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Insights

Monthly Market Metrics and Trends: February

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

- To say a lot has happened this year would be an understatement. While it feels like volatility is – or at least should be – up significantly this year, it really is not.
- Yes, February closed with the VIX peaking in the 20s, +19.5% to end the month. However, the slope of the line is only slightly upward sloping; on average volatility remained muted but has been quite volatile itself.
- Tariff policy, economic data points, and technology stock performance are among the factors driving volatility, and these factors marked the VIX peaks over the last two months. For example, January 10 VIX peaked this month at 19.54 on the DeepSeek news.
- The VIX remains muted to historical levels. Looking back to 1990, YTD VIX ranked #19 (out of 36 years), remaining lower than almost all averages, except the 3-year pre-COVID average: -12.9% to 1990, +17.6% to pre COVID.

Market Metrics

- Volatility (VIX): Monthly average 17.05; +1.8% M/M, +22.3% Y/Y
- S&P 500 (Price): Monthly average 6,038.69; +1.0% M/M, +20.5% Y/Y
- Performance (month/year): Best = cons S/healthcare +5.6%/+8.1; worst = cons D/cons D, -9.4%/-5.4%
- Equity ADV: Monthly average 15.6 billion shares; +1.2% M/M, +33.1% Y/Y
- Options ADV: Monthly average 57.5 million contracts; +2.7% M/M, +20.5% Y/Y

Market Theme

VIX Has Been Volatile, But Still In Check

To say a lot has happened this year would be an understatement, and we are only two months into the year. While it feels like volatility is – or at least should be – up significantly this year, it really is not. For the first two months of the year, the VIX averaged 16.90, +8.2% to the 2024 average. Looking at the VIX by month, volatility has certainly increased as we head into the last month of the first quarter: January averaged 16.75 (+7.3% to 2024) and February averaged 17.05 (+9.3% to 2024).

Yes, February closed with the VIX peaking in the 20s, +19.5% to end the month. However, the slope of the line chart is only slightly upward sloping, at 0.0132. This implies that on average volatility remained muted but has been quite volatile itself, as shown by the zig zag pattern in the chart.

This pattern was driven by a few factors. In our US Equity Market Structure Compendium, market performance was driven by the Magnificent 7, or more broadly by what we called "true technology" – the technology sector plus the four Mag 7 stocks not classified as technology stocks by traded as technology plays – representing 46.0% of the index. As to drivers for equity market performance this year, the true technology stocks and the artificial intelligence play remain key themes. Markets continue to watch inflation and corresponding Fed policy. The wild card for themes is tariff policy. With question marks on these factors, continued good earnings growth will be needed to support higher stock valuations.

VIX's Volatile Ride in 2025

$y = 0.0132x - 585.15$

Source: Bloomberg, SIFMA Estimates
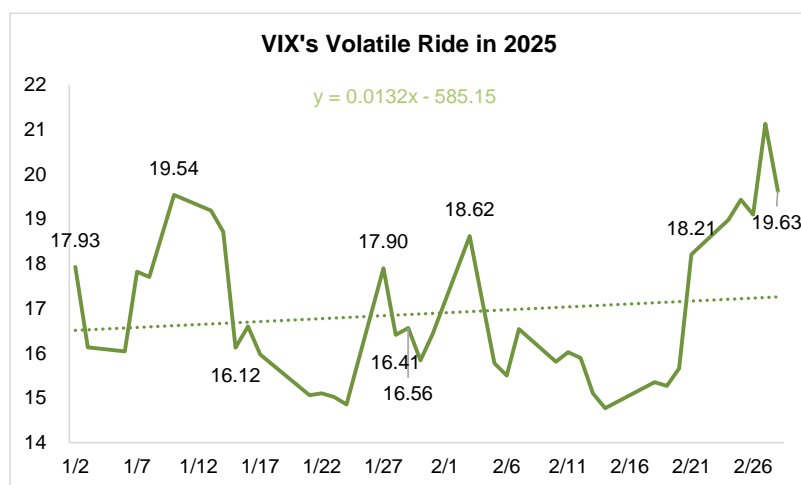
These factors marked the VIX peaks over the last two months.

January 10, VIX 19.54: This day was a double whammy for markets. First, the US awoke to news about DeepSeek, whose AI model was viewed as on par with US models but at a fraction of the cost. This led to a selloff in AI stocks, including Nvidia and the other Mag 7, as investor fears surface around the competitive landscape and capex spend for these stocks. On the same day, the December jobs report was released, showing the US economy added 256,000 jobs versus expectations for 153,000. The uncertainty around the AI trade – and market concentration around this theme – coupled with this sharp beat on the job report sent volatility higher.

January 27, VIX 17.90: Tariff concerns and technology stock underperformance remained top of mind for investors. Additionally, housing market data came in hotter than expected, adding to inflation questions. This was the day before the Fed's January FOMC meeting. While a rate cut was considered unlikely, investors were keen to get a better sense of the Fed's rate path moving forward. (We note that the VIX fell back to the mid 16s after the FOMC meeting calmed investors.)

February 3, VIX 18.62: Tariffs were at the forefront of market concerns, as President Trump announced 25% tariffs on Canadian and Mexican goods and a 10% tariff on Chinese goods. Stocks exposed to trade policy concerns fell. Despite beating on both earnings and revenues, Apple (and Visa) shares fell on disappointing iPhone sales in its last quarter.

Friday February 21 and the week of February 24, VIX 18.21 to 19.63 (peak 21.13): This was definitely a week – really starting the Friday before – investors were happy to see end. Economic data points fueled concerns over the health of the economy, including a 10 pps M/M drop in the University of Michigan's consumer sentiment index. President Trump announced new tariffs on the European Union (25%) and confirmed the tariffs on Mexico and Canada would begin in March.

Walmart issued disappointing guidance for the year, further raising concerns about the health of the economy. UnitedHealth fell after the DOJ probe announcement, taking down other healthcare stocks. Bitcoin and other cryptocurrencies sold off. Technology stocks sold off over weakness in the artificial intelligence trade. This was capped off by Nvidia's earnings report. Despite the strong earnings report, investors remained concerned about the sustainability of the artificial intelligence trade and the impact of competition from DeepSeek. (Some investors also argue that all the good news around the artificial intelligence trade had already been priced into Nvidia's stock.)

Earnings: We noted above that it will take good earnings growth to support markets. With 97% of companies having already reported this earnings season, 74% have reported positive earnings surprises. Looking specifically at the technology sector, 95% of companies reported. Of these earnings results, 82% posted positive earnings surprises. Only two out of the eleven sectors have come in under 50% positive earnings surprises, utilities and real estate, which combined represent less than 5% of the S&P 500 index.

Given all of these factors – and despite the positive earnings results – the VIX increased sharply in the last week of February.

VIX Muted versus Historical Levels

While a VIX in the high 16s is an increase to last year (YTD 16.90, +8.2% to 2024 average), it is in line with 2023 and down substantially from 2021 and 2022, -14.0% and -34.1% respectively.

Looking back to 1990, the YTD VIX ranked nineteenth highest out of thirty-six years. For comparison, 2024 ranked twenty-fifth. This year's VIX remains lower than almost all averages going back serval decades. The only exception is when comparing to the three-year (or two years) pre-COVID average.

- Average back to 1990, VIX 19.40: YTD VIX -12.9%
- Average back to 2000, VIX 19.76: YTD VIX -14.5%
- Average back to 2010, VIX 18.28: YTD VIX -7.6%
- Three-year pre-COVID average, VIX 14.37: YTD VIX +17.6%
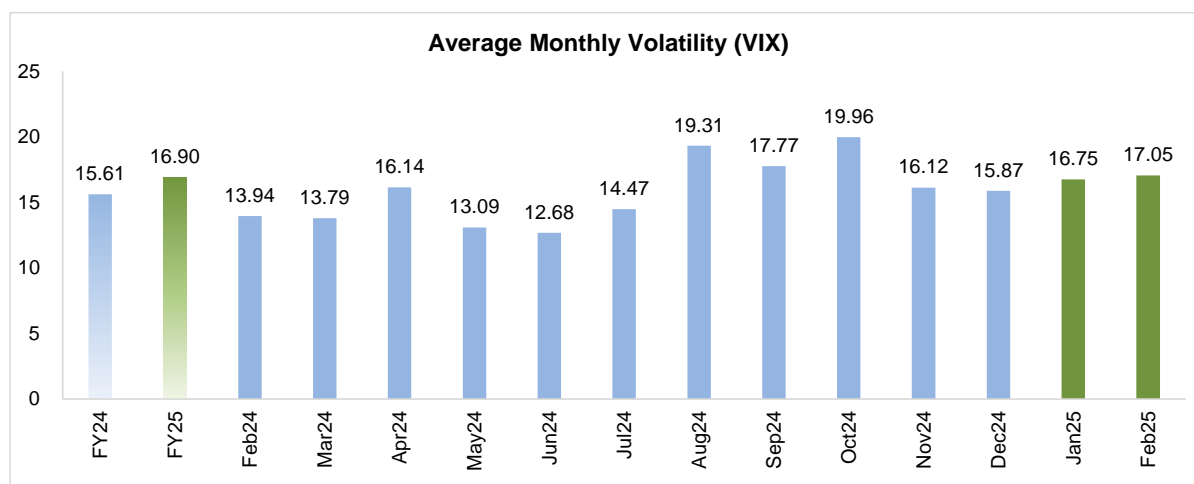 (16.01 average when removing the extreme low of 11.09 in 2017, YTD VIX +5.5%)
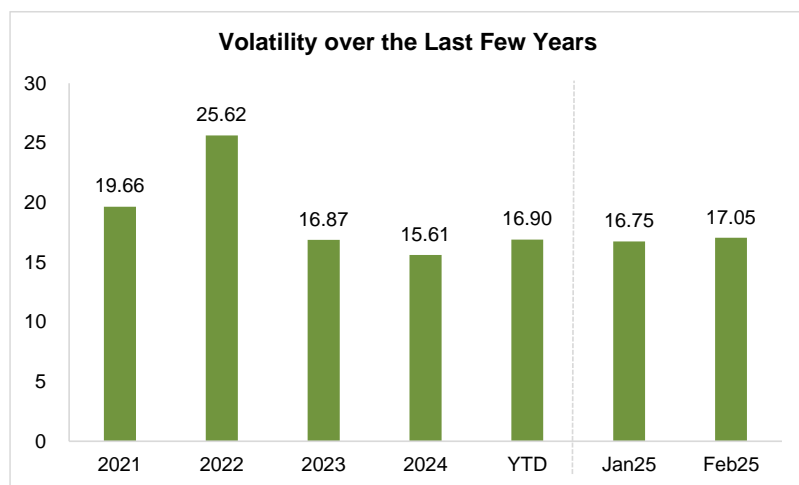
Source: Bloomberg, SIFMA Estimates

Market Metrics

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

Volatility (VIX)

- Monthly average 17.05
  - +1.8% M/M
  - +22.3% Y/Y
- Monthly peak on the 27th at 21.13, troughed on the 14th at 14.77
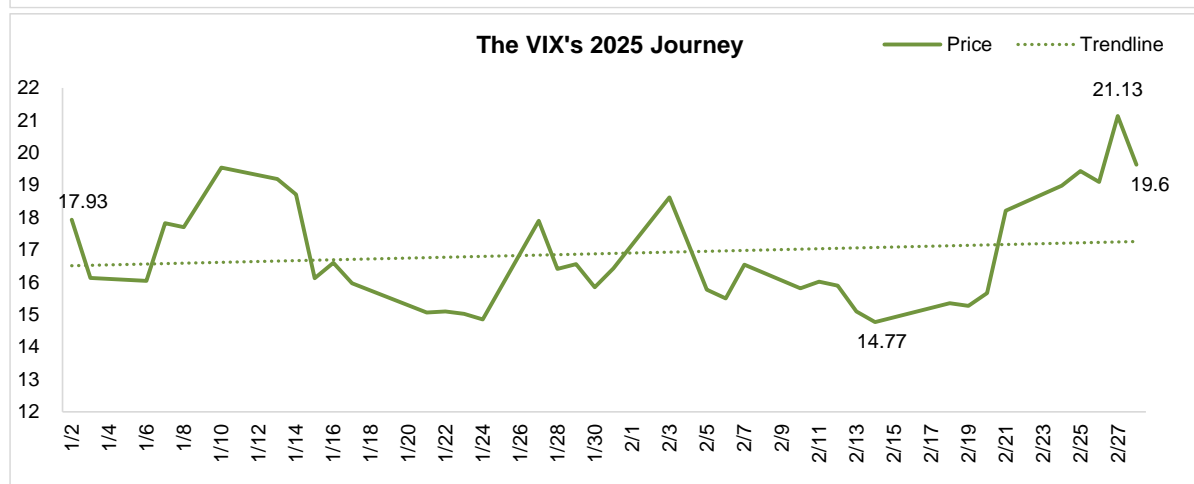
Average Monthly Volatility (VIX)

Period	VIX
FY24	15.61
FY25	16.90
Feb24	13.94
Mar24	13.79
Apr24	16.14
May24	13.09
Jun24	12.68
Jul24	14.47
Aug24	19.31
Sep24	17.77
Oct24	19.96
Nov24	16.12
Dec24	15.87
Jan25	16.75
Feb25	17.05

The VIX's 2025 Journey — Price, Trendline

Data labels: 17.93, 21.13, 19.6, 14.77

Source: Bloomberg, 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 28, and December 24.

S&P 500 Index: Price

- Monthly average 6,038.69
    - +1.0% M/M
    - +20.5% Y/Y
- Monthly peak on the 19th at 6,144.15 troughed, on the 27th at 5,861.57

Average Monthly Price - S&P 500

**2025 Journey - S&P 500** —— Price ······· Trendline
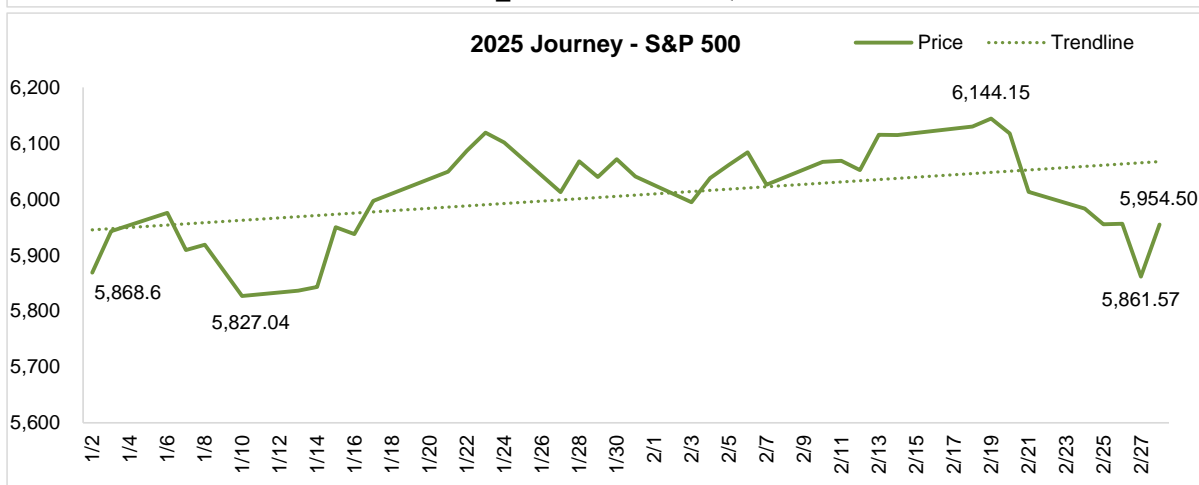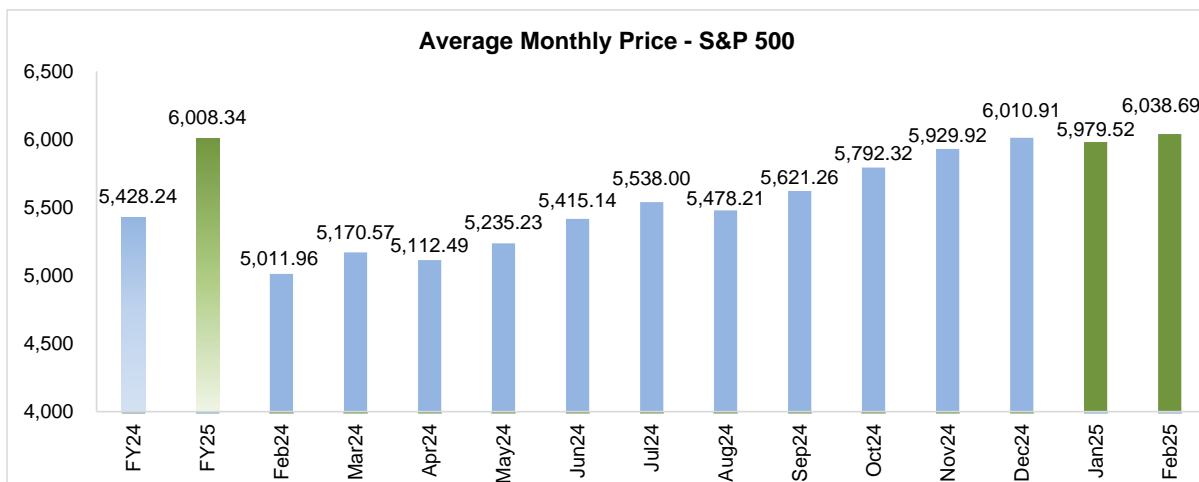
Source: Bloomberg, SIFMA estimates

S&P 500 Index: Sector Breakout

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

- Best performing sectors
  - Month = consumer staples at +5.6% and real estate at +4.1%
  - YTD = healthcare at +8.1% and financials at +7.8%
- Worst performing sectors
  - Month = consumer discretionary at -9.4% and communications at -6.3%
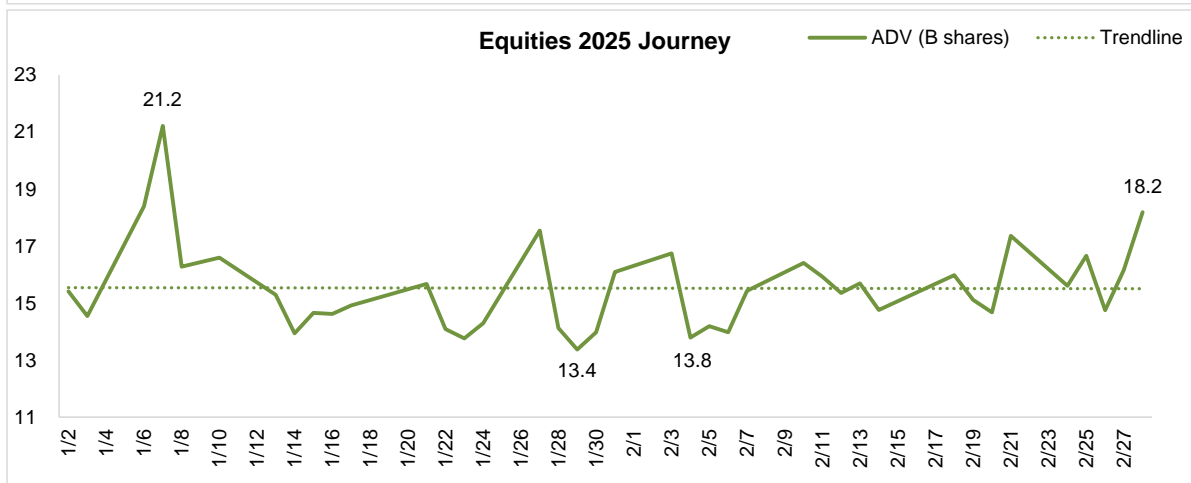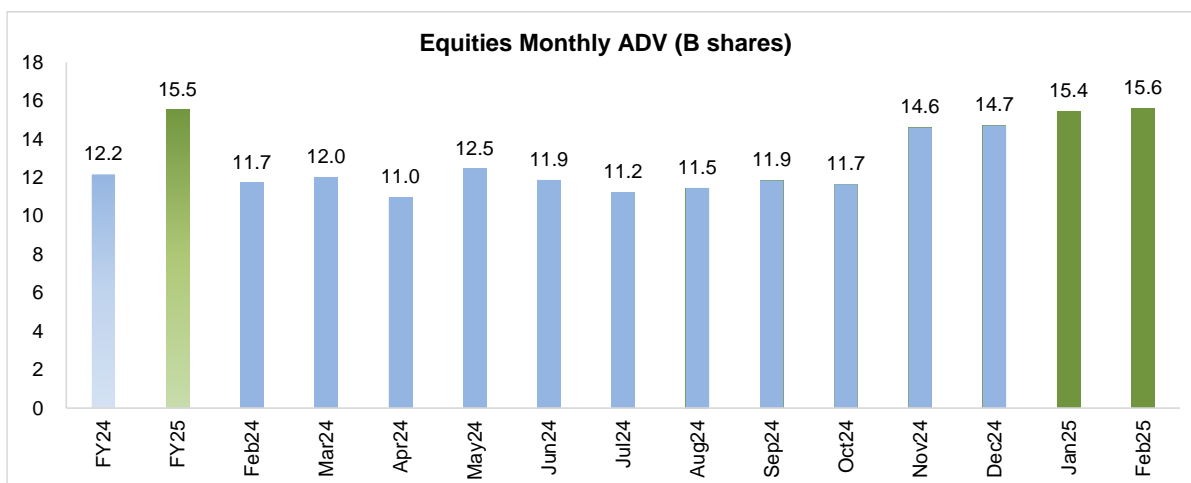 - YTD = consumer discretionary at -5.4% and technology -4.3%

S&P 500 Sector Performance: Month

S&P 500 Sector Performance: YTD
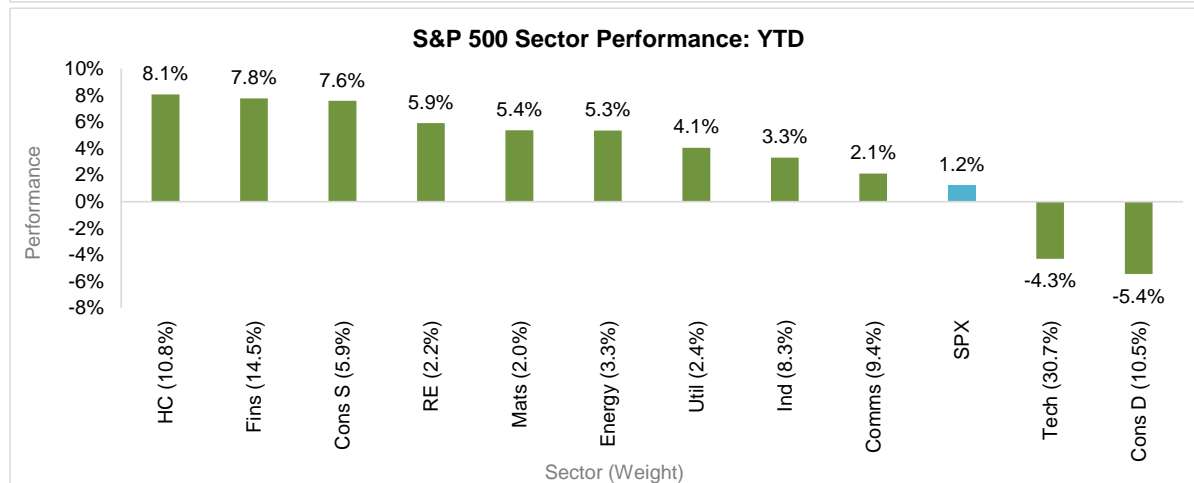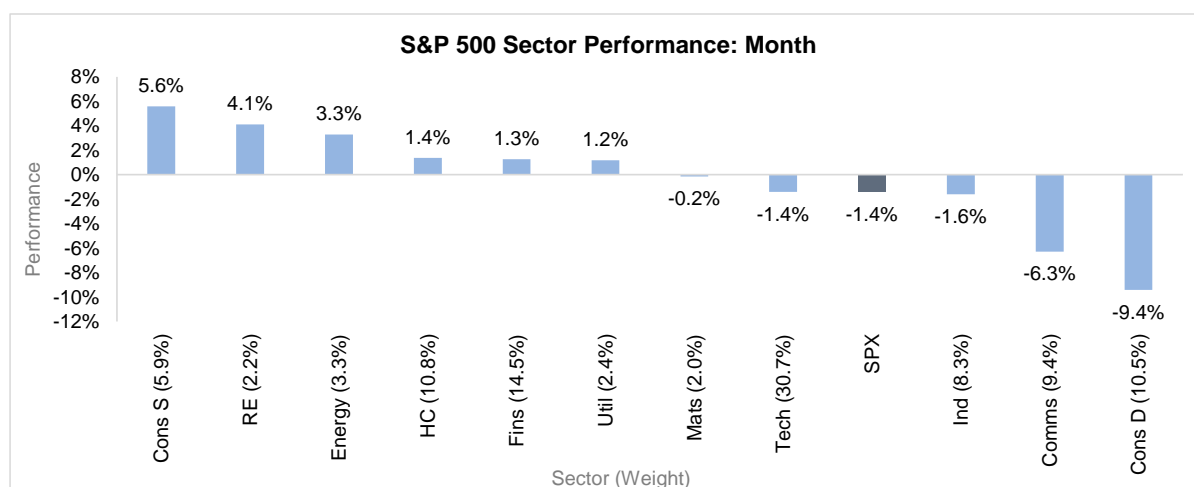
Source: Bloomberg, SIFMA estimates

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 15.6 billion shares
  - +1.2% M/M
  - +33.1% Y/Y
- Monthly peak on the 28th at 18.2 billion, troughed on the 4th at 13.8 billion
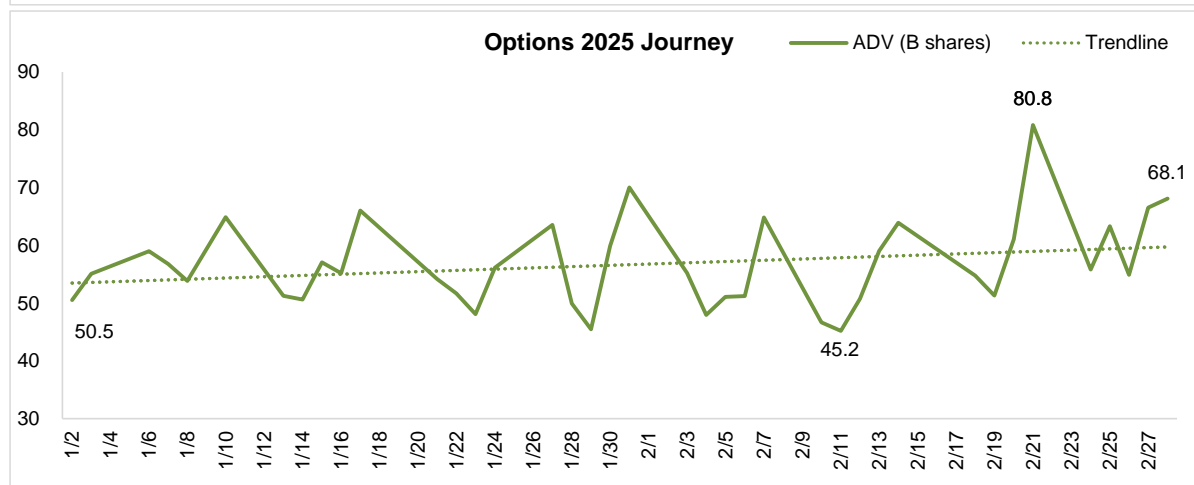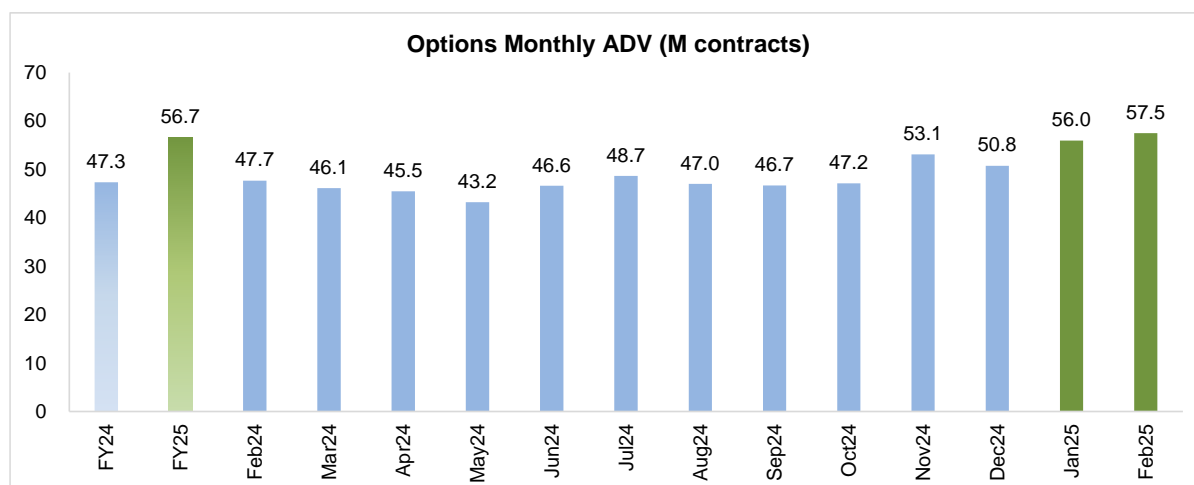- Monthly average off exchange trading 50.9%; -1.3 pps M/M, +15.6 pps Y/Y

Equities Monthly ADV (B shares)

Period	ADV
FY24	12.2
FY25	15.5
Feb24	11.7
Mar24	12.0
Apr24	11.0
May24	12.5
Jun24	11.9
Jul24	11.2
Aug24	11.5
Sep24	11.9
Oct24	11.7
Nov24	14.6
Dec24	14.7
Jan25	15.4
Feb25	15.6

Equities 2025 Journey — ADV (B shares) ······ Trendline

Data labels: 21.2, 13.4, 13.8, 18.2

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 28, and December 24.

Options Volumes (ADV)

- Monthly average 57.5 million contracts
  - +2.7% M/M
  - +20.5% Y/Y
- Monthly peak on the 21st at 80.8 million contracts, troughed on the 11th at 45.2 million contracts
- Monthly equity options 53.0 million contracts (+3.1% M/M, +21.6% Y/Y), index options 4.5 million contracts (-1.2% M/M, +9.4% Y/Y)

Options Monthly ADV (M contracts)

Period	ADV
FY24	47.3
FY25	56.7
Feb24	47.7
Mar24	46.1
Apr24	45.5
May24	43.2
Jun24	46.6
Jul24	48.7
Aug24	47.0
Sep24	46.7
Oct24	47.2
Nov24	53.1
Dec24	50.8
Jan25	56.0
Feb25	57.5

Options 2025 Journey — ADV (B shares) — Trendline

Key labels: 50.5, 80.8, 45.2, 68.1

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 28, and December 24.

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