

Fixed Income: Australian Debt Securities Update

04 April 2011 – 08 April 2011



A\$ MTN Primary Issuance Update

- Volumes in the primary domestic MTN market this week picked up significantly, with a total of A\$4.4 billion raised between SSA and Semi Government issuers, compared with A\$650 million the week prior.
- SSA issuance in the week commenced with Rentenbank pricing a new A\$250 million April 2018 transaction at ACGB + 100.25. On the same day, Kommunalbanken Norway also issued a new A\$250 million April 2021 line at a margin of ACGB + 112.50. SSA issuance continued late in the week with KfW Bankengruppe tapping its existing February 2018 line with a further A\$300 million at ACGB + 86.00.
- Queensland Treasury Corporation (QTC) returned to the market for the second time this year with a benchmark A\$3.1 billion issue. Priced at ACGB + 61.25, the transaction was initially launched as a minimum A\$1.0 billion, but strong demand resulted in the book closing more than 4 times oversubscribed, and in the transaction being upsized and capped. The new issue takes QTC's outstandings to A\$69.7 billion across a total of 19 lines. CBA was a lead manager on the deal.

Issuer (Format)	Rating		Maturity	Amount	Coupon	Spread to Benchmark
	Issuer	Issue				
KfW Bankengruppe Kangaroo	AAA / Aaa	AAA / Aaa	Feb-18	A\$300m Total outstanding A\$800m	6.25%	ACGB + 86.00
Kommunalbanken Norway Kangaroo	AAA / Aaa	AAA / Aaa	Apr-21	A\$250m	6.50%	ACGB + 112.50
Rentenbank Kangaroo	AAA / Aaa	AAA / Aaa	Apr-18	A\$250m	6.25%	ACGB + 100.25
Queensland Treasury Corporation Semi Government	AA+ / Aa1	AA+ / Aa1	Jul-22	A\$3.1bn	6.00%	ACGB + 61.25
AOFM CGS Tender	AAA / Aaa	AAA / Aaa	Jan-18	A\$500m Total outstanding A\$3.5bn	5.50%	Weighted average yield 5.4298%
			Jun-16	A\$700m Total outstanding A\$8.1bn	4.75%	Weighted average yield 5.3620%

Sources: CBA & Bloomberg

Note: Yellow border indicates CBA acted as a Lead Manager on the transaction

Offshore Issues by Australian Borrowers *sizeable issuance only

- Powercor Australia LLC issued US\$700 million in the US Private Placement market, making it the equal largest transaction executed this year. The issue yielded a final order book of over US\$800 million, although initially being launched for US\$350 million. The strong order book created pricing tension, allowing the issue to be completed 5-10 bps within initial pricing guidance across the three tranches. CBA was a lead manager on this transaction.

Issuer	Market	Rating (Issuer)	Tenor / Maturity	Amount (US\$m)	Coupon	Issue Margin
Powercor Australia LLC	USPP	A- / A3	5 years	150	3.33%	T + 105
			7 years	365	4.06%	T + 110
			9 years	185	4.47%	T + 110
Telstra Corporation Limited	US144a / RegS	A / A2	Oct-21	1000	4.80%	T + 133
Mirabela Nickel Limited	US144a / RegS	B- / B2	Apr-18	395	8.75%	T + 579
National Australia Bank	US144a / RegS	AA / Aa1	Apr-14	600	2.25%	T + 98
			Apr-14	1600	3m US\$Libor + 72	3m US\$Libor + 72
Woolworths Limited	US144a / RegS	A- / A3	Apr-16	300	3.15%	T + 90
			Apr-21	500	4.55%	T + 110

Sources: CBA & Bloomberg

Note: Yellow border indicates CBA acted as a Lead Manager on the transaction

Fixed Income: Australian Debt Securities Update

04 April 2011 – 08 April 2011



2011 Primary Issuance Table

Sector	Week ending 08 April 2011		2011 Year to Date		2010 Year to Date		Comparison Volume
	No. of Transactions	Volume	No. of Transactions	Volume	No. of Transactions	Volume	
SSA	3	A\$1.3bn	27	A\$12.0bn	32	A\$14.3bn	-A\$2.3bn
Domestic Banks	-	-	8	A\$7.4bn	13	A\$9.8bn	-A\$2.4bn
Foreign Bank/Branches	-	-	12	A\$9.8bn	11	A\$9.4bn	+A\$400m
Non Bank Financial	-	-	7	A\$2.3bn	4	A\$400m	+A\$1.9bn
Corporate	-	-	7	A\$1.6bn	7	A\$1.3bn	+A\$300m
Semi Government	1	A\$3.1bn	3	A\$8.7bn	5	A\$8.3bn	+A\$400m
Total	4	A\$4.4bn	64	A\$41.8bn	72	A\$43.5bn	-A\$1.7bn

Sources: CBA & Bloomberg

Ratings News

New Rating / Withdrawal

- S&P assigned an A+ (Stable) rating to **Westfield Retail Trust**.

Upgrades or Downgrades

- Moody's downgraded its rating on **Portugal** from A3 (Negative) to Baa1 (Negative).
- S&P downgraded its rating on **Ireland** from A- (Negative) to BBB+ (Stable).
- S&P downgraded its rating on **BlueScope Steel** from BBB (Negative) to BBB- (Stable).

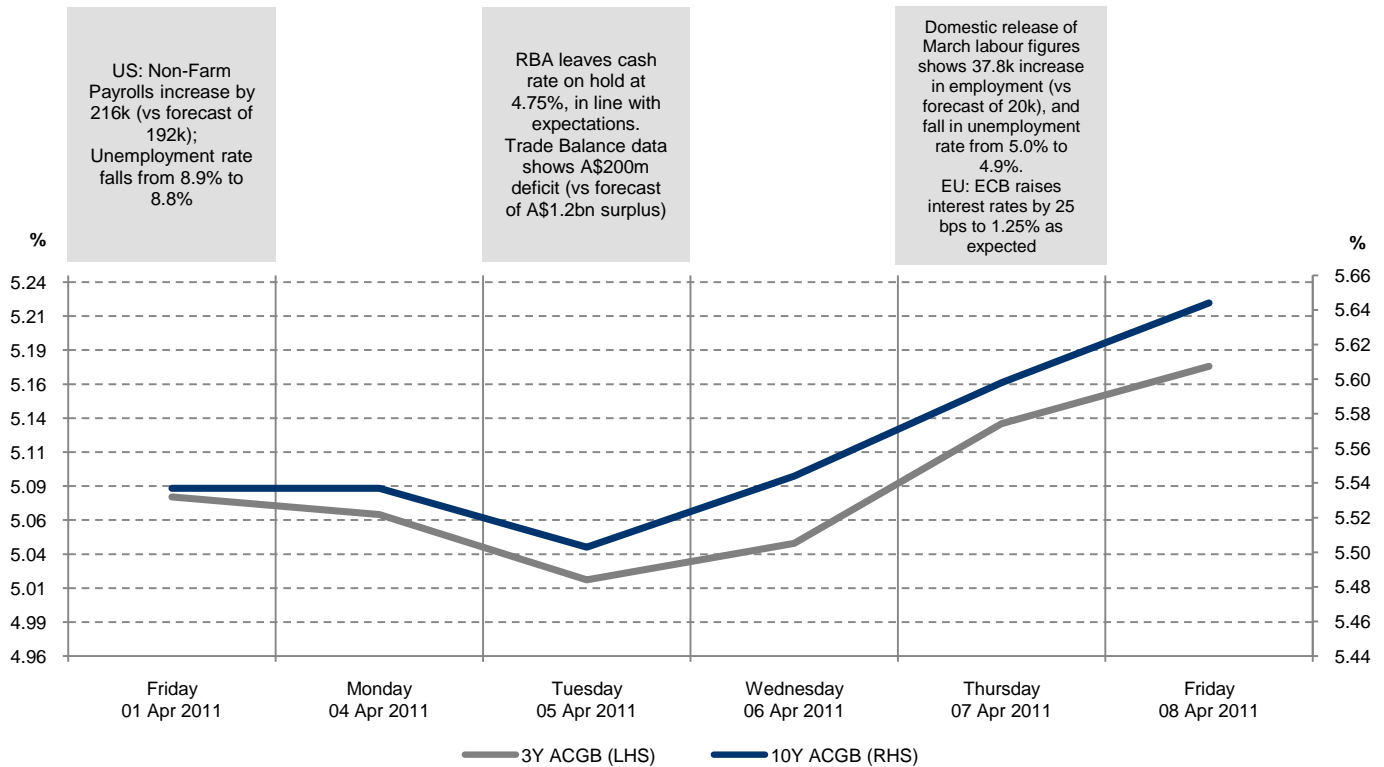
Credit Watch / Outlook

- Moody's placed its Aa2 rating assigned to **Toyota** on review for a possible downgrade.



Australian Rates Market Update

Figure 1: 3Y and 10Y Australian Bond Curve



Sources: CBA & Bloomberg

- Australian Government Bond yields rose across the curve last week, as the front end of the curve sold off around 10 bps and the long end of the curve around 11 bps. The 3/10 spread was broadly unchanged at 47 bps.
- Tuesday's RBA announcement to leave the cash rate unchanged at 4.75% was expected, and markets generally looked through the announcement. There were surprises, however, in Tuesday's trade balance data (A\$200m deficit vs forecast of A\$1.2bn surplus), which caused 3 and 10 year yields to fall by 5 and 3 bps respectively.
- Conversely, Thursday's strong employment figures (37,800 increase vs 20,000 forecast) highlighted underlying labour market strength and focussed attention on the possibility of interest rate increases later in the year, contributing to a 10 and 5 bps gain in the 3 and 10 year yields respectively.



Swap Rates

Figure 2a: Australian Swap Rates

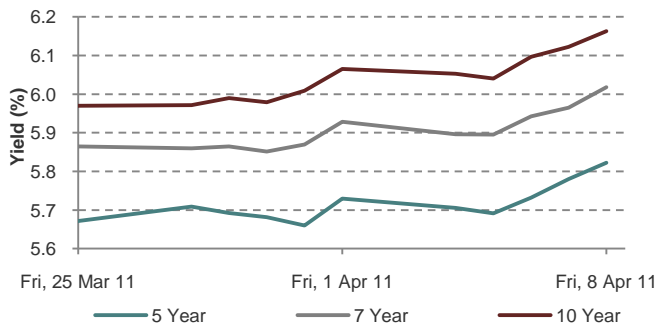
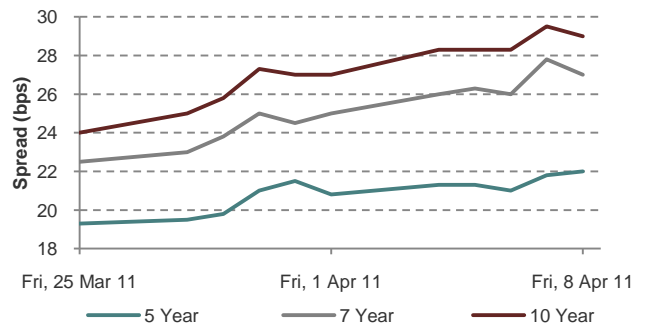


Figure 2b: Australian Basis Swap Rates



Rates

Figure 3a: Australian Rates

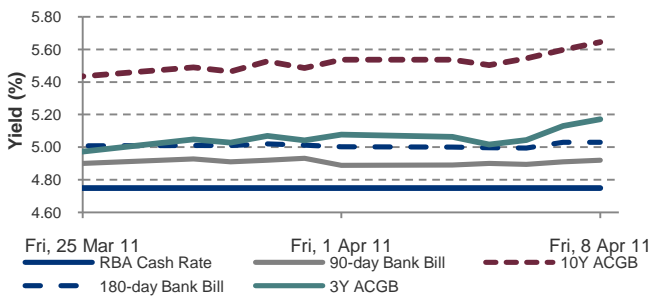


Figure 3b: CBA Rates Forecasts

	End period			
	Jun-11	Sep-11	Dec-11	Mar-12
RBA Cash Rate (%)	5.00	5.25	5.50	5.75
90-Day Bank Bill (%)	5.30	5.60	5.80	6.00
180-Day Bank Bill (%)	5.60	5.70	5.90	6.00
3 Year Bond (%)	5.60	5.80	5.90	5.90
10 Year Bond (%)	5.80	5.90	6.00	6.00

Credit Markets

Figure 4a: Global CDS Indices

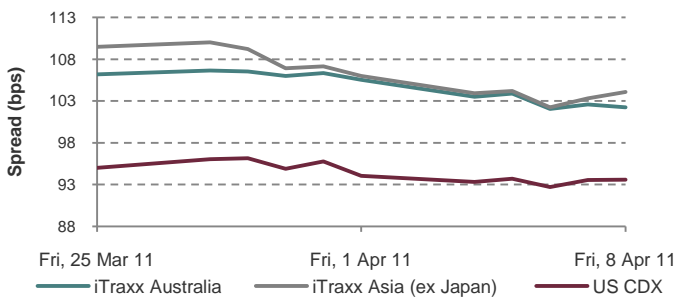
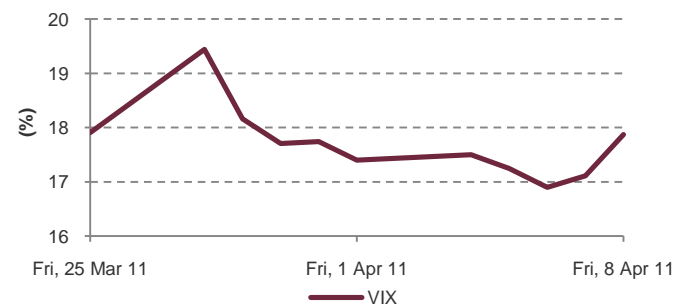


Figure 4b: VIX

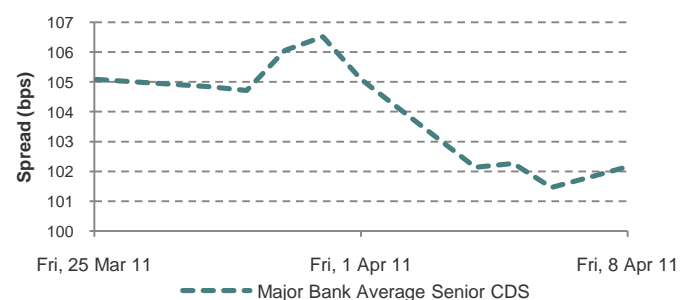


Australian Banks:

Figure 5a: Current Major Bank Spreads

Issuer	Issuer Rating	Maturity	Coupon	Spread to Swap
ANZ	AA	Feb-14	6.25%	+74
CBA	AA	Jul-14	6.50%	+75
CBA	AA	Feb-20	7.25%	+145
NAB	AA	Sep-14	6.75%	+79
WBC	AA	Aug-14	7.00%	+77
WBC	AA	Feb-20	7.25%	+141

Figure 5b: Australian Bank CDS



Sources: CBA, Bloomberg & Yieldbroker



Appendix: Secondary Levels of Recent Transactions

Supra/Sov/Agency Issuers

Issuer	Issuer Rating	Maturity	Amount	Coupon	Issue Margin	Secondary Trading Margin
KfW Bankengruppe	AAA / Aaa	Aug-20	A\$250m Total outstanding A\$2.2bn	6.00%	ACGB + 107.25	ACGB + 106.00

Bank/Holding Co. Issuers

Issuer	Issuer Rating	Maturity	Amount	Coupon	Issue Margin	Secondary Trading Margin
Royal Bank of Scotland plc Australia Branch	A+ / Aa3	Mar-14	A\$700m	7.25%	Swap + 195	Swap + 182
JPMorgan Chase & Co	A+ / Aa3	Mar-16	A\$400m	7.00%	Swap + 135	Swap + 127
Canadian Imperial Bank of Commerce Covered Bond	A+ / Aa2 (AAA / Aaa)	Mar-16	A\$700m	6.25%	Swap + 74	Swap + 69
Lloyds TSB Australia Branch	A+ / Aa3	Oct-14	A\$750m	7.00%	Swap + 220	Swap + 191
Société Générale	A+ / Aa2	Oct-14	A\$400m Total outstanding A\$650m	BBSW + 150	BBSW + 165	BBSW + 145

Corporate Issuers

Issuer	Issuer Rating	Maturity	Amount	Coupon	Issue Margin	Secondary Trading Margin
Commonwealth Property Office Fund	A- / A3	Mar-16	A\$200m	7.25%	Swap + 165	Swap + 151
Woolworths Limited	A- / A3	Mar-16	A\$500m	6.75%	Swap + 105	Swap + 87
Brisbane Airport Corporation	BBB / Baa2	Sep-19	A\$250m	8.00%	Swap + 220	Swap + 209
ETSA Utilities Finance	A-	Sep-16	A\$250m	6.75%	Swap + 135	Swap + 127
SP AusNet	A- / A1	Apr-21	A\$250m	7.50%	Swap + 167	Swap + 167

Sources: CBA & Yieldbroker



Contact Us

Fixed Income Origination

Sydney		Telephone	Email Address
Peter Christie	Head of Fixed Income Origination & Distribution	+612 9118 4328	christp@cba.com.au
Simon Ling	Head of Retail and Wholesale Origination	+612 9118 6463	simon.ling@cba.com.au
Patrick Bryant	Executive Manager, FIG Origination	+612 9118 1217	patrick.bryant@cba.com.au
Rob Kenna	Executive Manager, Corporate Origination	+612 9118 1219	rob.kenna@cba.com.au
Truong Le	Executive Manager, Retail Fixed Income Origination	+612 9118 1205	truong.le@cba.com.au
Danielle Lavars	Senior Manager, Fixed Income Origination	+612 9118 1221	danielle.lavars@cba.com.au
Clare Lewis	Manager, Fixed Income Origination	+612 9118 1225	clare.lewis@cba.com.au
Simon Rutz	Manager, Fixed Income Origination	+612 9118 2858	simon.rutz@cba.com.au
Andrew Murray	Manager, Commercial Paper	+612 9117 0047	andrew.murray@cba.com.au
Casey de Souza	Associate, Fixed Income Origination	+612 9118 1173	casey.desouza@cba.com.au
Alex Lucy	Analyst, Fixed Income Origination	+612 9118 1218	alexander.lucy@cba.com.au
Katherine Chan	Analyst, Retail Fixed Income Origination	+612 9118 1220	chank@cba.com.au

New York / Sydney		Telephone	Email Address
Bill Stevenson	Executive Manager, USPP Fixed Income Origination	+612 9118 2859	stevenw@cba.com.au
Mark Wang	Executive Manager, USPP Fixed Income Origination	+1 212 848 9308	mark.wang@cba.com.au
Hilary Ward	Executive Manager, USPP Fixed Income Origination	+1 212 848 9373	wardhi@cba.com.au
Amy Lung	Senior Manager, USPP Fixed Income Origination	+1 212 848 9341	amy.lung@cba.com.au

London		Telephone	Email Address
James Hammermaster	Senior Manager, Corporate Origination	+44 20 77103626	james.hammermaster@cba.com.au
Sean Rosas	Senior Manager, Fixed Income Origination	+44 20 77103959	sean.rosas@cba.com.au

Singapore		Telephone	Email Address
Giles Chapman	Senior Manager, Fixed Income Origination	+65 6349 7087	giles.chapman@cba.com.au

New Zealand		Telephone	Email Address
Brian McTaggart	Head of Capital Markets NZ	+649 301 5955	brian.mctaggart@asb.co.nz
Richard Howse	Director	+649 301 5956	richard.howse@asb.co.nz
Gary Baker	Associate Director	+649 301 5957	gary.baker@asb.co.nz
Charlotte Hover	Executive Assistant	+649 301 5958	charlotte.hover@asb.co.nz

Fixed Income Syndication

Sydney		Telephone	Email Address
Paul O'Brien	Head of Fixed Income Syndication	+612 9117 0046	paul.edward.obrien@cba.com.au
Patrick Moore	Senior Manager, Fixed Income Syndication	+612 9117 0047	patrick.moore@cba.com.au

Sales

Institutional	Telephone	Equities	Telephone
Syd FX	+612 9117 0190	Syd	+612 9118 1446
	+612 9117 0341	Asia	+613 9675 6967
Credit	+612 9117 0020	Lon/Eu	+44 20 7710 3573
Japan Desk	+612 9117 0025	NY	+1212 336 7749
Melb	+613 9675 6815		
	+613 9675 7495	Corporate	Telephone
	+613 9675 6618	NSW	+612 9117 0377
	+613 9675 7757	VIC	+612 9675 7737
Lon FX	+44 20 7329 6266	SA	+618 8206 4155
Debt & Derivatives	+44 20 7329 6444	WA	+618 9482 6044
Corporate	+44 20 7710 3905	QLD	+617 3015 4525
HK	+852 2844 7538	NZ	+64 9375 5738
Sing	+65 6349 7077	Metals Desk	+612 9117 0069
NY	+1212 336 7739	Agri Desk (Corp)	+612 9117 0157
		Agri Desk	+612 9117 0145