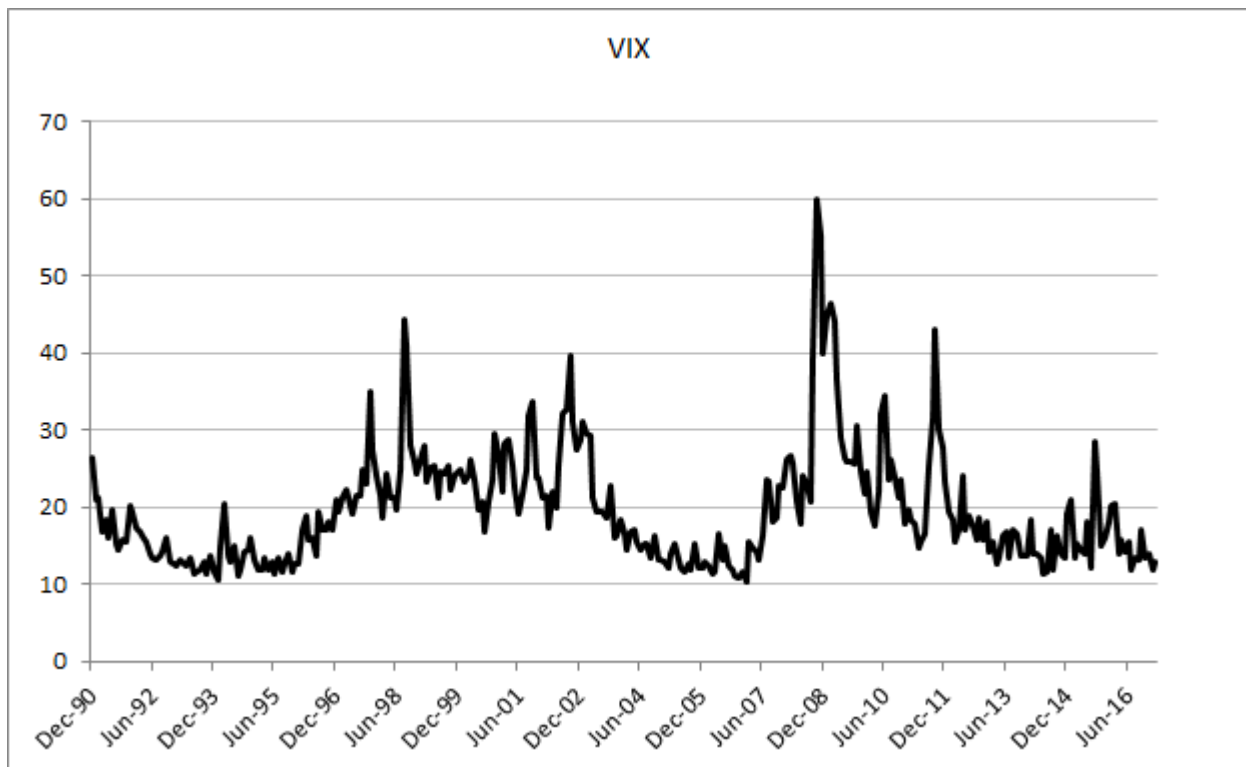


VIX. Volatility Low. Buy Some While Stocks Last.

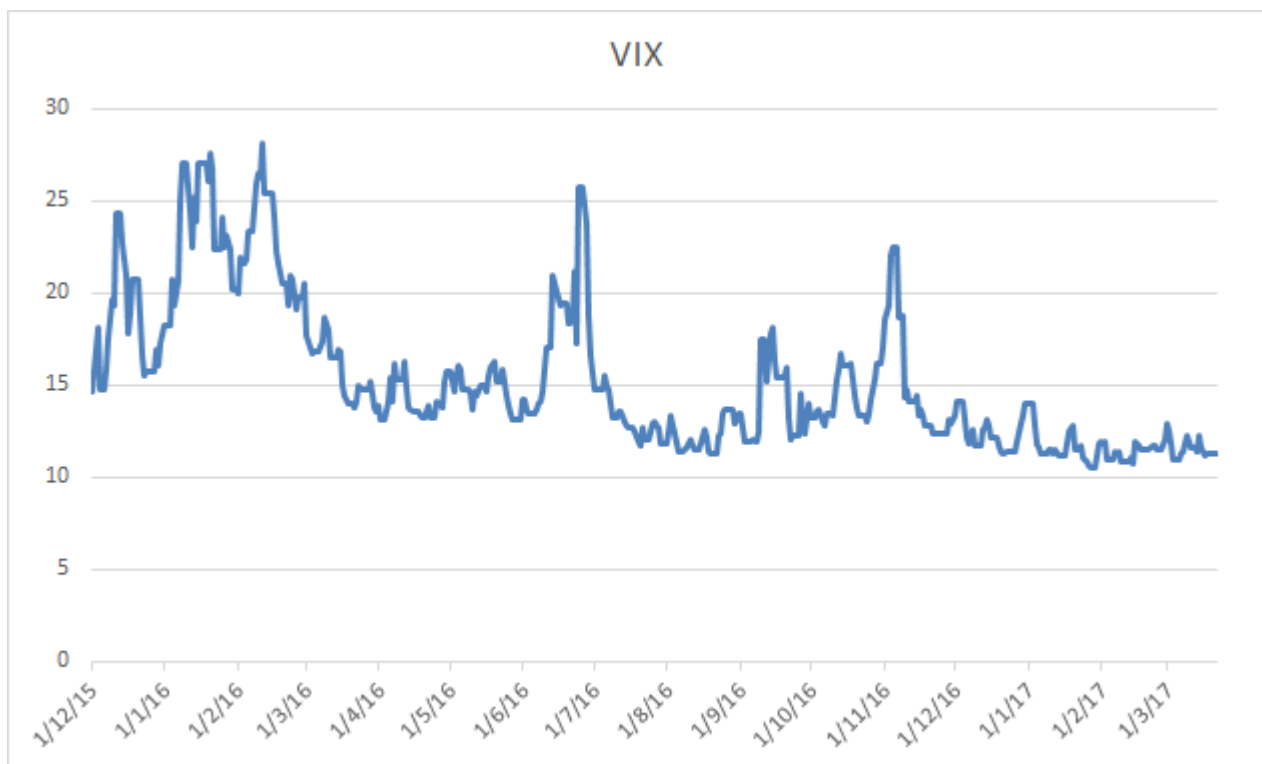
Volatility is one of those quantities which has a very distinctive time series. If you are shown a volatility chart which was flipped upside down, you would immediately recognize the error. Volatility spikes and fades and repeats. When is the next spike? How big a spike is one looking for.

The foregoing is just observation and not analysis. It suggests that a spike in volatility is due. There is nothing causal on the horizon although there are a few risks. European political risk such as French and German elections or Brexit might be candidates. China's debt mountain is another. An unconventional US President is another. Inflation could push central banks to tighten more than they plan. Nothing is certain of course but we press on with our observations:

For very large spikes, we see occurrences in 1997/8, 2001/2, 2008 and 2011. That's roughly a separation of 8 years, then 4 years, 4 years and 3 years. From 2011 to date we have a 7 year trough. A vol spike could be around the corner.



For small spikes in more recent history we had Sep 2015, Feb 2016, Jun 2016, Nov 2016, separations of 5 months, 4 months, 5 months. From the last spike in Nov 2016, it is now 5 months. A vol spike could be around the corner.



VIX is at 11.3. You don't buy insurance when you need, you buy it when you can.