

Wall St anxious on Europe, but no bets on disaster

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By Angela Moon

NEW YORK, Oct 25 (Reuters) - Wall Street may have become more anxious about the prospects of a solution to the euro zone debt crisis, but investors are not betting on disaster at Wednesday's European summit.

At least that's the case in the options market. Although Wall Street's so-called fear gauge, the CBOE Volatility Index VIX, rose 10 percent on Tuesday, the move is not dramatic by recent standards.

The VIX rose as U.S. stocks fell 2 percent following the cancellation of a European financial ministers meeting, which spooked markets just 24 hours before European leaders are due to adopt a plan to resolve the crisis.

The 10 percent jump in the VIX on Tuesday is dwarfed by recent moves. The last time the S&P 500 fell 2 percent, on Oct. 17, the VIX shot up by 20 percent.

And considering the S&P is up nearly 9 percent for the month, the drop in shares was also seen as relatively soft.

"The market is not so anxious ahead of tomorrow," said Randy Frederick, director of trading and derivatives at the Schwab Center for Financial Research in Austin, Texas.

PRICE GRAPH ON VIX

The VIX generally has an inverse relationship with the stock market as measured by the S&P 500. When the S&P moves lower, the VIX usually rises, but the VIX tends to move up at a much higher magnitude than the S&P moves down.

Equities had risen recently on hopes a resolution to Europe's sovereign debt crisis was on the horizon and a reduced likelihood of a U.S. recession after stronger-than-expected corporate results and economic data.

However, some say the market has managed its own expectations lower for a solution to Europe's problems.

"The market is realizing that this issue, which has been really building up for years, cannot be solved or improved that easily," said **Joe Saluzzi**, co-manager of trading at **Themis Trading** in Chatham, New Jersey.