

Investment Report

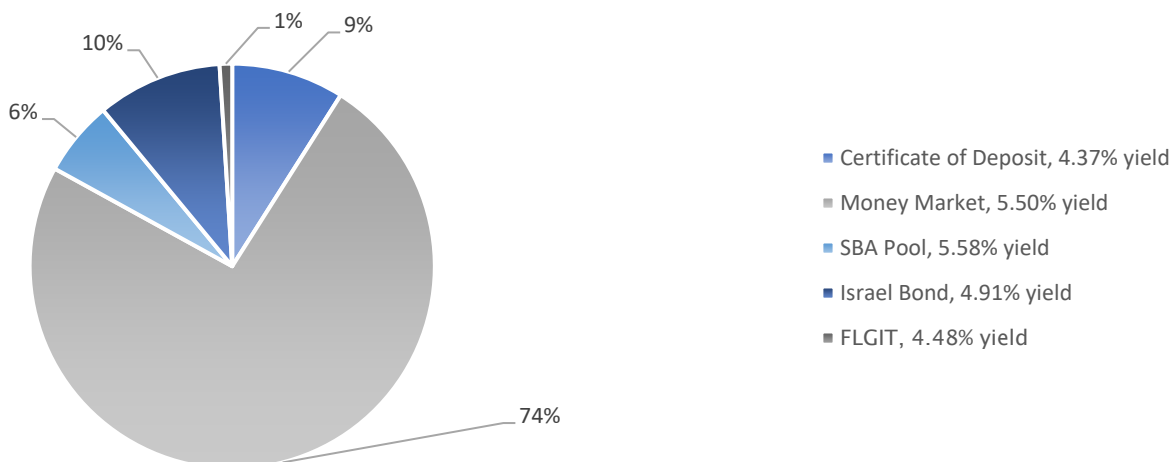
February 29, 2024



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 February 29, 2024



Portfolio Statistics

Month	Feb. '24	Jan. '24	Dec. '23
Month-end Market Value	\$4,713,439,740	\$4,635,334,894	\$4,770,056,344
Book Value	\$4,711,007,149	\$4,632,705,908	\$4,768,046,572
Unrealized Gain/Loss	\$2,432,590	\$2,628,986	\$2,009,772
Book Yield	5.26%	5.28%	5.27%
Market Yield	5.33%	5.27%	5.26%
Effective Duration	0.6 years	0.3 years	0.2 years
Average Credit Rating	AA+/Aa1/AA+	AA+/Aa1/AA+	AA+/Aa1/AA+

Investment Report

February 29, 2024



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

Portfolio Income

	Feb. '24	Jan. '24	Dec. '23
Interest Income (FYTD)	\$93,152,425	\$73,569,655	\$52,730,936
Investment Income (FYTD)	\$93,333,287	\$73,971,994	\$52,519,848
Interest Income (current month)	\$19,582,820	\$20,838,720	\$20,922,193

February 2024 Economic & Market Overview

Treasury yields rose in February after mixed performance in January. The 10-year Treasury note yield rose to 4.25% at the end of February vs. the 3.91% close at the end of January 2024, while the 2-year Treasury note increased to 4.62% at the end of February vs. the 4.21% close at end of January.

Stocks rose in February after rising in January. Beginning at 4845.65 at the end of January, the S&P 500 Index increased 5.17% to 5096.27 at the end of February, staying above its 200-day moving average of 4523.

Consumer

January nonfarm payrolls surged 353,000 workers, (est. 185,000) in an unusually noisy report (payroll population revisions) that also included 126,000 two-month revision; the 289,000 3-month average was the highest in 10 months.

The January unemployment rate stayed at 3.7%.

January average hourly earnings increased 4.7% year-over-year vs. a 4.5% annual gain in December.

Personal income rose 1.0% in January (est. 0.4%) vs. the 0.3% increase in December. Consumer spending increased 0.2% in January vs. a 0.7% gain in December. Year-over-year, consumer spending increased 4.5%, the weakest gain since February 2021, and personal income rose 4.8% in January after a similar gain in December.

Investment Report

February 29, 2024



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

The February University of Michigan Consumer Sentiment Index fell to 76.9 vs. 79.0 due to high inflation.

The February Conference Board Consumer Confidence Index fell to 106.7, a three-month low, vs. 110.9 in January.

Retail sales dropped 0.8% in January (est. down 0.2%), the largest monthly drop since February of last year. Year-over-year, retail sales rose 0.6% in January, down from the 5.3% annual increase in December and the weakest annual increase since May 2020.

Total vehicle sales declined to a 15.00 million annualized unit sales pace in January, (est. 15.70 million) and a ten-month low. Over the past 12 months, January vehicle sales fell 0.7%, the weakest annual pace since July 2022

The consumer sector is strong enough to keep the Fed on pause until consumers begin to curb spending. The unemployment rate remains very low and wage gains persist.

Business

The January ISM Manufacturing Index unexpectedly rose to 49.1 vs. 47.1 in December, for the 16th consecutive month of contraction (a reading below 50).

The January ISM Services Index rose to a reading of 53.4, a four-month high, (est. 52.0) vs. 50.5 in December.

The January Conference Board Leading Economic Indicators Index fell 0.4% (est. down 0.3%) vs. a 0.2% decrease in December. Over the past 12 months, the Leading Index fell 7%, the 19th consecutive month of decline.

Fourth quarter GDP was revised lower to a 3.2% annualized pace (originally 3.3%) in the second-round Q4 report.

January durable goods orders fell 6.1%, the largest monthly drop since April 2020, (est. down 5.0%) vs. a 5.5% rise in November. Year-over-year, headline durable goods orders fell 0.6% in January, the first annual decline since August 2020.

January capital goods orders, excluding aircraft and defense, a proxy for business investment, rose 0.1% in January vs. a 0.6% increase in December. Year-over-year business investment increased 0.1%, down from a 0.9% annual gain in December.

January industrial production fell 0.1% following a flat reading in December.

The services sector (90% of the economy) continues to expand while manufacturing is contracting under the pressure of rising interest rates.

Investment Report

February 29, 2024



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

International

The December U.S. trade deficit widened slightly to \$62.2 billion vs. \$61.9 billion November. For all of 2023, the annual deficit narrowed 19%, the most since 2009. The trade deficit with China shrank 27%, to the smallest level since 2010.

Import prices rose 0.8% in January vs. a 0.7% decline in December. Export prices also rose 0.8% in January following a 0.7% drop in December. Over the past 12 months, import prices slipped 1.3% and export prices decline 2.4%, up however from the 2.4% and 2.9% declines, respectively, in December.

The Bank of England kept its key rate at 5.25%.

Inflation

The Consumer Price Index rose 0.3% in January (est. 0.2%) following a 0.2% increase in December. Year-over-year, consumer prices rose 3.1% (est. 2.9%) vs. 3.4% in December.

Excluding food and energy, the core CPI rose 0.4% in January (est. 0.3%) following a 0.3% increase in December. Year-over-year the core CPI increased 3.9%, matching the 3.9% annual gain in December.

The January Core, ex-food & energy, Personal Consumption Expenditure Deflator rose 2.8% year-over-year (est. 2.8%) vs. an annual increase of 2.9% in December. This is the Fed's preferred inflation gauge and is still above the 2.0% inflation target.

Elevated inflation numbers support continued Fed patience before cutting rates.

Government

Washington is coping with the new federal debt level above \$34 trillion, a record high according to Treasury.

The federal deficit is expected to remain large and stimulate economic growth at a time when the economic growth is strong and the job market is tight.

The nonpartisan Congressional Budget Office said the budget deficit is expected to rise from \$1.6 trillion in fiscal year 2024 to \$2.6 trillion over the next ten years. That would increase the ratio relative to the size of the economy from 5.6% 2024 to 6.1% in 2034.

Investment Report

February 29, 2024



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

Housing

The February NAHB Home Builder Confidence Index rose to 48, a six-month high.

January existing home sales rose 3.1% to 4.00 million annualized sales from 3.88 million, the largest increase in almost a year and hit a five-month high. Year-over-year, existing home sales declined 1.7% in January, the 30th consecutive month of decline, but up from the 5.8% drop in December. January's median home price rose 5.1% year-over-year to \$379,000, down from the \$381,000 median price in December.

January new home sales rose 1.5% (est. 3.0%) to 661,000, a three-month high, vs. 651,000 in December. Over the past 12 months, January sales rose 1.9%, down from the 2.4% annual gain in December and the weakest annual pace since March 2023. The median cost of a newly constructed home rose 1.8% in January from a month ago to \$421,000, a two-month high. Year-over-year, new home prices dropped 2.6% in January following a 13.8% decline in December.

The December S&P Case-Shiller 20-City Home Price index rose 6.18%, the largest annual gain since November 2022.

January housing starts plunged 14.8% (est. no change) to a 1.33 million annualized unit pace. Extremely cold weather throughout the country hurt construction. Over the past 12 months, housing starts fell 0.7%, the first monthly decline since October.

The interest-rate-sensitive housing sector continues to struggle to stabilize activity with high mortgage rates.

Monetary Policy

The Federal Reserve left rates unchanged after its January meeting with a Fed Funds Target Range of 5.25% to 5.50%. Three rate cuts were forecast in the Summary of Economic Projections (SEP) if inflation and the economy behave as expected. Inflation remains elevated.

The Fed said that inflation is still high but the next change in rates will be down if inflation continues to decline.

Bottom Line

At the end of February, the S&P 500 Index was above its 200-day average (4525) putting stocks in a long-term uptrend. The stock market is anticipating moderate economic growth with the potential for the Fed to cut rates to avoid a recession.

Investment Report

February 29, 2024



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

The 2-year Treasury note yield remained below its 200-day average of 4.73% to stay in a long-term downtrend in anticipation of a Fed rate cut. The 10-year Treasury note yield moved above its 200-day average of 4.16% on inflation worries. The downtrend in the yield of the 2-year Treasury note and the uptrend in the 10-year Treasury note yield reflect a mixed outlook for inflation and a series of future Fed rate cuts.

Currently the yield curve is inverted reflecting the Fed's high rates to fight inflation. The bond market expects the Fed will succeed in controlling inflation.

