OptionProfessor.com Weekly
December 31st, 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 31st, 2021

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

PORTFOLIO ROADMAP 12/31/21:

December 30 2021

Happy New Years Everybody!

As the year is now over it is a great time to look back but also look to the future which will probably be much different than expectations. This year our barbell approach was essentially that the 10yr Treasury would not break the 1.75% yield it made in March and to pay no mind to Bond bears screaming about rising yields..never happened. We also rotate weight from growth to value and back but never abandoning either objective entirely. We thought the commodity sector was promising and crypto should be avoided unless a drop of 30% to 50% occurred. We felt the Dollar would be firm despite the Fed leaving rates way too low for way too long (buying mortgages with houses up 25%??). We thought staying away from international markets like China was wise as prices could never sustain any advances. We warned that Gold & Silver must maintain prices above 1850 & 25 to have confidence a turn would be in play. We believed in the structural shortage of oil and we got a great run. Record buybacks and investors heading for the hills in Dec gave us this mini melt up at year end.

Now the fun begins as the Fed is removing stimulus and Washington is taking a knife to a dying fiscal stimulus bill. GDP growth was on fire this year and after Q4 earning come in may start to fizzle along with inflation unless supply glitches via China (who is the world's largest importer of oil) cuts things off further (oil demand/copper demand/soybean demand). Will we run through 2022 with the same valuations and profit margins and consumer spending? We got almost 30% return on the SPX index (albeit heavily weighted to about 10 stocks) and 70!! record closes...can we really repeat those numbers??The better bet is to watch the numbers like a hawk and watch your P&L on your statements like a hawk and be aware how you can stay in the market but add protection via a variety of options strategies or asset allocation adjustments. We have had a long run of Don't Fight the Tape or Fed....the Fed has changed its tune....unless this is 2010-2015...must respect/listen

Go to optionprofessor.com & learn about our 3 accounts..1, Stocks Bonds Options 2. Swing Trading 3.Commodities-Crypto

Let's take a final year end look at the Portfolio Road Map. Look up the symbols and see the 2021 yearly performance number and you can see for yourself the added value we have delivered. We did a great job of bringing insight and solid ideas BUT all investing involves risk of loss and it's not right for everyone. Consult your brokerage firm/broker to determine your suitability and risk tolerance. Information/opinions are provided for informational purposes. It is NOT advice.

INCOME

We kept duration short with VFSUX and municipal income with VWLUX. We also added other income producers like FFRHX PFF VWEAX & dividend payers VYM and the combination made for an outstanding year as they all did as expected. We told you to play it as if 1.75% 10yr would not be taken out and the was spot on insight on our part.

GROWTH

We looked to tech & semis SMH VUG VONG XLK and dividends and value VYM MGV SPYG DGRO and even specific sectors like XLF XLE XLI XLB and others in a barbell approach which really came in as we anticipated. The yield curve steepening is a must for some while the Fed going slow and not too fast or employing TWIST will be a major factor on how we go. GDP slowing and valuations and margins tightening are risks HOWEVER the 2nd half of 2022 may be a polar opposite to 1st half

INTERNATIONAL

We said avoid most of these as none could hold gains while China decided to clean house. This year; China may be the global growth driver as they are stimulating while we taper and their stocks are coming off the canvas. Europe is supposed to reopen and that should help. Korea Japan and Australia may also turn especially if we get Dollar weakness in 2nd half of 2022. Latin America (particularly Mexico) seems to be on the upswing as reshoring closer to home supply chains may help. Brazil was tanking the worst since 2015 so maybe value exists. Keep an eye on VWO VPL VGK EWW EWZ INDA FXI KWEB

Speculation

We were patient in metals but saw FCX and recently NEM as potential spots and so far; so good. Avoiding crypto unless a 30%-50% drops was sage insight. Structural shortages of oil are a real opportunity we brought to readers attention and the one stop commodity shop VCMDX was a pleasure as those who got paid a huge distribution here at year's end.

In 2022..We will be putting together our specific ideas in 3 types of accounts using our Knowledge & Experience
NOW...you should go to optionprofessor.com and get access to 1. Stocks/Bonds/Option 2 Swing Trading 3. Commodities

BLOG UPDATE 12/31/21: 2021-A Great Year for Stocks- How Did You Do? What's Next in 2022? Read More Now

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

December 30 2021 Option Professor Opinions & Observations

Happy New Years Everybody!

It was great year for stocks as we were up way more than 20% on SPX with 70 new record closing prices the most since 1995. How did we do it? Simple…the Fed increased the money supply by 25%-35% and kept interest rates at free Moneyville all year long. Companies got lean and mean during Covid (operating profits) and since money was stuffed in consumer pockets…revenues were great and earnings were even better. No all stocks did well in fact one of the problems now is the narrowing of breadth as most stocks in the Nasdaq and S&P are not making new highs with the index. If you chased the Cathie Wood type stocks in Q1 of 2021; you spent the rest of the year getting wiped out. We stuck with semis, large cap tech (FANG types), value dividend payers energy financials ect and they all came home with the bacon. Don't fight the Fed and Don't fight the Tape was our suggestion and that was insightful and helpful to all.

Now we have a horse of a different color in that the Fed is withdrawing stimulus vis tapering and may have to put on the brakes if stocks keep going and inflation keeps rising (supply chain glitches China shutting down cities-Samsung). GDP Growth has been huge this year and likely will be tempered with unresolved factors like lack of stimulus both fiscal and monetary, election year jitters, geopolitical & Fed error risks, and a consumer who may backtrack with higher prices. If valuations and profit margins contract; volatility will be the name of the game. The VIX just lost about half its value this month and the volume has dried up and market breadth is lousy….window dressing may be over soon. We saw this week that the harvesting of losses in high valuation stocks and China may be unwinding in January. We have seen banks slowing as the yield curve flattened. The majority seem to believe that after the first market liquidity will soar as sideline cash (positioning and Investor sentiment has been bearish) plus pension/insurance money/new year $$/retirement funds will pour into the markets and Q$ earnings will carry us up big time. The stampede of all stampedes will occur…maybe maybe not…keep an eye the SPX 4600-4650… VIX +20-25..if so..OUCH!

This year we have 3 Ways to follow us and see what we see as the best sectors and ideas and which ones to avoid.

1. Option Professor Stocks-Bonds-Options 2. Option Professor Swing Trading 3. Option Professor Commodities

We have IDEAS for INCOME or GROWTH-VALUE or Shorter Term trading ideas or Oil Metals Grains-Crypto.. Including the Stock Market, Bonds, US Dollar-International Markets, Energy, Gold-Silver-Copper-Crypto & Ags.

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