

Inclusion in J P Morgan Emerging Market

Global Diversified Index from 28.06.2024

STRATEGIC MANAGEMENT AND ECONOMIC ADVISORY DIVISION

Funds Inflow is expected to be around \$20 billion

Chart 1: Movement of FII Investment

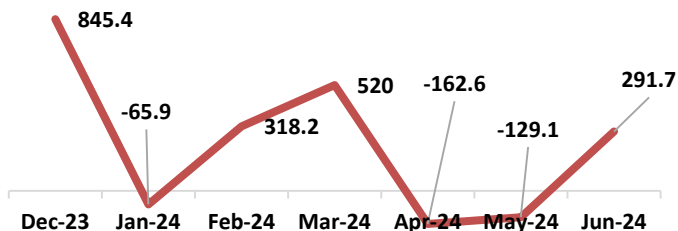


Chart 2: Indicative Value of Aggregate Holding of FPI FAR Holding (INR CR#)

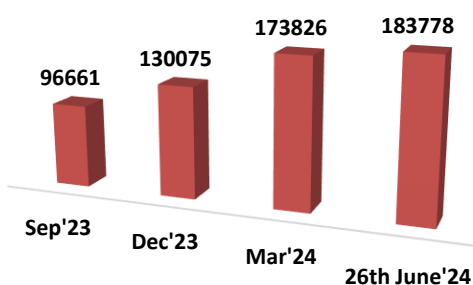
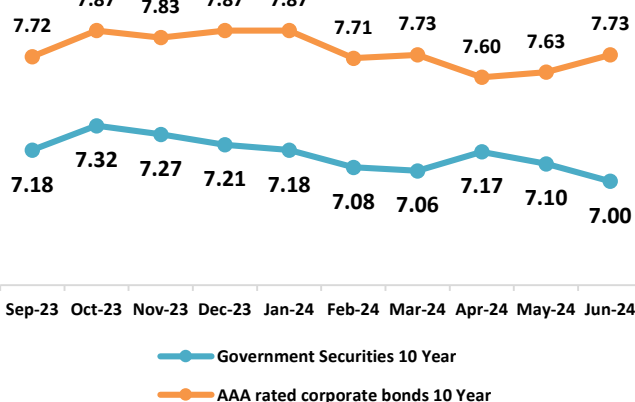


Chart 3: Movement of 10 year G Sec Yield and AAA Corporate Bond (10 Year)



- Indian government bonds are now included in JPMorgan Chase & Co's emerging markets bond index following the announcement in September 2023.
- India becomes the 25th market to be included in the index since its launch in June 2005. ***This inclusion is anticipated to result in global flows worth \$20 billion to \$25 billion into the Indian bond market.***
- The inclusion will occur over a period of 10 months from June 28, 2024, through to March 31, 2025, at the inclusion rate of about 1% weight per month. JP Morgan Emerging Market Bond Index (EMBI) is tracking the total returns for traded external debt instruments in the emerging markets.
- Since the announcement, there has been continuous increase in indicative value of Aggregate Holding of FPIs as it can be seen in Chart 2. ***As on 04.07.2024, the Indicative value of Aggregate Holding of FPI is Rs. 1.9 Trillion.***
- However, India's index-eligible bonds have already attracted \$10 billion since the inclusion was announced in September last year.
- The 10 Y Government Bond Yield have come down fairly with an increase in prices of the Bonds since inclusion. ***From as high as 7.32 per cent in Oct'23, it is hovering around 7.00 per cent in July 2024.***
- With the declining yield, there has been moderation in 10 year Benchmark yield of AAA Corporate Bond also due to its high demand as we can see the the Chart 3. Moderation of Corporate Bond Yield ***may have a positive impact on the cost of borrowing for businesses and individuals facilitating the economic growth.***
- Inclusion of Bonds will definitely increase the accessibility, add stability and enhance global acceptability of the Indian Bond which is likely to increase investment further.

Eligibility:

- Only Indian government bonds issued by the Reserve Bank of India (RBI) under the Fully Accessible Route (FAR) are to be included in the indices.
- All FAR-designated Indian Government Bonds (IGBs) maturing after December 31, 2026 are eligible.
- JP Morgan has included 29 Indian government securities under the Fully Accessible Route (FAR) in its emerging market index.