OptionProfessor.com Quick Alert

June 14th, 2022

STOCKS-BOUNCE OR BUST?

BY THE OPTION PROFESSOR

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Obviously; the word has gotten out since last Thursday that the CPI number was hot and the Fed will use that "data dependent" fact to either go 3/4 pt hike Wednesday or go .50% but sell more securities off the Balance Sheet and state that much bigger hike are on the table before the election at the next 3 meetings. Our guess is that the Fed wants to be at 2.5% to 3% Fed Funds in the next 3 meetings as they generally don't move the month before the elections. They would need either 1.75% or 2.25% more hikes in order to reach that threshold. That's the best case....worst case....don't ask:):)

We have been telling readers that the P/E ratio on SPX has been telling the story as we started at the top at 21-23 X valuation and with earnings at 2.35 on SPX X 16 P/E = 3760 (we're here)...now 15X is SPX 3525 an 14X is SPX 3290. The number must be redone if analyst earnings estimates are cut and that 2.35 number comes down....possible or probable? Today we get PPI numbers and we have a full moon and the Fed Decision is tomorrow. If you like Volatility...You'll Get It!

A bounce would not be too surprising as the resistance we spoke of at SPX 4180 is now down toward 4100. By being PATIENT on SPX to close above 4180 and Gold above 1950..we so far have avoided getting involved too early. For those of you who prefer to wish to sit out major corrections (SMART)..months ago we suggested a 0-24 month Treasury ladder with money coming due each month and renewing it at the 2 yr rate (almost 3.40%) Government Guaranteed! Not Too Shabby!

Why won't newsletter writers, touts on TV, and others not suggest this idea? There's no commissions, fees & tiny spreads!

It reminds us of going to the store...the cheapest stuff there is bottled water, salmon,apples, spinach..AKA--BEST FOR YOU!

Equity risk premium is still too low and put/call ratios & VIX still haven't given us panic yet. Catching a falling knife is always a rough racket...money supply fell for first time since 2010 and 91% of mortgages UNDER 5% so nobody's going anywhere. This bear market has already discounted much BUT if rates do not stabilize and earnings are cut...all those super bearish investors & record low consumer confidence number people may actually sell. It's dangerous to short drops in a bear mkt.

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Looking forward to helping you as we have for thousands of investors worldwide!
The Option Professor

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- The Option Professor, 06/14/2022

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