

OptionProfessor.com Quick Alert  
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# Stocks- Tues Reverse? Priced for Best Outcome?



**BY THE OPTION PROFESSOR**

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## **OptionProfessor Alert: Stocks-Tues Reverse? Priced for Best Outcome?**

We got PPI (+8%) out today and just like CPI we saw a SLIGHT improvement and the beginnings of a downward trajectory. We also got some AFFORDABILITY data on home buyers as the INCOME needed EXCEEDS 100k for an AVERAGE HOME which is UP 46% since last year (higher mortgage rates). Housing Prices are VERY vulnerable headed into 2023. HOWEVER; the SPEED of the direction of inflation and is really the BIG QUESTION & to get a BREAK in Inflation will we need to see GROWTH DECLINE which means EARNINGS for 2023 SPX not 2.35 but 2.10 to 1.90. The VALUATION of those EARNINGS may Contract to 14-16 P/E so SPX could see a range of 3360 to 2660 WORST CASE. The Stock Market on this REVERSION RALLY is Pricing LEAST LIKELY OUTCOME w/ HIGHEST CONVICTION. Maybe NOT Smart

REMEMBER- the last Report showed REAL WAGES DOWN 3.7% and the word LAYOFFS is back in the Lexicon of USA.  
Consumer is STRETCHED (credit card balances & credit lines at RECORD) & Services DOWN .1% = FIRST dip since 2020

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Walmart (WMT) and Home Depot (HD) announced earnings today and both beat estimates (lowered expectations). We are noticing a SLOWDOWN in Earnings Growth and a REVERSAL of OPERATING LEVERAGE (opposite of 2020 & 2021). We RECOGNIZE the potential for S&P to see 4100-4175-4350. WE also RECOGNIZE that the FED WANT TO SLOW DOWN prices of housing, speculation, DEMAND & the ECONOMY and like THEY TELL US 8% PPI & 7% CPI is still WAY ABOVE the Fed Funds rate of 3.75% which they EXPECT TO INVERT Under the Fed Funds Rate before they are done. MORE HIKES

So rather than getting INTOXICATED during this "seasonal" EUPHORIA; maybe Take Time to Plan Ahead for a Possible DOWNGRADE CYCLE in Earnings & Valuations in 2023. Did Your Accounts Decline in 2022? Anyone EXPLAIN HEDGING?

As long as SPX REMAINS ABOVE 3800 and UNDER 4200; a case can be made for a TRADING RANGE thru EOY & Q1 '23  
Your ACCOUNTS could PREPARE for Life Beyond the Short Term. REMEMBER-if Earning Break Down '23=Prices Follow.

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