

OptionProfessor.com Quick Alert
February 16th, 2023

Stocks-Data Strong- Rates Up-Now What?



BY THE OPTION PROFESSOR

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OptionProfessor Alert:
02/16/23 - Stocks-Data Strong-Rates Up-Now What?

In case you missed it, check out this presentation from The Option Professor from a recent event:

 [Synergy Traders #43.09: Option Professor Market Analysis with The Option Professor of OptionProfessor.com](#)

We told our readers that a SHORT TERM TOP was established at S&P 4208 based on a MA & big RSI Divergence.

When a market hits resistance; it's time to decide on trimming, hedging or replacing the risk you have taken on.

Do you know what that means? Do you know how to figure out the real risk, opportunity risk and other factors?

The Fed was VERY WRONG on transitory inflation (albeit durable goods did ultimately rollback). It is starting to look like they may equally wrong on disinflation and demand destruction. Let's go around the horn. First we look to the labor market. Inflation cannot get to their target without a loss of JOBS and that is NOT happening (claims today 190's). In fact; since they started their hiking campaign; the Unemployment rate has gone DOWN! Second; we turn to CONSUMER SPENDING which is 70% of economic growth. We see RETAIL SALES zooming and in food and beverage (dining=travel) the numbers are accelerating (credit cards up & casinos got record revenues). This is WINTERTIME. What happens when the weather turns and everyone is out in full force? The Fed need to get Fed Funds ABOVE the inflation-a 6% handle?

The business cycle of first you get inflation, then you get rate hikes, then you get slower economy has not gone away.

The last 2 phases are big UNKNOWNS in that what is the rate the Fed needs to slow demand? What type of hit will EARNINGS take when the eventual economic slowdown hits. We are about 12 months out on rate hikes so tic tock the clock is running out albeit the printing of \$9 trillion during COVID has DELAYED the inevitable job losses & contraction.

A FEW things that explain the stock market strength. #1 POSITIONING is still short (more than 2009 by some measures). This means when prices DON'T break they cover. #2 ZERO-1 DAY options trading means that when lots of calls are bought at

staggered strikes ABOVE the market, the seller buys stock to hedge the risk. #3
The Presidential Cycle (Oct 2nd yr thru April 3rd year) is a Time Tested bull run that obviously worked like a charm this time around. Tic Tock on this.

With the data we got this week and yields rising; stocks should be down more (last time we had the 10 yr yield here the S&P was in the 3800's!) BUT it's not. This tells us (as always) to let the numbers tell the story so we will share with you.
RIGHT NOW; the markets are TAUNTING the Fed with their DISBELIEF. How long does that last & who will finally PREVAIL

KEY #'s. SPX 500 4208-4025 QQQ 310-292 IWM 200-185. Treasury 10 yr 3.85%-4% US\$ 103 Crude \$80-90 Gold \$1825

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The market has had a HUGE short covering spec run. Will it end Sooner or Later?
Stocks-Opts-Oil-Gold-Forex-China-Bit

Talk Soon,
The Option Professor

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- 01/20/23 – Stocks-Bloom Off Rose-Where to Go Now?
- 01/18/23 – 2023-Stocks Hit the Wall Too Far-Too Fast??
- 01/12/23 – Stocks-Global Mkts Say Send Me My Money!!
- 01/10/23 – Big Question-Stocks Lows & Yields Highs in 2022?
- 01/04/23 – It's WEDNESDAY! Time to Contact Option Professor!

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