

Bloomberg AusBond Indices
Month in Review – March 2018

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Month in Review
Australian Market Performance

On March 6th 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 March return was positive (0.84%). The best performing component of the Index was the Treasury Index at 1.19%. The AusBond Credit and Supra-Sovereign Indices both returned 0.41% and the AusBond Semi-Govt Index rose 0.54% for the month. The Inflation Credit Index increased 0.71% during March and the AusBond Inflation Government Index rose 1.23% for the month. The Bank Bill remained steady at 0.14%. Within equities, the S&P/ASX Accumulation 200 Index decreased in March, sending its return down by -3.77%.

Table 1. AusBond Total Return Performance: March 2018

Index	MAR	FEB	JAN	QTD	YTD	2 YR	5 YR
Bloomberg AusBond Composite 0+ Yr Index	0.84%	0.29%	-0.27%	0.87%	0.87%	2.69%	4.30%
Bloomberg AusBond Treasury 0+ Yr Index	1.19%	0.27%	-0.43%	1.02%	1.02%	2.34%	3.94%
Bloomberg AusBond Semi-Govt 0+ Yr Index	0.54%	0.30%	-0.17%	0.67%	0.67%	2.53%	4.55%
Bloomberg AusBond SupraSov 0+ Yr Index	0.41%	0.32%	-0.08%	0.65%	0.65%	2.96%	4.27%
Bloomberg AusBond Credit 0+ Yr Index	0.41%	0.36%	0.03%	0.81%	0.81%	4.12%	4.84%
Bloomberg AusBond Bank Bill Index	0.14%	0.13%	0.16%	0.43%	0.43%	1.83%	2.28%
Bloomberg AusBond Credit FRN 0+ Yr Index	0.02%	0.16%	0.26%	0.44%	0.44%	3.18%	3.30%
Bloomberg AusBond Infl 0+ Yr Index	1.20%	0.02%	-0.29%	0.93%	0.93%	2.16%	3.84%
Bloomberg AusBond Infl Govt 0+ Yr Index	1.23%	0.00%	-0.32%	0.90%	0.90%	2.02%	3.63%
Bloomberg AusBond Infl Credit 0+ Yr Index	0.71%	0.46%	0.17%	1.35%	1.35%	4.26%	6.37%
S&P/ASX Accumulation 200 Index	-3.77%	0.36%	-0.45%	-3.86%	-3.86%	11.15%	7.66%

Note: 2 and 5 year returns are annualized.

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

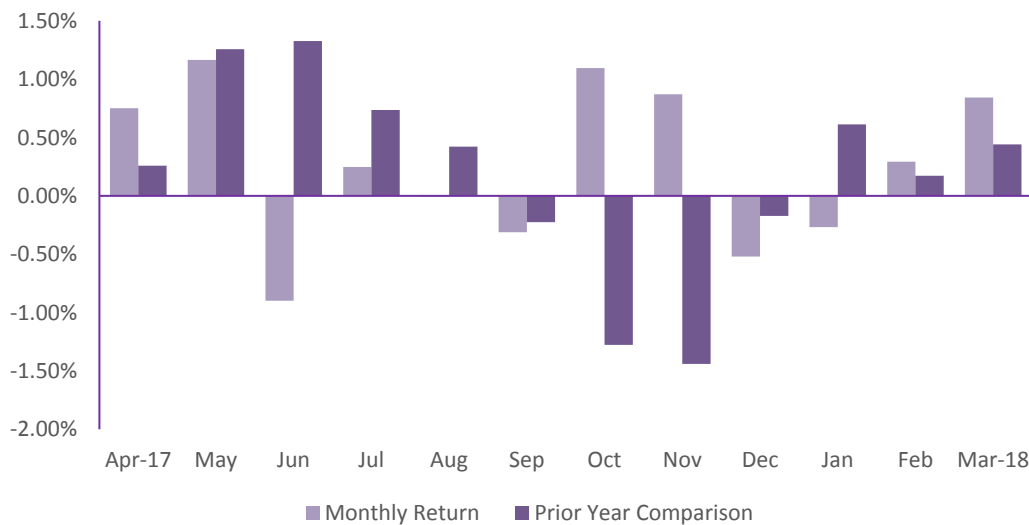


Chart 2. S&P/ASX200 Accumulation Index vs. Bloomberg AusBond Composite Index: Monthly Return Performance 2017 - 2018¹

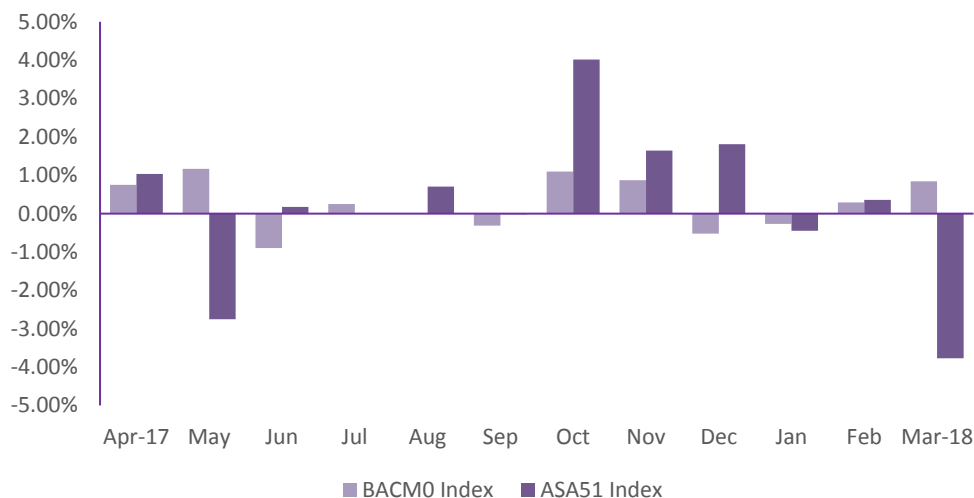
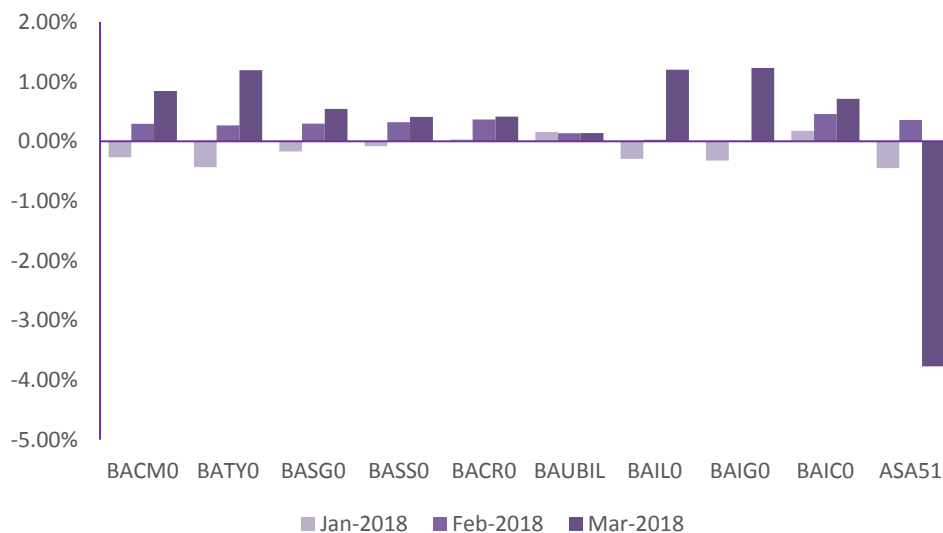


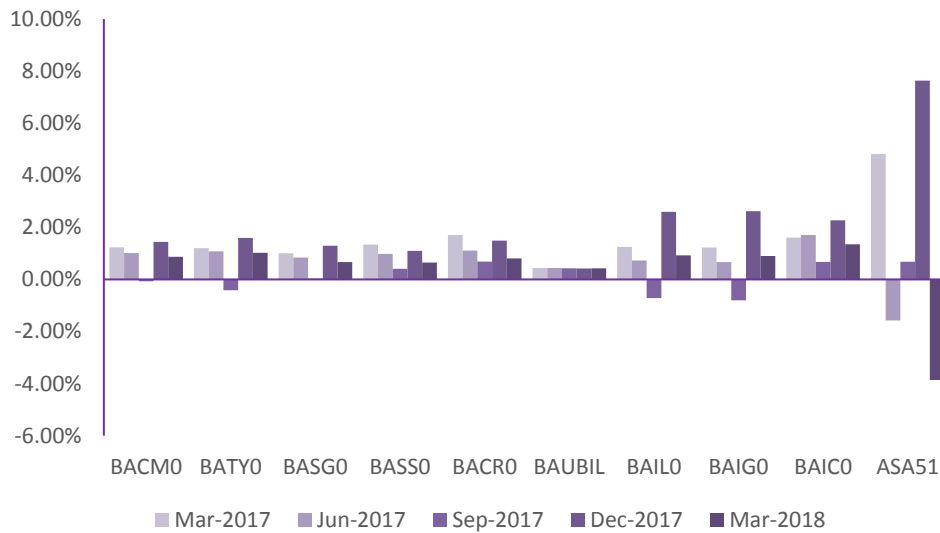
Chart 3. Bloomberg AusBond Indices: Recent monthly returns²



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 (BASGO); AusBond Supra/Sovereign Index (BASS0); AusBond Credit Index (BACR0); 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

On March 22nd 2018, the Reserve Bank of New Zealand (RBNZ) left the target cash rate unchanged at 1.75%. As set out in the Table 2 below, monthly performance among NZBond indices was positive for the month of March. The Composite Index on aggregate gained 0.64% for the month. The best performing component of the Index was the Treasury Index (0.86%) while the worst performing one was the Credit index (0.31%). The other components of the Composite performed as follows: Local Govt Index increased 0.57%; Supra Sov Index gained 0.36%. The Bank Bill Index gained 0.15%.

Table 2. NZBond Total Return Performance: March 2018

Index	MAR	FEB	JAN	QTD	YTD	2 YR	5 YR
Bloomberg NZBond Composite 0+ Yr Index	0.64%	0.15%	-0.18%	0.61%	0.61%	3.11%	4.17%
Bloomberg NZBond Treasury 0+ Yr Index	0.86%	0.10%	-0.50%	0.45%	0.45%	2.71%	3.87%
Bloomberg NZBond Local Govt 0+ Yr Index	0.57%	0.23%	-0.05%	0.75%	0.75%	3.67%	4.93%
Bloomberg NZBond Non-Govt 0+ Yr Index	0.33%	0.21%	0.27%	0.82%	0.82%	3.60%	4.67%
Bloomberg NZBond SupraSov 0+ Yr Index	0.36%	0.20%	0.24%	0.80%	0.80%	3.17%	4.21%
Bloomberg NZBond Credit 0+ Yr Index	0.31%	0.23%	0.30%	0.84%	0.84%	4.10%	5.17%
Bloomberg NZBond Bank Bill Index	0.15%	0.14%	0.16%	0.46%	0.46%	2.10%	2.73%
Bloomberg NZBond Infl 0+ Yr Index	1.38%	-1.35%	-0.42%	-0.41%	-0.41%	5.24%	3.78%
S&P/NZX 50 Gross Index	-0.65%	-0.81%	0.52%	-0.94%	-0.94%	11.00%	13.47%

Note: 2 and 5 year returns are annualized.

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

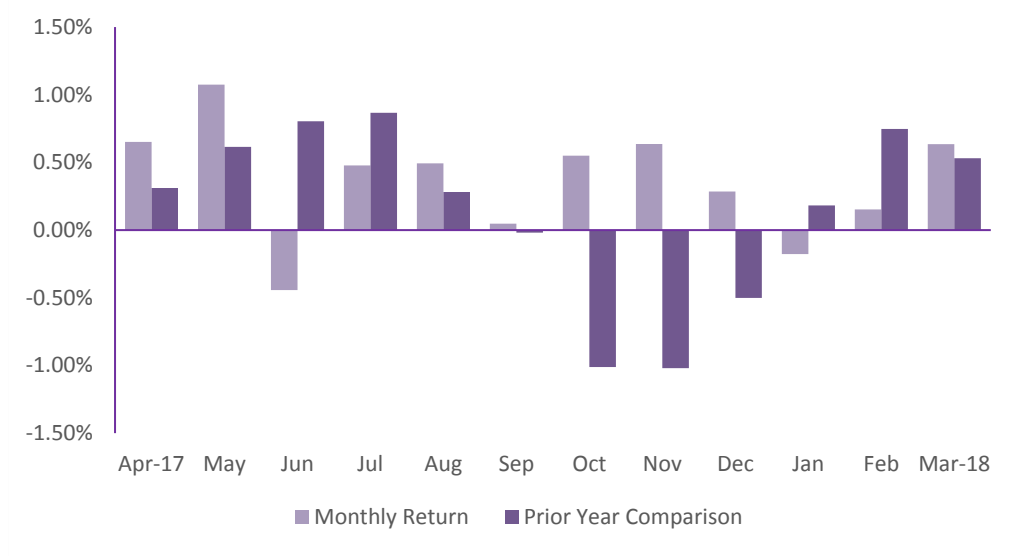
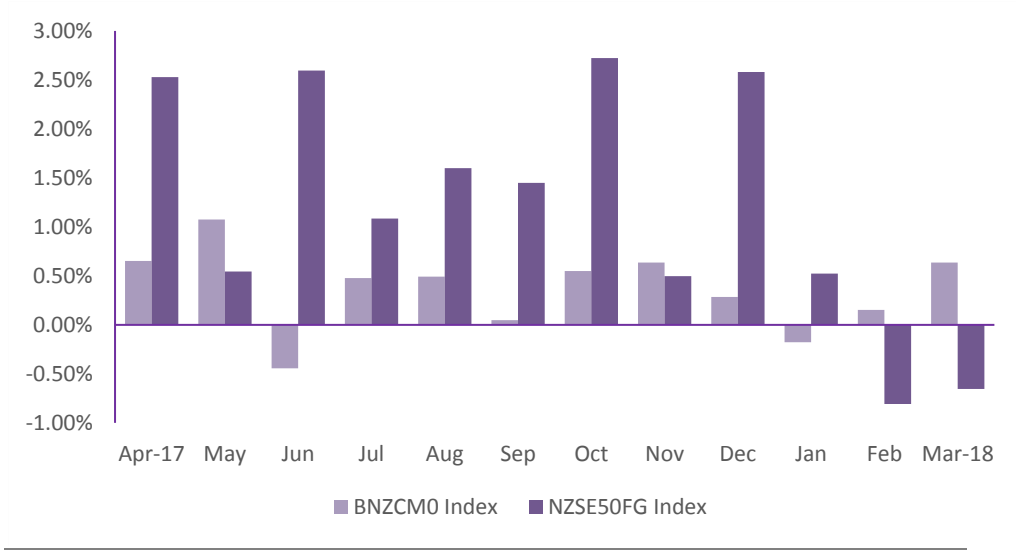


Chart 6. S&P/NZX50 Gross Index vs. Bloomberg NZBond Composite Index: Monthly Return Performance 2017-2018³



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

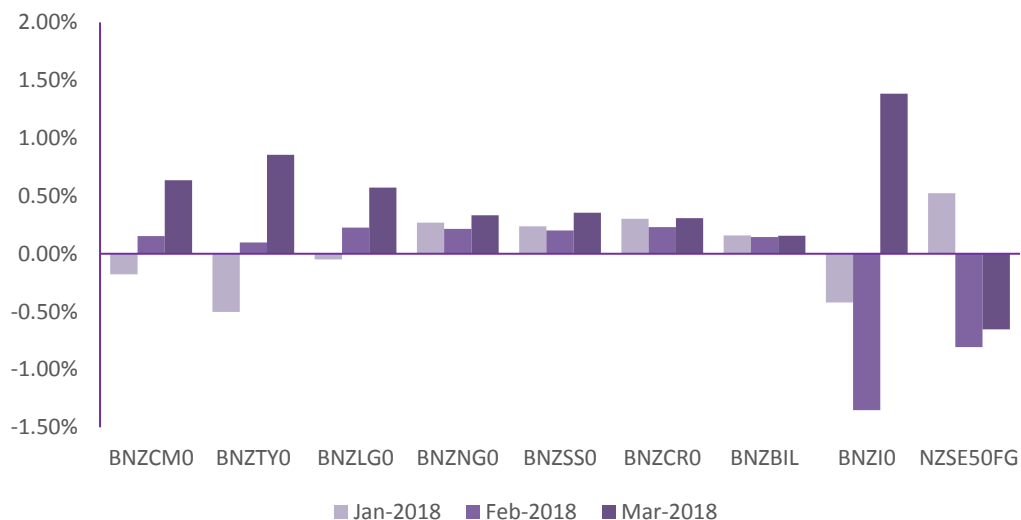
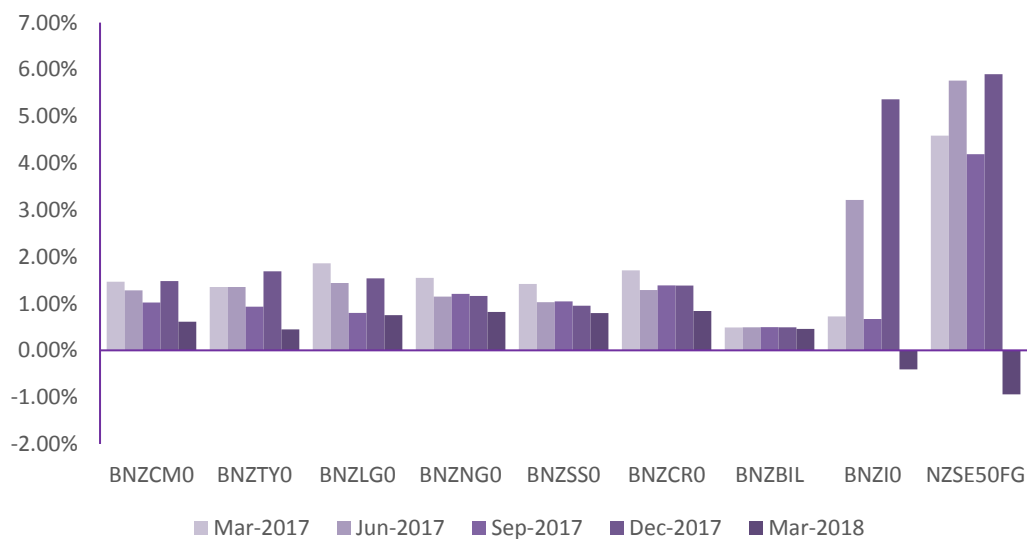


Chart 8. Bloomberg NZBond Indices: Recent quarterly returns



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 (BNZSS0); NZBond Credit Index (BNZCR0); 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 March, UK, increased 2.07%. The US Aggregate Treasury Index increased 0.94%. On a twelve-month basis, as shown in Table 3, returns were mostly positive. Global Sovereign Indices returns were as follows: Canada (-0.09%), US (0.43%), UK (0.49%), Germany (-0.39%), Euro (3.15%), Japan (0.97%), Singapore (0.60%), Hong Kong (0.31%) and China (0.86%).

Chart 9. Bloomberg Indices Sovereign Debt Performance: March 2018⁵

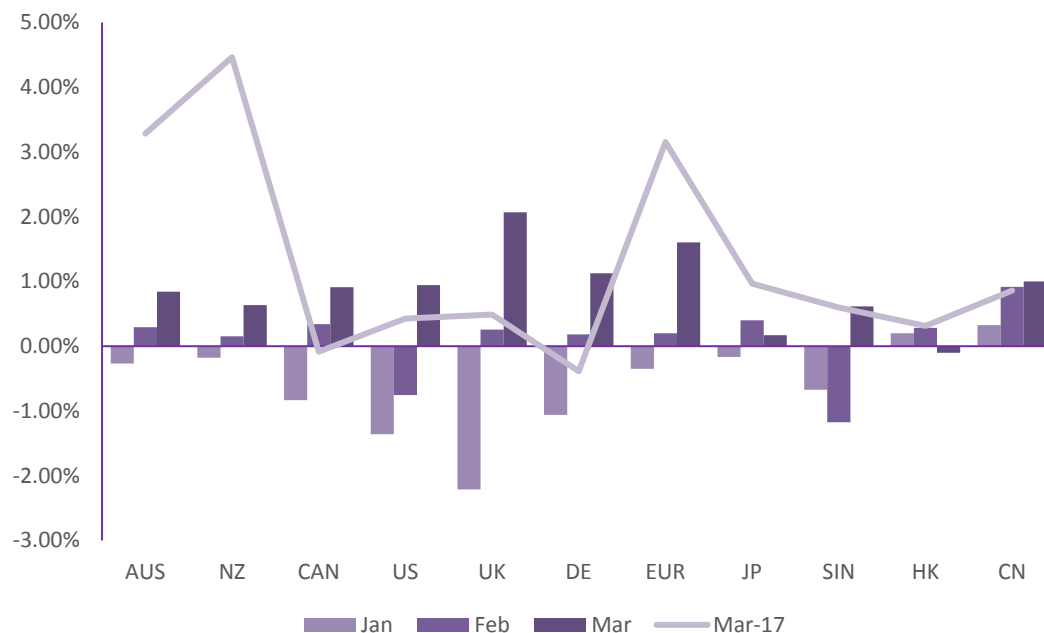


Table 3. Bloomberg Indices Sovereign Debt Performance: March 2018

Return	AUS	NZ	CAN	US	UK	DE	EUR	JP	SIN	HK	CN
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%
Jan	-0.27%	-0.18%	-0.83%	-1.36%	-2.21%	-1.06%	-0.35%	-0.17%	-0.67%	0.20%	0.33%
12-MTH	3.28%	4.46%	-0.09%	0.43%	0.49%	-0.39%	3.15%	0.97%	0.60%	0.31%	0.86%

In March, monthly performance among the global Investment Grade Corporate Indices was mixed. The APAC (ex-JP) benchmark dipped the most (-1.08%) and Euro benchmark also decreased (-0.10%). The Bloomberg Barclays China Corporate Index gained 1.21% 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: March 2018⁶

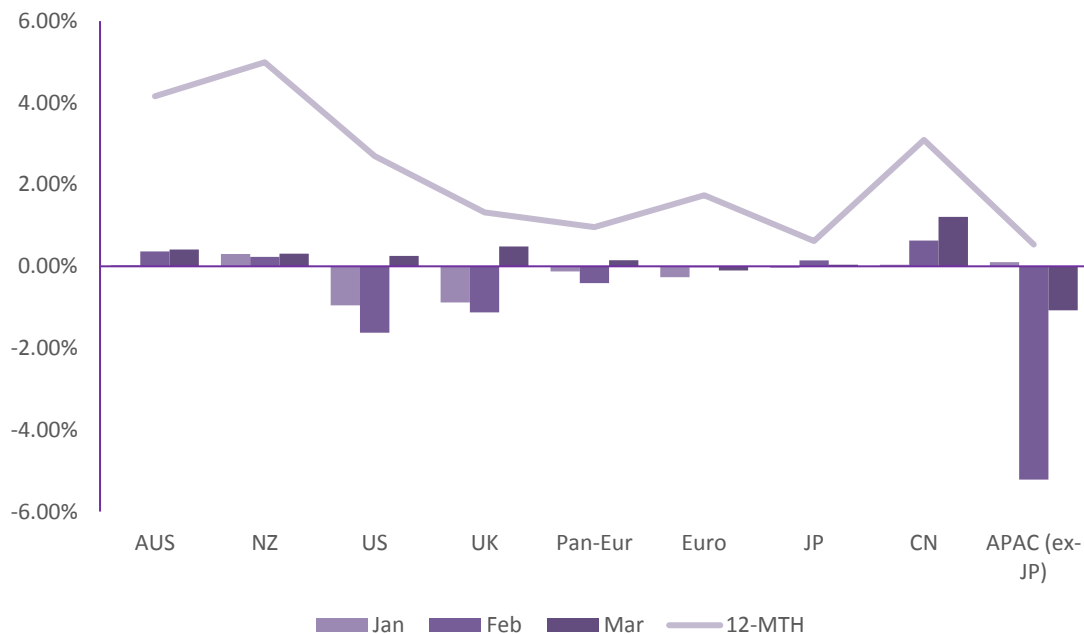


Table 4. Bloomberg Indices Investment Grade Corporate Indices: February 2018

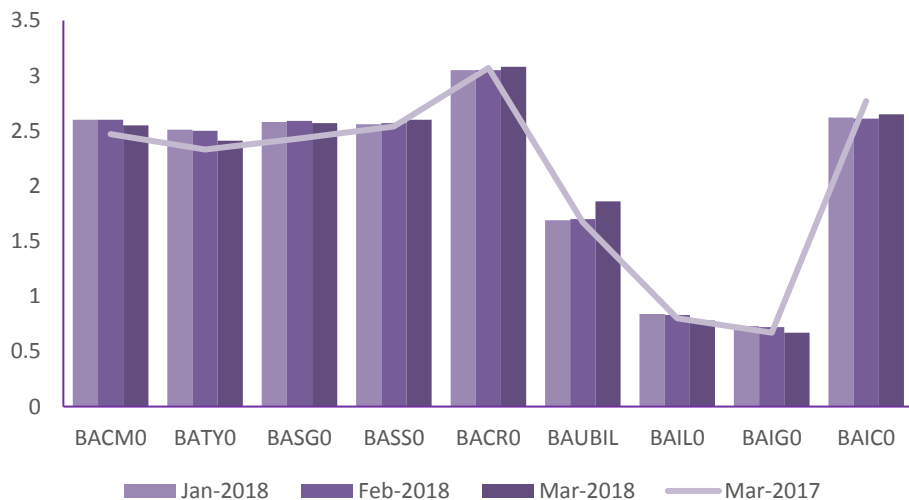
Return	AUS	NZ	US	UK	Pan-Eur	Euro	JP	CN	APAC (ex-JP)
Mar	0.41%	0.31%	0.25%	0.48%	0.15%	-0.10%	0.04%	1.21%	-1.08%
Feb	0.36%	0.23%	-1.62%	-1.13%	-0.41%	-0.02%	0.14%	0.63%	-5.22%
Jan	0.03%	0.30%	-0.96%	-0.89%	-0.13%	-0.27%	-0.03%	0.04%	0.10%
12-MTH	4.16%	4.99%	2.70%	1.32%	0.96%	1.74%	0.62%	3.09%	0.53%

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

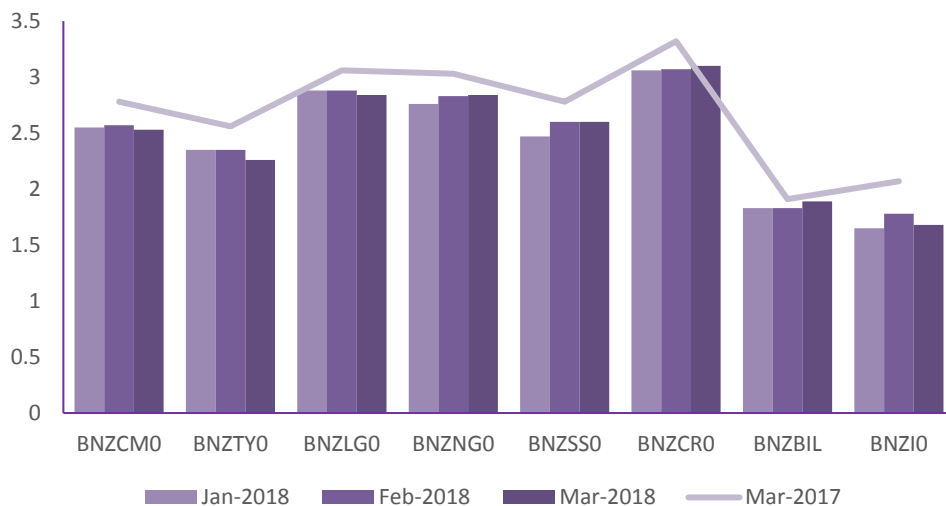
In March, the Yield to Worst (YTW) on the AusBond Composite Index ended the month with 2.55%. The Treasury Index was at 2.41%, at a 9-bp decrease compared to previous month. The Semi-Government Index decreased to 2.57% from 2.59% and the SupraSov Index increased 3 bps to 2.60%. The Bank Bill Yield increased 16 bps (1.86%).

Chart 11. Bloomberg AusBond Indices: Bond Yields



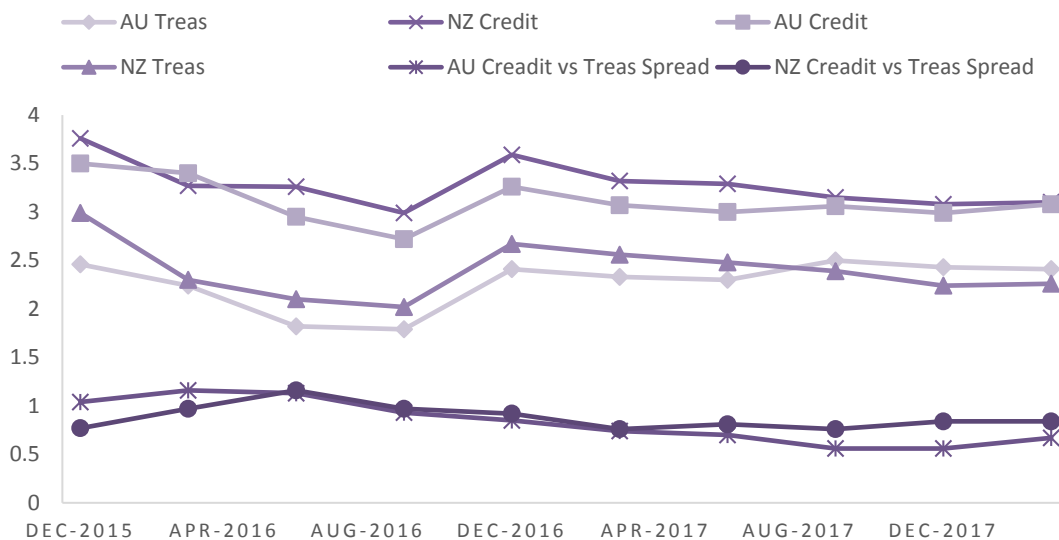
Yields for most NZBond Indices were mixed. The yield on the composite Index decreased to 2.53% from 2.57%. The yield on the Inflation Index recorded the largest change (-10 bps) at 1.68%. The New Zealand Bank Bill increased 6 bps to 1.89%.

Chart 12. Bloomberg NZBond Indices: Bond Yields



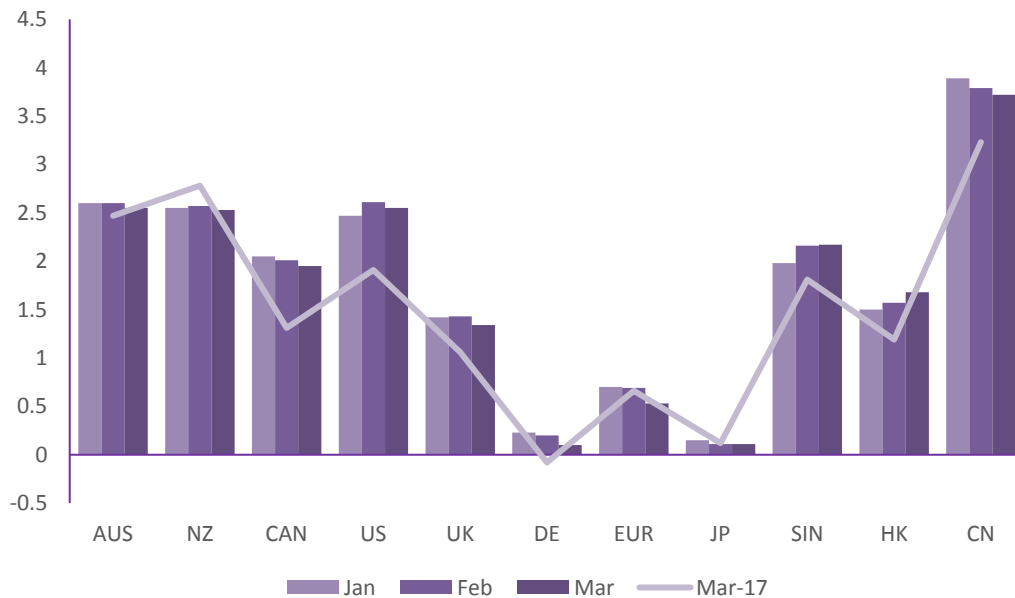
As illustrated in Chart 13, the YTW has been increasing for both the Australian and New Zealand Credit Indices for the past 3 months. There is also an evidence of convergence during the last 3 months.

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



The Global Bloomberg Barclays Sovereign Indices had mixed YTW figures for March. The YTW for Hong Kong sovereign index rose the most (11 bps) while YTW for Euro sovereign index dropped the most (-16 bps) followed by Germany (-10 bps) and UK (-9 bps) compared to February as shown below. The YTW for the remaining sovereign indices listed below moved within 7bps.

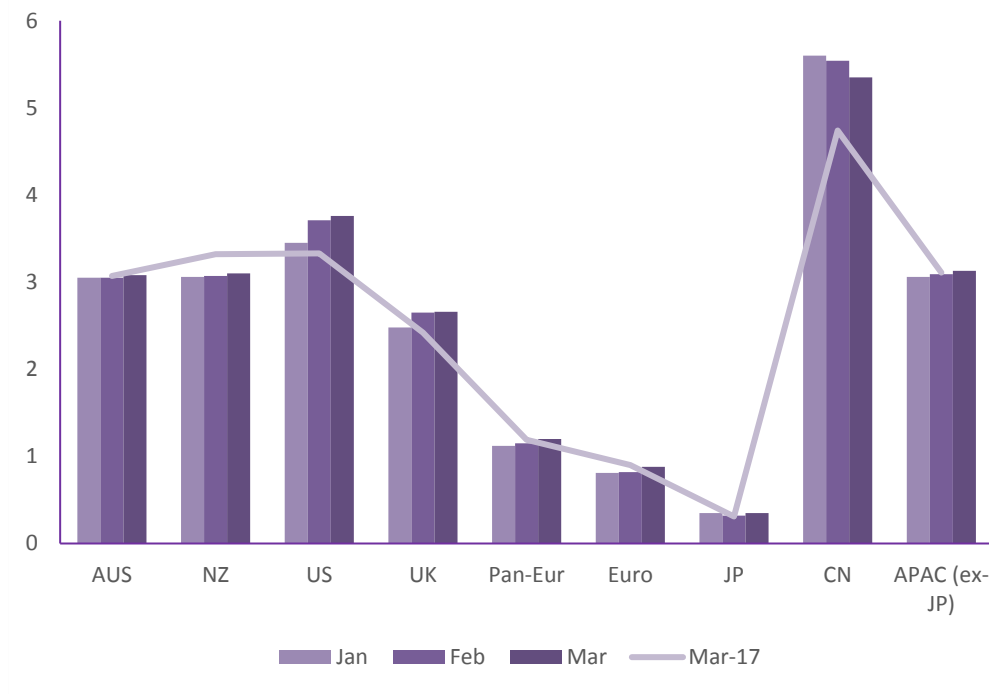
Chart 14. Bloomberg Indices Sovereign Bond Yields⁷



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.

March 2018 recorded upward yield movement for most Investment-Grade Corporate aggregates shown below, except China Investment-Grade Corporate Aggregate Index dropped -19 bps to 5.35% from 5.54%.

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 (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.

Supply

Table 5 shows that the AusBond Composite Index added A\$7.59bn of new supply (issuances and taps) in March. The new supply was -25% lower than the previous month and A\$5.7bn lower than the 12 month average (A\$13.29bn). The largest contributors were Treasuries at A\$3.8bn followed by Non-Government at A\$2.86bn and Semi-Government at A\$0.93bn. Five new issues were added to the Composite Index amounting to A\$1.23bn, which leaves A\$6.36bn in taps.

The new additions to the Composite Index were issued across 2 different sectors. Amongst Banks LLOYDS issued fixed coupon bonds amounting to A\$0.425bn in total. The largest tap was carried on the 2.25% November 2022 and 3.25% April 2029 Treasury bond. Additionally, six Semi-Government issuers upsized last month: NSWTC (A\$0.49bn), TCV (A\$0.15bn), QTC (A\$0.5bn), WATC (A\$0.14bn), QTC (A\$0.07bn) and TASCOR (A\$0.03bn). The month of March also saw approximately A\$4.26bn of buybacks and maturities.

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

Sector	MAR-18 (A\$bn)	FEB-18 (A\$bn)	JAN-18 (A\$bn)	QTD (A\$bn)	12-mth AVG (A\$bn)	% diff on prior mth	% diff on 12-mth AVG
Additions							
Treasury	3.8	5.3	9.6	9.1	6.57	-28.30%	-42.16%
Semi-Government	0.93	1.77	4.14	2.7	2.91	-47.46%	-68.04%
Non-Government	2.86	3.03	5.67	5.89	3.81	-5.61%	-24.93%
Total Composite	7.59	10.1	19.41	17.69	13.29	-24.85%	-42.89%
Removals							
Treasury	0.8	0.8	2.99	1.6	3.7	0.00%	-78.38%
Semi-Government	0.91	0.8	7.84	1.71	2.5	13.75%	-63.60%
Non-Government	2.55	1.4	5.23	3.95	2.5	82.14%	2.00%
Total Composite	4.26	3	16.06	7.26	8.7	42.00%	-51.03%
Net new supply							
Treasury	3	4.5	6.61	7.5	2.87	-33.33%	4.53%
Semi-Government	0.02	0.97	-3.7	0.99	0.41	-97.94%	-95.12%
Non-Government	0.31	1.63	0.44	1.94	1.31	-80.98%	-76.34%
Total Composite	3.33	7.1	3.35	10.43	4.59	-53.10%	-27.45%

Maturities

Table 6. Maturities for AusBond Composite Index: March 2018

ISSUER	ISIN	VALUE	MATURITY
VOLKSWAGEN FIN SERV AUST	AU3CB0220028	250,000,000	4-Apr-18
BANK OF CHINA/SYDNEY	AU3CB0228625	200,000,000	9-Apr-18
LIBERTY FINANCIAL PTY	AU3CB0228682	100,000,000	9-Apr-18
LANDWIRTSCH. RENTENBANK	AU3CB0173730	1,000,000,000	13-Apr-18
AUST & NZ BANKING GROUP	AU3CB0207652	250,000,000	17-Apr-18
BPCE SA	AU3CB0220259	150,000,000	17-Apr-18
RABOBANK NEDERLAND AU	AU3CB0174183	600,000,000	20-Apr-18

Table 7. Upcoming maturities for AusBond Composite Index: March 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 8. Maturities for NZBond Composite Index: March 2018

ISSUER	ISIN	VALUE	MATURITY
COUNCIL OF EUROPE	NZCEBDT002C2	150,000,000	30-Apr-18

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

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

Index Market Capitalisation

The AusBond Composite Index ended March 2018 at A\$994.47bn.

The NZBond Composite Index stood at NZ\$113.64bn at the end of March.

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

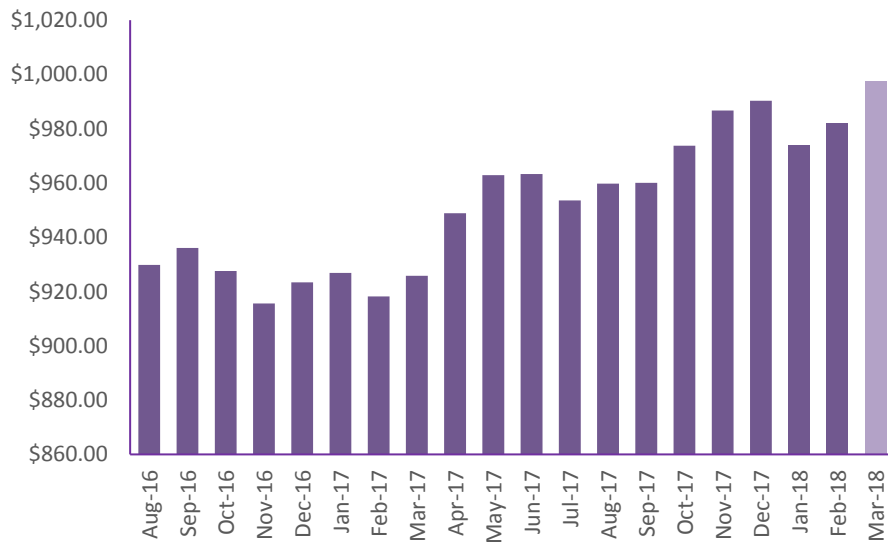


Chart 17. Growth of Bloomberg NZBond Composite Index: 2016 – 2018

