



## VIX: Measure of Market Volatility

- **VIX (Volatility index)** is an index used **to measure the near term volatility expectations of the markets.**
  - Volatility signifies the rate and magnitude of change in the stock price or index value.
- The movement in the VIX index reflects the overall market volatility expectations **over the next 30 days.**
- Given the nature of the index, it is also known as **'fear gauge' or 'fear index'.**
- The VIX index was first created by the **Chicago Board Options Exchange (CBOE)** and introduced in **1993** based on the prices of S&P 500 index.

### India VIX

- The India VIX was **launched by National Stock Exchange (NSE)** in 2010 and is **based on the computation methodology of CBOE** though amended to align with the Indian markets.
- India VIX indicates the **Indian market's volatility from the investor's perception.**
- **Volatility** and the value of **India VIX move parallel.** i.e a spike in the VIX value means the market is expecting higher volatility in the near future and vice versa.
- **India VIX** also has a strong **negative correlation** with **Nifty.** i.e every time India VIX falls, Nifty rises and when India VIX rises, Nifty falls.
- VIX value is among the important parameters that are taken into account for pricing of options contracts, which are one of the most popular **derivative instruments.**

### National Stock Exchange of India Ltd. (NSE)

- **NSE** is the leading stock exchange of India, located in **Mumbai.**
- The NSE was **established in 1992** as the first dematerialized electronic exchange in the country.

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