



EARNINGS WHISPERS

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

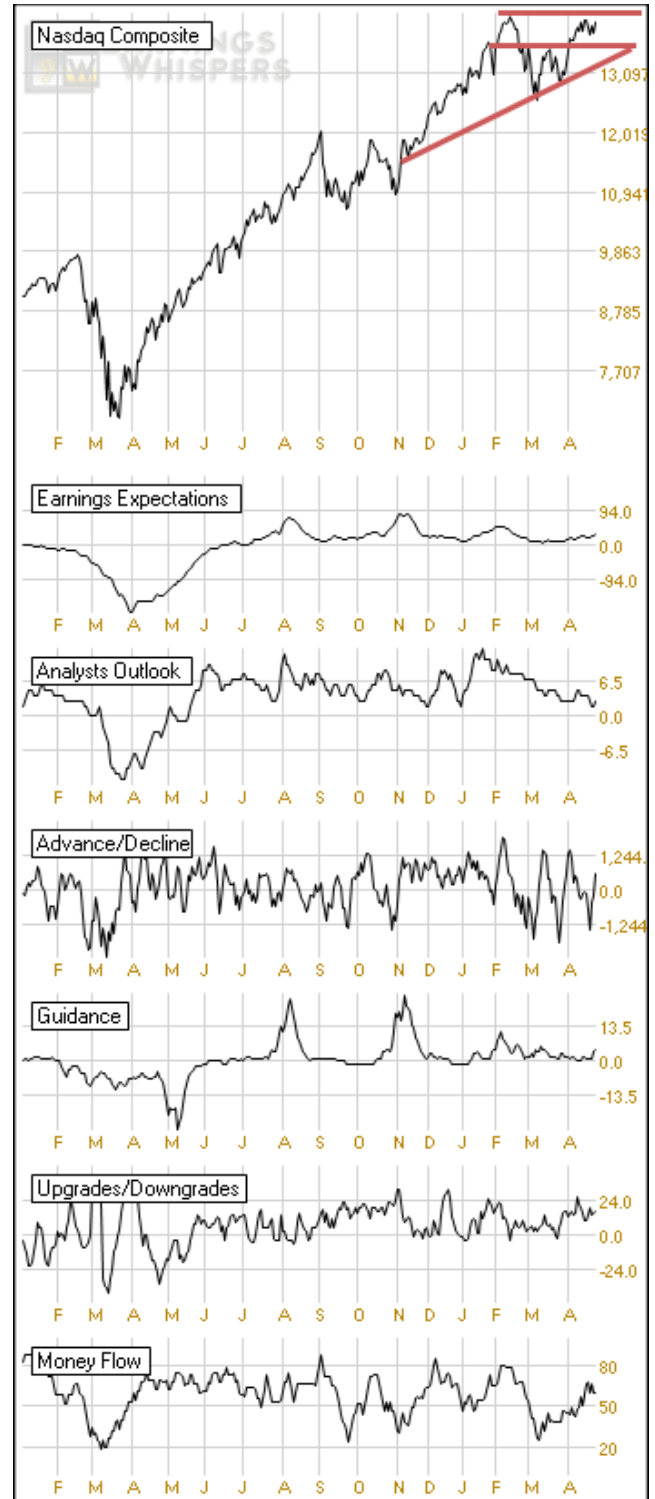
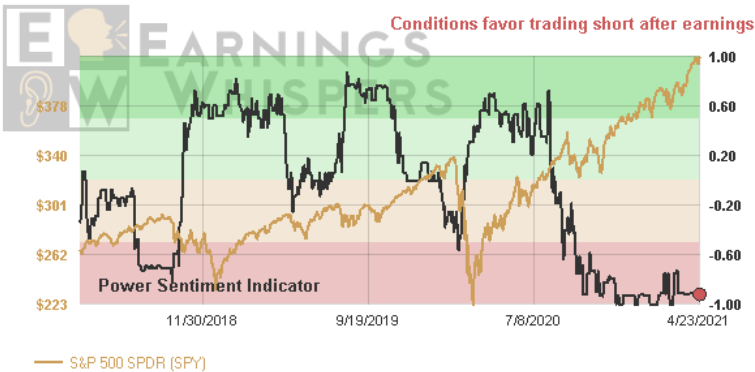
The Whisper Report®
Number 847

Prepared on Monday, April 26, 2021

Current Trading Strategy

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

- Earnings season picks up, including most of the FAANG stocks, and the results should be a lot like what the Fed is expected to tell us this week – more of the same.
- Apple – positive expectations but sentiment remains at an extreme
- Facebook – expected beat
- Amazon – expected beat, but second quarter is the key
- Bloomin' Brands – estimates to continue going higher



Statistics for the month of April 2021

	Positive	Negative	In-line	Ratio	Normal Ratio*
Guidance	87	15	68	85.3%	48.1%
EPS Surprises	319	62	13	83.7%	66.8%
Whisper Surprises	130	45	5	74.3%	57.1%
Revenue Surprises	314	58	-	84.4%	64.8%

* The average ratio for the month of April

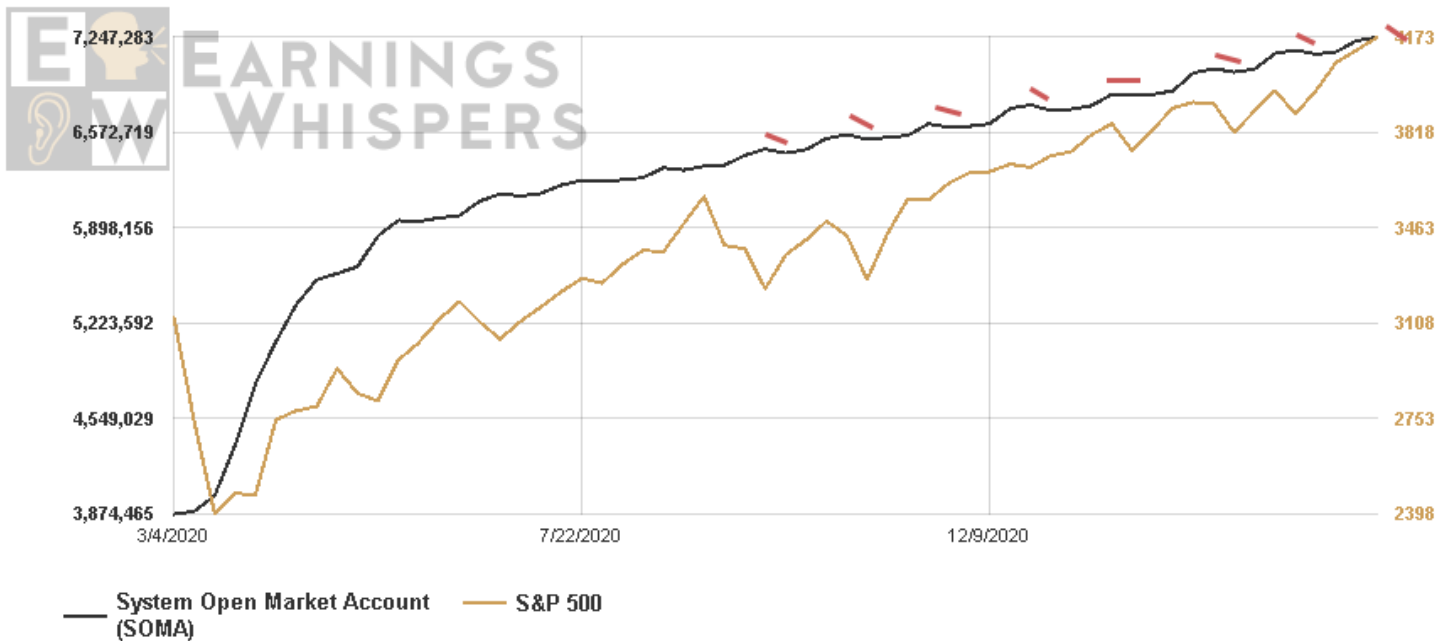
Key Market Events

- 4/26 March Durable Goods
- 4/28 FOMC Rate Decision
- 4/29 Initial Jobless Claims
- 4/30 March Personal Income/Spending
- 4/30 April Chicago PMI
- 4/30 April U of Michigan Consumer Sentiment

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

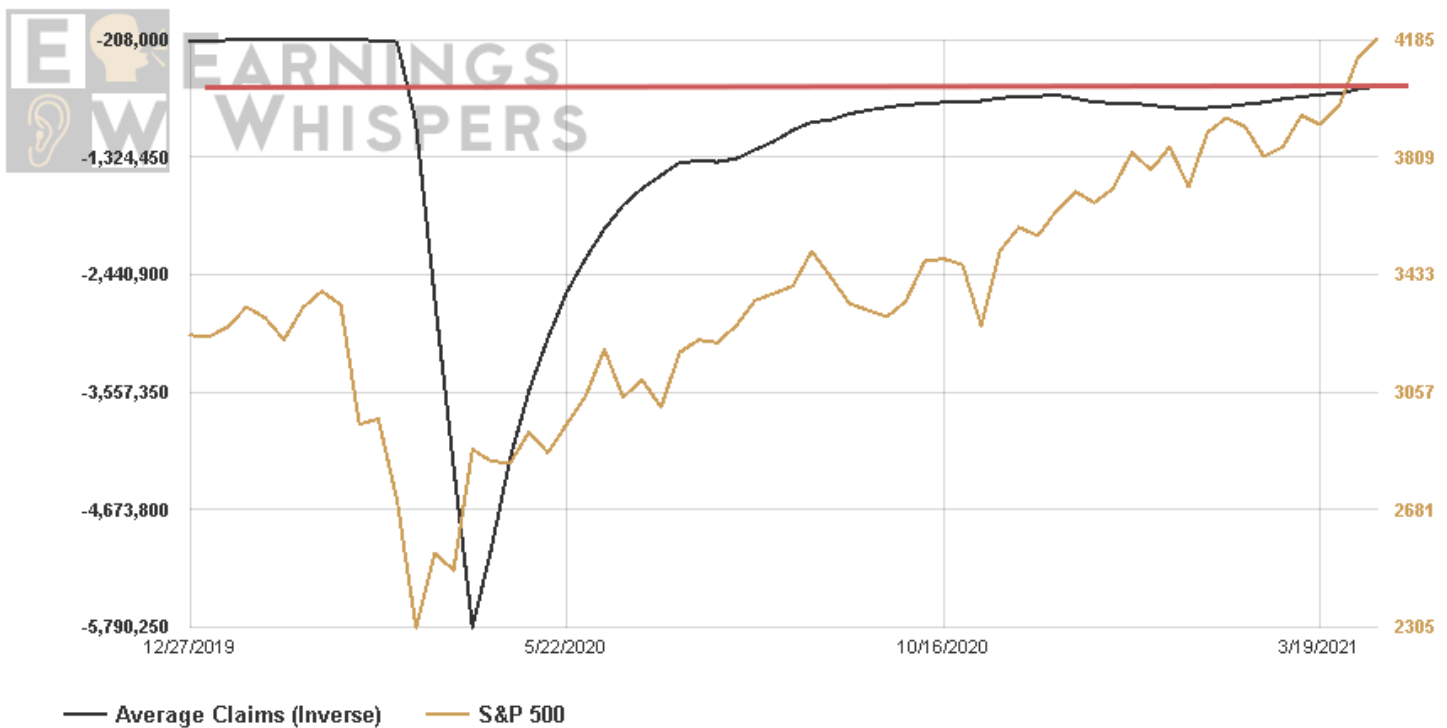
While earnings season picks up significantly over the next two weeks, the story for the market likely hinges on this Wednesday’s FOMC announcement, but when we look at the data and expectations, we are probably going to hear just more of the same from the Federal Reserve and the companies reporting earnings this week.

First of all, while it isn’t really a surprise, we did not get the normal end-of-month roll-off of the Federal Reserve’s assets, which have often brought month-end weakness to the stock market. The chart below shows the Fed’s balance sheet along with the S&P 500 over the past year and we’ve marked it with red lines showing the end-of-month declines. This is, after all, the last week of the month, so this is the more likely period for such action by the Federal Reserve, and with the rate announcement on Wednesday before the Fed announces its weekly balance sheet actions on Thursday, it shouldn’t be a surprise to see an increase in volatility and market weakness.



Still, as we have often stated over the years, the Fed's balance sheet is the only chart that matters, and all indications now are for the Fed to continue expanding its balance sheet which suggests asset prices will continue higher. The catch will be inflation running too hot. The Fed's mandate is to maximize employment while maintaining stable prices. With items like lumber skyrocketing, CEO's have been heavily citing inflation as a concern during their conference calls so far this earnings season. Last year around this time the issue was something more like deflation, but typically when companies start worrying about inflation pressures, we see an increase in inflation show up in the numbers a few months later.

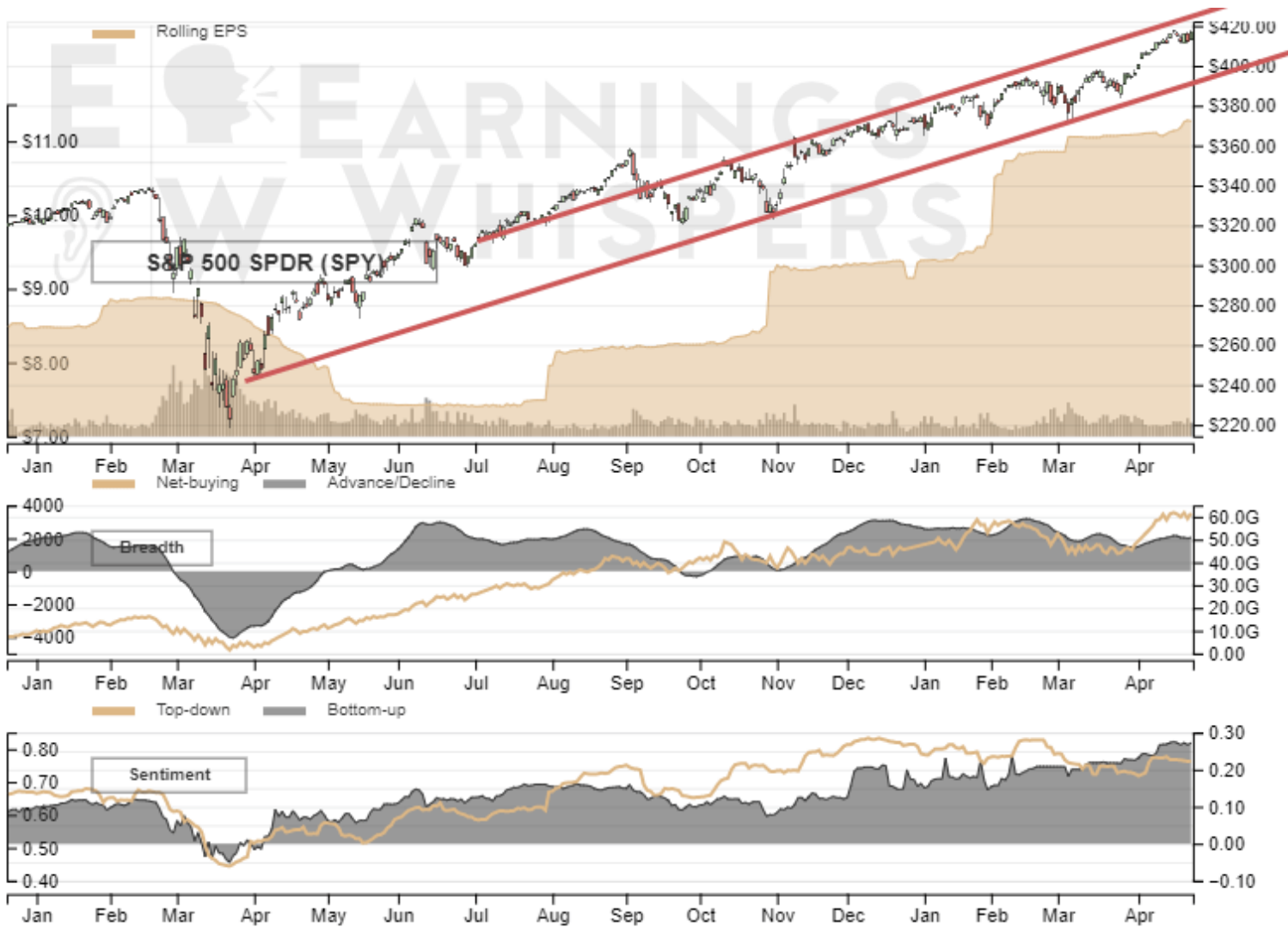
The key for now, though, is the numbers aren't showing inflation to be a concern while the other half of the Fed's mandate still has room to go before it is resolved. The chart below shows the weekly initial jobless claims (inverted) relative to the S&P 500. In the past these two lines have been highly correlated but the huge spike in claims during the lockdown (or the drop on the chart) has skewed this correlation. We are showing it today though to show that claims still have not gotten to the pre-pandemic levels.



When the Fed makes its announcement on Wednesday, the expectations are for little policy change but rather to show that inflation has picked up instead of remaining below its target, and that economic activity has improved but still has a ways to go. That means the asset purchases are expected to remain on track and that favors more upside for the stock market.

Market Overview

We often cite the old Wall Street saying among market technicians that the only things that matter for stock prices is how much money is available to be put to work and how much that money wants to go into stocks. As discussed above, the Fed is making sure there is ample supply of money to be put to work and the breadth indicators in the chart below show this money is being put to work in the stock market. While there is sentiment concerns that we have discussed recently and we are sure to discuss more in the coming weeks, the demand for that supply of money to be put to work in the stock market comes from earnings. The chart below shows earnings are moving higher as earnings season begins. All indications are for this to continue higher and that supports the continued upward trend in stock prices.



We've revised our lines a little allowing for more upside before resistance but the key is the three touches on the lower chart give support for any pullback while new money comes into the market and earnings continue to strengthen. Consequently, we are maintaining our strategy of primarily trading long ahead of earnings but still trading short after the news due to the high sentiment among investors.



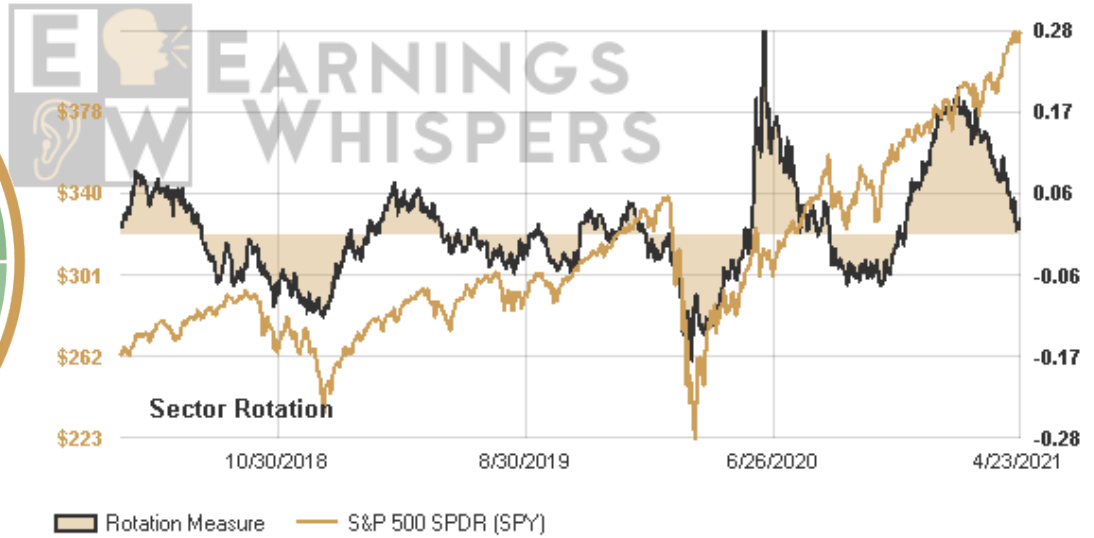
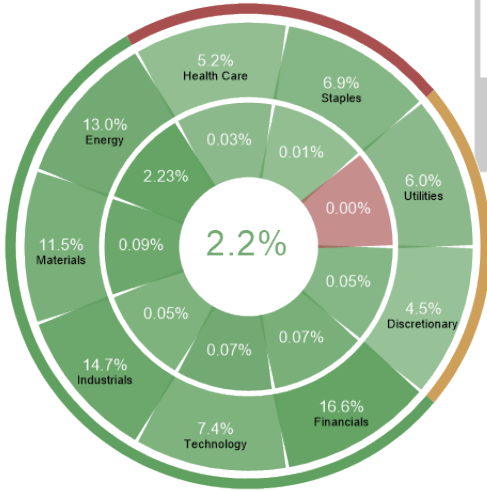
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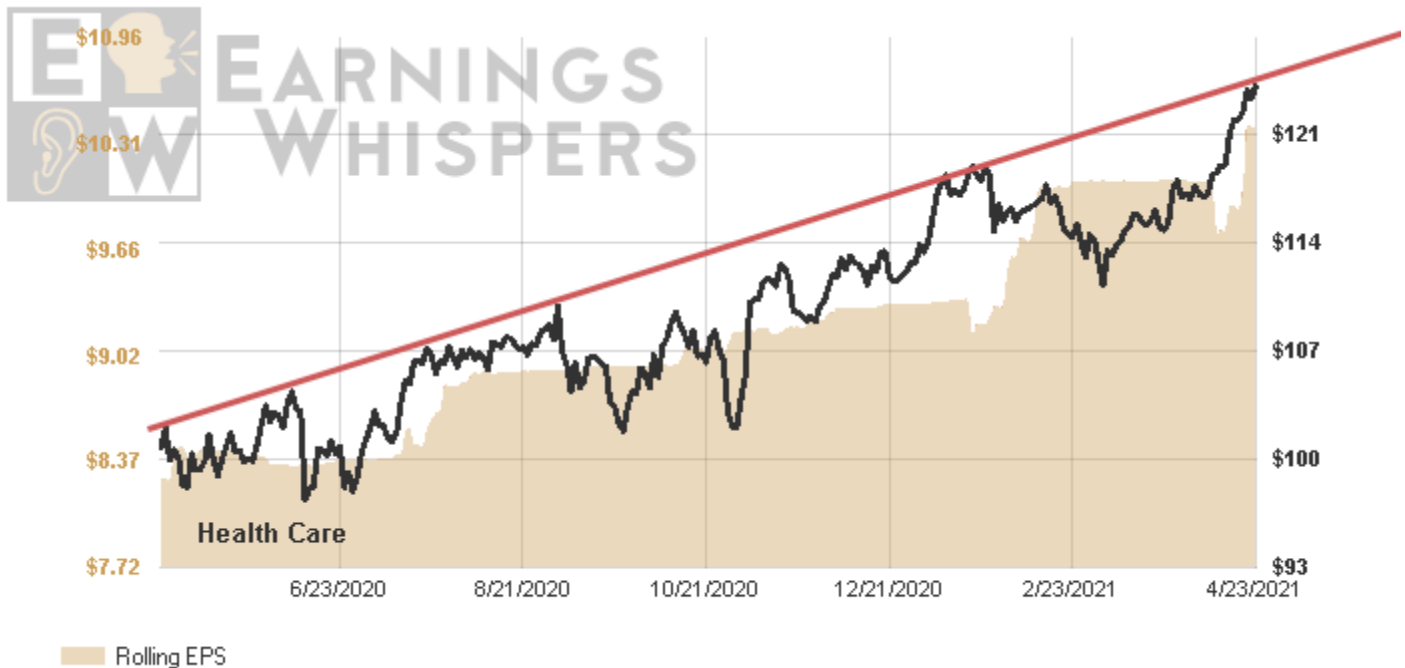
Prepared on Monday, April 26, 2021

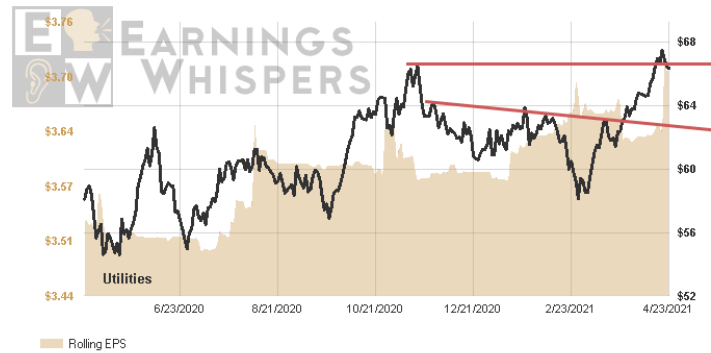
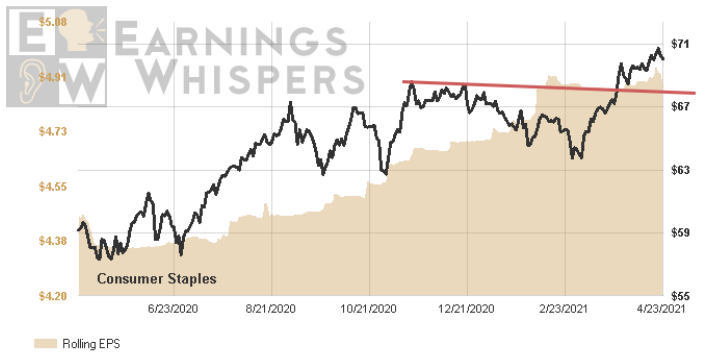
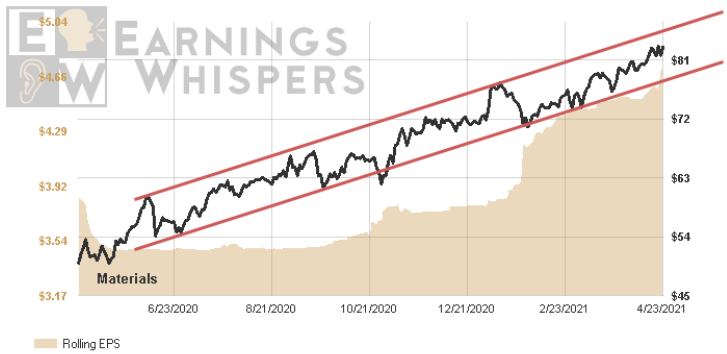
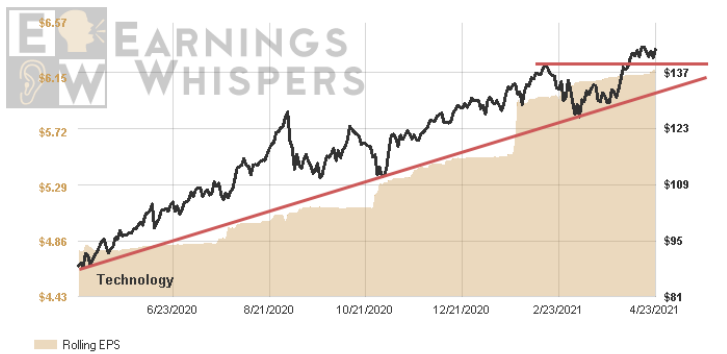
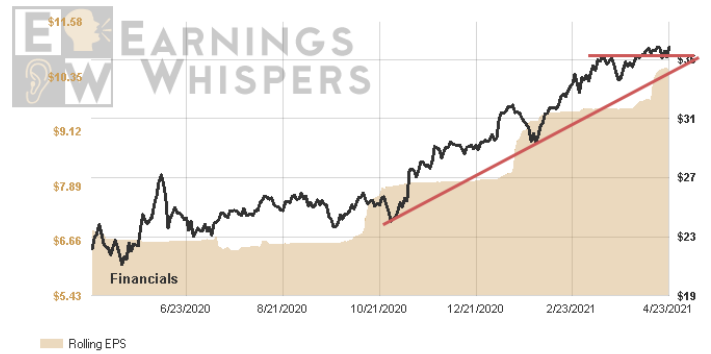
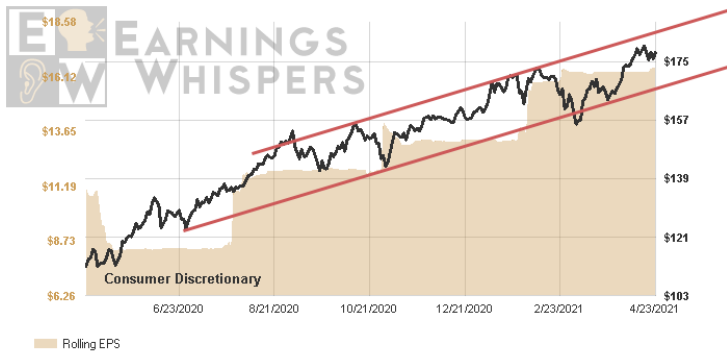
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Sector Performance

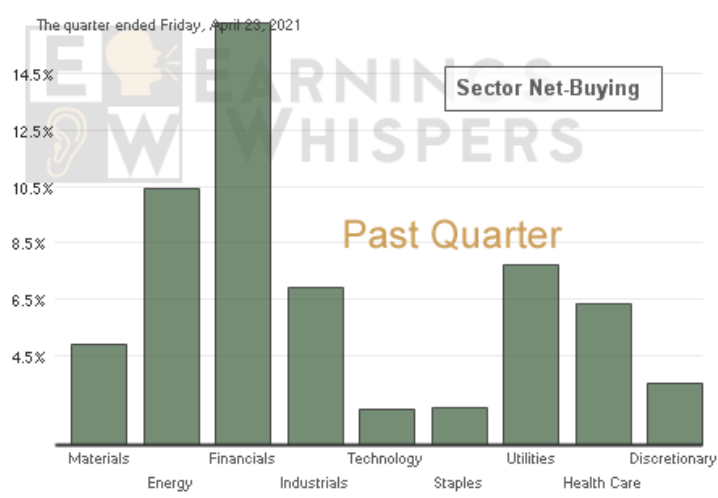
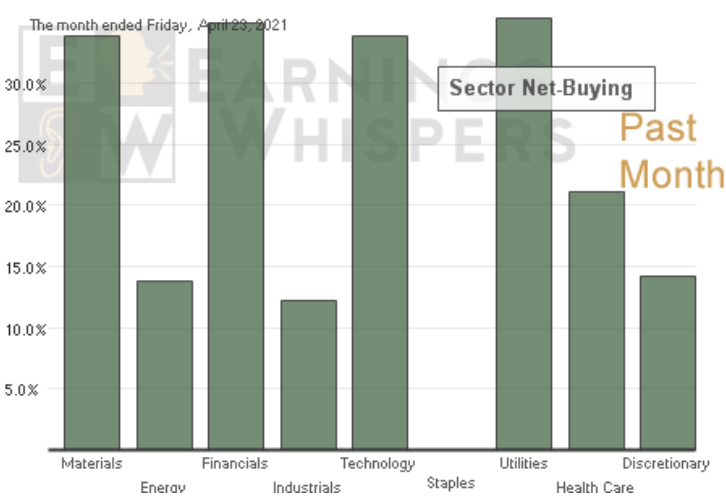
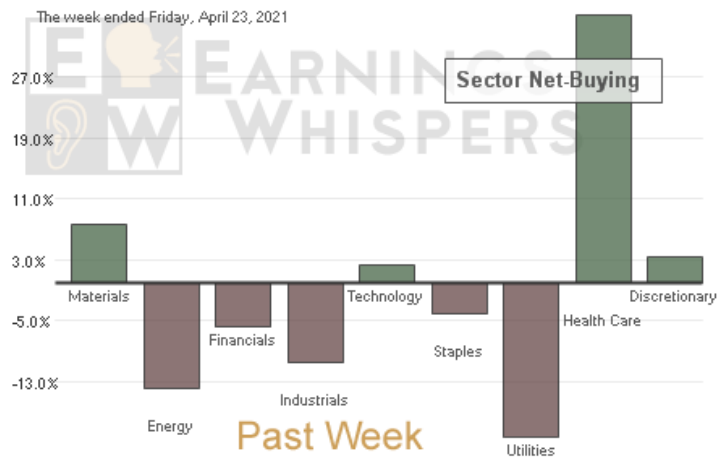
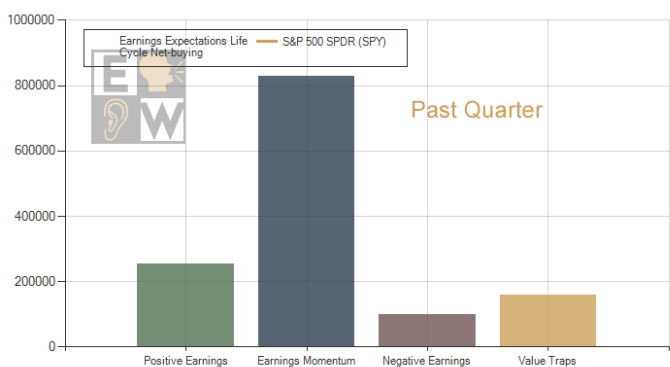
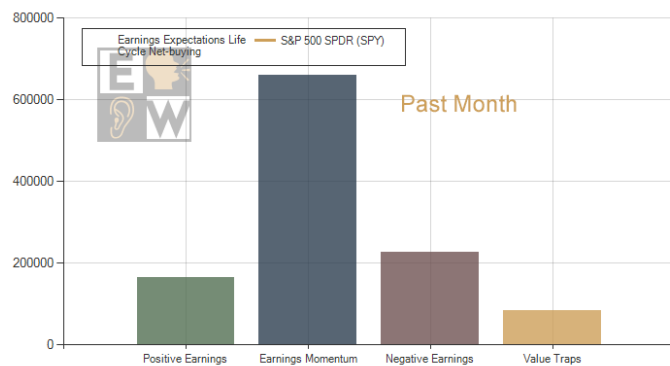
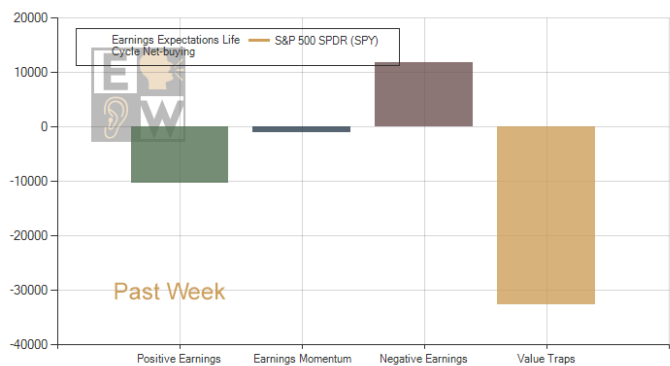


Our measure of the sector rotation continued to weaken but remained on the bullish said. This is a trend worth watching, but not to be concerned about just yet because there is typically continued upward moves in the overall stock market once the rotation moves into defensive positioning. Plus, last week's change came from an outperformance among the Health Care stocks, but this sector has now rallied up to a trend line that has seen resistance over the past year. Earnings have paralleled the move, so this isn't necessarily a bearish sign for the stocks, but the likelihood that they will outperform in the near-term is diminished.

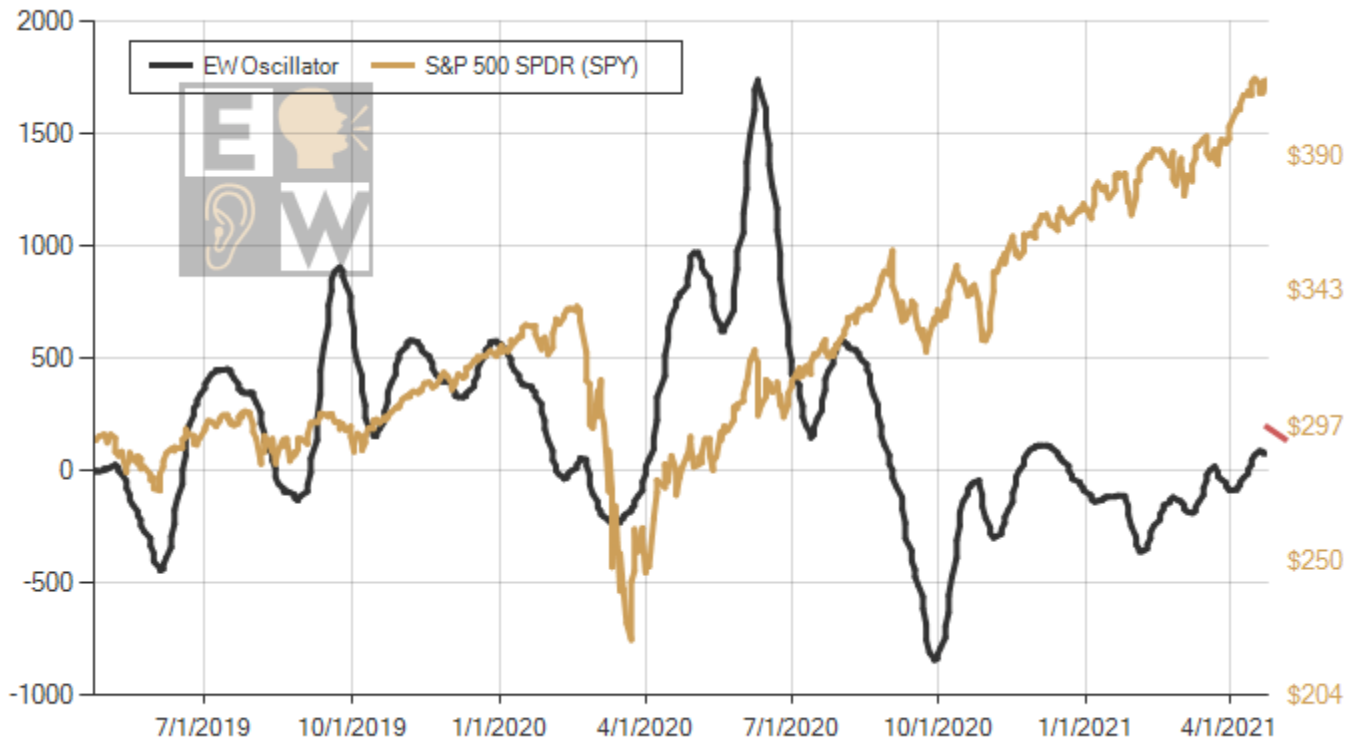




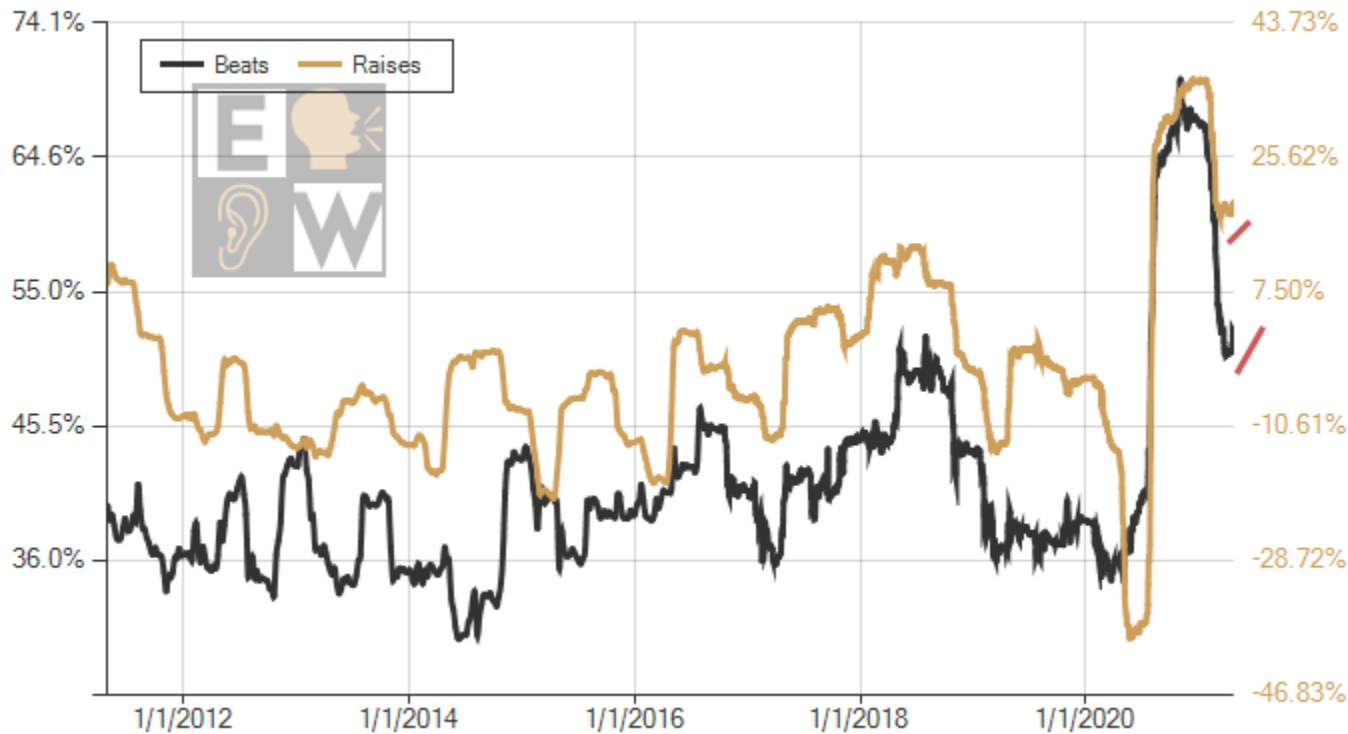
Money Flows

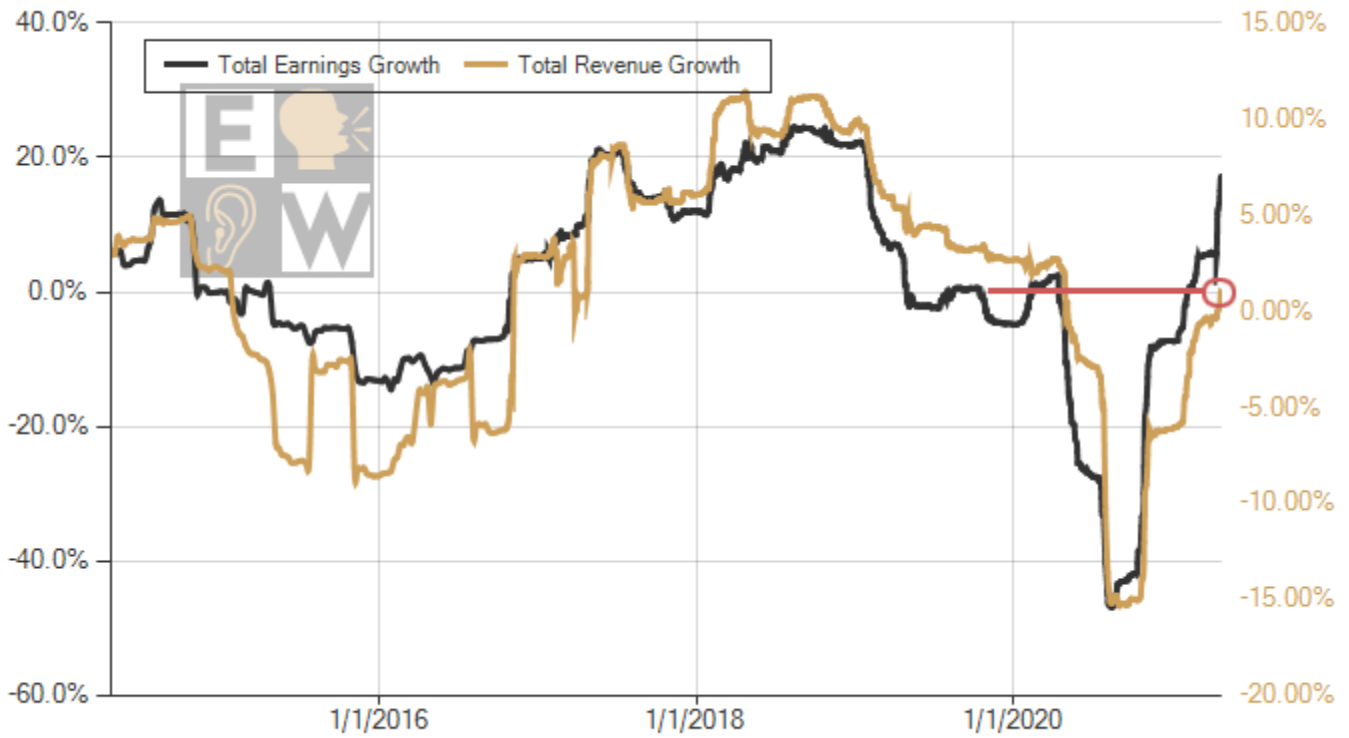


We really haven't seen a lot of follow-through in any direction over the past few weeks and last week we saw the Value Traps lag but the Negative Earnings stocks lead. As a result, our oscillator of such moves ticked lower last week. This doesn't have to be a bearish sign and, in fact, the last time we saw this indicator roll over around the same level, it was the start of a multi-month up trend... but the preference is for a little more strength here.

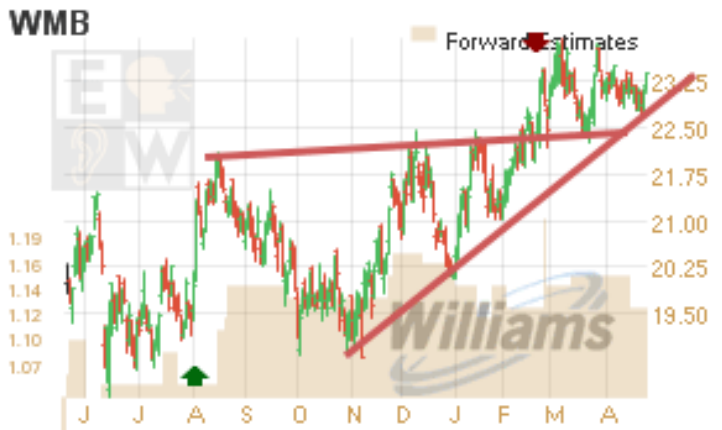


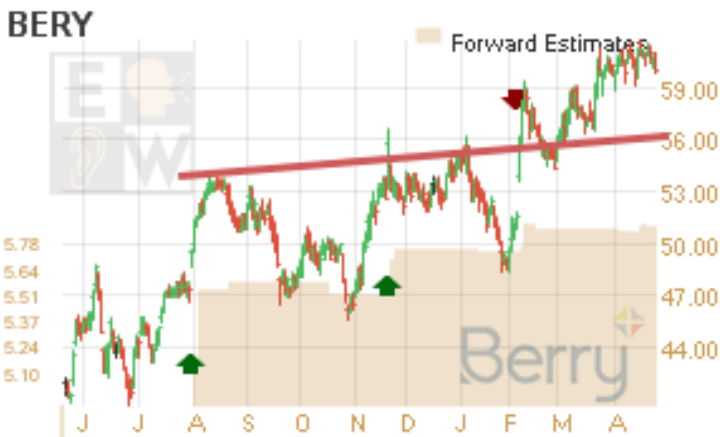
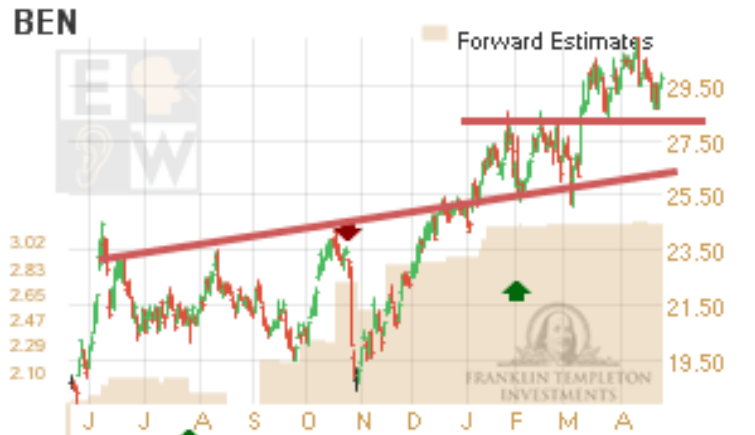
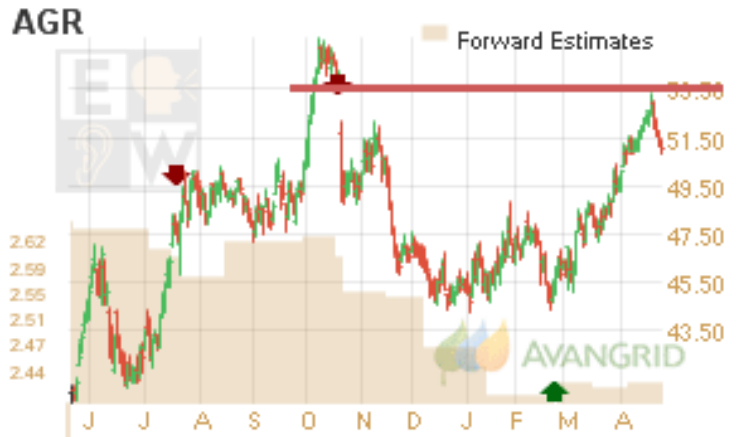
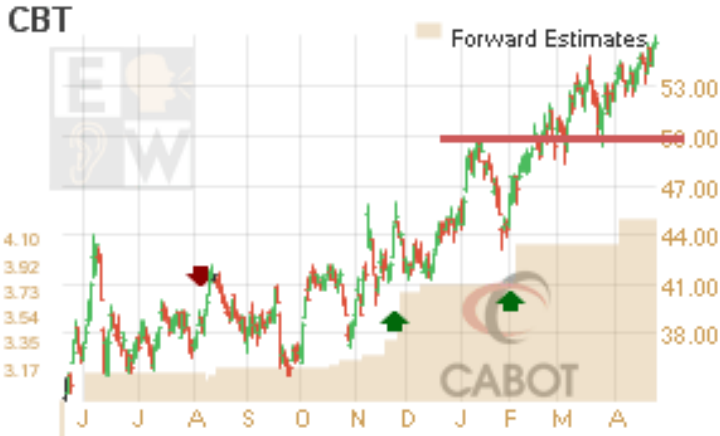
Earnings Trends



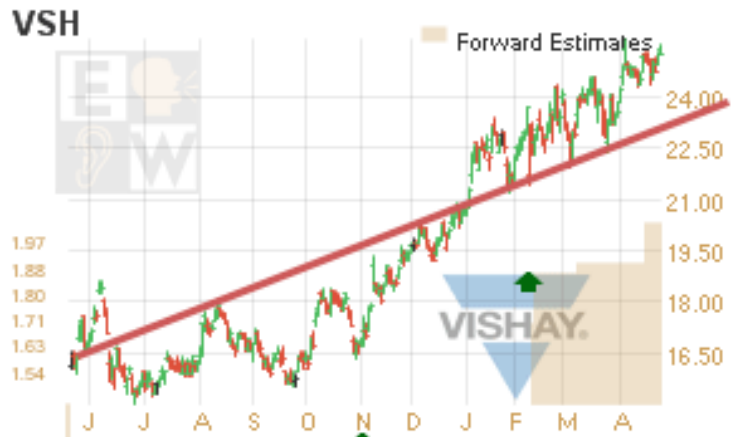
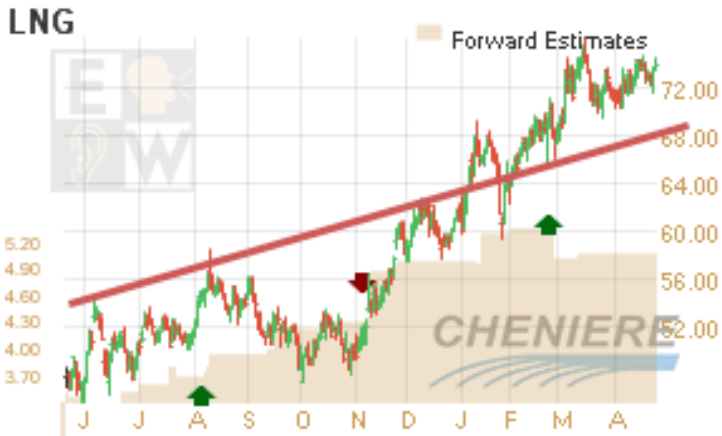


Upcoming Releases with Favorable Earnings Whisper Scores



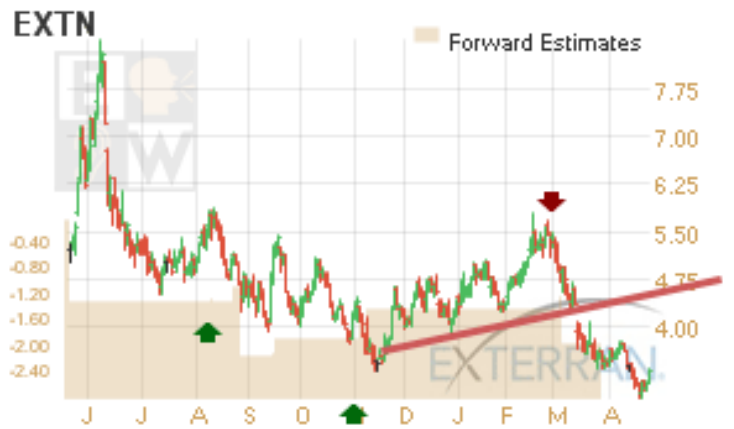


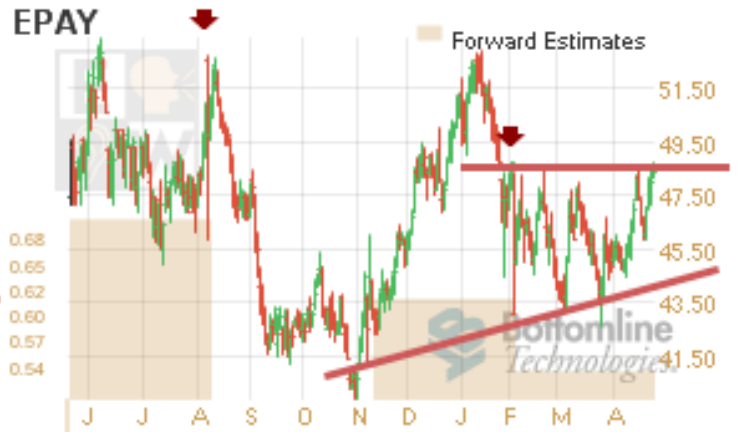
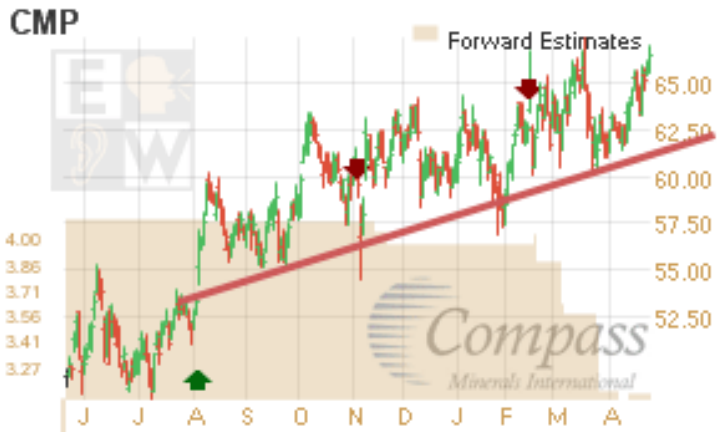






Upcoming Releases with Unfavorable Earnings Whisper Scores





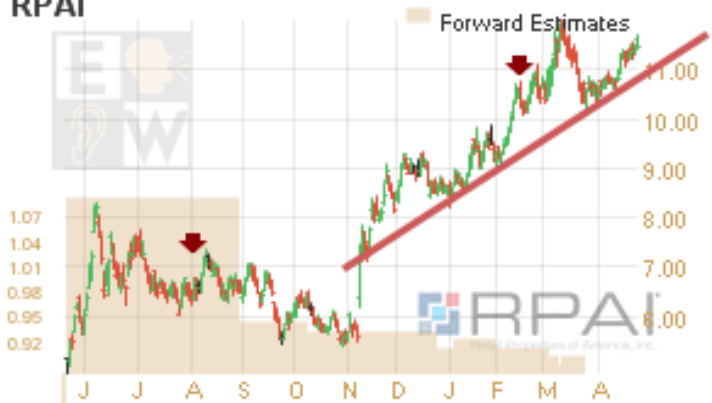
EXAS



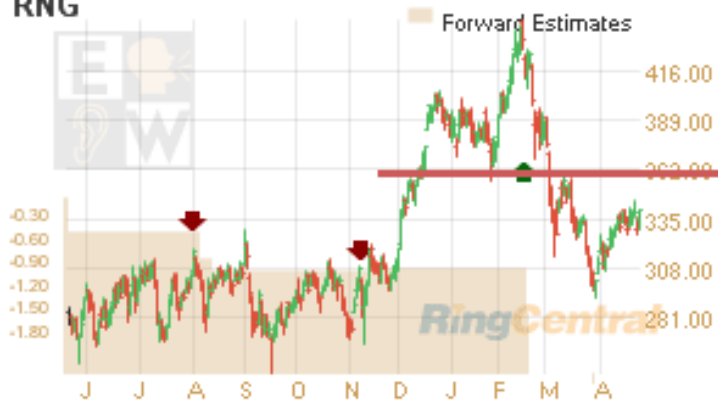
PVG



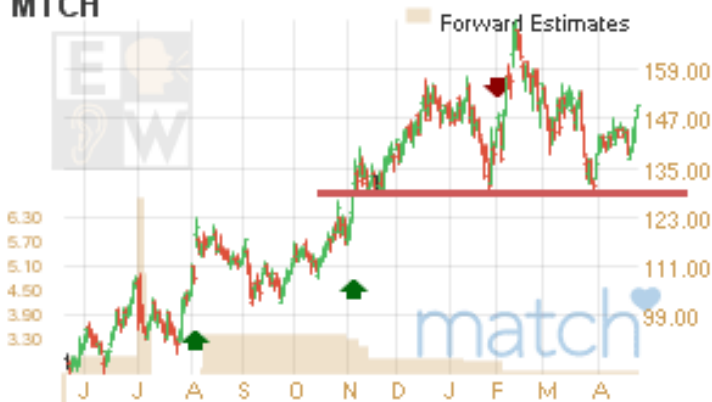
RPAI



RNG



MTCH



OSPN



PAYC



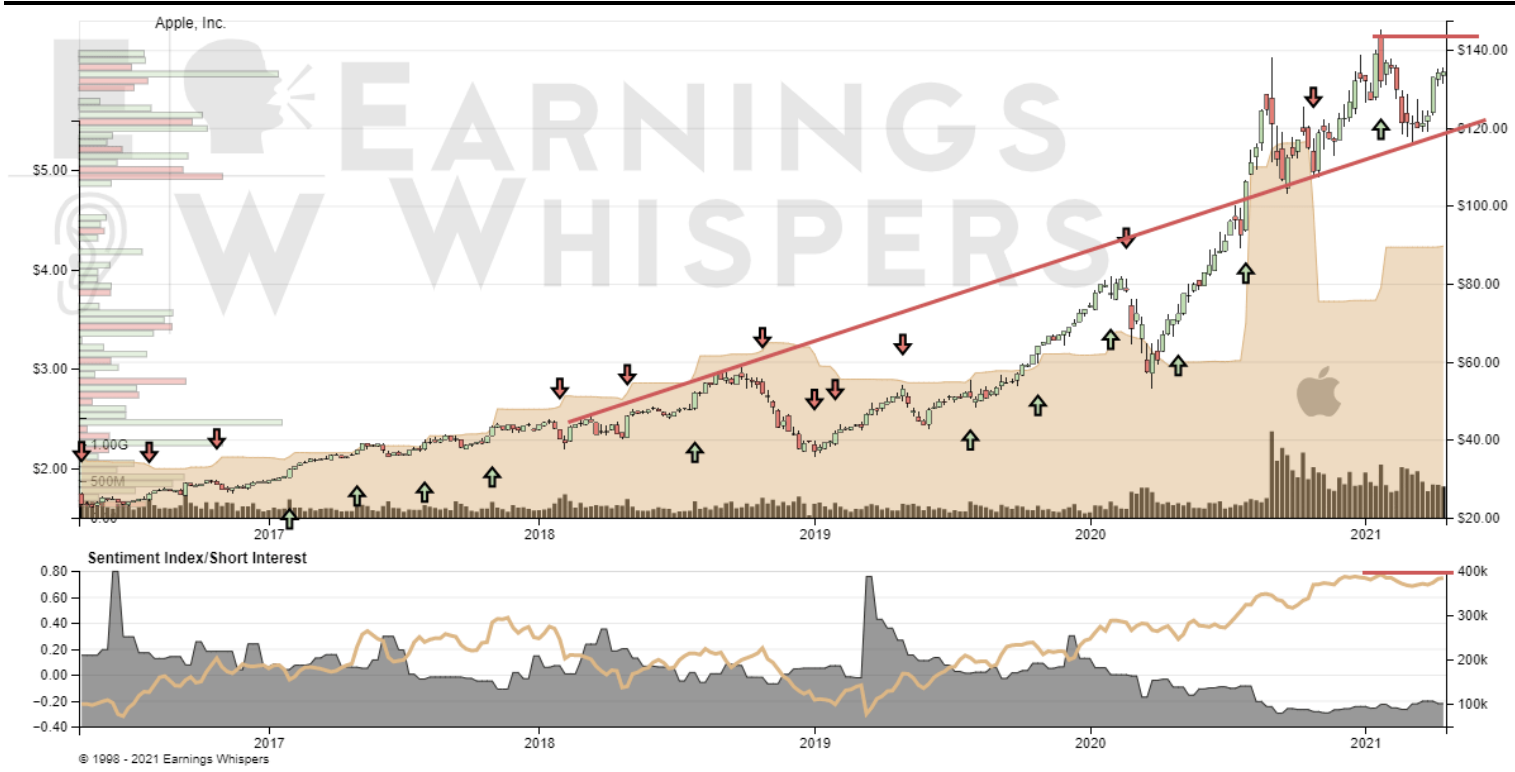
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Bottom-Up

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.

Apple		Earnings Whisper	Earnings Estimate:	Wednesday	Volatility
		\$1.08	\$0.99	Apr 28	Priced into options:
AAPL			Revenue Estimate:	4:30 PM ET	4.5%
			\$77.06 billion		Average move:
					4.3%

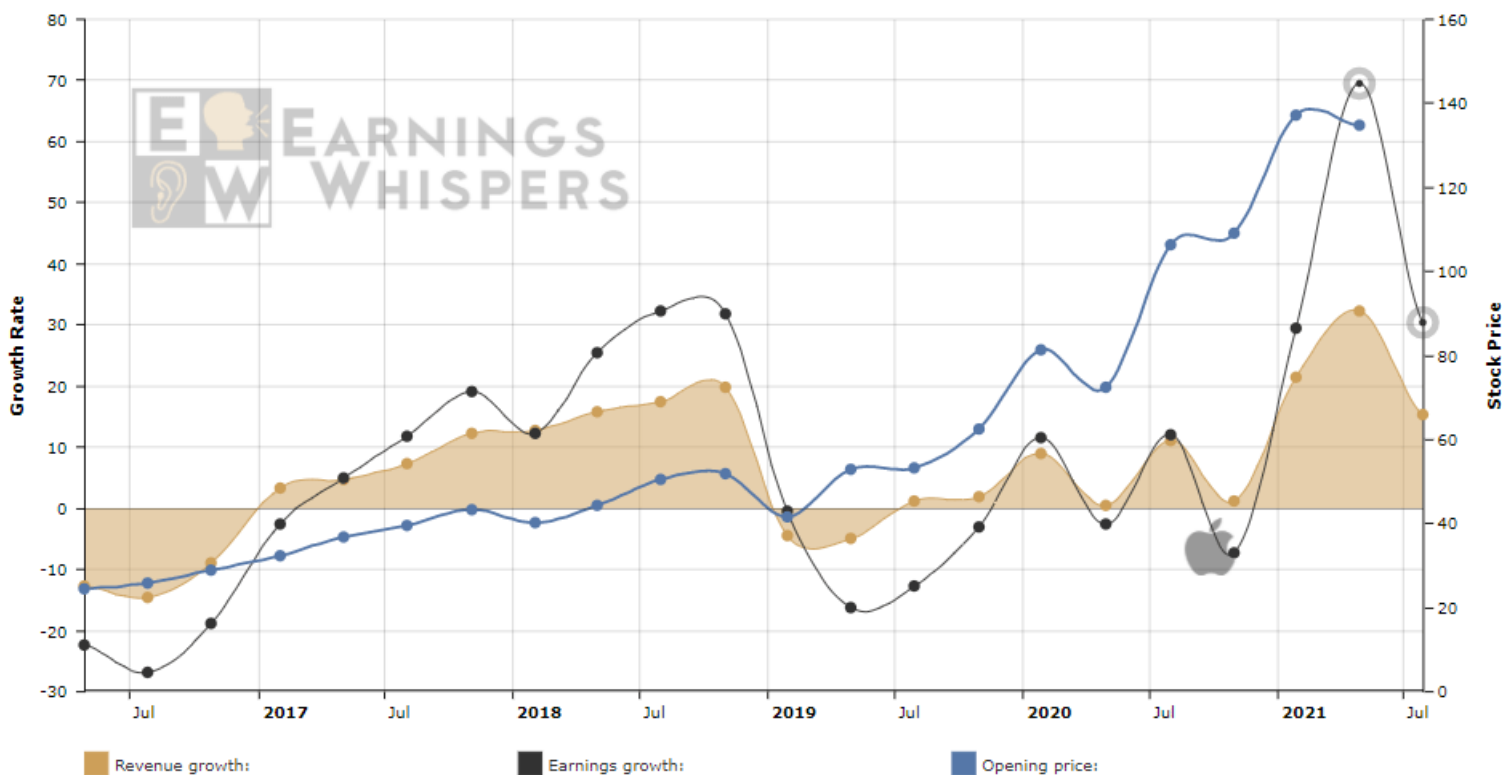


It can be tricky. Stocks of companies with high expectations are statistically more likely to go higher into their earnings release and, because those high expectations are generally due to positive fundamental trends or views, the stocks are also more likely to gap higher on the news. It gets tricky though because if expectations get too high, then the bar gets too difficult to hurdle, and the stock is more likely to selloff on the news even if the company reports positive results. Our Earnings Whisper® Score takes feedback and data checks from analysts and also measures investor sentiment. For Apple (AAPL) this quarter, expectations among analysts are positive, but overall sentiment going into the company’s earnings release is at an extreme high and that puts downside risk to the stock going into the announcement after the close on Wednesday.

Last quarter, for example, the stock set an all-time high on January 26 and our sentiment index also reached its highest level on record of 0.82 – meaning all sentiment measures while compile showed 82% of investors expected positive results or expected a positive reaction to the announcement. The company reported results at the close the next day – beating expectations – and opened lower by 3.3% on the first trading day after the announcement. Two days later, the stock was down another 5.4% and was down 16.6% roughly six weeks later.

This time around, checks are still reasonable positive, and the company is expected to beat estimates but, while sentiment isn't as high as it was last quarter going into the announcement, it is still around its all-time high as shown on the chart above. Sidney Ho at Deutsche Bank said their checks show iPhone trends continue to be positive while the company gains market share in the high-end market, and Katy Huberty at Morgan Stanley said their checks give her strong confidence the company will beat estimates and provide positive guidance. Of course, Apple hasn't given guidance since it said it wouldn't meet its guidance due to COVID-19 back in February of 2020, but in the past when the company has reported a beat and raise, the stock gapped higher by an average of 2.1% and was up 67% of the time before continuing to drift higher by another 8.4% over the subsequent month. So, there is a reason to view the data checks as a positive for the stock, and that would be consistent with the chart below... but so would the view that the stock is going lower.

The chart shows the reported earnings and revenue growth going back to the middle of 2016, along with the opening stock price immediately after the company reported earnings. The last two data points for growth show estimates for the fiscal second quarter being reported this week and for the fiscal third quarter to be reported in July, and the last price point is Friday's close. Expectations are for the strongest growth of the past five years to be reported this week and that implies a higher opening price when the company reports, but currently estimates call for that growth to drop significantly in the third quarter and if the correlation holds, it means the stock will move lower into its earnings release this summer... or provide guidance or some kind of indication for sequentially higher sales growth – likely somewhere above \$78 billion.



Facebook
FB



Earnings Whisper
\$2.68

Earnings Estimate: \$2.36
Revenue Estimate: **\$23.53 billion**

Wednesday
Apr 28
4:05 PM ET

Volatility
Priced into options:
5.9%
Average move:
5.1%



When it comes to measuring sentiment heading into a company’s earnings release, you want expectations to be positive, but not too positive. That puts expectations for Facebook (FB) just about in the sweet spot. Expectations have never gotten as high as they are for Apple as discussed above, but it does appear to have been a headwind last quarter. This quarter, expectations have fallen but remain positive, while estimates have moved higher and so has the stock. As long as the company reports positive results, then the conditions are there for the stock to move higher.

Brent Thill at Jefferies said their checks show social ad spending has been ahead of expectations during the quarter and, while consensus estimates call for revenue growth to fall slightly on a sequential basis, John Blackledge at Cowen said their checks show ad spending at both Facebook and Instagram accelerated during the quarter.

Meanwhile, even though the March quarter has often shown weaker margins, the consensus earnings estimate of \$2.36 implies margins will return to the lockdown levels of the first and second quarter of last year. A return to historical margins suggests a modest upside to the Earnings Whisper even without upside to revenue estimates.

In the past, when Facebook has beaten the consensus earnings estimate, the stock has traded higher by an average of 1.0% during the days leading up to its earnings release and gapped higher by an additional 3.7% on the news, and was up 78% of the time during the week.

Technically, the stock started trending lower from its high in late August and formed a wedge (though we didn't draw the bottom line). In mid-March, the stock pushed above the trend line off the high, and subsequently retested the line before pushing higher again. This gives us a technical target of around \$320. Such targets are not meant to be exact, but with the stock reaching \$315 earlier in the month and then pulling back to test a support line around \$294, the assumption is that as long as this line holds, a bigger move to the upside should follow.

Amazon

AMZN



Earnings Whisper

\$11.56

Earnings Estimate:

\$9.65

Revenue Estimate:

\$104.41 billion

Thursday

Apr 29

4:00 PM ET

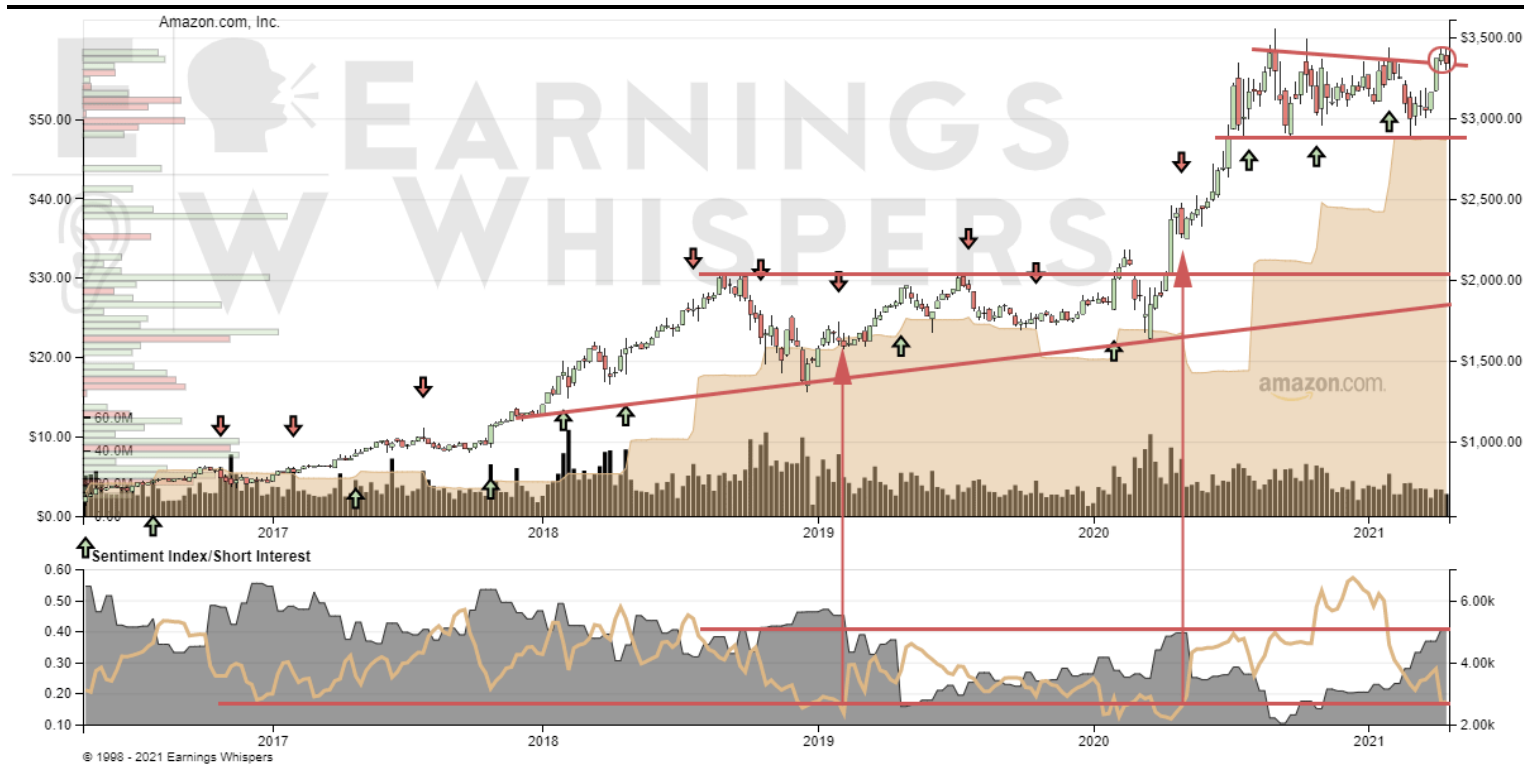
Volatility

Priced into options:

4.6%

Average move:

4.5%



Investors have never truly been bearish going into Amazon's (AMZN) earnings or expected weak results over the past decade. We are showing half of that period in the chart above and several times our sentiment index neared zero but never reached the zero line. We didn't draw lines for each of these, but over the past 10 years, there have been five times investors were less than 20% bullish or expecting positive results going into its earnings release one week ahead of the company's earnings release. The stock subsequently rallied 2.12% on average during the days leading up to its earnings release and then gapped higher by an additional 3.09% on the news. The two arrows we drew at the low sentiment measure also occurred the last two times that short interest in the stock was around five million shares. Both of those times saw short covering ahead of the next earnings release that took the stock higher during the quarter.

The company will still need to report positive results for the stock to continue higher, but expectations are for just that... at least for the first quarter. Justin Post at Bank of America Securities said their checks show stimulus likely drove strong first quarter results and he believes the company tracked to revenue growth of 40% compared to a consensus estimate of 38%. 40% growth implies revenue above \$105.6 billion, which would likely be a disappointment to the market though because you have to go back to the third quarter of 2019 to the last time the

company failed to beat its own revenue guidance and, even then, you have to go farther back to the third quarter of 2018 to find the last time the company failed to report at the high-end of its guidance range. This time that means revenue of \$106.0 billion and Doug Anmuth at JPMorgan said his conversations with investors suggest expectations are \$106.0 billion-plus.

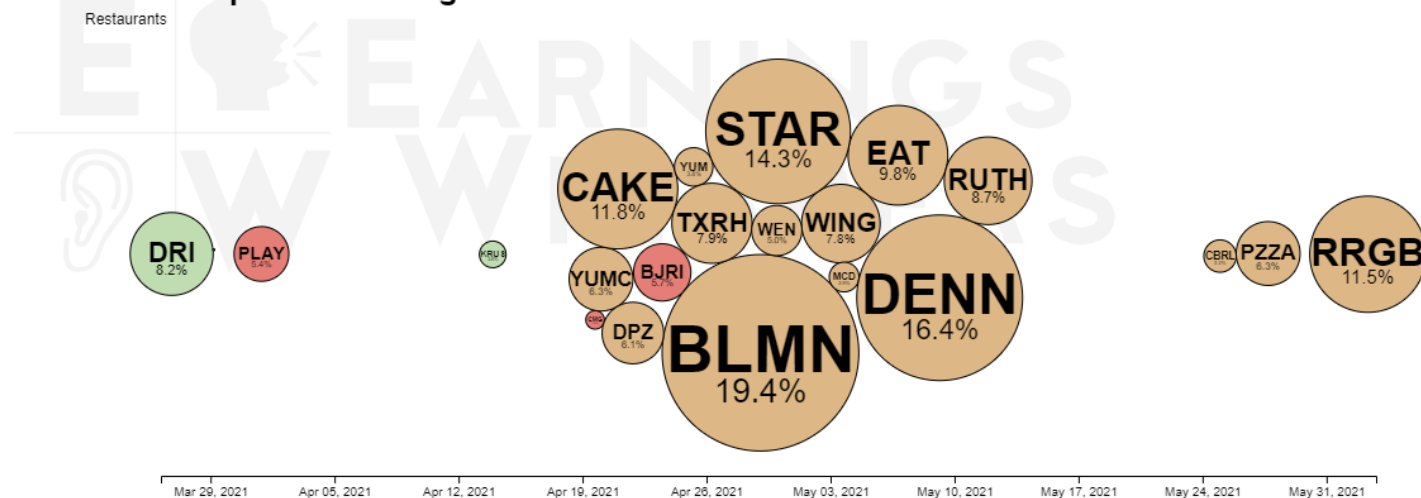
If the company disappoints for the quarter, it will more likely be on the bottom-line, but the consensus estimate of \$9.65 is the average of 37 estimates ranging from \$6.41 to \$12.00 per share. On revenue of \$106.0 billion, that low estimate would imply margins falling to their lowest level since 2017 and even the consensus suggests the lowest level since the lockdowns started. Yet, Daniel Salmon at BMO Capital said with the acceleration of eCommerce during the pandemic, he sees profitability improving as COVID-related expenses fade and restrictions ease. Margins in-line with the past three quarters would still result in upside to the Earnings Whisper number of \$11.56.

This still takes us to the company's guidance because, as comparisons become more difficult as we anniversary the lockdowns, it isn't completely clear what Amazon will look like as the economy continues to open. The consensus estimate of \$107.9 billion in revenue of the second quarter comes to 21.3% revenue growth and is sequentially higher than the first quarter estimates. Mr. Anmuth said he looks for the company to guide to revenue growth of 20%-plus at the high-end, which is mostly in-line with consensus estimates. That would normally be fine for the stock because, in the past when the company beat consensus estimates and guided in-line with estimates, the stock rallied 1.9% into the news and gapped higher by another 3.6% at the open following the news, while higher 75% of the time during the week. However, the company has consistently reported sequentially higher second quarter revenue and, a better view of what results will look like going forward will be whether the company can deliver sequential growth in the new environment. That means, should the company report revenue for the first quarter above \$107.9, it will likely need to indicate one way or another that it will exceed that in the second quarter.

On the chart, the view we have provided tells the story, but not quite as well if we had zoomed in – at least for the near-term. Since the beginning of July, there has been support at \$2,950 and there has been resistance at a trend line from its September high (or rather the gap lower the next day) and currently crosses 3,400. We have it circled on the chart, but really the stock has not made it there even though the hold just below there for about two weeks suggest support is building. The way we measure it, a move above \$3,400 would give us a near-term upside technical target above \$3,900. The sentiment and increase in short interest suggests there is fuel for such a move should the company deliver.

Actual/Expected Earnings Moves

Restaurants



Bloomin' Brands

BLMN



Earnings Whisper

\$0.39

Earnings Estimate:

\$0.34

Revenue Estimate:

\$952.08 million

Thursday

Apr 29

7:00 AM ET

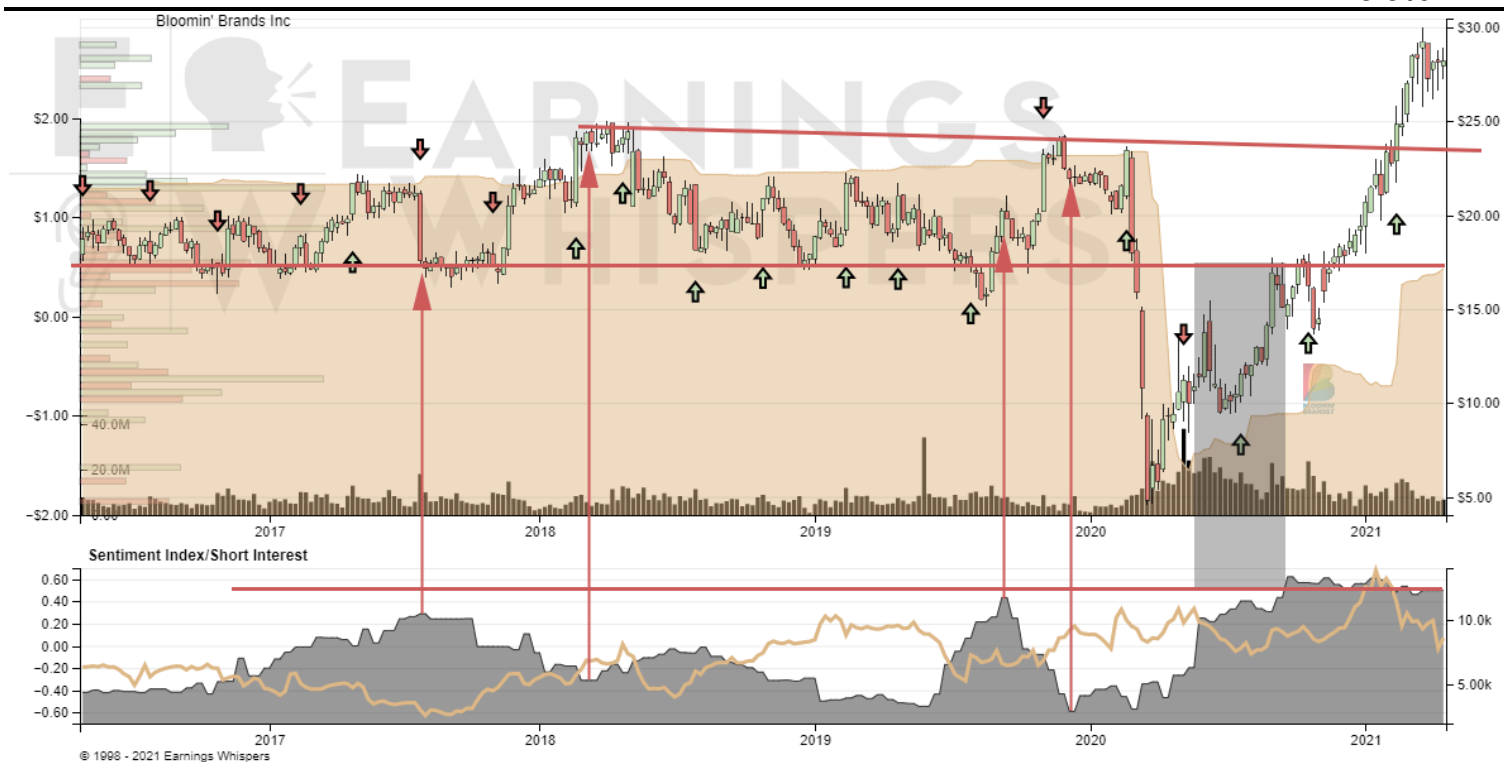
Volatility

Priced into options:

19.4%

Average move:

8.5%



Earlier in these pages we provided a chart showing all the earnings releases with implied volatility for the week with circles sized by the larger of either the average move or the implied move. One of the largest in the graphic was Bloom' Brands (BLMN), which averages an 8.5% move and has an implied move of 19.4%. On the previous page we show a similar chart for just the Restaurants. We are still working on this chart before we can make it available on our website and, currently, it is grouping by date but also sizing by volatility. The result pushes some out so that it looks like, for example, Brinker (EAT) is reporting next week, but really it is this week. The real point is that traders are looking for a big move from Bloomin' Brands and the biggest move among the Restaurant stocks.

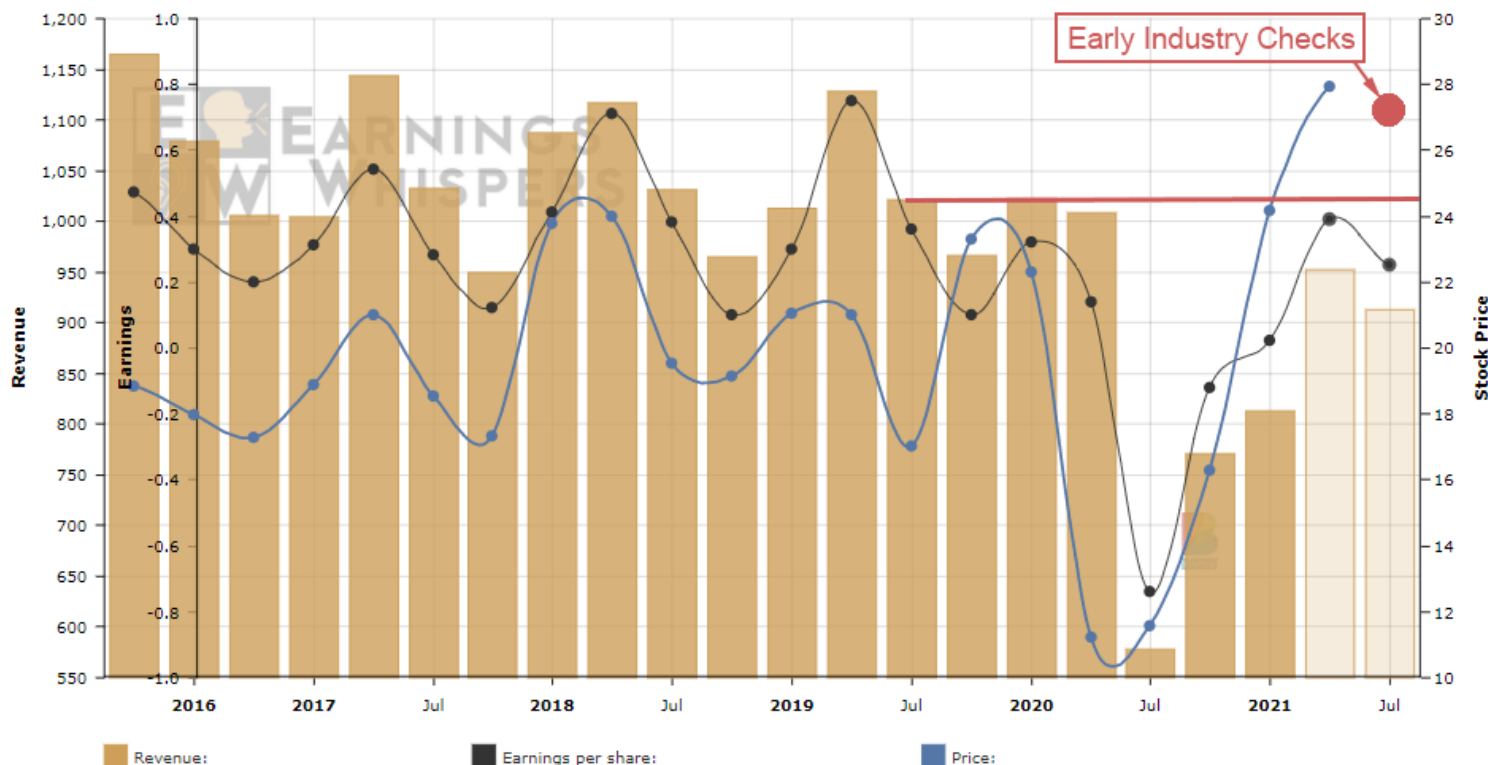
One reason for such an expectation is that there is already a large bet against the stock and these traders are holding onto their losses even as the stock goes against them. The chart above shows the past five years the stock regularly found support at \$17. When the pandemic hit, the stock swiftly sold off to be below \$5. The company pre-announced results below estimates that May and as the stock pushed higher, short sellers stepped in while the stock was between \$10 and \$15. That July, the company reported a 50% decline in sales but cost controls helped the company beat estimates. The stock then pushed higher still to retest the \$17 line and the short sellers added to their position. Then, as the vaccine started to prove it would be made available, the stock pushed higher still. When the company beat estimates last quarter, the stock then broke the previous resistance line of \$23.50. Considering the short sellers are still holding onto their position with nearly a 100% loss, any move lower that holds above \$23.50 should probably be bought as the short covering is yet to come. If the results this week are positive though, the short sellers might have to cover at an even higher price.

Brett Levy at MKM Partners said he sees a favorable near-term backdrop as the vaccines drive pent-up demand and John Ivankoe at JPMorgan said it could take up to 18 months of “excess earnings” as supply catches up with demand. In addition, Jon Tower at Wells Fargo said he expects the company to beat estimates on strength in Florida and accelerating trends in March. In the past, when the company has beaten consensus estimates, the stock traded higher by an average of 0.6% during the days leading up to its earnings release and then gapped higher by an additional 2.9% and was up during the one-week period 77% of the time.

Really, though, it has more to do with what is coming in the quarters ahead and Mr. Tower said he is looking for early April data to get a better benchmark against its peers. Most of those peers will report around the same time as Bloomin’ Brands or shortly after. Those that have already reported have had mixed results, but we know that industry data show that restaurant sales as a whole are tracking well above current estimates for Bloomin’ Brands. Assuming the company performs with the industry, there is upside for the second quarter too.

The chart below shows the quarterly sales, earnings, and stock price over the past five years for Bloomin’ Brands, with the lightly shaded bars showing consensus estimates for the first and second quarters. Consensus estimates for both quarters are still below sales results for most of 2019 and early 2020, but so far in April, restaurant sales are tracking above 2019 sales by more than 8%. We’ve drawn a red dot on the chart showing where Bloomin’ Brands sales will be in the second quarter should it exceed 8% of its 2019 sales. In other words, estimates are likely going higher and that should push pressure on the short sellers.

Earnings history for Bloomin' Brands Inc





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The Whisper Report®
Number 846

Prepared on Monday, April 26, 2021

Most Anticipated Earnings Releases for the month beginning April 26, 2021

(only showing confirmed release dates)

Monday		Tuesday		Wednesday		Thursday		Friday	
26	 	27	 	28	 	29	 	30	
3	 	4	 	5	 	6	 	7	
10	 	11	 	12	 	13	 	14	
17		18	 	19	 	20		21	
24		25		26		27	 	28	



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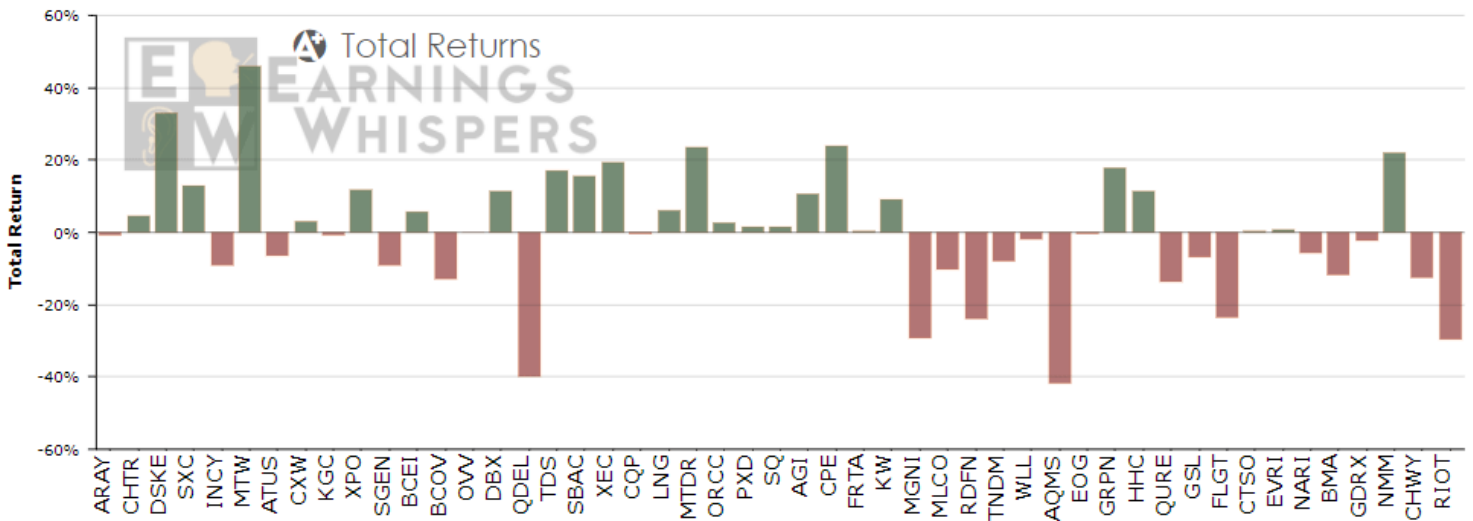
The Whisper Report®
Number 806

Prepared on Monday, April 26, 2021

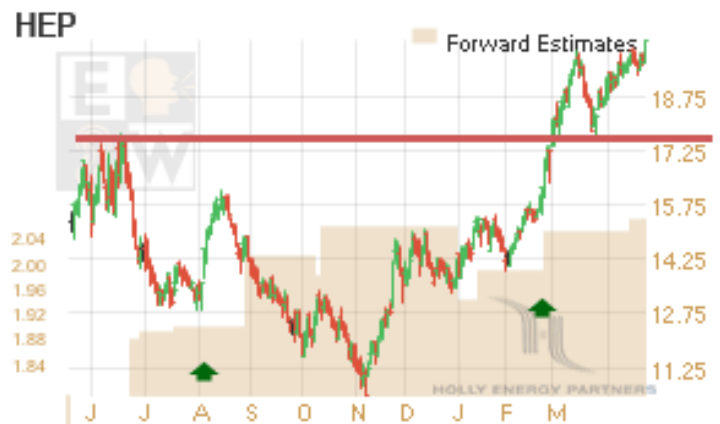
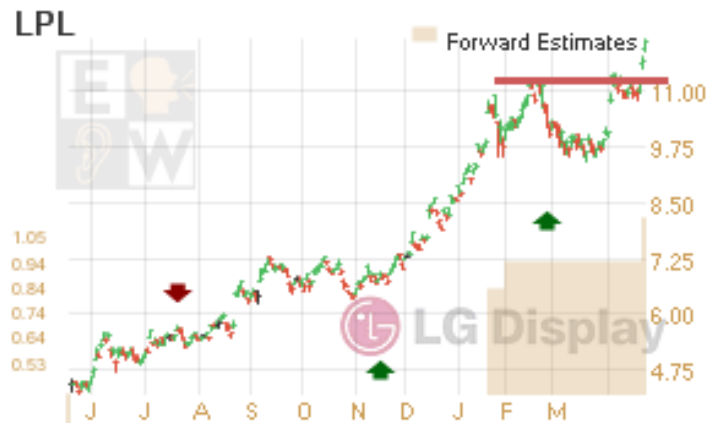
Earnings Whisper Grades

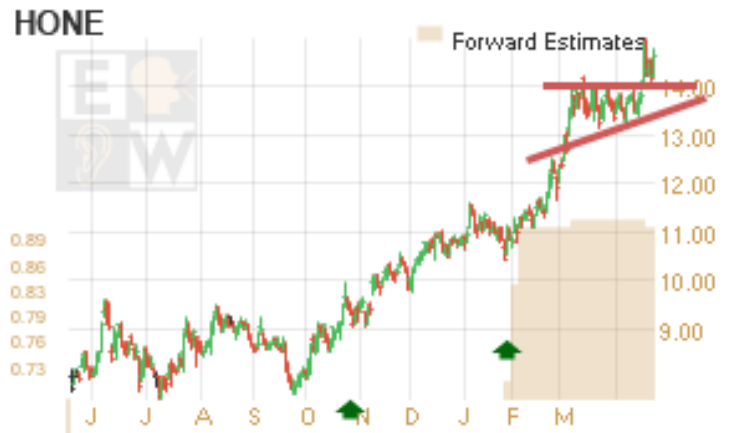
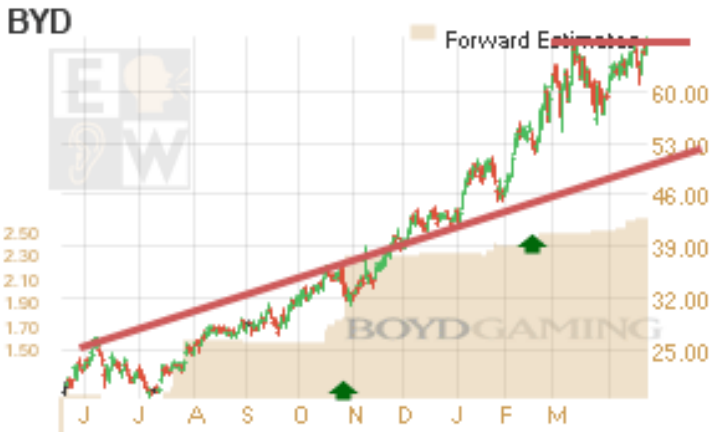
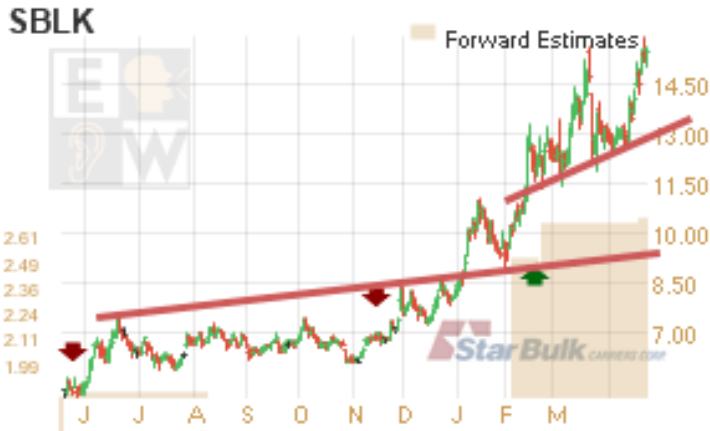
A current listing can be found at <http://eps.sh/apluses> and to learn more about the Earnings Whisper Grades, please go to <http://eps.sh/about-grade>. To get early morning alerts for all A+, please see your account settings at <http://eps.sh/account>

So far this quarter, stocks of companies with A+ earnings are up 1.77% on average, since reporting, while the S&P 500 is up 7.63% 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 a long position in Facebook (FB).