COLUMBIA THREADNEEDLE INVESTMENTS

Chart on the Go

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Commodities usually move with equities when markets are volatile. But that hasn't been the case recently.

In times of high volatility, **equities** and **commodities** have historically moved in the same direction much of the time...

Correlation = **+0.5***

...but this year, **equities** and **commodities** have moved in opposite directions. Given changing correlations, consider adapting your asset allocation strategy.

Correlation = **–.23****

For illustrative purposes only

When equity volatility has been high in the past, commodities have moved together with equities and have been less effective as a hedge.

More recently, this historical relationship has broken down. Higher inflation and energy-focused geopolitical risk have driven commodity prices up and equities lower in a high-volatility environment.

Understanding the changing nature of correlations is an essential element of portfolio construction. With volatility top-of-mind, it's become even more important to understand how to respond with an active asset allocation approach.

*Based on monthly standard deviation for the period 12/31/89–09/30/21

**YTD correlation based on weekly observations 12/31/21–03/22/22

Equities are represented by the S&P 500 Index, which tracks the performance of 500 widely held, large-capitalization U.S. stocks. Commodities are represented by the Bloomberg Commodity Index, a measure of the broad commodity market. It is not possible to invest directly in an index.

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