# S&P Dow Jones Indices

A Division of S&P Global

## Index Dashboard: Dispersion, Volatility & Correlation

July 31, 2017

#### COMMENTARY

The trend for low volatility, low correlations and low-to-moderate dispersion across global equity markets continues, with July's monthly readings remaining close to those of June's report.

The level of dispersion in U.S. markets demonstrates that risk - and volatility - is still present in single stocks, although at somewhat below historically typical levels. However, the near-record and persistent lows in correlations have left market averages steady: single stock risk is almost entirely diversified into insignificance at the overall market level.

Correlations, and volatility, remain at moderate levels in Australia's S&P/ASX 200 - one of the few markets that failed to participate in what was otherwise a near-universal month of gains in major equity indices.

## **GLOBAL DASHBOARD**



**MAJOR BENCHMARKS JAN 2007 TO DATE** 

Current

95th %ile

25<sup>th</sup> %ile



Source: S&P Dow Jones Indices as of July 31, 2017

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### 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 "<u>At the Intersection of Diversification, Volatility and Correlation</u>" 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).

Source: S&P Dow Jones Indices as of July 31, 2017

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