



SIFMA Insights

April Market Metrics and Trends

A Look at Monthly Volatility and Equity and Listed Options Volumes

May 2021

Monthly Metrics

- Volatility (VIX): Monthly average 17.42 (-40.5% to 2020), peak 18.71 on the 22nd
- S&P 500 (Price): Monthly average 4,141.18 (+28.7% to 2020), peak 4,211.47 on the 29th
- Equity ADV (billion shares): Monthly average 9.9 (-9.3% to 2020), peak 10.8 on the 29th
- Options ADV (million contracts): Monthly average 33.4 (+15.1% to 2020), peak 39.4 on the 16th

Monthly Highlights

- As we move forward in the economic reopening, investors have repositioned portfolios to include some reopening trades. Portfolio repositioning has also been driven by expectations for inflation and recent movements in bond yields. As such, we thought it would be interesting to analyze S&P 500 performance by sector: technology now ranked #9 YTD, down from #1 LY; the three worst performing sectors LY are now #1-3 YTD (energy, financials and real estate).



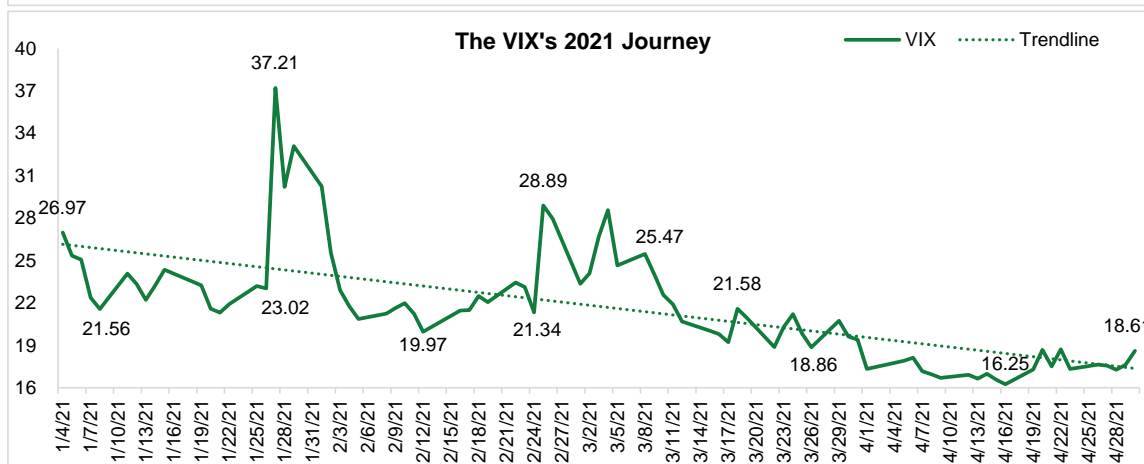
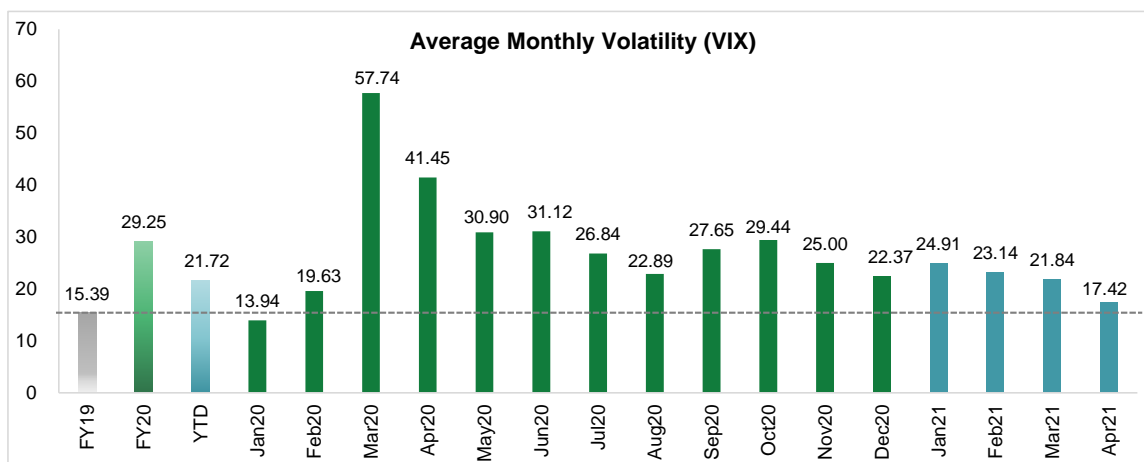
Spotlight: April Market Metrics

On average in April, markets (in terms of S&P 500 price) were up 28.7% to the 2020 average, on top of a 10.5% Y/Y rise in 2020. Average volumes for the month included: multi-listed options +15.1% to the 2020 average (+52.5% Y/Y in 2020); and equities -9.3% to the 2020 average (+55.4% Y/Y in 2020). While volumes remain elevated to historical levels, they have come down since the start of the year. Volatility has settled since the start of the year as well, with the monthly average -40.5% 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 17.42, vs. 2020 average 29.25 and 2019 average 15.39 (-40.5% to 2020, +13.2% to 2019)
- Monthly peak on the 22nd at 18.71, -30.6% to the start of the year and -36.0% to 2020 average
- Monthly low level of 16.25; down from the end of January surge, but ticked up a bit at the end of the month

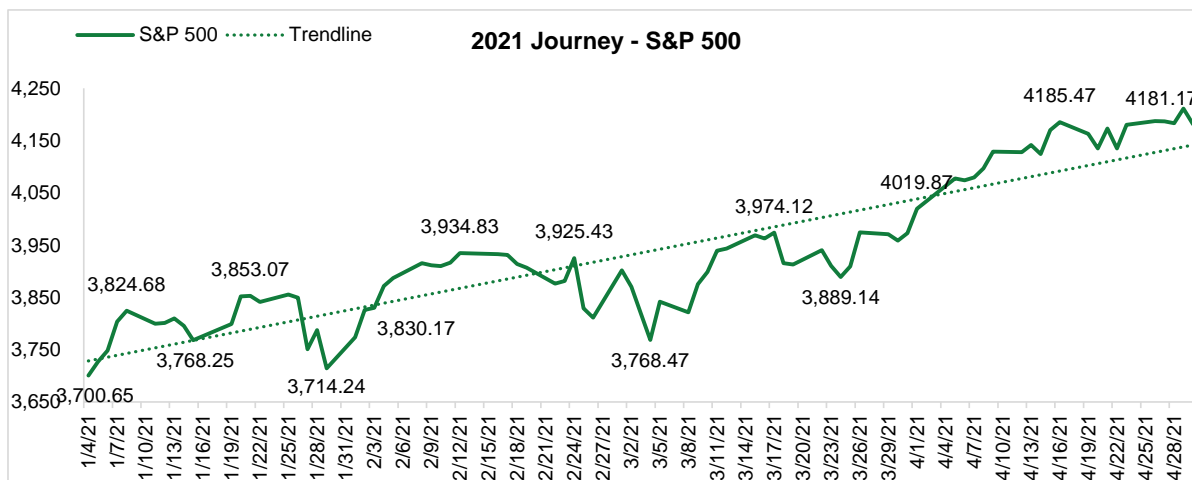
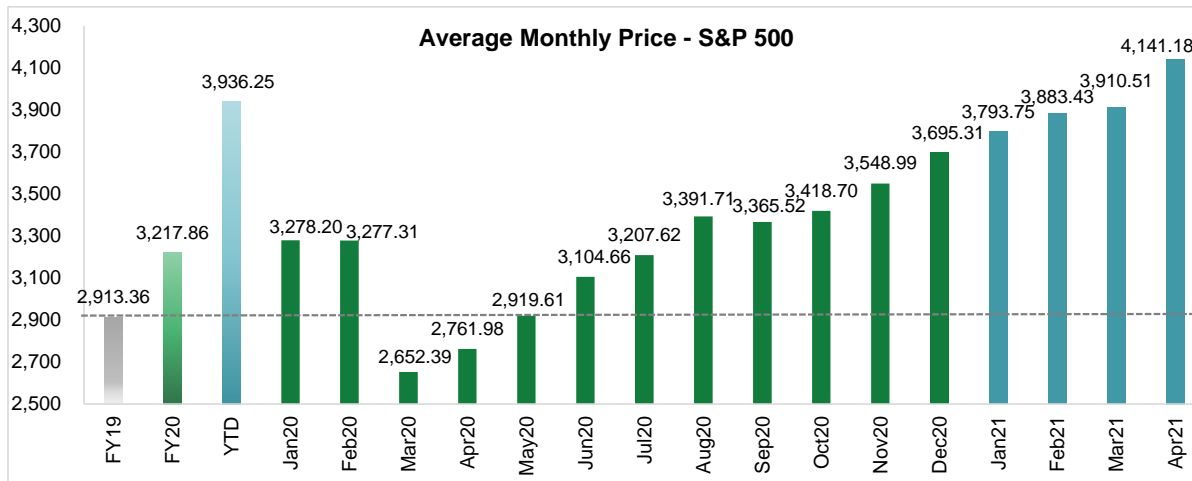


Source: Bloomberg, SIFMA estimates

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)

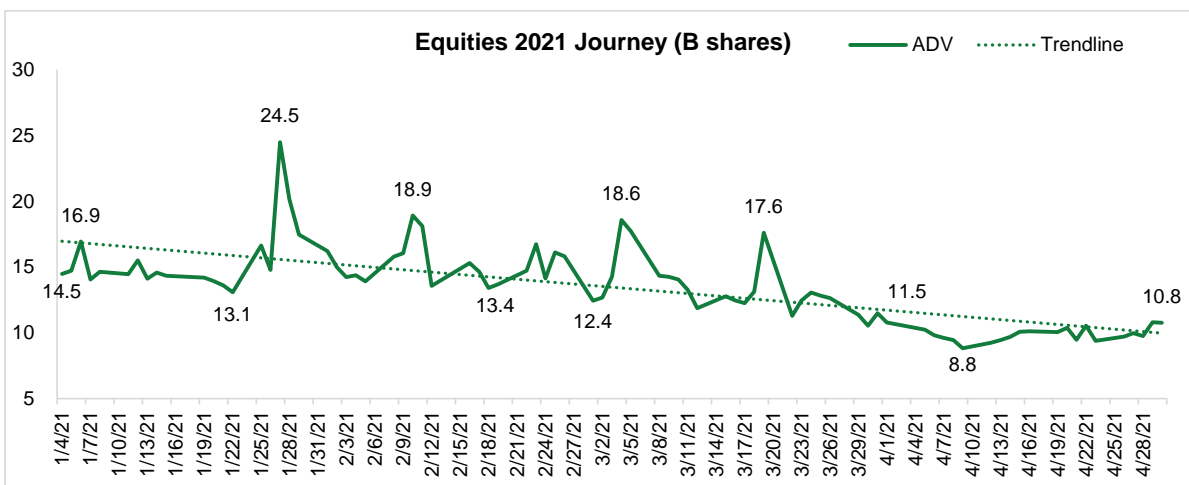
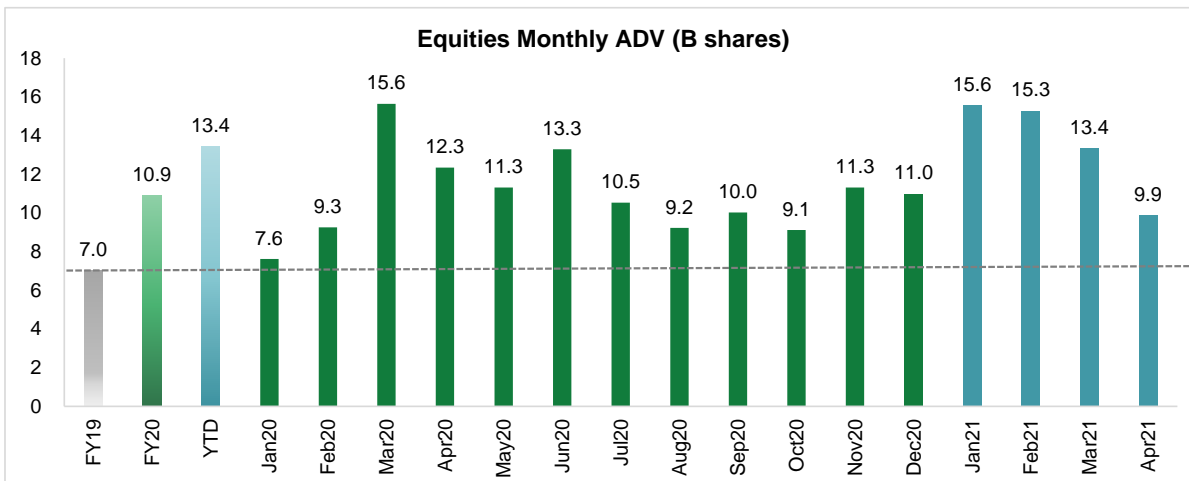
- Monthly average 4,141.18, versus 2020 average 3,217.86 and 2019 average 2,913.36 (+28.7% to 2020, +42.1% to 2019)
- Monthly peak on the 29th at 4,211.47, +13.8% to the start of the year and +30.9% to 2020 average
- Monthly low price level of 4,019.87 at the start of the month; strong upward trend on average for the year continues



Source: Bloomberg, SIFMA estimates

Equity Volumes (ADV)

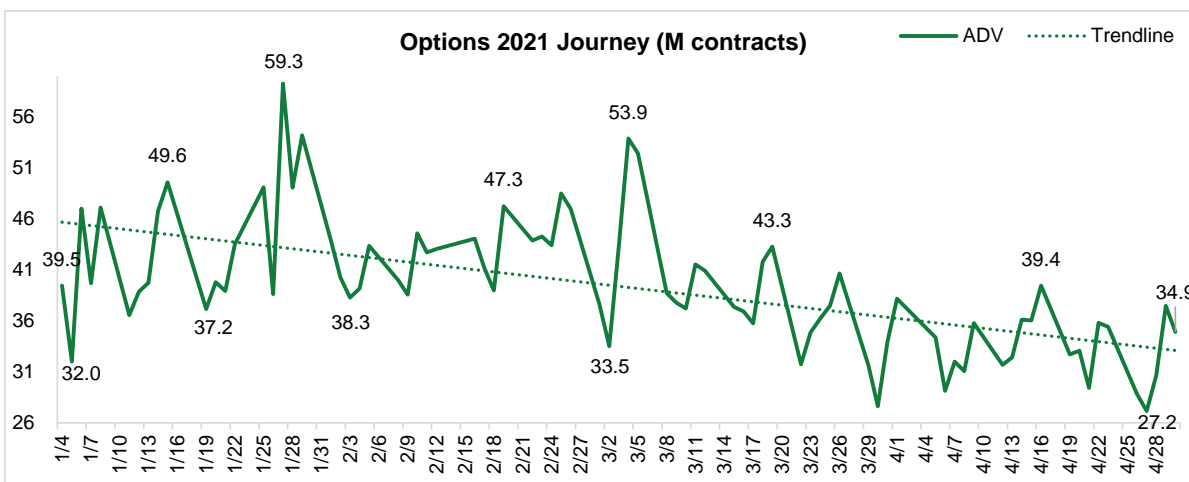
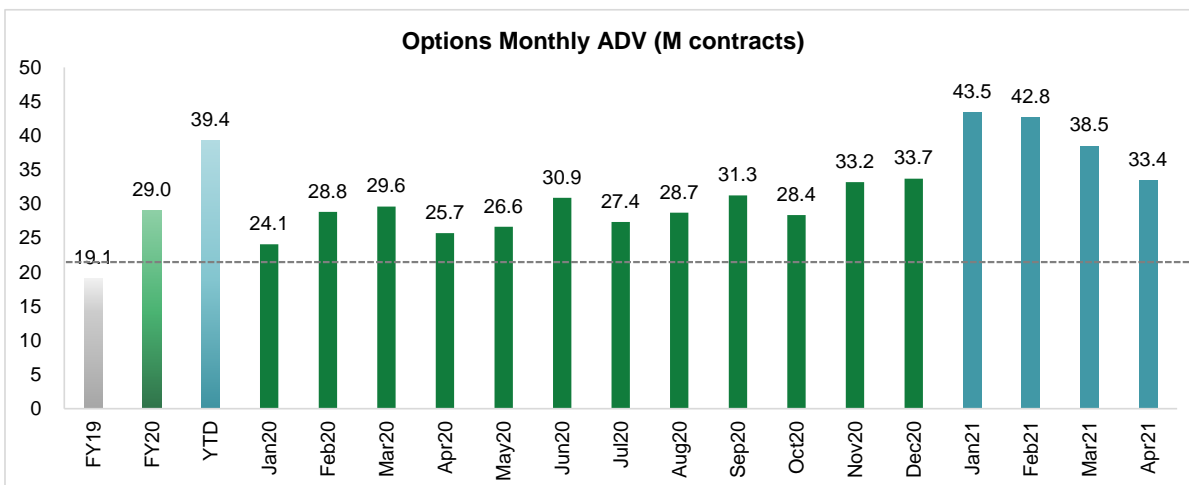
- Monthly average 9.9 billion shares, versus 2020 average 10.9 billion shares and 2019 average 7.0 billion shares (-9.3% to 2020, +40.9% to 2019)
- Monthly peak on the 29th at 10.8 billion shares, -25.4% to the start of the year and -1.2% to 2020 average
- Monthly low level of 8.8 billion shares also below the 2020 average (-19.2%)
- Monthly average off exchange trading 43.7%, versus 41.5% 2020 average and 37.3% 2019 average (+2.2 pps to 2020, +6.4 pps to 2019)



Source: Cboe Global Markets, SIFMA estimates

Multi-Listed Options Volumes (ADV)

- Monthly average 33.4 million contracts, versus 2020 average 29.0 million contracts and 2019 average 19.1 million contracts (+15.1% to 2020, +75.4% to 2019)
- Monthly peak on the 16th at 39.4 million contracts, +100.0% to the start of the year and +135.8% to 2020 average
- Monthly low level of 27.2 million contracts dropped below the 2020 average (-6.5%)
- The options action remains on the equity side (monthly average 31.7 million contracts, +16.2% to 2020 average); with index options volumes down from last month (monthly average 1.8 million contracts, -2.3% to 2020)



Source: Cboe Global Markets, SIFMA estimates

Monthly Highlight

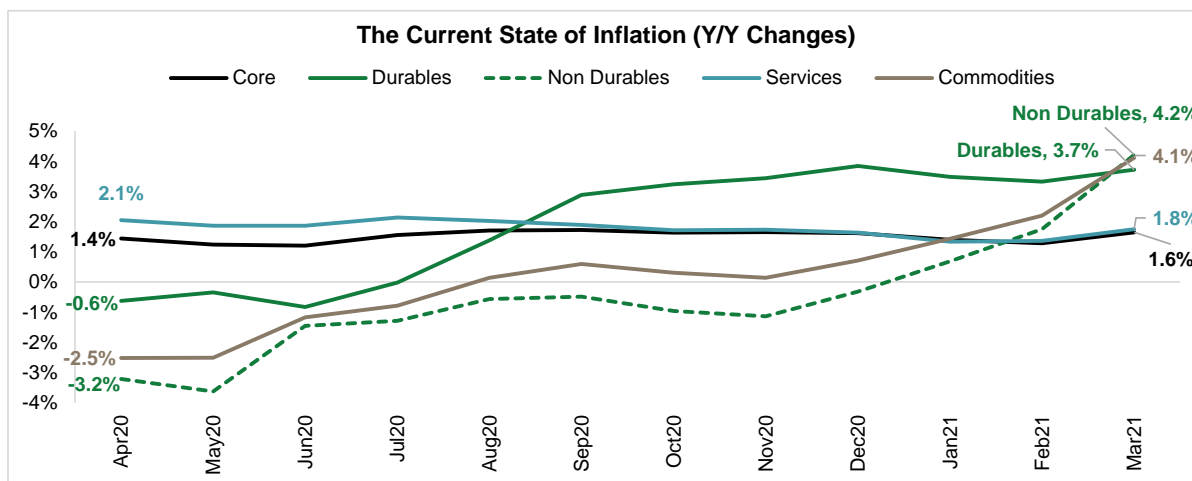
In this section we drill down into an interesting trend that market participants are following.

Factors Impacting Markets

Last month we analyzed the dominance of technology and growth story stocks – the stocks of companies operating in the same sectors performing well in the real economy – on aggregate market performance. As we move forward in the economic reopening, investors have repositioned portfolios to include some reopening trades, stocks operating in COVID-challenged sectors (ex: GOAT or get out and travel plays). Portfolio repositioning has also been driven by expectations for inflation and recent movements in bond yields.

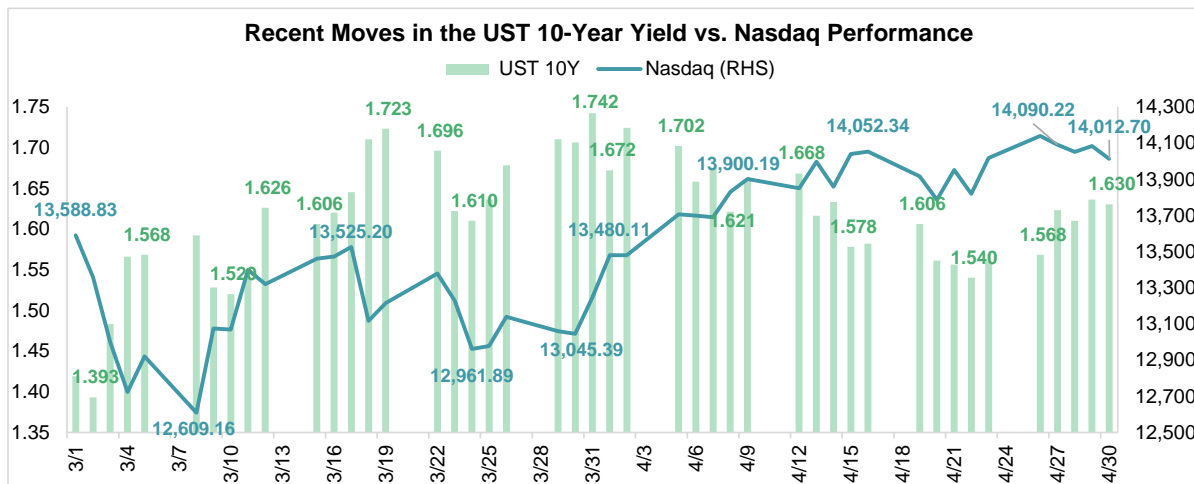
Inflation: Inflation has increased over the last twelve months, with core CPI Y/Y percent changes moving to +1.6% in March from +1.4% April of last year, +0.2 pps. The inflation story, like the overall economy, is split across goods and services: durable goods +4.3 pps in Y/Y changes, non-durable goods +7.4 pps versus services -0.3 pps. This is in line with what we have seen in other economic data over the last year, as prices in COVID -friendly sectors (stay-at-home or move to the suburbs goods) have increased significantly. For example, used cars and trucks Y/Y percent changes in prices are up 10.1 pps (April 2020 -0.7% Y/Y change, March 2021 +9.4%). A more recent inflation move is in a reopening play, with Y/Y percent changes in gasoline prices jumping to +22.5% in March from +1.5% in February (and posted a -32.0% Y/Y change last April after the COVID lockdowns). Economists are also watching the rise in commodity prices, +6.6 pps in Y/Y percent changes, which also took a sharp upturn in March (March +4.1% Y/Y change, February +2.2%).

While not a new story just for this month, investors have grown increasingly concerned that inflation may come in hotter than expected. Additionally, markets are trying to determine if the rise in inflation will be transitory (one-time increases given supply chain pressures, the reopening story and commodity prices) or permanent. The outcome will determine when the Fed may begin to raise interest rates and therefore the impact policy actions could have on equity valuations.



Source: BLS, SIFMA estimates

Bond Yields: Bond yields impact equity valuations, as bond yields are used as the risk-free rate when calculating the cost of capital. When bond yields go up, the cost of capital increases and future cash flows are discounted at a higher rate. This in turn compresses stock valuations. As such, interest rate cuts are viewed as positives for markets, while rate hikes are viewed negatively. In March, concerns grew that U.S. inflation could pick up faster than expected as the economic recovery grows stronger, leading the Fed to raise interest rates sooner than originally anticipated. This took its toll on markets, with technology stocks particularly vulnerable. Technology stocks have high valuations (for the most part), which have been supported by expectations of a prolonged period of low interest rates. If the rate story changes, investors must recalculate valuations and position portfolios accordingly. We saw this in price moves in the tech-heavy Nasdaq index when bond yields first rose. However, by April, markets began to climb again even though the U.S. Treasury 10-year yield remains in the 1.6% range.



Source: Bloomberg, SIFMA estimates

S&P 500 Sector Rotations

While markets as a whole appear to have shaken off rising bond yields – at least in this past month – investors are still looking to reposition for eventual inflation and a full reopening of the economy. As such, we thought it would be interesting to look at sector performance throughout the year.

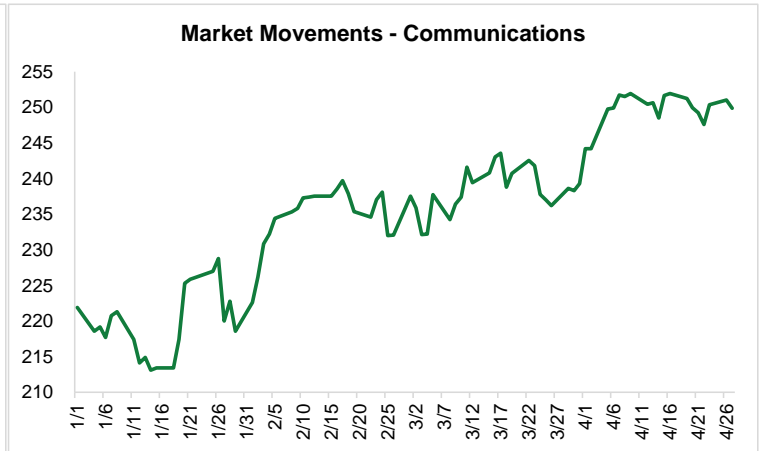
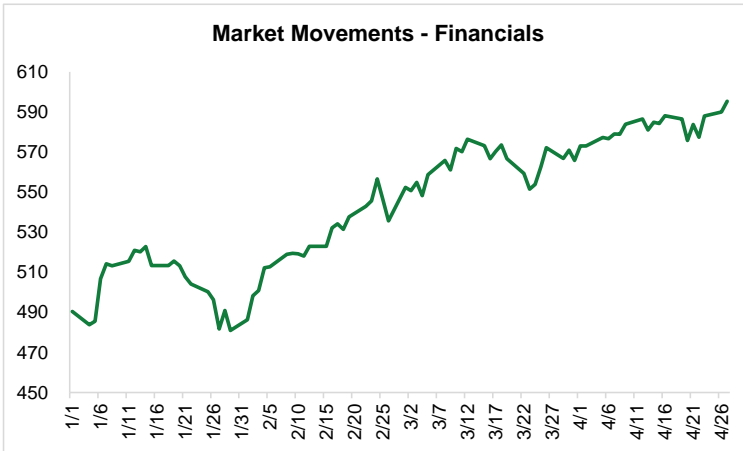
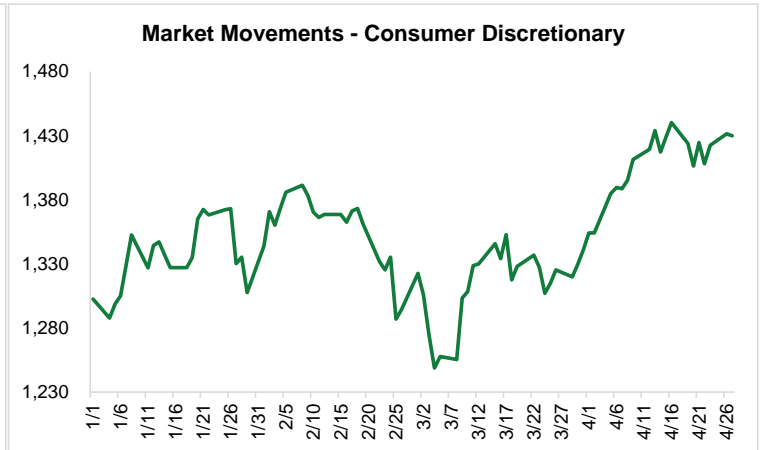
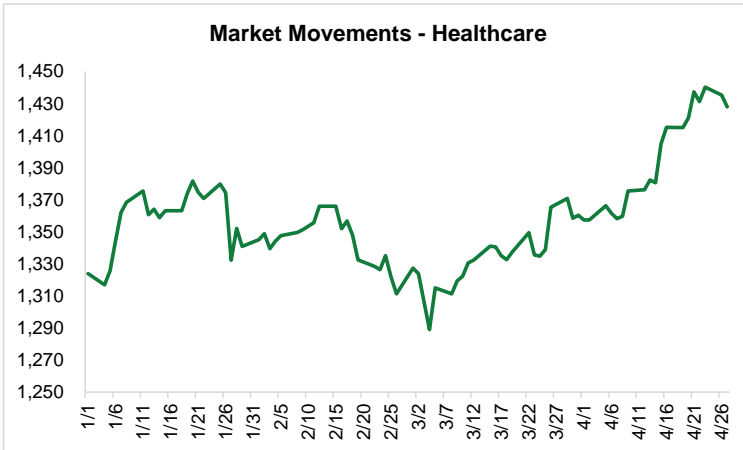
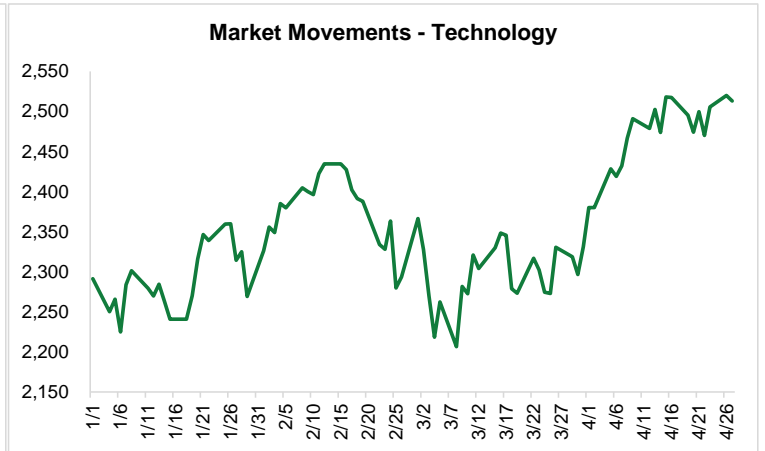
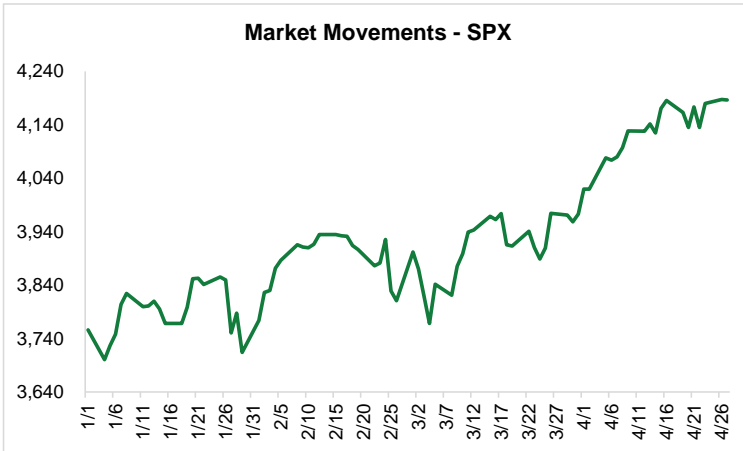
Looking at the table below (sector index price charts on the following pages), 2020 beloved sectors like technology have stabilized this year (as of April 30): YTD +9.4% versus +42.2% LY, rank falling from #1 to #9. Consumer discretionary also fell, now ranking #8 YTD versus #2 in 2020. Conversely, last year's underperforming sectors with negative returns for the year in 2020 are all positive YTD, with many making significant jumps in performance ranking YTD: energy (ranked #1, up from #12), financials (ranked #2, up from #10) and real estate (ranked #3, up from #11).

With slowdowns in the top three highest weighted sectors – technology, health care and consumer discretionary all underperforming YTD versus 2020 – the S&P 500 index in aggregate is down 3.2 pps: YTD +13.1%, LY +16.3%.

									YTD/LY Change					
	Jan/Dec	Rank	Feb/Jan	Rank	Mar/Feb	Rank	Apr/Mar	Rank	YTD	Rank	2020	Rank	Price (bps)	Rank (#)
Energy	3.6%	1	21.5%	1	2.7%	11	1.3%	12	30.8%	1	-37.3%	12	68.2	11.0
Financials	-1.9%	9	11.4%	2	5.6%	6	6.5%	4	24.6%	2	-4.1%	10	28.7	8.0
Real Estate	0.5%	3	1.4%	7	6.3%	5	7.6%	2	20.6%	3	-5.2%	11	25.8	8.0
Communications	-1.5%	8	6.2%	4	3.1%	10	7.7%	1	17.9%	4	22.2%	3	(4.3)	(1.0)
Industrials	-4.3%	11	6.6%	3	8.8%	2	3.5%	10	17.8%	5	9.0%	7	8.8	2.0
Materials	-2.4%	10	3.7%	5	7.3%	4	5.5%	6	15.7%	6	18.1%	4	(2.4)	(2.0)
SPX	-1.1%	7	2.6%	6	4.2%	7	5.3%	7	13.1%	7	16.3%	5	(3.2)	(2.0)
Consumer Discretionary	0.4%	4	-1.0%	9	3.6%	9	7.4%	3	11.8%	8	32.1%	2	(20.3)	(6.0)
Technology	-1.0%	6	1.1%	8	1.6%	12	5.6%	5	9.4%	9	42.2%	1	(32.8)	(8.0)
Utilities	-1.0%	5	-6.5%	12	10.1%	1	3.5%	9	8.4%	10	-2.8%	9	11.2	(1.0)
Healthcare	1.3%	2	-2.2%	11	3.7%	8	3.8%	8	7.3%	11	11.4%	6	(4.1)	(5.0)
Consumer Staples	-5.3%	12	-1.5%	10	7.7%	3	1.8%	11	3.4%	12	7.6%	8	(4.2)	(4.0)

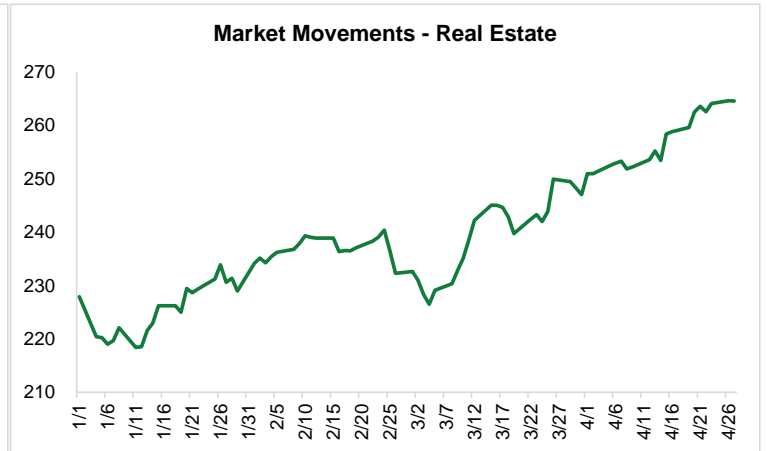
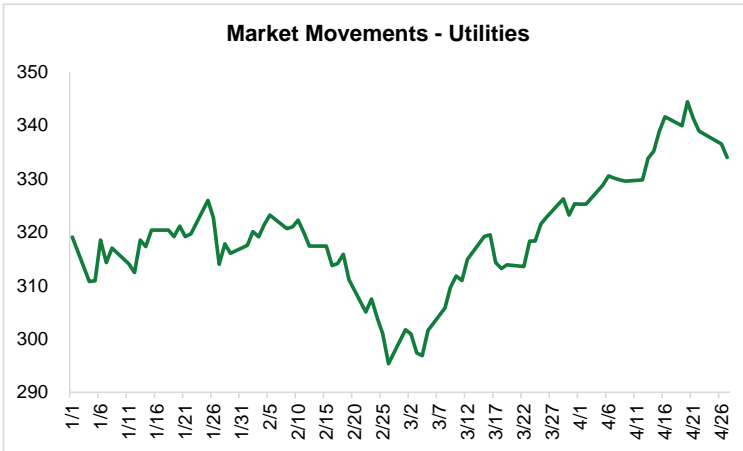
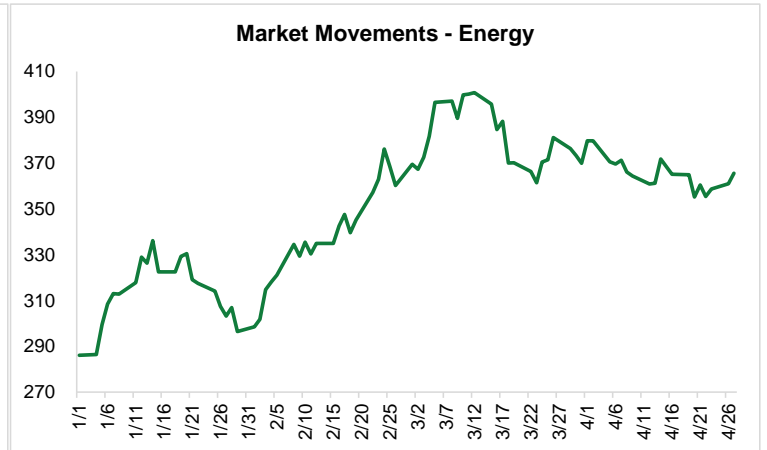
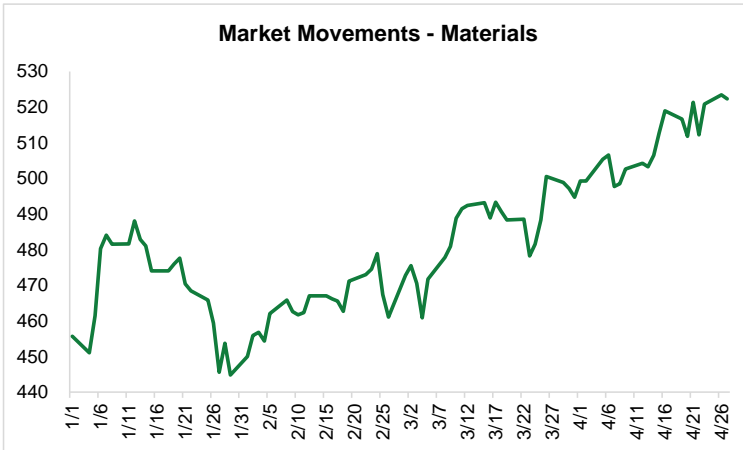
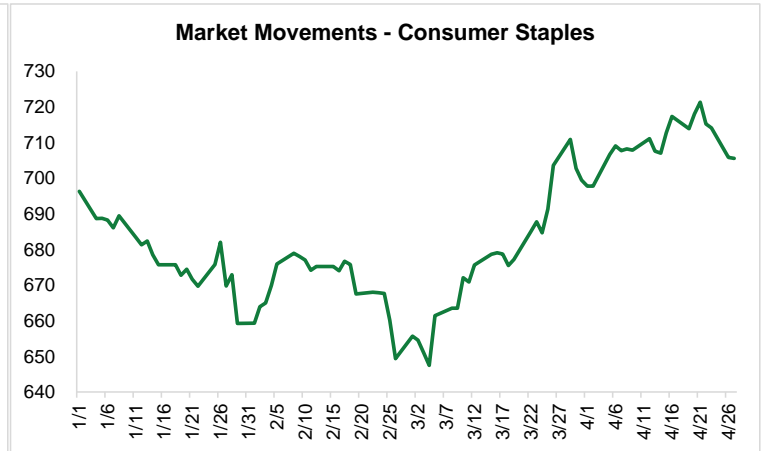
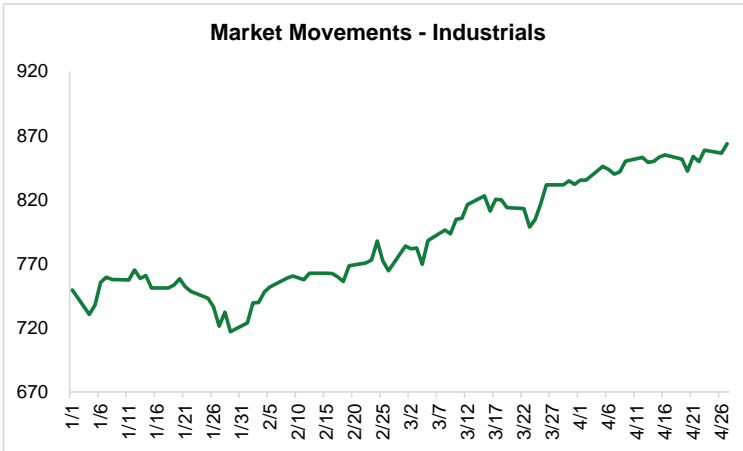
Source: Bloomberg, SIFMA estimates

Spotlight: April Market Metrics



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