OptionProfessor.com Alert

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LOCK IN GAINS?

BY THE OPTION PROFESSOR

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OptionProfessor Alert:
ALERT-Lock in Gains in Oil/Metals & Replace Long Stocks?
March 10th, 2022

The market volatility has jumped this week based on a number of factors. We said that a snap back rally may be in the cards with a potential ceasefire (Ukraine may back away from NATO), more OPEC oil, VIX was high (oversold stocks) & next we have a possible dovish Fed statement. end of Q1 window dressing, triple witching & front running of the Q1 earnings.

The inflation print may not factor in post war prices so the number could worsen PLUS a lot of what is factored in may be sticky as once landlords & retailers & wages get away with rising levels; the road back down generally requires recession. Oil prices may get volatile but a sustained sub 80 price on crude seems unlikely which makes deferred contracts cheap.

There has been substantial gains and pains in the market since January 1st and we have encouraged LEARNING HEDGING.
Two great examples recently are the run up in Oil, Gold, Commodity-based stocks and the brutal sell off in growth & value.

When prices have risen sharply; there are a number of option strategies used to protect those GAINS or replace long stock positions. When your portfolio is declining & you are at the selling point; there are replacement trades that may be helpful

We recently saw Crude hit 130 area and many energy stocks have fallen back & from lows-stocks had reversed this week.
Do you know how to HEDGE PORTFOLIO RISK from a DOWNSIDE RISK and also from an UPSIDE SURPRISE??
The markets may continue to be very volatile in 2022; it can be helpful to KNOW YOUR ALTERNATIVES!

The Option Professor has created a SPECIAL PDF REPORT-LEARNING HOW TO HEDGE AGAINST DOWNSIDE & UPSIDE RISK
We have Decades of Knowledge & Experience....Now is the Time to EDUCATE YOURSELF!

GET YOURS!.....Email Us at optionprofessor@gmail.com....Call Us at 702-873-8038...or Visit optionprofessor.com

- The Option Professor, 03/10/2022

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

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• 03/08/22 – Stocks Tank-What To Do Now?

• 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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