

Traders are betting big on these stocks ahead of an expected Fed rate hike next week



Annie Pei
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The big rally in financial stocks is just beginning, according to two market watchers.

While the financials slipped a bit on Monday, the sector has seen a huge move over the past year, rising 37 percent thanks to Federal Reserve rate hikes as well as the promise of deregulation following Donald Trump's presidential win.

"Crossing Wall Street" blog editor Eddy Elfenbein described the Monday slip as a "short-term pullback," and predicts another rally on the horizon thanks to the potential of higher interest rates, which would benefit the banks.

"The financials have been very strong," Elfenbein said on Monday on **CNBC's "Power Lunch."** "And with an interest rate hike almost certainly coming next week" when the Fed releases its latest policy announcement, as well as the potential for "another one in six months, I think this is a minor pullback for the financials."

From a technical standpoint, the chart of the financials looks promising to Evercore ISI's Rich Ross. According to Ross' chart of the financials-

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tracking ETF (XLF), a "bullish flag formation" has formed at the end of the chart, a pattern suggesting that XLF could be headed higher. "[The chart] projects an upside to as high as \$27, \$28 on that XLF ETF."



In other words, XLF could be headed for a stunning 13 percent rally. What's more, Ross also sees a "similar flag" forming on the chart of the 10-year Treasury yield, which Ross says is ready to break through "resistance" at around the 2.5 percent level, a breakout that would drive the bank rally.

"Ultimately, you're going north of 3 percent, that's going to continue to drive the reflationary narrative and the financials," said the technician.



XLF did regain some of its losses by Monday's close, and is up 6.6 percent this year, which is in line with the overall S&P 500.

Annie Pei
Associate Producer

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Symbol	Price	Change	%Change
XLF	24.785 ▲	0.065	0.26%

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