

<u>Title</u>	<u>Date</u>	<u>Report Link</u>
Morning Derivatives (8/8/11)-The Volatility Cycle <i>"The spike in the CBOE SPX Volatility Index (VIX, 32.00) above 30 last week signaled a transition from stage 2 to stage 3 of the risk cycle, based on our volatility framework. This phase of the cycle will end once VIX has descended back through the 25 level, which we would interpret as an all-clear sign for equities. In the meantime, we expect the most turbulent and unpredictable period of the volatility wave will play out over the next couple of weeks."</i>	8/8/2011	Morning Derivatives (8/8/11)—The Volatility Cycle
Morning Derivatives (8/5/11)-Volatility Cycle <i>"While we want to begin thinking about opportunities to exploit implied volatility and skew for longer-term exposure, we remain focused on the short term, which should be volatile."</i>	8/5/2011	Morning Derivatives (8/5/11)—Volatility Cycle
Morning Derivatives (8/4/11)-ETF Hedges <i>"The current volatility shock remains fairly benign, as measured by implied volatility, skew and implied correlation. In addition to VIX having remained relatively unchanged during the last couple of days, even while the S&P 500 Index (SPX, 1260.34) slid more than 3%, both the CBOE S&P 500 Implied Correlation Index (KCJ, 63.31) and SPX 90%/110% skew are at levels consistent with just moderate risk aversion. We expect downward pressure on equities until this resilience is broken and volatility metrics approach historical peak levels."</i>	8/4/2011	Morning Derivatives (8/4/11)—ETF Hedges
Morning Derivatives (8/2/11)-The Volatility Cycle <i>"Seek not happiness too greedily, and be not fearful of unhappiness" – Lao Tzu</i>	8/2/2011	Morning Derivatives (8/2/11)—The Volatility Cycle
Morning Derivatives (7/28/11)-The Volatility Cycle <i>"Although implied volatility has taken a circuitous route over the last several weeks, elongating the trough-to-peak portion of the cycle beyond that of comparable periods since the high-volatility regime began in July 2007, we still expect the endgame to be defined by a peak for the CBOE SPX Volatility Index (VIX, 22.98) in the 30-35 range."</i>	7/28/2011	Morning Derivatives (7/28/11)—The Volatility Cycle
Morning Derivatives (7/22/11)-Volatility Patterns <i>"Ultimately, the question is whether the ongoing traumatic macro events are able to continue without equity markets registering a comparable emotion response. We still view a run-up in implied volatility as the healthiest and most natural outcome."</i>	7/22/2011	Morning Derivatives (7/22/11)—Volatility Patterns

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Morning Derivatives (7/18/11)-The Volatility Cycle <i>"Implied volatility has round-tripped its sharp late-June decline, and that period, which was accompanied by a powerful equity rally, is looking increasingly anomalous to us."</i>	7/18/2011	Morning Derivatives (7/18/11)—The Volatility Cycle
Morning Derivatives (7/5/11)--1H11 Volatility Review <i>"We respect the underlying forces that drove the SPX to tack on almost 6% in just five trading days, but maintain a cautious view given the broader context of the volatility wave."</i>	7/5/2011	1H11 Volatility Review
Morning Derivatives (6/30/11)-Still Cautious <i>"Within the context of our volatility framework, a sustained decline across volatility metrics following the long-duration CBOE SPX Volatility Index (VIX, 17.27) trough from mid-March to June would be unusual. For this reason, we view the recent slide in the VIX to 17.27 from a closing high of 22.72 last week, flattening of three-month 90%/110% skew below 10 and drop in SPX implied correlation toward recent lows as being temporary within an ongoing volatility event."</i>	6/30/2011	Morning Derivatives (6/30/11)—Still Cautious
Morning Derivatives (6/24/11)-Equity Volatility <i>"Our message at this time remains straightforward: Utilize this period to position for the eventual VIX spike that will define the peak of the current wave and coincident equity trough."</i>	6/24/2011	Morning Derivatives (6/24/11)—Equity Volatility
Morning Derivatives (6/20/11)-Caution Warranted <i>"We believe that portfolios should be assessed for vulnerabilities in the event that VIX moves sharply higher to a peak in the 30-35 range, as we expect."</i>	6/20/2011	Morning Derivatives (6/20/11)—Caution Warranted
Morning Derivatives (6/16/11)-Inflection Point for Equity Volatility <i>"The reversion of VIX up through its long-term mean signals to us that a shift to an outright defensive posture is warranted, particularly given the weak performance of equities relative to prior cycles and the moderate displacement of the March volatility peak."</i>	6/16/2011	Morning Derivatives (6/16/11)—Inflection Point for Equity Volatility