



The City Of London Corporation

Client Designated MMF, USDBF and SDBF Rates

Monthly Investment Analysis Review

October 2023

Monthly Economic Summary

General Economy

The UK Manufacturing PMI for October increased to 45.2, surpassing market expectations of 44.7 and marking the highest reading in three months. However, this still indicated a continuous decline in manufacturing output for the eighth consecutive month, representing the longest period of contraction since the 2008/09 financial crisis. On the other hand, the UK Services PMI dipped to 49.2 in October from 49.3 in September, reaching its lowest level in nine months and falling short of market expectations. Consequently, the Composite PMI, which combines both sectors, was 48.6 in October, showing little change from September's 48.5 and also just short of market projections for 48.7. This reading signified a third consecutive decline in overall private sector output. Meanwhile, the UK Construction PMI dropped to 45 in September from 50.8 in the prior month, falling somewhat below market expectations of 49.9. This was the first contraction in construction sector output since June, and the fastest rate of decline since May 2020.

The UK economy expanded by 0.2% m/m in August, in line with market estimates, following a revised 0.6% contraction in July. Notably, services output increased by 0.4%, rebounding from a 0.6% decline in July, driven by professional, scientific, and technical activities and education. Additionally, the UK's trade deficit widened to £3.415 billion in August from £1.418 billion in the previous month, with exports declining by 1.6% to a 14-month low, while imports rose by 1.2%, recovering from July's one-and-a-half-year low.

Over the three months to July, employment in the UK decreased by 207,000, surpassing market expectations for a 185,000 decline and following a decrease of 66,000 in the previous period. This marked the most substantial drop in job creation since September 2020, affected by falls in both full-time and part-time self-employed workers. Meanwhile, average weekly earnings (including bonuses) in the UK increased by 8.1% y/y in the three months ending in August, marking the lowest growth in three months, and falling short of market forecasts of an 8.3% rise. The adjusted experimental unemployment rate rose to 4.2% in the three months leading up to August, up from 4.0% in the March to May period, according to provisional data from the Office for National Statistics (ONS). The release of this data was delayed by one week due to a low survey response rate and the introduction of a new methodology.

The annual consumer price measure of inflation in the UK remained steady at 6.7% in September, matching August's 18-month low and against market expectations of a slight decrease to 6.6%. Moreover, the core inflation rate, which excludes volatile items such as energy and food, dropped to 6.1%. Although this signified its lowest point since January, it exceeded forecasts of 6%. Both figures remained significantly above the Bank of England's 2% target, underscoring the ongoing inflationary pressures in the country, and complicating the task for policymakers, who are expected to keep interest rates unchanged at the upcoming meeting. On a monthly basis, the CPI increased by 0.5% in September, marking the most substantial rise since May.

In the retail sector, sales in the UK declined by 0.9% month-on-month in September, reversing a 0.4% increase in August and falling short of market forecasts for a 0.2% decline. In line with this, the GfK Consumer Confidence indicator in the United Kingdom dropped sharply to -30 in October from -21 in September, defying expectations for a slight improvement to -20. Public sector net borrowing, excluding public sector banks (PSNB ex), in September stood at £14.3 billion, £1.6 billion less than in September 2022, ranking as the sixth-highest September borrowing since monthly records began in 1993.

The US economy added 336,000 jobs in September, surpassing the upwardly revised 227,000 in August and exceeding market forecasts of a 170,000 increase. This represents the strongest job gain in eight months, comfortably surpassing the 70,000-100,000 needed per month to keep pace with the growth in the working-age population. The US economy also expanded an annualised 4.9% in the third quarter of 2023, the most since the last quarter of 2021, above market forecasts of 4.3% and a 2.1% expansion in Q2, the advance estimate showed. Meanwhile, the US inflation rate remained steady at 3.7% in September, defying market expectations of a slight decrease to 3.6%. This was due to a softer decline in energy prices offsetting slowing inflationary pressures in other categories.

In the Euro Area, the inflation rate decreased to 4.3% y/y in September compared to 5.2% in August, reaching its lowest level since October 2021 and falling below the market consensus of 4.5%, according to preliminary estimates. In-line with market expectations, the Euro Area's unemployment rate edged down to 6.4% y/y from the upwardly revised 6.5% registered the previous month. The ECB kept interest rates at multi-year highs during its October meeting, marking a significant shift from its 15-month streak of rate hikes and reflecting a more cautious "wait-and-see" stance, with policymakers influenced by the gradual easing of price pressures and concerns about an impending recession. Finally, the Euro Area economy shrank 0.1% on quarter in the three months to September, worse than market forecasts of a flat reading and following an upwardly revised 0.2% rise in the second quarter, preliminary estimates showed.

Housing

Housing market conditions in the UK showed continued decline in September. The Nationwide House Price Index fell by 5.3% year-on-year, maintaining the same pace as the previous month but coming in slightly better than market expectations of a 5.7% decrease. The Halifax House Price Index also dropped, by 4.7% year-on-year in September, following a marginally revised 4.5% fall in August. This marked the most substantial decrease in house prices since August 2009.

Currency

Sterling was little changed against the Euro and fell slightly against the Dollar over the month.

October	Start	End	High	Low
GBP/USD	\$1.2620	\$1.2135	\$1.2620	\$1.2079
GBP/EUR	€1.1677	€1.1481	€1.1724	€1.1446

Forecast

In the wake of the MPC's decision to leave Bank Rate at 5.25% at its September meeting, both Link Group and Capital Economics revised their forecasts and now believe that 5.25% (rather than 5.5%) will be the peak in Bank Rate for this cycle.

Bank Rate														
	Now	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
Link Group	5.25%	5.25%	5.25%	5.25%	5.00%	4.50%	4.00%	3.50%	3.00%	2.75%	2.75%	2.75%	2.75%	2.75%
Capital Economics	5.25%	5.25%	5.25%	5.25%	5.25%	4.75%	4.25%	3.75%	3.25%	3.00%	-	-	-	-

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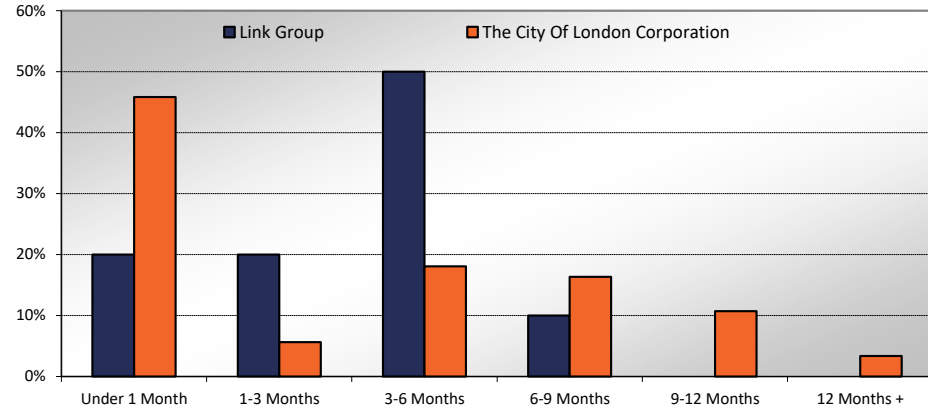
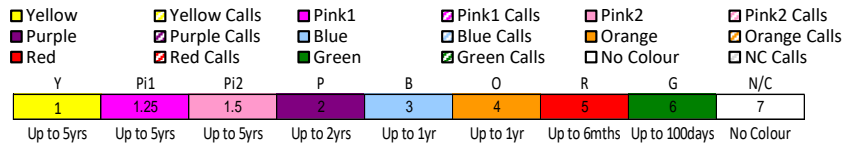
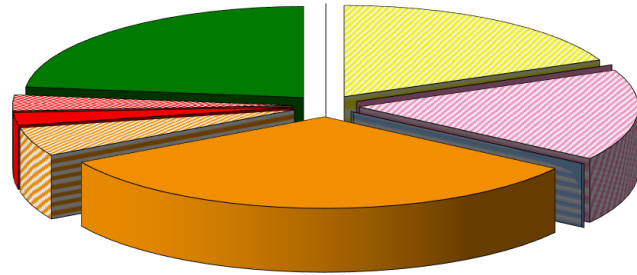
Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest LT / Fund Rating	Historic Risk of Default
MMF Aberdeen Standard Investments	27,800,000	5.31%		MMF	AAAm	
MMF CCLA	24,000,000	5.26%		MMF	AAAm	
MMF Deutsche	30,000,000	5.33%		MMF	AAAm	
MMF Federated Investors (UK)	45,400,000	5.37%		MMF	AAAm	
MMF Invesco	36,000,000	5.39%		MMF	AAAm	
USDBF Aberdeen Standard Investments	53,144,280	4.73%		USDBF	AAAF	
USDBF Federated Sterling Cash Plus Fund	26,654,558	4.38%		USDBF	AAAF	
USDBF Payden Sterling Reserve Fund	63,445,935	5.09%		USDBF	AAAF	
National Australia Bank Ltd	20,000,000	4.39%	07/02/2023	07/11/2023	A+	0.001%
Cooperative Rabobank U.A.	15,000,000	4.57%	15/02/2023	15/11/2023	A+	0.002%
Barclays Bank Plc (NRFB)	20,000,000	4.73%	17/11/2022	17/11/2023	A+	0.002%
Barclays Bank Plc (NRFB)	20,000,000	4.66%	16/01/2023	30/11/2023	A+	0.004%
Santander UK PLC	25,000,000	5.15%		Call30	A	0.004%
DBS Bank Ltd	20,000,000	5.47%	12/10/2023	12/01/2024	AA-	0.005%
DBS Bank Ltd	10,000,000	6.02%	13/07/2023	15/01/2024	AA-	0.005%
National Australia Bank Ltd	20,000,000	4.98%	17/04/2023	17/01/2024	A+	0.010%
Barclays Bank Plc (NRFB)	25,000,000	4.81%	01/02/2023	01/02/2024	A+	0.012%
Barclays Bank Plc (NRFB)	20,000,000	4.75%	16/02/2023	16/02/2024	A+	0.013%
DBS Bank Ltd	25,000,000	5.50%	30/10/2023	29/02/2024	AA-	0.007%
United Overseas Bank Ltd	20,000,000	5.63%	09/10/2023	11/03/2024	AA-	0.008%
national australia Bank Ltd	30,000,000	6.16%	18/07/2023	18/03/2024	A+	0.017%
Goldman Sachs International Bank	20,000,000	5.61%	22/09/2023	22/03/2024	A+	0.018%
Cooperative Rabobank U.A.	20,000,000	6.14%	29/06/2023	28/03/2024	A+	0.018%
Australia and New Zealand Banking Group Ltd	45,000,000	5.43%		Call185	A+	0.023%
NatWest Markets Plc (NRFB)	20,000,000	5.67%	12/10/2023	13/05/2024	A	0.024%
Toronto Dominion Bank	20,000,000	5.27%	15/05/2023	15/05/2024	AA-	0.012%
Toronto Dominion Bank	20,000,000	5.72%	24/05/2023	24/05/2024	AA-	0.013%
Toronto Dominion Bank	20,000,000	6.53%	28/06/2023	26/06/2024	AA-	0.015%
Toronto Dominion Bank	20,000,000	6.57%	18/07/2023	17/07/2024	AA-	0.016%
Goldman Sachs International Bank	15,000,000	6.15%	15/08/2023	15/08/2024	A+	0.036%
Goldman Sachs International Bank	15,000,000	6.15%	15/08/2023	15/08/2024	A+	0.036%
Goldman Sachs International Bank	20,000,000	6.15%	04/09/2023	04/09/2024	A+	0.038%
Australia and New Zealand Banking Group Ltd	25,000,000	5.78%	05/09/2023	05/09/2024	A+	0.038%
Santander UK PLC	20,000,000	5.90%	16/10/2023	16/10/2024	A	0.043%
NatWest Markets Plc (NRFB)	30,000,000	6.00%	07/08/2023	07/08/2026	A	0.214%
Borrower - Funds	Principal (£)	Interest Rate	Start Date	Maturity Date		
L&G	76,964,179	5.49%				
ROYAL LONDON	77,142,321	5.64%				
Total Investments	£1,040,551,272	5.42%				
Total Investments - excluding Funds	£886,444,773	5.39%				0.027%
Total Investments - Funds Only	£154,106,499	5.57%				

Note: An historic risk of default is only provided if a counterparty has a counterparty credit rating and is not provided for an MMF or USDBF, for which the rating agencies provide a fund rating. The portfolio's historic risk of default therefore measures the historic risk of default attached only to those investments for which a counterparty has a counterparty credit rating and also does not include investments which are not rated.

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Portfolio Composition by Link Group's Suggested Lending Criteria



Portfolios weighted average risk number = **3.56**

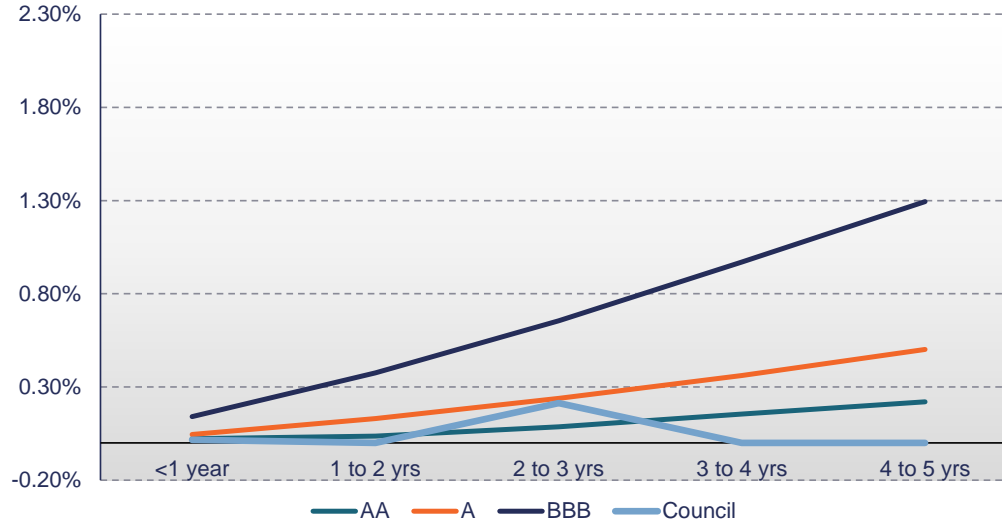
WARoR = Weighted Average Rate of Return
WAM = Weighted Average Time to Maturity

	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	WAM at Execution	Excluding Calls/MMFs/USDBFs	
									WAM	WAM at Execution
Yellow	18.41%	£163,200,000	100.00%	£163,200,000	18.41%	5.34%	0	0	0	0
Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Pink2	16.16%	£143,244,773	100.00%	£143,244,773	16.16%	4.83%	0	0	0	0
Purple	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Blue	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Orange	37.23%	£330,000,000	13.64%	£45,000,000	5.08%	5.62%	155	256	150	267
Red	5.08%	£45,000,000	55.56%	£25,000,000	2.82%	5.48%	173	179	351	366
Green	23.13%	£205,000,000	0.00%	£0	0.00%	5.44%	280	435	280	435
No Colour	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Total	100.00%	£886,444,773	42.47%	£376,444,773	42.47%	5.39%	131	205	210	338

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Investment Risk and Rating Exposure

Investment Risk Vs. Rating Categories

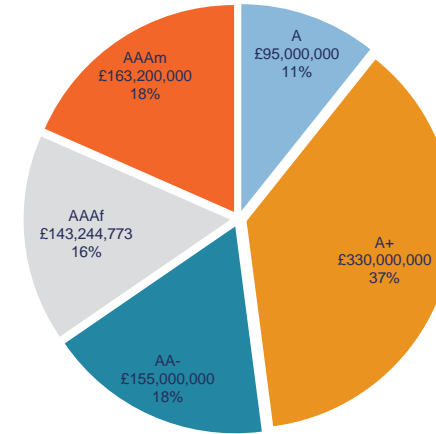


Historic Risk of Default

Rating/Years	<1 year	1 to 2 yrs	2 to 3 yrs	3 to 4 yrs	4 to 5 yrs
AA	0.02%	0.04%	0.09%	0.16%	0.22%
A	0.05%	0.13%	0.24%	0.36%	0.50%
BBB	0.14%	0.38%	0.65%	0.97%	1.29%
Council	0.02%	0.00%	0.21%	0.00%	0.00%

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Rating Exposure



Historic Risk of Default

This is a proxy for the average % risk for each investment based on over 30 years of data provided by Fitch, Moody's and S&P. It simply provides a calculation of the possibility of average default against the historical default rates, adjusted for the time period within each year according to the maturity of the investment.

Chart Relative Risk

This is the authority's risk weightings compared to the average % risk of default for "AA", "A" and "BBB" rated investments.

Rating Exposures

This pie chart provides a clear view of your investment exposures to particular ratings.

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Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
20/10/2023	1989	United Kingdom (Sovereign Rating)	United Kingdom	The Outlook on the Sovereign Rating was changed to Stable from Negative.
24/10/2023	1990	Santander UK PLC	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.
24/10/2023	1990	Santander Financial Services plc (NRFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.

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Monthly Credit Rating Changes
FITCH

Date	Update Number	Institution	Country	Rating Action

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Monthly Credit Rating Changes
S&P

Date	Update Number	Institution	Country	Rating Action

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