

Fixed Income: Australian Debt Securities Update

4 October – 8 October 2010



Market Comment

- It was a volatile week for bonds, commencing with a rally (yields lower) on Tuesday sparked by the RBA's unexpected announcement to keep overnight rates on hold at 4.50%. This rally was then followed by a sell off on-the-back of Thursday's strong employment data for September, before markets awaited the payrolls data from the US due out Friday evening local Australian time. The bond curve flattened over the week as short end yields were driven up by expectations that the RBA will raise rates at the November meeting and the long end rallying (yields lower) as speculation intensified regarding the second round of quantitative easing in the US. The AUD yield curve flattened 10bps over the week with the 3-10yr spread settling at +7.25bps.
- Primary issuance over the week took annual Kangaroo new issuance volumes to record levels (A\$33.4bn) surpassing the previous record of A\$32.5bn in 2006. Credit Agricole debuted with a 3yr Kangaroo issuing A\$275m fixed rate and A\$625m floating rate notes pricing at Swap/BBSW+125bps. Rentenbank tapped its existing April 2017 bond raising A\$400m at Swap +45bps. Canadian Imperial Bank of Commerce debuted in the Australian market with a A\$750m 3yr covered bond at Swap+48bps.
- Domestically, economic news generally surprised the market. The RBA unexpectedly kept rates on hold, however, released a very hawkish statement with the Q3 CPI release on October 27 now strongly in focus for direction on the setting of monetary policy for November. Retail sales rose 0.3% in August (in line with CBA's expectations) with the current level of retail sales 3.8% higher than 12 months ago. Employment data for September printed stronger than expected, with a further 49.5k jobs added in September vs. consensus of +20k. The unemployment rate remained steady at 5.1%. As a result, the AUD rallied to 27 year highs of 0.9916 US cents on the back of this news. Local economic releases this week include housing finance data for August, credit & debit card data for August and consumer sentiment data for September.
- Given the shorter week as a result of the public holiday, secondary market turnover was notably lower. Demand for fixed rate paper was predominately driven by domestic investors. There was a modest participation from Asian and European accounts.

Domestic Issues

Issuer (Format)	Rating		Maturity	Amount	Coupon	Spread to Benchmark
	Issuer	Issue				
Crédit Agricole S.A. Senior Unsecured	AA- / Aa1	AA- / Aa1	Oct-13	A\$275m	6.50%	Swap + 125
				A\$625m	BBSW + 125	BBSW + 125
GE Capital Senior Unsecured	AA+ / Aa2	AA+ / Aa2	Oct-15	A\$750m	7.00%	Swap + 175
Rentenbank Senior Unsecured	AAA / Aaa	AAA / Aaa	Apr-17	A\$400m New total A\$900m	6.50%	ACGB + 104
Canadian Imperial Bank of Commerce Covered Bond	A+ / Aa2	AAA / Aaa	Dec-13	A\$750m	5.75%	Swap + 48
AOFM CGS Tender	AAA / Aaa	AAA / Aaa	Apr-20	A\$500m New total A\$10.447bn	4.50%	Weighted Average Yield 5.0151%
			May-13	A\$700m New total A\$16.199bn	6.50%	Weighted Average Yield 4.9183%



Swaps

AUD Swaps: The curve was little changed this week. The front end edged a fraction higher after the strong employment data and hawkish RBA statement with the long end 2ps tighter. The 3-10yr spread ended the week 3.5bps tighter at +29.5bps

AUD/USD Basis Swap: There was relatively little activity in Bills/Libor again this week, all levels closing slightly lower than the week prior. The curve flattened with the 10 year mark contracting approximately 2 bps, and now lies inverted beyond 7 years.

Term	AUD Fixed / Float Swap		AUD / USD Basis Swap	
	Mid Rate	Swap/Bond	BBSW v Libor	Change (week)
1 Yr	5.10% q/q	+36.2	5.5	+0.5
3 Yr	5.31% s/s	+39.1	14.75	-1.25
5 Yr	5.53% s/s	+56.7	20.75	-1.25
7 Yr	5.58% s/s	+58.4	21.5	-0.5
10 Yr	5.60% s/s	+58.4	20.75	-2.25

Offshore Issues by Australian Borrowers **sizeable issuance only*

- No sizeable issuance to report.

Asset Backed Securities

- Fleet Partners has completed a private \$685.4m issue. This is the first ABS transaction for the year that is mainly backed by operating leases (94.5%) under FP Turbo Trust 2007-1. This marks the second transaction for Fleet Partners and is a prime ABS secured by passenger cars, commercial vehicles and equipment that refinances a facility first issued in 2007. Finance and novated leases make up the rest of the pool, 2.54% and 2.94% respectively. The portfolio has a WAS of 22.2mths and WA residual value of 36.0% as a % of the initial amount financed or 54.3% of the current lease balance. The largest lease obligor accounts for 5.6% and top 10 obligors represent 31.4%. Highest geographic concentration is to NSW 37.3%, VIC 23.9% and QLD 20.2%.

Class	Amount	Rating (Moody's/Fitch)
A	\$527.77m	Aaa
B	\$25.36m	Aa2
C	\$18.51m	A2
D	\$28.78m	Baa2
E	\$17.14m	Ba1
Seller 1	\$13.02m	NR
Seller 2	\$54.83m	NR

- ING Bank (Australia) Ltd launched its first prime RMBS transaction, IDOL Trust Series 2010-1, minimum \$500m. The underlying mortgages have a WALTV of 67.7% and WAS of 29.1mths. Majority of the pool are P&I loans 88% and the remainder have IO periods up to 5years. Of the portfolio, 30.8% by current balance have a current LTV of 80% or greater this has contributed to the higher credit support in the transaction. Pricing indications are 100bp over swap for Class A1 and 110bp over swap for Class A2. AOFM is expected to participate in the transaction. ING Bank is reported to be the 5th largest mortgage lender in Australia.



Class	Amount	Rating (Moody's/Fitch)	WAL
A1	\$300m	AAA/Aaa	1.7yrs
A2	\$165m	AAA/Aaa	7yrs
AB	\$17.5m	AAA/ NR	6.25yrs
B	\$17.5m	AA-/NR	6.25yrs

Rating News

New Rating / Withdrawal

- Nothing to report.

Upgrades or Downgrades

- Fitch downgraded the Republic of Ireland's Long-term foreign and local currency Issuer Default Ratings to A+/Negative from AA-.
- 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.
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Secondary Market Trading Levels

Close Date: Friday 8 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	5.77	+49	-5
Telstra	A / A2	A\$500m	15 Nov 13	6.25	6.03	+67	-7
Telstra	A / A2	A\$500m	15 Apr 15	6.25	6.51	+98	-5
Melbourne Airports	A- / A3	A\$100m	14 Dec 15	6.00	11.36	+500	+0
SPI Australia Finance	A- / A1	A\$150m	30 Nov 11	6.25	6.13	+96	+1
SPI Electricity & Gas	A- / A1	A\$200m	03 Nov 11	6.50	6.13	+98	+2
Vodafone	A- / Baa1	A\$265m	10 Jan 13	6.75	6.26	+95	+2
Woolworths	A- / A3	A\$200m	14 Mar 11	6.00	5.46	+50	+0
Coles Myer Finance	BBB+ / Baa1	A\$400m	25 Jul 12	6.00	6.23	+96	-4
Wesfarmers	BBB+ / Baa1	A\$400m	11 Sep 14	8.25	6.93	+148	-2
Southern Cross Airports	BBB / Baa2	A\$38m	11 Oct 12	6.43	10.05	+450	+0
Sydney Airport	BBB / Baa2	A\$167m	21 Nov 11	6.25	8.25	+300	+0
EPG	BBB- / Baa3	A\$150m	29 Jul 11	6.38	9.19	+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	6.10	+85	+0
Goldman Sachs	A / A1	A\$250m	12 Apr 11	6.10	6.07	+105	+0
Goldman Sachs	A / A1	A\$190m	21 Oct 11	6.38	6.10	+95	+0
Goldman Sachs	A / A1	A\$200m	12 Apr 16	6.35	7.77	+210	+0
Merrill Lynch & Co	A / A2	A\$400m	15 Jun 11	6.04	6.37	+130	-5
Merrill Lynch & Co	A / A2	A\$200m	16 Feb 12	6.70	7.04	+180	-5
Merrill Lynch & Co	A / A2	A\$165m	12 Mar 14	6.75	7.67	+220	+0
Morgan Stanley	A / A2	A\$250m	22 Feb 11	6.50	6.03	+110	+0
Morgan Stanley	A / A2	A\$350m	08 Aug 12	6.00	7.00	+170	+0
Morgan Stanley	A / A2	A\$300m	01 Mar 13	6.00	7.10	+175	+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	5.47	+5	-1
ADB	AAA / Aaa	A\$850m	15 Feb 16	5.50	5.67	+12	+0
AFDB	AAA / Aaa	A\$300m	21 Feb 11	5.50	5.13	+20	+0
Bank Nederlandse Gemeenten	AAA / Aaa	A\$400m	20 Jul 12	5.50	5.56	+30	+0
Bank Nederlandse Gemeenten	AAA / Aaa	A\$650m	22 Sep 15	5.50	6.20	+65	+0
CADES	AAA / Aaa	A\$500m	28 Jul 11	6.25	5.17	+10	+0
CADES	AAA / Aaa	A\$1,000m	28 Feb 13	7.50	5.60	+30	+0
Council of Europe	AAA / Aaa	A\$900m	23 Jan 12	6.25	5.25	+5	+0
Council of Europe	AAA / Aaa	A\$300m	27 May 13	5.25	5.49	+18	+0
Council of Europe	AAA / Aaa	A\$875m	16 Sep 14	5.75	5.73	+25	+0
Council of Europe	AAA / Aaa	A\$1,300m	14 Dec 15	5.63	5.82	+28	+0
EIB	AAA / Aaa	A\$1,000m	24 Jan 11	5.38	4.83	-5	+0
EIB	AAA / Aaa	A\$1,000m	24 Jan 12	7.00	5.16	-4	+0
EIB	AAA / Aaa	A\$3,150m	14 Aug 13	6.00	5.40	+6	+0
EIB	AAA / Aaa	A\$2,400m	20 May 14	5.38	5.60	+17	+0
EIB	AAA / Aaa	A\$2,600m	15 Apr 15	6.25	5.75	+24	-2
EIB	AAA / Aaa	A\$2,250m	23 Jan 17	6.13	5.91	+34	-1
EIB	AAA / Aaa	A\$3,100m	07 Aug 19	6.50	5.97	+38	-2
Eurofima	AAA / Aaa	A\$1,000m	22 Aug 11	6.50	5.17	+8	+0
Eurofima	AAA / Aaa	A\$1,200m	28 Jan 14	6.00	5.64	+25	+0
Eurofima	AAA / Aaa	A\$650m	24 Oct 16	5.63	5.95	+38	-2
Eurofima	AAA / Aaa	A\$1,500m	28 Dec 18	6.25	6.00	+40	-3
Eurofima	AAA / Aaa	A\$750m	30 Jun 20	5.50	6.05	+42	-2
Eurofima	AAA / Aaa	A\$200m	30 Mar 22	6.00	6.29	+65	+0
IADB	AAA / Aaa	A\$800m	15 Jun 11	5.75	5.00	-5	+0
IADB	AAA / Aaa	A\$1,750m	27 May 14	5.38	5.55	+12	+0
IADB	AAA / Aaa	A\$900m	25 May 16	6.00	5.73	+18	-0
IADB	AAA / Aaa	A\$1,100m	20 Aug 19	6.50	5.80	+21	-3
IADB	AAA / Aaa	A\$200m	26 Feb 21	6.00	5.89	+28	+0
IBRD (World Bank)	AAA / Aaa	A\$800m	21 Oct 14	5.50	5.55	+6	+0
IBRD (World Bank)	AAA / Aaa	A\$1,500m	17 Feb 15	5.75	5.57	+7	-0
IBRD (World Bank)	AAA / Aaa	A\$1,000m	09 Nov 16	6.00	5.67	+11	+0
IBRD (World Bank)	AAA / Aaa	A\$1,500m	21 Oct 19	5.75	5.74	+14	-2
IFC	AAA / Aaa	A\$1,000m	28 Feb 13	7.50	5.35	+5	+0
IFC	AAA / Aaa	A\$1,800m	24 Jun 14	5.75	5.53	+9	+0
KfW	AAA / Aaa	A\$1,000m	08 Aug 13	5.50	5.38	+5	+0



KfW	AAA / Aaa	A\$1,000m	05 Jun 14	5.50	5.58	+14	-1
KfW	AAA / Aaa	A\$2,200m	13 May 15	5.75	5.71	+20	-2
KfW	AAA / Aaa	A\$1,000m	25 Jul 16	5.50	5.86	+30	+0
KfW	AAA / Aaa	A\$1,750m	28 Mar 17	6.00	5.89	+32	-1
KfW	AAA / Aaa	A\$2,500m	04 Dec 19	6.25	5.95	+35	-4
Kommunalbanken	AAA / Aaa	A\$500m	25 Feb 11	6.00	5.09	+15	+0
Kommunalbanken	AAA / Aaa	A\$200m	30 Mar 12	6.38	5.51	+30	+0
Kummunalbanken	AAA / Aaa	A\$625m	21 Oct 14	6.00	5.84	+35	+0
Nederlandse Waterschapsbank	AAA / Aaa	A\$200m	30 Mar 12	6.25	5.71	+50	+0
Nederlandse Waterschapsbank	AAA / Aaa	A\$400m	08 Aug 13	6.25	5.89	+55	+0
Nederlandse Waterschapsbank	AAA / Aaa	A\$200m	17 Nov 15	5.88	6.20	+65	+0
Rentenbank	AAA / Aaa	A\$1,700m	15 Jun 11	5.75	5.12	+8	+0
Rentenbank	AAA / Aaa	A\$1,200m	15 Jul 14	6.00	5.72	+28	+0
Rentenbank	AAA / Aaa	A\$1,300m	21 Jan 15	5.75	5.88	+38	-1
Republic of Austria	AAA / Aaa	A\$600m	15 Sep 14	5.75	5.98	+50	-15
ICO	AA / Aaa	A\$1,350m	08 Mar 11	5.50	6.99	+200	+0
ICO	AA / Aaa	A\$1,200m	11 Oct 12	5.50	7.89	+250	+0
Province de Quebec	A+ / Aa2	A\$450m	15 Jul 15	5.75	6.56	+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	6.90	+130	+0
Compagnie de Financement Foncier	AAA / Aaa	A\$250m	30 Jan 17	6.25	7.09	+145	+0
Dexia MA	AAA / Aaa	A\$200m	05 Feb 11	5.50	5.82	+90	+0
Dexia MA	AAA / Aaa	A\$300m	07 Feb 12	5.75	6.48	+125	+0
Dexia MA	AAA / Aaa	A\$500m	02 Apr 14	5.75	6.70	+125	-5
Dexia MA	AAA / Aaa	A\$500m	24 Aug 15	5.75	6.88	+130	+0
Countrywide	A / A2	A\$325m	16 Dec 10	6.25	5.71	+95	+5
American Express	BBB+ / A2	A\$150m	05 Dec 11	6.50	6.59	+140	-5
BBI (DBCT) Finance	BBB+ / Baa2	A\$150m	09 Jun 16	6.25	15.23	+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	5.62	+48	+0
Rabobank (Aust)	AAA / Aaa	A\$300m	13 Feb 12	4.50	5.77	+55	+0
Rabobank (Aust)	AAA / Aaa	A\$350m	29 Jan 13	6.00	6.07	+75	+0
Rabobank Nederland	AAA / Aaa	A\$500m	12 Oct 15	5.75	6.60	+102	+0
ANZ	AA / Aa1	A\$625m	01 Mar 11	6.00	5.10	+15	-8
ANZ	AA / Aa1	A\$1,025m	08 Nov 11	6.50	5.53	+38	+0
ANZ	AA / Aa1	A\$600m	08 May 12	5.25	5.73	+50	-2
ANZ	AA / Aa1	A\$340m	18 Sep 12	7.25	5.86	+58	-2
BNP Paribas (Aust)	AA / Aa2	A\$350m	25 Jun 12	6.00	6.17	+90	+0
CBA	AA / Aa1	A\$1,450m	21 Jan 11	7.75	4.97	+10	-2
CBA	AA / Aa1	A\$750m	24 Jun 11	8.50	5.30	+25	+0
CBA	AA / Aa1	A\$850m	17 Apr 12	5.25	5.74	+50	+0
CBA	AA / Aa1	A\$1,350m	10 Sep 13	6.25	6.10	+75	-2
CBA	AA / Aa1	A\$1,000m	14 Jul 14	6.50	6.36	+90	-2
NAB	AA / Aa1	A\$1,450m	15 Jun 11	5.75	5.30	+25	+0
NAB	AA / Aa1	A\$1,630m	04 May 12	5.25	5.73	+50	-2
NAB	AA / Aa1	A\$1,095m	16 Sep 14	6.75	6.40	+92	-2
Westpac	AA / Aa1	A\$1,114m	24 Sep 10	7.25	5.86	+58	-4
Westpac	AA / Aa1	A\$600m	25 Aug 11	6.25	5.40	+30	-2
Westpac	AA / Aa1	A\$700m	09 Jul 12	5.50	5.81	+55	+0
Westpac	AA / Aa1	A\$1,114m	24 Sep 12	7.25	5.86	+58	-4
Barclays (Aust)	AA- / Aa3	A\$500m	13 Aug 12	6.75	6.42	+115	+0
Wells Fargo	AA- / A1	A\$300m	15 May 13	6.00	6.59	+125	+0
BOS International (Australia)	A+ / Aa3	A\$600m	25 Aug 10	5.75	5.19	+60	+0
Deutsche Bank Australia	A+ / Aa3	A\$550m	19 Oct 12	7.50	6.33	+105	+0
HBOS Treasury Services Sydney	A+ / Aa3	A\$600m	26 Oct 10	5.75	5.19	+60	+0
HBOS Treasury Services Sydney	A+ / Aa3	A\$400m	19 Oct 11	6.25	6.82	+165	+0
HBOS Treasury Services Sydney	A+ / Aa3	A\$200m	19 Mar 14	6.38	7.74	+225	+0
Bank of America	A / A2	A\$350m	15 Jun 11	6.25	6.36	+130	-5
Citigroup	A / A3	A\$350m	13 Feb 12	6.50	6.89	+165	+0
Citigroup	A / A3	A\$300m	22 Mar 16	6.00	7.67	+200	+0
Citigroup	A / A3	A\$400m	13 Feb 17	6.50	7.63	+195	-5
HSBC Bank Australia	A / A3	A\$425m	22 Sep 11	6.50	6.54	+140	+0
Bank of Queensland	BBB+ / A2	A\$130m	02 Dec 10	6.00	5.12	+40	+0



Subordinated Debt	Rating	Issue		Coupon	Yield	Spread	Change
		Amount	Maturity	sa %	sa %	to Swap	for week
ANZ (sub)	AA / Aa2	A\$300m	23 May 16	6.25%	6.42%	+140	-5
ANZ (sub)	AA / Aa2	A\$350m	05 Mar 17	6.50%	6.73%	+150	+0
CBA (sub)	AA / Aa2	A\$150m	25 May 17	6.75%	6.65%	+140	+0
Westpac (sub)	AA / Aa2	A\$250m	24 Jan 17	6.50%	6.72%	+150	+0
Westpac (sub)	AA / Aa2	A\$150m	25 May 17	6.75%	6.75%	+150	-5
HBOS plc (sub)	A / Baa3	A\$200m	01 May 17	6.75%	15.10%	+900	+0

Government Guaranteed	Rating	Issue		Coupon	Yield	Spread	Change
		Amount	Maturity	sa %	sa %	to Swap	for week
ANZ (Aust GG)	AAA / Aaa	A\$2,410m	16 Jan 14	5.25%	5.52%	+13	+0
BoQ (Aust GG)	AAA / Aaa	A\$475m	22 Oct 12	5.50%	5.46%	+18	+0
BOS (UK GG)	AAA / Aaa	A\$500m	24 Jul 12	5.25%	5.66%	+40	+0
CBA (Aust GG)	AAA / Aaa	A\$2,360m	17 Dec 13	5.75%	5.50%	+13	+0
CBA (Aust GG)	AAA / Aaa	A\$2,000m	20 Feb 14	4.50%	5.54%	+13	-0
Citigroup (Aust GG)	AAA / Aaa	A\$500m	18 Jun 12	5.50%	5.45%	+20	+0
Citigroup (Aust GG)	AAA / Aaa	A\$450m	20 Aug 12	5.50%	5.44%	+18	+0
ING (Aust GG)	AAA / Aaa	A\$600m	08 Oct 12	5.50%	5.46%	+18	+0
ING (Aust GG)	AAA / Aaa	A\$800m	24 Jun 14	5.75%	5.67%	+22	-2
ING (Aust GG)	AAA / Aaa	A\$400m	16 Oct 14	6.00%	5.68%	+20	+0
Investec (Aust GG)	AAA / Aaa	A\$200m	09 Feb 12	4.50%	5.57%	+35	+0
Investec (Aust GG)	AAA / Aaa	A\$200m	22 Feb 14	5.00%	5.76%	+35	+0
NAB (Aust GG)	AAA / Aaa	A\$2,960m	19 Dec 13	5.75%	5.50%	+13	+0



Origination

Sydney	London	Singapore
Patrick Bryant +61 2 9118 1217	James Hammermaster +44 20 7710 3626	Giles Chapman +65 6349 7087
Rob Kenna +61 2 9118 1219	Sean Rosas +44 20 7710 3959	
Danielle Lavars +61 2 9118 1221		
Clare Lewis +61 2 9118 1225		

New Zealand	New York
Brian McTaggart +64 9 301 5955	Bill Stevenson +1 212 848 9323
Richard Howse +64 9 301 5956	Mark Wang +1 212 848 9308
Gary Baker +64 9 301 5957	Hilary Ward +1 212 848 9373

Syndication

Sydney
Paul O'Brien +61 2 9117 0046
Patrick Moore +61 2 9117 0047