OptionProfessor.com Alert

March 15th, 2022

BIG MOVE BY MARCH 28?

BY THE OPTION PROFESSOR

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OptionProfessor Alert:
ALERT-Stocks PREPARE for BIG MOVE by MARCH 28?
March 15th, 2022

Stock Markets from around the world have been VOLATILE (a.k.a declining) with a very bad rendition of Happy New Years! The Energy & Metals Sectors have been the lead dogs with VALUE outperforming GROWTH relatively since December '21.

Interest rates have been rising (Treasury Yields) and Fixed Income Investments have seen their market values drop as well.

Since January; we have noticed something may be of value this month or not but feel it's worth being aware of right now.

The third Friday of each month there is a good sized options expiration where many different type of options all expire.

On January 21st 2021 we had an options expiration, also on Feb 18th 2021 NOW we have another one on March 18th. Although not an astrologist by trade:):)...we noticed the Full Moon came in on January 17th and on February 16th as well.

NOW Let's review what the SPX and QQQ did in the days BEFORE these dates and what they did in the days AFTERWARDS.

On January 18th the SPX high was 4632 and by Jan 24th SPX low was 4222 or about a 400 point drop. On Feb 16th; the SPX hit a high of 4489 and on Feb 24th the low was 4166 or over a 300 point drop. The QQQ on Jan 18th it was 376 and on Jan 24 it had a low of 334 or a drop of over 40 points and on Feb 16th the high was 357 and Feb 24th low was 318 (about -40).

THIS WEEK-We have a Fed Decision Wednesday and Options Expiration PLUS a Full Moon on the same day March 18th.

Of course; this could be entirely COINCINDENTAL. We feel that with the VIX elevated, China unravelling, Russia invading with a Fed removing accommodation PLUS Moving Averages and Relative Strength Indexes weak...the stage may be set.

We always weigh the Bull AND Bear side so look for a break ABOVE 4300-4400 or BELOW 4100-3900 as key levels

Either way; we feel there are substantial reasons to believe a significant break UP or DOWN is coming BEFORE EOM

- The Option Professor, 03/15/2022

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