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Beyond the Surge: Decoding the (Index) Options Trading Phenomenon

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As with all investments, your capital is at risk



Beyond the Surge: Decoding the (Index) Options Trading Boom

Interactive Brokers Webinar
September 17, 2026

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Nasdaq Index Options

Index

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Agenda

Options Boom – The Catalysts

NDX – The Relative Outperformer

Why Index Products Now?

Q & A

Practically Speaking...

Option Growth Catalysts

- Exchange demutualization
 - Early 2000s
- Technological advances reduces friction and costs while increasing access and understanding.
 - 1998 – 2010
- Global pandemic reshapes workforce
 - Zero commission structure
- Interest rate rise spurs macro risk focus.
 - Inflation + decade + low rates unwinds
- Generational shift
 - Wealth transfer, new asset classes, and unique risk tolerance



Source: Interactive Brokers

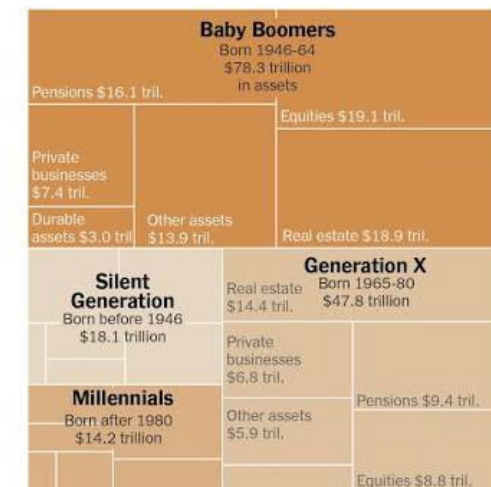


Source: US BLS



Source: Chicago Mercantile Exchange

Baby Boomers Hold Half of the Nation's \$140 Trillion in Wealth



Source: Federal Reserve

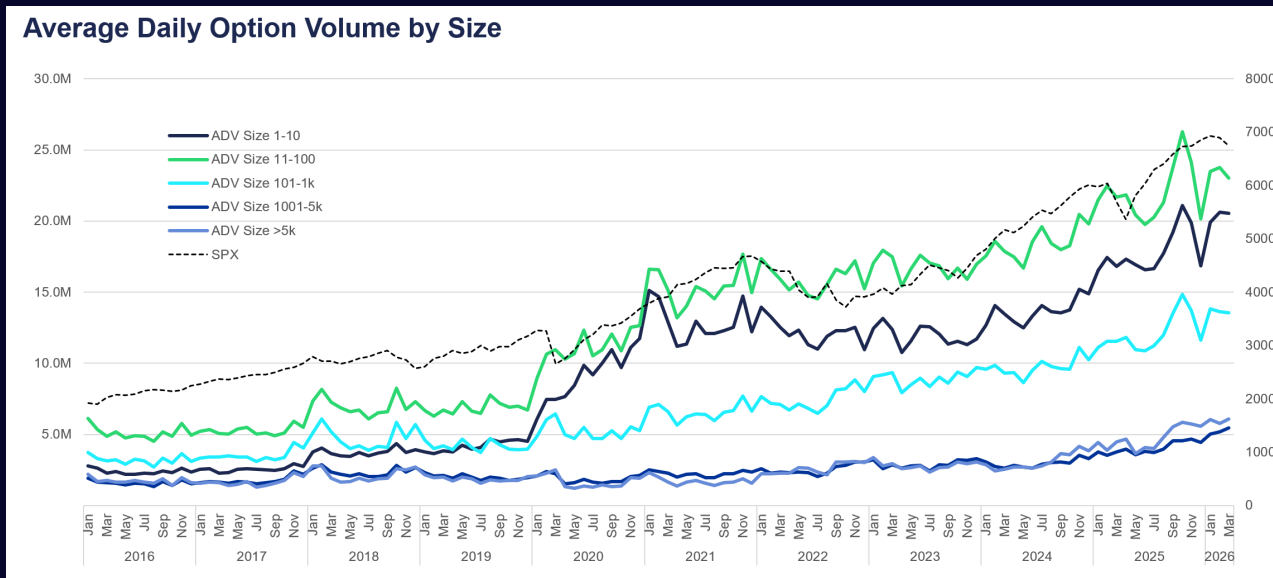


Source: New York Times

Statistically Speaking...

Option Growth Catalysts

- Investors and traders are using options/derivatives much earlier in their financial journey
 - Trading smaller
- Stigma associated with levered exposures finally abate because of...
- Readily available education
 - IBKR, OCC, YouTube, etc.
- Volume in shorter maturities with lower premiums
 - 65%-80% of ADV in index options is now concentrated in expiring series
 - Creates a potentially virtuous/quick feedback loop



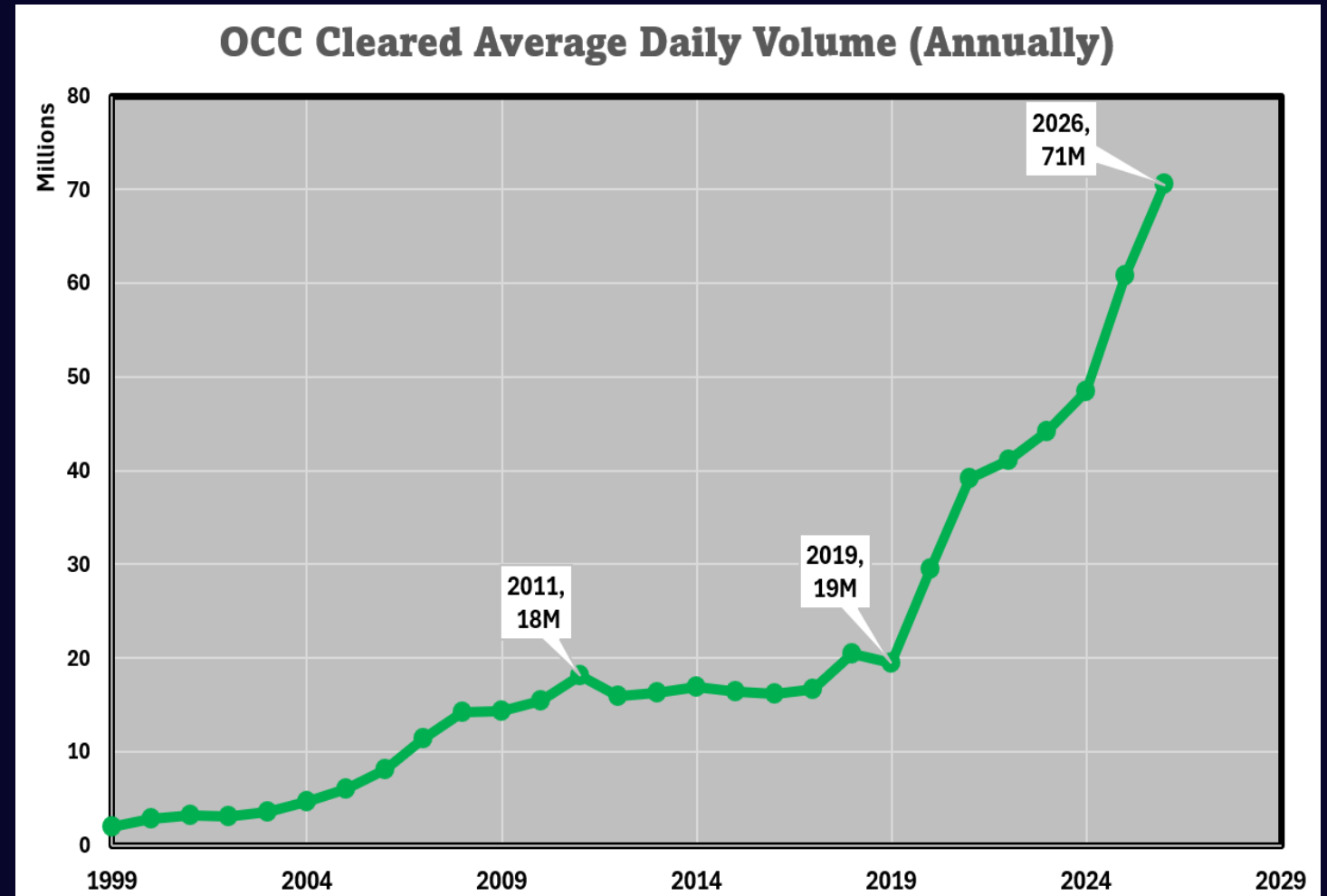
Source: Cboe/Live Vol Pro/Henry Schwartz

Beyond the Surge

From Niche to Mainstream

Key Industry Events

- Early 2000s most active products have monthly expiration cycle
 - Quarterly prior
- Weekly index options listed in 2005
- Weekly program expanded to include ETF & active single name securities in 2010
 - Clear appetite for shorter duration
- Monday – Wednesday Index 2018
- Tuesday – Thursday Index 2022
- M/W Expiries introduced in most liquid SSO & one ETF
 - 75% - 80% of NDX volume focused on daily options cycle (similar in QQQ)



Source: Options Clearing Corporation (OCC) As of September 2026

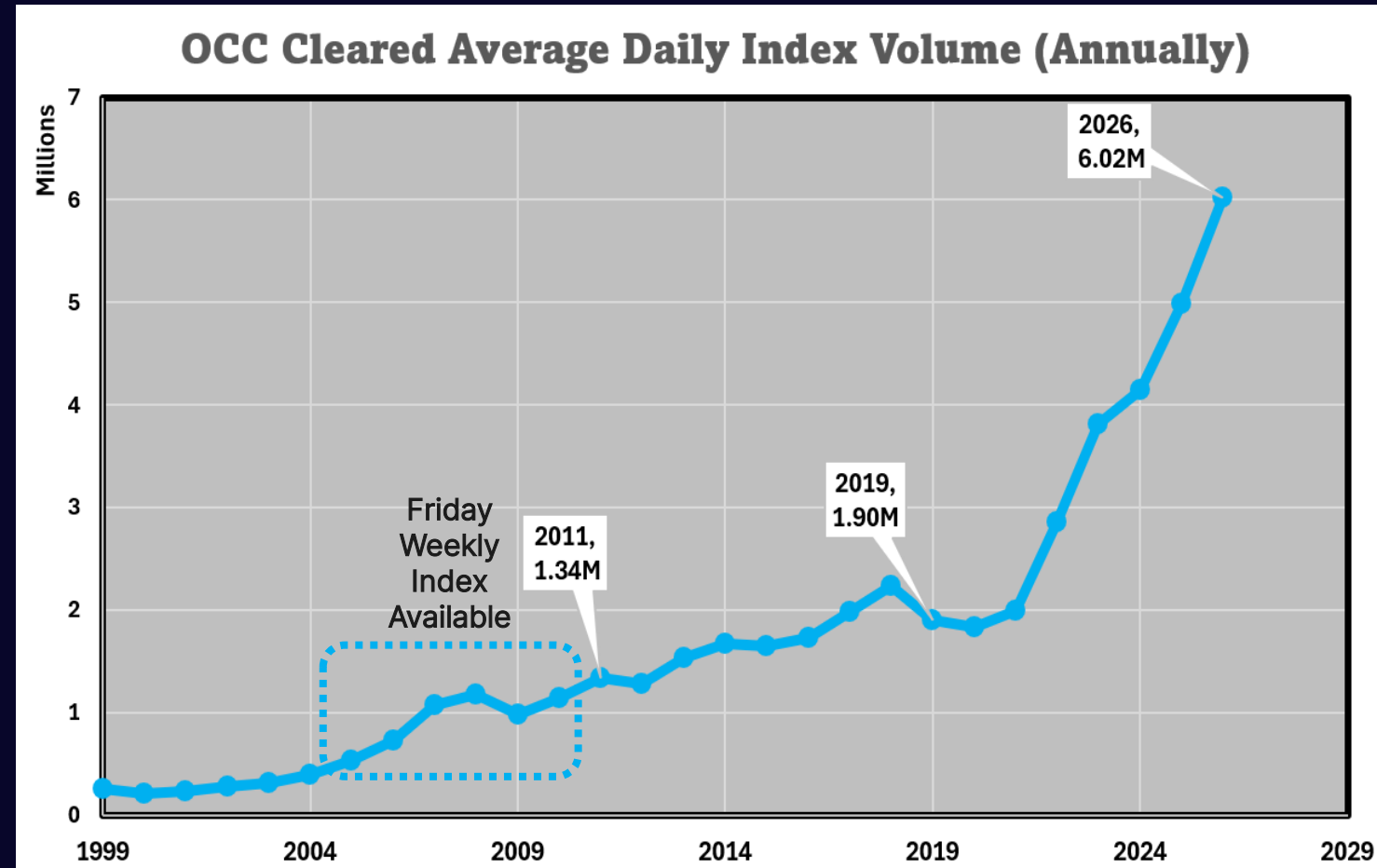


Beyond the Surge

Index Options ADV Growth

Key Industry Events

- Single stock + equity options growth between 2019 – 2026 (YTD) ran 270%
- Index options growth over the same time frame ~225%
- Growth in index volumes post 2022 (daily expiries) more significant
 - Clear appetite for shorter duration
- Much of the equity options growth centers on “index” ETFs like SPY, QQQ, and IWM
- Dispersion trading also driving pickup (low correlation markets)



Source: Options Clearing Corporation (OCC) As of September 2026



What's an Index Option?

Similarities

Structure

Rights (buyers) & obligations (sellers)
Calls & puts
Strike price
Expiration dates (every trading day)

Pricing/Risk

Model driven: Example – Black Scholes
Greeks: Delta, Gamma, Theta, Vega, and Rho
Implied volatility + moneyness
(ITM/ATM/OTM)

Leverage

100 multiplier (large notional)

Use Cases

Hedging, speculation, yield enhancement,
and cash management

Unique Attributes

Settlement

Index options settle to cash based on
intrinsic value at expiration (index value)
Standard (3rd Friday) index options are A.M.
settled (PM settled 3rd Friday available)

Style

NDX index options are European styled (no
risk of early assignment)
Stock/ETF options are American styled

Tax Treatment

1256 contracts: 60% long-term rate and 40%
short-term rate no matter holding period
Stock/ETF options taxed entirely at short-
term rate (unless held 365+ days)

Flexible Notional Sizing

NDX: Full size
XND: 1/100th



Practical Comparison

Exposure

Trader Anticipates 1% Decline in Nasdaq-100 Index® (9/9/2026):

QQQ \$716.31

NDX 29,421.60

QQQ 1% OTM put (709 strike) = 0.78 (1DTE)

NDX 1% OTM put (21,125 strike) = 32.00 (1DTE)

One Day Later:

QQQ: \$708.54

NDX: 29,103.51

Settlement:

QQQ: Short 100 shares of ETF cost basis \$708.22

NDX: Option settles worth 21.59 (\$2159 back to account).

Go Forward

QQQ: Meaningful directional risk

NDX: None

What's Right For You?

Settlement

Goal is optionality: Cash settlement is a cleaner alternative

Goal is to buy/sell an underlying: ETF options provide you that flexibility

Style

QQQ pays a quarterly dividend (ITM calls at risk)

NDX cannot be exercised/assigned early

Tax Treatment

1256 contracts: 60% long-term rate and 40% short-term rate no matter holding period

Stock/ETF options taxed entirely at short-term rate (unless held 365+ days)

Flexible Notional Sizing

NDX: Full size

XND: 1/100th



Beyond the Surge

Expanded Access

Product Innovation

Institutions embraced options decades ago accounting for 85%-90% of overall volumes

Retail Behaving Institutionally

Individual traders moved from ~10% of options market volumes (2010) to consistently accounting for ~50% of daily volumes in 2025

Where?

Smaller products (mini/micro/binary) and shorter duration exposures

Collapsing Holding Periods

Across equities and derivatives typical holding periods continue to decline



Retail investors to have more sway over Wall Street after record year

By Purvi Agarwal and Twesha Dikshit

December 23, 2025 11:15 AM CST · Updated December 23, 2025



MarketWatch

OCT. 17, 11:21AM ET

Retail participation in options market reaches record, J.P. Morgan data says

By [Gordon Gottsegen](#)



OPTIONS SURGE

Active trading is growing in popularity, with a record-breaking number of options contracts and a rise in retail investors.



Losing is Optional: Retail Option Trading and Expected Announcement Volatility

By [Tim de Silva](#), [Eric C. So](#), [Kevin Smith](#)



Where are we Headed?

Positives

- Earlier engagement with capital markets generally bodes well for financial well being
- Competition and pricing continues to improve as markets expand and grow
- More investors able to potentially generation yield, hedge portfolio risk, or express capital efficient views more easily
- Generally, expanded consumer/investor choice is a benefit

Potential Concerns

- Proliferation of ill-informed social media trained influencers
- Paradox of choice: Investors may be overwhelmed by “options” and choose to stay away
- Capacity concerns: Limited number of liquidity providers/supply side and constantly growing markets
- Oversimplification or too much gamification?



Beyond the Surge

Capital Efficient Access/Allocation

Broad Based

Single ticker exposes holder to vol/price/dynamics of ~100 constituent names

Geography

Ease of access to U.S. equity exposure for international market participants

Leveraged

Nasdaq-100 Index® ~29k

NDX options control 100 units = \$2.9m notional

Interest Rate Exposure

Increasing used to borrow/lend via “box spread trading”

Capital Efficient

Leverage plus unique margining requirements (i.e., cash secured puts) compared to alternatives

Expiry Variety

Index products have maturities ranging from “0 DTE” to many years in the future

Liquidity

Impacts all in costs and critical during market stress. Index products historically most liquid products in U.S. markets.

Tax Considerations

For U.S. citizens, there can be meaningful tax benefits (Section 1256) relative to alternative derivative products

NDX



“Options are no longer viewed as an insurance policy for the portfolio; they are the main event.”

– Kevin Davitt, Nasdaq Index Options Content

