

# S&P Dow Jones Indices

A Division of **S&P Global**

## Index Dashboard: Dispersion, Volatility & Correlation

31 October 2018

### COMMENTARY

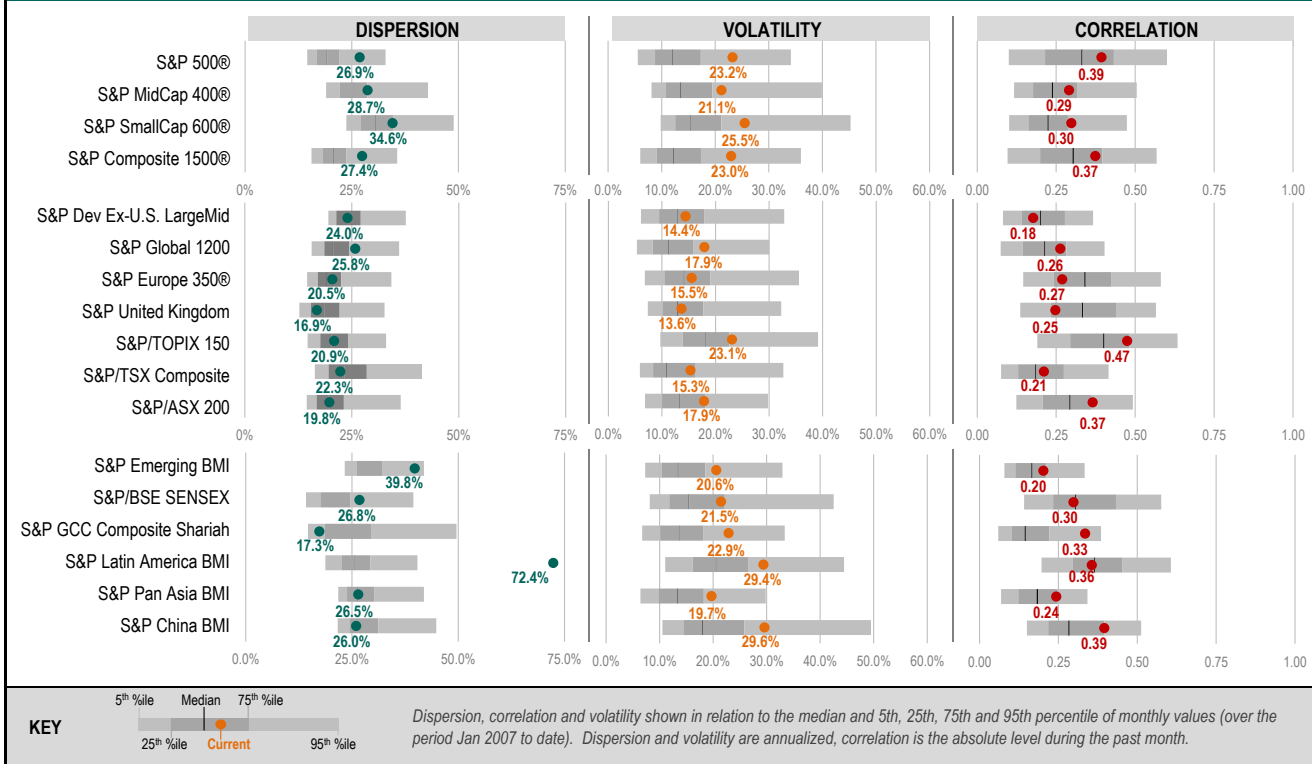
October's reputation for higher market risk was maintained, as volatility, correlation and dispersion all rose from September's levels for the S&P Global 1200, and each of its regional components.

It was a particularly chaotic month for South American equities. Brazil's equity markets rose by 18%, Mexico's fell by more than 17% and there was a 34% spread between the sectoral performances of Energy (+26%) and Consumer Staples (-8%).

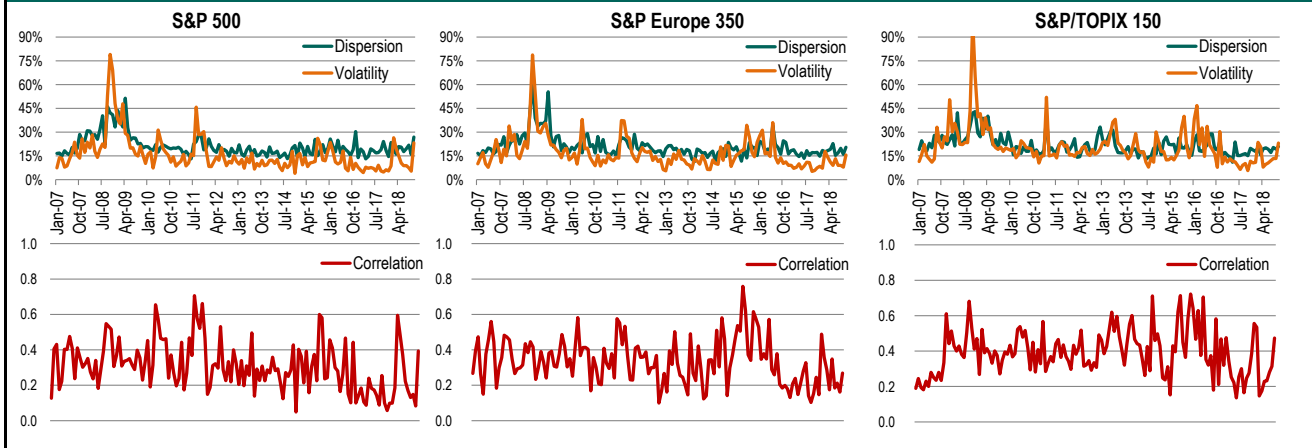
Dispersion in the S&P Latin America BMI was literally off the charts this month: we've had to adjust our axis to show October's value of 72.4% annualized dispersion for the regional benchmark.

Finally, we highlight yesterday's publication of a new S&P DJI research piece examining how dispersion might be combined with measures of capacity to measure the value of research recommendations, available at [this link](#).

### GLOBAL DASHBOARD



### MAJOR BENCHMARKS JAN 2007 TO DATE



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

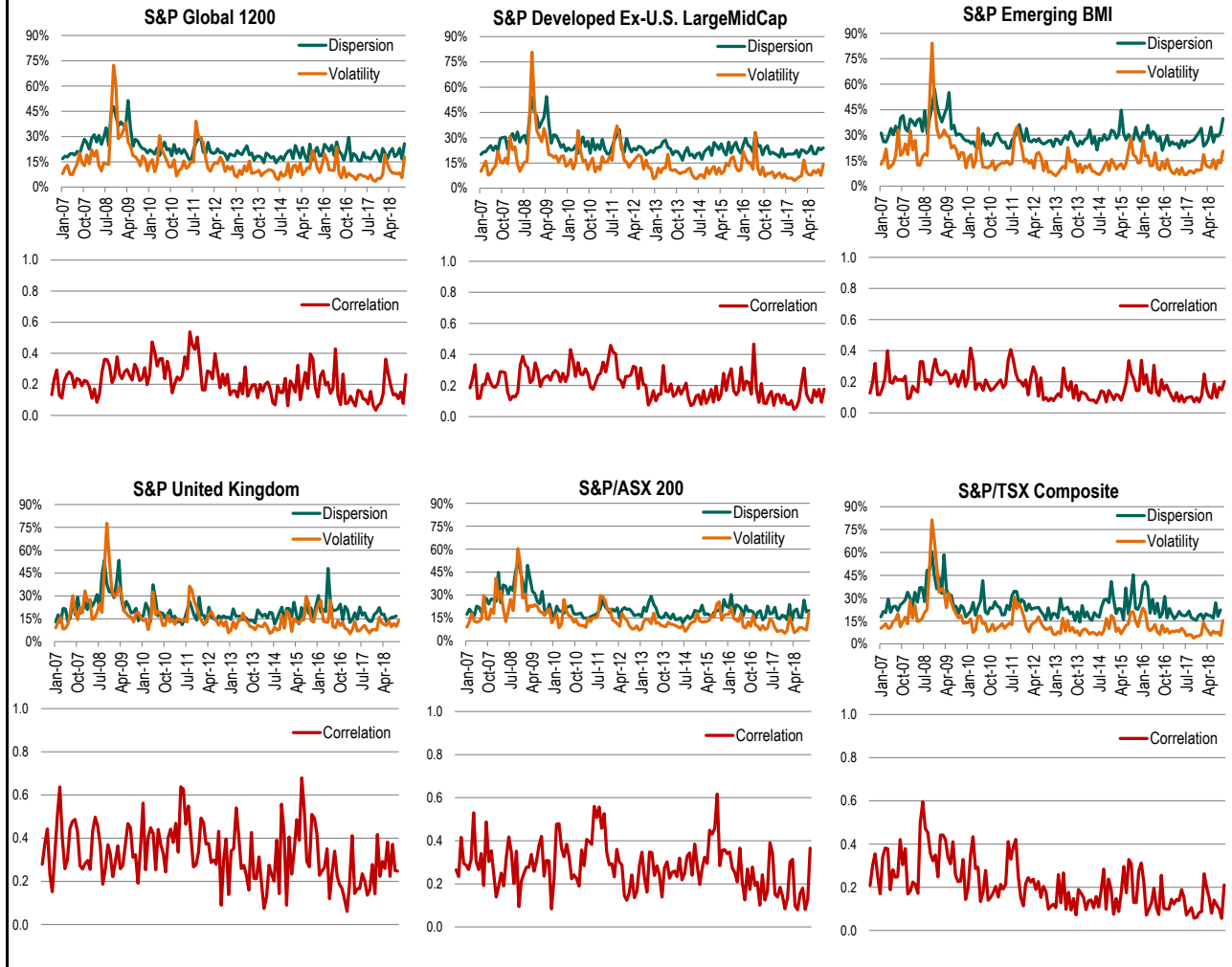
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October 31, 2018

### 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).

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S&P Dow Jones Indices defines various dates to assist our clients in providing transparency on their products. The First Value Date is the first day for which there is a calculated value (either live or back-tested) for a given index. The Base Date is the date at which a given index is set at a fixed value for calculation purposes. The Launch Date designates the date upon which the values of a given index are first considered live: index values provided for any date or time period prior to the index's Launch Date are considered back-tested. S&P Dow Jones Indices defines the Launch Date as the date by which the values of an index are known to have been released to the public, for example via S&P Dow Jones Indices's public website or its data feed to external parties. For Dow Jones-branded indices introduced prior to May 31, 2013, the Launch Date (which prior to May 31, 2013, was termed "Date of introduction") is set at a date upon which no further changes were permitted to be made to the index methodology, but that may have been prior to the index's public release date.

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