



Trade Alert - (TLT) – BUY

BUY the iShares Barclays 20+ Year Treasury Bond Fund (TLT) *June* 2024 \$86-\$89 in-the-money vertical Bull Call debit spread at \$2.60 or best

Opening Trade

5-21-2024

expiration date: June 21, 2024

Portfolio weighting: 10%

Number of Contracts = 40 contracts

The recent data indicates that the economy is modestly weakening, hiring is slowing, and inflation is moderating. That has caused interest rates to fall and bond prices to rise, as I expected. That also invites a weaker US dollar and stronger foreign currencies, gold, and silver.

It is a dream scenario for bonds and all other fixed-income instruments, which have been on a tear.

I have largely been focusing on the noninterest rate-sensitive sectors of the US economy, mostly Big Tech. The cruel fact is that over half of the US economy is getting killed by high rates, old economy capital-intensive sectors like steel, cruise lines, utilities, and REITS for commercial real estate, and regional banks. At some point, the Fed is going to **HAVE** to cut rates to bail out this troubled part of the economy.

We are also getting a halving in quantitative tightening that will also give bonds a boost.

The Fed also has to bail out the US Treasury, which last year made a ruinous \$900 billion in interest rates, double the recent average. Lower rates would go a long way toward calming fears of the very high \$35 trillion national debt.

If you don't trade options, just buy the (TLT) outright. I am looking for a possible 28% gain this year from these levels.

I am therefore buying the **iShares Barclays 20+ Year Treasury Bond Fund (TLT) *June* 2024 \$86-\$89 in-the-money vertical Bull Call debit spread at \$2.60 or best.**

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

We are now entering a long-term declining period for the interest rate cycle. By midyear, economic weakness will be so obvious to the Fed that a dramatic rate-cutting policy will ensue to avoid a recession.

And this won't be just any old easy money policy. I expect a 0.25% rate ***CUTS*** for the indefinite future and for the Fed to continue cutting at a 0.25% rate at ***every*** meeting until the economy stabilizes.

In addition, the Fed is ending its ***quantitative tightening*** program this year, which is currently sucking \$90 billion a month out of the economy. That's a lot of bond selling that suddenly ends.

Bonds will soar.

I'm looking for \$110 in the (TLT) sometime in 2024 and maybe even \$120. Use every dip to load up on shares in the ETF, calls, call spreads, and one-year LEAPS. This trade is going to work fast. It is the low-hanging fruit of 2024.

Kaching!

The only way to lose money on this position is if the US economy absolutely catches on fire and sends interest rates soaring in the next months. As we are on the verge of a possible soft landing, I highly doubt this is going to happen.

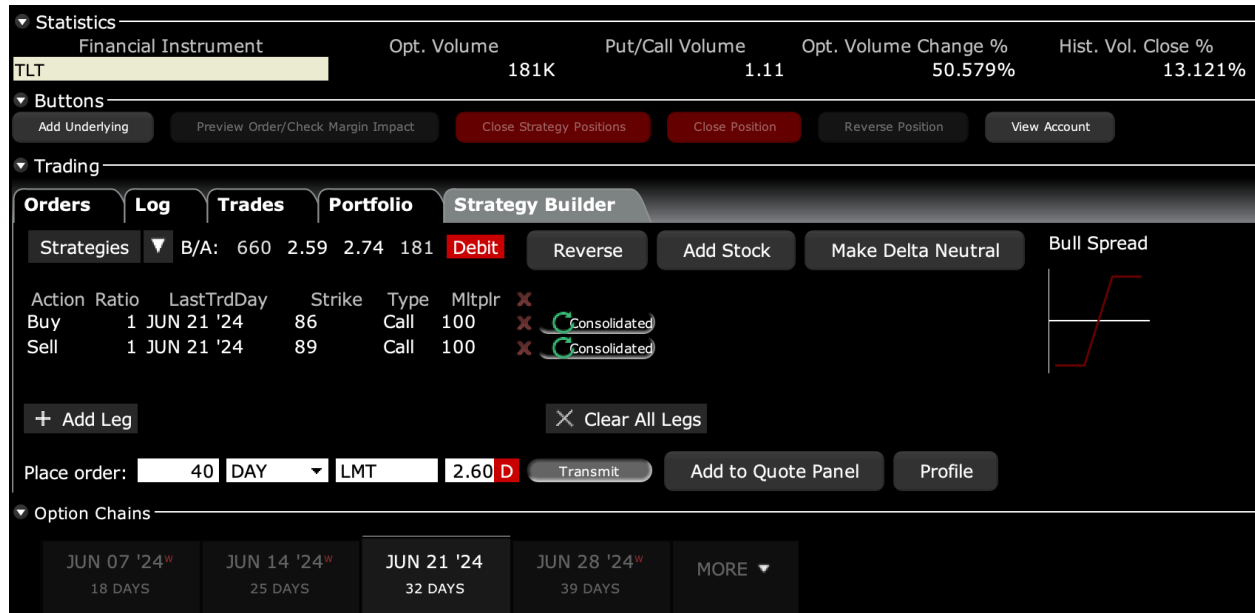
This is a bet that the (TLT) will not fall below \$89.00 by the ***June 21*** option expiration in **22** trading days.

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

Buy 40 <i>June</i> 2024 (TLT) \$86 calls at.....	\$5.50
Sell short 40 <i>June</i> 2024 (TLT) \$89 calls at.....	<u>\$2.90</u>
Net Cost:.....	\$2.60

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

$(40 \times 100 \times \$0.40) = \$1,600$, or 16.00% in 16 trading days.





It's now the Opening Act 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 from *Interactive Brokers*.

If you are uncertain about how to execute an options spread, please watch my training video on *"How to Execute a Vertical Bull Call Spread"* by clicking here at

<https://www.madhedgefundtrader.com/ltt-vbcs/>

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.

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