

## S&P Dow Jones Indices Consultation on Proposals Related to Negatively Priced Commodities Futures Contracts

**NEW YORK, APRIL 27, 2020:** S&P Dow Jones Indices (“S&P DJI”) is monitoring the current market environment and recent global events affecting commodity markets and is seeking feedback from market participants regarding the S&P DJI Commodity Indices.

Specifically, S&P DJI is seeking market feedback on the construction and maintenance of the indices, including such topics as roll periods, contract rolling schedules, and treatment of negative futures contract settlement prices.

### PROPOSALS AND QUESTIONS

Please answer the following questions and provide S&P DJI with the reasoning behind your answers:

#### ***Multi-Commodity Indices (e.g. S&P GSCI) and Other Unlevered, Long-Only Commodity Indices Including Single-Commodity Indices***

1. S&P DJI is proposing to mitigate the potential impact of negative commodity futures prices by allowing for accelerated roll events. When assessing the probability of negative prices occurring in index contracts, are there specific triggers that S&P DJI should consider such as a 50% drop in price from the last roll date and/or a drop in the liquidity criteria such as open interest in the current contract?
2. In the case of an accelerated roll event, S&P DJI is proposing to implement the roll in one day. Are there circumstances where a longer roll period may be required?
3. S&P DJI is proposing a one day notice period before implementing announced accelerated roll events. Are there circumstances where a longer lead time would be required?
4. In the case of an accelerated roll event, S&P DJI is proposing to roll into the next viable contract as published in the methodology. Are there circumstances where S&P DJI should consider a longer dated contract?
5. If there are no viable designated contracts (e.g. it is one year out on the curve), should consideration be given to the removal of the commodity from the impacted indices?
6. If the roll-in or roll-out contracts in the index settle at a negative price during a scheduled roll period, S&P DJI is proposing to delay the roll for the impacted commodity. Are there circumstances where S&P DJI should consider a different treatment?
7. For multi-commodity indices, S&P DJI is proposing to drop the current contract from the index and adjust the weights of other contracts down proportionally to reflect the loss in value if the current contract in the index settles at zero or a negative price outside of a scheduled roll period. Are there circumstances where a different treatment should be considered?

8. For single-commodity, unlevered, long-only indices outside of the roll period, S&P DJI will publish the negative index level as the official close value and continue to calculate the impacted index going forward if a negative index value was a direct result of one or more of the underlying futures contracts settling below zero. Do you agree with this treatment or do you prefer a different treatment (please specify)?

### ***Capped Commodity Indices and Commodity Index of Indices***

9. For the purposes of determining constituent weights at a given index rebalancing date, how should S&P DJI approach negative commodity futures prices in capped commodity indices and in commodity indices that are constructed as an index of indices?
10. S&P DJI is proposing to establish a floor weight of 0% for all commodities in capped commodity indices and for all commodity index of indices, except those that specifically allow a negative weight at rebalancing. If you disagree with the proposal, please specify when and what alternative treatment would be warranted.

### ***Benchmark Replicability***

11. Given the current spike in volatility and lower levels of liquidity, has the investability and replicability of the commodity benchmarks, which primarily track front-month commodity futures contracts, been diminished? If so, please provide details on the areas in which difficulties have taken place.

## **IMPLEMENTATION TIMING**

Should any methodology changes to the S&P DJI Commodity Indices be adopted as a result of this consultation, the timing of implementation will be announced to the public with the results of this consultation.

Your participation in this consultation is important as we gather information from various market participants in order to properly evaluate your views and preferences. Please respond to this survey by **May 11, 2020**. After this date, S&P DJI will no longer accept survey responses. Prior to the Index Committee's final review, S&P DJI may request clarifications from respondents as part of that review.

To participate in this consultation, please visit the online survey available [here](#).

For further information about this consultation, please contact S&P Dow Jones Indices at [SPDJI\\_Index\\_Governance@spglobal.com](mailto:SPDJI_Index_Governance@spglobal.com).

*Please be advised that all comments from this consultation will be reviewed and considered before a final decision is made; however, S&P DJI makes no guarantees or is under any obligation to comply with any of the responses. The survey may result in no changes or outcome of any kind. If S&P DJI decides to change the index methodology, an announcement will be posted on our website.*

Thank you for taking the time to complete this survey.

For more information about S&P Dow Jones Indices, please visit [www.spdji.com](http://www.spdji.com).

## ABOUT S&P DOW JONES INDICES

S&P Dow Jones Indices is the largest global resource for essential index-based concepts, data and research, and home to iconic financial market indicators, such as the S&P 500<sup>®</sup> and the Dow Jones Industrial Average<sup>®</sup>. More assets are invested in products based on our indices than products based on indices from any other provider in the world. Since Charles Dow invented the first index in 1884, S&P DJI has been innovating and developing indices across the spectrum of asset classes helping to define the way investors measure and trade the markets.

S&P Dow Jones Indices is a division of S&P Global (NYSE: SPGI), which provides essential intelligence for individuals, companies and governments to make decisions with confidence. For more information, visit [www.spdji.com](http://www.spdji.com).

### **FOR MORE INFORMATION:**

**S&P Dow Jones Indices**

[index\\_services@spglobal.com](mailto:index_services@spglobal.com)