



EARNINGS WHISPERS

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1-866-EPS-GUID

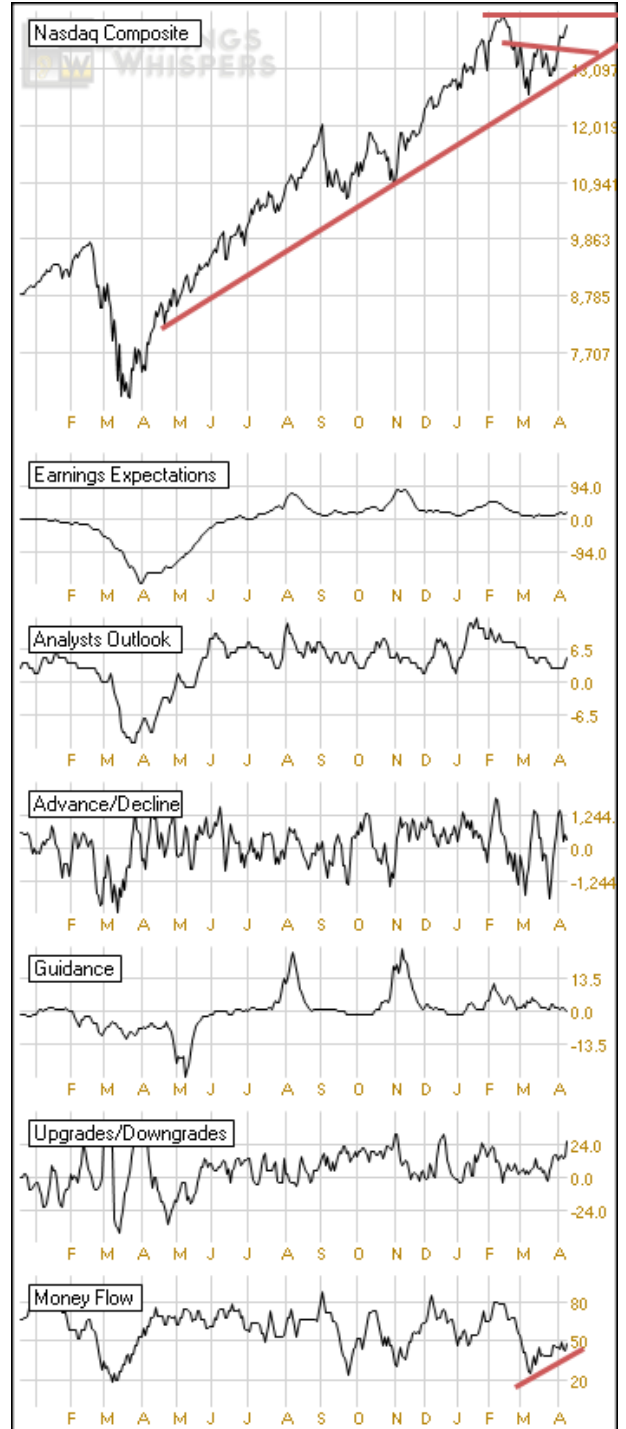
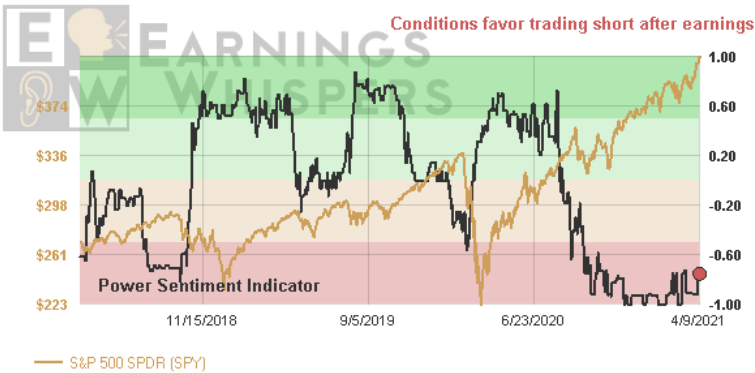
The Whisper Report®
Number 845

Prepared on Monday, April 12, 2021

Current Trading Strategy

Trading primarily long ahead of earnings while S&P 500 is above 3,850 and trading short after the news.

- With earnings season starting, it is important to remember the volatility story for 2021 and two important indicators suggesting the story is unlikely to change.
- JPMorgan – positive trends expected to continue
- Lovesac – expected beat
- Wells Fargo – potential short squeeze
- Alcoa – still room to go higher



Key Market Events

- 4/13 March CPI
- 4/14 Fed's Beige Book – 2:00 PM ET
- 4/15 Initial Jobless Claims
- 4/15 April Empire Manufacturing
- 4/15 April Philly Fed
- 4/15 March Industrial Production
- 4/16 March Housing Starts/Permits
- 4/16 April U of Michigan Consumer Sentiment

Statistics for the month of April 2021

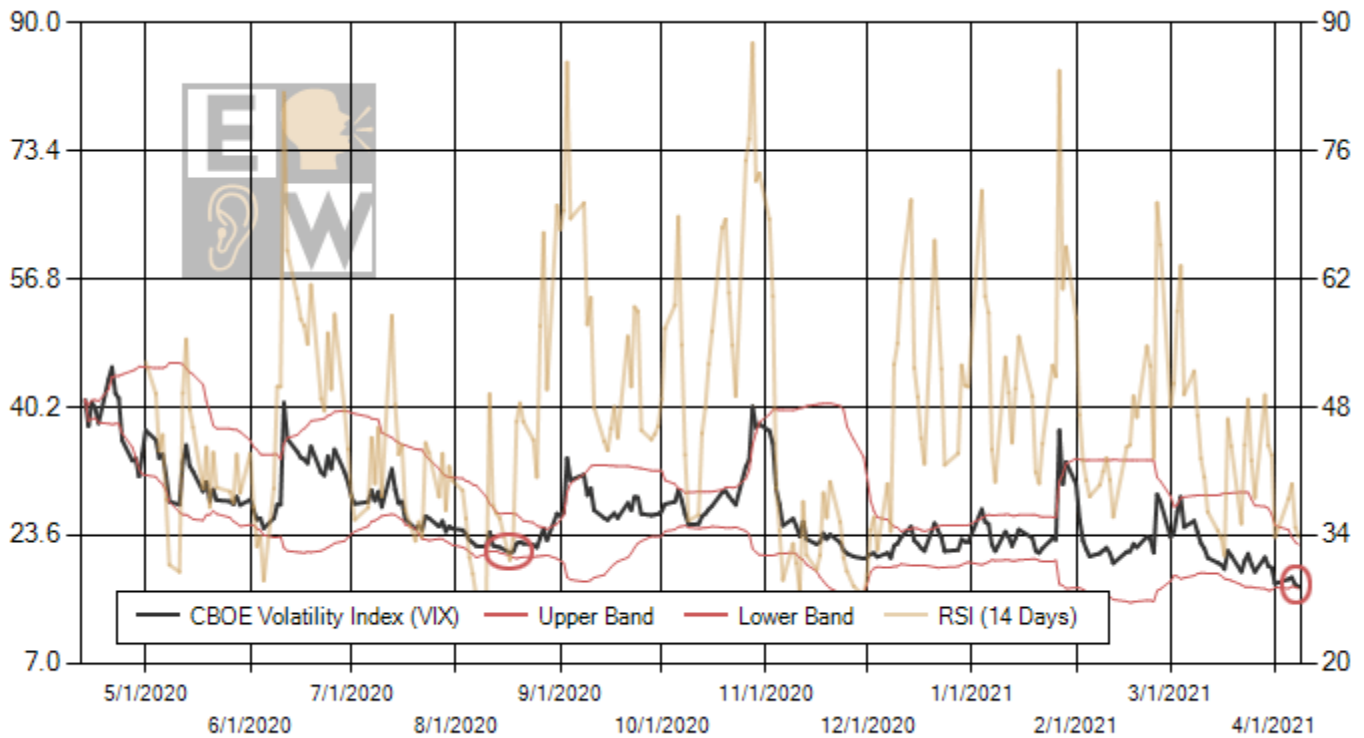
	Positive	Negative	In-line	Ratio	Normal Ratio*
Guidance	15	10	10	60.0%	48.1%
EPS Surprises	21	10	1	67.7%	66.8%
Whisper Surprises	7	7	1	50.0%	57.1%
Revenue Surprises	17	9	-	65.4%	64.8%

* The average ratio for the month of April

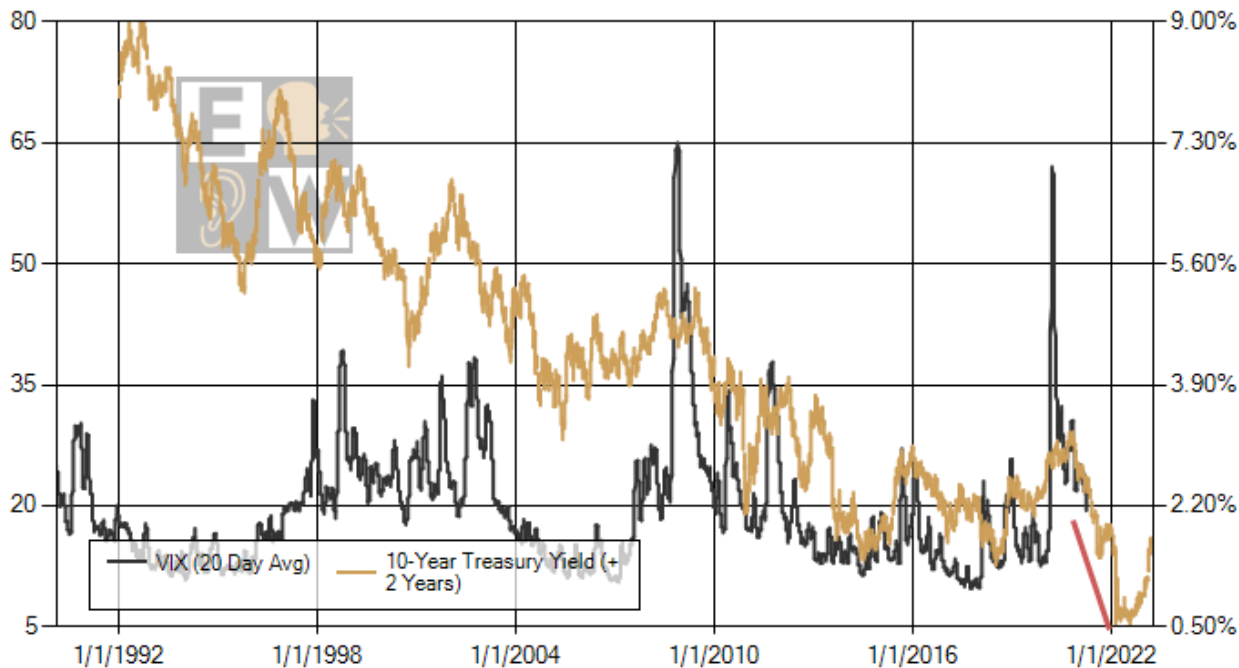
Monday		Tuesday		Wednesday		Thursday		Friday
Before Open	After Close	Before Open	After Close	Before Open	After Close	Before Open	After Close	Before Open
aphria inc.	SimulationsPlus	ORGANIGRAM	SeaChange	JPMorganChase	SHAW	tsmc	Alcoa	Morgan Stanley
		FASTENAL	KURA	WELLS FARGO	KLX	Bank of America	J.B. HUNT	ally
		byrna	Washington Federal, Inc.	Goldman Sachs	GreenTree Hospitality Group	RITE AID	Lakeland INDUSTRIES, INC.	PNC
				BED BATH & BEYOND		citi	PPG	BNY MELLON
				LOVESAC		BLACKROCK	MARTEN	

Some of the top chatter among traders last week was the disbelief in the decline in volatility given the uncertainty around the COVID-19 variants, the vaccines, and the opening of economies around the world. We view that as good news because the less people are onboard with our primary trading them for 2021 – that volatility will continue to fall – the more likely the scenario will take place.

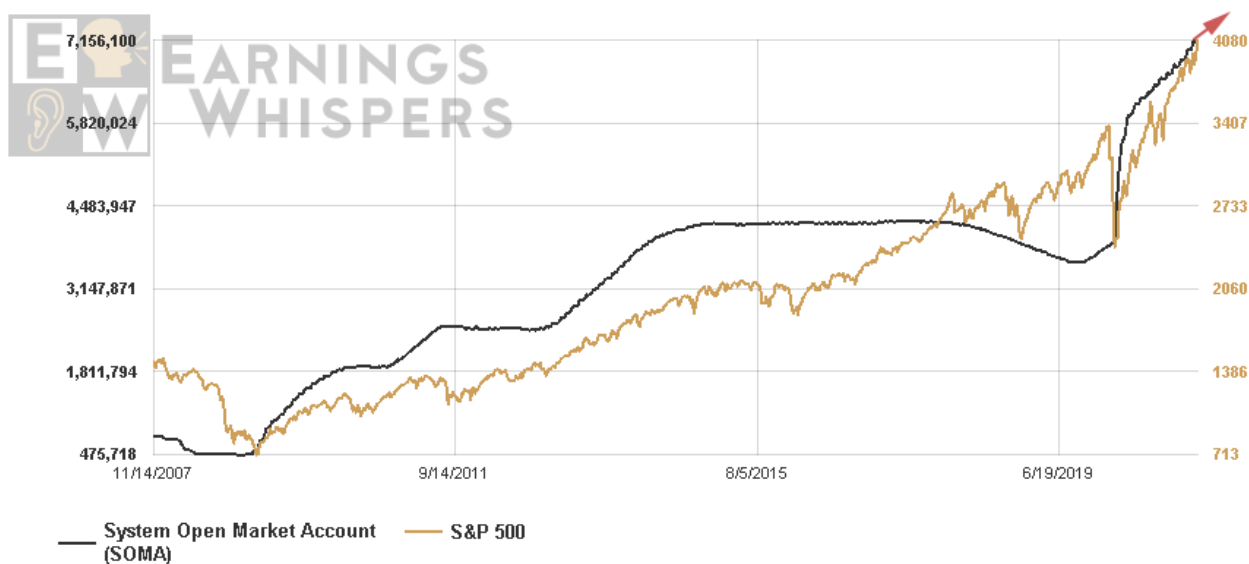
The bad news is, if there is going to be a spike in volatility, the setup is there now. The chart below shows the CBOE Volatility Index (VIX) over the past year. We've circled the level from Friday and a similar touch of the lower Bollinger-Band back in August. There were other touches as well in October and even June and May that were followed with a spike in volatility with only the July touch seeing a further decline in volatility over the near-term. The trade, however, is not to bet on such a spike, but rather to wait for it because the trend is likely still lower.



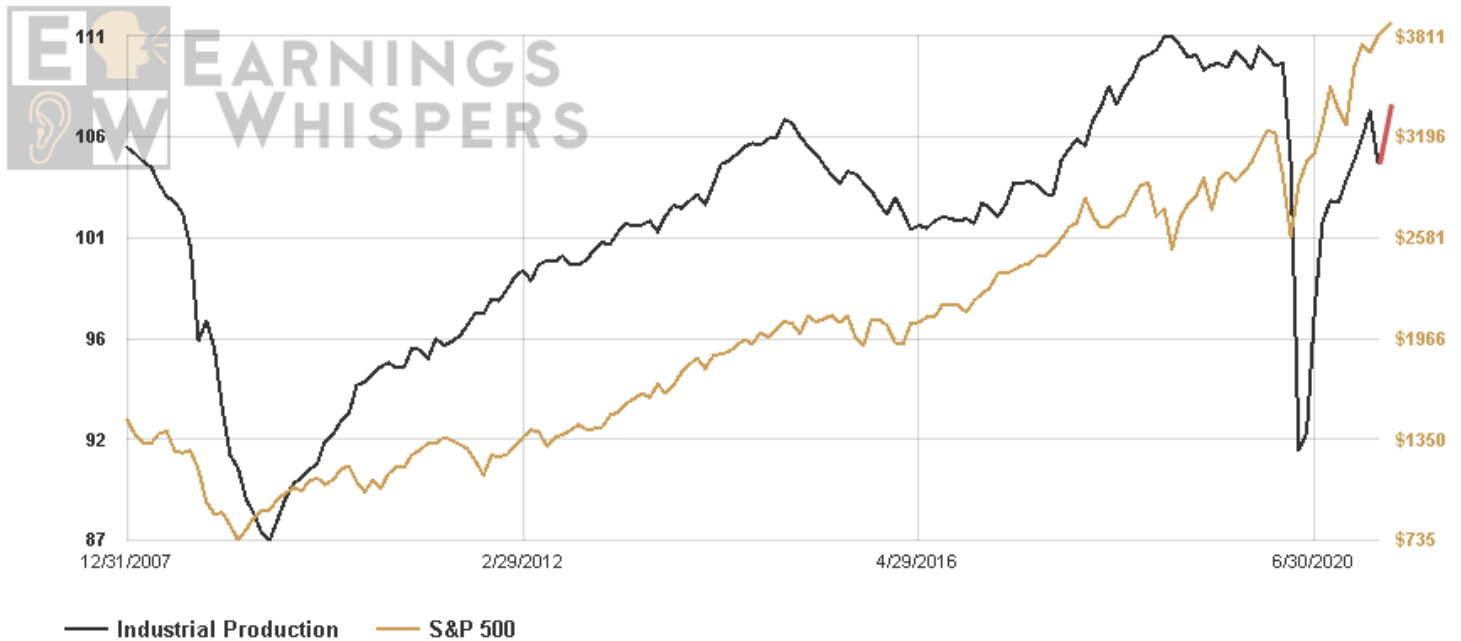
The chart below shows the 10-Year U.S. Treasury Yield pushed forward by two years, along with the 20-day moving average of the VIX. Peaks and troughs in volatility tend to follow peaks and troughs in yields by about two years. Volatility is often considered a measure of fear, but it is really more of a liquidity story and higher yields mean tighter money – but with about a two-year lag. That puts the next trough in volatility somewhere in early 2022.



Of course, we can't really talk about liquidity without acknowledging the chart below – the only chart that matters. The Fed's balance sheet has been the leading driver of stock prices and the Fed has been establishing a massive balance sheet since the lockdowns started last year. As of right now, the general view is that this black line is going to continue at its current pace until the end of 2021 and, continue higher at a slower pace in early 2022 before ending in late 2022. This likely means higher stock prices going forward, but it also means ample liquidity and confirms our view that all spikes in volatility in 2021 should be sold.

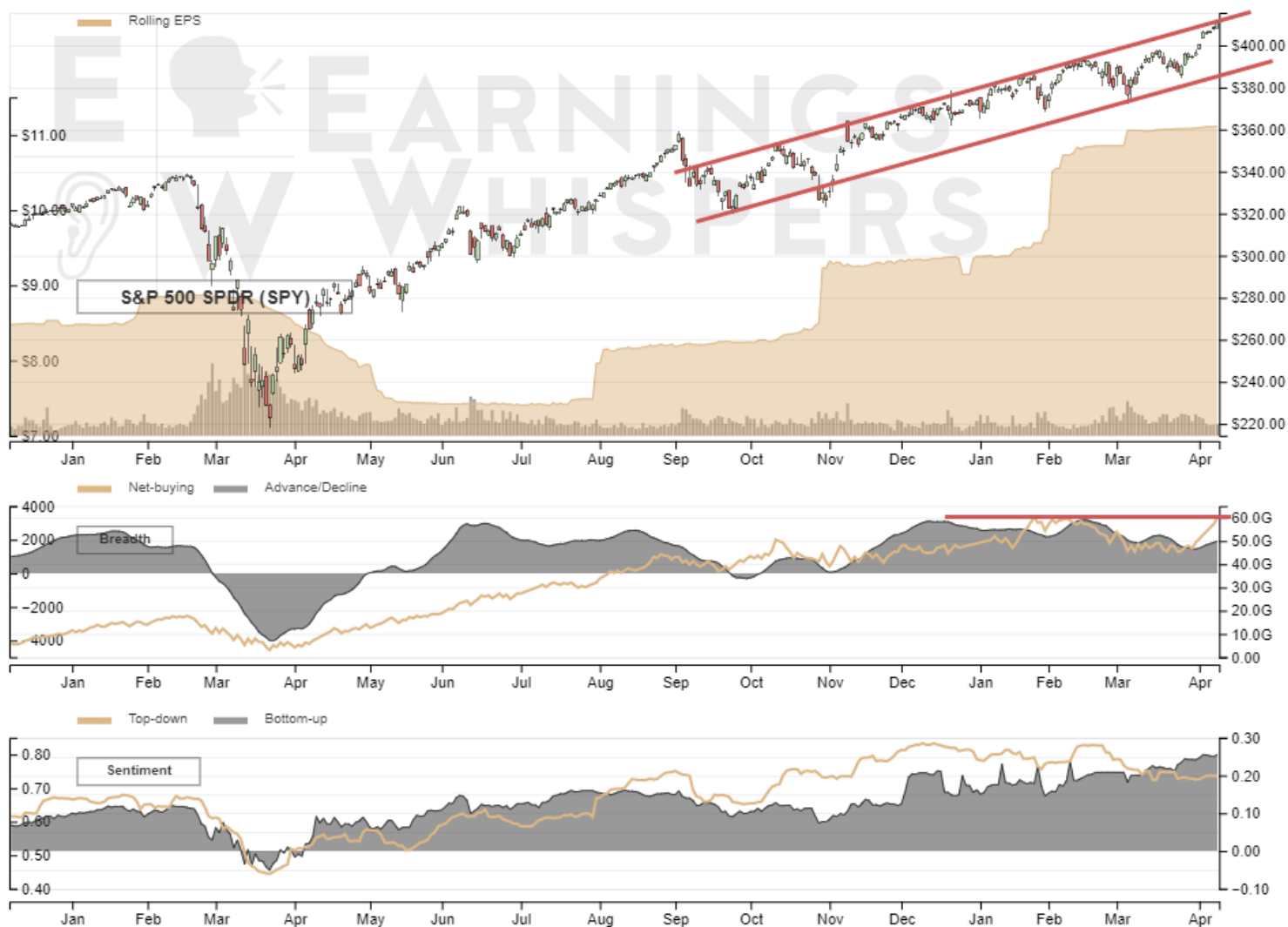


Even though next week is when the number of earnings releases picks up, this is the first week of earnings season with the large Banks kicking things off. It is also a busy week for macroeconomic data, so there will be a number of events to spark some volatility, but the key data point we watch is likely to be a positive indicator. The chart below shows Industrial Production going back to late 2007, along with the S&P 500. It is more the direction than the level that matters, but the two lines tend to move together, but production fell in February due to the winter storms, and consensus estimates are for production to bounce back to January levels. Most likely there is upside to this as the trends have been higher and the storms only pent up some of the demand. The catch is that Utilities production helped boost overall production in February and that is going to reverse in March, but should production fail to exceed January levels, it is likely to be from supply shortages, which would mean demand continues and production remains on path towards its previous highs – supporting higher stock prices.

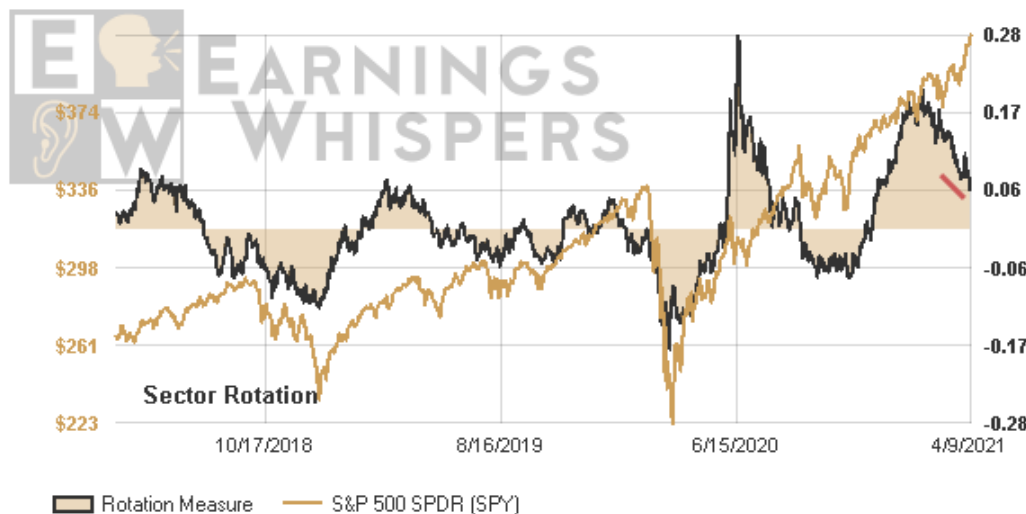
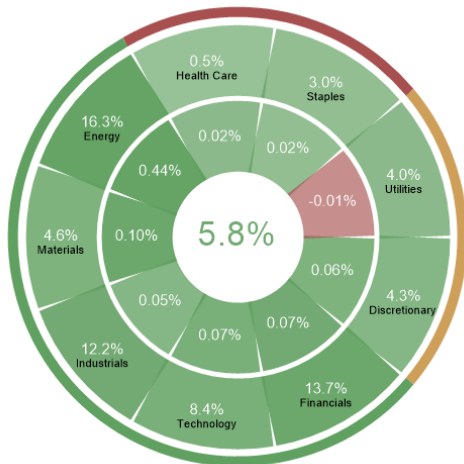


Market Overview

Last week we pointed out the technical strength on the move above 3,975 for the S&P 500 despite some technical divergences. On the breakout, however, we saw some of the money that was previously coming out of the stock market return to the February level but now the S&P 500 is hitting trend line resistance. We view the money coming into the market is a confirmation and isn't a buy signal with stock prices at their highs, but this confirmation has allowed us to move up our safety line from 3,775 to 3,850. Otherwise, the story hasn't changed and we continue to trade primarily long ahead of earnings while focusing on the short-side after the news while sentiment remains near record highs.

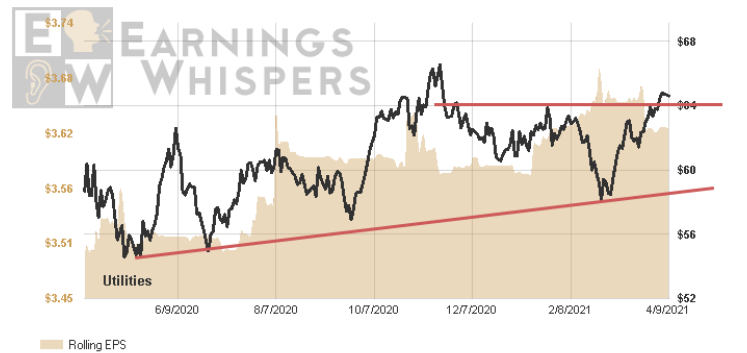
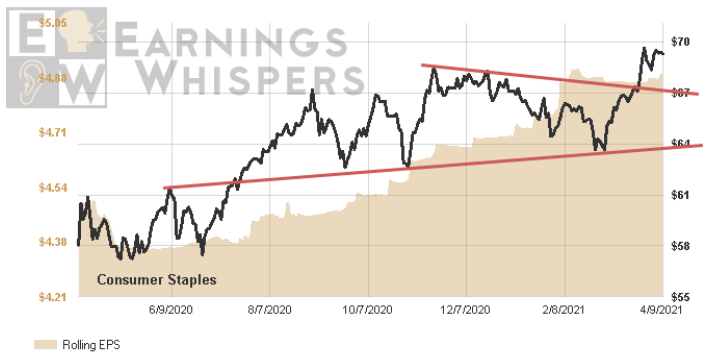
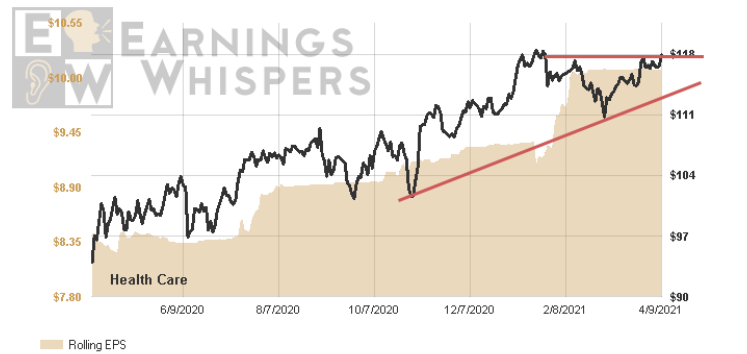
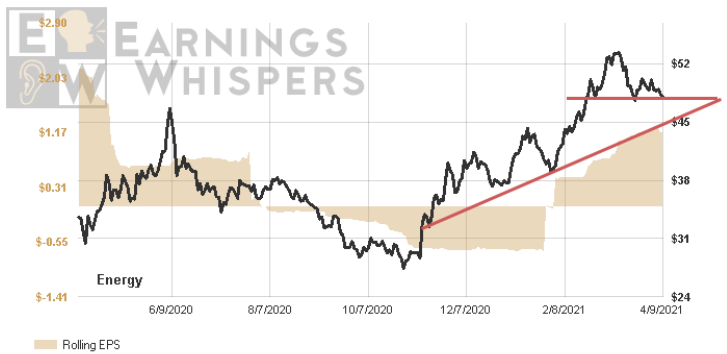
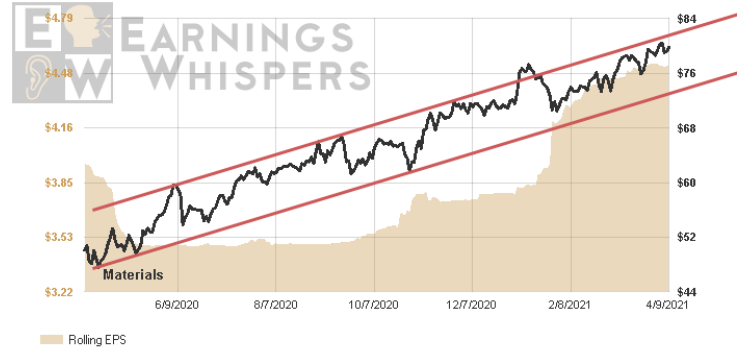
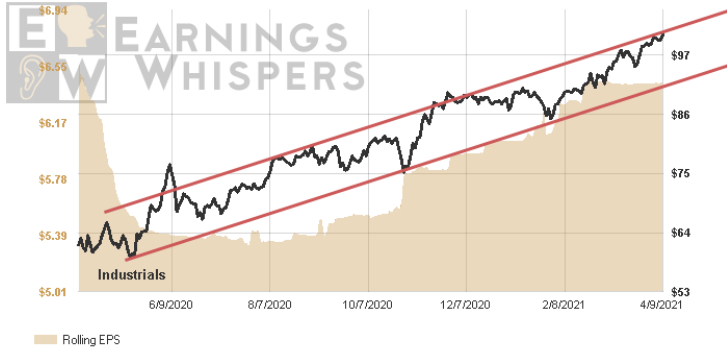
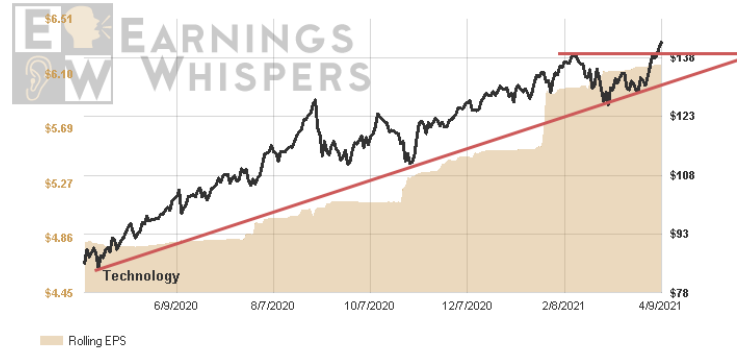
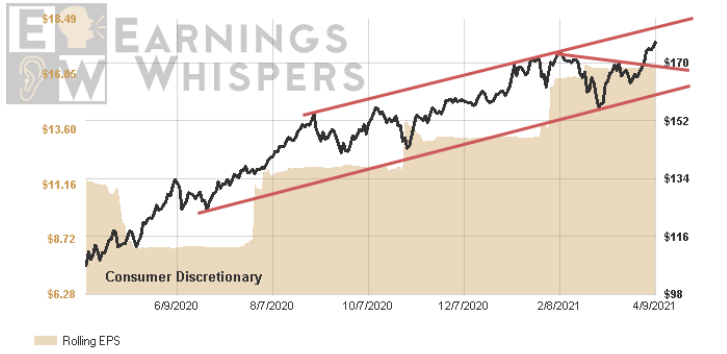


Sector Performance

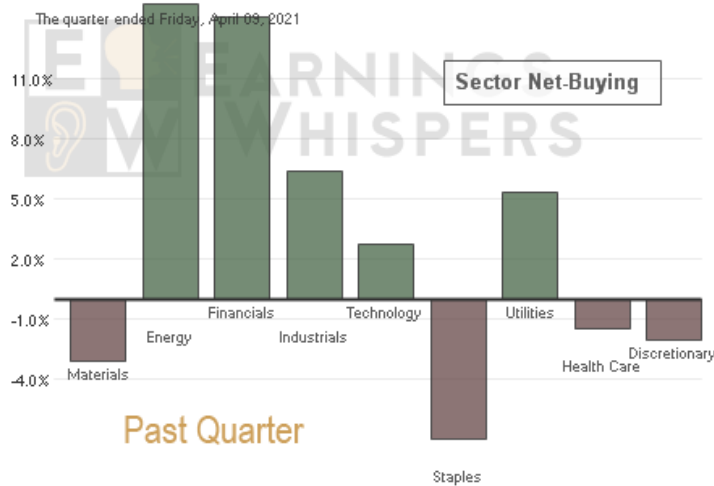
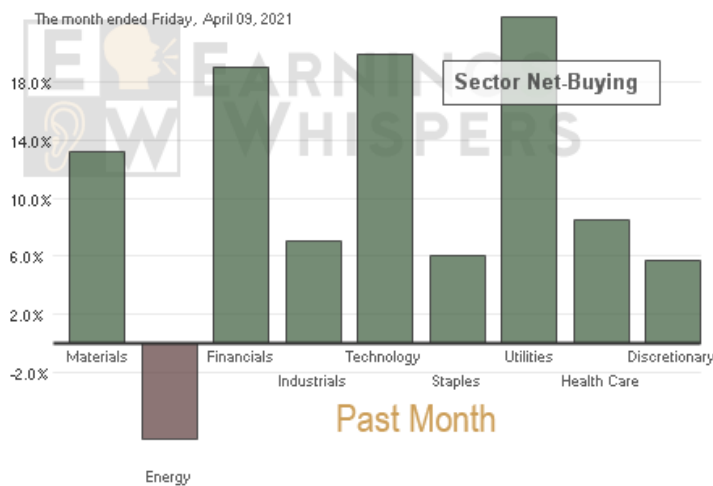
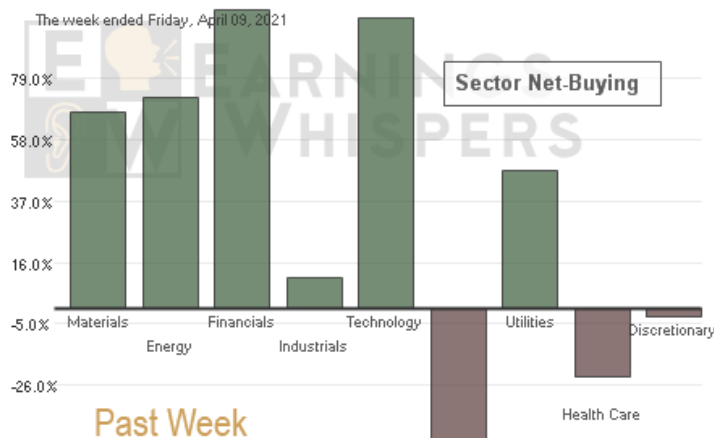
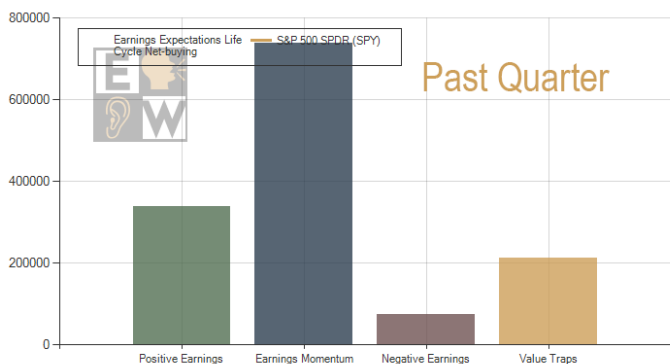
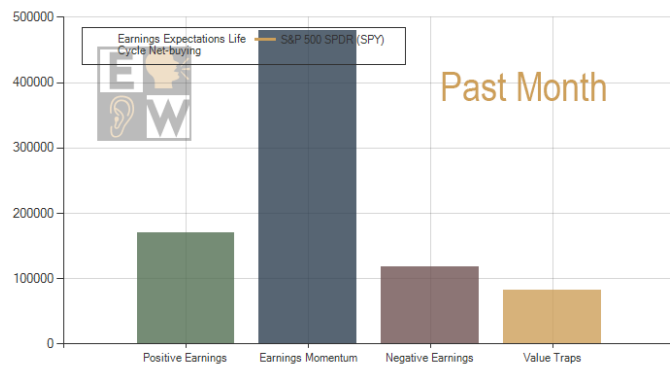
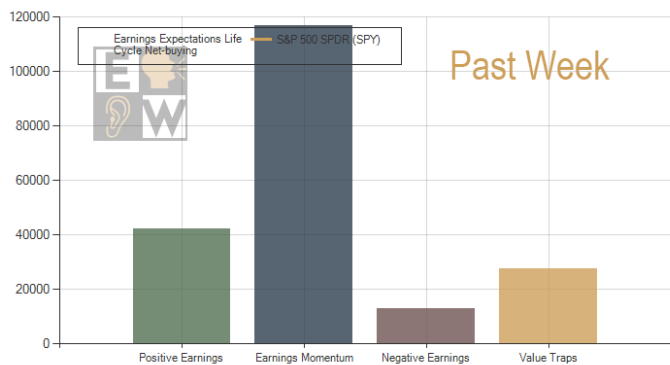


As mentioned, the Banks kick off earnings season this week and, while technically strong and with favorable expectations, with stock prices at a high, there is a reasonable likelihood that the near-term move is already priced in. We are showing the chart of the Financials below, and this push to a high indicates bullish positioning for the overall stock market, but our measure of the sector rotation softened last week despite overall prices pushing higher. A part of this is the break above resistance in the Utilities. As we've been saying for almost two months now, the Utilities had a strong first quarter due to weather and this group is expected to beat estimates when they report later in the month. Still, even with the strength in a defensive sector, our measure of the sector positioning is still near the peaks in 2018 and 2019 and both saw prices continue higher for months later.

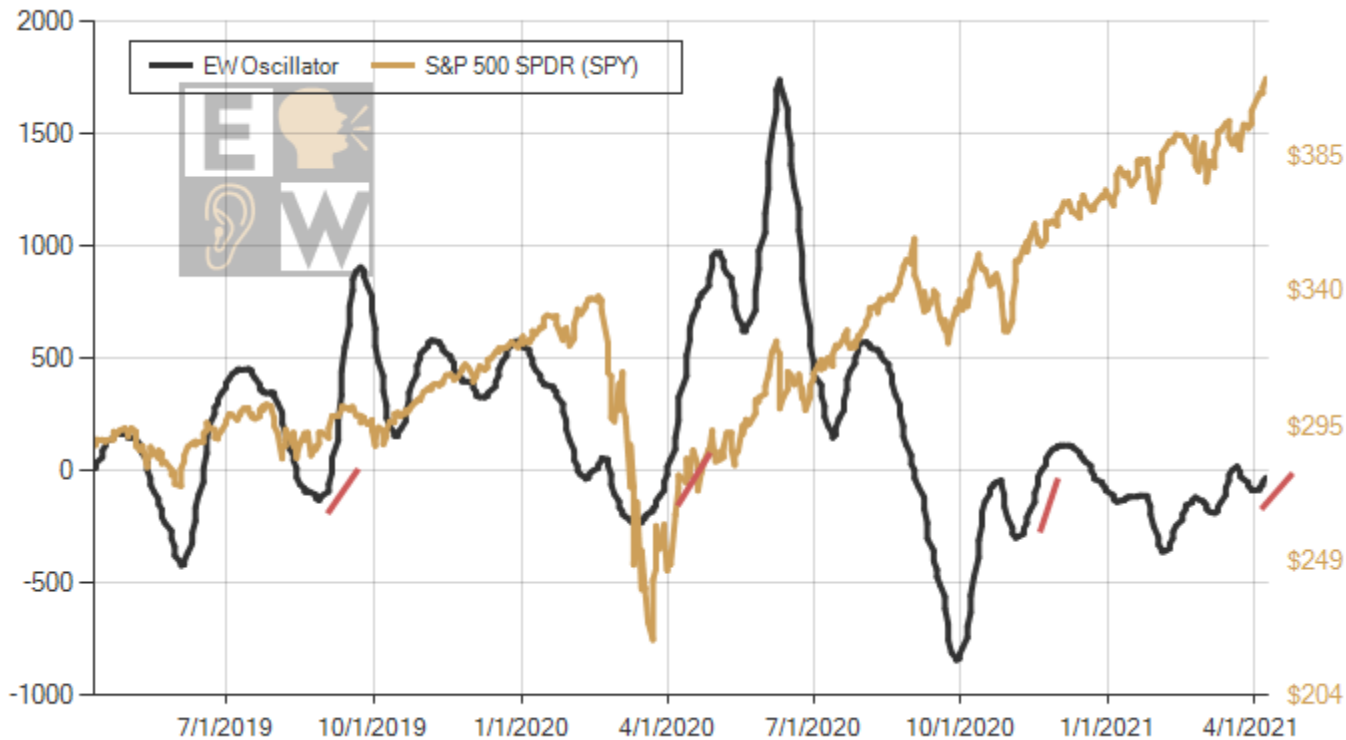




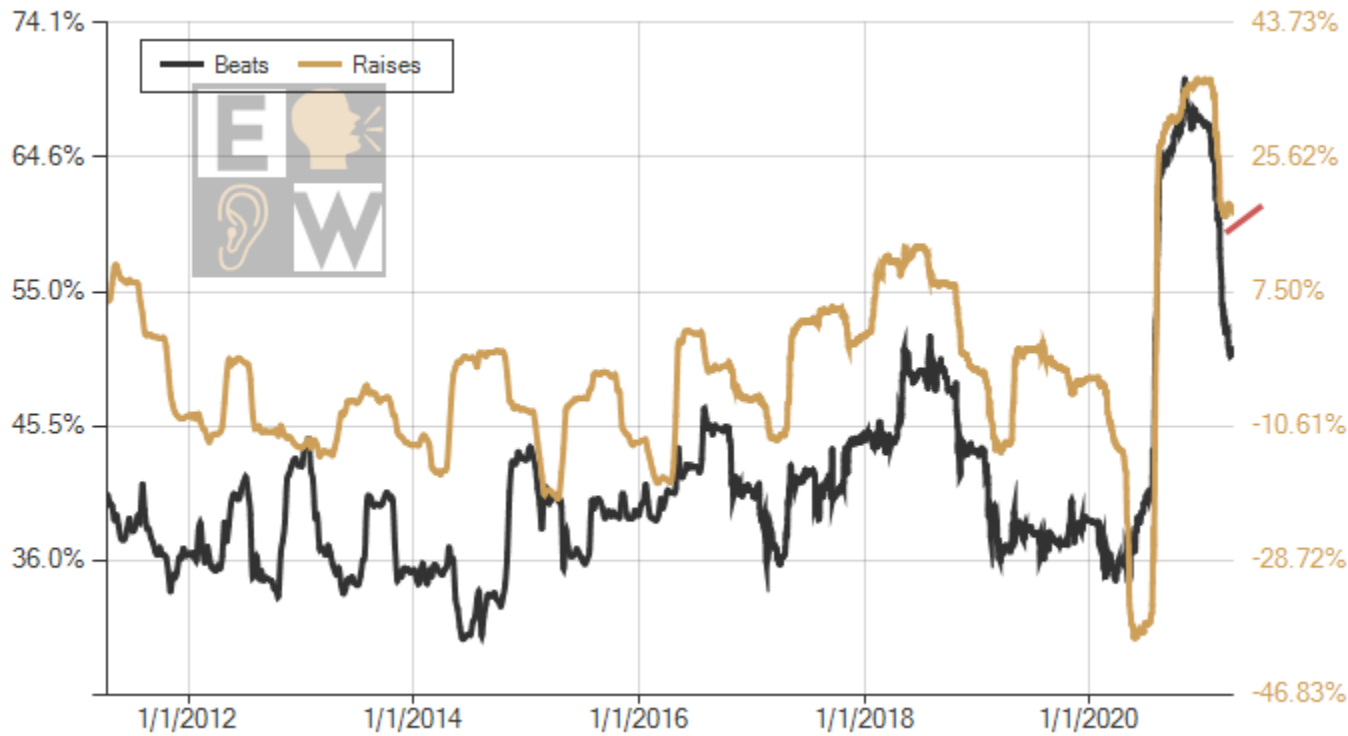
Money Flows

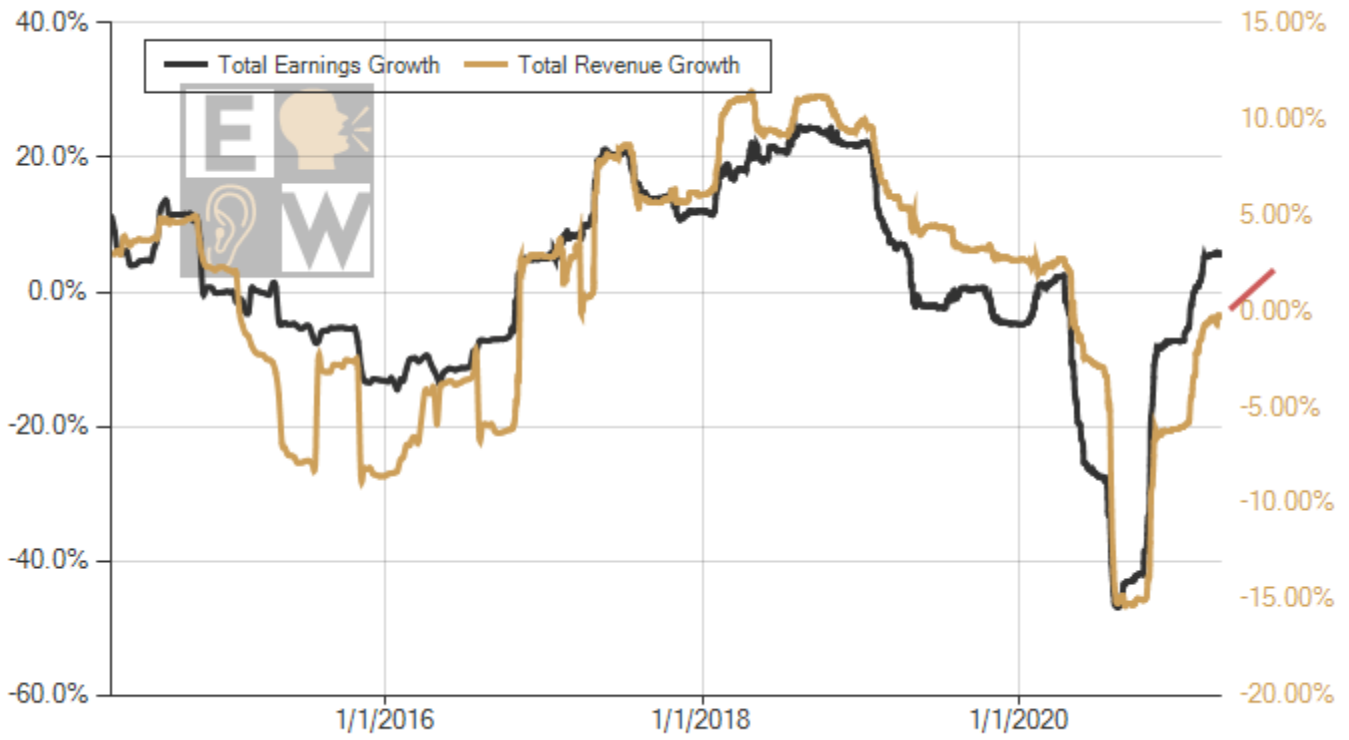


Going into earnings season we are seeing the Positive Earnings stocks and the Earnings Momentum stocks outperform on a weekly, monthly, and quarterly basis. This has turned our oscillator of such price action higher. This indicator has been unable to establish a trend in either direction of late, but such a move higher in the past has generally been followed by a sustainable market rally.

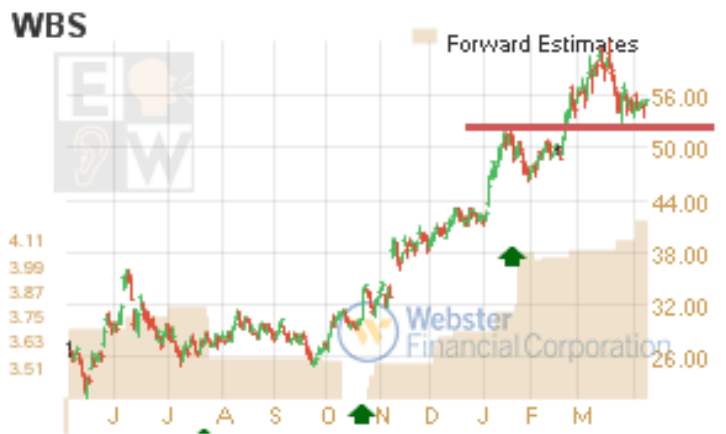
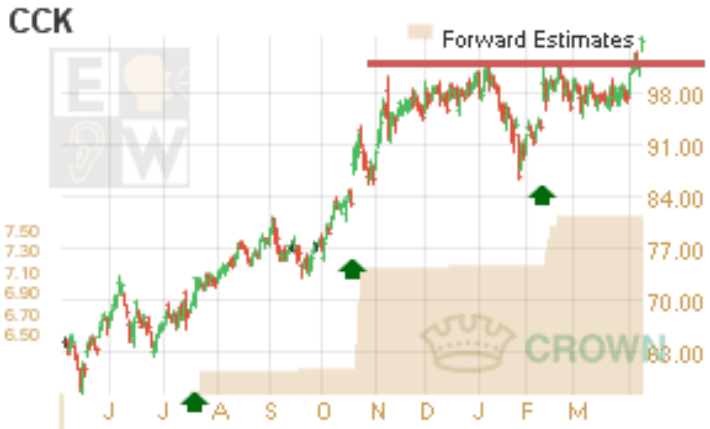


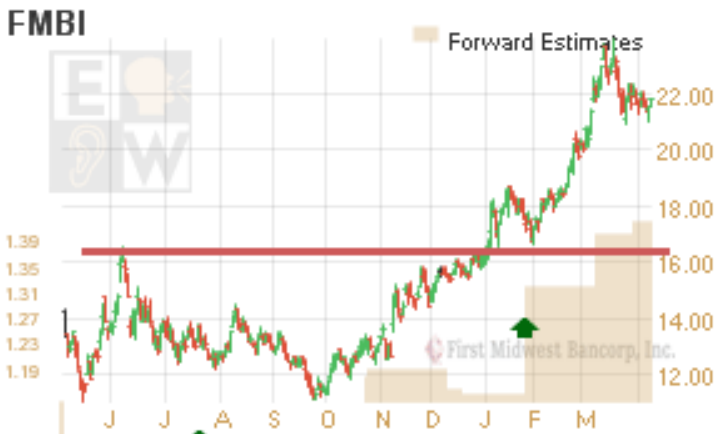
Earnings Trends

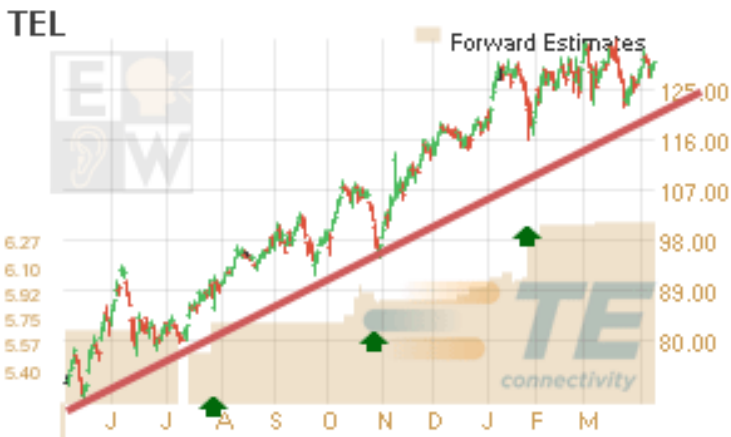




Upcoming Releases with Favorable Earnings Whisper Scores



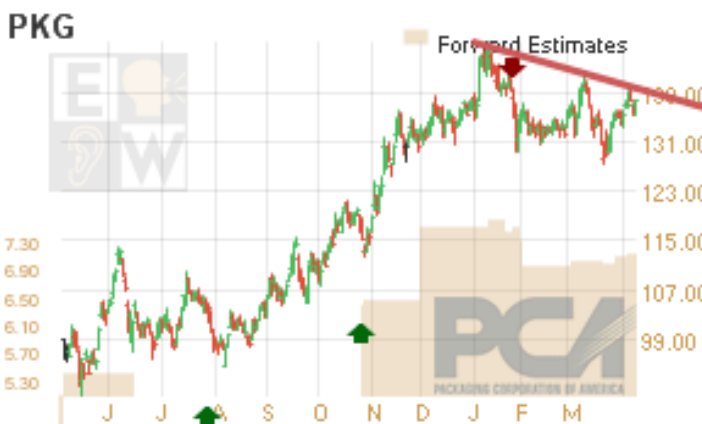
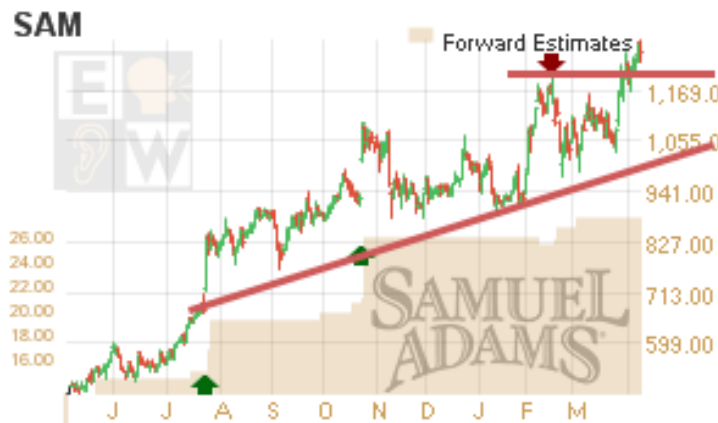
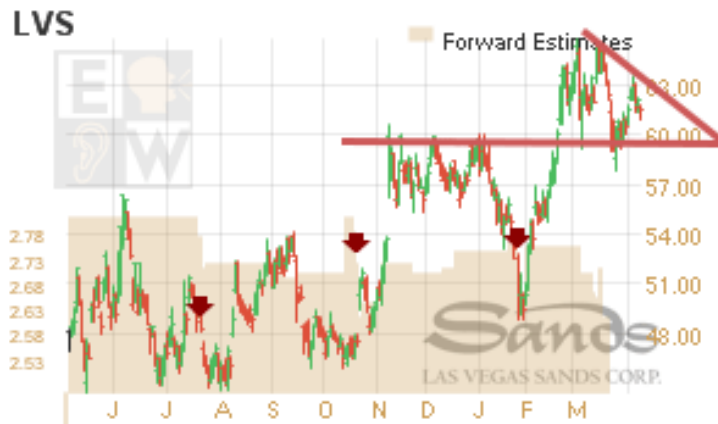
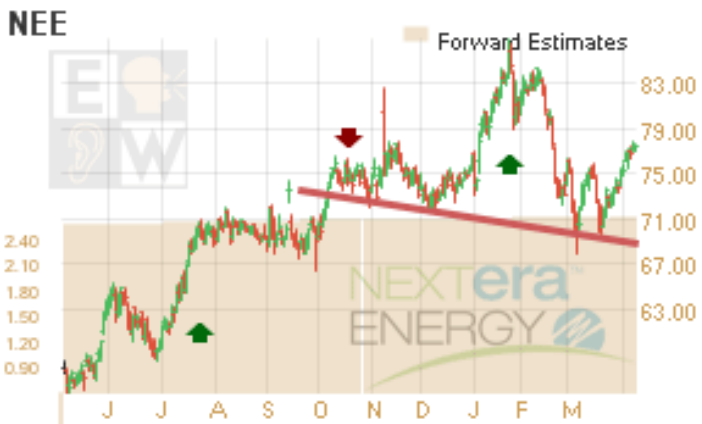
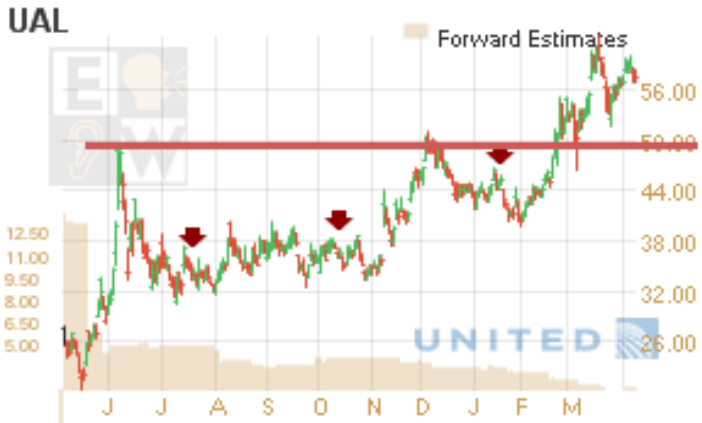


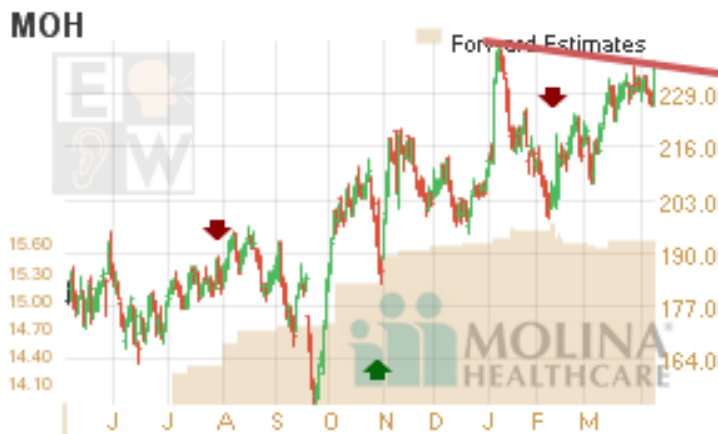
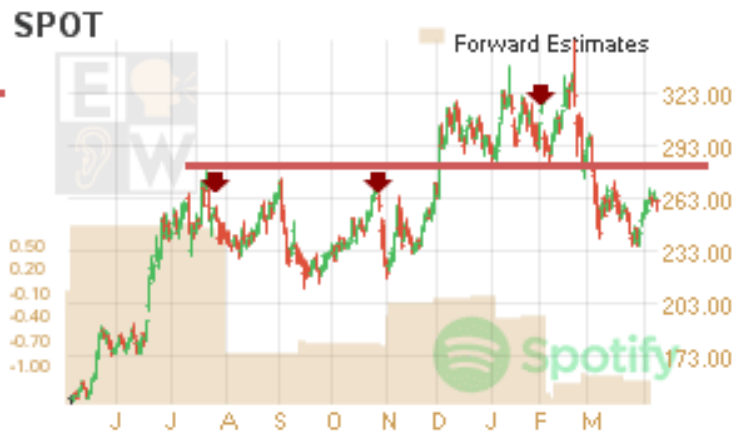
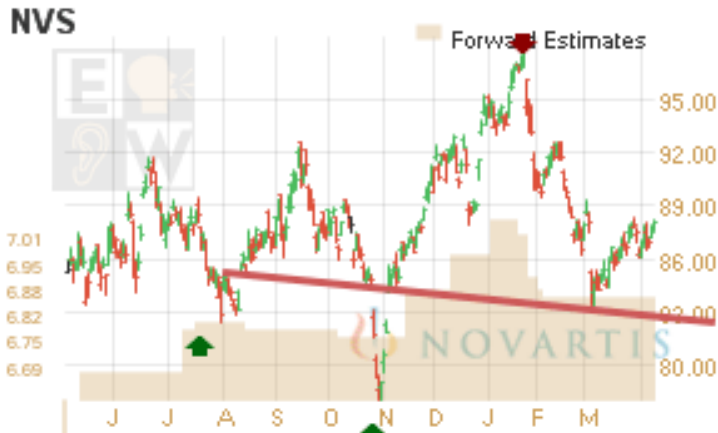


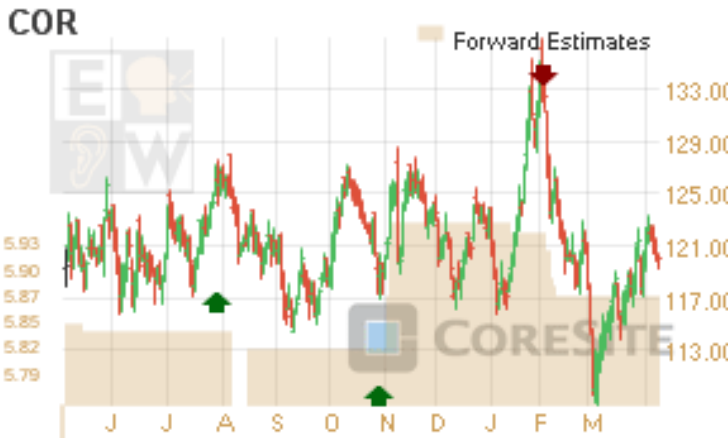




Upcoming Releases with Unfavorable Earnings Whisper Scores









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.

JPMorgan Chase
JPM



Earnings Whisper
\$3.27

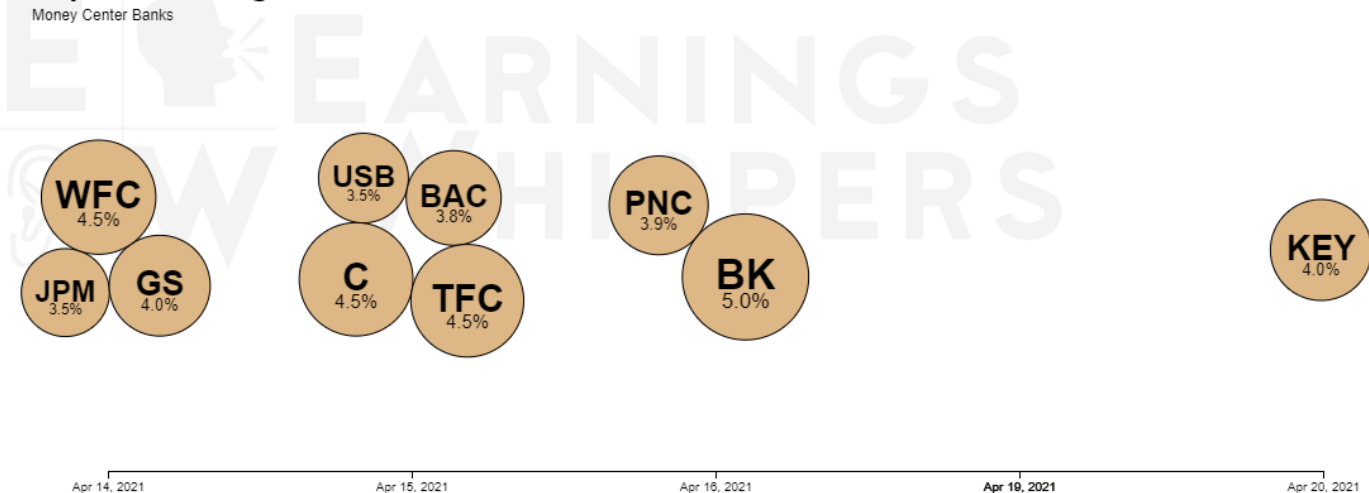
Earnings Estimate:
\$3.01
Revenue Estimate:
\$30.12 billion

Wednesday
Apr 14
7:00 AM ET

Volatility
Priced into options:
3.5%
Average move:
1.8%

Implied Earnings Moves

Money Center Banks



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The chart above shows the implied moves around earnings for the large Banks set to report earnings over the next week. These stocks are mostly going to trade together, at least over the longer-term, and the Financials sector is the only sector with every stock higher since the company reported earnings last quarter. The general view going into their earnings this quarter is that most are likely to beat estimates when they report and earnings estimates should continue to get revised higher going forward as loan loss provisions get reduced and higher interest rates improve profitability. Consequently, weakness should likely be bought, but the first of this group to report will likely tell us more – either confirming the upward trend or contradicting it.

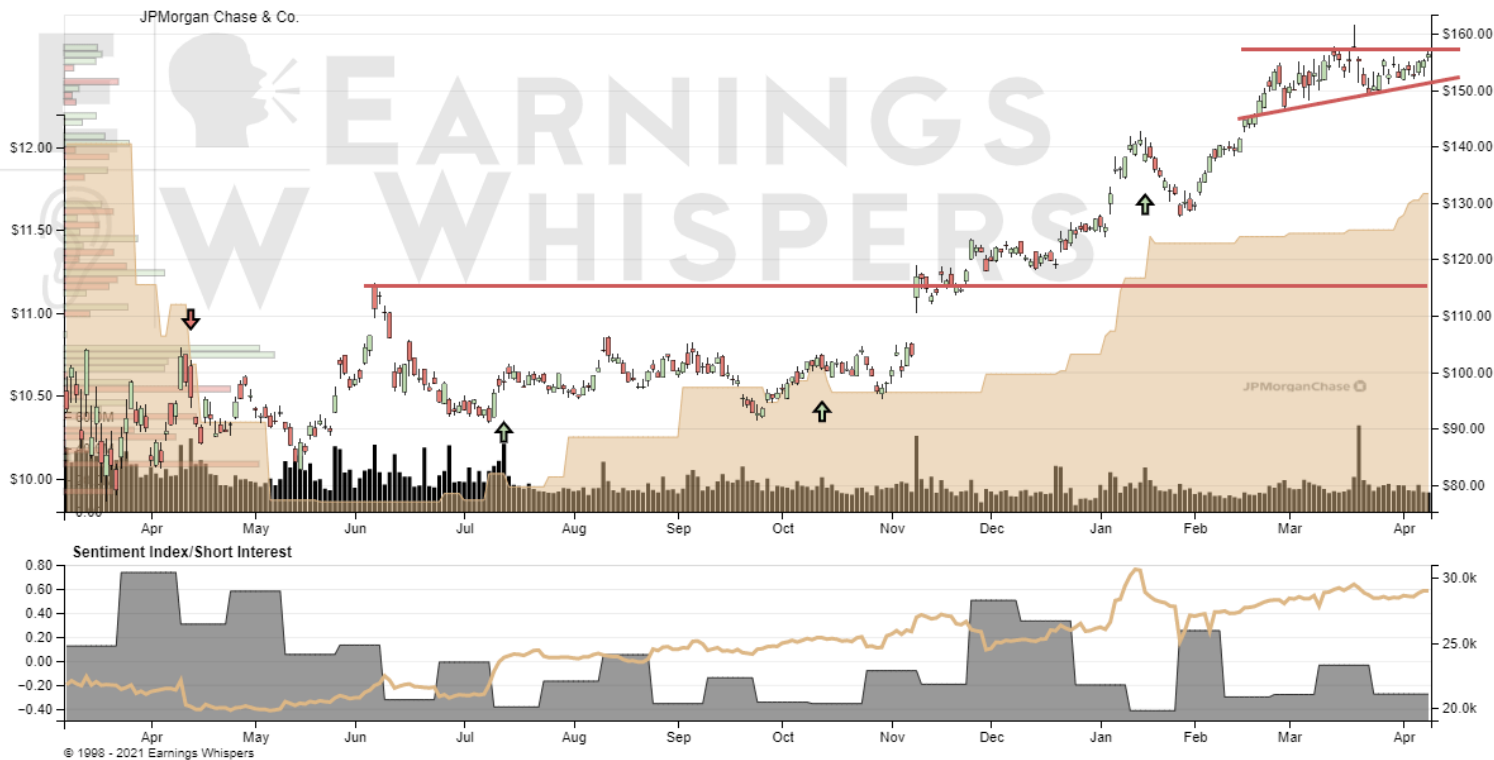
When it comes to CEO Jamie Dimon’s outlook, we already know it is rosy. In his letter to shareholders last week, Mr. Dimon said he sees a likely economic boom in the U.S. that could continue until 2023, with a steady increase in interest rates. Jason Goldberg at Barclays said the lower-than-expected loan loss provisions will drive earnings higher for the quarter, but it is the better-than-anticipated interest rate environment that will boost longer-term estimates. Erika Najarian at Bank of America Securities said she believes the release of the allowance for loan losses into earnings will surprise positively, but it is largely anticipated by the market. She also believes, however, that the long-term trends will continue and that any weakness is likely to be bought.

If so, then a move lower after earnings will likely need to hold the \$150 level as we’ve drawn a pennant on the chart on the next page. The stock didn’t do much after earnings last quarter and had difficulty getting above \$141 until it eventually gapped above this level in mid-February. The consolidation since then

suggests the bigger trade is a move below \$150 on a break below its building support, but this building support suggests the resistance at \$157+ is getting weaker. The positive trends and the consolidation suggest the move is more likely to be higher.

In fact, despite the struggle after earnings last quarter, the stock has a history of trading higher into an earnings beat and continuing to drift higher following the news, but not in the initial days after earnings. In the past, the stock has traded higher by an average of 1.0% in the days leading up to its earnings release and gapped higher by another 0.9% on the news before flatlining for a couple of days. However, by the end of the month, it was up another 1.3%.

Those aren't exactly large moves, but the way we measure it, a move above \$157 has near-term technical room to get above \$165, which is closer to a 6% move from Friday's close.



Lovesac

LOVE



Earnings Whisper

\$0.61

Earnings Estimate:

\$0.56

Revenue Estimate:

\$116.13 million

Wednesday

Apr 14

7:00 AM ET

Volatility

Priced into options:

22.5%

Average move:

18.4%



While it appears trends are going to continue higher for the Banks throughout the year and possibly even 2022, it will be hard for a company like Lovesac (LOVE) to maintain its current trends. That is partly because the recent and even current trends are likely at an unsustainable pace. The company makes furniture it has called “The World’s Most Adaptable Couch” and “The World’s Most Comfortable Seat”. With the U.S. consumer staying home, spending money on their home, and focusing on comfort, Lovesac has done well. In an environment that has consistently seen 20%+ year-over-year sales growth since the pandemic started last year, Lovesac saw revenue growth of more than 40%. We don’t know if the company will see the same type of growth for the fourth quarter ended in January, but industry trends continued to come in at 20%+ during the quarter but consensus estimates call for sales growth at Lovesac to fall to 26% year-over-year. This leaves upside room to estimates and Camilo Lyon at BTIG said he sees a “solid earnings beat” for the quarter.

We have just ten earnings releases for the company since its IPO, but when it has beaten consensus estimates in the past, the stock has first rallied 7.3% during the days leading up to its earnings release and then gapped higher by another 14.0% on the news before continuing to drift higher by still another 17.2% over the subsequent month. As the company gets bigger and the stock gets higher, such moves will become small, but on the chart above we see the stock consolidating from its high of \$65 in early March but finding support below \$52. The stock made our play list ahead of earnings on Thursday, March 8th and the stock opened at \$59.79, but soon retested the line off that \$65 high and on Friday pushed through with heavy volume to close at \$71.75. Our technical target on the move above \$62 is around \$75, which means there is still upside room, but following a 20%+ move heading into earnings, the move is at risk of being over.

Wells Fargo
WFC

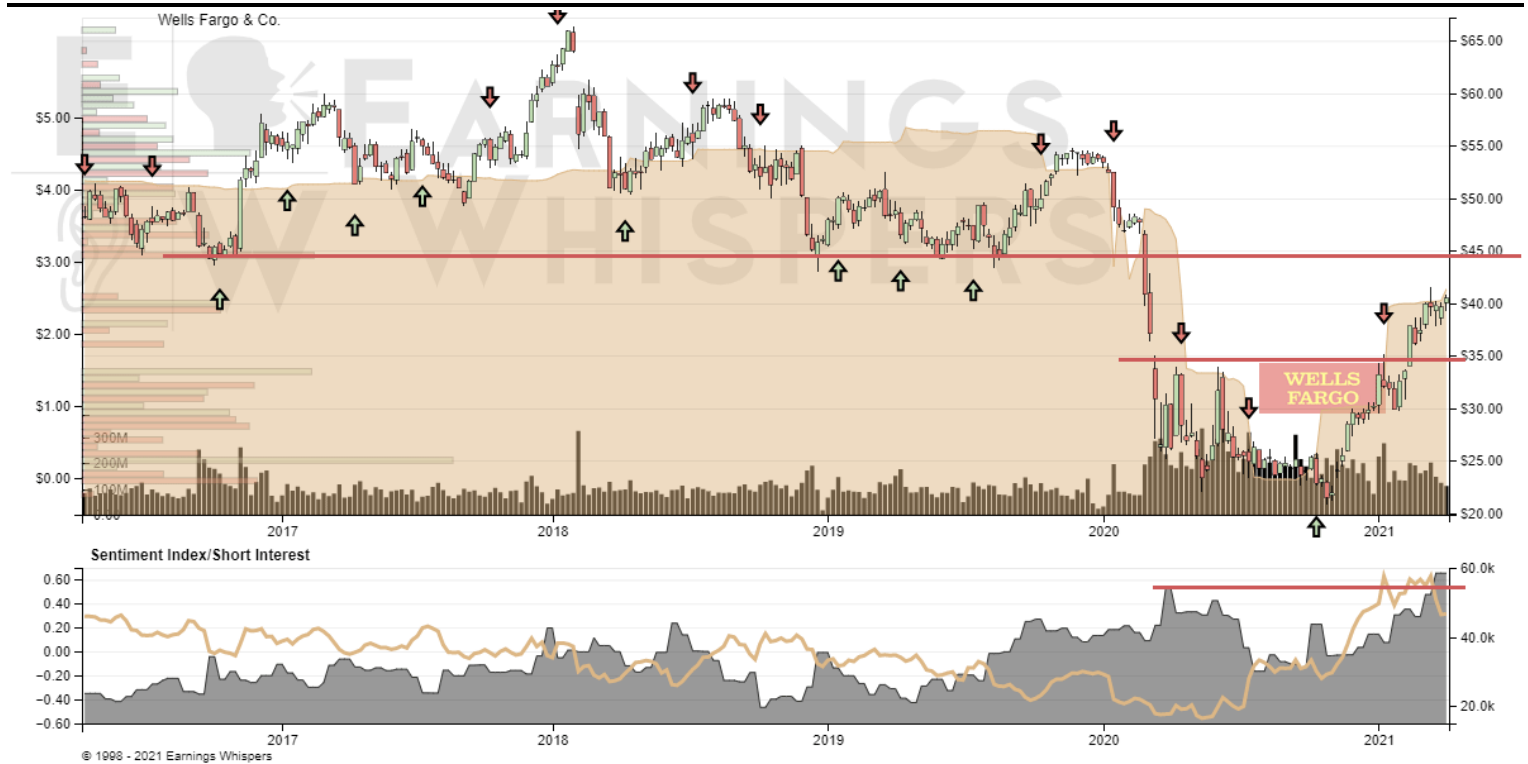


Earnings Whisper
\$0.71

Earnings Estimate: \$0.68
Revenue Estimate: **\$17.41 billion**

Wednesday
Apr 14
8:05 AM ET

Volatility
Priced into options:
4.5%
Average move:
4.9%



If the “goldilocks economy” scenario suggested by JPMorgan’s CEO Jamie Dimon plays out, then that puts the wind at the back for all the Banks and Financials. As they say, a rising tide lifts all boats. Clearly, Wells Fargo (WFC) has had issues beyond the current market environment, but if the wind is at its back... and especially if it puts its mishaps behind it... then shares of Wells Fargo are likely to rise as well. Technically, there is some resistance at \$45, but the stock is trading around \$40 and it has been more than 10 years since there has been such a big bet that the stock would go lower.

Ken Usdin at Jefferies said the entire group, including Wells Fargo, should show improving numbers helped by strong despite growth, and improving economic backdrop, and loan loss reserve releases, and Jason Goldberg at Barclays said he expects lower loan loss provisions to result in higher earnings from the company.

Despite the expected upside to earnings, shares of Wells Fargo have not particularly traded well on such news – at least initially. The stock has a history of trading lower ahead of earnings and gapping lower still even on an earnings beat, but from there, the stock has closed higher by an average of 1.9% from its open over the first two trading days and this drift continued over the subsequent week and month. In this case, given the high short interest and the overall trends, unless something new is revealed, weakness should likely be bought for a potential rally up to \$45 and a push above \$45 could squeeze short sellers out and drive the stock to \$55 before the next resistance comes into play.

Alcoa

AA



Earnings Whisper

\$0.53

Earnings Estimate:

\$0.48

Revenue Estimate:

\$2.64 billion

Thursday

Apr 15

4:10 PM ET

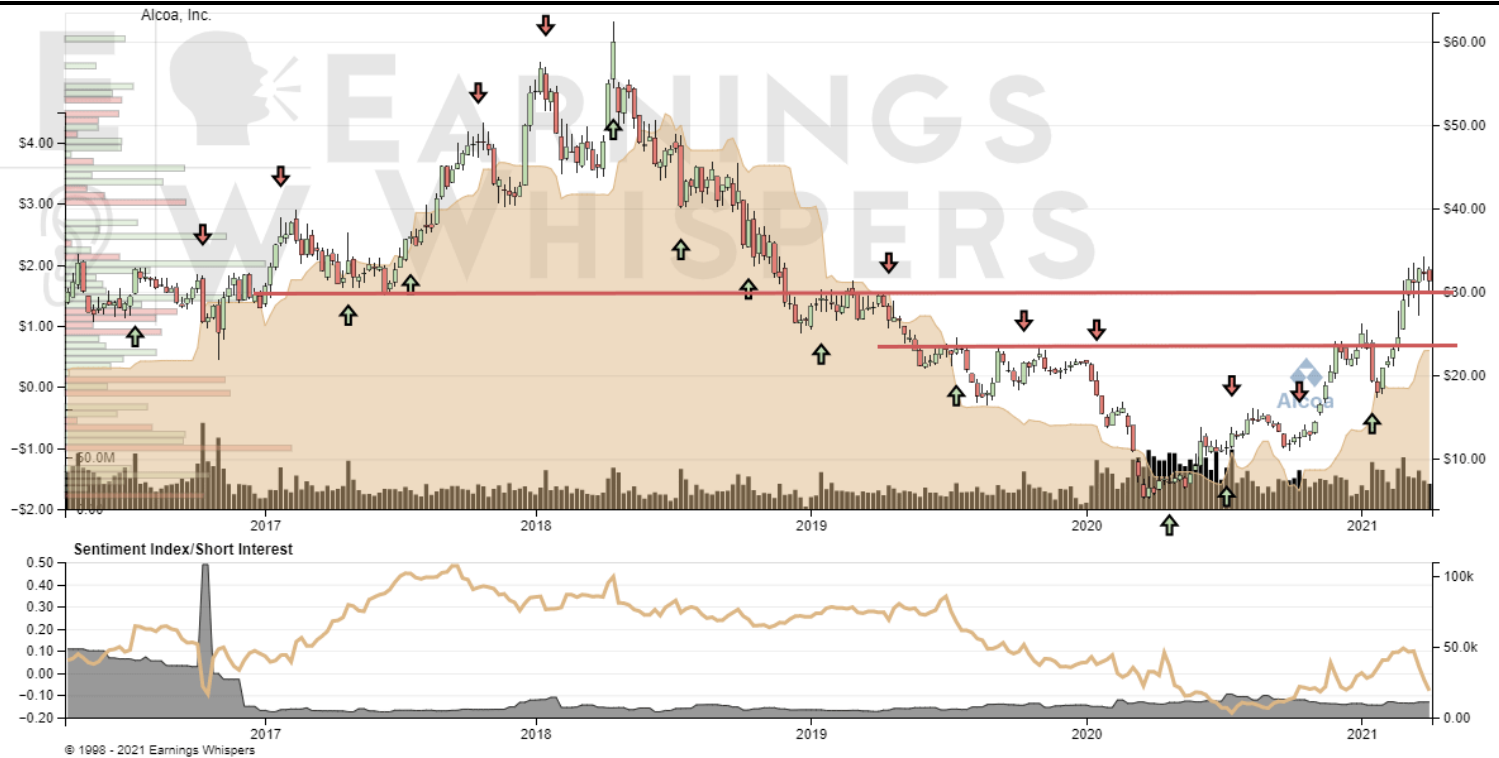
Volatility

Priced into options:

8.5%

Average move:

7.6%



As we often point out, commodity stocks tend to trade with the price of the commodity they sell. This makes sense because, for example, when the price of gold goes higher, gold miners have higher profits on the metal they dig out of the ground, and stock prices trade based on earnings. The same holds true for aluminum, which was trading at its highest price since 2011 just as shares of Alcoa (AA) were peaking in 2018. This past April, aluminum prices hit their lowest level since 2016. Since then, aluminum prices have come roaring back and are once again nearing their mid-2018 highs.

Now, perhaps the market knows that this rally in aluminum is unsustainable, or that Alcoa is going to reveal other issues impacting earnings, but most expectations are for commodity prices to continue higher and Carlos De Alba at Morgan Stanley said he sees both near and long-term conditions favoring the aluminum market. Given the aluminum prices, if the company can return to its profitability from early 2018, then earnings for the quarter should be closer to \$0.65 or even higher, which is well above the current consensus estimate of \$0.48 per share. In the past, when Alcoa has beaten estimates, the stock traded higher by an average of 1.2% in the days leading up to its earnings release and gapped higher by another 1.5% on the news.

More importantly though, as you can see on the chart above, earnings estimates have been trending higher, but are still a long way to go before they get back to the 2018 levels. If aluminum prices hold, then earnings have room to nearly double from the current estimated level, and since stock prices tend to move with earnings, it implies the stock has room to return to a \$50 handle in the intermediate-term.



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Most Anticipated Earnings Releases for the month beginning April 12, 2021

(only showing confirmed release dates)

Monday		Tuesday		Wednesday		Thursday		Friday	
12	aphria inc.	13	 	14	 	15	 BLACKROCK	16	
19	 	20	 	21	 	22	 	23	
26	 	27	 Alphabet 	28	 	29	 	30	
3	 	4	 ConocoPhillips	5	 	6	 ArcelorMittal	7	
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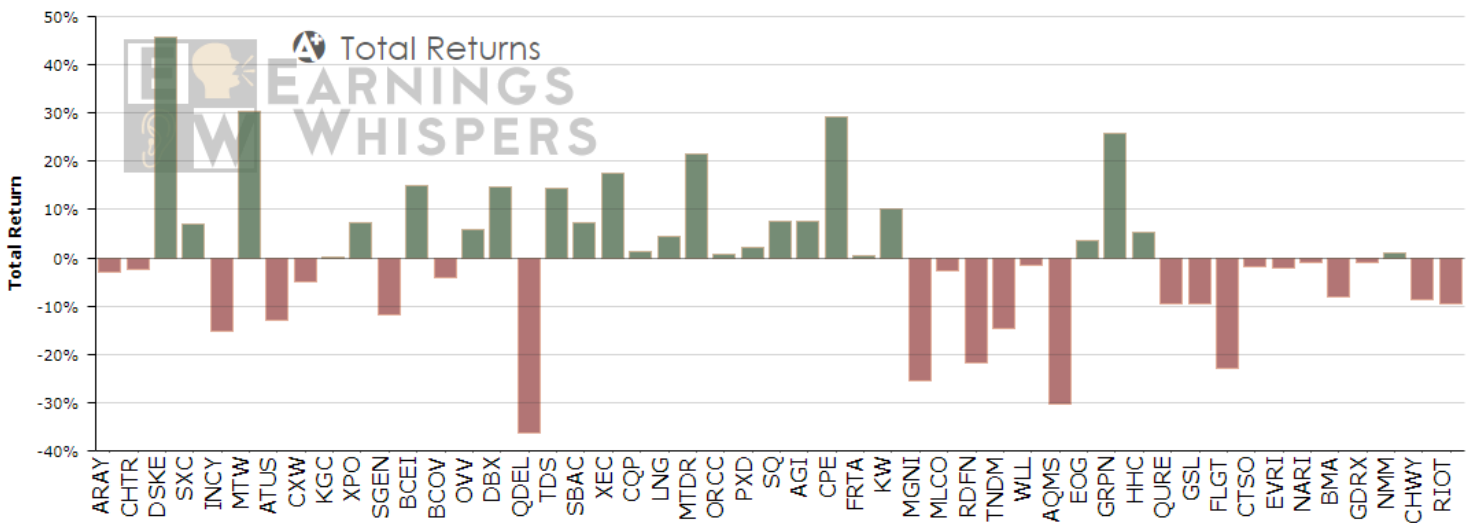
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Earnings Whisper Grades

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 0.50% on average, since reporting, while the S&P 500 is up 6.05% 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 JPMorgan (JPM) and Lovesac (LOVE).