

Condor Options Volatility Tracker

1. Comment

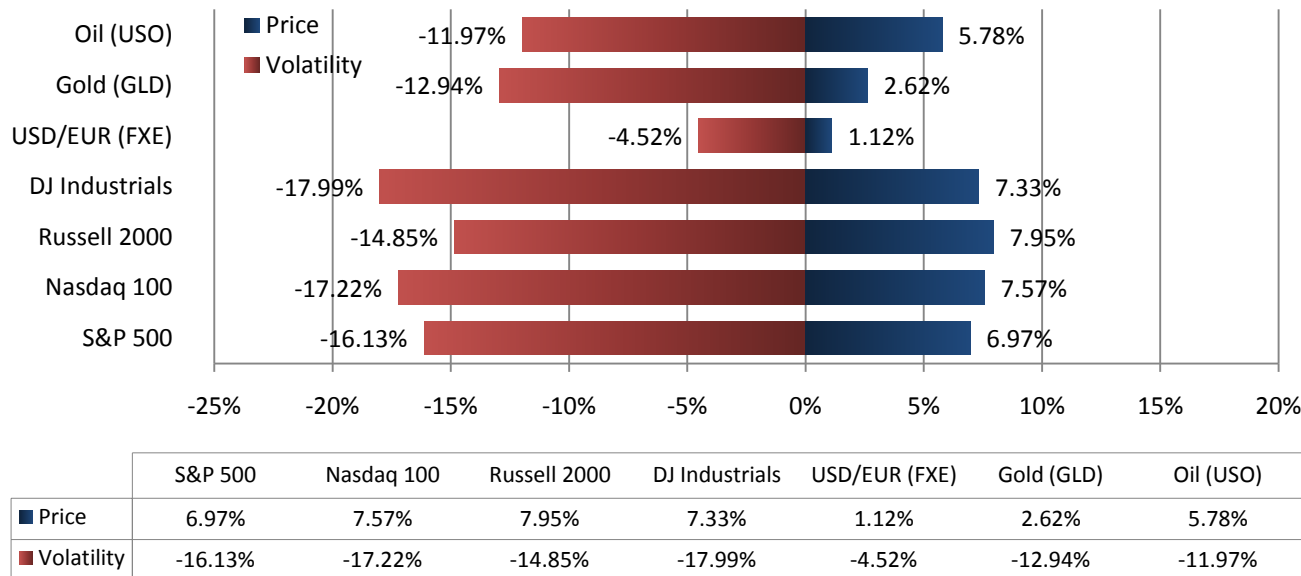
Equities had a strong week, but the view from the volatility front is not so clear - if anything, it favors caution rather than optimism. Volatility futures declined this week in absolute terms, but their term structures only steepened and have not changed their basic shape for several weeks now. [7] The VIX Premium Ratio has made another new high for the year. [8] Neither of these indicators are unqualifiedly bearish, but expectations of higher implied volatility in the future tend to coincide with falling prices.

The recent outperformance of the Nasdaq 100 has caused some investors to take last week's rally more seriously, on the view that the technology sector should provide leadership for any sustainable advance. I confess I can't make any sense of that piece of conventional wisdom in this economic context, except perhaps as a short-term technical point.

Last week's bullish calls on oil and gold paid off, as the trades discussed are up 16% and 12%, respectively.

Instead of noting my expectation for the week ahead for volatility in the S&P 500 only, I've added a table below listing price and volatility expectations for several assets. That table is the only subjective item in this report, and should therefore be given the least attention.

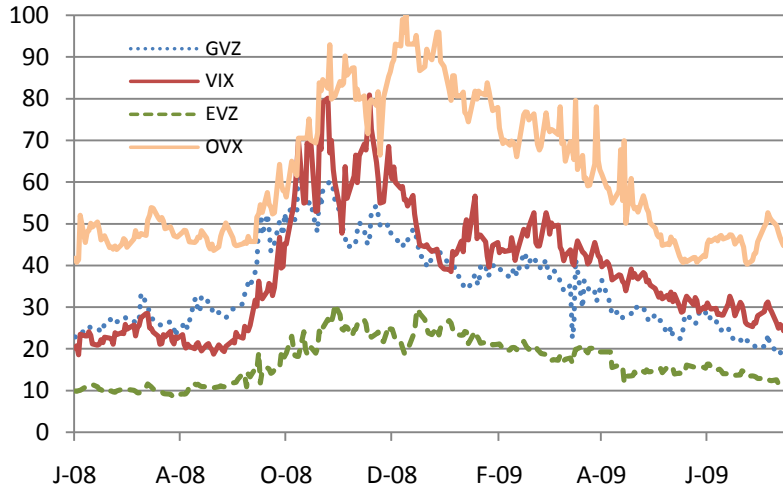
2. Weekly Change - Stock, Commodity, and Volatility Indexes



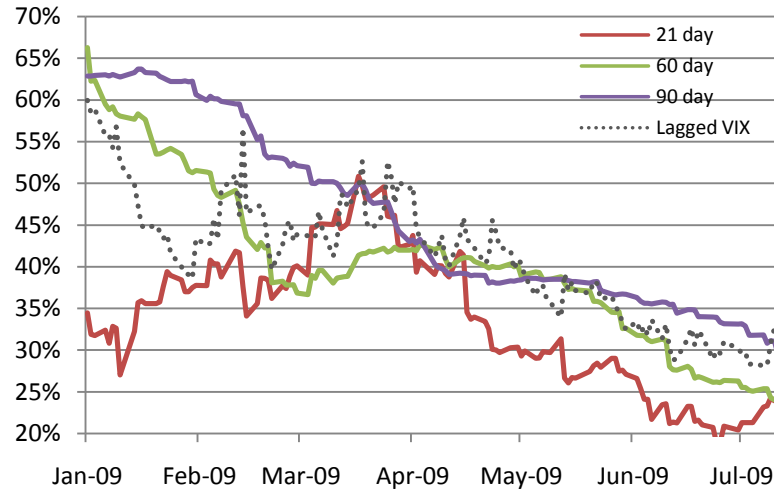
Implied Daily Move (1σ)		
	Points +/-	%
SPX	14.42	1.53%
NDX	23.36	1.53%
RUT	9.74	1.88%
DJIA	117.49	1.34%
US/EUR	1.05	0.74%
Gold	1.05	1.14%
Oil	0.97	2.82%
Forward Bias		
	Price	Volatility
SPX	↓	↗
US/EUR	↗	→
Gold	↗	→
Oil	↗	→

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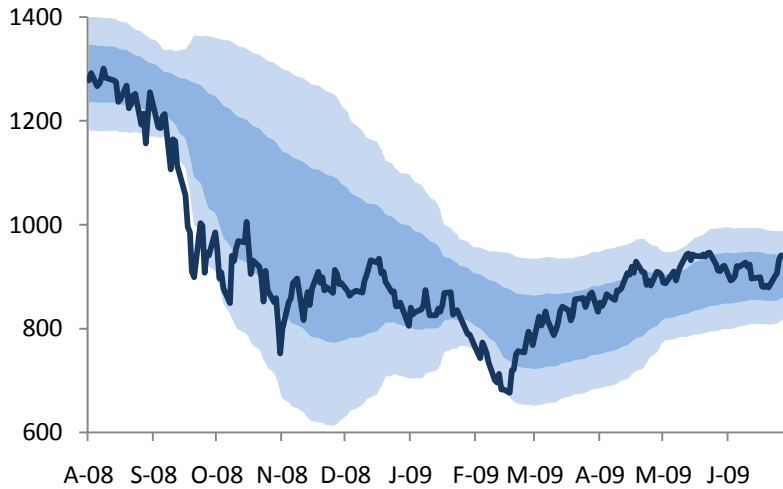
3. Implied Volatility Indexes



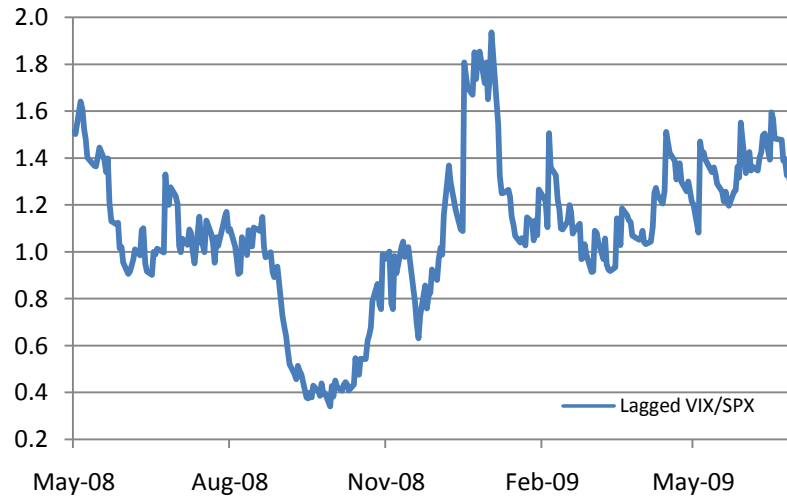
5. S&P 500 Implied and Realized Volatility



4. S&P 500 Price and Bollinger Bands

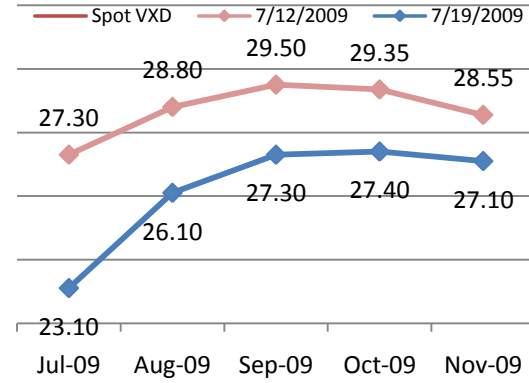
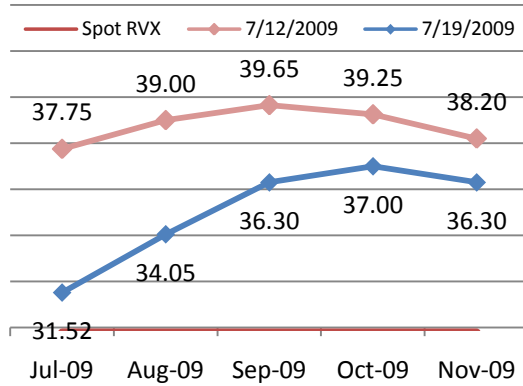
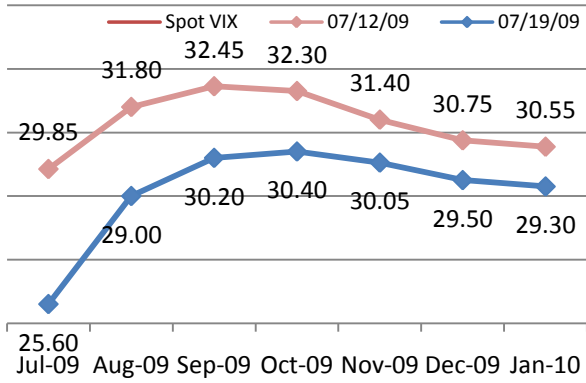


6. S&P 500 Implied/Realized Volatility Ratio

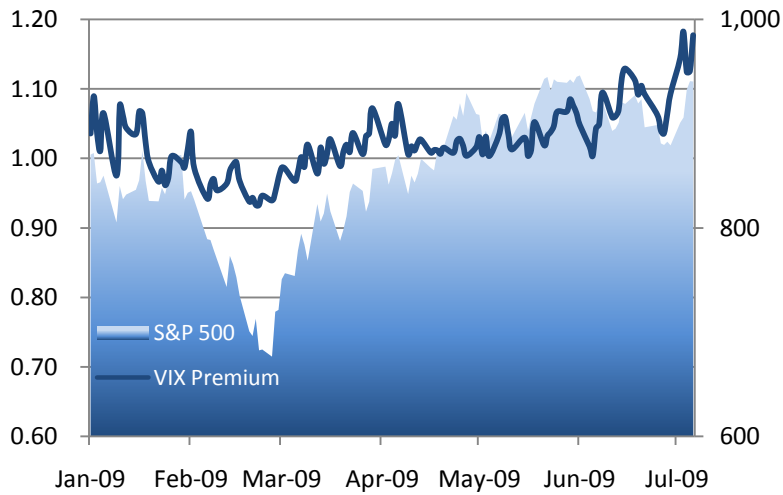


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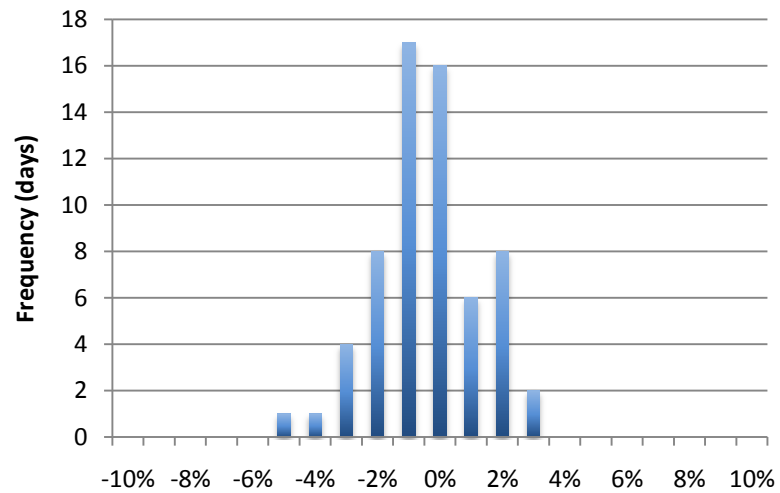
7. Volatility Futures Term Structures



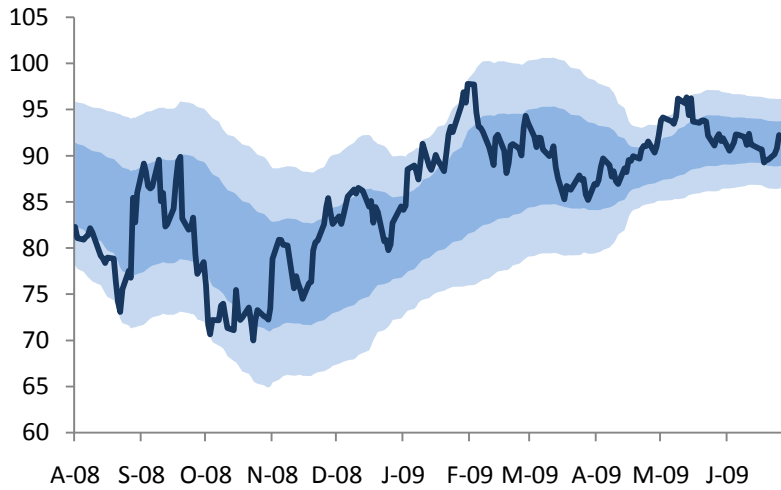
8. VIX Premium Ratio



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



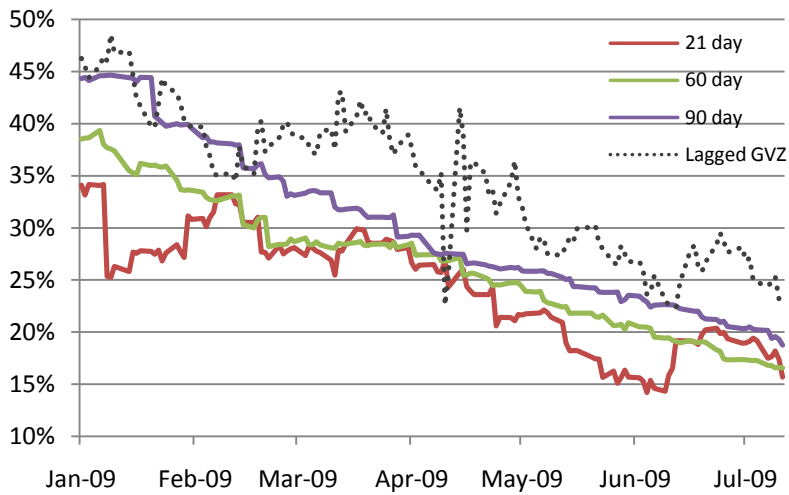
10. Gold Price and Bollinger Bands (GLD)



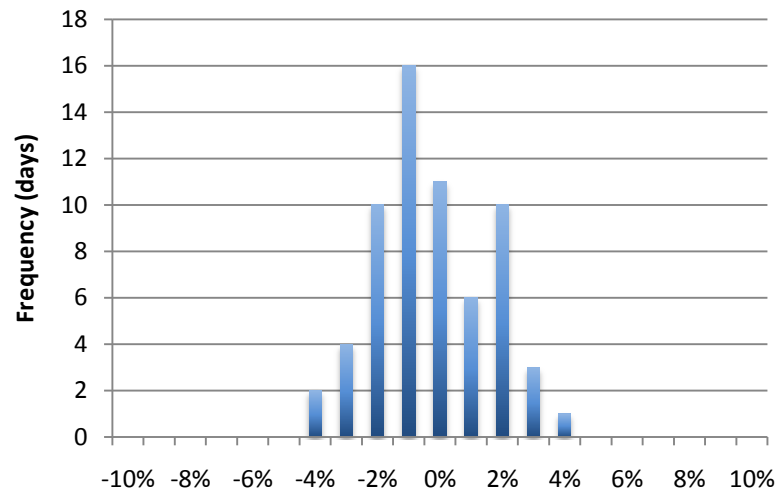
12. Gold Implied/Realized Volatility Ratio



11. Gold Implied and Realized Volatility

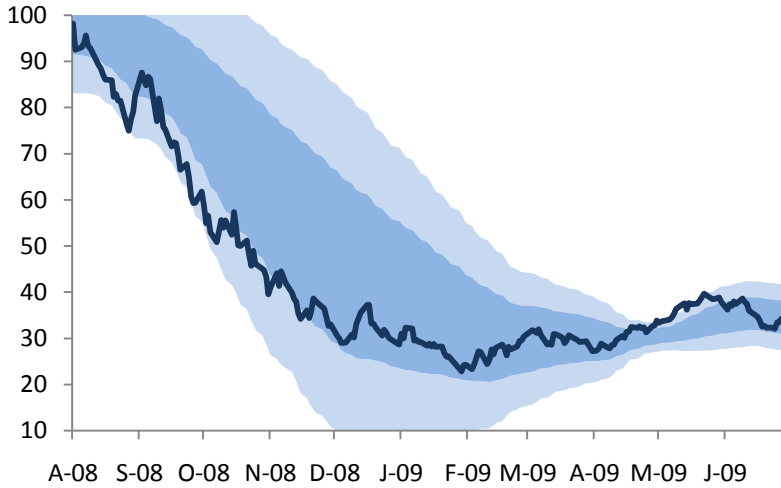


13. Gold Daily Return Distribution (3 month)

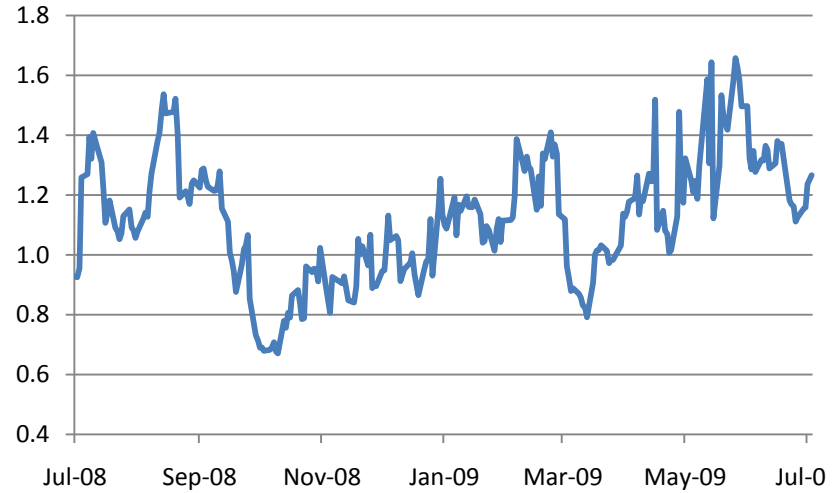


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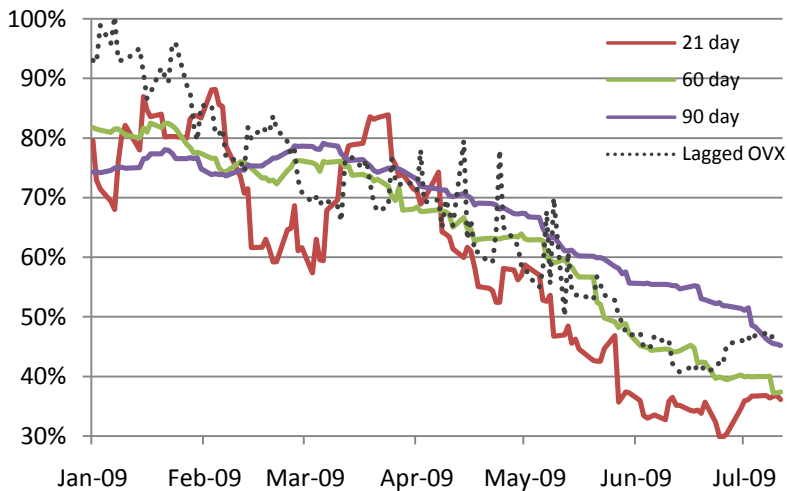
14. Oil Price and Bollinger Bands (USO)



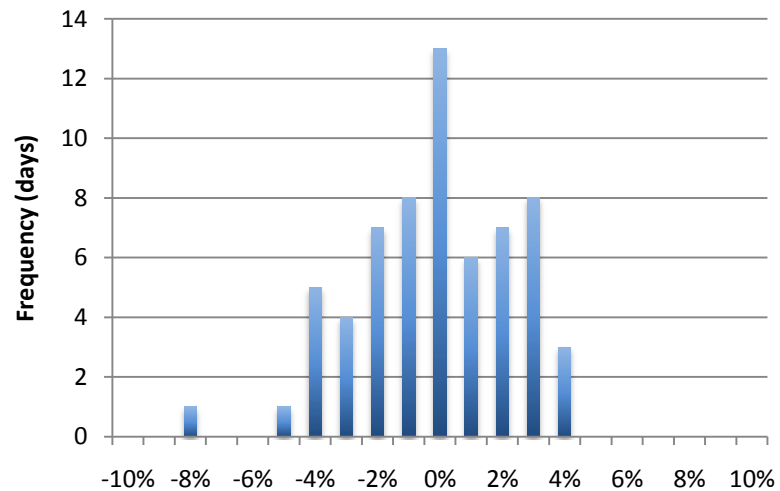
16. Oil Implied/Realized Volatility Ratio



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. The Forward Bias table displays my bias for the movement of the price and implied volatility of several assets for the coming week.
- 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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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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