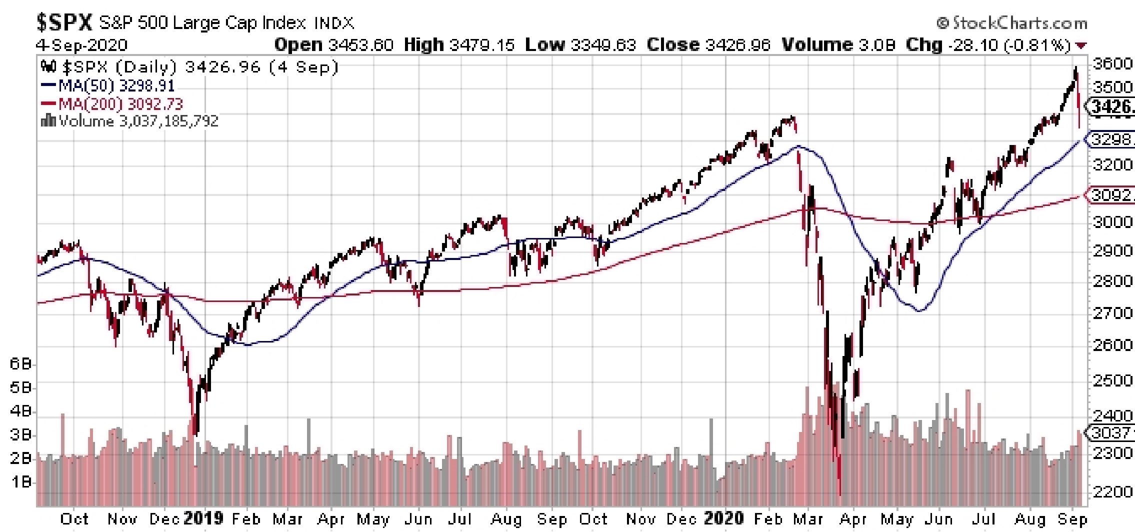
Three Top Ways to Trade the Return of Wild Volatility

It's been an absolute blood bath – again.

After hitting new highs, markets are slipping again as tech corrects, and as we near U.S. elections. For one, this next election will bring plenty of volatility and uncertainty – which markets absolutely hate. And two, tech stocks are correcting.

Let's Start with the Election

At the moment President Trump could win a second term, according to the S&P 500.



In fact, history says the incumbent has the advantage when the market rallies in the months leading up to the big day. Going back to 1928, incumbent presidents have won 90% of elections when the S&P 500 is positive in the previous three months, as reported by The Wall Street Journal.

"If investors think the incumbent will win, they anticipate less policy change and are therefore less likely to shift their portfolios ahead of an election," added Shawn Snyder, the head of investment strategy at Citi Personal Wealth Management.

Then again, there's no guarantee – which is where uncertainty comes into play, and plenty of volatility, as we've seen with prior elections.

2000: Bush v. Gore – Ahead of the election, the volatility index (VIX) exploded from a low of 16 to more than 31.

2004: Bush v. Kerry – The VIX ran from a low of 13 to nearly 17 ahead of the election.

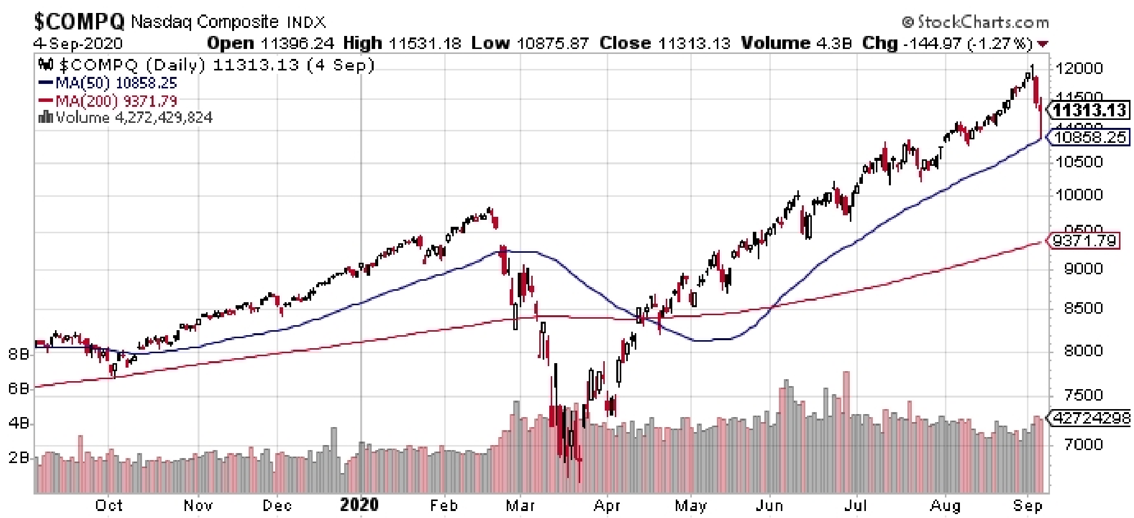
2008: Obama v. McCain – The VIX exploded this year from a low of 20 to a high of 90, as the Dow plummeted with the subprime fiasco.

2012: Obama v. Romney – This year, the VIX jumped from 13.2 to nearly 20.

2016: Trump v. Clinton – This time, the VIX popped from a low of about 12 to more than 22 heading into the election.

Tech Blood Bath

After hitting new highs, technology stocks are coming under big pressure on profit-taking. It's why the NASDAQ has been in the red for the last several days.



Then again, "They've run up so much and they're overextended," said Leslie Thompson, managing principal at Spectrum Management Group, as quoted by The Wall Street Journal. "She has been cutting her investments in tech stocks such as Apple and chip maker Nvidia Corp. recently. The speed of the climb "was just really ridiculous," she added.

With all of this fear and uncertainty, it's time to accumulate volatility ETFs and ETNs again, which have worked out very well for us in the past. These include:

ProShares Ultra VIX Short-Term Futures ETF (UVXY)

The ETF was designed to match two times (2x) the daily performance of the S&P 500 VIX Short-Term Futures Index. The last time we played the UVXY, it would run from $23.25 to $91.

VelocityShares Daily 2x VIX Short-Term ETN (TVIX)

This ETF tracks an index of futures contracts on the S&P 500 VIX Short-Term Futures Index. The last time we played the TVIX, we watched it run from an entry price of $108.54 to $608.

iPath S&P 500 VIX Short-Term Futures (VXX)

The VXX ETN, provides exposure to the S&P 500 VIX Short-Term Futures Index. The last time we played the VXX, it would run from $23 to $60.55.

With fear returning to the markets yet again, it’s time to take new positions in each. With elections nearing, the virus still spreading, falling tech, and tensions with China, volatility could be about to return in a big, big way.