

Reminder: Upcoming Change to Pricing Methodology for FTSE Mortgage Index Effective April 2019

As previously announced on January 17, 2019, the price source and methodology for the FTSE Mortgage Index, will change effective April 2019.¹ Under the new methodology, same day settlement prices from Refinitiv, formerly the Financial and Risk business of Thomson Reuters, for individual MBS pools will be averaged based on each pool's current amount outstanding to arrive at an index cohort price. The price for all the pools that underlie a given cohort, including both specified and non-specified pools, will be included in the average. The amount outstanding each pool contributes to the average index price will be updated on the same cycle as the index factor updates. Prices will continue to represent a 3pm (NY snap time) bid side valuation. The price change is scheduled to be implemented on April 15, 2019. Users of the Yield Book can expect prices that are currently supported for cohorts that are not eligible for the index, but have at least one year to maturity, will also be migrated to the new index pricing methodology.

An estimate of the impact to average price and effective duration between the current and new pricing methodologies as of March 13, 2019 is provided in the table below.

Figure 1. Estimated Impact on Average Price and Effective Duration

Index	Cohort Count	Market Value*	Market Weight (%)	Average Price			Effective Duration		
				Current	New	Diff	Current	New	Diff
FTSE Mortgage Index	253	5,506.70	100.0	101.54	101.68	0.13	4.08	4.02	-0.06
30 Year Fannie Mae	67	2,036.20	37.0	101.66	101.75	0.09	4.33	4.27	-0.07
2.5% Coupon	3	11.10	0.2	95.67	96.17	0.50	5.99	5.92	-0.08
3.0% Coupon	7	454.10	8.2	98.72	98.83	0.11	5.37	5.31	-0.06
3.5% Coupon	9	649.80	11.8	101.02	100.95	-0.07	4.62	4.58	-0.04
4.0% Coupon	10	570.20	10.4	102.79	102.83	0.04	3.80	3.73	-0.07
4.5% Coupon	11	225.50	4.1	104.28	104.58	0.30	3.28	3.16	-0.12
5.0% and Greater Coupon	27	125.50	2.3	106.26	106.97	0.71	3.28	3.17	-0.11
30 Year Freddie Mac	55	1,340.30	24.3	101.65	101.90	0.25	4.33	4.24	-0.10
2.5% Coupon	1	3.40	0.1	95.74	95.60	-0.14	6.29	6.26	-0.03
3.0% Coupon	7	314.90	5.7	98.76	99.00	0.24	5.35	5.27	-0.08
3.5% Coupon	9	444.30	8.1	101.01	101.18	0.16	4.61	4.52	-0.09
4.0% Coupon	10	353.40	6.4	102.84	102.98	0.13	3.77	3.68	-0.09
4.5% Coupon	9	148.70	2.7	104.52	104.86	0.35	3.23	3.09	-0.13
5.0% and Greater Coupon	19	75.60	1.4	106.39	107.63	1.24	3.22	3.05	-0.16

¹ For further details, please see: http://www.yieldbook.com/f/m/pdf/ftse_indexes/announcements/IX2_20190117.pdf.

Figure 1. Estimated Impact on Average Price and Effective Duration (continued)

Index	Cohort Count	Market Value*	Market Weight (%)	Average Price			Effective Duration		
				Current	New	Diff	Current	New	Diff
30 Year Ginnie Mae 2	47	1,444.30	26.2	101.83	101.85	0.02	3.81	3.77	-0.05
2.5% Coupon	2	11.40	0.2	96.69	96.43	-0.26	5.58	5.57	-0.01
3.0% Coupon	7	371.60	6.7	99.71	99.79	0.08	4.81	4.75	-0.06
3.5% Coupon	8	561.30	10.2	101.68	101.72	0.04	4.01	3.96	-0.05
4.0% Coupon	9	303.50	5.5	103.20	103.32	0.12	3.09	3.03	-0.07
4.5% Coupon	9	140.70	2.6	104.06	103.91	-0.15	2.38	2.37	-0.01
5.0% and Greater Coupon	12	55.70	1.0	105.35	104.87	-0.48	2.37	2.40	0.03
30 Year Ginnie Mae 1	25	112.20	2.0	103.06	103.37	0.31	4.26	4.22	-0.05
15 Year Freddie Mac	28	230.80	4.2	99.85	100.18	0.33	3.22	3.19	-0.03
15 Year Fannie Mae	31	342.90	6.2	99.89	100.09	0.21	3.21	3.19	-0.02

* in USD billions. Source: FTSE Russell. Data are as of March 13, 2019. The impact to the index when the price change is implemented may be different from the impact quantified as of March 13, 2019 in this Figure.

Please contact us at fi.index@ftserussell.com if you have any questions.

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