

dxFeed Honest Gold Index Methodology

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1 Description

*dxFeed Honest Gold index*TM (“HAU”) reflects the value of gold priced in the world’s most tradable currencies. In particular, it is a long position’s value in gold (expressed in percent) measured in major world currencies in proportion to their global market turnover.

The index follows the “*dxFeed Fair Asset Value*” methodology, described in a separate document.

2 Component Selection and Parameter Derivation

Components The set of index components

$$C = \{\text{USD, EUR, GBP, } \dots \}$$

consists of the 10 most tradable currencies according to their *global market turnover*, as aggregated and reported by The Bank for International Settlements¹.

Turnover data provides a measure of market activity and can be seen as a rough proxy for market liquidity. Turnover is defined as the gross value of all new deals (buy + sell) entered into during a given period and is measured in terms of the contracts’ nominal or notional amounts. In particular, BIS aggregates data from central banks and other authorities in 53 jurisdictions. The accounted instruments include spot transactions, outright forwards (more than two business days later), FX swaps (both spot/forward and forward/forward), currency swaps, OTC options, and other products.

Weight The the weight of each component in the index is simply its share of the total turnover:

$$\text{Weight}_c = \frac{\text{Turnover}_c}{\sum_{c' \in C} \text{Turnover}_{c'}}, \quad c \in C.$$

Divisor The Divisor parameter is set so that the very first value of the index is equal to 100. It is adjusted at each rebalancing to ensure price continuity, see the “*dxFeed Fair Asset Value*” methodology for details.

Symbols The trade volume of gold in USD exceeds its trade volume in other currencies by several orders of magnitude. This reflects the higher interest of market participants, hence a better estimate of “the price.” Due to this, the price of gold nominated in other currencies $c \in C$ at time t is computed as cross-rates using $\text{SymbolBase}_c = \text{Gold/USD}$ and $\text{SymbolQuote}_c = c/\text{USD}$ (from particular sources, omitted, which are again chosen to maximize the volume). For gold prices USD, $\text{SymbolDirect}_{\text{USD}} = \text{Gold/USD}$ is used.

3 Index Computation

The index follows the “*dxFeed Fair Asset Value*” methodology and is computed as a weighted geometric mean of exchange rates. $\text{Rate}(t, s)$ is the *last known quote* for a pair given by the symbol s at time t .

¹<https://www.bis.org/triennial.htm?m=2677>

4 Lifecycle & Maintenance

The index weights are rebalanced on a triennial basis (same as the BIS turnover data). See the “*dxFeed Fair Asset Value*” methodology for details.

Revision History

Jan 25, 2023 SWIFT data is no longer used to determine component weights due to difficulties related to obtaining the source data.

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