4th August 2023

ShawandPartners
Morrissey Group

Double Pause

Interest Rate Decisions

About the cash rate target

Effective Date	Change % points	Cash rate target %
2 Aug 2023	0.00	4.10
5 Jul 2023	0.00	4.10
7 Jun 2023	+0.25	4.10
3 May 2023	+0.25	3.85
5 Apr 2023	0.00	3.60
8 Mar 2023	+0.25	3.60
8 Feb 2023	+0.25	3.35
7 Dec 2022	+0.25	3.10
2 Nov 2022	+0.25	2.85
5 Oct 2022	+0.25	2.60
7 Sep 2022	+0.50	2.35
3 Aug 2022	+0.50	1.85
6 Jul 2022	+0.50	1.35
8 Jun 2022	+0.50	0.85
4 May 2022	+0.25	0.35
6 Apr 2022	0.00	0.10

It sounds stoopid I know, but at the moment people with money are spending it, those without aren't. There's quite the bifurcation in data sets being released and what is increasingly obvious is the different areas where activity is solid- cafes, restaurants, travel- and those that are struggling- household purchases like white and brown goods, etc. The interest rate rises are either rewarding or having no impact on some and killing others.

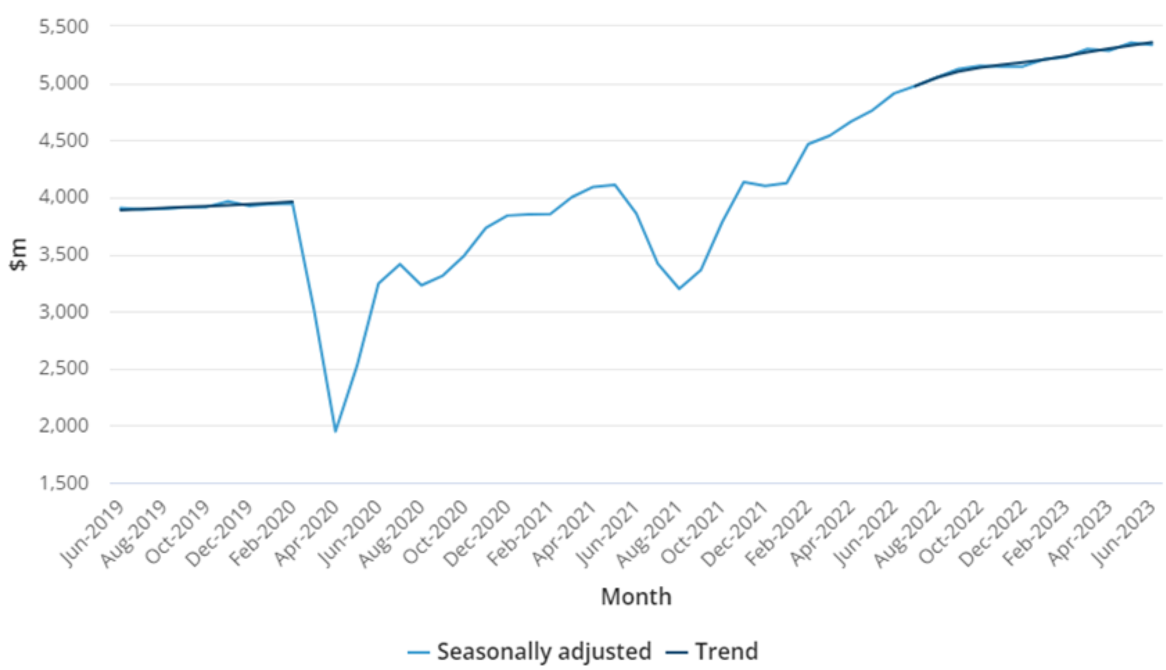
To break it down, the June ABS retail sales figures tell the story:

Australian Bureau of Statistics Retail Sales: June 2023 Key Statistics released Thursday

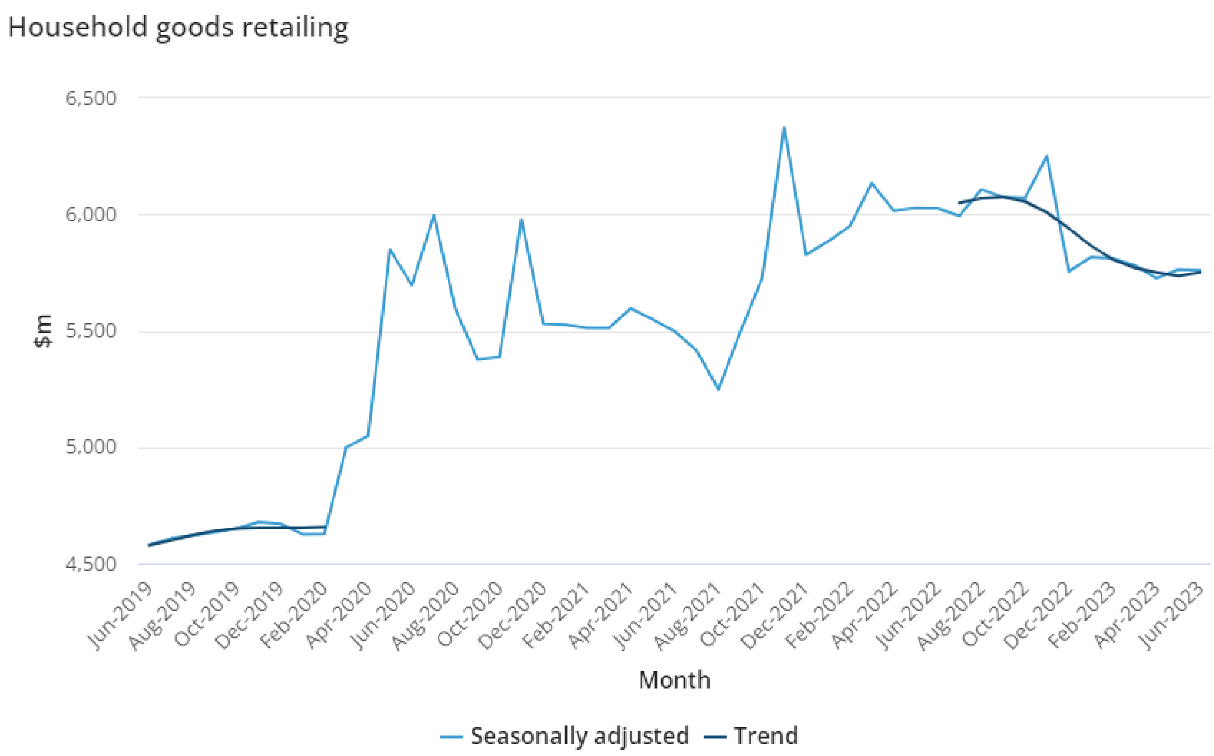
- On a Seasonally Adjusted basis, June 2023 Retail Sales were up 2.3% vs June 2022 and down 0.8% vs May 2023.
- On an Original Data basis, June 2023 Retail Sales were up 3.0% vs June 2022 and down 2.0% vs May 2023.

- Strong performers for the month of June 2023 (seasonally adjusted) included:
    - Cafes, restaurants and catering, up 10.3% vs PCP,
    - Supermarket and grocery stores, up 6.5% vs PCP,
    - Takeaway food services, up 6.0% vs PCP, and
    - Pharmaceutical, cosmetic and toiletry goods retailing, up 3.6% vs PCP.

Cafes, restaurants and takeaway food services



- Poor performers included:
    - Furniture, floor coverings, housewares and textile goods retailing, down 5.3% vs PCP,
    - Electrical and electronic goods retailing, down 5.0% vs PCP, and
    - Hardware, building and garden supplies retailing, down 3.1% vs PCP.



Australian Bureau of Statistics Retail Sales Data — **June 2023**

Retail Turnover by Category (Seasonally adjusted)	Growth: PCP	MoM	YoY	6 mths	Turnover 12 Months
Supermarket and grocery stores	6.5%	0.2%	6.1%	7.1%	$137,187m
Cafes, restaurants and catering services	10.3%	-0.4%	34.4%	19.0%	$39,142m
Other retailing n.e.c.	-2.4%	-2.9%	4.2%	0.2%	$30,308m
Electrical and electronic goods retailing	-5.0%	1.3%	-1.8%	-6.7%	$26,206m
Hardware, building and garden supplies retailing	-3.1%	0.4%	1.4%	-1.7%	$25,400m
Pharmaceutical, cosmetic and toiletry goods retailing	3.6%	-2.4%	8.6%	5.3%	$24,709m
Clothing retailing	-1.6%	-2.9%	20.1%	6.2%	$23,919m
Takeaway food services	6.0%	-0.2%	14.0%	9.9%	$23,176m
Department stores	-2.2%	-5.0%	16.0%	5.8%	$22,551m
Furniture, floor coverings, houseware and textile goods retailing	-5.3%	-2.6%	5.0%	-2.7%	$19,303m
Liquor retailing	2.8%	0.0%	3.4%	4.4%	$16,865m
Footwear and other personal accessory retailing	-1.4%	-0.8%	16.4%	4.1%	$11,729m
Other specialised food retailing	2.3%	0.1%	4.1%	2.5%	$11,337m
Other recreational goods retailing	-8.7%	-0.5%	4.3%	-2.3%	$7,576m
Newspaper and book retailing	-9.3%	4.6%	-4.9%	-10.6%	$2,074m
Total Retail Sales	**2.3%**	**-0.8%**	**9.0%**	**5.0%**	**$421,482m**

Source: Australian Bureau of Statistics
Notes: PCP refers to current month vs prior corresponding month, MoM refers to current month vs one calendar month prior, YoY refers to 12 months vs prior 12 months

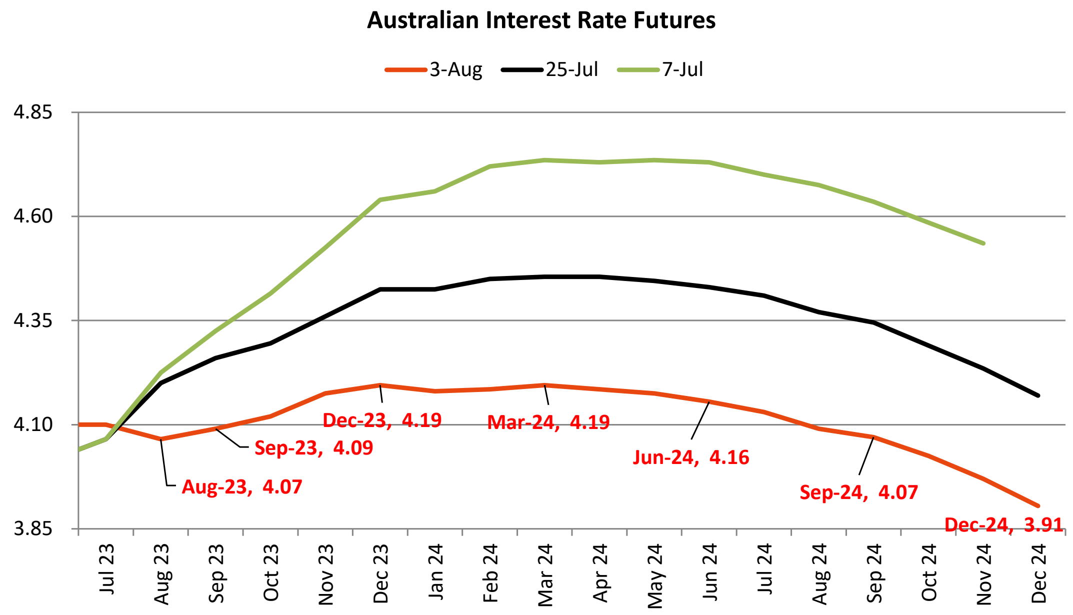
Australian Bureau of Statistics Retail Sales Data — **June 2023**

Retail Turnover (Original Data)	Growth: PCP	MoM	YoY	6 mths	Turnover 12 Months
Supermarket and grocery stores	6.5%	-3.7%	6.2%	6.9%	$137,130m
Cafes, restaurants and catering services	12.5%	-4.7%	34.9%	19.4%	$39,162m
Other retailing n.e.c.	-2.0%	-4.0%	4.2%	0.3%	$30,299m
Electrical and electronic goods retailing	-2.5%	14.4%	-1.7%	-6.3%	$26,196m
Hardware, building and garden supplies retailing	-2.8%	-1.5%	1.5%	-1.6%	$25,400m
Pharmaceutical, cosmetic and toiletry goods retailing	4.2%	-6.1%	8.7%	5.5%	$24,727m
Clothing retailing	-0.1%	-3.5%	19.1%	6.1%	$23,913m
Takeaway food services	6.8%	-0.7%	14.1%	9.9%	$23,173m
Department stores	-2.2%	-3.1%	15.5%	5.6%	$22,484m
Furniture, floor coverings, houseware and textile goods retailing	-4.2%	4.4%	5.1%	-2.4%	$19,334m
Liquor retailing	5.3%	0.6%	3.6%	4.2%	$16,914m
Footwear and other personal accessory retailing	1.1%	-6.0%	16.1%	4.6%	$11,724m
Other specialised food retailing	2.9%	-2.4%	4.3%	2.6%	$11,344m
Other recreational goods retailing	-6.4%	4.9%	4.1%	-2.0%	$7,535m
Newspaper and book retailing	-9.9%	2.8%	-4.8%	-10.4%	$2,079m
Total Retail Sales	**3.0%**	**-2.0%**	**9.0%**	**5.0%**	**$421,416m**

Source: Australian Bureau of Statistics
Notes: PCP refers to current month vs prior corresponding month, MoM refers to current month vs one calendar month prior, YoY refers to 12 months vs prior 12 months

Although these data sets vary so greatly, overall household consumption growth has slowed substantially. I’m not even convinced there’s another rate rise left.

The chart below depicts what the Futures Market is expecting; potentially one more rise



Of course no one knows, but the 12 rate rises to date are digging in, hard.

US Credit Rating downgrade by Fitch

Reasons Behind Fitch's US Downgrade

Fitch has recently downgraded the US to 'AA+' from 'AAA'. The Rating Watch Negative was removed and a Stable Outlook assigned. Details of their reasoning are listed below.

- The downgrade reflected an expected fiscal deterioration over the next three years; a high and growing general government debt burden.
- There has been a steady deterioration in standards of governance over the last 20 years.
- Repeated debt-limit political standoffs and last-minute resolutions have eroded confidence in fiscal management.
- US government lacks a medium-term fiscal framework, unlike most peers.
- Only limited progress in tackling medium-term challenges related to rising social security and Medicare costs due to an aging population.
- Fitch expects the general government deficit to rise to 6.3% of GDP in 2023, from 3.7% in 2022, reflecting cyclically weaker federal revenues, new spending initiatives and a higher interest burden.
- Fitch forecasts a general government deficit of 6.6% of GDP in 2024 and a further widening to 6.9% of GDP in 2025.
- The interest-to-revenue ratio is expected to reach 10% by 2025 (compared to 2.8% for the 'AA' median and 1% for the 'AAA' median) due to the higher debt level as well as sustained higher interest rates compared with pre-pandemic levels.

- Debt-to-GDP is expected to reach 118.4% by 2025. The debt ratio is over two-and-a-half times higher than the 'AAA' median of 39.3% of GDP and 'AA' median of 44.7% of GDP.

The US is caught in a debt spiral, one that will soon be replicated here in Australia.

Does the downgrade really matter that much? Probably not. As Treasury Secretary Janet Yellin put it, *'"Fitch's decision does not change what Americans, investors and people all around the world already know: that Treasury securities remain the world's pre-eminent, safe and liquid asset, and that the American economy is fundamentally strong.*

The $US is still the reserve currency and likely to be for some time, despite the efforts of other countries attempting to create a competing currency elsewhere. The concern is not so much the downgrade, rather the very apt reasons behind the downgrade.

ANZ/Suncorp tie up killed by the Australian Competition and Consumer Commission (ACCC)

It was announced today that the ACCC has denied ANZ authorisation to acquire Suncorp Group's banking arm.

Highlights:

- ACCC accepts that ANZ would benefit from cost savings from the proposed acquisition and that Suncorp Group would benefit from being able to focus on its insurance business. There may also be prudential benefits from the transaction.
- ACCC considers those benefits do not outweigh competitive detriments likely to result from the proposed acquisition.
- Acquisition of Suncorp Bank would boost ANZ's market share in home loans to be above NAB, and closer to the CBA and WBC.
- Increased symmetry between competitors can increase the likelihood of coordination, as there is less incentive to upset the status quo and try to win market share by aggressively competing for customers.
- ACCC considers there is a realistic prospect of a Suncorp Bank transaction with Bendigo and Adelaide Bank

ACCC Comments,

"While we are not saying such a merger between Suncorp Bank and Bendigo and Adelaide Bank will definitely occur if the ANZ deal does not proceed, we consider it is sufficiently likely that it is necessary to consider this scenario as part of the ACCC's assessment."

I didn't realise the ACCC had morphed into corporate advisory…

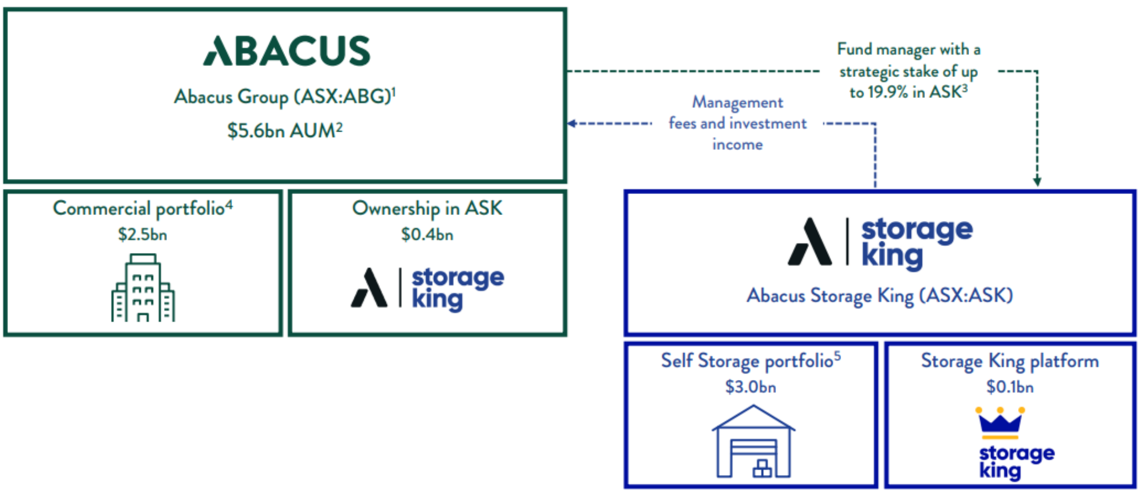
Abacus Property Group (ABP) and Abacus Storage King (ASK)

ABP traded its last day as a combined group on July 31st.

De-stapling of Abacus Property Group's Self-Storage assets to create an ASX-listed Self-Storage REIT (ASK) was effected as at August 1st.

ASK WILL CONTINUE TO BE MANAGED BY ABACUS GROUP

On Completion of the Proposal, ASK will continue to benefit from Abacus Group's strategic oversight, and corporate and listed market expertise



Note: Includes the impact of the Proposal, the Offer and certain post balance date events which have occurred subsequent to 31 December 2022 which ABG and ASK Directors believe to be material and relevant in further understanding the pro forma financial position of ABG and ASK. This information has not been subject to audit or review. Includes unaudited independent valuations across Abacus' properties as at 30 April 2023.
1. Abacus Group will remain listed on the ASX using the ticker 'ASX:ABP' until on or shortly after Thursday, 10 August 2023 when it is expected to be changed to the new ticker 'ASX:ABG'.
2. AUM refers to assets under management.
3. On Completion of the Proposal.
4. Includes Commercial properties and other assets.
5. Includes Self Storage properties and other Self Storage investments.

- ASK will be a sector specific vehicle with exposure to the Self-Storage portfolio and Storage King's operating platform
- ABP will own 19.9% of ASK and continue to manage the group.
- ASK will own, operate and manage a $3.0 billion Self-Storage portfolio comprising 131 assets including 110 trading stores with over 582,861 sqm of net lettable area, 21 future stores and other Self-Storage Investments.
- ABP will also own/operate a $2.5 billion Commercial portfolio of 21 assets.

Investing in your 30's

Click on link below to read

[Shaw and Partners Morrissey Group]

Have a good weekend,
Ben and the team.

This report has been prepared by Ben Morrissey
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