



## **February 2006 Market Commentary**

Warrington commenced its first partial month of trading in February with a bearish outlook, seeing the S&P 500 futures on the higher end of the trading range carrying over from November, 2005. Our initial positions focused on ratio put spreads to take advantage of a potential pullback in the market. After a few days of fine tuning the position, the pullback that we anticipated came to fruition on the last two days of the month. With our long puts now in the money, we added a partial position of long S&P futures contracts to create synthetic long call positions. This call exposure would hedge the possibility of a snap-back rally. The S&P did not have this recovery by month end and therefore the long put spreads finished the month on a positive note.