

Volatility vs. Stock Returns

Annual Change in CBOE SPX Volatility Index (VIX) and S&P 500 Index Total Returns

Year	VIX High	VIX Low	VIX Average	S&P 500 Total Return
2003	34.69	15.58	21.98	28.68%
2004	21.58	11.23	15.48	10.88%
2005	17.74	10.23	12.81	4.91%
2006	23.81	9.90	12.81	15.79%
2007	31.09	9.89	17.54	5.49%
2008	80.86	16.30	32.69	-37.00%
2009	56.65	19.47	31.48	26.46%
2010	45.79	15.45	22.55	15.06%
2011	48.00	14.62	24.20	2.11%
2012	26.66	13.45	17.80	16.00%
2013	20.49	11.30	14.23	32.39%
2014	26.25	10.32	14.18	13.69%
2015	40.74	11.95	16.67	1.38%
2016	28.14	11.27	15.83	11.96%
2017	16.04	9.14	11.09	21.83%
2018	37.32	9.15	16.62	-4.38%
2019	25.45	11.54	15.43	31.49%
3/27/20	82.69	12.10	30.15	-20.96%

Source: Bloomberg. **Past performance is no guarantee of future results.**

View from the Observation Deck

1. The Chicago Board Options Exchange (CBOE) SPX Volatility Index (VIX) uses S&P 500 Index options activity to gauge investors' expectations of volatility. It represents a 30-day measure.
2. The VIX Index is often referred to as the "fear index" by the financial media.
3. Aside from 2008 (financial crisis) and year-to-date through 3/27/20 (COVID-19), the VIX Index has demonstrated it can fluctuate dramatically and the S&P 500 Index can still be positive (see 2003, 2009 & 2010 in table).
4. From 12/31/02 through 3/27/20, the average reading on the VIX Index was 18.61 (not shown in table), according to data from Bloomberg.
5. Over that same period, the average annualized total return for the S&P 500 Index was 8.53%, according to Bloomberg.
6. For comparative purposes, from 1926-2019 (94 years), the average annual total return posted by the S&P 500 Index was 10.20%, according to Ibbotson Associates/Morningstar.
7. As indicated in the table, the peak closing level for the VIX Index so far this year was 82.69 (3/16/20). It actually exceeded the peak in the index in 2008, a year in which the S&P 500 Index plunged 37.00%.
8. At the close of trading on 3/27/20, the VIX Index stood at 65.54, well off its recent peak but still extremely high by historical standards. The S&P 500 Index was down 20.96% year-to-date through 3/27/20, much better than 2008's full-year showing.
9. We do not know when the elevated selling pressure will abate in the stock market. We do, however, know that investors have endured such extreme volatility before and those that persevered were rewarded.

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance. The VIX Index (The CBOE SPX Volatility Index®) estimates expected volatility by averaging the weighted prices of S&P 500 puts and calls over a wide range of strike prices.

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