



The Volatility Watch

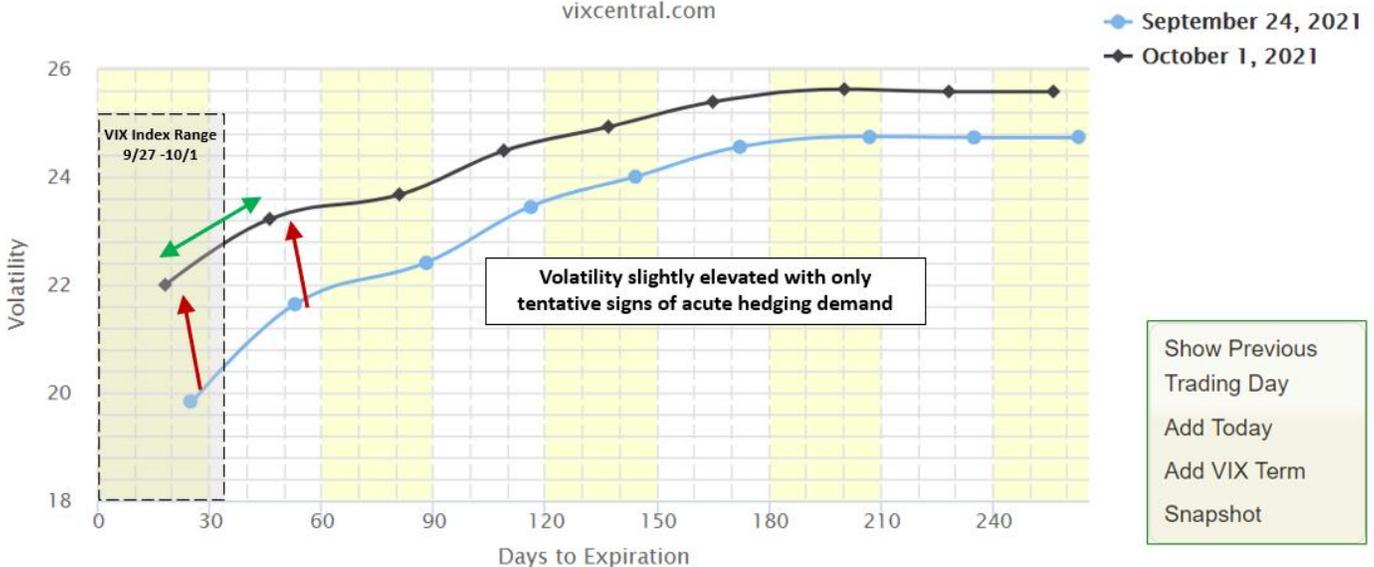
A Weekly Commentary On The Volatility Marketplace
Free weekly delivery

For Week Ending 10/1/2021:

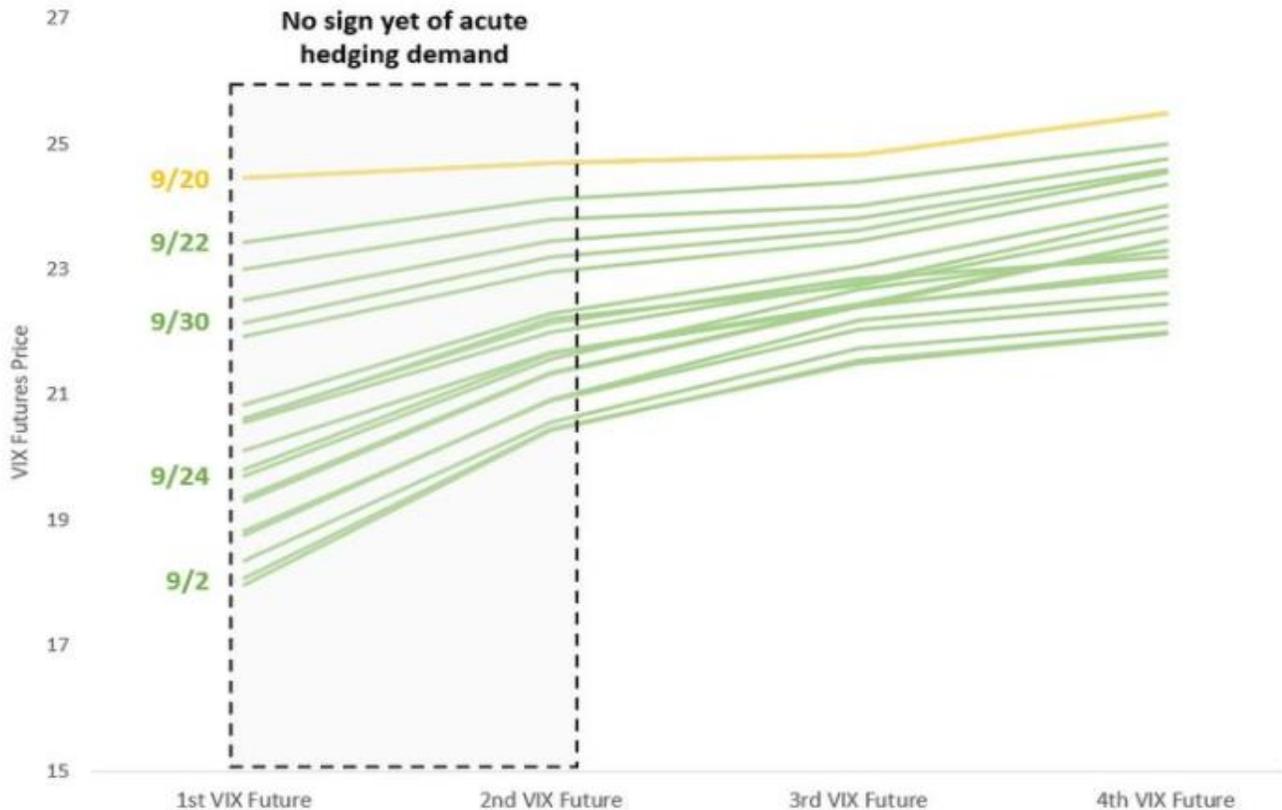
S&P -2% last week, though as of 10/1 still less than 4% below all-time highs. In sympathy, VIX has also been neither high nor low, outside the 18-20 transition zone for only a few fleeting moments since Labor Day with a consistently upward-sloping VIX futures term structure indicating little sign of panic in the market (see 2nd chart below). For tactical strategies, this "low grade fever" scenario can be a difficult one as profits on the "offense" (e.g., long stock index) and "defense" (e.g., long volatility) sides of the portfolio come and go with every change of course until a larger trend asserts itself. Of course, it's called a "transition zone" for a reason- historically, only 10% of VIX closes have fallen within this range. The vast majority of the remaining 90% fall in the "bull market" category, but as we saw last year, performance during the less common "crisis" periods can have a heavy impact on portfolios for years.

VIX Futures Historical Prices

vixcentral.com



Below is a chart showing the "low grade fever" of increasing volatility with persistently upward-sloping VIX futures curves throughout September.



Daily VIX future curves, September 2021

Chart-Thompson Capital Management

Due to a system delay, the exposure graphs for each of the Tactical Beta and Alpha Seeker strategies won't be available this week.

Following the noisy signals from the Dashboard's most-sensitive "purple" indicator, the Tactical Beta strategy entered and exited a partial hedge last week at a small loss- historically the most common outcome for the strategy's hedging positions and the main contributor to the strategy's less-than-100% up capture since inception. As of Friday 10/1, the strategy is in preliminary defensive mode, 95% long S&P. Responding to the same signals, the Alpha Seeker strategy closed out negative beta positions last week (booking a small profit from cost) and as of Friday 10/1 is 100% cash.

Disclosure

Investing involves risk, including the possible loss of principal.

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Currently, Mike and Matt Thompson, principles at Thompson Capital Management-a majority owned affiliate of LHA, manage a composite of separately managed accounts for each of the Tactical Beta strategy and the Alpha Seeker

strategy, and each has used substantially the same investment objectives, policies, and principles as while the Thompsons were at prior investment management firms. Mike and Matt Thompson, as employees of LHA, will implement the strategies for LHA clients.

VIX is the ticker symbol for the Chicago Board Options Exchange (CBOE) Volatility Index, which shows the market's expectation of 30-day volatility. References to the S&P 500®, the S&P, and to the market generally are to the Standard & Poor's 500® Index (SPX) which is the market capitalization-weighted index of 500 leading companies in leading industries of the U.S. economy that does not include re-investment of dividends in the calculation of the index total return. Negative beta positions are those that move opposite to the market, including short S&P 500 positions and/or long VIX positions.