



TFR

# Trading Floor Research

Welcome to the  
— Trading Floor —

05/15/22



This Trading Floor Research report contains:

- Merck & Co. Inc. (MRK). A new BUY candidate in the Medical Ethical Drug industry group.
- My trading strategy as S&P 500 (SPX) moves toward the downside target and CBOE Market Volatility Index (VIX) hits the capitulation target.



## Essential Lessons for Stock Market Success.

Class 3 and 4 are Monday and Tuesday May 16-17, 2022, at 501 Kelly Avenue, *Akron OH, 44306*

Class 3 and 4 are Wednesday and Thursday May 18-19, 2022, at 318 Erie St South, Massillon OH, 44646

A morning and afternoon class will be given:

9:00 am-12:00 am ET

4:00 pm-7:00 pm ET

Learn how to identify winning stocks before they move higher and short stocks before they move lower.

Invite a family member or friend

## Sectors, Industry Groups & Leadership Stocks

*Most industry groups are in sell signals, and there are not a lot of opportunities for going long individual stocks. I will keep all position sizes small until the market gives a new buy signal. It should not go unnoticed that I have been starting all my new positions with ½ stars. This strategy allows me to take advantage of potential winners without overextending myself in a treacherous market. Proper money management cannot be overemphasized at this time. Continue to keep a significant cash position in your portfolio and cut losses quickly. These bad market conditions will change, and a new bull market will come soon. Your goal is to have the cash to take advantage of future market rewards.*

*As the market continues to tumble and traders look for more defensive candidates, my analysis points to the **Medical Ethical Drugs** industry group. You might remember we made good money in AbbVie Inc. (ABBV) from this defensive industry group as the market crumbled a few weeks ago. AbbVie has since given a sell signal, and new leadership replaces the old. The Medical Ethical industry group is now being led by the tandem leadership of Bristol Myers Squibb Co. (BMY) and **Merck & Co. Inc. (MRK)**. The stronger of the two is Merck & Co. Inc. (MRK), as it prepares to break out of a well-formed 21-year cup-with-handle base. It is the focus of this report.*

## Sectors, Industry Groups & Leadership Stocks

*My S&P 500 downside target of 3742.02 is quickly approaching. This is a significant Fibonacci number based on my long-term monthly chart. Thursday, the S&P 500 hit a low of 3858.87 and closed at my first Fibonacci support of 3933.32. Holding at this support level gave the market legs for Friday's rally and possibly continued the bear market rally to the 4,114.64-4,285.31-retracement level. Closing back below 3933.32 will send the market to the 3742.02 target.*

*In past bear markets, the long-term Fibonacci target numbers like 3742.02 have sometimes been exceeded for a few days as the market gets flushed. If this happens in this selloff, I will look for the S&P 500 to reclaim the 3742.02 target number with a daily close. The setup has served as a great buy confirmation for placing long trades in the past. (Refer to S&P 500 chart)*

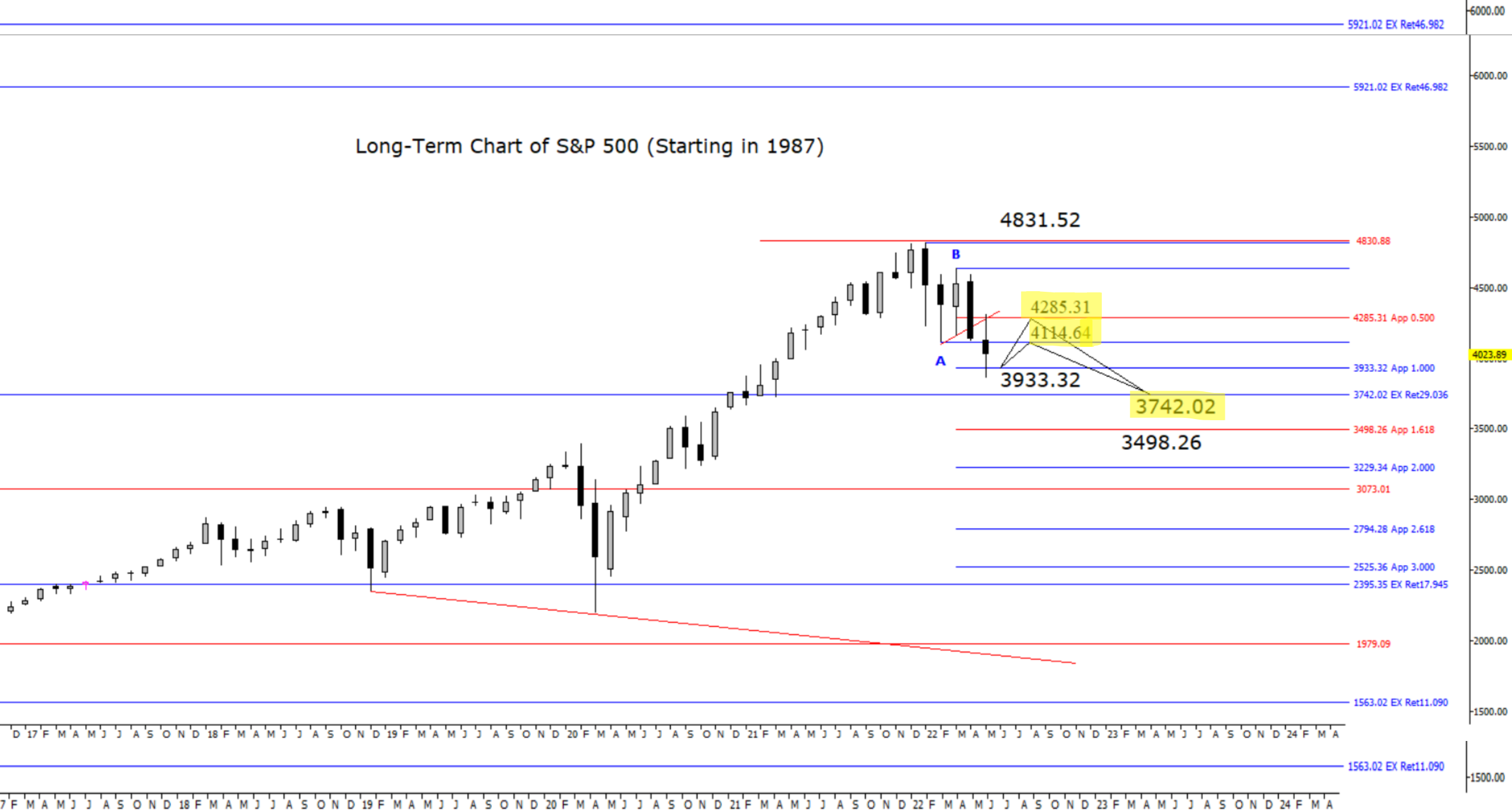
*As the S&P 500 approaches this downside 3742.02 target, I would like to see the **CBOE Market Volatility Index (VIX)** go above the 44.68 Fibonacci Target as confirmation.*

*FOR THE PAST TWO WEEKS, the VIX has been forming the handle of a cup-with-handle base above the 31.20 Fibonacci target. The Cup-with-handle VIX base has been developing since mid-March. A swing rule of the VIX base would indicate a VIX target of 56.08. Achieving this VIX target on an S&P 500 selloff should provide market capitulation that leads to a tradeable bounce. Friday's rally had the VIX closing at 28.87. A close below 28.87 will indicate the market could rally a few more days before reversing lower to the 3742.02 S&P 500 target. (Refer to VIX Chart)*

*The bears are in control of the **Russell 2000** and indicate "Risk-Off" in the markets.*

**I continue to recommend caution and cash.**

# Long-Term Chart of S&P 500 (Starting in 1987)



# CBOE Volatility Index (VIX)



## Buy candidate: Merck & Co. Inc. (MRK)

- Industry Group: **Medical Ethical Drugs**. The Medical Ethical Drugs industry group ranks as the 31<sup>st</sup> strongest industry group out of 197 and is down -14.75% YTD. The Tandem Trading stocks of the industry group (MRK and BMY) gave a buy signal on March 18, 2022, and are close to breaking out to new highs after a four-week pause. (Refer to chart)
- **Merck & Co. Inc. (MRK)** develops diabetes, obesity, respiratory, and cardiovascular drugs. It has recently received FDA approval for a Covid 19 pill that appears to be 30% effective in unvaccinated testing.
- **Merck & Co. Inc. (MRK)** is completing a massive twenty-one-year cup-with-handle base that started in 2001. The base handle is a cup-with-handle base that began in November 2021. As the market hammered, MRK has built the right side of its handle on significant institutional buying. The swing rule of the 21-year base indicates a target of 155.38. • Merck & Co. Inc. (MRK) will confirm a buy signal with a daily close above 91.65 on above-average volume. Closing above a 21-year high will start a major new uptrend.
- **Wait for a text confirmation!**
- Start position at 1/2-star(\*)
- **Under massive institutional accumulation** with an Up/Down Volume ratio of 1.70.
- **Merck & Co. Inc. (MRK)** closed at 90.41.
- **Merck & Co. Inc. (MRK)** VWAP is at 70.01.
- Sell target prices: 1st target is 103.70; 2<sup>nd</sup> target is 123.60; 3<sup>rd</sup> target is 135.90 4<sup>th</sup> target is 155.38
- Stop sell price: Close below 86.43.



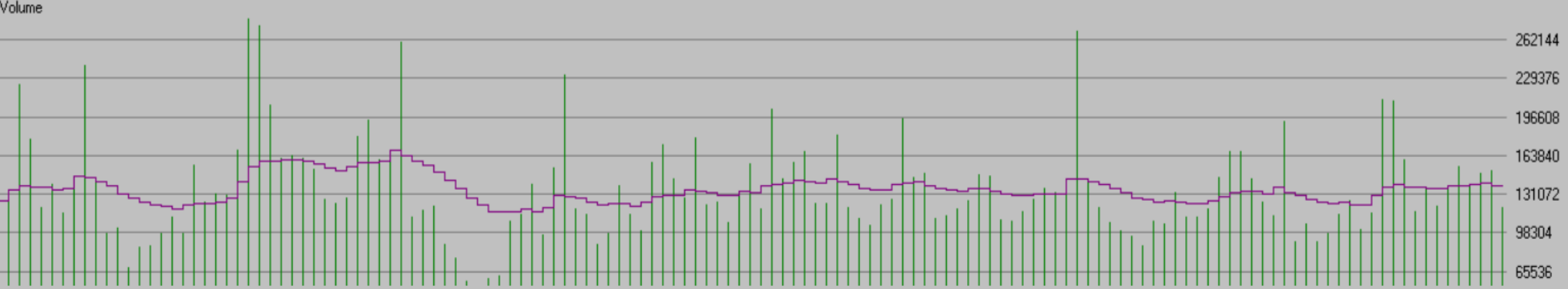
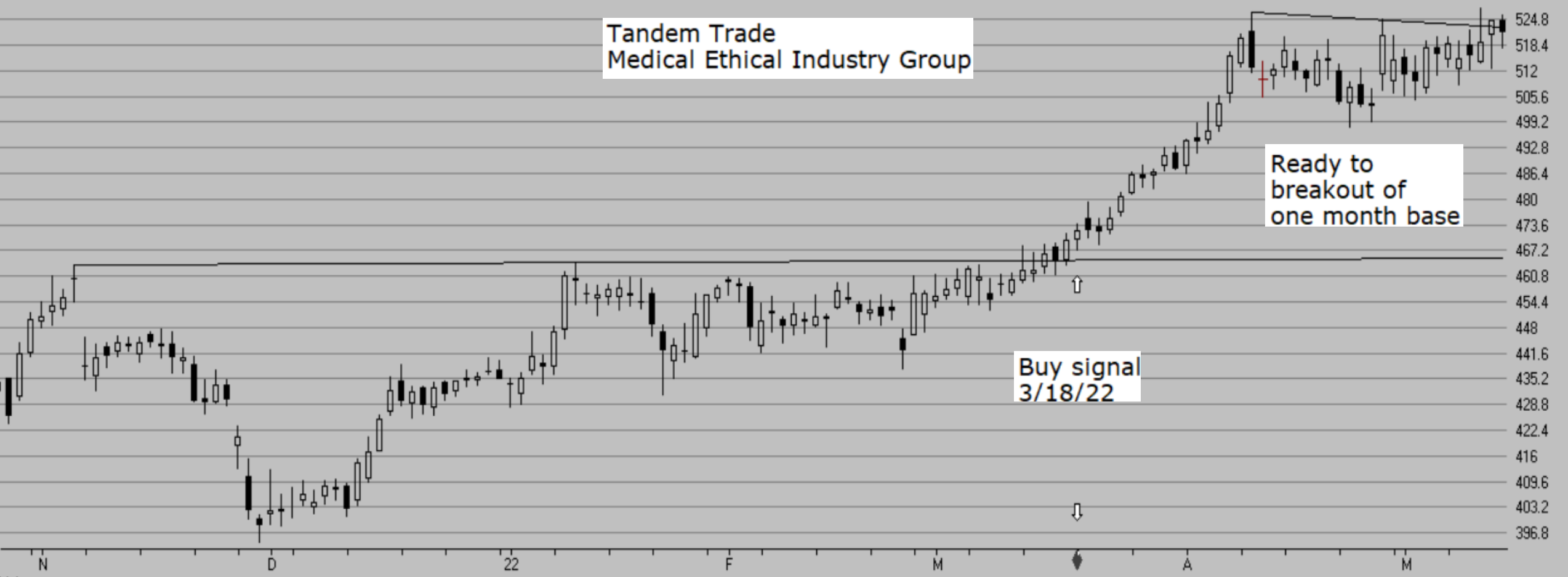
# Long-term Monthly chart of Merck & Co. Inc. (MRK)

21-year cup-with-handle base starting in 2001





# Tandem Trade Medical Ethical Industry Group





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<sup>1</sup>The results are not (or may not be) representative of the performance of all selections made by Trading Floor Research (TFR) newsletter.

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