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Bloomberg AusBond Indices
Month in Review – April 2018

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Month in Review
Australian Market Performance

On April 3rd 2018, the Reserve Bank of Australia (RBA) left the target cash rate unchanged at 1.5%. As shown in Table 1 below, the AusBond Composite Index's April return was negative (-0.35%). The best performing component of the Index was the Supra-Sovereign Index at -0.02%. The AusBond Treasury and Credit Indices returned -0.56% and -0.10% respectively. The AusBond Semi-Govt Index decreased -0.17% for the month. The Inflation Credit Index rose 0.10% during April and the AusBond Inflation Government Index was down -0.56% for the month. The Bank Bill remained steady at 0.16%. Within equities, the S&P/ASX Accumulation 200 Index rose in April, sending its return up by 3.91%.

Table 1. AusBond Total Return Performance: April 2018

Index	APR	MAR	FEB	QTD	YTD	2 YR	5 YR
Bloomberg AusBond Composite 0+ Yr Index	-0.35%	0.84%	0.29%	-0.35%	0.52%	2.38%	3.91%
Bloomberg AusBond Treasury 0+ Yr Index	-0.56%	1.19%	0.27%	-0.56%	0.45%	1.99%	3.50%
Bloomberg AusBond Semi-Govt 0+ Yr Index	-0.17%	0.54%	0.30%	-0.17%	0.50%	2.28%	4.16%
Bloomberg AusBond SupraSov 0+ Yr Index	-0.02%	0.41%	0.32%	-0.02%	0.63%	2.76%	3.99%
Bloomberg AusBond Credit 0+ Yr Index	-0.10%	0.41%	0.36%	-0.10%	0.70%	3.79%	4.57%
Bloomberg AusBond Bank Bill Index	0.16%	0.14%	0.13%	0.16%	0.59%	1.82%	2.26%
Bloomberg AusBond Credit FRN 0+ Yr Index	0.24%	0.02%	0.16%	0.24%	0.69%	3.12%	3.25%
Bloomberg AusBond Infl 0+ Yr Index	-0.53%	1.20%	0.02%	-0.53%	0.39%	2.54%	3.33%
Bloomberg AusBond Infl Govt 0+ Yr Index	-0.56%	1.23%	0.00%	-0.56%	0.33%	2.42%	3.11%
Bloomberg AusBond Infl Credit 0+ Yr Index	0.10%	0.71%	0.46%	0.10%	1.45%	4.52%	6.00%
S&P/ASX Accumulation 200 Index	3.91%	-3.77%	0.36%	3.91%	-0.11%	11.44%	7.53%

Note: 2 and 5 year returns are annualized.

Chart 1. Bloomberg AusBond Composite Index: Monthly Performance 2017-2018

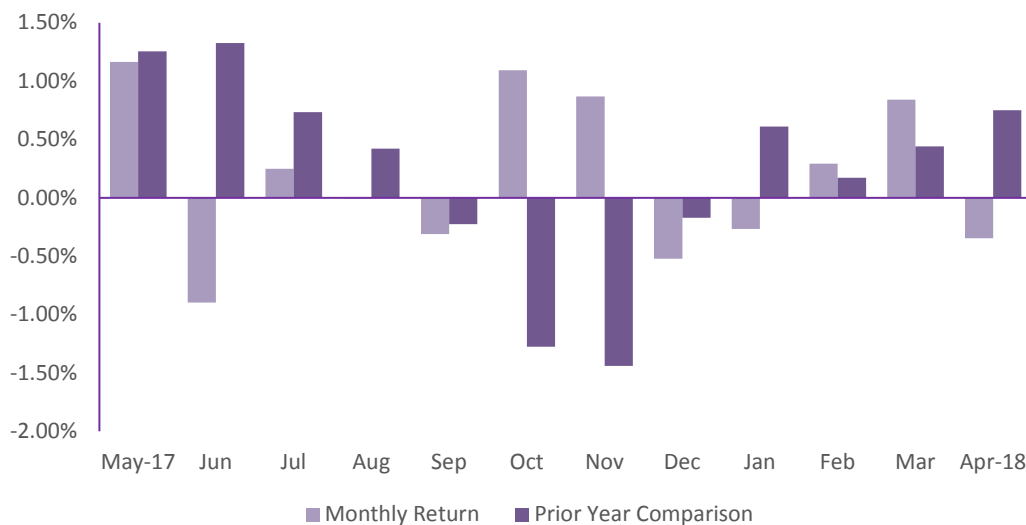


Chart 2. S&P/ASX200 Accumulation Index vs. Bloomberg AusBond Composite Index: Monthly Return Performance 2017 - 2018¹

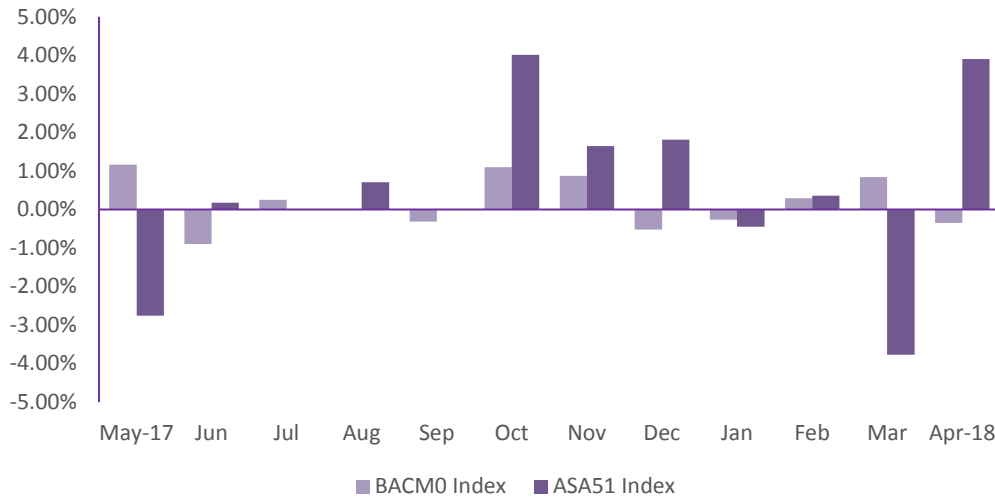
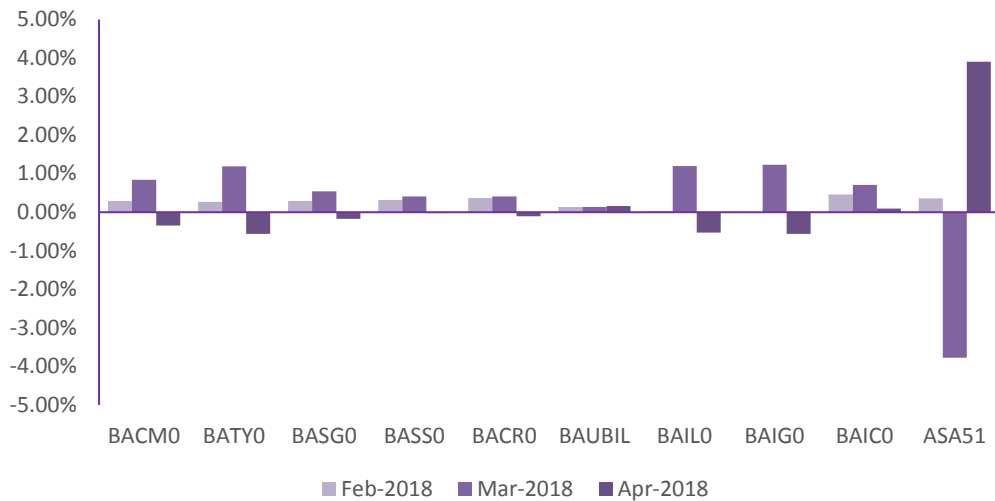


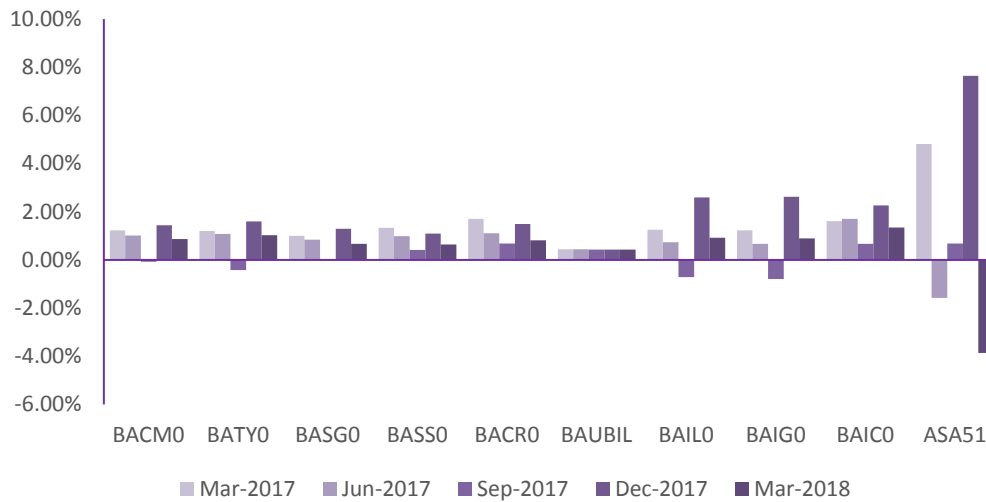
Chart 3. Bloomberg AusBond Indices: Recent monthly returns²



¹ The following indices are shown: AusBond Composite Index (BACM0) and S&P/ASX 200 Accumulation Index (ASA51).

²The following indices are shown: AusBond Composite Index (BACM0); AusBond Treasury Index (BATY0); AusBond Semi-Government Index (BASG0); AusBond Supra/Sovereign Index (BASS0); AusBond Credit Index (BACRO); AusBond Bank Bill Index (BAUBIL); AusBond Inflation Index (BAIL0); AusBond Inflation Government Index (BAIG0); AusBond Inflation Credit Index (BAIC0) and S&P/ASX 200 Accumulation Index (ASA51).

Chart 4. Bloomberg AusBond Indices: Recent quarterly returns



New Zealand Market Performance

The Reserve Bank of New Zealand (RBNZ)'s target cash rate was unchanged at 1.75% as no meeting was held in April 2018. As set out in the Table 2 below, monthly performance among NZBond indices were mixed for the month of April. The Composite Index on aggregate was down -0.08% for the month. The best performing component of the Index was the Credit Index (0.06%) while the worst performing one was the Treasury index (-0.18%). The other components of the Composite performed as follows: Local Govt Index increased 0.01%; Supra Sov Index was up by 0.01%. The Bank Bill Index gained 0.16%.

Table 2. NZBond Total Return Performance: April 2018

Index	APR	MAR	FEB	QTD	YTD	2 YR	5 YR
Bloomberg NZBond Composite 0+ Yr Index	-0.08%	0.64%	0.15%	-0.08%	0.52%	2.91%	3.90%
Bloomberg NZBond Treasury 0+ Yr Index	-0.18%	0.86%	0.10%	-0.18%	0.27%	2.46%	3.55%
Bloomberg NZBond Local Govt 0+ Yr Index	0.01%	0.57%	0.23%	0.01%	0.76%	3.34%	4.64%
Bloomberg NZBond Non-Govt 0+ Yr Index	0.03%	0.33%	0.21%	0.03%	0.85%	3.50%	4.50%
Bloomberg NZBond SupraSov 0+ Yr Index	0.01%	0.36%	0.20%	0.01%	0.80%	3.09%	4.07%
Bloomberg NZBond Credit 0+ Yr Index	0.06%	0.31%	0.23%	0.06%	0.90%	3.97%	4.97%
Bloomberg NZBond Bank Bill Index	0.16%	0.15%	0.14%	0.16%	0.62%	2.08%	2.72%
Bloomberg NZBond Infl 0+ Yr Index	-0.39%	1.38%	-1.35%	-0.39%	-0.79%	4.62%	3.32%
S&P/NZX 50 Gross Index	1.50%	-0.65%	-0.81%	1.50%	0.54%	11.26%	12.85%

Note: 2 and 5 year returns are annualized.

Chart 5. Bloomberg NZBond Composite Index: Monthly Performance 2017-2018

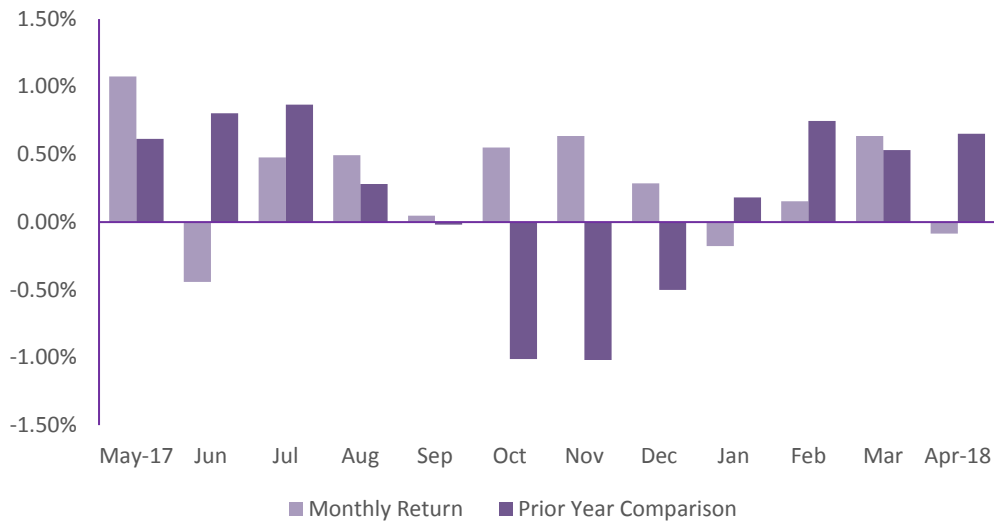
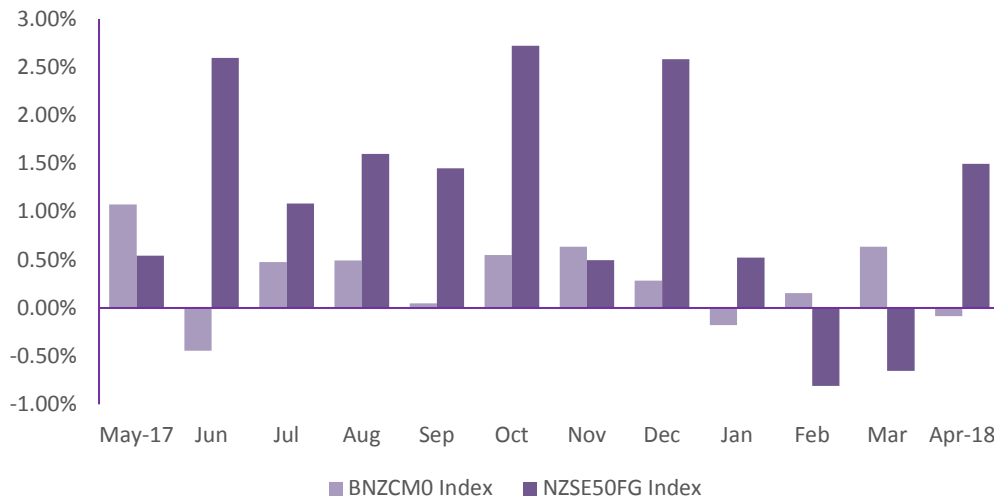


Chart 6. S&P/NZX50 Gross Index vs. Bloomberg NZBond Composite Index: Monthly Return Performance 2017-2018³



³ The following indices are shown: NZBond Composite Index (BNZCM0) and S&P/NZX 50 Gross Index (NZSE50FG).

Chart 7. Bloomberg NZBond Indices: Recent monthly returns⁴

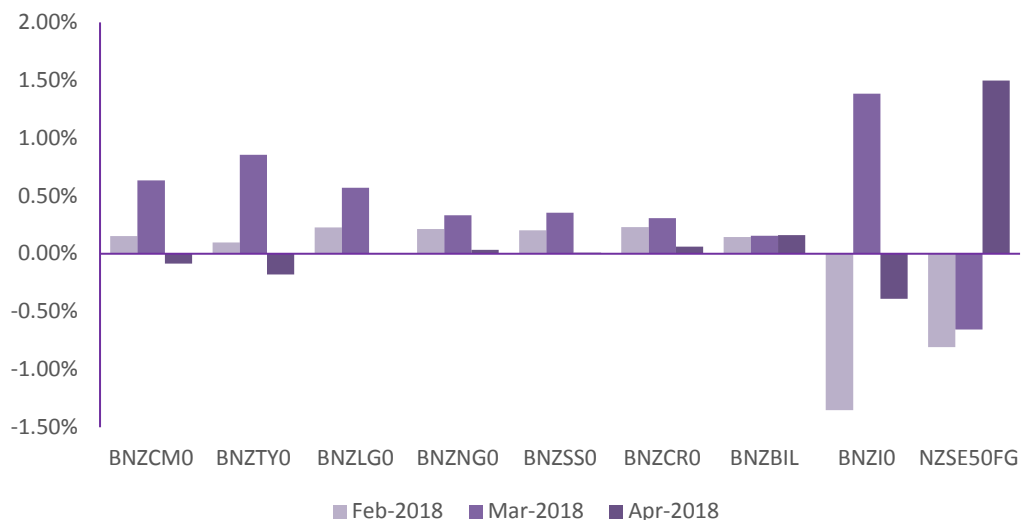
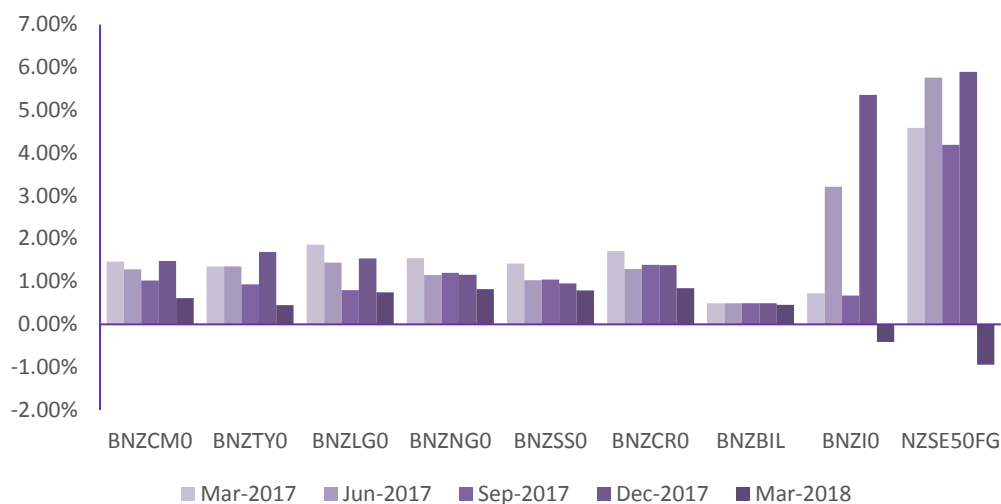


Chart 8. Bloomberg NZBond Indices: Recent quarterly returns



⁴The following indices are shown: NZBond Composite Index (BNZCM0); NZBond Treasury Index (BNZTY0); NZBond Local Govt Index (BNZLGO); NZBond Non-Govt Index (BNZNGO); NZBond SupraSov Index (BNZSSO); NZBond Credit Index (BNZCRO); NZBond Bank Bill Index (BNZBIL); NZBond Govt Inflation Index (BNZIO) and S&P/NZX 50 Gross Index (NZSE50FG).

Global Market Performance

Chart 9 illustrates the recent monthly and yearly performance of global sovereign indices. The largest mover in April, China, increased 1.41%. The US Aggregate Treasury Index decreased -0.81%. On a twelve-month basis, as shown in Table 3, returns were mixed. Global Sovereign Indices returns were as follows: Canada (-2.02%), US (-1.07%), UK (-0.82%), Germany (-0.94%), Euro (2.24%), Japan (0.40%), Singapore (-0.98%), Hong Kong (-0.96%) and China (3.09%).

Chart 9. Bloomberg Indices Sovereign Debt Performance: April 2018⁵

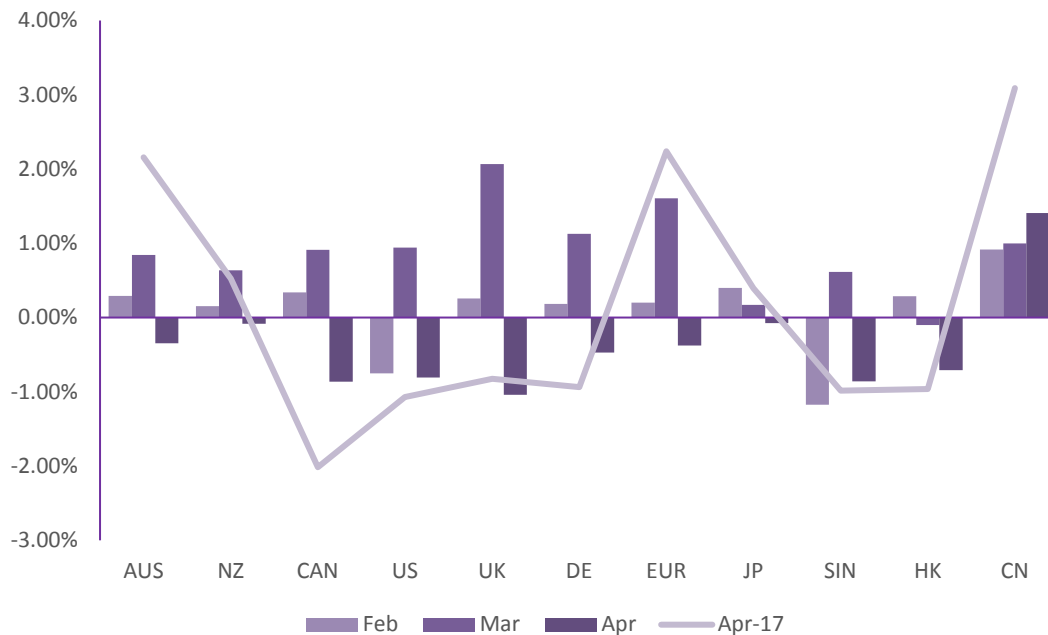


Table 3. Bloomberg Indices Sovereign Debt Performance: April 2018

Return	AUS	NZ	CAN	US	UK	DE	EUR	JP	SIN	HK	CN
Apr	-0.35%	-0.08%	-0.86%	-0.81%	-1.04%	-0.47%	-0.38%	-0.07%	-0.86%	-0.71%	1.41%
Mar	0.84%	0.64%	0.91%	0.94%	2.07%	1.13%	1.60%	0.17%	0.61%	-0.10%	1.00%
Feb	0.29%	0.15%	0.34%	-0.75%	0.26%	0.18%	0.20%	0.40%	-1.17%	0.28%	0.92%
12-MTH	2.16%	0.52%	-2.02%	-1.07%	-0.82%	-0.94%	2.24%	0.40%	-0.98%	-0.96%	3.09%

In April, monthly performance among the global Investment Grade Corporate Indices was mixed. The US benchmark dipped the most (-0.93%). UK and Pan-European benchmark also decreased (-0.01%). The Bloomberg Barclays China Corporate Index and APAC (ex-JP) Corporate Index both gained 1.37% for the month. On a twelve-month basis, as shown in Table 4, the return of the Indices were all in positive territory.

⁵ The Sovereign Indices shown are: Bloomberg AusBond Treasury (BATY0 Index); Bloomberg NZBond Treasury (BNZTY0 Index); Bloomberg Barclays Global Treasury Bond Index country subsets for Canada, US, UK, Germany, Euro, Japan, Singapore, Hong Kong and the China Aggregate Treasury subset.

Chart 10. Bloomberg Indices Investment Grade Corporate Indices: April 2018⁶

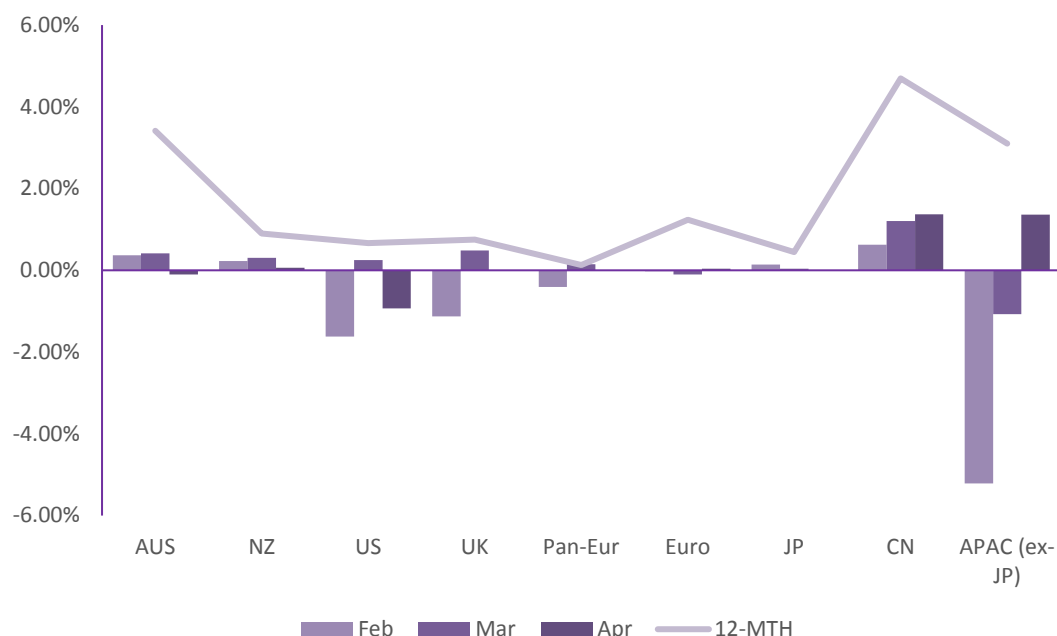


Table 4. Bloomberg Indices Investment Grade Corporate Indices: April 2018

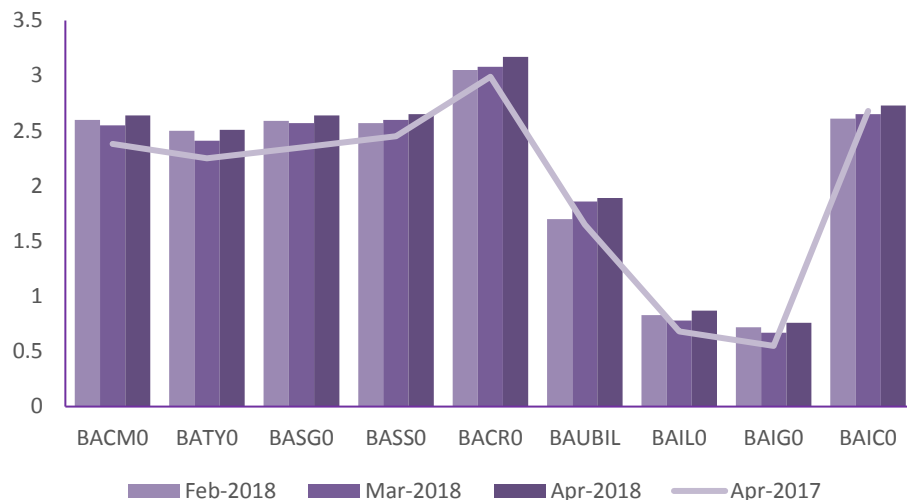
Return	AUS	NZ	US	UK	Pan-Eur	Euro	JP	CN	APAC (ex-JP)
Apr	-0.10%	0.06%	-0.93%	-0.01%	-0.01%	0.04%	0.00%	1.37%	1.37%
Mar	0.41%	0.31%	0.25%	0.48%	0.15%	-0.10%	0.04%	1.21%	-1.08%
Feb	0.36%	0.23%	-1.62%	-1.13%	-0.41%	-0.02%	0.14%	0.63%	-5.22%
12-MTH	3.41%	0.90%	0.67%	0.75%	0.13%	1.23%	0.44%	4.69%	3.10%

⁶ The global benchmarks for investment-grade corporate bonds shown are: Bloomberg AusBond Credit Index (BACR0 Index); Bloomberg NZBond Credit Index (BNZCR0 Index); Bloomberg Barclays US Corporate Bond Index (LUACTRUU Index); Bloomberg Barclays Sterling Corporate Bond Index (LC61TRGU Index); Bloomberg Barclays EURO Index; Bloomberg Barclays Pan-European Index; Corporates Bond Index (LECPTRU Index); Bloomberg Barclays Asian-Pacific Japan Corporate Index (LJC1TRJU Index); Bloomberg Barclays China Aggregate: Corporate Index and Bloomberg Barclays Asian-Pacific Non-Japan Corporate Index.

Market Yields

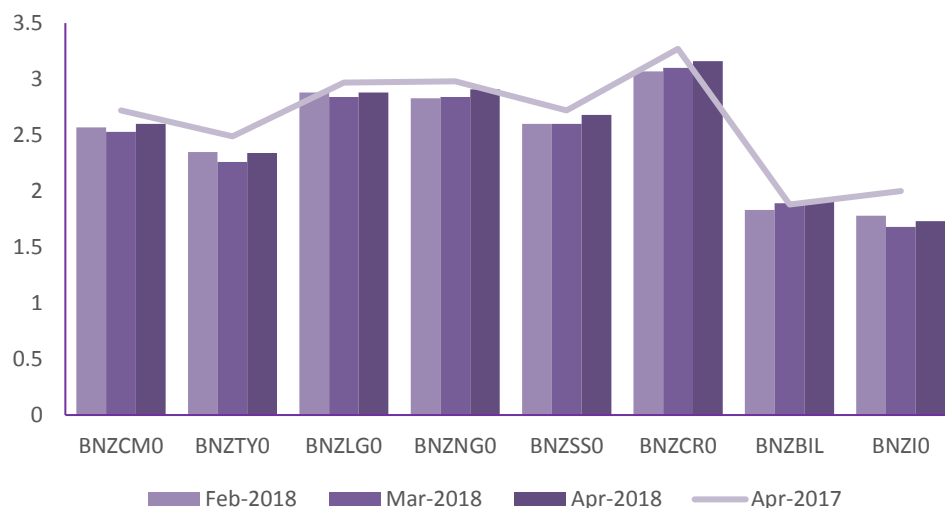
In April, the Yield to Worst (YTW) on the AusBond Composite Index ended the month with 2.64%. The Treasury Index was at 2.51%, at an 10-bp increase compared to previous month. The Semi-Government Index increased to 2.64% from 2.57% and the SupraSov Index increased 5 bps to 2.65%. The Bank Bill Yield increased 3 bps at 1.89%.

Chart 11. Bloomberg AusBond Indices: Bond Yields



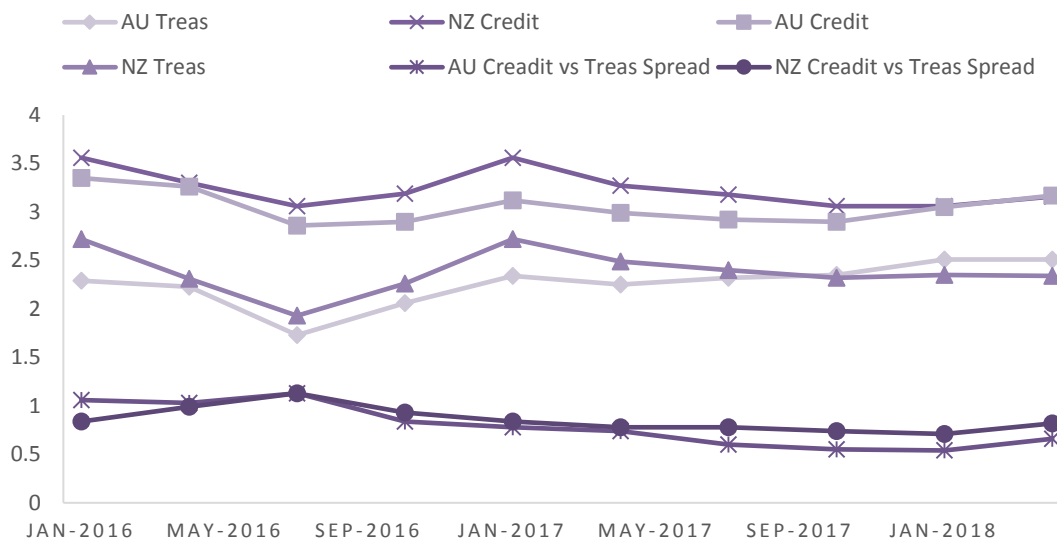
Yields for all NZBond Indices increased for the month. The yield on the composite Index increased to 2.60% from 2.53%. The yield on the Treasury and SupraSov Index recorded the largest change (+8 bps) at 2.34% and 2.68% respectively. The New Zealand Bank Bill increased 2 bps to 1.91%.

Chart 12. Bloomberg NZBond Indices: Bond Yields



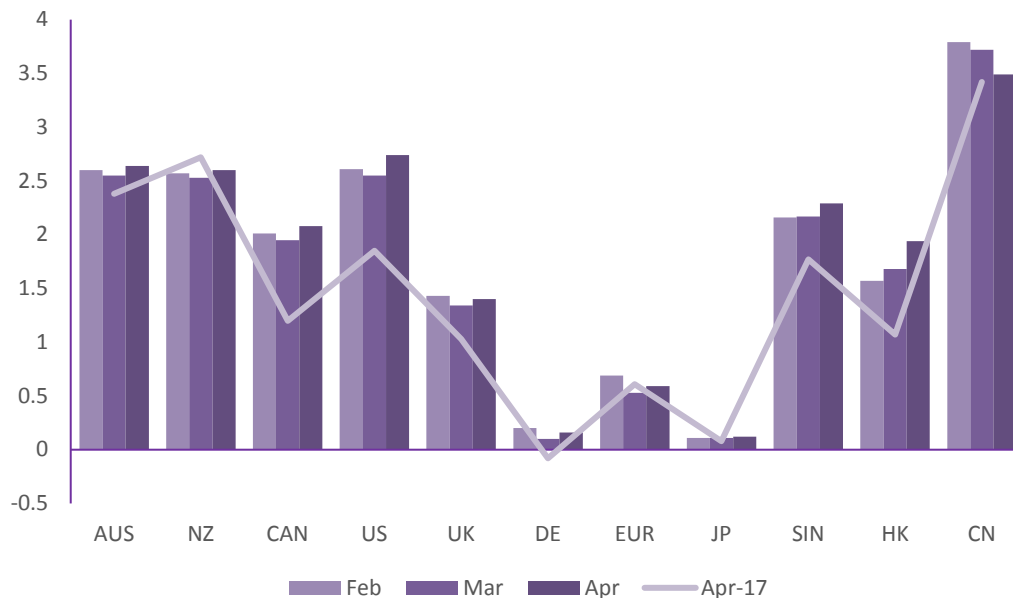
As illustrated in Chart 13, the YTW has been increasing for both the Australian and New Zealand Credit Indices for the past 3 months. There is also an evidence of divergence for credit and treasury spread during the last 3 months for both Australia and New Zealand.

Chart 13. Bloomberg AusBond & NZBond Indices: Yields and Spreads



YTW figures for the Global Bloomberg Barclays Sovereign Indices mostly increased in April except China. The YTW for Hong Kong sovereign index rose the most (+26 bps) followed by US (+19 bps) and Canada (+13 bps) while YTW for China sovereign index dropped the most (-23 bps) compared to March as shown below.

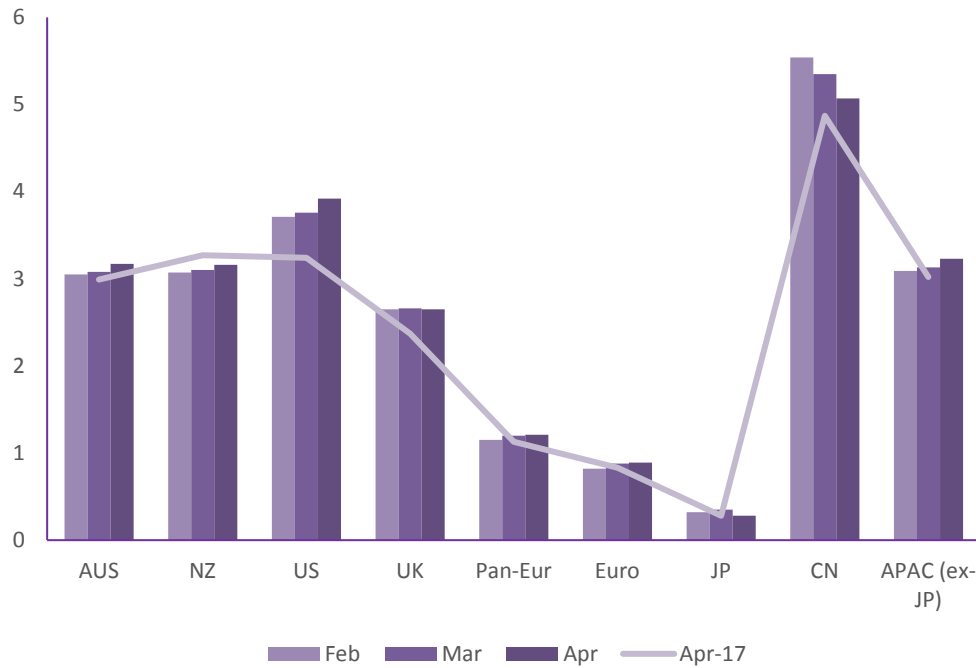
Chart 14. Bloomberg Indices Sovereign Bond Yields⁷



⁷The Sovereign Bond Indices shown are: Bloomberg AusBond Treasury (BATY0 Index); Bloomberg NZBond Treasury (BNZTY0 Index); Bloomberg Barclays Global Treasury Bond Index country subsets for Canada, US, UK, Germany, Euro, Japan, Singapore, Hong Kong and China.

April 2018 recorded upward yield movement for most Investment-Grade Corporate aggregates shown below. China and Japan Investment-Grade Corporate Aggregate Index dropped -28 bps to 5.07% and -7 bps to 0.28% respectively.

Chart 15. Bloomberg Indices Investment Grade Corporate Bond Yields⁸



⁸The global benchmarks for investment-grade corporate bonds shown are: Bloomberg AusBond Credit Index (BACR0 Index); Bloomberg NZBond Credit Index (BNZCR0 Index); Bloomberg Barclays US Corporate Bond Index (LUACTRUU Index); Bloomberg Barclays Sterling Corporate Bond Index (LC61TRGU Index); Bloomberg Barclays Euro-Aggregate: Corporates Bond Index (LECP TREU Index); Bloomberg Barclays Asian-Pacific Japan Corporate Index (LJC1TRJU Index); Bloomberg Barclays China Aggregate: Corporate Index and Bloomberg Barclays Asian-Pacific Non-Japan Corporate Index.

Supply

Table 5 shows that the AusBond Composite Index added A\$10.44bn of new supply (issuances and taps) in April. The new supply was 37.55% higher than the previous month and A\$2.97bn lower than the 12 month average (A\$13.41bn). The largest contributors were Treasuries at A\$4.6bn followed by Semi-Government at A\$3.57bn and Non-Government at A\$2.27bn. Eight new issues were added to the Composite Index amounting to A\$3.48bn, which leaves A\$6.96bn in taps.

The new additions to the Composite Index were issued across 6 different sectors. WATC issued A\$1.3bn fixed coupon bonds which is the largest amongst new additions in April. The largest tap was carried on the 2.25% November 2022 Treasury bond. Additionally, five Semi-Government issuers upsized last month: NSWTC (A\$1.12bn), QTC (A\$0.35bn), TCV (A\$0.13bn), NTTC (A\$0.06bn), WATC (A\$0.05bn). The month of April also saw approximately A\$5.63bn of buybacks and maturities.

Table 5. Bloomberg AusBond Composite Index Net New Supply: April 2018

Sector	APR-18 (A\$bn)	MAR-18 (A\$bn)	FEB-18 (A\$bn)	QTD (A\$bn)	12-mth AVG (A\$bn)	% diff on prior mth	% diff on 12-mth AVG
Additions							
Treasury	4.6	3.8	5.3	4.6	6.54	21.05%	-29.66%
Semi-Government	3.57	0.93	1.77	3.57	3.04	283.87%	17.43%
Non-Government	2.27	2.86	3.03	2.27	3.83	-20.63%	-40.73%
Total Composite	10.44	7.59	10.1	10.44	13.41	37.55%	-22.15%
Removals							
Treasury	1.1	0.8	0.8	1.1	3.75	37.50%	-70.67%
Semi-Government	1.23	0.91	0.8	1.23	2.46	35.16%	-50.00%
Non-Government	3.3	2.55	1.4	3.3	2.71	29.41%	21.77%
Total Composite	5.63	4.26	3	5.63	8.92	32.16%	-36.88%
Net new supply							
Treasury	3.5	3	4.5	3.5	2.79	16.67%	25.45%
Semi-Government	2.34	0.02	0.97	2.34	0.58	11600.0%	303.45%
Non-Government	-1.03	0.31	1.63	-1.03	1.12	-432.26%	-191.96%
Total Composite	4.81	3.33	7.1	4.81	4.49	44.44%	7.13%

Maturities

Table 6. Maturities for AusBond Composite Index: April 2018

ISSUER	ISIN	VALUE	MATURITY
JPMORGAN CHASE & CO	AU3CB0208601	400,000,000	17-May-18
EXPORT DEVELOPMNT CANADA	AU3CB0208841	1,000,000,000	22-May-18
NATIONAL AUSTRALIA BANK	AU3CB0208965	325,000,000	23-May-18
KOMMUNALBANKEN AS	AU3CB0209245	575,000,000	30-May-18
EUROPEAN INVESTMENT BANK	AU3CB0221406	1,000,000,000	30-May-18

Table 7. Upcoming maturities for AusBond Composite Index: May 2018

ISSUER	ISIN	VALUE	MATURITY
INTL FINANCE CORP	AU0000IFXHI3	700,000,000	6-Jun-18
AUST CAPITAL TERRITORY	AU3CB0177269	550,000,000	7-Jun-18
BANK OF QUEENSLAND LTD	AU3CB0221786	200,000,000	12-Jun-18
JEM SOUTHBANK PTY LTD	AU300JEME028	127,760,000	28-Jun-18

Table 8. Maturities for NZBond Composite Index: April 2018

ISSUER	ISIN	VALUE	MATURITY
COOPERATIEVE RABOBANK UA	NZRABDT007C8	100,000,000	16-May-18

Table 9. Upcoming maturities for NZBond Composite Index: May 2018

ISSUER	ISIN	VALUE	MATURITY
(None)			

Index Market Capitalisation

The AusBond Composite Index ended April 2018 at A\$992.19bn.

The NZBond Composite Index stood at NZ\$115.71bn at the end of April.

Chart 16. Growth of Bloomberg AusBond Composite Index: 2016 – 2018

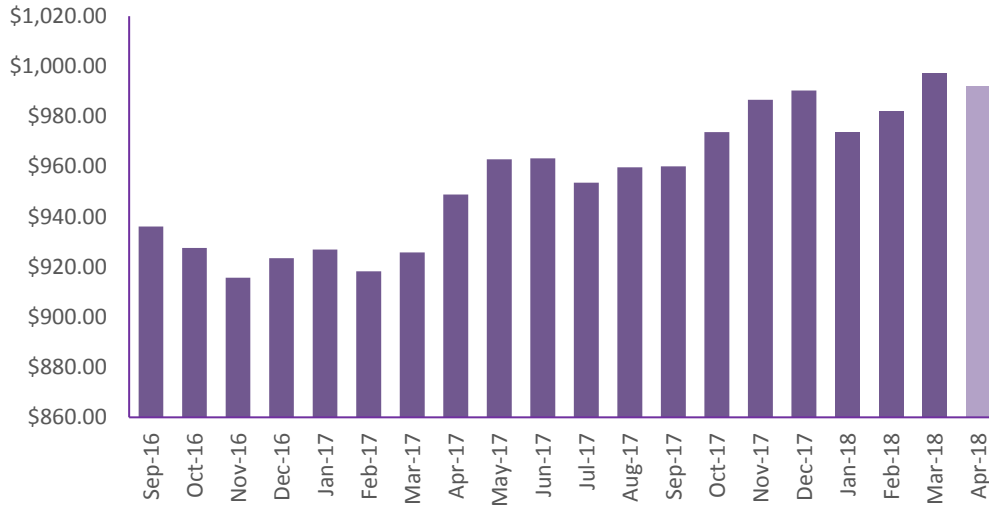
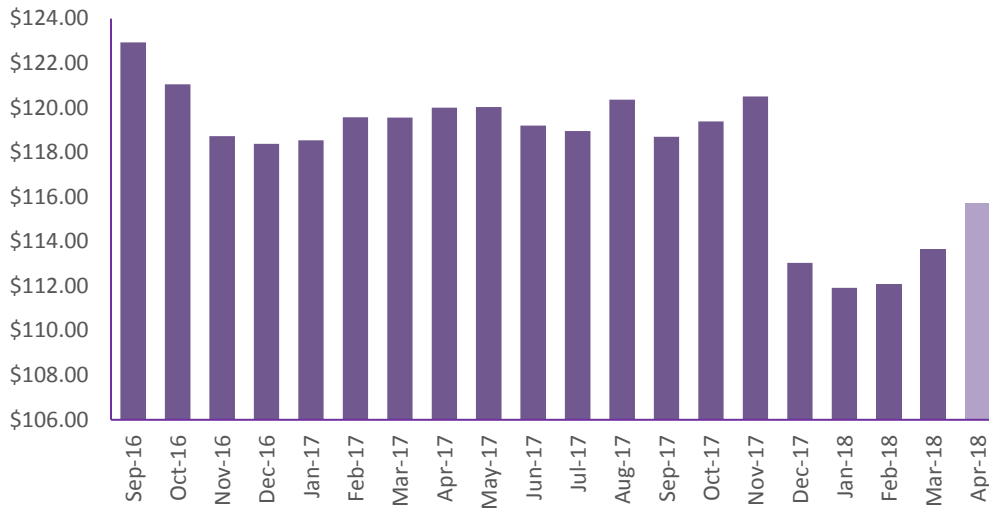


Chart 17. Growth of Bloomberg NZBond Composite Index: 2016 – 2018



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INDEX <GO>

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