OptionProfessor.com Weekly

May 14th, 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

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

OPTIONPROFESSOR PORTFOLIO ROADMAP 05/14/22:

IMPORTANT!-Did You Get Thursday's QUICK ALERT? It has OUR BEST IDEA which was a Call Spread Risk Reversal
It was a TRADING STRATEGY that can be used for Short Term-Intermediate Term-and Long Term TRADERS.

IMPORTANT-The OPTION PROFESSOR now has One on One 30- minute Q&A Sessions To ANSWER YOUR QUESTIONS!

This week was INFLATION WEEK as we got the Consumer Price Index CPI (8%+) and the Producer Price Index PPI (11%+).

If you thought inflation was transitory....you don't know. ADDITIONAL RISKS include a HOT labor market, Consumer cash & Company cash HIGH, Supply Chains (China lockdown/War), Commodities supplies (food, energy-refineries), and housing affordability-availability (rents rising).....That's ALOT that could go wrong. Some suggest that there is a good chance that INFLATION during this decade with be much HIGHER at a sustained level that the prior 20 years. The 2nd half of 2022 will live and die by the sword (Inflation)....if it abates toward 2-3% by year end...the Fed can say their hiking is bearing fruit and stocks can thrive....if we're at 5%+...rates will have to go higher than most dreamed (hasn't commodities & housing just gone higher than most dreamed?). Stock valuations which we've said for 2 years must come down may fall into that 13-16 P/E range that accompanies an overshoot to the downside and provides generational opportunities and investable bottoms

At the end of the day..prices come down when demand comes down...with this labor market & economy.Good Luck Fed:):)

TECHNICALS are SPX is Resistance 4419 and 4033 (today) Support 3687 & QQQ Support 287 (today) Resistance 330 & 360.

Let's take our stroll around the Portfolio Road Map....Remember all investing involves risk Consult your brokerage firm to determine your risk tolerance and suitability. Information is for informational purposes only. It is NOT advice

INCOME/BOND MARKET

We hit about 3.25% on the 10 year Treasury and proceeded to back off toward 2.80% only to close above 2.90%. There is resistance at 3.25% and buying against it was a good idea this week. When we take out 3.25%; it will probably be the shot across the bow that the next leg up has commenced. Junk Bonds, EM, Preferreds, IG have all been pressured this year and if while clearly the market is way ahead of the Fed...credit quality and duration seem to be risks that we must respect. We have opined that the 0-24 month Treasury ladder would have been a way to go until clarity or Ultra Short Bond ETF's (1yr) If you believe the 2nd half sees inflation tank...then 20 yr JPM's paying 5% and Municipal Bonds at 4-5%+ may be a good deal
ETF liquidity has been a problem for sellers (below NAV) and an advantage to buyers (liquidity) as funds sell at in a rush

STOCK MARKET-GROWTH VALUE

Obviously; stocks hit a SELL THE RUMOR (Inflation number hot) and BUY THE FACT (they were!) moment on Thursday as the stocks thrown in the trash like EV's (LCID NIO CHPT XPEV LI TECK ect) and heavily sold (U, RBLX, UPST ect) PLUS ones that had insider buying (AON UBR STOP SHOP CPRI ect) all benefited from a dip buyer/short covering rally. REMEMBER liquidity in this day and age has been affected by DARK POOLS (no more specialists) and HIGH FREQUENCY TRADERS (no uptick impediment) which leads to gaps overnight and other VOLATILITY that can be fast and furious so be aware out there Our view has been to stick with energy, food, staples, utilities, dividend payers OR stay out as a RECESSION may hurt many ETF's liquidity has been a problem as at times the sell prices were well below the NAV's...part of profits for brokerages???

INTERNATIONAL MARKETS/U.S. DOLLAR

.These markets rebounded as did all the oversold markets but with lockdowns in China continuing....risk continues. The Dollar is strong and may be on its way to 100 or 95 Euro especially IF Finland & Sweden joining NATO gets a bad oil & gas reaction from Russia. the UK (EWU) may be decent as many of their large companies are multi national and Australia Canada Mexico & Brazil (EWA EAZ EWW) are resilient. Japan has its currency at 20 year lows with an aging population.

SPECULATION ENERGY AGS METALS CRYPTO

We have been bullish on energy since 2020 and we continue to hang in there BUT we will be watching for signs of a turn as the 2008 highs at 147 are intact and many energy stocks peaked last month but a month does not make a trend. The same thing with FOOD (CF ADM MOS KR) which have all been huge this year but last month did run out of a little gas. With energy and Food; we have risks to supplies with refineries/Russia in oil and weather and planting and stockpiles in food. Gold & Silver Industrial metals are suggesting that a recession may be coming...Gold is on a ledge around $1800...we'll see. Crypto got a rebound but the lawsuits are flying with COIN & the stable coins nightmare. owners of crypto viewed as unsecured debt in bankruptcies?, and an enormous wealth wipe out. GBTC & ETHE we believe sell at a discount too. The crypto market was always a caveat emptor long term deal and those who forgot that have been reminded.. we'll monitor.

In our view; This is the year where we either go parabolic in these spec markets or the Fed will tighten enough to break it

IMPORTANT- This is a great time to Get the TIMELY PDF REPORTS on HEDGING Downside RISK and Upside SURPRISES
ASK US! The OPTION PROFESSOR has 1 ON 1 30 minute Q&A SESSIONS where we can REVIEW problems you've had with option strategies, ask questions, be informed on our views on strike/expiration selection, rolling, hedging, spreads & MORE!

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All the Best
The Option Professor
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BLOG UPDATE 05/14/22: Stock Market-Liquidity Providers Win Again! Did You Get Our Best Strategy This Week? Must Read!

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

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

May 13 2022 Option Professor Observations & Opinions

IMPORTANT! Before we get into the updates this week….we feel it is important that we REMIND everyone about the QUICK ALERT sent to everyone on THURSDAY this week AND the LEARNING OPPORTUNITY. Within the ALERT; we said it was time to understand the CALL SPREAD RISK REVERSAL options strategy. In short; the trader SELLS an out of the money PUT (cash secured) and RECEIVES the premium for agreeing to buy the stock at a discount (lower strike price than current price). The trader uses that premium and BUYS a Call Spread above current prices. In the last 48 hours; this has been an outstanding idea so far. The risk of loss is the stock trades UNDER your put strike price which in turn is your cost basis if put stock

IMPORTANT-There is no option strategy that is right for everyone. You need to LEARN & UNDERSTAND. The OPTION PROFESSOR has a 30 minute one on one Q & A SESSION where you can GET EDUCATED!

Let’s get into what happening now. WHY DON”T THEY TELL YOU TO SELL? Not too many people in the investment world have a vested interest in having investors roll 90 day Treasury Bills or limit your sectors. Whether it be TV stations wanting your eyeballs every day, investment firms wanting your accounts and fees or newsletter writers who have charged an arm and a leg for information that is losing you money.

This has been our view; The BOND market peaked in March 2020 and after we broke 1.75% on 10 yr Treasuries we have been off to the races for higher yields (that was November 2021 also when the Fed PIVOTED to fighting inflation). The Fed is no longer buying Treasuries & Mortgages (mortgages up 50%+ from the 3’s to the 5’s). More concerning; the corporate and municipal bond markets are dealer markets which means companies that provide liquidity are now responsible to provide liquidity in the event of an avalanche of selling should a chunk of debt issued in the last 12 years of low interest want out as they see their coupon is low and their principal is going in the tank. Junk Bonds, EM Debt, Munis, Preferred’s, Short Term Bank Loans and others could have issues if the Fed normalized rates to an inflation rate of 5% to 8%. Do you think an economy with this tight labor market and consumer balance sheet will need just a 2-2.5% fed funds rate to slow it down? Do you think the Fed is kidding about getting cooling demand & labor? In this environment rolling a 0-24 month Treasury ladder or Ultra Short Term (1 yr duration) made sense.

Our view on most of the STOCK MARKET has been that SPX PEAKED in 2021 essentially and with cheap money GONE and inflation UP; VALUATIONS were coming DOWN. They certainly have done that and we noted that during inflationary times the P/E ratios can be 14X-16X and the 25 yr LT average is about 15. AS we said; SPX earnings expected $2.30 this year so at 17X =3910 (we're here!) 16X =3680 14X=3220. Some sharp people believe the LOWS come when we get capitulation (VIX 40-50+) followed by news (Fed rescue or something?) followed by bad earnings that see the stocks rise afterward….a lot missing here? Our view has been the Energy, Food, Staples Utilities, and Dividend Payers has been the best places to be. RECESSION RISK- Here's the rub.. we hear recession risk is 30% for '23 BUT historically when we have seen Unemployment Rates UNDER 4% and Inflation ABOVE 4%…historically Recession Risk could be like 100%! Rising Tides can lift all boats but an iceberg can be tough to negotiate.. the 2nd half of '22 could be great IF Inflation DECLINES & the Fed has to do less not more…..if it breaks bad…LEARN how hedging works!

We are on the look out for a COMMODITIES PEAK in 2022 as a slower economy and changes in the supply demand dynamic could leave some people holding the bag. Right Now; there is talk of shortages of oil (Russia-refineries), shortages of agriculture (War-Weather-Fertilizers-Stockpiles), Industrial Metals and the prices are very high. BUT we have noticed the Goldman Sachs Commodity Index high point (2008) in intact and some stock in agriculture (CF ADM MOS) made their highs in April and in Oil (HAL SLB XOM) they did as well. The metals (CLF X NEM) also saw their best days in April so unless a parabolic hyper inflationary prices lies ahead & we will then see if Commodities are also a Fed tightening casualty.

We look forward to sharing our Knowledge and help you EDUCATE YOURSELF!

Thanks!

The Option Professor

Remember All investing involves a risk of loss and is not right for everyone. CONSULT YOUR BROKERAGE FIRM /broker to determine your own risk tolerance and suitability. Past performance is not indicative of futures results. Information & Opinions are for information purposes only It is NOT advice

TIME to MOVE! GET REPORTS- How To HEDGE-STOCKS-RATES-OIL GOLD

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The Option Professor is a Graduate of Boston College & Don Bosco Prep and has OVER 30 yrs. Market Experience.

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2. PDF REPORT #2 "OUR BEST STOCKS & BEST OPTION STRATEGIES-Covers EACH Sector and EACH Market Direction!
3. PDF REPORT #3 "How to PROTECT the COST BASIS" on Stocks For Tech-Big Cap-Energy-Metals Using COVERED CALLS!
4. PDF REPORT #4 "OUR FAVORITE TECHNICAL INDICATORS" You Can LEARN NOW about INDICATORS to WATCH DAILY!

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Thanks!
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REMEMBER There is a risk of loss in all trading and it is not right for everyone. Consult your brokerage firm/broker/advisor to determine your own suitability. Past performance is not indicative of future results. Information and opinions provide are for informational purposes only. It is NOT advice.

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