Markets are volatile. Or are they? After bouncing around 2,100 for six months, the S&P 500 began to swing more dramatically last August. With 100- to 200-point shifts between a high of about 2,100 and lows approaching 1,800, the index has been erratic for some time. That has many managers—as well as many analysts and investors—pondering whether the markets have entered an era of structurally higher volatility relative to the previous century.

Thus far, that doesn’t appear to be the case. Despite those dramatic swings in share price, the volatility companies have actually experienced over intervals of five years is still far below the peak levels of 2010, the late 1980s, or the mid-1970s. In fact, today five-year volatility is lower than the average over the past 50 years (Exhibit 1), though the measurement period can have a big effect (Exhibit 2). Admittedly, the peaks and troughs of volatility have been more extreme since the 1990s. But over longer time frames of five years and more, this hasn’t translated into a systematic increase, and there is no indication that stock markets have reached a new, higher level of long-term volatility. Even a short-term, forward-looking volatility index such as VIX is still below 17 percent, only slightly higher than the 15 percent average of the past 50 years.

That’s good news for managers making corporate-investment decisions—if they can distance themselves from short-term or forward-looking measures of volatility for the stock market as a whole. These are unlikely to be meaningful indicators of actual long-term risks for their specific businesses.

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Recent volatility has been near historic lows.

Exhibit 1

S&P 500 annualized 5-year volatility of daily returns, %

Volatility varies by the period of measurement.

Exhibit 2

S&P 500 annualized 5-year volatility of returns, %

1 Volatility for each month is calculated based on standard deviation of last 60 monthly returns. Monthly prices are annualized for 12 months; returns are calculated by taking price as on 30th of each month—eg, for Apr, returns are calculated as price on (Apr 30/Mar 30) – 1.

Source: Analysis of data provided by McKinsey Corporate Performance Analytics, a McKinsey Solution