

Trade Alert - (TLT) – BUY

BUY the iShares Barclays 20+ Year Treasury Bond Fund (TLT) *July 2022* \$128-\$131 in-the-money vertical Bear Put spread at \$2.50 or best

Opening Trade

5-25-2022

expiration date: July 15, 2022

Portfolio weighting: 10%

Number of Contracts = 40 contracts

I am going to use the monster \$3.00 rally this morning to add a long-dated conservative very deep in-the-money short position in the bond market.

To lose money on this trade the ten-year US Treasury yield would have to drop from today's 2.73% to below 2.33% in seven weeks, which is highly unlikely.

Treasury bonds have in fact been in a steep downtrend that began in the end of November. I expect it to accelerate in the aftermath of the release of the Core Inflation Rate on June 10.

People are not taking a 2.73% yield on the ten-year US Treasury bond against an 8.3% inflation rate generating a negative -5.57% real yield because they think it's great.

I am therefore buying the **iShares Barclays 20+ Year Treasury Bond Fund (TLT) July 2022 \$128-\$131 in-the-money vertical Bear Put spread at \$2.50 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 UltraShort Treasury Bond Fund (TBT) outright.

The long-term outlook for fixed income is absolutely awful. The next big rotation in the markets will be for tech and 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 races. Add to that a Fed quantitative tightening on monetary stimulus and interest rates will soar.

With 2022 the Fed on an announced path of at least 200 basis points in interest rate rises, 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.

To lose money on this trade, the ten-year US Treasury yield would have to drop from today's 2.73% to below 2.33% in seven weeks, which is highly unlikely.

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.

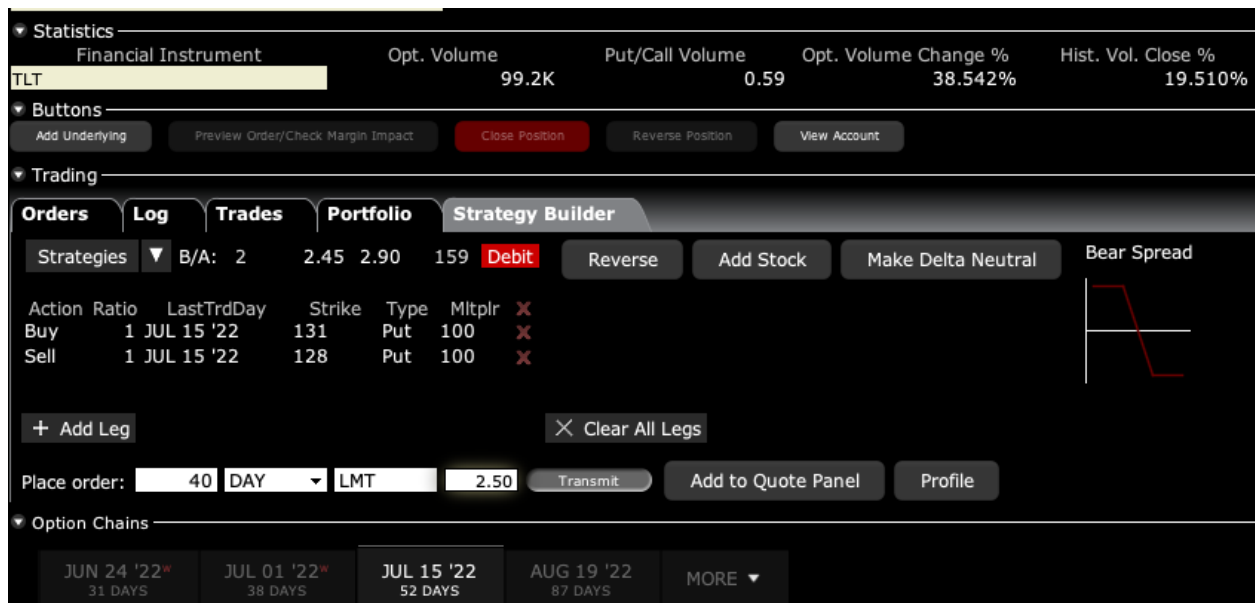
This is a bet that the (TLT) will not rise above \$128.00 by the July 15 option expiration in two months.

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

Buy 40 July 2022 (TLT) \$131 puts at.....\$13.00
Sell short 40 July 2022 (TLT) \$128 puts at.....\$10.50
Net Cost:.....\$2.50

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

(40 X 100 X \$0.50) = \$2,000 or 16.00% in two months.



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

24-May-2022 11:53am

Open 117.90 High 119.62 Low 117.86 Last 119.14 Volume 9.8M Chg +2.58 (+2.21%) ▲

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▲ RSI(14) 50.36



\$TNX CBOE 10-Year US Treasury Yield INDX

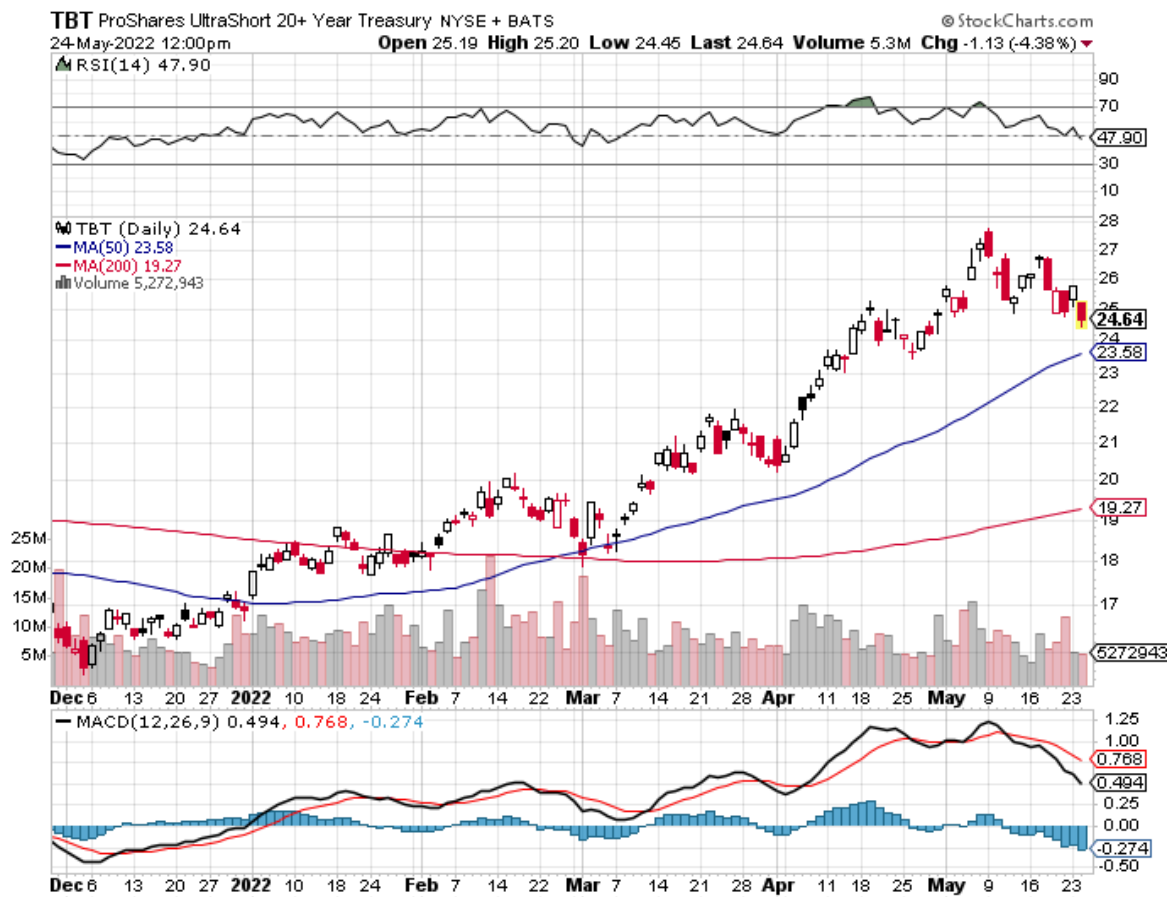
24-May-2022 12:00pm

Open 28.14 High 28.28 Low 27.18 Last 27.38 Chg -1.21 (-4.23%) ▼

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▲ RSI(14) 45.14





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.

This is not a solicitation to buy or sell securities

The Mad Hedge Fund Trader is not an Investment advisor

For full disclosures click here at <http://www.madhedgefundtrader.com/disclosures>

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Futures trading involves a high degree of risk and may not be suitable for everyone.