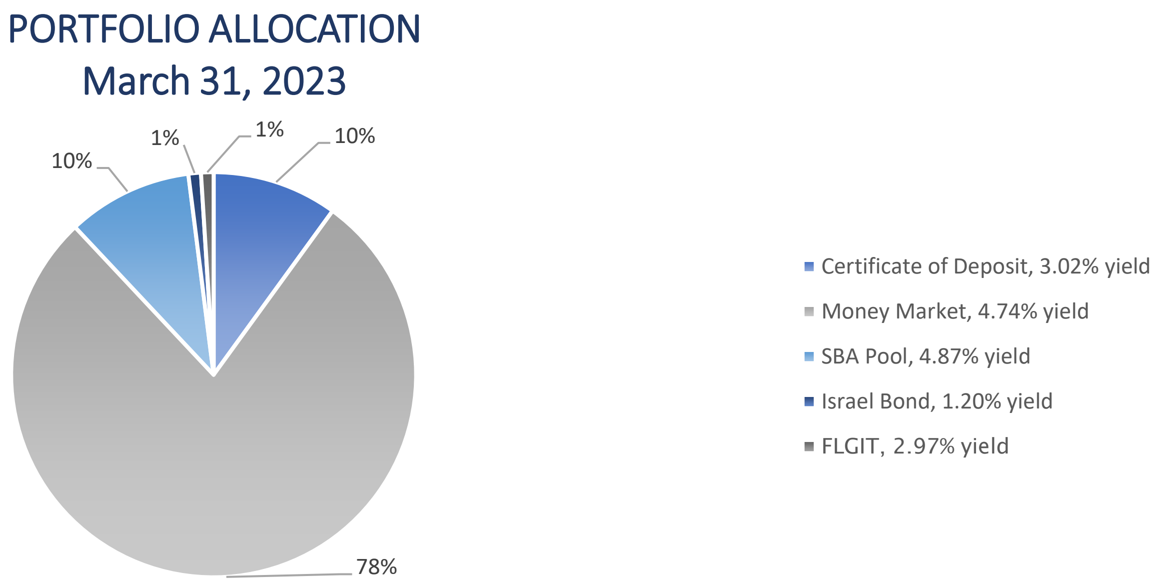
Investment Report

March 31, 2023

JOSEPH ABRUZZO
CLERK OF THE CIRCUIT COURT & COMPTROLLER
PALM BEACH COUNTY

As Palm Beach County's Chief Financial Officer, the Clerk is charged with safeguarding and investing all County funds. The County Investment Policy is specific in its stated investment objectives. The primary objective is to prevent any loss of principal and meet the County's expenditures. After meeting these two objectives, the Clerk seeks opportunities to maximize investment income.



Portfolio Statistics

Month	March '23	February '23	January '23
Month-end Market Value	$3,950,850,262	$4,011,575,470	$4,006,296,849
Book Value	$3,948,421,936	$4,008,983,509	$4,003,318,695
Unrealized Gain/Loss	$2,428,926	$2,591,961	$2,978,154
Book Yield	4.68%	4.50%	4.30%
Market Yield	4.67%	4.49%	4.29%
Effective Duration	0.2 years	0.2 years	0.2 years
Average Credit Rating	AA+/Aa2/AA+	AA+/Aa2/AA+	AA+/Aa2/AA+

JOSEPH ABRUZZO
CLERK OF THE CIRCUIT COURT & COMPTROLLER
PALM BEACH COUNTY

Portfolio Income

	Mar. '23	Feb. '23	Jan. '23
Interest Income (FYTD)	$73,745,347	$58,196,663	$44,123,856
Investment Income (FYTD)	$72,528,645	$57,162,884	$43,488,886
Interest Income (current month)	$15,548,683	$14,072,778	$14,654,306

March 2023 Economic & Market Overview

Treasury yields fell in March after closing higher in February. The 10-year Treasury note yield fell to 3.47% at the end of March vs. the 3.92% close at the end of February, while the 2-year Treasury note fell to 4.20% at the end of March vs. the 4.82% close at end of February.

Stocks rose in March after ending lower in February. Beginning at 3970.15 at the end of February, the S&P 500 Index rose 3.51% to 4109.31 at the end of February, still above its 200-day moving average of 3936.

Consumer

February nonfarm payrolls increased by 311,000 workers, beating expectations (est. 225,000). The unemployment rate rose to 3.6% and average hourly earnings increased 4.6% year-over-year vs. January's annual gain of 4.4%.

Consumer spending rose 0.2% in February (est. 0.3%) vs. the 2.0% increase in January. Year-over-year, February consumer spending increased 7.6% and personal income rose 6.2%.

The March University of Michigan Consumer Sentiment Index dropped to 62.0, a three-month low,

The March Conference Board Consumer Confidence Index rose to 104.2, a two-month high.

Year-over-year, February retail sales rose at a 5.4% rate vs. an annual 7.7% rise in January.

Total vehicle sales dropped to a 14.89 million annualized unit sales pace in February (est. 14.68 million) vs. the 15.74 million annual sales rate in January.

This sector is strong enough to keep the Fed on a rate-hike path. The unemployment rate remains very low.

JOSEPH ABRUZZO
CLERK OF THE CIRCUIT COURT & COMPTROLLER
PALM BEACH COUNTY

Business

The February ISM Manufacturing Index rose to 47.7 (est. 48.0) vs. 47.4 in January, the fourth consecutive month signaling contraction (a reading below 50).

The February ISM Services Index slipped to 55.1 (est. 54.5), a two-month low vs. 55.2.

The February Conference Board Leading Economic Indicators Index fell 0.3%, as expected, following a 0.8% decline in January.

Durable goods orders fell 1.0% (est. up 0.2%) in February vs. a 5.0% decline in January. Year-over-year, headline orders rose 2.3% in February, down from the 2.5% annual gain in January.

Capital goods orders excluding aircraft and defense, a proxy for business investment, rose 0.2% in February vs. a 0.3% gain in January. Year-over-year business investment increased 4.3%, up from the 3.9% annual gain at the start of the year.

February industrial production was flat (est. 0.2%) vs. a 0.3% gain in January.

International

The European Central Bank raised its rates 0.50% on March 16, 2023, bringing the deposit rate up to 3.00%, the marginal lending facility to 3.75%, and the main refinancing rate to 3.50%. This was the sixth increase totaling 3.50 percentage points since July.

The Swiss National Bank raised rates by 0.50%, bringing its key lending rate to 1.50% vs. 1.00% just days after the fallout over the Credit Suisse crisis.

The Bank of England raised rates 0.25% to 4.25% in March for the eleventh increase since 2021.

Inflation

The February Consumer Price Index rose 0.4% in February, as expected, vs. a 0.5% increase in January. Year-over-year, consumer prices rose 6.0%, down from the 6.4% annual pace reported in January. It was the eighth consecutive month of slowing inflation.

In February, core, ex-food & energy, CPI rose 5.5% year-over-year, down from the 5.6% annual increase in January.

The February Core, ex-food & energy, Personal Consumption Expenditure Deflator rose to 4.6% year-over-year vs. the annual increase of 4.7% in January. This is the Fed's preferred inflation gauge and is still above the 2.0% inflation target.

Elevated inflation measures provide evidence for more Fed rate hikes even as they show some improvement.

Government

Silicon Valley Bank became the second largest bank failure in the U.S. banking system after Washington Mutual's failure in 2008 (approximately $209 billion in assets vs. $307 billion in assets). Officials took the failed institution into conservatorship and guaranteed deposits falling outside of the FDIC insurance of $250,000.

Treasury Secretary Janet Yellen reassured officials in Washington that with the fast action taken by the Fed and Treasury a larger crisis was avoided. She said the banking system remains sound.

Treasury is researching ways to guarantee all bank deposits if banking system problems create a financial crisis.

The debt ceiling must be increased by early June to avoid a debt default for the U.S. Treasury. It has increased 78 times since 1960. The ceiling is currently at $31.4 trillion. The 14th Amendment to the Constitution requires that all U.S. debt must be paid.

More defense spending to support the Ukraine War will add to the federal deficit which could spark inflation.

Housing

The March NAHB Home Builder Confidence Index unexpectedly rose to 44, a six-month high, vs. 42 in February.

February existing home sales jumped 14.5% (est.5.0%) to a 4.58 million annualized pace, the largest gain since July 2020 and the highest level since September. Year-over-year, existing home sales declined 22.7% in February, the 19th consecutive month of decline.

February new home sales unexpectedly rose 1.1% (est. 3.1%) to 640,000 annualized, a six-month high, vs. 633,000 the prior month. Over the past 12 months, however, sales fell 19%, the twelfth consecutive month of decline.

The January S&P Case-Shiller 20-City Home Price index fell 0.43%, the seventh consecutive month of decline but rose 2.6% over the past 12 months, down from the 4.6% annual increase in December.

February housing starts rose 9.8% (est. 0.1%), to 1.45 million annualized, the first monthly gain since August and a five-month high, vs. the 1.321 million in January.

The interest-rate-sensitive housing sector seems to be stabilizing at slower growth levels.

Monetary Policy

Fed officials raised the Fed Funds Target Range to 4.75% to 5.0% and indicated that additional policy firming might be necessary depending on the economic data. Translation: Higher rates ahead.

Bottom Line

At the end of March, the S&P 500 Index was above its 200-day average (3936) keeping stocks in a long-term uptrend. The stock market is anticipating a mild recession and a Fed pivot to lower rates.

The 2-year Treasury note yield remained above its 200-day average of 3.98% to stay in a long-term uptrend. The 10-year Treasury note yield was slightly below its 200-day average of 3.50% despite the prospect of more Fed rate hikes and higher inflation. However, when short term interest rates are higher than long term rates, the fixed income market is anticipating higher rates in the near term but a recession and Fed rate cuts in the future.

JOSEPH ABRUZZO
CLERK OF THE CIRCUIT COURT & COMPTROLLER
PALM BEACH COUNTY

Currently the yield curve is inverted reflecting the Fed rate hike plan to fight inflation. The bond market expects the Fed will succeed in controlling inflation.

Investment Report
March 31, 2023

JOSEPH ABRUZZO
CLERK OF THE CIRCUIT COURT & COMPTROLLER
PALM BEACH COUNTY