

Bloomberg AusBond Indices

Month in Review - February 2019

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Month in Review

Australian Market Performance

On February 5th 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 February return was positive (0.94%). The best performing component of the Index was the Treasury Index at 1.03%. The AusBond Semi-Govt Index and Credit Index returned 0.93% and 0.87%, respectively, followed by the Supra-Sovereign Index (0.65%). The Inflation Credit Index rose 0.45% during February and the AusBond Inflation Government Index rose 0.5% for the month. The Bank Bill Index returned 0.17%. Within equities, the S&P/ASX Accumulation 200 Index rose in February, sending its return up by 5.98%.

Table 1. AusBond Total Return Performance: February 2019

Index	FEB	JAN	DEC	QTD	YTD	2 YR	5 YR
Bloomberg AusBond Composite 0+ Yr Index	0.94%	0.64%	1.50%	1.58%	1.58%	4.51%	4.70%
Bloomberg AusBond Treasury 0+ Yr Index	1.03%	0.71%	1.92%	1.74%	1.74%	4.81%	4.78%
Bloomberg AusBond Semi-Govt 0+ Yr Index	0.93%	0.62%	1.26%	1.56%	1.56%	4.10%	4.76%
Bloomberg AusBond SupraSov 0+ Yr Index	0.65%	0.49%	0.88%	1.14%	1.14%	3.92%	4.28%
Bloomberg AusBond Credit 0+ Yr Index	0.87%	0.52%	0.90%	1.39%	1.39%	4.64%	4.77%
Bloomberg AusBond Bank Bill Index	0.17%	0.18%	0.15%	0.35%	0.35%	1.87%	2.14%
Bloomberg AusBond Credit FRN 0+ Yr Index	0.43%	0.28%	0.12%	0.72%	0.72%	2.83%	3.09%
Bloomberg AusBond Infl 0+ Yr Index	0.50%	1.13%	1.24%	1.64%	1.64%	4.39%	4.86%
Bloomberg AusBond Infl Govt 0+ Yr Index	0.50%	1.15%	1.29%	1.65%	1.65%	4.25%	4.72%
Bloomberg AusBond Infl Credit 0+ Yr Index	0.45%	0.88%	0.47%	1.34%	1.34%	6.69%	6.91%
S&P/ASX Accumulation 200 Index	5.98%	3.87%	-0.12%	10.08%	10.08%	8.57%	7.30%

Note: 2 and 5 year returns are annualized.

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

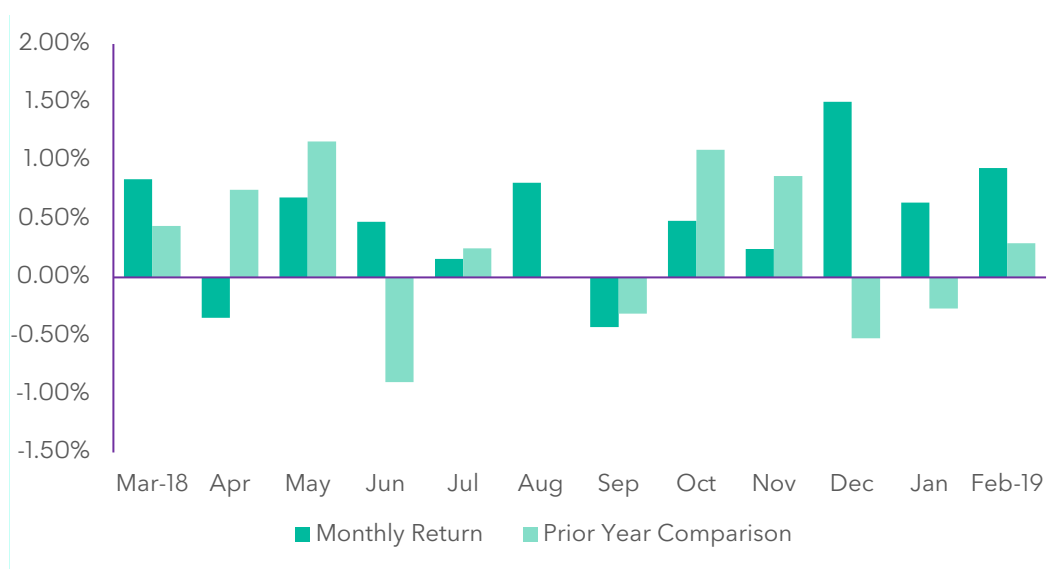


Chart 2. S&P/ASX200 Accumulation Index vs. Bloomberg AusBond Composite Index: Monthly Return Performance 2018 – 2019¹

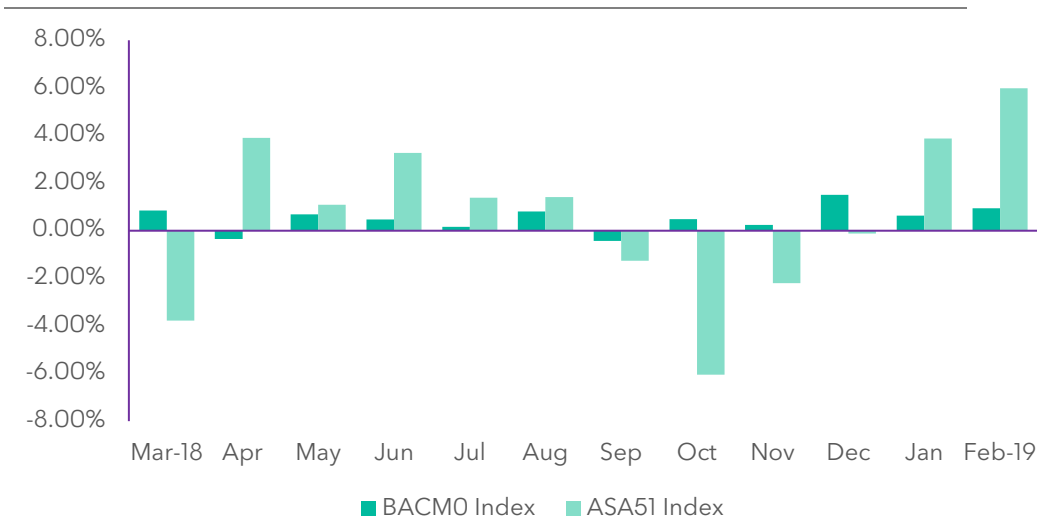
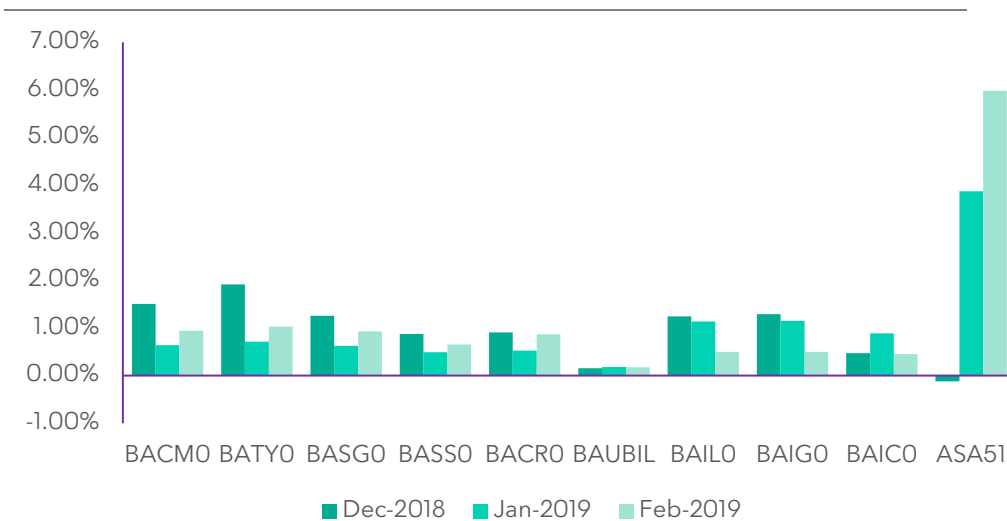


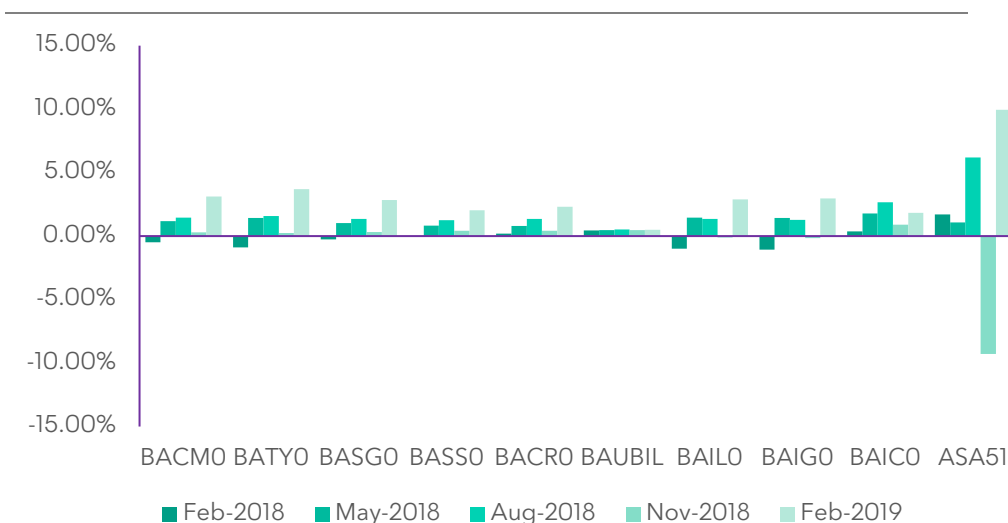
Chart 3. Bloomberg AusBond Indices: Recent monthly returns²



¹ The following indices are shown: AusBond Composite Index (BACMO) and S&P/ASX 200 Accumulation Index (ASA51).

²The following indices are shown: AusBond Composite Index (BACMO); 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

On February 13th 2019, The Reserve Bank of New Zealand (RBNZ) left target cash rate unchanged at 1.75%. As set out in the Table 2 below, monthly performance among NZBond indices were positive for the month of February. The Composite Index on aggregate rose 0.54% for the month. The best performing component of the Composite Index was the Local Govt Index (0.68%) followed by Treasury Index (0.58%). The Credit Index increased 0.45% and the Supra-Sovereign Index was up by 0.41%. The Bank Bill Index gained 0.15% in February.

Table 2. NZBond Total Return Performance: February 2019

Index	FEB	JAN	DEC	QTD	YTD	2 YR	5 YR
Bloomberg NZBond Composite 0+ Yr Index	0.54%	0.58%	0.91%	1.11%	1.11%	4.98%	5.28%
Bloomberg NZBond Treasury 0+ Yr Index	0.58%	0.63%	1.02%	1.22%	1.22%	5.18%	5.31%
Bloomberg NZBond Local Govt 0+ Yr Index	0.68%	0.66%	1.02%	1.34%	1.34%	5.30%	5.71%
Bloomberg NZBond Non-Govt 0+ Yr Index	0.43%	0.47%	0.73%	0.90%	0.90%	4.61%	5.11%
Bloomberg NZBond SupraSov 0+ Yr Index	0.41%	0.42%	0.62%	0.84%	0.84%	4.12%	4.75%
Bloomberg NZBond Credit 0+ Yr Index	0.45%	0.52%	0.85%	0.98%	0.98%	5.15%	5.52%
Bloomberg NZBond Bank Bill Index	0.15%	0.17%	0.17%	0.32%	0.32%	1.96%	2.60%
Bloomberg NZBond Infl 0+ Yr Index	1.57%	1.26%	1.32%	2.85%	2.85%	9.54%	7.08%
S&P/NZX 50 Gross Index	3.78%	1.98%	-0.14%	5.83%	5.83%	14.06%	13.32%

Note: 2 and 5 year returns are annualized.

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

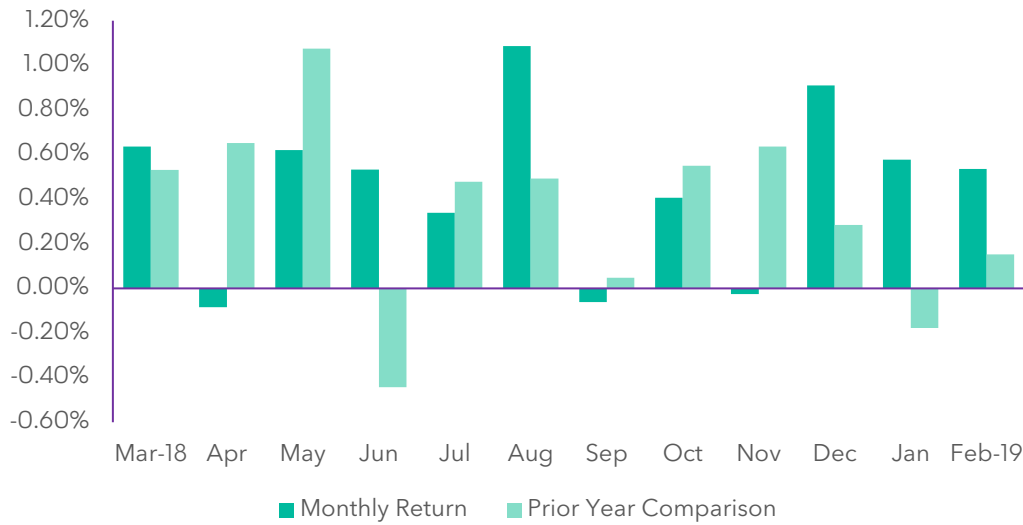
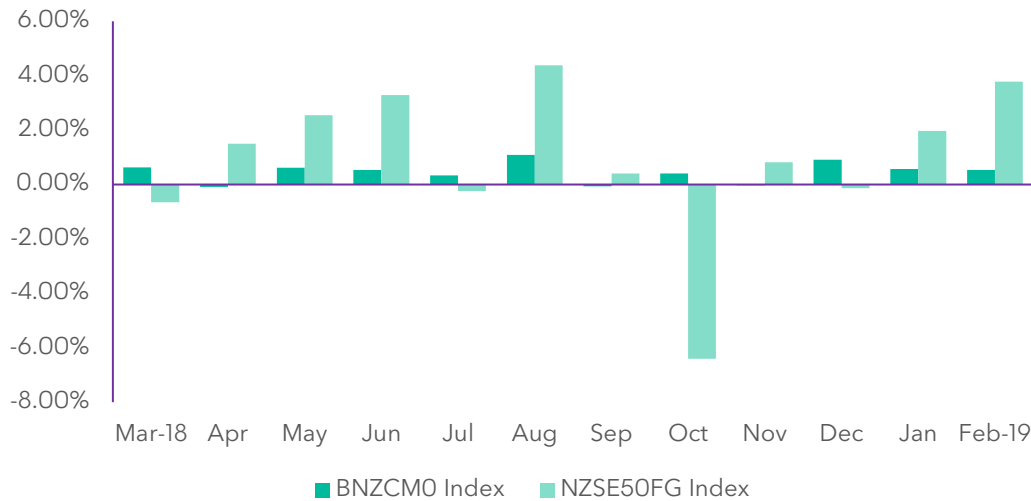


Chart 6. S&P/NZX50 Gross Index vs. Bloomberg NZBond Composite Index: Monthly Return Performance 2018 – 2019³



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

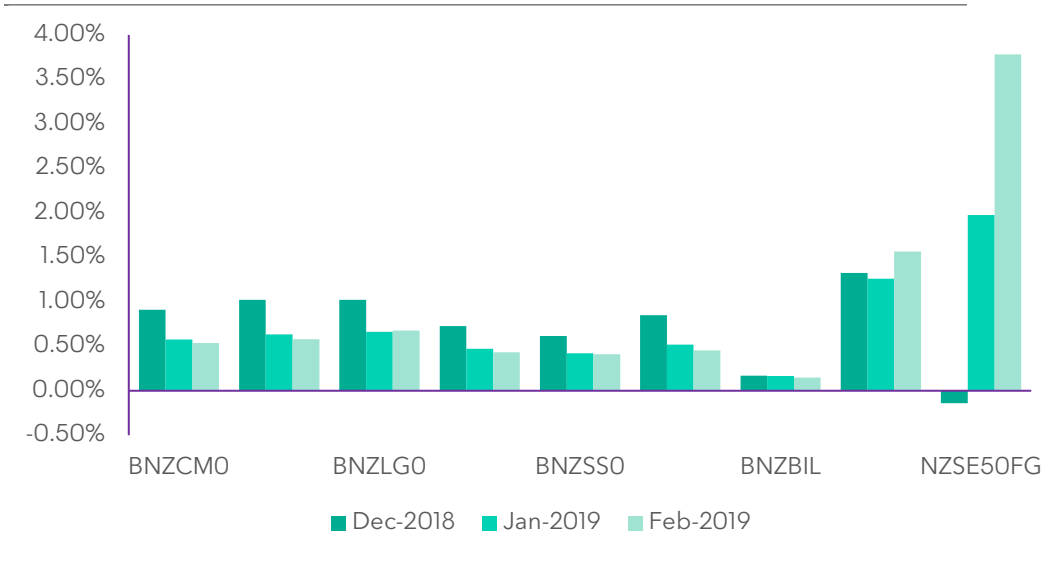
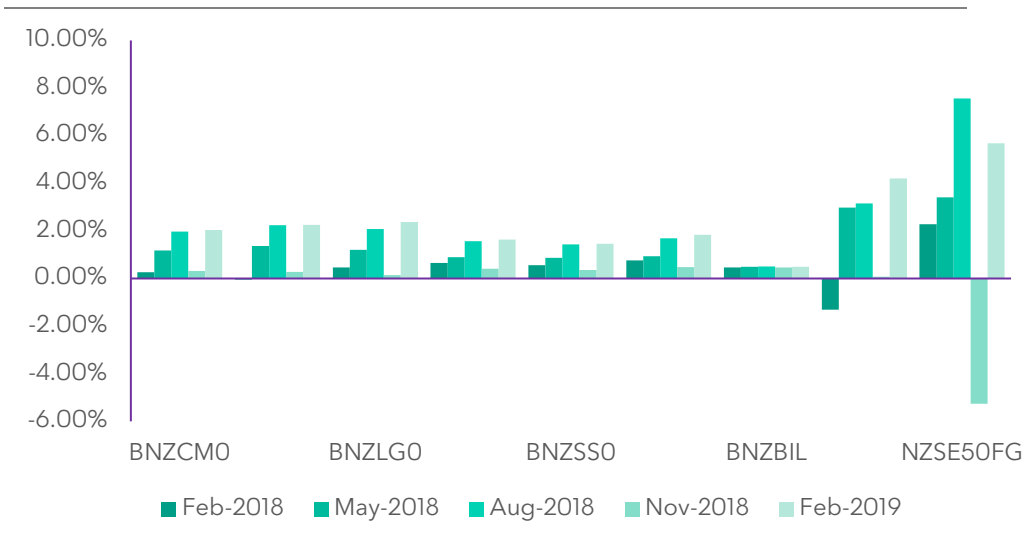


Chart 8. Bloomberg NZBond Indices: Recent quarterly returns



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. The largest mover, UK, dipped 0.96% in February and HK returned 0.35% for the month. The US Aggregate Treasury Index was down by -0.27%. On a twelve-month basis, as shown in Table 3, returns were all in positive territory. Global Sovereign Indices returns were as follows: Canada (3.5%), US (3.23%), UK (2.61%), Germany (3.72%), Euro (1.84%), Japan (1.44%), Singapore (3.37%), Hong Kong (2.2%) and China (8.23%).

Chart 9. Bloomberg Indices Sovereign Debt Performance: February 2019⁵

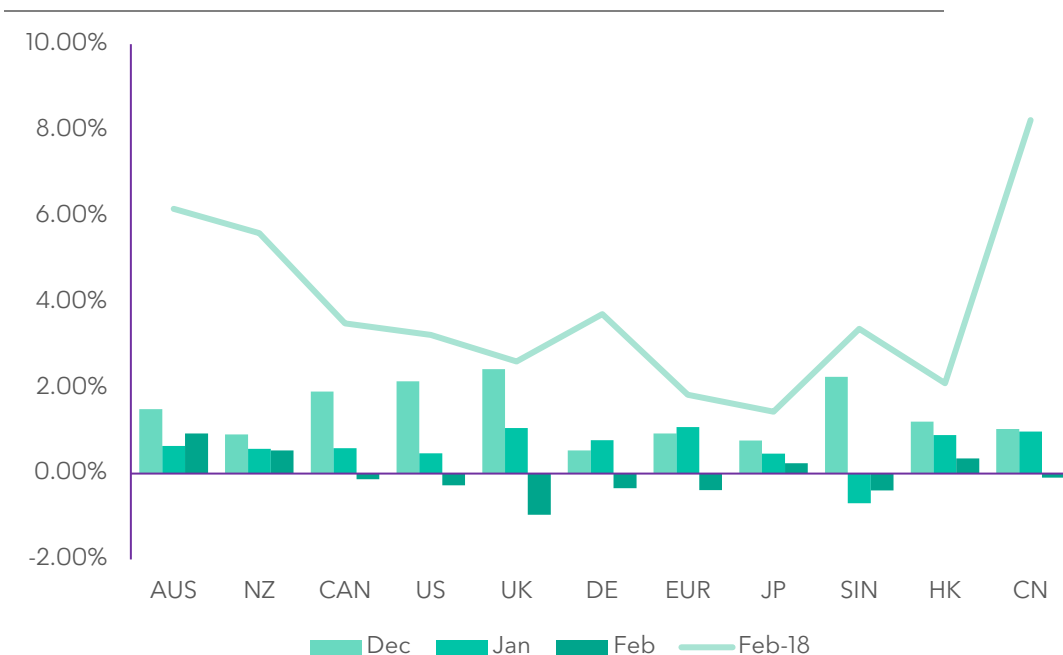


Table 3. Bloomberg Indices Sovereign Debt Performance: February 2019

Index	AUS	NZ	CAN	US	UK	DE	EUR	JP	SIN	HK	CN
Feb	0.94%	0.54%	-0.13%	-0.27%	-0.96%	-0.34%	-0.38%	0.24%	-0.39%	0.35%	-0.09%
Jan	0.64%	0.58%	0.59%	0.47%	1.06%	0.77%	1.08%	0.47%	-0.69%	0.90%	0.98%
Dec	1.50%	0.91%	1.91%	2.15%	2.44%	0.54%	0.94%	0.77%	2.25%	1.21%	1.04%
12-MTH	6.16%	5.60%	3.50%	3.23%	2.61%	3.72%	1.84%	1.44%	3.37%	2.10%	8.23%

In February, monthly performances among the global Investment Grade Corporate Indices were positive across the board. The Bloomberg Barclays APAC (ex-JP) Corporate Bond Index gained the most (1%) followed by Bloomberg Barclays Pan-European Index (0.9%). Bloomberg Barclays US Corporate Bond Index returned 0.22%

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.

for the month and Bloomberg Barclays UK Corporate Bond Index gained marginally at 0.02%. On a twelve-month basis, as shown in Table 4, China Corporate Index gained the most at 9.6% and all Investment Grade Corporate Indices were in positive territory: US (2.63%), UK (1.66%), Pan-Euro (1.57%), Euro (0.8%), Japan (0.37%), China (9.6%) and APAC (ex-JP) (0.81%).

Chart 10. Bloomberg Indices Investment Grade Corporate Indices: February 2019⁶

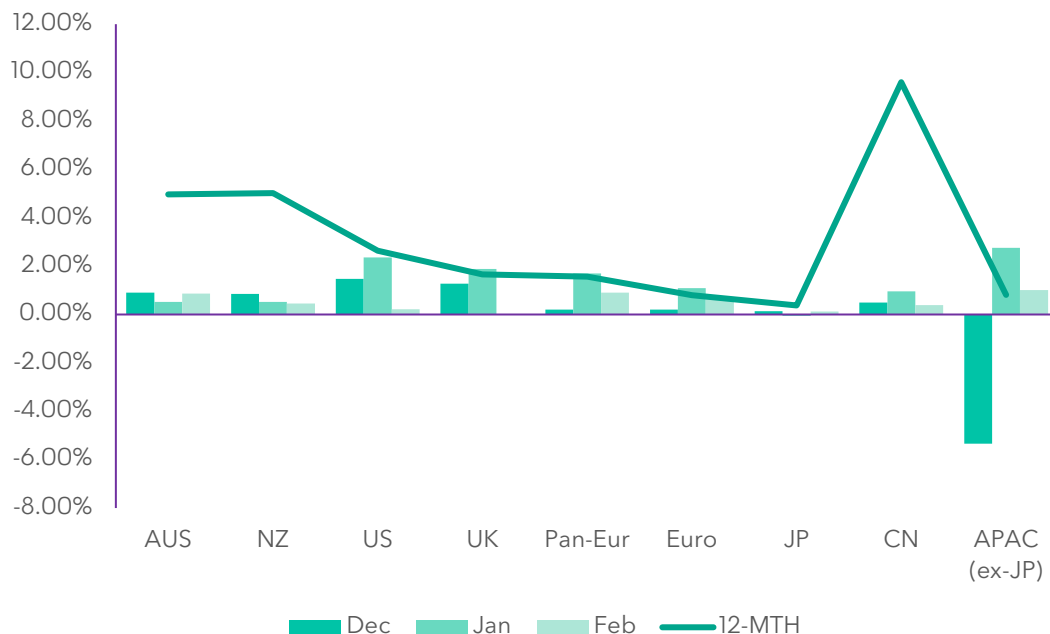


Table 4. Bloomberg Indices Investment Grade Corporate Indices: February 2019

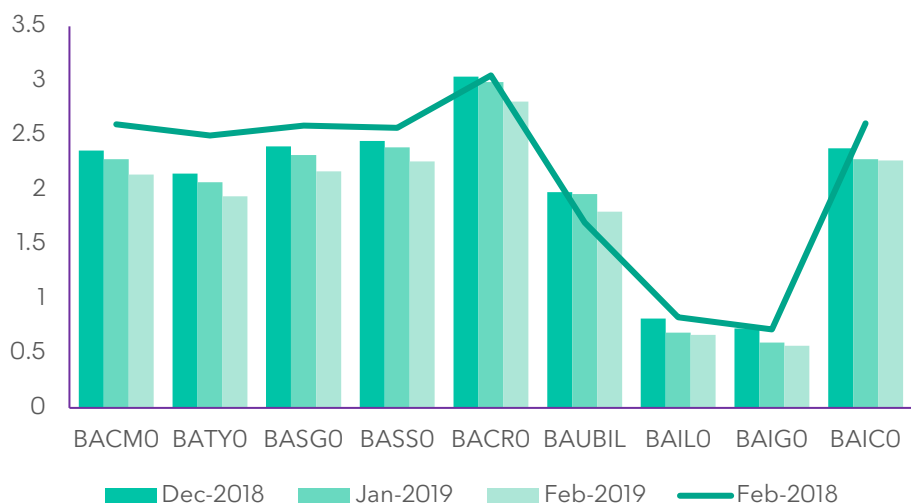
Index	AUS	NZ	US	UK	Pan-Eur	Euro	JP	CN	APAC (ex-JP)
Feb	0.87%	0.45%	0.22%	0.02%	0.90%	0.69%	0.12%	0.39%	1.00%
Jan	0.52%	0.52%	2.35%	1.88%	1.69%	1.09%	-0.06%	0.95%	2.75%
Dec	0.90%	0.85%	1.47%	1.28%	0.21%	0.21%	0.13%	0.49%	-5.34%
12-MTH	4.96%	5.02%	2.63%	1.66%	1.57%	0.80%	0.37%	9.60%	0.81%

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 (LJC1TRJU Index); Bloomberg Barclays China Aggregate: Corporate Index and Bloomberg Barclays Asian-Pacific Non-Japan Corporate Index.

Market Yields

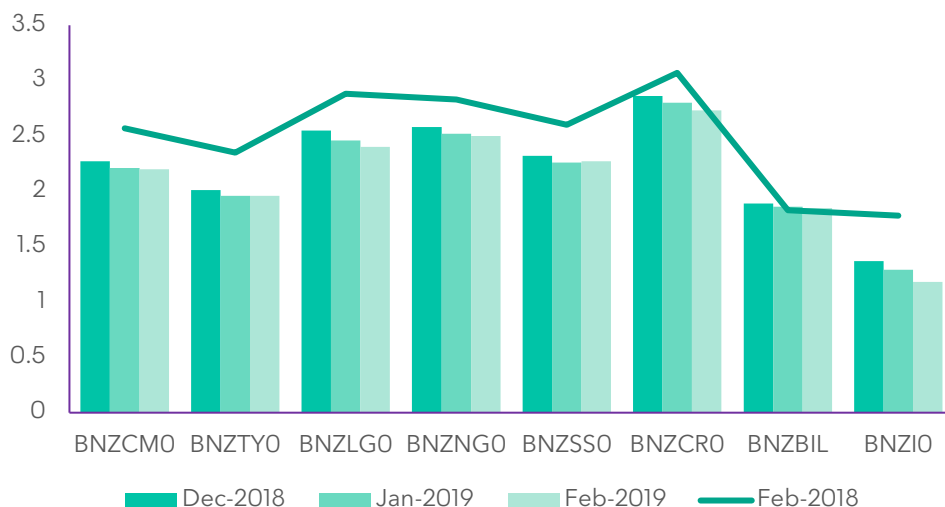
In February, the Yield to Worst (YTW) of the AusBond Composite Index ended the month at 2.14%, a 14 bps decrease compared to previous month. The YTW of the Treasury Index was down 13 bps at 1.94%. The YTW of the Semi-Government Index decreased 15 bps to 2.17% and SupraSov Index was down 13 bps to 2.26%. The Bank Bill Yield was down 16 bps to 1.8%.

Chart 11. Bloomberg AusBond Indices: Bond Yields



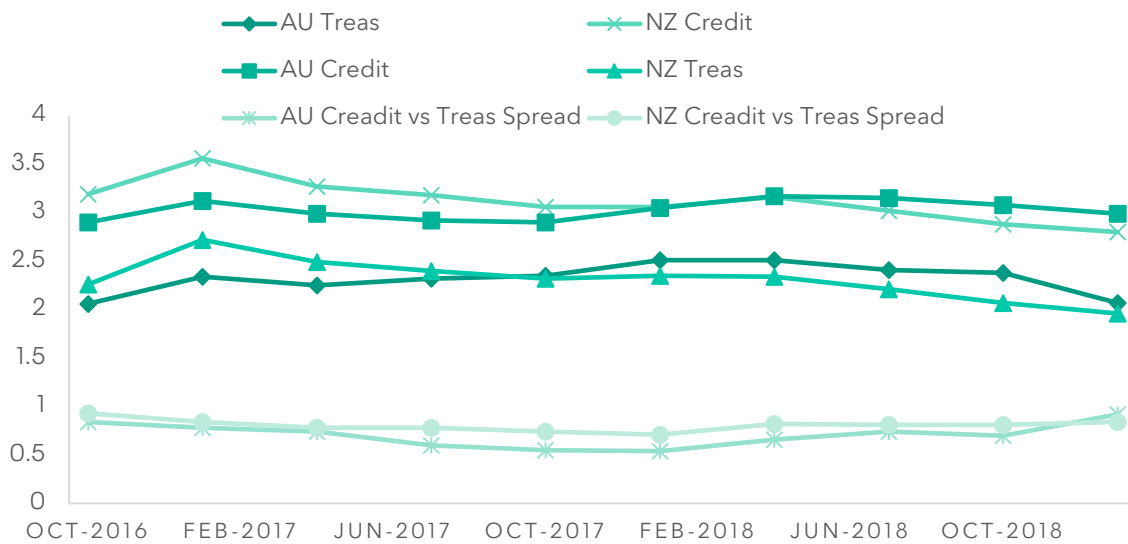
Yields for NZBond Indices were mixed for the month. The yield of the composite Index decreased to 2.20% from 2.21%. The yield on the Credit Index dipped the most to 2.73% from 2.8%. The yield on the Local Govt Index was down 6 bps to 2.4% and the yield on the SupraSov Index increased 1 bp to 2.27%. The yield on the Treasury Index was unchanged at 1.96%. The New Zealand Bank Bill yield decreased 1 bp to 1.85%.

Chart 12. Bloomberg NZBond Indices: Bond Yields



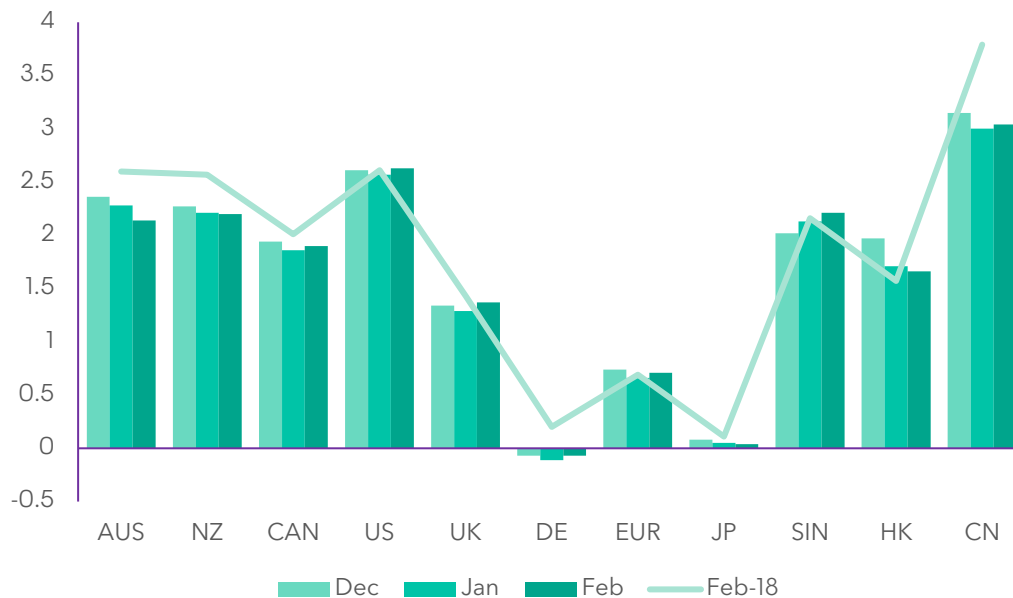
As illustrated in Chart 13, the YTW decreased for both the Australian Credit Index and the New Zealand Credit Index for the past 3 months. There is also evidence of divergence for credit and treasury spread during the last 3 months for Australia and convergence for New Zealand.

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



YTW figures for the Global Bloomberg Barclays Sovereign Indices mostly increased in February compared to previous month except Japan and HK as shown below, Canada(1.9%), US(2.63%), UK(1.37%), Germany(-0.07%), Europe(0.71%), Japan(0.04%), Singapore(2.21%), HK(1.66%) and China(3.04%). The YTW for HK sovereign indices was down the most (-5 bps).

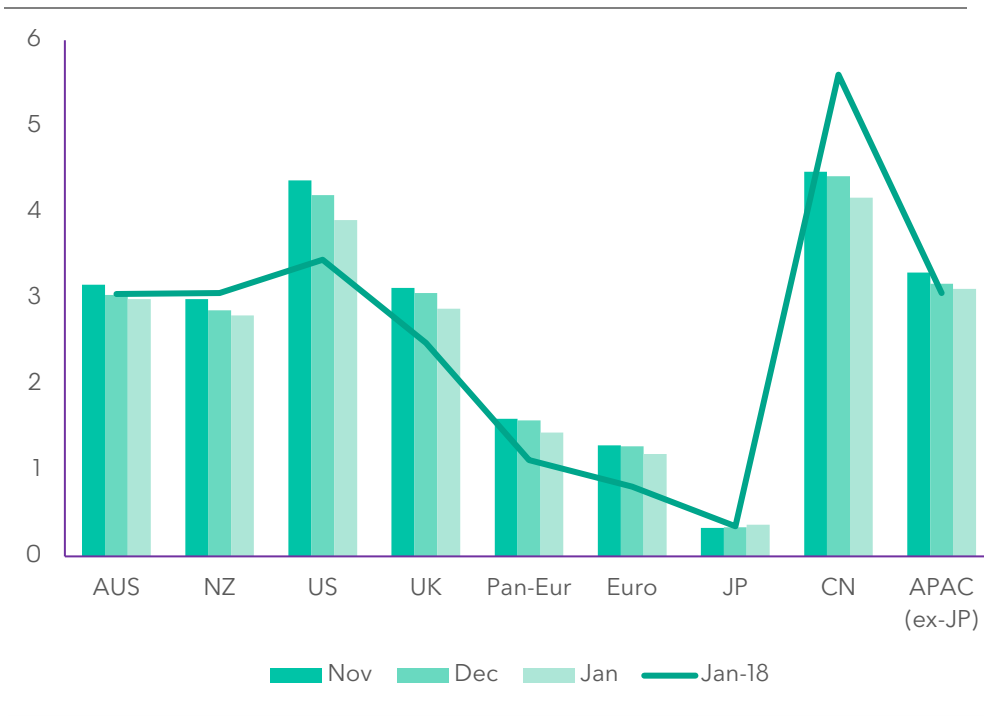
Chart 14. Bloomberg Indices Sovereign Bond Yields⁷



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 February 2019, YTW figures were mostly down for corporate bond indices. The yield of Euro Investment-Grade Corporate Bond Index and APAC (ex-JP) Investment-Grade Corporate Bond Index decreased the most (-16 bps) to 1.03% and 2.95%, respectively and the yield of the UK Investment-Grade Corporate Bond Index rose 1 bp to 2.89%. The YTW figure for US Investment-Grade Corporate Bond Index was unchanged at 3.91%.

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\$13.57bn of new supply (issuances and taps) in February. The new supply was A\$3.53bn higher than the previous month and A\$3.84bn higher than the 12 month average (A\$9.73bn). The largest contributors were Semi-Government at A\$5.48bn followed by Treasuries at A\$4.8bn and Non-Government at A\$3.29bn. Eight new issues were added to the Composite Index amounting to A\$4.92bn, which leaves A\$8.65 in taps.

The new additions to the Composite Index were issued across six different sectors. WATC issued A\$1.015bn fixed coupon bonds which is the largest amongst new issues in February. The largest tap was carried on the 2.5% May 2030 ACGB bond. Additionally, six Semi-Government issuers upsized in February: QTC (A\$1.78bn), WATC (A\$1.32bn), NSWTC (A\$1.14bn), SAFA (A\$0.75bn), TCV (A\$0.4bn) and TASCOR (A\$90mn). The month of February also saw approximately A\$18.89bn of buybacks and maturities.

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

Sector	FEB-19 (A\$bn)	JAN-18 (A\$bn)	DEC-18 (A\$bn)	QTD (A\$bn)	12-mth AVG (A\$bn)	% diff on prior mth	% diff on 12-mth AVG
Additions							
Treasury	4.8	2.6	2.7	10.1	4.74	84.62%	1.27%
Semi-Government	5.48	3.21	0.78	9.47	2.75	70.72%	99.27%
Non-Government	3.29	4.23	0.21	7.73	2.24	-22.22%	46.88%
Total Composite	13.57	10.04	3.69	27.3	9.73	35.16%	39.47%
Removals							
Treasury	14.01	1.7	0.7	16.41	2.6	724.12%	438.85%
Semi-Government	2.66	0.63	0.6	3.89	1.37	322.22%	94.16%
Non-Government	2.22	2.4	4.45	9.07	2.2	-7.50%	0.91%
Total Composite	18.89	4.73	5.75	29.37	6.17	299.37%	206.16%
Net new supply							
Treasury	-9.21	0.9	2	-6.31	2.14	-1123.33%	-530.37%
Semi-Government	2.82	2.58	0.18	5.58	1.38	9.30%	104.35%
Non-Government	1.07	1.83	-4.24	-1.34	0.04	-41.53%	2575.00%
Total Composite	-5.32	5.31	-2.06	-2.07	3.56	-200.19%	-249.44%

Maturities

Table 6. Maturities for AusBond Composite Index: February 2019

ISSUER	ISIN	VALUE	MATURITY
BK TOKYO-MIT UFJ SYDNEY	AU3CB0228146	150,000,000	3/13/2019
AUSTRALIAN GOVERNMENT	AU300TB01224	13,210,237,000	3/15/2019
GE CAP AUSTRALIA FUNDING	AU300GCAF087	115,189,000	3/15/2019
EUROPEAN INVESTMENT BANK	AU3CB0216505	550,000,000	3/15/2019
FIRST ABU DHABI BANK PJS	AU3CB0219392	400,000,000	3/19/2019
NEW S WALES TREASURY CRP	AU3SG0000458	1,966,722,300	3/20/2019
WOOLWORTHS GROUP LTD	AU3CB0191815	500,000,000	3/21/2019
WESFARMERS LTD	AU3CB0192128	500,000,000	3/28/2019

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

ISSUER	ISIN	VALUE	MATURITY
NEW S WALES TREASURY CRP	AU3CB0071124	413,837,700	4/1/2019
FIRST GULF BANK	AU3CB0219863	250,000,000	4/1/2019
HOLCIM FINANCE AUSTRALIA	AU3CB0200111	200,000,000	4/4/2019
BARCLAYS BANK PLC	AU3CB0219939	338,120,000	4/4/2019
SVENSKA HANDELSBANKEN AB	AU3CB0220036	450,000,000	4/10/2019
MET LIFE GLOB FUNDING I	AU3CB0220192	450,000,000	4/16/2019
EXPORT-IMPORT BANK KOREA	AU3CB0220184	300,000,000	4/17/2019
COMMONWEALTH BANK AUST	AU3CB0220408	500,000,000	4/24/2019
INTL BK RECON & DEVELOP	AU3CB0220424	300,000,000	4/29/2019

Table 8. Maturities for NZBond Composite Index: February 2019

ISSUER	ISIN	VALUE	MATURITY
ASIAN DEVELOPMENT BANK	NZADBDT004C1	950,000,000	3/6/2019
LANDWIRTSCH. RENTENBANK	NZLRBDT008C3	800,000,000	3/12/2019
ANZ BANK NEW ZEALAND LTD	NZANBDT010C6	250,000,000	3/13/2019
NEW ZEALAND GOVERNMENT	NZGOVDT319C0	9,637,000,000	3/15/2019
NZ LOCAL GOVT FUND AGENC	NZLGFDT003C3	1,290,000,000	3/15/2019
COOPERATIEVE RABOBANK UA	NZRABDT011C0	250,000,000	3/19/2019
KOMMUNALBANKEN AS	NZKBNBDT004C7	550,000,000	3/28/2019

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

ISSUER	ISIN	VALUE	MATURITY
(None)			

Index Market Capitalisation

The AusBond Composite Index ended February 2019 at A\$1,056.27bn.

The NZBond Composite Index stood at NZ\$124.78bn at the end of February.

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

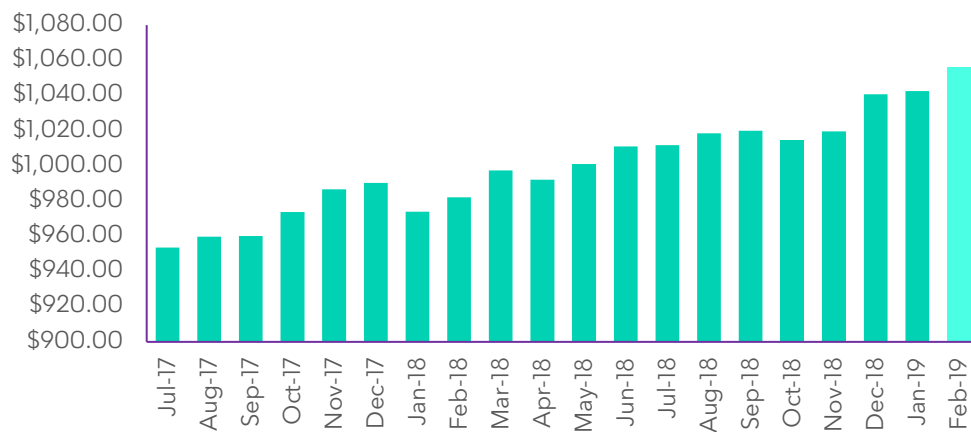


Chart 17. Growth of Bloomberg NZBond Composite Index: 2017 - 2019



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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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