

Reminder: Addition of Israel to the FTSE World Government Bond Index and the FTSE World Inflation-Linked Securities Index

In September 2019, FTSE Russell announced the inclusion of Israeli local currency government bonds in the FTSE World Government Bond Index (WGBI) and the FTSE World Inflation-Linked Securities Index (WorldILSI), effective for the April 2020 profiles.¹ Israeli government bonds will also be included in the indexes that derive their membership from the WGBI and WorldILSI, or are alternatively weighted based off of them.² Index users are encouraged to contact us with any questions related to the impact to custom indexes.

Prices for Israeli bonds are sourced from the Tel Aviv Stock Exchange using a 5:25 p.m. (Tel Aviv) snap time. Given that the market is closed on Friday, prices used in calculating index performance each Friday are taken from the previous business day. Outstanding amounts for Israeli bonds are adjusted to exclude government buyback amounts.³

This announcement provides additional details on these changes and updated impact projections as of December 31, 2019.

Inclusion of Israel in the FTSE World Government Bond Index

As of December 31, 2019, thirteen ILS-denominated bonds with \$70.2 billion in market value are projected to enter the FTSE World Government Bond Index (WGBI) and would comprise 0.30% of the index on a market value weighted basis.⁴ Further details on the projected impact are provided in Figure 1.

¹ For further details, please see: <https://www.yieldbook.com/m/indexes/FTSE-indexes/message.shtml?id=259>

² For related or custom indexes that incorporate the FTSE fixed income emerging markets definition as part of index inclusion criteria, FTSE Russell also highlights that Israel is currently classified as a developed market.

³ For further details on the Israeli bond market, please see:

<https://mof.gov.il/en/InternationalAffairs/InvestorRelations/PrimerGovernmentBondMarket/PrimerGovernmentBondMarket.pdf>

⁴ The projected impact does not include ISRAEL GOVT BND 1/31/2021 0.5% (ISIN: IL0011422230), which will not meet the minimum one year to maturity criterion of the index as of the March 2020 rebalance date.

Figure 1. Projected Impact of the Inclusion of Israeli Government Bonds in the FTSE WGBI

	WGBI			Projected WGBI + ILS			Difference		
	Count	Market Value*	MV%	Count	Market Value*	MV%	Count	Market Value*	MV%
United States	243	9,100.2	39.06	243	9,100.2	38.94	-	-	-0.12
Japan	259	4,288.1	18.40	259	4,288.1	18.35	-	-	-0.05
France	44	1,873.0	8.04	44	1,873.0	8.01	-	-	-0.03
Italy	71	1,698.6	7.29	71	1,698.6	7.27	-	-	-0.02
Germany	49	1,201.2	5.16	49	1,201.2	5.14	-	-	-0.02
United Kingdom	42	1,240.1	5.32	42	1,240.1	5.31	-	-	-0.01
Spain	39	1,077.9	4.63	39	1,077.9	4.61	-	-	-0.02
Belgium	27	450.0	1.93	27	450.0	1.93	-	-	-0.00
Australia	22	377.0	1.62	22	377.0	1.61	-	-	-0.01
Canada	33	365.6	1.57	33	365.6	1.56	-	-	-0.01
Netherlands	19	354.2	1.52	19	354.2	1.52	-	-	-0.00
Austria	22	263.8	1.13	22	263.8	1.13	-	-	-0.00
Mexico	16	169.1	0.73	16	169.1	0.72	-	-	-0.01
Ireland	14	134.1	0.58	14	134.1	0.57	-	-	-0.01
Poland	16	113.5	0.49	16	113.5	0.49	-	-	-0.00
Finland	18	106.3	0.46	18	106.3	0.45	-	-	-0.01
South Africa	13	120.1	0.52	13	120.1	0.51	-	-	-0.01
Denmark	7	93.9	0.40	7	93.9	0.40	-	-	-0.00
Malaysia	35	90.9	0.39	35	90.9	0.39	-	-	-0.00
Singapore	19	80.6	0.35	19	80.6	0.34	-	-	-0.01
Israel	-	-	-	13	70.2	0.30	13	70.2	0.30
Sweden	7	55.2	0.24	7	55.2	0.24	-	-	-0.00
Norway	8	46.8	0.20	8	46.8	0.20	-	-	-0.00
Total	1,023	23,300.0	100.0	1,036	23,370.2	100.0	13	70.2	

*in USD billions. Source: FTSE Russell. Data are as of December 31, 2019.

Inclusion of Israel in the FTSE Inflation-Linked Securities Index

The FTSE World Inflation-Linked Securities Index (WorldILSI) tracks global government inflation-linked markets. Effective with the April 2020 profile, Israeli local currency, inflation-linked government bonds will be added to the WorldILSI. As of December 31, 2019, ten ILS-denominated bonds with \$57.27 billion in market value are projected to enter the index and would comprise 1.69% of the index on a market value weighted basis. Further details on the projected impact are found in Figure 2.

Figure 2. Projected Impact of the Inclusion of Israeli Inflation-Linked Government Bonds in the FTSE WorldILSI

	WorldILSI			Projected WorldILSI + ILS			Difference		
	Count	Market Value*	MV%	Count	Market Value*	MV%	Count	Market Value*	MV%
United States	41	1,475.5	44.22	41	1,475.5	43.47	-	-	-0.75
United Kingdom	28	929.4	27.85	28	929.4	27.38	-	-	-0.47
France	15	270.9	8.12	15	270.9	7.98	-	-	-0.14
Italy	11	191.1	5.73	11	191.1	5.63	-	-	-0.10
Mexico	7	87.9	2.64	7	87.9	2.59	-	-	-0.05
Germany	4	77.6	2.33	4	77.6	2.29	-	-	-0.04
Japan	8	79.7	2.39	8	79.7	2.35	-	-	-0.04
Spain	6	65.8	1.97	6	65.8	1.94	-	-	-0.03
Canada	8	63.7	1.91	8	63.7	1.88	-	-	-0.03
Israel	-	-	-	10	57.3	1.69	10	57.3	1.69
South Africa	10	40.8	1.22	10	40.8	1.20	-	-	-0.02
Australia	7	33.3	1.00	7	33.3	0.98	-	-	-0.02
Sweden	6	20.9	0.63	6	20.9	0.62	-	-	-0.01
Total	151	3,336.6	100.0	161	3,393.9	100.0	10	57.3	

* in USD billions. Source: FTSE Russell. Data are as of December 31, 2019.

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

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