

Dispersion: Always in Season

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»Earnings seasons create recurring return opportunities for dispersion strategies – and their calendar is independent of prevailing equity and bond market levels.«

- Earnings seasons create recurring return opportunities for dispersion strategies.
- During earnings seasons, realized dispersion is, on average, around 30% to 40% higher than outside these periods.
- The corporate earnings calendar provides catalysts independently of current equity prices and interest rate levels.

For investors, quarterly earnings seasons are a recurring driver of dispersion and thus a structural source of return opportunities. Four times a year, US companies report their financial results and update their outlooks. These events follow their own calendar – regardless of where equity prices and bond yields stand or which direction markets are moving. Investors who systematically capitalize on these company-specific catalysts can access a source of returns that does not depend on the overall market moving in any particular direction.

Dispersion refers to the spread of individual stock returns within a market or index. It describes how widely companies' share-price performance differs. During earnings season in particular, expectations are met, exceeded, or disappointed: while one stock may benefit from better-than-expected results, another may decline following weaker guidance. Such company-specific, or idiosyncratic, price movements can increase dispersion even when the overall index moves very little.

Alongside economic data, monetary policy decisions, and geopolitical developments, the corporate earnings calendar is therefore another important driver of volatility. Earnings seasons regularly create new occasions for divergent share-price reactions. In this edition of Volatility Spotlight, we examine how this rhythm is reflected in individual stock movements and dispersion, and what opportunities it creates for investors.

Corporate Earnings Drive Significant Moves in Individual Stocks

Our analysis of ten large US technology stocks illustrates the impact of earnings releases. We compare their average absolute daily price movements around quarterly earnings announcements with those on regular trading days. On earnings announcement days, the average absolute move is approximately 6.3%, compared with roughly 1.8% on regular trading days. The average move is therefore about 3.5 times as large as on a regular trading day.

Figure 1 shows the extent to which the stocks examined move following the release of quarterly results. To do so, we sum the absolute price movements across all companies in each quarter. For comparison, the dashed line shows the sum of their average absolute movements on a regular trading day. The difference is pronounced across many reporting periods: quarterly earnings regularly trigger particularly strong share-price reactions.

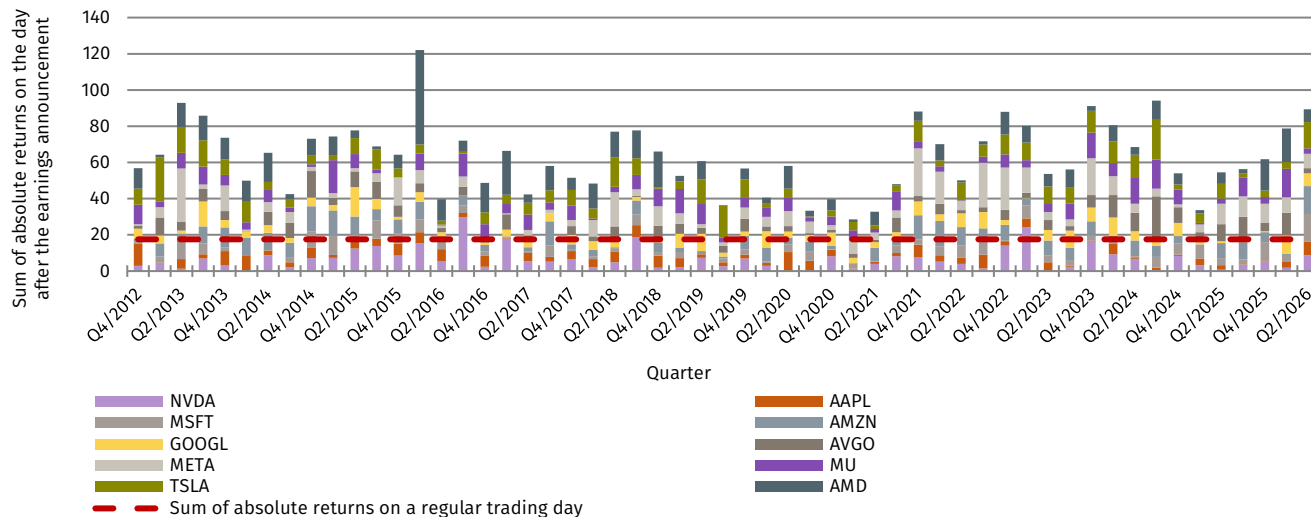
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Figure 1: Pronounced Individual Stock Movements Following Earnings Releases

Absolute price movements of selected large US technology stocks following earnings announcements, summed by quarter and broken down by company. Dashed line: Sum of average absolute price movements on a regular trading day. Period shown: Q4/2012 to Q2/2026.



Source: Assenagon Equity Derivatives Database

Dispersion Follows the Rhythm of Earnings Seasons

The corporate earnings calendar influences both realized and implied dispersion, the latter being the dispersion priced into the options market. Implied dispersion typically rises ahead of earnings season and declines as companies report their results. In short-dated options, these seasonal movements are generally already priced in. Dispersion strategies with longer maturities can exploit recurring company-specific catalysts across multiple earnings seasons as a structural source of returns. The key factor remains the relative valuation of individual-stock and index volatility; assessing this properly requires specialist expertise and enables experienced managers to identify and selectively capture attractive return opportunities.

Figure 2 illustrates the seasonal pattern of rolling 30-day dispersion for the 50 largest companies in the S&P 500®. The gray lines show realized dispersion for individual years since 2005, while the blue line represents its historical average. The orange line shows average implied dispersion, i.e., the market price of dispersion. The average realized-dispersion series exhibits recurring increases around quarterly earnings seasons. At the same time, the variation between individual years demonstrates that macroeconomic events and market stress can amplify or overshadow the seasonal pattern. Implied dispersion also displays a pronounced seasonal pattern, which typically leads the backward-looking pattern of realized dispersion.

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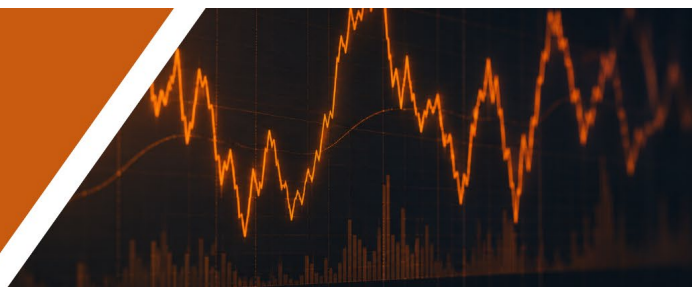
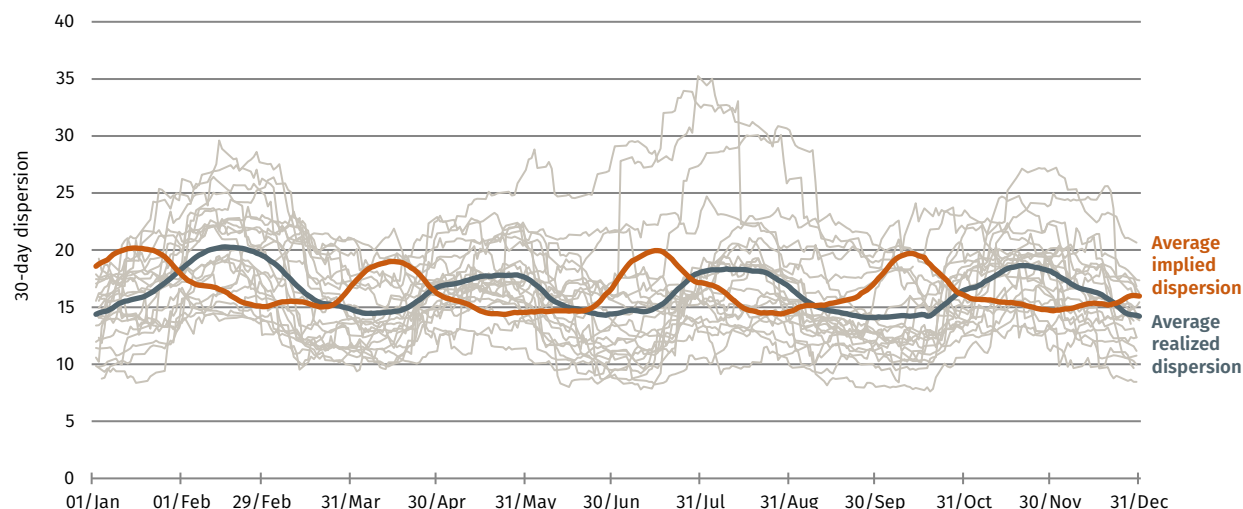


Figure 2: Recurring Increase in Dispersion Around Earnings Seasons

Seasonal pattern of rolling 30-day dispersion for the 50 largest S&P 500® companies. Individual historical years of realized dispersion since 2005 and average series; 2026 through the latest available data.



Source: Assenagon Equity Derivatives Database

Implications for Investors

For investors, the benefit lies in the recurring nature of these events: each earnings season brings new information, surprises, and differences in the share-price performance of individual companies. Dispersion strategies can generate returns from these developments by selectively combining positions in individual-stock and index volatility, benefiting from company-specific movements that partly offset one another at index level.

The event calendar is independent of day-to-day movements and prevailing levels in equity and bond markets. This return opportunity requires neither a particular direction for the equity market nor a specific level of interest rates. Investors thus gain access to an additional source of returns whose structural catalyst recurs regularly. Its actual contribution to a portfolio nevertheless depends on market conditions and positioning.

The crucial question remains which movements are already reflected in option prices. Although market participants are aware of the recurring seasonality of dispersion, and it is partly priced in, it can still offer attractive opportunities for an active trading strategy. Establishing positions early, adopting a sufficiently long investment horizon, and managing positions actively can help capitalize on these seasonal patterns. The relationship between expected and priced-in dispersion, security selection, maturities, hedging, and costs ultimately determines how successfully these recurring events can be converted into additional returns.

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