

THE TACTICAL BRIEF
MARKET RISK INTELLIGENCE

Strange Bedfellows.

When the VIX and the S&P share a pillow — what history says about the morning after

Schrödinger · Roll Call · Morning After · Conclusion · Postscript



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The Tactical Brief

23 September 2026 · updated edition



In 9,243 trading sessions across thirty-six years, the S&P 500 and the VIX have climbed together — sustainably — on just 5.2% of days. That works out to **20 discrete bedfellow arrangements**, median duration 23.5 sessions. **Six of the twenty** — April 1998, March 2000, June 2007, February 2011, January 2020, November 2021 — preceded drawdowns of ten per cent or more within the following six months. The cat is fine. The cat is dead. You do not know which until you open the box, and sometimes the box takes half a year to open.

Updated edition, data to the close of 22 September 2026. The twentieth episode now has its full 180-day window, the numbers of the 22 May edition have been re-run from official closes, and a postscript covers what happened since. Corrections are listed at the end.

I was a humble market maker on an equity derivatives desk in 1998, when LTCM blew up. The vol spike afterwards was textbook — the kind of move you ring the kids and tell them about. What none of us on the desk appreciated at the time was that the months immediately before the blow-up had been an unusually quiet co-rise: the S&P drifting higher, the VIX firming alongside it. We saw vol getting bid into a rally and assumed it was just protection hedges from the long-only crowd. With hindsight, the smart money on the other side of the line had read the room rather better than we had. That April 1998 episode is in this dataset. So is the one in January 2020, six weeks before the world shut. So is the one in late November 2021, a fortnight before the S&P printed its all-time high and rolled.

Politics, the saying goes, makes strange bedfellows. Markets do too. The VIX is — by construction — the price of insurance on the S&P. When the index melts up, insurance is cheap and the only people wanting it are the perma-bears on Twitter. When the index melts down, insurance is expensive and everybody wants it. The structural negative correlation is not a quirk of trader behaviour. It is mechanical. Thirty-six years of data put the daily-return correlation at **-0.7**. That is two instruments practically holding hands and walking in opposite directions.

Which is why a sustained co-rising regime is, by definition, the market doing something the textbook did not pencil in. Either it is a flow story — call-heavy positioning forcing dealers to chase vol the wrong way (January 2018 is the textbook, and we all remember how that one ended) — or it is a distribution story, where the rally is real but the silverbacks are quietly loading on downside hedges because they do not believe it. Both regimes are uncommon. Neither tends to last. And the trader's edge — such as it is — sits entirely in being able to tell which kind he is in. I went into the data. I found 20 of these arrangements since 1990. Some you will recognise. A couple should make you sit up.

Schrödinger's Rally: Two Souls Housed in One Distribution

Schrödinger's cat — the old physics-with-a-grudge thought experiment — sits in a sealed box with a vial of poison and a quantum trigger. Until somebody opens the box, the cat is both alive and dead at the same time. The whole point of the experiment is that the answer does not exist until you observe it.

Implied volatility has this property, which is why I have used the metaphor before. A sustained Vol-Up/Market-Up regime has it in spades. Until the regime resolves, the rally is both Iron Man (a flow-driven melt-up that will keep going) and Dr. Doom (a distribution top in slow motion). Both states exist in the same data, in the same chart, at the same time. They are not two different rallies. They are the same rally, in superposition.



Goethe put it more elegantly than I can: *Two souls, alas, are housed within my breast, and each will wrestle for the mastery there.* Faust was talking about his own moral struggle. He could just as easily have been describing a co-rising regime. The trader's job is not to predict which soul wins. It is to be sized appropriately for either, and to know which companion signals tend to give the game away early. Term structure. SKEW. The VVIX. The breadth of the rally underneath the index print. Anything that lets you peek into the box before the cat dies.

Six Numbers, One Story: The Stress-Grind in Profile

Before we open the roll call, here are six numbers that characterise a typical bedfellow episode in this sample. The median is what matters. Outliers are interesting in isolation but the median tells you what to expect when one of these regimes shows up on the screen tomorrow morning and you have fifteen seconds to decide what it means.

Signal	Median reading	Range	What it tells you
Episode duration	23.5 sessions	15.0 – 40.0 days	Brief by design. Most resolve inside a month — if they were going to last, they would not be unusual
SPX move during	+0.7%	-3.9% to +3.1%	Essentially flat. These are not melt-ups. They are stress-grinds in a velvet glove
VIX change during	+0.6 pts	-8.1 to +5.4 pts	VIX rising on average; the peak sometimes lands mid-episode, sometimes at the end
Forward 60d SPX	+1.71%	-11.5% to +9.8%	Positive on median, but well below the unconditional +3.1%. 14/20 positive. The left tail is the part to watch
Forward 60d max DD	-3.6%	-33.0% to -0.4%	7/20 episodes coughed up drawdowns deeper than 5% within 60 days
Subsequent VIX peak	22.1 (median)	14.2 to 82.7	9/20 episodes saw VIX > 25 within 60 days; 6/20 saw > 30

Table 1. Six-number profile of the typical sustained Vol-Up/Market-Up episode, 1990 – 2026. Forward windows measured from the close on the last day of each episode.

The Roll Call: Thirty-Six Years of Strange Bedfellows

Here is the full picture. Thirty-six years of S&P 500 in navy (log scale, left axis), the VIX in blue (right axis), and every bedfellow episode shaded amber. Twenty amber bars. The geography of where they cluster is the first thing worth noticing — and the part that nobody, including me, gets right from memory alone.

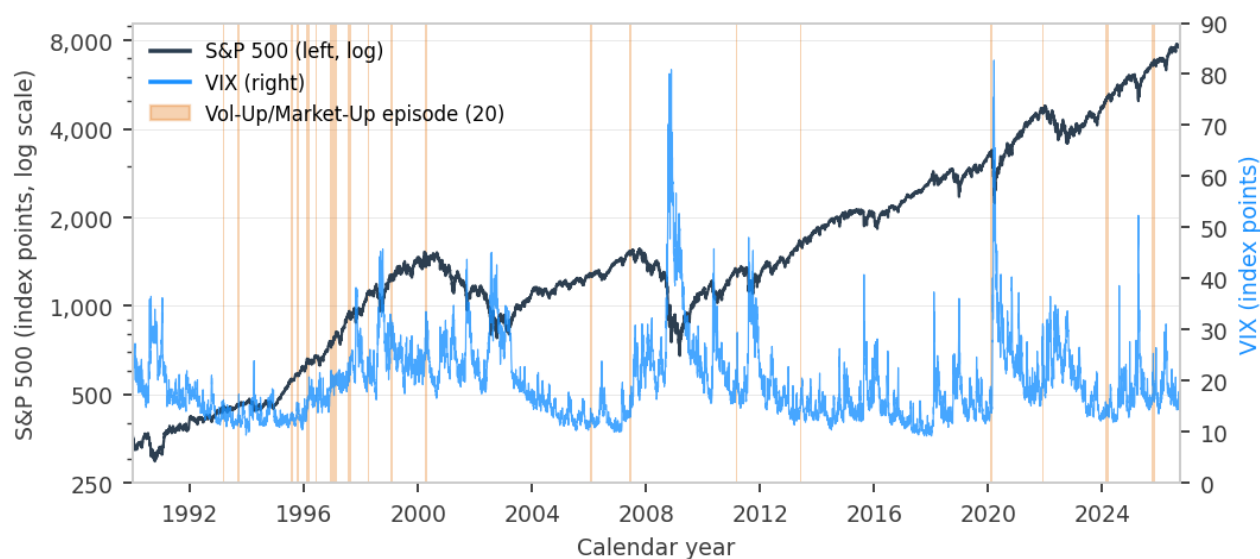


Chart 1. S&P 500 (navy, log scale, left) and VIX (blue, right), January 1990 – September 2026. Amber bands mark the 20 sustained Vol-Up/Market-Up episodes. The 1990s host more than half the sample; the 2010s host the fewest.

The 1990s host eleven of the twenty. That is partly a function of structurally higher vol — the VIX spent most of that decade above 15, which is roughly where it lives today only after a coffee — and partly the dot-com mania, which kept implied vol bid even as the index made new highs. The 2010s host only two. The post-GFC era of QE-suppressed vol meant sustained co-rising regimes were a once-or-twice-a-decade event, not a once-a-year one. Nice work if you can get it. The world's central banks coining it on volatility for a decade — needless to say, we paid for it later.

The 2020s have already produced four — pre-COVID January 2020, post-reflation November 2021, the AI rally in Q1 2024, and the regime that ran from late September to mid-November 2025. That is a meaningful pickup. Either the structural vol regime is reverting to something closer to the 1990s — in which case calibrating your assumptions off the QE decade is going to hurt — or the 0DTE / dealer-hedging / retail-call-buying complex has changed the mechanics of how vol behaves on the way up. Probably both, in some unhappy combination.

Why the 1990s Were Different (and the 2020s Look Like Them)

Pulling the timeline into a frequency chart makes the geography unmissable. The 1990s sit on top — eleven episodes, 11.0% of trading days inside the regime. The 2010s sit at the bottom — two episodes, 1.4% of days. The 2020s, with six and three-quarter years on the board so far, are at 5.9% and running well ahead of the 2000s (2.6%). If that continues, this decade will end up looking a lot more like the 1990s than anyone calibrated for in 2015.

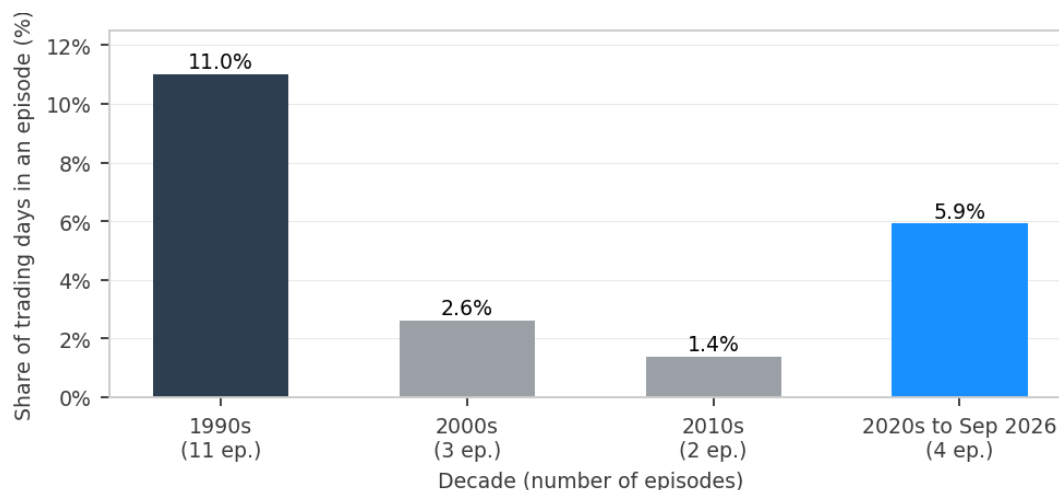


Chart 2. Share of trading days in the Vol-Up/Market-Up regime by decade, with episode count in parentheses. 2020s: 2 January 2020 to 22 September 2026.

The Twenty: All Bedfellows, Sorted by Vintage

Here is the full list. Twenty episodes characterised by their duration, the S&P move during the regime, the VIX move during the regime, and — the part that pays the rent — what happened to the S&P over the following sixty and one-hundred-and-eighty trading days. Read the right-hand columns first. The forward-return column tells you whether the cat lived. The drawdown columns tell you whether you would have wanted to be the marginal long who got there last.

Start	End	Days	SPX %	VIX Δ	Fwd 60d	60d max DD	180d max DD	Context
1993-02-24	1993-03-19	18	+2.1%	-1.5	-0.9%	-3.7%	-3.7%	Post-recession recovery
1993-09-02	1993-10-06	24	-0.1%	+0.8	+1.2%	-0.7%	-4.7%	Post-recession recovery
1995-07-19	1995-08-22	25	+1.5%	-0.9	+6.2%	-0.4%	-0.4%	Greenspan put era
1995-09-25	1995-11-02	29	+1.4%	-0.0	+6.9%	-0.6%	-0.6%	Greenspan put era
1996-02-02	1996-03-20	33	+2.2%	+5.4	+2.4%	-2.9%	-3.6%	Irrational exuberance
1996-05-28	1996-06-20	18	-1.5%	+0.0	+3.3%	-5.4%	-5.4%	Irrational exuberance
1996-11-26	1997-01-23	40	+2.9%	+1.5	-0.4%	-5.1%	-5.1%	Irrational exuberance
1997-02-03	1997-03-06	23	+1.5%	+0.9	+6.0%	-7.6%	-7.6%	Asia crisis era
1997-07-17	1997-08-25	28	-1.2%	+3.6	+2.0%	-4.7%	-4.7%	Asia crisis era
1998-03-25	1998-04-16	16	+0.6%	-0.5	+5.1%	-2.8%	-13.6%	Pre-LTCM
1999-01-12	1999-02-16	24	+0.2%	+1.5	+9.8%	-1.4%	-1.4%	Dot-com top
2000-03-24	2000-05-01	26	-3.9%	+2.6	-1.1%	-6.4%	-13.9%	Dot-com top
2006-01-18	2006-02-17	23	+0.7%	-0.2	+0.4%	-1.2%	-4.9%	Pre-GFC quiet
2007-06-05	2007-06-27	17	-1.6%	+1.9	+1.3%	-6.6%	-15.5%	Pre-GFC top
2011-02-22	2011-03-14	15	-1.4%	+0.3	-1.3%	-3.0%	-15.2%	EU sovereign crisis
2013-05-22	2013-06-19	20	-1.6%	+2.8	+3.6%	-3.4%	-3.4%	Taper tantrum
2020-01-27	2020-02-21	19	+2.9%	-1.2	-11.5%	-33.0%	-33.0%	Pre-COVID top



2021-11-26	2021-12-16	15	+1.6%	-8.1	-8.7%	-10.7%	-21.5%	Late-cycle 2021
2024-02-12	2024-03-19	26	+3.1%	-0.1	+4.9%	-4.1%	-4.1%	AI mega-cap rally
2025-09-22	2025-11-14	40	+0.6%	+3.7	+1.5%	-2.9%	-5.8%	Sep–Nov 2025 (resolved)

Table 2. Every sustained Vol-Up/Market-Up episode since 1990. Red: negative 60-day forward return; bold red: 180-day drawdown deeper than 10% — the slow-burn tops that the 60-day window misses.

Three episodes deserve naming, beyond what the context column manages. April 1998 — the pre-LTCM regime nobody on my desk called, and the reason I am writing this piece nearly thirty years on. January 1999 — twenty-four sessions of textbook dot-com distribution with the VIX climbing into the thirties while the S&P barely budged. January 2020 — nineteen sessions of the most expensive pillow talk in modern markets, followed by an 11.5% loss over the next sixty sessions and a 33% drawdown inside that window. The friendly market maker who recognises one of these in real time has half the edge already. The unfortunate market maker who does not gets his balls handed to him.

The Morning After: What Happens When the Pillow Talk Ends

The interesting question is not whether the regime exists. It is whether the regime tells you anything useful about what comes next. So I conditioned the forward 60-day S&P return on whether the market was in a bedfellow regime or not, and ran the distributions side by side. The result is more subtle than the bearish reflex would suggest — which is good news, because if it were not subtle, somebody would already be coining it.

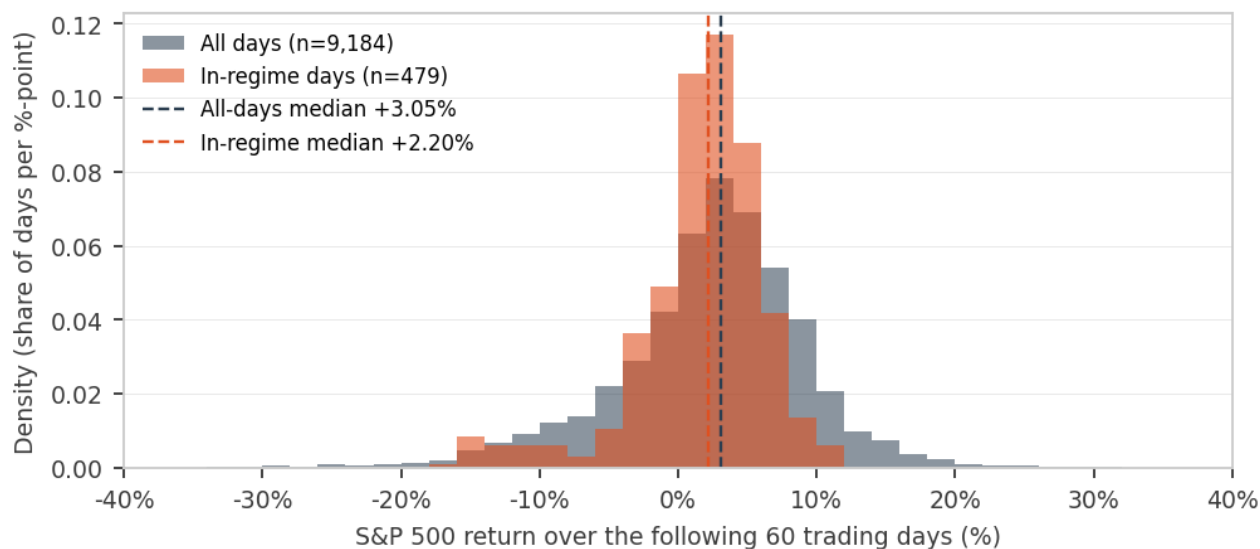


Chart 3. Distribution of S&P 500 forward 60-day returns. Navy: all trading days with a full forward window. Red: only days inside a Vol-Up/Market-Up regime. Dashed lines mark the medians.



Conditioning	Median fwd 60d	Mean fwd 60d	P(60d max DD < -5%)	P(60d max DD < -10%)	N
All days (unconditional)	+3.05%	+2.32%	31.4%	13.1%	9,184 days
In-regime days	+2.20%	+1.59%	28.4%	6.3%	479 days
From episode end	+1.71%	+1.54%	35.0%	10.0%	20 episodes

Table 3. Forward 60-day S&P outcomes — unconditional, on every day inside a regime, and measured from the end of each episode. Two different questions, kept apart.

Two things to read out of that table. First, the median forward return is below the unconditional — +2.2% on regime days and +1.7% measured from the end of each episode, against +3.1% on all days. From the episode end, that is about half the typical sixty-day drift. That is real and worth knowing. Second, the probability of a deep drawdown is actually lower on regime days than unconditionally. That looks like good news. It is not. What it tells you is that most of these regimes resolve calmly — the VIX comes back in, the rally extends, nobody on Twitter notices. But the ones that do not resolve calmly tend to be catastrophic, and they cluster in particular eras. 2007. 2020. 2021. The base case is benign. The tail is fat.

Geek stuff: it is the conditional skewness of the forward-return distribution that has shifted, not the variance — the regime does not make the typical outcome much worse, it makes the worst outcome much more available. Note also what the red histogram lacks: the deep left tail of the navy one. The worst outcomes do not start inside the regime. They start after it ends.

Six Names You'll Recognise: When the Bed Caught Fire (Eventually)

Plotting each episode by its own S&P move during the regime against its forward sixty-day outcome shows the bimodality directly. Fourteen dots sit above the line — modest moves in, modest moves out. Six sit below it, and they come in two sizes. Four barely dip under zero (February 1993, November 1996, March 2000, February 2011). Two sit very red: pre-COVID 2020 and late-cycle 2021. The 2020 dot is the largest on the chart by a margin, because the VIX closed above 80 in the sixty sessions that followed. These are the regimes where the bed caught fire on schedule.

But the sixty-day window is short. It captures the immediate aftermath; it misses the slow burns. The April 1998 episode dot is green, because the LTCM blow-up did not hit until August. The June 2007 dot is green, because the GFC did not begin in earnest until October. Both regimes ended with a bang, but the bang came at the 180-day horizon, not the 60-day. Push the lens out half a year, and the rings tell the real story: six episodes followed by drawdowns deeper than ten per cent within 180 trading days. April 1998 (LTCM). March 2000 (dot-com). June 2007 (GFC). February 2011 (EU sovereign crisis). January 2020 (COVID). November 2021 (the 2022 bear). Six episodes out of twenty. Cramer would call that a coincidence. I would not.

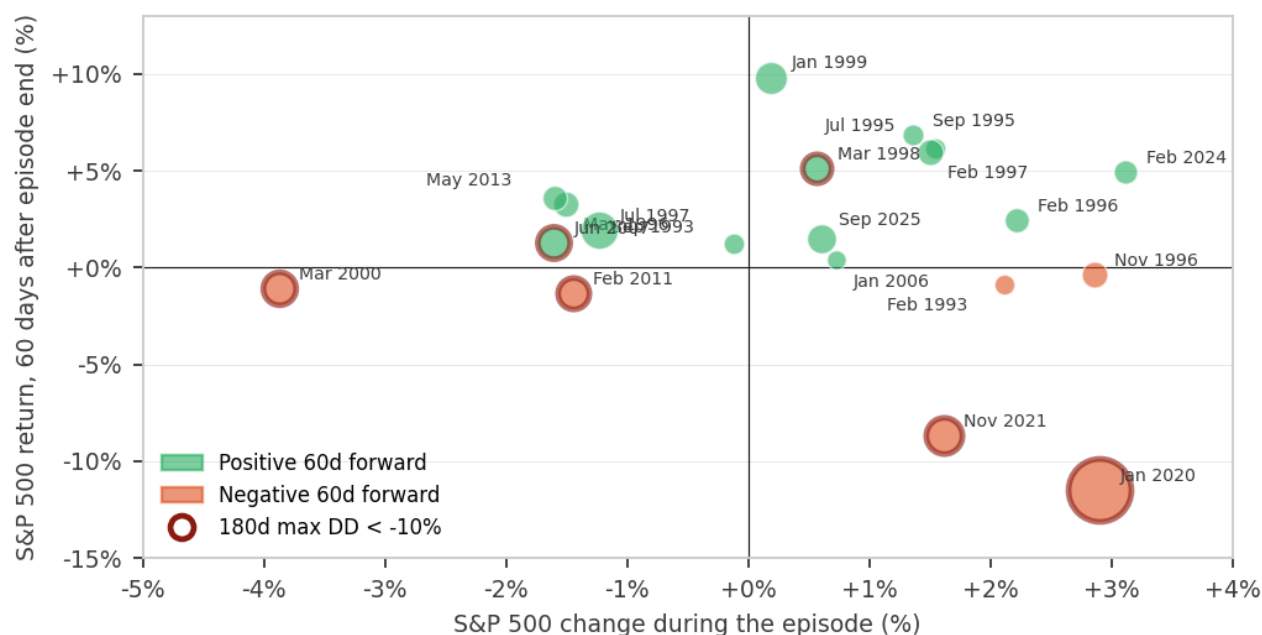


Chart 4. Each episode as a single point. Horizontal: S&P % change during the episode. Vertical: S&P return 60 trading days after episode end. Fill: green positive, red negative. Dark ring: 180-day max drawdown deeper than 10%. Size: peak VIX close in the 60 sessions following.

The scatter is what keeps this straight. The bulk of the dots sit above the line — the regime fired, the rally continued, the silverbacks lost no sleep. The 1990s episodes mostly cluster there. But the rings are the part that does the work. Six of twenty episodes are followed by serious drawdowns within six months — a thirty per cent hit rate from a regime that shows up on only 5 per cent of trading days. The friendly market maker who recognises one of these in real time has the edge. The unfortunate market maker who reads only the sixty-day window thinks the 2007 vintage was benign, and then has to explain to his risk officer what happened in October.

Conclusion: Two Souls, Alas, Are Housed Within One Regime

What the data say. Sustained Vol-Up/Market-Up regimes are rare (5.2% of days), brief (median 23.5 sessions), and weakly bearish on average for the next two months. They are not a sell signal. They are a regime flag — one that has historically marked both melt-up tops (1996, 1999, January 2018) and distribution tops (April 1998 LTCM, June 2007, January 2020, late November 2021). The twentieth entry in the table — September to November 2025 — has now resolved. It was Iron Man.

The bull case (Iron Man). Most of these regimes resolve calmly. Fourteen of twenty episodes were followed by positive sixty-day forward returns, and the median sixty-day return from episode end is still positive at +1.7%. Co-rising VIX during a rally can simply mean dealers are short gamma on upside calls and getting squeezed — flow, not fundamentals. That dynamic typically resolves with vol coming back in and the rally extending. The 1990s are full of these. The well-fed sheep grazing on the meadow are not always being lined up for shearing.

The bear case (Dr. Doom). Extend the lens. Two of twenty episodes coughed up sixty-day drawdowns deeper than ten per cent — pre-COVID '20 and late-cycle '21, the bangs that arrived on schedule. But push the window



to one-hundred-and-eighty days and the count rises to six: April 1998 (LTCM), March 2000 (dot-com), June 2007 (the GFC), February 2011 (the EU sovereign crisis), January 2020 (COVID), November 2021 (the 2022 bear). That is a thirty per cent slow-burn hit rate. This is the distribution-top pattern: smart money paying for protection while the public chases the tape. When it fires, it fires hard — but not always immediately.

The base case. A sustained Vol-Up/Market-Up regime is a regime flag, not a directional signal. It tells you to look at what the rally is being driven by — concentrated mega-cap call buying (usually benign) or broad protection bids in put skew (often not). It tells you to watch term structure and the SKEW index for confirmation. It tells you not to be the marginal long who got there last. What it does not tell you is the timing. None of these episodes ended on a bell. They ended when the regime shifted, and the regime shifted when it did. That is not a modelling failure. It is a feature.

A note on sample size. Twenty episodes in thirty-six years is enough to characterise the central tendency. It is not enough to dismiss the tail. Six of those twenty preceded drawdowns of ten per cent or more within the following 180 trading days — a thirty per cent hit rate on serious outcomes, from a regime that covers 5.2% of trading days. For comparison, on 13.1% of all days a drawdown deeper than ten per cent followed within sixty days. Twenty is not a lot. Six is fewer. Do not mistake precision for certainty.

Postscript, 22 September 2026: The Lid Came Off

When this piece first went out in May, episode twenty was still sitting in the table with its 180-day window half open. The window closed on 6 August. The verdict: forty sessions, longer than any median would like, S&P +0.6% during, VIX 16.1 to 19.8 with a peak of 25.3. Sixty days later the index was +1.5% higher, with a worst close of -2.9%. The full six months produced a worst close of -5.8% — 6,343.72 on 30 March 2026. No slow burn. Since the episode ended, the S&P is up 15.3% to 7,764.64, with an all-time closing high of 7,798.99 on 13 August. The cat lived. Iron Man. The tally stays at six of twenty.

Has a twenty-first bedfellow climbed in since? No. From 17 November 2025 to 22 September 2026 there has been no co-rise lasting fifteen sessions. There was, however, a near miss. Between 26 January and 11 February 2026 the flags were up for thirteen sessions, broken twice — below the threshold, so it does not count. The S&P went nowhere (-0.1%), the VIX firmed by 1.5 points. What followed is instructive all the same: within sixty sessions the index had closed 8.6% lower at 6,343.72 and the VIX had closed at 31.05. An anecdote, not a statistic. But a decent argument for watching the flags even when they have not quite formed a regime.

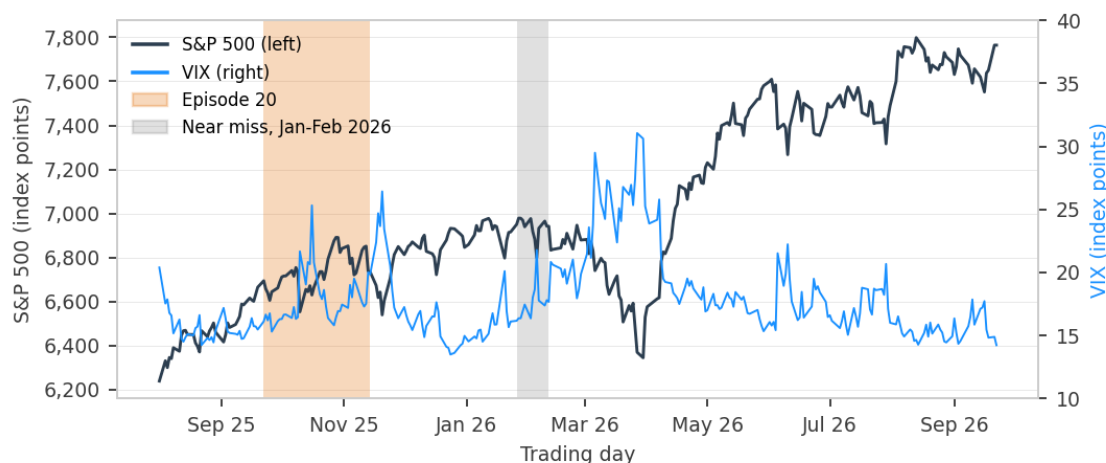


Chart 5. S&P 500 (navy, left) and VIX (blue, right), August 2025 – September 2026. Amber: episode twenty. Grey: the January–February 2026 near miss, which did not qualify.

And today? Over the last thirty sessions the S&P is up 0.1% and the VIX is down 1.2 points to 14.21. The VIX is falling with the index, the way the textbook says it should. The box is shut and, for now, nobody is in the bed. When the flags do come back — both indices up over thirty sessions — the order of work is the same as ever: the flag first, then the term structure, the skew and the SKEW index, the VVIX and the breadth underneath the index print, and only then the position size. Be water, my friend. Or at least be the right size for either soul winning.

Corrections to the 22 May edition.

Item	22 May edition	Re-run to 22 Sep 2026
Share of days in regime (conclusion)	11%	5.2% (11.0% is the 1990s figure)
Positive 60d forward returns	11 of 20	14 of 20
Red dots in Chart 4 (negative 60d)	two	six; only 2020 and 2021 deeper than –10%
Table 3 in-regime median / mean	+1.71% / +1.54%	those are from-episode-end values; regime days +2.20% / +1.59%
P(60d max DD < –10%), regime days	7.5%	6.3% — 7.5% stems from a bad 14 Apr 2000 print in the TradingView series
2006 episode, SPX during	+0.2%	+0.7% — TradingView series shifted by a day around 17–19 Jan 2006
Median duration / median VIX peak	23 or 24 / 22.5	23.5 / 22.1
January 2020 forward return (text)	'eleven-point'	–11.5% over 60 days, –33.0% drawdown

Everything else — episode dates and durations, the six slow burns, 7/20 with drawdowns beyond 5%, 9/20 with VIX above 25, the decade shares — stands. Data: S&P 500 and Cboe VIX official closes, cross-checked against TradingView (SPCFD:SPX, TVC:VIX), which agrees to 0.01% on 98.9% of days.

Thorsten Wegener spent twenty years trading equity derivatives and was a partner at Bear Stearns. He currently teaches — and does plenty of cooking, driving, and cleaning.

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