

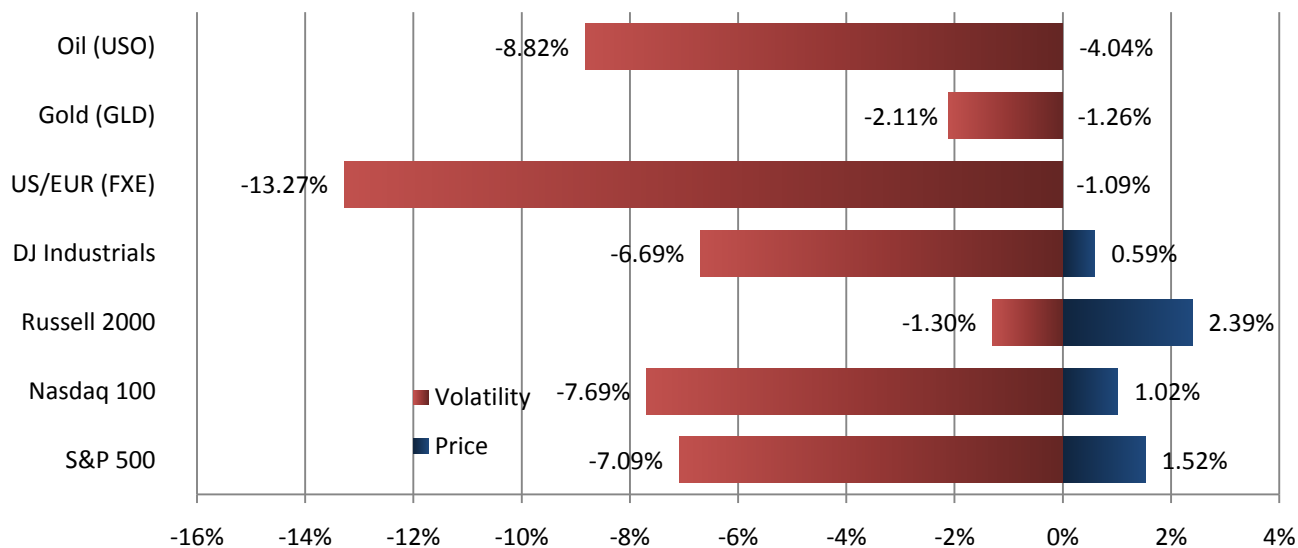
# Volatility Tracker

## 1. COMMENT

Equity indexes eked out some more gains this week, and volatility continued to decline. Perhaps because it fell so sharply in prior weeks, implied volatility in the Russell 2000 declined the least of its peers. [2] We no longer regard S&P 500 options as “cheap” [5], and the hump-shaped slope of all three volatility futures curves suggests traders are looking for an increase in volatility over the near term. [6] The VIX Premium Ratio has continued to rise [7], and at this level we recommend taking profits on short-term long positions and increasing hedges against downside price movement. We are also watching for an increase in the price and realized volatility of gold. [7][10]

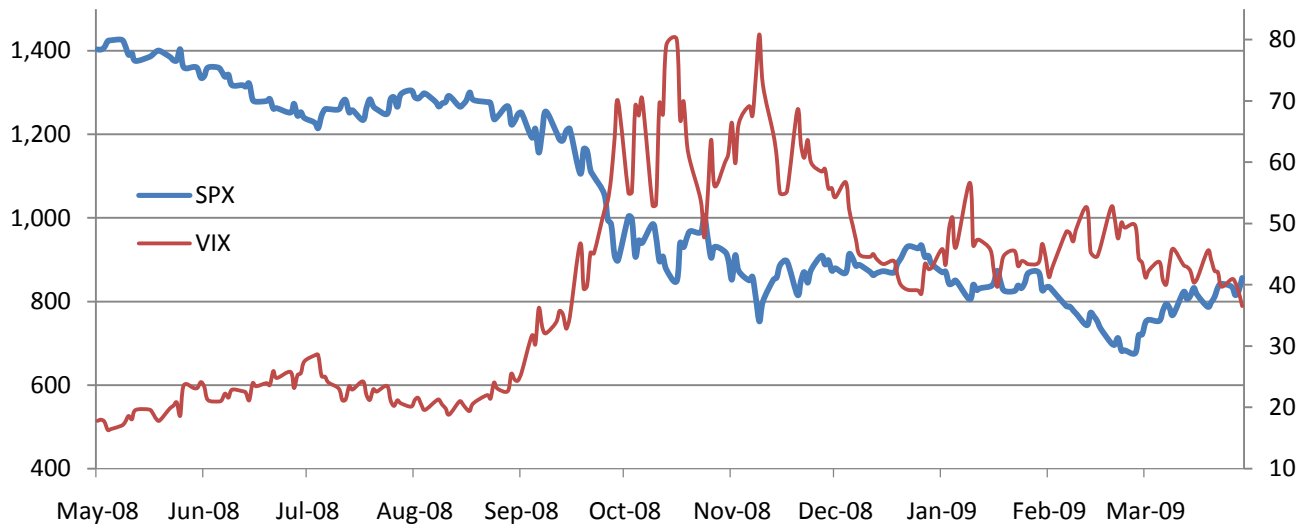
**Short-term S&P 500 Volatility Bias:** Positive

## 2. WEEKLY CHANGE – STOCK, COMMODITY & VOLATILITY INDEXES

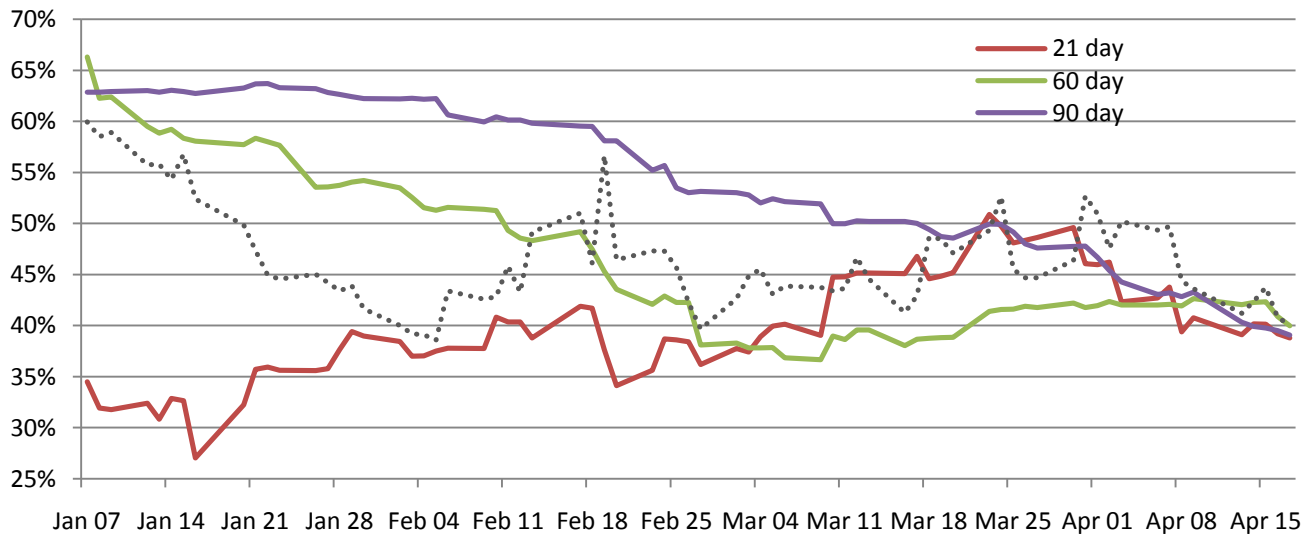


	S&P 500	Nasdaq 100	Russell 2000	DJ Industrials	US/EUR (FXE)	Gold (GLD)	Oil (USO)
■ Volatility	-7.09%	-7.69%	-1.30%	-6.69%	-13.27%	-2.11%	-8.82%
■ Price	1.52%	1.02%	2.39%	0.59%	-1.09%	-1.26%	-4.04%

### 3. S&P 500 PRICE AND IMPLIED VOLATILITY



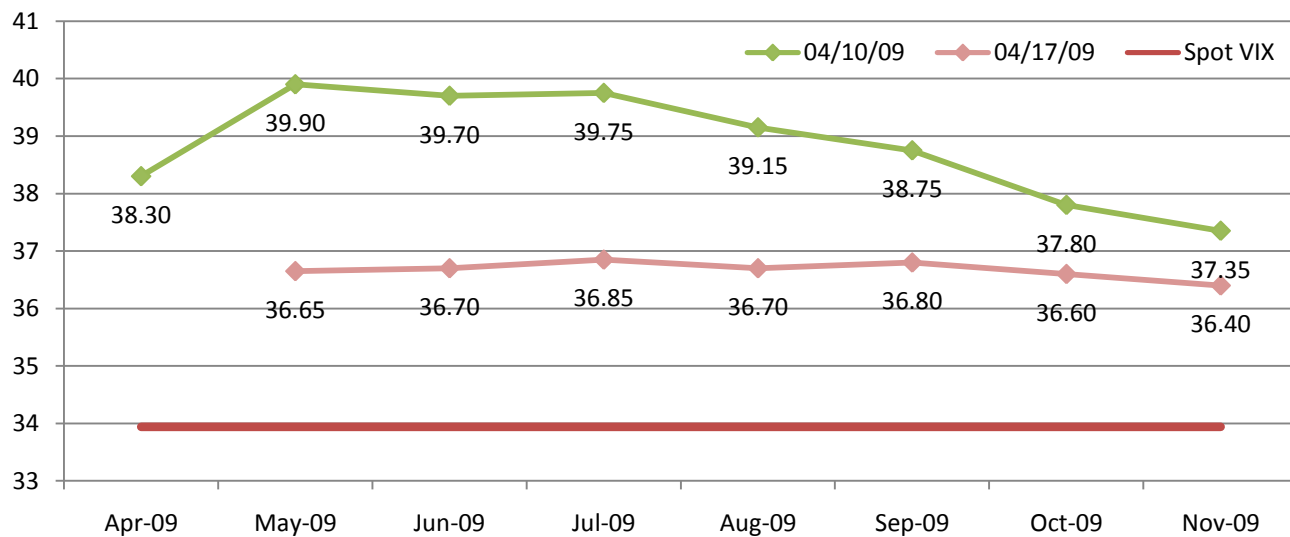
### 4. S&P 500 REALIZED VOLATILITY

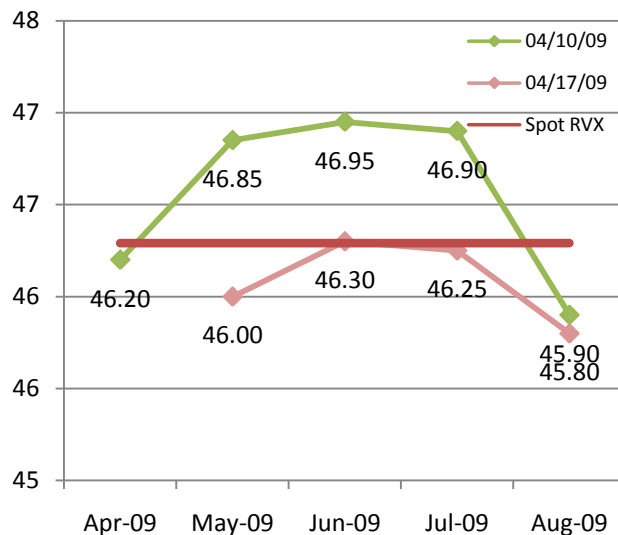
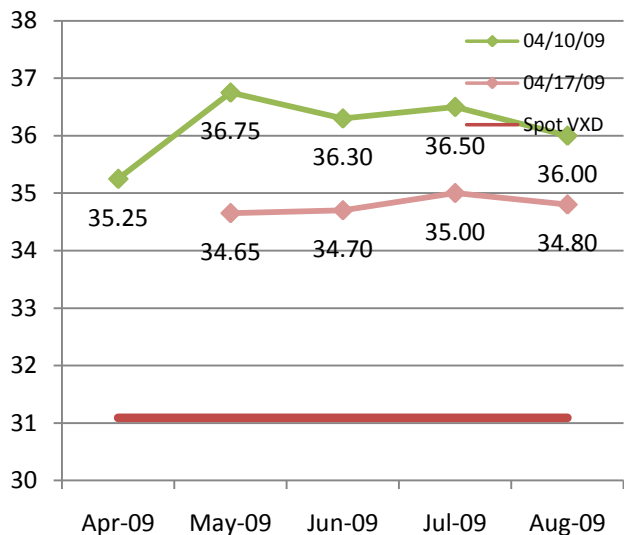


### 5. S&P 500 IMPLIED/REALIZED VOLATILITY RATIO

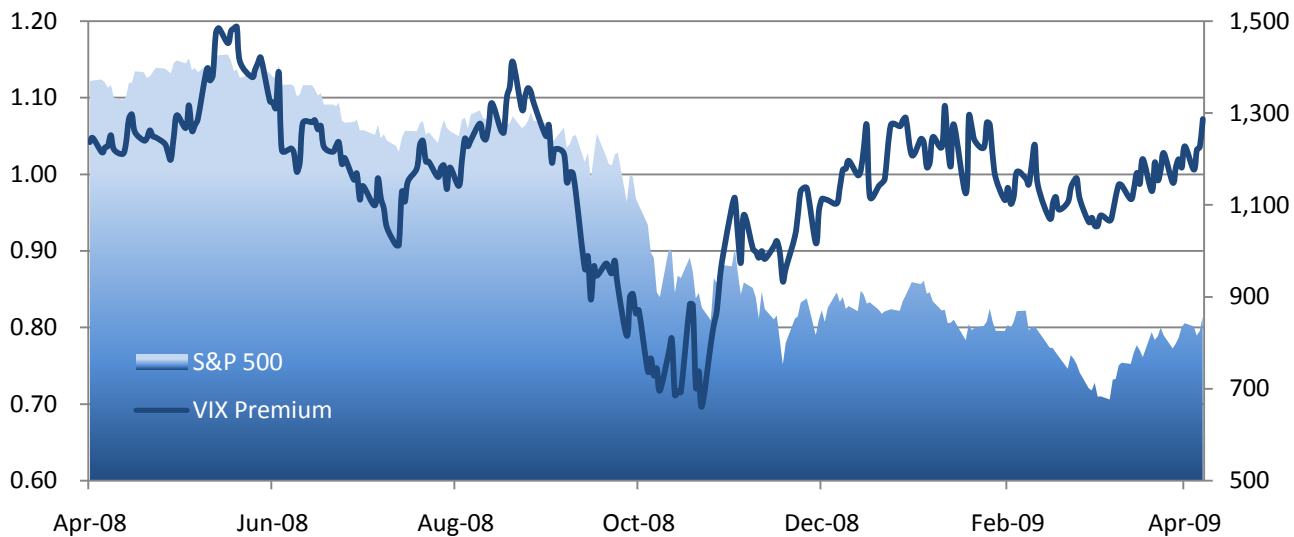


### 6. VOLATILITY FUTURES TERM STRUCTURE

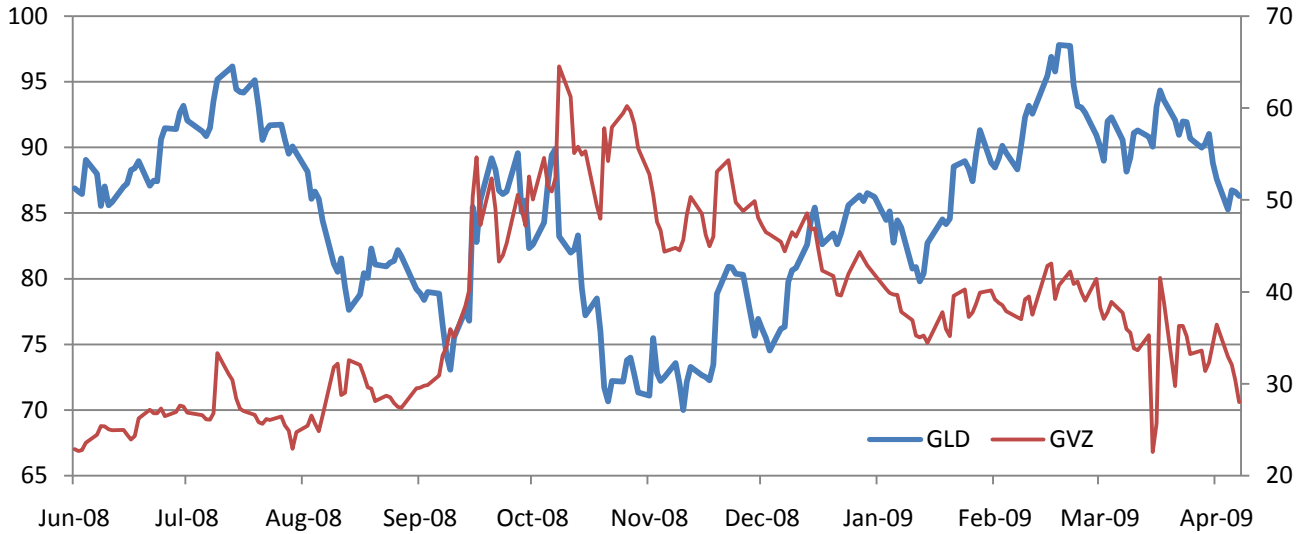




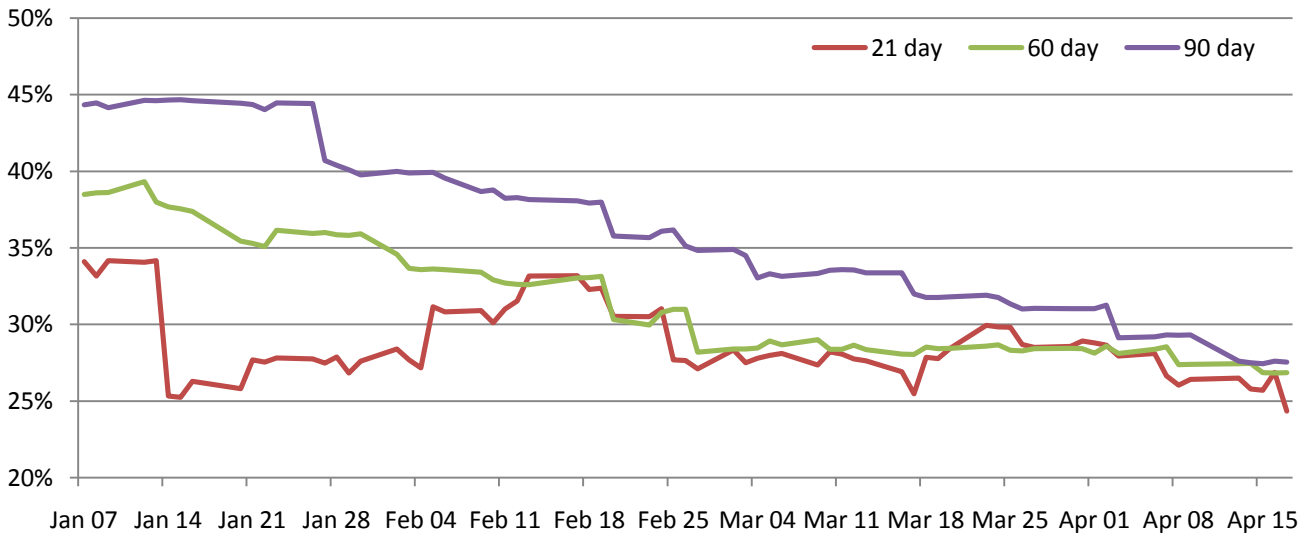
## 7. VIX PREMIUM RATIO



### 8. GOLD (GLD) PRICE AND IMPLIED VOLATILITY



### 9. GOLD REALIZED VOLATILITY



## 10. GOLD IMPLIED/REALIZED VOLATILITY RATIO



### USER'S GUIDE

1. **Comment.** Highlights items of note in the data below along with our short-term volatility bias and any trading theses.
2. **Weekly Change.** Tracks the weekly percentage change in the assets listed and in their implied volatility indexes.
3. **S&P 500 Price and Implied Volatility.** Tracks daily closing prices in SPX and VIX as a baseline reference.
4. **S&P 500 Realized Volatility.** Tracks the 21-, 60-, and 90-day realized (or "historical") volatility of the index. Realized volatility is displayed as the annualized standard deviation of lognormal returns over the period specified, and may be thought of as a backward-looking measurement of price behavior. Implied volatility is the annualized standard deviation of returns implied by option prices, and may be thought of as a forward-looking measurement of expected price behavior.
5. **S&P 500 Implied/Realized Volatility Ratio.** Tracks the ratio of 21-day lagged implied volatility (IV) to 21-day realized volatility (RV). This ratio asks how well IV from one month ago predicted the RV over the next 21 trading days (roughly, 30 calendar days). When IV correctly anticipates RV over the period, the ratio will hover near 1; we regard the area near 0.9 – 1.2 as normal, given the persistence of a volatility risk premium in equity market derivatives. A ratio less (greater) than 1 indicates that the price behavior of the underlying asset was more (less) volatile than anticipated.
6. **Volatility Futures Term Structure.** Tracks the Friday closing prices of the Volatility Futures complex (VIX, VXD, RVX) for the two weeks prior, along with the spot levels for reference.
7. **VIX Premium Ratio.** Tracks the ratio of rolling three-month (VXV) to one-month (VIX) implied volatility. Periods in which one-month readings persist at an extreme premium or discount to three-month levels have tended to coincide with major market moves.
8. **Gold (GLD) Price and Implied Volatility.** Tracks daily closing prices in GLD and GVZ as a baseline reference.
9. **Gold Realized Volatility.** Tracks the 21-, 60-, and 90-day realized (or "historical") volatility of the ETF.
10. **Gold Implied/Realized Volatility Ratio.** See #5 above; given the novelty of the VIX-style gold volatility index (GVZ) and the characteristics of the underlying, we do not have a range we regard as normal.



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