Arlo Advisory

Monthly Investment Review

KIAMA MUNICIPAL COUNCIL
your council, your community

October 2025

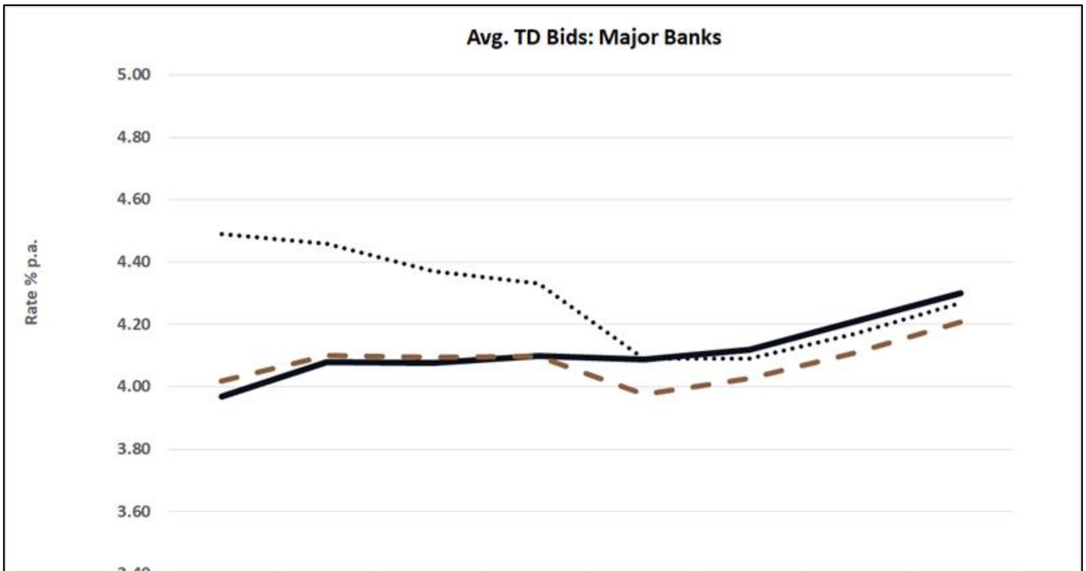
Arlo Advisory Pty Ltd
ABN: 55 668 191 795
Authorised Representative of InterPrac Financial Planning Pty Ltd
AFSL 246 638
Phone: +61 2 9053 2987
Email: michael.chandra@arloadvisory.com.au / melissa.villamin@arloadvisory.com.au
Level 3, Suite 304, 80 Elizabeth Street, Sydney NSW 2000

Arlo Advisory

Market Update Summary

US and China trade headlines swung risk markets over the past month. Risk sentiment improved as the month progressed amid renewed optimism that US-China trade tensions may ease, whilst also being buoyed by another US rate cut.

In the deposit market, over October, at the short-end of the curve (under 12 months), the average deposit rates offered by the domestic major banks remained relatively flat compared to where they were the previous month (September), after the market pushed back on the timing (and potentially the last rate cut to be delivered) by the RBA to mid-2026. At the longer-end of the curve (2-5 years), the average rates were around ~10bp higher compared to where they were the previous month following the higher than expected quarterly inflation figure.



	3M	6M	9M	12M	2Y	3Y	4Y	5Y
Oct-2025	3.97	4.08	4.08	4.10	4.09	4.12	4.21	4.30
Sep-2025	4.02	4.10	4.10	4.10	3.98	4.03	4.11	4.21
Apr-2025	4.49	4.46	4.37	4.33	4.09	4.09	4.17	4.27

Source: Imperium Markets

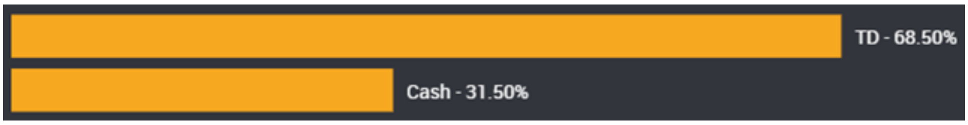
Kiama Municipal Council's Portfolio & Compliance

Asset Allocation

The majority of the portfolio is directed to term deposits (~68½%), with the remainder in cash (~31½%).

Senior FRNs are currently considered 'expensive' on a historical basis but new issuances should continue to be considered on a case by case scenario. In the interim, staggering a mix of fixed deposits between 12 months to 5 years remains a more optimal strategy to maximise returns over a longer-term cycle.

With global central banks remaining on an easing bias and further rate cuts priced in over the next 12 months, investors can choose to allocate a small proportion of medium to longer-term funds and undertake an insurance policy by investing across 1-5 year fixed deposits or fixed bonds, locking in and targeting yields above 4¼% p.a. Should inflation be within the RBA's target band of 2-3% over the longer-term, returns around 4¼% p.a. or higher should outperform benchmark.



Term to Maturity

The portfolio is highly liquid with majority of the assets maturing within 12 months. We recommend a more diversified maturity profile to optimise the overall returns of the portfolio in the long-run.

All the maturity policy allocations are compliant, with substantial capacity to invest in 1-3 year terms particularly amongst the higher rated ADIs. Where ongoing liquidity requirements permit, we recommend Council to invest a higher proportion in deposits with a minimum term of 9-12 months, with a smaller allocation to 2-3 year deposits.

Compliant	Horizon	Invested ($)	Invested (%)	Min Limit (%)	Max Limit (%)	Available ($)
✓	0 - 365 days	$33,499,032	91.78%	0%	100%	$3,000,000
✓	1 - 3 years	$3,000,000	8.22%	0%	40%	$11,599,613
✓	3 - 5 years	$0	0.00%	0%	30%	$10,949,710
✓	5 - 10 years	$0	0.00%	0%	30%	$10,949,710
		$36,499,032	**100.00%**			

Counterparty

As at the end of the October, all individual counterparties were within policy limits. We stress that exposures are dependent on capital inflows/outflows which can be volatile and unexpected at times. Any potential 'breaches' are typically temporary and usually rectified within months.

Compliant	Issuer	Rating	Invested ($)	Invested (%)	Max. Limit (%)	Available ($)
✓	ANZ	AA-	$1,000,000	2.74%	40%	$13,599,613
✓	Westpac	AA-	$13,499,032	36.98%	40%	$1,100,581
✓	NAB	AA-	$6,000,000	16.44%	40%	$8,599,613
✓	ING	A	$7,000,000	19.18%	30%	$3,949,710
✓	Australian Unity	BBB+	$2,000,000	5.48%	15%	$3,474,855
✓	Bank of Us	BBB+	$1,000,000	2.74%	15%	$4,474,855
✓	Hume Bank	BBB+	$1,000,000	2.74%	15%	$4,474,855
✓	P&N Bank	BBB+	$1,000,000	2.74%	15%	$4,474,855
✓	State Bank of India	BBB	$4,000,000	10.96%	15%	$1,474,855
			$36,499,032	**100.00%**		

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 31/10/2025 (~$36.5m), we can roughly estimate that ~75% of the institutions invested have some form of exposure. Note this is purely based on the institution/counterparty and not the actual underlying investments themselves.

Council's exposure is summarised as follows:

Counterparty	Rating	Funding Fossil Fuel
ANZ (inc. Suncorp)	AA-	Yes
WBC	AA-	Yes
NAB	AA-	Yes
ING	A	Yes
Aus. Unity	BBB+	No
Bank of Us	BBB+	No
Hume Bank	BBB+	No
P&N Bank	BBB+	No
State Bank of India	BBB	No

Source: https://www.marketforces.org.au/info/compare-bank-table/

Summary	Amount Invested	Invested (%)
Yes	$27,499,032	75%
No	$9,000,000	25%
Total	**$36,499,032**	**100%**

Transition to investments without major exposure to fossil fuels

Council has not made a formal 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 potential "A" rated banks (e.g. 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. should Council choose to invest in securities, 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

The portfolio is diversified from a credit ratings perspective, with exposure down to the BBB category. All ratings categories are within the Policy limits:

Compliant	Credit Rating	Invested ($)	Invested (%)	Max. Limit (%)	Available ($)
✓	AAA Category	$0	0.00%	100%	$36,499,032
✓	AA Category	$20,499,032	56.16%	100%	$16,000,000
✓	A Category	$7,000,000	19.18%	70%	$18,549,322
✓	BBB Category	$9,000,000	24.66%	30%	$1,949,710
✓	Unrated ADIs	$0	0.00%	0%	$0
		$36,499,032	**100.00%**		

Performance

Council's performance (excluding cash holdings) for the month ending October 2025 is summarised as follows:

Performance (Actual)	1 month	3 months	6 months	FYTD	1 year
Cash Rate Index	0.30%	0.90%	1.86%	1.22%	3.97%
AusBond Bank Bill Index	0.30%	0.91%	1.89%	1.22%	4.11%
Council's Portfolio^	**0.40%**	**1.18%**	**2.43%**	**1.59%**	**4.98%**
Outperformance	**0.10%**	**0.27%**	**0.54%**	**0.37%**	**0.88%**

^Total portfolio performance excludes Council's cash account holdings.

Performance (Annualised)	1 month	3 months	6 months	FYTD	1 year
Cash Rate Index	3.60%	3.60%	3.72%	3.66%	3.97%
AusBond Bank Bill Index	3.55%	3.67%	3.78%	3.65%	4.11%
Council's Portfolio^	**4.82%**	**4.76%**	**4.88%**	**4.79%**	**4.98%**
Outperformance	**1.27%**	**1.09%**	**1.10%**	**1.14%**	**0.88%**

^Total portfolio performance excludes Council's cash account holdings.

For the month of October, excluding cash, the total portfolio provided a return of +0.40% (actual) or +4.82% p.a. (annualised), outperforming the benchmark AusBond Bank Bill Index return of +0.30% (actual) or +3.55% p.a. (annualised). All time periods are now comfortably above benchmark returns.

Recommendations for Council

Term Deposits

Going forward, Council may consider altering its longer-term strategy by placing a slightly larger proportion of deposits across 12-24 months terms. Over a cycle and in a normal market environment, this may earn up to ¼-½% p.a. higher compared to purely investing in shorter tenors (predominately under 6 months). There is ongoing belief that at least one more interest rate cut will be delivered in the next 12 months and so locking in yields close to or above 4¼% p.a. across 1-5 year tenors may provide some income protection against a lower rate environment in coming years.

As at the end of October 2025, Council's deposit portfolio was yielding around 4.65% p.a. (down 3bp from the previous month), with a weighted average duration of 181 days (~6 months). ***We continue to recommend Council to increase the portfolio's duration closer to 9 months incrementally over the remaining calendar year to optimise returns (with a view to extending closer to 12 months in the medium-term).***

Please refer to the section below for further details on the Term Deposit market.

Securities

Primary (new) **FRNs** (with maturities between 3-5 years) are expensive on a historical basis but remains an option (particularly for those investors with portfolios skewed towards fixed assets) and should be considered on a case by case scenario. **Fixed Bonds** may also provide attractive opportunities from new (primary) issuances.

Please refer to the sections below for further details on each market.

Term Deposit Market Review

Current Term Deposits Rates

As at the end of October, we see value in the following:

ADI	LT Credit Rating	Term	Rate % p.a.
ING	A	5 years	4.58%
Westpac	AA-	5 years	4.43%
NAB	AA-	5 years	4.35%
BoQ	A-	5 years	4.34%
ING	A	4 years	4.43%
Westpac	AA-	4 years	4.35%
NAB	AA-	4 years	4.30%
BoQ	A-	4 years	4.24%
ING	A	3 years	4.30%
Westpac	AA-	3 years	4.28%
NAB	AA-	3 years	4.25%
BoQ	A-	3 years	4.19%
ING	A	2 years	4.23%
Westpac	AA-	2 years	4.20%
Aus. Military Bank	BBB+	2 years	4.17%
NAB	AA-	2 years	4.15%

The above deposits are suitable for investors looking to maintain diversification and lock-in a slight 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 (*we stress that rates are indicative, dependent on daily funding requirements and different for industry segments*):

ADI	LT Credit Rating	Term	Rate % p.a.
Westpac	AA-	12 months	4.32%
NAB	AA-	12 months	4.25%
ING Bank	A	12 months	4.22%
ICBC	A	12 months	4.21%
CBA	AA-	12 months	4.19%
Westpac	AA-	9 months	4.23%
Suncorp	AA-	9 months	4.21%
NAB	AA-	9 months	4.20%
BoQ	A-	9 months	4.19%
ING	A	9 months	4.17%
BoQ	A-	6 months	4.24%
Bendigo-Adelaide	A-	6 months	4.24%
Westpac	AA-	6 months	4.21%
Suncorp	AA-	6 months	4.21%
NAB	AA-	6 months	4.20%
NAB	AA-	3 months	4.10%
Heritage	BBB+	3 months	4.10%
Westpac	AA-	3 months	4.08%
Bendigo-Adelaide	A-	3 months	4.04%
Hume	BBB+	3 months	4.00%

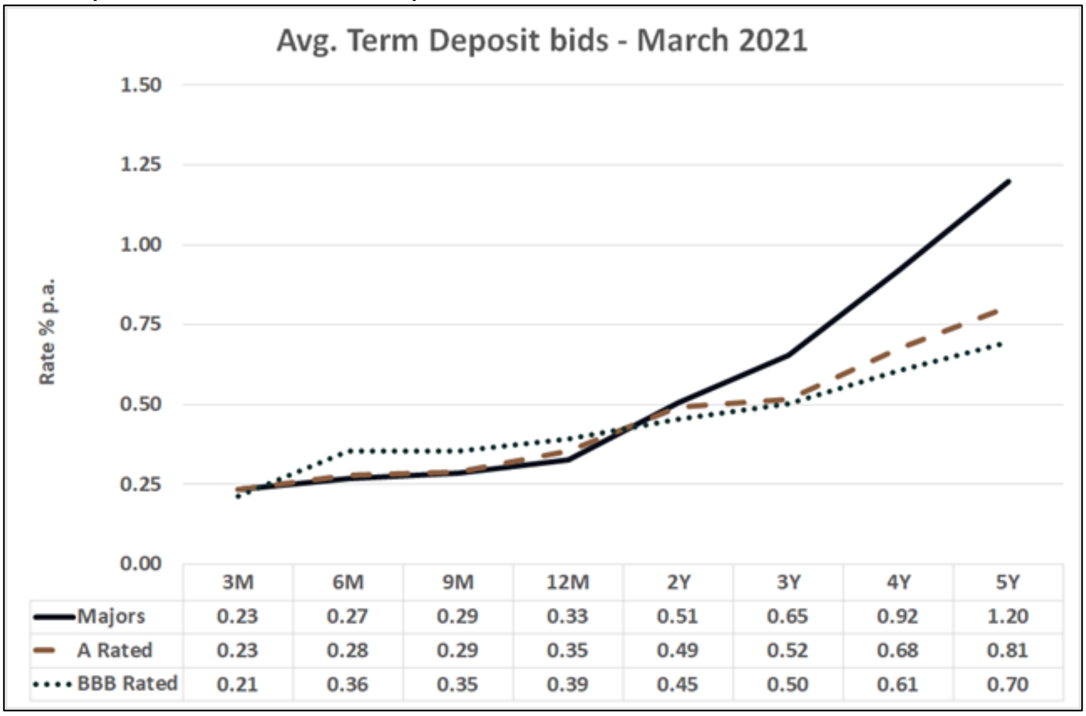
For those investors that do not require high levels of liquidity and can stagger their investments longer term, they will be rewarded over a longer-term cycle if they roll for an average min. term of 12 months, with a spread of investments out to 5 years (this is where we see current value). In a normal market environment (upward sloping yield curve), investors could earn over a cycle, on average, up to ¼-½% p.a. higher compared to those investors that entirely invest in short-dated deposits.

With the possibility for at least one more rate over the next 6-12 months domestically, investors should consider allocating some longer-term surplus funds and undertake an insurance policy by investing across 1-5 year fixed deposits and locking in rates above 4¼% p.a. This will provide some income protection if the RBA decides to continue cutting rates.

Term Deposits Analysis

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) during mid-2020, 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. 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.

Term Deposit Rates – 12 months after pandemic (March 2021)



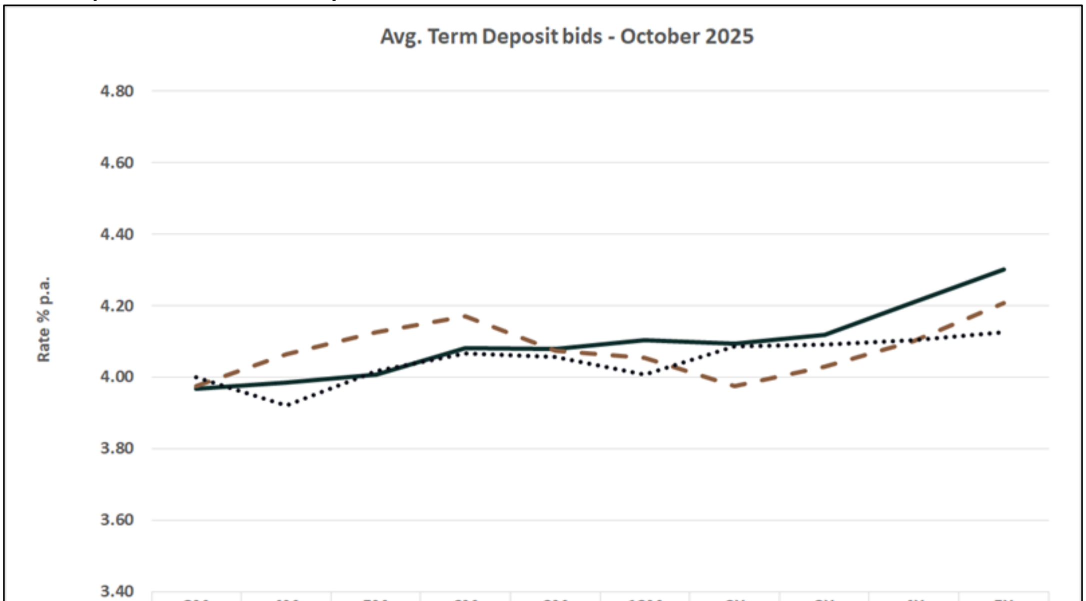
	3M	6M	9M	12M	2Y	3Y	4Y	5Y
Majors	0.23	0.27	0.29	0.33	0.51	0.65	0.92	1.20
A Rated	0.23	0.28	0.29	0.35	0.49	0.52	0.68	0.81
BBB Rated	0.21	0.36	0.35	0.39	0.45	0.50	0.61	0.70

Source: Imperium Markets

The abnormal marketplace experienced during the pandemic is starting to reverse as the competition for deposits slowly increases, partially driven by the RBA's term funding facility coming to an end. In recent months, we have started to periodically see some of the lower rated ADIs ("A" and "BBB" rated) offering slightly higher rates compared to the domestic major banks ("AA" rated) on different parts of the curve (i.e. pre-pandemic environment). Some of this has been attributed to lags in adjusting their deposit rates as some banks (mainly the lower rated ADIs) simply set their rates for the week.

Going forward, investors should have a larger opportunity to invest a higher proportion of its funds with the lower rated institutions (up to Policy limits), from which the majority are not lending to the Fossil Fuel industry or considered 'ethical'. We are slowly seeing this trend emerge, although the major banks always seem to react more quickly than the rest of the market during periods of volatility:

Term Deposit Rates – Currently (October 2025)



	3M	4M	5M	6M	9M	12M	2Y	3Y	4Y	5Y
Majors	3.97	3.99	4.01	4.08	4.08	4.10	4.09	4.12	4.21	4.30
A Rated	3.97	4.06	4.13	4.17	4.07	4.05	3.97	4.03	4.10	4.21
BBB Rated	4.00	3.92	4.02	4.07	4.06	4.01	4.09	4.09	4.11	4.13

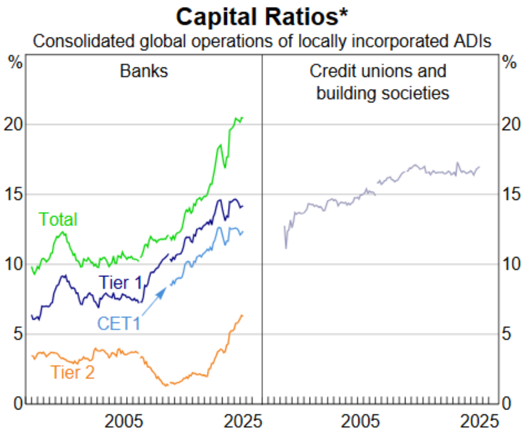
Source: Imperium Markets

Financial Stability of the Banking (ADI) Sector

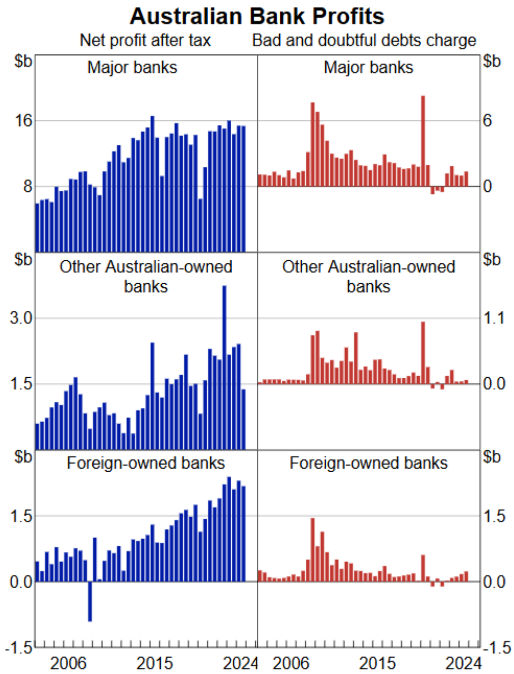
The RBA's Financial Stability reaffirms the strong balance sheet across the ADI sector. They noted that the risk of widespread financial stress remains limited due to the generally strong financial positions of most (individual) borrowers. Very few mortgage borrowers are in negative equity, limiting the impact on lenders (ADIs) in the event of default and supporting their ability to continue providing credit to the economy. Most businesses that have entered insolvency are small and have little debt, limiting the broader impact on the labour market and thus household incomes, and on the capital position of lenders (ADIs).

Australian banks (collectively the APRA regulated ADIs) have maintained prudent lending standards and are well positioned to continue supplying credit to the economy. A deterioration in economic conditions or temporary disruption to funding markets is unlikely to halt lending activity. Banks have anticipated an increase in loan arrears and have capital and liquidity buffers well above regulatory requirements (*see Capita Ratios chart below*). APRA's mandate is to "*protect depositors*" and provide "*financial stability*".

Over the past two decades, both domestic and international banks continue to operate and demonstrate high levels of profitability (*see Australian Bank Profits chart below*), which also covers two stress-test environments being the GFC (September 2008) and the COVID pandemic period (March 2020):



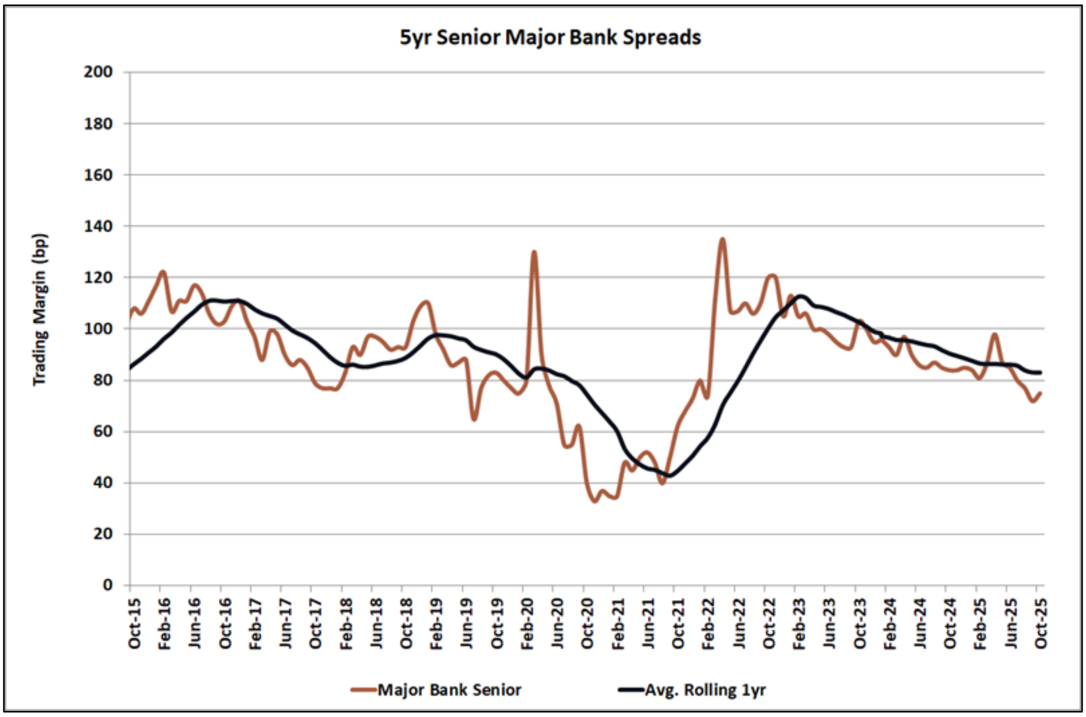
* Per cent of risk-weighted assets; break in March 2008 due to the introduction of Basel II for most ADIs; break in March 2013 due to the introduction of Basel III for all ADIs.
Source: APRA.



Sources: APRA; RBA.

Senior FRNs Market Review

Over October, amongst the senior major bank FRNs, physical credit securities widened up to 3bp at the long-end of the curve. During the month, NAB (AA-) issued a new 3 year senior deal at +60bp. Long-term major bank senior securities are looking 'expensive' on a historical basis, noting the 5yr margin has averaged around the +90bp level over a cycle (currently around +75bp).



Source: IBS Capital

During the month, there was a handful of new issuances from the mutual banking sector:

- Great Southern Bank (BBB+): 3 year senior FRN at +93bp
- Police Bank (BBB+): 3 year senior FRN at +105bp
- Heritage & People's Choice (BBB+): 4 year senior FRN at +105bp

Amongst the "A" rated sector, the securities remained relatively flat across the 3-5 year part of the curve. Within the "BBB" rated sector, margins tightened up to 7bp at the 3 year part of the curve, partly driven by the new primary issuances.

Overall, credit securities are slightly expensive on a historical basis but remain a good option for diversification purposes. FRNs will continue to play a role in investors' portfolios mainly based on their liquidity and the ability to roll down the curve and gross up returns over ensuing years (in a relatively stable credit environment), whilst also providing some diversification to those investors skewed towards fixed assets.

Senior FRNs (ADIs)	31/10/2025	30/09/2025
"AA" rated – 5yrs	+75bp	+72bp
"AA" rated – 3yrs	+60bp	+60bp
"A" rated – 5yrs	+80bp	+80bp
"A" rated – 3yrs	+67bp	+70bp
"BBB" rated – 3yrs	+93bp	+100bp

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 mid-2028 for the "AA" rated ADIs (domestic major banks);
- On or before 2026 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.

Senior Fixed Bonds – ADIs (Secondary Market)

With global central banks remaining on an easing bias, investors may look at some opportunities in the secondary market. We currently see value in the following fixed bond lines (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
AU3CB0314763	Bendigo	A-	Senior	24/10/2028	2.98	4.79%	4.41%
AU3CB0308955	BoQ	A-	Senior	30/04/2029	3.49	5.30%	4.54%
AU3CB0319879	Nova Sco.	A-	Senior	21/03/2030	4.38	5.23%	4.89%

Economic Commentary

International Market

US and China trade headlines swung risk markets over the past month. Risk sentiment improved as the month progressed amid renewed optimism that US-China trade tensions may ease, whilst also being buoyed by another US rate cut.

Across equity markets, the US S&P 500 Index rose +2.27%, whilst the NASDAQ surged +4.70%. Europe's main indices also provided sold returns, with gains in UK's FTSE (+3.92%), France's CAC (+2.85%) and Germany's DAX (+0.32%).

The US September headline CPI headline at +0.3% m/m and core gained +0.2%, both a tick below consensus. The annual rate on both headline and core came in at +3.0% y/y.

The US FOMC agreed to cut the Fed Funds rate target by 25bp to 3.75%-4.00%, as widely expected. The Fed agreed to end its Quantitative Tightening (QT) from December 1 but and will continue to run down its Agency securities portfolio (by US$35bn a month) instead reinvesting maturing proceeds into Treasuries.

The Bank of Canada cut by 25bp to 2.25% as expected and signalled that rates are now at "*about the right level*". Canada's unemployment rate came in steady at 7.1% against expectations for a lift to 7.2%.

UK headline CPI rose +3.8% y/y, below consensus for a +4.0% increase. Core and services inflation also came in below expectations.

The ECB held rates at 2.15% as expected in October. President Lagarde in the press conference repeated that policy was in "*a good place*", and that there was absolute unanimity on the ECB decision and that downside risks to growth have eased.

The RBNZ cut their official cash rate by an aggressive 50bp to 2.50%, its lowest level in three years, whilst signalling more cuts to come.

China's Q3 GDP beat expectations at +4.8% y/y, driven by strong exports and industrial production, but domestic demand remains soft, with retail sales and investment lagging.

The MSCI World ex-Aus Index rose +2.07% for the month of October:

Index	1m	3m	1yr	3yr	5yr	10yr
S&P 500 Index	+2.27%	+7.90%	+19.89%	+20.89%	+15.91%	+12.65%
MSCI World ex-AUS	+2.07%	+8.22%	+22.78%	+22.42%	+16.21%	+12.44%
S&P ASX 200 Accum. Index	+0.39%	+2.70%	+12.46%	+13.08%	+12.64%	+9.68%

Source: S&P, MSCI

Item 14.5

Enclosure 1

Domestic Market

The consumer price index (CPI) rose +1.3% in the September 2025 quarter and +3.2% annually. The trimmed mean annual inflation figure surged up to +3.0% to the September quarter, up from +2.7% in the June quarter. The market has pushed back the timing of the next interest rate cut to around mid-2026, with some economists now forecasting no more rate cuts this cycle.

The seasonally adjusted unemployment rate rose to 4.5% in September, up from a revised 4.3% in August, the highest level since November 2021. The underemployment rate rose by 0.2% to 5.9% in September.

The latest RBA Minutes reaffirmed that future decisions will be "*cautious and data dependent*". They consider policy to be "*probably still a little restrictive but acknowledged the extent of restriction was difficult to determine*".

Dwelling prices rose +0.8% m/m in September, the strongest since October 2023, to be +4.8% higher over the year.

The monthly trade balance was lower than expected with a surplus of $1.8bn for August, the lowest it has been since June 2018. The decline was driven by a sharp drop in non-monetary gold exports as well as a broad-based increase in goods imports. Exports fell -7.8% m/m, down by $3.5bn.

Household spending rose +0.1% m/m in August and +5.0% over the year.

The Australian dollar fell around -0.77%, finishing the month at US65.51 cents (from US66.02 cents the previous month).

Credit Market

The global credit indices remained relatively flat this month. They remain near the levels seen in early-mid 2022 (prior to the rate hike cycle from most central banks):

Index	October 2025	September 2025
CDX North American 5yr CDS	52bp	52bp
iTraxx Europe 5yr CDS	54bp	56bp
iTraxx Australia 5yr CDS	66bp	66bp

Source: Markit

Fixed Interest Review

Benchmark Index Returns

Index	October 2025	September 2025
Bloomberg AusBond Bank Bill Index (0+YR)	+0.30%	+0.29%
Bloomberg AusBond Composite Bond Index (0+YR)	+0.36%	+0.15%
Bloomberg AusBond Credit FRN Index (0+YR)	+0.33%	+0.43%
Bloomberg AusBond Credit Index (0+YR)	+0.27%	+0.06%
Bloomberg AusBond Treasury Index (0+YR)	+0.34%	+0.09%
Bloomberg AusBond Inflation Gov't Index (0+YR)	+0.44%	+0.91%

Source: Bloomberg

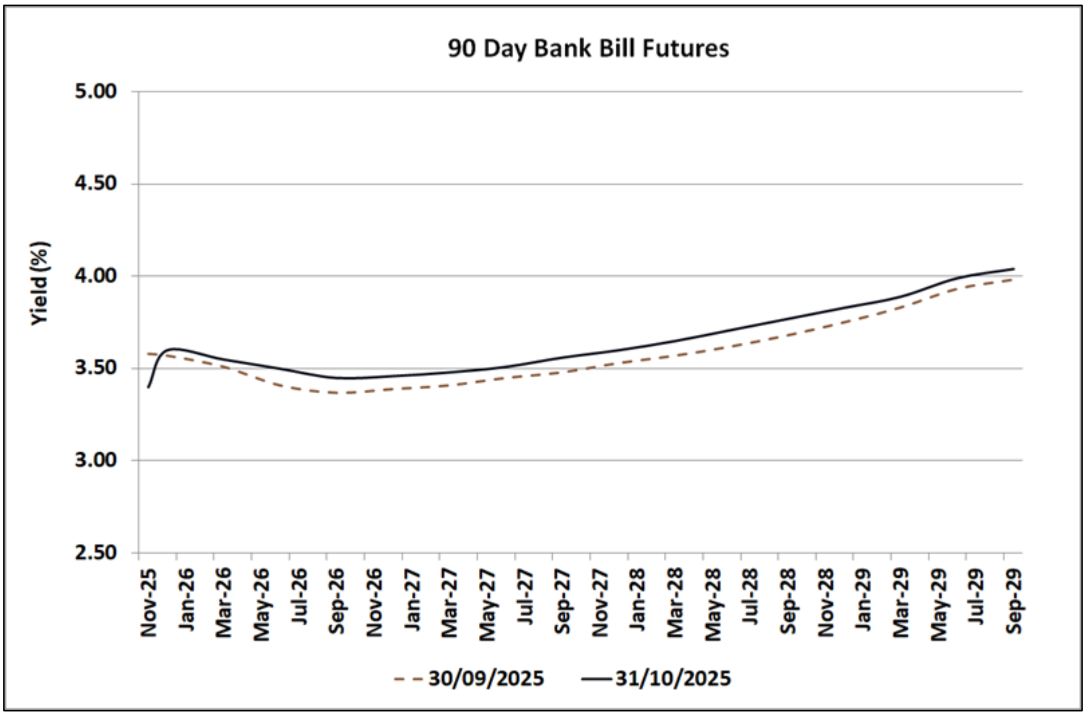
Other Key Rates

Index	October 2025	September 2025
RBA Official Cash Rate	3.60%	3.60%
90 Day (3 month) BBSW Rate	3.64%	3.58%
3yr Australian Government Bonds	3.58%	3.54%
10yr Australian Government Bonds	4.28%	4.31%
US Fed Funds Rate	3.75%-4.00%	4.00%-4.25%
2yr US Treasury Bonds	3.60%	3.60%
10yr US Treasury Bonds	4.11%	4.16%

Source: RBA, ASX, US Department of Treasury

90 Day Bill Futures

Bill futures rose across the board this month following the unexpected spike in inflation. The market has pushed back expectations of the next (potentially last) RBA rate cut at least until mid-2026:



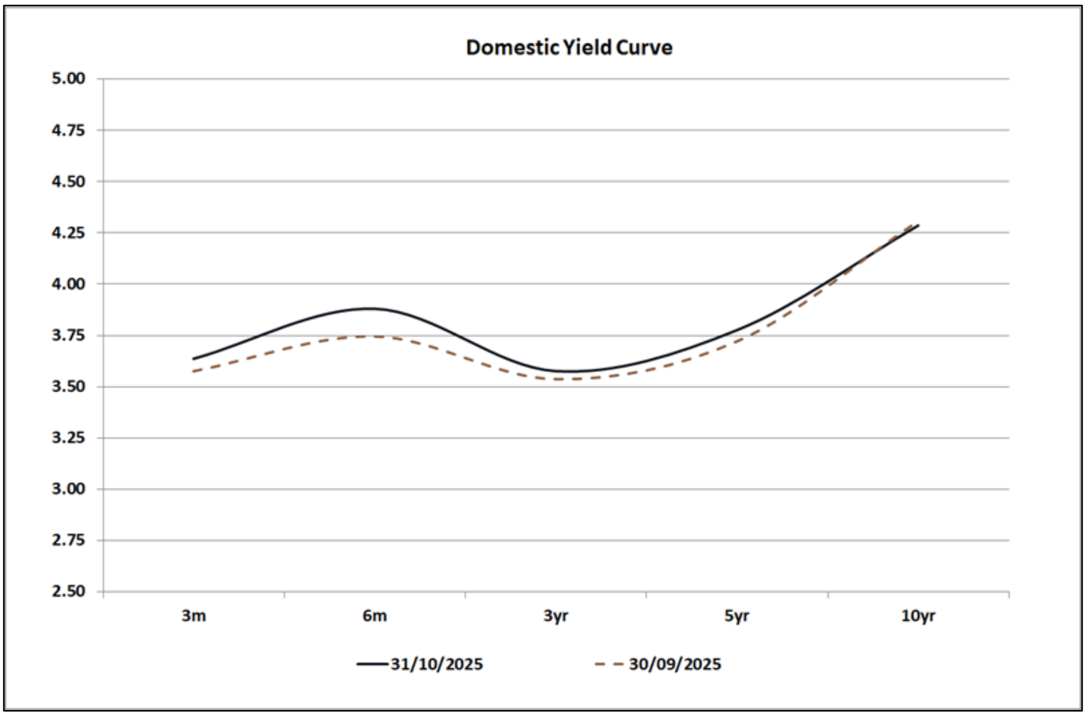
Source: ASX

Fixed Interest Outlook

US Federal Reserve Chair Jerome Powell said that a rate cut in December is "*far from*" a foregone conclusion and that there were some strongly differing views amongst the members. Powell said he believes that the ex-tariff inflation is close to the Fed's 2% target, commenting that they are seeing a continual "*very gradual*" cooling in the labour market. The clear inference is that labour market deterioration is at a somewhat faster pace that has been observed recently, and it will be a key indicator of how monetary policy evolves from here. Pricing for the December 10 meeting has come in to show around a 69% chance of a 25bp cut.

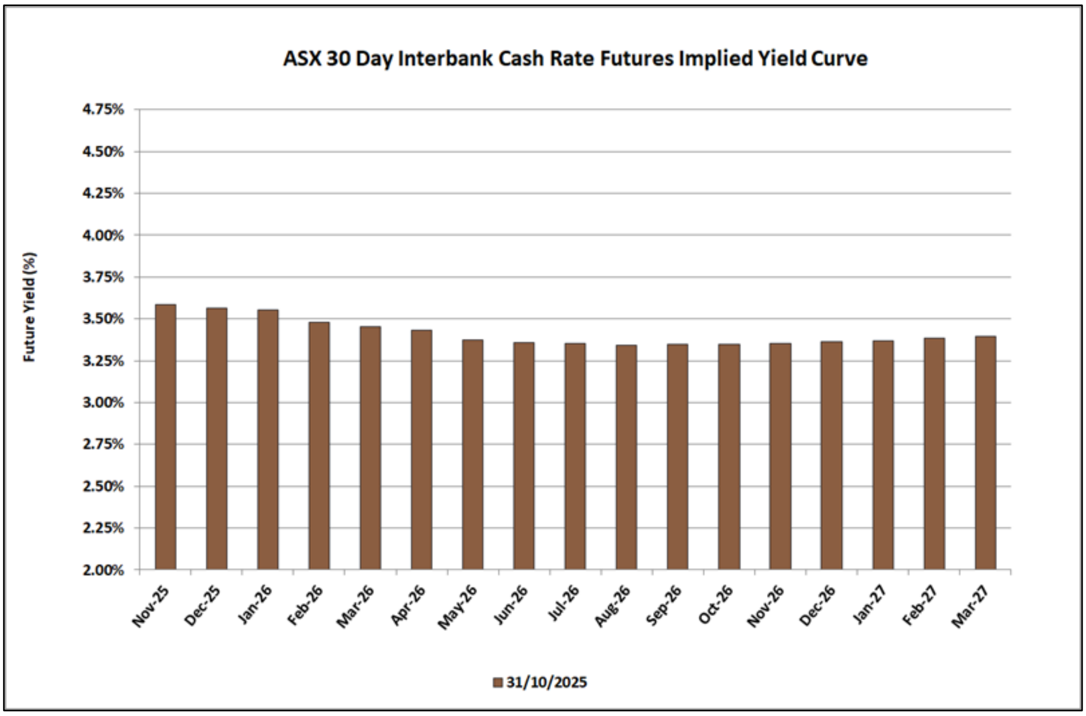
Domestically, the latest RBA Minutes reaffirmed that future decisions would be "*cautious and data dependent*". Stronger than expected Q3 inflation is likely to leave the RBA on an extended pause as they rebuild confidence in the inflation outlook. With inflation printing higher than the previously forecasted, the RBA may well be on hold until at least late Q2 2026, although they admit ongoing monetary policy decisions will be data driven.

Yields rose up to 5bp at the longer-end of the curve this month:



Source: ASX, RBA

Financial markets are now only factoring one additional rate cut by mid-2026, potentially taking the official cash rate down to 3.35%:



Source: ASX