

Three of The Top Ways to Trade Explosive Fear

Look out below.

With a good amount of fear in the markets, volatility is just beginning to spike again.

For one, markets are diving with the virus still making its way around the world. Two, investors are nervous, given that September is seasonally one of the weakest market months and a higher likelihood the Federal Reserve could trim back on easy money policies.

“We see a bumpy September-October as the final stages of a mid-cycle transition play out,” Morgan Stanley chief cross-asset strategist Andrew Sheets said, as quoted by CNBC. “The next two months carry an outsized risk to growth, policy and the legislative agenda.”

Plus, according to The Wall Street Journal, “Market participants increasingly believe that Beijing will let Evergrande fail and inflict losses on its shareholders and bondholders. The company’s debt burden is the biggest for any publicly traded real-estate management or development company in the world.”

At the moment, Evergrande is getting crushed with \$300 billion worth of debt.

Should it go into default, “The Chinese developer is so huge that the fallout from a potential failure could hurt not only the Chinese economy, but spread to markets beyond,” says CNBC.

With this, an upcoming Federal Reserve meeting, the virus, and fears of a slowing economy, fear is sending volatility through the roof.

Some of the best ways to trade the volatility is with VIX-related ETFs such as:

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 UVXY last traded at \$23.50, and could see \$30, near-term.

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

The VXX ETN, which provides exposure to the S&P 500 VIX Short-Term Futures Index; The VXX last traded at \$26.81 and could see \$30, near-term.

ProShares VIX Short-Term Futures ETF (VIXY)

ProShares VIX Short-Term Futures ETF provides long exposure to the S&P 500 VIX Short-Term Futures Index, which measures the returns of a portfolio of monthly VIX futures contracts with a weighted average of one month to expiration. The VIXY last traded at \$22 and could test \$25.