ETF Compass

China: mind the squeeze

Base case remains cautious on China as weak property markets and soft demand weigh on growth. But crowded shorts, cheap volatility and rich upside skew create an attractive setup for positioning for a squeeze higher, with several key macro data releases and earnings catalysts over the next month.

Global Equity Derivatives Strategy

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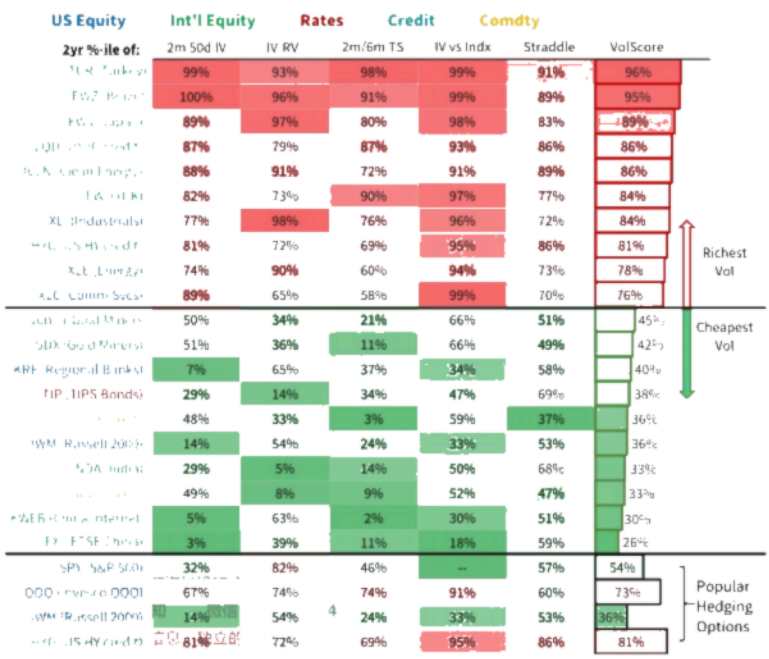
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Rich/cheap volatility screen

FIGURE 1. **Our rich-vol screen is topped by Int'l equities (TUR, EWZ and EWJ), while China ETFs (FXI and ASHR) and Commodity ETFs (SLV, GLD) rank among the cheapest on volatility**



Data as of 20-Oct-2026. VolScore is equal-weighted average of the 2y %-iles across 2-month 50-delta implied vol, spread between 2-month 50-delta implied vol and adj. realized 1-month vol, ratio of 2-month over 6month 50-delta implied vol, ratio of 2-month 50-delta implied vol vs SPY, 2-year probability of a 2-month ATM straddle not breaking even.
Source: OptionMetrics, Bloomberg, Barclays Derivatives Research.

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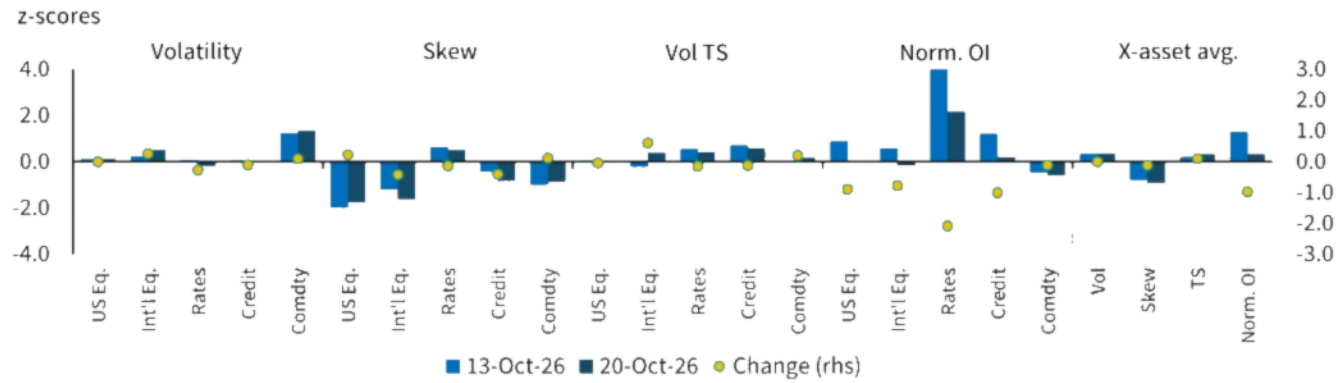
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Weekly changes in key volatility metrics

FIGURE 2. **Short-dated volatility remain broadly stable across asset classes. Normalized open interest declined across the board, with Rates seeing the largest drop, driven primarily by TLT, as underlying trading volume increased while open interest fell week-over-week**



Data as of 20-Oct-2026. ETF Vol/Skew/Vol TS (term-structure)/norm. OI (open interest) average z-scores = intra asset-class average of z-scores expressed as 1-week MA across US Equity, Int'l Equity, Rates, Credit, and Commodity ETFs.
Source: OptionMetrics, Bloomberg, Barclays Derivatives Research.

China: mind the squeeze

- Base case for China is hard landing is avoided, but growth remains subdued as weak property markets, soft household demand, and slowing credit creation offset support from policy measures and manufacturing/tech strength. Indeed, FXI (FTSE China) is down ~14% YTD vs, for instance, the S&P which is up ~13%.

- While we believe this argues for continued downside in a status quo scenario, stretched technicals, such as extreme short CTA positioning, and vol technicals, such as cheap vol (Figure 1) steep upside skew (Figure 6), offer interesting opportunities to position for a potential upside squeeze.

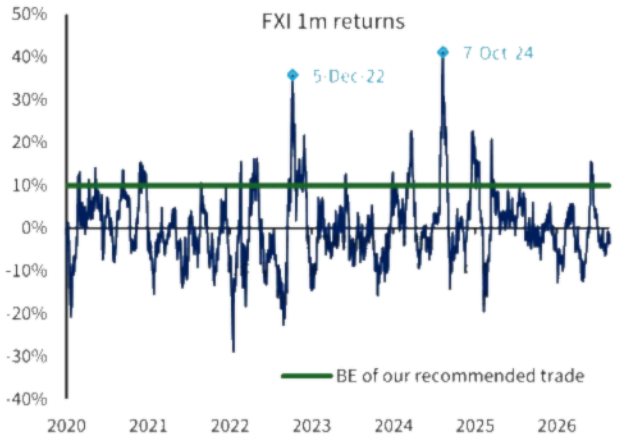
- For instance, buying 2x FXI 27Nov26 35 calls (ref. 32.9, 22-delta per call share) and selling 1x FXI 27Nov26 34 calls (32-delta) costs approx. 61bps ($0.2). Notably, trade would capture Caixin Manufacturing PMI (Nov 2), Tencent earnings (Nov 18), retail sales, industrial production, property data and fixed asset investment (around Nov 15), Alibaba earnings (Nov 25, est.)

FIGURE 3. **CTAs are near max short Chinese equities, with little left to sell and the asymmetry skewed towards short-covering**



Source: OptionMetrics, Bloomberg, Barclays Derivatives Research

FIGURE 4. **The expiry BE of our FXI Nov26 34/35 1x2 call spread is 9.9%, a move that would historically have been achieved ~11% of the time since COVID**



Source: OptionMetrics, Bloomberg, Barclays Derivatives Research

ETF Volatility Landscape

Sentiment Screen

FIGURE 5. **Top 10 ETFs with Most Bearish/Bullish Sentiment; Red = Bearish, Green = Bullish**

	US Equity	Int'l Equity	Rates		Comdty			
2yr %-ile of:	PC OI	ΔPC OI	Skew	ΔSkew	ETF flow	SI	ΔSI	Sentiment
	72%	87%	62%	35%	37%	98%	100%	73%
IYR (Real Estate)	92%	98%	61%	95%	16%	20%	42%	72%
FXI (FTSE China)	61%	53%	89%	80%	50%	91%	71%	68%
XLK (Tech)	95%	39%	68%	99%	51%	96%	29%	65%
EFA (EAFE)	97%	8%	36%	27%	5%	80%	84%	65%
ARKK (ARK Innovation)	87%	61%	50%	58%	2%	35%	29%	65%
XLY (Discretionary)	9%	77%	17%	94%	10%	87%	53%	65%
KRE (Regional Banks)	93%	92%	62%	63%	97%	100%	96%	64%
IWM (Russell 2000)	39%	14%	85%	89%	12%	78%	11%	62%
UNG (US Natural Gas)	24%	64%	46%	58%	32%	67%	93%	61%
IBB (iShares Biotech)	61%	93%	4%	86%	85%	22%	13%	39%
XBI (SPDR Biotech)	19%	13%	55%	93%	89%	46%	53%	38%
KWEB (China Internet)	28%	64%	0%	0%	72%	98%	53%	37%
XLU (Utilities)	2%	71%	10%	32%	55%	50%	44%	37%
GLD (Gold)	18%	20%	67%	54%	42%	0%	20%	37%
SOXX (iShares Semis)	63%	73%	30%	70%	97%	35%	7%	35%
TUR (Turkey)	18%	27%	24%	4%	69%	41%	89%	33%
Junior Gold Miners	14%	57%	25%	43%	76%	35%	38%	32%
DXJ (FX hedged Japan)	44%	28%	33%	41%	86%	7%	64%	31%
XLE (Energy)	35%	28%	35%	49%	98%	33%	38%	28%

Bearish

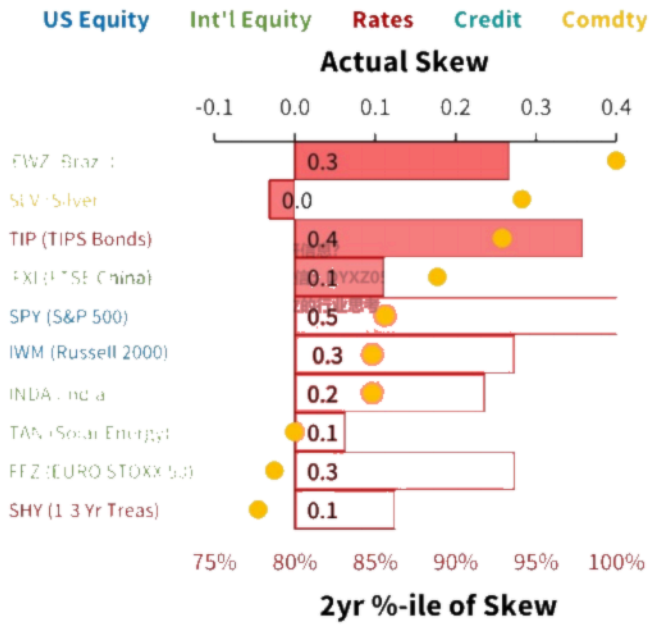
Bullish

Data as of 20-Oct-2026. The Sentiment Indicator is a weighted average of 2yr %-ile across: 1-week moving average of the Put-to-Call Open Interest Ratio, 2-week change in the 1 week moving average of the Put to Call Open Interest Ratio, 1-week moving average of 2m 25 delta skew, 2 week change in skew, 2-week ETF flow, SI and 2 week change in SI (expressed as a %-age of AUM. The weighting scheme is such that the put-to-call open interest, skew, ETF-flow, and SI metrics contribute equally to our Sentiment Indicator

Source: OptionMetrics, Bloomberg, Barclays Derivatives Research.

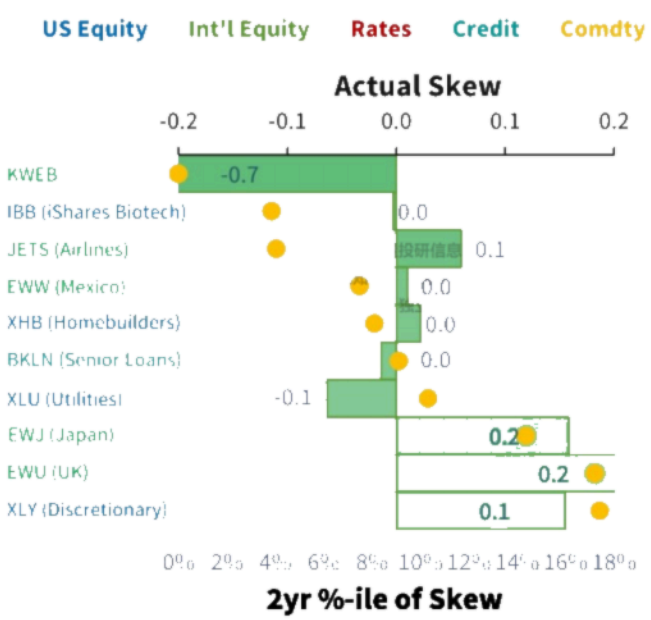
Skew Screen

FIGURE 6. **Top 10 ETFs with expensive skew**



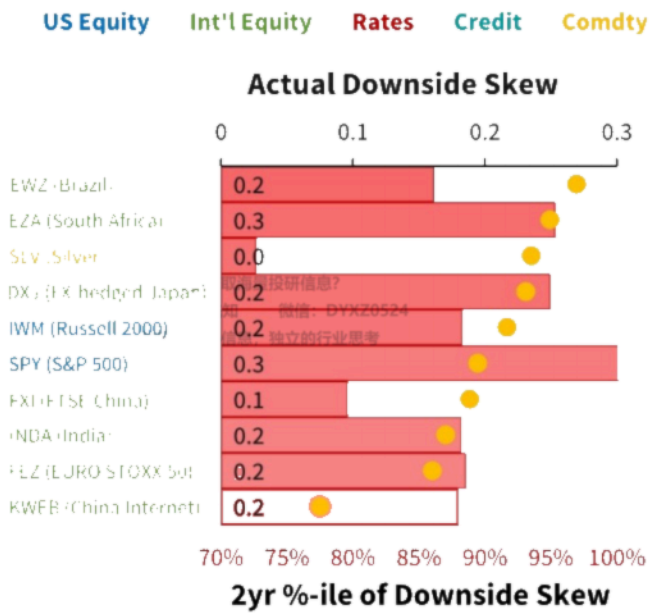
Data as of 20-Oct-2026. Skew: 1-week moving average of the spread between 2m 25-delta put and 2m 25-delta call implied vol, normalized by 2m 50-delta implied vol, i.e., 1w MA 2m (25d put − 25d call)/50d IVOL. This measure of normalized delta skew (as opposed to moneyness skew) allows for easier comparison across ETFs with wildly different base volatility levels.
Source: OptionMetrics, Bloomberg, Barclays Derivatives Research.

FIGURE 7. **Top 10 ETFs with cheap skew**



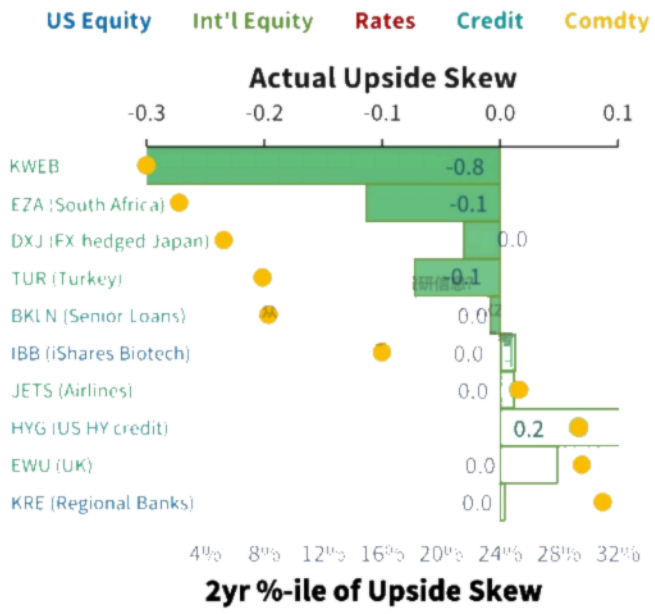
Data as of 20-Oct-2026. Skew: 1-week moving average of the spread between 2m 25-delta put and 2m 25-delta call implied vol, normalized by 2m 50-delta implied vol, i.e., 1w MA 2m (25d put − 25d call)/50d IVOL. This measure of normalized delta skew (as opposed to moneyness skew) allows for easier comparison across ETFs with wildly different base volatility levels.
Source: OptionMetrics, Bloomberg, Barclays Derivatives Research.

FIGURE 8. **Top 10 ETFs with expensive down skew**



Data as of 20-Oct-2026. Downside skew: 1-week moving average of the spread between 2m 25-delta put and 2m 50-delta implied vol, normalized by 2m 50-delta implied vol, i.e., 1w MA 2m (25d put- 50d)/50d IVOL. This measure of normalized delta skew (as opposed to moneyness skew) allows for easier comparison across ETFs with wildly different base volatility levels.
Source: OptionMetrics, Bloomberg, Barclays Derivatives Research.

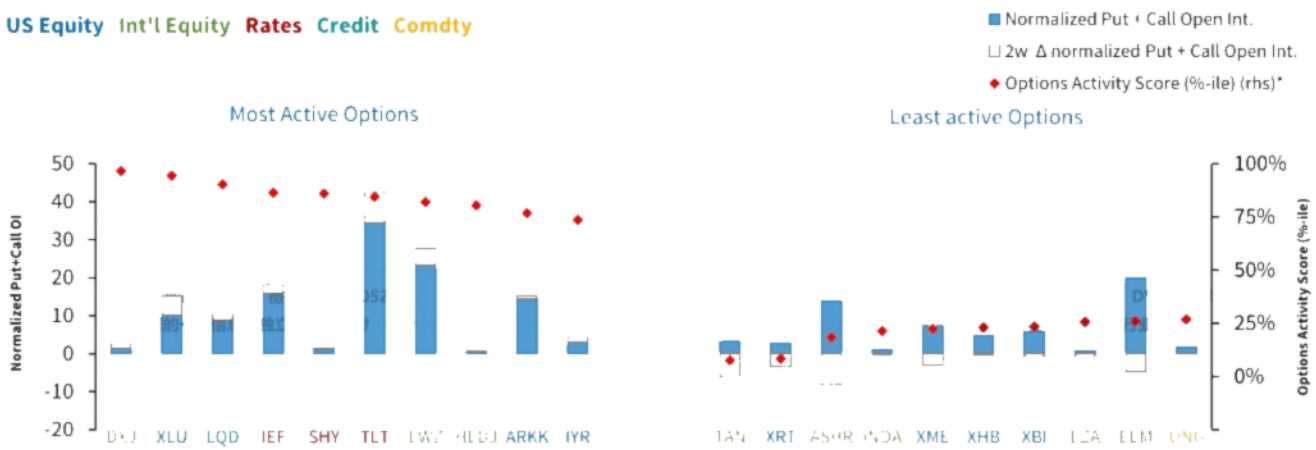
FIGURE 9. **Top 10 ETFs with cheap upside skew**



Data as of 20-Oct-2026. Upside skew: 1-week moving average of the spread between 2m 50-delta and 2m 25-delta call implied vol, normalized by 2m 50-delta implied vol, i.e., 1w MA 2m (50d -25d call)/50d IVOL. This measure of normalized delta skew (as opposed to moneyness skew) allows for easier comparison across ETFs with wildly different base volatility levels
Source: OptionMetrics, Bloomberg, Barclays Derivatives Research.

Normalized Options Activity

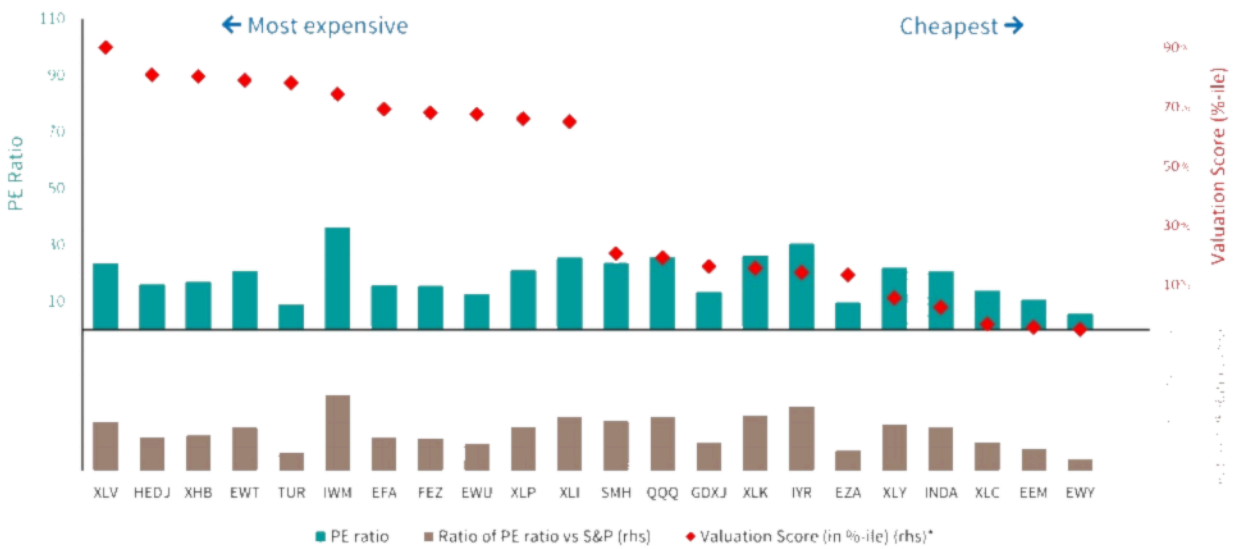
FIGURE 10. **Top 10 ETFs with Most/Least options activity**



Data as of 20 Oct 2026. Put + Call Open Interest (and their changes) are normalized by the current ETF volume. *Options Activity Score (%-ile): The average of the 2 yr percentiles of the normalized put+call OI and the 2-week change thereof
Source: OptionMetrics, Bloomberg, Barclays Derivatives Research.

Valuations

FIGURE 11. **Equity ETF Valuation**



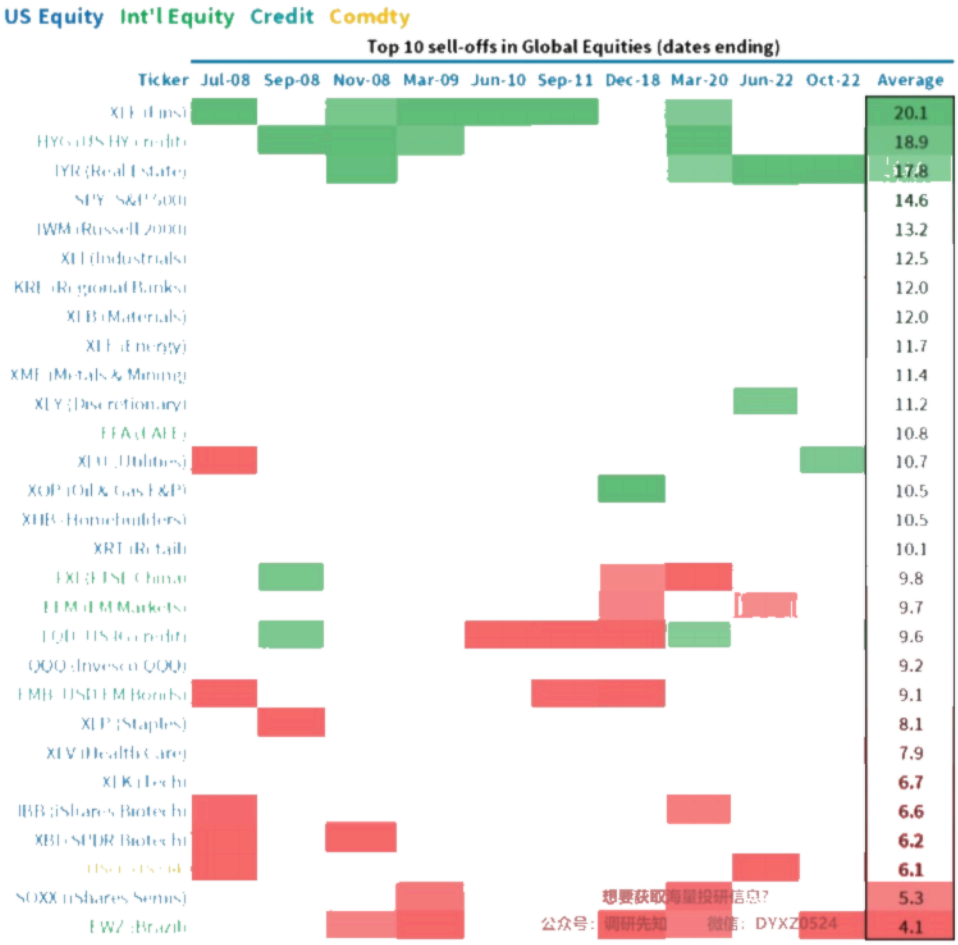
Data as of 20 Oct 2026. ETFs are ranked based on the equally weighted average of 5yr % ile of the PE ratio and the ratio of the PE ratio vs. SPX. Past performance is not a guarantee of future results. *Valuation Score (% ile): average of the 5 yr percentiles of PE Ratio and its ratio to that of S&P
Source: OptionMetrics, Bloomberg, Barclays Derivatives Research.

Top 'bang-for-the-buck' tail hedging screens (historically)

Below we screen a universe of 29 cross-asset ETFs with liquid options for the top tail hedges against a number of benchmarks, including **Global Equities** (MSCI World), **Big Tech**, **EM Equities** (MSCI EM), **Chinese Equities** (HSCEI), and **Commodities** (BCOM). In particular, we identify the top 10 drawdowns in any two-month non-overlapping period since 2008 for the benchmark, and calculate and rank based on the average payout (ratio of historical drawdown over current ~2m 25-delta puts). The heat map below shows the highest (green) and lowest (red) put payout ratios at current costs for the top 10 drawdowns across the different benchmarks.

Hedging against a tail risk in Global Equities

FIGURE 12. **At current costs, short-dated puts on XLF (Fins), HYG (US HY credit) and IYR (Real Estate) would have offered the best value for historical 2m drawdowns in global equities (MXWO)**



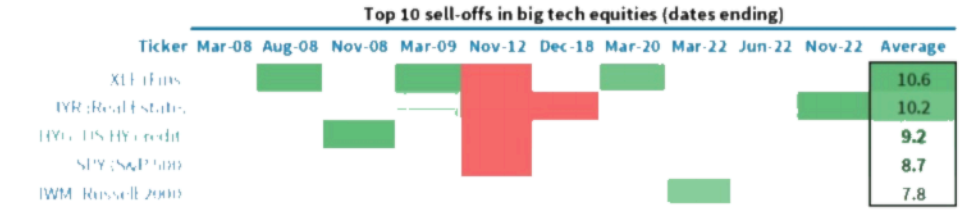
Data as of 20-Oct-2026. Past performance is not necessarily indicative of future results.
Source: Bloomberg, Barclays Derivatives Research.

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Hedging against a tail risk in Big Tech

FIGURE 13. **At current costs, short-dated puts on XLF (Fins), IYR (Real Estate) and HYG (US HY credit) would have offered the best value for historical 2m drawdowns in Big Tech**

US Equity Int'l Equity Credit Comdty

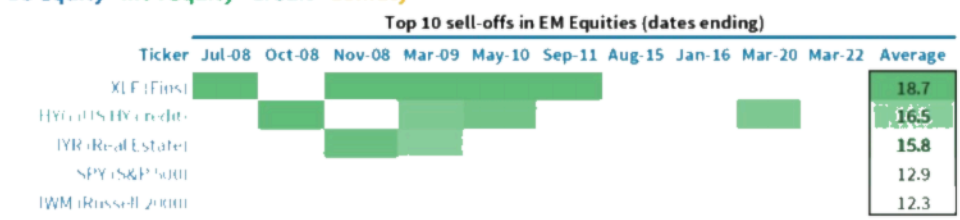


Data as of 20-Oct-2026. Past performance is not necessarily indicative of future results.
Source: Bloomberg, Barclays Derivatives Research.

Hedging against a tail risk in EM Equities

FIGURE 14. **At current costs, short-dated puts on XLF (Fins), HYG (US HY credit) and IYR (Real Estate) would have offered the best value for historical 2m drawdowns in EM Equities**

US Equity Int'l Equity Credit Comdty



Data as of 20-Oct-2026. Past performance is not necessarily indicative of future results.
Source: Bloomberg, Barclays Derivatives Research.

Hedging against a tail risk in Chinese equities

FIGURE 15. **At current costs, short-dated puts on XLF (Fins), HYG (US HY credit) and IYR (Real Estate) would have offered the best value for historical 2m drawdowns in Chinese equities**

US Equity Int'l Equity Credit Comdty



Data as of 20-Oct-2026. Past performance is not necessarily indicative of future results.
Source: Bloomberg, Barclays Derivatives Research.

Hedging against a tail risk in Commodities

FIGURE 16. **At current costs, short-dated puts on HYG (US HY credit), XLF (Fins) and XOP (Oil & Gas E&P) would have offered the best value for historical 2m drawdowns in Commodities**

US Equity Int'l Equity Credit Comdty



Data as of 20-Oct-2026. Past performance is not necessarily indicative of future results.
Source: Bloomberg, Barclays Derivatives Research.

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Long-Term Cross-Asset Option Trends

Volatility

FIGURE 17. **Long-term history of cross-asset ETF short-dated implied volatility (z-score)**



Data as of 20-Oct-2026.
Source: OptionMetrics, Bloomberg, Barclays Derivatives Research.

Skew

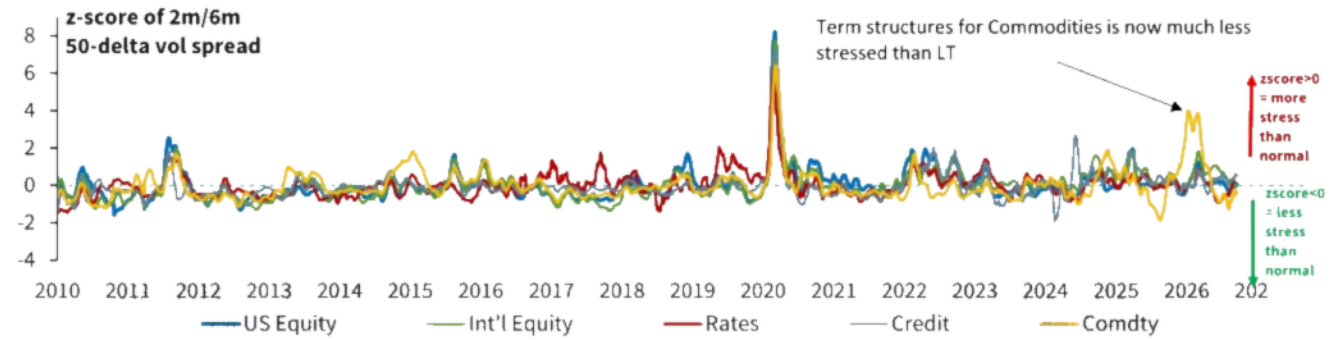
FIGURE 18. **Long-term history of cross-asset ETF short-dated volatility skew (z-score)**



Data as of 20-Oct-2026. Z-scores are expressed as 1m MA. Skew = 1w MA 2m (25d put -25d call)/50d IVOL. This measure of normalized delta skew (as opposed to moneyness skew) allows for easier comparison across ETFs with wildly different base volatility levels.
Source: OptionMetrics, Bloomberg, Barclays Derivatives Research.

Volatility Term Structure

FIGURE 19. **Long-term history of cross-asset ETF volatility term-structure (z-score)**



Data as of 20-Oct-2026. Z-scores are expressed as 1m MA. Volatility Term Structure = ratio of 2m/6m 50d IVOL.
Source: OptionMetrics, Bloomberg, Barclays Derivatives Research.

Option Trading Activity

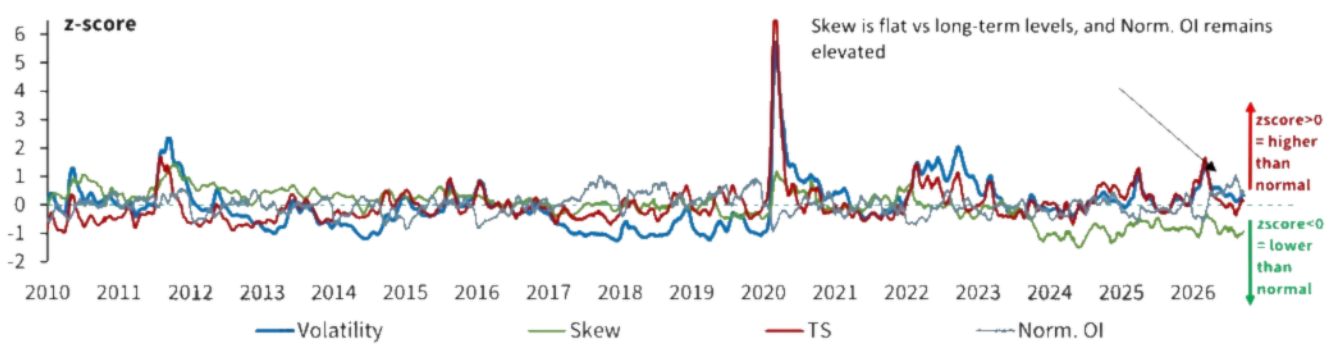
FIGURE 20. **Long-term history of cross-asset ETF Put + Call OI norm. by ETF volume (z-score)**



Data as of 20-Oct-2026. Z-scores are expressed as 1m MA. Normalized Put + Call OI = # (Put + Call) *100 / ETF trading volume.
Source: OptionMetrics, Bloomberg, Barclays Derivatives Research.

Summary of Trends

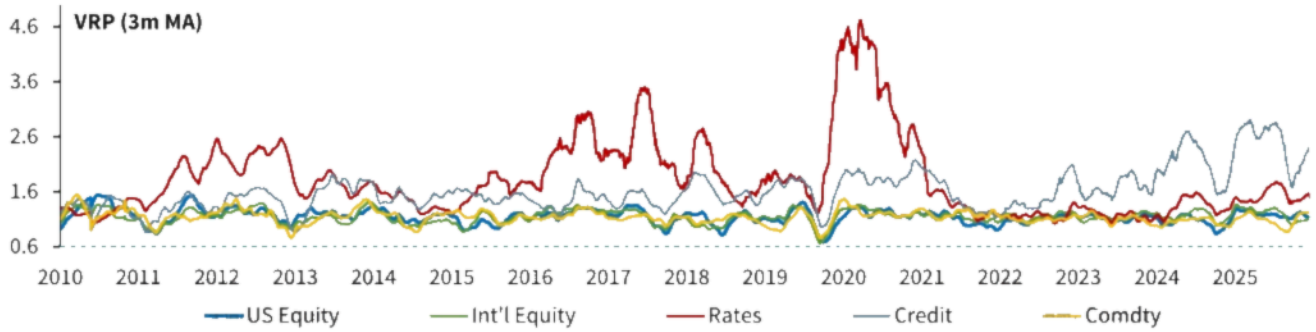
FIGURE 21. **History of ETF vol, skew, vol TS, norm. OI z-scores averaged across asset classes**



Data as of 20-Oct-2026. ETF Vol/Skew/Vol TS/norm. OI average z-scores = average of z-score expressed as 1m MA across US Equity, Int'l Equity, Rates, Credit, Commodity ETFs.
Source: OptionMetrics, Bloomberg, Barclays Derivatives Research.

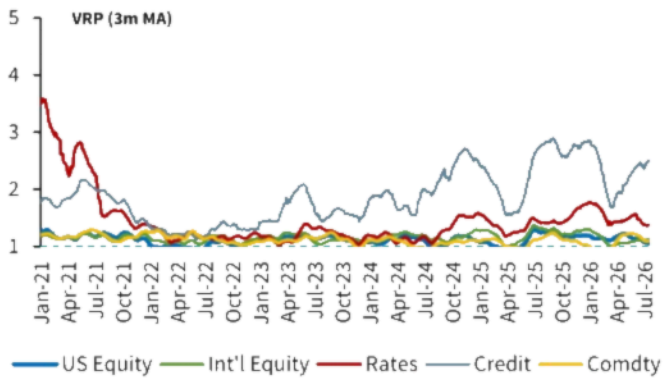
Volatility Risk Premium

FIGURE 22. **Long-term history of cross-asset ETF Volatility Risk Premium (VRP)**



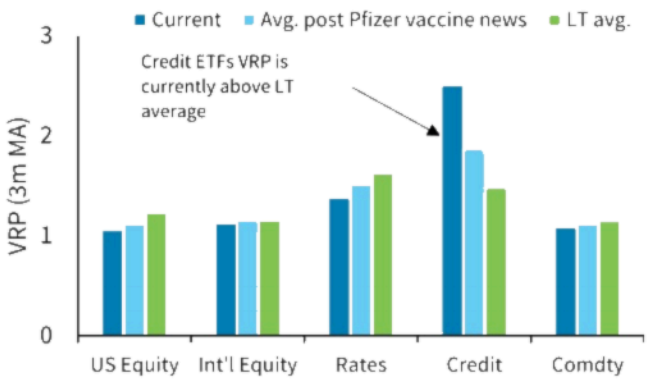
Data as of 20-Oct-2026. VRP = 3m MA of ratio of 1m 50-delta implied over subsequent 1m realized volatility
Source: Bloomberg, Barclays Derivatives Research.

FIGURE 23. **Post-Covid 19 shock**



Source: OptionMetrics, Bloomberg, Barclays Derivatives Research.

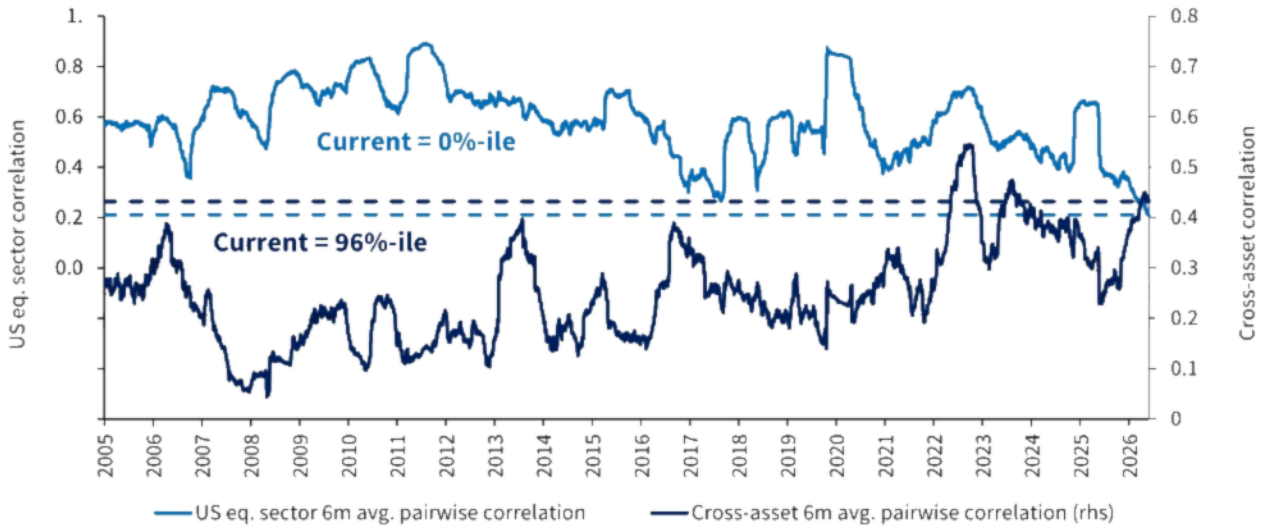
FIGURE 24. **Current vs historical averages**



Source: OptionMetrics, Bloomberg, Barclays Derivatives Research.

Correlation

FIGURE 25. **Long-term history of inter-sector and cross-asset ETF realized correlation**



Data as of 20-Oct-2026. 'Cross-asset' includes: SPY (S&P 500), EFA (EAFE), SHY (1-3 Yr Treas), IEF (7-10 Yr Treas), TLT (20+ Yr Treas), LQD (US IG credit), EEM (EM Markets), GLD (Gold), USO (US Oil), SLV (Silver), HYG (US HY credit), EMB (USD EM Bonds). US eq. sector – XLF (Fins), XLK (Tech), XLE (Energy), XLV (Health Care), XLY (Discretionary), XLI (Industrials), XLP (Staples), XLU (Utilities), XLB (Materials), IYR (Real Estate), XHB (Homebuilders), XME (Metals & Mining), XRT (Retail), XLC (Comm Svcs).
Source: OptionMetrics, Bloomberg, Barclays Derivatives Research.