Get Ready to Take a Leap Back into Leaps

Just as every cloud has a silver lining, every stock market crash offers generational opportunities.

Last September and October 2022 are well behind us, for the past 100 years the two worst trading months of the year. That means they are also the best months for entering spectacular trades with **LEAPS**.

What are LEAPS you make ask?

This is the best strategy with which to cash in on the gigantic market swoons, which have become a regular feature of our markets.

LEAPS, or **Long Term Equity Anticipation Securities**, is just a fancy name for a stock option spread with a maturity of more than one year.

You execute orders for these securities on your options online trading platform, pay options commissions, and endure option-like volatility.

Another way of describing **LEAPS** is that they offer a way to rent stocks instead of buying them, with the prospect of enjoying years' worth of stock gains for a fraction of the price.

While these are highly leveraged instruments, you can't lose any more money than you put into them. Your risk is well-defined. But you get 10X or more exposure to the stock. They are kind of like synthetic futures on individual stocks.

And there are many companies in the market where **LEAPS** are a very good idea, especially on those gut-wrenching 1,000-point down days.

Interested?

Currently, LEAPS are listed all the way out until June 2025.

However, the further expiration dates will have far less liquidity than near-month options, so they are not a great short-term trading vehicle. That is why limit orders in **LEAPS**, as opposed to market orders, are crucial.

These are really for your buy-and-forget investment portfolio, defined benefit plan, 401k, or IRA.

Because of the long maturities, premiums can be enormous. However, there is more than one way to skin a cat, and the profit opportunities here can be astronomical.

Like all options contracts, a **LEAPS** gives its owner the right to "exercise" the option to buy or sell 100 shares of stock at a set price for a given time.

LEAPS have been around since 1990, and trade on the Chicago Board Options Exchange (CBOE).

To participate, you need an options account with a brokerage house, an easy process that mainly involves acknowledging the risk disclosures that no one ever reads.

If a **LEAPS** expires "out-of-the-money" – when exercising, you can lose all the money that was spent on the premium to buy it. There's no toughing it out waiting for a recovery, as with actual shares of stock. Poof and your money is gone.

LEAPS are also offered on exchange-traded funds (ETF’s) that track indices like the Standard & Poor's 500 index (SPY) and the Dow Jones Industrial Average (INDU), so you could bet on up or down moves of the broad market.

One of my most profitable trades in 2021 was the (TLT) December 2022 $$150-$155 vertical bear put LEAPS, which generated a 100% profit for everyone who got into it. Those who bought the more aggressive (TLT) December 2022 $$140-$145 vertical bear put LEAPS made 200%.

I see you’re still interested. For example, the highly popular ProShares 2X Ultra Technology ETF (ROM) only offers maturities out only six months so it is not possible to do a proper **LEAPS**. No one is willing to take the risk on the other side of this highly volatile security.

Not all stocks have options, and not all stocks with ordinary options also offer **LEAPS.**

Note that a **LEAPS** owner does not vote proxies or receive dividends, because the underlying stock is owned by the seller, or "writer," of the **LEAPS** contract until the **LEAPS** owner exercises.

Despite the Wild West image of options, LEAPS are actually ideal for the right type of conservative investor.

They offer more margin and more efficient use of capital than traditional broker margin accounts. And you don't have to pay the usurious interest rates that margin accounts usually charge.

And for a moderate increase in risk, they present outsized profit opportunities.

For the right investor, they are the ideal instrument.

Let me go through some examples to show you their inner beauty.

By now, you should all know what **vertical bull call spreads** are. If you don't, then please click there link for a quickie video tutorial at
https://www.madhedgefundtrader.com/ltt-vbcs/
(you must be logged in to your account).

Let's go back to February 9, 2018, when the Dow Average plunged to its 23,800 low for the year. I then begged you to buy the Apple (AAPL) June 2018 $130-$140 call spread at $8.10, which most of you did. A month later, that position is worth $9.40, up some 16.04%. Not bad.

Now let's say that instead of buying a spread four months out, you went for the full year and three months, to June 2019.

That identical (AAPL) $130-$140 would have cost $5.50 on February 9. The spread would be worth $9.40 today, up 70.90%, and worth $10 on June 21, 2019, up 81.81%.

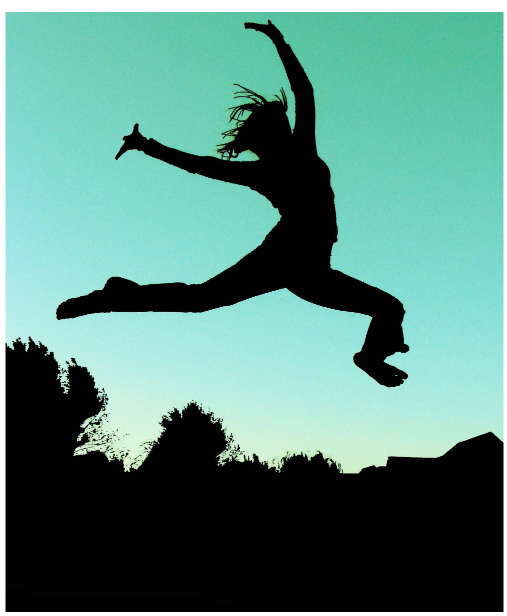
So, by holding a 15-month to-expiration position for only a month you get to collect 86.67% of the maximum potential profit of the position.

So, now you know why we leap into **LEAPS.**

When the meltdown comes, and that could be as soon as next week, use this strategy to jump into longer term positions in the names we have been recommending and you should be able to retire early.

Now you know why I like **LEAPS** so much. Please play around with the names and the numbers and I'm sure you will find something you like. But remember one thing. ***LEAPS are only a trade to consider at long-time market bottoms***, not tops!

They are also the perfect positions to own if you believe we have just entered a second **Roaring Twenties** and a second **American Golden Age**, as I do.



Time to Leap Into LEAPS