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than investor positive sentiment. The response of VIX to negative changes in market returns was the highest during 2004–2011 when VIX was most volatile. This result is consistent with rising portfolio insurance premiums in periods of high market anxiety and turbulence.

Keywords:

- VIX
- S&P 500 and 100 returns
- investor fear gauge
- portfolio insurance price
- asymmetric relationship

JEL Classification::

- G14
- G19
- G10

Notes

¹ A VIX value of more than 30 is often considered to be high and outside of the normal range (Whaley, [2000](#)). Practitioners often think that a VIX below 30 means that stock market is relatively stable, while a VIX above 30 reflects a sense of panic or capitulation (Ghosh, [2009](#)).

² Coefficient of ΔVIX_{t-1} is statistically significant at the 1% level. The lag absolute coefficient is 0.05, while the lag coefficient is 0.02.

³ We also used the period from 2006 to 30 June 2011, which is the period when VIX started trading on 2006 (i.e., before 2006, there are virtually no data on VIX). The results for 2004–2011 (i.e., 2004–2011) are similar to those for 2004–2011 (i.e., 2004–2011).

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