Fixed Income: **Australian Debt Securities Update**

09 May 2011 – 13 May 2011

A$ MTN Primary Issuance Update

- Issuance in the primary domestic MTN market amounted to a total of A$2.3 billion for the week, and was spread across financial, SSA and corporate issuers.
- The week commenced with Goldman Sachs Group returning to the A$ MTN market for the first time since April 2006. The new benchmark, dual tranche A$1.25 billion November 2016 line priced at Swap/BBSW + 205. The transaction was initially launched as a minimum A$500 million, but was subsequently upsized with the final book closing more than three times oversubscribed. Raising A$750 million in the floating rate tranche and $500 million of FRNs, the deal represents the largest non-repo eligible bank transaction post the financial crisis. CBA was a lead manager on this transaction.
- After a month long pause, SSA issuers re-entered the market. Rentenbank tapped its January 2016 line, adding A$200 million at ACGB + 78.50, and taking total outstandings in the line to A$1.2 billion, whilst Kommunalbanken Norway added a further A$200 million, taking its October 2014 line to a total of A$1.1 billion, pricing at ACGB + 67.50. KfW Bankengruppe priced a new May 2021 transaction at ACGB + 102.00, raising A$450 million.
- Rounding out the week was an inaugural A$ MTN issue from Goodman Australia Industrial Fund. Launched following a recent institutional investor update in Sydney and Melbourne, the transaction launched as a A$150 million May 2016 and was upsized and capped at A$175 million, and priced at Swap + 235. The transaction was the second successful non-financial launch by an inaugural issuer lead managed by CBA in the past month.

Issuer (Format)	Rating		Maturity	Amount	Coupon	Spread to Benchmark
	Issuer	Issue				
Goodman Australia Industrial Fund Senior Unsecured	BBB	BBB	May-16	A$175m	7.75%	Swap + 235
Goldman Sachs Group Inc Kangaroo	A / A1	A / A1	Nov-16	A$750m	7.75%	Swap + 205
				A$500m	BBSW + 205	BBSW + 205
KfW Bankengruppe Kangaroo	AAA / Aaa	AAA / Aaa	May-21	A$450m	6.25%	ACGB + 102.00
Kommunalbanken Norway Kangaroo	AAA / Aaa	AAA / Aaa	Oct-14	A$200m Total outstanding A$1.1bn	6.00%	ACGB + 67.50
Rentenbank Kangaroo	AAA / Aaa	AAA / Aaa	Jan-16	A$200m Total outstanding A$1.2bn	6.00%	ACGB + 78.50
AOFM CGS Tender	AAA / Aaa	AAA / Aaa	Jun-14	A$600m Total outstanding A$11.9bn	6.25%	Weighted average yield 5.0743%
			Apr-20	A$600m Total outstanding A$13.0bn	4.50%	Weighted average yield 5.4329%

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

2011 Primary Issuance Table

Sector	Week ending 13 May 2011 No. of Transactions	Week ending 13 May 2011 Volume	2011 Year to Date No. of Transactions	2011 Year to Date Volume	2010 Year to Date No. of Transactions	2010 Year to Date Volume	Comparison Volume
SSA	3	A$850m	31	A$13.1bn	38	A$17.5bn	-A$4.4bn
Domestic Banks	-	-	11	A$11.9bn	13	A$9.7bn	A$2.2bn
Foreign Bank/Branches	1	A$1.25bn	16	A$12.5bn	14	A$10.6bn	+A$1.9bn
Non Bank Financial	-	-	7	A$2.3bn	3	A$440m	+A$1.9bn
Corporate	1	A$175m	11	A$2.9bn	9	A$1.6bn	+A$1.3bn
Semi Government	-	-	3	A$8.7bn	8	A$12.8bn	-A$4.1bn
Total	**5**	**A$2.3bn**	**79**	**A$51.4bn**	**85**	**A$52.6bn**	**-A$1.2bn**

Sources: CBA & Bloomberg

Offshore Issues by Australian Borrowers **sizeable issuance only*

- Echo Entertainment Group recently entered the U.S. Private Placement market with an inaugural issue of US$460 million. The transaction was upsized from its launch volume of US$200 million to meet robust investor demand, and represents one of the largest Australian NAIC-2 rated transactions executed in recent periods.

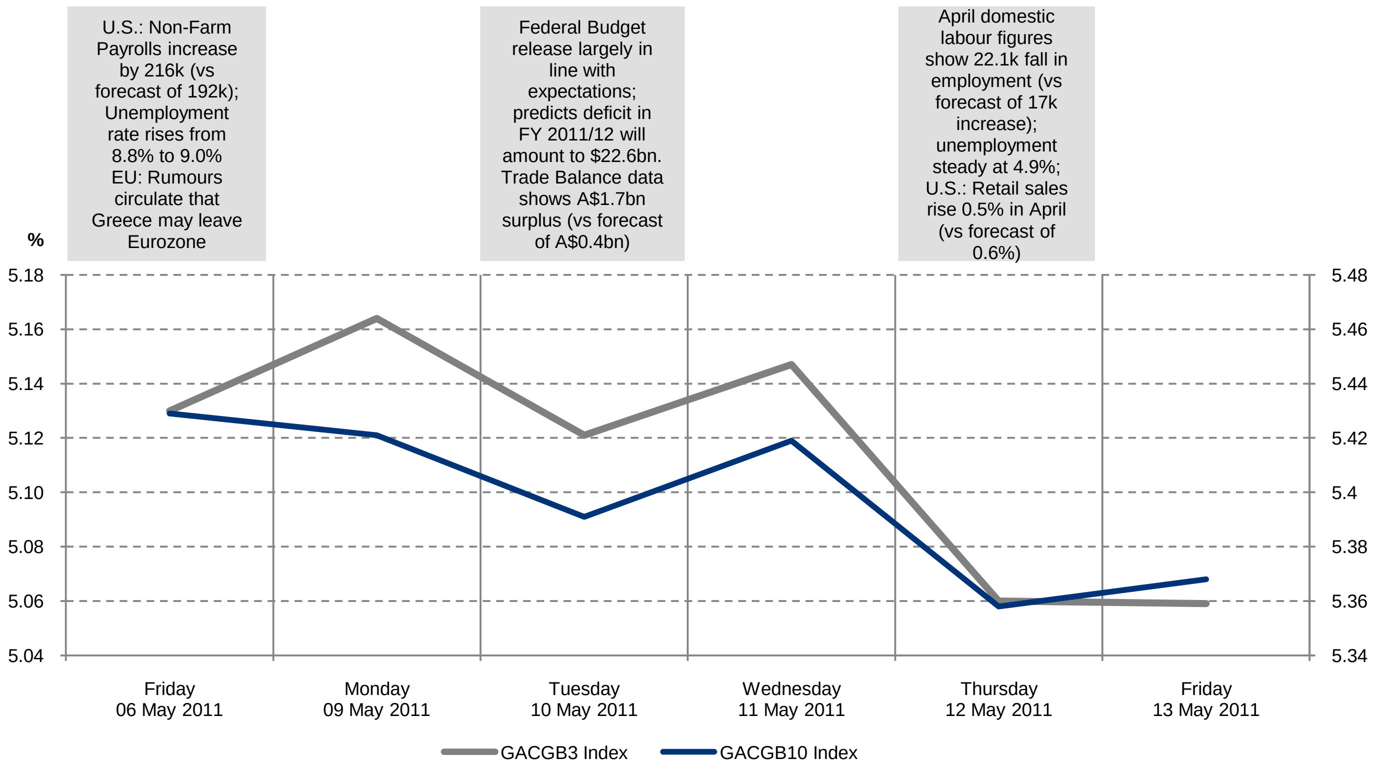
- Furthermore, the transaction was completed on an expedited timeframe, and under unique circumstances, ahead of the proposed demerger of Tabcorp Holdings Limited and Echo businesses, whereby Echo will become a standalone listed company. The deal also involved a successful amendment and consent process for outstanding Tabcorp USPP bonds, carried out in parallel with the new issue transaction. CBA was a lead manager on this transaction.

Issuer	Market	Rating (Issuer)	Maturity / Tenor	Amount	Coupon	Issue Margin
Echo Entertainment Group Ltd	USPP	Unrated	7 years 10 years	US$100m US$360m	5.070% 5.690%	T + 250 T + 250
Wesfarmers Ltd	US144a / RegS	A- / Baa1	May-16	US$650m	2.983%	T + 115
GE Capital Australia	EMTN	AA+ / Aa2	May-15	A$250m	6.500%	N/A

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 fell across the curve last week, as the front end of the curve rallied around 7 bps, and the long end around 6 bps. The 3/10 spread was broadly unchanged at 31 bps.

- Early in the week, bonds sold off on the back of strong U.S. non-farm payrolls data, which showed an increase of 244k (vs forecast of 192k), with 3 year bonds yields rising 3 bps. Yields fell on Tuesday, however, as European peripheral sovereign debt concerns continued to play out, driven by a further downgrade of Greece by S&P, and rumours that it may leave the Eurozone. The Federal Budget was also released on Tuesday, but was broadly in line with expectations, and therefore had little impact.

- Domestic employment data released on Thursday provided the largest market movements for the week, with employment in April falling by 22.1k (vs forecast of a 17k rise). The much weaker than expected data drove down 3 and 10 year yields 9 and 6 bps respectively. Largely positive U.S. data released on Thursday night, including retail sales which rose 0.5% in April (vs forecast of 0.6%) caused a modest rebound, with 10 year yields rising 1 bp.

Ratings News

New Rating / Withdrawal	■ Nothing to report.
Upgrades or Downgrades	■ S&P downgraded its rating on **Greece** from BBB- (Negative) to B (Negative).
Credit Watch / Outlook	■ Moody's placed its B1 rating assigned to **Greece** on review for a possible downgrade.

Swap Rates

Figure 2a: Australian Swap Rates

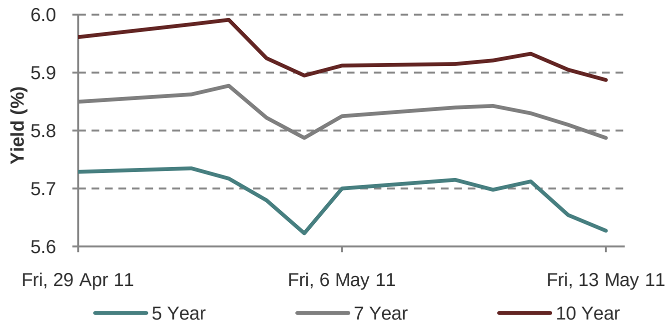
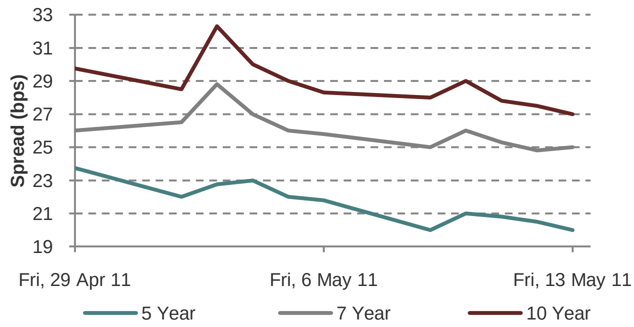


Figure 2b: Australian Basis Swap Rates



Rates

Figure 3a: Australian Rates

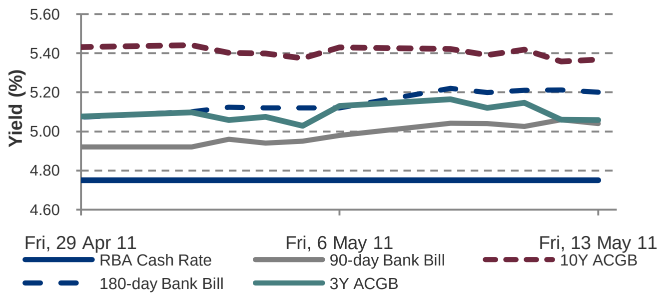


Figure 3b: CBA Rates Forecasts

	End period			
	Jun-11	Sep-11	Dec-11	Mar-12
RBA Cash Rate (%)	4.75	5.00	5.25	5.50
90-Day Bank Bill (%)	5.00	5.30	5.60	5.80
180-Day Bank Bill (%)	5.20	5.40	5.70	5.90
3 Year Bond (%)	5.30	5.50	5.75	5.90
10 Year Bond (%)	5.70	5.80	5.90	6.00

Credit Markets

Figure 4a: Global CDS Indices

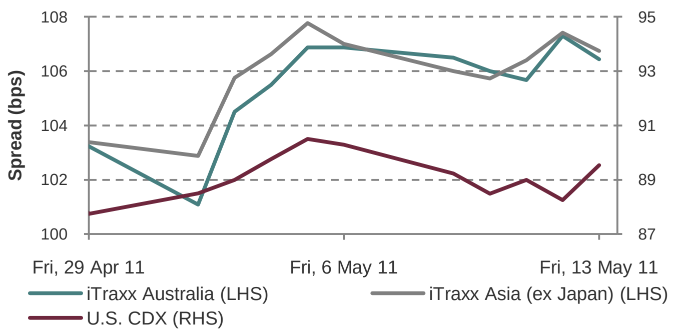
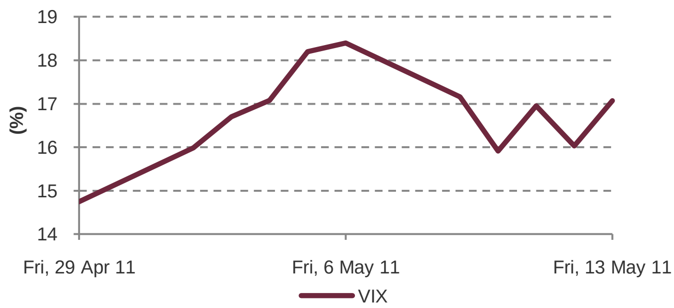


Figure 4b: VIX

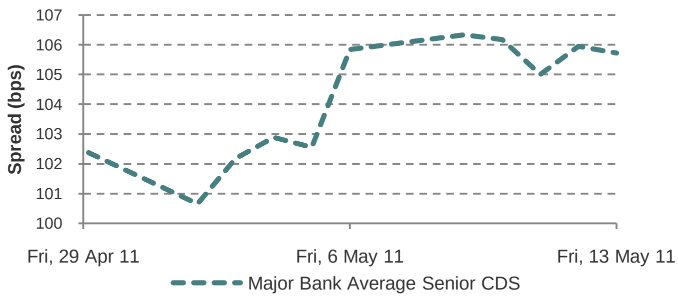


Australian Banks:

Figure 5a: Current Major Bank Spreads

Issuer	Issuer Rating	Maturity	Coupon	Spread to Swap
ANZ	AA / Aa1	Feb-14	6.25%	+70
CBA	AA / Aa1	Jul-14	6.50%	+71
CBA	AA / Aa1	Feb-20	7.25%	+138
NAB	AA / Aa1	Sep-14	6.75%	+76
WBC	AA / Aa1	Aug-14	7.00%	+74
WBC	AA / Aa1	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
Nederlandse Financierings-Maatschappij (FMO)	AAA	Apr-14	A$200m	BBSW + 50	BBSW + 50	BBSW + 50
KfW Bankengruppe	AAA / Aaa	Feb-18	A$300m	6.25%	ACGB + 86.00	ACGB + 86.75
Queensland Treasury Corporation	AA+ / Aa1	Jul-22	A$3.1bn	6.00%	ACBG + 61.25	ACGB + 57.00
Kommunalbanken Norway	AAA / Aaa	Apr-21	A$250m	6.50%	ACGB + 112.50	ACGB + 110.50
Rentenbank	AAA / Aaa	Apr-18	A$250m	6.25%	ACGB + 100.25	ACGB + 100.30

Bank/Holding Co. Issuers

Issuer	Issuer Rating	Maturity	Amount	Coupon	Issue Margin	Secondary Trading Margin
United Overseas Bank Sydney Branch	A+ / Aa1	May-14	A$350m	BBSW + 92	BBSW + 92	BBSW + 83
Rabobank Australia	AAA / Aaa	Apr-18	A$600m	7.25%	Swap + 139	Swap + 134
HSBC Australia	AA / Aa3	Apr-14	A$500m	BBSW + 84	BBSW + 84	BBSW + 79

Corporate Issuers

Issuer	Issuer Rating	Maturity	Amount	Coupon	Issue Margin	Secondary Trading Margin
Mirvac Group Finance	BBB	Mar-15	A$50m	8.25%	Swap + 205	Swap + 206
QIC Shopping Centre Fund	A-	Jul-14	A$200m	6.75%	Swap + 125	Swap + 114
Westfield Retail Trust	A+	Oct-16	A$800m	7.00%	Swap + 120	Swap + 123
			A$100m	BBSW + 120	BBSW + 120	BBSW + 118

Sources: CBA & Yieldbroker

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