# Ordinary Meeting

**Meeting Date**: Monday, 28 November, 2022
**Location**: Council Chambers, City Administrative Building, Bridge Road, Nowra

# Attachments (Under Separate Cover)

## Index

# Monthly Investment Report

# October 2022

CL22.607 - Attachment 1

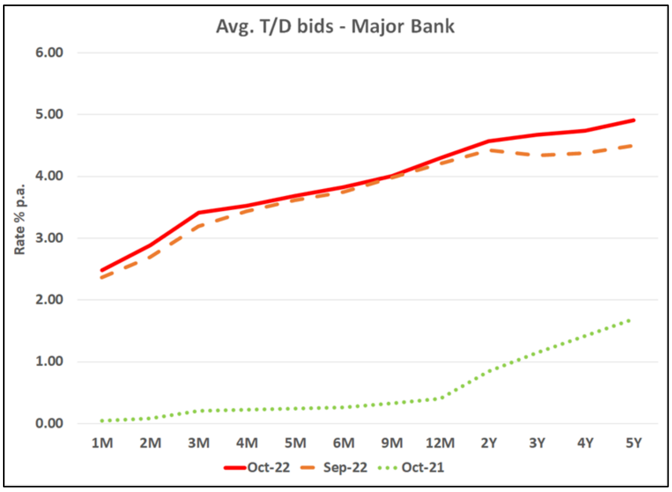
IMPERIUM MARKETS
Imperium Markets Pty Ltd ABN: 87 616 579 527
Authorised Representative of Libertas Financial Planning Pty Ltd AFSL 429 718
Phone: +61 2 9053 2987
Email: michael.chandra@imperium.markets
Level 9 Suite 06, 70 Phillip Street, Sydney NSW 2000

IMPERIUM MARKETS

***Market Update Summary***

Despite global central banks continuing their interest rate hike cycle to combat mounting inflationary pressures, the market is now focusing on the possibility of a 'soft pivot' by global central banks. Financial markets are now starting to factor in the peak of the rate hike cycle, which may be approaching slightly earlier than previously anticipated. **Domestically, the RBA increased the official cash rate by 25bp in October to 2.60%, which somewhat took the market by surprise given a 50bp hike was the ongoing consensus.** The move to increase the cash rate by a lower increment, however, should not be interpreted as dovish - the RBA, like other global central banks, remains "*resolute in its determination to return inflation to target and will do what is necessary to achieve that*", suggesting there are still more rate rises to follow. **It subsequently lifted rates by another 25bp on 1st November to 2.85%**.

Outside of the NSW TCorp Long-Term Growth Fund, which Council only began investing in mid-July 2021, the largest impact to Council's investment portfolio is with regards to its largest exposure being assets held in bank term deposits (fixed and floating), which accounts for around ~56% of Council's total portfolio. Despite more rate rises on the horizon, given an upward sloping deposit curve, maintaining a slightly longer duration position will continue to outperform (averaging) 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). Deposit yields remained relatively flat over the past month across most tenors:




*Source: Imperium Markets*

**'New' investments above 4¼-4½% p.a. now appears likely if Council can continue to 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).*