



# MARTIN COUNTY, FLORIDA INVESTMENT PORTFOLIO REPORT December 2018



## INVESTMENT RECAP

**Summary of December Investments:** Since June, the County has gradually shifted funds out of overnight investments such as Florida Prime and into fixed income securities. The strategy to invest a total of \$100 million is nearly complete. Through December a total of \$95 million has been invested. Investment of that final \$5 million was recommended in December but was not made due to adverse market conditions and a lack of attractive securities meeting the targeted November 2020 maturity. The core portfolio now 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 for November 2020. We expect to fill that November 2020 bucket this month.

## KEY ECONOMIC INDICATORS

- **EMPLOYMENT:** Nonfarm payrolls increased by +312k in December, topping the +184k median Bloomberg. The unemployment rate climbed from a 49-year low of 3.7% (where it had stood for three months) to 3.9% as +419k Americans reentered the workforce. The tight labor market managed to generate a bit of wage pressure as average hourly earnings rose +3.2% y-o-y, the fastest pace since 2009.
- **INFLATION:** Falling energy prices drove overall inflation lower in December with the consumer price index (CPI) declining -0.1%, dragging the y-o-y pace down from +2.2% to +1.9% (it was +2.5% in October and as high as +2.9% in July). The core rate held steady at +2.2%.
- **FACTORY SECTOR:** The ISM manufacturing index fell from 59.3 to a two-year low of 54.1 in December. It was the largest single month decline since October 2008. The new orders component plunged from 62.1 to 51.1, while current production fell from 60.6 to 54.3.
- **SERVICE SECTOR:** The ISM non-manufacturing index fell to 57.6, following three straight months above 60. At this point, there's little indication the trade war is having a direct effect on the service sector.
- **CONSUMER SPENDING:** Retail sales data has been delayed by the government shutdown, but lower gasoline prices apparently gave a boost to holiday spending. MasterCard reported a +5.1% year-over-year increase in holiday sales while UPS experienced a +5% increase in package shipments.
- **ECO GROWTH:** The final Q3 revision left GDP growth at a still solid +3.4% annualized rate, but the real growth (less inventories) was only +1.4%. Q4 GDP won't be released until January 30<sup>th</sup>, but the GDPNow measure is tracking Q4 growth at +2.8% as of January 10<sup>th</sup>.

## NEWS and EVENTS

- Nonessential government functions were shut down on December 21<sup>st</sup>, and remain closed. At this point, the damage to the economy has primarily been to confidence and company outlooks. This is another major uncertainty.
- The wild volatility continues. The DOW suffered its worst-ever Christmas Eve selloff, but sprung back the next business day with the biggest single day point gain in history. For the year, the DOW, S&P 500, and Nasdaq lost -5.6%, -6.2% and -3.9% respectively.
- Treasury yields continued their slide. After peaking at 2.97% in early November, the two-year Treasury note yield closed the year at 2.49% while the 10-year fell from a high of 3.24% to 2.69%.
- The Fed hiked the funds rate 25 basis points on December 19<sup>th</sup>, but didn't alter its forecast enough to appease the financial markets. The minutes from that meeting, released on January 9<sup>th</sup>, were much more dovish, suggesting the FOMC was paying attention to market warnings. A message that has been reinforced by Fed speakers. The odds of additional rate hikes in 2019 have been greatly reduced.

## PORTFOLIO SUMMARY

|                                   | 7/31/2018     | 8/31/2018     | 9/30/2018     | 10/31/2018    | 11/30/2018    | 12/31/2018    |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Book Value                        | \$234,880,601 | \$221,779,964 | \$202,988,063 | \$183,430,133 | \$214,394,483 | \$318,846,108 |
| Market Value                      | \$234,859,521 | \$221,785,289 | \$202,889,782 | \$183,287,135 | \$214,288,619 | \$318,988,330 |
| Market Value%                     | 99.99%        | 100.00%       | 99.95%        | 99.92%        | 99.95%        | 100.04%       |
| Weighted Average Maturity - Days  | 54 days       | 124 days      | 174 days      | 181 days      | 144 days      | 133 days      |
| Weighted Average Yield            | 2.228%        | 2.284%        | 2.646%        | 2.433%        | 2.537%        | 2.572%        |
| Earned Income                     | \$424,169     | \$411,613     | \$440,783     | \$378,048     | \$380,748     | \$586,220     |
| Earned Income-Fiscal Year-to-Date | \$3,357,016   | \$3,768,630   | \$4,209,412   | \$378,048     | \$758,795     | \$1,345,015   |
| Change in Market Value *          | \$16,033      | \$104,812     | (\$66,719)    | \$12,903      | \$100,054     | \$334,644     |
| Income Net of Change in Mkt Val   | \$440,202     | \$516,425     | \$374,064     | \$390,951     | \$480,801     | \$920,864     |

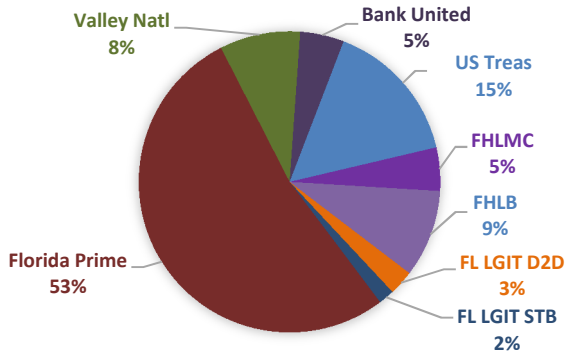
\* Change in market value is net of additions/withdrawals and represents unrealized gains and losses in the portfolio.



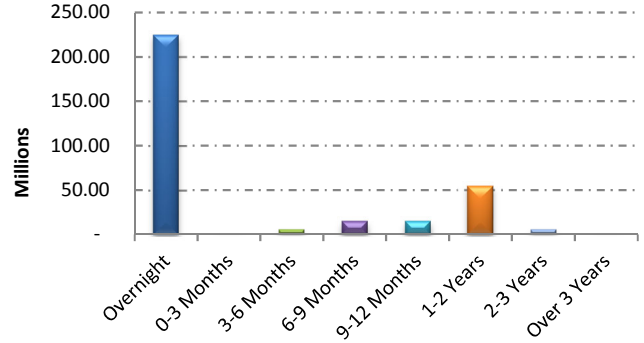
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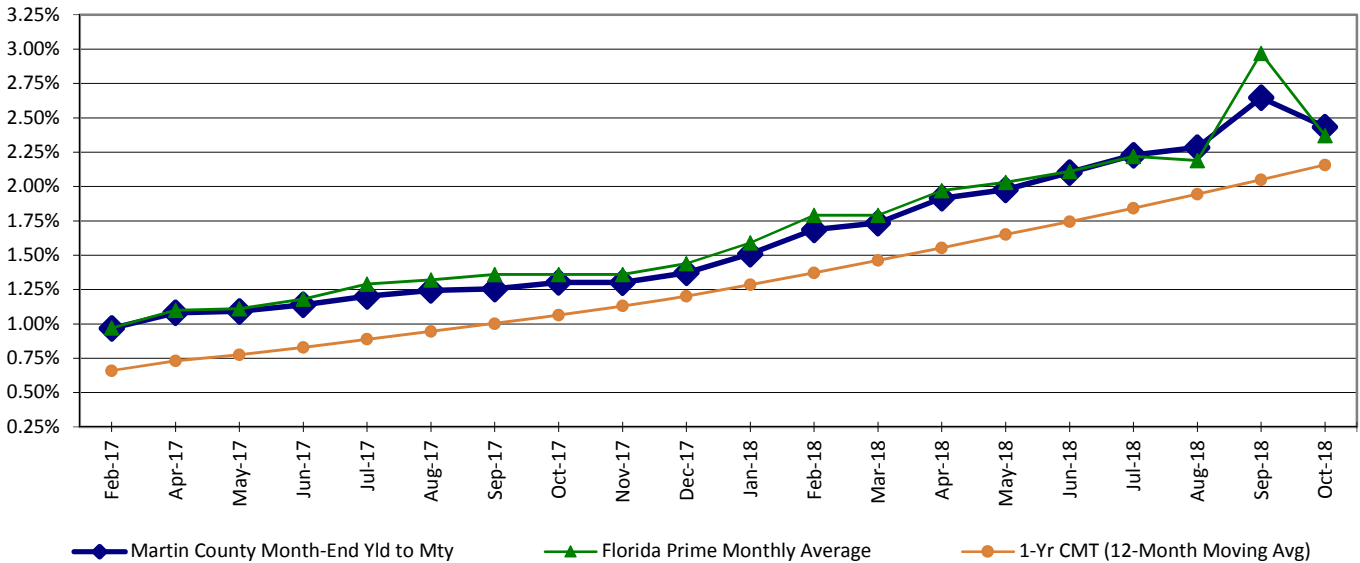
## Portfolio Composition by Issuer



## Portfolio Composition by Maturity



## YIELD COMPARISONS



## SHOCK ANALYSIS

|                        | Down<br>50 Basis Points | Down<br>25 Basis Points | Base          | Up<br>25 Basis Points | Up<br>50 Basis Points | Up<br>100 Basis Points |
|------------------------|-------------------------|-------------------------|---------------|-----------------------|-----------------------|------------------------|
| Book Value             | \$318,846,108           | \$318,846,108           | \$318,846,108 | \$318,846,108         | \$318,846,108         | \$318,846,108          |
| Market Value           | \$319,596,276           | \$319,292,303           | \$318,988,330 | \$318,684,357         | \$318,380,384         | \$317,772,437          |
| Unrealized Gain/(Loss) | \$750,168               | \$446,195               | \$142,222     | -\$161,751            | -\$465,725            | -\$1,073,671           |
| Market Price           | 100.24%                 | 100.14%                 | 100.04%       | 99.95%                | 99.85%                | 99.66%                 |
| Book Yield             | 2.228%                  | 2.400%                  | 2.572%        | 2.744%                | 2.916%                | 3.259%                 |
| Duration               | 0.381                   | 0.381                   | 0.381         | 0.381                 | 0.381                 | 0.381                  |

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 11/30/18 (12/31/18 hasn't been published yet).