

# Consolidated Investment Report

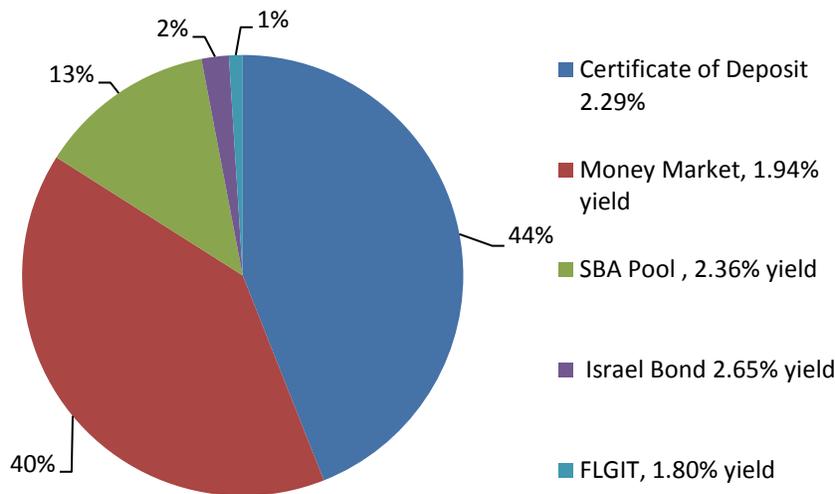
December 2019



As Palm Beach County's Chief Financial Officer, the Clerk & Comptroller is charged with safeguarding and investing all County funds. The Clerk's management of the fixed income portfolio is in accordance with regulations set forth in Palm Beach County's Investment Policy. The County Investment Policy is very specific in terms of its stated investment objectives. The primary objective of the policy is to prevent any loss of principal and, secondarily, to meet the County's expenditures. After meeting these two objectives, the Clerk actively seeks opportunities to maximize investment income.

**SHARON R. BOCK**  
Clerk & Comptroller  
Palm Beach County

## Portfolio Allocation December 31, 2019



## Performance

### Total Return

Fiscal Year to Date	0.64%
Prior Month	0.16%
Prior Quarter	0.64%
Prior Year	2.86%*
Prior 3 Years	2.11%*
Prior 5 Years	1.85%*
Prior 8 Years	1.53%*

\*figures annualized

## Portfolio Statistics

	December '19	November '19	October '19	September '19	August '19	July '19
Month-end Market Value	\$2,648,040,843.68	\$1,894,612,043.10	\$1,861,617,158.86	\$1,975,577,637.74	\$1,938,856,465.75	\$2,108,518,998.55
Book Value	\$2,645,219,013.48	\$1,891,718,102.37	\$1,858,670,884.94	\$1,972,555,708.97	\$1,935,463,250.15	\$2,105,176,290.15
Unrealized Gain/Loss	\$2,821,830.20	\$2,893,940.73	\$2,946,273.91	\$3,021,928.77	\$3,393,215.60	\$3,342,708.09
Book Yield	2.165%	2.203%	2.261%	2.495%	2.661%	2.788%
Market Yield	2.156%	2.196%	2.250%	2.472%	2.697%	2.753%
Effective Duration	0.548 years	0.719 years	0.639 years	0.437 years	0.468 years	0.400 years
Convexity	0.158	0.309	0.356	0.447	0.501	0.301
Average Credit Rating	AA+/Aa1/AA+	AA+/Aa1/AA+	AA+/Aa1/AA+	AA+/Aa1/AA+	AA+/Aa1/AA+	AA+/Aa1/AA+

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## Portfolio Income

	December '19	November '19	October '19	September '19	August '19	July '19
<b>Interest Income (FYTD)</b>	\$11,971,156.97	\$7,317,559.72	\$4,290,722.54	\$57,888,632.23	\$53,820,787.49	\$41,754,126.71
<b>Investment Income (FYTD)</b>	11,601,706.56	\$7,058,723.15	\$4,086,817.67	\$59,803,124.21	\$56,614,971.55	\$50,491,110.78
<b>Interest Income (current month)</b>	\$4,653,597.24	\$3,026,837.18	\$4,290,722.54	\$3,567,844.74	\$6,066,660.78	\$4,143,353.35

## December 2019 Economic Overview

During December, the 10 year Treasury note yield rose to 1.98% at month-end vs. the 1.78% close at the end of November while the 2 year Treasury note fell to 1.57% at month-end vs. the 1.62% close at end of October. The Dow Jones Industrial Average ended December at 28,538 vs. a close of 28,051 at the end of November. News in December included the Fed's December 11 decision to leave rates unchanged (Fed Funds Target Range of 1.50% to 1.75%), the announcement that a phase one trade deal would be signed on January 15, 2020, and the election victory of U.K. PM Boris Johnson.

### Consumers:

November's nonfarm payroll jobs increased a larger than expected 266,000 with upward revisions of 41,000 jobs. The unemployment rate fell to 3.5%. Job openings rose more than expected, personal income beat estimates, and both consumer confidence measures improved as 2019 ended. However, November's retail sales report was soft and initial jobless claims hit a two-year high in early December. The personal spending numbers were stronger than the retail sales numbers. Overall, income gains and a strong job market seem likely to keep consumers spending.

### Business:

Business investment remained weak. Both ISM indexes fell more than expected in November. Capital goods orders met expectations for a small 0.1% gain but shipments contracted. The regional Fed surveys were mixed but the balance indicated weaker activity. The Markit PMIs showed slight improvement in services but stable manufacturing. The small business optimism survey improved more than expected.



## **International:**

The overall trade deficit shrank more than expected in October and an early reading for November showed the goods deficit continued to decline. The advance goods trade deficit shrank to a three-year low as imports declined and exports were marginally higher.

## **Inflation:**

Inflation pressure remained contained at the end of 2019. The central bank's preferred inflation measure, the core PCE Deflator, slipped to a 1.6% year over year rate in November, below the Fed's 2.0% target.

## **Housing:**

The housing reports were mixed but the overall trend continued to suggest that lower mortgage rates are spurring activity. Builder confidence and new building permits improved to new highs in this cycle.

## **Monetary Policy:**

Fed officials have indicated that monetary policy is on hold pending new economic evidence which alters the Fed's economic forecast. Inflation would have to be above 2% for a sustained period to produce a rate hike. The economic numbers would have to get substantially weaker to prompt a rate cut due to the low level of unemployment and the buoyant stock market.

## **Bottom Line:**

At the end of December, the Dow Jones Industrial Average was solidly above its 200 day average keeping stocks in a long term uptrend. The Federal Reserve has cut rates three times to spur economic growth and maintain full employment with low inflation. The implied forecast of current financial market trends of lower bond yields, lower short term interest rates, and higher stock prices suggests modest economic growth ahead with contained inflation.



# U.S. Treasury Yield Curve

