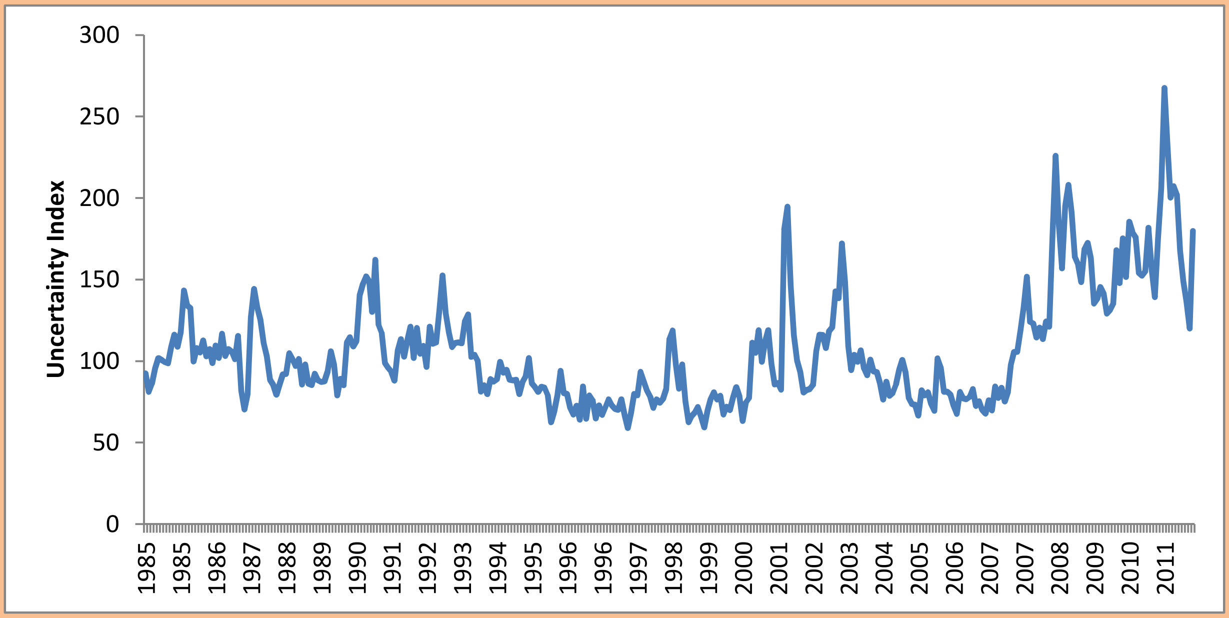
Measuring Uncertainty

The VIX index measures the market volatility implied by the price of index options. A new index of economic uncertainty is based on three measures -- the number of press articles referring to economic uncertainty, the number of federal tax code provisions that are scheduled to expire, and the dispersion in forecasts by professional economists. The index shows that the index touched new peaks during the financial crisis of 2007-2009 and the subsequent eurozone crisis. Other spikes include 9/11 and the two Gulf wars in 1991 and 2003.



Source: S.R. Baker, N. Bloom and S. Davis, "Measuring Economic Policy Uncertainty," Stanford University, 2012.