

Volatility Tracker

1. COMMENT

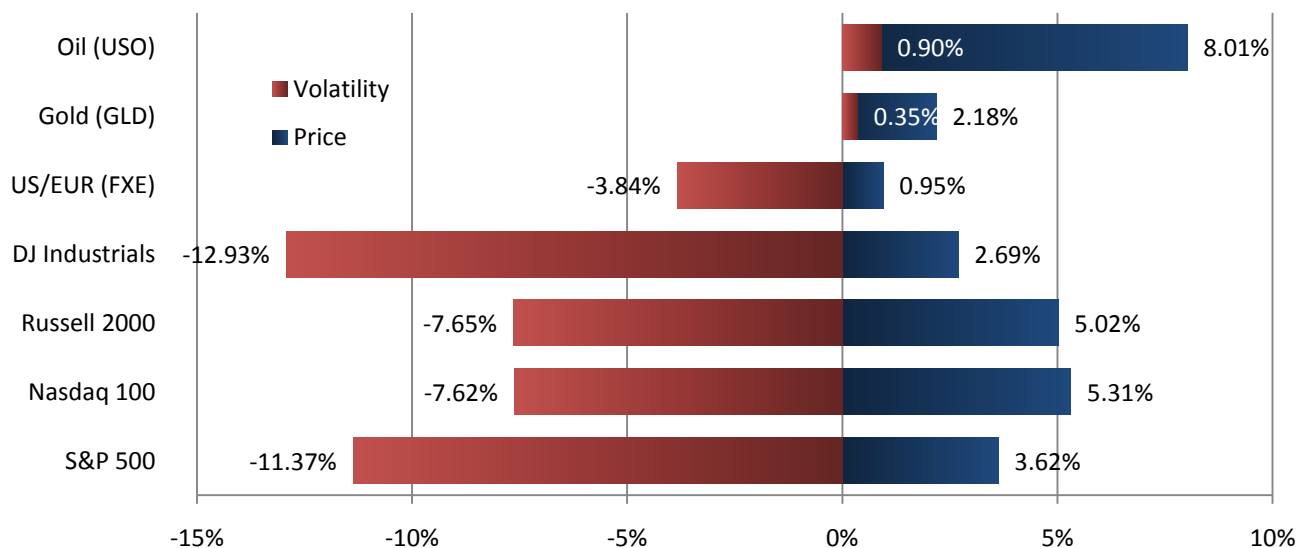
Volatility marches ever lower. Backward-looking realized volatility tells a story of markets recovering from what – if the “green shoots” camp is right – will be a bottom that should hold for a decade; implied volatility likewise continues its steady push back toward the high end of what used to count as normal. Option sellers may be getting anxious about their recent good fortune, but none of the indicators below are suggesting any extreme conditions or changes in the trend; until they do, it makes sense to remain neutral-to-bearish on volatility. (Although see the blog feature from last week regarding long vega exposure.)

Expected Daily Move (1σ)		
	Points	%
SPX	16.74	1.82%
NDX	26.62	1.85%
RUT	11.94	2.38%
DJIA	135.63	1.60%
US/EUR	1.38	0.98%
Gold	1.72	1.79%
Oil	0.95	2.60%

I’m introducing a new feature this week. The table at right shows the expected daily move (within one standard deviation) implied by each underlying asset’s implied volatility index. When looked at in these terms, it becomes clear how high implied volatility remains. Note that I’m using the same ETFs for gold, oil, and US/EUR as indicated in [2], since these are the underlying assets used for calculating the CBOE indexes.

Short-term S&P 500 Volatility Bias: Neutral

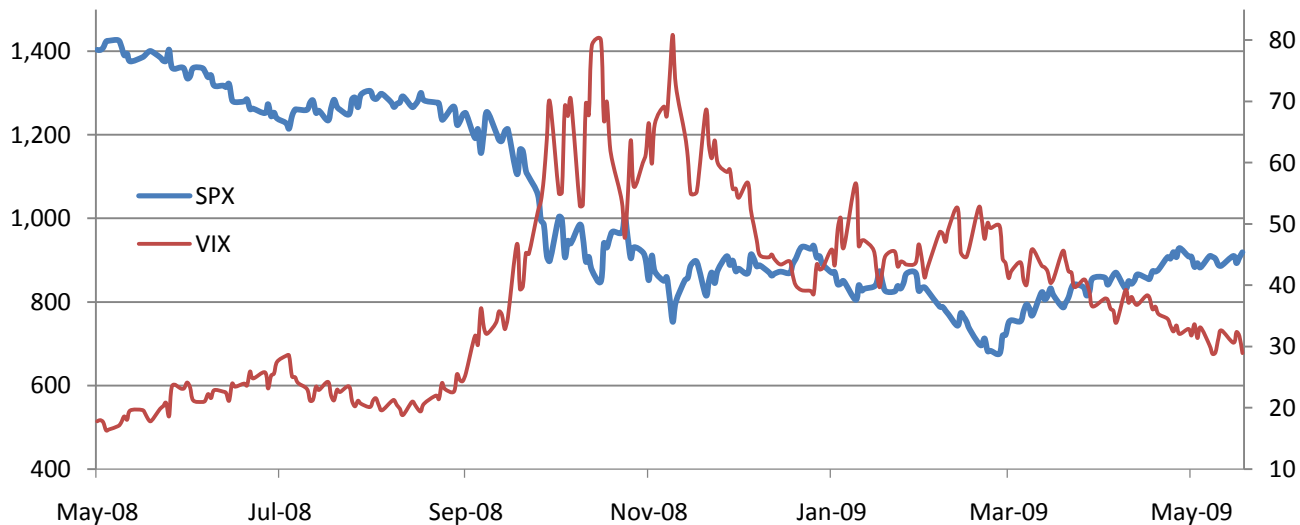
2. WEEKLY CHANGE – STOCK, COMMODITY & VOLATILITY INDEXES



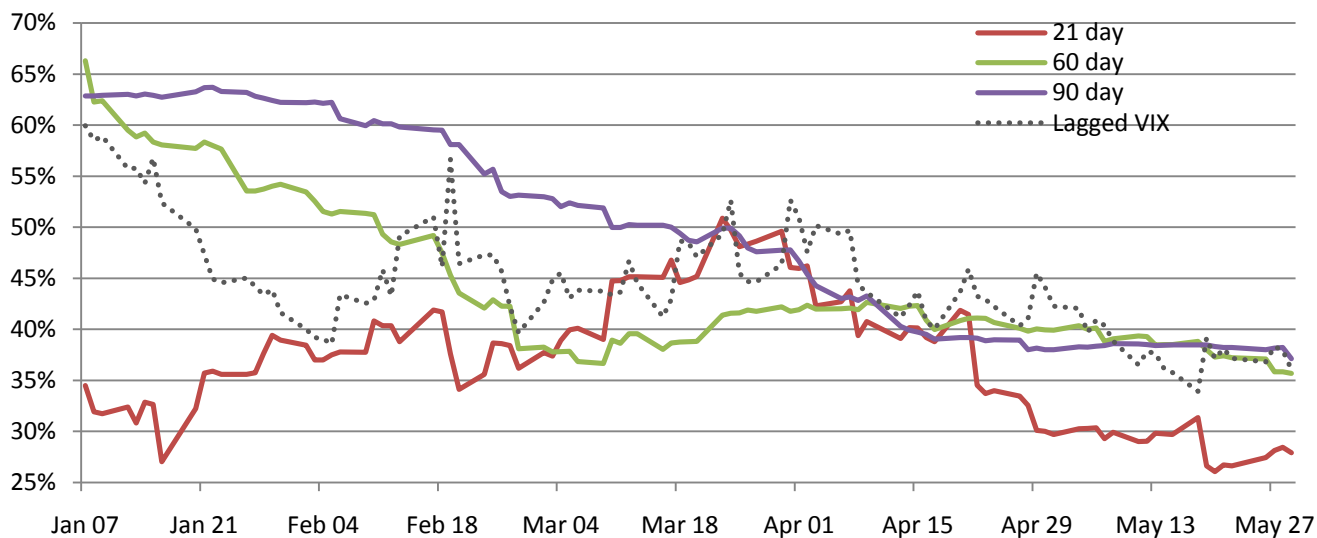
	S&P 500	Nasdaq 100	Russell 2000	DJ Industrials	US/EUR (FXE)	Gold (GLD)	Oil (USO)
Volatility	-11.37%	-7.62%	-7.65%	-12.93%	-3.84%	0.35%	0.90%
Price	3.62%	5.31%	5.02%	2.69%	0.95%	2.18%	8.01%

Please see the disclaimer on the final page of this document. Data: CBOE, CFE and Condor Options

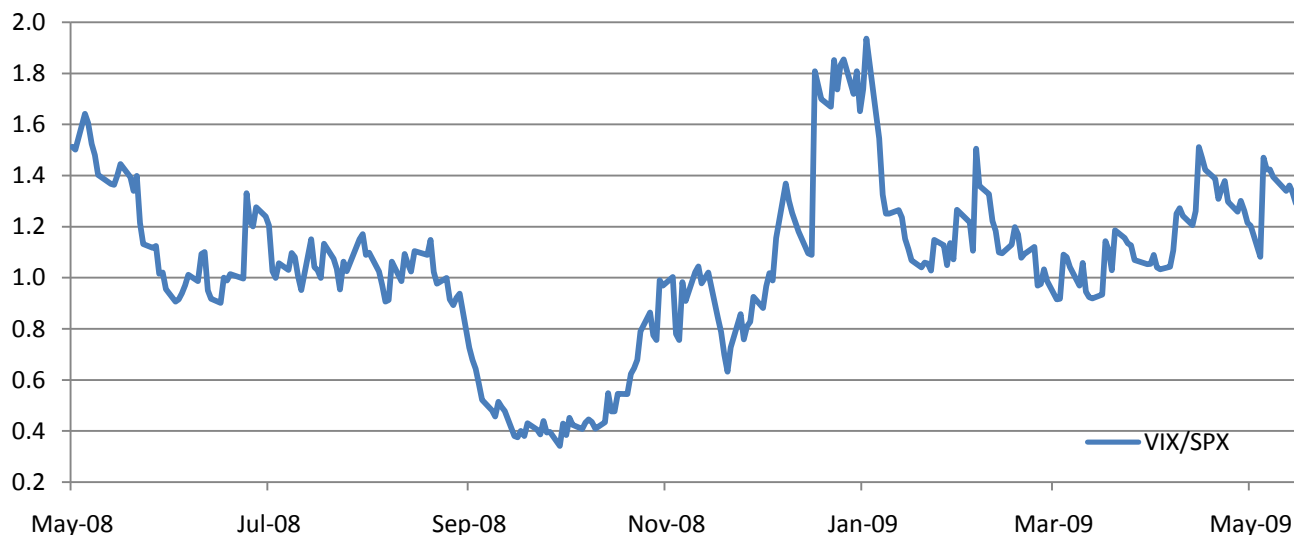
3. S&P 500 PRICE AND IMPLIED VOLATILITY



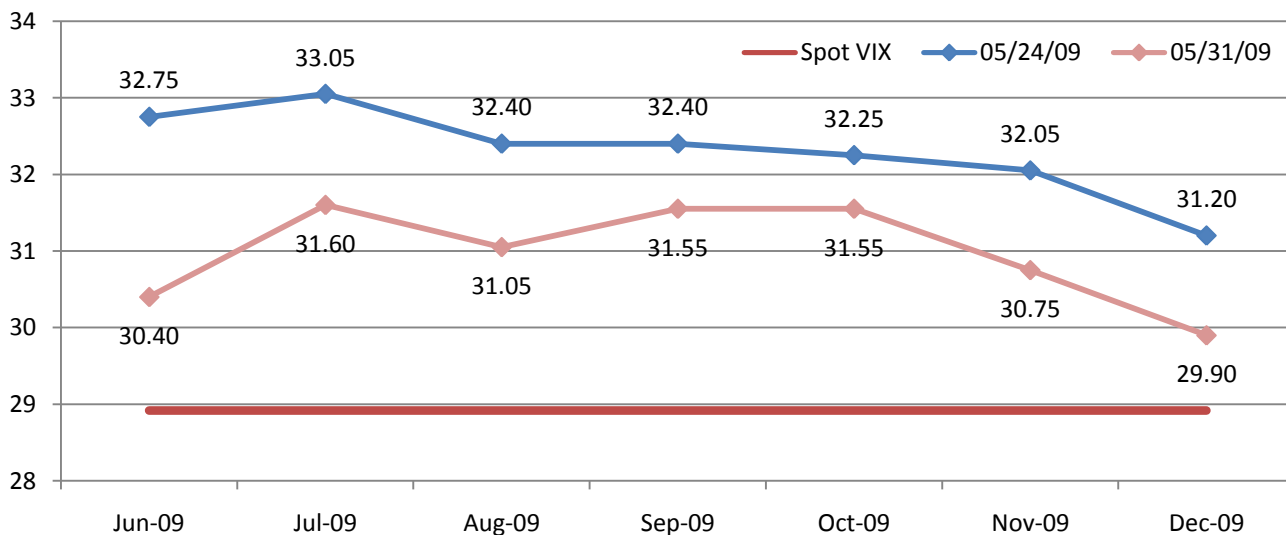
4. S&P 500 REALIZED VOLATILITY

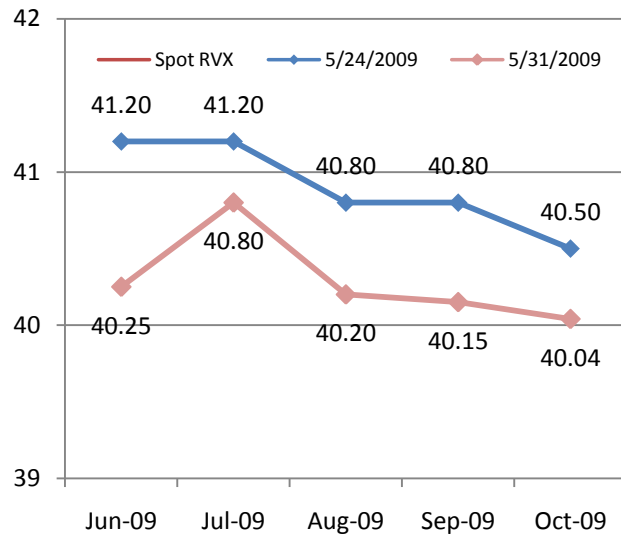
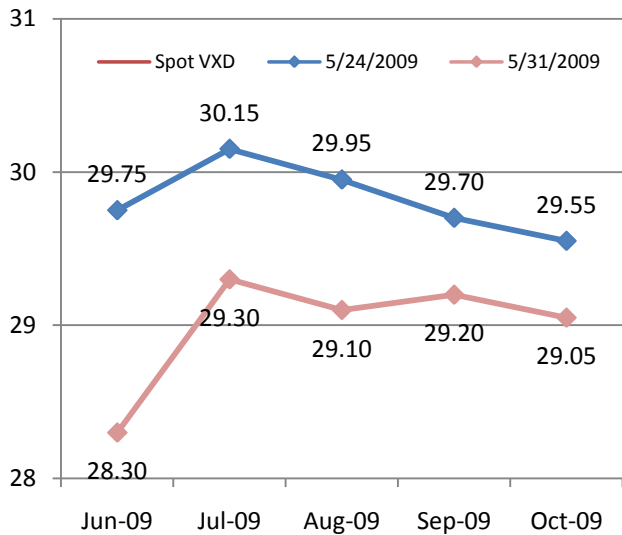


5. S&P 500 IMPLIED/REALIZED VOLATILITY RATIO

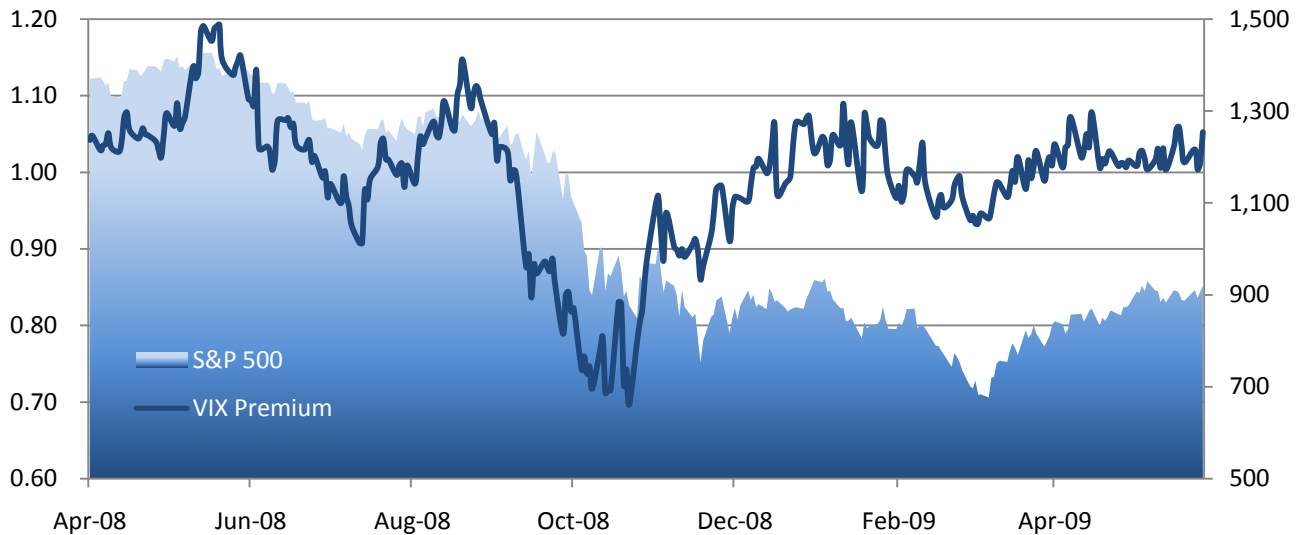


6. VOLATILITY FUTURES TERM STRUCTURE

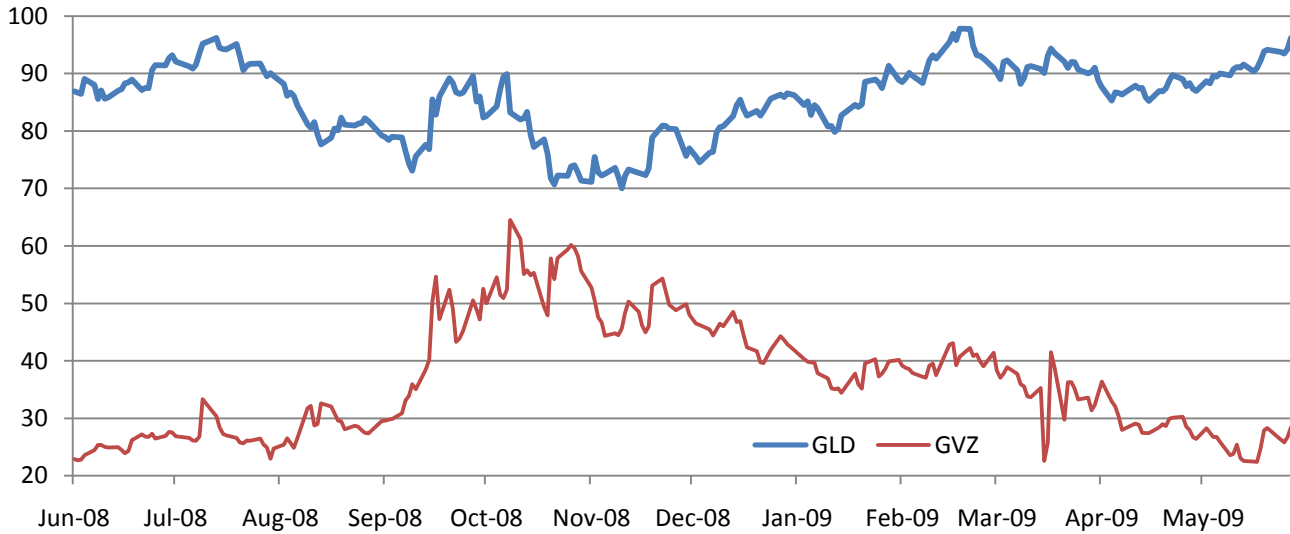




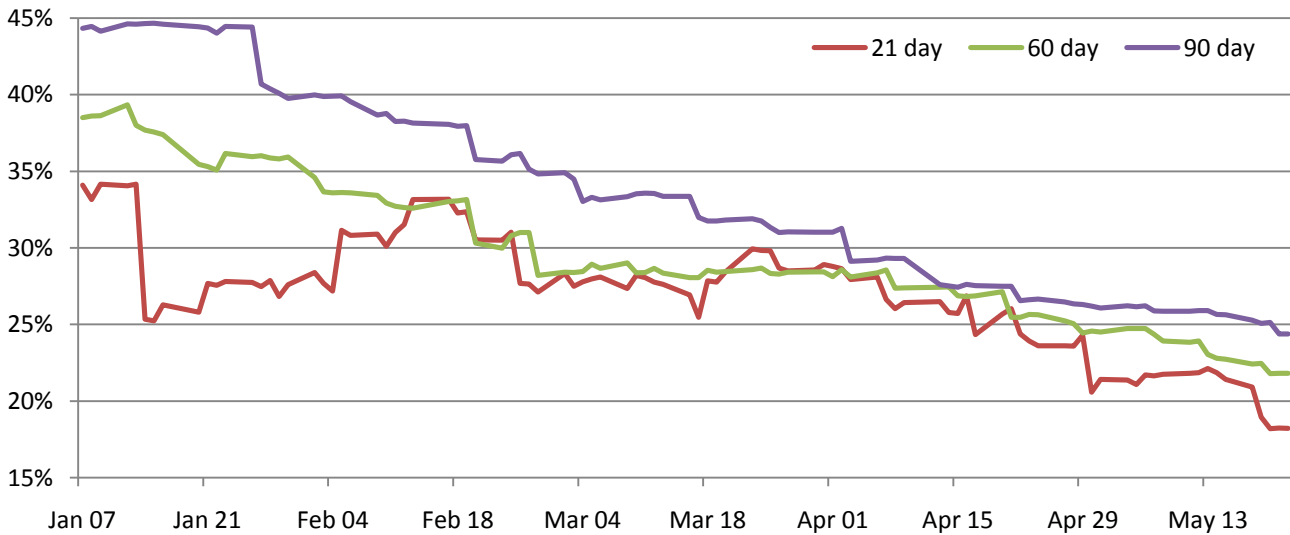
7. VIX PREMIUM RATIO



8. GOLD (GLD) PRICE AND IMPLIED VOLATILITY



9. GOLD REALIZED VOLATILITY



10. GOLD IMPLIED/REALIZED VOLATILITY 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. The Expected Daily Move table displays the de-annualized price and percentage change in each underlying asset as implied by its volatility index, within one standard deviation.
2. **Weekly Change.** Tracks the weekly percentage change in the assets listed and in their implied volatility indexes.
3. **S&P 500 Price and Implied Volatility.** Tracks daily closing prices in SPX and VIX as a baseline reference.
4. **S&P 500 Realized Volatility.** Tracks the 21-, 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. **S&P 500 Implied/Realized Volatility Ratio.** Tracks the ratio of 21-day lagged implied volatility (IV) to 21-day realized volatility (RV). This ratio asks how well IV from one month ago predicted the RV over the next 21 trading days (roughly, 30 calendar 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. **Volatility Futures Term Structure.** Tracks the Friday closing prices of the Volatility Futures complex (VIX, VXD, RVX) for the two weeks prior, along with the spot levels 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.
8. **Gold (GLD) Price and Implied Volatility.** Tracks daily closing prices in GLD and GVZ as a baseline reference.
9. **Gold Realized Volatility.** Tracks the 21-, 60-, and 90-day realized (or "historical") volatility of the ETF.



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10. **Gold Implied/Realized Volatility Ratio.** See #5 above; given the novelty of the VIX-style gold volatility index (GVZ) and the characteristics of the underlying, we do not yet have a range we regard as normal.

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