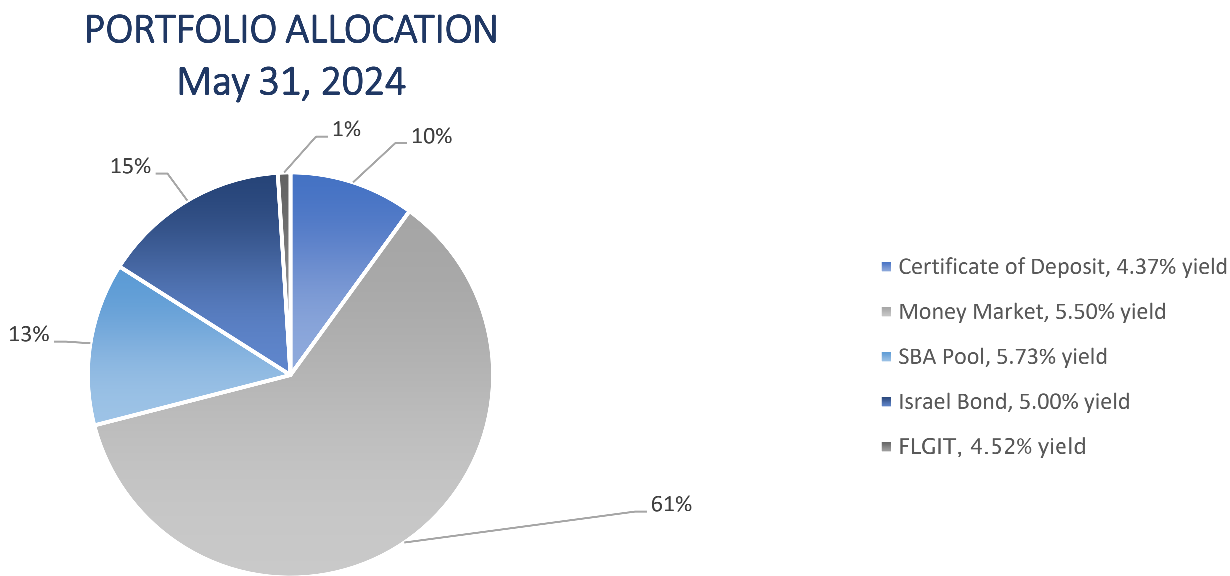
Investment Report

May 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	May. '24	Apr. '24	Mar. '24
Month-end Market Value	$4,588,575,995	$4,624,238,328	$4,627,588,779
Book Value	$4,587,081,969	$4,623,061,067	$4,625,835,621
Unrealized Gain/Loss	$1,494,027	$1,177,263	$1,752,858
Book Yield	5.24%	5.25%	5.25%
Market Yield	5.30%	5.28%	5.29%
Effective Duration	0.4 years	0.4 years	0.4 years
Average Credit Rating	AA+/Aa1/AA+	AA+/Aa1/AA+	AA+/Aa1/AA+

Investment Report

May 31, 2024

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

Portfolio Income

	May. ‘24	Apr. ‘24	Mar. ‘24
Interest Income (FYTD)	$160,229,257	$134,567,268	$115,215,225
Investment Income (FYTD)	$159,255,260	$133,442,139	$114,669,054
Interest Income (current month)	$25,801,041	$19,255,210	$22,062,749

May 2024 Economic & Market Overview

Treasury yields fell in May after rising in April. The 2-year Treasury yield closed out May at 4.87%, down from April’s close of 5.04%, the highest level since October 2023. The 10-year Treasury yield decreased to 4.50% in May, down from 4.68% at the end of April.

Stocks ended higher in May with the S&P 500 rising to 5277.51 at the end of May vs. the April’s close of 5035.69 for monthly gain of 4.80%.

Consumer

April nonfarm payrolls increased 175,000 workers, (est. 240,000), the smallest monthly gain since in six months. The 3-month average declined to 242,000vs. 269,000.

The April unemployment rate increased to 3.9% (est. 3.8%) vs. March’s 3.8%. April’s 3.8% unemployment rate marks the 27th month below 4%, the longest such period below 4% since the 1960s.

April average hourly earnings increased 3.9% year-over-year vs. a 4.1% annual gain in March.

Personal income rose 0.3% in April (est. 0.3%) vs. the 0.5% increase in March. Consumer spending increased 0.2% in April (est. 0.3%) vs. a 0.7% gain in March. Year-over-year, consumer spending increased 5.3% in April, the weakest annual gain in 2 months, and personal income rose at an annual pace of 4.5%, up from a 4.4% pace in March.

The May University of Michigan Consumer Sentiment Index fell to 69.1, a six-month low vs. 77.2 due to high inflation.

The May Conference Board Consumer Confidence Index rose to 101.30, a two-month high, vs. 97.50 in April.

Retail sales were flat in April (est. 0.4%) following a downwardly revised 0.6% gain in March. Year-over-year, retail sales increased 3.0% in April, the smallest annual gain two months.

Total vehicle sales rose to a 15.74 million annualized pace in May (est. 15.70 million), a two-month high. Over the past 12 months, vehicle sales fell 1.1%, following a 4.5% annual increase in March.

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 April ISM Manufacturing Index fell to 49.2 (est. 50.0) vs. 50.3 in March. Reading below 50.0 is contractionary territory.

The April ISM Services Index unexpectedly fell into contractionary territory (a reading below 50.0) to 49.4, the lowest reading since December 2022, (est. 52.0) vs. 51.4 in March

The April Conference Board Leading Economic Indicators Index fell 0.6%, more than the 0.3% decrease expected and the largest monthly decline since October. Over the past 12 months, the Leading Economic Indicators Index dropped 5.4%, the 22nd consecutive annual decline.

First quarter real GDP rose 1.3% on an annualized basis in the second revision (est. 1.6%), the weakest quarterly pace since the second quarter of 2022.

April durable goods orders rose 0.7% (est. down 0.8%) following a 0.8% increase in March (revised lower from 2.6%). Year-over-year, headline durable goods orders dropped 0.9% in April, the largest annual decline since January.

April capital goods orders, excluding aircraft and defense, a proxy for business investment, rose 0.3% in April, the most in two months. Year-over-year business investment increased 0.5%, down from the 1.1% annual increase in Marh and the weakest pace since January.

April industrial production was flat (0.0%) (est. 0.1%), a three-month low.

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

International

The March U.S. trade deficit was little changed at -$69.4 billion (est. -$69.8 billion) vs. -$69.5 in February. Imports fell 1.5% and exports fell 1.9%.

Import prices rose 0.9% in April (est. 0.3%) while export prices increased 0.5% in April (est. 0.2%). Over the past 12 months, import prices rose 1.1%, while export price declined 1.0% in April.

Inflation

The Consumer Price Index rose 0.3.% in April (est. 0.4%) following a 0.4% increase in March. Year-over-year, consumer prices rose 3.4% (est. 3.4%) vs. the 3.5% annual increase in March.

Excluding food and energy, the core CPI rose 0.3% in April (est. 0.3%) following a 0.4% increase in March. Year-over-year the core CPI increased 3.6%, vs. the 3.8% annual gain in March.

The March Core, ex-food & energy, Personal Consumption Expenditure Deflator rose 2.8% year-over-year (est. 2.8%) vs. an annual increase of 2.8% in March. 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.

The Biden administration plans to maintain earlier Trump administration levies on $37 billion of Chinese imports and introduce more restriction on trade.

Housing

The May NAHB Home Builder Confidence Index dropped to 45, a four-month low, (est. 50) vs. 51.

April existing home sales unexpectedly declined 1.9% (est. up 0.8%) to an annual sales pace of 4.14 million units, a three-month low, vs. 4.22 million in March. Year-over-year, existing home sales fell 1.9% in April vs. the 3.0% annual decline in March. It was the 33rd annual month of annual declines in existing home sales.

April's median home price rose 5.7% year-over-year to $408,000, the highest since June 2023.

April's new home sales declined 4.7% to 634,000, a two-month low, (est. down 2.2%), vs.665,000 in March. Over the past 12 months, April new home sales dropped 7.7%, the largest annual decline since March 2023. Year-over-year the median cost of a newly constructed home rose 3.9% in April

The March S&P Case-Shiller 20-City Home Price index rose 7.37%, the largest annual gain since October 2022.

April housing starts rose 5.7% (est. 7.5%) to a 1.36 million annualized unit pace, a two-month high, vs. a 1.29 million annual pace in March. Over the past 12 months, housing starts declined 0.6% in April following a 4.1% annual drop in March.

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 May 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 May, the S&P 500 Index was above its 200-day average (4774) 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 4.77% 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 4.35% due to delayed Fed rate cuts and the increasing supply of Treasury debt.

Investment Report

May 31, 2024

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

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.