
PIMCO Unveils Sovereign Bond Benchmarks

By Editor Test Thu, Jul 15, 2010

Instead of giving the highest weights to countries with the most debt, PIMCO's new indices will give the highest weights to countries with the highest income based on GDP.

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.

Instead of giving the highest weights to countries with the most debt, PIMCO's new indices will give the highest weights to countries with the highest income based on GDP.

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.

© 2010 RIJ Publishing LLC. All rights reserved.