

Bloomberg AusBond Indices

Month in Review - July 2019

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Month in Review

Australian Market Performance

On July 2nd 2019, the Reserve Bank of Australia (RBA) cut its target cash rate to 1.00% from 1.25%. As shown in Table 1 below, the AusBond Composite Index's July return was positive (0.95%). The best performing component of the Index was the Credit Index at 1.02%. The AusBond Semi-Govt Index and Treasury Index returned 1.01% and 0.96%, respectively, followed by the Supra-Sovereign Index (0.7%). The Inflation Credit Index rose 0.93% during July and the AusBond Inflation Government Index increased 1.55% for the month. The Bank Bill Index returned 0.12%. Within equities, the S&P/ASX Accumulation 200 Index rose in July, sending its return up by 2.94%.

Table 1. AusBond Total Return Performance: July 2019

Index	JUL	JUN	MAY	QTD	YTD	2 YR	5 YR
Bloomberg AusBond Composite 0+ Yr Index	0.95%	1.04%	1.70%	0.95%	7.60%	6.65%	5.20%
Bloomberg AusBond Treasury 0+ Yr Index	0.96%	1.12%	2.09%	0.96%	8.53%	7.36%	5.42%
Bloomberg AusBond Semi-Govt 0+ Yr Index	1.01%	1.07%	1.46%	1.01%	7.18%	6.19%	5.12%
Bloomberg AusBond SupraSov 0+ Yr Index	0.70%	0.80%	1.05%	0.70%	5.50%	5.14%	4.53%
Bloomberg AusBond Credit 0+ Yr Index	1.02%	0.89%	1.19%	1.02%	6.68%	6.15%	5.20%
Bloomberg AusBond Bank Bill Index	0.12%	0.13%	0.15%	0.12%	1.09%	1.87%	2.06%
Bloomberg AusBond Credit FRN 0+ Yr Index	0.46%	0.25%	0.17%	0.46%	2.36%	2.92%	3.09%
Bloomberg AusBond Infl 0+ Yr Index	1.52%	-0.14%	3.00%	1.52%	8.82%	7.30%	5.10%
Bloomberg AusBond Infl Govt 0+ Yr Index	1.55%	-0.16%	3.09%	1.55%	8.99%	7.28%	5.00%
Bloomberg AusBond Infl Credit 0+ Yr Index	0.93%	0.18%	1.41%	0.93%	5.86%	7.61%	6.50%
S&P/ASX Accumulation 200 Index	2.94%	3.70%	1.71%	2.94%	23.25%	13.92%	8.55%

Note: 2 and 5 year returns are annualized.

Chart 1. Bloomberg AusBond Composite Index: Monthly Performance 2018 - 2019

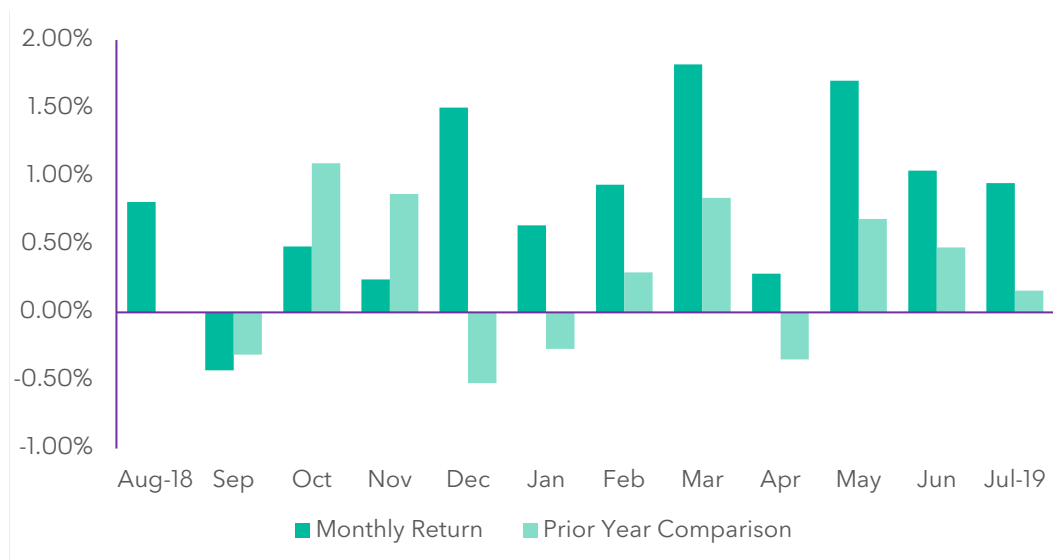


Chart 2. S&P/ASX200 Accumulation Index vs. Bloomberg AusBond Composite Index: Monthly Return Performance 2018 – 2019¹

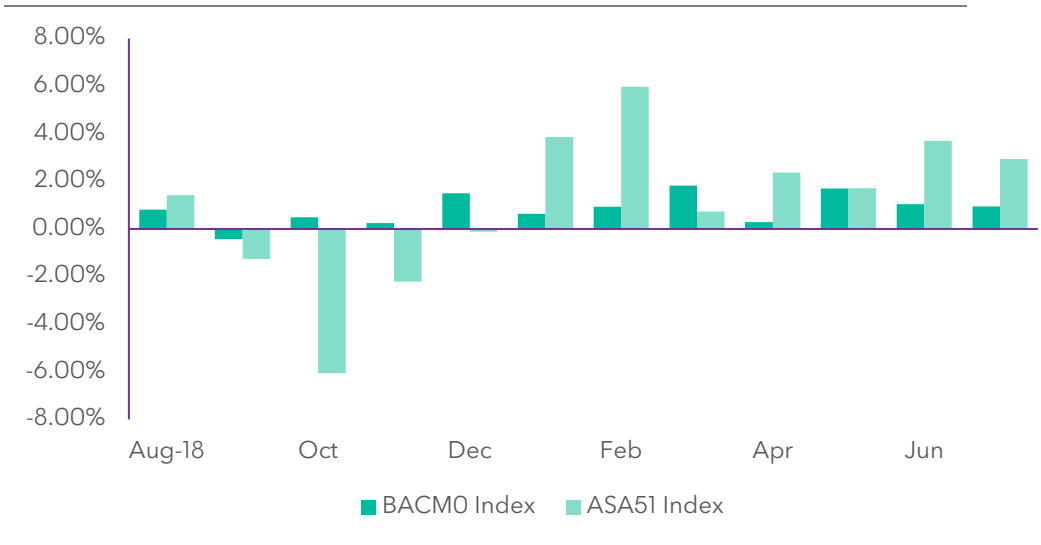
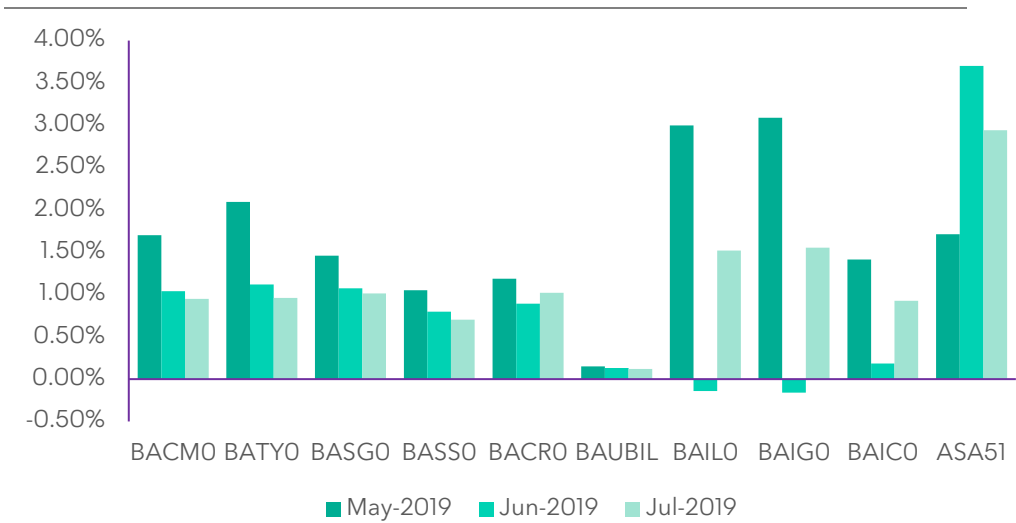


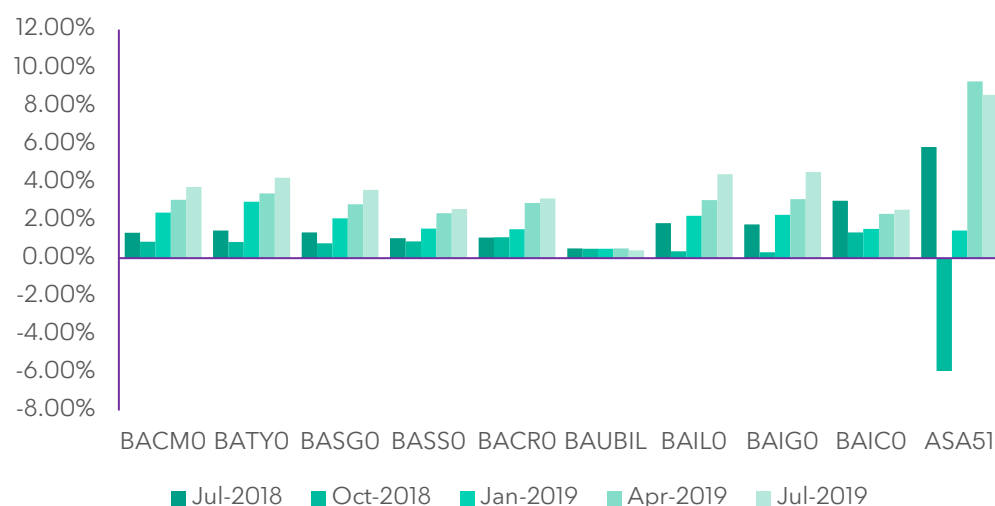
Chart 3. Bloomberg AusBond Indices: Recent monthly returns²



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 (BATYO); AusBond Semi-Government Index (BASGO); AusBond Supra/Sovereign Index (BASSO); AusBond Credit Index (BACRO); AusBond Bank Bill Index (BAUBIL); AusBond Inflation Index (BAILO); AusBond Inflation Government Index (BAIGO); AusBond Inflation Credit Index (BAICO) 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) left the target cash rate unchanged at 1.5% as no meeting was held in July. As set out in the Table 2 below, monthly performance among NZBond indices were all positive across the board for the month of July. The Composite Index on aggregate returned 0.71% for the month. The best performing component of the Composite Index was the Credit Index (0.80%) followed by the Local Govt Index (0.76%). The Treasury Index and the Supra-Sovereign Index rose 0.74% and 0.52%, respectively. The Bank Bill Index gained 0.15% in July.

Table 2. NZBond Total Return Performance: July 2019

Index	JUL	JUN	MAY	QTD	YTD	2 YR	5 YR
Bloomberg NZBond Composite 0+ Yr Index	0.71%	0.77%	1.16%	0.71%	5.17%	5.85%	5.64%
Bloomberg NZBond Treasury 0+ Yr Index	0.74%	0.95%	1.21%	0.74%	5.81%	6.34%	5.77%
Bloomberg NZBond Local Govt 0+ Yr Index	0.76%	0.73%	1.46%	0.76%	5.59%	6.15%	6.12%
Bloomberg NZBond Non-Govt 0+ Yr Index	0.66%	0.55%	1.00%	0.66%	4.17%	5.08%	5.32%
Bloomberg NZBond SupraSov 0+ Yr Index	0.52%	0.46%	0.88%	0.52%	3.67%	4.49%	4.92%
Bloomberg NZBond Credit 0+ Yr Index	0.80%	0.64%	1.12%	0.80%	4.69%	5.71%	5.77%
Bloomberg NZBond Bank Bill Index	0.15%	0.13%	0.17%	0.15%	1.08%	1.93%	2.49%
Bloomberg NZBond Infl 0+ Yr Index	0.78%	1.27%	3.13%	0.78%	11.37%	12.16%	7.95%
S&P/NZX 50 Gross Index	3.40%	3.79%	1.04%	3.40%	23.23%	18.79%	16.01%

Note: 2 and 5 year returns are annualized.

Chart 5. Bloomberg NZBond Composite Index: Monthly Performance 2018 - 2019

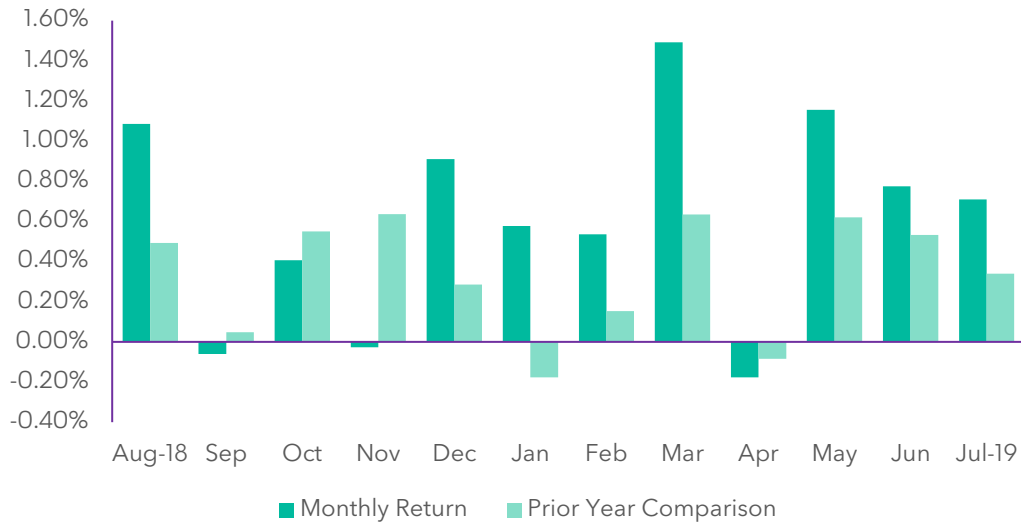
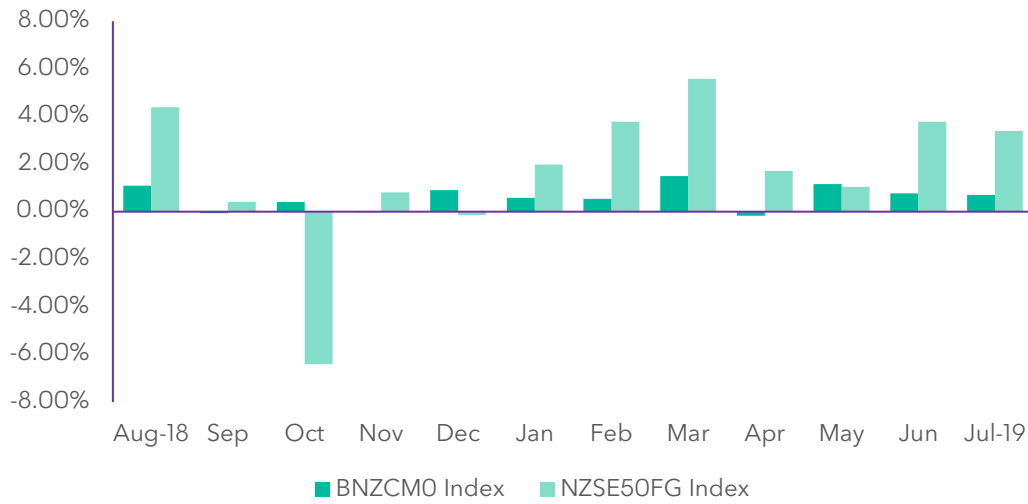


Chart 6. S&P/NZX50 Gross Index vs. Bloomberg NZBond Composite Index: Monthly Return Performance 2018 - 2019³



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

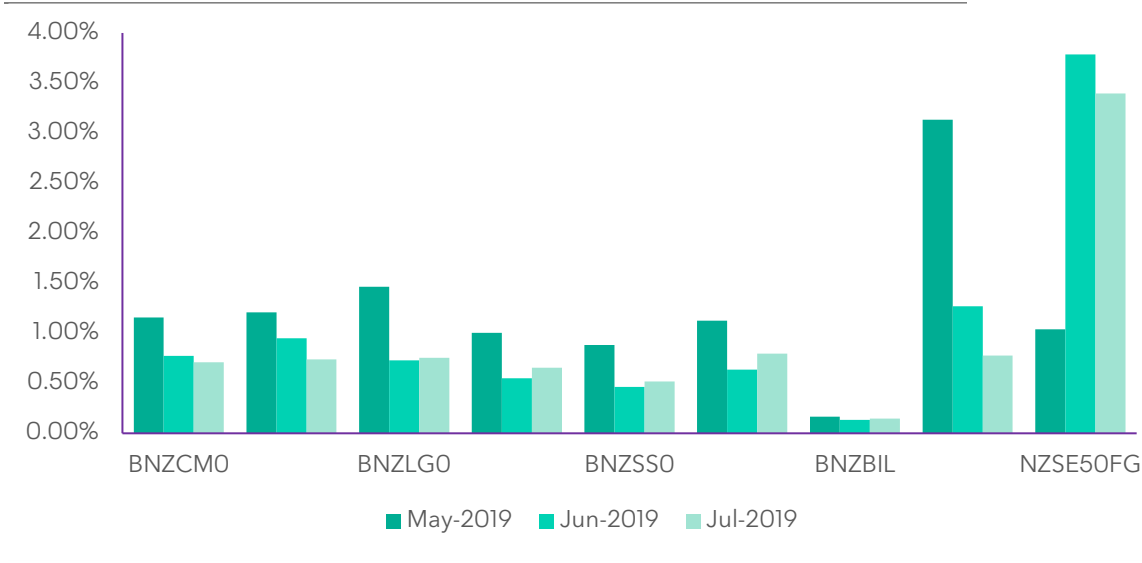
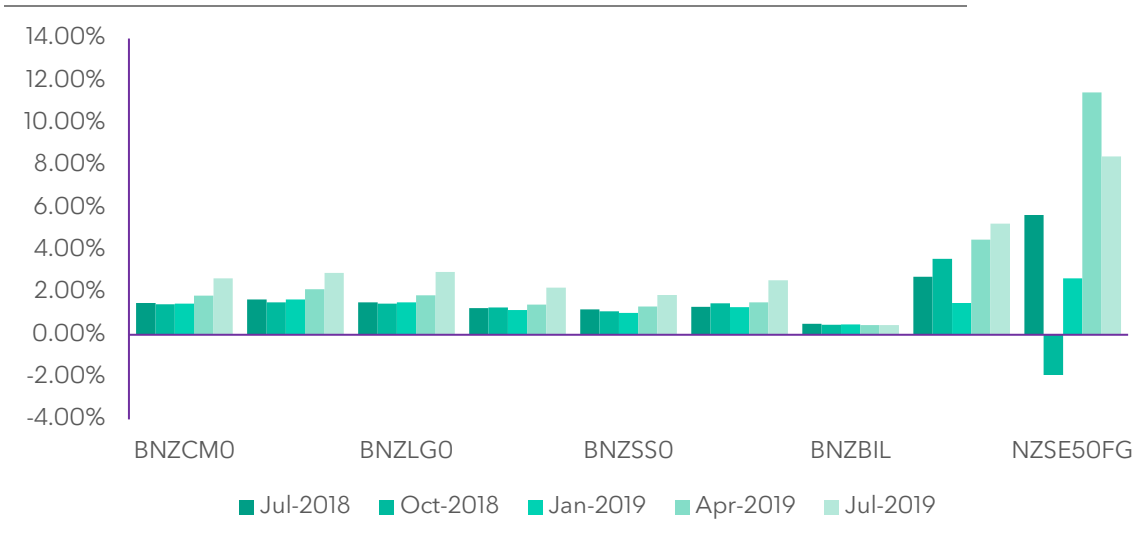


Chart 8. Bloomberg NZBond Indices: Recent quarterly returns



⁴The following indices are shown: NZBond Composite Index (BNZCMO); NZBond Treasury Index (BNZTYO); 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. Global sovereign Indices were mixed for the month of July. The largest mover, UK, rose 2.18% in July and three indices, Canada (-0.12%), US (-0.12%), and HK (-0.09%) dipped for the month. The US Aggregate Treasury Index was down by 0.12%. On a twelve-month basis, as shown in Table 3, returns were all in positive territory. Global Sovereign Indices returns were as follows: Canada (6.69%), US (7.57%), UK (7.92%), Germany (6.62%), Euro (8.61%), Japan (3.14%), Singapore (5.88%), Hong Kong (3.46%) and China (5.40%).

Chart 9. Bloomberg Indices Sovereign Debt Performance: July 2019⁵

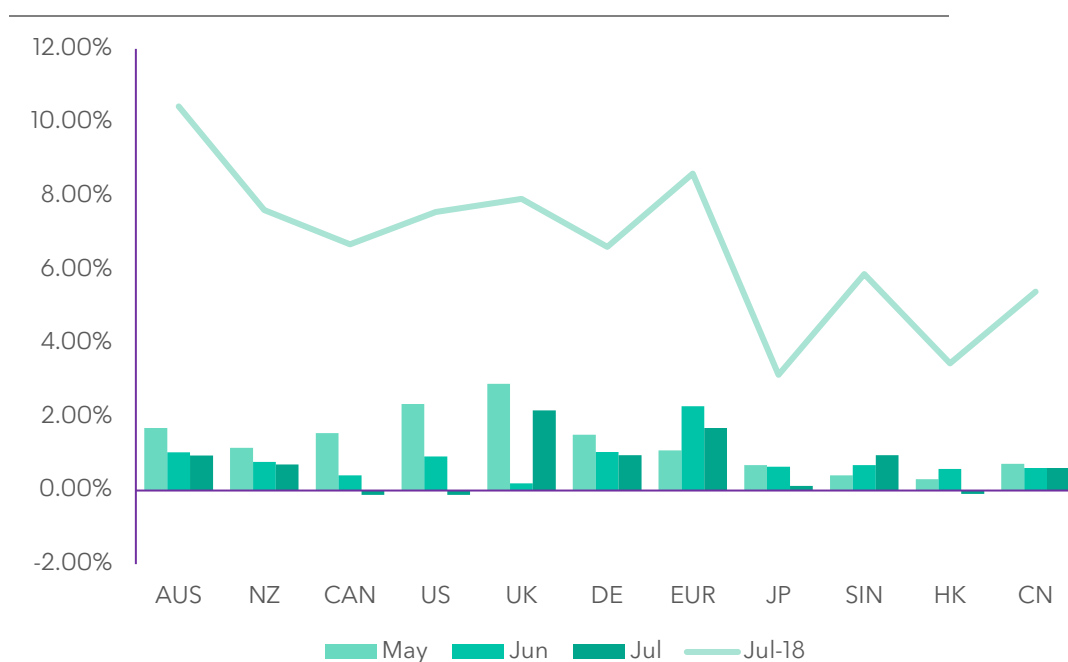


Table 3. Bloomberg Indices Sovereign Debt Performance: July 2019

Index	AUS	NZ	CAN	US	UK	DE	EUR	JP	SIN	HK	CN
Jun	0.95%	0.71%	-0.12%	-0.12%	2.18%	0.96%	1.70%	0.13%	0.96%	-0.09%	0.61%
May	1.04%	0.77%	0.41%	0.92%	0.20%	1.05%	2.29%	0.64%	0.69%	0.58%	0.61%
Apr	1.70%	1.16%	1.56%	2.35%	2.90%	1.52%	1.09%	0.69%	0.41%	0.31%	0.72%
12-MTH	10.44%	7.62%	6.69%	7.57%	7.92%	6.62%	8.61%	3.14%	5.88%	3.46%	5.40%

In July, monthly performances among the global Investment Grade Corporate Indices increased across the board for the month of July. The Bloomberg Barclays Sterling Aggregate Bond Index gained the most (2.34%) followed by Bloomberg Barclays Euro Corporate Bond Index (1.43%). The Bloomberg Barclays Japan Corporate Bond Index returned the least (0.02%) for the month. On a twelve-month basis, as shown in Table 4, the Bloomberg Barclays US Corporate Index gained the most at 10.42% and most Investment Grade Corporate Indices were in positive territory except APAC (ex-JP): US (10.42%), UK (8.84%), Pan-Euro (6.17%), Euro (5.98%), Japan (0.89%), China (6.63%) and APAC (ex-JP) (-1.54%).

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: July 2019⁶

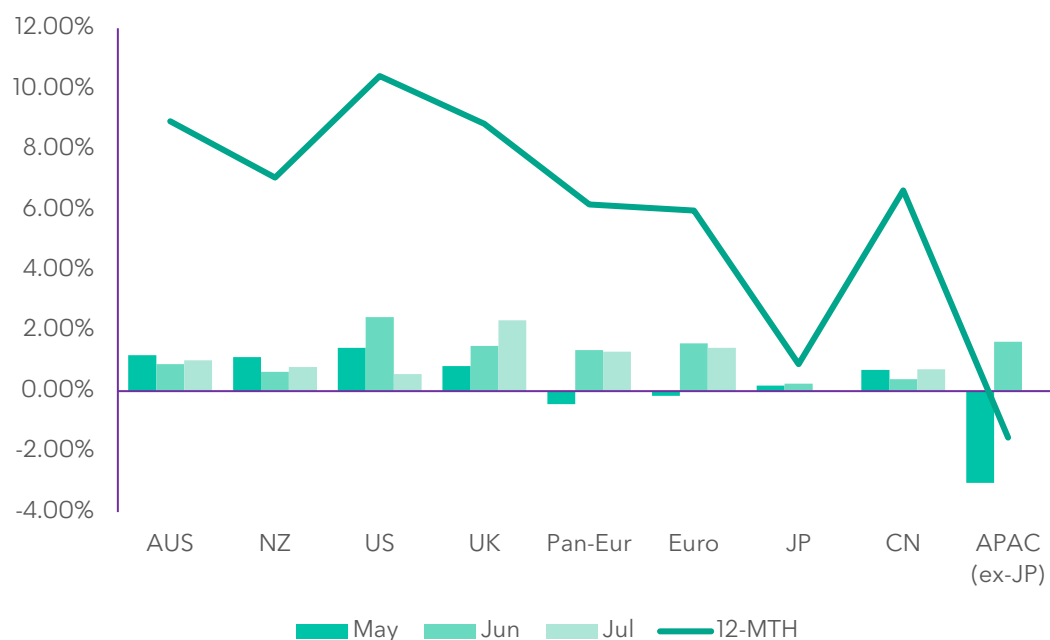


Table 4. Bloomberg Indices Investment Grade Corporate Indices: July 2019

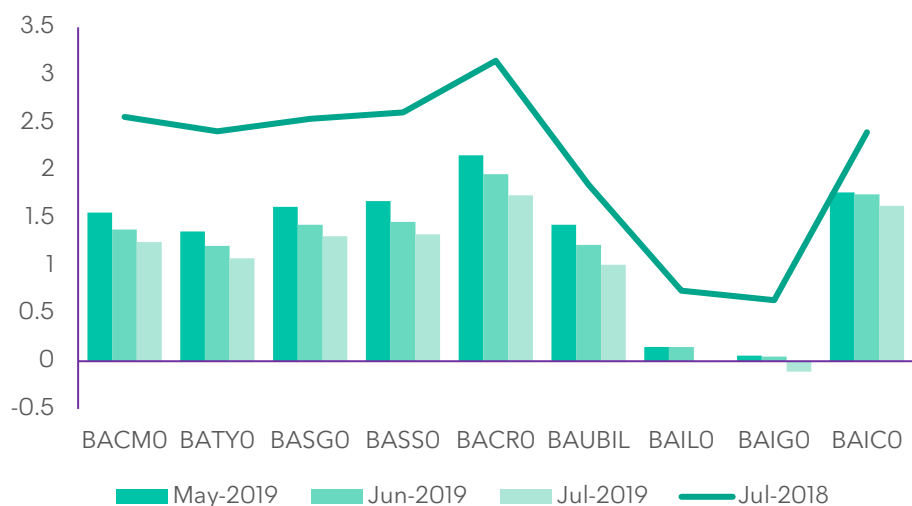
Index	AUS	NZ	US	UK	Pan-Eur	EUR	JP	CN	APAC (ex-JP)
Jul	1.02%	0.80%	0.56%	2.34%	1.31%	1.43%	0.02%	0.72%	0.03%
Jun	0.89%	0.64%	2.45%	1.49%	1.36%	1.58%	0.25%	0.40%	1.63%
May	1.19%	1.12%	1.43%	0.83%	-0.43%	-0.15%	0.18%	0.70%	-3.03%
12-MTH	8.92%	7.06%	10.42%	8.84%	6.17%	5.98%	0.89%	6.63%	-1.54%

⁶ The global benchmarks for investment-grade corporate bonds shown are: Bloomberg AusBond Credit Index (BACRO Index); Bloomberg NZBond Credit Index (BNZCRO 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 (LJCITRJU Index); Bloomberg Barclays China Aggregate: Corporate Index and Bloomberg Barclays Asian-Pacific Non-Japan Corporate Index.

Market Yields

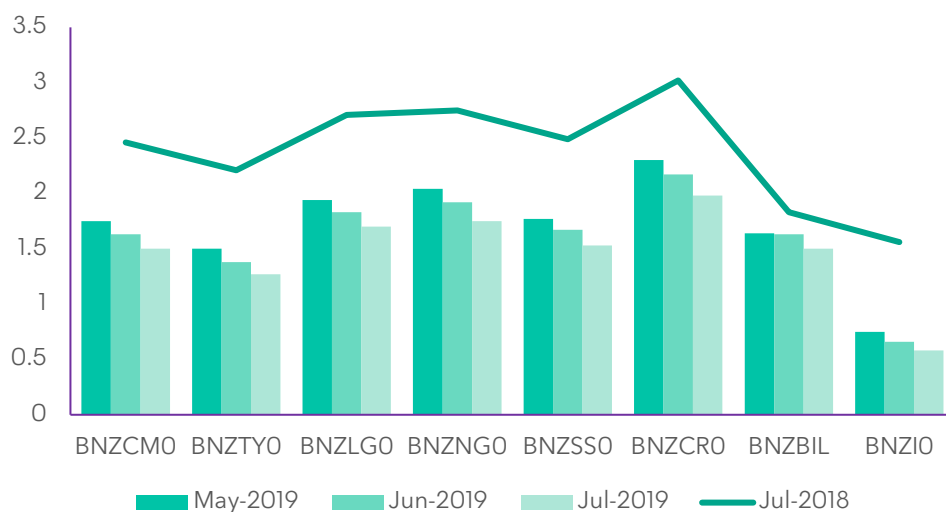
In July, the Yield to Worst (YTW) of the AusBond Composite Index ended the month at 1.25%, a 13-bp decrease compared to previous month. The YTW of the Treasury Index was down 13 bps to 1.08% from 1.21%. The YTW of the Semi-Government Index decreased 12 bps to 1.31% and SupraSov Index was down 13 bps to 1.33%. The Bank Bill Yield was down 21 bps to 1.01%.

Chart 11. Bloomberg AusBond Indices: Bond Yields



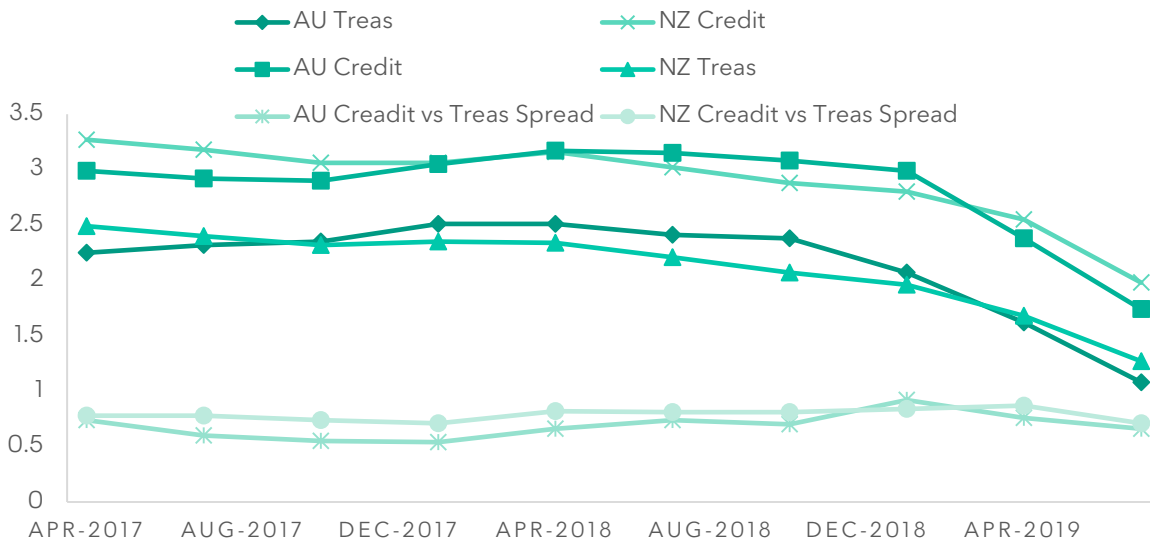
Yields for NZBond Indices decreased across the board for the month of July. The yield of the composite Index was down 13 bps to 1.50% from 1.63%. The yield on the Treasury Index dipped to 1.27% from 1.38%. The yield on the Credit Index dipped the most among NZBond Indices to 1.98% from 2.17% and the yield on the SupraSov Index was down by 14 bps to 1.53%. The yield on the Local Govt Index decreased 13 bps to 1.70% from 1.83%. The New Zealand Bank Bill yield decreased 13 bp to 1.50%.

Chart 12. Bloomberg NZBond Indices: Bond Yields



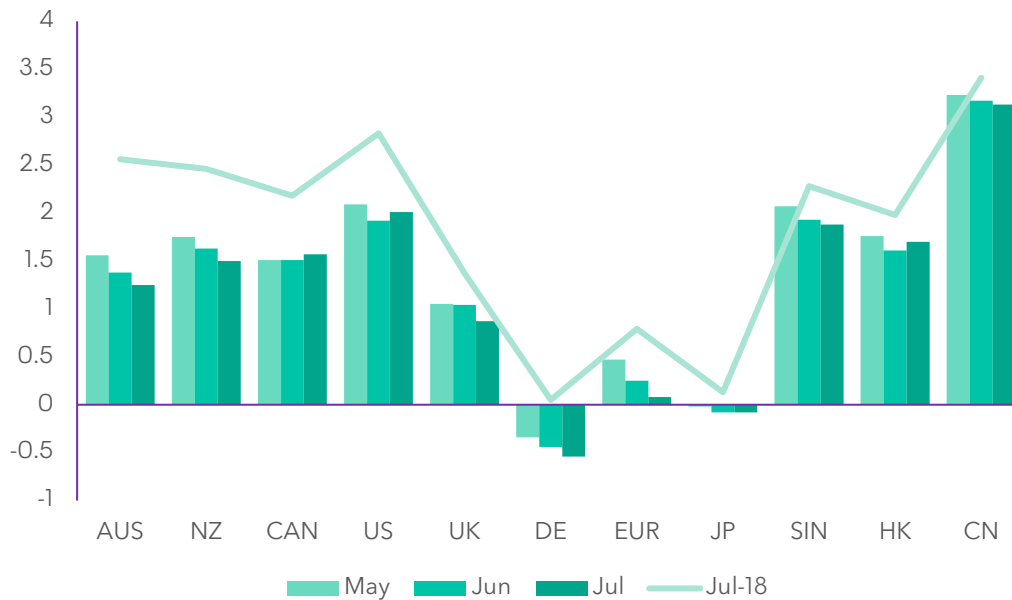
As illustrated in Chart 13, the YTW decreased for both the Australian Credit Index and the New Zealand Credit Index for the past 3 months. There is also evidence of convergence for credit and treasury spread during the last 3 months for Australia and New Zealand.

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



YTW figures for the Global Bloomberg Barclays Sovereign Indices were mixed in July compared to previous month as shown below, Canada(1.57%), US(2.01%), UK(0.87%), Germany(-0.54%), Europe(0.08%), Japan(-0.08%), Singapore(1.88%), HK(1.70%) and China(3.13%). The YTW for UK and Euro sovereign index dipped the most (-17 bps) while YTW for the US and HK Treasury Index rose the most (9 bps).

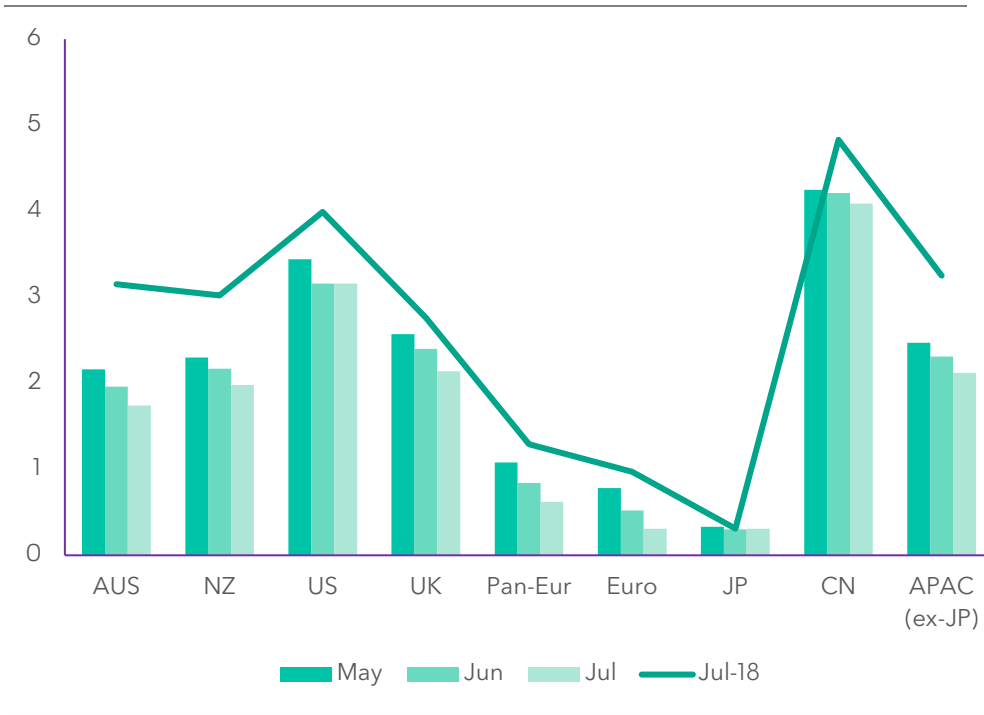
Chart 14. Bloomberg Indices Sovereign Bond Yields⁷



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

In July 2019, most YTW figures dipped for corporate bond indices except US and JP. The yield of the Sterling Aggregate Bond Index decreased the most (-26 bps) to 2.14% followed by Euro Investment-Grade Corporate Bond Index (-21 bps) to 0.31%. The yield of the Japan Investment-Grade Corporate Bond Index has marginal change (1 bp) to 0.31% from 0.3% and the yield of the US Corporate Bond Index was unchanged. The YTW figure for APAC (ex-JP) Investment-Grade Corporate Bond Index was down by 19 bps to 2.12%.

Chart 15. Bloomberg Indices Investment Grade Corporate Bond Yields⁸



⁸The global benchmarks for investment-grade corporate bonds shown are: Bloomberg AusBond Credit Index (BACRO Index); Bloomberg NZBond Credit Index (BNZCRO 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\$14.4bn of new supply (issuances and taps) in July. The new supply was A\$2.25bn higher than the previous month and A\$3.19bn higher than the 12 month average (A\$11.21bn). The largest contributors were Non-Government issuers at A\$5.95bn followed by Semi-Government issuers at A\$4.25bn and Treasuries at A\$4.2bn. Fifteen new issues were added to the Composite Index amounting to A\$6.4bn, which leaves A\$8bn in taps.

The new additions to the Composite Index were issued across eight different sectors. NSWTC issued A\$1.25bn fixed coupon bonds which is the largest amongst new issues in July. The largest tap was carried on the 1.5% June 2031 ACGB bond. Additionally, three Semi-Government issuers upsized in July: QTC (A\$0.9bn), TCV (A\$0.84bn) and WATC (A\$0.66bn). The month of July also saw approximately A\$11.2bn of buybacks and maturities.

Table 5. Bloomberg AusBond Composite Index Net New Supply: July 2019

Sector	JUL-19 (A\$bn)	JUN-19 (A\$bn)	MAY-19 (A\$bn)	QTD (A\$bn)	12-mth AVG (A\$bn)	% diff on prior mth	% diff on 12-mth AVG
Additions							
Treasury	4.2	2.9	6.2	13.3	4.54	44.83%	-7.49%
Semi-Government	4.25	6.25	3.77	14.27	3.78	-32.00%	12.43%
Non-Government	5.95	3	2.46	11.41	2.89	98.33%	105.88%
Total Composite	14.4	12.15	12.43	38.98	11.21	18.52%	28.46%
Removals							
Treasury	1	0.6	1	2.6	3.44	66.67%	-70.93%
Semi-Government	3.05	1.95	8.09	13.09	2.49	56.41%	22.49%
Non-Government	7.15	3.55	1.05	11.75	2.77	101.41%	158.12%
Total Composite	11.2	6.1	10.14	27.44	8.7	83.61%	28.74%
Net new supply							
Treasury	3.2	2.3	5.2	10.7	1.1	39.13%	190.91%
Semi-Government	1.2	4.3	-4.32	1.18	1.29	-72.09%	-6.98%
Non-Government	-1.2	-0.55	1.41	-0.34	0.12	118.18%	-1100.00%
Total Composite	3.2	6.05	2.29	11.54	2.51	-47.11%	27.49%

Maturities

Table 6. Maturities for AusBond Composite Index: July 2019

ISSUER	ISIN	VALUE	MATURITY
SCENTRE GROUP TRUST 2	AU3CB0200921	150,000,000	7/25/2019*
ALUMINA LTD	AU3CB0225480	125,000,000	7/30/2019*
SOUTH AUST GOVT FIN AUTH	AU3SG0000391	2,000,000,000	8/6/2019
EUROPEAN INVESTMENT BANK	AU3CB0122448	3,450,000,000	8/7/2019
WELLS FARGO & COMPANY	AU3CB0223204	400,000,000	8/8/2019
VOLKSWAGEN FIN SERV AUST	AU3CB0231868	250,000,000	8/13/2019
INTER-AMERICAN DEVEL BK	AU3CB0123537	1,100,000,000	8/20/2019
GOLDMAN SACHS GROUP INC	AU3CB0218709	700,000,000	8/21/2019
QIC SHOPPING CENTRE FUND	AU3CB0216166	175,000,000	8/22/2019*
UBS AG AUSTRALIA	AU3CB0223501	400,000,000	8/27/2019
APPLE INC	AU3CB0232304	400,000,000	8/28/2019

*The issuer is exercising its call option for early redemption on 25 July 2019.

** The issuer is exercising its call option for early redemption on 30 July 2019.

***The issuer is exercising its call option for early redemption on 22 August 2019.

Table 7. Upcoming maturities for AusBond Composite Index: August 2019

ISSUER	ISIN	VALUE	MATURITY
STOCKLAND TRUST	AU3CB0213247	150,000,000	9/6/2019
NISSAN FIN SERVICES AU	AU3CB0239606	300,000,000	9/6/2019
BNG BANK NV	AU3CB0224020	175,000,000	9/17/2019
GLENCORE AUST HOLDINGS P	AU3CB0224129	500,000,000	9/19/2019
BK TOKYO-MIT UFJ SYDNEY	AU3CB0239937	150,000,000	9/30/2019

Table 8. Maturities for NZBond Composite Index: July 2019

ISSUER	ISIN	VALUE	MATURITY
AFRICAN DEVELOPMENT BANK	NZAFBDT002C3	100,000,000	8/27/2019

Table 9. Upcoming maturities for NZBond Composite Index: August 2019

ISSUER	ISIN	VALUE	MATURITY
TRANSPower NEW ZEALAND L	NZTRPD0020L4	200,000,000	9/6/2019

Index Market Capitalisation

The AusBond Composite Index ended July 2019 at A\$1,112.5bn.

The NZBond Composite Index stood at NZ\$117.54bn at the end of July.

Chart 16. Growth of Bloomberg AusBond Composite Index: 2017 - 2019

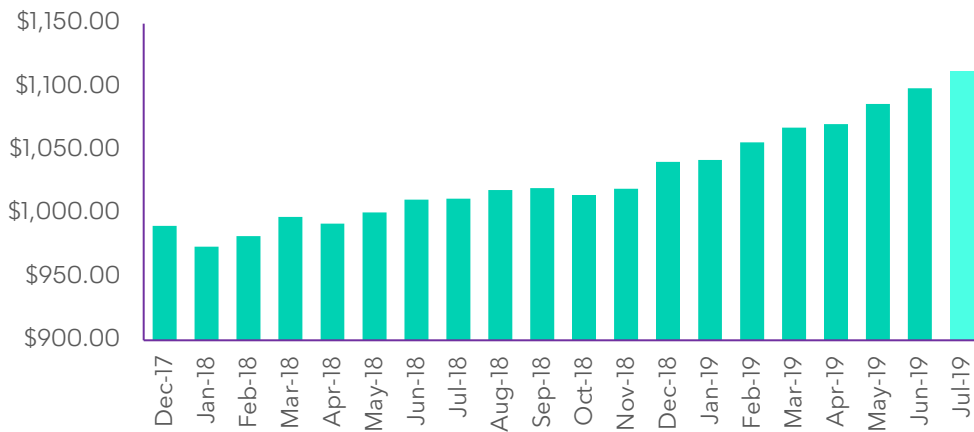


Chart 17. Growth of Bloomberg NZBond Composite Index: 2017 - 2019



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The Bloomberg AusBond Indices are compared to the S&P/ASX 200 Index and S&P/NZX 50 Gross Index, respectively (collectively, the "S&P Indices"). The S&P/ASX 200 measures the performance of the 200 largest index-eligible stocks listed on the ASX by float-adjusted market capitalization, covering approximately 80% of Australian equity market capitalization. The S&P/NZX 50 Gross Index is designed to measure the performance of the 50 largest, eligible stocks listed on the Main Board (NZSX) of the NZX by float-adjusted market capitalization, covering approximately 90% of New Zealand equity market capitalization. The volatility of the S&P Indices may be materially different from that of the Bloomberg AusBond Indices. In addition, the membership in Bloomberg AusBond Indices differs significantly from the securities that comprise the S&P Indices. The S&P Indices have not been selected to represent appropriate benchmarks to compare the performance of Bloomberg AusBond Indices, but rather are disclosed to allow for comparison of Bloomberg AusBond Indices to well-known and widely recognized indices. Standard & Poor's, S&P, S&P/NZX 50 Gross Index and S&P/ASX 200 are registered trademarks of Standard & Poor's Financial Services LLC ("S&P"), a part of McGraw Hill Financial.

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