

## Oxeye Crude Oil program springs a leak

**London-based trading advisor Oxeye Capital Management suffered an 18.8% drawdown in its Oxeye Crude Oil program in September.**

Launched in July 2005, the strategy is designed to sell volatility using a combination of options and futures on Nymex Light Sweet Crude Oil. The drawdown leaves the program with an annualized return of -4.4% and \$11.8 million under management.

Founder and director Martin Petherick told MARHedge the reason for the loss was a sharp, unexpected move in Crude, which peaked at \$80 dollars a barrel in August, then touched \$57.50 in mid-October (a drop of more than 25% in five weeks).

"The top and the bottom of the range were breached," said Petherick. "The main cause for the losses is that both the November and December put positions have become deep-in-the-money. While one position has just expired, we still have one that will on November 14."

**However, Petherick argued, the history of Oxeye drawdowns shows that after losses, its programs were good investment opportunities.** For example, in September 2001, the Oxeye FTSE Futures and Options strategy lost 15%, but returned 54% in the following nine months. In October 2005, the Crude oil program took a 5% hit, but was up 14% over the subsequent nine months.

"After large moves, markets often range trade for a considerable period of time," said Petherick. "This can be fertile territory for Oxeye strategies because of the nondirectional range trading nature of the approach. We would therefore anticipate some good returns ahead.

"Once volatility picked up, that was the best time to get into the FTSE strategy and going forward that should do well for us. This was sort of what we expect going in the oil strategy. We have had the big slipup, it was making 15% since the end of August, suffering in the same way other energy hedge strategies have suffered."

Oxeye currently has \$30 million under management overall.

By **Daniel Flatt**