

India Local Government Bonds Added To Jp Morgan Index: Trigger Billions Inflows

Why In News

- JP Morgan Said It Will **Include Indian Government Bonds In Its Widely Tracked Emerging Market Debt Index**. This Inclusion Is Likely To Prompt Billions Of Dollars Of Inflows Into The World's Fifth-Largest Economy.
- It Will Include Indian Government Bonds To Its Emerging Markets Bond Index From June 2024, A Much-Anticipated Move Which Could Attract More Foreign Flows Into The Domestic Government Securities Market.



When Will It Start

- The Process Of Inclusion Is Set To Commence On **June 28, 2024**, And Will Span A Duration Of Ten Months.
- During This Period, There Will **Be Incremental Increases Of 1 Per Cent** In India's Index Weighting, Ultimately Reaching The Maximum **Allocation Of 10 Per Cent**.

JP Morgan Index

- The JP Morgan Emerging Market Bond Index Are A **Set Of Three Bond Indices** To Track Bonds In Emerging Markets Operated By J P Morgan.
- This Index Is Closely Followed By Global Funds, With **Approximately \$236 Billion In Assets** Benchmarked Against It.
- The Indices Are The Emerging Markets Bond Index Plus, The Emerging Markets Bond Index Global And The Emerging Markets Bond Global Diversified Index.



Weightage Assigned To India

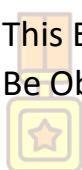
- India, Which Will Be Included In The GBI-EM Global Index Suite Starting June 28, 2024, Is Expected To Reach The **Maximum Weight Of 10 Per Cent** In The GBI-EM Global Diversified Index (GBI-EM GD).
- Inclusion Of The Bonds Will Be Staggered Over 10 Months Through March 31, 2025.

Impact On India

- The Move Has Significant Implications For **India's Economy And Global Investors**, As It Paves The Way For Inflows Worth Billions Of Dollars Into The World's Fifth-Largest Economy.
- **23 Indian Government Bonds** Are Eligible To Be Included In The Index. These Bonds Have A Combined Notional Value Of **\$330 Billion**.



- India's Weight Is Expected To Reach The Maximum Weight Threshold Of 10 Per Cent In The GBI-EM Global Diversified, And Approximately 8.7 Per Cent In The Gbi-Em Global Index,"
- This Will **Reset The Base Rate** For India And The Yield Should Come Down Sharply. India's Cost Of Borrowing Will Come Down. Since Covid-19, The Fiscal Deficit In India Has Remained Elevated Due To Higher Borrowing.
- This Event Will **Ease Borrowing Pressure** As A Large Part Of The Borrowing Will Be Observed By This Route.



- The Announcement Has Given A **Boost To The Indian Rupee** As Well when there is a demand for investors to buy Indian government bonds denominated in rupees then naturally the demand for rupees will increase



- This Means Local Government Bonds Will Be Included In The GBI-EM Index And The Index Suite, Which Is Benchmarked By Approximately **\$236 Billion** In Global Funds.

Potential For Further Investments

- The Inclusion Of Indian Bonds In JP Morgan's Index Could Encourage Other Investors And Institutions To Follow Suit, Leading To Increased Foreign Investment In Indian Bonds.

