Daily Options Report

BY ADAM WARNER

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And So I Bring You An Options Pricing Volatility Index

So is this article in the Times that my friend Kevin passes on the equivalent to the VIX's magazine cover? On Wall Street, Eyes Turn to the Fear Index.

> With all those stomach-churning free falls and sharp reversals in the stock market recently, traders are keeping a nervous eye on an obscure index known as the VIX.
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> The VIX (officially the Chicago Board Options Exchange Volatility Index) measures volatility, the technical term for those wrenching market swings. A rising VIX is usually regarded as a sign that fear, rather than greed, is ruling the market. The higher the VIX goes, the more unhinged the market looks.

Yada yada yada, it's kind of stuff even Power Lunch has known for quite some time. I did learn a bit of VIX history though.

Like things were going on at Duke in the early 90's that didn't involve Bobby Hurley and Christian Laetner.

> The VIX had its origin in 1993, when the Chicago Board Options Exchange approached Robert E. Whaley, then a professor at Duke, with a dual proposal.
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> "The first purpose was the one that is being served right now — find a barometer of market anxiety or investor fear," Professor Whaley, who now teaches at the Owen Graduate School of Management at Vanderbilt University, recalled in an interview. But, he said, the board also wanted to create an index that investors could bet on using futures and options, providing a new revenue stream for the exchange.
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> Professor Whaley spent a sabbatical in France toying with formulas. He returned to the United States with the VIX, which gauges anxiety by calculating the premiums paid in a specific options market run by the Chicago Board Options Exchange.

And for the name? As Professor Whaley was rumored to have said, " I need to call this index something. F***ing Speedo won't return my calls. What do they call those tops I saw on the Riviera? Oh yeah, VIX Swimwear".

Look, the VIX is a great tool to get a quick and easy volatility answer. Well, not so great today as for some reason my trading system is not picking it up. But that's what it is, the fast food of options watching. There's absolutely nothing wrong with that, just would reiterate for the kajillionth time that there's no special magic in this index, or any particular level. I'll end with the last paragraph, which pretty much encapsulates my opinion.

> Some investors are skeptical Some investors are skeptical about the utility of the index. “If you’re trading the markets, you pretty much know the fear, you know the volatility. I don’t need an index to tell me there’s volatility out there,” Mr. Larson said.