

## Gyrostat Market Outlook: Looking beyond the 30-day volatility headlines

By Craig Racine – Managing Director & CIO, Gyrostat Capital Management

This outlook examines how financial markets are pricing risk rather than attempting to forecast market direction. The focus is on constructing portfolios that remain resilient across a range of probability-weighted outcomes, consistent with Gyrostat's absolute-return and capital-protection philosophy.

---

### Pricing of risk: calm reprices

Recent weeks have seen a noticeable increase in visible sources of uncertainty across global markets. Geopolitical tensions in the Middle East have intensified, stresses within parts of the US regional banking system remain linked to commercial real estate exposures, and inflation data continues to shape expectations for interest-rate policy. These developments remind investors that financial markets rarely operate in conditions of perfect stability.

Much of the financial media focuses on short-term volatility measures such as the **VIX and A-VIX**, which reflect the market's pricing of risk over roughly the next 30 days. These indicators can move sharply as events unfold, and recent weeks have seen periods where short-term volatility has risen and fallen quickly in response to headlines.

However, short-term volatility represents only the **very front end of the market's risk curve**. Investors who rely solely on short-term volatility indicators risk overlooking how protection is priced further along that curve. For investors who manage portfolios over longer horizons, the pricing of protection further along that curve is often more relevant. These indicators often dominate market commentary despite reflecting only the **very front end of the market's pricing of risk**.

Despite these visible sources of uncertainty, the pricing of protection across medium- and longer-dated horizons had remained relatively stable over the past six to nine months. However, recent sessions have begun to show **early signs of repricing**, highlighting how quickly protection costs can adjust once volatility expectations shift.

This distinction is important. Low or stable implied volatility does not necessarily indicate the absence of risk. Rather, it often reflects **moderate demand for protection**, even when uncertainty is clearly visible.

For retirees and lower-risk investors, the central question is not whether markets will rise or fall in the coming months, but whether portfolios are structured to **absorb unexpected movements without forcing reactive decisions**. Risk management is most effective when it is established before periods of stress emerge, rather than during them.

Periods where uncertainty is visible but the longer-term pricing of protection remains stable can provide valuable opportunities to reinforce portfolio resilience.

Markets rarely warn investors when risk is about to be repriced.

The cost of protection, however, often provides the earliest signal.

ASX 200 VIX Chart



Source: Market Index <https://www.marketindex.com.au/asx/xvi>

## Structural context (without prediction)

Gyrostat does not rely on single-point forecasts. History shows that extended periods of market calm can persist, but also that repricing of risk can occur relatively quickly once conditions change.

Empirical work by Reinhart and Rogoff shows that financial stress historically emerges across multiple arenas, including banking systems, currencies, sovereign debt (both external and domestic), inflation regimes, equity markets, and corporate credit.

Recent market discussion spans sovereign yield repricing, refinancing pressures in credit markets, and ongoing geopolitical uncertainty — reminders that risk rarely concentrates in a single arena, even when headline volatility appears contained.

Accordingly, our framework focuses on:

- probability-weighted outcomes rather than central scenarios
- structural portfolio resilience rather than directional conviction

## The cost of protection: When pricing begins to adjust

As implied volatility has risen, the **cost of portfolio protection has increased from recent lows**, though it remains within ranges that can still be incorporated efficiently when managed dynamically.

Higher protection costs should not be viewed as inherently negative, rather they should be understood as:

- a reflection of increased demand for insurance
- a shift in how risk is being transferred
- a change in the economics of downside management

For risk-managed portfolios, this environment favours selective, structured implementation rather than static hedging.

## ASX200 Protection pricing: duration vs excess – at 6 March 2026

				000's		
Date today:				6-Mar-26		
ASX index level:				8,821		
Excess				5.0%	7.5%	10.0%
Index level				8,380	8,160	7,939
Current market costs of protection						
		Expiry	Days			
	18-Jun-26	104	Cost 000's	1,682	1,270	995
			%	1.68%	1.27%	1.00%
	17-Sep-26	195	Cost 000's	2,707	2,154	1,798
			%	2.71%	2.15%	1.80%
	17-Dec-26	286	Cost 000's	3,313	2,740	2,348
			%	3.31%	2.74%	2.35%
	18-Mar-27	377	Cost 000's	3,957	3,336	2,860
			%	3.96%	3.34%	2.86%
	17-Jun-27	468	Cost 000's	4,266	3,668	3,138
			%	4.27%	3.67%	3.14%

Source: Gyrostat analysis of ASX200 option pricing

## ASX200 Protection Pricing Comparison

Date	10% Floor Level	Protection Cost
27 Feb 2026	8,255	1.28% (~\$12,800)
6 Mar 2026	7,939	1.80% (~\$18,000)

For example, as at 6 March 2026, protecting a \$1 million ASX200 portfolio until 17 September 2026 with a 10% hard floor at the 7,939 level would cost approximately 1.80% (~\$18,000).

One week earlier, on 27 February 2026, the equivalent protection — with the 10% floor at the higher 8,255 level — cost approximately 1.28% (~\$12,800).

### What this means for retirees

For investors prioritising capital preservation with measured participation:

- shifting volatility pricing reinforces the importance of disciplined option management
- dynamic adjustment of risk exposure becomes more important than fixed positioning
- portfolio outcomes depend more on structure and execution than on market direction

The objective remains unchanged: to manage downside risk while allowing participation where compensation for risk is appropriate.

## Gyrostat Risk Managed Equity Fund

### Performance Report - Class A and Class B

#### Absolute Returns at 28 Feb 2026

Class	1yr	2yr p.a.	3yr p.a.	4yr p.a.	Max Qtr Loss (3Yr)	Beta
A	+10.38%	+9.60%	+8.52%	+10.04%	-0.52%	-0.08
B	+12.86%	+10.05%	+10.32%	+13.25%	-0.84%	-0.21

#### **Closing observation**

Periods where volatility pricing transitions from extreme calm toward higher uncertainty often provide useful information about how risk is being redistributed within markets. Rather than responding to headlines or forecasts, Gyrostat continues to focus on pricing signals, portfolio structure, and disciplined execution across a range of possible outcomes.

*Gyrostat Capital Management prepared this document and it is intended only for Australian residents who are wholesale clients (as defined in the Corporations Act 2001). To the extent any part may be perceived as financial product advice, it is general advice only and has been prepared without taking into account of the reader's investment objectives, financial situation or needs. Anyone reading this report must obtain and rely upon their own independent advice and inquiries. Investors should consider the Product Disclosure Statement (PDS) relevant to the Fund before making any decision to acquire, continue to hold or dispose of units in the Fund. You should also consult a licensed financial adviser before making an investment decision in relation to the Fund. One Managed Investment Funds Limited ACN 117 400 987 AFSL 297042, is the responsible entity of the Fund but did not prepare the information contained in this document. While OMIFL has no reason to believe that the information is inaccurate, the truth or accuracy of the information in this document cannot be warranted or guaranteed.*