

# Cboe Announces Launch of New Cboe 3-Month Implied Correlation Index

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- - New volatility-related benchmark index provides three-month, constant maturity representation of implied correlation for the S&P 500 Index
- - Aims to help market participants better understand factors driving volatility and implement dispersion trading strategies
- - Index values are disseminated four times per minute during the trading day

CHICAGO, July 1, 2021 /PRNewswire/ -- Cboe Global Markets, Inc. (Cboe: CBOE), a leading provider of global market infrastructure and tradable products, today announced it is publishing intraday values for the Cboe 3-Month Implied Correlation Index (ticker symbol: COR3M), a new benchmark index that is designed to provide market participants with further granularity into some of the factors driving volatility in the equity markets.

Correlation is a risk management tool generally used by market participants to set systematic risk exposure levels and maximize risk diversification benefits. Cboe's Implied Correlation Index is a financial benchmark that is designed to provide near instantaneous market estimates of expected correlation between implied volatilities of the S&P 500 Index (SPX) and SPX component options. This index is expected to form an essential tool to help identify some of the drivers of implied volatility for the SPX and help evaluate the implications of major macroeconomic shocks on market expectations.

The Cboe 3-Month Implied Correlation Index uses an enhanced methodology – relying on 3-month at-the-money (ATM) index options trading day implied volatilities from Cboe Hanweck – to measure the 3-month expected average correlation across the top 50 value-weighted stocks in the S&P 500 Index. By calculating implied volatilities using Cboe Hanweck's robust options analytics, the index is able to help quantify market sentiment, estimate the size of the movement an asset may take and in the pricing of options contracts. The basket portfolio of 50 stocks used to calculate the index is identified on the trading date prior to the index calculation date and is adjusted for market events such as acquisitions, mergers and spinoffs.

"As the pioneer in the volatility space, Cboe has established a widely followed suite of tradable volatility products and indices that help quantify forward-looking volatility expectations through theoretically robust metrics," said Rob Hocking, Senior Vice President and Head of Multi-Asset Solutions and Derivatives Strategy at Cboe Global Markets. "We are pleased to expand our offering with the new Cboe 3-Month Implied Correlation Index, which is designed to help market participants better understand some of the drivers impacting correlation in the equity markets and more effectively hedge underlying risk and construct trading strategies by isolating volatility components."

Dispersion traders may use COR3M as an indicator to time trades and manage risk. Implied correlation provides a measure of the relative cheapness/richness of index options in relation to the underlying index components. A long dispersion trade, which involves selling at-the-money index option straddles and purchasing at-the-money straddles in options on the index components, could be expected to perform profitably under a high correlation regime.

Cboe Hanweck, part of Cboe's Data and Access Solutions, offers an extensive and comprehensive array of data, analytics, and execution solutions helping participants navigate markets in real-time. Cboe Hanweck's options analytics is a real-time data feed that shows implied volatilities and Greeks as well as model-fitted theoretical prices. These are generated using industry-standard pricing models, sophisticated volatility surface models and the highest quality inputs. Hanweck Associates LLC was acquired by Cboe in 2020, forming Cboe Hanweck.

Cboe is initially publishing an Implied Correlation Index for the 3-month tenor and plans to extend its methodology to calculate implied correlation for a full suite of other maturities: the 1-month, 6-month, 9-month, 12-month, 18-month and 24-month tenors. Cboe is offering COR3M index values on its CSMI feed and disseminating index values four times per minute throughout the trading day.

A complete overview of COR3M, including methodology, components and pricing information, can be accessed [here](#). Additional information on the characteristics, benefits and use cases of COR3M are presented in this [webinar](#).

**About Cboe Global Markets, Inc.**

Cboe Global Markets (Cboe: CBOE), a leading provider of market infrastructure and tradable products, delivers cutting-edge trading, clearing and investment solutions to market participants around the world. The company is committed to operating a trusted, inclusive global marketplace, providing leading products, technology and data solutions that enable participants to define a sustainable financial future. Cboe provides trading solutions and products in multiple asset classes, including equities, derivatives and FX, across North America, Europe and Asia Pacific. To learn more, visit [www.cboe.com](http://www.cboe.com).

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