OptionProfessor.com Alert

March 3rd, 2022

PROTECT AGAINST DOWNSIDE RISK & UPSIDE RISK

BY THE OPTION PROFESSOR

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Read on for the latest ALERT from The Option Professor...

OptionProfessor Alert:
It's Time to Hedge Upside & Downside Risks?
March 3rd, 2022

We hear talking heads on TV and radio telling us the lows are in for SPX at 4100 and the rest of the year will see big moves to the upside. They cite low levels of bullishness, a Fed that "can't" raise rates too much, supply chains that will improve, a consumer capable and willing to spend, T.I.N.A, and a hopeful resolution to the war. These are all very hopeful "forecasts"
This has given us BOUNCES in the SPX but so far not a sustained TREND taking us thru resistance at SPX 4400 and 4600

There is ANOTHER side of the ARGUMENT based on what we know and a reasonable expectation of what is ahead.
The SPX PEAKED at 4800 and we BROKE THE TREND and began our REVERSION to THE MEAN year of 2022 which was to bring us toward 4400 (12 SMA) which was already exceeded and even 3600 + (36 SMA) or below.

We know the Fed is hiking and removing accommodation which could slow growth (Atlanta Fed estimates Q1 GDP at ZERO)
We know that valuations have been contracting not expanding. We know INTEREST RATES BOTTOMED in 2020 and the STOCK MARKET essentially TOPPED in 2021 and some say the COMMODITIES market will TOP in 2022...keep an eye it!

This all means that if you bought BONDS in 2020...you are losing values....if you owned STOCKS since 2021...you are losing values...and by next year...if topping forecasts are correct...you will be losing values in COMMODITIES after this year.

LEARN To HEDGE your DOWNSIDE risk or use REPLACEMENT trades to REDUCE cash risk while maintaining a position.

The OPTION PROFESSOR has written a PDF REPORT that can EDUCATE YOU on how HEDGING works. NOW is the time.
For a LIMITED TIME....you can also get a Q&A SESSION with The Option Professor to get your questions answered!

GET YOURS!.. Simply email us at optionprofessor@gmail.com or call 702-873-8038..you can visit optionprofessor.com
We have DECADES of KNOWLEDGE & EXPERIENCE educating investors WORLDWIDE!

- The Option Professor, 03/03/2022, 12:07PM ET

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

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• 11/11/21 – SPX 4724 Resist

• 10/27/21 – Growth Over Value

• 10/21/21 – The Replacement Trade

• 10/20/21 – FB Value Trade

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.