EMCORE
House of Asymmetry

Volatility Picture - August 2026

Vola Headlines

- Cross-asset volatility has compressed further through August, fully unwinding the July energy spike and returning the majority of markets to levels below their five-year averages.
- Downside equity volatility, particularly in far out-of-the-money put options, remains firmly bid even as at-the-money levels have cheapened, with the S&P 500 now trading roughly a fifth below its five-year average. Japan remains the standing exception.
- FX volatility in the majority of G10 currency pairs continues to grind lower, with the JPM G10 vol index now trading around a quarter below its five-year average and sterling nearer a third below.
- Bond market volatility has returned to its lowest historical quantiles, with Euro Bund and US Treasury implied vol 30 to 37% below their five-year averages. Oil volatility has cooled sharply from the July spike, with WTI now only marginally above its long-term average while natural gas trades a third below. The notable exception remains the metals complex, where gold and silver implied vol continue to trade 40 to 50% above their multi-year averages.

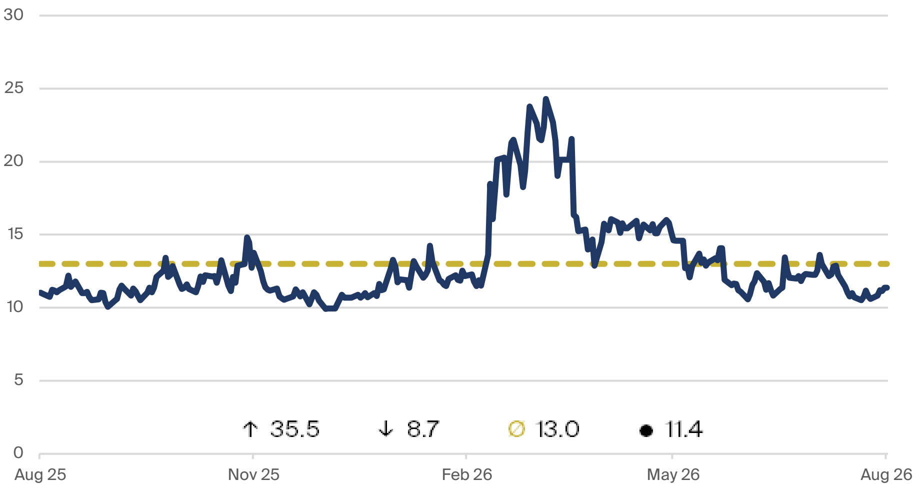
For the coming month, the renewed compression across rates, currencies and equities leaves protection inexpensive at a time when the tails are priced in opposite directions across asset classes.
Low correlated, capital-efficient return generation, combined with an optimised risk–reward profile through convex positioning, remains key to navigating the current market environment.

Overview

SMI	11.38	Euro Stoxx	13.91	SPX	12.66	Nikkei	29.88
DAX	14.21	FTSE 100	10.61	NASDAQ	20.04	Hang Seng	16.73

Equities

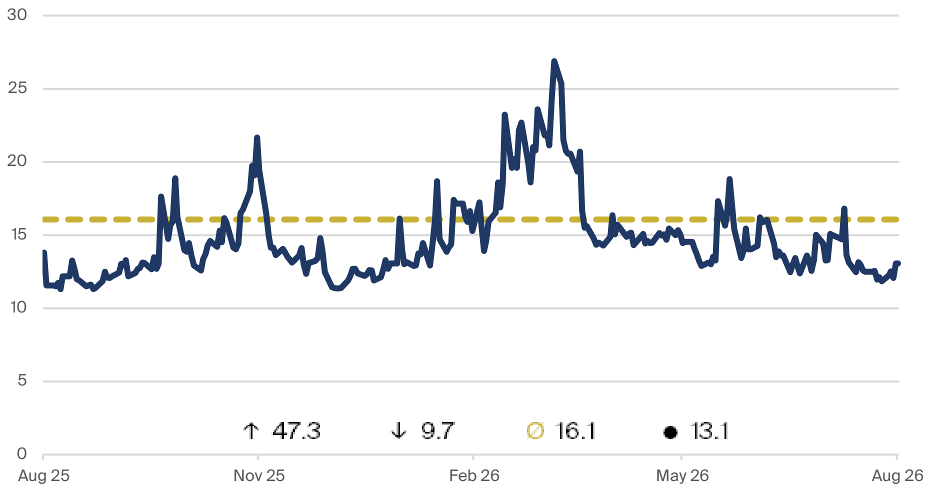
SMI 1M ATM Implied Vola



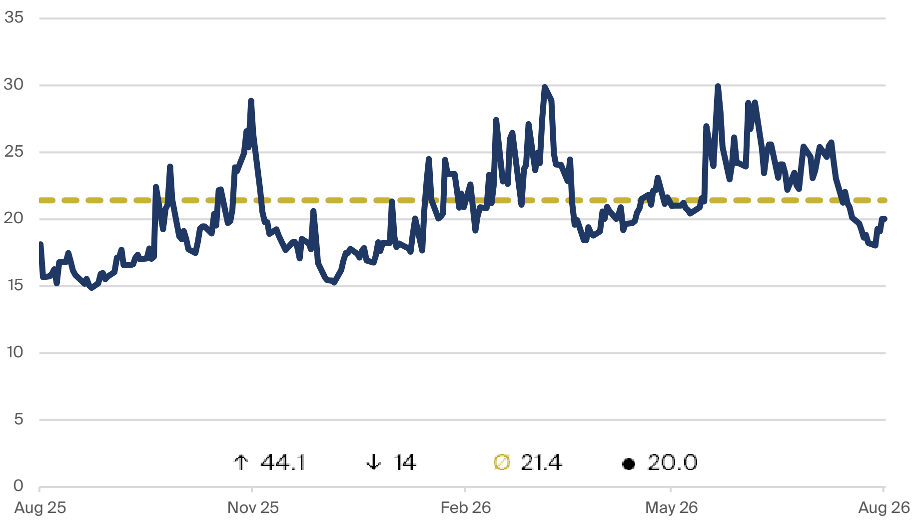
Euro Stoxx 1M ATM Implied Vola

DAX 1M ATM Implied Vola

S&P 500 1M ATM Implied Vola



NASDAQ 100 1M ATM Implied Vola



Hang Seng 1M ATM Implied Vola

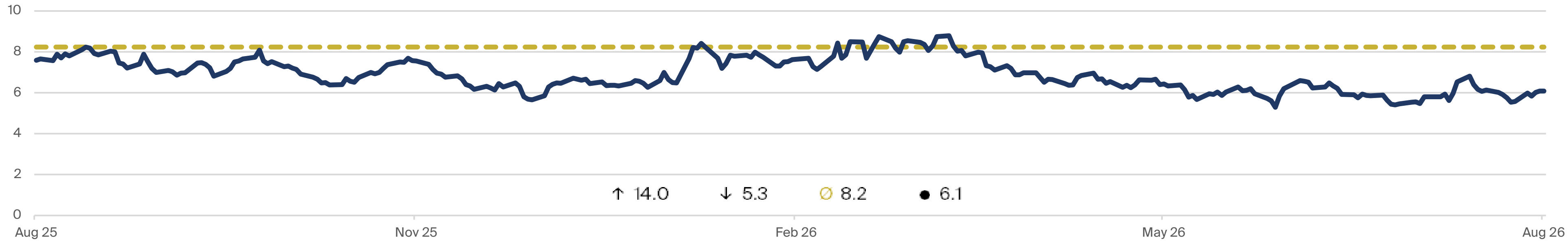
-- 5 year average of 1M ATM implied volatility ↑ Top 5 year ↓ Low 5 year ● Current

Overview

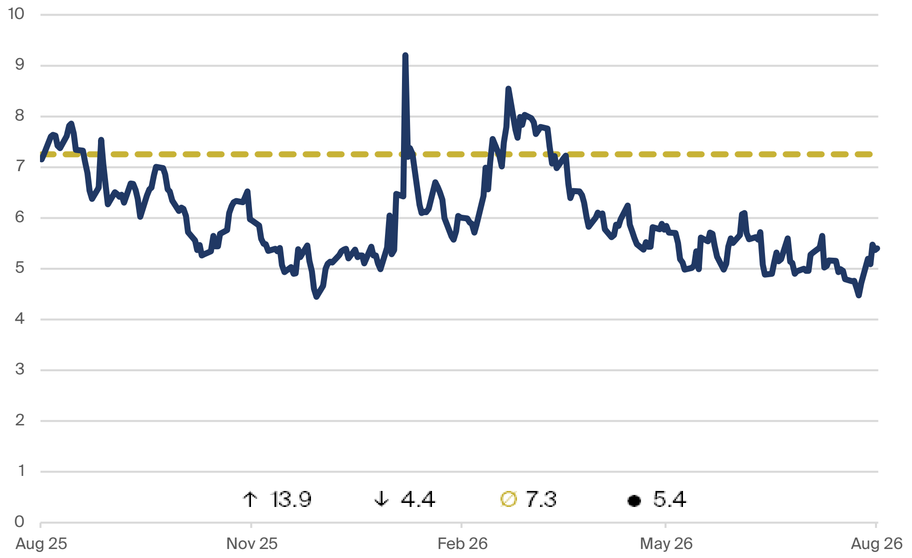
G10	6.09	USDJPY	7.50	EURGBP	3.04	USDCHF	7.03
EURUSD	5.40	EURCHF	3.92	GBPUSD	5.53	EURJPY	6.54

FX

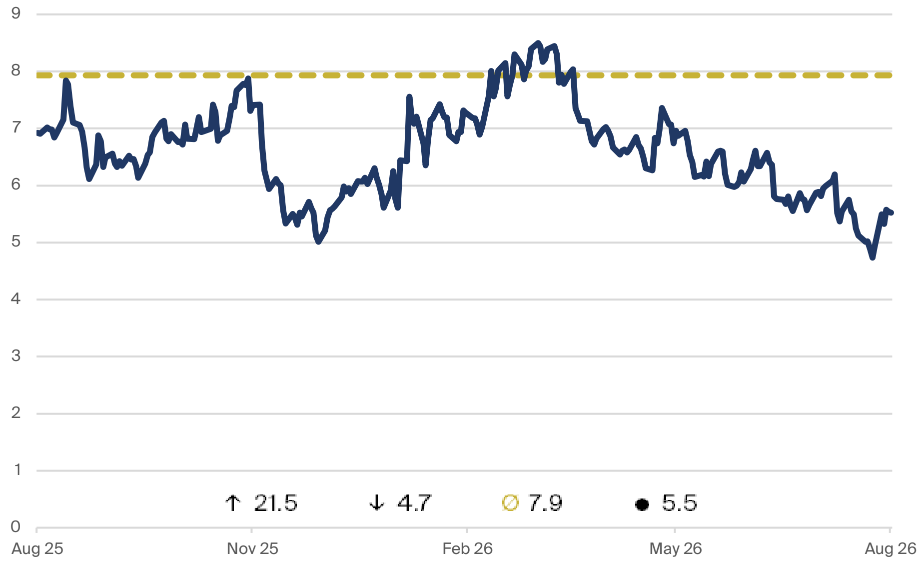
JPM G10 FX Volatility 1M ATM Index



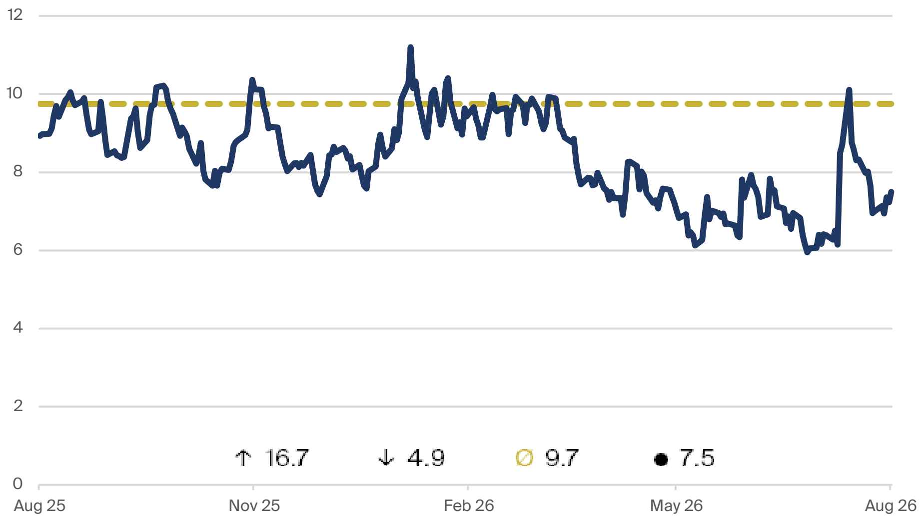
EURUSD 1M ATM Implied Vola



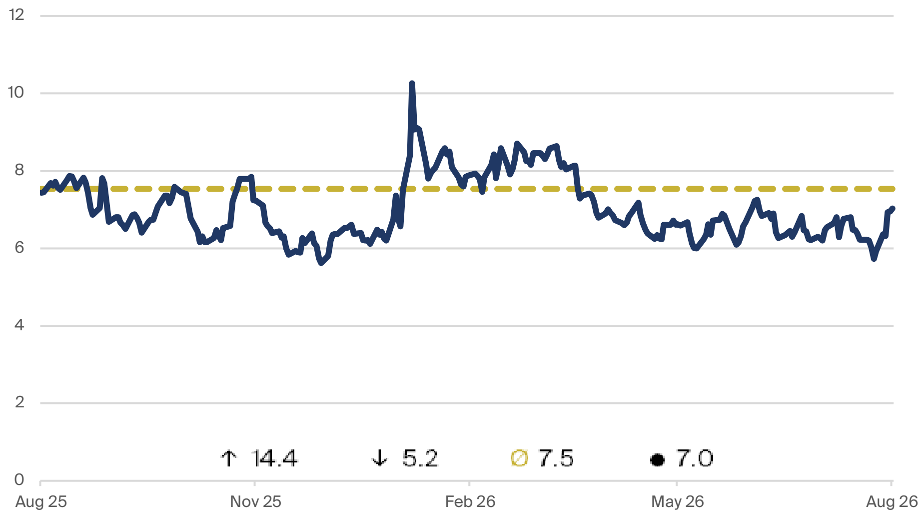
GBPUSD 1M ATM Implied Vola



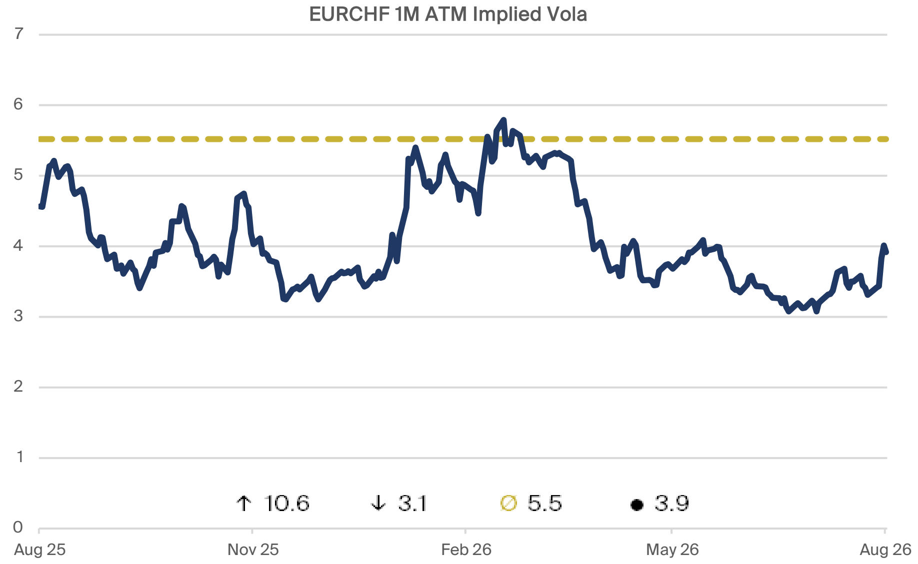
USDJPY 1M ATM Implied Vola



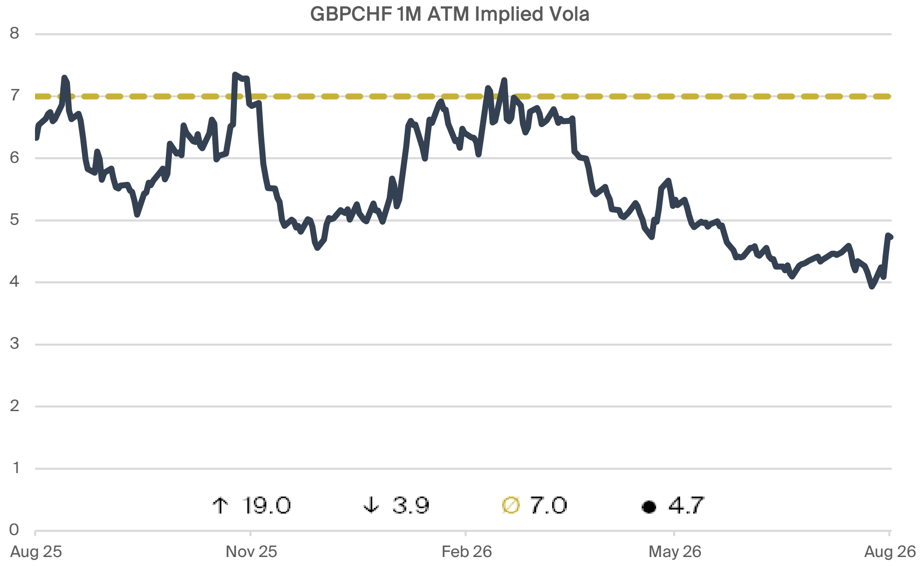
USDCHF 1M ATM Implied Vola



EURCHF 1M ATM Implied Vola



GBPCHF 1M ATM Implied Vola



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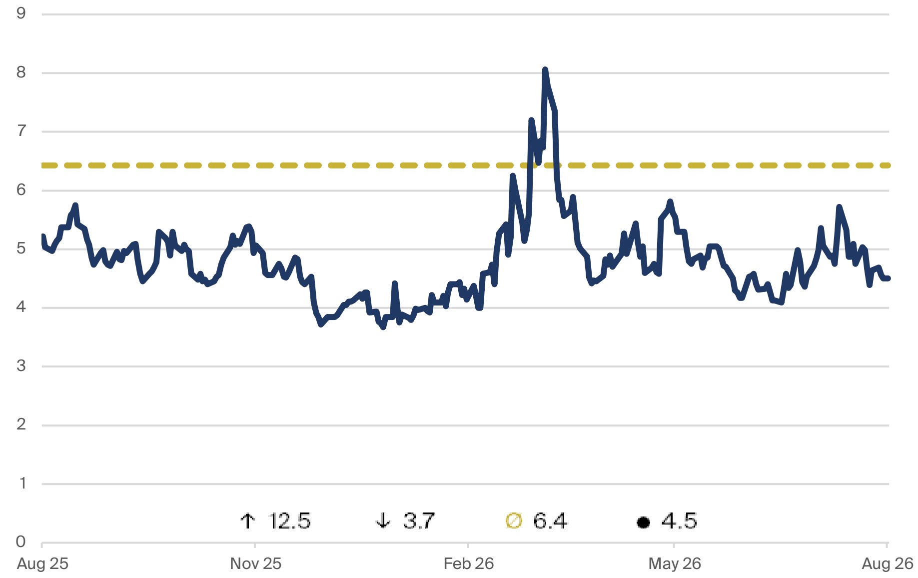
Overview

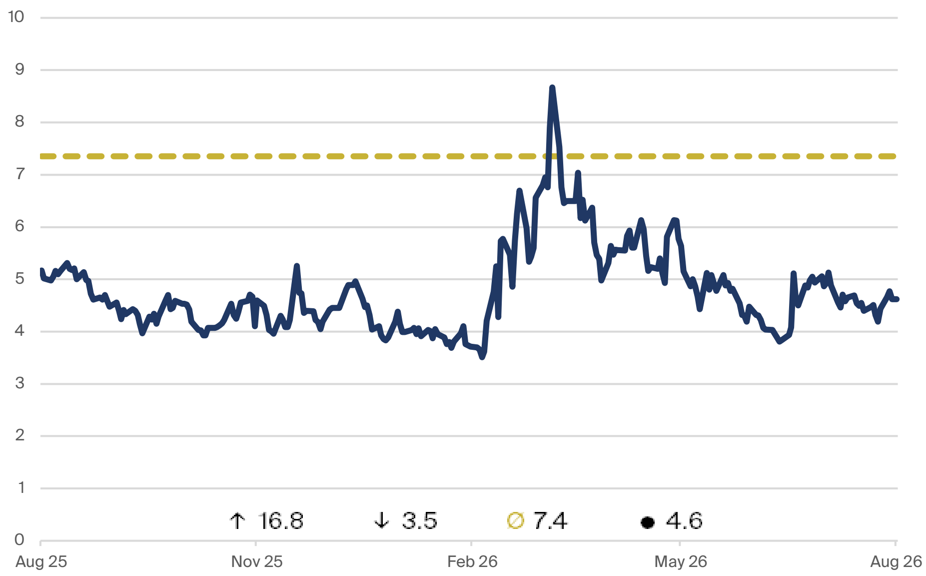
US Treasury	4.50	Euro Bund	4.62				
WTI	41.34	Brent	45.86	Natural Gas	44.58	Corn	23.00

Rates

US Treasury 1M ATM Implied Vola

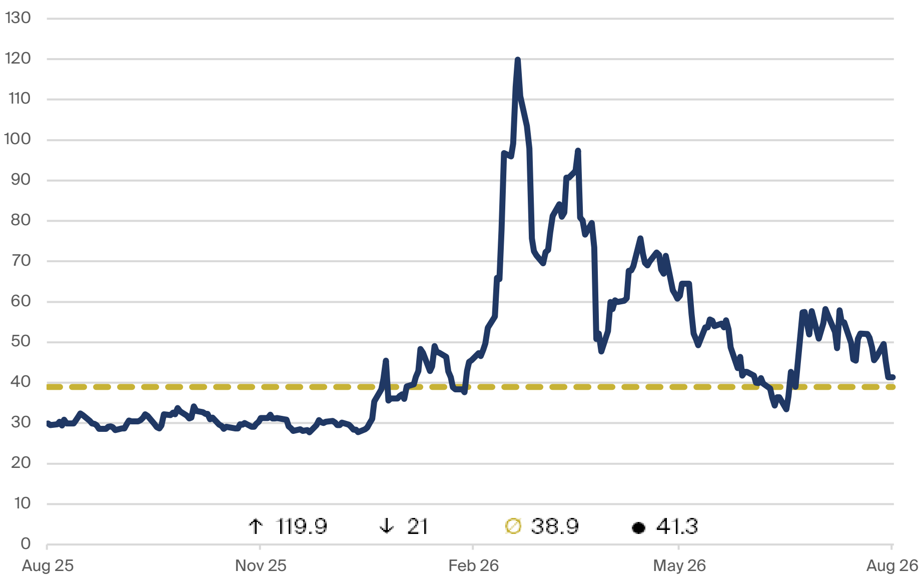


Euro Bund 1M ATM Implied Vola

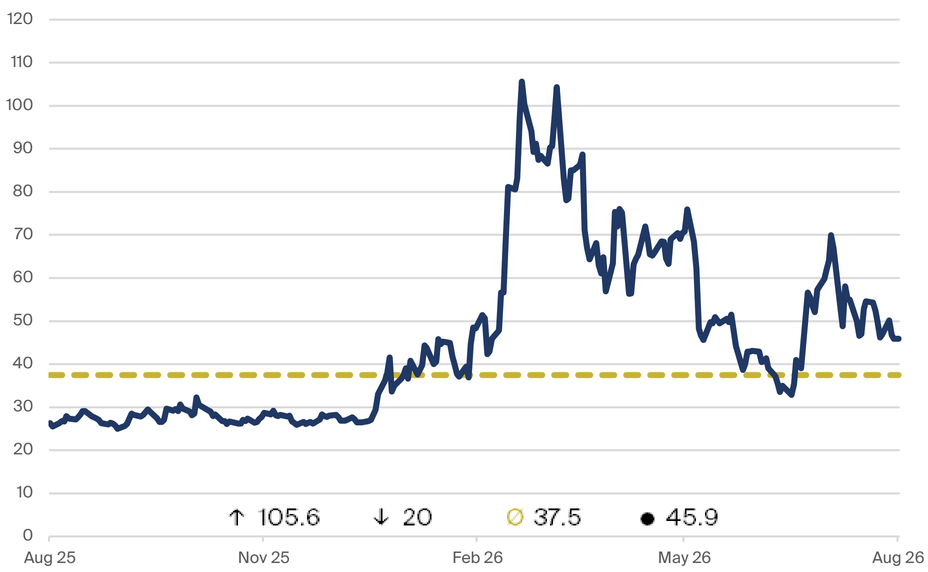


Commodities

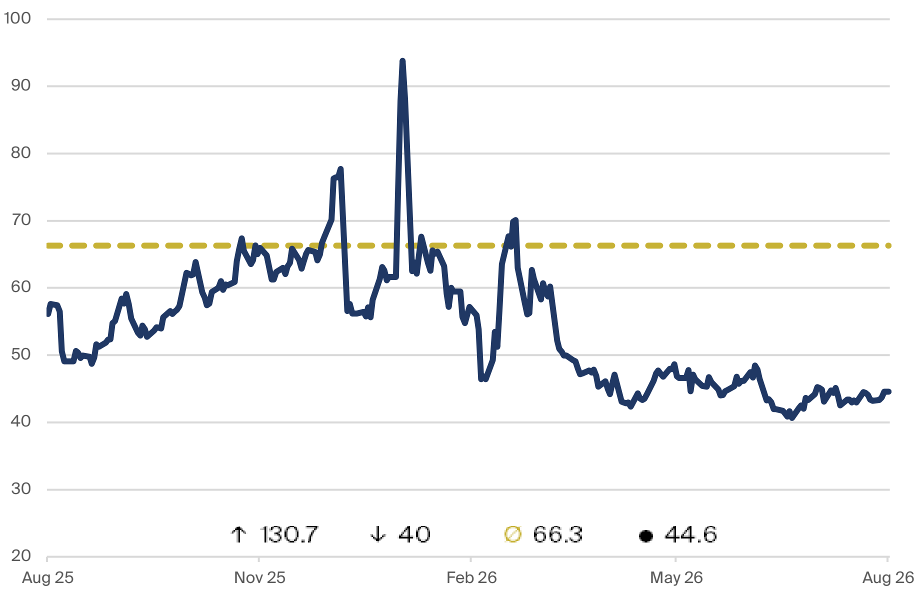
WTI 1M ATM Implied Vola



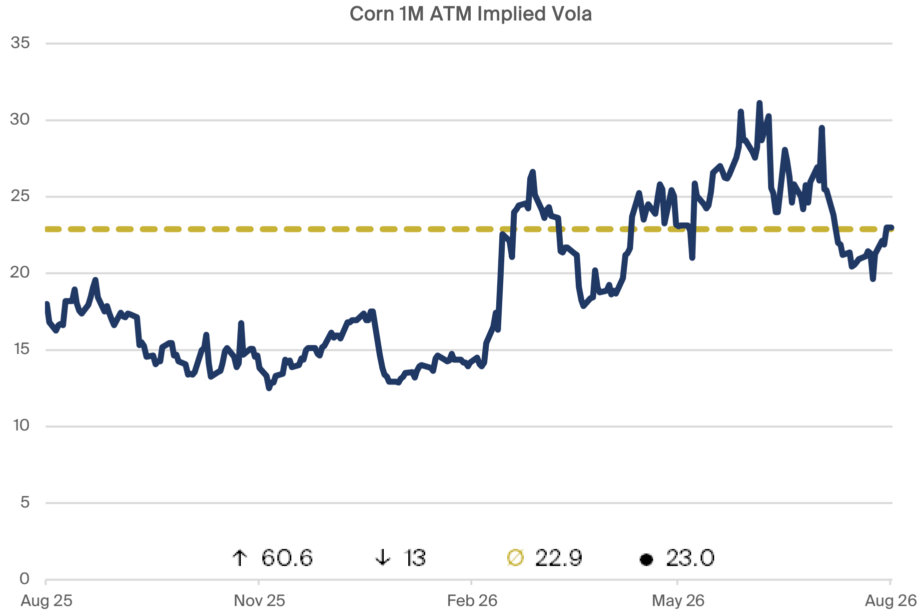
Brent 1M ATM Implied Vola



Natural Gas 1M ATM Implied Vola



Corn 1M ATM Implied Vola



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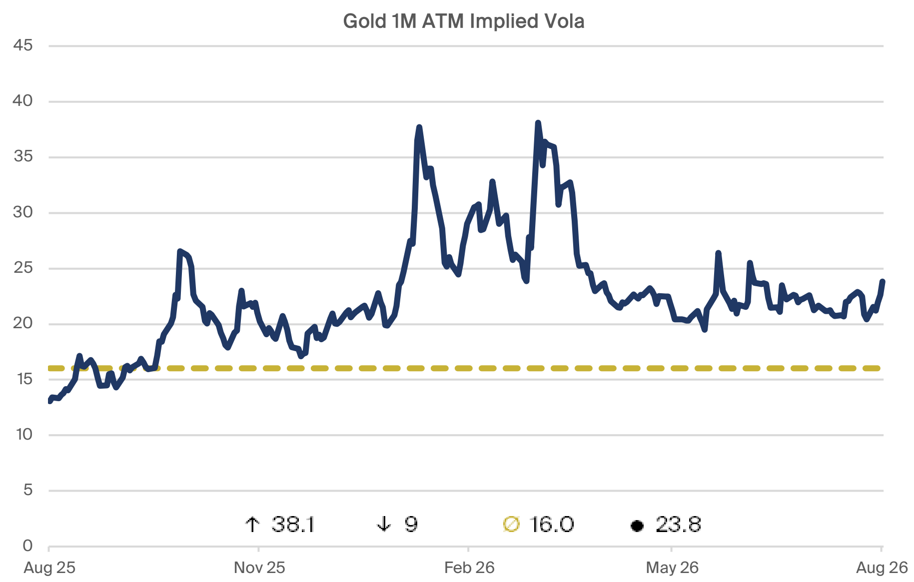
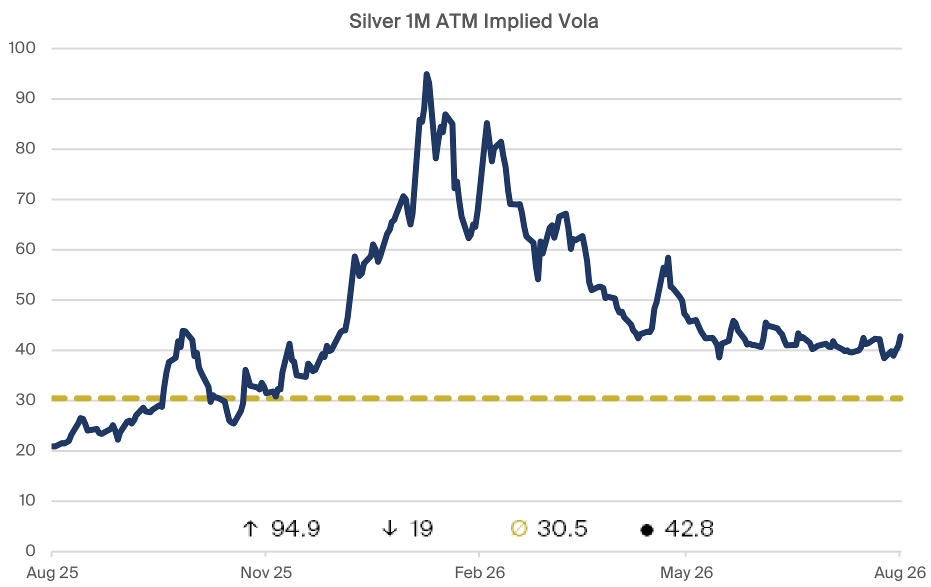
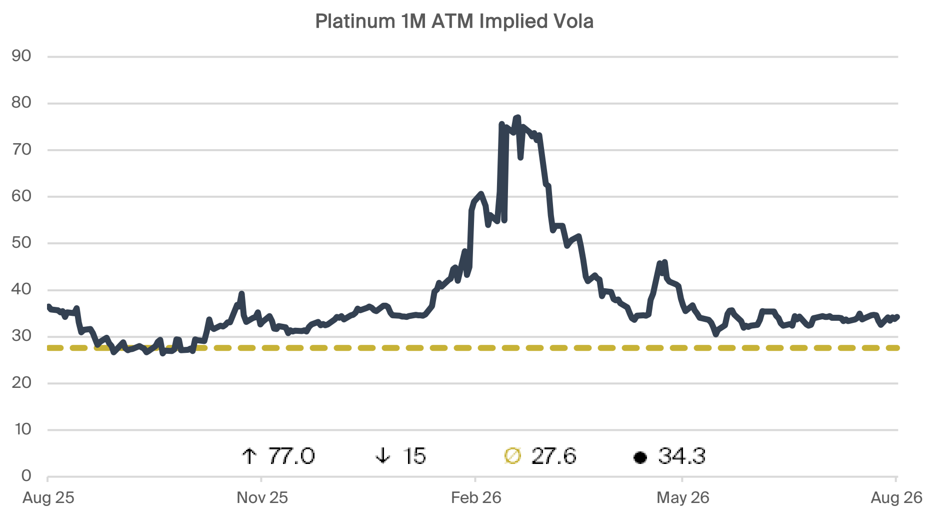
Overview

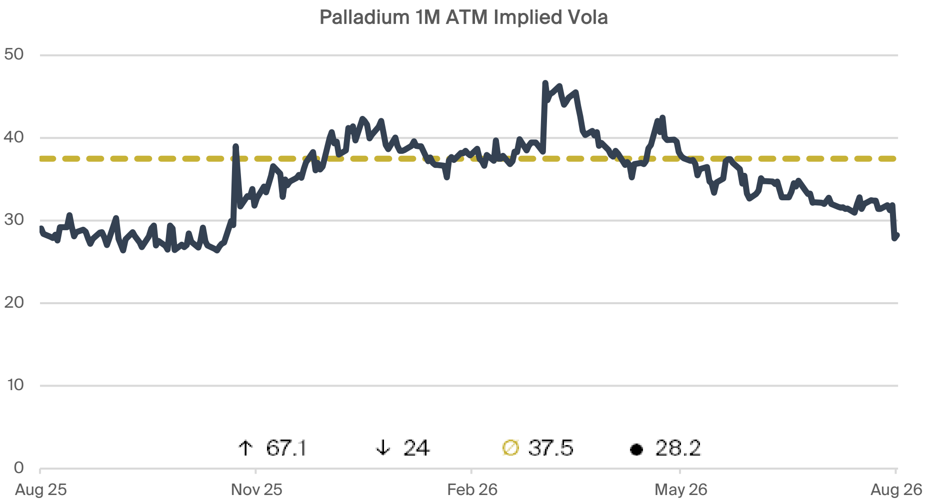
Gold	23.81	Silver	42.80	Platinum	34.28	Palladium	28.25

Metals









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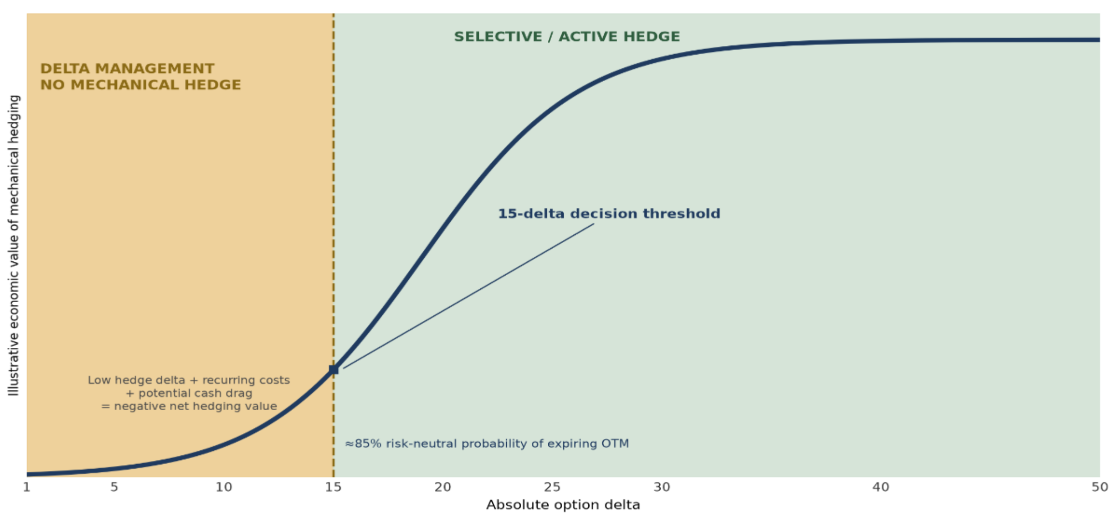
Delta Hedgning or Delta Managing?



Mechanical delta hedging treats every option alike. For far out-of-the-money positions it should not. At inception a 15-delta option carries roughly an 85% risk-neutral probability of expiring out of the money, and the delta to be hedged is correspondingly small, while the costs of hedging it recur whatever the outcome.

Below that threshold the arithmetic turns negative. The hedge removes little risk because the delta is low, yet spread, financing and the cash drag of carrying the offset accrue on every adjustment. The net economic value of hedging mechanically is negative, and what adds value instead is delta management: monitoring the exposure and choosing not to trade it.

Above 15 delta the balance reverses. The exposure is large enough, and the probability of finishing in the money high enough, that selective and active hedging earns its cost. The threshold is a decision point, not a rule to be automated.

"Large changes tend to be followed by large changes, of either sign, and small changes tend to be followed by small changes."

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