

New Equity Risk Metrics Suggest Increased Market Stress

Intech Investments Launches Equity Market Stress Monitor and Report

West Palm Beach (January 17, 2018) – Intech, a global asset management firm, today launched Edition 1 of the Intech [Equity Market Stress Monitor](#), a quarterly perspective on the current stability of Global Equity Markets. The quarterly report identifies areas of market strain using a collection of specialized risk metrics that the firm believes are reliable indicators of equity market stress.

In addition to releasing Edition 1 of the report, Intech launched an interactive version of the Monitor on its website where data on the five risk metrics will be updated daily for 21 global and regional market indexes. This tool allows investors to gain insight into market risk regimes, contextualize beta risk management and complement their traditional risk metrics.


Key Findings:

- Risk measures of volatility point to increasing signs of suppressed global-equity risk that intensify the likelihood of a large negative shock in equity markets when volatility levels increase in the future.
- Today, the way forward is likely asymmetric: the likelihood of a tail event is greater than it used to be, but the probability of incremental gains of a smaller magnitude are the likely outcome. This implies that investors should prepare for the less likely but more significant move lower in equity markets.
- Non-U.S. developed equity markets, in particular European equity markets, appear to have the risk measures at the most extreme levels, whereas emerging markets appears to have the lowest level of market strain.
- Over the past one year, we have observed across markets a substantial decrease in correlation of returns and increase in index efficiency. This would seem to imply that there is a higher likelihood for active management to outperform with similar levels of risk as equity markets.
- We observe that dispersion of returns across stocks as well as the correlation of returns across equity markets are at substantially low levels. It seems that the idiosyncratic component of stock returns is explaining more of the returns between stocks while the overall magnitude of excess return dispersion across stocks is extremely low.

Dr. Adrian Banner, Chief Executive Officer and Chief Investment Officer of Intech, said: “As an asset manager who’s been tapping volatility as a source of excess returns for over 30 years, we are releasing this Equity Market Stress Monitor to share our insights into global equity market risk. We believe there is significant value in helping investors better understand the risk that exists within global equity indexes. Currently, we are seeing extreme values for many of our risk metrics so it’s important for investors to be alert.”

About Intech Equity Market Stress Monitor

Intech has identified a collection of risk metrics that the firm believes are reliable indicators of equity market stress. For each of these metrics, when markets deviate substantially from typical levels, they eventually return to it. Moreover, the greater the deviation and persistency of extreme values across a larger collection of metrics, the more likely it is that the return to the mean will be abrupt, and accompanied by substantial volatility.



The Intech Equity Market Stress Monitor quarterly report and interactive version, which will be updated daily and is available only to institutional investors, can be found here <https://www.intechinvestments.com/emsm>

About Intech

Intech is a specialized global asset management firm that harnesses stock price volatility as a source of excess return and risk control. Founded in 1987 in Princeton, NJ, by pioneering mathematician Dr. Robert Fernholz. Intech serves some of the world's largest institutional investors, delivering traditional, low volatility, adaptive volatility and absolute return investment solutions. As of September 30, 2017, Intech managed about US\$49 billion worldwide. Intech is based in West Palm Beach and is an independently managed subsidiary of Janus Henderson Group plc. (NYSE: JHG). For more information, please visit <http://www.intechinvestments.com>.

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