

OptionProfessor.com Weekly

November 24th, 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 24th, 2021

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

### PORTFOLIO ROADMAP 11/24/21:

November 4 2021 Happy Thanksgiving!!

We got our data dump today and pretty much came in as expected with the consumer making more money and spending more than he's making (no surprise there:). Prices are skyrocketing (Inflation at 31 year high) and the Fed is behind the curve which is to be expected after the debacle of Q4 2018! So far; we have tested some support zones in SPX and as we told you last week the unusual option activity in XLF (financials) were a tell as to the action we would get this week which is value beating growth and consumer discretionary ( margins and theft is hurting retailers and it showed). Oil snapped back but has a little more wood to chop (80-82) to get the all clear as the math still works out for tight markets in 2022 despite the donations from the strategic reserves. We liked crypto (GBTC ETHE) in JULY after a big pullback and our mantra has been to wait for 30%-50% drops before adding risk ( so the 20% recent drop is more interesting). Are we going to take out 1.75% on the 10 yr. Treasury? If so; the road ahead would be clearer with Value Y Cyclical making a comeback if not: the tech- growth trade is giving you a bargain with the pullback. Industrial metals and infrastructure raw materials seem to be attempting a breakout...international markets hurt by Covid & a strong dollar....and the Lithium/EV craze may need more juice after the holiday. Hopefully for the bulls: Black Friday & Cyber Monday will help them get back on their feet a bit as they have been whacked pretty hard.....speaking of feet; the love affair with footwear companies took a breather as well

Our numbers/parameters are clear on SPX...stay ABOVE 4600-4630-4660 and let this crazy consumer spend us to new highs by year end and thru the January Effect where a more significant decline may await (overbought done last forever). NEXT WEEK...keep an eye on OPEC meeting Thurs & Jobs Report/Durables Goods on Friday--it may the instigate the next leg. The trees don't grow to the sky but this market has tested that axiom. The higher prices go ahead; maybe the risk goes up too.

Let's take a look at the Portfolio Road Map. Remember all investing involve risk so consult your brokerage firm to determine your suitability and risk tolerance. This is information and opinion It is NOT advice.

## Income

The winds of change blew into town this week but USA has yield advantage-we are in a trading range on the 10 yr Treasury and the Fed still promises liquidity if needed.. both comforting which is why we got a pre-holiday bid. High yield got tagged (how long can we have negative real yield junk bonds) and international bonds have seen prices go toward 52 week lows. All fixed income took a dip but so far somewhat contained...the market shock would be if fixed income rose which is not consensus. We still view VWLUX VFSUX as reasonable parking spots but the risk has risen on VWEAX but FRFHX PFF doing OK...also VYM SPYG have been a nice offset to some degree in a diversified set up....let's see if the range breaks

## Growth

We told you that the Growth to Value ratio has been accelerating to the upside BUT that options activity in XLF last week may be indicating things may change. Consumer Discretionary/retail took a hit after a huge run up and so now the key is rates...if the spike up then Value Cyclical may get back going if not tech growth are bargains....barbell approach again. We favor XLK SPYG with SPYV XLF XLI XLB and maybe looking into changes for next year XLP XLV XLT XLC XLU rotation????

## International

We see Latin America having to hike rates to quell inflation and Pacific Rim & Europe sitting on their hands. The result? Emerging Markets-Pacific Rim Europe China either going nowhere or fighting downtrends and throw in a strong US Dollar and these guys have headwinds. When we see these markets get above a moving average we will entertain a bull posture. We focus on VGK EUFN FXI VWO KWEB VPL to name a few.

## Speculation

The Gold & Silver need to take out & close ABOVE recent highs to confirm a bull trend that may take us thru year and into Q1 GDX SIL. Copper is firm and industrial metals FCX CLF X seem to be trying to get going but need more strength. We always prefer crypto on 30%-50% corrections (JULY) so the recent 20% drop is getting our attention GBTC & ETHE. Oil shares bounced back and OPEC+ meets Thurs...we need XLE +60 Crude +80-82 to feel that the supply-

demand dynamic still favors the bulls after the strategic reserves initiative. LNG is breaking Up..let's see if it continues.

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. Information and opinions are for informational purposes only It is NOT advice.

## **BLOG UPDATE 11/24/21: Stock Market-What Will Change of Fed Mandate Do to Stocks? Read**

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### November 24 2021 Option Professor Inc Opinions & Observations

We got a data dump of information today so we wanted to provide our views. Jobless Claims came in at the LOWEST level since 1969! The inflation numbers came in at the HIGHEST level in 31 YEARS! The consumer is making money (personal income up ) and consumer spending is strong (data shows the consumer is spending at a pace almost 3X as the pace their income is growing!). New Home sales were up. What this is telling us is that if the SPX can hold the 4630-4600 support zone (so far so good) that by year end (less than 30 trading days) and thru end of Jan Effect a strong market could persist led by consumer spending (what else?). As always; there is risks that could derail this opinion such as a spike UP thru 1.75% on the 10 yr (great for financials -high dividend-value cyclical not so much for growth & tech)...also the Dollar seem to be taking off hurting internationals....and of course all the nonsense in Washington with infrastructure, the debt ceiling, the Fed Meeting (more tapering from \$15 bill to \$30 bill?) ect.. We are looking further down the road and see a more murky picture in Feb-March 2022 time frame and definitely in the 2nd half of 2022. The Fed may pivot to more aggressive tactics to quell inflation (it's huge even sans food & energy). The political hate between parties will probably get the volume turned way up (election year). Margin pressures may take a toll on earnings combined with difficult comps and bottleneck unwinds could lead to oversupply and discounts. The energy crisis may have legs. After China Beijing Olympics things could get hot between China/Taiwan. Finally; the risk of a Covid wave could re-emerge as seasonally that is when people get sick. Positioning may be complete as well. We EXPECT a significant REVERSION to the MEAN before year end 2022 and higher we go the more precipitous the drop. We maintain the mantra of Don't Fight the Tape & Don't Fight the Fed....keep hedging tactics handy- watch your P&L's.

### Stock Market

The SPX has tested some support 4650-4600 (closes ABOVE 4660 important) and the rate scare on the 10 yr Treasury still has us under 1.75% so far. The value trade has picked up some steam as tech & consumer discretionary (hit by

margins compression) have corrected. The consumer has money and is spending so the holiday season-year end -January Effect story still has some juice but we see certain sectors as better places to be than others.

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## Bond Market

Yields rose sharply as some believe that the Fed is way BEHIND the curve and Powell now has a secure job so they can commence with their 2ns MANDATE of fighting inflation...also is they have to cut rates down the road...they need room. Until we see TLT UNDER 140 and 133 we remain Doubting Thomas.....nothing like price proof to convert us.....we'll see.

Email us to LEARN how we position for INCOME with a diversified approach of product & duration

## US Dollar/International Markets

We said the US Dollar had some resistance potentially in this 94-96 area (DXY) but with our yields DWARFING Europe & Asia that train has left the station. Further down the road (say 100 or so) that may change but Covid cases in Europe and ECB BOJ staying easy has given the Dollar the green light. As a result; Europe & Pacific Rim have languished despite valuations and great export news while Emerging Markets (sans Turkey to their peril) have had to raise rates.

Email us & LEARN how we are positioned in Europe Pacific Rim Emerging Markets & China pre-Olympic Beijing Feb '22

## Crude Oil Natural Gas

Crude Oil had about a 10% correction due to fears of strategic reserves output and Europe in potential lockdown. We now have seen a snapback rally as 50 million barrels USA and 5 million out of India ect. failed to impress a market that is still way under supplied and OPEC + threatens to cut supply on their side... could be a cat fight. What we do know is that investment in more supply my oil companies is not happening at a rate of concern and a tight market is expected next year BUT WTI UNDER 80-82 still suggests risk to the DOWNSIDE. Natural Gas needs closes above 5.5 to reignite although LNG is turning UP today. We have views on XOP XLE OIH and others so contact us to LEARN more

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### Gold Silver Copper Crypto

Gold & Silver popped ABOVE resistance but failed to hold water. The Dollar strength and fears of Fed hikes the culprits. BUT the major support on Gold (1760-1800 area) has held so far but really a CLOSE above recent highs at \$1870 needed to get the bulls to run. Copper is in short supply and new supplies are hard to come by as we hold \$4...could be a big opportunity as build back better and global housing has a big 2022. We told readers in JULY was the time to add risk to GBTC ETHE and we always love 30%-50% pullbacks to add... ditto right now

Email us at [optionprofessor@gmail.com](mailto:optionprofessor@gmail.com) and we will share our specific ideas.

### Soybeans Sugar Coffee

These are markets we were bullish on LAST YEAR at substantially lower levels. Right Now...Soybeans are traded UP off the 12 area we said was former resistance now support & Sugar & Coffee have been stable (some call for 3.00 Coffee)

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