



EARNINGS WHISPERS

<https://www.earningswhispers.com>
1-866-EPS-GUID

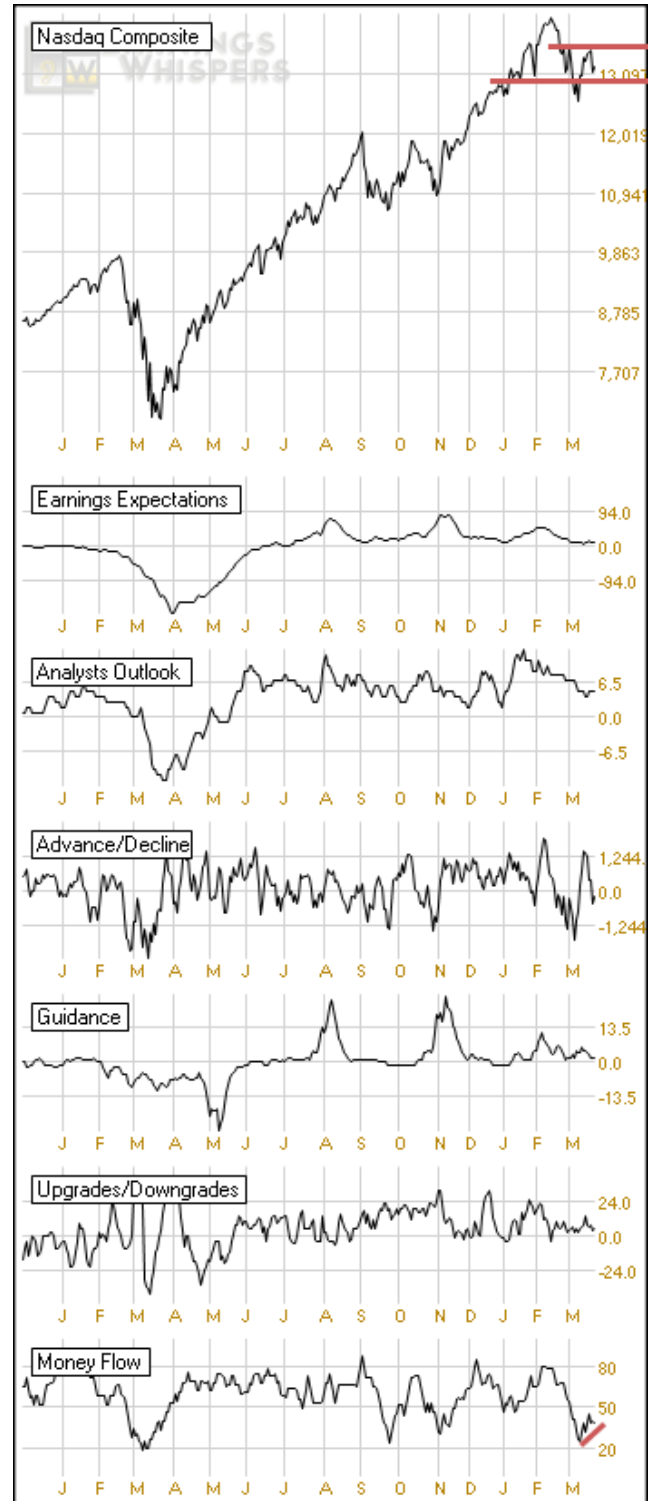
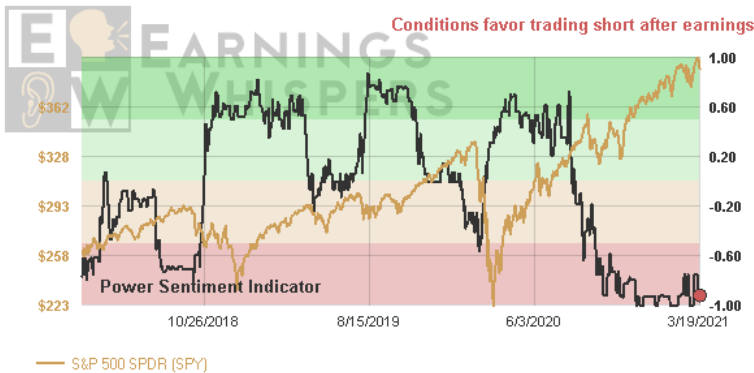
The Whisper Report®
Number 842

Prepared on Monday, March 22, 2021

Current Trading Strategy

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

- The fundamentals continue to improve, and this will continue for at least a few more months, but it is still a Fed-driven story and that becomes a near-term headwind.
- GameStop – the short squeeze is over
- Winnebago – expected beat and a breakout
- At Home – expected beat
- General Mills – probably more upside for next quarter, but a breakout for the stock



Statistics for the month of March 2021

| | Positive | Negative | In-line | Ratio | Normal Ratio* |
|-------------------|----------|----------|---------|-------|---------------|
| Guidance | 105 | 49 | 109 | 68.2% | 35.1% |
| EPS Surprises | 507 | 393 | 56 | 56.3% | 52.2% |
| Whisper Surprises | 86 | 109 | 8 | 44.1% | 48.9% |
| Revenue Surprises | 524 | 245 | - | 68.1% | 55.3% |

* The average ratio for the month of March

Key Market Events

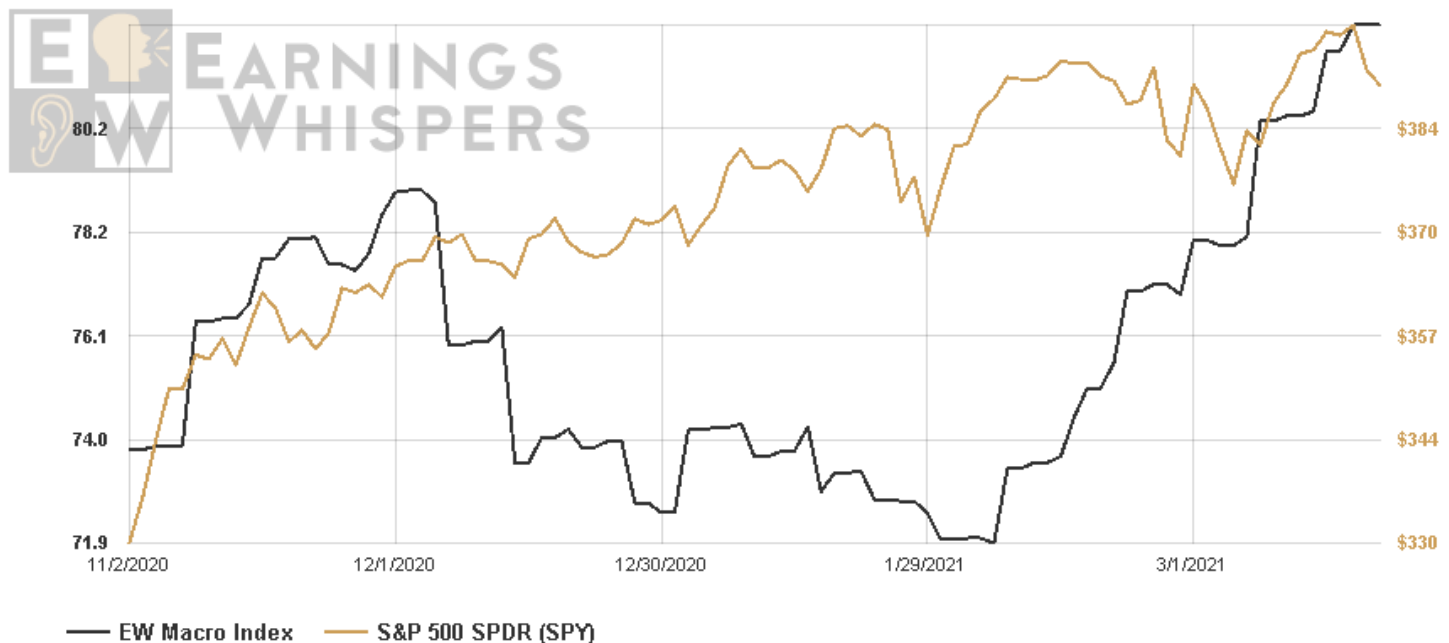
- 3/24 February Durable Goods
- 3/25 Initial Jobless Claims
- 3/26 February Personal Income/Spending

Top-Down

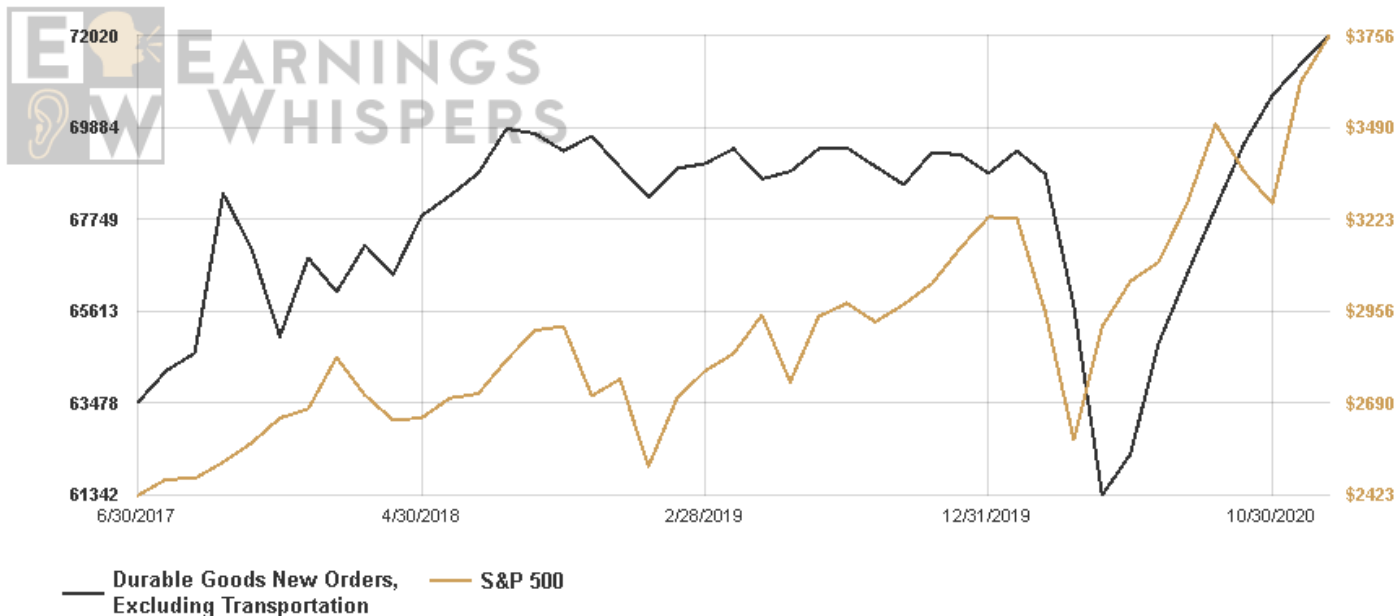
| Monday | | Tuesday | | Wednesday | | Thursday | | Friday |
|----------------|-------------------|-----------------|-------------------------|--------------------|-------------------------|--------------------|---------------------|-------------|
| Before Open | After Close | Before Open | After Close | Before Open | After Close | Before Open | After Close | Before Open |
| 云集 YUNJI | 7AE | 虎牙直播 HUYA.COM | GameStop | WINNEBAGO | Generation | momo | blink | LEJU 乐居 |
| SYNNEX | BIOLIFE SOLUTIONS | 三鱼 DOUTU.COM | bionano SENOMICS | GENERAL MILLS | RH RESTORATION HARDWARE | DARDEN | CO-DIAGNOSTICS INC. | quotemedia |
| ZIM 75 | RAVEN INDUSTRIES | IHS Markit | Adobe | seanergy | KBHOME | + | BOXLIGHT | 房多多 angpp |
| Guild mortgage | Newtek | NEOGEN CORPTECH | at home | Tencent 腾讯 | amwell | VBL therapeutics | GAN | |
| | | VOLITION | Marrone Bio Innovations | FreightCar America | Brainsway | ICLACK INTERACTIVE | ADMA BIOLOGICS | |

We measure the economy with Gross Domestic Product (GDP), which is calculated by adding household consumption, total business investment, government spending, and net exports. Thus, by definition, the \$1.9 trillion stimulus bill is going to increase the strength of the economy by a record amount – surprising the \$1.65 billion increase seen in the third quarter. The term “strength” might be a little misleading because the increase in GDP will be all through increased debt, which means the increased economic activity is temporary and also means there will be softening economic activity when it comes time to begin paying for this increase... but we don’t trade based on what might happen two years out and stock prices, in theory, reflect activity six to nine months down the road. According to S&P Global, the stimulus puts the economy a quarter ahead of schedule for returning to pre-COVID levels and the economy will begin to decelerate by 2023. So, for now, the stimulus should be viewed as a net-positive for stock prices.

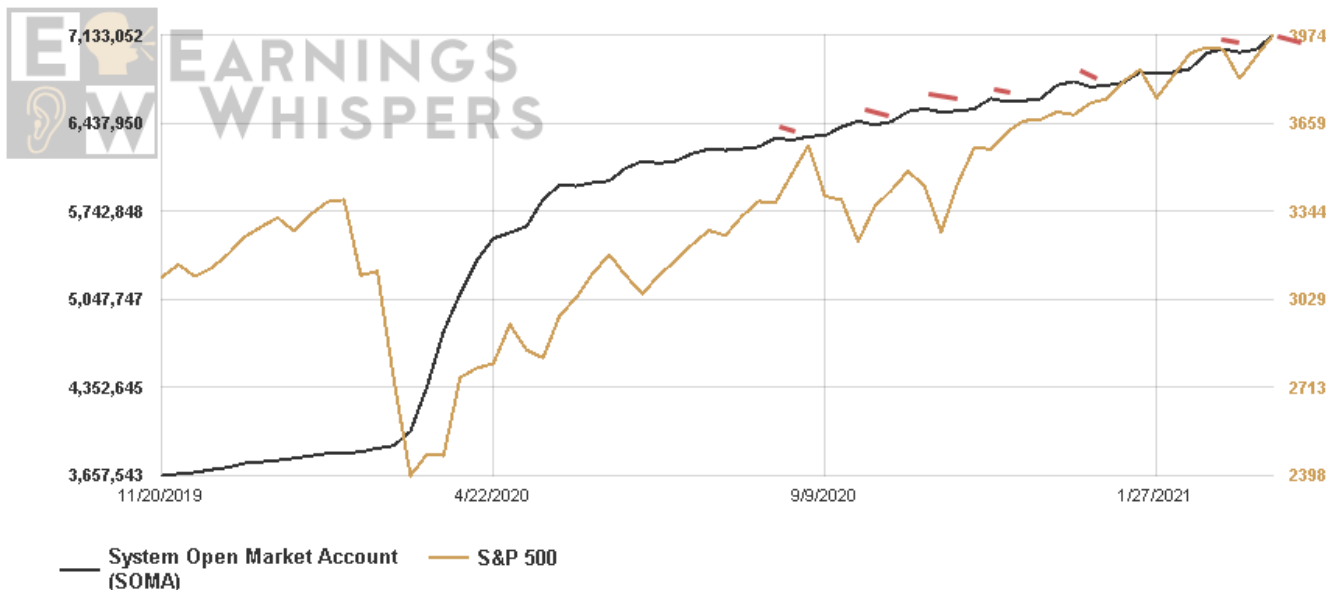
The stimulus comes as the economy had already started trending higher again. Our index of macroeconomic data, which correlates closely with stock prices and earnings, topped in early December and started moving lower until early February. With more states opening their economies, and with the federal spending, the black line below should continue moving higher and that, in the past, has shown to be a positive for stock prices.



The line on the chart above is likely to get a bump starting with the month of February because the Durable Goods New Orders data, excluding transportation, is part of our index. In normal economic times the Durable Goods data is more significant but now is rather stale given the rapidly changing environment. The chart below shows the new orders data along with the S&P 500 up until January. Both are sitting at highs and we already know stock prices have gone to new highs. Expectations are for Durable Goods New Orders to also continue to new highs and it is unlikely to be as relevant. The key, here, is that new orders are also likely to continue higher in the coming months and that implies stock prices will too.



The economic conditions tend to show up in corporate earnings which create the demand for stocks, but there also has to be sufficient supply of money to go into the stock market to lift prices. On top of the stimulus bill, the Federal Reserve has been taking care of the market liquidity and last week the Fed confirmed there would be continued supply. The chart below shows this increase supply for the past year or so.



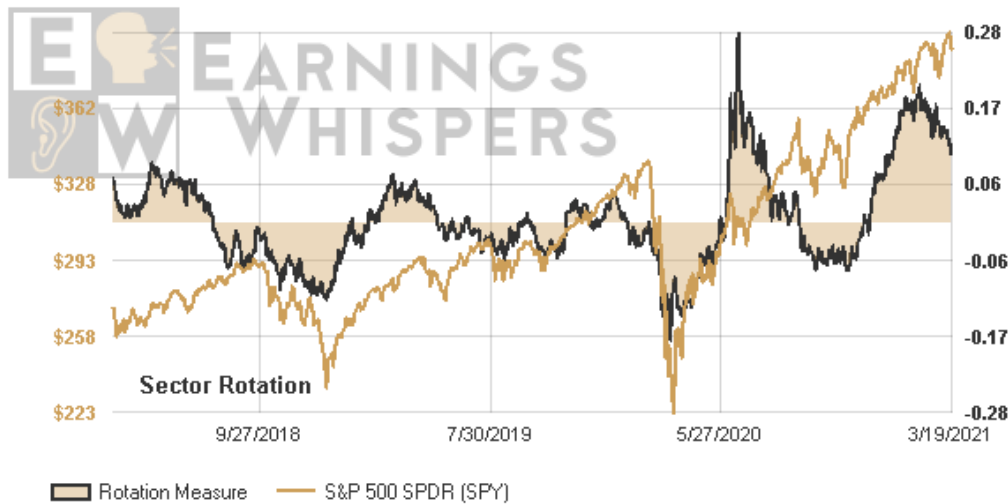
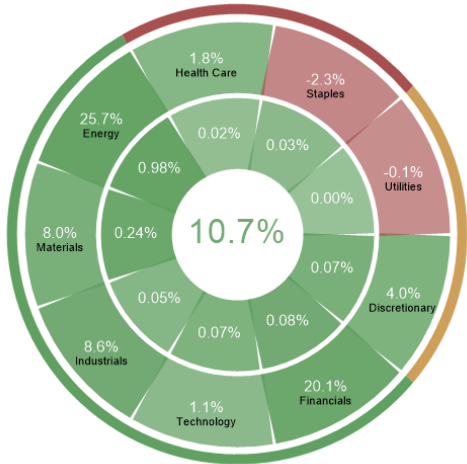
While the liquidity is to continue, the Fed added more than \$110 billion in assets to its balance sheet last week. This wasn't as much as it added in mid-February, but it was the second biggest weekly increase since last May and continues the pattern of a spike in asset buying during the middle of the month that fades and actually shows a contraction during the very end of the month. That might contraction might be a week away, but we've seen some recent selling pressure during the end of the month as the Fed let assets roll off its balance sheet and money tightened. Like we have said in recent months though, such weakness should likely be bought with more liquidity and continued improvements in the economy come in the months ahead.

Market Overview

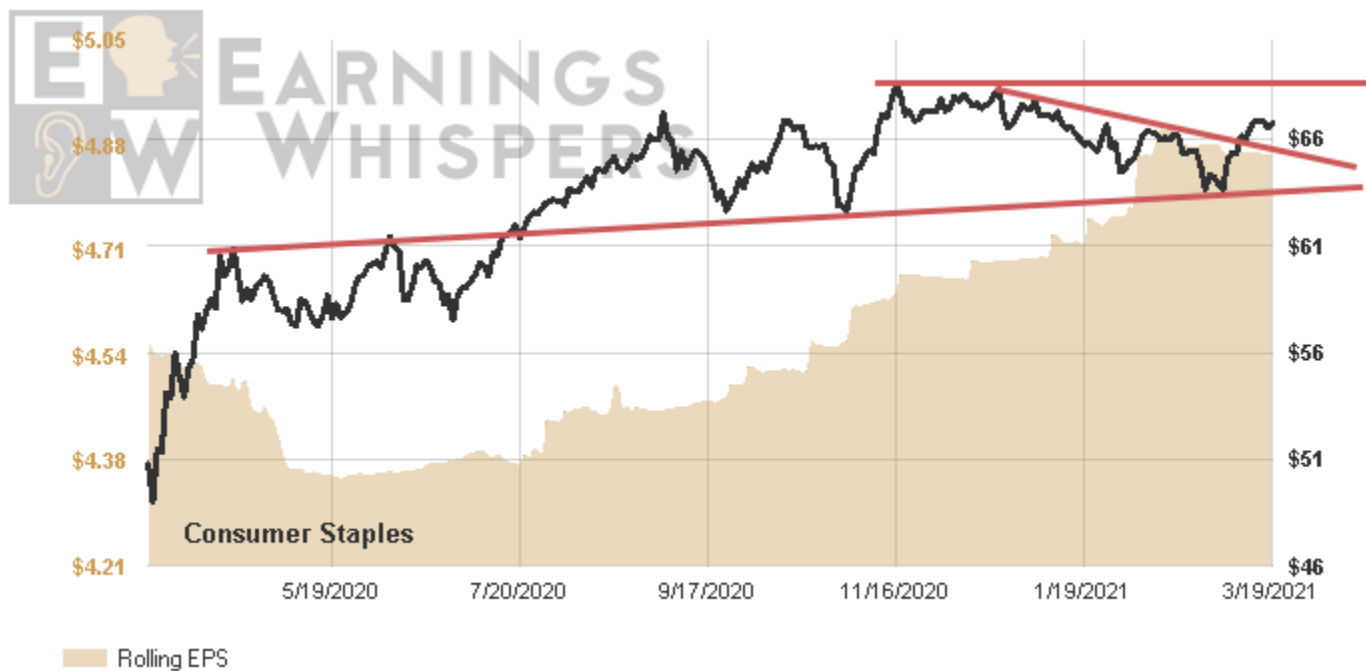
While liquidity continues to come into the overall financial markets, we haven't seen that money come into the stock market of late even as stock prices pushed to new highs. The chart below shows a line at the two recent peaks in the S&P 500 but we've added lines that have downward slopes over the same period for the advance/decline oscillator and the Money Line – our measure of the net buying and selling in the stock market. This means there are fewer stocks supporting the higher stock prices and, at the same time, there is less money in the markets support stock prices. The longer these two move in the opposite direction, the more likely that it is the price action that is wrong and a selloff generally follows. For now, though, any selling that holds 3,775 should be viewed as a buying opportunity and we continue to trade primarily long ahead of earnings.

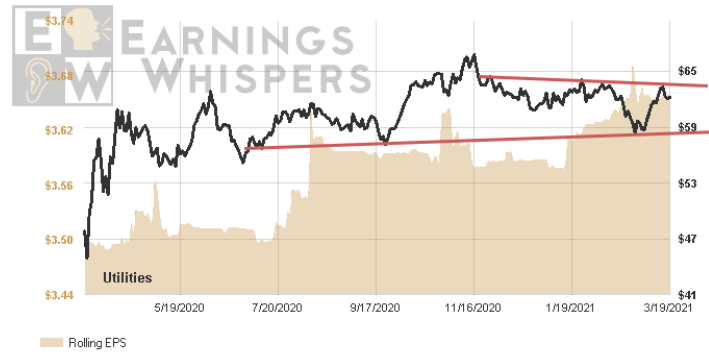
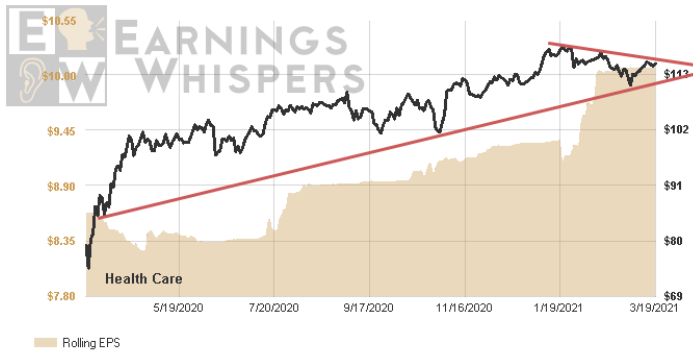
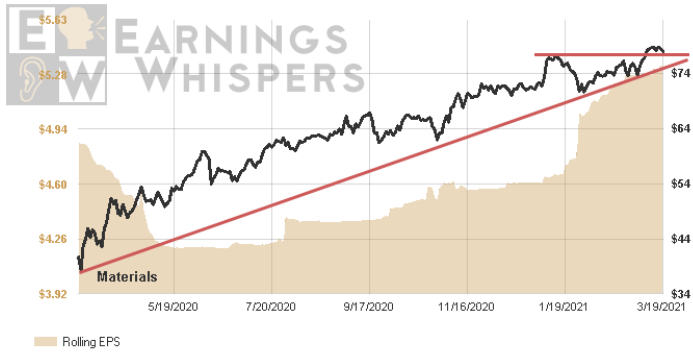
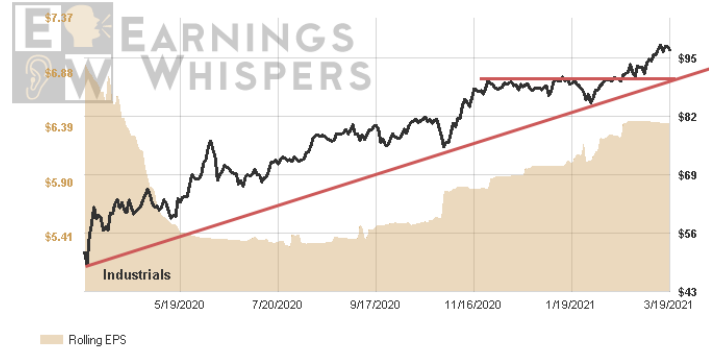
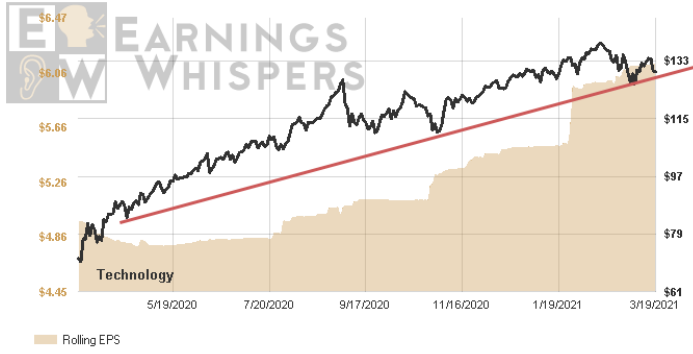
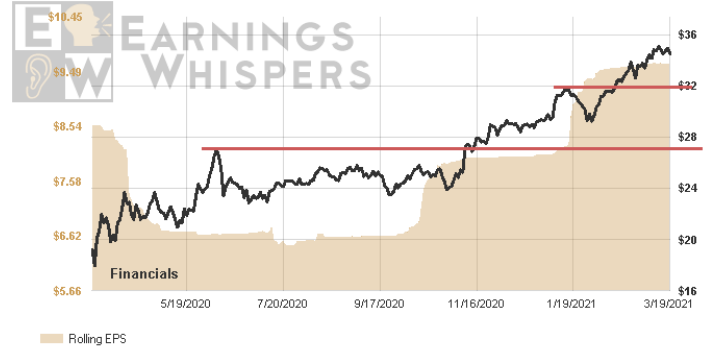
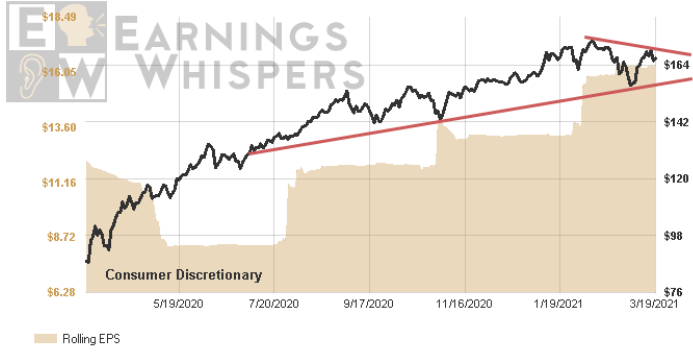


Sector Performance

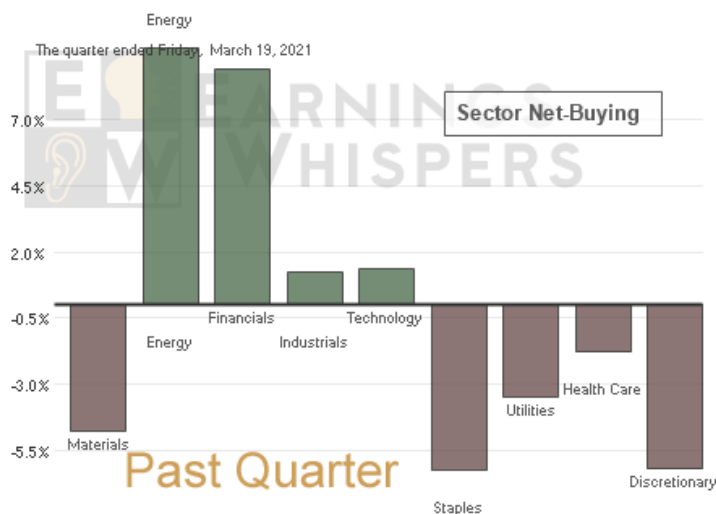
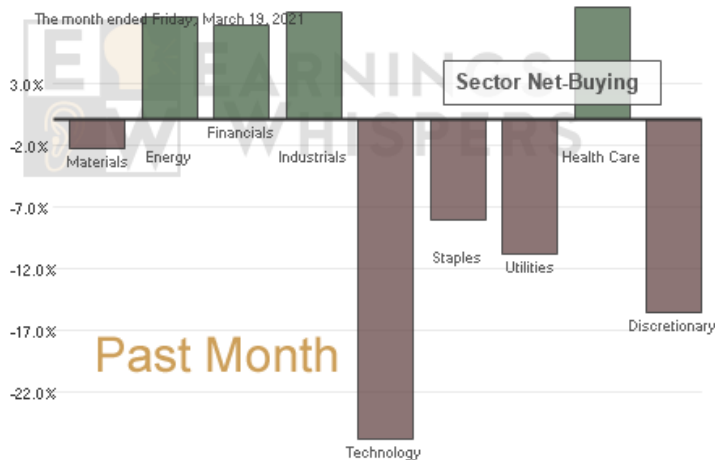
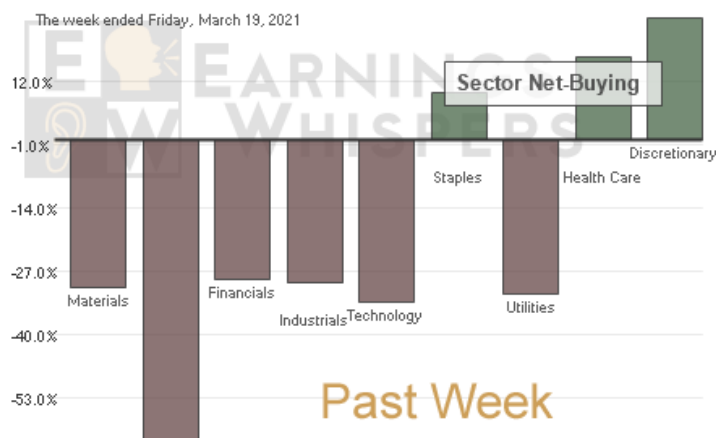
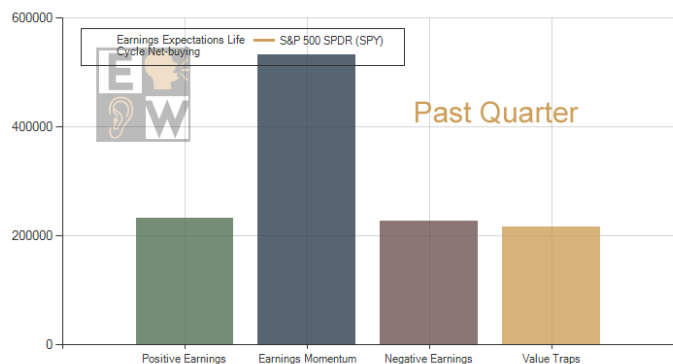
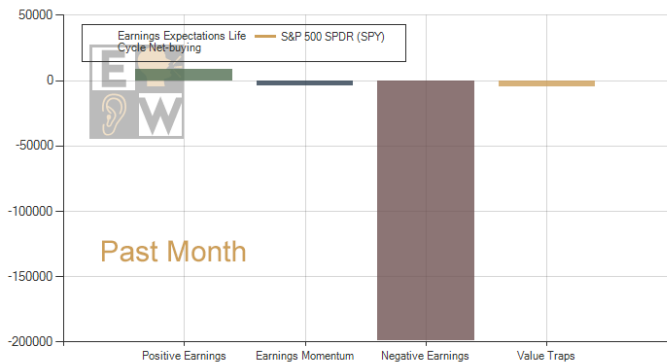
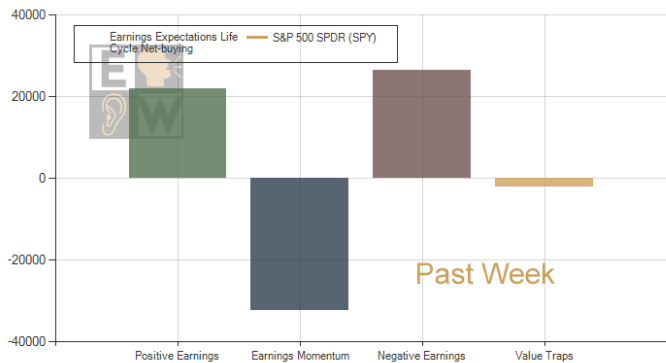


Our measure of the sector rotation in the stock market still favors positioning for a continued run higher. Part of this is due to the under performance in the Staples and Utilities. We discussed last week the potential for outperformance from the Utilities going into earnings in late April on the strong numbers in February that should continue to push earnings estimates higher going into earnings. The Staples, on the other hand, have the technical indication of a potential move to new highs after breaking the recent trend line off the highs. This is particularly interesting because, as noted during this past earnings season, the prior weakness following earnings came despite strong results and continued upward earnings revisions because the tailwinds have shifted away from the Staples towards sectors that tend to benefit later in the economic cycle. After all, you likely have stacks of toilet paper by now and, if you don't, you probably have little trouble getting it. Yet, continued strength in this sector could be a sign that investors are returning to safer sectors.

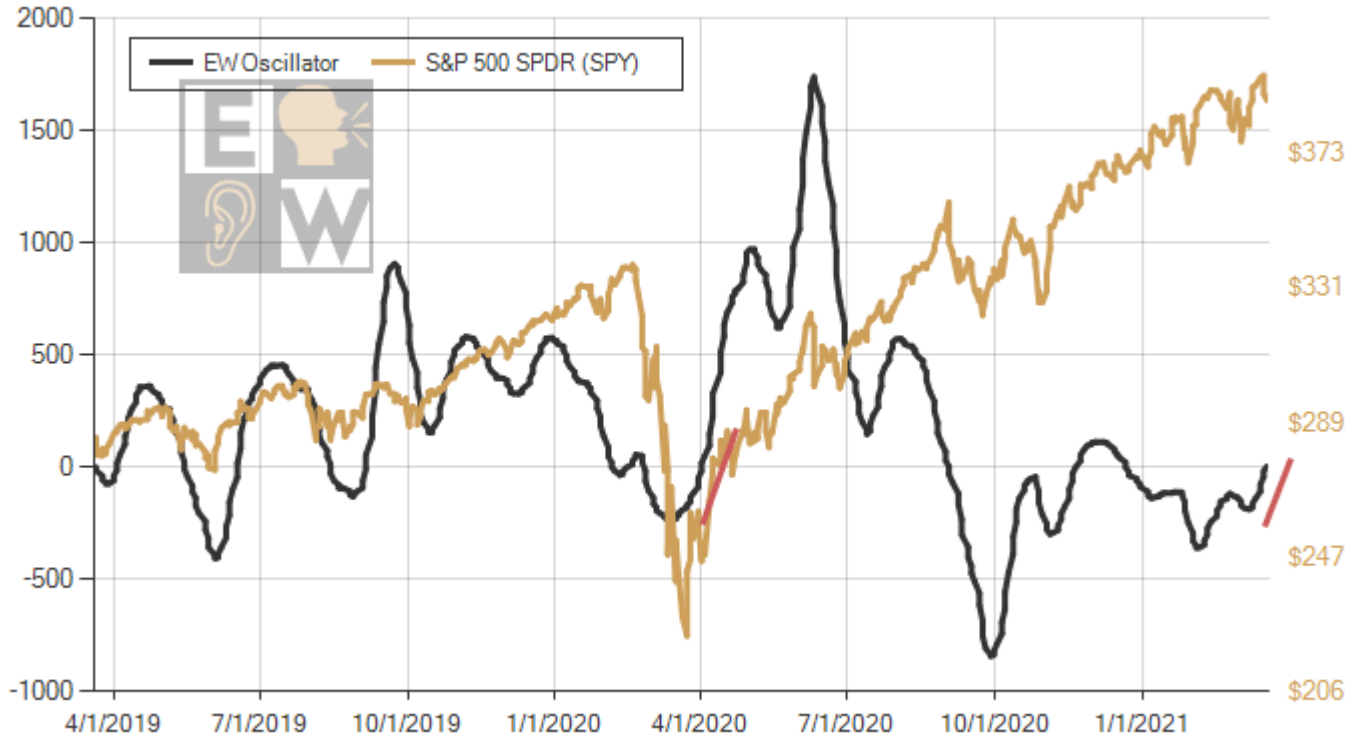




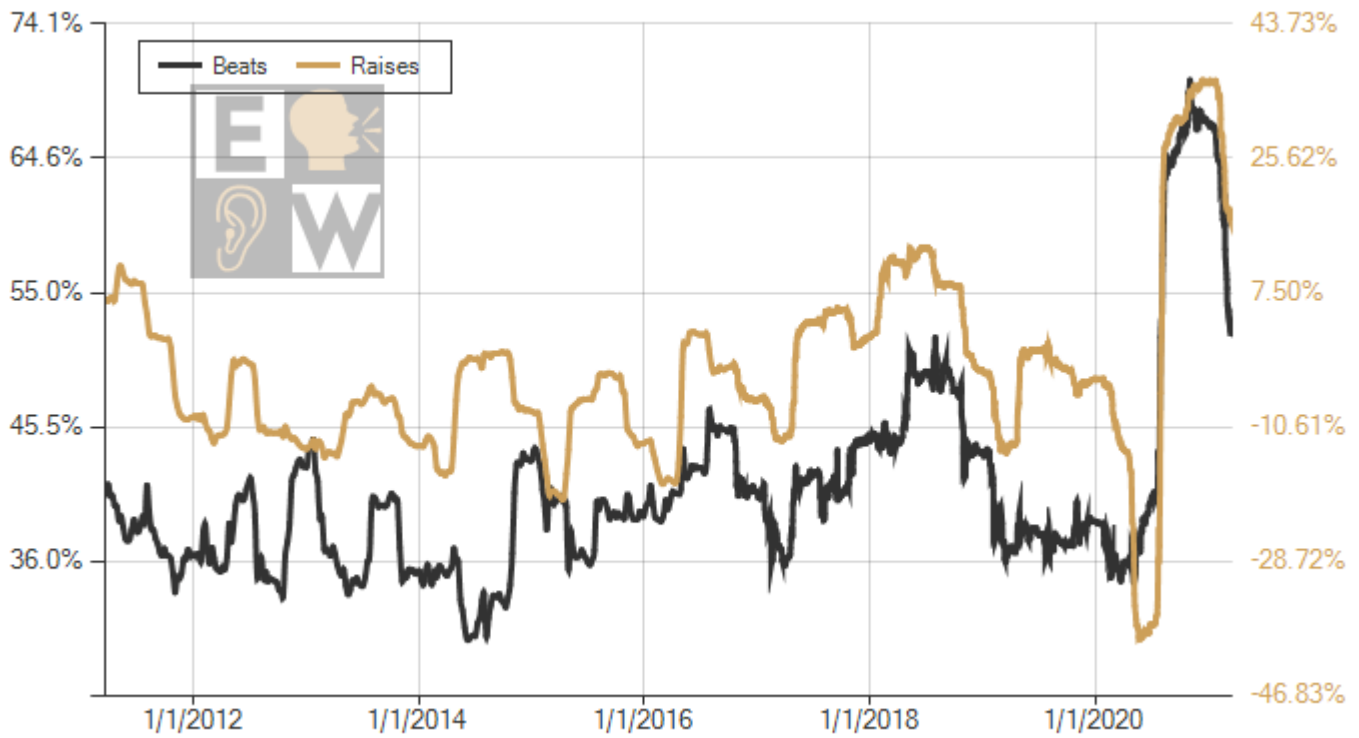
Money Flows

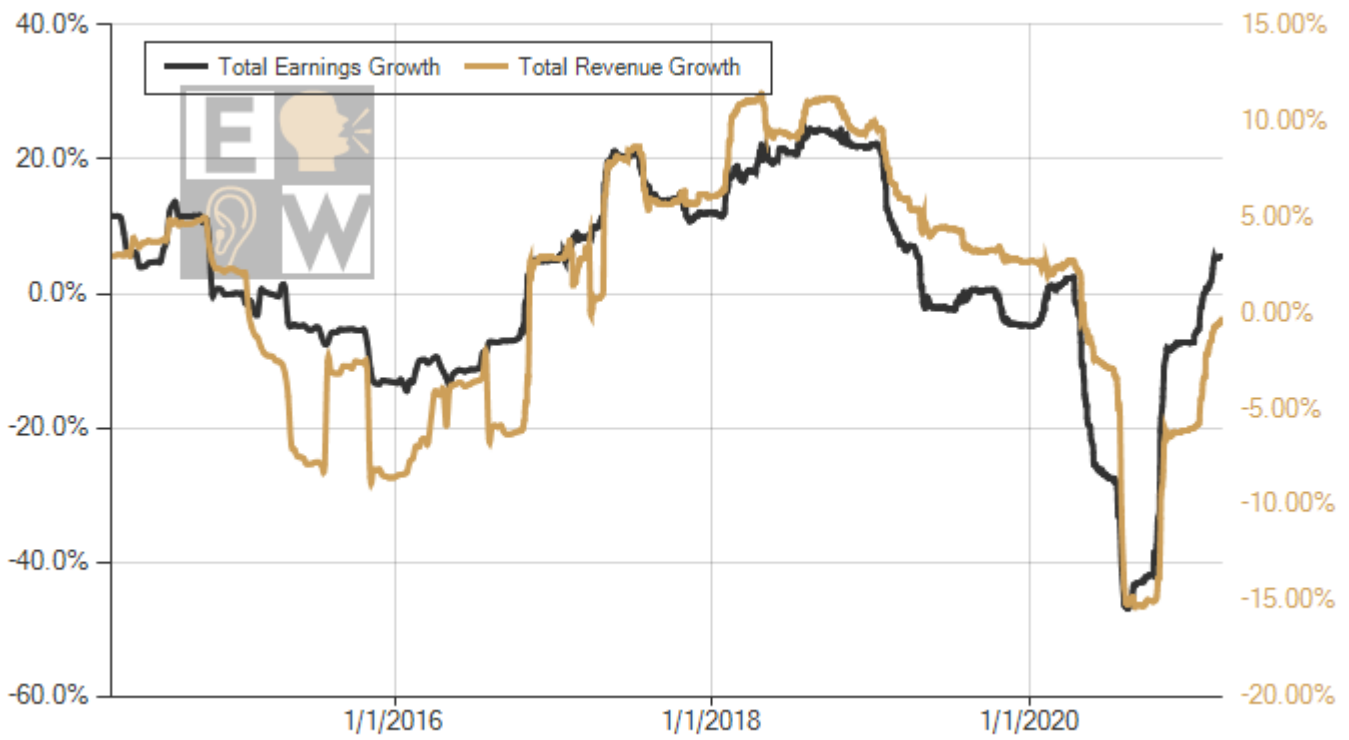


We look at different periods for money flow for the very reason we are seeing right now in the charts above. Over the past month, Negative Earnings stocks have been the clear underperformers with heavy net selling and net buying in the Positive Earnings stocks. Some of this reversed last week with selling in the Earnings Momentum names, but if we look out over the past quarter, we still see the Earnings Momentum and Positive Earnings stocks attracting buyers. Weighing it all together, we saw strengthening in our oscillator of such price action on the next page, to the point that we have typically seen several weeks or months of upward follow-through.



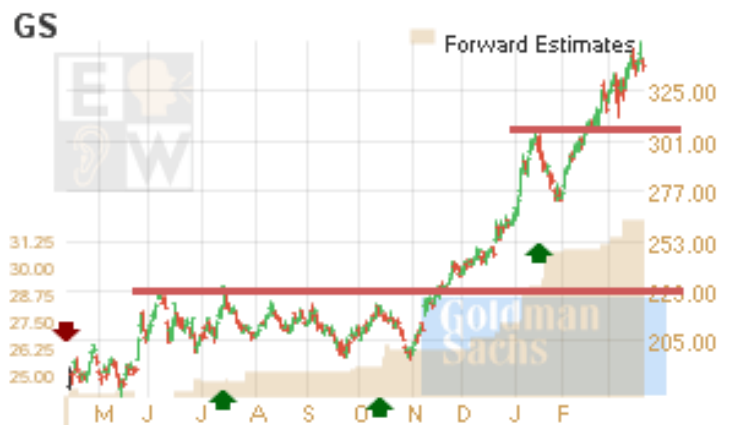
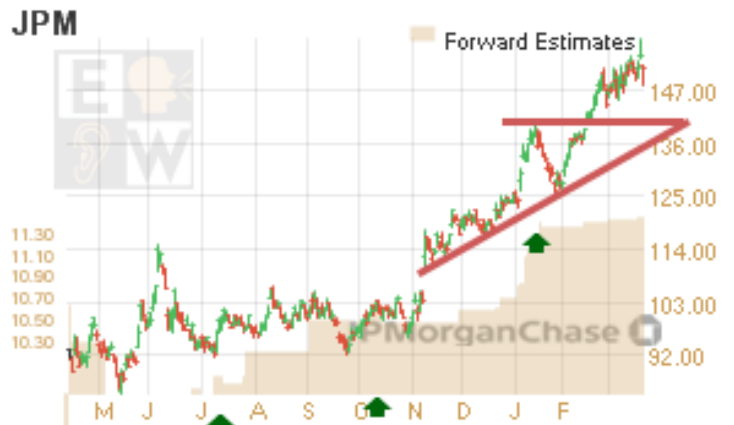
Earnings Trends





Upcoming Releases with Favorable Earnings Whisper Scores





Upcoming Releases with Unfavorable Earnings Whisper Scores

CURI



MBII



USAS



ZNTL



MAG



PHAT



LNDC



AKUS



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.

GameStop
GME

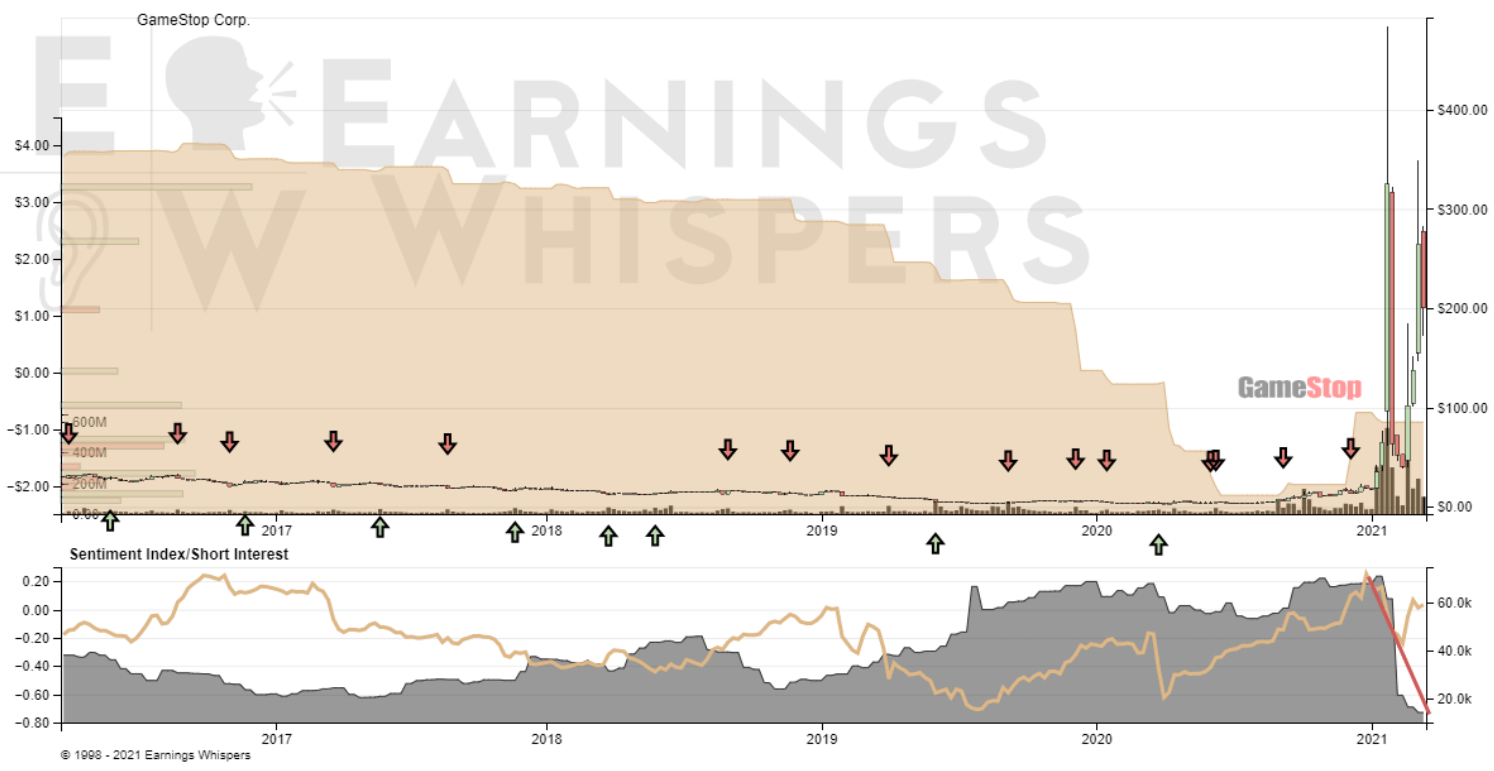


Earnings Whisper
\$1.53

Earnings Estimate: **\$1.46**
Revenue Estimate: **\$2.21 billion**

Tuesday
Mar 23
4:15 PM ET

Volatility
Priced into options:
34.6%
Average move:
11.0%



We don't hold long-term short positions during bull markets but, if we did, we probably could have easily gotten caught on the wrong side of GameStop (GME) because we view it as a buggy whip. As video game sales go digital and even online subscriptions gain market share, GameStop is becoming another Blockbuster or Barnes & Noble (with Barnes & Noble probably able to hang on longer with a more favorable demographic). The chart above shows the declining earnings over the past several years and, as more people caught on to this trend, the more that jumped in to short the stock.

Then the pandemic hit, stores were shut down, and the company slashed costs. The company pre-announced negative results last June and, when company still disappointed a week later, it proved to be the final capitulation in earnings. Since then, the trend in earnings has been positive. While we don't believe you could have predicted last summer that shares of GameStop would see the movement it has seen so far in 2021, but heavily shorted stocks scream short squeeze once earnings start trending higher.

The stock hit \$2.80 around this time last year and had steadily climbed to around \$20 by early January, which means the short sellers had just had the stock go against them by more than 600% before the big squeeze came. As mentioned, earnings started trending higher from a trough, but the company also started buying back shares – something the company actually started in mid-2019. This meant even without covering their positions, the short sellers had bigger positions relative to the shares available. By late January, the stock hit a high of \$483 – or more than 17,000% from the April level. By the time the stock settled back around \$40, nearly all the short sellers were gone... at least relatively speaking. Thus, the move that has taken the stock back to around \$200 going into earnings has come without any significant short covering. If you are looking for a short squeeze after earnings, it is appearing less likely.

As Curtis Nagle at Bank of America Securities said, “now comes the hard part”. What we know is that video game sales have been strong, tracking 30%+ year-over-year in a quarter that is historically the company’s strongest – making up a third of the company’s sales for the year and sometimes all of the company’s earnings. Plus, the company already said it had positive same-store-sales growth and that it expects profitability for the quarter. That might be a little misleading because the company has cut the number of stores open, but on the other hand these results were given in early January and, as it turned out, hardware supply constraints also limited sales, which helped drive accelerating sales growth in the month of January. This puts the potential for upside to revenue estimates and, with the company’s efforts to cut costs, there is some additional margin upside.

The company might not provide guidance for the first quarter, but even before more stores open up after COVID, industry sales remain at a 35% year-over-year growth rate and there are still demand for new consoles that are only aided by the recent stimulus. If the company maintains its view for profitability or even near it for the coming quarter, then it would a significant surprise. This comes with a new focus towards online sales from Chewy’s (CHWY) founder and former CEO who now sits on the board and is leading a team to transition the company online, that suggest trends will continue trending higher after the company’s earnings release. This creates favorable statistics for the stock going into its earnings release.

Still, just to be clear, with the stock trading at \$200, it is well above any valuation model we can find and any time of historical multiple put on current estimates cap the stock at \$50. Consequently, while it is still rather risky and volatile, a move higher after earnings should likely be sold.

Winnebago
WGO



Earnings Whisper
\$1.66

Earnings Estimate: **\$1.37**
Revenue Estimate: **\$805.36 million**

Wednesday
Mar 24
6:00 AM ET

Volatility
Priced into options:
9.2%
Average move:
11.3%



We recently posted on social media a chart of Winnebago (WGO) as it broke out above \$73 and cited favorable industry checks. Shortly after Thor Industries (THO) solidly beat expectations across the board, beating the Earnings Whisper® by 31.5%. The stock rallied on the news and shares of Winnebago continued to build strength after its breakout. Along with that, we saw a rather significant increase in sentiment just after the breakout. This put expectations, as we measure it, at an all-time high going into its earnings release and that extreme optimism has diminished some of the upside potential and took our Earnings Whisper Score down a notch. Still, expectations are high for a reason and the numbers still support the stock going into its earnings release.

For one, estimates have only ticked higher modestly since its breakout and Thor's results, which means there is still room for the company to beat estimates. We already data pointing to this, but Thor reported sales growth of 36% and saw a sequential improvement in margins. Scott Stember at CL King said he sees market share gains from Winnebago, but consensus revenue estimates call for slower revenue growth of 28.5% and a sequential decline in margins. Thus, there is room for upside on both the top and bottom lines.

In the past, when Winnebago has beaten consensus estimates, the stock gapped higher 79% of the time for an average gain of 3.6% and this came after rallying an average of 2.3% during the few days leading up to its earnings release.

At Home

HOME



Earnings Whisper

\$0.80

Earnings Estimate:

\$0.69

Revenue Estimate:

\$522.83 million

Tuesday

Mar 23

4:05 PM ET

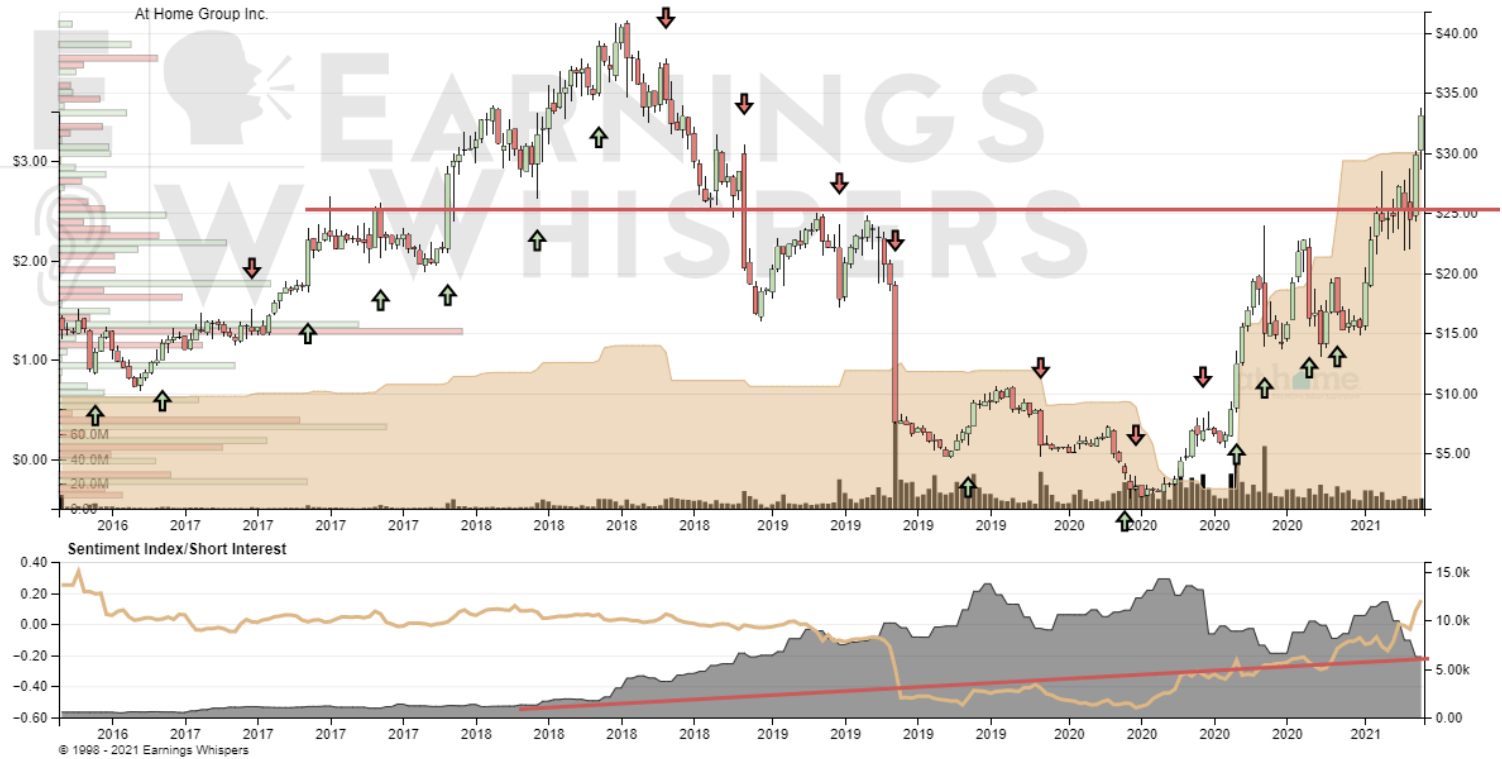
Volatility

Priced into options:

12.4%

Average move:

16.9%



Eventually, the unusual strength created by the COVID-19 lockdowns and social distance have to come to an end. Many investors thought the trends were unsustainable and expected the strength to fade by late 2020. By our theory, trends should revert to the mean in the coming months as states open up, but what we know right now is the trends in home furnishings have remained, and perhaps even accelerated after some slowdown due to the winter storms in February. That's a positive going into At Home's (HOME) earnings this week with earnings already at a high but the stock trading well below its 2018 peak.

Plus, while companies like GameStop get the attention due to the high short interest, overall short interest in the market is rather low. Short interest tends to peak at a stock's bottom and is its lowest when a stock is at its high. Short interest in At Home started climbing just as the stock started to roll over from its high and as earnings started to move lower. Short interest peaked right after the lockdowns and then picked up again heading into the start of the year. Despite the recent decline, short interest is still well above where it was the last time the stock price was at this level and with greater fundamental support due to higher earnings. That support is expected to move higher after the company's earnings release. Jim Chartier at Monness Crespi said he expects At Home to beat estimates.

Where investors might be surprised, though, is for the coming quarter where estimates are for revenue growth of 74%, which is a significant acceleration and may appear high, but this is going against the lockdowns in 2020 and we are currently two-thirds through the quarter, a stimulus bill was just passed, and industry checks are still tracking above estimates... though the company refrained from giving guidance last quarter and might not do so this time.

General Mills

GIS



Earnings Whisper

\$0.91

Earnings Estimate:

\$0.85

Revenue Estimate:

\$4.45 billion

Wednesday

Mar 24

7:00 AM ET

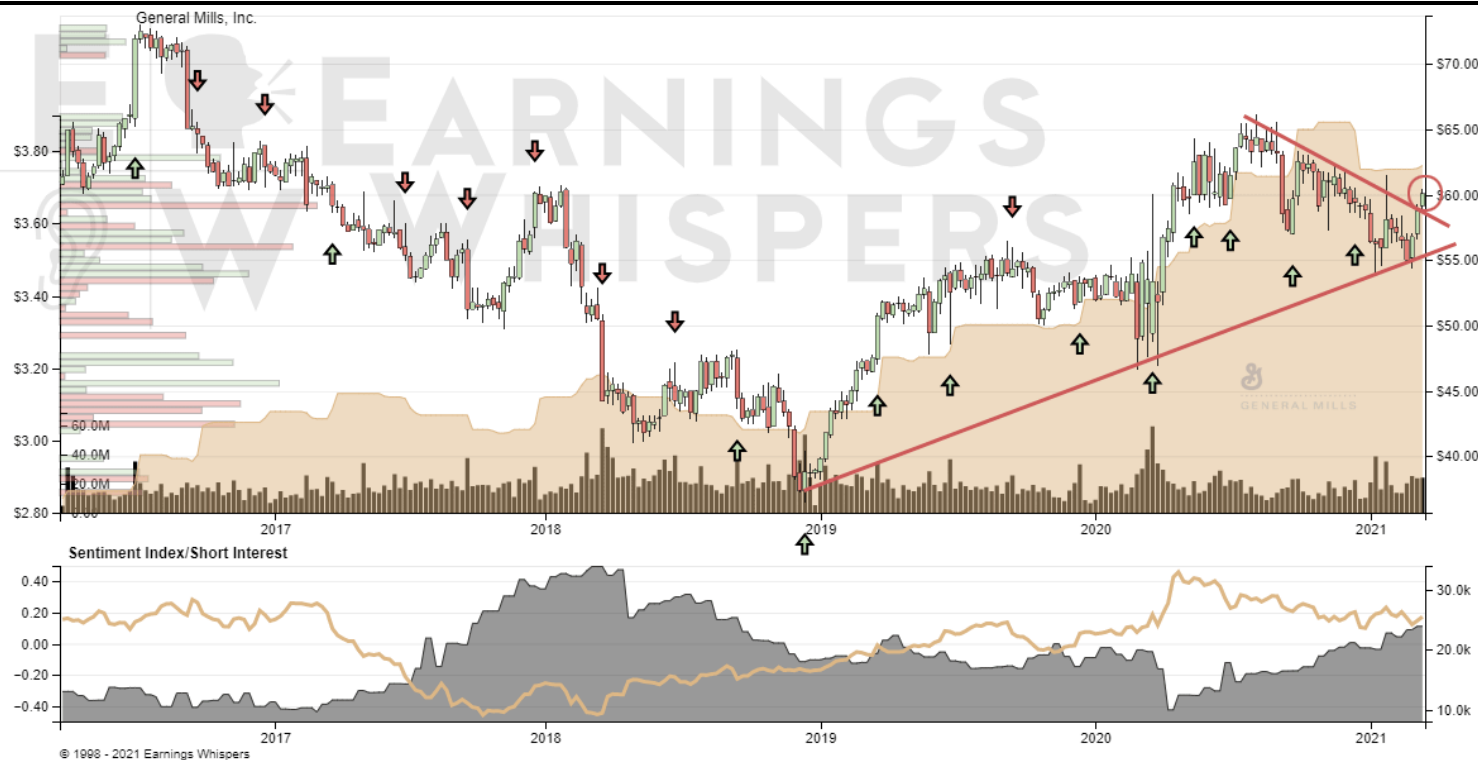
Volatility

Priced into options:

5.9%

Average move:

1.6%



Our view of the market, which is what we are seeing in most of the price action, is based on the view that the economy will open up and pick up steam, at least in the near-term, and the strong demand for the Staples will fade, leaving the results priced into the stock and capping upside even if the overall stock market trends higher. That means passing on trading stocks like General Mills (GIS) ahead of earnings even if they tracked well and meet our criteria. However, when the stock made our list last week, we saw something different – a technical breakout.

First, we're not confident there is a lot of upside room for the quarter. The company said it expected year-over-year revenue growth to be consistent with the second quarter and industry checks have generally been positive during the quarter, but consensus estimates call for a sequential decline from the \$4.72 billion reported last quarter. Thus, there is likely upside room to revenue estimates, but the company also said it expected margins to be flat year-over-year, and that puts the bottom-line right in-line with consensus estimates. Thus, while the Earnings Whisper ® is above, that's not the basis for the trade.

Still, while the stock hasn't been a big mover on earnings, it has generally traded higher on an earnings beat that carried over for the next month. It has traded higher by an average of 0.6% during the days leading up to its earnings release and through the open following the news, and then continued higher by another 0.5% over the next two trading days before still another 1.0% over the course of the following month. That's not that strong, but considering the stock just broke through a trend line coming off its August high, as long as it holds above \$59, the assumption is a continued move higher.

There is, however, upside to estimates for the fourth quarter. Despite expectations for a slowdown in the elevated sales trends, checks show such a slowdown hasn't happened yet... and the current estimates call for a 5% sequential decline in sales. This is for a quarter that has historically seen sales more or less flat compared to the third quarter. Just as important, the company has already said it expects fiscal year margins to be in-line or better than the previous year and, while that might not specifically mean fourth quarter margins in-line or better, year-over-year flat margins with flat sequential revenue growth would put fourth quarter earnings closer to \$1.00 per share, which is well above the consensus estimate of \$0.85 per share.



EARNINGS WHISPERS

https://www.earningswhispers.com
1-866-EPS-GUID

The Whisper Report®
Number 842

Prepared on Monday, March 22, 2021

Most Anticipated Earnings Releases for the month beginning March 22, 2021

(only showing confirmed release dates)

| Monday | | Tuesday | | Wednesday | | Thursday | | Friday | |
|--------|---|---------|--|-----------|--|----------|--|--------|---|
| 22 | 云集 YUNJI SYNEX CORPORATION BIOLIFE SOLUTIONS RAVEN INDUSTRIES ZIM | 23 | GameStop bionano GENOMICS Adobe 虎牙直播 HUYU.COM at home | 24 | GlycoGeneration WINNEBAGO® GENERAL MILLS seaenergy RH RESTORATION HARDWARE KBHOME | 25 | blink CO-DIAGNOSTICS INC. momo DARDEN BOXLIGHT GAN™ | 26 | LEJU 乐居 quotemedia |
| 29 | ReneSola MATINAS BIOPHARMA EM I-MAB BIOPHARMA SRAX VirTra | 30 | BlackBerry lululemon athletica chewy ZEB ORBITAL SCIENCES Pheosia | 31 | Micron Walgreens Boots Alliance Tencent 腾讯 ARCIMOTO ROCKWELL MEDICAL DAVE'S HOT DOGS | 1 | CARMAX CONSOLIDATED WATER Franklin Covey | 2 | |
| 5 | | 6 | PAYCHEX® | 7 | Simply Good FOOD COMPANY RPM Schnitzer Lamb Weston EXFO EXPERTISE REACHING OUT | 8 | Constellation CONAGRA WD-40 COMPANY apogee | 9 | Afr |
| 12 | | 13 | FASTENAL® | 14 | WELLS FARGO JPMorgan Chase Goldman Sachs KLX Energy Services | 15 | Bank of America citi PEPSICO J.B. HUNT US bancorp HUNT BROTHERS | 16 | ally Morgan Stanley PNC BNY MELLON Citizens Financial Group, Inc. STATE STREET |
| 19 | The Coca-Cola Company M&T Bank | 20 | NETFLIX TRAVELERS Northern Trust FORESTAR | 21 | HALLIBURTON CHIPOTLE MEXICAN GRILL FIRST HORIZON Baker Hughes Nasdaq GREAT SOUTHERN BANCORP, INC. | 22 | D-R HORTON Huntington | 23 | Schlumberger |



EARNINGS WHISPERS

<https://www.earningswhispers.com>
1-866-EPS-GUID

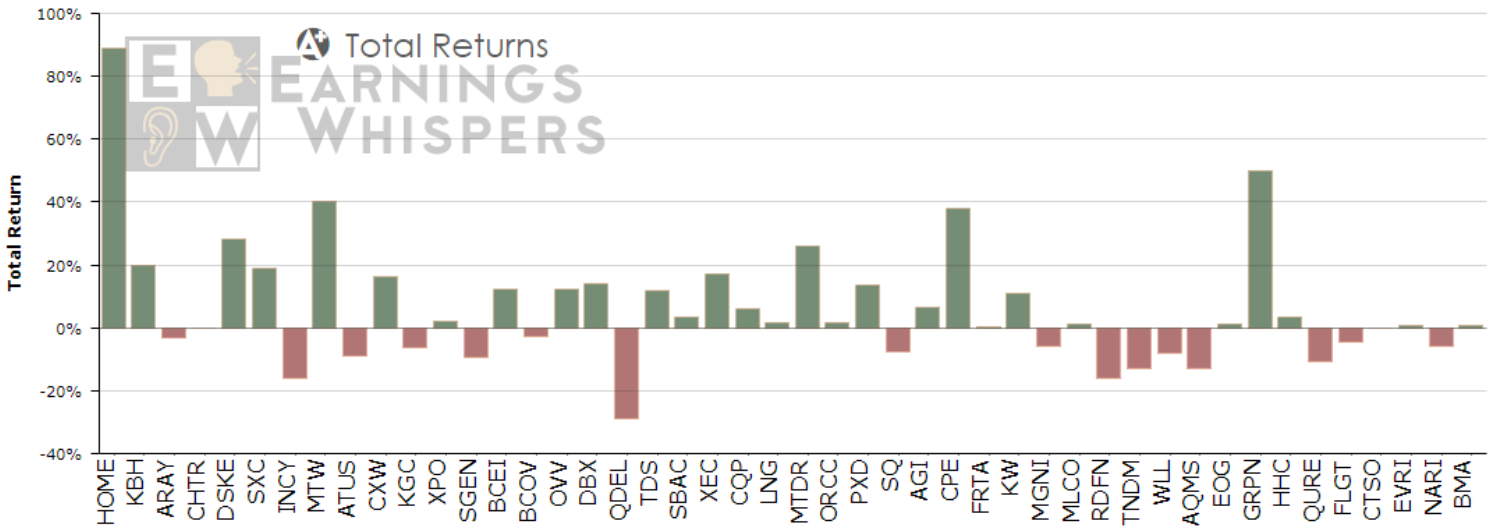
The Whisper Report®
Number 806

Prepared on Monday, March 22, 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>

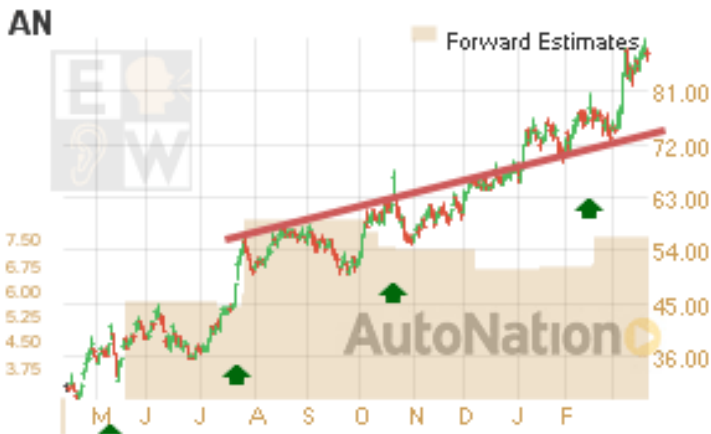
So far this quarter, stocks of companies with A+ earnings are up 6.20% on average, since reporting, while the S&P 500 is up 0.67% so far.



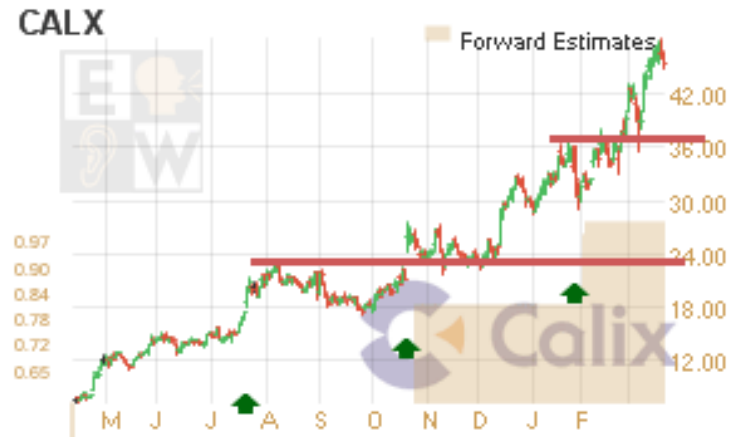
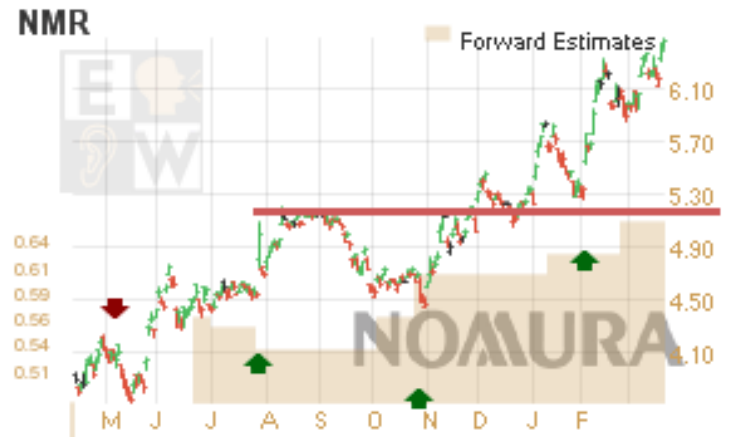
Recent Positive Earnings with Positive Charts











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 At Home (HOME), Winnebago (WGO), and General Mills (GIS).