



Trade Alert - (TLT) – BUY

BUY the iShares Barclays 20+ Year Treasury Bond Fund (TLT) *May 2022* \$127-\$130 in-the-money vertical Bear Put spread at \$2.60 or best

Opening Trade

4-20-2022

expiration date: May 20, 2022

Portfolio weighting: 10%

Number of Contracts = 40 contracts

Bonds are in free fall so I am willing to sell into a small rally, such as we are having today.

I am therefore willing to BUY the US Treasury bond market with a very deep in-the-money vertical bull call spread with a five-week view. This will help balance out our long/short exposure in our model trading portfolio.

The Fed likely will raise interest rates in April by 50 basis points, but only by a quarter-point instead of the once expected half.

We are certainly headed for a 3.00% yield for the ten-year, but not until mid-year at the earliest.

I am therefore buying the **iShares Barclays 20+ Year Treasury Bond Fund (TLT) May 2022 \$127-\$130 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.

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.

With 2022 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 rise to 2.40% in five weeks, which is highly unlikely. You need the yearend to see those numbers.

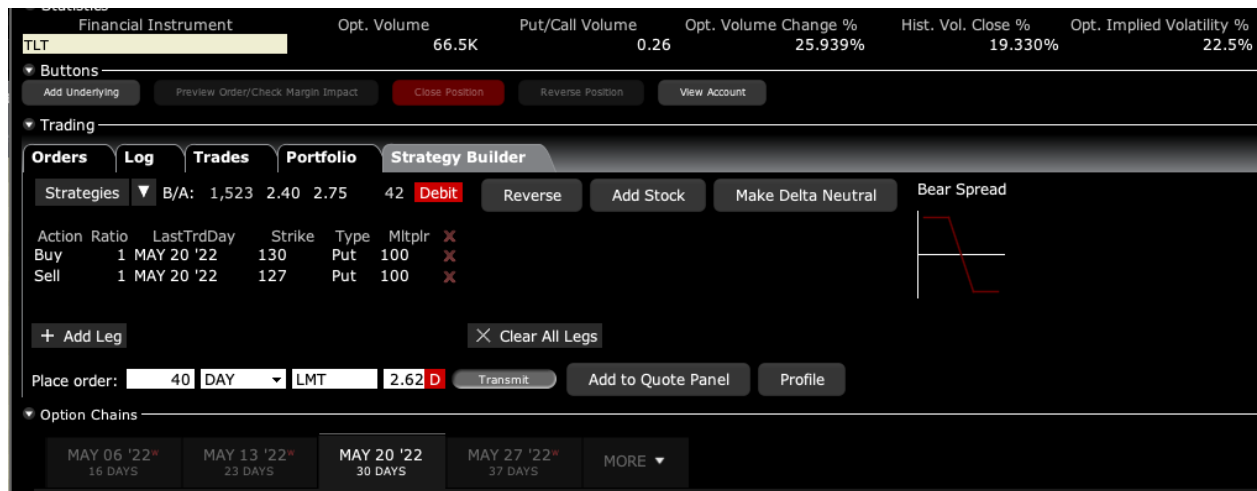
The fundamentals of this trade are very simple. The national debt rose to an eye-popping \$30 trillion in 2021. In 2022, it is expected to explode to \$33 trillion. The US Treasury's demands on the bond market are going to be incredible.

This is a bet that the (TLT) will not rise above \$127.00 by the May 20 options expiration in 24 trading days. Here are the specific trades you need to execute this position:

Buy 40 May 2022 (TLT) \$130 puts at.....\$9.00
Sell short 40 May 2022 (TLT) \$127 puts at.....\$6.40
Net Cost:.....\$2.60

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

(40 X 100 X \$0.40) = \$1,600 or 20.00% in 22 trading days.





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.