# Disclaimer

- Today's webinar is for educational purposes only.
- Nothing in today's presentation should be considered a recommendation to buy or sell any security.
- All stocks and options shown are examples only.
- Any pricing or potential profitability shown does not take into account your trade size, brokerage commissions or taxes which will affect actual investment returns.
- Stocks and options involve risk and are not suitable for all investors and investing in options carries substantial risk.
- Past stock or option performance is no guarantee of future price appreciation or depreciation.
- Prior to buying or selling options, a person must receive a copy of Characteristics and Risks of Standardized Options available at:http://www.cboe.com/Resources/Intro.aspx.

# InvestorsObserver Workshop

# InvestorsObserver Workshop

- What’s going on at *InvestorsObserver:*
- Market update
- Member-driven content: Questions, site demonstrations, etc.
  - Can prepare slides for questions submitted ahead of time: Mention “workshop”

# S&P 500


Simple MA (50): 3336
Simple MA (100): 3177
Simple MA (200): 3101
3600.00
3550.00
3500.00
3450.00
3400.00
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2650.00
2600.00
2550.00
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2400.00
2350.00
2300.00
2250.00
2200.00
Oct
2020
Apr
Jul
Volume
0.000000
One year
Daily candles

# S&P 500


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2700.00
2650.00
2600.00
2550.00
2500.00
2450.00
2400.00
2350.00
2300.00
2250.00
2200.00
2018
Jul
2019
Jul
2020
Jul
Three years
Daily candles
Volume
0.000000

# S&P 500 (now)


^SPX: 12.90%
^SPXEW: 2.16%
S&P 500 vs. S&P 500 Equal Weight
0.18
0.16
0.14
0.12
0.10
0.08
0.06
0.04
0.02
0.00
-0.02
-0.04
-0.06
-0.08
-0.10
-0.12
-0.14
-0.16
-0.18
-0.20
-0.22
-0.24
-0.26
-0.28
-0.30
-0.32
-0.34
Oct
2020
Apr
Jul
Volume
0.000000

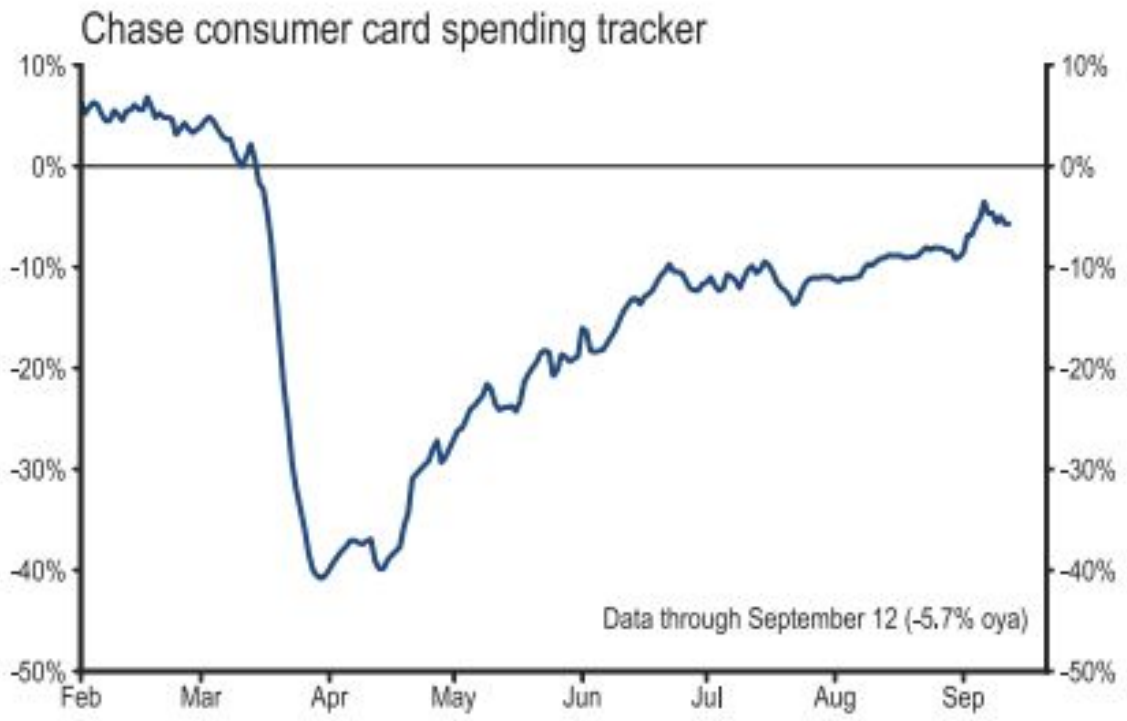
# What is happening?

- Still a virus-driven economy
  - Cases are falling at the moment, so economic data is improving (slowly)
  - Still a lot of unknowns, including what happens from here
  - CDC said today that Q3, or maybe late Q2 of 2021 is when vaccine will be “widely available”
- Retail Sales
  - Headline: up 2.6% YoY, up 0.6% MoM
  - Spending mix is different
    - Grocery stories up 9% YoY (down 1.6% MoM / Restaurants down 15% YoY (up 4.7% MoM)
    - Department Stores -16.9% YoY / Nonstore Retailers (online… Amazon) up 22.4% YoY
  - Clothing down 20.4% YoY, but up from July
  - Building Materials/garden supplies up 15.4% YoY

# Fast data

From JP Morgan

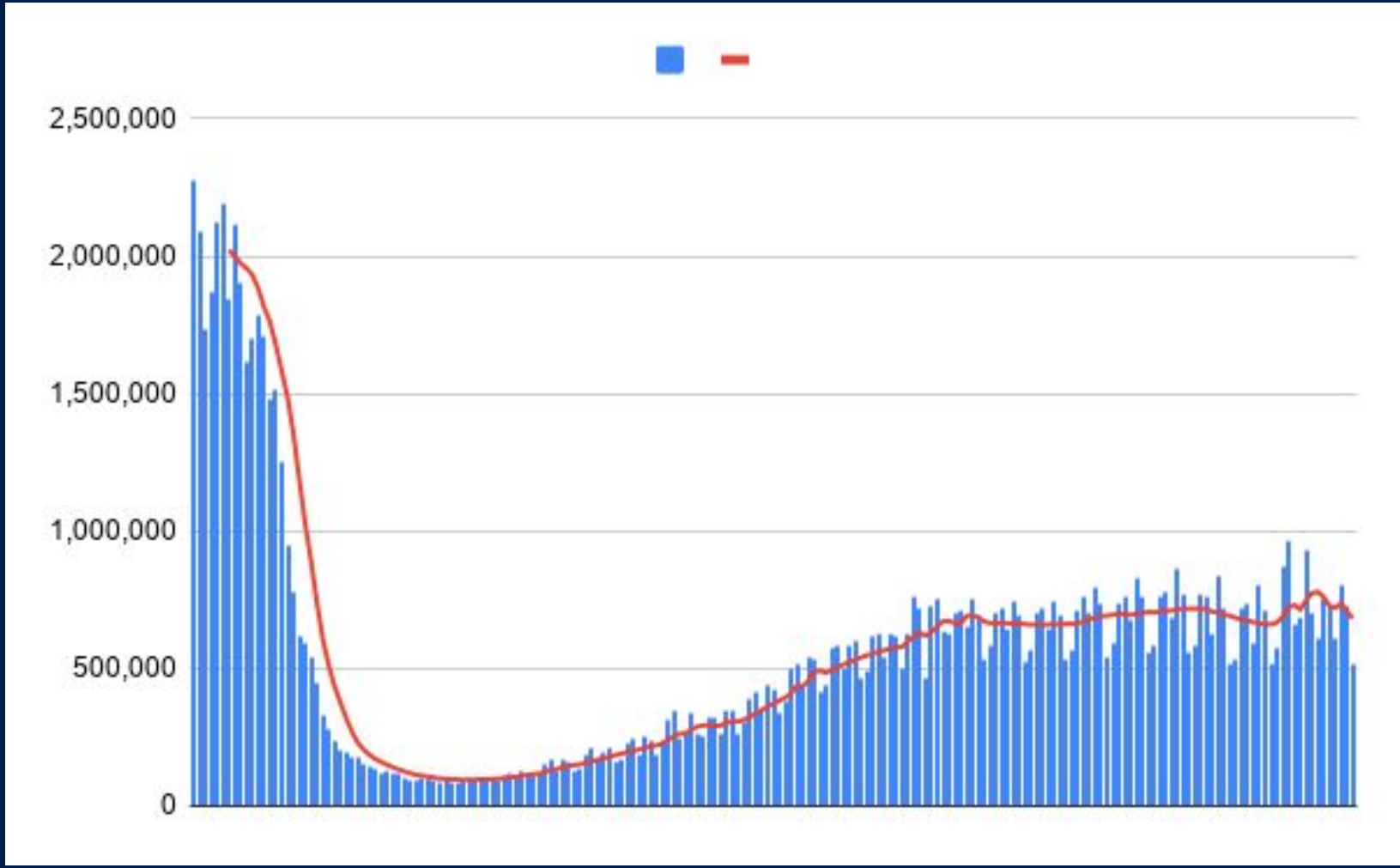
- On September 12, our tracker of Chase consumer card spending held steady at -5.7%.
- The tracker fell -0.6%-pt over the prior week, and it is 35.1%-pt above its low of -40.8% on March 30.




Source: J.P. Morgan, % change over year-ago in 7-day average of total in nonrecurring categories.

# Fast data

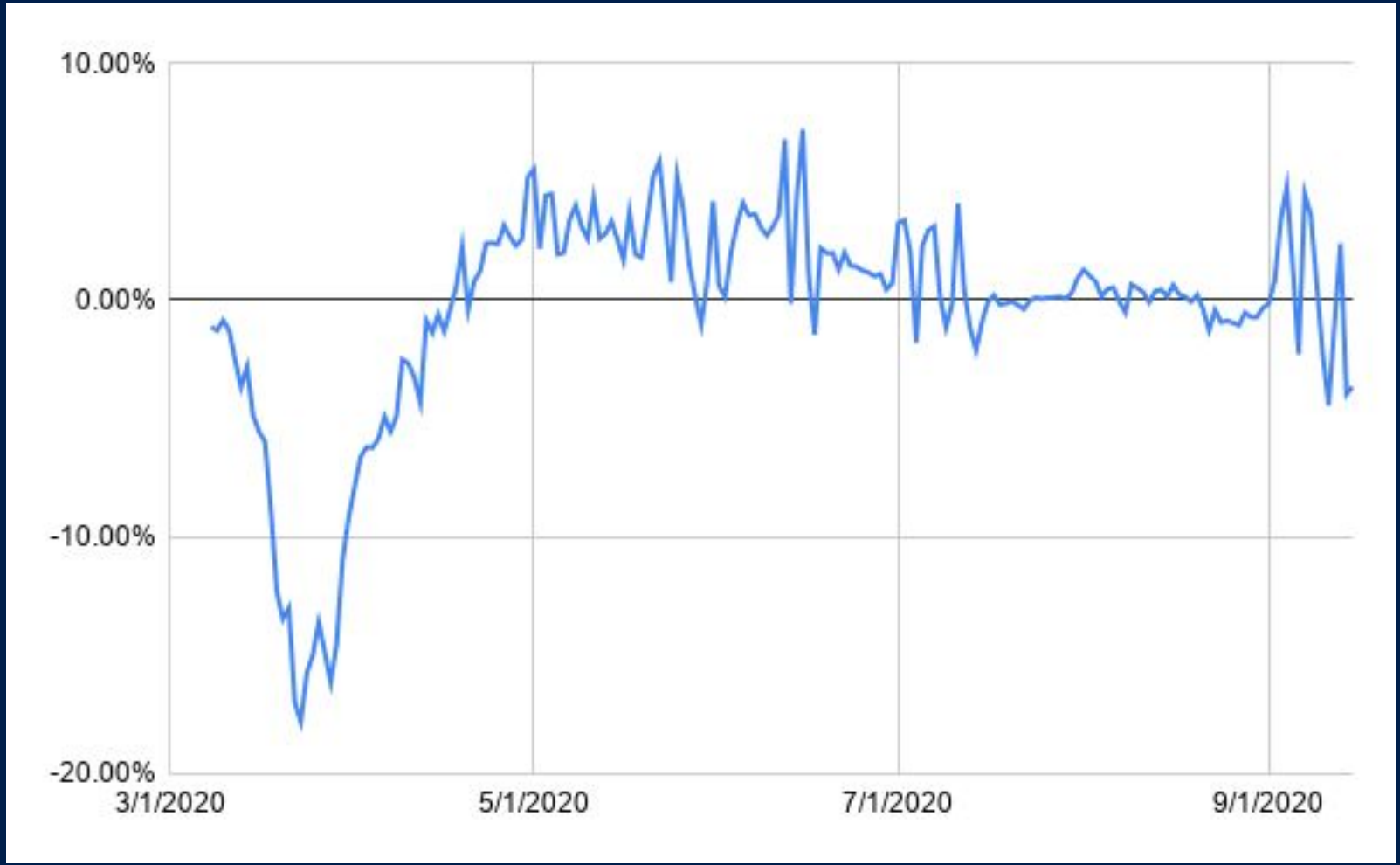
data from TSA




Passengers per day and seven-day average

# Fast data

data from TSA




Daily rate of change in seven-day average

# Federal Reserve

- Key passage from statement:
  - *"The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. With inflation running persistently below this longer-run goal, the Committee will aim to achieve inflation moderately above 2 percent for some time so that inflation averages 2 percent over time and longer-term inflation expectations remain well anchored at 2 percent."*

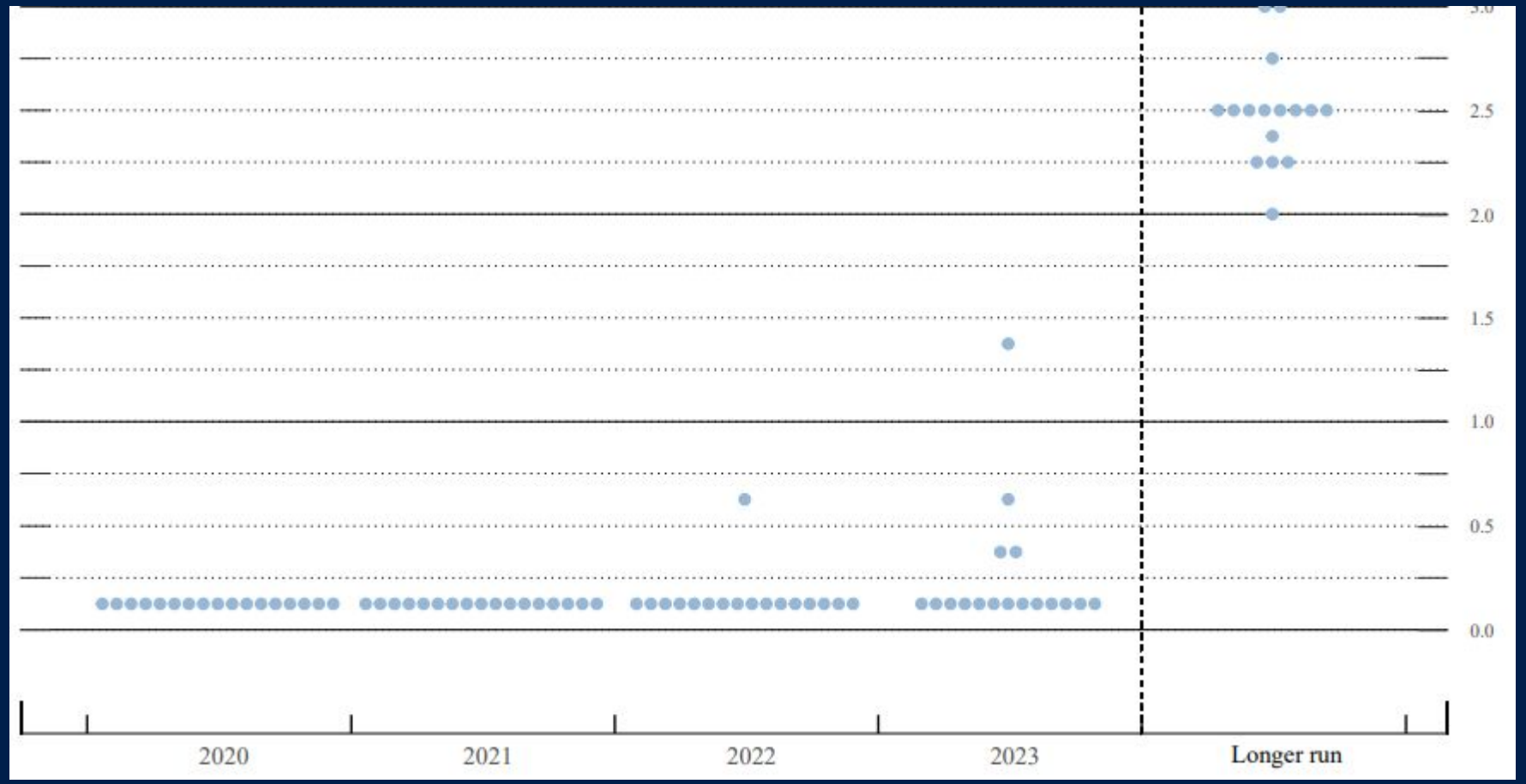
# Federal Reserve

- Generally seems to be a more optimistic statement than in June
  - Fed optimism carries risk for the market
  - Can Fed stick to new regime?
  - What defines “Longer Run” here?

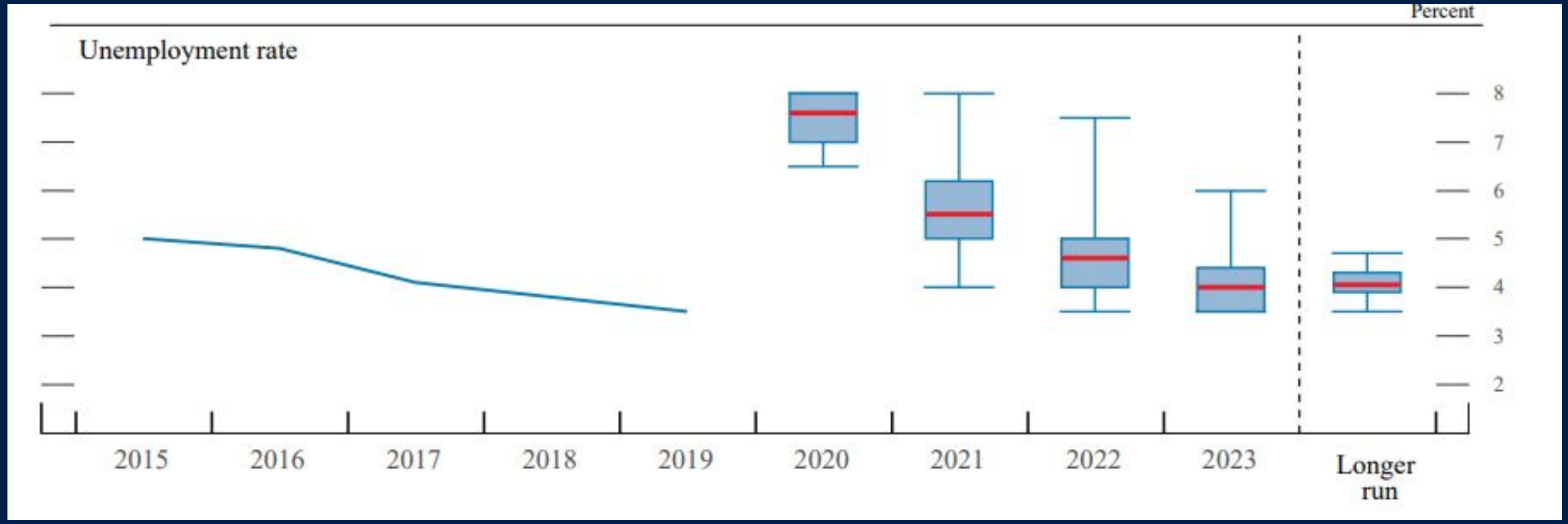
| Variable | Median[1] | | | | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 | Longer run |
| Change in real GDP | -3.7 | 4.0 | 3.0 | 2.5 | 1.9 |
| June projection | -6.5 | 5.0 | 3.5 | | 1.8 |
| Unemployment rate | 7.6 | 5.5 | 4.6 | 4.0 | 4.1 |
| June projection | 9.3 | 6.5 | 5.5 | | 4.1 |
| PCE inflation | 1.2 | 1.7 | 1.8 | 2.0 | 2.0 |
| June projection | .8 | 1.6 | 1.7 | | 2.0 |
| Core PCE inflation[4] | 1.5 | 1.7 | 1.8 | 2.0 | |
| June projection | 1.0 | 1.5 | 1.7 | | |
| Memo: Projected appropriate policy path | | | | | |
| Federal funds rate | .1 | .1 | .1 | .1 | 2.5 |
| June projection | .1 | .1 | .1 | | 2.5 |

# Federal Reserve

Already some wide variation about path of rates going forward

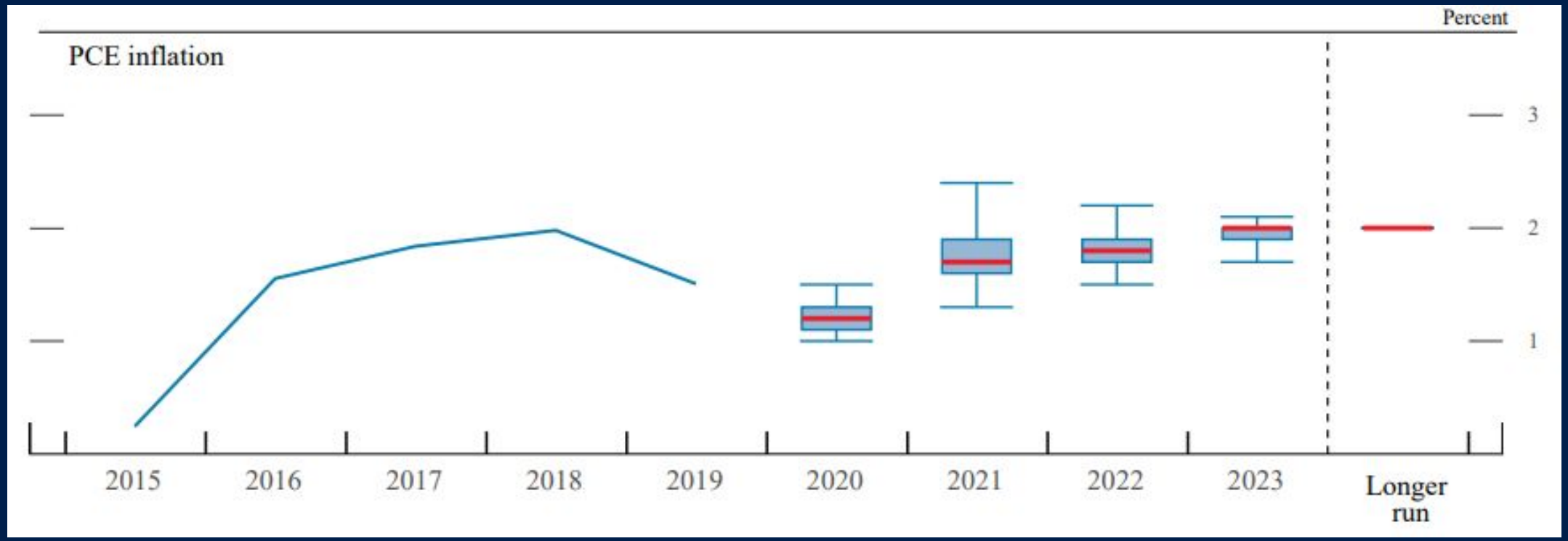


# Federal Reserve




Expecting unemployment to bottom around 4% didn’t work the last time and suggests a failure to learn from the last recovery.

# Federal Reserve




Inflation projections show a rapid return to the 2% target. This didn't happen after 2008, not sure why is is expected to now.

# Questions?

*When to exit an options trade? As a rule, I hold my contracts until they expire worthless. But lately, I've taken a couple hits when stocks drop suddenly and there's no time to recover before expiration. I was in a webinar the other day and the instructor was encouraging traders to place an exit order immediately after they take on a new position. He cited 50% as the profit target for spreads and 25% for Iron Condors and other lower probability strategies. He said by doing this it takes the guesswork out of closing a trade. You're able to place more trades as money is freed up sooner. What is your opinion/strategy as to when and how to properly exit a trade? -Jeff*

Drops at expiration are annoying, but they do happen, especially in volatile markets. Different strategies are more/less exposed to this problem.

Early profit taking is totally acceptable, but you often need to structure your trade appropriately. Stick to more liquid trades.

# Questions?

*Here's my dilemma, I do not know when to sell. I have a tendency of wanting to hang on to a position because I think if I sell it, I will lose the opportunity of buying it back at the lower price of initial buy. Also, I do not know when to sell as the value continues to grow and then, it drops. I know there has to be a sweet spot to each position - which I am clueless of how to know when that is or how to determine. -M*

Depends on your strategy and vehicle.

Some stock traders try to capture 30% of a move… Market timing is hard. Options let you be more aggressive, but still, market timing is hard.

# Questions?

*Question. For swim traders, how to spot or find unusual option activity? Screeners recommended? If I see these, what percentage of stocks is for day traders or SwingTraders??*

*2) how to prevent selling too early and leaving gains on the table for Option traders?? Or what percentage of gains is normal to make in options?*

*3) moving days averages, what is exponential moving average?? I hear people traders say stocks rebound in the 10 days or 50 days What does this mean?*

*4). For indexes what is good to see it daily nasdaq, spy, Dow Jones?? If nasdaq goes up or down, dow Jones do the same or vice versa? -Ruth*

1. Various tools available to let you do different things ThinkorSwim has a pretty good screener
2. Market timing is hard
3. Exponential Moving averages weight recent days more heavily. Moving averages can provide support and resistance, but like all technical indicators, work except when they dont
4. Green numbers are good… the rest is just fluctuations.

# Questions?

*for the webinar- your opinion on bond funds vs holding individual bonds. Worth the risk of holding a fund vs holding a bond if rates go up? Looking at PTIAX. What's your crystal ball say about rates over the next year?*
*Separate question: Where to park a $1M for a year or two? Your opinion.*
*-- Mike*

"Bond Funds" aren't a uniform thing… Some track an index. Some have a target duration, some are "unconstrained" and actively managed.
Held-to-maturity ETFs are relatively new, but avoid some number of typical bond-fund problems.
Rates are exceptionally low, growing economy means rising rates (normally), which means falling prices.

Where to park $1 million is a question with too many variables to answer… Depends on what you need it for, when you need it, and several other variables.

# Questions?

*1) What is the ideal number of stocks to hold in an individual investor portfolio? I've read suggestions of everything from no more than 5-10 to a maximum of 20.*

*2) I've read about the Rule of 40. Does this apply only to software or tech stocks, or can it be applied to any company's income statement?*

*3) What should I do if my portfolio is significantly overweight in one sector and one stock, but that stock has been my best performer and the one I feel most confident in long term?*

*Steve*

1. Depends on how much time you want to devote to managing a portfolio.
2. Rule of 40 Revenue growth + profit margin = at least 40%. This is only ever going to be true for high-growth/high margin businesses. Companies selling physical goods are going to have trouble hitting that for more than a quarter or two.
3. Practically, rebalancing is selling winners to buy underperformers

# Questions?