



Shropshire Council

Monthly Investment Analysis Review

June 2021

Monthly Economic Summary

General Economy

Although the Flash (i.e., provisional) UK Manufacturing PMI fell to 64.2 in June from the record high 65.6 figure posted in May, this still signalled the second strongest pace of growth in the sector since the measure began. Expansions in both output and new orders were recorded as demand continued to surge following the loosening of the COVID-19 lockdown. Likewise, the Flash Services PMI fell to 61.7 in June from 62.9 in May, with new order growth remaining close to May's record high despite a continued decline in exports. The rate of job creation in the services sector, meanwhile, was near the record posted seven years ago. As a result, the Flash Composite PMI (which incorporates both sectors), fell to 61.7 in June from 62.9 in May, which was still one of the strongest figures in the series' history. The Construction PMI (which is released one month behind), meanwhile, rose to 64.2 in May from 61.6 in April. Overall new order volumes increased the most since the survey began just over 24 years ago and the rate of job creation was the fastest since July 2014.

Buoyed by the unwinding of the third national lockdown, April GDP data showed that the UK economy grew by 2.3% m/m, compared to March's 2.1% m/m gain. Quarterly data, meanwhile, confirmed that output contracted by 1.6% during the first quarter of 2021 and remained 6.1% below the level reached just prior to the pandemic in Q1 2020. Trade data revealed that a 2.5% jump in exports caused the UK's trade deficit to fall to £0.9 billion in April compared to a downwardly revised £2 billion in March.

The UK's unemployment rate fell to 4.7% in the three months to April, compared to 4.8% in the previous period and in line with market expectations. Within the data, it was notable that employment in fact rose by 113,000 in the three months to April to 32.49 million – posting its second gain since March 2020 – leaving the employment rate 1.4% below its pre-pandemic level. More timely claimant count data for May also suggested that the number of people who claimed unemployment benefits during the month fell by 92,600 to 2.5 million, the biggest decline since November 1996. Finally, average weekly earnings (including bonuses) rose by 5.6% y/y in the three months to April compared to an upwardly revised 4.3% y/y rise previously. Excluding bonuses, average weekly earnings also rose by 5.6% in the three months to April, compared to a 4.6% rise in the three months to March.

UK inflation, as measured by the Consumer Price Index, rose to 2.1% y/y in May from 1.5% y/y in April and above market forecasts of 1.8%. This is the first time since July 2019 that the measure has been above the Bank of England's 2% target. The biggest upward contributions came from clothing, motor fuel, recreational goods and meals & drinks consumed out. On a monthly basis, consumer prices outperformed forecasts of a 0.3% rise by rising 0.6% in May, the same as the figure posted in the previous month. Despite the rise in inflation, the Monetary Policy Committee voted to maintain its current monetary policy stance at its June meeting. The only dissenting voice came from Andy Haldane who completed his term on the Committee this month. The minutes of the meeting, meanwhile, suggested that the Committee believes that higher-than-expected inflation is transitory and will ease by the end of the year. The next MPC meeting will be the last chance for the Committee to end the current quantitative easing programme prematurely.

Retail sales, meanwhile, rose 24.6% y/y in May compared to a 42.4% y/y rise in April, below market expectations of a 29% gain. This abnormally high figure was due to the impact of the first national lockdown depressing sales in May 2020, thus setting an abnormally low base for comparative purposes, just as it did with April's record rise. On a monthly basis, sales declined 1.4% during May following a 9.2% rise in April, as food store purchases and online orders both fell, amid rapidly rising cases of the Delta variant of COVID-19 despite

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Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest LT / Fund Rating	Historic Risk of Default
Handelsbanken Plc	20,000,000	0.01%		Call	AA-	0.000%
National Westminster Bank Plc (RFB)	3,900,000	0.01%		Call	A	0.000%
MMF Aberdeen Standard Investments	15,000,000	0.01%		MMF	AAAm	
MMF Insight	1,500,000	0.00%		MMF	AAAm	
Dover District Council	6,000,000	0.12%	06/04/2021	06/07/2021	AA-	0.000%
Lloyds Bank Plc (RFB)	2,000,000	0.30%	07/07/2020	06/07/2021	A+	0.001%
Plymouth City Council	5,000,000	0.30%	14/10/2020	14/07/2021	AA-	0.001%
Ashford Borough Council	5,000,000	0.08%	20/01/2021	20/07/2021	AA-	0.001%
Lloyds Bank Plc (RFB)	5,000,000	0.30%	24/07/2020	23/07/2021	A+	0.003%
Conwy County Borough Council	5,000,000	0.07%	29/01/2021	29/07/2021	AA-	0.002%
DMO	5,000,000	0.01%	01/06/2021	30/07/2021	AA-	0.002%
Liverpool City Council	5,000,000	0.28%	30/10/2020	30/07/2021	AA-	0.002%
Slough Borough Council	5,000,000	0.25%	20/10/2020	20/08/2021	AA-	0.003%
Coventry Building Society	5,000,000	0.02%	15/06/2021	31/08/2021	A-	0.008%
DMO	3,000,000	0.01%	28/06/2021	31/08/2021	AA-	0.004%
National Westminster Bank Plc (RFB)	2,000,000	0.10%	06/04/2021	20/09/2021	A	0.011%
Santander UK PLC	15,000,000	0.40%		Call95	A	0.012%
Highland Council	5,000,000	0.30%	11/11/2020	11/10/2021	AA-	0.007%
Goldman Sachs International Bank	5,000,000	0.23%	04/05/2021	27/10/2021	A+	0.015%
Telford & Wrekin Council	3,000,000	0.33%	29/10/2020	27/10/2021	AA-	0.008%
Goldman Sachs International Bank	5,000,000	0.20%	18/05/2021	18/11/2021	A+	0.018%
Kingston Upon Hull City Council	5,000,000	0.06%	20/05/2021	22/11/2021	AA-	0.009%
Highland Council	5,000,000	0.28%	15/01/2021	23/11/2021	AA-	0.009%
Barclays Bank Plc (NRFB)	4,000,000	0.08%	30/06/2021	30/11/2021	A	0.020%
Nationwide Building Society	5,000,000	0.07%	09/06/2021	08/12/2021	A	0.021%
Nationwide Building Society	5,000,000	0.07%	15/06/2021	13/12/2021	A	0.021%
Plymouth City Council	5,000,000	0.11%	26/02/2021	26/01/2022	AA-	0.013%
National Westminster Bank Plc (RFB)	5,000,000	0.09%	05/02/2021	04/02/2022	A	0.028%
National Westminster Bank Plc (RFB)	2,000,000	0.13%	18/05/2021	18/02/2022	A	0.030%
Slough Borough Council	3,000,000	0.20%	12/04/2021	23/03/2022	AA-	0.017%
National Westminster Bank Plc (RFB)	5,000,000	0.16%	01/06/2021	31/05/2022	A	0.043%
Total Investments	£170,400,000	0.14%				0.010%

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.

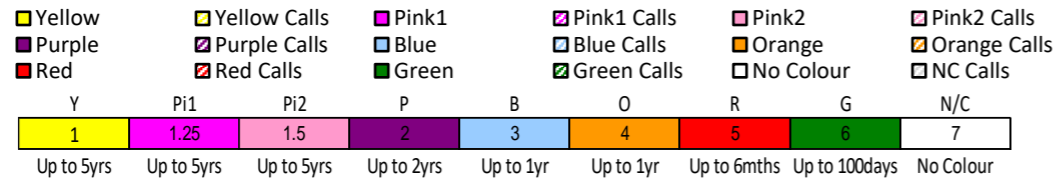
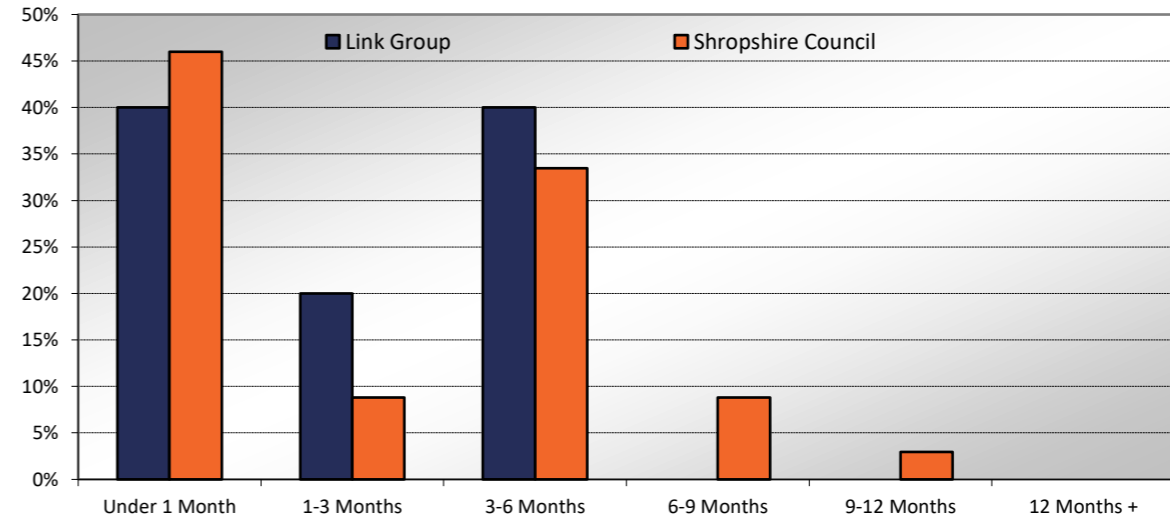
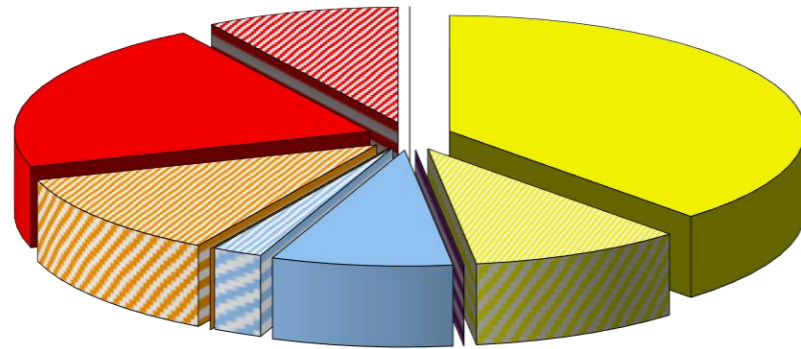
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Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest LT / Fund Rating	Historic Risk of Default
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Portfolio Composition by Link Group's Suggested Lending Criteria



Portfolios weighted average risk number = **2.76**

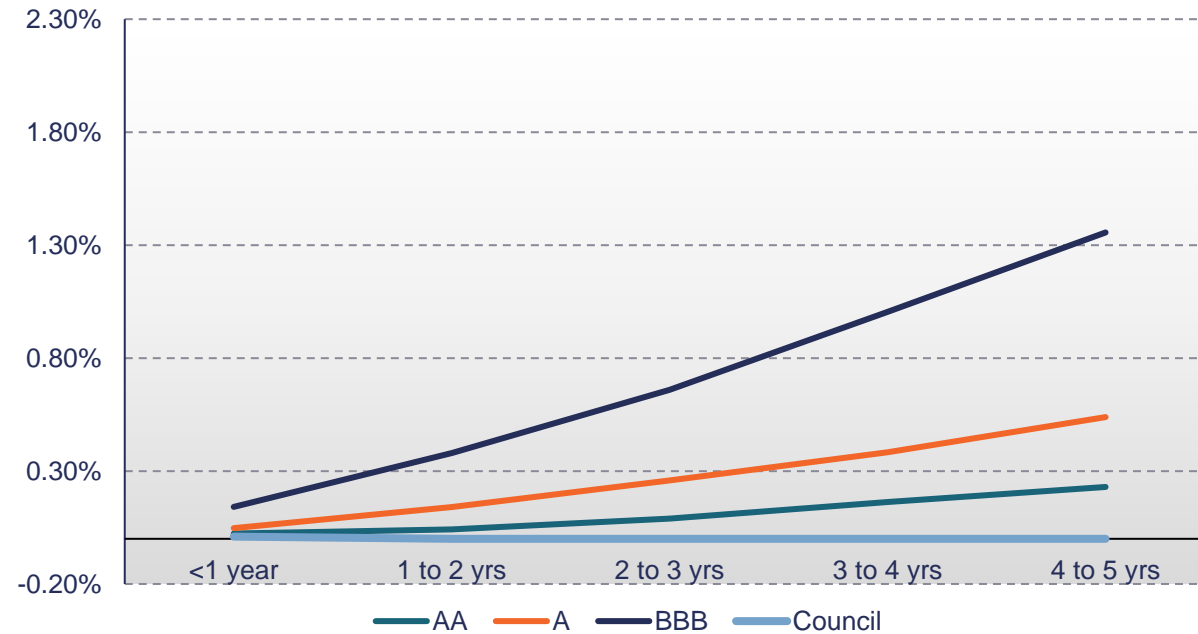
WARoR = Weighted Average Rate of Return
WAM = Weighted Average Time to Maturity

	% 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	47.83%	£81,500,000	20.25%	£16,500,000	9.68%	0.14%	65	185	81	231
Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Pink2	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Purple	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Blue	10.50%	£17,900,000	21.79%	£3,900,000	2.29%	0.10%	190	253	243	323
Orange	11.74%	£20,000,000	100.00%	£20,000,000	11.74%	0.01%	0	0	0	0
Red	29.93%	£51,000,000	29.41%	£15,000,000	8.80%	0.22%	106	168	111	199
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%	£170,400,000	32.51%	£55,400,000	32.51%	0.14%	83	165	110	232

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Investment Risk and Rating Exposure

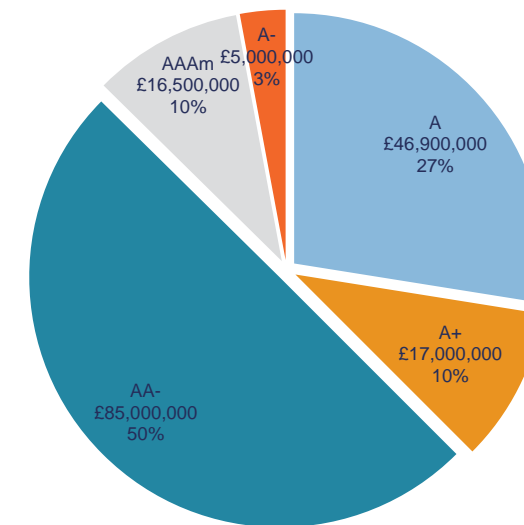
Investment Risk Vs. Rating Categories



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%	0.23%
A	0.05%	0.14%	0.26%	0.38%	0.54%
BBB	0.14%	0.38%	0.66%	1.01%	1.36%
Council	0.01%	0.00%	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
07/06/2021	1812	Bank of America N.A.	United States	The Long Term Rating was upgraded to 'AA' from 'AA-'. At the same time, the Viability Rating was upgraded to 'aa-' from 'a+'.
11/06/2021	1813	Danske Bank A/S	Denmark	The Outlook on the Long Term Rating was changed to Stable from Negative.
21/06/2021	1814	United Kingdom Sovereign	United Kingdom	The Outlook on the Sovereign Rating was changed to Stable from Negative.

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Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
				There were no rating changes to report.

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Monthly Credit Rating Changes S&P

Date	Update Number	Institution	Country	Rating Action
07/06/2021	1811	Australia and New Zealand Banking Group Ltd.	Australia	The Outlook on the Long Term Rating was changed to Stable from Negative.
07/06/2021	1811	Commonwealth Bank of Australia	Australia	The Outlook on the Long Term Rating was changed to Stable from Negative.
07/06/2021	1811	Macquarie Bank Ltd.	Australia	The Outlook on the Long Term Rating was changed to Stable from Negative.
07/06/2021	1811	National Bank of Australia Ltd.	Australia	The Outlook on the Long Term Rating was changed to Stable from Negative.
07/06/2021	1811	Westpac Banking Corp.	Australia	The Outlook on the Long Term Rating was changed to Stable from Negative.
24/06/2021	1815	Bank of Scotland Plc (RFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.
24/06/2021	1815	Barclays Bank PLC (NRFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Positive from Stable.
24/06/2021	1815	Barclays Bank PLC (RFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Positive from Stable.
24/06/2021	1815	Clydesdale Bank PLC	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.
24/06/2021	1815	Lloyds Bank Plc (RFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.
24/06/2021	1815	Lloyds Bank Corporate Markets 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 S&P

24/06/2021	1815	National Westminster Bank PLC (RFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.
24/06/2021	1815	NatWest Markets Plc (NRFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.
24/06/2021	1815	Nationwide Building Society	United Kingdom	The Outlook on the Long Term Rating was changed to Positive from Stable.
24/06/2021	1815	Santander Financial Services plc (NRFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.
24/06/2021	1815	Santander UK PLC	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.
24/06/2021	1815	The Royal Bank of Scotland Plc (RFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.
24/06/2021	1816	Landesbank Hessen-Thueringen Girozentrale	Germany	The Long Term Rating was downgraded to 'A-' from 'A' and the Short Term Rating was downgraded to 'A-2' from 'A-1'. At the same time, the Outlook on the Long Term Rating was changed to Stable from Negative.
25/06/2021	1817	Cooperatieve Rabobank U.A.	Netherlands	The Outlook on the Long Term Rating was changed to Stable from Negative.
25/06/2021	1818	BNP Paribas	France	The Outlook on the Long Term Rating was changed to Stable from Negative.
25/06/2021	1818	BNP Paribas Fortis	Belgium	The Outlook on the Long Term Rating was changed to Stable from Negative.
25/06/2021	1818	Credit Agricole Corporate and Investment Bank	France	The Outlook on the Long Term Rating was changed to Stable from Negative.
25/06/2021	1818	Credit Agricole S.A.	France	The Outlook on the Long Term Rating was changed to Stable from Negative.

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Monthly Credit Rating Changes S&P

25/06/2021	1818	Credit Industriel et Commercial	France	The Outlook on the Long Term Rating was changed to Stable from Negative.
25/06/2021	1818	Societe Generale	France	The Outlook on the Long Term Rating was changed to Stable from Negative.
25/06/2021	1819	DZ BANK AG Deutsche Zentral-Genossenschaftsbank	Germany	The Long Term Rating was downgraded to 'A+' from 'AA-' and the Short Term Rating was downgraded to 'A-1' from 'A-1+'. At the same time, the Outlook on the Long Term Rating was changed to Stable from Negative.

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