

OptionProfessor.com Weekly

October 16th, 2021

# PORTFOLIO ROADMAP



BY THE OPTION PROFESSOR

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*Read on for this week's update from The Option Professor...*

## OptionProfessor Market Update October 16th, 2021

- Questions or comments? Email [optionprofessor@gmail.com](mailto:optionprofessor@gmail.com)

### PORTFOLIO ROADMAP 10/16/21:

Greetings Everyone!...Well we said that SPX 4300 area must hold and we zoomed out of that neighborhood this week. This week is about as good as it gets as it relates to news as we saw earnings at the banks start the season off with a bang (BAC GS)! The USA economic growth is fueled by the consumer (70%) and this week we see they are out there spending in far excess of expectations (retail sale was supposed to be down .2% and came in UP .7% while the prior month was revised UPWARD. Jobless Claims dropped to a level not seen in a long time so we see the Fed is done with the war on unemployment is ready to embark on the war on inflation which is their 2nd mandate. Inflation numbers came out this week and while still at elevated levels is way lower than June and if they can break the fever in food and energy they rate will abate dramatically by next year (good for bonds?). Biden is focusing on these bottlenecks as DEMAND has totally outpaced SUPPLY or the ability to deliver supplies. Really is that a surprise? Consumers will spend money (households are flush with cash) and if the government puts money in their pockets (stimulus checks & low taxes & no leisure spending)....they will spend it on THINGS rather than EXPERIENCES. The world is round so after heavy demand comes slower demand and after tight supplies comes more plentiful supplies which could translate into lower inflation and lower GDP growth potential later in 2022. In the last 7 weeks we saw oil prices jump over 30% and natural gas prices up 70% at one point. We feel that the pace of these advances must abate or stocks may have difficulty as short term rates are creeping up and stocks are not priced for interest rate spikes. OUR VIEW--We have started EARNINGS SEASON with a bang and in the next 2 weeks we may see a Pamplona Bull Run as companies announce big beats and Covid abates and travel internationally opens up. Seasonally; this can also be a good time as investors see proof of profits and conclude households will spend like crazy thru the Holiday season. We see 3 HURDLES ahead of us and 3 SUPPORT zones below us on the SPX. We cleared 2 hurdles this week when SPX closed above 4355 and 4450 and we must SUSTAIN those levels. Above areas that could be hurdles are SPX 4480 & 4510 (were support on the way down) and the highs of 4550. The support on the way if we go down for SPX is 4450 & 4360 and the lows of 4280 area. Banks don't deliver things nor had higher costs really affect

their earnings. This week we get earnings from companies that do like UAL PG CSX TSLA CMG INTC WHR HON JNJ which will be followed by many more. Were sales or profit margins affected? Also; with all this buying coming in who's selling? We see Black Rock tells us of continued flows into passive investing so sideline money is coming. We will watch to see if VOLUME spikes in the next 2 weeks on a major advance as we would expect a pause in early November. EXCITING is an overused word but apropos for what lies ahead....the next few weeks could be just that so we will do our best to provide clarity.

Let's take a look at our Portfolio Road Map and share our opinions and observations. All investing involve risk so consult your brokerage firm/broker to determine your own suitability and risk tolerance. These opinions are NOT advice.

## Income

We are sticking to our guns (by the way retail sales at sporting goods firms were way up and you guessed it gun sales was a main component!). The March 2021 highs on the 10 yr Treasury at 1.75% is still intact and with slower inflation and next year earnings and GDP expected to slow it may remain safe. The Fed is talking removing EMERGENCY accommodation not hiking rates and even if they do the Fed funds rate is at a joke level anyway. Our view is if we take out 1.75% the other side is a potential black hole air pocket or whatever you want to call it. We have a DEBT BUBBLE which is the most overpriced in history by a long shot. If we went to 2% or 3% on the 10yr Treasury.....If the stock market zooms and inflations remains..Do you think the trillions of DEBT yielding under 1%-2% or negative would REDEEM (Sell)? Dealers would again put away their checkbook and the buyer of last resort would have to print.....Do you think the Fed wants any part of that within 24 months of what we just went thru (14 facilities set up to buy debt)? We say they do not so we stick with VWLUX VFSUX as core and sprinkle the VWEAX PFF FFRHX in there to enhance yield & risk. Dividend payers VYM VYMI are also bringing home the bacon. Should we blow out 1.75% on the 10yr Treasury-we will consider what changes may be appropriate at that time.

## Growth

In the last 2 weeks; growth had been hard to come by but after holding our support at SPX 4300 and closing above 4450 this week that has been a rebirth. Our main value & cyclicals MGV VYM VFH XLI VAW are getting their boat legs back while the tech side VUG VGT SMH are climbing back on the horse as well. EARNINGS should provide a big lift in the next few weeks so let's see if the

combination of consumer spending and operating leverage trumps bottlenecks & higher costs. The Transports (IYT) and the Russell (IWM) may have a bright future as well if they can SUSTAIN recent advances. We'll see.

## International

Our view has been that China has bottomed this month potentially (Charlie Munger doubled his stake in BABA) as we approach year end and the Beijing Olympics in Feb 2022. The pruning of their economic shrubs seems closer to the end than the beginning and now the reality of a 14 Trillion dollar economy and our consumer demand equals better days. We like VWO or country specific FXI KWEB as more aggressive plays. Other areas are turning up but must SUSTAIN their advances to be legitimate but the USA rising tide may lift all boats,. We see Europe (VGK EUFN) and Pacific Rim in VPL (South Korea Japan Australia) and Emerging Market albeit aggressive (INDA EWW EWZ) as places to look.

## Speculation

Big week for Gold & Silver shares as they attempt to make a turn BUT we need Gold above 1800-1850 and Silver above 25 and SUSTAIN to feel that we are out of the woods but so far so good. We told you about Crypto at the lows in July so tough to start buying way up here (GBTC ETHE). Oil shares look fine and if we are going to 100 or 135 crude oil...they will be the darlings of Q4 and beyond as well as the metals including copper (FCX) and steel (TX)...don't forget the one stop shop for commodities in VCMDX which we've told you about for over a year...get the prospectus and caveat emptor.

Remember All investing involves risk and it is not right for everyone. Consult your brokerage firm/broker to determine your own suitability and risk tolerance. Past performance is not indicative of future results. Opinions and observations are for informational purposes only It is NOT advice.

## **BLOG UPDATE 10/16/21:**

### **Stock Market-Is the Easy Part of Earnings Over Now? A Must Read!**

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October 15 2021 Option Professor Inc Opinions & Observations

Welcome Back Everybody!....Well maybe a trip to the Caribbean was the key to help with our clarity as in the last 10 days since we came back our insights have been spot on. Based on our 5yr chart and 24 SMA; we surmised the 4300 area must hold and a close above SPX 4355 and 4450 would cement the turn up fueled by a slew of reports that came out this week. First bank earnings were dynamite especially BAC & GS but the rest were not too shabby. Loan growth and credit card usage for some left something to be desired. Inflation came out lower than expected and showed an accelerated decline from June albeit still at elevated levels. Jobless claims dropped and the Fed's mandate to stabilize employment is done. Now it will turn the 2nd mandate which is stable prices and if they can stabilize food & energy that will be done as well. Biden is on top of the bottlenecks and when was the last time someone got the call from the government and that was about it on those shenanigans. We were in San Pedro last month and saw all the containers there so get someone to unload them and let's go! Operating earnings are growing faster than other metrics due to something we told you about over 1 year ago —Corporate Operating Leverage! The Consumer is spending up a storm.. how do we know this?? Retail sales came out and were expected -.2% and came in at +.7% and the August numbers were revised Upward! Year over year was up 13.9% and consumer spending is the majority of our economic growth. With in 10 weeks we will have Thanksgiving-Christmas -New Years spending and it looks like money is burning a hole in the pockets of consumers. Oil prices have gone up +30% in 7 weeks and Natural Gas prices were up about 70% at one point in the same period. If this persists it would be a concern as well as the increase in short term rates as if they ever invert then a recession would loom. These are a couple of risk and the companies that must deliver items may disappoint on earnings (FDX) if their costs have caused damage to the bottom line. Due to demand (orders) having outpaced the ability to deliver (bottlenecks); we may see a backlog of activity that may bode well for quarters ahead. Our call now is that we have a breakaway gap on SPX at 4360 and a runaway gap on SPX under 4450 so if we don't get an exhaustion gap we could pull back to fill some gaps. Important levels to us are now SPX 4480 and 4510 which were support off the highs thus now resistance. We expect earnings in the next 3 weeks to be inspiring with a

potential pause afterwards then a thrust into the holidays as the consumer ha funds and will spend them. We should be done with SPX 4200 handles unless energy and higher costs for corporations hurting margins emerge as the culprit in earnings reports. With all the buying this week.. we always ask who's selling?? Smart money sells UNDER SPX 4550???

Get our detailed reports on our ideas? Questions for Option Professor?? simply email us [optionprofessor@gmail.com](mailto:optionprofessor@gmail.com)!

## Stock Market

Most stocks had a great week although GOOG AMZN MSFT AAPL still lagging the herd. Value & Dividend stocks are breaking out as is consumer discretionary, transports, Russell 2k, materials, and a number of other sectors. Get our detailed report on where and when we see the big opportunities. Go to [optionprofessor.com](http://optionprofessor.com) today!

## Bond Market

We told readers that we will stick to our guns on 1.75% on the 10 yr Treasury being the high until taken out so we viewed the move to 1.60%+ as a gift. Inflation numbers and economic comparisons are slowing which helps. Go to [optionprofessor.com](http://optionprofessor.com) and LEARN how we attempt to slay the INCOME dragon with a variety of fixed income ideas.

## US Dollar/International Markets

We feel the US Dollar (DXY) may be rolling over as we said that 95-96 is big time resistance and at this point we feel it will fail to exceed those levels. Support levels at 93 and then 92 and then 90 will see some buying but the reality of our deficits and money supply growth will come home to roost. Questions for us? Email us at [optionprofessor@gmail.com](mailto:optionprofessor@gmail.com) International markets have started a turn up including Europe. Emerging Markets & China and the Pacific Rim (South Korea Japan Australia).....Do you want to know how we participate? Email questions to [optionprofessor@gmail.com](mailto:optionprofessor@gmail.com)!

## Crude Oil Natural Gas

We told readers these markets would roar many months ago as lack of investment into new supplies and a demand surge leads to higher prices. Do you want to know where we see opportunity? Email us at [optionprofessor@gmail.com](mailto:optionprofessor@gmail.com)

## Gold Silver Copper Crypto

We sent out a alert about the turn in Gold & Silver earlier this week but there is still more wood to chop before the all clear. Copper is the new Gold and is being bid up on tight supplies and huge demand. We told everyone that Bitcoin (GBTC-ETHE) bottomed in July months ago so new high no surprise to us. Email us at [optionprofessor@gmail.com](mailto:optionprofessor@gmail.com)

Soybeans Sugar Coffee—We went bullish on Soybeans last year at 8-10 and saw it run tp almost 17! Having no interest up there we said a pullback toward former resistance (now support at 12 would RENEW our interest. This month we went to the 12 area so we will keep you updated as this is the neighborhood it should find support and so far that has happened. We got bullish last year in Sugar on the breakout above 12.50 area...now it's in a range between 19-21 for 90 days...we await a breakout. Coffee was a market we like on the breakout of 100 last year and now it is above 200 and about 25% above its 200 day moving average....weather market-South American market-caveat emptor!

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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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