

Option volume and volatility response to scheduled economic news releases

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Abstract

In this article, we examine the impact of 21 different types of scheduled macroeconomic news announcements on S&P 100 stock-index option volume and implied volatility. We find that there is a 2-h delay after the announcement before volume increases. However, there is an immediate increase in volatility, which slowly dissipates over several hours. Further analysis shows that most of the high volume and volatility after announcements come from the announcements that are considered bad news. That is, bad news creates high volatility and high volume, whereas good news elicits lower volume and is not associated with higher volatility. These results are not consistent with the predictions of any one model. We also find that the announcements that cause the largest reaction in the equity option market are Consumer Credit, Consumer Spending, Factory Inventories, NAPM, and Non-Farm Payrolls. Six other announcements elicit a mild response. © 2003 Wiley Periodicals, Inc. *Jrl Fut Mark* 23:315–345, 2003

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