

Breakthrough Backtesting Results for IV-Based SPX Iron Condor Option Trading System

-Updated To Include Impact of Market Correction of
May-June, 2006

Part 3 – SPX Iron Condor Results for First Half 2006

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SPX Iron Condor Results for Jan-Jun 2006

If you have been tracking the market for the last 6 months, you know the Iron Condor system was doing fine until May and June. After the Federal Reserve announced its 16th interest rate hike, the overall market began a 'mini-crash'. The following trades, some of them were really taken by me, show how the Iron Condor system handled this current market.

Remember to visit <http://www.breakthroughbacktesting.com> to purchase the complete system for only \$17.

Don't miss part 4 of this chapter, in which we discuss the overall conclusions and major lessons!

Table 5. SPX Iron Condor Trades Taken for Jan-Jun 2006

Expiration	Entry Date	SPX Short Call	SPX Short Put	spx legs	SPX Credit	No Shave	Profit	Profit no shave
1/20/2006	12/12/2005	1311	1211	1210/1190/ 1310/1330	300	210	300	Nothing much happened
2/17/2006	1/9/2006	1330	1251	1250/1230/ 1330/1350	460	390	460	Nothing much happened - again
3/17/2006	2/6/2006	1312	1220	1220/1200/ 1310/1330	405	325	140	Exited 3 days early because it came within 10 points during expiration week
4/21/2006	3/13/2006	1329	1240	1330/1350/ 1240/1220	390	320	390	Nothing happened much
5/19/2006	4/10/2006	1343	1250	1340/1360/ 1250/1230	410	340	250	Exited one day early because it crashed to 1261 - almost 10 points within the shot - by 1 point
6/16/2006	5/8/2006	1369	1281	1370/1390/ 1280/1260	400	315	-750	40 day mark was right before the Fed announcement catalyst that caused the mini-crash. Crashed through on May 17th, waiting one day per the rule made it worse! MAJOR RE-EVALUATION OF RULES NEEDED!
6/16/2006	5/22/2006	1311	1214	1310/1330/ 1210/1190	325	235	140	Here is an adjustment to try to recover - notice I wait to make the adjustment until after expiration. The market crashed even further during expiration week. Exited 2 days early when SPX came within 10 points of the short.
							930	PROFIT STILL POSITIVE

June Condor Narrative: For the condor placed on 5/8, on May 16 – SPX closes at 1292 - 12 point above short. Then on May 17 - closes at 1270- 10 points INSIDE my short 1280 strike! SPX had a low of 1267 on that day! If I exited on 5/17 - there is a \$700 loss - or 35% of margin! If I waited a day to May 18 per the rules - the BEST would have been a \$750 loss if I was able to shave 1/3 and exit between 1270 and the high of 1274! A major re-evaluation of the rules is needed. Even the rule of exiting if it comes within 10 points wouldn't have worked since it closed at 1292 (12 points) on 5/16. However, this loss did not totally wipe out prior gains of the first 5 months. By playing the 40 day period, we got wider strikes and larger credits due to the increase of time in the formula (as compared to using a 30 day period).

In re-evaluating the rules, perhaps there should be a new rule to GET OUT if a short strike is crossed by more than 5 points! The 5 points corresponds to a loss that is equivalent to the credit (since 10 points is almost half the margin).

Actually, the major addition to the rules is that if there is a major change in market sentiment, like from sideways to bear or strong bull, CHANGE YOUR STRATEGY and EXIT!

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