

OptionProfessor.com Quick Alert  
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# CPI Out! Conclusion-A Lot More Ground to Cover



**BY THE OPTION PROFESSOR**

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**OptionProfessor Alert:**  
**06/14/23 - CPI Out! Conclusion-A Lot More Ground to Cover**

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](#)

*Now, the alert...*

The CPI came out today with DROPS in Headline beat to 4% (DOUBLE Fed target) and CORE miss at 5.3% (still ABOVE Fed Funds rate).

The Initial Reaction was to BUY every stock you can get your hand on and BUY bonds as yields will be dropping. The problem is people may start actually reading the report which says gasoline (-5.6%), eggs (biggest drop since 1951), air fares, electricity and gas utilities DECLINED

HOWEVER, Food was up, dining out was up, used cars were up, GDP Q1 1.1%, but services, GOODS & OWNERS EQUIVALENT RENT were UP.

It is true that surveys say that new rental vacancies have increased and new rents moderated but that could have months of lag time to see.

After a few hours of trading, the initial reaction on the 10 yr Treasury down to 3.68% has reversed and yields are UP on the day. Fed Funds at 5% currently is still UNDER the CORE of 5.3% so we conclude the Fed is FAR from their target at 2% inflation and more HIKES on the table as a true tightening cycle sees Fed Funds well ABOVE the core inflation rate when all is said and done (Nominal Yield vs Real Interest Rate vs Inflation)

CONCLUSION The Fed has a lot more ground to cover & boosting consumer asset prices hardly seems like something that will curtail DEMAND

The VIX is low and the QQQ SPX and IWM have rallied to calls for a new bull market. Of course, we have enjoyed the ride BUT we are en garde for changes in RSI DIVERGENCES to indicate exhaustion and the RATIO of Growth vs Value which last month seemed to have PEAKED.

If confirmed, it will be wise to PROTECT your portfolio values while staying in the markets while values are running hot and HEDGING is cheap

We see Crude Oil prices are on the rise today and expectations are for inventories to be tight in the 2nd half of the year with Saudis desperate for 80 bucks a barrel. Should Oil prices hold the 60-65 lows area and get legs, the spread between gas prices here vs Europe may tighten a lot. Of course, that would change the narrative and consumers would feel the pinch at the pump.

Buffett has an old line that we will dust off. Be GREEDY when people are fearful (Oct/Q4 2022) & FEARFUL when people are greedy (nearby?)

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## - The Option Professor

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