



RESEARCH

Insights

Monthly Market Metrics and Trends: May

Analyzing Volatility, Market Performance, and Equity and Listed Options Volumes
Plus a Look at a Key Equity Markets Theme for the Month

June 2023

Monthly Metrics

- Volatility (VIX): Monthly average 17.64; -1.0% M/M, -40.1% Y/Y
- S&P 500 (Price): Monthly average 4,146.17; +0.6% M/M, +2.6% Y/Y
- Performance (month/year): best = technology/technology +9.1%/+33.3%; worst = energy/energy -12.9%/-8.5%
- Equity ADV: Monthly average 10.6 billion shares; +3.0% M/M, -19.5% Y/Y
- Options ADV: Monthly average 42.1 million contracts; +6.9% M/M, +4.0% Y/Y

Monthly Highlight

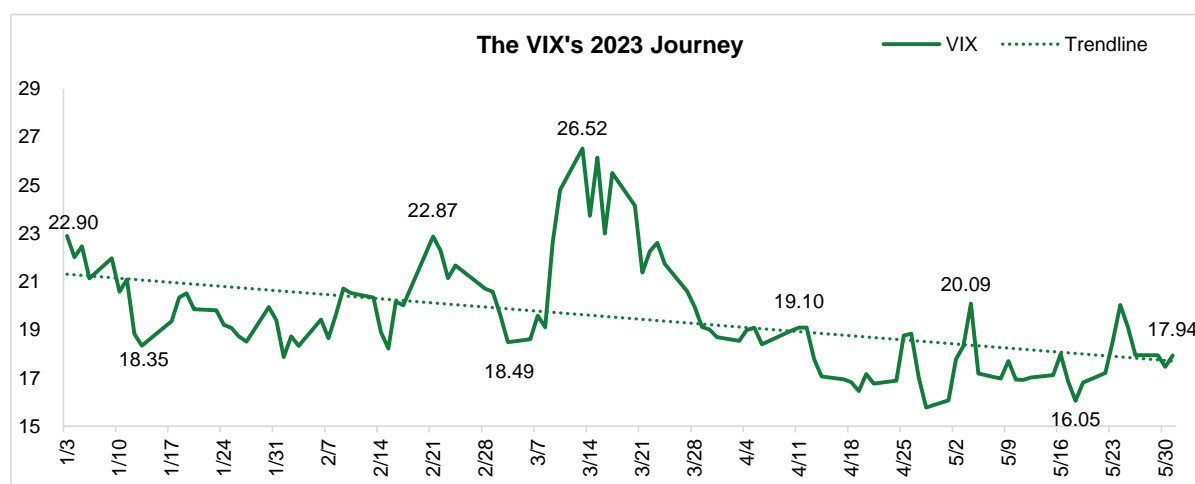
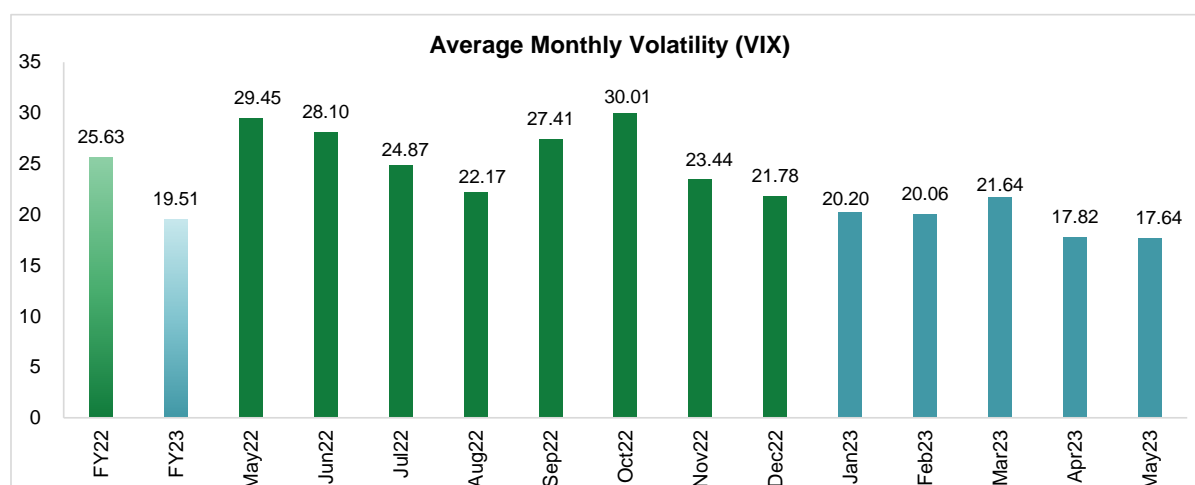
- Inflation, rising interest rates, recession, and regional bank turmoil (and for a while the debt ceiling debate/potential U.S. Government default). It is surprising that the S&P 500 is up almost 10% YTD.
- Seven stocks have been driving S&P 500 performance this year: Apple (AAPL), Microsoft (MSFT), Alphabet (GOOGL, GOOG), Amazon (AMZN), Nvidia (NVDA), Meta (META), and Tesla (TSLA)
- Despite being classified differently – technology, consumer discretionary, communications – these stocks are all technology trades, driven by efficiencies/rising earnings, buybacks, and artificial intelligence (AI) plays.
- Together, these seven stocks represent 24.0% of the \$36.4 trillion market cap for the S&P 500.
- On average, the group is up 71.5% for the year, making for a narrow rally – the other 76% of market cap must be performing modestly or underperforming, just based on the math.

Monthly Market Metrics

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

Volatility (VIX)

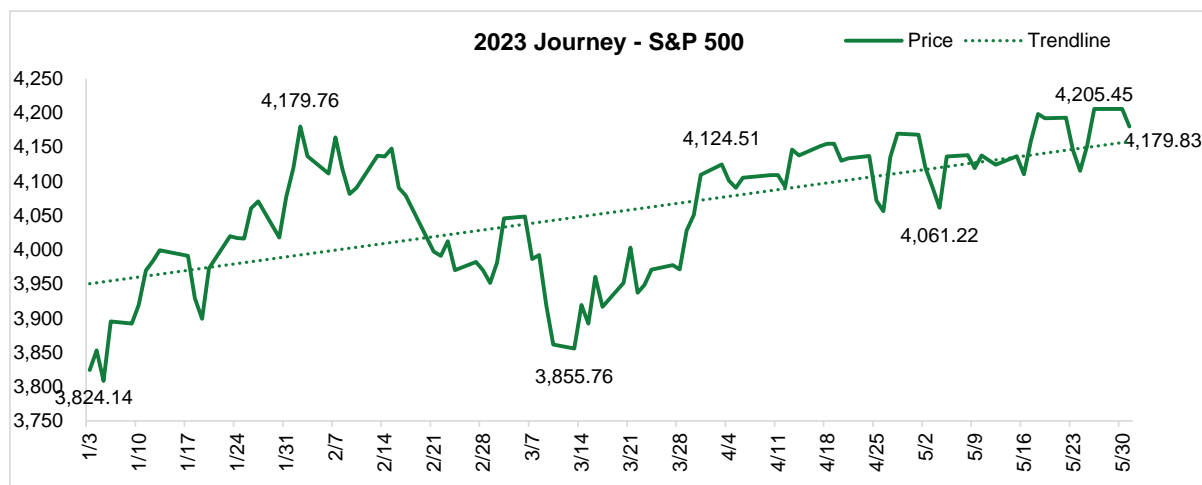
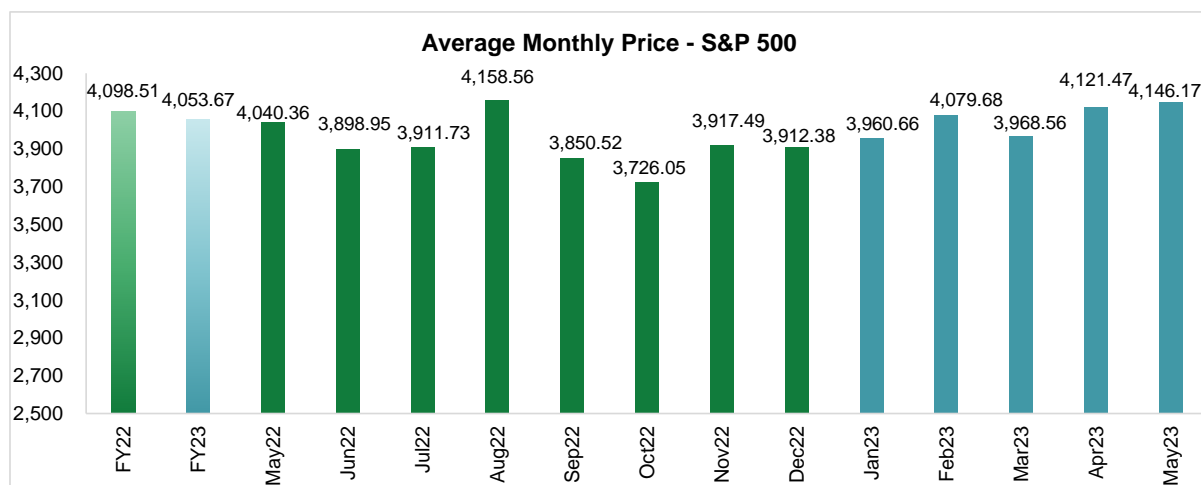
- Monthly average 17.64
 - 1.0% M/M
 - 40.1% Y/Y
 - 23.0% from the start of the year
- Monthly peak on the 4th at 20.09, troughed on the 18th at 16.05



Source: Bloomberg, SIFMA estimates

S&P 500 Index: Price

- Monthly average 4,146.17
 - +0.6% M/M
 - +2.6% Y/Y
 - +8.4% from the start of the year
- Monthly peak on the 30th at 4,205.52, troughed on the 4th at 4,061.22

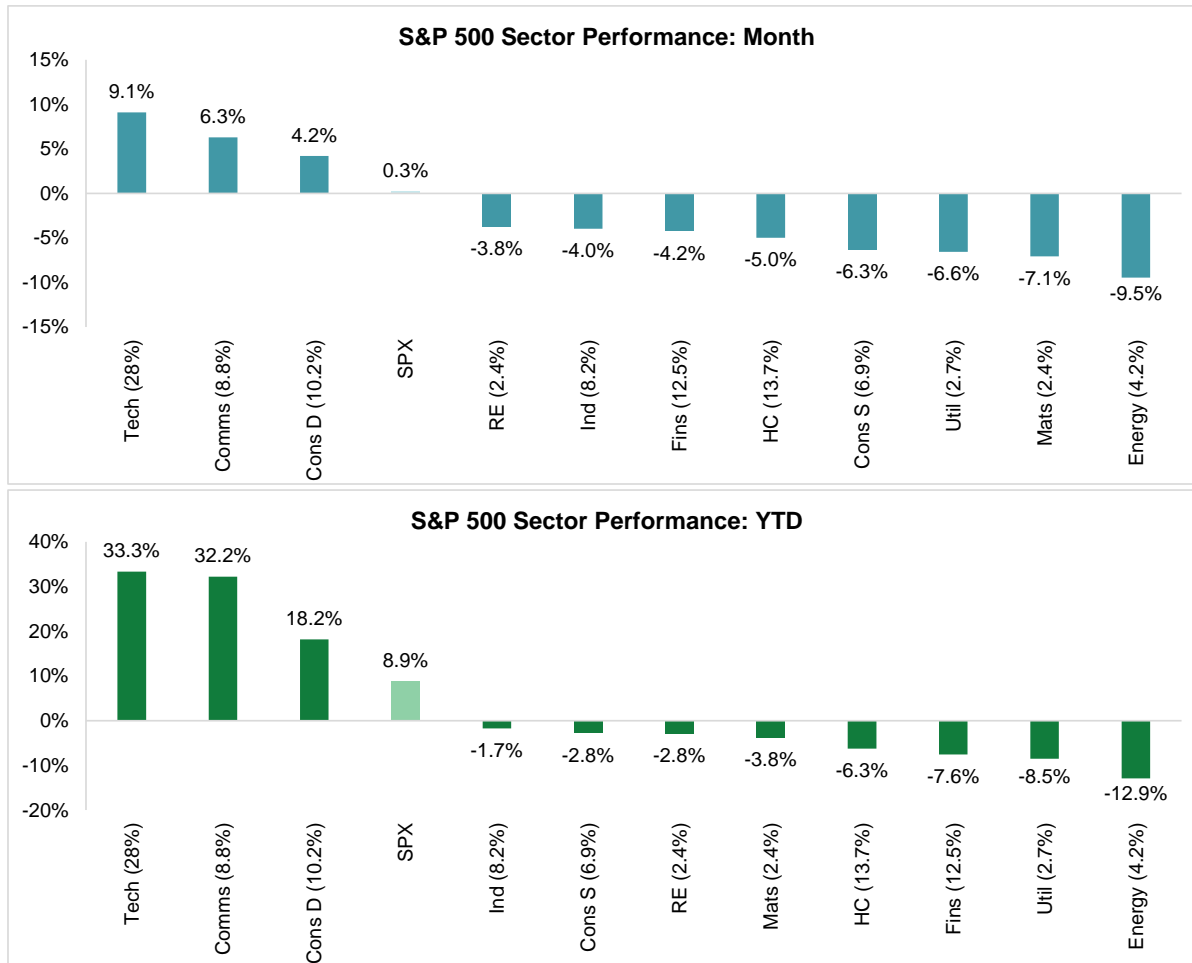


Source: Bloomberg, SIFMA estimates

S&P 500 Index: Sector Breakout

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

- Best performing sectors
 - Month = technology at +9.1% and communications at +6.3%
 - YTD = technology at +33.3% and communications at +32.2%
- Worst performing sectors
 - Month = energy at -9.5% and materials at -7.1%
 - YTD = energy at -12.9% and utilities at -8.5%

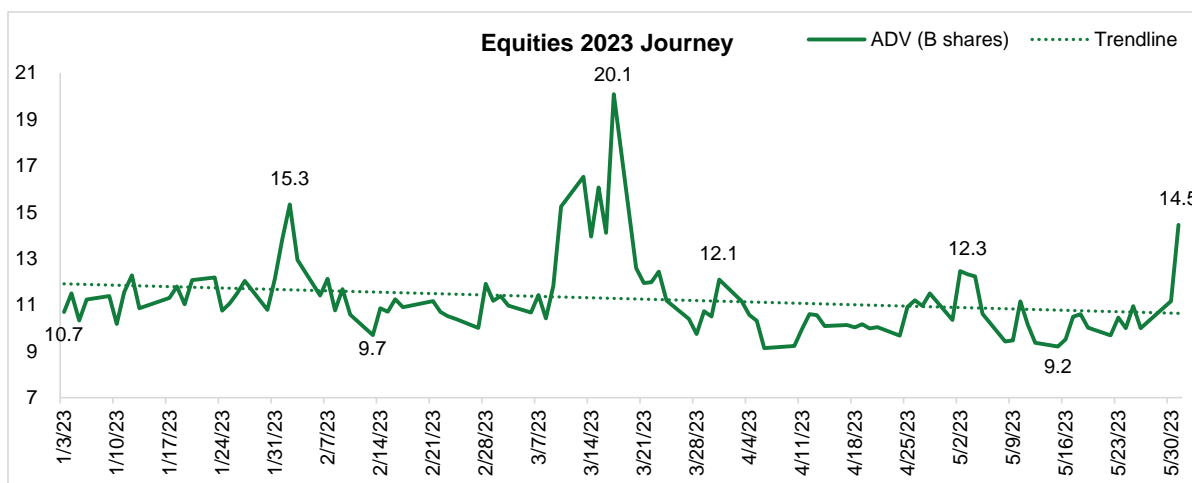
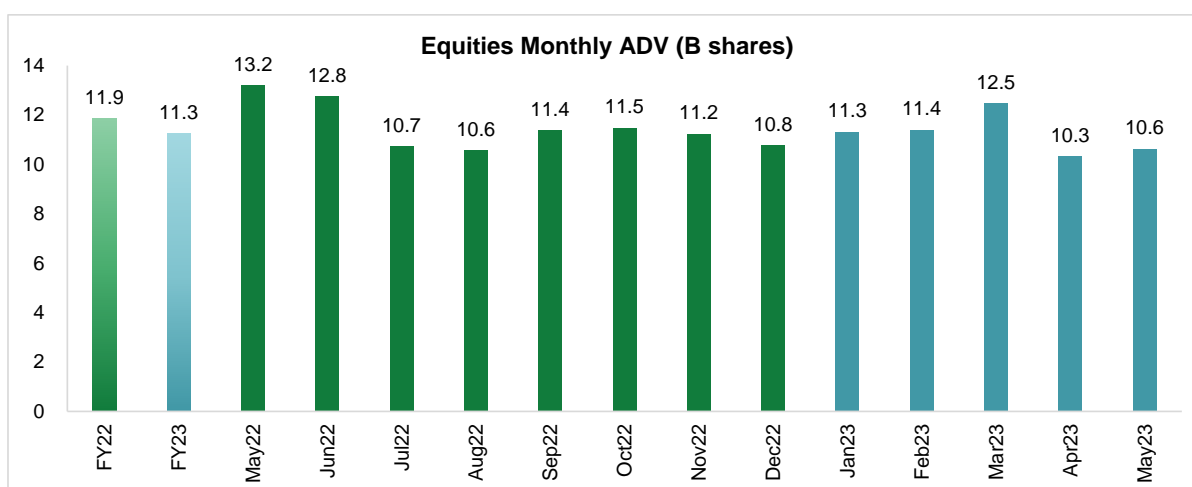


Source: Bloomberg, SIFMA estimates

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)

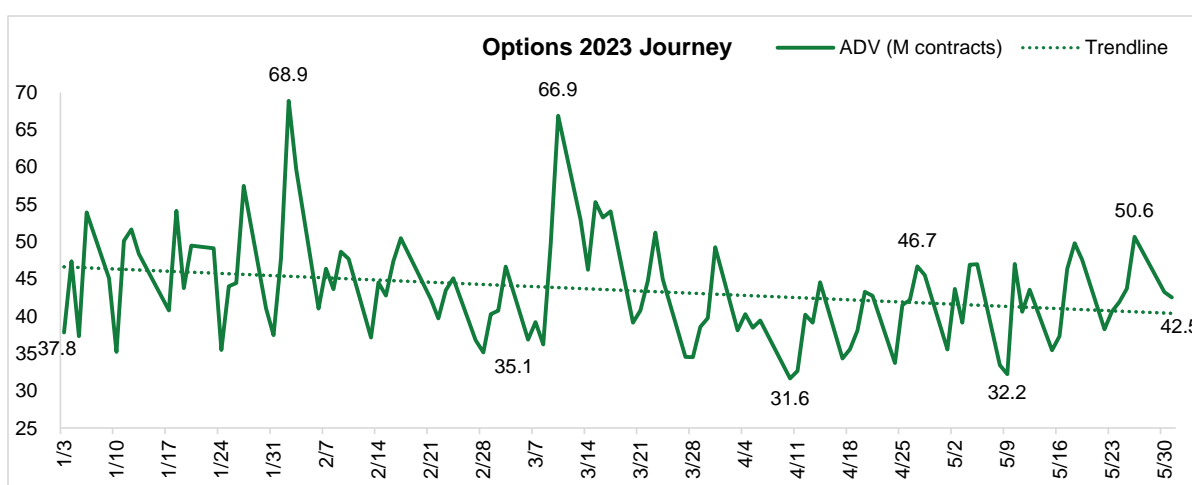
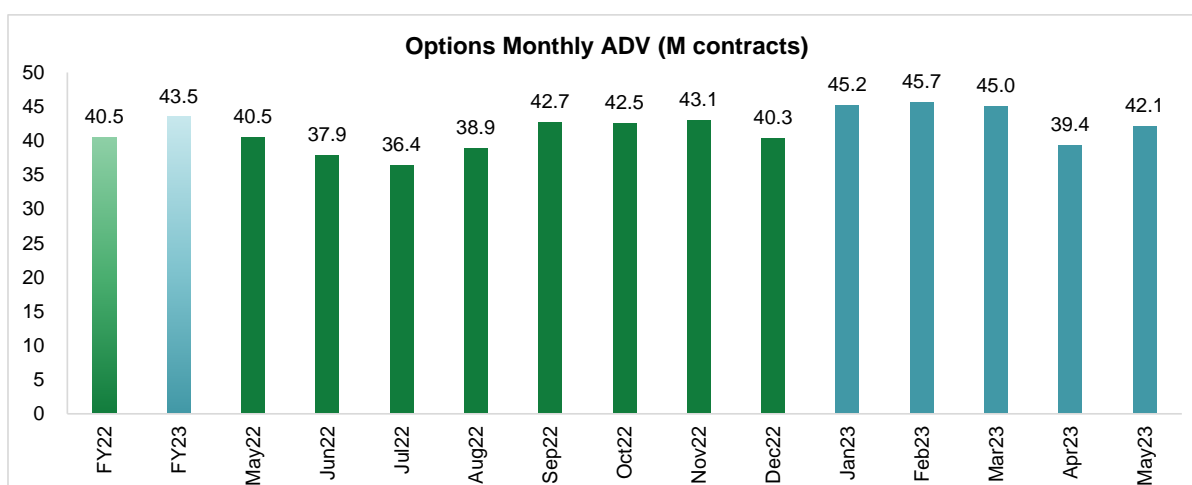
- Monthly average 10.6 billion shares
 - +3.0% M/M
 - 19.5% Y/Y
 - 0.5% from the start of the year
- Monthly peak on the 31st at 14.5 billion shares, troughed on the 15th at 9.2 billion shares
- Monthly average off exchange trading 43.0%; -1.8 pps M/M, +2.8 pps Y/Y



Source: Cboe Global Markets, SIFMA estimates

Multi-Listed Options Volumes (ADV)

- Monthly average 42.1 million contracts
 - +6.9% M/M
 - +4.0% Y/Y
 - +11.3% from the start of the year
- Monthly peak on the 26th at 50.6 million contracts, troughed on the 9th at 32.2 million contracts
- Monthly equity options 38.5 million contracts (+7.3% M/M, +2.4% Y/Y), index options 3.6 million contracts (+2.9% M/M, +26.3% 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.

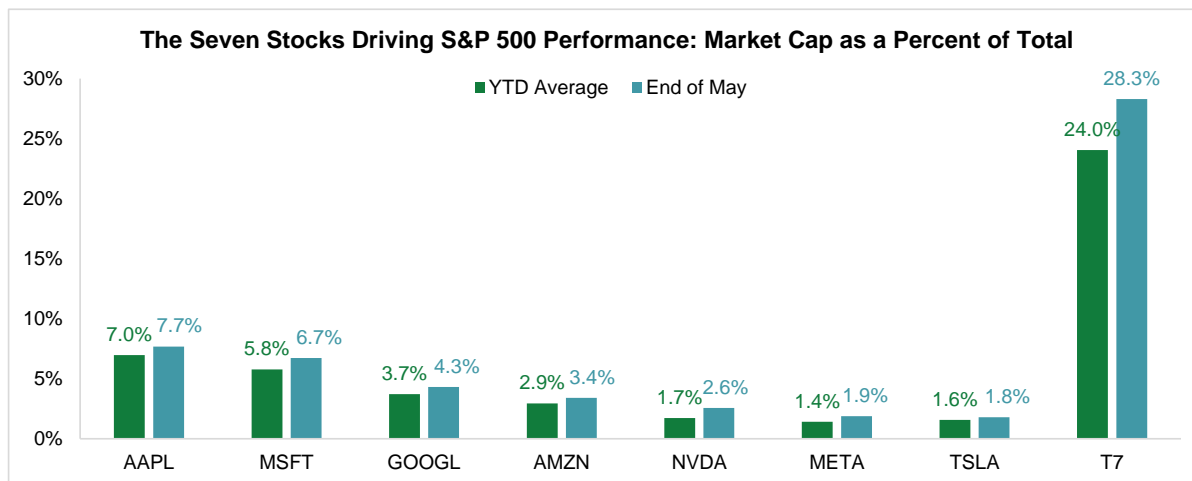
Subtitle

Inflation, rising interest rates, recession, and regional bank turmoil (and for a while the debt ceiling debate/potential U.S. Government default). It is surprising that the S&P 500 is up almost 10% YTD in light of these factors. Well, all is not as it appears. In other words, it appears that the aggregate performance is not indicative of all stock performance.

In fact, seven stocks have been driving S&P 500 performance this year: Apple (AAPL), Microsoft (MSFT), Alphabet (GOOGL, GOOG), Amazon (AMZN), Nvidia (NVDA), Meta (META), and Tesla (TSLA). From a classification perspective, some of these stocks are in the technology sector, 28.0% of total index market cap: AAPL, MSFT, and NVDA. Others are consumer discretionary, 10.2% of total index market cap: AMZN and TSLA. While the rest are in the communications sector, 8.8% of total index market cap: GOOGL/GOOG and META. Yet, all of them trade as a technology play.

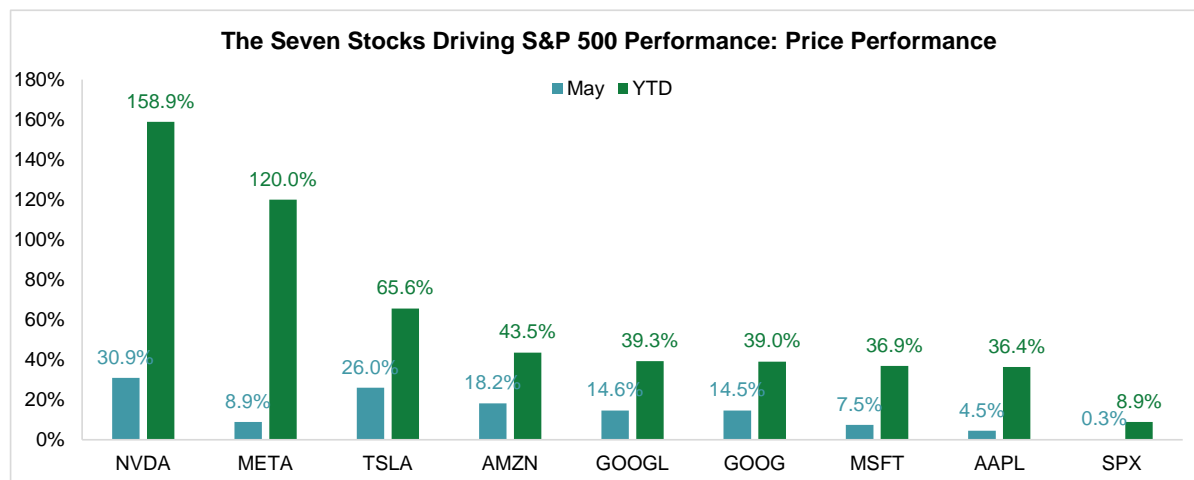
Technology names are in what some have labelled the year of efficiencies, i.e. many technology companies have laid off hundreds of thousands of employees since late last year. Cost cutting actions such as these improve earnings and drive up valuations. Some of these stocks then met the higher valuations with stock buybacks, further improving valuations. And let us not forget the artificial intelligence (AI) enthusiasm driving up technology stocks.

Together, these seven stocks represent 24.0% (on average for the year) of the \$36.4 trillion market cap for the S&P 500. This total grew to 28.3% by the end of May. With a \$2.8 trillion market cap, AAPL leads the pack at 7.0% of total S&P 500 market cap YTD on average and 7.7% to end May.



Source: Bloomberg, SIFMA estimates

Next, we look at stock performance. On average, the group of seven is up 71.5% for the year. At 24% of total market cap – and the total index up less than 10% – it is simple math to recognize that the remaining stocks forming the other 76% of total market cap are either performing modestly or underperforming this year.



Source: Bloomberg, SIFMA estimates

What does this mean for markets going forward? Some equity strategists have noted that rallies driven by a handful of stocks can signal a less healthy rally than one with broader participation. Additionally, other strategists note that there is not a technical basis for the recovery in technology stocks – which had a poor year last year – as forward-looking valuations appear “stretched”.

Perhaps the other stocks should start mentioning Chat GPT on their earnings calls to drive up valuations...we joke! All joking aside, the stock performance for the group of seven and all others are still hinging on what the Fed will do moving forward. Stay tuned for the June 13-14 Federal Open Market Committee (FOMC) meeting.

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