

# Market Volatility Bulletin

## “Brexit” Déjà Vu? FX vs. Equity Vols Diverge Ahead of Election

Link to Report: [Market Volatility Bulletin](#)

### WHAT STANDS OUT:

- Similar to what we saw heading into the “Brexit” referendum earlier this year, equity and FX implied vols have diverged as we approach the Nov 8<sup>th</sup> US presidential election. While USDMXN 2M implied vol has jumped to a 4-year high in reaction to polls showing Trump in a close race with Clinton, equity vols are pricing in very little election risk. See charts below for comparison.
- For “Brexit”, equity vols didn’t react until two weeks before the referendum (and even then, it still underpriced the risk of the “leave” vote). Will we see a similar pickup in equity volatility this time as the election date approaches? Historically, we’ve found October to be the most volatile month of election season and the VIX has gone up an average of 3.5 pts in the month leading up to the election. See pg 14 for tradable election basket ideas.

Chart: FX vs. Equity Vols Now vs. Before “Brexit”

