



# MARTIN COUNTY, FLORIDA INVESTMENT PORTFOLIO REPORT November 2018



## INVESTMENT RECAP

**Summary of November Investments:** Since June, the County has been gradually shifting funds out of overnight investments such as Florida Prime and into fixed income securities. The strategy to invest a total of \$100 million had made significant progress through October with \$75 million of investments made. In November, we recommended that the final \$25 million be invested. While the execution of those purchases was delayed, we did make four new purchases of \$5 million each in early December. The fifth and final \$5 million purchase was not made due to a lack of attractive securities meeting the targeted November 2020 maturity. The resulting portfolio has \$95 million invested in a diversified mix of U.S. Treasuries and agencies with maturities of \$5 million every month from June 2019 through January 2021, except November 2020. We expect to fill that November 2020 bucket this month. Please note that since these purchases were executed during December, they are not reflected in the 11/30/18 data presented here.

## KEY ECONOMIC INDICATORS

- **EMPLOYMENT:** The economy added +155k jobs during November, well short of the +198k forecast, while prior month revisions subtracted another -12k. The monthly average gain for 2018 is +206k, but the three-month trend is a lesser +170k. The unemployment rate held steady at a 49-year low of 3.7%. Average hourly earnings rose just +0.2% in November, keeping year-over-year wage growth at +3.1%.
- **INFLATION:** CPI came in as expected with a +0.2% gain in November, pulling the y-o-y pace down to +2.2% from +2.5%. Core CPI (ex food and energy) rose +0.2%, bringing the annual pace to +2.2%. Core PCE slipped to +1.78% in October, below the Fed's stated +2.0% target. Inflation may have peaked.
- **FACTORY SECTOR:** The ISM manufacturing index rebounded from a six-month low to 59.3 in November, indicating strength in the manufacturing sector.
- **SERVICE SECTOR:** The ISM non-manufacturing index rose to 60.7 in November, the third straight month above 60 and just below September's 61.6 record high. Figures above 60 indicate significant strength.
- **CONSUMER SPENDING:** Headline retail sales rose a modest +0.2% in November as falling energy prices detracted from nominal sales. However, October was upwardly revised from +0.8% to +1.1%. Furthermore, November's "control group" figure, which excludes volatile categories including energy and is considered a better fundamental indicator, surged by +0.9%, doubling Bloomberg's median forecast.

## NEWS and EVENTS

- After suffering October declines of -5%, -7% and -9% on the Dow, S&P 500, and Nasdaq respectively, equity markets staged a modest recovery during November, posting gains of +1.7%, +1.8% and +0.3%. Those gains would vanish in early December.
- The two-year Treasury note yield reached a cycle high point of 2.967% in early November while the 10-year T-note peaked at 3.238%. Bond yields have moved lower ever since on a deteriorating outlook for 2019 and a flight to safety rally as equity markets continue to fall. The two-year yield would end the month at 2.79%, with the 10-year at 2.99%.
- Some positive signs on the trade war did develop during November as the U.S. and China agreed to suspend any additional tariffs for a period of 90 days, giving negotiators some time to hammer out an agreement.
- Oil prices have fallen sharply, closing out November below \$51 per barrel, a 33% decline from the early October high just above \$76.

## PORTFOLIO SUMMARY

	6/30/2018	7/31/2018	8/31/2018	9/30/2018	10/31/2018	11/30/2018
Book Value	\$247,834,268	\$234,880,601	\$221,779,964	\$202,988,063	\$183,430,133	\$214,394,483
Market Value	\$247,834,735	\$234,859,521	\$221,785,289	\$202,889,782	\$183,287,135	\$214,288,619
Market Value%	100.00%	99.99%	100.00%	99.95%	99.92%	99.95%
Weighted Average Maturity - Days	55 days	54 days	124 days	174 days	181 days	144 days
Weighted Average Yield	2.102%	2.228%	2.284%	2.646%	2.433%	2.537%
Earned Income	\$406,528	\$424,169	\$411,613	\$440,783	\$378,048	\$380,748
Earned Income-Fiscal Year-to-Date	\$2,932,847	\$3,357,016	\$3,768,630	\$4,209,412	\$378,048	\$758,795
Change in Market Value *	\$24,257	\$16,033	\$104,812	(\$66,719)	\$12,903	\$100,054
Income Net of Change in Mkt Val	\$430,784	\$440,202	\$516,425	\$374,064	\$390,951	\$480,801

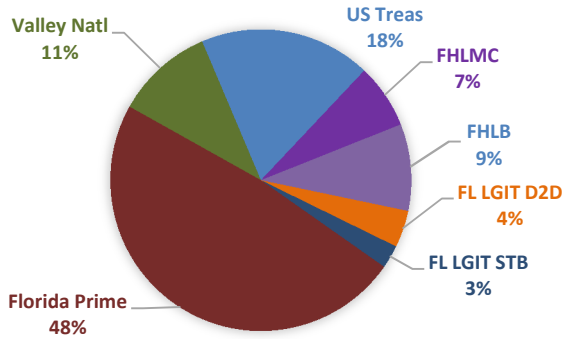
\* Change in market value is net of additions/withdrawals and represents unrealized gains and losses in the portfolio.



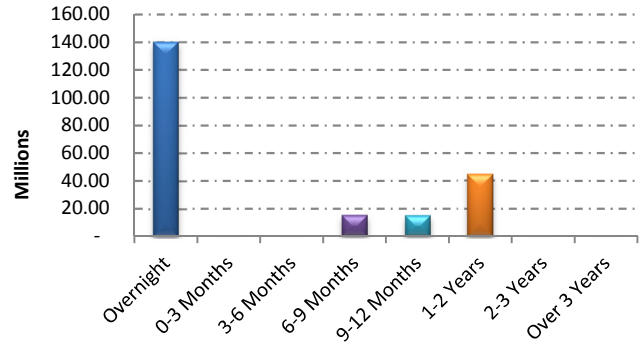
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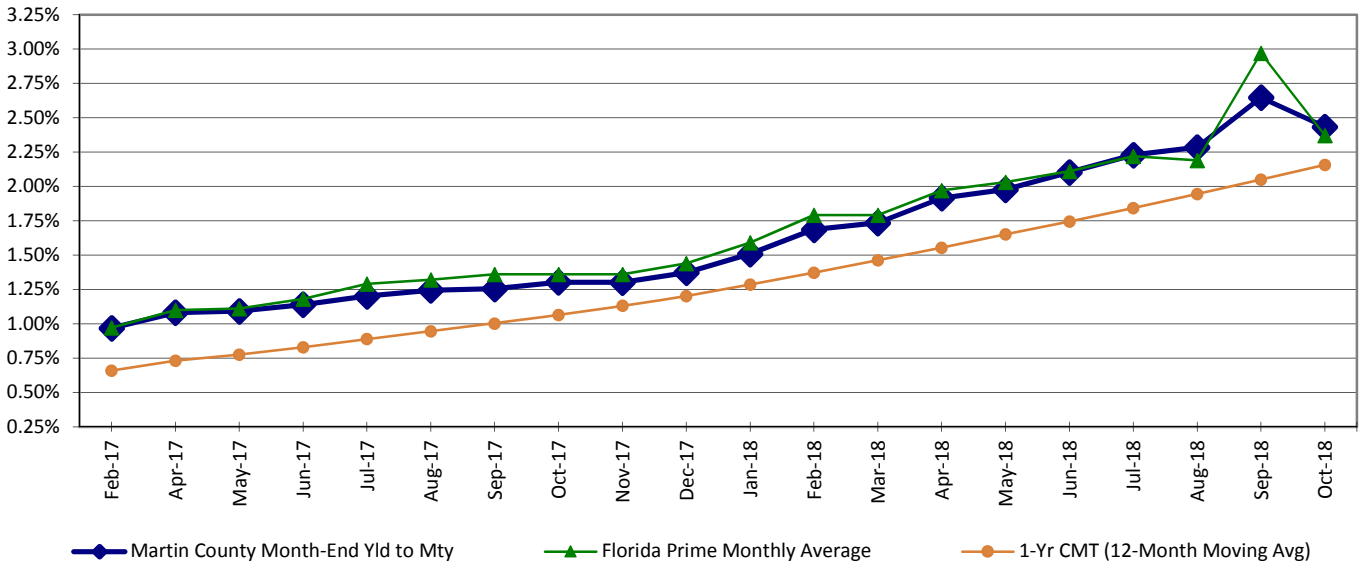
## Portfolio Composition by Issuer



## Portfolio Composition by Maturity



## YIELD COMPARISONS



## SHOCK ANALYSIS

	Down 50 Basis Points	Down 25 Basis Points	Base	Up 25 Basis Points	Up 50 Basis Points	Up 100 Basis Points
Book Value	\$214,394,483	\$214,394,483	\$214,394,483	\$214,394,483	\$214,394,483	\$214,394,483
Market Value	\$214,745,599	\$214,517,109	\$214,288,619	\$214,060,129	\$213,831,639	\$213,374,658
Unrealized Gain/(Loss)	\$351,116	\$122,626	-\$105,864	-\$334,354	-\$562,844	-\$1,019,825
Market Price	100.16%	100.06%	99.95%	99.84%	99.74%	99.52%
Book Yield	2.223%	2.380%	2.537%	2.694%	2.851%	3.166%
Duration	0.427	0.427	0.427	0.427	0.427	0.427

The portfolio shock analysis is intended as a risk management tool and should not be considered a definitive assessment of market value. The analysis assumes an instantaneous parallel shift in interest rates. Cash equivalent holdings such as bank deposits, Florida Prime, and FL LGIT Day to Day are assumed to have a duration of zero and their yields are assumed to shift immediately. The FL LGIT Short Term Bond Fund duration is taken from the FL LGIT web-site and was 1.50 as of 10/31/18 (11/30/18 hasn't been published yet).