

OptionProfessor.com Quick Alert
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Stocks-The Bear Roars Back?



BY THE OPTION PROFESSOR

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OptionProfessor Alert: Stocks-The Bear Roars Back?

We told EVERYONE earlier this month that the S&P 500 was running into a wall of resistance around 4350. It was an area of a Fibonacci 61.8% retracement of the decline from 4800 to 3600. It was an area of the DECLING 200 day moving average. VALUATIONS had expanded to lofty levels again and spec stocks were back in the news. MOST IMPORTANT was the VIX (hey we are The Option Professor right?) went UNDER 20 and the last times it did that this year; we got about a 400 point DECLINE in SPX within about a month! RIGHT NOW we already got OVER a 300 point DECLINE in a week! We spoke of HEDGING-TRIMMING-REPLACEMENT TRADES at least--defensive position for those who don't short markets.

RIGHT NOW! We have DICHOTOMY between the DON'T FIGHT THE FED crowd and the perma-bulls/fade the Fed/ Surprises R Us crowd. Reality is the Fed wants DEMAND to weaken and JOBS to loosen and INFLATION to Decline. No wiggle room in Jackson Hole. If they can do that without consumer spending to recede, little job losses, profit margins intact, and a big pause after Sept hike until end of the year....then maybe EARNINGS surprise, VALUATIONS stick and we break SPX 4350+....the land of milk and honey/Emerald City toward SPX 4600-5000 could still be in the Tarot Cards:;) HOWEVER: should EARNINGS be CUT and higher rates bring TIGHTER VALUATIONS...then the lows are not safe in 2023.

The RALLY from S&P 500 3630 to 4325 saw the 3rd LARGEST short covering in the last 10 yrs so forget positionng. It was all done UNDER a DECLINING 200 day moving average and when it got near it- SPXFAILED as we said it tends to do. The market is priced for maybe 3.25% or so Fed Funds...a 4% handle is not...QT starts and who knows it's impact but it removes LIQUIDITY not adds. September early can be a TOUGH MONTH....if a turn happens...watch Fed Day Sept 21st! There are some who believe The Fed, The Dollar or The Price of Oil will ultimately send us toward SPX 3200-2800. The Fed forecast LAST YEAR "Inflation Transitory"...Now It's HIKE & HOLD 'EM....if things fall apart...their tune could change

Trifecta Coming!...ISM number Thursday....JOBS Report Friday....Consumer Price Index (CPI) Next Week!!

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- 07/26/22 – Stocks-Earnings & Consumer Recession Begun?
- 07/21/22 – Stocks-Are You Ready For Next Week??
- 07/20/22 – STOCKS-Green Light For The BULLS?
- 07/14/22 – Stocks-From Concern to Panic?
- 07/12/22 – Growth Fears Replace Inflation Fears!
- 07/07/22 – STOCKS-Upside Surprise? Big News!
- 07/05/22 – STOCKS-Say Hello to DEFLATION!
- 06/30/22 – Stocks-Inflation Fears Now Earnings Fears
- 06/29/22 – Stocks-Where's the Rally Into July 4th?
- 06/23/22 – Stocks- BIG SPIKE Into July 4th?
- 06/21/22 – Stocks RIP Higher! Lows In?
- 06/16/22 – Stocks-Fed Does U-Turn-What Now?
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