



# **Economic Outlook and Portfolio Strategy**

February 28, 2023

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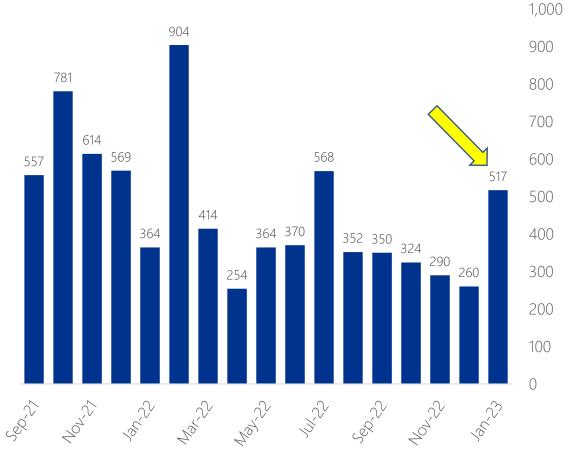
### Events Driving the Markets



- Employment, inflation and consumer spending all unexpectedly surged in January. Seasonal adjustments likely distorted the numbers.
- Fed officials responded to the apparent <u>hot</u> data with increased determination to slow too-resilient growth with tighter policy.
- Before the data was released, the FOMC hiked the overnight funds target by 25 bps in February *as expected*, but the stronger data (if it continues) could mean rate hikes continue into summer.

### Employment

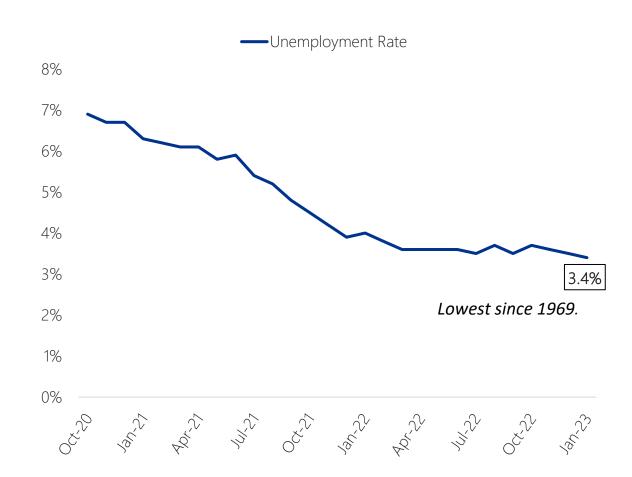
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Non-Farm Payrolls Total Change (in thousands)

Source: Bureau of Labor Statistics

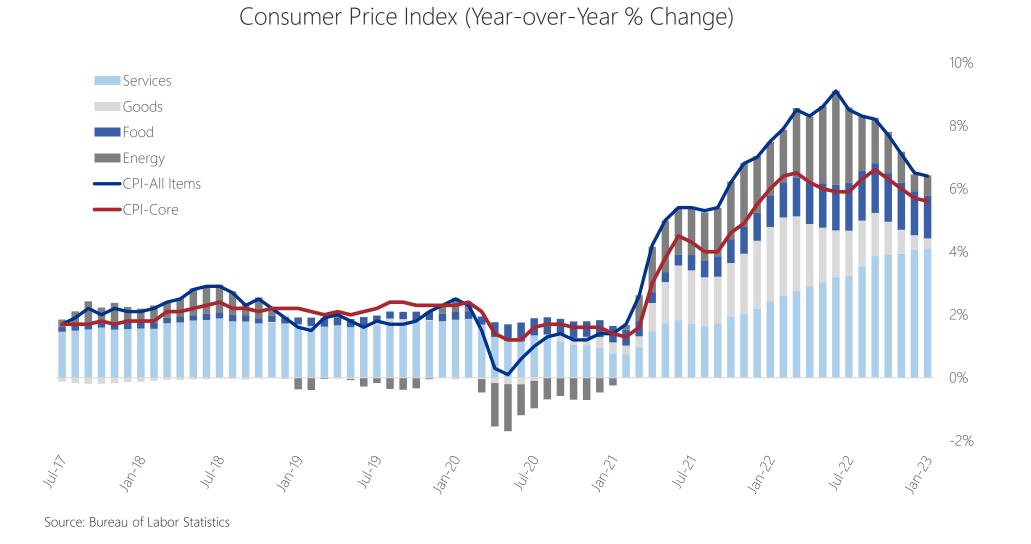




Source: Bureau of Labor Statistics

Inflation



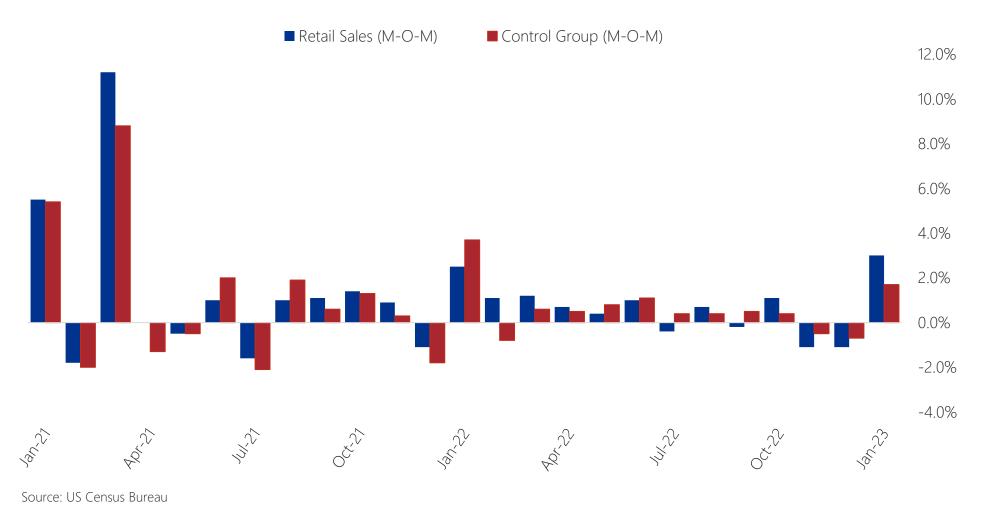


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### **Retail Sales**



Retail Sales (Month-over-Month Percent Change)



### 2-Year Treasury Intraday Yields





Source: Bloomberg



#### U.S. Treasuries

o 6-month	<del>4.68%</del>	<del>4.81%</del>	5.09%
o 12-month	<del>4.66%</del>	<del>4.66%</del>	5.04%
o 24-month	4.27%	4.15%	4.80%
o 36-month	4. <del>01%</del>	<del>3.80%</del>	4.53%

Overnight Investment Pools

0	Fl. Prime	4.77%
0	Fl. Trust	4.58%
0	Fl. Class	4.76%
0	Fl. Safe	4.71%
0	FI. PALM	4.74%
0	Fl. STAR	4.57%

- Florida QPD Savings
  - Multiple banks at <u>0.55% to <u>4.75%</u></u>



#### February Bloomberg Survey of Economists Results

		Q1 23	Q2 23	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24	Q4 24
Economy									
Real GDP Q-Q% SAAR		0.40	-0.50	-0.20	0.60	1.30	1.80		
Unemployment Rate		3.50	3.80	4.20	4.50	4.70	4.70		
Headline CPI Y-O-Y		5.80	4.10	3.50	3.10	2.80	2.60		
Fed Funds (Upper Bound) Curren	nt = 4.75								
Feb. Survey Median		5.00	5.25	5.25	5.25	4.75	4.25	3.75	3.50
Jan. Survey Median		5.00	5.00	5.00	5.00	4.38	4.00	3.50	3.25
Change in Medians		0.00	0.25	0.25	0.25	0.37	0.25	0.25	0.25
Treasury Yields	2/22/2023								
Average US 2-Year	4.67	4.45	4.37	4.17	3.89	3.64	3.41	3.17	3.01
Average US 5-Year	4.13	3.88	3.85	3.73	3.56	3.43	3.31	3.20	3.12
Average US 10-Year	3.91	3.67	3.66	3.61	3.49	3.39	3.31	3.23	3.17
Average US 30-Year	3.93	3.79	3.82	3.78	3.70	3.61	3.55	3.52	3.50

The US economy will expand 0.8% in 2023, 1.3% in 2024 and 2.0% in 2025, according to a survey by Bloomberg News.

- Survey of 66 economists conducted from Feb. 14 to Feb. 20
- Chance of a recession happening over the next 12 months is 60%, according to 42 respondents
- Q1 2023 GDP forecast at +0.5% q/q versus prior survey +0%
- Q2 2023 GDP forecast at -0.5% q/q versus prior survey -0.6%
- 2023 CPI forecast at +4% y/y versus prior survey +3.7%
- 2024 CPI forecast at +2.5% y/y versus prior survey +2.5%
- Fed funds rate upper-bound at 5.00% at Mar. 22 meeting, current rate is 4.75%

## Notes and Recommendations



#### Upcoming Maturities:

o 2/28/23	\$10 mm T-note @ 0.38%( <mark>to Prime</mark> )
o 2/28/23	\$15 mm T-note @ 0.12%( <mark>reinvest</mark> )
o 3/31/23	\$20 mm T-note @ 1.56%
o 4/05/23	\$20 mm FL PALM @ 2.12%
o 4/30/23	\$10 mm T-note @ 0.45%

#### Recommended Purchases

→ ○ \$15 mm Agency, July 2024 @ 5.15%

Motion to implement recommendations of our financial advisor based on the report submitted today and recommend the Clerk implement said Board recommendations.

Monthly expenses to be paid from maturing securities and Florida Prime pool balance

- o \$19.5mm FHLB 6/14/24 @ 4.50% 4.71%
- o \$20 mm FHLB 9/13/24 @ 4.45% 4.56%
- o \$20 mm FHLMC 12/30/24 @ 4.30% 4.52%
- o \$20 mm FL PALM @ 10/30/23 @ 4.95% 5.24%

## Portfolio Snapshot (January 31 ... projected Feb 28)



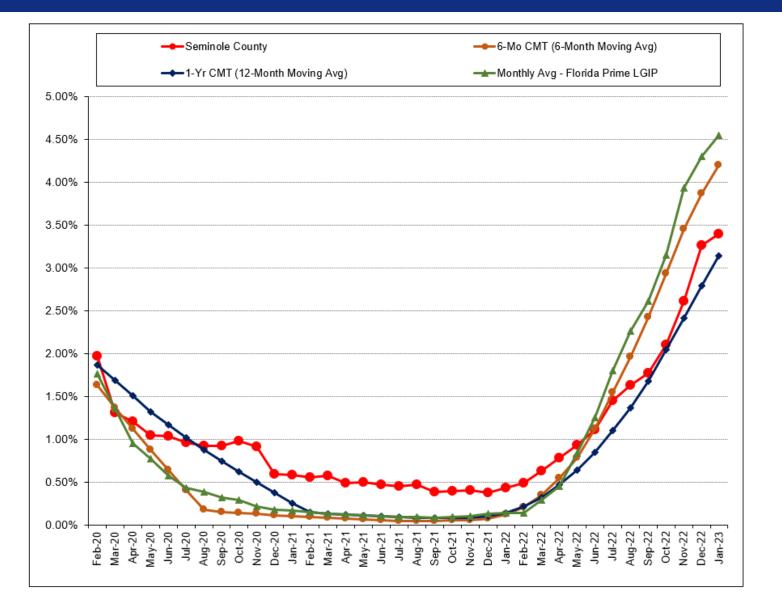
	January 31 Portfolio		Proposed	Projected February Portfolio			
	Junu	Policy Limit		rioposed	110,8	Clearebradiyr	Policy Limit
Cash Equivalents	Allocation	Current %	Deviation	Invest / (Divest)	Allocation	Proposed %	Deviation
Bank QPD Funds	106,722,839	11.8%	-88.2%	-	106,722,839	11.8%	-88.2%
Florida Prime	24,244,661	2.7%	-27.3%	10,000,000	34,244,66:	3.8%	-26.2%
Other Cash Pools	16,949,130	1.9%	-22.1%	-	16,949,130	1.9%	-22.1%
Total Liquid Funds	147,916,630	16.4%		10,000,000	157,916,630	) 17.5%	
Investments							
Treasuries	342,710,471	37.9%	-62.1%	(25,000,000)	317,710,47:	35.2%	-64.8%
Agencies	266,876,343	29.5%	-50.5%	15,000,000	281,876,343	31.2%	-48.8%
MBS	1,354,355	0.1%	-29.9%	-	1,354,359	0.1%	-29.9%
Fixed Term Pool (PALM)	144,576,513	16.0%	-22.1%	-	144,576,513	16.0%	-22.1%
Repos	-	0.0%	0.0%	-	-	0.0%	0.0%
Munis	-	0.0%	-20.0%	-	-	0.0%	-20.0%
Corporates	-	0.0%	-10.0%	-	-	0.0%	-10.0%
Commercial Paper	-	0.0%	-20.0%	-	-	0.0%	-20.0%
CDs	-	0.0%	-25.0%	-	-	0.0%	-25.0%
Total Investments	755,517,681	83.6%		(10,000,000)	745,517,683	82.5%	
Total Portfolio	903,434,311	100.0%	1		903,434,31	l 100.0%	
-			1				1
Avg Portolio Maturity in days	(as of 1/31)	307			(Projected Feb	) 309	
Portfolio by Maturity		Curr	ent		Proposed	*	
		Portfolio %	WA Yield	Р	ortfolio %	VA Yield	
	Less than 90 days	27.2%	3.13%		27.5%	3.84%	
	3 - 12 months	32.9%	2.84%		34.6%	3.17%	
	Beyond 12 months	39.9%	4.04%		37.9%	4.00%	
	Total	100.0%	3.40%		100.0%	3.67%	
		•		• ;	roposed portfolio S	6.	

Po	rtfolio Stats	1/31/23
•	Avg. maturity:	307 days
-	Avg. yield:	3.40%
-	Fixed/Floating:	84% / 16%
•	<90 days	\$246 mm

Estimated Portfolio 2/28/23				
-	Avg. maturity:	309 days		
-	Avg. yield:	3.66%		
-	Fixed/Floating:	82% / 18%		
•	<90 days	\$249 mm		

## Benchmark Comparison 1/31/2023

		6-Mo	1-Yr CMT	Monthly
	Seminole	CMT (6-	(12-	Avg -
	County	Month	Month	Florida
	County	Moving	Moving	Prime
		Avg)	Avg)	LGIP
Feb-20	1.97%	1.63%	1.87%	1.76%
Mar-20	1.31%	1.37%	1.69%	1.36%
Apr-20	1.21%	1.12%	1.51%	0.95%
May-20	1.05%	0.88%	1.32%	0.77%
Jun-20	1.04%	0.64%	1.17%	0.57%
Jul-20	0.96%	0.40%	1.02%	0.43%
Aug-20	0.92%	0.18%	0.88%	0.39%
Sep-20	0.92%	0.15%	0.74%	0.32%
Oct-20	0.98%	0.14%	0.62%	0.29%
Nov-20	0.91%	0.13%	0.50%	0.22%
Dec-20	0.59%	0.12%	0.38%	0.18%
Jan-21	0.58%	0.11%	0.26%	0.17%
Feb-21	0.56%	0.10%	0.15%	0.15%
Mar-21	0.57%	0.09%	0.13%	0.13%
Apr-21	0.49%	0.07%	0.12%	0.12%
May-21	0.50%	0.06%	0.11%	0.11%
Jun-21	0.47%	0.05%	0.10%	0.10%
Jul-21	0.45%	0.05%	0.09%	0.09%
Aug-21	0.47%	0.05%	0.09%	0.09%
Sep-21	0.39%	0.05%	0.09%	0.08%
Oct-21	0.40%	0.05%	0.08%	0.09%
Nov-21	0.40%	0.06%	0.09%	0.10%
Dec-21	0.38%	0.07%	0.10%	0.13%
Jan-22	0.43%	0.12%	0.14%	0.14%
Feb-22	0.49%	0.21%	0.21%	0.14%
Mar-22	0.63%	0.35%	0.32%	0.29%
Apr-22	0.78%	0.54%	0.47%	0.45%
May-22	0.93%	0.78%	0.64%	0.84%
Jun-22	1.11%	1.12%	0.85%	1.25%
Jul-22	1.45%	1.55%	1.10%	1.80%
Aug-22	1.63%	1.96%	1.37%	2.26%
Sep-22	1.77%	2.43%	1.68%	2.61%
Oct-22	2.10%	2.93%	2.05%	3.15%
Nov-22	2.61%	3.45%	2.42%	3.94%
Dec-22	3.27%	3.87%	2.79%	4.30%
Jan-23	3.40%	4.20%	3.15%	4.55%



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