

OCTOBER SHUDDERS

By Daryl Guppy

October is a month for the brave. Markets typically retreat in late September or early October. Each time the reason is different. This year it's ISIS, Ebola and the fear the market has moved up too far. Whatever the reason, the behaviour in October is often repeated. We remember the falls. We are not so good at remembering the snap back rebounds that follow the falls. October unusually ends higher for the month than it opened.

There are two trading strategies. The first is to use derivatives to trade short as the market falls. The second is to use derivatives to trade the rebound. The strategy can be implemented using an Index trade, or with heavy weight stocks that closely mimic the behaviour of the index.