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Bloomberg AusBond Indices
Month in Review – August 2018

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Month in Review
Australian Market Performance

On August 7th 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 August return was positive (0.81%). The best performing component of the Index was the Treasury Index at 0.94%. The AusBond Credit Index returned 0.76%, followed by AusBond Supra-Sovereign and Semi-Govt Indices, both gained 0.65% for the month. The Inflation Credit Index rose 0.61% during August and the AusBond Inflation Government Index increased 0.29% for the month. The Bank Bill returned 0.17%. Within equities, the S&P/ASX Accumulation 200 Index rose in August, sending its return up by 1.42%.

Table 1. AusBond Total Return Performance: August 2018

Index	AUG	JUL	JUN	QTD	YTD	2 YR	5 YR
Bloomberg AusBond Composite 0+ Yr Index	0.81%	0.16%	0.48%	0.97%	2.68%	1.56%	4.48%
Bloomberg AusBond Treasury 0+ Yr Index	0.94%	0.11%	0.52%	1.05%	2.86%	0.99%	4.32%
Bloomberg AusBond Semi-Govt 0+ Yr Index	0.65%	0.19%	0.50%	0.84%	2.51%	1.61%	4.68%
Bloomberg AusBond SupraSov 0+ Yr Index	0.65%	0.22%	0.38%	0.87%	2.34%	2.12%	4.31%
Bloomberg AusBond Credit 0+ Yr Index	0.76%	0.24%	0.34%	1.00%	2.56%	3.14%	4.79%
Bloomberg AusBond Bank Bill Index	0.17%	0.19%	0.15%	0.36%	1.28%	1.81%	2.20%
Bloomberg AusBond Credit FRN 0+ Yr Index	0.28%	0.30%	0.17%	0.57%	1.62%	2.93%	3.22%
Bloomberg AusBond Infl 0+ Yr Index	0.31%	-0.05%	1.09%	0.26%	2.55%	1.36%	5.02%
Bloomberg AusBond Infl Govt 0+ Yr Index	0.29%	-0.08%	1.07%	0.21%	2.40%	1.13%	4.83%
Bloomberg AusBond Infl Credit 0+ Yr Index	0.61%	0.52%	1.50%	1.13%	5.14%	5.04%	7.52%
S&P/ASX Accumulation 200 Index	1.42%	1.39%	3.27%	2.83%	7.23%	12.56%	8.94%

Note: 2 and 5 year returns are annualized.

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

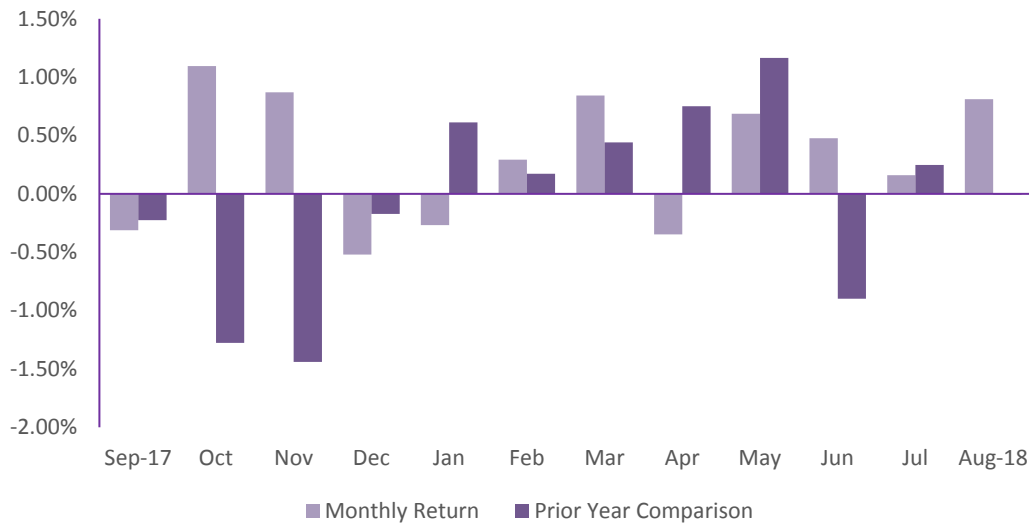


Chart 2. S&P/ASX200 Accumulation Index vs. Bloomberg AusBond Composite Index: Monthly Return Performance 2017 - 2018¹

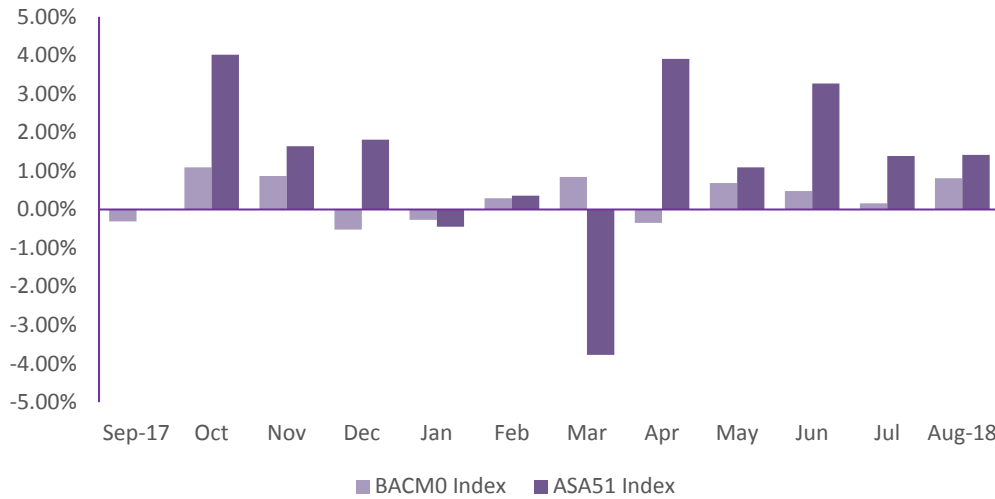
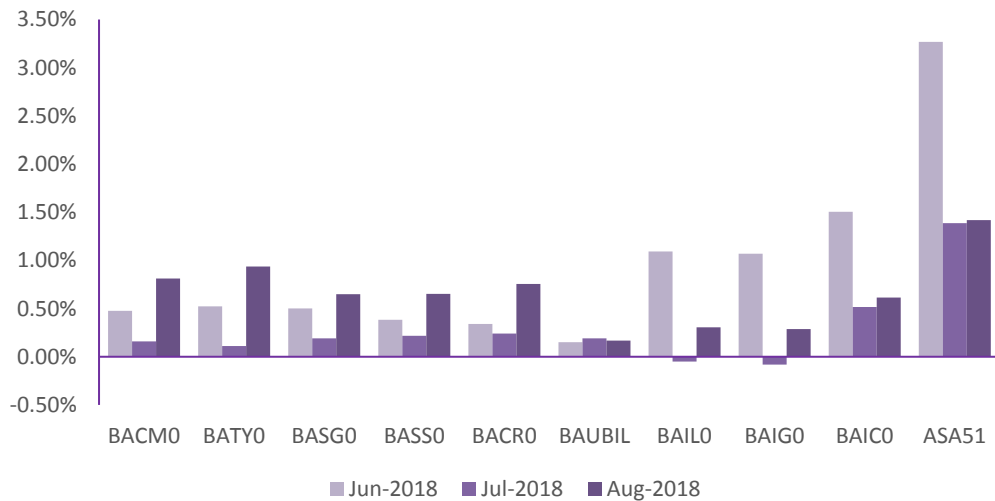


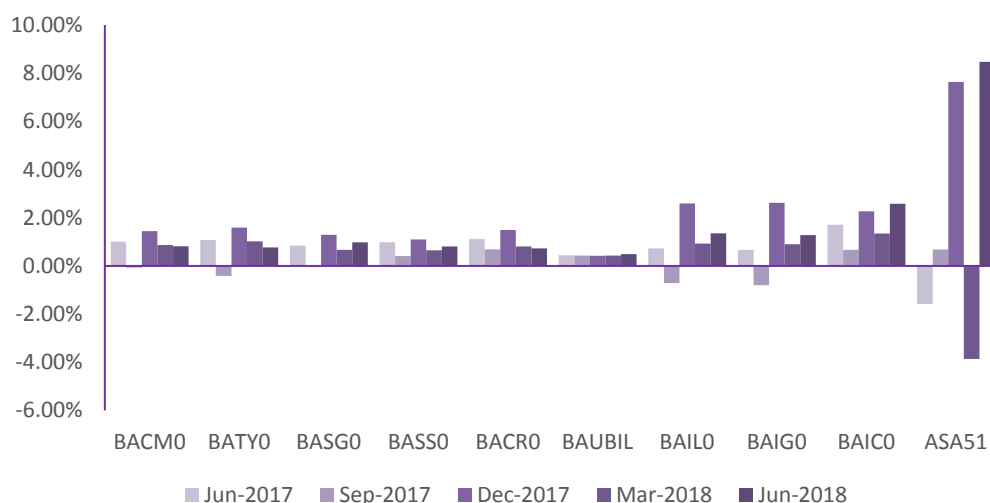
Chart 3. Bloomberg AusBond Indices: Recent monthly returns²



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 (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 August 9th 2018, the Reserve Bank of New Zealand (RBNZ)'s target cash rate was unchanged at 1.75%. As set out in the Table 2 below, monthly performance among NZBond indices were positive across the board for the month of August. The Composite Index on aggregate rose 1.09% for the month. The best performing component of the Composite Index was the Treasury Index (1.25%). The Local Govt Index increased 1.17%. The Credit index and Supra-Sovereign index were up by 0.93% and 0.74%, respectively. The Bank Bill Index gained 0.16%.

Table 2. NZBond Total Return Performance: August 2018

Index	AUG	JUL	JUN	QTD	YTD	2 YR	5 YR
Bloomberg NZBond Composite 0+ Yr Index	1.09%	0.34%	0.53%	1.43%	3.14%	2.91%	5.22%
Bloomberg NZBond Treasury 0+ Yr Index	1.25%	0.41%	0.56%	1.66%	3.21%	2.49%	5.18%
Bloomberg NZBond Local Govt 0+ Yr Index	1.17%	0.33%	0.57%	1.50%	3.49%	3.25%	5.74%
Bloomberg NZBond Non-Govt 0+ Yr Index	0.83%	0.25%	0.48%	1.08%	2.97%	3.50%	5.15%
Bloomberg NZBond SupraSov 0+ Yr Index	0.74%	0.22%	0.47%	0.96%	2.77%	3.13%	4.77%
Bloomberg NZBond Credit 0+ Yr Index	0.93%	0.27%	0.48%	1.20%	3.18%	3.91%	5.57%
Bloomberg NZBond Bank Bill Index	0.16%	0.18%	0.17%	0.34%	1.30%	2.02%	2.67%
Bloomberg NZBond Infl 0+ Yr Index	2.39%	0.24%	0.51%	2.64%	4.36%	4.05%	6.49%
S&P/NZX 50 Gross Index	4.38%	-0.24%	3.28%	4.14%	10.90%	12.19%	15.45%

Note: 2 and 5 year returns are annualized.

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

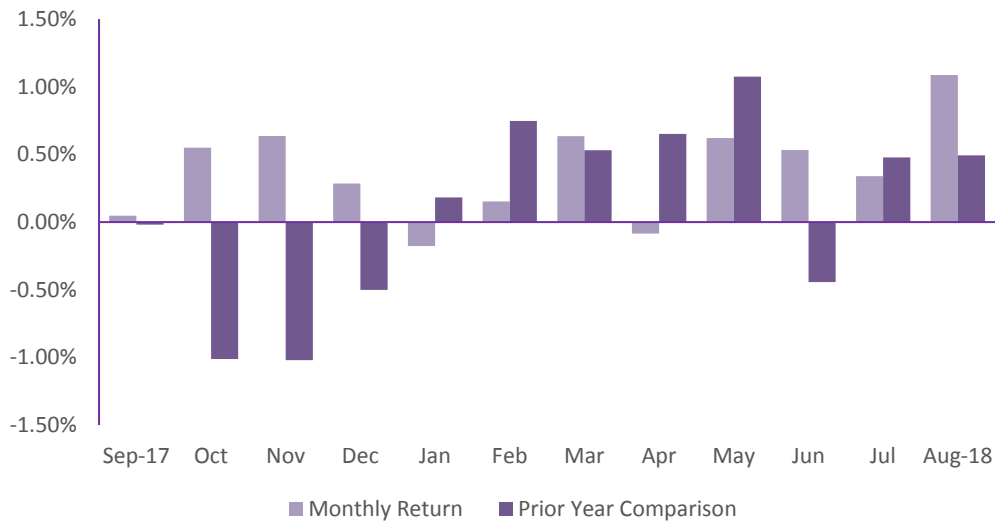
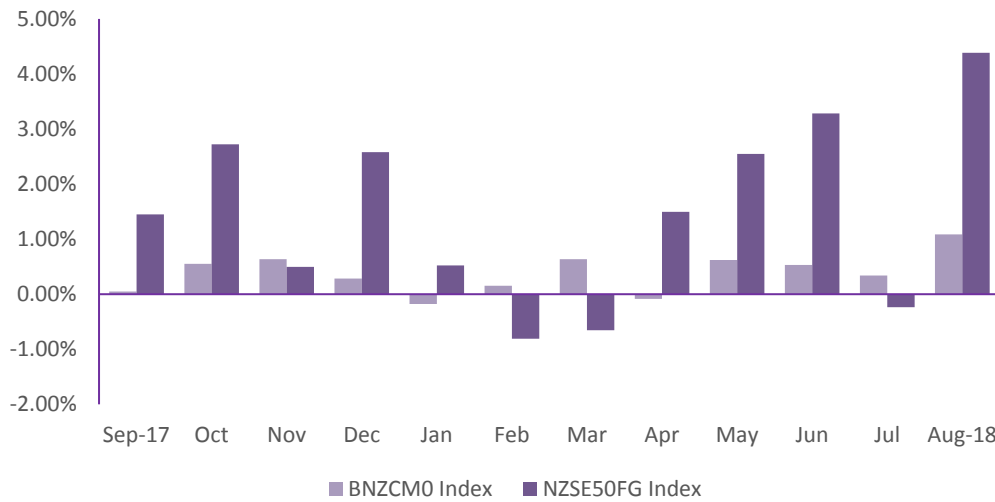


Chart 6. S&P/NZX50 Gross Index vs. Bloomberg NZBond Composite Index: Monthly Return Performance 2017-2018³



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

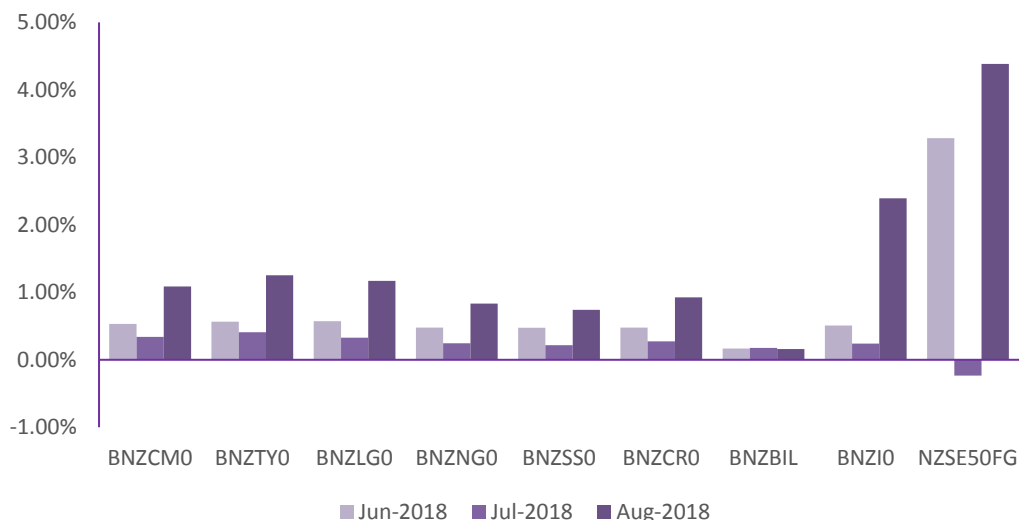
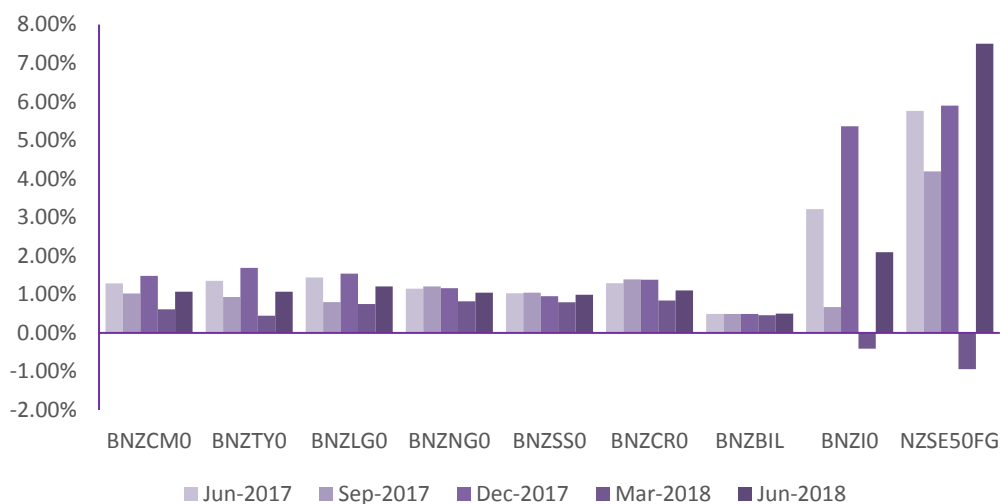


Chart 8. Bloomberg NZBond Indices: Recent quarterly returns



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, Singapore, returned 0.79% in August. The US Aggregate Treasury Index was up 0.76%. On a twelve-month basis, as shown in Table 3, returns were mixed. Global Sovereign Indices returns were as follows: Canada (0.28%), US (-1.54%), UK (-0.54%), Germany (0.89%), Euro (-0.30%), Japan (-0.17%), Singapore (0.06%), Hong Kong (-1.23%) and China (4.69%).

Chart 9. Bloomberg Indices Sovereign Debt Performance: August 2018⁵

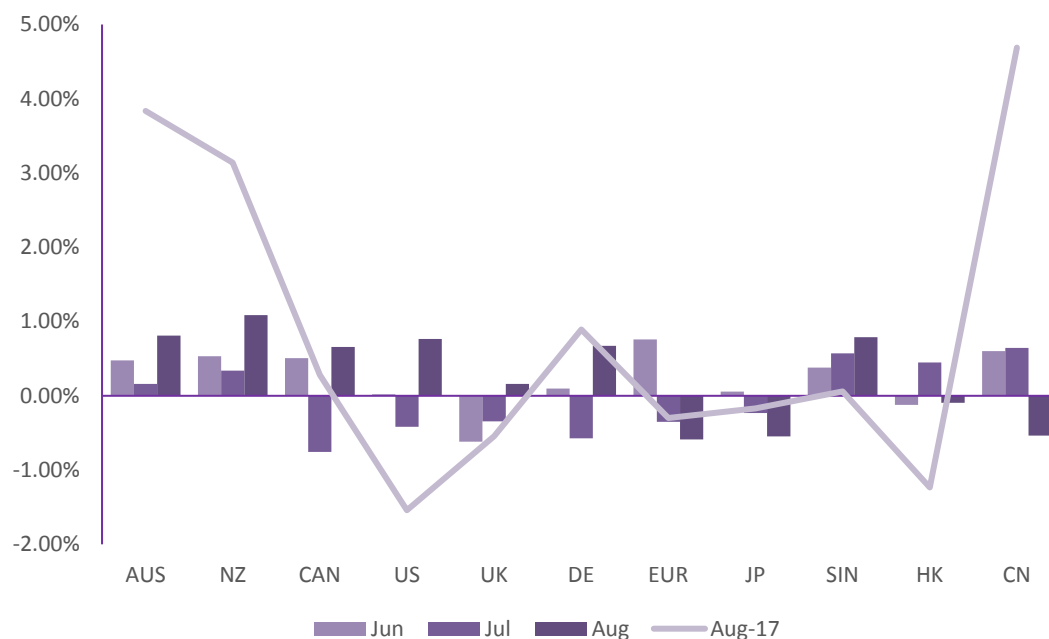


Table 3. Bloomberg Indices Sovereign Debt Performance: August 2018

Return	AUS	NZ	CAN	US	UK	DE	EUR	JP	SIN	HK	CN
Aug	0.81%	1.09%	0.66%	0.76%	0.16%	0.67%	-0.59%	-0.55%	0.79%	-0.09%	-0.54%
Jul	0.16%	0.34%	-0.75%	-0.42%	-0.34%	-0.57%	-0.35%	-0.23%	0.57%	0.45%	0.65%
Jun	0.48%	0.53%	0.51%	0.02%	-0.62%	0.10%	0.76%	0.06%	0.38%	-0.12%	0.60%
12-MTH	3.84%	3.14%	0.28%	-1.54%	-0.54%	0.89%	-0.30%	-0.17%	0.06%	-1.23%	4.69%

In August, monthly performance among the global Investment Grade Corporate Indices was mixed. The Bloomberg Barclays APAC (ex-JP) benchmark dipped the most (-2.51%) while China Corporate bond index was up the most by 0.64%. The Bloomberg Barclays US Corporate Bond Index rose by 0.49% for the month. On a twelve-month basis, as shown in Table 4, the return of the APAC (ex-JP) (-3.19%), US (-1.01%) and US (-0.94%) were in negative 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: August 2018⁶

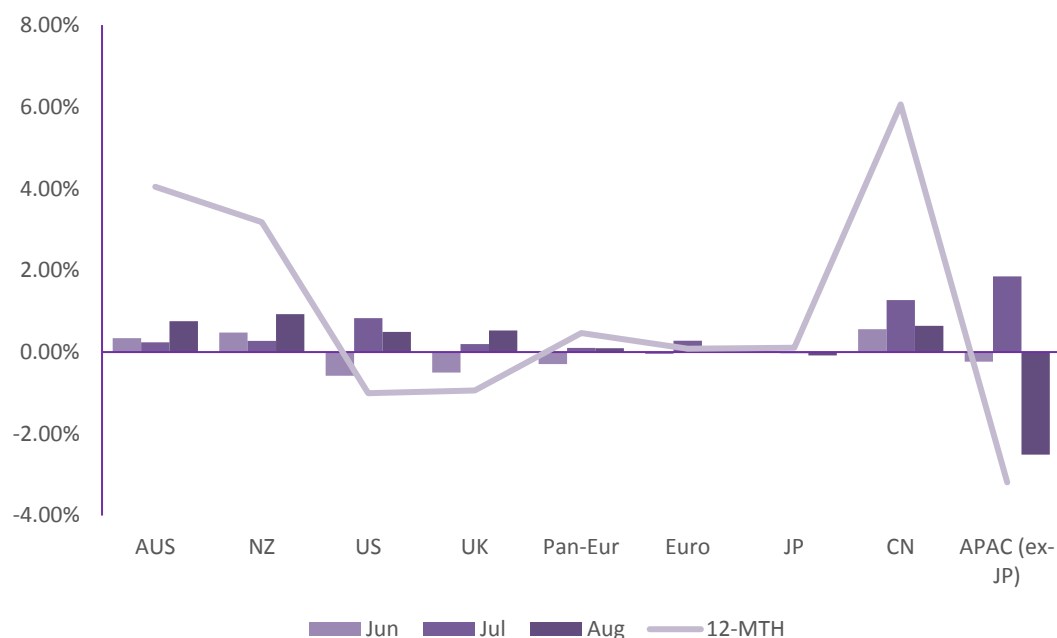


Table 4. Bloomberg Indices Investment Grade Corporate Indices: August 2018

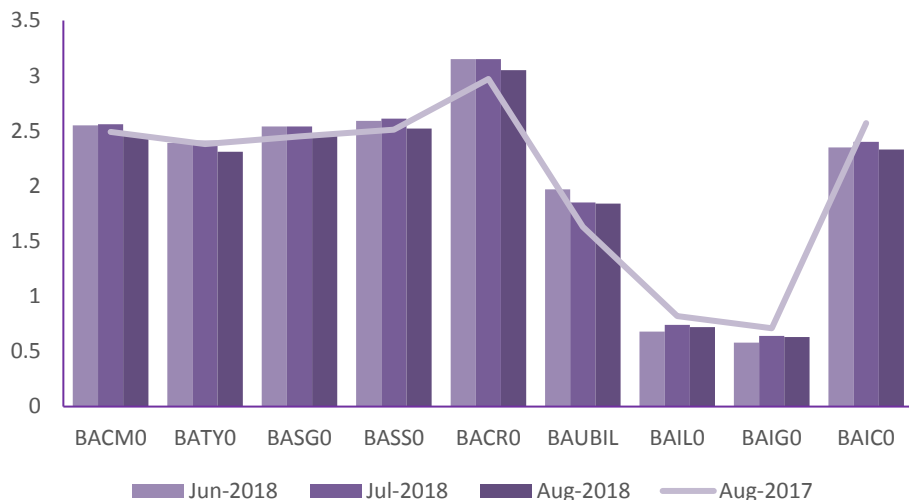
Return	AUS	NZ	US	UK	Pan-Eur	Euro	JP	CN	APAC (ex-JP)
Aug	0.76%	0.93%	0.49%	0.53%	0.09%	0.01%	-0.08%	0.64%	-2.51%
Jul	0.24%	0.27%	0.83%	0.20%	0.10%	0.28%	-0.03%	1.27%	1.85%
Jun	0.34%	0.48%	-0.58%	-0.50%	-0.29%	-0.05%	0.01%	0.56%	-0.23%
12-MTH	4.04%	3.18%	-1.01%	-0.94%	0.46%	0.08%	0.11%	6.06%	-3.19%

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

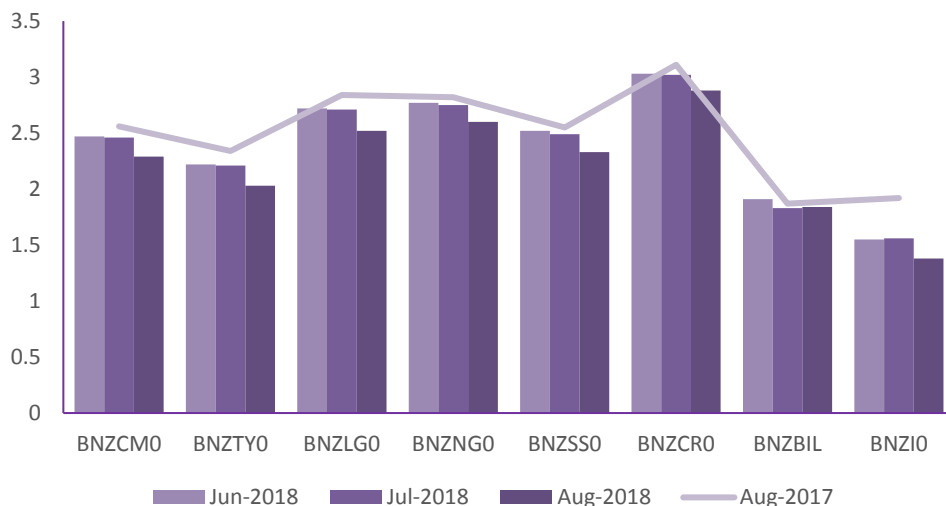
In August, the Yield to Worst (YTW) of the AusBond Composite Index ended the month at 2.47%, a 9 bps decrease compared to previous month. The YTW of the Treasury Index was down 10 bps to 2.31%. The YTW of the Semi-Government Index decreased 6 bps to 2.48% and the YTW of SupraSov Index was down 9 bps to 2.52%. The Bank Bill Yield decreased 1 bp to 1.84%.

Chart 11. Bloomberg AusBond Indices: Bond Yields



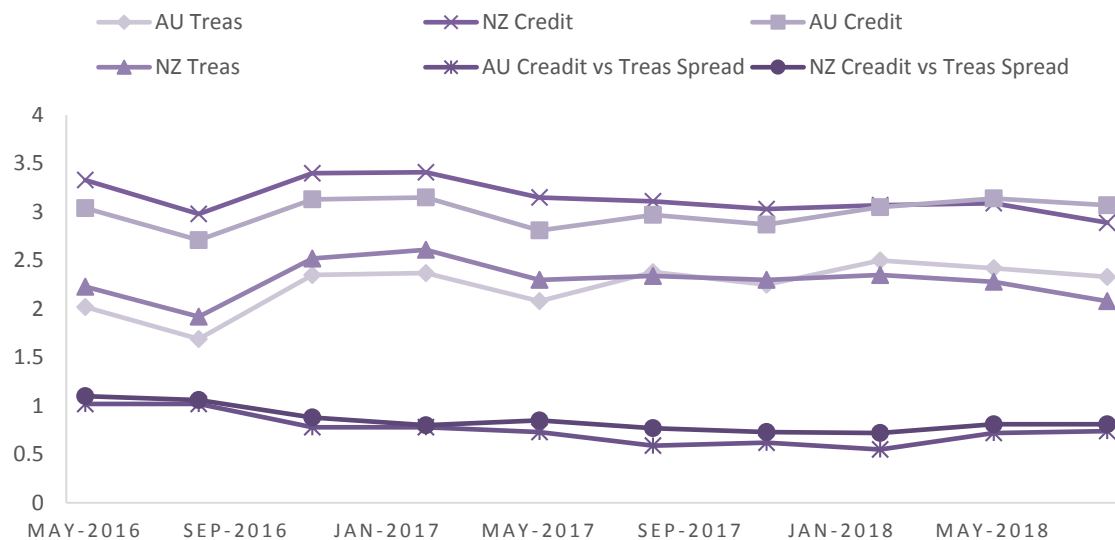
Yields for most NZBond Indices decreased for the month. The yield of the composite Index decreased to 2.29% from 2.46%. The yield on the Local Govt and SupraSov Index decreased 19 bp to 2.52% and 16 bps to 2.33%, respectively. The New Zealand Bank Bill yield marginally increased to 1.84%.

Chart 12. Bloomberg NZBond Indices: Bond Yields



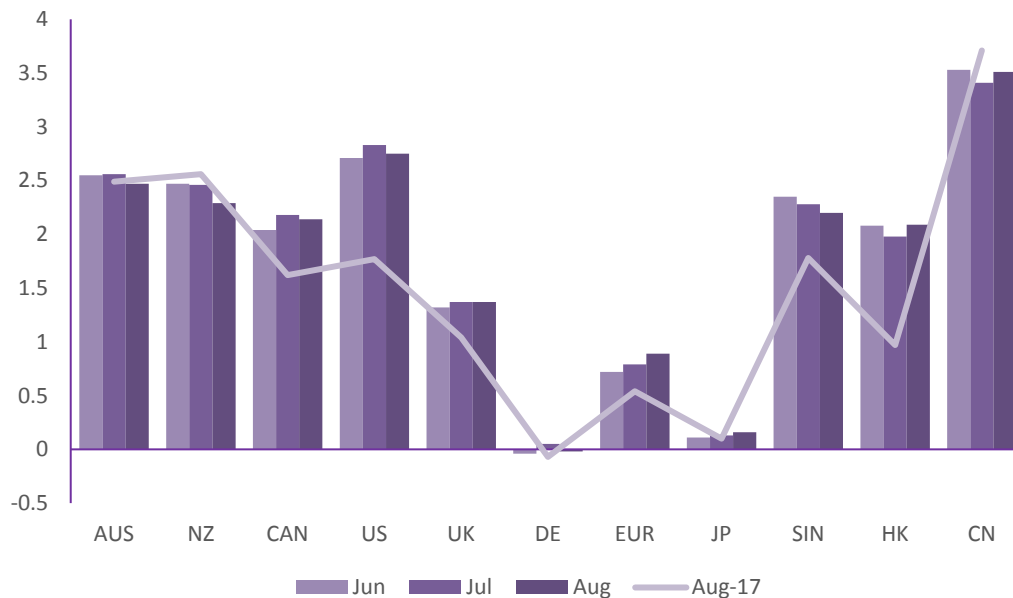
As illustrated in Chart 13, the YTW decreased for the Australian Credit Index and the New Zealand Credit Index for the past 3 months. There is also evidence of divergence for credit and treasury spread during the last 3 months for Australia and New Zealand.

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



YTW figures for the Global Bloomberg Barclays Sovereign Indices were mixed in August as shown below. The YTW for Hong Kong sovereign index rose the most (+11 bps) while YTW for both Singapore and US sovereign index dropped the most (-8 bps).

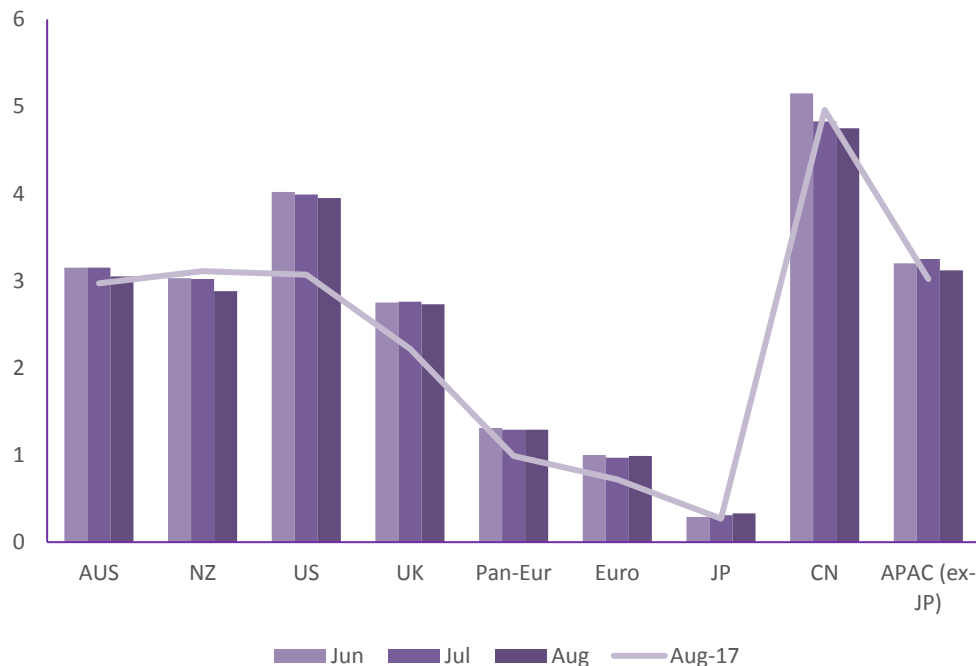
Chart 14. Bloomberg Indices Sovereign Bond Yields⁷



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 August 2018, YTW figure for APAC (ex-JP) Investment-Grade Corporate Bond Index decreased the most (-13 bps) to 3.12% from 3.25% followed by China Investment-Grade Corporate Bond Index (-8 bps). Yield movement of other Investment-Grade Corporate Bond Indices were within 4 bps.

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\$10.36bn of new supply (issuances and taps) in August. The new supply was 12.61% higher than the previous month and A\$1.66bn lower than the 12 month average (A\$12.02bn). The largest contributors were Treasuries at A\$5.9bn followed by Non-Government at A\$3.41bn and Semi-Government at A\$1.05bn. Eight new issues were added to the Composite Index amounting to A\$3.05bn, which leaves A\$7.31bn in taps.

The new additions to the Composite Index were issued across four different sectors. INGAU issued A\$0.6bn fixed coupon bonds which is the largest amongst new additions in August. The largest tap was carried on the 2.25% November 2022 ACGB bond. Additionally, three Semi-Government issuers upsized in August: WATC (A\$0.29bn), TCV (A\$0.24bn) and QTC (A\$0.03bn). The month of August also saw approximately A\$5.14bn of buybacks and maturities.

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

Sector	AUG-18 (A\$bn)	JUL-18 (A\$bn)	JUN-18 (A\$bn)	QTD (A\$bn)	12-mth AVG (A\$bn)	% diff on prior mth	% diff on 12-mth AVG
Additions							
Treasury	5.9	4.7	5.3	5.9	6.11	25.53%	-3.44%
Semi-Government	1.05	3.36	1.26	1.05	2.62	-68.75%	-59.92%
Non-Government	3.41	1.14	0.87	3.41	3.29	199.12%	3.65%
Total Composite	10.36	9.2	7.43	10.36	12.02	12.61%	-13.81%
Removals							
Treasury	3.9	5.7	1.6	3.9	3.35	-31.58%	16.42%
Semi-Government	1.03	0.87	0.29	1.03	1.77	18.39%	-41.81%
Non-Government	0.21	1.68	3.3	0.21	2.41	-87.50%	-91.29%
Total Composite	5.14	8.25	5.19	5.14	7.53	-37.70%	-31.74%
Net new supply							
Treasury	2	-1	3.7	2	2.76	-300.00%	-27.54%
Semi-Government	0.02	2.49	0.97	0.02	0.85	-99.20%	-97.65%
Non-Government	3.2	-0.54	-2.43	3.2	0.88	-692.59%	263.64%
Total Composite	5.22	0.95	2.24	5.22	4.49	449.47%	16.26%

Maturities

Table 6. Maturities for AusBond Composite Index: August 2018

ISSUER	ISIN	VALUE	MATURITY
DEXUS FINANCE PTY LTD	AU3CB0199065	205,000,000	9/10/2018
NORTHERN TERRITORY TREAS	AU3SG0000383	479,400,000	9/20/2018

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

ISSUER	ISIN	VALUE	MATURITY
INTER-AMERICAN DEVEL BK	AU0000IADHA3	1,000,000,000	10/9/2018
MET LIFE GLOB FUNDING I	AU3CB0214484	375,000,000	10/10/2018
AUSTRALIAN GOVERNMENT	AU3TB0000176	9,625,200,000	10/21/2018
WESTERN AUST TREAS CORP	AU3SG0001290	3,509,195,000	10/23/2018
MACQUARIE BANK LTD	AU3CB0233518	144,000,000	10/26/2018

Table 8. Maturities for NZBond Composite Index: August 2018

ISSUER	ISIN	VALUE	MATURITY
COOPERATIEVE RABOBANK UA	NZRABDT015C1	200,000,000	9/4/2018
ANZ BANK NEW ZEALAND LTD	NZANBDG021C8	125,000,000	9/20/2018
WESTPAC NEW ZEALAND LTD	NZWNZD0918L1	1,129,308,000	9/20/2018

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

ISSUER	ISIN	VALUE	MATURITY
WATERCARE SERVICES LTD	NZ816D1018L1	125,000,000	10/26/2018

Index Market Capitalisation

The AusBond Composite Index ended August 2018 at A\$1,018.56bn.

The NZBond Composite Index stood at NZ\$119.78bn at the end of August.

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

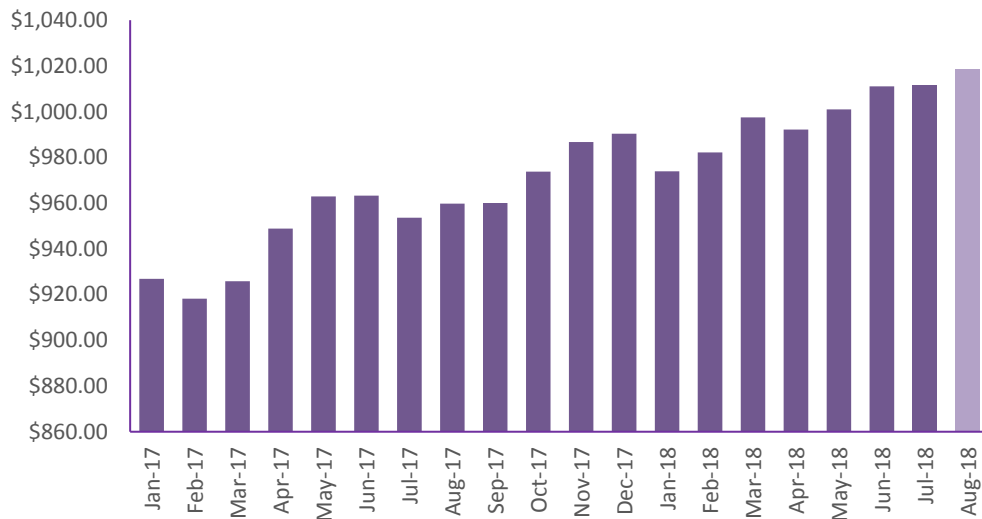
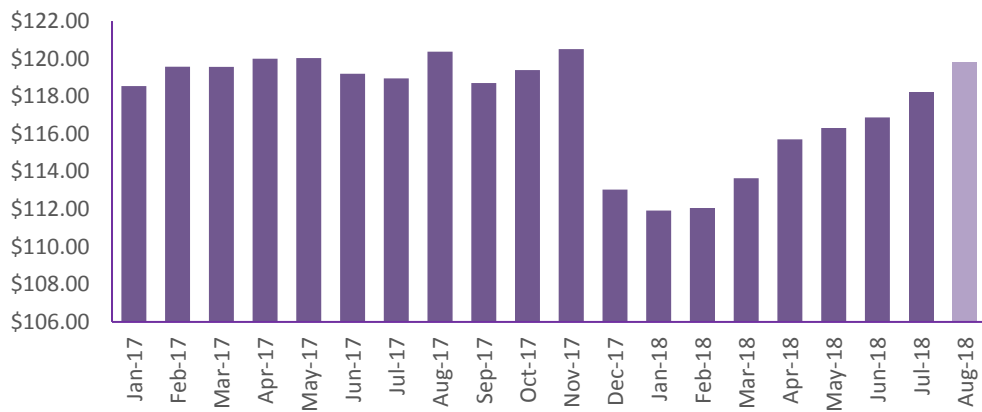


Chart 17. Growth of Bloomberg NZBond Composite Index: 2016 – 2018



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