

Bloomberg AusBond Indices

Month in Review – May 2019

Contents

- [3](#) Month in Review
- [3](#) Australian Market Performance
- [5](#) New Zealand Market Performance
- [8](#) Global Market Performance
- [10](#) Market Yields
- [13](#) Supply
- [14](#) Maturities
- [15](#) Index Market Capitalisation

Month in Review

Australian Market Performance

On May 7th 2019, 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 May return was positive (1.70%). The best performing component of the Index was the Treasury Index at 2.09%. The AusBond Semi-Govt Index and Credit Index returned 1.46% and 1.19%, respectively, followed by the Supra-Sovereign Index (1.05%). The Inflation Credit Index rose 1.41% during May and the AusBond Inflation Government Index rose 3.09% for the month. The Bank Bill Index returned 0.15%. Within equities, the S&P/ASX Accumulation 200 Index rose in May, sending its return up by 1.71%.

Table 1. AusBond Total Return Performance: May 2019

Index	MAY	APR	MAR	QTD	YTD	2 YR	5 YR
Bloomberg AusBond Composite 0+ Yr Index	1.70%	0.28%	1.82%	1.99%	5.49%	5.25%	5.01%
Bloomberg AusBond Treasury 0+ Yr Index	2.09%	0.19%	2.15%	2.28%	6.31%	5.73%	5.24%
Bloomberg AusBond Semi-Govt 0+ Yr Index	1.46%	0.30%	1.57%	1.77%	4.97%	4.81%	4.90%
Bloomberg AusBond SupraSov 0+ Yr Index	1.05%	0.38%	1.31%	1.43%	3.94%	4.26%	4.41%
Bloomberg AusBond Credit 0+ Yr Index	1.19%	0.57%	1.44%	1.76%	4.67%	5.15%	5.03%
Bloomberg AusBond Bank Bill Index	0.15%	0.16%	0.17%	0.31%	0.84%	1.88%	2.10%
Bloomberg AusBond Credit FRN 0+ Yr Index	0.17%	0.35%	0.40%	0.52%	1.64%	2.90%	3.08%
Bloomberg AusBond Infl 0+ Yr Index	3.00%	0.82%	1.71%	3.84%	7.34%	5.67%	5.12%
Bloomberg AusBond Infl Govt 0+ Yr Index	3.09%	0.82%	1.75%	3.93%	7.50%	5.61%	5.01%
Bloomberg AusBond Infl Credit 0+ Yr Index	1.41%	0.83%	1.03%	2.26%	4.70%	6.71%	6.62%
S&P/ASX Accumulation 200 Index	1.71%	2.37%	0.73%	4.12%	15.46%	10.35%	7.74%

Note: 2 and 5 year returns are annualized.

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

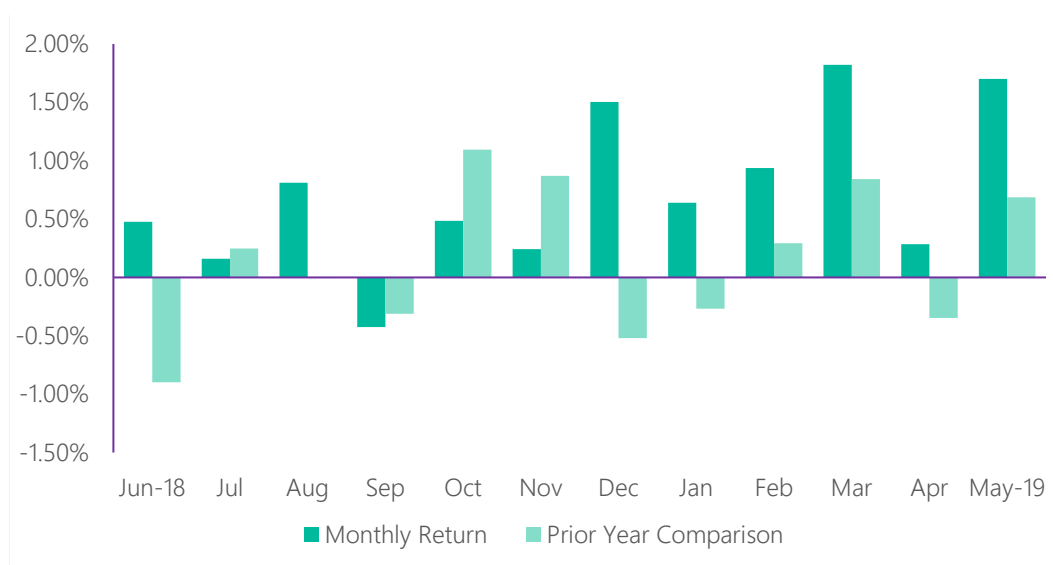


Chart 2. S&P/ASX200 Accumulation Index vs. Bloomberg AusBond Composite Index: Monthly Return Performance 2018 - 2019¹

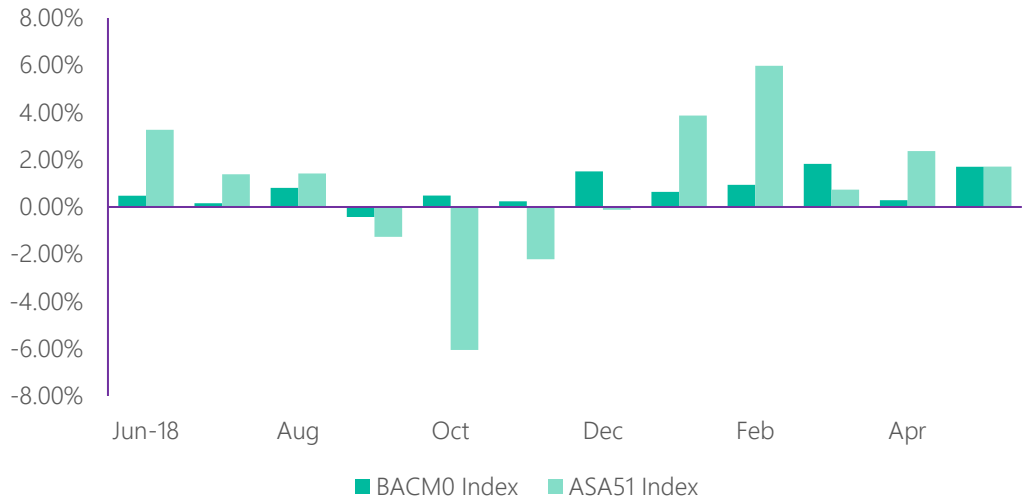
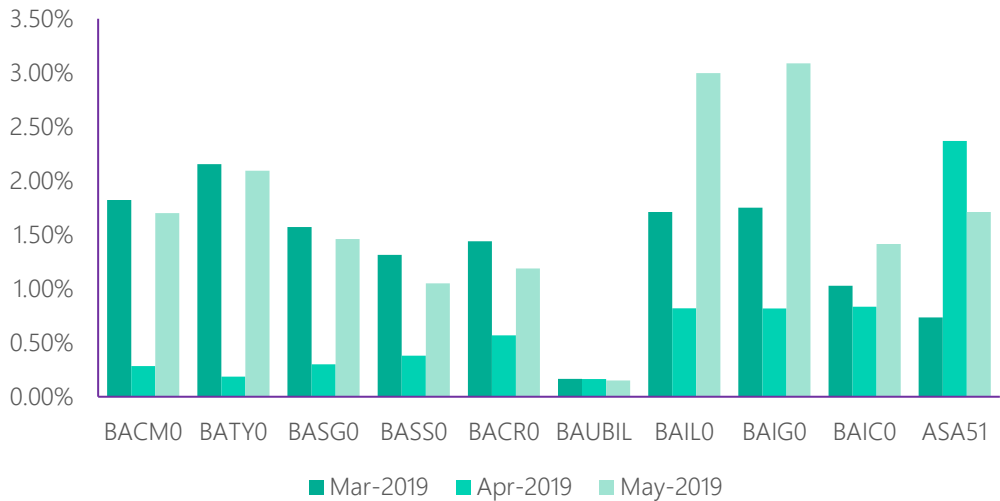


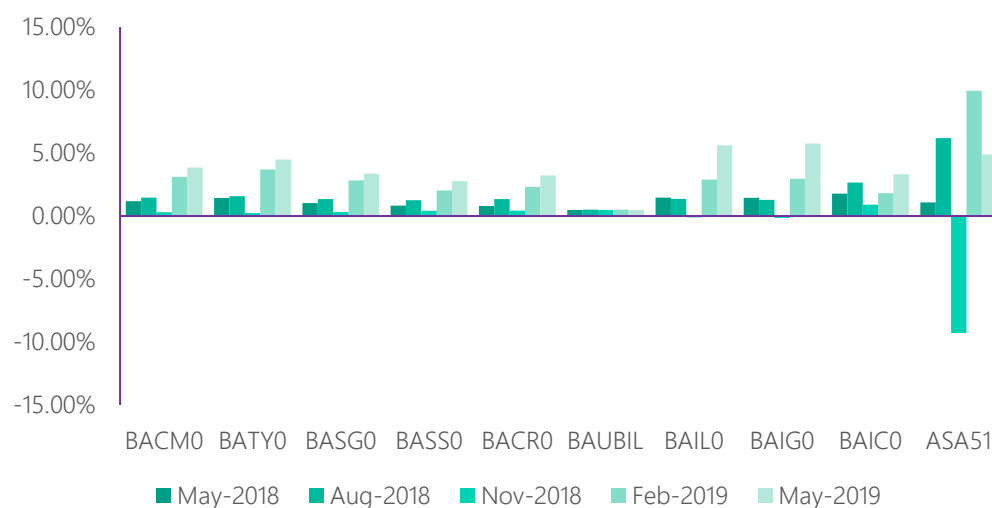
Chart 3. Bloomberg AusBond Indices: Recent monthly returns²



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 (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 May 8th 2019, the Reserve Bank of New Zealand (RBNZ) cut its target cash rate to 1.5% from 1.75%. As set out in the Table 2 below, monthly performance among NZBond indices were all positive across the board for the month of May. The Composite Index on aggregate returned 1.16% for the month. The best performing component of the Composite Index was the Local Govt Index (1.46%) followed by the Treasury Index (1.21%). The Credit Index and the Supra-Sovereign Index rose 1.12% and 0.88%, respectively. The Bank Bill Index gained 0.17% in May.

Table 2. NZBond Total Return Performance: May 2019

Index	MAY	APR	MAR	QTD	YTD	2 YR	5 YR
Bloomberg NZBond Composite 0+ Yr Index	1.16%	-0.18%	1.49%	0.98%	3.63%	5.08%	5.44%
Bloomberg NZBond Treasury 0+ Yr Index	1.21%	-0.31%	1.88%	0.89%	4.04%	5.30%	5.51%
Bloomberg NZBond Local Govt 0+ Yr Index	1.46%	-0.26%	1.44%	1.20%	4.05%	5.36%	5.91%
Bloomberg NZBond Non-Govt 0+ Yr Index	1.00%	0.04%	0.96%	1.04%	2.93%	4.72%	5.19%
Bloomberg NZBond SupraSov 0+ Yr Index	0.88%	0.01%	0.91%	0.89%	2.66%	4.21%	4.84%
Bloomberg NZBond Credit 0+ Yr Index	1.12%	0.06%	1.01%	1.19%	3.20%	5.27%	5.60%
Bloomberg NZBond Bank Bill Index	0.17%	0.15%	0.16%	0.32%	0.80%	1.95%	2.54%
Bloomberg NZBond Infl 0+ Yr Index	3.13%	-0.95%	3.88%	2.15%	9.13%	9.22%	7.70%
S&P/NZX 50 Gross Index	1.04%	1.72%	5.58%	2.77%	14.83%	16.78%	14.33%

Note: 2 and 5 year returns are annualized.

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

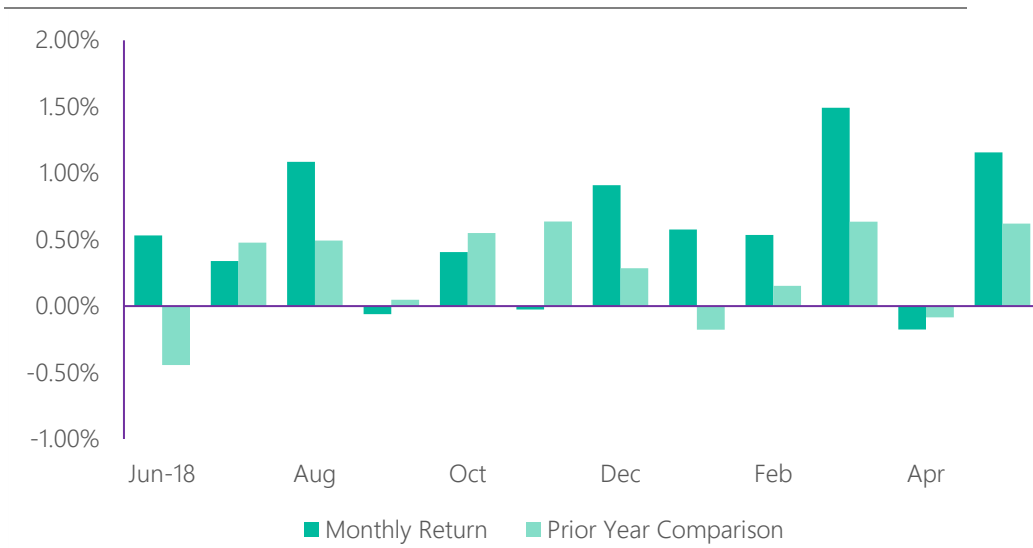
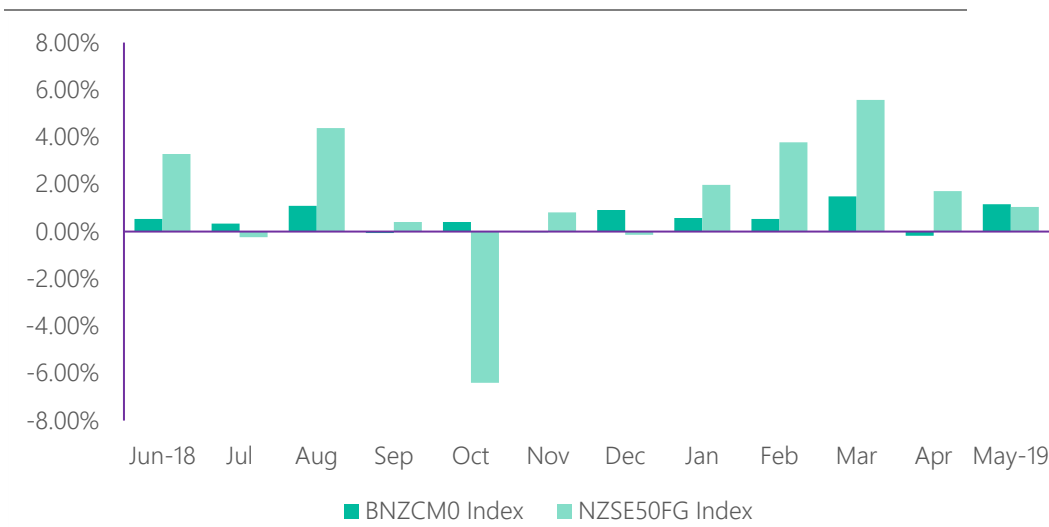


Chart 6. S&P/NZX50 Gross Index vs. Bloomberg NZBond Composite Index: Monthly Return Performance 2018 - 2019³



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

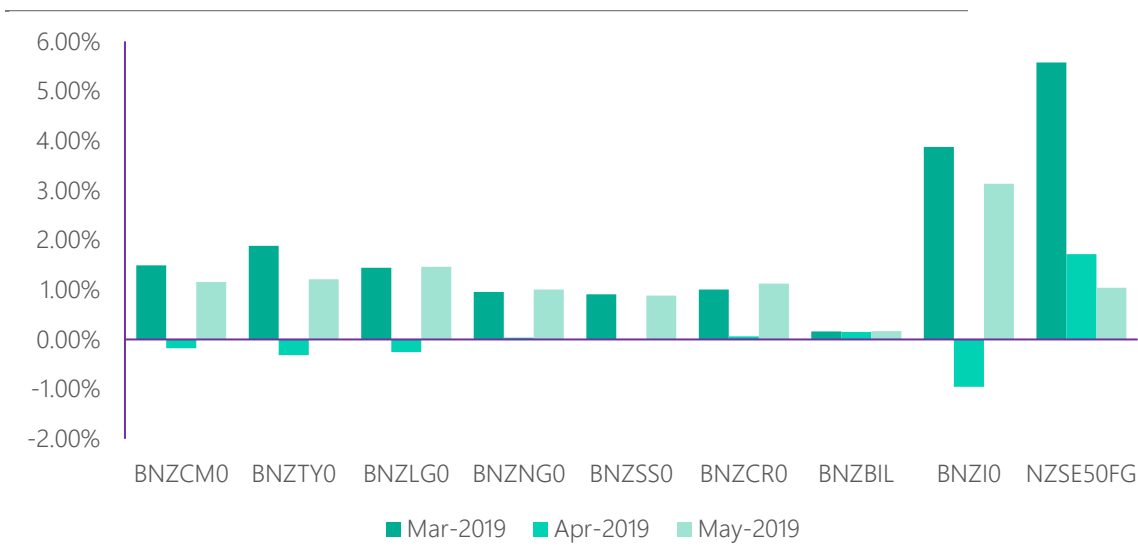
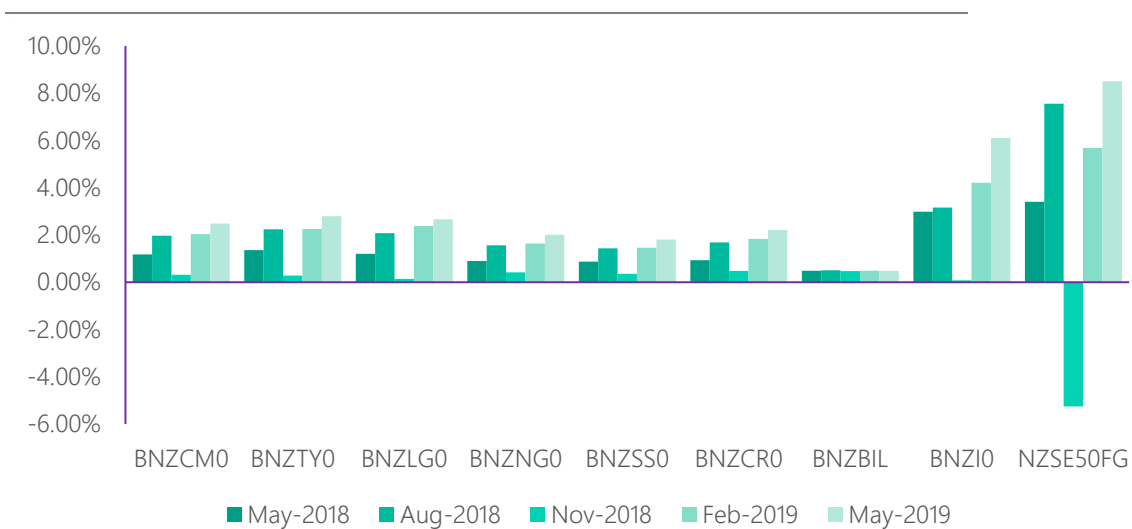


Chart 8. Bloomberg NZBond Indices: Recent quarterly returns



⁴The following indices are shown: NZBond Composite Index (BNZCM0); NZBond Treasury Index (BNZTY0); NZBond Local Govt Index (BNZLG0); NZBond Non-Govt Index (BNZNG0); 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. Global sovereign Indices increased across the board for the month of May. The largest mover, UK, rose 2.90% in May and HK returned the least (0.31%) for the month. The US Aggregate Treasury Index was up by 2.35%. On a twelve-month basis, as shown in Table 3, returns were all in positive territory. Global Sovereign Indices returns were as follows: Canada (6.12%), US (6.28%), UK (4.40%), Germany (4.01%), Euro (4.82%), Japan (2.17%), Singapore (5.15%), Hong Kong (3.29%) and China (5.43%).

Chart 9. Bloomberg Indices Sovereign Debt Performance: May 2019⁵

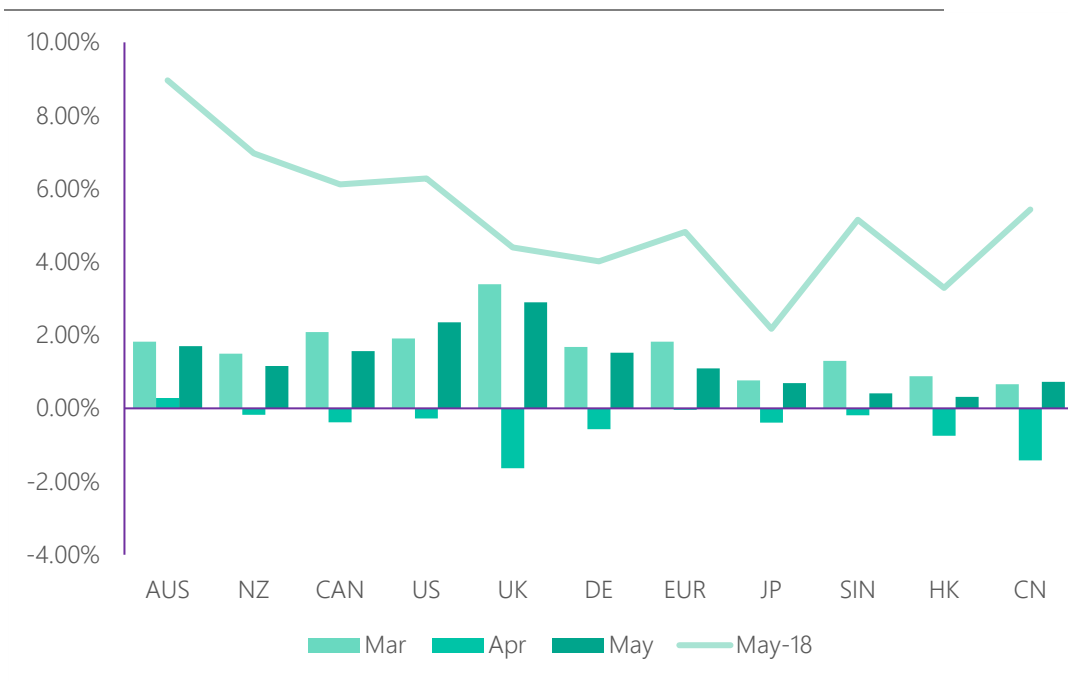


Table 3. Bloomberg Indices Sovereign Debt Performance: May 2019

Index	AUS	NZ	CAN	US	UK	DE	EUR	JP	SIN	HK	CN
May	1.70%	1.16%	1.56%	2.35%	2.90%	1.52%	1.09%	0.69%	0.41%	0.31%	0.72%
Apr	0.28%	-0.18%	-0.38%	-0.28%	-1.64%	-0.57%	-0.04%	-0.39%	-0.19%	-0.75%	-1.42%
Mar	1.82%	1.49%	2.08%	1.91%	3.39%	1.68%	1.82%	0.76%	1.30%	0.88%	0.66%
12-MTH	8.96%	6.97%	6.12%	6.28%	4.40%	4.01%	4.82%	2.17%	5.15%	3.29%	5.43%

In May, monthly performances among the global Investment Grade Corporate Indices were mixed. The Bloomberg Barclays US Corporate Bond Index gained the most (1.43%) followed by Bloomberg Barclays UK Corporate Bond Index (0.83%). The Bloomberg Barclays APAC (ex-JP) Corporate Bond Index dipped the most (-3.03%) for the month. On a twelve-month basis, as shown in Table 4, the Bloomberg Barclays US Corporate Index gained the most at 7.45% and all Investment Grade Corporate Indices were in positive territory: US (7.45%), UK (4.47%), Pan-Euro (3.20%), Euro (3.09%), Japan (0.60%), China (6.83%), China (7.38%) and APAC (ex-JP) (-1.59%).

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: May 2019⁶

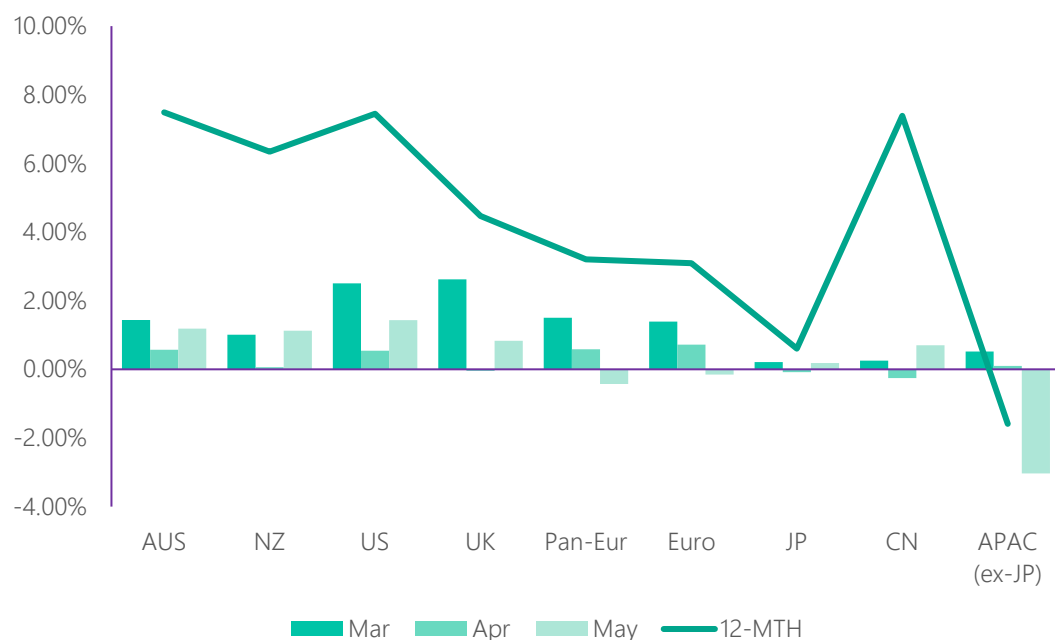


Table 4. Bloomberg Indices Investment Grade Corporate Indices: May 2019

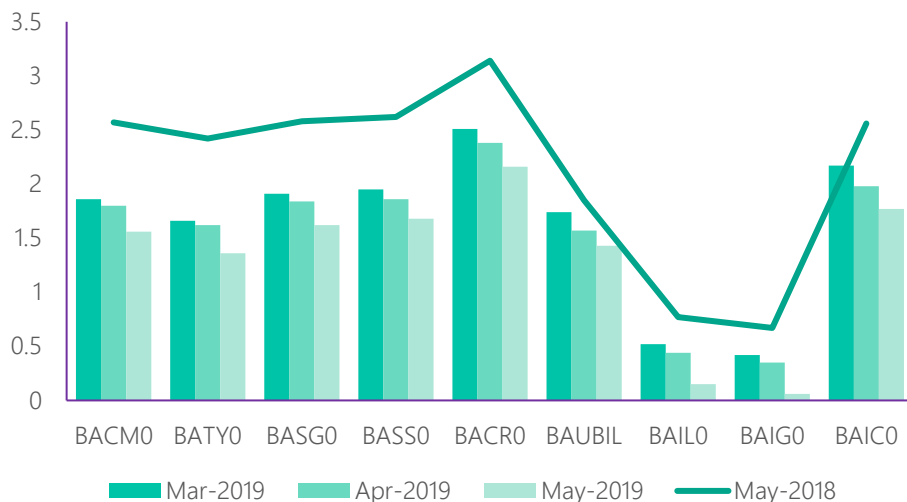
Index	AUS	NZ	US	UK	Pan-Eur	EUR	JP	CN	APAC (ex-JP)
May	1.19%	1.12%	1.43%	0.83%	-0.43%	-0.15%	0.18%	0.70%	-3.03%
Apr	0.57%	0.06%	0.54%	-0.05%	0.58%	0.72%	-0.08%	-0.26%	0.10%
Mar	1.44%	1.01%	2.51%	2.62%	1.50%	1.39%	0.21%	0.25%	0.52%
12-MTH	7.49%	6.34%	7.45%	4.47%	3.20%	3.09%	0.60%	7.38%	-1.59%

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 (LECPTREU 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

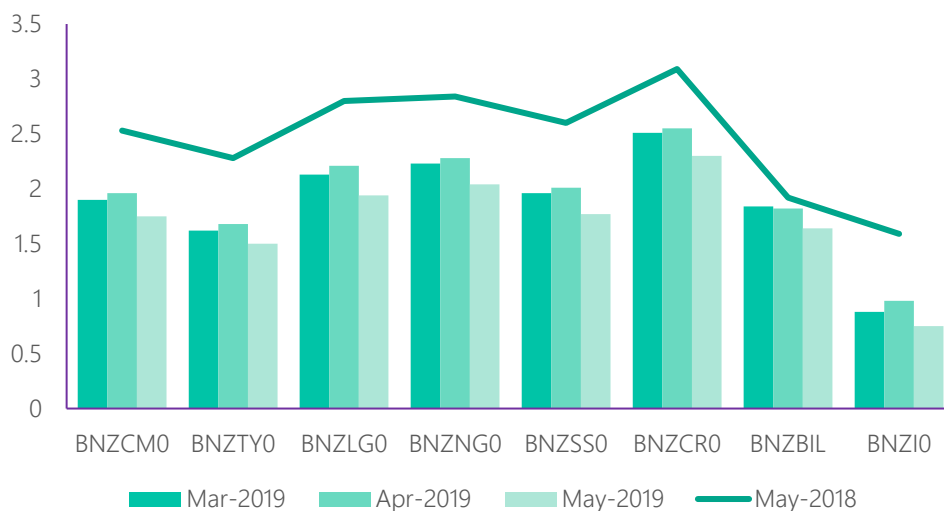
In May, the Yield to Worst (YTW) of the AusBond Composite Index ended the month at 1.56%, a 24 bps decrease compared to previous month. The YTW of the Treasury Index was down 26 bps to 1.36% from 1.62%. The YTW of the Semi-Government Index decreased 22 bps to 1.62% and SupraSov Index was down 18 bps to 1.68%. The Bank Bill Yield was down 14 bps to 1.43%.

Chart 11. Bloomberg AusBond Indices: Bond Yields



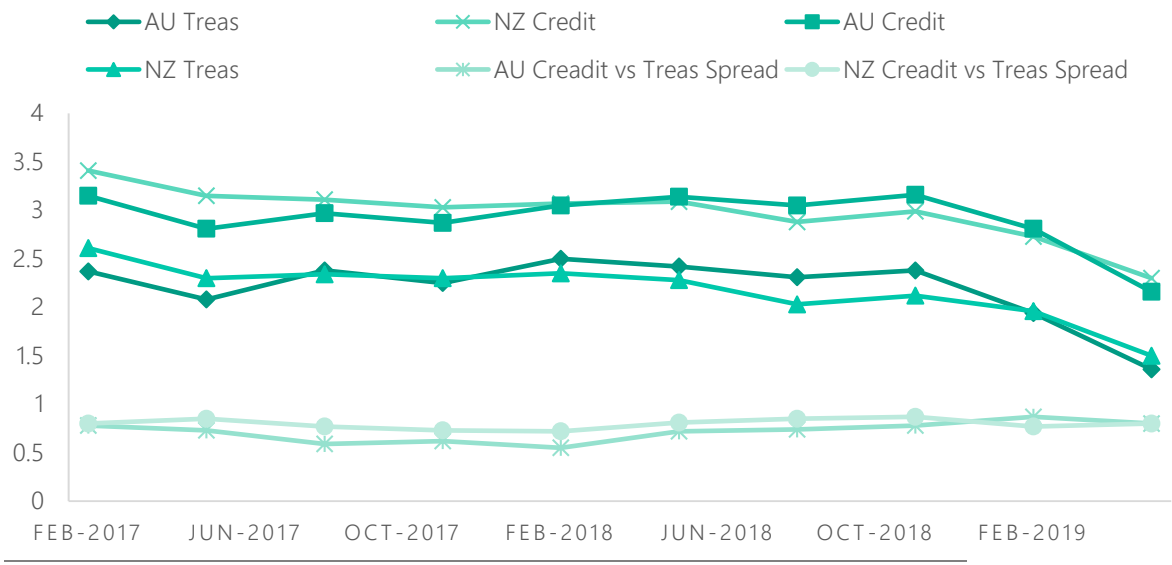
Yields for NZBond Indices decreased across the board for the month of May. The yield of the composite Index was down 21 bps to 1.75% from 1.96%. The yield on the Treasury Index dipped to 1.50% from 1.68%. The yield on the Local Govt Index dipped the most among NZBond Indices to 1.94% from 2.21% and the yield on the SupraSov Index was down by 24 bp to 1.77%. The yield on the Credit Index decreased 25 bps to 2.30% from 2.55%. The New Zealand Bank Bill yield decreased 23 bp to 0.75%.

Chart 12. Bloomberg NZBond Indices: Bond Yields



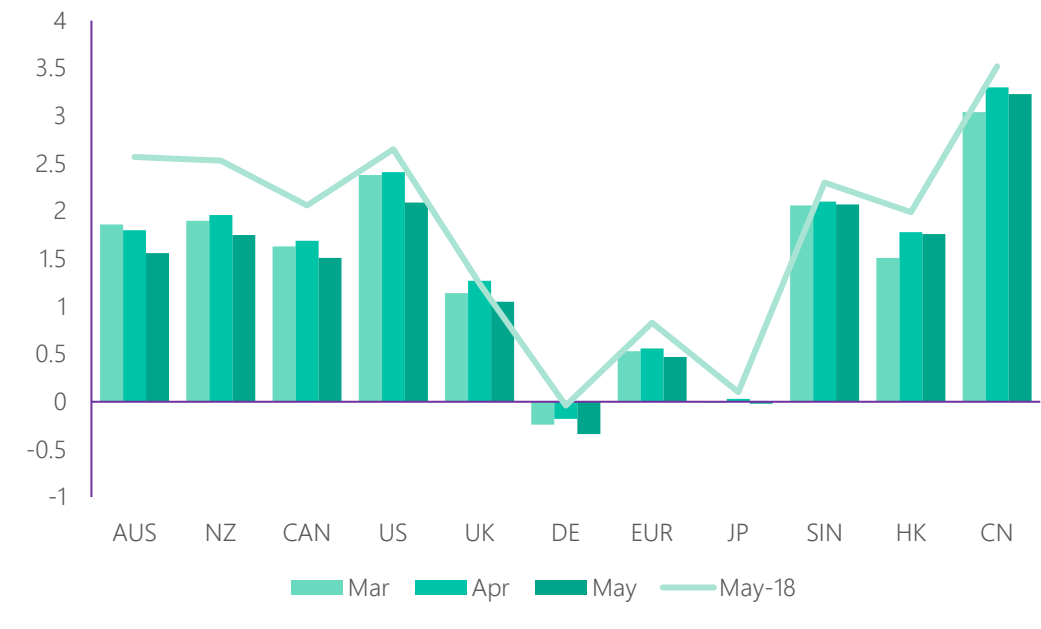
As illustrated in Chart 13, the YTW decreased for both the Australian Credit Index and the New Zealand Credit Index for the past 3 months. There is also evidence of convergence for credit and treasury spread during the last 3 months for Australia and divergence for New Zealand.

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



YTW figures for the Global Bloomberg Barclays Sovereign Indices decreased across the board in May compared to previous month as shown below, Canada(1.51%), US(2.09%), UK(1.05%), Germany(-0.34%), Europe(0.47%), Japan(-0.02%), Singapore(2.07%), HK(1.76%) and China(3.23%). The YTW for US sovereign index dipped the most (-32 bps).

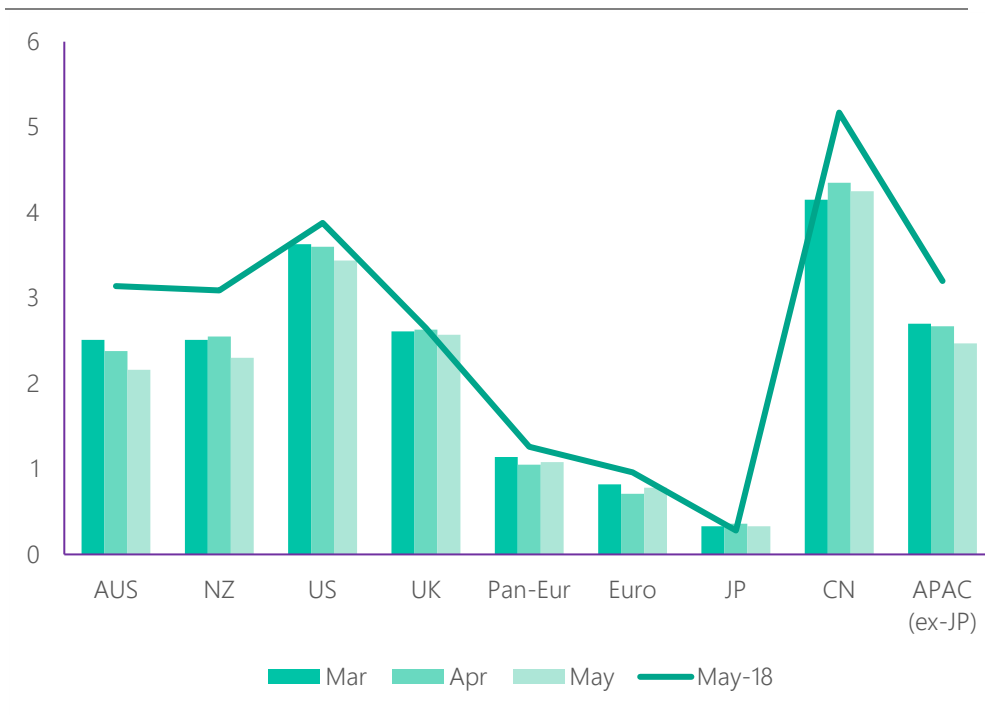
Chart 14. Bloomberg Indices Sovereign Bond Yields⁷



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.

In May 2019, YTW figures were mixed for corporate bond indices. The yield of the APAC (ex-JP) Investment-Grade Corporate Bond Index decreased the most (-20 bps) to 2.47% followed by US Investment-Grade Corporate Bond Index (-16 bps). The yield of the Euro Investment-Grade Corporate Bond Index rose the most (+7 bps) to 0.78% from 0.71%. The YTW figure for China Investment-Grade Corporate Bond Index was down by 10 bps to 4.25%.

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\$12.43bn of new supply (issuances and taps) in May. The new supply was A\$4.48bn higher than the previous month and A\$2.05bn higher than the 12 month average (A\$10.38bn). The largest contributors were Treasuries at A\$6.2bn followed by Semi-Government at A\$3.77bn and Non-Government at A\$2.46bn. Five new issues were added to the Composite Index amounting to A\$4.68bn, which leaves A\$7.75 in taps.

The new additions to the Composite Index were issued across five different sectors. ACGB issued A\$3bn fixed coupon bonds which is the largest amongst new issues in May. The largest tap was carried on the 2.5% May 2030 ACGB bond. Additionally, six Semi-Government issuers upsized in May: NSWTC (A\$1.36bn), TCV (A\$0.99bn), AUSCAP (A\$0.68bn), QTC (A\$0.42bn), WACT (A\$0.29bn) and TASCOR (A\$25.5mn). The month of May also saw approximately A\$10.14bn of buybacks and maturities.

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

Sector	MAY-19 (A\$bn)	APR-19 (A\$bn)	MAR-19 (A\$bn)	QTD (A\$bn)	12-mth AVG (A\$bn)	% diff on prior mth	% diff on 12-mth AVG
Additions							
Treasury	6.2	4	4.2	14.4	4.78	55.00%	29.71%
Semi-Government	3.77	1.08	4.05	8.9	3.29	249.07%	14.59%
Non-Government	2.46	2.87	3.61	8.94	2.31	-14.29%	6.49%
Total Composite	12.43	7.95	11.86	32.24	10.38	56.35%	19.75%
Removals							
Treasury	1	2.7	1.5	5.2	3.91	-62.96%	-74.42%
Semi-Government	8.09	0.92	2.53	11.54	2.17	779.35%	272.81%
Non-Government	1.05	3	3.09	7.14	2.29	-65.00%	-54.15%
Total Composite	10.14	6.62	7.12	23.88	8.37	53.17%	21.15%
Net new supply							
Treasury	5.2	1.3	2.7	9.2	0.87	300.00%	497.70%
Semi-Government	-4.32	0.16	1.52	-2.64	1.12	-2800.00%	-485.71%
Non-Government	1.41	-0.13	0.52	1.8	0.02	-1184.62%	6950.00%
Total Composite	2.29	1.33	4.74	8.36	2.01	72.18%	13.93%

Maturities

Table 6. Maturities for AusBond Composite Index: May 2019

ISSUER	ISIN	VALUE	MATURITY
EXPORT DEVELOPMNT CANADA	AU3CB0221448	1,050,000,000	6/5/2019
QUEENSLAND TREASURY CORP	AU0000XQLQK1	1,118,436,000	6/14/2019
QUEENSLAND TREASURY CORP	AU0000XQLQW6	5,357,425,000	6/21/2019

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

ISSUER	ISIN	VALUE	MATURITY
DEXUS WHOLESAL PROPERTY	AU3CB0222230	100,000,000	7/1/2019
BRISBANE AIRPORT CORP LT	AU3CB0173201	200,000,000	7/9/2019
CREDIT SUISSE/SYDNEY	AU3CB0222511	650,000,000	7/16/2019
LANDWIRTSCH. RENTENBANK	AU0000LWSHA9	500,000,000	7/17/2019
INTL FINANCE CORP	AU0000IFXHM5	1,700,000,000	7/22/2019
AUST & NZ BANKING GROUP	AU3CB0222826	400,000,000	7/25/2019

Table 8. Maturities for NZBond Composite Index: May 2019

ISSUER	ISIN	VALUE	MATURITY
BANK OF NEW ZEALAND	NZBNZDT353C1	700,000,000	6/25/2019

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

ISSUER	ISIN	VALUE	MATURITY
WESTPAC NEW ZEALAND LTD	NZWNZD0719L3	235,000,000	7/12/2019

Index Market Capitalisation

The AusBond Composite Index ended May 2019 at A\$1,086.69bn.

The NZBond Composite Index stood at NZ\$116.09bn at the end of May.

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



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



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