SIFMA Insights

February Market Metrics and Trends

A Look at Monthly Volatility and Equity and Listed Options Volumes

March 2023

Monthly Metrics

- Volatility (VIX): Monthly average 20.06; -0.7% M/M, -22.1% Y/Y
- S&P 500 (Price): Monthly average 4,079.68; +3.0% M/M, -8.0% Y/Y
- Performance (month/year): best = industrials/cons disc -1.9%/+12.4%; worst = real estate/utilities -6.7%/-8.3%
- Equity ADV: Monthly average 11.4 billion shares; +0.7% M/M, -6.2% Y/Y
- Options ADV: Monthly average 45.7 million contracts; +1.1% M/M, +9.8% Y/Y

Monthly Highlight

- Following onto our January barometer from last month, we analyze the January-February performance patterns versus full year performance for the S&P 500.
- February has been positive 54.5% of the time, or 6 out of 11 years. When February was positive, the full year performance was positive 50.0% of the time (5 out of 10 years where both were positive). You're essentially looking at a coin toss to see if the S&P 500 will close up for the year based on February performance.
- Both January and February were positive 36.4% of the time (4 out of 11 years). When both months started the year out positively, the S&P 500 only closed out the year up 40.0% of the time (4 out of 10 years). Now you're going to the dart board to project the S&P 500 's full year performance based on the start of the year.

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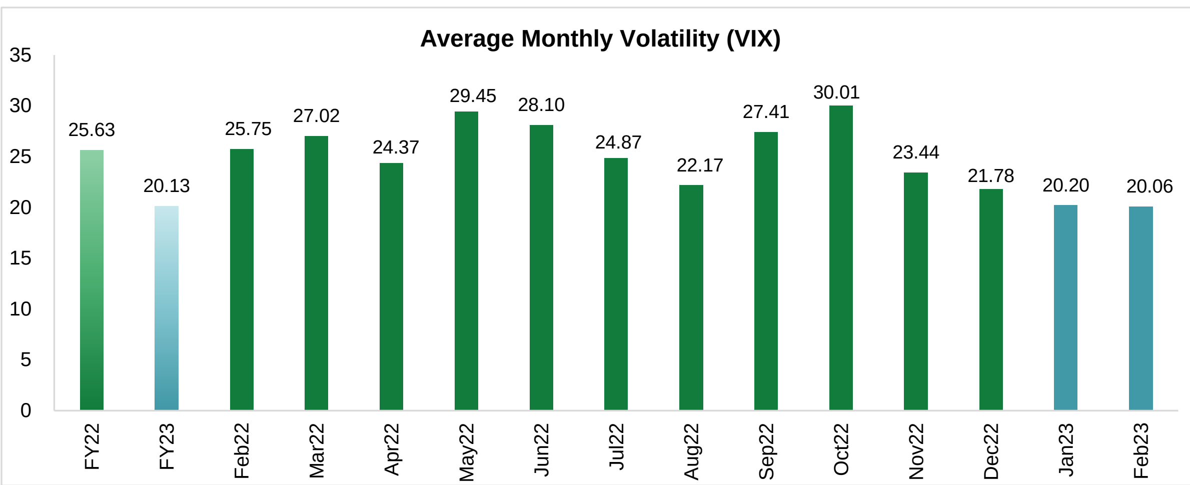
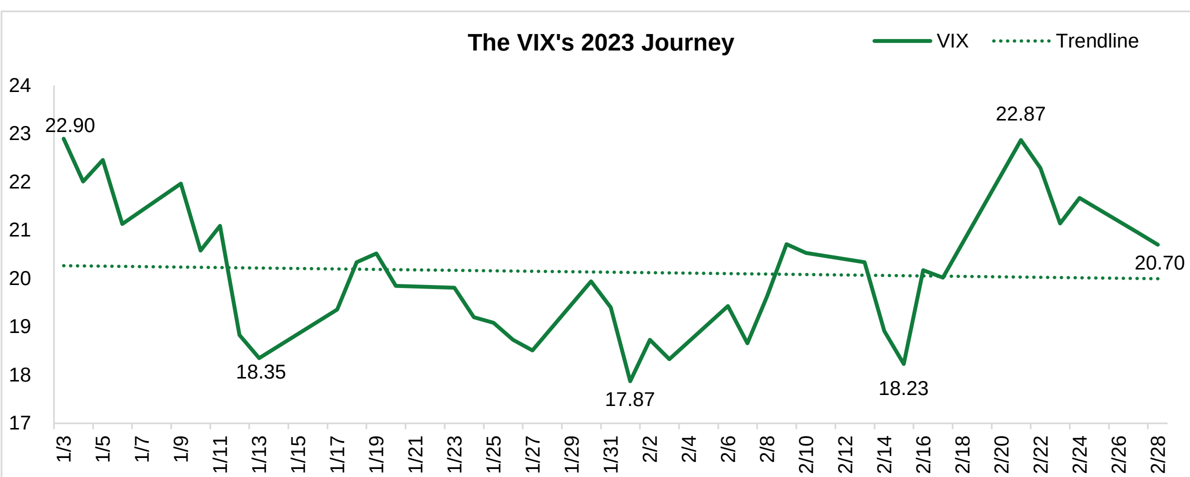
Monthly Market Metrics

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

Volatility (VIX)

- Monthly average 20.06
    - -0.7% M/M
    - -22.1% Y/Y
    - -12.4% from the start of the year
- Monthly peak on the 21st at 22.87, troughed on the 1st at 17.87

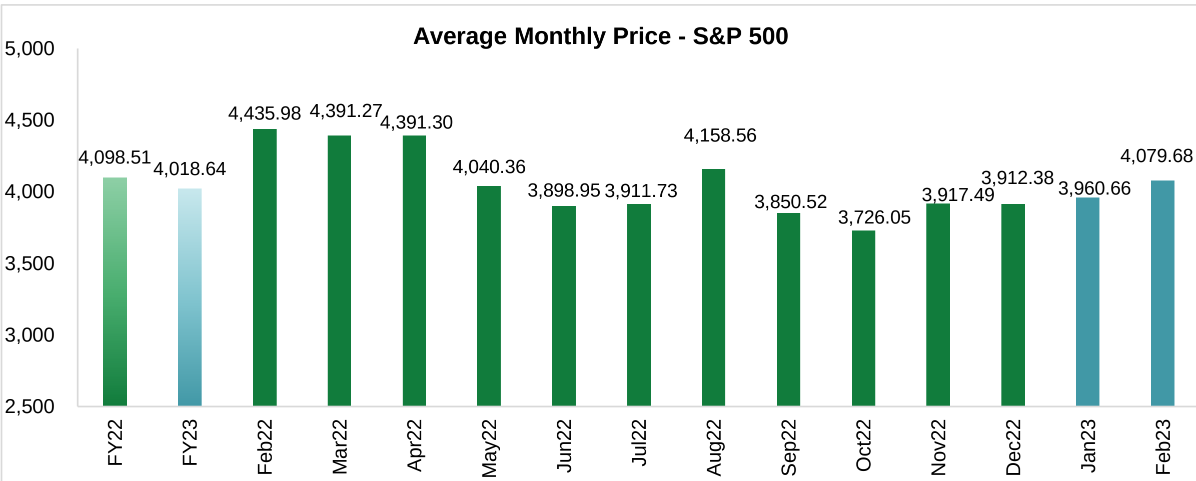


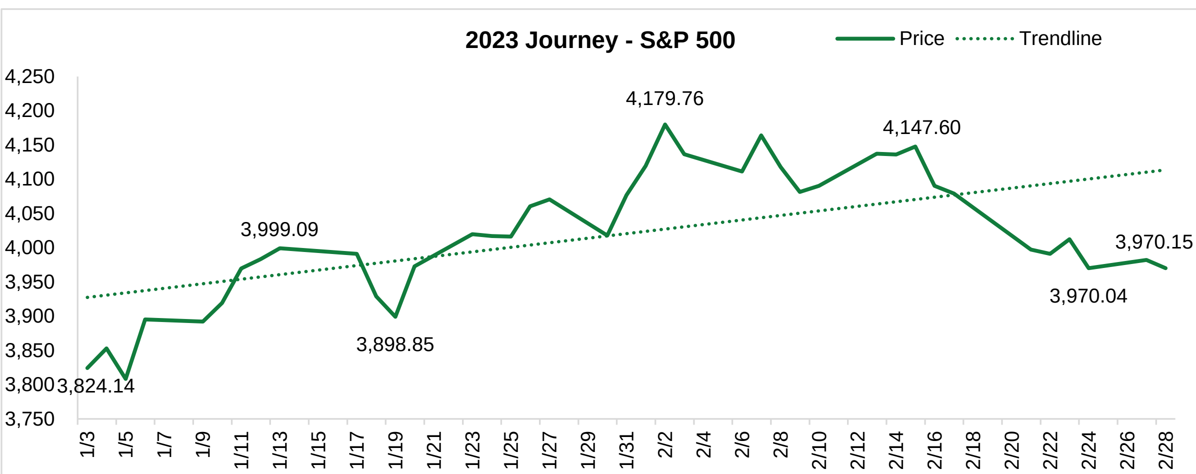


Source: Bloomberg, SIFMA estimates

S&P 500 Index: Price

- Monthly average 4,079.68
  - +3.0% M/M
  - -8.0% Y/Y
  - +6.7% from the start of the year
- Monthly peak on the 2nd at 4,179.76, troughed on the 24th at 3,970.04



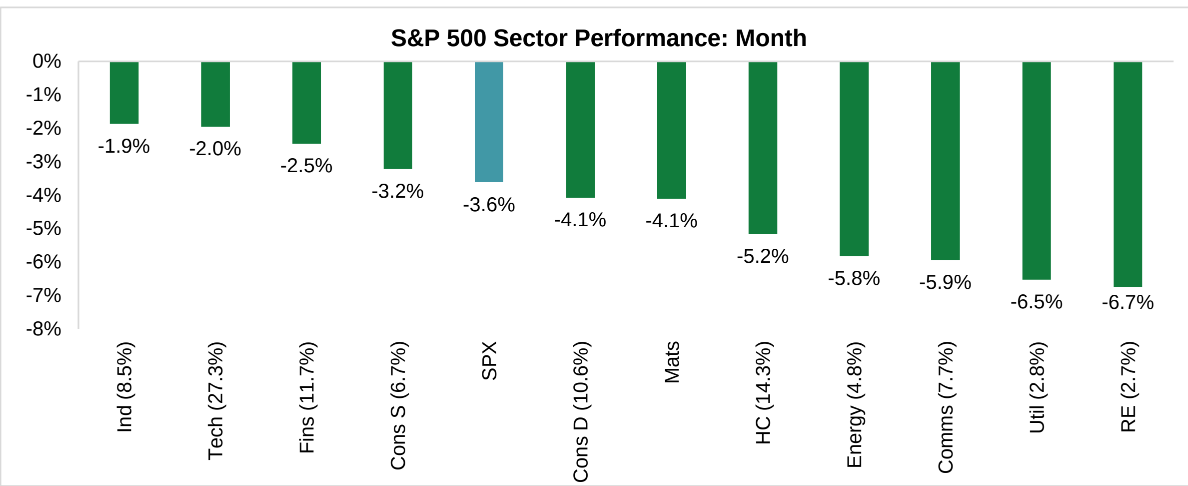


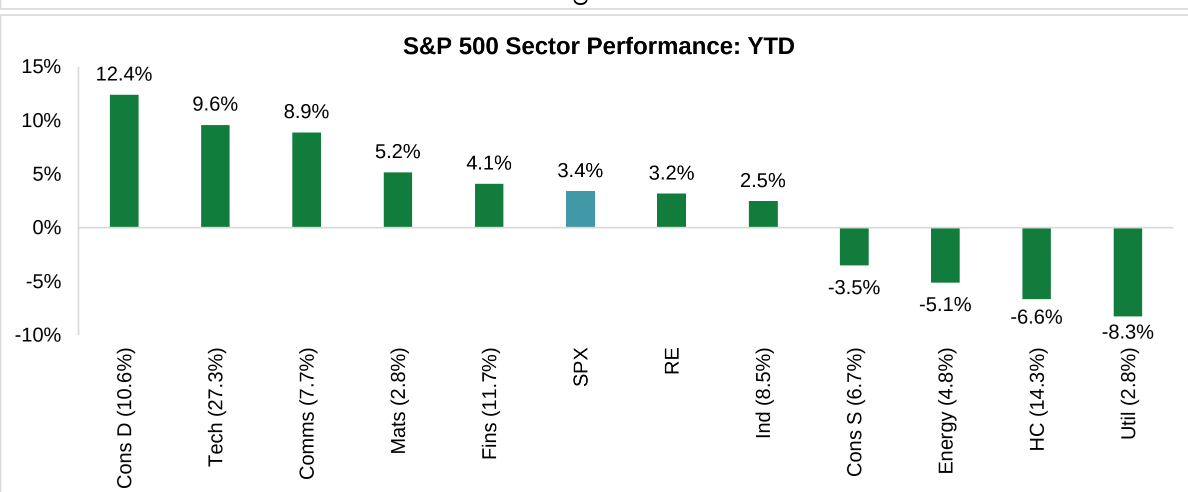
Source: Bloomberg, SIFMA estimates

S&P 500 Index: Sector Breakout

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

- Best performing sectors
  - Month = industrials at -1.9% and technology at -2.0%
  - YTD = consumer discretionary at +12.4% and technology at +9.6%
- Worst performing sectors
  - Month = real estate at -6.7% and utilities at -6.5%
  - YTD = utilities at -8.3% and healthcare at -6.6%



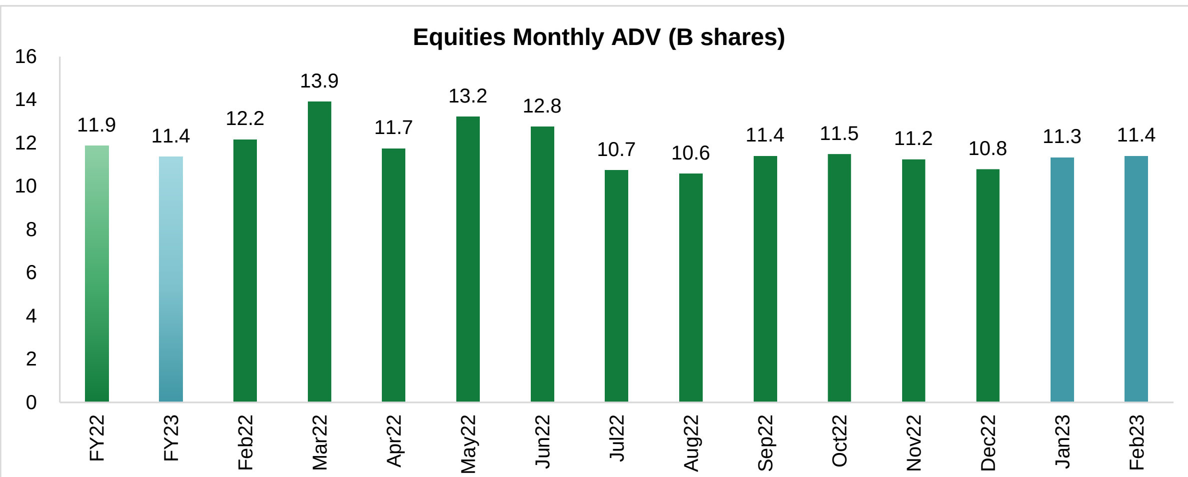


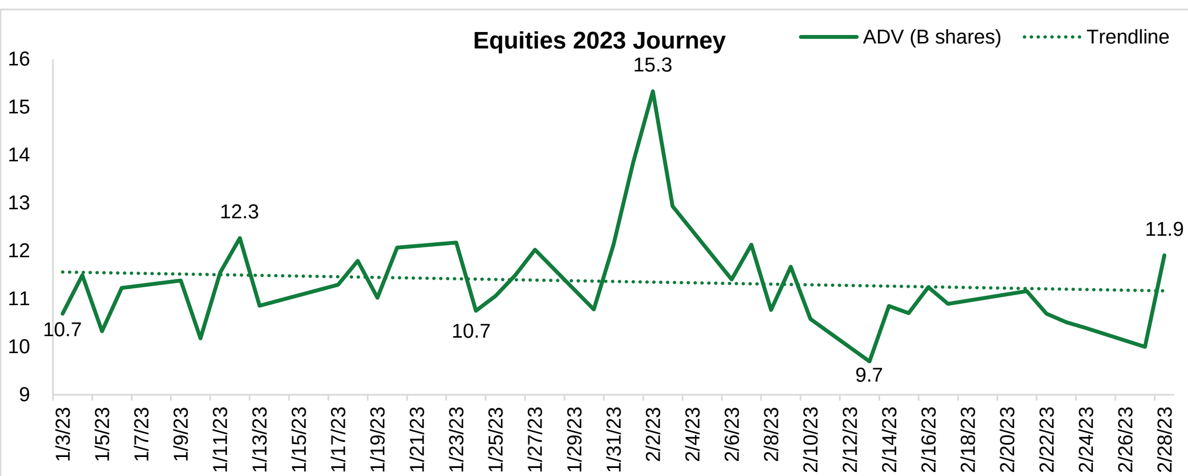
Source: Bloomberg, SIFMA estimates

Note: Parenthesis indicate sector weight in the index. Cons S = consumer staples, HC = healthcare, Mats = materials, RE = real estate, Ind = industrials, Fins = financials, Tech = technology, Cons D = consumer discretionary, Comms = telecommunications, Util = utilities

Equity Volumes (ADV)

- Monthly average 11.4 billion shares
    - +0.7% M/M
    - -6.2% Y/Y
    - +6.7% from the start of the year
- Monthly peak on the 2nd at 15.3 billion shares, troughed on the 13th at 9.7 billion shares
- Monthly average off exchange trading 44.8%; -1.7 pps M/M, +5.1 pps Y/Y

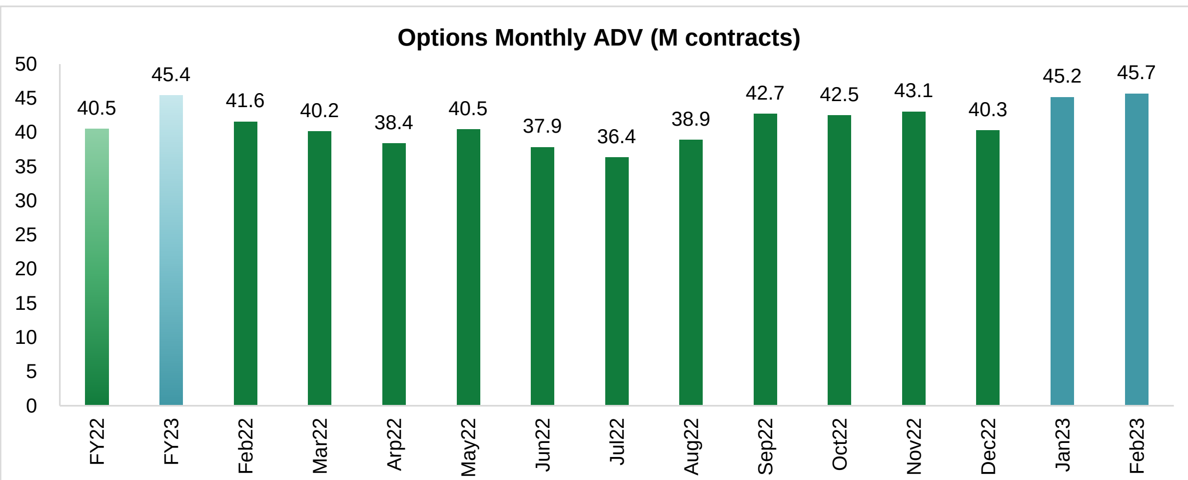


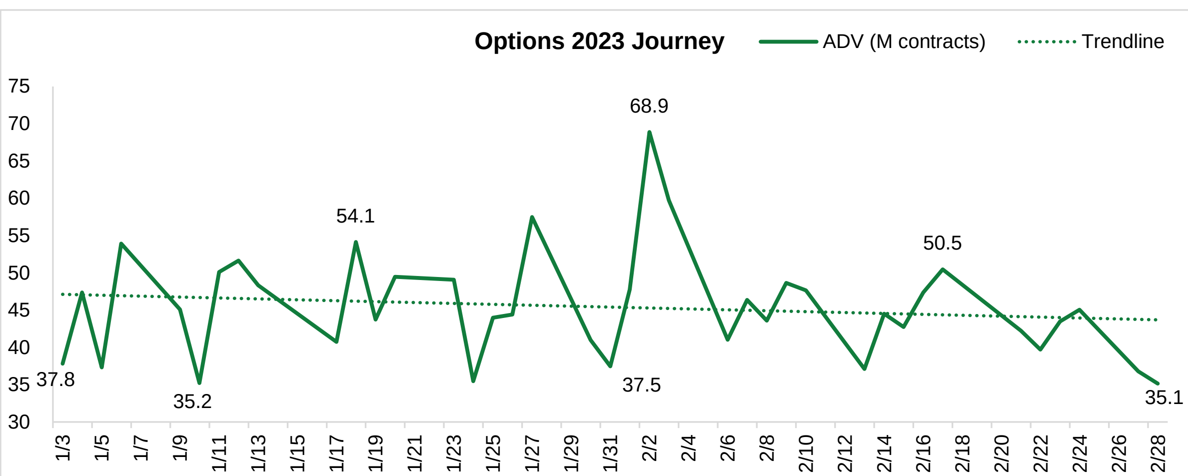


Source: Cboe Global Markets, SIFMA estimates

Multi-Listed Options Volumes (ADV)

- Monthly average 45.7 million contracts
    - +1.1% M/M
    - +9.8% Y/Y
    - +20.8% from the start of the year
- Monthly peak on the 2nd at 68.9 million contracts, troughed on the 28th at 35.1 million contracts
- Monthly equity options 42.2 million contracts (+0.9% M/M, +7.6% Y/Y), index options 3.5 million contracts (+4.2% M/M, +45.7% Y/Y)





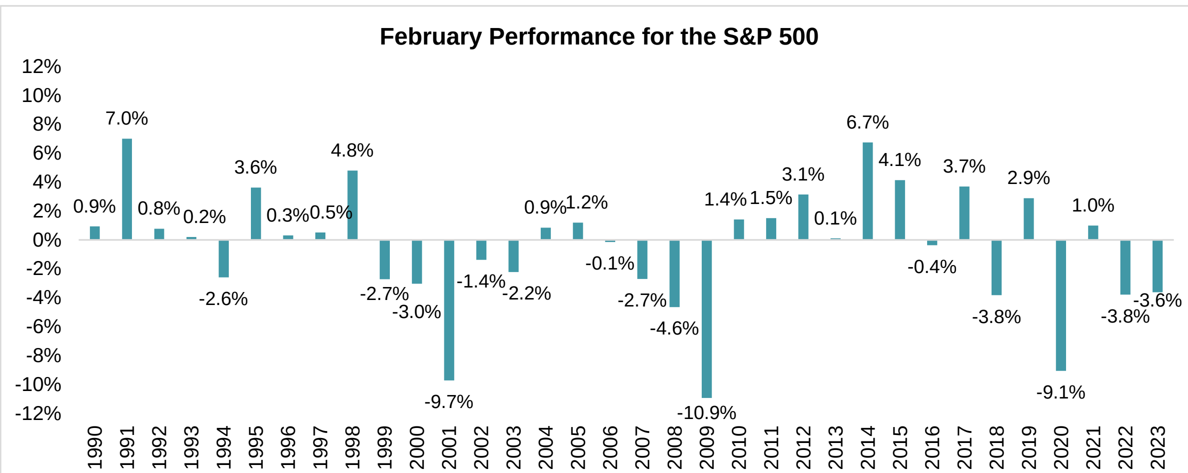
Source: Cboe Global Markets, SIFMA estimates

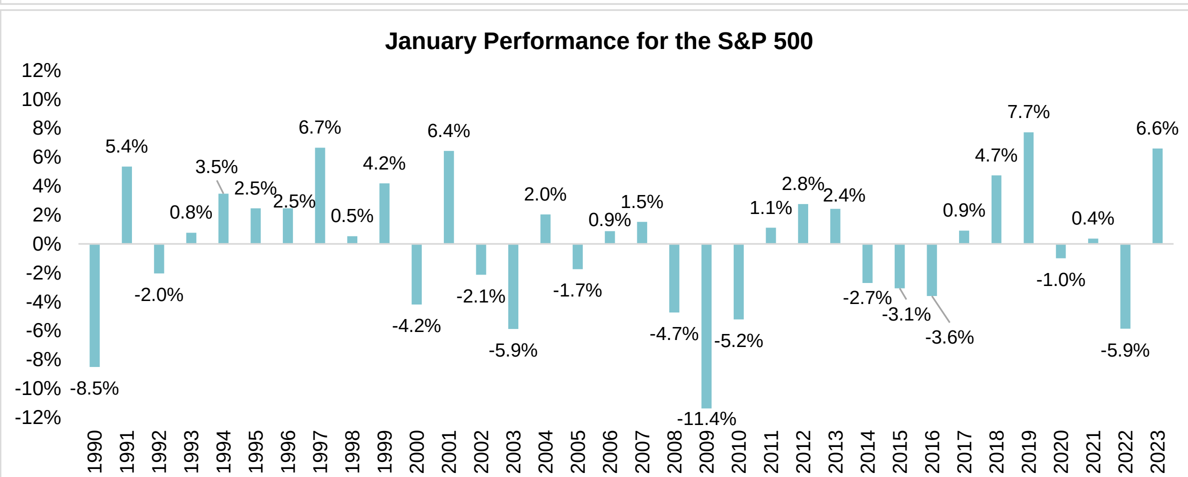
Monthly Highlight

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

January Positive, February Follows?

Last month we looked at the January barometer, a belief by some traders that the performance of the S&P 500 in January can predict its performance for the rest of the year – as January goes, so does the year. January of this year was positive, +6.6%, posting the third best January performance looking back to 1990. However, February then came in negative, -3.6%. This was the seventh worst performance for February since 1990. With this reversal – January positive, February negative – we thought it would be interesting to analyze the January-February performance patterns versus full year performance.





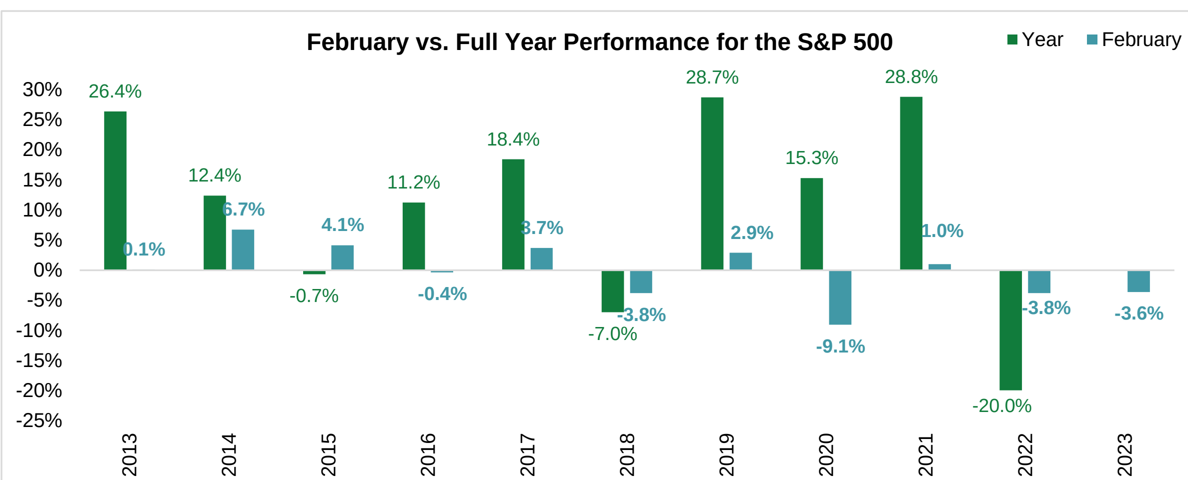
Source: Bloomberg, SIFMA estimates

Before we begin, we look at the drivers behind February's negative performance. First, on February 1, the Fed raised rates 25 bps, bringing the Fed Funds rate range to 4.50-4.75%. Since that announcement, further proof that the labor market is not cooling as the Fed had hoped came out. The January jobs report showed nonfarm payrolls increased by 517,000 – much greater than the 187,000 market estimate – and the unemployment rate fell to 3.4% versus the estimate for 3.6%, the lowest jobless level since 1969.

Additionally, January PCE data – the Fed's preferred inflation metric for setting monetary policy – actually rose in January. Both PCE and core PCE increased 0.1% from December levels. This is not the direction the Fed wants to see. This led markets to consider higher rates in terms of peak rate, as well as higher rates for longer. This led some to rethink the earnings landscape, estimating earnings might have to come down further to match the economic and monetary policy landscapes.

Now back to performance patterns. Looking back to 1990, February has been positive 55.9% of the time, or 19 out of 34 years. When February was positive, the full year performance was positive 48.5% of the time (16 out of 33 years where both were positive). Looking more closely at the last decade, February has been positive 54.5% of the time, or 6 out of 11 years. When February was positive, the full year performance was positive 50.0% of the time (5 out of 10 years where both were positive).

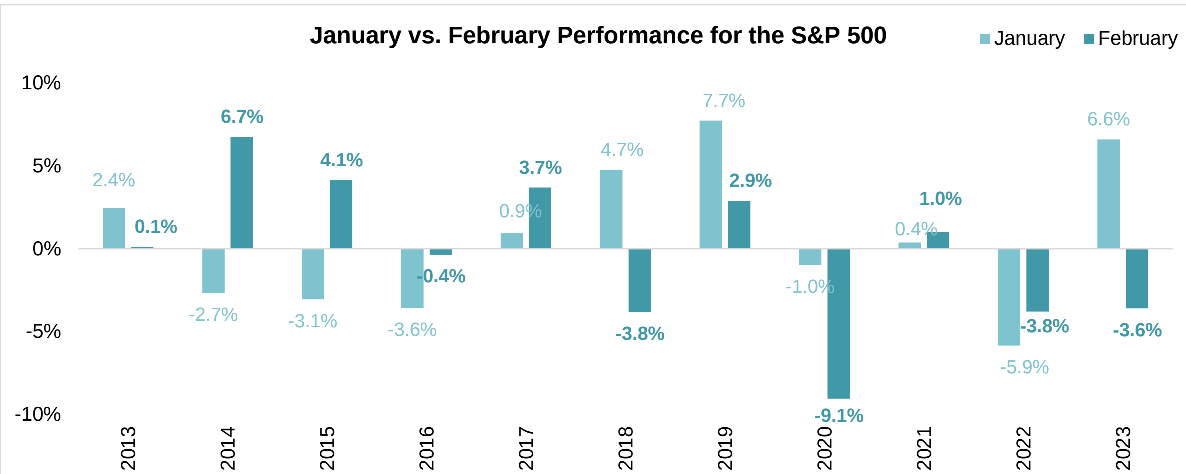
You're essentially looking at a coin toss to see if the S&P 500 will close up for the year based on February performance.

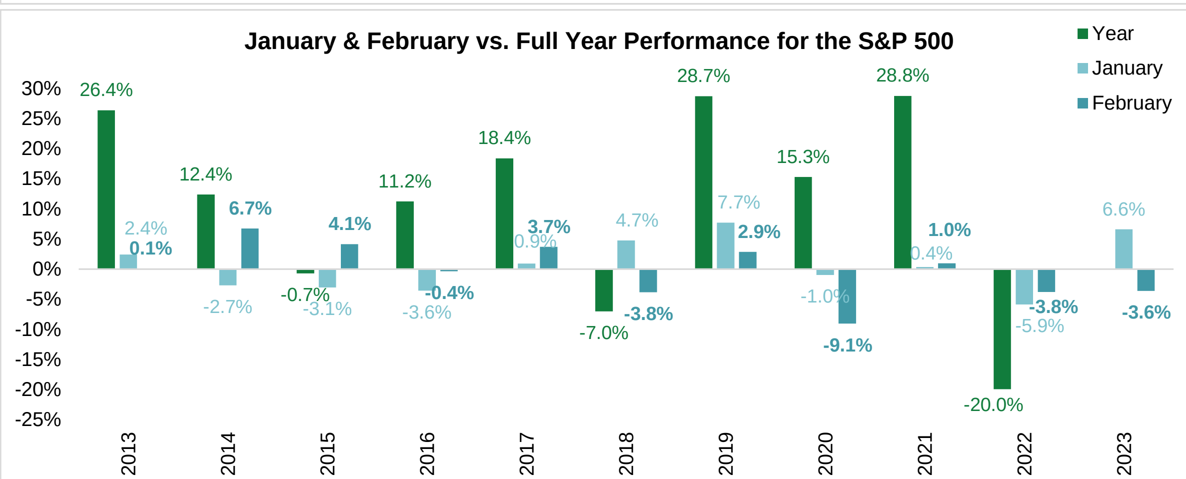


Source: Bloomberg, SIFMA estimates

The pattern breaks down further when looking at January and February together. Since 1990, both January and February posted a positive performance 38.2% of the time (13 out of 34 years). When both months started the year out with positive momentum, the S&P 500 only closed out the year up 36.4% of the time (12 out of 33 years). Looking more closely at the last decade, both January and February posted a positive performance 36.4% of the time (4 out of 11 years). When both months started the year out with positive momentum, the S&P 500 only closed out the year up 40.0% of the time (4 out of 10 years).

Now you're going to the dart board to project the S&P 500 's full year performance based on the start of the year.





Source: Bloomberg, SIFMA estimates

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