Monthly Market Metrics and Trends: September

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

Published: October 2024

Market Theme

- At the September 17-18 FOMC meeting, the Fed lowered the target range for the Fed Funds rate by 50 bps to 4.75%-5.00%, after 16 months of higher for longer. How did markets react?
- Market performance: The S&P 500 (SPX) was essentially flat heading into the Sept. FOMC meeting, and we did not see significant moves in either direction on a daily basis during the meeting time period. From the day before to the day after the meeting, the SPX was +1.4%; from announcement day to month end, the SPX was +2.6%.
- Market volatility: The moves were larger on the volatility side, as the VIX was already increasing heading into the meeting. The VIX turned sharply downward after the meeting ended, -10.4% D/D. From the day before to the day after the meeting, the VIX was -4.7%; from announcement day to month end, the SPX was -8.2%.

Market Metrics

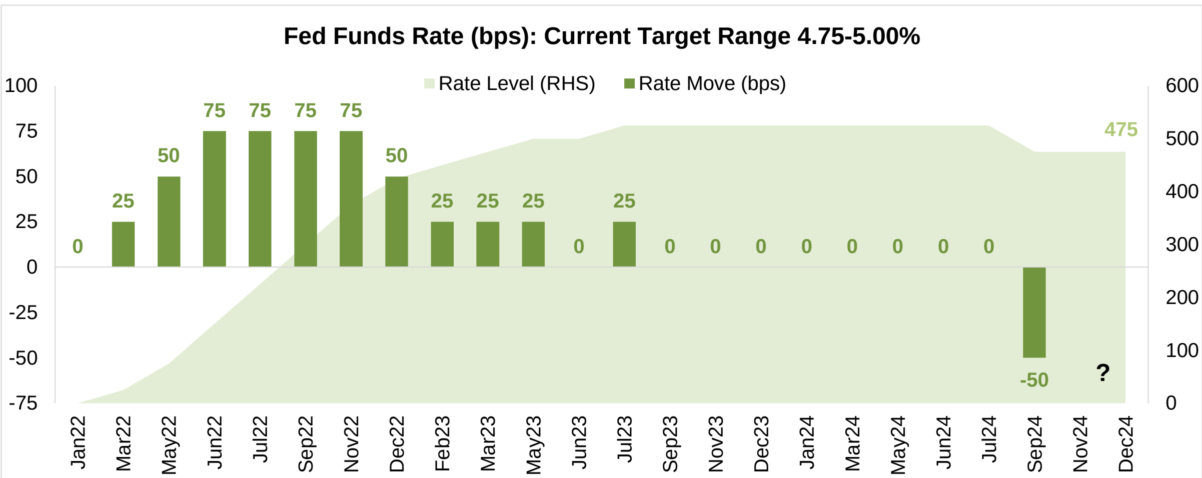
- Volatility (VIX): Monthly average 17.77; -8.0% M/M, +16.6% Y/Y
- S&P 500 (Price): Monthly average 5,621.26; +2.6% M/M, +27.5% Y/Y
- Performance (month/year): best = cons disc/tech +7.0%/+29.6%; worst = energy/energy -2.8%/+5.7%
- Equity ADV: Monthly average 11.9 billion shares; +3.4% M/M, +14.7% Y/Y
- Options ADV: Monthly average 46.7 million contracts; -0.6% M/M, +12.7% Y/Y

Market Theme

Market Reaction to Fed Rate Cut

To fight inflation, the Fed raised interest rates eleven times between March 2022 and July 2023. At the September 17-18 Federal Open Market Committee (FOMC) meeting, the Fed lowered the target range for the Fed Funds rate by 50 bps to 4.75%-5.00%. After 31 months since the first rate cut – and 16 months of higher for longer, a 5.25%-5.50% target range – the market received its much anticipated rate cut.

In this section, we look at market reaction around the latest FOMC meeting.



Source: Fed, SIFMA estimates

Note: Remaining FOMC meetings in 2024 – November 6-7, December 17-18

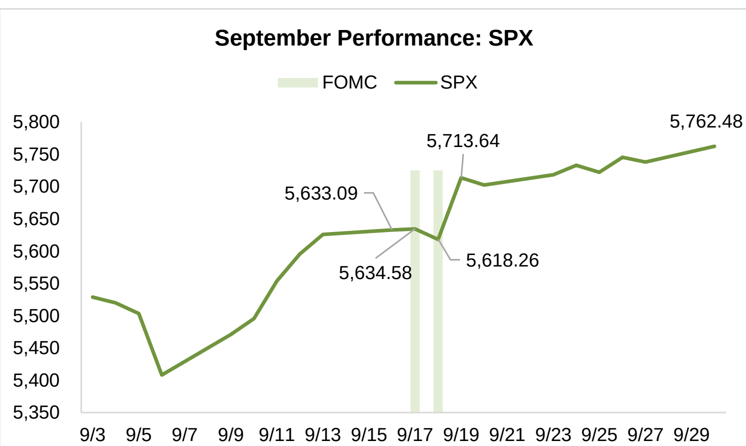
Market Performance

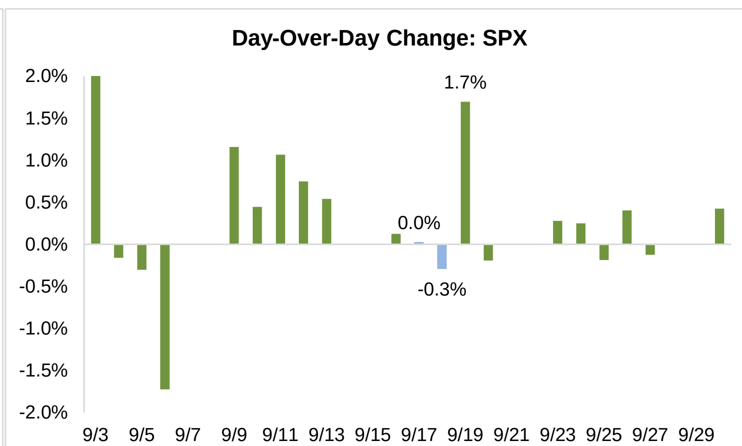
The big debate heading into the September FOMC meeting was whether the fed would cut the rate by 25 bps or 50 bps, and the high frequency of economic data caused the probabilities to bounce around. The Thursday before the September FOMC meeting, markets were showing a less than 20% probability of a 50 bps cut. This probability moved above 40% the following day. Heading into this meeting, while many economists believed the data – in particular, concerns around signs of cracks in the labor market – warranted a 50 bps move, they did not believe the Fed would follow through with move this ahead of the election. They were wrong.

The S&P 500 (SPX) was essentially flat heading into the September FOMC meeting, beginning on September 17. The SPX declined slightly on announcement day, September 18, perhaps as markets tried to digest what this move could mean for future cuts. Markets then rebounded and continued to climb to finish the month. Overall, we did not see significant moves in either direction on a daily (D/D) basis during the meeting time period.

We highlight the following trends in markets around the FOMC meeting:

- September 17 versus 16, D/D change = +0.0%
- September 18 versus 17, D/D change = -0.3%
- September 19 versus 18, D/D change = +1.7%
- September 19 versus 16, day after versus day before the meeting = +1.4%
- September 30 versus 18, end of month close versus announcement day = +2.6%





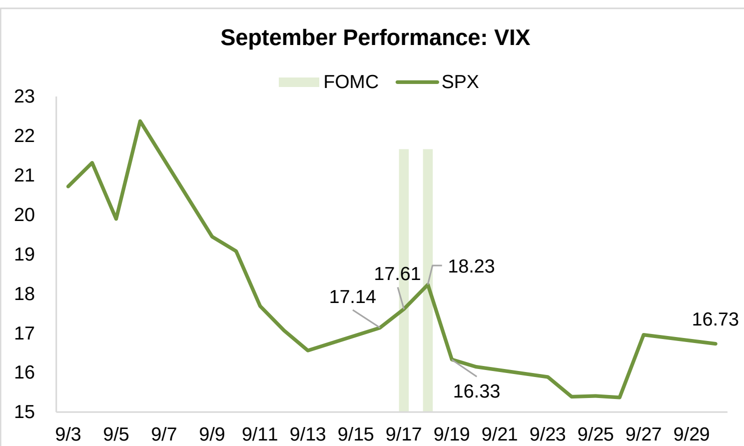
Source: Bloomberg, SIFMA estimates

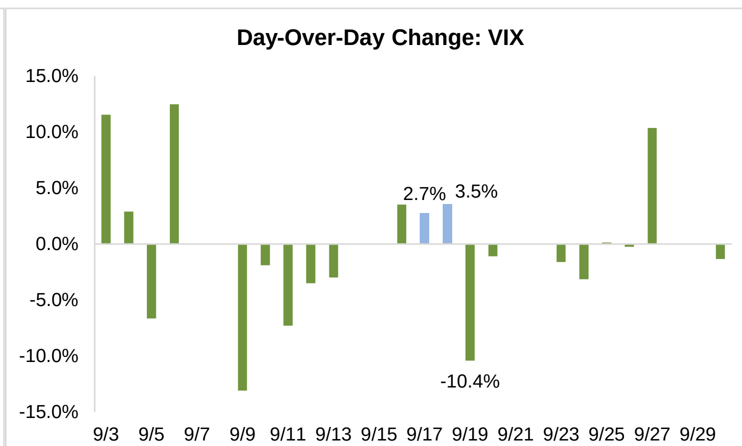
Market Volatility

The moves were larger on the volatility side. The VIX was increasing heading into the September FOMC meeting, beginning on September 17, and continued to climb into announcement day, September 18. Again, this was based on people trying to model out the timing and level of rate cuts to finish out the year. Volatility then took a sharp turn downward the day after the meeting ended, -10.4% D/D. The VIX was continuing to fall to close out the month, until the heating up of geopolitical events. Volatility increased again on reports coming out of the Middel East yet remained at levels below the day before ethe FOMC meeting. It appears markets weighted the positive events of the FOMC meeting higher than the negative geopolitical events.

We highlight the following trends in markets around the FOMC meeting:

- September 17 versus 16, D/D change = +2.7%
- September 18 versus 17, D/D change = +3.5%
- September 19 versus 18, D/D change = -10.4%
- September 19 versus 16, day after versus day before the meeting = -4.7%
- September 30 versus 18, end of month close versus announcement day = -8.2%. Removing the geopolitical events caused uptick at the end of the month, this change would have been -15.7% from month end to announcement day.





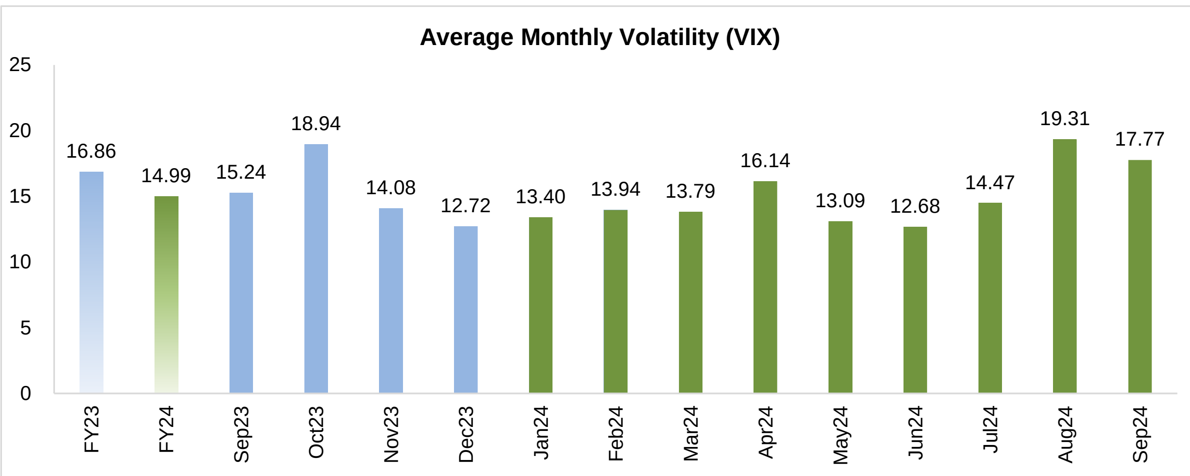
Source: Bloomberg, SIFMA estimates

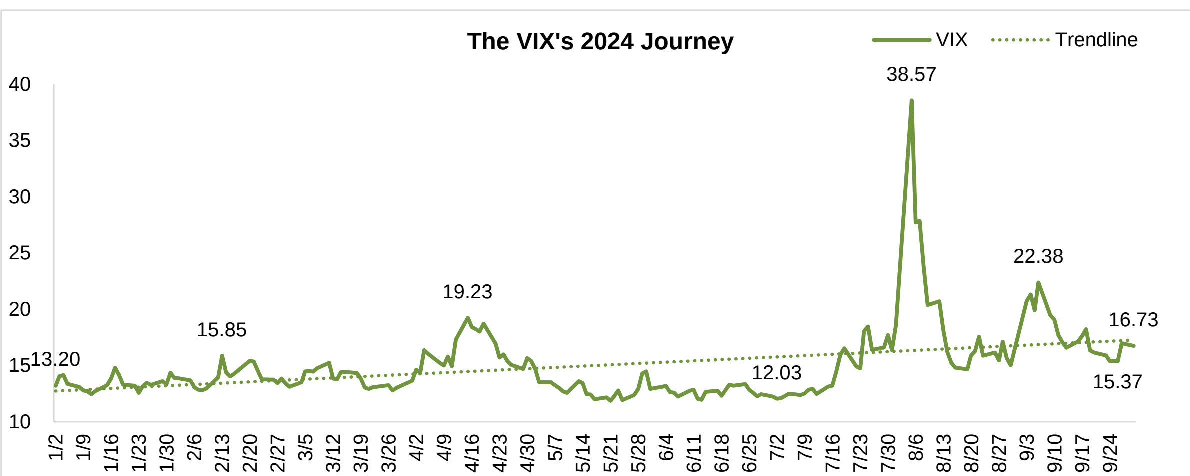
Market Metrics

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

Volatility (VIX)

- Monthly average 17.77
  - -8.0% M/M
  - +16.6% Y/Y
- Monthly peak on the 6th at 22.38, troughed on the 26th at 15.37

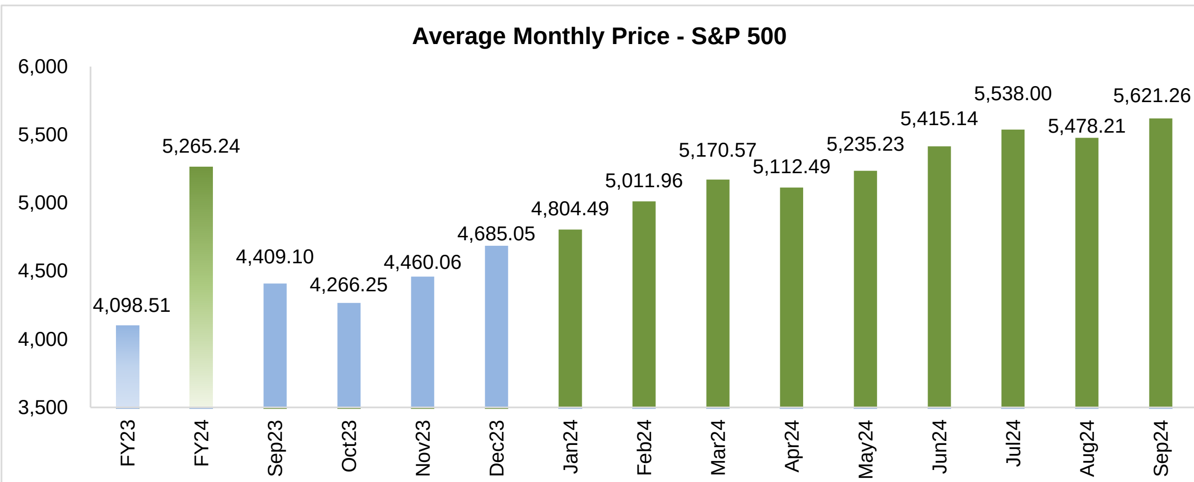


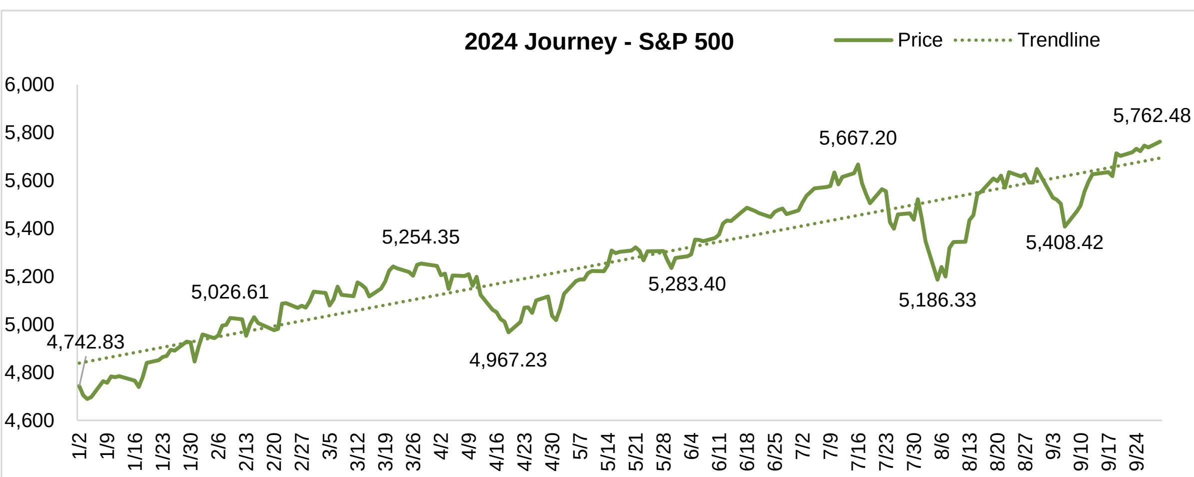


Source: Bloomberg, SIFMA estimates

S&P 500 Index: Price

- Monthly average 5,621.26
    - +2.6% M/M
    - +27.5% Y/Y
- Monthly peak on the 30th at 5,762.48, troughed on the 6th at 5,408.42



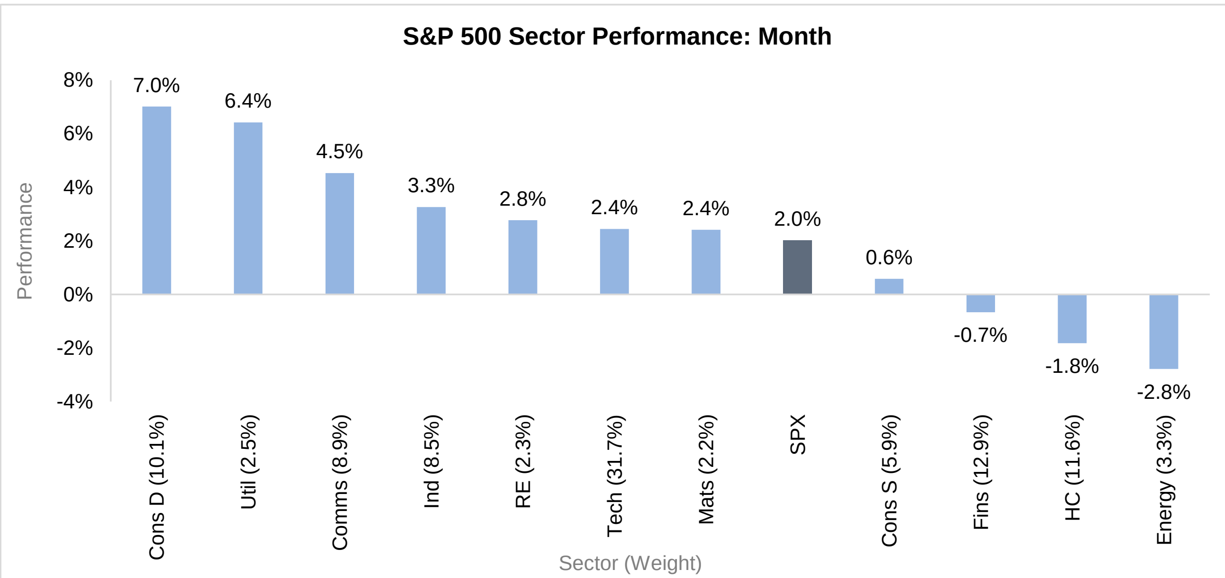


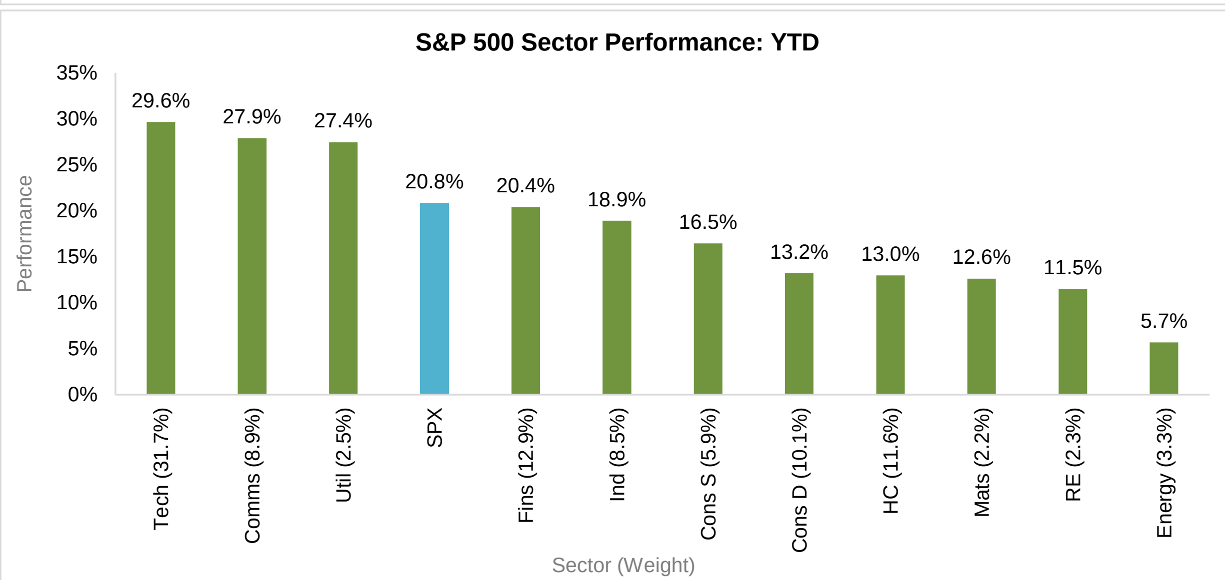
Source: Bloomberg, SIFMA estimates

S&P 500 Index: Sector Breakout

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

- Best performing sectors
  - Month = consumer discretionary at +7.0% and utilities at +6.4%
  - YTD = technology at +29.6% and communications at +27.9%
- Worst performing sectors
  - Month = energy at -2.8% and healthcare at -1.8%
  - YTD = energy at +5.7% and real estate at +11.5%



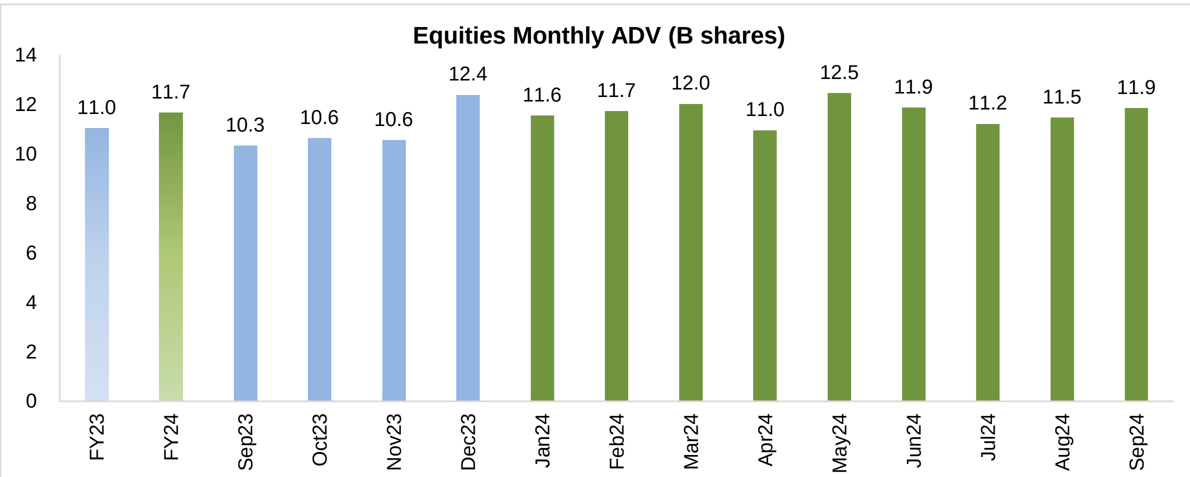


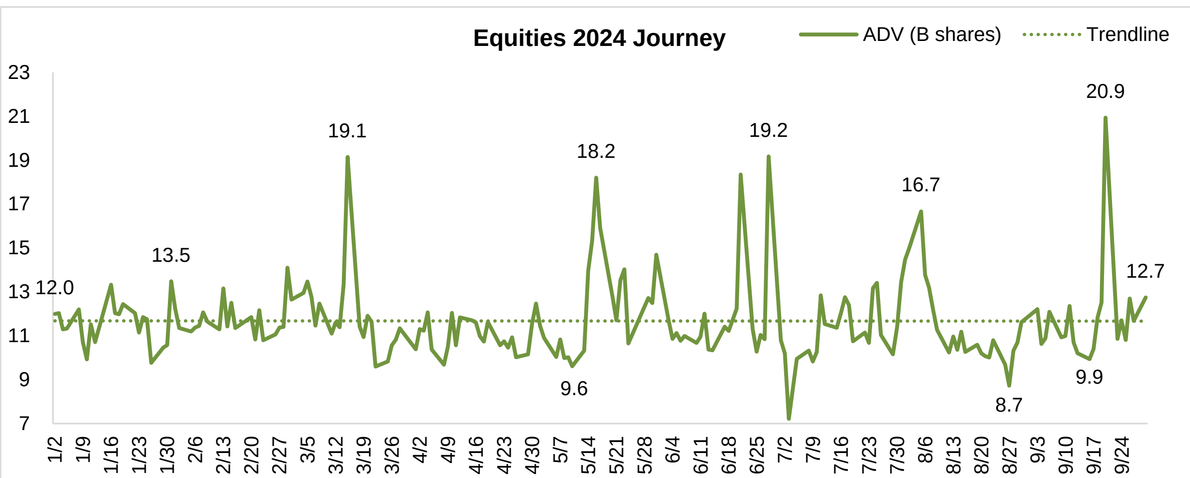
Source: Bloomberg, SIFMA estimates

Note: 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 11.9 billion shares
  - +3.4% M/M
  - +14.7% Y/Y
- Monthly peak on the 20th at 20.9 billion, troughed on the 16th at 9.9 billion
- Monthly average off exchange trading 47.5%; +0.5 pps M/M, +3.3 pps Y/Y

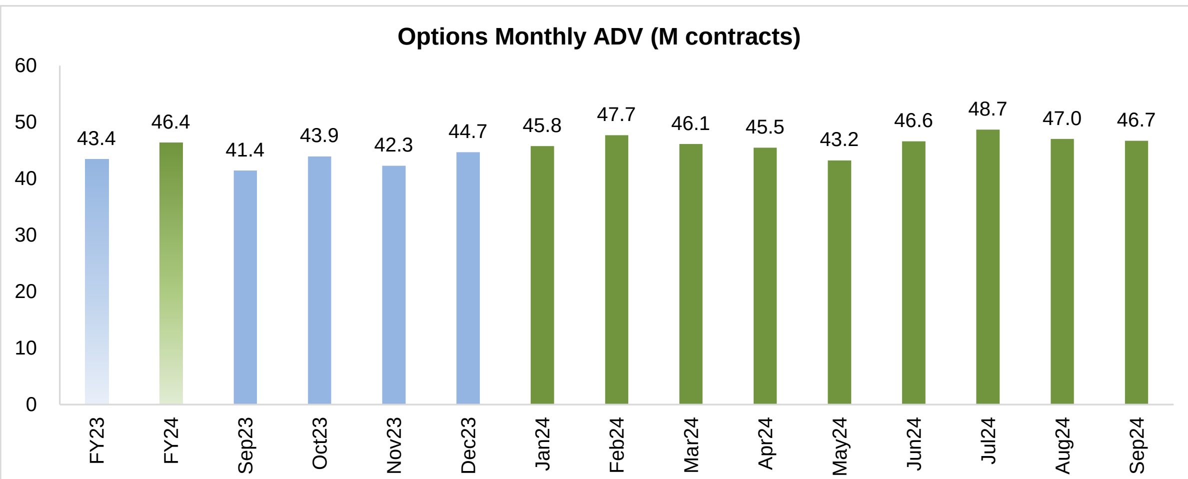


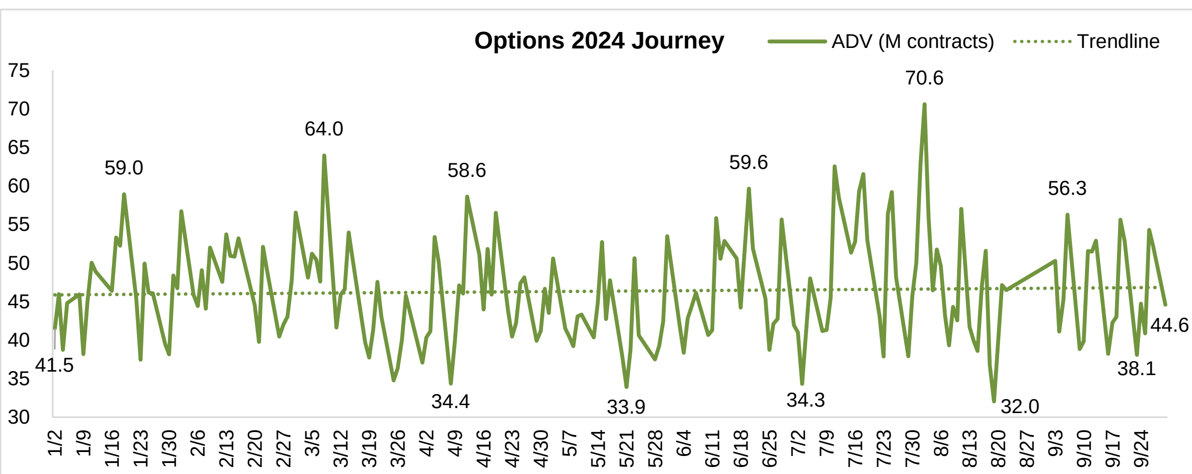


Source: Cboe Global Markets, SIFMA estimates.
Note: July 3 was an early close trading day.

Options Volumes (ADV)

- Monthly average 46.7 million contracts
    - -0.6% M/M
    - +12.7% Y/Y
- Monthly peak on the 6th at 56.3 million contracts, troughed on the 23rd at 38.1 million contracts
- Monthly equity options 42.6 million contracts (flat M/M, +13.7% Y/Y), index options 4.1 million contracts (-6.7% M/M, +4.1% Y/Y)





Source: Cboe Global Markets, SIFMA estimates
Note: July 3 was an early close trading day.

Author

SIFMA Insights
Katie Kolchin, CFA
Managing Director, Head of Research
kkolchin@sifma.org