

Bloomberg AusBond Indices

Month in Review – December 2018

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Month in Review

Australian Market Performance

On December 4th 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 December return was positive (1.50%). The best performing component of the Index was the Treasury Index at 1.92%. The AusBond Semi-Govt Index and Credit Index returned 1.26% and 0.90%, respectively, followed by the Supra-Sovereign Index (0.88%). The Inflation Credit Index rose 0.47% during December and the AusBond Inflation Government Index rose 1.29% for the month. The Bank Bill returned 0.15%. Within equities, the S&P/ASX Accumulation 200 Index decreased in December, sending its return down by -0.12%.

Table 1. AusBond Total Return Performance: December 2018

Index	DEC	NOV	OCT	QTD	YTD	2 YR	5 YR
Bloomberg AusBond Composite 0+ Yr Index	1.50%	0.24%	0.48%	2.24%	4.54%	4.09%	4.67%
Bloomberg AusBond Treasury 0+ Yr Index	1.92%	0.32%	0.50%	2.76%	5.08%	4.28%	4.70%
Bloomberg AusBond Semi-Govt 0+ Yr Index	1.26%	0.19%	0.48%	1.94%	4.14%	3.67%	4.76%
Bloomberg AusBond SupraSov 0+ Yr Index	0.88%	0.19%	0.42%	1.49%	3.66%	3.77%	4.34%
Bloomberg AusBond Credit 0+ Yr Index	0.90%	0.08%	0.48%	1.47%	3.93%	4.50%	4.76%
Bloomberg AusBond Bank Bill Index	0.15%	0.15%	0.17%	0.48%	1.92%	1.84%	2.15%
Bloomberg AusBond Credit FRN 0+ Yr Index	0.12%	0.09%	0.23%	0.44%	2.29%	2.87%	3.09%
Bloomberg AusBond Infl 0+ Yr Index	1.24%	-0.16%	0.72%	1.81%	3.72%	3.81%	4.90%
Bloomberg AusBond Infl Govt 0+ Yr Index	1.29%	-0.17%	0.73%	1.85%	3.56%	3.65%	4.75%
Bloomberg AusBond Infl Credit 0+ Yr Index	0.47%	0.17%	0.54%	1.18%	6.59%	6.49%	7.09%
S&P/ASX Accumulation 200 Index	-0.12%	-2.21%	-6.05%	-8.24%	-2.84%	4.22%	5.63%

Note: 2 and 5 year returns are annualized.

Chart 1. Bloomberg AusBond Composite Index: Monthly Performance 2018

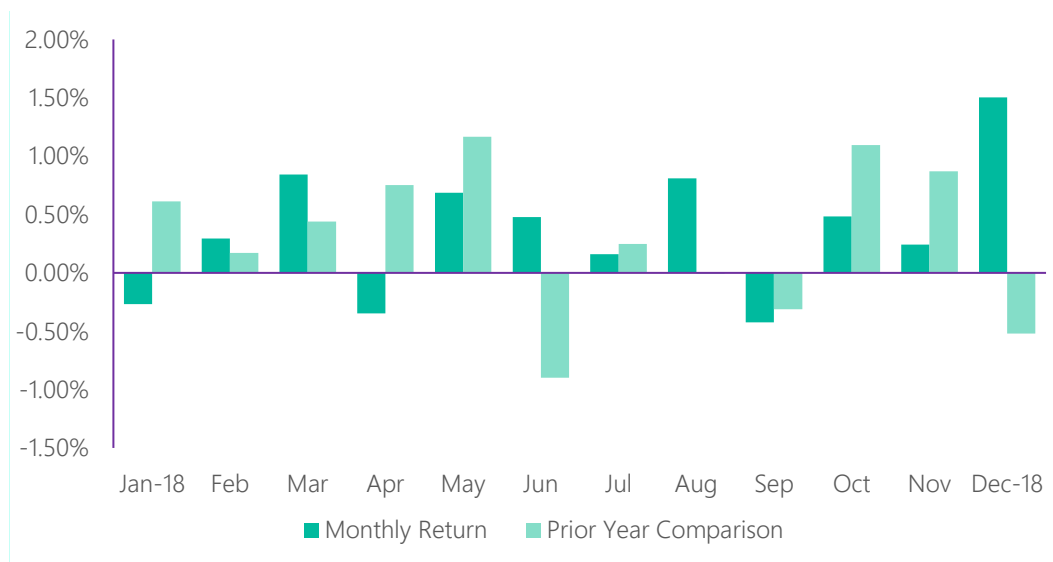


Chart 2. S&P/ASX200 Accumulation Index vs. Bloomberg AusBond Composite Index: Monthly Return Performance 2018¹

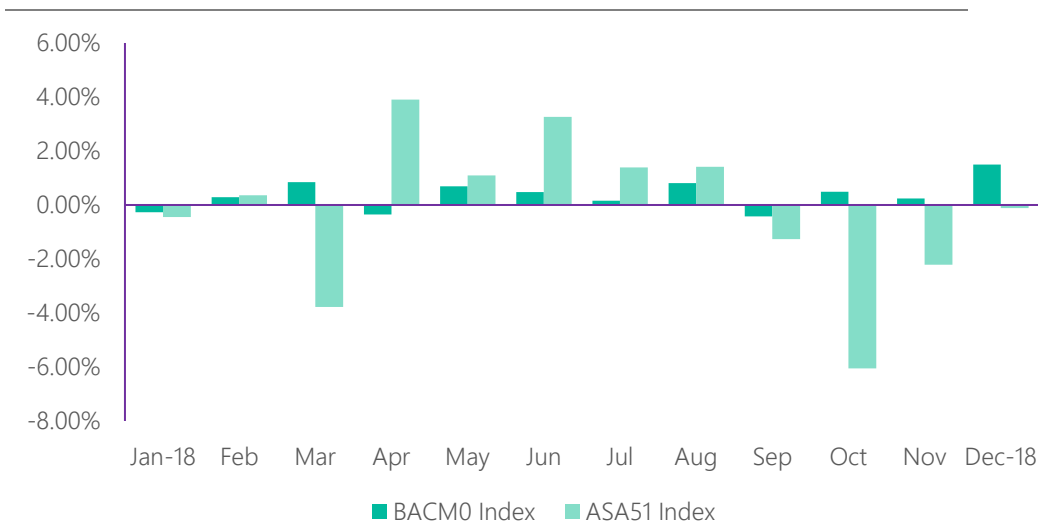
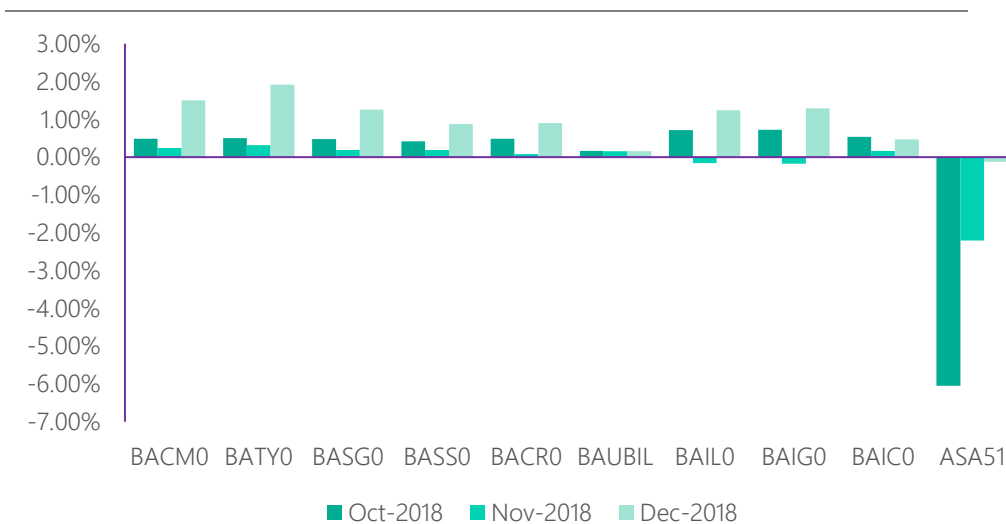


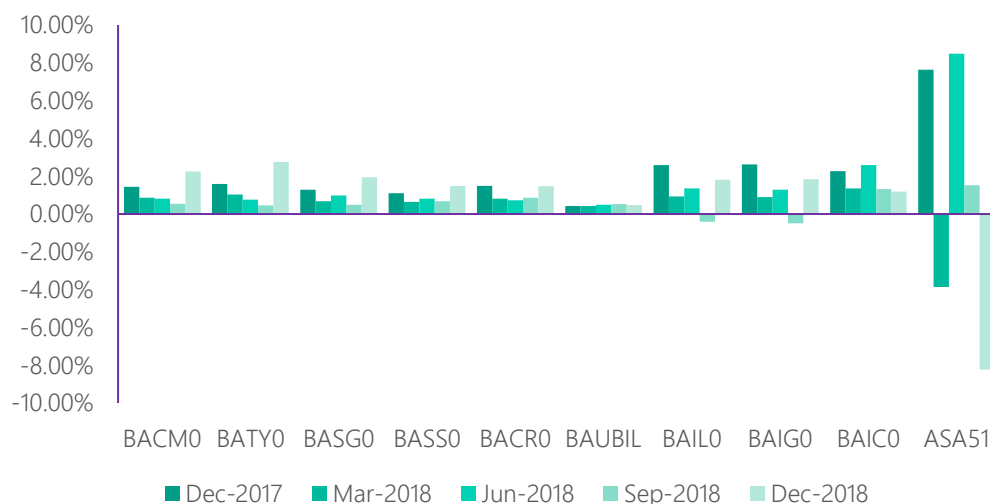
Chart 3. Bloomberg AusBond Indices: Recent monthly returns²



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

The Reserve Bank of New Zealand (RBNZ)'s target cash rate was unchanged at 1.75% as no meeting was held in December 2018. As set out in the Table 2 below, monthly performance among NZBond indices were positive for the month of December. The Composite Index on aggregate rose 0.91% for the month. The best performing components of the Composite Index were the Treasury Index and Local Govt Index; both returned 1.02%. The Credit Index increased 0.85% and the Supra-Sovereign Index was up by 0.62%. The Bank Bill Index gained 0.17% in December.

Table 2. NZBond Total Return Performance: December 2018

Index	DEC	NOV	OCT	QTD	YTD	2 YR	5 YR
Bloomberg NZBond Composite 0+ Yr Index	0.91%	-0.03%	0.41%	1.29%	4.41%	4.88%	5.34%
Bloomberg NZBond Treasury 0+ Yr Index	1.02%	0.00%	0.43%	1.46%	4.56%	4.99%	5.34%
Bloomberg NZBond Local Govt 0+ Yr Index	1.02%	-0.16%	0.34%	1.20%	4.70%	5.22%	5.76%
Bloomberg NZBond Non-Govt 0+ Yr Index	0.73%	-0.04%	0.39%	1.09%	4.15%	4.65%	5.21%
Bloomberg NZBond SupraSov 0+ Yr Index	0.62%	0.00%	0.33%	0.94%	3.77%	4.15%	4.85%
Bloomberg NZBond Credit 0+ Yr Index	0.85%	-0.07%	0.46%	1.25%	4.56%	5.22%	5.61%
Bloomberg NZBond Bank Bill Index	0.17%	0.15%	0.16%	0.48%	1.95%	1.96%	2.62%
Bloomberg NZBond Infl 0+ Yr Index	1.32%	-1.07%	1.15%	1.39%	5.83%	8.02%	6.83%
S&P/NZX 50 Gross Index	-0.14%	0.81%	-6.40%	-5.77%	4.92%	13.16%	13.22%

Note: 2 and 5 year returns are annualized.

Chart 5. Bloomberg NZBond Composite Index: Monthly Performance 2018

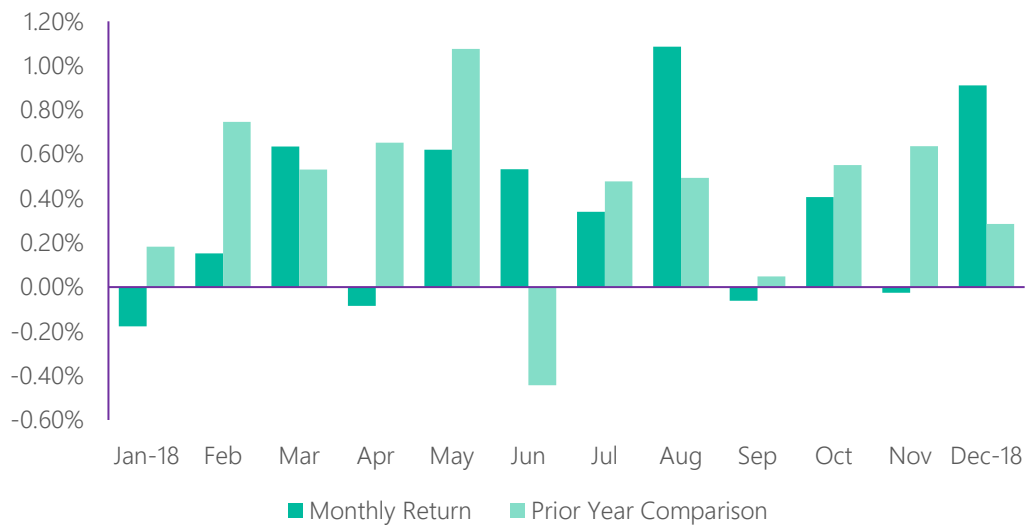
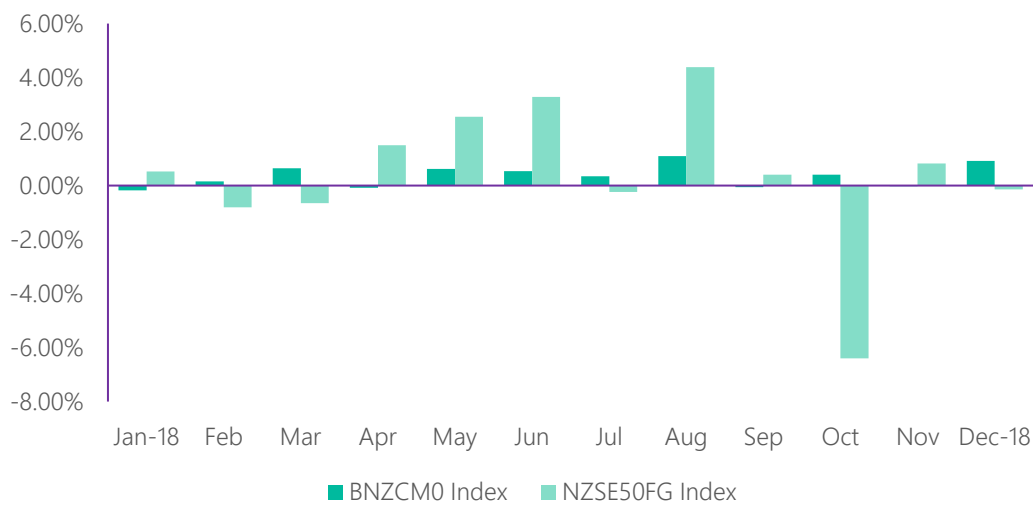


Chart 6. S&P/NZX50 Gross Index vs. Bloomberg NZBond Composite Index: Monthly Return Performance 2018³



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

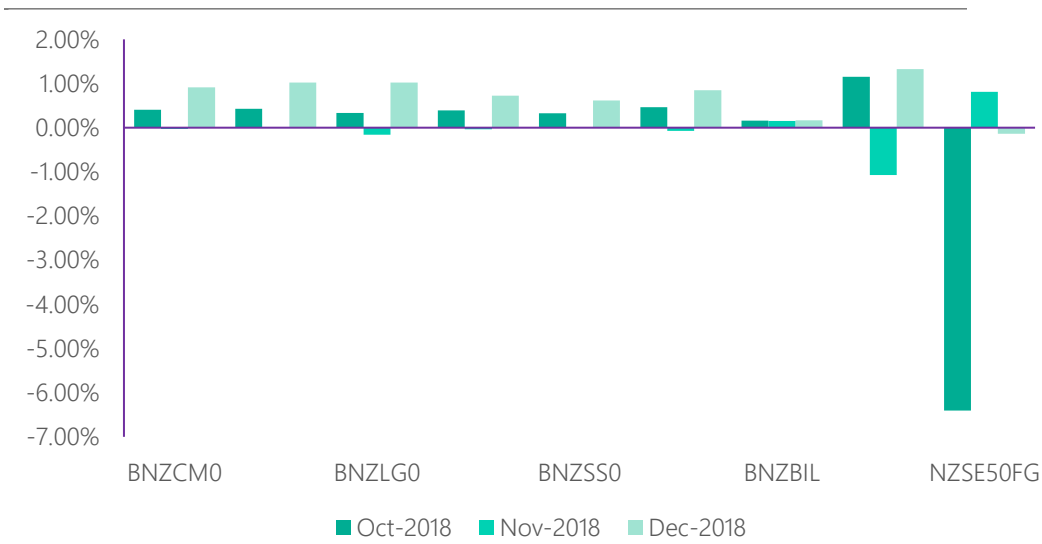
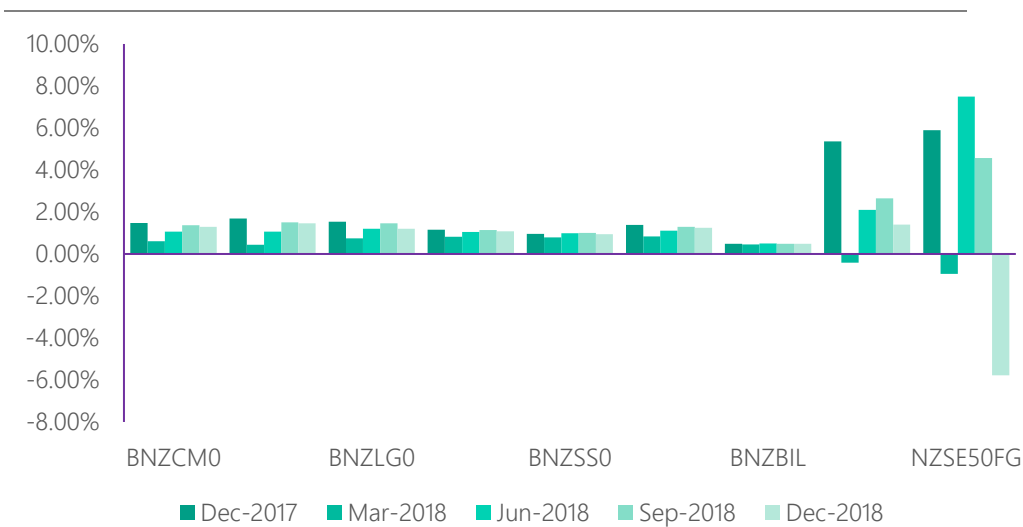


Chart 8. Bloomberg NZBond Indices: Recent quarterly returns



⁴The following indices are shown: NZBond Composite Index (BNZCM0); NZBond Treasury Index (BNZTY0); NZBond Local Govt Index (BNZLG0); NZBond Non-Govt Index (BNZNG0); NZBond SupraSov Index (BNZSS0); NZBond Credit Index (BNZCR0); NZBond Bank Bill Index (BNZBIL); NZBond Govt Inflation Index (BNZI0) 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, UK, returned 2.44% in December. The US Aggregate Treasury Index rose 2.15%. On a twelve-month basis, as shown in Table 3, returns were all in positive territory. Global Sovereign Indices returns were as follows: Canada (2.51%), US (0.86%), UK (0.50%), Germany (2.36%), Euro (0.98%), Japan (0.96%), Singapore (2.58%), Hong Kong (1.33%) and China (8.62%).

Chart 9. Bloomberg Indices Sovereign Debt Performance: December 2018⁵

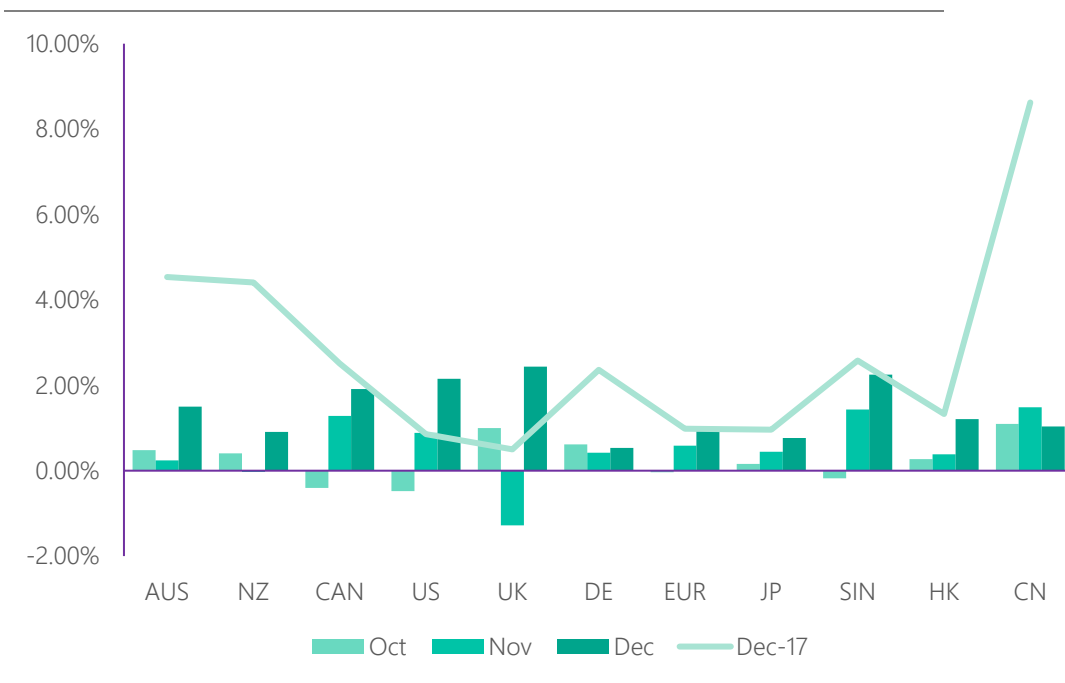


Table 3. Bloomberg Indices Sovereign Debt Performance: December 2018

Index	AUS	NZ	CAN	US	UK	DE	EUR	JP	SIN	HK	CN
Dec	1.50%	0.91%	1.91%	2.15%	2.44%	0.54%	0.94%	0.77%	2.25%	1.21%	1.04%
Nov	0.24%	-0.03%	1.29%	0.89%	-1.28%	0.42%	0.58%	0.44%	1.43%	0.38%	1.49%
Oct	0.48%	0.41%	-0.40%	-0.48%	1.00%	0.61%	-0.04%	0.16%	-0.18%	0.27%	1.10%
12-MTH	4.54%	4.41%	2.51%	0.86%	0.50%	2.36%	0.98%	0.96%	2.58%	1.33%	8.62%

In December, monthly performances among the global Investment Grade Corporate Indices were mostly positive except APAC (ex-JP). The The Bloomberg Barclays APAC (ex-JP) Corporate Bond Index dipped the most (-5.34%) while Bloomberg Barclays US Corporate Bond Index was up the most by 1.47%, followed by the Bloomberg Barclays UK Corporate Bond Index decreased by 1.28% for the month. On a twelve-month basis, as shown in Table 4, the return of China (8.87%) and Japan (0.42%) were 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: December 2018⁶

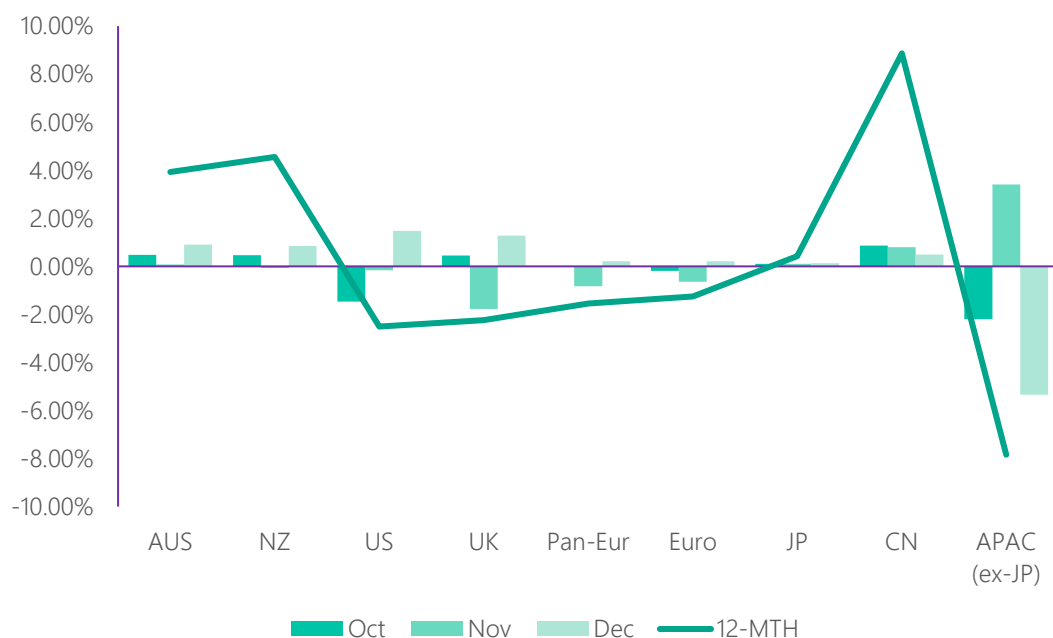


Table 4. Bloomberg Indices Investment Grade Corporate Indices: December 2018

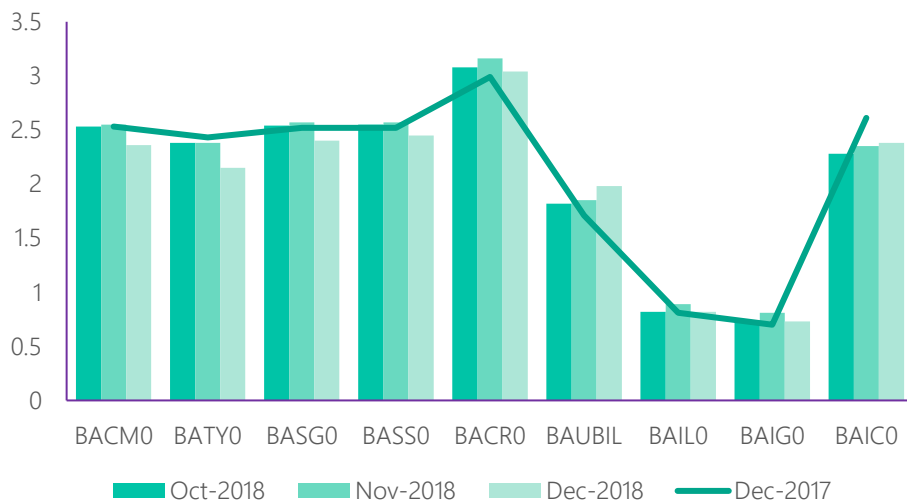
Index	AUS	NZ	US	UK	Pan-Eur	Euro	JP	CN	APAC (ex-JP)
Dec	0.90%	0.85%	1.47%	1.28%	0.21%	0.21%	0.13%	0.49%	-5.34%
Nov	0.08%	-0.07%	-0.17%	-1.77%	-0.83%	-0.64%	0.10%	0.80%	3.40%
Oct	0.48%	0.46%	-1.46%	0.45%	0.00%	-0.18%	0.10%	0.87%	-2.19%
12-MTH	3.93%	4.56%	-2.51%	-2.24%	-1.55%	-1.25%	0.42%	8.87%	-7.84%

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

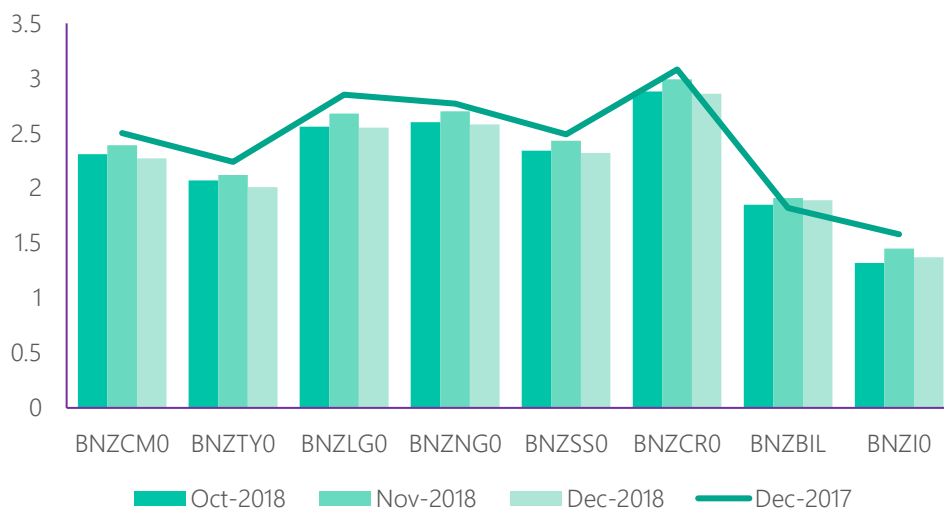
In December, the Yield to Worst (YTW) of the AusBond Composite Index ended the month at 2.36%, a 19 bps decrease compared to previous month. The YTW of the Treasury Index was down 23 bps at 2.15%. The YTW of the Semi-Government Index decreased 17 bps to 2.40% and SupraSov Index was down 12 bps to 2.45%. The Bank Bill Yield was up 13 bps to 1.98%.

Chart 11. Bloomberg AusBond Indices: Bond Yields



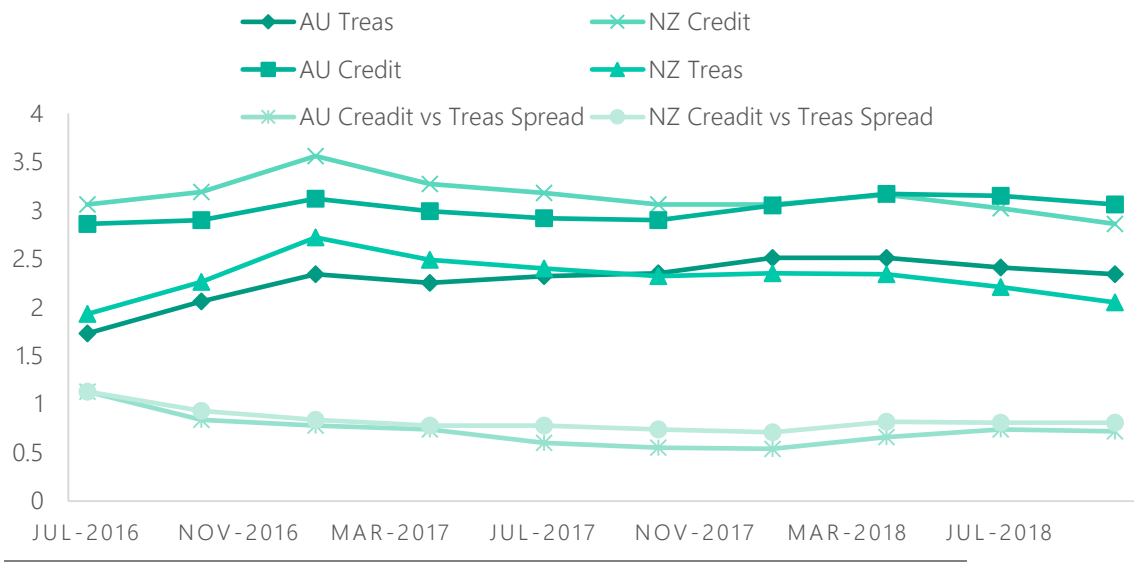
Yields for NZBond Indices decreased for the month across the board. The yield of the composite Index decreased to 2.27% from 2.39%. The yield on the Local Govt was down 13 bps to 2.55% and the yield on the SupraSov Index decreased 11 bps to 2.32%. The yield on the Treasury Index decreased to 2.01%. The New Zealand Bank Bill yield decreased 2 bps to 1.89%.

Chart 12. Bloomberg NZBond Indices: Bond Yields



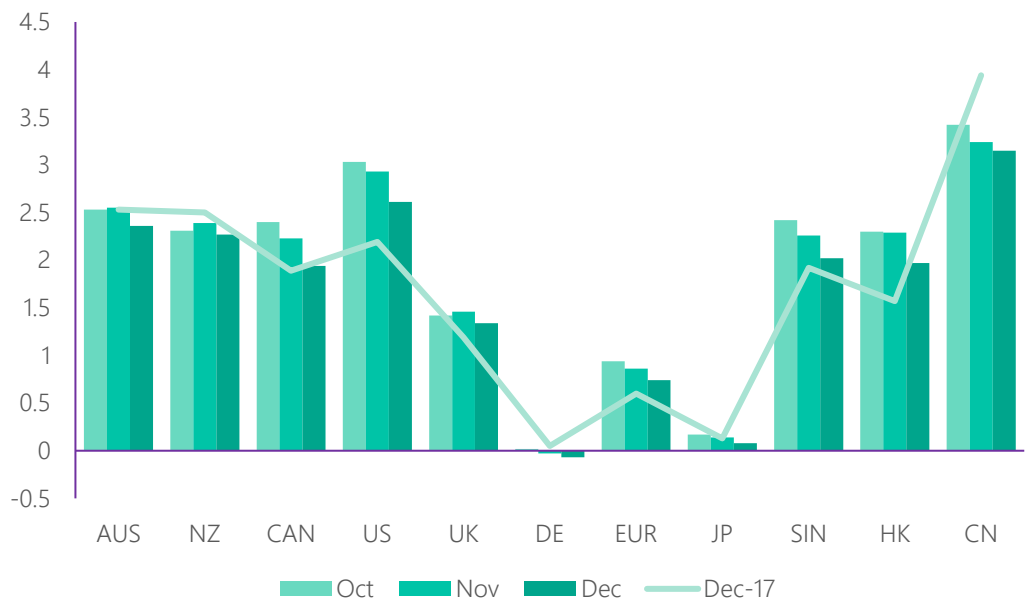
As illustrated in Chart 13, the YTW decreased for both the Australian Credit Index and the New Zealand Credit Index for the past 3 months. There is also evidence of divergence for credit and treasury spread during the last 3 months for Australia and New Zealand.

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



YTW figures for the Global Bloomberg Barclays Sovereign Indices all decreased in December as shown below, Canada(1.94%), US(2.61%), UK(1.34%), Germany(-0.07%), Europe(0.74%), Japan(0.08%), Singapore(2.02%), HK(1.97%) and China(3.15%). The YTW for US and HK sovereign indices were down the most (-32 bps).

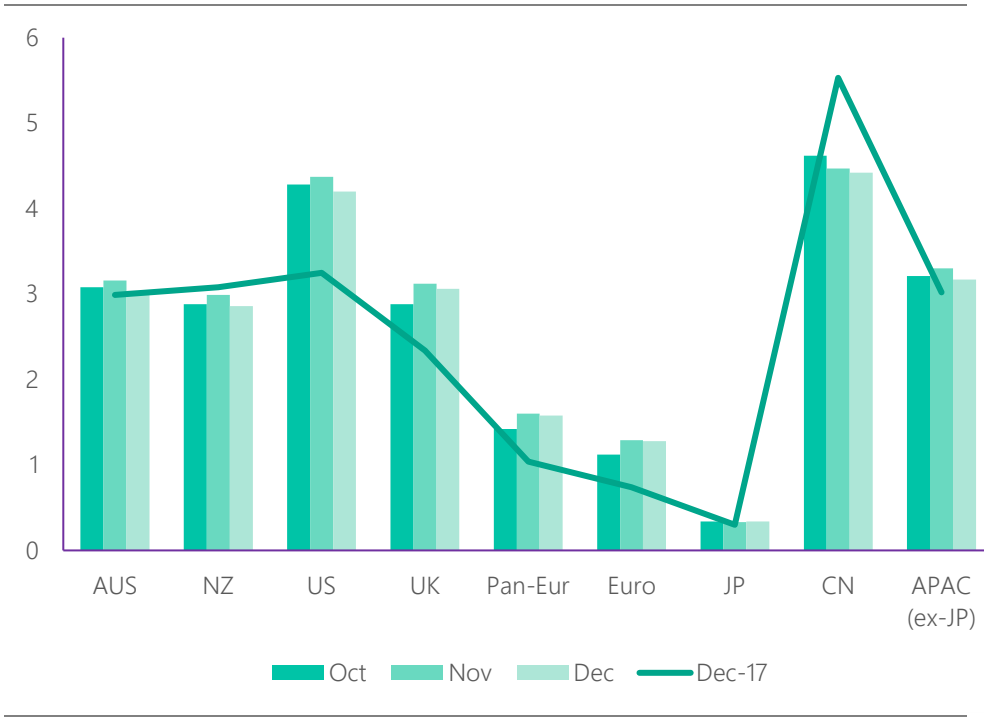
Chart 14. Bloomberg Indices Sovereign Bond Yields⁷



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 December 2018, YTW figures were mostly down for corporate bond indices except Japan. The yield of US Investment-Grade Corporate Bond Index decreased the most (-17 bps) to 4.2% and the yield of the Japan Investment-Grade Corporate Bond Index rose 1 bp to 0.34%. The YTW figure for China Investment-Grade Corporate Bond Index decreased 5 bps to 4.42%.

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\$3.69bn of new supply (issuances and taps) in December. The new supply was A\$8.81bn lower than the previous month and A\$6.83bn lower than the 12 month average (A\$10.52bn). The largest contributors were Treasuries at A\$2.7bn followed by Semi-Government at A\$0.78bn and Non-Government at A\$0.21bn. No new issues were added to the Composite Index, which means all new supply A\$3.69 is in taps.

The new additions to the Composite Index were issued across three different sectors. ACGB upsized A\$2.7bn fixed coupon bonds which is the largest issuer amongst new supply in December. The largest tap was carried on the 2.75% November 2029 ACGB and 2.5% May 2030 bonds. Additionally, four Semi-Government issuers upsized in December: NSWTC (A\$0.35bn), TCV (A\$0.31bn), WATC (A\$0.14bn) and QTC (A\$1.6mn). The month of December also saw approximately A\$5.75bn of buybacks and maturities.

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

Sector	DEC-18 (A\$bn)	NOV-18 (A\$bn)	OCT-18 (A\$bn)	QTD (A\$bn)	12-mth AVG (A\$bn)	% diff on prior mth	% diff on 12-mth AVG
Additions							
Treasury	2.7	7.1	5	14.8	5.33	-61.97%	-49.34%
Semi-Government	0.78	4.15	6.95	11.88	2.83	-81.20%	-72.44%
Non-Government	0.21	1.25	0.75	2.21	2.36	-83.20%	-91.10%
Total Composite	3.69	12.5	12.7	28.89	10.52	-70.48%	-64.92%
Removals							
Treasury	0.7	2.1	1	3.8	2.71	-66.67%	-74.17%
Semi-Government	0.6	0.85	3.4	4.85	1.97	-29.41%	-69.54%
Non-Government	4.45	2.09	2.48	9.02	2.43	112.92%	83.13%
Total Composite	5.75	5.04	6.88	17.67	7.11	14.09%	-19.13%
Net new supply							
Treasury	2	5	4	11	2.62	-60.00%	-23.66%
Semi-Government	0.18	3.3	3.55	7.03	0.86	-94.55%	-79.07%
Non-Government	-4.24	-0.84	-1.73	-6.81	-0.07	404.76%	5957.14%
Total Composite	-2.06	7.46	5.82	11.22	3.41	-127.61%	-160.41%

Maturities

Table 6. Maturities for AusBond Composite Index: December 2018

ISSUER	ISIN	VALUE	MATURITY
KFW	AU0000KFWHY8	2,100,000,000	1/16/2019
INTL BK RECON & DEVELOP	AU3CB0217982	1,500,000,000	1/23/2019
KOMMUNALBANKEN AS	AU3CB0218063	350,000,000	1/23/2019
GENERAL PROPERTY TRUST	AU3CB0189009	250,000,000	1/24/2019
EUROFIMA	AU3CB0218170	250,000,000	1/29/2019

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

ISSUER	ISIN	VALUE	MATURITY
ABN AMRO BANK NV	AU3CB0218345	400,000,000	2/5/2019
INCITEC PIVOT LTD	AU3CB0212652	200,000,000	2/21/2019
Medallion Trust	AU3CB0218733	300,000,000	2/22/2019
WESTPAC BANKING CORP	AU000WBCHBC3	1,100,000,000	2/25/2019
AFRICAN DEVELOPMENT BANK	AU3CB0218840	250,000,000	2/26/2019

Table 8. Maturities for NZBond Composite Index: December 2018

ISSUER	ISIN	VALUE	MATURITY
NORDIC INVESTMENT BANK	NZNIBDT008C2	800,000,000	1/22/2019
EXPORT DEVELOPMNT CANADA	NZEDCDT005C3	425,000,000	1/24/2019

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

ISSUER	ISIN	VALUE	MATURITY
ASB BANK LIMITED	NZACBDT002C6	200,000,000	2/7/2019
INTL BK RECON & DEVELOP	NZIBDDT007C6	1,350,000,000	2/26/2019
ANZ BANK NEW ZEALAND LTD	NZANBDG024C2	400,000,000	2/27/2019

Index Market Capitalisation

The AusBond Composite Index ended December 2018 at A\$1,040.79bn.

The NZBond Composite Index stood at NZ\$124.68bn at the end of December.

Chart 16. Growth of Bloomberg AusBond Composite Index: 2017 - 2018



Chart 17. Growth of Bloomberg NZBond Composite Index: 2017 - 2018



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