OptionProfessor.com Weekly
November 13th, 2021

PORTFOLIO ROADMAP & BLOG

BY THE OPTION PROFESSOR

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

OptionProfessor Market Update
November 13th, 2021

• *Questions or comments? Email optionprofessor@gmail.com*

PORTFOLIO ROADMAP 11/13/21:

The big debate we have in front of us remains the pause to refresh and an aggressive rally ahead versus a short term market top that will take more time and earnings reports to take out. This week we get a lot of retail earnings including big box guys like WMT & TGT and home improvements HD Lowe's plus clothing with KSS ROST and Footlocker who some believe is just a NKE store. Also; without much fanfare; we will get earnings @ BABA & BIDU to confirm the turn in China.
WE also will get a couple of tech earnings with CSCO and NVDA which is priced to perfection so it better deliver the bacon. The latest reading on the consumer confidence is tanking so retail sales & earnings this week will be enlightening. We spoke of resistance at SPX 4720 area and support at SPX 4630 area so those are your parameters. This week we should get enough data to put a press on one or the other with the trend albeit extended favoring the upside. We told you last week we were overbought and these weeks before Thanksgiving can get choppy. Q3 earnings blew out expectations and if this week the retailers follow suit we may be home free (XRT XLY have been amazing). Q4 earnings are also supposed to be very good as well so the stage is set for a seasonally great time thru EOM January...but if the Fed accelerated tapering in Dec and the debt ceiling fiasco takes center stage and the consumer boycotts higher prices....what seems like a slam dunk may backfire.

Let's take a look at the Portfolio Road Map...All investing involves risk and is not right for everyone. Consult your brokerage firm/broker to determine your own suitability and risk tolerance. This is information & opinion only. It is NOT advice

Income

The bond market got bouncy and yields rose a bit this week but we maintain that March saw the highs in yields (1.75% 10yr Treasury) and lows in prices (TLT EDV) so we proceed as always with VWLUX VFSUX as core positions and add FFRHX VWEAX PFF and even SRLN to ad yield at more risk. Dividend paying stocks VYM VYMI also enhance yield and risk as well.

Growth

We noticed the Growth versus Value ratio is making new highs and we that in SMH XLK WDC MU and XLY versus XLF XLE SPYV although materials XLB and industrials are advancing XLI. Some are swearing by Lithium LIT XS as long term plays. The way interest rates play out will have a lot to do with that ratio proceeding higher or rolling over and we will update you.

International

Our RECORD Trade Deficit has to be good for these countries that export their goods to us and the valuation comparisons are telling us they are very cheap. Some emerging markets are being killed by inflation and the need to hike rates. We see a potential turn which we told you about in early October in China pre Feb 2022 Olympics and Japan & Korea making it off our consumer. Europe has GDP numbers this week so stay tuned. We like VPL VWO VSS EUFN VGK VYMI FXI and others.

Speculation

We told you we suspected Gold & Silver BOTTOMED in early October with China stocks and wanted closes over 1850/25 to confirm...we got it...now we may see a pullback toward breakout points..we want Gold to stay above 1820. BitCoin (GBTC) & ETHE were brought to your attention during the July low points with a forecast on 100k potential by year end. We seem to be having some stalling in the 60K area so we prefer to buy on big drops only. Oil markets are stalled but unless the supply demand dynamic changes; it's till tight...a break UNDER 75-78 Crude would be a sign & Nat Gas testing lower levels
VCMDX is a one stop shop for commodity exposure...get the prospectus and learn.

BLOG UPDATE 11/13/21: Stock Market-Everyone is Betting Up-What Could Go Wrong? Read It!

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• *Weekly FREE Market Updates at https://www.optionprofessor.com/blog/*

November 13th 2021 Option Professor Opinions & Observations

Let's start this week by talking to TRADERS-This week we got an early in the week hit followed by a get back up on the bike rally by Friday's close. We told readers that three (3) numbers on SPX were worth a look. First we said SPX had Fibonacci projections at 4660 (38.2)& 4724 (61.8) and there was a 12 SMA on our 1yr charts at 4630. All 3 numbers were valuable to use in the short term. In the last 2 weeks; once SPX broke 4665 on the UPSIDE; we accelerated to the highs near 4720 and failed at the 4724 area. When we broke the same area earlier this week on the DOWNSIDE; we accelerated to the LOWS around our 4630 level and closed ABOVE 4660 on Friday. For the BULLS; you want to see SPX 4724 taken out to get the GREEN LIGHT on that year end rally and stay ABOVE SPX 4660-4630 (VIX contracted substantially Friday). For the BEARS; you're close but you'll get no cigar unless we take out SPX 4630-4600 which would open up a significant AIR POCKET that could put a SPX 4500-4400 handle on the market and pollute the punchbowl.

The story goes that the consumer has tons of money and will spend it (retail sales this week) and the stores will have enough items to sell them (business (retail) inventories this week). Q3 GDP is supposed to be a hiccup and Q4 will blow away estimates as holiday shoppers go wild with pent up demand. This will translate into huge Q4 earnings and propel the market to new highs EOY and thru the Pamplona Bull Run known as the January Effect where new money comes in. Beautiful story….looks like it will happen as money in the bank or bonds pays nothing and comes with risk on principal. Our concern is that the entire planet is looking for this to occur and so the boat is a bit one sided although we did read where flows are mixed. If in December the Fed says they are accelerating the taper due to heat about inflation and the consumer takes a pass on high prices in stores restaurants and travel; the Grinch who stole the bull run could appear. As we look into 2022; if we see bottlenecks abate (boats will unload at some point) and pent up is followed by demand destruction via higher prices/cost of living…..and we have to compare numbers to this years blowouts…caveat emptor. Of course; we don't fight the tape and we don't fight the Fed BUT we are WAY ABOVE LT MA's & VERY HIGH RSI's.

Stock Market

We notice that the Growth versus Value ratio has made new highs which we can see in tech and semis plus small caps. With yields still very low the banks have stalled out and the energy trade as well. The materials and industrials sectors have fared much better. Consumer discretionary/retail has seen some frontrunning ahead of the holiday rush. Homebuilders are coming on strong a high rents may push demand and low rates make for cheap payments.

Contact us at optionprofessor@gmail.com and get our ideas where we think positioning for 2022 makes sense.

Bond Market

We have stuck to our guns that until 1.75% on 10 yr Treasuries is taken out; we have seen the lows on TLT & EDV. The Fed make influence the short end but the long end has a lot to do with future inflationary expectations. With the technology boom toward efficiency and cost reduction plus changes in supply demand dynamics; deflation makes sense. We have a debt bubble hidden by Fed intervention and the demand from thirst for yield…will it pop in 2022? Contact us at optionprofessor@gmail.com to get our views on the best ways to create a diversified INCOME stream

US Dollar International Markets

Our yield advantage continues to support the Dollar (DXY 95+) as well as our economic upsurge BUT we maintain the 94-96 area could be a ceiling as this area was the LOWS pre-Covid and now may be resistance. We have maintained that China may have turned in OCTOBER as we approach the Feb 2022 Olympics and much of their dirty laundry has been aired and regulatory pressures may subside. Our TRADE DEFICIT is at RECORD and our consumer has $$$ and wants to spend so doesn't that potentially bode well for overseas markets which in some cases are DISCOUNTED to ours by historical amounts? Contact us at optionprofessor@gmail.com and gain insight as to positioning for 2022

Crude Oil Natural Gas

The supply demand dynamic still is very tight for oil as OPEC+ says no more coming and oil companies are taking huge free cash flows and sending money back to investors (dividends) paying down debt and buying back stocks but not investing on more supplies. Prices have backed off in oil but unless we start seeing a 70’s handle another rally may be in the offing. Biden is trying to break the fever….jury still out on that one. Natural Gas has gone into the fade mode as well a Russia says they will deliver but the dictator in Belarus is talking sabotage….we’re testing longer term MA’s. Contact us at optionprofessor@gmail.com to get our ideas on participating in the energy markets.

Gold Silver Copper BitCoin Ethereum

As we told readers (EARLY OCTOBER); it appears Gold Silver Platinum & China stocks have turned to the UPSIDE an so far so good. We wanted closes ABOVE Gold 1800-1850 and Silver at 25 which we got THIS WEEK. We may pull back to the breakout points BUT if this is not suckers rally we should see acceleration into the EOY an Q1 2022. We spoke of a BOTTOM back in July in crypto and a potential move to 100K by year end BUT we are not interested on buying crypto on strength as corrections always come and if you buy them it’s a more comfortable way to gain entry. You can simply Contact us at optionprofesor@gmail.com and we can share our ideas on how to participate in these markets

Soybeans Sugar Coffee

Folks we are going thru food shortages (Wheat Coffee ect.) as we speak. We told readers LAST YEAR that these markets were breaking out on the UPSIDE and they sure did. We have seen corrections in some but most have remained firm…weather-bottlenecks ect. are factors. Too much money chasing too few goods…sounds familiar?

Remember All investing involves risk an 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. Information and opinions are for informational purposes only It is NOT advice.

BONUS: Hedged Stock Strategy-Can the VIX Protect Your Portfolio?

When the stock market is going up; it is easy to lose perspective that there is always a possibility that things could change down the road. When the VIX is low and the profits are flowing; it is difficult to conceive that a drop will ever occur. Things like Inflation, GDP, Valuations, Interest Rates, Taxes, Elections ect. are factors that can change things fast. History tells us that when changes arrive; they can come fast before investors adjust their portfolios and they can lose substantial values.

The act of hedging is prevalent throughout our society. People buy auto-fire-life insurance as a hedge against adverse outcomes of their cars, homes and health. Corporations (energy-homebuilder-food-airlines ect) employ hedging tactics to offset risks on raw materials they need to stabilize costs. While not as simple nor as precise as buying insurance; investors use financial instruments with a negative correlation to hedge their exposure to a negative outcome on their portfolio.

We explained some of the option strategies to protect your portfolio from market declines include Covered Call Writing as well as Collar Strategies, Married Puts, and Replacement Trades Using Options. All of these strategies serve a purpose with opportunity and other risks outside the outcomes they can cover. Timing is key with these so we look for an alternative.

The VIX is based on the implied volatility of S&P Index options. When the VIX is Low; Volatility can be low Complacency High and when VIX goes Higher we can see Market Fear. In March 2020; the VIX went UP about 5X in price while the S&P 500 FELL 36% while in 2021 we have seen the VIX somewhat rangebound while the S&P 500 has advanced to record highs.

Interested? Got questions?....Simply Ask… Email Us at optionprofessor@gmail.com and include your contact info

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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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