

OptionProfessor.com Quick Alert
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Stocks-Bad Bet- Hope Triumphs OVER Experience?



BY THE OPTION PROFESSOR

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OptionProfessor Alert: Stocks-Bad Bet-Hope Triumphs OVER Experience?

Welcome Back Everyone! There are some time-honored experiences as we get older that we should respect especially when looking at the markets....plus old adages like if something doesn't make sense it won't last & luck always runs out!

EXPERIENCE tells us that stocks with NO EARNINGS & HIGH VALUATIONS will go in the tank ultimately. EXPERIENCE tells us that when the Fed is EASING money and credit (lower rates-QE 2008-2021); there is a good shot asset prices will RISE and valuations will EXPAND. EXPERIENCE tells us that when the Fed is tightening money and credit (higher rates-QT late 2018 & since Nov 2021); asset prices will DECLINE and valuations will CONTRACT. We now have another EXPERIENCE to consider and that is slowing DEMAND & the UNEMPLOYMENT rate. To get INFLATION down=jobs lost from EXPERIENCE Finally; EXPERIENCE says that EARNINGS tend to DECLINE during these periods and COMMODITIES can suffer declines.

This has been the playbook and despite rallies...it's a loser to BET AGAINST the Fed & Hope Triumph OVER Experience.

RIGHT NOW! Our VIEW has been the SPX 200 day Moving Average and the Fibonacci throwback rally ENDED at SPX 4350 area and now we have Fibonacci retracement of the SPX move from 3630 to 4325 finding support at SPX 3900+-. MOST all our longer term moving averages are ABOVE the market with ONE EXCEPTION the 36 SMA at SPX 3800 area. The concern now is that the TLT is UNDER the LOWS of June '22 and Q4 of 2018. Yields ACCELERATING upward is a killer

The SUNNY SIDE of the street is that positioning is light and sentiment is negative. Should inflation break DOWN; it can sometimes ACCELERATES quickly (housing & gasoline weak & 40%+ of CPI weak). Corporate efficiency (strong operating leverage/less employees) was honed during the covid crisis and could save EARNINGS from major DECLINES (maybe 10% vs. normal slowdown 20%-30%). Finally; if on Sept 21st, the Fed says NEUTRAL & MEASURED ahead- we could FLY!

We're not DICTATORS but rather we try to follow the FLOW OF MONEY & believe REVERSION to the MEAN over time.

We also believe when a man shows you who they are..best believe him the first time. Powell says hike & pain involved.

We got CPI next week, Fed meets, Putin, Q3 earnings, BOE ECB hikes too, China lockdowns & saber rattling-lot goin' on!

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