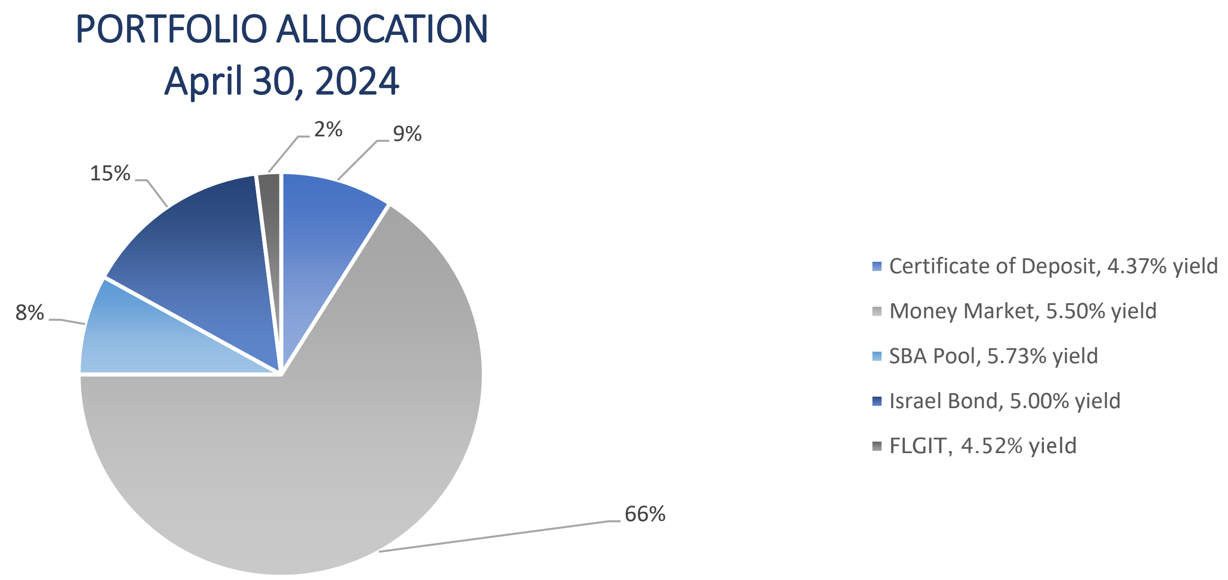
Investment Report

April 30, 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	Apr. '24	Mar. '24	Feb. '24
Month-end Market Value	$4,624,238,328	$4,627,588,779	$4,713,439,740
Book Value	$4,623,061,067	$4,625,835,621	$4,711,007,149
Unrealized Gain/Loss	$1,177,263	$1,752,858	$2,432,590
Book Yield	5.25%	5.25%	5.26%
Market Yield	5.28%	5.29%	5.33%
Effective Duration	0.4 years	0.4 years	0.6 years
Average Credit Rating	AA+/Aa1/AA+	AA+/Aa1/AA+	AA+/Aa1/AA+

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Portfolio Income

	Apr. '24	Mar. '24	Feb. '24
Interest Income (FYTD)	$134,567,268	$115,215,225	$93,152,425
Investment Income (FYTD)	$133,442,139	$114,669,054	$93,333,287
Interest Income (current month)	$19,255,210	$22,062,749	$19,582,820

April 2024 Economic & Market Overview

Treasury yields rose in April after finishing mixed in March. The 2-year Treasury yield closed out April at 5.04%, up from March's close of 4.62% and the highest level since November. The 10-year Treasury yield increased to 4.68% in April, up from 4.20% at the end of March.

Stocks ended lower in April for the worst month since September and after five consecutive monthly gains. Beginning at 5254.35, the S&P 500 Index fell 4.16% in April, closing at 5035.69.

Consumer

March nonfarm payrolls increased 303,000 workers, (est. 214,000), largest monthly gain since May. The 3-month average rose to 276,000 vs. 272,000 the prior month.

The March unemployment rate slipped to 3.8% (est. 3.8%) vs. February's 3.9%. March's 3.8% unemployment rate marks more than two years below 4%, the longest such period below 4% since the 1960s.

March average hourly earnings increased 4.1% year-over-year vs. a 4.3% annual gain in February.

Personal income rose 0.5% in March (est. 0.5%) vs. the 0.3% increase in February. Consumer spending increased 0.8% in March (est. 0.6%) vs. a 0.8% gain in February. Year-over-year, consumer spending increased 5.8% in March, the largest annual gain in 3 months, and personal income rose 4.7% in March following a similar rise in February.

The April University of Michigan Consumer Sentiment Index fell to 77.2 vs. 79.4 due to high inflation.

The April Conference Board Consumer Confidence Index fell to 97.00, lowest reading since July 2022, and vs. 103.10 in March.

Retail sales rose 0.7% in March (est. 0.4%), following an upwardly revised 0.9% increase in February. Year-over-year, retail sales increased 4.0% in March, the most in 3 months.

Total vehicle sales unexpectedly fell to a 15.49 million annualized pace in March, a two-month low, vs. 15.81 million annualized sales rate in February. Over the past 12 months, March 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 March ISM Manufacturing Index rose to 50.3 (est. 48.3) vs. 47.8 in February. The March reading was in expansion territory for the first time since September 2022.

The March ISM Services Index unexpectedly fell to a reading of 51.4, a 3-month low, (est. 52.8) vs. 52.6 in February. It remained above 50 indicating expansion in the service sector.

The March Conference Board Leading Economic Indicators Index fell 0.3%, more than the 0.1% decrease expected and the largest monthly decline since January. Over the past 12 months, the Leading Economic Indicators Index dropped 5.5%, the 21st consecutive annual decline.

First quarter real GDP rose 1.6% on an annualized basis in the preliminary report (est. 2.5%), the weakest quarterly pace since the second quarter of 2022.

March durable goods orders rose 2.6% (est. 2.5%) following a 0.7% increase in February (revised lower from 1.3%). Year-over-year, headline durable goods orders increased 1.3%, down from the 2.0% annual increase in February.

March capital goods orders, excluding aircraft and defense, a proxy for business investment, rose 0.2% following a 0.4% gain in February. Year-over-year business investment increased 1.1%, the largest increase since November.

March industrial production rose 0.4%, (est. 0.4%) after a 0.4% gain in February.

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 for the third consecutive month to $68.9 billion in February, the largest in almost a year (est. $67.6 billion) vs. January's $67.6 billion. Imports rose 2.2% due to gains in cell phones, food, and motor vehicles and exports increased 2.3% on shipments of civilian aircraft and oil.

Import prices rose 0.4% in March (est. 0.3%) while export prices increased 0.3% (est. 0.3%). Much of the rise, however, in import prices was due to the rise in petroleum. Excluding petroleum, import prices were flat. Over the past 12 months, import prices rose 0.4%, the first annual gain since January 2023, while export prices dropped 1.4%, the 14th consecutive month of decline.

Inflation

The Consumer Price Index rose 0.4.% in March (est. 0.3%) following a 0.4% increase in February. Year-over-year, consumer prices rose 3.5% (est. 3.4%), for the largest annual gain since September.

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

The March Core, ex-food & energy, Personal Consumption Expenditure Deflator rose 2.8% year-over-year (est. 2.7%) vs. an annual increase of 2.8% 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 is focused on providing more student loan debt relief.

Housing

The April NAHB Home Builder Confidence Index remained at 51 (est. 51).

February existing home sales unexpectedly declined 4.3% (est. down 4.1%) to an annual sales pace of 4.19 million units vs.4.38 million in February. Year-over-year, existing home sales fell 3.7% in March, the weakest annual pace in since December and the 32nd consecutive month of an annual decline. March's median home price rose 4.8% year-over-year to $394,000, a seven-month high.

March's new home sales jumped 8.8% to 693,000, the highest level since September from 637,000. Over the past 12 months, February new home sales rose 8.3%, the strongest annual gain in five months. The median cost of a newly constructed home rose 6.0% from the month before to $431,000, the highest since August.

The February S&P Case-Shiller 20-City Home Price index rose 7.3%, the largest annual gain since October 2022.

March housing starts dropped 14.7% (est. 2.4%) to a 1.32 million annualized unit pace, a seven-month low, vs. a 1.32 million annual pace in February. Over the past 12 months, housing starts declined 4.3% in March, the largest annual drop since September.

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 April, the S&P 500 Index was above its 200-day average (4696) 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 rose above its 200-day average of 4.76% to stay in a long-term uptrend in anticipation of a delayed Fed rate cut. The 10-year Treasury note yield moved above its 200-day average of 4.29% potentially delayed 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.