The Impact of Volatility on S&P 500 Stock Market Returns: A Closer Look at the Bloomberg Propagation Model
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Study Purpose:
Develop a portfolio of stocks that have volatility dampening characteristics and determine its performance in the highly volatile market period of 2010-2016.

Model: LN P_{it} = A + B LN (V_t)
Where LN P_{it} = Log of price for i^{th} stock (t)
LN V_t = Vix index at time (t)
A, B = equation parameters

Research Design:
Select top 5 stocks in each S&P sector that have the highest expected returns for a given level of volatility.

Weighting Strategies:
ER = Expected Return
MC = Market Cap

Conclusion:
• ER Outperforms SPY from 2010-2016
• MC Underperforms SPY from 2010-2016
• ER Outperforms SPY in down-years
• MC Outperforms SPY in down-years
• ER Outperforms SPY in high-VIX periods
• ER and MC underperform SPY in growth years