

Dynamic Tolerance Data

Daily price movement qualifier
for fixed income



Data driven dynamic tolerance bands that bring efficiency to your workflow

End-of-day valuations are vital for an organization as they play a crucial role in investor and shareholder confidence. When markets are volatile, or sporadic credit events have far reaching implications, it can be difficult to determine appropriate valuation levels for single securities.

With fund boards responsible for Good Faith Determinations of Fair Value via SEC Rule 2a-5 and with a challenging mandate in the hands of a pricing team, it is prudent to equip them with appropriate tools and datasets for a smooth daily process. Daily fund valuations or month-ends and quarter-ends when time is of the essence, isolating the genuinely challenging price movements can significantly accelerate the valuation process.

This is why we have created a data set complementing its fixed income pricing service that provides additional context around day-on-day price movements for bonds.

Methodology

We calculate daily bond specific dynamic tolerance levels with consideration to credit and rates movements observed in the wider market and the underlying riskiness of the instrument.

Day-on-day bond price movements are compared to algorithmically determined dynamic tolerance levels and instruments are flagged if the absolute price movement falls outside of the acceptable minimum/maximum range.

Supplementary information on the depth and type of observations provides further transparency on the data used as an input to our evaluated prices.

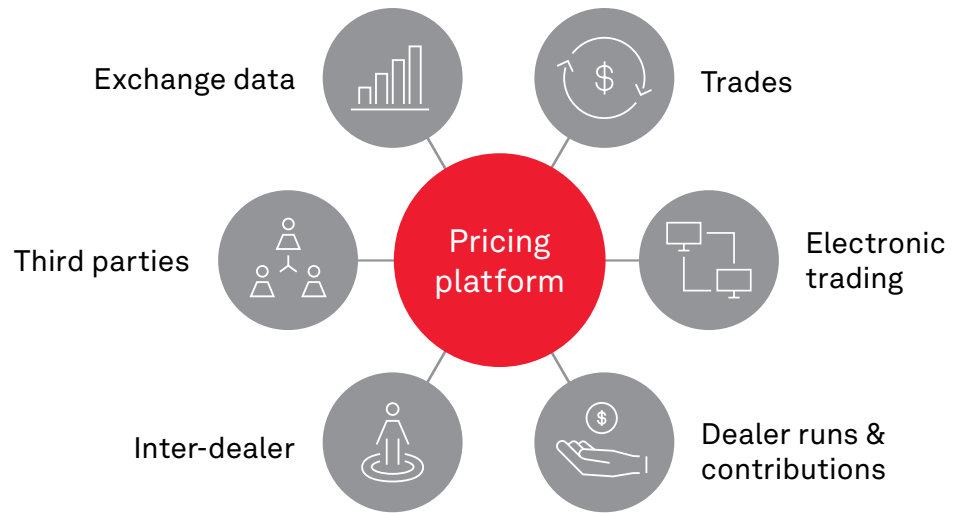
Born out of the need to improve workflow for pricing teams, Dynamic Tolerance Data allows users to expedite their price validation process. The data enables justification of large moves in valuation that are in-line with the wider market and rightly highlights the bonds that either move contrary to the market or have moved excessively.

In the age of information abundance, it can be overwhelming to source and maintain a data model that might add to operational burden. We take away that load and provides binary flags that can be easily integrated into existing processes to maximize operational efficiencies.

Back-testing our model across volatile days in 2020 has shown that pricing teams would not have needed to raise price challenges to their vendor on over 75% of the cases by using our Dynamic Tolerance Data compared to legacy static tolerance levels.

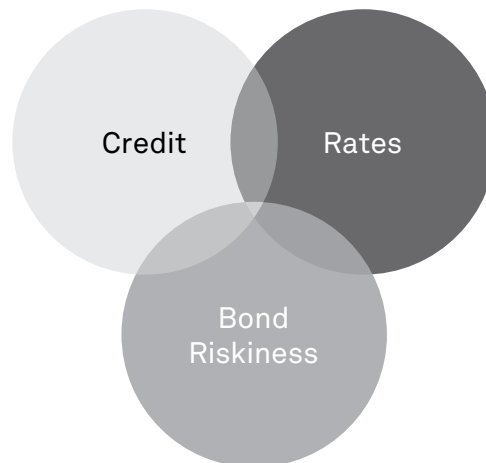
1

Day-on-day bond price movement



2

Dynamic Tolerance thresholds calculated

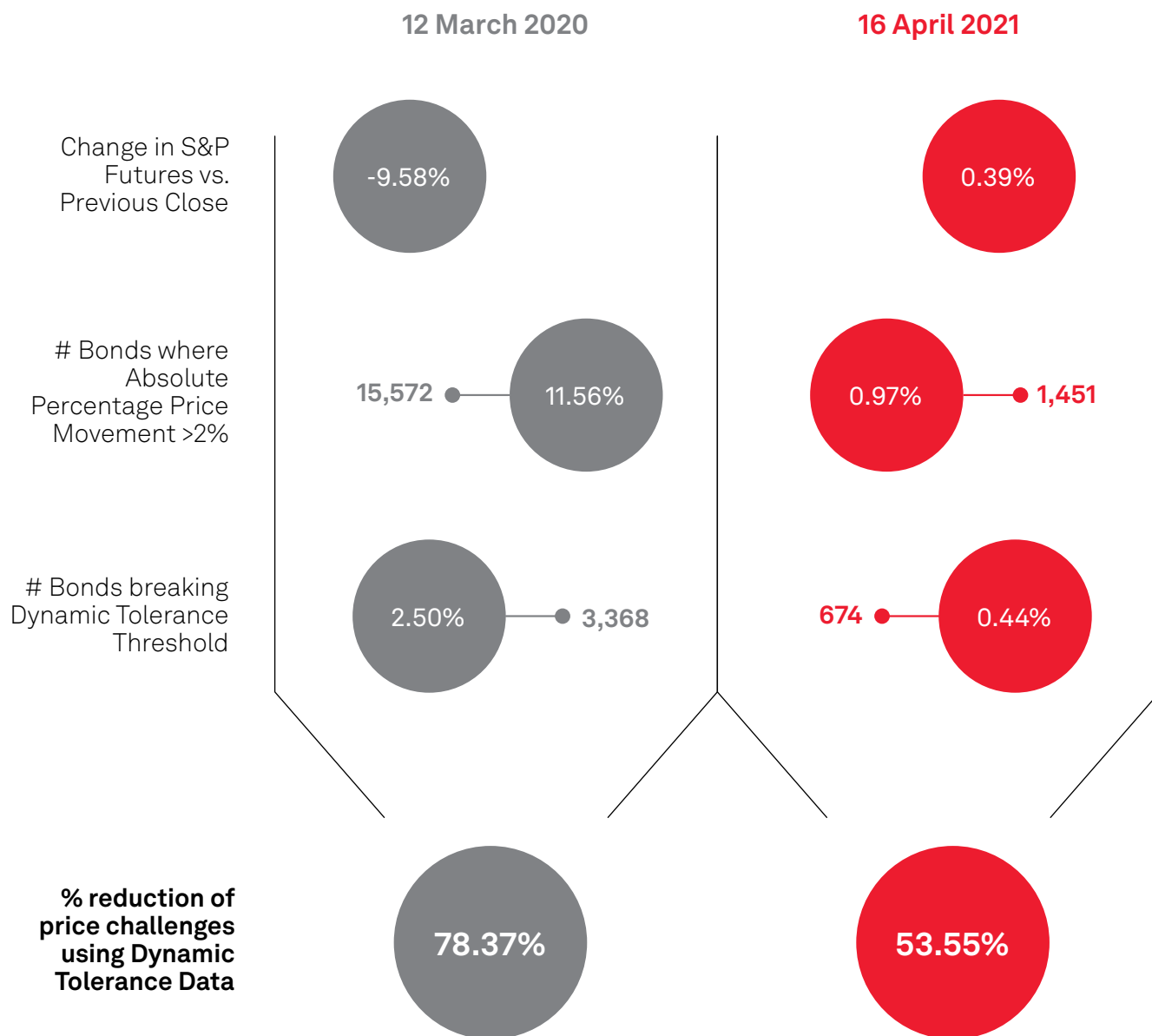


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Price validation



Dynamic Tolerance Data delivers efficiencies on price challenges



Delivery

Currently available for Government, Sovereign, Agency debenture and Corporate instruments, Dynamic Tolerance Data is available at multiple valuation points throughout the day and will be expanded to cover further credit instruments, including loans and CDS, in due course.

Pricing teams have the opportunity to preview the expected volume of end of day pricing issues by consuming Dynamic Tolerance Data from the mid-day valuation point.

About S&P Global Market Intelligence

S&P Global Market Intelligence integrates financial and industry data, research, and news into tools that help track performance, generate alpha, identify investment ideas, understand competitive and industry dynamics, perform valuation, and assess risk.

CONTACT US

Sales@ihsmarkit.com

The Americas

+1 212 849 3800

EMEA

+44 20 7665 9800

Asia-Pacific

+852 3742 1013

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