



SIFMA Insights

July Market Metrics and Trends

A Look at Monthly Volatility and Equity and Listed Options Volumes

August 2021

Monthly Metrics

- Volatility (VIX): Monthly average 17.60; +3.8% M/M, -34.4% Y/Y
- S&P 500 (Price): Monthly average 4,363.71; +3.0% M/M, +36.0% Y/Y
- Equity ADV (billion shares): Monthly average 9.7; -12.3% M/M, -7.6% Y/Y
- Options ADV (million contracts): Monthly average 37.5; -3.5% M/M, +36.9% Y/Y

Monthly Highlight

- Market Factors: S&P 500 reaction to the surge in the Delta variant was more substantial this month than the decline due the release of the latest inflation data. The S&P 500 trough on the 19th was a 1.6% D/D decline and related to Delta news, vs. -0.4% D/D after June inflation increased 0.14 pps headline and 0.7 pps core.
- Sector performance: Markets continue to perform well in aggregate, +17% YTD on top of a 15% increase LY. Technology and consumer discretionary sectors continue to underperform – spread in 2020 vs. YTD returns -22.2 pps for tech, -19.9 pps for consumer discretionary.

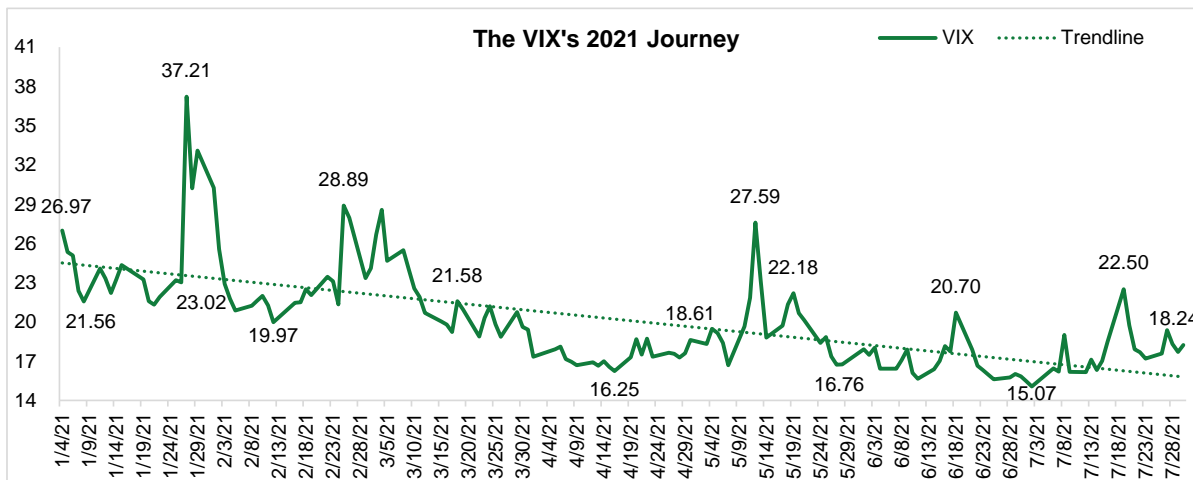
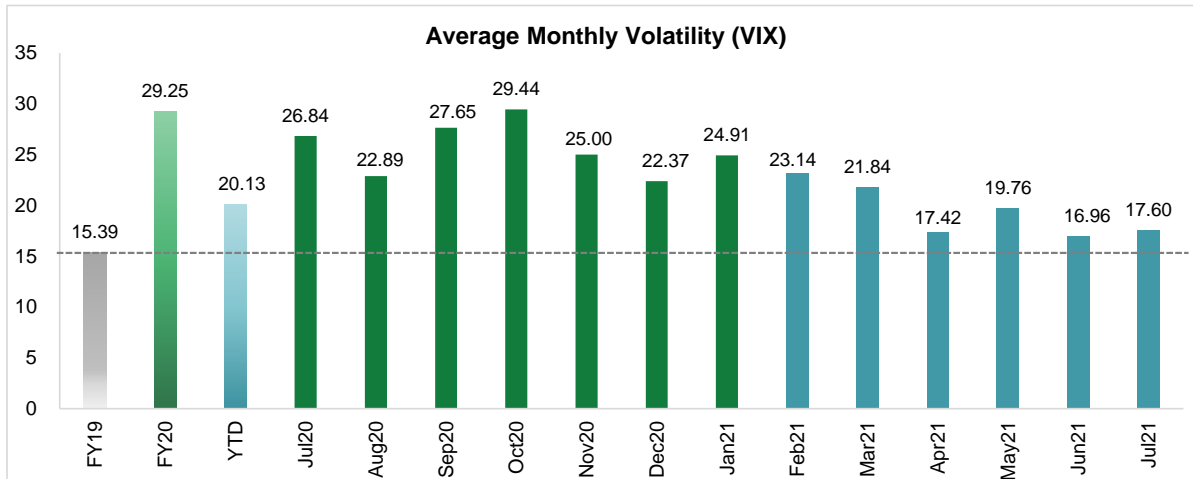


Monthly Market Metrics

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

Volatility (VIX)

- Monthly average 17.60
 - +3.8% M/M
 - -34.4% Y/Y
 - -29.3% from the start of the year (January monthly average)
- Monthly peak on the 19th at 22.5, troughed on the 2nd at 15.07

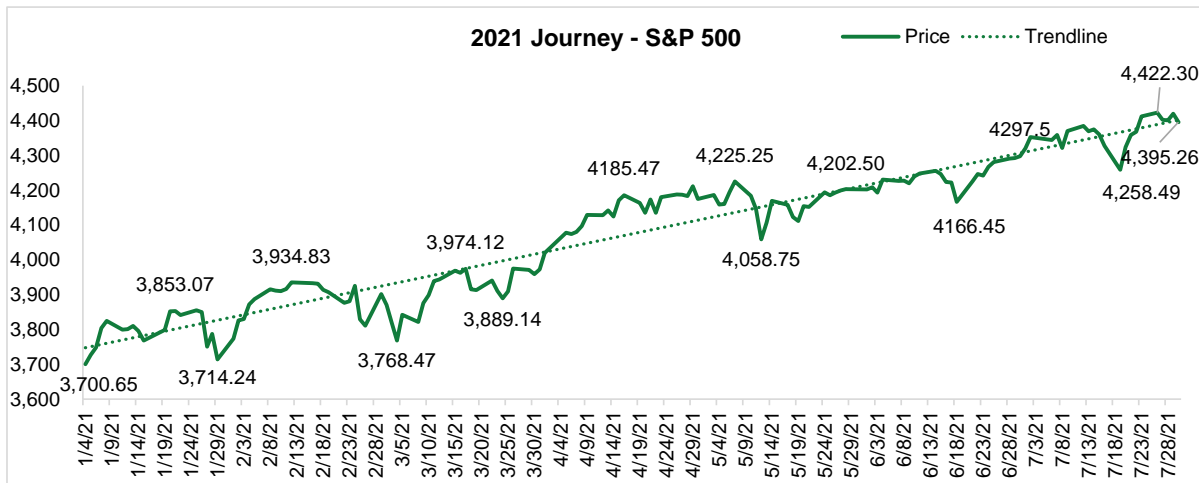
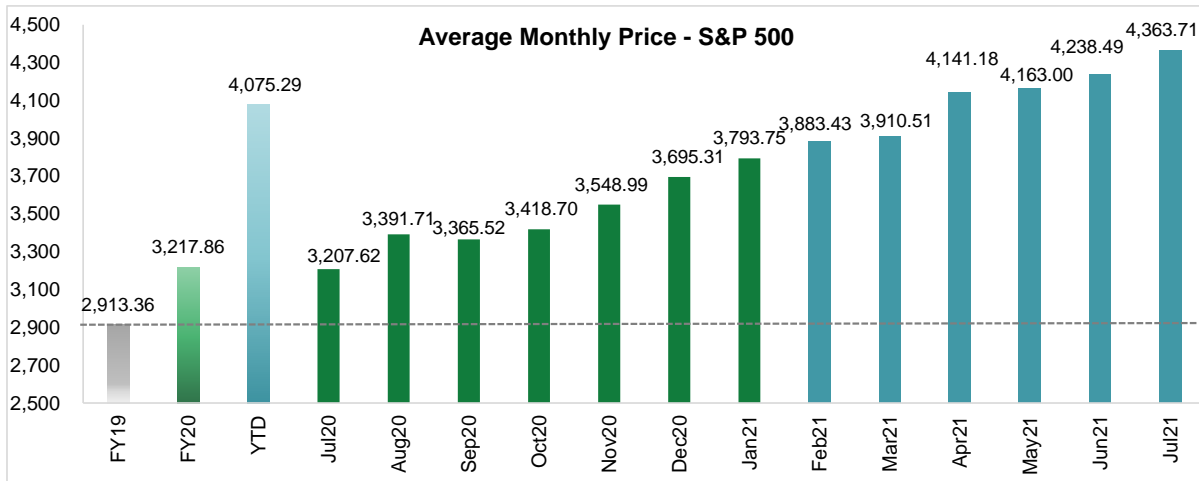


Source: Bloomberg, SIFMA estimates

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)

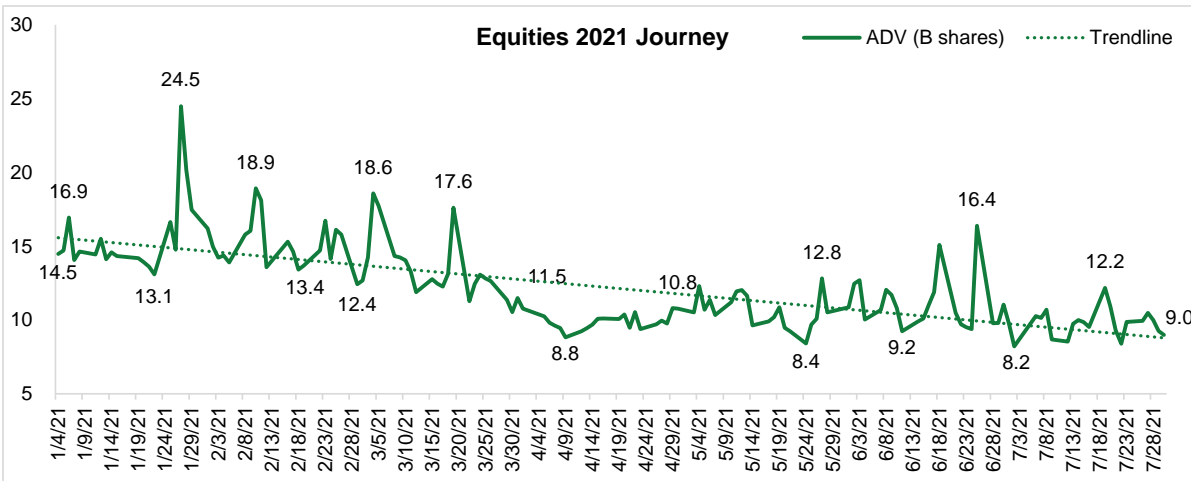
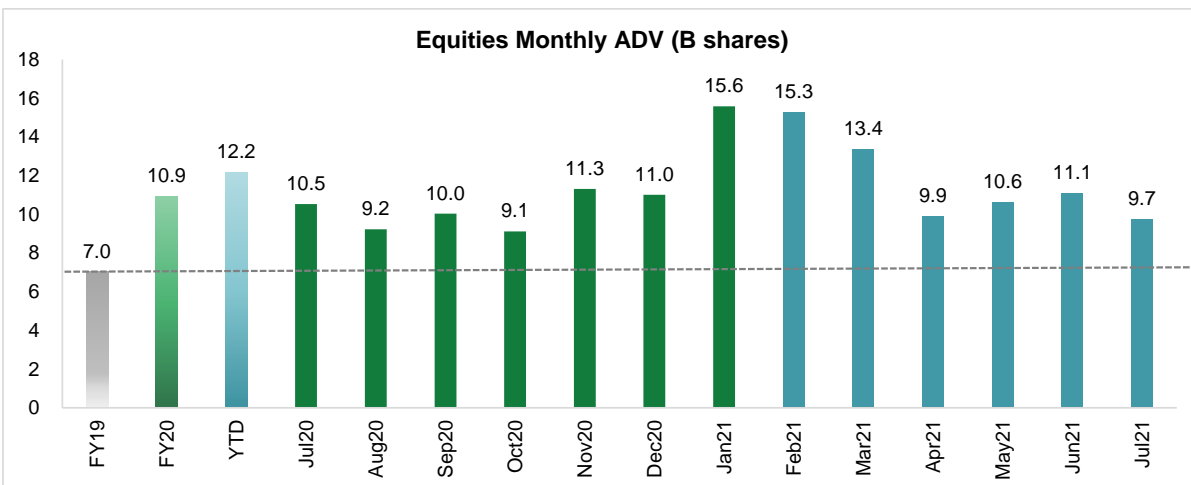
- Monthly average 4,363.71
 - +3.0% M/M
 - +36.0% Y/Y
 - +15.0% from the start of the year (January monthly average)
- Monthly peak on the 26th at 4,422.30, troughed on the 19th at 4,258.49



Source: Bloomberg, SIFMA estimates

Equity Volumes (ADV)

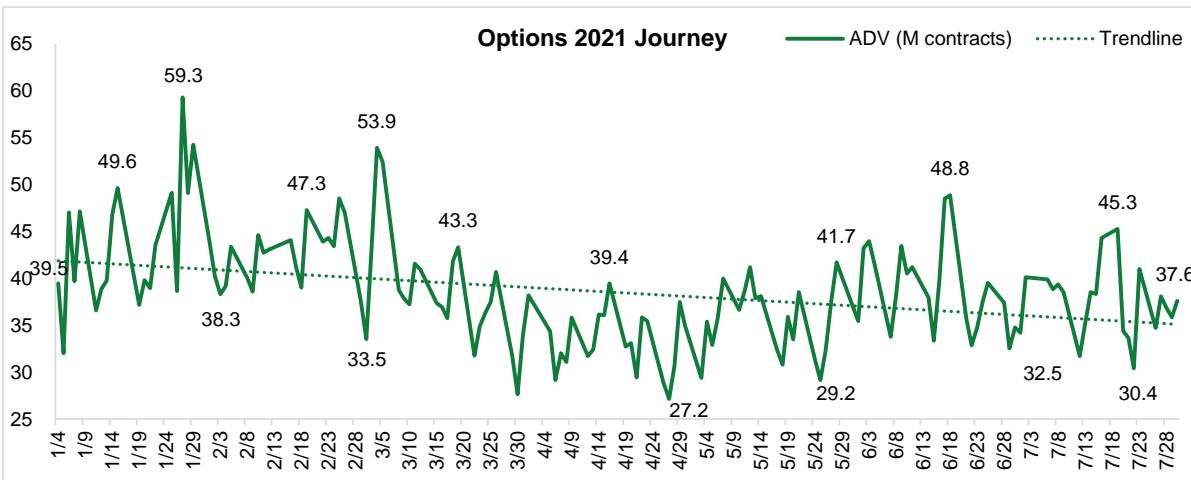
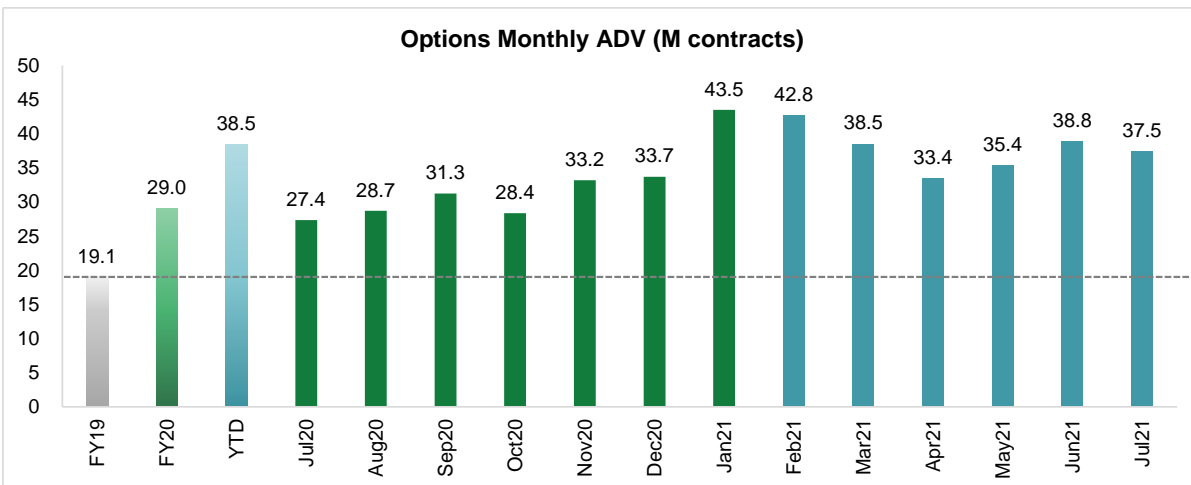
- Monthly average 9.7 billion shares
 - -12.3% M/M
 - -7.6% Y/Y
 - -37.5% from the start of the year (January monthly average)
- Monthly peak on the 19th at 12.2 billion shares, troughed on the 2nd at 8.2 billion shares
- Monthly average off exchange trading 43.1%; -0.7 pps M/M, flat Y/Y, -4.1 pps from January



Source: Cboe Global Markets, SIFMA estimates

Multi-Listed Options Volumes (ADV)

- Monthly average 37.5 million contracts
 - -3.5% M/M
 - +36.9% Y/Y
 - -13.9% from the start of the year (January monthly average)
- Monthly peak on the 19th at 45.3 million contracts, troughed on the 22nd at 30.4 million contracts
- Monthly equity options 35.3 million contracts (-4.6% M/M, +35.7% Y/Y, -14.69% to January), index options 2.1 million contracts (+19.0% M/M, +60.6% Y/Y, +7.1% to January)



Source: Cboe Global Markets, SIFMA estimates

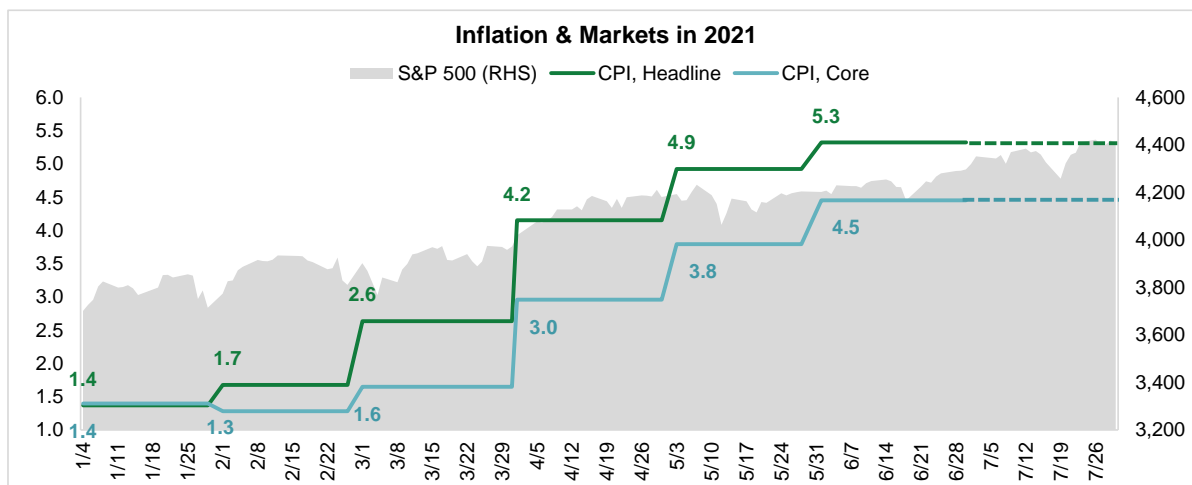
Monthly Highlight

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

Factors Impacting Markets

As we close out July, we recap a few of the key themes impacting markets. Top of mind is the Delta variant and how it might impact the reopening trade and potentially return-to-office plans. China is in focus again, both the regulatory crackdown in country and the SEC’s recent announcement to request more disclosures from Chinese companies seeking to go public in the U.S. before approving them. At the end of August, the Fed’s annual Jackson Hole policy retreat returns to an in-person event. With Fed Chair Powell’s assessment that the U.S. economy has made “substantial further progress” on employment and inflation, market participants will look for an update the Fed’s policy for scaling back asset purchases and interest rate moves. Additionally, we continue to watch the usual macro variables, especially inflation.

Looking deeper at market performance and inflation, in general, markets appear to push onward and upward through the inflation data. June inflation data, released July 13th, showed another increase (headline CPI + 0.4 pps, core CPI +0.7 pps). However, markets (as indicated by the S&P 500 index) only declined 0.4% from the prior day close and recovered some of the losses the following day. This decline was not as dramatic as the monthly low seen on the 19th, -1.6% from the prior day close. On this day, the S&P 500 troughed to 4,258.49, as the VIX peaked at 22.50 and equity ADV peaked at 12.2 billion shares (both the VIX and ADV levels were 1.3x the July monthly average for the metric). This spike in volatility and corresponding decline in the price of the S&P 500 index was driven by fears that the spread of the Delta variant could derail a broader U.S. economic recovery.



Source: Bloomberg, FRED Economic Data, SIFMA estimates

Given August is typically a lower volume month, any surprises in the factors impacting markets could lead to some interesting market moves.

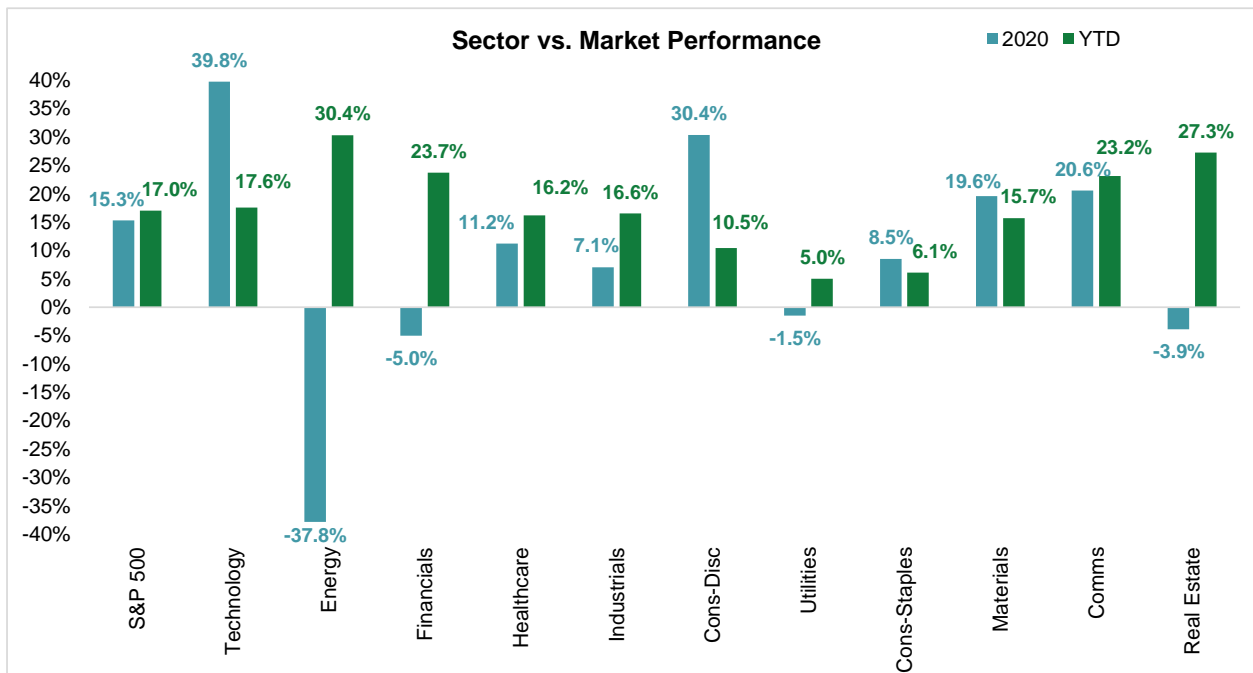
Sector Performance

In general, the market continues to perform well, up 17% YTD on top of a 15% increase last year. According to a recent Deutsche Bank asset allocation strategy note, with almost three-fourths of the companies in the S&P 500 (in terms of market cap) having reported already, a record 88% of them have beat estimates versus an average 74% over the last 15 years and 81-86% over the last four quarters. This helps fuel the continued rise in the price of the S&P 500 index.

However, performance is not as rosy across all sectors. Given the factors described above, we continue to see a rotation out of last year's top performing sectors, for example technology, into sectors better positioned (or at least the perception of better positioning) for the eventual Fed policy changes (asset purchases, interest rates). We look at the following spreads between 2020 and YTD 2021 returns:

- Top decliners: Technology -22.2 pps, Consumer Discretionary -19.9 pps
- Top recoveries: Energy +68.2 pps, Real Estate +31.2 pps

Remember, names like Tesla are classified as consumer discretionary but are part of the tech trade, which is highly sensitive to macro factors and potential increases in interest rates. Therefore, the two declining sectors remain under pressure given the current economic environment and the implications of Fed policy changes.



Source: Bloomberg, SIFMA estimates

Note: Cons-Disc = Consumer Discretionary; Cons Staples = Consumer Staples; Comms = Communication Services

Author

SIFMA Insights

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

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