Monthly Investment Report

January 2023

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Summary

Market Update Summary

Risk markets were aided in January as recent data indicated there were signs the global economy may be weathering inflation better than previously anticipated. Several global central banks also hinted they may pause their aggressive rate hike cycles in the near future.

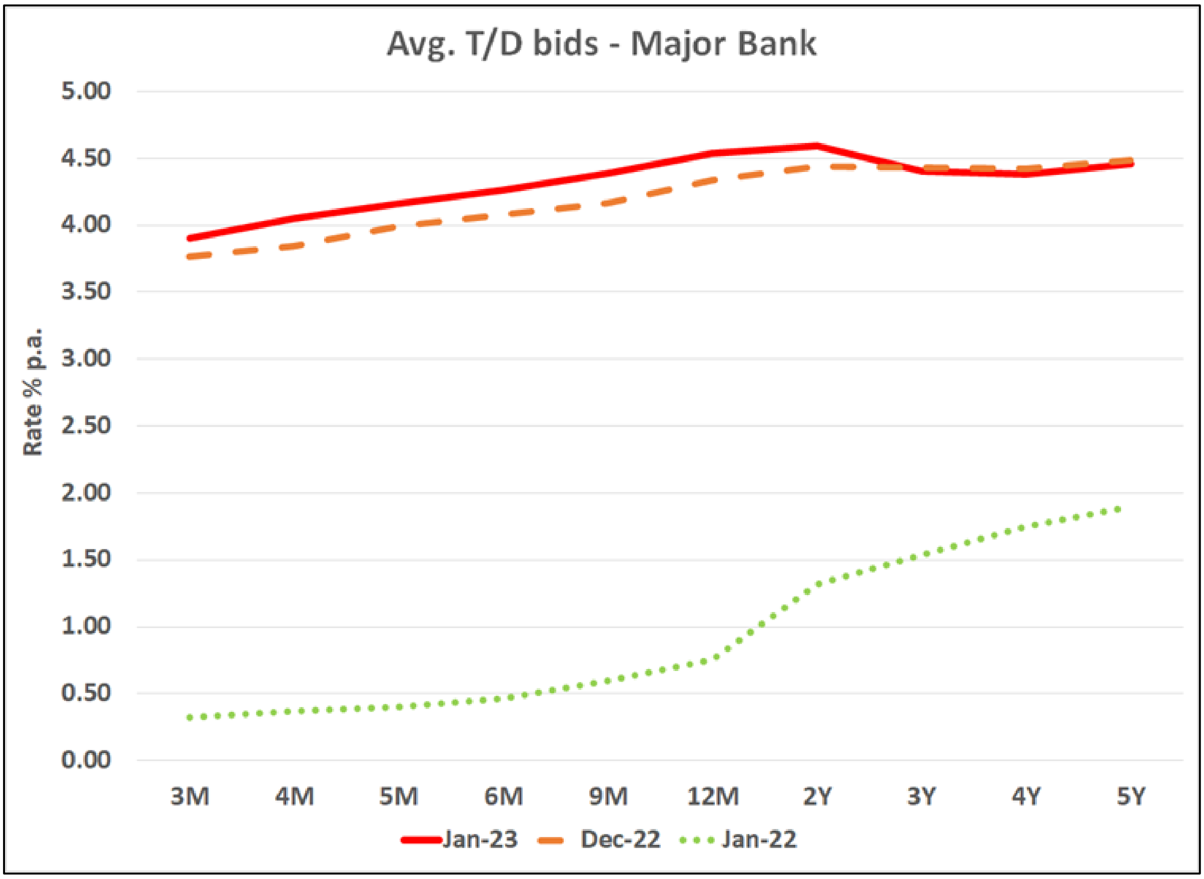
Domestically, the labour market remains tight, but timely indicators of labour demand are off their peaks as labour supply has normalised and frictions associated with rapid employment growth out of pandemic impacts moderate. Although labour costs pressures are evident in the latest CPI figures for Q4 2022, there are reasons to be optimistic that some stabilisation in wages growth can occur without a sharply higher unemployment rate, including the normalisation in labour supply. For now, the RBA continues to signal that it expects to increase interest rates further over the period ahead, with up to 2-3 hikes already largely priced into the market by Q2-Q3 2023, taking the cash rate up to 3¾%. Thereafter, noting the lags in monetary policy, a pause around the end of Q2-Q3 is likely whilst the RBA monitors the economic data.

Term Deposits

Term Deposits (fixed and floating) account for around 74% of the total investment portfolio at month-end. Council's term deposit portfolio was yielding 2.31% p.a. at month-end, with a weighted average duration of around 346 days or ~11½ months. We note the following:

- The highest deposit rate from any rated ADI in the market is now ~4.80% p.a. for 5 years;
- The highest deposit rates amongst the "AA-" rated ADIs (major banks) is now yielding between 4.50%-4.60% p.a. (depending on terms between 12m – 5 years);
- The highest deposit rates amongst the "A" rated ADIs was yielding between 4.50%-4.80% p.a. (depending on terms between 12m – 5 years);
- The highest deposit rates amongst the "BBB" rated ADIs was yielding between 4.50%-4.75% p.a. (depending on terms between 12m – 5 years).

Despite more rate rises on the horizon, given an upward sloping deposit curve, maintaining a slightly longer average duration position on deposits will continue to outperform shorter durations. The deposit market has largely already factored in the current rate hike cycle, reflected by the flattening of the curve demonstrated by the longer-term tenors (+2yrs) over the past few months (the market is also factoring in a recession over coming years). Interestingly, amongst the major banks, some 2-5 year deposit rates are now being offered slightly below 12 month rates:



Source: Imperium Markets

'New' investments above 4¼-4½% p.a. is now possible if Council can place the majority of its surplus funds for terms of 12 months to 2 years. *With recessionary fears being priced in coming years, investors may take an insurance policy by investing across 3-5 year fixed deposits and locking in rates above 4½% p.a. (small allocation only), ahead of any potential rate cuts should inflation be under control.*

Senior FRNs

Council's senior floating rate notes (FRNs) make up around 6½% of the total investment portfolio at month-end. The market valuation of Council's FRNs collectively rose around **+0.12% (actual)** in January 2023 (**or +$40,071 in dollar terms**).

Summary	31 Dec 2022	31 Jan 2023	Net Flow ($)	Monthly Change %
Face Value	$30,650,000	$33,250,000	$2,600,000	+8.48%
Market Value	$30,662,834	$33,302,905	+$40,071	+0.12%

We highlight that Council's FRNs are senior ranked assets and high in the bank capital structure. We expect that, if held to maturity, the FRNs will pay back its original face value ($100.00), along with its quarterly coupons throughout the life of the security. That is, we do not expect Council to lose any capital or interest payments from its current holding in its senior FRNs given all banks continue to maintain high capital buffers as required by APRA.

At month-end, Council's FRNs are now marked at an **unrealised capital gain of +$59,959** *(noting some were purchased at a slight discount to par in the secondary market).*

BBB rated senior FRNs

As per all FRNs, we have no issues with Council's investments in "BBB" rated senior FRNs given all counterparties continue to hold robust balance sheets with high levels of capital. On a mark-to-market basis, collectively they rose around **$17,170 in dollar terms or +0.22% (actual)** for the month:

Summary	31 Dec 2022	31 Jan 2023	Net Flow ($)	Monthly Change %
Face Value	$6,800,000	$7,900,000	$1,100,000	+16.18%
Market Value	$6,773,045	$7,890,215	+$17,170	+0.22%

At month-end, Council's "BBB" rated FRNs are now marked at an **unrealised capital loss of ~$9,681**.

Senior Bonds

Since September 2020, Council has an outstanding $29m placed in Northern Territory Treasury Corporation (NTTC) fixed bonds rated AA- (same as the domestic major banks), locking in yields between 0.90%-1.40% p.a. The weighted average yield on these investments was 1.09% p.a., with a current weighted average duration of 2.64 years.

We believe these investments were sensible given the unprecedented low rate environment and the RBA's forward guidance at the time of investment (no rate rises "*until at least 2024*"). We reiterate that the NTTC bonds are a 'retail' offering and not 'wholesale' issuances. Given the lack of liquidity and high penalty costs if they were to be sold/redeemed prior to the maturity date, they are considered to be a hold-to-maturity investment and will be marked at par value ($100.00) throughout the term of investment.

During August 2021, Council purchased $600k in the ING (AAA) covered fixed bond at a yield of 1.16% p.a., which we thought was an attractive yield given the super-senior and highly ranked asset. This is likely to be held for at least 3-4 years, with a view to reassess depending on the prevailing market conditions. Given it is now trading at a significant discount to par, we recommend buying additional units if available, to average-in at a more attractive yield.

TCorp Long-Term Growth Fund

The NSW TCorp Fund accounts for ~5¾% of Council's total investment portfolio. **The Fund returned +3.73% (actual) during January**. Domestic and international shares rose as various central banks hinted that the peak of the interest rate cycle may be approaching quicker than they first anticipated.

Summary	31 Dec 2022	31 Jan 2023	Investment ($)	Net Return ($)	Net Return (%)
Market Value	$28,224,872	$29,276,760	$0	$1,051,888	+3.73%

The US economy is showing signs of tiring with growth slowing and the disinflation process unfolding before the market's eyes. Already, goods prices are turning down from a cut back in demand and the healing of supply chains. Another element of inflation – housing services, rents - is soon expected to turn as the flattening in new rental leases works through into the stock of rents captured in the CPI and PCE deflator measurements. In the US, the markets belief is that the US Federal Reserve (Fed) hiking cycling is almost done and that rate cuts will be in focus by late 2023.

The Fund should be looked at with a long-term view, with a minimum holding period of +7 years. Given the exposure to the volatile asset of shares, Council should expect to see, on average, a negative month once every 3 months over a long-term holding period.

CFS Global Credit Income

The CFS Global Credit Income Fund accounts for around 2¾% of Council's total investment portfolio. **The Fund returned +1.17% (actual) in January**, as the market valuation of the fund's assets in global credit securities increased during the month.

Summary	31 Dec 2022	31 Jan 2023	Difference ($)	Difference (%)
Market Value	$14,233,799	$14,399,934	+$166,135	+1.17%

The Fund holds a diverse range of securities across the global credit market. It remains very well diversified by issuer in order to mitigate default risk. It invests in nearly 600 corporate bonds from issuers in various countries and industry sectors. Any spread contraction going forward allows credit and asset-backed holdings to enjoy significant capital gains.

With a running yield of around +4 – 4½% p.a., we recommend Council retains this "grandfathered" Fund given the alternative to invest in cash and deposits (Council's approval list) are yielding comparably lower.

Cash Accounts

Cash accounts make up around 4½% of Council's investment portfolio at month-end. Council's cash accounts are likely to yield up to 0.15% p.a. (at most) above the official cash rate over coming years i.e. yield up to 3.25% p.a. at current yields, but likely higher as the RBA increases official rates. Short-dated term deposits will continue to outperform overnight cash accounts in most cases so we recommend keeping cash levels at a bare minimum to meet ongoing liquidity requirements.

Council's Budgeted Income for FY2022-2023

Council's budgeted income for FY2022-2023 has been revised to $13.221m. Based on an average total investment portfolio size of around $500m, that equates to a budgeted yield of around 2.64% for the current financial year.

For the month ending January 2023, the cumulative interest revenue earned was roughly $4985 above the revised budgeted income, largely driven by the strong rebound in in shares in recent months. We exercise caution given the volatility from the TCorp Long-Term Growth Fund during any month, as was highlighted in the past two months alone - the TCorp Fund gained over +$1m in January after falling close to -$900k in December.

Month-End	Cumulative Budget	Cumulative Investment Revenue	Difference ($)
Jul 2022	$1,101,748	$1,966,804	$865,056
Aug 2022	$2,203,497	$2,695,126	$491,629
Sep 2022	$3,305,245	$2,607,147	-$698,098
Oct 2022	$4,406,993	$4,706,137	$299,144
Nov 2022	$5,508,742	$6,578,791	$1,070,049
Dec 2022	$6,610,490	$6,767,315	$156,825
Jan 2023	$7,712,238	$8,210,705	$498,467
Feb 2023	$8,813,987		
Mar 2023	$9,915,735		
Apr 2023	$11,017,483		
May 2023	$12,119,232		
Jun 2023	$13,220,980		

For the current financial year, we remain cautious given that risks remain to the downside, particularly if there is a continued selloff in equities and/or bonds as the market factors in a global recession.

Council’s Portfolio & Compliance

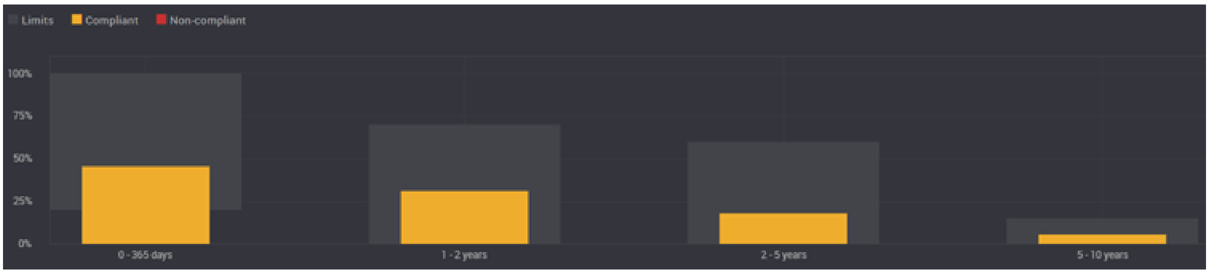
Asset Allocation

As at the end of January 2023, the portfolio was mainly directed to fixed and floating rate term deposits (74%). The remaining portfolio is directed to FRNs (7%), overnight cash accounts (5%), bonds (6%), and the managed funds with CFS Global Credit Income Fund and NSW T-Corp Long Term Growth Fund (8%, combined).

Senior FRNs are now becoming more attractive as spreads have widened over the past year – new issuances should now be considered again on a case by case scenario. In the interim, fixed deposits for 12 months to 3 years appear quite appealing following the spike in medium-to longer-term yields during the rate hike cycle. With recessionary fears being priced in coming years, those investors that can allocate longer-term surplus funds may take an insurance policy by investing across 3-5 year fixed deposits, locking in and targeting yields above 4½% p.a.

Term to Maturity

Overall, the portfolio remains well diversified from a maturity perspective with around 18% of assets directed to medium-term assets (2-5 years). All minimum and maximum criteria meet within the Policy guidelines:



Where liquidity permits, we recommend new surplus funds be directed to 1-2 year horizons given this is where the most attractive value can be found. We suggest this be allocated to any remaining attractive fixed term deposits (refer to respective sections below).

Compliant	Horizon	Invested ($)	Invested (%)	Min. Limit (%)	Max. Limit (%)	Available ($)
✓	0 - 365 days	$243,351,582	48.29%	20%	100%	$260,562,275
✓	1 – 2 years	$139,561,524	27.70%	0%	70%	$213,178,175
✓	2 – 5 years	$91,723,991	18.20%	0%	50%	$210,624,323
✓	5 – 10 years	$29,276,760	5.81%	0%	25%	$46,310,319
		$503,913,857	**100.00%**			

Counterparty

As at the end of January 2023, Council did not have an overweight position to any single ADI. Overall, the portfolio is well diversified across the entire credit spectrum, including some exposure to the unrated ADIs.

Compliant	Issuer	Rating	Invested ($)	Invested (%)	Max. Limit (%)	Available ($)
✓	BoQ Covered	AAA	$903,357	0.18%	50.00%	$251,053,571
✓	Bendigo Covered	AAA	$4,007,844	0.80%	50.00%	$247,949,085
✓	Suncorp Covered	AAA	$532,676	0.11%	50.00%	$251,424,252
✓	ING Covered	AAA	$1,506,960	0.30%	50.00%	$250,449,969
✓	ANZ	AA-	$4,035,224	0.80%	40.00%	$197,530,319
✓	CBA	AA-	$62,382,588	12.38%	40.00%	$139,182,955
✓	NAB	AA-	$131,590,824	26.11%	40.00%	$69,974,718
✓	Northern Territory	AA-	$32,000,000	6.35%	40.00%	$169,565,543
✓	Westpac	AA-	$37,900,000	7.52%	40.00%	$163,665,543
✓	Citibank NA	A+	$1,000,147	0.20%	25.00%	$124,978,317
✓	Macquarie	A+	$28,724	0.01%	25.00%	$125,949,740
✓	Suncorp	A+	$5,501,534	1.09%	25.00%	$120,476,930
✓	UBS AG	A+	$3,243,381	0.64%	25.00%	$122,735,083
✓	CFS Global CI	A	$14,399,934	2.86%	25.00%	$111,578,530
✓	ICBC	A	$98,550,969	19.56%	25.00%	$27,427,496
✓	ING Bank Aus.	A	$16,000,000	3.18%	25.00%	$109,978,464
✓	Aus. Military Bank	BBB+	$8,000,000	1.59%	15.00%	$67,587,079
✓	Aus. Unity Bank	BBB+	$9,000,000	1.79%	15.00%	$66,587,079
✓	BoQ	BBB+	$18,002,585	3.57%	15.00%	$57,584,493
✓	Bendigo-Adelaide	BBB+	$2,855,858	0.57%	15.00%	$72,731,221
✓	QT Mutual Bank	BBB+	$974,640	0.19%	15.00%	$74,612,439
✓	AMP Bank	BBB	$10,162,719	2.02%	15.00%	$65,424,359
✓	Bank Australia	BBB	$1,305,078	0.26%	15.00%	$74,282,000
✓	CUA	BBB	$1,752,054	0.35%	15.00%	$73,835,024
✓	MyState Bank	BBB	$4,000,000	0.79%	15.00%	$71,587,079
✓	P&N Bank	BBB	$2,500,000	0.50%	15.00%	$73,087,079
✓	Police CU SA	Unrated	$2,500,000	0.50%	1.00%	$2,539,139
✓	TCorpIM LTG	Unrated	$29,276,760	5.81%	10.00%	$21,114,626
			$503,913,857	**100.00%**		

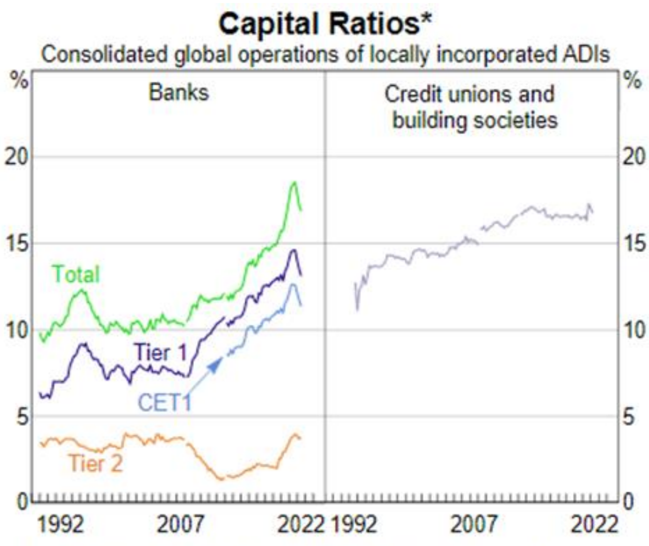
During December 2022, we welcomed Council's decision to adopt a new Investment Policy which not only allows for further diversification, but also reduces concentration risk and provides better opportunities to maximise the overall returns of the portfolio.

In late June 2022, Standard & Poor's downgraded Suncorp-Metway from AA- to A+ (negative watch). Suncorp recently announced that it is undertaking a strategic review of its banking operations. The downgrade reflects S&P's view that the Suncorp Group's likelihood of support for the bank had "*slightly*" diminished and that it was no longer a core part of the Group. In July 2022, ANZ (AA-) announced it was putting a bid to buy Suncorp's banking division for ~$4bn. Should that takeover be formalised, Suncorp-Metway's (A+) current credit rating is likely to be upgraded to ANZ's (AA-).

We note the lower rated ADIs (BBB and unrated) are generally now in a better financial position then they have been historically (see the Capital Ratio figure below). APRA's outgoing Chair Wayne Byres recently noted that the Common Equity Tier 1 capital of Australian banks now exceeds a quarter of a trillion dollars. It has increased by $110 billion, or more than 70%, over the past eight years. Over the same time, banks' assets have grown by 44%. Some of the extra capital is supporting growth in the banking system itself but clearly, there has been a strengthening in overall resilience and leverage in the system is lower.

We believe that deposit investments with the lower rated ADIs should be considered going forward, particularly when they offer 'above market' specials. Not only would it diversify the investment portfolio and reduce credit risk, it would also improve the portfolio's overall returns. The lower rated entities are generally deemed to be the more 'ethical' ADIs compared to the higher rated ADIs.

In the current environment of high regulation and scrutiny, all domestic (and international) ADIs continue to carry high levels of capital. There is minimal (if any) probability of any ADI defaulting on their deposits going forward – this was stress tested during the GFC and the pandemic period. **APRA's mandate is to "*protect depositors*" and provide "*financial stability*".**



* Per cent of risk-weighted assets; break in March 2008 due to the introduction of Basel II for most ADIs; break in March 2013 due to the introduction of Basel III for all ADIs.

Source: APRA

Domestic versus International

Noting Council's (internationally) demographic ratepayer base, we summarise where its investments are currently placed:

ADI Category by APRA / Country of Region	Amount Invested	Percentage
Australian Owned ADI	$304,010,137	60.33%
Australia	$304,010,137	60.33%
Branches of Foreign Bank	$139,694,350	27.72%
China	$98,550,969	19.56%
Switzerland	$3,243,381	0.64%
United States	$37,900,000	7.52%
Foreign Subsidiary Banks	$16,532,676	3.28%
Netherlands	$16,532,676	3.28%
Global^	$43,676,694	8.67%
International	$43,676,694	8.67%
Total	**$503,913,857**	**100.00%**

Source: https://www.apra.gov.au/register-of-authorised-deposit-taking-institutions

^Global: The NSW TCorpIM LTGF and CFS Global Credit Income Fund invests in hundreds of underlying securities globally, from which the portfolio composition is likely to change regularly.

Overall, approximately 60% of Council's total investment portfolio is placed with domestic ADIs, while the remaining 40% is placed with international banks and corporate entities.

In response to global financial crisis (GFC), the Financial Stability Board (FSB) came up with a range of financial metrics to ascertain which banks were effectively deemed "*too big to fail*". A list of Globally Systemic Important Banks (G-SIBs) was developed, in which these banks required to hold much higher levels of capital compared to their smaller peers to ensure their financial stability under various stress test scenarios (e.g. another GFC).

We note that Council's exposure to the international banks are generally with such Globally Systemic Important Banks (G-SIBs), including ICBC (China), ING Bank (Netherlands), UBS (Switzerland), Credit Suisse (Switzerland), HSBC (Hong Kong) and Citibank (US).

Overall, we have no concerns with Council's exposure to international banks given they are largely considered to be globally systematic important banks that are '*too big to fail*'.

Fossil Fuel Investments

What is Council's current exposure to institutions that fund fossil fuels?

Using the following link http://www.marketforces.org.au/banks/compare, based on the Council's investment portfolio balance as at 31/01/2023 ($503.91m), we can roughly estimate that ~71% of the investments have some form of exposure. This is likely to drift higher given the new Policy limits imposed by NSW Treasury Corporation.

Council's exposure is summarised as follows:

Counterparty	Credit Rating	Funding Fossil Fuel
BoQ Covered	AAA	Yes
Bendigo Covered	AAA	No
Suncorp Covered	AAA	No
ING Covered	AAA	Yes
ANZ	AA-	Yes
CBA	AA-	Yes
NAB	AA-	Yes
Northern Territory	AA-	Yes
Westpac	AA-	Yes
Citibank NA	A+	Yes
Macquarie	A+	Yes
Suncorp	A+	No
UBS AG	A+	No
CFS Global Credit^^	A	Yes
ICBC	A	No
ING Bank	A	Yes
Aus Military Bank	BBB+	No
Aus Unity Bank	BBB+	No
BOQ	BBB+	Yes
Bendigo-Adelaide	BBB+	No
QT Mutual Bank	BBB+	No
AMP Bank	BBB	Yes
Bank Australia	BBB	No
CUA	BBB	No
MyState Bank	BBB	No
P&N Bank	BBB	No
Police CU SA	Unrated	No
T-CorpIM LTG Fund^^	Unrated	Yes

^^The underlying exposure in these managed funds includes the domestic major banks.
Source: https://www.marketforces.org.au/info/compare-bank-table/

Summary	Amount	Invested %
Yes	$358,215,540	71%
No	$145,698,317	29%
	$503,913,857	**100%**

Transition to investments without major exposure to fossil fuels

Council has not made a decision to divest from the current portfolio of investments which have exposure to fossil fuels. To do so would have unfavourable implications to the credit quality, rating and interest income forecasts.

However, where possible, and within the ministerial and policy guidelines, Council will continue to favour newly issued fossil fuel free investment products, providing it does not compromise the risk and return profile.

In time it is Councils intention to move to a more balanced portfolio which has less exposure to fossil fuels, providing it is prudent to do so.

What would be implications on our portfolio credit rating?

By adopting a free fossil fuel policy or an active divestment strategy, this would eliminate the major banks rated “AA-“ as well as some other “A” rated banks (Citi, Macquarie and ING). Council would be left with a smaller sub-sector of banks to choose to invest with.

What would be risks and implications on Council’s portfolio performance?

Some implications include:

- High concentration risk – limiting Council to a selected number of banks;
- Increased credit/counterparty risk;
- May lead to a reduction in performance (e.g. most of the senior FRN issues are with the higher rated ADIs);
- Underperformance compared to other Councils which could result in a significant loss of income generated – could be in excess of hundreds of thousands of dollars per annum.

It may actually be contrary to Council’s primary objective to preserve capital as the investment portfolio’s risk would increase (all things being equal). Council may not be maximising its returns – this is one of the primary objectives written in the Investment Policy.

Credit Quality

Following the most recent adopted Policy in January 2023, all aggregate ratings categories are currently within the Policy limits:

Compliant	Credit Rating	Invested ($)	Invested (%)	Max. Limit (%)	Available ($)
✓	AAA Category	$6,950,836	1%	100%	$496,963,021
✓	AA Range or Major Banks	$267,908,637	53%	100%	$236,005,220
✓	A Category	$138,724,689	28%	80%	$264,406,396
✓	BBB Category	$58,552,935	12%	30%	$92,621,222
✓	Unrated ADI Category	$2,500,000	0%	10%	$47,891,386
✓	TCorpIM Funds	$29,276,760	6%	25%	$96,701,704
		$503,913,857	**100.00%**		

The portfolio remains well diversified across the entire credit spectrum, including some exposure to the unrated ADI sector.

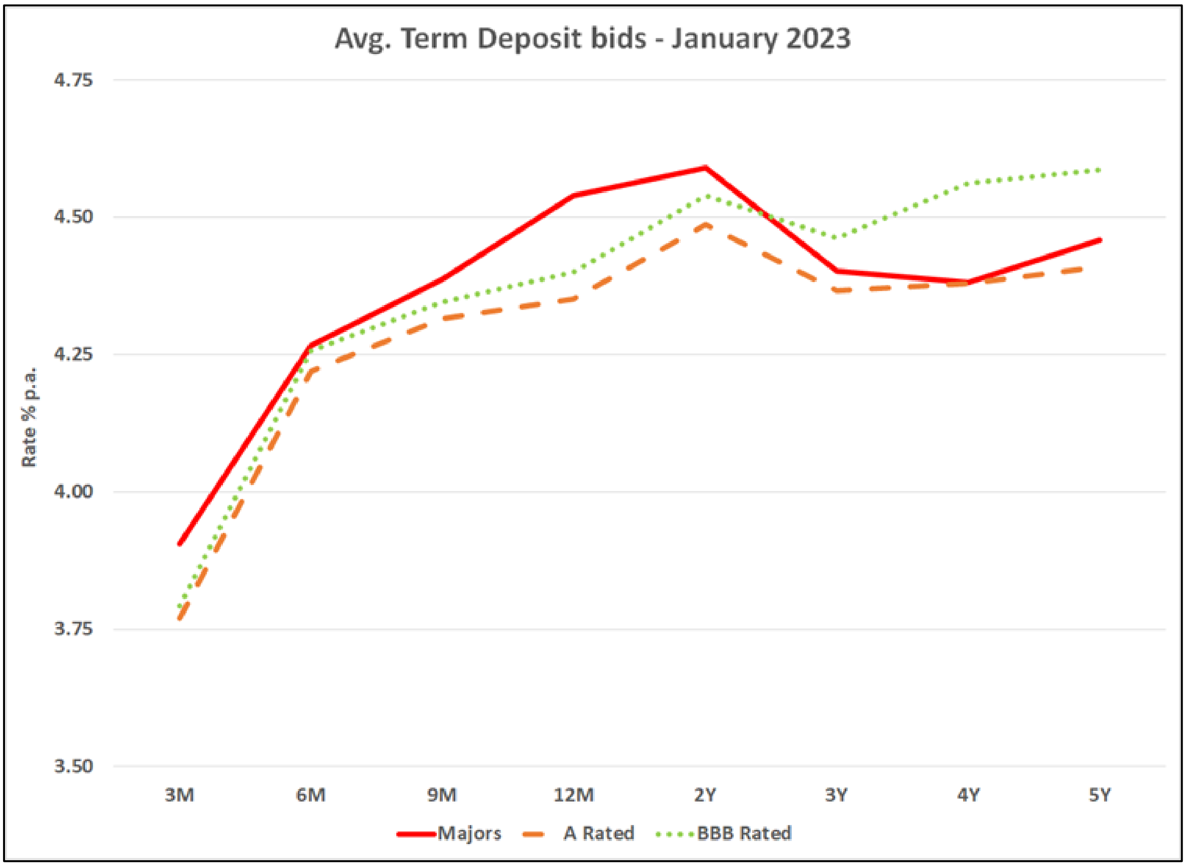
There is high capacity to invest in the higher rated ADIs (A or higher), particularly after the downgrades of BoQ and AMP Bank over the past few years, as all have now fallen back into the "BBB" rated category (previously in the "A" rated category).

Pre-pandemic (March 2020), a 'normal' marketplace meant the lower rated ADIs (i.e. BBB category) were offering higher rates on term deposits compared to the higher rated ADIs (i.e. A or AA rated). But due to the cheap funding available provided by the RBA via their Term Funding Facility (TFF) since mid-2020[1], allowing the ADIs to borrow as low as 0.10% p.a. fixed for 3 years, those lower rated ADIs (BBB rated) did not require deposit funding from the wholesale deposit from the likes of Council. Given the higher rated banks had more capacity to lend (as they have a greater pool of mortgage borrowers), they subsequently were offering higher deposit rates. In fact, some of the lower rated banks were not even offering deposit rates at all. As a result, most investors placed a higher proportion of their deposit investments with the higher rated (A or AA) ADIs over the past three years.

In the interim, the 'abnormal' marketplace still largely exists, with the higher rated banks (majors) often paying a higher rate of return over the lower rated institutions across various parts of the curve on any particular day. Over the next few years, with the RBA now removing these cheap borrowing facilities, this should result in some of the lower rated banks (BBB rated) starting to become more competitive as the market starts to 'normalise'. Council should have a larger opportunity to invest a higher proportion of its surplus funds with the lower rated institutions (up to Policy limits), from which the majority are not lending to the Fossil Fuel industry or considered more 'ethical'.

We are slowly seeing this trend emerge, as has been the case in recent months:

[1] The RBA's Term Funding Facility (TFF) allowed the ADI to borrow as low as 0.10% fixed for 3 years: https://www.rba.gov.au/mkt-operations/term-funding-facility/overview.html



Source: Imperium Markets

Performance

Council's performance (actual returns) for the month ending 31 January 2023 is summarised as follows:

Performance (Actual)	1 month	3 months	6 months	FYTD	1 year	2 years	3 years
Official Cash Rate	0.26%	0.75%	1.32%	1.44%	1.56%	0.83%	0.64%
AusBond Bank Bill Index	0.27%	0.77%	1.31%	1.44%	1.52%	0.77%	0.61%
PCC Internal Benchmark*	0.58%	1.18%	1.85%	2.30%	2.05%	1.45%	1.38%
PCC Cash Portfolio	0.28%	0.80%	1.43%	1.56%	1.78%	1.12%	1.00%
PCC T/D Portfolio	0.20%	0.60%	1.15%	1.31%	1.92%	1.60%	1.70%
PCC FRN Portfolio	0.36%	1.04%	1.91%	2.15%	2.68%	2.17%	2.02%
PCC Bond Portfolio	0.09%	0.28%	0.56%	0.65%	1.10%	1.07%	-
PCC Credit Fund	1.17%	2.92%	3.34%	4.82%	0.96%	0.75%	0.89%
PCC TCorp Growth Fund	3.73%	3.40%	3.49%	7.29%	-3.36%	3.74%	2.75%
PCC's Total Portfolio	**0.36%**	**0.76%**	**1.31%**	**1.63%**	**1.39%**	**1.42%**	**1.53%**
Outperf. (BBI)	**0.10%**	**0.00%**	**-0.01%**	**0.19%**	**-0.13%**	**0.65%**	**0.92%**
Outperf. (Int. Bench.)	**-0.22%**	**-0.42%**	**-0.55%**	**-0.67%**	**-0.66%**	**-0.03%**	**0.15%**

**The Internal Benchmark returns are based on Council's individual benchmarks across the various asset classes it invests within its own portfolio. The following individual benchmark's are used for each asset class that Council invests in:*
Cash: RBA Cash Rate
Term Deposits: Deposit benchmark based on Council's weighted average duration using multiple ADIs average monthly rate
FRNs: AusBond Credit FRN Index
CFS Global Credit Income Fund: AusBond Credit Index
NSW TCorpIM Long-Term Growth Fund: Fund's return itself

For the month of January, the total investment portfolio (including cash) provided a return of +0.36% (actual) or +4.35% p.a. (annualised), outperforming the AusBond Bank Bill Index return of +0.27% (actual) or +3.18% p.a. (annualised), while underperforming Council's internal benchmark return of +0.58% (actual) or +7.06% p.a. (annualised). The CFS (+1.17% actual) and TCorp Fund (+3.73% actual) were the main contributors to performance this month.

The longer-term outperformance continues to be anchored by the handful of longer-dated deposits that were locked-in prior to the RBA's rate cuts, as well as the FRNs locked in at attractive margins, boosted by the strategic sales implemented over the past few years. This is now reflected in the longer-term returns with the FRN portfolio now slightly ahead of fixed term deposits over 1-3 year time periods.

The annualised returns as of 31 January 2023 are shown in the following table:

Performance (% p.a.)	1 month	3 months	6 months	FYTD	1 year	2 years	3 years
Official Cash Rate	3.10%	3.02%	2.64%	2.45%	1.56%	0.83%	0.64%
AusBond Bank Bill Index	3.18%	3.08%	2.63%	2.46%	1.52%	0.77%	0.61%
PCC Internal Benchmark*	7.06%	4.78%	3.71%	3.94%	2.05%	1.45%	1.38%
PCC Cash Portfolio	3.35%	3.20%	2.86%	2.67%	1.78%	1.12%	1.00%
PCC T/D Portfolio	2.40%	2.39%	2.28%	2.24%	1.92%	1.60%	1.70%
PCC FRN Portfolio	4.33%	4.21%	3.82%	3.67%	2.68%	2.17%	2.02%
PCC Bond Portfolio	1.11%	1.11%	1.11%	1.11%	1.10%	1.07%	-
PCC Credit Fund	14.64%	12.10%	6.74%	8.31%	0.96%	0.75%	0.89%
PCC TCorp Growth Fund	53.85%	14.17%	7.05%	12.69%	-3.36%	3.74%	2.75%
PCC's Total Portfolio	**4.35%**	**3.06%**	**2.61%**	**2.78%**	**1.39%**	**1.42%**	**1.53%**
Outperf. (BBI)	**1.18%**	**-0.01%**	**-0.02%**	**0.33%**	**-0.13%**	**0.65%**	**0.92%**
Outperf. (Int. Bench.)	**-2.71%**	**-1.72%**	**-1.10%**	**-1.16%**	**-0.66%**	**-0.03%**	**0.15%**

Council's Term Deposit Portfolio & Recommendation

As at the end of January 2023, Council's deposit portfolio was yielding **2.31% p.a.** (down 2bp from the previous month), with a weighted average duration of around 346 days (~11½ months).

Over a longer-term cycle, investors are rewarded if they can continue to maintain a slightly longer average duration. In a 'normal' marketplace, yields at the long-end are generally offered at a slight premium over shorter tenors.

At the time of writing, we see value in:

	LT Credit Rating	Term	T/D Rate
ING	A	3 years	4.62% p.a.
ING	A	2 years	4.61% p.a.
CBA	AA-	2 years	4.64% p.a.
BoQ	BBB+	2 years	4.55% p.a.
Westpac	AA-	2 years	4.50% p.a.
NAB	AA-	2 years	4.50% p.a.
Hume Bank	BBB+	2 years	4.50% p.a.
Suncorp	A+	2 years	4.45% p.a.

The above deposits are suitable for investors looking to maintain diversification and lock-in a premium compared to purely investing short-term. For terms under 12 months, we believe the strongest value is currently being offered by the following ADIs (dependent on daily funding requirements):

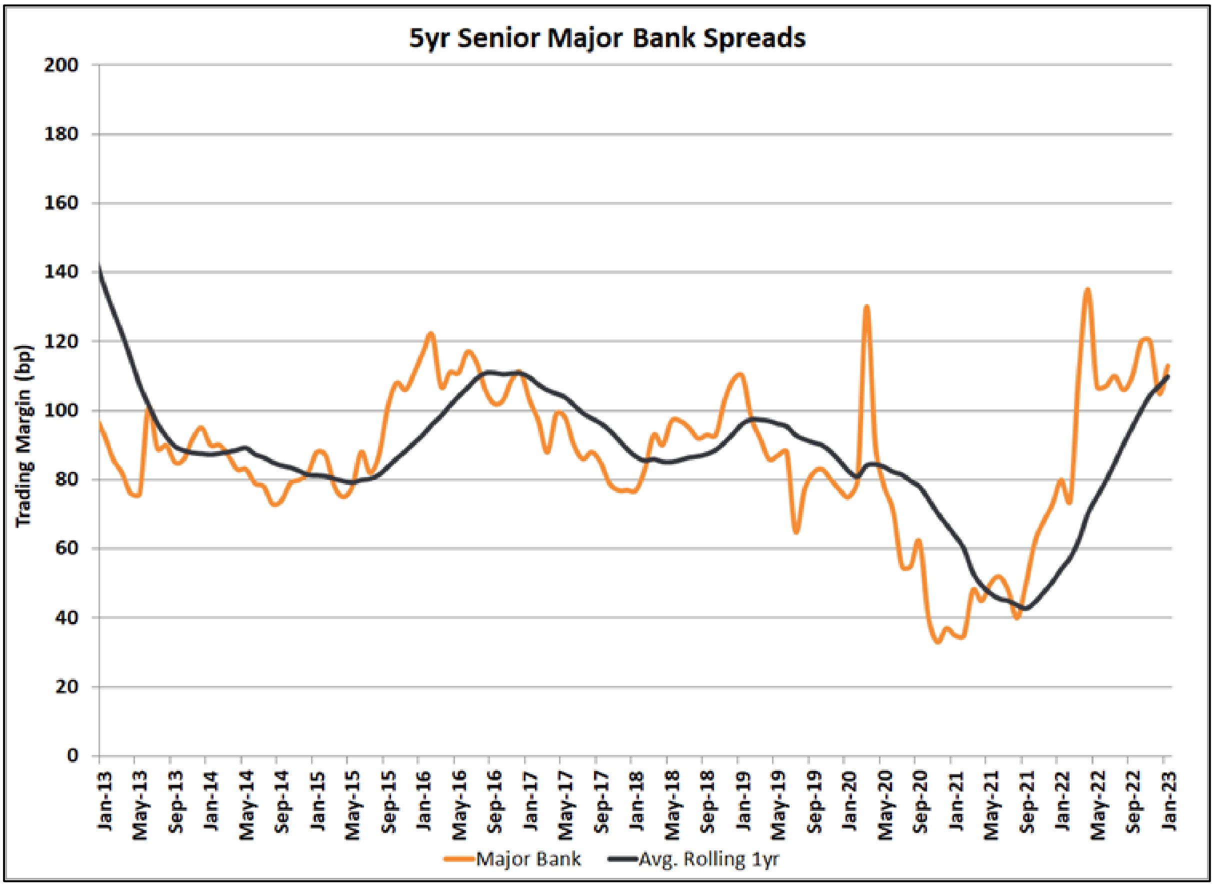
ADI	LT Credit Rating	Term	T/D Rate
CBA	AA-	12 months	4.69% p.a.
NAB	AA-	12 months	4.60% p.a.
Westpac	AA-	12 months	4.59% p.a.
ING	A	12 months	4.55% p.a.
Suncorp	A+	12 months	4.50% p.a.
BoQ	BBB+	12 months	4.50% p.a.
Hume Bank	BBB+	12 months	4.50% p.a.
CBA	A+	6 months	4.41% p.a.
BoQ	BBB+	6 months	4.40% p.a.
CBA	AA-	3 months	4.13% p.a.

If Council does not require high levels of liquidity and can stagger its investments longer-term, it will be rewarded over coming years if it can roll for an average min. term of 12 months - 2 years (this is where we see current value), yielding, on average, up to ¼% p.a. higher compared to those investors that entirely invest in short-dated deposits (under 6-9 months).

With recessionary fears being priced in coming years, assuming inflation is under control, Council may consider taking an insurance policy by investing across 3-5 year fixed deposits and locking in rates above 4½ p.a., ahead of any potential future rate cuts

Senior FRNs Review

Over January, amongst the senior major bank FRNs, physical credit securities widened up to 10bp at the long-end of the curve. This was mainly driven by CBA's (AA-) dual 3 and 5 year primary issuance at +90bp and +115bp respectively. Major bank senior securities are now looking fairly attractive again in a rising rate environment (5 year margins above the +110bp level):



Source: IBS Capital

During January, there were other noticeable new primary issuances from:

- ICBC, Sydney Branch (A) 3 year senior 'green' FRN at 103bp
- Rabobank, Australian Branch (A+) 5 year senior FRN at +118bp
- Bendigo-Adelaide (BBB+) 4 year senior FRN at +135bp
- BoQ (BBB+) 4 year senior FRN at +135bp
- Great Southern Bank (BBB) 4 year senior FRN at +165bp

Amongst the "A" rated sector, the securities were marked up to 5bp wider at the 5 year part of the curve, whilst the "BBB" rated sector was marked up to 15bp tighter (on the 3 year part of the curve) due to recent new issuances.

Credit securities are looking much more attractive given the widening of spreads in 2022. FRNs will continue to play a role in investor's portfolios mainly on the basis of their liquidity and the ability to roll down the curve and gross up returns over ensuing years (in a relatively stable credit environment).

Senior FRNs (ADIs)	31/01/2023	31/12/2022
"AA" rated – 5yrs	+113bp	+105bp
"AA" rated – 3yrs	+88bp	+82bp
"A" rated – 5yrs	+130bp	+125bp
"A" rated – 3yrs	+103bp	+105bp
"BBB" rated – 3yrs	+150bp	+165bp

Source: IBS Capital

We now generally recommend switches ('benchmark' issues only) into new primary issues, out of the following senior FRNs that are maturing:

- **On or before early 2025 for the "AA" rated ADIs (domestic major banks)**;
- On or before early 2024 for the "A" rated ADIs; and
- Within 6-9 months for the "BBB" rated ADIs (consider case by case).

Investors holding onto the above senior FRNs ('benchmark' issues only) in their last few years are now generally holding sub-optimal investments and are not maximising returns by foregoing realised capital gains. In the current challenging economic environment, any boost in overall returns should be locked in when it is advantageous to do so, particularly as switch opportunities become available.

Primary (new) FRNs are now looking more appealing and should be considered on a case by case scenario.

Council FRNs – Recommendations for Sale/Switches

Following the selloff in credit assets in 2022, we now recommend Council holds its FRN portfolio at this stage. We will inform Council when there is an opportunity to sell out of any sub-optimal FRN and switch into a higher yielding complying asset.

This strategy has worked very well as Council has ultimately boosted the overall returns of the investment portfolio. A summary of the previous financial year's sales are as follows – given the turn in the market over the past few months, these sales would not have been undertaken unless Council was actively managing its portfolio prudently:

Issuer	Maturity Date	Month Sold	Face Value	Trading Margin	Capital Price	Realised Capital Gains
ME (BBB+)	18/07/2022	Jul 2021	$2,000,000	+15.0bp	$100.813	$16,260
TMB (BBB)	28/10/2022	Jul 2021	$1,000,000	+23.0bp	$100.839	$8,390
NAB (AA-)	19/06/2024	Aug 2021	$1,300,000	+18.25bp	$102.081	$27,053
ANZ (AA-)	29/08/2024	Aug 2021	$1,500,000	+19.0bp	$101.744	$26,160
UBS (A+)	08/03/2023	Sep 2021	$3,000,000	+23.0bp	$100.963	$28,890
B. Comm (A-)	28/10/2022	Sep 2021	$1,500,000	+25.0bp	$100.691	$10,365
WBC (AA-)	16/08/2024	Sep 2021	$1,600,000	+29.0bp	$101.682	$28,416
B. China (A)	17/10/2022	Oct 2021	$1,000,00	+29.0bp	$100.687	$6,870
Soc. Gen. (A)	17/07/2023	Nov 2021	$2,750,00	+33.0bp	$100.992	$27,280
C. Suisse (A+)	26/05/2023	Nov 2021	$6,500,00	+32.0bp	$101.252	$81,380
B. Aust. (BBB)	2/12/2022	Jan 2022	$1,000,000	+42.0bp	$100.431	$4,310
NPB (BBB)	6/02/2023	Jan 2022	$400,000	+35.0bp	$101.121	$5,088
NPB (BBB)	6/02/2023	Jan 2022	$1,000,000	+35.0bp	$101.121	$12,420
NPB (BBB)	6/02/2023	Jan 2022	$2,500,000	+35.0bp	$101.121	$28,025
HSBC (AA-)	27/09/2024	Jan 2022	$2,000,000	+40.0bp	$101.140	$22,800
			Total Realised Capital Gains FY2021-2022			**$333,707**

Council's Senior Fixed Bonds

Since September 2020, Council placed parcels in NTTC (AA-) fixed bonds as follows:

Investment Date	Maturity Date	Principal	Rate % p.a.^	Remaining Term (Yrs)	Interest Paid
30/09/2020	15/12/2023	$2,000,000	1.00%	0.87	Annually
24/11/2020	16/12/2024	$1,000,000	0.90%	1.88	Annually
16/02/2021	16/06/2025	$1,000,000	0.90%	2.38	Annually
16/02/2021	15/06/2026	$5,000,000	1.00%	3.37	Annually
12/05/2021	17/06/2024	$3,000,000	0.80%	1.38	Annually
12/05/2021	16/06/2025	$3,000,000	1.10%	2.38	Annually
12/05/2021	15/06/2026	$3,000,000	1.30%	3.37	Annually
20/05/2021	16/06/2025	$3,500,000	1.10%	2.38	Annually
09/09/2021	16/12/2024	$2,500,000	0.90%	1.88	Semi-Annually
09/09/2021	15/12/2026	$5,000,000	1.40%	3.87	Semi-Annually
	Totals / Wgt. Avg.	**$29,000,000**	**1.09%**	**2.64 yrs**	

We believe these investments were prudent especially after the rate cut delivered in early November 2020 and its subsequent forward guidance on official interest rates (no rate rises "*until at least 2024*"). The NTTC bonds are a 'retail' offering and not 'wholesale' issuances. Given the lack of liquidity and high penalty costs if they were to be sold/redeemed prior to the maturity date, they are considered to be a hold-to-maturity investment and will be marked at par value ($100.00) throughout the term of investment.

During August 2021, Council also purchased into the following AAA rated covered fixed bond with ING Bank Australia. With yields rising significantly in 2022, Council may consider purchasing additional units in this security in the secondary market at the current yield to 'average-in' a better overall purchase price.

Issuer	Rating	Maturity Date	ISIN	Face Value	Purchase Yield	Current Yield	Unrealised Gain / Loss ($)
ING	AAA	19/08/2026	AU3CB0282358	$600,000	1.16%	4.56%	-$65,578

Senior Fixed Bonds – ADIs (Secondary Market)

As global inflationary pressures have escalated, this has seen a significant lift in longer-term bond yields (valuations fell) as markets have reacted accordingly.

This has resulted in some opportunities in the secondary market. We currently see value in the following fixed bond lines, with the majority now being marked at a significant discount to par (please note supply in the secondary market may be limited on any day):

ISIN	Issuer	Rating	Capital Structure	Maturity Date	~Remain. Term (yrs)	Fixed Coupon	Indicative Yield
AU3CB0255776	ING	AAA	Covered	07/09/2023	0.60	3.00%	4.21%
AU3CB0258465	Westpac	AA-	Senior	16/11/2023	0.79	3.25%	4.17%
AU3CB0265403	Suncorp	AA-	Senior	30/07/2024	1.50	1.85%	4.53%
AU3CB0265593	Macquarie	A+	Senior	07/08/2024	1.55	1.75%	4.53%
AU3CB0265718	ING	AAA	Covered	20/08/2024	1.55	1.45%	4.39%
AU3CB0266179	ANZ	AA-	Senior	29/08/2024	1.59	1.55%	4.30%
AU3CB0266377	Bendigo	BBB+	Senior	06/09/2024	1.62	1.70%	4.57%
AU3CB0268027	BoQ	BBB+	Senior	30/10/2024	1.76	2.00%	4.65%
AU3CB0269710	ANZ	AA-	Senior	16/01/2025	1.98	1.65%	4.37%
AU3CB0269892	NAB	AA-	Senior	21/01/2025	1.98	1.65%	4.32%
AU3CB0270387	Macquarie	A+	Senior	12/02/2025	2.05	1.70%	4.56%
AU3CB0287415	Westpac	AA-	Senior	17/03/2025	2.14	2.70%	4.30%
AU3CB0291508	Westpac	AA-	Senior	11/08/2025	2.54	3.90%	4.34%
AU3CB0291672	CBA	AA-	Senior	18/08/2025	2.56	4.20%	4.30%
AU3CB0280030	BoQ	BBB+	Senior	06/05/2026	3.26	1.40%	4.97%
AU3CB0234623	CBA	AA-	Senior	11/06/2026	3.35	4.20%	4.47%
AU3CB0282358	ING	AAA	Covered	19/08/2026	3.56	1.10%	4.61%
AU3CB0284149	BoQ	BBB+	Senior	27/10/2026	3.75	2.10%	4.89%
AU3CB0286037	Westpac	AA-	Senior	25/01/2027	4.00	2.40%	4.55%

CFS Global Credit Income Fund

For the month of January, the CFS Global Credit Income Fund returned ++1.17% (actual), outperforming the AusBond Bank Bill Index return of +0.27% (actual), whilst underperforming the AusBond Credit Index return of +2.19% (actual).

The outlook for credit markets remains volatile. The base case call is for a recession in 2023 and that inflation will continue to fall through the year. This combination will prove to be good news for sovereign bond yields. However, demand destruction is bad news for consumer spending and corporate earnings. This implies that credit spreads are vulnerable to widening from current levels.

Although it has been a relatively volatile environment for credit over the past few years, it has been one of Council's best performing assets over the longer-term. The portfolio continues to accumulate high running-income in excess of the benchmark across all corporate and financial sectors. The Fund holds a diverse range of securities across the global credit market. It remains very well diversified by issuer in order to mitigate default risk. It invests in nearly 600 corporate bonds from issuers in various countries and industry sectors. Any spread contraction going forward allows credit and asset-backed holdings to enjoy significant capital gains.

With a running yield of ~4-4½% p.a., we recommend Council to retain this investment given the alternative investments in complying fixed interest products are largely earning below this rate of return.

NSW T-CorpIM Growth Fund

The Growth Fund returned +3.73% (actual) for the month of January. The gains this month were attributed to international shares (the MSCI World ex-Australia Index rose +6.92%) and domestic shares (the S&P ASX 200 Accumulation Index added +6.23%). Also contributing to the gains was the exposure to fixed bonds (AusBond Composite Bond Index rose +2.76%).

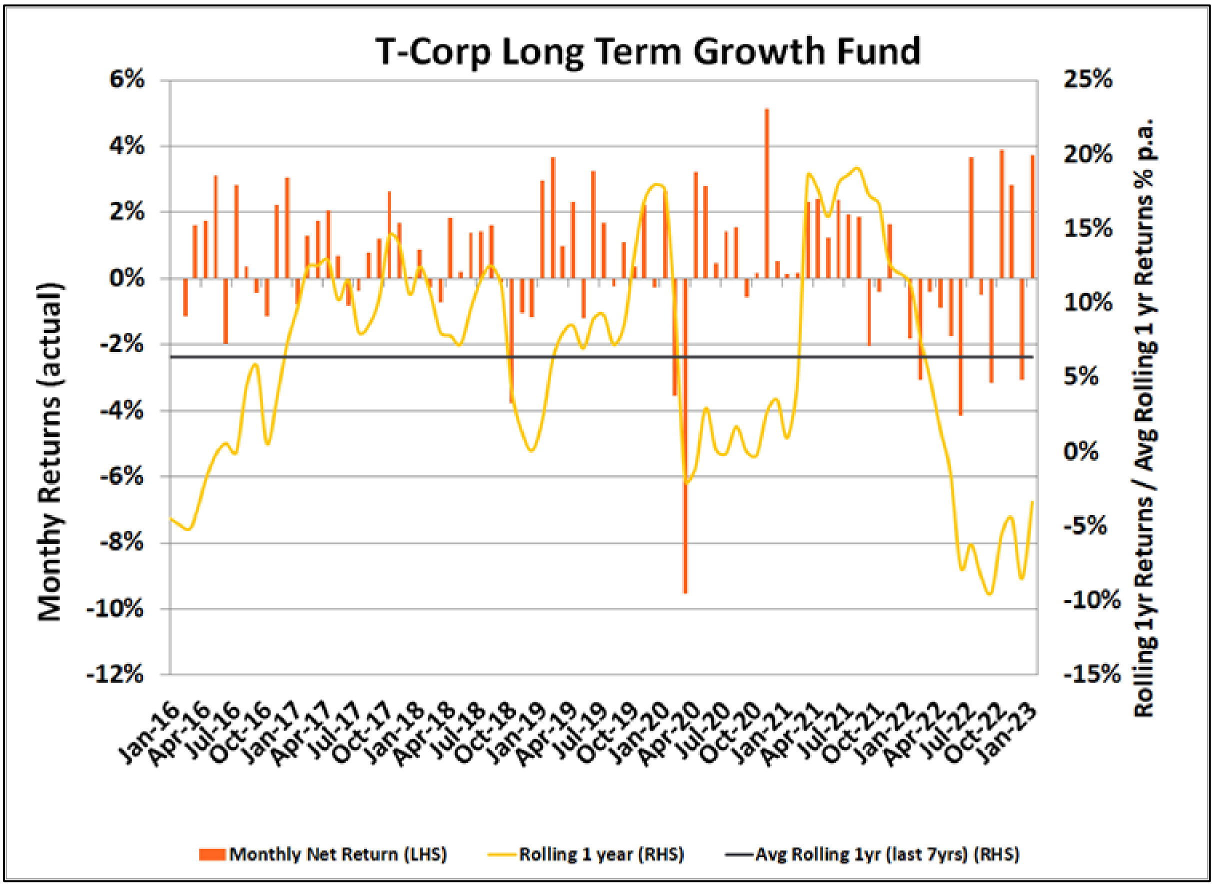
The past year has been dominated by escalating supply tensions emanating from the war in Ukraine which pushed inflation much higher and for longer than anyone was expecting. The ramped-up response by central banks, in retrospect, was largely expected.

Looking into 2023, asset markets will have to work through the consequences of the above events of 2022. Geopolitical tensions are likely to remain elevated and these tensions could take an unexpected turn at any time. Be warned and be prepared to adapt. Many supply problems have dissipated and while there is no return to the pre-Covid norm, the economic impact from supply is likely to be much less in 2023. The year ahead may see some demand destruction wreaked by the most aggressive monetary policy tightening cycle since the 1980s. The prevailing conditions for households and corporates have been robust compared to past tightening cycles, however the signalling from central banks is they intend to cause stress for both groups.

Overall, we remain cautious on the future performance of the T-Corp Growth Fund given the high volatility associated with a diversified growth fund, which generally allocates a range of 60%-80% in domestic and international shares. Investors are bracing for central banks to raise official rates more aggressively than previously anticipated to combat inflation driven by supply-chain bottlenecks, a global energy crunch and ongoing geopolitical risks.

The Fund should be looked at with a long-term view, with a minimum holding period of +7 years. Given the exposure to the volatile asset of shares, Council should expect to see, on average, a negative month once every 3 months over a long-term holding period.

Since Inception	T-Corp Long Term Fund
Negative Months	138 (~1 in 3 months)
Positive Months	265
Total Months	403 (33.6 yrs)
Average Monthly Return	+0.64% (actual)
Median Monthly Return	+1.02% (actual)
Lowest 1 year Rolling Return	-21.12% p.a. (Nov 2008)
Highest 1 year Rolling Return	+29.89% p.a. (Jan 1994)



T-Corp Long Term Growth Fund
Monthy Returns (actual)
Rolling 1yr Returns / Avg Rolling 1 yr Returns % p.a.
6%
4%
2%
0%
-2%
-4%
-6%
-8%
-10%
-12%
25%
20%
15%
10%
5%
0%
-5%
-10%
-15%
Jan-16
Apr-16
Jul-16
Oct-16
Jan-17
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Apr-20
Jul-20
Oct-20
Jan-21
Apr-21
Jul-21
Oct-21
Jan-22
Apr-22
Jul-22
Oct-22
Jan-23
Monthly Net Return (LHS)
Rolling 1 year (RHS)
Avg Rolling 1yr (last 7yrs) (RHS)

Economic Commentary

Risk markets were aided in January as recent data indicated there were signs the global economy may be weathering inflation better than previously anticipated. Several global central banks also hinted they may pause their aggressive rate hike cycles in the near future.

Across equity markets, the S&P 500 Index rose +6.18%, while the NASDAQ surged +10.68%. Europe's main indices also gained, led by France's CAC (+9.40%), Germany's DAX (+8.65%) and UK's FTSE (+4.29%).

The US core CPI index, which excludes volatile food and energy items, rose +0.3% m/m, in line with the consensus. Encouragingly for the Fed, the core PCE printed +4.4% y/y, the lowest since October 2021, generating a 3-month annualised rate to +2.9% from +3.5%, the lowest read since January 2021.

US Q4 GDP beat expectations at +2.9% quarter annualised versus +2.6% expected. US headline retail was -1.1% m/m versus -0.9% expected. The important core control measure was also weak at -0.7% m/m against -0.3% expected.

The Bank of Canada (BoC) explicitly signalled a pause to the hiking cycle after hiking by 25bp during the month. Their explicit pause signal has many thinking whether other central banks will do likewise noting they were one of the first to start the initial hiking cycle. Canadian CPI data supported the theme of slower global inflationary pressure, with the headline and core measures falling to +6.3% and +5.6% respectively.

The Bank of Japan (BoJ) bought ¥5 trillion of JGBs to defend the target, its largest ever daily amount of bond buying, which followed ¥4.6 trillion of purchases earlier.

Eurozone Q4 GDP surprised at +0.1% q/q against -0.1 expected, raising hopes that a recession may be avoided. However, Italian GDP was weaker at -0.1% q/q, along with German GDP at -0.2% q/q with the possibility of downward revisions given German retail sales for December printed at -5.3% m/m against -0.2% expected.

Chinese trade data saw exports at -9.9% y/y (consensus -11.1%) and imports down -7.5% y/y (consensus -10.0%), though the impact of Covid in December clouds the numbers. China's population dropped in 2022 for the first time since 1961, by 850,000 to 1.412 billion. There are fears that as China's population declines, this will constrain potential growth. Meanwhile, China's re-opening continues to drive optimism, resulting in most commodity prices to trade higher.

The MSCI World ex-Aus Index rose +6.92% for the month of January:

Index	1m	3m	1yr	3yr	5yr	10yr
S&P 500 Index	+6.18%	+5.28%	-9.72%	+8.12%	+7.62%	+10.53%
MSCI World ex-AUS	+6.92%	+9.06%	-9.32%	+5.98%	+4.78%	+7.29%
S&P ASX 200 Accum. Index	+6.23%	+9.59%	+12.21%	+5.96%	+8.51%	+8.75%

Source: S&P, MSCI

Domestic Market

The unemployment rate in December was unchanged at 3.5% from an upwardly revised November figure. The participation rate fell 0.2% to 66.6% from 66.8%, back to its October level after the bounce in November, and has also been broadly steady at 66.6% in H2 2022.

With unemployment hovering around a 48-year low, businesses are finding it incredibly difficult to find workers. About 90% of bosses expect staffing shortages will affect their business this year, according to the Australian Industry Group's annual survey of CEO expectations.

Q4 CPI rose more than expected at +1.9% (consensus +1.5%), taking the annual rate to +7.8%, the highest peak since 1990, driven by increases in domestic holidays, international travel and higher electricity prices. The trimmed mean rose +1.7% over the quarter, with the annual rate coming in at +6.9%.

Sydney house prices have had their steepest annual fall on record, declining 10.9% last year as rising interest rates took a toll on buyer demand and spending power. House prices are now 11.3% below their early 2022 peak, but is still 24.2% higher than they were when the market troughed in mid-2020.

Dwelling approvals fell -9.0% m/m in November (consensus 0%). That's the third consecutive month of decline and follows October's 5.6% fall.

Retail sales fell a sharp -3.9% m/m in December (consensus -0.2%), following an upwardly revised November to +1.7% m/m (from 1.4%). The key implication is that we may be starting to see the first signs that monetary tightening is starting to weigh on consumption.

The November trade balance was up 0.5bn to $13.2bn from an upwardly revised October figure.

The Australian dollar gained +3.87%, finishing the month at US70.37 cents (from US67.75 cents the previous month).

Credit Market

The global credit indices tightened significantly over January in the 'risk-on' environment. They are now back to their levels in early 2022 (prior to the rate hike cycle from most central banks):

Index	January 2023	December 2022
CDX North American 5yr CDS	72bp	86bp
iTraxx Europe 5yr CDS	79bp	98bp
iTraxx Australia 5yr CDS	82bp	91bp

Source: Markit

Fixed Interest Review

Benchmark Index Returns

Index	January 2023	December 2022
Bloomberg AusBond Bank Bill Index (0+YR)	+0.27%	+0.25%
Bloomberg AusBond Composite Bond Index (0+YR)	+2.76%	-2.06%
Bloomberg AusBond Credit FRN Index (0+YR)	+0.42%	+0.34%
Bloomberg AusBond Credit Index (0+YR)	+2.19%	-0.62%
Bloomberg AusBond Treasury Index (0+YR)	+2.94%	-2.37%
Bloomberg AusBond Inflation Gov't Index (0+YR)	+4.87%	-2.74%

Source: Bloomberg

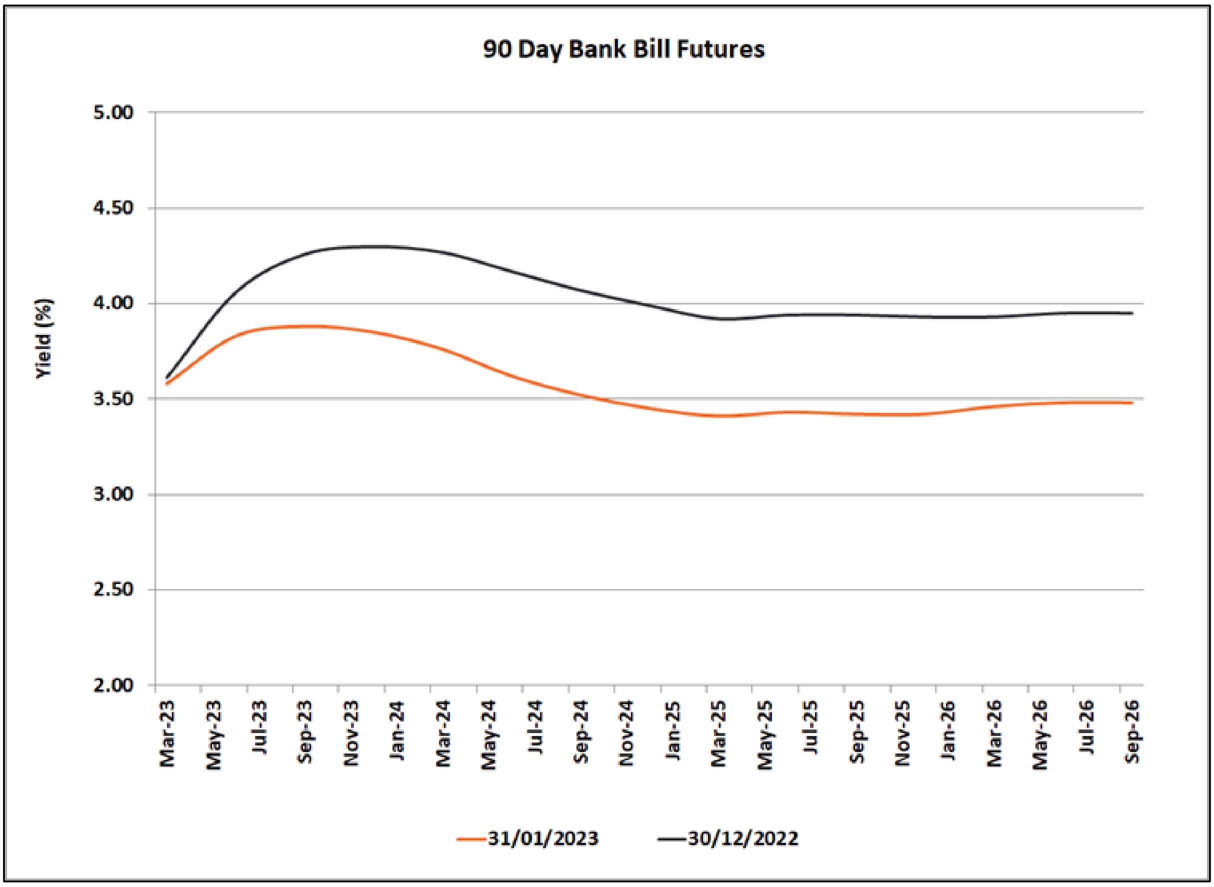
Other Key Rates

Index	January 2023	December 2022
RBA Official Cash Rate	3.10%	3.10%
90 Day (3 month) BBSW Rate	3.37%	3.26%
3yr Australian Government Bonds	3.17%	3.51%
10yr Australian Government Bonds	3.55%	4.05%
US Fed Funds Rate	4.25%-4.50%	4.25%-4.50%
3yr US Treasury Bonds	3.90%	4.22%
10yr US Treasury Bonds	3.52%	3.88%

Source: RBA, AFMA, US Department of Treasury

90 Day Bill Futures

Over January, bill futures fell across the board, with the market reacting to central bank rhetoric, hinting that a pause in the rate hike cycle was fast approaching. The markets continue to factor in the possibility of a global recession over the next few years, highlighted by the drop in the futures pricing in early 2024:



Source: ASX

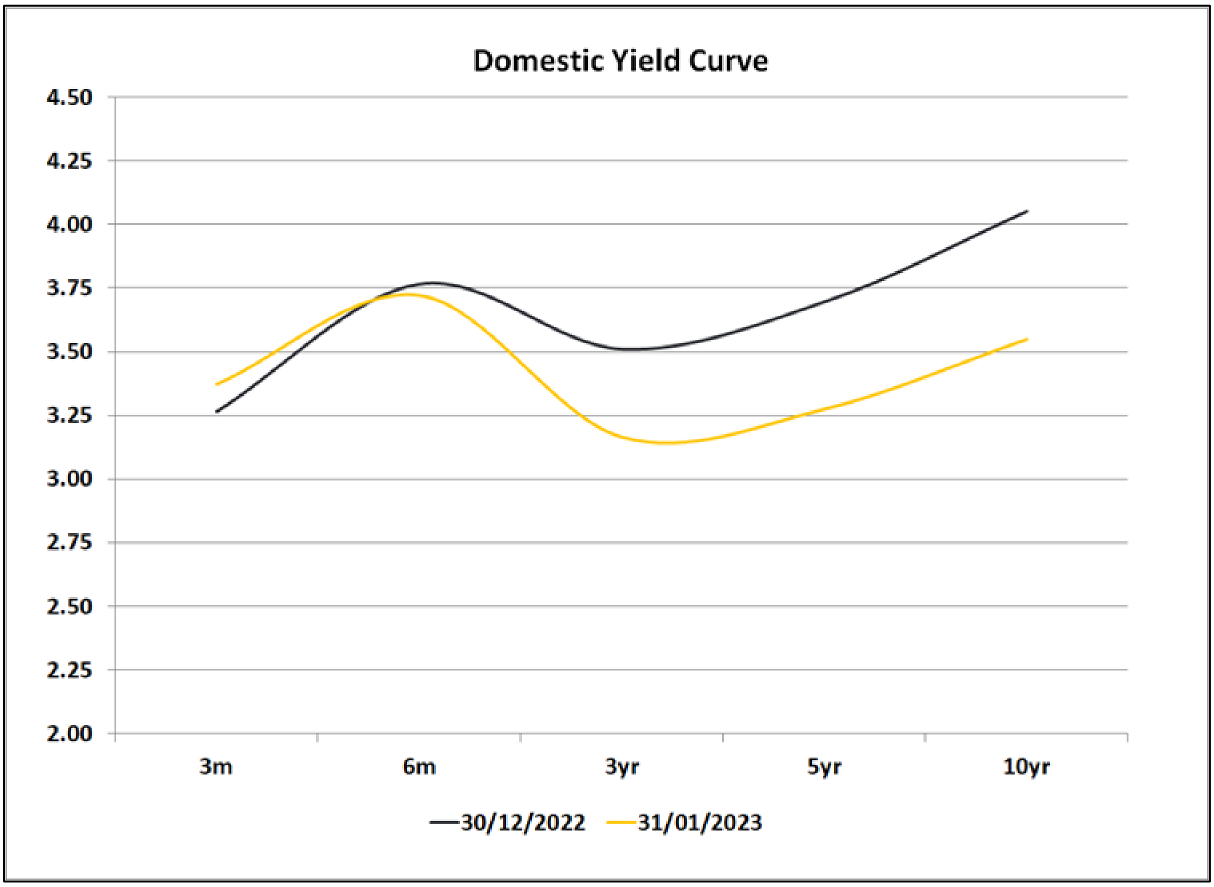
Fixed Interest Outlook

Following the recent soft inflation figures in the US, Fed Funds pricing is now expecting a 25bp hike on 1st February, with around a 40% chance they may also leave rates unchanged.

Domestically, the headline inflation outlook has somewhat receded with growing confidence that construction inflation is in retreat and signs of goods disinflation globally. The labour market remains tight, but timely indicators of labour demand are off their peaks as labour supply has normalised and frictions associated with rapid employment growth out of pandemic impacts moderate. Although labour costs pressures are evident in the latest CPI figures for Q4 2022, there are reasons to be optimistic that some stabilisation in wages growth can occur without a sharply higher unemployment rate, including the normalisation in labour supply.

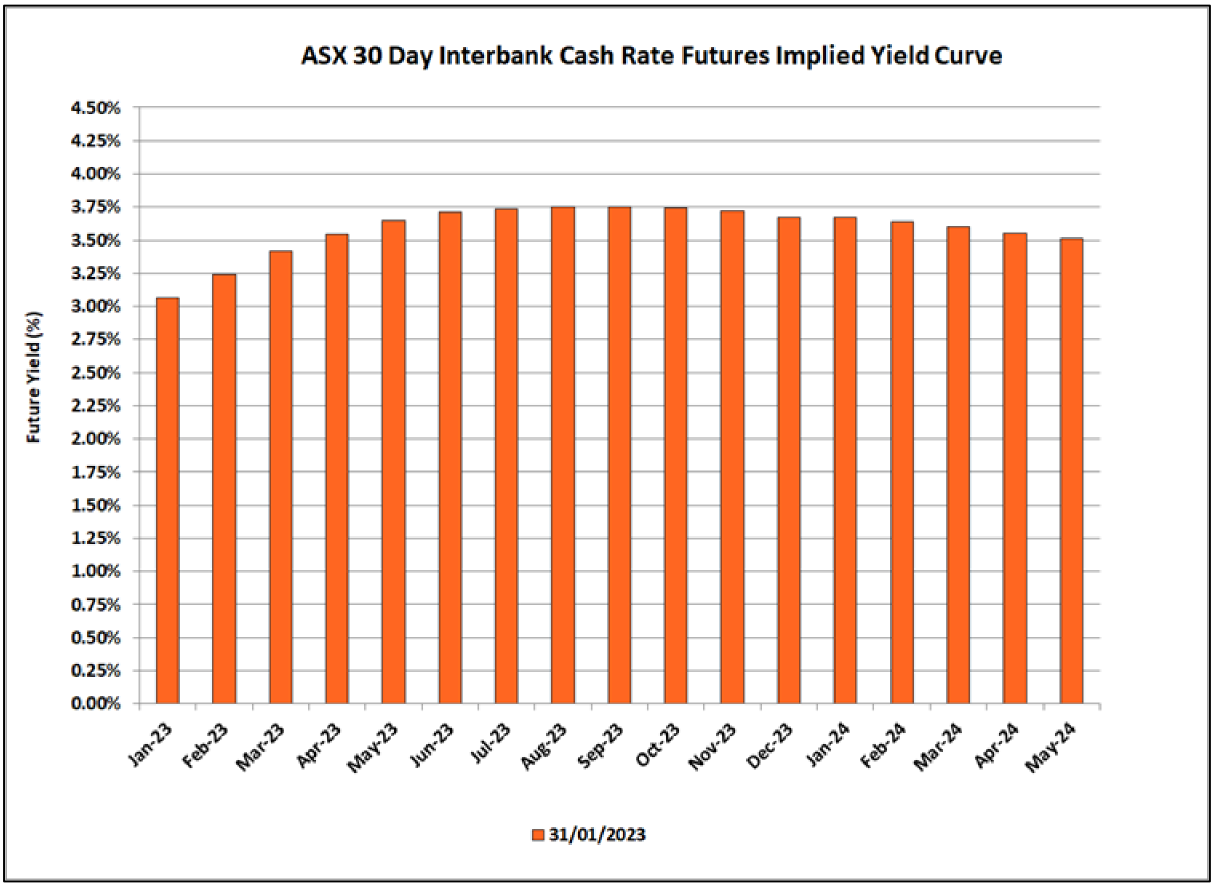
For now, the RBA continues to signal that it expects to increase interest rates further over the period ahead, with up to 2-3 hikes already largely priced into the market by Q2-Q3 2023, taking the cash rate up to 3¾%. Thereafter, noting the lags in monetary policy, a pause around the end of Q2-Q3 is likely whilst the RBA monitors the economic data.

Over the month, yields fell up to 50bp at the long-end of the curve:



Source: AFMA, ASX, RBA

Markets are currently pricing in around 2-3 additional rate rises into mid-2023 (up to 3.75%). Fears of a looming global recession have actually seen rate cuts start to be priced in towards the start of 2024, although this seems unlikely for now.



Source: ASX

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