

Investing Environment Review and Outlook – Volume 91

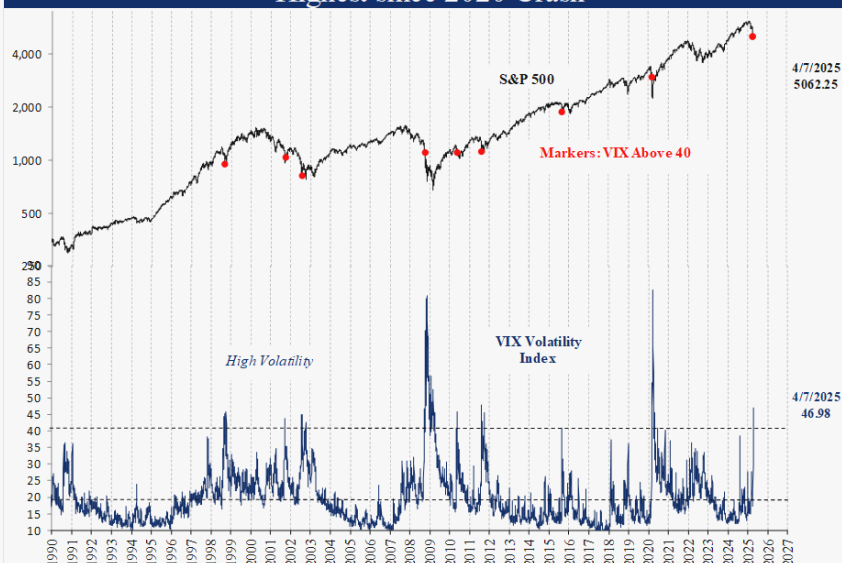
U.S. Equity Market Volatility Extreme: Positive

The VIX Index measuring volatility closed at 47.0 on 4/7, the highest level since the 2020 crash, and just the 10th time the VIX crossed above 40 since 1987. Prior cases include negative ones for the S&P 500 like September 2008 (S&P down 23% within a month) and February 2020 (down 24%). However, the next 10% move in the S&P 500 was higher in 7 of the 9 prior cases, and the median return 3 months later was 10.2%, almost 4 times the norm of 2.7%. 2020 and 2008 are certainly risks, but for now, conditions are not comparable.

S&P 500 Returns after VIX Over 40 from 20

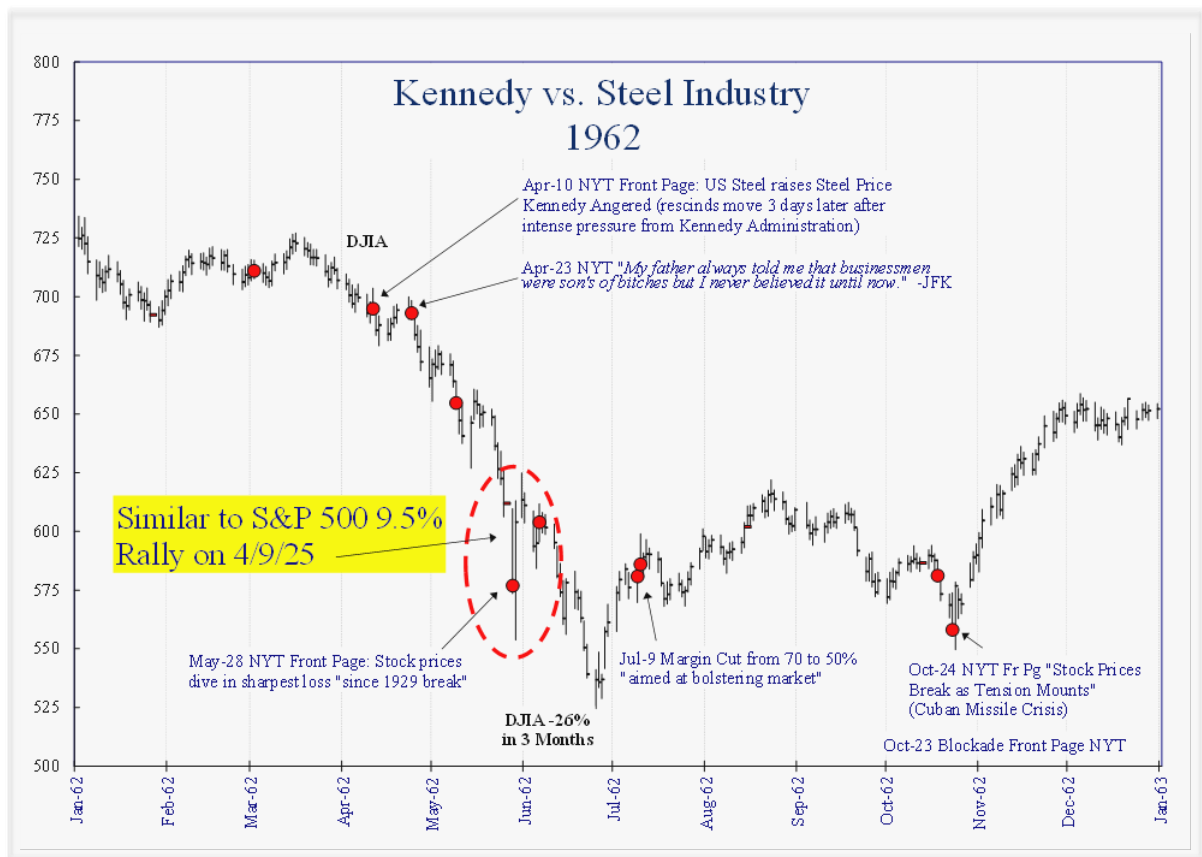
S&P 500 Returns									
	Date	Later 1W	Later 1M	Later 2M	Later 3M	1M wst	1M best	Next 10%	
1	10/19/87	1.2	9.4	11.4	12.9	0.0	14.9	Up	
2	08/31/98	1.8	6.4	15.1	22.0	0.0	11.5	Up	
3	09/17/01	-3.4	3.8	9.9	9.6	-7.0	5.8	Up	
4	07/22/02	9.7	16.0	3.4	10.2	-2.7	16.1	Up	
5	09/29/08	-4.4	-15.8	-18.6	-20.8	-23.2	5.4	Down	
6	05/07/10	2.3	-5.2	-4.2	1.5	-5.2	5.5	Up	
7	08/08/11	7.7	7.3	3.7	13.3	0.0	9.1	Up	
8	08/24/15	4.2	2.6	10.0	10.8	-1.4	5.6	Up	
9	02/28/20	0.6	-10.9	-0.2	3.6	-24.2	6.0	Down	
10	04/04/25								
Average		2.19	1.51	3.38	7.01	-7.07	8.87		
Median		1.77	3.80	3.67	10.23	-2.70	5.97		
Prob Up		77.8	66.7	66.7	88.9			77.8	
Market		0.21	0.92	1.84	2.76				

VIX Volatility Index Extreme Highest since 2020 Crash



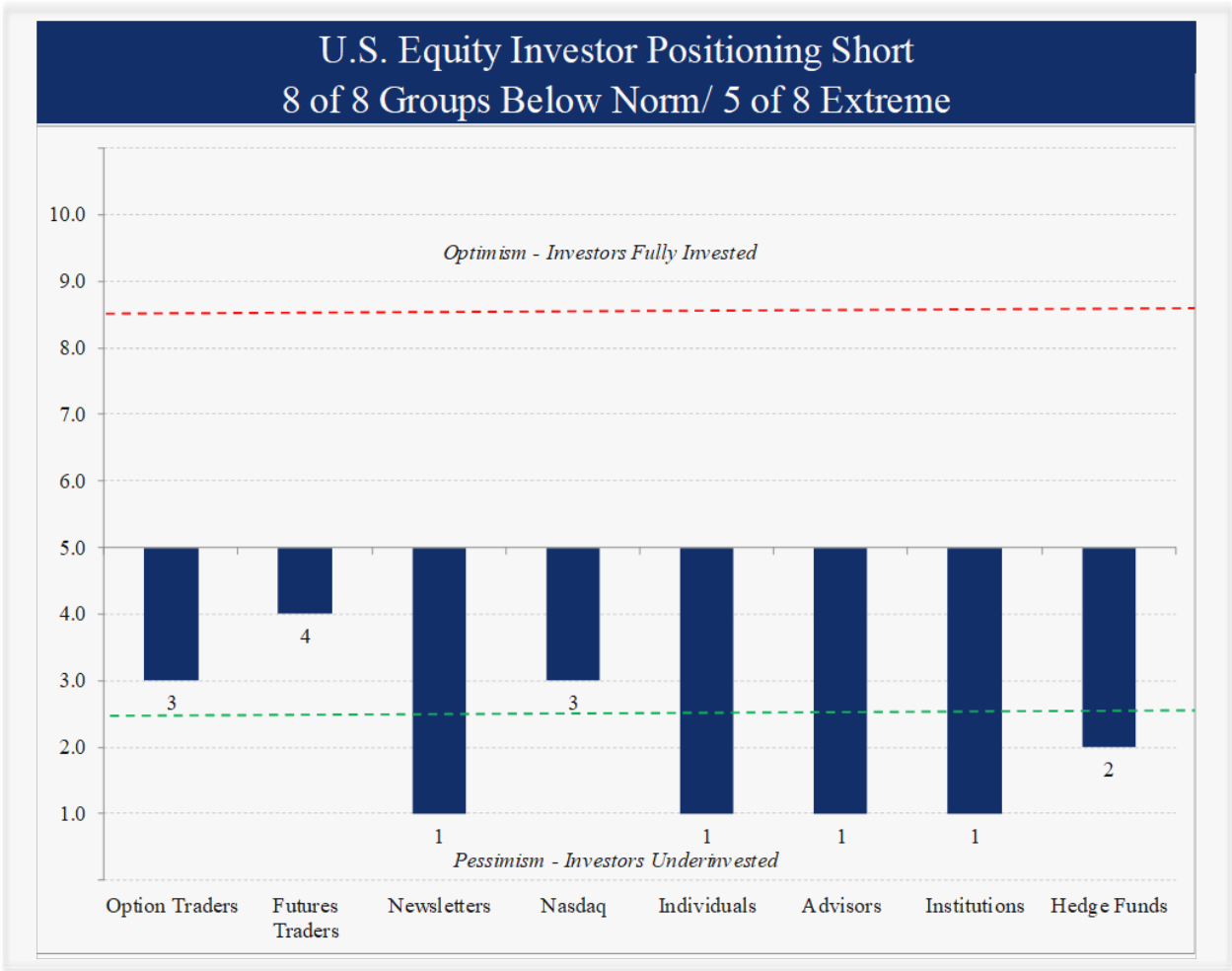
1962 Crash: Kennedy vs. Steel Industry

An interesting prior case is the 1962 stock market crash, when the Dow Jones Industrials Average (DJIA) declined 28% in 3 months. This is a bear market with none of the usual suspects like a hostile Fed, high inflation, oil price spike, war, or extreme speculation. However, like this year valuations were high (S&P 500 P/E 21 vs. peak of 27 in Feb 2025) and a controversial president. JFK was considered anti-business that year and targeted the steel industry. The DJIA rallied 10% off a large reversal day on 5/28/62, similar to the one day 9.5% rally we saw this year on 4/9/25. In 1962 it was close to the low and may mark the same pattern this year.



Investor Positioning Short: Bullish

Investor positioning is extremely one sided with all 8 groups we follow below their norms, and 5 of the 8 showing extreme pessimism despite the 10% rally off the April lows. This is mirrored in the Michigan Consumer sentiment survey (lowest since 2022 and the 2008 Global Financial Crisis) and multiple CEO surveys. Negative sentiment is likely depressing economic activity in the short run, but in prior cases this widespread and pervasive negativity marked the lows in equities. Much of the slower activity comes from delayed orders like CAPEX projects so equities are rallying in anticipation of the future, when they will be reinstated.



We continue to monitor economic and market conditions and analyze their impact on asset classes. Thank you for your support and please contact us with any questions.



Michael Schaus
Director of Market Research