



# SIFMA Insights

## August Market Metrics and Trends

*A Look at Monthly Volatility and Equity and Listed Options Volumes*

September 2021

### Monthly Metrics

- Volatility (VIX): Monthly average 17.48; -0.7% M/M, -23.6% Y/Y
- S&P 500 (Price): Monthly average 4,453.66; +2.1% M/M, +31.3% Y/Y
- Equity ADV (billion shares): Monthly average 9.0; -7.6% M/M, -2.5% Y/Y
- Options ADV (million contracts): Monthly average 36.0; -4.0% M/M, +5.3% Y/Y

### Monthly Highlight

- As we head into fall and the final months of the year, we thought it would be interesting to review our market structure survey results, published in May: actual VIX in line with survey estimate; actual equity ADV outpacing survey estimate by 14.5%; and actual level listed options ADV outpacing survey estimate by 22.6%. The majority of respondents expected markets to continue to expand, with most in this group anticipating a slower growth rate, which is what we are experiencing.

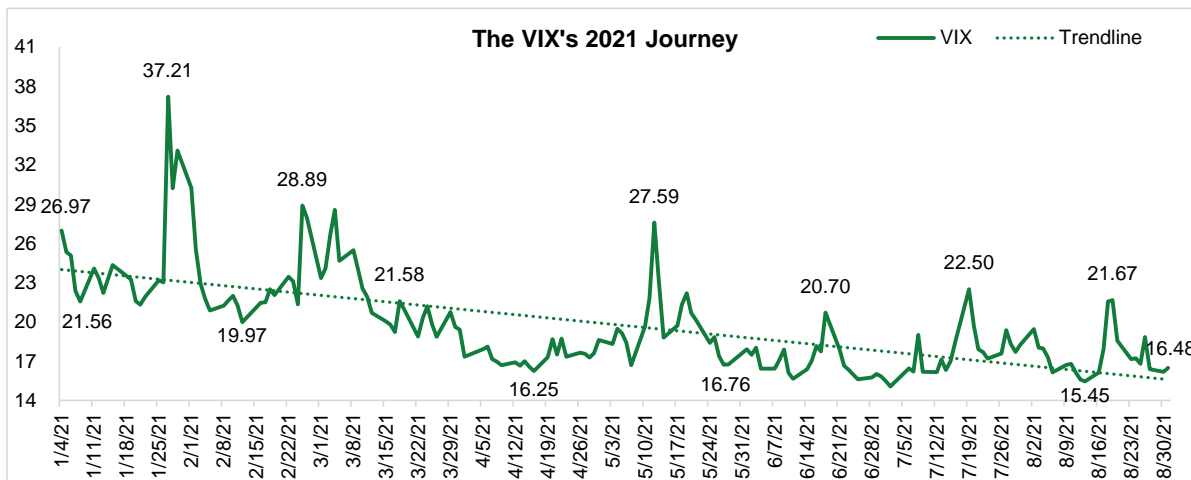
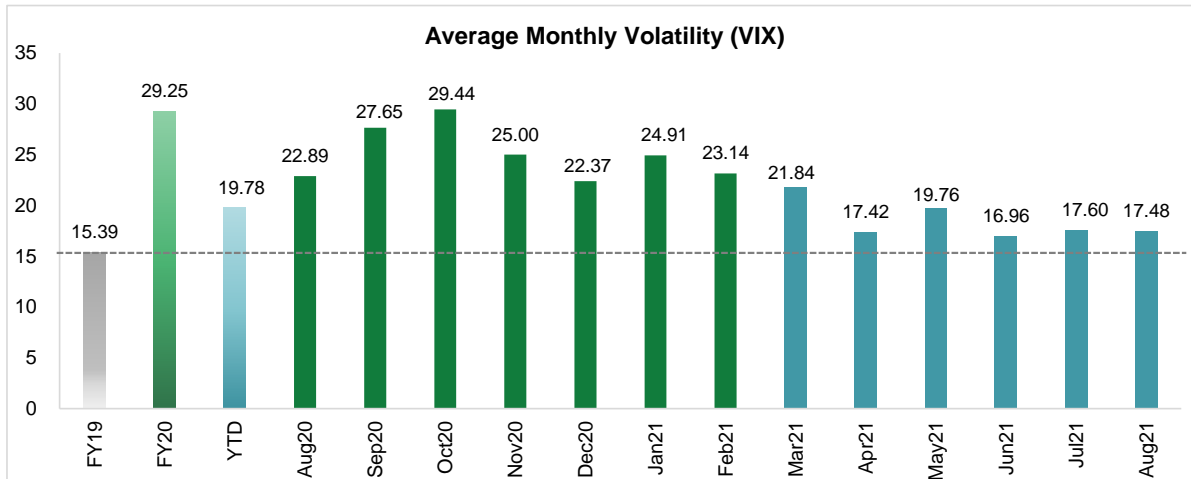


## Monthly Market Metrics

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

### Volatility (VIX)

- Monthly average 17.48
  - -0.7% M/M
  - -23.6% Y/Y
  - -29.8% from the start of the year (January monthly average)
- Monthly peak on the 19<sup>th</sup> at 21.67, troughed on the 13<sup>th</sup> at 15.45

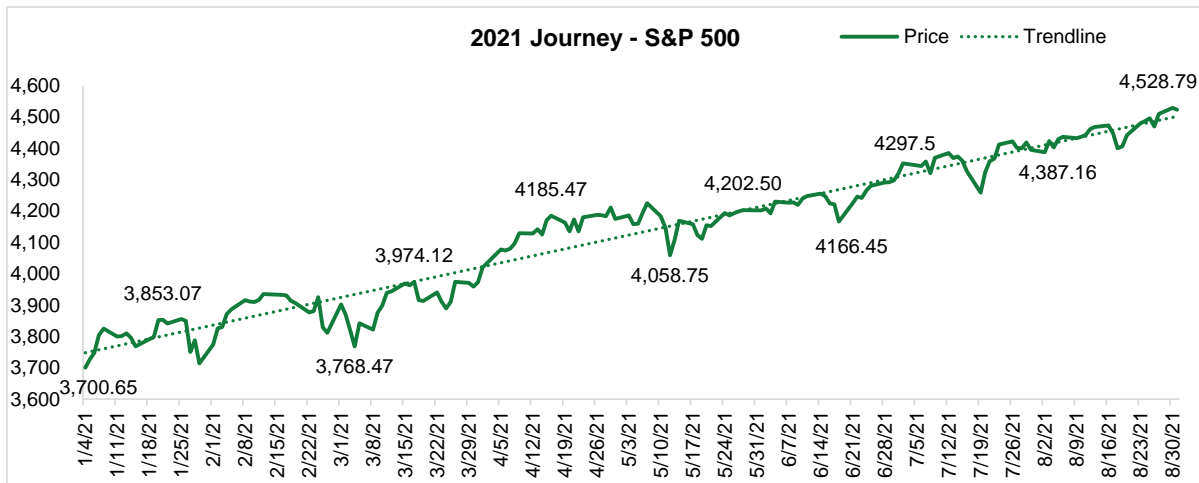
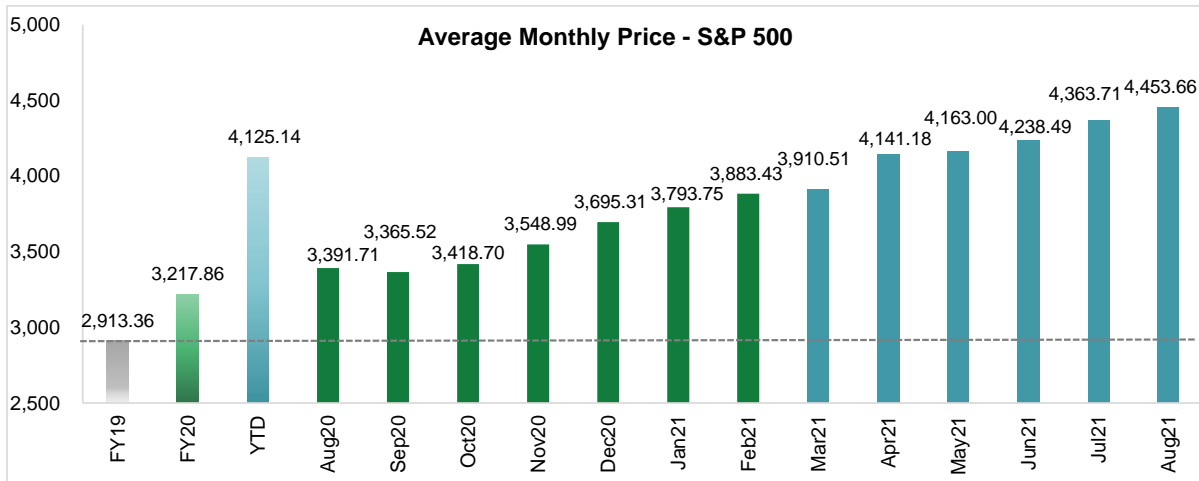


Source: Bloomberg, SIFMA estimates

<sup>1</sup> 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)

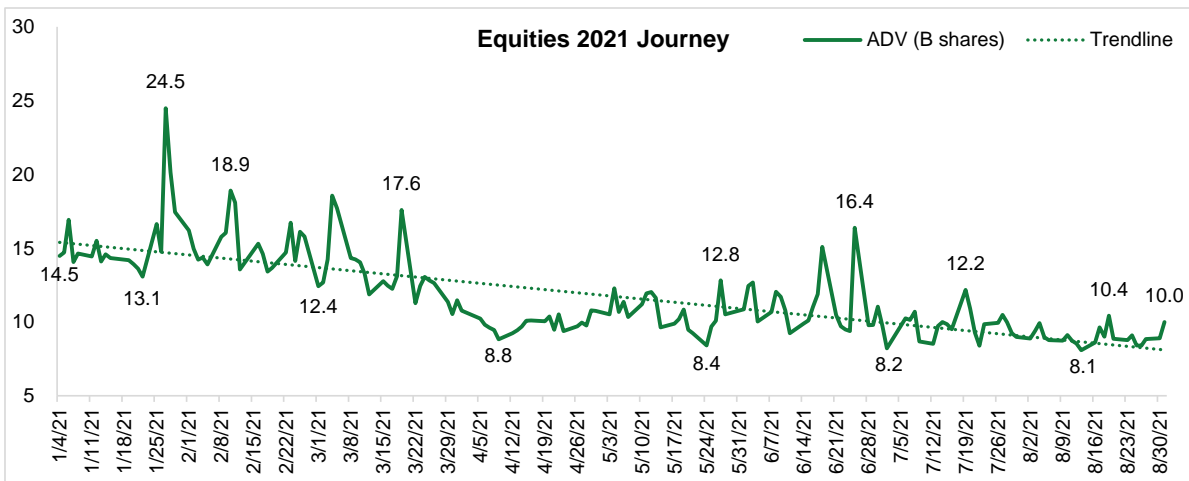
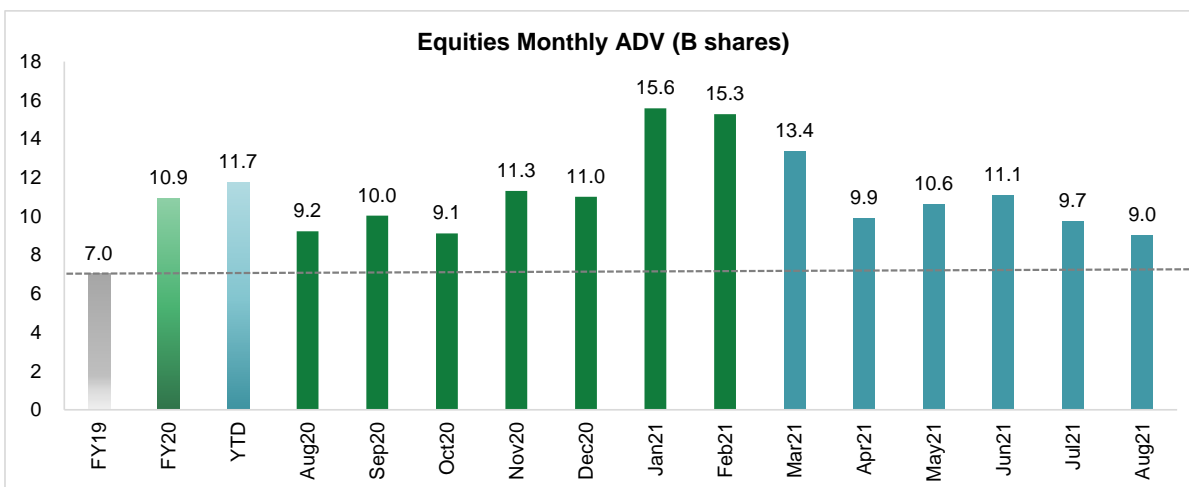
- Monthly average 4,453.66
  - +2.1% M/M
  - +31.3% Y/Y
  - +17.4% from the start of the year (January monthly average)
- Monthly peak on the 30<sup>th</sup> at 4,528.79, troughed on the 2<sup>nd</sup> at 4,387.16



Source: Bloomberg, SIFMA estimates

### Equity Volumes (ADV)

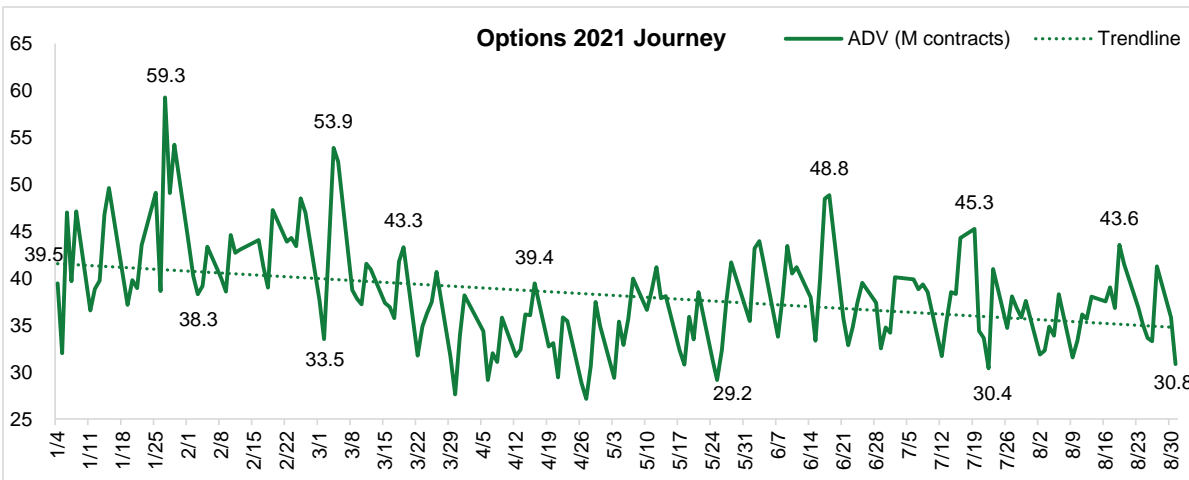
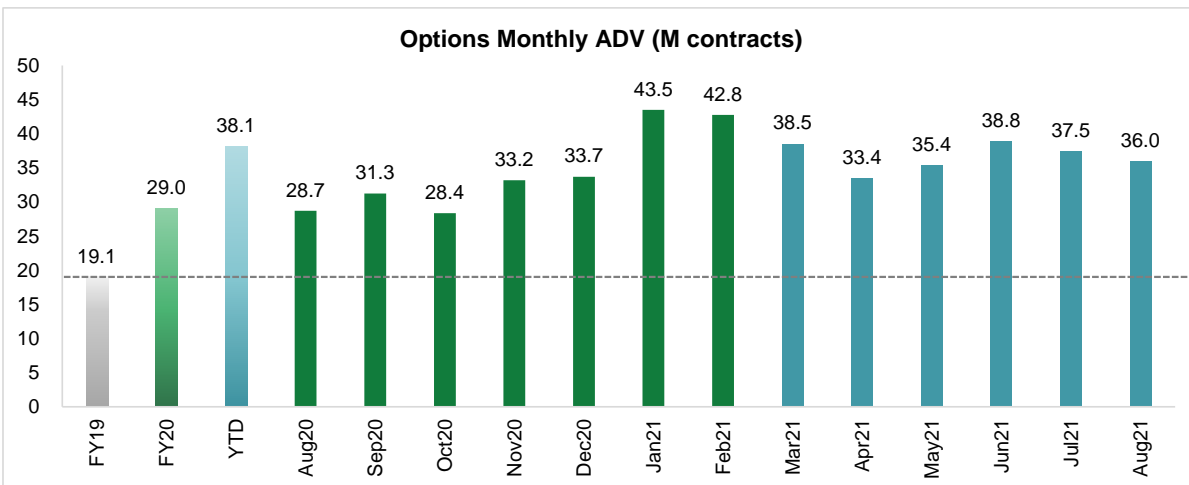
- Monthly average 9.0 billion shares
  - -7.6% M/M
  - -2.5% Y/Y
  - -42.2% from the start of the year (January monthly average)
- Monthly peak on the 19<sup>th</sup> at 10.4 billion shares, troughed on the 13<sup>th</sup> at 8.1 billion shares
- Monthly average off exchange trading 43.1%; -0.1 pps M/M, -1.0 pps Y/Y, -4.1 pps from January



Source: Cboe Global Markets, SIFMA estimates

Multi-Listed Options Volumes (ADV)

- Monthly average 36.0 million contracts
  - -4.0% M/M
  - +25.3% Y/Y
  - -17.3% from the start of the year (January monthly average)
- Monthly peak on the 19<sup>th</sup> at 43.6 million contracts, troughed on the 31<sup>st</sup> at 30.8 million contracts
- Monthly equity options 34.2 million contracts (-3.3% M/M, +25.1% Y/Y, -17.7% to January), index options 1.8 million contracts (-15.6% M/M, +29.4% Y/Y, -9.3% 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. As we head into fall and the final months of the year, we thought it would be interesting to review our market structure survey results<sup>2</sup> and how they match up to current market trends.

### Volatility & Volumes

When we published our survey in May, the first interesting result to point out was that essentially no one expected a return to normal in volatility or volumes. And, so far, they are correct. When asked what about expectations for the new normal in 2021, the responses for returning to historical levels were very low (and zero in one case):

- VIX 6.3%
- Equity ADV 6.5%
- Listed Options ADV 0%

Another interesting result of the survey was the higher conviction in estimating the new normal for equities ADV. The conviction levels – percent of responses for the top answer – were:

- VIX 62.5%
- Equity ADV 83.9%
- Listed Options ADV 77.4%

So where do we stand now? When looking at the survey estimate versus the YTD trend, volumes continue to surpass expectations, particularly in listed options. We highlight the following:

- The actual level of the VIX is essentially in line with the survey estimate (+1.4%)
- The actual level of equity ADV is outpacing the survey estimate by 14.5%
- The actual level of listed options ADV is outpacing the survey estimate by 22.6%

	VIX	Equity ADV (B shares)	Options ADV (M Contracts)
<b>Actuals</b>			
YTD	19.78	11.7	38.1
2020	29.25	10.9	29.0
2019	15.39	7.0	19.1
vs. 2019	28.5%	67.1%	99.5%
<b>SIFMA Survey</b>			
Estimate*	19.5	10.0	29.5
% Responding	62.5%	83.9%	77.4%
vs. YTD	-1.4%	-14.5%	-22.6%
vs. 2019	26.7%	42.9%	54.5%

Source: Bloomberg, Cboe Global Markets, SIFMA estimates, SIFMA Market Structure Survey (as of August 31)

Note: Calculations were made to turn non-numerical responses into a number: VIX was high teens to low 20s, listed options was high 20s to low 30s

<sup>2</sup> SIFMA [Insights](#): Market Structure Survey – Gauging the New Normal for Volatility, Volumes, Market Levels & Retail Investor Participation (populated between April 16 to April 30)

## Market Performance & Drivers

As to market performance, the majority of respondents expected markets to continue to expand. Within this group, most anticipated a slower growth rate.

- Expand 65.7% (56.3% at a slower pace, 9.4% at a similar pace)
- Decline 25.1% (18.8% somewhat, 6.3% significant decline)
- Remain at (then) current levels 9.4%

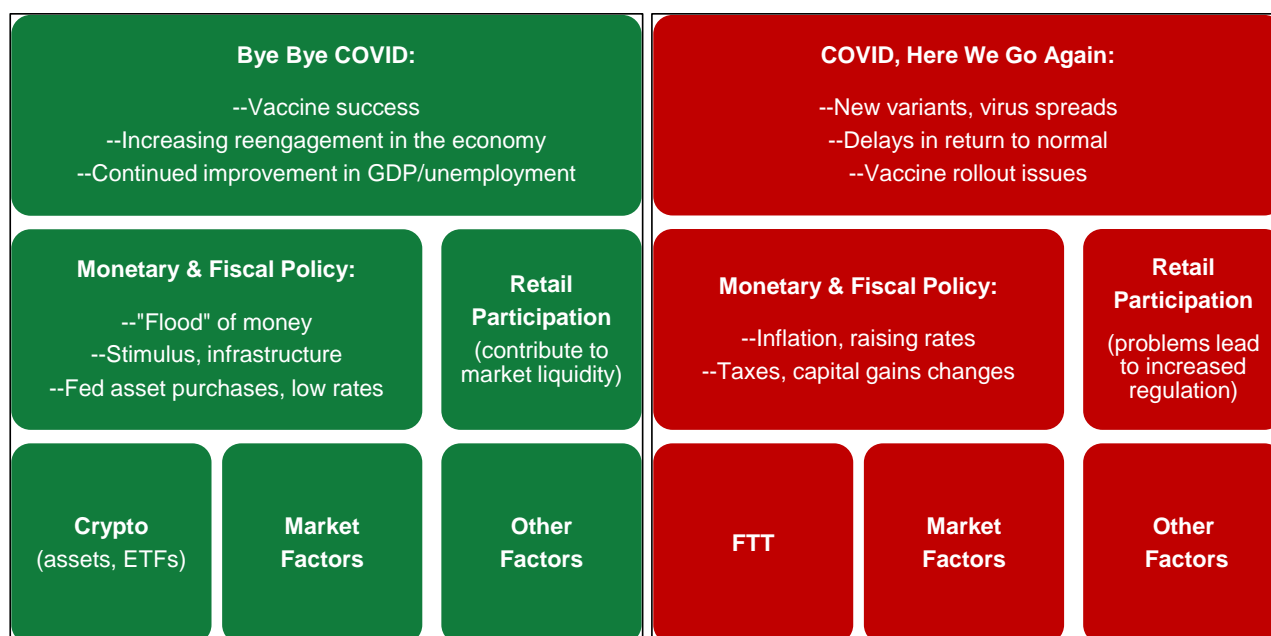
As of April 30, when the survey closed, the S&P 500 index was at 4,174.50, closing at 4,522.68 on August 31. This was an 8.3% increase. From January to April of this year, the S&P 500 increased 12.8%. Markets continue to expand but at a slower pace, and much slower than last year (2020 growth: +49.6% for the full year, +20.5% for the back half of the year). The expand at a slower pace camp of survey respondents was correct.

As to drivers of market participants, survey respondents correctly highlighted COVID as the main driver as markets, followed by monetary and fiscal policy. The onslaught of the Delta variant in the U.S. is most certainly impacting markets and can be considered a main factor to the slower pace of growth. Interestingly, inflation has not been as impactful as many might have assumed. Markets seem to shake it off in aggregate, albeit there are some ebbs and flows in the index price around inflation announcement dates.

What keeps the expansion going? One word...fundamentals. Companies continue to report record earnings, and analyst estimates continue to increase for the back half of the year. Aggregate S&P 500 companies' profit margins are at record highs (~13%). This is combined with a market consensus that interest rates will be staying low for a while. All bodes well for the expansion, even if it is at a slower pace than last year.

### Upside Risks

### Downside Risks



Source: SIFMA Market Structure Survey

## Author

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