SIFMA Insights

October Market Metrics and Trends

A Look at Monthly Volatility and Equity and Listed Options Volumes

November 2021

Monthly Metrics

- Volatility (VIX): Monthly average 17.87; -9.9% M/M, -39.3% Y/Y
- S&P 500 (Price): Monthly average 4,460.71; +0.3% M/M, +30.5% Y/Y
- Equity ADV (billion shares): Monthly average 10.4; -1.8% M/M, +14.0% Y/Y
- Options ADV (million contracts): Monthly average 38.6; +1.2% M/M, +35.9% Y/Y

Monthly Highlight

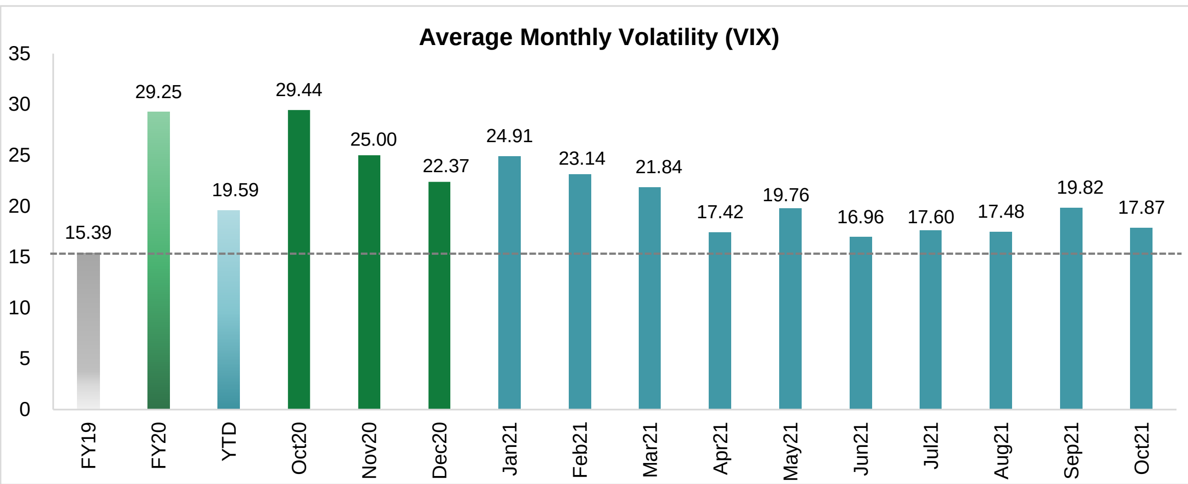
- Markets continue to climb the wall of worry and push higher, as solid earnings results outweigh macro concerns: 67% of reporting companies saw positive top line surprises, 82% for the bottom line
- The S&P 500 is up 22.6% since the start of the year, with October posting the strongest M/M change 6.9%
- YTD energy +52.4%, financials +36.4% at the top vs. consumer staples +6.4%, utilities +6.5% on the bottom; consumer discretionary moves to the top in 2H (+11.8%), industrials to the bottom (+2.3%)
- S&P 500 price targets show markets expected to continue climbing; PT increase YTD +27.0%; PT vs. start of year price +34.5%; PT vs. end October price +9.7%

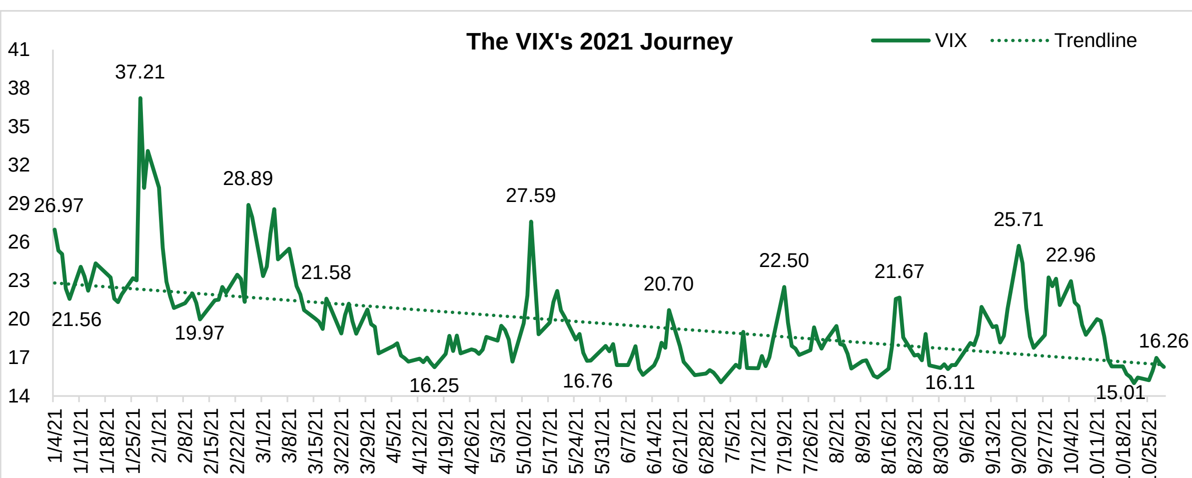
Monthly Market Metrics

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

Volatility (VIX)

- Monthly average 17.87
  - -9.9% M/M
  - -39.3% Y/Y
  - -28.3% from the start of the year (January monthly average)
- Monthly peak on the 4th at 22.96, troughed on the 21st at 15.01



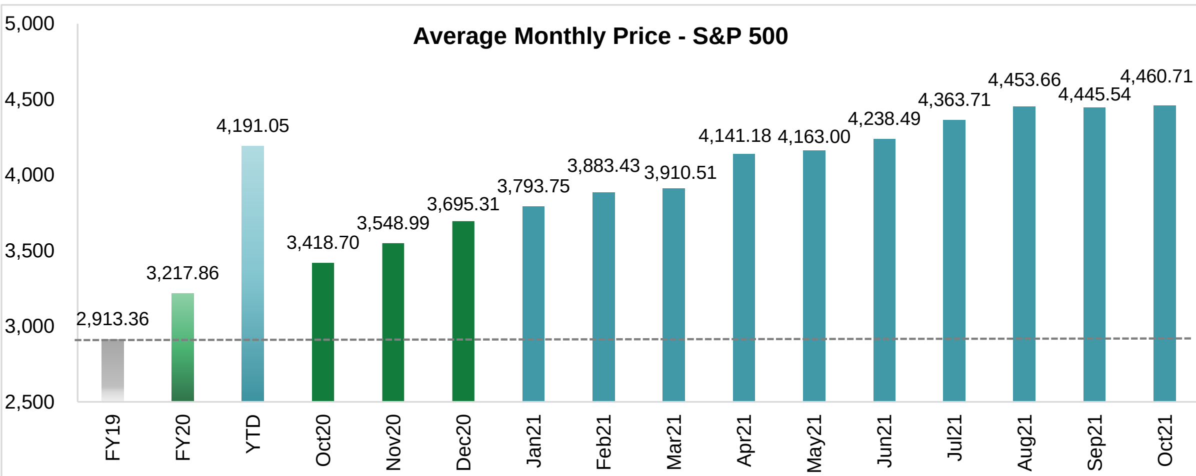


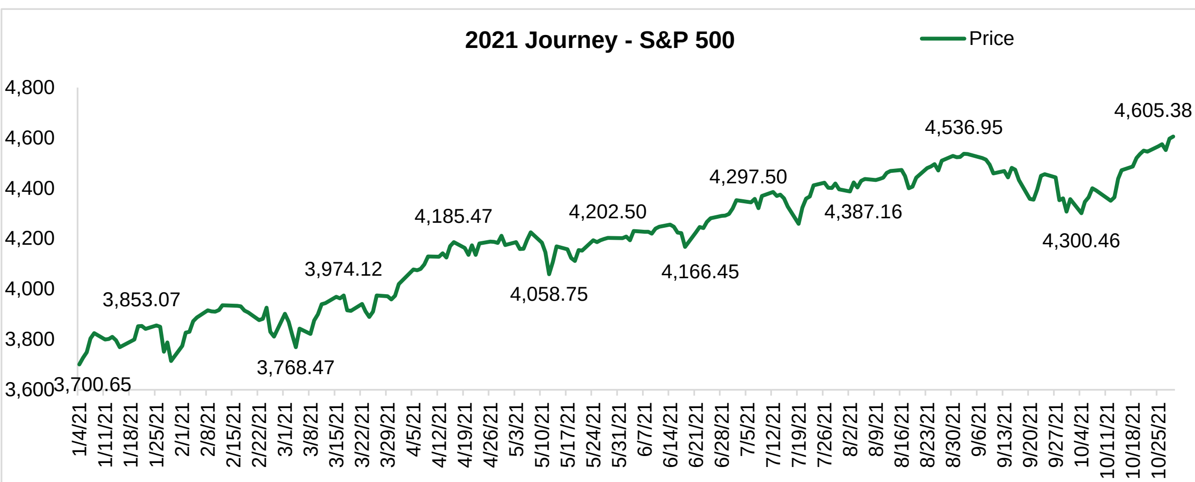
Source: Bloomberg, SIFMA estimates

[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 4,460.71
  - +0.3% M/M
  - +30.5% Y/Y
  - +17.6% from the start of the year (January monthly average)
- Monthly peak on the 29th at 4,605.38, troughed on the 4th at 4,300.46

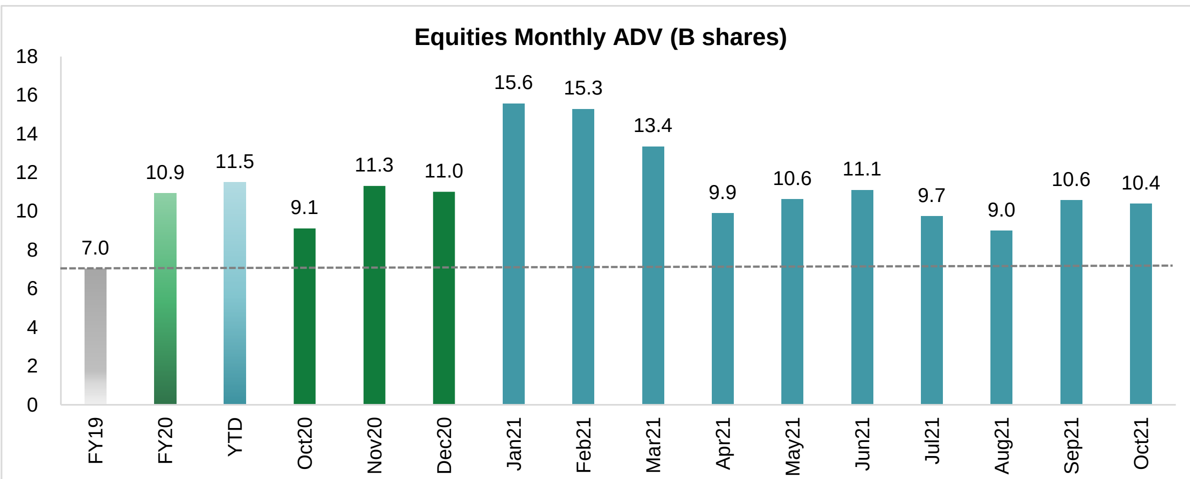


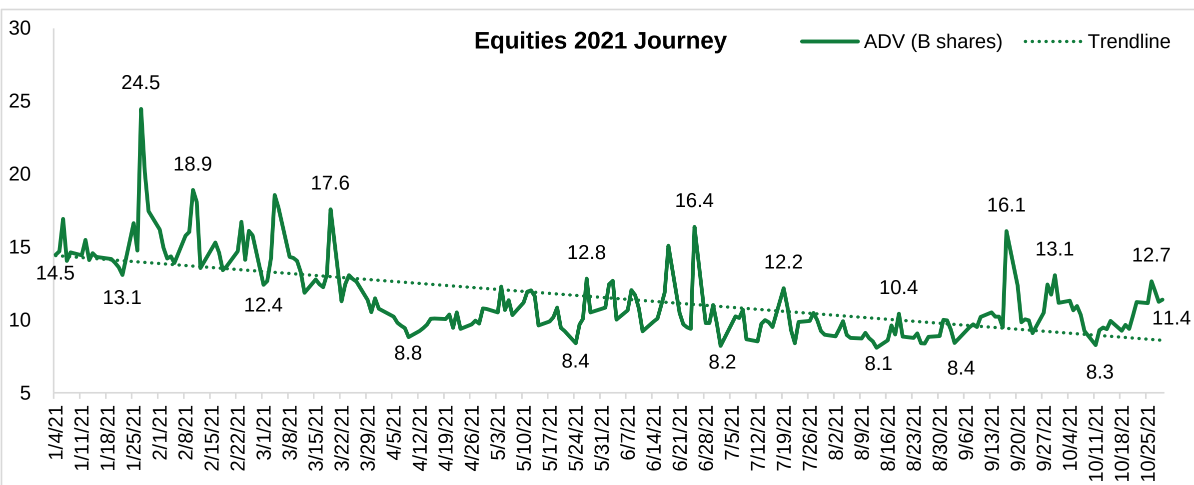


Source: Bloomberg, SIFMA estimates

Equity Volumes (ADV)

- Monthly average 10.4 billion shares
  - -1.8% M/M
  - +14.0% Y/Y
  - -33.3% from the start of the year (January monthly average)
- Monthly peak on the 26th at 12.7 billion shares, troughed on the 11th at 8.3 billion shares
- Monthly average off exchange trading 44.2%; +2.3 pps M/M, +1.6 pps Y/Y, -3.0 pps from January

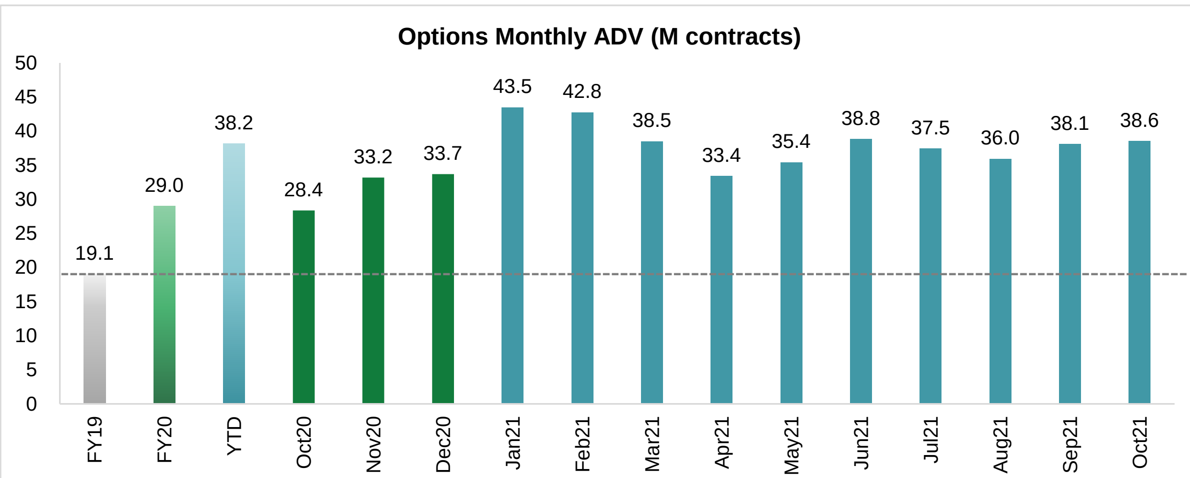


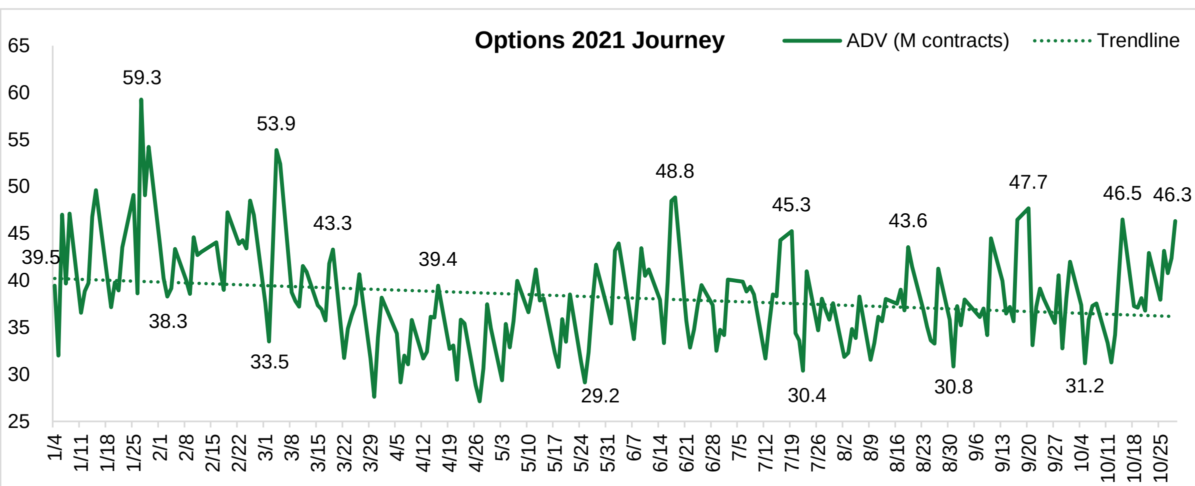


Source: Cboe Global Markets, SIFMA estimates

Multi-Listed Options Volumes (ADV)

- Monthly average 38.6 million contracts
  - +1.2% M/M
  - +35.9% Y/Y
  - -11.4% from the start of the year (January monthly average)
- Monthly peak on the 15th at 46.5 million contracts, troughed on the 5th at 31.2 million contracts
- Monthly equity options 36.5 million contracts (+1.8% M/M, +36.3% Y/Y, -12.1% to January), index options 2.1 million contracts (-8.0% M/M, +30.0% Y/Y, +3.9% 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.

Market Performance Update

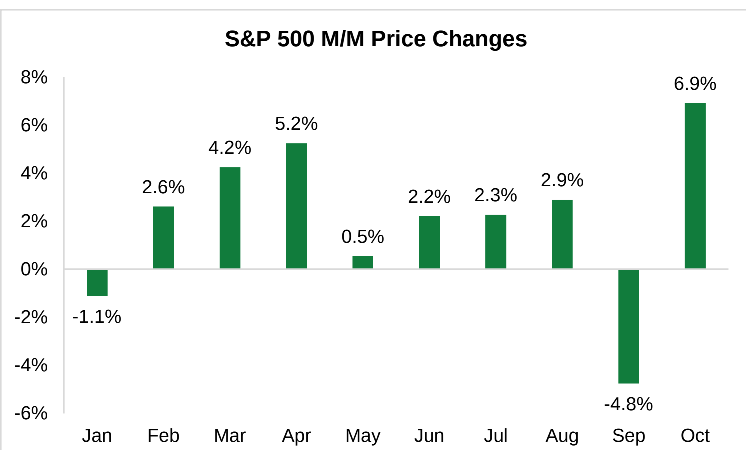
With just two months to go in the year, we thought it would be interesting to look at market performance to date. Markets continue to climb the wall of worry – inflation, Delta variant, supply chain constraints – and push higher. Market participants attribute this to fundamentals, with solid earnings results outweighing macro concerns. With 281 out of the 500 companies in the S&P 500 having reported, 67% reported positive top line, or revenue, surprises (23% negative, 10% in line) and 82% reported positive bottom line, or earnings, surprises (14% negative, 4% in line). While some companies were hit by inflation and supply chain issues, many were able to pass through the increased costs. As such, markets continued to increase. As of the end of October, the S&P 500 was up 22.6% since the start of the year.

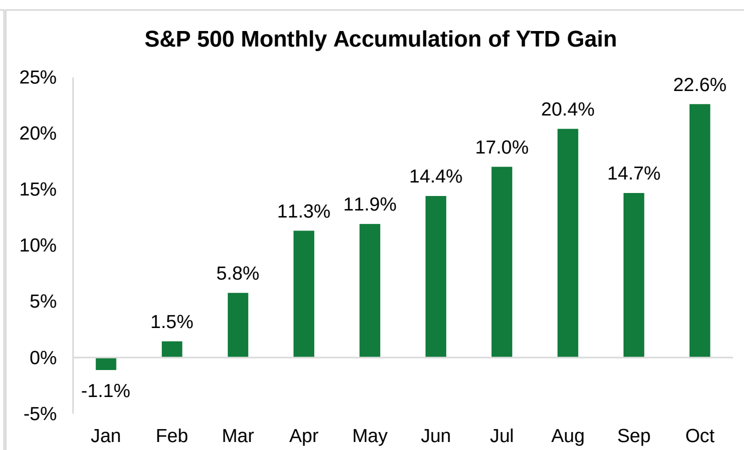
We highlight the following trends in market performance, looking at monthly performance (M/M changes, left hand chart):

- October was the best performing month, at +6.9% M/M
- January and September actually saw M/M declines, -1.1% and -4.8% respectively
- There was a summer slowdown as the Delta variant emerged, but M/M growth still continued even if at a slower pace

Looking at the monthly accumulation of YTD gains (right hand chart), we note the following:

- The first quarter of the year started off slow at first, +5.7% aggregate growth
- The second quarter took off, +8.0% aggregate growth
- The September decline slowed progress, bringing cumulative YTD growth (14.7%) back to June levels
- The final quarter has started off strong with October growth outpacing all other months





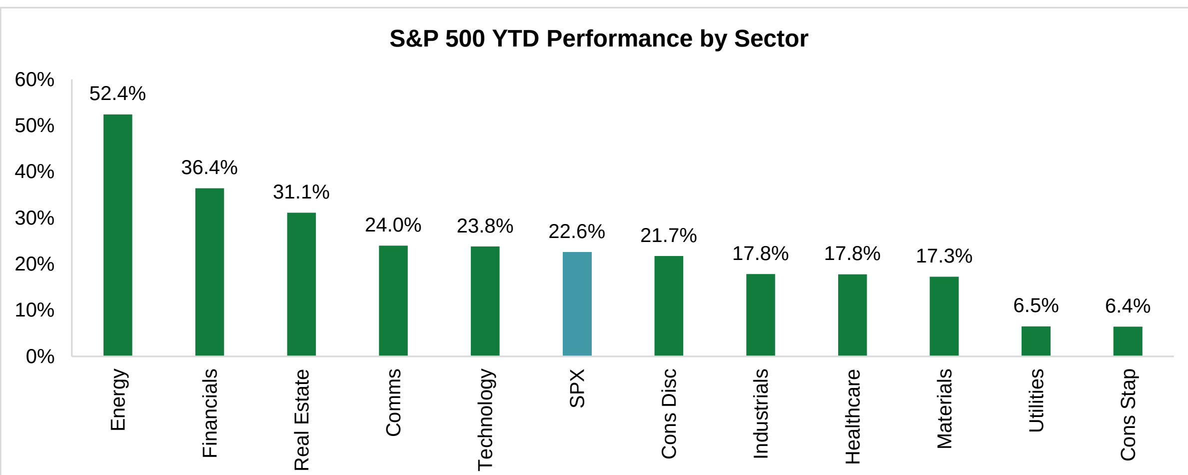
Source: Bloomberg, SIFMA estimates (as of October 29)

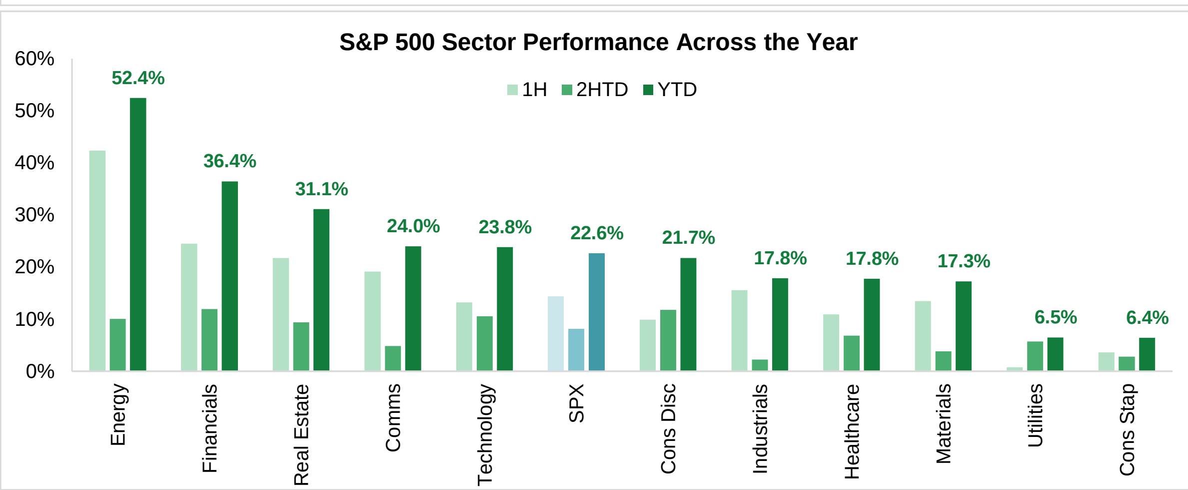
Sector Performance Update

Next, we recap market performance by sector, as some sectors struggled more than others with supply chain disruptions and inflation. It is interesting to note the shift we have seen in the second half. Consumer discretionary – remember, Tesla (TSLA) and Amazon (AMZN) are classified here (even if considered a tech play) – has climbed to the top with financials. On the other side, industrials have joined consumer staples at the bottom of the group.

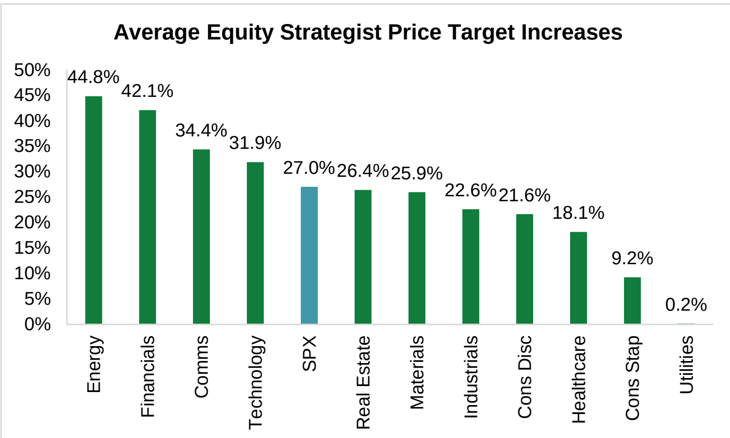
We highlight the follow trends:

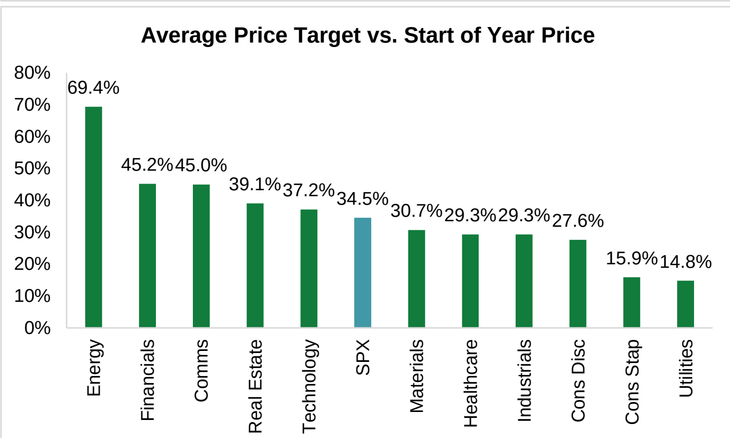
- YTD best performers (vs. SPX +22.6%): energy +52.4%, financials +36.4%
- YTD worst performers: consumer staples +6.4%, utilities +6.5%
- 1H best performers (vs. SPX 14.4%): energy +42.4%, financials +24.5%
- 1H worst performers: utilities +0.8%, consumer staples +3.6%,
- 2H best performers (vs. SPX 8.2%): financials +11.9%, consumer discretionary +11.8%
- 2H worst performers: industrials +2.3%, consumer staples +2.8%

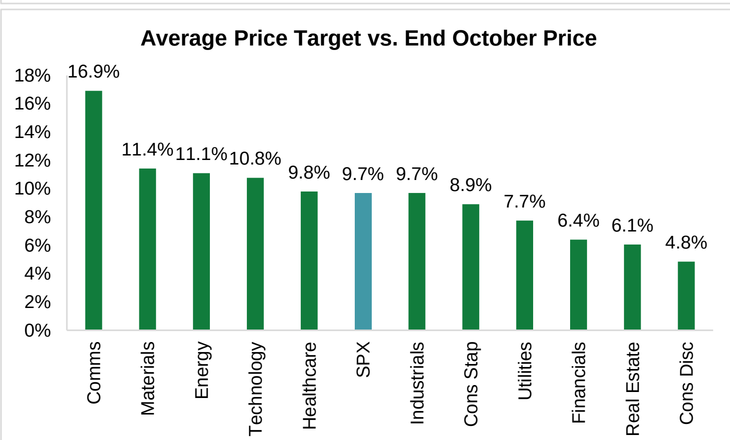




Source: Bloomberg, SIFMA estimates (as of October 29)
Note: Comms = communication services; SPX = S&P 500, the market proxy; cons disc = consumer discretionary; cons stap = consumer staples







Source: Bloomberg, SIFMA estimates (as of October 29)

Sector Price Targets

Next, we look at where markets could go from here, using equity strategist price targets. Many market participants expect earnings to continue to go higher through the end of the year and into next, even if the growth is at a slower pace. As noted above, even as some companies were hit by inflation in input prices and supply chain problems, others were able to pass on increased costs to consumers.

Therefore, overall many market participants expect markets to keep climbing higher. An interesting note here is commentary on tech stocks. These stocks have a heavy weight in the index (27.9%) on a sector classification basis. Additionally, Tesla (TSLA), Alphabet (GOOG/GOOGL), and Facebook (FB) are not classified as tech but are traded that way and are in the top 10 weightings for index constituents. Of interest to investors of this group (and all stocks really), the Fed taper is not expected until around June 2022. Even with two rate hikes that year, the Fed Funds rate would only be 75 bps. Market participants maintain this is still a good environment for tech stocks.

Looking at equity strategists' price targets (PT) for the S&P 500, we drill down into expectations for the market as a whole and the important tech sector specifically. We highlight the following:

- PT increases YTD: SPX +27.0% (vs. price performance +22.6%); tech +31.9% (vs. price +23.8%)
- PT vs. start of year price: SPX +34.5%, tech +37.2%
- PT vs. end October price: SPX +9.7%, tech +10.8%

Based on the last chart, strategists expect markets to continue to grow, even if at a slower pace.

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