

# S&P Dow Jones Indices

A Division of **S&P Global**

## Index Dashboard: Dispersion, Volatility & Correlation

March 31, 2020

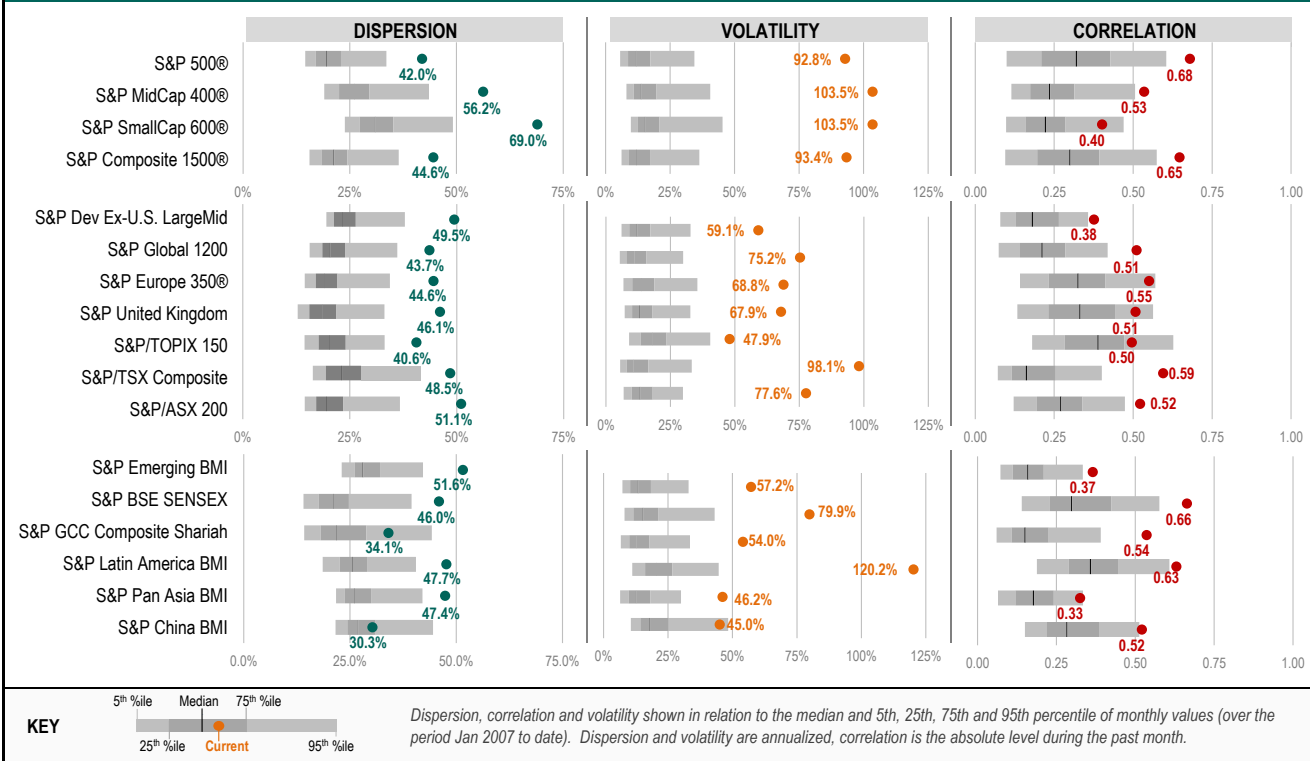
### COMMENTARY

Equity index volatility, correlation, and dispersion soared across the world this month. For market timers hoping to capitalize during drawdowns, sector and industry rotators, and stock pickers requiring dispersion to differentiate their returns from the herd, March 2020 offered abundant opportunities for glory (or embarrassment).

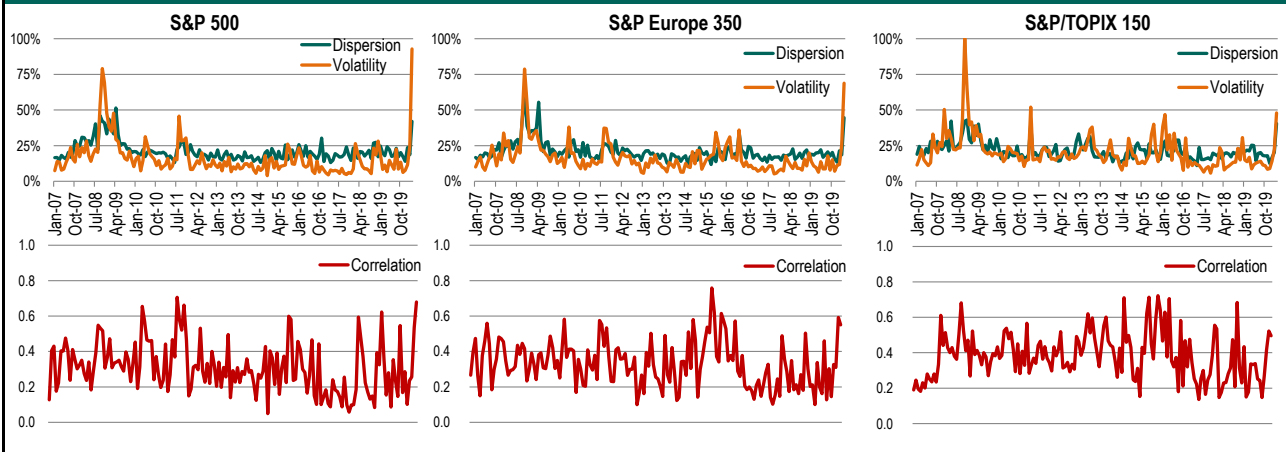
S&P 500 monthly volatility rose to its highest-ever level in March, exceeding even the crash of 1929. Annualized volatility was over 100% in the S&P MidCap 400, S&P SmallCap 600, and S&P Latin America BMI, with several markets – including the S&P Europe 350 and S&P/ASX 200 – registering their all-time largest single-day declines.

Dispersion rose to the highest level since 2008 in the S&P 500 and approached an annualized 70% in U.S. small caps this month. All but two of our reported indices saw dispersion in the 95th percentile or higher. Correlations also approached record levels as stocks closely followed the daily news of the COVID-19 pandemic.

### GLOBAL DASHBOARD



### MAJOR BENCHMARKS JAN 2007 TO DATE



Source: S&P Dow Jones Indices as of March 31, 2020.

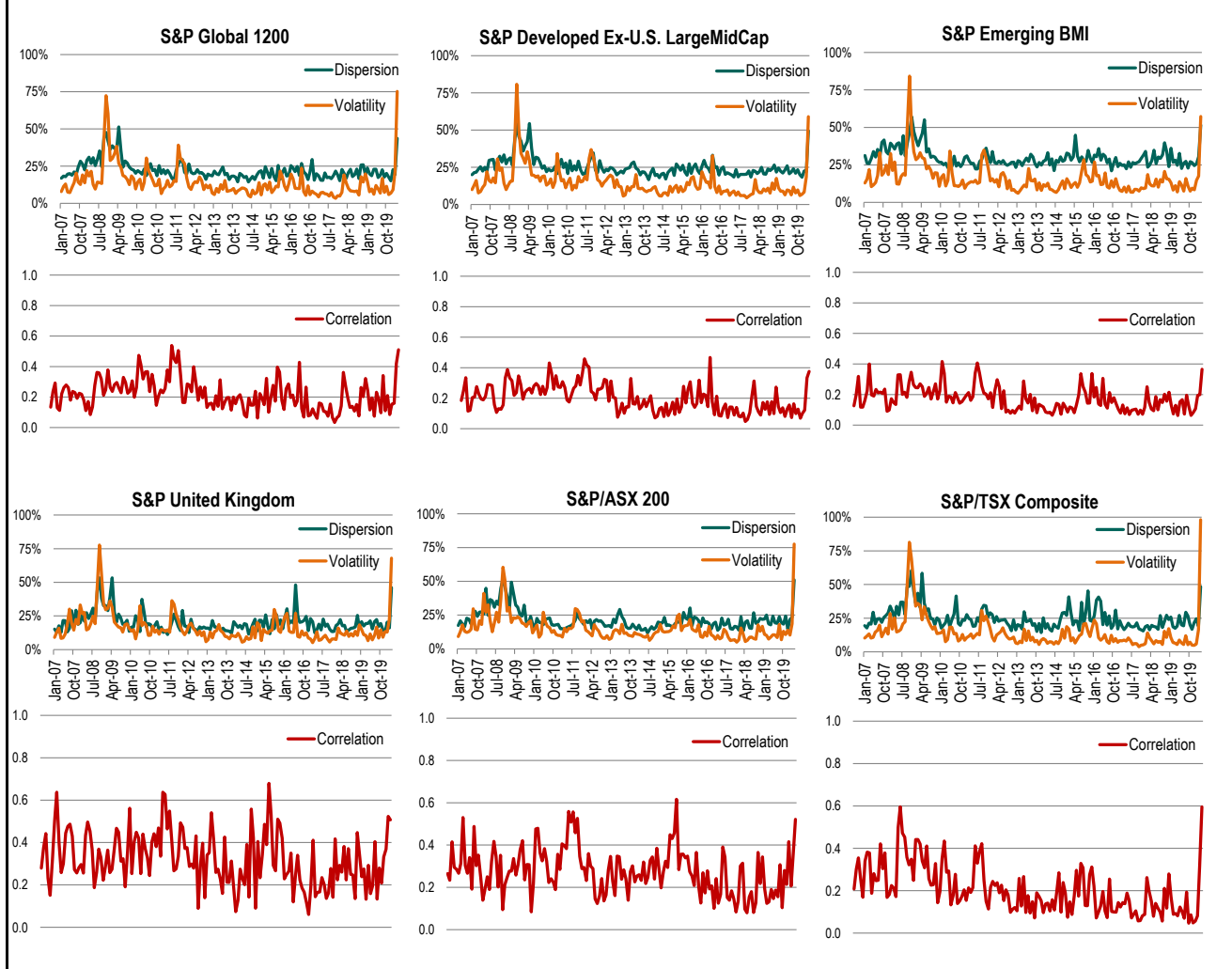
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### MAJOR BENCHMARKS JAN 2007 TO DATE (cont'd)



### 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.

#### 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).

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