



November 2010 Market Commentary

In the first few days of November, the S&P 500 futures rallied sharply on the news of the Republican advances in the midterm elections. After gaining 3.8 percent, the market stalled and began to decline. In the span of one week all of the month's gain was erased, with the S&P 500 dropping 4.4%. Warrington implemented ratio put spreads in the portfolio near the highs, so this decline was welcome news as it was the first substantial pullback since the end of August. The market then became range-bound between 1170 and 1200, providing opportunity for Warrington to realize profits on its positions expiring at the regular November expiration. For the balance of the month, the S&P 500 futures stayed in the trading range, allowing Warrington to incrementally add profits from positions that expired at the end of November.

Range-bound trading of this type can be very beneficial to Warrington's returns, as the up and down choppiness within the range allows Warrington to trade around the gyrations in the market, often realizing profits where stock markets can show neutral to negative returns from the lack of directionality.