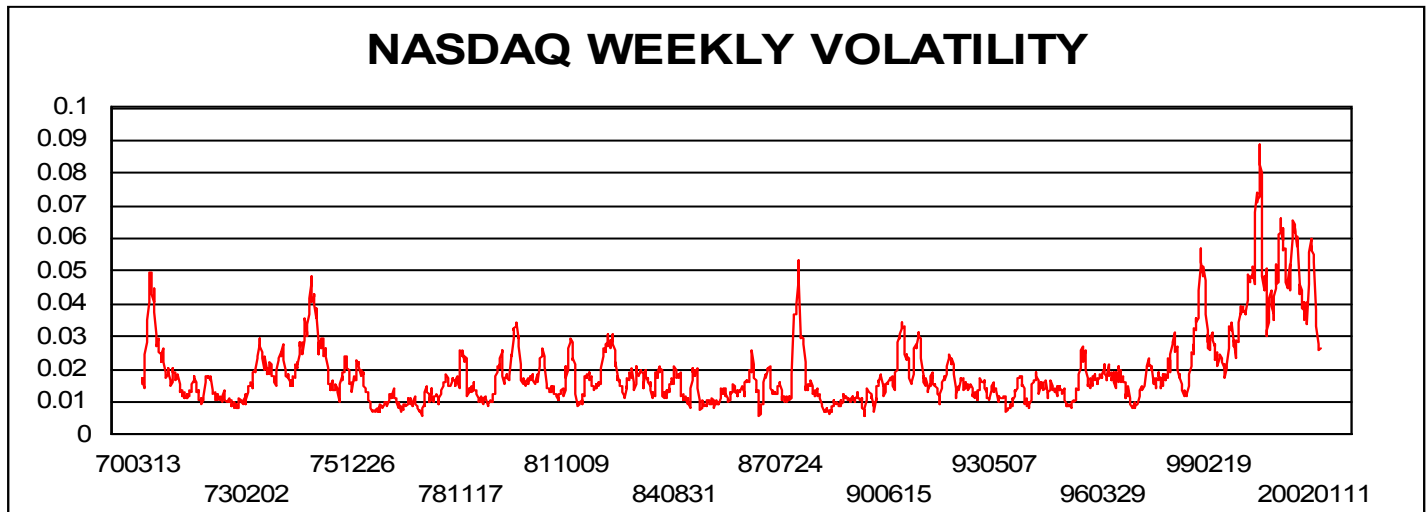


Has volatility on the Nasdaq Composite started to decline?

by Howard Spieler

Absolute value of the weekly percentage change on the Nasdaq, 1970 to Present



The chart above plots the absolute value of the weekly percentage change of the Nasdaq Composite. For example, if the Nasdaq increases or decreases by 4% in a given week, the absolute change will be 4% either way. Notice that until the late-90's, weekly volatility stayed below 3% except for three major spikes; 1971, a very weak market period, 1973-74, the worst period for the Nasdaq composite until the meltdown in 2000, and the crash of 1987. By the late-90's, when the technology bubble was first beginning and the market began it's parabolic rise upwards, weekly volatility began to accelerate as well. The tremendous late 1999 to early 2000 technology run up, followed by the Nasdaq meltdown in 2000, led to unprecedented readings in volatility levels. We are now seeing a decline in volatility to more normal, even if still above average levels.