

Fixed Income: Australian Debt Securities Update

07 March 2011 – 11 March 2011



A\$ MTN Primary Issuance Update

- Despite economic concerns offshore, issuance in the A\$ primary market over the last week was solid, totalling A\$1.8bn across corporate and financial institution transactions.
- The week kicked off with Woolworth's new A\$500 million March 2016 issue at Swap + 105 bps. JPMorgan Chase & Co also launched a new A\$600 million 5 year Kangaroo. The A\$200m floating rate and A\$400m fixed rate tranches, due March 2016, were priced at BBSW/Swap + 135bps. CBA was a co-manager on this transaction.
- Finally, Canadian Imperial Bank of Commerce (CIBC) priced the first 5 year covered bond issued in the A\$ domestic market post GFC, a new A\$700 million 6.25% March 2016 at Swap + 74. This is CIBC's first benchmark transaction since accessing the market in October 2010, with their inaugural A\$750 million 3 year covered bond. Despite APRA excluding AAA-rated covered bonds from the pool of high quality liquid assets for the Liquidity Coverage Ratio applicable to Australian Authorised Deposit-taking Institutions (ADIs), the transaction was well supported.

Issuer (Format)	Rating		Maturity	Amount	Coupon	Spread to Benchmark
	Issuer	Issue				
Canadian Imperial Bank of Commerce Covered Bond	A+ / Aa2	AAA / Aaa	Mar-16	A\$700m	6.25%	Swap + 74
JPMorgan Chase & Co. Senior Unsecured Kangaroo	A+ / Aa3	A+ / Aa3	Mar-16	A\$400m	7.00%	Swap + 135
				A\$200m	BBSW + 135	BBSW + 135
Woolworths Limited Senior Unsecured	A- / A3	A- / A3	Mar-16	A\$500m	6.75%	Swap + 105
AOFM CGS Tender	AAA / Aaa	AAA / Aaa	May-13	A\$500m Total outstanding A\$16.2bn	6.50%	Weighted average yield 4.9904%

Sources: CBA & Bloomberg

Note: Yellow border indicates CBA acted either as a Lead Manager or Co-Manager on the transaction.

2011 Primary Issuance Table

Sector	Week ending 11 March 2011		2011 Year to Date		2010 Year to Date		Comparison
	No. of Transactions	Volume	No. of Transactions	Volume	No. of Transactions	Volume	Volume
SSA	-	-	23	A\$11bn	24	A\$11.1bn	-A\$100m
Domestic Banks	-	-	9	A\$8.2bn	9	A\$5.7bn	+A\$2.5bn
Foreign Bank/Branches	2	A\$1.3bn	9	A\$7.3bn	10	A\$8.6bn	-A\$1.3bn
Non Bank Financial	-	-	6	A\$1.6bn	-	-	+A\$1.6bn
Corporate	1	A\$500m	3	A\$700m	-	-	+A\$700m
Semi Government	-	-	2	A\$5.6bn	4	A\$7.3bn	-A\$1.7bn
Total	3	A\$1.8bn	52	A\$34.4bn	49	A\$32.7bn	+A\$1.7bn

Sources: CBA & Bloomberg

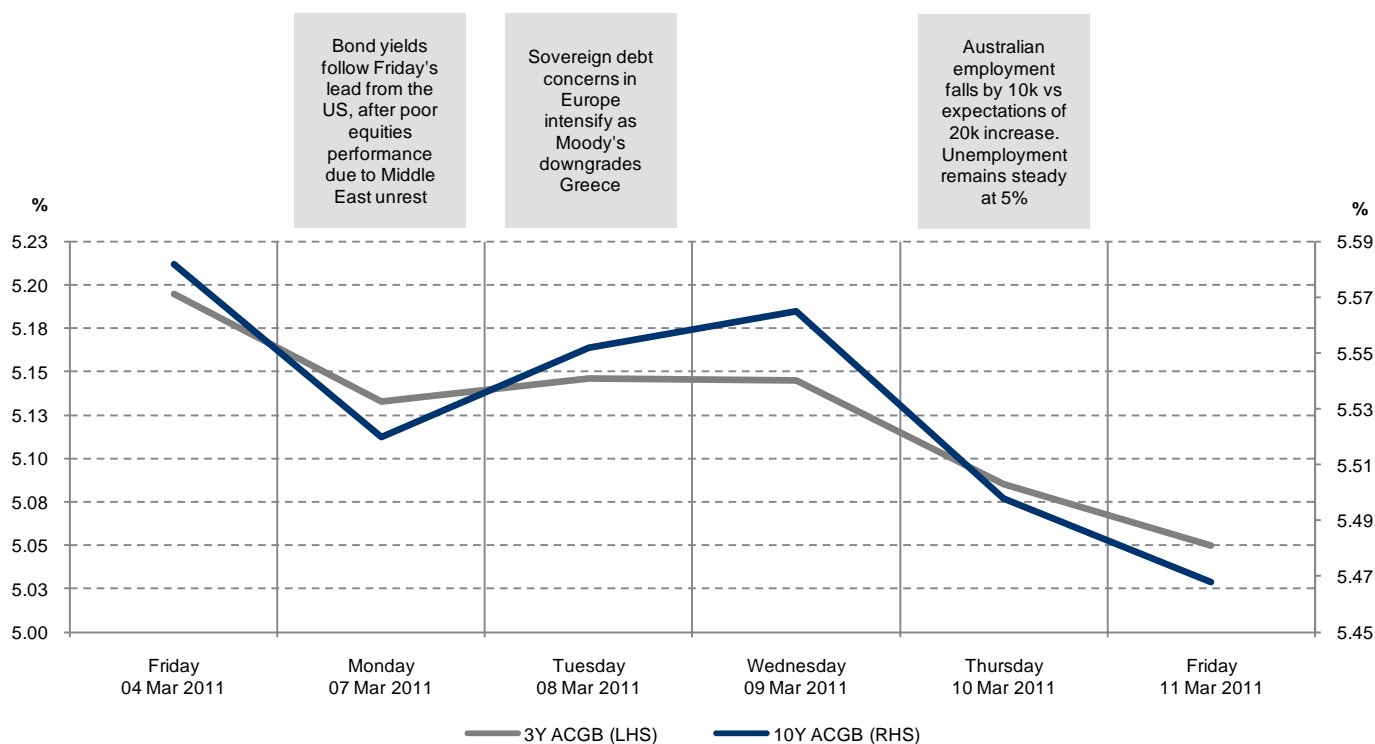


Offshore Issues by Australian Borrowers **sizeable issuance only*

Issuer	Market	Rating (Issuer)	Tenor	Amount	Coupon	Issue Margin
Commonwealth Bank of Australia	US144a / RegS	AA / Aa1	Mar-14	US\$700m	2.125%	T + 98
			Mar-14	US\$1.6bn	3m US\$Libor + 73	3m US\$Libor + 73
			Mar-16	US\$700m	3.25%	T + 118
Amcors Limited	EMTN	BBB / Baa2	Apr-19	EUR550m	4.625%	Bund + 156

Australian Rates Market Update

Figure 1: 3Y and 10Y Australian Bond Curve



Sources: CBA & Bloomberg

- Australian Government Bond yields fell across the curve last week, as the front end of the curve rallied around 13 bps and the long end around 10 bps. The 3/10 spread steepened to 42 bps.
- These movements were largely driven by the continued tensions in the Middle East/North Africa and the rising of oil prices influencing market sentiment. Risk aversion was also supported by the re-emergence of concerns over European peripheral sovereign debt issues as Moody's downgraded both Greece and Spain.



Ratings News

*New Rating /
Withdrawal*

- Nothing to report
-

*Upgrades or
Downgrades*

- Moody's downgraded its rating on **Greece** from Ba1 to B1 (Negative).
 - Moody's downgraded its rating on **Spain** from Aa1 to Aa2 (Negative).
 - S&P upgraded its rating on **Wesfarmers** from BBB+ (Positive) to A- (Stable)
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*Credit Watch /
Outlook*

- Nothing to report
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Swaps

Figure 2a: Australian Swap Curve

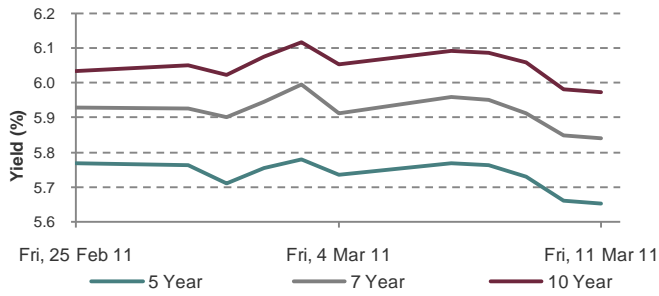
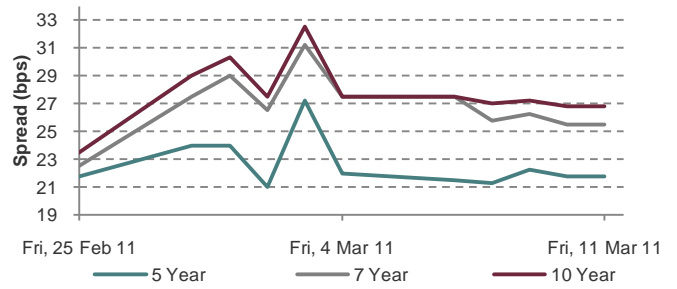


Figure 2b: Australian Basis Swap Curve



Rates

Figure 3a: Australian Rates

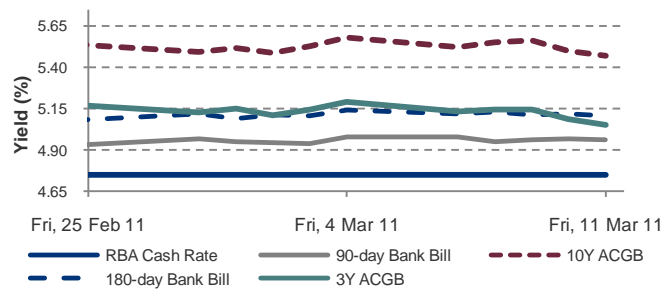


Figure 3b: CBA FX Forecasts

	End period				
	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12
AUD per USD	1.02	0.99	0.94	0.92	0.90
AUD per EUR	0.73	0.68	0.66	0.66	0.66
AUD per NZD	1.34	1.32	1.31	1.30	1.29
AUD per GBP	0.63	0.58	0.56	0.56	0.56
AUD per 100 JPY	87	85	82	81	79

Credit Markets

Figure 4a: Global CDS Indices

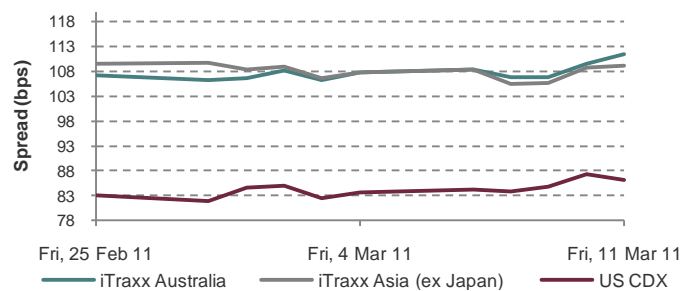
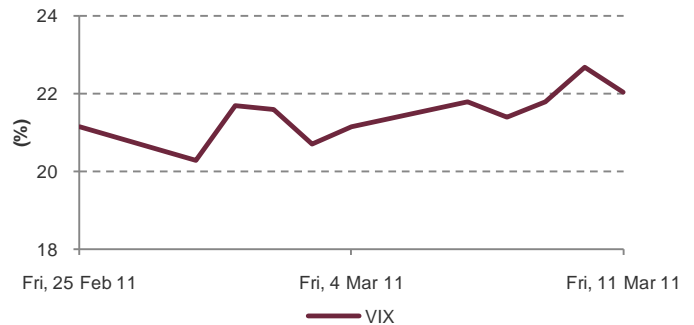


Figure 4b: VIX

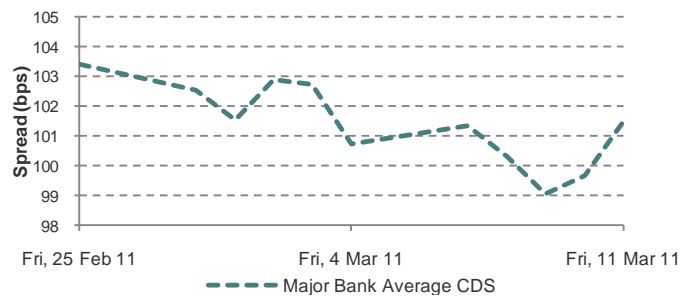


Australian Banks

Figure 5a: Current Major Bank Spreads

Issuer	Issuer Rating	Maturity	Coupon	Spread to Swap
ANZ	AA	Feb-14	6.25%	+75.0
CBA	AA	Jul-14	6.50%	+75.8
CBA	AA	Feb-20	7.25%	+142.3
NAB	AA	Sep-14	6.75%	+80.4
WBC	AA	Aug-14	7.00%	+78.6
WBC	AA	Feb-20	7.25%	+140

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
Asian Development Bank	AAA / Aaa	Feb-18	A\$700m	6.00%	ACGB + 60.25	ACGB + 65
European Investment Bank	AAA / Aaa	May-14	A\$400m Total Outstanding A\$700m	BBSW + 26	BBSW + 26	BBSW + 25
Export Development Canada	AAA / Aaa	Feb-16	A\$500m	6.00%	ACGB + 56.25	ACGB + 55
Kommuninvest	AAA / Aaa	Mar-14	A\$200m	BBSW + 42	BBSW + 42	BBSW + 43.5
Oesterreichische Kontrollbank AG	AAA / Aaa	Feb-16	A\$350m	6.25%	ACGB + 84.5	ACGB + 85
Rentenbank	AAA / Aaa	Apr-17	A\$450m Total Outstanding A\$1.6bn	6.50%	ACGB + 98.5	ACGB + 98.75

Bank/Holding Co. Issuers

Issuer	Issuer Rating	Maturity	Amount	Coupon	Issue Margin	Secondary Trading Margin
Barclays Bank Australia Branch	AA- / Aa3	Feb-14	A\$500m	6.75%	Swap + 140	Swap + 135
Bank of Nova Scotia Covered Bond	AA- / Aa1 (AAA / Aaa)	Jan-14	A\$1.0bn	5.75%	Swap + 46	Swap + 50
National Australia Bank	AA / Aa	Mar-18	A\$700m	7.25%	Swap + 145	Swap + 140
RBS Australia Branch	A+ / Aa3	Mar-14	A\$700m	7.25%	Swap + 195	Swap + 188
Westpac	AA / Aa1	Nov-15	A\$500m	6.50%	Swap + 110	Swap + 102

Corporate Issuers

Issuer	Issuer Rating	Maturity	Amount	Coupon	Issue Margin	Secondary Trading Margin
Woolworths Limited	A- / A3	Mar-16	A\$500m	6.75%	Swap + 105	Swap + 95
CFS Retail Property Trust	A	May-16	A\$150m Total Outstanding A\$400m	7.25%	Swap + 160	Swap + 148

Sources: CBA & Yieldbroker



Origination

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