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ListDer Research

Strategies for High and Low Volatility Markets Using VSTOXX Futures and Options

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Strategies for High and Low Volatility Markets Using VSTOXX Futures and Options

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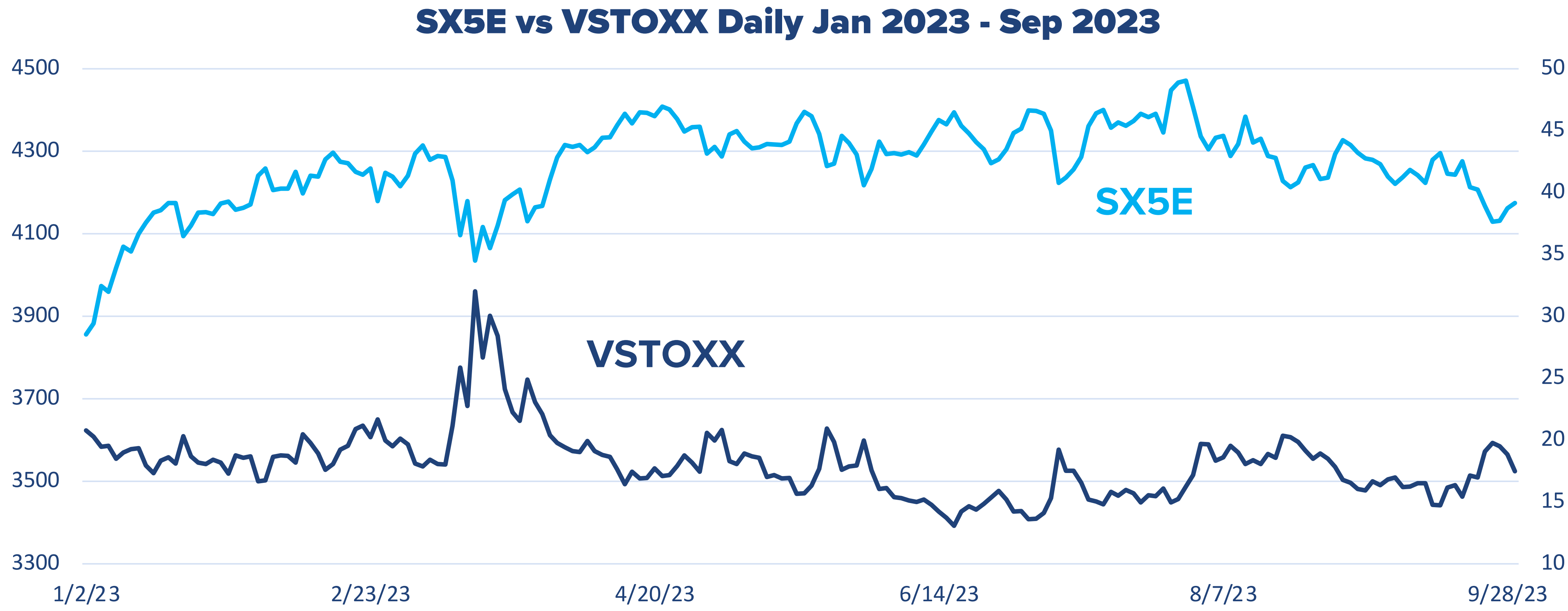
Outline

- VSTOXX
  - Index
  - Futures
  - Options
- Trading Examples
  - Futures
  - Options
- Contact / Questions

VSTOXX

- Consistent measure of expected 30-day volatility for the EURO STOXX 50® (SX5E)
- Uses two different EURO STOXX 50 option series to calculate this measure
- Consider a standard for measuring expected volatility in Europe

EURO STOXX 50 vs. VSTOXX



Data Source: Bloomberg

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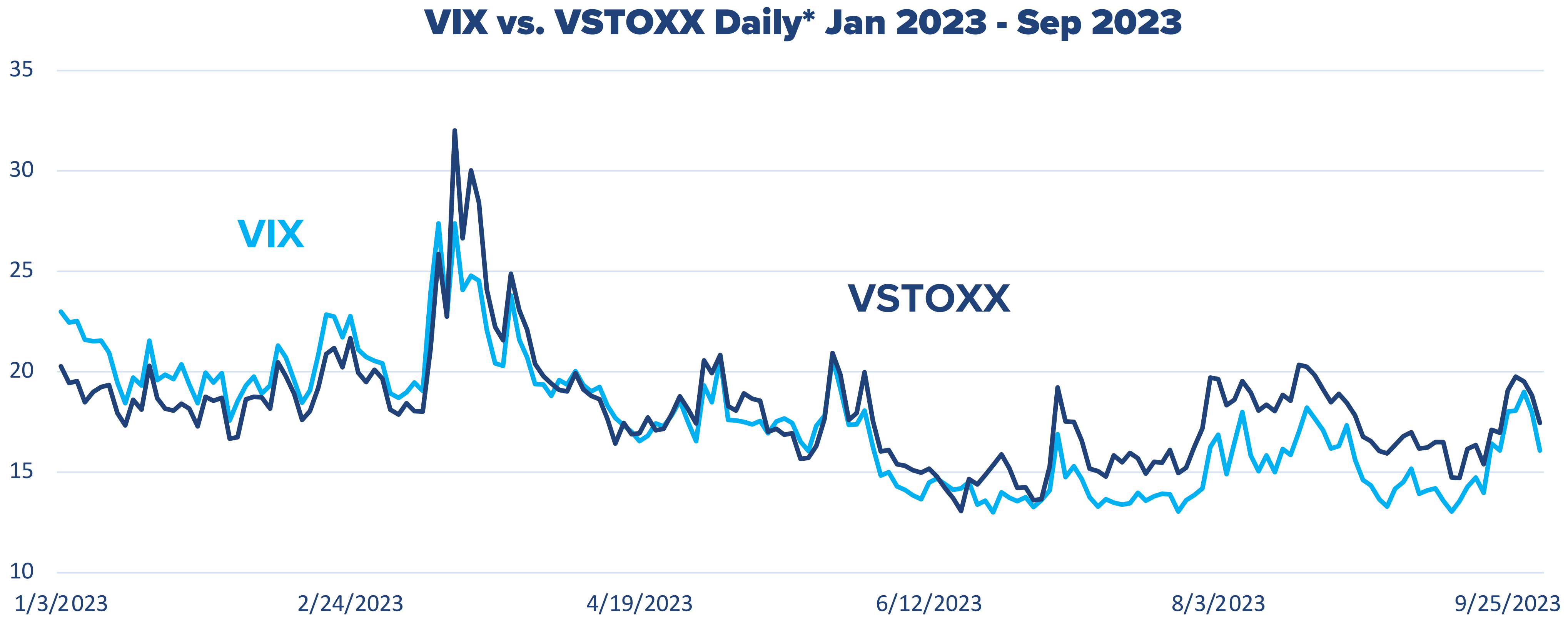
VSTOXX vs. VIX



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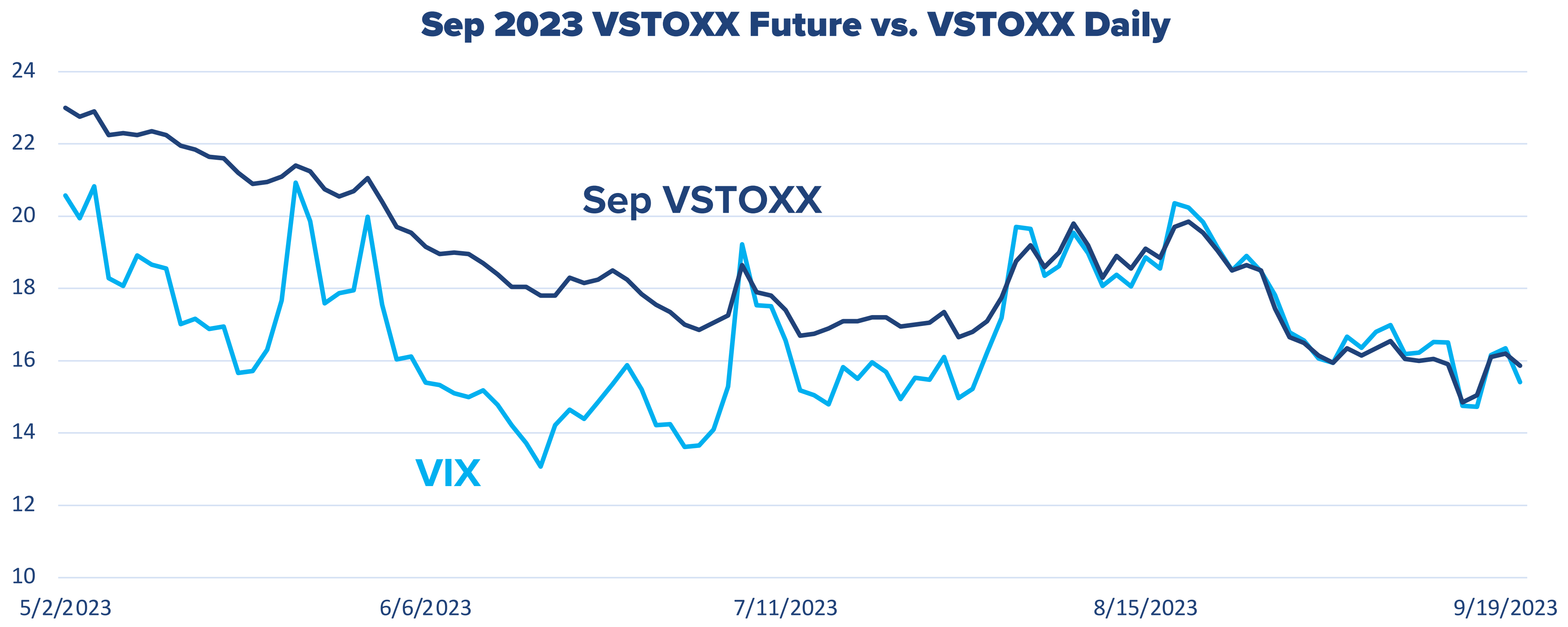
VSTOXX FUTURES

- Monthly expirations on a Wednesday 30 calendar days before the standard third Friday expiration for SX5E options
- Multiplier is €100 – VIX multiplier is $1000
- Futures trade at a premium or discount to spot based on the market’s expectations for volatility

VSTOXX FUTURES



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VSTOXX OPTIONS

- Share expiration dates with VSTOXX futures – Wednesday 30 days prior to standard SX5E option expiration
- Multiplier is €100 same as futures so there is a one-to-one relationship between the two
- Best underlying pricing vehicle is corresponding VSTOXX future

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VSTOXX Options

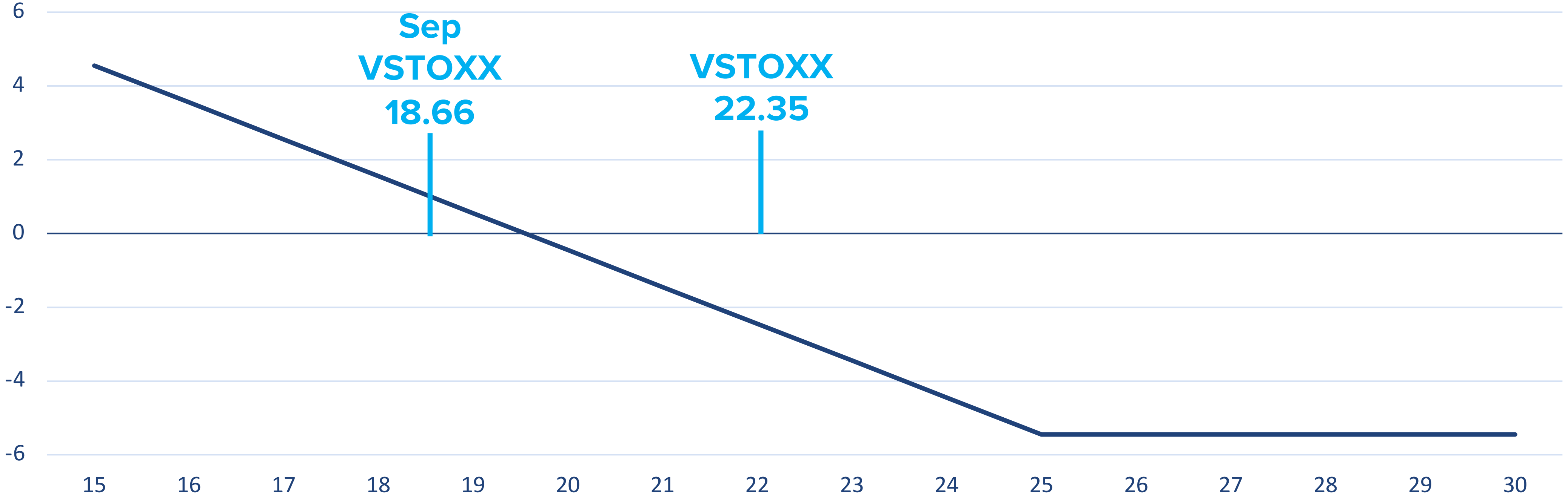
10 May 2023
VSTOXX = 18.66 / Sep VSTOXX = 22.35
September VSTOXX Options

Call	Strike	Put
7.50	15	0.15
6.68	16	0.33
5.95	17	0.60
5.33	18	0.98
4.80	19	1.45
4.35	20	2.00
3.95	21	2.60
3.60	22	3.25
3.30	23	3.95
3.03	24	4.68
2.80	25	5.45

Data Source: Bloomberg

VSTOXX Options

Buy 1 VSTOXX Sep 25 Put



Data Source: Bloomberg

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VSTOXX FUTURES

Short Into Settlement

2 June 2023

VSTOXX = 16.03

June VSTOXX = 16.95

Sell June VSTOXX @ 16.95

Data Source: Bloomberg

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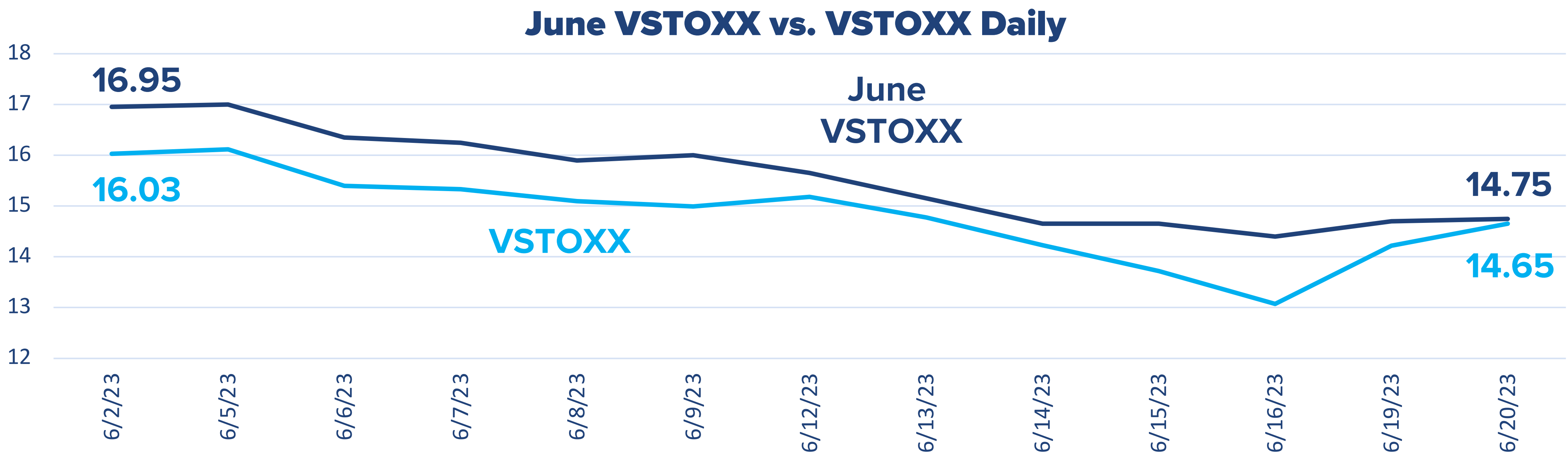
VSTOXX FUTURES

Short Into Settlement



Data Source: Bloomberg

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VSTOXX FUTURES

Calendar Spread Into Settlement

2 June 2023

VSTOXX = 16.03

June VSTOXX = 16.95

July VSTOXX = 18.20

Sell June VSTOXX @ 16.95 / Buy July VSTOXX @ 18.20

Data Source: Bloomberg

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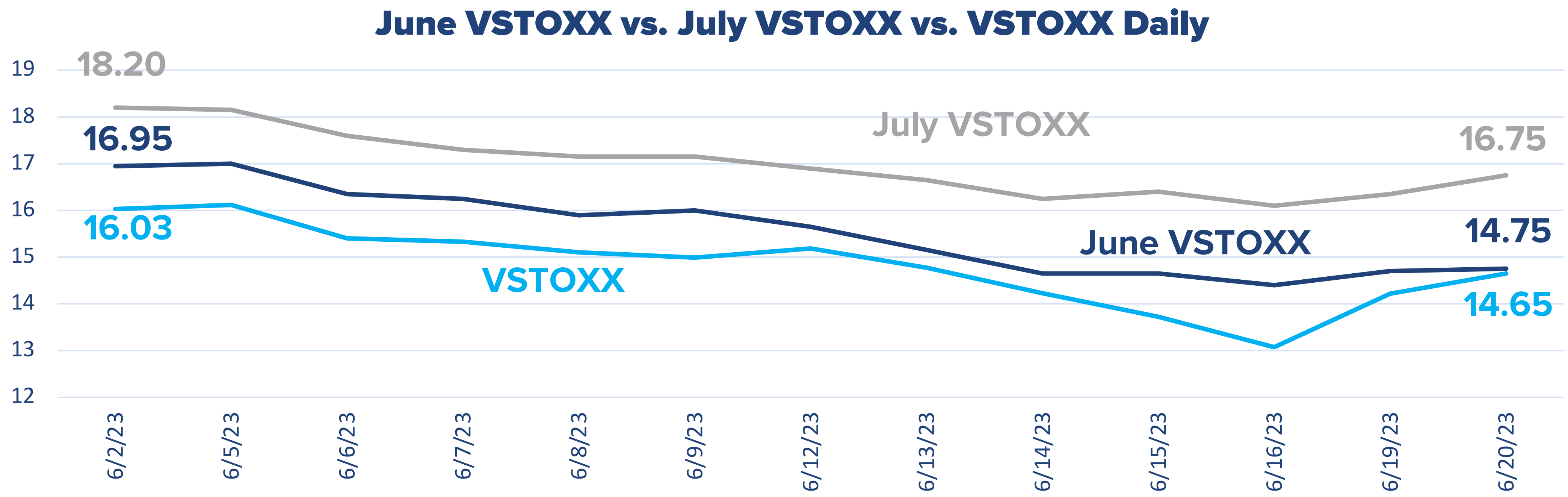
VSTOXX FUTURES

Calendar Spread Into Settlement



Data Source: Bloomberg

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VSTOXX FUTURES

Futures Fly Into Settlement

June VSTOXX = 16.95

July VSTOXX = 18.20

August VSTOXX = 18.90

Sell 1 June VSTOXX @ 16.95

Buy 2 July VSTOXX @ 18.20

Sell 1 August VSTOXX @ 18.90

Data Source: Bloomberg

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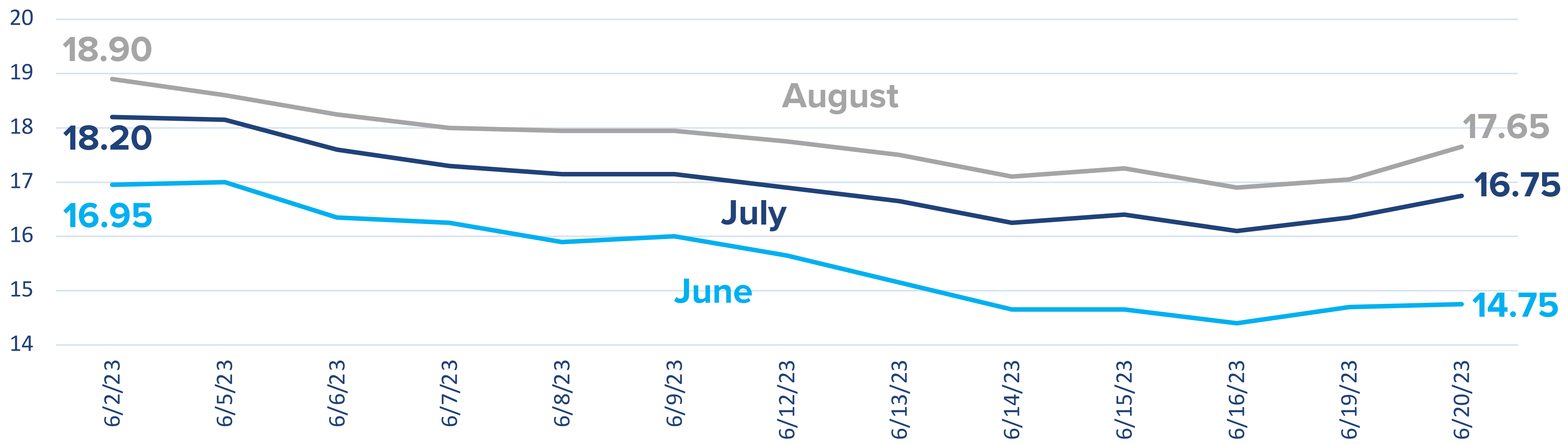
VSTOXX FUTURES

Futures Fly Into Settlement

June VSTOXX vs. July VSTOXX vs. August VSTOXX



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VSTOXX Options

Long Put Into Expiration

2 June 2023

June VSTOXX = 16.75 / VSTOXX = 16.03

Buy 1 VSTOXX Jun 20 Put @ 3.60

Data Source: Bloomberg

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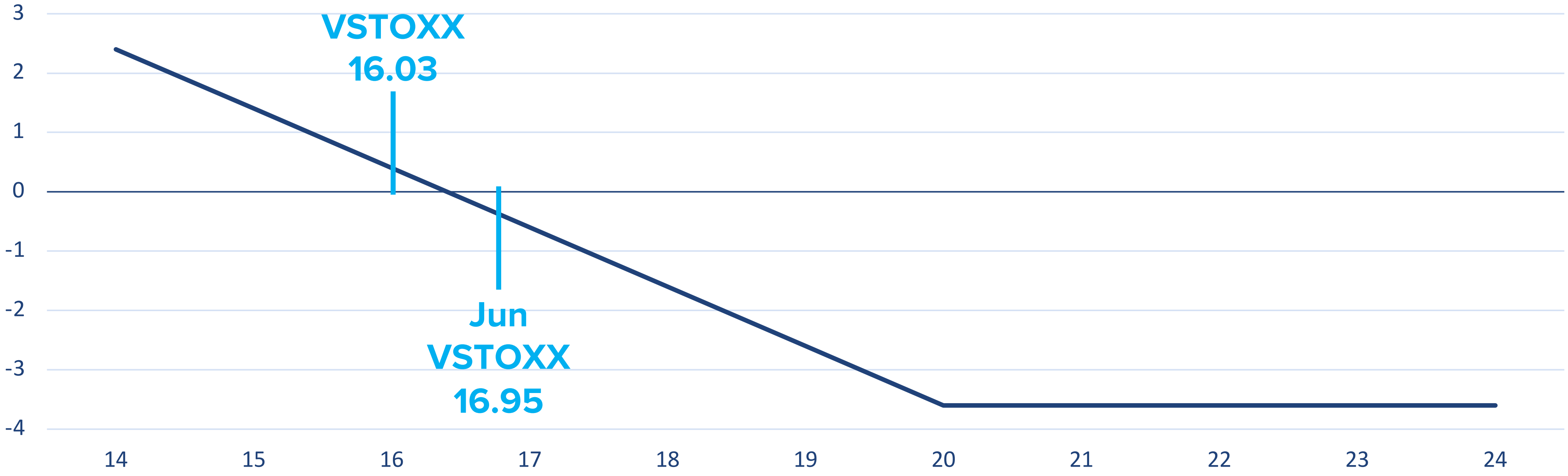
VSTOXX OPTIONS

Long Put Into Expiration



Data Source: Bloomberg

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VSTOXX OPTIONS

1 X 2 Call Spread

28 February 2023

VSTOXX = 19.50

March VSTOXX = 19.45

Sell 1 VSTOXX Mar 19 Call @ 1.70

Buy 2 VSTOXX 23 Calls @ 0.75ea (1.50)

Data Source: Bloomberg

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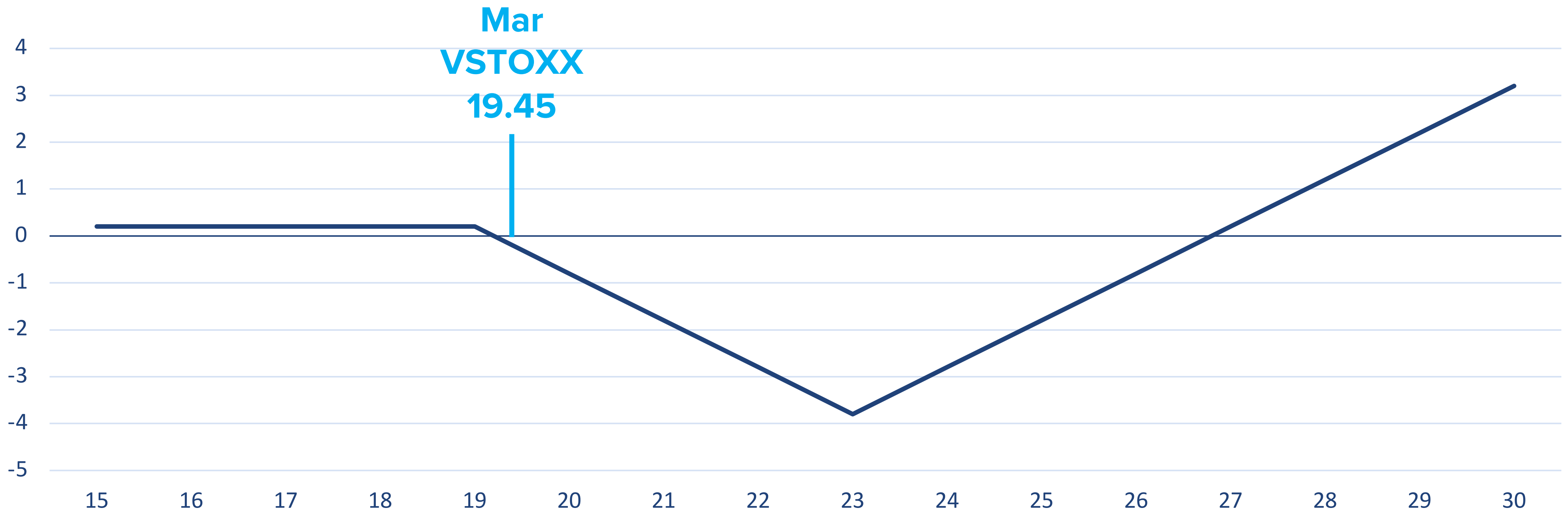
VSTOXX OPTIONS

1 X 2 Call Spread



Data Source: Bloomberg

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VSTOXX OPTIONS

Put Spread + Long Call

28 February 2023

VSTOXX = 19.50

March VSTOXX = 19.45

Buy 1 Mar 16 Put @ 0.10/ Sell 1 Mar 19 Put @ 1.25

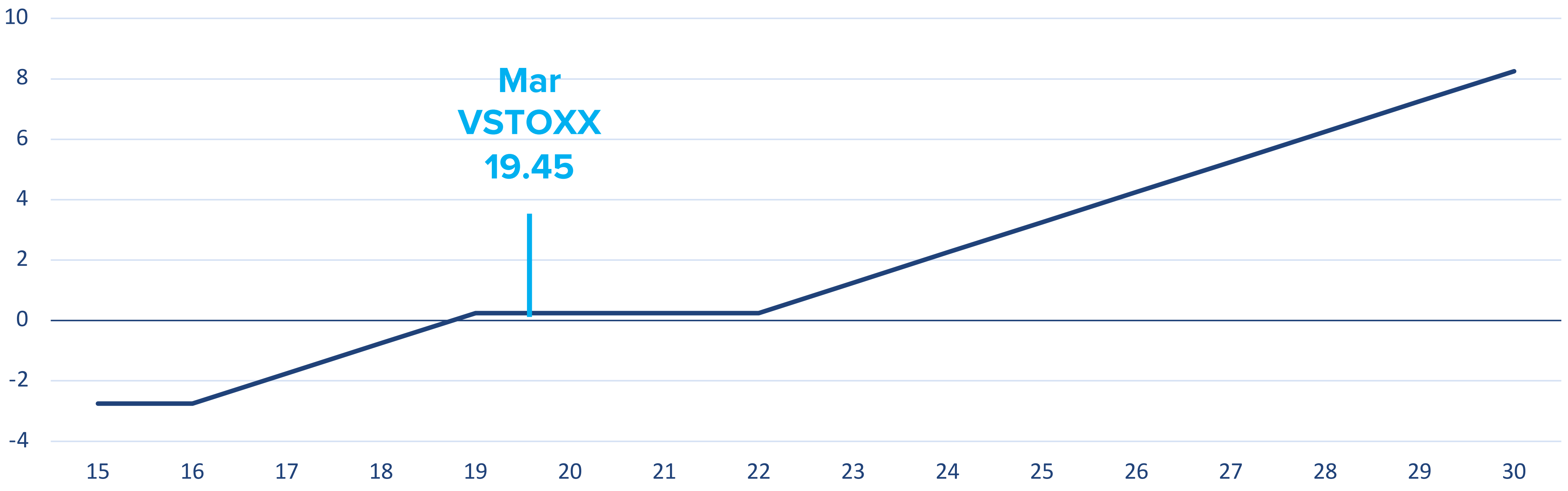
Buy 1 Mar 22 Call 0.90

Net Credit = 0.25

Data Source: Bloomberg

VSTOXX OPTIONS

Put Spread + Long Call



Data Source: Bloomberg

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Questions / Contact

Questions?

(Any market related topic is fine)

Contact

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Blogs – russellrhoads.substack.com