



Trade Alert - (TLT) – BUY

BUY the iShares Barclays 20+ Year Treasury Bond Fund (TLT) May 2021 \$144-\$147 in-the-money vertical Bear Put spread at \$2.50 or best

Opening Trade

4-11-2021

expiration date: May 21, 2021

Portfolio weighting: 10%

Number of Contracts = 40 contracts

If you don't play options, just go out and buy the ProShares Ultra Short Treasury Bond Fund (TBT) outright. I think it could rise from the current \$20.98 to \$100 in the coming years.

We have just rallied a respectable \$6.00 off of the recent \$132.20 low for the (TLT). That has taken ten-year US Treasury yields down from 1.76% to 1.64% in two weeks.

Try as it may, the bond market just can't get any more upside traction than that. Instead, we are getting a sideways "time" correction before the next down leg ensues. The outlook for fixed income is absolutely awful.

The memo is out now. Bonds have already dropped \$25 in 2021 and the worst is yet to come. This is becoming a one-way trade. Therefore, I will be selling even small rallies, like the one we just saw.

With 2021 expected to be one of the strongest years for economic growth in history, there is no chance you'll see a major rally in the US Treasury bond market from here. The only question is how fast it will fall.

This trade is basically betting that interest rates will rise in front of the biggest borrowing in human history.

I am therefore buying the iShares Barclays 20+ Year Treasury Bond Fund (TLT) *May* 2021 \$144-\$147 in-the-money vertical Bear Put spread at \$2.50 or best.

Don't pay more than \$2.70 or this is really not worth doing.

The fundamentals of this trade are very simple. The national debt rose from a record \$23 trillion to an eye-popping \$28 trillion in 2020. In 2021 it is expected to explode to \$32 trillion. The US Treasury demands on the bond market are going to be incredible.

It is almost mathematically impossible for bond prices to rise and interest rates to fall substantially from here. They can only go sideways at best, or down big in the worst case. Sounds like a great short to me.

This is a bet that the (TLT) will not rise above \$144.00 by the May 21 option expiration in 30 trading days. To lose money on this position, ten-year US Treasury yields would have to plunge to 1.34% from the current 1.64%, which they won't in three weeks. Pigs would have to fly first.

Here are the specific trades you need to execute this position:

Buy 40 April 2021 (TLT) \$147 puts at.....	\$9.60
Sell short 40 April 2021 (TLT) \$144 puts at.....	<u>\$7.10</u>
Net Cost:.....	\$2.50

Potential Profit: $\$3.00 - \$2.50 = \$0.50$

$(40 \times 100 \times \$0.50) = \$2,000$ or 20.00% in 30 trading days.

Financial Instrument	Opt. Volume	Put/Call Volume	Opt. Vlm Chng %	Hist. Vol. Close %	IV Last
TLT	49.7K	2.56	45.092%	17.316%	14.6%

Buttons
Add Underlying
Preview Order/Check Margin Impact
Close Position
Reverse Position
View Account

Trading
Orders
Log
Trades
Portfolio
Strategy Builder

Strategies
B/A: 299 2.45 2.80 444 Debit
Reverse
Add Stock
Make Delta Neutral
Bear Spread

Action	Ratio	LastTrdDay	Strike	Type	Mltplr
Buy	1	MAY 21 '21	147	Put	100
Sell	1	MAY 21 '21	144	Put	100

+ Add Leg
X Clear All Legs

Place order: 40 DAY LMT 2.50 D Transmit Add to Quote Panel Profile

Option Chains
MAY 07 '21* 30 DAYS
MAY 14 '21* 37 DAYS
MAY 21 '21 44 DAYS
JUN 18 '21 72 DAYS
MORE



TBT ProShares UltraShort 20+ Year Treasury NYSE + BATS

9-Apr-2021 11:01am

Open 21.10 High 21.22 Low 20.98 Last 20.98 Volume 739.8K Chg +0.06 (+0.29%) ▲

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▲ RSI(14) 49.83



\$TNX CBOE 10-Year US Treasury Yield INDX

9-Apr-2021 11:01am

Open 16.69 High 16.87 Low 16.51 Last 16.57 Chg +0.25 (+1.53%) ▲

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▲ RSI(14) 56.03





The Fat Lady is Singing for the Bond Market

To see how to enter this trade in your online platform, please look at the order ticket below, which I pulled off of *Interactive Brokers*.

If you are uncertain on how to execute an options spread, please watch my training video on “*How to Execute a Vertical Bear Put Spread*” by clicking here at

<http://members.madhedgefundtrader.com/ltt-vbpds/>

The best execution can be had by placing your bid for the entire spread in the middle market and waiting for the market to come to you. The difference between the bid and the offer on these deep in-the-money spread trades can be enormous.

Don’t execute the legs individually or you will end up losing much of your profit. Spread pricing can be very volatile on expiration months farther out.

Keep in mind that these are ballpark prices at best. After the alerts go out, prices can be all over the map.