

MSCI Fixed Income Index – Glossary of Terms

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Introduction

MSCI Fixed Income Index - Glossary of Terms aims to provide a general outline of the terminology used in MSCI Fixed Income Index methodologies.

Please refer to MSCI Fixed Income Index Calculation Methodology for precise details on index calculation and event handling. Further refer to MSCI Fixed Income Data Methodology document for granular details on input data points like fixed income security prices, yield, spread, duration, convexity etc.

Constituent Level Terminology

Term	Description
144A bond	144A bond is a privately placed bond that is not subject to 2-year minimum holding period requirement and is traded among Qualified Institutional Buyers under the SEC rule 144A.
Accrued Interest	Accrued interest is the amount of interest as a percentage of par that accrues between the last coupon date and the current date.
Ask Price / Offer Price	Ask price / Offer price is the price at which a market participant is prepared to sell a security.
Bid Price	Bid price is the price at which a market participant is prepared to purchase a security.
Bullet bond	Bullet bond is a non-callable bond with a fixed maturity where the entire principal is paid all at once on the maturity date, as opposed to amortizing the bond over its lifetime.
Call	Call is an action taken to pay the principal amount prior to the stated maturity date, in accordance with the provisions for “call” stated in the bond indenture.
Call Date	Call date is the date at which a bond is redeemable by the issuer prior to the maturity date.
Call Price	Call price is the specified price at which a bond may be redeemed or called prior to the maturity date.

Callable Bond	Callable bond is a bond with an embedded option for the issuer to redeem the bond prior to the maturity date, at the call price.
Clean Price	Clean price is the price of a bond excluding accrued interest.
Convertible bond	Convertible bond is a bond with an option allowing the bondholder to exchange the bond for a specified number of shares or common stock.
Convexity	Convexity of a bond is the second derivative of the bond price with respect to yield. It measures the change of duration for a percentage change in yield.
Corporate Bond	Corporate bond is a bond issued by a private corporation.
Coupon	Coupon is the interest rate a bond's issuer promises to pay to the bondholder until maturity, or other redemption event, generally expressed as an annual percentage of the bond's face value.
Coupon Frequency	Coupon frequency is the frequency with which a bond pays interest (e.g., quarterly, semi-annually, yearly).
Coupon Income	Coupon Income is the sum of income derived from regular interest payments received on the face value of bond and accrued interest.
Credit Rating	Credit rating is an evaluation of the credit risk of a prospective issuer, predicting the issuer's ability to pay back the debt, and is an implicit forecast of the likelihood of the issuer defaulting.

CUSIP	<p>The Committee on Uniform Security Identification Procedures (CUSIP) was established by the American Bankers Association to develop a uniform method of identifying securities. CUSIP numbers are unique nine-character alphanumeric identifiers assigned to each series of securities. CUSIPs are assigned by CUSIP Global Services (CGS), the overarching entity representing all CUSIP global identification offerings. CGS is managed on behalf of the American Bankers Association (ABA) by Standard & Poor’s CUSIP Service Bureau.</p>
Dirty Price	<p>Dirty price is the price of a bond including accrued interest.</p>
Dual Currency Bond	<p>Dual currency bond is a bond which has coupon payments in one currency and the principal payment in another currency.</p>
Duration to Worst	<p>Duration to Worst is the duration of a bond computed using the nearest call date or maturity, whichever comes first.</p>
Effective Convexity	<p>Effective convexity is measure of a bond's convexity which takes into account its embedded options.</p>
Effective Duration	<p>Effective duration is measure of a bond's duration which takes into account its embedded options.</p>
Equity Clawbacks	<p>Equity Clawbacks allow the bond issuer to refinance a certain amount of the outstanding bonds with proceeds from an equity offering.</p>

Fixed to Floating Rate Bond	Fixed to floating rate bond is a bond where coupon rate changes from fixed rate to floating rate on pre-determined date in future.
Floating Rate Bond	Floating rate bond is a bond with variable coupon rate.
Fungible Bonds	Fungible bonds are new bonds that are issued as separate tranches but are eventually merged or 'funged' into existing bonds of the same issuer, with which they share the same characteristics.
Hybrid Bond	Hybrid bond is bond which combines both debt and equity characteristics. The most common type of hybrid bond is a convertible bond.
Income Return	Income Return of a bond represents part of total return that is attributable to change in the accrued interest, as well as it accounts for cash inflow from coupon payments and income from principal redemption.
Investment Grade	Investment grade is a broad credit designation given to bonds which have a high probability of being paid and minor, if any, speculative features. Bonds rated Baa3 and higher by Moody's Investors Service or BBB- and higher by Standard & Poor's are deemed by those agencies to be "investment grade."
Inflation Protected Bond	Inflation protected bond is a bond that is indexed to inflation and pays investors a fixed interest rate on the bond's par value adjusted for inflation.

<p>ISIN</p>	<p>An International Securities Identification Number (ISIN) uniquely identifies a security. Its structure is defined in International Standard for Organization 6166. Securities for which ISINs are issued include bonds, commercial paper, equities and warrants. The ISIN code is a 12-character alpha-numerical code that does not contain information characterizing financial instruments but serves for uniform identification of a security at trading and settlement.</p>
<p>Market Value</p>	<p>Market Value of a bond is defined as the product of its amount outstanding and dirty price.</p>
<p>Market Value with Cash</p>	<p>Market Value with Cash of a bond is defined as sum of its market value and its total cumulative cash balance.</p>
<p>Maturity Date</p>	<p>Maturity date is the date when the principal amount of the bond is due to be repaid and interest payments stop.</p>
<p>Modified Duration</p>	<p>Modified duration of a bond is the first derivative of the bond price with respect to yield. It measures the change of price for a percentage change in yield.</p>
<p>Amount Outstanding</p>	<p>Amount outstanding is the principal amount outstanding of the bond.</p>
<p>OAS (Option Adjusted Spread)</p>	<p>OAS is the spread over the benchmark zero coupon curve that is realized if the bond is held until maturity. Its calculation considers the interest rate volatility for the embedded option in the bond.</p>

Payment-In-Kind bond	Payment-in-kind bond is a type of bond that defers complete or partial coupon payment by delivering more bonds in the form of additional amount outstanding to the bondholder.
Perpetual bond	Perpetual bond is a bond with no maturity date.
Preferred Stock	Preferred stock is stock that pays a fixed dividend. In a company's capital structure it has preference over common stocks, but is behind debt in the case of bankruptcy.
Price Income	Price income is the income generated due to change in clean price of bond due to market movements.
Price Return	Price return of a bond represents part of total return that is attributable to change in the clean price of a bond.
Private Placement Bond	Private placement bond is a bond sold directly to an investor.
Puttable Bond	Puttable bond is a bond that gives the holder the right to force the issuer or the issuer's agent to repurchase the bond at a predetermined price, at a predetermined date or dates, prior to the final stated maturity date.
Redemption Income	Redemption Income is income generated from redemption of principal at a price which is either at a premium or discount compared to bond's closing market price on the day.
Regulation S (Reg S)	Regulation S – often referred to as 'Reg S', provides an SEC compliant way for US and non-US companies to raise capital outside the United States.

<p>Senior Bond</p>	<p>Senior bond holds senior debt which is considered lower risk than subordinated debt. Although senior debt holders must be repaid before other unsecured creditors in a bankruptcy event, the securities are backed only by the credit of the issuer and its ability to service the debt.</p>
<p>SIFMA US Holidays</p>	<p>The Securities Industry and Financial Markets Association (SIFMA) is a United States industry trade group representing securities firms, banks, and asset management companies. On behalf of financial markets participants, SIFMA recommends a holiday schedule for financial markets in the U.S., U.K. and Japan. All SIFMA holiday recommendations apply to the trading of U.S. dollar-denominated government securities, mortgage- and asset-backed securities, over-the-counter investment-grade and high-yield corporate bonds, municipal bonds and secondary money market trading in bankers' acceptances, commercial paper and Yankee and Euro certificates of deposit.</p>
<p>Sinkable bond</p>	<p>Sinkable bond is a bond backed by a fund that sets aside money at a pre-defined rate and according to a pre-defined schedule, to ensure principal and interest payments.</p>
<p>Step-down coupon bond</p>	<p>Step-down coupon bond is a bond in which coupon decreases over time at pre-determined rates and dates in the future.</p>
<p>Step-up coupon bond</p>	<p>Step-up coupon bond is a bond in which coupon increases over time at pre-determined rates and dates in the future.</p>
<p>Strippable Bond</p>	<p>Strippable bond is a bond in which regular coupon and the principal are divided and sold separately.</p>

<p>Subordinated Bond</p>	<p>Subordinated bond holds subordinated debt which is any type of loan that's paid after all other corporate debts and loans are repaid, in the event of a borrower's bankruptcy.</p>
<p>Time to Maturity</p>	<p>Time to maturity is calculated as the number of years between the current date and the maturity date.</p>
<p>Total cumulative cash balance</p>	<p>Total cumulative cash balance of the bond is the sum of cash accrued from its interest payments and principal redemption since the last rebalancing date. Total cumulative cash balance of the security is reset to zero on the rebalancing date.</p>
<p>Total Return</p>	<p>Total return is the sum of the Income return and the Price return of a bond.</p>
<p>Warrant</p>	<p>Warrant attached to bond entitles the holder to buy the underlying stock of the issuing company at a fixed price called exercise price until the expiry date.</p>
<p>Yield to Maturity</p>	<p>Yield to maturity is an annual rate of return expected on a bond based on its current price and the assumption that it will be held till the maturity date.</p>
<p>Yield to Worst</p>	<p>Yield to worst represents the lowest potential yield that an investor would receive on a bond if provisions like prepayment, call etc. are used by the issuer.</p>

**Zero Coupon
bond**

Zero coupon bond is a bond which does not pay any coupon.

Index Level Terminology

Term	Description
Announcement Date	Announcement date is the date on which results of index review are disseminated publicly.
Cut-off Date	Cut-off date is the date whereby, data as of close of that date is considered in the index rebalancing.
Daily Index Return	Daily Index Return is day-over-day change in index levels.
Income Return Index Level	Income Return Index level represents cumulative performance of index relative to its base value, due to income return of constituent securities.
Index Average Amount Outstanding	Index average amount outstanding is the simple average of the outstanding principal of all the securities in the index.
Index Average Clean Price	Index average clean price is the amount outstanding weighted average of the clean price of all the bonds in the index.
Index Average Convexity	Index average convexity is market value weighted average of the convexity of all the bonds in the index.

<p>Index Average Coupon</p>	<p>Index average coupon is the amount outstanding weighted average of the coupon of all the bonds in the index.</p>
<p>Index Average Credit Rating</p>	<p>Index average credit rating is the market value weighted average of the credit rating of all the bonds in the index.</p>
<p>Index Average Dirty Price</p>	<p>Index average dirty price is the amount outstanding weighted average of the dirty price of all the bonds in the index.</p>
<p>Index Average Effective Convexity</p>	<p>Index average effective convexity is the market value weighted average of the effective convexity of all the bonds in the index.</p>
<p>Index Average Effective Duration</p>	<p>Index average effective duration is the market value weighted average of the effective duration of all the bonds in the index.</p>
<p>Index Average Modified Duration</p>	<p>Index average modified duration is the market value weighted average of the modified duration of all the fixed income securities in the index.</p>
<p>Index Average OAS</p>	<p>Index average OAS is the market value weighted average of the option adjusted spread of all the bonds in the index.</p>

<p>Index Average Time to Maturity</p>	<p>Index average time to maturity is the market value weighted average of the time to maturity of all the bonds in the index.</p>
<p>Index Average Yield to Maturity</p>	<p>Index average yield to maturity is the market value weighted average of the yield to maturity of all the bonds in the index.</p>
<p>Index Average Yield to Worst</p>	<p>Index average yield to worst is the market value weighted average of the yield to worst of all the bonds in the index.</p>
<p>Index Base Value</p>	<p>Index base value is starting value (e.g. 1000) of an index against which ongoing calculations are done and performance of the index is measured.</p>
<p>Index Constituent Count</p>	<p>Index constituent count is the number of bonds in the index.</p>
<p>Index Income Return</p>	<p>Index income return is market value weighted average of constituent level income return of bonds in the index.</p>
<p>Index Level</p>	<p>Index level is value of an index relative to its base value.</p>

Index Price Return	Index price return is market value weighted average of constituent level price return of bonds in the index.
Index Total Return	Index total return is market value weighted average of constituent level total return of bonds in the index.
Price Return Index Level	Price Return Index level represents cumulative performance of index relative to its base value, due to price return of constituent securities.
Rebalancing	Rebalancing of an index is the application of the index methodology rules which generally results in additions, deletions and weight changes of the underlying securities in the index.
Rebalancing date	Rebalancing date is date when the changes to the index published on the announcement date become effective.
Settlement Date	Settlement date is date on which the trade settles i.e. securities must be paid for (purchase) or securities must be delivered (sale).
Total Return Index Level	Total Return Index level represents cumulative performance of index relative to its base value, due to total return of constituent bonds.

Turnover

Turnover is the measure of the index composition shift using the market value of securities entering and exiting the index.

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