

OptionProfessor.com Quick Alert  
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# Stocks-Holiday Cheer? Y-Curve? Oil? Gold?



**BY THE OPTION PROFESSOR**

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## **OptionProfessor Alert: Stocks-Holiday Cheer? Y-Curve? Oil? Gold?**

Good Day & Early Happy Thanksgiving!.....We spoke of SPX short term support 3914 (it held) and near term resistance at 3960-3980 & 4025 (some broke today-look at close). Remember Thanksgiving week historically a riser so we will see. Fed speak is all over the place as Daly sounds dovish...Lorreta sounds neutral...and Bullard sound realistic. Markets pop.

REMEMBER the Fed doesn't LEAD market rates; they FOLLOW market rates. INFLATION 6%-9% means higher rates. Do you think INFLATION will tank? We have 3 words for you OWNERS EQUIVALENT RENT. This is the "New" formula to calculate SHELTER inflation (30%-40% of CPI). It stretches out the rise which means HIGHER-PERSISTANT inflation #s.

Here's the rub...We now have a YIELD CURVE INVERSION in about every metric known to man (1mo 10yr, 3 mo 10yr ect) They have INVERTED BY A LOT and everyone from Campbell Harvey to anyone who can walk and chew gum knows the history of that relationship EQUALS SLOWDOWN. The time delay can be as much as a year but come it will. As long time readers know; we DON'T fight the Fed & we DON'T fight the Tape. The Fed wants DEMAND to slow & the tape to slide.

The Dallas Fed said they expect real estate to drop 20%. COMBO of higher rates & Inflation and lower wealth=no good.

AGAIN; if Fed Funds needs to go ABOVE inflation, 4% inflation = 5% Fed Funds or 6% inflation = 7%. Fed Funds is 3.75%

On Crude Oil & Energy shares...we warned you of resistance on Crude Oil at 95-100 and Covered Calls & Collars-Replace and that INSIGHT was CORRECT on as we saw Crude Oil DROP into the 70's and 10%-20% drops in some energy shares.

Today WTI has bounced and the story is really a TUG of WAR between China reopen or Covid crisis/demand slows as economies slow AND the low world supplies and SPR release end in December. RIGHT NOW we have seen XLE (XOM CVX) come down to support 87 and hold AND we saw OIH (HAL SLB) come down to 280 support and hold. BOTH have rallied smartly off those levels (COLD SNAP) and now we will test the true dynamics of supplies & demand. REMEMBER these companies are lean & mean nowadays so their earnings and Dividends-P/E's are attractive. RETURN OF CAPITAL. CRUDE OIL hit a double low SUPPORT at 75 and has RESISTANCE at 85-93-98. NAT GAS Support 6-6.40 Resistance 7.25 BOTH these markets could move PARABOLICALLY UP but the RISK remains of REVERSION so employ risk management STOCK MONEY has been ROTATING out of Growth (Tech-High P/E) into Financials-Energy-Indust.-Mat. as we told you.

Gold & Silver & Industrial Metals be about to get very exciting. After we got the COLLAPSE in the tech bubble (like the crypto-SPAC-ARKK bubble today); GOLD bottomed in 2002-2003 and the Stocks to Gold Ratio went on a multi-year run. We saw Gold go from about 300 bucks to almost 2 grand! The Stock Market did NET NOTHING between 1966 to 1980 (a time frame some believe we may see now) BUT the Stocks to Gold Ratio favored Gold & prices Up HUGE to \$850 bucks We may be ENTERING a longer term trend of REVALUATION of PAPER (stocks & bonds) and REVALUATION of TANGIBLES We may see SHORTAGES of THINGS (energy-food-metals-parts ect) as a Consequence of INADEQUATE INVESTMENT ect. Mining shares have TURNED off their LOWS and now we must monitor them for potential. BUT Recessions can HURT all

SHORT TERM; these markets could see PARABOLIC moves to the UPSIDE but we do have TECHNICAL RESISTANCE on Gold is \$1780-\$1800 and on Silver \$22-\$23.50 and on Copper \$4.00 but the XME is STRONG so will FCX X CLF follow??

It's the END of The YEAR 2022. Time for QUESTIONS?? How did 2022 work out for YOU? Have you PAID for INSIGHTS & SERVICES that did not deliver for YOU? Did YOU try short term-swing trading or chat rooms-wasting YOUR time-money?

Time To Call Us. We can talk to YOU about RISK MANAGEMENT & TRENDS in SECTORS & ASSET CLASSES for 2023 +++  
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