

June 2025

## Australian Commonwealth Government Bond 2054 (ACGB 2054)

By Luke Hunter

We see compelling value in the Australian Commonwealth Government Bond 2054 (AU0000300535), particularly in the current macro environment. Trading below par, this bond offers a timely opportunity to position for capital appreciation over the next 12-18 months.

With a 4.75% coupon and a maturity date in April 2054, the ACGB 2054 is particularly sensitive to movements in long-end yields. For investors seeking exposure to duration with the potential for mark-to-market gains in a moderating inflation environment, this bond may be worth considering.

The Reserve Bank of Australia has begun its easing cycle, and both market pricing and guidance suggest a continued, gradual path lower for rates. While underlying inflation has moderated, consumer expectations rose to 5.0% in June – the highest since mid-2023 – largely driven by the phase-out of energy subsidies and ongoing labour market tightness. That said, the RBA's preferred core inflation measure (trimmed-mean CPI) remains within the 2-3% target range, sitting at 2.9%, its lowest reading since late 2021.

The RBA has also noted heightened uncertainty in global trade policy, which could exert disinflationary pressure over the medium term. Despite near-term volatility, current market pricing continues to anticipate a cash rate closer to 3.35% by mid-2026.

Taken together, the backdrop of shorter-term inflation uncertainty and longer-term easing expectations may present a constructive setting for long-duration government bonds. In this context, some investors may see value in strategies aimed at capturing potential price gains as long-end yields moderate.

**Tick Value Today:** ~\$0.16 per basis point

Why the tick value matters:

- A 1 basis point drop in yield adds around \$153 per \$100k invested
- A 50bps drop could lift the bond price to ~\$106.21, a capital gain of ~\$8,068, plus the 4.75% coupon
- This is a tactical position, not buy-and-hold – the aim is to sell before maturity and capture mark-to-market gains

The Macro View:

- Inflation in Australia is trending lower, with the RBA forecasting a return to its 2-3% target
- Consumer expectations and recent rate cuts support the case for lower long-term yields

- Lower inflation expectations → Lower yields → Higher bond prices
- Market forecasting cash rate to fall to 3.35 – 3.35% by mid-2026.

For investors aiming to tactically position for potential declines in long-end yields, while looking through short-term inflation volatility, the ACGB 2054 presents an attractive entry point. Trading below par, it offers meaningful capital upside if yields compress, along with strong diversification benefits. This opportunity is best suited to a 12-18 month investment horizon, with a view to exit well before maturity.

	Buy
<b>Issuer:</b>	AUSTRALIAN GOVERNMENT
<b>ISIN:</b>	AU0000300535
<b>Security Name:</b>	ACGB 4 3/4 06/21/54
<b>Payment Rank:</b>	Sr Unsecured
<b>Rating:</b>	AAA
<b>Sector:</b>	Government
<b>Coupon Type:</b>	FIXED
<b>Coupon:</b>	4.750%
<b>Next Coupon Date:</b>	15-Sep-25
<b>Maturity Date:</b>	21-Jun-54
<b>Yield:</b>	4.8698%
<b>Running Yield:</b>	4.8395%
<b>Face Value:</b>	100,000
<b>Capital Price:</b>	98.150
<b>Consideration:</b>	98,150.00
<b>Accrued Interest:</b>	-26.00
<b>Total Consideration:</b>	98,124.00

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