

The Top 3 Ways to Trade Cooling Trade War Tensions Immediately

There's a collective sigh of relief in the markets.

Days after Trump threatened to cut off Huawei on August 19th, he changed his tune.

In fact, the Trump Administration extended a reprieve to Huawei, allowing it to buy supplies from US companies so that it can continue servicing existing customers. An extension will renew an agreement set to lapse on August 19th, continuing the Chinese company's ability to maintain existing networks and provide software updates to Huawei handsets, says Reuters.

This would now extend the agreement another 90 days out to late November 2019.

"There is another 90 days for the U.S. telecom companies, some of the rural companies are dependent on wild ways," Wilbur Ross said, as quoted by Fox Business. "So, we're giving them a little more time to wean themselves off."

All of this followed the Administration's news that it would delay the 10% tariff on \$300 billion worth of consumer goods in what appeared to be a panicked response to the market's vicious sell-off. Now, instead of going into effect on September 1, 2019, those tariffs won't start until mid-December if at all at the moment. Better, at the time, Trump did say he had a call scheduled "very soon" with China's President Xi Jinping over trade.

"We're talking by phone and we're having very productive talks. They would like to do something, I will tell you that," said the President as quoted by the South China Morning Post.

Bank Stocks Likely to Recover from Easing Tensions

Trade war fears created sizable fears of a recession. It's also part of the reason the 2/10 yields inverted so severely in August 2019, which sent bank stocks down. However, with tensions apparently cooling with the latest news, the yield curve was not inverted, and excessively oversold bank stocks began to recover.

Some of the most oversold bank stocks at the time included:

Bank of America (BAC)

Technically, the stock found triple bottom support around \$26.50. Each time it has fallen to this level, we've seen a sizable recovery. In addition, we can also see BAC is oversold at its lower Bollinger Band (2,20), with over-extensions on RSI, MACD, and on Williams' %R. In fact, each time each of these indicators aligns in oversold territory, we typically see a great pivot in BAC.



There are two ways to trade BAC. One, if you want to trade the stock, BAC is at buy at market prices. Or, if you prefer the options, you can buy to open the BAC November 15, 2019 27 calls at market prices. We're looking for at least a 50% return on the calls.

BB&T Corporation (BBT)

Technically, the stock found strong support around \$45. We can also see BBT is oversold at its lower Bollinger Band (2,20), with over-extensions on RSI, MACD, and on Williams' %R. In fact, each time each of these indicators aligns in oversold territory, we typically see a great pivot in this stock, as well. We believe BBT can refill its bearish gap around \$51. The best way to trade BBT is to just buy the stock at market prices. The option bid-ask spreads are a bit wide.

Financial Select Sector SPDR (XLF)

The Financial Select Sector SPDR Fund seeks to provide investment results that, before expenses, correspond generally to the price and yield performance of the Financial Select Sector Index. The Index seeks to provide an effective representation of the financial sector of the S&P 500 Index. It seeks to provide precise exposure to companies in the diversified financial services; insurance; banks; capital markets; mortgage real estate investment trusts; consumer finance; and thrifts and mortgage finance industries.



Investors are also flocking to the Financial Select Sector SPDR (XLF), which holds some of the top financial stocks, including Berkshire Hathaway, JP Morgan Chase & Co., Bank of America, Wells Fargo & Co., and American Express.

The best part – the XLF ETF trades at just \$26.82.

If we were to buy 100 shares of XLF, it would cost us \$2,682 with a good deal of diversification among top financial stocks. If we were to buy 100 shares of just BAC, BBT, and WFC, it would cost us \$11,906. Most investors would rather pay just \$2,682 for better diversification.

There are three ways to trade the XLF ETF. One is to buy the ETF at market prices. The other way is to buy to open the XLF December 20, 2019 27 calls and 28 calls at market prices.