Three Top Ways to Trade U.S. Election Volatility

With just days to go before the U.S. elections, and virus cases exploding higher, markets could easily sink lower here.

At the same time, volatility could easily rocket higher with a great deal of uncertainty.

Not helping, optimism has also dimmed we'll see near-term stimulus, as both sides accuse each other of moving the goalposts. At this point, the chances of seeing a bill prior to the U.S. election is extremely low, and very much unlikely.

With volatility likely, one of the best ways to hedge is to take a long position on volatility, which we've highlighted a few times in the past.

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. One of the last times we played the UVXY, it would run from $23.25 to $91. The UVXY now trades at just $17.47 and could run above $20 shortly.

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

The VXX ETN provides exposure to the S&P 500 VIX Short-Term Futures Index. One of the last times we played the VXX, it would run from $23 to $60.55. The VXX last traded at $22.81 and could easily run well above $25, near-term with the chaos.

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 $18.67 and could run above $22, near-term, as well.

With fear returning to the markets yet again, it’s time to take new positions in each. With elections nearing, the virus still spreading, and no signs of stimulus, volatility could explode.