

Update: FTSE Fixed Income Indexes March 2020 Month-End Rebalance Postponement: Additional Details

This announcement includes further clarifying operational details from the version published on March 25, 2020, with respect to the treatment of partial calls and file content.

On March 23, 2020, FTSE Russell announced that it will postpone March 2020 month-end rebalances for monthly rebalanced total return indexes.¹ FTSE Russell further announced that it intends to resume the rebalancing schedule at April 2020 month-end, incorporating turnover for the month of March. This announcement provides further clarifying guidance on the operational implementation of the postponement.

Scope of affected indexes

- FTSE fixed income total return indexes that rebalance on a monthly basis will be postponed for March 2020 month-end rebalancing. This includes the FTSE World Government Bond Index (WGBI) and FTSE World Broad Investment Grade Index (WorldBIG), and other indexes in this family. The rebalance of FTSE MTS monthly rebalanced indexes will also be postponed for March month-end.
- FTSE World Money Market Indexes, which track global eurodeposit rates, and US Treasury Bill Indexes, which measure return equivalents of yield averages based on previous month-end rates, will continue to be updated as normal based on existing rules.
- The monthly rebalances of the FTSE SBI Index, FTSE Kenyan Government Bond Index and FTSE ORB Index will also be suspended.
- The daily rebalanced FTSE Actuaries Gilts Index and FTSE Canada Bond Indexes are not affected, and will continue to be rebalanced as normal. Weekly rebalanced MTS Indexes are also not affected.

Constituent-level turnover and weighting for April indexes

Index universes and par amounts will be “frozen” for the April indexes. However, bonds will contribute to index returns for the month of April based on a recalculated market value, which will reflect March month-end price and accrued interest. Further details on the constituent-level composition for April indexes are detailed as follows:

- No new securities will be added and reopenings will not be reflected as additions to amount outstanding balances. As previously communicated, the scheduled addition of Israel to the FTSE World Government Bond Index (WGBI) and FTSE World Inflation-Linked Securities Index (WorldILSI) will be postponed.
- No new mortgage generic cohorts will be added for the April index. However, March factor updates will be incorporated as normal to reflect net new issuance and paydowns for the April index. The pool-to-cohort mapping files used to generate index-level cohort prices will also continue to reflect the March factor update.
- No securities will be deleted from the index and any buybacks during the month of March will not be reflected as reductions of amount outstanding balances for the April indexes.

¹ For further details, please see: <http://www.yieldbook.com/m/indexes/FTSE-indexes/message.shtml?id=278>.

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- Securities that no longer meet minimum one-year to maturity criteria will not be removed for the April indexes where such a rule exists in published index methodologies.
- Any index composition changes due to ratings upgrades or downgrades will not be reflected for the April index. In the event of a downgrade of South Africa, it will not exit the WGBI or WorldILSI for the April index.
- However, securities that matured or were fully called or tendered during the month of March, up to and including through March 31, will be removed from the April 2020 indexes. For avoidance of doubt, partial calls will not be reflected for the April 2020 indexes.
- Any defaulted bonds will exit the indexes at March month-end, as normal.

Cash handling

- Cash received from coupon payments and paydowns will be reinvested into the index at the end of March, as normal.

Currency return calculations

- Currency hedging calculations will operate as normal for April index calculations. A new one-month forward rate will be incorporated as of March month-end and used to calculate hedged returns for the month of April.

File delivery

- April “Monthly Prelim Profile” files will be produced as normal on March 26, the day after “index fixing day” (March 25) for monthly rebalanced indexes that incorporate a fixing date to their normal rebalancing mechanics.
- April “Monthly Prelim Profile” and official “April Profile” files will reflect indicative data, such as par amount, credit rating and sector, and Average Life values as of February month-end, the same as for March profiles. These files will reflect updated analytics, such as duration and yield, price and accrue interest, as normal.
- April “Daily Profile / Returns” files will reflect indicative data as of the April profiles, and updated analytics, price and accrued interest, as normal.
- FTSE Russell will continue to publish “Daily Preview” files for a select group of flagship indexes as usual for March 24; however these will not reflect the postponed rebalances. Daily preview files will not be produced on March 25. After March fixing, daily preview files will reflect the postponed index rebalances as described above in their composition.
- As previously communicated, FTSE Russell expect that it will resume normal rebalances for April 2020 month-end. As such, April daily preview files will reflect a standard rebalance.

Sub-indexes, custom indexes and capped indexes

- Sub-indexes by maturity band, credit quality, and sector will hold their March index composition for April indexes.
- Custom indexes that derive their membership from the indexes affected by the rebalance postponement and apply a set of custom inclusion or weighting criteria will apply relevant custom rules to the “frozen universe” to calculate the April indexes.
- Composite weights, exposure caps, such as maximum issuer caps, and diversification caps, such as those that apply to country weights, will be reapplied to the “frozen universe” for the April indexes.

FTSE Russell will continue to monitor the evolving situation, and will continue to provide additional clarity as needed.

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Please contact fi.index@ftserussell.com with any questions related to the impact to specific indexes or product files, comments or feedback.

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