



# MSCI's Fixed Income Building Blocks for Portfolio Construction and Risk Management

▶ Designed to help you fast-track your systematic strategy launch or execute your fixed income trades with confidence

Increased electronic and portfolio trading in credit is resulting in enhanced liquidity and lower transaction costs enabling credit portfolio managers to run systematic strategies. They are also progressively leveraging the linkage between credit and equity markets to bring vast amounts of equity data into their systematic credit processes. We offer readily available building blocks that they can use to help accelerate the investment process. These include alpha building blocks such as relative value signals, portfolio construction building blocks such as optimization engines, and risk management building blocks such as factor risk models.

A growing number of liquidity providers such as banks and market makers are embracing automation and electronification to increase trading of fixed income ETFs, corporate bonds, and credit portfolios to meet their clients' demands. They can also leverage our fixed income building blocks to manage risk arising from increased trading volumes.

## Our Solution – Fixed Income Building Blocks

**Fixed Income Factor Model and Exposures**

**Mispricing Spread Data**

**Probability of Default Model**

**MSCI Optimizer**

**Corporate and Sovereign Issuer Curves**

**Bond Liquidity Measure**

**MSCI FactorLab**

**Fixed Income Factor Model and Exposures:** Analyze key drivers of fixed income risk and return.

- Combines detailed representations of individual fixed income markets and sectors integrated into a global, multi-asset class framework.
- Provides information that can enable more informed investment decisions and client interactions to enable implementation, management, and distribution of fixed income strategies.

Supports portfolio construction, strategy backtesting, hedging, and risk management.

**Corporate and Sovereign Issuer Curves:** Designed to provide a consistent view of issuer's credit with spread curves that best match all of an issuer's bonds.

- Empowers portfolio and risk managers to better analyze their risk and manage their credit portfolios. Investors can use the curves as input into proprietary systematic or factor strategies.
- Our issuer curve generation process has been developed and refined over 20+ years with extensive feedback from our clients.
- Transparency in the actual bonds is being used for curve calibration.

Supports relative value analysis, signal generation, portfolio construction, strategy backtesting, hedging, and risk management.

**Mispricing Spread Data:** Evaluate securities for potential mispricing opportunities.

- Enables evaluation of mispricing spreads resulting from the deviation of a bond's market spread and the expected issuer spread from a smooth spread curve estimated from all of an issuer's liquid bonds.

Supports relative value analysis, signal generation, portfolio construction, strategy backtesting, hedging, and risk management.

**Bond Liquidity Measure:** Find liquid bonds which are not frequently traded.

- MSCI's proprietary bond bid-offer spread methodology provides bid ask spreads for corporate, sovereign, and supranational bonds.
- In contrast to pure trade-based measures, the MSCI Bond Liquidity Measure uses a regression-based methodology to estimate bid-ask spreads for bonds that may not have traded recently.

Supports relative value analysis, signal generation, portfolio construction, strategy backtesting, hedging, and risk management.

**Probability of Default Model:** Get an additional view of creditworthiness of issuers.

- Offers an alternative signal of a firm's creditworthiness that can be used in conjunction with bond-based measures.
- Complements traditional bond or CDS-based measures by deriving the probability of default purely from the equity market and a firm's balance sheet.

Supports relative value analysis, signal generation, portfolio construction, hedging, and risk management.

**MSCI FactorLab:** Supports fixed income strategies using signals from the equity markets.

- MSCI FactorLab provides the latest factor innovation outside of MSCI standard models, designed to be integrated into a current investment strategy.
- Allows access to our curated factor research, which evaluates new data sources and algorithms to identify high-quality factors and their underlying signals.

Supports relative value analysis, signal generation, and portfolio construction.

**MSCI Optimizer:** Designed to automatize your portfolio construction processes.

- Incorporating proprietary solvers developed by MSCI's optimization research team and solvers created by leading optimization experts, MSCI's optimizer is designed to help portfolio managers simulate the investment process and make better asset allocation strategies.

Supports signal generation, portfolio construction, strategy backtesting, hedging, and risk management.

## Integration of MSCI Models and Data\*

Through MSCI's File Transfer Protocols (FTPs), APIs, and Snowflake, we empower easy and flexible integration of our models and data with your existing investment platform.



FTPs: Use secure FTPs for fast and direct access to our models and data.



Snowflake: Use the data cloud software that enables data storage, processing, and analytics solutions that are faster, easier to use, and far more flexible than traditional offerings.



APIs: Direct, intraday access to MSCI's data and calculation engines via modern API's that maximize speed of delivery.

\* Bank loan curves are currently available only through MSCI applications.

## About MSCI

MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 50 years of expertise in research, data and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process.

To learn more, please visit [www.msci.com](http://www.msci.com).

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