Monthly Market Metrics and Trends: October

Analyzing Volatility, Market Performance, and Equity and Options Volumes

Plus a Look at a Key Equity Markets Theme for the Month

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Market Theme

- With the 2024 US presidential election on Nov 5, S&P 500 performance in October must be considered with this event in mind. Overall, the S&P 500 has continued to climb throughout the year, +19.6% YTD.
- Growth rates have come down, +3.3% from Aug-end Oct and -1.0% in Oct. This can be explained by the numbers – S&P 500 already elevated by August, 4,642.83 at the start of the year to 5,446.68 to start August, +14.8%.
- The S&P 500 took a sharp turn down on the last day of October, -1.9% D/D. Excluding this day, the S&P 500 was +0.9% in October and +21.9%% YTD.
- What Is Driving Markets? Is it: election day – S&P 500 positive after election day 4x since ‘92, flat 1x, negative 3x; earnings – tech 31.7% of the SPX, earnings results were the reason for the Oct 31 D/D decline; or the economy – doing well but back and forth on data points and FOMC meeting next week.

Market Metrics

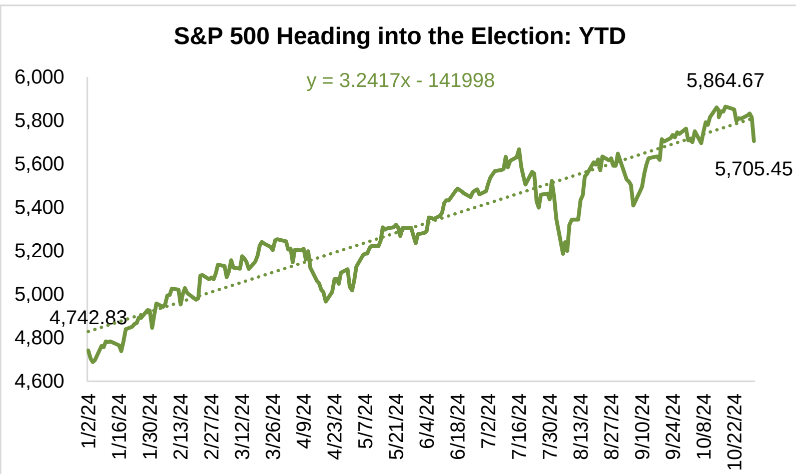
- Volatility (VIX): Monthly average 19.96; +12.3% M/M, +5.4% Y/Y
- S&P 500 (Price): Monthly average 5,792.32; +3.0% M/M, +35.8% Y/Y
- Performance (month/year): best = financials/comms +2.6%/+30.2%; worst = healthcare/energy -4.7%/+6.4%
- Equity ADV: Monthly average 11.7 billion shares; -1.6% M/M, +9.6% Y/Y
- Options ADV: Monthly average 47.2 million contracts; +0.9% M/M, +7.3% Y/Y

Market Theme

S&P 500 Continues Its Climb

With the 2024 US presidential election on November 5, S&P 500 performance in October must be considered with this event in mind. First, we step back to review market performance for the year and after key events. Overall, the S&P 500 has continued to climb throughout the year. The index is up 19.6% YTD (through end October).

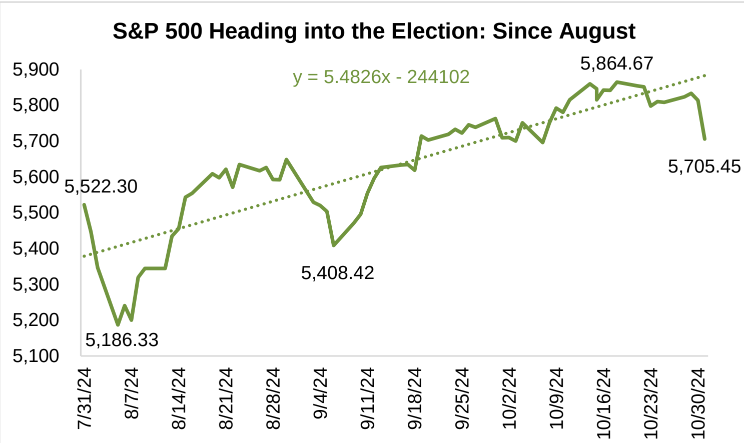
Markets dipped slightly in April, when Middle East tensions escalated after Iran launched 300 missiles at Israel. The S&P 500 came down again in early August, with the temporary unwind of the carry trade[1]. August 5 posted the worst D/D decline of the year, -3.0%. Markets recovered quickly – and continued to increase – after each event.

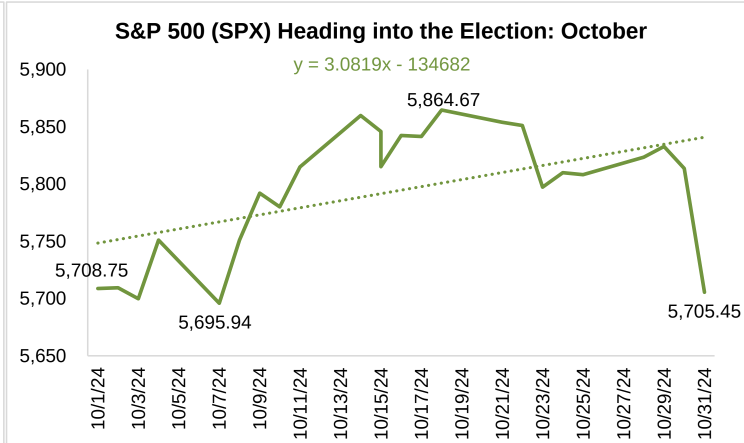


Source: Bloomberg, SIFMA estimates

[1] Carry trade: A currency trading strategy where an investor borrows money in a currency with the low interest rate – Japanese yen (JPY) – and invests in another currency with a higher interest rate – U.S. dollar (USD) – profiting from the interest rate differential between the two currencies. On July 31, the Bank of Japan unexpectedly raised its central bank rate by 25 bps, ending its longstanding zero(/negative) rate policy and signaling further rate hikes. The JPY appreciated, and the less favorable interest rate differential triggered the unwinding of the carry trade.

That said, it has not been a smooth ride upward. As shown below, growth rates have come down, +3.3% from August through the end of October and -1.0% in October.





Source: Bloomberg, SIFMA estimates

This can be explained more by the numbers – the S&P 500 was already elevated by the time we reached August, from 4,642.83 at the start of the year to 5,446.68 to start August, +14.8%. Further, the slope of the charts show the quick recovery in August: 5.4826 for the August to October period versus 3.2417 YTD, +69.1%.

Overall, October had a lower slope: 3.0818, -4.9% to the full year. However, the S&P 500 took a sharp turn down on the last day of October. The D/D change on October 31 was -1.9%, the fourth largest D/D decline for the year. We had not seen a decline of this magnitude since September 3, -2.1%. Excluding this day, the S&P 500 was up 0.9% in October and +21.9%% YTD. The slope story changes as well. Excluding the last day of the month, the October slope was 4.2948, +32.5% to the full year.

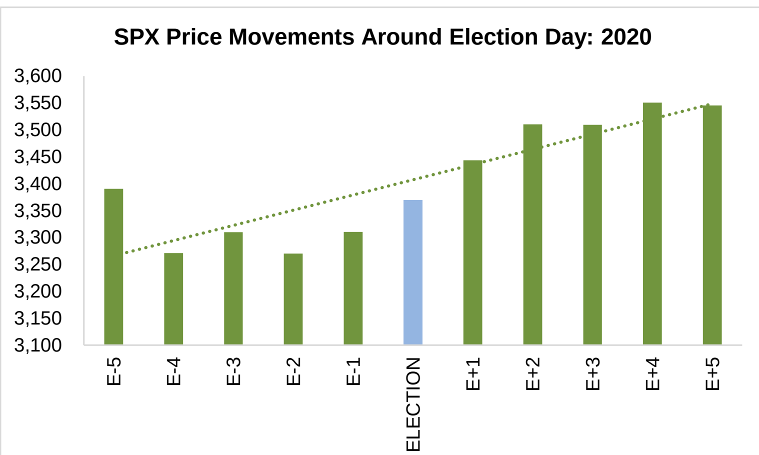
	YTD	Since August	October
Index Price			
Start	4,742.83	5,446.68	5,708.75
End	5,705.45	5,705.45	5,705.45
Difference	962.62	258.77	(3.30)
Peak	5,864.67	5,864.67	5,864.67
Trough	4,688.68	5,186.33	5,695.94
Difference	1,175.99	678.34	168.73
% Change	**19.6%**	**3.3%**	**-1.0%**
Line Slope	3.2417	5.4826	3.0819
Difference		69.1%	-4.9%

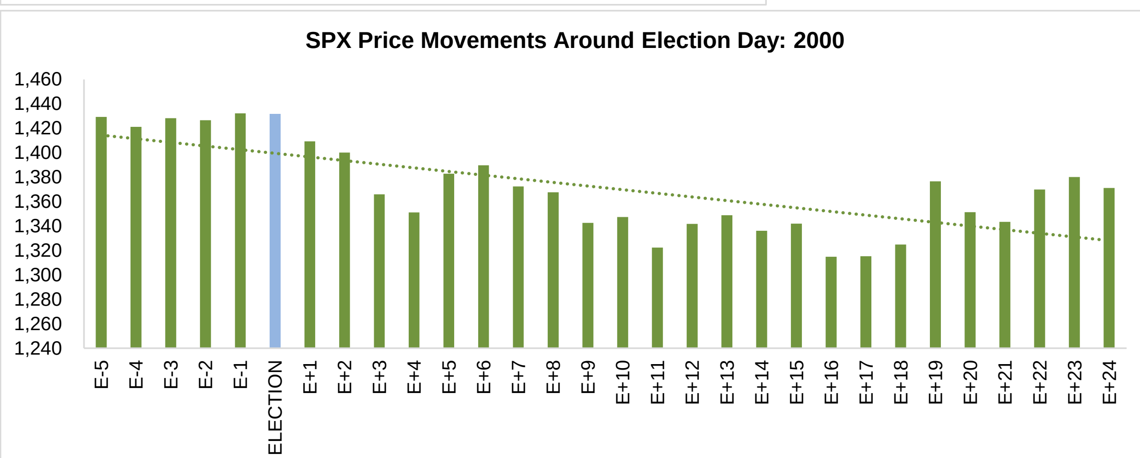
Source: Bloomberg, SIFMA estimates

What Is Driving Markets?

Next, we assess recent drivers of market performance. **Is it the countdown to election day?** The election looms large[2], presenting uncertainty. There are also concerns that we will not have an election result after election day. Looking back to the 1992 US presidential election, we had a final result the day after election – or E+1 – six out of eight times. In 2000, we did not have a final result until December 12, after a Supreme Court decision, or E+35. In 2020, we did not have a final result until November 7, when the result was called by the Associated Press, or E+4.

As shown in the charts below, a short delay such as E+4 was tolerated by markets. Market performance on day five after election day increased versus election day itself by 5.2%. (An increase on day five versus election day was true for four out of eight election periods since 1992, with three years negative, including the Global Financial Crisis year, and one year essentially flat.) However, markets did not tolerate E+35 as well. By the time the election result was finalized in 2000, the price of the S&P 500 was 4.2% below the price on election day.





Source: Bloomberg, SIFMA estimates

[2] Please see our SIFMA Insights note Markets and Elections.

However, it is hard to separate out all of the factors in play around elections, including: the economy; geopolitical tensions or wars; and financial market conditions. As we head into November 5, the economy remains strong. Financial conditions – in terms of a crisis or significant disruption, not market prices – are solid. Geopolitical concerns remain heightened.

Is it earnings? At 31.7% (as of October 31), the technology sector represented 31.7% of the S&P 500 index, the SPX. As such, as technology stocks go, the market goes. After the close on October 30, Microsoft (ticker: MSFT) reported disappointing revenue guidance, despite beating earnings estimates for the quarter. The stock price declined around 6%. Meta Platforms' (ticker: META) stock also declined, over 4%. In addition to missing expectations for user growth, it announced a significant increase to capital expenditures in 2025.

This signifies an ongoing story in the technology sector and the market overall. The artificial intelligence (AI) story has shifted. The enthusiasm over AI's long term potential is no longer enough to drive stocks higher in the near term. The reality of the costs to develop the technology has become the focus. This theme will continue to be top of mind for markets.

Is it the economy? Summing up the economic environment for 2024, we are not in a recession. In fact, there is a debate whether we will have a soft or no landing in 2025, rather than a hard landing[3]. GDP growth continues, and unemployment is at a normal level. The consumer continues to spend. On the flip side, budget deficits continue to concern many.

The theme for the economy is the back and forth on data points. Take the last day of October. The Fed's inflation gauge, the personal consumption expenditures or PCE, came in line with estimates at 2.1% Y/Y, almost at the Fed's 2% target. Yet, PCE core, excluding food and energy, was at 2.7% Y/Y after increasing 0.3% on a monthly basis. Additionally, initial filings for unemployment benefits totaled 216,000 for the week ended Oct. 26, -12,000 from the prior reading and below the 230,000 estimate. The unemployment rate remained at 4.1%.

With the economy on a solid path and inflation continuing its path downward, all eyes are on the Federal Open Market Committee (FOMC) meeting on November 6-7. According to CME FedWatch, markets are now placing a 98.4% probability of a 25 bps cut in the Fed Funds target range at that meeting (at the time of writing this note).

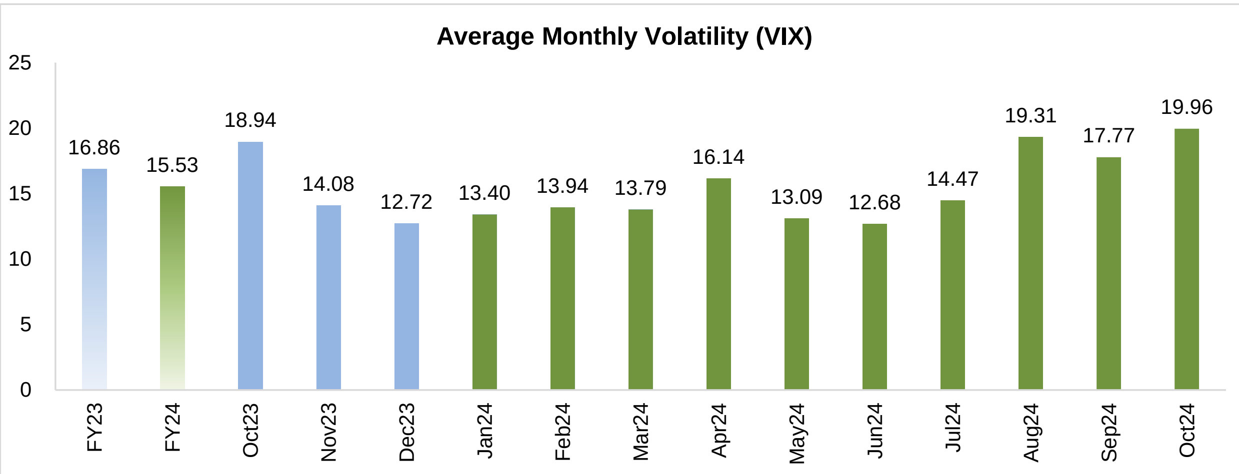
[3] Soft landing: moderate slowdown in economic growth with controlled reduction in inflation, without causing a recession. Hard landing: economy contracts sharply (significant economic downturn, high unemployment) due to the central bank's efforts to control inflation, triggering a recession. No landing: the economy continues to grow despite a series of contractionary monetary policies.

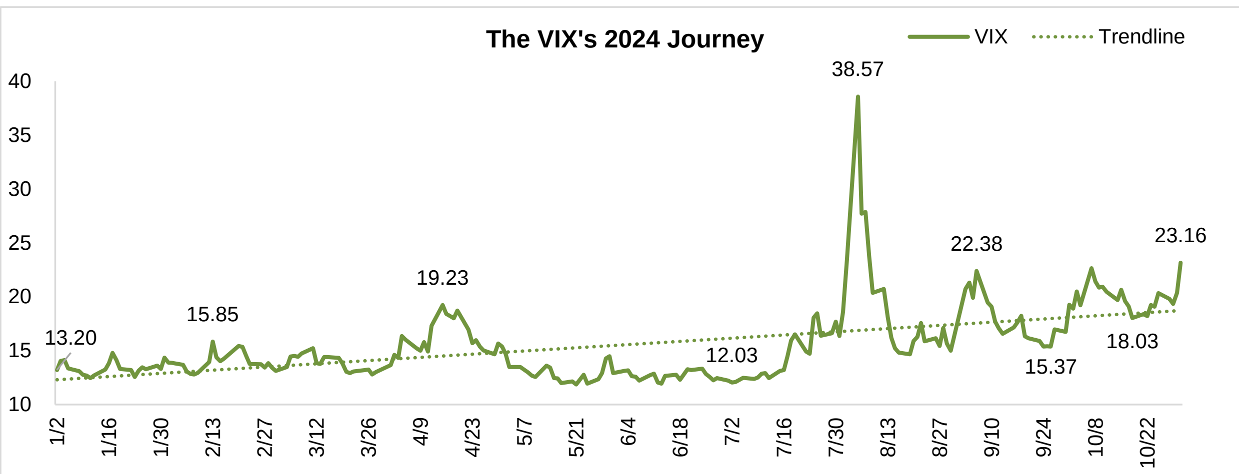
Market Metrics

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

Volatility (VIX)

- Monthly average 19.96
  - +12.3% M/M
  - +5.4% Y/Y
- Monthly peak on the 31st at 23.16, troughed on the 18th at 18.03

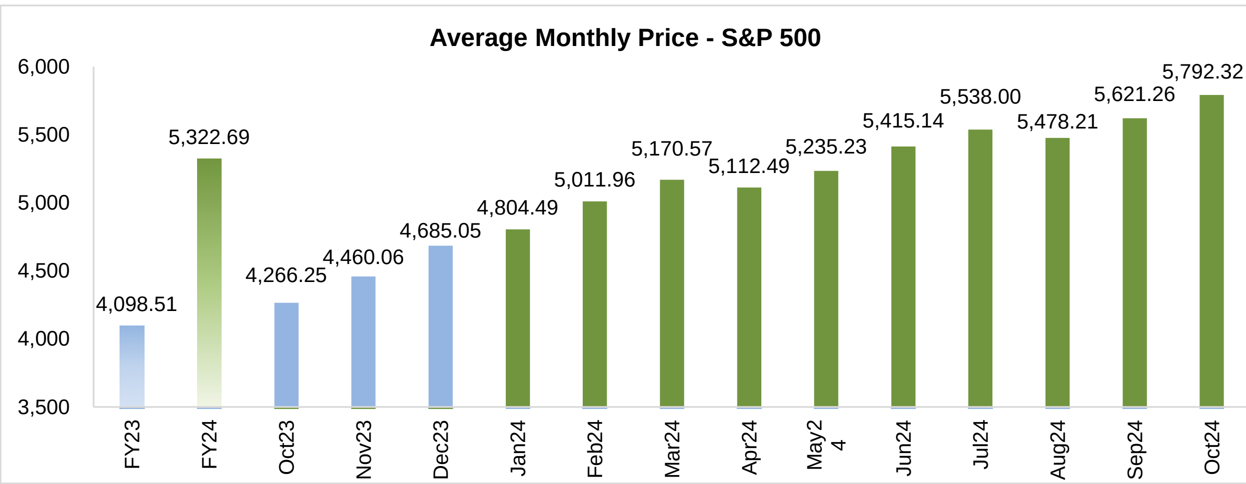


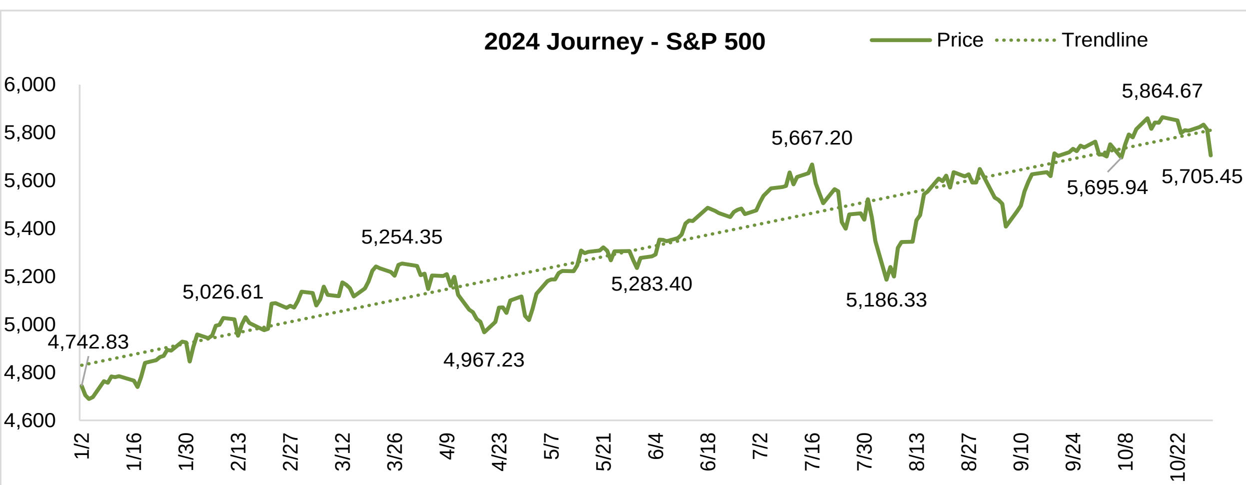


Source: Bloomberg, SIFMA estimates

S&P 500 Index: Price

- Monthly average 5,792.32
  - +3.0% M/M
  - +35.8% Y/Y
- Monthly peak on the 18th at 5,864.67, troughed on the 7th at 5,695.94



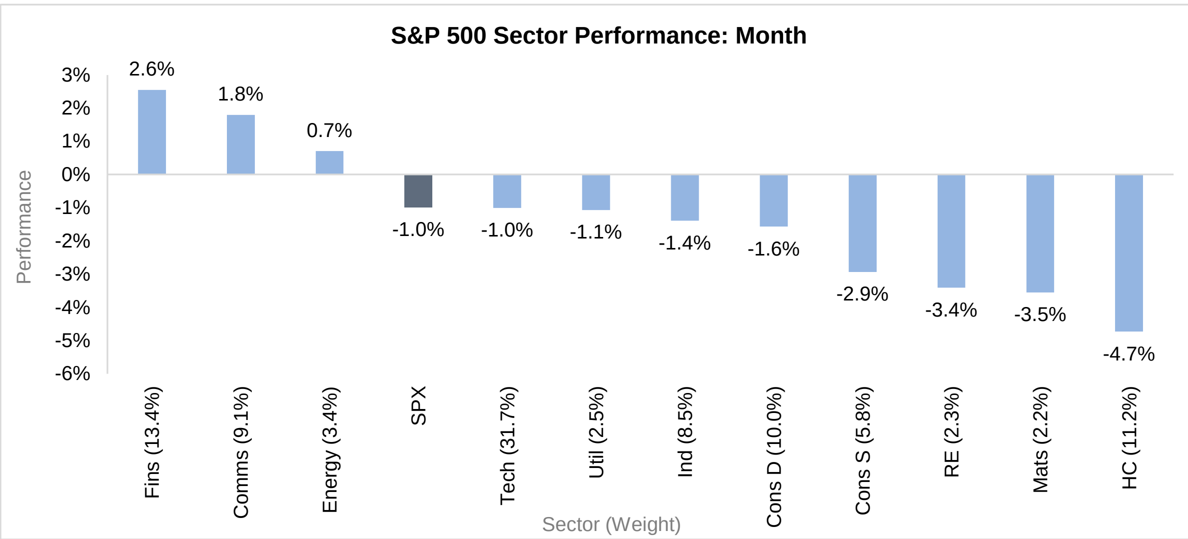


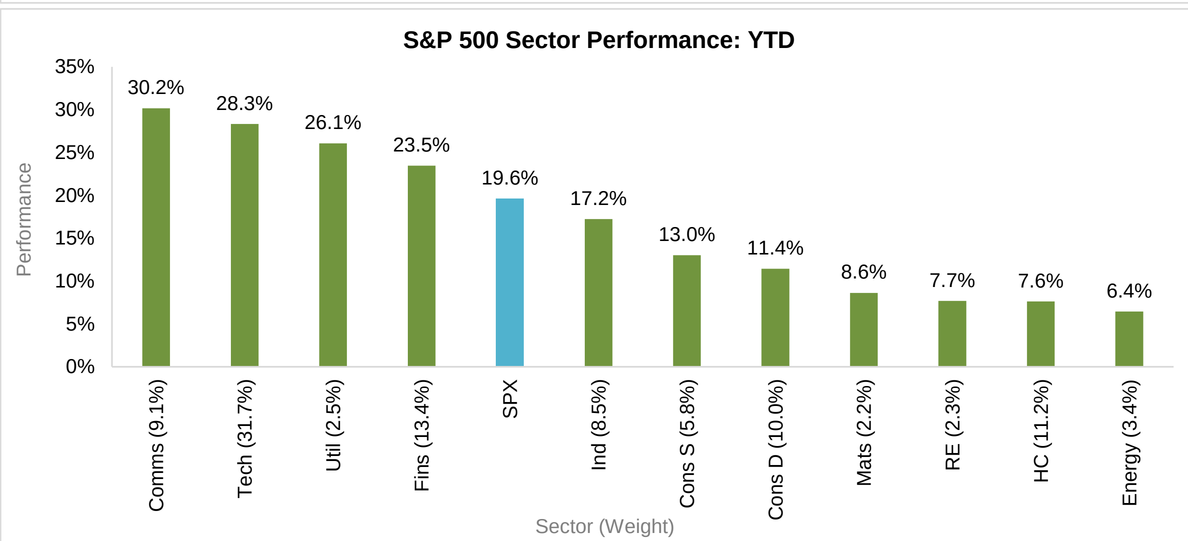
Source: Bloomberg, SIFMA estimates

S&P 500 Index: Sector Breakout

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

- Best performing sectors
  - Month = financials at +2.6% and communications at +1.8%
  - YTD = communications at +30.2% and technology at +28.3%
- Worst performing sectors
  - Month = healthcare at -4.7% and materials at -3.5%
  - YTD = energy at +6.4% and healthcare at +7.6%



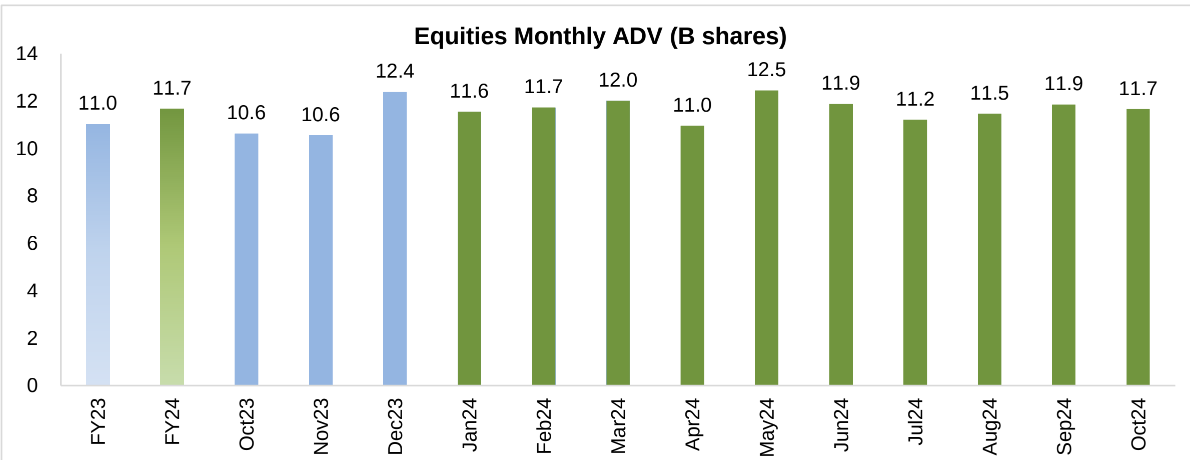


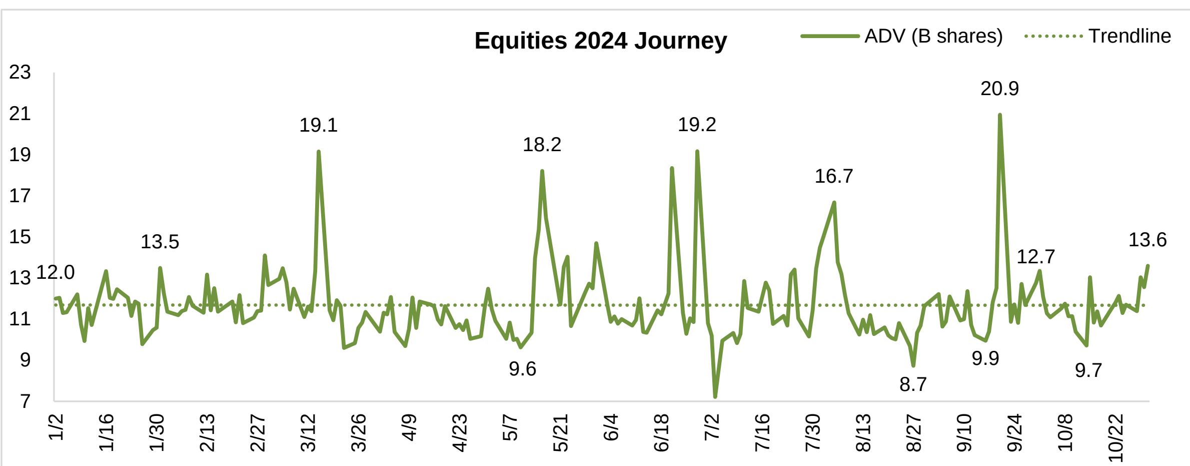
Source: Bloomberg, SIFMA estimates

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 11.7 billion shares
  - -1.6% M/M
  - +9.6% Y/Y
- Monthly peak on the 31st at 13.6 billion, troughed on the 14th at 9.7 billion
- Monthly average off exchange trading 48.8%; +1.3 pps M/M, +5.8 pps Y/Y

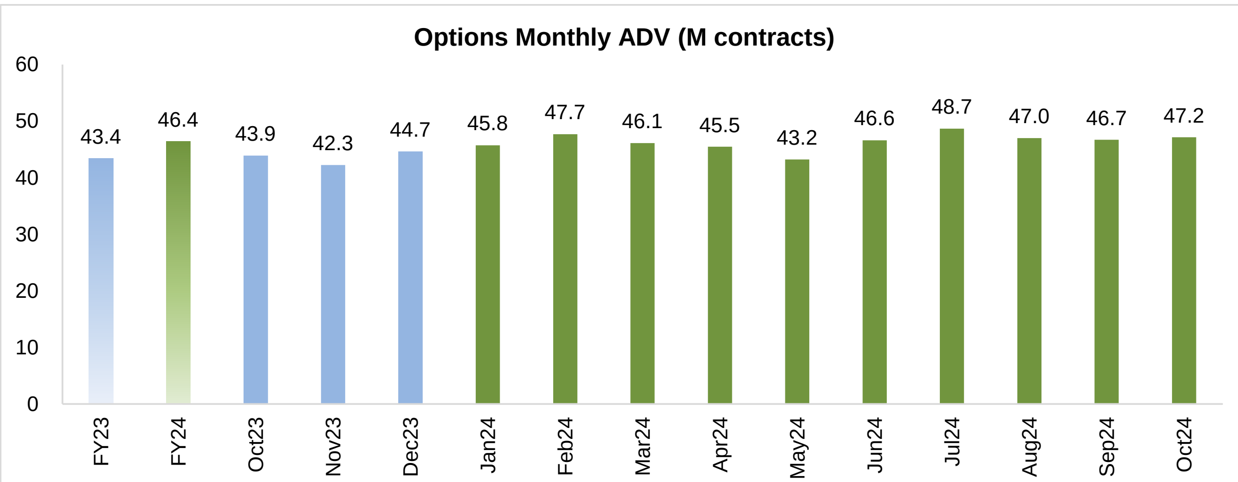


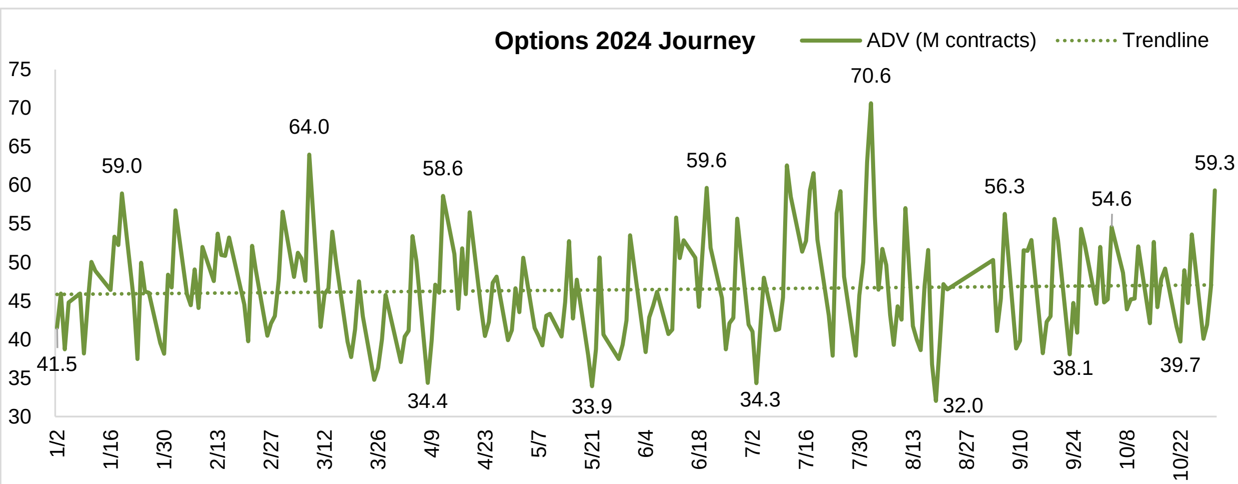


Source: Cboe Global Markets, SIFMA estimates.
Note: July 3 was an early close trading day.

Options Volumes (ADV)

- Monthly average 47.2 million contracts
  - +0.9% M/M
  - +7.3% Y/Y
- Monthly peak on the 31st at 59.3 million contracts, troughed on the 22nd at 39.7 million contracts
- Monthly equity options 43.2 million contracts (+1.3% M/M, +9.6% Y/Y), index options 4.0 million contracts (-3.2% M/M, -12.1% 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

SIFMA Insights can be found at: https://www.sifma.org/insights

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