

# WARRINGTON

## ASSET MANAGEMENT

### June 2015 Market Commentary

Warrington's performance in June was exceptional, as many of the items we have been warning about in our previous monthly commentaries came to pass. As a result, Warrington provided investors with an estimated gain of approximately +1.7%, while the S&P 500 Index declined 2.1% in a month which saw a dramatic increase in overall market volatility.

The S&P hit new all-time highs in late May and, after a brief retracement, made another assault on those highs just a few weeks later. The pullback seemed to stem from the deteriorating economic fundamentals in Greece, while the rally was predicated on specious rumors of possible solutions to the crisis. This tenuous recovery indicated to Warrington that another decline could be eminent, and the facts of the situation were too great for the rumor mill to overcome. The S&P 500 dropped over 2% on June 29<sup>th</sup>, the largest daily decline since April of 2014. Warrington's ratio put spreads took advantage of this sharp pullback and the spike in volatility, resulting in our best performance month of the year.

Domestic stock markets remain fraught with ongoing pockets of volatility as a result of exposures abroad, and Warrington expects this environment to continue. The Greek government ordered its banks to stay shut through Jul 6 in order to prevent the country's financial system from collapsing while its central bank imposed capital controls to curb the flow of money exiting the country. Greece has also scheduled a surprise referendum to effectively decide whether to stay in the Euro currency or to break away, impacting the future of the European Union. Greece is not the only story weighing on the markets as China's stock market has experienced massive volatility, with intraday moves of greater than 10% and a more than 25% decline from the highs in the middle of June. Puerto Rico is also on the blocks reporting it too is unable to pay its debts.

While we continue to see strength in many U.S. economic indicators, we believe these global issues will continue to bleed into the U.S. markets, which should bode well for Warrington's trading strategy.

We thank you for your continued support of Warrington Asset Management.