

Changes to Index Adjustments for Government Holdings in FTSE World Inflation-Linked Securities Index

On May 11, 2020, FTSE Russell announced that it would consult market participants on the index adjustments for government holdings in the FTSE World Government Bond Index (WGBI) and the FTSE World Inflation-Linked Securities Index (WorldILSI), and indexes that derive their membership from them.¹ FTSE Russell have reviewed the feedback collected from index users for WorldILSI and the following changes, which are designed to ensure consistency in our approach to adjustments across government bond markets, will take effective with the February 2021 profile.

Under existing index rules for WorldILSI, bond-level outstanding amounts are adjusted for government holdings for Japan.

Effective with the February 2021 profiles, adjustments will also be made for the following:

- Canada, adjustment for amounts held by the Bank of Canada at primary auction,
- UK, adjustment for amounts held by the Bank of England and UK Debt Management Office, and
- US, adjustment for amounts held in the Federal Reserve SOMA account.

As a result of these changes, the amount outstanding for 42 US Treasury inflation-protected securities will be reduced by US\$ 274.0 billion and one bond will be removed from the WorldILSI, which comprises 11.90% of the index on a market value weighted basis, the amount outstanding for 28 UK government bonds will be reduced by US\$3.88 billion, which comprises 0.39% of the index on a market value weighted basis and the amount outstanding for 7 Canadian Treasury inflation-protected securities will be reduced by US\$1.05 billion, which comprises 0.06% of the index on a market value weighted basis. Further details can be found in Figure 1.

¹ <http://www.yieldbook.com/m/indexes/FTSE-indexes/message.shtml?id=288>

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Figure 1. Projected Impact of Changes to Government Holdings in the FTSE WorldILSI

	WorldILSI				Projected WorldILSI				Difference			
	Count	Market Value*	MV%	Modified Duration	Count	Market Value*	MV%	Modified Duration	Count	Market Value*	MV%	Modified Duration
United States	43	1,610.4	44.20	8.33	42	1,224.6	37.77	7.67	-1	-385.8	-6.43	-0.66
United Kingdom	28	1,037.5	28.48	21.75	28	1,024.9	31.61	21.89	-	-12.6	3.13	0.14
France	15	285.3	7.83	8.79	15	285.3	8.80	8.79	-	-	0.96	-
Italy	11	190.2	5.22	7.85	11	190.2	5.87	7.85	-	-	0.65	-
Mexico	8	93.6	2.57	9.14	8	93.6	2.89	9.14	-	-	0.32	-
Germany	4	88.2	2.42	9.84	4	88.2	2.72	9.84	-	-	0.30	-
Japan	9	75.5	2.07	5.80	9	75.5	2.33	5.80	-	-	0.26	-
Spain	6	77.0	2.11	6.80	6	77.0	2.37	6.80	-	-	0.26	-
Canada	8	68.5	1.88	15.06	8	66.5	2.05	15.13	-	-2.0	0.17	0.07
Israel	9	59.3	1.63	9.54	9	59.3	1.83	9.54	-	-	0.20	-
Australia	7	36.1	0.99	9.58	7	36.1	1.11	9.58	-	-	0.12	-
Sweden	6	21.6	0.59	6.24	6	21.6	0.67	6.24	-	-	0.08	-
Total	154	3,643.2	100.0	12.28	153	3,242.8	100.0	12.51	-1	-400.4	-	0.23

* in USD billions. Source: FTSE Russell. Data are as of October 31, 2020.

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

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