

VIX Up 40% In 2 Days

The VIX volatility index, otherwise known as the “fear index,” has soared over the past two trading days as US equity markets have pulled back. On Monday, the VIX was at 21.13, and at the moment it is at 29.74, representing a gain of more than 40%.

Since 1990, there have been 24 prior instances in which the VIX rose more than 30% over a 2-day period. At right we highlight the performance of the S&P 500 on the next day, over the next week, and over the next month following these 2-day surges in the VIX.

As shown, the average performance of the S&P on the next day has been a solid +0.69% with positive returns 71% of the time. Over the next week, the average return is +0.17% (median 0.08%) with positive returns 54% of the time, and over the next month, the average turns negative to -1.03% with positive returns 56.5% of the time. Based on past instances, the index may be due for a short term rally over the next day or week, but the next month could be dicey.

We also shade in gray the times the VIX has rallied 30% or more over a 2-day period since the bull market began in March 2009. The market’s performance in the days and weeks following these instances is similar to the performance over the longer time frame going back to 1990.

30%+ 2-Day Gains in the VIX

Date	VIX 2-Day	S&P 500 % Chg		
	% Chg	Next Day	Next Week	Next Month
1/15/1990	31.37	1.11	-1.96	-0.63
7/24/1990	39.41	0.37	0.10	-12.45
8/3/1990	32.81	-3.02	-2.71	-7.08
8/19/1991	39.50	0.79	4.62	3.04
11/15/1991	51.83	0.68	-1.69	-0.03
11/18/1991	30.95	-1.51	-2.57	0.47
2/4/1994	43.73	0.42	0.08	-1.26
12/18/1995	31.44	0.84	1.23	1.09
10/27/1997	35.36	5.12	7.07	8.94
9/17/2001	34.75	-0.58	-3.40	2.87
4/15/2005	33.28	0.29	0.83	3.76
6/13/2006	31.40	0.52	1.34	0.88
7/13/2006	35.39	-0.49	0.55	3.48
2/27/2007	73.06	0.56	-0.26	1.56
7/27/2007	33.54	1.03	-1.77	0.33
8/10/2007	31.93	-0.05	-0.53	2.09
9/29/2008	42.35	5.42	-4.47	-13.77
10/22/2008	31.49	1.26	3.71	-5.01
11/6/2008	33.42	2.89	0.71	-0.62
1/22/2010	46.20	0.46	-1.64	1.02
4/27/2010	37.24	0.65	-0.85	-7.97
5/6/2010	37.58	-1.53	2.60	-6.42
5/20/2010	36.48	1.50	2.94	1.91
2/23/2011	34.69	-0.10	0.08	?
3/16/2011	40.75	?	?	?
Average		0.69	0.17	-1.03
Median		0.54	0.08	0.47
% Positive		70.8%	54.2%	56.5%