S&P Dow Jones Indices

A Division of S&P Global

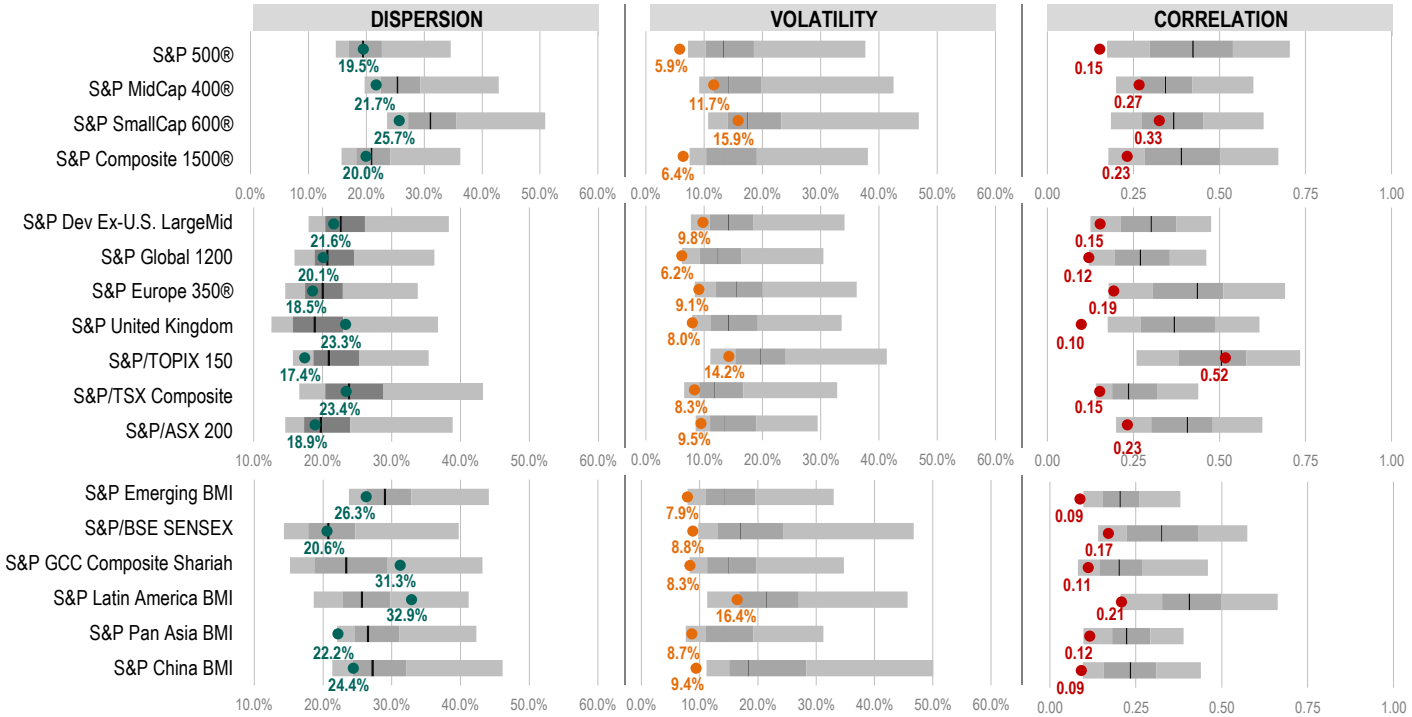
Index Dashboard: Dispersion, Volatility & Correlation

January 31, 2017

COMMENTARY

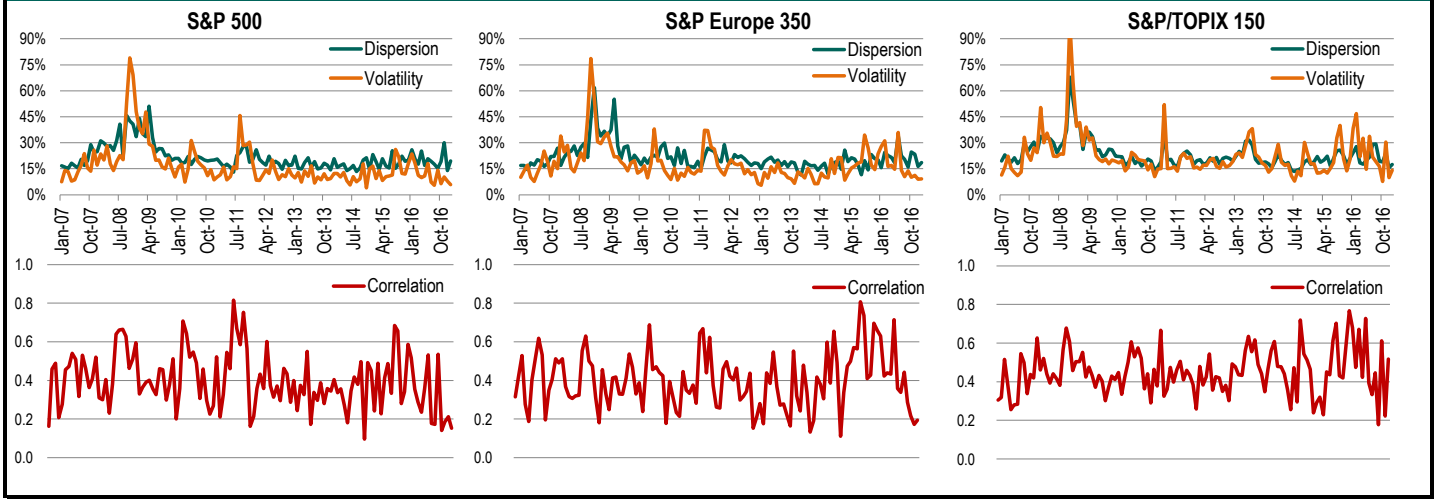
- It is unusual for dispersion to rise as volatility falls, although it is possible if average correlations decline - as evidenced in the January data for every one of our major indices.
- Average correlations among S&P 500 stocks fell to the level of 0.15 in January, near the lowest since 2007. The associated diversification effect helped send index volatility down to similarly historically low levels.
- Dispersion remained at moderate levels in most indices, higher than average in the U.K. and in Middle Eastern and Latin American markets.

GLOBAL DASHBOARD



Dispersion, correlation and volatility shown in relation to the median and 5th, 25th, 75th and 95th percentile of monthly values (over the period Jan 2007 to date). Dispersion and volatility are annualized, correlation is the absolute level during the past month.

MAJOR BENCHMARKS JAN 2007 TO DATE



Source: S&P Dow Jones Indices as of January 31, 2017

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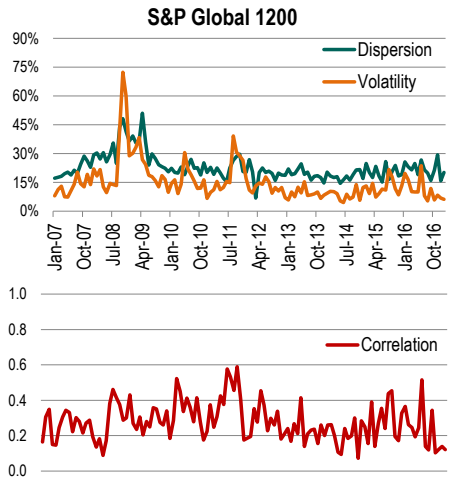
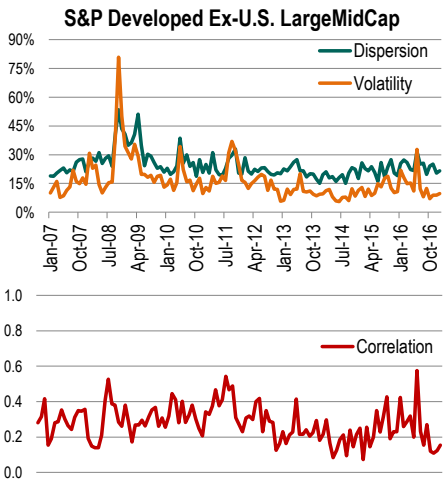
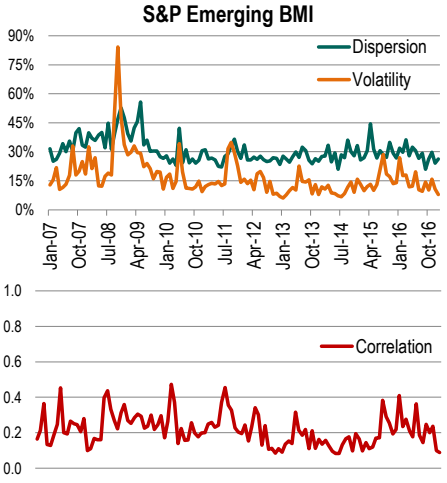
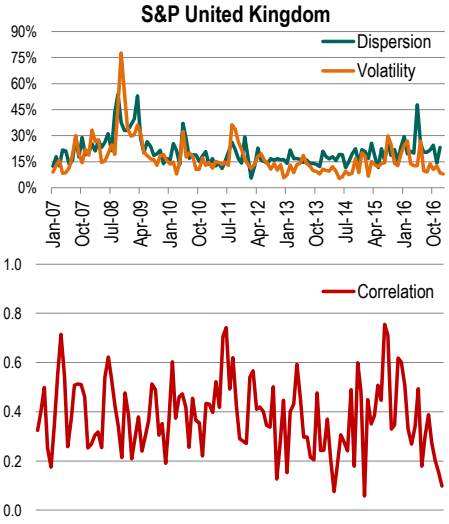
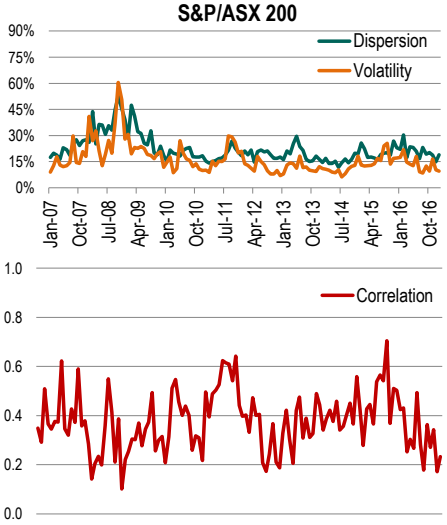
MAJOR BENCHMARKS JAN 2007 TO DATE (cont'd)

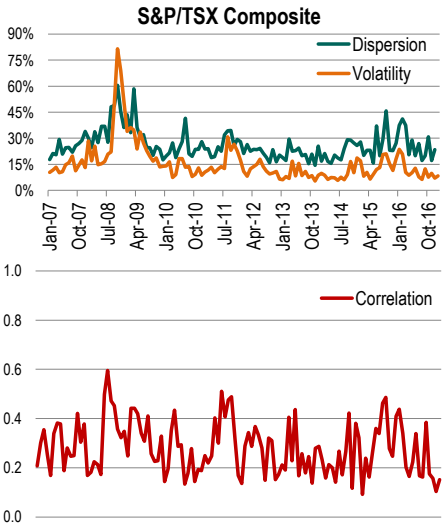












NOTES

Definitions

- **Dispersion** for each index is the annualized stock-level index-weighted standard deviation of constituent stock total returns over the month.
- **Volatility** for each index is the annualized standard deviation daily price returns over the month.
- **Correlation** for each index is the index-weighted average pairwise correlation among daily total returns of constituent stocks over the month.

Historical Measurement Periods

- The time period over which the median and percentiles of dispersion and correlation are measured begins with January, 2007 and ends with the current month except in the cases of the S&P GCC Composite Shariah (which has a history to April, 2007).

References

- See "Dispersion Measuring Market Opportunity" for the definition of index dispersion and more information on the uses of dispersion.
- See "The Landscape of Risk" for details on the relationship between correlation, volatility and dispersion.

Source: S&P Dow Jones Indices as of January 31, 2017

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