

# S&P Dow Jones Indices

A Division of **S&P Global**

INDEX INVESTMENT STRATEGY

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Index Dashboard: Dispersion, Volatility & Correlation

September 30, 2023

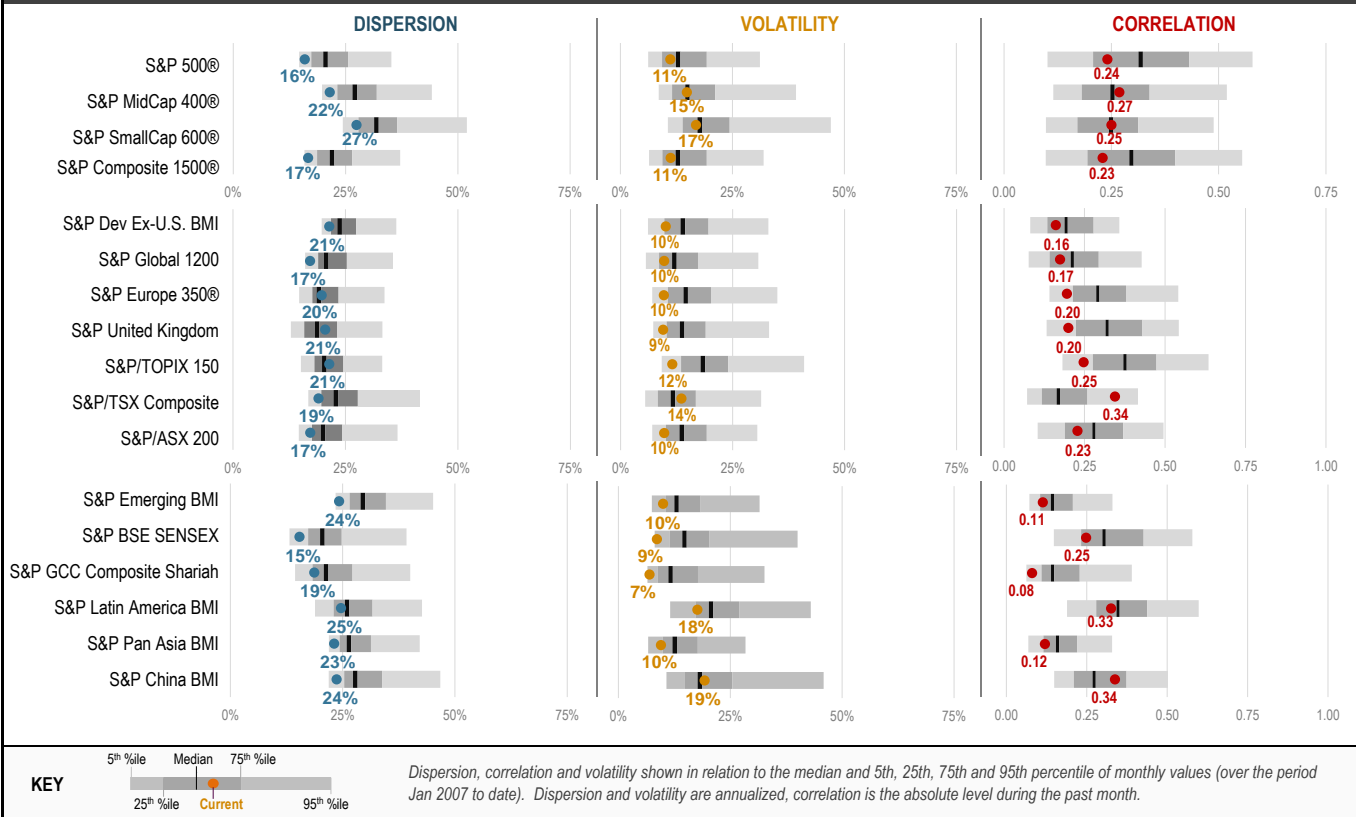
## COMMENTARY

A “VIX® for U.S. equity dispersion” launched in September. The Dispersion Index is published under the ticker DSPX. Interested readers may find a short summary blog at this [link](#); a joint educational webinar hosted by Cboe and S&P Dow Jones Indices will be held on October 4th, registration is [here](#).

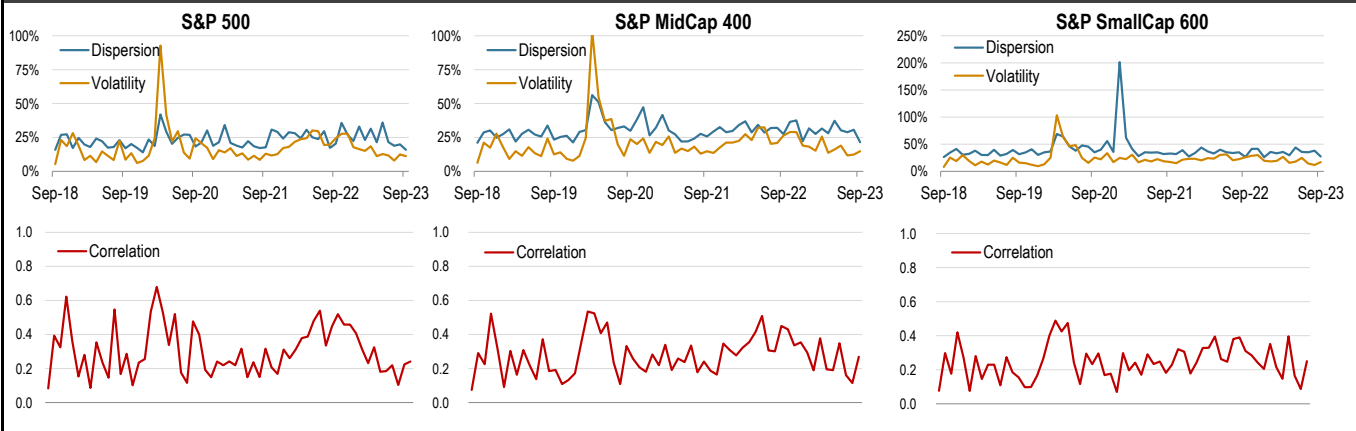
Meanwhile, realized equity dispersion continued to recede from its mid-year extremes, with monthly S&P 500 index dispersion falling to its lowest since 2019 and other global equity benchmarks largely following suit. A downward trimming of Japan’s still-spectacular YTD equity gains accompanied a notable exception to the rule this month.

The world’s major equity markets may have declined in September, but they did so in a relatively serene fashion. Despite the sense of a fragile outlook, most of our reported risk indicators are now at or below their historical averages.

## GLOBAL DASHBOARD



## MAJOR BENCHMARKS - PAST FIVE YEARS



Source: S&P Dow Jones Indices as of Sep 30, 2023 \* See "Notes" for explanations and definitions.

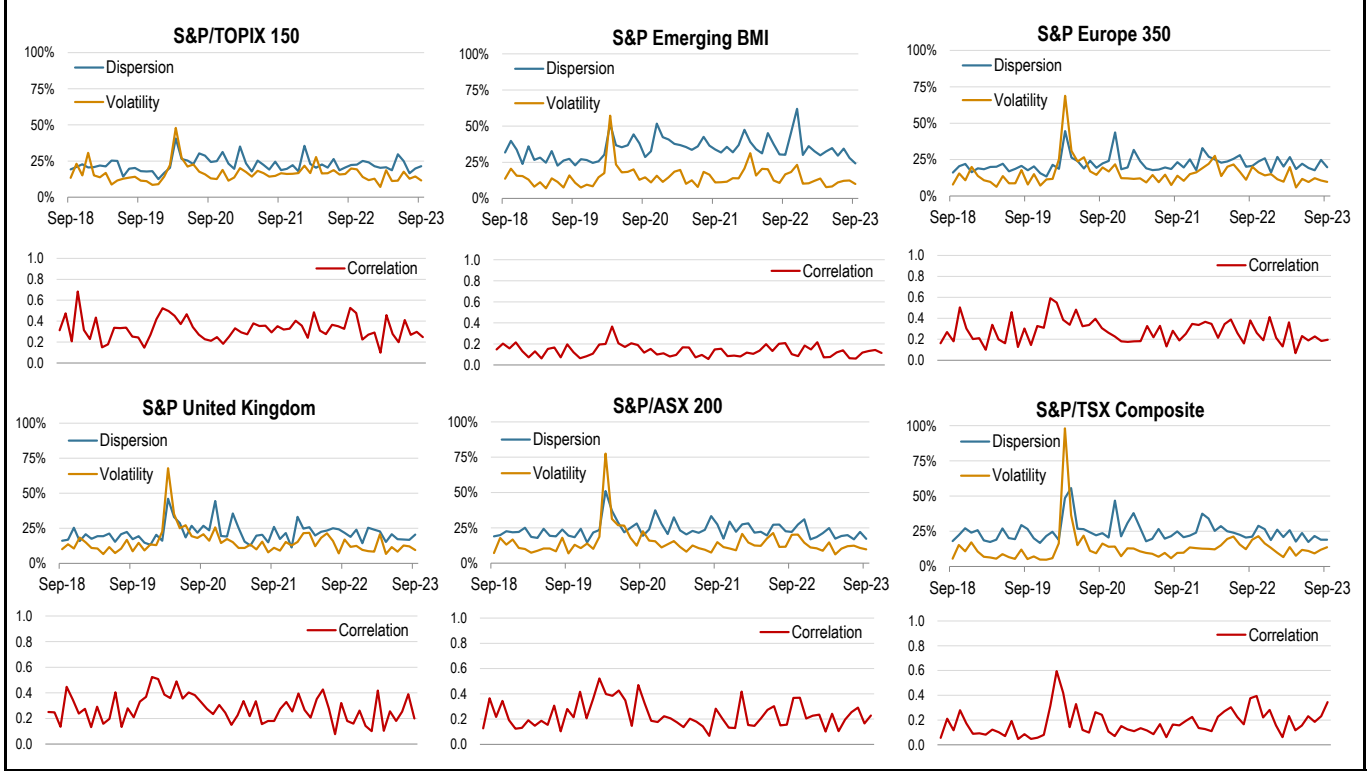
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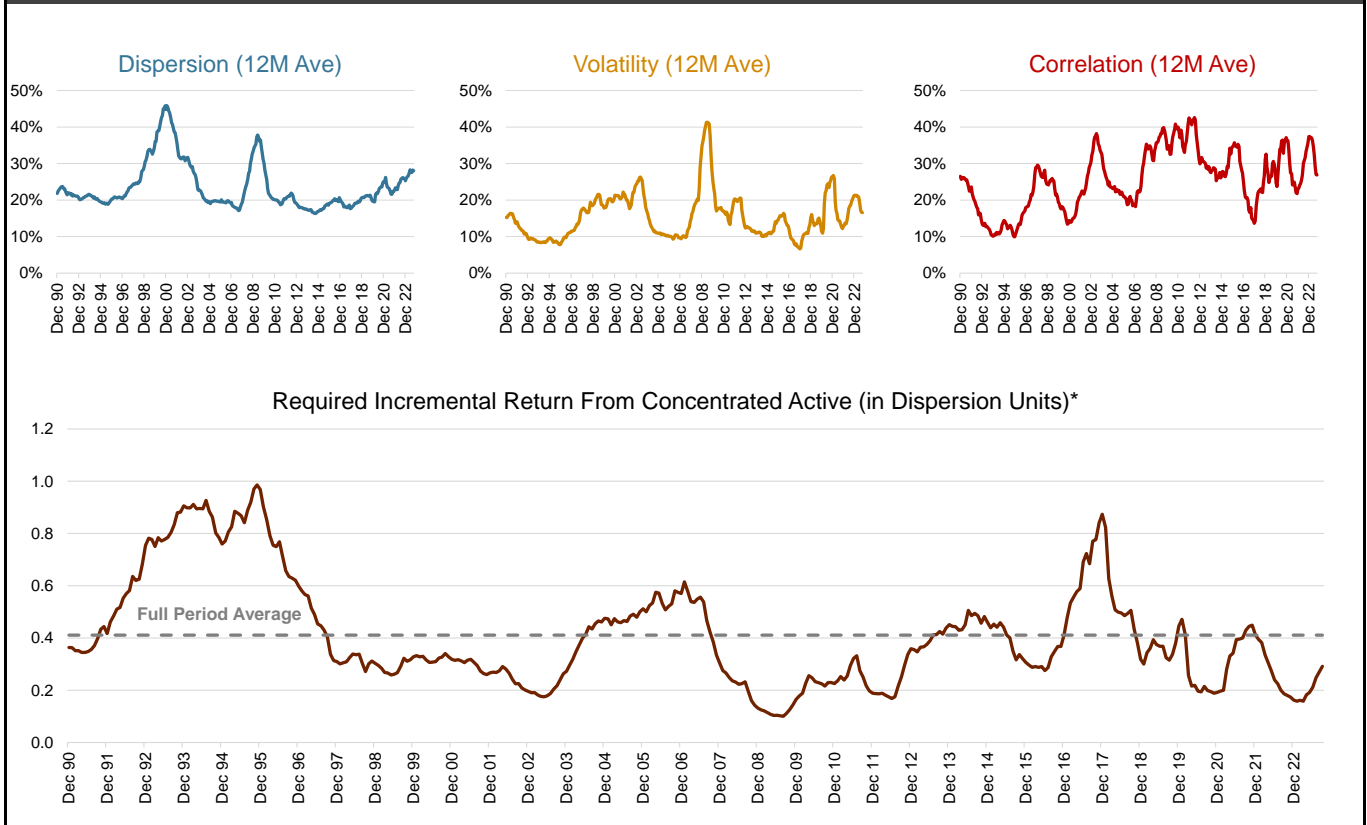
## Index Dashboard: Dispersion, Volatility & Correlation

September 30, 2023

### MAJOR BENCHMARKS - PAST FIVE YEARS (cont'd)



### S&P 500 - 12M TRAILING AVERAGES & ACTIVE RETURN DIFFICULTY



Source: S&P Dow Jones Indices as of Sep 30, 2023 \* See "Notes" for explanations and definitions.

## 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.

**Required Incremental Return From Concentrated Active (in Dispersion Units)** provides the excess return, in multiples of 12M trailing average dispersion, required from a concentrated position in a single index constituent with 12M trailing volatility equal to the index-weighted average, such that the ratio of return to volatility of the position matches that of an investment with volatility matching the index's trailing 12M volatility, and an annual return of 10%. For further details, see "[The Active Manager's Conundrum](#)".

### Measurement Periods For Historical Ranges (p1)

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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