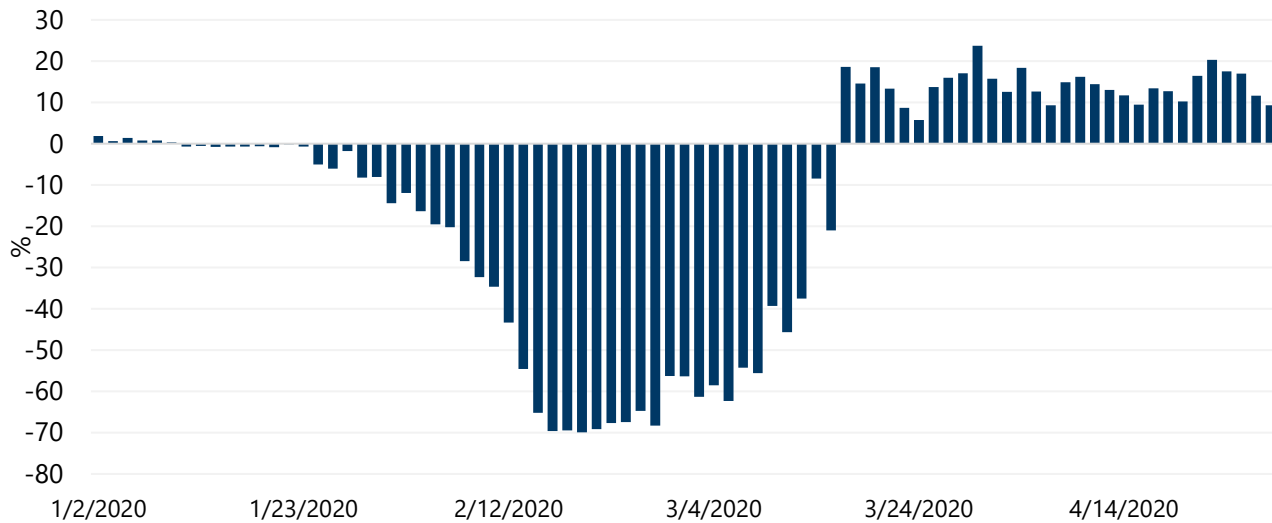


Our April [Market Perspective](#) focused on how the Volatility Risk Premium (VRP) has changed over time and noted that its first quarter of 2020 inversion reached record-setting levels in February. VRP has been positive since mid-March, and averaged 14.23 from March 17 through April 28, i.e. the 21-day<sup>1</sup> realized volatility period ending May 27.

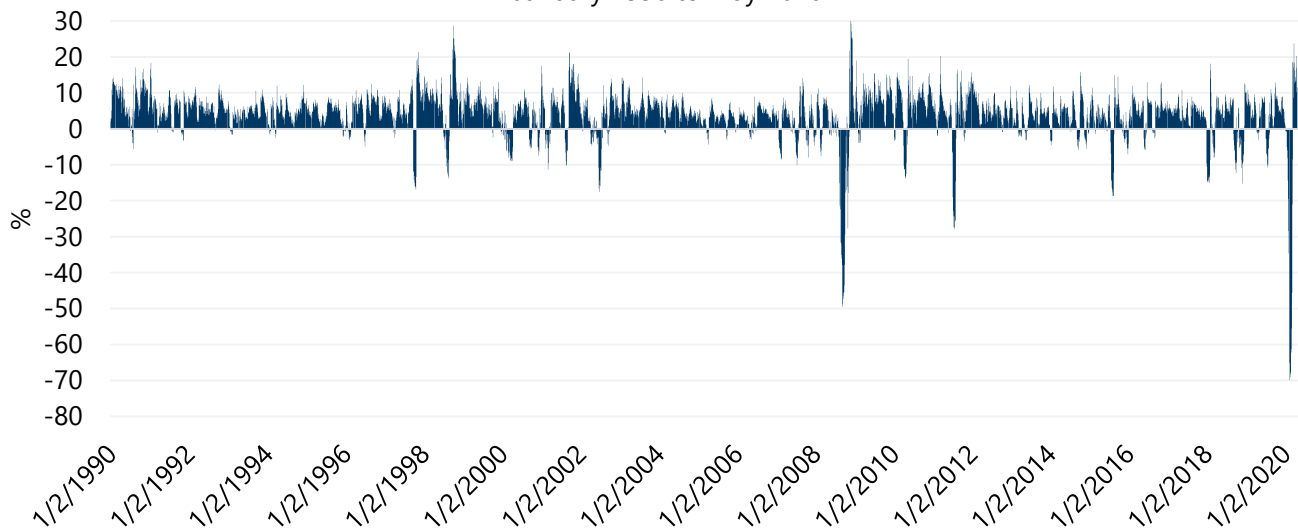
**Implied Volatility vs. Forward One-Month Realized Volatility**  
2020 Year-to-Date



Source: Bloomberg, L.P.

The VRP average since March 17 is nearly three times the average positive VRP reading since September 2008 and, as the longer-term chart shows, recent VRP readings are the highest since December 2008. Writing index options in this environment has strong potential for enhancing risk-adjusted returns while achieving a lower-risk profile than the broader equity market.

**Shifted Daily Spread: Implied Volatility vs. Forward One-Month Realized Volatility**  
January 1990 to May 2020



Source: Bloomberg, L.P.

1: Equity and index option markets are open approximately 21 days per month, on average.  
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