



RESEARCH

Insights

Monthly Market Metrics and Trends: July

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

August 2024

Monthly Highlight

- Aggregate SPX performance had been driven by mega cap tech stocks; tech sector of the index was +25.1% YTD. The SPX outperformed other market cap segments: +4.4 pps > mid cap (MID), +6.9 pps > small cap (SML).
- The we saw a July reversal. Investors shifted money from the big tech names to value plays, many in the small cap realm. The Russell 2000 (RTY) small cap index was up 11.2% YTD; driven by one month's performance, +10.1% for July, after gaining only 1.0% for the first six months of the year.
- Further, AI euphoria was shifting to a show-me story. The SPX half period performance decreased 13.3 pps from 1H to 2H, while the tech sector fell 29.9 pps. At the same time, the SML jumped 12.3 pps.

Monthly Metrics

- Volatility (VIX): Monthly average 14.47; +14.1% M/M, +3.8% Y/Y
- S&P 500 (Price): Monthly average 5,538.00; +2.3% M/M, +22.8% Y/Y
- Performance (month/year): best = real estate/ tech +7.1%/+25.1%; worst = comms/real estate -4.2%/+2.7%
- Equity ADV: Monthly average 11.2 billion shares; -5.6% M/M, +7.4% Y/Y
- Options ADV: Monthly average 48.7 million contracts; +4.4% M/M, +13.9% Y/Y

Monthly Highlight

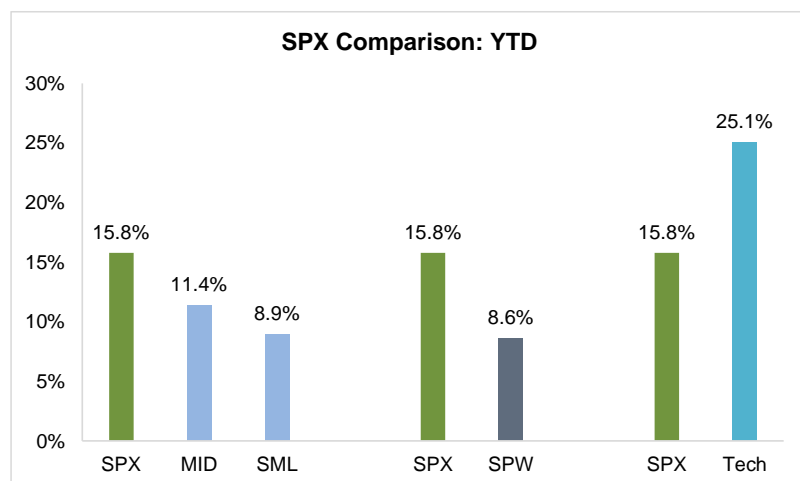
The Great (?) Rotation

One month into the second half of the year, we thought it would be interesting to look at the dramatic shift we saw in the performance of various segments of the S&P 500 (SPX) index. For the first half of the year, overall index performance had been driven by mega cap tech stocks. AI euphoria drove these big names and many stocks in the technology sector higher. At 31.4% of the total index (as of the end of July), as the technology sector went, the aggregate index followed.

YTD (through July), the full index, SPX (dark green column), has outperformed other market cap segments. The SPX was:

- +4.4 pps above the mid cap (MID) segment
- +6.9 pps above the small cap (SML) segment
- +7.2 pps above the equal weighted index (SPW)

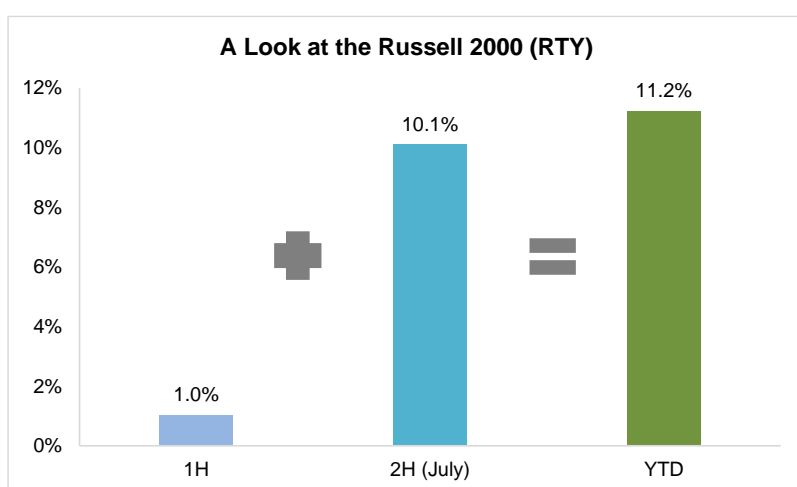
The technology sector lead the way at +25.1% YTD, +9.3 pps above the aggregate index.



Source: Bloomberg, SIFMA estimates

Then came the reversal, or the Great Rotation as deemed by some market participants. Investors shifted money from the big tech names to value plays, many in the small cap realm. With a good inflation print, market expectations for a September rate cut reached essentially 100%. Small cap companies are more rate sensitive, having higher borrowing costs than larger peers. This group would benefit greatly from a rate cut.

As such, small caps rallied in July. While we show this in more detail for the SPX sectors on the next page, first we have a chart of the Russell 2000 (RTY) index. This small cap index visually shows the July rally very clearly. The RTY is up 11.2% for the year, driven by one month's performance, +10.1% for July, after gaining only 1.0% for the first six months of the year.



Source: Bloomberg, SIFMA estimates

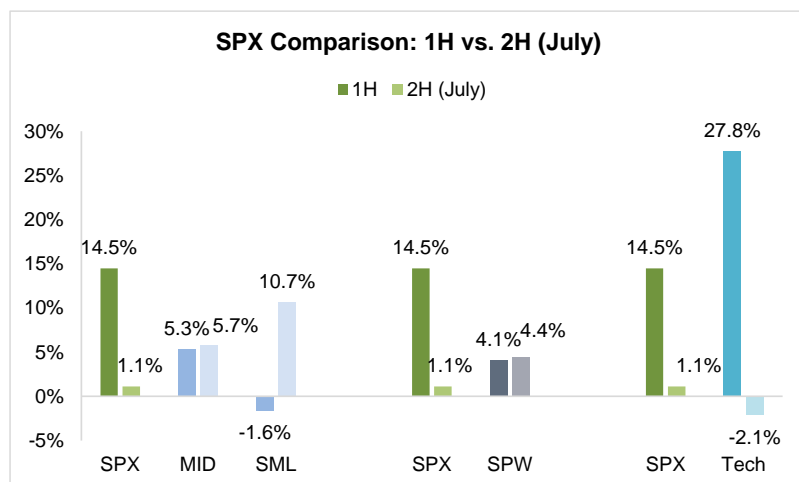
Finally, the chart below shows the first versus second half performance by SPX segments. While the SPX half period performance decreased 13.4 pps from 1H to 2H, small caps (SML) jumped 12.3 pps.

At the same time small caps were rallying, AI euphoria was shifting to a show-me story. As shown in the next section, the three worst performing sectors in July were home to the Magnificent Seven stocks:

- Communications -4.2% versus the SPX at +1.1% for the month; includes META and GOOG/L (Google/Alphabet)
- Technology -2.1%; includes AAPL (Apple), NVDA (Nvidia), and MSFT (Microsoft)
- Consumer discretionary +1.6%; includes TSLA (Tesla) and AMZN (Amazon)

Investors have begun to question the spend required to build out AI programs against the amount and timing of returns on investment. This was seen in recent earnings results for MSFT and GOOG/L, whose stocks fell on AI disappointment.

As such, the technology sector led the index’s decline for the month, falling 29.9 pps.



Source: Bloomberg, SIFMA estimates

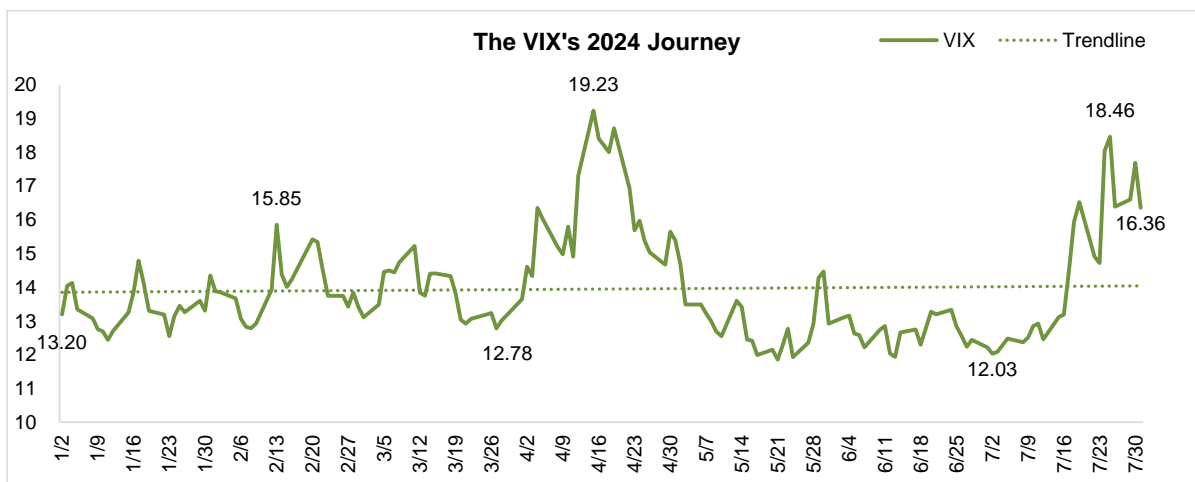
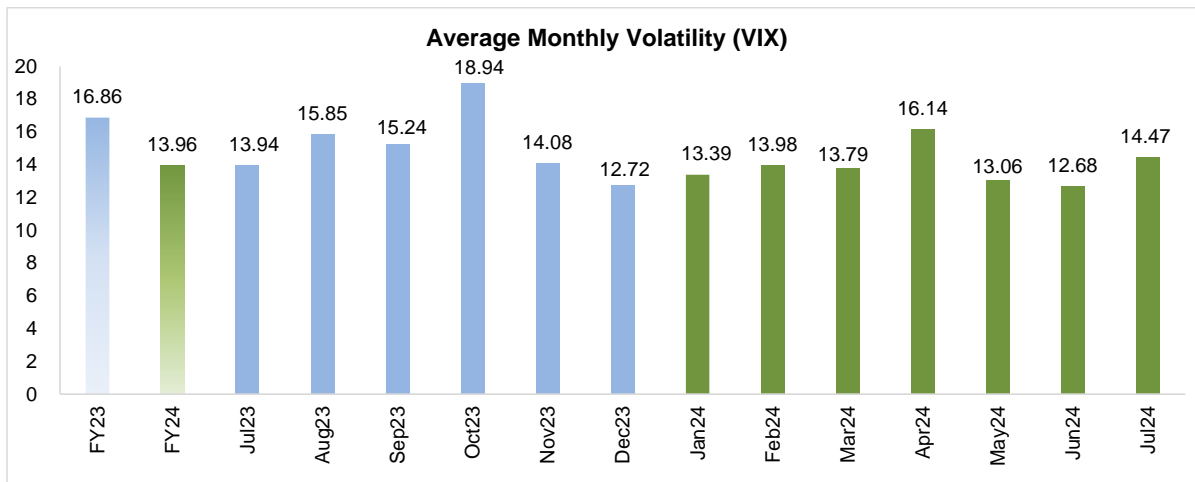
We finish by noting that many market participants wondered how long the small cap rally could last. Even as we wrote this report, another reversal has begun. After the Fed held rates at the current level at the July FOMC meeting, markets focus turned to the economy. Concern is growing around cracks in the economy, wondering if the Fed will wait – or has waited – too long to cut rates. Small cap names are more sensitive to economic downturns, or dare we even say recessions.

Monthly Market Metrics

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

Volatility (VIX)

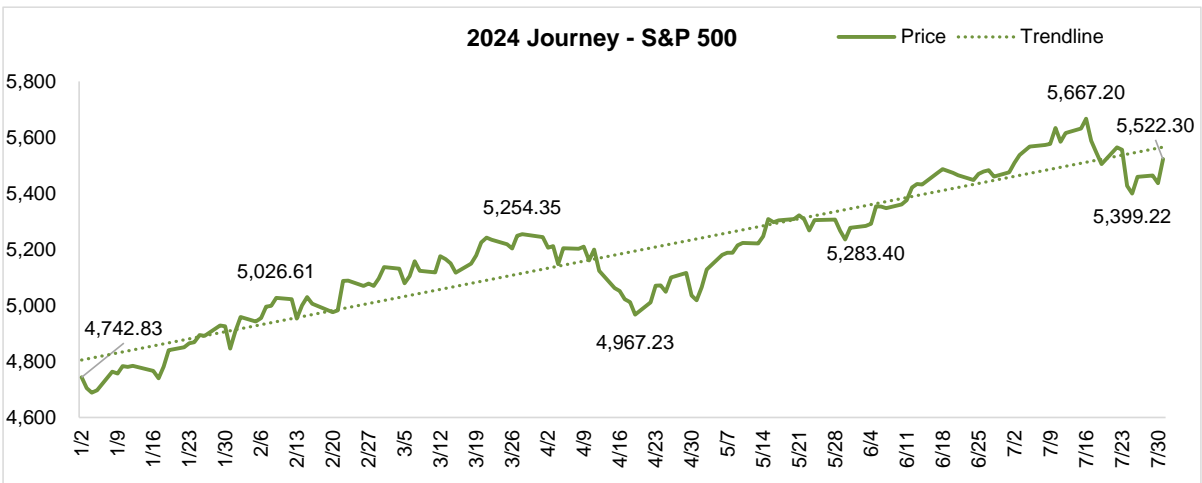
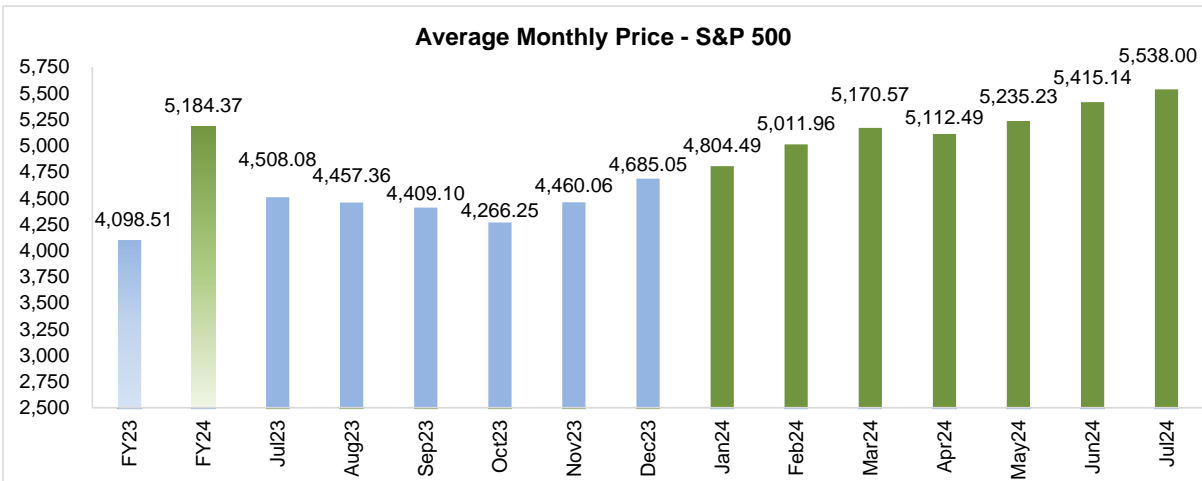
- Monthly average 14.47
 - +14.1% M/M
 - +3.8% Y/Y
 - +9.6% from the start of the year
- Monthly peak on the 25th at 18.46, troughed on the 2nd at 12.03



Source: Bloomberg, SIFMA estimates

S&P 500 Index: Price

- Monthly average 5,538.00
 - +2.3% M/M
 - +22.8% Y/Y
 - +16.8% from the start of the year
- Monthly peak on the 16th at 5,667.20, troughed on the 25th at 5,399.22

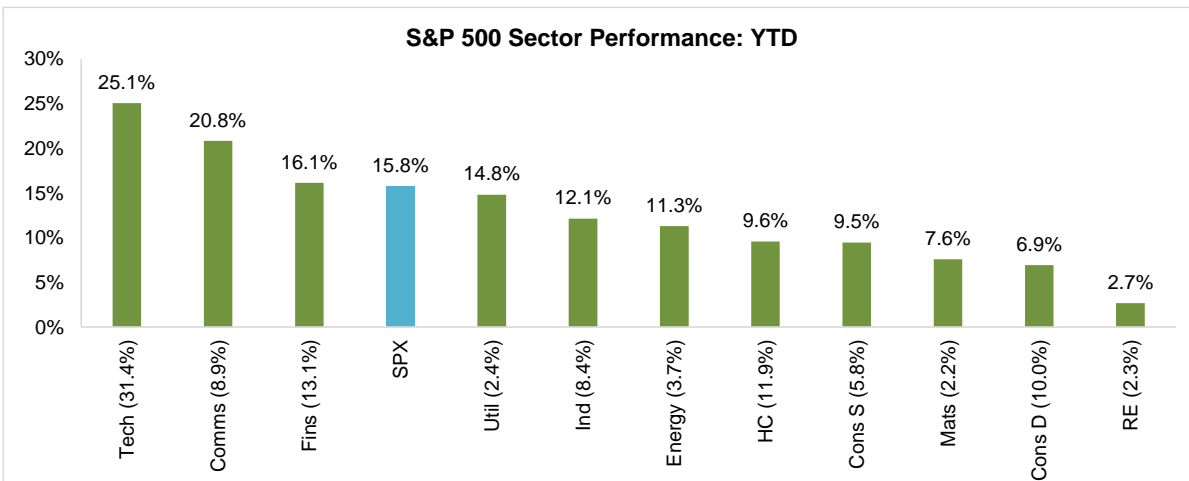
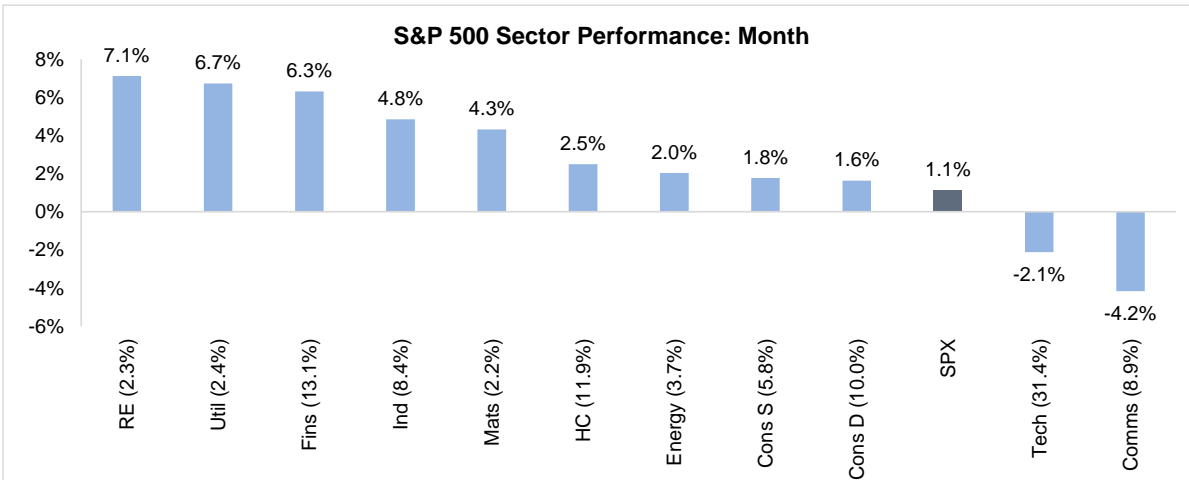


Source: Bloomberg, SIFMA estimates

S&P 500 Index: Sector Breakout

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

- Best performing sectors
 - Month = real estate at +7.1% and utilities at +6.7%
 - YTD = technology at +25.1% and communications at +20.8%
- Worst performing sectors
 - Month = communications at -4.2% and technology at -2.1%
 - YTD = real estate at +2.7% and discretionary at +6.9%

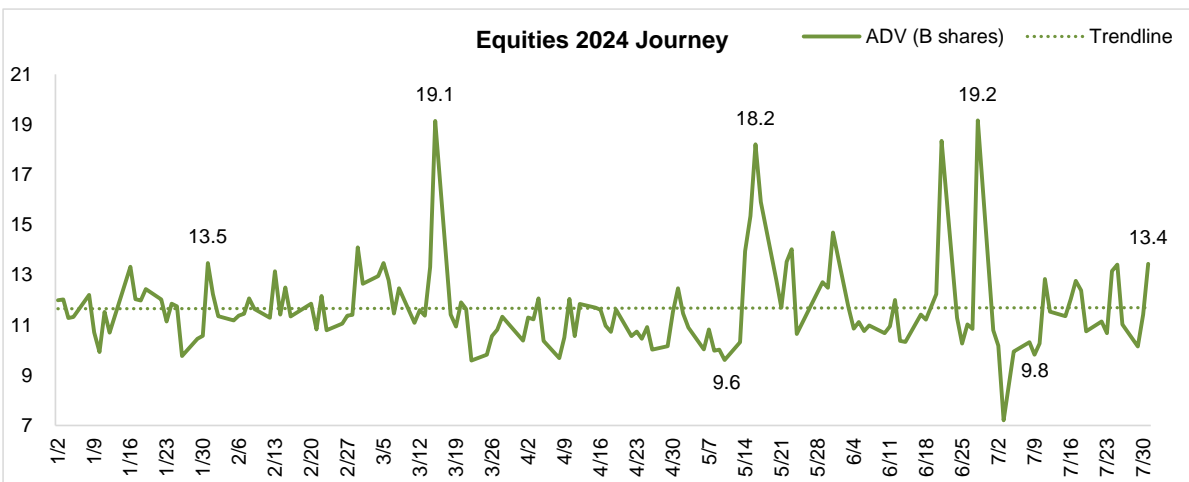
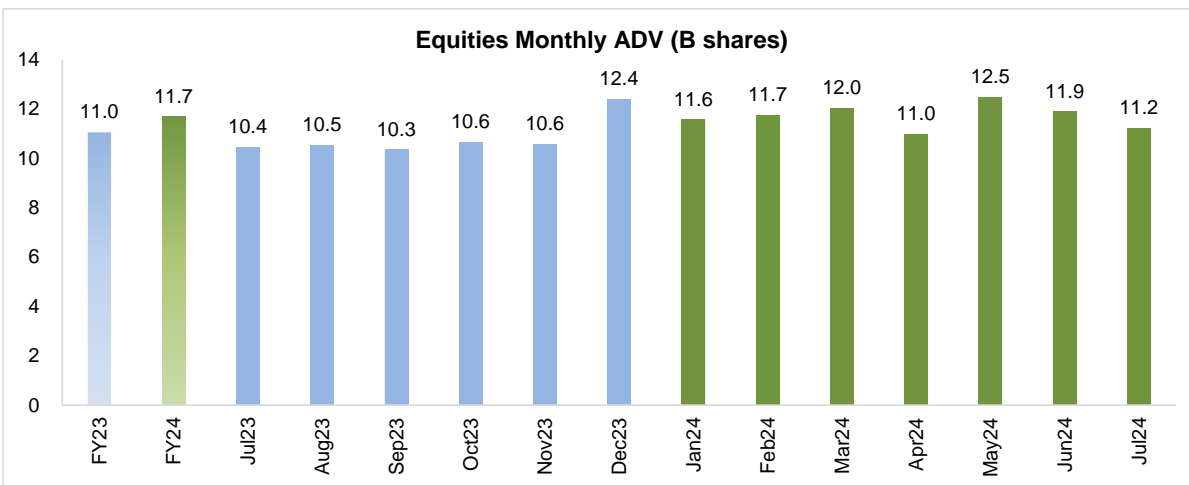


Source: Bloomberg, SIFMA estimates

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)

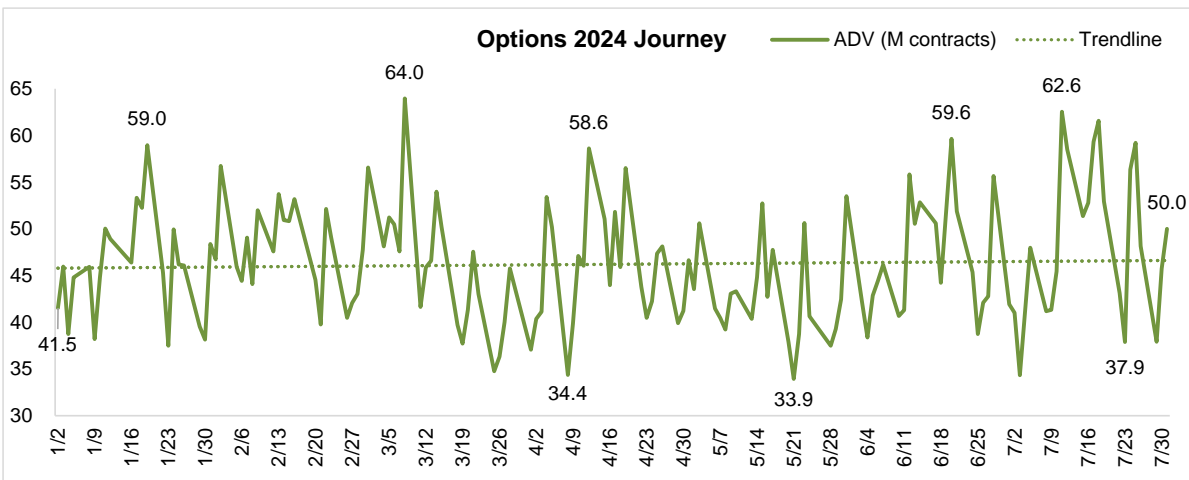
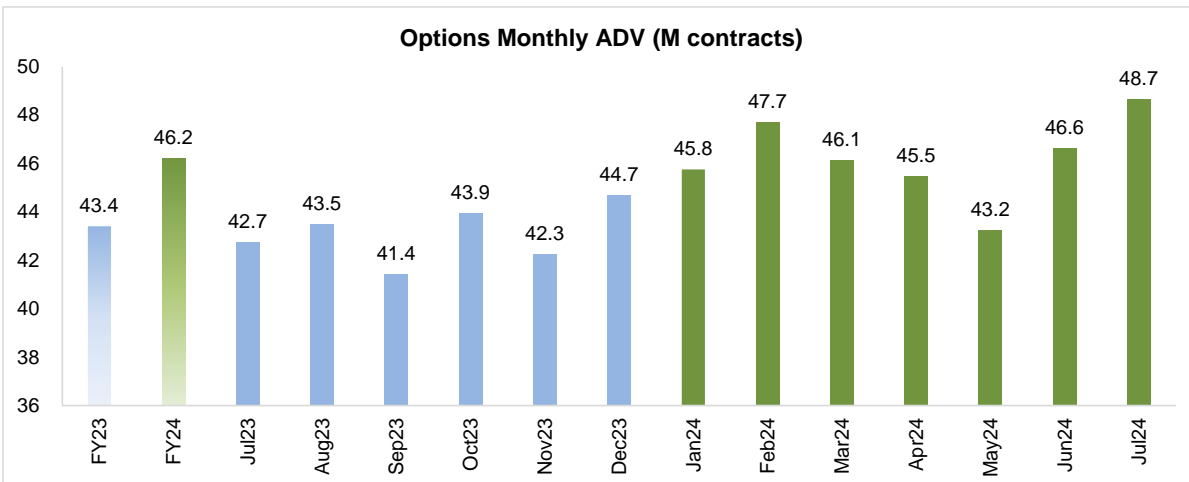
- Monthly average 11.2 billion shares
 - -5.6% M/M
 - +7.4% Y/Y
 - -6.5% from the start of the year
- Monthly peak on the 31st at 13.4 billion, troughed on the 9th at 9.8 billion (excludes half trading days)
- Monthly average off exchange trading 47.4%; 1.3 pps M/M, +2.4 pps Y/Y



Source: Cboe Global Markets, SIFMA estimates

Options Volumes (ADV)

- Monthly average 48.7 million contracts
 - +4.4% M/M
 - +13.9% Y/Y
 - +17.2% from the start of the year
- Monthly peak on the 11th at 62.6 million contracts, troughed on the 23rd at 37.9 million contracts (excludes half trading days)
- Monthly equity options 44.5 million contracts (+4.2% M/M, +13.3% Y/Y), index options 4.2 million contracts (+6.1% M/M, +20.4% Y/Y)



Source: Cboe Global Markets, SIFMA estimates

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