



TFR

Trading Floor Research

Welcome to the

Trading Floor

TFR

Trading Floor Research

Welcome to the
—— Trading Floor ——



02/28/21

This Trading Floor Research report contains:

- A Lookback at my Dec 27, 2020 call on the 10-year treasury and what that means for the stocks going forward.
- S&P 500 and NASDAQ (QQQ) downward Fib price targets
- Updated chart on Marrone Bio Innovations (MBII).
- Update on Facebook (FB) Put trade.

TFR

Trading Floor Research

Welcome to the
Trading Floor



Could the falling prices in the US Treasury bond be telling us something about growth stocks?

When 2021 started, I made a bold prediction on bond prices falling and yields going higher this year. No one was talking about this. But I saw it unfolding in the charts, and I felt it was important to put this warning in the newsletter. I wanted readers to protect their principal in bond funds. I felt most market advisors have lulled investors into a state of complacency. People saving for retirement have been told that bond funds were the safe place to park their hard-earned cash. This seemed like a reasonable assumption considering we have been in a 40-year bull market in bonds. Things change in all markets. That includes bonds. Fast forward to 2 months later (February 26, 2021) and 10-year treasuries have tumbled lower. I mention this today for two reasons.

- 1) I have so many new subscribers since that prediction. Most readers do not know my feeling of a new bear market in bonds. I thought it was important for new readers to protect their principal in bond funds and look for other areas to keep principal safe.
- 2) I don't think investors completely understand what higher treasury yields mean for fundamental reprising of the growth estimates on stocks, and why most growth stocks will struggle in a rising interest rate market. Higher bond yields could explain why we are seeing the market push lower and holding stocks like Facebook, Amazon.com, and Tesla may not pay investors for taking the risk like last year.

Before I move forward in this analysis, I've included the slides from my December 27, 2020 TFR report.

TFR

Trading Floor Research

Welcome to the
Trading Floor



Be very careful if you own bond funds. Look for alternatives.

Reprint from 12/27/2020

As we prepare our portfolios for a market correction, the market has programmed us to think about hiding in bonds. After all, in times of panic or market turmoil, the world buys US treasuries. The common conclusion is that a world flight to quality causes bond prices to rise in times of trouble. Price and volume in bonds might be telling a different story.

Therefore, I focus on what price and volume are telling me, and not past beliefs. After studying price and volume of ETF's that represent US treasuries this weekend, I came to some interesting conclusions.

1) iShares 7–10-year Treasury ETF symbol (IEF) is under more distribution than the S&P 500. The IEF is an exchange traded fund that seeks performance corresponding to the index composed of 7–10-year treasury bonds. The Up/Down volume ratio is currently at 0.7. Anything less than 1.0 is under institutional distribution.

The SPY ETF representing the S&P 500 has an Up/Down volume ratio of .9. It is under institutional distribution as we discussed in past reports, but selling of bonds appears to be worse than stocks

This should not go unnoticed as you find a place to park cash. Bond funds are setting up for a dangerous scenario. If you are in bond mutual funds, I would look for money market alternatives. I will offer an alternative later in the report.

TFR

Trading Floor Research

Welcome to the
Trading Floor



Be very careful if you own bond funds. Look for alternatives.

Reprint from 12/27/2020

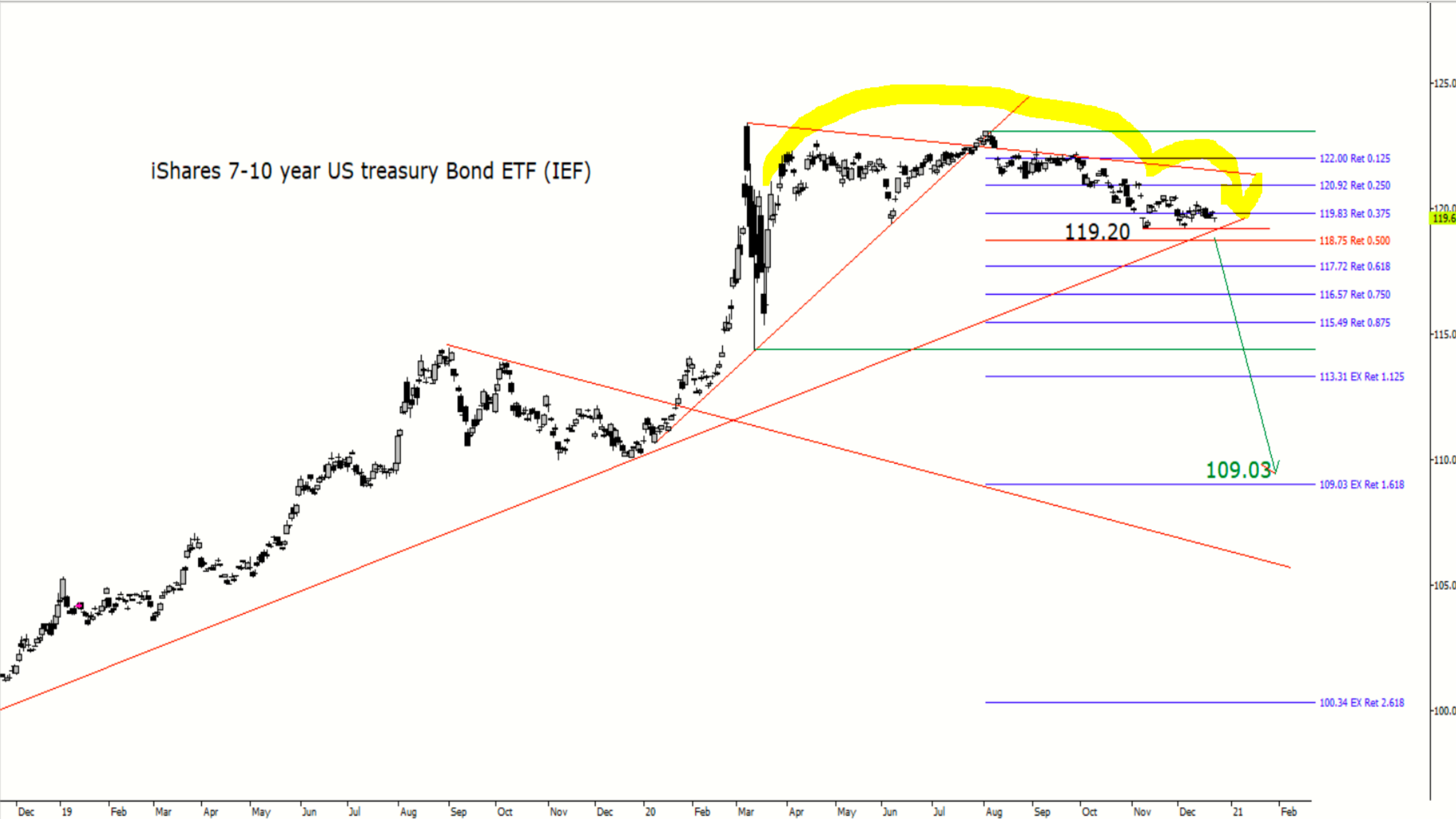
2) iShares 7–10-year treasury is setting up in an inverted cup-with handle base. The bottom of the cup and rising two-year trend-line from November 2018 converge at 119.20. If we close below this number, US treasuries could collapse. (refer to chart on next page).

3) The 10-year treasury is currently trading at a .95% yield. Back in January it was trading at 1.88%. breaking the 119.20 area on IEF would show that the next support is the January lows. A possible double of the 10-year US treasury yield could be both devastating to stocks and bonds.

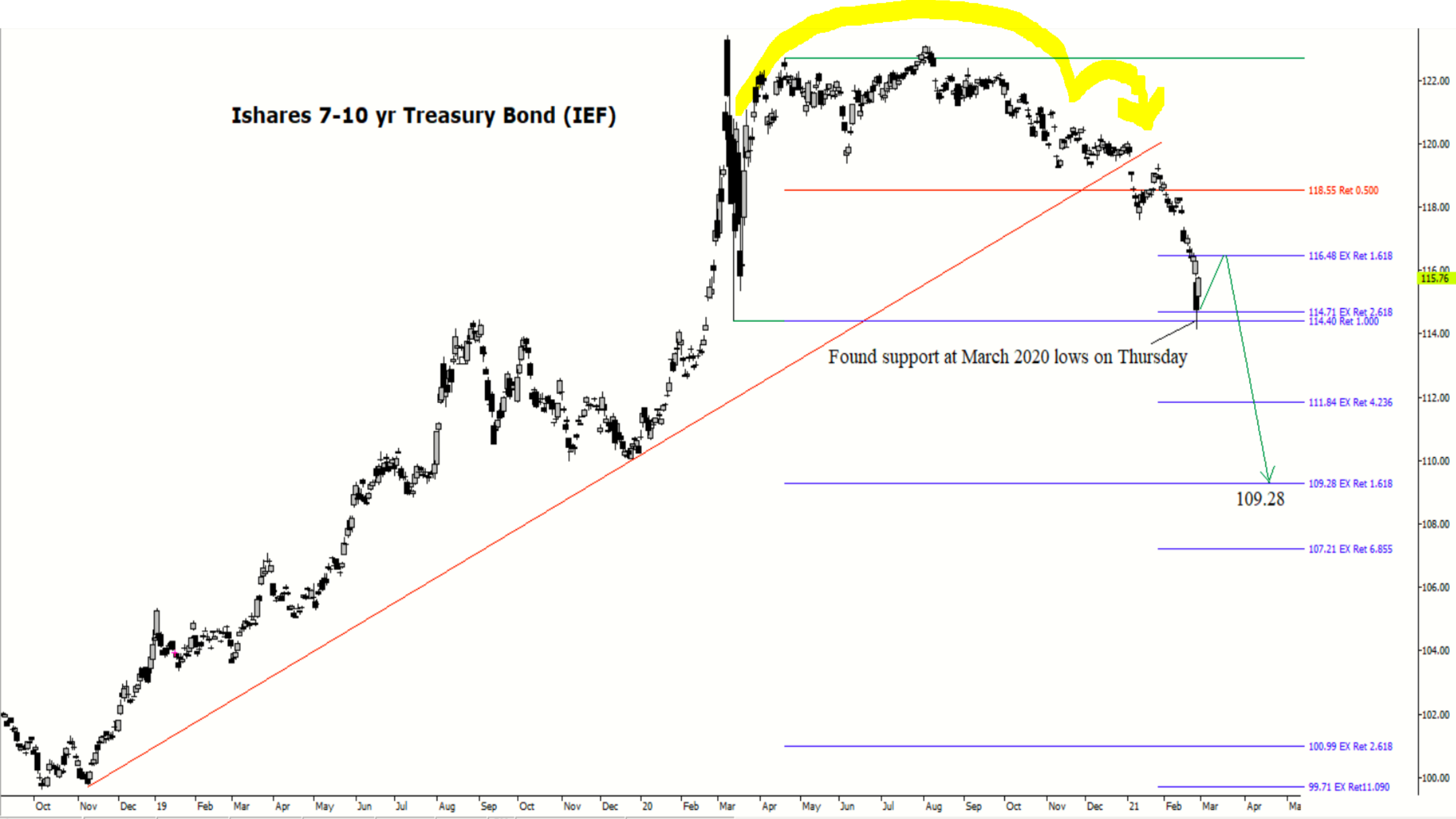
Where to hide:

I would not get fancy and not try to make a lot as you find a good parking place in this market. I am parking money in the **Vanguard Cash Reserve Federal Money Market (VMRXX)**. It only pays about .25%, but it is a very stable money market mutual fund. If this is not available to you, look for similar money markets with your broker.

iShares 7-10 year US treasury Bond ETF (IEF)



Ishares 7-10 yr Treasury Bond (IEF)



TFR

Trading Floor Research

Welcome to the
—— Trading Floor ——



The following analysis is for my subscribers who want to understand the market dynamics of this market selloff. If you feel this analysis is getting too deep in the weeds, know that I am using this analysis to make sure you will continue to get the best performing stocks in this market environment. A market environment that has gotten significantly more difficult to navigate.

That is why you have me to lead the way. New leadership will emerge as it always does, and I will direct you where to go next. For now, **keep high levels of cash.**

TFR

Trading Floor Research

Welcome to the
Trading Floor



Could the falling prices in the US Treasury bond be telling us something about growth stocks?

Most market observers tell us that higher yields (higher interest rates) make investing in stocks less attractive. Investors will choose the risk-free US treasury over stocks when yields go higher. I don't think this analysis fully describes last week's market dynamics. I know I wasn't selling my stocks and locking my money up in a 10-year treasury at 1.49% last week.

So why are markets going lower with higher yields? I don't think we can blame it on traders and market technicians this time. I have been advising you to keep high cash levels long before this week started. It is actually market fundamentals that are pricing in the selling. Fundamental models like the "Capital Asset pricing Model" CAPM are being used to reprice stocks lower in portfolios.

$$E(R_i) = R_f + \beta_i(E(R_m) - R_f)$$

$E(R_i)$	=	capital asset expected return
R_f	=	risk-free rate of interest
β_i	=	sensitivity
$E(R_m)$	=	expected return of the market

TFR

Trading Floor Research

Welcome to the
Trading Floor

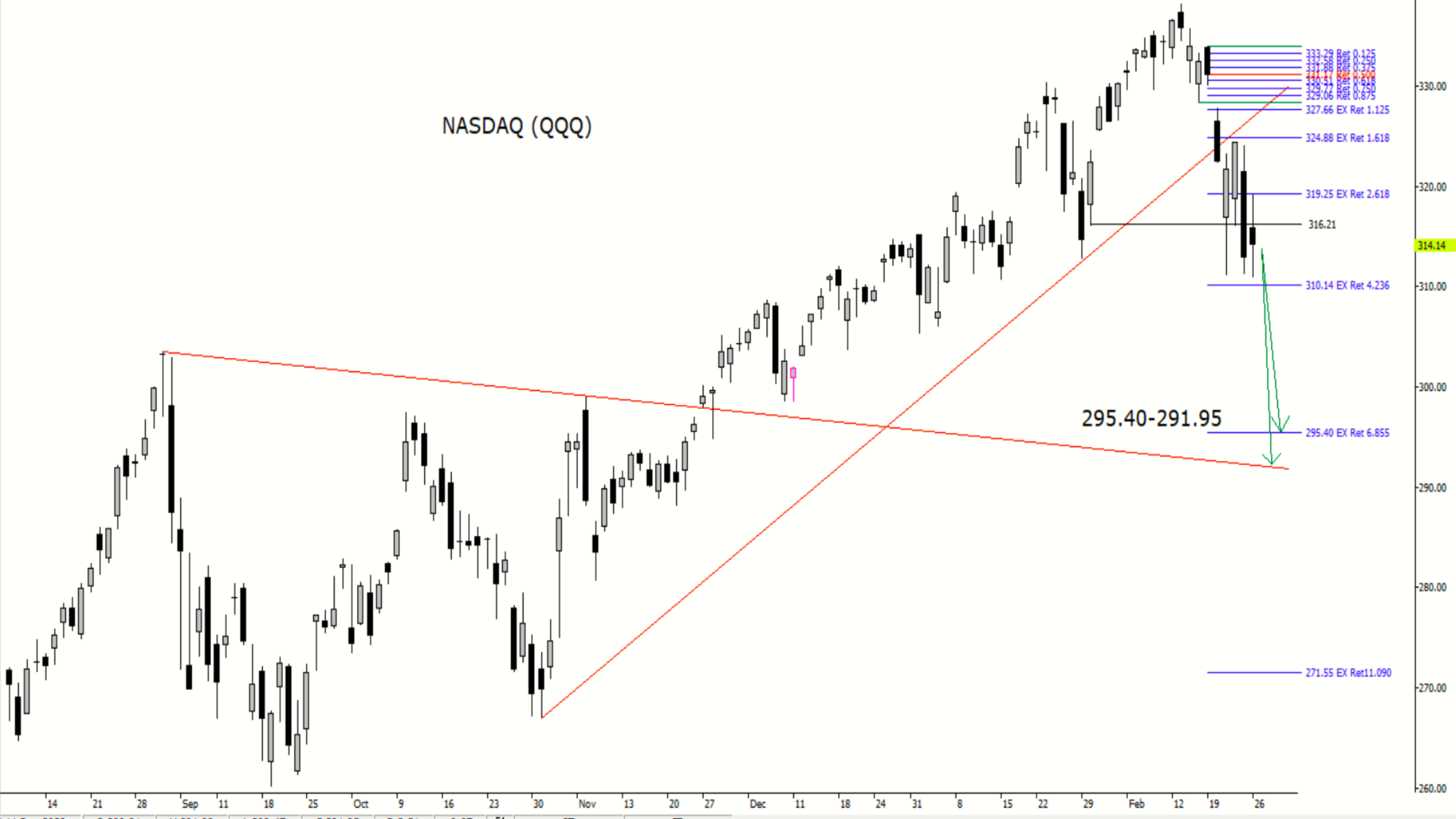


I am not going to take you through the details of the CAPM formula. But I want to direct your attention to R_f in the formula. R_f represents the risk-free rate of return or the current rate of the US treasury. The higher the US treasury bond yield goes, the higher the expected return an investor or analyst needs to justify holding or buying a stock. If the CAPM model indicates that the stock is overpriced, lower price revisions and selling soon will follow. That is what was happening this past week, and it was happening as fast as the computers could print out lower revisions.

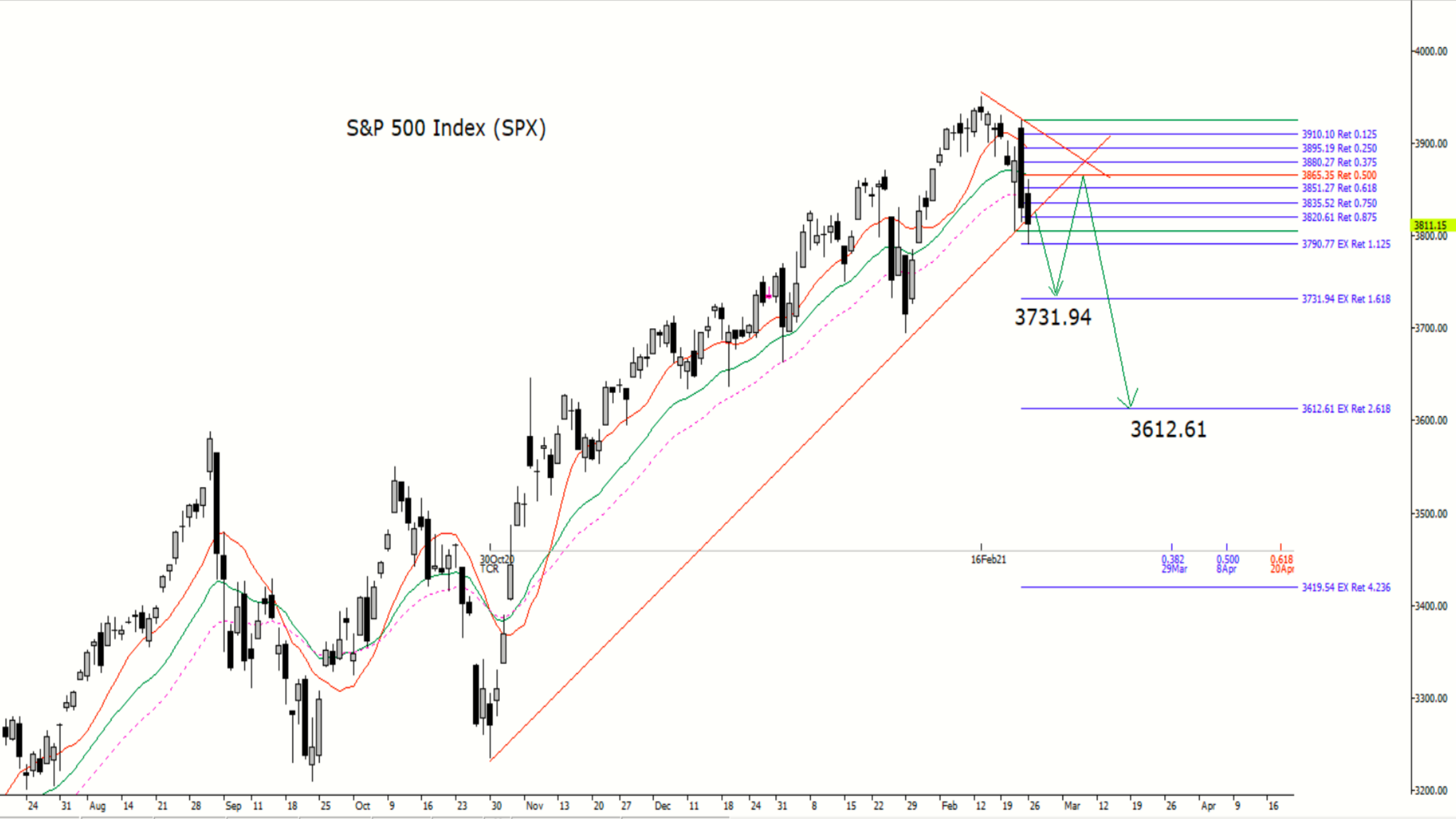
B (Beta) in the CAPM formula is a measure of the stock's volatility compared to the S&P 500. High growth stocks typically have a higher Beta. When the market moves up 1%, a high Beta stock could move 2% or more. The greater that stock moves compared to the market, the more expected return the analyst will want to continue to justify holding a high growth stock in a rising interest rate environment. The high growth found in computer software, EV, and Solar Energy industry groups may have to produce substantially higher revenues for analysts estimates to go higher. It could happen, but fewer stocks will achieve the higher hurdle of higher interest rates. The CAPM model tells the analysts he/she needs higher unmet return from the stock they are analyzing. These revisions will continue as interest rates increase. Downward pressure will cause the NASDAQ market to further decline.

I've included charts on the NASDAQ (QQQ) and the S&P 500 on the next slides. This shows where I think prices are headed in these markets in the near term.

NASDAQ (QQQ)



S&P 500 Index (SPX)



TFR

Trading Floor Research

Welcome to the
Trading Floor



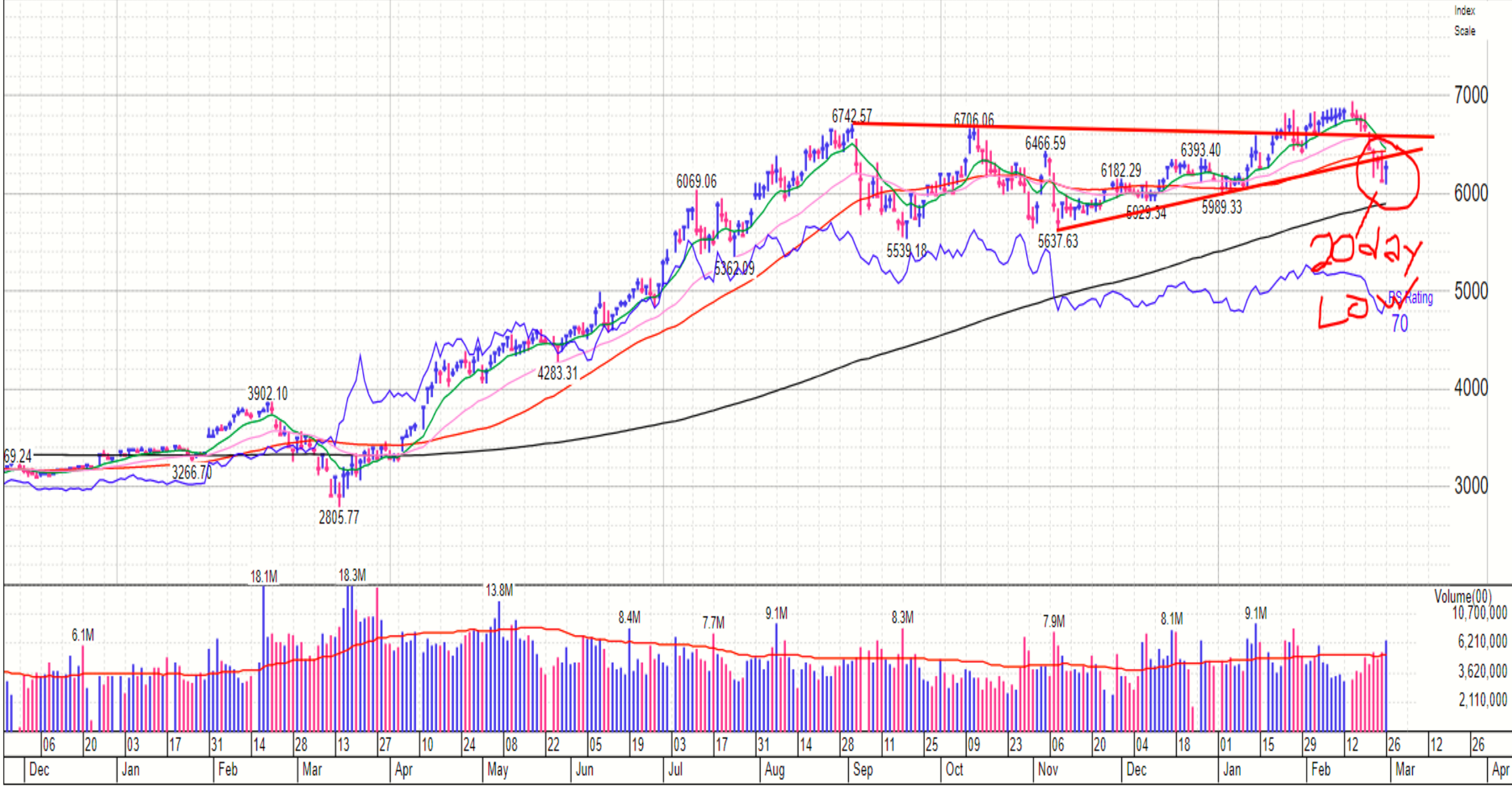
Fundamental models were massively reprising stocks to sell this past week. The market technicians were pointing in the same direction as they sold leadership growth stock industry groups.

I pointed to some leadership industry groups that gave sell signals earlier this week. More have fallen to sell signals. Industry groups like Retail-Internet gave a sell signal on Thursday. The next day Etsy ETSY (a member of retail internet industry group) reported fantastic earnings. This only caused the industry group to throwback into its broken trendline on the 20-day closing low sell signal the day before. (Included group chart on next slide)

With the Retail internet industry group in sell, it would not be wise to buy a stock like Etsy until the group gives the next buy signal. 60% of an individual stock's move is based on the strength of its industry group.

I could say the same about a market leader like Nvidia (NVDA). Nvidia sold on incredible earnings news. Remember, it is not the news; it is how stocks respond to the news. Keep high levels of cash. You have more money to work with when the genuine opportunities happen. I will get you to those opportunities when the time is right.

Retail-Internet (G3559) Average Daily Volume 5,013,400 Volume 6,776,400 +35% \$6270.59 +137.17 +2.24%



TFR

Trading Floor Research

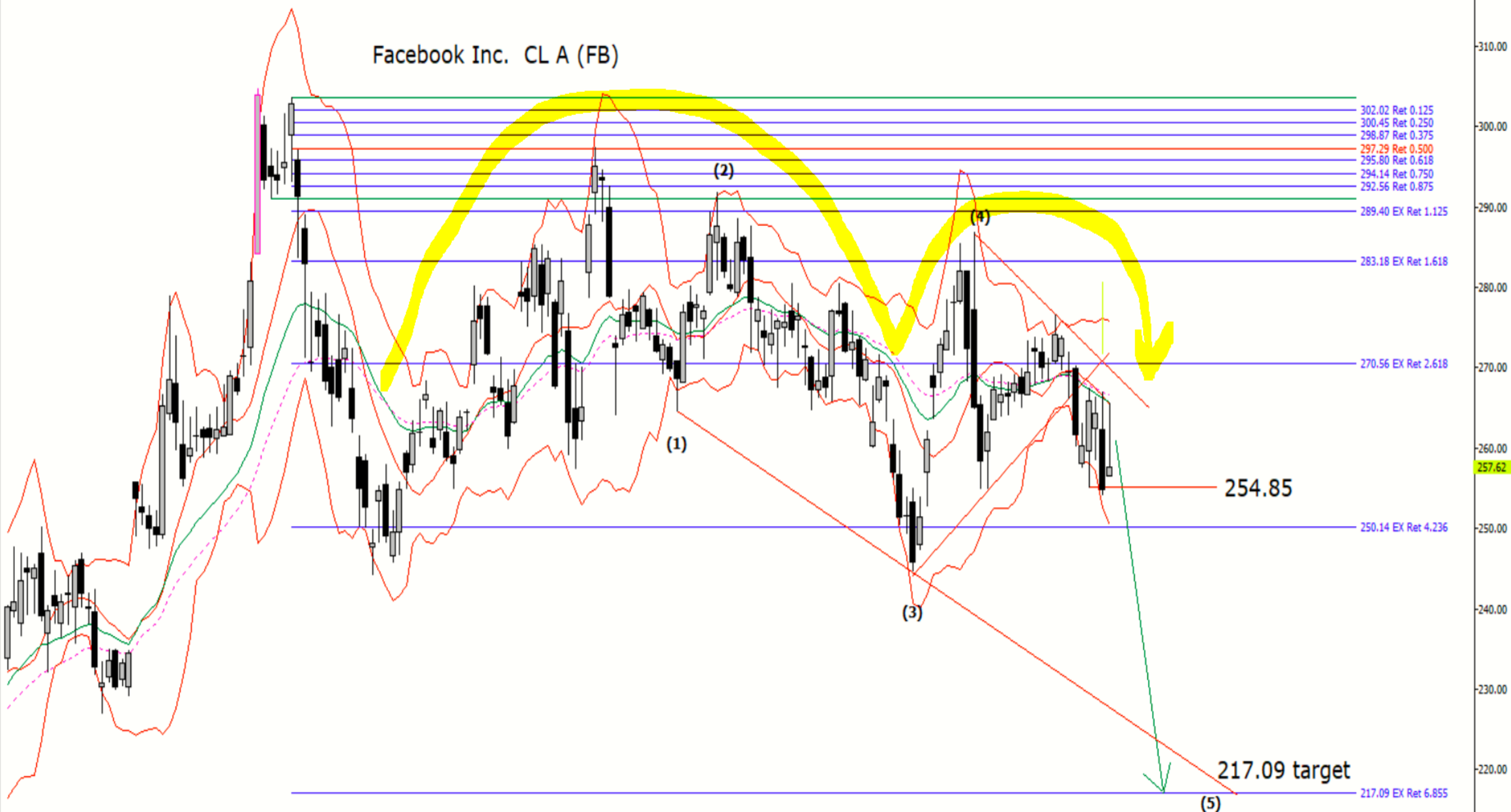
Welcome to the
—— Trading Floor ——



I took profits on my Facebook 255 March puts on Thursday just above my first Fib target number with an 88% return.

Re-entered Facebook April 255 puts on Friday after Facebook rallied back to 264. Holding puts for the next Fib downside price target of 217.

Facebook Inc. CL A (FB)



Update on MBII

Marrone Bio Innovations (MBII)



sell with close below 2.19

4.71

4.71 EX Ret29.036

3.15 EX Ret17.945

2.19 EX Ret11.090

1.60 EX Ret 6.855

1.23 EX Ret 4.236

1.01 EX Ret 2.618

0.87 EX Ret 1.618

0.78 Ret 1.000

0.71 Ret 0.500



Understanding the Stock Market.

6th class on Monday March 1, 2021 at the USW Burns Harbor Career Development Center.

In this class you will learn how to identify Fibonacci price targets, use VWAPs, and calculate standard deviation.

An afternoon class will be given:

- 4:00 pm-6:00 pm

Get on the right track with your investments
for the new year

Invite a family member or friend



Trading
Floor Research

Welcome to the
—— Trading Floor ——



Trading Floor Research

Welcome to the
—— Trading Floor ——

TFR open positions as of 02/15/2021:

MBII	02/02/21	(2-star)	+40.76%
TUSK	02/24/21	(2-star)	-17.14%
PANL	02/16/21	(3-star)	-11.54%





Trading Floor Research

Welcome to the
Trading Floor



Results of TFR closed positions as of 02/15/2021:

XPEV	Sold position	+41.83%
DADA	Stopped out	-12.6%
GPRO	Stopped out	-2.31%
FUV	Sold position	+67.34%
BLNK	Sold position	+76.25%
OPTT	Sold ½ position	+128%
OPTT	Stopped out 1/2 position	+49.13%
BBIO	Sold Position	+21.81%
CVAC	Sold Position	+66.81%
NGMS	Stopped out	-11.22%
EH	Sold Position	+61.78%
UFAB	Sold Position	+43.60%

TFR

Trading Floor Research

Welcome to the
Trading Floor



Results of TFR closed positions as of 02/15/2021:

OTIC	Sold position 12/22/20	+41.80%
BTBT	Sold position 12/30/20	+101.15%
LUNG	Sold position 12/31/20	+41.88%
GBTC	Sold position 01/05/21	+95.29%
ZKIN	Sold ½ position 01/05/21	+28.57%
TGC	Sold position 01/28/21	+309.82%
SNMP	Sold position 01/28/21	+122.58%
GP	Sold position 01/25/21	+41.29%
GMDA	Sold position 01/26/21	-6.87%
TUSK	Sold position 01/27/21	+1.77%
ZKIN	Sold position 01/27/21	+16.17%

TFR

Trading Floor Research

Welcome to the
Trading Floor



Results of TFR closed positions as of 02/15/2021:

CLIR	Sold position 01/28/21	+17.44%
VVPR	Sold position 01/27/21	+34.13%
CHNR	Sold position 01/27/21	-18.01%
ARYA	Sold position 02/08/21	+95.26%
USWS	Sold position 02/18/21	+217.90%
ARYA	Sold position 02/27/21	0.00%
NBAC	Sold position 02/26/21	-6.87%
SDPI	Sold position 02/26/21	+8.42%
BRN	Sold position 02/26/21	-14.15%
FURY	Sold position 02/26/21	-22.52%
GHSI	Sold position 02/25/21	-30.33%



Trading
Floor Research
Welcome to the
Trading Floor

Results of TFR closed positions as of 02/15/2021:

OGEN	Sold position 02/26/21	0.00%
TTOO	Sold position 02/25/21	+33.85%
THCA	Sold position 02/26/21	-6.14%
XELA	Sold position 02/26/21	-10.29%
AMST	Sold position 02/26/21	+6.45%





Trading Floor Research

Welcome to the
Trading Floor

¹The results are not (or may not be) representative of the performance of all selections made by Trading Floor Research (TFR) newsletter. We look for investment resources and inform you of these resources, which you may choose to use in making your own investment decisions. TFR is providing information on this resource to you subject to the TFR "Terms and Conditions of Service" disclaimer.

Past performance is no guarantee of future results. Inherent in any investment is the potential for loss. This material is being provided for informational purposes only and nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security. No recommendation or advice is being given as to whether any investment is suitable for a particular investor. It should not be assumed that any investments in securities, companies, sectors or markets identified and described were or will be profitable. All information is current as of the date of herein and is subject to change without notice.



Trading Floor Research

Welcome to the
Trading Floor

Disclaimer: The information, opinions and ideas expressed herein are for informational and educational purposes only and are based on research conducted and presented solely by the author. The information presented does not represent the views of the author only and does not constitute a complete description of any investment service. In addition, nothing presented herein should be construed as investment advice, as an advertisement or offering of investment advisory services, or as an offer to sell or a solicitation to buy any security. The data presented herein were obtained from various third-party sources. While the data is believed to be reliable, no representation is made as to, and no responsibility, warranty or liability is accepted for the accuracy or completeness of such information. International investments are subject to additional risks such as currency fluctuations, political instability and the potential for illiquid markets. Past performance is no guarantee of future results. There is risk of loss in all trading. Back tested performance does not represent actual performance and should not be interpreted as an indication of such performance. Also, back tested performance results have certain inherent limitations and differs from actual performance because it is achieved with the benefit of hindsight.



Trading Floor Research

Welcome to the
Trading Floor

Disclaimer

Before using this site, please make sure that you note the following important information:

Do your Own Research

Our content is intended to be used and must be used for informational purposes only. It is very important to do your own analysis before making any investment based on your own personal circumstances. You should take independent financial advice from a professional in connection with, or independently research and verify, any information that you find on our Website and wish to rely upon, whether for the purpose of making an investment decision or otherwise.

The content of this email is confidential and intended for the recipient specified in message only. It is strictly forbidden to share any part of this message with any third party, without a written consent of the sender. If you received this message by mistake, please reply to this message and follow with its deletion, so that we can ensure such a mistake does not occur in the future.

