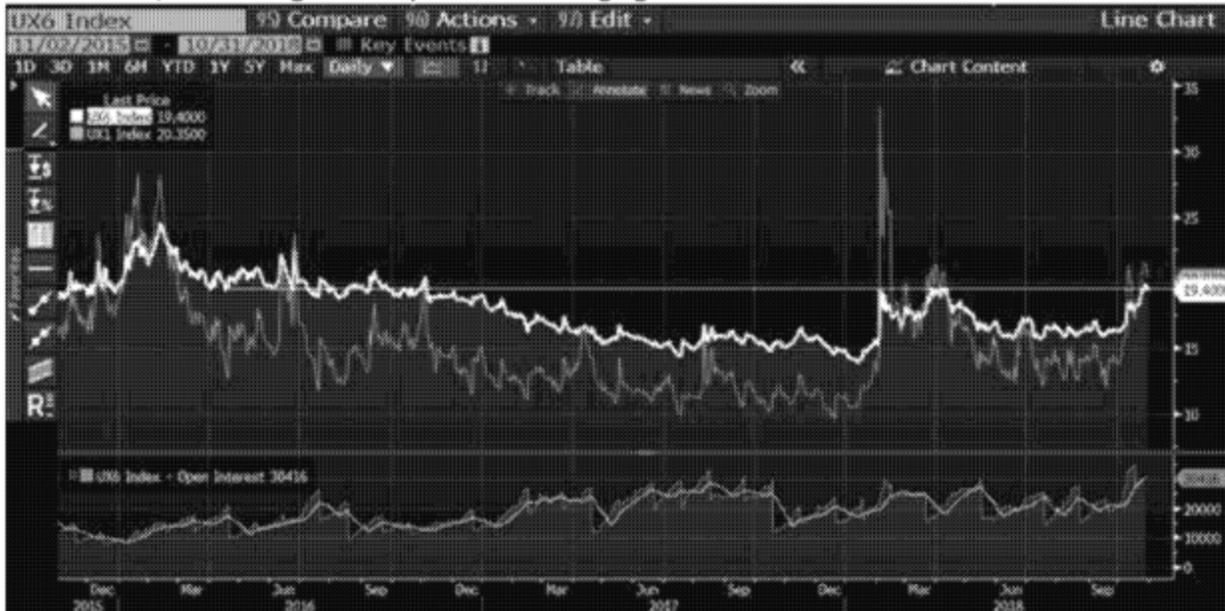


Source: DB, Bloomberg. L.P.

Longer dated vol measures remain elevated, and are higher than they were back in Feb. You can see in longer term VIX futures (using the 6 month as a proxy below) that there is higher vol priced in than on the move in Feb/March, although near term vols exploded back then from the ETP complex. **This sell off has seen a more steady march higher – indicating how well-behaved vol has been during this selloff. Longer dated vol levels are roughly near the levels markets experienced back in the elongated selloffs of late-2015/early-16.** This points to genuine change in fundamental/economic growth expectations changing rather than a technical-led selloff.



Source: DB, Bloomberg. L.P.

From Powell on our Synthetics team: **There was a $>4\sigma$ collapse in both of our Hedge Fund Factors this week, which capture popular longs and shorts, pointing to a more fundamental leg lower recently.** The synthetics team are accustomed to seeing **gross risk get trimmed after net risk gets trimmed**, and frankly should have been waiting for this shoe to drop. Anecdotal evidence of decreased gross leverage had caused us to discount the probability of an event like this one. But in the past it has been a necessary step to finding bottom. In 2016 the bottom for SPX came 1 week later.