

# S&P Dow Jones Indices

A Division of **S&P Global**

INDEX INVESTMENT STRATEGY

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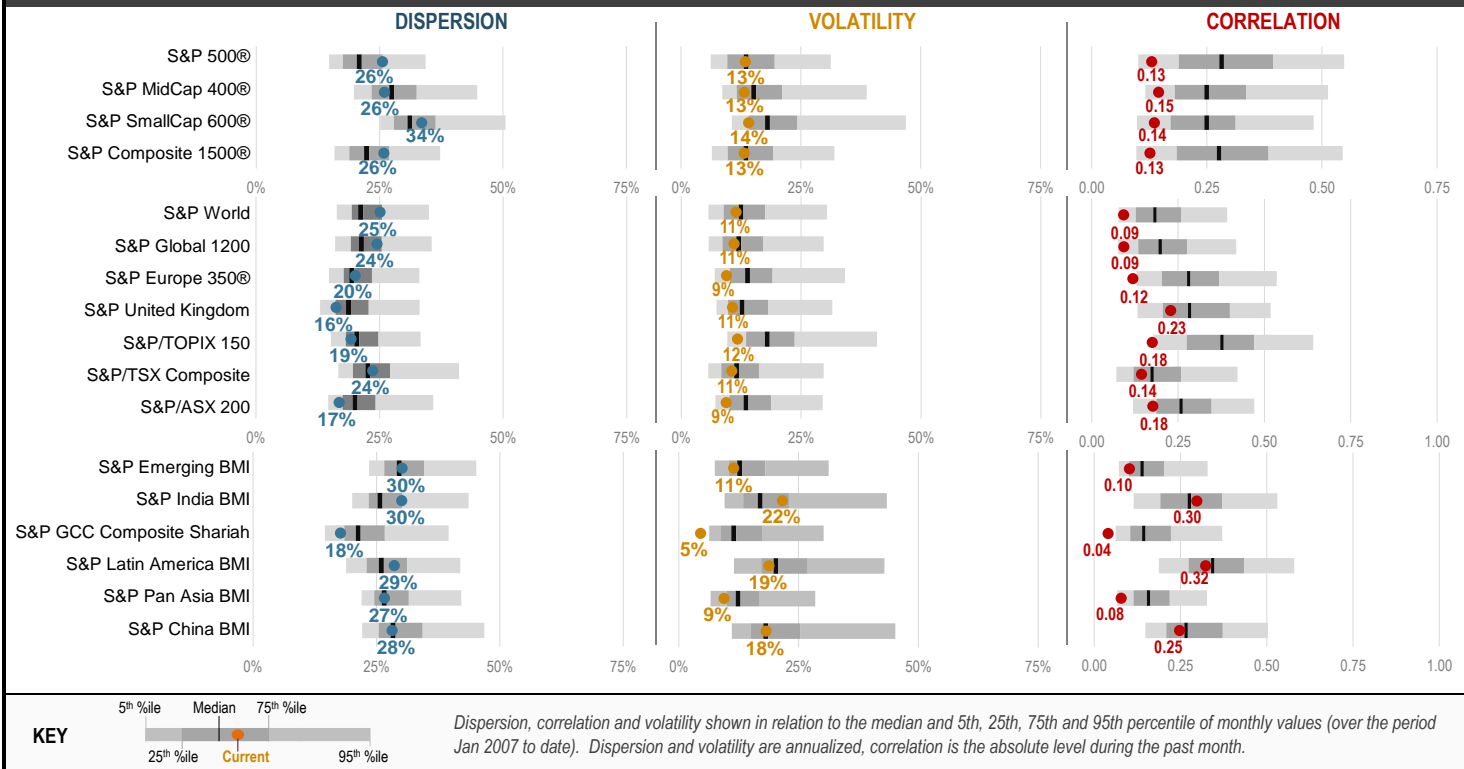
Index Dashboard: Dispersion, Volatility & Correlation

January 31, 2025

## COMMENTARY

- Realized dispersion continued at relatively high levels in U.S. equities through January while the forward-looking DSPX measure of implied S&P 500 equity dispersion continued to rise, registering a record live high during the month's final week of AI-headlined tumult.
- There may be risks in equities, but they have remained more idiosyncratic than usual. Correlations within and across equity markets continued near historical lows and the associated diversification effects have played a significant part in dampening both realized, and implied index volatility.
- India and Asia more generally offered exceptions to the rule this month as markets processed signs of slowing growth and the risks associated to U.S. trade tariffs in particular.

## GLOBAL DASHBOARD

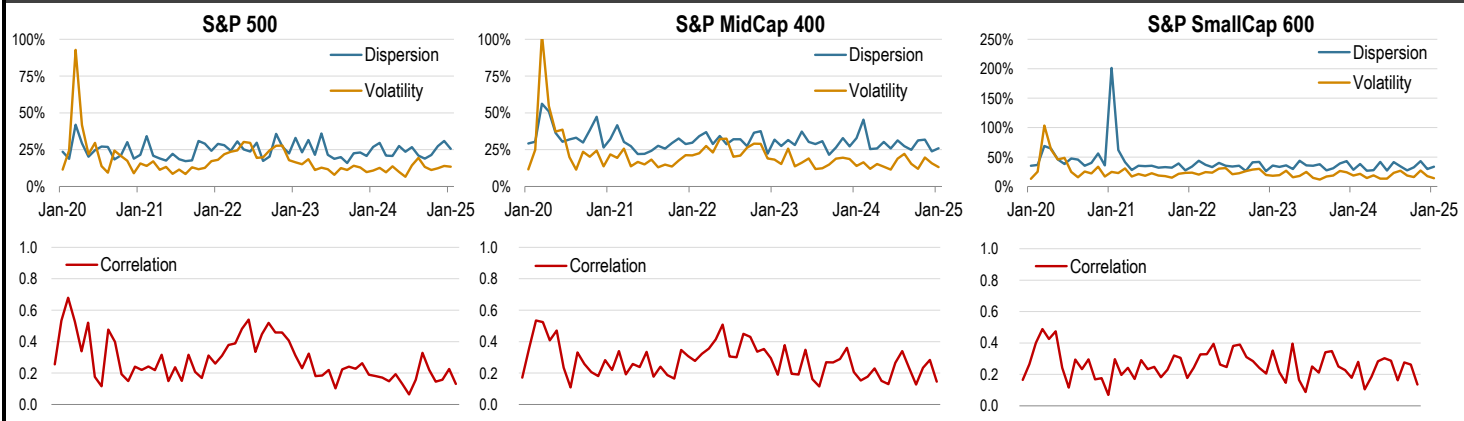


## S&P 500 Implied Indicators

Indicator	Level	1M +/-
Volatility Index (VIX®)	16.43	↓ -0.92
Dispersion Index (DSPX)	34.75	↑ 3.83
Constituent Vol (VIXEQ)	38.51	↑ 3.05

The Cboe Volatility Index (VIX), the Cboe S&P 500 Dispersion Index (DSPX) and the Cboe S&P 500 Constituent Volatility Index (VIXEQ) measure market expectations for S&P 500 index volatility, index dispersion, and average constituent volatility, respectively, over the next 30 days.

## MAJOR BENCHMARKS - PAST FIVE YEARS



Source: S&P Dow Jones Indices as of Jan 31, 2025 \* See "Notes" for explanations and definitions.

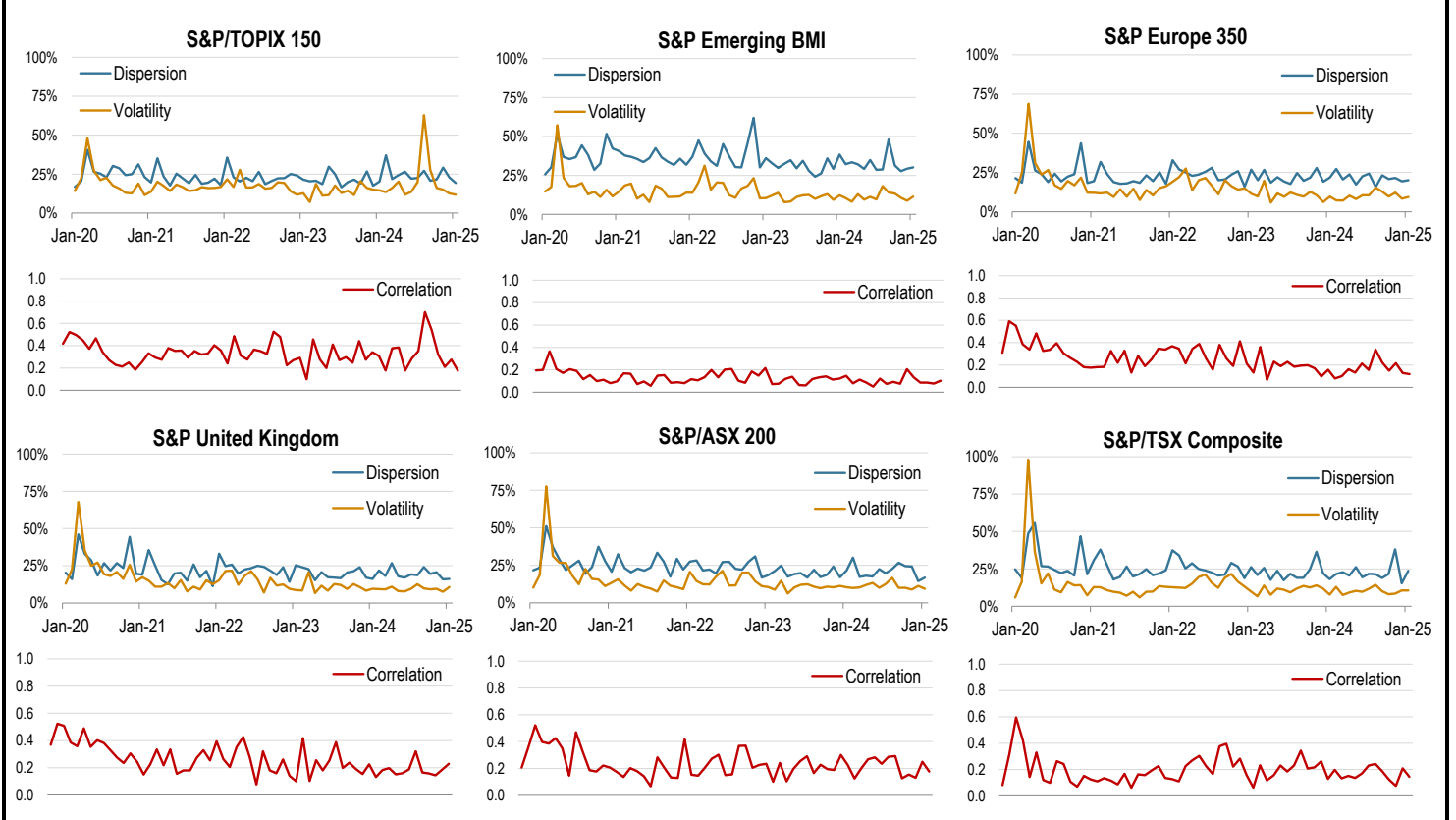
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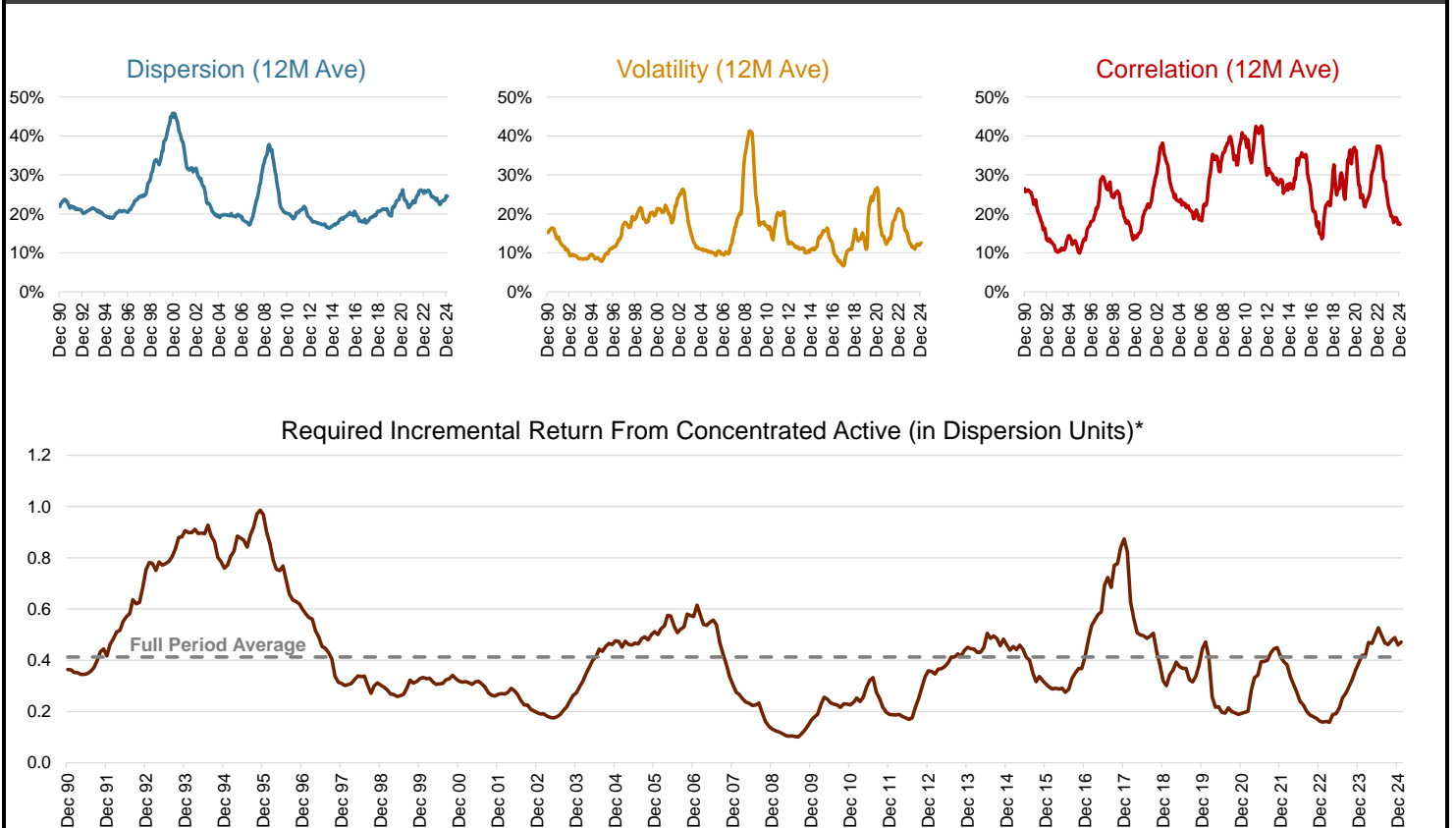
## Index Dashboard: Dispersion, Volatility & Correlation

January 31, 2025

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



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



Source: S&P Dow Jones Indices as of Jan 31, 2025 \* 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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