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

September 2023

Monthly Metrics

- Volatility (VIX): Monthly average 15.85; +13.7% M/M, -28.5% Y/Y
- S&P 500 (Price): Monthly average 4,457.36; -1.1% M/M, +7.2% Y/Y
- Performance (month/year): best = energy/comms +1.7%/+44.1%; worst = utilities/utilities -5.5%/-11.4%
- Equity ADV: Monthly average 10.5 billion shares; +0.5% M/M, -0.5% Y/Y
- Options ADV: Monthly average 43.5 million contracts; +1.8% M/M, +11.7% Y/Y

Monthly Highlight

- Every August, Fed Chair Powell delivers a speech on the outlook for monetary policy at the Jackson Hole Economic Symposium. This note looks at the different market interpretations of Chair Powell’s tone in his annual speech and the corresponding reaction by investors over the last two years.
- 2022 – Bring the Pain: The next day after the speech, the S&P 500 declined 3.4%. The decline would continue, ending August down 5.8% from the day prior to the speech and -17.5% to the start of the year. For 2022, the S&P 500 declined 20.0% from start to finish, from 4,796.56 to 3,839.50.
- 2023 – Navigating by Stars Under Cloudy Skies: The day after the speech, the S&P 500 increased 0.7%. Markets continued to climb, closing out August +3.0% to the day prior to the speech and +17.9% to the start of the year. For 2023, the S&P 500 has had an upward trajectory, from 3,824.14 at the start of the year to 4,507.66 to end August.
Monthly Market Metrics

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

Volatility (VIX)

- Monthly average 15.85
  - +13.7% M/M
  - -28.5% Y/Y
  - -30.8% from the start of the year
- Monthly peak on the 17th at 17.89, troughed on the 31st at 13.57

Source: Bloomberg, SIFMA estimates
S&P 500 Index: Price

- Monthly average 4,457.36
  - -1.1% M/M
  - +7.2% Y/Y
  - +16.6% from the start of the year
- Monthly peak on the 1\textsuperscript{st} at 4,576.73, troughed on the 18\textsuperscript{th} at 4,369.71

Source: Bloomberg, SIFMA estimates
S&P 500 Index: Sector Breakout

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

- **Best performing sectors**
  - Month = energy at +1.7% and communications at -0.1%
  - YTD = communications at +44.1% and technology at +43.7%

- **Worst performing sectors**
  - Month = utilities -5.5% and consumer staples at -3.3%
  - YTD = utilities at -11.4% and healthcare at -2.3%

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 10.5 billion shares
  - +0.5% M/M
  - -0.5% Y/Y
  - -1.5% from the start of the year
- Monthly peak on the 3rd at 12.3 billion shares, troughed on the 28th at 8.2 billion shares
- Monthly average off exchange trading 45.4%; +0.5 pps M/M, +0.3 pps Y/Y

Source: Cboe Global Markets, SIFMA estimates
Multi-Listed Options Volumes (ADV)

- Monthly average 43.5 million contracts
  - +1.8% M/M
  - +11.7% Y/Y
  - +15.0% from the start of the year
- Monthly peak on the 4th at 54.0 million contracts, troughed on the 28th at 34.3 million contracts
- Monthly equity options 39.7 million contracts (+1.0% M/M, +9.5% Y/Y), index options 3.8 million contracts (+10.6% M/M, +40.9% 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 sets the tone for markets. In June, we get our midyear update. What does August bring? Every year, markets anxiously await the annual Jackson Hole Economic Symposium at the end of August, where the Federal Reserve Bank of Kansas City hosts dozens of central bankers, policymakers, academics, and economists from around the world. At this event, Fed Chair Powell delivers a speech updating the outlook for U.S. monetary policy.

Since monetary policy has become one of the – if not the – key drivers of market performance since the Fed started hiking rates in 2022, the Jackson hole speech has become an important event for markets. As such, in this edition of Monthly Metrics, we look at the different market interpretations of Chair Powell’s tone in his annual speech and the corresponding reaction by investors over the last two years.

2022: Bring the Pain

Last year, Chair Powell dropped the hammer on inflation… and therefore markets:

“Today, my remarks will be shorter, my focus narrower, and my message more direct. The Federal Open Market Committee’s (FOMC) overarching focus right now is to bring inflation back down to our 2% goal. Restoring price stability will take some time and require using our tools forcefully to bring demand and supply into better balance. While higher interest rates, slower growth, and softer labor market conditions will bring down inflation, they will also bring some pain to households and businesses… We will keep at it until we are confident the job is done.”

This speech came a month after the Fed undertook its second 75 bps hike at the July FOMC meeting, bringing the Fed Funds target range to 2.25%-2.50%, a 225 bps increase in only five months. (At that time, markets did not know that two more 75 bps hikes and another 50 bps hike were coming before the end of the year.)

By the next day after Chair Powell’s speech, the S&P 500 declined 3.4%. The decline would continue, ending August down 5.8% from the day prior to the Jackson Hole speech and -17.5% to the start of the year. Markets continued their decline – helped along by another 75 bps rate hike at the September FOMC meeting – troughing in October.

In general, for 2022 – the year where we saw the beginning of rate hikes after living in a zero/low rate environment for decades – the S&P 500 declined 20% from start to finish, from 4,796.56 to 3,839.50.

1 https://www.federalreserve.gov/newsevents/speech/powell20220826a.htm
S&P 500 Performance around Jackson Hole: 2022

S&P 500 Performance: 2022

Source: Federal Reserve, Bloomberg, SIFMA estimates
2023: Navigating by the Stars Under Cloudy Skies

What a difference a year makes. By the time of the Jackson Hole speech, the Fed had raised rates 525 bps since March 2022, bringing the Fed Funds target range to 5.25%-5.50%. This time around, markets were looking for more clarity on the terminal rate and how long we will have to remain at this level. Chair Powell’s speech provided insight as to how the Fed was navigating the path of future rate hikes:

“It is the Fed’s job to bring inflation down to our 2% goal, and we will do so. Although inflation has moved down from its peak, it remains too high. We are prepared to raise rates further if appropriate and intend to hold policy at a restrictive level until we are confident that inflation is moving sustainably down toward our objective. We are in a position to proceed carefully as we assess the incoming data and the evolving outlook and risks. Getting inflation sustainably back down to 2% is expected to require a period of below-trend economic growth as well as some softening in labor market conditions. We are navigating by the stars under cloudy skies. We will assess our progress based on the totality of the data and the evolving outlook and risks. We will proceed carefully as we decide whether to tighten further or to hold the policy rate constant and await further data. We will keep at it until the job is done.”

By this year’s Jackson Hole speech, markets had learned to navigate rate hikes. As such, the next day after Chair Powell’s speech, the S&P 500 actually increased 0.7%. Markets continued to climb, closing out August +3.0% to the day prior to the Jackson Hole speech and +17.9% to the start of the year.

In general, for 2023, we have seen an upward trajectory for the S&P 500, which has journeyed from 3,824.14 at the start of the year to 4,507.66 to end August.

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2 https://www.federalreserve.gov/newsevents/speech/powell20230825a.htm
Source: Federal Reserve, Bloomberg, SIFMA estimates
Reference Charts

Fed Funds Rate

Fed Funds Rate (bps): Currently 5.25-5.50%

Fed Funds Rate (low end) Rate Hike

Inflation

Inflation (PCE, % Y/Y): The Path Back Down to 2%

Source: Federal Reserve, FRED, SIFMA estimates
Note: Remaining 2023 FOMC Meetings = September 19-20, October 31/November 1, and December 12-13
SIFMA Insights
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