

OptionProfessor.com Quick Alert  
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# Stocks-Fight the Fed? GOLD Update



**BY THE OPTION PROFESSOR**

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**OptionProfessor Alert:**  
**08/04/22 - Stocks-Fight the Fed? GOLD Update**

This ALERT will discuss the Stock & Bond Market Fighting the Fed and What GOLD Prices may be telling us.

In our last ALERT we told you SPX had support at 4080 and VIX resistance at 25. We tested both areas and we got a GREAT BUY for a short term bounce yesterday. We will get into what we see now in a moment but first things first.

Consumer Discretionary has been the BEST sector (+25%) and people are shocked. We're not because as we saw in the ISM numbers (services 56.7 shock) and durable goods (+2% shock) tell us the consumer is BUYING and stock prices were discounting they would not. Disinflation may show up as oil, copper, grain prices have eased and inventories must be discounted (truth be told our household just bought a new washing machine at a 30% DISCOUNT yeah!). HOWEVER; a shortage of blue collar workers (JOLTS OVER 10 million) and onshoring keeps inflation elevated in the longer term

By the end of the year; with savings depleted (2009 lows) credit cards maxed out (huge spike)....spending could slow.

Despite elevated gas, food, autos (new cars scarce-chips), and shelter (house price unaffordable/forces rents higher); investors are looking for a big break in inflation (those things are about 60% of CPI). For the FED to get the other 40% DOWN and get DEMAND DESTRUCTION and Economic SLACK needed to get to their TARGET of 2% Inflation; they will have to HIKE WAY PAST "Neutral" 2.5% to have any chance. FED Officials have said as much all week long as if unheard.

RIGHT NOW! The Stock Market & Bond Market Traders are LAUGHING at the FED. Stocks jumped almost +20% on Nasdaq and toward 15% on SPX in just over a month. Bonds basis the 10yr Treasury saw yields DROP from 3.5% to about 2.50% this week with JUNK bonds spreads TIGHTEN by 150 basis points! Total disrespect for the FED's GOALS!

The VIX had a GAP between 21.50 and 22.50 which got filled in the last 2 days. We stick with ABOVE VIX 25 and a break UNDER AAPL 160-155 as signs that a rollover may be in force. Sans that; we respect SPX 4282 or 4350 (Fib #) as targets.

RIGHT NOW! GOLD prices have been RISING about \$100 from the correction LOW of \$1680 and are now trading ABOVE our LONG TERM moving average of \$1764 and our RSI on the long term chart is 54.74 (positive) number.

The KEY NUMBERS to us now is getting and sustaining ABOVE \$1825 to \$1900 to open the door to \$2000 PLUS!

REASONS to Rally include IF the DOLLAR Topped at 109, geopolitical (China), Global Central Banks monetary policies.

REASONS to Decline include IF Global Dis-Inflation, Rate Hikes/Slowdown, Dollar Up, No yield or internal rate of return

NOTE....the bullion prices have done better than shares due to costs BUT NEM is about half price & 5% Dividend?????

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