



Australian Government
Australian Office of Financial Management

AOFM

AGS Investor Chart Pack - MYEFO 2021-22 Update

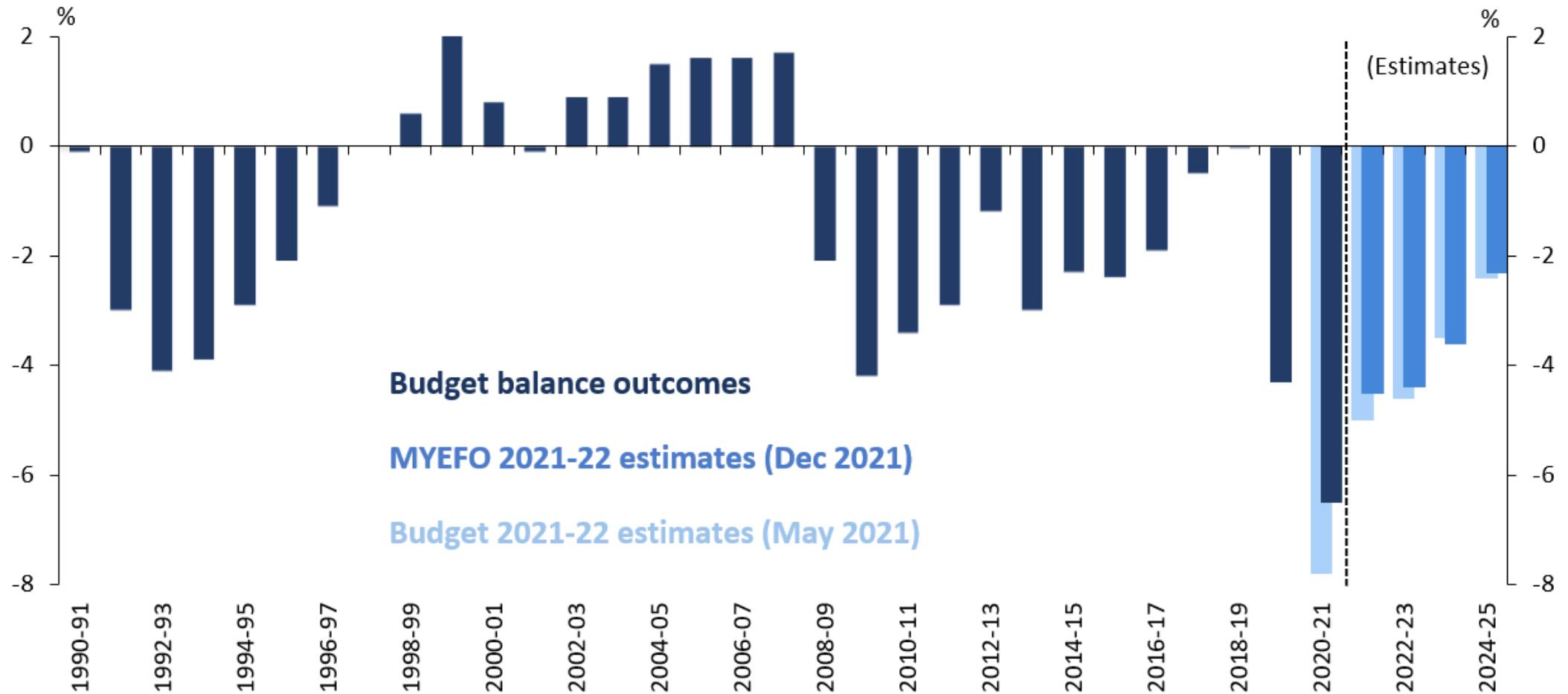
Australian Office of Financial Management

January 2022

Australia's budget balance

Underlying cash balance per cent of GDP

The underlying cash balance (UCB) in 2020-21 was a deficit of 6.5 per cent of GDP (Budget 2021-22 forecast was 7.8 per cent). The deficit in 2021-22 is expected to be 4.5 percent compared to 5 per cent forecast at Budget 2021-22. This improvement has occurred despite the COVID Delta variant lockdowns in early 2021-22. The deficit is expected to improve across the forward estimates to 2.3 per cent of GDP in 2024-25.

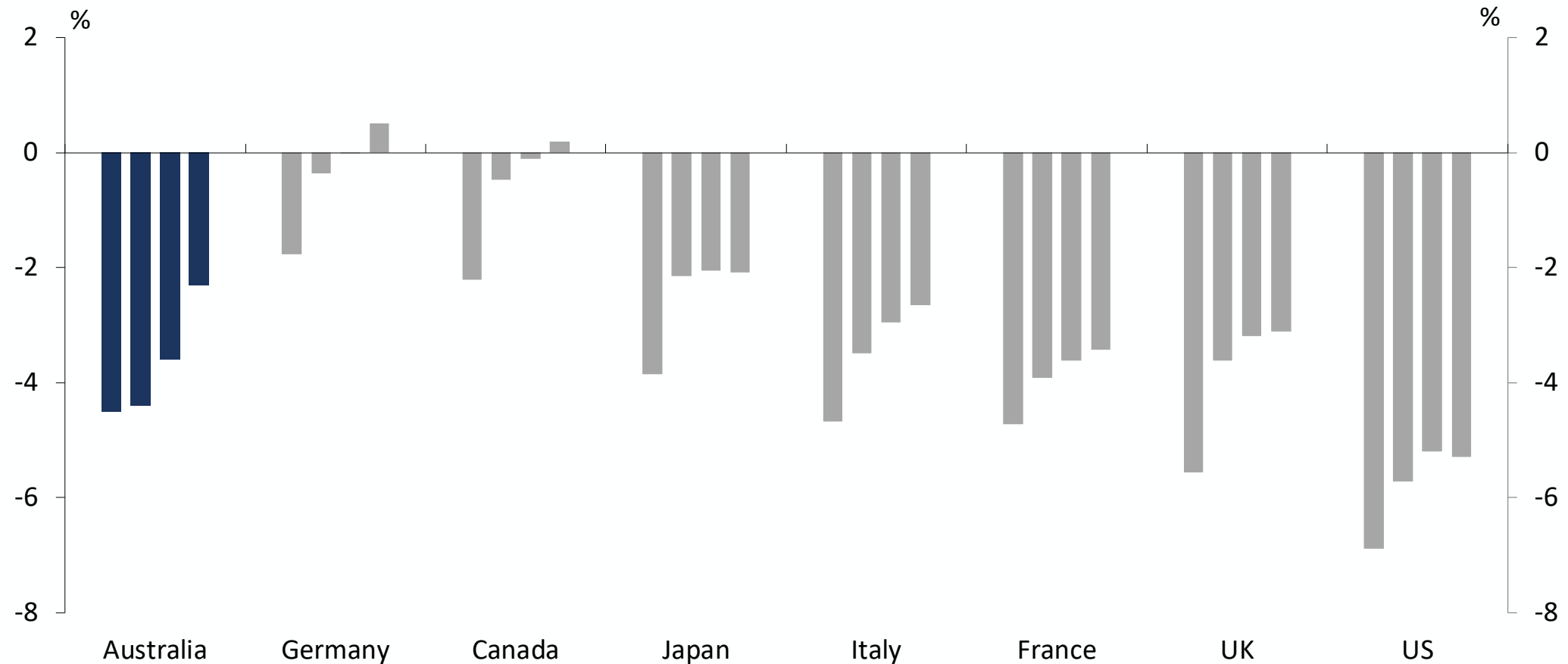


Source: Treasury – MYEFO 2021-22

Comparison of government budget balances

2021 to 2024 (forecast) per cent of GDP for G7 and Australia

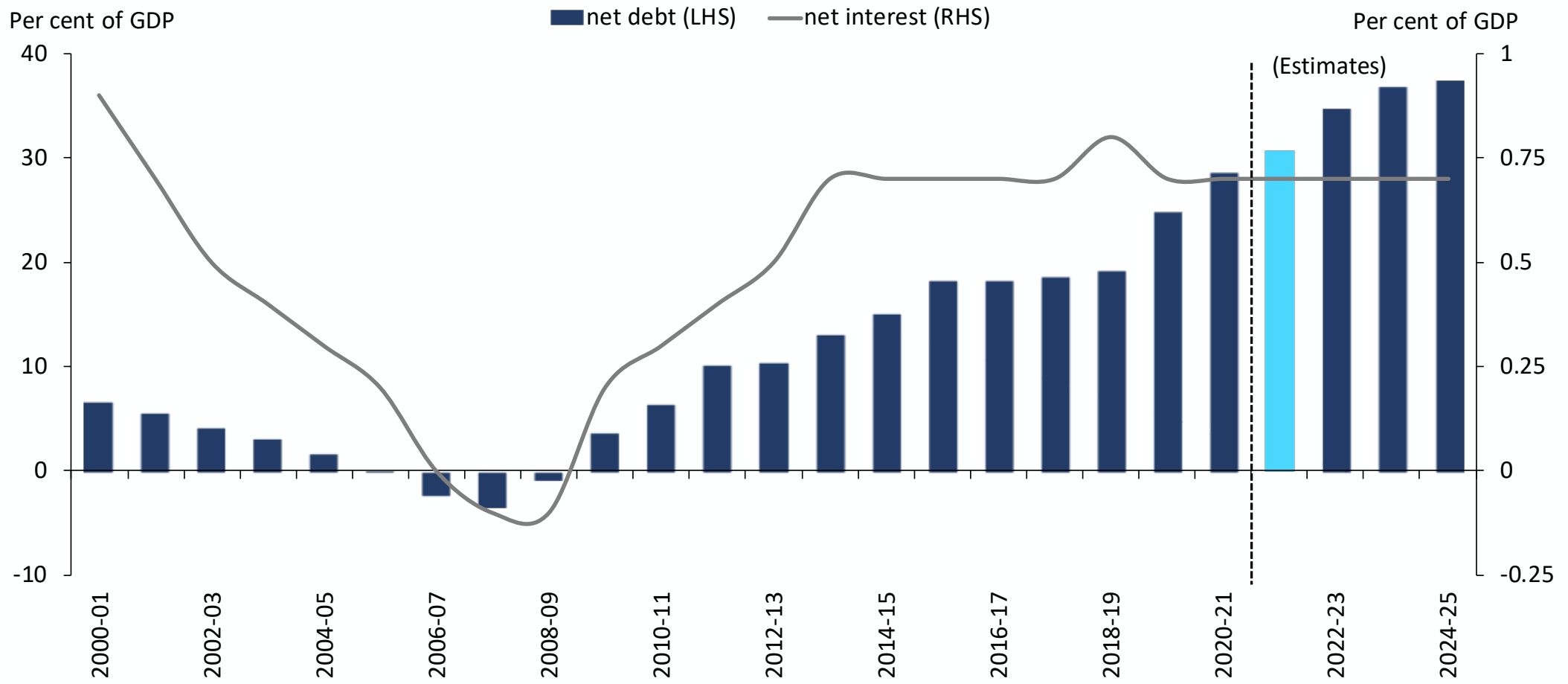
The Australian Government entered the pandemic with the budget in balance and is managing the impact of the pandemic from the position of having started the task with a strong balance sheet. Post-crisis, the balance sheet position is forecast to continue exhibiting relatively low net debt by global standards (see Charts 3 and 4).



Note: Australian data are for the Australian Government general government sector for financial years 2021-22 to 2024-25
Source: Treasury –MYEFO 2021-22, IMF Fiscal Monitor October 2021.

Australia's net debt position

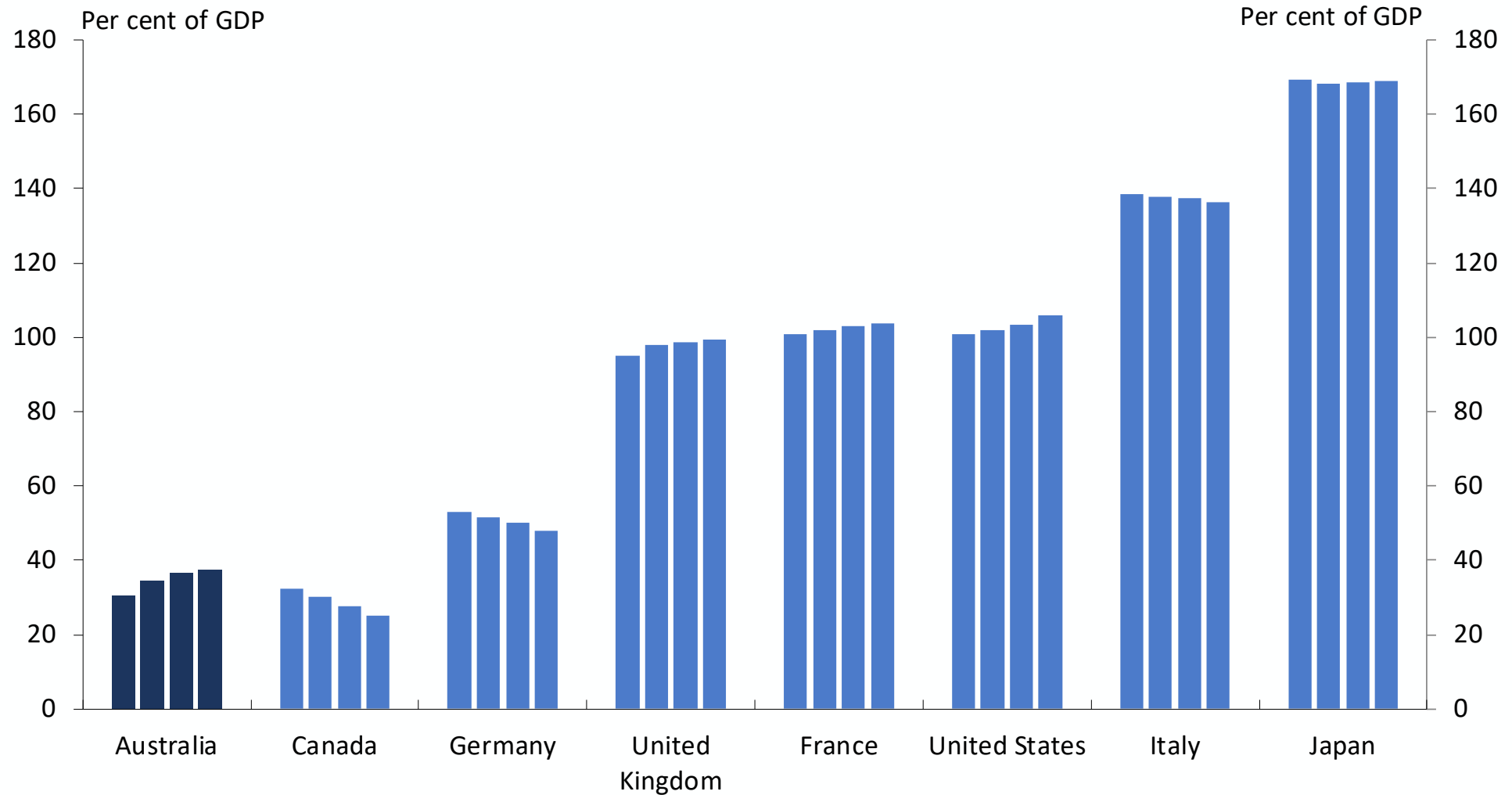
Net debt is forecast to be 30.6 per cent of GDP at end of 2021-22 (light blue bar) and is expected to peak at 37.4 per cent of GDP at the end of 2024-25, below the 40.9 per cent peak estimated at the 2021-22 Budget. Although net debt has increased since the onset of the pandemic, net interest payments are expected to remain low (0.7 per cent of GDP over the forward estimates).



Source: Treasury – MYEFO 2021-22

Comparison of government net debt

2021 to 2024 (forecast) for G7 and Australia



Note: Australian data are for the Australian Government general government sector for financial years commencing 2021-22. Data for all other countries are for total government and refer to calendar years commencing 2021.

Source: Treasury – MYEFO 2021-22, IMF Fiscal Monitor October 2021

Australian Government Securities

Three instruments available

Treasury Bonds

Amount Outstanding

\$778.8 billion

28 lines on issue

Average line size is \$27.8 billion

Maturities range from 2022 to 2051

Gross Issuance 2021-22 (F)

Around \$105 billion

Treasury Indexed Bonds

Amount Outstanding

\$41.2 billion

8 lines on issue

Average line size is \$5.2 billion

Maturities range from 2022 to 2050

Gross Issuance 2021-22 (F)

Around \$5-5.5 billion

Treasury Notes

Amount Outstanding

\$35.0 billion

6 lines on issue

Average line size is \$5.8 billion

Maturities can range up to 12 months

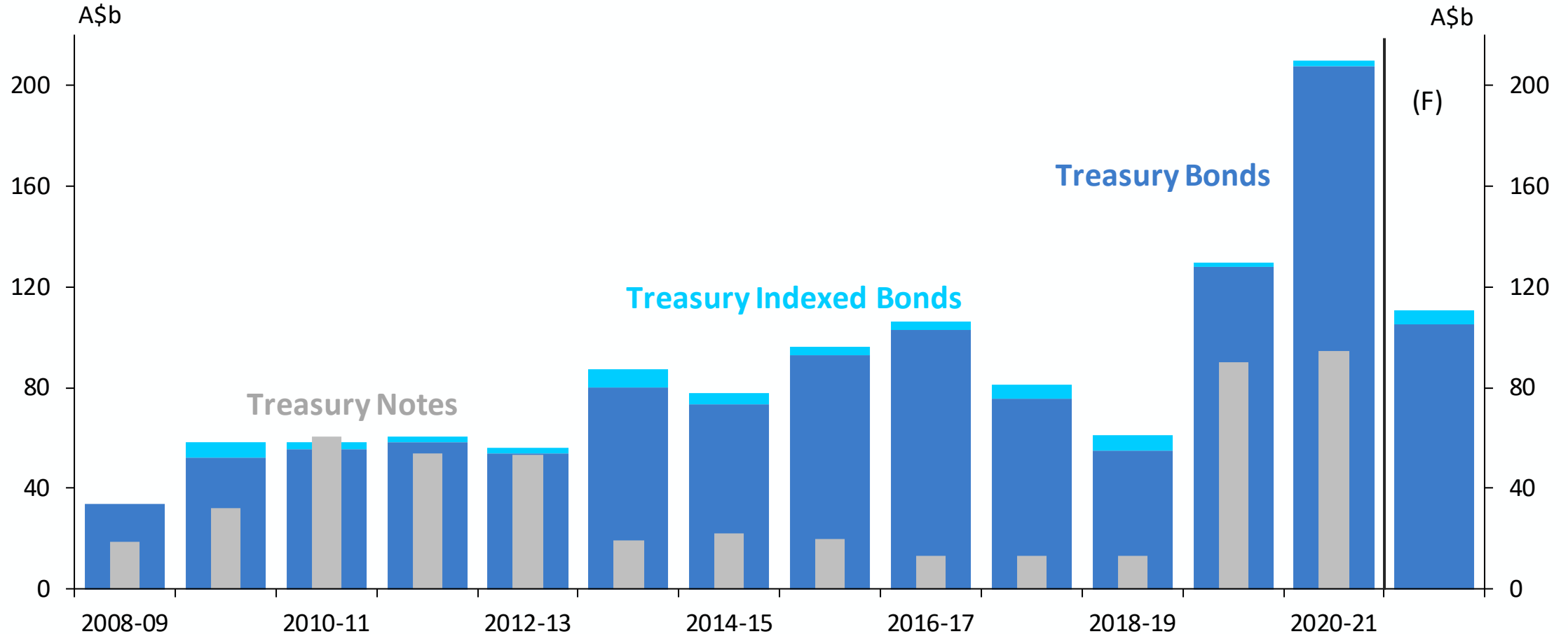
Further information

- Issuance of Treasury Bonds for 2021-22 has been revised to around \$105 billion (of which \$44.3 billion has been completed as of 7 January 2022).
- A new November 2033 Treasury Bond will be issued by syndication in the final quarter of 2021-22 (subject to market conditions).
- Planned issuance of Treasury Indexed Bonds is \$5-5.5 billion (of which \$4.1 billion has been completed). Two tenders will be held most months.
- Regular issuance of Treasury Notes will continue. Weekly issuance volumes will depend on the timing and size of government receipts and outlays and the AOFM's assessment of its cash portfolio requirements.

Note: Figures are as at 7 January 2022. 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

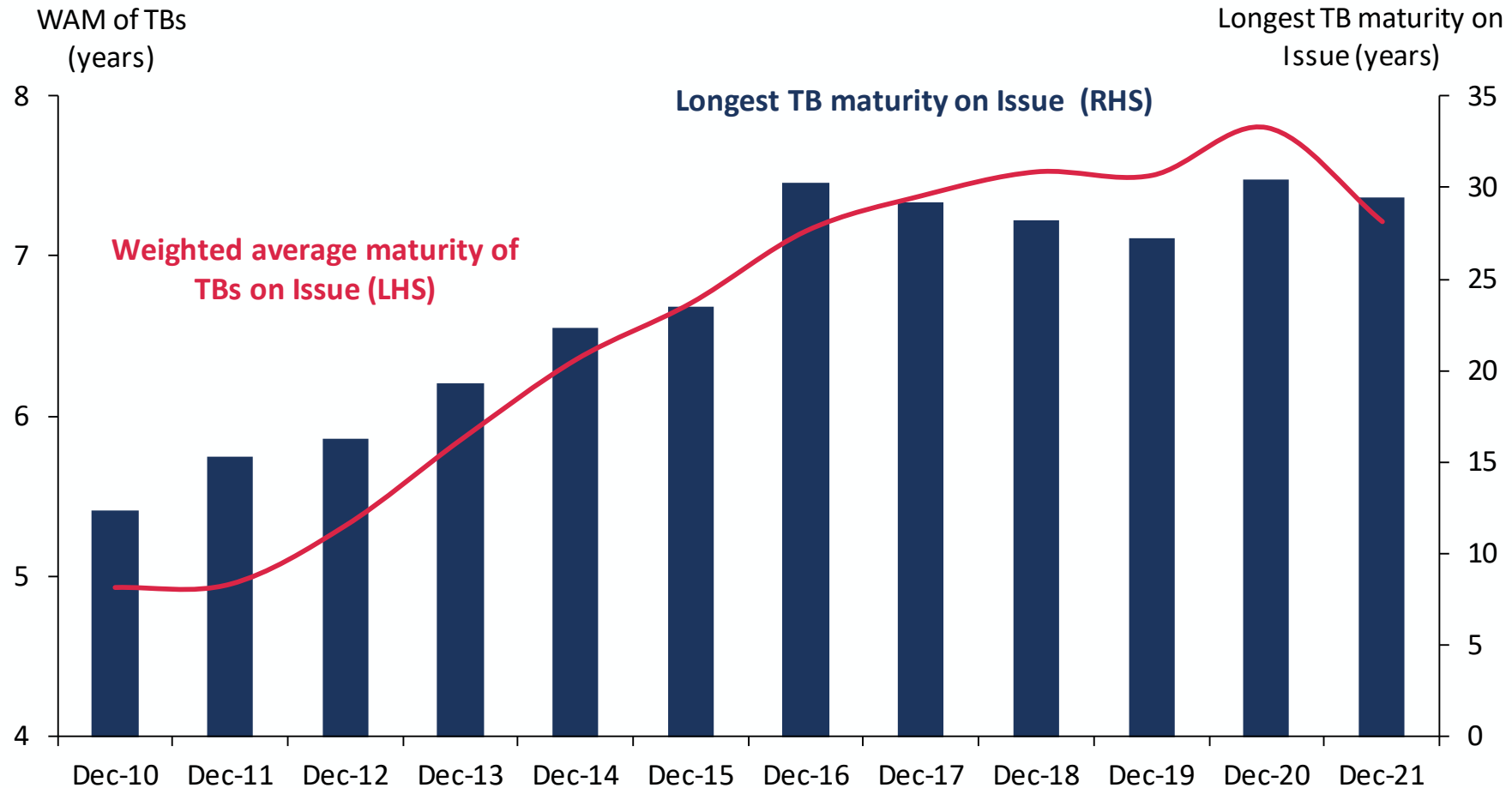
Gross Issuance



Source: AOFM. Forecast issuance of Treasury Notes is not available. Actual Treasury Note issuance will vary depending on the flows of Government expenditure and receipts.

Treasury Bond curve

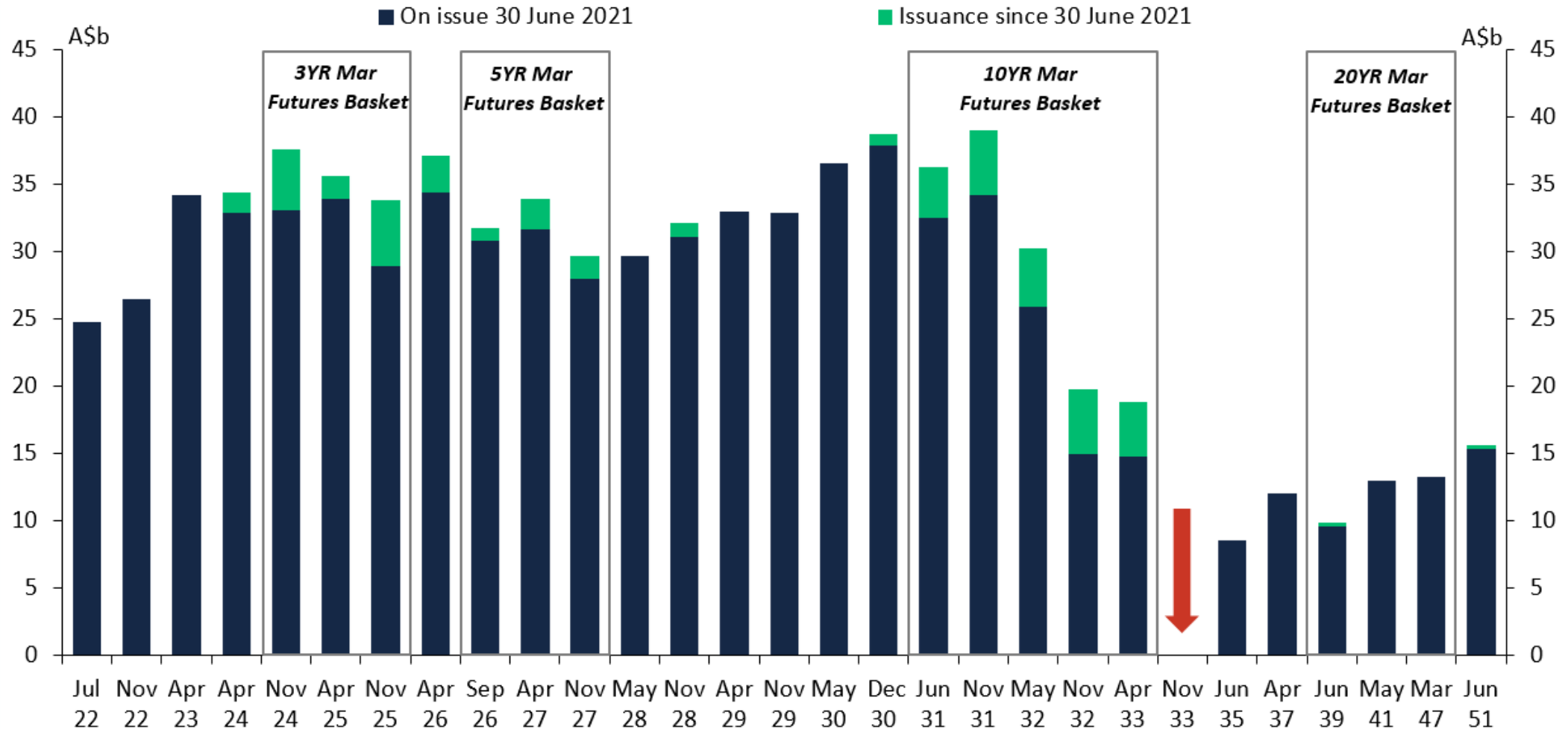
Over the last ten years the AOFM has gradually lengthened the Treasury Bond yield curve to 30 years and increased the average term to maturity of the portfolio. That process is broadly complete, with the AOFM focused on maintaining the 30-year benchmark and continuing to support ultra-long maturities through issuance into existing lines.



Source: AOFM

Treasury Bonds on issue

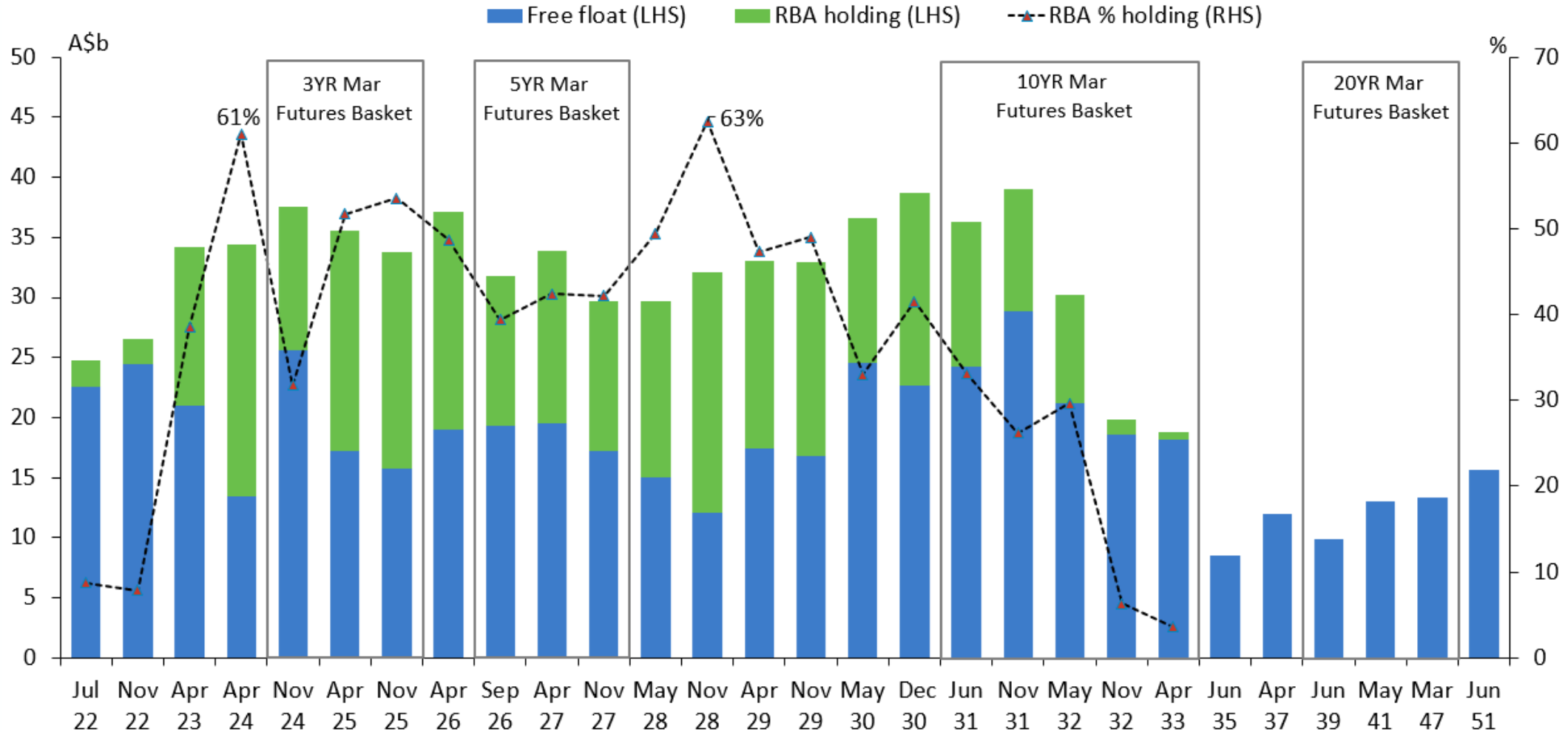
The AOFM will continue to use the most liquid (high-demand) parts of the yield curve to support the bulk of planned issuance, while supporting other parts of the market by responding to demand and issuing in appropriate volumes. A new November 2033 Treasury Bond will be issued by syndication in the final quarter of 2021-22 (subject to market conditions).



Source: AOFM. As at 7 January 2022.

Treasury Bonds on issue

The RBA currently holds around 35 per cent of Treasury Bonds on issue. The AOFM will continue to monitor liquidity conditions in individual lines and can respond by issuing into lines if appropriate.



Source: AOFM, RBA. As at 7 January 2022.

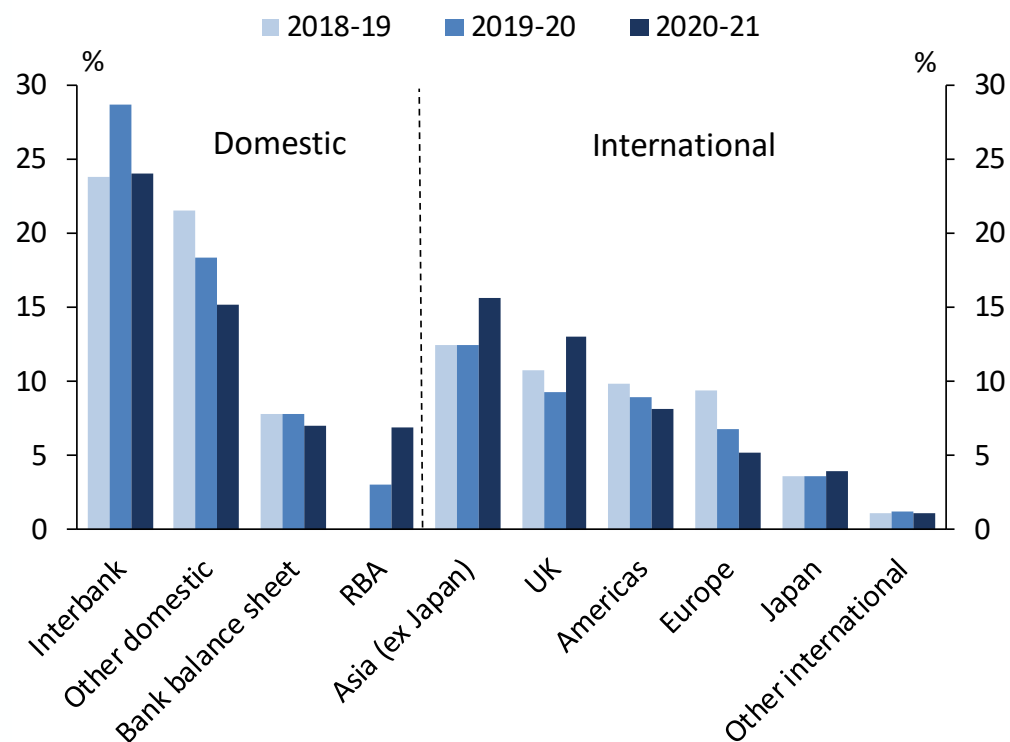
Turnover – Treasury Bonds

Liquidity in the AGS market remains supportive – particularly around the 3- and 10-year futures baskets. Trading between AGS intermediaries is strong which provides confidence to support investors when banks need to ‘short’ lines to provide liquidity.

Total turnover A\$2.10 trillion (2020-21)

A\$1.54 trillion (2019-20)

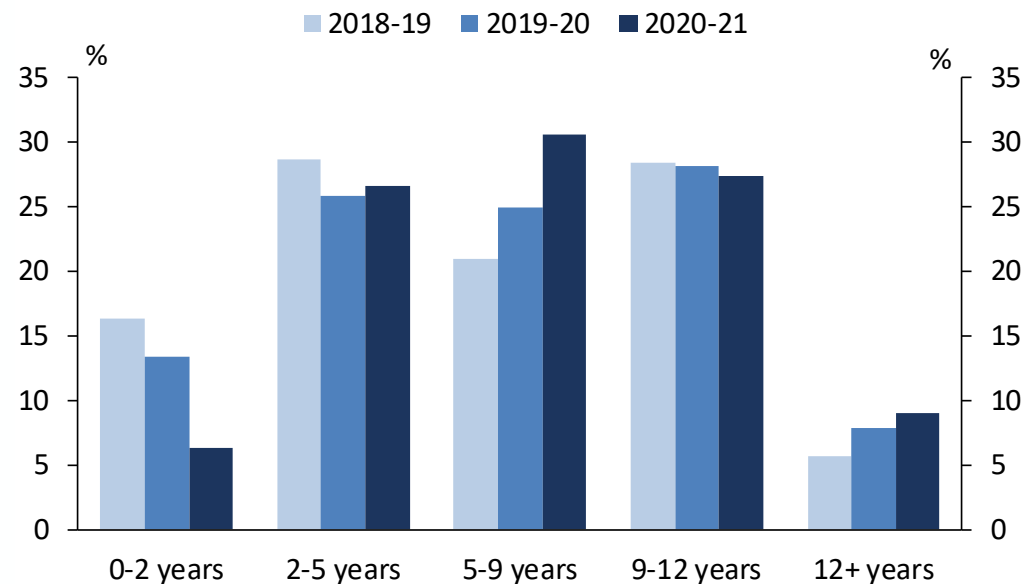
Turnover by category (per cent)



Monthly average A\$175 billion (2020-21)

A\$129 billion (2019-20)

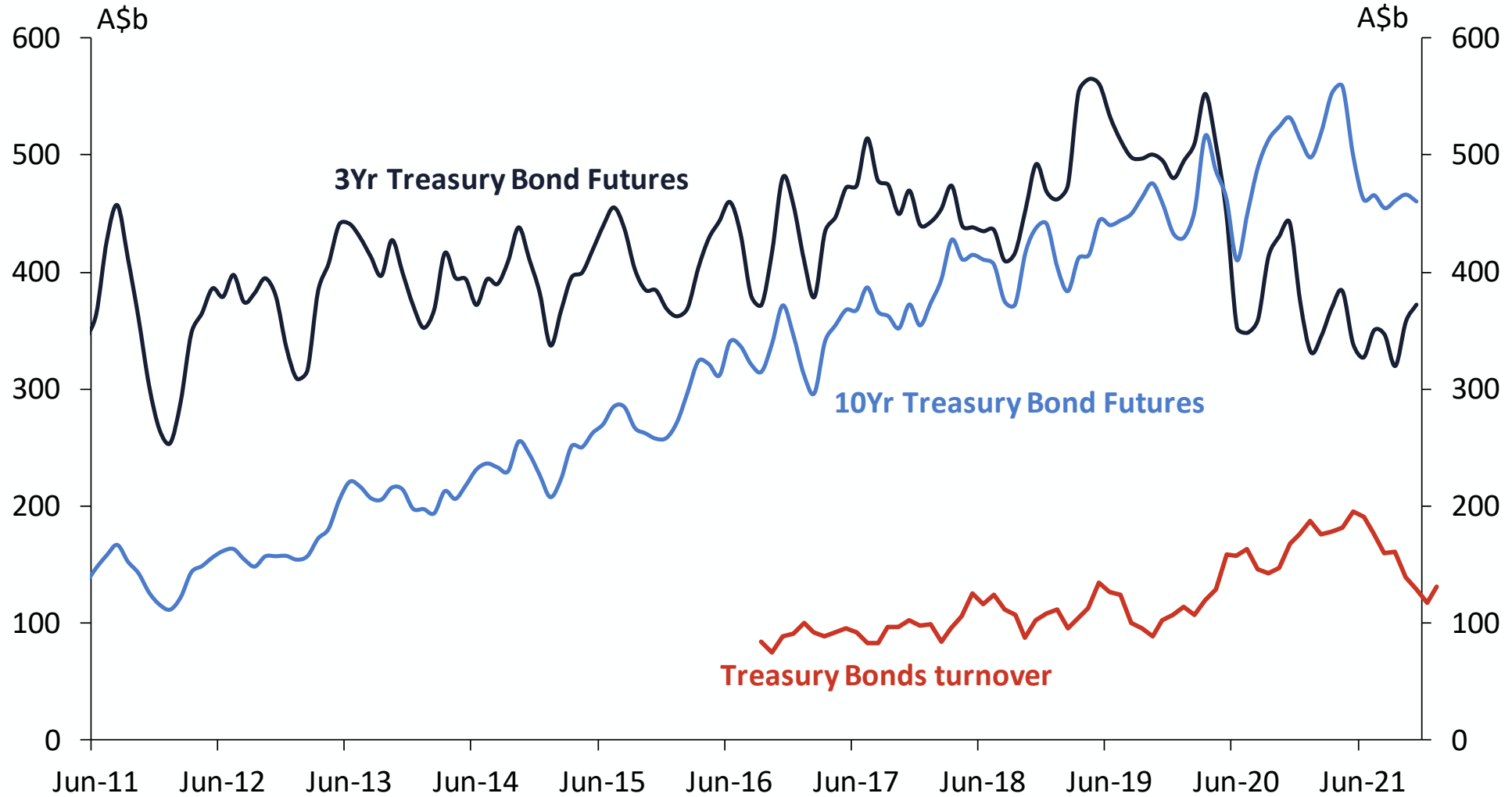
Turnover by tenor (per cent)



Source: AOFM. The AOFM relies on data provided by survey respondents and cannot guarantee the accuracy of this data

Treasury Bond futures market activity

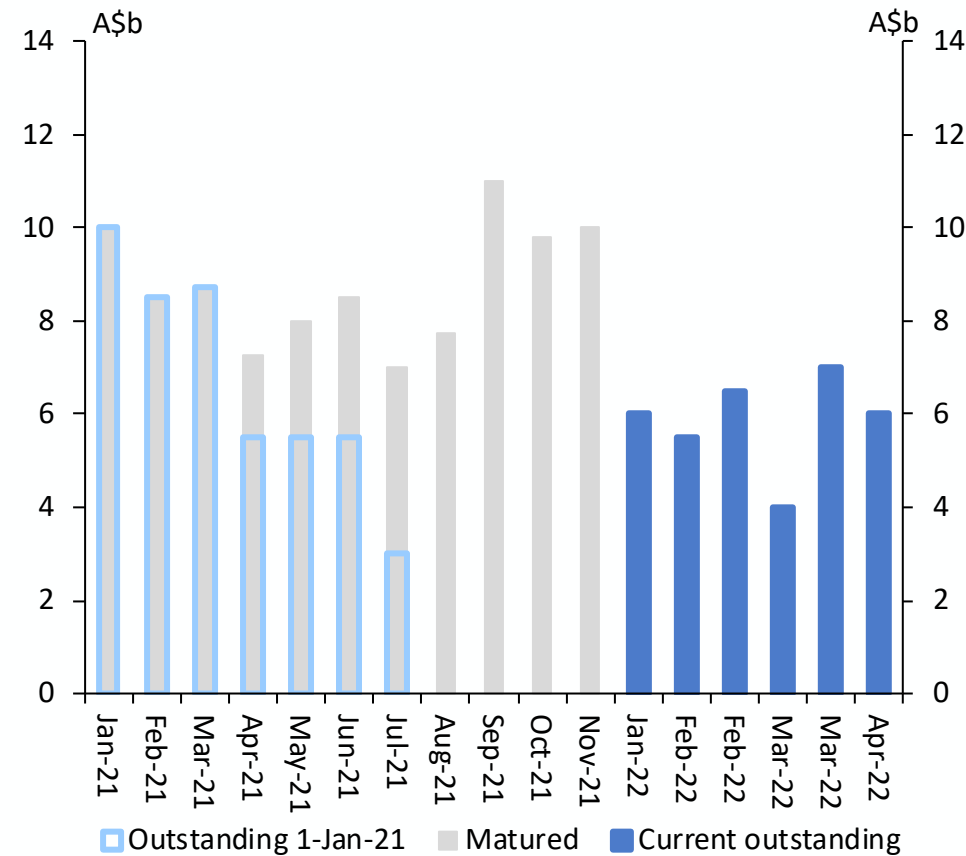
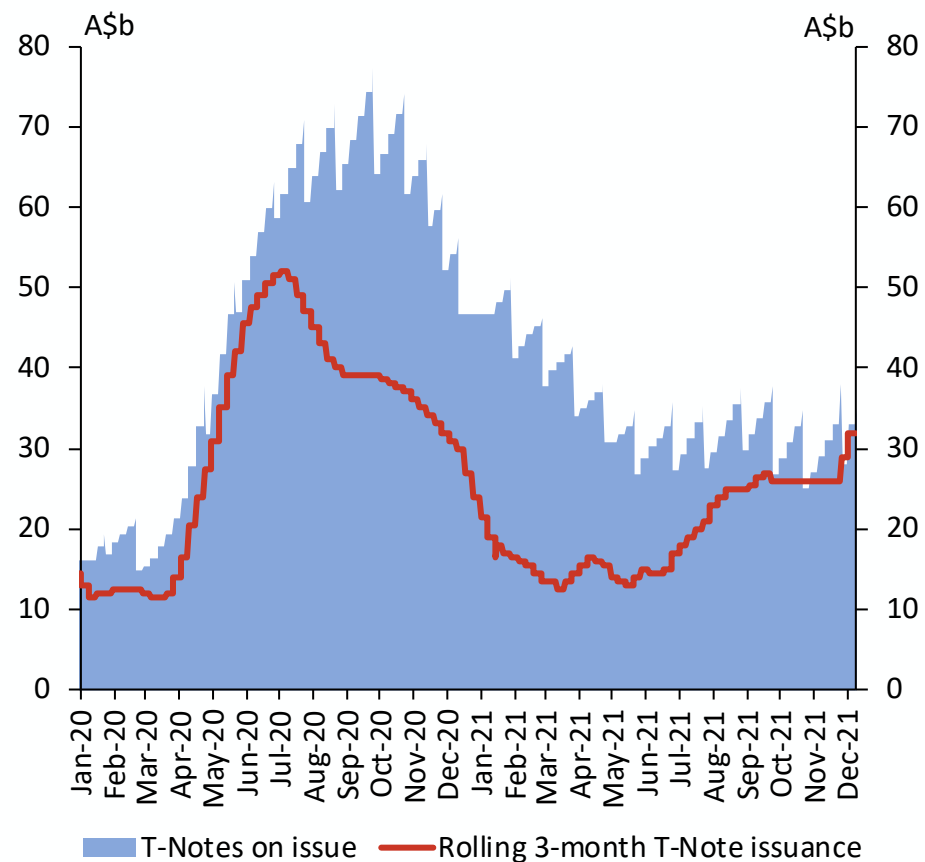
Monthly turnover (3m M.A.)



Source: ASX, Refinitiv, AOFM

Issuance of Treasury Notes

Regular issuance of Treasury Notes will continue. Weekly issuance volumes will depend on the timing and size of government receipts and outlays and the AOFM's assessment of its cash portfolio requirements.

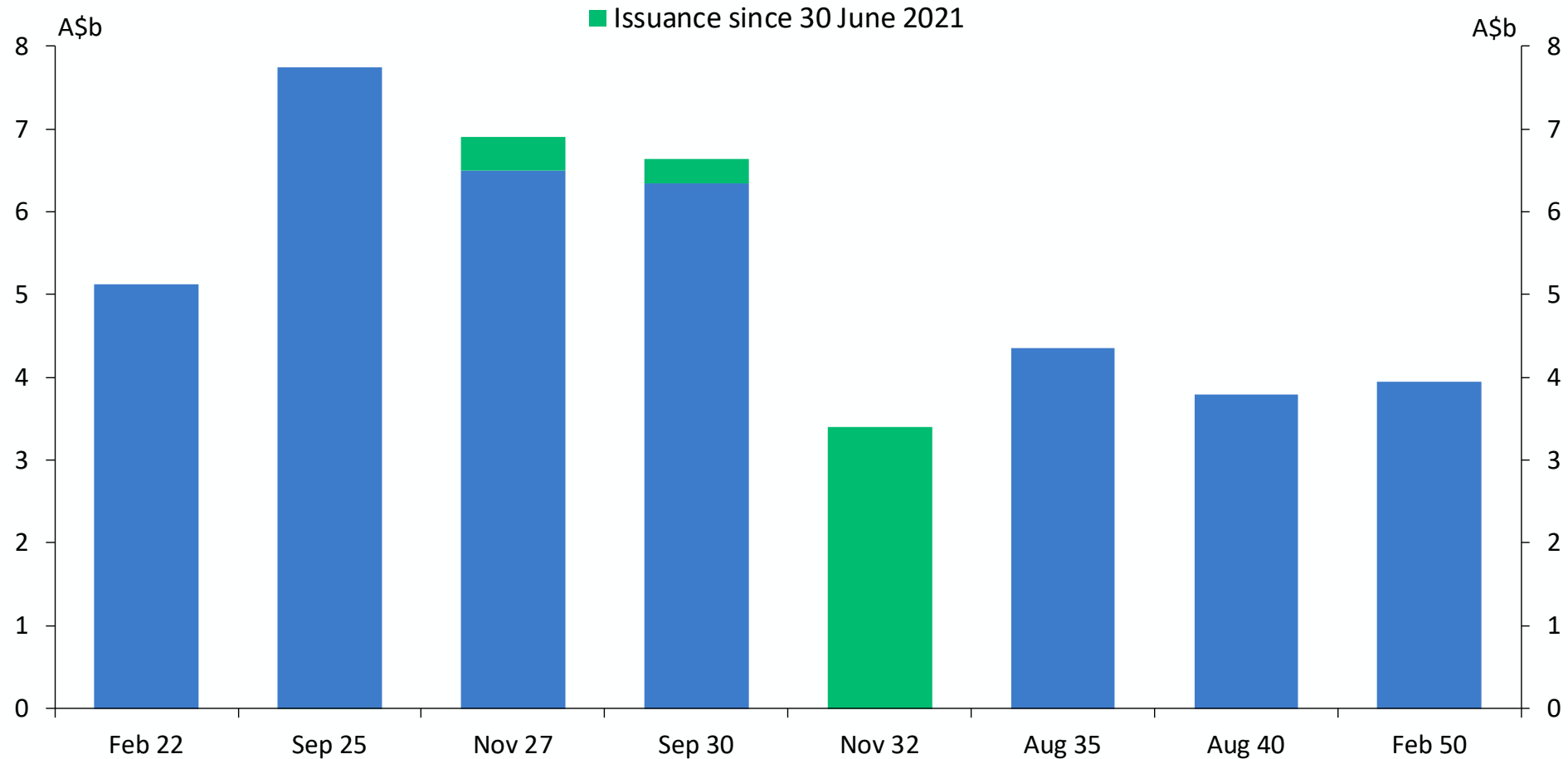


Source: AOFM

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, and will continue to issue to support this market. This means that prevailing market conditions and appropriate tender volumes will remain important determinants of issuance decisions. Regular issuance supply will be maintained.



Source: AOFM. As at 7 January 2022.

Turnover – Treasury Indexed Bonds

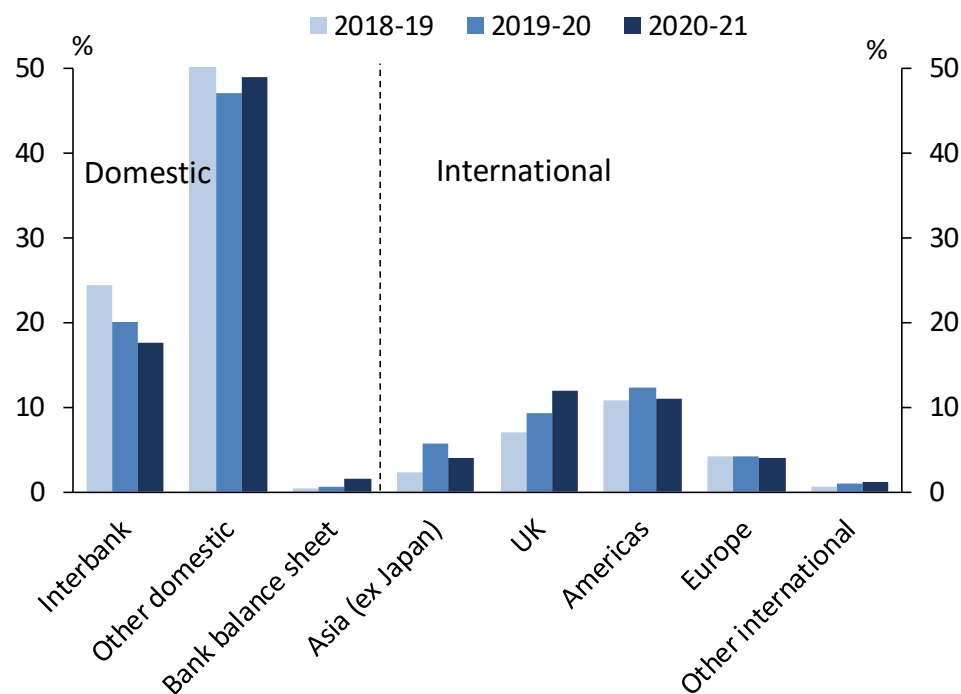
Total turnover A\$58 billion (2020-21)

A\$49 billion (2019-20)

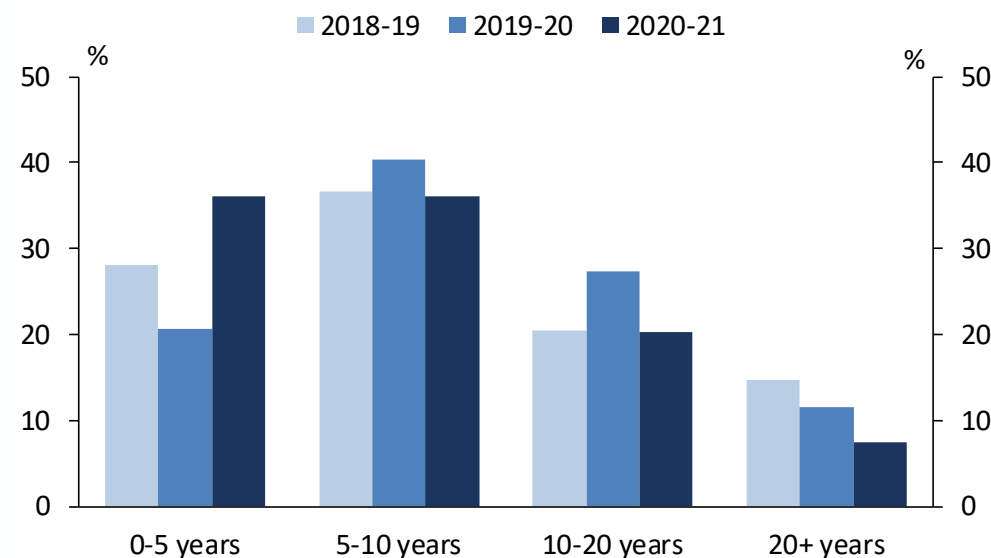
Monthly average A\$4.8 billion (2020-21)

A\$4.0 billion (2019-20)

Turnover by category (per cent)



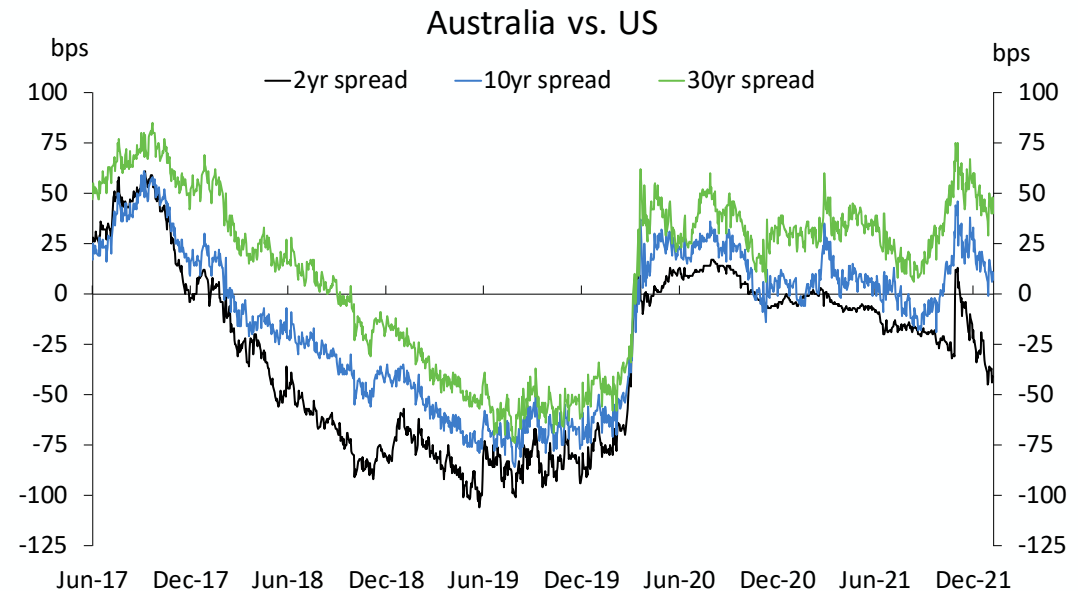
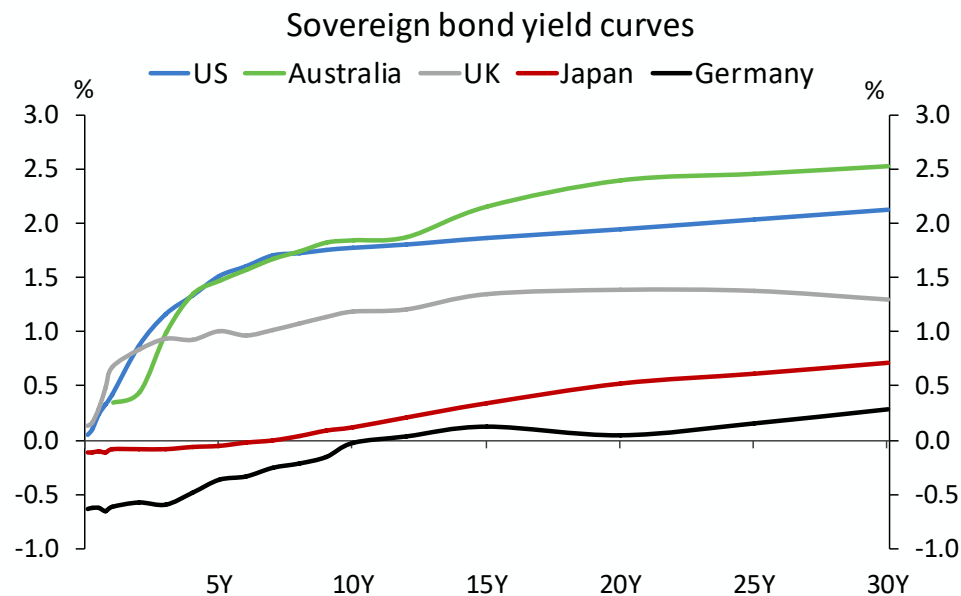
Turnover by tenor (per cent)



Source: AOFM. The AOFM relies on data provided by survey respondents and cannot guarantee the accuracy of this data

Australian sovereign bond spreads

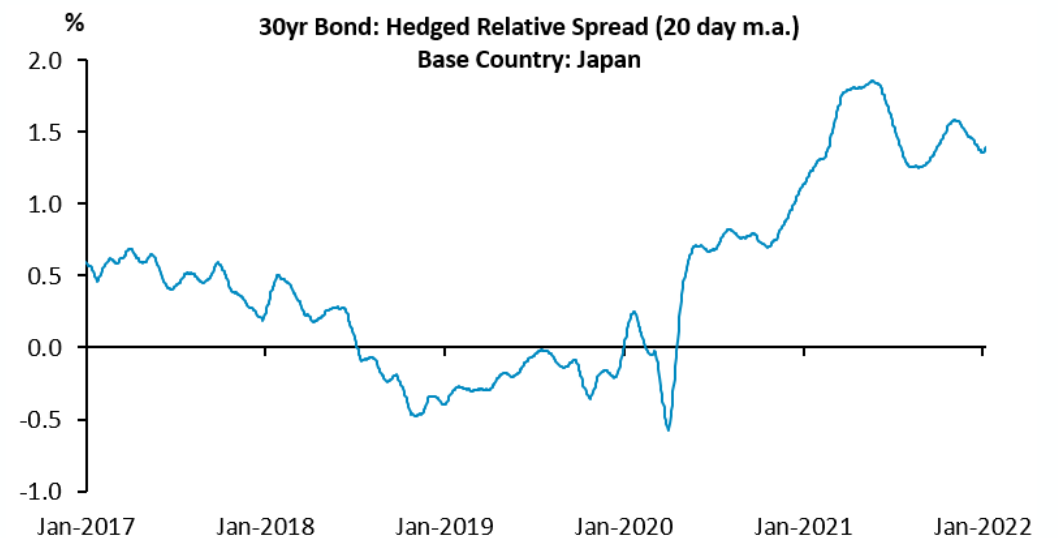
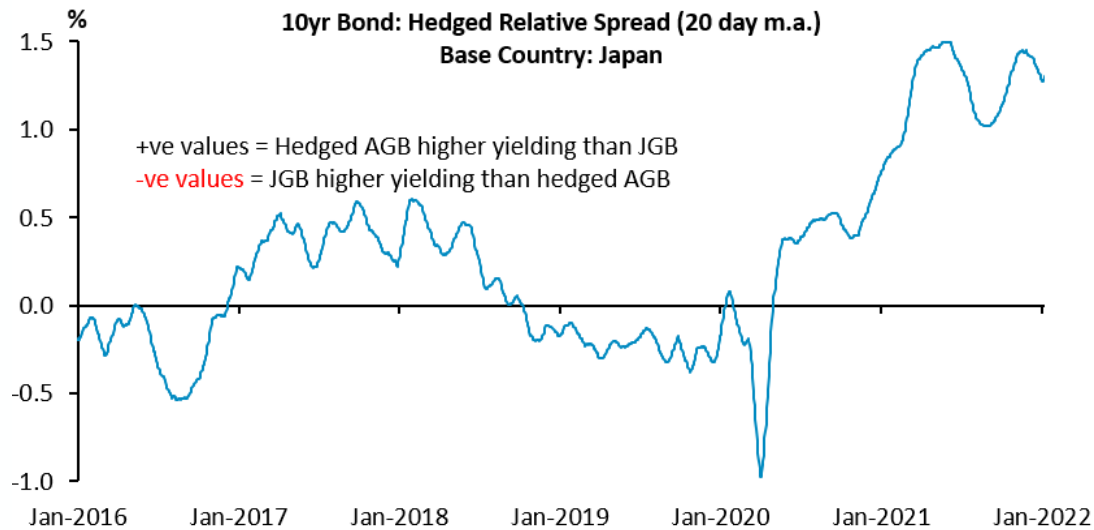
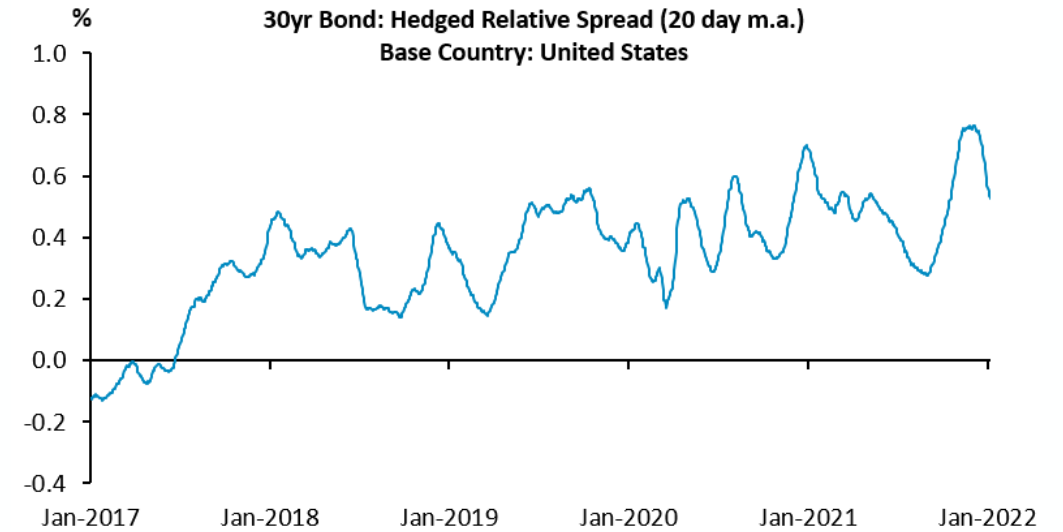
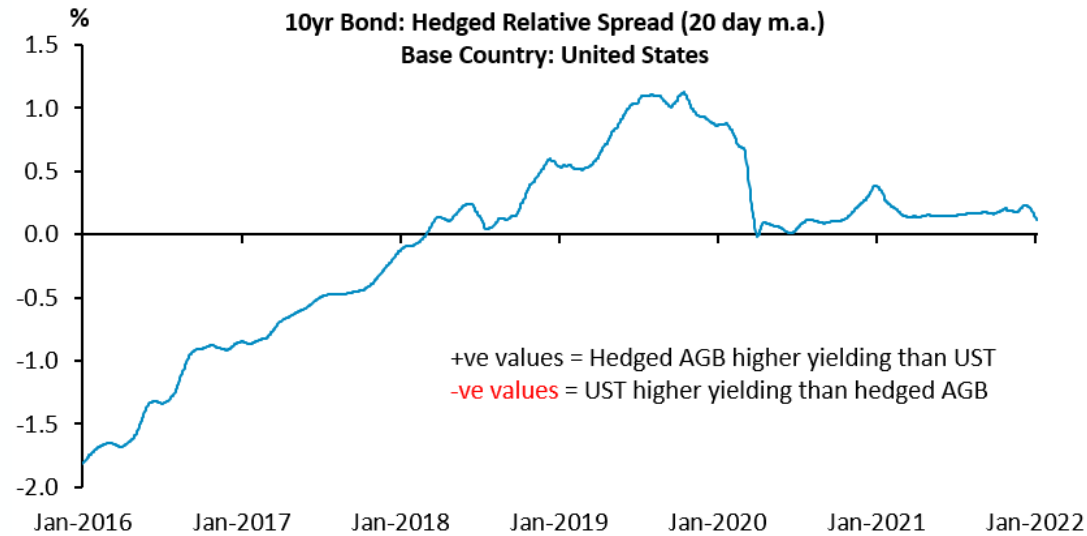
- The AGS market continues to look attractive compared to other core sovereign markets on an outright and hedged basis from an offshore investor perspective.
- The AGS domestic investor base primarily comprises bank balance sheets and fund manager allocations, with the RBA also a significant holder of AGS.



Source: Refinitiv, as at 11 January 2021.

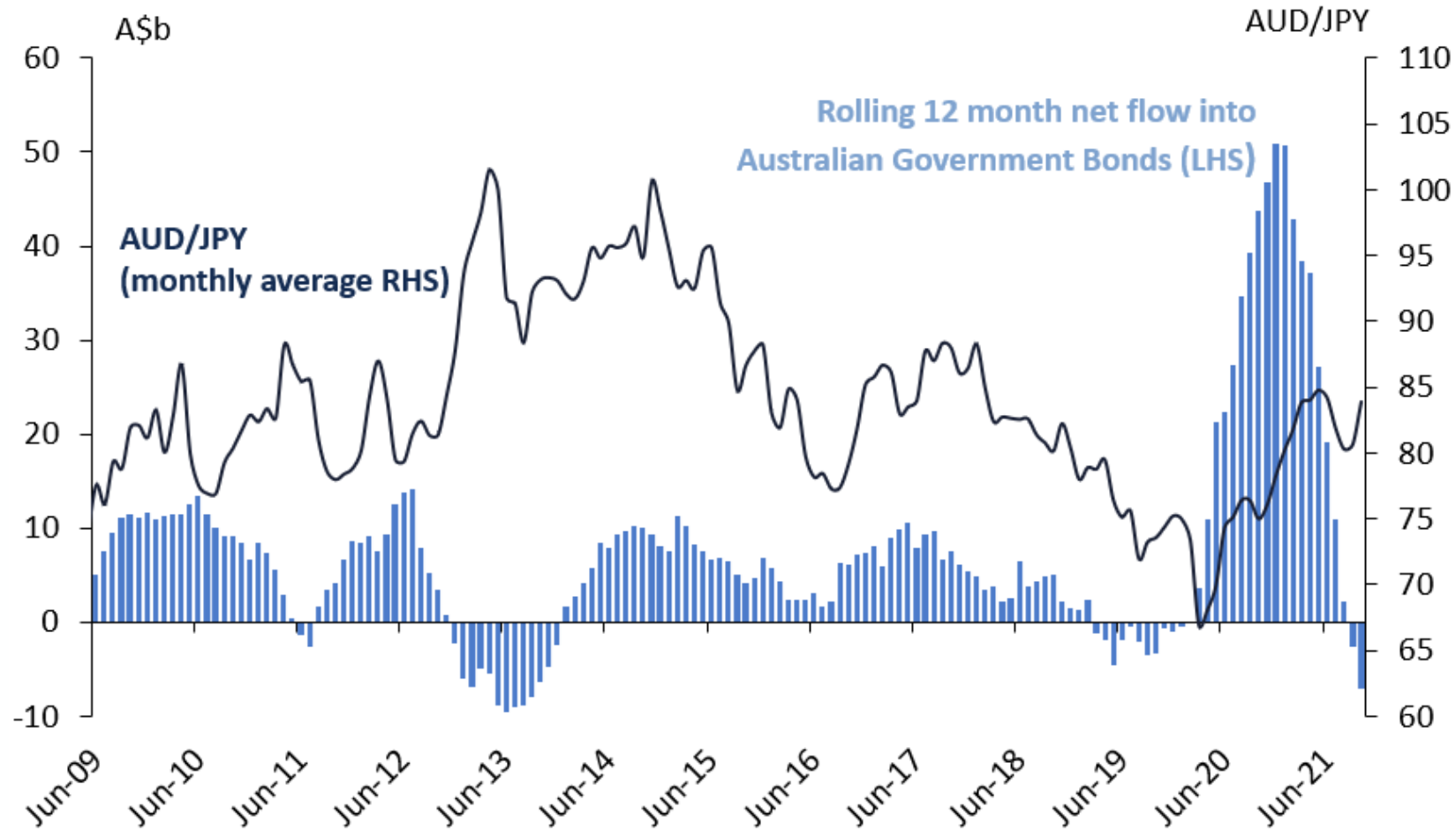
Australian sovereign bond spreads

Hedged via rolling 3m fx forwards



Source: Bloomberg, AOFM

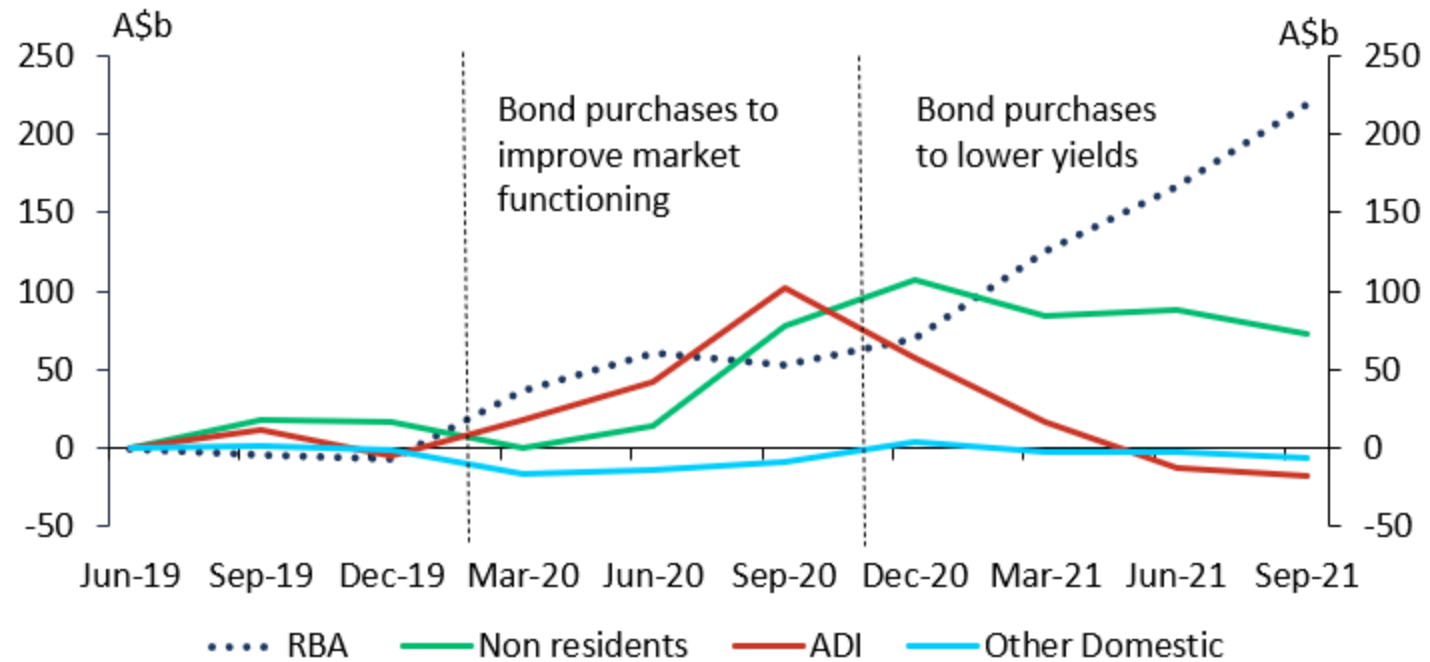
Net capital flow into Australian government bonds by Japanese investors (AUD billion)



Source: Japan Ministry of Finance, Bloomberg. Data includes both AGS and semi government bonds.

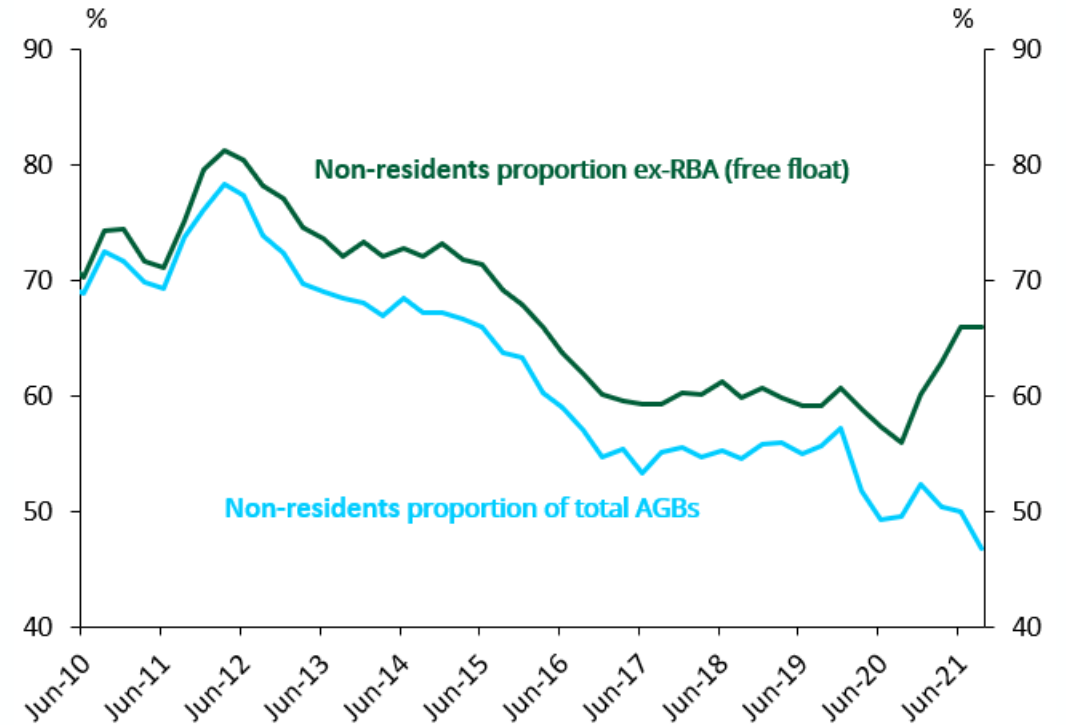
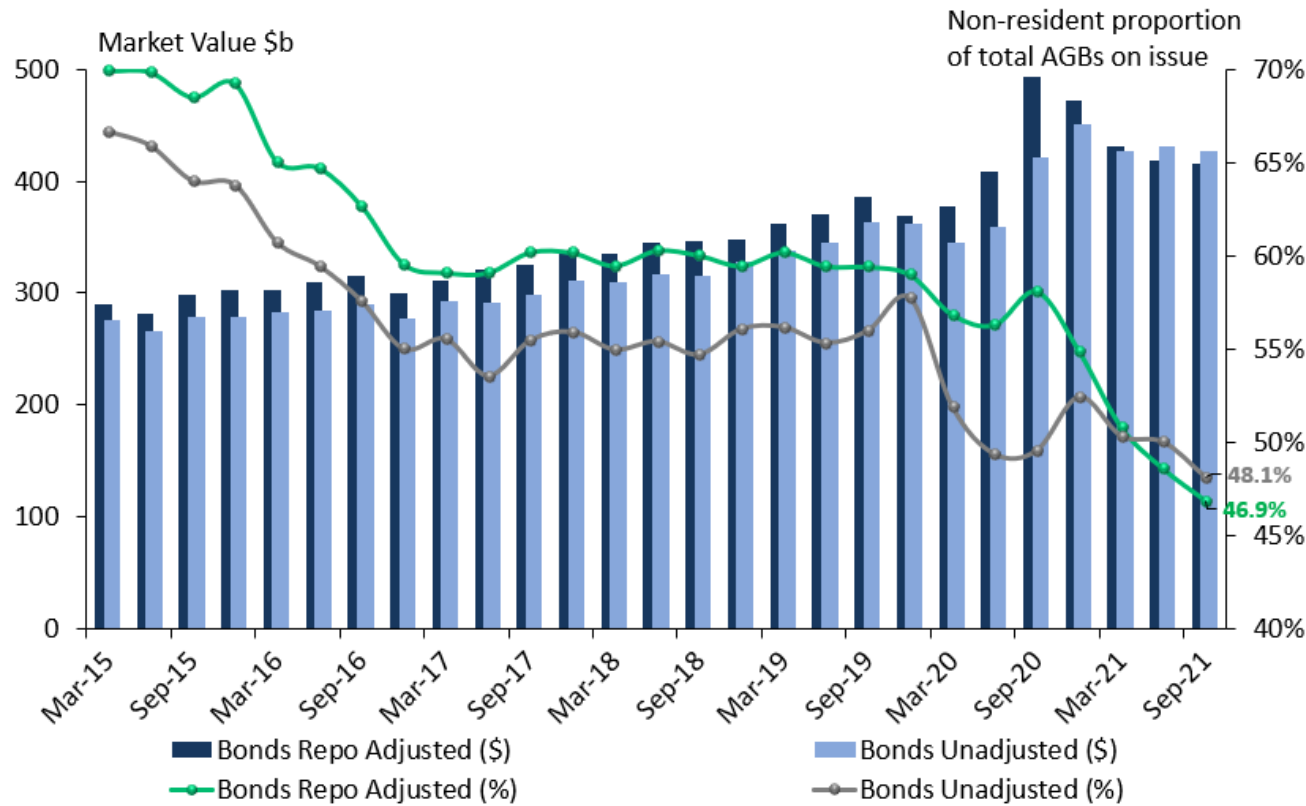
Shift in investor holdings of Australian government bonds

Since the RBA commenced its broad bond purchase program in late 2020, ADIs have reduced Treasury Bond holdings to the greatest extent, either by participating directly in RBA tenders or indirectly via intermediaries. In contrast non-resident holdings have fallen only marginally in outright terms (since late 2020), although this is more complex to understand given the influences of foreign exchange and cross-sovereign market yield variations.



Source: ABS, AOFM.

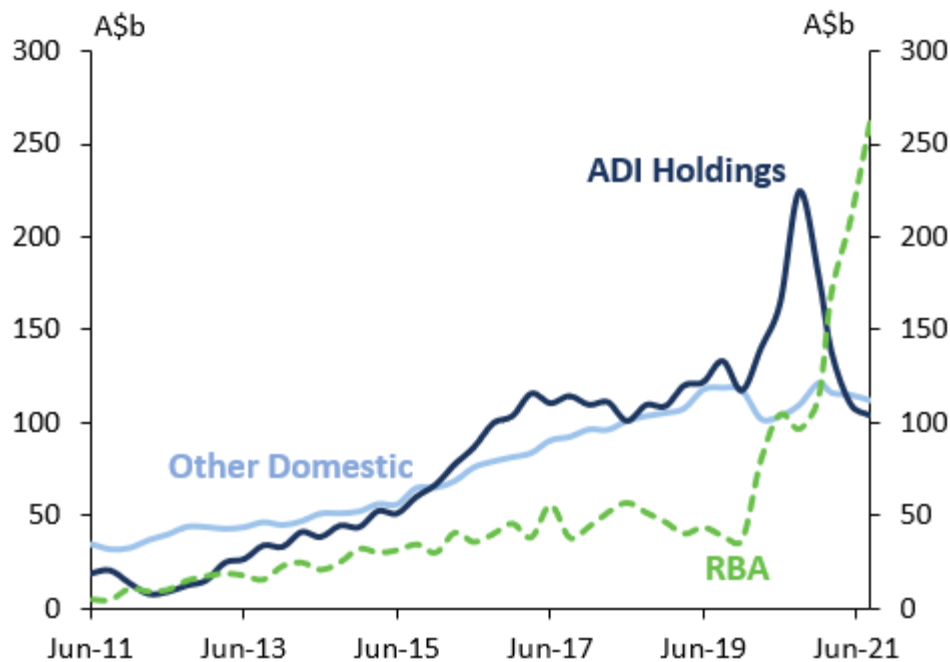
Non-resident holdings of AGBs



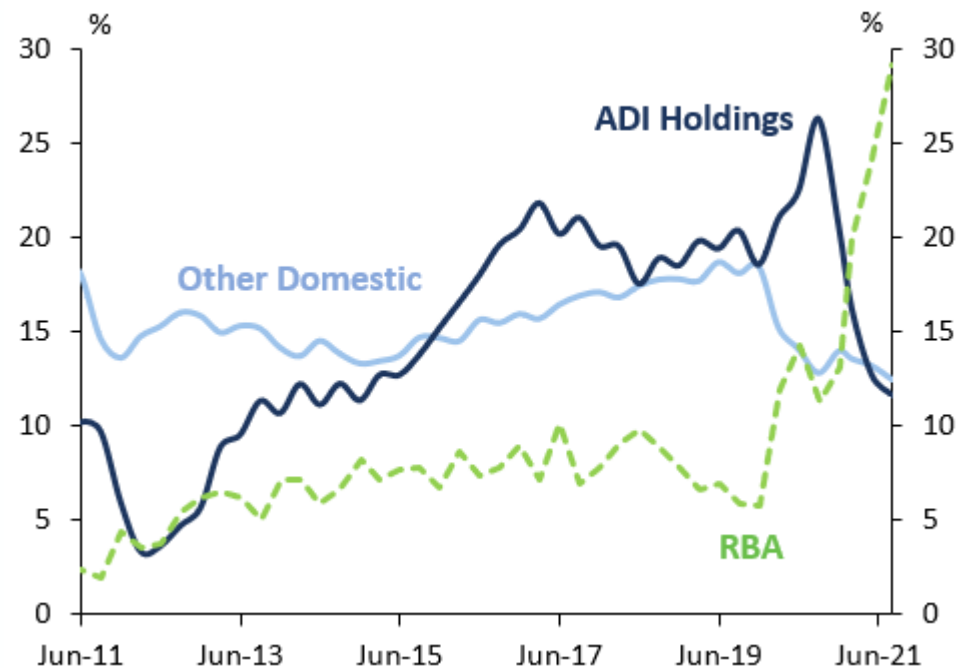
Source: Australian Bureau of Statistics (ABS), RBA, AOFM. AGBs are Treasury Bonds and Treasury Indexed Bonds.

Domestic bank and non-bank holdings of AGBs

Value of Holdings

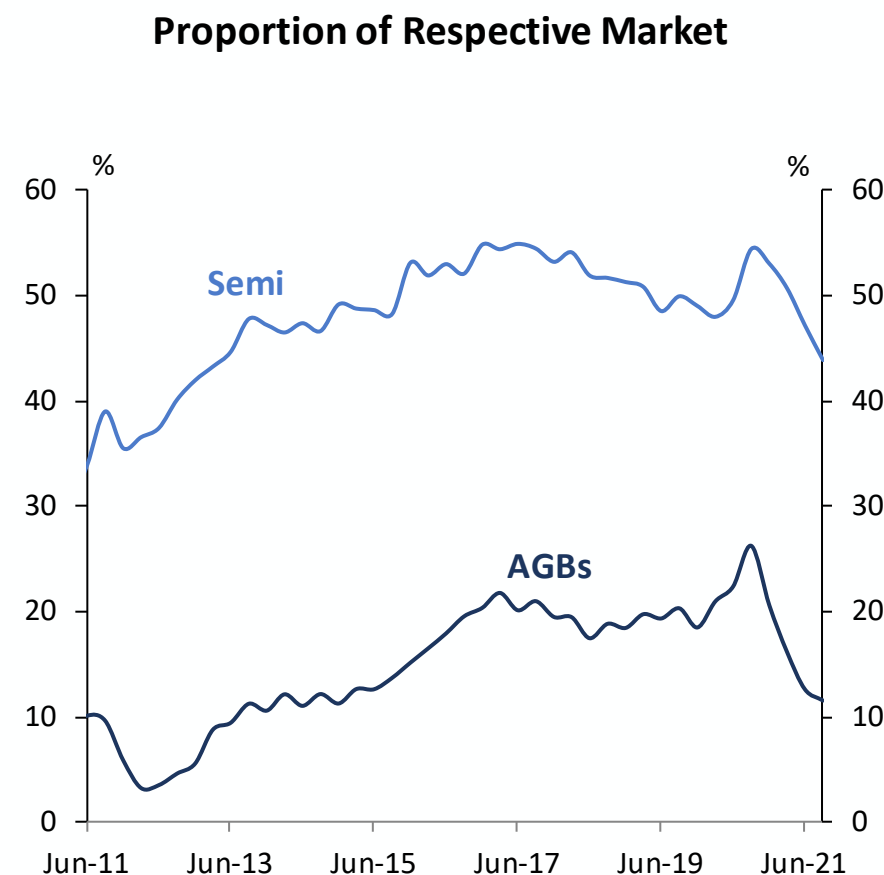
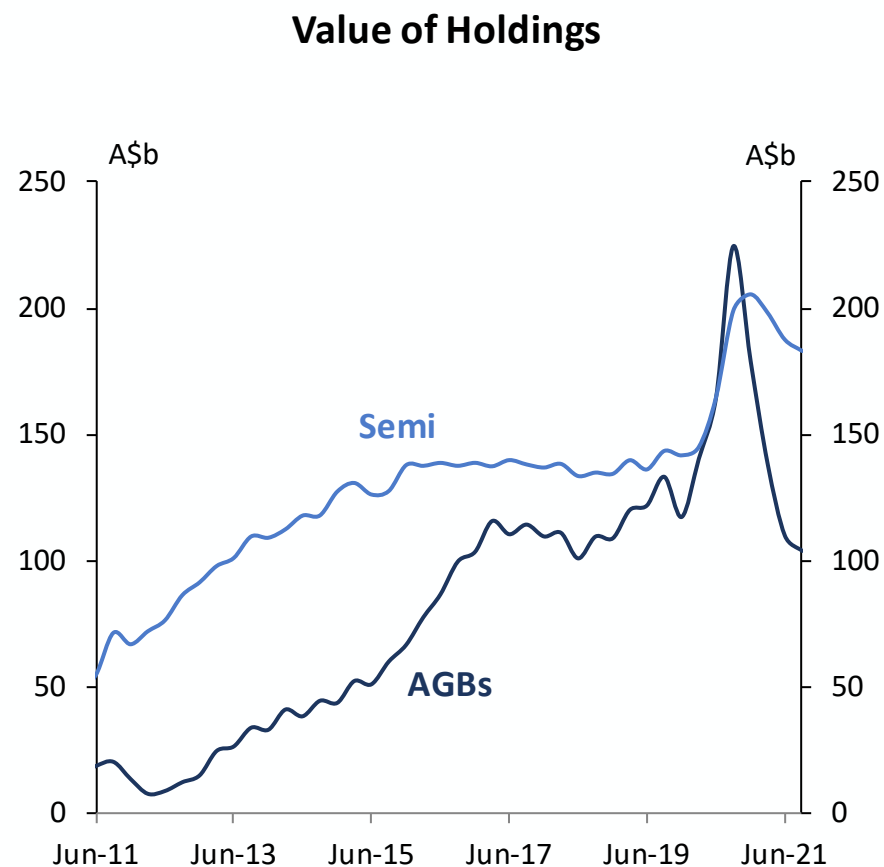


Proportion of AGB Market



Source: ABS. Holdings are not adjusted for repurchase transactions.
AGBs are Treasury Bonds and Treasury Indexed Bonds.

Domestic bank holdings of AGBs and semi-government bonds



Source: ABS. AGBs are Treasury Bonds and Treasury Indexed Bonds.

Australian government bonds

<i>Treasury Bonds:</i>	<i>Volume Outstanding (AUD)</i>	<i>Yield (%)</i>	<i>Modified Duration</i>
5.75% 15 July 2022	24,762,673,000	0.13	0.50
2.25% 21 November 2022	26,500,000,000	0.34	0.85
5.50% 21 April 2023	34,199,708,000	0.44	1.23
2.75% 21 April 2024	34,400,000,000	0.71	2.20
0.25% 21 November 2024	37,600,000,000	0.99	2.83
3.25% 21 April 2025	35,600,000,000	1.19	3.10
0.25% 21 November 2025	33,800,000,000	1.34	3.81
4.25% 21 April 2026	37,100,000,000	1.38	3.91
0.50% 21 September 2026	31,800,000,000	1.47	4.60
4.75% 21 April 2027	33,899,566,000	1.51	4.70
2.75% 21 November 2027	29,700,000,000	1.57	5.40
2.25% 21 May 2028	29,700,000,000	1.64	5.90
2.75% 21 November 2028	32,100,000,000	1.70	6.24
3.25% 21 April 2029	32,999,803,000	1.73	6.48
2.75% 21 November 2029	32,900,000,000	1.78	7.06
2.50% 21 May 2030	36,600,000,000	1.81	7.52
1.00% 21 December 2030	38,700,000,000	1.86	8.47
1.50% 21 June 2031	36,300,000,000	1.87	8.73
1.00% 21 November 2031	39,000,000,000	1.88	9.29
1.25% 21 May 2032	30,200,000,000	1.90	9.61
1.75% 21 November 2032	19,800,000,000	1.92	9.81
4.50% 21 April 2033	18,800,000,000	1.91	9.10
2.75% 21 June 2035	8,550,000,000	2.07	11.29
3.75% 21 April 2037	12,000,000,000	2.18	11.91
3.25% 21 June 2039	9,900,000,000	2.33	13.55
2.75% 21 May 2041	13,000,000,000	2.43	15.01
3.00% 21 March 2047	13,300,000,000	2.56	17.80
1.75% 21 June 2051	15,600,000,000	2.56	22.08
<i>Total:</i>	778,811,750,000	<i>Portfolio:</i>	6.4
<i>Treasury Indexed Bonds:</i>	<i>Volume Outstanding (AUD)</i>	<i>Yield (%)</i>	<i>Modified Duration</i>
1.25% 21 February 2022	5,120,853,000	-2.91	0.11
3.00% 20 September 2025	7,742,659,000	-1.12	3.53
0.75% 21 November 2027	6,500,000,000	-0.73	5.75
2.50% 20 September 2030	6,342,713,000	-0.41	7.95
0.25% 21 November 2032	3,400,000,000	-0.25	10.72
2.00% 21 August 2035	4,350,000,000	-0.10	12.16
1.25% 21 August 2040	3,800,000,000	0.20	16.80
1.00% 21 February 2050	3,950,000,000	0.39	24.81
<i>Total:</i>	41,206,225,000	<i>Portfolio:</i>	8.9

Source: AOFM, Refinitiv. As at 7 January 2022.

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

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Easy access to quoted yields:

www.rba.gov.au

Bloomberg:

"AOFM Go" (*Homepage*)

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

"ACTB Govt Go" (*TNs*)

Thomson Reuters:

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

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