OptionProfessor.com Weekly

December 11th, 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
December 11th, 2021

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

PORTFOLIO ROADMAP 12/11/21:

December 11th 2021

Well; many of you might be wondering what the heck is going with the stock market after we saw the VIX drop to about half its value in a matter of days. Here's our take....the SPX was extended at about 4750 when after Thanksgiving it got to punches in the face.....one was a fake and one was not. The new variant is now assumed (wishfully?) as not being deadly or problematic which was a sigh of relief and the Fed accelerated tapering is viewed as necessary but not problematic as it will be slow and not disruptive (another wishful thought??). Time will tell on both fronts but what we do know is Central Banks this week (GLOBALLY) will be leaning toward the taper/withdrawal of stimulus side of the boat to varying degrees. We also know retail sales & PPI's are coming out and with $2 Trillion to spend the consumer should keep those numbers afloat as they seem to be gladly paying higher pass along costs. Wages are negative after inflation so that story is at risk. The market risks going into 2021 include Inflation-Fed taper-hikes-Covid-extended stock market valuations during a Fed tighten cycle. Also; geo-political could get wild as there is a feeling that China (are we boycotting their Olympics?)-Russia and Iran are chomping at the bit to test the USA resolve & readiness. There's still a lot of cash that can come into stocks in the next 6-8 weeks so although we don't fight the tape (prices are rising) we may be starting to fight the Fed (we'll know more Thurs.). Keep an eye on the Growth to Value Ration pushing 1.40...it's high and may be in for a turn to value-dividends-defensives.

Let's take a look at the Portfolio Road Map which we will give an annual review of in a couple of weeks. For now; you can look for yourself by the YTD numbers on what we have stayed with as a diversified-barbell-low cost approach. Our views on INCOME GROWTH INTERNATIONAL & SPECULATION we feel has added true value to our readers research-Makes Us Happy!
All investing involves risk & not right for everyone. Consult your brokerage to determine your risk tolerance. It's NOT advice.

Income

You know our story here....10yr under 1.75%...stay bullish fixed income....cores are VWLUX VFSUX and sprinkle FFRHS PFF VWEAX and high dividend payers VYM & VIG for additional yield and risk. Check out the year to date (YTD) numbers.

Growth

We have believed in the barbell approach here with trimming and adding along the way. For tech & growth VUG XLK VONG and Value we focus on MGV VOOV and XLF XLI XLB XLV XLRE which have worked well overall. Check out YTD numbers

International

Definitely the slow horse in the race but as a diversification may serve us well next year if a global economic recovery really takes hold as these markets are way lower valuations than us and if they stop locking everything down maybe their consumer can start spending and those resorts & travels sights can start bringing in those big American bucks again! We focus on Europe VGK EUFN and Pacific Rim VPL Emerging Markets VWO FXI KWEB EWW EWZ INDA or VT VEU VSS one stop.

Speculation

We take pride in telling people to use the July crypto drop to take risk which was great and now with a 30%-50% drop off the highs we again are interested. We warned that Gold & Silver needed to trade and sustain 1800-1850 Gold & 25 Silver which it has failed to do BUT we will look for confirmation as NEGATIVE REAL YIELDS (interest rates UNDER inflation) and Inflation rates at 40yr HIGHS historically has been a recipe for a bull run unless inflation tanks & rates rise. For the one stop shop crowd for commodity inflation hedge diversification we pointed out VCMDX...go check out the YTD on that one:):):)

BLOG UPDATE 12/11/21: Investors-Having Tough Times-Not Your Fault-We Can Help..Read On!…Learn More!

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

December 11th 2021 Option Professor Opinions & Observations

After a week in Hawaii…..good to be back updating you on the markets…glad we stayed connected as our buy signal went off at VIX 35 area and SPX 4500 area about the time we were @ Mai Tai Bar @ Legendary Royal Hawaiian Hotel:) Many investors have had tougher times this year because they chased high valuation momentum/meme trades or did too much trading in their accounts or most likely for most…they were way UNDERINVESTED due to lack of a discipline. We do our best to follow trends (moving averages-RSI's) and look at OVERBOUGHT/OVERSOLD areas to TRIM or ADD. RIGHT NOW..we are looking at the Growth to Value Ratio which is near the highest level since about October 2000 and may be plateauing. Baked into current prices is a Fed slow withdrawal from stimulus and a consumer who still has lots of money to spend. As we go to 2022; what's not baked into prices is Inflation in wages & rents….Faster taper & rates normalizing by the Fed…..Valuation compression/Earnings slowing…COVID..and Geo-political risks-China-Russia-Iran. We have been very correct on 2 very important things this year…NUMBER #1..we have maintained that the 10YR Treasury yield PEAKED at 1.75% in March and TLT EDV prices bottomed and until those March lows in prices and highs in yields are taken out….we have viewed every spike in yield as a gift. Even now; after we have thrown record inflation & GDP growth and Fed tapering at this thing…we still have the March values intact. WHY?…because the Fed works on short term rates (the 2yr Treasury has spiked in yield) and the Fed wins its wars (remember unemployment in 2020?) and they are now at war on inflation & excess valuations & pricing (Biden is getting murdered on inflation in the press). Short term rates rise (if they go above longer term rates that's inversion which leads to recession) and it can choke off inflation at some point and that is why the 10yr & 30yr Treasury aren't moving as the market believes the Fed wins again and inflation levels will abate. The world is round… bottlenecks & shortages don't last forever nor does unabated price rises and demand. NUMBER #2…the second thing we have been good on.. we have believed that when the VIX spikes to the 25 to 35 area; we get a tremendous buying opportunity which is followed by a quick rebound to new highs most times a couple of weeks to a month. We have a seasonally strong period ahead for the next 6-8 weeks with liquidity coming into stocks after Jan 1 and Q4 earnings which should be dynamite. After that; the air may get thin and the move to the big names (AAPL AMZN GOOG FB MSFT ect) may continue but be joined by financials, health care, staples, dividend payers & dividend growers as Will Rogers old phrase " I'm more interested in the return OF my money more than the return ON my money" will be the investor's mantra before the end of 2022.

Would you like to know our opinions on the Stock Market, Fixed INCOME, Gold & Bitcoin, Crude Oil/Nat Gas, The Dollar, Agriculture & INTERNATIONAL markets??….Simply go to optionprofessor.com or optionprofessor@gmail.com Got questions on using options to protect portfolios (covered writes-collars-married puts ect)….. let us know……