

The fat tail events surrounding the great recession have recently moved from the back of our minds to the front of our minds. The St. Louis Fed has recently produced great research to shed light on the impact fat tail risk has on investors' approach toward potential fat tail risk in the current market. The Chicago Board Options Exchange has quantified tail risk with the SKEW Index. The chart below shows the SKEW Index, demonstrating that the index has increased since the great recession. Investors' awareness of the potential for black swan events has increased. As of February 26th, the SKEW Index was 130.65, showing a spike above the 200 day rolling average (CBOE).

- Awareness of the potential for tail risk has been indicated by an increase in google searches on topics such as “economic crisis” and “financial crisis” since the great recession (St Louis Federal Reserve).
- The CBOE SKEW Index chart shows investors may become complacent prior to market corrections depicted by the index approaching a low prior to the 2008 recession.
- Google trends of searches related to risk have remained elevated since the great recession (Source: Google Trends).

