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## STOCKS NEWS EUROPE-Volatility index surges ahead of 'risk events'



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The Euro STOXX 50 Volatility index, Europe (Chicago Options: [^REURUSD - news](#)) 's widely-used measure of investor risk aversion, climbs 7 percent and extends its rise this week to 15 percent, signalling strong appetite for stock portfolio protection ahead of key 'event risks'.

The VSTOXX, which measures the cost to protect stock holdings against potential pull-backs as it usually moves in an opposite direction to equities, has risen to 25.12, while the Euro STOXX 50 (Zurich: [^STOXX50E - news](#)) is down less than 1 percent since hitting a near six-month high on Friday.

"The implied volatility is on the rise ahead of news, which is a reassuring sign because it shows the tension is building up, although it would be better if it could rise even more," says Valerie Gastaldy, head of Paris-based technical analysis firm Day By Day.

Investors were bracing for a German court decision due on Wednesday which is expected to approve the European Stability Mechanism, although there are worries over potential conditions that could be included in the decision. The market also awaited the U.S. Federal Reserve's policy decision, due on Thursday.

"It's 'deja vu', a sort of repeat of what we saw last week ahead of (the) European Central Bank's meeting. Volatility surged ahead of the meeting," Gastaldy says.

In the three weeks ahead of last Thursday's ECB meeting during which the central bank unveiled a bond buying programme, the VSTOXX (EUREX: [FVS.EX - news](#)) rose nearly 30 percent while the Euro STOXX 50 moved sideways, showing that investors were buying protection instead of booking profits, a bullish signal.

The Euro STOXX 50 jumped nearly 4 percent on Thursday and Friday.

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