JSE Market Data Division expands its Indices offering

By Ana Forssman

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The Johannesburg Stock Exchange's (JSE) Market Data division is currently working on some key projects that will broaden the division's service offering.

The development of a structured market data roadmap, for example, will provide for a broader global reach for all its stakeholders. The exchange is also looking to expand the live market data available from other JSE markets to the London point of presence – including equity, commodity, currency and fixed income derivatives. In addition, it is working with FTSE to expand its customised indices offering. For the 2012 financial year, 45% of all JSE data was sold to international clients indicating a demand for investment in South Africa.

Throughout the past 10 years, FTSE and the JSE have been working together to create the FTSE/JSE Africa index series, there are currently 108 active indices. This relationship allows the exchange access to specialised index research and development, as well as specialised indices through FTSE's strategic index partners such as Research Affiliates and Yasaar.

We can't speak highly enough about FTSE's index data generation capabilities and index analytical competence. This relationship provides our domestic market with indices that comply with international index standards, industry classification and methodologies. For international investors, having international index standards makes investing in products based on our indices much more accessible.

The exchange launched a few new indices in March this year including the FTSE/JSE Capped Shariah Top 40 Index, the FTSE/JSE Equally Weighted Financial 15 Index, the FTSE/JSE Equally Weighted Resources 10 Index and the FTSE/JSE Equally Weighted Industrial 25 Index.

FTSE/JSE Capped Shariah Top 40 Index

The FTSE/JSE Capped Shariah Top 40 Index was launched following the FTSE Group and JSE Ltd joining forces with Yasaar Limited to enhance the existing FTSE/JSE Shariah Index Series. It was launched following market demand for indices with limited company weightings. Its objective is to meet a number of different requirements of the investment industry, including the need for an objective benchmark that achieves the goal of risk

diversification; an investable universe for local interest in Shariah compliance; an index that is compliant with current legislation; an index that more closely represents the current investment patterns of asset managers.

The constituents of the Shariah Top 40 Index are capped at 10% to create the FTSE/JSE Capped Shariah Top 40 Index. This allows for decreasing risk exposure as the concentration among constituents and certain sectors are diversified.

International and local investors looking to invest according to Islamic principles can rest assured that the index is fully Shariah compliant.

FTSE/JSE Equally Weighted Financial 15 Index

As with the FTSE/JSE Financial 15 Index, the FTSE/JSE Equally Weighted Financial 15 Index consists of the same constituents, however, all constituent companies have the same weighting and therefore the importance of each company in the index does not depend on its market capitalisation.

It is aimed at fund managers globally and locally and will extend the FTSE/JSE Africa Index range as it provides a variation from existing indices. This allows for greater risk diversification and benchmarking for performance, particularly in equity portfolios.

FTSE/JSE Equally Weighted Resources 10 Index

The third Index, FTSE/JSE Equally Weighted Resources 10 Index, provides an alternative to indices constructed according to the market values of the companies. It is aimed at fund managers globally and locally and will provide variation from existing indices, allowing greater risk diversification and benchmarking for performance, particularly in equity portfolios.

It follows the construction of the existing FTSE/JSE Resource 10 Index with regards to quarterly index reviews, constituents' eligibility and constituent price data. Therefore, the constituents of the equally weighted index will always be similar to the constituents of the FTSE/JSE Resource 10 Index and they assume the same rules for construction in terms of shares in issue and corporate actions. The only difference between the two indices is the weightings of the constituents.

FTSE/JSE Equally Weighted Industrial 25 Index

Finally, the FTSE/JSE Equally Weighted Industrial 25 Index has been designed as a benchmark for measuring performance, particularly for equity portfolios for funds achieving risk diversification.

This is an independent and publicly available index that measures performance other than peer group performance for fund managers and, measuring price characteristics of constituents.

This Index follows the construction of the existing FTSE/JSE Industrial 25 Index with regards to quarterly index reviews, constituents' eligibility and constituent price data. Therefore, the constituents of the equally weighted index will always be similar to the constituents of the Industrial 25 Index.

About Ana Forssman:

Ana Forssman heads up the Johannesburg Stock Exchange's (JSE) Data Sales Division, a position she has held since 2004. She is also a member of the JSE's Executive Committee. She is responsible for ensuring that the JSE remains abreast of all international practices in the data industry, and that it remains locally relevant and globally competitive. Ana was the founder of the Financial Services Market data industry in South Africa. Ana is qualified in marketing, personnel, training, industrial relations management, strategy and negotiation.