



SIFMA Insights

February Market Metrics and Trends

A Look at Monthly Volatility and Equity and Options Volumes

March 2021

Monthly Metrics

- Volatility (VIX): Monthly average 23.14 (-20.9% to 2020), peak 30.24 on the 1st
- S&P 500 (Price): Monthly average 3,883.43 (+20.7% to 2020), peak 3,934.83 on the 12th
- Equity ADV (billion shares): Monthly average 15.3 (+40.0% to 2020), peak 18.9 on the 10th
- Options ADV (million contracts): Monthly average 42.8 (+47.2% to 2020), peak 46.4 on the 25th

Monthly Highlights

- Where do we stand with the level of equities off-exchange trading? January average 47.2% and February 46.6%, versus 41.5% in 2020 and 37.3% in 2019. Currently a downward sloping trend for the year, but there have already been four days above the 50% threshold in the first two months of this year versus only one all of last year. More to be written in this story...



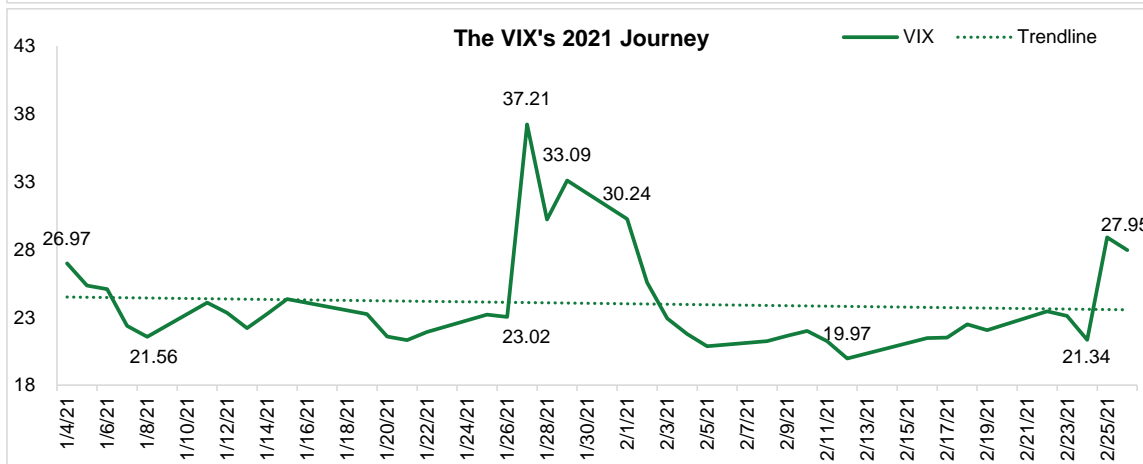
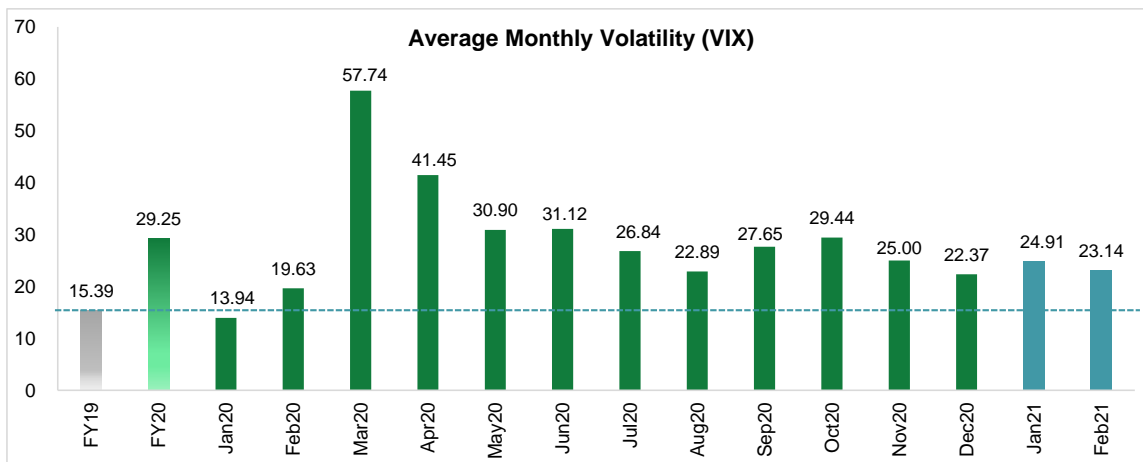
Spotlight: February Market Metrics

On average in February, markets (in terms of S&P 500 price) were up 20.7% to the 2020 average, on top of a 10.5% Y/Y rise in 2020. Average volumes for the month included: multi-listed options +47.2% to the 2020 average (+52.5% Y/Y in 2020); and equities +40.0% to the 2020 average (+55.4% Y/Y in 2020). These higher than historical volume levels come as volatility began to settle to start of the year, with the monthly average -20.9% to the 2020 average (the VIX increased +90.1% Y/Y in 2020 on average).

In this report, we highlight the monthly market trends for volatility, price and volumes.¹

Volatility (VIX)

- Monthly average 23.14, vs. 2020 average 29.25 and 2019 average 15.39 (-20.9% to 2020, +50.4% to 2019)
- Monthly peak on the 1st at 30.24, +12.1% to the start of the year and +3.4% to 2020 average
- Monthly low level of 19.97; down from the end of January surge, but ticking up again at the end of the month

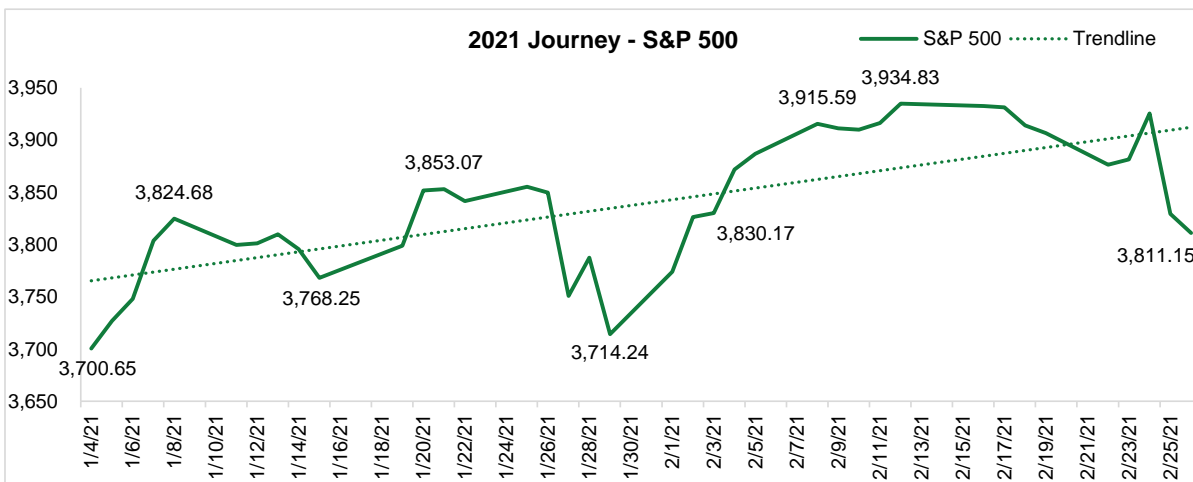
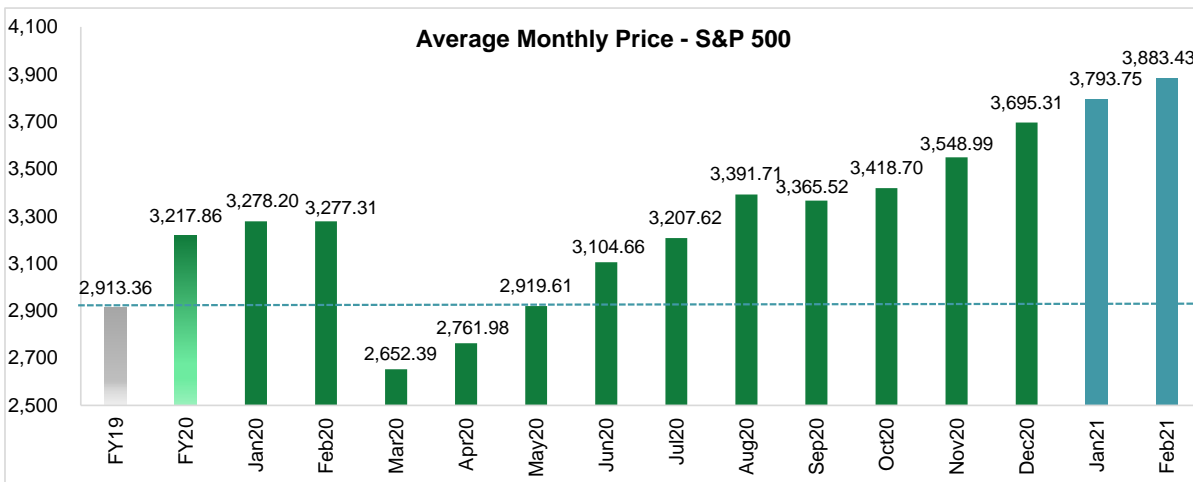


Source: Bloomberg, SIFMA estimates

¹ Please see SIFMA [Insights: A Look Back at 2020 Market Structure Themes](#) for a deep dive on last year's market metrics

Index Price (S&P 500)

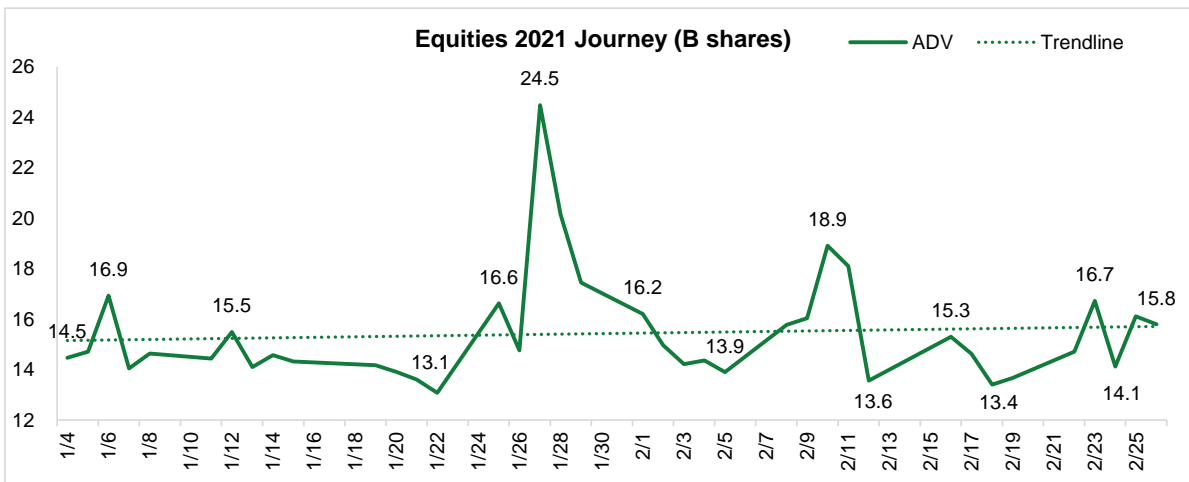
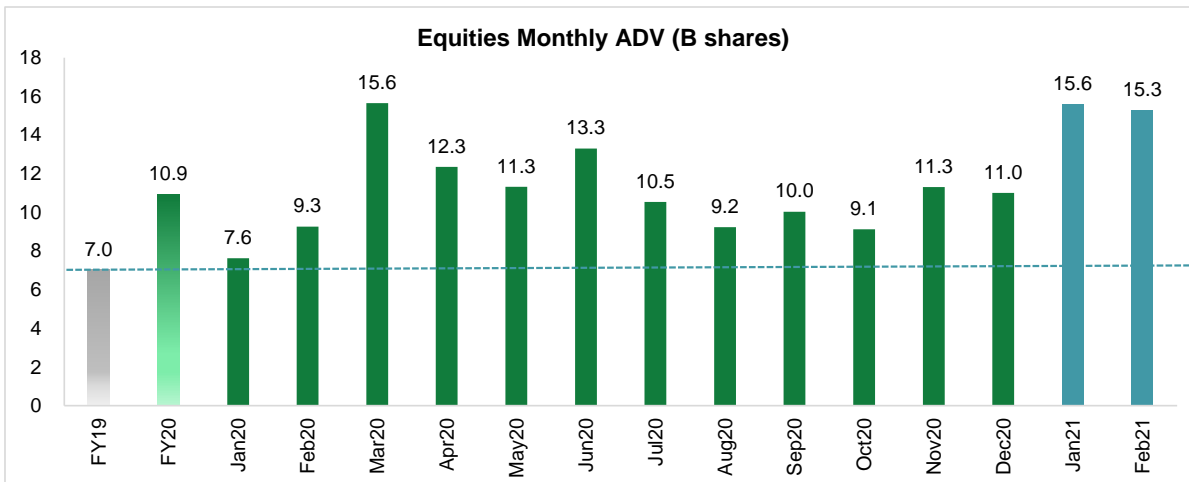
- Monthly average 3,883.43, versus 2020 average 3,217.86 and 2019 average 2,913.36 (+20.7% to 2020, +33.3% to 2019)
- Monthly peak on the 12th at 3,934.83, +6.3% to the start of the year and +22.3% to 2020 average
- Monthly low price level of 3,773.86 at the start of the year; upward trending on average for the year but did decline during the late January retail trading surge



Source: Bloomberg, SIFMA estimates

Equity Volumes (ADV)

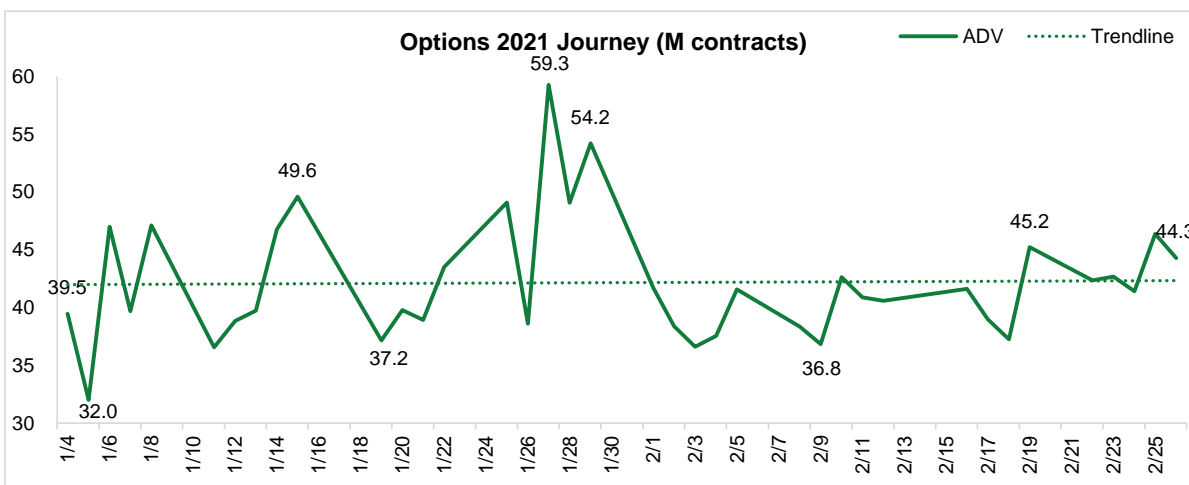
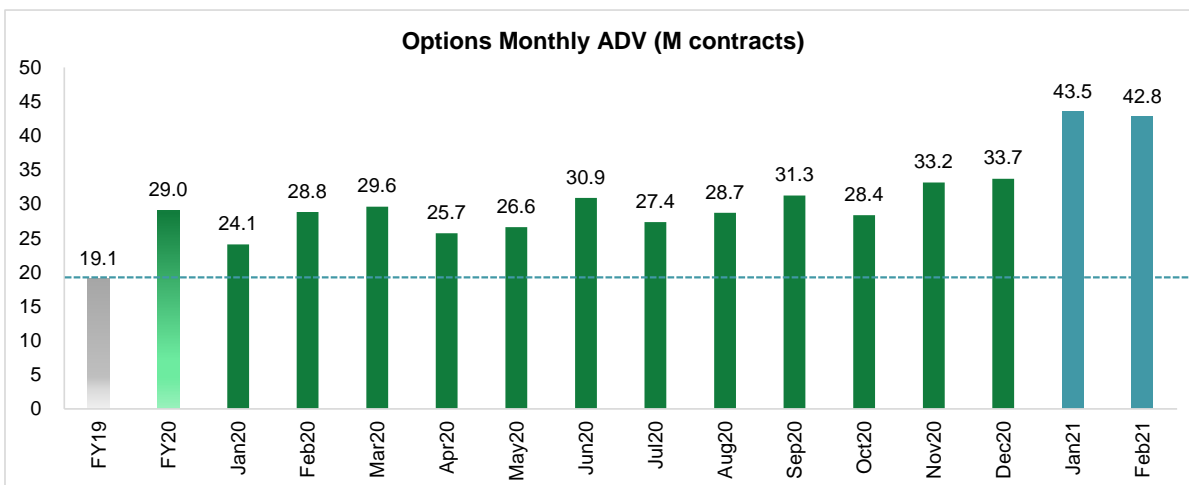
- Monthly average 15.3 billion shares, versus 2020 average 10.9 billion shares and 2019 average 7.0 billion shares (40.0% to 2020, +117.5% to 2019)
- Monthly peak on the 10th at 18.9 billion shares, +30.7% to the start of the year and +73.1% to 2020 average
- Monthly low level of 13.4 billion shares is still quite elevated to the 2020 average (+22.7%)
- Monthly average off exchange trading 46.6%, versus 41.5% 2020 average and 37.3% 2019 average (+5.1 pps to 2020, +9.3 pps to 2019)



Source: Cboe Global Markets, SIFMA estimates

Options Volumes (ADV)

- Monthly average 42.8 million contracts, versus 2020 average 29.0 million contracts and 2019 average 19.1 million contracts (+47.2% to 2020, +124.5% to 2019)
- Monthly peak on the 25th at 46.4 million contracts, +17.5% to the start of the year and +59.7% to 2020 average
- Monthly low level of 36.6 million contracts remains elevated to the 2020 average (+26.0%)
- The options action remains on the equity side (monthly average 40.8 million contracts, +49.8% to 2020 average); with index options volumes flat to last month (monthly average 2.0 million contracts, +8.5% to 2020)



Source: Cboe Global Markets, SIFMA estimates

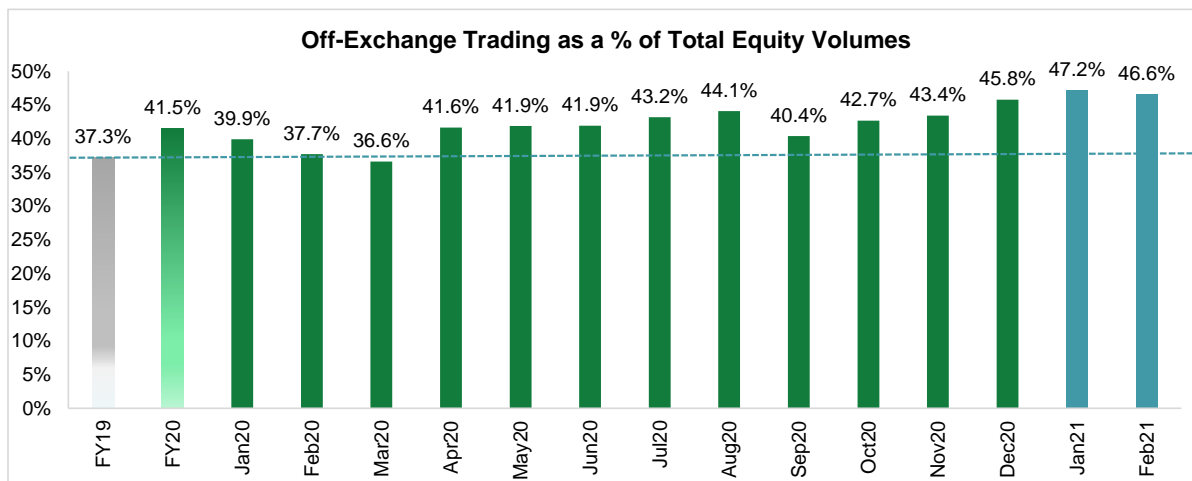
Monthly Highlight

In this section we drill down into an interesting trend that market participants are following.

Off-Exchange Equity Trading

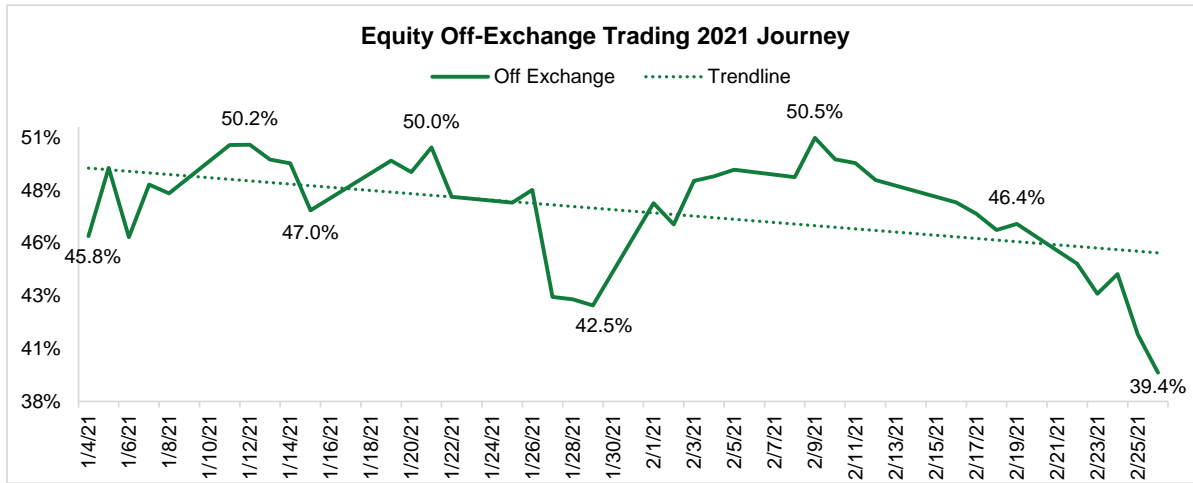
Where do we stand with the growth of equities off-exchange trading as a percent of total volumes? 2020 was an interesting year for equity volumes traded off-exchange. Trades moved back onto exchanges at the start of the pandemic last year (39.9% on average in January 2020 dropping to 36.6% on average in March 2020, -3.3 pps), then levels of off-exchange trading began to rise and remained elevated to close out the year. We wondered if off-exchange trading would remain in the mid-40% level or grow higher.

To start 2021, the trend looked to be continuing higher. The January average for off-exchange trading was 47.2% (+5.7 pps to 2020, +9.9 pps to 2019), with three of the nineteen trading days posting levels above 50%. At the end of January, when volatility spiked in relation to the retail trading surge, levels dropped back down, averaging 42.8% for the last three trading days of the month. The February average is down slightly month-over-month at 46.6% of total equity volumes (-0.6 pps M/M; but still +5.1 pps to 2020, +9.3 pps to 2019).



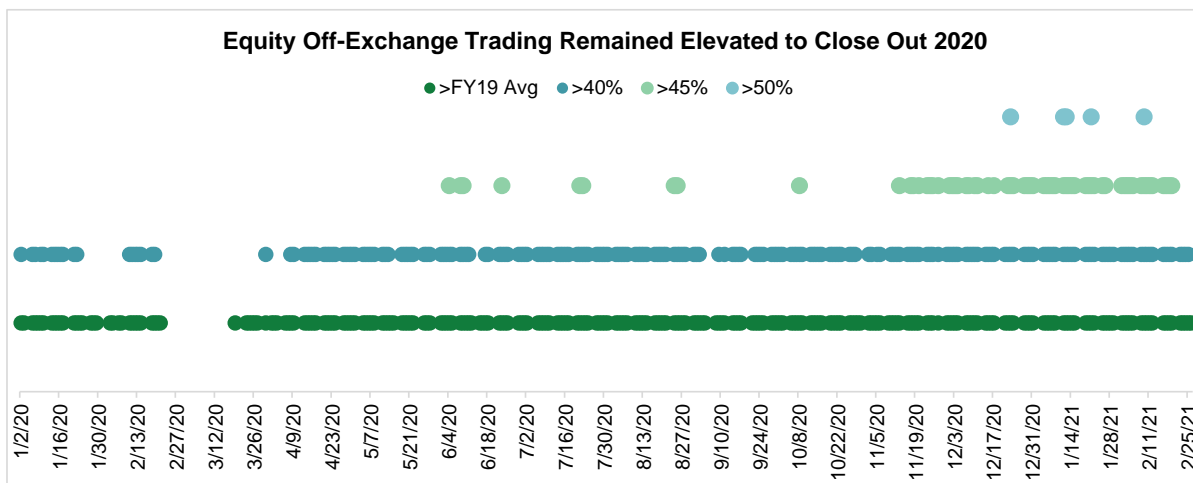
Source: Cboe Global Markets, SIFMA estimates

Overall, the level of off exchange trading displays a downward sloping pattern for the year. February saw only one trading day over 50%, versus three in January (albeit the day in February was higher than those in January and currently represents the peak date for the year). The average level for last three trading days of February was 41.5%, -1.3 pps versus the last trading days in January.



Source: Cboe Global Markets, SIFMA estimates

It appears more is still to be written for the journey in equities off-exchange trading. At the end of the last year, many people expected the level to continue to grow. And January looked to follow that path, until the very end of the month. It is still too early to determine whether the downward sloping pattern will remain. For example, looking at the chart below, the majority of trading days are coming in above the 40% threshold. This was a shift in pattern beginning in late 2020 which continues this year. Additionally, where we had only one day above the 50% threshold last year, there have already been four days in the first two months of this year.



Source: Cboe Global Markets, SIFMA estimates

Author

SIFMA Insights

Katie Kolchin, CFA
Director of Research
kkolchin@sifma.org

Disclaimer: This document is intended for general informational purposes only and is not intended to serve as investment advice to any individual or entity.

SIFMA Insights can be found at: <https://www.sifma.org/insights>

SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's nearly 1 million employees, we advocate on legislation, regulation and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit <http://www.sifma.org>.

This report is subject to the Terms of Use applicable to SIFMA's website, available at <http://www.sifma.org/legal>. Copyright © 2021