

MarketWatch

Trading volume slows sharply even as stock market hits highs

By Wallace Witkowski and Ryan Vlastelica
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Daily trading volume well under already low July averages



AFP/Getty Images
A sleepy trading summer is getting sleepier.

Summer trading volume has gone from a slowdown to more of a near halt even as stock-market benchmarks fitfully carve out records.

Following some of the slowest trading of the year over the past few sessions, Tuesday volume improved fractionally. On Tuesday, 2.94 billion shares exchanged hands on the New York Stock Exchange, compared with a month-to-date daily average of 2.91 billion shares and a daily average of 3.48 billion shares for the year to date, according to Dow Jones data.

On Monday, 2.76 billion shares changed hands on the NYSE. That was just slightly better than Friday's woeful action, which represented the lowest volume day of the year at 2.71 billion shares, according to Dow Jones data.

On the Nasdaq, 1.73 billion shares traded on Tuesday, compared with a month-to-date average of 1.68 billion for July and the year-to-date average of just under 1.9 billion shares a day. That followed the lowest volume day of the year on Monday, when 1.36 billion shares changed hands.

While the Dow industrials DJIA, -0.15% walked back from record territory on Tuesday, the S&P 500 index SPX, -0.24% and Nasdaq COMP, -0.21% both notched all-time highs.

Combined, the Nasdaq and the NYSE (along with the NYSE MKT and NYSE Arca exchanges) still fell short of the monthly average volume Tuesday with 5.62 billion shares changing hands, compared with a daily average of 5.63 billion shares and a year-to-date average of 6.64 billion. That follows the second-lowest volume trading day of the year on Monday, with 5.12 billion shares traded.

Lower-than-average volumes, even for the summer, reflect low volatility, as reflected by the CBOE Volatility Index VIX, +13.23% and investors still hunting for a clear catalyst from which to trade, including clarity on the outlook for fiscal stimulus measures out of White House, said **Mark Kepner**, managing director of sales and trading at **Themis Trading**.

The VIX, which measures expected volatility over the coming 30-day period, recently finished at the third lowest level in its history and has mostly hovered around historic lows, trading just under 10.

Given that the Republican efforts to repeal and replace Obamacare suffered numerous setbacks Monday and Tuesday, fears that other parts of President Donald Trump's pro-business agenda are endangered could be restraining market moves, some argue.

"There's been a lot of waiting for policy and that's dragged on for months," **Kepner** said.

Low trading volume has also extended to exchange-traded funds like the SPDR S&P 500 ETF SPY, -0.25% which saw its lowest volume day since December 2006 on Monday, according to FactSet data. On Monday, the ETF had a trading volume of 33.5 million shares, compared with a month-to-date average of 49.8 million and a year-to-date average of 73.2 million. On Tuesday, volume finished at 42.1 million shares.

Perhaps, the best representation of the trading slump is the slowdown at some of the largest and most prominent U.S. trading houses.

Goldman Sachs Group Inc. GS, -0.37% reported on Tuesday that its second-quarter trading revenue was down by 40%. And both **J.P. Morgan Chase & Co.** and **Bank of America Corp.** BAC, -0.24% reported less-than-stellar trading activity.