

Bloomberg AusBond Indices

Month in Review – November 2018

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Month in Review

Australian Market Performance

On November 6th 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 November return was positive (0.24%). The best performing component of the Index was the Treasury Index at 0.32%. The AusBond Semi-Govt Index and Supra-Sovereign Index both returned 0.19%, followed by the Credit Index (0.08%). The Inflation Credit Index rose 0.17% during November and the AusBond Inflation Government Index was down (-0.17%) for the month. The Bank Bill returned 0.15%. Within equities, the S&P/ASX Accumulation 200 Index decreased in November, sending its return down by -2.21%.

Table 1. AusBond Total Return Performance: November 2018

Index	NOV	OCT	SEP	QTD	YTD	2 YR	5 YR
Bloomberg AusBond Composite 0+ Yr Index	0.24%	0.48%	-0.42%	0.73%	2.99%	3.23%	4.47%
Bloomberg AusBond Treasury 0+ Yr Index	0.32%	0.50%	-0.58%	0.83%	3.11%	3.21%	4.40%
Bloomberg AusBond Semi-Govt 0+ Yr Index	0.19%	0.48%	-0.35%	0.67%	2.84%	2.97%	4.65%
Bloomberg AusBond SupraSov 0+ Yr Index	0.19%	0.42%	-0.19%	0.61%	2.76%	3.17%	4.25%
Bloomberg AusBond Credit 0+ Yr Index	0.08%	0.48%	-0.14%	0.56%	2.99%	3.95%	4.67%
Bloomberg AusBond Bank Bill Index	0.15%	0.17%	0.16%	0.32%	1.77%	1.83%	2.17%
Bloomberg AusBond Credit FRN 0+ Yr Index	0.09%	0.23%	0.22%	0.31%	2.16%	2.90%	3.12%
Bloomberg AusBond Infl 0+ Yr Index	-0.16%	0.72%	-0.65%	0.56%	2.45%	3.31%	5.01%
Bloomberg AusBond Infl Govt 0+ Yr Index	-0.17%	0.73%	-0.70%	0.55%	2.24%	3.13%	4.84%
Bloomberg AusBond Infl Credit 0+ Yr Index	0.17%	0.54%	0.19%	0.71%	6.08%	6.46%	7.46%
S&P/ASX Accumulation 200 Index	-2.21%	-6.05%	-1.26%	-8.13%	-2.72%	6.54%	5.83%

Note: 2 and 5 year returns are annualized.

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

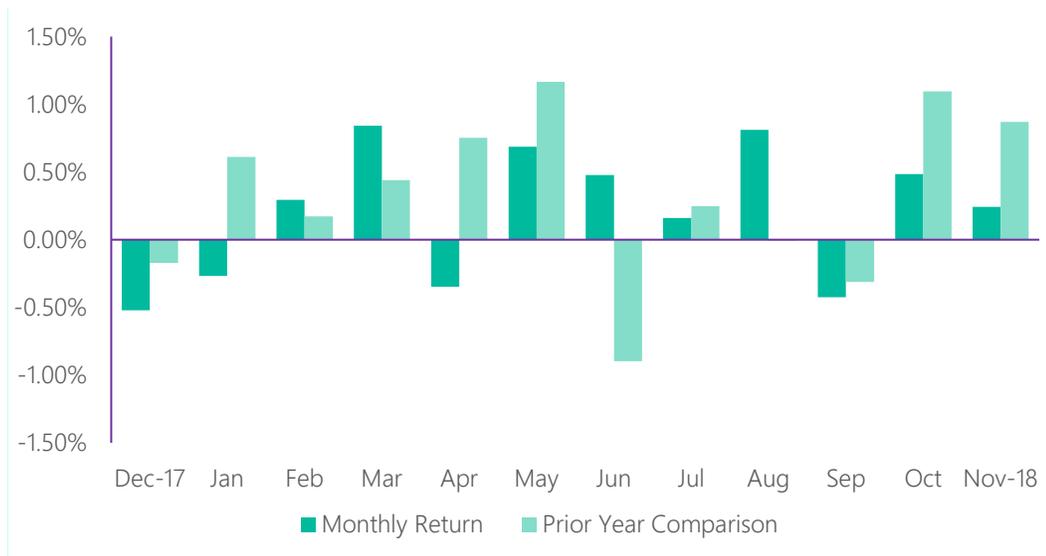


Chart 2. S&P/ASX200 Accumulation Index vs. Bloomberg AusBond Composite Index: Monthly Return Performance 2017 - 2018¹

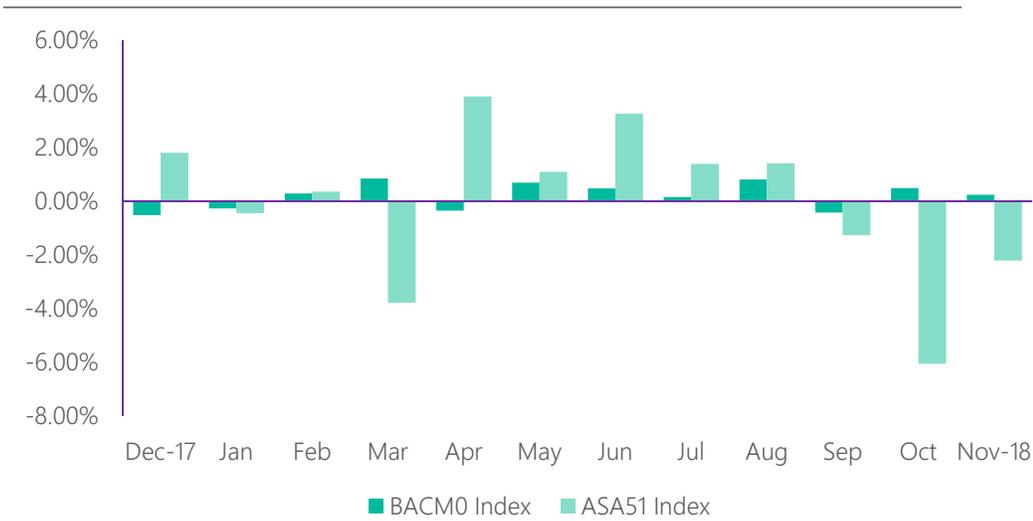
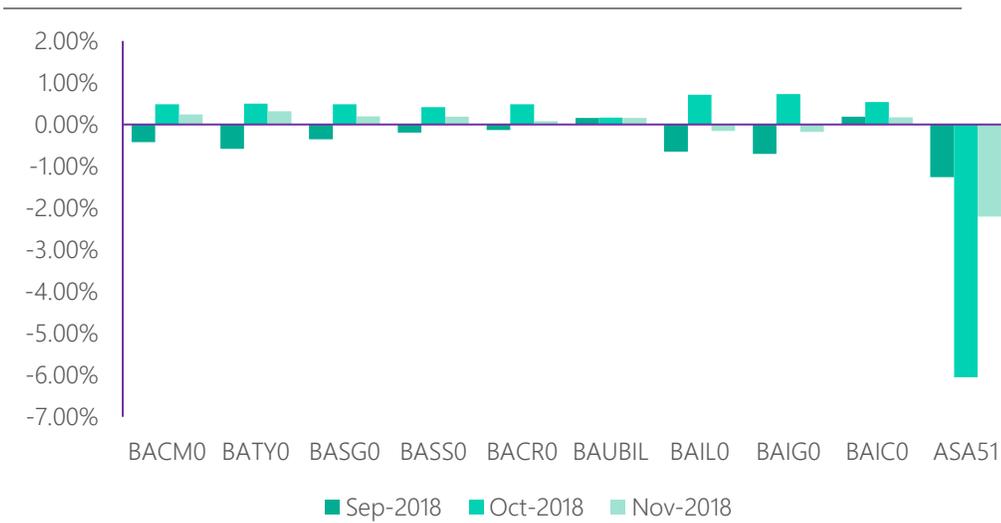


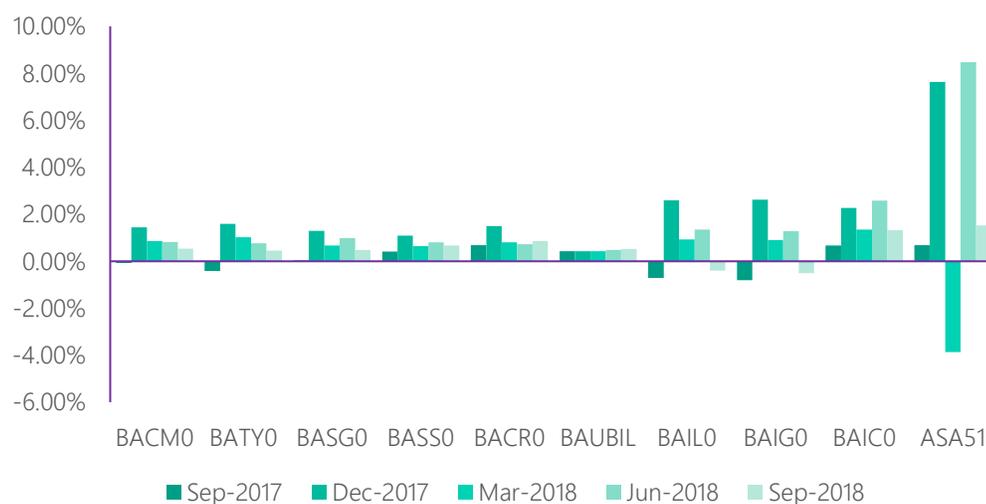
Chart 3. Bloomberg AusBond Indices: Recent monthly returns²



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 November 8th 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 mostly negative for the month of November. The Composite Index on aggregate was down (-0.03%) for the month. The best performing components of the Composite Index were the Treasury Index (unchanged) and Supra-Sovereign Index (unchanged). The Local Govt Index decreased 0.16%. The Credit Index was down up by 0.07%. The Bank Bill Index gained 0.15%.

Table 2. NZBond Total Return Performance: November 2018

Index	NOV	OCT	SEP	QTD	YTD	2 YR	5 YR
Bloomberg NZBond Composite 0+ Yr Index	-0.03%	0.41%	-0.06%	0.38%	3.47%	4.14%	5.22%
Bloomberg NZBond Treasury 0+ Yr Index	0.00%	0.43%	-0.15%	0.43%	3.50%	4.14%	5.23%
Bloomberg NZBond Local Govt 0+ Yr Index	-0.16%	0.34%	-0.03%	0.17%	3.64%	4.42%	5.54%
Bloomberg NZBond Non-Govt 0+ Yr Index	-0.04%	0.39%	0.06%	0.36%	3.40%	4.10%	5.05%
Bloomberg NZBond SupraSov 0+ Yr Index	0.00%	0.33%	0.04%	0.32%	3.14%	3.66%	4.71%
Bloomberg NZBond Credit 0+ Yr Index	-0.07%	0.46%	0.09%	0.39%	3.68%	4.59%	5.43%
Bloomberg NZBond Bank Bill Index	0.15%	0.16%	0.16%	0.31%	1.77%	1.97%	2.64%
Bloomberg NZBond Infl 0+ Yr Index	-1.07%	1.15%	0.01%	0.07%	4.45%	6.95%	6.59%
S&P/NZX 50 Gross Index	0.81%	-6.40%	0.41%	-5.64%	5.07%	13.11%	12.97%

Note: 2 and 5 year returns are annualized.

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

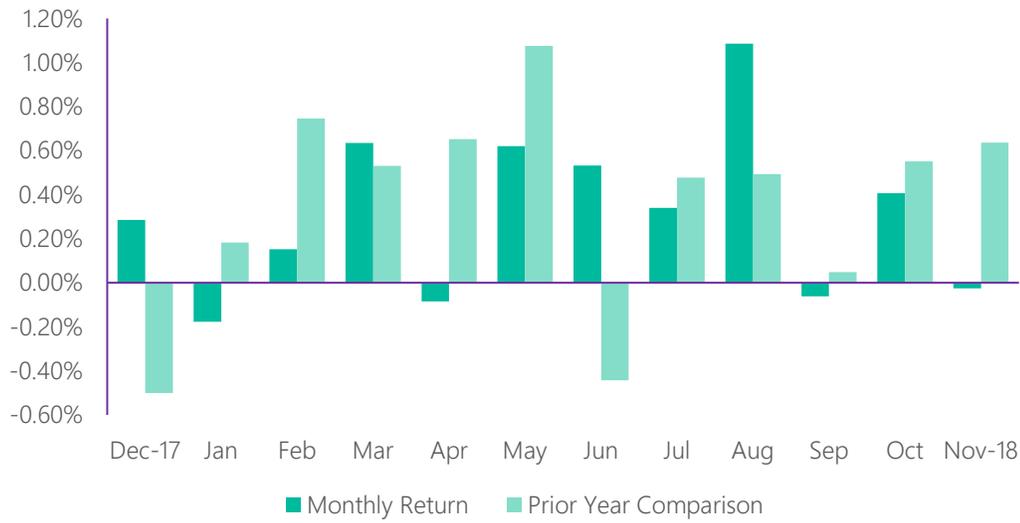
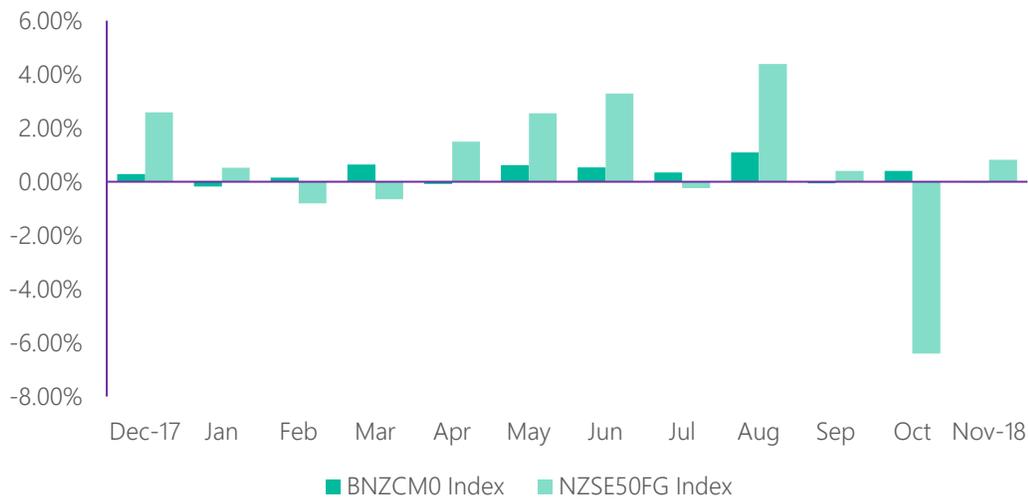


Chart 6. S&P/NZX50 Gross Index vs. Bloomberg NZBond Composite Index: Monthly Return Performance 2017-2018³



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

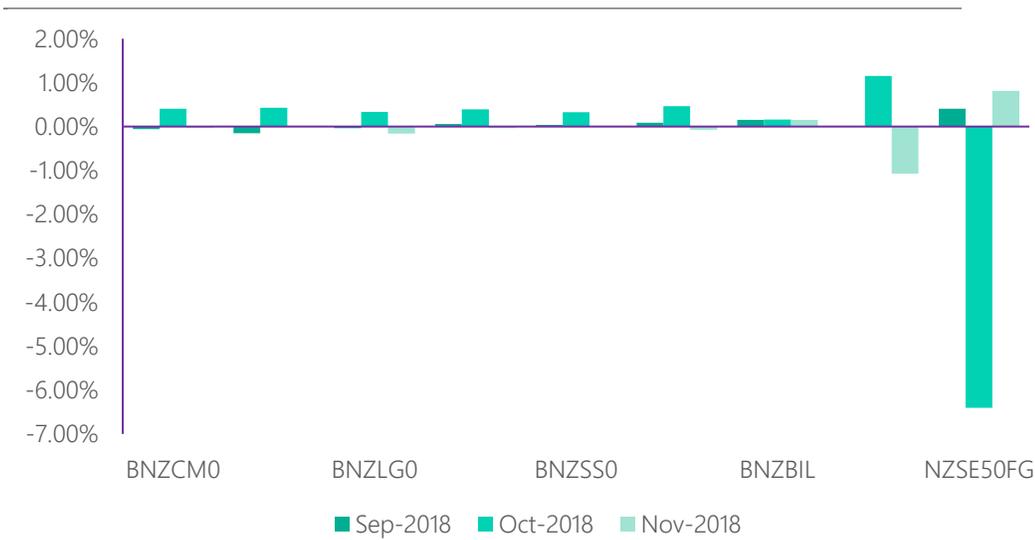
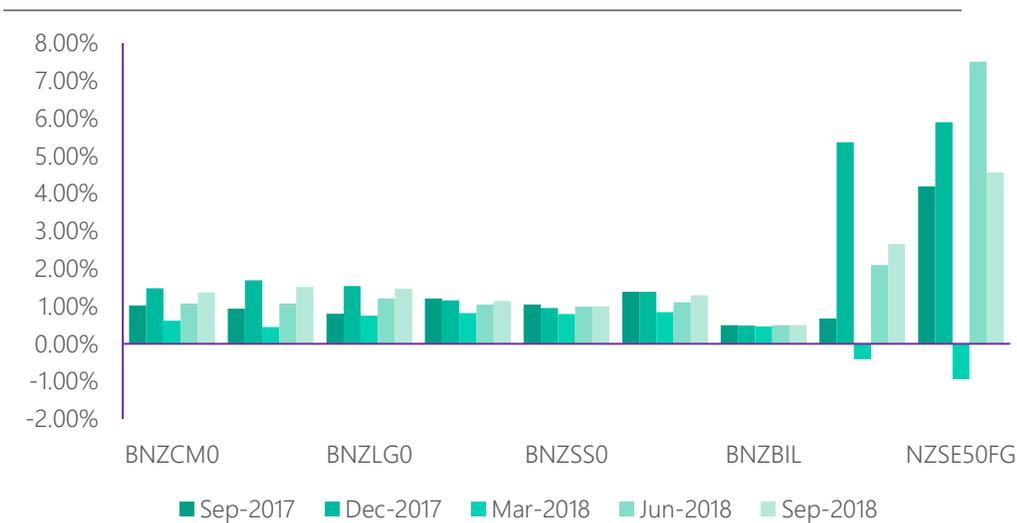


Chart 8. Bloomberg NZBond Indices: Recent quarterly returns



⁴The following indices are shown: NZBond Composite Index (BNZCM0); NZBond Treasury Index (BNZTY0); NZBond Local Govt Index (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, China, returned 1.49% in November. The US Aggregate Treasury Index was up 0.89%. On a twelve-month basis, as shown in Table 3, returns were mixed. Global Sovereign Indices returns were as follows: Canada (-0.06%), US (-0.96%), UK (-0.31%), Germany (1.31%), Euro (-0.8%), Japan (0.27%), Singapore (1.00%), Hong Kong (-0.14%) and China (7.89%).

Chart 9. Bloomberg Indices Sovereign Debt Performance: November 2018⁵

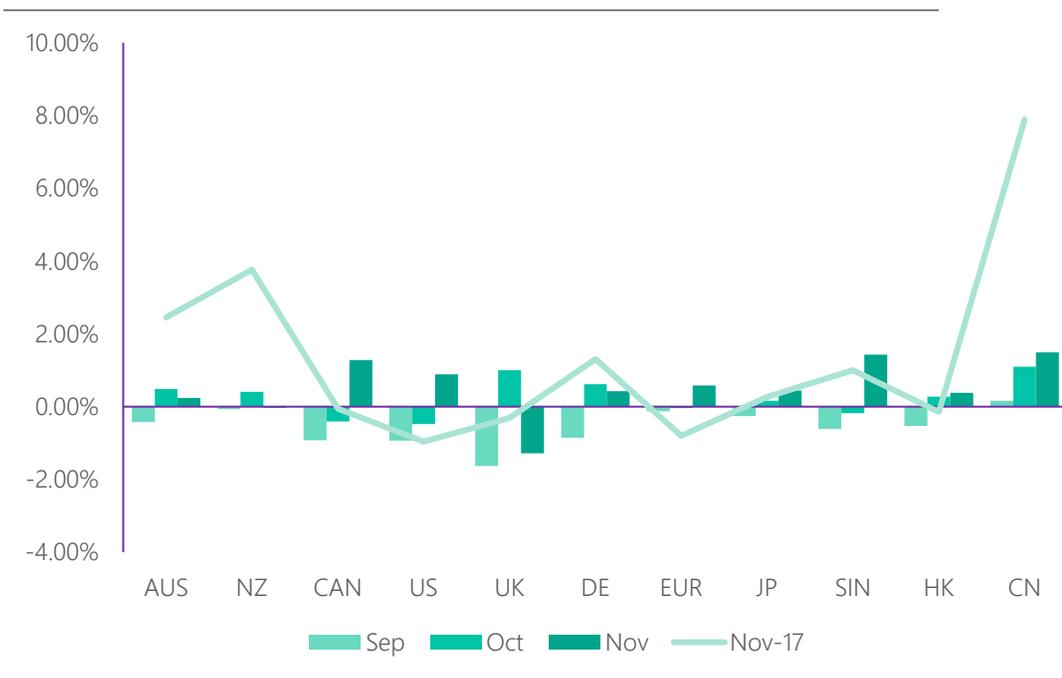


Table 3. Bloomberg Indices Sovereign Debt Performance: November 2018

Index	AUS	NZ	CAN	US	UK	DE	EUR	JP	SIN	HK	CN
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%
Sep	-0.42%	-0.06%	-0.92%	-0.93%	-1.63%	-0.85%	-0.12%	-0.26%	-0.61%	-0.53%	0.16%
12-MTH	2.45%	3.76%	-0.06%	-0.96%	-0.31%	1.31%	-0.80%	0.27%	1.00%	-0.14%	7.89%

In November, monthly performance among the global Investment Grade Corporate Indices was mixed. The The Bloomberg Barclays UK Corporate Bond Index dipped the most (-1.77%) while Bloomberg Barclays APAC (ex-JP) benchmark was up the most by 3.40%. The Bloomberg Barclays US Corporate Bond Index decreased by -0.17% for the month. On a twelve-month basis, as shown in Table 4, the return of China (8.35%), APAC (ex-JP) (0.61%) and Japan (0.30%) 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: November 2018⁶

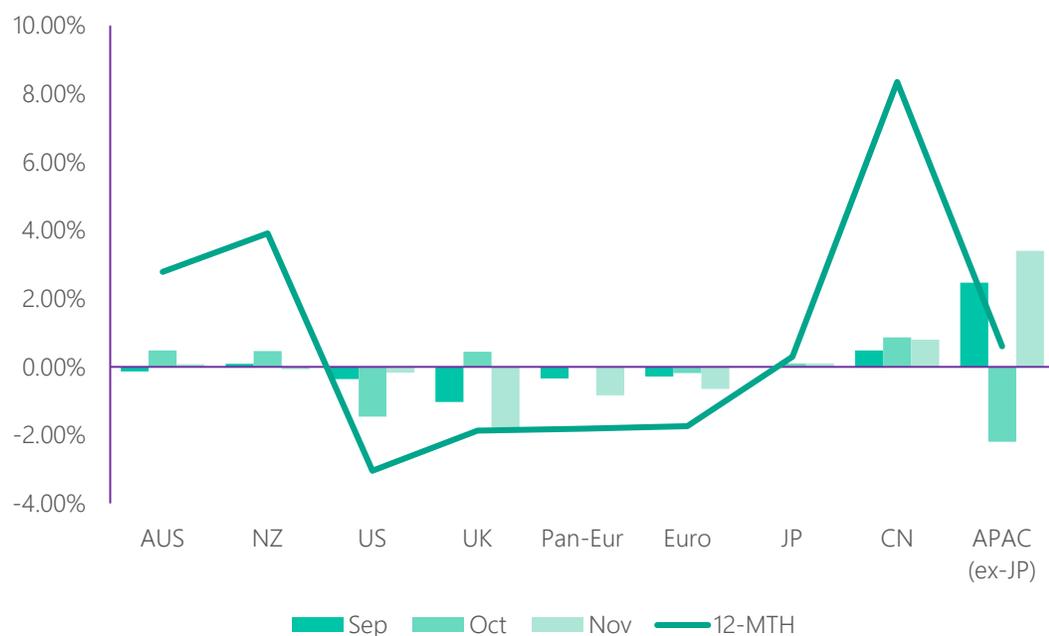


Table 4. Bloomberg Indices Investment Grade Corporate Indices: November 2018

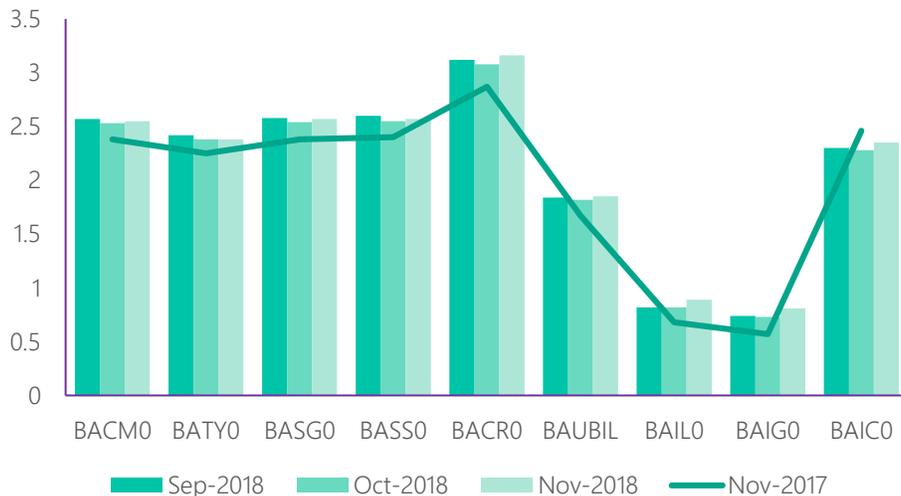
Index	AUS	NZ	US	UK	Pan-Eur	Euro	JP	CN	APAC (ex-JP)
Nov	0.08%	-0.07%	-0.17%	-1.77%	-0.83%	-0.64%	0.10%	0.80%	3.40%
Oct	0.48%	0.46%	-1.46%	0.45%	0.00%	-0.18%	0.10%	0.87%	-2.19%
Sep	-0.14%	0.09%	-0.36%	-1.03%	-0.34%	-0.29%	-0.01%	0.48%	2.47%
12-MTH	2.78%	3.91%	-3.04%	-1.87%	-1.81%	-1.74%	0.30%	8.35%	0.61%

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

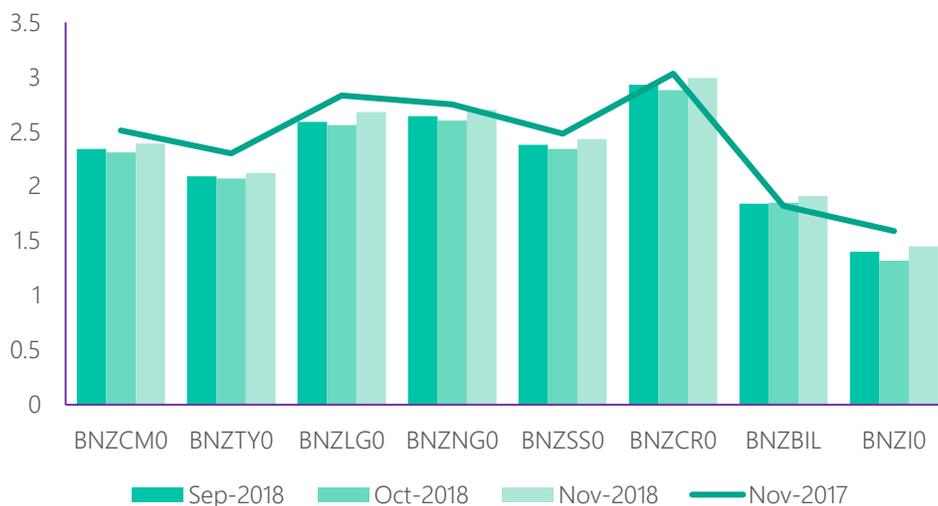
In November, the Yield to Worst (YTW) of the AusBond Composite Index ended the month at 2.55%, a 2 bps increase compared to previous month. The YTW of the Treasury Index was unchanged at 2.38%. The YTW of the Semi-Government Index increased 3 bps to 2.57% and SupraSov Index was up 2 bps to 2.57%. The Bank Bill Yield was up 3 bps to 1.88%.

Chart 11. Bloomberg AusBond Indices: Bond Yields



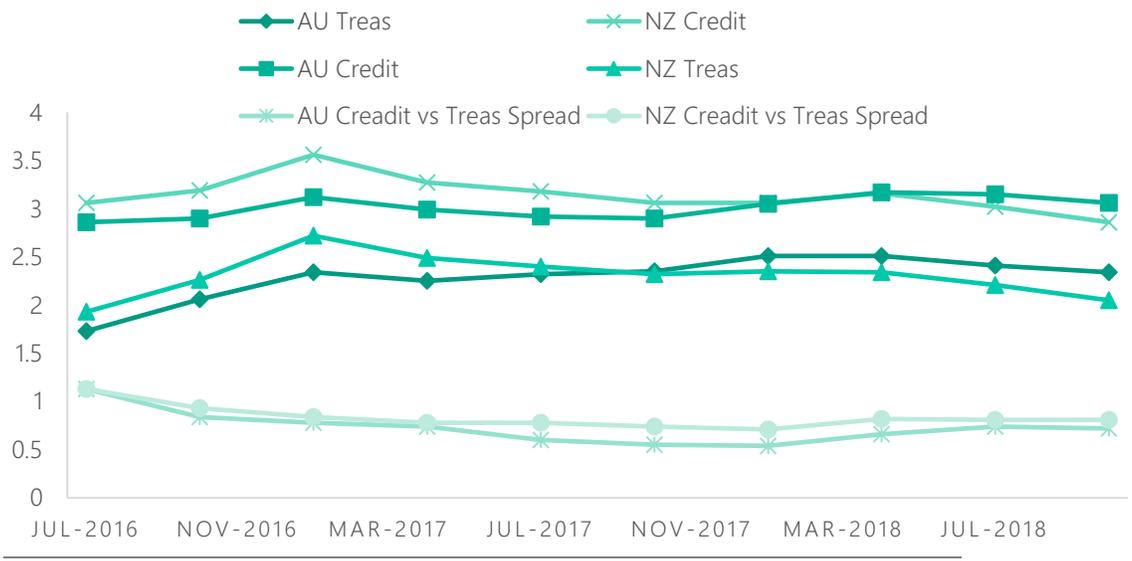
Yields for NZBond Indices increased for the month across the board. The yield of the composite Index increased to 2.38% from 2.32%. The yield on the Local Govt rose 12 bps to 2.68% and the yield on the SupraSov Index was up 9 bps to 2.43%. The yield on the Treasury Index increased to 2.12%. The New Zealand Bank Bill yield rose 6 bps to 1.91%.

Chart 12. Bloomberg NZBond Indices: Bond Yields



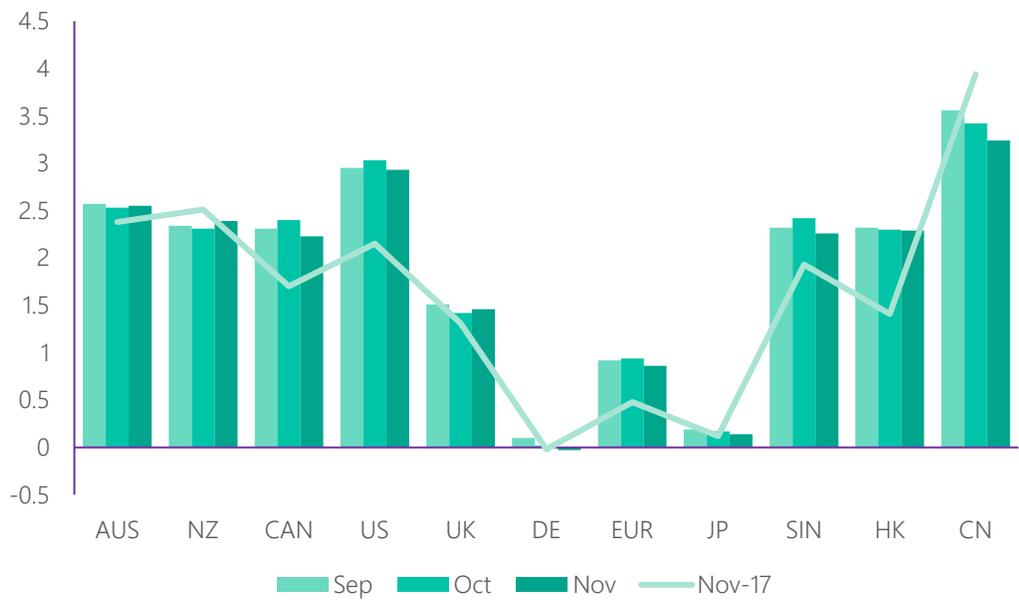
As illustrated in Chart 13, the YTW increased for both the Australian Credit Index and the New Zealand Credit Index for the past 3 months. There is also evidence of divergence for credit and treasury spread during the last 3 months for Australia and New Zealand.

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



YTW figures for the Global Bloomberg Barclays Sovereign Indices were mixed in November as shown below. The YTW for UK sovereign index rose the most (+4 bps) while YTW for China sovereign index decreased the most (-18 bps). YTW for US sovereign was down (-10 bps) to 2.93%

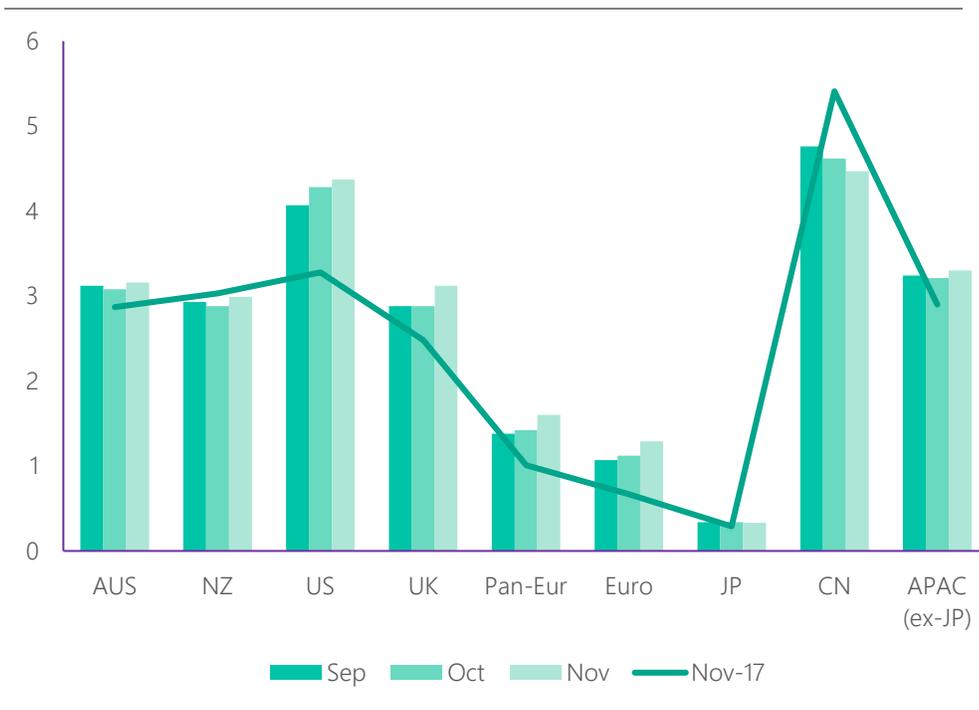
Chart 14. Bloomberg Indices Sovereign Bond Yields⁷



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 November 2018, YTW figures were mixed for corporate bond indices as well. The UK Investment-Grade Corporate Bond Index increased the most (+24 bps) to 3.12% and the China Investment-Grade Corporate Bond Index decreased the most (-15 bps) to 4.47%. The YTW figure for US Investment-Grade Corporate Bond Index rose 9 bps to 4.37%.

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\$12.5bn of new supply (issuances and taps) in November. The new supply was 1.57% lower than the previous month and A\$1.47bn higher than the 12 month average (A\$11.03bn). The largest contributors were Treasuries at A\$7.1bn followed by Semi-Government at A\$4.15bn and Non-Government at A\$1.25bn. Five new issues were added to the Composite Index amounting to A\$2.9bn, which leaves A\$9.6bn in taps.

The new additions to the Composite Index were issued across four different sectors. NSWTC issued A\$1.8bn fixed coupon bonds which is the largest amongst new additions in November. The largest tap was carried on the 3.25% April 2029 ACGB bond. Additionally, five Semi-Government issuers upsized in November: SAFA (A\$1bn), QTC (A\$0.54bn), NSWTC (A\$0.42bn), TCV (A\$0.28bn) and WATC (A\$0.12bn). The month of November also saw approximately A\$5.04bn of buybacks and maturities.

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

Sector	NOV-18 (A\$bn)	OCT-18 (A\$bn)	SEP-18 (A\$bn)	QTD (A\$bn)	12-mth AVG (A\$bn)	% diff on prior mth	% diff on 12-mth AVG
Additions							
Treasury	7.1	5	4.9	17	5.46	42.00%	30.04%
Semi-Government	4.15	6.95	4.33	15.43	2.99	-40.29%	38.80%
Non-Government	1.25	0.75	3.64	5.64	2.58	66.67%	-51.55%
Total Composite	12.5	12.7	12.87	38.07	11.03	-1.57%	13.33%
Removals							
Treasury	2.1	1	11.03	14.13	3.64	110.00%	-42.31%
Semi-Government	0.85	3.4	4.19	8.44	2	-75.00%	-57.50%
Non-Government	2.09	2.48	1.52	6.09	2.42	-15.73%	-13.64%
Total Composite	5.04	6.88	16.74	28.66	8.06	-26.74%	-37.47%
Net new supply							
Treasury	5	4	-6.13	2.87	1.82	25.00%	174.73%
Semi-Government	3.3	3.55	0.14	6.99	0.99	-7.04%	233.33%
Non-Government	-0.84	-1.73	2.12	-0.45	0.16	-51.45%	-625.00%
Total Composite	7.46	5.82	-3.87	9.41	2.97	28.18%	151.18%

Maturities

Table 6. Maturities for AusBond Composite Index: November 2018

ISSUER	ISIN	VALUE	MATURITY
OPTUS FINANCE PTY LTD	AU3CB0217156	300,000,000	12/12/2018
MC FINANCE AUSTRALIA P/L	AU3CB0217222	138,240,000	12/17/2018
EUROFIMA	AU300EF20045	1,650,000,000	12/28/2018

Table 7. Upcoming 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 8. Maturities for NZBond Composite Index: November 2018

ISSUER	ISIN	VALUE	MATURITY
AUCKLAND COUNCIL	NZAKCDT279C9	125,000,000	12/18/2018

Table 9. Upcoming 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

Index Market Capitalisation

The AusBond Composite Index ended November 2018 at A\$1,019.58bn.

The NZBond Composite Index stood at NZ\$121.51bn at the end of November.

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

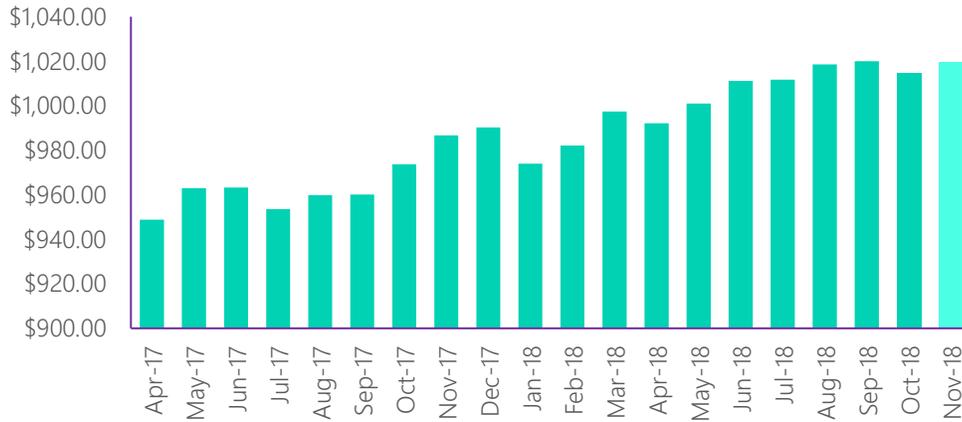


Chart 17. Growth of Bloomberg NZBond Composite Index: 2017 - 2018



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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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