

Terminal Header	
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CBOE DSPX × S&P 500: The Broken Volatility Regime

Why expected dispersion now climbs at market highs,
and how to redefine the risk signal.

The Thesis: Two metrics at record highs. A pairing that historically never occurs.

7,575 SPX

S&P 500 close, <0.5% off the all-time high.

46.6 DSPX

99.8th percentile of its entire twelve-year history.

66%

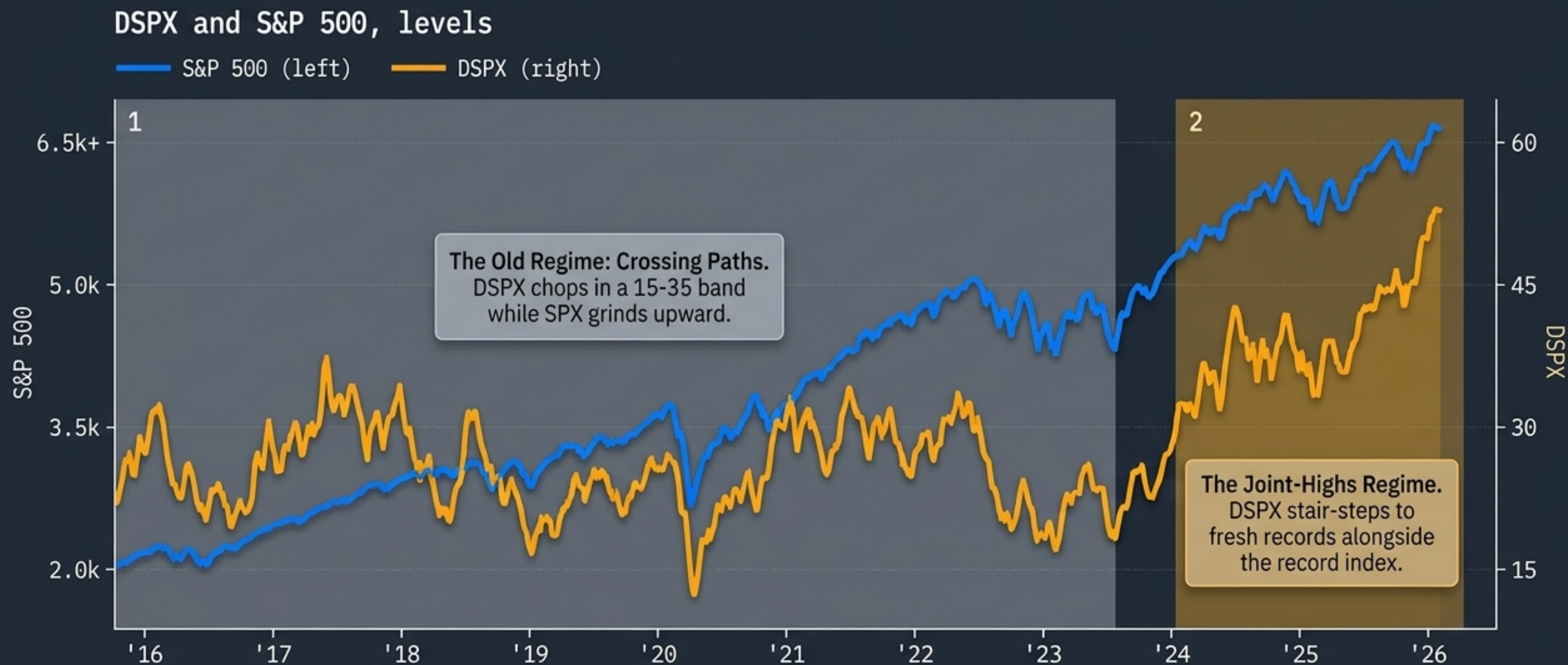
Share of 2026 trading days with the index near ATH + dispersion elevated.

0 Days

Frequency this regime appeared between 2014–2019, across six full years.

For a decade, DSPX faded at the highs. Since 2024, traders are paying up for massive single-name moves even as the index stays perfectly calm.

The Divergence in Levels: From Uncorrelated to Stair-Stepping Together



Terminal Takeaway Widget

The divergence is structural. The resting altitude of both series has drifted up simultaneously, completely breaking historical behavior.

The Timeline of a Regime Shift (2014-2026)

Share of trading days at joint highs, by year

■ % of days: near-ATH & DSPX top-quartile (Amber bars) - - Avg DSPX on near-ATH days (Dashed Electric Blue line)

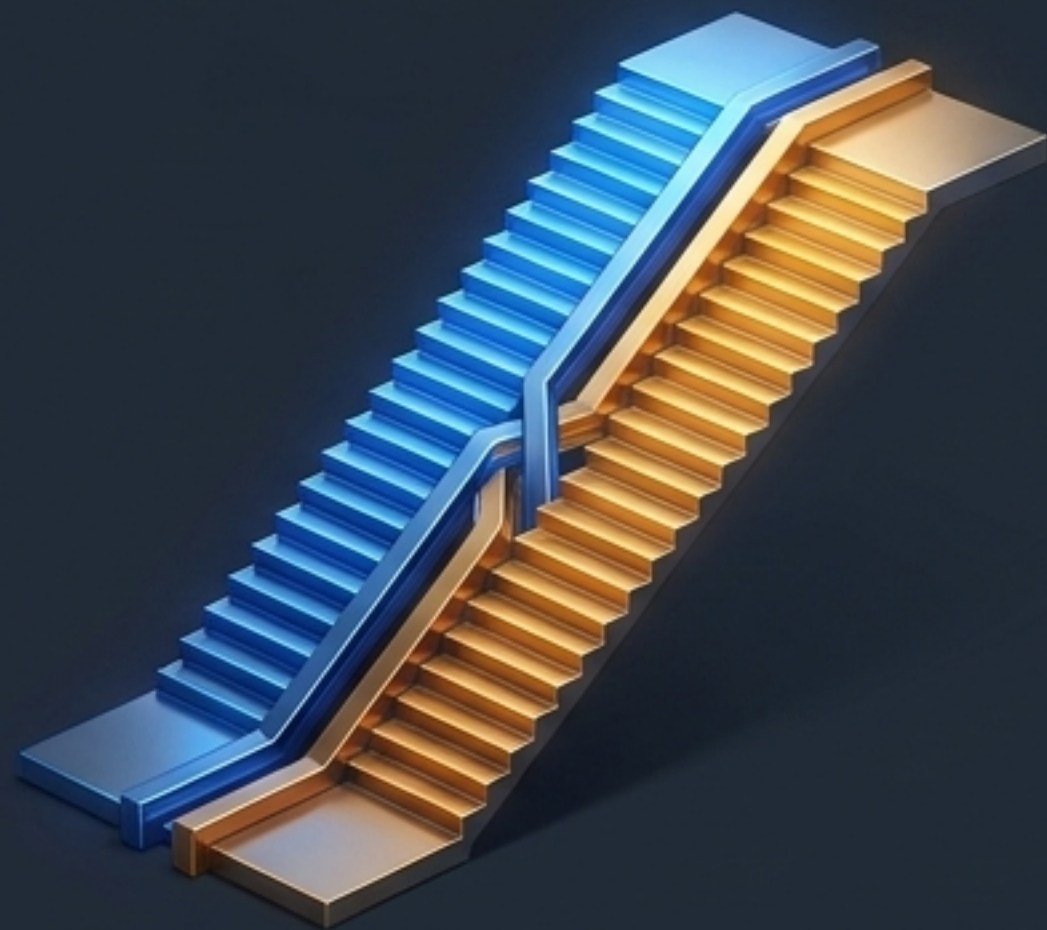
The Cost of Chaos at the Top

In 2017, average DSPX at highs was 18.5. In 2026, it is 38.1.

The price of expected single-stock chaos has roughly doubled.

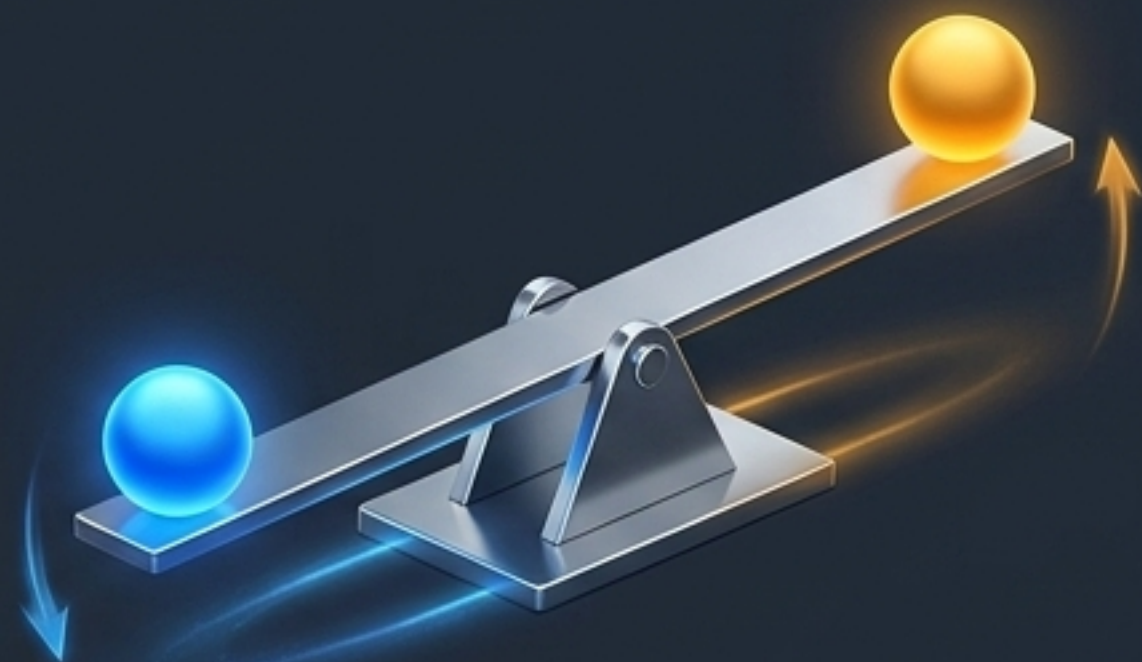


The Resting Altitude: Structural forces have lifted the baseline levels of both the index and dispersion simultaneously over months and years.



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The Daily Attitude: On a day-to-day basis, DSPX still acts like a fear gauge. If the S&P sells off intraday, dispersion still reliably pops.

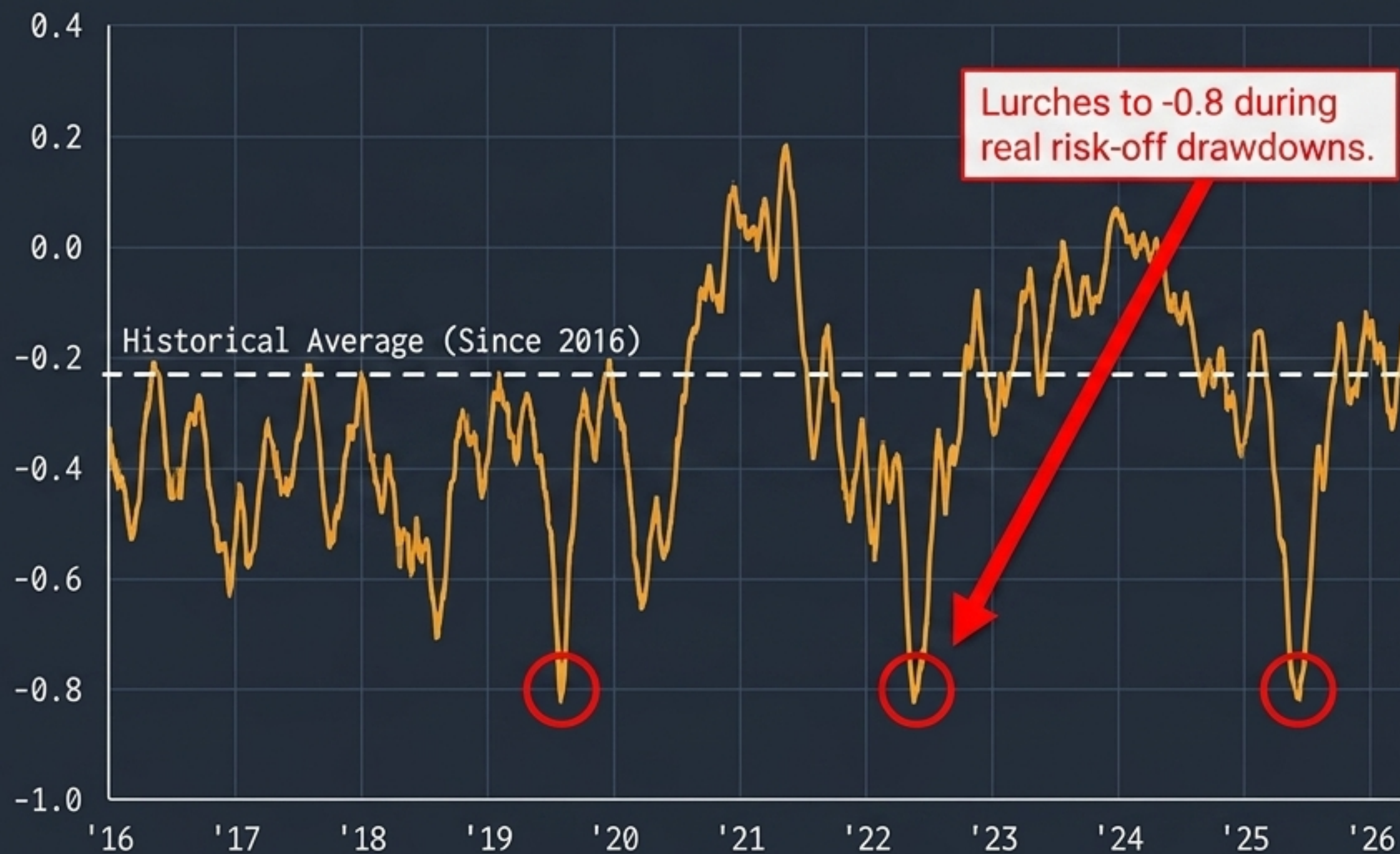


The Daily Attitude: On a day-to-day basis, DSPX still acts like a fear gauge. If the S&P sells off intraday, dispersion still reliably pops.

The regime shift lives entirely in the baseline levels, not in the day-to-day beta.

The Rolling Correlation: DSPX Still Functions as a Volatility Gauge Intraday

60-Day Rolling Correlation of Daily Returns (DSPX vs. S&P 500)



Analytical Takeaway

A persistently negative return correlation dictates intraday movement, but says absolutely nothing about where the underlying levels rest.

DATA AS OF 2026 | SOURCE: PROPRIETARY QUANTITATIVE RESEARCH

The Mechanics of Elevated Dispersion

[High Implied Single-Stock Volatility] 

combined with

[Low Implied Index Correlation] 

=

 [**Elevated DSPX at Index Highs**] 

Stocks are expected to move violently, but not together. The idiosyncratic moves net out at the aggregate index level. None of this requires the overall market to fall.

[High Implied Single-Stock Volatility]

combined with

[Low Implied Index Correlation] ↓ = [Elevated DSPX at Index Highs]

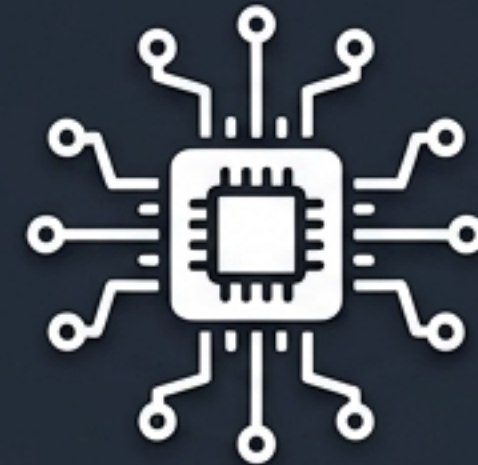
Elevating the Numerator: Bidding Up Single-Name Volatility

Driver A: The Single-Stock Derivatives Boom



Leveraged/inverse single-name ETFs (Nvidia, Tesla) and the explosion of ODTE options mechanically bid up individual implied vol. Since DSPX is long single-stock vol, this provides the most direct direct pipe into a higher reading.

Driver B: AI Concentration & Idiosyncratic Tape



A handful of AI/semiconductor mega-caps drive enormous stock-specific gaps on earnings. Because this leadership rotates, it creates huge single-name variance that big names move violently, but not in lockstep.

$$= \frac{[\text{High Implied Index Correlation}] - [\text{High Implied Single-Stock Volatility}]}{[\text{Low Implied Index Correlation}] \text{ combined with } [\text{Elevated DSPX at Index Highs}]}$$

Suppressing the Denominator: Anchoring the Index

Driver D: Suppressed Index Volatility



Systematic **vol-selling** and heavy **index-level premium harvesting** keep headline **SPX/VIX** artificially calm.

When constituents move independently, their volatilities **diversify away at the index level**.

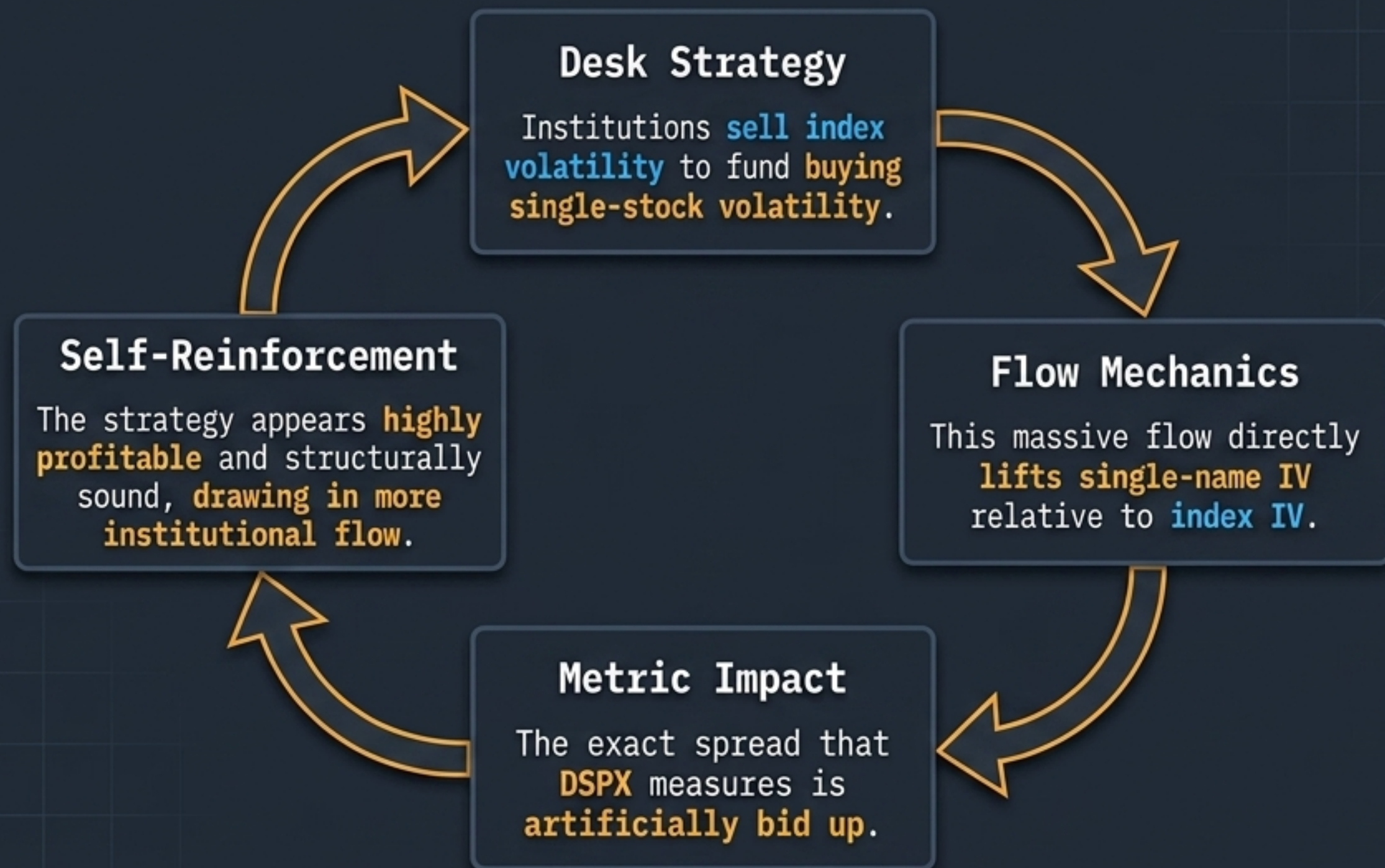
Driver E: Thematic Baskets & Rotation



Capital increasingly expresses views through **thematic baskets** rather than broad beta.

This churns relative performance—**creating winners and losers** under the hood—**feeding dispersion** while leaving the **aggregate index trend** totally intact.

The Feedback Loop: Dispersion as a Crowded Consensus Trade



Popularity of the trade keeps the index elevated well beyond fundamentals. **Calm index** and **high dispersion** are simply two faces of the exact same **low-correlation trade**.

The Regime Matrix: Updating the Risk Framework

Dimension	The Old Playbook (Pre-2024)	The New Reality (2024–Present)
Behavior at ATH	Fades to high-teens. Correlated, orderly gains.	Sits near record highs (38+). Elevated alongside the index.
Primary Drivers	Macroeconomic stress, systemic breaks.	0DTE leverage, AI concentration, crowded dispersion flow.
Day-to-Day Beta	Inversely correlated to S&P 500 returns.	*Unchanged* - Still inversely correlated to daily returns.
The Signal	High DSPX = Something is fundamentally breaking.	High DSPX = A structural market artifact.

Redefining the Signal

The old playbook is miscalibrated. Hir-aith Elevated dispersion at the highs is no longer a straightforward risk warning; it is a structural artifact of how the market is now traded.

Driven by **leverage**
on **single names**.

Amplified by
the **AI complex**.

Cemented by a **dispersion trade**
that has become **institutional**
consensus.

Fragility & The Unwind Trigger

The danger is no longer the level of dispersion, but the unwind of the crowded self-reinforcing bid.

1. **The Snapback:** Index correlation abruptly snaps back toward 1.0 during a broad derisking event.
2. **The Reprice:** Both SPX and DSPX reprice hard and fast, terminating the comfortable joint-highs regime.
3. **The True Signal:** A genuinely useful stress signal now requires a level-change or a collapse in return-correlation.



Watch the 60-day return correlation. Every time the regime cracks, the correlation dives to -0.8. That is the actual risk-off trigger.

Appendix: Methodology & Disclosures

Data & Methodology

Data Sourcing: Cboe S&P 500 Dispersion Index (DSPX) and S&P 500 daily closing values. Window: 23 Jul 2014 – 10 Jul 2026.

Methodology Notes:

- Return correlations computed on daily percentage changes over trailing 60- and 252-session windows.
- 'Joint-high' regime defined as S&P within 2% of its running maximum and DSPX in the top quartile of full-history levels (≥ 29.5).

Disclaimers

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Structural drivers (Section 4) are analyst hypotheses, not established causation. Prepared as internal research by AlphaQuery—not investment advice.