Three of the Best Ways to Trade Falling Oil Prices

Oil prices could drop below $10.

Unfortunately, it comes as no surprise.

Thanks to the coronavirus, there's no demand for oil. Worse, after a laughable cut from OPEC, there's far too much supply, and not enough places to store it. At the moment, oil is well below $14 a barrel, and could drop below $10 shortly.

For one, there's far too much supply on the market and no demand.

"Oil demand will this month hit its lowest levels for the year, according to the International Energy Agency, falling 29m barrels a day below last year's average to levels not seen since 1995," as reported by The Guardian.

In addition, the world is still flooding the world with oil with the pact yet to begin, says Bloomberg. "State-owned oil company Saudi Aramco pledged to boost output to 12.3 million barrels a day in April as it slashed prices in a battle for market share, following the collapse of the three-year old OPEC+ pact last month."

It's gotten so bad some tankers are storing global oil supply at sea. According to President Trump, we don't have room to store oil anymore. We are using ships to store it. There's never been a glut like this. We have to get rid of this tremendous supply," as quoted by Forbes.

Until we see supply dry up with a substantial pickup in demand, oil will trade lower.

To trade the opportunity, we can always short or buy put options on major oil names like Exxon Mobil, Chevron, BP, and Marathon Oil. But, we can also use ETFs and ETNs that rise as oil drops.

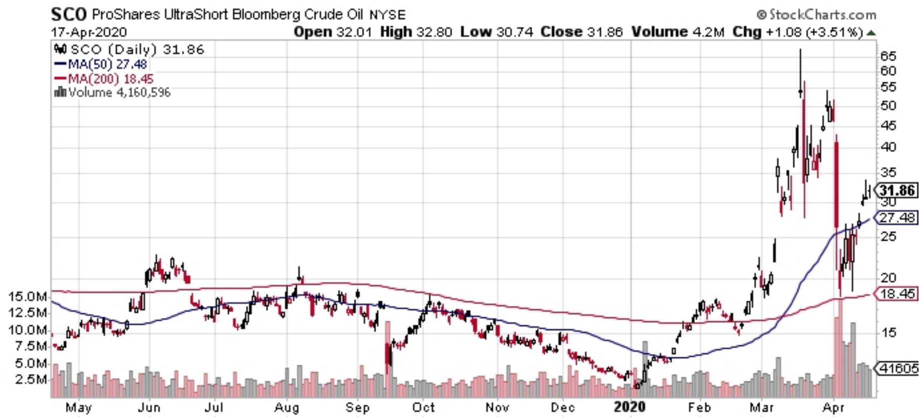
DB Crude Oil Double Short ETN (DTO)

"The investment seeks to track the price and yield performance, before fees and expenses, 200% of the inverse daily performance of the Deutsche Bank Liquid Commodity Index - Optimum Yield Oil Excess Return. The fund allows investors to take a short view on the performance of the index. The index is composed of futures contracts on light sweet crude oil (WTI) and is intended to reflect the performance of crude oil," reports US News.

DTO has already raced from a low of $50 to $140, but could head higher, as oil plummets.

ProShares UltraShort Bloomberg Crude Oil (SCO)

This ETF seeks daily investment results, before fees and expenses, that correspond to two times the inverse (-2x) of the daily performance of the Bloomberg WTI Crude Oil Subindex. The SCO ETF recently ran from a low of $20 to $31.86, and could run to $50, as oil pulls back.



ProShares Short Oil & Gas (DDG)

ProShares Short Oil & Gas seeks daily investment results, before fees and expenses, that correspond to the inverse (-1x) of the daily performance of the Dow Jones U.S. Oil & Gas Index. In recent days, the DDG ran slightly from a low of $33.16 to $37.06. With patience, we could see a near-term test of $45.