

# Fixed Income: Australian Debt Securities Update

28 March 2011 – 01 April 2011



## A\$ MTN Primary Issuance Update

- Primary activity in the domestic MTN market was subdued last week, with a total of A\$650 million raised between two separate issuers.
- The week opened with SP AusNet pricing a new A\$250 million April 2021 issue at Swap + 167 bps, inside the initial price guidance of Swap + 170. The launch followed a debt investor update which took place in the week commencing March 21. Although initially launched as a minimum A\$200 million transaction, the deal was subsequently upsized due to investor demand, with the proceeds of the new issue to be used for refinancing existing debt and funding growth capital expenditure.
- Société Générale (SG) returned to the domestic market with a tap of the floating rate tranche of its existing A\$250 million October 2014 kangaroo. The deal, which priced at BBSW + 165 bps, was launched as a minimum A\$200 million issue and upsized following solid offshore demand, as was the case for SG's inaugural issue in October 2010. The increase brings the volume outstanding in the floating rate tranche to A\$650 million.
- CBA was as a lead manager on both the SP AusNet and Société Générale deals.

Issuer (Format)	Rating		Maturity	Amount	Coupon	Spread to Benchmark
	Issuer	Issue				
<b>Société Générale</b> Senior Unsecured	A+ / Aa2	A+ / Aa2	Oct-14	A\$400m Total outstanding A\$650m	BBSW + 150	BBSW + 165
<b>SP AusNet</b> Unsubordinated Unsecured	A- / A1	A- / A1	Apr-21	A\$250m	7.50%	Swap + 167
<b>AOFM</b> CGS Tender	AAA / Aaa	AAA / Aaa	Apr-20	A\$500m Total outstanding A\$7.0bn	4.50%	Weighted average yield 5.4686%
			Oct-14	A\$700m Total outstanding A\$7.0bn	4.50%	Weighted average yield 5.1381%

Sources: CBA & Bloomberg

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

## 2011 Primary Issuance Table

Sector	Week ending 01 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	-	-	24	A\$11.2bn	31	A\$14.0bn	-A\$2.8bn
Domestic Banks	-	-	8	A\$7.4bn	10	A\$7.2bn	+A\$200m
Foreign Bank/Branches	1	A\$400m	13	A\$10.1bn	12	A\$9.4bn	+A\$700m
Non Bank Financial	-	-	7	A\$2.3bn	3	A\$400m	+A\$1.9bn
Corporate	1	A\$250m	6	A\$1.3bn	7	A\$1.3bn	-
Semi Government	-	-	2	A\$5.6bn	5	A\$8.3bn	-A\$2.7bn
<b>Total</b>	<b>2</b>	<b>A\$650m</b>	<b>60</b>	<b>A\$37.9bn</b>	<b>68</b>	<b>A\$40.6bn</b>	<b>-A\$2.7bn</b>

Sources: CBA & Bloomberg



## Offshore Issues by Australian Borrowers *\*sizeable issuance only*

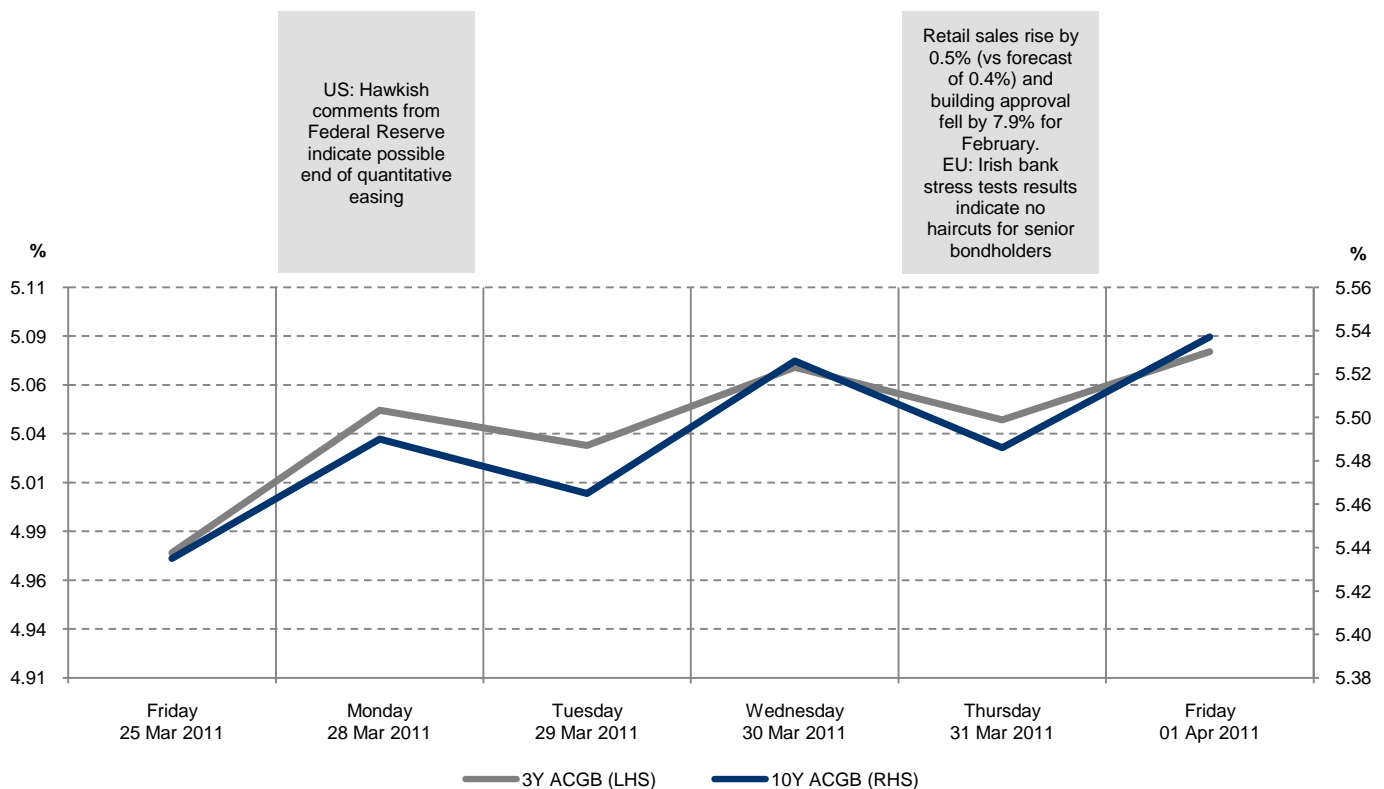
Issuer	Market	Rating (Issuer)	Tenor	Amount	Coupon	Issue Margin
<b>Commonwealth Bank of Australia</b>	EMTN	AA / Aa1	Apr-18	EUR750m	4.25%	MS + 95
<b>National Australia Bank</b>	EMTN	AA / Aa1	Apr-14	EUR750m	3m Euribor + 50	3m Euribor + 50
<b>Westpac Banking Corporation</b>	US144a / RegS	AA / Aa1	Mar-14	US\$1.4bn	3m US\$Libor + 73	3m US\$Libor + 73
<b>Asciano</b>	US144a / RegS	BBB- / Baa2	Apr-18	US\$750m	5.00%	T + 220
			Apr-23	US\$250m	6.00%	T + 260

Sources: CBA & Bloomberg

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

## 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 both the front and long end of the curve sold off around 10 bps. The 3/10 spread was unchanged at 46 bps.
- The Australian 3 and 10 year curves opened the week 5 and 6 bps higher respectively. This followed Friday's sell-off in the US, which was prompted by hawkish comments from US Federal Reserve Governor Plosser. Thursday's European CPI data jumped by a larger than expected 2.6%, increasing the likelihood of an interest rate rise in April, and sending Australian 3 and 10 year bond yields 3 and 5 bps higher on Friday respectively.
- Domestic data released throughout the week was mixed overall. Although February Retail sales increased by 0.5% (vs market consensus of 0.4%), building approvals fell by 7.9% for the month, ending at their lowest levels since June 2009. These figures were, however, broadly in line with expectations, and the market generally looked through the data.



## Ratings News

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*New Rating /  
Withdrawal*

- Nothing to report
- 

*Upgrades or  
Downgrades*

- Moody's downgraded its outlook on **Qantas'** Baa2 rating from Stable to Negative.
  - S&P downgraded its rating on **Greece** from BB+ to BB- (Negative).
  - S&P downgraded its rating on **Portugal** from BBB to BBB- (Negative)
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*Credit Watch /  
Outlook*

- Nothing to report
-



Swaps

Figure 2a: Australian Swap Curve

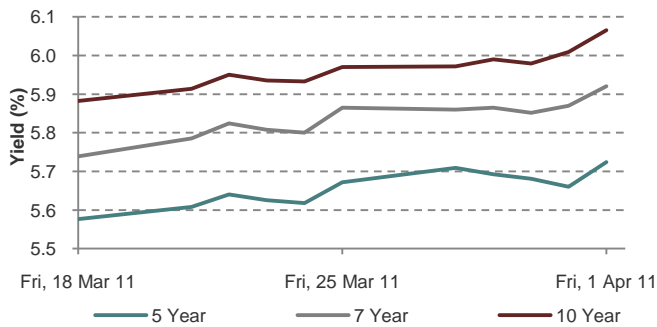
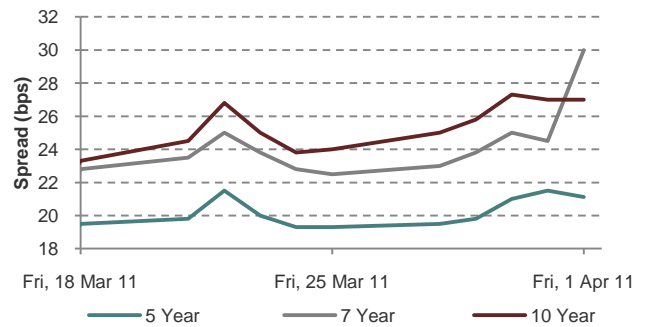


Figure 2b: Australian Basis Swap Curve



Rates

Figure 3a: Australian Rates

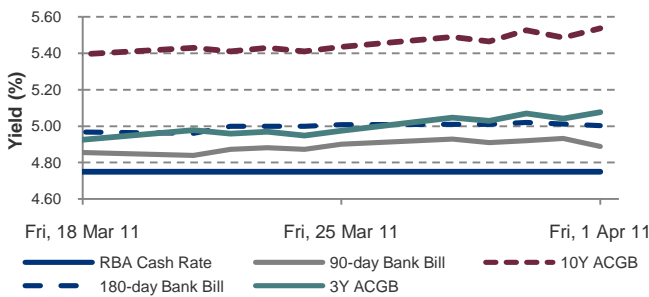


Figure 3b: CBA Rates Forecasts

	End period			
	Jun-11	Sep-11	Dec-11	Mar-12
RBA Cash Rate (%)	5.00	5.25	5.50	5.75
90-Day BankBill (%)	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

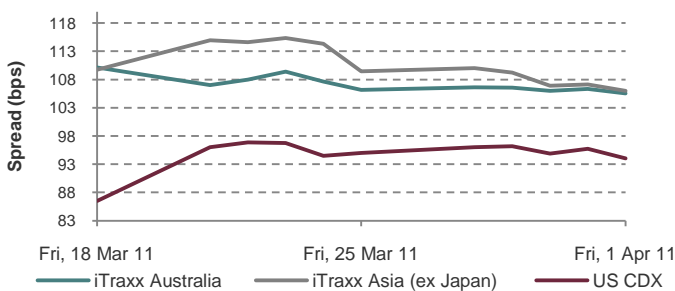
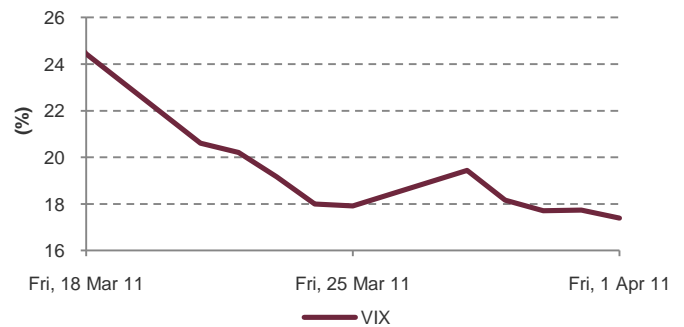


Figure 4b: VIX

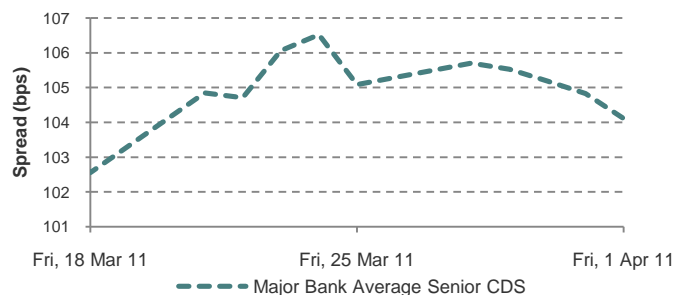


Australian Banks

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%	+74
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 A2.2bn	6.00%	ACGB + 107.25	ACGB + 101.80

### 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 + 184
JPMorgan Chase & Co	A+ / Aa3	Mar-16	A\$400m	7.00%	Swap + 135	Swap + 129
Canadian Imperial Bank of Commerce <i>Covered Bond</i>	A+ / Aa2 (AAA / Aaa)	Mar-16	A\$700m	6.25%	Swap + 74	Swap + 70
Lloyds TSB Australia Branch	A+ / Aa3	Oct-14	A\$750m	7.00%	Swap + 220	Swap + 203

### 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 + 150
Woolworths Limited	A- / A3	Mar-16	A\$500m	6.75%	Swap + 105	Swap + 89
Brisbane Airport Corporation	BBB / Baa2	Sep-19	A\$250m	8.00%	Swap + 220	Swap + 208

Sources: CBA & Yieldbroker



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