

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

2016 - 2017

Division/Agency: Australian Office of Financial Management

Question No: 133

Topic: 30 year bonds

Reference: Written

Senator: Ketter, Chris

Question:

- 1) What were the primary reasons for issuing 30 year bonds?
- 2) Did the potential loss of Australia's AAA credit rating play a role in the decision to issue 30 year bonds now?
- 3) Are there plans in place to issue more 30 year bonds?
- 4) When will they be issued?
- 5) In what quantities?

Answer:

- 1) The primary reasons for issuing 30-year Treasury Bonds were to complete a debt portfolio management strategy that:
 - reduces funding risk in future years;
 - reduces the portfolio impact of potential future interest rate volatility;
 - diversifies the investor base for Australian Government Securities;
 - increases the range of issuance options available to the AOFM; and
 - establishes a 30 year benchmark for the Australian fixed interest market.
- 2) No.
- 3) Yes.
- 4) The AOFM indicated that there would be no further issuance of the new 21 March 2047 Treasury Bond line prior to March 2017; after that time the bond line may be re-issued. The maintenance of a 30-year yield curve will require issuance of a new 30-year bond line every two to four years, depending on assessed investor demand.
- 5) Issuance volumes will depend on the AOFM's assessment at the time, in the context of its funding task, prevailing market conditions, and investor demand.