

Index Announcements | June 11, 2019

U.S. 4PM CLOSING INDEX VALUES

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4pm closing values now available for select U.S. bond indices

ICE Data Indices is now publishing 4pm ET closing index values for certain of its U.S. bond indices, including the flagship ICE BofAML US High Yield and Investment Grade Corporate Indices. In addition to the 4pm closing index values, ICE Data Indices will continue to publish the 3pm closing index values for all of its U.S. fixed income indices, offering investors flexibility in meeting their benchmarking needs.

Eliminates a source of tracking error

An hour would not seem to be too much time from a performance reporting perspective, but the markets are constantly moving and these days even a few basis points in incremental tracking error is something that does not go unnoticed. As an example (Table 1), over the first five months of 2019 the US Corporate Index 3pm-4pm average daily tracking error is 4bp with a one-day high of 20bp. Every basis point of tracking error matters to a passive fund manager but differentials of that magnitude are of concern to active fund managers as well.

Can be accessed on the ICE Index Platform

The 4pm closing index values are now available on the ICE Index Platform as well as through a number of third party distribution platforms. The initial list of indices for which 4pm closing values are available is provided below. Additional indices may be added on request.

Index Ticker	Index Name
H0A0	ICE BofAML US High Yield Index
H0A4	ICE BofAML BB-B US High Yield Index
HUCD	ICE BofAML 0-5 Year US High Yield Constrained Index
JUC4	ICE BofAML BB-B US Cash Pay High Yield Constrained Index
C0A0	ICE BofAML US Corporate Index
G001	ICE BofAML US 3-Month Treasury Bill Index
GC03	ICE BofAML 1-Year US Treasury Note Index
G102	ICE BofAML 1-3 Year US Treasury Index
G0QI	ICE BofAML US Inflation-Linked Treasury Index
GVQI	ICE BofAML 1-5 Year US Inflation-Linked Treasury Index
G8QI	ICE BofAML 15+ Year US Inflation-Linked Treasury Index
STPL	ICE BofAML Long US Treasury Principal STRIPS Index

4pm closing index values now available

U.S. funds that are required to strike NAVs using 4pm pricing have long struggled with the tracking error associated with measuring their performance against bond indices that are valued using 3pm pricing. To help eliminate that performance measurement gap, ICE Data Indices is now publishing 4pm ET closing index values for certain of its U.S. bond indices, including the flagship ICE BofAML US High Yield and investment grade Corporate Indices. In addition to the 4pm closing index values, ICE Data Indices will continue to publish the 3pm closing index values for all of its U.S. bond indices, offering investors flexibility in meeting their benchmarking needs.

How much difference could an hour make?

An hour would not seem to be too much time from a performance reporting perspective, but the markets are constantly moving and these days even a few basis points in incremental tracking error is something that does not go unnoticed. The average tracking error attributed to a one hour timing differential can be more than a few basis points, particularly for long duration indices. And average tracking error is not the only consideration. These differentials are also distorting the measurement of the amount of risk that a fund is taking in relation to its benchmark index.

The US Corporate Index 3pm-4pm average daily tracking error is 4bp.

We analyzed the average daily tracking error between the 3pm and 4pm closing values for the indices over the first five months of 2019 (Table 1; Charts 1-3). Most of the short duration indices, such as the 1-Year Treasury Note Index and the 1-3 Year US Treasury Index averaged about a basis point in tracking error. The US High Yield Index has a relatively short duration (3.83 years) and it too averaged about a basis point in tracking error over that period, though it had a one-day high differential of over 5bp. By contrast, the US Corporate Index, with a duration of 7.26 years, had an average daily tracking error of almost 4bp with a one-day high of 20bp. And the 15+ Year TIPs and Long STRIPs Indices had over 15bp in average daily tracking error with one-day highs of over half a percent each. Every basis point of tracking error matters to a passive fund manager but differentials of that magnitude are of concern to active fund managers as well.

Table 1: Average daily tracking error attributed to 3pm vs. 4pm pricing (1/2/19-5/31/19)

Ticker	Index	Max daily tracking error (bps)	Avg daily tracking error (bps)
H0A0	ICE BofAML US High Yield Index	5.3	1.1
H0A4	ICE BofAML BB-B US High Yield Index	4.7	1.0
HUCD	ICE BofAML 0-5 Year US High Yield Constrained Index	4.5	1.0
JUC4	ICE BofAML BB-B US Cash Pay High Yield Constrained Index	4.7	1.0
C0A0	ICE BofAML US Corporate Index	20.4	3.8
G001	ICE BofAML US 3-Month Treasury Bill Index	1.3	0.2
GC03	ICE BofAML 1-Year US Treasury Note Index	2.4	0.8
G102	ICE BofAML 1-3 Year US Treasury Index	5.6	1.0
GOQI	ICE BofAML US Inflation-Linked Treasury Index	23.6	5.0
GVQI	ICE BofAML 1-5 Year US Inflation-Linked Treasury Index	20.5	2.4
G8QI	ICE BofAML 15+ Year US Inflation-Linked Treasury Index	53.6	12.4
STPL	ICE BofAML Long US Treasury Principal STRIPS Index	80.3	17.3

Chart 1: US Corporate Index (C0A0) 3pm-4pm daily return differentials

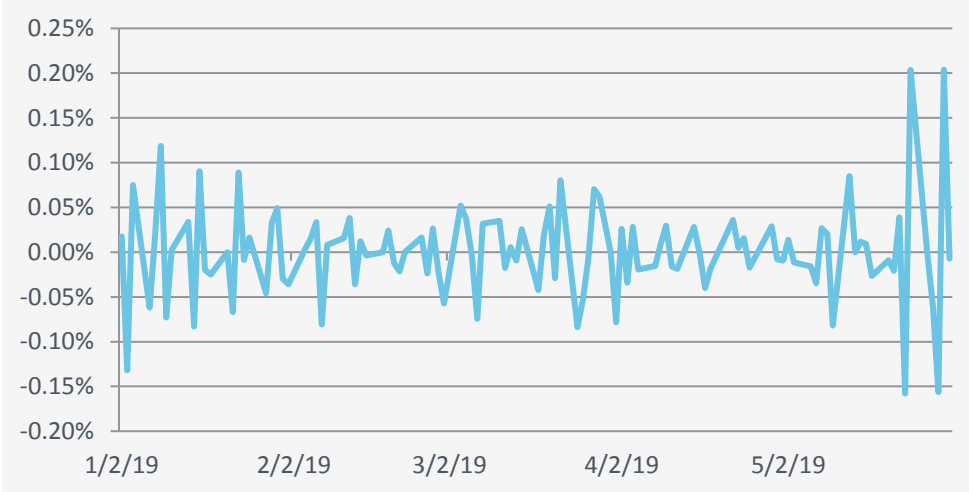


Chart 2: US High Yield Index (H0A0) 3pm-4pm daily return differentials

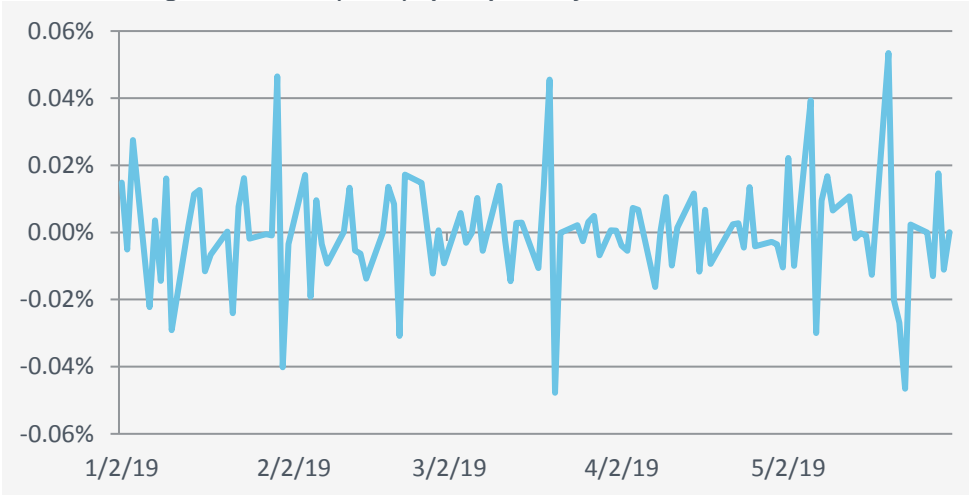
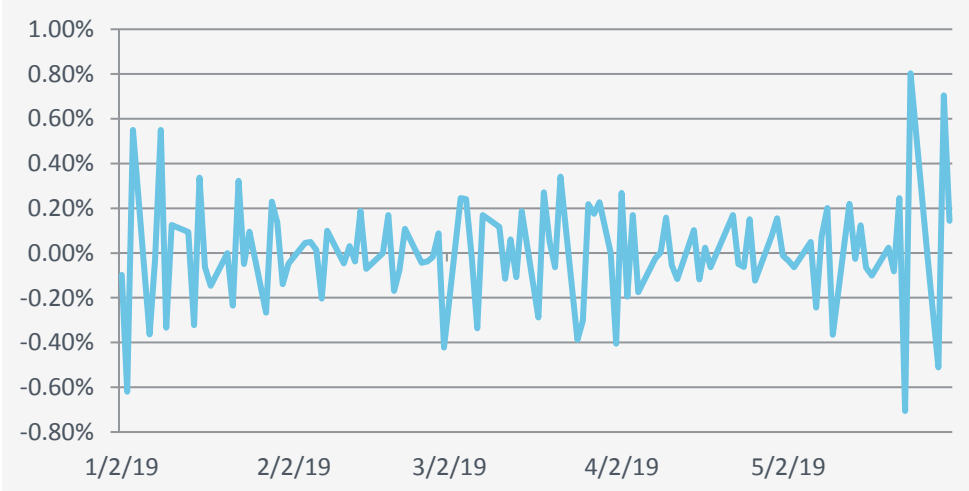
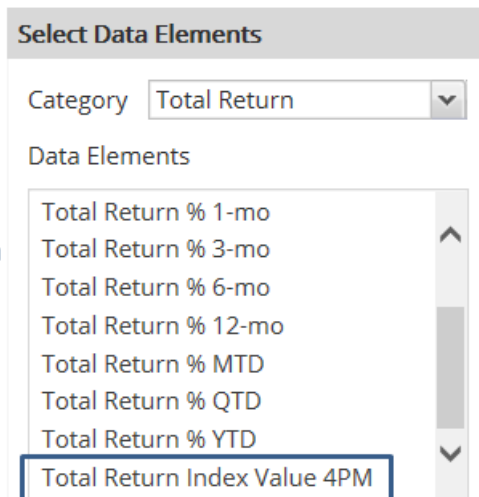


Chart 3: Long US Treasury Principal STRIPS Index (STPL) 3pm-4pm daily return differentials



Accessing 4pm closing index values

You can access 4pm closing index values via the Charting, Download and Report Scheduler functions on the ICE Index Platform as well as through a number of third party redistributors. Within those functions, select the total return category and choose the “Total Return Index Value 4PM” from the Data Elements list. Select “Total Return Index Value” for the 3pm closing index value.



Select Data Elements

Category: Total Return

Data Elements

- Total Return % 1-mo
- Total Return % 3-mo
- Total Return % 6-mo
- Total Return % 12-mo
- Total Return % MTD
- Total Return % QTD
- Total Return % YTD
- Total Return Index Value 4PM**

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