



City Of London Corporation

Client Designated MMF, USDBF & SDBF Rates

Monthly Investment Analysis Review

October 2024

Monthly Economic Summary

General Economy

The preliminary reading of the UK Manufacturing PMI fell to a weaker than expected 50.3 in October from 51.5 in September. This represented a second consecutive fall in the pace of expansion, and the lowest level in six months. Details within the report showed that new orders dropped significantly, reflecting a sharp decline in overseas orders and rising concerns about the Autumn Budget sowed doubts about near-term domestic economic growth prospects. On the price front, input elements increased at a slower pace, while output charges rose significantly. Meanwhile, the UK Services PMI dropped to 51.8 in October from 52.4 in September in its preliminary reading, missing market expectations of an unchanged reading. This marked the slowest expansion in the sector since June. Despite this, the report showed the sharpest growth in new export sales since March 2023. Combined, these reports saw the preliminary reading of the UK Composite PMI headline rate fall to 51.7 in October from 52.6 in the previous month, below market expectations of 52.6. Separately, the UK Construction PMI jumped to 57.2 in September from 53.6 in August (it is released on a one-month lag to other sector reports), above market expectations of 53.1. Despite the more unsettled backdrop, construction demand experienced a fresh rebound in the UK, with all three major subsectors – civil engineering, commercial building, and housebuilding – all improving over the month. Activity was supported by lower interest rates, domestic economic stability, and strong pipelines of infrastructure work, according to the report's authors.

The UK economy expanded by 0.2% m/m in August after stalling for two consecutive months, matching market expectations. Services output rose by 0.1%, industrial production grew by 0.5%, bouncing back from a downwardly revised 0.7% fall in July, and construction output also picked up by 0.4%. Elsewhere, the UK's trade deficit narrowed to £0.96 billion in August, compared to a downwardly revised £4.71 billion in July.

The UK recorded a 373k rise in jobs in the three months to August, following the 265k increase in the previous period and surpassing market forecasts of a 250k rise. This marked the largest quarterly growth since 1971 and helped pull the unemployment rate down from 4.1% to 4%. Meanwhile, average weekly earnings (including bonuses) increased 3.8% y/y in the three months to August, compared to the upwardly revised 4.1% rise in the previous period.

Chancellor Rachel Reeves presented the Autumn Budget at the close of the month, with the accompanying Office for Budget Responsibility report noting that it would raise growth and inflation in the near-term (compared to its previous forecast from March) but that higher rates would then weigh on growth through the remainder of the current five-year parliament. The proposals would loosen fiscal policy relative to previous plans but also included one of the largest tax raises in history, to help support day-to-day spending and the rebuilding of public services. This alongside longer-term investment plans would be supported by an additional £142bn of additional borrowing during the current parliamentary session.

The monthly Consumer Price Index (CPI) flattened to 0% in September from 0.3% in August, below market expectations of 0.1%. The headline annual rate fell to 1.7% in September from 2.2% in each of the previous two months. The largest downward contribution mainly came from air fares and motor fuels, which more than offset the largest upside influence from food and non-alcoholic beverages.

In the retail sector, overall sales unexpectedly rose 0.3% in September, following a 1% increase in August and above market forecasts of a 0.3% drop. Sales volumes at non-food stores jumped 2.5%, while those at supermarkets dropped 2.4%, mostly due to consumer cutbacks on luxury food items and poor weather. Meanwhile, the GfK Consumer Confidence indicator fell slightly to -21 in October from -20 in the previous month, fuelled by concerns over potential tax increases in the Autumn Budget. Elsewhere, public sector borrowing, excluding public sector banks, rose to £16.6 billion in September but below market expectations of £17.5 billion. Total public sector spending increased by £5.9 billion, driven by higher debt interest and increased spending on public services. Receipts grew by £3.8 billion, mostly due to higher government tax receipts.

US Economy

The US economy added a larger than expected 254k jobs in September, significantly higher than an upwardly revised 159k in the previous month and the strongest job growth in six months. Meanwhile, the economy expanded an annualised 2.8% in Q3, slightly below both market forecasts and the level seen in Q2. Finally, inflation fell for a sixth consecutive month to 2.4% in September, from 2.5% in August, but this was above market expectations.

EU Economy

Having fallen to 1.7% in September from 2.2% in August, the Eurozone's inflation rate then bounced to 2.0% according to initial estimates released at the close of the month. This latest reading was above market forecasts as the anticipated decline in energy prices proved less than expected. Meanwhile, the core rate, excluding food and energy prices, remained at 2.7%, modestly ahead of market expectations for a slight fall. GDP in the bloc expanded 0.4% in the three months to September, the strongest growth rate in two years, following a 0.2% increase in Q2. Across the key economies France, Spain and surprisingly Germany all expanded, while Italy's economy stalled. Away from data releases, the ECB cut its three key interest rates by 25 bps at its mid-month meeting. The dovish tone to the accompanying press conference did see market expectations push towards a 50bps move in December. However, these views were reined in on the back of the Q3 growth and latest inflation figures.

Housing

The Halifax House Price index rose 4.7% y/y in September, the most since November 2022, above the 4.3% rise in August. The Nationwide House Price Index rose by 2.4% y/y in October 2024, easing from a 3.2% increase in September and below the expected 2.8% rise.

Currency

Sterling depreciated against the Euro and Dollar over the month.

October	Start	End	High	Low
GBP/USD	\$1.3288	\$1.2857	\$1.3288	\$1.2857
GBP/EUR	€1.1996	€1.1842	€1.2043	€1.1842

Interest Rate Forecasts

Link Group and Capital Economics did not revise their forecasts.

Bank Rate	Now	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
Link Group	5.00%	4.50%	4.00%	3.50%	3.25%	3.25%	3.25%	3.25%	3.00%	3.00%	3.00%
Capital Economics	5.00%	4.75%	4.50%	4.25%	3.75%	3.25%	3.00%	3.00%	3.00%	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	Expected Credit Loss (£)
MMF Aberdeen Standard Investments	43,600,000	4.97%		MMF	AAAm		
MMF CCLA	40,000,000	4.93%		MMF	AAAm		
MMF Deutsche	55,000,000	4.96%		MMF	AAAm		
MMF Federated Investors (UK)	50,000,000	4.96%		MMF	AAAm		
MMF Invesco	67,300,000	4.98%		MMF	AAAm		
USDBF Aberdeen Standard Investments	56,124,208	5.61%		USDBF	AAAf		
USDBF Federated Sterling Cash Plus Fund	28,085,994	5.37%		USDBF	AAAf		
USDBF Payden Sterling Reserve Fund	67,189,084	5.90%		USDBF	AAAf		
Goldman Sachs International Bank	20,000,000	5.23%	22/03/2024	22/11/2024	A+	0.003%	556
United Overseas Bank Ltd	20,000,000	5.35%	07/06/2024	09/12/2024	AA-	0.002%	474
United Overseas Bank Ltd	20,000,000	5.28%	26/06/2024	18/12/2024	AA-	0.003%	583
United Overseas Bank Ltd	20,000,000	5.23%	28/03/2024	19/12/2024	AA-	0.003%	595
NatWest Markets Plc (NRFB)	20,000,000	5.23%	10/01/2024	10/01/2025	A	0.009%	1795
Surrey County Council	20,000,000	5.00%	26/07/2024	27/01/2025	AA-	0.005%	0
Australia and New Zealand Banking Group Ltd	20,000,000	5.31%	29/04/2024	29/01/2025	AA-	0.005%	1093
Toronto Dominion Bank	20,000,000	5.19%	15/05/2024	03/02/2025	A+	0.012%	2402
NatWest Markets Plc (NRFB)	20,000,000	5.20%	13/05/2024	13/02/2025	A	0.013%	2655
Standard Chartered Bank	20,000,000	4.86%	16/10/2024	17/02/2025	A+	0.014%	2756
Toronto Dominion Bank	20,000,000	5.31%	24/05/2024	24/02/2025	A+	0.015%	2933
Goldman Sachs International Bank	20,000,000	4.93%	04/09/2024	04/03/2025	A+	0.016%	3135
Australia and New Zealand Banking Group Ltd	15,000,000	5.00%	10/09/2024	10/03/2025	AA-	0.008%	1184
Goldman Sachs International Bank	10,000,000	4.89%	10/09/2024	10/03/2025	A+	0.016%	1643
DBS Bank Ltd	10,000,000	5.15%	15/07/2024	14/03/2025	AA-	0.008%	814
Cooperatieve Rabobank U.A.	20,000,000	5.28%	21/06/2024	18/03/2025	A+	0.017%	3489
Australia and New Zealand Banking Group Ltd	20,000,000	4.90%	19/08/2024	19/03/2025	AA-	0.008%	1688
Australia and New Zealand Banking Group Ltd	45,000,000	5.18%		Call185	AA-	0.011%	5056
Central Bedfordshire Council	20,000,000	4.90%	08/10/2024	08/05/2025	AA-	0.011%	0
Stockport Metropolitan Borough Council	20,000,000	4.90%	14/10/2024	05/06/2025	AA-	0.013%	0
Landesbank Hessen-Thuringen Girozentrale (Helaba)	20,000,000	5.27%	07/06/2024	09/06/2025	A+	0.028%	5587
Toronto Dominion Bank	20,000,000	5.21%	05/07/2024	04/07/2025	A+	0.031%	6220
Toronto Dominion Bank	20,000,000	5.16%	17/07/2024	17/07/2025	A+	0.033%	6548
Goldman Sachs International Bank	15,000,000	4.81%		Call272	A+	0.034%	5158
Goldman Sachs International Bank	15,000,000	4.81%		Call272	A+	0.034%	5158
Cooperatieve Rabobank U.A.	20,000,000	5.00%	01/08/2024	01/08/2025	A+	0.035%	6927
Lancashire County Council	20,000,000	4.80%	30/09/2024	30/09/2025	AA-	0.020%	0
NatWest Markets Plc (NRFB)	20,000,000	5.30%	28/05/2024	28/05/2026	A	0.094%	18809
NatWest Markets Plc (NRFB)	30,000,000	6.20%	07/08/2023	07/08/2026	A	0.110%	33096

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Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest LT / Fund Rating	Historic Risk of Default	Expected Credit Loss (£)
Borrower - Funds	Principal (£)	Interest Rate	Start Date	Maturity Date			
L&G	80,123,544	8.03%					
ROYAL LONDON	80,134,061	8.86%					
Total Investments	£1,147,556,891	5.65%					
Total Investments - excluding Funds	£987,299,286	5.19%				0.022%	£120,355
Total Investments - Funds Only	£160,257,605	8.45%					

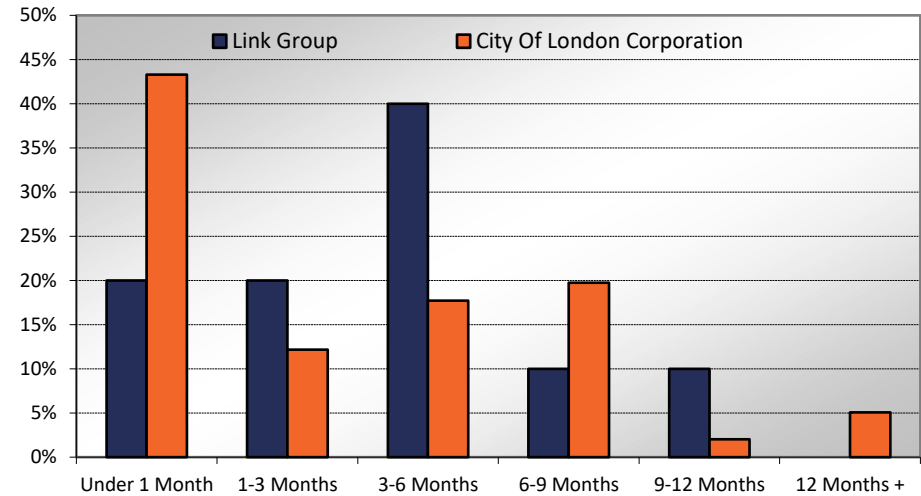
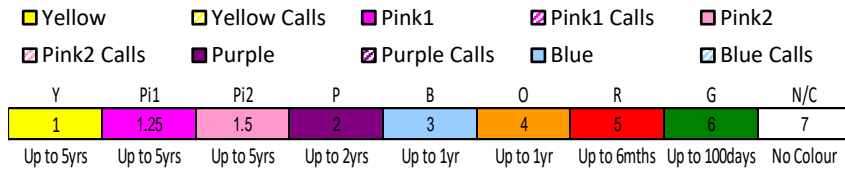
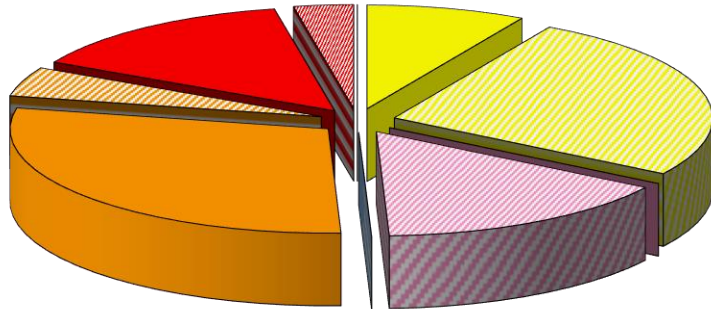
Note: An historic risk of default is only provided if a counterparty has a counterparty credit rating and is not provided for an MMF or USDBF, for which the rating agencies provide a fund rating. The portfolio's historic risk of default therefore measures the historic risk of default attached only to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

The Historic Risk of Default column is based on the lowest long term rating. If clients are using this % for their Expected Credit Loss calculation under IFRS 9, please be aware that the Code does not recognise a loss allowance where the counterparty is central government or a local authority since relevant statutory provisions prevent default. For these instruments, the Expected Credit Loss will be nil. Please note that we are currently using Historic Default Rates from 1990-2023 for Fitch, 1983-2023 for Moody's and 1981 to 2023 for S&P.

Where Link Group have provided a return for a property fund, that return covers the 12 months to June 2024, which are the latest returns currently available.

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Portfolio Composition by Link Group's Suggested Lending Criteria



Portfolios weighted average risk number = 2.77

WARoR = Weighted Average Rate of Return

WAM = Weighted Average Time to Maturity

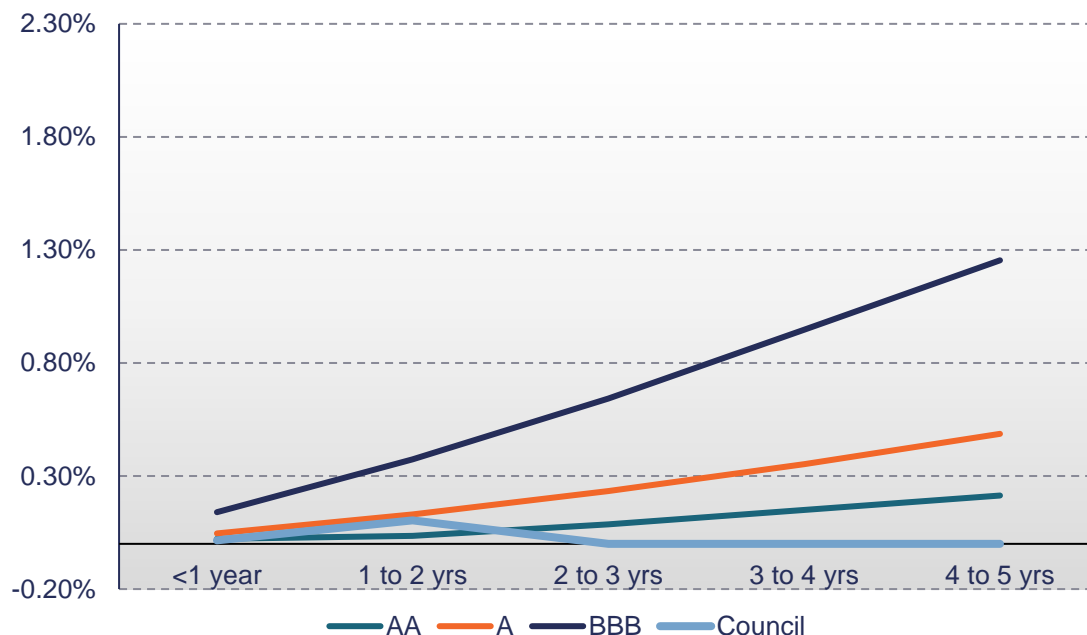
Excluding Calls/MMFs/USDBFs

	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	WAM at Execution	WAM	WAM at Execution
Yellow	34.02%	£335,900,000	76.18%	£255,900,000	25.92%	4.95%	49	59	207	249
Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Pink2	15.33%	£151,399,286	100.00%	£151,399,286	15.33%	5.69%	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	33.42%	£330,000,000	13.64%	£45,000,000	4.56%	5.17%	146	253	139	264
Red	17.22%	£170,000,000	17.65%	£30,000,000	3.04%	5.28%	275	464	276	505
Green	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
No Colour	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Total	100.00%	£987,299,286	48.85%	£482,299,286	48.85%	5.19%	113	185	188	328

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Investment Risk and Rating Exposure

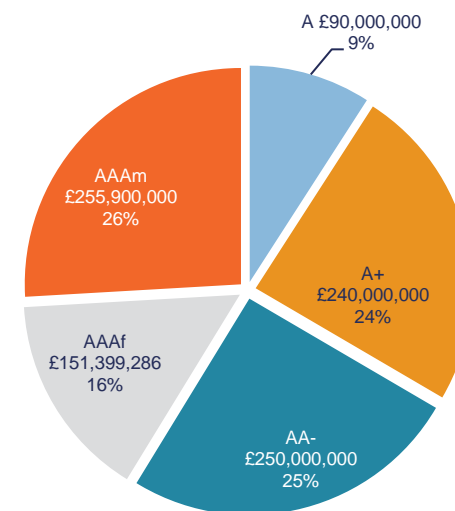
Investment Risk Vs. Rating Categories



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%	0.15%	0.21%
A	0.05%	0.13%	0.23%	0.35%	0.49%
BBB	0.14%	0.37%	0.64%	0.95%	1.25%
Council	0.01%	0.10%	0.00%	0.00%	0.00%

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.

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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Monthly Credit Rating Changes FITCH

Date	Update Number	Institution	Country	Rating Action
01/10/2024	2046	Clydesdale Bank PLC	United Kingdom	The Short Term Rating was upgraded to 'F1' from 'F2' and removed from Positive Watch. All other ratings were affirmed.
14/10/2024	2047	France	France	The Outlook on the Sovereign Rating was changed to Negative from Stable. All other ratings were affirmed.
16/10/2024	2051	Societe Generale	France	The Outlook on the Long Term Rating was changed to Stable from Positive. All other ratings were affirmed.

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Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
14/10/2024	2048	Belgium	Belgium	The Outlook on the Sovereign Rating was changed to Negative from Stable. All other ratings were affirmed.
16/10/2024	2049	BNP Paribas Fortis	Belgium	The Outlook on the Long Term Rating was changed to Negative from Stable. All other ratings were affirmed.
24/10/2024	2052	Toronto-Dominion Bank	Canada	The Long Term Rating was downgraded to 'Aa2' from 'Aa1'. The Outlook on the Long Term Rating was also changed to Stable from Negative.
28/10/2024	2053	France	France	The Outlook on the Sovereign Rating was changed to Negative from Stable. All other ratings were affirmed.
30/10/2024	2055	BNP Paribas	France	The Outlook on the Long Term Rating was changed to Negative from Stable. All other ratings were affirmed.
30/10/2024	2055	Credit Agricole Corporate and Investment Bank	France	The Outlook on the Long Term Rating was changed to Negative from Stable. All other ratings were affirmed.
30/10/2024	2055	Credit Agricole S.A.	France	The Outlook on the Long Term Rating was changed to Negative from Stable. All other ratings were affirmed.
30/10/2024	2055	Credit Industriel et Commercial	France	The Outlook on the Long Term Rating was changed to Negative from Stable. All other ratings were affirmed.

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Monthly Credit Rating Changes S&P

Date	Update Number	Institution	Country	Rating Action
01/10/2024	2045	Clydesdale Bank PLC	United Kingdom	The Long Term Rating was upgraded to 'A' from 'A-' and the Short Term Rating was upgraded to 'A-1' from 'A-2'. The Positive Watch on the Long Term Rating was removed and the Outlook on the Long Term Rating was set to Stable.
16/10/2024	2050	Toronto-Dominion Bank	Canada	The Long Term Rating was downgraded to 'A+' from 'AA-' and the Short Term Rating was downgraded to 'A-1' from 'A-1+'. The Outlook on the Long Term Rating was also changed to Stable from Negative.
29/10/2024	2054	NRW.BANK	Germany	The Outlook on the Long Term Rating was changed to Negative from Stable.

Whilst Link Group makes every effort to ensure that all the information it provides is accurate and complete, it does not guarantee the correctness or the due receipt of such information and will not be held responsible for any errors therein or omissions arising there from. All information supplied by Link Group should only be used as a factor to assist in the making of a business decision and should not be used as a sole basis for any decision. The Client should not regard the advice or information as a substitute for the exercise by the Client of its own judgement.

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