

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

NEW YORK, SEPTEMBER 29, 2022: S&P Dow Jones Indices (“S&P DJI”) has conducted 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 introducing an Adjustment Factor. The Adjustment Factor will 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 introduction 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 be calculated 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](#).

The following table shows the previous index level calculation formula as well as the formula with the incorporation of the Adjustment Factor.

Methodology	Calculation of Indices when Index Levels Become Zero or Negative
Previous	$\text{Index Level}_{t+1} = \text{Index Level}_t \times (1 + \text{Return}_{t+1})$
Updated	$\text{Index Level}_{t+1} = \text{Index Level}_t \times (1 + \text{Return}_{t+1} \times \text{Adjustment Factor})$ where Adjustment Factor = 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.

IMPLEMENTATION TIMING

Implementation of this change is expected to occur sometime during the first half of 2023. S&P DJI will notify clients with advanced notice prior to the implementation. Commodity based indices are impacted by this change.

Please note that the applicable methodologies on S&P DJI’s website will be updated to reflect these changes.

For more information about S&P Dow Jones Indices, please visit www.spglobal.com/spdji.

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INDEX ANNOUNCEMENT