

OptionProfessor.com Alert

October 5th, 2021

Q4 POSITIONING



BY THE OPTION PROFESSOR

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Greetings Everyone!

Before we left for the Caribbean at the end of September; we told readers that if the SPX could not get above 4510 then traders should be out as we anticipated a slowdown (FED EX gave us a glimpse of what happens if guidance is dicey.) Now we are faced with shortage of oil & gas (green energy is not working) and we have rolling blackouts in China. The real estate gambling in China (unoccupied apartments) plus factory slowdowns has caused PMI and the service indicators to slip into recession like levels. Europe has energy issues as Natural Gas is up 6X in price...inflation is a problem. Yields spiked on the Treasuries (TLT went to the 142-144 area) and now have abated a bit still not having taken out the 1.75% 10yr from Q1. Powell says inflation could cause the Fed to act. Who are they kidding? We have 30 Trillion in debt and now like Japan & Europe we can't stomach big debt service. Unemployment has been rising recently. Consumers are losing confidences and some real estate markets are cooling off. Debt ceiling savor rattling & stripping infrastructure & tax hikes are distracting.

Our view is that financials (regionals & European too)-dividend paying stocks plus energy & travel stocks were the best places to be and we were correct. Now; we are seeing if inflation sticks; rather than hiking interest rates, we may see the printing press from the Fed. If it plays out that way; our sectors plus Gold-Silver may accelerate going into year end. The VIX has been unable to break 25 and TLT (long term Treasury interest rates) is hugging long term support. Watch to see if the VIX breaks well under 20 and TLT rallies....that may be the tip to get back aboard tech and ride a year end rally. We don't like our 1yr charts in downtrends (moving averages crossed and pointing down) nor the RSI's under 50. The longer term charts (5yr 10 yr) are being tested in this area so holding somewhere in this neighborhood is very important. We have told readers that our longer term charts have SMA's between 4100-3350 SPX so a tank job not off the table..need sustained up. Does Washington need a tank to get motivated? Does the Fed need a tank job to print? Is China slowdown contagious?

- The Option Professor, 10/05/21

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