

Investment Report

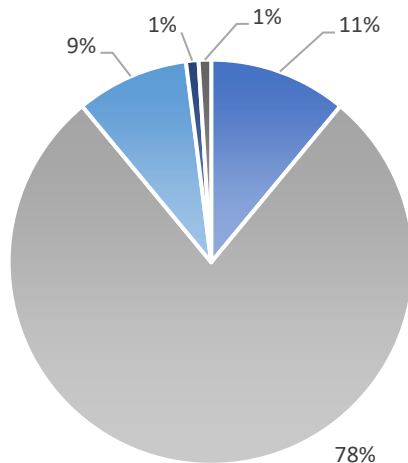
May 31, 2023



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 ALLOCATION May 31, 2023



- Certificate of Deposit, 3.02% yield
- Money Market, 5.23% yield
- SBA Pool, 5.24% yield
- Israel Bond, 1.20% yield
- FLGIT, 3.46% yield

Portfolio Statistics

Month	May '23	April '23	March '23
Month-end Market Value	\$4,003,320,501	\$3,949,945,369	\$3,950,850,262
Book Value	\$4,001,117,676	\$3,947,577,816	\$3,948,421,936
Unrealized Gain/Loss	\$2,202,824	\$2,387,522	\$2,428,926
Book Yield	4.94%	4.73%	4.68%
Market Yield	4.93%	4.72%	4.67%
Effective Duration	0.6 years	0.2 years	0.2 years
Average Credit Rating	AA+/Aa2/AA+	AA+/Aa2/AA+	AA+/Aa2/AA+

Investment Report

May 31, 2023



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

Portfolio Income

	May '23	Apr. '23	Mar. '23
Interest Income (FYTD)	\$104,710,872	\$89,253,793	\$73,745,347
Investment Income (FYTD)	\$103,241,580	\$87,978,301	\$72,528,884
Interest Income (current month)	\$15,457,079	\$15,506,446	\$15,548,683

May 2023 Economic & Market Overview

Treasury yields rose in May after closing lower in April. The 10-year Treasury note yield rose to 3.65% at the end of May vs. the 3.42% close at the end of April, while the 2-year Treasury note rose to 4.40% at the end of May vs. the 4.00% close at end of April.

Stocks rose in May after ending higher in April. Beginning at 4169.48 at the end of April, the S&P 500 Index rose 0.25% to 4179.83 at the end of May, still above its 200-day moving average of 3975.

Consumer

April nonfarm payrolls increased by 253,000 workers, beating expectations (est. 185,000). The unemployment rate unexpectedly fell to 3.4% in April, a three-month low. Average hourly earnings increased 4.4% year-over-year vs. March's annual gain of 4.3%.

Personal income rose 0.4% in April, as expected, vs. a 0.3% gain in March. Consumer spending jumped 0.8% in April (est. 0.5%) vs. a 0.1% gain in March. Year-over-year, consumer spending increased 6.7% and personal income rose 5.4%.

The May preliminary University of Michigan Consumer Sentiment Index fell to 57.7, a six-month low, vs. 63.5 in April.

The May Conference Board Consumer Confidence Index declined to 102.3 (est. 99.0), a six-month low. The April reading was 103.7.

Year-over-year, April retail sales rose at a 1.6% rate, down from a 2.9% annual gain in March.

Total vehicle sales rose to a 15.91 million annualized unit sales pace in April (est. 15.10 million), an almost two-year high. The annualized pace in March was 14.82 million.

Investment Report

May 31, 2023



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

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

Business

The April ISM Manufacturing Index rose to 47.1, more than the 46.8 reading expected, vs. 46.3 in March. It was the sixth consecutive month signaling contraction (a reading below 50).

The April ISM Services Index rose to 51.9, a two-month high, (est. 51.8), vs. 51.2 in March.

The April Conference Board Leading Economic Indicators Index fell 0.6% (est. down 0.6%), following a 1.2% decline in March.

Durable goods orders unexpectedly rose 1.1% in April (est. down 1.0%) vs. a 3.3% gain in March. Year-over-year, headline orders rose 4.2% in April, up from the 4.1% annual increase in March.

Capital goods orders excluding aircraft and defense, a proxy for business investment, rose 1.4% in April vs. a 0.6% decline in March. Year-over-year business investment increased 2.6%, up from the 1.8% annual gain in March.

April industrial production increased 0.5% vs. no change in March.

International

The U.S. March trade deficit narrowed 9.1% to \$64.2 billion (est. \$63.1 billion) vs. \$70.6 billion in February. Imports fell 0.3% while exports increased 2.1%.

Import prices rose 0.4% in April but declined 4.8% on a year-over-year basis. In March, import prices fell 0.8%. Export prices increased 0.2% in April vs. a 0.6% decline in March. On a year-over-year basis, export prices fell 5.9%.

As expected, the Bank of England raised rates 0.25% to 4.50% at its May meeting for the 12th consecutive rate increase putting rates to the highest level since 2008.

The European Central Bank increased rates 0.25% for a main refinancing rate of 3.75%. The marginal lending facility rate rose to 4.00% and the deposit facility rate hit 3.25%. The ECB said there are more hikes to come.

Investment Report

May 31, 2023



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

Inflation

The Consumer Price Index rose 0.4% in April (est. 0.4%) vs. a gain of 0.1% in March. Year-over-year, consumer prices rose 4.9%, down from the 5.0% annual pace reported in March and the 10th consecutive month of cooling prices.

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

The April core, ex-food & energy, Personal Consumption Expenditure Deflator rose to 4.7% year-over-year vs. the annual increase of 4.6% in March. 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

President Biden and Speaker McCarthy finally struck a deal to raise the debt ceiling avoiding a Treasury debt default.

The Treasury will continue to spend more than it takes in which will stimulate economic growth and put upward pressure on prices.

Housing

The May NAHB Home Builder Confidence Index rose to 50, a six-month high, vs. 45 in April, the highest reading since July 2022.

April existing home sales declined 3.4% (est. down 3.2%) to a 4.28 million annualized unit pace, a three-month low. Year-over-year, existing home sales declined 23% in April, the 21st consecutive month of decline.

April new home sales unexpectedly rose 4.1% (est. down 2.6%) to 683,000 annualized, the highest since March 2022. vs. 656,000 the prior month. Over the past 12 months sales jumped 11.8% after 13 consecutive months of decline.

Investment Report

May 31, 2023



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

The March S&P Case-Shiller 20-City Home Price index rose 0.45%, The largest monthly gain since May 2022. Over the past 12 months, the 20-city index declined 1.15%.

April housing starts unexpectedly rose 2.2% (est. down 1.4%) pushing the annual pace up to 1.40 million, a two-month high, vs. March's 1.37 million rate. Year-over-year starts were down 22.3% in April.

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. But the Fed hinted that a skip in rate hikes at the June 14, 2023, meeting might be necessary to allow time for rate hikes to slow the economy. Translation: Higher rates ahead after a possible "hawkish skip."

Bottom Line

At the end of May, the S&P 500 Index was above its 200-day average (3975) 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 above its 200-day average of 4.18% to stay in a long-term uptrend. The 10-year Treasury note yield was right on its 200-day average of 3.65%. The uptrend in the yield of in the 2-year Treasury and the almost-uptrend in the 10-year Treasury yield is consistent with the prospect for more Fed rate hikes and high inflation.

When the Fed is hiking rates, it is difficult for Treasury yields to stay in a down trend.



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

Investment Report

May 31, 2023

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.

