What to look for when buying and selling stock in the US

(In no Particular Order)

This Paper will try and present a Stock Buying and Selling Strategy using 7 basic indicators and Social Media sentiment markers

1. **Economic indicators - Jobs Report**
2. **Economic indicators - GDP**
3. **Economic indicators - inflation**
4. **Federal Reserve Hikes**
5. **Market sentiment**
6. **Earnings trends**
7. **Billionaires buying and selling Stock**

1. Economic Indicators JOBS

The jobs report (usually referring to the U.S. Nonfarm Payrolls (NFP) and unemployment rate, released monthly by the Bureau of Labor Statistics) can significantly move the stock market, often within minutes of its release.

What's in the Jobs Report?
Key components include:
Nonfarm Payrolls (NFP): Number of new jobs added (excluding farming, gov't, and a few sectors)
Unemployment Rate: % of people actively looking for work but unemployed
Wage Growth (Average Hourly Earnings): Indicator of inflation pressure
Labor Force Participation Rate

If the Jobs Report is Strong (Above Expectations)
Positive Interpretation (Usually)
Signals economic strength: Businesses are hiring → demand is strong → good for corporate earnings.
Sectors like retail, finance, and travel may rally.
Negative Interpretation (In High Inflation Periods)
Strong labor = Fed may not cut rates (or may hike).
Higher wage growth = inflation pressure → bad for interest-rate-sensitive stocks (e.g. tech).
Bond yields may rise → stocks fall, especially growth stocks.

If the Jobs Report is Weak (Below Expectations)
Negative Interpretation
Signals economic weakness: Slowing hiring or layoffs → corporate profits at risk.
Can hit cyclical sectors like industrials, banks, and energy.
Positive Spin (In Rate-Cut Environments)
Weak labor market = Fed might cut interest rates sooner → bullish for tech and rate-sensitive sectors.
Market may rally on hopes of easing.

2. Economic Indicators GDP

Gross Domestic Product (GDP) is one of the most important indicators of a country's economic health — and it can heavily influence the stock market, depending on whether the data beats, meets, or misses expectations.

What Is GDP?

Measures the total value of all goods and services produced in a country over a specific period.

Released quarterly (e.g., Q1, Q2...) by government agencies like the U.S. Bureau of Economic Analysis (BEA).

Usually reported as an annualized percentage change (e.g., GDP grew at 2.6% annual rate in Q2).

Why It Matters to the Stock Market

1. Indicator of Corporate Earnings Potential

Strong GDP = strong consumer spending, business investment, exports → good for company revenues and profits.

Weak GDP = slowing demand, potential earnings declines.

Stronger GDP = Bullish

Weaker GDP = Bearish

➕ When Is Strong GDP Bullish?

In a low inflation environment, a strong GDP signals sustainable growth.

Investors feel confident → stocks rise (especially cyclicals, tech, financials).

➖ When Is Strong GDP Bearish?

If inflation is high, strong GDP = Fed may tighten (raise rates, reduce liquidity).

This can spook investors, especially in rate-sensitive sectors (e.g., tech, real estate).

Example: In 2022, strong GDP data often caused stocks to fall because markets feared more aggressive rate hikes.

When GDP Is Weak

Bad Sign:

Slower GDP = recession fears = less revenue, layoffs, demand destruction.

Stocks often drop, especially in cyclical sectors (industrials, energy, banks).

Silver Lining:

Weak GDP can prompt the Fed to cut interest rates.

This may support markets, especially growth stocks.

3. Economic indicators - Inflation

Inflation has a powerful — and often complicated — impact on the stock market. Whether inflation is rising, falling, or persistently high, the market responds based on how it affects interest rates, corporate earnings, and consumer behavior.

When Inflation Is Rising
1. Hurts Consumer Spending
Prices go up ➝ people spend less on non-essential items.
Consumer discretionary stocks (e.g. retail, travel, restaurants) often take a hit.
2. Squeezes Corporate Profits
Input costs (wages, materials, energy) rise.
If companies can't pass on those costs to customers, profit margins shrink.
This tends to drag down stock prices, especially in manufacturing, food, and industrials.
3. Interest Rates Go Up
Central banks (like the Fed) raise rates to fight inflation.
Higher rates hurt:

Growth stocks (tech, biotech) ➝ future cash flows discounted more harshly.
Housing/real estate ➝ mortgage rates rise, demand drops.
Overall borrowing ➝ slows business investment.
4. Increases Volatility
Inflation surprises often lead to market selloffs, especially if they're hotter than expected.
Traders watch CPI and PCE reports closely for this reason.
2022 Example: High inflation ➝ aggressive Fed hikes ➝ S&P 500 fell ~20% from highs.

When Inflation Is Falling (Disinflation)
1. Eases Rate Hike Pressure
Falling inflation = Fed may pause or even cut rates.
That's bullish for growth stocks, tech, and consumer discretionary.
2. Supports Consumer Confidence
Lower prices or slower price increases ➝ people spend more freely.
Positive for retailers, travel, and services.
Late 2023 Example: CPI began cooling ➝ markets rallied on rate-cut hopes.

⚖️ When Inflation Is Too Low (Deflation Risk)
Warning Sign
Persistent low or negative inflation = weak demand = potential economic stagnation.
Companies may struggle with pricing power, lowering earnings.
Stock markets may react negatively unless central banks intervene.

4. Federal Reserve Rate Cuts

Sector Performance After Rate Cuts

Sector Tends to Benefit Tech	Yes
Consumer Discretionary	Yes
Financials (mixed)	❌ Often hurt by lower margins
Real Estate	Yes (cheap financing)
Utilities	Yes (seen as stable, bond-like)

What the Historical Data Reveals
Northern Trust (since 1980):
https://www.ntam.northerntrust.com/united-states/all-investor/insights/point-of-view/2024/how-stocks-historically-performed-during-fed-rate-cut-cycles
Average return one year later: +14.1%
If the economy avoided recession, the average was an impressive +20.6%, with positive returns in all such cases

mvCapitalManagement (since 1960 data):
https://www.mvcapitalmanagement.com/blog/rate-cuts-and-market-trends-the-impact-of-current-cuts-through-a-historica
Median returns after a cut:
1 month: +1.11%
3 months: +6.31%
6 months: +8.39%
12 months: +13.86%
Positive returns occurred in roughly 83% of 12-month periods Joseph Vidmar https://www.mvcapitalmanagement.com/blog/rate-cuts-and-market-trends-the-impact-of-current-cuts-through-a-historica

5. Market sentiment

Market sentiment refers to the overall attitude or mood of investors toward a particular market or asset. It's often described as bullish (positive) or bearish (negative). While it's subjective, there are several quantifiable ways to measure it — using data, surveys, and indicators.
1. Put/Call Ratio
Measures how many put options (bearish) are traded vs. call options (bullish).

High ratio (>1.0) → more puts → bearish sentiment
Low ratio (<0.7) → more calls → bullish sentiment
Often used as a short-term contrarian signal

2. VIX (Volatility Index) – "Fear Gauge"
Tracks expected volatility based on S&P 500 options.
Higher VIX = More fear/uncertainty.
Lower VIX = Market confidence/stability.

3. 💰 Fund Flows
Tracks where money is moving:
Inflow into stocks/ETFs → bullish sentiment.
Outflow into bonds or cash → bearish sentiment.
Tracked by firms like Morningstar, EPFR Global.

4. Social Media & News Sentiment
Algorithms scan Twitter, Reddit (like r/stocks), and news for bullish/bearish tone.
Tools like Sentimentrader, MarketPsych, or Quiver Quant offer real-time sentiment scores.
Example: Meme stock rallies driven by positive Reddit sentiment

6. Earnings trends of Companies

Measuring earnings trends means analyzing how a company's (or group of companies') profits are evolving over time — and using that to forecast future performance, assess valuation, or make investment decisions.

1. Track EPS (Earnings Per Share) Over Time
Look at EPS over several quarters or years.
Compare YoY (Year-over-Year) and QoQ (Quarter-over-Quarter) growth.
Look for consistency, acceleration, or decline in earnings.

2. Use Earnings Growth Rate
Calculate the EPS growth rate using:
(EPS this period - EPS previous period) / EPS previous period × 100
Or use Yahoo Finance → "Analysis" tab
Look for: 5-year average growth and Forward EPS growth projections

3. Watch Earnings Estimates and Revisions

4. Compare to Revenue Trends
Growing EPS without revenue growth? Check for cost-cutting or buybacks.
Strong revenue + EPS growth = healthy fundamental expansion.
Earnings growing faster than revenue = expanding profit margins (good).

5. Look at Valuation vs. Earnings (P/E Ratio)
P/E = Price / Earnings
Compare current P/E to:

Historical average
Sector peers
Forward P/E (based on projected earnings)
Watch for:
High P/E with slowing earnings = overvalued
Low P/E with rising earnings = potential value play

6. Use EPS Trends Across Indexes/Sectors
Track overall market health:
S&P 500 earnings trends are a proxy for broad market earnings.
Use tools like:

FactSet's "Earnings Insight" reports
Bloomberg, LSEG, Yardeni Research
Watch:

Sector earnings growth rates (e.g., tech vs. financials)
Market earnings surprises

7. Billionaires buying and selling Stock

Follow Nancy Pelosi

Why It Can Be a Good Strategy

1. Access to Powerful Information

Members of Congress may have non-public insights into:

a. Upcoming regulations
b. Industry trends
c. Geopolitical shifts

While it's illegal to trade on material non-public info, there may still be informational advantages.

2. Public Disclosure = Transparency

Congress members must file financial disclosures (periodic transaction reports) within 45 days (Stock Act).
QuiverQuant aggregates and simplifies this data.

3. Some Have Outperformed

Nancy Pelosi's husband (Paul Pelosi) has executed trades that have outperformed the market in certain years — especially in tech, semis, and large-cap growth.

https://nancypelosistocktracker.org/
https://www.quiverquant.com/congresstrading/politician/Nancy%20Pelosi-P000197
old.reddit.com/r/pelosiTracker
old.reddit.com/r/congresstrading

1. Paul Pelosi tends to make long-term, high-conviction bets

He's not a day trader — many of his disclosed positions are in large-cap growth or sector leaders (e.g., $NVDA, $MSFT, $GOOGL).
Often uses LEAPS (long-dated call options), which are typically held for months — or even years — suggesting strategic, not speculative moves.
Example: He bought long-dated call options on $NVDA well before its AI rally — the move took time but paid off massively.

2. Market trends often play out over months, not days

Even if you're a few weeks late:

If the trade is part of a longer macro or sector rotation, there's still time to participate.

Institutions and insiders don’t need to time the exact bottom — they aim to catch long-term compounders.
Think of Pelosi's trades as a strong signal, not a timing tool.

3. Strong overlap with “smart money” Pelosi's trades often align with:

Insider buying from execs
Institutional flows (tracked via 13F filings)
Mega-cap tech positioning from hedge funds
That overlap makes it less about copying a politician and more about riding with smart, connected capital.

1. Thematic Fit
Ask: What major theme is this trade tied to?

Sector Possible Theme Pelosi Is Betting On $NVDA, $AMD
AI, Chips, National security, China-US supply chain $MSFT, $GOOGL
Enterprise AI, cloud, federal government IT contracts $CRM
Digital transformation in government agencies $PYPL, $MA
Fintech regulation tailwinds, digital finance adoption $UBER
Gig economy regulation or subsidies

Most Pelosi trades don’t need micro-timing.

They are:

High-conviction
High-value
Sector-aligned
Regulatory-aware
Long-horizon