INSIGHTS

Derivatives Market Overview

October 2026

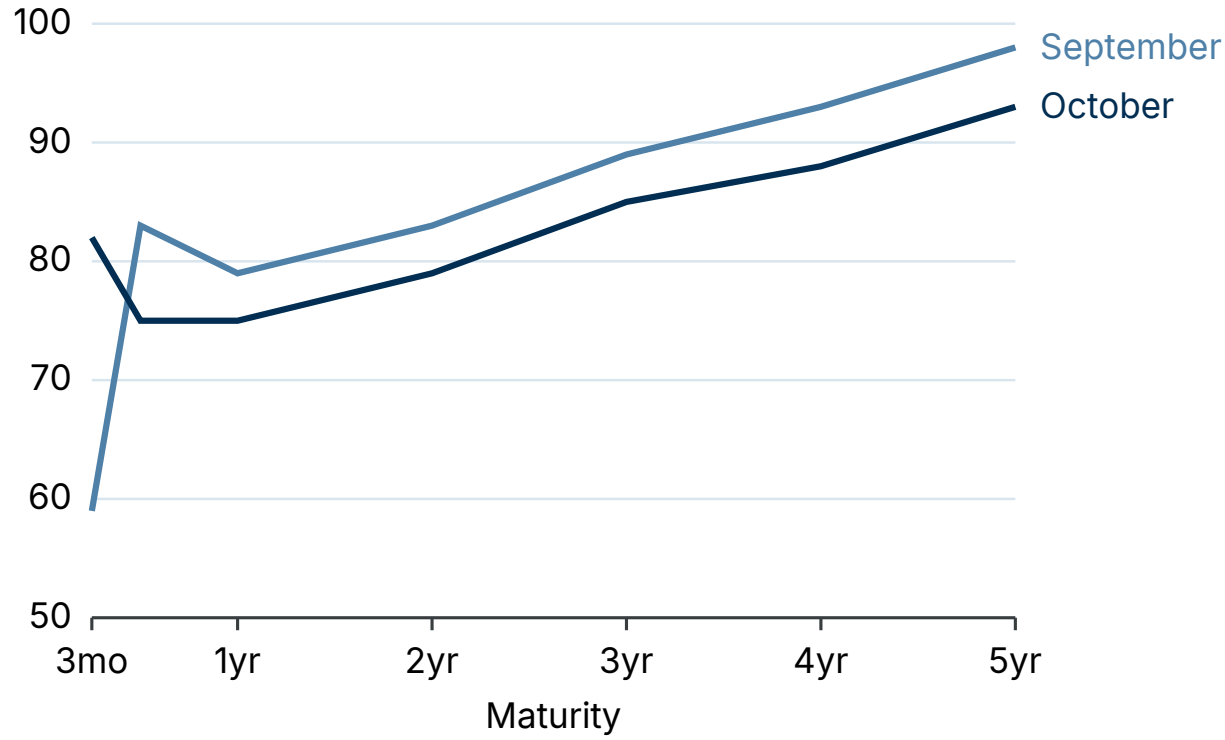
	12/31/2025	9/30/2026	10/31/2026	MoM Chg.
S&P 500	6,845.50	7,651.54	7,580.07	-0.93%
VIX Index1	14.95	16.34	19.42	3.08
S&P 500 30-day Realized Volatility	11.23%	10.15%	10.79%	0.64 pts
MOVE Index1	63.96	110.45	100.20	-10.25
1-year Financing Levels vs. SOFR				
Bloomberg U.S. Agg TR Index (Ticker: LBUSTRUU)	+23 bps	+19 bps	+20 bps	+1 bp
Bloomberg U.S. Tsy 20+ Year TR Index (Ticker: LT11TRUU)	+23 bps	+24 bps	+25 bps	+1 bp
S&P 500 TR Index (Ticker: SPTR)	+69 bps	+79 bps	+75 bps	-4 bps
MSCI ACWI Net TR USD Index (Ticker: NDUEACWF)	+35 bps	+45 bps	+39 bps	-6 bps

Financing Markets

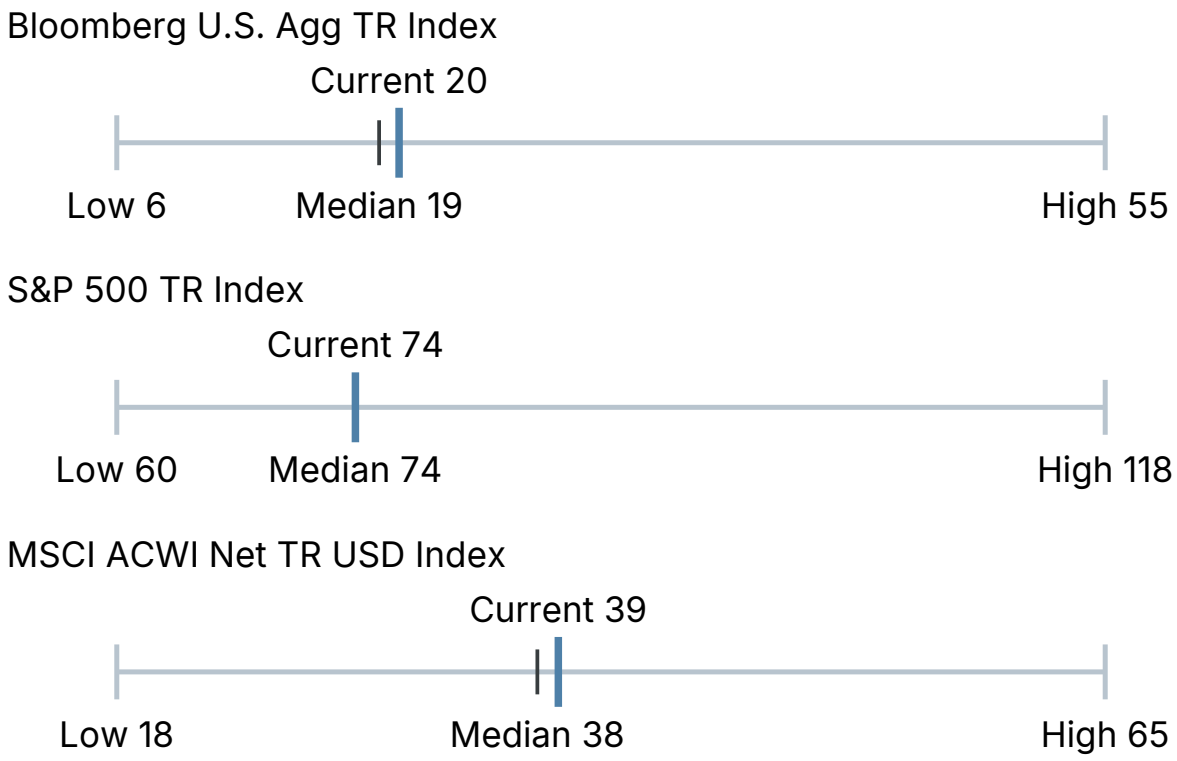
U.S. equity financing term structure was inverted at the end of October, as the front end of the curve captured the increased cost of financing long positions over year-end. The balance of the curve shifted lower as financing levels continued their downward trend and, for the first time since May, traded in line with their two-year medians. Fixed income financing levels remained steady and traded near their two-year medians.

SPTR Financing Curve

Spread to SOFR in bps



1-Year Swap Level | 2-Year History

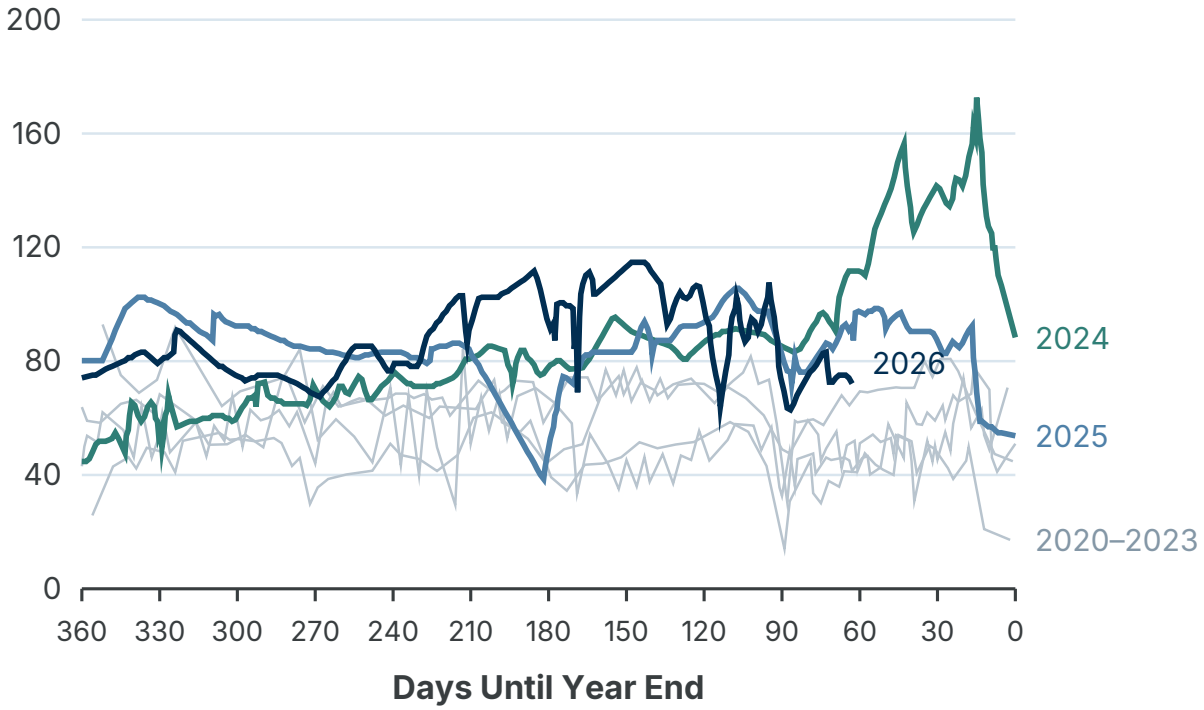


Year-End Financing

Year-end financing spreads have fallen below the levels seen at this point in the prior two years after running above them for much of the summer. Spreads continued to normalize following the June squeeze, with several factors easing pressure on bank balance sheets. Asset manager net S&P 500 futures positioning, measured in notional value, fell 8.6% from its May high, and U.S. levered equity ETF AUM declined 25% from its June peak. Questions remain over IPOs slated for the rest of the year as heavy issuance could weigh on dealer balance sheets and reduce financing appetite.

SPTR December/March Implied Financing

Spread to SOFR in bps



Volatility Markets

Equity volatility diverged in October, with the technology sector leading the equity market selloff. The S&P 500 Index (SPX) fell nearly 1%, while the Nasdaq-100 Index (NDX) declined 6.65% and ended nearly 10% below its October high. On October 30 alone, the NDX fell 3.5%, its worst day since June. One-month NDX implied volatility rose more than four volatility points and closed at the 85th percentile on a one-year lookback. Options activity increased as volume on the Invesco QQQ Trust (QQQ) rose 12% from September and surged 66% on October 30 versus the prior five-day average. The NDX-SPX volatility spread widened to nearly 10 volatility points, close to double its early-October level, as both implied and realized volatility rose faster for NDX than for SPX, highlighting the NDX's greater sensitivity to the AI theme versus the SPX.

NDX Index

30-Day ATM Implied Volatility vs. 30-Day Realized Volatility



NDX-SPX Volatility Spread

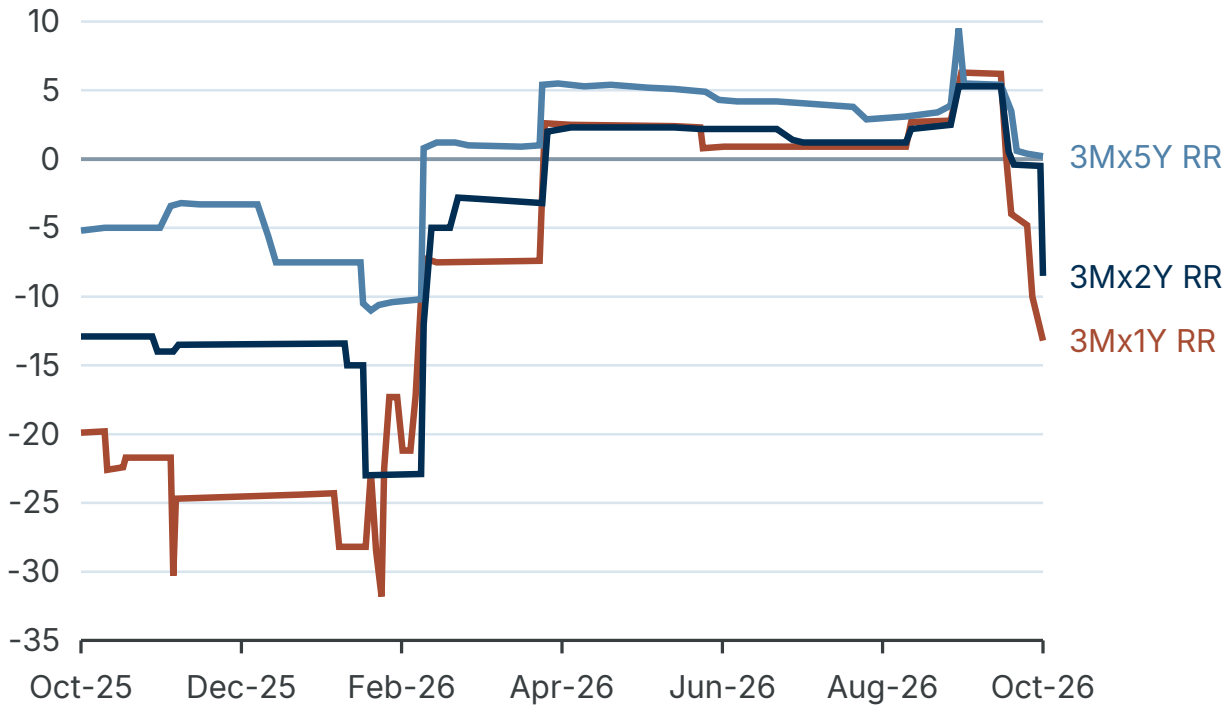
30-Day Realized and 30-Day ATM Implied



Treasury yields retraced much of their September increase, with the 2-year yield ending the month 30 bps lower. Rate volatility eased as well, with the MOVE Index falling 10 index points. The USD swaption skew surface repriced, led by short-dated expiries on short tails, where receivers traded at a premium to payers. The 3-month expiry 1-year tail (3Mx1Y) and 3Mx2Y 25-bp risk reversals both turned negative, a sign of growing demand for protection against lower yields. The 3Mx5Y risk reversal remained near zero, highlighting that the repricing was concentrated in the shortest tails. This suggests demand was tied to the near-term policy path rather than a broader reassessment of long-term rates.

USD Swaption Skew

Payer Minus Receiver Volatility, ATMF +/- 25 bps, Normal bp



What Stands Out

Regulatory constraints can create persistent market dislocations by forcing certain behaviors. This can be seen in financing markets in China A-share indexes. A-shares are the shares of mainland China-based companies traded in the local currency, RMB. Initially, this market was restricted to local investors, but over time A-shares have opened to select foreign investors.

The graph below shows the spread to SOFR for a one-year total return swap (TRS) on the CSI 500 Index, which tracks the performance of small- and mid-cap companies listed in Shanghai and Shenzhen. A-shares are hard to borrow, so onshore market-neutral hedge funds that are long stocks will sell index futures to hedge factor exposure, creating persistent one-way flow. In a free market, arbitrageurs would buy these cheap futures and short the physical shares until the basis closed. However, since access to China A-share markets is limited and short selling is difficult, this basis persists. As a result, to go long a one-year TRS, an investor would “pay” SOFR minus 1086 bps, effectively collecting roughly 6.75% and receiving the performance of the CSI 500 Index. The

same negative financing spreads are evident in the CSI 300 and the CSI 1000 to varying degrees.

CSI 500 Index Financing

1-Year TRS Spread to SOFR in bps



[1] Please refer to the glossary for more information.

Data as of October 30, 2026. Sources: Bloomberg Index Services Ltd., Bloomberg, iVolatility, dealer indications, NISA calculations.

Glossary

What is the MOVE Index? The ICE BofA MOVE Index measures U.S. bond market volatility by tracking a basket of OTC options on U.S. interest rate swaps. The index tracks implied normal yield volatility of a yield curve-weighted basket of at-the-money one-month options on the 2Y, 5Y, 10Y and 30Y constant maturity interest rate swaps. The index value is equal to the average of the implied normal yield volatility of the four options, where the 10Y option is given a 40% weight and the other components each hold a 20% weight.

What is the VIX Index? The VIX Index is a calculation designed to produce a measure of constant 30-day expected volatility of the U.S. stock market derived from mid-quote prices of the S&P500 Index call and put options.

This overview is for informational purposes only. The information has been obtained from sources considered to be reliable, but the accuracy and completeness are not guaranteed. There is no assurance that any economic trends mentioned will continue or that any forecasts will occur. Economic data are as of the dates noted.

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