

Level adjustment of the Nikkei 225 VI Futures Index

Nikkei Inc. will conduct the level adjustment to the Nikkei 225 VI Futures Index on January 23, 2023. By multiplying the index value on January 20 by 100, the previous business day of the effective date, the level of the index value on January 23 will be raised by two digits. This means the level on January 23 will be about 100 times higher than the level on January 20.

Specifically, when calculating the index value on January 23, "*Index Value_t*" (the index value on January 20) is multiplied by 100 in the following formula (See "2:Index Calculation (2) Formula ① On each trading day excluding SQ Date" for details).

$$Index\ Value_t = Index\ Value_{t-1} \times \frac{F_{1,t} \times W_{1,t} + F_{2,t} \times W_{2,t}}{F_{1,t-1} \times W_{1,t-1} + F_{2,t-1} \times W_{2,t-1}}$$

$W_{i,t}$: "Weight" for i -th term future contract at a time point of t

$F_{i,t}$: Future price of i -th term future contract at a time point of t

In the calculation of the Nikkei 225 VI Futures Index, the level of the index tends to fall because its roll over from near-term future to next-term future is often carried out under "Contango" situation (the price of the next-term future is higher than that of the near-term future). For this reason, although the initial value of the index was 100,000 on February 27, 2012, the value has decreased to 64.93 as of yesterday. Since the index value is expected to decrease continuously in the future, Nikkei decides to adjust (raise) the level of the index value. After January 24, 2023, the index is calculated as usual, by using the index value on the previous day as it is.