



SIFMA Insights

December Market Metrics and Trends

A Look at Monthly Volatility and Equity and Listed Options Volumes

January 2022

Monthly Metrics

- Volatility (VIX): Monthly average 21.35; +15.4% M/M, -4.6% Y/Y
- S&P 500 (Price): Monthly average 4,674.77; +0.2% M/M, +26.5% Y/Y
- Equity ADV (billion shares): Monthly average 10.8; -2.3% M/M, -1.5% Y/Y
- Options ADV (million contracts): Monthly average 37.8; -15.0% M/M, +12.0% Y/Y

Monthly Highlight

- The SPX increased almost 27% Y/Y; the SPX and 6 of 11 sectors had lower returns in the second half of the year (SPX +14.4% in 1H21 and +10.9% in 2H21)
- Top sector = energy at +47.7%; worse sector = utilities at +14.0%; technology “only” +33.4% in 2021 (vs. +48.0% in 2019)
- SPX 2022 upside potential +9.3%; energy estimated to lead at +22.3%, real estate at the bottom at +1.3%, technology to fall to the #6 from the #3 ranking

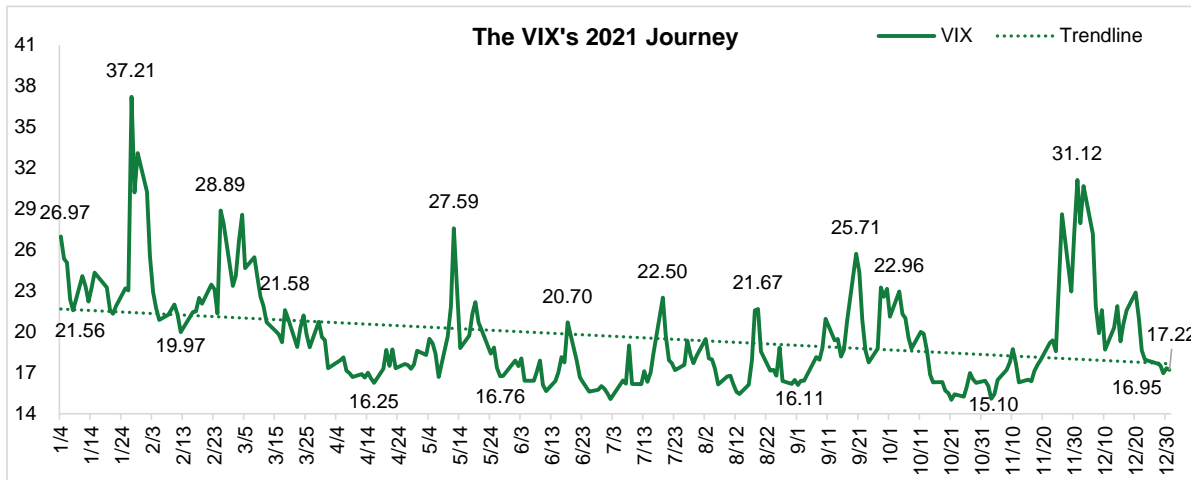
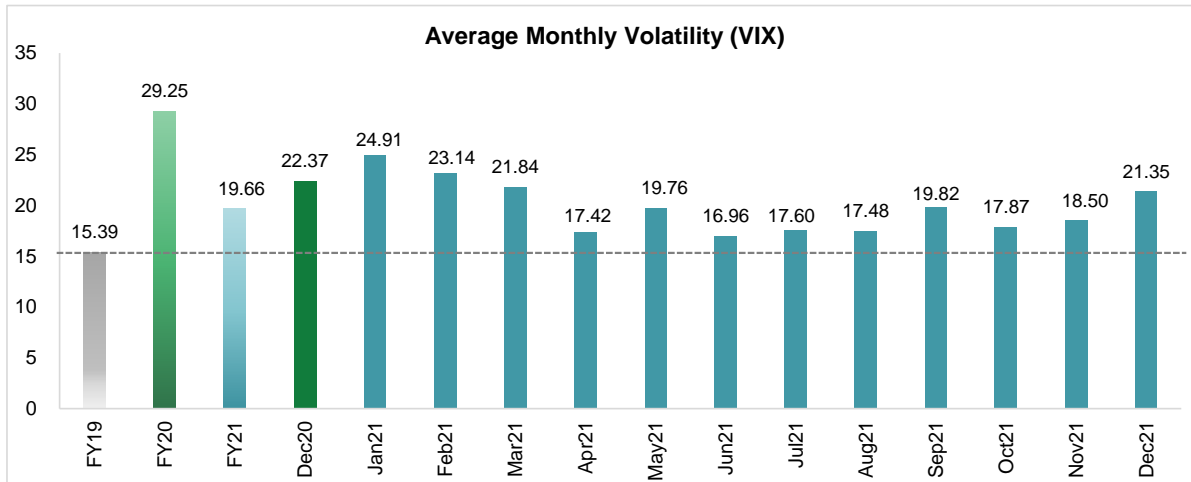


Monthly Market Metrics

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

Volatility (VIX)

- Monthly average 21.35
 - +15.4% M/M
 - -4.6% Y/Y
 - -14.3% from the start of the year (January monthly average)
- Monthly peak on the 1st at 31.12, troughed on the 29th at 16.95

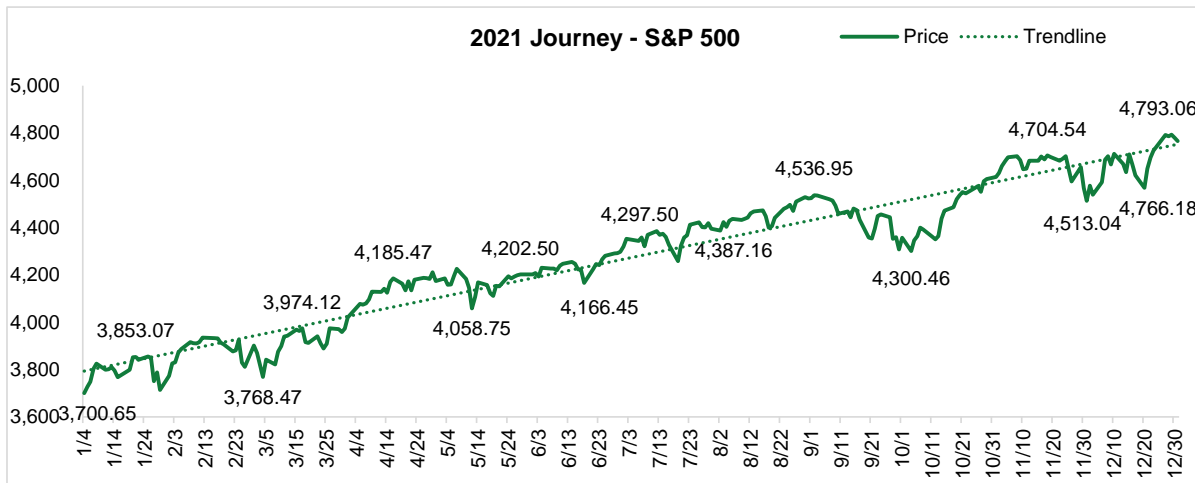
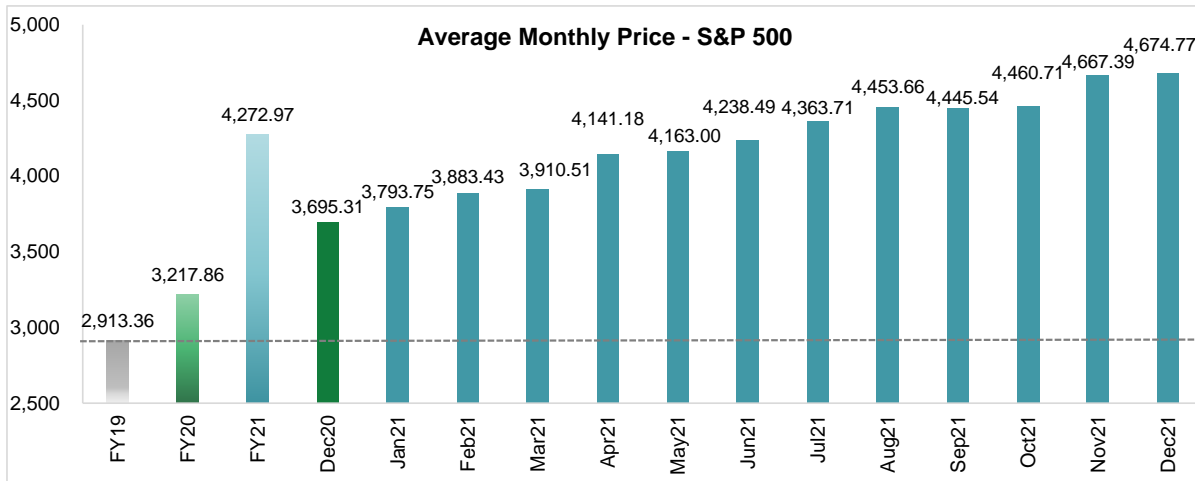


Source: Bloomberg, SIFMA estimates

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)

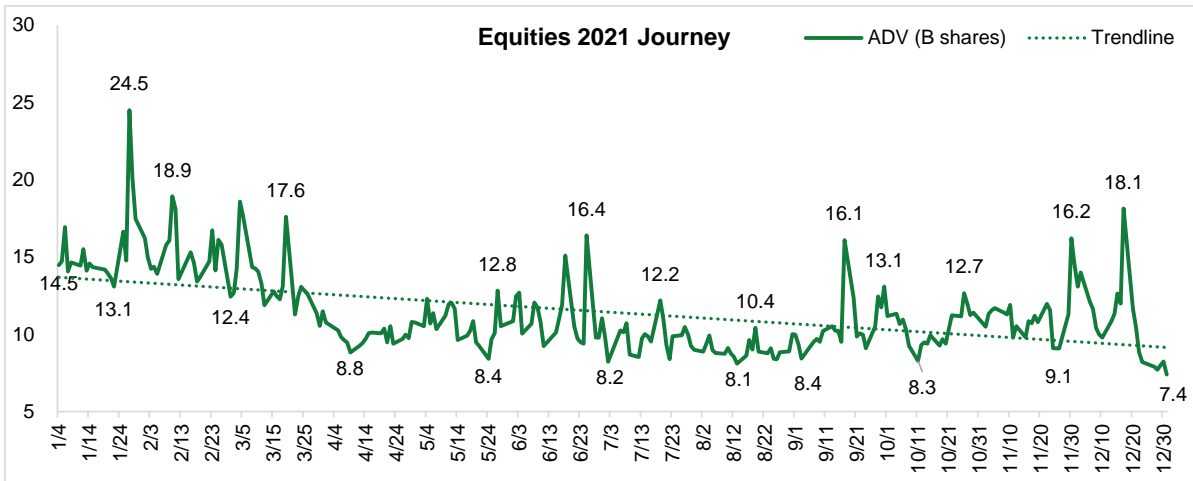
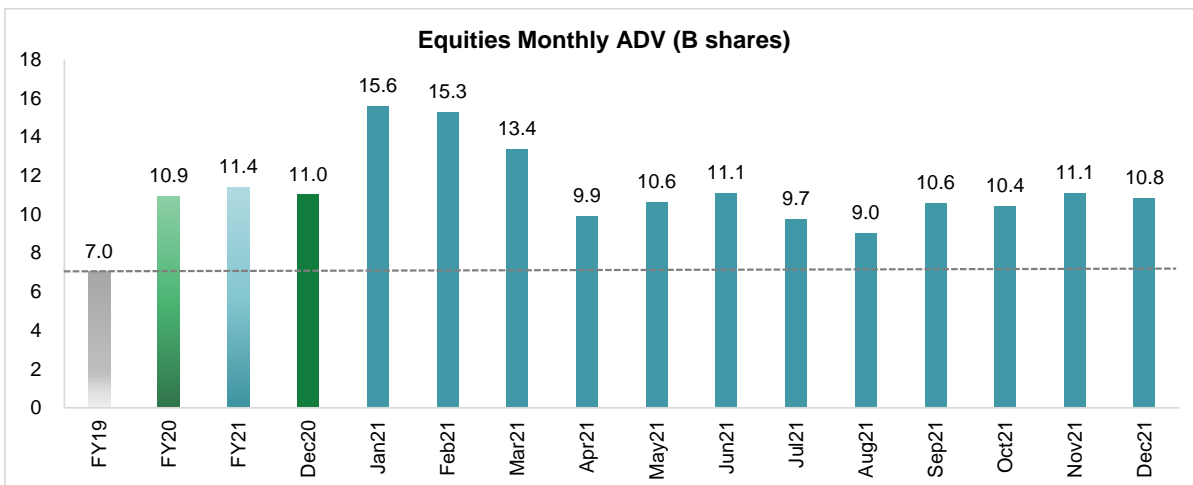
- Monthly average 4,674.77
 - +0.2% M/M
 - +26.5% Y/Y
 - +23.2% from the start of the year (January monthly average)
- Monthly peak on the 29th at 4,793.06, troughed on the 1st at 4,513.04



Source: Bloomberg, SIFMA estimates

Equity Volumes (ADV)

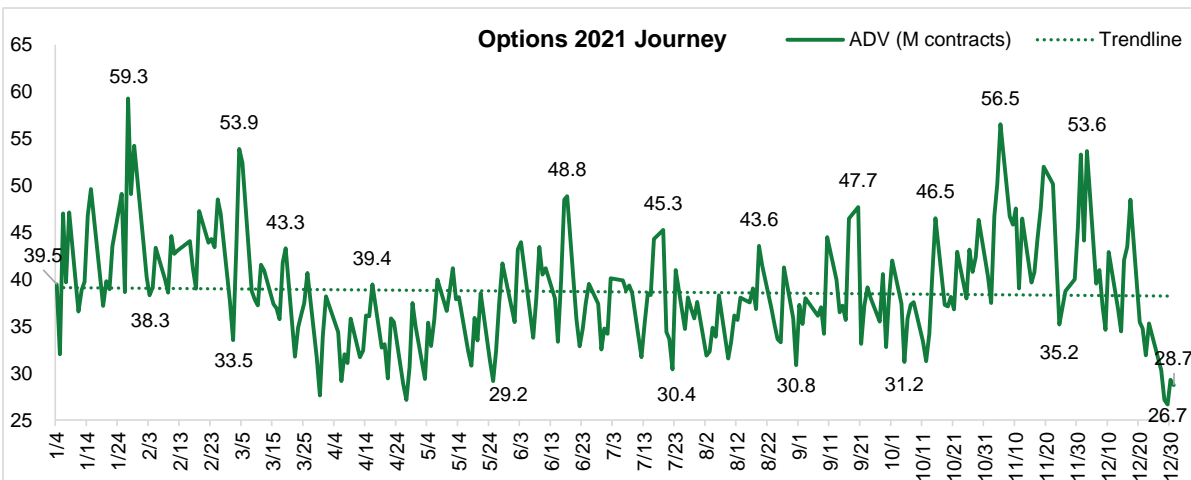
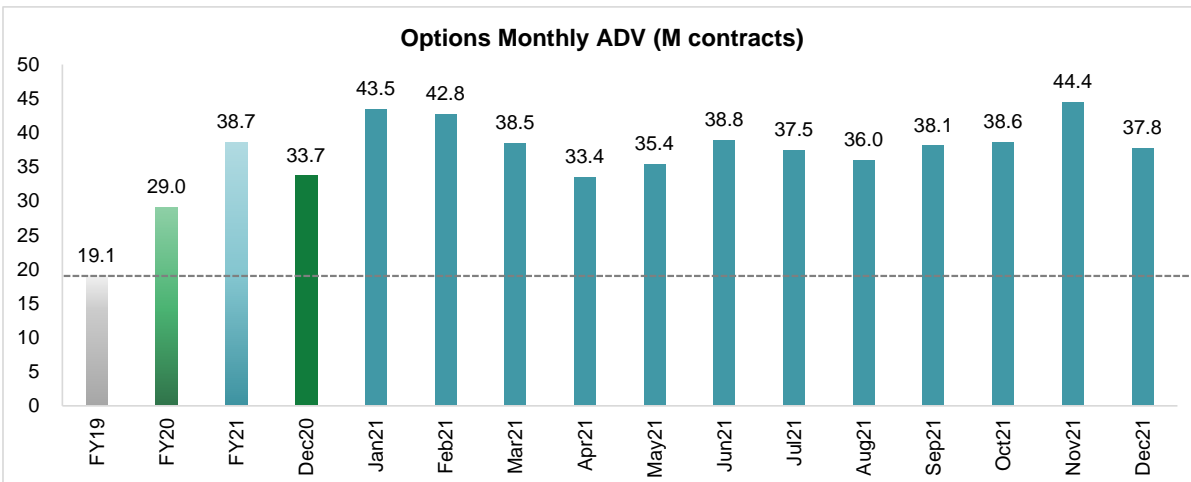
- Monthly average 10.8 billion shares
 - -2.3% M/M
 - -1.5% Y/Y
 - -30.4% from the start of the year (January monthly average)
- Monthly peak on the 17th at 18.1 billion shares, troughed on the 31st at 7.4 billion shares
- Monthly average off exchange trading 41.1%; -2.2 pps M/M, -4.7 pps Y/Y, -6.1 pps from January



Source: Cboe Global Markets, SIFMA estimates

Multi-Listed Options Volumes (ADV)

- Monthly average 37.8 million contracts (the highest monthly volume on record)
 - -15.0% M/M
 - +12.0% Y/Y
 - -13.2% from the start of the year (January monthly average)
- Monthly peak on the 3rd at 53.6 million contracts (second highest daily volume), troughed on the 29th at 26.7 million contracts
- Monthly equity options 35.5 million contracts (-16.0% M/M, +10.2% Y/Y, -14.5% to January), index options 2.3 million contracts (+4.6% M/M, +49.8% Y/Y, +15.3% to January)



Source: Cboe Global Markets, SIFMA estimates

Monthly Highlight

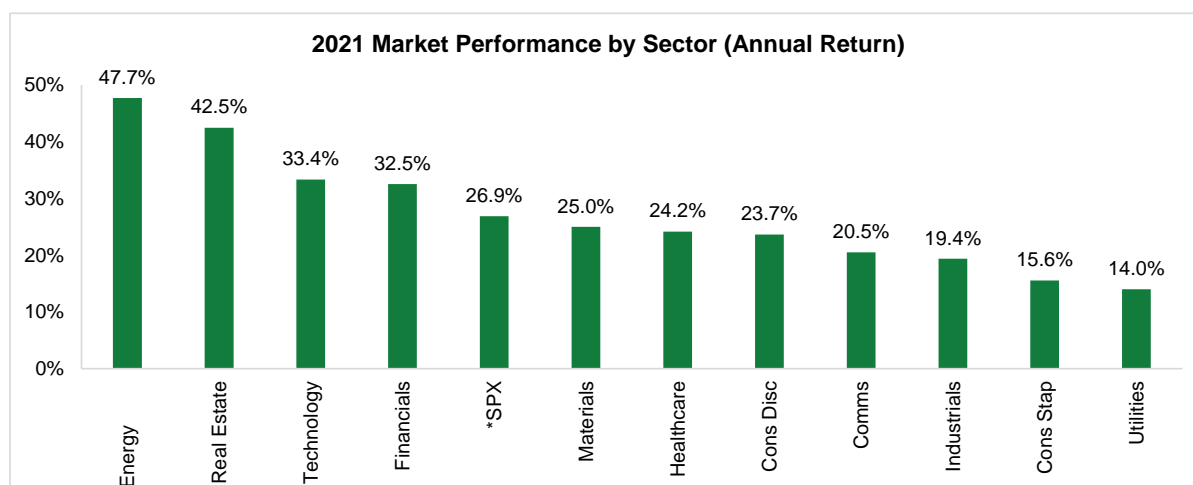
In this section we drill down into an interesting trend that market participants are following.

Market Performance in 2021

With the close of 2021, we analyze how the market overall and individual sectors performed. As we entered the second half of the year, market participants' concerns grew around inflation and their estimates of the timeline for the Fed to begin raising interest rates moved up earlier into 2022. Additionally, market participants had to digest two waves of COVID variants (Delta, Omicron) and what this could mean for a full return to (the new) normal. Despite this, all sectors finished the year strong, with annual returns ranging from the mid-teens to almost +50%. Markets as a whole, as measured by the SPX, increased 26.9% for the year. We further note that six of the eleven sectors – and the total index – experienced lower annual returns in the second half. For example, the SPX grew 14.4% in 1H21, slowing to +10.9% in 2H21.

We highlight the following trends:

- Top sector = energy at +47.7% as oil prices rallied versus prior years, followed by real estate at +42.5% as real estate/REITs traditionally act as an inflation hedge
- Worse sector = utilities at +14.0% as this sector does not traditionally perform well in inflationary or rising rate environments, followed by consumer staples at +15.6% which typically does not benefit from business cycles, i.e. the economic reopening that boosted other sectors (we do note that this sector performed well under inflationary pressure last year as most companies were able to pass through price increases)
- We note that many tech stocks still posted strong returns (+33.4% for the sector) despite concerns over raising rates, which weighs heavily on valuations for this sector
- Lower sector returns in 2H21 vs. 1H21: SPX, energy, financials, industrials, materials, comms, real estate
- Higher sector returns in 2H21 vs. 1H21: technology, healthcare, utilities, consumer discretionary & staples

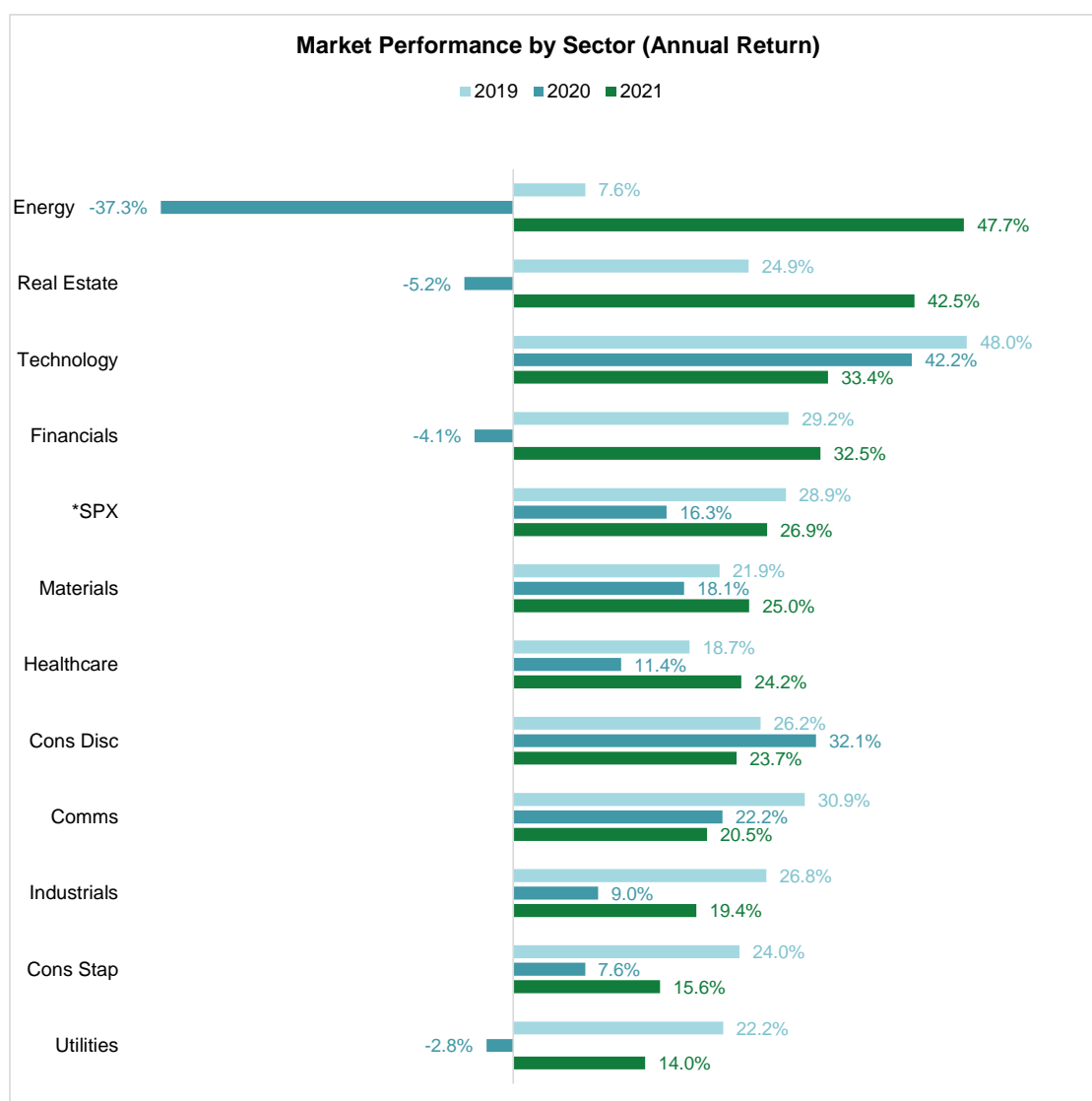


Source: Bloomberg, SIFMA estimates

Note: Comms = telecommunications; SPX = total market; Cons Disc = consumer discretionary; Cons Stap = consumer staples

Next, we look at annual returns since 2019, highlighting the following:

- SPX: The market as a whole performed well at +26.9% for 2021, not quite reaching the solid output in 2019 (+28.9%)
- Technology: Concerns over raising rates brought down returns for the tech sector from +48.0% in 2019 to “only” +33.4% in 2021
- Sectors with lower annual returns in 2021 versus 2020: technology, consumer discretionary (remember that Tesla and Amazon are in this sector, despite being considered a tech trade), and communications
- Sectors with lower annual returns in 2021 versus 2019: technology, consumer discretionary, communications, SPX, industrial, consumer staples, and utilities

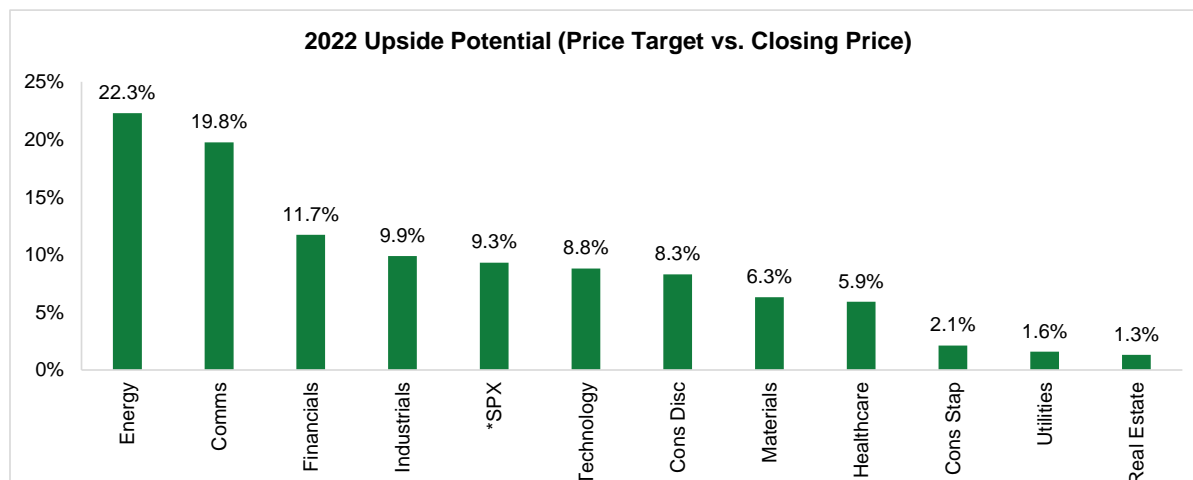


Source: Bloomberg, SIFMA estimates

Note: Comms = telecommunications; SPX = total market; Cons Disc = consumer discretionary; Cons Stap = consumer staples

Equity Strategist Estimates for 2022

In this section, we look ahead to 2022, analyzing the potential upside to the market as a whole and for individual sectors. Upside potential is calculated as equity strategists' price target estimates for 2022 divided by the closing price on December 31, 2021. The upside potential for the market (the SPX index) is +9.3%. Energy is estimated to remain the leading sector in 2022 (+22.3% upside), with real estate moving to the bottom (+1.3% upside).



Source: Bloomberg, SIFMA estimates

Note: Comms = telecommunications; SPX = total market; Cons Disc = consumer discretionary; Cons Stap = consumer staples

Additionally, we highlight the following moves by sector in terms of the change in rank for price target estimates for 2022 from rank for 2021 annual returns:

- Energy estimated to remain the leader in 2022 (no change)
- Real estate expected to fall to the bottom of the pack from the #2 spot for returns in 2021 (-10 spots)
- Technology estimated to fall to #6 (-3 spots), while materials and healthcare estimated to each fall 2 spots
- The large risers are estimated to be communications (+7 spots) and consumer staples (+6 spots)

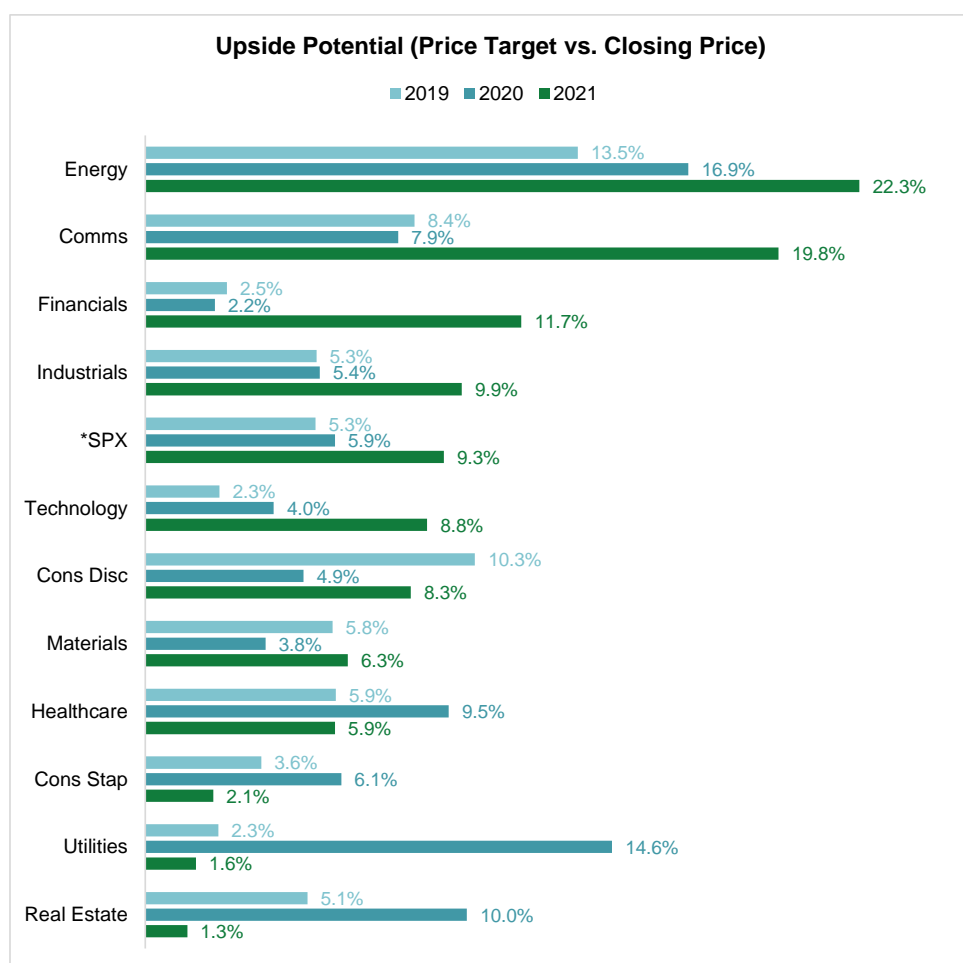
	Rank		Change
	2021 Return	2022 PT	
Energy	1	1	0
Real Estate	2	12	(10)
Technology	3	6	(3)
Financials	4	3	1
SPX	5	5	0
Materials	6	8	(2)
Healthcare	7	9	(2)
Cons Disc	8	7	1
Comms	9	2	7
Industrials	10	4	6
Cons Stap	11	10	1
Utilities	12	11	1

Source: Bloomberg, SIFMA estimates

Note: Comms = telecommunications; SPX = total market; Cons Disc = consumer discretionary; Cons Stap = consumer staples

Finally, we look at estimated potential upside since 2019, highlighting the following:

- SPX: Equity strategists estimate the potential upside for the S&P 500 price target to almost double that in the past two years (+9.3% in 2022 vs. +5.9% in 2020 and +5.3% in 2019)
- Technology: Upside for the technology sector is estimated at greater than two times the prior year (+8.8% in 2022 vs. +4.0% in 2021 and +2.3% in 2019)
- Sectors with lower upside in 2021 versus 2020: healthcare, consumer staples, utilities, and real estate
- Sectors with lower upside in 2021 versus 2019: healthcare, consumer staples, utilities, real estate, and consumer discretionary



Source: Bloomberg, SIFMA estimates

Note: Comms = telecommunications; SPX = total market; Cons Disc = consumer discretionary; Cons Stap = consumer staples

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