

# US Universal Index

The Bloomberg US Universal Index represents the union of the US Aggregate Index, US Corporate High Yield Index, Investment Grade 144A Index, Eurodollar Index, US Emerging Markets Index, and the non-ERISA eligible portion of the CMBS Index. The index covers USD-denominated, taxable bonds that are rated either investment grade or high-yield. Some US Universal Index constituents may be eligible for one or more of its contributing subcomponents that are not mutually exclusive. These securities are not double-counted in the index. The U.S. Universal index was created on January 1, 1999, with index history backfilled to January 1, 1990.

## Rules for Inclusion

### Eligible Currencies

Principal and interest must be denominated in USD.

### Quality

The index includes both investment grade (Baa3/BBB-/BBB- or above) and high yield (Ba1/BB+/BB+ or below) using the middle rating of Moody's, S&P, and Fitch. When a rating from only two agencies is available, the lower is used; when only one agency rates a bond, that rating is used. In cases where explicit bond level ratings may not be available, other sources may be used to classify securities by credit quality:

- Local currency treasury and hard currency sovereign issues are classified using the middle issuer level rating from each agency for all outstanding bonds, even if bond level ratings are available.
- Expected ratings at issuance may be used to ensure timely index inclusion or to properly classify split-rated issuers.
- Unrated securities may use an issuer rating for index classification purposes if available. Unrated subordinated securities are included if a subordinated issuer rating is available.

### Amount Outstanding

- For Treasury, government-related and corporate securities, USD300mn minimum par amount outstanding.
- For MBS pass-throughs, pool aggregates must have USD1bn par amount outstanding.
- For ABS, USD500mn minimum deal size and USD25mn minimum tranche size.
- For CMBS, USD500mn minimum deal size with at least USD300mn amount outstanding remaining in the deal and USD25mn minimum tranche size.
- US Treasuries held in the Federal Reserve SOMA account (both purchases at issuance and net secondary market transactions) are deducted from the total amount outstanding. New issuance bought at auction by the Federal Reserve does not enter the index. Net secondary market purchases/sales are adjusted in the Projected Universe of the index weekly, typically on Fridays, and in the Returns Universe once a month, based on the amount outstanding in the Projected Universe at prior month-end.<sup>1</sup>
- For US High Yield securities, USD150mn minimum par amount outstanding.
- For Eurodollar issues, USD300mn minimum par amount outstanding.

<sup>1</sup> All float adjustment updates to the US Treasury amount outstanding in the Projected Universe are made on or prior to T-3 (3 business days before month-end using the U.S. calendar). Further details about indices' treatment of SOMA holdings of US Treasuries can be found in this [note](#).

- For US emerging markets issues, USD500mn minimum at the security level; corporate issuers must have at least USD 1bn in outstanding debt trading in the market.
- For SEC Rule 144A issues, USD300mn minimum par amount outstanding.

**Coupon**

- Fixed-rate coupon
- Pay-in-kind (PIK) bonds and toggle notes are eligible. Partial PIKs are excluded.
- Callable fixed-to-floating rate bonds are eligible during their fixed-rate term only.
- Bonds with a step-up coupon that changes according to a predetermined schedule are eligible.
- US EM Index issues may be floating rate.

**Maturity**

- At least one year until final maturity, regardless of optionality.
- MBS must have a weighted average maturity of at least one year. CMBS and ABS must have a remaining average life of at least one year.
- Bonds that convert from fixed to floating rate, including fixed-to-float perpetuals, will exit the index one year prior to conversion to floating-rate. Fixed-rate perpetuals are not included.
- Sub-indices based on maturity are inclusive of lower bounds. Intermediate maturity bands include bonds with maturities of 1 to 9.999 years. Long maturity bands include maturities of 10 years or greater.

**Taxability**

- Only fully taxable issues are eligible.
- Build America Bonds (BAB) with the tax credit to the issuer are eligible; those with tax credits issued to investors are considered tax exempt.
- Dividend Received Deduction (DRD) and Qualified Dividend Income (QDI) eligible securities are excluded.

**Market of Issue**

- SEC-registered securities, bonds exempt from registration at the time of issuance and SEC Rule 144A securities with registration rights are eligible. A security with both SEC Regulation-S (Reg-S) and SEC Rule 144A tranches is treated as one security for index purposes. The 144A tranche is used to prevent double-counting and represents the combined amount outstanding of the 144A and Reg-S tranches.
- Global bonds are included.
- Bonds that were previously SEC-registered or 144A with registration rights but later deregistered by the issuer remain index eligible.

**Seniority of Debt**

Senior and subordinated issues are included.

**Security Types**

Included	Excluded
<ul style="list-style-type: none"> <li>• Bullet, puttable, sinkable/amortizing and callable bonds</li> <li>• Taxable municipal securities, including Build America Bonds (BAB)</li> <li>• Original issue zero coupon and underwritten MTN</li> <li>• Enhanced equipment trust certificates (EETC)</li> <li>• Certificates of deposit</li> </ul>	<ul style="list-style-type: none"> <li>• Contingent capital securities, including traditional CoCos and contingent write-down securities</li> <li>• Bonds with equity type features (e.g. warrants, convertibles, preferreds, DRD/QDI-eligible issues)</li> <li>• Tax-exempt municipal securities</li> </ul>

- Fixed-rate and fixed-to-float (including fixed-to-variable) capital securities
- Covered bonds (as of January 1, 2011)
- US agency CMBS (as of July 1, 2014)
- Inflation-linked bonds, floating-rate issues (US EM Index issues, however, may be floating rate)
- Private placements, retail bonds
- USD25/USD50 par bonds
- Structured notes, pass-through certificates
- Non-ERISA eligible CMBS issues
- CMBS A1A tranches (as of January 1, 2011)
- Illiquid securities with no available internal or third-party pricing source
- US Treasury STRIPS

## Rebalancing Rules

### Frequency

For each index, Bloomberg maintains two universes of securities: the Returns (Backward) and the Projected (Forward) Universes. The composition of the Returns Universe is rebalanced at each month-end and represents the fixed set of bonds on which index returns are calculated for the next month. The Projected Universe is a forward-looking projection that changes daily to reflect issues dropping out of and entering the index but is not used for return calculations. On the last business day of the month (the rebalancing date), the composition of the latest Projected Universe becomes the Returns Universe for the following month.

### Index Changes

During the month, indicative changes to securities (credit rating change, sector reclassification, amount outstanding changes, corporate actions, and ticker changes) are reflected daily in the Projected and Returns Universe of the index. These changes may cause bonds to enter or fall out of the Projected Universe of the index on a daily basis, but will affect the composition of the Returns Universe at month-end only, when the index is next rebalanced.

### Reinvestment of Cash Flows

Intra-month cash flows from interest and principal payments contribute to monthly index returns but are not reinvested at a short-term reinvestment rate between rebalance dates. At each rebalancing, cash is effectively reinvested into the Returns Universe for the following month so that index results over two or more months reflect monthly compounding.

### New Issues

Qualifying securities issued, but not necessarily settled on or before the month-end rebalancing date, qualify for inclusion in the following month's index if the required security reference information and pricing are readily available.

## Pricing and Related Issues

### Sources & Frequency

- Index-eligible bonds are priced on a daily basis by Bloomberg's evaluated pricing service, BVAL.
- MBS generics are priced daily based on a weighted average price of underlying pools. The pools are priced by BVAL on a same-day settlement basis.

### Pricing Quotes

Bonds are quoted as a percentage of par.

- Timing**
- Prior to January 14, 2021, bonds are priced at 3 p.m. (New York time). On early market closes, prices are taken as of 1 p.m. (New York time), unless otherwise noted.
  - From January 14, 2021, and onwards, bonds are priced at 4 p.m. (New York time). On early market closes, prices are taken as of 2 p.m. (New York time), unless otherwise noted.
  - If the last business day of the month is a public holiday, prices from the previous business day are used.

**Bid or Offer Side** Bonds in the index are priced on the bid side. The initial price for new corporate issues entering the index is the offer side; after the first month, the bid price is used.

**Settlement Assumptions** T+1 calendar day settlement basis for all bonds except MBS, which use same-day settlement. At month-end, settlement is assumed to be the first calendar day of the following month, even if the last business day is not the last day of the month, to allow for one full month of accrued interest to be calculated.

**Verification** Daily price moves for each security are analyzed by the index pricing team to identify outliers. Index users may also challenge price levels, which are then reviewed and updated as needed.

**Currency Hedging** Returns hedged to various non-USD currencies are published for the US Universal Index. The indices' FX hedging methodology takes rolling one-month forward contracts that are reset at the end of each month and hedges each non-reporting currency-denominated bond in the index into the reporting currency terms. No adjustment is made to the hedge during the month to account for price movements of constituent securities in the Returns Universe of the index.

**Calendar** The US Universal Index follows the US bond market holiday schedule.

## Index History

- January 14, 2021** Pricing time moved from 3 p.m. to 4 p.m. EST for USD prices. For early close days, prices are snapped at 2 p.m. EST.
- June 1, 2017** Hybrid ARMs removed from the index.
- April 1, 2017** Liquidity constraint raised to USD300mn from USD250m for Treasury, Government-Related and Corporate securities.
- July 1, 2014** US agency CMBS added to the index.
- June 1, 2014** Global classification scheme modified to incorporate new sectors, sector name changes and sector retirements.
- April 1, 2014** Minimum liquidity for US MBS Index constituents raised from USD250mn to USD1bn.
- April 1, 2013** Loan participation notes (LPNs) eligible for the index.
- May 1, 2012** Issuer eligibility for fixed-rate ABS no longer based on a predefined list of "eligible" issuers.
- January 1, 2011** Covered bonds become eligible. A1A tranches are removed from the CMBS portion of the index.
- October 1, 2009** US ABS home equity sector removed from the index.

<b>January 1, 2008</b>	Fixed-to-floating rate perpetual securities without a coupon step-up on their first call date eligible for inclusion.
<b>April 1, 2007</b>	Agency Hybrid Adjustable Rate Mortgage (ARM) securities added to the index, but not eligible for the Global Aggregate.
<b>January 1, 2007</b>	CMBS HY bonds dropped from the index.
<b>July 1, 2005</b>	Fitch ratings added to Moody's and S&P to determine index eligibility based on the middle rating from each agency.
<b>July 1, 2004</b>	Liquidity constraint raised to USD250mn/USD25mn CMBS tranche size from USD200mn.
<b>October 1, 2003</b>	Liquidity constraint raised to USD200mn from USD150mn. Capital and senior unsecured securities with fixed-to-variable coupons added to the index. Lower of Moody's and S&P rating used to determine index eligibility; previously, Moody's was used as the primary rating with S&P rating used in cases where a Moody's rating was unavailable.
<b>July 1, 2000</b>	ABS liquidity constraint raised to USD500mn for deal size and USD25mn for tranche size. Absorbed all Yankee corporates into their respective industry and sector classification.
<b>July 1, 1999</b>	CMBS Index started contributing to the US Universal Index.
<b>January 1, 1999</b>	Creation date of the US Universal Index, with index history backfilled to January 1, 1990.

## Accessing Index Data

<b>Bloomberg Terminal®</b>	<p>Bloomberg benchmarks are the global standard for capital markets investors.</p> <ul style="list-style-type: none"> <li>● INDE&lt;GO&gt; - The Bloomberg Indices dashboard page, which contains daily, monthly, and year-to-date index returns for key indices from each index family as well as a link to index publications.</li> <li>● IN&lt;GO&gt; - The Bloomberg Index Browser displays the latest performance results and statistics for the indices as well as history. IN presents the indices that make up Bloomberg's global, multi-asset class index families into a hierarchical view, facilitating navigation and comparisons. The "My Indices" tab allows a user to focus on a set of favorite indices.</li> <li>● DES&lt;GO&gt; - The index description page provides transparency into an individual index including membership information, aggregated characteristics and returns, and historical performance.</li> <li>● INP&lt;GO&gt; - The Bloomberg Indices Publications page, which includes methodologies, factsheets, monthly reports, announcements and technical notes. A user may also subscribe to index publications via the "Actions" button.</li> <li>● PORT&lt;GO&gt; - Bloomberg's Portfolio &amp; Risk Analytics solution includes tools to analyze the risk, return, and current structure of indices. Analyze the performance of a portfolio versus a benchmark or use models for performance attribution, tracking error analysis, value-at-risk, scenario analysis, and optimization.</li> </ul>
<b>Bloomberg Indices Website (www.bloomberg.com/indices)</b>	<p>The index website makes available limited index information including:</p> <ul style="list-style-type: none"> <li>● Index methodology and factsheets</li> <li>● Current performance numbers for select indices</li> </ul>

**Data Distribution**

Index subscribers may choose to receive index data in files. Files may include:

- Index level and/or constituent level returns and characteristics for any indices
- Automatic delivery of files via email or SFTP following the completion of the index production process after market close
- Clients may receive standard files or may customize file contents
- Index data is also available via authorized redistributors

**Index Ticker**

LC07TRUU: Total Return USD Unhedged

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