



Emergency Alert

Trade Alert - (TLT) – BUY

BUY the iShares Barclays 20+ Year Treasury Bond Fund (TLT) *December* 2022 \$165-\$170 in-the-money vertical Bear Put spread LEAPS at \$3.80 or best

Opening Trade

12-7-2021

expiration date: December 16, 2022

Portfolio weighting: 10%

Number of Contracts = 1 contract

I think we are having a capitulation topping out process in the bond market this morning. If not, we're very close to it.

It therefore is the ideal time to add one of my favorite “widows and orphans”

trades, a long dated vertical bear put debit spread LEAPS on the (TLT). If I am right, this trade offers a **NEAR guaranteed 31.6% profit in one year.**

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

I know 31.6% doesn't sound like a lot after this year's heady 100% gains. But the returns for the stock market in 2022 may be only 15%, with dividends. In other words, you are going to have to work twice as hard for half the profits with double the market volatility and discipline.

You are going to have to scale back your expectations. I know this can be hard but it's better than losing money or getting 0.25% interest in a cash account.

We have just rallied an eye-popping \$12.00 off of the October low for the (TLT). That has taken ten-year US Treasury yields down from 1.76% to 1.43% in six weeks. Bonds are now assuming that a fourth Omicron wave will take us up to a new peak in deaths and force the economy to close down once again, triggering a new recession.

I don't buy that for a second. With 80% of the US population already vaccinated and 10% having immunity from the disease, only 10% are left to get the sickness. Omicron will only kill anti-vaxxers. Eventually ALL of them will get it, but it will not force a second shutdown of the economy. The US now has herd immunity.

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 solid bottom. This will result from coming major upgrades in economic growth, which analysts and strategists are wildly underestimating.

I expect that US GDP will run at a **red hot 7%** in 2022. But much of the stock market performance has already been pulled forward.

As soon as everyone gets the parts and labor they want, it is going to be off to the raises. Add to that a **\$1.44 trillion 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.

The only question is how fast bonds 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) *December 2022* \$165-\$170 in-the-money vertical Bear Put spread LEAPS at \$3.80 or best.**

Don't pay more than \$4.25 or you'll be chasing.

To lose money on this trade, the ten-year US Treasury yields would have to drop below 0.90 % by December 2022, which is highly unlikely.

The fundamentals of this trade are very simple. The national debt rose to an eye-popping \$30 trillion in 2021. In 2022, it is expected to explode to \$33 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.

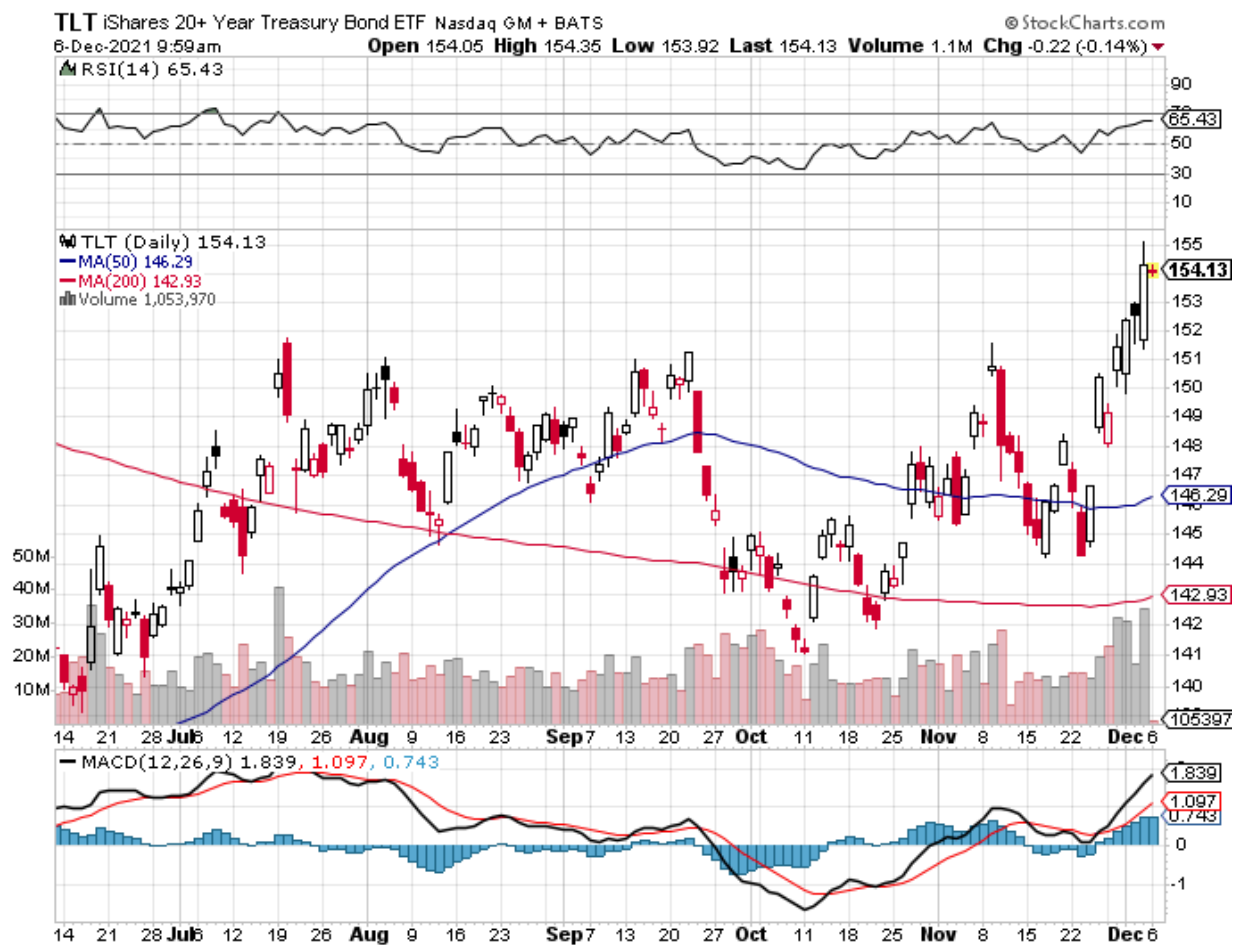
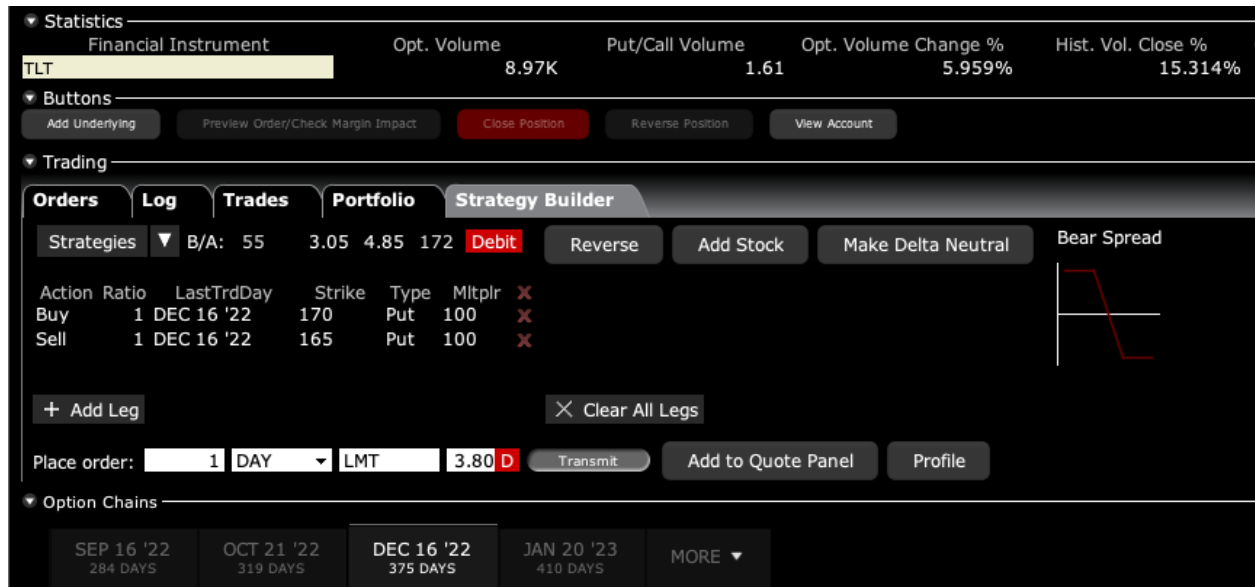
This is a bet that the (TLT) will not rise above \$165.00 by the December 16, 2022 option expiration in one year.

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

Buy 1 December 2022 (TLT) \$170 puts at.....	\$23.00
Sell short 1 December 2022 (TLT) \$165 puts at.....	<u>\$19.20</u>
Net Cost:.....	\$3.80

Potential Profit: $\$5.00 - \$3.80 = \$1.20$

$(1 \times 100 \times \$1.20) = \120 or 31.6% in one year every \$380 invested.



TBT ProShares UltraShort 20+ Year Treasury NYSE + BATS

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Open 15.74 High 15.77 Low 15.68 Last 15.73 Volume 1.1M Chg +0.03 (+0.19%) ▲

▲ RSI(14) 33.96





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 <https://www.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.