OptionProfessor.com Alert

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STOCKS-TIME TO PROTECT RECOVERY GAINS?

BY THE OPTION PROFESSOR

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OptionProfessor Alert:
ALERT-Stocks-Time to PROTECT Recovery Gains?
March 29th, 2022

Going into the Fed announcement March 16th; there was one of the great set ups for CONTRARIANS in recent memory.

We had the put/call ratios above 1.00, the VIX was in the 30's (only seems to go in the 40+ during crashes), positioning by investors resembled preparation for imminent RECESSION, short interest was high, WAR was on and INFLATION was raging.

The Fed announced their HAWKISH joke of 1/4% hike and school got let out with sideline money, short covering, quad witching options expiration, and END of MONTH window dressing all converging with a no seller environment (imbalance).

We blew thru all SPX resistance levels (4280-4360-4425-4550-4600) like a knife thru soft butter (even ARKK rallied 40%)

Was this a violent bear market rally and will we only see a PAUSE to refresh as we await EARNINGS which will probably be variable from stock to stock (i.e. RH & LULU)? Will we start taking out support as the VIX is down, put/call ratios down near Jan 2021 levels, shorts have covered, sideline $$$ came back and the EOM window dressing is over? Of course; no one knows with certainty and the both sides of the coin have some merit. BULLS- the job market & economy is STRONG, firms & consumers will SPEND, and the consumer can handle price increases. EARNINGS and Margins will EXCEED the very low bar. The BEARS cite rates rising across the board (inverting)-the Fed-Inflation will SLOW economy & VALUATIONS still stretched.

We like to let the market tell us so basis the SPX we see resistance at 4670-4750 (Jan 10th high) and 4818 (all time high). We look to former resistance to serve as support at 4550-4440-4380..for 2 1/2 months the bears won..last 2 wks the bulls won

There are Strategies to PROTECT the Values in a Portfolio as well as REPLACE the Potential Risk with a more Defined Risk.
The Option Professor has drawn upon the Decades of Knowledge & Experience to Create a PDF REPORT for EDUCATION.

GET YOURS TODAY! "How to HEDGE Downside RISK and Upside SURPRISES" to Help EDUCATE INVESTORS on ALTERNATIVES
Email Us at optionprofessor@gmail.com or Call Us at 702-873-8038 or Visit Us at optionprofessor.com
BONUS! Learn About UNUSUAL Options Activity & UNUSUAL Volume Activity as part of your overall RESEARCH.

Thanks!
The Option Professor

Remember All investing involves risk of loss and it is not right for everyone. Consult your brokerage firm/broker to determine your own suitability and risk tolerance. Past performance is not indicative of futures results. Information and Opinions are provided for informational purposes only. It is NOT advice.

- The Option Professor, 03/31/2022

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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.