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Bloomberg AusBond Indices
Month in Review – June 2018

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Month in Review
Australian Market Performance

On June 5th 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 June return was positive (0.48%). The best performing component of the Index was the Treasury Index at 0.52%. The AusBond Semi-Govt and Supra-Sovereign Indices returned 0.50% and 0.38% respectively, followed by the AusBond Credit Index (0.34%) for the month. The Inflation Credit Index rose 1.50% during June and the AusBond Inflation Government Index was up 1.07% for the month. The Bank Bill remained steady at 0.15%. Within equities, the S&P/ASX Accumulation 200 Index rose in June, sending its return up by 3.27%.

Table 1. AusBond Total Return Performance: June 2018

Index	JUN	MAY	APR	QTD	YTD	2 YR	5 YR
Bloomberg AusBond Composite 0+ Yr Index	0.48%	0.69%	-0.35%	0.82%	1.69%	1.66%	4.38%
Bloomberg AusBond Treasury 0+ Yr Index	0.52%	0.81%	-0.56%	0.77%	1.80%	1.06%	4.13%
Bloomberg AusBond Semi-Govt 0+ Yr Index	0.50%	0.65%	-0.17%	0.98%	1.66%	1.69%	4.62%
Bloomberg AusBond SupraSov 0+ Yr Index	0.38%	0.44%	-0.02%	0.81%	1.46%	2.28%	4.31%
Bloomberg AusBond Credit 0+ Yr Index	0.34%	0.49%	-0.10%	0.73%	1.54%	3.30%	4.80%
Bloomberg AusBond Bank Bill Index	0.15%	0.17%	0.16%	0.49%	0.92%	1.80%	2.22%
Bloomberg AusBond Credit FRN 0+ Yr Index	0.17%	0.18%	0.24%	0.60%	1.04%	3.05%	3.24%
Bloomberg AusBond Infl 0+ Yr Index	1.09%	0.79%	-0.53%	1.35%	2.29%	2.24%	4.90%
Bloomberg AusBond Infl Govt 0+ Yr Index	1.07%	0.78%	-0.56%	1.28%	2.19%	2.06%	4.71%
Bloomberg AusBond Infl Credit 0+ Yr Index	1.50%	0.96%	0.10%	2.58%	3.96%	5.03%	7.38%
S&P/ASX Accumulation 200 Index	3.27%	1.09%	3.91%	8.47%	4.29%	13.55%	9.98%

Note: 2 and 5 year returns are annualized.

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

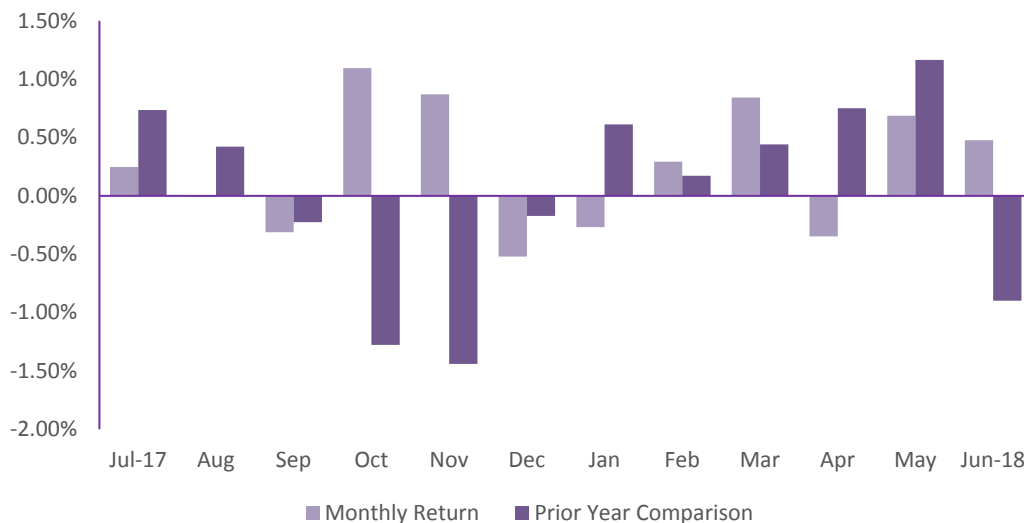


Chart 2. S&P/ASX200 Accumulation Index vs. Bloomberg AusBond Composite Index: Monthly Return Performance 2017 - 2018¹

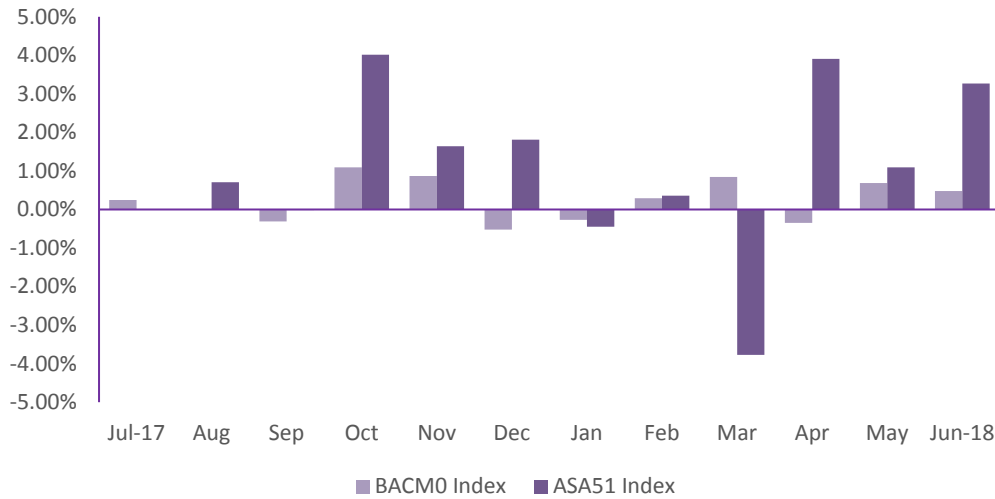
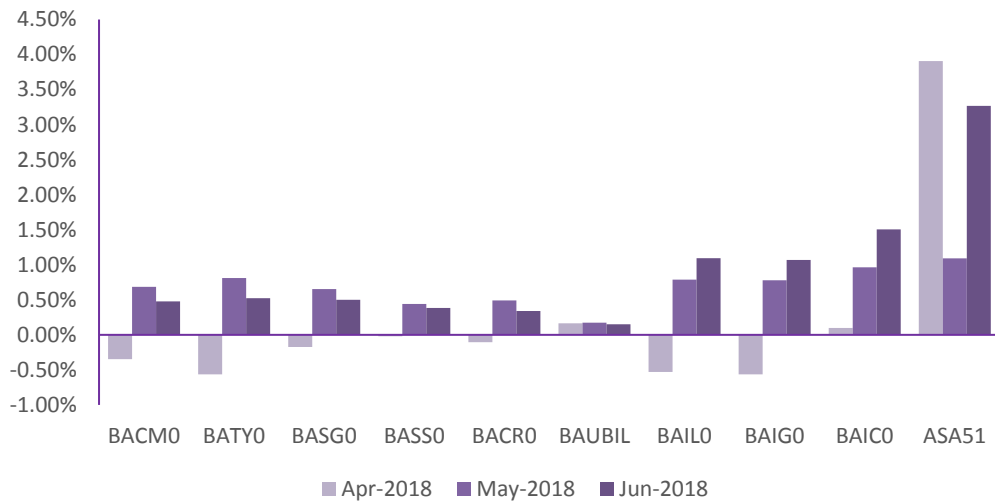


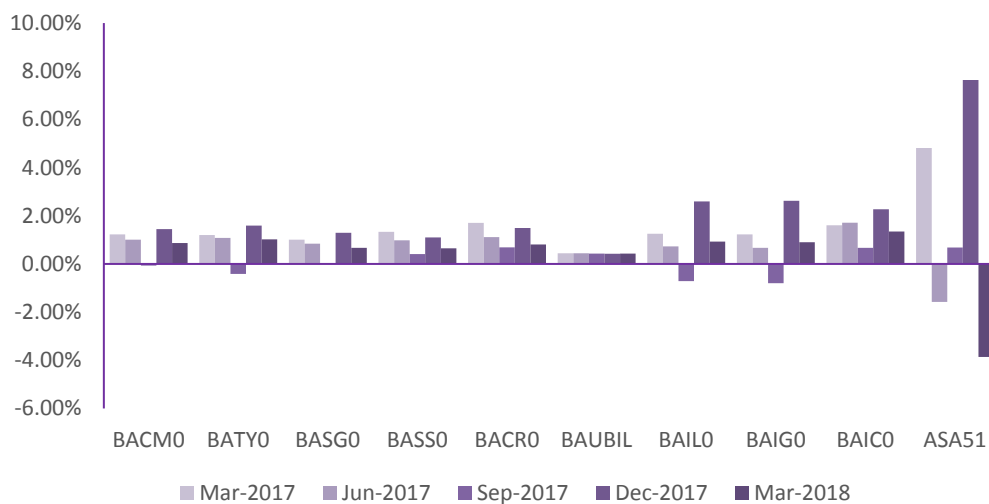
Chart 3. Bloomberg AusBond Indices: Recent monthly returns²



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 (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 June 28th 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 June. The Composite Index on aggregate rose 0.53% for the month. The best performing component of the Composite Index was the Local Govt Index (0.57%). The Treasury Index increased 0.56%. The Supra-Sovereign index and Credit index were up by 0.47% and 0.48%, respectively. The Bank Bill Index gained 0.17%.

Table 2. NZBond Total Return Performance: June 2018

Index	JUN	MAY	APR	QTD	YTD	2 YR	5 YR
Bloomberg NZBond Composite 0+ Yr Index	0.53%	0.62%	-0.08%	1.07%	1.69%	2.77%	4.72%
Bloomberg NZBond Treasury 0+ Yr Index	0.56%	0.68%	-0.18%	1.07%	1.52%	2.18%	4.56%
Bloomberg NZBond Local Govt 0+ Yr Index	0.57%	0.62%	0.01%	1.20%	1.96%	3.25%	5.25%
Bloomberg NZBond Non-Govt 0+ Yr Index	0.48%	0.53%	0.03%	1.04%	1.87%	3.59%	4.89%
Bloomberg NZBond SupraSov 0+ Yr Index	0.47%	0.50%	0.01%	0.99%	1.79%	3.20%	4.51%
Bloomberg NZBond Credit 0+ Yr Index	0.48%	0.56%	0.06%	1.10%	1.95%	4.04%	5.31%
Bloomberg NZBond Bank Bill Index	0.17%	0.17%	0.16%	0.50%	0.96%	2.06%	2.70%
Bloomberg NZBond Infl 0+ Yr Index	0.51%	1.97%	-0.39%	2.09%	1.68%	4.05%	5.24%
S&P/NZX 50 Gross Index	3.28%	2.55%	1.50%	7.50%	6.49%	13.87%	15.03%

Note: 2 and 5 year returns are annualized.

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

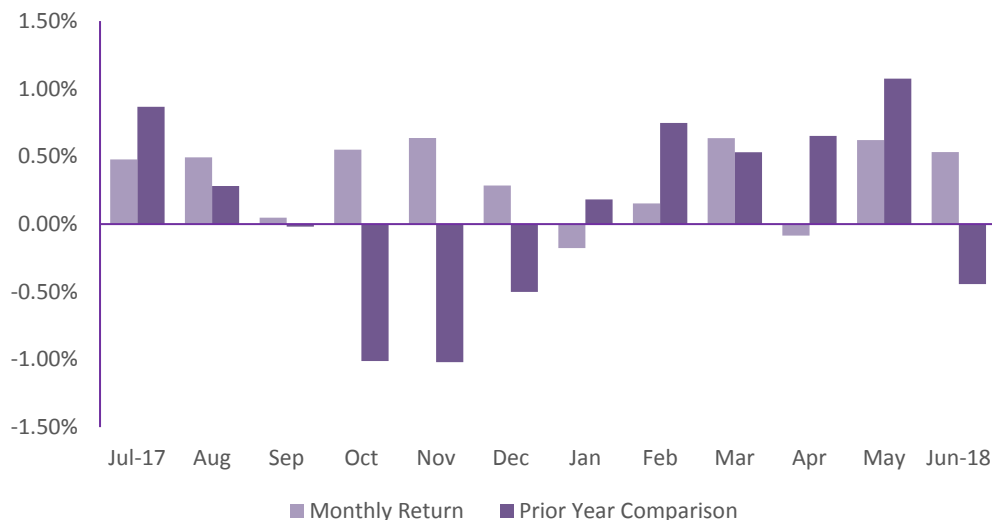
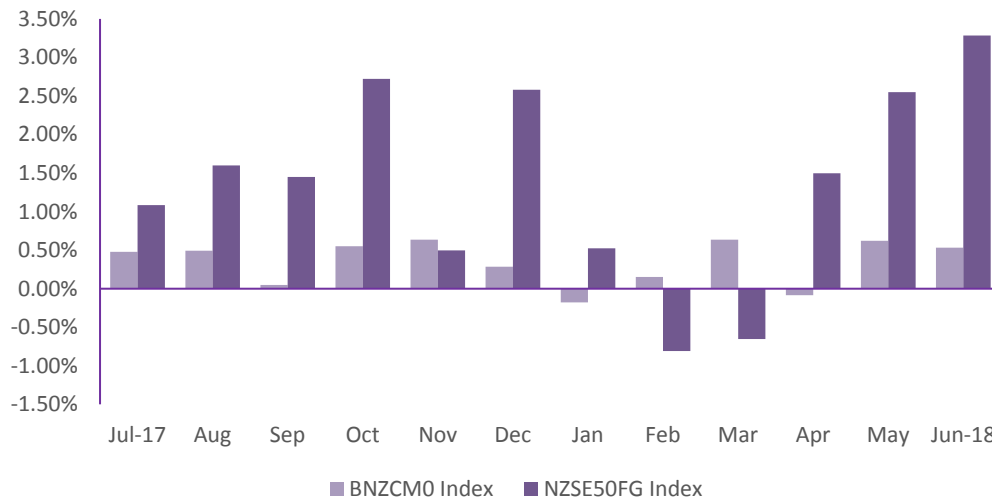


Chart 6. S&P/NZX50 Gross Index vs. Bloomberg NZBond Composite Index: Monthly Return Performance 2017-2018³



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

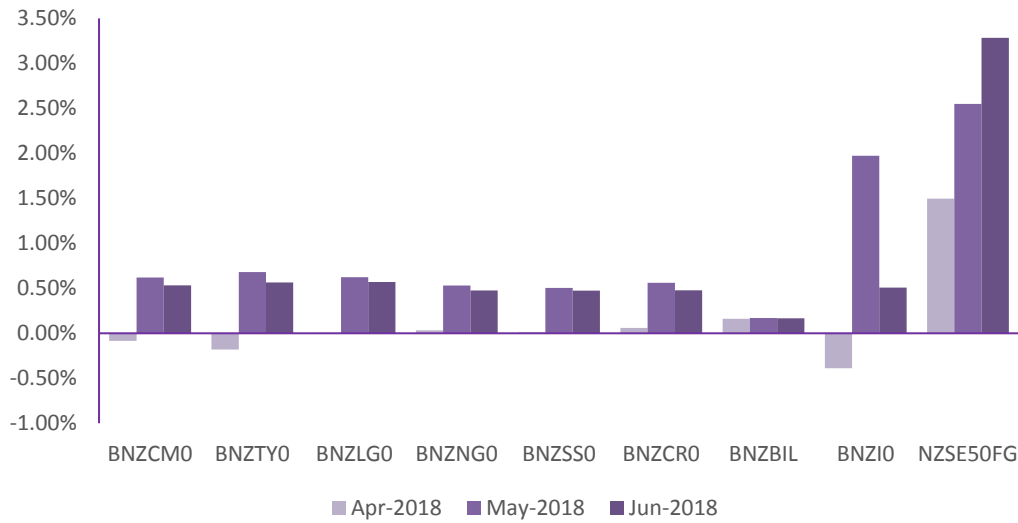
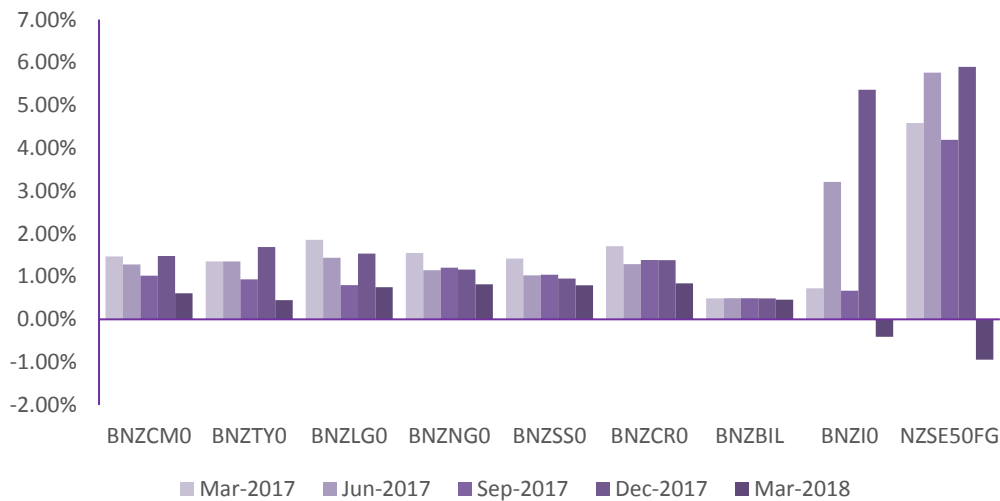


Chart 8. Bloomberg NZBond Indices: Recent quarterly returns



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 in June, Euro, increased 0.76%. The US Aggregate Treasury Index rose 0.02%. On a twelve-month basis, as shown in Table 3, returns were mixed. Global Sovereign Indices returns were as follows: Canada (-0.08%), US (-0.65%), UK (2.0%), Germany (2.08%), Euro (1.72%), Japan (1.15%), Singapore (-0.98%), Hong Kong (-1.43%) and China (3.97%).

Chart 9. Bloomberg Indices Sovereign Debt Performance: June 2018⁵

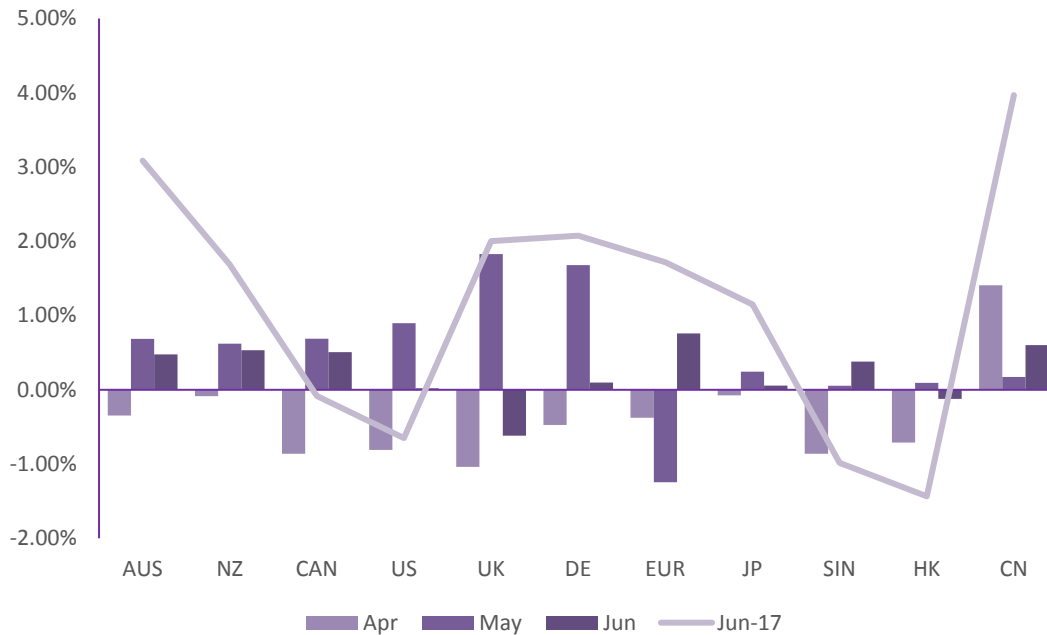


Table 3. Bloomberg Indices Sovereign Debt Performance: June 2018

Return	AUS	NZ	CAN	US	UK	DE	EUR	JP	SIN	HK	CN
Jun	0.48%	0.53%	0.51%	0.02%	-0.62%	0.10%	0.76%	0.06%	0.38%	-0.12%	0.60%
May	0.69%	0.62%	0.69%	0.90%	1.83%	1.68%	-1.24%	0.24%	0.05%	0.09%	0.17%
Apr	-0.35%	-0.08%	-0.86%	-0.81%	-1.04%	-0.47%	-0.38%	-0.07%	-0.86%	-0.71%	1.41%
12-MTH	3.09%	1.69%	-0.08%	-0.65%	2.00%	2.08%	1.72%	1.15%	-0.98%	-1.43%	3.97%

In June, monthly performance among the global Investment Grade Corporate Indices was mixed. The Bloomberg Barclays US Corporate Bond Index dipped the most (-0.58%) while China benchmark was up the most by 0.56%. The APAC (ex-JP) Corporate Index was down by -0.23% for the month. On a twelve-month basis, as shown in Table 4, the return of the Indices were mostly in positive territory except APAC (ex-JP)(-1.25%) and US (-0.83%).

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: June 2018⁶

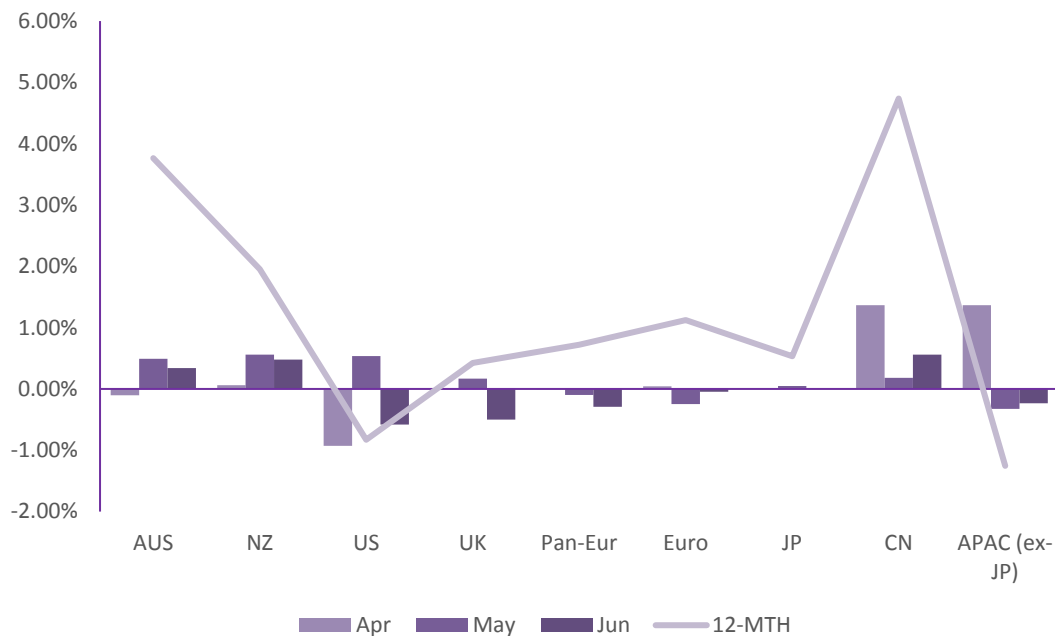


Table 4. Bloomberg Indices Investment Grade Corporate Indices: June 2018

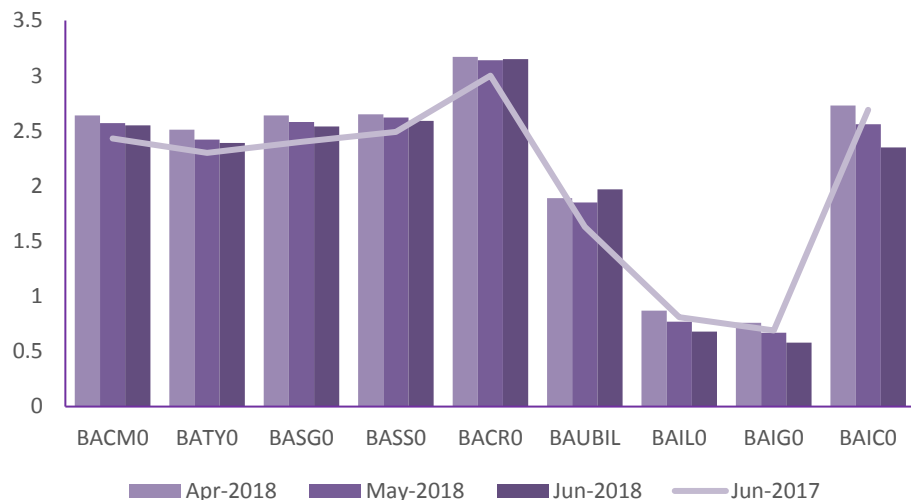
Return	AUS	NZ	US	UK	Pan-Eur	Euro	JP	CN	APAC (ex-JP)
Jun	0.34%	0.48%	-0.58%	-0.50%	-0.29%	-0.05%	0.01%	0.56%	-0.23%
May	0.49%	0.56%	0.54%	0.17%	-0.10%	-0.25%	0.05%	0.18%	-0.33%
Apr	-0.10%	0.06%	-0.93%	-0.01%	-0.01%	0.04%	0.00%	1.37%	1.37%
12-MTH	3.76%	1.95%	-0.83%	0.42%	0.72%	1.12%	0.53%	4.74%	-1.25%

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

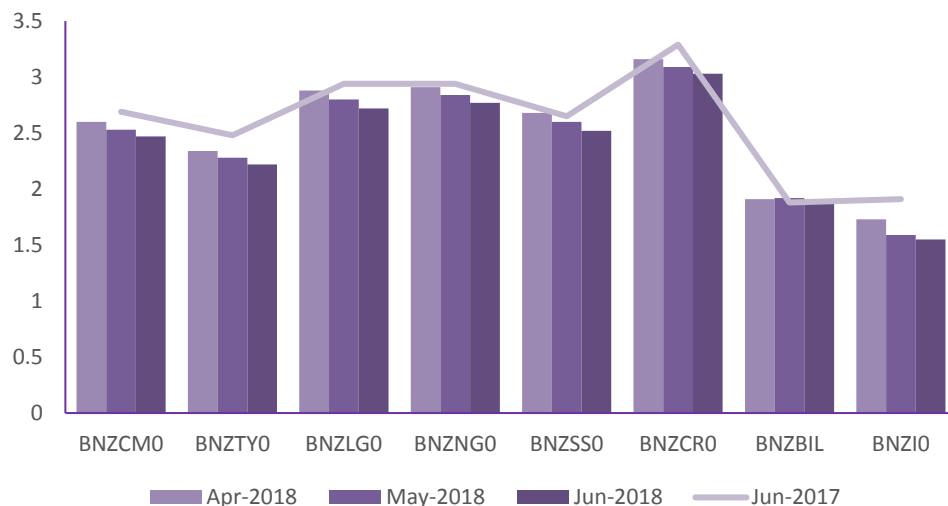
In June, the Yield to Worst (YTW) on the AusBond Composite Index ended the month with 2.55%. The Treasury Index was at 2.39%, at an -3 bps decrease compared to previous month. The Semi-Government Index decreased to 2.54% from 2.58% and the SupraSov Index was down -3 bps to 2.59%. The Bank Bill Yield increased 12 bps at 1.97%.

Chart 11. Bloomberg AusBond Indices: Bond Yields



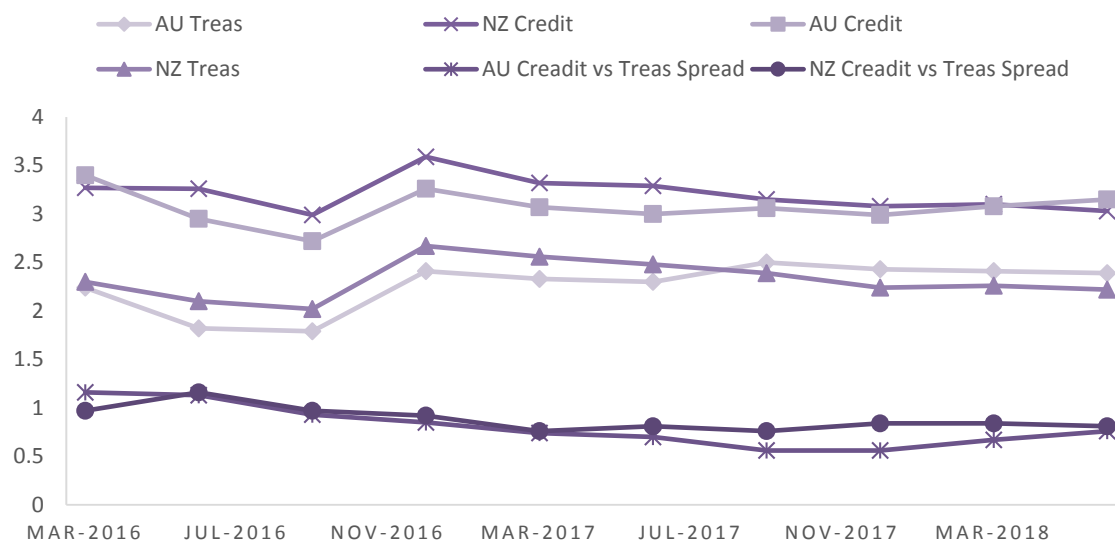
Yields for NZBond Indices decreased for the month. The yield on the composite Index decreased to 2.47% from 2.53%. The yield on the Local Govt and SupraSov Index decreased -8 bps, at 2.72% and 2.52%, respectively. The New Zealand Bank Bill marginally decreased at 1.91%.

Chart 12. Bloomberg NZBond Indices: Bond Yields



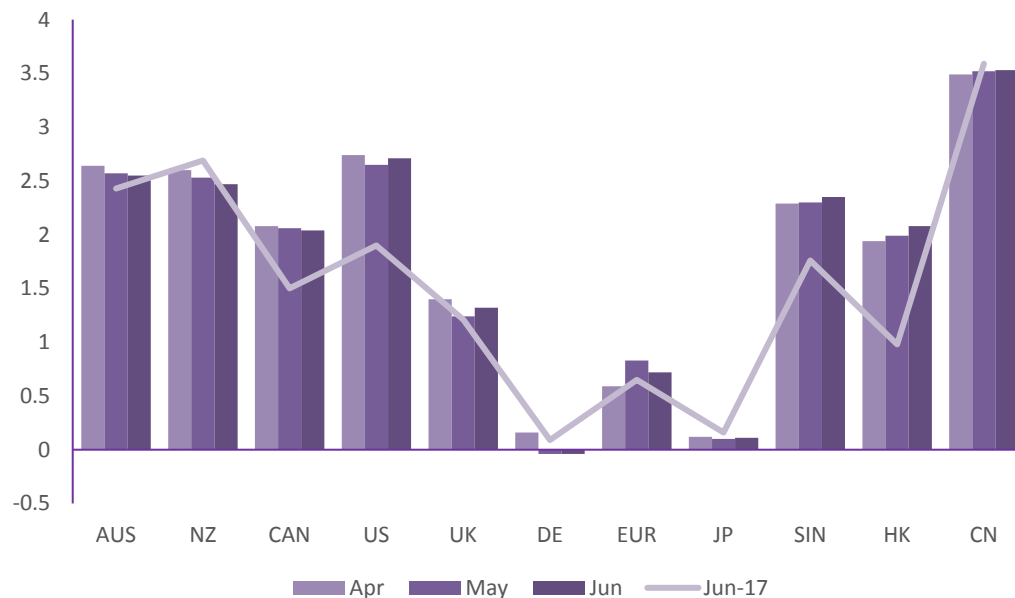
As illustrated in Chart 13, the YTW increased for the Australian Credit Index and the New Zealand Credit Index for the past 3 months. There is also an evidence of divergence for credit and treasury spread during the last 3 months for Australia.

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



YTW figures for the Global Bloomberg Barclays Sovereign Indices were mixed in June. The YTW for HK sovereign index rose the most (+9 bps) while YTW for Euro sovereign index dropped the most (-11 bps). The YTW for US sovereign index was up by 6 bps at 2.71% in June as shown below.

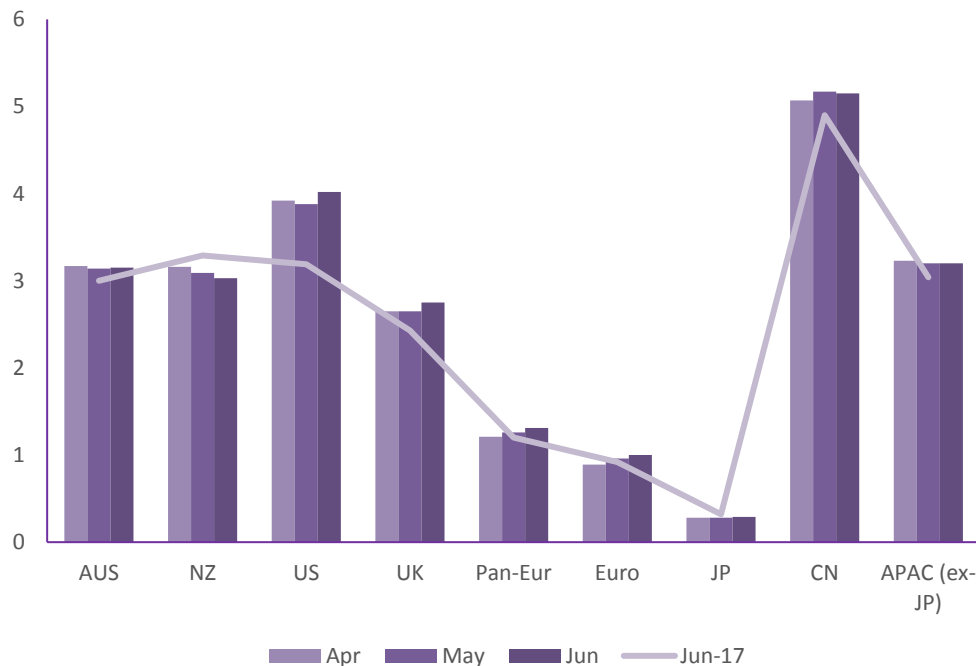
Chart 14. Bloomberg Indices Sovereign Bond Yields⁷



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.

June 2018 recorded yield movement within 5 bps for most Investment-Grade Corporate aggregates as shown below. US Investment-Grade Corporate Bond Index rose the most (+14 bps) to 4.02% from 3.88% followed by UK (+10 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\$7.43bn of new supply (issuances and taps) in June. The new supply was -24.65% lower than the previous month and A\$5.4bn lower than the 12 month average (A\$12.83bn). The largest contributors were Treasuries at A\$5.3bn followed by Semi-Government at A\$1.26bn and Non-Government at A\$0.87bn. Five new issues were added to the Composite Index amounting to A\$4.33bn, which leaves A\$3.1bn in taps.

The new additions to the Composite Index were issued across four different sectors. ACGB issued A\$3.5bn fixed coupon bonds which is the largest amongst new additions in June. The largest tap was carried on the 2.75% November 2029 Treasury bond. Additionally, four Semi-Government issuers upsized in June: WATC (A\$0.73bn), TCV (A\$0.38bn), QTC (A\$0.14bn), TSCOR (A\$0.08bn). The month of June also saw approximately A\$5.19bn of buybacks and maturities.

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

Sector	JUN-18 (A\$bn)	MAY-18 (A\$bn)	APR-18 (A\$bn)	QTD (A\$bn)	12-mth AVG (A\$bn)	% diff on prior mth	% diff on 12-mth AVG
Additions							
Treasury	5.3	5	4.6	5.3	6.25	6.00%	-15.20%
Semi-Government	1.26	1.63	3.57	1.26	2.89	-22.70%	-56.40%
Non-Government	0.87	3.23	2.27	0.87	3.69	-73.07%	-76.42%
Total Composite	7.43	9.86	10.44	7.43	12.83	-24.65%	-42.09%
Removals							
Treasury	1.6	0.8	1.1	1.6	2.67	100.00%	-40.07%
Semi-Government	0.29	1.66	1.23	0.29	2.33	-82.53%	-87.55%
Non-Government	3.3	1.03	3.3	3.3	2.77	220.39%	19.13%
Total Composite	5.19	3.49	5.63	5.19	7.77	48.71%	-33.20%
Net new supply							
Treasury	3.7	4.2	3.5	3.7	3.58	-11.90%	3.35%
Semi-Government	0.97	-0.03	2.34	0.97	0.56	-3333.33%	73.21%
Non-Government	-2.43	2.2	-1.03	-2.43	0.92	-210.45%	-364.13%
Total Composite	2.24	6.37	4.81	2.24	5.06	-64.84%	-55.73%

Maturities

Table 6. Maturities for AusBond Composite Index: June 2018

ISSUER	ISIN	VALUE	MATURITY
SYDNEY AIRPORT FINANCE	AU3CB0176485	100,000,000	06-Jul-18
KFW	AU0000KFWHW2	2,450,000,000	18-Jul-18
QIC SHOPPING CENTRE FUND	AU3CB0204584	100,000,000	25-Jul-18
ASIAN DEVELOPMENT BANK	AU0000ATBHM9	650,000,000	25-Jul-18

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

ISSUER	ISIN	VALUE	MATURITY
ROYAL BANK OF CANADA/SYD	AU3CB0231744	200,000,000	8/7/2018
GOLDMAN SACHS GROUP INC	AU3CB0211944	450,000,000	8/8/2018
Medallion Trust	AU3CB0212702	400,000,000	8/11/2018
BANK OF AMERICA CORP	AU3CB0208775	425,000,000	8/23/2018
LLOYDS BANK PLC	AU3CB0232338	200,000,000	8/28/2018

Table 8. Maturities for NZBond Composite Index: June 2018

ISSUER	ISIN	VALUE	MATURITY
ASB BANK LIMITED	NZABBDT026C6	250,000,000	18-Jul-18

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

ISSUER	ISIN	VALUE	MATURITY
(None)			

Index Market Capitalisation

The AusBond Composite Index ended June 2018 at A\$1,011bn.

The NZBond Composite Index stood at NZ\$116.87bn at the end of June.

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

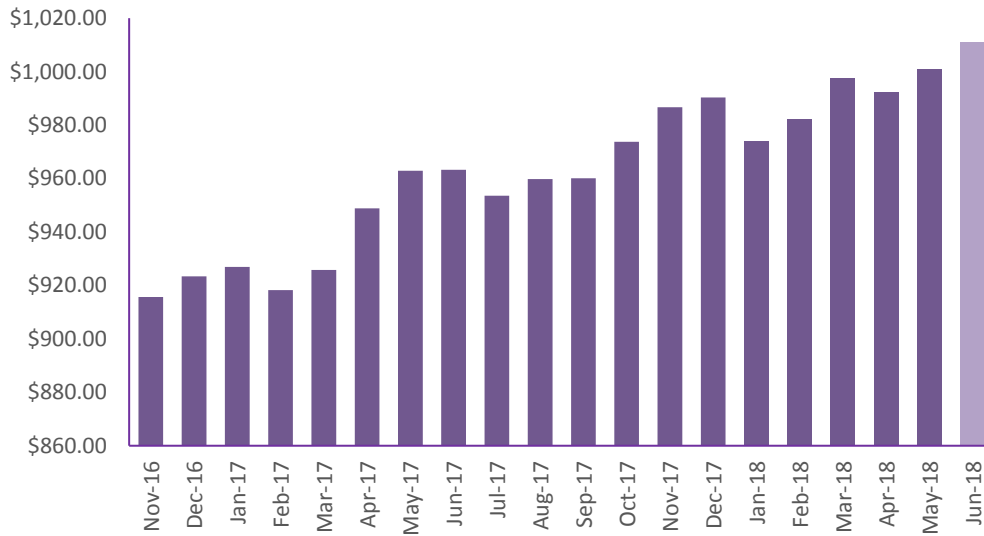


Chart 17. Growth of Bloomberg NZBond Composite Index: 2016 – 2018

