

# The Cost of Market Insurance Surges

Markets have become more volatile in recent weeks as investors react to a combination of economic uncertainty, geopolitical tensions, and questions about valuations in certain sectors. When conditions become less predictable, investors often shift their focus toward protecting portfolios from potential losses. This change is especially apparent in the options market.

A common tool investors use for protection is a put option. A put gives the holder the right to sell an asset at a predetermined price, which can help limit losses if the market declines. Because of this feature, puts are often used as a form of portfolio insurance.

As uncertainty has increased, demand for this type of protection has risen significantly. Investors have been buying put options that protect against large market declines, reflecting growing concern about potential downside risk. This increased demand has pushed option prices higher as investors compete for protection.

The rise in option prices can be seen in the cost of hedging the S&P 500. At the beginning of the year, the cost of a one-month put option protecting against a large market drop was roughly 0.23% of the index level. Today, that cost has risen to approximately 0.46%. In other words, the price investors must pay for market “insurance” has nearly doubled since the start of the year. This signals that markets are expecting more volatility ahead, making now a good time for investors to review their market exposures.

**Put Premium as a % of Index Level**

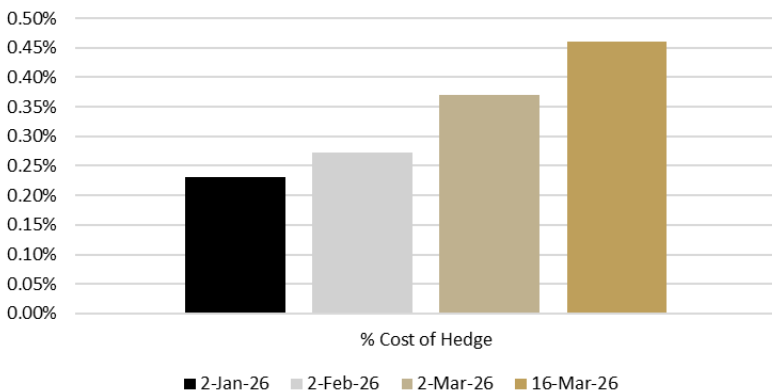


Chart source: Bloomberg

## Economy

### Last Week

- CPI (Feb): 3/11 0.3% vs. 0.2%
- PCE Price Index (Jan): 3/13 0.3% vs. 0.4%
- GDP (Q4 2025): 3/13 0.7% vs. 1.4%
- U. of Michigan Sentiment (Mar): 3/13 55.5 vs. 56.6

### This Week

- PPI (Feb): 3/18
- Federal Reserve Meeting (Mar): 3/18
- Factory Orders (Jan): 3/18
- New Home Sales (Jan): 3/19

## Equities

Index	Level	Returns (%)					
		1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
S&P 500	6699	-1.38	-1.88	-1.88	20.28	21.43	12.73
Russell 1000 Growth	4462	-1.96	-6.24	-6.24	20.76	24.93	13.67
Russell 1000 Value	2125	-0.99	2.99	2.99	18.62	16.78	9.65
FTSE High Dividend Yield*	545	-1.24	4.08	4.08	19.42	17.10	11.38
S&P Small and Mid Cap	18695	-2.13	2.16	2.16	17.39	13.31	5.41
MSCI EAFE	2917	0.09	1.26	1.26	22.11	17.38	8.99
MSCI EM	1479	1.77	5.58	5.58	35.72	19.16	4.90

### Characteristics

Index	NTM P/E	NTM P/E (20Y med)	Div Yield	S&P Sector Returns YTD													
				Energy	Materials	Industrials	Staples	Utilities	Real Estate	Health Care	Comm. Serv.	IT	Cons. Discr.	Financials			
S&P 500	18.3	15.7	1.3	40													
Russell 1000 Growth	21.7	18.1	0.6	30													
Russell 1000 Value	15.6	13.6	2.0	20													
FTSE High Dividend Yield*	13.7	13.1	3.8	10													
S&P Small and Mid Cap	13.6	15.4	1.8	0													
MSCI EAFE	14.5	13.5	3.1	-10													
MSCI EM	12.4	11.2	3.1	-20													

\* Bloomberg U.S Large Cap Dividend Yield Total Return Index used as substitute for index characteristics.

## Fixed Income

Index	Yield	Returns (%)					
		1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
U.S. Aggregate	4.47	-0.83	0.21	0.21	5.34	3.74	0.36
U.S. Int. Gov/Credit	4.10	-0.48	0.21	0.21	5.35	4.38	1.33
U.S. Corporates	5.09	-1.40	-0.57	-0.57	5.41	5.04	0.85
High Yield	7.24	-0.52	-0.28	-0.28	7.16	9.43	4.38
Municipals (1-10)	2.89	-0.44	0.81	0.81	4.98	3.31	1.41

### Levels (%)

Key Rates	Last	1 Wk Ago	Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago	5 Yrs Ago
2-yr Treasury	3.67	3.59	3.48	3.48	4.04	4.16	0.13
10-yr Treasury	4.22	4.16	4.17	4.17	4.29	3.58	1.65
30-yr Treasury	4.87	4.79	4.85	4.85	4.59	3.70	2.42
SOFR	3.70	3.64	3.87	3.87	4.31	4.57	
6-mo. CD rate	3.76	3.75	3.62	3.62	4.29	4.89	0.22
Prime Rate	6.75	6.75	6.75	6.75	7.50	7.75	3.25
30-yr fixed mortgage	6.23	6.15	6.25	6.25	6.77	7.00	3.25

Data as of 10:45 AM ET, March 17, 2026. Returns through March 16, 2026.

