OptionProfessor.com Alert
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STOCKS TANK

BY THE OPTION PROFESSOR

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

OptionProfessor Alert:
ALERT-Stocks Tank-What To Do Now?
March 8th, 2022

The stock market Monday saw a mass exodus in most sectors from semis to tech to banks to consumer discretionary, airlines, casinos, travel, restaurants, materials, industrials, home construction and communications. A Valuation Slaughter.

In Updates of The Option Professor for the last year; we have spoken about the probability of 2022 being a REVERSION to the MEAN year and it has played out that way so far. While many TV guys are talking about the promised land (2nd half of 2022); we have focused on LEARNING about HEDGING DOWNSIDE RISK as no one knows for sure what the future brings.

RIGHT NOW Our View is the REVERSION to the mean may take us down to SPX 3800-3600 area as the VIX did not break
40 and the pricing in of a potential RECESSION is in its INFANCY (Treasury 2yr vs 10yr yield spread down to 22 points). We realize with this selling and a high VIX and EOM window dressing and earnings coming--you must respect a snapback but the way we do that is follow the 5 day & 30 day charts moving average crossovers and relative strength for price evidence.

The areas we have focused has been in ENERGY-Metals-PRECIOUS & INDUSTRIALS but we want to RESPECT the CYCLICAL patterns that indicated a TOP in BONDS in 2020...the TOP in STOCKS in 2021 and NOW the TOP in COMMODITIES in '22
We would wait for signs of EXHAUSTION as we test or exceed the 2008 TOP in the Goldman Sachs Commodity Index 900+- Preparing your EXIT & HEDGING STRATEGIES in oil metals and agriculture related markets makes sense to us right now.

GET YOURS! The Option Professor has created a PDF Report on HOW TO HEDGE DOWNSIDE & UPSIDE RISK
RIGHT NOW! Contact Us at optionprofessor@gmail.com...Call Us at 702-873-8038.....or Visit Us optionprofessor.com
The Option Professor has Decades of KNOWLEDGE & EXPEREINCE................EDUCATE YOURSELF TODAY!

- The Option Professor, 03/08/2022

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

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• 03/06/22 – Commodities Peak 2022

• 03/04/22 – LEARN! What's Better Now? VALUE or GROWTH

• 03/03/22 - Protect Against Downside Risk & Upside Risk

• 02/24/22 – Hedge Upside & Downside Risks?

• 12/23/21 – Yields

• 12/17/21 – Accelerated Tapering

• 12/08/21 – VIX Buy Signal

• 11/26/21 – COVID Fears

• 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.

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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