Monthly Market Metrics and Trends: December

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

- Another year, another 20% plus return for the S&P 500. This marks the second year in a row with this type of performance: +24.2% in 2023, +23.3% in 2024. This is the fourth time in history markets have achieved this feat; markets had not seen a two-year stretch like this since the 1990s.
- Then came the December roller coaster ride. The S&P 500 spent the first twelve trading days of December over the 6,000 level. Markets wobbled a bit after the CPI report on the 11th, as inflation ticked up slightly vs. the prior month.
- Next, on December 18, the Fed sent markets down 3.4% from the pre Fed meeting peak, after announcing a slowing in the pace of rate cuts in 2025. This commentary disappointed markets.
- Then on December 20, the PCE report came in softer than expected. Markets climbed back up over the 6,000 level, +2.9% from the post Fed meeting trough.
- Unfortunately – while overall markets closed up 1.7% from election day – the S&P 500 was down 2.5% for Dec.

Market Metrics

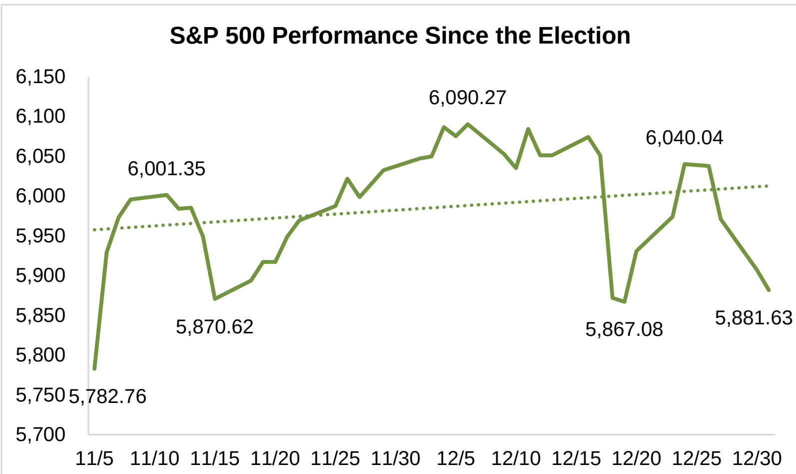
- Volatility (VIX): Monthly average 15.87; -1.6% M/M, +24.7% Y/Y
- S&P 500 (Price): Monthly average 6,010.91; +1.4% M/M, +28.3% Y/Y
- Performance (month/year): best = comms/comms +3.5%/+38.9%; worst = mats/mats -10.9%/-1.8%
- Equity ADV: Monthly average 14.7 billion shares; +0.7% M/M, +18.7% Y/Y
- Options ADV: Monthly average 50.8 million contracts; -4.4% M/M, +13.7% Y/Y

Market Theme

The December Roller Coaster

Another year, another 20% plus return for the S&P 500. This marks the second year in a row with this type of performance: +24.2% in 2023, +23.3% in 2024. This is the fourth time in history markets have achieved this feat. Markets had not seen a two-year stretch like this since the 1990s, when there was a four-year stretch of over 20% returns each year.

That said, it was not without some excitement to end the year. After the US Presidential election on November 5, optimism was the word. Markets accelerated, peaking four trading days later – and crossing the 6,000 mark – up 3.8%. Then came a decline after the October CPI (inflation) report on November 13, dropping 2.2% to the trough. The S&P 500 then shifted and climbed its way into December, peaking on December 6, up 3.7% from the aforementioned trough.



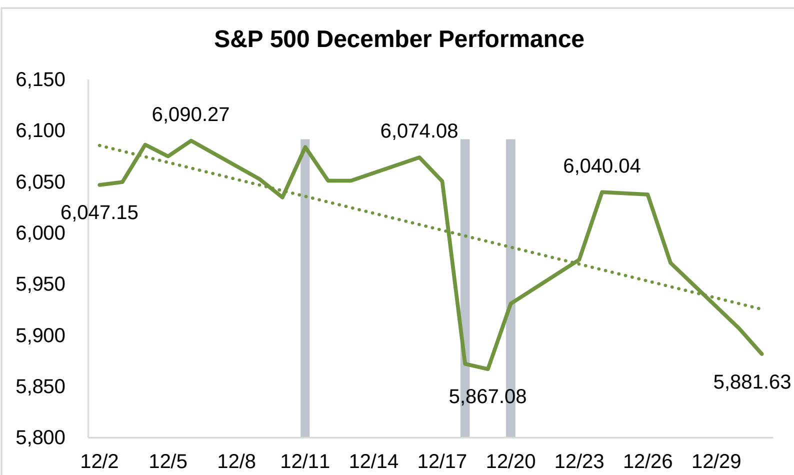
Source: Bloomberg, SIFMA estimates

Then came the roller coaster ride. The S&P 500 spent the first twelve trading days of December over the 6,000 level. Markets wobbled a bit after the CPI report on the 11th, as inflation ticked up slightly versus the prior month. That said, the report confirmed expectations for a December rate cut from the Fed (the Fed cut the rate by 25 bps at the December FOMC meeting), stabilizing markets.

Enter Fed Chair Powell on December 18, “It’s kind of commonsense thinking that when the path is uncertain you go a little bit slower. It’s not unlike driving on a foggy night or walking into a dark room full of furniture. You just slow down.” And down the markets went, -3.4% from the pre Fed meeting peak. At this meeting, the Fed released an update to its Summary of Economic Projections. This included upward revisions to growth and inflation expectations, along with a downward revision to the unemployment rate for 2025. These changes corresponded to a lowering of expectations for rate cuts in 2025. Commentary that there would be a slower pace than expected for rate cuts disappointed markets.

Then on December 20, the PCE (inflation) report came in softer than expected in aggregate. Interesting to markets was that housing inflation – which had accounted for 40% of the total CPI reported inflation increase about a week earlier – showed signs of cooling. Markets climbed back up over the 6,000 level, +2.9% from the post Fed meeting trough.

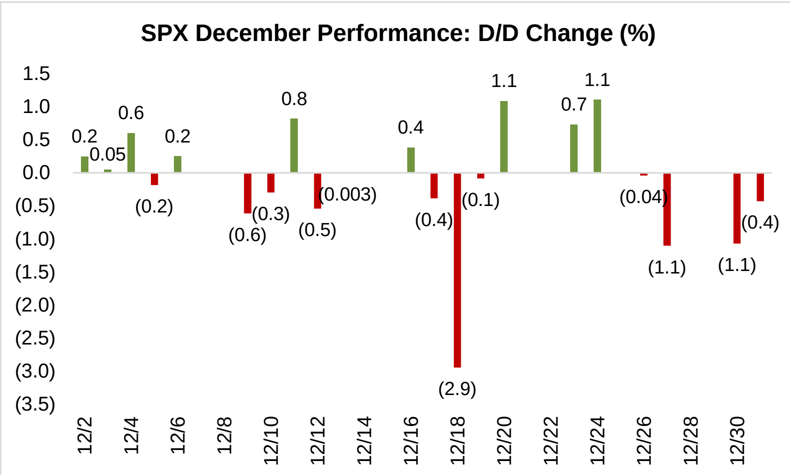
Unfortunately – while overall markets closed up 1.7% from election day – the S&P 500 was down 2.5% for December.



Source: Bloomberg, SIFMA estimates

What does this mean for the Santa Claus rally? This period includes the final five trading days of December and the first two trading days of January. According to Dow Jones Market Data, since 1950 the S&P 500 gained an average of 1.3% in this week, closing higher around 80% of the time. With two trading days to go for the 2024 Santa Claus rally, it looks doubtful. The S&P 500 is down 1.5% from the close on December 23, the day before the Santa period began (December 24-31, January 2-3).

The S&P 500 would have to gain over 92 points by Friday’s close to achieve the rally. This could be difficult, given day-over-day (D/D) changes in December were negative 57.1% of the time.



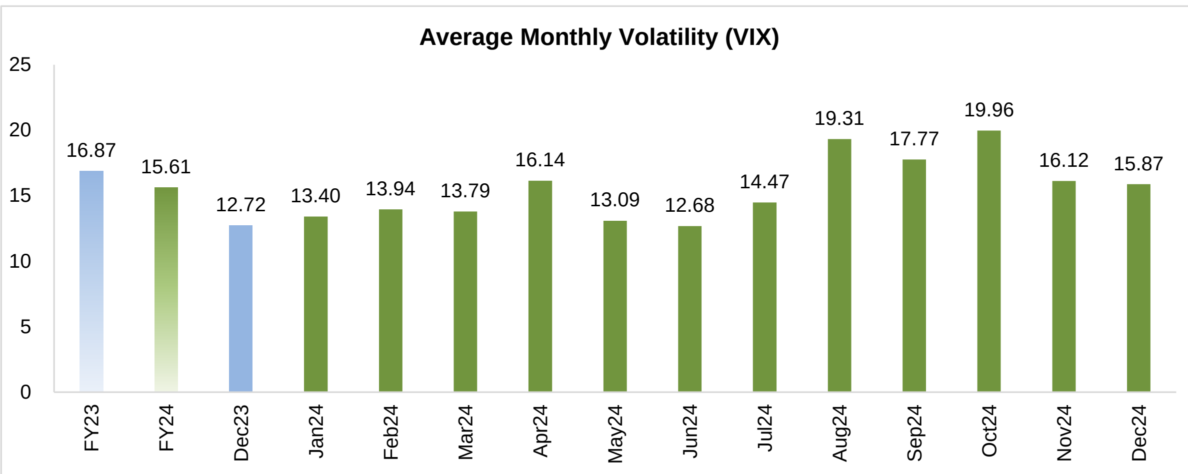
Source: Bloomberg, SIFMA estimates

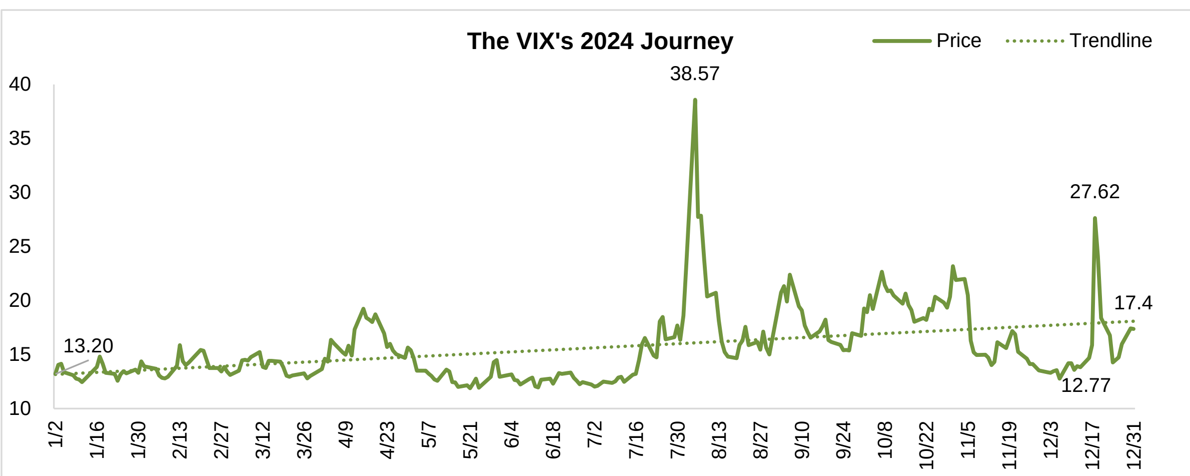
Market Metrics

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

Volatility (VIX)

- Monthly average 15.87
    - -1.6% M/M
    - +24.7% Y/Y
- Monthly peak on the 18th at 27.62, troughed on the 6th at 12.77

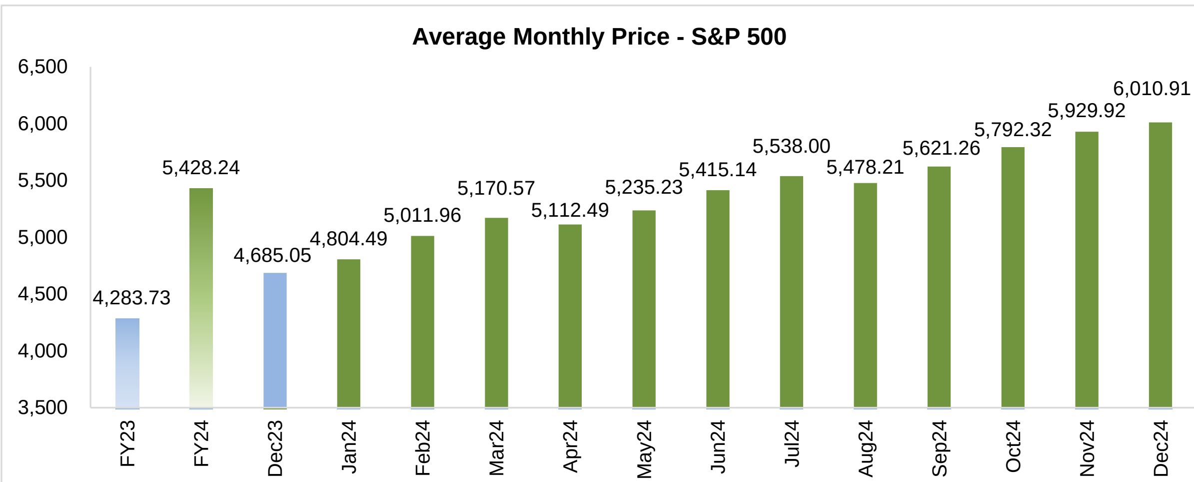


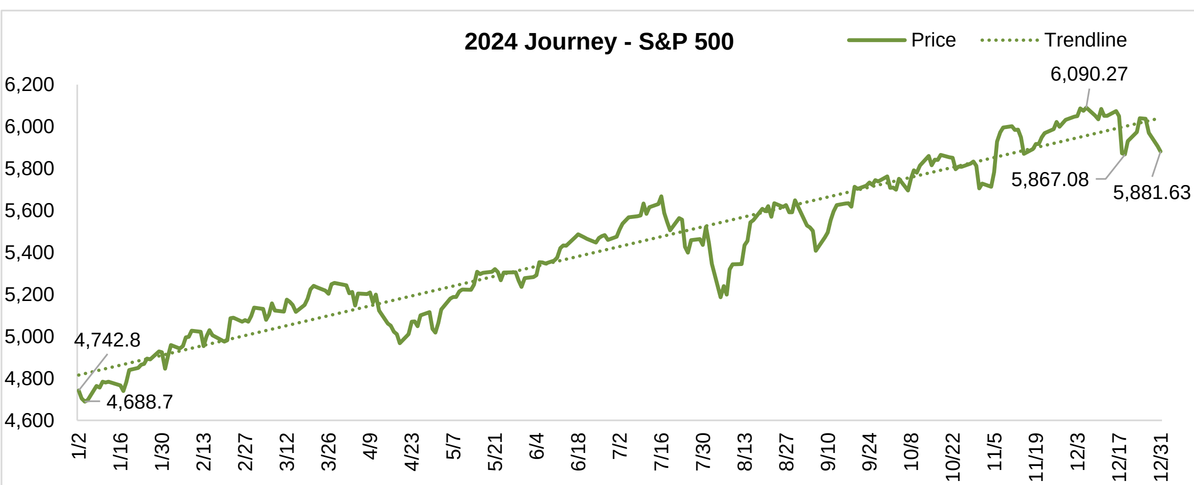


Source: Bloomberg, SIFMA estimates

S&P 500 Index: Price

- Monthly average 6,010.91
  - +1.4% M/M
  - +28.3% Y/Y
- Monthly peak on the 6th at 6,090.27, troughed on the 19th at 5,867.08



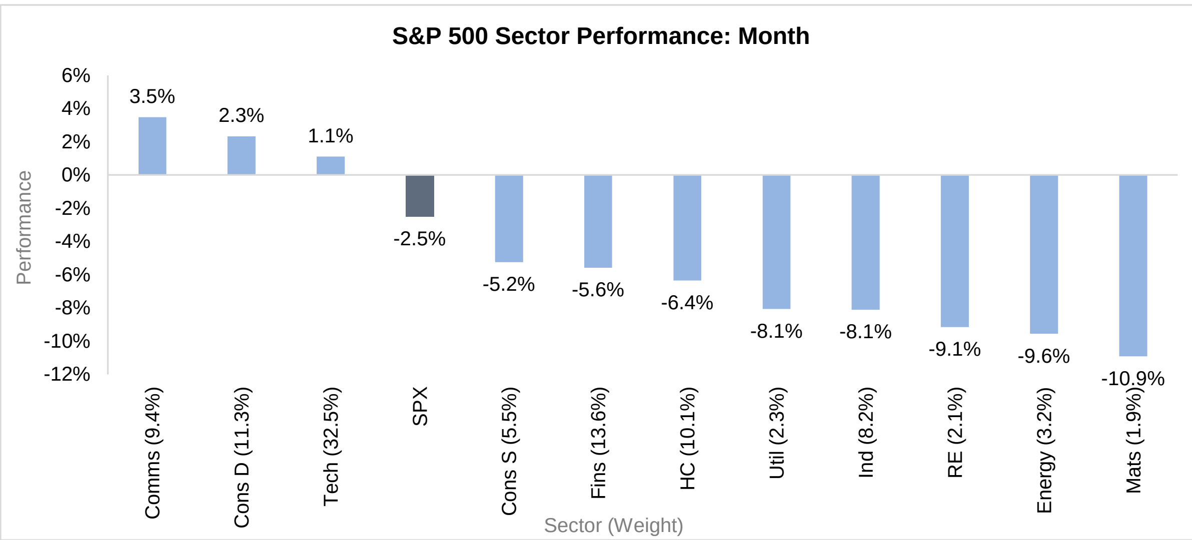


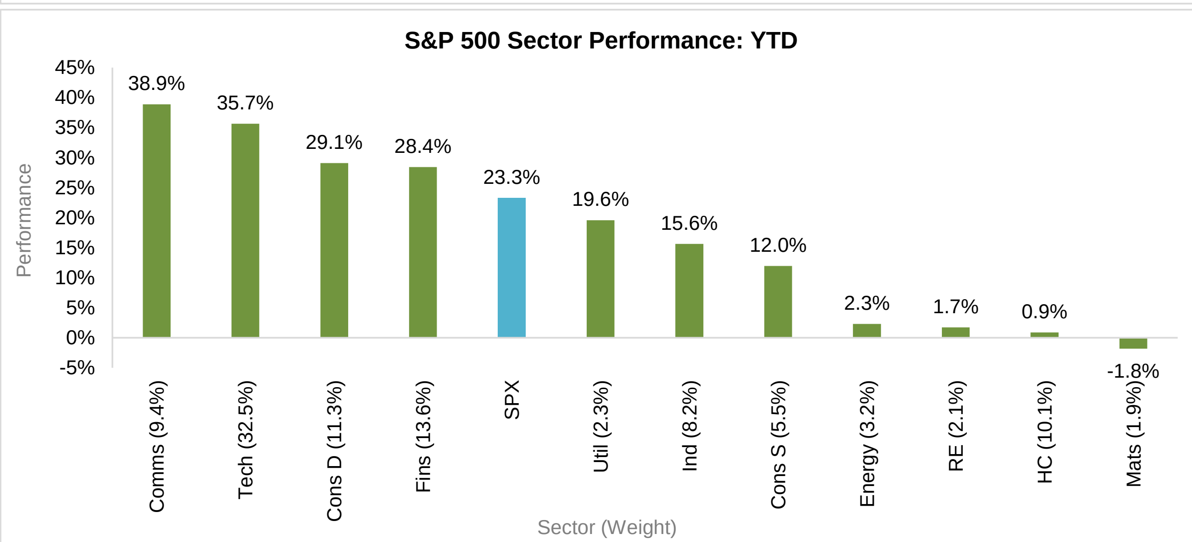
Source: Bloomberg, SIFMA estimates

S&P 500 Index: Sector Breakout

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

- Best performing sectors
    - Month = communications at +3.5% and consumer discretionary at +2.3%
    - YTD = communications at +38.9% and tech at +35.7%
- Worst performing sectors
    - Month = materials at -10.9% and energy at -9.6%
    - YTD = materials at -1.8% and healthcare at +0.9%



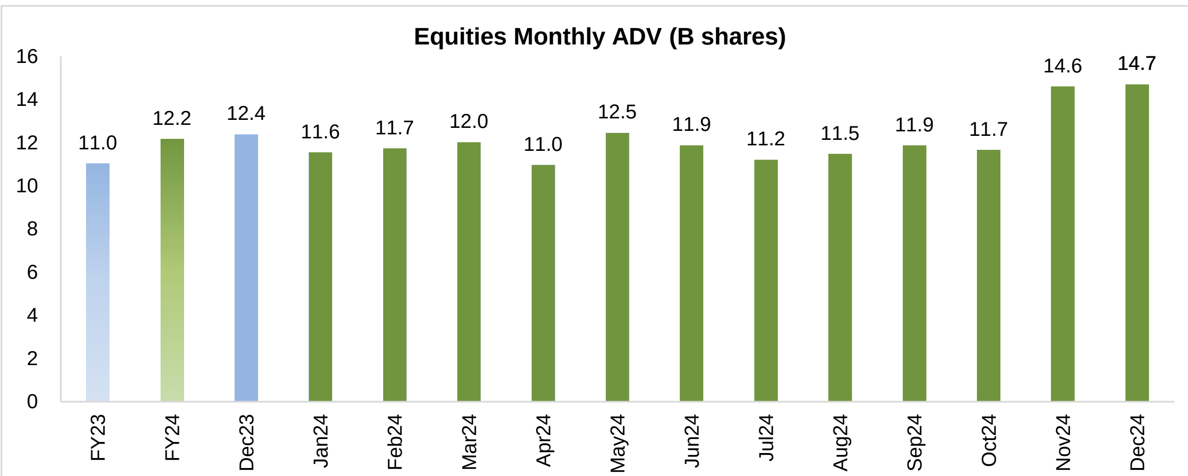


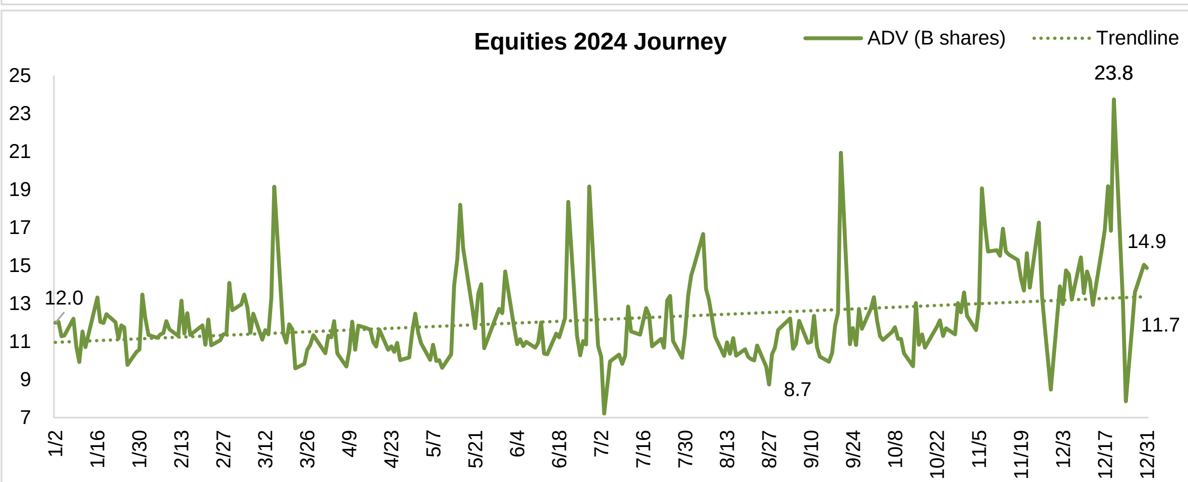
Source: Bloomberg, SIFMA estimates

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 14.7 billion shares
  - +0.7% M/M
  - +18.7% Y/Y
- Monthly peak on the 20th at 23.8 billion, troughed on the 26th at 11.7 billion (excludes days where the market closed early)
- Monthly average off exchange trading 51.4%; +1.6 pps M/M, +18.0 pps Y/Y

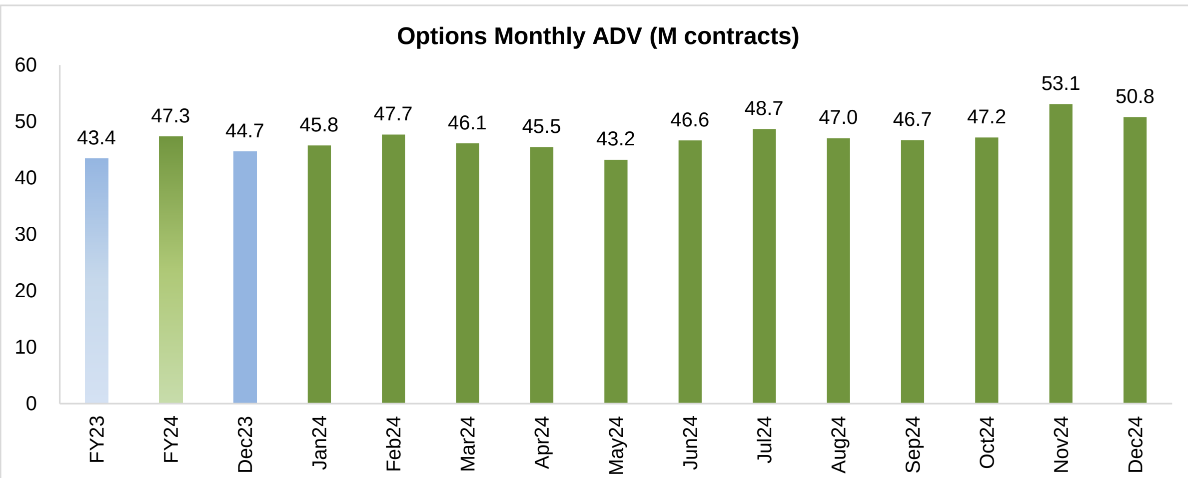


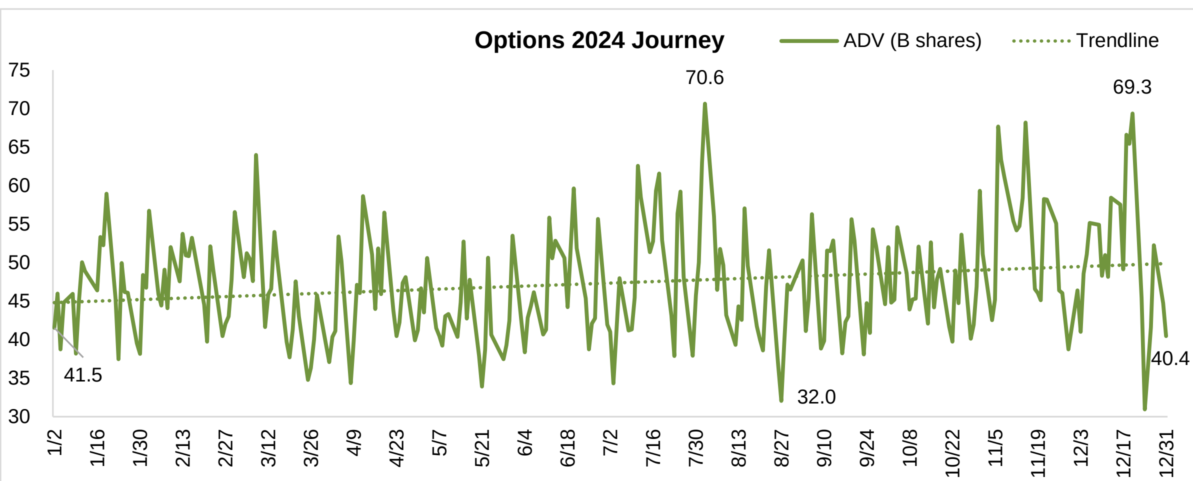


Source: Cboe Global Markets, SIFMA estimates.
Note: Data labels depict the start of the year, the last closing price, peaks/troughs for the year and month (if different from the other data points already labelled). When looking at troughs, we do not include days when the market closed early, unless it is the end of the month: July 3, November 29, and December 24.

Options Volumes (ADV)

- Monthly average 50.8 million contracts
  - -4.4% M/M
  - +13.7% Y/Y
- Monthly peak on the 20th at 69.3 million contracts, troughed on the 31st at 40.4 million contracts (excludes days where the market closed early)
- Monthly equity options 46.7 million contracts (-4.5% M/M, +14.9% Y/Y), index options 4.0 million contracts (-3.0% M/M, +1.1% Y/Y)





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

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