LIGHTHOUSE CANTON

MARKET VIEWS · INVESTMENT INSIGHTS

How to Use *Vol. Dispersion*

VIX gave no guidance in July 2026. Is there an alternative? Yes, VIXEQ.

AUTHOR
Sunil Garg
Managing Director, Chief Investment Officer — Lighthouse Canton

VIX AND THE CASE FOR VIXEQ

VIX, frequently referred to as the stock market's **"fear gauge,"** measures the S&P 500's expected 30-day volatility derived from real-time options pricing. Below 20 is considered a "stable" (or complacent?) market - spikes are generally accompanied by price weakness as anxiety and panic rise. Another use of VIX, given its mean-reverting nature, is to sell elevated volatility (FCNs, Short Puts are some examples), albeit risks are higher too. **BUT, in periods such as July 2026, VIX would have given no such guidance. Is there an alternative? Yes - VIXEQ.**

VIXEQ (Cboe S&P 500 Constituent Volatility Index) measures the market-cap-weighted, 30-day implied volatility of the individual underlying stocks inside the S&P 500, rather than the index itself. While at most times, VIXEQ will trade above VIX, **when the ratio (VIXEQ/VIX) gets substantially out of historical ranges, it signals risks and opportunities**. Fig 1 below shows the ratio of VIXEQ and VIX and the Z-score for the ratio. Extreme readings, such as those in late Jun, signalled elevated risks but also elevated premiums for volatility sellers. Fig 2 below shows the evolution of SNDK's IV - from 95 in early May to 175 mid-July only to fall to 70 now. *If you were wondering why you aren't getting attractive coupons on FCNs or other short-vol strategies - its the IV compression that's responsible!*

HOW TO USE THE VIXEQ/VIX RATIO

- **When to Sell Vol (Buy FCNs or Sell Puts)** - Look for outlying readings above 2.6-2.7 - this where premiums are better than average.
- **When to Buy Protection** - Look for readings below 1.7-1.8 - this is where individual stock vols are low.
- **Dispersion Baskets** - When readings are depressed (below 1.5), dispersion is lowest and a higher probability that dispersion trades will be profitable. Equally, substantially elevated levels (of the VIXEQ/VIX) are the worst time to sell dispersion.

FIG 1 - VIXEQ/VIX & SOX

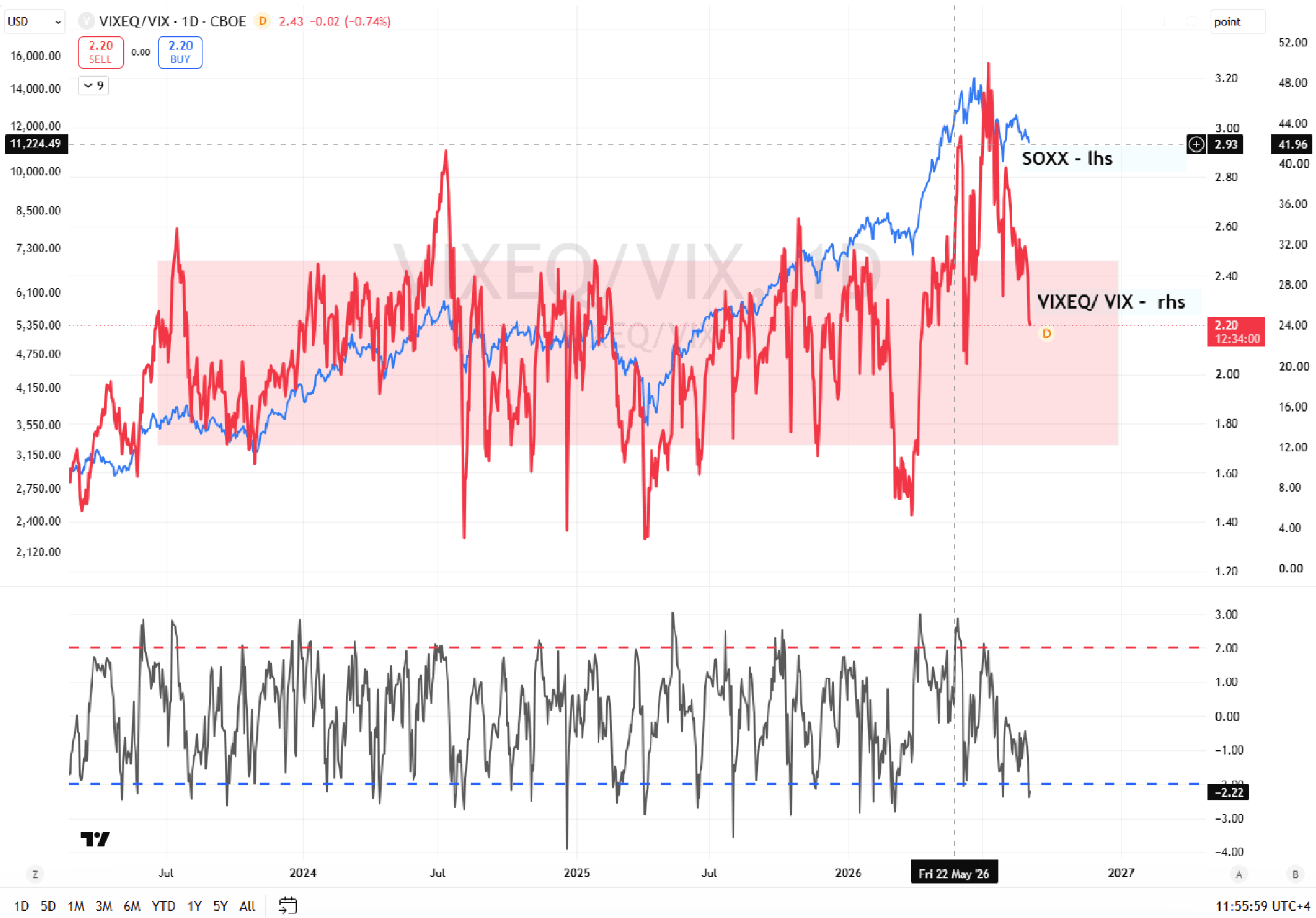
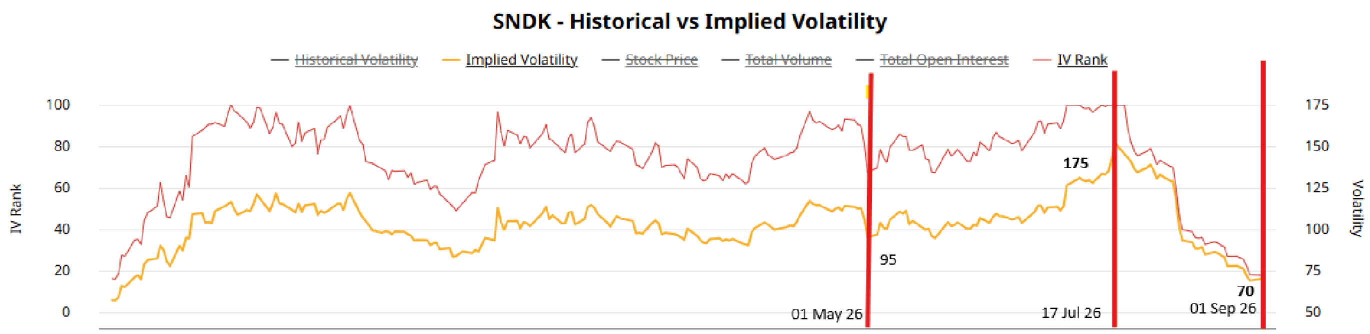


FIG 2 - SNDK VOLATILITY EVOLUTION



IMPORTANT INFORMATION

Disclaimer

CONFIDENTIALITY

The contents of this document are confidential and are meant for the intended recipient only. If you are not the intended recipient, please delete all copies of this document and notify the sender immediately.

GENERAL COMMENTARY

This document, provided as a general commentary, is for informational purposes only and is not to be construed as an offer to sell or solicit an offer to buy any financial instruments in any jurisdiction. This does not constitute any form of regulated financial advice, and your independent financial advisor should be consulted prior to taking any investment decision(s). This document is based on information from sources which are reliable but has not been independently verified by Lighthouse Canton Pte. Ltd. and its affiliates ("LC"). LC has taken reasonable steps to verify the contents of this document and accepts no liability for any loss arising from the use of any information contained herein. Please also note that past performances are not indicative of future performance. Information contained herein are those of the author(s) and does not represent the views held by other parties. LC is also under no obligation to update you on any changes made to this document.

REGULATION

This document is prepared by Lighthouse Canton Pte. Ltd. and its affiliate, Lighthouse Canton Capital (DIFC) Pte. Ltd., which are regulated by Monetary Authority of Singapore ("MAS") and Dubai Financial Services Authority ("DFSA") respectively. MAS and DFSA have no responsibility for reviewing, verifying and approving the contents of this document and/or other associated documents. The contents of this document may not be reproduced or referenced, either in part or in full, without prior written permission from LC.

OUR OFFICES

SINGAPORE

Singapore
16 Collyer Quay #11-02
Collyer Quay Centre
Singapore 049318
+65 6713 0570

UAE

Dubai
The Exchange, Gate Village 11
Unit 802, DIFC
PO Box 507026, Dubai
+971 4 586 1500

UNITED KINGDOM

London
24 Hanover Square
London W1S 1JD
+44 1642 843 487

INDIA

Mumbai
Unit 507/508, A Wing, INS Tower, G Block, BKC, Mumbai – 400051

New Delhi
Unit 104A, Worldmark 2, Aerocity, New Delhi 110037

Bengaluru
1st Floor, WeWork 37, Cunningham Cross Rd, Vasant Nagar, Bengaluru 560001

Chennai
RK Swamy Centre, Hansa Building, Door No: 3, Thousand Lights, Chennai 600006

Hyderabad
Suite 502, Building 450, Central Plaza, Genome Valley, Shameerpet, Hyderabad 500078

Kolkata
Camac Square, 404A, 24 Camac Street, Kolkata, West Bengal 700016

GIFT City
Unit FF-10, Pragya Accelerator, Block 15T, GIFT CITY, Gujarat 382355

info@lighthouse-canton.com

Lighthouse Canton

© 2026 LIGHTHOUSE CANTON PTE LTD · CONFIDENTIAL