



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

4-27-2021

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.

We have just rallied a respectable \$9.00 off of the recent \$132.20 low for the (TLT). That has taken ten-year US Treasury yields down from 1.76% to 1.51% in six 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 12 trading days. To lose money on this position ten-year US Treasury yields would have to plunge to 1.34% from the current 1.58%, 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 May 2021 (TLT) \$147 puts at.....\$8.40
Sell short 40 May 2021 (TLT) \$144 puts at.....\$5.90

Net Cost:.....\$2.50

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

$(40 \times 100 \times \$0.50) = \$2,000$ or 20.00% in 12 trading days.

Financial Instrument

Opt. Volume

Put/Call Volume

Opt. Vlm Chng %

Hist. Vol. Close %

IV Last

TLT

49.7K

3.36

43.393%

12.887%

1

Buttons

Add Underlying

Preview Order/Check Margin Impact

Close Position

Reverse Position

View Account

Trading

Orders

Log

Trades

Portfolio

Strategy Builder

Strategies

B/A: 285

2.35

2.75

70

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

Clear All Legs

Place order: 40 DAY LMT 2.... D

Transmit

Add to Quote Panel

Profile

Option Chains

MAY 07 '21 11 DAYS

MAY 14 '21 18 DAYS

MAY 21 '21 25 DAYS

MAY 28 '21 32 DAYS

MORE

TLT iShares 20+ Year Treasury Bond ETF Nasdaq GM + BATS

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26-Apr-2021 11:32am

Open 140.15 High 140.51 Low 140.03 Last 140.19 Volume 2.6M Chg +0.13 (+0.09%)▲

▲ RSI(14) 56.27



TBT ProShares UltraShort 20+ Year Treasury NYSE + BATS

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26-Apr-2021 12:13pm

Open 20.24 High 20.31 Low 20.15 Last 20.27 Volume 1.0M Chg -0.03 (-0.15%) ▼

▲ RSI(14) 42.74



\$TNX CBOE 10-Year US Treasury Yield INDX

26-Apr-2021 12:13pm

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Open 15.95 High 15.95 Low 15.56 Last 15.68 Chg +0.01 (+0.06%) ▲

▲ RSI(14) 47.04

● \$TNX (Daily) 15.68
— MA(50) 15.60
— MA(200) 10.03
■ Volume undef





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.