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- .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*:
- Charts
- Today's Consumer Price Index Report
- Market and economic commentary
- Member-driven content: Questions, site demonstrations, etc.
  - Can prepare slides for questions submitted ahead of time: Mention "workshop"

# Inflation?

Big theme recently in economic reports is unexpected headline numbers and lots of noise internally.

- Big increase in used-car prices... A third of the headline number
- Other commodities (non-energy)
- Also increases in transportation services (plane tickets... etc.)
- Decreases in energy after several months of rises.

## Last Month

- Energy jumped (Texas ice storms)
- Transportation services

## 12-Month Changes

- Big jumps in energy
- Used cars
- Shelter, transportation services... etc.

	Seasonally adjusted changes from preceding month							Un-adjusted 12-mos. ended Apr. 2021
	Oct. 2020	Nov. 2020	Dec. 2020	Jan. 2021	Feb. 2021	Mar. 2021	Apr. 2021	
All items.....	.1	.2	.2	.3	.4	.6	.8	4.2
Food.....	.2	.0	.3	.1	.2	.1	.4	2.4
Food at home.....	.1	-.2	.3	-.1	.3	.1	.4	1.2
Food away from home (1)...	.3	.1	.4	.3	.1	.1	.3	3.8
Energy.....	.6	.7	2.6	3.5	3.9	5.0	-.1	25.1
Energy commodities.....	.7	.5	5.1	7.3	6.6	8.9	-1.4	47.9
Gasoline (all types)....	.7	.5	5.2	7.4	6.4	9.1	-1.4	49.6
Fuel oil (1).....	.7	3.3	10.2	5.4	9.9	3.2	-3.2	37.3
Energy services.....	.5	.9	.2	-.3	.9	.6	1.5	5.4
Electricity.....	.6	.3	.4	-.2	.7	.0	1.2	3.6
Utility (piped) gas service.....	.4	3.0	-.4	-.4	1.6	2.5	2.4	12.1
All items less food and energy.....	.1	.2	.0	.0	.1	.3	.9	3.0
Commodities less food and energy commodities....	.0	.0	.1	.1	-.2	.1	2.0	4.4
New vehicles.....	.3	.0	.4	-.5	.0	.0	.5	2.0
Used cars and trucks....	.9	-1.4	-.9	-.9	-.9	.5	10.0	21.0
Apparel.....	-.9	.7	.9	2.2	-.7	-.3	.3	1.9
Medical care commodities (1).....	-.7	-.4	-.2	-.1	-.7	.1	.6	-1.7
Services less energy services.....	.1	.2	.0	.0	.2	.4	.5	2.5
Shelter.....	.1	.1	.1	.1	.2	.3	.4	2.1
Transportation services	.2	1.3	-.6	-.3	-.1	1.8	2.9	5.6
Medical care services...	-.3	-.1	-.1	.5	.5	.1	.0	2.2

1 Not seasonally adjusted.

# Inflation?

## September 2020 report

- Big increase in used-car prices... A third of the headline number
- Other commodities (non-energy)
- Also increases in transportation services (plane tickets... etc.)
- Decreases in energy after several months of rises.

## Months prior

- Food... Noisy
- Energy mostly down, but noisy

## 12-Month Changes

- Big drop in energy
- Apparel
- Transportation services

	Seasonally adjusted changes from preceding month							Un-adjusted 12-mos. ended Sep. 2020
	Mar. 2020	Apr. 2020	May 2020	June 2020	July 2020	Aug. 2020	Sep. 2020	
All items.....	-.4	-.8	-.1	.6	.6	.4	.2	1.4
Food.....	.3	1.5	.7	.6	-.4	.1	.0	3.9
Food at home.....	.5	2.6	1.0	.7	-1.1	-.1	-.4	4.1
Food away from home (1)..	.2	.1	.4	.5	.5	.3	.6	3.8
Energy.....	-5.8	-10.1	-1.8	5.1	2.5	.9	.8	-7.7
Energy commodities.....	-10.4	-20.0	-3.5	11.7	5.3	2.0	-.1	-15.5
Gasoline (all types)....	-10.5	-20.6	-3.5	12.3	5.6	2.0	.1	-15.4
Fuel oil.....	-13.7	-15.6	-6.3	10.2	4.3	3.9	-5.3	-27.2
Energy services.....	-.5	.1	-.5	-.2	.0	-.2	1.6	1.4
Electricity.....	-.2	.1	-.8	-.3	.3	-.2	.9	.7
Utility (piped) gas service.....	-1.4	.2	.8	.0	-1.0	-.2	4.2	3.8
All items less food and energy.....	-.1	-.4	-.1	.2	.6	.4	.2	1.7
Commodities less food and energy commodities....	-.3	-.7	-.2	.2	.7	1.0	.8	1.0
New vehicles.....	-.4	.0	.3	.0	.8	.0	.3	1.0
Used cars and trucks....	.8	-.4	-.4	-1.2	2.3	5.4	6.7	10.3
Apparel.....	-2.0	-4.7	-2.3	1.7	1.1	.6	-.5	-6.0
Medical care commodities	.0	-.1	.1	.2	.0	-.1	.0	.9
Services less energy services.....	.0	-.4	.0	.3	.6	.2	.0	1.9
Shelter.....	.0	.0	.2	.1	.2	.1	.1	2.0
Transportation services	-1.9	-4.7	-3.6	2.1	3.6	.0	-.9	-5.1
Medical care services...	.5	.5	.6	.5	.5	.1	.0	4.9

1 Not seasonally adjusted.

# Inflation?

## Price Index of Pandemic-Affected Services

Airfare, Lodging Away From Home, Admissions

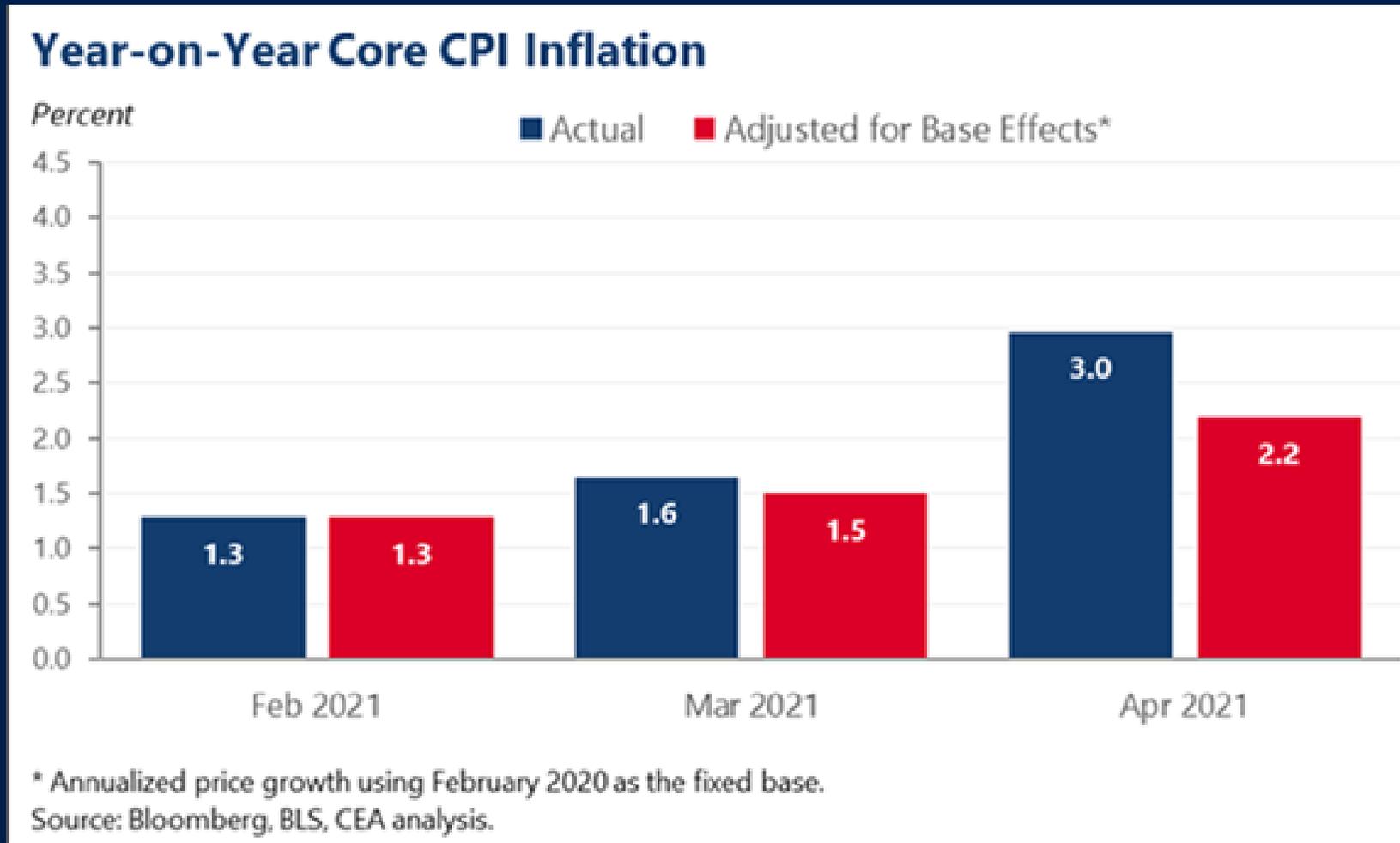
Index (Feb 2020 = 100)



Source: BLS, CEA analysis.

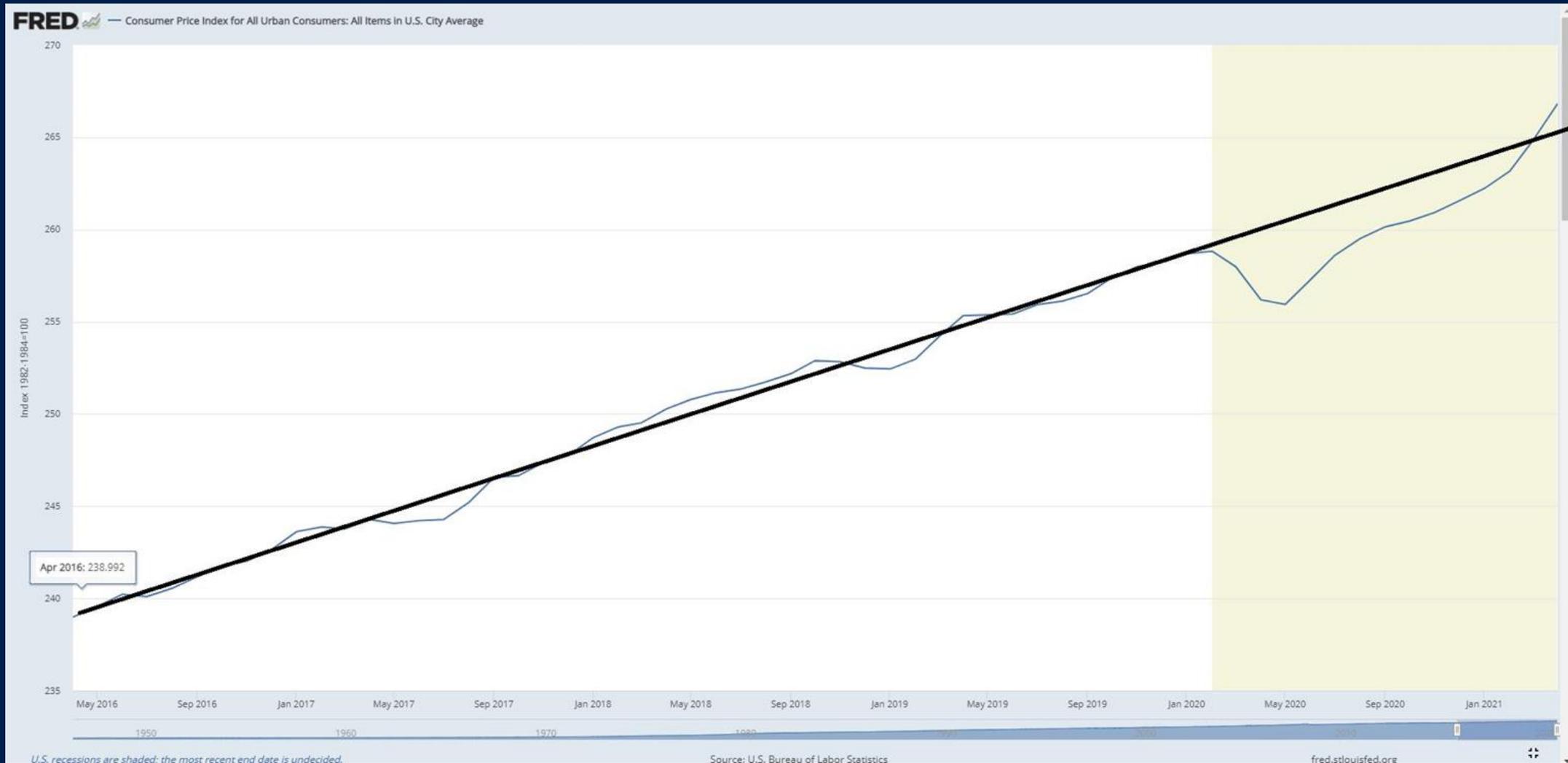
Monthly readings describe the steepness of the line between months... So this month's big jump in transportation services doesn't even get us back to pre-pandemic levels.

# Inflation?



Charts From CEA using 14-month's of data to adjust for pandemic base effects.  
2.2% year-over-year increase in inflation is exactly the definition of "modestly above target"

# Inflation?

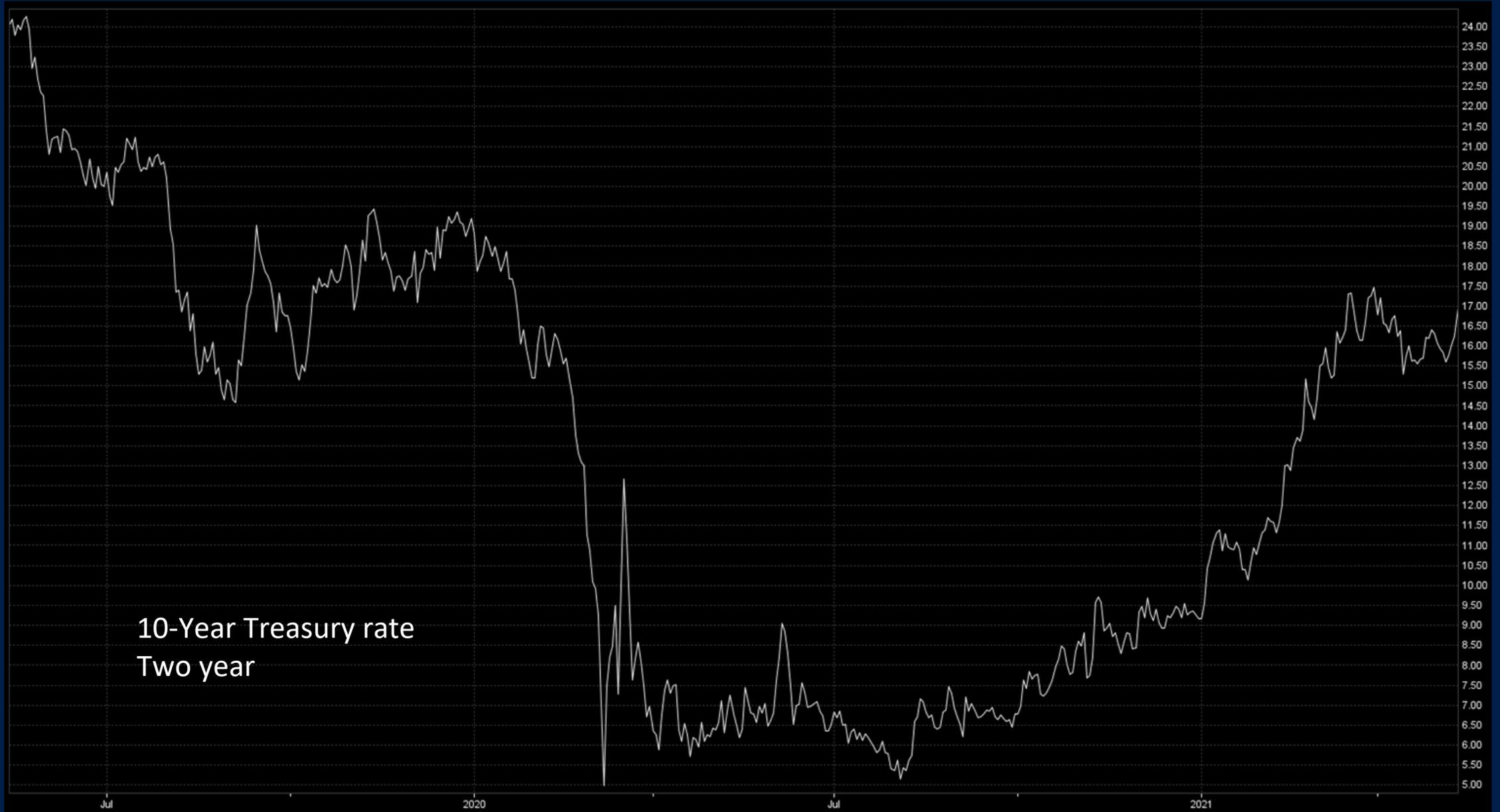


Five years of CPI prices... Right now we're a little above the pre-crisis trend  
Don't want to see it keep climbing, but doesn't really seem like it's time to panic yet either.

# S&P 500



# 10-Year Treasury Yield



10-Year Treasury rate  
Two year

# S&P 500 vs. S&P 500 EW



# Growth vs. Value



# About that Unemployment Report

In April, employment in **leisure and hospitality** increased by 331,000, as pandemic-related restrictions continued to ease in many parts of the country. More than half of the increase was in food services and drinking places (+187,000). Job gains also occurred in amusements, gambling, and recreation (+73,000) and in accommodation (+54,000). Although leisure and hospitality has added 5.4 million jobs over the year, employment in the industry is down by 2.8 million, or 16.8 percent, since February 2020.

Not surprising to see big gains here...  
Lots of businesses reopening or increasing amount of service.

Less sure what's going on here. Generally, lower levels of workers is a positive.

Within professional and business services, employment in **temporary help services** declined by 111,000 in April and is 296,000 lower than in February 2020. Business support services lost jobs in April (-15,000), while architectural and engineering services and scientific research and development services added jobs (+12,000 and +7,000, respectively).

**Manufacturing** employment edged down in April (-18,000), following gains in the previous 2 months (+54,000 in March and +35,000 in February). In April, job losses in motor vehicles and parts (-27,000) and in wood products (-7,000) more than offset job gains in miscellaneous durable goods manufacturing (+13,000) and chemicals (+4,000). Employment in manufacturing is 515,000 lower than in February 2020.

Big losses here are autos and lumber, both places with known supply shortages.

People trading up. Moving from low-end jobs to the higher end.

**Retail trade** employment changed little in April (-15,000), following a gain in the prior month (+33,000). In April, employment declined in food and beverage stores (-49,000), general merchandise stores (-10,000), and gasoline stations (-9,000). These losses were partially offset by employment increases in sporting goods, hobby, book, and music stores (+20,000); clothing and clothing accessories stores (+10,000); and health and personal care stores (+9,000). Employment in retail trade overall is 400,000 lower than in February 2020.

# More About Jobs

Job openings by month, through March.

Leisure and hospitality	648	859	747	738	942	1,209
Arts, entertainment, and recreation	129	110	62	81	134	215
Accommodation and food services	519	749	685	657	808	993

Hires by month, through March

Leisure and hospitality	677	1,097	758	928	1,194	1,188
Arts, entertainment, and recreation	119	138	60	120	135	147
Accommodation and food services	558	959	698	808	1,059	1,041

Quits by month, through March

Leisure and hospitality	515	622	687	641	625	690
Arts, entertainment, and recreation	45	56	71	64	51	53
Accommodation and food services	470	566	616	577	574	637

# Consumer Spending Tracker

## Daily consumer spending tracker

- On May 07, our tracker of Chase consumer card spending was 0.8% below its pre-COVID trend.
- The tracker rose 0.6%-pt over the prior day and rose 2.9%-pt over the prior week.



Source: J.P. Morgan, 7-day average of total spending. Data through May 07, 2021.

# Questions?

*What's going on with ONCY? Why such lackluster performance? Should I HOLD, BUY MORE (at the low price), or SELL?-- Stan*

- Biotech stocks are very volatile.
- Most of them lose money for a long time and there is constant headline risk.

# Questions?

*I've had a couple bull put spreads that were way OTM until the recent market decline. With 3-4 contracts, ending up between puts would be a big cost. With May 21 expiration, how risky is it today to go below the upper put strike? Seems they could be assigned, but unlikely very close to strike. Dipped to 50.06 on TWTR 50 put. Got out at small loss, but probably at lowest dip-- (until tomorrow?) So, when to get out with a week to run, but about 2% above strike, with possible excursions below? - David*

- General Rule is: Start looking for the exit when you feel like the stock is more likely to end up below the sold strike than above.
- Early exercise/assignment of options is pretty rare.
  - Happens more often with calls because of dividends
  - Pretty unlikely to get assigned on just a dip below.
- TWTR should have some support in the neighborhood of \$50, but there's no guarantees there.
- All you can really do is try to get out at a high.

Questions?