S&P Dow Jones Indices

S&P Global

TalkingPoints:
Bonding With the S&P 500®

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With more and more eyes on the bond market, S&P Dow Jones Indices launched the S&P 500 Bond Index, a corporate-bond counterpart of the iconic S&P 500.

The S&P 500 Bond Index is now calculated real-time throughout the day and directly corresponds to movement in the U.S. bond market.

Timing Is Everything (Why Now?)

The S&P 500 has been the flagship index tracking the U.S. equity market for over 50 years. Over the past few years, corporations have issued large amounts of debt, likely taking advantage of the lower interest rate environment. The time came for S&P Dow Jones Indices to represent this by creating an index that seeks to track the debt that is issued by members of the S&P 500.

The S&P 500 Bond Index does just that, and more. Bond markets are often seen by investors and advisors as being quite complex. This index simplifies the bond market through its relationship to the S&P 500. Most investors are familiar with the iconic index that is designed to track large-cap U.S. equities, so the S&P 500 Bond Index can make the corporate bond market more approachable, given that investors are generally already familiar with the corporations whose debt is being measured by the index. S&P Dow Jones Indices has several bond indices that are much broader in scope—the S&P 500 Bond Index differentiates itself from those broader indices.

How it Works

The S&P 500 Bond Index uses a rules-based methodology to create an easily understandable bond index based on the S&P 500. The rules are based on the type of bond and minimum par amount outstanding thresholds, among other factors. The index follows a weighting scheme based on market value (calculated as the par amount outstanding times the price of the bond), making it easy to compare with other fixed income index benchmarks. A significant portion of the equity market is represented in this bond index, as it currently includes debt issuance from approximately 430 of the S&P 500's members, totaling around USD 3 trillion in debt outstanding.

Key Benefits

- Apples-to-apples comparison: The S&P 500 Bond Index could be used to provide a comparison between the equity and bond markets, given that constituents of the S&P 500 Bond Index are also members of the S&P 500.
- Transparency: The index makes opaque bond markets more transparent by focusing on issuers that are already familiar with investors.
- Diversification: The S&P 500 Bond Index mirrors the GICS® 10 sector approach of the S&P 500. Sector- and ratings-based subindices will also be calculated.
- Liquidity: The index is designed to track only liquid debt.

Why Is This Index Unique?

The S&P 500 Bond Index is the first of its kind and is directly related to the S&P 500, the most widely regarded gauge of U.S. equity indices. By providing real-time index values throughout the day, the index offers previously unavailable intraday transparency to the market for the debt of America's most influential companies.

How Can the Market Benefit From Access to This Real-Time Data?

It reduces the noise of comparing bond and stock markets by making side by side comparisons of equity and bond markets using the debt of the companies in the S&P 500.

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