

Fixed Income: Australian Debt Securities Update

15 November – 19 November 2010



Australian \$MTN Market Update

Issuer (Format)	Rating		Maturity	Amount	Coupon	Spread to Benchmark
	Issuer	Issue				
Stockland Trust Management Senior Unsecured	A-	A-	Nov-20	A\$160m	8.25%	Swap + 240
Lloyds TSB Bank Plc, Australia Branch Senior Unsecured	A+ / Aa3	A+ / Aa3	Nov-13	A\$450m	BBSW + 190	BBSW + 190
				A\$300m	7.25%	Swap + 190
DBNGP Finance Co Pty Limited Senior Unsecured	BBB- / Baa3	BBB- / Baa3	Sep-15	A\$25m New total A\$425m	BBSW + 300	BBSW + 300
NSW T-Corp Capital Indexed Bonds	AAA / Aaa	AAA / Aaa	Nov-20	A\$150m New total A\$1.125bn	3.75%	Weighted average yield 3.2656%
			Nov-25	A\$150m New total A\$1.916bn	2.75%	Weighted average yield 3.4411%
AOFM CGS Tender	AAA / Aaa	AAA / Aaa	Apr-20	A\$500m New total A\$1.447bn	4.50%	Weighted average yield 5.4021%
			Oct-14	A\$700m New total A\$3.5bn	4.50%	Weighted average yield 5.2847%

Issuer (Format)	Rating		Maturity	Amount (Buyback)	Margin at Issue	Buyback Margin
	Issuer	Issue				
Stockland Trust Management Limited Senior Unsecured	A-	A-	Jun-11	A\$25.12m	Swap + 50	Par
				A\$8.50m	Swap + 50	Par
			May-13	A\$35.90m	Swap + 65	Swap + 125

- It was a quiet week for new issuance with just two domestic deals, Stockland and Lloyds TSB Bank Australian Branch. Lloyds TSB priced their inaugural A\$750m Nov-13 issue in two tranches. The A\$450m floating rate and A\$300m Nov-13 fixed rate tranches were priced at BBSW/Swap + 190bps. Stockland lengthened its debt maturity profile with an exchange offer involving a new 10 year A\$160 million MTN. The deal involved a buyback of A\$70 million worth of MTNs maturing in June 2011 at par, and notes maturing in May 2013 at Swap + 125bps. The buyback and new issue is the Group's first transaction in the domestic MTN market for 2010, and the first A\$ 10yr A-REIT issue since December 2004.
- We observed a decrease in secondary market trading volume last week of around 10% compared to the prior week. The decrease in trading was primarily driven by the decrease in trading of corporate and domestic bank paper in both fixed and floating rate formats. The smaller demand in corporate fixed rate paper was mainly driven by domestic support for recent corporate issues including Stockland and Telstra and lingering global economic conditions.

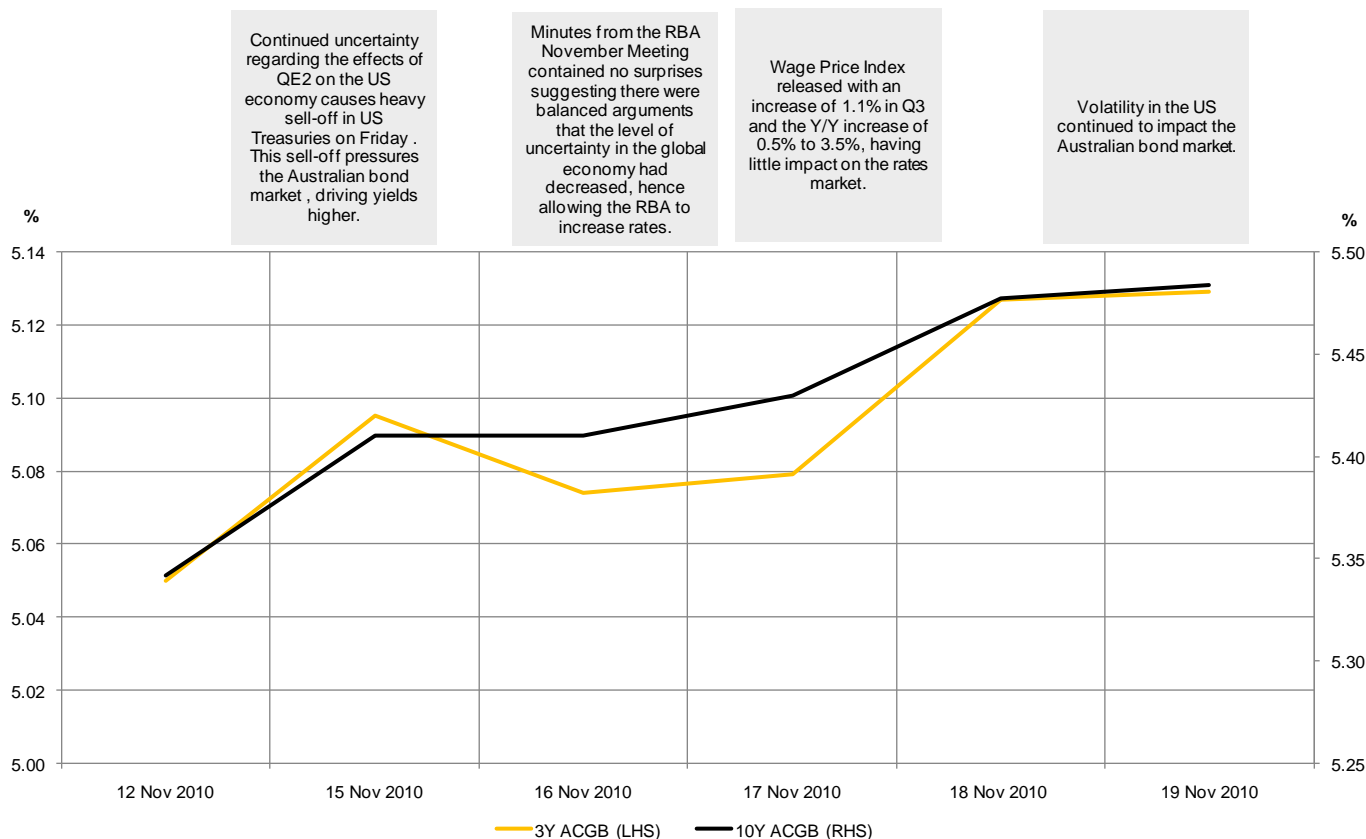
Offshore Issues by Australian Borrowers **sizeable issuance only*

- No sizeable issuance to report



Australian Government Bonds

Figure 1: 3Y and 10Y Australian Bond Curve



- The Australian bond market opened the week with a heavy sell-off following continued uncertainty over the effects of the latest round of quantitative easing. The two major offshore themes which continued to play out last week were Ireland's sovereign debt concerns and conflicting views on quantitative easing in the US adding volatility to the US market, the latter proving more significant for the Australian market. Domestic data released over the course of the week included the minutes of the November 2010 RBA Board meeting on Tuesday and the September Quarter Wages Price Index on Wednesday. The minutes contained no major surprises, highlighting the stabilization of the global economy (at the time of the meeting), and gains in commodity prices as some of the arguments for the decision to increase the cash rate in November. Australian 3 year and 10 year bonds closed the week 3 bps and 7 bps higher respectively over the week. The 3/10 curve steepened 4bps to 35.5bps, driven by the support for the front end and a long end sell-off.
- AOFM's 4.50% A\$500m Apr-20 and A\$700m Oct-14 tenders on Wednesday and Friday respectively were well supported, particularly the 4.50% A\$500m Apr-20 auction with a bid/cover ratio of 5.29.



Swaps

AUD Swaps: Last week saw the Australian Swap curve rise, mirroring movements in US Treasuries and Australian Government bonds, despite an overall contraction in swap spreads. The 3/10 year Swap curve steepened 4bps to close the week at 50 bps. The Swap/Bond 3/10 year spread ended the week 1bp higher at +18.6bps

AUD/USD Basis Swap: In a week devoid of much by way of cross-border issuance Bills/Libor steadily moved lower across the curve.

Term	AUD Fixed / Float Swap		AUD / USD Basis Swap	
	Mid Rate	Swap/Bond	BBSW v Libor	Change (week)
1 Yr	5.20% q/q	35.10	4.50	-2.50
3 Yr	5.52% s/s	32.70	18.50	-2.75
5 Yr	5.85% s/s	53.50	25.25	-3.25
7 Yr	5.96% s/s	54.00	27.80	-1.00
10 Yr	6.03% s/s	51.30	26.25	-4.00

Asset Backed Securities

- Bankwest upsized and priced its prime RMBS for A\$1bn (from A\$750m), Series 2010-2 Swan Trust. The underlying pool has a WAS of 31.2mths and WALTV of 62.9%. The portfolio comprises of fully amortising loans 78.9%, IO up to 10 years 21.1%, with highest geographic concentrations in NSW & ACT of 39.7% and WA of 36.3. The transaction features a unique 5 year soft bullet Class A3 tranche which is included in the UBSA Composite Bond Index. CBA was the lead arranger of the transaction.

Class	Amount	Rating (S&P / Fitch)	WAL (years)	Indicative Pricing
A1	A\$477m	AAA / AAA	1.73	+100 bps
A2	A\$234m	AAA / AAA	2.68	+130 bps
A3	A\$210m	AAA / AAA	4.99	7% fixed (included in UBSA Index)
AB	A\$39m	AAA / AAA	5.81	+200 bps
AC	A\$20m	AAA / AAA	5.81	+ 250 bps
B	A\$20m	NR / NR	8.83	Undisclosed

- Police & Nurses Credit Society (PNCS) launched its A\$250m first prime RMBS for the year, Pinnacle Series Trust 2010-T1. PNCS was formed in 1990 following the merger of Police Credit Society of Western Australia and Western Australia Nurses Credit Society. In 2001, PNCS then merged with Energy Credit Union. As expected, a large percentage (94.7%) of the total pool is located in WA given their customer base. The underlying portfolio has a WALTV of 61.5% and WAS of 17.4 months. All loans are fully verified with 98.4% are fully amortising and IO up to 5 years represents a small balance of 1.6%. The AOFM is expected to participate in the Class A2 tranche.

Class	Amount	Rating	WAL (years)	Pricing
A1	A\$140,	AAA / AAA	1.6	+106 bps
A2	A\$87.7m	AAA / AAA	7.2	n/a
AB	A\$13.3m	AAA / AAA	6.7	n/a
B	A\$9.0 m	AA- / NR	6.7	n/a



- Resimac Ltd has priced its \$400m prime RMBS, Resimac Triomphe Trust – Resimac Premier Series 2010-2. The underlying pool has a WALTV of 74.7% and WAS of 40.7mths. Fully amortising loans forms 62.9%, IO up to 10yrs 37.1% of the total pool. Partially verified (low doc) loans represent 9.6%. The three highest geographic distributions by state are NSW (52.6%), QLD (19.4%) and VIC (17.3%).

Class	Amount	Rating (S&P / Fitch)	WAL (years)	Pricing
A1	A\$210m	AAA / AAA	1.5	+105bp
A2	A\$148.0m	AAA / AAA	4.8	+125bp
AB	A\$27.6m	AAA / AAA	3.9	+200bp
B1	A\$12.9m	AA- / NR	3.8	Undisclosed
B2	A\$1.5m	NR / NR	5.1	Undisclosed

Rating News

New Rating / Withdrawal

- Nothing to report.

Upgrades or Downgrades

- S&P upgraded the outlook on its A- rating on Potash Corp from Negative to Stable.

Credit Watch / Outlook

- Moody's and Fitch affirmed their A1 and A+ ratings for BHP Billiton respectively, and both rating agencies removed the CreditWatch/Review for downgrade outlooks, replacing them with Stable outlooks.

Other News

- Fitch announced it will review Ireland's A+/Neg rating in light of any package agreed with the EU and the IMF.



Origination

Sydney

Patrick Bryant
+61 2 9118 1217

Rob Kenna
+61 2 9118 1219

Danielle Lavars
+61 2 9118 1221

Clare Lewis
+61 2 9118 1225

Simon Rutz
+61 2 9118 2858

London

James Hammermaster
+44 20 7710 3626

Sean Rosas
+44 20 7710 3959

Singapore

Giles Chapman
+65 6349 7087

New Zealand

Brian McTaggart
+64 9 301 5955

Richard Howse
+64 9 301 5956

Gary Baker
+64 9 301 5957

New York

Bill Stevenson
+1 212 848 9323

Mark Wang
+1 212 848 9308

Hilary Ward
+1 212 848 9373

Syndication

Sydney

Paul O'Brien
+61 2 9117 0046

Patrick Moore
+61 2 9117 0047