Equity Rally Cools. Tech Giant Overextends. – 11/6/2025

Macro Views

Tony Zhang
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During the past two weeks, we initially saw a cooler inflation print with Fed rate cuts and positive trade deals. But an FOMC hawkish tone poured cold water on the equity rally. Moreover, investors started fretting over stretched valuations. Market breadth has continued to decline over the past three months, and equity rally participation continues to deteriorate. This Friday, a delayed October labor market reading will also come out and could put rate cuts back on track. With the AI boom and strong earnings growth, investors are still buying the dips and have shown up in full force as the Supreme Court questioned the legality of Trump's tariffs. Betting markets are placing only a 20% chance of Trump winning the case. If it gets overturned, that may provide a strong potential catalyst for lagging stocks to play catch-up. Overall, while market internals point to a short-term pullback, I'm cautiously optimistic about equities in the longer term. Earnings growth continues to outpace revenues amidst a cooling labor market and a potential return of tens of billions from tariffs.

For more information, please watch the replay video.

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Trade Idea

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Apple (AAPL) stock has surged, but its valuation appears disconnected. Apple is being priced as if its next major growth driver is imminent. Yet, the company remains in a holding pattern on AI deployment. Apple Vision Pro's ambitions have been eclipsed by Meta, and the iPhone 17 and Air offer little evidence of a new hardware super-cycle. With an IV Rank of 16%, option premiums remain modest, making debit spreads attractive for bearish exposure. That's why I'm buying the December 270/250 put vertical at a $6.25 debit.

AAPL @ $269.55	BUY 1 DEC 19TH 270 PUT AT $8.80
	SELL 1 DEC 19TH 250 PUT AT $2.55
11.06.25	DEBIT ($8.80 – $2.55) * 100 = $625
	($270 – $250 – $6.25) * 100 = MAX GAIN OF $1,375
AAPL BEAR PUT SPREAD	($8.80 – $2.55) * 100 = MAX RISK OF $625

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Tony's Lookback

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Five weeks ago, I sold the META November 14, 2025, 720/665 put vertical at $20.65. It's now trading at $52.30, which would normally trigger a stop-loss order. The max loss you can have from this point is only $270. Because this was on the back of a catalyst, this is an exception to the rule of cutting losses because the further potential risk is minimal compared with the potential reward if META were to bounce in the next week before expiration.

META
10.02.2025
$722.29

BUY 1 NOV 14TH 665 PUT AT $15.75
SELL 1 NOV 14TH 720 PUT AT $36.40
NET CREDIT = $2,065

BULL PUT SPREAD ON META

META
11.06.2025
$622.33

SELL 1 NOV 14TH 665 PUT AT $43.85
BUY 1 NOV 14TH 720 PUT AT $96.15
CURRENT NET DEBIT = $5,230
LOSS IF CLOSED = $3,165

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