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.

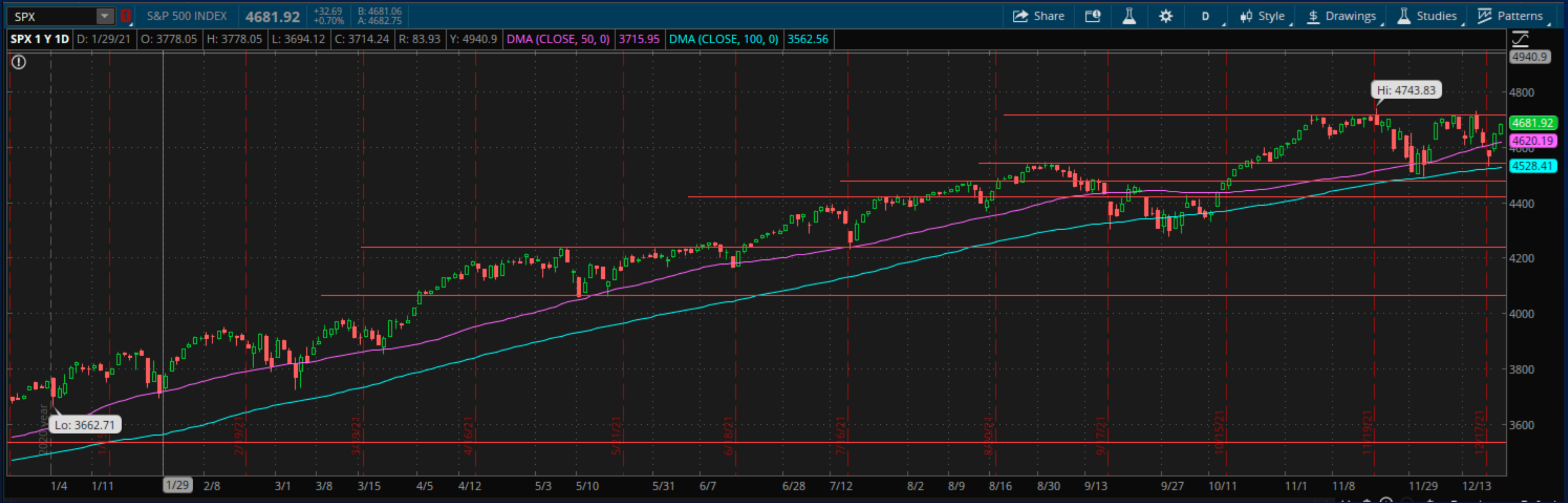
InvestorsObserver

Workshop

InvestorsObserver Workshop

- 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

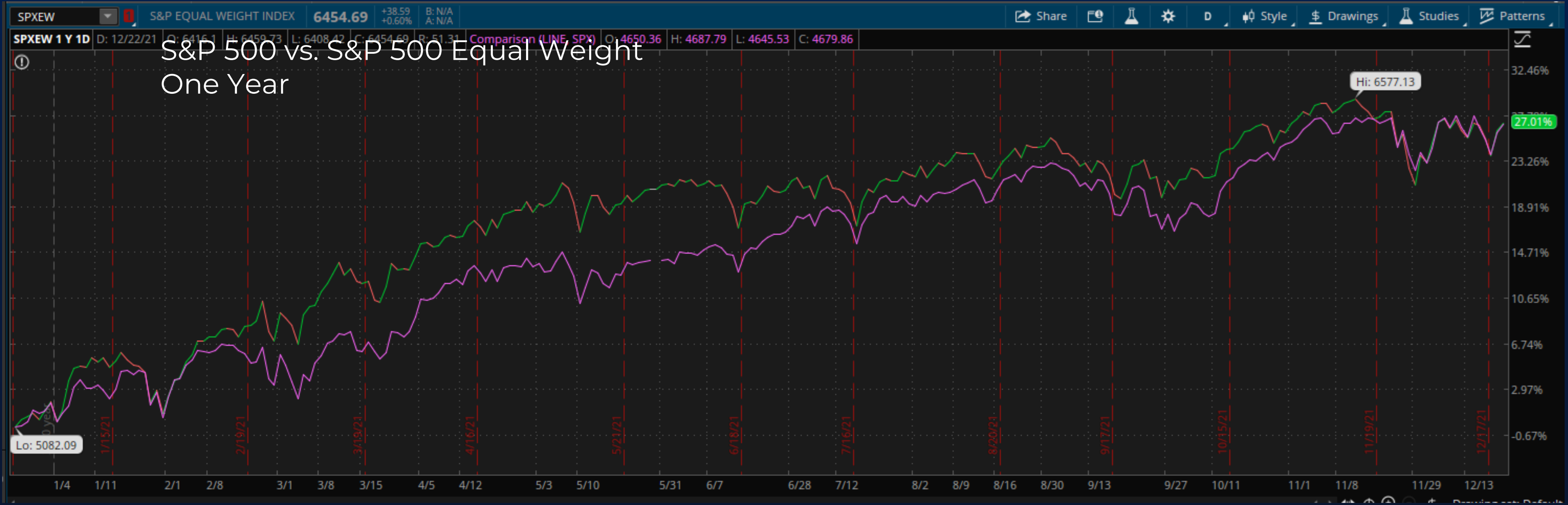
NASDAQ

Nasdaq
One Year

Russell 2000

Russell 2000
One Year

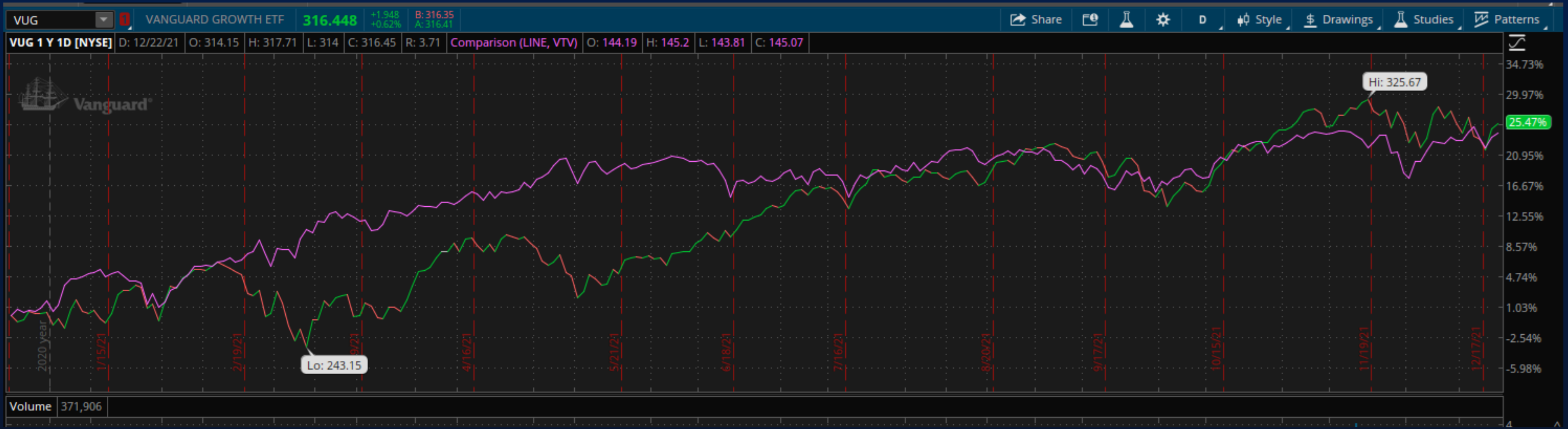
S&P 500 vs. S&P 500 EW



IO

Growth vs. Value

VTV vs. VUG one year



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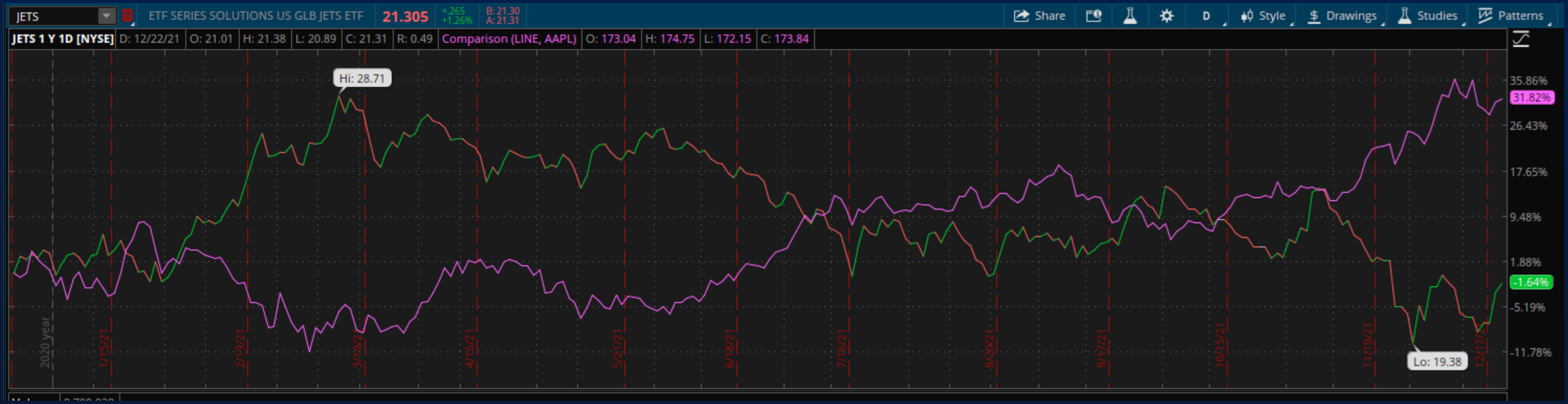
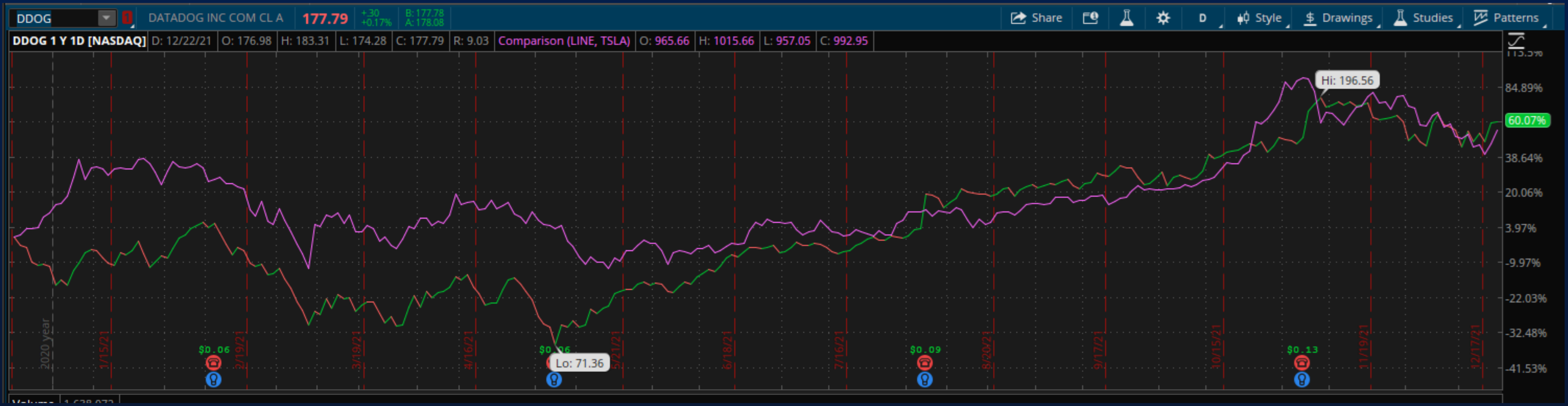
JETS vs. AAPL


JETS
ETF SERIES SOLUTIONS US GLB JETS ETF
21.305
+.265
+1.26%
B: 21.30
A: 21.31
Share
D
Style
Drawings
Studies
Patterns
JETS 1 Y 1D [NYSE]
D: 12/22/21
O: 21.01
H: 21.38
L: 20.89
C: 21.31
R: 0.49
Comparison (LINE, AAPL)
O: 173.04
H: 174.75
L: 172.15
C: 173.84
Hi: 28.71
Lo: 19.38
35.86%
31.82%
26.43%
17.65%
9.48%
1.88%
-1.64%
-5.19%
-11.78%
2020 year
1/15/21
2/19/21
4/16/21
5/21/21
6/18/21
7/16/21
8/20/21
9/17/21
10/15/21
11/19/21

DDOG vs. TSLA



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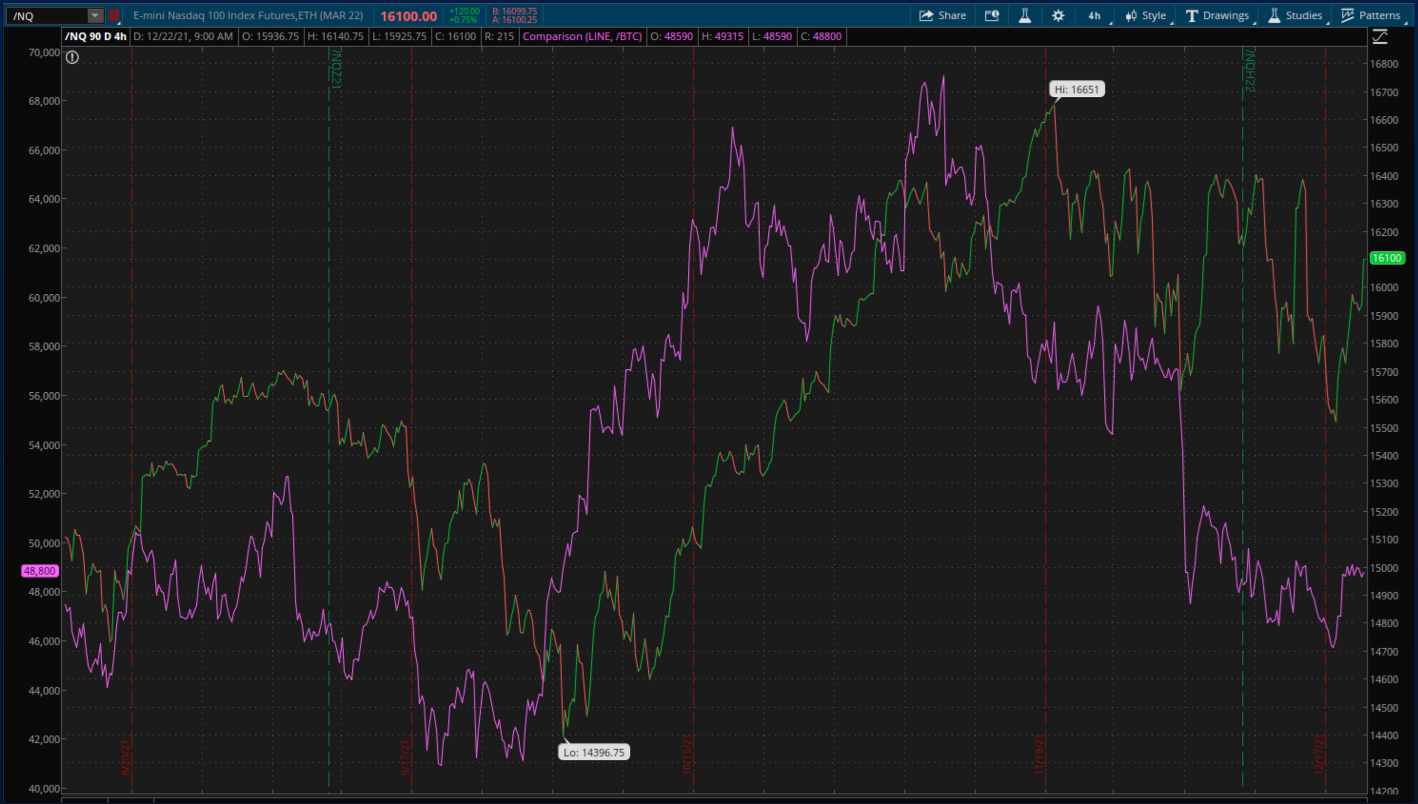
Nasdaq vs. Bitcoin



What Else is Going On?

- Omicron seems less bad than feared
  - Very spreadable, less dangerous
    - More sick days / fewer hospitalizations/deaths
  - If it can overtake/provide immunity against more dangerous infections, could move us closer to new normal
    - Still unknown… either way, getting infected isn't a good idea
- Federal Reserve/Inflation big drivers of stocks
  - CPI and other inflation data may be more important than jobs data
    - Fed trying to walk line between hot and too hot
    - This puts the (likely) risk at inflation gets too high, not economy slows too much
  - There is no interest rate that unloads boats or moves trucks faster
  - Capital investment by businesses leads to increased capacity
  - No real indication that consumers are panic buying
    - This would signal expectations that inflation will remain high

Hot Right Now

- Energy
  - Thermal Coal
  - Oil & Gas E&P
  - Oil & Gas Integrated
- Real Estate
  - Residential REITs
  - Industrial REITs
  - Diversified REITs
- Financial services
  - Financial Conglomerates
  - Regional Banks
  - Diversified Banks
- Utilities
  - Gas
  - Water
  - Electric
- Consumer Cyclical
  - Residential Construction
  - Luxury Goods
  - Leisure

What's Next?

What causes the Santa Clause Rally if there is one?   – Peter

- Lots of theories, no definitive answer
    - Fewer active traders, more passive investors
- What to expect in 2022?
    - Continuation of recent trends
        - Reopening and "Real economy" will be strong
            - Supply chains still a concern, but hopefully easing
        - Unprofitable, speculative tech likely remains volatile
    - Crypto remains the Wild West
        - Lots of Media
        - Maybe some practical applications?
    - Virus starts to take a backseat
        - Risks start to approach that of car travel
    - Inflation levels off
        - Maybe starts to fall toward the end of the year

Questions?

My question : do you believe EV and crypto are in bubbles that could negatively impact market beyond those sectors? I look at Tesla "math" and the number of options yolo'ing weekly and cringe. Ditto on crypto. --Charles

- EVs have been beaten up and still look high to me
  - TSLA fell close to 30%, still had a P/E above 300
  - Tesla is barely profitable, the rest aren't
  - Nothing is impossible, but with all the existing automakers ramping up EV production, there are going to be more losers than winners in this group
- Crypto
  - Big ones are also off their highs
    - Starting to trade like other "risk" assets
  - Other projects are still rising
  - Ultimately, this is still an incredibly new, immature, poorly regulated space
    - We did lots of research and work to build out our crypto product
    - Focus is on technicals, because that's really all there is.
      - Technical analysis works across asset classes
      - No real fundamental analysis is possible

Questions?

Gold is suppose to be a hedge against inflation and a bear market. With all the uncertainty right now, why aren't gold stocks doing better? – Jeff

- "Hedge against inflation" doesn't mean "outperform the stock market"
  - Say inflation is 10%/ year
    - $100 will be worth $100
    - $100 perfectly hedged against inflation would be worth $110
    - $100 invested in company that grew 25% would be worth $125
- Gold trades in a market just like anything else
  - Past 12 month performance for gold (priced in dollars) is -3.46%
    - Dollars (priced in dollars) are flat
- Could be lots of reasons for gold not performing well
  - People choosing other inflation hedges: TIPs, Bitcoin, etc.
  - Demand for gold isn't just people worried about inflation: Jewelry, electronics etc.
    - A big drop in demand from some other gold buyers could leave the price lower
- Gold is just like any other asset: Value is exactly what someone will pay for it
  - One of several relatively rare, shiny metals that can be found on Earth.
  - Doesn't have any magical properties, price floor or intrinsic value

Questions?

Can minimization of risk on an option trade where time decay is in the favor of the trader be achieved by extending the expiration date of the option position? For example, what about creating a bull put spread with Leaps on AAPL when AAPL is at major support? – Eugene

- I think this question boils down to, “Are longer trades safer than shorter ones”
    - Lots of ways to define/measure risk: Probability of assignment, risk/reward ratio… etc.
- For time-decay strategies like bull-put spreads, I think shorter is better
    - Time decay is fastest closer to expiration
    - Option prices for a given expiration date are priced to reflect the potential stock moves over the time to expiration
        - A trade that returns X% in Jan. 2022 will be closer to the money than a trade that returns X% in Jan. 2023.
        - More chances for the stock to make a bigger move, roughly same probability of assignment, much lower annualized return
        - Delta curve (Gamma) less steep for longer-dated trades, so price move changes option prices less
- Longer can mean safer for strategies where you need the stock to move
    - More time means more chances for the move, with less time decay