

# S&P Dow Jones Indices

A Division of **S&P Global**

## Index Dashboard: Dispersion, Volatility & Correlation

31 January 2019

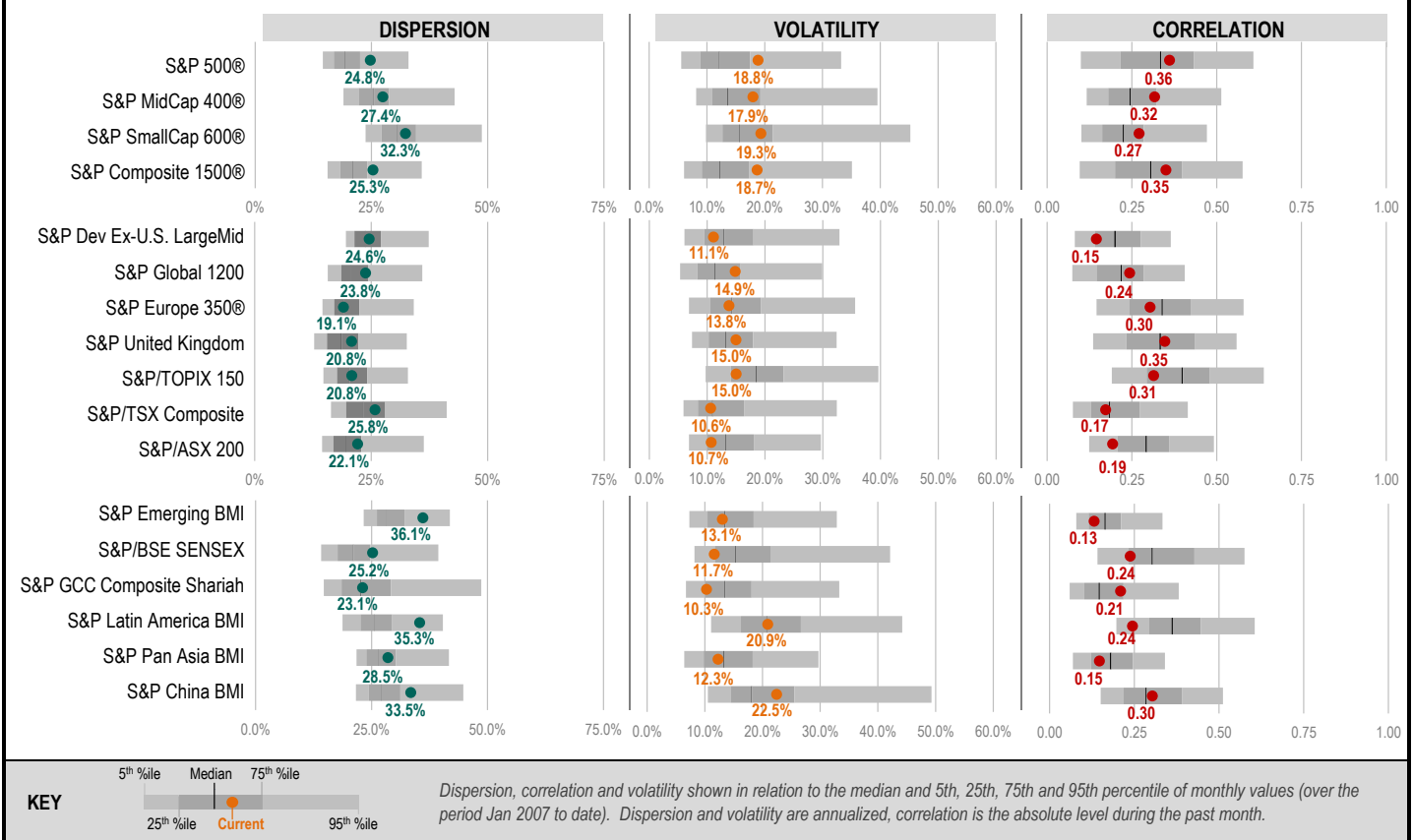
### COMMENTARY

U.S. equities may have soared in January, but they didn't flock together; the S&P 500's best January since 1987 was accompanied by well above-average dispersion. Varied reactions to blue-chip earnings offered one explanation for the higher dispersion, while varying corporate exposures to macro-economic drivers, including a steep increase in oil prices and a weakening global economic outlook, offered another.

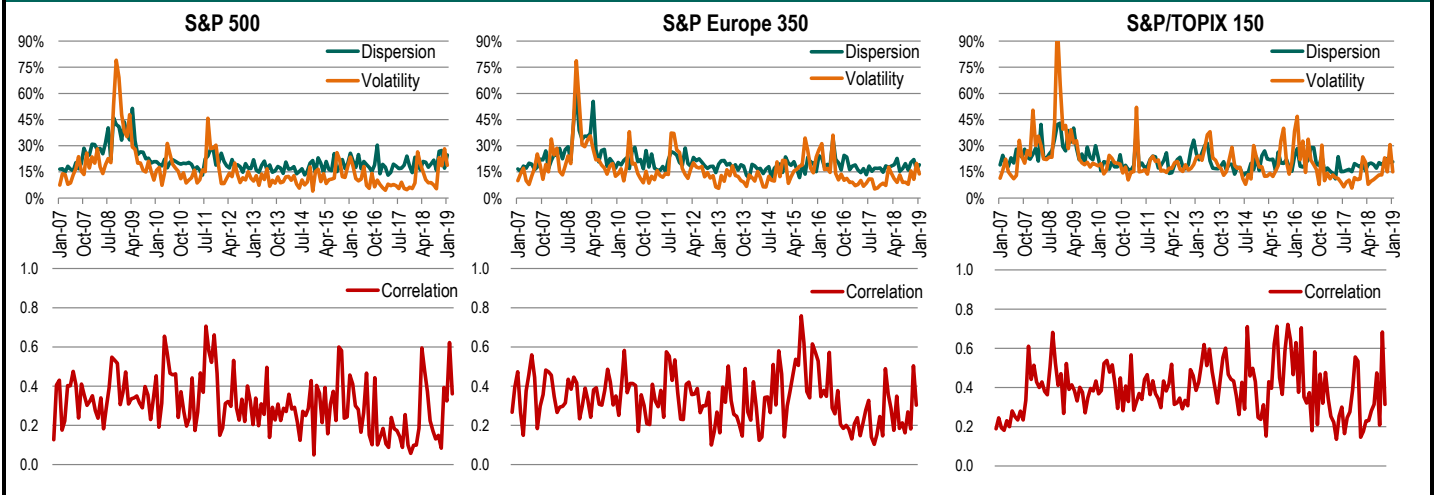
As December's global equity jitters faded into the rearview mirror, dispersion rose in January in the majority of our reported equity indices, while volatility and correlations declined in January. The data support the common perception that we have moved into a higher risk regime than was typical last year. Compared to longer-term averages, dispersion, volatility and correlation all continue to register moderate to high readings, which is unusual for a month of strong equity gains.

This could be a rewarding environment for skilled stock pickers in emerging markets; dispersion in the S&P Emerging BMI has been above historical average in four of the past five months, and was the highest among all our reported indices in January.

### GLOBAL DASHBOARD



### MAJOR BENCHMARKS JAN 2007 TO DATE



Source: S&P Dow Jones Indices as of January 31, 2019

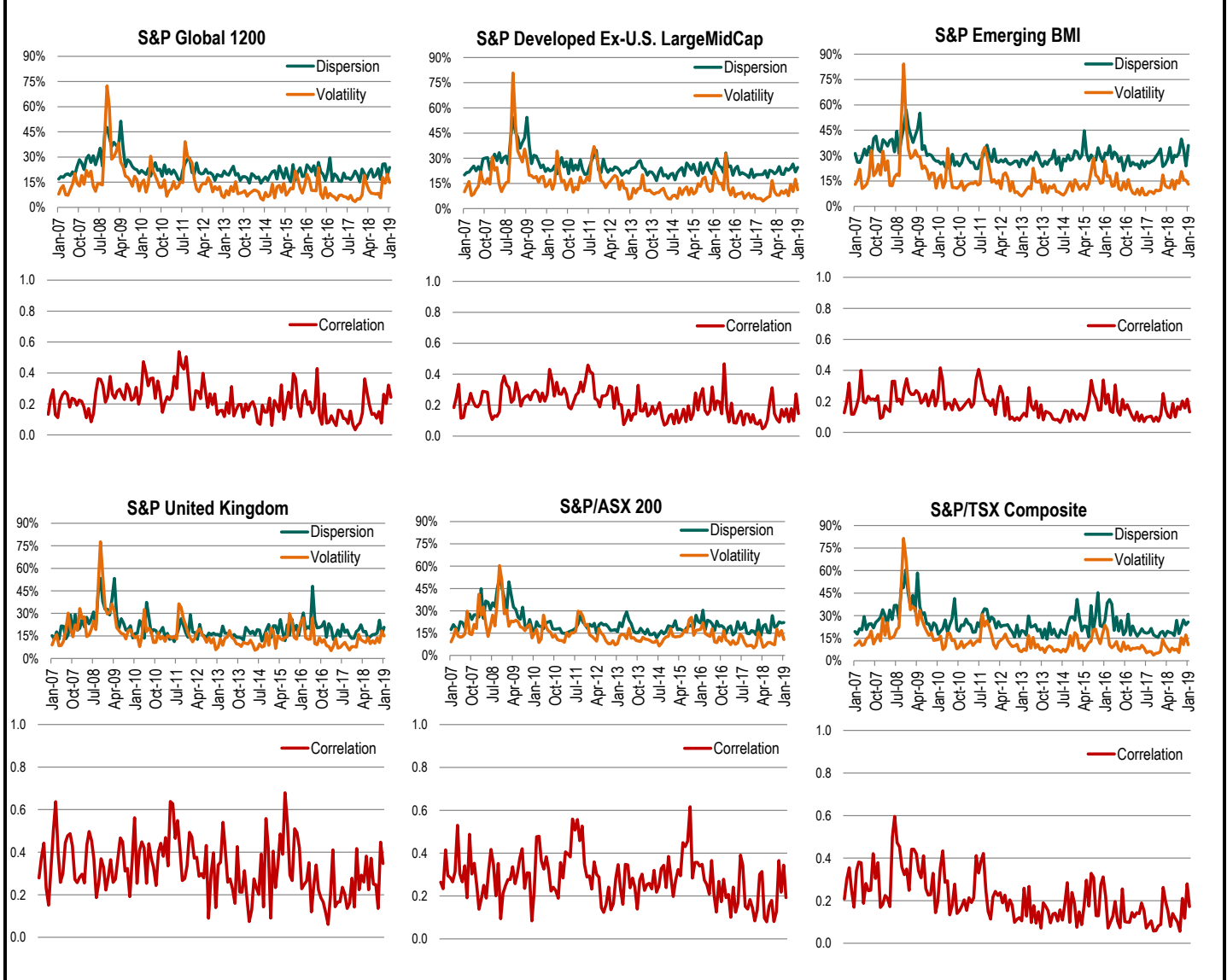
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January 31, 2019

### 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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