

## Minimum Issue Size Criteria Change to the FTSE Chinese Government Bond Index

FTSE Russell regularly reviews the methodology of its index offerings to ensure the indexes continue to be representative of current market conditions and a thorough review with key stakeholders was completed recently on the FTSE Chinese Government Bond Index.

Since the launch of the FTSE Chinese Government Bond index in March 2011, the Chinese onshore bond market has seen significant developments, for example, the China Interbank Bond Market opening up to foreign investors in 2016 and the introduction of the Bond Connect programme in 2017. It is also notable that the average issuance bond size has increased significantly. To maintain the market representativeness and the replicability of the index, effective with the September 2020 profile, the minimum issue size criteria for index inclusion will increase from CNY 20 billion to CNY 35 billion.

As a result, 40 out of 127 bonds will be removed from the FTSE Chinese Government Bond Index, the majority of these bonds were issued before 2011. The change maintains over 90% of current index market value, whilst enhancing the replicability of the Index by removing bonds with relatively poor liquidity and which are difficult to source in the market. The change will also be reflected in other FTSE fixed income indexes, including custom indexes, that include Chinese government bonds, effective with the September 2020 profiles. Figure 1 details the changes to the FTSE Chinese Government Bond Index (CNGBI), FTSE Asian Government Bond Index (AGBI), FTSE AGBI-Capped, FTSE Emerging Markets Government Bond Index (EMGBI), FTSE EMGBI-Capped, and FTSE World Government Bond Index – Extended (WGBI-Extended).

**Figure 1. Changes to FTSE Fixed Income Indexes**

	% Weight of China		Yield-to-Maturity		Modified Duration	
	New	Current	New	Current	New	Current
CNGBI	100.0	100.0	2.60	2.64	5.55	6.06
AGBI	57.3	59.8	2.48	2.52	6.73	6.96
AGBI Capped	20.0	20.0	2.80	2.80	7.13	7.20
EMGBI	54.3	56.9	3.49	3.46	5.62	5.89
EMGBI Capped	10.0	10.0	4.30	4.27	5.67	5.71
WGBI Extended	5.9	6.5	0.48	0.49	8.55	8.56

Source: FTSE Russell. Data as of June 30, 2020

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