



# MARTIN COUNTY, FLORIDA INVESTMENT PORTFOLIO REPORT January 2018



## INVESTMENT RECAP

**Summary of January Investments:** Since last June, the County has been gradually shifting funds out of overnight investments such as Florida Prime and into fixed income securities. Phase one of this strategy was completed during January with the final \$5 million purchase of a US Treasury note maturing in Nov-2020. The resulting core portfolio now has \$100 million invested in a diversified mix of U.S. Treasuries and agencies with maturities of \$5 million every month from Jun-2019 through Jan-2021. Phase two entails investing recent tax inflows in short-term instruments with maturities matched to expected cash needs. We made three purchases totaling \$21 million, including: \$7 million of an agency bullet to Aug-2019, and two \$7 million blocks of US Treasury notes to Sep-2019 and Oct-2019. The purchases were funded by reducing holdings in Florida Prime, which lowered the portfolio's total exposure to commercial paper, thereby enhancing credit quality and reducing overall risk.

## KEY ECONOMIC INDICATORS

- **EMPLOYMENT:** Nonfarm payrolls grew by +304k during January, almost double the Bloomberg median forecast of +165k. However, that news was tempered by a sharp downward revision to December from +312k to +225k. The three-month average stands at +240k, ahead of 2018's monthly average of +223k and the best since 2015. The unemployment rate rose from 3.9% to 4.0%.
- **INFLATION:** Headline CPI was unchanged in January as falling energy costs offset modest gains in other components. Year-over-year CPI slid from +1.9% to +1.6% in January. Core CPI rose +0.2% for a fifth straight month, keeping the annual pace steady at +2.2%.
- **ISM SURVEYS:** The ISM manufacturing index climbed from 54.3 to 56.6 in January. The new orders component, which had plunged from 61.8 in November to 51.3 in December, rebounded to 58.2 for January. The prices paid index (which reached a seven-year high of 79.5 in May) fell from 60.7 to 54.9, reflecting the sharp drop in energy prices. The ISM non-manufacturing index slipped from 57.6 in December to 56.7 in January, still well above the 50 inflection point and indicative of a strong growth in the service sector.
- **CONSUMER SPENDING:** January's retail sales data has been delayed by the government shutdown but the recently released December data fell well short of expectations. The -1.2% decline was the largest drop since 2009. All of the major components were exceptionally weak, including a -1.7% plunge in the "control group" figure that is used in GDP calculations.
- **ECO GROWTH:** The initial fourth quarter GDP estimate was another victim of the government shutdown and is now scheduled for release in late-February. The Atlanta Fed's GDP Now forecast was chopped significantly from +2.7% to +1.5% following the December retail sales report. Economic growth is slowing.

## NEWS and EVENTS

- The government was reopened after a record long 35-day shutdown when Congress and the President agreed to a temporary funding measure. A second shutdown was narrowly averted in mid-February, however, the disagreements over border security remain and animosity is growing after the President declared a national emergency and redirected funds to pay for his proposed security measures.
- The Federal Reserve took a dovish turn during January as statements by Fed officials indicated there could be a pause in the rate hiking cycle. That view was validated in late-January when the FOMC downgraded its assessment of the economy, stated they could afford "to be patient," and removed wording that said "gradual increases were appropriate."
- Encouraged by the Fed's softer stance and optimism on trade, stocks rebounded from the fourth quarter's malaise, with the Dow, S&P 500, and Nasdaq posting January gains of +7.2%, +7.9%, and +9.7% respectively.
- Interest rates fell and the intermediate part of the yield curve inverted as the chances for additional rate hikes in 2019 faded. The two-year Treasury note yield closed the month at 2.46% while both the three-year and five-year were lower at 2.44%.

## PORTFOLIO SUMMARY

	8/31/2018	9/30/2018	10/31/2018	11/30/2018	12/31/2018	1/31/2019
Book Value	\$221,779,964	\$202,988,063	\$183,430,133	\$214,394,483	\$318,846,108	\$309,362,569
Market Value	\$221,785,289	\$202,889,782	\$183,287,135	\$214,288,619	\$318,988,330	\$309,575,837
Market Value%	100.00%	99.95%	99.92%	99.95%	100.04%	100.07%
Weighted Average Maturity - Days	124 days	174 days	181 days	144 days	133 days	154 days
Weighted Average Yield	2.284%	2.646%	2.433%	2.537%	2.572%	2.623%
Earned Income	\$411,613	\$440,783	\$378,048	\$380,748	\$586,220	\$700,039
Earned Income-Fiscal Year-to-Date	\$3,768,630	\$4,209,412	\$378,048	\$758,795	\$1,345,015	\$2,045,054
Change in Market Value *	\$104,812	(\$66,719)	\$12,903	\$100,054	\$334,644	\$155,709
Income Net of Change in Mkt Val	\$516,425	\$374,064	\$390,951	\$480,801	\$920,864	\$855,748

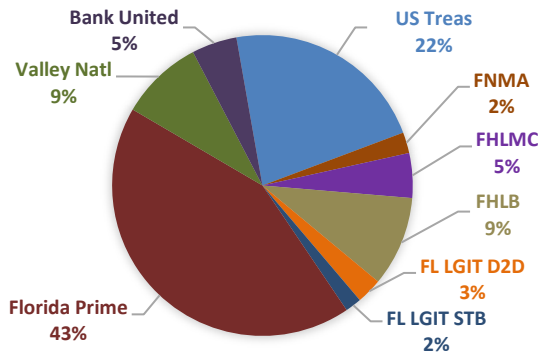
\* Change in market value is net of additions/withdrawals and represents unrealized gains and losses in the portfolio.



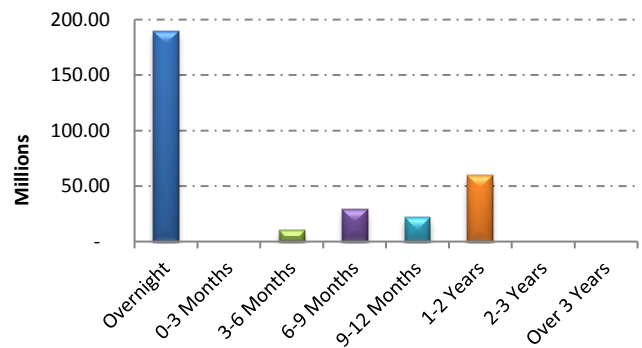
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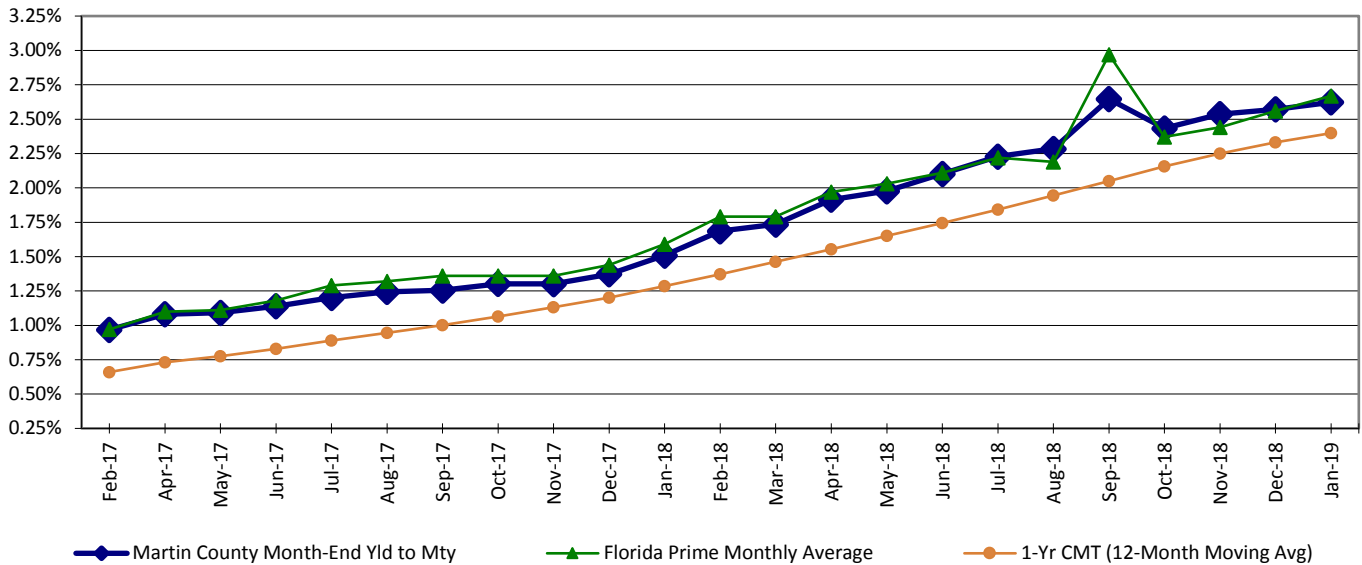
## Portfolio Composition by Issuer



## 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	\$309,362,569	\$309,362,569	\$309,362,569	\$309,362,569	\$309,362,569	\$309,362,569
Market Value	\$310,259,833	\$309,917,835	\$309,575,837	\$309,233,839	\$308,891,840	\$308,207,844
Unrealized Gain/(Loss)	\$897,265	\$555,266	\$213,268	-\$128,730	-\$470,728	-\$1,154,725
Market Price	100.29%	100.18%	100.07%	99.96%	99.85%	99.63%
Book Yield	2.326%	2.474%	2.623%	2.772%	2.920%	3.218%
Duration	0.442	0.442	0.442	0.442	0.442	0.442

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 12/31/18 (1/31/19 hasn't been published yet).