

Monthly Market Metrics and Trends: Equities and Options, October 2026

Analyzing Volatility, Market Performance, and Equity and Options Volumes

Theme: When Correlation Doesn't Tell the Whole Story of Hedge Effectiveness

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Market Theme

- The 11 industry sectors that comprise the S&P 500 have shown a high degree of return dispersion of late. October marked a sharp downturn for the Information Technology sector, which declined 6.8% on the month. Only one other sector (Telecommunication Services) showed a monthly decline; all others rose, with several sectors showing robust gains (Energy: +14.0%, Consumer Staples: +11.6% and Utilities: +10.2%).
- We examine to what extent correlations, which measure the degree to which two assets' returns move together, can provide information about which sectors are best positioned to hedge against negative returns, focusing on the tech-heavy Information Technology sector.

Market Metrics

- S&P 500 (Price Index): October close 7,580.07, -0.9% M/M, +10.7% YTD, +10.8% Y/Y
- S&P 500 Sector Total Return Performance:
  - Best = Energy +14.0% M/M / Energy +59.9% YTD / Energy +64.2% Y/Y
  - Worst = Communications -15.1% M/M / Communications -11.3% YTD / Communications -6.6% Y/Y
- Volatility Index (VIX): Monthly average 16.9%; +1.1 pp M/M, -1.2 pp Y/Y
- Equity Average Daily Volume (ADV): Monthly average 17.3 billion shares; +1.9% M/M, -17.6% Y/Y
- Options ADV: Monthly average 68.2 million contracts; +5.8% M/M, -3.6% Y/Y

When Correlation Doesn't Tell the Whole Story of Hedge Effectiveness

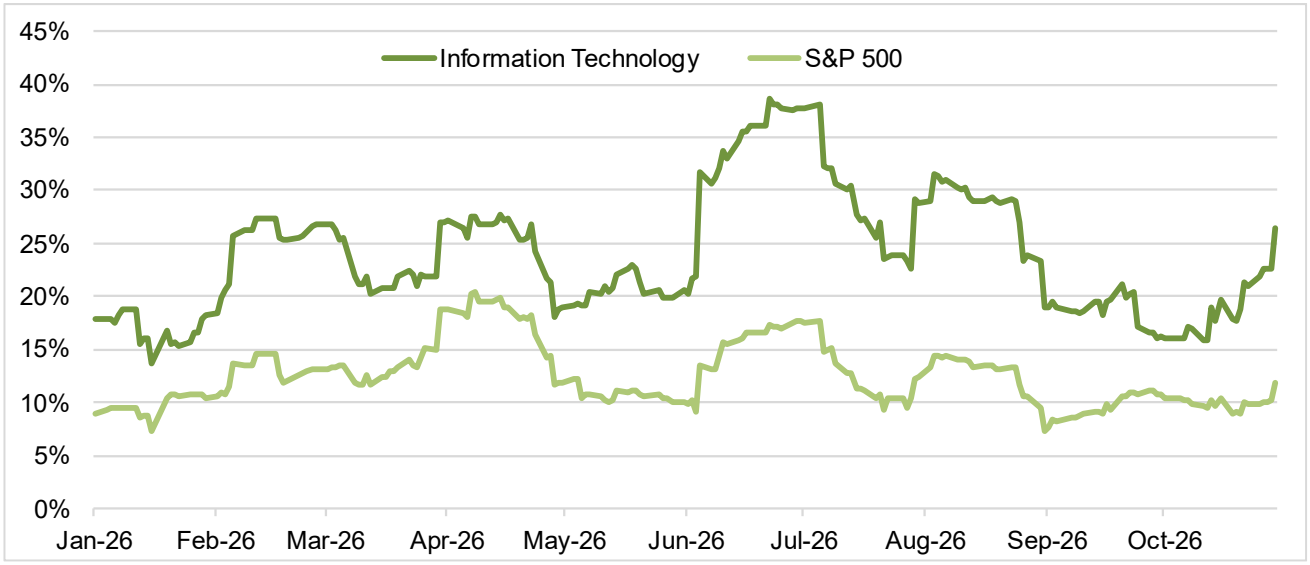
Two things can be true at once: October 2026 marked a record high for the S&P 500, followed by a series of daily declines that saw the index subsequently shed 3% from its peak. The Information Technology sector of the S&P 500—an index of 76 names that constitutes the largest sector by market weight (37.5% of the total S&P 500 index at the end of October)—fared similarly, reaching a record high before a substantial plunge that saw the index fall by 6.8%—the largest monthly drop since tariff-induced declines in March 2025.

A string of recent negative earnings news from AI firms—ranging from Alphabet's weaker-than-expected core search advertising revenue, Amazon's substantial negative free cash flow and Intel's weak PC demand—have led to worries over the scale of the AI build-out and (at least a temporary) souring of the Information Technology outlook.[1] With at least one ratings warning already in place (S&P Global Ratings lowered the credit rating outlook for Facebook's parent Meta from "stable" to "negative" at month end), we examine whether other sectors in the S&P 500 provided ample return diversification for the Information Technology sector. In particular, we explore whether correlations are stable across the frequency (daily, weekly and monthly) of return data and whether correlations can help identify appropriate hedges during downturns, when protection is needed most.

How effective are other S&P 500 industry sectors as a tech hedge?

The S&P Information Technology sector is notoriously volatile, with a realized volatility that is roughly twice as great as that of the composite S&P 500 index (*Chart 1*). There are many ways one can hedge tech exposure—shorting the ETF underlying the index, buying inverse ETFs on technology indices or using options on these ETFs and indices. Below, we examine whether equity sectors outside of technology can provide a natural hedge by generating positive returns during periods of technology sector weakness.

Chart 1: S&P 500 and S&P 500 Information Technology Subsector 20-Day Actual Volatility



Source: Bloomberg L.P.

[1] Note that only Intel is part of the Information Technology sector; Amazon is part of the Consumer Discretionary sector while Alphabet and Meta are part of the Communication Services sector.

We analyze two periods encompassing times of elevated volatility: January 2025 – October 2026, which includes the announcement of reciprocal tariffs (April 2025), the launch of airstrikes against Iran (February 2026), and recent AI-induced shocks, as well as January 2021 – December 2024, which includes the period immediately following the launch of Covid vaccines in the US, as well as a subsequent peak-to-trough decline of 34% in the Information Technology sector over this window, followed by a market recovery. We examine whether correlations between Information Technology and other industry sectors vary with the frequency of return observations. We also extend our analysis beyond the S&P 500 sectors to include the Cboe Volatility Index (VIX), which measures market expectations of near-term volatility based on S&P 500 index option prices.[2]

We find that during the recent analysis period (January 2025 – October 2026), Information Technology return correlations with other sectors were more likely to be close to zero or negative the more infrequent the observation, although this was not the case during the January 2021 – December 2024 period. The exception is the VIX ETN, VXX, which showed a consistently negative correlation with the Information Technology sector over all periods (*Table 1)* and was the most negative over daily observations.

Table 1: S&P 500 Information Technology Return Correlations

	Jan 2025 - October 2026				Jan 2021 - December 2024		
	Daily	Weekly	Monthly		Daily	Weekly	Monthly
Utilities	0.15	0.07	-0.23	Utilities	0.28	0.30	0.45
Financial	0.48	0.50	0.07	Financial	0.57	0.53	0.53
Health Care	0.11	0.05	-0.24	Health Care	0.55	0.52	0.58
Energy	0.16	-0.07	-0.46	Energy	0.22	0.12	0.13
Consumer Staples	-0.14	-0.06	-0.31	Consumer Staples	0.42	0.46	0.48
Communications Svcs	0.57	0.67	0.63	Communications Svcs	0.79	0.76	0.83
Real Estate	0.20	0.17	0.03	Real Estate	0.52	0.57	0.70
Consumer Discretionary	0.67	0.70	0.62	Consumer Discretionary	0.81	0.81	0.82
Industrials	0.65	0.63	0.29	Industrials	0.66	0.67	0.66
Materials	0.48	0.36	-0.11	Materials	0.60	0.57	0.60
VXX (VIX ETN)	-0.75	-0.66	-0.59	VXX (VIX ETN)	-0.61	-0.57	-0.52

Source: Bloomberg L.P.

Given that VXX was the only asset to exhibit a consistent negative correlation with the Information Technology sector across daily, weekly and monthly observations in both periods, would it also have provided the most effective hedge during periods of substantial sector declines? Correlations measure average co-movement over a sample period but do not necessarily capture how assets behave during extreme market movements. An asset with a relatively weak or even positive overall correlation could still provide meaningful downside protection if its returns become more favorable when the sector experiences large losses. To examine this distinction, we assessed how each potential sector performed specifically during periods when the Information Technology sector showed a large decline, which we define as the bottom 20% of returns over each period.

Below, we show how each of the S&P 500's other 10 sectors (and VXX) performed on the worst 20% of returns for the information Technology sector between January 2025 – October 2026, evaluating performance over a daily,

[2] While there are many exchange-traded products, including ETFs and ETNs, that provide exposure to VIX futures, we use the product with the highest trading volume (VXX) for purposes of our analysis, rather than the non-tradeable index itself.

weekly (Fridays) and monthly (month-end) basis. In *Tables 2, 3 and 4,* we show the performance of our hedge "candidates," highlighting the sectors where average expected returns were positive during the most negative periods of Information Technology returns. Bolded selections show "good" hedges—where being long these other sectors or VXX would have produced positive returns, on average, during periods of negative returns for the Information Technology sector.

For example, *Table 2* shows that there were 459 total *daily* observations between January 2025 and October 2026, of which the threshold for the bottom 20% of daily returns (92 observations or 20% of 459) were at or below -1.1%, with an average return on these days of -2.2%. During these 92 negative-returning Information Technology days, VXX had a positive return 80 of 92 times, with an average return of 5.4%. Of the 12 times that the VXX had negative returns when the Information Technology sector also had a return of less than -1.1%, the average return for the VXX was -0.9%. In short: on the worst 20% of days for the Information Technology sector, a long VXX hedge would have produced positive returns 80/92 times, with an expected return over all 92 days of 4.6%--well above the average Information Technology return of -2.2%. We note that the only other sector with a negative correlation to Information Technology was Consumer Staples, and while being long the Health, Energy or Consumer Staples sectors during this period would also have produced expected positive returns, the magnitude of the average gain (+0.1% to 0.5%) was vastly inferior to the average gains from being long the VXX.

Table 2: S&P 500 Information Technology Return Correlations and Sector Returns
Daily, January 2025 – October 2026 (Total Observations: 459)
Bottom 20% of Observations & Threshold: 92 Observations, Threshold: -1.1% (average = -2.2%)

When Information Technology Returns < Threshold Daily Threshold: -1.1%						
			Positive Return		Negative Return	
Sector	Correlation	Overall Return	Count	Average Return	Count	Average Return
Utilities	0.15	-0.1%	47	0.9%	45	-1.0%
Financial	0.48	-0.5%	37	0.8%	55	-1.3%
Health	0.11	0.1%	46	1.0%	46	-0.8%
Energy	0.16	0.1%	58	1.2%	34	-1.8%
Consumer Staples	-0.14	0.5%	66	1.0%	26	-0.9%
Communications Svcs	0.57	-1.0%	20	1.1%	72	-1.6%
Real Estate	0.20	-0.1%	51	0.8%	41	-1.2%
Consumer Discretionary	0.67	-1.4%	13	0.6%	79	-1.8%
Industrials	0.65	-0.8%	22	0.7%	70	-1.3%
Materials	0.48	-0.5%	33	0.7%	59	-1.2%
VXX	**-0.75**	4.6%	80	5.4%	12	-0.9%

Source: Bloomberg L.P. and SIFMA

Table 3: S&P 500 Information Technology Return Correlations and Sector Returns

Weekly, January 2025 – October 2026 (Total Observations: 96)

Bottom 20% of Observations & Threshold: 19 Observations, Threshold: -2.1% (average = -4.2%)

When Information Technology Returns < Threshold Weekly Threshold: -2.1%						
			Positive Return		Negative Return	
Sector	Correlation	Overall Return	Count	Average Return	Count	Average Return
Utilities	0.07	-0.2%	7	2.3%	12	-1.6%
Financial	0.50	-1.1%	8	1.4%	11	-2.9%
Health	0.05	0.8%	13	2.2%	6	-2.2%
Energy	-0.07	-0.1%	12	2.6%	7	-4.7%
Consumer Staples	-0.06	0.9%	14	1.7%	5	-1.4%
Communications Svcs	0.67	-2.3%	3	2.1%	16	-3.1%
Real Estate	0.17	-0.2%	9	1.9%	10	-2.0%
Consumer Discretionary	0.70	-2.4%	3	0.4%	16	-2.9%
Industrials	0.63	-1.4%	4	0.9%	15	-2.0%
Materials	0.36	-0.1%	9	1.6%	10	-1.7%
VXX	**-0.66**	**7.5%**	**16**	**9.7%**	**3**	**-4.5%**

Source: Bloomberg L.P. and SIFMA

Table 4: S&P 500 Information Technology Return Correlations and Sector Returns

Monthly, January 2025 – October 2026 (Total Observations: 22)

Bottom 20% of Observations & Threshold: 5 Observations, Threshold: -3.7% (average = -5.5%)

When Information Technology Returns < Threshold Monthly Threshold: -3.7%						
			Positive Return		Negative Return	
Sector	Correlation	Overall Return	Count	Average Return	Count	Average Return
Utilities	-0.23	3.9%	4	5.6%	1	-3.2%
Financial	0.07	-0.7%	2	3.9%	3	-3.8%
Health	-0.24	2.6%	3	7.6%	2	-4.9%
Energy	-0.46	8.0%	5	8.0%	0	n/a
Consumer Staples	-0.31	2.8%	3	7.9%	2	-4.9%
Communications Svcs	0.63	-5.9%	1	6.4%	4	-8.9%
Real Estate	0.03	1.0%	3	4.5%	2	-4.2%
Consumer Discretionary	0.62	-3.7%	1	3.9%	4	-5.6%
Industrials	0.29	-1.1%	2	3.7%	3	-4.3%
Materials	-0.11	1.9%	3	6.4%	2	-4.7%
VXX	**-0.59**	**8.9%**	**4**	**12.5%**	**1**	**-5.6%**

Source: Bloomberg L.P. and SIFMA

The above findings show that over longer evaluation horizons (analyzing weekly or monthly returns),[3] while there are other S&P 500 sectors that would have produced positive returns during the worst periods of performance for the Information Technology sector, none was superior to being long VXX. (The result was also consistent with outcomes over January 2021 through December 2024, as shown in the Appendix.)

The results suggest hedge effectiveness depends on more than correlation. More recently, many sectors have shown a negative correlation to Information Technology, particularly over monthly periods. A negative correlation isn't necessarily sufficient to provide an effective hedge, however. Energy showed a negative correlation to Information Technology on a weekly basis in the January 2025 – October 2026 period yet would have provided a negative return had it been used as a hedge against the worst of Information Technology's returns (*Table 3*). Conversely, during January 2021 through December 2024, being long Energy would have produced positive returns during the worst months for Information Technology, even though Energy was *positively* correlated to Information Technology over the period (Appendix).

A hedge that "works" the majority of the time may still provide insufficient protection if its gains are small relative to the losses it is intended to offset; an asset that provides protection less consistently may prove more valuable if its gains are concentrated during the most severe market declines. Investors must therefore consider not only how frequently a hedge delivers positive returns, but also the magnitude of those returns, particularly during periods of market stress. Ultimately, assessing hedge effectiveness requires looking beyond historical correlations to examine how an asset performs when protection is needed most. At least for now, hedging Information Technology returns with the VIX via an ETN proxy such as VXX remains superior to hedging using any of the S&P 500's other ten sectors.

[3] For purposes of our analysis, we evaluated weekly returns ending Friday and monthly returns ending on the last trading day of the month. A more complete analysis would have evaluated all five weekly return series (returns ending Monday, Tuesday….Friday) and all 20 or 21 monthly return series (returns ending on the 1st trading day of the months, 2nd trading day of the month…last trading day of the month.)

Market Metrics

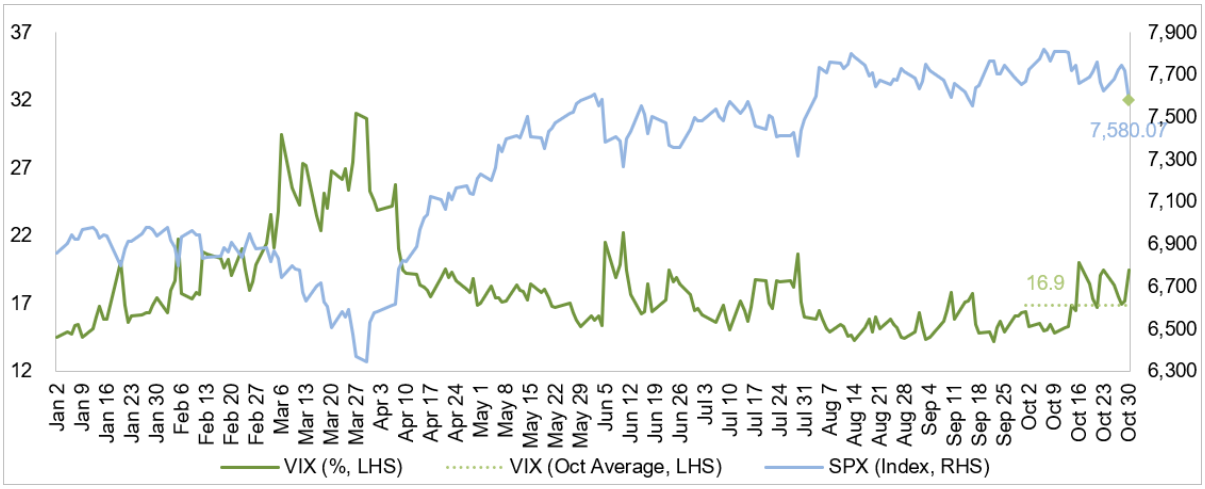
S&P 500 and Volatility Index (VIX)

Table 2: S&P 500 Index Price and Volatility Index (VIX, %), October 2026

	Value	M/M Change	YTD Change	Y/Y Change	Monthly Peak	Monthly Trough
S&P 500 (Close Price)	7,580.07	-0.9%	+10.7%	+10.8%	7,818.93	7,580.07
VIX (Monthly Average)	16.9%	+1.1 pp	-	-1.2 pp	20.0%	14.8%

Source: Bloomberg L.P., SIFMA estimates
Note: Figures shown for S&P 500 are price changes; total returns on a M/M, YTD, and Y/Y basis are -0.9%, +11.7% and +12.1%, respectively. Total returns assume dividends are reinvested into the index.

Chart 3: S&P 500 Index Price and Volatility Index (VIX, %), Year to Date 2026



Source: Bloomberg L.P., SIFMA estimates

S&P 500 Index: Sector Breakout

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

- Best-performing sectors:
  - Month = Energy at 14.0% followed by Consumer Staples at 11.6%
  - YTD = Energy at 59.9% followed by Health Care at 21.0%
  - Y/Y = Energy at 64.2% followed by Health Care at 30.5%
- Worst performing sectors:
  - Month = Communication Services at -15.1% followed by Information Technology at -6.8%
  - YTD = Communication Services at -11.3% followed by Consumer Discretionary at -2.1%
  - Y/Y = Communication Services at -6.6% followed by Consumer Discretionary at -3.7%

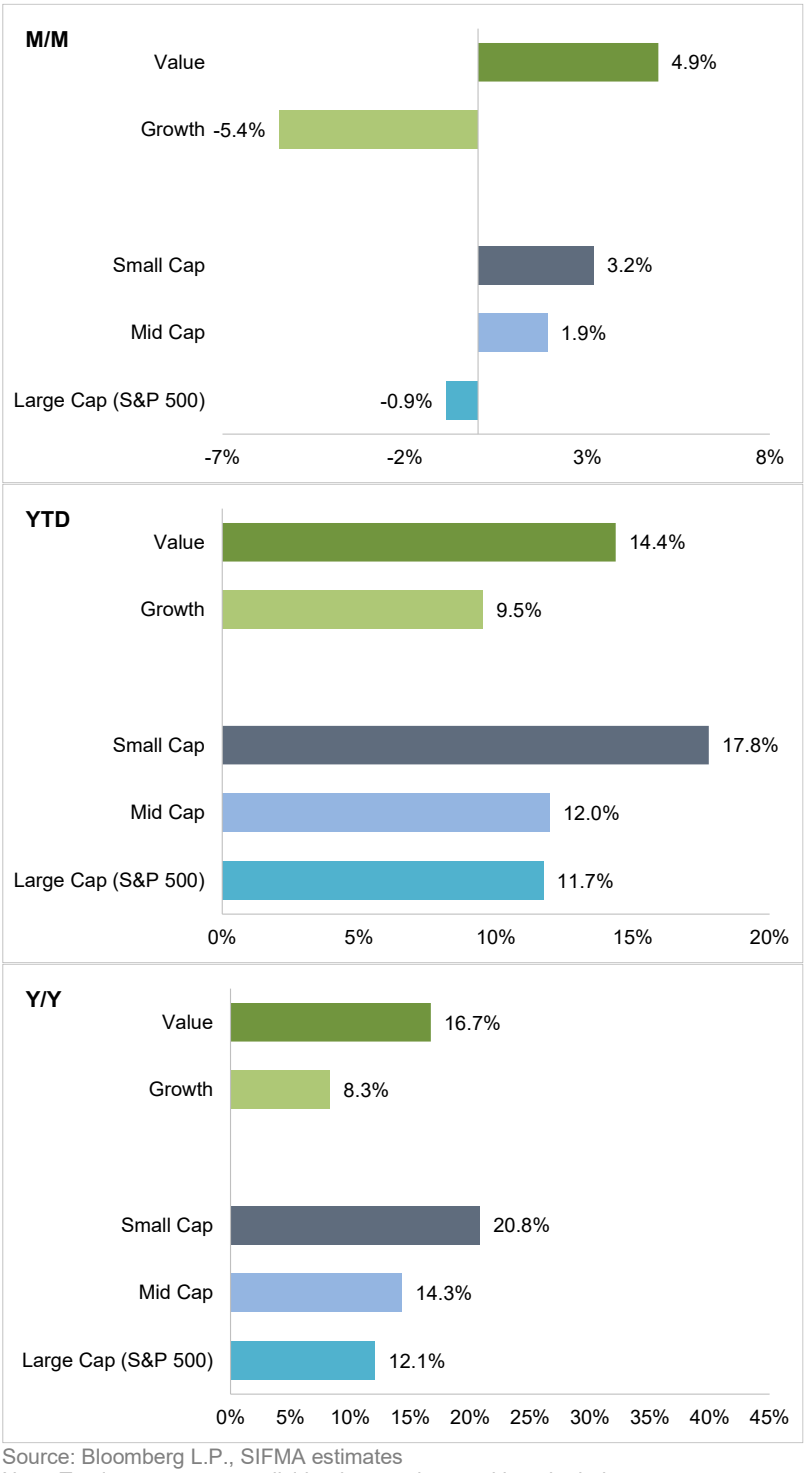
Table 3: S&P 500 Sector Indices Total Returns, October 2026

Sector (Weight)	Total Return (%)		
	M/M	YTD	Y/Y
SPX	**-0.9**	**11.7**	**12.1**
Information Technology (37.4%)	-6.8	19.6	14.2
Financials (12.2%)	5.9	4.4	9.6
Health Care (10.3%)	9.9	21.0	30.5
Consumer Discretionary (9.0%)	3.9	-2.1	-3.7
Communication Services (8.4%)	-15.1	-11.3	-6.6
Industrials (8.1%)	0.3	8.9	9.3
Consumer Staples (5.0%)	11.6	18.3	21.1
Energy (3.9%)	14.0	59.9	64.2
Utilities (2.1%)	10.2	3.9	0.4
Real Estate (1.8%)	5.1	10.7	10.4
Materials (1.7%)	6.6	16.0	23.5

Source: Bloomberg L.P., SIFMA estimates
Note: Sectors are ordered by their respective weights in the SPX Index at the end of the month, which are indicated in parenthesis. Total returns assume dividends are reinvested into the index.

S&P 500 Index: Strategy Breakout

Chart 4: S&P 500 Total Return Indices by Type, October 2026 (M/M, YTD, and Y/Y)



Source: Bloomberg L.P., SIFMA estimates
Note: Total returns assume dividends are reinvested into the index.

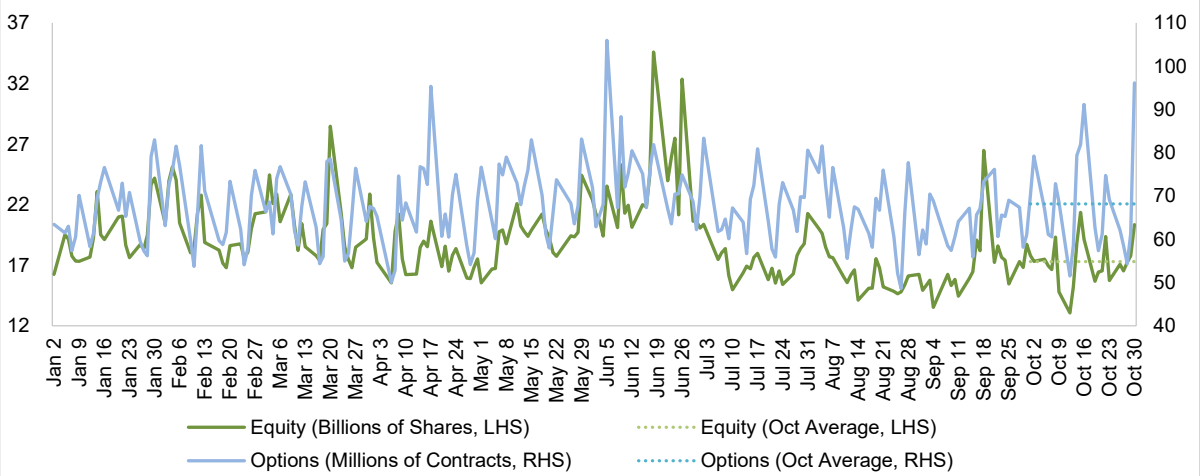
Equity and Options Volumes (ADV)

Table 4: Equities and Options Average Daily Trading Volumes, October 2026

	Monthly Average	M/M Change	Y/Y Change	Monthly Peak	Monthly Trough
Equities ADV (Bil. Shares)	17.3	+1.9%	-17.6%	21.4	13.1
Off-Exchange	50.0%	-0.6 pp	-2.3 pp	-	-
Options ADV (Mil. Contracts)	68.2	+5.8%	-3.6%	96.2	51.5
Equity Options	61.5	+5.6%	-5.6%	-	-
Index Options	6.7	+7.7%	+19.8%	-	-

Source: Cboe Global Markets, SIFMA estimates. Equity trading volumes include ETF trading volumes.

Chart 5: Equities and Options ADV, Year to Date 2026



Source: Cboe Global Markets, SIFMA estimates
Note: Equity and options values reflect average daily volumes across all US equity and options exchanges.

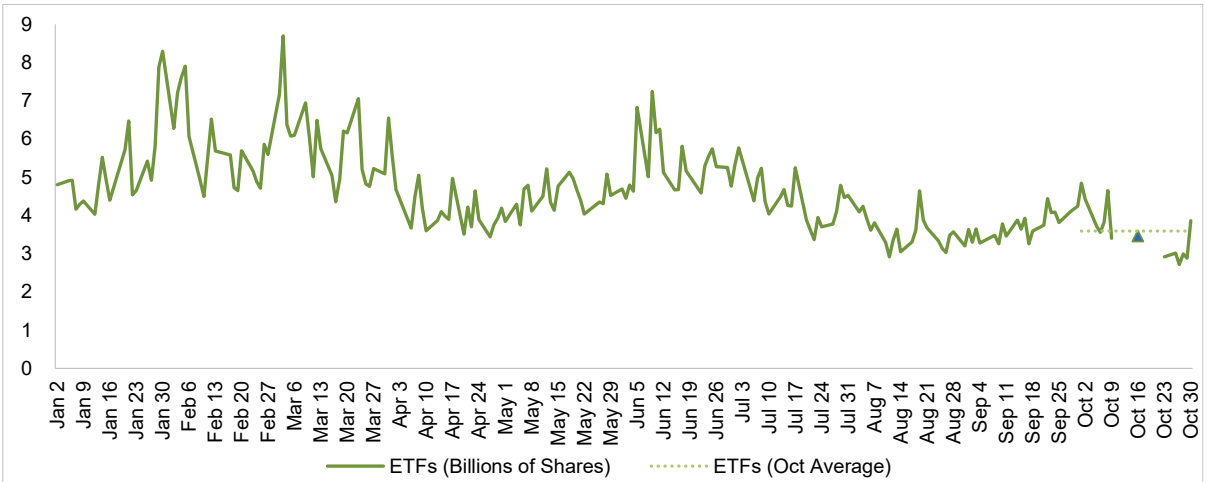
ETF Trading Volumes (ADV)

Table 5: ETF Average Daily Trading Volumes, October 2026

	Monthly Average	M/M Change	Y/Y Change	Monthly Peak	Monthly Trough
ETF Trading (Bil. Shares)	3.6	-4.3%	-16.3%	4.8	2.7
% of Equity Trading	20.7%	-1.3 pp	+0.3 pp	-	-

Source: Cboe Global Markets, SIFMA estimates
Note: October volumes are based on partial data due to constraints with missing data from Cboe.

Chart 6: ETF Trading ADV (Billions of Shares), Year to Date 2026



Source: Cboe Global Markets, SIFMA estimates
Note: October volumes are based on partial data due to constraints with missing data from Cboe. Values reflect average daily volumes across all US exchanges.

Appendix

Return Analysis for Worst 20% of Information Technology Sector Returns, Jan 2021 – Dec 2024

Daily, January 2021 – December 2024 (Total Observations: 1005)
Bottom 20% of Observations & Threshold (201 Observations), Threshold: -1.1% (average = -2.1%)

When Information Technology Returns < Threshold Daily Threshold: -1.1%			Positive Return		Negative Return	
Sector	Correlation	Overall Return	Count	Average Return	Count	Average Return
Utilities	0.28	-0.3%	83	0.9%	118	-1.1%
Financial	0.57	-0.9%	47	0.7%	154	-1.3%
Health	0.55	-0.6%	49	0.6%	152	-1.0%
Energy	0.22	-0.5%	77	1.3%	124	-1.7%
Consumer Staples	0.42	-0.4%	69	0.5%	132	-0.9%
Communications Svcs	0.79	-1.6%	16	0.7%	185	-1.8%
Real Estate	0.52	-0.8%	51	0.7%	150	-1.3%
Consumer Discretionary	0.81	-1.8%	13	0.5%	188	-1.9%
Industrials	0.66	-0.9%	36	0.5%	165	-1.2%
Materials	0.60	-0.9%	34	0.7%	167	-1.3%
VXX	**-0.61**	**4.3%**	169	5.3%	32	-1.3%

Source: Bloomberg L.P. and SIFMA

Weekly, January 2021 – December 2024 (Total Observations: 208)
Bottom 20% of Observations & Threshold (42 Observations), Threshold: -2.4% (average = -4.0%)

When Information Technology Returns < Threshold Weekly Threshold: -2.4%			Positive Return		Negative Return	
Sector	Correlation	Overall Return	Count	Average Return	Count	Average Return
Utilities	0.30	-1.2%	12	2.0%	30	-2.5%
Financial	0.53	-1.9%	10	1.1%	32	-2.9%
Health	0.52	-1.4%	11	1.5%	31	-2.4%
Energy	0.12	-0.5%	23	2.8%	19	-4.5%
Consumer Staples	0.46	-1.2%	17	0.8%	25	-2.5%
Communications Svcs	0.76	-3.2%	3	1.0%	39	-3.5%
Real Estate	0.57	-2.1%	10	1.3%	32	-3.2%
Consumer Discretionary	0.81	-3.7%	1	0.5%	41	-3.8%
Industrials	0.67	-2.1%	7	0.7%	35	-2.7%
Materials	0.57	-2.4%	4	1.0%	38	-2.7%
VXX	**-0.57**	**6.7%**	**33**	**9.5%**	**9**	**-3.8%**

Source: Bloomberg L.P. and SIFMA

Monthly, January 2021 – December 2024 (Total Observations: 48)
Bottom 20% of Observations & Threshold (10 Observations), Threshold: -3.8% (average = -7.7%)

When Information Technology Returns < Threshold Monthly Threshold: -3.8%						
			Positive Return		Negative Return	
Sector	Correlation	Overall Return	Count	Average Return	Count	Average Return
Utilities	0.45	-3.6%	2	1.1%	8	-4.8%
Financial	0.53	-4.6%	1	0.1%	9	-5.1%
Health	0.58	-3.9%	0	n/a	10	-3.9%
Energy	0.13	1.0%	5	8.2%	5	-6.3%
Consumer Staples	0.48	-2.5%	1	2.6%	9	-3.0%
Communications Svcs	0.83	-7.3%	0	n/a	10	-7.3%
Real Estate	0.70	-6.9%	0	n/a	10	-6.9%
Consumer Discretionary	0.82	-7.4%	0	n/a	10	-7.4%
Industrials	0.66	-5.2%	0	n/a	10	-5.2%
Materials	0.60	-6.0%	0	n/a	10	-6.0%
VXX	**-0.52**	**5.7%**	**8**	**8.8%**	**2**	**-6.7%**

Source: Bloomberg L.P. and SIFMA

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