



# The Volatility Watch

A Weekly Commentary On The Volatility Marketplace

Free weekly delivery

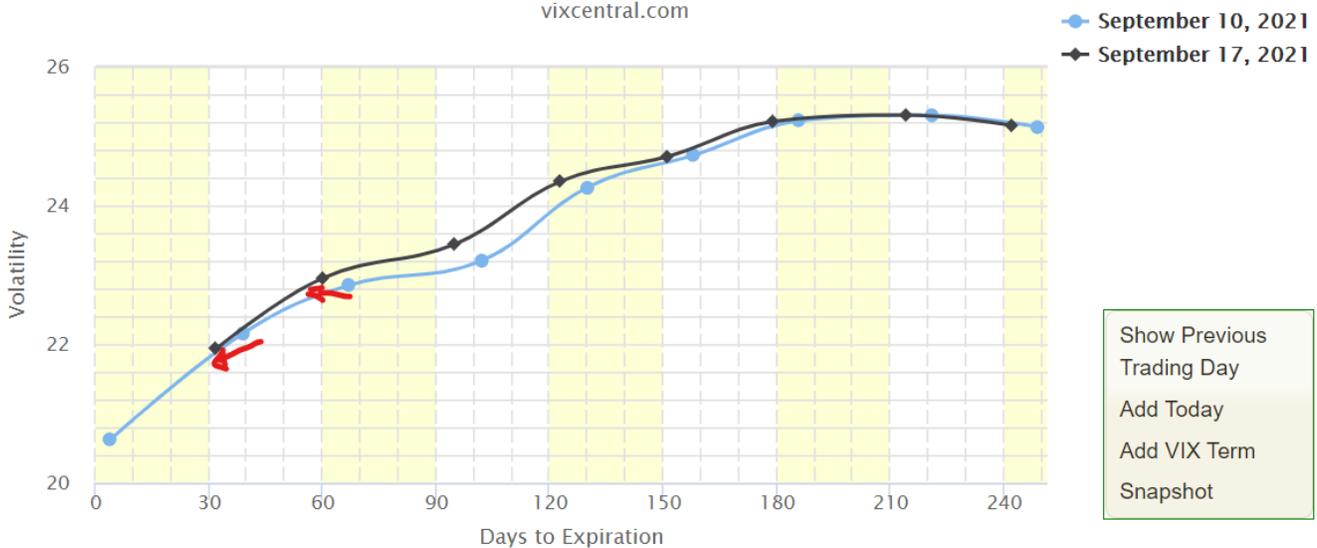
For Week Ending 9/17/2021

Amid worries about a large Chinese corporate default and the now-perennial US debt ceiling debate, the S&P 500 fell -0.6% last week and as of Friday was 2.3% below an all-time high set on September 3rd. Despite the looming issues and persistent weakness in US stocks, hedging markets have so far remained listless as long volatility exposures such as the ProShares VIX Short-Term Futures ETF (VIXY) fell -0.9% last week. US corporate credit markets have also remained unaffected, as the SPDR® Bloomberg Barclays High Yield Bond ETF (JNK) hit a one-year high last week.

Positive correlation with US stocks and VIX down together is most commonly a sign of hedging fatigue and a possible rally in stocks. At the same time, the spread of the VIX Index (i.e., expected volatility) over 20 day realized volatility (i.e., actual volatility) is now near an all-time high, implying either a sizable fall in the VIX and rise in US stocks, or a rise in realized volatility which occurs almost exclusively when stocks fall.

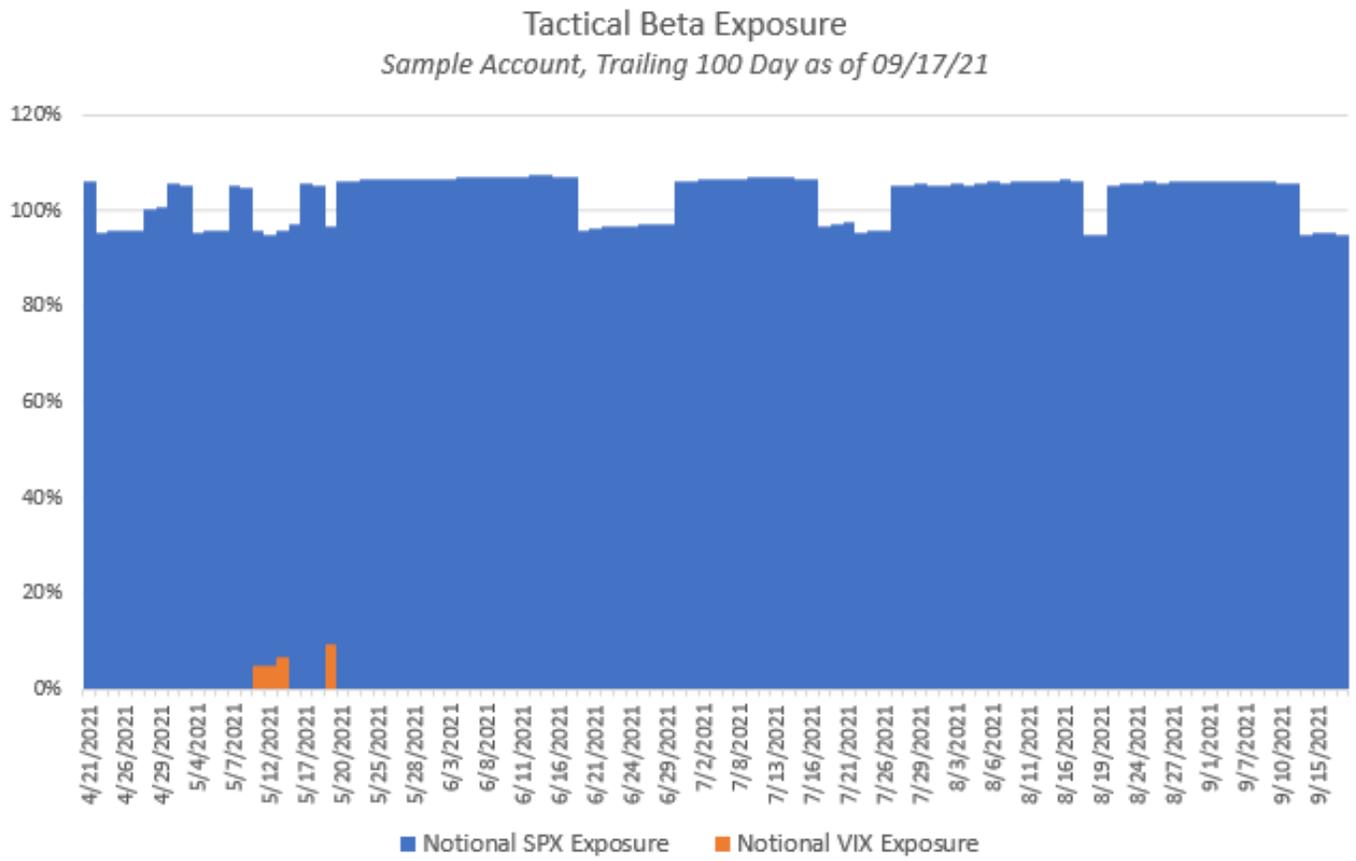
## VIX Futures Historical Prices

vixcentral.com



The proprietary Volatility Dashboard™ system is continually assessing the likelihood of a market crisis (i.e., the next bear market) as indicated by the VIX marketplace. Historically, crisis conditions don't appear until VIX has risen over 20, usually after a 4% to 5% drawdown in US stocks. Overnight, the Evergrande Group situation in China seems to have worsened and stress looks to be increasing this morning- as we write, the S&P looks set to open about -1.8% and the VIX Index near 26. Especially during fast markets, it's important to recall that due to "T+1" accounting, *any position changes settled today will not be reflected in the price of our ETFs until tomorrow.*

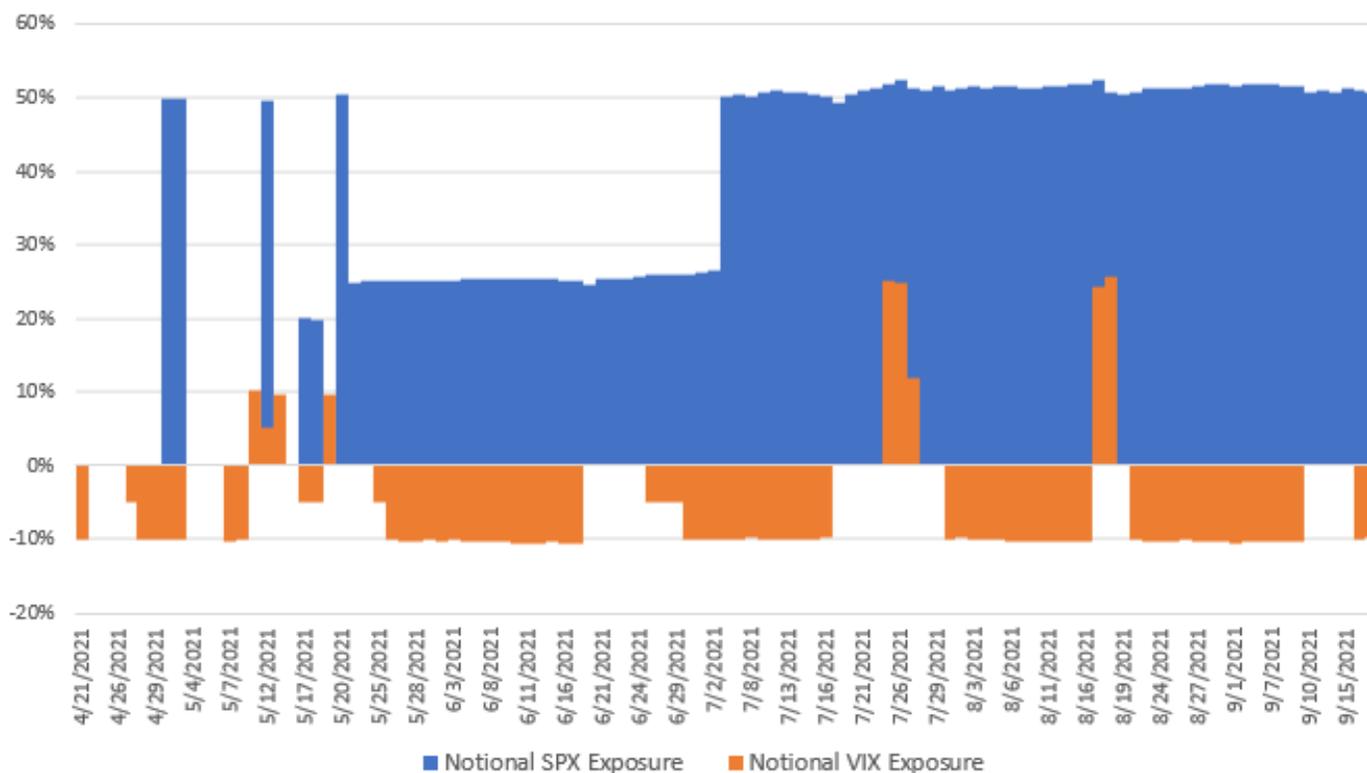
Tactical Beta Strategy reduced S&P exposure to 95% while the lack of VIX movement last week precluded any VIX positions as of yet.\*



Playing the odds for a rally after the lower stocks / lower VIX, Alpha Seeker Strategy remained long beta (i.e., SPX exposure) last week.\*\*

## Alpha Seeker Exposure

### Sample Account Trailing 100 Day as of 09/17/21



### Disclosure

**Investing involves risk, including the possible loss of principal.**

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*\*The Sample Account for the Tactical Beta Strategy (f/k/a U.S. Equity Smart Index strategy) is for the longest tenured account managed by Mike and Matt Thompson from November 1, 2016 through August 27, 2021. \*\*The Sample Account for the Alpha Seeker Strategy consists of three accounts managed by Mike and Matt Thompson for portions of the time period between October 1, 2011 through August 27, 2021 to form one continuous Sample Account. Currently, at Thompson Capital Management LLC, the Thompsons manage a composite of separately managed accounts for each strategy which has used substantially the same investment objectives, policies, and principles as while the Thompsons were at prior investment management firms. Mike and Matt Thompson, as employees of LHA, will implement the strategies for LHA clients.*

*VIX is the ticker symbol for the Chicago Board Options Exchange (CBOE) Volatility Index, which shows the market's expectation of 30-day volatility. References to the S&P 500® and to the market generally are to the Standard & Poor's 500® Index (SPX) which is the market capitalization-weighted index of 500 leading companies in leading industries of the U.S. economy that does not include re-investment of dividends in the calculation of the index total return.*