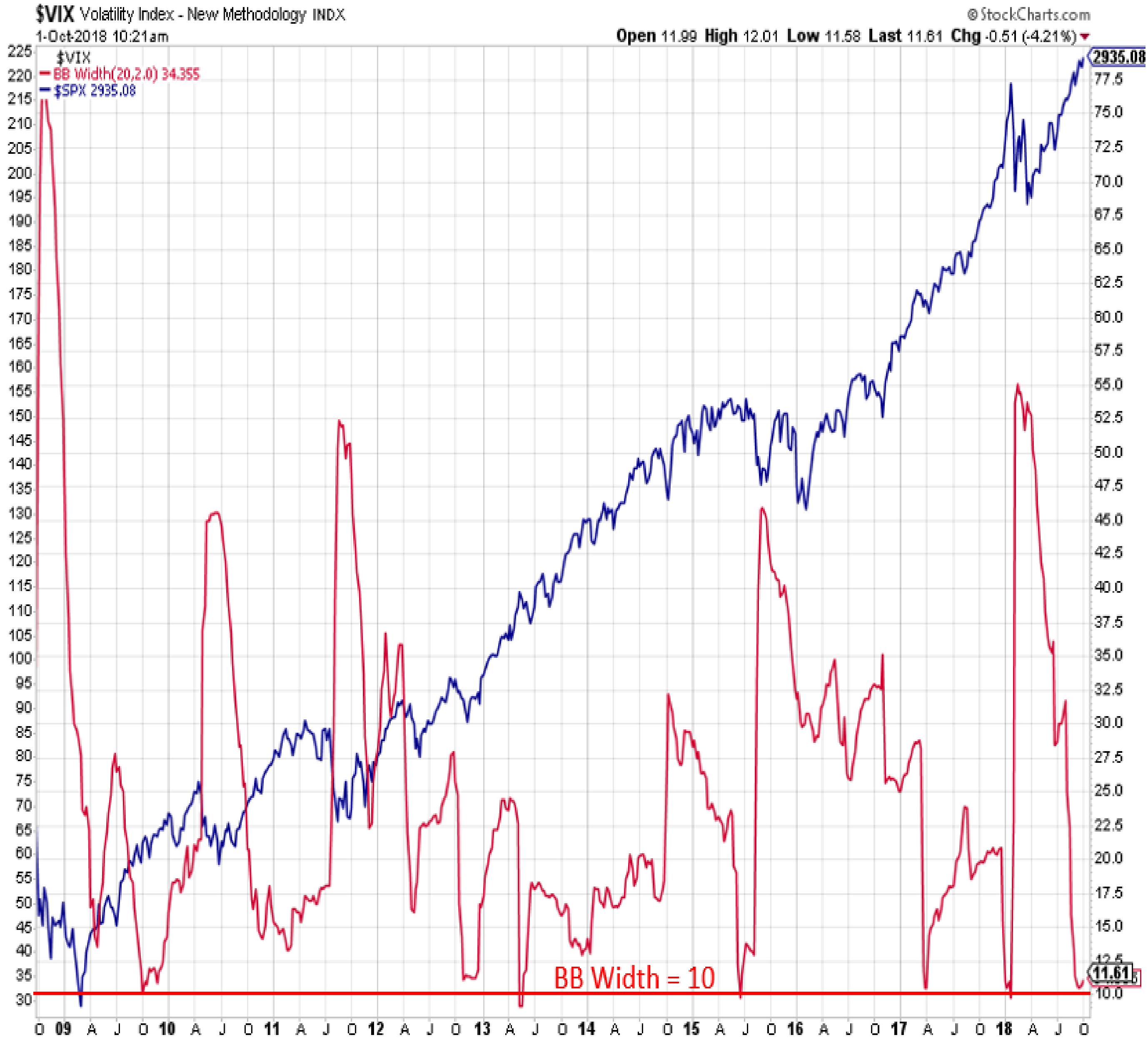
# The Smart Money Are Bullish On Volatility - RIAPro


As the U.S. stock market climbs to record highs, volatility has calmed down quite a bit from its panic-induced levels earlier this year. Complacency is back as traders passively ride the stock market higher and sell volatility short once again. While it may seem as if the coast is finally clear, the "smart money" or commercial futures hedgers (who tend to be right at major market turning points) are building up another bullish position in VIX volatility futures, just like they did one year ago ahead of the market correction and volatility spike. At the same time, the "dumb money" or large traders (who tend to be wrong at major turning points) have built up a large short position, like they did before the volatility spike. Though these positions are not quite as large as they were one year ago, they should be monitored in case they grow. The positioning of these groups of traders implies that another volatility spike is likely ahead in the not-too-distant future. VIX Image not found or type unknown In addition, the *volatility of volatility* is currently at ultra-low levels, which implies that another volatility spike is likely ahead soon. The chart below shows the Bollinger Band width of the Volatility Index or VIX (in red) vs. the S&P 500 (in blue). Bollinger Band width is a way of measuring volatility of a market or financial instrument. Every time the Bollinger Band width drops to approximately 10, it foreshadows a sharp upward move in the not-too-distant future - it's similar to a "calm before the storm."




The fact that the "smart money" is bullish on volatility and that&#2013266080;the volatility of volatility&#2013266080;is so low is always a worrisome prospect with a stock market as [bubbly as ours].