

Four Ways to Trade a Potential End to the Trade War

We may be nearing an end to the U.S. - China trade war.

China just offered to go on a six-year buying spree of U.S. goods to help rebalance trade between the two economic superpowers.

According to Bloomberg, "By increasing goods imports from the U.S. by a combined value of more than \$1 trillion over that period, China would seek to reduce its trade surplus – which last year stood at \$323 billion – too zero by 2024, one of the people said."

The latest developments come on the heels of a report that U.S. officials are debating lower tariffs on Chinese goods to incentivize Beijing to make deep concessions.

If we see further progress, here's where we would begin investing immediately:

Opportunity No. 1 – Falling Volatility

Even in times of absolute despair, calm follows because markets are resilient. Many of us forget that very fact. We just keep selling because everyone else is.



But, now is the best time to start betting against fear and volatility with:

The Velocity Shares Daily Inverse VIX Short-Term ETN (ZIV)

The Pro Shares Short VIX Short-Term Futures ETF (SVXY)

We already have a position in both of these ideas.

Opportunity No. 2 – Markets Could Rally Back to All-Time Highs

Once the all-clear is given on the trade war, expect major indices to potentially challenge all-time highs. We can profit from this by buying call options on the DIA, QQQ and the SPY. We can buy to open the DIA March 15, 2019 250 calls, for example at market prices.

Opportunity No. 3 – Oil Prices are Likely to Rally Again

On hopes for a trade war truce, oil prices were up 3.3% on Friday. Should we see further progress, we believe oil could push back to \$77, which could fuel a sizable rally in aggressively oversold oil names. You may want to consider Marathon Oil (MRO), Laredo Petroleum (LPI), Exxon Mobil (XOM), Devon Energy (DVN), Chevron (CVX).

Everywhere you look, you'll find an oil stock bargain. They've all been beaten up too much. We recommend buying Marathon Oil (MRO) and Devon Energy (DVN) stocks, as well as the CVX March 15, 2019 115 calls at market prices.

Opportunity No. 4 – Unfairly Beaten-Down Stocks

We must also look at ridiculously oversold stocks that took quite a beating from the trade war. Boeing (BA) for example is just beginning to recover after falling below \$300 a share. Eaton Corporation (ETN) is finding support at \$64. Caterpillar (CAT) is starting to recover after falling from \$155 to \$115. Even Apple (AAPL) could see a sharp recovery on the conclusion of an exhausting trade war, too.

One of the most oversold trades is Apple (AAPL), which we recommend buying at market prices, along with the AAPL March 15, 2019 160 calls.