Date: May 8, 2025

Evaluated Company: VXX
Portfolio manager: Naomi Ulman
**Markets (Systemic)**

- Is the security traded in the US? *Yes*

- Discussion about the overall market

  - S&P-500

The S&P 500 has experienced significant volatility in 2025, making it one of the most turbulent starts to a year in its history. After reaching a new all-time high of 6,144 early in the year, the index suffered a sharp correction, falling by over 10% within a matter of weeks and marking the fifth worst start to a year since records began. Much of this decline was driven by renewed tariff threats and trade war fears, which rattled investor confidence and led to a broad selloff, particularly among the previously high-flying mega-cap technology stocks. Despite nearly half of S&P 500 stocks posting gains for the year, the heavy weighting of a few large companies that declined sharply has dragged the overall index lower. As a result, the market remains in correction territory, with ongoing uncertainty about the direction of economic and trade policy continuing to weigh on sentiment

- Bond yields

Bond yields have remained elevated throughout 2025, reflecting persistent concerns about inflation and the Federal Reserve's cautious approach to monetary policy. The yield on the 10-year U.S. Treasury has hovered between 4.3% and 4.5%, levels that have made borrowing more expensive for both consumers and businesses. These higher yields have put pressure on equity valuations, especially in growth-oriented sectors, while providing some benefit to financial institutions that profit from wider interest rate spreads. Investors are also closely watching for signs of further increases, as any additional rise in yields could tighten financial conditions even more and potentially lead to increased volatility across both stock and bond markets.

  - Inflation

Inflation in the United States has shown signs of easing but remains a central concern for policymakers and investors. The annual inflation rate stood at 2.4% for the 12 months ending in March 2025, down from 2.8% in the previous period. This moderation is partly attributed to a cooling labor market and the fading impact of earlier supply chain disruptions. However, some caution remains, as core inflation measures have stayed slightly elevated, and there is uncertainty about whether inflation will continue to trend toward the Federal Reserve's 2% target. The outlook for the rest of the year will depend on the persistence of inflation pressures and the response of monetary policy, with many analysts expecting inflation to gradually decline if current trends hold.

- Discussion about current political issues that have the potential to effect the market.

Right now, political problems like President Trump's new tariffs and ongoing trade fights are making the stock market more shaky. These tariffs on goods from countries like China and Mexico are making investors nervous, causing big ups and downs in the S&P 500. This also pushes up the VIX, which measures market fear and is what VXX follows. Other worries, like rising prices, higher interest rates, and conflicts around the world, add to the uncertainty. Because of this, investors expect more ups and downs until there's a clear answer on trade talks and policies. For VXX, which goes up when the market gets more volatile, these political issues can mean chances to make money if things get worse but also risks if the situation calms down and volatility drops.

**Corporate specific**

- What does the company do?

VXX is not a company but a special kind of investment product that helps people invest in market volatility, which means how much the stock market goes up and down. It tries to follow the VIX, often called the "fear index," which shows how much people expect the stock market to move in the next month. Since you can't invest directly in the VIX, VXX uses something called VIX futures agreements to buy or sell the VIX at a future date to copy its movements.
People use VXX mainly to protect themselves or try to make money when the stock market gets shaky or falls quickly. When the market is uncertain or scary, like during big economic problems or political issues, VXX usually goes up. For example, during the big market crash in early 2020, VXX's price jumped a lot because investors were worried and wanted to protect their money.
But VXX is not good for holding a long time. Because of the way it works constantly rolling over those futures contracts it slowly loses value over time if the market stays calm. This means if you buy VXX and just hold it, you will probably lose money in the long run. That's why VXX is mostly used for short-term trades or as a way to hedge, which means protecting your other investments from big drops.
What are the major sources of revenue and income? (possible resource: company's investor relations)

VXX is not a company, so it does not have traditional sources of revenue or income like selling products or services. Instead, VXX is an exchange-traded note (ETN) that tracks the performance of VIX futures contracts. The value of VXX comes from how these futures contracts move, not from generating revenue. The company behind VXX, which is Barclays Bank, may earn money through management fees and the difference between what investors pay and the actual cost of running the ETN. But VXX itself does not have its own revenue or income streams. Its price simply reflects the changes in the VIX futures market.

- Financial statement analysis as it applies to investment

  - Please note that this is not merely looking at the ratios etc.
  - EPS chart for at least past 4 years (6 years if possible)
    N/A
  - Revenue, asset and liability growth

VXX itself does not produce revenue from operations, products, or services. Any management fees or costs related to VXX are collected by Barclays, the issuing bank, not by VXX as a standalone entity. The value of VXX changes based on the performance of the underlying VIX futures contracts, not from income or business activities.

VXX does not own assets like stocks, bonds, or cash, nor does it have traditional liabilities. Instead, it is a debt instrument. an obligation of Barclays to pay returns that match the performance of the S&P 500 VIX Short-Term Futures Index. The ETN's "liability" is essentially Barclays' promise to pay the noteholders based on the index's returns. If Barclays faces financial trouble, holders of VXX are exposed to the bank's credit risk.

There is no revenue, asset, or liability "growth" for VXX in the traditional sense. The value of VXX fluctuates based on the daily price changes of VIX futures contracts, and over time, it tends to decline in value due to the cost of rolling futures contracts (known as "roll decay"). Barclays, the issuer, may see changes in its own revenue, assets, or liabilities, but these are separate from the performance of VXX itself.

  - Any significant change i any of the items

Over the past few years, the main changes with VXX have been something called "reverse splits." This means Barclays combined several shares into one to keep the price of each share higher. For example, in 2024, they did a 1-for-4 reverse split, which means every 4 shares became 1 share. They did this a few times because VXX's price tends to go down over time, and having a very low share price can make trading harder.

Other than these reverse splits, there haven't been big changes in things like revenue or assets because VXX doesn't work like a normal company or fund. Its value just follows how certain market volatility contracts perform. Barclays, the bank that issues VXX, is responsible for paying investors based on those contracts, but VXX itself doesn't have its own money or debts.

So, the biggest changes you'll see with VXX are these reverse splits to keep the share price manageable, not changes in revenue or assets like a typical company.

Any recent repurchase, bond issue, stock issue (possible resource: SEC Edgar )

> There haven't been any recent buybacks, new bond sales, or stock issues specifically for VXX. The main recent change was a reverse split in July 2024, where Barclays combined every 4 shares into 1 to keep the price from getting too low. In the past, Barclays had some administrative issues where they stopped creating new VXX shares for a while and had to fix some mistakes, but these weren't regular buybacks or new stock sales like a company might do. Barclays, the bank that issues VXX, has done buybacks of its own company stock, but that doesn't affect VXX directly. So, the biggest recent change for VXX itself is just the reverse split to keep the share price at a good level for trading.

- Technical analysis

  - Daily Candle Chart

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  - MACD

| Indicator | Value | Sentiment |
|---|---|---|
| MACD (12,26) | -0.02 | Bearish |
| MACD Signal (9) | 0.04 | |
| MACD Histogram | -0.07 | Potential shift |

  - 1) 200-day moving average: 50.92

200-Day 50.92 +16.96 +38.83% 6,620,234

  - 2) 50-day moving average: 59.40

50-Day 59.40 +16.54 +37.50% 8,729,399

- Bollinger Band

As of late April to early May 2025, the upper Bollinger Band is around **89.30**, and the lower Bollinger Band is about **37.57**, with the price currently near the middle band.

- RSI

| Indicator | Value | Signal |
|---|---|---|
| RSI (14) | 49.86 | Neutral |

The RSI value of 49.86 means that VXX is in a neutral zone, not showing signs of being overbought or oversold. This indicates that the market is balanced right now, with no clear signal that the price will move strongly up or down soon.

- Most recent earnings announcement

  VXX does not report earnings

**If we were to start investing in your company, what would be your wishful price?**
**You need to be realistic. Yet, it is still a wishful price.**
**Please justify your wishful price point. For instance, for AAPL, current price is 220. I wish I could buy it at 190-200.**
**Please note that we will actually use your wishful price to start writing cash covered put options once your company is approved by our classmates.**

A good and realistic price to start investing in VXX would be around $20. This price is close to where it is trading now, so it makes sense to buy near this level. Since VXX tends to jump when market volatility rises, buying around $20 gives you a chance to benefit from those spikes. At the same time, because VXX usually loses value over time due to how it tracks volatility futures, starting at a low price like this helps reduce the risk if the market stays calm. My realistic price would change depending heavily on what day it is

- Questions asked during the Q&A after the earnings announcement

N/A

- Review of analyst reports:

- News coverage (news, articles, comments etc.):

  https://www.msn.com/en-us/money/savingandinvesting/the-stock-market-is-doing-something-for-the-75th-time-in-35-years-and-history-says-the-s-p-500-will-make-a-shocking-move-next/ar-AA1E8aPO?ocid=BingNewsVerp

  https://www.business-standard.com/markets/news/sensex-nifty-sink-vix-spikes-as-india-confirms-strikes-on-lahore-defence-125050800938_1.html

Investment suggestion: I would use a buy-write/a cash-covered put strategy because it is safer and more practical because we can earn extra income from option premiums, which helps offset VXX's natural decline. Because VXX is so volatile it would be best to keep our position small and only invest 1-2% of our portfolio, check on it daily, and manage risk.

1. VXX lets you invest in market volatility directly. When the stock market gets shaky or drops suddenly, VXX usually goes up. So, if you think the market might get rough, VXX can help you profit from that.
2. VXX can act as a safety net for your portfolio. Because it often moves opposite to stocks, owning some VXX can help balance out losses when the market falls. This can make your overall investments less risky during uncertain times.
3. VXX is great for short-term traders. Its price can change quickly when news or market feelings shift, giving traders a chance to make money from those moves. If you like to trade based on market swings, VXX can be a useful tool.
4. VXX sometimes overshoots market moves, meaning its price can rise even more sharply than the stock market falls during sudden drops. For example, if the S&P 500 falls by 5%, VXX might jump by 25% or more. This strong reaction can give traders a chance to make significant short-term gains during periods of fear.
5. You can buy and sell VXX easily during market hours, and if you trade VXX options, you have the flexibility to exercise them at any time before expiration. This flexibility and tradability make VXX a practical tool for both active traders and those looking to use options strategies to manage risk or seek profits