Is the VIX nearing a low point?

As we move towards seasonal weakness, May through October, which happens to be the worst six month period for stocks, I find it helpful to take a minute and assess how the markets are performing year-to-date. Over the course of the first 4 months we have witnessed considerable volatility. There were 29 days in which the S&P 500 closed either 1% higher or lower. This compares to an average of 19 days of 1% or greater volatility for the previous 5 years. In other words, volatility has been up 52% more this year. I find it interesting looking at the chart below that volatility as measured by the CBOE Volatility index (VIX) is the worst performer in the group. Precious metals and energy, last year's deadbeats, are leading the market posting 81% and 12% returns respectively. Both the Dow Jones Industrial Average up 3.24% and the S&P 500 up 2.34% are off on the right foot. Health care, financials and technology have been drags on the markets' overall performance. Ironically, the biggest loser of the year has been volatility. What is the market telling us? The VIX measures market expectation of near term volatility conveyed by stock index option prices. For historical perspective, the VIX has averaged 19.81 versus yesterday's close of 13.96. Since 1945, May, June and August have been the 8th, 9th and 10th worst performing months for the stock market with a combined average return of .08%. How will this affect the VIX moving forward? It's something to think about.