

Citi Indexes for EME Debt Markets: WGBI

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Citi's foray into Local Market Indices

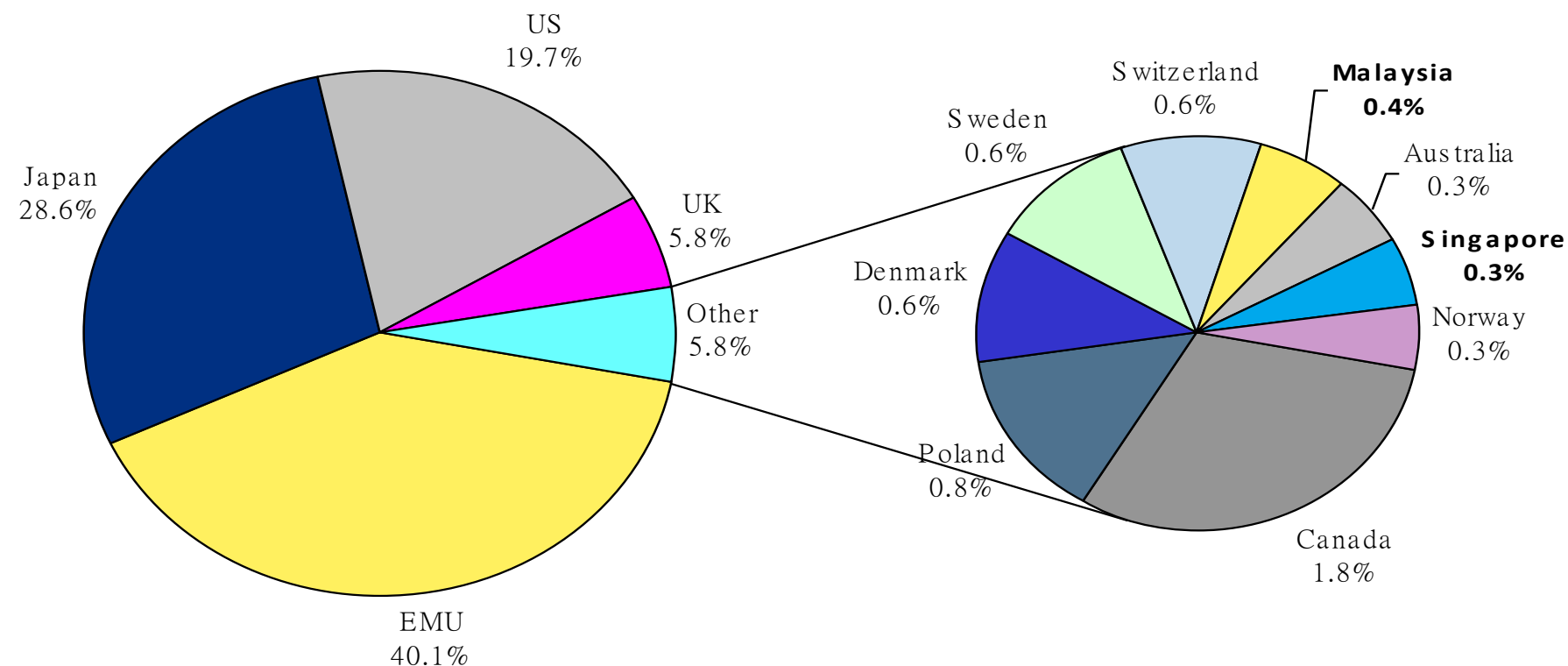
- Investors are different
 - Absolute return highly levered funds
 - buy and sell quickly differing degree of lock ins
 - benchmarks are cost of funding and manage draw-downs
 - Large asset pools of dedicated money run against a variety of benchmarks
 - Active management
 - Passive management depending on the quite different vis a vis more dedicated accounts
- Collaboration with Public Agencies
 - Best practices for EMEs to guide countries in accessing foreign pools of capital—a role for the IMF, BIS, and WB?
 - Index providers, public agencies and EMEs all have something to gain—more and better business; more efficient/liquid EME capital/debt markets; reduction in risks systemically
 - A win-win—but is this GEMLOC?

World Government Bond Index Design Criteria

Coupon	Fixed rate coupon, exclude zero-coupon bonds
Minimum Maturity	One year
Minimum Size Outstanding	<p>Australia: A\$750 million (net of LCIR amounts)</p> <p>Canada: C\$2.5 billion</p> <p>Denmark: Dkr20 billion</p> <p>EMU Markets: €2.5 billion</p> <p>Japan: ¥500 billion, 20- and 30-year bonds: ¥450 billion (excludes Bank of Japan holdings)</p> <p>Malaysia: RM4 billion</p> <p>Norway: NOK20 billion</p> <p>Poland: PLN5 billion</p> <p>Singapore: S\$1.5 billion</p> <p>Sweden: SEK25 billion</p> <p>Switzerland: Sfr4 billion</p> <p>United Kingdom: £2 billion (exclude perpetual)</p> <p>United States: US\$5 billion public amount outstanding</p>
Minimum Quality	BBB-/Baa3 by either S&P or Moody's
Weighting	Market Capitalization updated once a month
Composition	Sovereign debt denominated in the domestic currency

A market's eligible issues must total at least US\$20 billion, €15 billion, and ¥2.5 trillion for the market to be considered eligible for inclusion

WGBI Country Exposure



Source: Citigroup Index LLC.



WGBI Profile

	No of Issues	Market value in USD (Million)	Market Weight (%)	Quality	Maturity
EMU	231	4,633,476	40.07	AA+	8.5 Yrs.
Japan	201	3,306,458	28.60	AA	6.8 Yrs.
US	133	2,283,813	19.75	AAA	6.6 Yrs.
UK	27	665,424	5.75	AAA	15.1 Yrs.
Canada	22	205,260	1.78	AAA	10.2 Yrs.
Poland	10	93,716	0.81	A	4.9 Yrs.
Denmark	7	74,065	0.64	AAA	6.0 Yrs.
Sweden	9	73,797	0.64	AAA	5.7 Yrs.
Switzerland	11	68,904	0.60	AAA	6.5 Yrs.
Malaysia	17	45,890	0.40	A+	5.3 Yrs.
Australia	9	37,695	0.33	AAA	5.9 Yrs.
Singapore	16	37,929	0.33	AAA	5.9 Yrs.
Norway	5	36,269	0.31	AAA	4.8 Yrs.
Total	698	11,562,697	100.00	AAA	7.9 Yrs.

Consolidated International Banking Statistics

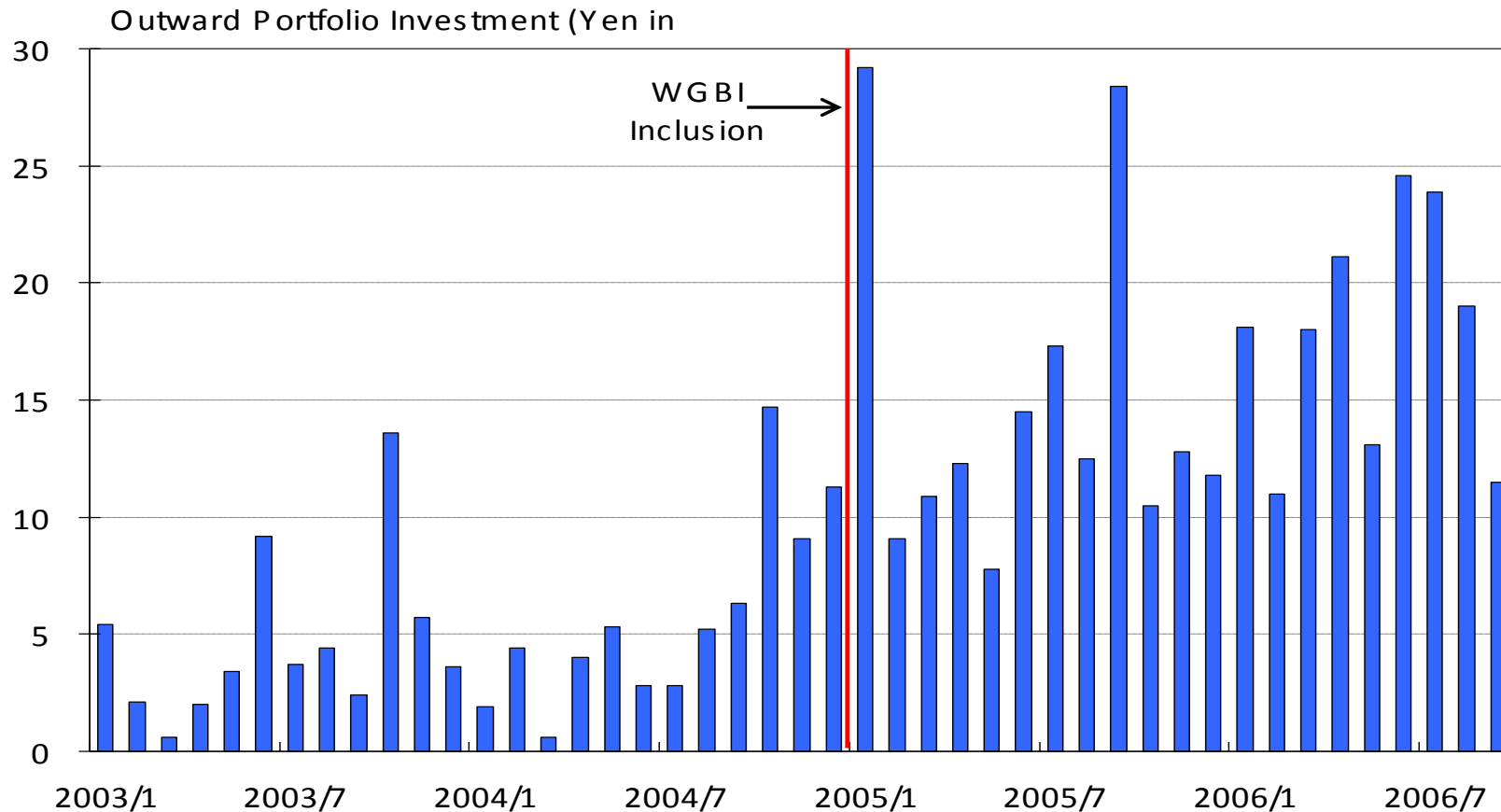
Consolidated cross-border claims in all currencies and local claims in non-local currencies : Public Sector

	02/12	03/3	03/6	03/9	03/12	04/3	04/6	04/9	04/12	05/3	05/6	05/9	05/12	06/3	06/6	06/9	06/12	07/3	07/6	07/9
Asia/Pacific	7,954	7,498	7,619	7,765	7,582	7,547	8,710	7,910	8,630	8,461	9,342	9,946	10,620	10,467	10,148	9,946	11,328	11,614	11,767	12,070
South Korea	1,936	2,065	2,447	2,434	1,760	1,744	2,264	2,042	2,374	2,153	2,870	2,997	3,243	3,138	3,115	2,997	3,945	3,976	3,854	3,929
Malaysia	1,715	1,625	1,541	1,730	1,545	1,503	1,615	1,420	1,320	1,468	1,530	1,460	1,443	1,421	1,486	1,460	1,739	1,664	1,615	1,856
Singapore	50	44	57	67	83	89	80	95	308	495	777	728	696	734	920	728	1,010	933	1,181	1,071
Taiwan	8	1	1	4	11	86	274	202	239	164	120	264	330	60	141	264	56	59	146	193
China	1,214	1,020	991	965	1,462	1,535	1,603	1,428	1,399	1,250	1,155	1,372	1,520	1,857	1,782	1,372	1,994	1,928	2,059	1,866
India	295	294	257	232	228	212	212	144	173	243	279	361	456	600	562	361	447	524	498	589
Indonesia	789	617	565	576	711	672	444	439	464	381	376	419	558	476	477	419	544	570	699	659
Philippines	758	748	760	715	790	756	872	880	817	882	1,062	1,083	1,077	1,129	1,142	1,083	1,051	1,223	1,280	1,354
Thailand	1,062	941	903	894	891	871	1,312	1,233	1,726	1,789	1,832	1,877	1,854	1,656	1,264	1,877	1,324	1,434	1,322	1,306
Vietnam	15	14	6	4	9	9	14	26	24	38	39	37	68	64	106	37	157	169	221	247
Other	162	173	148	211	175	159	100	96	92	95	80	75	72	67	75	75	70	66	73	71
Poland	103	56	293	409	521	758	882	1,032	1,399	1,831	2,000	2,300	2,418	2,506	2,509	2,507	2,991	3,302	3,564	3,319
Norway	198	240	386	832	1,723	1,654	1,515	1,178	1,602	2,418	2,960	3,608	3,101	3,369	3,523	2,866	3,372	3,913	5,295	6,556
Mexico	1,977	1,949	1,975	1,973	1,819	1,840	1,662	971	1,011	1,215	1,269	1,386	1,374	1,580	1,899	1,905	1,773	1,933	2,041	1,991
South Africa	564	460	641	633	643	602	537	556	578	543	517	680	671	545	598	578	753	742	846	798

Source: Bank for International Settlements

Japanese Portfolio Investment to Singapore

Japan's outward portfolio investment in Singaporean bonds and notes jumped following the inclusion of Citigroup WGBI in January 2005.



Source: Japan's Balance of Payments Statistics, Ministry

Why aren't some of the bigger EM markets included in WGBI?

- Taxes, Barriers of Entry, Accessibility of bonds (liquidity), FX control, etc
- However, EM markets are growing and an increasingly broad set of investors are interested in these markets.
- Pools of capital are also becoming more dispersed around the world and not only in Asia but also in the Mid East
- Upcoming indices:

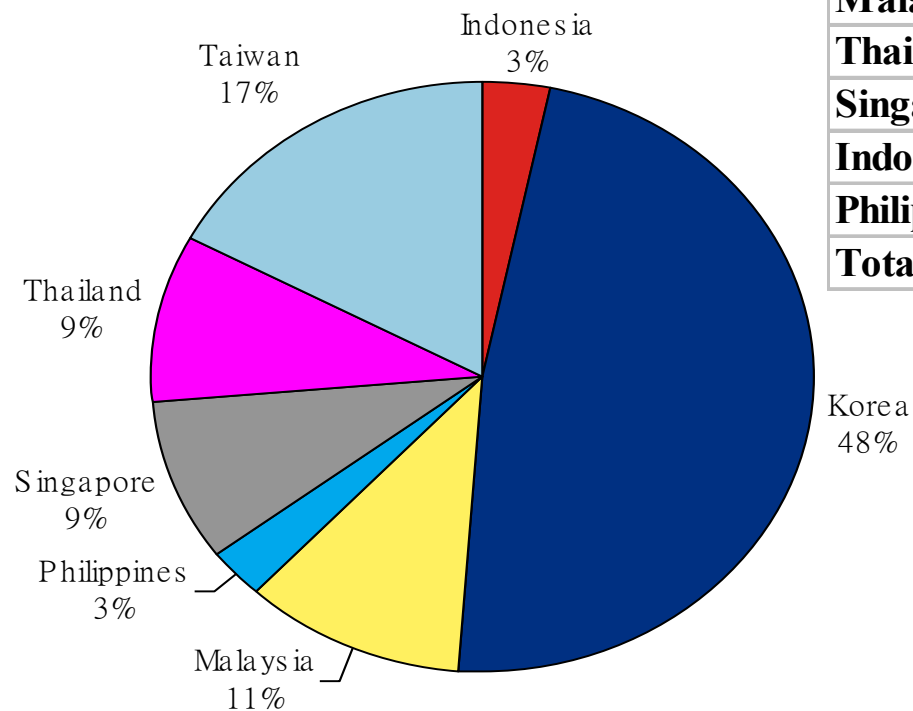
Asian Government Bond Index (AGBI)

Mexican Government Bond Index

Asian Government Bond Index Design Criteria

Coupon	Fixed rate coupon, exclude zero-coupon bonds
Minimum Maturity	One year
Minimum Size Outstanding	South Korea: W1 trillion Singapore: S\$1.5 billion Taiwan: NT\$40 billion Malaysia: RM4 billion Thailand: THB25 billion Indonesia: IDR7.5 trillion Philippines: PHP45 billion
Minimum Quality	C by S&P and Moody's
Weighting	Market capitalization updated once a month

AGBI Country Exposure

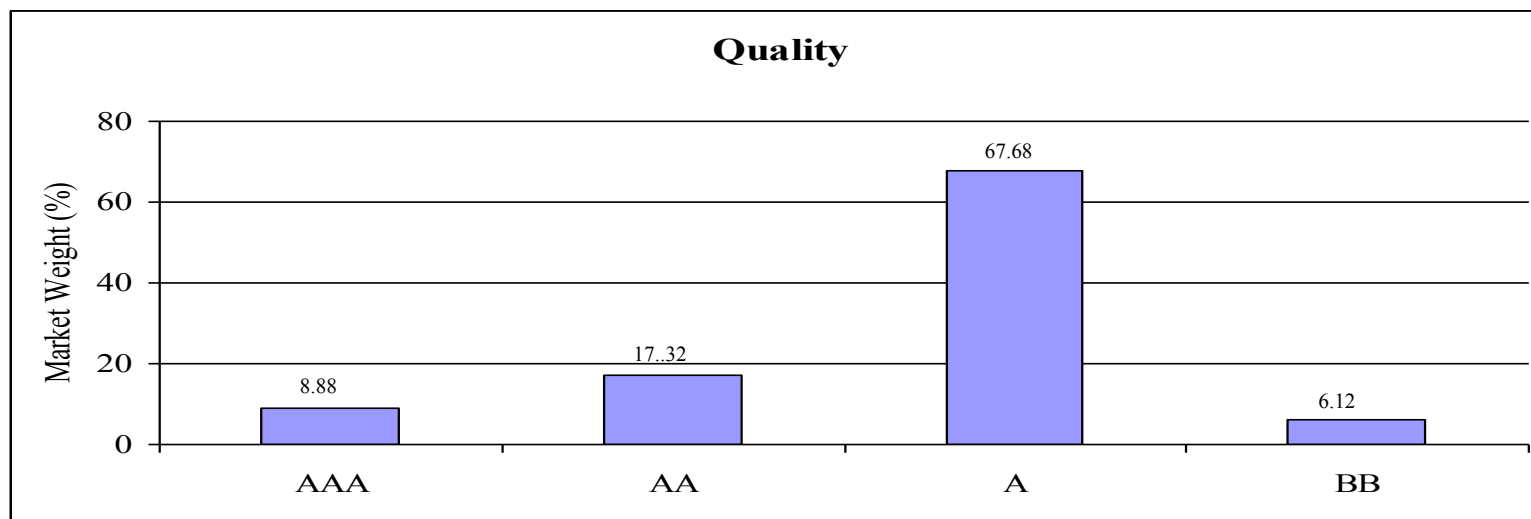
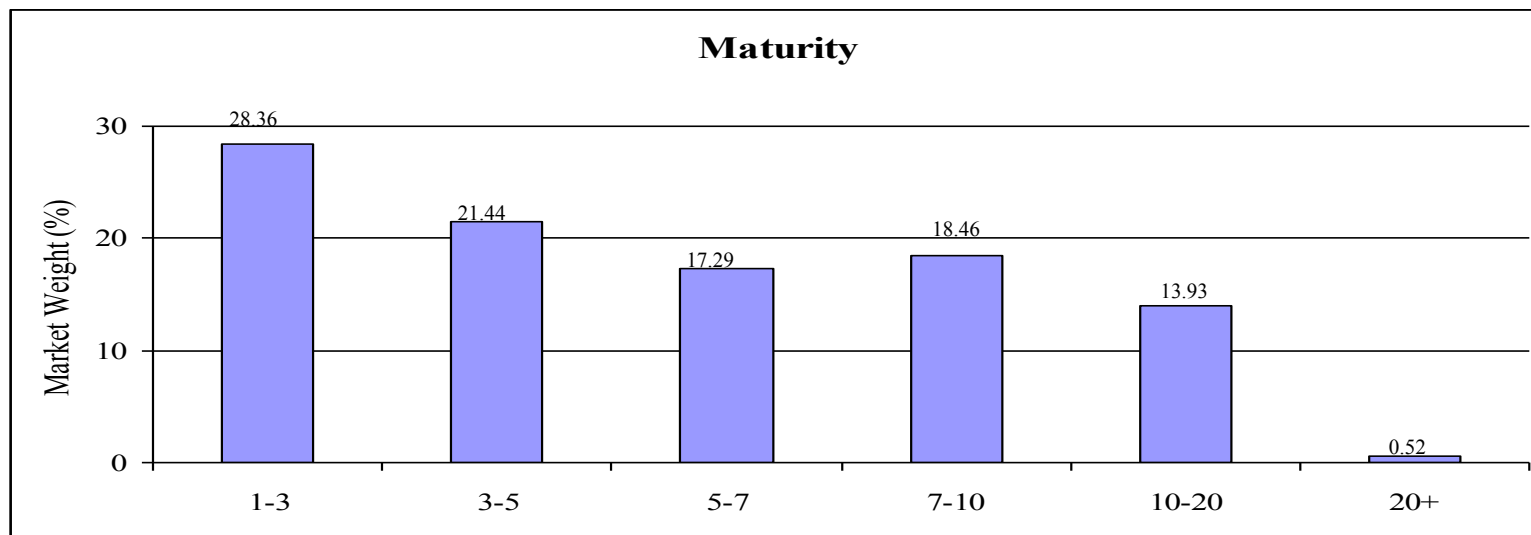


	No of Issues	Market Value in USD (Million)	Marekt Weight (%)	Quality
Korea	28	203,349	47.60	A+
Taiwan	39	73,994	17.32	AA-
Malaysia	17	45,890	10.74	A+
Thailand	29	39,919	9.34	A
Singapore	16	37,929	8.88	AAA
Indonesia	11	13,874	3.25	BB+
Philippines	6	12,273	2.87	BB+
Total	146	427,229	100.00	A+

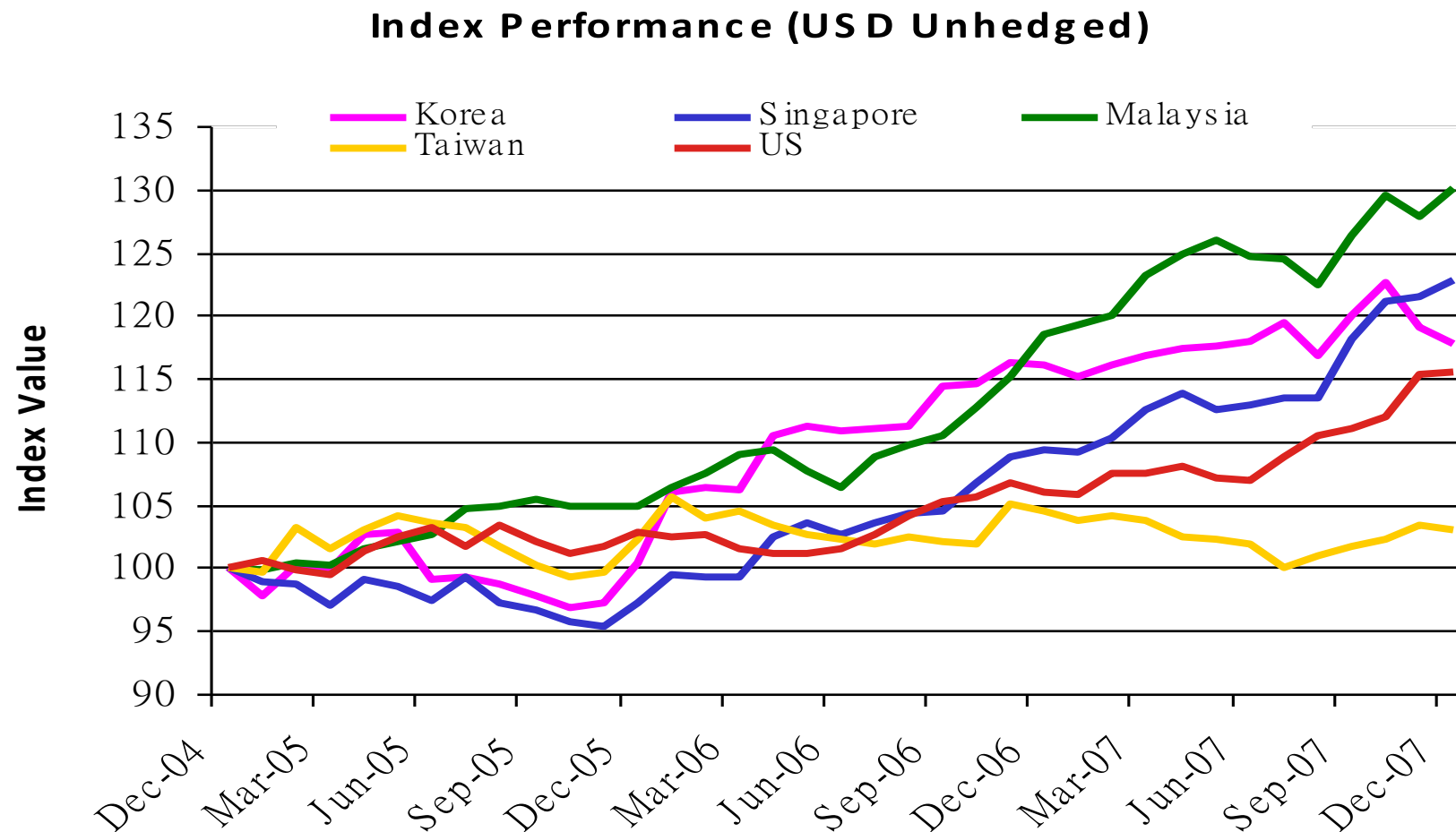
Data as of 1/22/08

Source: Citigroup Index LLC.

AGBI Profile



Historical Performance for Selected Markets



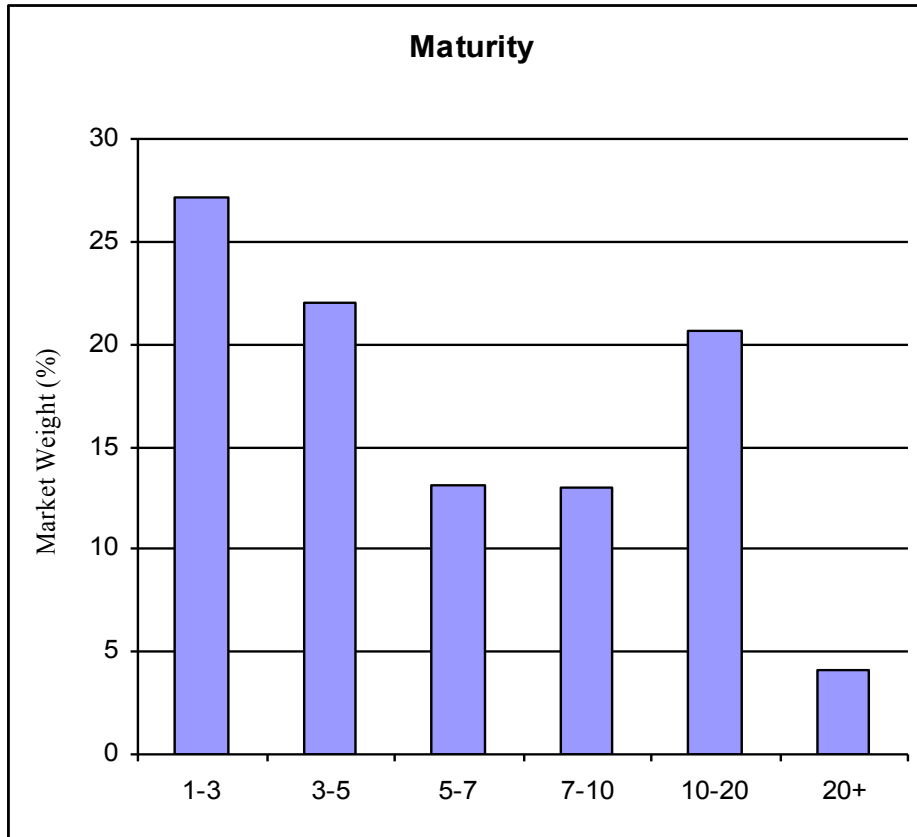
Source: Citigroup Index LLC.

Mexican Government Bond Index Design Criteria

Coupon	Fixed rate coupon
Minimum Maturity	One year
Minimum Size	MXN10 billion
Minimum Quality	BBB-/Baa3 by either S&P or Moody's
Weighting	Market Capitalization updated once a month
Composition	Exclude bonds issued prior to January 2003

Source: Citigroup Index LLC.

Mexican Government Bond Index Profile



	No of Issues	Market Value in USD (million)	Market Weight (%)
1-3	3	22,501	27.13
3-5	4	18,266	22.03
5-7	3	10,907	13.15
7-10	2	10,759	12.97
10-20	3	17,089	20.61
20+	1	3,412	4.11
Total	16	82,934	100.00

Data as of 1/22/08

Source: Citigroup Index LLC.

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