

Volatility 2018: History Said this Would Happen

Months ahead of 2018 midterm elections, fear ran rampant of a changing of the guard.



History specifically told us things could get bumpy.

- Ahead of the midterm elections in 1990, the Volatility Index (VIX) jumped from 16 to 36
- Ahead of the midterm elections in 1994, the VIX jumped from 11 to 18
- Ahead of the midterm elections in 1998, the VIX jumped from 16 to 45
- Ahead of the midterm elections in 2006 and 2010, the VIX fell
- Ahead of the midterm elections in 2014, the VIX jumped from 12 to 40

So, on September 24, 2018, we highlighted the following opportunities.

- **Velocity Shares Daily 2x VIX Short-Term ETN (TVIX), which traded at \$26.25**
- **iPath S&P 500 VIX Short-Term Futures (VXX), which traded at \$26.85**
- **ProShares Ultra VIX Short-Term Futures (UVXY), which traded at \$37.22**

Weeks ahead of the 2018 midterm elections, each skyrocketed, as history said they would.

As of late October 2018, the TVIX traded at \$43.30. The VXX traded at \$35.14. And, the UVXY traded at \$54.70. Easy wins just by paying close attention to mid-term history.

Sell half of each to secure an easy win based on the history of midterms.

When Markets Fall, Do Not Panic

Rule No. 1 – Have Cash on Hand

“Cash, though, is to a business as oxygen is to an individual: never thought about when it is present, the only thing in mind when it is absent,” he says.

Rule No. 2 – Don’t Follow the Herd

One of the key reasons that many investors under-perform in the market is because they move in and out of assets at the wrong time. When an investor sees everyone else making money from rising markets, that’s when they tend to throw every spare dollar into their investments. Unfortunately, when that same investor sees a group of other investors selling, the investor sells, too.

In short, they get caught up in herd mentality.

A trader will often mimic the actions of a larger group so they don’t feel left out of a trend, or miss what the herd believes is a “can’t lose” trade.

The rationale is simple. It’s unlikely that such a large group of people can be so wrong.

Rule No. 3 – Be in a Strong Position to Capitalize

With cash on hand, Buffett has the financial flexibility to jump on opportunities that pop up. As the billionaire often points out, keeping some cash on hand allows you to take advantage of corrections without having to sell other investments.