



INSIGHTS

Derivatives Market Overview

September 2026

	12/31/2025	8/31/2026	9/30/2026	MoM Chg.
S&SP 500	6,845.50	7,686.14	7,651.54	-0.45%
VIX Index ¹	14.95	14.92	16.34	1.42
S&P 500 30-day Realized Volatility	11.23%	12.14%	10.15%	-1.99%
MOVE Index ¹	63.96	75.32	110.45	35.13
1-year Funding Levels vs. Fed Funds				
Bloomberg U.S. Agg TR Index (Ticker: LBUSTRUU)	+23 bps	+21 bps	+19 bps	-2 bps
Bloomberg U.S. Tsy 20+ Year TR Index (Ticker: LT11TRUU)	+26 bps	+25 bps	+24 bps	-1 bps
S&P 500 TR Index (Ticker: SPTR)	+69 bps	+87 bps	+80 bps	-7 bps
MSCI ACWI Net TR USD Index (Ticker: NDUEACWF)	+35 bps	+51 bps	+45 bps	-6 bps

Financing Markets

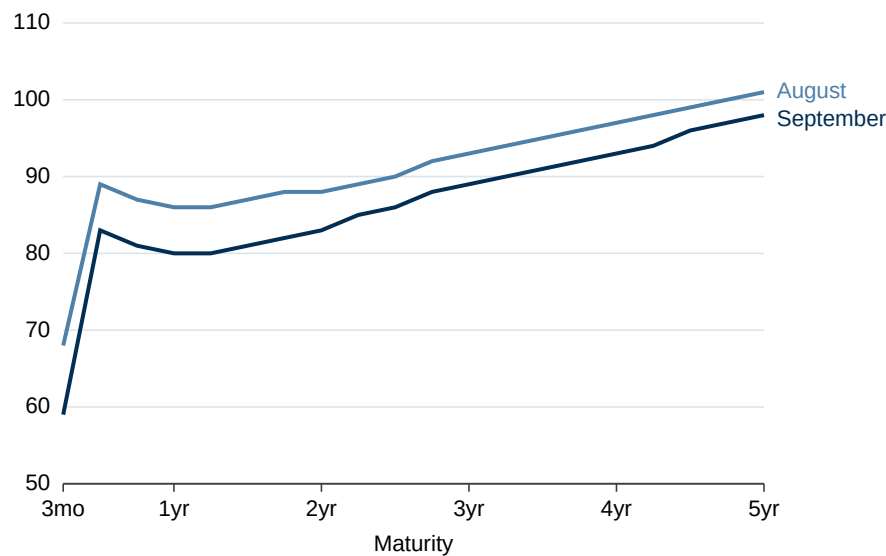
U.S. equity financing term structure experienced a modest steepening over the month, driven largely by short-dated financing levels moving lower. The local peak continued to persist around year-end, highlighting the increased cost of financing over the turn of the year. Equity financing levels continue to trade rich to their two-year medians, though have eased month-over-month. Fixed income financing levels have remained steady and are trading right around their two-year medians.

Typically, going into year-end, we observe an increase in financing levels for the December/March SPTR forward-starting total return swap. Current levels are trading in line with the past two years, though they remain elevated relative to the 2020–2023 period.

SPTR financing curve for August versus September, December/March implied financing by days until year end, and one-year swap levels against their two-year ranges.

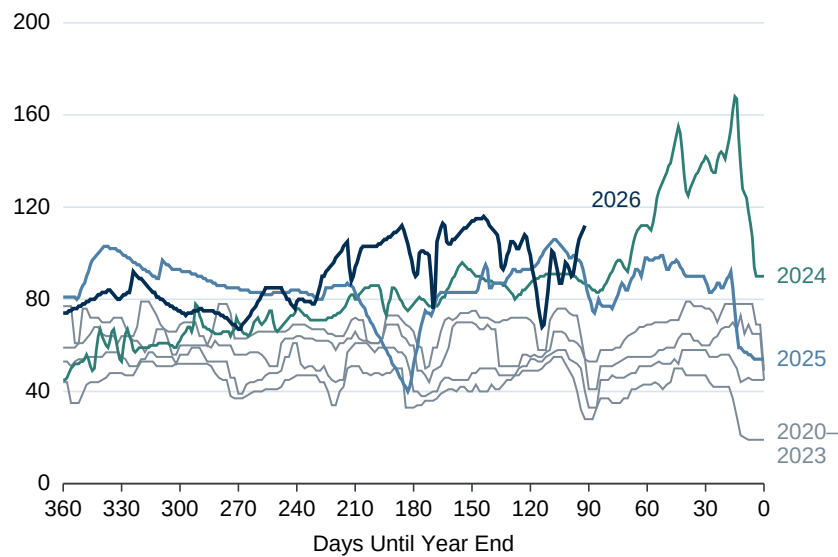
SPTR Financing Curve

Spread to SOFR in bps



SPTR December/March Implied Financing

Spread to SOFR in bps

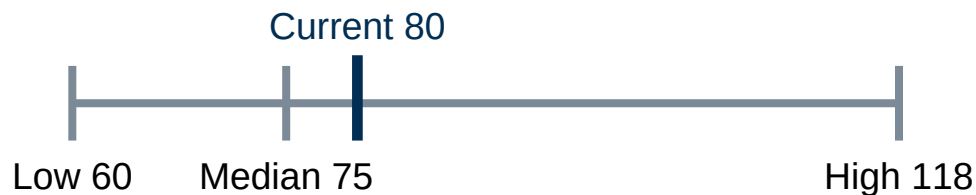


1-year Swap Level | 2-year History

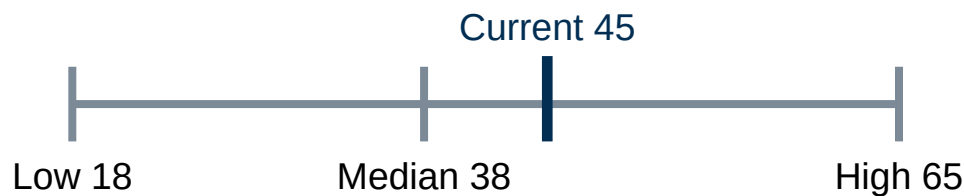
Bloomberg U.S. Agg TR Index



S&P 500 TR Index



MSCI ACWI Net TR USD Index



Inflation Hedging

With headline CPI remaining stubbornly above the Federal Reserve's 2% target, investors with long-duration liabilities face exposure to persistent inflation eroding the real value of their portfolios. Two common approaches to directly isolate inflation exposure are zero-coupon inflation swaps and a synthetic long breakeven position (long TIPS, short nominal Treasuries). Both approaches effectively strip out nominal interest rate risk, isolating pure inflation exposure. As shown in the table below, the two approaches have comparable pricing after accounting for financing costs. Returns for longer tenors are more sensitive to changes in implied breakeven inflation, whereas returns for shorter tenors are driven by realized inflation. Notably, all three tenors remain well below the most recent year-over-year CPI reading of 3.4% (August 2026, reported September 2026).

Inflation Swap Pricing

Tenor	Zero-Coupon Level
5yr	2.49
10yr	2.48
30yr	2.40

Synthetic Inflation Pricing (Long TIPS, Short Tsy)

Tenor	Breakeven Inflation	Funding Bid/Ask	All-In Level
5yr	2.38	0.10	2.48
10yr	2.37	0.10	2.47
30yr	2.31	0.10	2.41

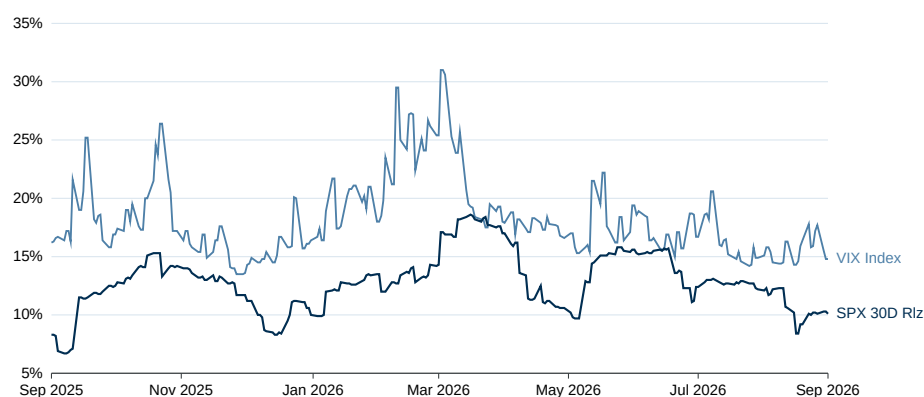
Volatility Markets

SPX implied volatility had a relatively docile month, shrugging off the first interest rate hike since 2023, multi-decade highs in Treasury yields, and growing concerns around AI development. The VIX briefly traded with an 18-handle mid-month before retreating, closing September only 1.42 points above its August close. SPX 30-day realized volatility actually declined on the month, reaching 10.15%, the 10th percentile on a 1-year lookback. The 3-month implied volatility surface shifted marginally higher in a near-parallel fashion, with the most pronounced moves concentrated in the belly of the curve, a relatively muted reaction to a catalyst-filled month.

SPX 30-day implied volatility (VIX) versus 30-day realized volatility, September 2025 to September 2026.

SPX Index

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



U.S. high yield markets experienced accelerating spread pressure in September. The Bloomberg U.S. Corporate High Yield OAS closed August at 261 bps and surged to 311 bps by the end of September, with most of that widening coming in the last two weeks of the month. Implied volatility in the iShares iBoxx USD High Yield Corporate Bond ETF (HYG) reacted, with one-month ATM volatility reaching the 98th percentile on a one-year lookback. HYG option volume increased 75% month-over-month, with 4.25x more puts trading than calls. Put volume alone increased 82%, further evidenced by the 3-month implied volatility surface, which showed a clear bid for protection. The convergence of wider spreads, elevated implied volatility and heavily skewed option activity highlights the degree to which sentiment in high yield changed over the month.

HYG 30-day at-the-money implied volatility spread over one year, and its three-month implied volatility surface for 8/31/2026 versus 9/30/2026.

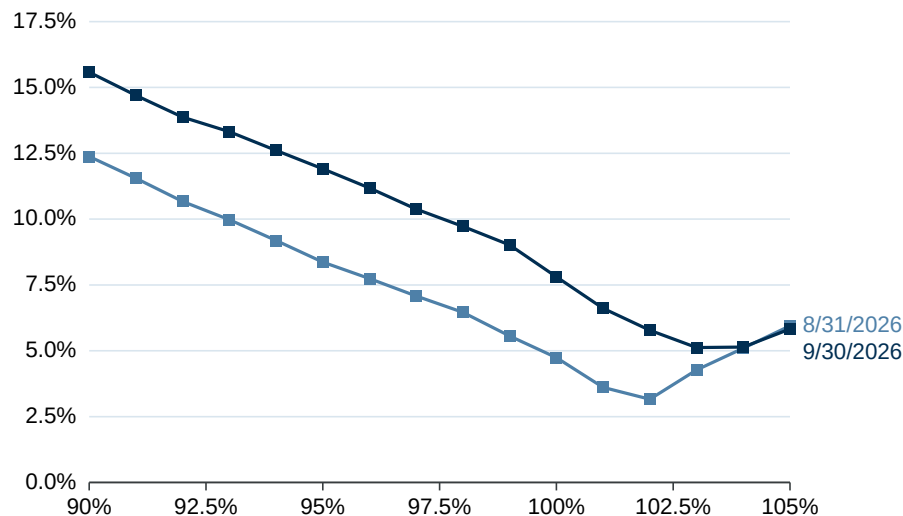
iShares iBoxx High Yield Corporate Bond ETF

30-Day ATM Implied Volatility Spread



iShares iBoxx High Yield Corporate Bond ETF

3-Month Implied Volatility Surface



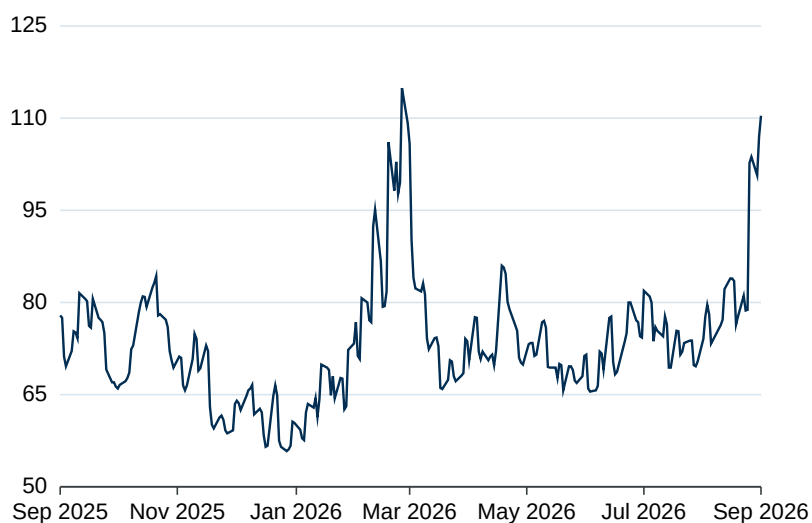
What Stands Out

Fixed income took center stage in September as 10-year yields reached their highest level since 2007 and 30-year yields their highest since 2002, bringing interest rate volatility back to life. The MOVE Index surged 35 points on the month, its largest one-month increase since October 2024. The increase in September ranks in the 97th percentile in the last 20 years. Notably, SPX implied volatility was largely unresponsive in comparison. As highlighted in the graph below, the MOVE/VIX ratio spiked to 6.7x, its highest level over the past year, underscoring the meaningful divergence in how fixed income and equity markets are pricing risk.

MOVE Index implied interest rate volatility and the MOVE/VIX ratio, September 2025 to September 2026.

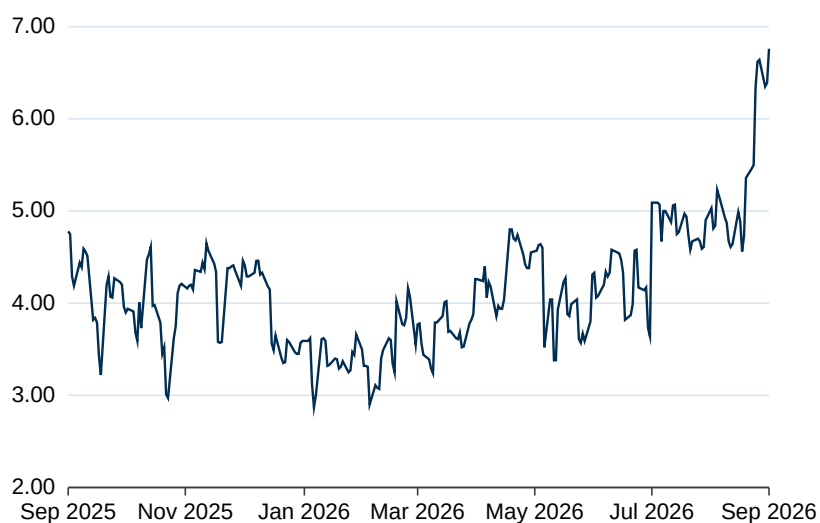
MOVE Index

Implied Interest Rate Volatility (bps)



U.S. Interest Rate Implied Volatility vs. S&P 500 Volatility

MOVE/VIX Ratio¹



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

Data as of September 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.

What is the MOVE/VIX Ratio? The MOVE Index is quoted in basis points of annualized yield volatility while the VIX Index is quoted in percentage points of annualized volatility.

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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