

Fixed Income: Australian Debt Securities Update

20 September – 1 October 2010



Market Comment

- Bonds were relatively unchanged to end the week, after a late week sell off (yields higher) on the back of stronger data out of the US. Bonds, however, were quite volatile over the week, after an early week rally following soft US economic data releases. The week commenced with a fall in the Chicago Fed Activity Index sparking an easing in equity markets which subsequently pushed bonds higher. The softer data was then followed by a fall in the Richmond Fed Manufacturing Index, declining from +11 down to -2, with bonds rallying further, before the strong ISM data late in the week reversed the rallies. Domestically economic data was light and failed to provide any direction for the local markets.
- New issuance was lighter over the week with just two new transactions. The Council of Europe priced a new 10yr Kangaroo at Swap + 60 raising A\$300m. GE Capital Australia also priced its first transaction since 2007 with a new 5yr issue raising A\$750m in fixed rate notes pricing at Swap + 175bps.
- Domestically economic data releases were light, with just the release of building approvals and private credit for the month of August. Building approvals fell by -4.7% in August whilst total private sector credit growth was modest with a +0.1% rise in August to be up +3.1% for the year to August. All eyes were on the RBA interest rate decision (released today) with rates unchanged at 4.50%, taking the markets by surprise.
- Secondary market turnover was strong last week, with large quantities of domestic and foreign bank paper changing hands. Major bank paper was well sought in the fixed rate format last week and European bank paper was also traded in large volumes. Both fixed and floating rate paper was well traded over the week. Domestic investors again drove demand, but participation from Asian and European accounts was also notable.

Domestic Issues

Issuer (Format)	Rating		Maturity	Amount	Coupon	Spread to Benchmark
	Issuer	Issue				
GE Capital Senior Unsecured	AA+	Aa2	Oct-15	A\$750m	7.00%	Swap + 175
Council of Europe Senior Unsecured	AAA	Aaa	Oct-20	A\$300m	6.00%	ACGB + 104
Bendigo and Adelaide Bank Senior Unsecured	BBB+	BBB+	Oct-11	A\$111m	BBSW + 90	BBSW + 90
DBNGP Finance Co Pty Ltd Senior Secured	BBB- / Baa3	BBB- / Baa3	Sep-15	A\$150m	8.25%	Swap + 300
				A\$400m	BBSW + 300	BBSW + 300
Mirvac Senior Unsecured	BBB	BBB	Sep-16	A\$200m	8.00%	Swap + 250
NAB Senior Unsecured	AA / Aa1	AA / Aa1	Apr-13	A\$475m New total A\$1.7bn	6.25%	Swap + 78
				A\$625m New total A\$2.187bn	BBSW + 77	BBSW + 78
Westpac Senior Unsecured	AA / Aa1	AA / Aa1	Apr-13	A\$100m New total A\$2.135bn	BBSW + 76	N/A



Domestic Issues (continued)

Issuer (Format)	Rating		Maturity	Amount	Coupon	Spread to Benchmark
	Issuer	Issue				
Province of Ontario Senior Unsecured	AA- / Aa1	AA- / Aa1	Sep-20	A\$275m	6.25%	ACGB + 126.5
IBRD Senior Unsecured	AAA	Aaa	Oct-20	A\$700m	5.75%	ACGB + 66.75
AOFM CGS Tender	AAA / Aaa	AAA / Aaa	Jul-22	A\$500m New total A\$4.3bn	5.75%	Weighted average issue yield – 5.1800%
			Jun-16	A\$700m New total A\$4.6bn	4.75%	Weighted average issue yield – 4.9754%
			Mar-19	A\$500m New total A\$11.9bn	5.25%	Weighted average issue yield – 5.0374%
			Oct-14	A\$850m New total A\$2.1bn	4.50%	Weighted average issue yield – 4.9279%

Swaps

AUD Swaps: The curve flattened further last week as outright yields crept higher. The Swap Spread remained relatively unchanged in all tenors.

AUD/USD Basis Swap: Bills/Libor was little changed last week with levels closing relatively flat in most tenors. If anything there was a general flattening in the curve, with the 7 year moving in by about 3 bps in a light week for primary issuance including one Kangaroo transaction.

Term	AUD Fixed / Float Swap		AUD / USD Basis Swap	
	Mid Rate	Swap/Bond	BBSW v Libor	Change (week)
1 Yr	5.14% q/q	+22.9	5	-0.25
3 Yr	5.28% s/s	+38.1	16	-0.25
5 Yr	5.50% s/s	+59.5	22	-0.75
7 Yr	5.57% s/s	+48	22	-3
10 Yr	5.60% s/s	+51.5	23	-0.75

Offshore Issues by Australian Borrowers **sizeable issuance only*

Issuer	Market	Rating	Maturity	Amount	Coupon	Spread to Benchmark
Sydney Airport	US144a / RegS	BBB / Baa2	Feb-21	US\$500m	5.125%	T + 260
ANZ	US144a / RegS	AA / Aa1	Sep-13	US\$500m	US\$ LIBOR + 67	US\$ LIBOR + 67
WBC	US144a / RegS	AA / Aa1	Sep-13	US\$250m	US\$ LIBOR + 70	US\$ LIBOR + 70
NAB	US144a / RegS	AA / Aa1	Sep-15	US\$1bn	2.75%	T + 137



Asset Backed Securities

- ME Bank priced its \$1bn (upsized from \$800m) third prime RMBS this year, SMHL Series Securitisation Fund 2010-3. The issue was rated by Moody's and Fitch only. The AOFM bought the Class A2 tranche. The pool characteristics are: WALTV of 64.7%, WAS of 32 months, highest geographic concentration is VIC 31.2%, amortising loans are 97.5%, and all are fully verified loans with 100% mortgage insurance.

Class	Amount	Rating (Moody's/Fitch)	WAL	
A1	\$645m	AAA/Aaa	1.5yrs	100bp
A2	\$290m	AAA/Aaa	6.1yrs	110bps
AB	\$40m	AAA/NR	5.3yrs	Undisclosed
B	\$25m	NR/NR	5.3yrs	Undisclosed

- Fleet Partners priced its \$178.8m ABS transaction backed by finance leases, FP Turbo Series 2010-1 Trust. The pool characteristics are: 80.6% are novated leases, WAS of 15.6mths, majority of passenger and light-commercial vehicles 90.9% with highest geographic concentration in NSW is 38.3%.

Class	Amount	Rating (Moody's/Fitch)	WAL	
A1	\$35.8m	F-1+/P-1/A-1+	0.3yrs	75bps
A2	\$119.8m	AAA/Aaa/AAA	1.5yrs	165bps
B	\$7.4m	AA/Aa2/AA	2.1yrs	275bps
C	Privately placed	NR	Undisclosed	Undisclosed
D	Privately placed	NR	Undisclosed	Undisclosed

Rating News

New Rating / Withdrawal

- Fitch assigned Wesfarmers with a BBB+ (Stable) Long-term Issuer Default Rating.

Upgrades or Downgrades

- Moody's has upgraded Asciano Limited's issuer rating from Baa3 (Positive) to Baa2 (Stable).
- Moody's downgraded Spain's foreign currency rating from Aaa to Aa1 (Stable).
- S&P raised Suncorp-Metway Ltd's Long-term Issuer Credit Rating from A to A+ with stable outlook.

Credit Watch / Outlook

- Nothing to report.



Secondary Market Trading Levels

Close Date: Friday 1 October 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	5.76	+54	+0
Telstra	A / A2	A\$500m	15 Nov 13	6.25	5.68	+74	+0
Telstra	A / A2	A\$500m	15 Apr 15	6.25	6.44	+103	+0
SPI Australia Finance	A- / A1	A\$150m	30 Nov 11	6.25	6.22	+95	-2
SPI Electricity & Gas	A- / A1	A\$200m	03 Nov 11	6.50	6.19	+96	-2
Vodafone	A- / Baa1	A\$265m	10 Jan 13	6.75	6.16	+93	-2
Woolworths	A- / A3	A\$200m	14 Mar 11	6.00	5.51	+50	+0
Coles Myer Finance	BBB+ / Baa1	A\$400m	25 Jul 12	6.00	6.26	+100	+0
Wesfarmers	BBB+ / Baa1	A\$400m	11 Sep 14	8.25	6.81	+150	+0
Southern Cross Airports	BBB / Baa2	A\$38m	11 Oct 12	6.43	9.90	+450	+0
Sydney Airport	BBB / Baa2	A\$167m	21 Nov 11	6.25	8.13	+300	+0
EPG	BBB- / Baa3	A\$150m	29 Jul 11	6.38	9.11	+400	+0

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	5.97	+85	+0
Goldman Sachs	A / A1	A\$250m	12 Apr 11	6.10	5.96	+105	+0
Goldman Sachs	A / A1	A\$190m	21 Oct 11	6.38	5.98	+95	+0
Goldman Sachs	A / A1	A\$200m	12 Apr 16	6.35	7.64	+210	+0
Merrill Lynch & Co	A / A2	A\$400m	15 Jun 11	6.04	6.32	+135	+0
Merrill Lynch & Co	A / A2	A\$200m	16 Feb 12	6.70	6.96	+185	+0
Merrill Lynch & Co	A / A2	A\$165m	12 Mar 14	6.75	7.51	+220	+0
Morgan Stanley	A / A2	A\$250m	22 Feb 11	6.50	5.96	+110	+0
Morgan Stanley	A / A2	A\$350m	08 Aug 12	6.00	6.87	+170	+0
Morgan Stanley	A / A2	A\$300m	01 Mar 13	6.00	6.95	+175	+0

Supra/Sov/Agency Issuers	Rating	Issue		Coupon	Yield	Spread	Change
		Amount	Maturity	sa %	sa %	to Swap	for week
ADB	AAA / Aaa	A\$850m	15 Feb 16	5.50	5.55	+12	+0
AFDB	AAA / Aaa	A\$300m	21 Feb 11	5.50	5.06	+20	+0
Bank Nederlandse Gemeenten	AAA / Aaa	A\$400m	20 Jul 12	5.50	5.42	+30	+0
Bank Nederlandse Gemeenten	AAA / Aaa	A\$650m	22 Sep 15	5.50	6.08	+65	+0
CADES	AAA / Aaa	A\$500m	28 Jul 11	6.25	5.07	+10	+0
CADES	AAA / Aaa	A\$1,000m	28 Feb 13	7.50	5.45	+30	+0
Council of Europe	AAA / Aaa	A\$900m	23 Jan 12	6.25	5.12	+5	+0
Council of Europe	AAA / Aaa	A\$300m	27 May 13	5.25	5.35	+18	+0
Council of Europe	AAA / Aaa	A\$875m	16 Sep 14	5.75	5.59	+25	+0
Council of Europe	AAA / Aaa	A\$1,300m	14 Dec 15	5.63	5.69	+28	+0
EIB	AAA / Aaa	A\$1,000m	24 Jan 11	5.38	4.77	-5	+0
EIB	AAA / Aaa	A\$1,000m	24 Jan 12	7.00	5.03	-4	+0
EIB	AAA / Aaa	A\$3,150m	14 Aug 13	6.00	5.25	+6	+0
EIB	AAA / Aaa	A\$2,400m	20 May 14	5.38	5.45	+16	+0
EIB	AAA / Aaa	A\$2,600m	15 Apr 15	6.25	5.64	+26	+0
EIB	AAA / Aaa	A\$2,250m	23 Jan 17	6.13	5.81	+34	-1
EIB	AAA / Aaa	A\$3,100m	07 Aug 19	6.50	5.91	+40	+0
Eurofima	AAA / Aaa	A\$1,000m	22 Aug 11	6.50	5.06	+8	+0
Eurofima	AAA / Aaa	A\$1,200m	28 Jan 14	6.00	5.49	+25	+0
Eurofima	AAA / Aaa	A\$650m	24 Oct 16	5.63	5.86	+40	+0
Eurofima	AAA / Aaa	A\$1,500m	28 Dec 18	6.25	5.94	+43	+0
Eurofima	AAA / Aaa	A\$750m	30 Jun 20	5.50	6.00	+45	+0
Eurofima	AAA / Aaa	A\$200m	30 Mar 22	6.00	6.22	+65	+0
IADB	AAA / Aaa	A\$800m	15 Jun 11	5.75	4.90	-5	+0
IADB	AAA / Aaa	A\$1,750m	27 May 14	5.38	5.40	+12	+2
IADB	AAA / Aaa	A\$900m	25 May 16	6.00	5.62	+18	+0
IADB	AAA / Aaa	A\$1,100m	20 Aug 19	6.50	5.75	+24	+0
IADB	AAA / Aaa	A\$200m	26 Feb 21	6.00	5.82	+28	+0
IBRD (World Bank)	AAA / Aaa	A\$800m	21 Oct 14	5.50	5.41	+6	+0
IBRD (World Bank)	AAA / Aaa	A\$1,500m	17 Feb 15	5.75	5.45	+8	+0
IBRD (World Bank)	AAA / Aaa	A\$1,000m	09 Nov 16	6.00	5.56	+11	+0
IBRD (World Bank)	AAA / Aaa	A\$1,500m	21 Oct 19	5.75	5.68	+16	+0
IFC	AAA / Aaa	A\$1,000m	28 Feb 13	7.50	5.20	+5	+0
IFC	AAA / Aaa	A\$1,800m	24 Jun 14	5.75	5.39	+9	+0
KfW	AAA / Aaa	A\$1,000m	08 Aug 13	5.50	5.23	+5	+0
KfW	AAA / Aaa	A\$1,000m	05 Jun 14	5.50	5.44	+15	+0
KfW	AAA / Aaa	A\$2,200m	13 May 15	5.75	5.60	+22	-2



KfW	AAA / Aaa	A\$1,000m	25 Jul 16	5.50	5.75	+30	+0
KfW	AAA / Aaa	A\$1,750m	28 Mar 17	6.00	5.79	+32	-1
KfW	AAA / Aaa	A\$2,500m	04 Dec 19	6.25	5.91	+39	+0
Kommunalbanken	AAA / Aaa	A\$500m	25 Feb 11	6.00	5.01	+15	+0
Kommunalbanken	AAA / Aaa	A\$200m	30 Mar 12	6.38	5.38	+30	+0
Kummunalbanken	AAA / Aaa	A\$625m	21 Oct 14	6.00	5.70	+35	+0
Nederlandse Waterschapsbank	AAA / Aaa	A\$200m	30 Mar 12	6.25	5.58	+50	+0
Nederlandse Waterschapsbank	AAA / Aaa	A\$400m	08 Aug 13	6.25	5.73	+55	+0
Nederlandse Waterschapsbank	AAA / Aaa	A\$200m	17 Nov 15	5.88	6.08	+65	+0
Rentenbank	AAA / Aaa	A\$1,700m	15 Jun 11	5.75	5.03	+8	+0
Rentenbank	AAA / Aaa	A\$1,200m	15 Jul 14	6.00	5.58	+28	+0
Rentenbank	AAA / Aaa	A\$1,300m	21 Jan 15	5.75	5.76	+38	+0
Republic of Austria	AAA / Aaa	A\$600m	15 Sep 14	5.75	6.00	+65	+0
ICO	AA / Aaa	A\$1,350m	08 Mar 11	5.50	6.91	+200	+0
ICO	AA / Aaa	A\$1,200m	11 Oct 12	5.50	7.75	+250	+0
ICO	AA / Aaa	A\$300m	27 Feb 14	6.13	8.16	+275	+0
Province de Quebec	A+ / Aa2	A\$450m	15 Jul 15	5.75	6.42	+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	6.77	+130	+0
Compagnie de Financement Foncier	AAA / Aaa	A\$250m	30 Jan 17	6.25	6.98	+145	+0
Dexia MA	AAA / Aaa	A\$200m	05 Feb 11	5.50	5.76	+90	+0
Dexia MA	AAA / Aaa	A\$300m	07 Feb 12	5.75	6.35	+125	+0
Dexia MA	AAA / Aaa	A\$500m	02 Apr 14	5.75	6.61	+130	+0
Dexia MA	AAA / Aaa	A\$500m	24 Aug 15	5.75	6.75	+130	+0
Countrywide	A / A2	A\$325m	16 Dec 10	6.25	5.68	+95	+5
American Express	BBB+ / A2	A\$150m	05 Dec 11	6.50	6.52	+145	+0
BBI (DBCT) Finance	BBB+ / Baa2	A\$150m	09 Jun 16	6.25	15.09	+750	+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	5.50	+48	+2
Rabobank (Aust)	AAA / Aaa	A\$300m	13 Feb 12	4.50	5.65	+55	+0
Rabobank (Aust)	AAA / Aaa	A\$350m	29 Jan 13	6.00	5.93	+75	+0
Rabobank Nederland	AAA / Aaa	A\$500m	12 Oct 15	5.75	6.47	+102	+0
ANZ	AA / Aa1	A\$625m	01 Mar 11	6.00	5.02	+15	-8
ANZ	AA / Aa1	A\$1,025m	08 Nov 11	6.50	5.41	+38	+0
ANZ	AA / Aa1	A\$600m	08 May 12	5.25	5.62	+52	+0
ANZ	AA / Aa1	A\$340m	18 Sep 12	7.25	5.74	+60	+0
BNP Paribas (Aust)	AA / Aa2	A\$350m	25 Jun 12	6.00	6.03	+90	+0
CBA	AA / Aa1	A\$1,450m	21 Jan 11	7.75	4.92	+10	-2
CBA	AA / Aa1	A\$750m	24 Jun 11	8.50	5.21	+25	+0
CBA	AA / Aa1	A\$850m	17 Apr 12	5.25	5.60	+50	-2
CBA	AA / Aa1	A\$1,350m	10 Sep 13	6.25	5.97	+77	-3
CBA	AA / Aa1	A\$1,000m	14 Jul 14	6.50	6.24	+92	-0
NAB	AA / Aa1	A\$1,450m	15 Jun 11	5.75	5.20	+25	+0
NAB	AA / Aa1	A\$1,630m	04 May 12	5.25	5.62	+52	+0
NAB	AA / Aa1	A\$1,095m	16 Sep 14	6.75	6.28	+94	+0
Westpac	AA / Aa1	A\$1,114m	24 Sep 10	7.25	5.75	+62	+0
Westpac	AA / Aa1	A\$600m	25 Aug 11	6.25	5.29	+30	-2
Westpac	AA / Aa1	A\$700m	09 Jul 12	5.50	5.67	+55	+0
Westpac	AA / Aa1	A\$1,114m	24 Sep 12	7.25	5.75	+62	+0
Barclays (Aust)	AA- / Aa3	A\$500m	13 Aug 12	6.75	6.29	+115	+0
Wells Fargo	AA- / A1	A\$300m	15 May 13	6.00	6.44	+125	+0
BOS International (Australia)	A+ / Aa3	A\$600m	25 Aug 10	5.75	5.18	+60	+0
Deutsche Bank Australia	A+ / Aa3	A\$550m	19 Oct 12	7.50	6.19	+105	+0
HBOS Treasury Services Sydney	A+ / Aa3	A\$600m	26 Oct 10	5.75	5.18	+60	+0
HBOS Treasury Services Sydney	A+ / Aa3	A\$400m	19 Oct 11	6.25	6.70	+165	+0
HBOS Treasury Services Sydney	A+ / Aa3	A\$200m	19 Mar 14	6.38	7.59	+225	+0
Bank of America	A / A2	A\$350m	15 Jun 11	6.25	6.32	+135	+0
Citigroup	A / A3	A\$350m	13 Feb 12	6.50	6.76	+165	+0
Citigroup	A / A3	A\$300m	22 Mar 16	6.00	7.55	+200	+0
Citigroup	A / A3	A\$400m	13 Feb 17	6.50	7.57	+200	+5
HSBC Bank Australia	A / A3	A\$425m	22 Sep 11	6.50	6.43	+140	+0
Bank of Queensland	BBB+ / A2	A\$130m	02 Dec 10	6.00	5.09	+40	+0

Issue	Coupon	Yield	Spread	Change
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Subordinated Debt	Rating	Amount	Maturity	sa %	sa %	to Swap	for week
ANZ (sub)	AA / Aa2	A\$300m	23 May 16	6.25%	6.38%	+145	+5
ANZ (sub)	AA / Aa2	A\$350m	05 Mar 17	6.50%	6.60%	+150	-5
CBA (sub)	AA / Aa2	A\$150m	25 May 17	6.75%	6.52%	+140	+0
Westpac (sub)	AA / Aa2	A\$250m	24 Jan 17	6.50%	6.60%	+150	-5
Westpac (sub)	AA / Aa2	A\$150m	25 May 17	6.75%	6.67%	+155	+0
HBOS plc (sub)	A / Baa3	A\$200m	01 May 17	6.75%	14.96%	+900	+0

Government Guaranteed	Rating	Amount	Maturity	Coupon sa %	Yield sa %	Spread to Swap	Change for week
ANZ (Aust GG)	AAA / Aaa	A\$2,410m	16 Jan 14	5.25%	5.37%	+13	+0
BoQ (Aust GG)	AAA / Aaa	A\$475m	22 Oct 12	5.50%	5.32%	+18	+0
BOS (UK GG)	AAA / Aaa	A\$500m	24 Jul 12	5.25%	5.53%	+40	+0
CBA (Aust GG)	AAA / Aaa	A\$2,360m	17 Dec 13	5.75%	5.35%	+13	+0
CBA (Aust GG)	AAA / Aaa	A\$2,000m	20 Feb 14	4.50%	5.39%	+14	+0
Citigroup (Aust GG)	AAA / Aaa	A\$500m	18 Jun 12	5.50%	5.32%	+20	+0
Citigroup (Aust GG)	AAA / Aaa	A\$450m	20 Aug 12	5.50%	5.31%	+18	+0
ING (Aust GG)	AAA / Aaa	A\$600m	08 Oct 12	5.50%	5.32%	+18	+0
ING (Aust GG)	AAA / Aaa	A\$800m	24 Jun 14	5.75%	5.55%	+25	+0
ING (Aust GG)	AAA / Aaa	A\$400m	16 Oct 14	6.00%	5.55%	+20	+0
Investec (Aust GG)	AAA / Aaa	A\$200m	09 Feb 12	4.50%	5.44%	+35	+0
Investec (Aust GG)	AAA / Aaa	A\$200m	22 Feb 14	5.00%	5.62%	+35	+0
NAB (Aust GG)	AAA / Aaa	A\$2,960m	19 Dec 13	5.75%	5.35%	+13	+0



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