



Australian Government

Australian Office of Financial Management

AOFM

AOFM Investor Chart Pack

Economic & Fiscal Update – July 2020

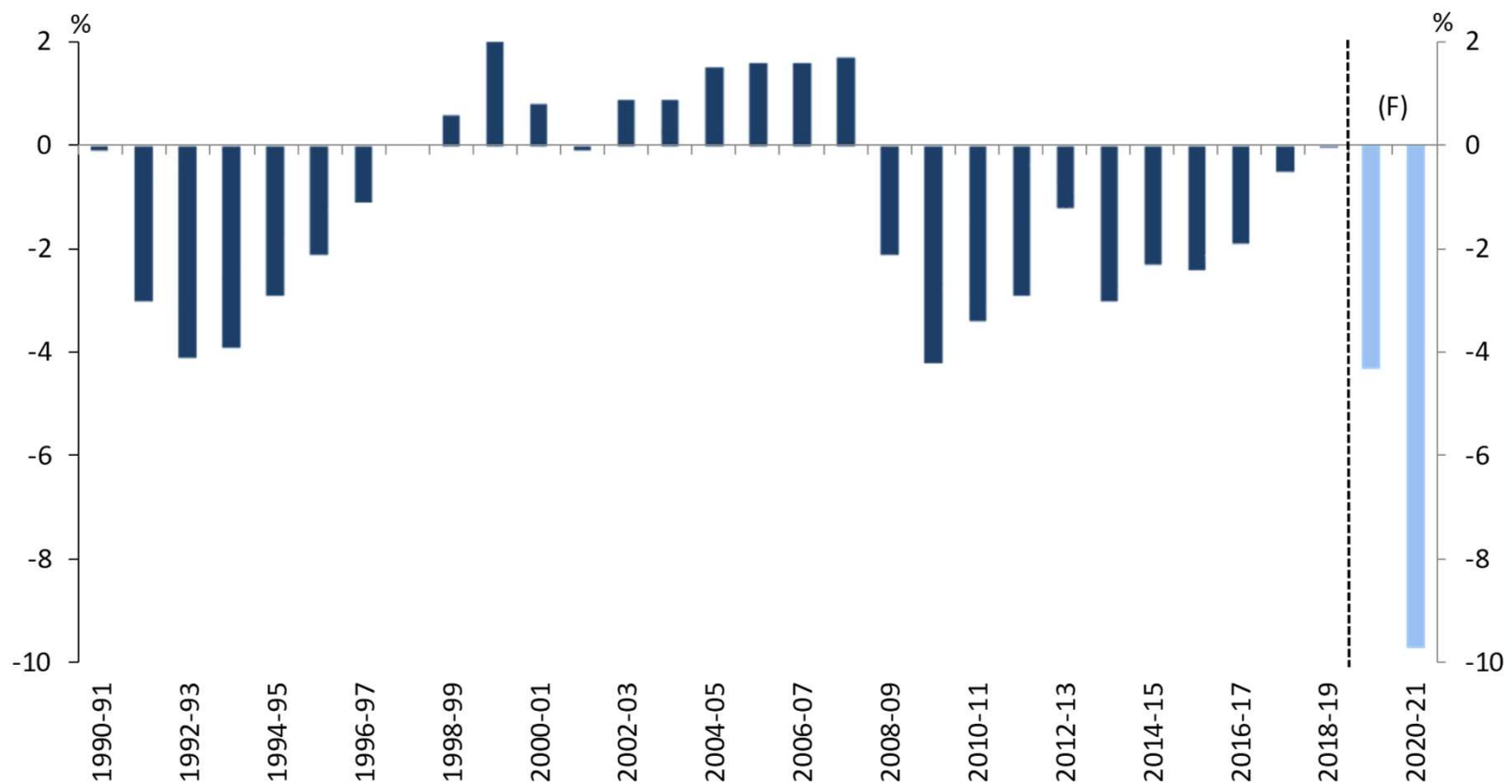
Australian Office of Financial Management

14 August 2020

Australia's budget balance

Underlying cash balance (UCB) per cent of GDP

The UCB estimate for last year (2019-20) will be confirmed at the end of September 2020. The forecast for this year will be updated at the Budget update in October. The announced fiscal response covering the period 2019-20 to 2023-24 is around \$289 billion or the equivalent of 14.6 per cent of GDP.

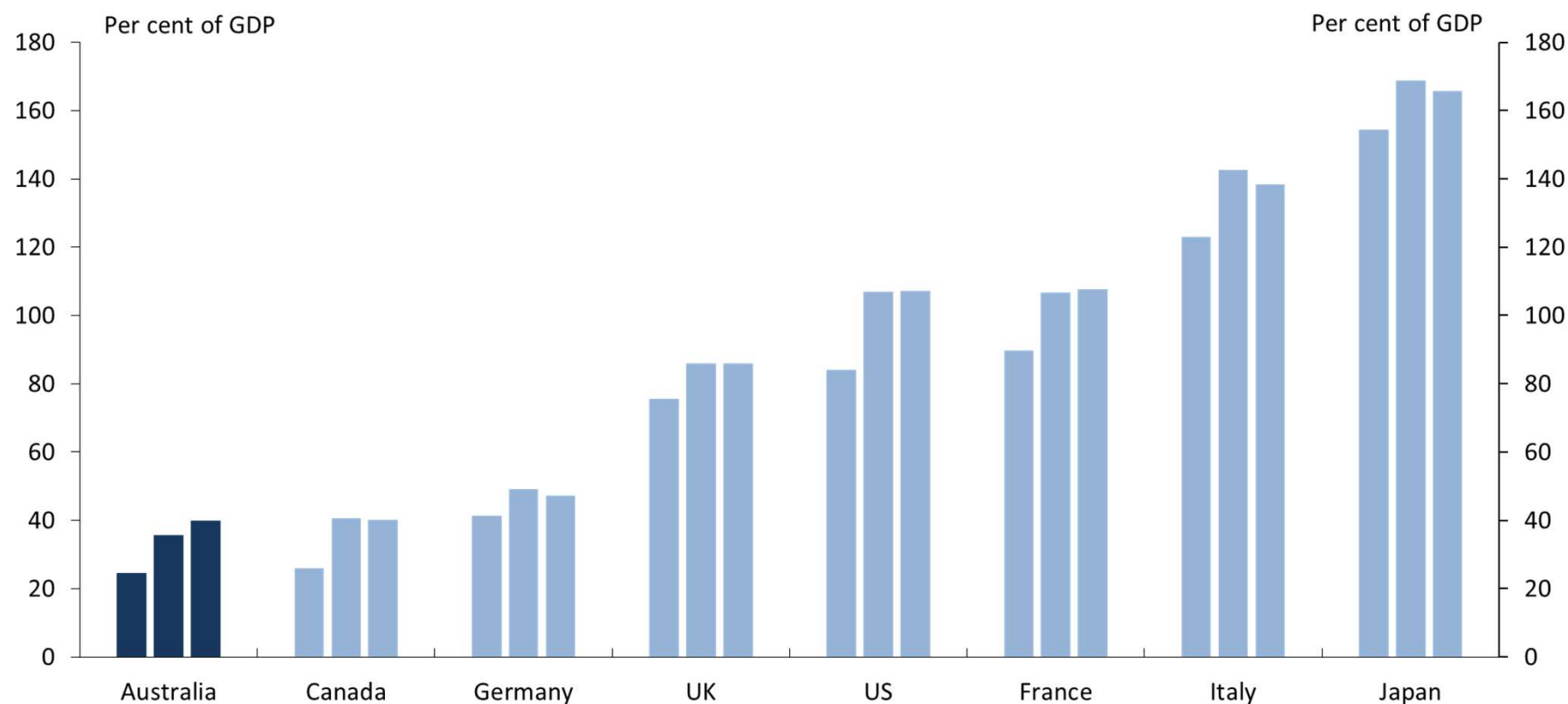


Source: Treasury – July Economic & Fiscal Update 2020

Comparison of Government Net Debt

2019 to 2021 (forecast) for G7 and Australia

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 Moody's and Fitch have recently re-affirmed Australia's AAA sovereign rating.



Source: Treasury – July Economic & Fiscal Update 2020, IMF Fiscal Monitor April 2020.

Note: Australian data are for the Australian Government general government sector for financial years 2019-20 and 2021-21.

Australian Government Securities

Three instruments available

Treasury Bonds

Amount Outstanding

\$641.2 billion

28 lines on issue

Average line size is \$22.9 billion

Maturities range from 2020 to 2051

Gross Issuance 2020-21 (F)

Around \$240 billion

Treasury Indexed Bonds

Amount Outstanding

\$38.7 billion

8 lines on issue

Average line size is \$4.8 billion

Maturities range from 2020 to 2050

Gross Issuance 2020-21 (F)

Around \$2-\$2.5 billion

Treasury Notes

Amount Outstanding

\$69.8 billion

10 lines on issue

Average line size is \$7 billion

Maturities range up to May-2021

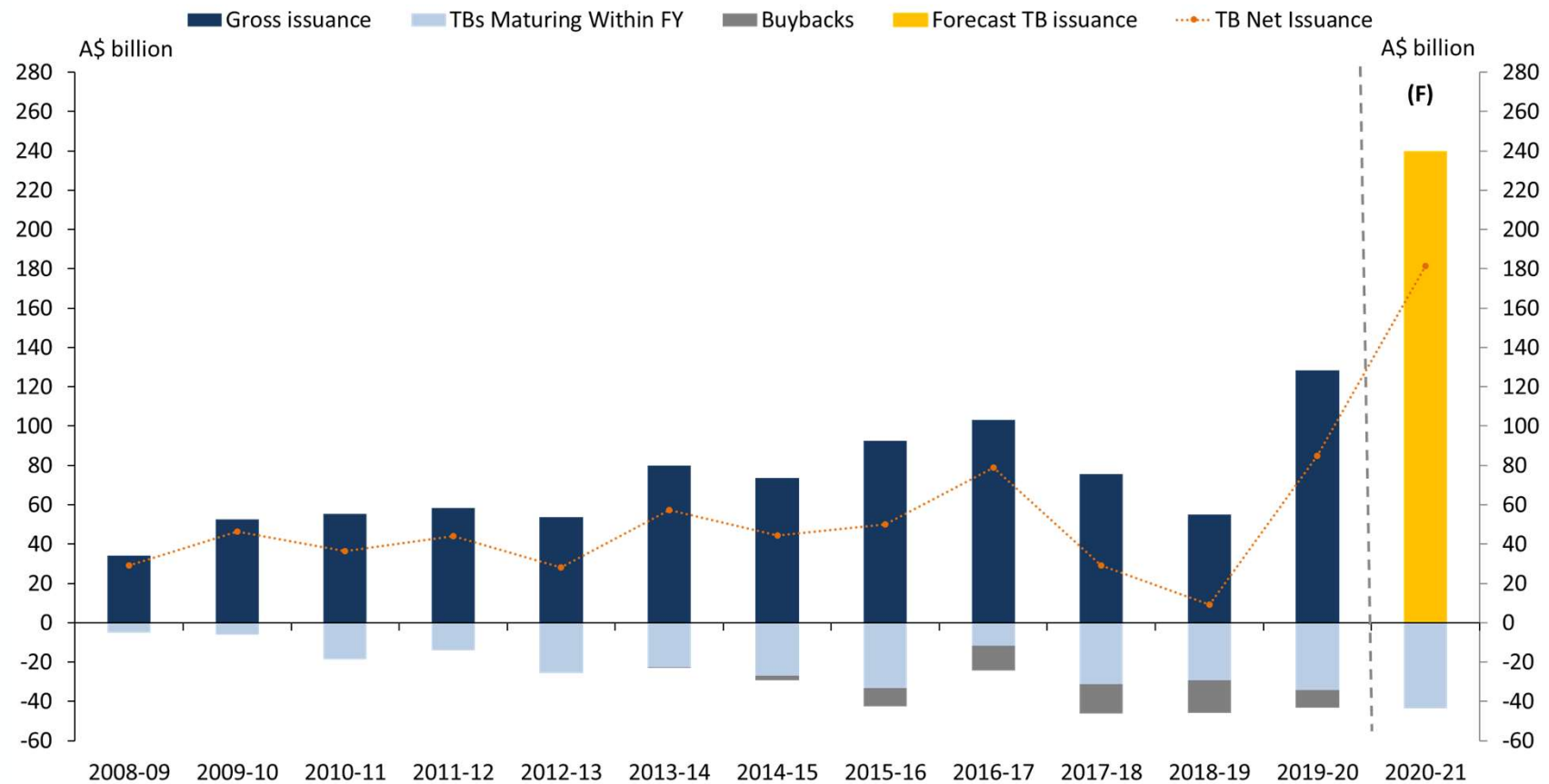
Further information

- Four new Treasury Bond lines have been established maturing in 2024, 2025, 2030 and 2051 (since April 2020). It is planned to establish additional new Treasury Bond lines maturing in 2026, 2031 and 2032 over the remainder of 2020-21.
- Treasury Bond tenders totaling \$4-5 billion will be conducted in most weeks.
- Syndicated taps of existing long-dated Treasury Bond lines will remain under consideration.
- There are no plans to resume regular Treasury Bond buyback tenders during 2020-21.
- Two tenders of Treasury Indexed Bonds will be conducted in most months.
- Treasury Notes tenders of \$2-4 billion can be expected in most weeks.

Note: Figures are as at 14 August 2020. Amount shown for Treasury Indexed Bonds is based upon the face value of the bonds outstanding unadjusted for changes in the CPI.

Issuance of Australian Government Securities

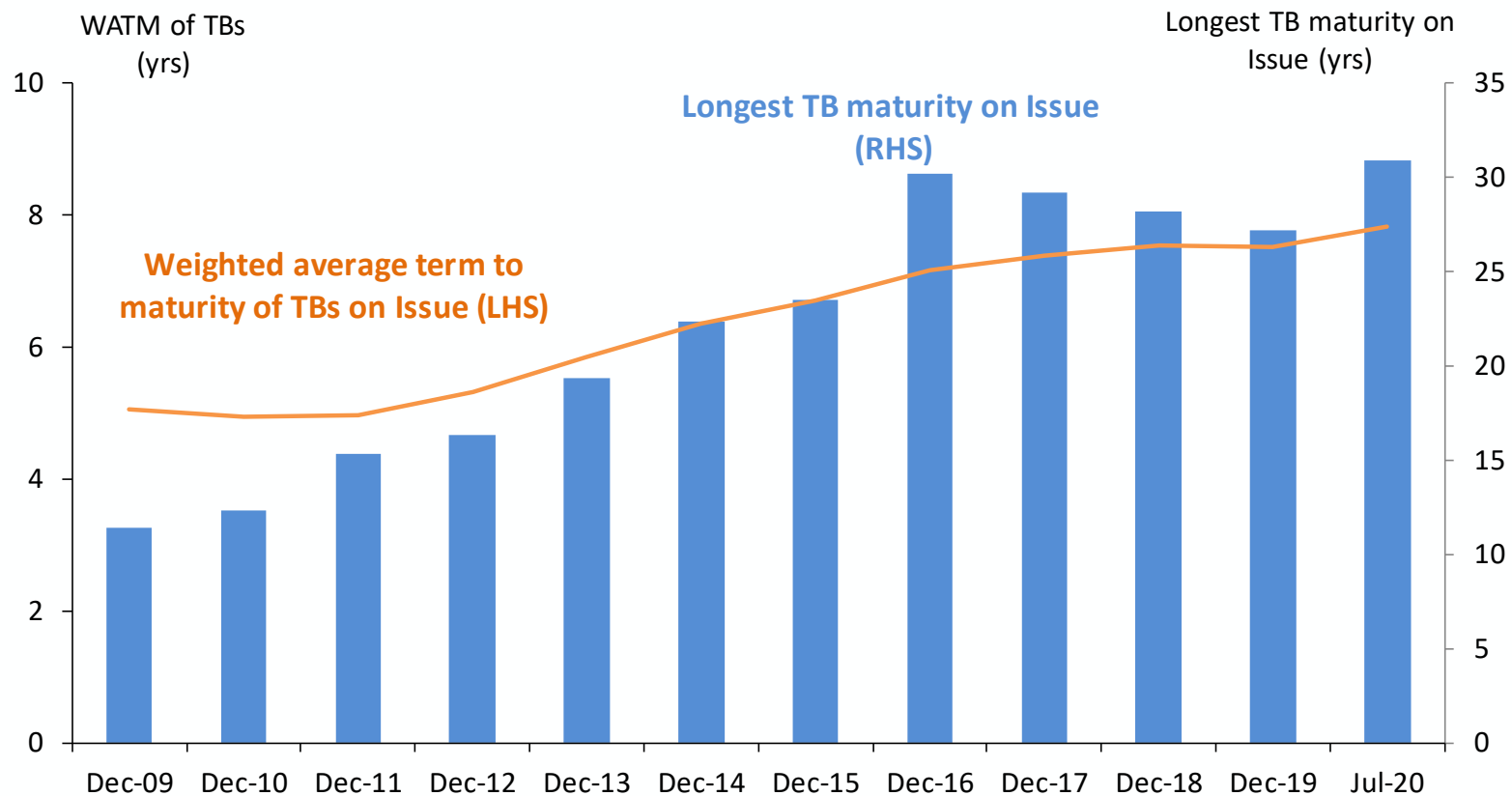
A Treasury Bond issuance program of \$128 billion was completed last year, of which \$85.6 billion was issued in the last quarter. The current weekly issuance rate of \$4-5 billion plus the syndication of new bond lines will comfortably accommodate the forecast financing task for this year.



Source: AOFM.

Treasury Bond curve extension and long issuance bias

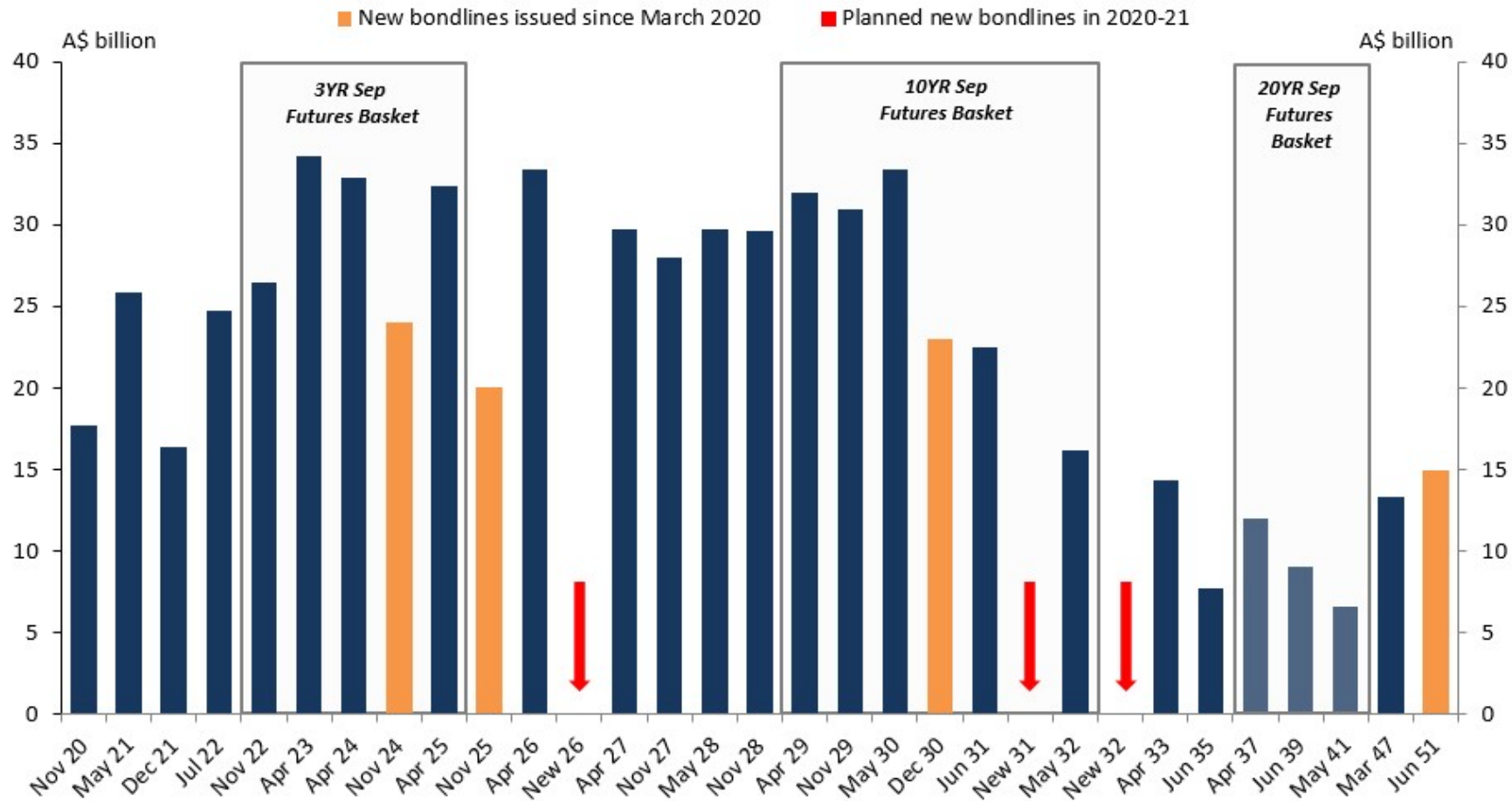
Maintaining a 30-year Treasury Bond curve remains a key objective of the AOFM's debt management strategy. The recent syndication of the new June 2051 bond line increased the weighted average term to maturity (WATM) of the Treasury Bond portfolio to around 7.8 years. The AOFM is aware of the differences in liquidity across the yield curve and will look to systematically build the stock outstanding in ultra-long maturities, but not at a rate that is a detriment to the market.



Source: AOFM

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.



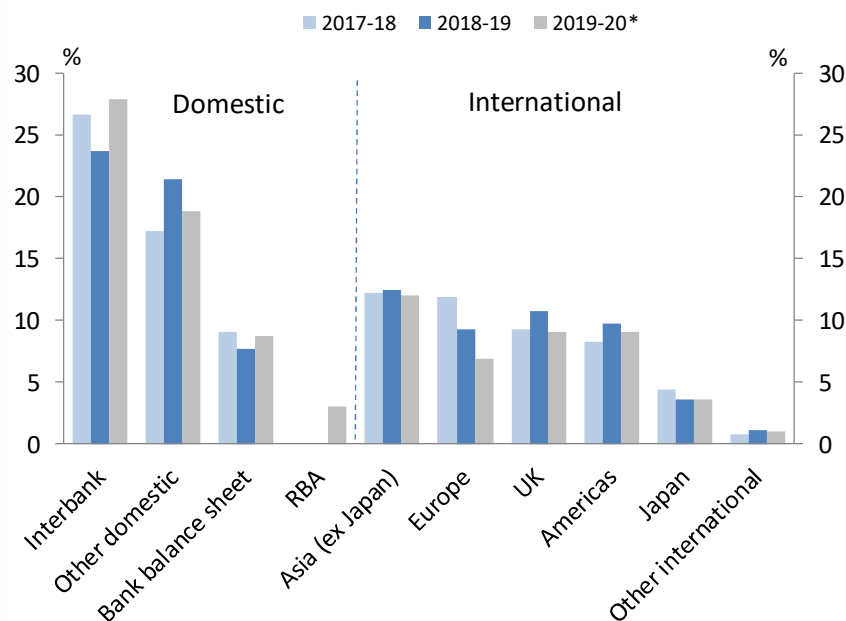
Source: AOFM. Note the precise maturity dates of the bond lines planned to be issued in 2026, 2031 and 2032 are yet to be confirmed.

Turnover – Treasury Bonds

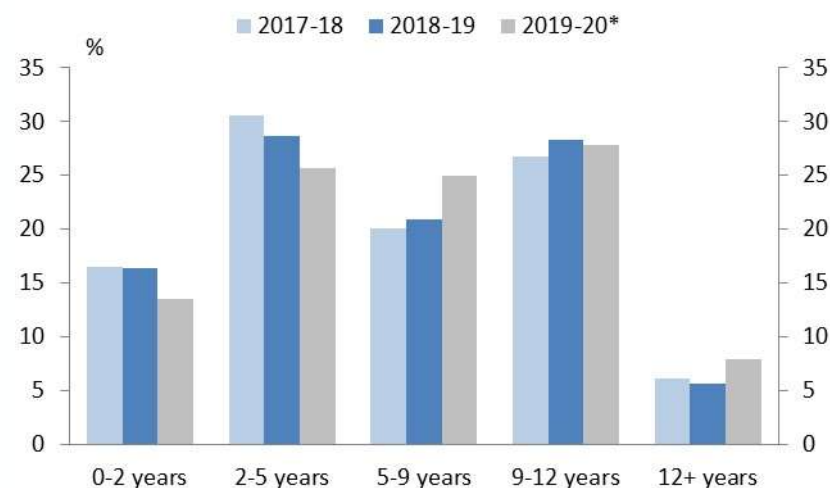
Total turnover A\$1.55 trillion (2019-20)*
A\$1.3 trillion (2018-19)

Monthly average A\$130 billion (2019-20)
A\$108 billion (2018-19)

Turnover by category (per cent)



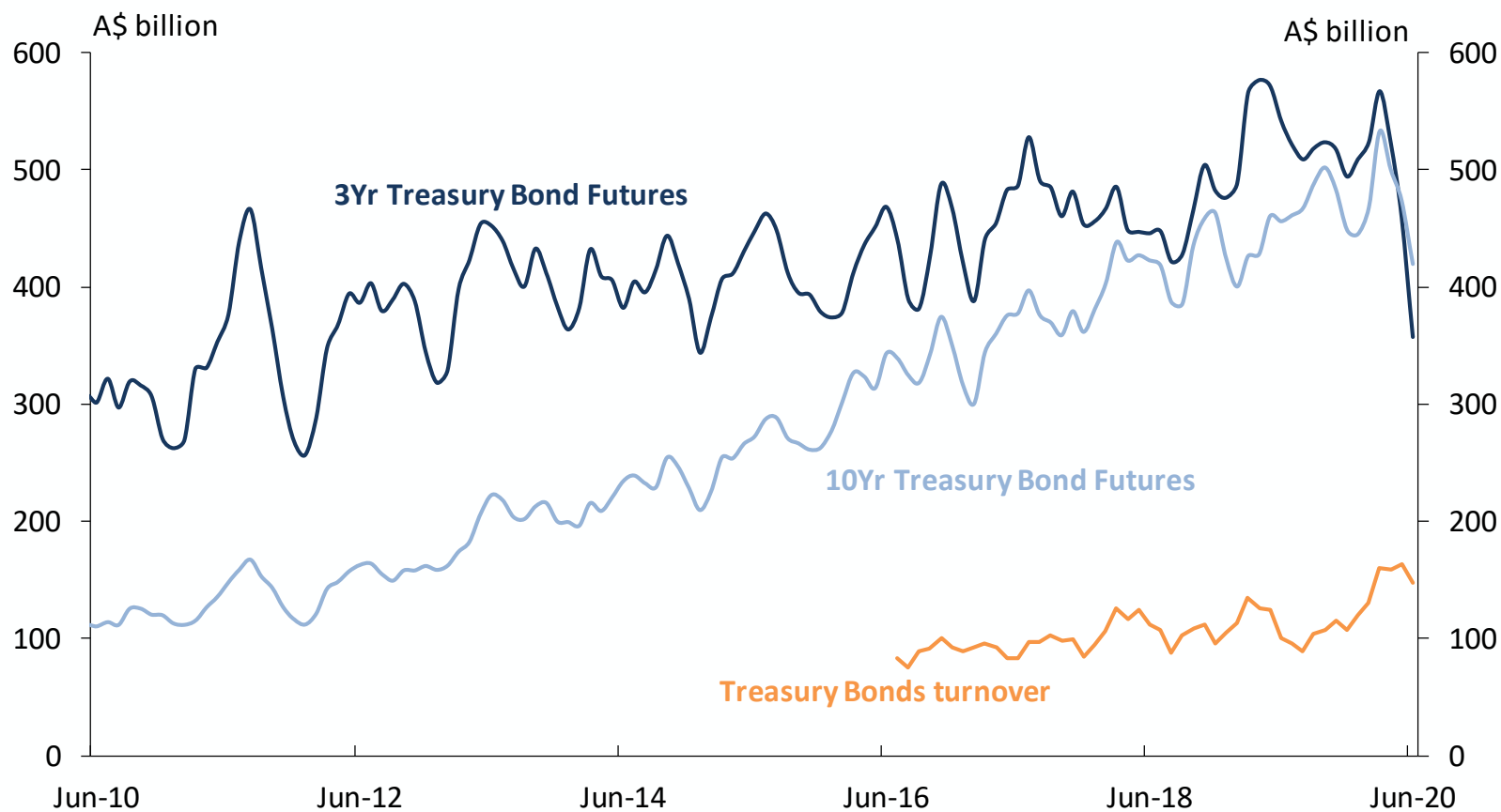
Turnover by tenor (per cent)



Source: AOFM. *The 2019-20 financial year includes preliminary data for the last three months of the year and will be published in full on the AOFM website at the end of August. The AOFM relies on the data provided by survey respondents and cannot guarantee the accuracy of this data.

Treasury Bond futures market activity

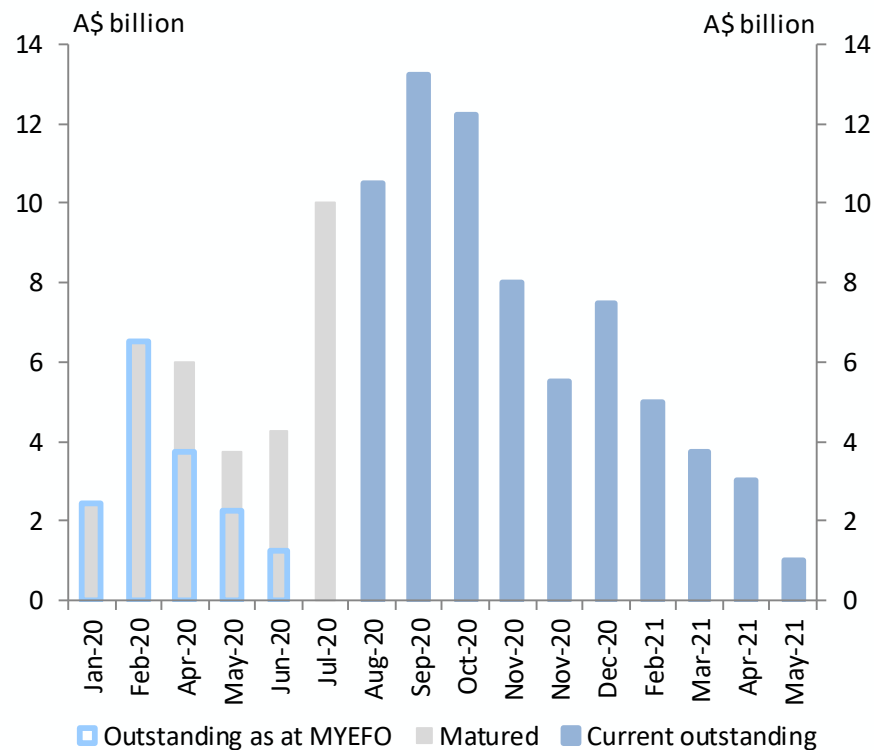
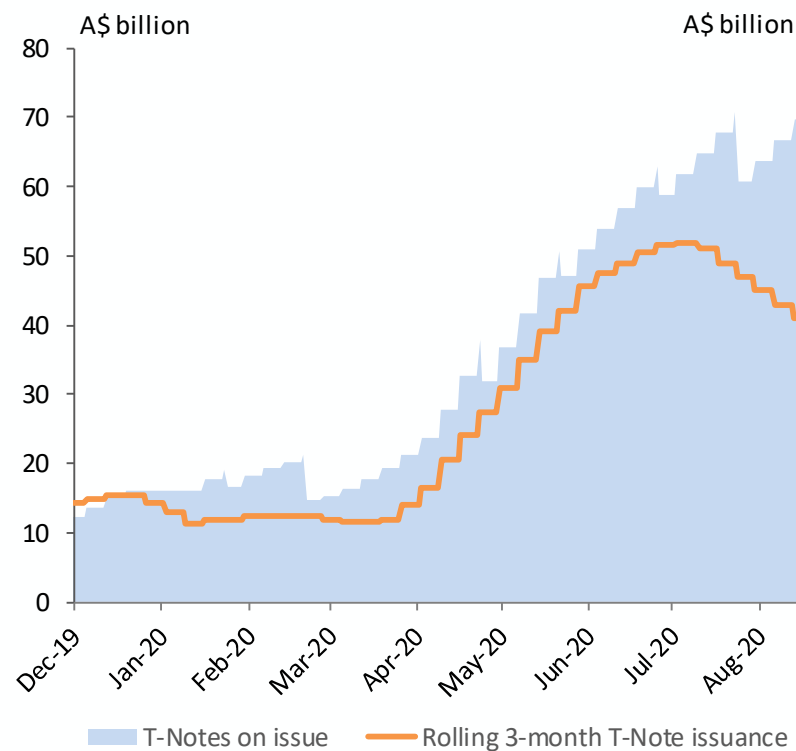
Monthly turnover (3-month M.A.)



Source: ASX, AOFM

Issuance of Treasury Notes

Treasury Note issuance is planned to be around \$2-4 billion each week dependent on cash management needs. Treasury Notes will continue to have an important role irrespective of the economic/fiscal position.

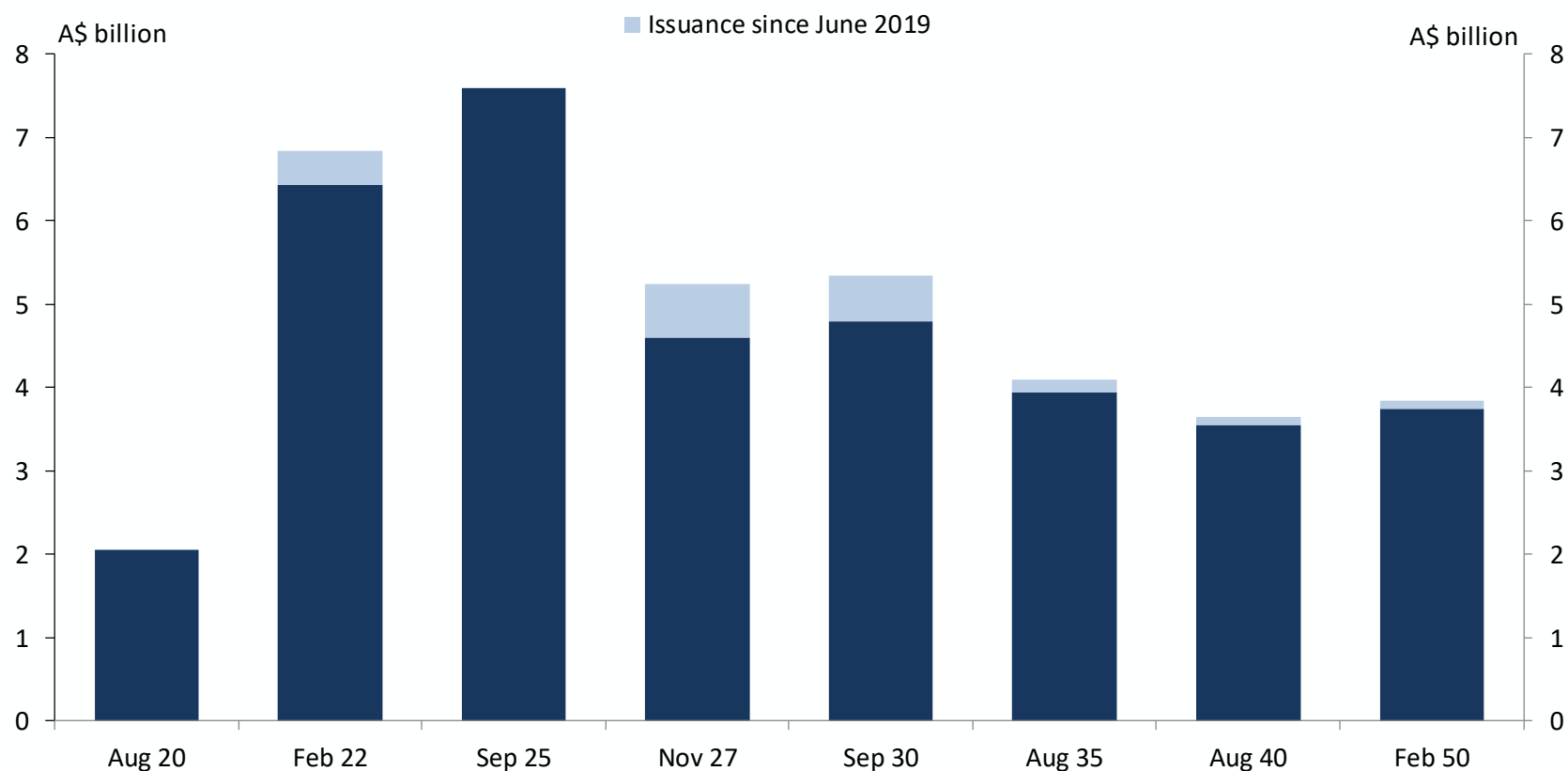


Source: AOFM

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 recognises 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.



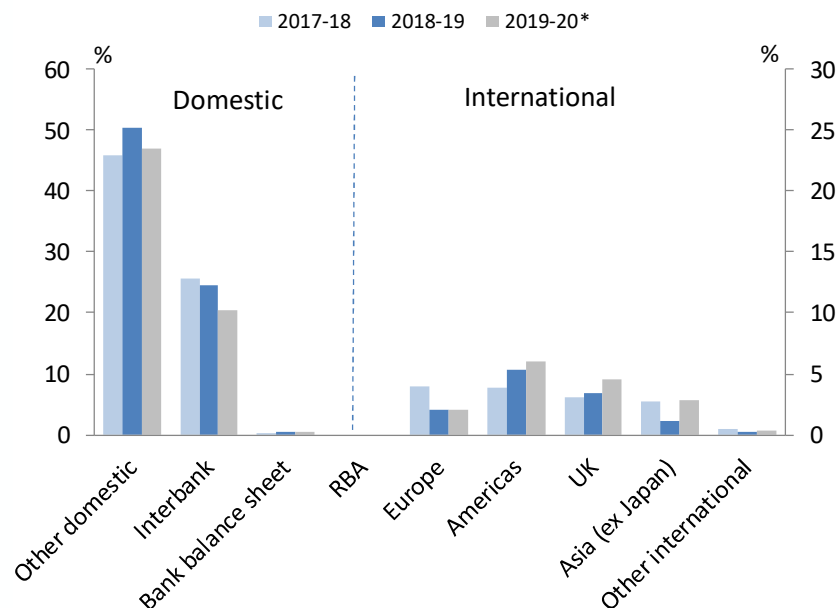
Source: AOFM. As at 14 August 2020.

Turnover – Treasury Indexed Bonds

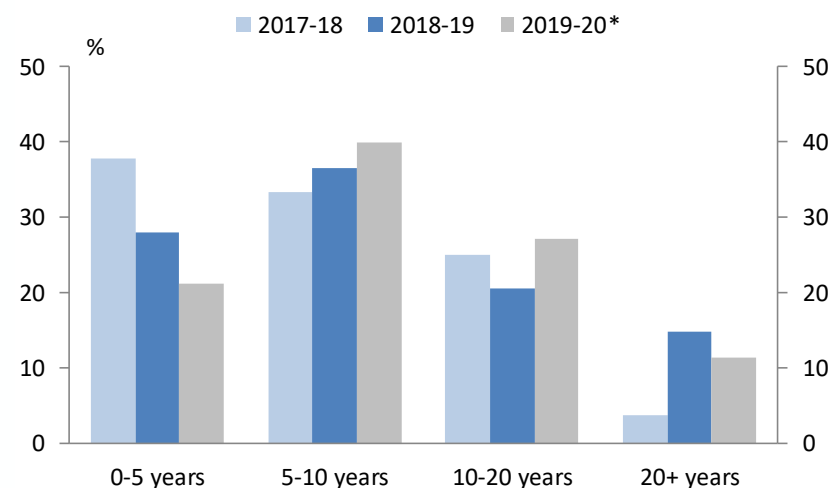
Total turnover A\$49 billion (2019-20)*
A\$52 billion (2018-19)

Monthly average A\$4.1 billion (2019-20)
A\$4.4 billion (2018-19)

Turnover by category (per cent)



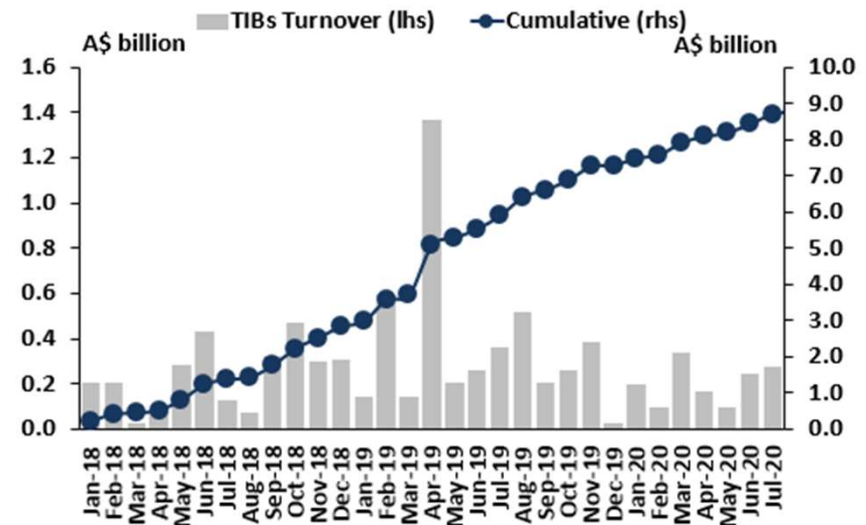
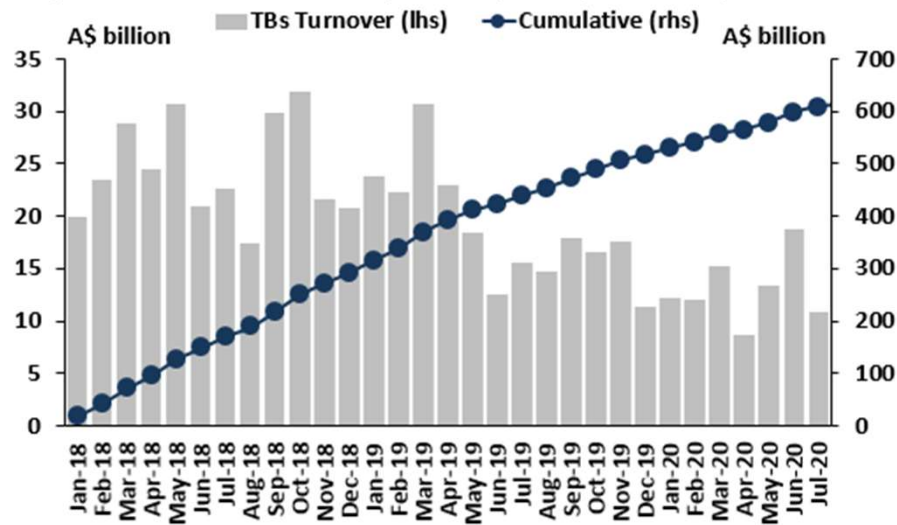
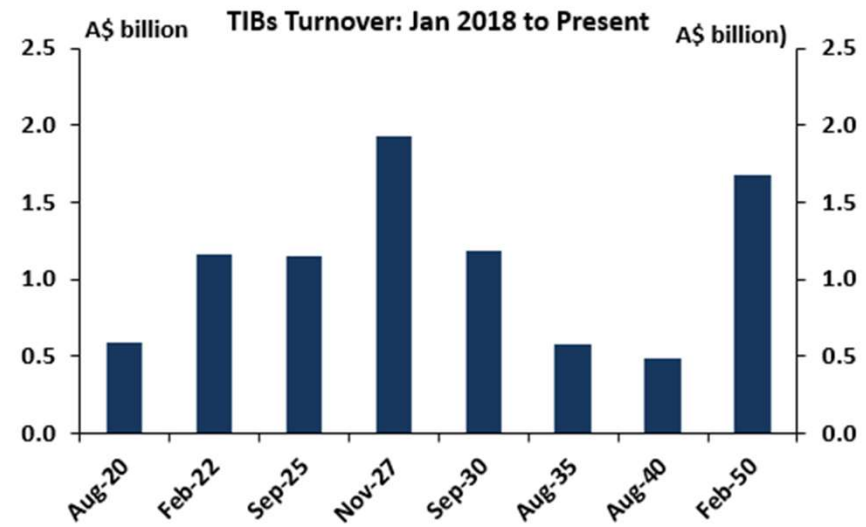
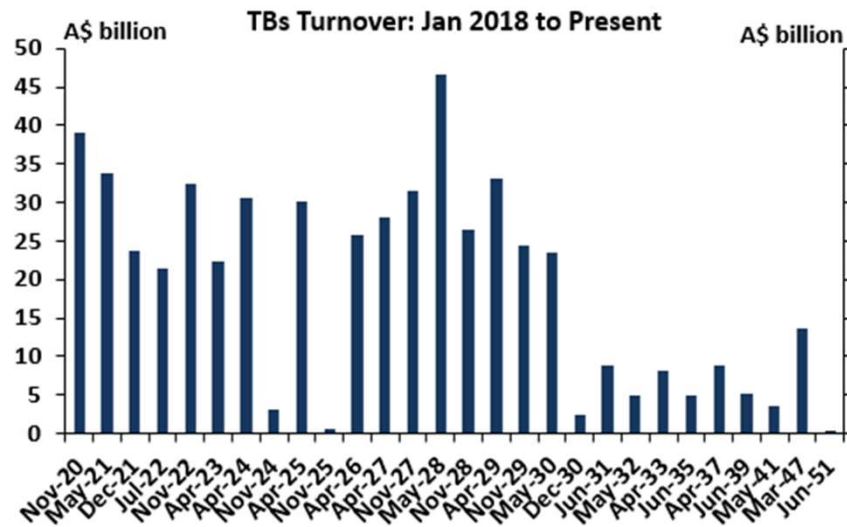
Turnover by tenor (per cent)



Source: AOFM. *The 2019-20 financial year includes preliminary data for the last three months of the year and will be published in full on the AOFM website at the end of August. The AOFM relies on the data provided by survey respondents and cannot guarantee the accuracy of this data.

European Turnover in Australian Government Bonds

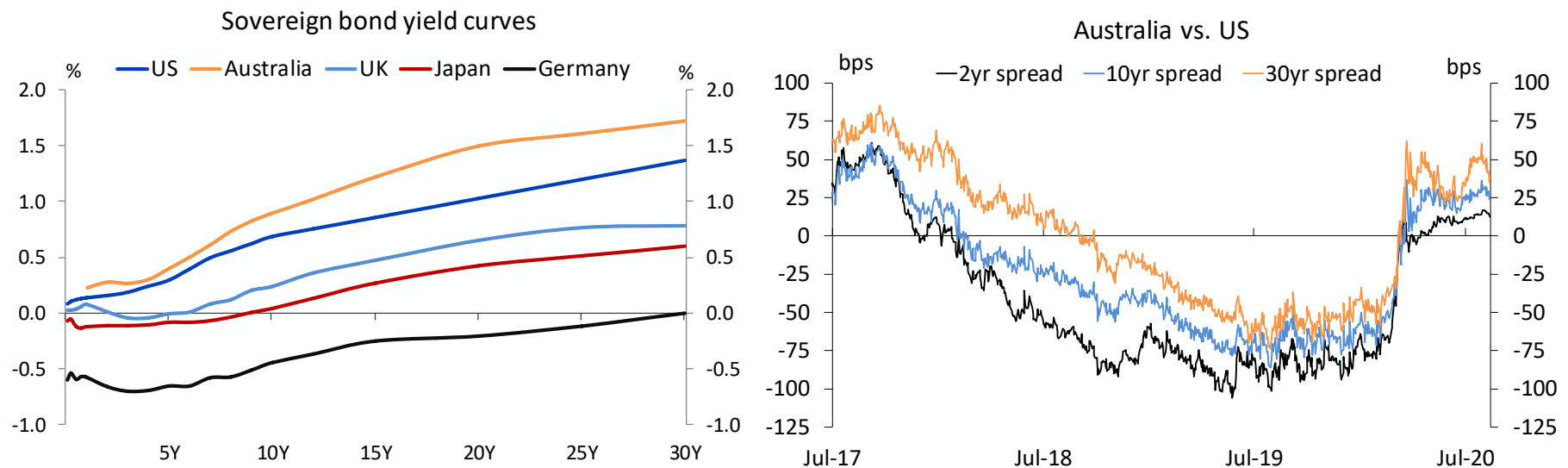
As sourced via MiFID II reporting requirements



Source: Bloomberg

Australian Sovereign bond spreads

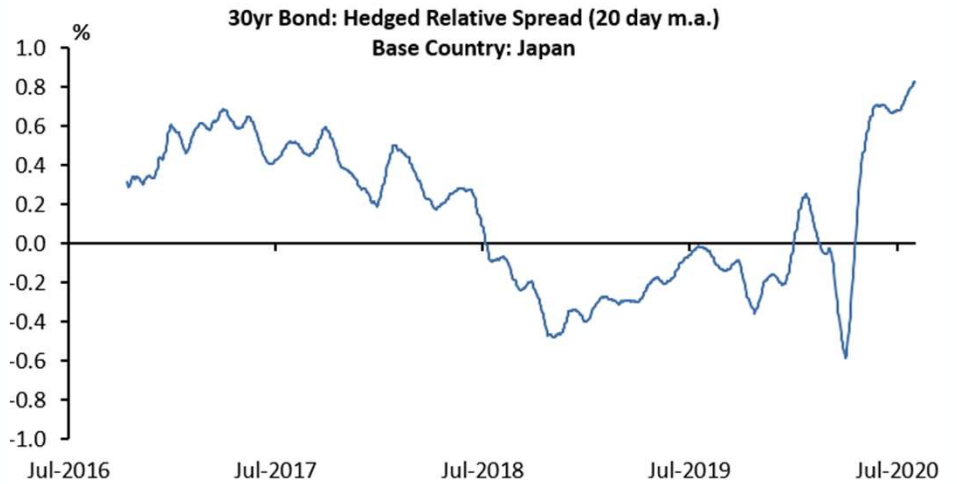
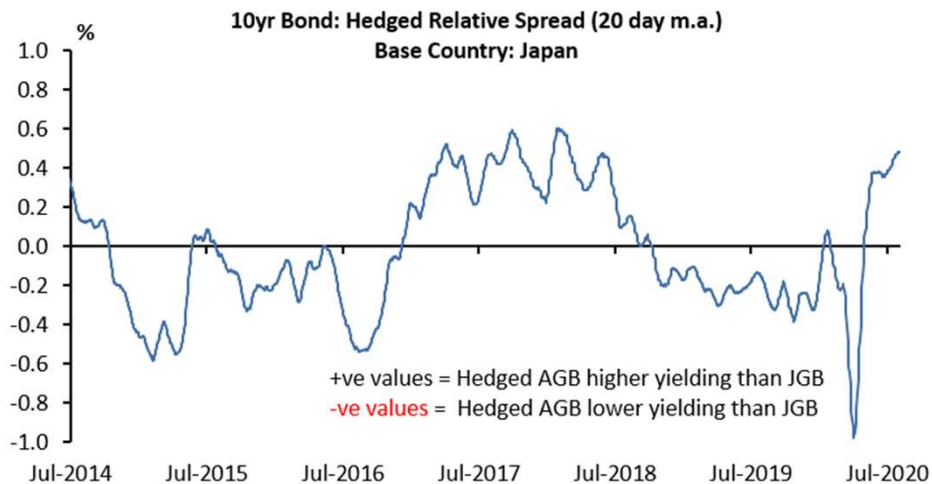
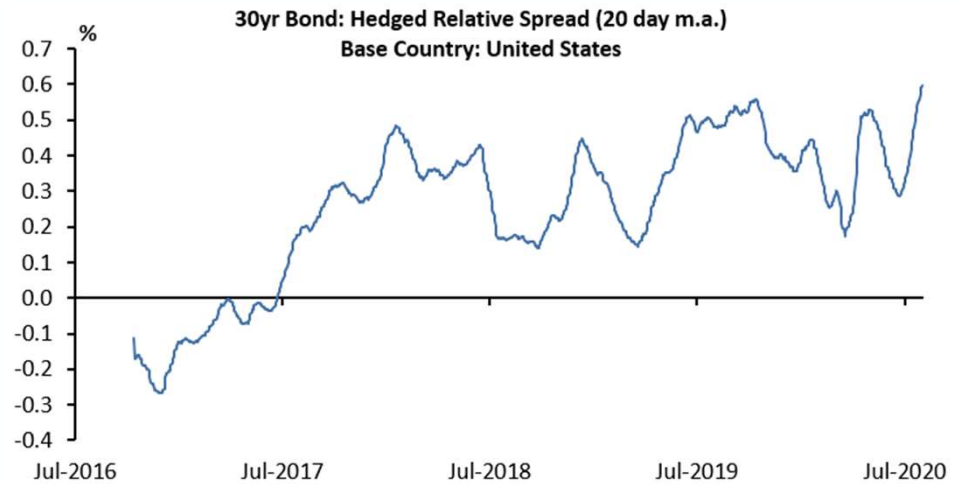
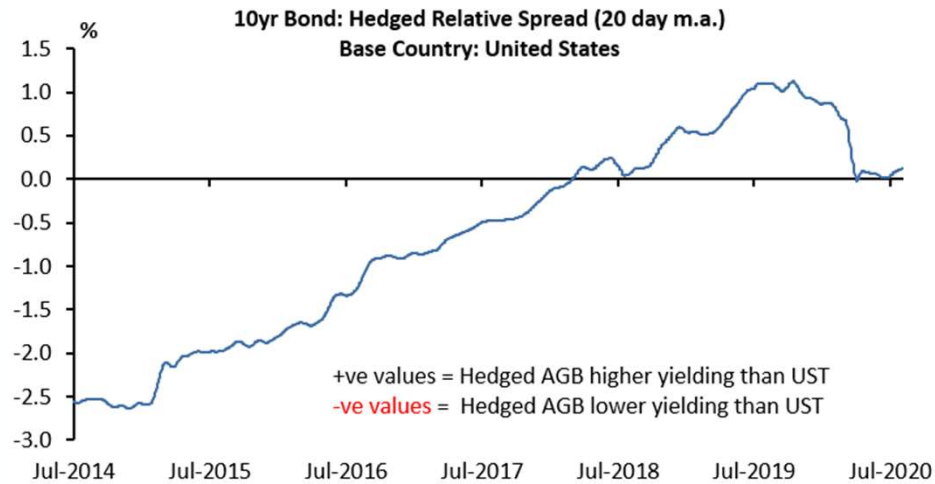
- Recent market changes have resulted in a reversal of the negative yield spreads on AGS relative to US Treasuries. The AGS market will continue to look attractive to other core sovereign markets on an outright and hedged basis for many offshore investors.
- The AGS domestic investor base continues to 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.



Source: Refinitiv, as at 13 August 2020.

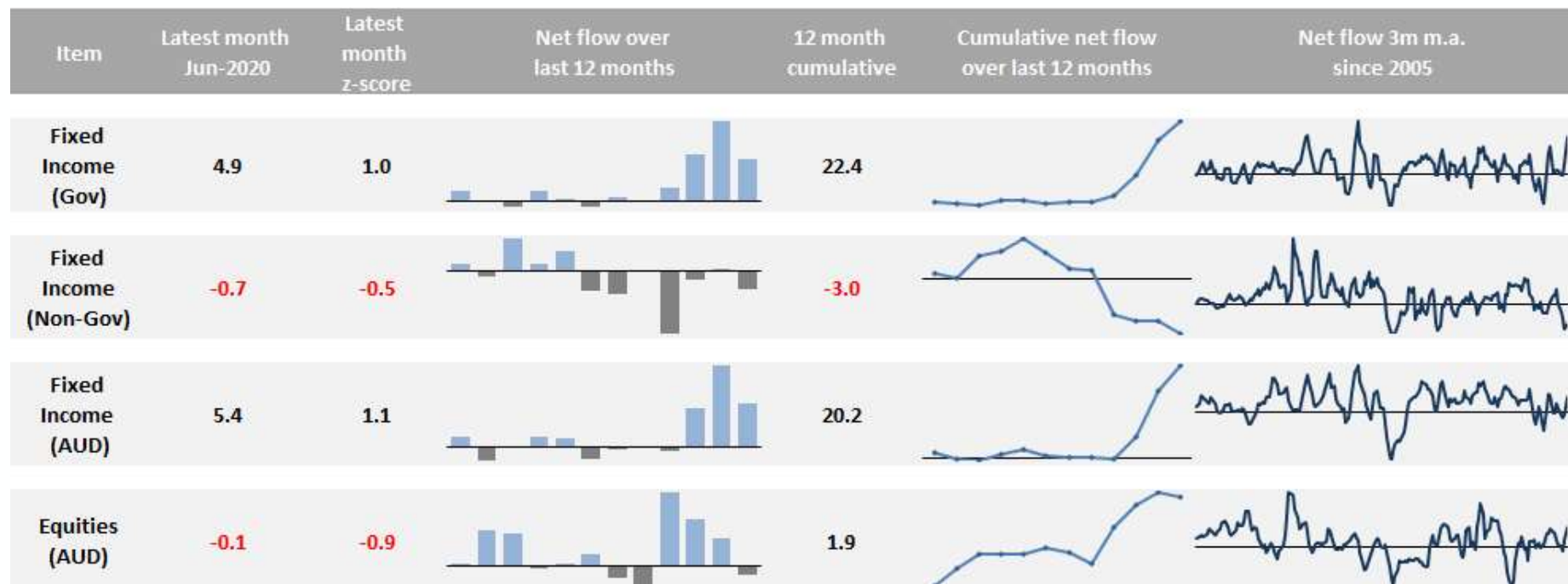
Australian Sovereign bond spreads

Hedged via rolling 3-month fx forwards



Source: Bloomberg, AOFM

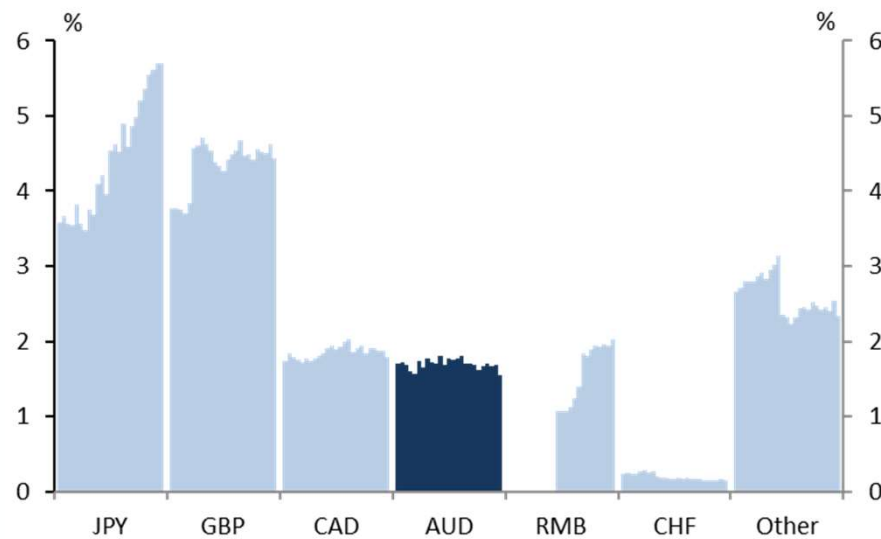
Net capital flow into Australian related entities by Japanese investors (AUD billion)



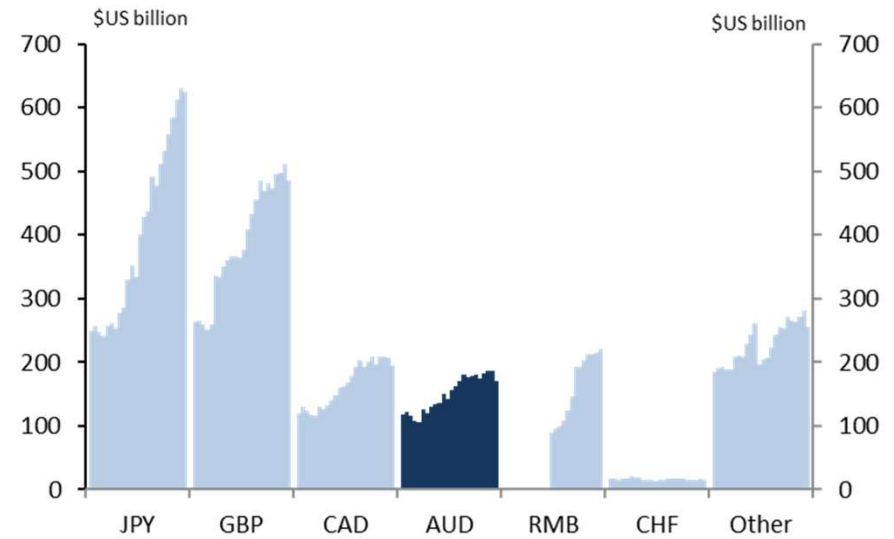
Source: Bank of Japan. Note that 'Fixed Income (Gov)' includes both Australian Government Bonds and semi-government bonds.

Central Bank FX reserve allocation outside of USD & EUR

Q1 2014 to Q1 2020



Proportion of allocated reserves



Value of allocation (USD billions)

Source: IMF COFER database

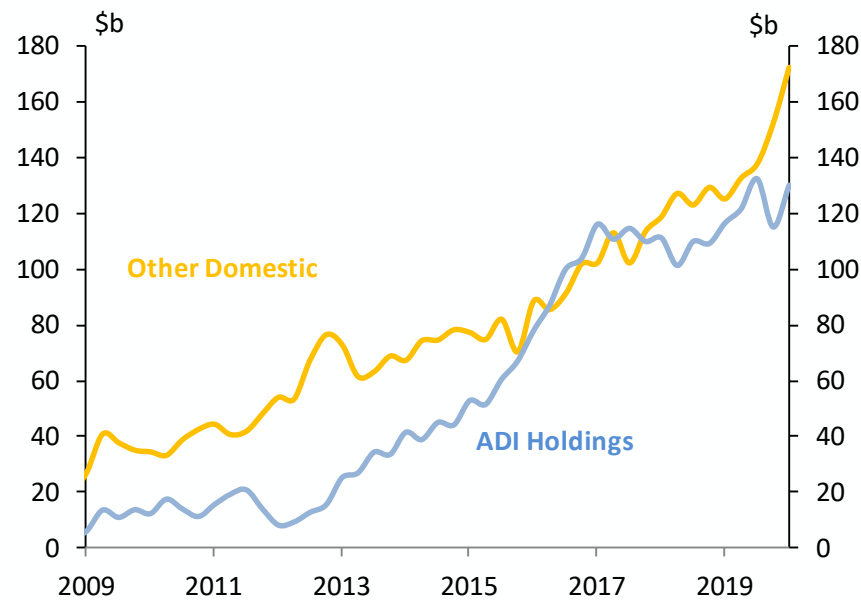
Resident and Non-resident holdings



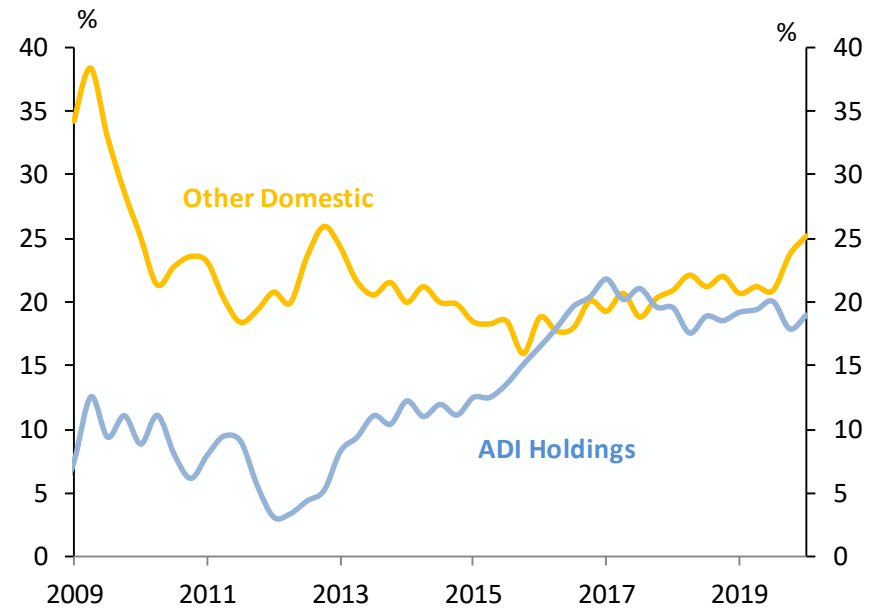
Source: Australian Bureau of Statistics (ABS), AOFM

Domestic bank and non-bank holdings of AGS

Value of Holdings



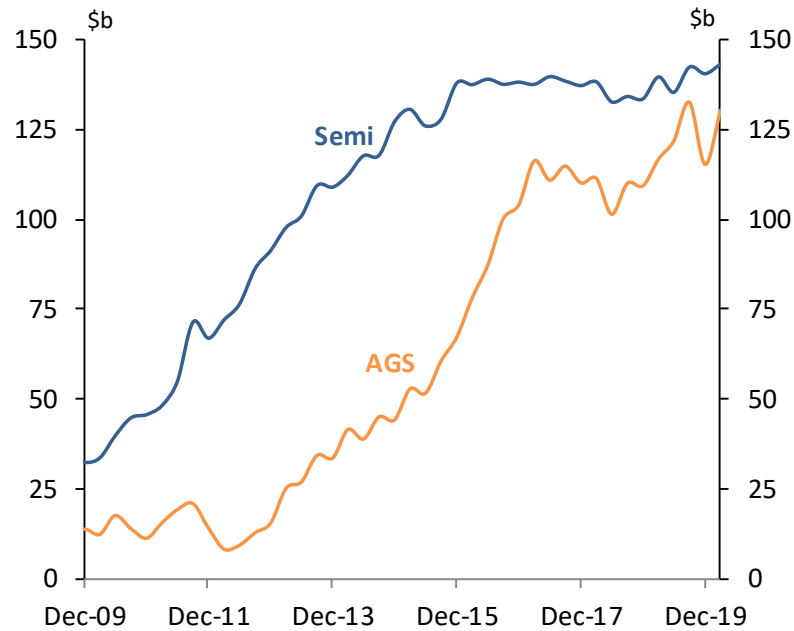
Proportion of AGS Market



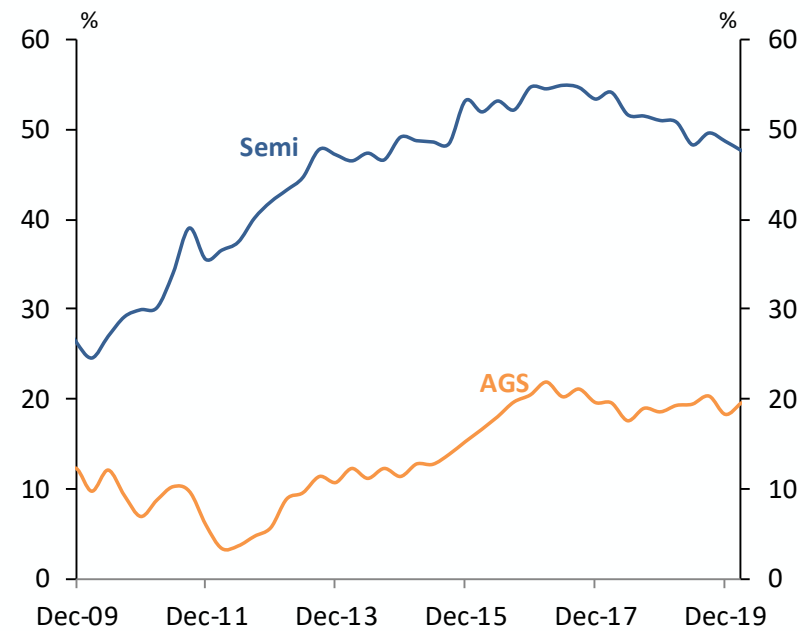
Source: ABS, AOFM, RBA. 'Other Domestic' includes RBA holdings of AGS.

Domestic bank holdings of AGS and semi-government bonds

Value of Holdings



Proportion of Respective Market



Source: Australian Bureau of Statistics

Australian Government Bonds

Treasury Bonds:	Volume Outstanding (AUD)	Yield (%)	Modified Duration
1.75% 21 November 2020	17,721,000,000	0.14	0.26
5.75% 15 May 2021	25,824,324,000	0.21	0.73
2.00% 21 December 2021	16,398,000,000	0.24	1.33
5.75% 15 July 2022	24,762,708,000	0.26	1.83
2.25% 21 November 2022	26,500,000,000	0.27	2.20
5.50% 21 April 2023	34,199,708,000	0.25	2.49
2.75% 21 April 2024	32,900,000,000	0.29	3.49
0.25% 21 November 2024	24,000,000,000	0.36	4.23
3.25% 21 April 2025	32,400,000,000	0.39	4.34
0.25% 21 November 2025	20,000,000,000	0.46	5.20
4.25% 21 April 2026	33,400,000,000	0.49	5.08
4.75% 21 April 2027	29,699,566,000	0.60	5.81
2.75% 21 November 2027	28,000,000,000	0.67	6.60
2.25% 21 May 2028	29,700,000,000	0.73	7.12
2.75% 21 November 2028	29,600,000,000	0.79	7.42
3.25% 21 April 2029	31,999,803,000	0.82	7.61
2.75% 21 November 2029	30,900,000,000	0.86	8.22
2.50% 21 May 2030	33,400,000,000	0.89	8.68
1.00% 21 December 2030	23,000,000,000	0.94	9.75
1.50% 21 June 2031	22,500,000,000	0.96	9.96
1.25% 21 May 2032	16,200,000,000	1.01	10.85
4.50% 21 April 2033	14,300,000,000	1.03	10.11
2.75% 21 June 2035	7,750,000,000	1.21	12.37
3.75% 21 April 2037	12,000,000,000	1.34	12.93
3.25% 21 June 2039	9,100,000,000	1.48	14.60
2.75% 21 May 2041	6,600,000,000	1.58	16.11
3.00% 21 March 2047	13,300,000,000	1.71	19.05
1.75% 21 June 2051	15,000,000,000	1.80	23.43
Total:	641,155,109,000		Portfolio: 6.7
Treasury Indexed Bonds:	Volume Outstanding (AUD)	Yield (%)	Modified Duration
4.00% 20 August 2020	2,061,005,000	-1.71	0.01
1.25% 21 February 2022	6,840,106,000	-0.09	1.50
3.00% 20 September 2025	7,592,722,000	-0.55	4.78
0.75% 21 November 2027	5,250,000,000	-0.50	7.12
2.50% 20 September 2030	5,342,720,000	-0.48	9.14
2.00% 21 August 2035	4,100,000,000	-0.31	13.39
1.25% 21 August 2040	3,650,000,000	-0.14	18.09
1.00% 21 February 2050	3,850,000,000	-0.01	26.19
Total:	38,686,553,000		Portfolio: 9.2

Source: AOFM, Refinitiv. As at 14 August 2020.

Australian Government Securities are exempt from non-resident Interest Withholding Tax.

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.



Further information



Website: www.aofm.gov.au

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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*)

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

"0#AUILB=YBAU" or "0#AUTSYIL=" (*TIBs*)

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

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