OptionProfessor.com Alert

November 11th, 2021

SPX 4724 RESIST

BY THE OPTION PROFESSOR

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Read on for the latest ALERT from The Option Professor...

OptionProfessor Alert:
Stock Market- We told you SPX 4724 Resist...Now What?
November 11th, 2021

Last week we told readers about 2 Fibonacci projections on SPX that should be respected in 4660 and 4724.

We blew thru the first but did an about-face as we neared SPX 4724. On the decline this week the SPX 4660 was holding but broke when the Treasury auction saw YIELDS spiked and the inflation numbers were about 50% ABOVE estimates. We warned that the market was overbought and volatility could spike off the VIX 14 handle which it has done. Inflation is a worldwide problem with Brazil at 10%+ (yield UP 575 basis points since March!) China's inflation worst in 26 years and USA worst numbers in 31 years! EVERYONE on 5%- 10% rally from T-Day to EOM January due to holiday sales and the Jan Effect.

They may be right BUT we know that the road UP must close ABOVE SPX 4724 now AND we hit support TODAY in the SPX 4630 area which is the 12 SMA on our 1 yr graphs. Thursday is sometime turnaround day and the bulls hope so again. Should we break the SPX 4600; a chance to test SPX 4550- to 4500 and a potential set up an opportunity to get long cyclicals value financial energy industrials materials re-opening ect (everything rally) next week prior to Thanksgiving.

We told readers to look for bottom and turn in BitCoin in July & Gold & Silver stocks in early October...both maturing well.

You Are Invited---Email us at optionprofessor@gmail.com with questions and to gain our insights and research w/ contact

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

- The Option Professor, 11/11/21

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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 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.

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