OptionProfessor.com Alert

October 13th, 2021

GOLD & SILVER STOCKS

BY THE OPTION PROFESSOR

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1) We spoke to all our readers last week about the next big call from us. We said Crypto bottomed in July (GBTC & ETHE) and it did and we said Energy prices and shares would zoom and they have. Now we see POTENTIAL for the mining shares as they may be turning up as the technical readings on our yearly charts are turning up and our Long Term RSI's are holding 50 suggesting the pullback may be over. Inflation numbers came out today and while less than they were in June are still well above normal levels. Real Yields on bonds are still very negative even on Junk Bonds which is remarkable. The US Dollar (DXY) has resistance in our work at 95-96 and if we turn down from there it could be helpful to metals as well as the already explosion in printing money globally (monetary base). The popularity of mining shares has waned measurably since last year and BitCoin is all the rage BUT a shift from digital to tangible may emerge in the next 6 months that started now. Are we seeing the lows in the month of October in mining shares? So far so good is our view but we don't get emotional about stocks or metals...if they break under levels we deem important..sayonara! It is important to set parameters and risk tolerance on any market and to remain disciplined.

2) Let's give you an example of one such mining share Newmont Mining NEM....the stock is trading about 56....the high was about 75 May 19 and the low was about 53 on October 6 so at 56 it's 3 bucks off the lows and 25% off the highs. This ALSO currently pays about a 4% DIVIDEND! Great cash flow while you watch the movie...not a bad yield. The technical indicators are on the 1 yr chart is 12 SMA-54.46   24 SMA -54.92   36 SMA 55.90 and the RSI (14) is 56 and rising. We would like to see all averages inverted and rising which has NOT happened yet but we do like a rising RSI which IS happening now. We also loke our 20 year graph RSI rising off the 50 number (51). Cut to the chase...like Buffalo Springfield sang...they're something happening here..what it is ain't exactly clear:)
We see potential with a short leash and we have a list of other Gold & Silver mining shares in our view with potential.

Send us an email at optionprofessor@gmail.com with your contact info and we will be happy to share our information.

- The Option Professor, 10/13/21

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The following is an excerpt from the eBook "7 Best Ways to Trade Options" by The Option Professor, download the full PDF HERE.

#3. How Does Implied Volatility Affect Options?

Implied Volatility is the market's forecast of a likely movement in a price of an underlying market. It is a metric used by investors to estimate future fluctuations (volatility) of a price based on certain predictive factors. Implied Volatility denoted by the symbol (sigma) can often be thought to be a proxy of market risk. It is commonly expressed using percentages as standard deviations over a specified time horizon. When use in the stock market; implied volatility generally (but not always) increases in bearish markets when investors believe prices will decline over time. Implied Volatility will generally (but not always) decrease when the market is bullish and investors believe the market will rise over time. Implied Volatility does not predict the direction that the price change will continue.

Implied Volatility is one of the deciding factors in the pricing of options. Buying options contracts lets the holder buy or sell an asset at a specific price for a specific period of time. Implied Volatility approximates the future value of the option and the current option value is also considered. It is important to note that implied volatility is based on probability. It is only an estimate of future prices rather than an indication of them. There is no guarantee that an option price will follow a predicted pattern. However; when considering an option, it may be worthwhile to consider the actions of others activity in the option so implied volatility is directly correlated with market opinion which of course affects option pricing

CONCLUSION-OPINION...Our opinion with Implied Volatility is that it tells us what has happened but not will happen. Just like the point spread in a football game is indicative of how teams have been playing to some degree. It is important you remember that options have intrinsic value (the amount it is in the money-higher than the strike price on calls & lower than the strike price on puts) AND time value/implied volatility which is a discounting mechanism to some degree of future price movements. EXAMPLE if the underlying market has been 40-45 (flat) for the last year; the Implied Volatility would be lower and the option price generally lower. Conversely; if a market has been 100-200 (volatile) for the last 2 months; the Implied Volatility will generally be high. In some respects option trading is volatility trading and if you enter calls after a volatile move to the upside where implied volatility is high; the market will have to keep that pace and then some to overcome the premium. The direct opposite with entering puts after a big decline. Of course; there are a variety of option trading tactics buying/selling/spreading and Implied Volatility measures are an important consideration. Our opinion is that generally low volatility can present an opportunity for buyers to use longer dated options and high implied volatility options can present an opportunity to use as a hedge in a number of strategies or a means to contract to buy the market at a discounted price.

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