

7/6/2009
 Volatility Tracker

Condor Options Volatility Tracker

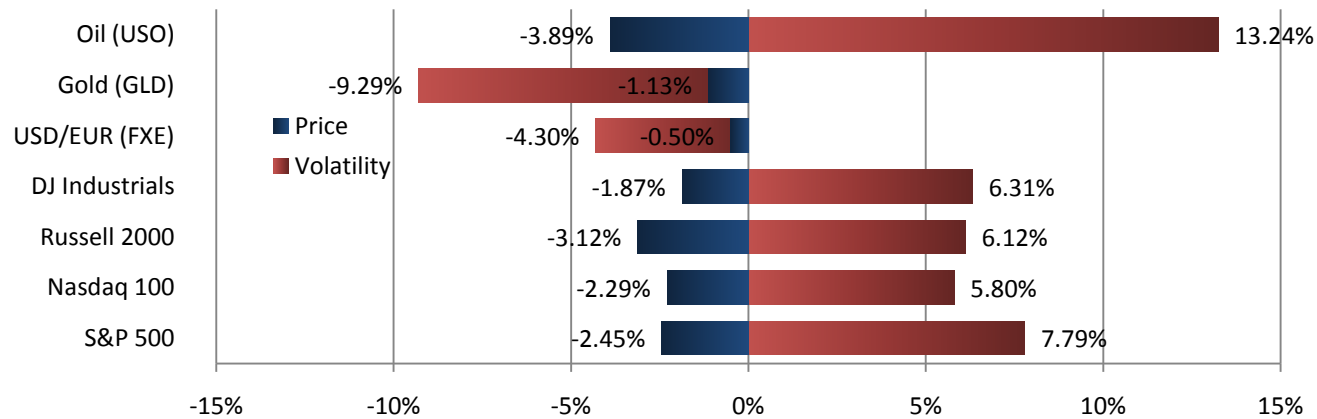
1. Comment

The mean reversion in volatility that many of us have been looking for finally started to kick in last week. [2] Additionally, the VIX Premium Ratio [8], while slightly off its 52-week highs, still registers as extreme; historically, short term (30 day) implied volatility has tended to rise in such situations. My short-term S&P 500 implied volatility bias is positive, and will likely remain so over the coming weeks for specific seasonal reasons.

A rise in implied volatility does not necessarily entail a fall in stock prices. At the moment, S&P 500 price movement lacks a clear direction [4], and the index has been less volatile over the past month than had been assumed by option premiums. [6] That relationship has shown no sign of subsiding, and until it does, it may pay to be a net seller of options over the short term.

Short-term S&P 500 Implied Volatility Bias: Positive

2. Weekly Change - Stock, Commodity, and Volatility Indexes

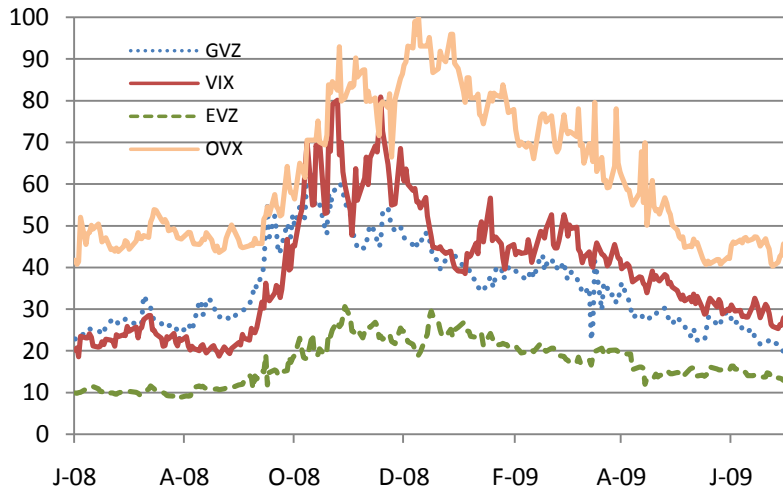


	Implied Daily Move (1σ)	
	Points	%
SPX	15.78	1.76%
NDX	25.57	1.77%
RUT	10.54	2.12%
DJIA	130.88	1.58%
US/EUR	1.14	0.81%
Gold	1.15	1.26%
Oil	1.04	2.88%

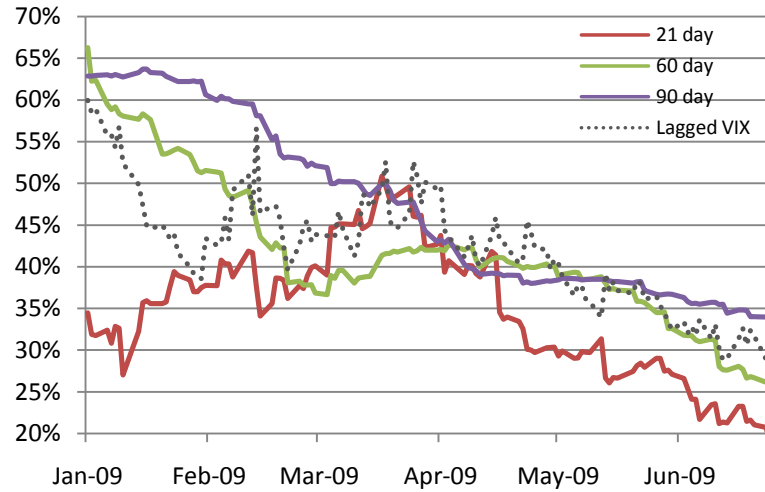
	S&P 500	Nasdaq 100	Russell 2000	DJ Industrials	USD/EUR (FXE)	Gold (GLD)	Oil (USO)
■ Price	-2.45%	-2.29%	-3.12%	-1.87%	-0.50%	-1.13%	-3.89%
■ Volatility	7.79%	5.80%	6.12%	6.31%	-4.30%	-9.29%	13.24%

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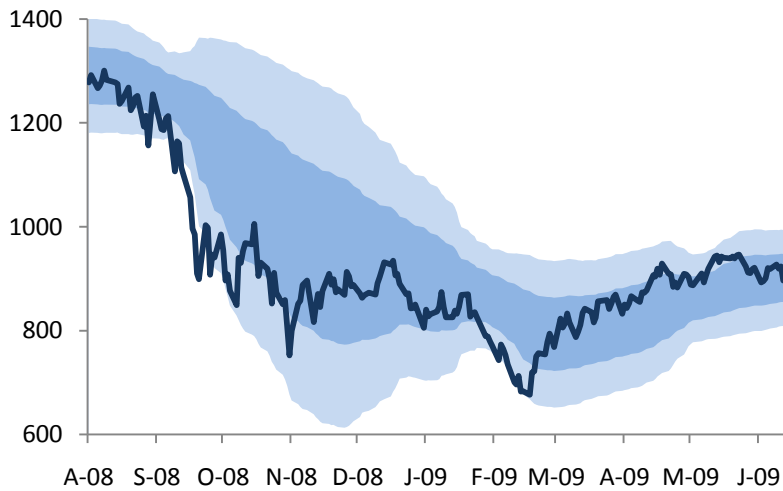
3. Implied Volatility Indexes



5. S&P 500 Implied and Realized Volatility



4. S&P 500 Price and Bollinger Bands

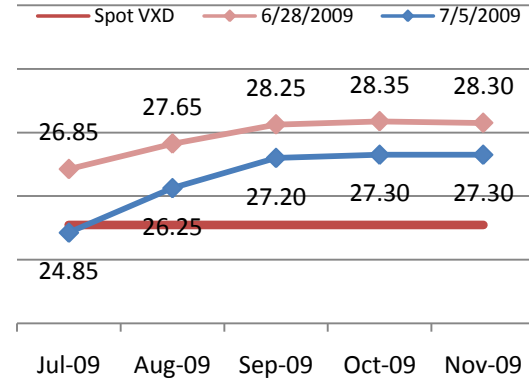
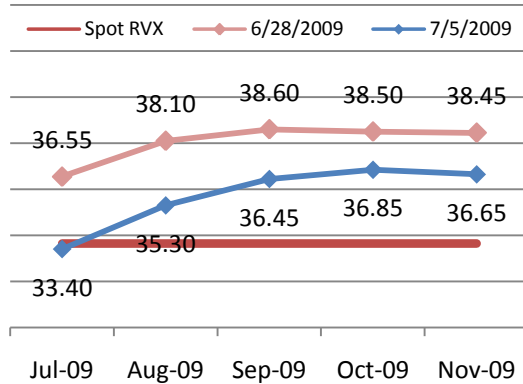
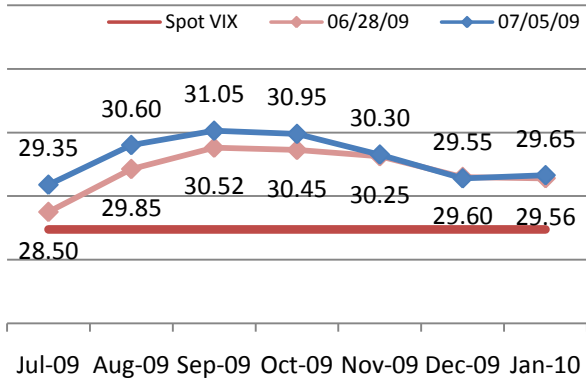


6. S&P 500 Implied/Realized Volatility Ratio

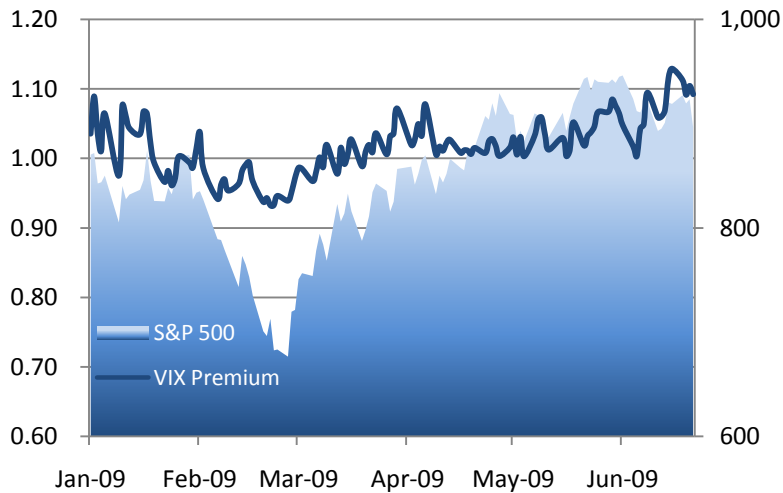


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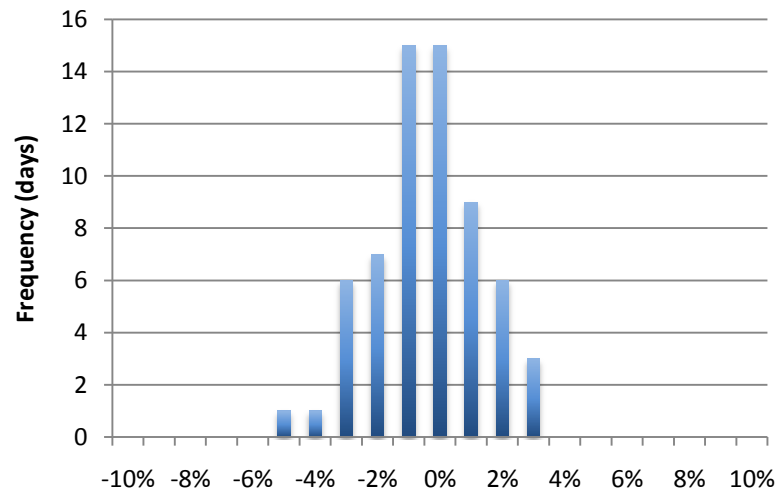
7. Volatility Futures Term Structures



8. VIX Premium Ratio

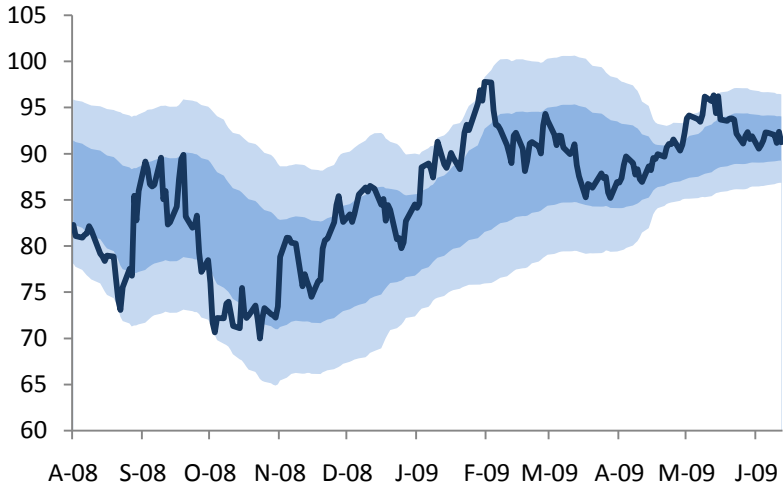


9. S&P 500 Daily Return Distribution (3 month)

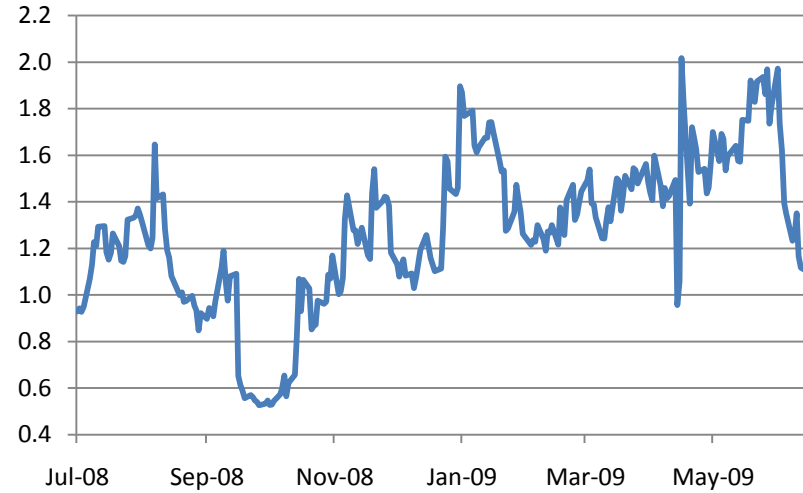


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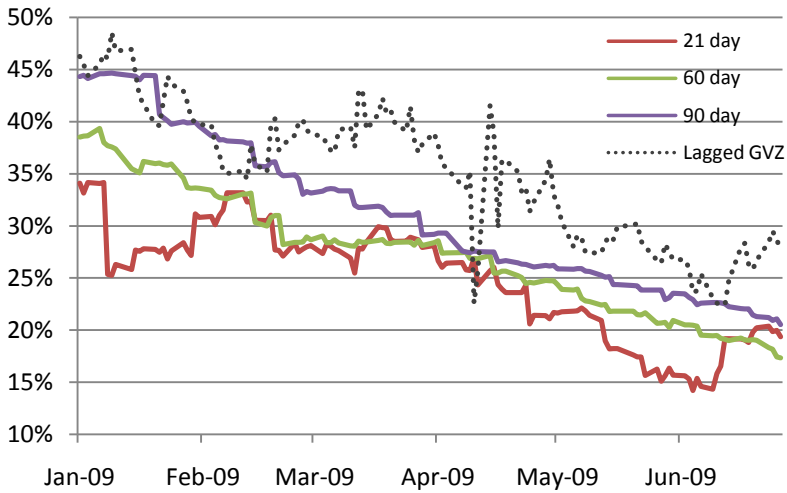
10. Gold Price and Bollinger Bands (GLD)



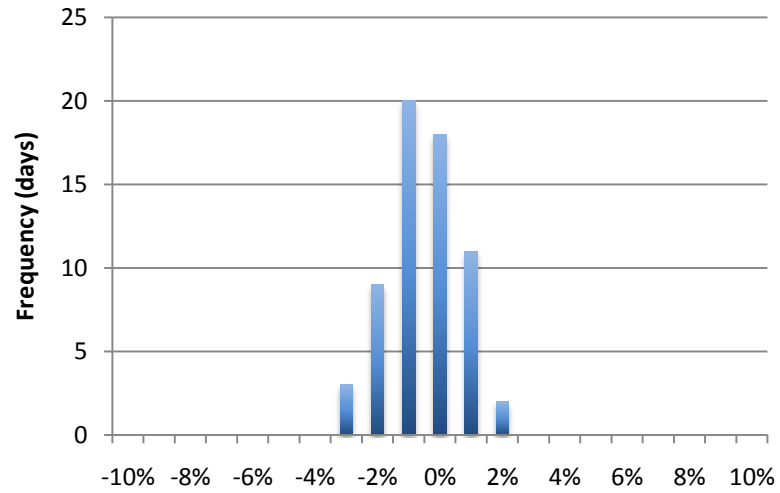
12. Gold Implied/Realized Volatility Ratio



11. Gold Implied and Realized Volatility

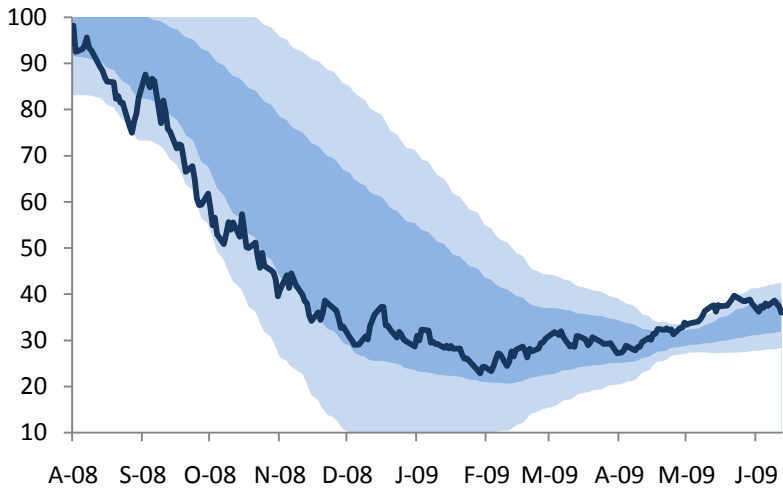


13. Gold Daily Return Distribution (3 month)

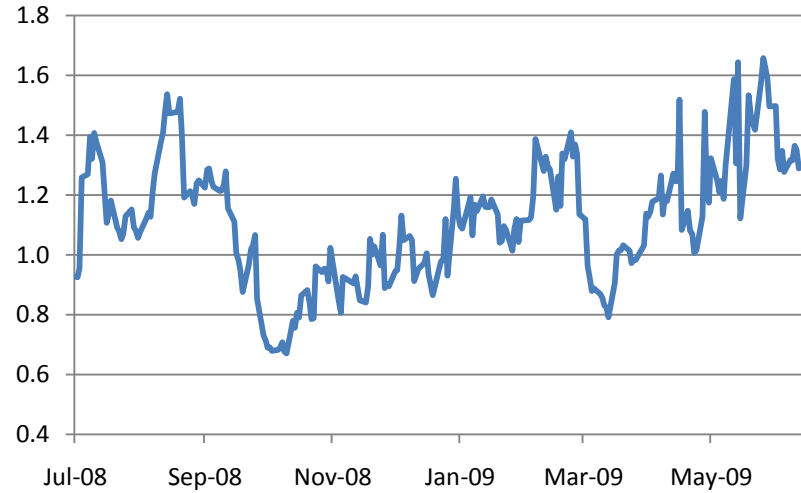


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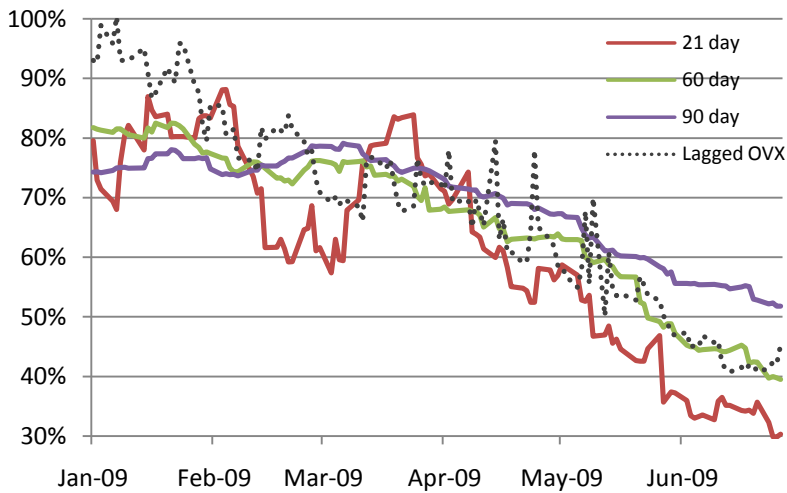
14. Oil Price and Bollinger Bands (USO)



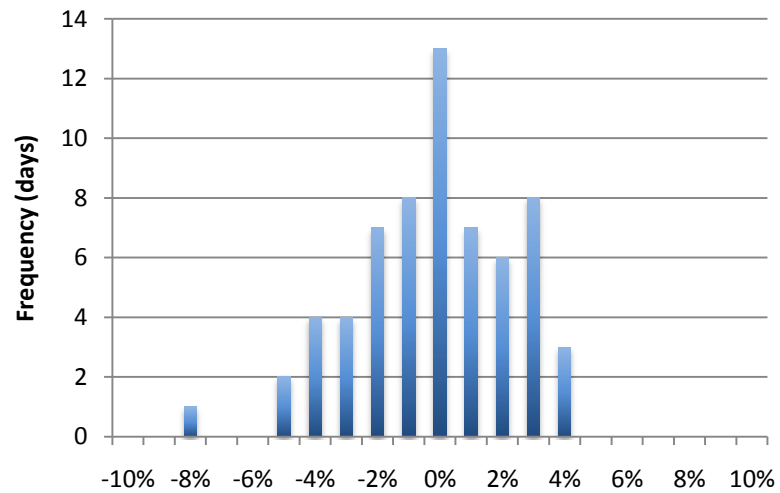
16. Oil Implied/Realized Volatility Ratio



15. Oil Implied and Realized Volatility



17. Oil Daily Return Distribution (3 month)



- 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. Implied Volatility Indexes.** A one year chart of the implied volatility indexes for the S&P 500, gold, oil, and USD/EUR. Indexes for the Nasdaq 100 and Russell 2000 are omitted because of their tight correlation with VIX.
- 4. S&P 500 Price and Bollinger Bands.** Tracks daily closing prices in SPX with an overlay of one and two standard deviation 50-day bands.
- 5. S&P 500 Implied and Realized Volatility.** Tracks the 21-, 60-, and 90-day realized (or "historical") volatility of the index and the 21-day lagged CBOE Implied Volatility Index ("VIX"). 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.
- 6. 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.
- 7. 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.
- 8. 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.
- 9. S&P 500 Daily Return Distribution (3 month).** Histogram plotting the frequency of daily percentage returns over the prior 63 trading days.
- 10. Gold Price and Bollinger Bands.** Tracks daily closing prices in GLD with an overlay of one and two standard deviation 50-day bands.
- 11. Gold Implied and Realized Volatility.** Tracks the 21-, 60-, and 90-day realized (or "historical") volatility of the ETF and the 21-day lagged CBOE Gold Volatility Index ("GVZ").
- 12. Gold Implied/Realized Volatility Ratio.** See #6 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.
- 13. Gold Daily Return Distribution (3 month).** See #9 above.
- 14-17. Oil** charts correspond to 10-13 above.



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