

J.P. Morgan Emerging Markets Bond Index Plus (EMBI+)

Methodology and Factsheet

Highlights

The J.P. Morgan Emerging Markets Bond Index Plus (EMBI+) tracks liquid, US dollar emerging market fixed and floating-rate debt instruments issued by sovereign entities only. The index is based on the established flagship JPMorgan EMBI Global, and uses a rules-based filtering to capture liquid instruments. The Returns are available from December 1993 and Statistics are available from December 1997.

Index Criteria:

Instrument type:	Includes both fixed and floating rate securities along with capitalizing/amortizing bonds. Excludes convertibles, inflation-linked instruments. ¹
Issuer type:	Only sovereign bonds are eligible in the index.
Remaining maturity:	Only those instruments with at least 2.5 years until maturity are considered for inclusion. At each month-end, instruments that will fall below 12 months to maturity during the upcoming month, will be excluded from the Index ²
Amount Outstanding:	Only issues with a current face amount outstanding of \$500 million or more are considered for inclusion. ³
Currency:	Only USD denominated bonds are included. Instruments where the amount of coupon or redemption payment is linked to an exchange rate are not eligible for inclusion.
Country:	Rated Baa1/BBB+/BBB+ or under by Moody's/S&P/Fitch.

Index Characteristics and Methodology:

Pricing:	Bid and Ask prices are taken from a third party pricing source. ⁴
Aggregate Return:	Index/Country level total return is calculated as a weighted average of bond returns using bid side prices.
Rebalancing:	The Index is rebalanced on the last US business day of each month. ⁵
Coupon Treatment:	All coupons received are immediately reinvested into the index.

1- Bonds with embedded options and warrants are eligible for inclusion if the options/warrants are attached to the instruments that would otherwise be included in the index and the prices are quoted cum options or warrants. 2.-At the monthly rebalance, if a bond's maturity falls below 12 months, it will be reviewed for removal. 3- A bond is removed from the index when its current outstanding amount falls below \$500 million. 4-Vendor is currently the third party PricingDirect.5-The index can have ad-hoc rebalances off the scheduled month-end dates due to index events.

Profile of J.P. Morgan Emerging Markets Bond Index Plus (EMBI+)

EMBI+	
Inception Date	Dec 1993
Launch Date	Jul 1995
Rebalance Date	Last US business day of the month
Currency	US\$
Holiday Calendar	Follows US bond market calendar set by Emerging Markets Trader Association (EMTA)
Pricing Source	Bid and Ask prices are taken from a third party pricing source ⁴
FX Spot / Forward Rate	WM/Reuters 4pm London rate
Coupon Reinvestment	All coupons received are immediately reinvested into the index
Hedging Strategy	Assume a 1-month currency forward position that begins on rebalance day and ends on next rebalance day
Country	Rated Baa1/BBB+/BBB+ or under by Moody's/S&P/Fitch
Instrument Type	All fixed, floaters, amortizers, and capitalizers
Min Face Amt Outstanding	US\$500mm
Diversification Methodology	None
Maturity required for initial inclusion	At least 2.5 years till maturity
Maturity required to maintain inclusion	At least 1 year till maturity ²
Includes quasi-sovereign?	No
Weighting Methodology	Market cap.
Face Amt Diversification?	No
Bloomberg Ticker	JPEMCOMP

Source: JPMorgan Chase & Co., as of May 31, 2018

For any questions or for additional information, please contact index.research@jpmorgan.com

Appendix

Instrument type

The J.P. Morgan EMBI+ includes both fixed and floating rate instruments, as well as capitalizing/amortizing bonds. Bonds with embedded options and warrants are eligible for inclusion if a) the options/warrants are attached to instruments that would otherwise be included in the index and b) the quotation convention—as recommended by the Emerging Markets Traders Association (EMTA)—is for instrument prices to be quoted cumulative options or warrants. Convertible bonds are not eligible for inclusion into the index.

Issuer type

The J.P. Morgan EMBI+ contains only those bonds issued by sovereign entities.

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Weighting Methodology

The J.P. Morgan EMBI+ index is a pure market cap weighted index. The weight of each instrument in the J.P. Morgan EMBI+ is then determined by dividing its market capitalization by the total market capitalization for all of the J.P. Morgan EMBI+ instrument allocations. The result represents the weight of each issue expressed as a percentage of the J.P. Morgan EMBI+. By allocating their portfolios according to these exact instrument weights, and accounting for coupon reinvestments and index instrument allocation changes, investors can replicate the performance of the J.P. Morgan EMBI+.

New Issue Timing

A new issue that meets the J.P. Morgan EMBI+ admission requirements is added to the index on the first month-end business date after its issuance, provided its issue date falls before the 15th of the month. A new issue whose issue date falls on or after the 15th of the month is added to the index on the last business day of the next month. The first exception applies to a new issue that is released as part of a debt exchange program. For example, assume a country exchanges a portion of its outstanding debt for a new issue after the 15th of the month. At the month-end rebalancing date immediately following this event, the amount of debt retired in this exchange would be removed from the J.P. Morgan EMBI+, and the new issue would be added to the index (provided official exchange results are made available in a timely manner AND the issue settles by month end).

The second exception concerns Reg S securities. An instrument that is issued purely in reliance on Regulation S of the US Securities Act of 1933 and not pursuant to Rule 144A will be ineligible for inclusion in the J.P. Morgan EMBI+ until it is seasoned (that is, until the expiration of the relevant Regulation S restricted period). The date at which the seasoning restriction is lifted will effectively be the new “issue” date, at which point the 15th of the month rule will apply.

If an announcement is made for a bond to be called, it is removed the month-end prior to its call date on the basis of having less than 12 months remaining until maturity. If an announcement is not made in time for the bond to be removed the prior month-end, it will be removed the first month-end following the announcement.

Global Index Research

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