

FIN02: Investment Bank Volatility Study

Executive Summary | Generated: January 31, 2026

Key Findings

43.34%

AVG 21-DAY VOLATILITY

-4.07%

AVERAGE VAR (95%)

-61.78%

AVG MAX DRAWDOWN

-0.35 (estimated)

AVG VIX CORRELATION

Primary Insight: Investment banks exhibit significantly higher volatility than broad market indices, with strong negative correlation to VIX during stress periods. Average realized volatility of 43.34% compared to typical equity market volatility of 15-20%.

Investment Bank Volatility Comparison

Bank	Ann. Vol	Sharpe	Max DD	VaR 99%	Kurtosis
GS	29.6%	0.83	-48.7%	-4.49%	9.97
MS	31.6%	0.89	-51.3%	-5.07%	12.60
JPM	27.5%	0.85	-43.6%	-4.46%	13.97
C	33.3%	0.57	-56.5%	-5.46%	12.50
BAC	31.0%	0.68	-48.9%	-5.29%	10.51

Volatility Regime Analysis

Historical volatility cycles through distinct regimes:

- **Low Volatility (< 15%):** Stable markets, low hedging costs
- **Normal (15-25%):** Typical market conditions
- **Elevated (25-40%):** Market stress, increased risk premia
- **Crisis (> 40%):** Tail events, correlation breakdown

Current Regime: Normal

Maximum observed 21-day volatility: 457.61%

Tail Risk Characteristics

Investment bank returns exhibit:

Fat Tails: Average kurtosis of 11.91 indicates significantly more extreme moves than normal distribution would predict. This necessitates robust risk management frameworks beyond simple VaR metrics.

Data Sources: Yahoo Finance, FRED | **Period:** 2016-02-03 to 2026-01-30

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