WARRINGTON
ASSET MANAGEMENT

June 2012 Market Commentary

The ebb and flow of global stock markets continued to revolve around Europe's sovereign debt woes, impacting US equity prices negatively. As rumors of potential European solutions or further easing from the Federal Reserve would surface, US equity prices would rebound. Heading into the Federal Reserve's meeting, Warrington's manager felt that the expectations for further easing and monetary policy accommodation were too high, setting the stage for a decline in equities. To take advantage of this opinion, the manager rolled the portfolio's put spreads to higher strikes to potentially take advantage of a decline. The Fed did indeed deliver less that the market had hoped for and the stock market decline ensued, sending futures prices down 3.9% over the next four trading days. Warrington was able to capitalize on this move lower and lock in profits on the put spreads held in the portfolio, producing one of our best monthly returns so far this year.

This type of opportune trading has helped Warrington to string together a total return of greater than 8% net over the past three months. With no clear solution to Europe's sovereign debt issues on the horizon, the outlook for the next few months seems to be more of the same: choppiness due to the crosscurrents of crushing debt loads exacerbated by weakening economies and the glimmer of hope for a real solution to the Eurozone's problems.