

# Volatility



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Presented by:

# What is volatility in stocks?

**Volatility** is a term that reflects how greatly prices of shares of a stock move away and back around the mean price.

More **volatile** stocks are considered riskier than less volatile stocks because their price can move sharply and unpredictably. Therefore, less volatile stocks are expected to have more predictable price action than volatile stocks.

In a way, volatility can be seen as a measure of uncertainty (fear) that traders will have about a particular stock or market price moves.

# What is volatility in stocks?

**Larger volatility** value of a stocks suggest wider range of price movements in either direction that can happen much faster than expected.

**Lower volatility** value of a stock suggests much smaller and slower swings in price moves. These are considered to easier to trade than larger volatility stocks.

**NOTE: Volatility** of stocks, but also sectors and markets, can vary greatly from day to day, or week to week because volatility can be triggered by some news or catalyst.

# What is volatility in stocks?

**Implied volatility** is a term related to prediction of upcoming volatility of a stock or market.

**Historical volatility** is a term related to past volatility of a stock or market over certain time period.

# Beta volatility measure

**Beta ( $\beta$ )** is a relative volatility measure. It compares volatility of a stock to some benchmark, such as S&P500. The higher the number, larger the volatility of that stock when compared to the S&P500.

Some day traders base their strategy on trading so called “high-beta” stocks as these stocks will make larger short-term moves intraday, larger than the benchmark. Some high-beta stocks are TSLA, NVDA, AMD, and so on.

Most of the available on-line tools will allow you to screen for high-beta stocks (e.g. above 2 or 3), which can be incorporated into the strategy of stock selection, if needed.

# VIX (CBOE Volatility index).

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VIX is used as a benchmark for risk, fear, or stress of the stock market when traders or investors make decisions.

VIX value usually goes up when stock prices fall.

VIX value usually goes down when stock prices rise.

Some strategies work better in VIX high environment, while some work better in VIX low environment.

In brief, VIX will reflect magnitude of price movement in either direction

# VIX

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On August, 5<sup>th</sup>, 2024, VIX has reached high volatility number of max 65.73 and then reverted back to lower values. Values around 15 are considered to be the norm. Anything above 20 is considered to be increased volatility of the market.