OptionProfessor.com Weekly

July 9th, 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 07/09/22:

We just completed the worst 6 months for the stock market in 52 years! Valuations have come way down on tech & growth. With no apparent evidence; many say the Fed is going to slow interest rate hike and inflation will come down. Every report that comes out that contradicts that theory is met with cherry pickers saying the reports were not strong. Next week we start seeing if earnings back off and guidance is weak or if this full employment machine took all the bad news and ate it up and will spit is out (corporate adaptability). Global inflation, global hiking (sans China) strong dollar.

Consumer Price Index (CPI) on Wed and Retail Sales plus bank earnings with airline & health care & full moon=volatile! Some have been bargain hunting (XHB HD DOCU ARKK CLF VLD TWLO DXCM ARWR WBD RBLX LAZR CRL few names). GROWTH has caught a bid vs VALUE as many feel that a slowdown will hurt value and their earnings power. A view that resonates with us is an aggressive FED this summer sending the yield curve to invert a maybe test or take out 3.50% on the 10 yr treasury.....followed by an end of Q3 Fed exhale....followed by a Q4 rally of about 60% of the peak to trough decline wherever that starts from but anticipated to be lower levels. Interest rate have been very volatile in the last 2 weeks and may see more as we fight between high inflation and low interest rates-debate all day-Fed seeks a slowdown RESISTANCE on SPX 3925-3994-44100 QQQ 299-320-350 IWM 182-200-207 VIX 30..if we trade 20-24--Bullish for Stocks

Let's tale a stroll around the Portfolio Road Map REMEMBER Consult your brokerage firm/broker to determine your own risk tolerance and suitability. Information/opinions provide for informational purposes only. It is NOT advice.

Stocks Growth Value

There has been a turn UP in the growth to value ratio suggesting growth and tech may be the place to be in the months ahead (SPYG XLK QQQ ect). If yields on the 10 yr Treasury behave (stay UNDER 3.50%) then a case could be made that the majority of hikes are behind us. Earnings are upon us and if you have pricing power, margins, free cash flow, pristine balance sheets and deliver you may have quite the crowd around your trading post. Many moving averages on are longer term charts still point DOWN so keeping powder dry for a post Labor Day rally from lower levels seems rational.

Bond Market- Income

There is a lot of income out there to be had (2 yr Treasury spiked, HY at 9%, Mid range corporates 5%?) but the question is whether the Fed will put a 4 handle on Fed Funds by year end...if so keep you wallet in your pocket! We've thought laddering 0-24 month Treasuries (18-24 months OVER 3% yield) made sense until you could safely buy duration with a level on confidence. People always say the 2-10 Treasury spread if inverted (it is) predicts recession but the 3 month to 10yr has a flawless record of recession and that spread is now NOT inverted by 103 basis points telling us the Fed will be pressing the front end and the recession may be a 2023 story. Preferreds over 6% , energy (KMI WMB) I Bonds 9.5%, HY 9%, IG 5% are some ways people get income. If 10 Yr Treasuries break 3.25% to 3.50%-look out!

International Markets US Dollar

Boris gone from UK....China has caught some fire (we told readers 3 months ago) as now a $220 Billion stimulus including infrastructure is in the works (FXI KWEB DIDIY). Europe is a mess with inflation soaring and the ECB asleep at the wheel-no great options. Places like Brazil & Mexico were staring to look good but the strong dollar kills 'em. Speaking of the Dollar; we said it needed to stay UNDER 104 to get a correction and it immediately went to 107! Still very extended OVER long term moving averages; maybe if rates abate by year end-maybe a REVERSION TO THE MEAN

Speculation-Gold-OIL-Ags Fertilizers, Industrial Metals, Crypto

Crude oil hit our target of 95 and bounced nicely as Russia threatened a port closure. For now; an inability to get ABOVE 108-110 would be a negative and it does look like the stocks have peaked until further notice. We told you Gold & Silver were hanging on for dear life and this week the rope gave out on Gold...no if we get back above 1850-1950...we'll talk otherwise if it starts accelerating to the downside it could get UNDER 1500-1400 at some point. Metal stocks also bad.
The crops were supposed to be plentiful which cause the grains to tank and fertilizer companies as well but this week questions came up on the crop so a corrective bounce occurred.....grains & fertilizers look like the peaks may be in. The industrials metals companies (CLF X VALE FCX ect) have been hammered and they improved a lot but are in downtrends. China needs materials for the

220 billion dollar stimulus package so we await news and how to benefit from the news. CRYPTO just keeps getting lousy news with upside down coins & companies. When (and if??) the Fed decided to pivot; you have a great shot that Bitcoin & Ethereum (GBTC ETHE) will benefit handsomely at that point.

We speak to many of you & we believe you would benefit from the information provided by the OPTION PROFESSOR! Get the PDF REPORT How to HEDGE Declines & Upside SURPRISES in the Stock Market-Get the 1 on 1 Learning Session

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BLOG UPDATE

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

Stock Market-Questions? The Lows In? Fade It?Earnings Start Next Week? Our Views-Must Read!
July 9 2022 Option Professor Observations & Opinions

This Week the stock market had some gains with SPX up1.94%, the Nasdaq up 4.6% and its best run in quite awhile. We got the Jobs Report but there seems to be an almost desperate need to try to read bad things into where there is none. For instance: earnings were down a shade and many suggested this was the big turn….for heavens sake we still have 11+ MILION Job Openings!! The Fed is DEFINITELY going 75 basis points in a few weeks and the CPI next week should still be elevated with whispers of a 9 handle! The Fed is still WAY behind the market rates as the 2 yr Treasury went UP 27 basis points this week! The recession may be delayed BUT if everyone's earning and revolving credit is accelerating (low & middle incomes)….How can the Fed get inflation to their targets. They want DEMAND to decline and truth be known they probably wants stocks & shelter to drop as well as in the 1980's the Debt to GDP ratio was 30% and now it is way OVER 100! Substantially higher rates would drive debt servicing to crippling levels! They need help with Gasoline (only 3.9% of CPI), Food, and the Index of Inflation Expectations (comes out quarterly out this Friday) to break to the downside. With the sad news of Abe's assassination in Japan; some compare the run up we saw here in the USA (SPX 4800) to Japan's run in 1990 where it was we saw it followed by slow growth (30 years to get back near the highs)…debt explodes & Govt prints/buys own debt with explosion in money supply..let's hope not! We never saw more premature talk of a Fed pivot…this is NOT 2008 or 2020..we got huge inflation and everyone's got a job with 11 million more to spare…the Fed is hiking until sustained evidence of lower inflation and lower consumer demand…period!

EARNINGS kick off next week wit JPM, C, WFC, UNH DAL, PEP getting us started. We will see if revenues are up due to interest revenue (banks) and higher pass throughs (UNH DAL) and we will see if margins have been pinched by higher costs and if any guidance is given. The health care sector did see 3 stocks hit new highs in Cigna, Humana and LLY. Q2 expected to see 4.1% average earnings growth rate and 10.1% average sales growth (and the Fed is going to pivot soon??). Q3 expected 10.5% earning growth and Q4 9.7%

earnings growth so full year anticipated at 10.2% earnings growth…if true…Fed Hikes++++

The first half of the year was the WORST for stocks in 50+ years! we got Inflation, War, Treasury Yields Spike, Economic Slowdown. Will there be a light at the end of the tunnel and a 2nd half BULL RUN? We are seeing some signs of slowdown (Grains, Oil- Nat Gas, Lumber Industrial Metals all big sell offs) housing & rents stabilizing or fading a little bit AND history tells us AFTER a 15% +drop in a Quarter SPX has been UP 6.2% in the next quarter, UP 15.5% in the next 6 months, and UP 26% in the next year! These are Lovely Statistics based on past performance which is NOT indicative of future results. We will monitor prices and follow them where they lead. We TOLD READERS in our ALERTS that SPX had to stay ABOVE 3720-3740 (our RISING long term averages) which it did BUT we need CLOSES ABOVE SPX 3925-3995 to keep it going. Our 12 SMA is pointing DOWN at SPX 4344 other resistance is at 4000-4200-4400 areas. The FED could pivot IF STRONG EVIDENCE slowing consumption, investment demand, labor turnover, vacancies and other factors ACROSS THE BOARD but for now no change in Fed plans a RATES are too low, inflation risk is persistent, and a soft landing still seems to be a long shot. Soft Landing? Very Complicated

Thanks Again!

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