



WHITEOAK
LEARNING
EDGE



WHITEOAK
CAPITAL MUTUAL FUND

THE ART AND SCIENCE OF INVESTING

CONCEPTOPEDIA

“Understanding VIX Index”



VIX Index

VIX or CBOE (Chicago Board Options Exchange) Volatility Index is a **measure of market's expectation of volatility in the near term.**

It is considered as a contrarian indicator and is also colloquially referred as the **"fear index or the fear gauge"**.

India VIX refers to the India Volatility index. It depicts the **expected market volatility over the next 30 days.**



High Levels of India VIX Index indicates **higher expected volatility** and reflects **higher level of fear** prevailing in the market.



Low levels of VIX Index indicates **lower expected volatility** and reflects **lower level of fear** prevailing in the market.

Who owns the VIX Trademark?

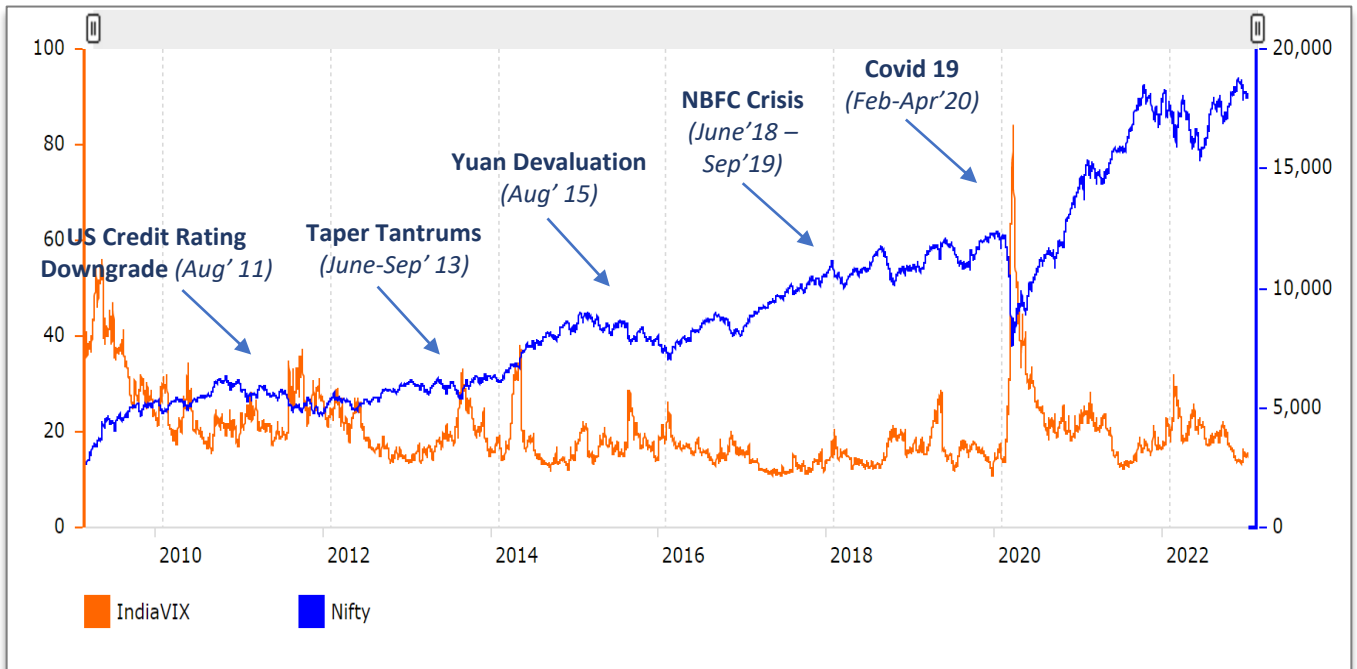
- **Chicago Board Options Exchange (CBOE)** owns the VIX trademark. In the US, VIX values are calculated using the **CBOE traded standard S&P 500 options** with near term expiration dates, thus generating a **30 day forward projection of volatility.**
- In India, value of VIX has been computed by NSE since November 2007 and is based on **out-of-the-money (OTM) option prices of the Nifty.**
- India VIX also **uses the computation methodology of CBOE with suitable amendments** to adapt to the NIFTY options order book.
- From the best bid-ask prices of NIFTY Options contracts, a volatility figure (%) is calculated which indicates **the expected market volatility over the next 30 calendar days.**

Source: www.investopedia.com; <https://www.nseindia.com>

Please note:- Option is a contingent claim representing an asset that has a future payoff, only if a future event takes place (E.g. an asset price greater than a specific price or an asset lower than a specified price).



India VIX v/s NIFTY



As can be seen from the chart, that during the onset of Covid -19 (Feb- Mar'20), India VIX had a touched a high level of ~86 and Nifty 50 crashed by over 30% for the same period. The same holds true for the periods of US Credit Rating Downgrade in Aug' 11, where India VIX had risen to ~35 in Aug'11 and Nifty 50 had fallen by ~11% in that month. Another example was the event of US Taper Tantrums in Jun -Sep' 13, where India VIX had increased from 16.9 in June' 13 to 32.5 in Sep'13 and Nifty 50 had corrected by -3% for the period .

This indicates a negative correlation between India VIX and the Nifty. However, there were two occasions where India VIX and Nifty were not negatively correlated.

Please find below the excerpt from a publication by the RBI:

"In India, the stock market rose amidst high volatility towards the end of January 2018 but fell at the beginning of February 2018 alongside turbulence in global stock markets. In consonance with it, the India VIX increased sharply during this period and touched 20 on February 6, 2018. With a sharp correction in equity indices in February 2018, the inverse relationship got restored in the rest part of February 2018.

The simultaneous rise in the Nifty and the India VIX appeared again in April 2019."



WHITEOAK
LEARNING
EDGE



WHITEOAK
CAPITAL MUTUAL FUND

THE ART AND SCIENCE OF INVESTING

Disclaimer: While reasonable endeavours have been made to present reliable data in the Presentation, but WhiteOak Capital Asset Management Limited does not guarantee the accuracy or completeness of the data in the Presentation. WhiteOak Capital Asset Management Limited or any of its connected persons including its subsidiaries or associates or partners or employees shall not be in anyway responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained, views and opinions expressed in this Presentation. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this Presentation reflect a judgment of its original date of publication by WhiteOak Capital Asset Management Limited and are subject to change without notice. This Presentation is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to local law, regulation or which would subject WhiteOak Capital Asset Management Limited and its affiliates to any registration or licensing requirement within such jurisdiction The product described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this Report/Presentation may come are required to inform themselves of and to observe such restrictions. Before making any investments, the readers are advised to seek independent professional advice, verify the contents in order to arrive at an informed investment decision.

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.

Thank You!



mf.whiteoakamc.com

Distributor Login | Onboarding | Online Transactions | Co-branding
DIT | Custom Reports | SIP Features

C/010/1/23