

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

10 – 11 February 2010

Question: aet 105

Topic: Credit Default Swap Spread

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Senator JOYCE asked:

Senator JOYCE—In light of international factors, especially what is happening in Portugal, Italy and Greece, there are new elements coming onto the agenda every day in that domain.

Mr Ray—Sure.

Senator JOYCE—Are they having effects on price sensitivity in the market?

Mr Ray—In the market for their paper or for all paper?

Senator JOYCE—For all paper.

Mr Ray—The experts on their paper were here this morning, the international economy division, which is in macro group. You would expect, though, that those sorts of market developments would have some effect on their markets. They are obviously having an effect on CDS spreads and those sorts of things. In terms of our own paper, as I said, our yield cover at the long end has been pretty stable for some time.

Senator JOYCE—Talking about CDS spreads, what is the CDS spread on Australian—

Mr Ray—I do not know. We can take that on notice.

Senator JOYCE—You do not want to hazard a guess? It is 68 basis points, isn't it?

Mr Ray—It is not something that we watch.

Senator JOYCE—You do not watch it?

Mr Ray—Our colleagues in macro group may watch it, but we do not watch it.

Answer:

As at the close of trading on 5 March 2010, the 5-year Australian credit default swap spread was around 37 basis points.