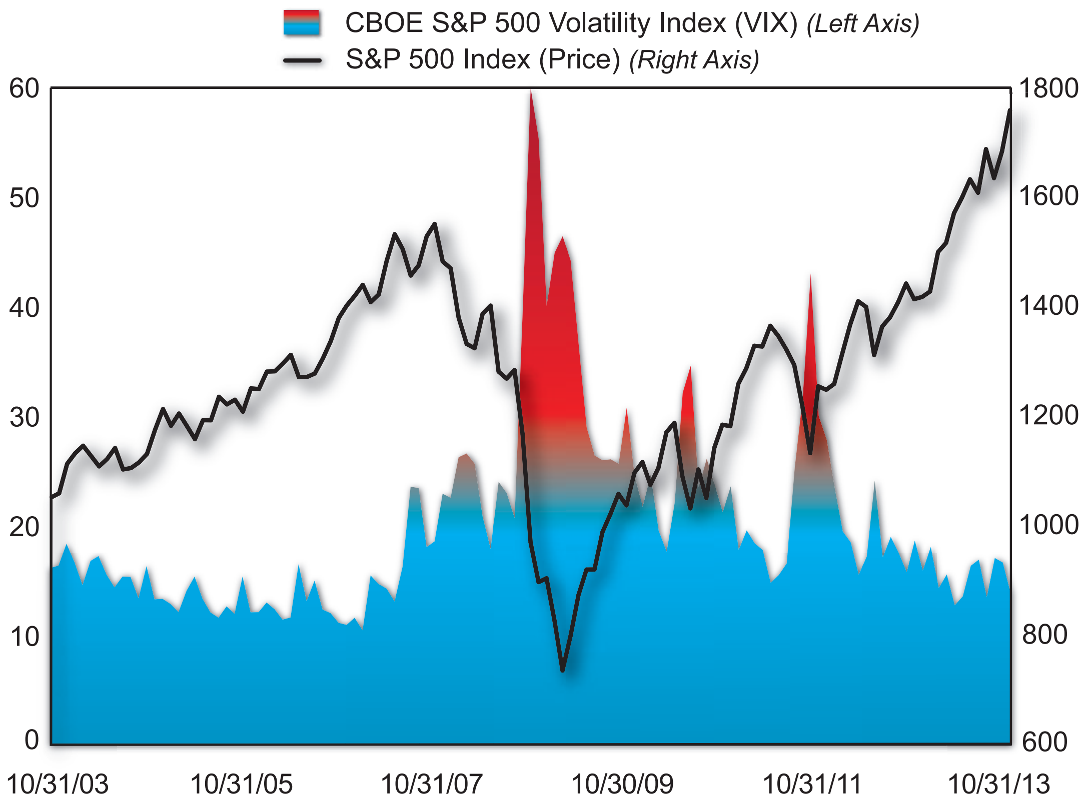
Stocks Tend To Perform Well When The VIX Index Treads <20

S&P 500 Index vs. CBOE S&P 500 Volatility Index



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

View from the Observation Deck

1. The VIX Index uses S&P 500 options activity to gauge investors' expectations of volatility. It represents a 30-day measure. It is often referred to as the "fear index" by the financial media.
2. The average reading on the VIX Index for the 10- and 20-year periods ended 10/31/13 was 20.22 and 20.79, respectively, according to Bloomberg.
3. As the chart illustrates, a reading below 20 is more conducive for generating gains in the S&P 500. Any significant spikes in the VIX Index usually coincides with a sell-off in the stock market (see areas shaded in red).
4. In the bull market that lasted exactly five years, from 10/9/02-10/9/07, the VIX Index averaged 16.47, according to Bloomberg.
5. In the current bull market, from 3/9/09-10/31/13, the VIX Index has averaged 21.47, according to Bloomberg.
6. The S&P 500 posted a total return of 25.3% in the first 10 months of 2013. The VIX Index averaged 14.37 over that same period. It closed 11/18/13 at 13.10.
7. With the Federal Reserve looking as though it could delay any tapering until Q1 or Q2 of 2014, there sure doesn't seem to be much fear permeating the equities markets, in our opinion.