"Equity Volatility-of-Volatility Falls to All-Time Low"

1M implied volatility on the VIX fell to an all-time low last week. Generally speaking, this means that options on short-term market volatility increasing have never been cheaper. How is this possible, you ask, with outright war simmering in Eastern Ukraine and China flexing its muscles in the South China Sea? Because Mario Draghi is "signaling" that he's going to launch a European version of QE. Because the Narrative of Central Bank Omnipotence has never been stronger, and for markets this is the only thing that matters. Because we continue to live in the new Goldilocks environment, where mediocre growth is not so weak as to plunge us into recession but not so strong as to take central banks out of play. If the news gets a lot better the market will go down, and if the news gets a lot worse the market will go down. But what I call the Entropic Ending, a market-positive gray slog where global growth is more-or-less permanently crippled by the very monetary policies that prevent global growth from collapsing, can go on for a looooooong time.

Please feel free to forward this email to whomever you think might be interested, and all prior notes are available on the Epsilon Theory website. If you're receiving this note via forwarded email and you're not yet on the direct distribution list (and you find it a worthwhile read), I'd appreciate the opportunity to add you to the list. I'm building the Adaptive Investing framework in plain sight and in real time through these notes, and I'd welcome the widest possible participation, as well as your thoughts and comments. As always, if you're no longer interested in receiving these notes, please reply to this email to that effect.

All the best,
Ben

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