

# Fear has taken over the market. What should investors do?

---

## Don't run from the market volatility – embrace it!

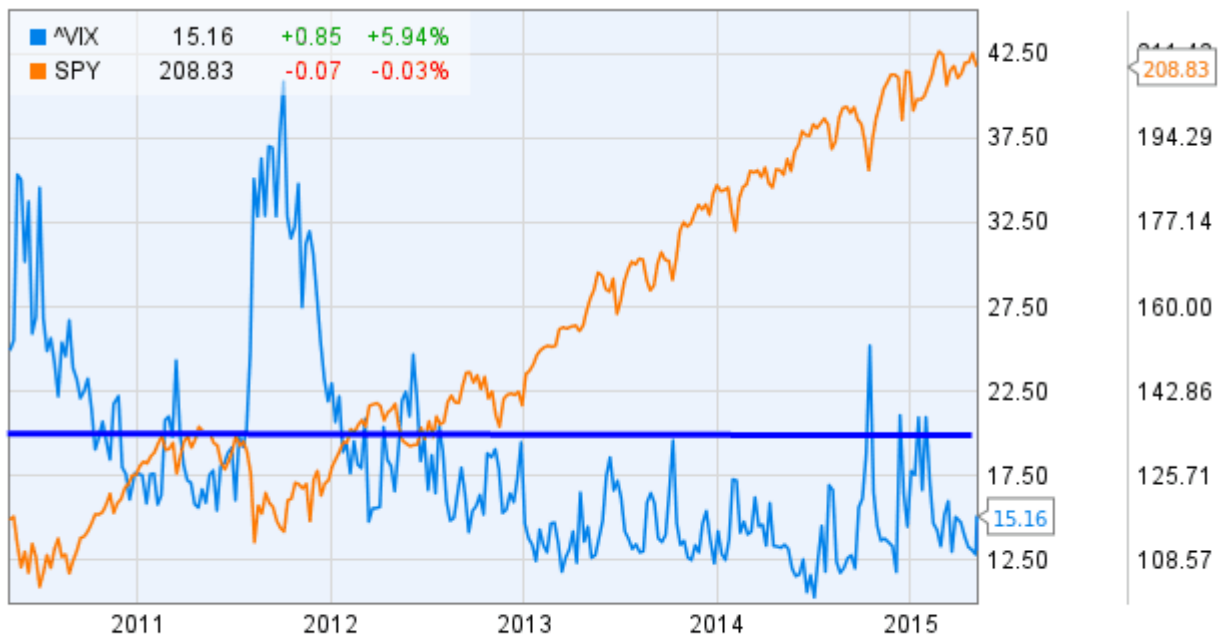
Like we discussed in our most recent market commentary video, investors like to sell in May . . . and that is exactly what investors are doing! The first two trading days of May haven't been the best if your relying on short term bullish trades to make you money. In fact, I've had a few phone calls and emails from folks wondering if the bull market is over or if the market is finally due for a bearish correction. While no one knows for sure what's going to happen, there are a few things that I would tell the investors and traders of the world.

**Investors:** I would urge anyone with money currently in the market to relax . . . stay the course, ignore the volatility and focus on the long term trends (which are still bullish) and the global fundamentals (which are not in the danger zone as far as valuations go.)

**Traders:** Take advantage of the volatility! What I mean by that is that there are a few things that I would consider doing as volatility increases. In order for this to make sense you need to understand what volatility can do for the options market. We do this by looking at the Volatility Index (VIX). If you are unfamiliar with what the VIX is, [click here](#).

The chart below shows the inverse relationship of the S&P 500 and the VIX. When the VIX rises the market is falling and when the market is rising the VIX falls. The important thing about this is that when the VIX rises option premiums do too, meaning they increase in value and become more expensive. That's when option sellers can finally make their move and employ the strategies below.

Regarding the VIX, don't go all out at once as you make any traders. I wouldn't be surprised to see a VIX move in the 18 – 20 range in the coming weeks. In fact I would welcome it. Not only is that good opportunity to trade options, it's also a great buying opportunity for stocks. You can see that each time the VIX hits that level (the blue line in the chart), the market rally's soon after . . . hence the term *"when the VIX is high it's time to buy."*



May 06 2015, 10:57AM EDT. Powered by **YCHARTS**

So what strategies should you consider? Consider the following . . .

- **Short Vertical Spreads.** You can see a quick video on this strategy by clicking [here](#).
- **Iron Condors:** This is a combination of vertical spreads and is something that I love to do for clients as volatility increases.

- **Selling Puts:** You can see a quick video on this strategy by clicking [here](#).

Below is a video that we call the IGGA Alpha Strategy. It's a video that incorporates a little of each strategy mentioned above.

If you have any questions about these strategies or how Iron Gate Global can help you, please reach out and let me know at [brett@igga.dev](mailto:brett@igga.dev)

*This is for educational purposes only and is not a recommendation to buy or sell a security. Options are risky and should not be traded by everyone, especially if you haven't traded them before. Please consult with a Financial Advisor before making any option trades as well as consider the risks which could be more than the initial investment.*