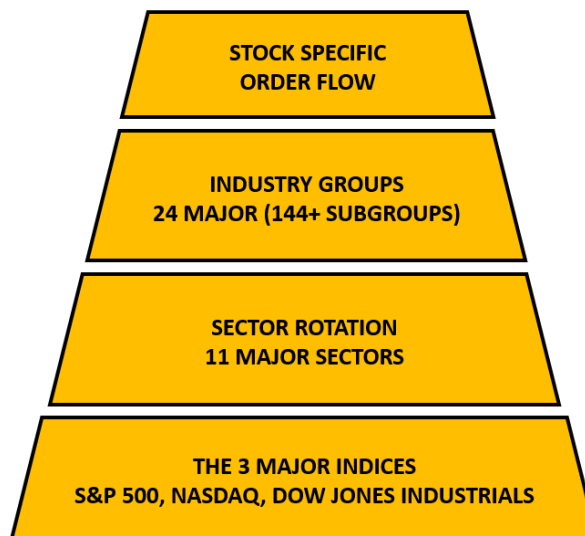
Bull or Bullish - A strong market of stocks moving up. This can even be used to reference a specific position the trader is taking. If they are bullish, they expect the stock to go up.

Bear or Bearish - A weak market. This means traders think the price of stocks or a specific stock will be going down. If they are bearish, they may sell their bullish positions or even take short positions.

Short Selling: The art and skill of entering positions with the belief that bearish order flow is the dominant side of the market; therefore placing trades with the intent to borrow stock from your broker to “sell them short” with the intention of buying them back lower (known as covering your short).

Step #1

WHAT TO BUY



STOCK
TRADING
PRO

STOCKTRADINGPRO.COM