

AOFM Investor Update for 2019-20 Issuance Plans

May 2020



Australian Government

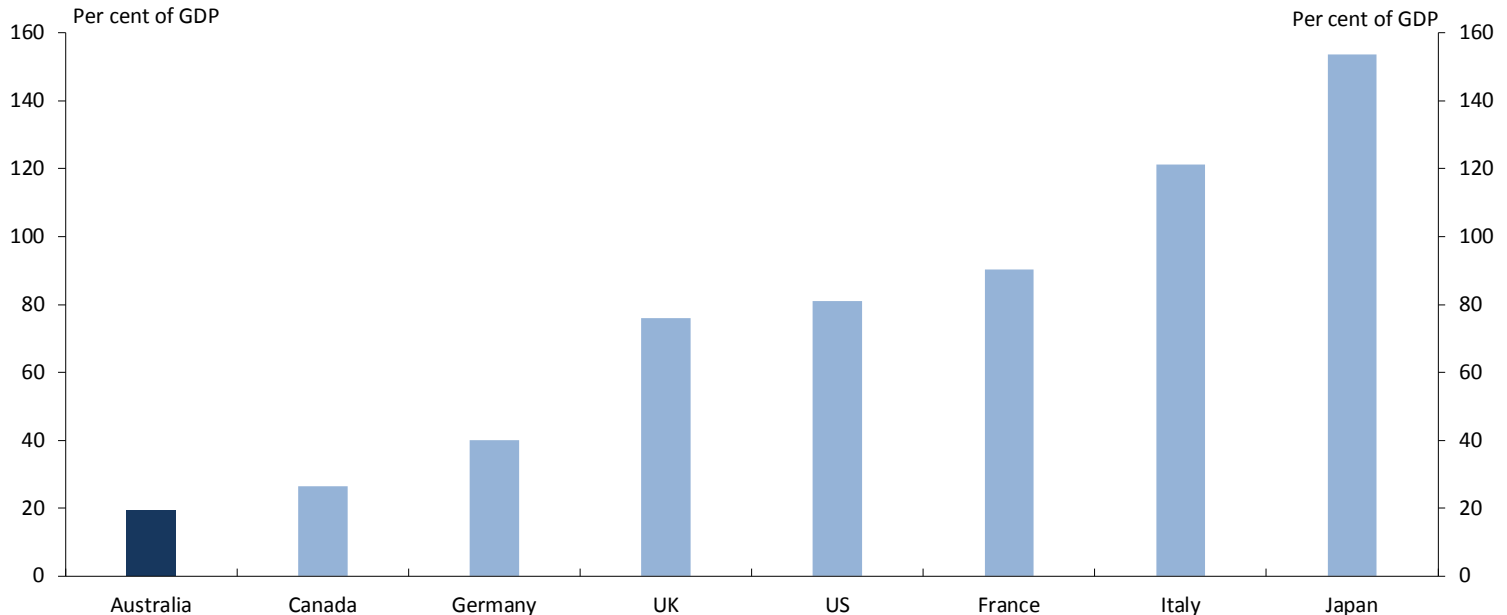
**Australian Office of
Financial Management**

**Australian
Government
Securities**

Government net debt

Prior to COVID-19 Pandemic (2019)

The Australian Government is managing the impact of the pandemic from the position of having a strong balance sheet. This will comfortably underpin the Government's fiscal response. Post-crisis, the balance sheet position will continue to exhibit relatively low net debt by global standards. S&P and Fitch have recently re-affirmed Australia's AAA sovereign rating.

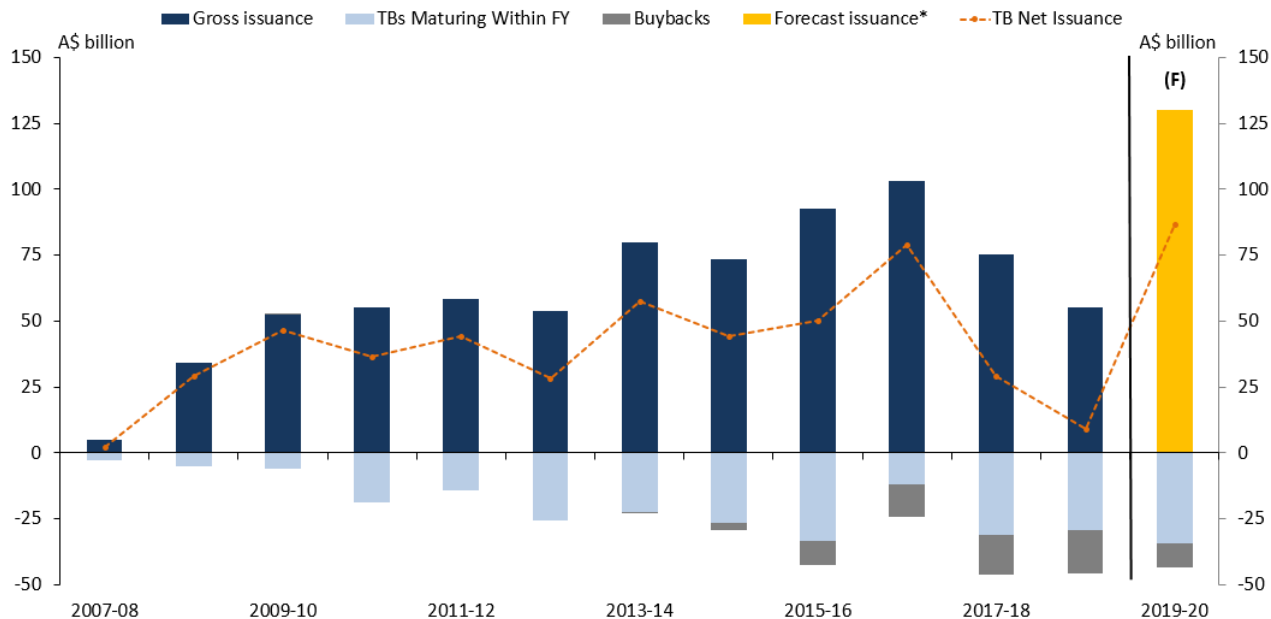


Source: Treasury – MYEFO 2019-20, IMF fiscal monitor October 2019

Issuance/Buybacks

As of **22 May 2020** AOFM issuance guidance to the market for the **remainder of 2019-20** is as follows (**next update early-mid July**):

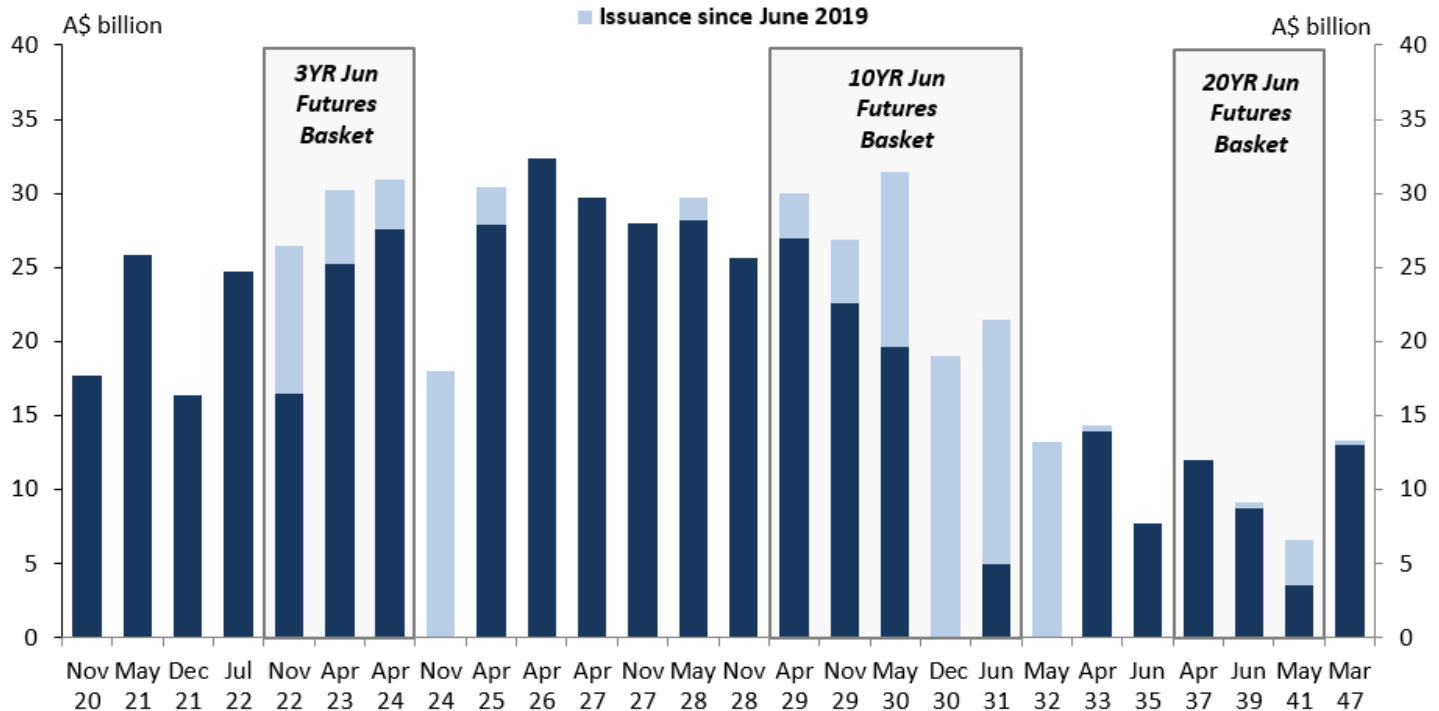
- Planned gross **Treasury Bond** issuance for this year is \$130 billion. Weekly issuance via tender will continue at around \$5 billion in most weeks. No further syndications of new maturities are planned until after the next update to issuance guidance (see slide 3 for 2019-20 issuance to date).
- Subject to market conditions, three more tenders of **Treasury Indexed Bonds** (of around \$100 million) are planned (see slide 4 for 2019-20 issuance to date of \$1.3 billion).
- **Treasury Notes** issuance each week is expected to be \$3-5 billion (see slide 6 for total outstanding over 2019-20).



Source: AOFM. * Planned gross issuance of Treasury Bonds in 2019-20 is around \$130 billion.

Treasury Bonds on issue

The AOFM has reverted to a pattern of issuance it has used in the past when issuance programs were elevated. This involves high volume issuance in the most liquid (high-demand) parts of the yield curve while supporting other parts of the market by responding to demand and issuing in appropriate volumes. New maturities are established to support the futures contracts.

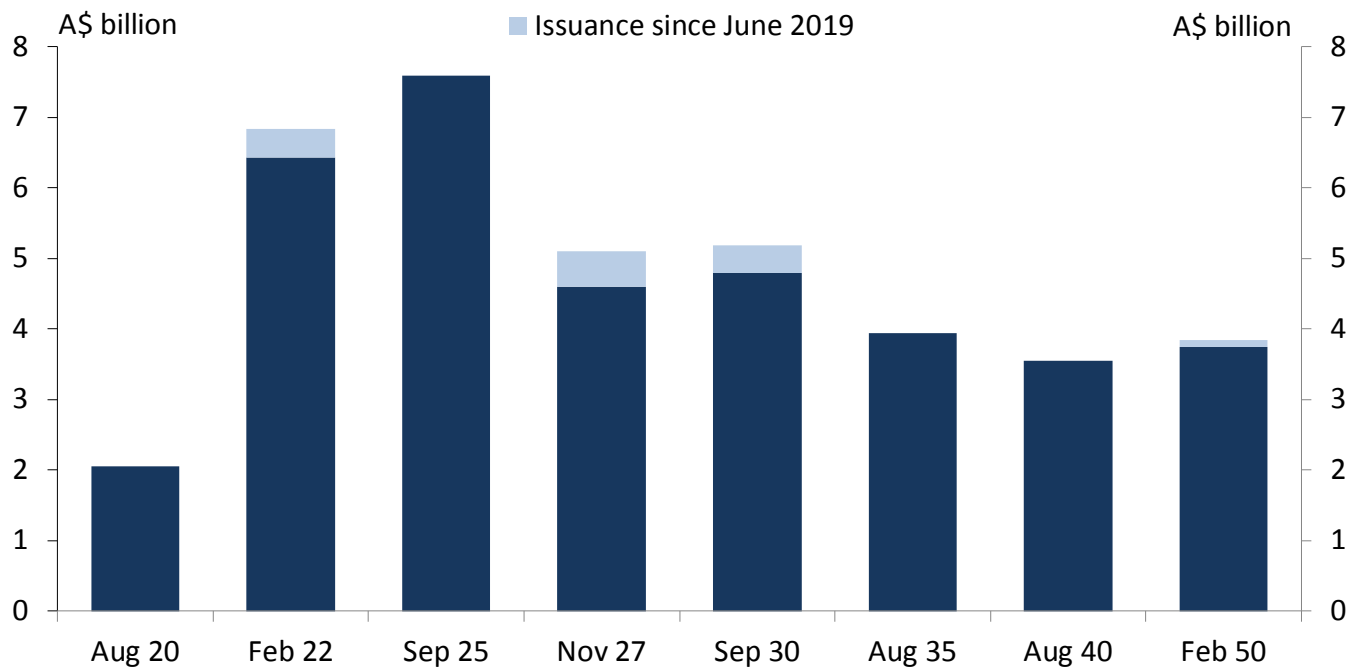


Source: AOFM. As at 29 May 2020. The 1% 21 December 2030 Treasury Bond is not included in the June 10-year futures contract.

Treasury Indexed Bonds on Issue

Amount shown is the face value unadjusted for changes in the CPI adjusted capital value of the bond

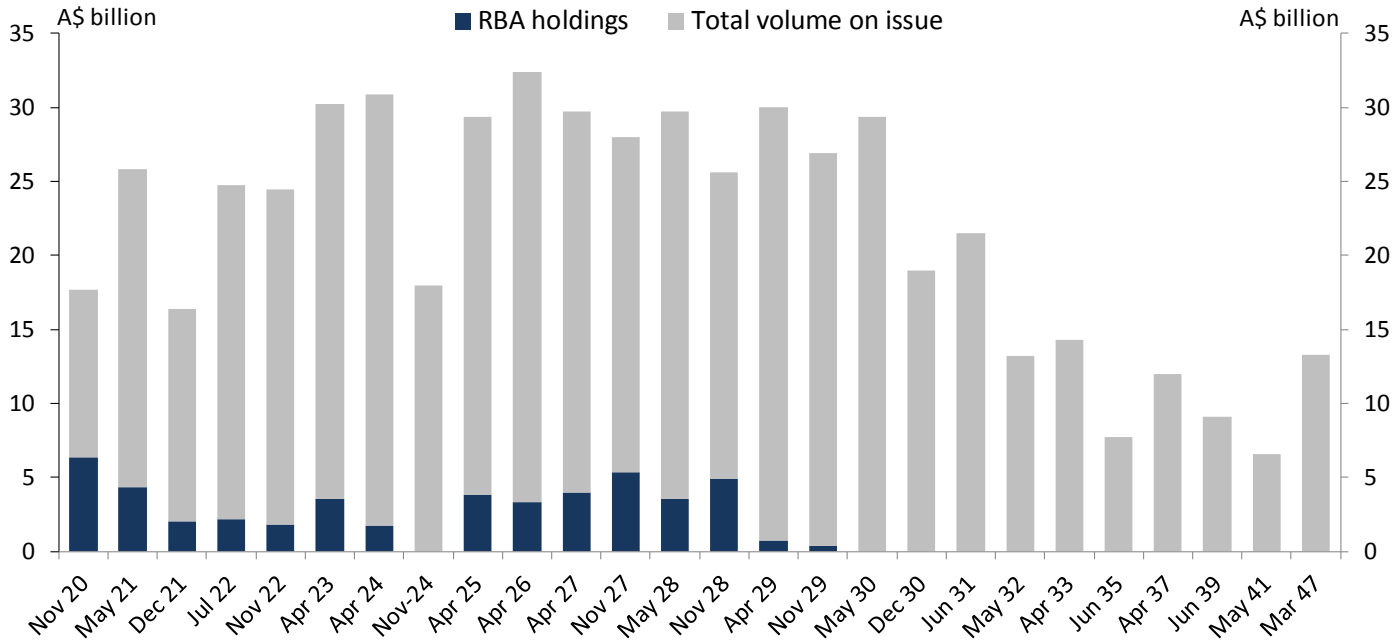
The AOFM has recognised the liquidity challenges facing the TIBs market over the past year in particular and will continue to support this market. This means that prevailing market conditions and appropriate tender volumes will remain important determinants of issuance decisions. The importance of regular issuance supply is acknowledged.



Source: AOFM. As at 27 May 2020

Treasury Bonds on issue

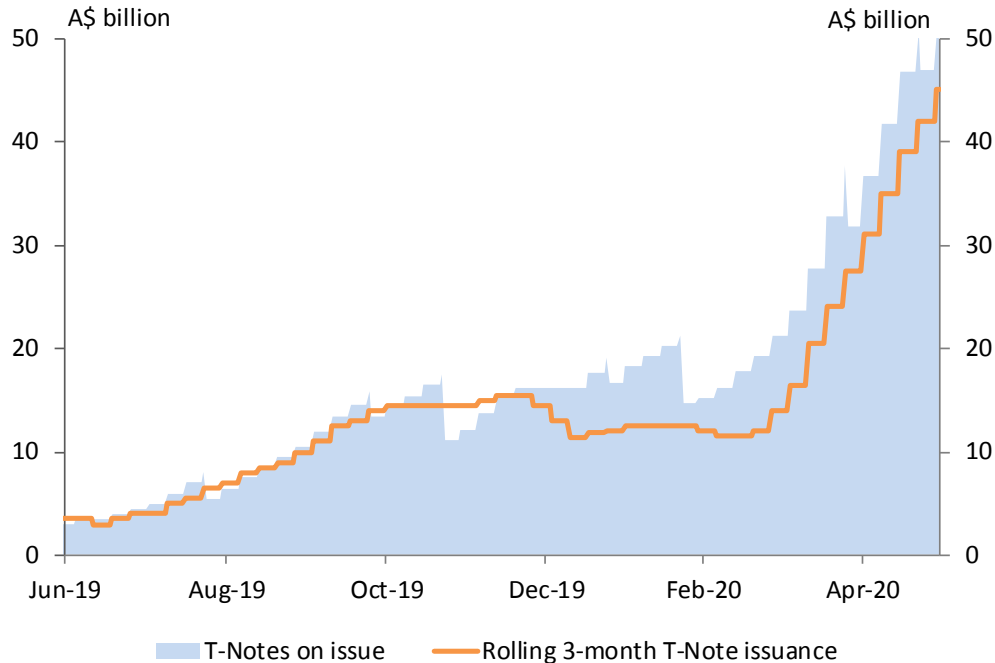
The RBA's monetary policy settings include purchasing Australian Government bonds to target a 3-year Australian Government bond yield of 0.25 per cent. The RBA has also conducted Government bond purchasing to support the functioning of the bond market. Its bond purchasing operations are being conducted through the secondary market. The RBA will undertake such operations when necessary to achieve these objectives.



Source: AOFM and RBA. As at 29 May 2020.

Issuance of Treasury Notes

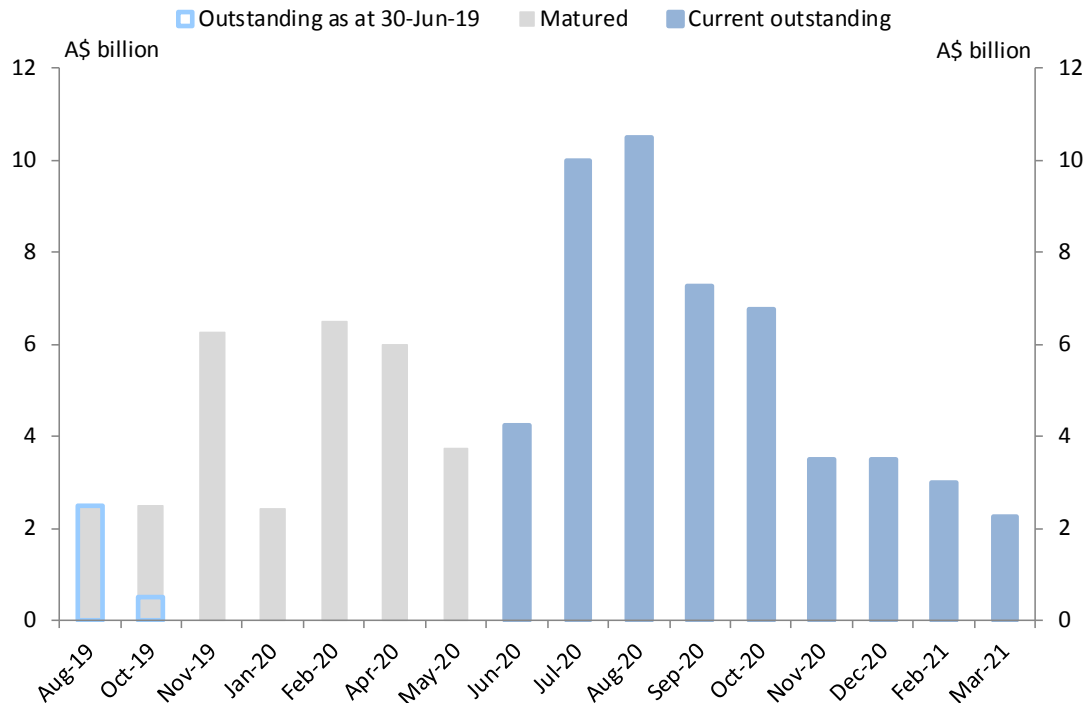
Treasury Note issuance is planned to be around \$3-5 billion each week dependent on cash management needs. The volume on issue will remain elevated for at least 2020-21. The AOFM will explore with intermediaries how the functioning of the Treasury Note market can be improved.



Source: AOFM

Treasury Notes – Maturity Profile

There are currently nine Treasury Note maturities on issue. Over time the maturity profile will mean that maturities can be expected in most months.

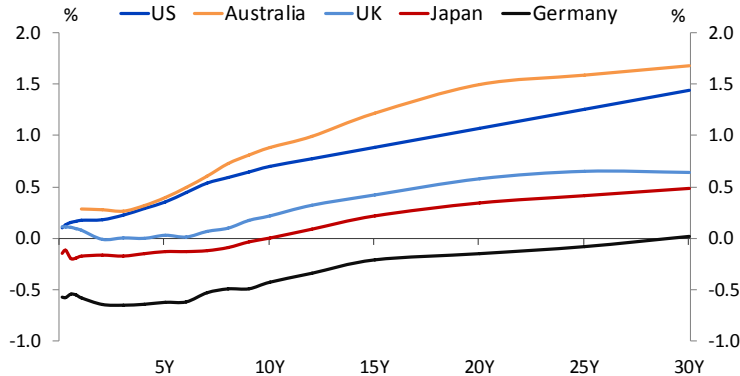


Source: AOFM, as at 29 May 2020

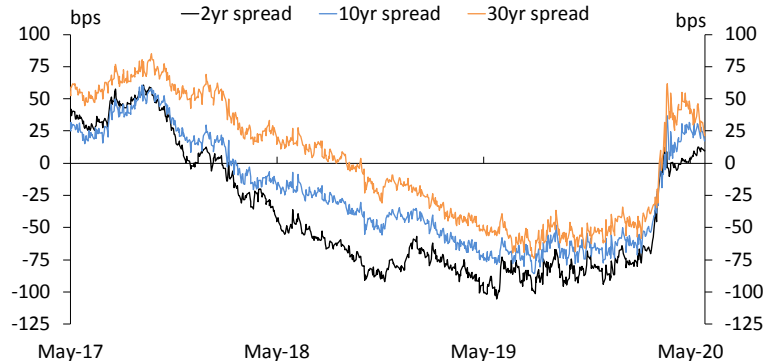
Australian Sovereign bond spreads

- Recent market changes have resulted in a reversal of the negative yield spreads on AGS relative to US Treasuries. The AGS market will continue to look attractive to other core sovereign markets on an outright and hedged basis for many offshore investors.
- The AGS domestic investor base continues to be dominated by bank balance sheets and fund manager allocations, which re-engaged with the market early after the period of dislocation experienced in late March.

Sovereign bond yield curves

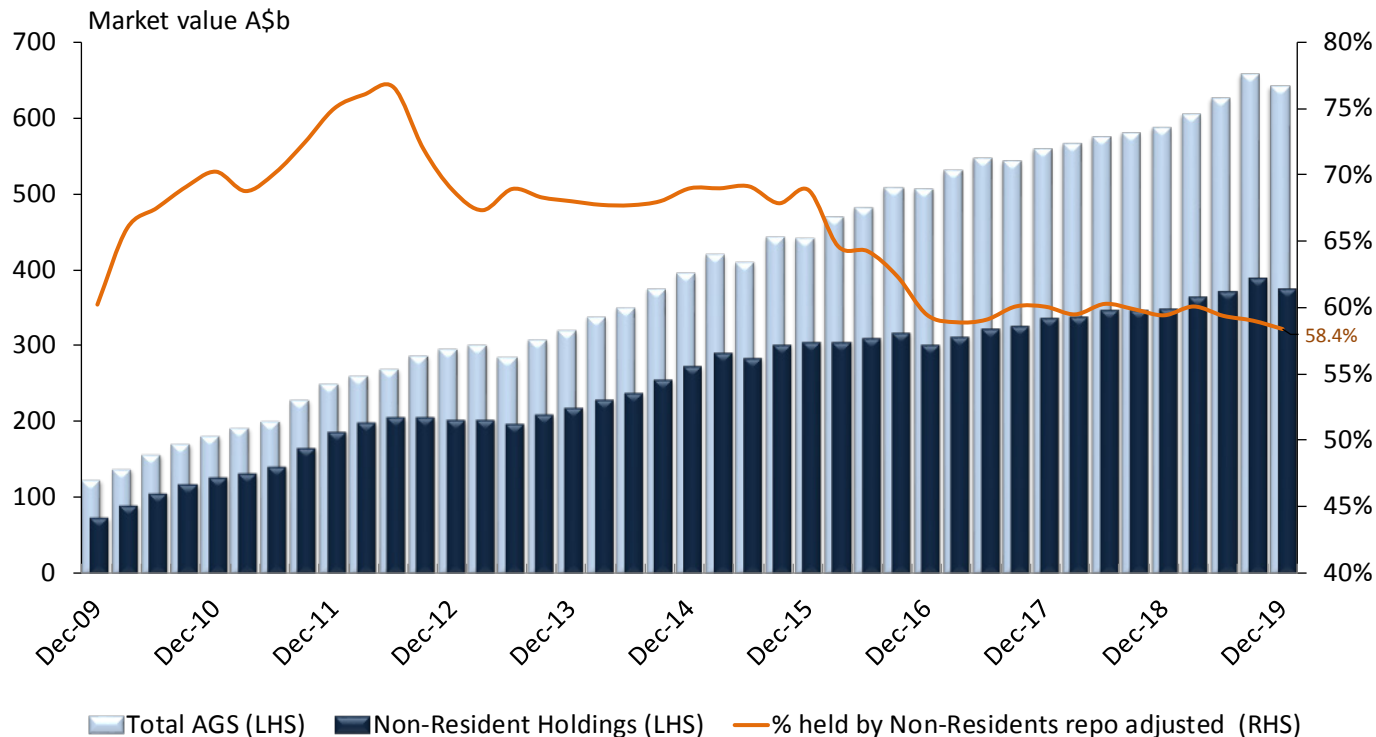


Australia vs. US



Source: Refinitiv, as at 27 May 2020

Resident and Non-resident holdings



Source: Australian Bureau of Statistics, AOFM

Market Makers – Treasury Bonds

*These institutions (listed alphabetically) have indicated that they make markets in Treasury Bonds.
The level of activity can vary between institutions.*



Morgan Stanley



Further information



Website: www.aofm.gov.au

Address: Australian Office of Financial Management
Treasury Building, Level 3, Newlands Street
Parkes ACT 2600 Australia

Enquiries: InvestorRelations@aofm.gov.au

Easy access to quoted yields

Web:

www.rba.gov.au

Bloomberg:

"AOFM Go" (*Homepage*)

"ACGB Govt Go" (*TBs and TIBs*)

"ACTB Govt Go" (*TNs*)

Thomson Reuters:

"AOFMINDEX" (*Homepage*)

"O#AUTSY=YBAU" (*TBs*)

"O#AUILB=YBAU" or "O#AUTSYIL=" (*TIBs*)

"O#AUTNOTES=YBAU" (*TNs*)

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