



# MARTIN COUNTY, FLORIDA INVESTMENT PORTFOLIO REPORT June 2022



## INVESTMENT RECAP

**Summary of May's Investments:** The County's core portfolio, made up of excess funds not needed during the annual operating cycle, consists of \$163.5 million invested in a diversified mix of U.S. Treasuries and government agency securities as well as certificates of deposit with a local qualified public depository. These investments were laddered out with maturities of \$5-7 million per month through June 2024. The cyclical portion, made up of ad valorem tax proceeds that are used during the annual operating cycle, are primarily held in the local government investment pools, but we have invested three blocks of \$10 million each with maturities in August, September, and October 2022.

## KEY ECONOMIC INDICATORS

- **EMPLOYMENT:** Nonfarm payrolls rose +372k in June, well above the +265K median forecast. While net revisions subtracted -74k from prior months, the net gain still exceeded expectations as the economy continues to create jobs at a rapid pace. The unemployment rate held steady at 3.6% for a fourth consecutive month, just a tenth above the fifty-year low. With the latest JOLT survey showing May U.S. job openings above 11.2 million, significant wage pressure remains.
- **INFLATION:** The headline consumer price index (CPI) rose +1.3% month-over-month in June, topping forecasts with the largest single month increase since September 2005. On a year-over-year basis, overall CPI was increasing at a +9.1% pace, well above the +8.8% median forecast and the hottest consumer inflation in more than 41 years. The June increase was broad-based, with gasoline, food, and shelter costs all rising sharply.
- **ISM SURVEYS:** factory survey indicated U.S. purchasing managers' outlook had dimmed in June. Although still signaling expansion, the overall manufacturing index slipped from 56.1 to 53.0, the lowest reading in two years.
- **CONSUMER SPENDING:** Retail sales rose +1.0% in June, bettering the +0.7% median forecast, as spending on gasoline, autos, restaurants, and e-commerce all increased. Gas station sales were the biggest contributor, up +3.6%, but since sales are not adjusted for inflation, the jump in gasoline sales is a direct reflection of soaring pump prices. On a year-over-year basis, retail sales are +8.4% higher, but on a three-month annualized basis, sales are up +9.5%. This is a big number, but the majority of the increase can be attributed to the highest inflation rate in decades. In real terms, retail sales declined for the second consecutive month, falling -0.3%.

## NEWS and EVENTS

- As July began, investors thought the threat of recession was worse than the current inflation threat. The two-year Treasury note yield, which climbed as high as 3.45% in mid-June, slipped all the way to 2.81% in early July before climbing back above 3.00% after June's CPI data was released. While recession chatter has increased dramatically, the Fed must remain focused on inflation.
- The minutes to the June FOMC meeting were considered very hawkish – although this shouldn't be a surprise given that FOMC members decided to hike by 75 bps at that meeting. Committee members were concerned about inflation expectations and didn't want to see them become entrenched. They expect to hike by another 75 bps this month and said they might need to be even more restrictive in the future. Recession wasn't on their radar in June. It wasn't mentioned at all in the minutes. Of course, the markets weren't thinking about recession in June, either.
- The Atlanta Fed's GDPNow model has turned sharply lower and is now showing a -2.1% second quarter reading. With the basic textbook definition of a recession being two consecutive quarters of negative growth and the first quarter GDP checking in at -1.6%, the possibility of recession is becoming quite real. Unfortunately, recession might be the price to pay to get inflation under control.

## PORTFOLIO SUMMARY

	1/31/2022	2/28/2022	3/31/2022	4/30/2022	5/31/2022	6/30/2022
Book Value	\$480,117,706	\$470,052,891	\$447,143,845	\$420,826,531	\$403,148,281	\$404,478,740
Market Value	\$479,428,049	\$469,133,256	\$445,481,536	\$418,810,495	\$401,505,862	\$402,294,865
Market Value%	99.86%	99.80%	99.63%	99.52%	99.59%	99.46%
Weighted Average Maturity - Days	112 days	116 days	122 days	130 days	136 days	136 days
Weighted Average Yield	0.221%	0.245%	0.347%	0.505%	0.759%	1.012%
Earned Income	\$85,991	\$82,858	\$120,705	\$110,544	\$252,762	\$257,710
Earned Income-Fiscal Year-to-Date	\$299,883	\$382,741	\$503,446	\$613,990	\$866,752	\$1,124,462
Change in Market Value *	(\$545,924)	(\$308,726)	(\$861,878)	(\$419,346)	\$365,813	(\$614,495)
Income Net of Change in Mkt Val	-\$459,934	-\$225,867	-\$741,173	-\$308,802	\$618,575	-\$356,785

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

Martin County Clerk of the Circuit Court and Comptroller - Carolyn Timmann - Cash & Investment Management

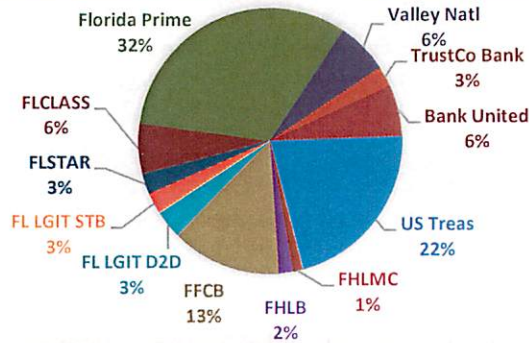




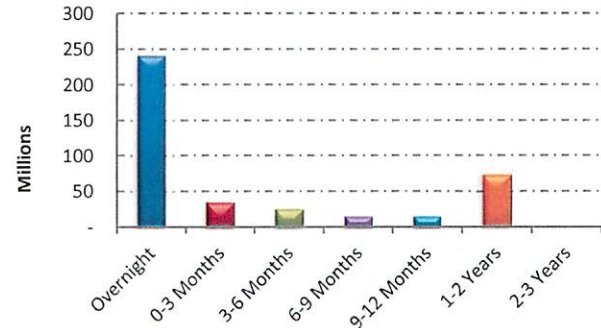
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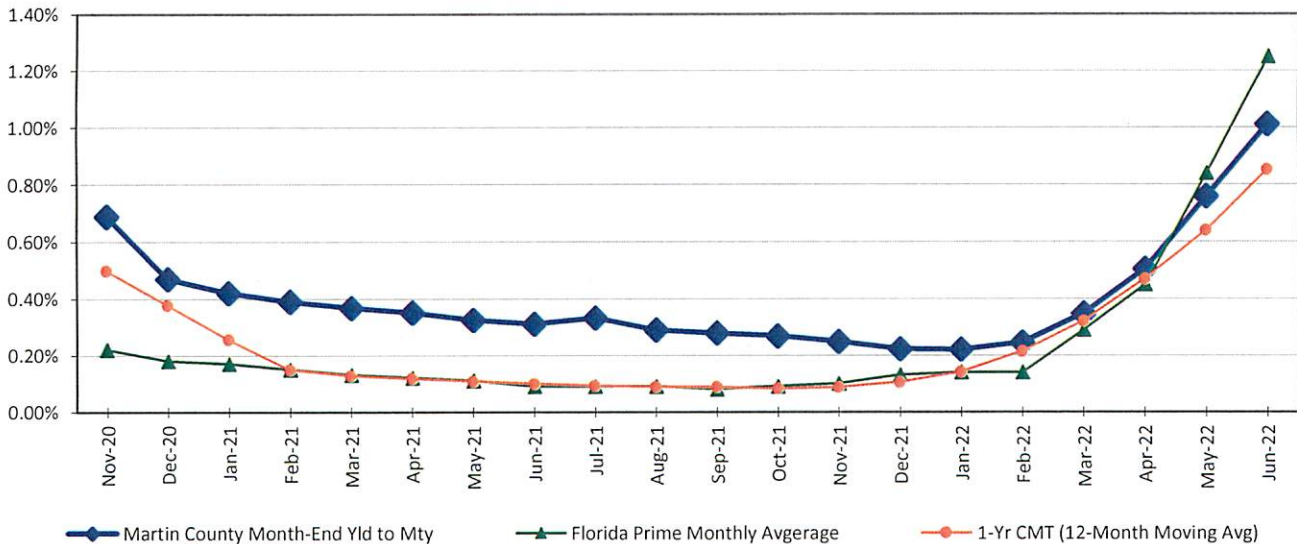
## Portfolio Composition by Issuer



## 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	\$404,478,740	\$404,478,740	\$404,478,740	\$404,478,740	\$404,478,740	\$404,478,740
Market Value	\$403,165,714	\$402,730,290	\$402,294,865	\$401,859,441	\$401,424,016	\$400,553,168
Unrealized Gain/(Loss)	-\$1,313,026	-\$1,748,450	-\$2,183,874	-\$2,619,299	-\$3,054,723	-\$3,925,572
Market Price	99.68%	99.57%	99.46%	99.35%	99.24%	99.03%
Book Yield	0.727%	0.870%	1.012%	1.154%	1.297%	1.582%
Duration	0.433	0.433	0.433	0.433	0.433	0.433

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 1.25 as of 5/31/22.