

OptionProfessor.com Quick Alert  
February 27th, 2023

# Stocks-Was the Bounce A Gift??



**BY THE OPTION PROFESSOR**

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### Opinions & Observations

Everybody should think back to the lows of October 2022 and ask themselves how despondent you felt about your stock and bond portfolio? Did you really think they weren't going to give you the cyclical "Gift" (Presidential Cycle too) of improvement in values to keep investors in the game and garner new equity? Who would have stuck around for '23 if markets kept dropping. Even Powell was seeding the lawn with hopes that disinflation and rate cuts were in the cards.

When we saw the most beaten up stocks and those with no earnings plus Meme leading the way; it's cause for pause. The Fed printed too much money (M2) and kept rates too low (debt creation) between 2019-2021. The consequence is M2 has now gone NEGATIVE and maybe have to go as overdone down as we went overdone up. That's a scary thought.

ASSET PRICES generally have a difficult time going up when rates are going up and M2 is tanking. This time is different??

The government INCREASED social security payments by 8+% so more money floating around Plus 3.4% jobless (1969). So far; rates hikes have shown little traction as far brakes on demand as low mortgages mean lower payments more\$\$

OUR VIEW is Fed Funds MUST get ABOVE CPI and we are ways away from seeing that happen. We think it ends badly as jobs need to be lost. DEFICITS may be huge with spending and debt service. They say the Fed is trying to land a plane on a picnic blanket but with these economic numbers lately maybe it's more like the head of a pin:). REMEMBER; our view is that the BUSINESS CYCLE is 1. Inflation 2. Hikes (still going) 3. Slowdown (not here but coming AFTER hikes done)

OUR VIEW is that S&P 500 Resistance was 4208 (we said that weeks ago) and now also 4080. The SUPPORT on S&P 500 starts at the lows last week & goes down to 3875 so the market has a window to operate. EARNINGS Season is ending OUR VIEW is that at some point (3-6-9-12 months out) we will get an economic slowdown and earnings will drop. The drop in earnings will be met with lower P/E's and we have a LONG TERM moving average in the S&P 3000-3200 range.

Does that mean don't play the rallies? Does it mean there are no opportunities? NO! but what it does mean is that we think having money for that rainy day AND watching your equity closely AND taking advantage of T-Bills rates is smart

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