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# Bloomberg AusBond Indices

Month in Review – October 2018

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Indices

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## Contents

## Month in Review

### Australian Market Performance

On October 2nd 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 October return was positive (0.48%). The best performing component of the Index was the Treasury Index at 0.50%. The AusBond Semi-Govt Index and Credit Index both returned 0.48%, followed by Supra-Sovereign Index (0.42%). The Inflation Credit Index rose 0.54% during October and the AusBond Inflation Government Index was up (0.73%) for the month as well. The Bank Bill returned 0.17%. Within equities, the S&P/ASX Accumulation 200 Index decreased in October, sending its return down by -6.05%.

Table 1. AusBond Total Return Performance: October 2018

| Index | OCT | SEP | AUG | QTD | YTD | 2 YR | 5 YR |
|---|---|---|---|---|---|---|---|
| Bloomberg AusBond Composite 0+ Yr Index | 0.48% | -0.42% | 0.81% | 0.48% | 2.74% | 2.36% | 4.39% |
| Bloomberg AusBond Treasury 0+ Yr Index | 0.50% | -0.58% | 0.94% | 0.50% | 2.78% | 2.08% | 4.26% |
| Bloomberg AusBond Semi-Govt 0+ Yr Index | 0.48% | -0.35% | 0.65% | 0.48% | 2.64% | 2.18% | 4.60% |
| Bloomberg AusBond SupraSov 0+ Yr Index | 0.42% | -0.19% | 0.65% | 0.42% | 2.57% | 2.67% | 4.23% |
| Bloomberg AusBond Credit 0+ Yr Index | 0.48% | -0.14% | 0.76% | 0.48% | 2.91% | 3.55% | 4.70% |
| Bloomberg AusBond Bank Bill Index | 0.17% | 0.16% | 0.17% | 0.17% | 1.61% | 1.83% | 2.18% |
| Bloomberg AusBond Credit FRN 0+ Yr Index | 0.23% | 0.22% | 0.28% | 0.23% | 2.07% | 2.92% | 3.15% |
| Bloomberg AusBond Infl 0+ Yr Index | 0.72% | -0.65% | 0.31% | 0.72% | 2.61% | 2.25% | 4.86% |
| Bloomberg AusBond Infl Govt 0+ Yr Index | 0.73% | -0.70% | 0.29% | 0.73% | 2.42% | 2.05% | 4.68% |
| Bloomberg AusBond Infl Credit 0+ Yr Index | 0.54% | 0.19% | 0.61% | 0.54% | 5.91% | 5.60% | 7.35% |
| S&P/ASX Accumulation 200 Index | -6.05% | -1.26% | 1.42% | -6.05% | -0.53% | 9.34% | 6.02% |

Note: 2 and 5 year returns are annualized.

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

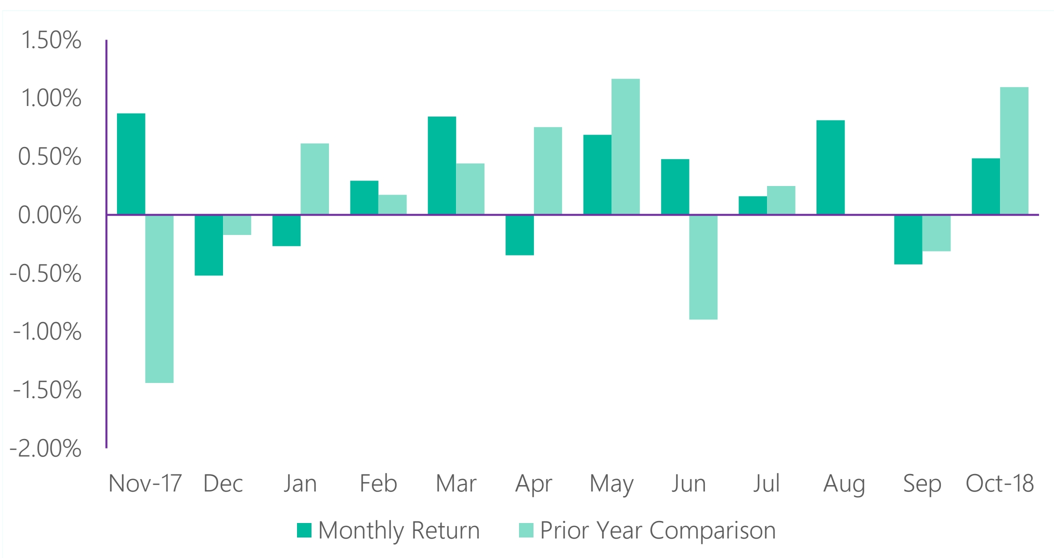


Chart 2. S&P/ASX200 Accumulation Index vs. Bloomberg AusBond Composite Index: Monthly Return Performance 2017 - 2018[1]

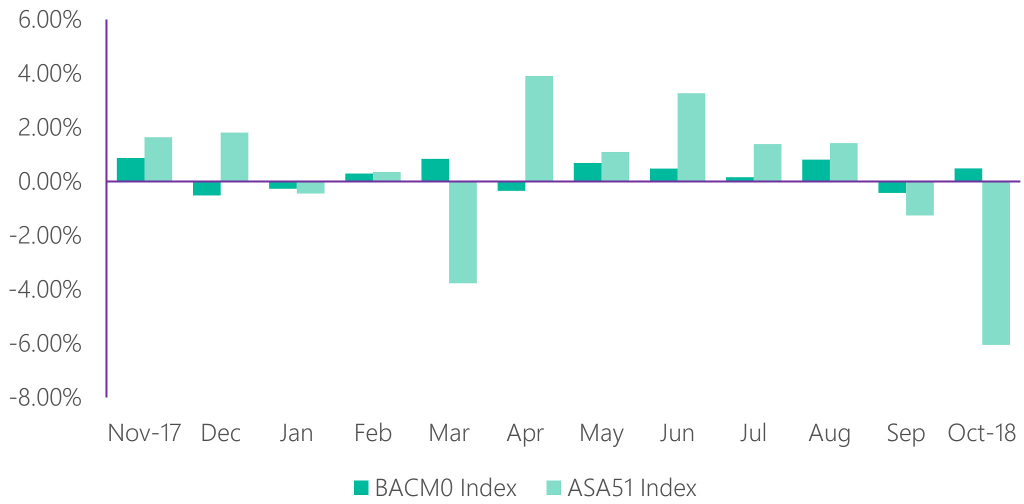
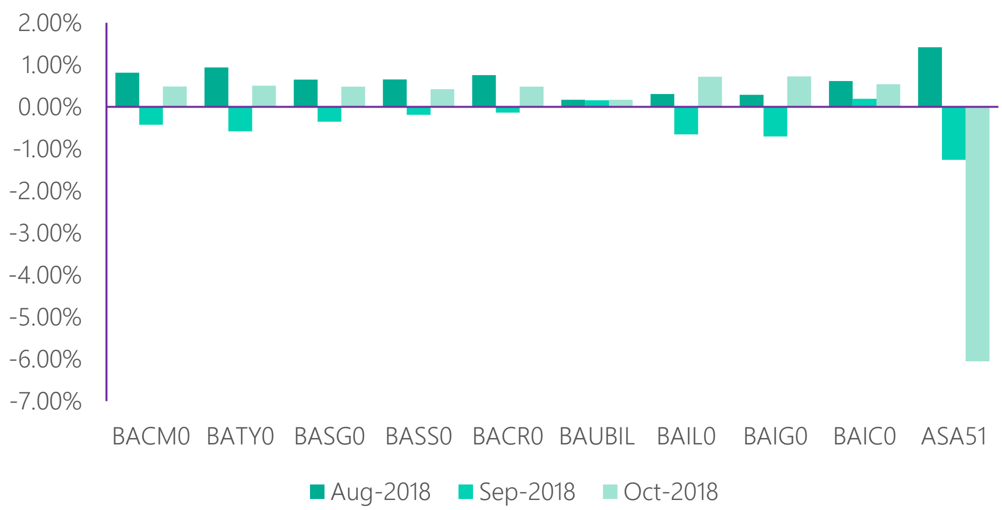


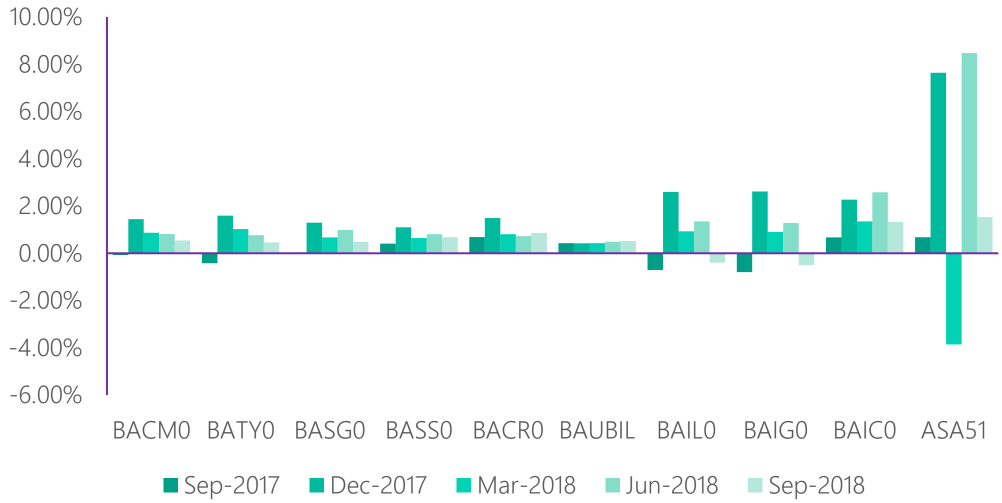

Chart 3. Bloomberg AusBond Indices: Recent monthly returns[2]




[1] The following indices are shown: AusBond Composite Index (BACM0) and S&P/ASX 200 Accumulation Index (ASA51).

[2] The 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 October 2018. As set out in the Table 2 below, monthly performance among NZBond indices were positive for the month of October. The Composite Index on aggregate was up 0.41% for the month. The best performing component of the Composite Index was the Credit Index (0.46%). The Treasury Index rose 0.43%. The Local Govt Index and the Supra-Sovereign Index were up by 0.34% and 0.33%, respectively. The Bank Bill Index gained 0.16%.

Table 2. NZBond Total Return Performance: October 2018

| Index | OCT | SEP | AUG | QTD | YTD | 2 YR | 5 YR |
|---|---|---|---|---|---|---|---|
| Bloomberg NZBond Composite 0+ Yr Index | 0.41% | -0.06% | 1.09% | 0.41% | 3.50% | 3.63% | 5.14% |
| Bloomberg NZBond Treasury 0+ Yr Index | 0.43% | -0.15% | 1.25% | 0.43% | 3.50% | 3.42% | 5.12% |
| Bloomberg NZBond Local Govt 0+ Yr Index | 0.34% | -0.03% | 1.17% | 0.34% | 3.80% | 3.92% | 5.58% |
| Bloomberg NZBond Non-Govt 0+ Yr Index | 0.39% | 0.06% | 0.83% | 0.39% | 3.44% | 3.88% | 5.02% |
| Bloomberg NZBond SupraSov 0+ Yr Index | 0.33% | 0.04% | 0.74% | 0.33% | 3.14% | 3.46% | 4.65% |
| Bloomberg NZBond Credit 0+ Yr Index | 0.46% | 0.09% | 0.93% | 0.46% | 3.75% | 4.35% | 5.43% |
| Bloomberg NZBond Bank Bill Index | 0.16% | 0.16% | 0.16% | 0.16% | 1.62% | 1.99% | 2.65% |
| Bloomberg NZBond Infl 0+ Yr Index | 1.15% | 0.01% | 2.39% | 1.15% | 5.58% | 5.93% | 6.53% |
| S&P/NZX 50 Gross Index | -6.40% | 0.41% | 4.38% | -6.40% | 4.22% | 12.13% | 12.26% |

Note: 2 and 5 year returns are annualized.

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

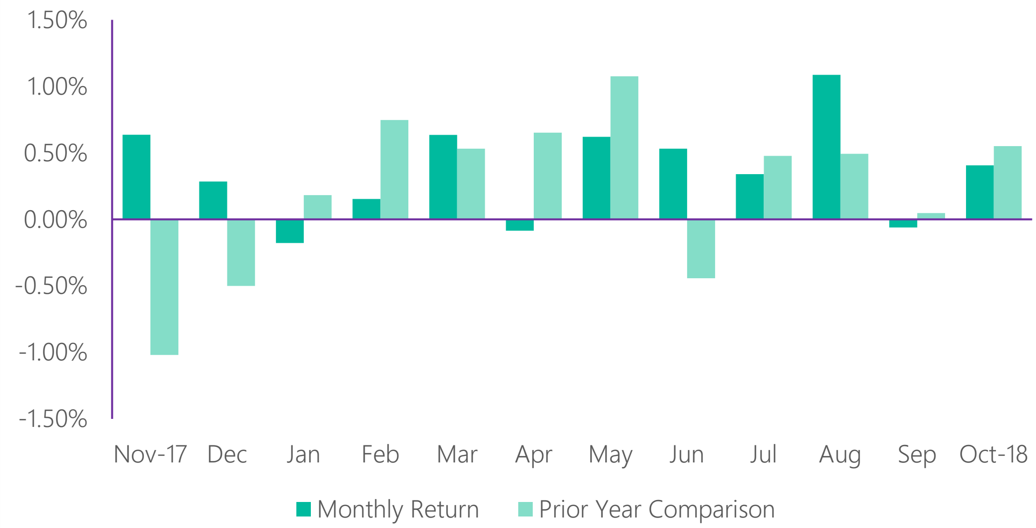
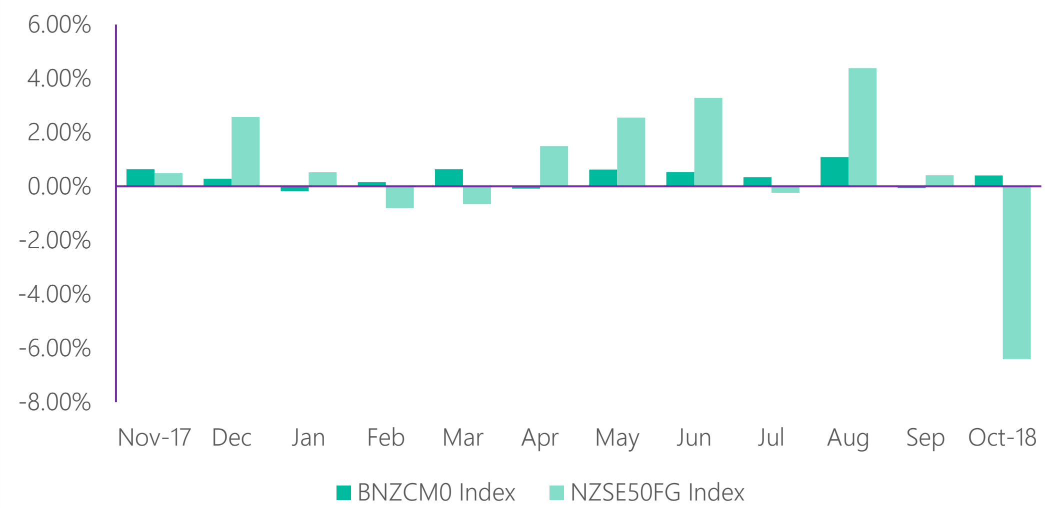



Chart 6. S&P/NZX50 Gross Index vs. Bloomberg NZBond Composite Index: Monthly Return Performance 2017-2018[3]




[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 returns[4]

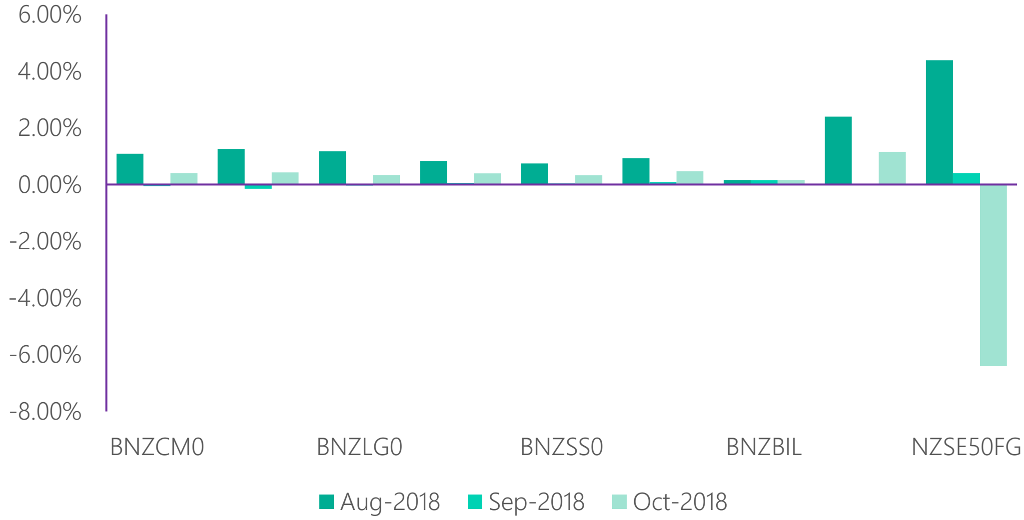
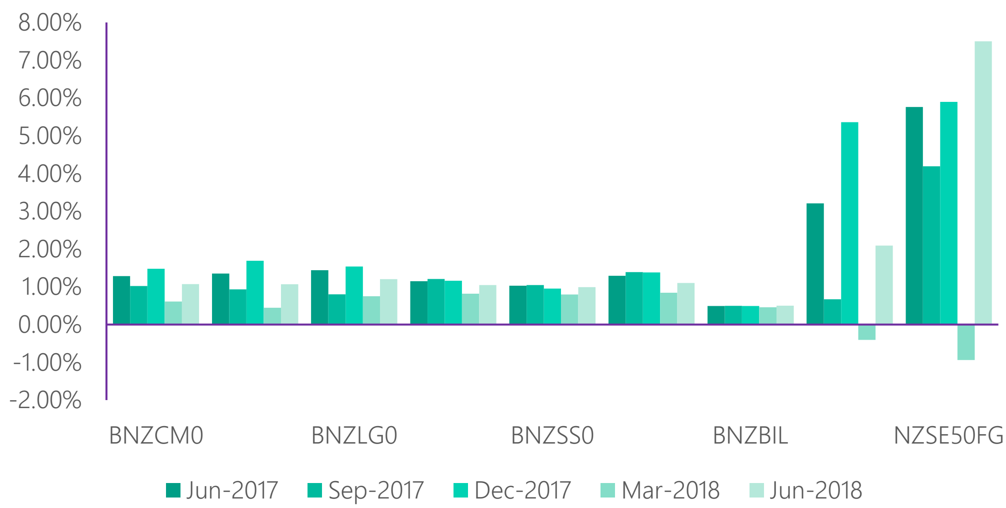



Chart 8. Bloomberg NZBond Indices: Recent quarterly returns




[4]The 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 1.10% in October. The US Aggregate Treasury Index was down -0.48%. On a twelve-month basis, as shown in Table 3, returns were mixed. Global Sovereign Indices returns were as follows: Canada (0.30%), US (-2.09%), UK (1.59%), Germany (1.42%), Euro (0.01%), Japan (0.12%), Singapore (-0.32%), Hong Kong (-1.23%) and China (5.59%).

Chart 9. Bloomberg Indices Sovereign Debt Performance: October 2018[5]

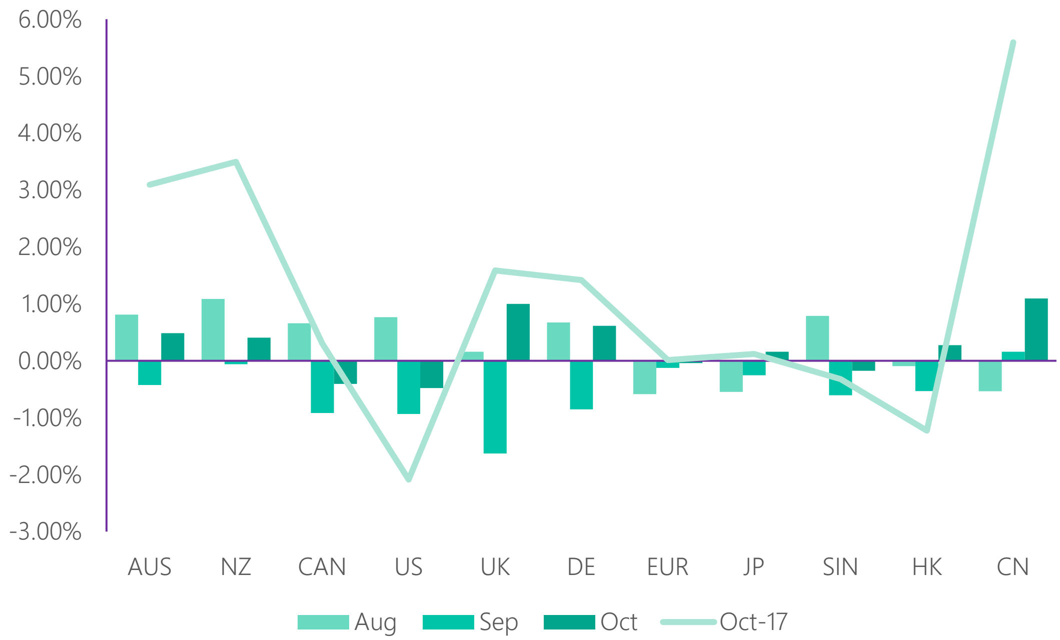



Table 3. Bloomberg Indices Sovereign Debt Performance: October 2018

| Index | AUS | NZ | CAN | US | UK | DE | EUR | JP | SIN | HK | CN |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 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% |
| Aug | 0.81% | 1.09% | 0.66% | 0.76% | 0.16% | 0.67% | -0.59% | -0.55% | 0.79% | -0.09% | -0.54% |
| 12-MTH | 3.09% | 3.50% | 0.30% | -2.09% | 1.59% | 1.42% | 0.01% | 0.12% | -0.32% | -1.23% | 5.59% |

In October, monthly performance among the global Investment Grade Corporate Indices was mixed. The Bloomberg Barclays APAC (ex-JP) benchmark dipped the most (-2.19%) while Bloomberg Barclays China benchmark was up the most by 0.87%. The Bloomberg Barclays US Corporate Bond Index decreased by -1.46% for the month. On a twelve-month basis, as shown in Table 4, the return of China (6.94%), UK (0.43%) and Japan (0.33%) 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: October 2018[6]

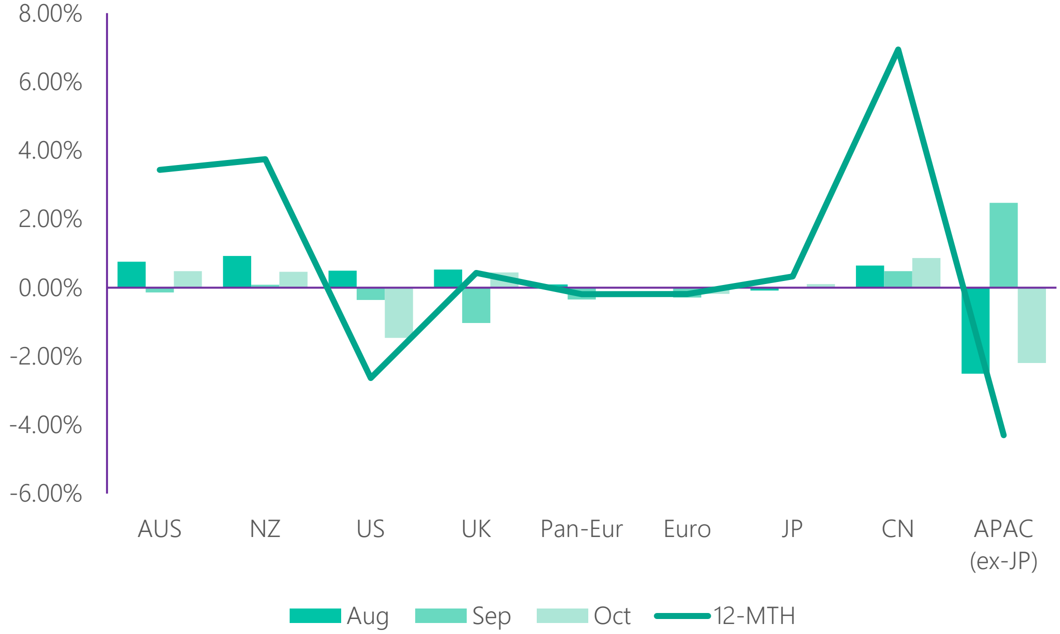



Table 4. Bloomberg Indices Investment Grade Corporate Indices: October 2018

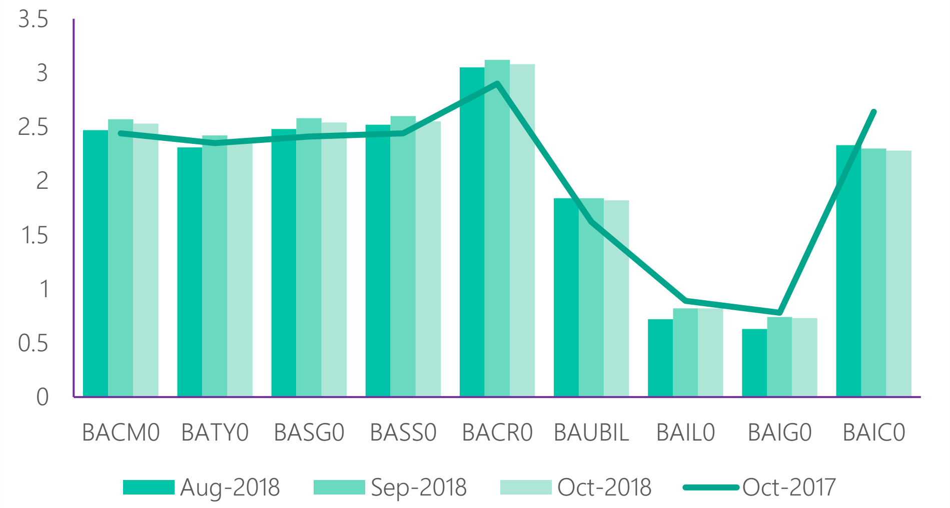
| Index | AUS | NZ | US | UK | Pan-Eur | Euro | JP | CN | APAC (ex-JP) |
|---|---|---|---|---|---|---|---|---|---|
| Oct | 0.48% | 0.46% | -1.46% | 0.45% | 0.00% | -0.18% | 0.10% | 0.87% | -2.19% |
| Sep | -0.14% | 0.09% | -0.36% | -1.03% | -0.34% | -0.29% | -0.01% | 0.48% | 2.47% |
| Aug | 0.76% | 0.93% | 0.49% | 0.53% | 0.09% | 0.01% | -0.08% | 0.64% | -2.51% |
| 12-MTH | 3.43% | 3.75% | -2.63% | 0.43% | -0.19% | -0.18% | 0.33% | 6.94% | -4.30% |

[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 (LECPTREU 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

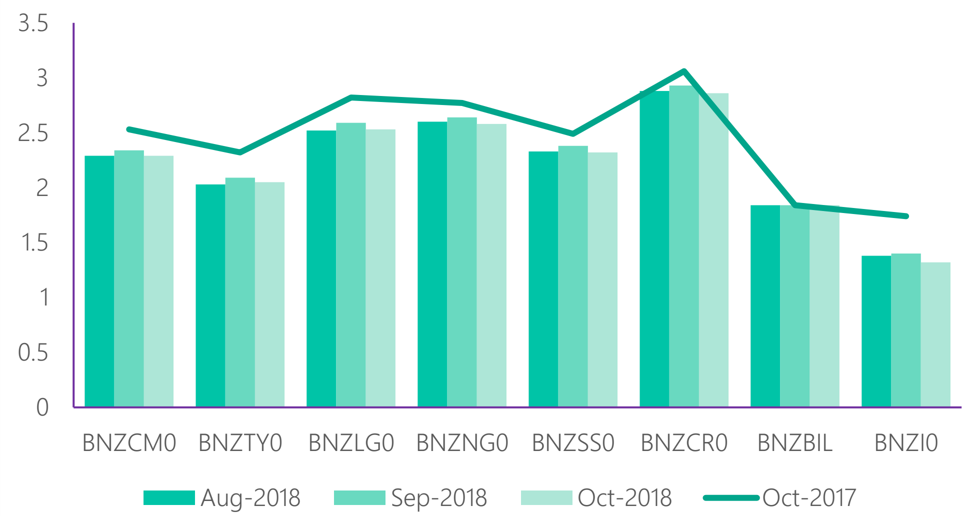
In October, the Yield to Worst (YTW) of the AusBond Composite Index ended the month at 2.53%, a 4 bps decrease compared to previous month. The YTW of the Treasury Index was down 4 bps to 2.38%. The YTW of the Semi-Government Index decreased 4 bps to 2.54% and SupraSov Index was down 5 bps to 2.55%. The Bank Bill Yield was down 2 bps to 1.82%.

Chart 11. Bloomberg AusBond Indices: Bond Yields



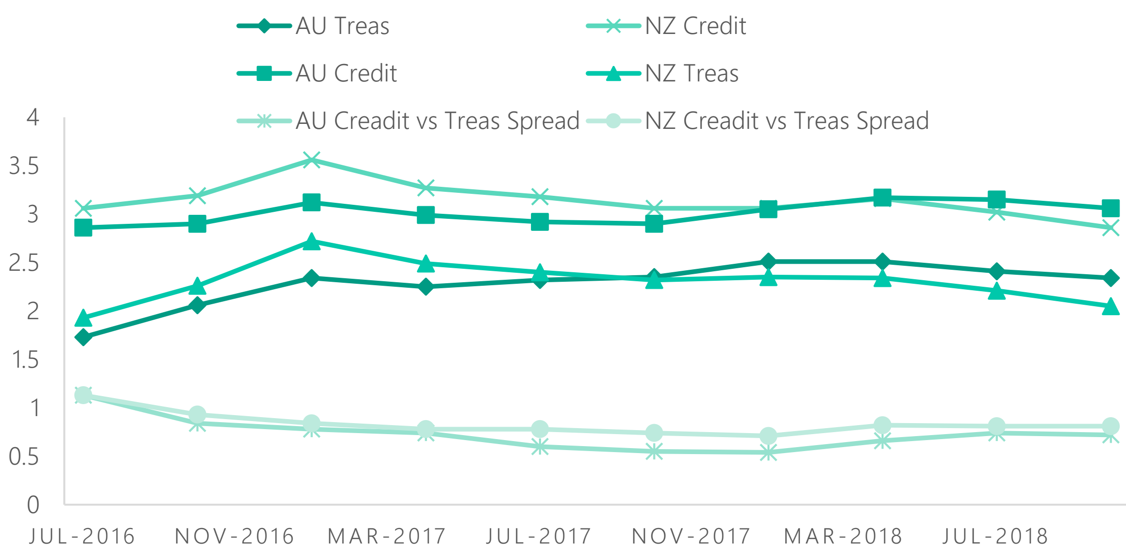

Yields for most NZBond Indices decreased for the month. The yield of the composite Index decreased to 2.31% from 2.34%. The yield on the Local Govt was down 3 bps to 2.56% and the yield on the SupraSov Index was down 4 bps to 2.34%, respectively. The yield on the Treasury Index decreased to 2.07%. The New Zealand Bank Bill yield rose marginally to 1.85%.

Chart 12. Bloomberg NZBond Indices: Bond Yields



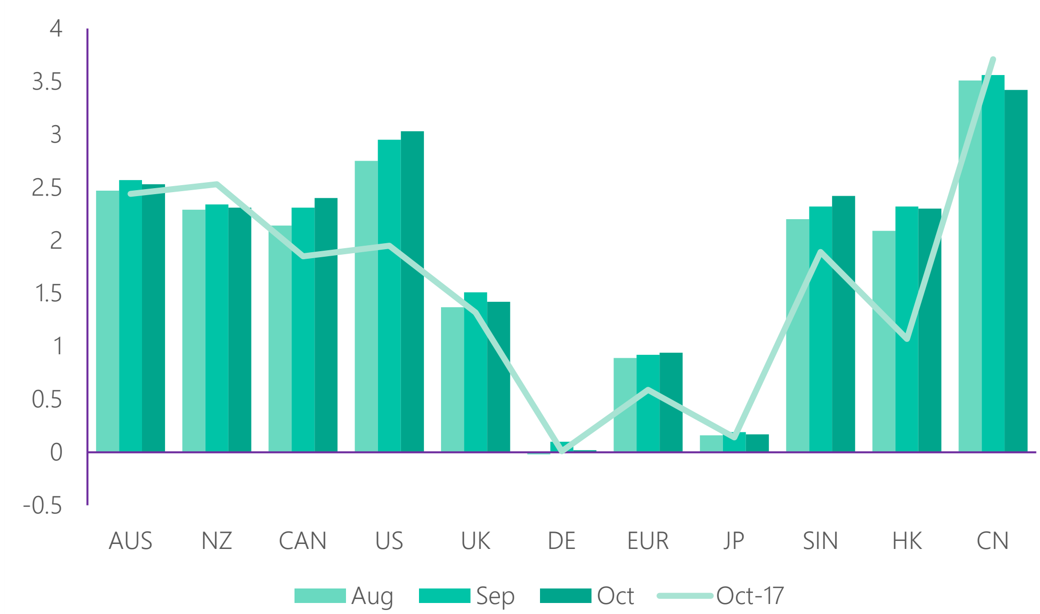

As illustrated in Chart 13, the YTW decreased for the Australian Credit Index and the New Zealand Credit Index for the past 3 months. There is also evidence of convergence for credit and treasury spread during the last 3 months for Australia.

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




YTW figures for the Global Bloomberg Barclays Sovereign Indices were mixed in October as shown below. The YTW for Singapore sovereign index rose the most (+10 bps) while YTW for China sovereign index decreased the most (-14 bps). YTW for US sovereign rose 8 bps to 3.03%

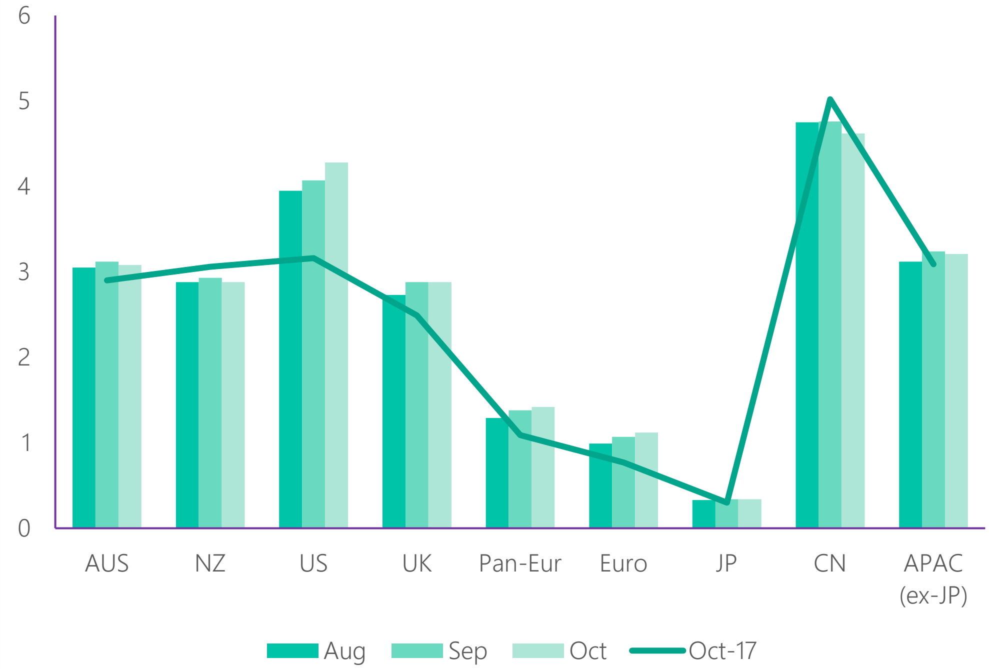
## Chart 14. Bloomberg Indices Sovereign Bond Yields[7]




[7]The 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 October 2018, YTW figures were mixed for corporate bond indices as well. The US Investment-Grade Corporate Bond Index increased the most (+21 bps) to 4.28%. The China Investment-Grade Corporate Bond Index was down 14 bps to 4.62%.

Chart 15. Bloomberg Indices Investment Grade Corporate Bond Yields[8]




[8]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-Aggregate: Corporates Bond Index (LECPTREU 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$12.7bn of new supply (issuances and taps) in October. The new supply was 1.32% lower than the previous month and A$1.63bn higher than the 12 month average (A$11.07bn). The largest contributors were Semi-Government at A$6.95bn followed by Treasuries at A$5bn and Non-Government at A$0.75bn. Five new issues were added to the Composite Index amounting to A$5.18bn, which leaves A$7.52bn in taps.

The new additions to the Composite Index were issued across two different sectors. QTC issued A$2.25bn fixed coupon bonds which is the largest amongst new additions in October. The largest tap was carried on the 2.5% May 2030 ACGB bond. Additionally, five Semi-Government issuers upsized in October: WATC (A$1.51bn), NSWTC (A$0.81bn), TCV (A$0.95bn), TSCOR (A$0.06bn) and QTC (A$0.02bn). The month of October also saw approximately A$6.88bn of buybacks and maturities.

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

| Sector | OCT-18 (A$bn) | SEP-18 (A$bn) | AUG-18 (A$bn) | QTD (A$bn) | 12-mth AVG (A$bn) | % diff on prior mth | % diff on 12-mth AVG |
|---|---|---|---|---|---|---|---|
| ***Additions*** | | | | | | | |
| Treasury | 5 | 4.9 | 5.9 | 15.8 | 5.56 | 2.04% | -10.07% |
| Semi-Government | 6.95 | 4.33 | 1.05 | 12.33 | 2.82 | 60.51% | 146.45% |
| Non-Government | 0.75 | 3.64 | 3.41 | 7.8 | 2.69 | -79.40% | -72.12% |
| **Total Composite** | 12.7 | 12.87 | 10.36 | 35.93 | 11.07 | -1.32% | 14.72% |
| ***Removals*** | | | | | | | |
| Treasury | 1 | 11.03 | 3.9 | 15.93 | 3.53 | -90.93% | -71.67% |
| Semi-Government | 3.4 | 4.19 | 1.03 | 8.62 | 2 | -18.85% | 70.00% |
| Non-Government | 2.48 | 1.52 | 0.21 | 4.21 | 2.31 | 63.16% | 7.36% |
| **Total Composite** | 6.88 | 16.74 | 5.14 | 28.76 | 7.84 | -58.90% | -12.24% |
| ***Net new supply*** | | | | | | | |
| Treasury | 4 | -6.13 | 2 | -0.13 | 2.03 | -165.25% | 97.04% |
| Semi-Government | 3.55 | 0.14 | 0.02 | 3.71 | 0.82 | 2435.71% | 332.93% |
| Non-Government | -1.73 | 2.12 | 3.2 | 3.59 | 0.38 | -181.60% | -555.26% |
| **Total Composite** | 5.82 | -3.87 | 5.22 | 7.17 | 3.23 | -250.39% | 80.19% |

## Maturities

Table 6. Maturities for AusBond Composite Index: October 2018

| ISSUER | ISIN | VALUE | MATURITY |
|---|---|---|---|
| AUST & NZ BANKING GROUP | AU3CB0215663 | 300,000,000 | 11/6/2018 |
| LENDLEASE FIN LTD | AU3CB0208494 | 250,000,000 | 11/13/2018 |
| TELSTRA CORP LTD | AU3CB0215978 | 500,000,000 | 11/13/2018 |
| TREASURY CORP VICTORIA | AU3SG0000060 | 3,059,610,000 | 11/15/2018 |
| BP CAPITAL MARKETS PLC | AU0000BPBHB8 | 300,000,000 | 11/15/2018 |
| CALTEX AUSTRALIA LTD | AU3CB0186385 | 150,000,000 | 11/23/2018 |
| KOMMUNINVEST I SVERIGE | AU3CB0225514 | 125,000,000 | 11/25/2018 |
| ANGLO AMERICAN CAPITAL | AU0000AQMHA7 | 500,000,000 | 11/27/2018 |
| ING BANK NV/SYDNEY | AU3CB0216430 | 200,000,000 | 11/27/2018 |
| DOWNER GROUP FINANCE PTY | AU3CB0209229 | 150,000,000 | 11/29/2018 |

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

| ISSUER | ISIN | VALUE | MATURITY |
|---|---|---|---|
| TOYOTA FIN NEW ZEALAND | NZTFSDT498C3 | 100,000,000 | 11/21/2018 |
| TRANSPOWER NEW ZEALAND L | NZ519D1118L9 | 325,000,000 | 11/30/2018 |

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

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

## Index Market Capitalisation

The AusBond Composite Index ended October 2018 at A$1,014.73bn.

The NZBond Composite Index stood at NZ$120.98bn at the end of October.

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

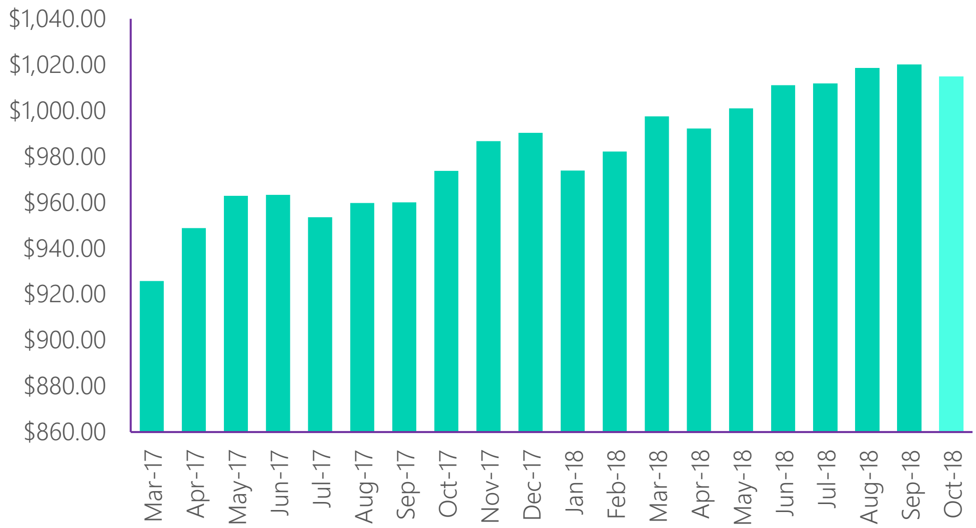
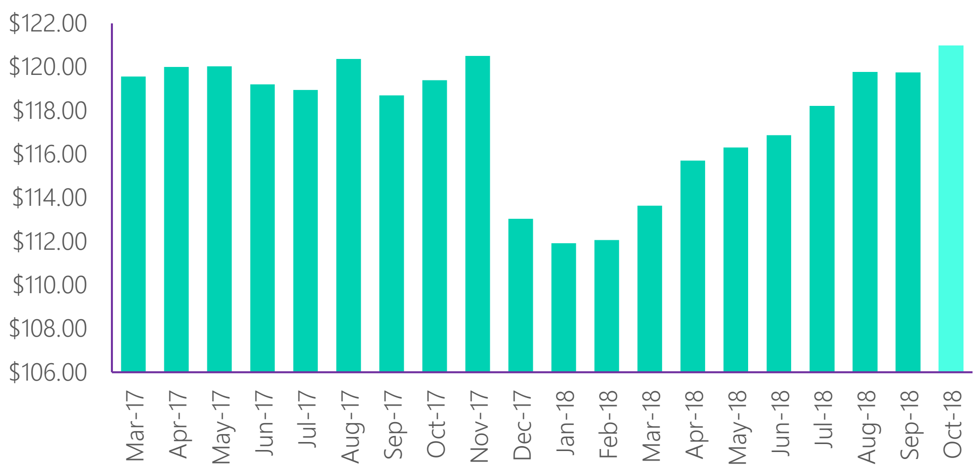



Chart 17. Growth of Bloomberg NZBond Composite Index: 2017 – 2018



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