

Index Announcement

Inclusion of India FAR bonds in Bloomberg Emerging Market Local Currency Government Indices

On January 8th, 2024, Bloomberg Index Services (BISL) opened a [consultation](#) to solicit feedback on the proposed inclusion of the India Fully Accessible Route (FAR) bonds in the Bloomberg Emerging Market (EM) Local Currency Index.

Based on the feedback obtained during the consultation, BISL has made the decision to include India FAR bonds in the Bloomberg EM Local Currency Government Index and all related indices (collectively, the "Indices"). The inclusion of these bonds will be phased in over a 10-month period starting on the rebalance date of January 31, 2025. The weight of India FAR bonds will be increased in increments of 10% of their full market value every month over the 10-month period ending in October 2025, at which point they will be weighted at their full market value (100%) in the indices.

This publication covers the following topics:

- Scope of India FAR bonds that will be added
- Timing of India's initial inclusion and its phase-in period
- Process of how India's exposures will be increased from month to month
- Impact of India's inclusion on key market-value weighted and alternative weighted indices
- India bond pricing and currency exchange rates

Scope

The eligible universe of local currency India bonds will be comprised of INR-denominated India government bonds which are placed through the Fully Accessible Route (FAR). Securities must have a minimum amount outstanding of INR 10bn and follow the general rules of [the Emerging Market Local Currency Index](#) such as requiring bonds to have a minimum maturity of 1 year. To view the full universe of index-eligible INR debt, index users can follow [the Bloomberg Indian Government FAR Bond Index](#) (Ticker: I36285 on the Bloomberg Terminal). As of January 31, 2024, there were 34 Indian FAR bonds (MV: \$448bn) that would be eligible for the EM Local Currency Government Index, and the other Indices.

Figure 1

India FAR bonds being included in the EM Local Currency Index

Issuer	Ticker	Count	MV (\$, bn)	Duration	Yield
India Government Bond	IGB	34	448	6.51	7.15

As of January 31, 2024

Schedule

While the inclusion of Indian securities will be effective in the February 1, 2025 returns universe, the bonds will appear in the projected universe in January 2025 with their amounts outstanding initially scaled at 10%. To illustrate, an Indian Government Bond with an INR 100bn amount outstanding will enter the projected universe in January 2025 with an INR 10bn amount outstanding (100bn x 10% February 2025 scaling factor) and start contributing to index performance in February with the INR 10bn size. On each subsequent month end, the scaling factor will be increased in 10% increments until the scaling factor reaches 100% in the November 2025 returns universe. To further the illustration, the INR 100bn IGB will be reflected in the March returns universe with an INR 20bn amount outstanding (100bn x 20% March 2025 scaling factor), and in November 2025, its full amount outstanding of INR 100bn will be realized. During each month, all eligible existing and new issues will be scaled according to the applicable factor (Figure 2).

Figure 2

Scaling Factor Schedule

Projected Universe	Returns Universe	Scaling Factor
January 2025	February 2025	10%
February 2025	March 2025	20%
March 2025	April 2025	30%
April 2025	May 2025	40%
May 2025	June 2025	50%
June 2025	July 2025	60%
July 2025	August 2025	70%
August 2025	September 2025	80%
September 2025	October 2025	90%
October 2025	November 2025	100%

As of March 4, 2024

Availability of ex-INR Indices

In the coming months, BISL will publish versions of the EM Local Currency and EM Local Currency 10% Index that exclude INR-denominated bonds (i.e., "ex INR indices"). Index users may also request ex-INR versions of other standard and customized indices to be considered for construction.

Pro-Forma Impact

The Bloomberg Emerging Market Local Currency and related indices are in scope for the change. India will continue to be excluded from the Bloomberg Global Aggregate and related indices, while Bloomberg will continue to monitor related market developments.

Once completely phased into the Bloomberg Emerging Market 10% Country Capped Index (Ticker: EMLITRUU), India FAR bonds will be fully capped at 10% weight within the index¹. At that point, Indian Rupee is expected to become the third largest currency component, following the Chinese Renminbi and the South Korean Won, within the Bloomberg Emerging Market Local Currency Index (Ticker: I20344US)¹. Using data as of January 31, 2024, the index would include 34 Indian securities and represent 7.26% of a US\$6.18 trillion index. Additional details of the pro forma impact of inclusion of India are outlined in Figures 3, 4 and 5 below.

Figure 3

Pro Forma Impact of inclusion of India's FAR bonds in the Emerging Markets Local Currency Index²

Index	Count	MV (in \$tn)	YTW	OAD
EM Local Government Index	643	5.73	3.99	6.99
EM Local Government Index + India FAR	677	6.18	4.22	6.96
EM Local Government Index 10% Country Capped	643	5.73	6.03	6.18
EM Local Government Index + India FAR 10% Capped	677	6.18	6.06	6.28

As of January 31, 2024

¹ The pro forma here is using data as of January 31, 2024

² The pro forma here outlines the impact on flagship indices, and other related standard and custom indices may be impacted

Figure 4

**Currencies in Emerging Markets Local Currency
+ Indian Government Bond Index (10% Capped)**

Currency	Count	MV%
Chinese Renminbi	154	10.00%
South Korean Won	66	10.00%
India Rupee	34	10.00%
Indonesia Rupiah	71	9.96%
Malaysia Ringgit	61	8.09%
Mexican Peso	23	7.97%
Brazilian Real	15	7.69%
Thai Baht	40	6.72%
S. African Rand	15	4.77%
Poland Zloty	16	4.58%
Philippines Peso	46	3.69%
Czech Koruna	23	3.52%
Israel Shekel	14	2.78%
Colombia Peso	14	2.71%
New Romanian Leu	25	2.19%
Hungary Forint	18	1.70%
Peru New Sol	11	1.33%
Chile Peso	13	1.26%
New Turkish Lira	18	1.02%
Total	677	100.00%

As of January 31, 2024

Figure 5

**Currencies in Emerging Markets Local Currency
+ Indian Government Bond Index**

Currency	Count	MV%
Chinese Renminbi	154	50.37%
South Korean Won	66	10.35%
India Rupee	34	7.26%
Indonesia Rupiah	71	4.56%
Malaysia Ringgit	61	3.70%
Mexican Peso	23	3.65%
Brazilian Real	15	3.52%
Thai Baht	40	3.07%
S. African Rand	15	2.18%
Poland Zloty	16	2.10%
Philippines Peso	46	1.69%
Czech Koruna	23	1.61%
Israel Shekel	14	1.27%
Colombia Peso	14	1.24%
New Romanian Leu	25	1.00%
Hungary Forint	18	0.78%
Peru New Sol	11	0.61%
Chile Peso	13	0.58%
New Turkish Lira	18	0.47%
Total	677	100.00%

As of January 31, 2024

Capped and Alternative-Weighted Indices

The local currency Indian FAR bonds will be phased into the indices over the 10-month period. Any capping or alternative weighting scheme will be applied to the baseline universe³ of the given capped or alternative weighted index.

If the baseline universe³ includes the scaled Indian FAR bonds (for example, the EM Local Currency Government Index), the capping will be applied to the baseline universe that includes the scaled INR bonds. If the baseline universe³ already includes the Indian FAR bonds (for example, the EM Local Currency Government Universal Index) without any scaling, the capping will continue to be applied to the baseline universe that includes the full market value of the FAR bonds.

India will also be phased into the Bloomberg Emerging Market GDP-weighted Index (Ticker: I23234), Bloomberg Emerging Market Fiscal Strength Weighted Index (Ticker: I35692) and related indices over the 10-month period. For the GDP weighted indices, as the amount outstanding of the Indian bonds is scaled in over a 10-month period, the raw GDP of India used in the calculation of GDP weights will also be scaled in over the 10-month period. For the Fiscal Strength Weighted Indices that apply fundamental country scores as factors on underlying country market cap weights, the country scores will be applied as factors on the country market cap weights of the baseline universe³ that includes the scaled INR bonds.

³ Baseline universe is defined as the underlying universe for the given capped or alternative weighted index. For example, for EM Local Govt-GDP Weighted by Country Index (Index ID: 23234), the baseline universe is EM Local Government Index (Index ID: 20344)

Pricing and Related Issues

All INR bond prices are priced daily using Bloomberg's evaluated pricing service, BVAL's 12pm London bid side price (with new issues on the ask side). On India bond market holidays, prices from the previous business day will be used. Currency spot and forward rates used for currency conversion and hedging use INR rates sourced from WM Reuters as of 4pm (London).

If you have any questions, please contact the Bloomberg Help Desk (<Help><Help>), or indexhelp@bloomberg.net.

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