

# Consolidated Investment Report

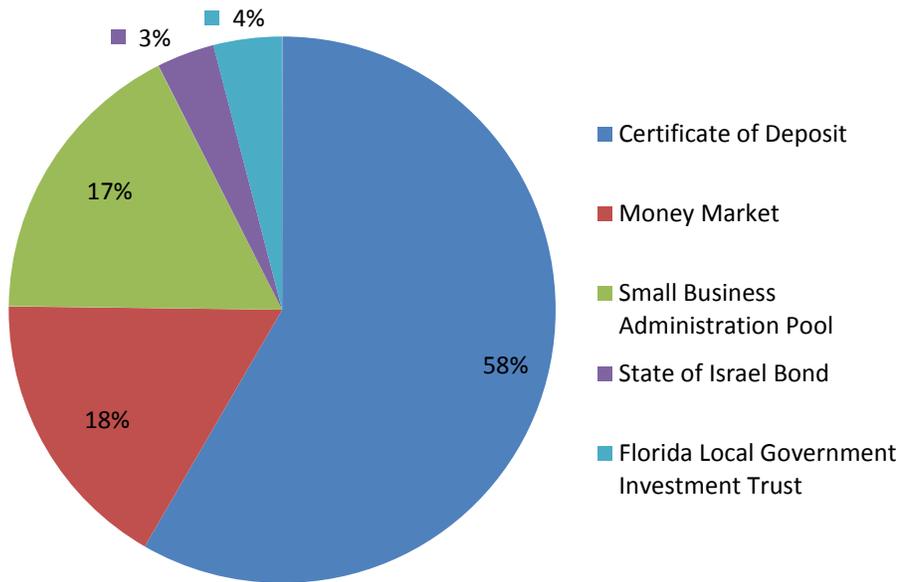
June 2015



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 June 30, 2015



## Performance

### Total Return

Fiscal Year to Date	1.03%
Prior Month	0.13%
Prior Quarter	0.34%
Prior Year	1.24%*
Prior 3 Years	1.05%*
Prior 5 Years	2.31%*
Prior 8 Years	3.65%*

\*figures annualized

## Portfolio Statistics

	June '15	May '15	April '15	March '15	February '15	January '15
Month-end Market Value	\$1,270,204,407	\$1,264,390,651	\$1,455,368,328	\$1,448,424,468	\$1,517,753,272	\$1,526,013,520
Book Value	\$1,259,351,800	\$1,252,990,552	\$1,444,152,728	\$1,437,201,347	\$1,507,367,601	\$1,515,964,931
Unrealized Gain/Loss	\$10,852,607	\$11,400,099	\$11,215,600	\$11,223,121	\$11,090,489	\$10,748,924
Book Yield	1.801%	1.798%	1.612%	1.602%	1.543%	1.492%
Market Yield	1.596%	1.588%	1.455%	1.446%	1.394%	1.271%
Effective Duration	.47 years	.47 years	.42 years	.44 years	.44 years	.41 years
Convexity	0.245	0.296	.271	.248	.16	.21
Average Credit Rating	AA+/Aa1/AA+	AA+/Aa1/AA+	AA+/Aa1/AA+	AA+/Aa1/AA+	AA+/Aa1/AA+	AAA/Aaa/AAA

[www.mypalmbeachclerk.com/investments](http://www.mypalmbeachclerk.com/investments)



## Portfolio Income

	June '15	May '15	April '15	March '15	February '15	January '15
Interest Income (FYTD)	\$17,397,840.43	\$15,251,102	\$13,879,668	\$11,881,271	\$9,075,314	\$7,137,040
Investment Income (FYTD)	\$14,489,773.47	\$13,189,725	\$11,522,333	\$9,877,258	\$7,927,532	\$6,156,654
Interest Income (current month)	\$2,146,738	\$2,061,434	\$1,998,397	\$2,115,957	\$1,938,274	\$1,966,191

## Economic Overview

### Consumers:

April personal income rose 0.4% vs. no change in March while spending was unchanged in April vs. a revised 0.5% gain in March. The savings rate rose to 5.6% of income in April vs. March's 5.2% rate. Adjusting spending for inflation, which creates the numbers used to calculate the gross domestic product, spending was little changed in April after a 0.4% increase in March.

May nonfarm payroll jobs rose a seasonally adjusted 280,000, led by gains in professional and business services, leisure and hospitality, and health care. Revisions showed employers added 221,000 jobs in April, down from an originally reported 223,000. March's Payroll gain of 119,000 was revised up from the original 85,000 reported. The three-month average of 207,000 job gains equals the monthly average increase of 200,000 in nonfarm payroll jobs since 2012. The unemployment rate was 5.5% vs. 5.4% in April as more workers joined the work force looking for jobs. May average hourly earnings rose 0.3% vs. 0.1% in April for an annual 2.3% May gain vs. the annual 2.2% rise in April. The May increase matched the high in 2011 but remained far below the 3.5% annual average hourly earnings gains seen in the expansion prior to the Great Recession. The broad measure of unemployment that includes workers stuck in part-time jobs or too discouraged to look for work was unchanged in May at 10.8%. The Labor Force Participation Rate, the share of workers with jobs or looking for work, remained historically weak in May at 62.9% vs. 62.8% in April. The average workweek was unchanged at 34.5 hours suggesting little growth in labor demand.

April consumer borrowing increased \$20.5 billion, more than expected, vs. the revised \$21.3 billion increase in March (originally a gain of \$20.5 billion). Revolving debt, which includes credit cards, rose by \$8.6 billion in April after a \$4.9 billion advance in March. Non-revolving debt, for college tuition, light vehicles, and mobile homes, increased \$11.9 billion, the smallest gain since November 2013. Lending by the federal government, mainly for student loans, rose by \$1.6 billion before seasonal adjustments.

May light vehicle sales increase to an annualized rate 17.71 million vs. last month's 16.46 million rate. The May sales rate was the highest in 9 years. The average new vehicle price was a record \$33,000 and the average new vehicle loan maturity was a record long 67.9 months. The average vehicle age on the road in the U.S. remains 11.4 years.



### **Inflation:**

The April price measure based on the personal consumption expenditures index was unchanged from the prior month and was up 0.1% year-over-year for the smallest such gain since October 2009. The core price measure, excluding food and energy, rose 0.1% from the prior month and was up 1.2% from a year ago. The so-called core PCE Deflator is the Fed's preferred inflation gauge and has not been above the central bank's target of 2% since March 2012.

### **Business:**

U.S. April construction spending rose 2.2%, above expectations, vs. March's revised 0.5% increase. The May ISM Manufacturing Index increased to 52.8 vs. 51.5 in April and above expectations, the first monthly increase in the index since last October. New orders and backlogged order rose while export orders declined. U.S. April new factory goods orders fell 0.4% vs. estimates for a 0.1% decline and the revised March gain of 2.2%. April capital goods non-defense ex aircraft orders fell 0.3% after rising 1.6% in March. The Institute for Supply Management's non-manufacturing index, which includes an array of industries from real estate to dining, declined to 55.7 vs. April's 57.8. Readings above 50 indicate expansion, but the May level was below expectations and the lowest in 13 months. Orders and employment indexes fell but were above 50.

Worker productivity declined at a 3.1% annualized rate in the first quarter, revised down from the prior estimate of a 1.9% drop. That decline followed a drop of 2.1% in the fourth quarter, for the largest consecutive quarterly declines since 1993. Labor costs, adjusted for productivity, rose at a 6.7% annualized rate in the first quarter, which followed a 5.6% increase in the fourth quarter, for the biggest back-to-back gains in costs since the six months ending in March 2007.

### **Exports:**

The April trade deficit declined to a -\$40.9 billion vs. March's -\$50.6 billion. April imports declined 3.3% month-over-month and exports rose 1% vs. March, as the impact of the West Coast ports shutdown diminished. Higher exports will add to U.S. 2<sup>nd</sup> quarter GDP growth.

### **News:**

Greece delayed a 6/5/15 IMF debt payment and will bundle all June debt payments into a 1.5 billion euro payment on 6/30/15. Greece is still fighting with its creditors over pension reforms and tax increases to produce a "primary budget surplus" which excludes interest expense in order to get 7.2 billion euros to continue funding the government. Fighting intensified in eastern Ukraine. OPEC will not change production quotas to support weak oil prices. The IMF lowered its real GDP forecast for the U.S. to 2.4% growth in 2015 vs. April's forecast of 3.1% growth rate. The IMF also urged the Fed to wait until 2016 to raise rates due to the subpar U.S. expansion.



# U.S. Treasury Yield Curve

