

OptionProfessor.com Alert

April 1st, 2022

BOND PRICES TANK! WHAT TO DO?



BY THE OPTION PROFESSOR

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

OptionProfessor Alert:
ALERT-Bond Prices Tank! What to Do?
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Since the BOTTOM of Treasury Yields in March of 2020; we told any investor who would listen that our view was that we made a CYCLICAL LOW in Yields and a CYCLICAL HIGH in Prices which has now begun to accelerate to the Downside. For 20-40 yrs. fixed income was the LEAST risky part of a portfolio (60/40 or 80/20); DOUBLE DIGIT LOSSES NOW are much more commonplace in Municipal, Corporate, Emerging Market, High Yield ect. Debt Markets. Question-Is there More to Come?

No one know for certain; but let's look at some of the fundamentals & technical factors that may be dead ahead. First off; the economy is growing and wages strong (jobs report showed wages strong and PCE-Personal Consumption Expenditures at 4oyearhighs!) with inflation running very hot structurally (rents, wages, shortages). The Fed is waiting still to move rates toward where the markets have already pushed them (2.5% 2 yr. Treasuries). Some investors plowed into short duration only to get whacked as well on the NAV down toward 10% as well....will it continue?....household balance sheets, wages, housing up 19%, pent up demand met with price hikes may favor more rain before a break in the clouds unless relieved. Technical indicators show short term OVERSOLD as this was a HISTORICALLY BAD Q1 so maybe a bounce could be had.

What we don't know is the stuff that could be problematic. Will oil prices retreat enough to make a difference?...Are the Transports tanking and Inventories Rising suggesting demand destruction to cool inflation? Will the Fed's Balance Sheet run off and potential need to hike into the 3%-5% Fed funds rates (or more) to cool things down cause a redemption run where the dealers put away their checkbooks again and let prices tank? We saw \$3 Billion of withdrawals in HYG in 7 straight days!

The Option Professor has used Decades Of Knowledge & Experience to Create a couple of PDF REPORTS that could help!

The First is "How to HEDGE Downside Risk and REPLACEMENTS for Upside SURPRISES"

The Second is "Strategies to STABILIZE Portfolios in an INCREASING INTEREST RATE Environment"

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

We believe this year is the time to EDUCATE YOURSELF on what are the ALTERNATIVES in these VOLATILE Markets!

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 future results. Information and opinions are provided for informational purposes only. It is NOT advice.

- The Option Professor, 04/01/2022

- *Questions or comments? Email optionprofessor@gmail.com*
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Be sure to read the other recent Option Professor Alert ETFs [HERE](#):

- 03/31/22 – Stocks-Time to PROTECT Recovery Gains?
- 03/29/22 – IF Oil Stocks PEAKED-How to PROTECT Gains?
- 03/15/22 – Stocks PREPARE for BIG MOVE by MARCH 28?
- 03/10/22 – Lock in Gains in Oil/Metals & Replace Long Stocks?
- 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 (σ) 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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