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STOCKS NEWS EUROPE- Volatility gauges to fall further -Day-by-Day

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Fri Feb 3, 2012 8:41am GMT

Implied volatility gauges for the euro zone's Euro Stoxx 50 > and [Germany's Xetra Dax](#) indexes are set to decline further as they still trade at "expensive" levels despite hefty falls so far this year, says Valerie Gastaldy, head of Paris-based technical analysis firm Day-by-Day.

The contracts, which allow investors to take a bet on volatility on the underlying indexes, have fallen 23 and 26 percent respectively in the year to date in the face of a rally among cash equities, which have been boosted by a liquidity injection by the European Central Bank.

"The supports we had identified have all been broken, and we have no element to question the trends," Gastaldy says.

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She estimates the [euro zone](#) and German volatility indexes trade at premia of 20 and 40 percent over the S&P 500 volatility contract, adding that the ratio between euro zone and U.S. volatility indexes exceeded 1.4 only in 2002-03.

Reuters messaging rm://francesco.canepa.thomsonreuters.com@reuters.net

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