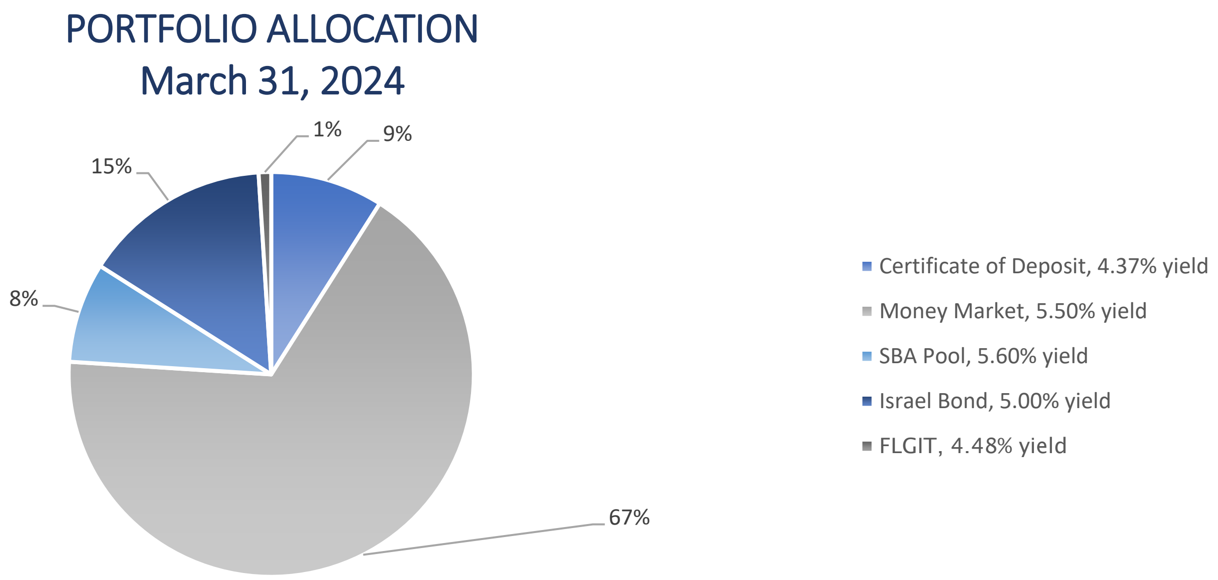
Investment Report

March 31, 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 Statistics

Month	Mar. '24	Feb. '24	Jan. '24
Month-end Market Value	$4,627,588,779	$4,713,439,740	$4,635,334,894
Book Value	$4,625,835,921	$4,711,007,149	$4,632,705,908
Unrealized Gain/Loss	$1,752,858	$2,432,590	$2,628,986
Book Yield	5.25%	5.26%	5.28%
Market Yield	5.29%	5.33%	5.27%
Effective Duration	0.4 years	0.6 years	0.3 years
Average Credit Rating	AA+/Aa1/AA+	AA+/Aa1/AA+	AA+/Aa1/AA+

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Portfolio Income

	Mar. '24	Feb. '24	Jan. '24
Interest Income (FYTD)	$115,215,225	$93,152,425	$73,569,655
Investment Income (FYTD)	$114,669,054	$93,333,287	$73,971,994
Interest Income (current month)	$22,062,749	$19,582,820	$20,838,720

March 2024 Economic & Market Overview

Treasury yields were mixed in March after ending higher in February. The 2-year Treasury yield closed out March at 4.62%, matching the closing yield in February. The 10-year Treasury yield fell to 4.20% in March vs. 4.25% at the end of February.

Stocks ended higher in March, marking the fifth consecutive month of gains. Beginning at 5096.27, the S&P 500 Index gained 3.10% to close at a record high of 5254.35.

Consumer

February nonfarm payrolls increased 275,000 workers, (est. 200,000). The 3-month average rose to 265,000 vs. 234,000 the prior month.

The February unemployment rate rose to 3.9%, the highest since January 2022, (est. 3.7%). February's 3.9% unemployment rate is the 25th month below 4%, the longest such period below 4% since the 1960s.

February average hourly earnings increased 4.3% year-over-year vs. a 4.4% annual gain in January.

Personal income rose 0.3% in February (est. 0.4%) vs. the 1.0% jump in January. Consumer spending increased 0.8% in February (est. 0.5%) vs. a 0.2% gain in January. Year-over-year, consumer spending increased 4.9%, the largest annual gain in 2 months, and personal income rose 4.6% in February, the weakest annual gain since October.

The March University of Michigan Consumer Sentiment Index fell to 76.5 vs. 76.9 due to high inflation.

The March Conference Board Consumer Confidence Index fell to 104.7, a four-month low, vs. 104.8 in January.

Retail sales rose 0.6% in February (est. 0.8%), following a 1.1% decline the month prior (revised lower from the initial 0.8% decrease expected). Year-over-year, retail sales rose 1.5% in February, the most in 2 months.

Total vehicle sales increased to a 15.81 million annualized unit sales pace in February, (est. 15.40 million) and a two-month high. Over the past 12 months, February vehicle sales jumped 6.3%, the largest annual gain since December.

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 February ISM Manufacturing Index unexpectedly fell to 47.8 vs. 49.1 in January, for the 17th consecutive month of contraction (a reading below 50).

The February ISM Services Index fell to a reading of 52.6, a 2-month low, (est. 52.0) vs.53.4 in January.

The February Conference Board Leading Economic Indicators Index unexpectedly rose 0.1% for the first monthly gain in two years (est. down 0.1%). Over the past 12 months, however the Leading Index fell 6.3%, the 20th consecutive month of decline.

Fourth quarter GDP was revised higher to a 3.4% annualized pace (originally 3.2%) in the final report.

February durable goods orders rose 1.4% (est. 1.0%) for the first monthly increase since November. Year-over-year, headline durable goods orders increased 2.6% for largest annual gain in two months.

February capital goods orders, excluding aircraft and defense, a proxy for business investment, rose 0.7% in February, the largest monthly gain since November. Year-over-year business investment increased 0.6%, a 2-month high.

February industrial production rose 0.1%, beating expectations for no change and after a 0.5% decline in January.

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

International

The January U.S. trade deficit widened 5.1% to $67.4 billion vs. $64.2 billion in January. Imports rose 1.1% and exports increased 0.1%.

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Import prices rose 0.3% in February as expected vs. a 0.8% gain in January. Export prices also rose 0.8% in February, double the rise expected and following a 0.9% increase at the start of the year. Over the past 12 month, import prices slipped 0.8% and export prices declined 1.8%, up however from the 1.3% and 2.2% declines, respectively, in January.

Inflation

The Consumer Price Index rose 0.4.% in February (est. 0.4%) following a 0.3% increase in January. Year-over-year, consumer prices rose 3.2% (est. 3.1%) vs.3.1% in January.

Excluding food and energy, the core CPI rose 0.4% in February (est. 0.3%) following a 0.3% increase in January. Year-over-year the core CPI increased 3.8%, vs. the 3.9% annual gain in January.

The February Core, ex-food & energy, Personal Consumption Expenditure Deflator rose 2.8% year-over-year vs. an annual increase of 2.9% in January. 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

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.

President Biden signed a $1.2 trillion funding package, which will keep the U.S. government running through September 30. The package increases defense spending by 3%, while keeping overall domestic spending flat.

Housing

The March NAHB Home Builder Confidence Index rose to 51 (est. 48) vs.48, an eight-month high.

February existing home sales unexpectedly jumped 9.5% (est. down 1.3%) to an annual sales pace of 4.38 million units vs.4.00 million in January. Year-over-year, existing home sales fell 2.3% in February, the weakest annual pace in two months and the 31st consecutive month of decline. February's median home price rose 5.7% year-over-year to $85,000, the highest since November.

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February new home sales unexpectedly slipped 0.3% (est. up 2.3%) to 662,000, a two-month low, vs. 664,000i January. Over the past 12 months, February new home sales rose 5.9%, the strongest annual

pace in four months. The median cost of a newly constructed home fell 3.5% from the month before to $401,000, the lowest since the lowest since June 2021.

The January S&P Case-Shiller 20-City Home Price index rose 6.63%, the largest annual gain since December 2022.

February housing starts jumped 10.7% (est. 8.2%) to a 1.52 million annualized unit pace, a three-month high, vs. a 1.37 million annual pace in January. Over the past 12 months, housing starts rose 5.9% in February, up from the 2.5% annual increase at the start of the year.

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 March meeting with a Fed Funds Target Range of 5.25% to 5.50%.

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 March, the S&P 500 Index was above its 200-day average (4618) 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.

The 2-year Treasury note yield remained below its 200-day average of 4.75% to stay in a long-term downtrend in anticipation of a Fed rate cut. The 10-year Treasury note yield moved below its 200-day average of 4.21% hope for lower inflation. The downtrend in the yield of the 2-year Treasury note and the fragile downtrend in the 10-year Treasury note yield reflect a mixed outlook for inflation and a series of future Fed rate cuts.

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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.