



EARNINGS WHISPERS

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

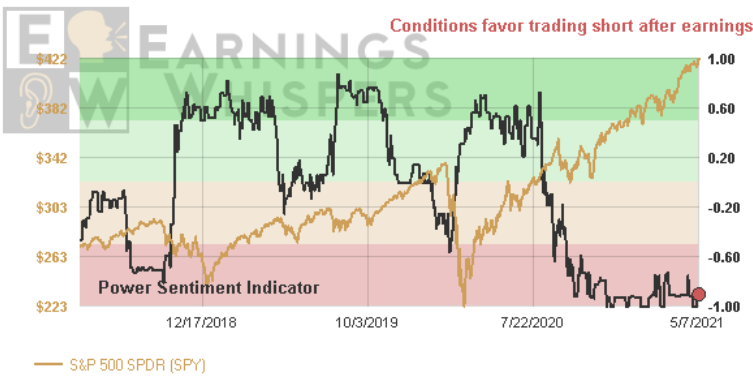
The Whisper Report®
Number 849

Prepared on Monday, May 10, 2021

Current Trading Strategy

Trading primarily long ahead of earnings while S&P 500 is above 3,950 and trading short after the news.

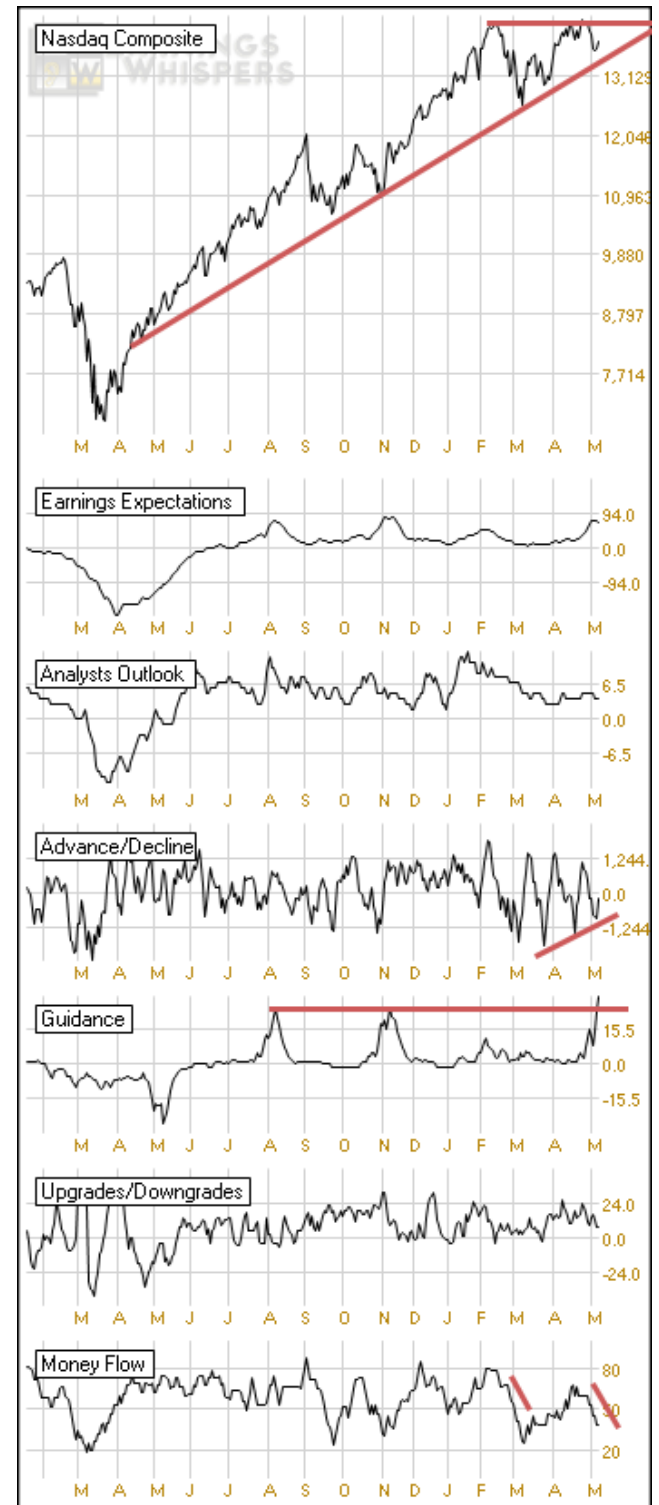
- The volatility story hasn't changed and doesn't appear ready to change for a while, which means anytime we get the trigger, we've got to take it.
- Disney – more about evidence for the coming quarters
- Jack in the Box – expected beat
- Poly – better-than-feared



Statistics for the month of May 2021

	Positive	Negative	In-line	Ratio	Normal Ratio*
Guidance	219	21	286	91.3%	48.6%
EPS Surprises	852	395	74	68.3%	56.1%
Whisper Surprises	176	129	12	57.7%	53.3%
Revenue Surprises	854	326	-	72.4%	56.5%

* The average ratio for the month of April

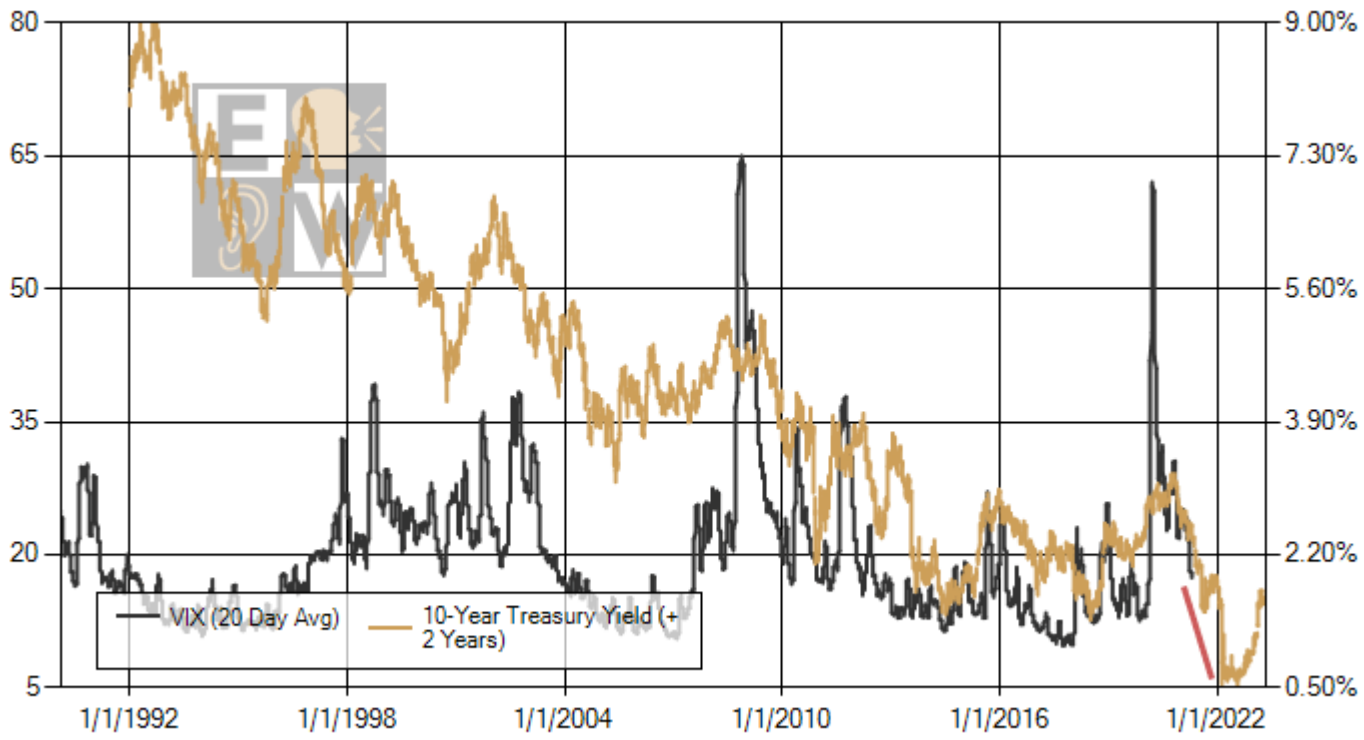


Key Market Events

- 5/12 April CPI
- 5/13 Initial Jobless Claims
- 5/13 April PPI
- 5/14 April Retail Sales
- 5/14 April Industrial Production
- 5/14 May U of Michigan Consumer Sentiment

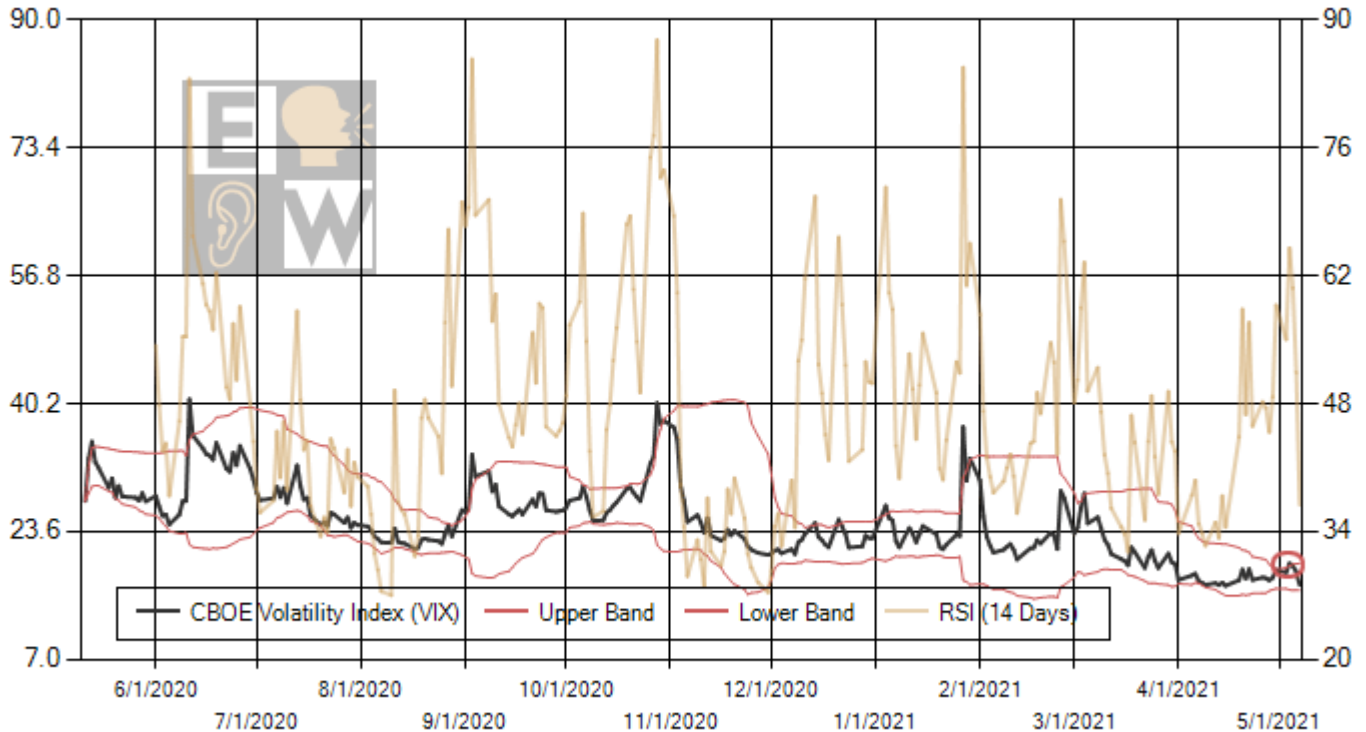
Monday		Tuesday		Wednesday		Thursday		Friday
Before Open	After Close	Before Open	After Close	Before Open	After Close	Before Open	After Close	Before Open

One of our primary investing themes or trading strategies for the past 12 months has been to short spikes in volatility, or use such moves as buying signals for equities. The chart below shows the 10-Year U.S. Treasury Yield pushed forward by two years against the 20-day moving average of the CBOE Volatility Index (VIX). The theory is that when U.S. Treasury yields spike, it results an economic contraction and tightened liquidity, but with a two-year lag. Thus, while volatility spiked with the COVID-19 lockdowns in early 2020, the peak in yields came in the fall of 2018, which coincided with the 2020 election. From there, yields fell and that foretells easy money that should benefit the economy and equities through the remainder of this year.



That means, strategies that should outperform include selling options, including covered-call strategies, shorting volatility ETFs or going long inverse volatility ETFs, or using spikes in the VIX as a buying opportunity for stocks since the VIX is often considered a measure of fear and the time to buy stocks is when investors are fearful rather than enthusiastic.

If volatility is going to continue trending lower as the chart predicts, then the spikes in volatility should become smaller throughout the remainder of the year, which is why we've shown the chart below of the VIX along with the 14-day RSI and the Bollinger Band showing two standard deviation moves from the 20-day moving average. There was a touch of the upper band in early March, but last week was the first true move above the upper-band since late January, giving us a trade signal to sell volatility or go long equities.



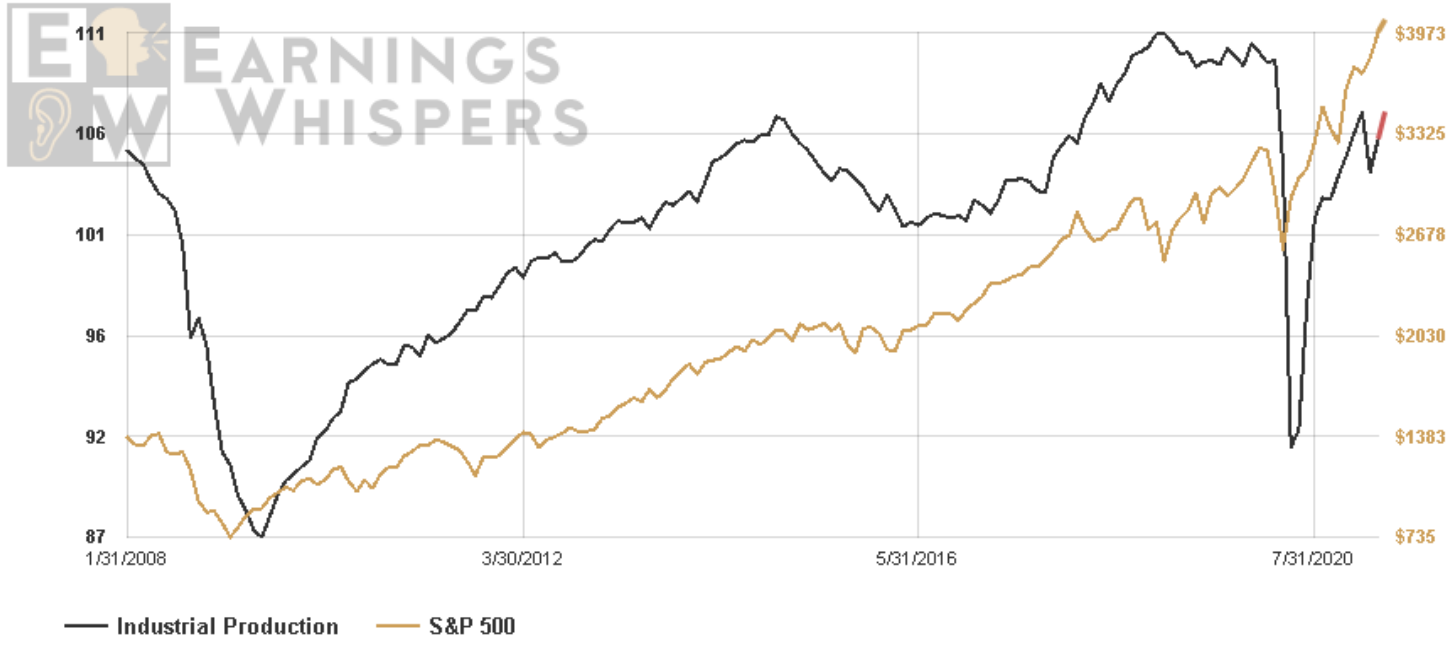
While conditions still suggest an upward direction to equities, the volatility trade is over for now. Earnings season is still going on, but the companies scheduled to report from here are smaller companies and unlikely to move the overall stock market. If we get another such move in volatility this week, it is likely to come in anticipation of the Industrial Production – the key macroeconomic data scheduled to be announced this week.

Citigroup U.S. economic surprise index



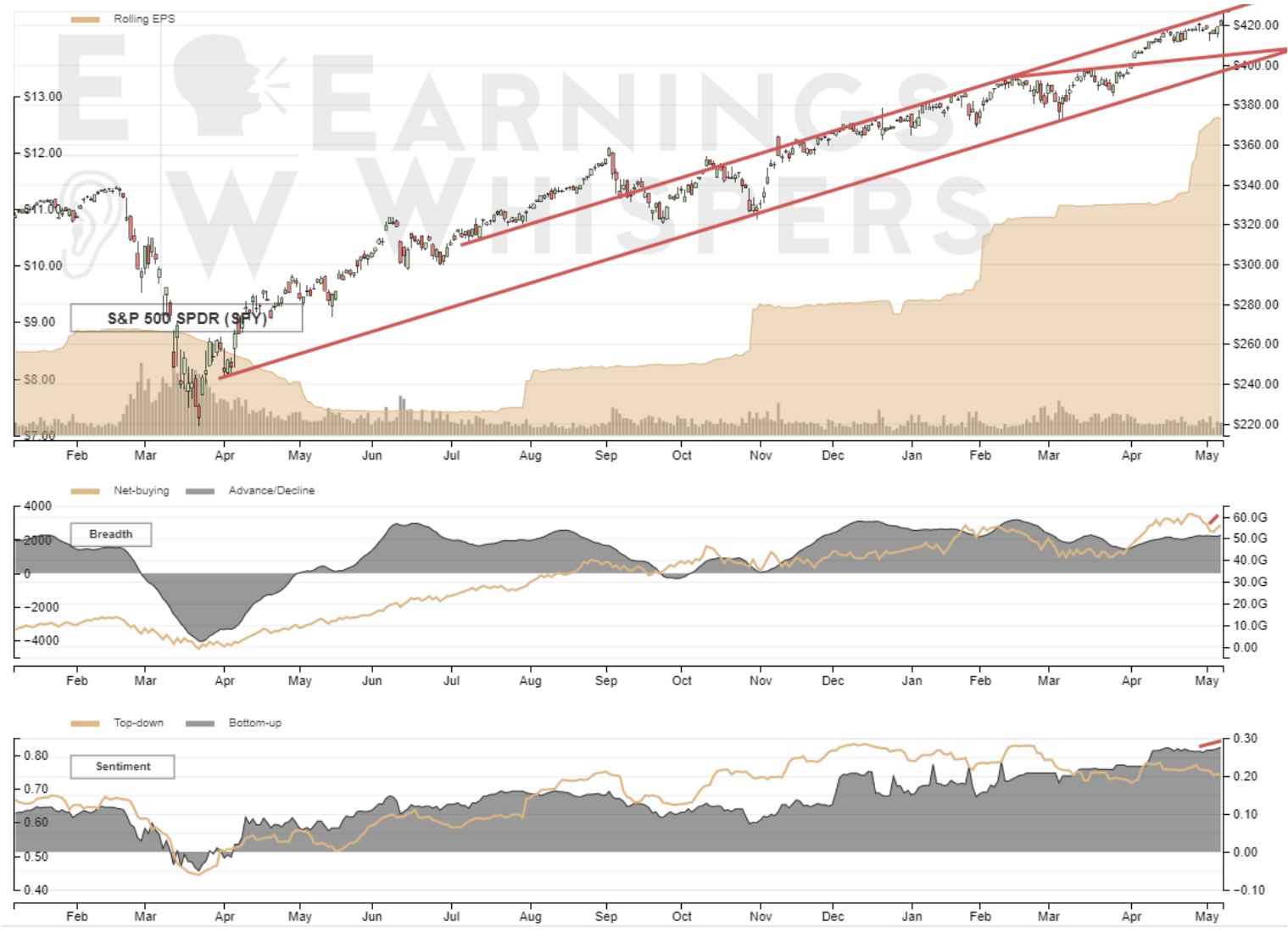
After all, the strong upside surprises in the macroeconomic data has faded from its peak a year ago, and has softened further so far in 2021 – as shown in the chart on the left of the Citigroup U.S. Economic Surprise Index. Much of the attention will be on the inflation data, which is clearly at risk of disappointing based on recent trends, but the stock market tends to correlate with Industrial Production, as shown on the chart on the next page.

We've drawn a line with the consensus expectations for production numbers in April, which are to return to the recent high set a couple of months ago. While production remains below where it was prior to the lockdowns, it is the direction that has typically mattered for equity prices, not the level, and thus an increase is likely to be an overall positive for the stock market.



Market Overview

While we didn't provide the chart in the section above, the Fed resumed its asset purchases last week just as anticipated and this likely helped bring new money come into the market as shown by our measures below. It is hard to imagine sentiment getting much more bullish, but our top-down measure of market sentiment continued higher last week. Sentiment remains the biggest headwind for the market and keeps us from trading long after the news, but the Fed is likely to accelerate its asset purchases in the coming couple of weeks and that supports the overall trend in the stock market. Consequently, we are continuing to trade long ahead of earnings.





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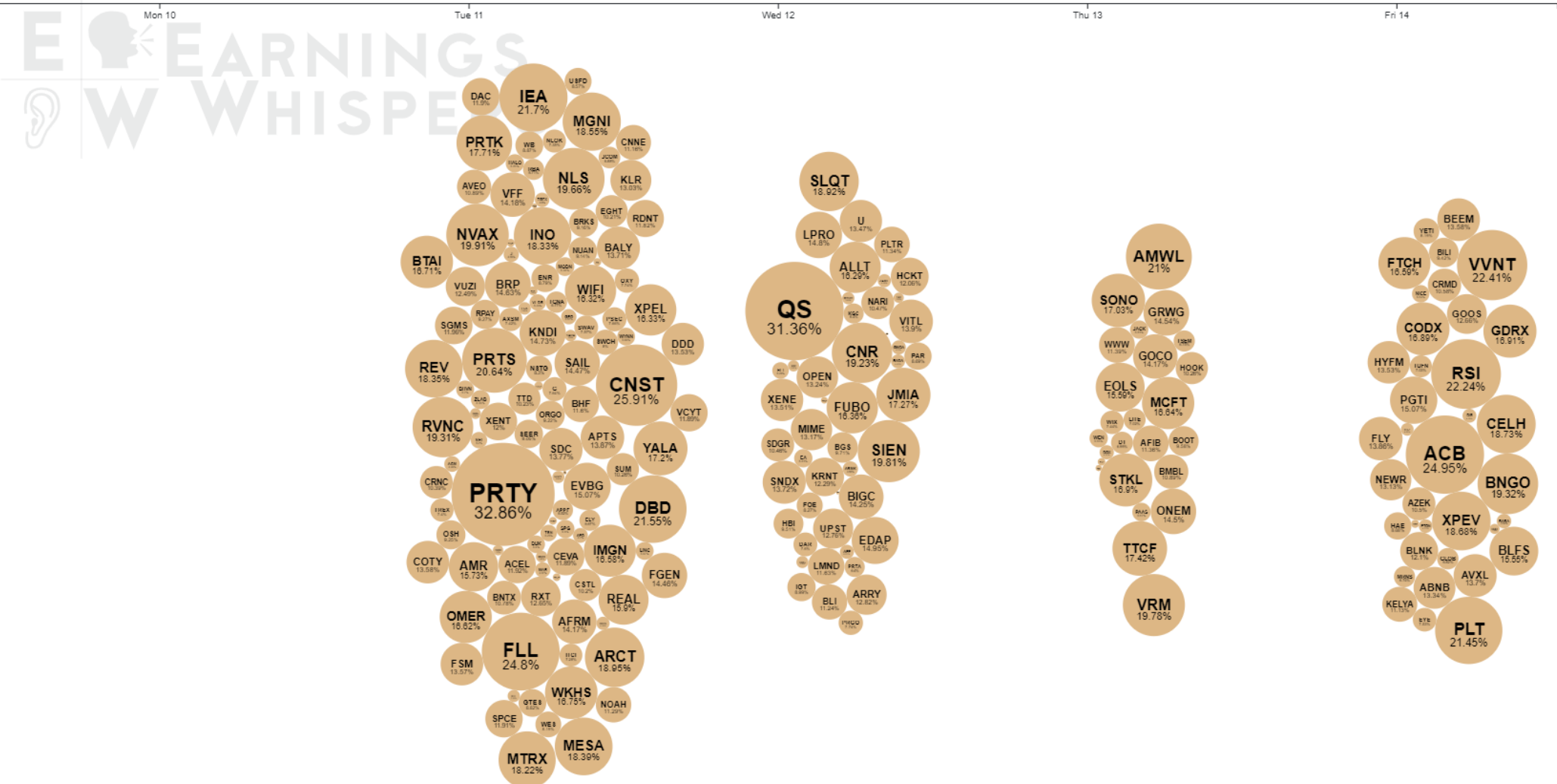
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Volatility of Upcoming Earnings Releases

For earnings releases scheduled through Friday, May 14, 2021





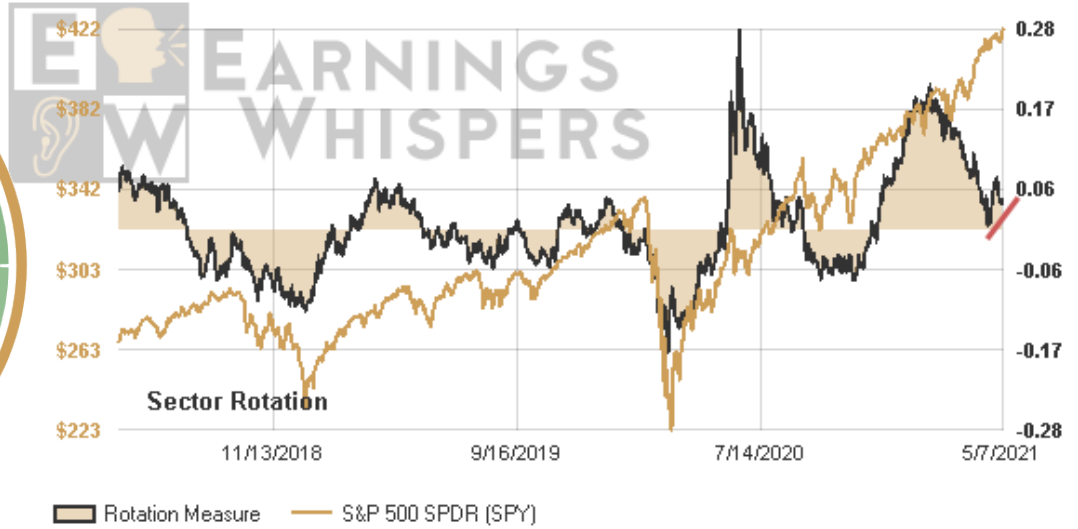
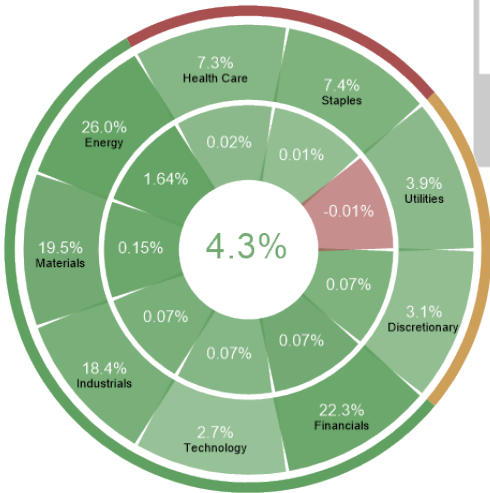
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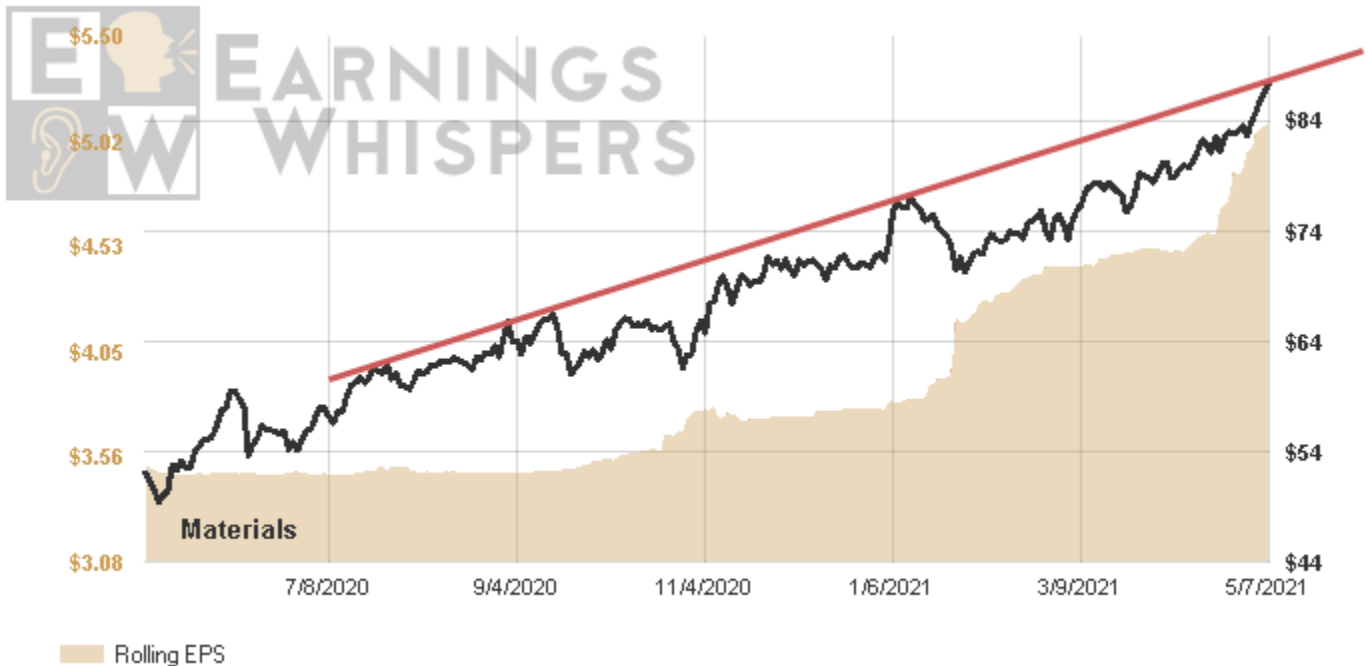
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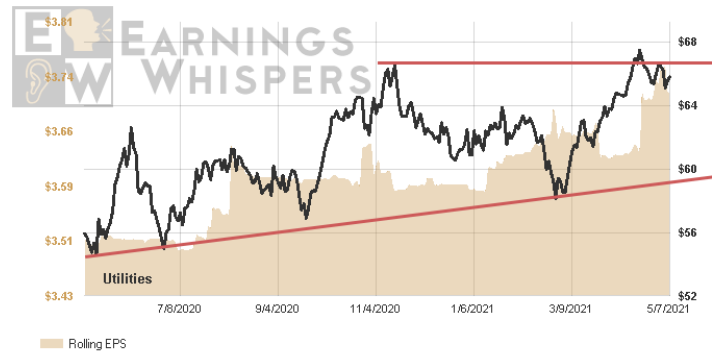
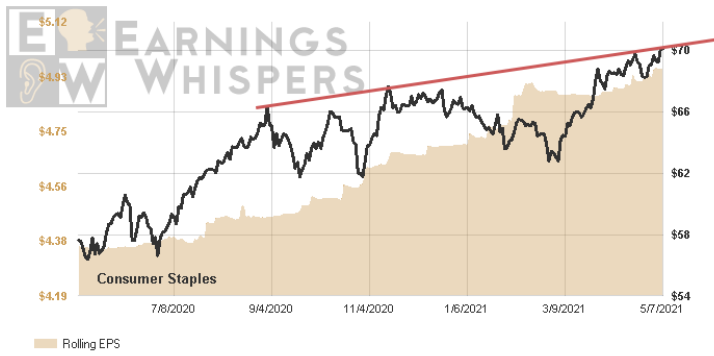
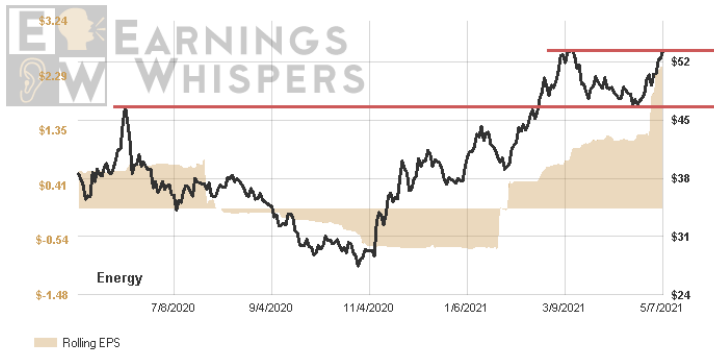
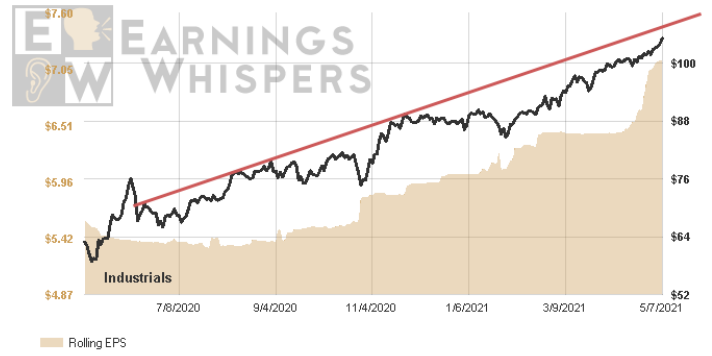
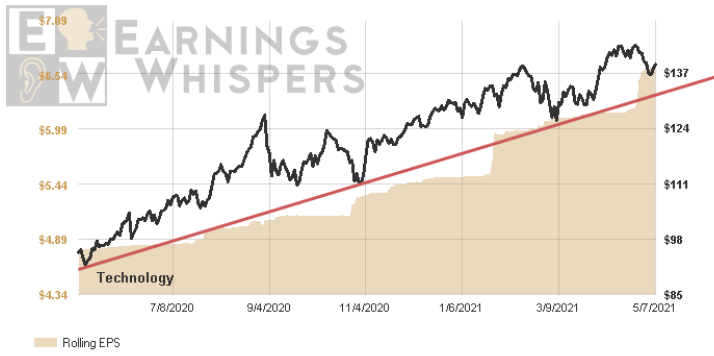
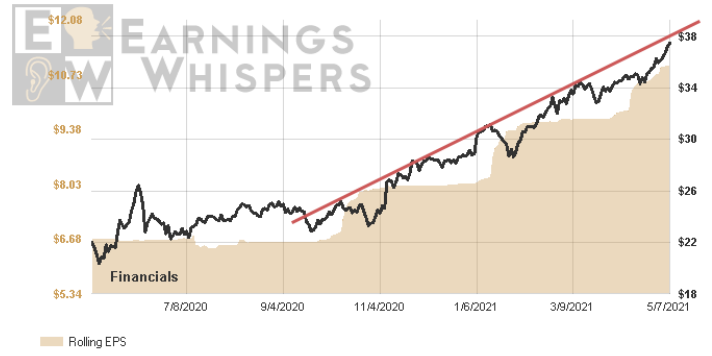
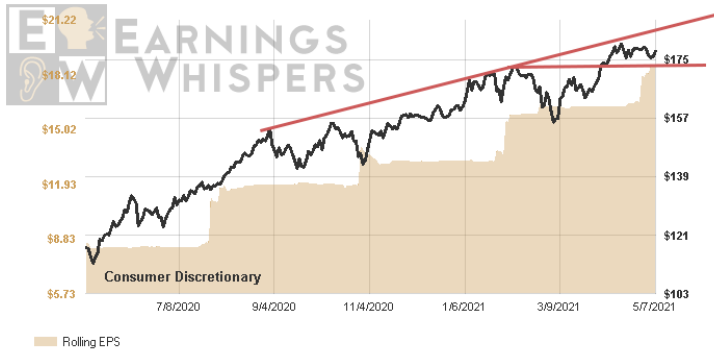
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Sector Performance

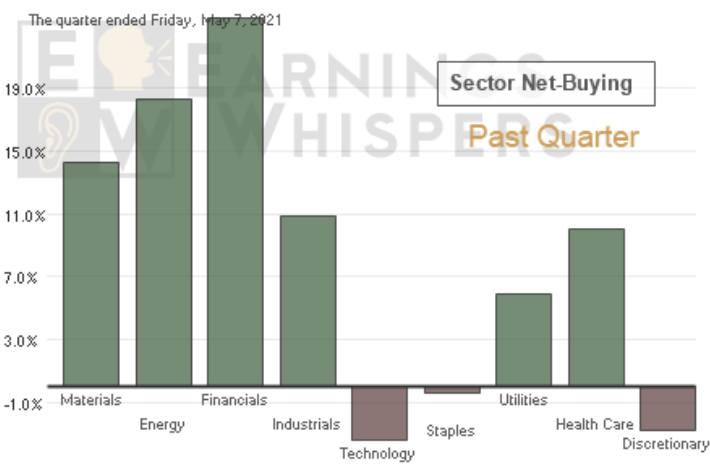
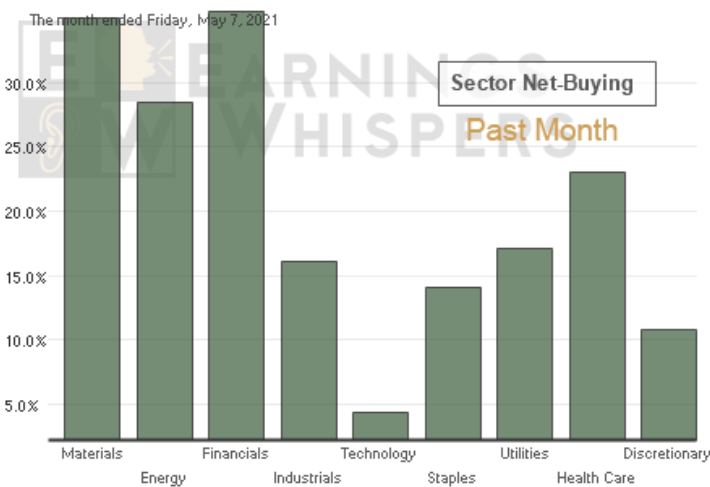
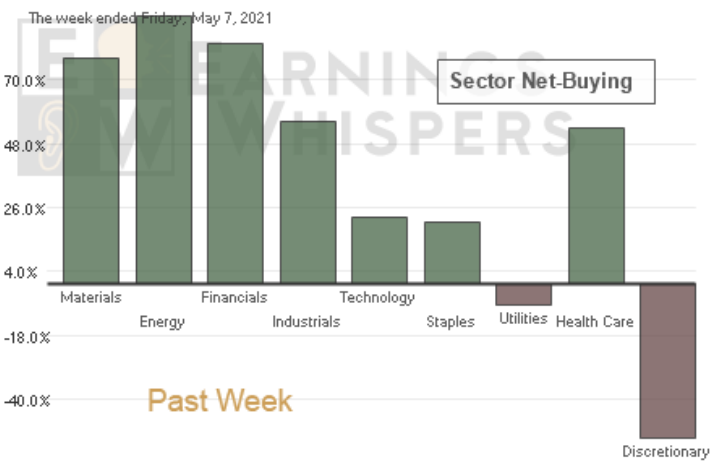
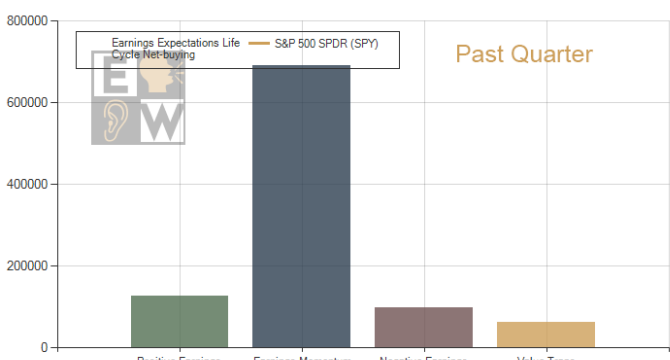
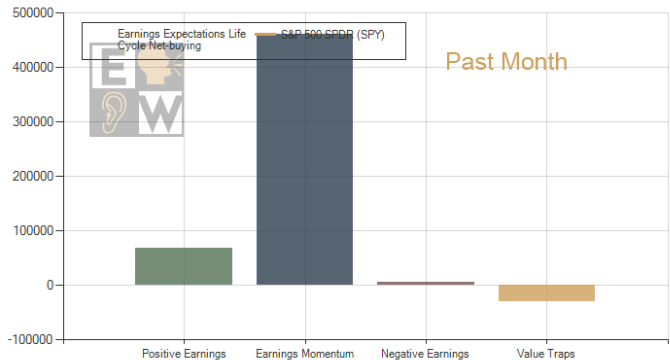
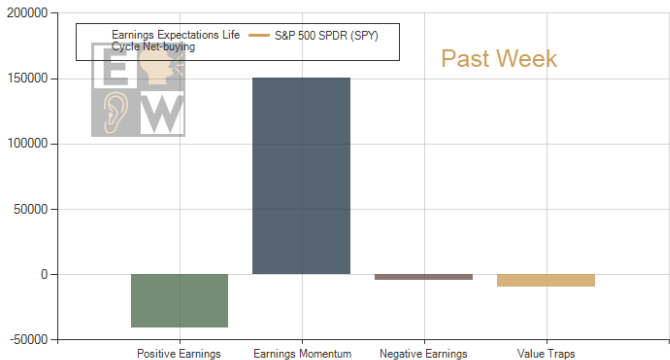


Last week we highlighted the Energy sector, the positive earnings trends ahead of a large number of earnings releases, and the upside room in the chart as the group catches up. This sector led the market last week and likely has room to push higher still, though the pipeline hacking creates noise. The issue for the market is the number of near-term overbought sectors, including the Materials, which are now touching a trend line that has served as resistance for the past couple of quarters.

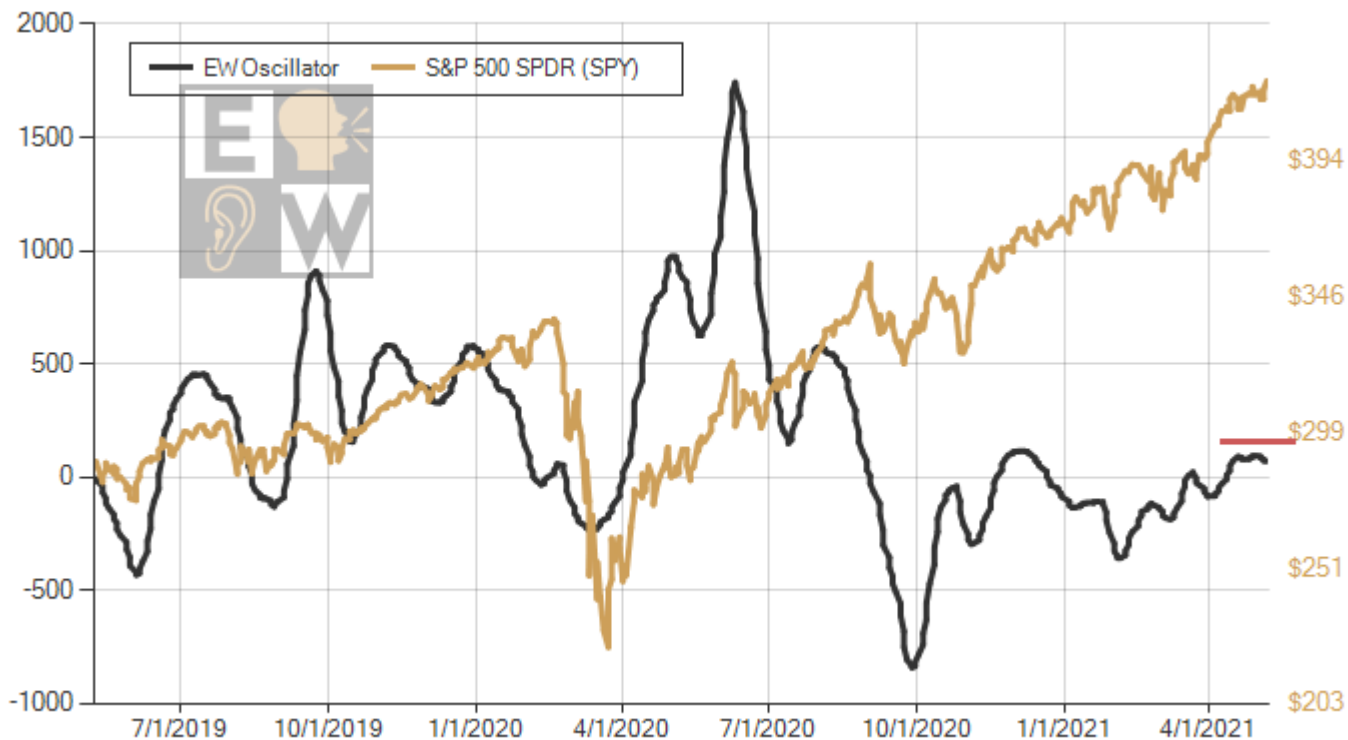




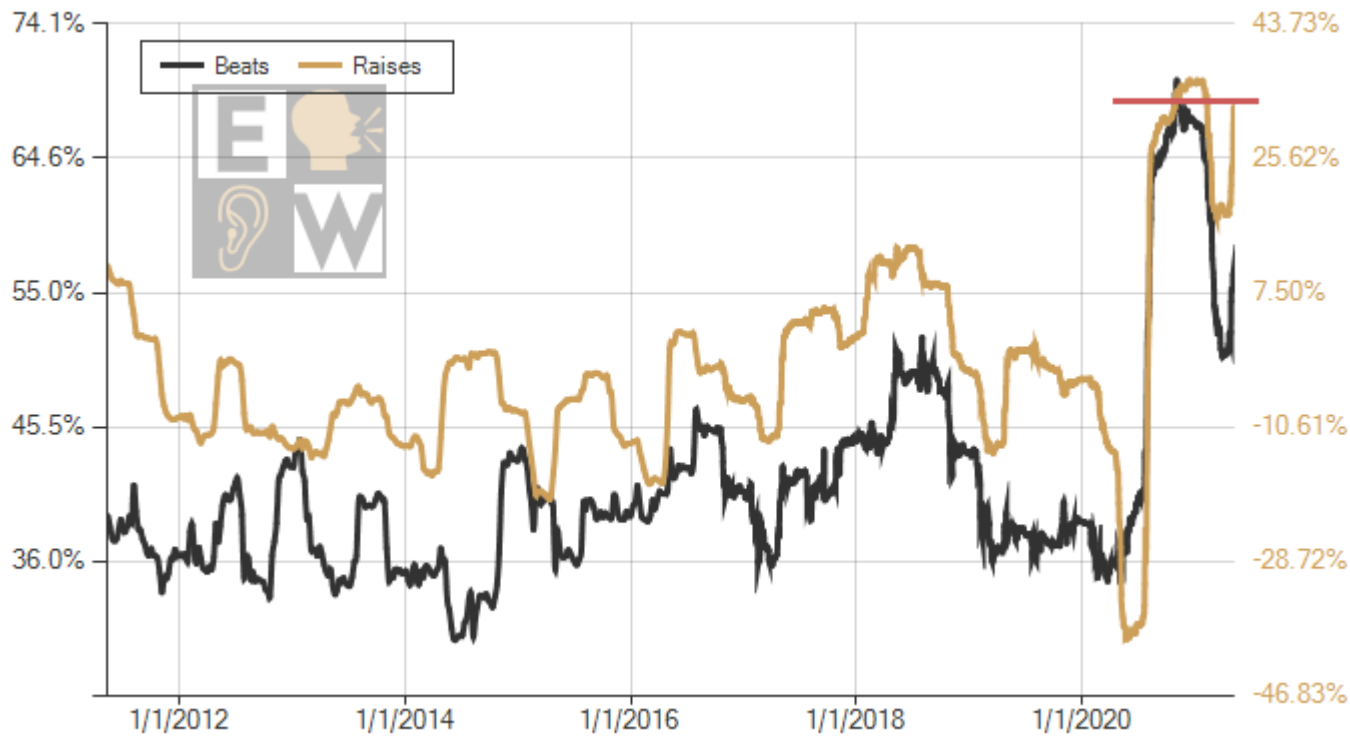
Money Flows

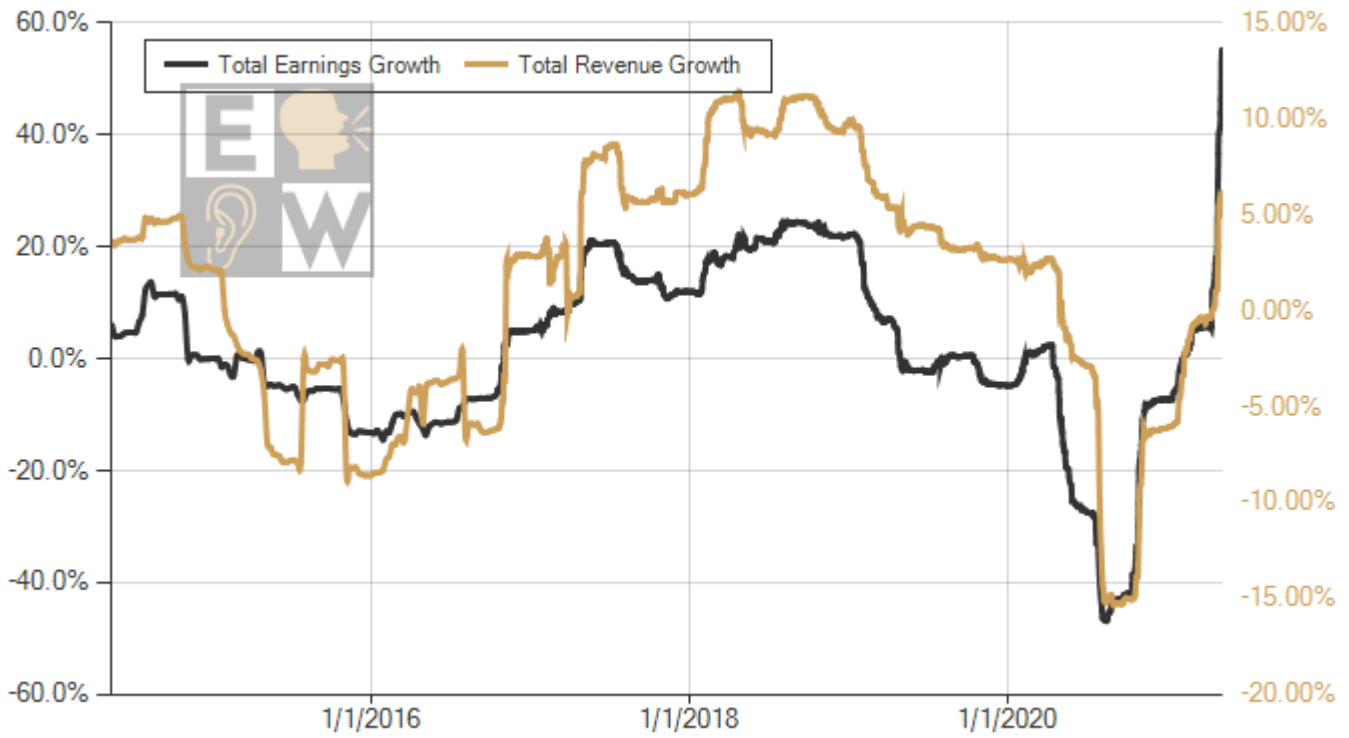


When it comes to the Earnings Expectation Life Cycle, all the right stocks are leading for all timeframes, with the exception of the Positive Earnings stocks over the past week. However, the oscillator on the next page of such price action is stalling.

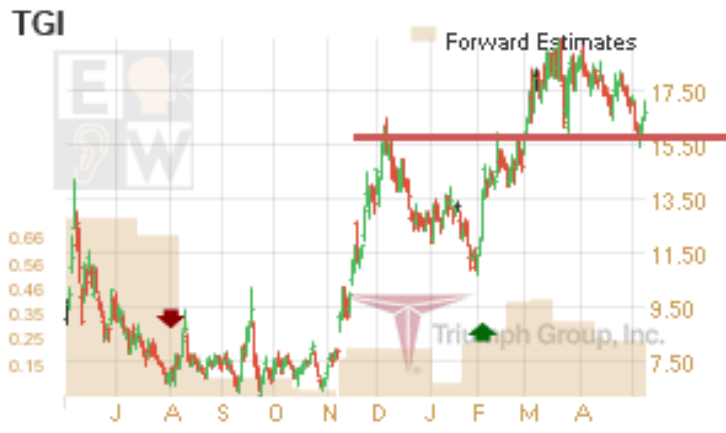


Earnings Trends



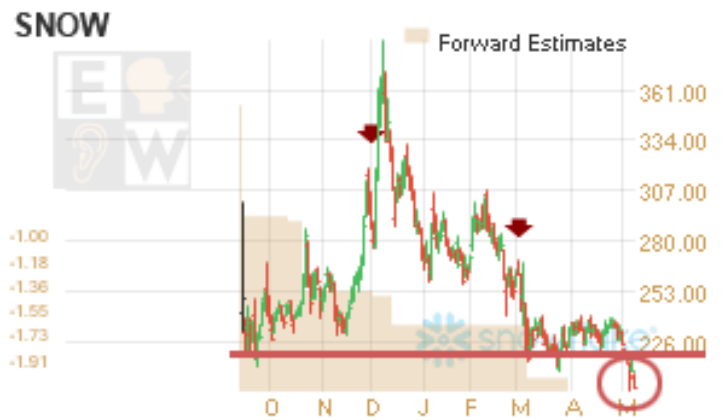


Upcoming Releases with Favorable Earnings Whisper Scores






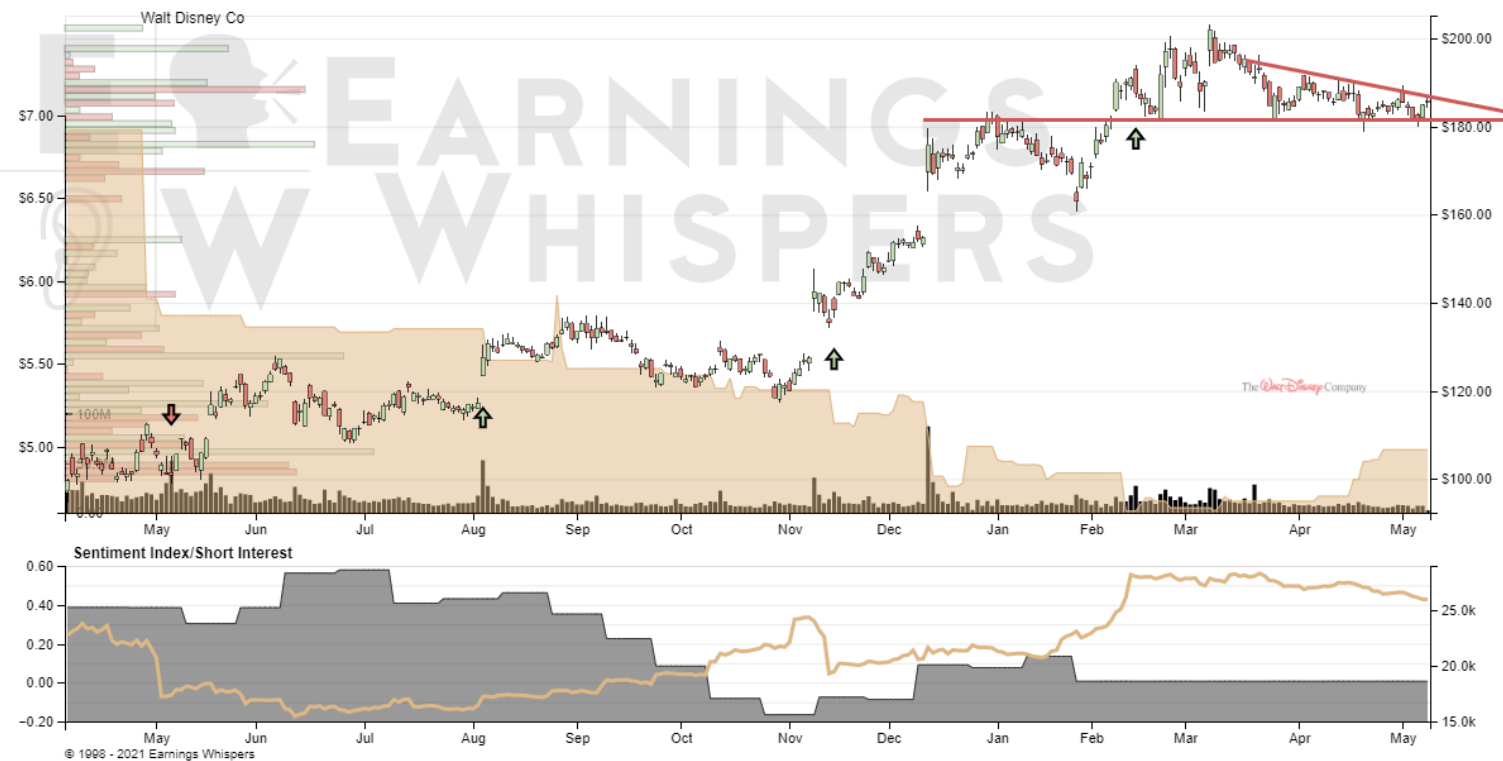
Upcoming Releases with Unfavorable Earnings Whisper Scores



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.

Disney DIS		Earnings Whisper	Earnings Estimate:	Thursday	Volatility
		\$0.43	\$0.28	May 13	Priced into options:
			Revenue Estimate:	4:05 PM ET	4.4%
			\$15.86 billion		Average move:
					3.1%



Shares of Disney (DIS) have rallied off the lows a year ago like much of the stock market, but most stocks that have done so have also seen earnings estimates get revised higher too. With Disney getting hurt from the lockdowns on multiple levels, with theme parks closed and movie theaters closed, estimates for Disney continued lower until this past March when it became clear that economies were, in fact, opening up. Since then, estimates have been revised higher, but still not where they were a year ago. If we were to zoom out on the chart, we would see this as a significant valuation headwind with the stock a high, but earnings still well below their peak from mid-2018. That headwind could be an issue should the company fall short when it reports this week, but with the stock finding support at \$180, the assumption is that the expected positive results will lift the stock to break the consolidation off its recent high, and allow the stock to see follow-through to new highs as well.

Stock prices tend to reflect earnings expectations nine months down the road, and if Disney is going to have justify a stock price above where it was for the previous five years, then quarterly earnings at the end of the calendar year are likely going to need to reach the \$2.00 level or higher. If that's the case, then we should begin to see earnings estimates revised significantly higher with the company's fiscal second

quarter earnings release. The good news is results have upside expectations and there is a lot of room for such revisions as the economy reopens.

Two quarters ago Disney reported a loss and last quarter expectations were for another loss, but the company significantly beat revenue estimates and profit margins turned positive. Current estimates suggest a sequential decline in revenue and a decline in margins as well, even though margins are well below anything seen during the 2008/2009 recession, for example. The decline in sales isn't really anything new since the company typically sees lower sales in the fiscal second quarter than in the first quarter, but there is no such pattern to margins and just a return to the margins from a year ago as the economy started locking down would imply a solid upside surprise to the Earnings Whisper. Steven Cahall at Wells Fargo said his primary bull case for Disney is based on improving margins and the company benefits from its direct-to-consumer... but that is farther down the road. For now, John Hodulik at UBS said their checks show improving foot traffic at its parks and he expects the company's results to show improving direct-to-consumer momentum and, while Jessica Reif Ehrlich at Bank of America Securities said she doesn't expect the company's second quarter results to be a catalyst, she expects the company's commentary about parks reopening, and the slate of major new movie relies in the coming months.

But with a descending triangle formed and support at \$180, it shouldn't take much positive news to be technically positive for the stock – though perhaps the better short-term trade would be on disappointing news and a drop below \$180, but the bigger picture is that estimates are going higher unless something new is revealed and that gives a statistical edge to the upside going into its earnings release. In the past, when the company has beaten consensus estimates the stock has averaged a 0.7% move going into its earnings release and gapped higher by another 0.7% after the news, which is modestly positive and supports a breakout.

However, when estimates were revised lower following its earnings release, the stock has gapped lower by 1.62% and continued to drift lower throughout the quarter. When estimates were revised higher, the stock ticked lower at the open following earnings on average, but continued to drift higher throughout the next quarter – even when it missed estimates. Thus, since estimates appear to be moving higher, the bias should be on the long side.

Jack in the Box

JACK



Earnings Whisperer

\$1.44

Earnings Estimate:

\$1.24

Revenue Estimate:

\$249.28 million

Wednesday

May 12

4:05 PM ET

Volatility

Priced into options:

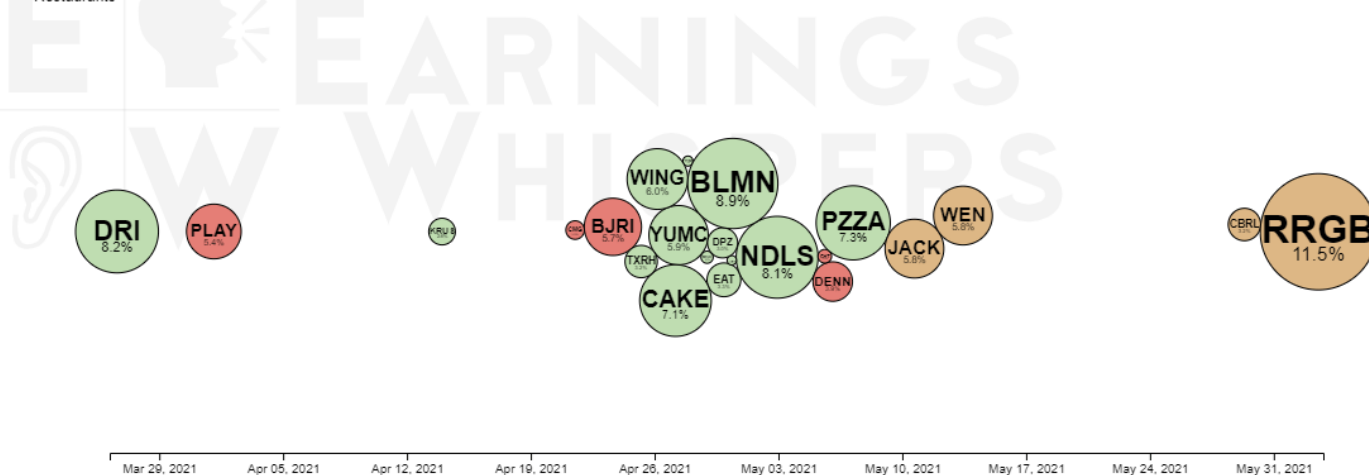
5.8%

Average move:

2.0%

Actual/Expected Earnings Moves

Restaurants



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The last couple of weeks we have been showing the graphic above showing the moves of the Restaurant stocks on earnings. The green bubbles show positive reactions, the red are negative moves, and the gold are expected moves in either direction. There are two Restaurant companies scheduled to report earnings this week and both are expected to beat, but while Wendy's (WEN) is potentially setting up for a cup & handle and while some of the move for Jack in the Box (BOX) is at risk of being over, the statistics favor Jack in the Box going into earnings.

On the chart on the next page, we show the stock breaking a long-term trend line back in November that we highlighted at the time, and last quarter we pointed out the move wasn't over yet with earnings at a high but without the stock at a high. Now the stock has reached a high and it has done so with sentiment at an all-time high, which puts the trade at risk going into earnings, but with earnings at a high, it also creates fundamental support at the \$112 area and expectations are for earnings to continue higher still. In fact, the valuation in the stock has remained flat or even declined as earnings led the stock higher, but Chris O'Cull at Stifel said once investors become convinced of its progress on unit expansion, he expects valuation upside as well and Brian Bittner at Oppenheimer said the stock is still undervalued.

When it comes to the company's results, Jon Tower at Wells Fargo said he expects continued market share gains to drive upside and Andrew Charles at Cowen said he sees the company's earnings as a positive catalyst for the stock. In the past, when Jack in the Box has beaten consensus estimates, the stock was slightly lower during the days leading up to its earnings release but gapped higher 77% of the time for an average move of 3.2% above the previous close. It has flat to slightly down in the days following, but by the end of the month, the stock was up another 2.4%.



Poly

PLT

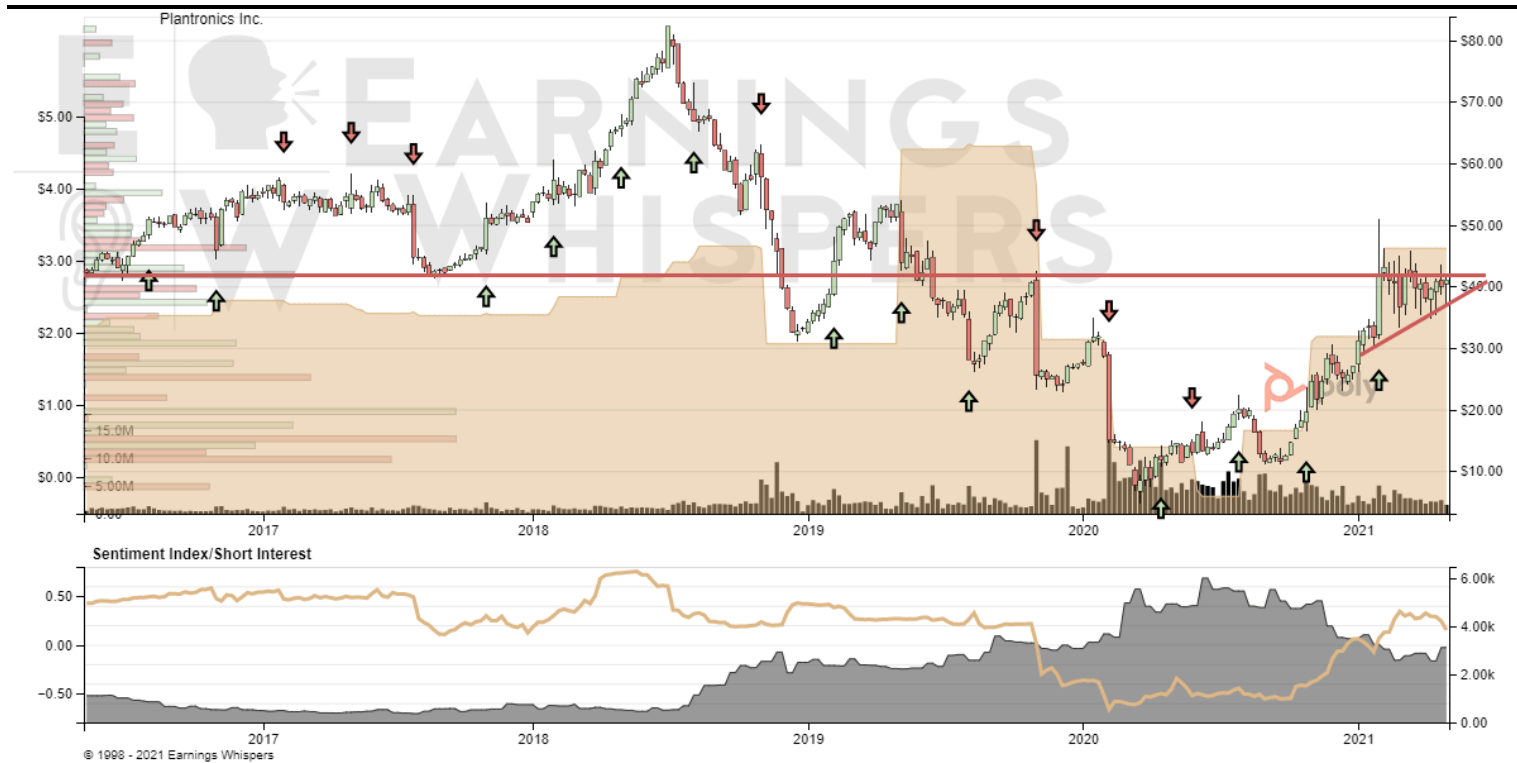


Earnings Whisper
\$1.00

Earnings Estimate:
\$0.93
Revenue Estimate:
\$455.69 million

Thursday
May 13
4:05 PM ET

Volatility
Priced into options:
18.1%
Average move:
21.5%



The fear has been that as the economy reopens, those staying home playing video games or conference calling for work will stop buying some of the same things the needed over the past year. Clearly the accelerated growth of these items are not sustainable, so the question becomes just how much is the strength going to fade and will the companies that sell items such as headsets, will continue to grow going forward. So far, from the likes of Turtle Beach (HEAR) and Logitech (LOGI), the answer seems to be a modest yes... and that appears to be better than feared and Gregory Burns at Sidoti said demand for Poly's (PLT) headsets remain stronger than expected.

With the stock forming a pennant below \$45 – an area of previous support back in 2016 and 2017, and became a resistance back in 2019 as well – the stock probably just needs a nudge higher for a longer-term breakout. Expectations have risen over the past couple of quarters, but still remain relatively low enough against positive checks that result in a high Earnings Whisper® Score. In the past, when the Earnings Whisper Score has been positive going into Poly's earnings release, the stock traded higher by an average of 5.9% during the days leading up to its earnings release and through the open and then continued higher over the subsequent month by an average of 7.4%.

That favors the stock going into its earnings release, but the technical trade is in the direction of the breakout of the recent pennant, which would mean a move that holds above \$42.50 for the long trade.



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Most Anticipated Earnings Releases for the month beginning May 10, 2021

(only showing confirmed release dates)

Monday	Tuesday	Wednesday	Thursday	Friday
10 theTradeDesk NOVAVAX COTY	11 Palantir fuboTV JUMIA unity Lemonade ПΑΝΟΧ	12 SONOS Tattooed Chef WIX.com Coy Generation dynatrace wish	13 Alibaba Group The Walt Disney Company airbnb YETI X P E N G bionano GENOMICS	14 ITERUM Therapeutics Bio-Path Holdings PROTALIX Biotherapeutics Celsion Corporation WHOLE EARTH BRANDS PLx Pharma Inc.
17 Clover FLAGSTONE™ IDEANOMICS ExOne LORDSTOWN	18 Walmart Bai du 百度 THE HOME DEPOT sea macys inc iQIYI 爱奇艺	19 JD 京东.COM 多·享·快·省 TARGET CISCO Lbrands ANALOG DEVICES FUTU	20 APPLIED MATERIALS. maxeon DECKERS BRANDS CanadianSolar paloalto KOHL'S	21 JOHN DEERE FOOT LOCKER, INC. vt Booz Allen Hamilton DANA SHIPPING INC.
24 agora Nordson America's CAR-MART Drive Easy.	25 zscaler URBN URBAN OUTFITTERS INC. Agilent Technologies intuit. SKYLINE Toll Brothers	26 NVIDIA. snowflake okta AMERICAN EAGLE OUTFITTERS PURE STORAGE workday.	27 salesforce COSTCO WHOLESALE DOLLAR GENERAL BEST BUY. Veeva Gap Inc.	28
31	1 zoom stoneCO Ambarella™ Scotiabank cti BIOPHARMA	2 splunk > NetApp smartsheet Donaldson.	3 CROWDSTRIKE BROADCOM TORO asana Phresla DULUTH TRADING CO.	4
7 MARVELL coupa	8	9 Vera Bradley	10	11



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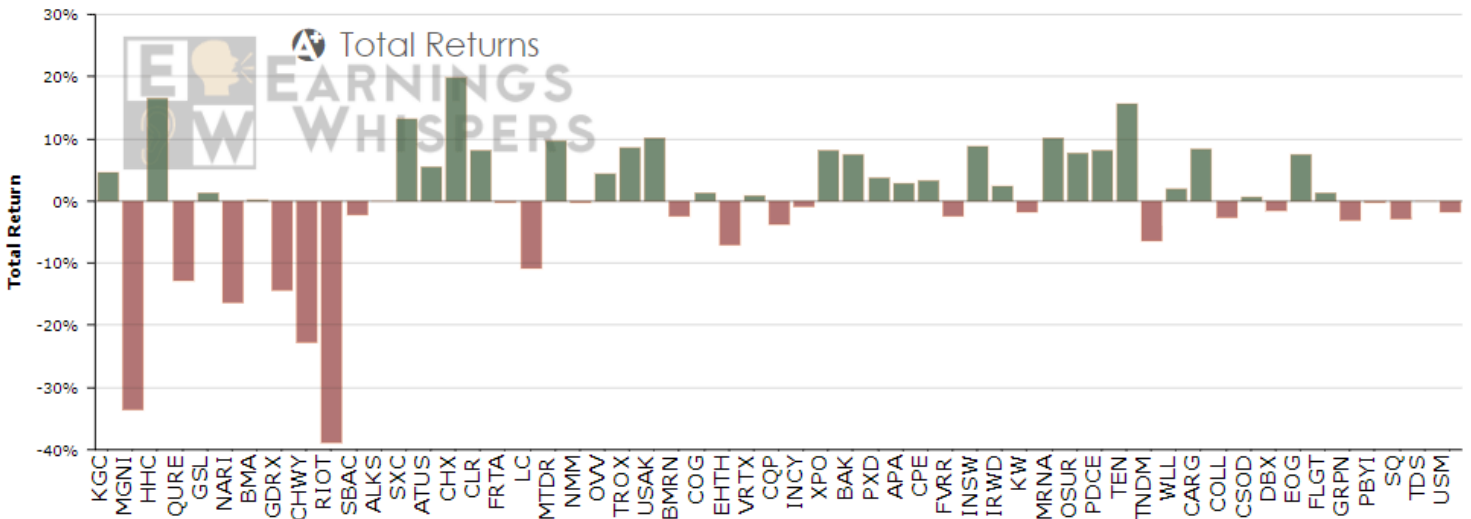
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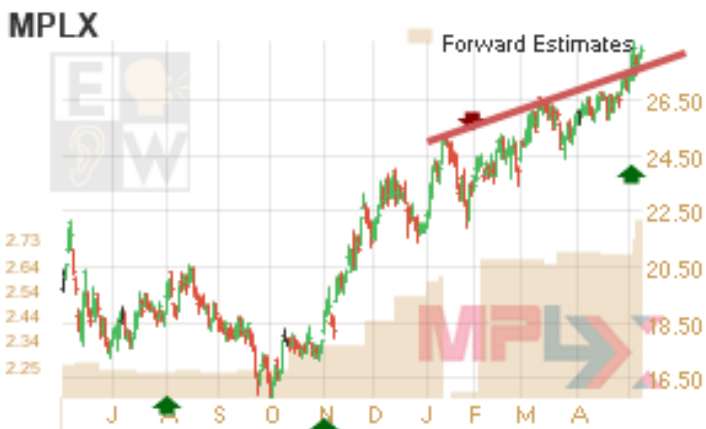
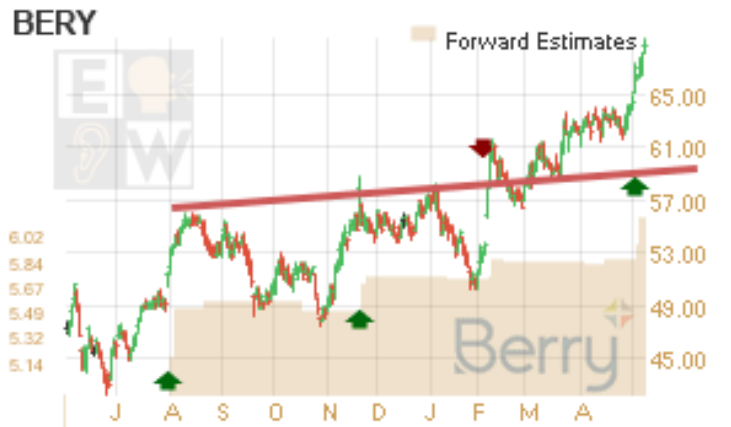
Earnings Whisper Grades

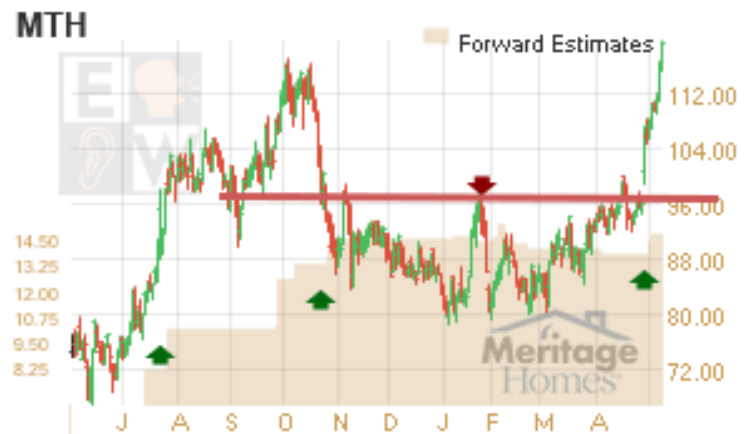
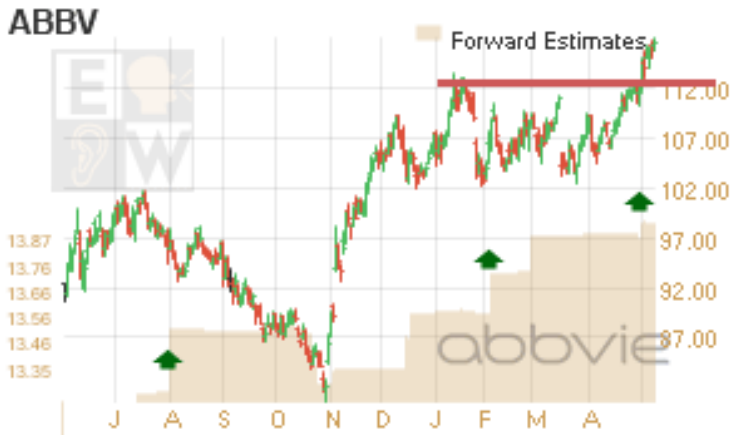
A current listing can be found at <http://eps.sh/apluses> and to learn more about the Earnings Whisper Grades, please go to <http://eps.sh/about-grade>. To get early morning alerts for all A+, please see your account settings at <http://eps.sh/account>

So far this quarter, stocks of companies with A+ earnings are up 0.22% on average, since reporting, while the S&P 500 is up 2.27% so far.



Recent Positive Earnings with Positive Charts







CROX



FBP



SLB



HZO



HRI



DHI

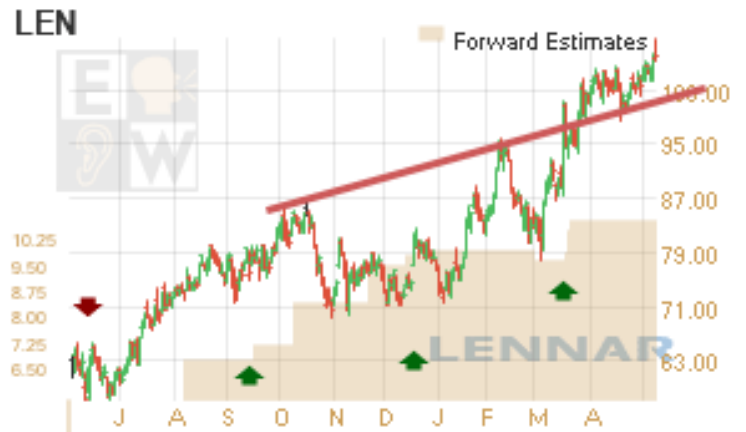


AA



RGP





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.