

With most market indexes reaching new highs, it is no surprise that trading volumes for equities and options are hitting new highs as well. According to data from Piper Sandler, total equity volume (shares traded) was approximately 7 billion in 2019. This figure increased to roughly 10.9 billion in 2020 (55%) and has totaled 14.7 billion so far this year. According to the data, the increase is due mainly to retail participation in the markets. Volumes at retail brokerages have surged, as well as options trading in obscure, thinly traded stocks.

- The Piper report shows increased trading, particularly in long positions in short-dated call options and in low-cost stocks (so-called penny stocks). Both strategies are directionally bullish. This behavior might suggest that retail clients are chasing momentum for fear of losing out on the bull run in equities.
- The volume data could be interpreted as highly speculative, unsustainable behavior that has helped propel equity indexes to extreme valuations (the price-to-earnings multiple on the S&P is roughly 27). Perhaps retail money is coming into the last stages of a bull run in equities? Only time will tell, but there seems to be little regard for fundamentals.

