Trading

Floor Research

CBOE Volatility Index (VIX)

Josh Brown of Ritholtz Wealth Management, told CNBC viewers last week that an "AAII survey had 36 weeks in a row where more people responded bearishly than bullishly." He framed that number by saying, "That is a longer count than COVID, which was 34 weeks, and the great financial crisis, which was 15 weeks."

What Josh Brown and many others are missing is that bearishness doesn't lead to a market reversal; fear does. The length of bearishness is irrelevant in the COVID crash and the great financial crisis. It was the amount of time that fear took over investors' emotions.

Bearishness and fear are not equal. Fear is the strongest and most compulsive human emotion. To reach a market bottom, fear needs to become the primary force. Bearishness does not make an investor wake up in the morning and say they are selling all the stocks in their portfolio and never repurchasing another. Fear is the only motivator that will do this.

Fear is best measured in the market by expanding the CBOE Volatility Index (VIX). In the financial crisis, the VIX expansion hit a high of 89.3; in the COVID crash, the VIX hit 85.37 before the market reversed.

Unfortunately, the CBOE Volatility Index (VIX), or fear index, has not been expanding all year; it has been contracting. Six trading days ago, it hit a recent low of 18.95.The high in the VIX was put in on January 24 at 38.94 after the first market decline of the year-long bear market.

Read the Trading Floor Research newsletter to determine where the next move is in the CBOE Volatility Index (VIX).

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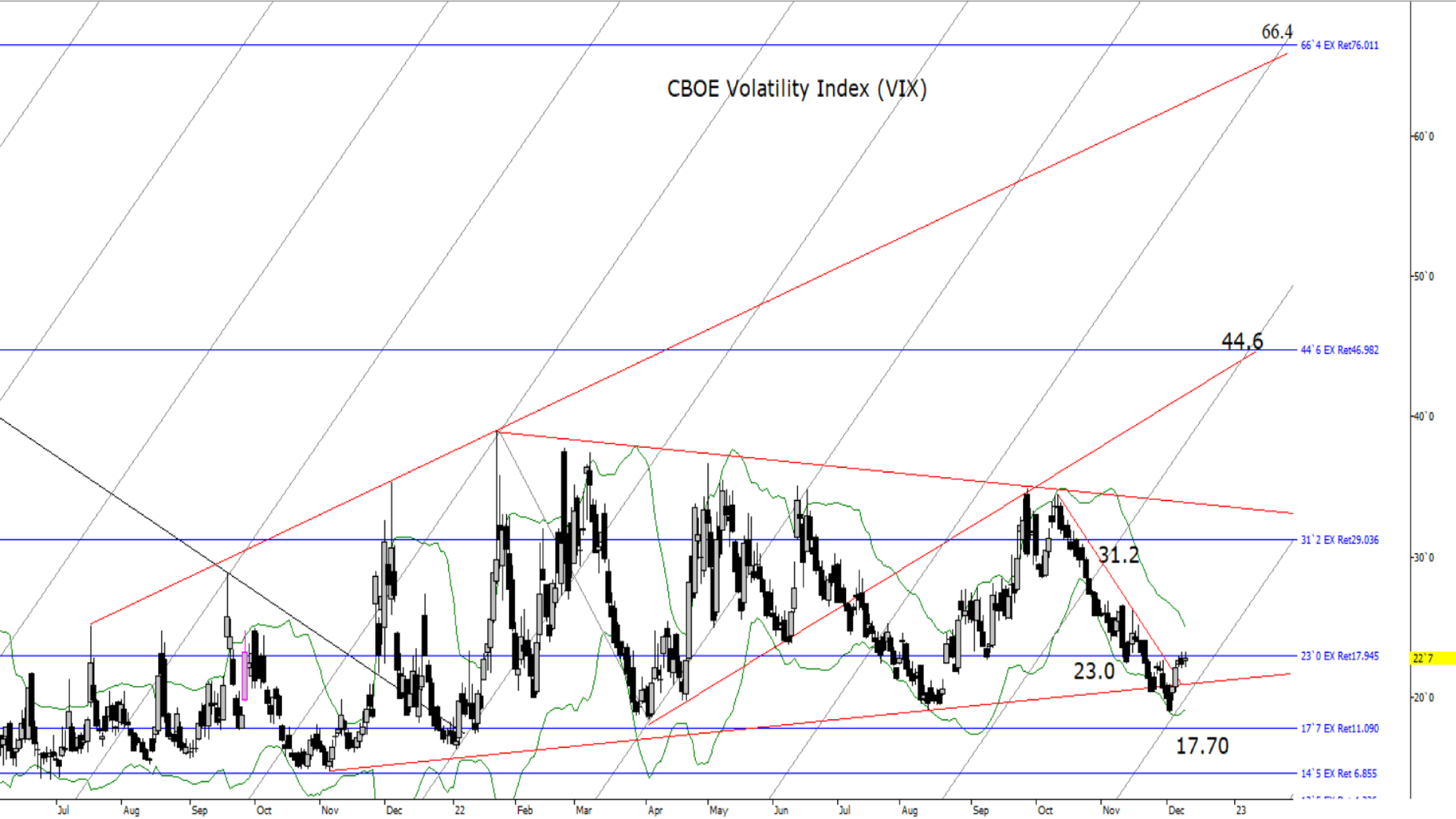

CBOE Volatility Index (VIX)
66.4
66`4 EX Ret76.011
60`0
50`0
44.6
44`6 EX Ret46.982
40`0
31`2 EX Ret29.036
31.2
30`0
23`0 EX Ret17.945
22`7
23.0
20`0
17`7 EX Ret11.090
17.70
14`5 EX Ret 6.855
Jul
Aug
Sep
Oct
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