

S&P Dow Jones Indices

A Division of **S&P Global**

TalkingPoints

The S&P Systematic Global Macro Index



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With the stock market in the midst of a historically strong bull run, many market participants may be looking to alternatives to protect against a possible downturn. The S&P Systematic Global Macro Index (S&P SGMI) is designed to offer a low-cost, liquid, and transparent solution by spreading risk evenly across the global futures markets with a long/short trend following rule to deliver results with little correlation to traditional markets.

Why did S&P Dow Jones Indices decide to launch this index?

We decided to launch this index in 2011 because although global macro and managed futures, or CTAs, have had historically low correlations to traditional asset classes like stocks and bonds, market participants have taken particular interest in this strategy since 2008, when it performed well during the financial crisis. Then, in 2009 and 2010, when there was a bull market rally, they continued to perform well, which furthered market participant demand. So we decided to launch the S&P SGMI to give market participants the opportunity to get access to positive and negative global trends through futures with more liquidity, transparency, and at a more effective cost.

Compared to other global macro indices, how is the S&P SGMI different?

The S&P SGMI is different for a couple of reasons. It is the first index launched by a major independent index provider that intends to give market participants access to the global macro space through direct futures. This is really special because until this launch, all of the indices in the space were funds of funds, which generally have higher fees, higher minimums, and lower liquidity. So essentially, we've indexed an asset class that until now has been considered active. Another key feature that makes the S&P SGMI unique is its ability to capture trends, whether they're long term or short term. For example, most managers or strategies in this space will use a fixed time period—like 4 weeks, 12 weeks moving average, 6 months, or 12 months— but the S&P SGMI has a flexible regression model that can capture the dominating trend for each individual market at the moment. This is really a solution for market participants looking to follow trends, whether long term or short term.

What are some ways for market participants to use products based on the S&P SGMI?

Given that the intended index volatility is relatively the same as equities, yet, they have low correlation to equities, one choice might be to make an allocation to global macro from the equities space. Another choice might be to use a core satellite framework. For instance, a market participant could choose the S&P SGMI as the core, or beta, since the futures represent all of the asset classes. Then a market participant would use active managers, or alpha, on top of that to express their views. Lastly, a market participant might view the S&P SGMI as an alternative to a direct investment in hedge funds or funds of funds, since it's really a long-short index, yet it might have higher liquidity at a cheaper price.

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