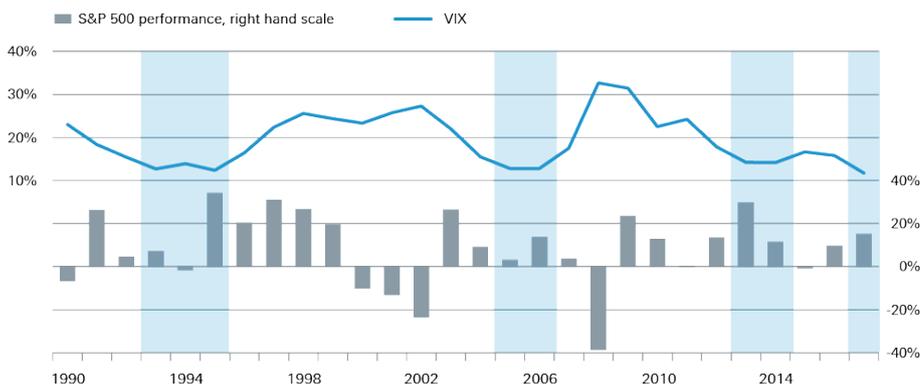


Chart of the week

Is low stock market volatility a reliable timing indicator?

Equity market volatility has come down a lot, to the surprise of many, considering the political landscape. The VIX, an index representing implied U.S. stock market volatilities as observed in options pricing, temporarily fell below 10%. This is half the average reading since 1990. Does low volatility indicate a spirit of complacency in markets? Is the current reading a harbinger for an imminent bigger sell-off? Is volatility a useful indicator to time the beginning of a bear market? We doubt the latter. There have been periods of low volatility now and then, in which the stock market still managed to deliver positive performance over the following 12 months, as our Chart of the Week demonstrates. Hence, we would caution not to read too much into the current low volatility environment.



Sources: Bloomberg Finance L.P., Deutsche Asset Management Investment GmbH, as of June 8, 2017

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Glossary

CBOE Volatility Index (Vix)

The **CBOE Volatility Index (Vix)** is a trademarked ticker symbol for the Chicago Board Options Exchange Market Volatility Index. It is a popular measure of the volatility of the S&P 500 as implied in the short term option prices on the index.

Volatility

Volatility is the degree of variation of a trading-price series over time. It can be used as a measure of an asset's risk.

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