

Trade Alert - (TLT) – BUY

BUY the iShares Barclays 20+ Year Treasury Bond Fund (TLT) *October* 2021 \$154-\$157 in-the-money vertical Bear Put spread at \$2.60 or best

Opening Trade

9-14-2021

expiration date: October 15, 2021

Portfolio weighting: 10%

Number of Contracts = 40 contracts

We have just seen a nice two-point rally in the (TLT) which I am more than happy to sell into.

Treasury bonds have in fact been in a gentle downtrend that began in mid-July. I expect it to accelerate in the aftermath of the release of the Consumer Price Index Tuesday morning, which is expected to be unbelievably hot.

People are not taking a 1.32% yield on the ten-year US Treasury bond against a 5.4% inflation rate generating a negative 4.11% real yield because they think it's a great deal.

I am therefore buying the **iShares Barclays 20+ Year Treasury Bond Fund (TLT)** *October 2021* **\$154-\$157 in-the-money vertical Bear Put spread at \$2.60 or best**

Don't pay more than \$2.75 or you'll be chasing on a risk/reward basis.

If you don't play options, just go out and buy the ProShares Ultra Short Treasury Bond Fund (TBT) outright.

With 70% of the US population already vaccinated and 10% having immunity from the disease, only 20% are left to get sick. Eventually, ALL of them will get it, but it will not force a second shutdown of the economy.

The long-term outlook for fixed income is absolutely awful. The next big rotation in the markets will be for tech and bonds to peak out and for financials to bounce hard off a bottom. This will result from coming major upgrades in economic growth, which analysts and strategists are wildly underestimating.

As soon as everyone gets the parts and labor they want, it is going to be off to the raises. Add to that a Fed taper on monetary stimulus and interest rates will soar. At the very least they have to stop stimulating the housing market with \$40 billion a month worth of mortgage-backed securities.

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.

To lose money on this trade, the ten-year US Treasury yield would have to drop below 0.90% in two weeks, which is highly unlikely.

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.

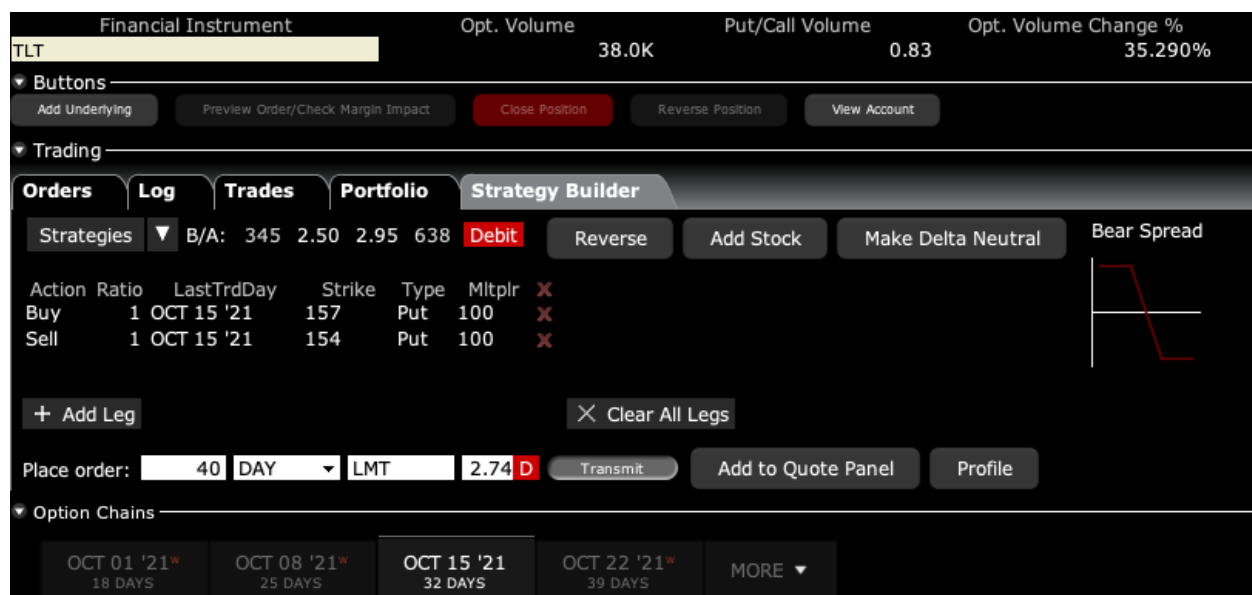
This is a bet that the (TLT) will not rise above \$154.00 by the October 15 option expiration in 23 trading days. To lose money on this position, ten-year US Treasury yields would have to plunge to 0.90% from the current 1.32%, which they won't.

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

Buy 40 October 2021 (TLT) \$157 puts at.....\$8.00
Sell short 40 October 2021 (TLT) \$154 puts at.....\$5.40
Net Cost:.....\$2.60

Potential Profit: \$3.00 - \$2.60 = \$0.40

(40 X 100 X \$0.40) = \$1,600 or 16.00% in 24 trading days.



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

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13-Sep-2021 11:35am

Open 149.04 High 149.49 Low 148.95 Last 149.16 Volume 3.9M Chg +0.76 (+0.51%)▲

▲ RSI(14) 52.73



TBT ProShares UltraShort 20+ Year Treasury NYSE + BATS

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13-Sep-2021 11:35am

Open 17.30 High 17.31 Low 17.17 Last 17.25 Volume 1.6M Chg -0.16 (-0.92%) ▼

▲ RSI(14) 46.14



\$TNX CBOE 10-Year US Treasury Yield INDX

13-Sep-2021 11:36 am

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Open 13.38 High 13.38 Low 13.16 Last 13.24 Chg -0.17 (-1.27%) ▼

▲ RSI(14) 51.97





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* <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.