
PIMCO Unveils Sovereign Bond Benchmarks

By Editor Test *Thu, Jul 15, 2010*

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Fixed income giant PIMCO has launched two sovereign bond indices, the Global Advantage Government Bond and the European Advantage Government Bond, *Investments & Pensions Europe* reported.

The former will cover the full set of investment-grade government bond markets, while the latter will cover government bonds issued by Eurozone member countries.

PIMCO said the indices would employ a GDP-weighting methodology, setting them apart from more traditional benchmarks, which tend to use debt-weighted, market-capitalisation methodologies.

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PIMCO said the new methodology would help position portfolios in countries with stronger growth dynamics, including emerging markets.

GDP-weighting can also benefit from counter-cyclical rebalancing, "as bond prices tend to move inversely to GDP growth over the business cycle", it said.

Ramin Toloui, executive vice-president, said PIMCO's new approach to indexing would help investors avoid more traditional indices' bias toward high-debt issuers.

Global index provider Markit will administer the latest members of the Global Advantage indices, launched at the beginning of last year.

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