

### Three Top Ways to Trade Explosive Fear

With a good amount of fear in the markets, volatility is spiking, we noted just last week.

Even though markets have recovered some lost ground, they're setting up for another pullback.

All thanks to bond yields, which just hit a high of 1.545% on fears the Federal Reserve will curb its emergency bond-buying stimulus shortly. Also weighing on the market, we could see a government shutdown if Congress fails to approve funding by this Friday. We could also see a U.S. default if the debt ceiling isn't raised either.

According to Treasury Secretary Janet Yellen, the U.S. won't be able to pay its bills if lawmakers don't raise the debt ceiling by October 18.

"At that point, we expect Treasury would be left with very limited resources that would be depleted quickly. It is uncertain whether we could continue to meet all the nation's commitments after that date," she said, as quoted by The Wall Street Journal.

That's all creating a good deal of uncertainty and fear in the market.



"People are realizing, or at least remembering, that central banks are going to have to start raising rates," said Altaf Kassam, head of investment strategy for State Street Global Advisors in Europe, as also quoted by The Wall Street Journal. "The patient has become used to being given all these drugs, but soon those drugs are going to have to be reduced."

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 \$23.13, 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 \$26.70 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.