OptionProfessor.com Alert
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GROWTH OVER VALUE

BY THE OPTION PROFESSOR

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OptionProfessor Alert:
Growth Over Value-Is Long Tech-Growth-Bonds the New Trend or Trade?
October 21th, 2021

This week we have seen a lot of earnings and we have a lot more to go but the big boys have come out. There was a report that data at one of the large firms suggest that hedge fund managers are leaving the value reflation trade in favor of tech and growth. There are concerns that inflation and the economy will slow (durable goods orders & increased oil inventories).

It is important to note that the Atlanta Fed has cut their GDP forecast way down for the quarter. We cannot dismiss the fact that the inflation numbers are high and money supply growth in the last year is off the charts. Consumers have a lot of money in their pockets via stimulus, house-stock appreciation and wage growth which made the consumer confidence number a big surprise on the upside BUT this week we have seen money flow out of value-cyclicals (banks-industrials- materials-energy ect) and into tech-growth-consumer discretionary and long duration bonds.

We expect tapering talk from the ECB-Fed and Bank of England very soon and with supply bottlenecks and gas prices at record levels it is possible the market expects taper talk to be more dovish than aggressive. If the fever of energy prices (Eurozone inflation hit a 13yr high in Sept.) breaks and supply chains improve; the risk of more aggressive action increases. Some say stocks are a great inflation hedge especially companies that can pass along higher prices to a flush consumer. Our view has been the 10yr Treasury Q1 peak at 1.75% is the high until taken out and we tested 1.70% and now yield declined. The bid has returned to growth tech consumer discretionary and duration....now the question is will it be sustained?
How will BitCoin & Gold- Silver and other stores of values/inflations hedge fare? Will this affect the rally/January Effect?

Email us your questions and learn our opinions of positioning we think make sense as we close out 2021 & prepare 2022

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

- The Option Professor, 10/27/21

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- 08/18/21 – Hedging Strategies

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

-7 Best Ways to Trade Options" [download the full PDF HERE](#).