



THURSDAY MAY 26, 2016

| | PRICE | CHANGE | VOLUME | UP/DN % | UP/DN VOL % |
|-------------|-----------|--------|------------|---------|-------------|
| Dow: | 17,828.29 | -23.22 | 3.23 | 114 | 72 |
| Nasdaq: | 4,901.77 | +6.88 | 1.61 | 80 | 111 |
| S&P 500: | 2,090.10 | -0.44 | | | |
| 10 yr note: | 1.82% | -5bps | | | |
| Volatility: | 13.43 | -0.47 | | | |
| EUR-USD: | 1.118 | +0.003 | Crude Oil: | 49.48 | -0.08 |
| USD-JPY: | 109.70 | -0.35 | CRB-Com: | 185.59 | +0.29 |

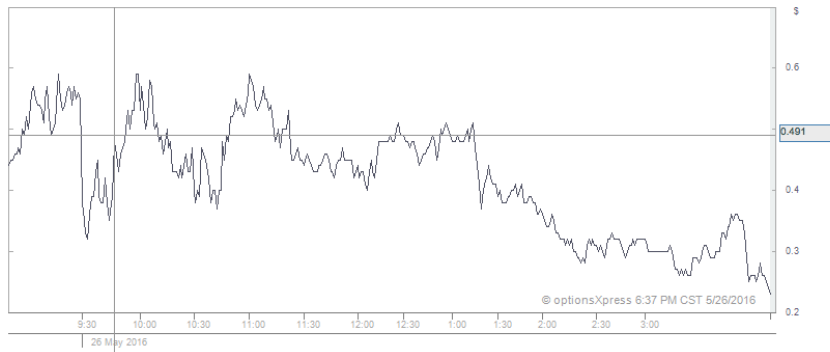


Market gyrate on the second lowest volume so far this year. Volatility down 3.4% today, now within 3% of its yearly low. All markets moved within 0.1% today, while crude fell 0.2%. WTI crude closed at its second highest level, briefly breaking above \$50 for the first time this year. The dollar fell against the Euro (-0.3%) and yen (-0.4%). Despite today's dollar weakness, the currency has actually bounced 3.2% off its May 2 bottom.

Today's loss wiped out 3 weeks of profits. The key is to have the option that will hit the 15% profit limit but not lose that much when the trade goes wrong. Therefore higher (less volatile) priced options are key to this strategy. The option only needs just enough volatility to hit the profit limit and no more.

- Removing the hhighlevel adjustment if VIX is below 14. C-Rise trade would not have executed if it had not been in place. Experiments with shrinking the even limits
- Options expired tomorrow; were not changed yesterday as required. Loss would have been 15% (if sold at 3:55 next bar limit) or 25% (if sold at 3:58 next bar limit and 4:10 market).
- Returning to trading \$2 options for the reason mentioned above, loss would have been 5% with a \$2 option.
- Profit just missed 30% limit but would have hit 15%. Changing profit limit back to 15%. I started with \$2 options and 15% profit limits for a reason, I am lead to believe...

C-trade executed at 9:53 for 30% loss



ECONOMIC REPORTS:

Weekly Jobless Claims: -10,000 to 268,000. The 4-week average nevertheless gained 2,750,000 to 178,500, 20,000 above its level one month ago.

April Durable Goods Orders: +3.4%. Headline orders gain significantly, but stripping out transportation reveals a much weaker 0.4% gain. Non-defense capital goods orders, excluding aircraft, actually fell 0.8% in April, adding to its nearly 12% decline since peaking in September 2014. Companies are using excess cash and low-interest debt on share buybacks and dividends instead of reinvesting it, which would end the low-productivity, low business investment and low growth phase this country has been mired in. "Potential long run growth has dropped from 3% to 2% since the recession ended, with much of the decline a function of slower productivity growth" which is in turn driven by low capital investment, said Fed governor Jerome Powell today.

April Pending Home Sales: +5.1%. Contrary to business investment, housing activity continues to strengthen, hitting its highest level since February 2006. Inventories remain low however, dropping to a 4.7 month supply. Pending home sales are now 4.7% higher over the past year, their 20th consecutive month of annual gains (WSJ).

Weekly Bloomberg Consumer Sentiment: -0.6 to 42. Consumer sentiment is flat to slightly lower since the start of the year.