S&P Dow Jones Indices

A Division of S&P Global

Index Dashboard: Dispersion, Volatility & Correlation

31 January 2018

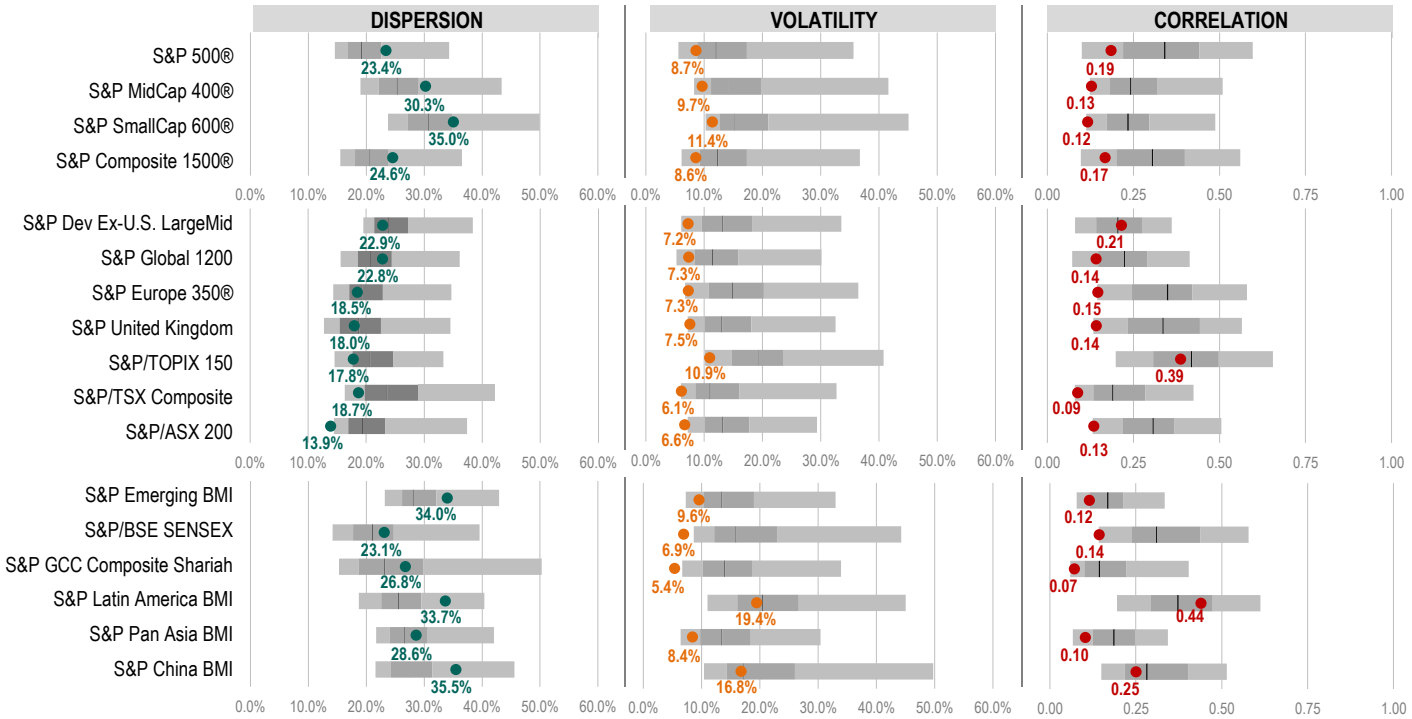
COMMENTARY

With the U.S. market's current focus on fundamentals and the impact of tax cuts, the start of earnings season was met with higher dispersion in equity benchmarks.

Dispersion in the S&P 500, S&P MidCap 400, S&P SmallCap 600 and S&P Global 1200 indices rose to above-average levels in January. Volatility also rose, although not by as much.

It is unusual for the markets to make strong gains while volatility and correlations also rise; such circumstances are typical of event-based, positive price disruptions. Latin American equities provided such an example this month, boosted by the falling U.S. dollar and improving global outlook.

GLOBAL DASHBOARD



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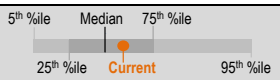
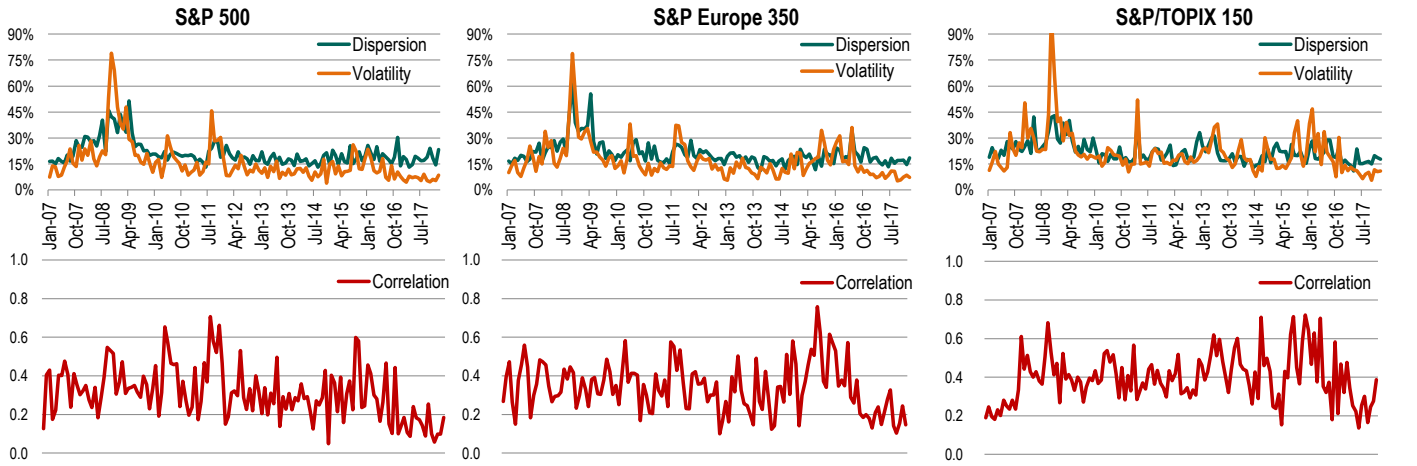


Dispersion, correlation and volatility shown in relation to the median and 5th, 25th, 75th and 95th percentile of monthly values (over the period Jan 2007 to date). Dispersion and volatility are annualized, correlation is the absolute level during the past month.

MAJOR BENCHMARKS JAN 2007 TO DATE



Source: S&P Dow Jones Indices as of January 31, 2018

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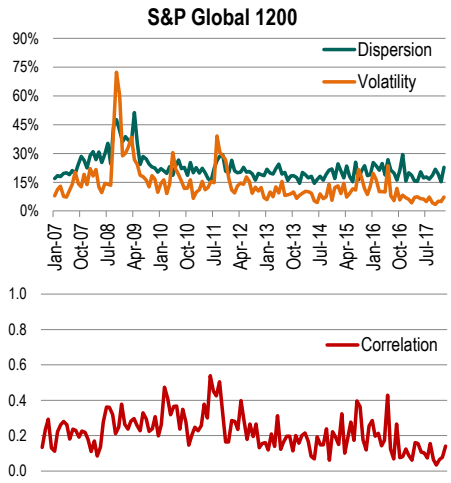
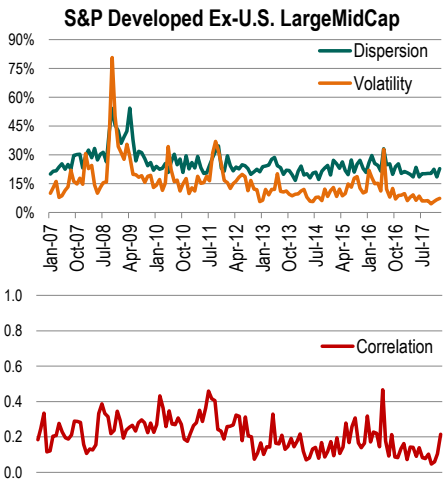
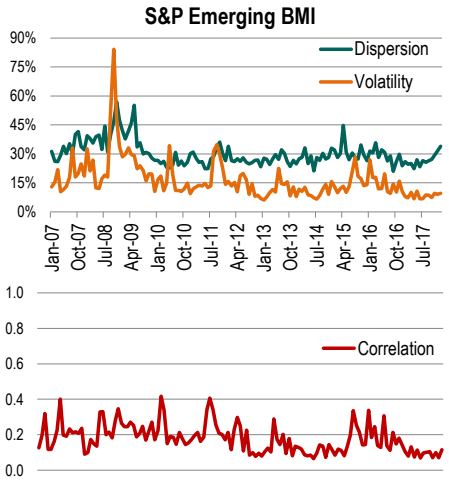
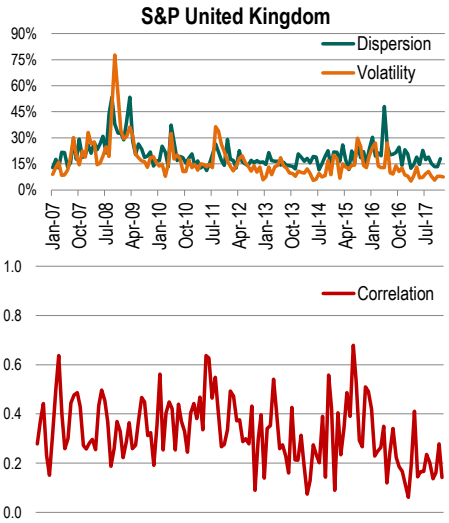
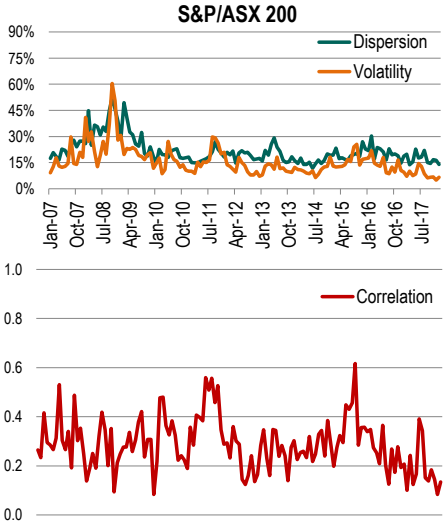
MAJOR BENCHMARKS JAN 2007 TO DATE (cont'd)

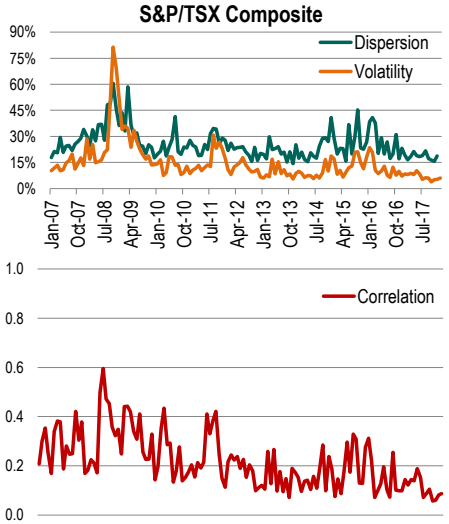












NOTES

Definitions

Dispersion for each index is the annualized, index-weighted standard deviation of the index constituents' full-month total returns. See "Dispersion: Measuring Market Opportunity" for a formal definition of dispersion and more information on its uses.

Correlation for each index measures the correlation among the daily returns of the index constituents during the month, calculated via the ratio of index variance to the index-weighted average constituent variance. See "At the Intersection of Diversification, Volatility and Correlation" for a more detailed explanation of the calculation.

Volatility for each index is the annualized standard deviation of daily index price returns during the month. See "The Landscape of Risk" for details on the relationship of correlation, volatility and dispersion.

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 case of the S&P GCC Composite Shariah (which has a history to April, 2007).

Source: S&P Dow Jones Indices as of January 31, 2018

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Charts and graphs are provided for illustrative purposes. Past performance is not an indication or guarantee of future results. The charts and graphs may reflect hypothetical historical performance. All information presented prior to the launch date is back-tested. Back-tested performance is not actual performance, but is hypothetical. The back-test calculations are based on the same methodology that was in effect when the index(es) was officially launched. However, it should be noted that the historic calculations of an Economic Index may change from month to month based on revisions to the underlying economic data used in the calculation of the index. Complete index methodology details are available at www.spdji.com. It is not possible to invest directly in any index.

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