

What does the Sharpe ratio mean?

The Sharp ratio

- Expresses risk-adjusted returns in a single number
- Should be greater than 1 and as high as possible
- A low Sharpe ratio indicates poor risk-adjusted returns.

$$S_a = \frac{R_a - R_f}{\sigma_a}$$

S = Sharpe ratio

R_a = return on the asset

R_f = the risk-free rate of return

σ = standard deviation of returns of the asset

	3-month T Bill	SPY	QQQ	AAPL	F	GE	MSFT	WST	XOM
2010	0.14%	22.18%	32.09%	76.67%	47.14%	28.78%	0.45%	11.98%	28.61%
2011	0.05%	4.19%	9.10%	34.53%	-22.13%	-3.86%	9.32%	2.90%	6.25%
2012	0.09%	16.52%	11.85%	0.67%	6.21%	23.54%	-4.41%	48.66%	10.16%
2013	0.06%	21.43%	30.52%	12.66%	18.59%	16.44%	42.02%	62.09%	5.23%
2014	0.03%	14.12%	18.99%	67.28%	1.50%	-1.58%	9.69%	4.88%	-2.45%
2015	0.05%	-0.87%	4.04%	-15.50%	-15.53%	26.02%	40.07%	16.98%	-7.89%
2016	0.32%	19.98%	20.96%	27.44%	10.74%	5.25%	20.57%	48.96%	11.56%
2017	0.93%	26.30%	37.23%	40.19%	-6.28%	-43.72%	50.24%	19.11%	8.03%
2018	1.94%	-2.43%	0.11%	0.90%	-14.01%	-35.39%	11.82%	8.68%	-12.58%
2019	1.55%	21.45%	31.35%	88.75%	6.88%	27.95%	65.42%	44.77%	-11.17%
2020	0.09%	17.17%	44.41%	72.01%	21.42%	-13.78%	37.71%	92.64%	-22.05%
Average return	0.48%	14.55%	21.88%	36.87%	4.96%	2.70%	25.72%	32.88%	1.25%
Compounded returns		328.75%	720.87%	2130.12%	43.30%	-6.73%	956.86%	1731.90%	3.83%
Standard deviation		9.82%	14.41%	35.32%	19.82%	25.36%	22.55%	28.67%	14.17%
Sharpe ratio		1.43	1.48	1.03	0.23	0.09	1.12	1.13	0.05

Eight stocks and ETFs Sharpe ratio vs average returns 2010 to 2020

