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): 3832
Simple MA (100): 3698
Simple MA (200): 3485
3950.00
3900.00
3850.00
3800.00
3750.00
3700.00
3650.00
3600.00
3550.00
3500.00
3450.00
3400.00
3350.00
3300.00
3250.00
3200.00
3150.00
3100.00
3050.00
3000.00
2950.00
2900.00
2850.00
2800.00
2750.00
2700.00
2650.00
2600.00
2550.00
2500.00
2450.00
2400.00
2350.00
2300.00
2250.00
2200.00
Apr
Jul
Oct
2021
One year
Daily candles
Volume
0.000000

S&P 500


SPX: 6.30%
^SPXEW: 10.41%
0.105
0.10
0.095
0.09
0.085
0.08
0.075
0.07
0.065
0.06
0.055
0.05
0.045
0.04
0.035
0.03
0.025
0.02
0.015
0.01
0.005
0.00
-0.005
-0.01
Dec
2021
Feb
Mar
Volume
0.000000
S&P 500 vs. S&P 500 Equal Weight
Three Months

S&P 500


SPX: 14.83%
RUT: 49.72%
0.50
0.48
0.46
0.44
0.42
0.40
0.38
0.36
0.34
0.32
0.30
0.28
0.26
0.24
0.22
0.20
0.18
0.16
0.14
0.12
0.10
0.08
0.06
0.04
0.02
0.00
-0.02
-0.04
Sep
Nov
2021
Mar
Volume
0.000000
S&P 500 vs. Russell 2000
Six Months

S&P 500

XLK: 11.95%
XLI: 24.02%
0.24
0.23
0.22
0.21
0.20
0.19
0.18
0.17
0.16
0.15
0.14
0.13
0.12
0.11
0.10
0.09
0.08
0.07
0.06
0.05
0.04
0.03
0.02
0.01
0.00
-0.01
-0.02
-0.03
-0.04
-0.05
Sep
Nov
2021
Mar
Volume
40.00m
30.00m
20.00m
10.00m
0.00
XLK (white) vs. XLI (blue)
Six Months

S&P 500


XLK: 12.00%
XLF: 40.10%
0.40
0.38
0.36
0.34
0.32
0.30
0.28
0.26
0.24
0.22
0.20
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
Sep
Nov
2021
Mar
Volume
40.00m
30.00m
20.00m
10.00m
0.00
XLK (white) vs. XLF (blue)
Six Months

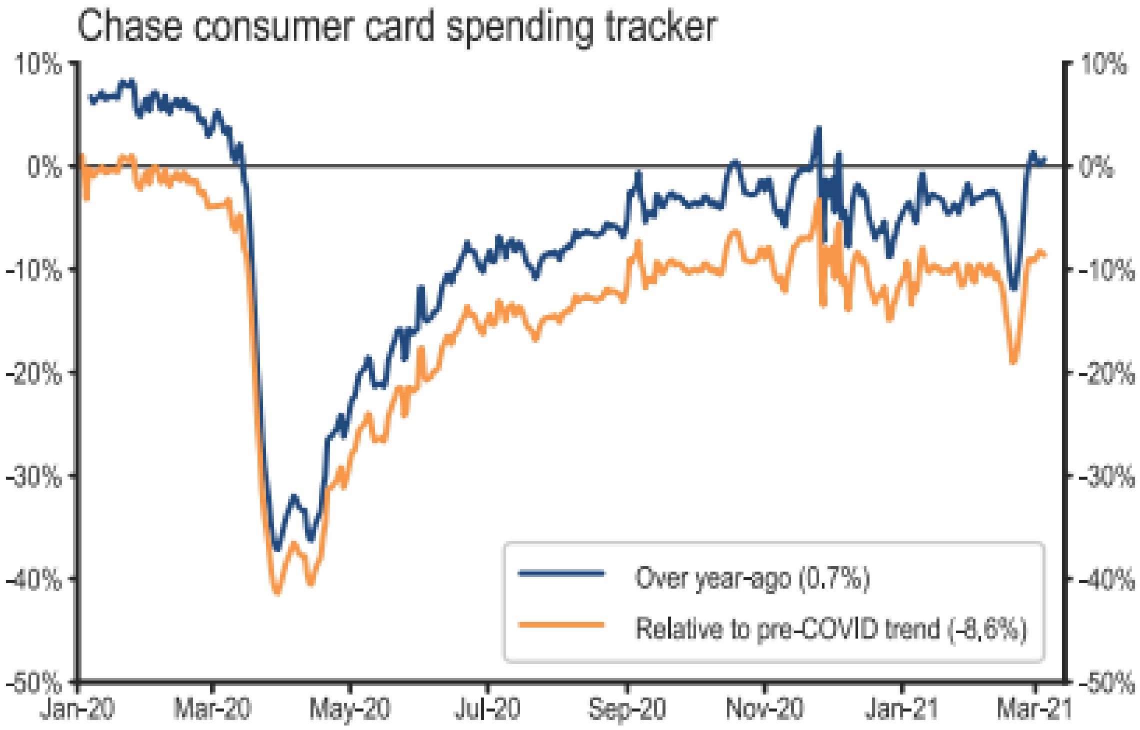
What is happening?

- Still a virus-driven economy
  - Cases falling
  - Vaccine production ramping up
  - Warmer weather on the way
    - Return of outdoor dining other activities
- Stimulus on the Way
  - Should help boost recovery as vaccine rollout/ warmer weather also help
  - Fiscal response has been much bigger than after GFC, should help speed recovery
- Inflation
  - CPI today was low
  - Some temporary inflation likely
- Bond yields
  - 10-year yield is still below 2%
  - Historically, that’s very low
  - Doesn’t suggest a lot of worries about inflation going forward
  - Shows confidence in the economy

Fast data

From JP Morgan

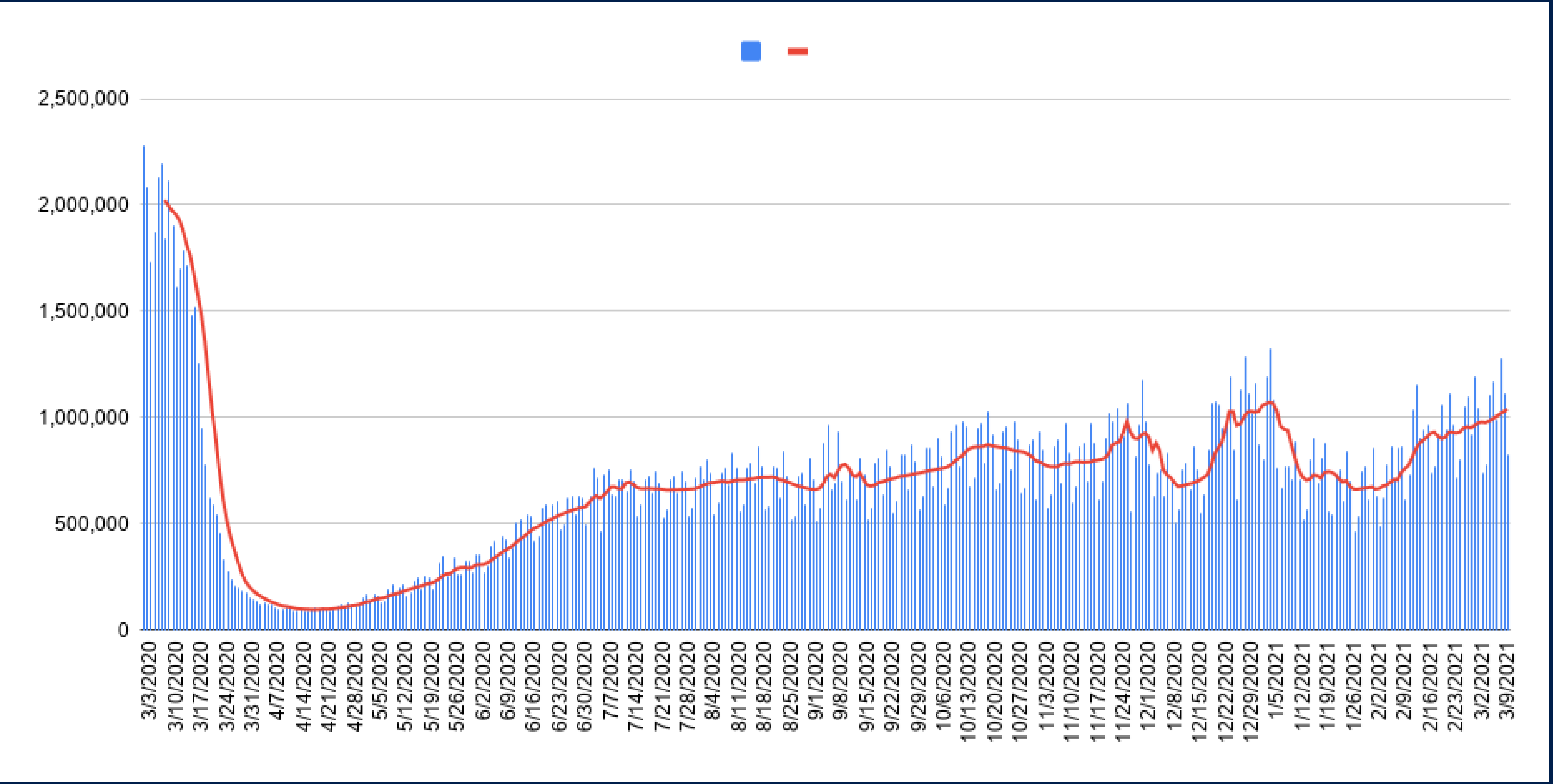
- On March 05, our tracker of Chase consumer card spending was 8.6% below its pre-COVID trend.
- The tracker fell 0.2%-pt over the prior day and rose 0.4%-pt over the prior week.



Source: J.P. Morgan, 7-day average of total spending, Data through March 05.

Fast data

data from TSA



Passengers per day and seven-day average

Questions?

I am new to investing. Can you briefly explain why interest rates in the bond market affects the stock market. -- Carolyn

Specifically, the conversation recently has been about Treasury Bonds.

Theoretical World

- Treasuries are generally considered to be “risk free” so most other borrowing is linked to some part of the Treasury yield curve. So if yields rise for Treasury bonds, yields rise for other borrowers as well.
- As bonds are less volatile than stocks, they’re generally considered to be safer.
- When bond yields get very low, people tend to move into riskier assets to try to get some return.

Practical Application

- “Flight to safety” usually means buying bonds (yields lower).
- The opposite of that is money flowing out of bonds (yields higher).

How This Applies to Now

- “Story Stocks” were a big theme in 2020. Economic prospects weren’t great, so people focused on exciting new industries that offer the opportunity to grow without economic growth… EVs, Pot Stocks, SPACs, other Technology.
- Now that economic growth is back in the picture, other parts of the market become more attractive

Bonus slide about inflation, stocks and bonds

Lots of narrative about bond yields rising because of fears about inflation, and that causing 2020’s high fliers to fall.
Inflation is typically seen as bad for LENDERS…

- Borrow a fixed number of dollars
  - Can sell products at ever-higher prices if inflation happens… Debt becomes easier to repay
  - Higher interest rates can make refinancing more expensive, but the principle amount gets less intimidating
- So the narrative that worries about inflation are pushing yields up and stocks down doesn’t make sense
- Let’s actually look at bond yields
  - Ten-year Treasury is at 1.51% annualized. Historically, that’s very low. Implies market believes average rate of inflation will be less than that over the next ten years.
- So if it isn’t inflation what’s happening?
  - Confidence in the economy is unwinding some “flight to safety”
  - Prospects for economic growth are making other stocks more attractive, especially given the valuations that some of the more speculative names have reached.
- Inflation numbers this morning were pretty subdued.
  - Will see some spikes in certain areas due to supply constraints, but real inflation is going to require much lower unemployment (inflation is basically too much money chasing too few resources, with high unemployment new supply can be brought online relatively cheaply… just hire from the pool of unemployed. And yes, this does imply that people worried about the economy getting “too hot” are to some extent worried that too many people will find work.)
  - Delays are preferable to price hikes for many businesses.
    - Price hikes can squash demand, but if people are willing to wait in line, why would you turn them away?

Questions?

please let me know:

1. *the trend of gold price?*
2. *the trend of esport stocks*
3. *the trend of 5G development.*
4. *the trend of oil stocks?*
5. *what are index fund symbols for s & p 500?*
6. *what are symbols when gold spots price is up & down*

1. Not really a commodities shop. Gold can be a hedge against inflation, but it is a no-growth asset.
2. "Esports stocks" as a concept is pretty broad and vague. Some seem pretty speculative and potentially overvalued. Some may be decent investments.
3. 5G is just the next generation of cell phone service. Not really convinced that 5G stocks are that different from 4G stocks.
4. Short term, demand is likely to increase, which should be good for oil companies. Long-term the trend is pretty clear.
5. SPX is the symbol for the S&P 500 index
6. Commodity and index symbols can vary across platforms, but are the same regardless of trading direction.

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Questions?

1. *Do you think this is a good time to pick up the renewable energy stocks or we haven't seen the bottom yet?*
2. *Is the semiconductor shortage in your opinion going to continue for 2021? If so, the effect on related EV stocks, specifically GM.*
3. *Rising rates, inflation, when banks like JP Morgan releases their Financials this April.What we might expect coming? And how should we be prepared?*

   --Souraya

1. Depends on your holding period. Calling tops and bottoms is hard, if your time horizon is long enough, pull backs can be attractive opportunities.
2. See previous comments about supply shortages and prices. Not sure supply issues are specific to EV makers, probably applies to all automakers and a lot of other industries at this point.
3. Back to previous comments about economic growth. Big banks tend to make some money from volatility. Equity underwriting desks probably doing pretty well due to SPAC boom. All banks tend to do well when the economy is doing well.

Questions?

Interested in OTM long puts against Tesla that would assume it's a bubble (we could compare it to car companies or compare it to a tech company like Apple), then provide a strategy for harvesting its inevitable fall to mother earth (months or a year from now). -- Charles

- Options contracts are like insurance policies.
  - ITM they are expensive (high premium) but offer low to no deductible. (you need less of what you're insuring against to see some return)
  - OTM they are cheaper (lower premiums) but deductibles are higher (you need more of what you're insuring against to see some return.

Wrote an article recently about not shorting TSLA. Same reason I don't do much with gold. Too many people in that market are looking at something else.

Don't get on an airplane with a pilot who has "alternative" ideas about physics.

Questions?

When do you give up on a losing option? For exp., if you have two weeks till it expires and no way will it get back to the strike price but it's still up 10% do you just sell and take whatever you can make? -- David

- Still up 10% doesn’t seem like a loser to me… Not sure exactly what’s going on here
- Beware of sunk costs and “one more candle” issues.
- No need to hold options until expiration
  - Particularly with long options, they lose time value rapidly as expiration approaches. You can close a position and take profits by selling

Questions?

1) I have taken a great interest in implementing your daily vertical trade suggestions from the Investor Keyhole. I would, however, like to receive a deeper dive and your personal recommendations on how to evaluate the risk vs. reward for each trade. It's obviously easy to be enticed by the credit premium and the % of return but how do you measure the amount of risk you would need to assume to achieve that return and the probability of success? This is important to know when comparing trades and determining which ones are most suitable for ones risk tolerance. I.e. Is a trade that has a strike price spread of $5, target a 7% rate of return and would have to drop 10% to cause a problem more or less risky than another trade that also has a $5 spread, expect a 14% return, but would have to drop 20% to cause a problem? How would you analyze & compare these trades?

2) Finally, will all of your recommendations in the Investor Keyhole always be bull-put credit spreads, or will that change depending on the stock and or market conditions! -- Kevin

Insurance all basically gets priced the same relative to risk… A trade with a higher return over the same period of time is likely to be riskier, regardless of the downside protection.

We mix a bear-call spread in occasionally, but even in rough markets, we can usually find things where the bullish strategy works.

Questions?

Please talk about ABNB future growth expectations. -- David

Questions?