OptionProfessor.com Weekly
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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

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

OPTIONPROFESSOR PORTFOLIO ROADMAP 03/20/22:

The stock Market has found itself in what some say has been no man's land from the standpoint of the big support zone on SPX is 3600-3900 and the resistance is SPX 4400-4600 and we are trading between those rather cavernous levels. Much of the information is confusing in that economic numbers on the consumer (70% of economic growth) have been outstanding albeit the confidence numbers are terrible (but some say that's a contrarian buy signal). Household balance sheets & corporate balance sheets look fine at this point. The easiest way for the Fed to slow inflation and growth is through DEMAND DESTRUCTION which has the wealth effect at its core. The one thing that is not confusing is the DECLINE in BOND & STOCK of investor portfolios since the start of the year 10 weeks ago. Since the BOND market peaked in March 2020 and the STOCK market for many stocks peaked in 2021; we are now presented with another potential TOP in '22-COMMODITIES

Let's take a look at The Portfolio Road Map and share our opinions on surviving the down draft as conditions tighten.
Remember Consult your brokerage firm for suitability and risk tolerance. This is NOT advice.

Income-- Bond Market

It doesn't matter if you're talking Municipals, Investment Grade, High Yield, Preferred, EM or even Floating Rates; fixed income has seen values decline and in some cases spreads widen substantially. The short term treasury ladder of zero to 24 months can stabilize values and gives you dry powder every 90 days to either renew or extend duration based on circumstances. Boring but do you really want 10-15% drawdowns on what you thought was a stable place and seeing trends turn south with an unknown destination? Is it late or early? No one knows and for some the volatility is too much.

Growth--Value

Same story her in that DIVIDEND payers who have free cash flow have been the over all winners versus growth and while sharp rallies can occur the peak in the relationship appears to have been Dec 2021. As we said; bounces are not trends so we must be careful not to get caught by the hook every time we bounce and be patient. Travel & Leisure may have a bright future as well as shippers in the months ahead but we need price evidence. Everything feels very early so demand evidence

Speculation-Oil-Gold-Crypto-Ags-Food

Have the COMMODITIES seen a blow off top in the GOLDMAN SACHS COMMODITY INDEX? If so; crude oil, grains, and metals have seen their best moves along with many stocks that are linked to those markets. We are very far above some moving averages now (overbought) and if the tailwinds of tight supplies turn to head winds (supplies increase) it could turn into a repricing event or a consolidation. Bitcoin & Ethereum have seen many rallies fizzle and while investors with "Diamond Eyes" see a big recovery; we er on the side or seeing price evidence of sustainability before we dink any more lemonade. HEDGING RISK is part of the investing game and spending time EDUCATING YOURSELF is not a bad idea.

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Remember- All investing involves risk and is not right for everyone. Consult your brokerage firm to determine suitability and risk tolerance. Past performance is not indicative of futures results. Information and opinions provided is for informational purposes only. It is NOT advice.

BLOG UPDATE 03/15/22: Stocks-Where is the SUPPORT & Where Is The RESISTANCE-Who WINS? Read More!

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• *Weekly FREE Market Updates at https://www.optionprofessor.com/blog/*

March 15 2022 Option Professor Opinions & Observations

There is a huge Tug of War going on between the Bulls & the Bears in the stock market as conflicting signs are all over the place plus the number of unknowns are about a many as you can get. One way or seeing which side will prevail short term and longer term is to consider moving averages and relative strength as a guideline on trend and power.

The BULLS look toward household spending balance sheets and corporate balance sheets suggesting a liquidity level that does not jibe with recession nor defaults. Operating leverage (which we told readers would send stock soaring after the crash of 2020) is still strong and some say the Fed will move so slow on rates that the tightening of valuations will actually see expansion in the 2nd half of 2022. Oil and bottlenecks will ease and inflation will crack (PPI had things in the report UNDER estimates). Headwinds could turn to tailwinds as spring turns to summer…Great! Any Price Proof??

Here's the SUSTAINED PRICE PROOF we'd be looking for basis SPX…Closes ABOVE 4275 then 4400 then 4527 and 4600 PLUS get the RSI ABOVE 50! The QQQ needs to sustain ABOVE 333 then 353 then 360+ and get RSI's ABOVE 50??

The BEARS look toward most short term and intermediate moving averages having crossed downward (although some say when the "death cross" occurs and consumer sentiment is this low-double digit upside follows?). The inflation will sap consumers excess reserves and no more free stimulus to fall back on. In a slower growth slower earnings/tight margins environment you could see 16 or 15 PE ratios on $2.40 earnings could spell SPX at 3600 with a PE of 15! The SPX has support at 4100-3900 and then 3600 with QQQ support around 320 and 280 or reversion to 36 SMA 20 year.

The wild card on this in our mind is Russia & China in that both these countries have economies that are in trouble and both could cause further geo-political problems. Russia looks to be in a depression and China is shutting down cities that have supply chains and they also are working thru a real estate debacle while crushing their tech sector. With China; you could throw in sanctions and they want to walk out the winner in the Russia Ukraine conflict by getting cheap Russian Oil and Wheat/ag products. BABA has gone from 320 to 76 bucks! These countries are very dangerous.

We'll see how the cards come out BUT in the meantime… it would be a great idea to EDUCATE YOURSELF NOW! We have Decades of Knowledge & Experience to share to help Beginning, Intermediate or Advanced Investors!

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