



## Global Trader launches 2 new volatility indices enabling your defensive trading strategies

GT recently launched two volatility indices giving South African's exposure to both **international (VIX)** and **local (GTSAVIX)** volatility indices.

### More about the VIX

The big brother of volatility trading is the VIX Index, Colloquially, the VIX, is referred to as the **Fear Index**, through Global Trader you now have access to trade the VIX Index Future on our Future Trader (Spread Trading platform). Great news, but what is the VIX?

The VIX is a tradable index designed to replicate US equity market volatility. It is widely recognised as an indicator of broad market sentiment. High VIX values imply stock market pessimism while low values imply investor optimism. Its reference assets are a number of at-the-money (ATM) and out-the-money (OTM) options traded on the Chicago Board Options Exchange (CBOE).

The VIX, may, theoretically, trade between 0 and infinity. Practically though, over the last 20 years, the VIX has largely traded between 10 and 30 with short term extremes as high as 80. Global Trader's contract offering is based off standard contracts which estimate the forward 30-day implied volatility of the S&P 500 index. The tick size on this contract is 0.1, hence a move from 19 to 20 equates to a 10 tick move.

VIX futures may be used as an effective tool to diversify ones portfolio, hedge equity returns and to speculatively trade short and long run movements in the equity markets. As an example, in recent trading, (April 27), Tuesday saw the VIX jump 31%, the biggest daily rise since October 2008. This was due to heightened concerns about fiscal stability in Greece, Portugal and Spain and tighter financial market regulation crimping economic growth in the future.

### More about the GTSAVIX

Although SAFEX run and provide end of day prices on implied South Africa options volatility through their SAVI index, the index does not update throughout the day and is therefore not a trade able instrument.

Recognising the need for an SA equivalent of the much traded VIX Global Trader have launched South Africa's first trade able volatility index, the GTSAVIX.

The intraday price of the index is determined by way of reference to the weighted average bid and offers prices across the top 10 most liquid SAFEX listed option strikes available on the SOUTH AFRICAN TOP40. The end of day price will be referenced to the SAVI ensuring complete price transparency for your trading.

Global Trader as the primary market maker of this contract on our Future Trader platform and have committed to ensuring that there will always be 50 contracts available at the bid offer price ensuring ease of entry and exit for your trading.

Andrew Kinsey, Head of Risk at Global Trader, and the brain child behind the launch of this contract comments "the instrument provides a simple method of taking advantage of changes in volatility and direction of the underlying South African Top40 market and it provides speculators with a means to express a volatility and directional view without possessing a deep understanding of option pricing models. For investors who wish to protect their portfolio against adverse price and volatility movements the GTSAVIX is a one stop instrument that permits cost effective and efficient trade execution and protection."

## **What is the SAVI**

The SAVI is a daily measure of annualized three month implied volatility for At-The-Money options on the South African TOP 40 index future. It is currently based on the near and next-near options prices obtained from at least 6 and at most 9 of the TOP40 index option market makers in Johannesburg and London

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