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Market volatility expected to rise through next week Andrew Clark, Thomson Reuters

In an interview with ET Now Andrew Clark, Index Strategist, Thomson Reuters, talks about where emerging markets are headed in the short term.

Your index seems to be predicting that the Thomson Reuters emerging market Asia index will continue to get more and more volatile until at least May 26th when it may give us readings that we really haven't seen since the first week of this year readings that high. Is this really the right way to interpret your data?

Yes, that would be absolutely correct. We are expecting volatility to continue to rise at least through next week.

So, the message to Asian emerging market equity investors will be to buy protection if you haven't already because things are going to get choppier from here because of all that's happening in the European sovereign space and those troubles are not going to ease off very quickly. Is that how you would expect traders to see these things?

Yes. They could though insurance is going to be very expensive to buy at this point. It makes sense to buy it, but if you haven't bought it yet, you are probably going to buy it at a premium. We are possibly looking at volatility beginning to turn down some time in June. So once again, if you haven't bought it yet, you can still buy insurance, but the insurance is probably going to be fairly expensive.

How will you explain to a lay investor what realised volatility is, how it works and how to use your tool?

Realised volatility is the volatility that you actually experience, meaning is that over a 21-day period or a one-week period or a 3-month period, it's the volatility that you experience from your stock, from your bond, from your commodity holdings whatever it may be. Implied volatility is the consensus outlook shall we say and is not often what it is that you actually experience. So, our forecast is a forecast of what we think you will experience over the next weeks, months or even days in some cases.