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As index volatility stays quiet, single-stock dispersion reshapes options trading.

Ahead of TraditionData's Equity derivatives product launch, Jake Harmon discusses how institutional investors are turning to customised equity option structures.

Headline volatility has remained relatively contained, yet beneath the surface, individual stocks have experienced increasingly divergent moves driven by earnings, AI investment, geopolitics and shifting trade policy. In other words, index volatility has stayed modest while single-stock dispersion has increased.

When markets become more selective, institutional investors often become more selective as well.

Rather than making broad market bets, they increasingly turn to customised equity option structures to hedge concentrated positions, express relative-value views and manage event risk around individual names.

That activity often takes place in the brokered market, where brokers negotiate block-sized, complex option strategies away from the exchange order book. While exchange-reported trades provide an important view of the market, they don't reveal the institutional liquidity that existed before a trade occurred, the pricing negotiation that led to execution, or the opportunities that ultimately went unfilled.

By combining negotiated quotes with completed trades, market participants can better understand where liquidity was available, how pricing evolved and where institutional interest never resulted in an execution.

Later this year, TraditionData will launch a new equity options dataset. Sourced from Tradition's equity desks, one of the largest inter-dealer broker footprints in the market, comprising five brands, the dataset offers one of the industry's deepest and broadest sources of quote and block trade activity. Our goal is simple: provide researchers and market participants with a more complete picture of institutional equity options activity.

As markets become increasingly driven by company-specific events rather than broad market moves, understanding institutional options liquidity has never been more relevant.

This article is written by

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