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**World Bank picks Pimco to manage currency bond fund**

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WASHINGTON (Reuters) - Pimco, the world’s biggest bond fund, has been selected by the World Bank to manage a planned $5 billion local currency bond fund for emerging economies.

The World Bank Group announced the creation of the Global Emerging Markets Local Currency Bond Fund, or Gemloc, last year to assist fast-developing economies build their local currency bond markets.

The move will help countries mobilize development finance for long-term projects like infrastructure and to shield against potential disruptions in international currency markets, Michael Klein, chief economist at the International Finance Corp, the Bank’s private-sector lender, said.

The bank on Tuesday also selected data provider Markit to develop a new emerging markets bond index that will track benchmark local currency bonds. The index will be based on market size and performance criteria that assess the investment climate in a particular country.

The index will initially cover 20 emerging markets including China, Chile, Brazil, Mexico, India, Malaysia, Nigeria, South Africa, Poland, Hungary, Colombia, Egypt and Turkey.

Bill Thompson, the chief executive of Pacific Investment Management Co., known as Pimco, said Gemloc offered investors the opportunity to explore a full range of investment alternatives in domestic markets, including in a local currency.

Pimco currently manages about $80 billion in assets in emerging markets, of which $50 billion is in local currency bond markets.

“The chance for more countries to develop and move up the curve in terms of advancing their bond markets is very powerful from the developmental standpoint locally and also broadens the road map of where they can go,” Thompson told Reuters.

While about 70 percent of emerging market debt is denominated in local currencies, institutional investors hold only around 10 percent of their emerging market debt investments in local currencies. Gemloc hopes to increase this investment.

Thompson said investors were eager to invest in emerging markets, especially with worries about the economic slowdown and financial turmoil in developed markets.

“You have some credit-worthiness around in some of these countries that is truly an opportunity for investors,” Thompson said. “We will look toward our existing client base and to others that we think are beginning to catch more of this opportunity for potential investments going forward.”

Curtis Mewbourne, Pimco portfolio manager and managing director, said the current financial turmoil in developed markets had prompted investors to look to countries with strong domestic fundamentals.

“There are countries that are developing towards that category and to the degree they are able to do that in these challenging conditions means that more capital and investment will go towards those countries,” Mewbourne said.

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