



SIFMA Insights

April Market Metrics and Trends

A Look at Monthly Volatility and Equity and Listed Options Volumes

May 2022

Monthly Metrics

- Volatility (VIX): Monthly average 24.37; -9.8% M/M, +39.9% Y/Y
- S&P 500 (Price): Monthly average 4,391.30; flat M/M, +6.0% Y/Y
- Equity ADV (billion shares): Monthly average 11.7; -15.6% M/M, +18.6% Y/Y
- Options ADV (million contracts): Monthly average 38.4; -4.4% M/M, +14.9% Y/Y

Monthly Highlight

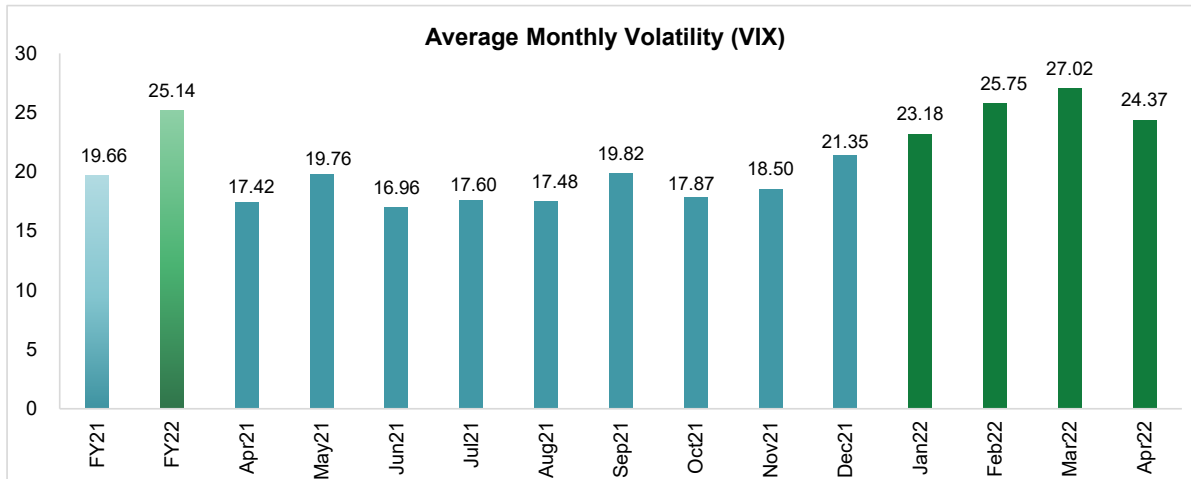
- Inflation: Where is it now? CPI +8.6% in March. Where had it been? CPI averaged +1.7% pa from 2010-2020. Where could it go? CPI hit almost +14% in 1980
- Markets originally pushed through inflation in '21 but turned negative as it climbed into '22. Even if inflation has peaked, it still has 6.6 pps to get back down to historical levels and should continue to weigh on markets
- Highest weighted S&P 500 sectors negative for the month and YTD: technology (27.2% weight) -11.3% M/M/-18.9% YTD, consumer discretionary (11.5% weight) -13.0% M/M/-11.5% YTD

Monthly Market Metrics

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

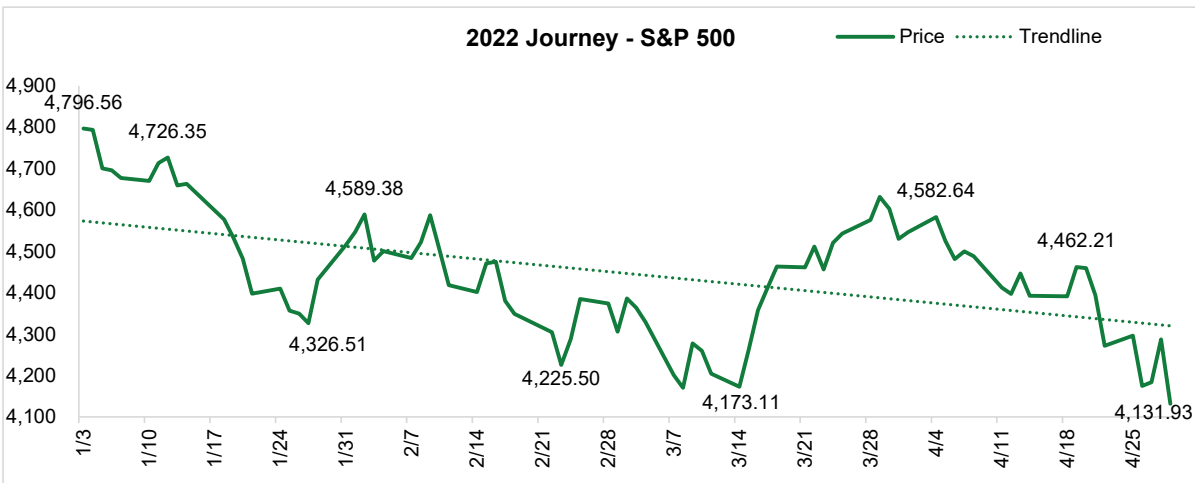
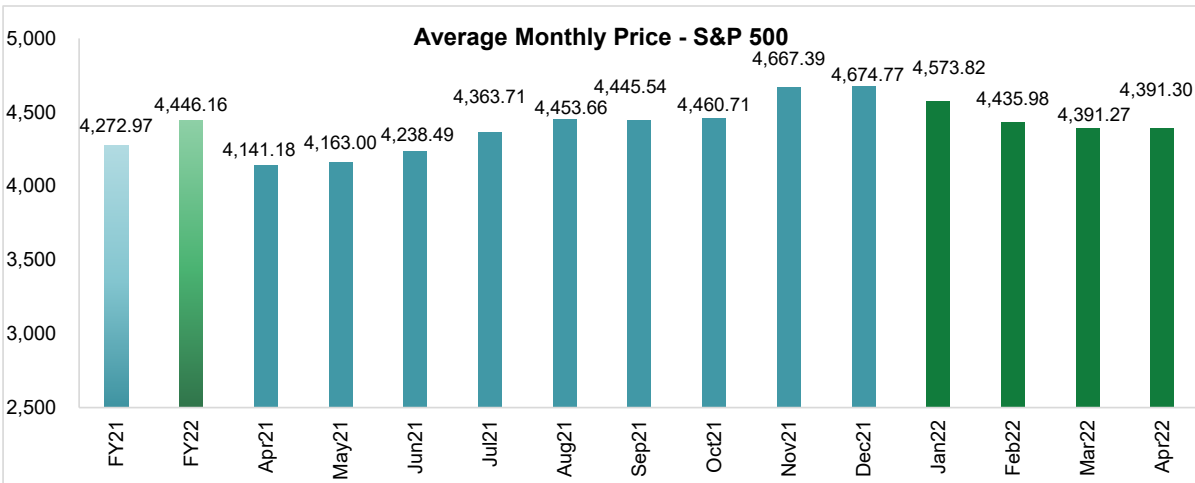
Volatility (VIX)

- Monthly average 24.37
 - -9.8% M/M
 - +39.9% Y/Y
 - +46.8% from the start of the year
- Monthly peak on the 26th at 33.52, troughed on the 4th at 18.57



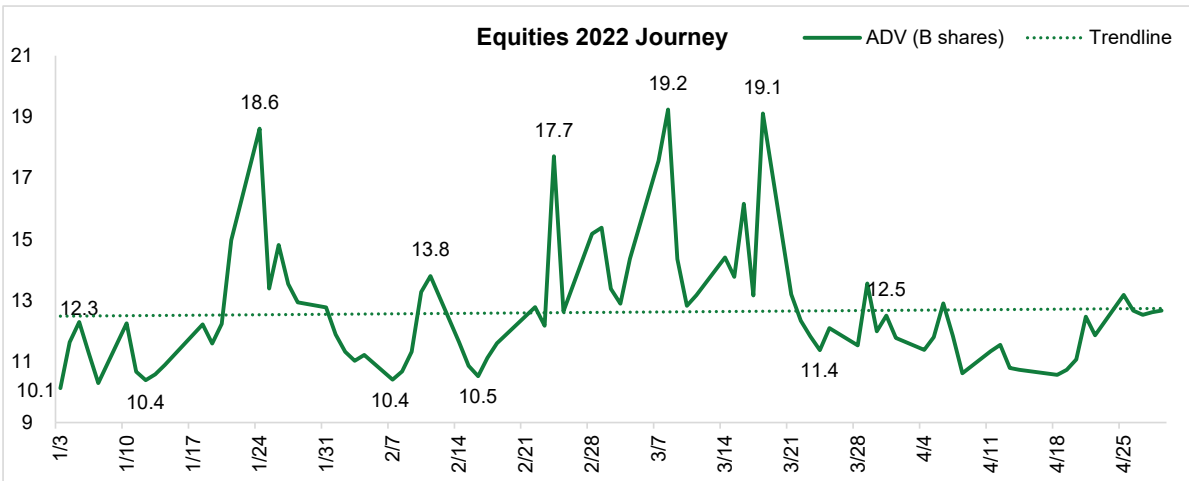
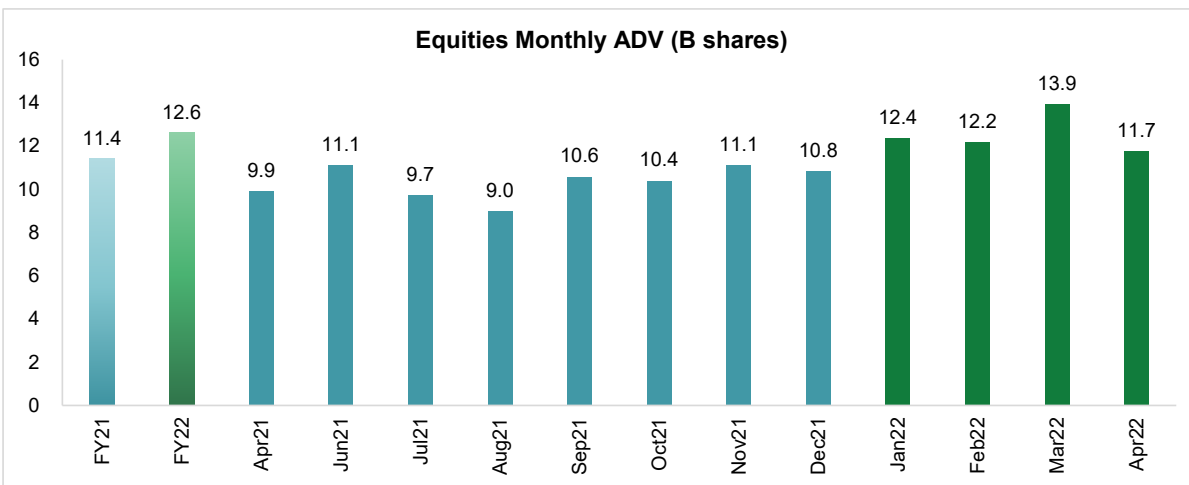
Index Price (S&P 500)

- Monthly average 4,391.30
 - Flat M/M
 - +6.0% Y/Y
 - -8.4% from the start of the year
- Monthly peak on the 4th at 4,582.64, troughed on the 29th at 4,131.93



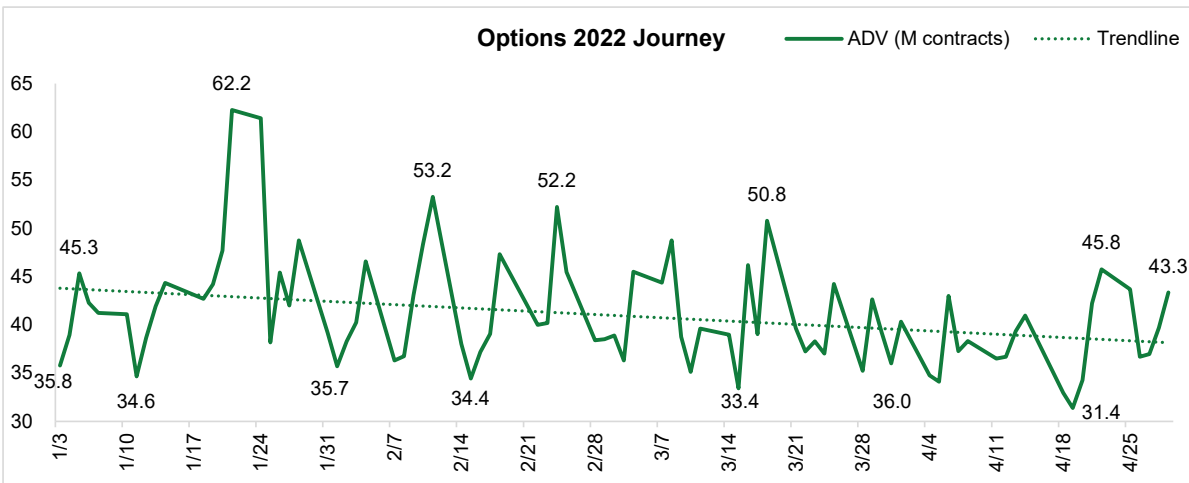
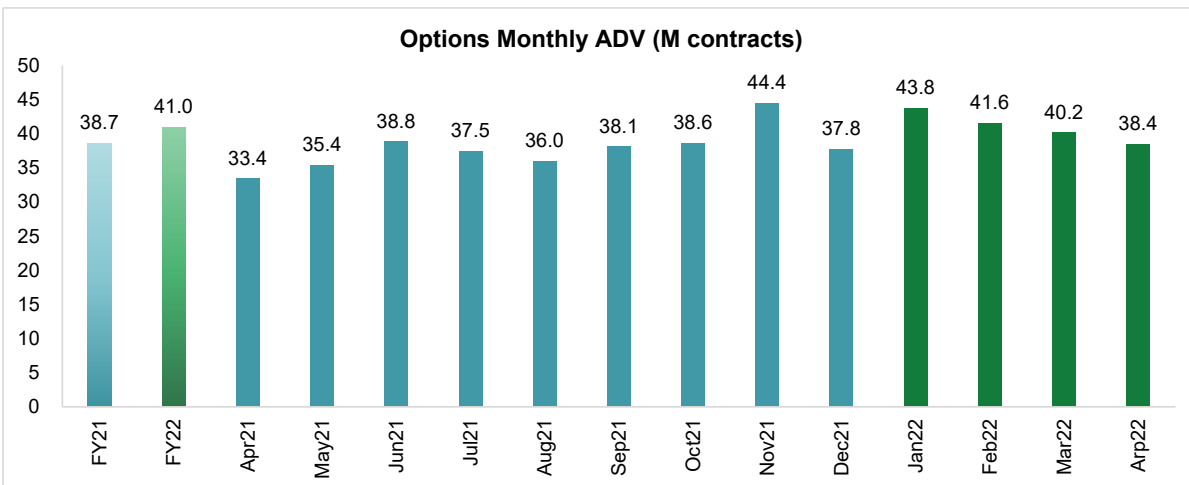
Equity Volumes (ADV)

- Monthly average 11.7 billion shares
 - -15.6% M/M
 - +18.6% Y/Y
 - +16.0% from the start of the year
- Monthly peak on the 25th at 13.2 billion shares, troughed on the 18th at 10.6 billion shares
- Monthly average off exchange trading 42.2%; +1.2 pps M/M, -1.5 pps Y/Y



Multi-Listed Options Volumes (ADV)

- Monthly average 38.4 million contracts
 - -4.4% M/M
 - +14.9% Y/Y
 - +7.3% from the start of the year
- Monthly peak on the 22nd at 45.8 million contracts, troughed on the 19th at 31.4 million contracts
- Monthly equity options 36.1 million contracts (-4.7% M/M, +13.9% Y/Y), index options 2.3 million contracts (+1.1% M/M, +32.4% Y/Y)



Source: Cboe Global Markets, SIFMA estimates

Monthly Highlight

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

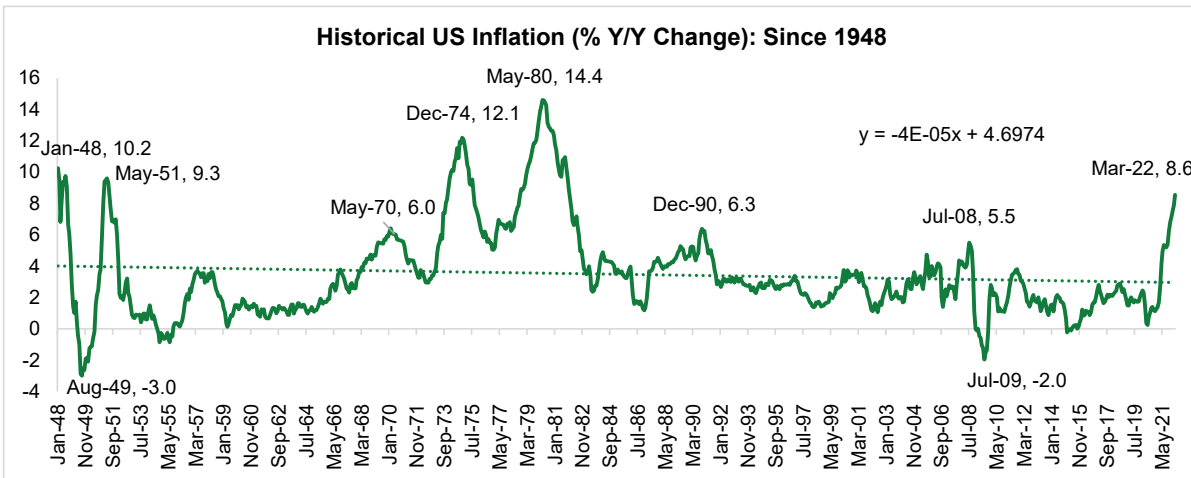
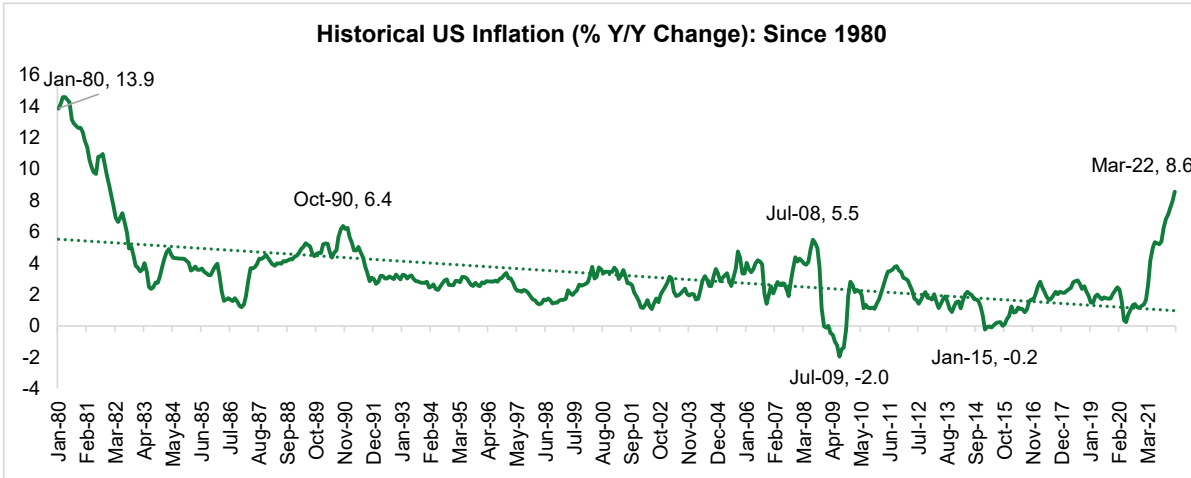
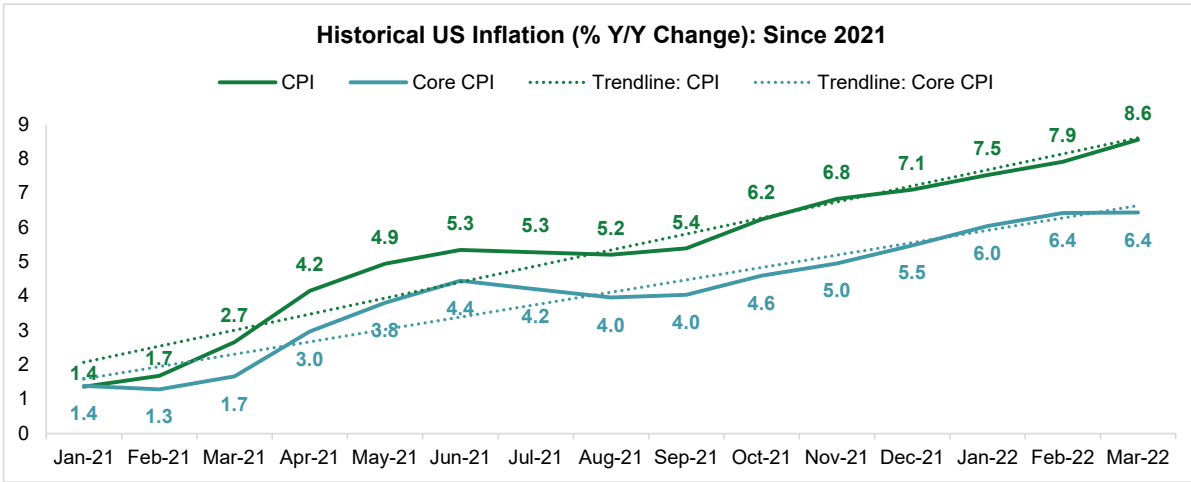
Inflation Continues

In 2021, when inflation reared its ugly head – spiking to +4.2% in April, from <2% on average for the last decade – many thought it would be transitory. Inflation was attributed to supply chain issues, as well as shortages of supplies and workers as the U.S. economy rebounded from COVID faster than expected. Then inflation reached +7.1% in December 2021, as consumer demand continued to outstrip supply in many areas of the economy. Inflation was not going away, rather it continued to grow.

Now at +8.6%, the question is whether inflation has peaked and at what pace will it decline. We continue to have a strong job market, with raising wages emboldening consumers. Wage inflation is typically sticky. The Russia/Ukraine conflict has inflated commodity prices further. On the other side of the debate, supply chain issues have begun to show some signs of improvement, albeit the potential for COVID outbreaks shutting down factories remains an outlier here. And shifting monetary policy could slow the economy and reduce consumer spending, easing price pressure.

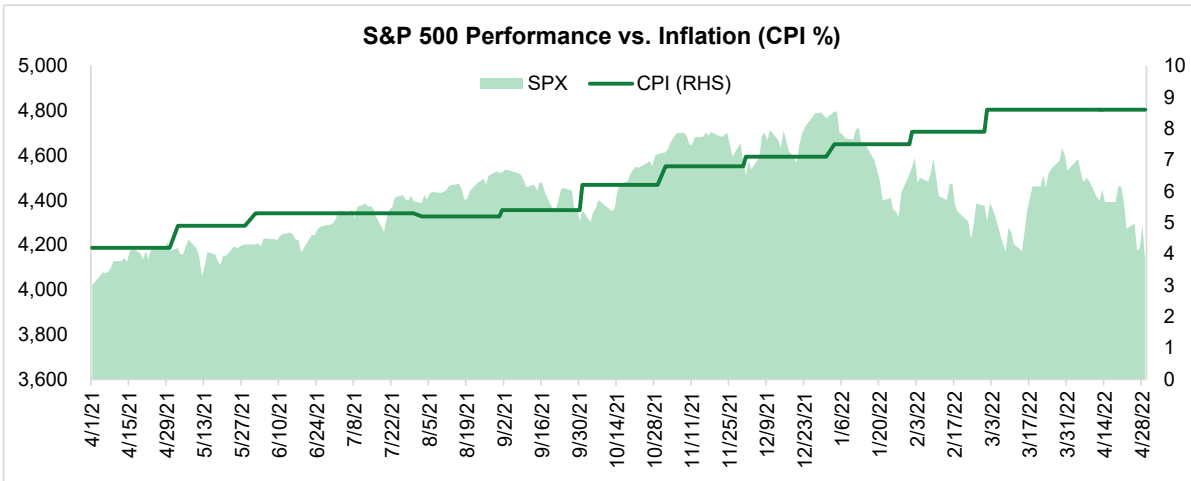
Looking back at historical inflation, we note the following: (Please see charts on the next page)

- Where is it now? (as of March)
 - CPI +8.6%, +5.9 pps since March 2021
 - Core CPI +6.4%, +0.7 pps since March 2021
- Where had it been?
 - CPI averaged +2.1% per annum from 2000-2020, +1.7% from 2010-2020, and +1.8%/1.3% in 2019/2020
 - Core CPI averaged +2.0% per annum from 2000-2020, +1.8% from 2010-2020, and +2.2%/1.7% in 2019/2020
- Where could it go?
 - CPI hit almost +14% in 1980
 - But only peaked at +6.3% in 1990 and +5.5% in 2008



Market Performance – in Total

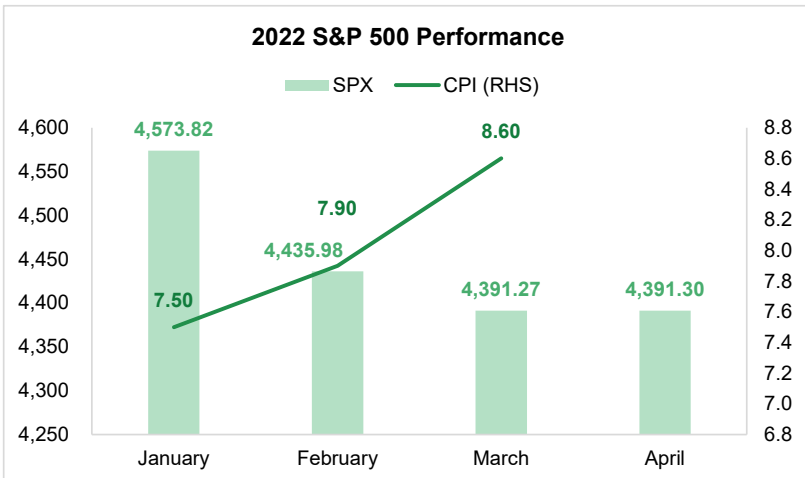
Interestingly, when looking at inflation data, markets originally pushed through the higher inflation numbers beginning in April 2021. From the end of March through September 2021 – when inflation was thought to be temporary, related to demand outpacing supply and some supply chain issues – the S&P 500 index increased 14.2%. The rate of growth in inflation numbers had appeared to stabilize during this time period. Market growth continued in the last few months of the year, albeit at a slower pace, +5.7%. During this time, the rate of inflation growth picked up.



Source: Bloomberg, FRED, SIFMA estimates

Then, as inflation continued to climb into 2022, markets sold off. The S&P 500 index is down 13.3% YTD, while inflation is up 21.1% (through March) from the December level. Each month, the average price of the index declined M/M: -2.2% in January, -3.0% in February, -1.0% in March, until stabilizing in April (essentially flat M/M). Inflation has climbed 1.5 pps from the December level.

Even if inflation has peaked, it still has 6.6 pps to get back down to historical levels (~2%). As such, inflation looks to continue to weigh on markets.

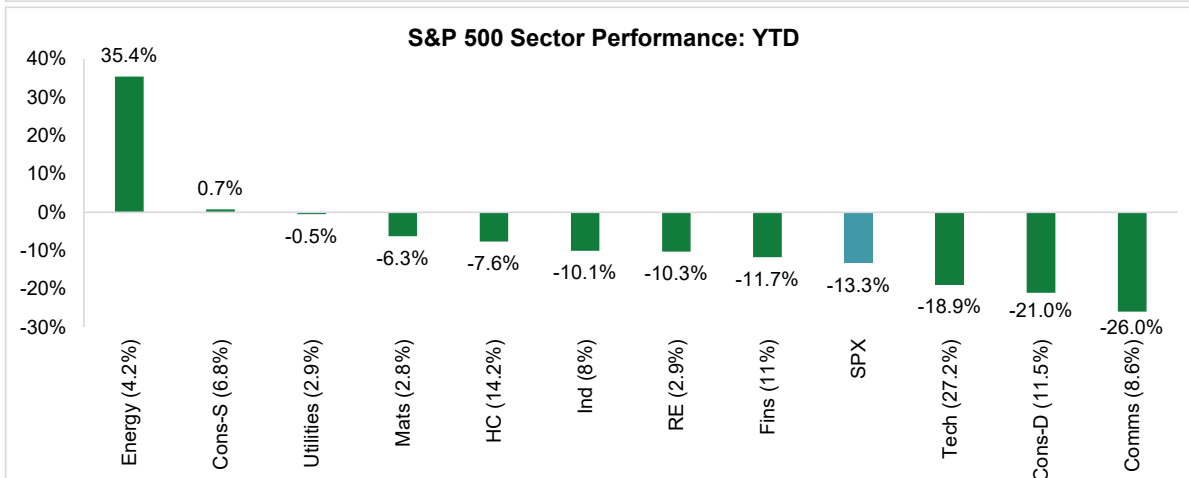
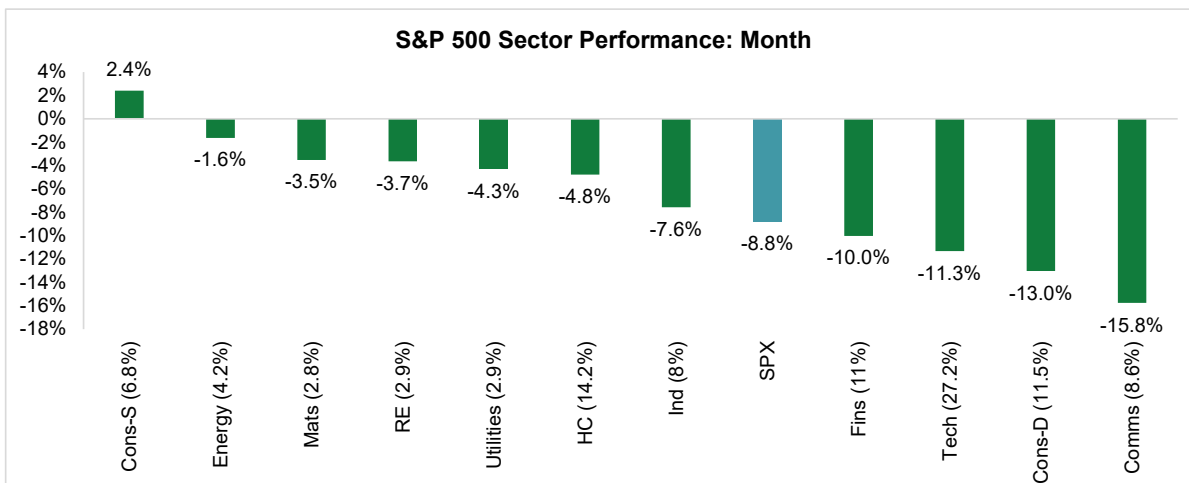


Source: Bloomberg, FRED, SIFMA estimates

Market Performance – by Sector

Looking at market performance by sector, we highlight the following:

- Best performer –
 - April = consumer staples, +2.4%
 - YTD = energy, +35.4%, although energy was negative for the month of April
- Worst performer –
 - April = telecommunications, -15.8%
 - YTD = telecommunications, -26.0%
- The highest weighted sectors in the index, remain negative for the month and YTD – technology (27.2% weight) -11.3%/-18.9% for the month/year, consumer discretionary (11.5% weight) -13.0%/-11.5% for the month/year



Source: Bloomberg, SIFMA estimates

Note: Cons-S = consumer staples, HC = healthcare, Mats = materials, RE = real estate, Ind = industrials, Fins = financials, Tech = technology, Cons-D = consumer discretionary, Comms = telecommunications

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