OptionProfessor.com Alert
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HEDGE UPSIDE & DOWNSIDE RISKS

BY THE OPTION PROFESSOR

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OptionProfessor Alert:
It's Time to Hedge Upside & Downside Risks?
February 24th, 2022

Hello Everyone- As we look at the prices of Oil, Gold, Grains price action today; we ask ourselves if we may have seen a peak in many commodity prices and inflationary prices as the hysteria of the Russian attack instigates a panic in markets.
We went over $100 in Crude Oil and saw huge jumps in Grain prices with Gold & Silver spiking as well. This could be the start of a new bull run but prices did fade off their highs. Inflationary fears today are very high as worst case scenarios on how the Russian invasion plays out. Our USA CONSUMER was already losing confidence. The stock assets are crumbling.

The Fed is REMOVING accommodation and we have terrible news of war. HOWEVER; things sometimes change and we could get to a point where Putin considers the consequence of how much heat he wants to accept for essentially a revenge attack because they threw his Ukranian puppet out of office a number of years back. The Russian currency and stock markets are diving, their credit markets are freezing and the pipeline with Germany is jeopardized (I wouldn't buy a stick of gum from he or Xi). Should he moderate the aggression; the set up for a swing the other way is palpable.

At a time like this; many investors panic INTO rising markets and OUT of declining markets WITHOUT caps on their risks.
The VIX (Volatility Fear Index) is exploding which indicates a give up phase in stock prices. The central banks may come in & stabilize the markets as much of the Fed's job to curb the markets enthusiasm is being done by the markets themselves.

This looks like a time to know how to PROTECT your GAINS in Oil & Metals and REPLACE stock positions that are unnerving with LONG TERM limited risk option strategies. Buffet says be fearful when everyone is greedy & greedy when all is fearful.

The OPTION PROFESSOR has a PDF Report specifically about "HOW TO HEDGE UPSIDE & DOWNSIDE RISKS" right now!
We have DECADES of Experience and Knowledge and this is not our first rodeo with volatility. EDUCATE YOURSELF NOW!

CONTACT US- at optionprofessor@gmail.com or Call the office at 702-873-8038 and You Can Get EDUCATED Today!

- The Option Professor, 02/24/2022, 11:18AM ET

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The following is an excerpt from the eBook “7 Best Ways to Trade Options” by The Option Professor, download the full PDF eBook HERE.

#3. How Does Implied Volatility Affect Options?

Implied Volatility is the market's forecast of a likely movement in a price of an underlying market. It is a metric used by investors to estimate future fluctuations (volatility) of a price based on certain predictive factors. Implied Volatility denoted by the symbol (sigma) can often be thought to be a proxy of market risk. It is commonly expressed using percentages as standard deviations over a specified time horizon. When use in the stock market; implied volatility generally (but not always) increases in bearish markets when investors believe prices will decline over time. Implied Volatility will generally (but not always) decrease when the market is bullish and investors believe the market will rise over time. Implied Volatility does not predict the direction that the price change will continue.

Implied Volatility is one of the deciding factors in the pricing of options. Buying options contracts lets the holder buy or sell an asset at a specific price for a specific period of time. Implied Volatility approximates the future value of the option and the current option value is also considered. It is important to note that implied volatility is based on probability. It is only an estimate of future prices rather than an indication of them. There is no guarantee that an option price will follow a predicted pattern. However; when considering an option, it may be worthwhile to consider the actions of others activity in the option so implied volatility is directly correlated with market opinion which of course affects option pricing

CONCLUSION-OPINION...Our opinion with Implied Volatility is that it tells us what has happened but not will happen. Just like the point spread in a football game is indicative of how teams have been playing to some degree. It is important you remember that options have intrinsic value (the amount it is in the money-higher than the strike price on calls & lower than the strike price on puts) AND time value/implied volatility which is a discounting mechanism to some degree of future price movements. EXAMPLE if the underlying market has been 40-45 (flat) for the last year; the Implied Volatility would be lower and the option price generally lower. Conversely; if a market has been 100-200 (volatile) for the last 2 months; the Implied Volatility will generally be high. In some respects option trading is volatility trading and if you enter calls after a volatile move to the upside where implied volatility is high; the market will have to keep that pace and then some to overcome the premium. The direct opposite with entering puts after a big decline. Of course; there are a variety of option trading tactics buying/selling/spreading and Implied Volatility measures are an important consideration. Our opinion is that generally low volatility can present an opportunity for buyers to use longer dated options and high implied volatility options can present an opportunity to use as a hedge in a number of strategies or a means to contract to buy the market at a discounted price.

-7 Best Ways to Trade Options” download the full PDF HERE.

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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