

S&P Dow Jones Indices Consultation on the Introduction of an Adjustment Factor for Return Based Index Level Calculations in Commodity Indices – Updated

NEW YORK, NOVEMBER 8, 2021: S&P Dow Jones Indices (“S&P DJI”) is conducting a consultation with market participants on a potential enhancement to its current calculation methodology for S&P DJI commodity indices.

In order to enhance the calculation of indices with negative future contract prices, S&P DJI is proposing to introduce an Adjustment Factor. The Adjustment Factor would allow for the proper calculation of indices when negative prices impact the calculation by directionally aligning the index level performance with the index’s constituent performance with respect to negative index levels. This calculation enhancement will allow correct calculations for levered, inverse, long/short, unhedged and hedged indices as well as correcting current index levels for the calculation of unlevered long-only indices and intraday real-time indices in the event of negative index levels. The implementation of the Adjustment Factor does not impact the calculations under scenarios where the index levels are positive.

CURRENT INDEX LIMITATIONS

Negative futures contract prices can cause return-based index levels to calculate incorrectly. To address this, S&P DJI’s current policy limits the calculation of indices with negative index levels. The Adjustment Factor seeks to enhance the calculation of indices with negative index levels and to allow for the removal of these limitations.

For any index, except unlevered long-only indices, if an end-of-day index calculation results in a zero value or negative value, S&P DJI will publish an official closing index value of zero on that day. The index will remain at zero until S&P DJI either discontinues the index or restarts the index with a new base value. Intraday real-time index levels are permitted to become zero or negative.

For additional policy information on Negative Futures Contract Prices and Index Levels, please refer to the [S&P Commodities Indices Policies & Practices Methodology](#).

PROPOSAL

The table below shows the current index level calculation formula as well as the formula with the incorporation of the proposed Adjustment Factor.

Methodology	Calculation of Indices when Index Levels Become Zero or Negative
Current	$Index\ Level_{t+1} = Index\ Level_t \times (1 + Return_{t+1})$
Proposed	$Index\ Level_{t+1} = Index\ Level_t \times (1 + Return_{t+1} \times Adjustment\ Factor)$ where <i>Adjustment Factor</i> = 1 when the beginning index constituent market value of the return calculation and the index level to which it is applied have the same sign. = -1 when the beginning index constituent market value of the return calculation and the index level to which it is applied have different signs.

IMPACT ANALYSIS

For an analysis of the impact of the proposed change, please refer to the file available [here](#).

IMPLEMENTATION TIMING

Should the proposed change be adopted, the timing of implementation will be announced to the public at a future date with sufficient advanced notice.

QUESTIONS

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

- 1. Do you agree with the proposal to introduce an Adjustment Factor in the calculation of all S&P DJI commodity indices?**
- 2. Do you have any other comments or feedback regarding the proposed change outlined above?**

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 **December 7, 2021**. 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.

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.

CONSULTATION

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[®] and the Dow Jones Industrial Average[®]. 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.

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