

OptionProfessor.com Quick Alert  
September 19th, 2023

# Fed Cuts-Markets Tank?



**BY THE OPTION PROFESSOR**

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*"In a world of countless analysts, Option Professor stands out. His sense of perspective on all markets and sectors elucidates the big picture, as well as the shorter term. His observations have been remarkably prescient. He is a true, selfless teacher, being highly accessible and incredibly generous with his time. I regret that I did not find this class-act earlier."*

*-Dr. George Fee*

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*I think the 1 hour meeting was great, it was informative and I think it would help those that are interested in a system*

*that is relative easy to follow and enable one to make money on small swings in the market using options.*

*Thank You,  
Randy B.*

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*Get to know option professor on one of online webinar as a speaker, and was impressed by his concise way explaining of market movement. During educational hour with him got clear understanding how to use different MA and RSI, as a main tools to catch a movement in right direction. Definitely recommend to receive education from him*

*Oleg B.*

**OptionProfessor Alert:  
09/19/24 - Fed Cuts-Markets Tank?**

**OPINIONS and OBSERVATION**

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You asked for it you got! Markets had bid up stocks to nosebleed valuations and yields dropped in a recession prep fashion BEFORE the Fed and Powell cut or told us their intent. To me, that is classic buy the rumor sell the fact and today was textbook

What did we get? We got a 50 BP rate cut down to 4.75%-5% Fed Funds rate. We had a first dissent by a Fed Governor (Bowman) Since 2005. We got an expected neutral rate of 3.4% (higher than estimate (3%). We got a statement that warns to not expect this pace to normalization. We got Powell saying inflation is not the focus, but the jobs rate must stay low (est. 4.4%). QT remains. They hope to do ¼ cut in Nov and ¼ cut in December. More next year. It's a beautiful world out there. Can anything possibly go wrong?

My concerns include #1 Valuations are crazy high which puts pressure on earnings to deliver (Q3 est. +4.9% vs +11.3% Q2). #2 Is Inflation licked? Really? Owners' Equivalent Rent (OER) is 35% of CPI. It's still rising, mortgage applications are rising and much of that is Refis. What do you think they're going to do with that money? Spend it! Savings rates are at historic LOWS. Retail Sales strong, GDP +3%, Industrial numbers turned, unemployment and claims still strong-no planned layoffs-wages rising. Housing has a huge supply bottleneck (low rates locked in keeps existing supply down while builders are building at a 1950's pace with 2X the population and 50%+ of 20 yr olds need to buy something (demographics). Credit Cards usage still huge, services numbers still strong. Q4 historically a big spend quarter with holidays #3 Positions and the VIX. The old adage, the market moves in the direction to hurt the most people. The Planet is LONG Stocks-Bonds-Gold!

QUICK TAKES-Stocks- New highs to SPX 5690 today looks like the Eiffel Tower and closed almost 80 points off SUPPORT 5580-5580-5500. Small-Mid Caps OK. Bonds-As I said the market discounted too much easing short term-so yields rose. CRUDE- bounced off 65 to resistance 72-73 and

faded. Demand is wobbly (China) and OPEC+ wants to increase production in December while other producers keep pumping. GOLD-shot up to +\$2600 before settling back. SUPPORT \$2540-\$2500-\$2460....if it ever breaks those levels an air pocket is underneath. US DOLLAR-International Markets-the Dollar is still holding (DXY) the 100 level, but should it break 97-90 in cards? Overseas market pretty unchanged

Finally BitCoin. How did it react to the FIRST rate cut in 4 years? It rallied to \$60,000. KEY PRICE POINT. IF sustains +\$60k-\$65K-off to the races?

One thing we have seen in the last 6 weeks in VOLATILITY which is a friend to Long Strangles. Here's some recent [OPTIONS ALERTS](#)

Alert Date	Expiration	Stock	Strangle Idea	Cost/Risk	Stock Price Hit / Intrinsic Value
08-11	Sept 20	Progressive (PGR)	245 Call / 210 Put	\$390	Stock hit 255 = \$1000
08-11	Sept 20	Affirm (AFRM)	27.50 Call / 22.50 Put	\$377	Stock hit 44.50 = \$1700
08-18	Sept 6	Medtronic (MDT)	86 Call / 83 Put	\$238	Stock hit 91.50 = \$550
08-18	Sept 6	Chipotle (CMG)	53 Call / 51 Put	\$242	Stock hit 57 = \$400
08-18	Sept 20	Occidental (OXY)	57.50 Call / 55 Put	\$183	Stock hit 51.50 = \$350
08-18	Sept 20	Google (GOOG)	170 Call / 160 Put	\$348	Stock hit 148 = \$1200
08-25	Sept 20	IBM	202 Call / 190 Put	\$278	Stock hit 217 = \$1500
08-25	Sept 27	Devon (DVN)	45 Call / 44 Put	\$233	Stock hit 41 = \$300
08-25	Sept 27	Schlumberger (SLB)	46 Call / 44 Put	\$227	Stock hit 40 = \$400
08-25	Sept 20	Google (GOOG)	172 Call / 162 Put	\$460	Stock hit 148 = \$1400
08-25	Sept 20	Best Buy (BBY)	92 Call / 83 Put	\$460	Stock hit 104 = \$1200
09-01	Sept 27	Google (GOOG)	170 Call / 160 Put	\$400	Stock hit 148 = \$1200
09-01	Sept 27	Merck (MRK)	120 Call / 117 Put	\$252	Stock hit 112 = \$500
09-01	Sept 27	Exxon (XOM)	120 Call / 117 Put	\$345	Stock hit 112 = \$500
09-01	Oct 11	Freeport (FCX)	41 Call / 38 Put	\$250	Stock hit 45 = \$400
09-01	Oct 4	Alcoa (AA)	30 Call / 28 Put	\$227	Stock hit 36 = \$600

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It's a Great time to start before the end of Q3 (window dressing), Q4 (busiest quarter?), Election? Santa Claus rally? January Effect?

We appreciate your business:)

Jim

The Option Professor

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## - The Option Professor

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- 08/22/24 – The Best Ideas-Options Alerts!
- 08/06/24 – Stocks Vol (VIX) hits 65! What Now?
- 07/17/24 – Stocks Tanking? What's Going on?
- 07/05/24 – 4 Big Movers! Tech-Banks-Metals & Macy's-LEARN Options!
- 07/01/24 – 3 Biggest Risks to Stock Prices NOW!

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