OptionProfessor.com Weekly
June 4th, 2022

PORTFOLIO ROADMAP & BLOG

BY THE OPTION PROFESSOR

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Read on for this week's update from The Option Professor...

OptionProfessor Market Update

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

OPTIONPROFESSOR PORTFOLIO ROADMAP 06/04/22:

June 4 2022

We got the Jobs Report on Friday and it came in strong with beats on jobs created and a strong wage number. In fact; most economic data is strong despite everyone suing the word PEAK to describe each announcement. The Fed's got all the facts they need to run that balance sheet down off $9 trillion and hike as many times as their hearts content. We have the same culprits causing trouble...inflation, labor, wages growing, oil up, War rages on, spotty China re-open, pass thru prices, structural shortages of energy & food, strong currency, margin squeeze...the more things change the more they stay same.

Many analyst feel June is the turning point in the markets and the 2nd half of the year will have things break better on interest rates, valuations, tech, inflation, maybe even the War-Oil & China. We always stay humble around here but we do prefer price evidence to crystal balls. Does there seem to be a vibe that the May lows may be it for the year....that Emerging Markets-Europe and Pacific Rim China could be turning....that oil-metals-food may be peaking...the markets are sold out?

YES!....but that doesn't make it so. If this is the BIG TURN as outlined in our blog....then the prices must act accordingly.

Last week we gave RESISTANCE LEVELS on SPX at 4177 then 4270 and 4450....which certainly held up well this week.
We'll stick with those levels & see if we get the turn this month & get a repeat of the holiday run up into July 4th holiday.
We've seen enough to know how things can change in the markets and they may again supporting contrarian views. As we've said; The Fed...price of oil...valuations will determine the rest of the year...Don't Fight the Tape Don't Fight the Fed

Let's take a look at the Portfolio Road Map. Remember Consult your Brokerage Firm/broker to determine your own suitability & risk tolerance. Information & opinions are for informational purposes. It is NOT advice.

Stock Market Growth /Value

Despite the rebound in Tech; Value has continued to hold up well as we see when the hint of the 10yr Treasury breaking 3%-3.20% happened after the job report....the Nasdaq faded badly. The areas we spoke of in Dividend payers, utilities, staples and energy have treated us well...we'll consider more growth and tech when we get Fed sees a break in the clouds
The risk of being early without evidence of a sustained turn is not worth it. There is miles above when it happens.
Email us at optionprofessor@gmail.com to get specific picks, specific sectors, option strategies .

Bond Market Income

Rates went back up after economic data keeps marching on...the Fed was dead wrong on transitory so may be aggressive.
We have a chart that show where yield spreads are usually at market lows...we're not even close. May was the first positive month in a long time (Munis did particularly well) but will need help from the economic numbers to build on May's gains

Email us at optionprofessor@gmail.com to get specifics on where to get INCOME and how ladders can work for you

International Markets/US Dollar

China turned up and EM, Europe and Latin America were firm. The US Dollar has lost steam vs the Euro & BP but still overwhelms the Yen. We see great opportunity but a lot hinges on how fast China opens & Europe avoiding recession.

Email Us at optionprofessor@gmail.com for specifics on what countries we like and how to get INCOME overseas!

Speculation- Oil Gold-Ags/Fertilizers-Industrial Metals- Crypto

Oil is up but still under 131 and highs of 2008. Gold has held 1800 and bounced but needs 1900-1950+ to breakout.
Grains seem to be planting more and rain brings grain-some ag stocks rolled over. Industrial metals hanging in there as well as uranium. Nat Gas still may be best game in town. Crypto is like Nasdaq....at some point they may turn big....not yet.

Email us at optionprofessor@gmail.com to get specific stocks we like in these markets and which ones to avoid!

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BLOG UPDATE 06/04/22: Stock Market-In the Next 4 Weeks-We Will See Push Come to Shove-Are You Ready! Must Read!

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• *Weekly FREE Market Updates at https://www.optionprofessor.com/blog/*

June 4 2022 Option Professor Opinions & Observations

The stock market has been like Milford Sound New Zealand where they say if it's not raining…it will be:):) After the pre holiday panic; this week we lost some ground….last week we made ground—-WHAT NOW?

PUSH WILL COME TO SHOVE is a possibility as we have nothing but variables ahead-HEAR BOTH SIDES!

The BULL side is that the markets have DISCOUNTED much of the Fed action and VALUATION repricing. The Jobs Report we got will be viewed as the last great one (postings are slower). Inflation will ROLLOVER due to a build in inventories (discounting) and once consumers see discounts on cars, furniture, durable goods, and housing…inflation will back like the lead horses in this years Kentucky Derby:). Labor will ease as more come back and a freeze on hiring and projects occur. A couple of helpful things like a drop in oil and resolution in the War (13 weeks old) wouldn't hurt either. China coming back online (Starbucks just reopened stores). Positioning is near record lows & bearish sentiment is great & recession fears unfound. Corporate buybacks expected to be $1.2 trillion annualized and rebalancing of stock indexes and ETF portfolios plus EOQ window dressing. The Fed will see fruits of tightening & pivot/pause after Labor Day. WOW…that's quite a story to compete with…it's the story of those long stocks & SPX EOY goal 4800-5100.

A pancake always has 2 sides….let's check out the BEAR side and see what they have to say. Let's start with INFLATION that's 8%+ (really…rents-food-gas-car prices-housing-travel & leisure ect up 8%..where?). There is so much demand acceleration (JOBS at best level 50 yrs-INFLATION highest in 40yrs and the LARGEST Fed Balance Sheet EVER by about $4 trillion bucks!). Do you think the Fed can get the inflation rate down WITHOUT the unemployment rate jumping, shrinking the balance sheet (remove liquidity), slowing GDP? There is a structural shortage of oil (despite add by OPEC) and food as well—inflationary! The VALUATION argument is as follows…..higher interest rates/lower valuations…so at 2.30 earnings on SPX at 18X = 4140 (we're here!)

….at 16X = 3680…at 14X = 3220…do get the idea??…What if earnings get CUT and valuations CONTRACT?? What if China's reopen & the War break badly? Credit Card usage indicates maybe consumers have gone thru their cash and maybe sentiment bearish but have they sold?

There you go 10 lines for each view (whatya expect I'm a Libra:)….so how do you make sense of all this??? OUR VIEW- The MAY LOWS in QQQ (Tech) was 280….must hold 290…..IWM (small caps) LOW was 170 must hold 182….SPX LOW was 3800…must hold 3720…BEST CASE we get that & close ABOVE May's highs and we continue higher albeit choppy toward resistance at SPX 4450 then 4631 then 4800…..HAPPY DAYS! WORST CASE…the unwinding of the balance sheet and getting DEMAND DESTRUCTION is painful which leads us to a break of SPX 3800 & interest rates spiking & EARNINGS revisions & VALUATION contraction.

We spoke in JANUARY 2022 of these BEST & WORST scenarios.. things change in life–the bulls hope so:)

The OPTION PROFESSOR offers a PDF REPORT "How to HEDGE Downside Risk & Upside SURPRISES" We also offer a 30-45 minute 1 on 1 SESSION to review your investing problems, dreams and goals.

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Look forward to sharing our expertise

Thanks!

The Option Professor

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