Equity Bull Run – it's been 9 years of merriment

Hedging U.S. Equities with Treasury Options

U.S. equity markets might be in late stages of a nine-year bull market, The Street, Sept 6 2018

Nothing goes on forever. We have been in a bull run in the equity market since March 2009, when S&P was 676.53, which coincided with the Fed funds target rate hitting its lowest level where it stayed until end of 2016. Now with the level at 2874 (Yes, it's been over 9 years since that low) conditions are changing rapidly and there is great uncertainty of where we go from here.

Some of the risks involve:

- Short term US rates have risen and look to continue to rise (2 more rises this year expected)
- Continued global growth is under threat due to Trump policies and potential escalation in trade wars
- Uncertainty over continued growth in corporate earnings because of effects of trade wars and potential retaliatory actions. Currently close to record levels and a peak in these usually signal lower index levels
- Geopolitical uncertainties abound
- Margin/Leverage levels on Stock positions continue to reach record highs, which normal means a correction if one happens is amplified.

Even if you think the bull run continues having no protection is perhaps brave and perhaps also a little foolish, having protection is only possible if you know where to find it and how to price it. Options are one way to hedge against future moves or even position yourself for such moves and take advantage of them whilst limiting losses if you are wrong.

It starts with knowing the fundamentals.

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