

# S&P Dow Jones Indices

A Division of **S&P Global**

## Index Dashboard: Dispersion, Volatility & Correlation

February 28, 2020

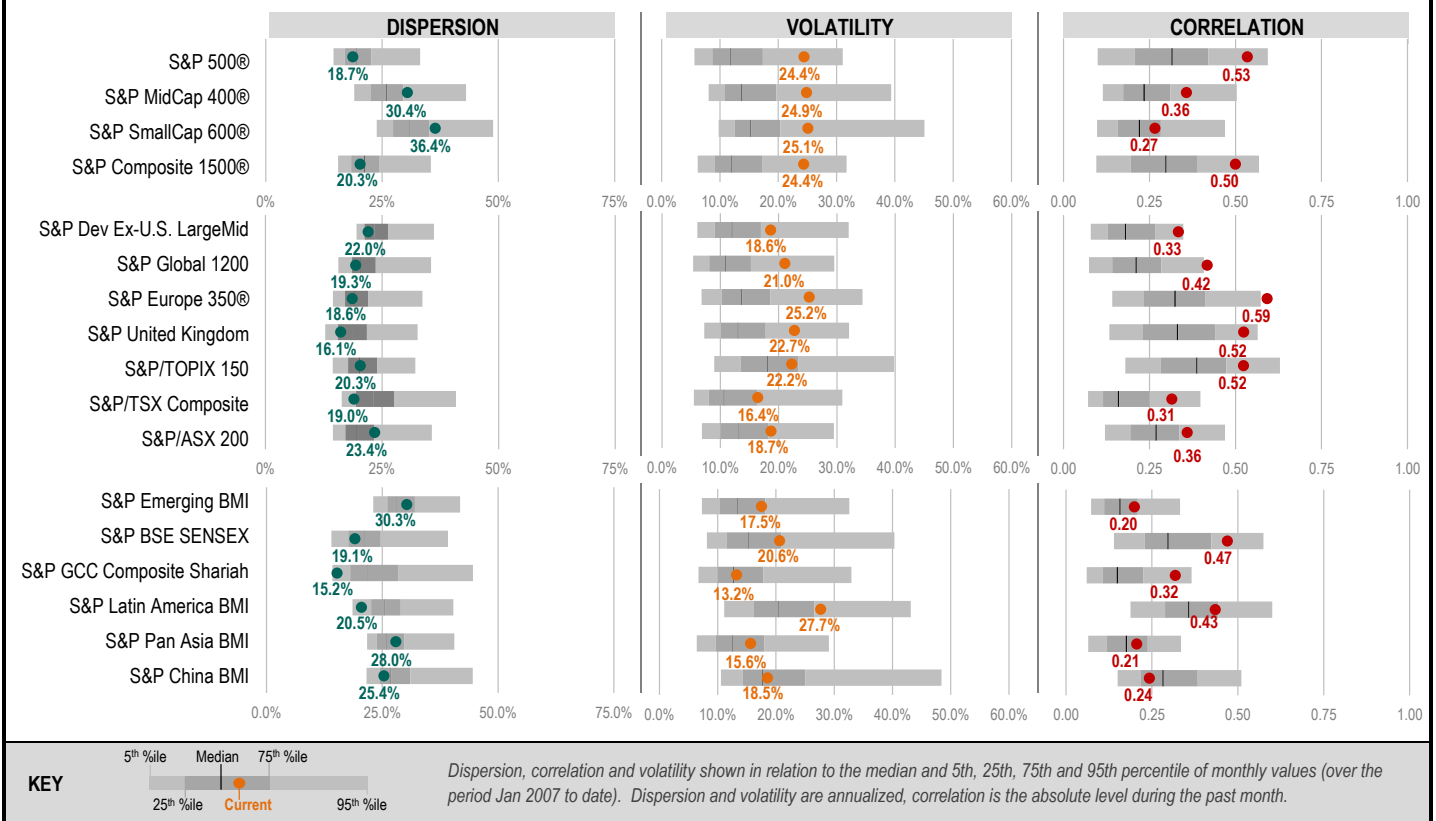
### COMMENTARY

In February, economic segments ranging from Chinese manufacturing to Venetian tourism shut down, or prepared to, after a total of 54 countries reported cases of a new coronavirus strain and various national authorities acted to limit the spread of infections.

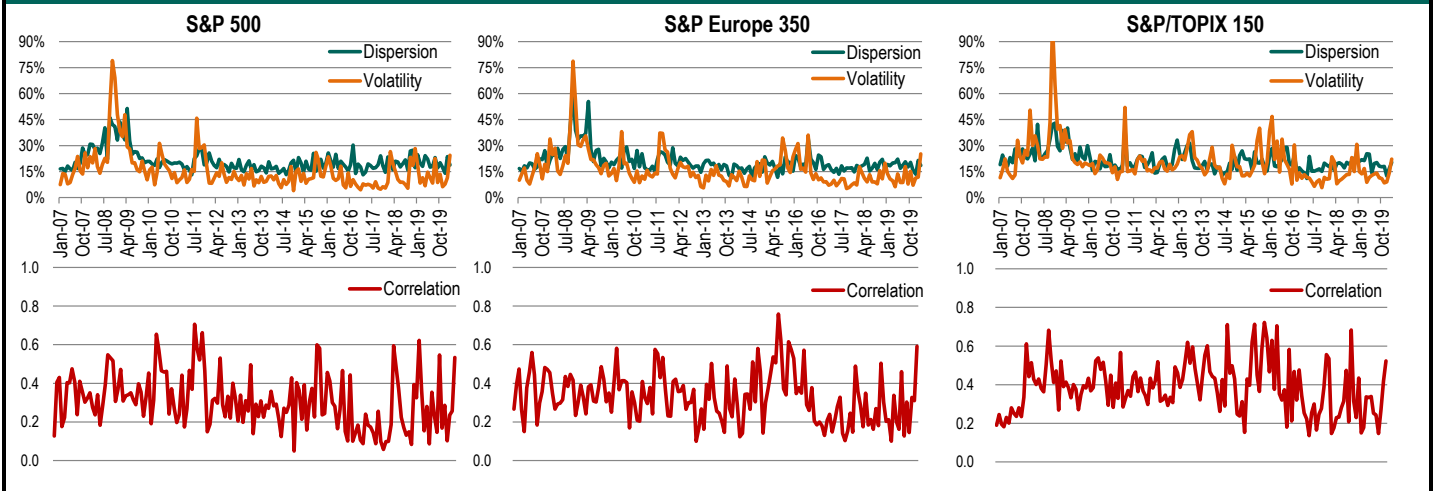
Volatility and dispersion rose as markets repriced for a potential economic downturn, although mounting expectations for emergency rate cuts may have limited the enthusiasm of the bears, and neither volatility nor dispersion approached the upper end of their historical ranges.

However, as market participants focused their attention on a single story, pairwise stock correlations soared, particularly in Europe, with average correlations in the S&P Global 1200 recording the highest monthly level since June 2016.

### GLOBAL DASHBOARD



### MAJOR BENCHMARKS JAN 2007 TO DATE



Source: S&P Dow Jones Indices as of February 28, 2020.

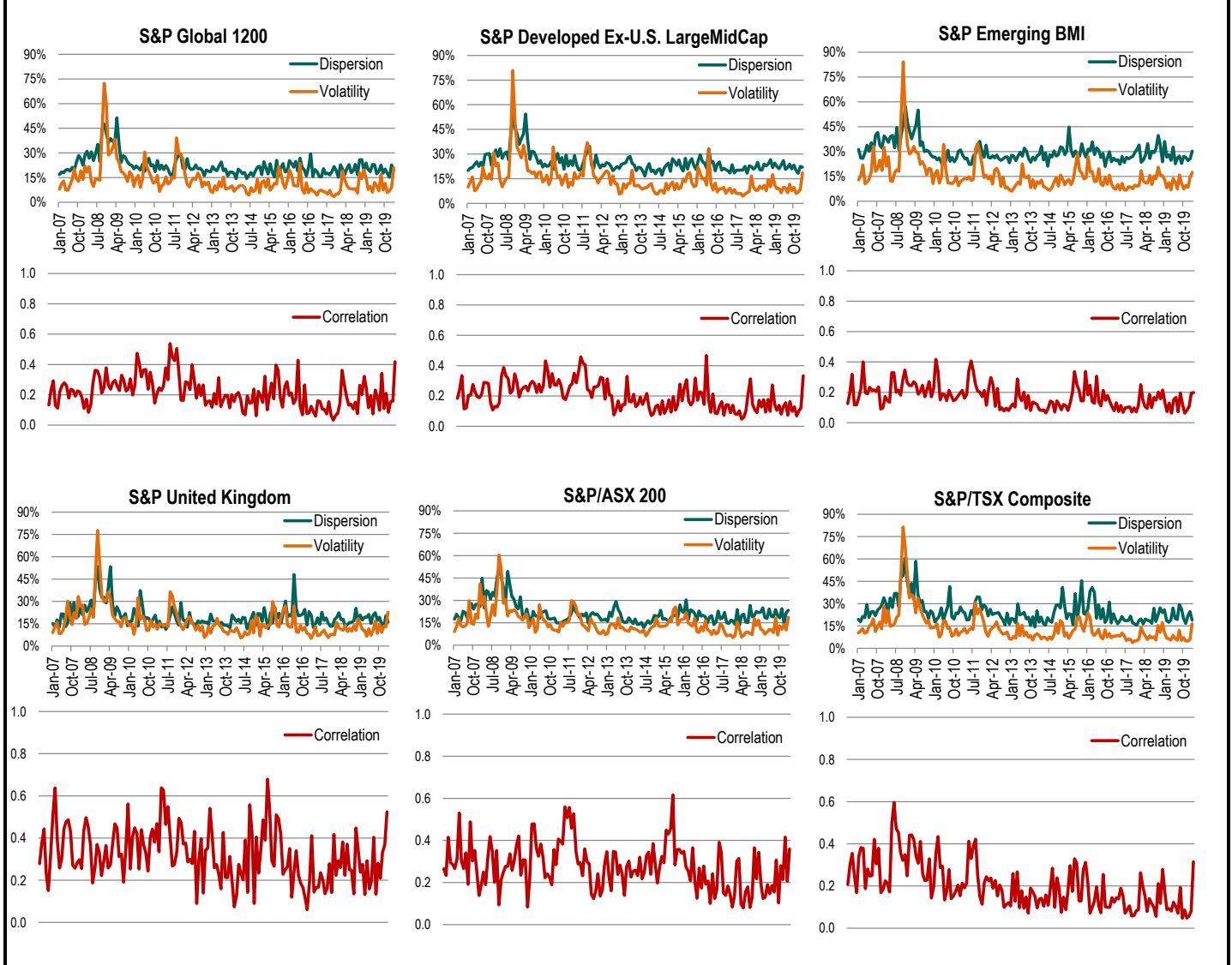
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### MAJOR BENCHMARKS JAN 2007 TO DATE (cont'd)



### 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).

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