



Australian Government
Australian Office of Financial Management

AOFM

AGS Investor Chart Pack – Budget 2022-23 Update

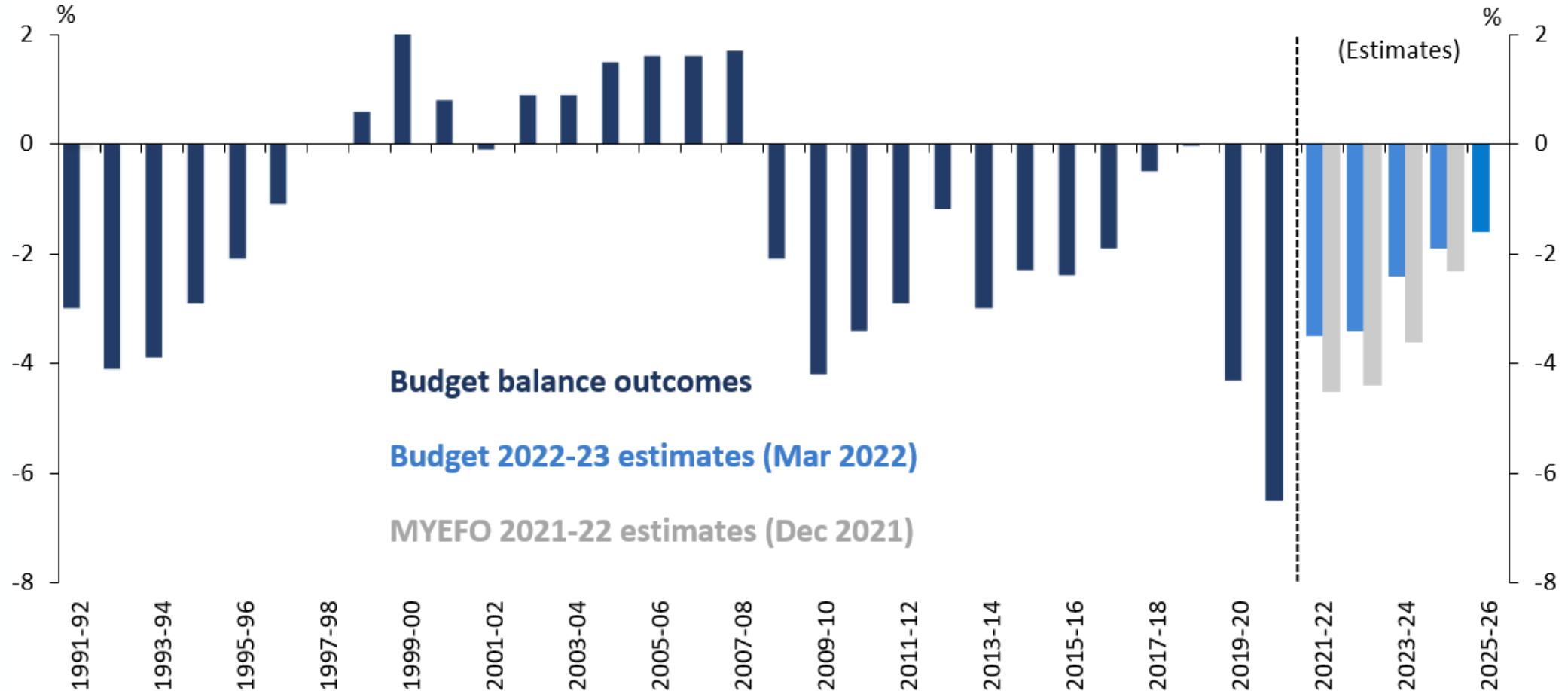
Australian Office of Financial Management

April 2022

Australia's budget balance

Underlying cash balance per cent of GDP

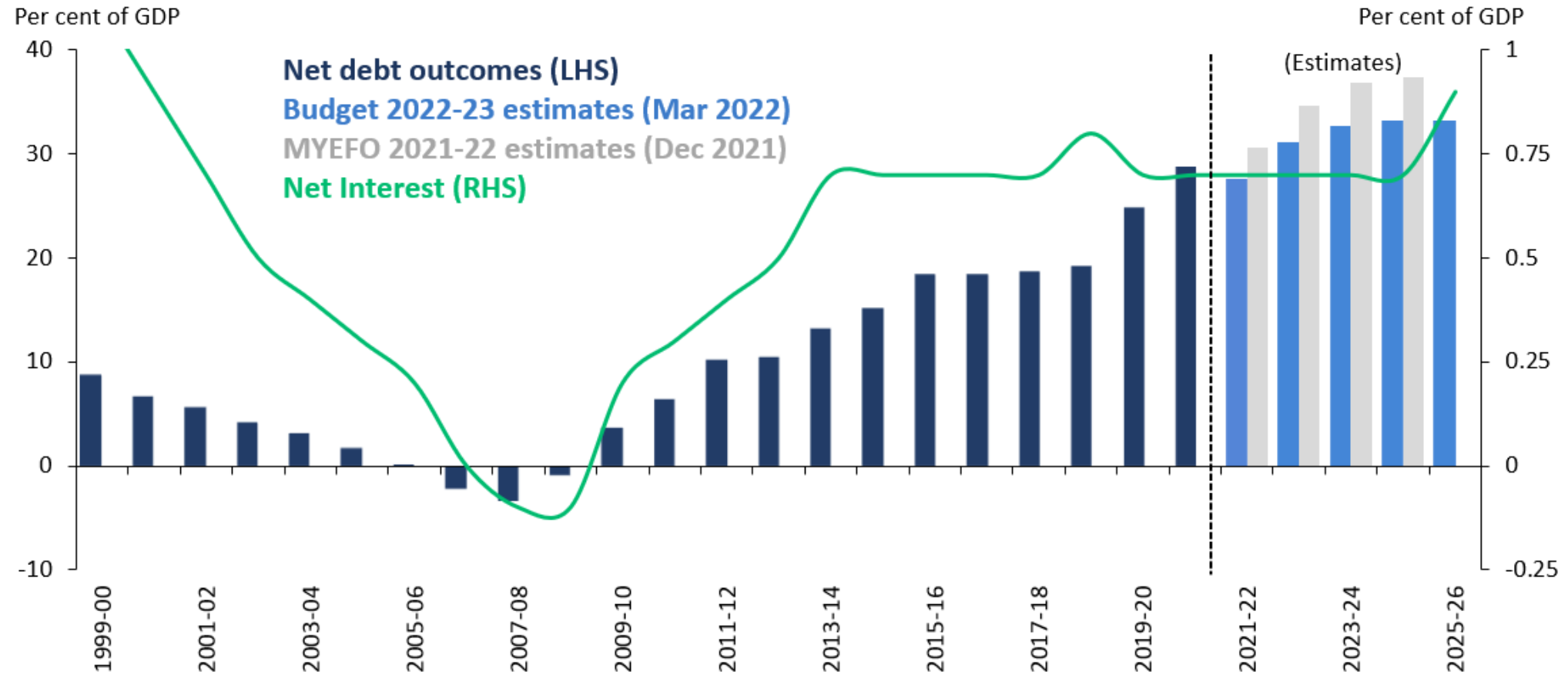
The underlying cash balance (UCB) in 2021-22 is forecast to be 3.5 per cent of GDP (MYEFO 2021-22 forecast was 4.5 per cent). The deficit in 2022-23 is expected to be 3.4 percent compared to 4.4 per cent forecast at MYEFO 2021-22. An improved economic outlook and high near-term commodity prices has driven a large upgrade to forecast tax receipts. The forward estimates show a steady improvement in the deficit to 1.6 per cent of GDP in 2025-26.



Source: Treasury – Budget 2022-23

Australia's net debt position

Net debt is forecast to be 31.1 per cent of GDP at end of 2022-23 and is expected to peak at 33.1 per cent of GDP at the end of 2024-25, below the 37.4 per cent estimated at MYEFO 2021-22. Although net debt has increased since the onset of the pandemic, net interest payments are expected to remain low (below 1 per cent of GDP over the forward estimates).



Source: Treasury – Budget 2022-23. The increase in net interest payments in 2025-26 primarily reflects a Treasury Indexed Bond maturing in that year.

Australian Government Securities

Three instruments available

Treasury Bonds

Amount Outstanding

\$802.5 billion

28 lines on issue

Average line size is \$28.7 billion

Maturities range from 2022 to 2051

Gross Issuance 2022-23 (F)

Around \$125 billion

Treasury Indexed Bonds

Amount Outstanding

\$36.6 billion

7 lines on issue

Average line size is \$5.2 billion

Maturities range from 2022 to 2050

Gross Issuance 2022-23 (F)

Around \$2.5 billion

Treasury Notes

Amount Outstanding

\$27 billion

8 lines on issue

Average line size is \$3.4 billion

Maturities can range up to 12 months

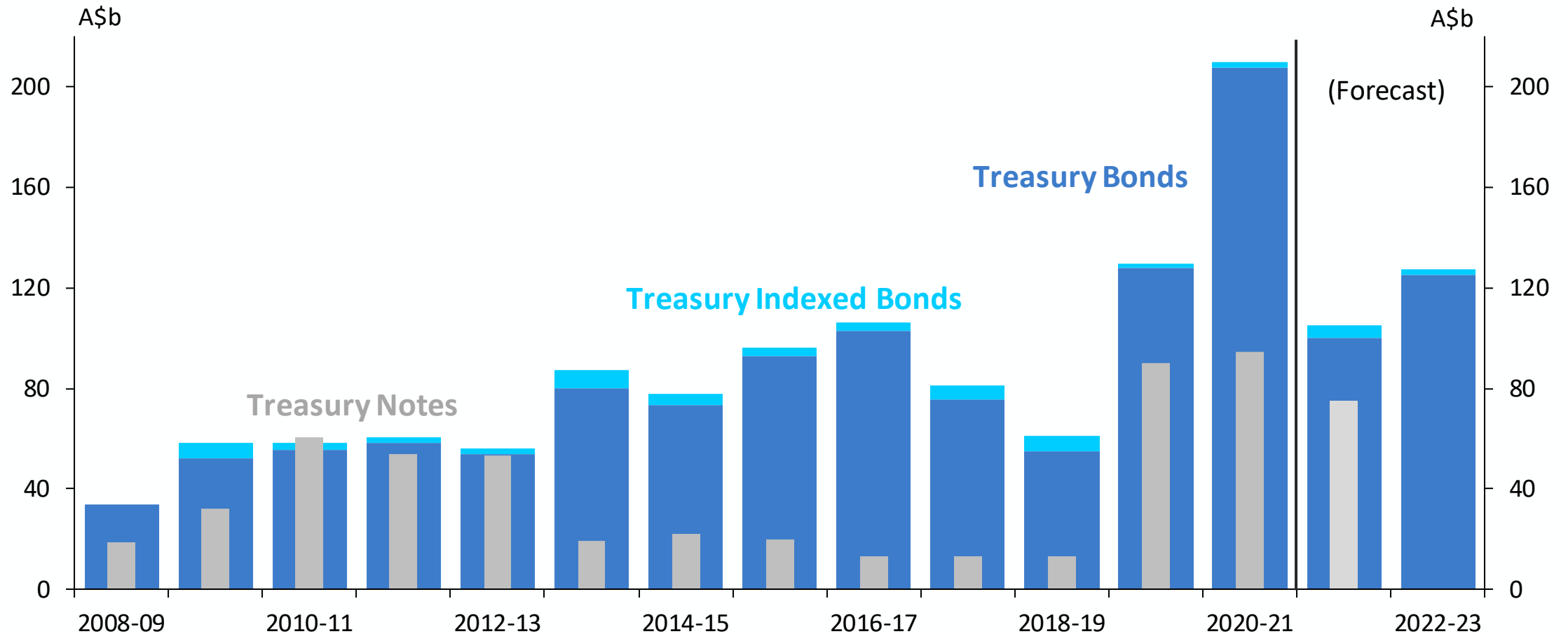
Further information

- Issuance of Treasury Bonds for 2021-22 has been revised to around \$100 billion (of which \$68 billion has been completed as of 29 March 2022).
- Issuance of Treasury Bonds in 2022-23 will be around \$125 billion.
- A new November 2033 Treasury Bond will be issued by syndication in the final quarter of 2021-22 (subject to market conditions).
- Issuance of Treasury Indexed Bonds in 2021-22 will be around \$5 billion (of which \$4.65 billion has been completed). Issuance of Treasury Indexed Bonds in 2022-23 will be around \$2.5 billion
- The AOFM will remain active in the Treasury Note market with regular issuance for cash management purposes.
- More detailed guidance on issuance plans for the first half of 2022-23 (including any planned new maturities) will be provided on 1 July 2022.

Note: Figures are as at 29 March 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

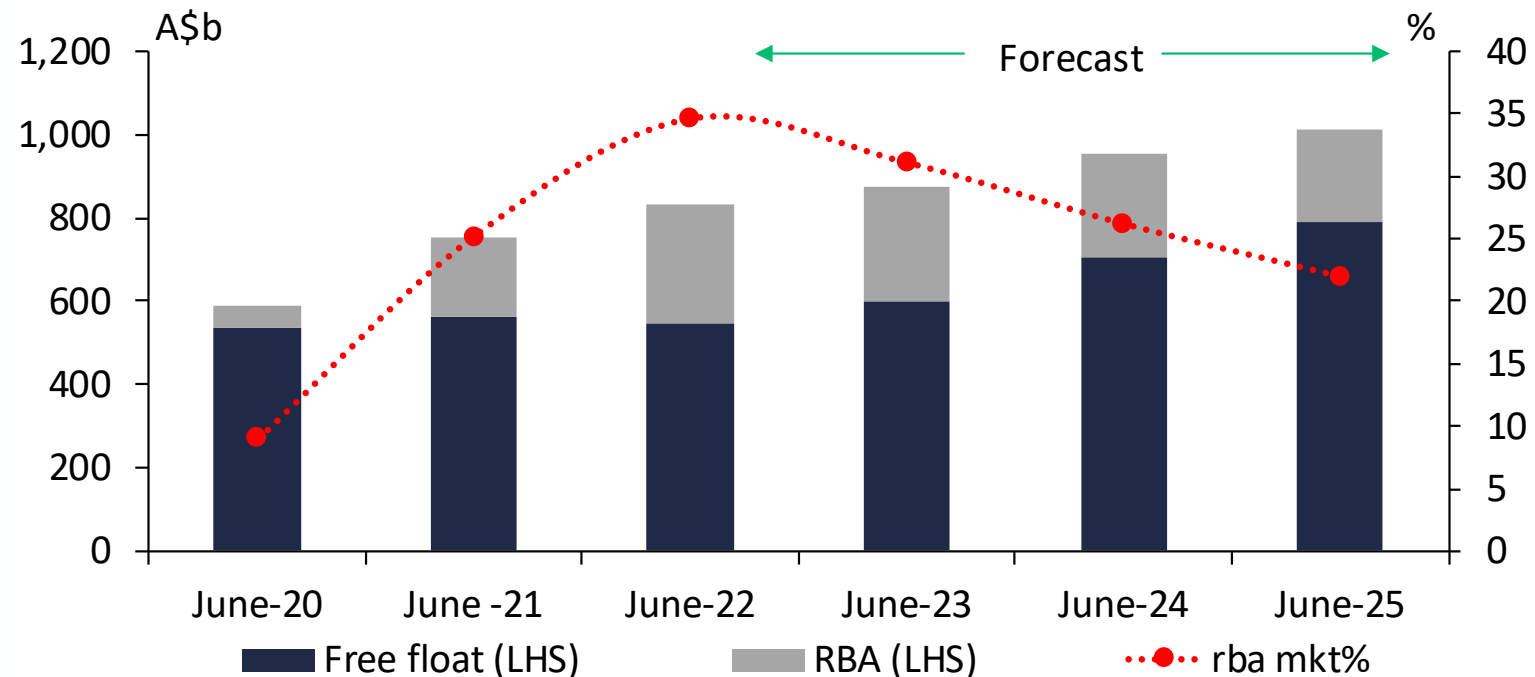
Gross Issuance



Source: AOFM. Gross Treasury Note issuance in 2021-22 is for the period 1 July 2021 to 29 March 2022. Forecast issuance of Treasury Notes is not available. Actual Treasury Note issuance will vary depending on the flows of Government expenditure and receipts.

Forecast Treasury Bonds outstanding and RBA holdings

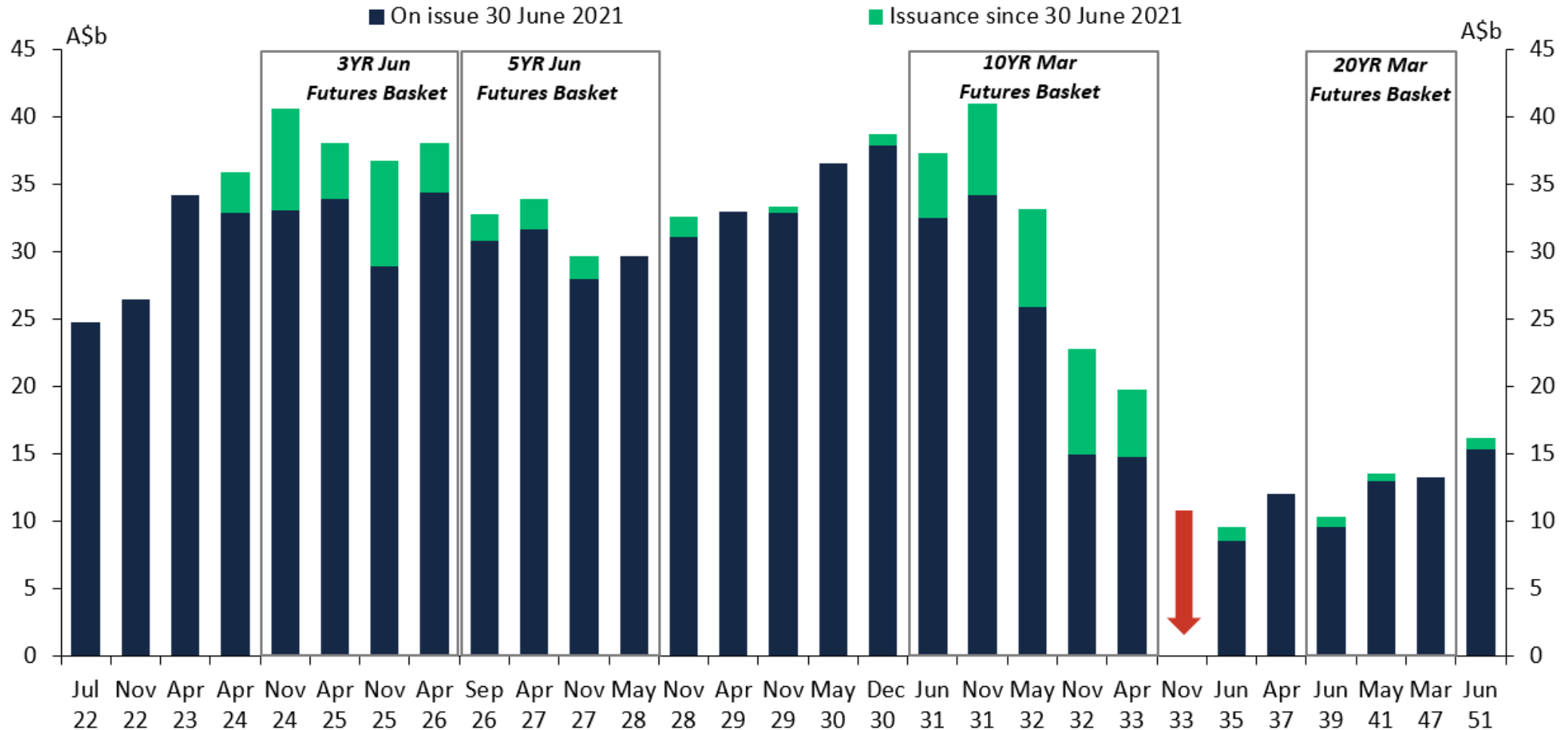
- The RBA's bond purchase program concluded in February 2022.
- RBA holdings as a proportion of total Treasury Bonds outstanding are expected to decline gradually.
- AOFM gross issuance is forecast to remain elevated compared to pre-pandemic levels.



Source: Treasury – Budget 2022-23, RBA, AOFM.

Treasury Bonds on issue

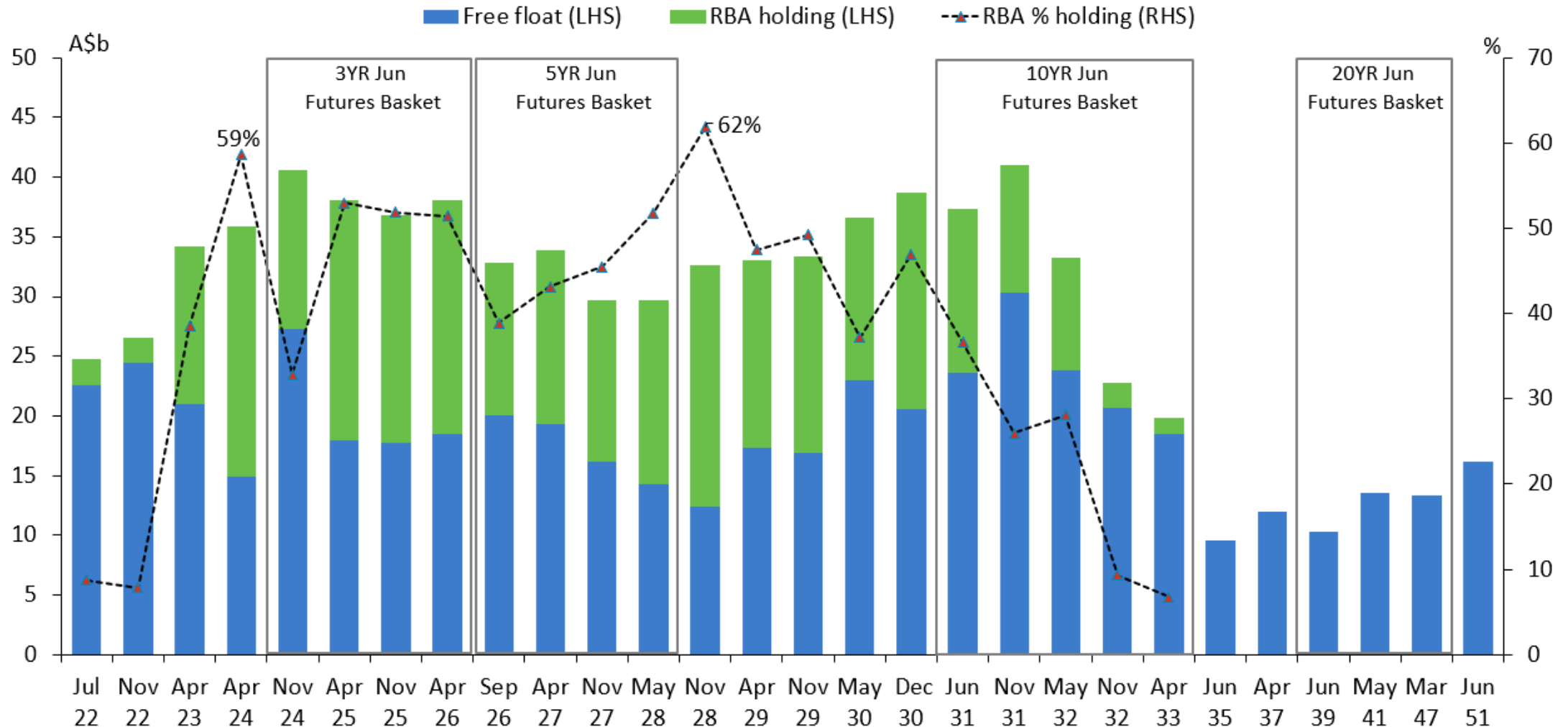
The AOFM will continue to use the most liquid (high-demand) parts of the yield curve to support the bulk of planned issuance, while supporting other parts of the market by responding to demand and issuing in appropriate volumes. A new November 2033 Treasury Bond will be issued by syndication in the final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



Source: AOFM. As at 1 April 2022.

Treasury Bonds on issue

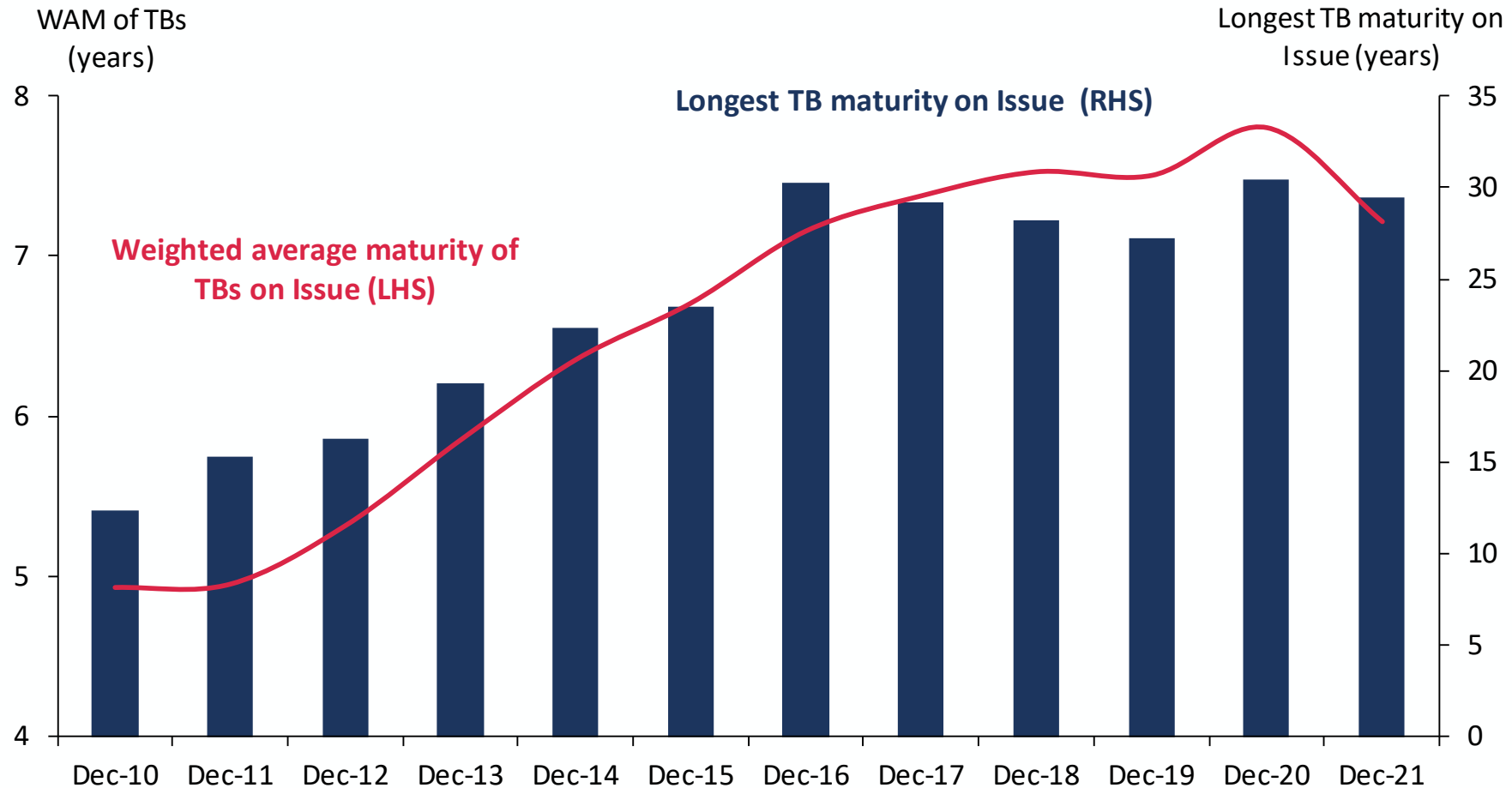
The RBA currently holds around 36 per cent of Treasury Bonds on issue. The AOFM will continue to monitor liquidity conditions in individual lines and can respond by issuing into lines if appropriate.



Source: AOFM, RBA. As at 1 April 2022.

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. Focus has shifted to maintaining the 30-year benchmark and continuing to support ultra-long maturities through issuance into existing lines.



Source: AOFM

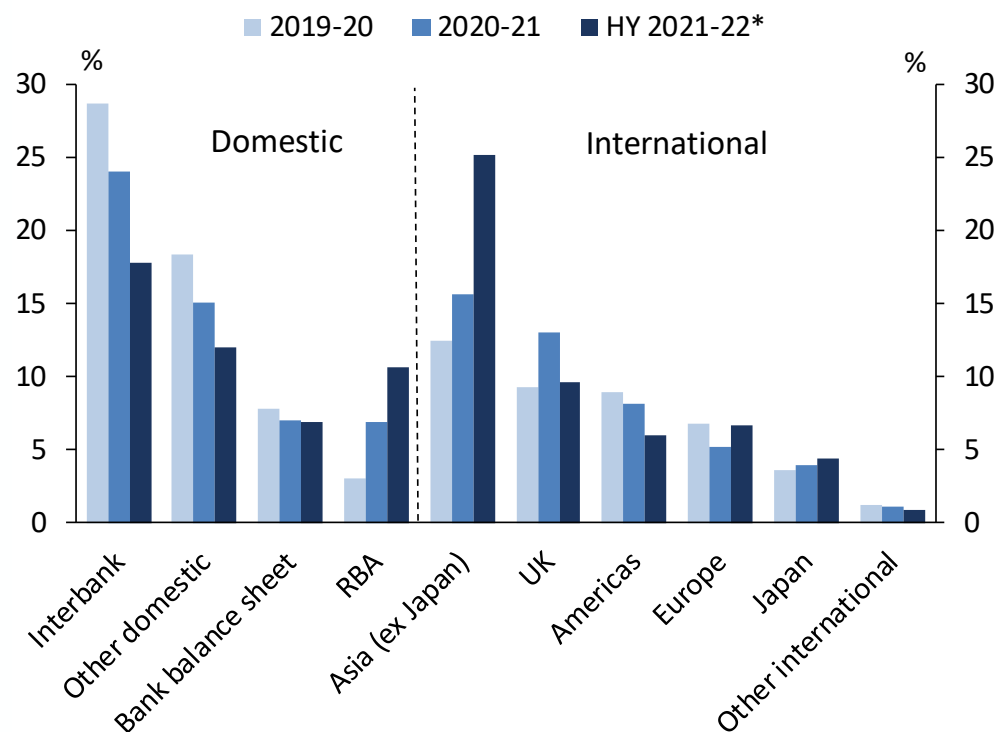
Turnover – Treasury Bonds

Liquidity in the AGS market remains supportive – particularly around the 3- and 10-year futures baskets. In the first half of 2021-22, secondary market turnover has declined, although it is still around pre-pandemic levels (albeit in a now larger AGB market).

Total turnover A\$2.11 trillion (2020-21)

A\$1.54 trillion (2019-20)

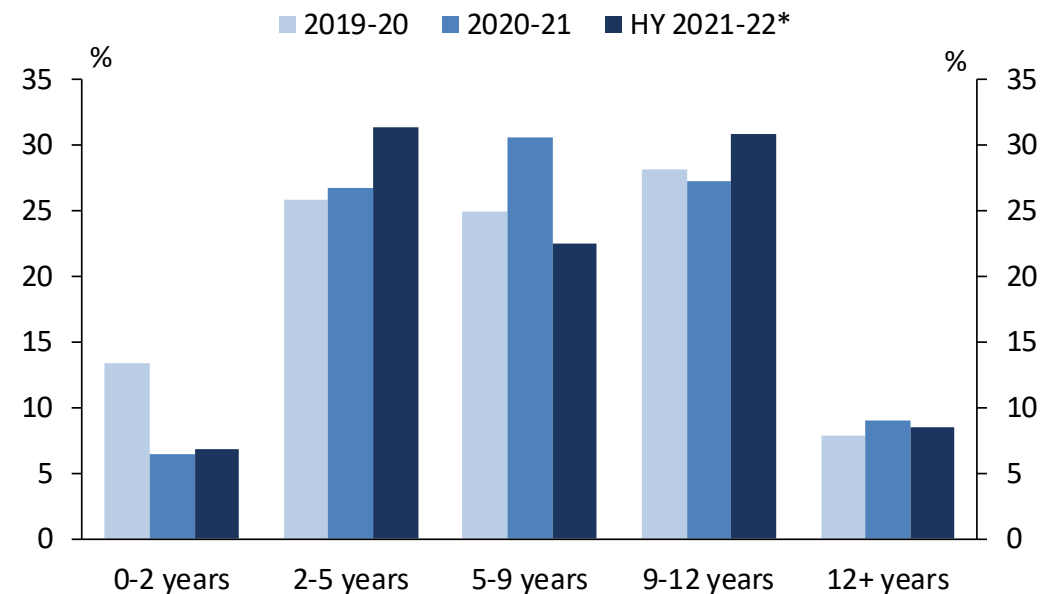
Turnover by category (per cent)



Monthly average A\$176 billion (2020-21)

A\$129 billion (2019-20)

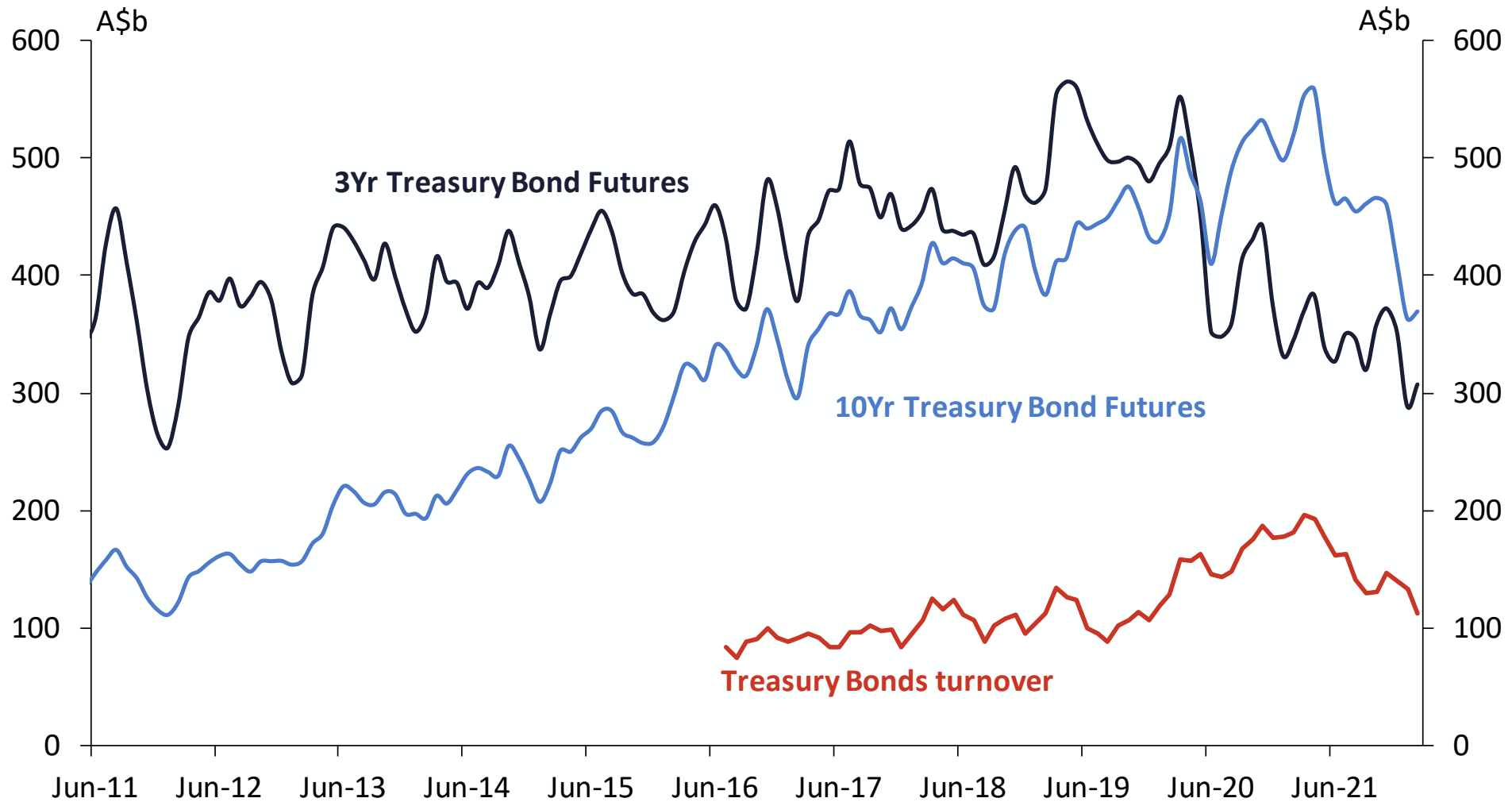
Turnover by tenor (per cent)



Source: AOFM. The AOFM relies on data provided by survey respondents and cannot guarantee the accuracy of this data *HY is the period 1/7/2021 to 31 December 2021.

Treasury Bond futures market activity

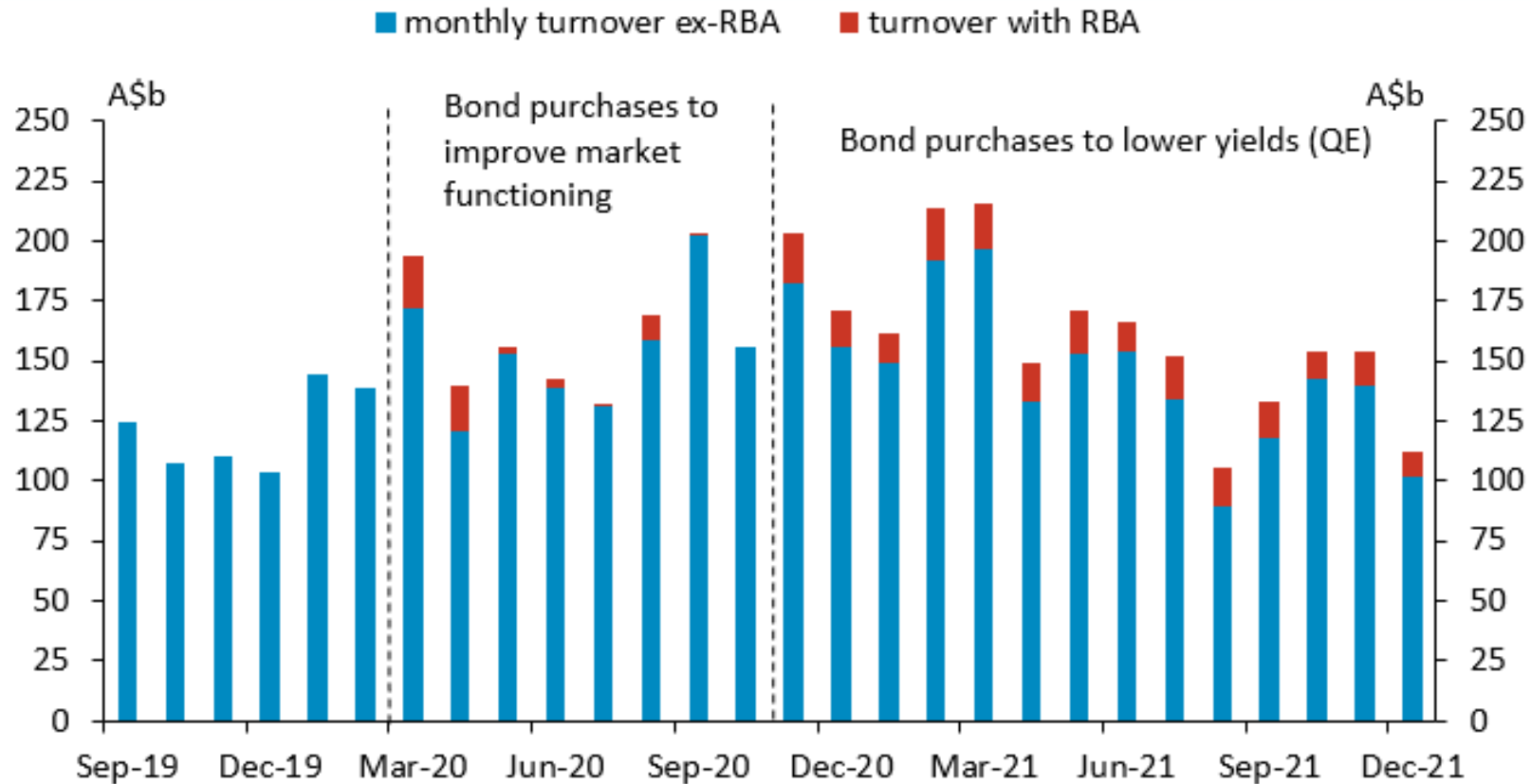
Monthly turnover (3m M.A.)



Source: ASX, Refinitiv, AOFM

Treasury Bond secondary market turnover

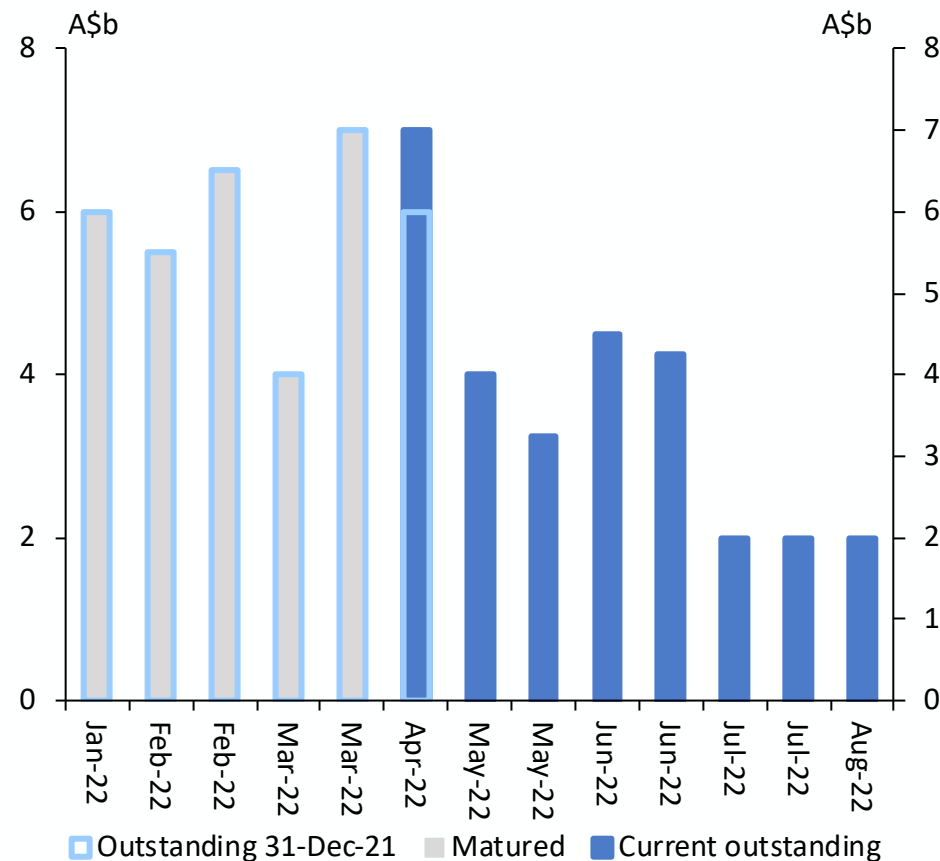
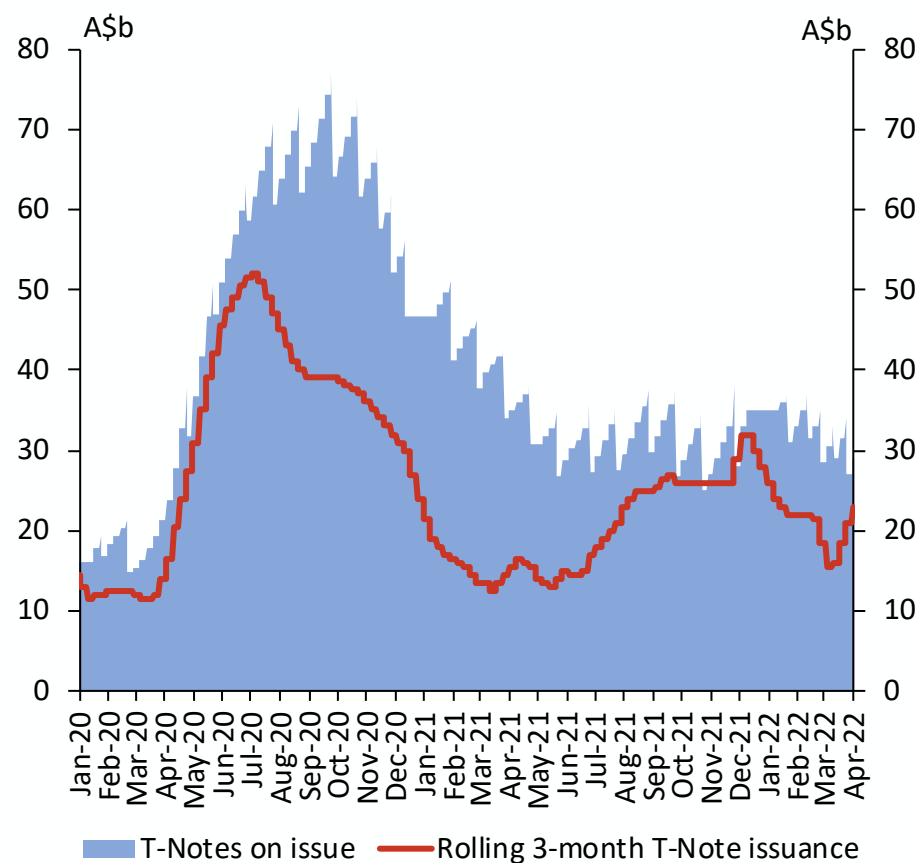
Monthly turnover



Source: AOFM, RBA

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. There will be at least \$25 billion of Treasury Notes on issue to maintain investor engagement.

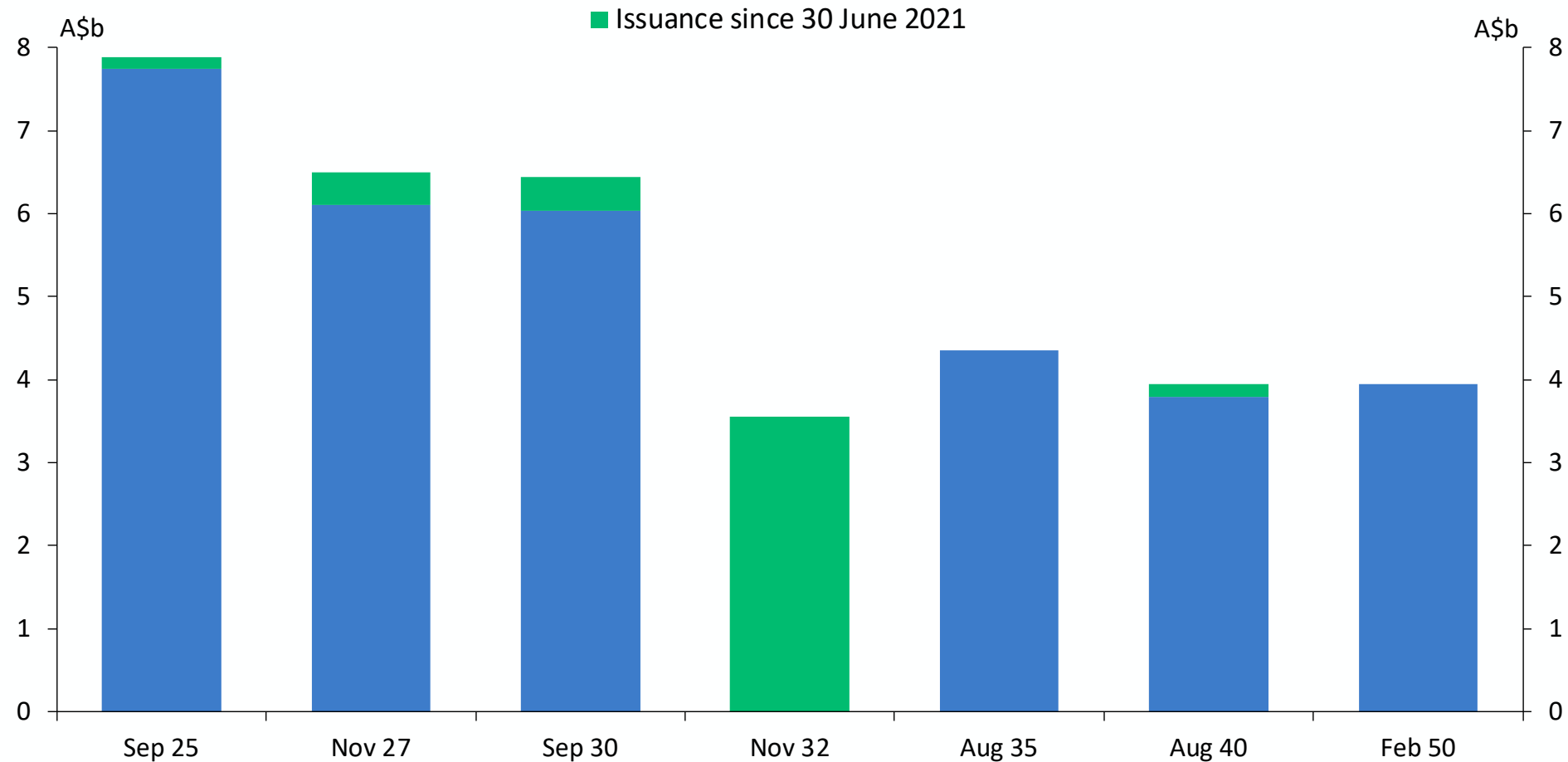


Source: AOFM, as at 1 April 2022.

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 1 April 2022.

Turnover – Treasury Indexed Bonds

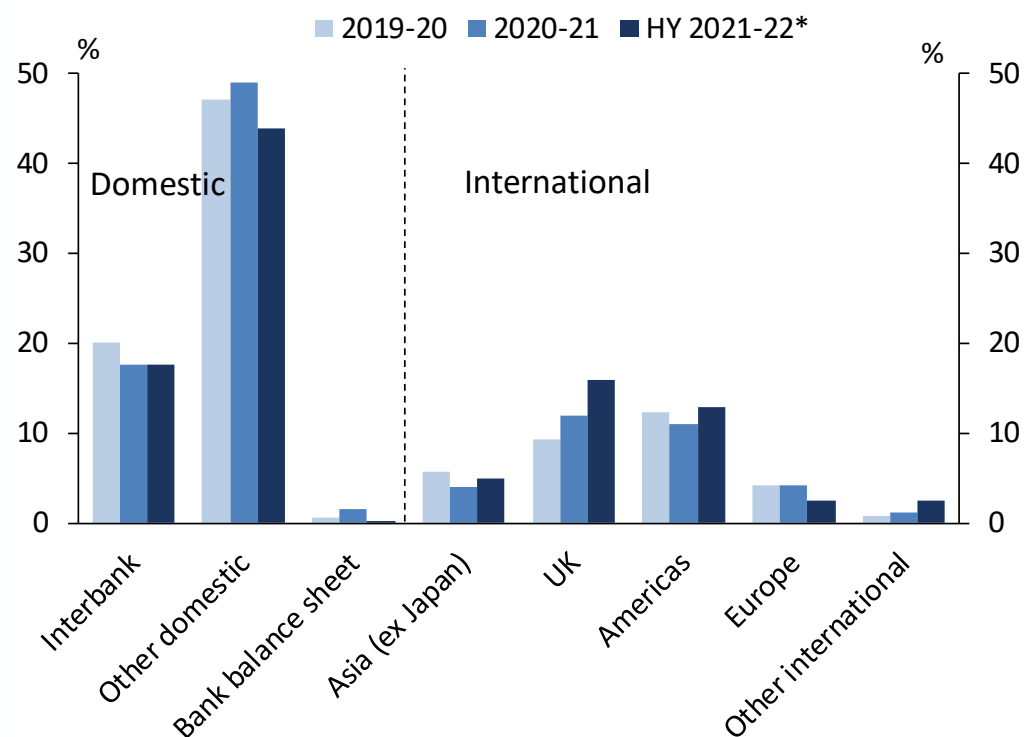
Total turnover A\$58 billion (2020-21)

A\$49 billion (2019-20)

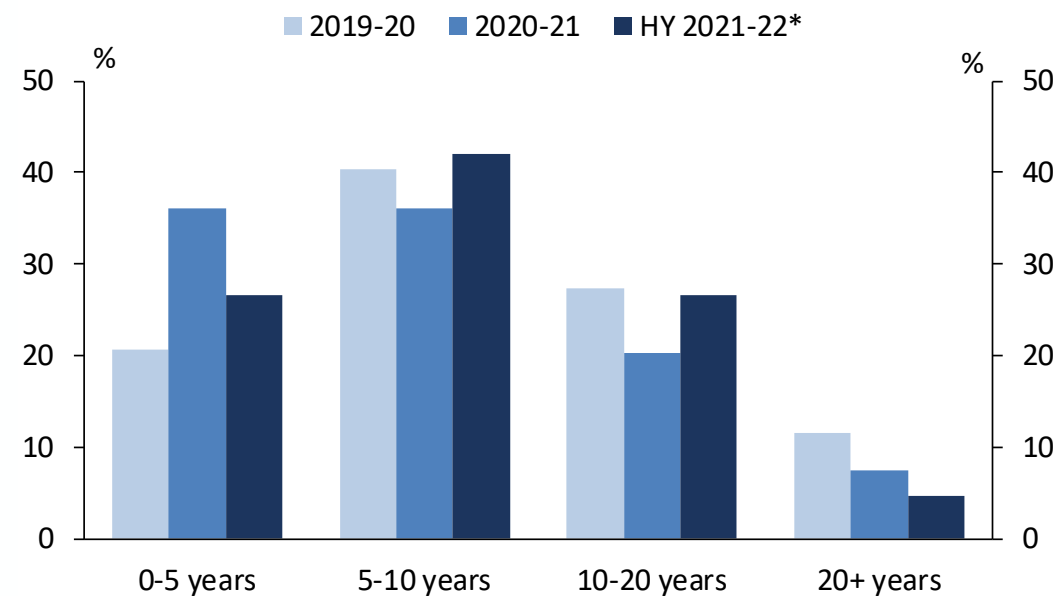
Monthly average A\$4.8 billion (2020-21)

A\$4.0 billion (2019-20)

Turnover by category (per cent)



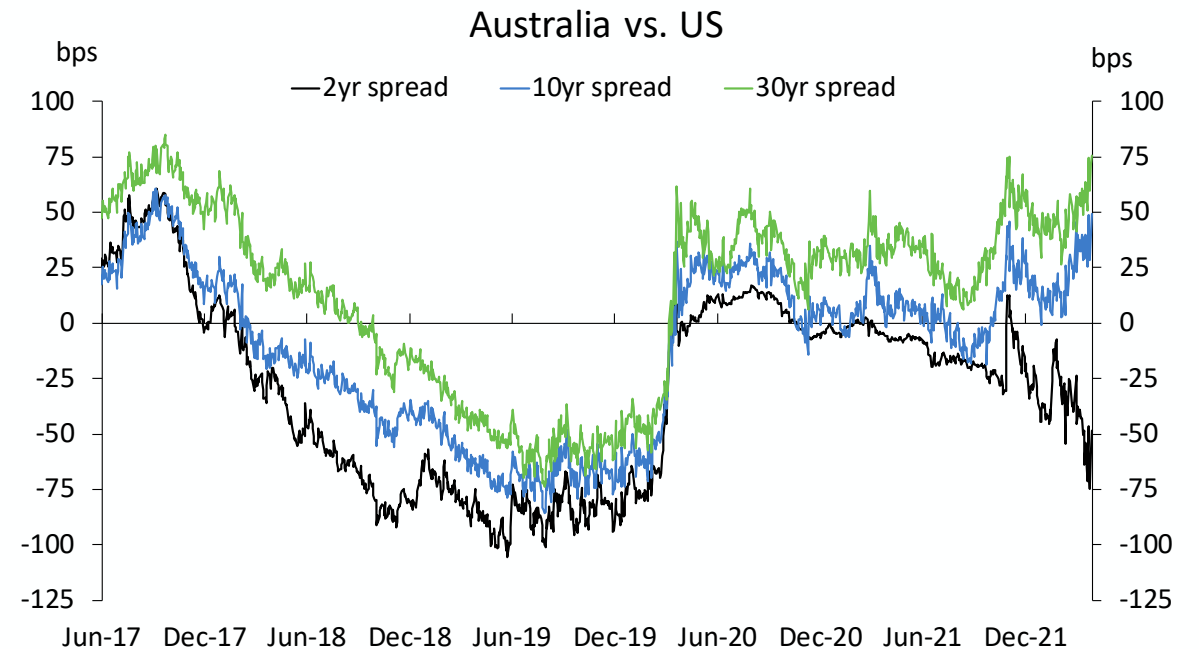
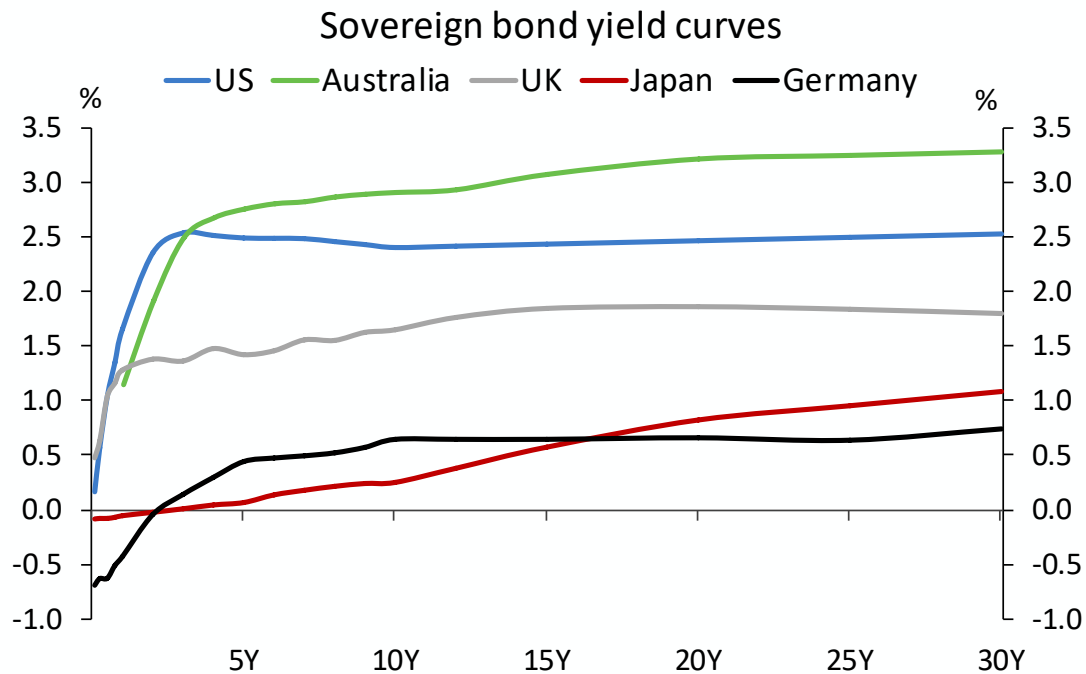
Turnover by tenor (per cent)



Source: AOFM. The AOFM relies on data provided by survey respondents and cannot guarantee the accuracy of this data. *HY is the period 1/7/2021 to 31 December 2021

Australian sovereign bond spreads

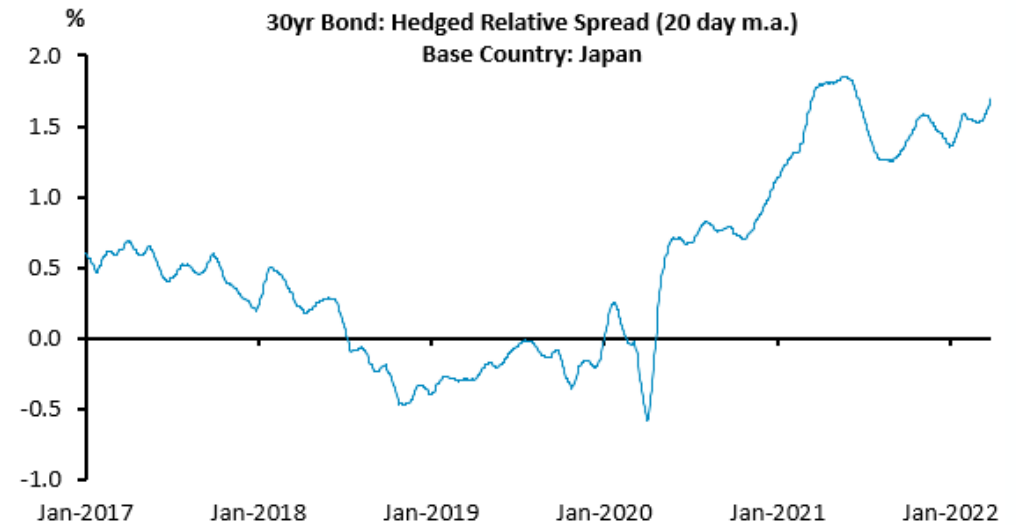
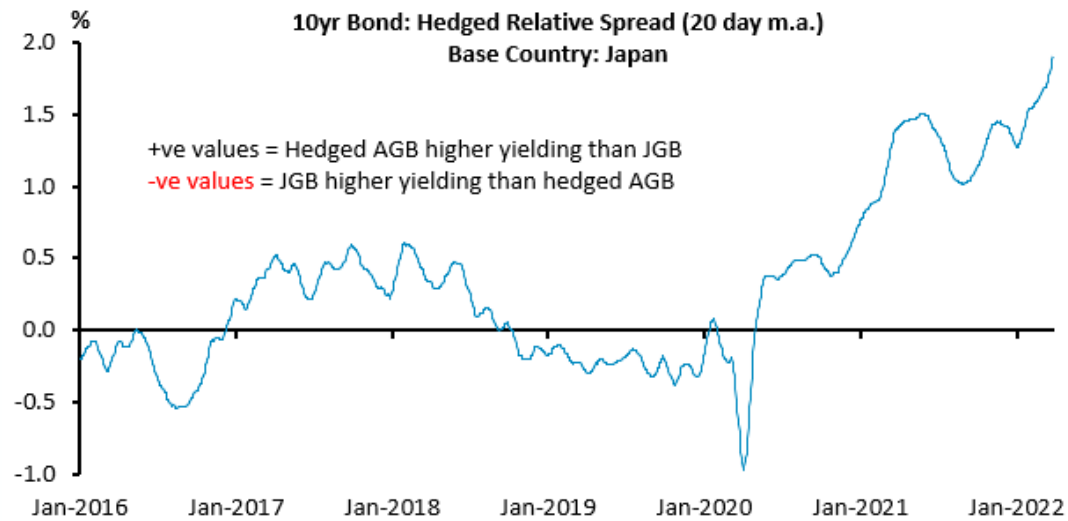
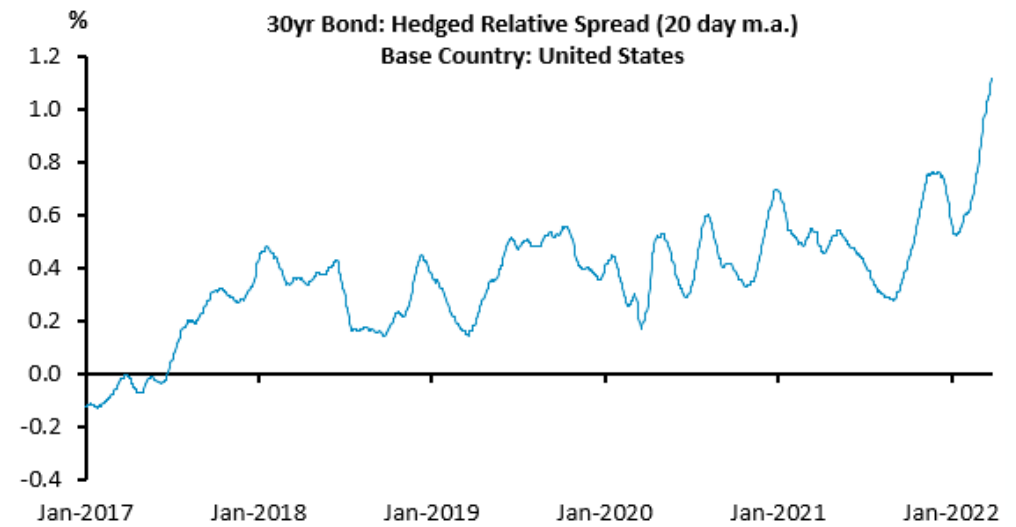
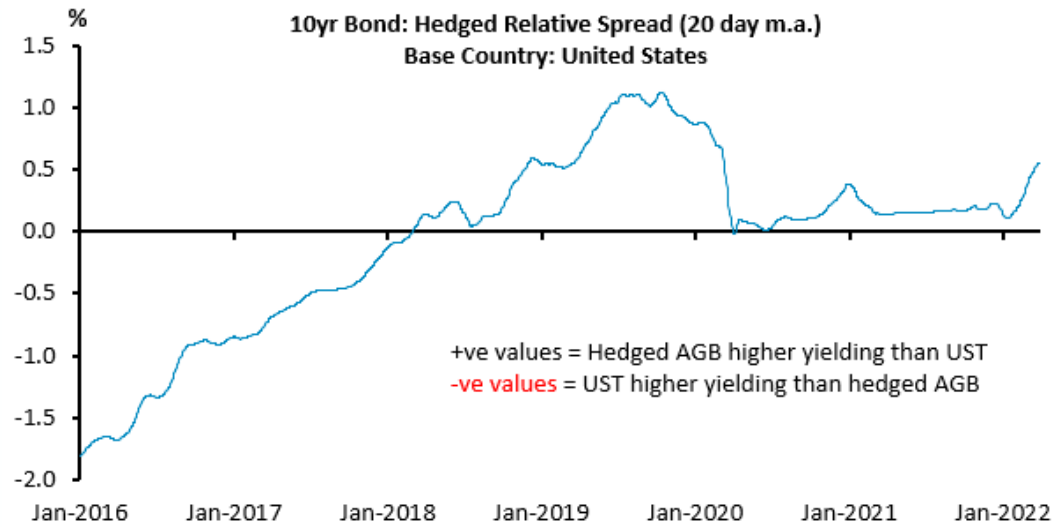
- The AGS market continues to look attractive compared to other core sovereign markets on an outright and hedged basis from an offshore investor perspective.
- The AGS domestic investor base primarily comprises bank balance sheets and fund manager allocations, with the RBA also a significant holder of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



Source: Refinitiv, as at 29 March 2022.

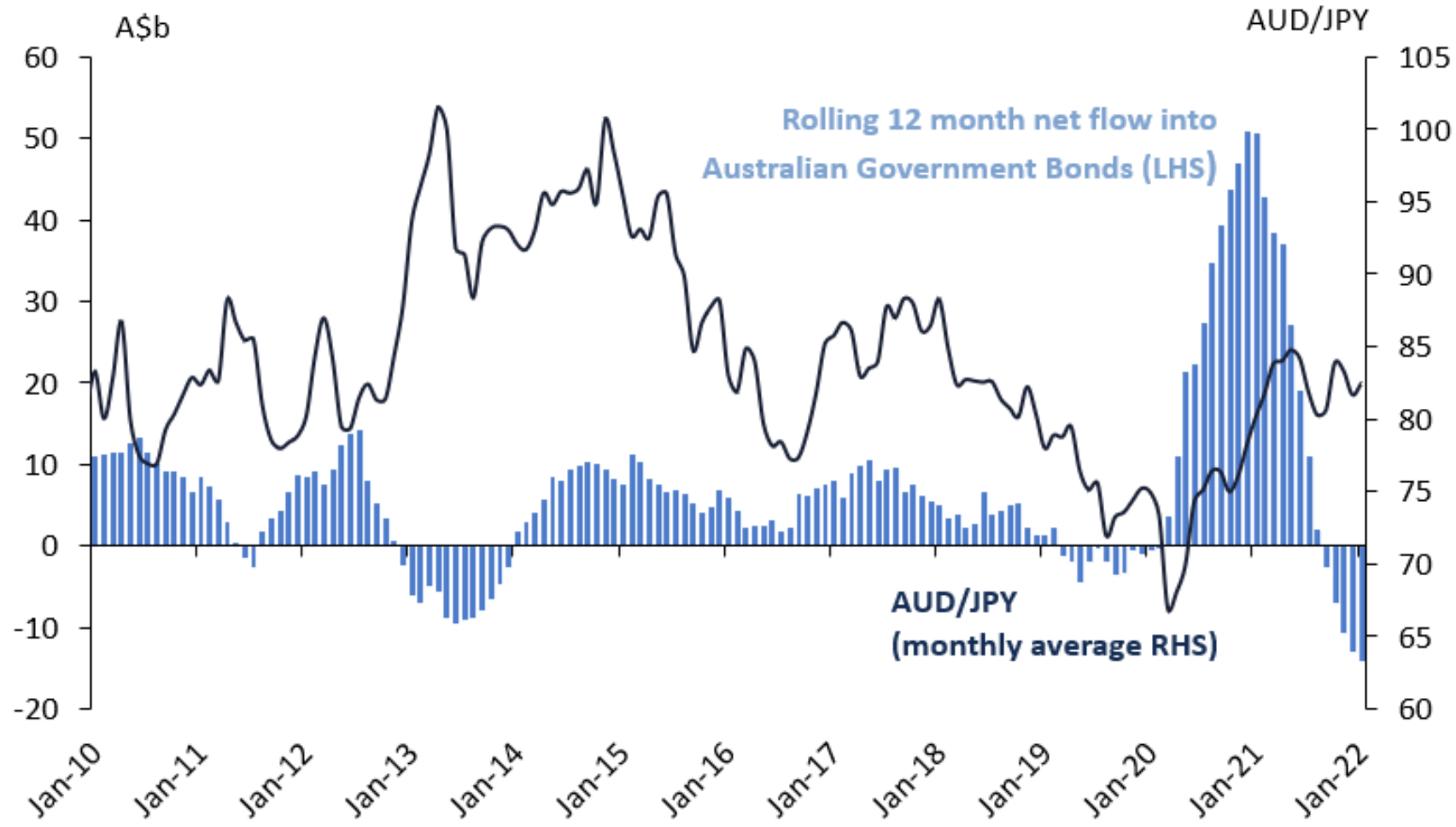
Australian sovereign bond spreads

Hedged via rolling 3m fx forwards



Source: Bloomberg, AOFM. Updated to 25 March 2022.

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

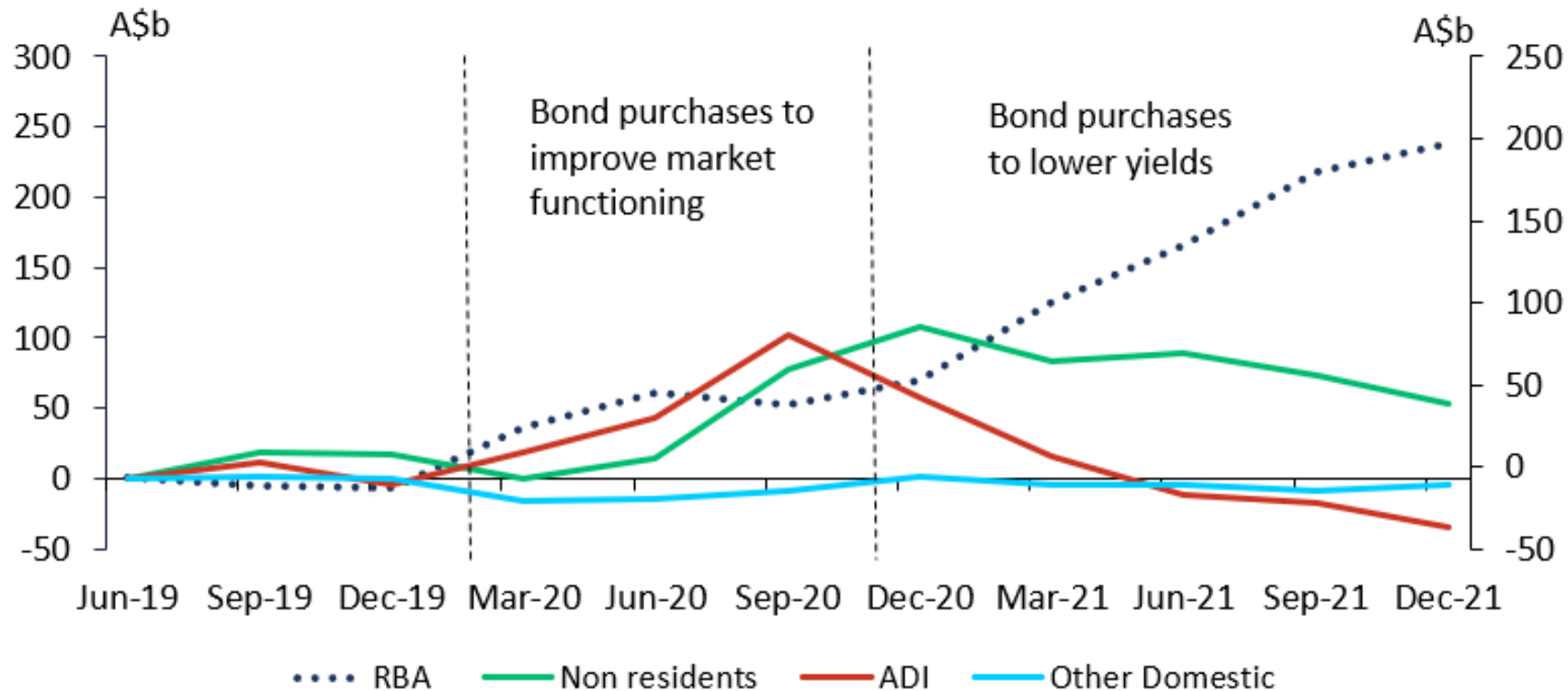


Source: Japan Ministry of Finance, Bloomberg. Data includes both AGS and semi government bonds. Updated to 31 January 2022.

Shift in investor holdings of Australian government bonds

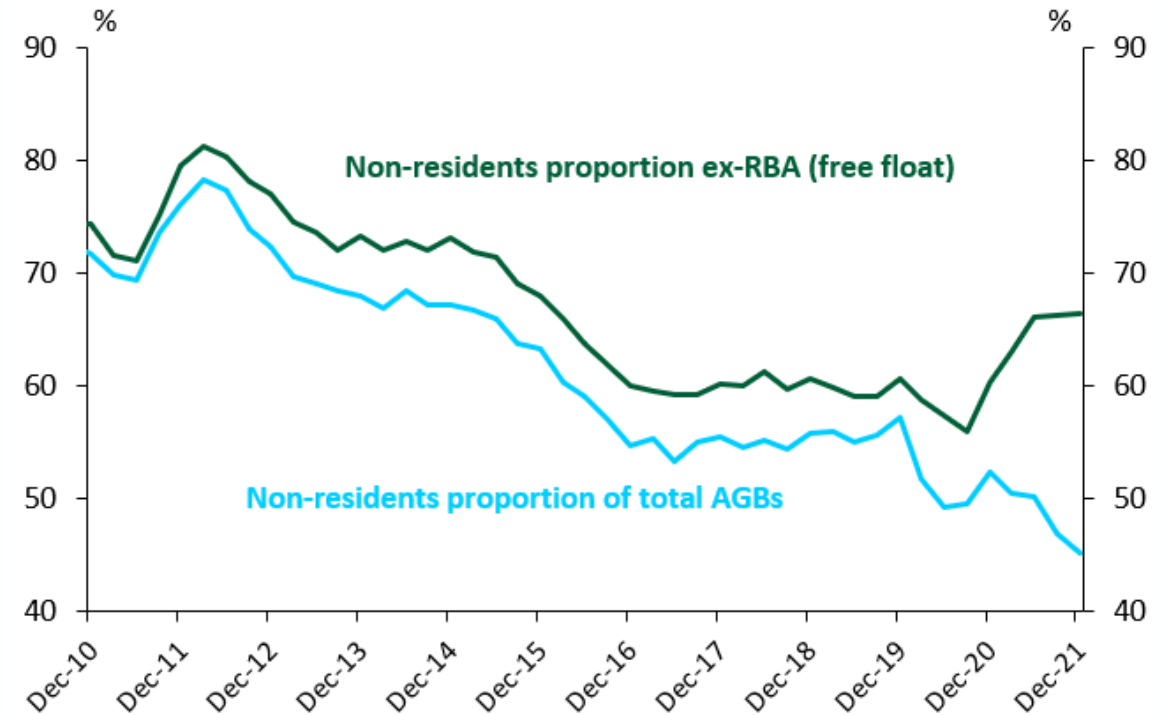
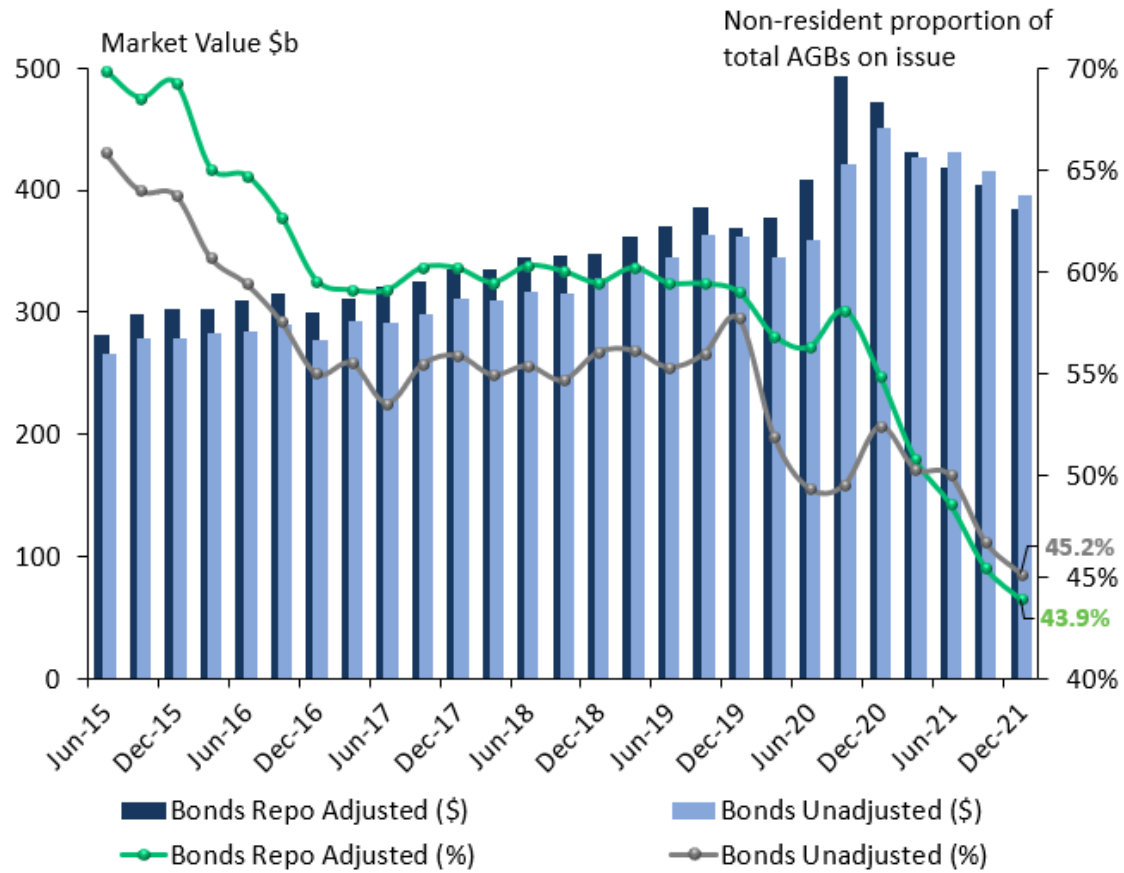
Since June 2019

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

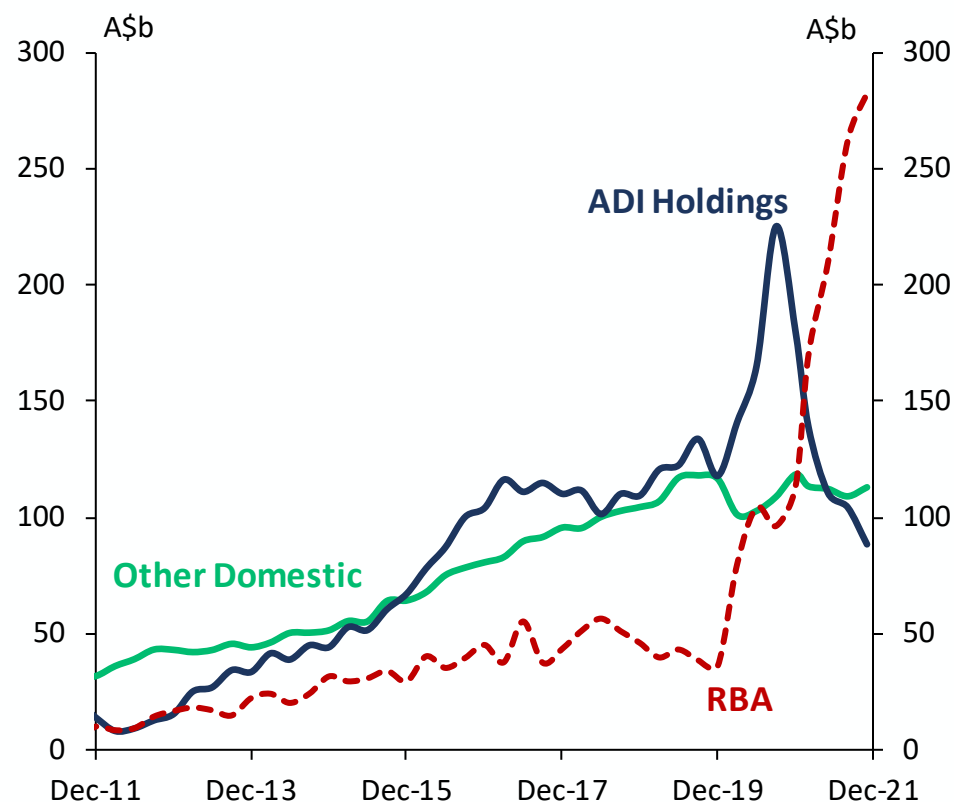


Source: Australian Bureau of Statistics (ABS), RBA, AOFM. AGBs are Treasury Bonds and Treasury Indexed Bonds.

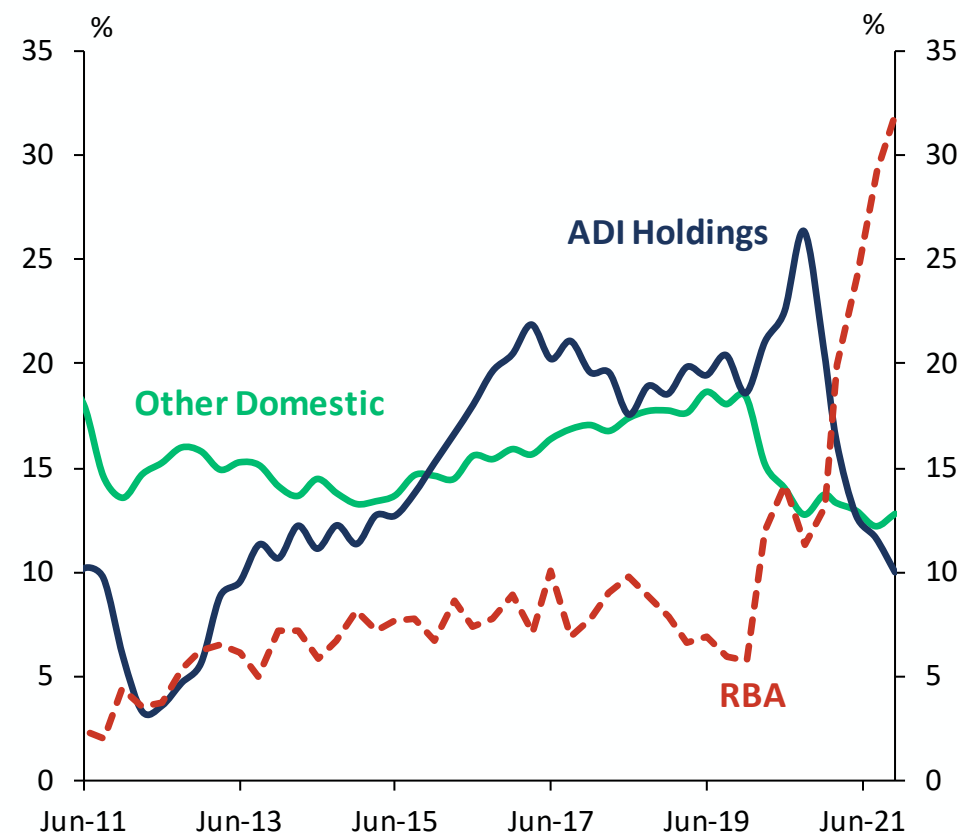
Domestic bank and non-bank holdings of AGBs

December 2011 to December 2021

Value of Holdings



Proportion of AGB Market

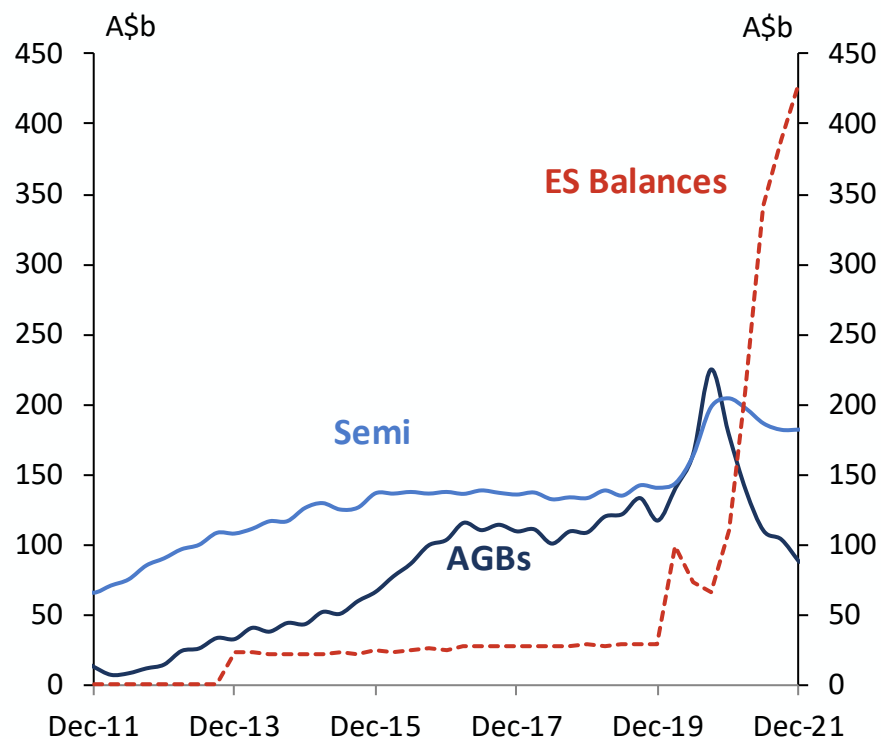


Source: ABS. Holdings are not adjusted for repurchase transactions.
AGBs are Treasury Bonds and Treasury Indexed Bonds.

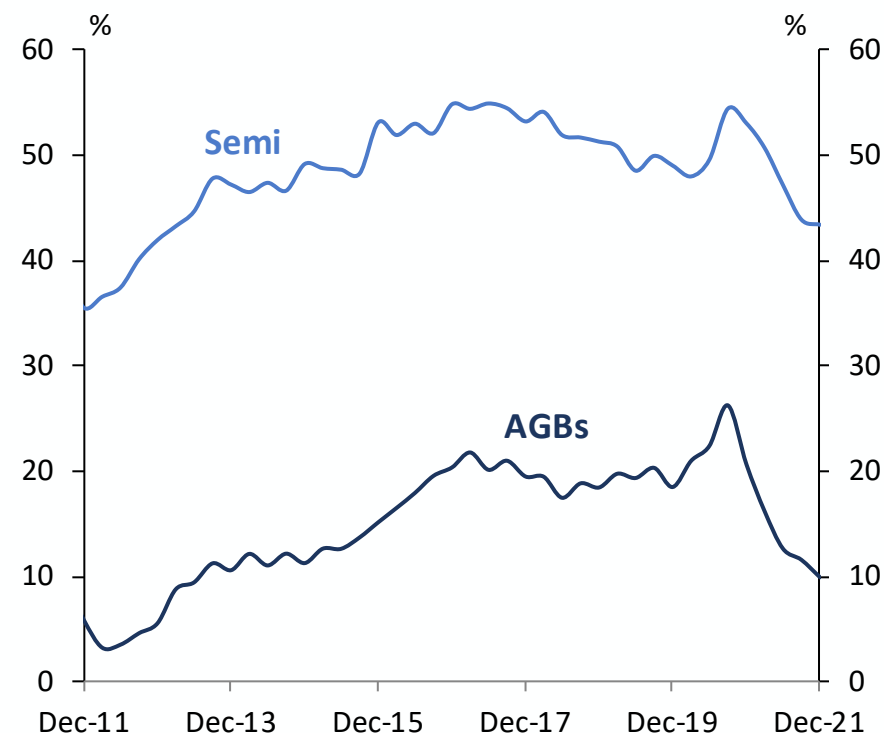
Domestic bank holdings of AGBs and semi-government bonds

December 2011 to December 2021

Value of Holdings (market value)



Proportion of Respective Market



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

Australian government bonds

Treasury Bonds:	Volume Outstanding (AUD)	Yield (%)	Modified Duration
5.75% 15 July 2022	24,732,673,000	0.21	0.29
2.25% 21 November 2022	26,500,000,000	0.58	0.63
5.50% 21 April 2023	34,199,708,000	1.08	1.01
2.75% 21 April 2024	35,900,000,000	1.86	1.97
0.25% 21 November 2024	40,600,000,000	2.20	2.60
3.25% 21 April 2025	38,100,000,000	2.38	2.86
0.25% 21 November 2025	36,800,000,000	2.52	3.58
4.25% 21 April 2026	38,100,000,000	2.56	3.67
0.50% 21 September 2026	32,800,000,000	2.62	4.37
4.75% 21 April 2027	33,899,566,000	2.63	4.44
2.75% 21 November 2027	29,700,000,000	2.68	5.15
2.25% 21 May 2028	29,700,000,000	2.70	5.64
2.75% 21 November 2028	32,600,000,000	2.72	5.98
3.25% 21 April 2029	32,999,803,000	2.73	6.20
2.75% 21 November 2029	33,400,000,000	2.75	6.78
2.50% 21 May 2030	36,600,000,000	2.76	7.24
1.00% 21 December 2030	38,700,000,000	2.79	8.20
1.50% 21 June 2031	37,300,000,000	2.79	8.45
1.00% 21 November 2031	41,000,000,000	2.81	9.00
1.25% 21 May 2032	33,200,000,000	2.82	9.32
1.75% 21 November 2032	22,800,000,000	2.83	9.49
4.50% 21 April 2033	19,800,000,000	2.83	8.74
2.75% 21 June 2035	9,550,000,000	2.93	10.90
3.75% 21 April 2037	12,000,000,000	3.00	11.46
3.25% 21 June 2039	10,300,000,000	3.07	13.06
2.75% 21 May 2041	13,500,000,000	3.14	14.48
3.00% 21 March 2047	13,300,000,000	3.20	17.31
1.75% 21 June 2051	16,200,000,000	3.21	21.18
Total:	804,281,750,000	Portfolio:	6.0
Treasury Indexed Bonds:	Volume Outstanding (AUD)	Yield (%)	Modified Duration
3.00% 20 September 2025	7,892,659,000	-0.54	3.32
0.75% 21 November 2027	6,500,000,000	-0.03	5.53
2.50% 20 September 2030	6,442,713,000	0.16	7.74
0.25% 21 November 2032	3,550,000,000	0.32	10.49
2.00% 21 August 2035	4,350,000,000	0.45	11.92
1.25% 21 August 2040	3,950,000,000	0.69	16.52
1.00% 21 February 2050	3,950,000,000	0.80	24.41
Total:	36,635,372,000	Portfolio:	9.5

Source: AOFM, Refinitiv. As at 1 April 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.



Barrenjoey^o



Goldman
Sachs



J.P.Morgan



Morgan Stanley



Further information

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Readily available 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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