

# Nasdaq Commodity Index Annual Rebalance of 2018

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2017 was a great year for equities, with broad U.S., global and even emerging market benchmarks up quite substantially at 19.1%, 21.6% and 31.1%, respectively. Commodities had a different tune with some winners and some losers, but the Nasdaq Commodity Index (NQCI) was up a respectable 5.6% for the year. Looking at sector performance, the best performing was industrial metals with a strong +28.3% return, while the worst performing (and only negative performing sector for 2017) was agriculture with a -11.7% return.

In the first five index trading days in 2018, as occurs each year, the Nasdaq Commodity Index (NQCI) had its annual rebalance. Data used in determining the target index weights for the rebalance is always from November 1 of two years prior (this rebalance: November 2016) through October 31 of the prior year (October 2017) to effectiveness on the first trading days of the current year (January 2018).

While the benchmark Nasdaq Commodity Index had no changes to its composition as a result of the 2018 annual rebalance, the tradable index had a number of changes. The difference between the benchmark and tradable indexes is the minimum thresholds for inclusion to the tradable index are much higher than that of the benchmark index. From the 2018 rebalance, the number of commodities in each is 32 and the lesser 19, respectively. As part of this year's review, four new commodities became eligible for the tradable index: HG Copper, Zinc, Wheat and Coffee. No commodities became ineligible for the tradable index that were in the index in the prior year. This resulted in the number of commodities in the tradable index increasing from 15 from the year prior to 19 for 2018.

As a result of the annual rebalance, the largest weight increases were in Crude Oil, Natural Gas and HG Copper having increases of 1.6%, 0.8% and 0.8%, respectively. The largest weight decreases were in Gold, Soybeans and Corn at -1.7%, -1.2%, and -0.7%, respectively. Highlighted in Figure 1 are sector changes over the last year's target weights, in addition to the number of commodities eligible per sector.

Figure 1.

SECTOR	NO. COMMODITIES	WEIGHT CHANGE
ENERGY	6	3.4%
INDUSTRIAL METALS	6	1.6%
PRECIOUS METALS	4	-2.0%
AGRICULTURE	13	-3.0%
LIVESTOCK	3	0.0%

In looking at two of the competing commodity indexes and their offerings, it is quite apparent how much larger the Nasdaq basket is in terms of showing a better picture of the full commodity markets and further into its added built-in diversification capability across each sector. The Nasdaq Commodity Index has 32 commodities while the S&P GSCI has 24 and Bloomberg has 22. Bloomberg has sector weights that are closer to being equal weight than NQCI or S&P GSCI, as shown in Figure 2; the number of commodities in the Bloomberg overall index in addition to its different weighting scheme has caused this disparity.

Some of the largest differences between NQCI, S&P GSCI, and Bloomberg are in Crude Oil with NQCI and S&P GSCI each having 10% and 17% higher weights and in Brent Crude at 10% and 9%, respectively. For a complete weight breakdown of each commodity in NQCI, S&P GSCI, and Bloomberg see Figure 3.

Figure 2.

CONTRACT NAME	NQCI	S&P GSCI	BBG
ENERGY	53.9%	58.6%	30.4%
INDUSTRIAL METALS	13.1%	10.9%	17.5%
PRECIOUS METALS	12.3%	4.7%	15.6%
AGRICULTURE	17.6%	18.3%	30.0%
LIVESTOCK	3.1%	7.5%	6.4%

Figure 3.

SECTOR	COMMODITY	NQCI	S&P GSCI	BBG
ENERGY	Brent Crude	17.2%	16.9%	7.7%
	Natural Gas	5.4%	3.9%	8.0%
	Heating Oil	4.0%	3.9%	3.7%
	WTI Crude	17.5%	24.7%	7.3%
	Gasoline	4.0%	4.6%	3.8%
	Gas Oil	5.7%	4.6%	--
INDUSTRIAL METALS	HG Copper	2.6%	--	--
	Aluminum	3.1%	3.6%	4.5%
	Copper	4.0%	4.4%	7.2%
	Lead	0.5%	0.9%	--
	Nickel	1.2%	0.7%	2.8%
	Zinc	1.8%	1.3%	3.1%

SECTOR	COMMODITY	NQCI	S&P GSCI	BBG
PRECIOUS METALS	Platinum	0.4%	--	--
	Palladium	0.3%	--	--
	Silver	2.4%	0.5%	3.7%
	Gold	9.2%	4.2%	11.9%
AGRICULTURE	Corn	3.2%	5.0%	6.1%
	Soybean	4.6%	3.7%	6.0%
	Soybean Meal	1.5%	--	3.0%
	Soybean Oil	1.1%	--	2.7%
	Wheat	1.3%	3.0%	3.3%
	Kansas Wheat	0.7%	1.1%	1.3%
	Robusta Coffee	0.3%	--	--
	White Sugar	0.2%	--	--
	Spring Wheat	0.3%	--	--
	Cocoa	0.6%	0.4%	--
	Coffee	1.2%	1.0%	2.6%
	Cotton	1.0%	1.6%	1.5%
	Sugar	1.7%	2.5%	3.5%
LIVESTOCK	Feeder Cattle	0.5%	1.3%	--
	Lean Hogs	0.7%	2.2%	2.1%
	Live Cattle	1.8%	4.1%	4.3%

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