



# EARNINGS WHISPERS

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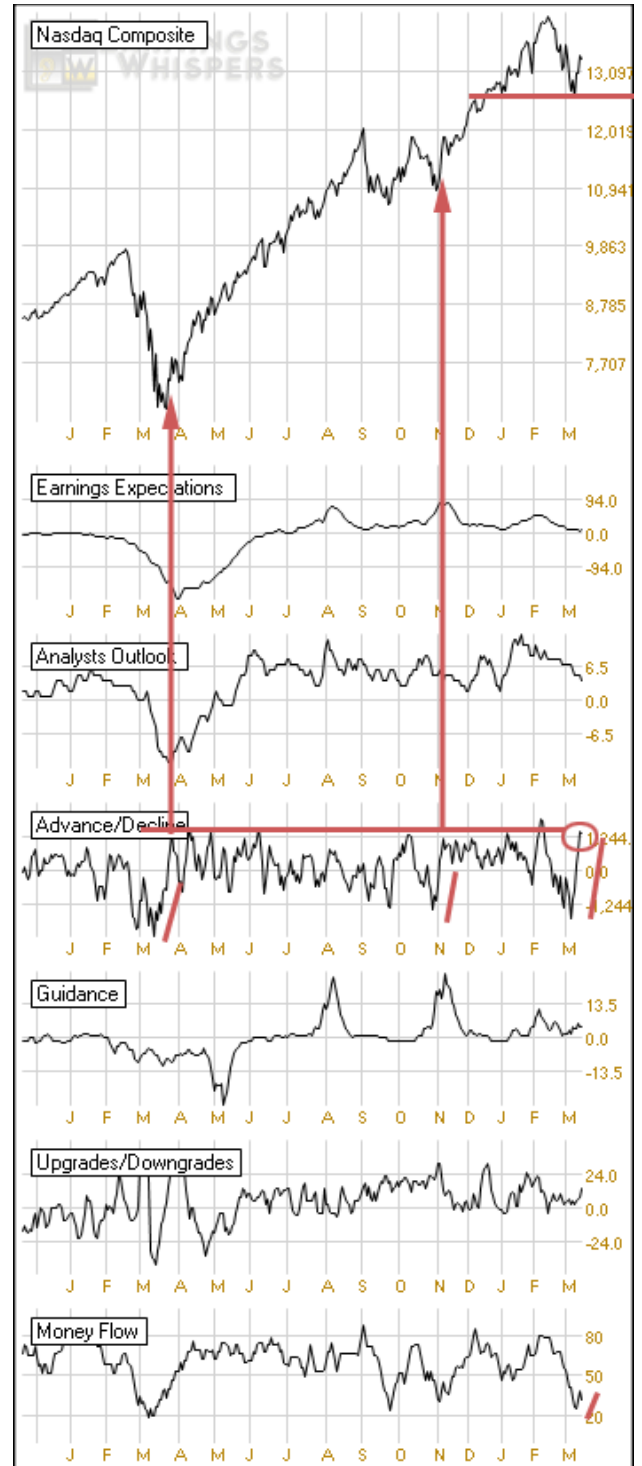
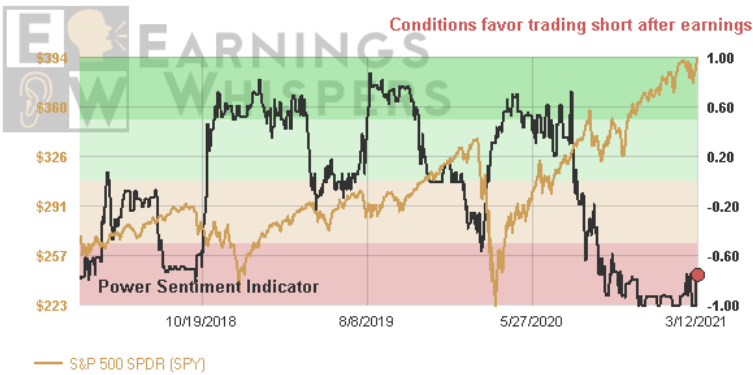
The Whisper Report®  
Number 841

Prepared on Monday, March 15, 2021

## Current Trading Strategy

Trading primarily long ahead of earnings while S&P 500 is above 3,775 and trading short after the news.

- Industrial Production and the FOMC announcement might both provide some volatility but will primarily just point to more of the same as the breadth on the Nasdaq signals a potential start of a new trend.
- Williams-Sonoma – expectations are high, but so are the data checks
- Accenture – breakout
- Embraer – potential short squeeze



## Statistics for the month of March 2021

	Positive	Negative	In-line	Ratio	Normal Ratio*
Guidance	80	36	93	69.0%	35.1%
EPS Surprises	403	291	46	58.1%	52.2%
Whisper Surprises	61	87	6	41.2%	48.9%
Revenue Surprises	403	179	-	69.2%	55.3%

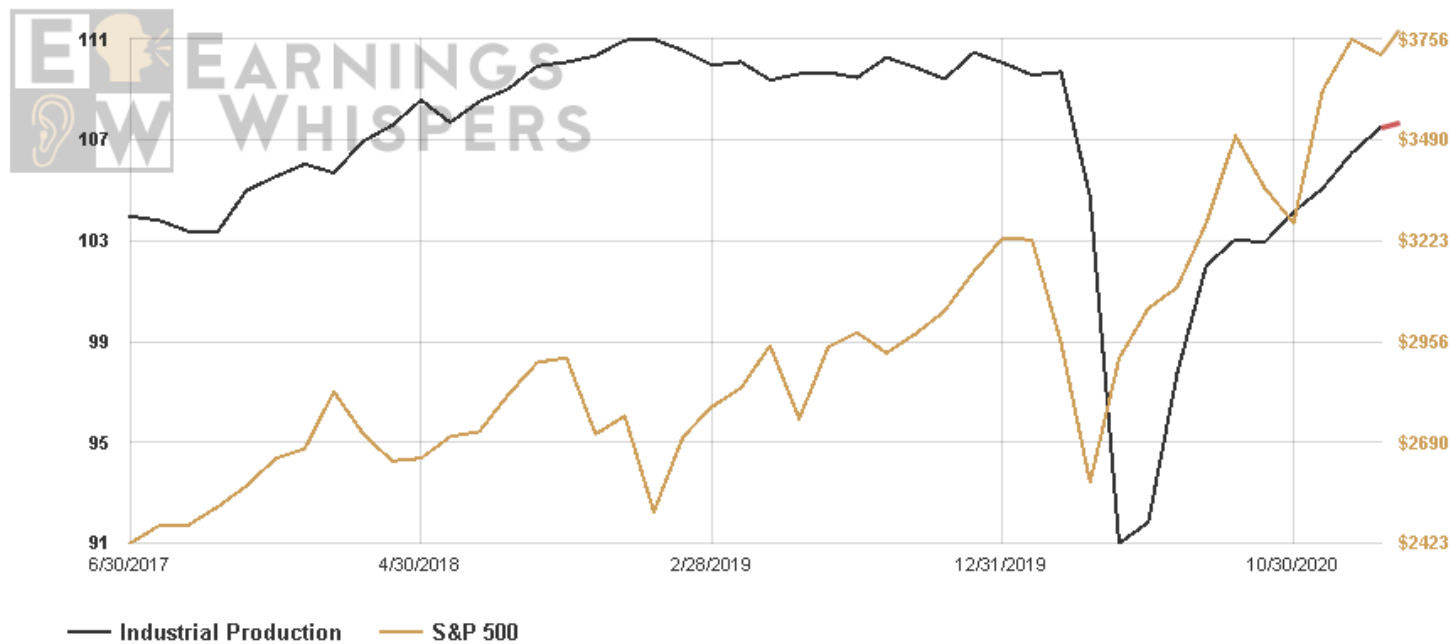
\* The average ratio for the month of March

## Key Market Events

- 3/15 March Empire Manufacturing
- 3/16 February Retail Sales
- 3/16 February Industrial Production
- 3/17 February Housing Starts/Permits
- 3/17 FOMC Rate Decision
- 3/18 Initial Jobless Claims
- 3/18 March Philly Fed

Monday		Tuesday		Wednesday		Thursday		Friday
Before Open	After Close	Before Open	After Close	Before Open	After Close	Before Open	After Close	Before Open

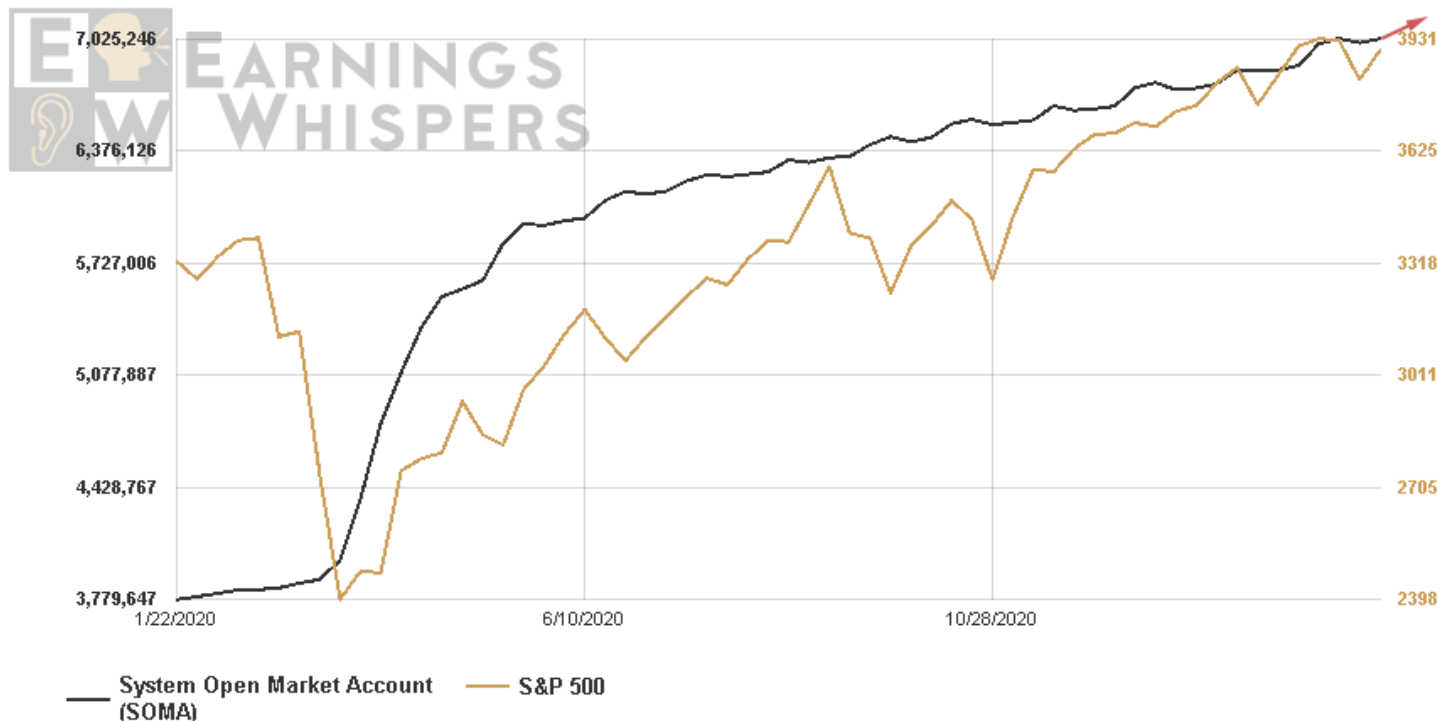
The earnings schedule lightens up a little this week and the macroeconomic data ticks up a tad with the biggest data point coming from Industrial Production... though there probably isn't a lot to see. We are now going against year-over-year comparisons from when the lockdowns started and with the lag we are seeing as the data rapidly changes is greater for those data points that are reported monthly. What is normally viewed more as a coincident indicator, Industrial Production for the month of February is already old news. The chart below shows Industrial Production relative to the S&P 500 going back to mid-2017 and we've drawn a red line to show the consensus estimate for February. Consensus estimates call for more growth but slower than we've seen in recent months. This is mainly due to the severe cold temperatures and snow during the month, which will partially be offset by an increase in utilities production. The key, though, is that as more of the country opens up with the declining COVID-19 cases, this line is going to continue trending higher and increased production tends to coincide with higher stock prices.



Industrial Production might be the most significant macroeconomic data point scheduled for the week, but it is the FOMC announcement that will get the market's focus. Really, though, the expectations are the same – just a continued trend higher. Like Industrial Production, that is a positive indicator for the overall stock market, and probably more so. After all, the chart below is “the only chart that matters”.

The chart shows the total asset buying by the Federal Reserve, along with the S&P 500, since January of last year. Like Industrial Production, if we zoom out on the chart we see an even better correlation and since shortly after the lockdowns, the Fed's asset buying has exceeded even that following the 2008/2009 financial crisis. As speculated in recent weeks, the Fed actually let assets roll off its balance sheet towards the end of the month but has picked up again to start the month of March.

The Fed will give commentary and then discuss its plans, potentially including its plans for asset buying, and this is often met with near-term price swings as the market digests the news, but few expect the Fed to say it is about to change paths anytime soon. If recent trends continue, the Fed's asset buying is going to accelerate this week or next and that should put upward pressure on stock prices, which means any weakness after the FOMC announcement should likely be bought.



**Market Overview**

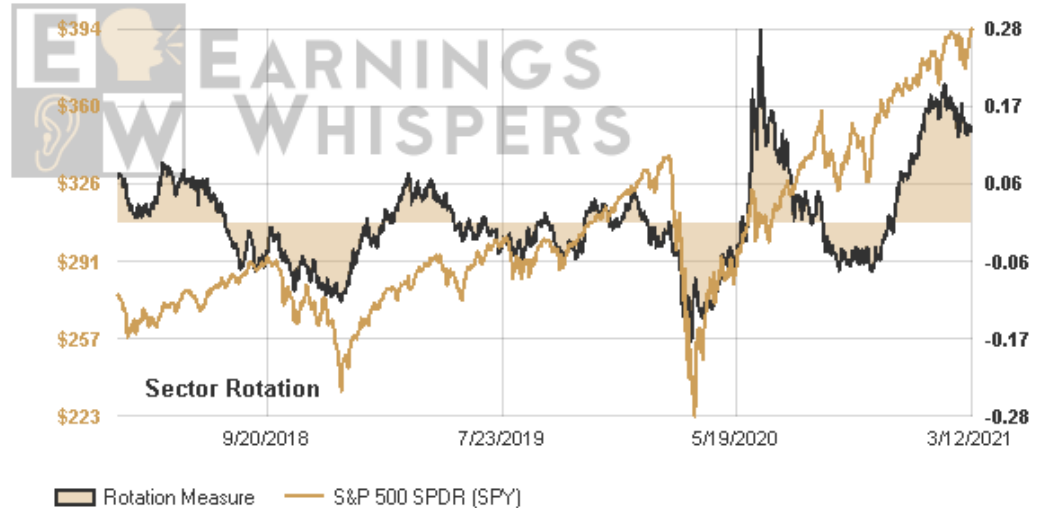
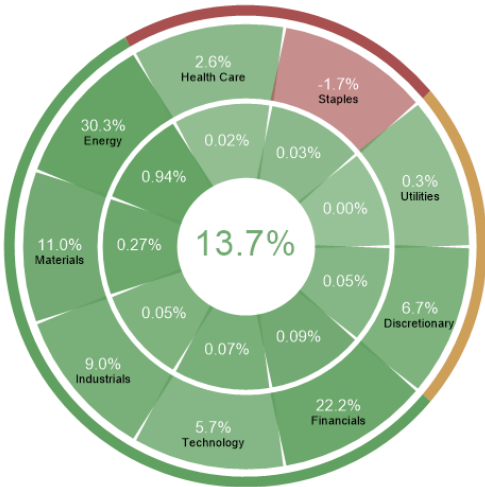
The S&P 500 closed at a high on Friday, but really the index is pressing the 3,950 line reached in mid-February. The Fed is adding liquidity to the market so, by that measure, the index should push through even though we aren't seeing the money come into the stock market yet based on the Money Line on the chart below, which is our measure of the net buying and selling in the stock market.

The technical story, however, isn't on the chart below but rather on the chart of the Nasdaq on page one of this report. The chart, after accelerating above a trend line and then reversing, showed signs of further selling. However, the swift increase in breadth from an oversold condition is what has typically been seen at the starts of multi-month moves higher with two previous such indications shown on the chart over the past year.

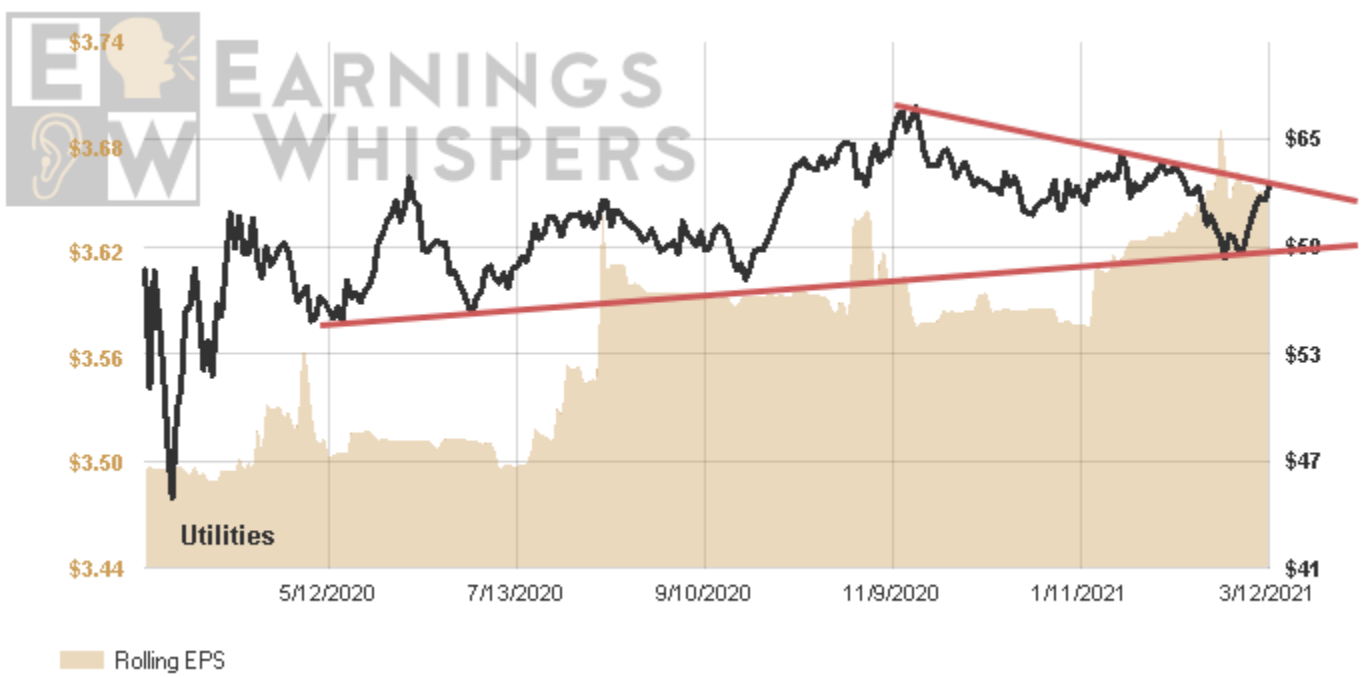
In a healthy market, the Nasdaq leads higher, which makes the recent weakness a concern, but the implication of the buying seen last week in the Nasdaq favors more upside, to put the wind at the back for the rest of the market and pointing to a move above 3,950 for the S&P 500. Consequently, we are maintaining our strategy of trading long ahead of earnings.

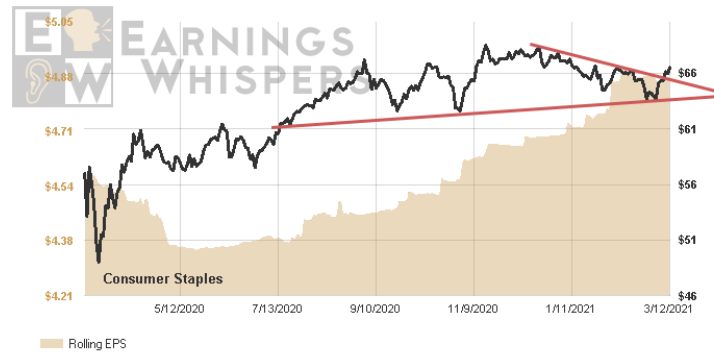
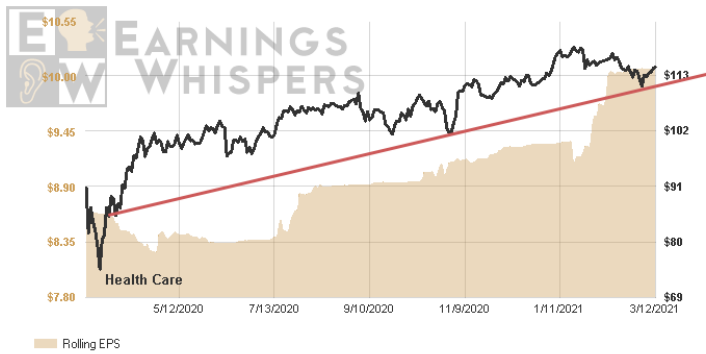
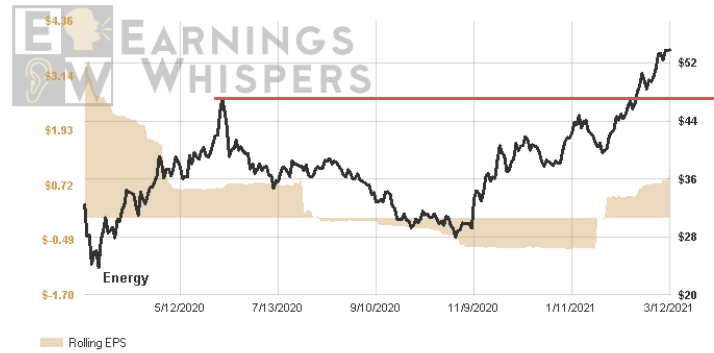
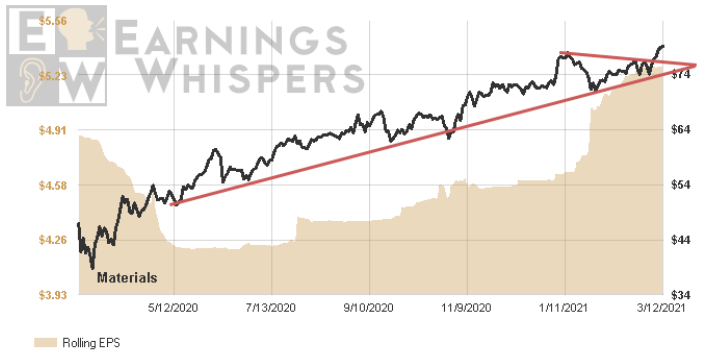
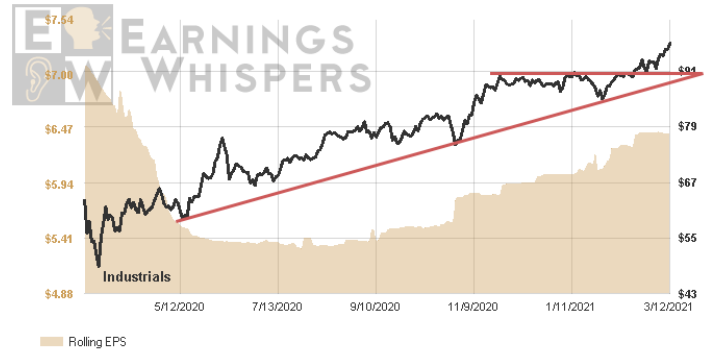
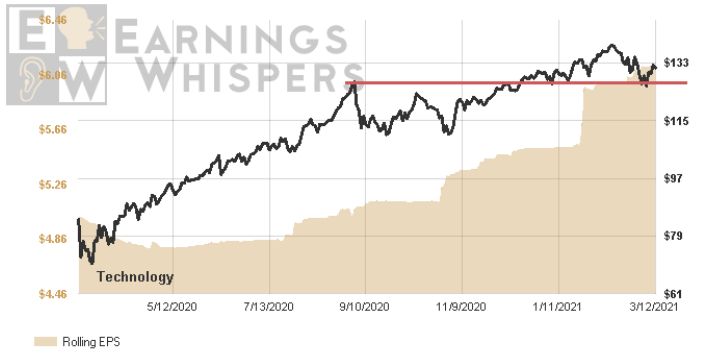
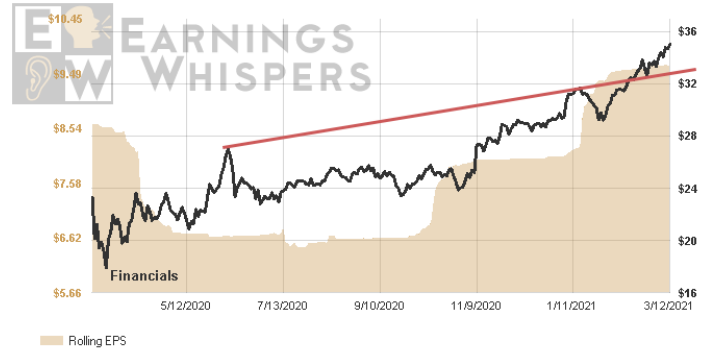
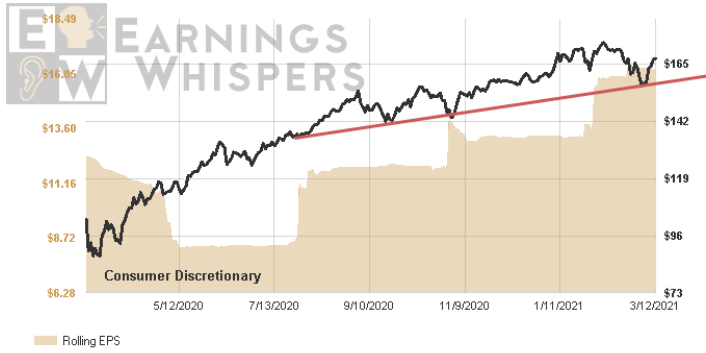


**Sector Performance**

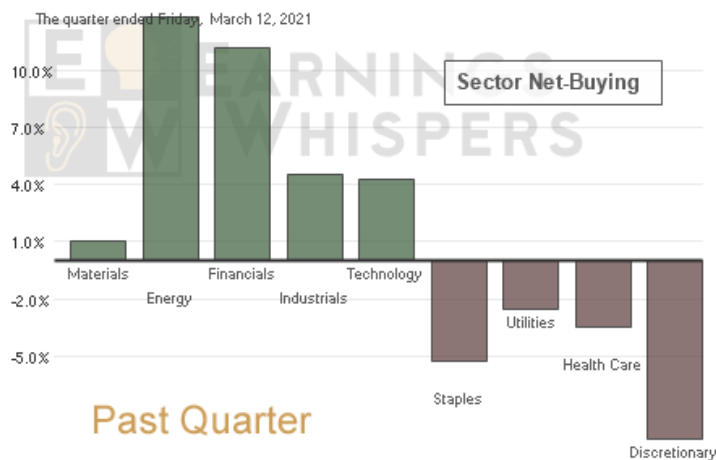
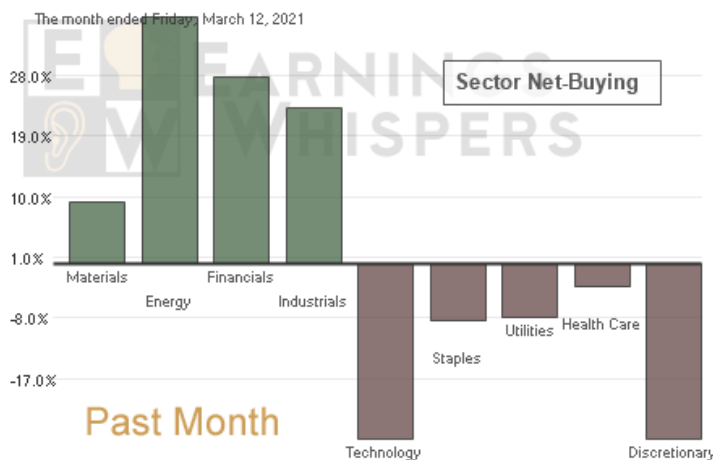
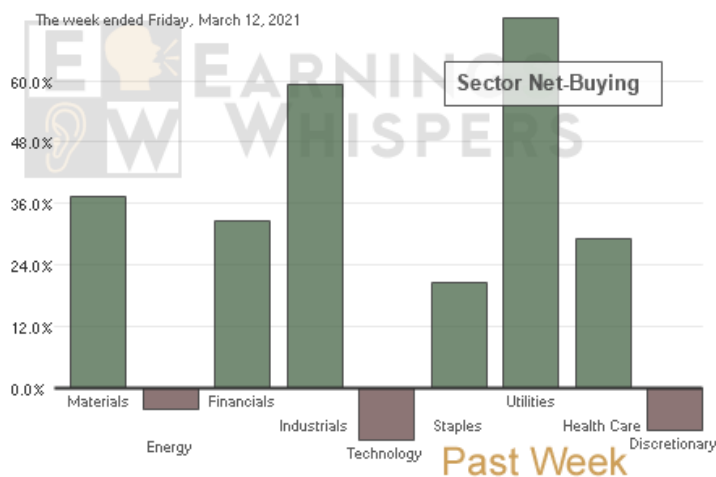
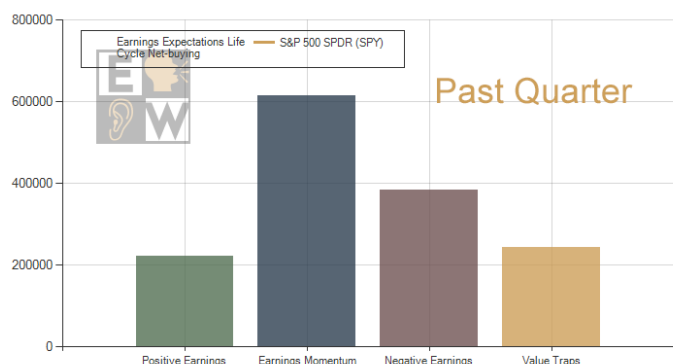
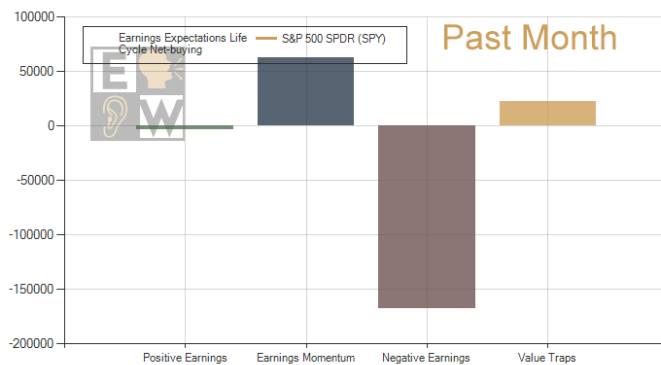
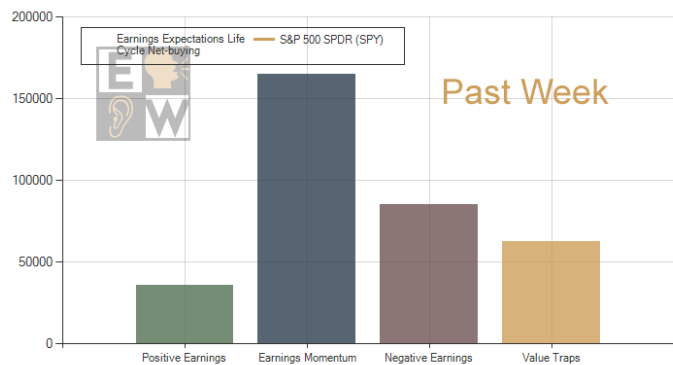


Investors maintained their bullish positioning last week, and actually increased the positions in the early-cycle sectors relative to the late cycles despite a rally in the Utilities. As we mentioned briefly previously and touched on in our top-down analysis this week, the winter storms in February were positives for the Utilities during the quarter, and that is starting to come through in some of the data. Earnings estimates should trend higher going into their earnings release, which will mostly be reported in late April, and that creates a tailwind for the group over the next six weeks. Meanwhile, there are now four touches on the lower line drawn and six on the line coming off the November high. As the two lines narrow, the trade becomes on a move beyond one of the two lines and the direction in earnings estimates favors a move to the upside.

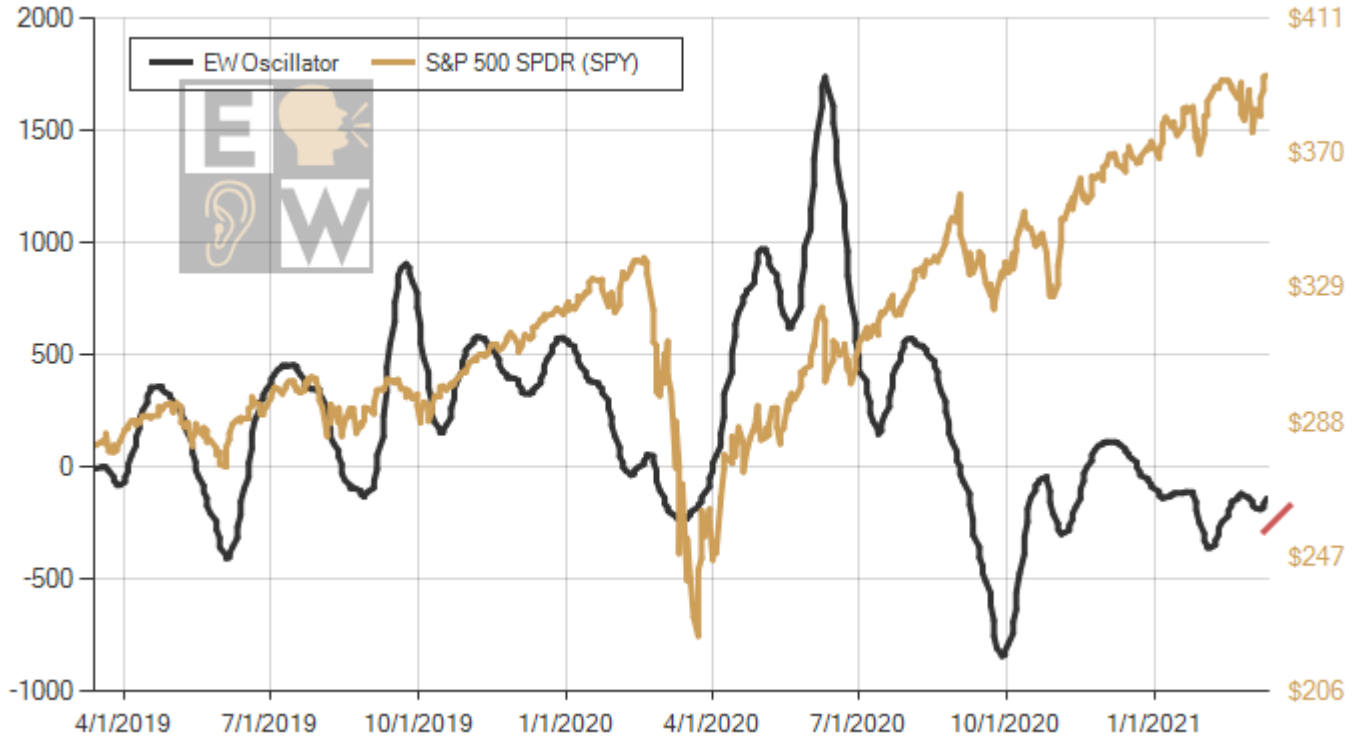




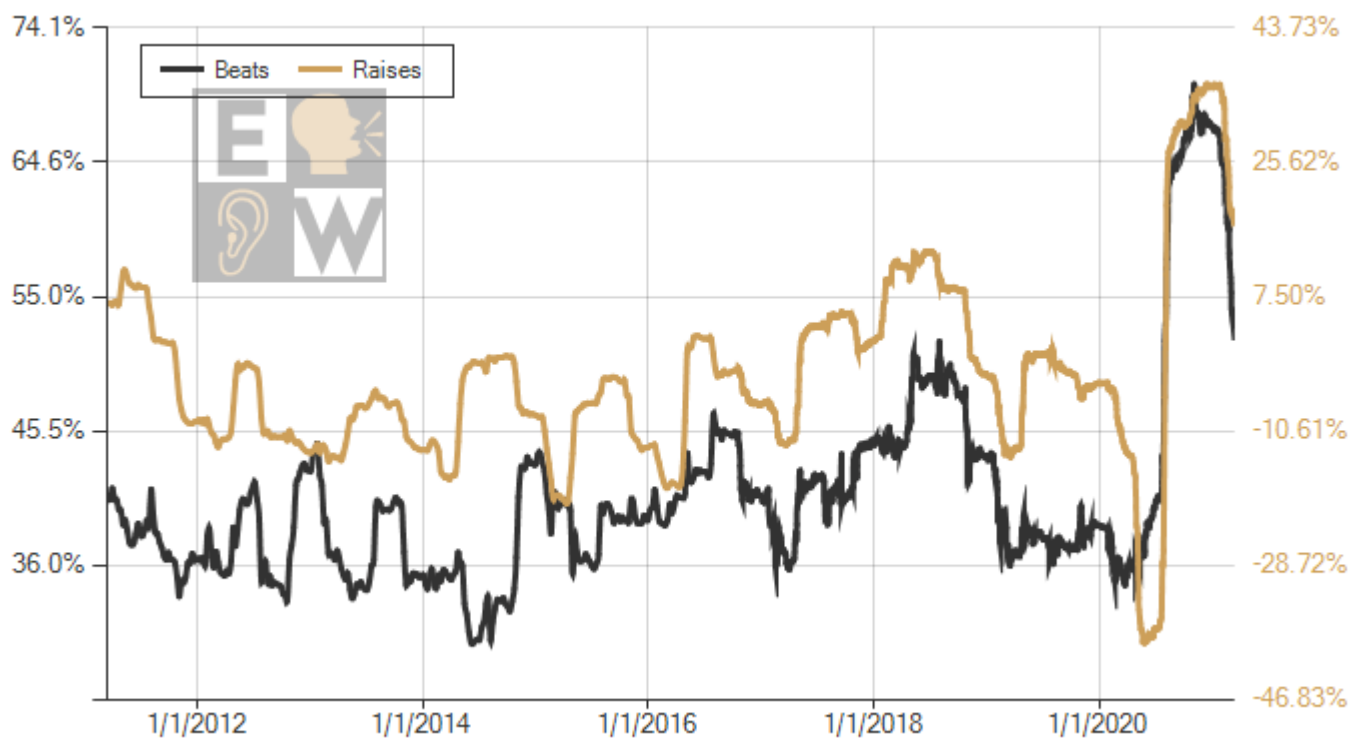
**Money Flows**



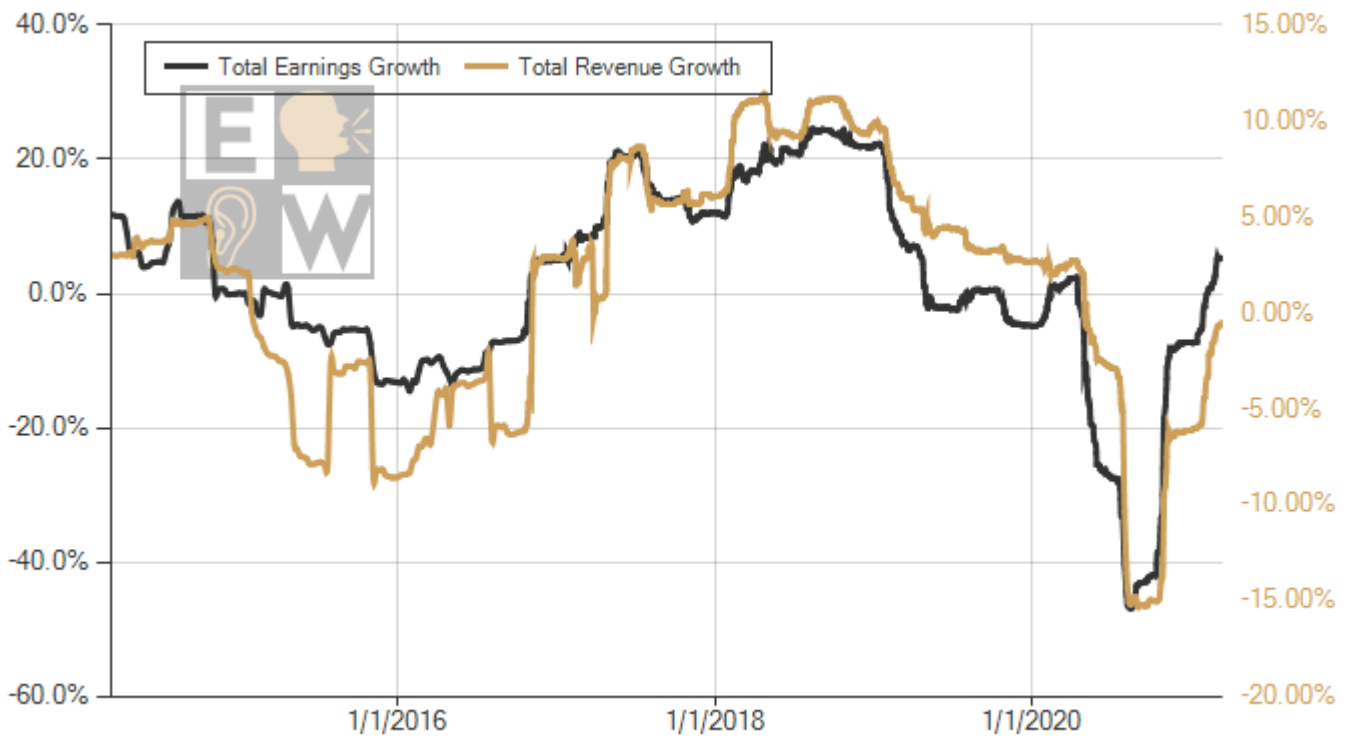
As discussed in the previous section, the Utilities have shown recent strength and the charts above show the group to have had the largest inflows over the past week but still among the laggards over the past month and quarter. This strength has likely contributed to the strength among those with negative earnings and the Value Traps. The weakness among the Positive Earnings stocks over all three periods appear to muddy the view somewhat, but when we weigh it all together in our oscillator on the next page, we see an uptick, making a fishhook out of the recent downturn, and signals more upside for the overall stock market.



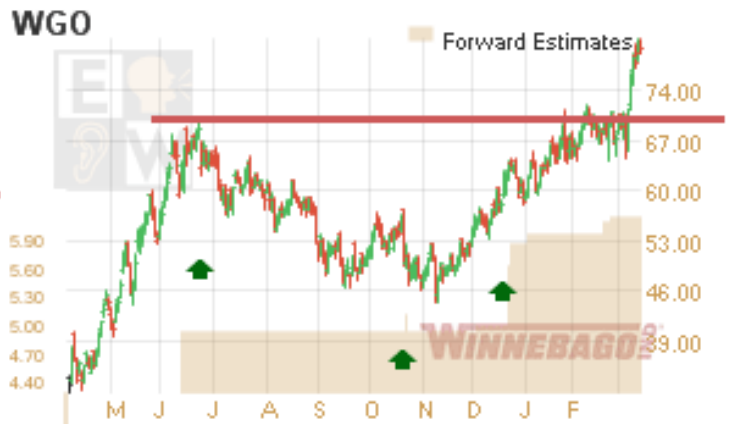
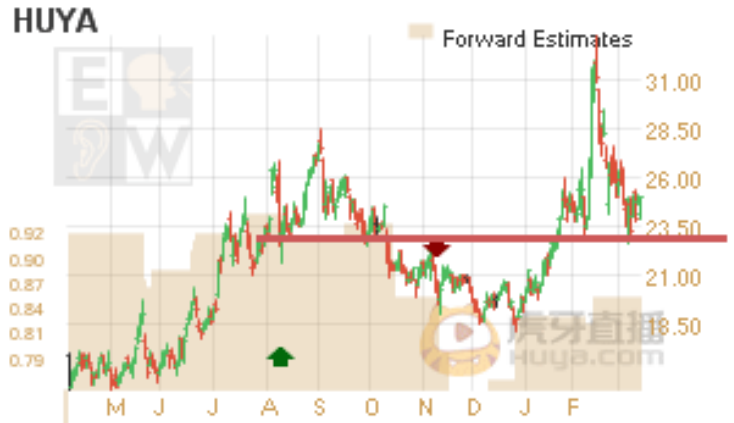
**Earnings Trends**







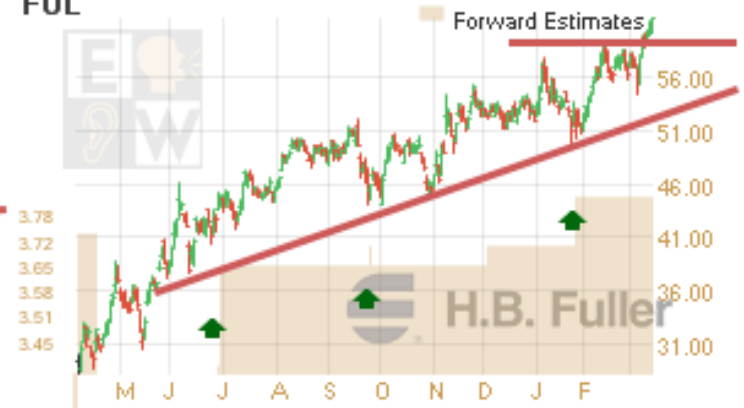
**Upcoming Releases with Favorable Earnings Whisper Scores**



**SOLO**



**FUL**



**KBH**



**GRWG**



**HYRE**



**NLTX**



**ALXO**



**VBLT**



**SMPL**



**ABEO**



**ANGO**



**CHWY**



**PVH**



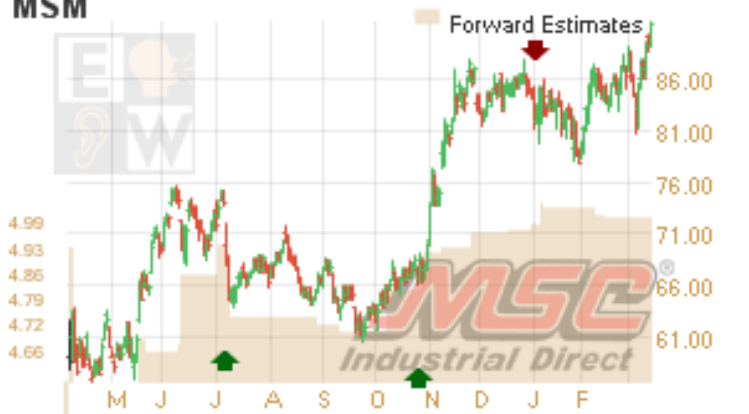
**MU**



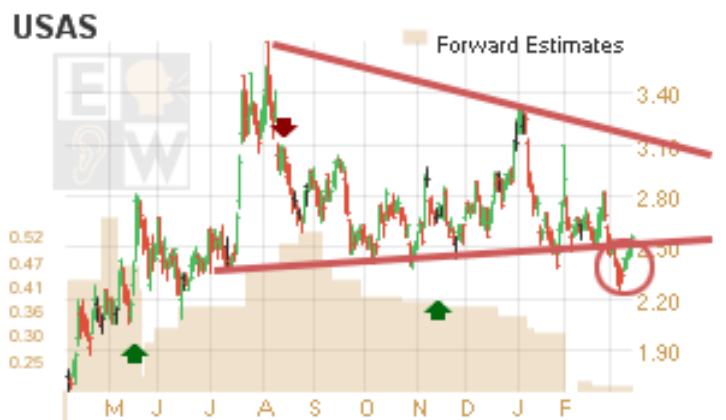
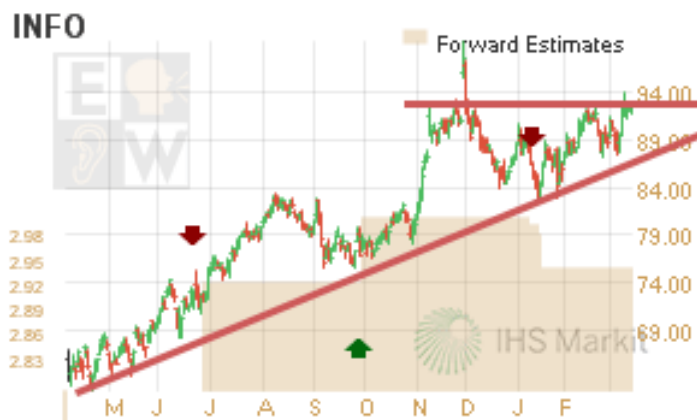
**BLNK**



**MSM**



**Upcoming Releases with Unfavorable Earnings Whisper Scores**



**Bottom-Up**

Our Bottom-Up analysis is a preview of key earnings releases scheduled in the coming week. Inclusion in our Bottom-Up analysis does not, necessarily, imply the stock is a trade ahead of earnings or even that it is setting up for a trade after the news. Trades are listed online at <http://eps.sh/plays>, discussed in our trade notes at <http://eps.sh/notes>, and/or included in our morning emails.

**Williams-Sonoma**  
**WSM**



**Earnings Whisperer**  
**\$3.60**

Earnings Estimate:  
**\$3.22**  
Revenue Estimate:  
**\$2.17 billion**

**Wednesday**  
**Mar 17**  
4:15 PM ET

**Volatility**  
Priced into options:  
**10.1%**  
Average move:  
**10.3%**



Expectations going into Williams-Sonoma's (WSM) are near its multi-year high set back in August when the company beat consensus estimates by 73% but the stock sold off on the news. Thus, more so than usual, the risk has more to do with expectations than actual results. That said, the main concerns are less about the results for the quarter but rather, as the economy opens up, the strong home improvement trends are going to ease and that means estimates are at risk of going lower or, at least, not going any higher... which is needed when expectations are high.

While we don't know what is going to happen as the economy opens up, we know that the economy has already started opening up and the data checks have continued strong for the home improvement sector with a modest slowdown to around 25% during the snowstorms but a return to above 30% year-over-year growth since then. That doesn't necessarily mean Williams-Sonoma will see 30% growth for the three months ended in January, but the previous quarter saw 22% revenue growth and the consensus estimate for the January is a slowdown to less than 18%. Given the strong data checks for the overall industry, the assumption is that revenue estimates are low, and Zachary Fadem at Wells Fargo said he expects a strong quarter from the company.

The company has not been providing guidance during the pandemic, so we might not get much of a view on the quarter ending in April, but this likely holds the key and this is why the statistics point to a continued move higher for the stock... which would support the trend line holding. Consensus estimates call for growth to slow below 12% year-over-year for the quarter, but even with disruptions from the snowstorms, industry checks still point to above 20% growth for February and a return to 30%+ growth to start March. This means estimates are likely to get revised higher, which is statistically positive for the stock going into earnings. On average, when estimates are revised higher after its earnings release, shares of Williams-Sonoma closed higher by an average of 3.65% on the news.

Over the past six quarters, which has mainly been since COVID-19, shares of Williams-Sonoma have averaged a 10%+ move on earnings and option traders are pricing in a similar move this time around, and we've drawn this on the chart. A move higher by such an amount would take the stock back up to new highs, whereas a move lower would break the trend line and setup for a potential bigger move lower... but that's really the trade. As long as the stock holds above the trend line, or say \$126.50, then the assumption is a continued move higher, and that's where the stock resides going into earnings.

Accenture  
**ACN**



Earnings Whisper  
**\$2.01**

Earnings Estimate:  
\$1.90  
Revenue Estimate:  
**\$11.82 billion**

Thursday  
**Mar 18**  
6:45 AM ET

Volatility  
Priced into options:  
**4.9%**  
Average move:  
**4.7%**



There are no sure things in the market, and you can never know for sure if a trade is going to work. All you can do is find favorable odds with a technical setup to give confirmation and a setup to help you know when to get out when you are wrong. Accenture (ACN) meets these criteria.

Last quarter Accenture gave guidance for revenue of \$11.55 billion to \$11.95 billion, and the consensus revenue estimate currently sits at \$11.82 billion, but James Faucette at Morgan Stanley said their checks were positive throughout the quarter and point to strong demand and profitability and Jason Kupferberg at Bank of America Securities said he sees a robust second quarter with upside potential to estimates.

This comes after the stock gapped to a new high last quarter but subsequently filled the gap before breaking a trend line last week to signal a potential bigger move higher. As long as the stock remains above this line, or say \$257, then the assumption is a return to new highs and the stock's average move would take it to \$280. A move lower by the average amount would take it below this level, but still above where it was prior to last quarter.

The catch is that expectations aren't just positive for the quarter, but also going forward and James Friedman at Susquehanna said their checks show accelerating trends that point to still higher estimates going forward. As long as estimates continue higher, then the bias should be for the stock to move higher, and that supports trading the breakout.



**Embraer**  
**ERJ**

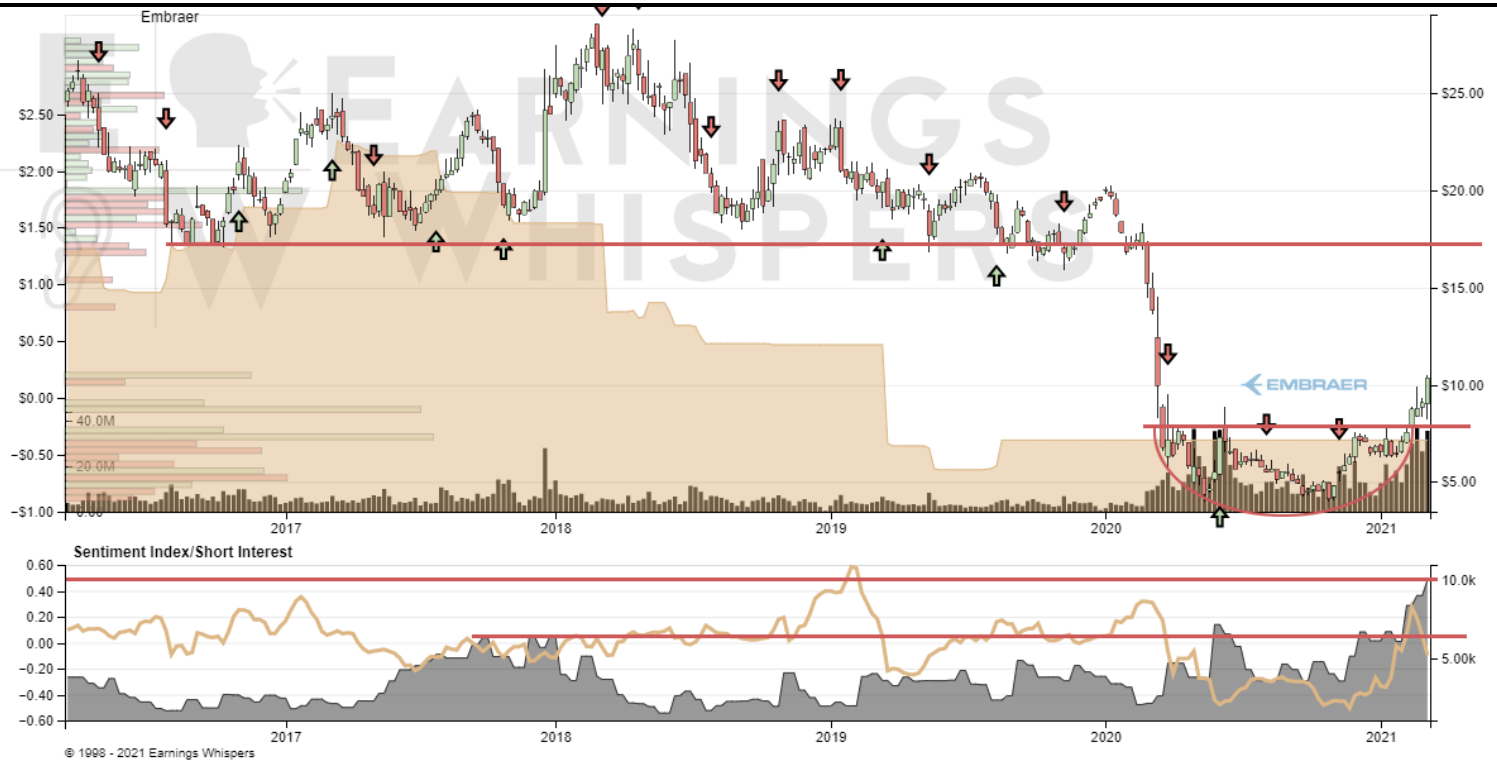


**Earnings Whisper**  
**(\$0.18)**

Earnings Estimate:  
(\$0.28)  
Revenue Estimate:  
**\$1.66 billion**

**Friday**  
**Mar 19**  
5:00 AM ET

**Volatility**  
Priced into options:  
**17.9%**  
Average move:  
**2.5%**



We're not sure if you have noticed this or not, but it hasn't been a great year for the airline industry. Of course we are joking, because we know you've noticed this as have the rest of the market. In fact, the market knew it back in March when shares of Embraer (ERJ) quickly sold off to below \$7.50. Once the stock got below \$7.50, short sellers stepped in betting that the stock would go lower still, and short reached a new multi-year high in the stock. The stock rallied back to \$7.50 but then eventually rolled over again until this past November. Since then, as the stock neared \$7.50 again, short sellers jumped back in betting that \$7.50 would hold as resistance. However, once they were proven wrong, instead of covering their losses, they double-down... almost literally... and short interest has climbed as the stock pushed higher still. Technically, now, the stock has a rounded bottom and the move above \$7.50 has a technical upside target to \$11. However, if all the bad news is behind it, what is keeping the stock from returning to above \$16?

We don't have a lot of evidence supporting such a move, but short interest tends to peak at a stocks bottom and is its lowest at the top, and the volume while the stock was below \$7.50 has all the signs of capitulation and a longer-term move higher. Thus, any move lower that holds \$7.50 should likely be viewed as a buying opportunity. If that move lower comes on earnings above consensus estimates, then we'll have statistics to support the trade because, in the past, when shares of Embraer have gapped lower on an earnings beat, the gap we lower by 2.5% but the stock was up a week later by an average of 5.4%.

Either way, what are they going to tell you that you don't already know? If they don't tell us anything new, then it means the short trade is over, and probably \$16.50 comes before \$7.50.



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## Most Anticipated Earnings Releases for the month beginning March 15, 2021

(only showing confirmed release dates)

Monday		Tuesday		Wednesday		Thursday		Friday	
15	Resonant Inc. VUZIX CORBUS HealthEquity Desktop Metal agenus	16	CROWSTRIKE FuelCell Energy Village Farms NewFortress Energy JABIL	17	SUNDIAL gevo 拼多多 five BELOW WILLIAMS-SONOMA, INC. CINTAS	18	FedEx nike DOLLAR GENERAL HEXO CanadianSolar accenture	19	EMBRAER Celston Corporation Wireless Telecom Group
22	RAVEN INDUSTRIES IRIDEX BIOLIFE SOLUTIONS 云集 YUNJI Newtek	23	GameStop bionano GENOMICS Adobe 虎牙直播 HUYA.COM at home	24	Gigamonitors WINNEBAGO RH RESTORATION HARDWARE GENERAL MILLS amwell KBHOME	25	momo GAN DARDEN OpGEN PHUNWARE SAIC	26	LEJU 乐居 LEJU.COM
29	ReneSola I-MAB BIOPHARMA	30	chewy McComick FACTSET Porch PVH angiodynamics	31	Micron ARCIMOTO Wilgreens Boots Alliance ncino UniFirst U1st vitru EDUCATION	1	CARMAX	2	
5		6	PAYCHEX	7	Lamb Weston	8	Constellation	9	Afm
12		13	FASTENAL	14	WELLS FARGO JPMorgan Chase Goldman Sachs KLX Energy Services	15	Bank of America citi PEPSICO J.B. HUNT	16	Morgan Stanley PNC BNY MELLON Citizens Financial Group, Inc.



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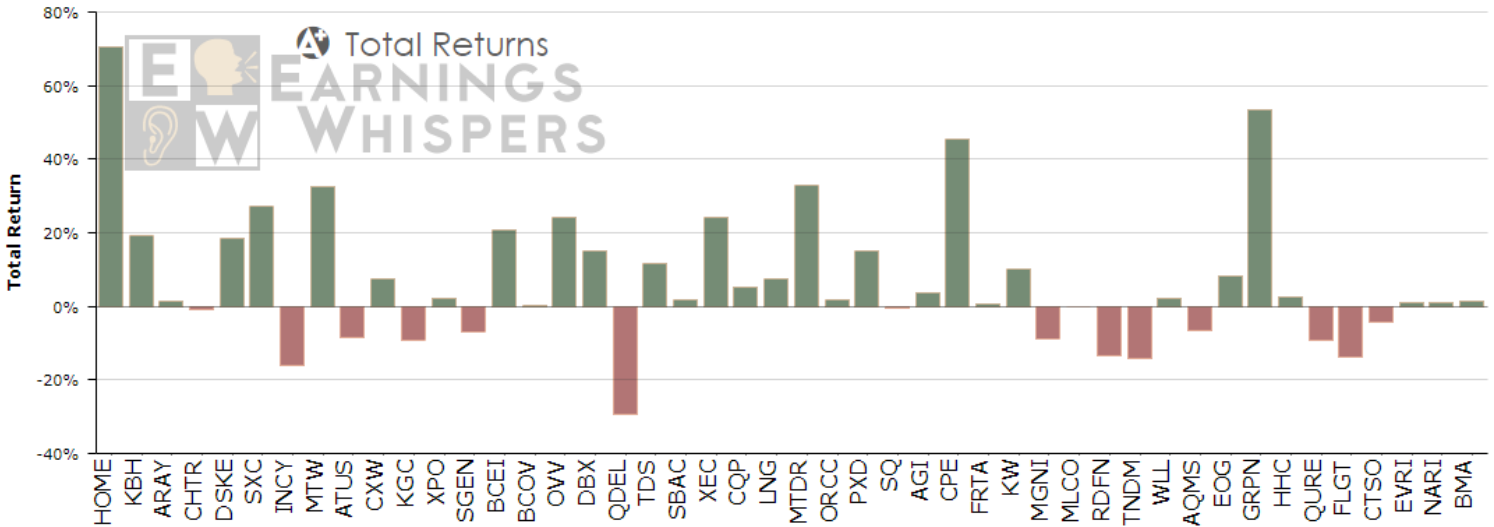
The Whisper Report®  
Number 806

Prepared on Monday, March 15, 2021

## Earnings Whisper Grades

A current listing can be found at <http://eps.sh/apluses> and to learn more about the Earnings Whisper Grades, please go to <http://eps.sh/about-grade>. To get early morning alerts for all A+, please see your account settings at <http://eps.sh/account>

So far this quarter, stocks of companies with A+ earnings are up 7.1% on average, since reporting, while the S&P 500 is up 1.9% so far.

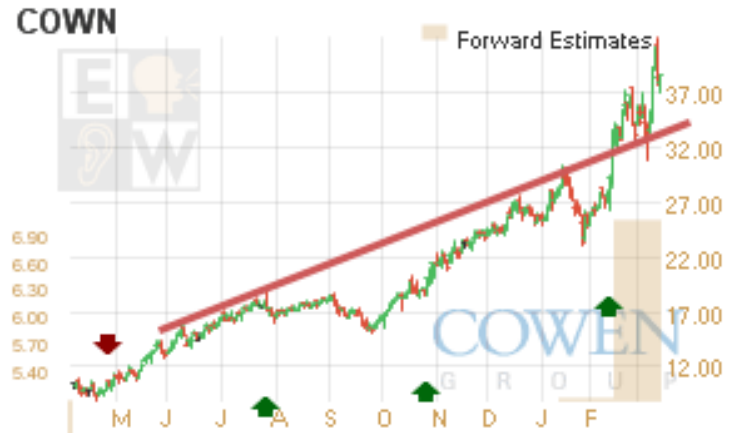
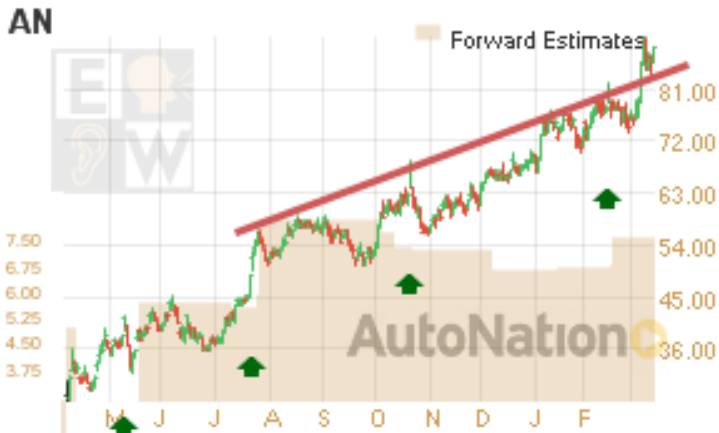
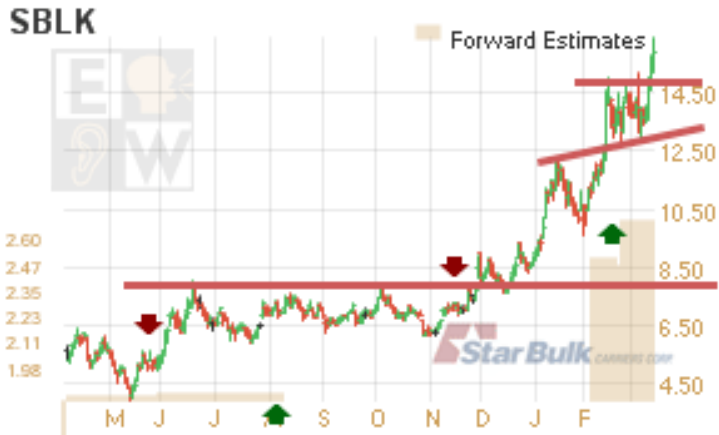
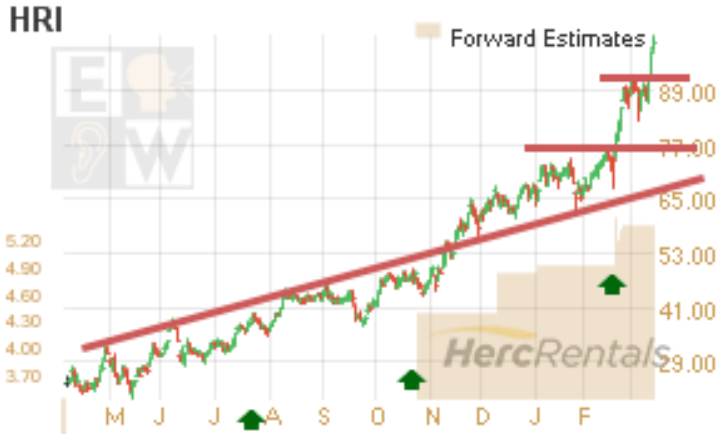


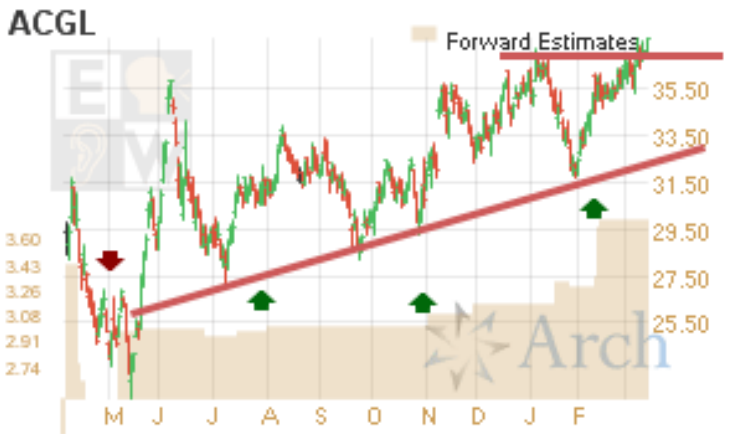
**Recent Positive Earnings with Positive Charts**













### Weekly Disclosures

The following positions discussed in this issue of the Whisper Report ® were held by proprietors, management, or employees of Earnings Whispers as of the close on Friday:

We are net long the overall stock market and have long positions in Williams-Sonoma (WSM) and Accenture (ACN).