

Disclaimer

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- 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

- Charts
- What Else is Happening?
- Hot Right Now
- Member-driven content: Questions, site demonstrations, etc.
 - Can prepare slides for questions submitted ahead of time: Mention “workshop”

S&P 500



S&P 500
One Year

S&P 500



Three Years
Weekly candle

NASDAQ



Nasdaq
One Year

NASDAQ



Three Years
Weekly candle

Russell 2000



Russell 2000
One Year

Russell 2000



Three Years
Weekly candle

S&P 500 vs. S&P 500 EW

S&P 500 vs. S&P 500 Equal Weight
Three Years



Growth vs. Value

VTV vs. VUG three years



AAPL vs. TSLA



What Else is Going On?

- Federal Reserve/Inflation big drivers of stocks
 - CPI, PCE and other inflation reports may be more market moving than jobs day
 - Data likely to be noisy for a while
 - Covid, Weather, other “outside” factors make a “clean” report difficult
 - Inflation isn’t just a U.S. story. Also running hot in Europe and some Asian economies
 - The Fed isn’t going to be able to fix all of it
 - Need more normalization of things.
 - Increased services spending
 - Increased goods production
- Covid
 - Still out there
 - Omicron on the wane in most areas
- Earnings
 - Generally pretty good
 - Some compression of margins due to higher costs
 - Guidance, as a concept, seems to be fading

Interest Rates and Risk

- Federal Reserve controls one rate
 - Fed Funds Rate
 - Short-term unsecured borrowing between banks
- Other rates are (sort of) derived from this rate
 - A one-month loan is 30 overnight loans
 - A ten-year loan is 120 one-month loans
- This means that on some level, the rate on 10-years bonds is what the market expects that overnight rate to be over the next ten years.
- If you're an investor who wants a return on your investment and interest rates on "risk-free" assets (treasuries, bank deposits) are zero, you have to move into something riskier
 - High-grade corporate bonds
 - High-yield (junk bonds)
 - "Safe Stocks" Utilities, defensives, other dividend payers
 - Cyclicals
 - Speculative Assets: Unprofitable tech, some crypto and other assets

Hot Right Now

- Energy
 - Thermal Coal
 - Oil & Gas Integrated
 - Oil & Gas E&P
- Real Estate
 - REIT- Residential
 - REIT - Industrial
 - REIT- Retail
- Financial Services
 - Regional Banks
 - Banks - Diversified
 - Reinsurance
- Utilities
 - Gas
 - Electric
 - Independent Power Producers
- Industrials
 - Integrated Freight & Logistics
 - Trucking
 - Rental & Leasing Services

Questions?

1) Can you better explain what a Wash Sale is. I understand it as if you take a loss on a stock and then repurchase the same stock say 10 days later at a cheaper rate that would be considered a Wash Sale. But, What if you buy a stock and it takes a beating and instead of selling at a loss I buy more of the stock which goes back up and I make a profit. Then say 10 days later the same stock went back down and I buy it again would that be considered a Wash Sale. --Danyal

- “Wash Sale” has Multiple Meanings
 - Most common is as described... selling for a loss and then buying back in within 30 days.
 - This is only illegal if you’re doing it for an improper tax benefit (doesn’t apply to crypto... yet)
 - Also can’t buy “substantially identical” securities: Sell SPY and Buy VOO
 - Buying more of a stock when it is down is fine.
 - This is often part of dollar-cost-averaging
- “Wash Sale” can also refer to trading between related parties
 - If I sell an asset to myself, I can set the price
 - Lots of this happens in Crypto, particularly with some of those high-dollar NFT transactions

Questions?

2) I received a notice stating I would be suspended 90 days if my most recent stock sale settled before the other 2 sales. Is this because I may not have enough money in my account to cover. If a sale hasn't settled why is the money in my account after selling a stock. I guess what i'm trying to ask is how do you know when a sale settled or not. – Danyal

- This is a problem that typically only occurs in cash accounts
 - This can be an IRA or other tax-advantaged account, or just an account that doesn't have margin trading enabled
- Settlement is what's known at T+2
 - Trade date plus two business days: Buy stock on 2/2, trade settles on 2/4
- You're supposed to have settled cash in your account to cover purchases on the settlement date
 - Good Faith: Selling a security before it is fully funded
 - Sell stock A Monday morning. Use those funds to buy Stock B Monday afternoon.
Sell Stock B Tuesday.
 - Freeriding: Buy stock you can't afford Monday. Sell stock Thursday to cover purchase.
 - Cash Liquidation Violation: Buy stock A Monday. Sell Stock B Tuesday to pay for stock A.

Questions?

Question: Vertical spreads; I selected a few VS (short term 7 to 14 days) that have gone deep into the money quickly. Is it better to wait and let the time period of the option strategy expire when the underlying price is above (bullish) or below (bearish) the sold leg? –Richard

- For something this short the stock price's proximity to one leg or the other can have a bigger effect than time
- Unwinding involves selling the bought option, so a stock price very close to that leg can give it a boost from extrinsic value
- Unless you think it can come back, typically works out a little better to try to close it early.