

# **WARRINGTON**

**A S S E T M A N A G E M E N T**

## **January 2007 Market Commentary**

January began with the range-bound trading action in the S&P futures continuing, with any downside being very limited in both degree and duration. This churning action allowed us to purchase put spreads when the market turned higher and then use futures to make synthetic calls when the market churned lower. Taking advantage of market movement in this fashion permitted us to place positions on both sides of the market at beneficial prices. As January options expiration approached, we slowly began to unwind our put spreads to capture a profit. Then as the market resumed its gradual climb higher, we were able to realize gains on our synthetic calls. In the second half of the month, the churning action in the S&P futures resumed, allowing us to once again structure our positions on both sides of the market.