

Volatility Tracker

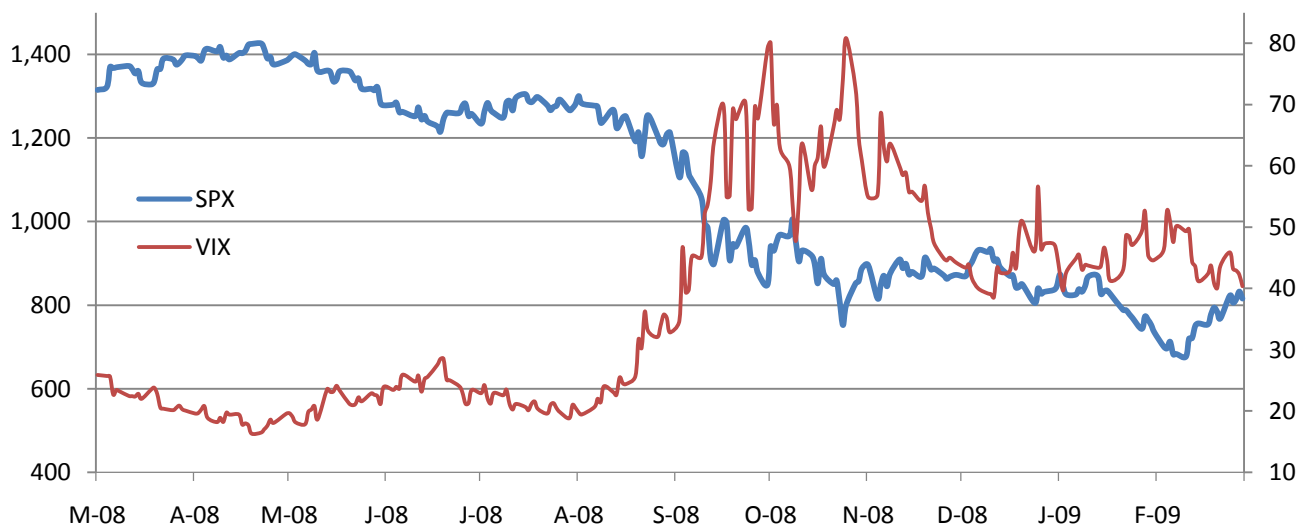
1. COMMENT

This is our first issue of this weekly research note, which is intended to offer an overview of changes in realized and implied volatility. This is a work in progress, and we welcome your comments or suggestions: if you have ideas for items you would like to see tracked here, please send them along to jared@condoroptions.com.

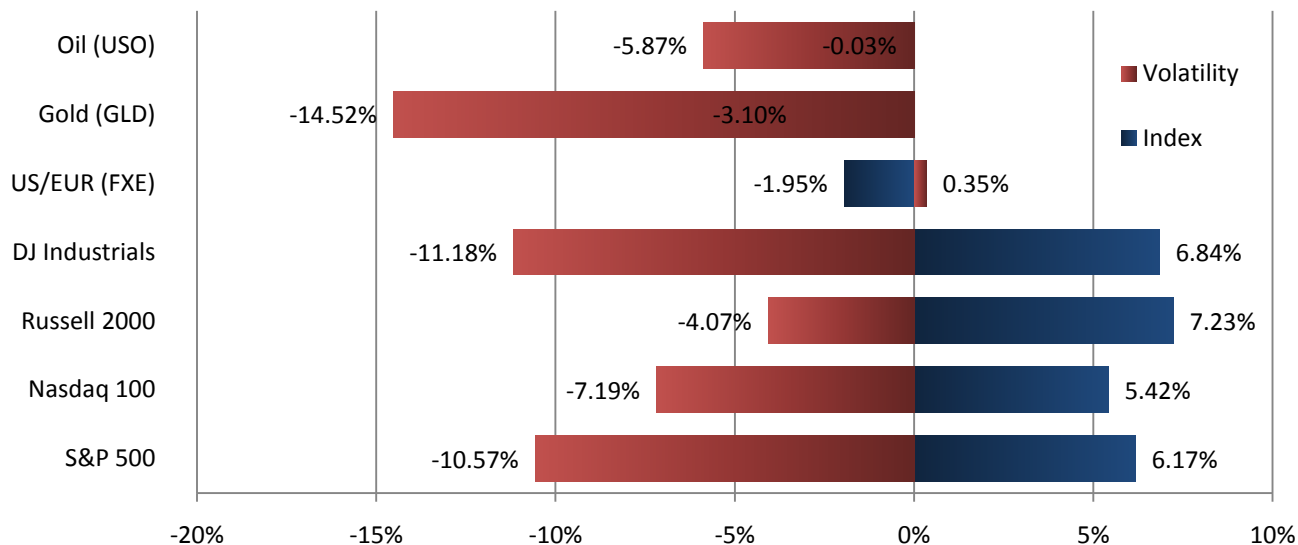
The VIX appears to be moving within a range of about 40-50 (2) as markets have stabilized for now, although of course a VIX at 50 could easily coincide with a steep market reversal downward or a continued volatile climb higher. Smallcaps outperformed slightly this week, although the Russell 2000 volatility index (\$RVX) declined the least of any of any of its peers (3). The IV/RV Ratio (5) has moved to the low end of its normal range, indicating that over the last 30 days options have been fairly priced or even cheap. The VIX futures term structure (6) flattened considerably this week, which is consistent with the market rally. We are watching the VIX Premium Ratio (7) closely, as a continued move higher should coincide with a flat-to-down directional bias in the underlying market.

Short-term Volatility Bias: Positive

2. S&P 500 PRICE AND IMPLIED VOLATILITY

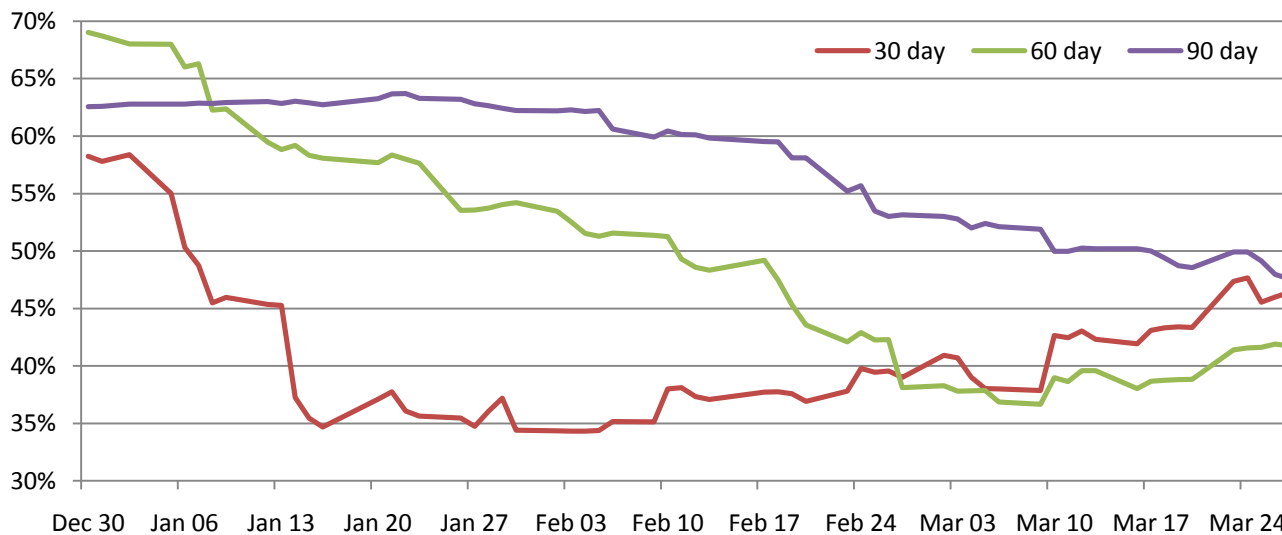


3. WEEKLY CHANGE – STOCK, COMMODITY & VOLATILITY INDEXES

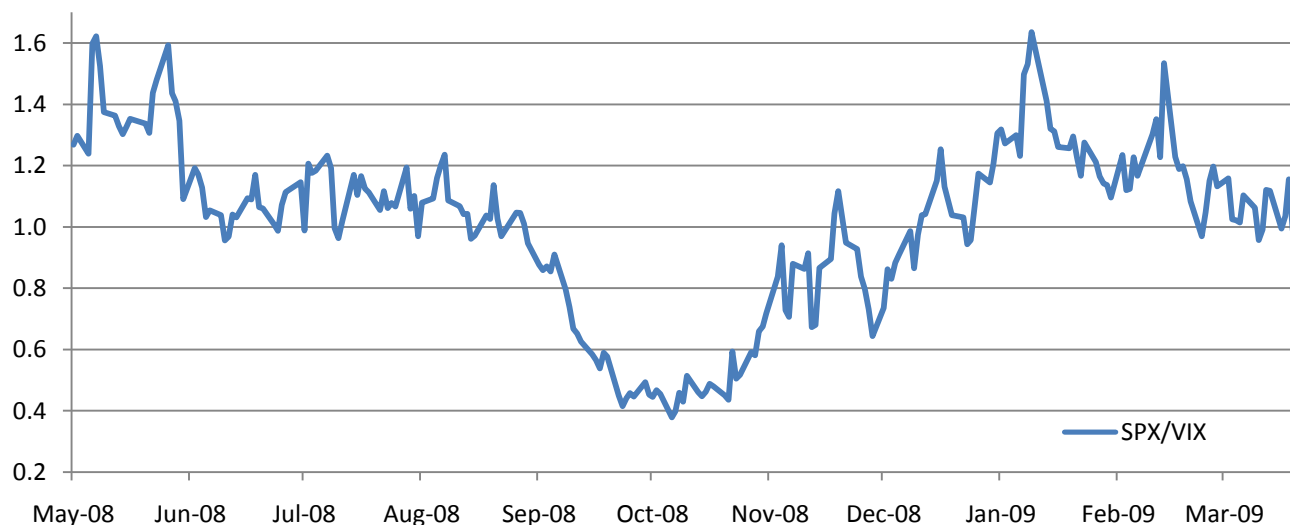


	S&P 500	Nasdaq 100	Russell 2000	DJ Industrials	US/EUR (FXE)	Gold (GLD)	Oil (USO)
■ Volatility	-10.57%	-7.19%	-4.07%	-11.18%	0.35%	-14.52%	-5.87%
■ Index	6.17%	5.42%	7.23%	6.84%	-1.95%	-3.10%	-0.03%

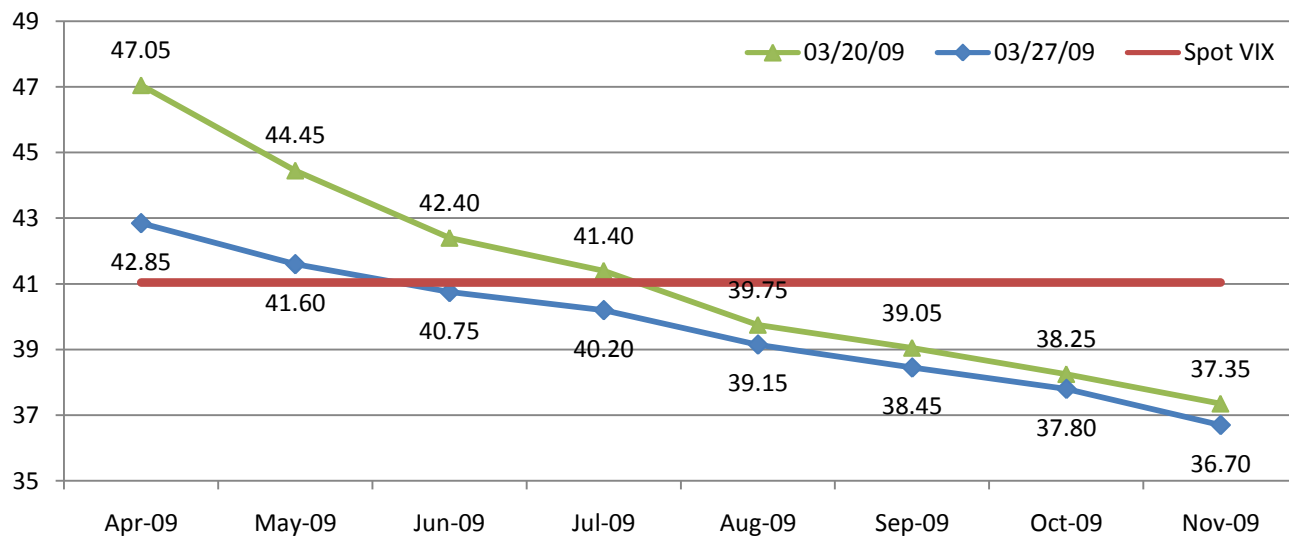
4. S&P 500 REALIZED VOLATILITY



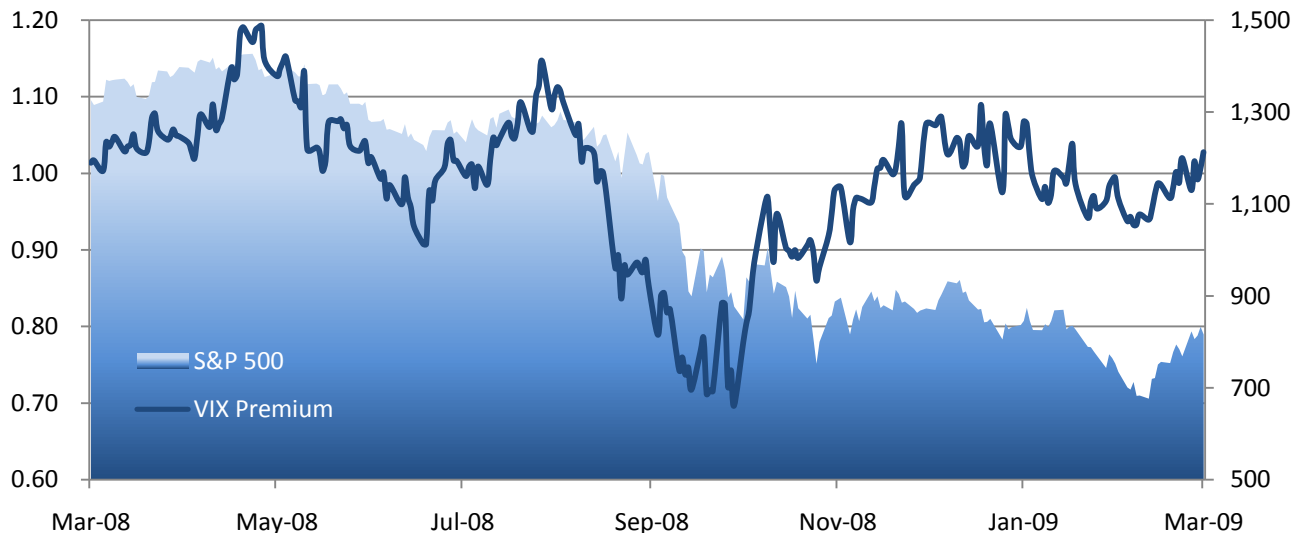
5. IMPLIED/REALIZED VOLATILITY RATIO



6. VIX FUTURES TERM STRUCTURE



7. VIX PREMIUM RATIO



USER'S GUIDE

1. **Comment.** Highlights items of note in the data below along with our short-term volatility bias and any trading theses.
2. **S&P 500 Price and Implied Volatility.** Tracks daily closing prices in SPX and VIX as a baseline reference.
3. **Weekly Change.** Tracks the weekly percentage change in the assets listed and in their implied volatility indexes.
4. **S&P 500 Realized Volatility.** Tracks the 30-, 60-, and 90-day realized (or "historical") volatility of the index. Realized volatility is displayed as the annualized standard deviation of lognormal returns over the period specified, and may be thought of as a backward-looking measurement of price behavior. Implied volatility is the annualized standard deviation of returns implied by option prices, and may be thought of as a forward-looking measurement of expected price behavior.
5. **Implied/Realized Volatility Ratio.** Tracks the ratio of 30-day lagged implied volatility (IV) to 30-day realized volatility (RV). This ratio asks how well IV from one month ago predicted the RV over the next 30 days. When IV correctly anticipates RV over the period, the ratio will hover near 1; we regard the area near 0.9 – 1.2 as normal, given the persistence of a volatility risk premium in equity market derivatives. A ratio less (greater) than 1 indicates that the price behavior of the underlying asset was more (less) volatile than anticipated.
6. **VIX Futures Term Structure.** Tracks the Friday closing prices of the VIX Futures complex for the two weeks prior, along with the spot VIX level for reference.
7. **VIX Premium Ratio.** Tracks the ratio of rolling three-month (VXV) to one-month (VIX) implied volatility. Periods in which one-month readings persist at an extreme premium or discount to three-month levels have tended to coincide with major market moves.



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Jared Woodard
Condor Options Research
<http://www.condoroptions.com>
jared@condoroptions.com
(212) 203-0693

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CONTACT INFORMATION

Condor Options
P.O. Box 4668 #73662
New York, NY 10163-4668
United States
admin@condoroptions.com
(212) 203-0693

Jared Woodard, Principal
jared@condoroptions.com

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