FIS

COBALT OPTIONS WEEKLY REPORT

28 Sep 2026

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CME Settle

	25 Sep
Oct 26	23.2
Nov 26	22.92
Dec 26	22.72
Q4 Avg	22.95
Jan 27	21.35
Feb 27	21.32
Mar 27	21.32
Q1 Avg	21.33

Historical / Realised Volatilities

	10 Day	30 Day	60 Day	90 Day
Oct 26	11.75%	28.75%	23.70%	20.85%
Nov 26	17.75%	19.15%	18.15%	17.90%
Dec 26	11.65%	31.80%	25.30%	22.30%
Q4 Avg	13.72%	26.57%	22.38%	20.35%
Jan 27	3.00%	19.90%	15.60%	16.30%
Feb 27	2.85%	19.95%	15.60%	16.30%
Mar 27	2.75%	20.05%	15.65%	16.35%
Q1 Avg	2.87%	19.97%	15.62%	16.32%

Implied Volatilities

	10d Put	20d Put	35d Put	ATM	35d Call	20d Call	10d Call
Oct 26	30.75%	28.75%	27.50%	27.00%	28.50%	28.50%	28.50%
Nov 26	42.00%	40.00%	32.50%	28.00%	28.75%	30.00%	34.50%
Dec 26	45.50%	44.00%	36.00%	28.00%	28.75%	31.75%	34.75%
Q4 Avg	39.42%	37.58%	32.00%	27.67%	28.67%	30.08%	32.58%
Jan 27				24.25%	25.25%	26.25%	27.25%
Feb 27				23.25%	23.75%	24.50%	25.25%
Mar 27				22.25%	22.75%	23.25%	23.75%
Q1 Avg				23.25%	23.92%	24.67%	25.42%

Commentary:

*** TRADE * 125t Q1 2027 $24 call trades live at 40 cents on Weds 23rd Sept (Q1-27 reference price $21.30) ***

This week saw the first Q1-27 option trade this cycle, with the 24 calls (around 23 delta) trading at a volatility of 24.15%. Shortly after, we saw the Q4-26 24 calls (around 30 delta) also offered around 24% (with no countering bid) which strongly suggests recent CME marks at 28.5%-29% are far too high, as flagged in last week's report.

Near term realised vols have collapsed given the combination of tighter ranges and the base effects of the early Sept price spike dropping out of the calculations. 10-day average realised vol is now sub 14% having been as high as 42%. This is also supportive of lower implied vols.

It is increasingly clear that CME implied vols are something of a backward-looking indicator and until market liquidity improves, these will continue to remain both inconsistent and inaccurate. The marks still fail to account for newly available information; specifically, as mentioned last week, they fail to account for the periodic live selling pressure / premium collection which regularly provides downward pressure on implieds.

We retain our view that Q4-26 likely remains in the $23 region in the absence of any fresh news; we would hold our short $24.5/$21.5 strangle position in Q4-26 which should have yielded about 10c profit since last week in light of the theta decay and vols being marked lower.

Sources: CME, Bloomberg, FIS

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