

Panic in the Markets: What Many Investors are Ignoring

The other week, we warned that we'd see further chaos in the markets.

We would recommend that you:

- Buy to open the VIX July 18, 2018 22 call options
- Buy the iPath S&P 500 VIX Short-Term Futures ETN (VXX)
- Buy the Pro Shares VIX Short-Term Futures ETF (VIXY)

Each would explode as hoped as markets caved on trade war fears.

DM1:IND Dow Jones mini	8:56 AM	Jun 2018	23,534.00	-450.00	23,981.00	23,986.00	23,361.00
ES1:IND S&P 500 mini	8:56 AM	Jun 2018	2,579.75	-33.50	2,612.00	2,612.75	2,559.50
NQ1:IND NASDAQ 100 mini	8:56 AM	Jun 2018	6,370.50	-98.75	6,466.00	6,469.50	6,306.75

In fact, we're still recommending that you hold those, and accumulate even more not only on the fears of a trade war, but on fear that midterm elections could create a mess, too.

Despite the fear in the markets, don't let it get to you. Sit tight and remember that markets are also quite resilient.

Once the panic clears, even more opportunities can be found in the rubble, especially as the economy remains strong. In fact, private companies just added another 241,000 jobs in March 2018, as employment in construction and manufacturing skyrocketed.

That was well ahead of estimates for growth of 205,000 jobs, and marks the fifth straight month that private payrolls topped 200,000.

Remember that.

At the moment, investors are in panic mode, sending the Dow Jones Industrials down another 500+ points on Wednesday on trade war concerns.

"While corporate fundamentals remain strong, markets are forward looking and the broadening scope of US-China trade tensions is seen as a growing threat to global growth and corporate earnings, forcing equity valuations lower," said Alec Young, managing director of global markets research at FTSE Russell, as quoted by Market Watch.

China just threatened to impose tariffs of up to 25% on 106 American products, including soybeans, autos and airplanes. That comes after the Trump administration gave details on the \$50 billion worth of Chinese goods that it plans to hit with 25% tariffs unless China makes major trade and investment concessions.

However, it's not clear if the new tariffs will take effect at all, or if we'll see watered down versions. Even Chinese Vice Finance Minister Zhu Guangyao just noted that the period before the tariffs go into effect is the *"time to negotiate and cooperate."*

Tommy Xie, an economist at Singapore-based bank OCBC, as quoted by CNN said it was unlikely that the latest tariffs from either side would come into force for another couple of months. But if talks during that period fail, then *"the trade war starts,"* he warned.

As a matter of fact, the effective start date for the new charges was not announced, though China's

Ministry of Commerce said the tariffs are designed to target up to \$50 billion of U.S. products annually, according to CNBC.

In short, markets are reacting to new threats that have yet to come to fruition.

Every one is so caught up in the fear of a potential trade war that may not come. If you can wait out the panic selling, opportunities can be spotted in the rubble.