

# Investment Report

April 30, 2023

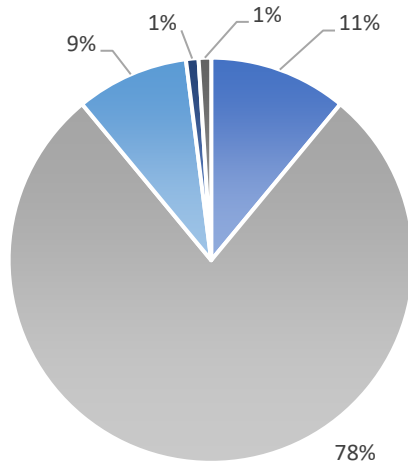


**JOSEPH ABRUZZO**  
CLERK OF THE CIRCUIT COURT & COMPTROLLER  
PALM BEACH COUNTY

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 ALLOCATION

April 30, 2023



- Certificate of Deposit, 3.02% yield
- Money Market, 4.98% yield
- SBA Pool, 5.10% yield
- Israel Bond, 1.20% yield
- FLGIT, 3.46% yield

## Portfolio Statistics

Month	April '23	March '23	February '23
Month-end Market Value	\$3,949,945,369	\$3,950,850,262	\$4,011,575,470
Book Value	\$3,947,577,816	\$3,948,421,936	\$4,008,983,509
Unrealized Gain/Loss	\$2,387,522	\$2,428,926	\$2,591,961
Book Yield	4.73%	4.68%	4.50%
Market Yield	4.72%	4.67%	4.49%
Effective Duration	0.2 years	0.2 years	0.2 years
Average Credit Rating	AA+/Aa2/AA+	AA+/Aa2/AA+	AA+/Aa2/AA+

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## Portfolio Income

	Apr. '23	Mar. '23	Feb. '23
Interest Income (FYTD)	\$89,253,793	\$73,745,347	\$58,196,663
Investment Income (FYTD)	\$87,978,301	\$72,528,645	\$57,162,884
Interest Income (current month)	\$15,506,446	\$15,548,683	\$14,072,778

## April 2023 Economic & Market Overview

Treasury yields fell in April after closing lower in March. The 10-year Treasury note yield fell to 3.42% at the end of April vs. the 3.47% close at the end of March, while the 2-year Treasury note fell to 4.00% at the end of April vs. the 4.03% close at end of March.

Stocks rose in April after ending higher in March. Beginning at 4109.31 at the end of March, the S&P 500 Index rose 1.46% to 4169.48 at the end of April, still above its 200-day moving average of 3965.

## Consumer

March nonfarm payrolls increased by 236,000 workers, beating expectations (est. 230,000). The unemployment rate fell to 3.5% and average hourly earnings increased 4.2% year-over-year vs. February's annual gain of 4.6%.

Personal income rose 0.3% in March (est. up 0.2%) vs. a 0.3% gain in February. Consumer spending was flat in March, (est. down 0.1%) vs. a 0.1% increase in February. Year-over-year, consumer spending increased 6.2% and personal income rose 6.0%.

The April University of Michigan Consumer Sentiment Index rose to 63.5, a two-month high, vs. March's 62.0 reading.

The April Conference Board Consumer Confidence Index declined to 101.3, a nine-month low.

Year-over-year, March retail sales rose at a 2.9% rate, down from a 5.9% annual gain in February.

Total vehicle sales dropped to a 14.82 million annualized unit sales pace in March (est. 14.50 million), the lowest since December.

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

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## Business

The March ISM Manufacturing Index declined to 46.3, more than expected, vs. 47.7 in February, the fifth consecutive month signaling contraction (a reading below 50). The March reading was the lowest since May 2020.

The March ISM Services Index slipped to 51.2 (est. 54.4), a three-month low, vs. 55.1 in February.

The March Conference Board Leading Economic Indicators Index fell 1.2%, est. down 0.7%), following a 0.5% decline in February.

Durable goods orders rose 3.2% in March (est. up 0.7%), the largest monthly gain since December. Year-over-year, headline orders rose 4.6% in March, up from the 2.0% annual increase in February.

Capital goods orders excluding aircraft and defense, a proxy for business investment, fell 0.4% in March vs. a 0.7% decline in February. Year-over-year business investment increased 2.0%, down from the 3.6% annual gain in February.

March industrial production increased 0.4% (est. 0.2%) vs. a 0.2% gain in February.

## International

The latest inflation report in the U.K. showed the Consumer Price Index rose 10.1% year-over-year in March vs, the annual 10.4% February gain.

Chinese manufacturing came under pressure despite the recent rollback of Covid-19 safety protocols. The Chinese Caixin manufacturing index fell to 50.0 in March, a two-month low, vs. 51.6 in February. There was also weakness in housing and consumer spending on large durable items.

The Reserve Bank of Australia decided to take a pause on rate hikes for now,

## Inflation

The Consumer Price Index rose 0.1% in March (est. 0.2%) vs. a gain of 0.4% in February. Year-over-year, consumer prices rose 5.0%, down from the 6.0% annual pace reported in February.

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

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The March core, ex-food & energy, Personal Consumption Expenditure Deflator rose to 4.6% year-over-year vs. the annual increase of 4.6% 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

The global economy may be heading for an extended period of lackluster growth under tighter monetary policy and less support from fiscal policy per the International Monetary Fund's forecast.

Treasury Secretary Janet Yellen downplayed the potential risks of the recent market turmoil. She repeated the official talking point that the banking sector is sound and resilient.

House Speaker Kevin McCarthy introduced the "Limit, Save, and Grow Act" as a solution to the debt-ceiling imbroglio. The bill aims to limit Federal spending and reduce the budget deficit by \$4.5 trillion over the next ten years by cutting discretionary spending back to last year's levels and capping future growth in spending at 1% a year for the next decade.

President Biden announced that he will officially seek a second term as President.

The debt ceiling debate continues with little progress in sight. However, a deal always gets done.

## Housing

The April NAHB Home Builder Confidence Index rose to 45, a six-month high, vs. 44 in March.

March existing home sales declined 2.4% to a 4.44 million annualized pace, a two-month low. Year-over-year, existing home sales declined 22% in March, the 20<sup>th</sup> consecutive month of decline.

March new home sales unexpectedly jumped 9.6% to 683,000 annualized, a one-year high, vs. 640,000 the prior month. Over the past 12 months, however, sales fell 3.4%, the thirteenth consecutive month of decline.

The February S&P Case-Shiller 20-City Home Price index unexpectedly rose 0.06%, following seven consecutive months of decline. Over the past 12 months, the 20-city index rose just 0.04%, down from the 2.6% annual gain in January.

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March housing starts fell 0.8% (est. down 3.5%) to an annual pace of 1.420 million, a two-month low, vs. February's 1.45 million annualized.

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

## Monetary Policy

Fed officials continue to indicate that additional policy firming might be necessary depending on the economic data. Translation: Higher rates ahead.

## Bottom Line

At the end of April, the S&P 500 Index was above its 200-day average (3965) putting 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 just below its 200-day average of 4.07% to stay in a long-term downtrend. The 10-year Treasury note yield was below its 200-day average of 3.53%. The downtrend in the yields of both the 2-year Treasury and the 10-year Treasury despite is occurring despite the prospect for more Fed rate hikes and higher inflation. When the Fed is hiking rates it is difficult for Treasury yields to stay in a down trend for long.

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.

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