

S&P Dow Jones Indices

A Division of **S&P Global**

Index Dashboard: Dispersion, Volatility & Correlation

May 31, 2017

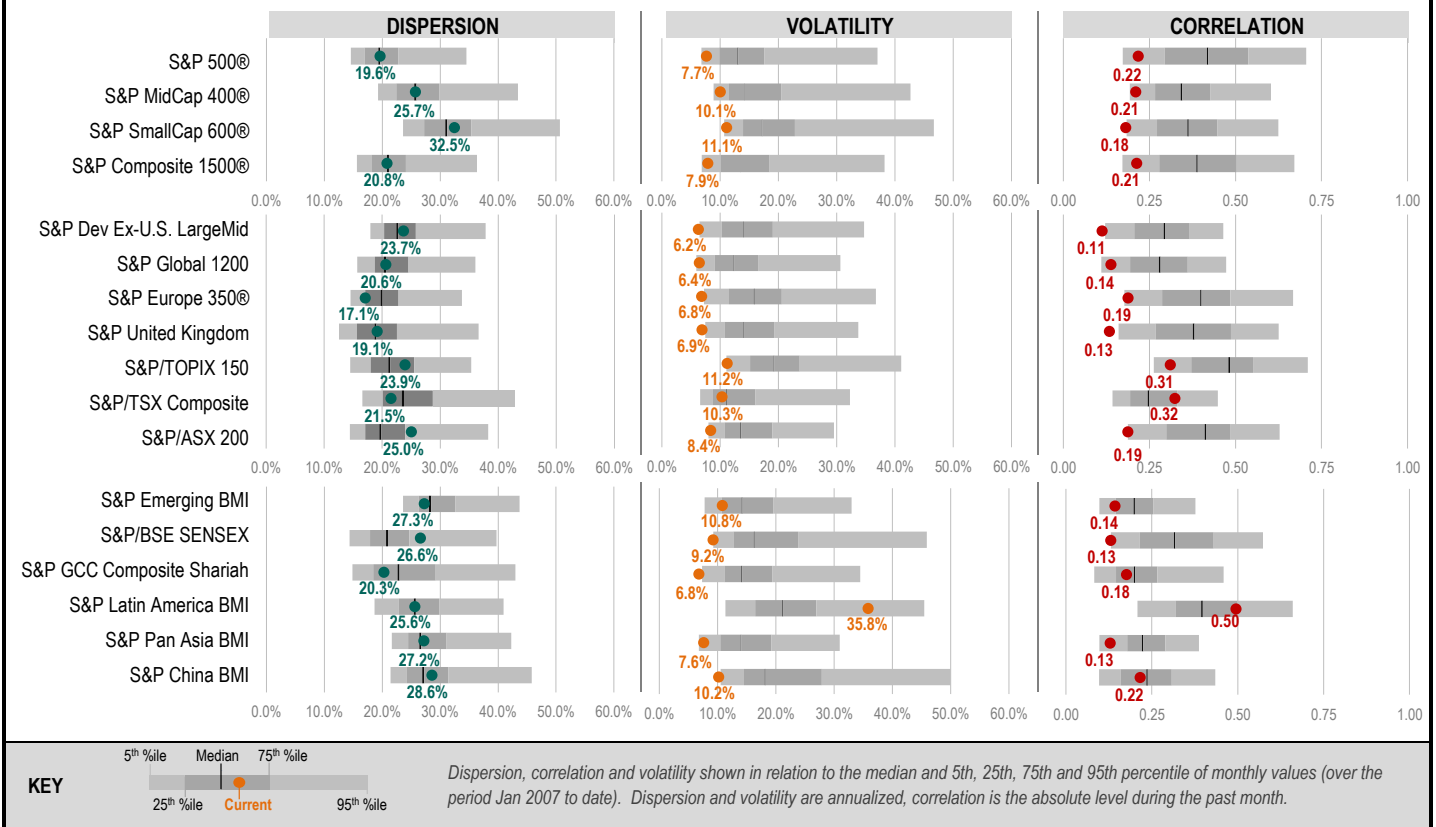
COMMENTARY

Global equity volatility and average correlations fell again in May, while dispersion rose.

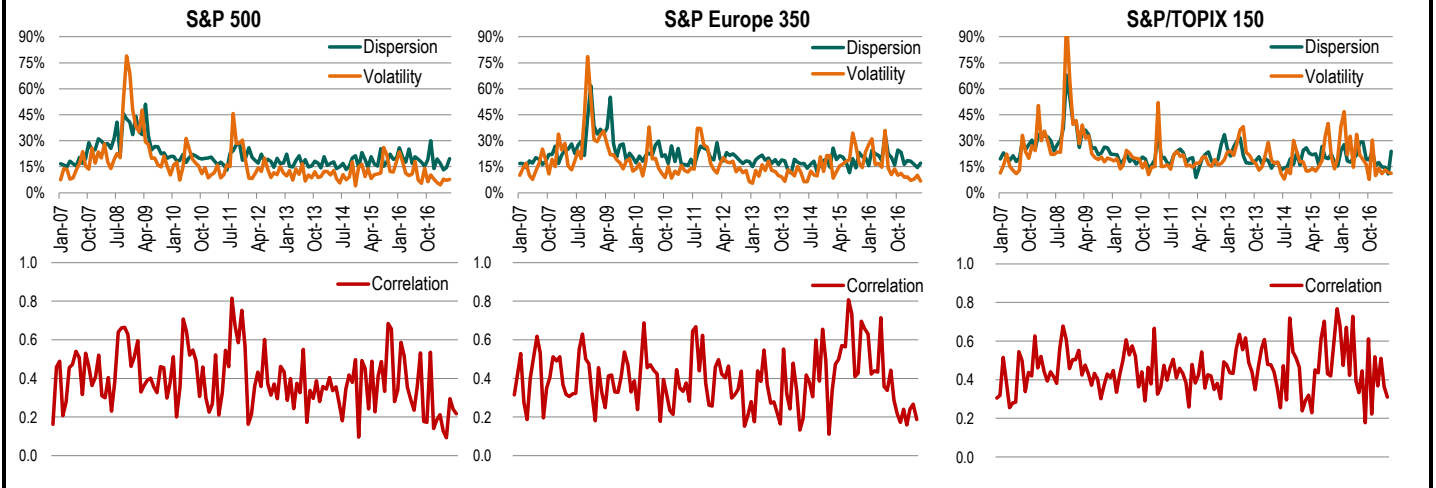
If there is ever such thing as a “stock-pickers’ market”, then the month of May 2017 - at least in some regions - might be the closest approximation we have seen for a decade. In countries such as Australia and Japan, segments such as U.S. small caps, as well as across the broad-based S&P Developed ex-U.S. LargeMid BMI universe, benchmark volatility and average stock correlations stand at or near record lows, while dispersion has risen to above average.

Latin America – rocked by scandal in Brazil – provides an exception to the global trend, with high correlations and high volatility.

GLOBAL DASHBOARD



MAJOR BENCHMARKS JAN 2007 TO DATE



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

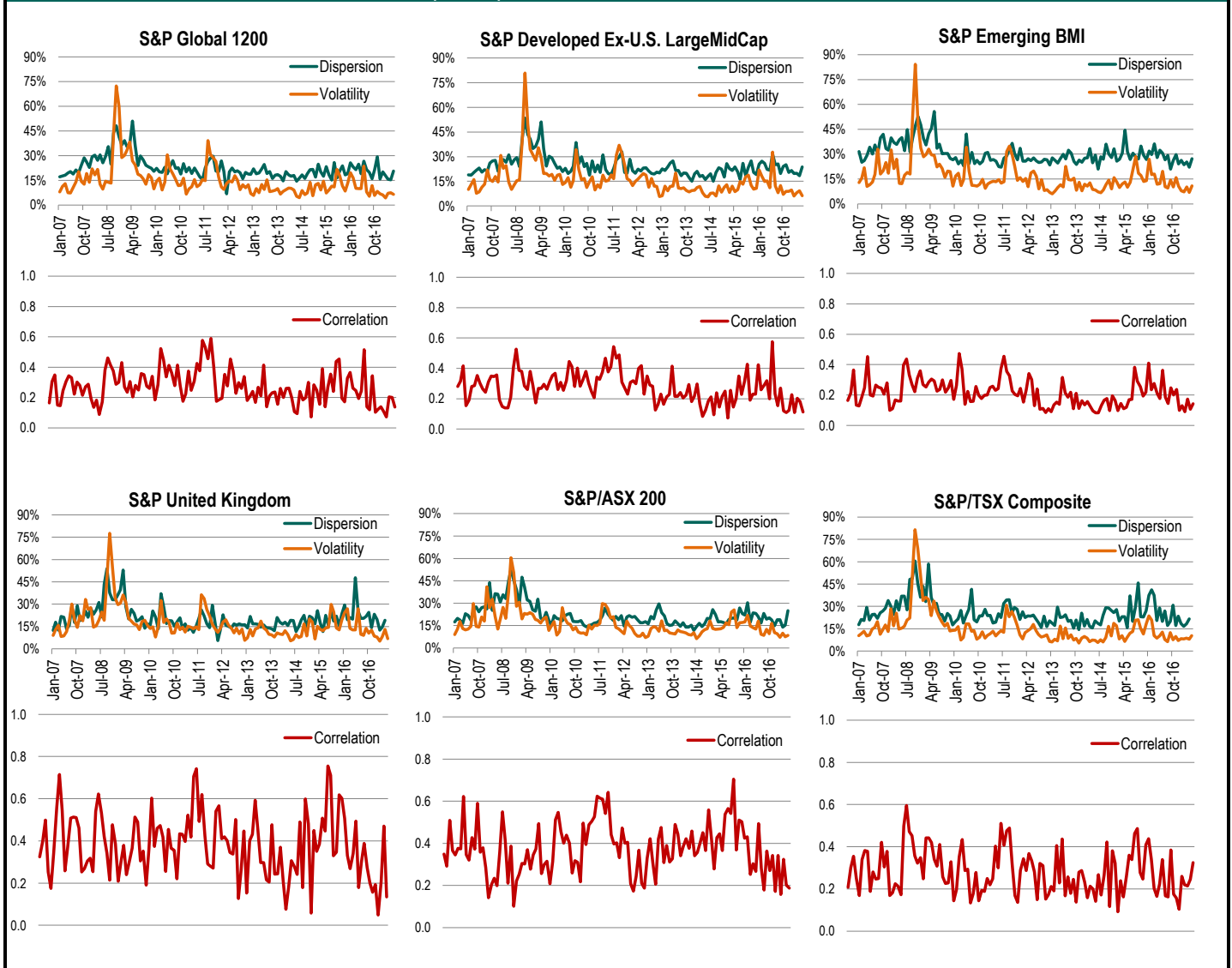
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MAJOR BENCHMARKS JAN 2007 TO DATE (cont'd)



NOTES

Definitions

- **Dispersion** for each index is the annualized, index-weighted standard deviation of the index constituents' full-month total returns.
- **Volatility** for each index is the annualized standard deviation of daily index 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.

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Another limitation of using back-tested information is that the back-tested calculation is generally prepared with the benefit of hindsight. Back-tested data and/or information reflects the application of the index methodology and selection of index constituents in hindsight. No hypothetical record can completely account for the impact of financial risk in actual trading. For example, there are numerous factors related to the equities, fixed income, or commodities markets in general which cannot be, and have not been accounted for in the preparation of the index information set forth, all of which can affect actual performance.

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