

Fixed Income: Australian Debt Securities Update

1 November – 5 November 2010



Australian \$MTN Market Update

Issuer (Format)	Rating		Maturity	Amount	Coupon	Spread to Benchmark
	Issuer	Issue				
NAB Senior Unsecured	AA / Aa1	AA / Aa1	Sep-14	A\$100m New total A\$1.32bn	6.75%	Swap + 96
				A\$1.2bn New total A\$2.455bn	BBSW + 96	BBSW + 96
ANZ Senior Unsecured	AA / Aa1	AA / Aa1	Nov-14	A\$750m New total A\$1.375bn	6.75%	Swap + 98
				A\$1.25bn New total A\$1.875bn	BBSW + 100	BBSW + 98
Council of Europe Development Bank Senior Unsecured	AAA / Aaa	AAA / Aaa	Oct-20	A\$200m New total A\$500m	6.00%	Swap + 52
Rentenbank Senior Unsecured	AAA / Aaa	AAA / Aaa	Apr-17	A\$250m New total A\$1.15bn	6.50%	Swap + 50
Export Finance and Insurance Corporation Senior Unsecured	AAA	AAA	Nov-20	A\$500m	6.00%	ACGB + 73.40
AOFM CGS Tender	AAA / Aaa	AAA / Aaa	Apr-20	A\$500m New total A\$10.947bn	4.50%	Weighted average yield 5.2521%
			Oct-14	A\$700m New total A\$2.8bn	4.50%	Weighted average yield 5.1412%

- Primary markets saw bank issuance heat up last week, coinciding with three of the big four Australian banks (NAB, ANZ and Westpac) releasing their annual earnings results over the past fortnight. This included issuance from both ANZ and NAB. NAB and ANZ both tapped into their existing Sep-14 and Nov-14 lines respectively. These priced at Swap/BBSW + 96 and Swap/BBSW + 98 respectively.
- Domestic bank and SSA paper featured heavily in secondary market trading last week. The majority of this demand was driven by offshore investors. Observed overall volumes in fixed rate notes were significantly lower compared to the prior week. Volumes traded in floating rate paper had doubled in comparison to the prior week.

Offshore Issues by Australian Borrowers **sizeable issuance only*

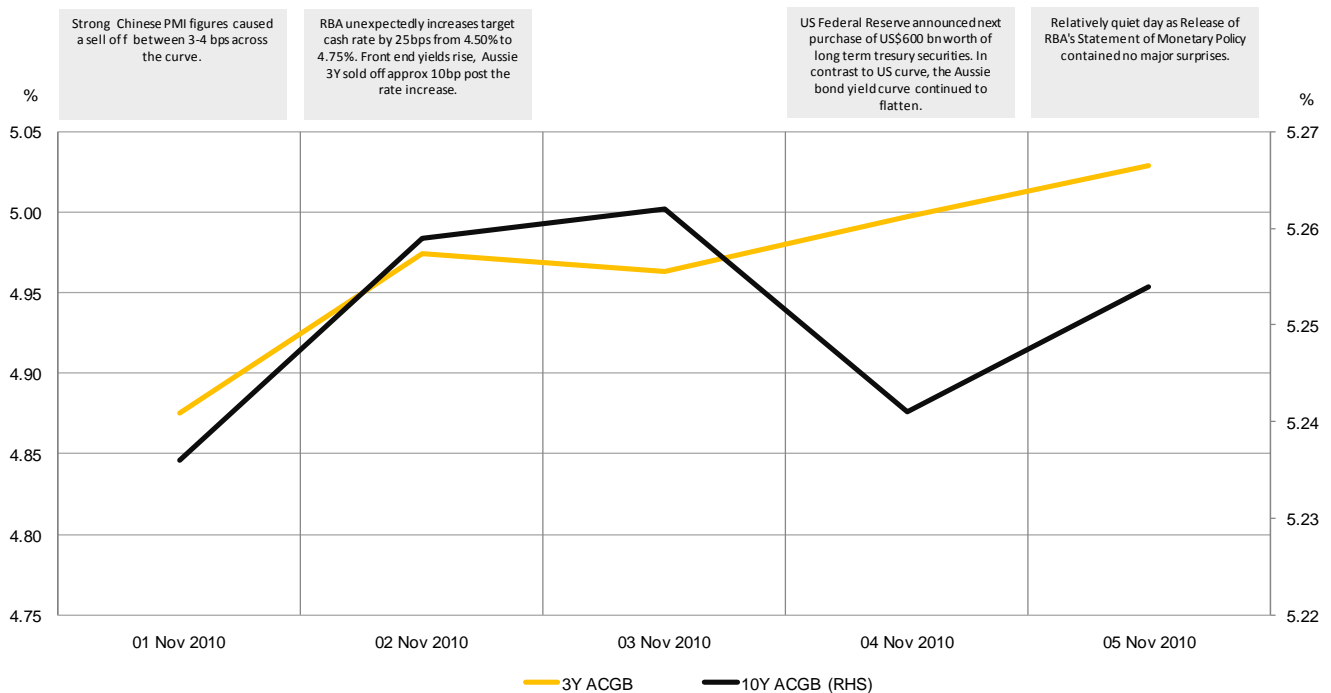
Issuer (Format)	Market	Rating		Maturity	Amount	Coupon	Spread to Benchmark
Westpac Banking Corporation	EMTN	AA / Aa1	AA / Aa1	Oct-13	EUR150m	Euribor + 45	Euribor + 45
NAB	EMTN	AA / Aa1	AA / Aa1	Nov-15	GBP600m	3.625%	Gilts + 158

- NAB priced a 5 year GBP600m issue at Gilts + 158. The issue represented the largest issue in the Sterling market by an Australian issuer in 2010.



Australian Government Bonds

Figure 1: 3Y and 10Y Australian Bond Curve



- Australian 3 year and 10 year bonds sold off during the week with yields ending approximately 16 bps and 5bps higher respectively. Tuesday’s announcement by the RBA to increase the cash rate by 25bps from 4.50% to 4.75% took the market by surprise causing the 3/10 curve to flatten around 28bps, as the front end of the curve moved higher. By late last week, the US Federal Reserve announced plans for the next round of quantitative easing, with the purchase of US\$600 bn worth of treasuries by the end of Q2 2011. This news along with the RBA rate hike caused the Australian Bond curve to flatten around 10bps.

Swaps

AUD Swaps: The swaps curve rose between 10 – 20 bps across all tenors over the week. The Swap/Bond curve The 3-10yr spread ended the week 15bps wider at +36bps

AUD/USD Basis Swap: The Basis curve steepened this week in the front end as the longer end flattened out.

Term	AUD Fixed / Float Swap		AUD / USD Basis Swap	
	Mid Rate	Swap/Bond	BBSW v Libor	Change (week)
1 Yr	5.18% q/q	26.70	7.00	-1.00
3 Yr	5.42% s/s	33.50	20.25	-1.00
5 Yr	5.67% s/s	52.30	26.50	-1.00
7 Yr	5.74% s/s	63.20	28.80	+2.30
10 Yr	5.78% s/s	52.90	28.50	+0.25



Asset Backed Securities

- Macquarie Leasing launched its second ABS transaction with an issue size of A\$300m, SMART Series 2010-2 Trust. The underlying portfolio comprises of automobile and equipment lease receivables. Novated contracts make up 60.2% of the pool and the WA balloon residual is 26.8% of the original outstanding lease balance. The pool consists of a mix of passenger vehicles (86.3%) and other vehicles and equipment (13.7%), low WAS of 8months and used cars/equipment formed 30.9% of the total pool.

Class	Amount	S&P Rating	WAL	Indicative pricing
A1	A\$48.0m	P-1 / F-1	0.35	+60bp over swap
A2	A\$216.0	AAA / Aaa	2.18	+150bp over swap
B	A\$6.75m	AA / Aa2	2.72	n/a
C	A\$8.25m	A / A2	2.72	n/a
D	A\$7.5m	BBB / Baa1	2.72	n/a
E	A\$7.5m	BB / Ba2	2.72	n/a
Seller Note	A\$6.0m	NR	2.72	n/a

- Motor Trade Finances Ltd, had ratings assigned to its ABS warehouse transaction of approximately NZ\$170m, called MTF Warehouse Trust No.1. The underlying receivables are a pool of consumer credit and finance lease contracts backed by motor vehicles. The portfolio composition is governed by documented eligibility criteria and portfolio parameters, given the revolving nature of the facility.

Rating News

New Rating / Withdrawal ■ Nothing to report

Upgrades or Downgrades ■ Nothing to report

Credit Watch / Outlook ■ Moody's affirmed its debt rating, with a stable outlook of A1 and A2 on the senior unsecured debt and subordinate debt of Suncorp-Metway Limited respectively.



Secondary Market Trading Levels

Close Date: Friday 5 November 2010

Corporate Issuers	Rating	Issue		Coupon	Yield	Spread	Change
		Amount	Maturity	sa %	sa %	to Swap	for week
Telstra	A / A2	A\$500m	15 Nov 12	7.25	5.89	+47	-1
Telstra	A / A2	A\$500m	15 Nov 13	6.25	6.19	+67	-2
Telstra	A / A2	A\$500m	15 Apr 15	6.25	6.59	+89	-3
SPI Australia Finance	A- / A1	A\$150m	30 Nov 11	6.25	6.23	+98	+2
SPI Electricity & Gas	A- / A1	A\$200m	03 Nov 11	6.50	6.26	+103	+5
Vodafone	A- / Baa1	A\$265m	10 Jan 13	6.75	6.35	+90	-1
Volkswagen	A- / A3	A\$150m	17 Aug 13	6.50	6.86	+134	-4

Investment Bank Issuers	Rating	Issue		Coupon	Yield	Spread	Change
		Amount	Maturity	sa %	sa %	to Swap	for week
JP Morgan	A+ / Aa3	A\$150m	21 Jun 12	7.00	6.36	+100	+0
Goldman Sachs	A / A1	A\$250m	12 Apr 11	6.10	6.10	+105	+0
Goldman Sachs	A / A1	A\$190m	21 Oct 11	6.38	6.22	+100	+0
Goldman Sachs	A / A1	A\$200m	12 Apr 16	6.35	7.74	+190	-20
Merrill Lynch & Co	A / A2	A\$400m	15 Jun 11	6.04	6.57	+145	+0
Merrill Lynch & Co	A / A2	A\$200m	16 Feb 12	6.70	7.28	+195	+0
Merrill Lynch & Co	A / A2	A\$165m	12 Mar 14	6.75	7.99	+235	+0
Morgan Stanley	A / A2	A\$250m	22 Feb 11	6.50	6.11	+110	+0
Morgan Stanley	A / A2	A\$350m	08 Aug 12	6.00	7.17	+175	+0
Morgan Stanley	A / A2	A\$300m	01 Mar 13	6.00	7.35	+185	+0

Supra/Sov/Agency Issuers	Rating	Issue		Coupon	Yield	Spread	Change
		Amount	Maturity	sa %	sa %	to Swap	for week
ADB	AAA / Aaa	A\$375m	13 May 14	5.25	5.62	+4	+0
ADB	AAA / Aaa	A\$850m	15 Feb 16	5.50	5.85	+12	-1
AFDB	AAA / Aaa	A\$300m	21 Feb 11	5.50	5.21	+20	+0
Bank Nederlandse Gemeenten	AAA / Aaa	A\$400m	20 Jul 12	5.50	5.67	+30	+0
Bank Nederlandse Gemeenten	AAA / Aaa	A\$650m	22 Sep 15	5.50	6.34	+60	+0
BNG	AAA / Aaa	A\$400m	23 Jul 12	5.50	5.67	+30	+0
CADES	AAA / Aaa	A\$500m	28 Jul 11	6.25	5.20	+8	+0
CADES	AAA / Aaa	A\$1,000m	28 Feb 13	7.50	5.74	+30	+0
Council of Europe	AAA / Aaa	A\$900m	23 Jan 12	6.25	5.30	+2	+0
Council of Europe	AAA / Aaa	A\$300m	27 May 13	5.25	5.59	+12	+0
Council of Europe	AAA / Aaa	A\$875m	16 Sep 14	5.75	5.86	+22	-0
Council of Europe	AAA / Aaa	A\$1,300m	14 Dec 15	5.63	5.96	+23	+0
Council of Europe	AAA / Aaa	A\$1,300m	15 Dec 15	5.63	5.96	+23	+0
Council of Europe	AAA / Aaa	A\$300m	08 Oct 20	6.00	6.32	+48	+5
EIB	AAA / Aaa	A\$1,000m	24 Jan 11	5.38	4.92	-5	+0
EIB	AAA / Aaa	A\$1,000m	24 Jan 12	7.00	5.24	-4	+0
EIB	AAA / Aaa	A\$3,150m	14 Aug 13	6.00	5.55	+7	+1
EIB	AAA / Aaa	A\$2,400m	20 May 14	5.38	5.76	+18	+2
EIB	AAA / Aaa	A\$2,600m	15 Apr 15	6.25	5.92	+24	+2
EIB	AAA / Aaa	A\$2,250m	23 Jan 17	6.13	6.11	+34	+4
EIB	AAA / Aaa	A\$3,100m	07 Aug 19	6.50	6.19	+37	+2
EIB	AAA / Aaa	A\$1,600m	06 Aug 20	6.00	6.26	+42	+4
Eurofima	AAA / Aaa	A\$1,000m	22 Aug 11	6.50	5.20	+5	+0
Eurofima	AAA / Aaa	A\$1,200m	28 Jan 14	6.00	5.79	+25	+0
Eurofima	AAA / Aaa	A\$650m	24 Oct 16	5.63	6.07	+30	+0
Eurofima	AAA / Aaa	A\$1,500m	28 Dec 18	6.25	6.16	+35	+0
Eurofima	AAA / Aaa	A\$750m	30 Jun 20	5.50	6.25	+40	-2
Eurofima	AAA / Aaa	A\$200m	30 Mar 22	6.00	6.31	+45	+0
IADB	AAA / Aaa	A\$800m	15 Jun 11	5.75	5.05	-4	+0
IADB	AAA / Aaa	A\$1,750m	27 May 14	5.38	5.68	+10	+0
IADB	AAA / Aaa	A\$900m	25 May 16	6.00	5.89	+15	+1
IADB	AAA / Aaa	A\$1,100m	20 Aug 19	6.50	5.99	+18	+1
IADB	AAA / Aaa	A\$200m	26 Feb 21	6.00	6.09	+25	+0
IBRD (World Bank)	AAA / Aaa	A\$800m	21 Oct 14	5.50	5.70	+5	+0
IBRD (World Bank)	AAA / Aaa	A\$1,500m	17 Feb 15	5.75	5.73	+5	+0
IBRD (World Bank)	AAA / Aaa	A\$1,000m	09 Nov 16	6.00	5.86	+10	+0
IBRD (World Bank)	AAA / Aaa	A\$1,500m	21 Oct 19	5.75	5.96	+14	+2
IBRD (World Bank)	AAA / Aaa	A\$700m	01 Oct 20	5.75	6.01	+17	+0
IFC	AAA / Aaa	A\$1,000m	28 Feb 13	7.50	5.46	+2	+0
IFC	AAA / Aaa	A\$1,800m	24 Jun 14	5.75	5.68	+8	+0
IFC	AAA / Aaa	A\$900m	28 Jul 20	5.75	6.05	+21	+0
KfW	AAA / Aaa	A\$2,100m	30 Jan 12	6.25	5.25	-4	+0



KfW	AAA / Aaa	A\$1,000m	05 Jun 14	5.50	5.74	+14	+1
KfW	AAA / Aaa	A\$2,200m	13 May 15	5.75	5.89	+20	+2
KfW	AAA / Aaa	A\$1,000m	25 Jul 16	5.50	5.98	+22	+0
KfW	AAA / Aaa	A\$1,750m	28 Mar 17	6.00	6.08	+30	+0
KfW	AAA / Aaa	A\$2,500m	04 Dec 19	6.25	6.18	+35	+2
KfW	AAA / Aaa	A\$1,000m	20 Aug 20	6.00	6.20	+36	+1
Kommunalbanken	AAA / Aaa	A\$500m	25 Feb 11	6.00	5.16	+15	+0
Kommunalbanken	AAA / Aaa	A\$200m	30 Mar 12	6.38	5.61	+30	+0
Kummunalbanken	AAA / Aaa	A\$625m	21 Oct 14	6.00	6.00	+35	+0
Nederlandse Waterschapsbank	AAA / Aaa	A\$200m	30 Mar 12	6.25	5.81	+50	+0
Province de Quebec	A+ / Aa2	A\$450m	15 Jul 15	5.75	6.74	+100	+0

	Issue	Coupon	Yield	Spread	Change		
NBFI Issuers	Rating	Amount	Maturity	sa %	sa %	to Swap	for week
Compagnie de Financement Foncier	AAA / Aaa	A\$750m	22 Sep 15	5.50	7.09	+130	+0
Compagnie de Financement Foncier	AAA / Aaa	A\$250m	30 Jan 17	6.25	7.29	+145	+0
Dexia MA	AAA / Aaa	A\$200m	05 Feb 11	5.50	5.91	+90	+0
Dexia MA	AAA / Aaa	A\$300m	07 Feb 12	5.75	6.57	+125	+0
Dexia MA	AAA / Aaa	A\$500m	02 Apr 14	5.75	6.86	+125	+0
Dexia MA	AAA / Aaa	A\$500m	24 Aug 15	5.75	7.07	+130	+0
Countrywide	A / A2	A\$325m	16 Dec 10	6.25	5.77	+95	+0
American Express	BBB+ / A2	A\$150m	05 Dec 11	6.50	6.66	+140	+0

	Issue	Coupon	Yield	Spread	Change		
Bank/Holding Co. Issuers	Rating	Amount	Maturity	sa %	sa %	to Swap	for week
Rabobank (Aust)	AAA / Aaa	A\$700m	26 Oct 11	6.25	5.61	+40	-2
Rabobank (Aust)	AAA / Aaa	A\$300m	13 Feb 12	4.50	5.81	+50	-5
Rabobank (Aust)	AAA / Aaa	A\$350m	29 Jan 13	6.00	6.21	+75	+0
Rabobank Nederland	AAA / Aaa	A\$500m	12 Oct 15	5.75	6.79	+102	+0
ANZ	AA / Aa1	A\$625m	01 Mar 11	6.00	5.16	+15	+0
ANZ	AA / Aa1	A\$1,025m	08 Nov 11	6.50	5.55	+32	-2
ANZ	AA / Aa1	A\$600m	08 May 12	5.25	5.76	+43	-4
ANZ	AA / Aa1	A\$340m	18 Sep 12	7.25	5.92	+52	-2
BNP Paribas (Aust)	AA / Aa2	A\$350m	25 Jun 12	6.00	6.30	+92	+0
BNP Paribas (Aust)	AA / Aa2	A\$550m	18 Mar 15	6.75	6.90	+120	+2
CBA	AA / Aa1	A\$1,450m	21 Jan 11	7.75	5.06	+10	+0
CBA	AA / Aa1	A\$750m	24 Jun 11	8.50	5.32	+22	+0
CBA	AA / Aa1	A\$850m	17 Apr 12	5.25	5.77	+44	-4
CBA	AA / Aa1	A\$600m	11 Mar 13	6.00	6.10	+65	-3
CBA	AA / Aa1	A\$1,350m	10 Sep 13	6.25	6.23	+72	-1
CBA	AA / Aa1	A\$1,000m	14 Jul 14	6.50	6.45	+84	-4
HSBC (Aust)	AA / Aa3	A\$500m	23 Aug 13	5.75	6.46	+95	-2
NAB	AA / Aa1	A\$1,450m	15 Jun 11	5.75	5.32	+22	+0
NAB	AA / Aa1	A\$1,630m	04 May 12	5.25	5.77	+44	-4
NAB	AA / Aa1	A\$1,700m	01 Apr 13	6.25	6.14	+68	-2
NAB	AA / Aa1	A\$1,095m	16 Sep 14	6.75	6.52	+88	-4
Westpac	AA / Aa1	A\$600m	25 Aug 11	6.25	5.43	+28	-2
Westpac	AA / Aa1	A\$700m	09 Jul 12	5.50	5.87	+50	-2
Westpac	AA / Aa1	A\$1,114m	24 Sep 12	7.25	5.93	+52	-2
Barclays (Aust)	AA- / Aa3	A\$500m	13 Aug 12	6.75	6.44	+105	-8
Barclays (Aust)	AA- / Aa3	A\$500m	17 Aug 15	6.75	7.35	+160	-2
Wells Fargo	AA- / A1	A\$300m	15 May 13	6.00	6.84	+135	-5
Credit Suisse (Aust)	A+ / Aa1	A\$600m	18 Mar 14	6.50	6.67	+110	+0
Deutsche Bank Australia	A+ / Aa3	A\$550m	19 Oct 12	7.50	6.46	+105	-3
HBOS Treasury Services Sydney	A+ / Aa3	A\$400m	19 Oct 11	6.25	6.58	+135	-30
Rabobank (Aust)	AAA / Aaa	A\$700m	26 Oct 11	6.25	5.61	+40	-2
Bank of Queensland	BBB+ / A2	A\$130m	02 Dec 10	6.00	5.19	+40	+0



		Issue		Coupon	Yield	Spread	Change
Subordinated Debt	Rating	Amount	Maturity	sa %	sa %	to Swap	for week
ANZ (sub)	AA- / Aa2	A\$300m	23 May 16	6.25%	6.31%	+125	-12
ANZ (sub)	AA- / Aa2	A\$350m	05 Mar 17	6.50%	6.67%	+135	-10
CBA (sub)	AA- / Aa2	A\$150m	25 May 17	6.75%	6.60%	+125	-5
St. George Bank (sub)	AA- / Aa2	A\$225m	26 Jul 16	6.50%	6.43%	+130	-10
Wachovia (sub)	AA- / Aa3	A\$200m	25 May 17	6.75%	9.55%	+340	+0
Westpac (sub)	AA- / Aa2	A\$250m	24 Jan 17	6.50%	6.65%	+135	-5
Westpac (sub)	AA- / Aa2	A\$150m	25 May 17	6.75%	6.70%	+135	-5

		Issue		Coupon	Yield	Spread	Change
Government Guaranteed	Rating	Amount	Maturity	sa %	sa %	to Swap	for week
ANZ (Aust GG)	AAA / Aaa	A\$2,410m	16 Jan 14	5.25%	5.66%	+12	+0
BoQ (Aust GG)	AAA / Aaa	A\$475m	22 Oct 12	5.50%	5.56%	+15	+0
BOS (UK GG)	AAA / Aaa	A\$500m	24 Jul 12	5.25%	5.78%	+40	+0
CBA (Aust GG)	AAA / Aaa	A\$2,360m	17 Dec 13	5.75%	5.65%	+13	+0
CBA (Aust GG)	AAA / Aaa	A\$2,000m	20 Feb 14	4.50%	5.69%	+13	+0
Citigroup (Aust GG)	AAA / Aaa	A\$87m	18 Jun 12	5.50%	5.51%	+15	+0
Citigroup (Aust GG)	AAA / Aaa	A\$450m	20 Aug 12	5.50%	5.53%	+15	-2
ING (Aust GG)	AAA	A\$600m	08 Oct 12	5.50%	5.56%	+15	+0
ING (Aust GG)	AAA	A\$800m	24 Jun 14	5.75%	5.83%	+22	+0
ING (Aust GG)	AAA	A\$400m	16 Oct 14	6.00%	5.82%	+18	+0
Investec (Aust GG)	AAA / Aaa	A\$5m	09 Feb 12	4.50%	5.65%	+35	+0
Investec (Aust GG)	AAA / Aaa	A\$200m	22 Feb 14	5.00%	5.92%	+35	+0
NAB (Aust GG)	AAA / Aaa	A\$2,960m	19 Dec 13	5.75%	5.65%	+12	+0



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