

December 7, 2023

iShares 20+ Year Treasury Bond ETF (TLT)

January \$92.00 Calls

\$95.63

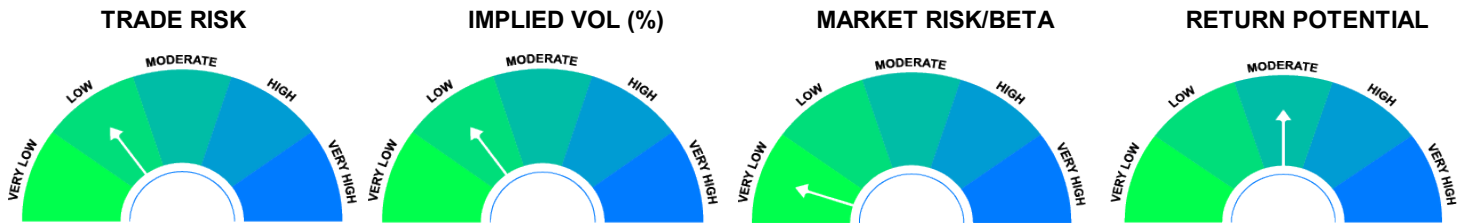
Taxable Bond ETF

ETF

[iShares TLT Website](#)

The Trade

Buy the iShares 20+ Year Treasury Bond ETF (TLT), Sell January 19th, \$92.00 Calls against the long position



Extended Commentary

The iShares 20+ Year Treasury ETF (TLT) holds a portfolio of U.S. Treasury Bonds, providing investors a low expense ratio (.15%) and a 3.69% dividend yield. We believe Treasury prices are making a cycle low: Treasury prices generally bottom when the Fed is done raising rates and following the most recent FOMC meeting, Fed Funds futures show investors believe the Fed's next move will be to cut rates. In addition, investor sentiment became overly negative toward Treasuries in recent weeks and Leveraged Funds (speculators) are significantly net short Treasury futures (CME data).

Our covered call trade - buying TLT shares at \$95.63 and writing January 19th, \$92.00 calls at \$4.75 - would generate a 1.47% gain (including a \$.29 dividend) if TLT shares trade at \$92.00 (or above) at the options expiration - a 13.2% annualized return. The trade breaks even if TLT trades down to \$90.59 - \$5.04 per share (5.27%) below the current price.

TLT Shares

Current Share Price:	\$95.63
3M Average Volume (mln):	25.67
Shares Outstanding (mln):	483.7
Float (mln):	483.7
Market Cap (bln):	46.25
Short Interest as a % of Float:	9.56%
Short Interest, Days to Cover:	1.1

January 19, 2024 \$92.00 Calls

Current Options Price:	\$4.75
Intrinsic Value:	\$3.63
Options Premium (\$):	\$1.12
Options Premium (%):	1.17%
Implied Vol:	19.4%

TLT Five Year Share Price Chart



Likely Trade Returns by Date and TLT Share Price

Estimated Return Matrix (\$ per share)

	<u>8-Dec</u>	<u>22-Dec</u>	<u>5-Jan</u>	<u>19-Jan</u>
\$84	-6.98	-6.91	-6.59	-6.59
\$86	-5.15	-5.00	-4.60	-4.59
\$88	-3.51	-3.24	-2.69	-2.59
\$90	-2.14	-1.75	-1.01	-0.59
\$92	-1.09	-0.65	0.20	1.41
\$94	-0.37	0.07	0.86	1.41
\$96	0.08	0.45	1.12	1.41
\$98	0.32	0.63	1.20	1.41
\$100	0.45	0.70	1.21	1.41
\$102	0.50	0.72	1.21	1.41
\$104	0.52	0.72	1.21	1.41

Estimated returns per share based on varying TLT share prices and dates

Estimated Return Matrix (%)

	<u>8-Dec</u>	<u>22-Dec</u>	<u>5-Jan</u>	<u>19-Jan</u>
\$84	-7.30%	-7.23%	-6.89%	-6.89%
\$86	-5.39%	-5.23%	-4.81%	-4.80%
\$88	-3.67%	-3.39%	-2.81%	-2.71%
\$90	-2.24%	-1.83%	-1.06%	-0.62%
\$92	-1.14%	-0.68%	0.21%	1.47%
\$94	-0.39%	0.07%	0.90%	1.47%
\$96	0.08%	0.47%	1.17%	1.47%
\$98	0.33%	0.66%	1.25%	1.47%
\$100	0.47%	0.73%	1.27%	1.47%
\$102	0.52%	0.75%	1.27%	1.47%
\$104	0.54%	0.75%	1.27%	1.47%

Estimated percentage returns based on varying TLT share prices and dates

Company Overview

The iShares 20+ Year Treasury Bond ETF seeks to track the investment results of an index composed of U.S. Treasury Bonds with remaining maturities greater than twenty years. The TLT holds 40 different Treasury Bonds and has an average coupon of 2.52% and an effective duration of 16.37 years. The ETF currently trades at a .08% premium to NAV.

Potential Events and Newsflow

CPI: Monthly CPI reports will be released before the open on December 12th and January 11th

U.S. Government Funding: Updates relating to government spending or receipts will impact Treasuries, as will announcements regarding the relative issuance of U.S. debt in December and January (Treasury Refunding)

Speeches: Remarks from FOMC officials have been impacting yields: The market REALLY wants rate cuts

Economic Data: 'Bad' economic data is good for Treasury prices (and TLT shares), REALLY 'bad' economic data is bad for Treasury prices (and TLT shares)

Market Exposure/Risk of a 10% Change in Equity Prices (S&P 500)

With a beta of .47, we would expect TLT shares to decline 4.7% if the S&P 500 declined 10.0%, sending the shares to \$91.14. This would result in an anticipated gain of \$.55 on the covered call position at expiration - net of the \$.29 dividend. If the S&P 500 rallied 10.0%, TLT shares would likely rally 4.7% (to \$100.12) and the covered call trade would realize the maximum gain of \$1.41 per share including the dividend, or 1.47%.

In the Money