

Weekly Survey: Retail Investors Respond to Rising Market Volatility

After experiencing some all-time-low volatility, it appears the U.S. stock market is seeing an uptick in volatility. On July 26, the CBOE Volatility Index, or VIX, widely considered to be Wall Street's "fear gauge," fell to its lowest level on record. Leading up to that, the VIX had steadily fallen to lows not seen in more than two decades amid U.S. stocks' steady climb higher. This, in turn, has fueled concerns that when market volatility returns, it will do so with a vengeance.

On Thursday, the VIX surged more than 30% as U.S. stocks suffered their worst day in three months according to Schaeffer's Investment Research. The Thursday before, the VIX jumped more than 40% in a single day. According to Schaeffer's, this is only the third time ever the VIX has experienced two single-session increases of 30% or more in a week. The two other times also took place in August, in 2011 and 2015. This follows a historical pattern for the VIX, whereby it falls to year-to-date lows in mid-July before rising in the months of August through October.

AAll Weekly Survey Question

Prior to this past week's jump in the VIX, we asked our readers how worried they are about rising market volatility. Specifically, our weekly reader survey asked:

The Chicago Board Options Exchange's Volatility Index (VIX) climbed to its highest levels since November 8 last week. How worried are you about rising volatility in the stock market?

Here are the results:

The Chicago Board Options Exchange's Volatility Index (VIX) climbed to its highest levels since November 8 last week. How worried are you about rising volatility in the stock market?

Not too worried : 38% - Votes: 590



Somewhat worried : 37% - Votes: 575



Not worried at all : 17% - Votes: 262



Very worried : 8% - Votes: 125



In all, 1,552 readers responded to the question.

Since most of our readers have a long-term investment horizon, it is probably not surprising that the majority (55%) are either not too worried or not worried at all about the impact of rising volatility on the stock market.

In second place with 37% of the votes is “somewhat worried.”

Only 8% of respondents say that they are very worried about the impact of rising volatility on the stock market.

Weekly Special Question

Building on the weekly reader question, last week’s special question asked:

What steps, if any, do you take in regards to your investment portfolio during periods of high market volatility?

We received 217 responses to this question.

Out of that group of respondents, slightly more than 51% say that they do nothing when market volatility increases.

The 49% of remaining responses dealt with making changes to their investment portfolio in the face of rising market volatility, 41% say that they do adjust their portfolios in response to rising market volatility.

Within this group, roughly 36%—the biggest single response category—say they look for buying opportunities when market volatility rises.

However, almost 40% of the people adjusting their portfolios when market volatility increases say they either increase their cash position, invest in a “safe” asset such as a money market fund or sell off positions.

Rounding out the responses in the “adjust portfolio” group:

- Invest in contra funds (6%)
- Hedge stock positions with options (5%)
- Speak with a financial advisor (4%)
- Invest in gold (3%)

Here is a sampling of the responses to the special question:

- “Become defensive, increase cash position.”
- “Hedge with ETFs. Sell options. Look for bargains.”
- “I run my portfolio based on established rules and volatility is not even an event.”
- “Make sure you have enough in cash so you can sleep at night no matter what the market does.”
- “Stay the course: long-term wins.”
- “I do tighten stops. However, the last five dips have been buying opportunities and I have added to positions.”
- “I use a low-volatility index fund for a 10% fraction of my stock market holdings.”
- “Re-evaluate the role each individual holding as to the role it plays in the portfolio.”
- “I trim my biggest winners to hang on to some of my profits and I put together a wish list of stocks I want to buy should they drift low enough.”
- “I have recently taken money off the table by selling appreciated stocks with the minimal amount of tax consequences.”

Everybody has an opinion! Why not give us yours? Participate in our weekly

member poll, updated every Monday, and see the results online at <http://www.aaii.com/memberquestion>.