



RESEARCH

Insights

Monthly Market Metrics and Trends: December

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

January 2024

Monthly Highlight

- Despite inflation, rising rates, recession, regional bank turmoil, debt ceiling debate, and a U.S. sovereign debt downgrade by a ratings agency, the S&P 500 finished the year strong, +24.7%.
- Yet, it was not always a steady climb. The first half of the year saw markets celebrate the first pause from the Fed – 1H23 was +16.4%. Then the 10-year rate began a steady increase, not falling until October – 2H23 was +7.1%.
- With seven tech stocks driving S&P 500 performance (~30% of market cap) – and these stocks are more rate sensitive – markets were negative in 3Q23, -3.8%, yet recovered in 4Q23, +11.2%.
- The 10-year rate began to spike in September – S&P 500 fell 5.0%. The 10-year rate peaked in October but then reversed – S&P 500 finished the month -2.2%. Markets finished the year positive, as the 10-year settled below 4%.

Monthly Metrics

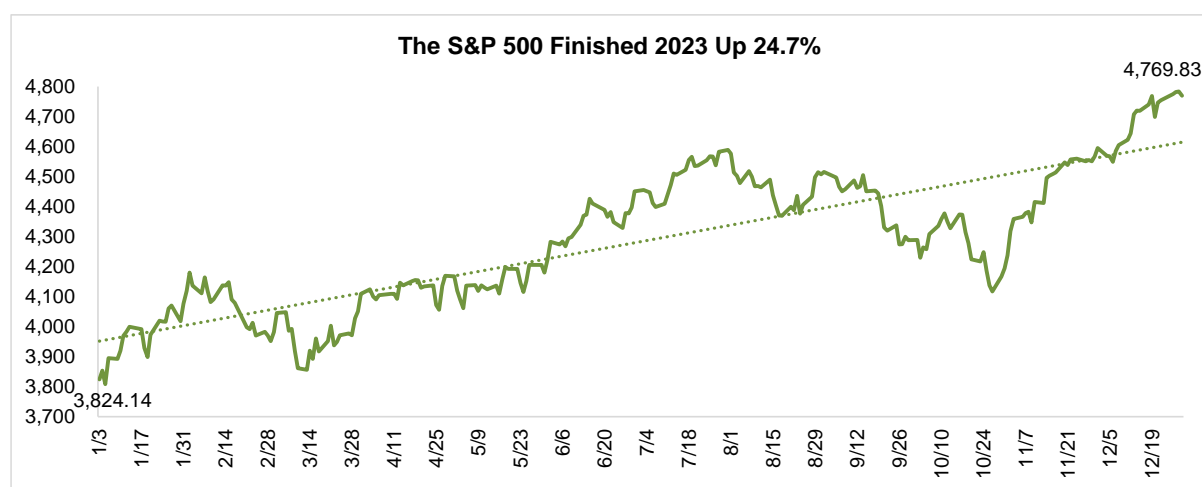
- Volatility (VIX): Monthly average 12.72; -9.7% M/M, -41.6% Y/Y
- S&P 500 (Price): Monthly average 4,685.05; +5.0% M/M, +19.7% Y/Y
- Performance (month/year): best = real estate/tech +5.7%/+56.4%; worst = energy/utilities -0.7%/-10.2%
- Equity ADV: Monthly average 12.4 billion shares; +17.3% M/M, +14.8% Y/Y
- Options ADV: Monthly average 44.7 million contracts; +5.7% M/M, +10.8% Y/Y

Monthly Highlight

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

The S&P 500's 2023 Journey – Finishing Out the Year Strong

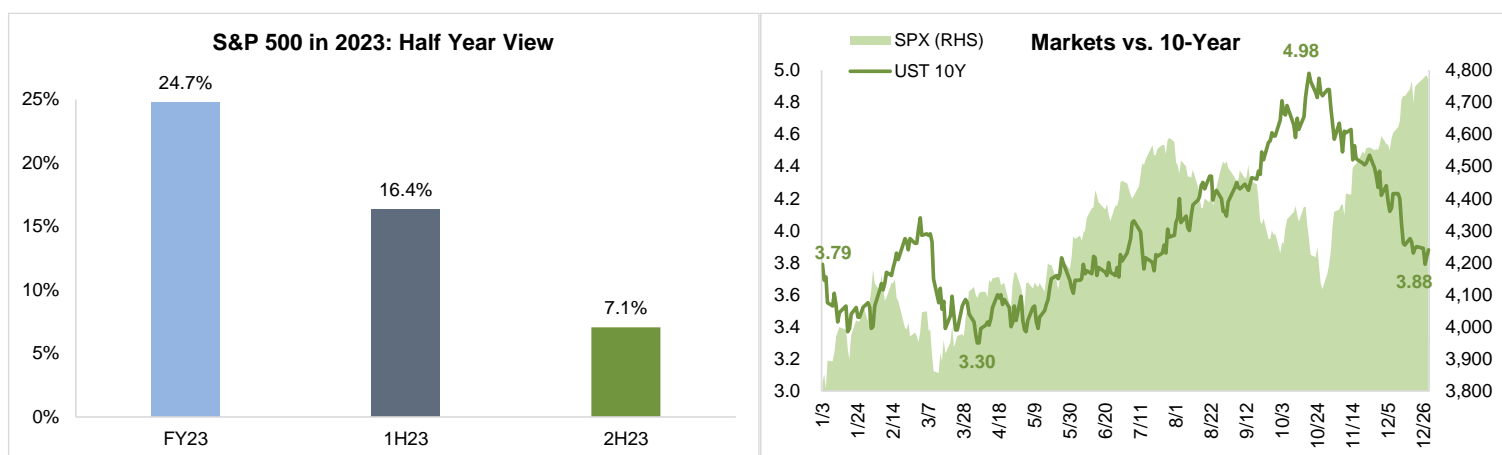
Equity markets in 2023 can be summed up by the Fed and then the 10-year U.S. Treasury rate. Inflation, rising rates, recession, regional bank turmoil, debt ceiling debate, and a U.S. sovereign debt downgrade by a ratings agency. Despite all these factors, the S&P 500 finished the year strong, +24.7%.



Source: Bloomberg, SIFMA estimate

Yet, it was not always a steady climb. Markets started the year wondering when the Fed would be finished raising rates, celebrating the first pause back at the June FOMC meeting. Markets and economists were also pricing in a soft landing result, meaning we could have our cake and eat it too – lower inflation and keep it down without tanking the economy. As such, the S&P 500 finished the first half of the year up 16.4%

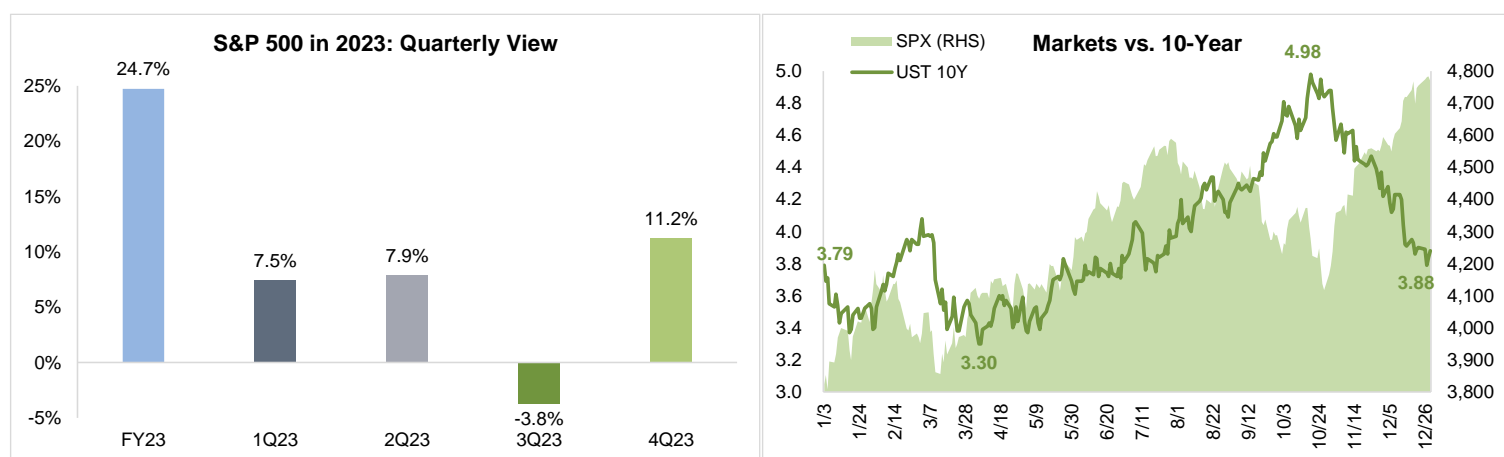
Then the 10-year rate began a steady increase. Once crossing the 4% level at the start of August, the rate remained above this level until mid December, sending markets on a roller coaster ride. The 10-year rate peaked at 4.98% in mid October – even crossing the 5% level on an intraday basis – and the S&P 500 dropped to 4,117.37. The 10-year rate then settled, ending the year at 3.88%. Markets, therefore, recovered and finished the second half of the year up 7.1%.



Source: Bloomberg, SIFMA estimate

It has been well televised that seven stocks have been driving the performance of the S&P 500. These stocks – Apple, Microsoft, Nvidia, Amazon, Tesla, Alphabet, and Meta – represent around 30% of the index and have traded as technology plays, despite being classified differently. Technology stocks in general have benefitted from the artificial intelligence (AI) enthusiasm, among other factors (ex: cost cutting efforts).

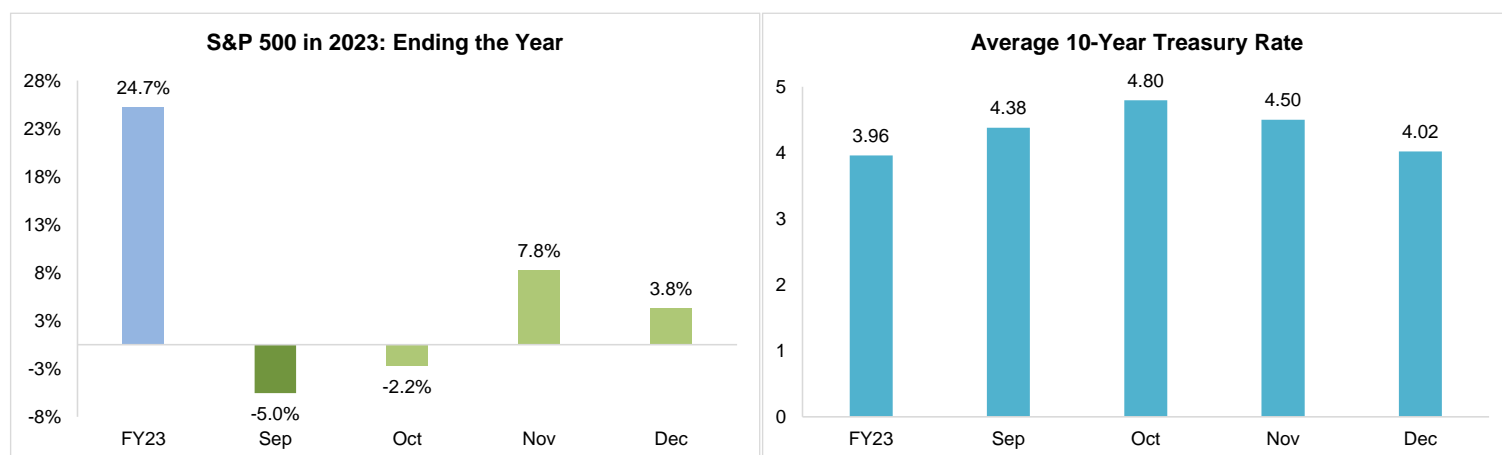
Technology stocks are also more rate sensitive. These seven stock prices were heavily impacted by the sharp 10-year rate increase, moving the aggregate market price for the S&P 500 down in tandem. This is shown more clearly in the quarterly view of the S&P 500 performance. Markets were negative in 3Q23, -3.8%, recovering in 4Q23, +11.2%.



Source: Bloomberg, SIFMA estimate

The monthly S&P 500 performance view shows the 10-year rate phenomenon even more clearly. The 10-year rate began to spike in September, pushing the S&P 500 performance into the red, finishing the month -5.0%. The 10-year rate peaked in October but then began to fall. As such, October performance for the S&P 500 recovered but remained in the red, finishing the month at -2.2%.

Markets finished the year positive, as the 10-year rate settled below 4%.



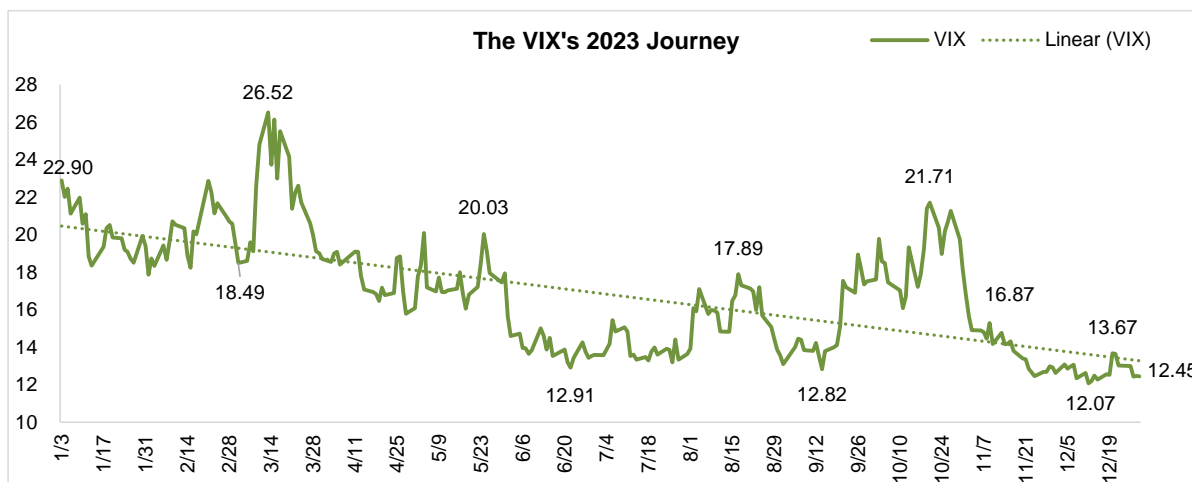
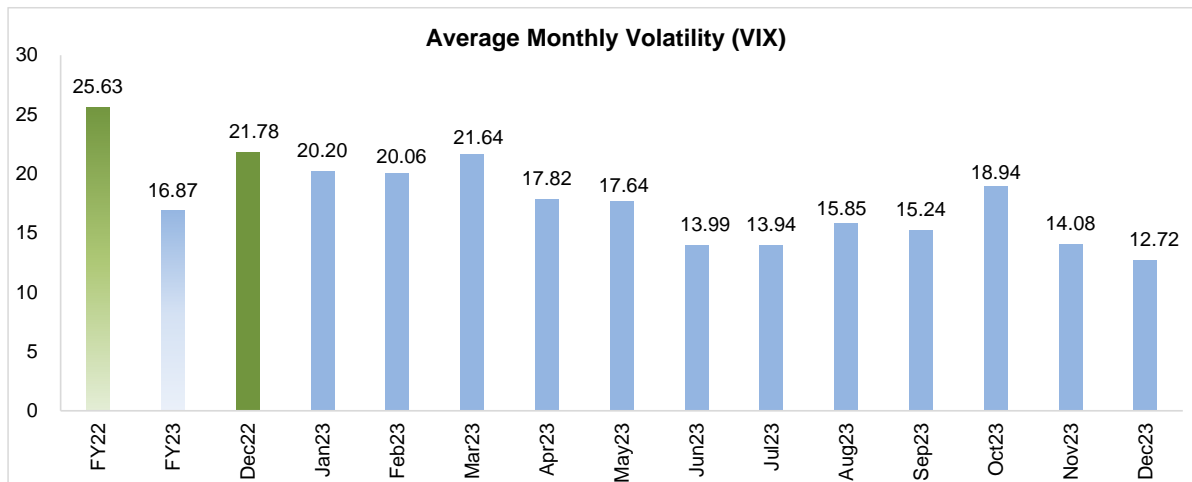
Source: Bloomberg, SIFMA estimate

Monthly Market Metrics

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

Volatility (VIX)

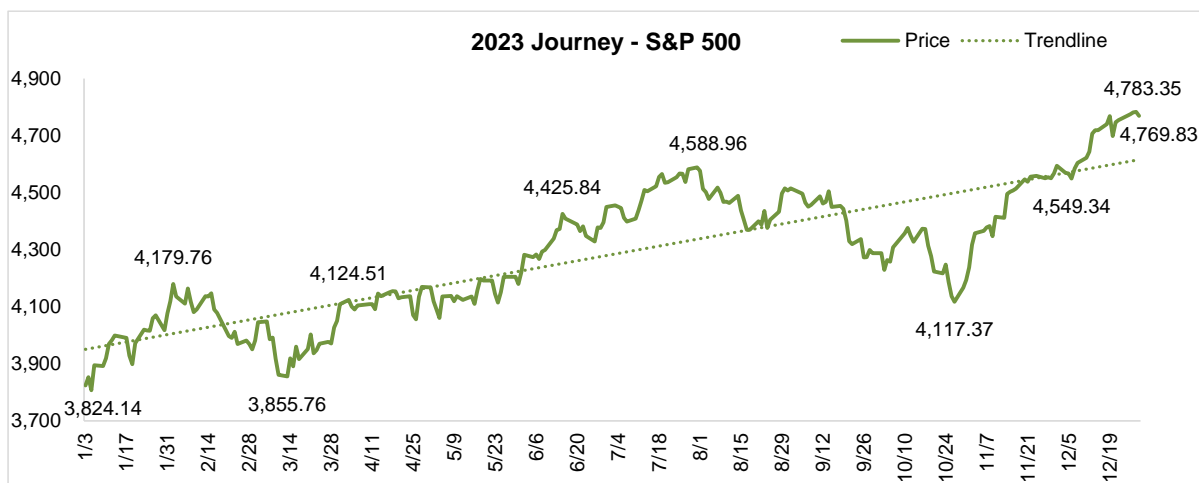
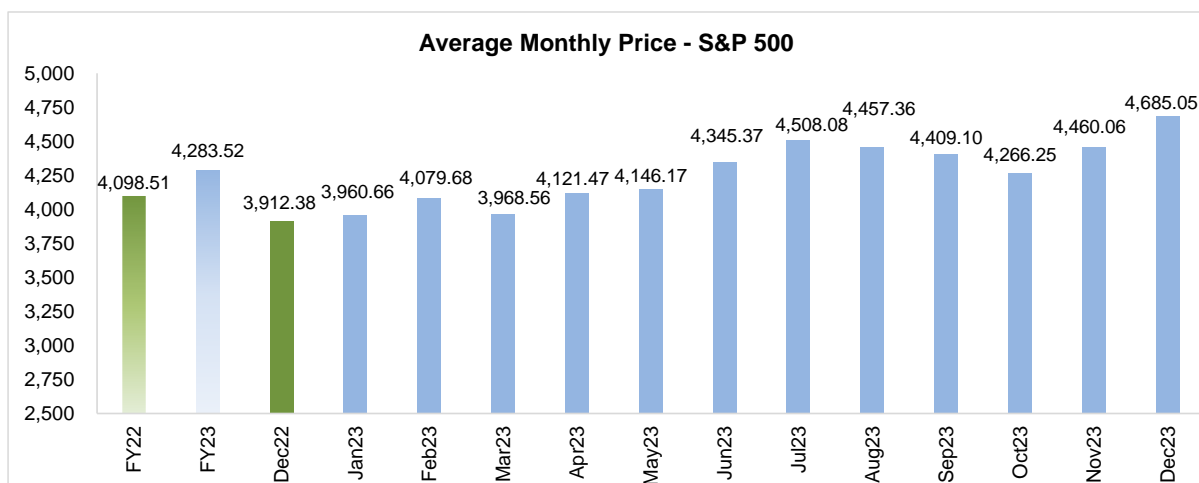
- Monthly average 12.72
 - -9.7% M/M
 - -41.6% Y/Y
 - -44.5% from the start of the year
- Monthly peak on the 20th at 13.67, troughed on the 12th at 12.07



Source: Bloomberg, SIFMA estimates

S&P 500 Index: Price

- Monthly average 4,685.05
 - +5.0% M/M
 - +19.7% Y/Y
 - +22.5% from the start of the year
- Monthly peak on the 30th at 4,567.80, troughed on the 1st at 4,237.86

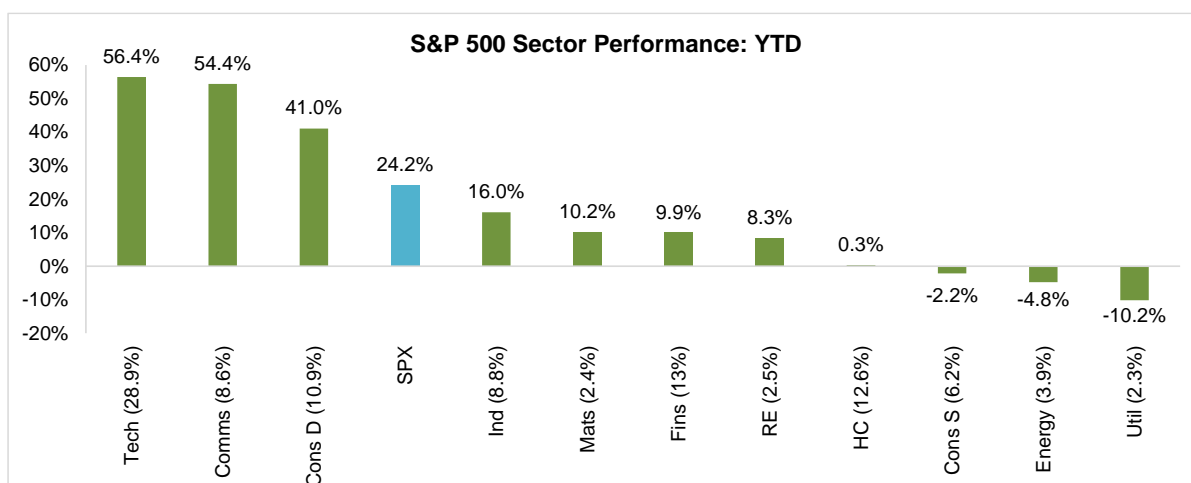
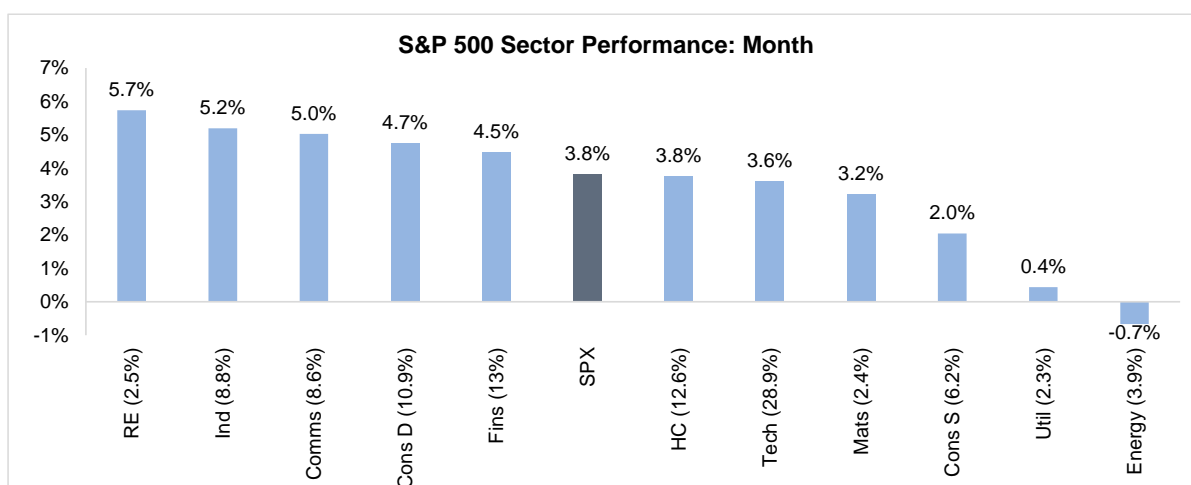


Source: Bloomberg, SIFMA estimates

S&P 500 Index: Sector Breakout

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

- Best performing sectors
 - Month = real estate at +5.7% and industrials at 5.2%
 - YTD = technology at +56.4% and communications at +54.4%
- Worst performing sectors
 - Month = energy at -0.7% and utilities at +0.4%
 - YTD = utilities at -10.2% and energy at -4.8%

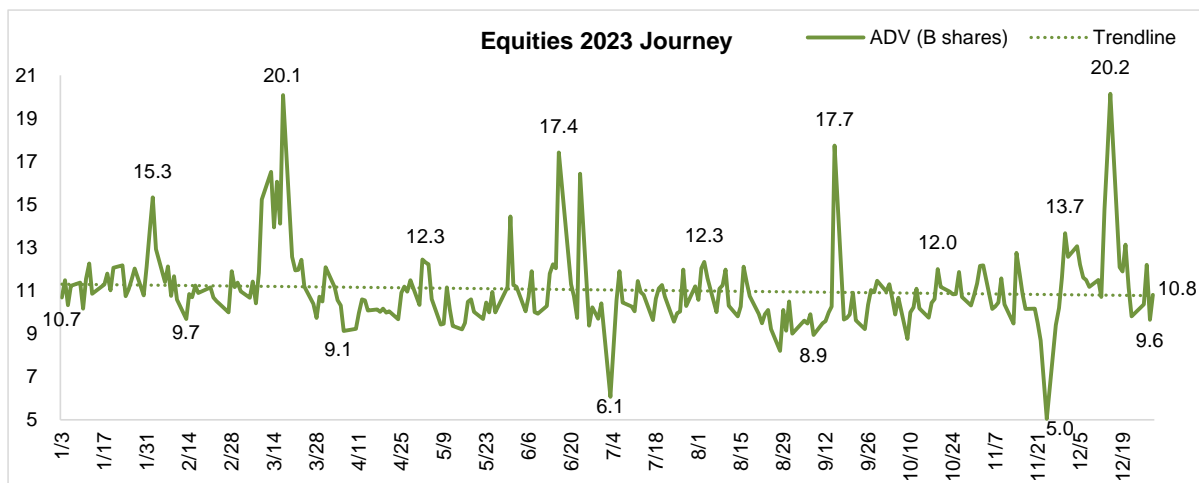
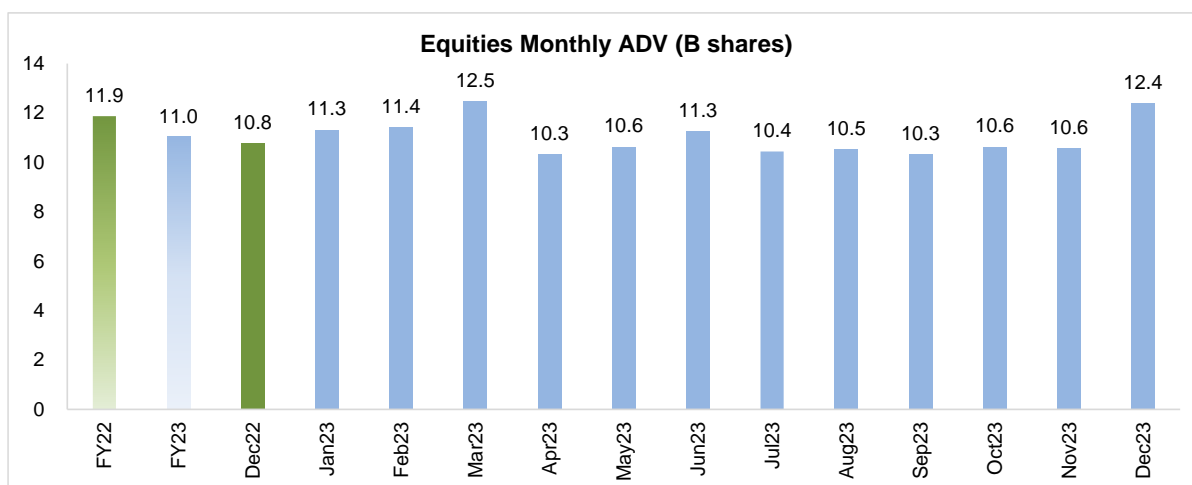


Source: Bloomberg, SIFMA estimates

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)

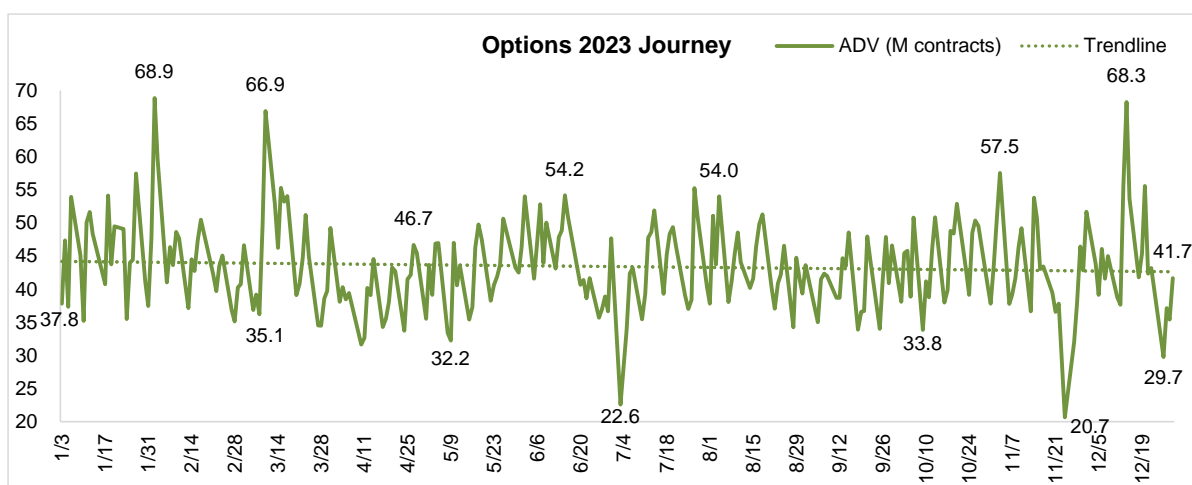
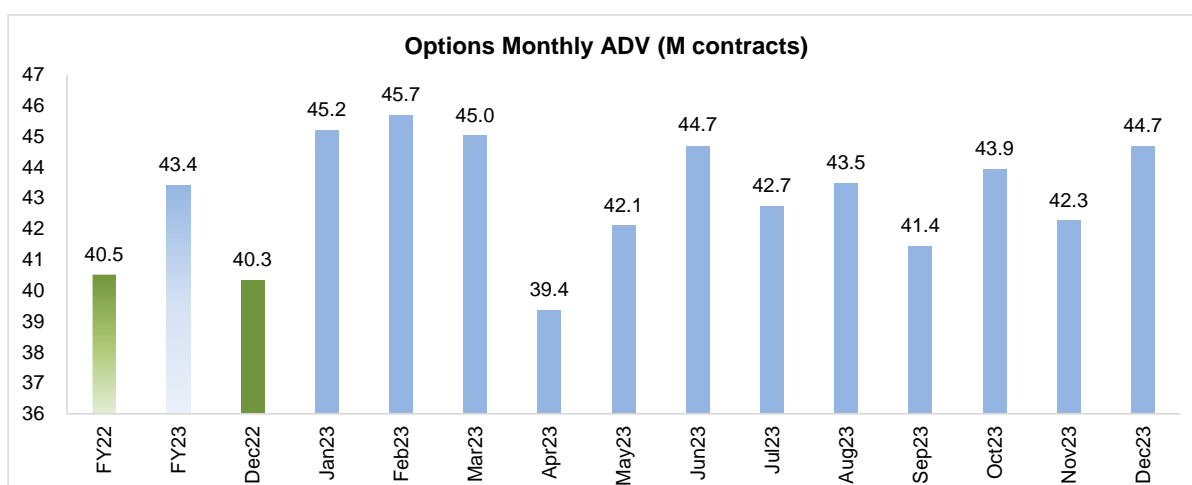
- Monthly average 12.4 billion shares
 - +17.3% M/M
 - +14.8% Y/Y
 - +15.9% from the start of the year
- Monthly peak on the 15th at 20.2 billion shares, troughed on the 28th at 9.6 billion
- Monthly average off exchange trading 43.5%; flat M/M, -0.4 pps Y/Y



Source: Cboe Global Markets, SIFMA estimates

Multi-Listed Options Volumes (ADV)

- Monthly average 44.7 million contracts
 - +5.7% M/M
 - +10.8% Y/Y
 - +18.1% from the start of the year
- Monthly peak on the 14th at 68.3 million contracts, troughed on the 26th at 29.7 million contracts
- Monthly equity options 40.7 million contracts (+6.3% M/M, +9.6% Y/Y), index options 4.0 million contracts (+0.3% M/M, +24.1% Y/Y)



Source: Cboe Global Markets, SIFMA estimates

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