

OptionProfessor.com Weekly

December 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 December 24th, 2021

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

### PORTFOLIO ROADMAP 12/24/21:

December 23 2021

We got great upside action this week with the big concern remaining the Fed, the Variant and the Inflation. It seems the market has decided for now that the Fed will be slow and do nothing if things weaken.....the market seems to think the Variant will spike and then subside like in South Africa.....the market seems to think Inflation will subside in many areas like used cars, food & energy but sticky on Wages and Housing & Rents and they can live with that scenario. Yields on fixed income seem stubbornly low as we said they would so the cyclical/financials ect trade is slower moving. Growth 7 tech got legs for 2 reasons in that they are relieved rates will remain negative (T.I.N.A.) and the hiding out in FANG + seems appropriate. Most of what we showed you this year has been outstanding (check the symbols & returns) Merry Christmas!

Let's take a look at the Portfolio Road Map-remember all investing involves risk. Consult your brokerage. This is NOT advice

### INCOME

In our view; this is where we shined over most others as we stayed with the yields would not take out the March highs and thus prices would not take out the March lows and that any price breaks (TLT EDV) were buying opportunities. Core ideas were VFSUX & VWLUX with PFF FFRHX SRLN VWEAX and dividend payers SPYD VYM all have been solid additions. If the rate market can make new highs and change the current dynamic....we'll adjust our views...now it's the show me state

### GROWTH

We went with the barbell approach this year and it worked. Big cap tech and growth with VUG VONG SPYV coupled with Value & Cyclical MGX SPYV XLF XLE XLI XLB were great places to be and now we look to add health care XLV IHI IXJ IHF IHE and other energy XOP OIH to go along with FANG+.

## INTERNATIONAL MARKETS

If you believe growth will really pick up overseas this year 2022; then you gotta like Europe Emerging Markets & Pacific Rim which really lagged the USA this year. China's PBOC and the government may EASE and stimulate plus call off the regulatory dogs and let prices revert to the mean as China may be the growth driver in 2022. Lockdowns end and when they do caged up consumers can go nuts like they did here Europe VGK EUFN VIGI YIMI and Pacific Rim VPL and Emerging Markets like FXI KWEB VSS VWO INDA EWW EWZ could be the place to park some dough in 2022

## SPECULATION

We have been patient with the Gold & Silver (NEM GDX GDXJ SIL SILJ) and we monitor them closely. Copper has been a pal (FCX) as structural shortages abound while in crypto (GBTC ETHE) we were telling you to wait for 30% to 50% dropped like in July has been spot on and we approach another area now. Energy XLE XOP OIH HAL SLB and industrial metals CLF XME may offer some big upside if a worldwide global recovery truly commences

OPTIONS TRADING-the market has been rising most all year long which was unusual sending most put option premiums to zero on the major indexes so if you have questions let us know at [optionprofessor.com](http://optionprofessor.com)

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 provided for informational purposes only It is NOT advice.

## **BLOG UPDATE 12/24/21: Stock Market- It's Merrily We Go Along – Until We Don't-Are You Ready? Read On!!**

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December 23 2021 Option Professor Observations & Opinions

If someone told you that in the next 90 days if you touch this electric switch you would feel a painful shock and if they said that within 120 days they felt 100% certain you will get that painful shock...would you keep playing with that switch without caution? If you've kept up with the shows & ALERTS; you know we said the correction on SPX should stop around the 24 month SMA on the 5 yr graph around 4500-4530 area which it did and we have had a great rally to close out the week close to SPX all time highs. Some money managers are suggesting going to CASH with 10% to 30% and up to a high of 70% of their stock portfolios in the next 30-90 days!! Some said they may even sell some into this week's rally! The 2 school of thoughts are as follows #1 the stock market will rip to the upside in January as we get Q4 earnings (expected up 21%), massive liquidity from pensions and new year investors, a break in Omicron, and a big steepening in the yield curve amongst other bullish factors converging.....#2 reasoning is that the Fed is withdrawing monetary stimulus & Joe Manchin is reducing fiscal stimulus (only 9% of the bill was infrastructure) while growth will back off the breakneck speed and the consumer has spent down their savings and stimulus money (savings levels back to at or below 2019 levels). Margin pressure and valuation pressures may unfold (SPX earnings  $2.30 \times 18 = 4100$ ). We have an Election Year and the first half tends to be rocky (flat to slightly negative) followed by a big 2nd jump up. We may be early in the re-opening trade which may be more 2nd half of 2022 when travel opens up more but the structural shortage in energy with the supply demand dynamics of health care combined with the flight to large cap growth/tech (weather proof) seems to be the call for first half 2022. The VIX has been great for us this year as when we enter the 25-35 range it's indicated a great buy for SPX and in the 14-17 range a reasonable trim signal. Volatility in December has been historic and the swings on the VIX has been unsettling BUT we did go home with a 17 handle so we may see some selling in the week ahead and if we do it could create a buy prior to the New Year.....after that we will monitor to see if trimming to create some dry powder for late Q1 or Q2 opportunities make sense..2022=being nimble. Technical Everyone's pushing out on the risk curve to generate income and gains.....since when does that mentality end well??

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OPTIONS- Have questions on tactics—writing or buying-hedging or speculating ask us at [optionprofessor@gmail.com](mailto:optionprofessor@gmail.com)

## Stock Market

It was a rising tide lifts all boats this week but caution that a reality check comes in when least expected. In 2022; expectations for cyclical, financials, industrials, and materials ect may be tied to seeing the yield curve steepen and yields rise on the 10yr...no happening now and not in the direction the TLT is trending. So health care energy and FANG plus MSFT may see a lot of action. We have a FOCUS LIST on where we think positioning will be best served.

## Bond Market

Yields rose a bit this week but nothing to write home about as foreigners can't get enough of our debt with the double whammy of Dollar appreciations and much better yields than their homeland. Preferreds and short term loans along with high yields rebounded nicely. Yields are stuck. We can help with ideas for INCOME so go to [optionprofessor.com](http://optionprofessor.com)

## US Dollar/ International Markets

We told you the Dollar would be firm from 88-90 DXY and it has done exactly as expected but lately there has been some cracks in the armor around 97 DXY. If we hold 95-93; we continue to appreciate BUT if we break 90 a strong run OUT of the Dollar may commence. INTERNATIONAL markets may be the big story in 2022 for a number of reasons including CHINA will be EASING & stimulating because they saved their ammo for now as opposed to the Fed who now is boxed into a corner unless we tank the stock market/inflation rolls dead both long shots as of today's numbers. So look for China to revert back to the mean and if we have a synchronized global recovery it could be boom time for Europe & Pacific Rim. Get our focus list by going to [optionprofessor.com](http://optionprofessor.com) and submit questions!

## Crude Oil Natural Gas

The oil correction has come and gone and OPEC meets Jan 4 and they're not too keen on backwardation while the Nat Gas is trying to relaunch going into what looks to be a cold winter....Get our ideas now....[optionprofesor.com](http://optionprofesor.com)

## Gold Silver Copper Bitcoin Crypto

We told everyone that trading and sustaining ABOVE 1850 & 25 bucks needed to turn the Gold & Silver ships...getting closer while the structural shortage in Copper continues GET OUR IDEAS.....we always maintain to wait for 30%-50% drops in Bitcoin & Ethereum before adding and we just saved those who listen the headache of buying at the highs so LEARN where we think values are compelling go to [optionprofessor.com](http://optionprofessor.com) and take advantage of our knowledge

## Soybeans Sugar Coffee

Critical time for all 3 as Soybeans had the correction into the 12 neighborhood where we thought it was a buy and now it's popped while Sugar & Coffee had huge run ups (we spoke of these a year ago) and are trying to maintain values.

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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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