OptionProfessor.com Weekly
January 29th, 2022

PORTFOLIO ROADMAP & BLOG

BY THE OPTION PROFESSOR

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Read on for this week's update from The Option Professor...

OptionProfessor Market Update
January 29th, 2022

• *Questions or comments? Email optionprofessor@gmail.com*

OPTIONPROFESSOR PORTFOLIO ROADMAP 01/29/22:

The stock market had a great rally to close the week and to close over a key number SPX 4335 and Tech came out of a very oversold condition with great earnings from MSFT & AAPL also TSLA but when you have a high valuation telling the street your SUV won't be out for a year is not the music they want to hear (remember NFLX?). We have seen very great volume on up days; particularly that big reversal day and lighter volume on down days but there may need to be more exhaustion before all is said and done. Monetary policy even with moderate hikes would not be problematic so tech with their pricing power rebounded strongly. We have said that our expectation would be the 10yr Treasury to be in a 1.75% to 2.25% range in a best-case scenario. The other best-case scenario is the SPX has hit its low for the year @ 4220 and the VIX has its high point for the year at 39. Our worst-case scenario on rates is that we need to accelerate toward 3% to 4%+ as inflation doesn't back off much or accelerates and the economy builds on top of the Q4 GDP number of +6.9%. Our worst-case scenario on SPX is that on our long-term charts we close back UNDER 4335 (12 SMA) and make a run at the 24 SMA at 3800 and the 36 SMA at 3525 and we see a full-blown reversion to the mean. The final scenario which we sure hope is unlikely is what some Elliot Wave prophesies suggest is an implosion of the debt market (it is the biggest bubble of them all) and a mass exodus out of stocks (50%+decline) but bottoming sometime in 2022 (20year & 40year cycles). Standard thinking is we are in an election year which could spell rough times thru June and a big turn up thereafter....sounds nice...too popular?

Let's review the Portfolio Road Map and remember Consult your brokerage firm for your own suitability. It is NOT advice.

INCOME

This has been a challenging area as yields have spike up a lot especially in the front end (2yr Treasuries broke above 1.2%)
Tax Free yields have hit their highest levels since earlier in 2020 and prices have accelerated to the downside. For some reason long duration actually looks like it could rally if it can get a decent up-move next week which would shock many. The reason is the Fed tends to win their wars (don't fight the Fed) and

inflation will be licked well before long term bonds come due PLUS inflation protected bonds have been tanking and now Gold lost its legs. What has held up for the INCOME crowd is DIVIDEND paying stocks & Utilities plus short term floating rate funds with dodgy credit ratings but short duration.

The Option Professor has a PDF Report on HOW to GET INCOME--Find Out How to Get Yours! go to optionprofessor.com

GROWTH & VALUE

We told you the Growth to Ratio chart indicated a TOP in December and while Tech tanked the Value sector has stood up. We anticipate that this year the companies that have free cash flow (profits) will be more attractive to investors and sideline money. This means large cap tech with tons of cash and pricing power and dividend growers and payers will be the place to be in 2022. The Energy Markets which we have told readers about for the last 1 1/2 year+ has been an excellent place to park. We live by the barbell approach and we don't see this as the year to change horses. Tides change later.

The Option Professor has a PDF Report on where to get Growth & Value in 2022- Get Yours at optionprofessor.com

INTERNATIONAL MARKETS

The US Dollar is very strong as the yields in the USA attract foreign buyers like honey to the bees. This is problematic for some local currencies. When markets tank in the short term (example Pacific Rim-Japan-Korea-Australia ect); we look to longer term charts and moving averages to find support zones. The Pacific Rim and Emerging Markets are in the process of doing just that right now so we are on alert. If Europe opens this summer; their stocks, the U.K and their banks could jump Many think all heck will break loose geopolitically after the Feb Olympics as China so caveat emptor. We have ideas here.

The Option Professor has a PDF Report on what International Markets look best..Get Yours! go to optionprofessor.com

SPECULATION

We have said it is possible that we are looking at a buy zone for crypto if GBTC can stay ABOVE 20 and ETHE can stay ABOVE 15 with the SPX and VIX stabilizing as there does seem to be a correlation. We have said we don't yet trust the Gold (although we had a successful trade in Newmont) but we got a

shorting opportunity (Gold $1850) when we saw a chart on the TIPS market (inflation protected bonds) versus Gold which usually go the same direction. The TIPS have been dropping while Gold was rallying...very unusual and unusual doesn't usually last:). Soybeans have been strong ever since we said the down move was over around 12 (helped by lousy weather again). Sugar has lost steam and Coffee need to hold recent lows
OPTIONS- with the VIX in this upper level and premiums high; now is the time to look at writing cash secured puts

BLOG UPDATE 01/29/22: Stock Market- Are the Lows In @ SPX 4200 and VIX 39 or New Lows to Come? Read It!

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January 22 2022

Well we have had quite the roller coaster in the markets due to offsetting penalties. On the one hand the Fed MUST raise rates and curtail growth BUT the operating leverage and the bullet proof companies have beat on EARNINGS! Economic numbers have been a bit all over the place with inflation numbers at 4o YEAR highs while retail sales, durable goods, and consumer spending suggest weakness. Q4 GDP blew out the ceiling and that is with a Variant suppressant. Let's get real here….the inflation numbers are not going away anytime soon and Powell pretty much said if they don't they will tighten conditions and maybe a lot because we are at full employment and they are going to serve a NEW MASTER. Since 2008; the Fed has served 2 OLD MASTERS..the economy and the stock market/asset values. They have done a great job has they teargassed everybody out of money markets (safe investments) and got everybody buying bonds (junk-corp-munis-foreign-mortgages) regardless of the yield (negative real yields). They also go everyone thinking the 25-35-50 or NO P/E's were also a good deal. Our mantra is that things that don't make sense don't last! We are here. Who's the NEW MASTERS…the 40% of America who can't come up with a Grand for unforeseen expenses and the middle class who's wage gains are negative PLUS both groups whacked by inflation & BOTH GROUPS VOTE!

We have seen the VIX hit 30-40 about 5 or 6 times in the last 1 1/2 years and within weeks it was back down so we will see if Fridays close is the start of that resolution. With Oil having run up; the likelihood of a strong inflation print for January is very high as rents, wages and other sticky inflationary force did not abate PLUS supply chain issues remain. Everyone who has seen their accounts decline in value are "hoping" that this is like every other correction and in short order they get their values back up. Maybe? The old adage of Don't Fight the Fed and Don't Fight the Tape may be apropos. If Oil doesn't back off and wages keep rising and rents remain tight and store prices remain high and we come out of lock ups with $2 trillion of excess household worth off a GDP print of 6.9% ….will the Fed tighten..of course! The saving grace is the Dollar is strong and Japan and Europe offer ZERO fixed income returns so the USA is the one eyed man in the valley of the blind..translation..while Fed's balance sheet runs off… Asians & Europeans are the new bid.

We have told reader that when SPX broke 4700-4650-4550 and the VIX broke above 23 that an acceleration to the downside may commence. The oversold condition SPX 4200 and spike in the VIX to 39 allows for quite a bit of oscillation which we saw this week. In fact; being a LIQUIDITY PROVIDER has been the best strategy as those who sold substantial rallies (no sellers) and bought substantial declines (no buyers) especially in the futures market made $$$$$. If the best of earnings (except NVDA) are already out then further upside (if it happens) may be met with selling at SPX 4480/4550/4625. We said last year that 2022 may be a REVERSION TO THE MEAN YEAR as Growth slows and Rates rise. We already broke LEVEL ONE SPX 4335 (we closed ABOVE it Friday)….now the question is do we close UNDER SPX 4335 and take out SPX 4200 and open the door to LEVEL TWO SPX 3800 and LEVEL THREE SPX 3500? If not; SPX 4200 was it