



**CITY OF TYLER
CITY COUNCIL COMMUNICATION**

Agenda Number: C-A-4

Date: December 13, 2023

Subject: Request that the City Council consider reviewing and accepting the Investment Report for the quarter ending September 30, 2023.

Page: Page 1 of

Item Reference:

The City of Tyler Investment Portfolio Summary includes all of the core information required under the Public Funds Investment Act plus some additional supporting information that has been prepared to assist the City Council in the quarterly review process. Please reference the attachment labeled as Investments held on September 30, 2023.

RECOMMENDATION:

Request that the City Council consider reviewing and accepting the Investment Report for the quarter ending September 30, 2023.

ATTACHMENTS:

[Investment Portfolio Sept 30 2023 signed](#)
[Investments_held_on_September_30](#)
[Market Outlook 2023 09 01](#)

Drafted/Recommended By:
Department Leader

Keidric Trimble, CFO

Edited/Submitted By:
City Manager



INVESTMENT PORTFOLIO SUMMARY

For the Quarter Ended

September 30, 2023

Prepared by

Valley View Consulting, L.L.C.

The investment portfolio of the City of Tyler is in compliance with the Public Funds Investment Act and the Investment Policy.

Chief Financial Officer

Controller

Accounting Manager

Disclaimer: These reports were compiled using information provided by the City. No procedures were performed to test the accuracy or completeness of this information. The market values included in these reports were obtained by Valley View Consulting, L.L.C. from sources believed to be accurate and represent proprietary valuation. Due to market fluctuations these levels are not necessarily reflective of current liquidation values. Yield calculations are not determined using standard performance formulas, are not representative of total return yields and do not account for investment advisor fees.

Annual Comparison of Portfolio Performance

FYE Results by Investment Category:

City Funds

Asset Type	September 30, 2022			September 30, 2023		
	Ave. Yield	Book Value	Market Value	Ave. Yield	Book Value	Market Value
Pools/Bank	2.73%	\$ 51,046,050	\$ 51,046,050	4.21%	\$ 26,340,557	\$ 26,340,557
Securities/CDs	1.27%	83,835,241	83,566,164	4.63%	111,514,382	111,320,540
Totals		\$ 134,881,292	\$ 134,612,214		\$ 137,854,939	\$ 137,661,097
Fourth Quarter-End Yield	1.82%			4.55%		
Quarterly Interest Income		\$407,430	Approximate		\$1,520,187	Approximate
Year-to-date Interest Income		\$889,515	Approximate		\$4,761,966	Approximate

Hotel Bond

Asset Type	September 30, 2022			September 30, 2023		
	Ave. Yield	Book Value	Market Value	Ave. Yield	Book Value	Market Value
Pools/Bank	2.48%	\$ 48,465	\$ 48,465	5.52%	\$ 7,156	\$ 7,156
Totals		\$ 48,465	\$ 48,465		\$ 7,156	\$ 7,156
Fourth Quarter-End Yield	2.48%			5.52%		
Quarterly Interest Income		\$255	Approximate		\$485	Approximate
Year-to-date Interest Income		\$3,480	Approximate		\$2,157	Approximate

Annual Comparison of Portfolio Performance

FYE Results by Investment Category:

Water Utilities Revenue Bond

Asset Type	September 30, 2022			September 30, 2023		
	Ave. Yield	Book Value	Market Value	Ave. Yield	Book Value	Market Value
Pools/Bank	2.46%	\$ 39,846,723	\$ 39,846,723	5.47%	\$ 8,573,914	\$ 8,573,914
Securities/CDs	0.00%	–	–	0.00%	–	–
Totals		\$ 39,846,723	\$ 39,846,723		\$ 8,573,914	\$ 8,573,914
Fourth Quarter-End Yield	2.46%			5.47%		
Quarterly Interest Income		\$237,342	Approximate		\$171,015	Approximate
Year-to-date Interest Income		\$352,527	Approximate		\$1,060,566	Approximate

(Continued)

Total Portfolio

	Current Quarter Average Yield ⁽¹⁾	Current Quarter Average Yield ⁽¹⁾
	Total Portfolio	Total Portfolio
	1.97%	4.60%
Quarterly Interest Income	\$645,027	\$1,691,687
Year-to-date Interest Income	\$1,245,523	\$5,824,689

Average Quarter-End Yields (1):

	2022 Fiscal Year	2023 Fiscal Year
City Funds	0.94%	3.87%
Hotel Bond	0.99%	4.98%
Water Utilities Revenue Bond	0.94%	4.89%
Total Portfolio	0.94%	3.79%
Rolling Three Month Treasury	1.06%	4.95%
Rolling Six Month Treasury	1.01%	4.77%
TexPool	0.90%	4.74%

(1) Average Quarterly Yield calculated using quarter-end report average yield and adjusted book value.

Summary
Quarter End Results by Investment Category

City Funds

<u>Asset Type</u>	<u>June 30, 2023</u>			<u>September 30, 2023</u>		
	<u>Ave. Yield</u>	<u>Book Value</u>	<u>Market Value</u>	<u>Ave. Yield</u>	<u>Book Value</u>	<u>Market Value</u>
Pools/Bank	4.08%	\$ 35,924,630	\$ 35,924,630	4.21%	\$ 26,340,557	\$ 26,340,557
Securities/CDs	4.31%	113,710,066	113,446,561	4.63%	111,514,382	111,320,540
Totals	4.25%	\$ 149,634,696	\$ 149,371,191	4.55%	\$ 137,854,939	\$ 137,661,097

Current Quarter Average Yield (1)

Total Portfolio 4.55%

Fiscal Year-to-Date Average Yield (2)

Total Portfolio 3.87%

Interest Earnings

Quarterly Interest Income \$ 1,520,187 Approximate
 Year-to-date Interest Income \$ 4,761,966 Approximate

Bank Fees Offset

Quarterly Bank Fees Offset \$ 9,510
 Year-to-date Bank Fees Offset \$ 42,975

Hotel Bond

<u>Asset Type</u>	<u>June 30, 2023</u>			<u>September 30, 2023</u>		
	<u>Ave. Yield</u>	<u>Book Value</u>	<u>Market Value</u>	<u>Ave. Yield</u>	<u>Book Value</u>	<u>Market Value</u>
Pools/Bank	5.26%	\$ 50,137	\$ 50,137	5.52%	\$ 7,156	\$ 7,156
Totals	5.26%	\$ 50,137	\$ 50,137	5.52%	\$ 7,156	\$ 7,156

Current Quarter Average Yield (1)

Total Portfolio 5.52%

Fiscal Year-to-Date Average Yield (2)

Total Portfolio 4.98%

Interest Earnings

Quarterly Interest Income \$ 485 Approximate
 Year-to-date Interest Income \$ 2,157 Approximate

Summary
Quarter End Results by Investment Category

(Continued)

Water Utilities Revenue Bond

Asset Type	June 30, 2023			September 30, 2023		
	Ave. Yield	Book Value	Market Value	Ave. Yield	Book Value	Market Value
Pools/Bank	5.24%	\$ 15,288,562	\$ 15,288,562	5.47%	\$ 8,573,914	\$ 8,573,914
Securities/CDs	0.00%	–	–	0.00%	–	–
Totals	5.24%	\$ 15,288,562	\$ 15,288,562	5.47%	\$ 8,573,914	\$ 8,573,914

Current Quarter Average Yield (1)

Total Portfolio 5.47%

Fiscal Year-to-Date Average Yield (2)

Total Portfolio 4.89%

Interest Earnings

Quarterly Interest Income \$ 171,015 Approximate
 Year-to-date Interest Income \$ 1,060,566 Approximate

Total Portfolio

Current Quarter Average Yield (1)

Total Portfolio 4.60%

Rolling Three Month Treasury 5.54%
 Rolling Six Month Treasury 5.38%
 TexPool 5.32%

Fiscal Year-to-Date Average Yield (2)

Total Portfolio 3.79%

Rolling Three Month Treasury 4.95%
 Rolling Six Month Treasury 4.77%
 TexPool 4.74%

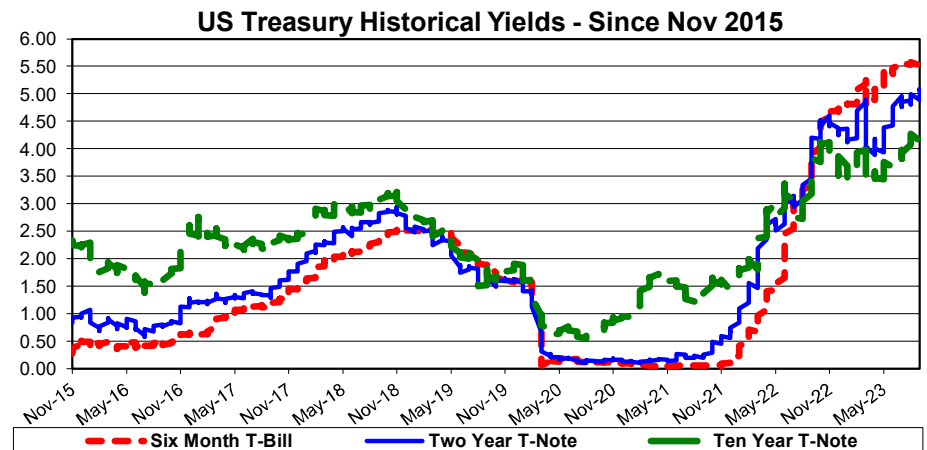
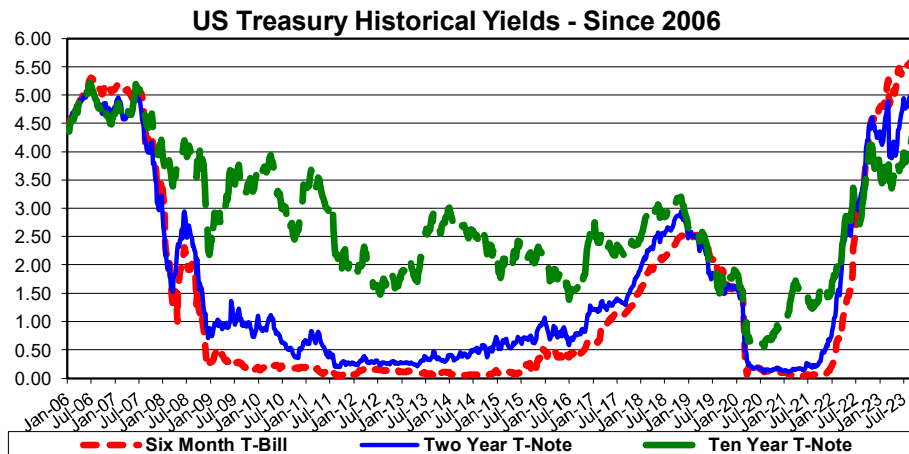
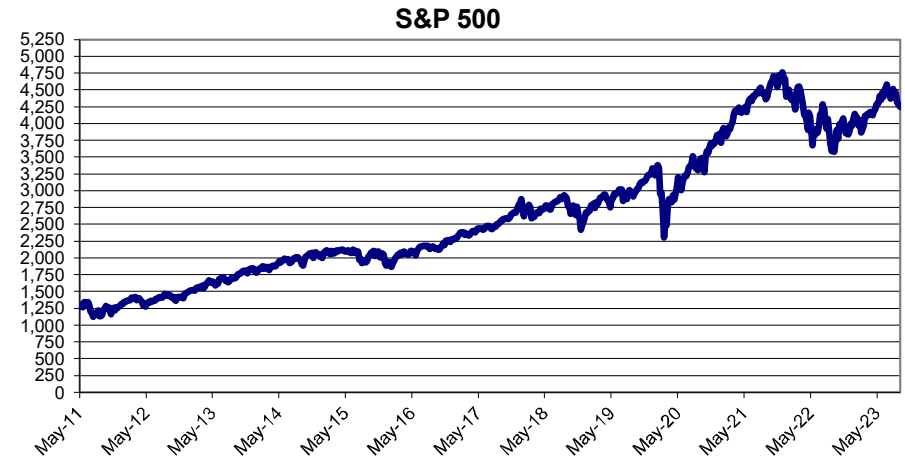
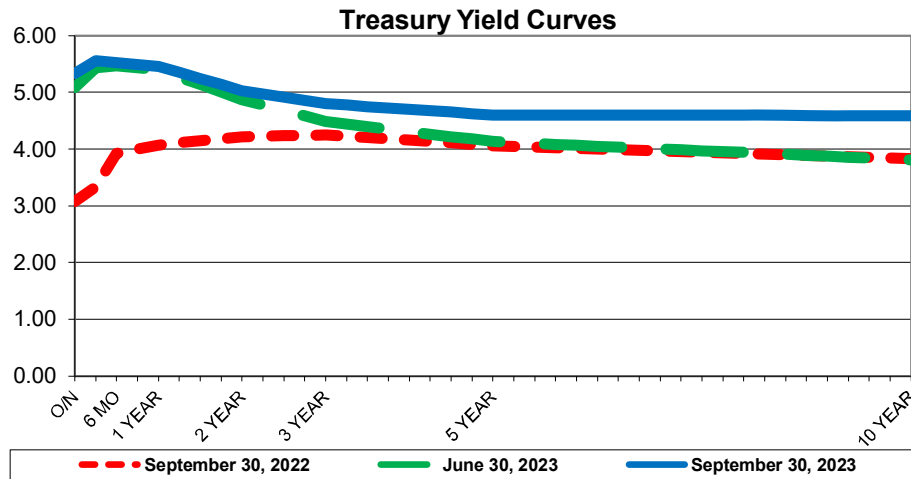
(1) **Current Quarter Weighted Average Yield** - calculated using quarter end report yields and adjusted book values; does not reflect a total return analysis, realized or unrealized gains/losses, or account for investment advisory fees. The yield for the reporting month is used for bank, pool, and money market balances.

(2) **Fiscal Year-to-Date Weighted Average Yields** - calculated using quarter end report yields and adjusted book values and does not reflect a total return analysis or account for advisory fees.

Economic Overview

9/30/2023

The Federal Open Market Committee (FOMC) maintained the Fed Funds target range 0.25% to 5.25% - 5.50% (Effective Fed Funds are trading +/-5.33%). A pause is projected at least until the September 19-20 meeting, with any future actions data-dependent. Second Quarter 2023 GDP posted 2.1%. September Non-Farm Payroll surged up 336k new jobs, above the 170k projection. The S&P Stock Index continued to slide below 4,300. The yield curve drifted higher on the long end. Crude Oil traded +/--\$85 per barrel. Inflation drifted lower but still over the FOMC 2% target (Core PCE +/-3.9% and CPI +/-3.7%). The slowing China and German economies, Ukrainian/Russian and Israeli/Hamas conflicts continue to weight on future outlooks.



Investment Holdings
September 30, 2023

Description	Ratings	Coupon/ Discount	Maturity Date	Settlement Date	Par Value	Book Value	Market Price	Market Value	Life (days)	Yield
City Funds										
Cash - Pooled (3)		0.50%	10/01/23	09/30/23	\$ 4,997,216	\$ 4,997,216	1.00	\$ 4,997,216	1	0.50%
NOW		4.07%	10/01/23	09/30/23	6,272,176	6,272,176	1.00	6,272,176	1	4.07%
InterBank MMA		5.50%	10/01/23	09/30/23	15,071,165	15,071,165	1.00	15,071,165	1	5.50%
Southside Bank CD		4.50%	10/20/23	10/20/22	5,170,183	5,170,183	100.00	5,170,183	20	4.50%
East West Bank CD		4.62%	11/21/23	11/21/22	6,243,254	6,243,254	100.00	6,243,254	52	4.73%
Texas Capital Bank CD		3.32%	12/02/23	09/02/22	5,168,779	5,168,779	100.00	5,168,779	63	3.32%
Veritex Community Bank CD		4.90%	12/15/23	12/15/22	9,335,128	9,335,128	100.00	9,335,128	76	4.99%
Veritex Community Bank CD		4.84%	01/26/24	01/26/23	10,241,451	10,241,451	100.00	10,241,451	118	4.93%
East West Bank CD		5.03%	02/26/24	02/24/23	9,308,377	9,308,377	100.00	9,308,377	149	5.16%
Bank OZK CD		4.88%	03/15/24	03/15/23	6,297,728	6,297,728	100.00	6,297,728	167	5.00%
Bank OZK CD		4.92%	04/12/24	04/12/23	3,572,927	3,572,927	100.00	3,572,927	195	5.04%
FFCB	Aaa/AA+	2.44%	04/18/24	04/27/22	3,000,000	2,997,669	98.10	2,943,120	201	2.59%
FFCB	Aaa/AA+	2.63%	05/16/24	05/18/22	5,000,000	4,997,391	98.30	4,914,750	229	2.71%
FFCB	Aaa/AA+	2.63%	06/10/24	06/10/22	3,000,000	2,998,542	98.06	2,941,890	254	2.70%
Third Coast Bank CD		5.60%	06/29/24	06/29/23	5,070,575	5,070,575	100.00	5,070,575	273	5.72%
Southside Bank CD		4.50%	10/10/24	04/10/23	3,539,267	3,539,267	100.00	3,539,267	376	4.58%
Citizen's 1st Bank CD		4.52%	11/08/24	05/08/23	3,049,413	3,049,413	100.00	3,049,413	405	4.59%
Southside Bank CD		4.70%	03/14/25	03/14/23	10,238,335	10,238,335	100.00	10,238,335	531	4.78%
American Nat'l Bank & Trust CD		4.50%	05/05/25	05/04/23	4,061,003	4,061,003	100.00	4,061,003	583	4.59%
Texas Bank CD		4.56%	06/05/25	06/08/23	8,115,631	8,115,631	100.00	8,115,631	614	4.66%
Third Coast Bank CD		5.10%	06/29/25	06/29/23	5,064,274	5,064,274	100.00	5,064,274	638	5.20%
Veritex Community Bank CD		5.00%	07/11/25	07/11/23	3,025,534	3,025,534	100.00	3,025,534	650	5.12%
American Nat'l Bank & Trust CD		5.10%	08/14/25	08/17/23	3,018,921	3,018,921	100.00	3,018,921	684	5.23%
City Funds - Sub Total					\$ 137,861,337	\$ 137,854,939		\$ 137,661,097	235	4.55%
									(1)	(2)

Investment Holdings
September 30, 2023

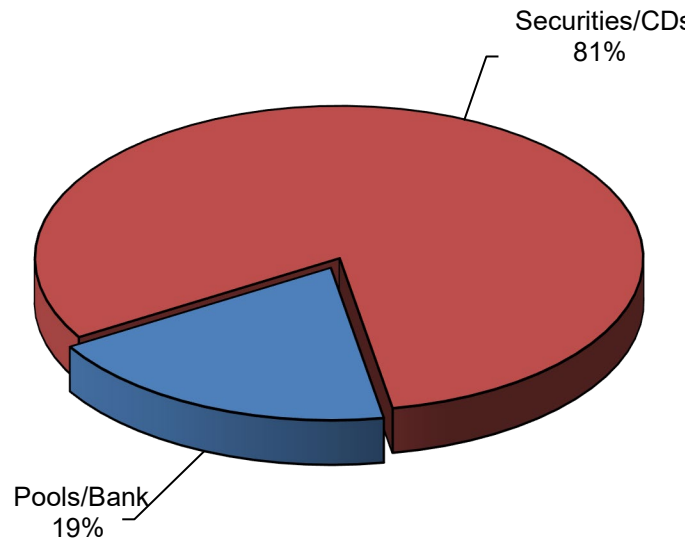
Description	Ratings	Coupon/ Discount	Maturity Date	Settlement Date	Par Value	Book Value	Market Price	Market Value	Life (days)	Yield
Hotel Bond										
LOGIC - Hotel Bond	AAAm	5.52%	10/01/23	09/30/23	7,156	7,156	1.00	7,156	1	5.52%
Hotel Bond - Sub Total					\$ 7,156	\$ 7,156		\$ 7,156	1	5.52%
									(1)	(2)
Water Utilities Revenue Bond										
NOW #2		4.07%	10/01/23	09/30/23	\$ 350,200	\$ 350,200	1.00	\$ 350,200	1	4.07%
NOW #3 - Bond		5.60%	10/01/23	09/30/23	6,352,458	6,352,458	1.00	6,352,458	1	5.60%
TexSTAR - Bond	AAAm	5.31%	10/01/23	09/30/23	1,871,257	1,871,257	1.00	1,871,257	1	5.31%
Water Utilities Revenue Bond - Sub Total					\$ 8,573,914	\$ 8,573,914		\$ 8,573,914	1	5.47%
									(1)	(2)
Total Portfolio					\$ 146,442,408	\$ 146,436,009		\$ 146,242,168	221	4.60%
									(1)	(2)

(1) **Weighted average life** - For purposes of calculating weighted average life, TexPool, TexSTAR, and bank account investments are assumed to have a one day maturity.

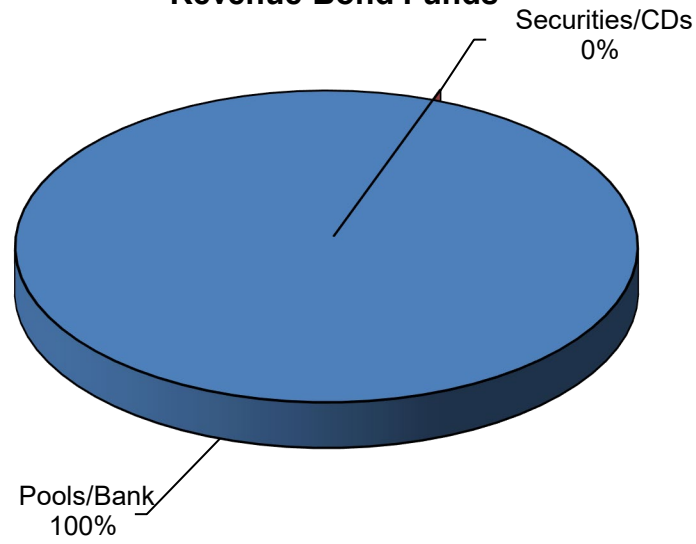
(2) **Weighted average yield to maturity** - The weighted average yield to maturity is based on adjusted book value, realized and unrealized gains/losses and investment advisory fees are not considered. The yield for the reporting month is used for TexPool, TexSTAR, and bank account investments.

(3) **Cash - Pooled** funds are used as compensating balances to offset bank service charges and do not generate hard interest.

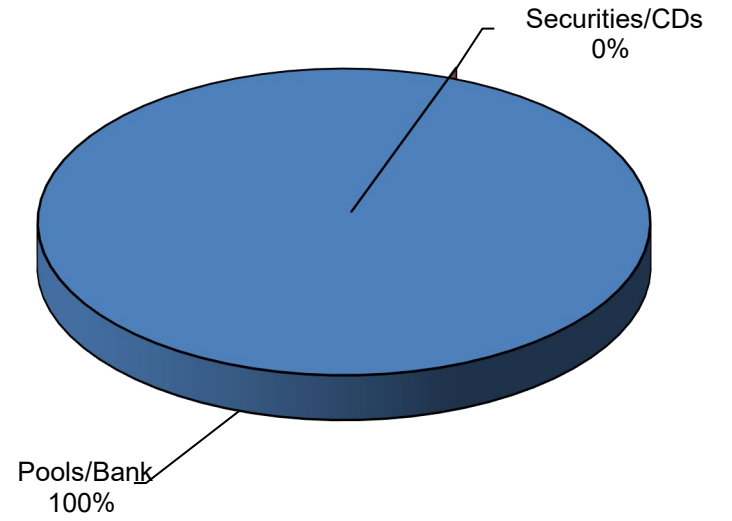
Portfolio Composition - City Funds



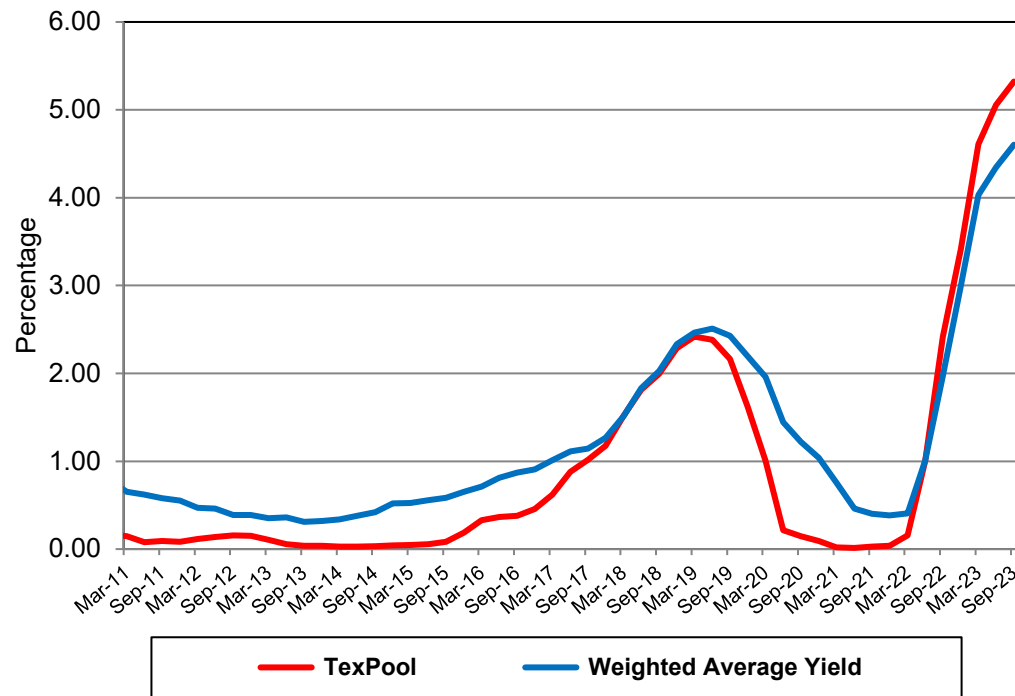
Portfolio Composition - Water Utility Revenue Bond Funds



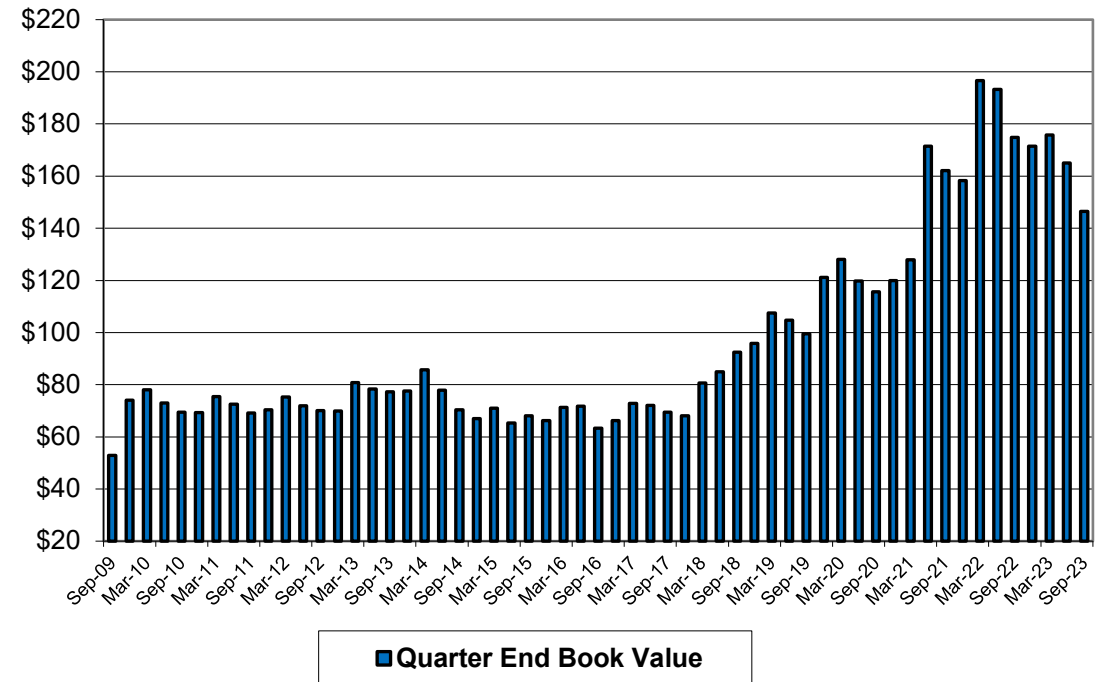
Portfolio Composition - Hotel Bond Funds



Total Portfolio Performance



Total Portfolio (Millions)



Book & Market Value Comparison

Issuer/Description	Yield	Maturity Date	Book Value 06/30/23	Increases	Decreases	Book Value 09/30/23	Market Value 06/30/23	Change in Market Value	Market Value 09/30/23
Cash - Pooled	0.50%	10/01/23	\$ 6,433,570	\$ -	\$ (1,436,354)	\$ 4,997,216	\$ 6,433,570	\$ (1,436,354)	\$ 4,997,216
NOW	4.07%	10/01/23	9,677,023	-	(3,404,847)	6,272,176	9,677,023	(3,404,847)	6,272,176
NOW #2	4.07%	10/01/23	643,226	-	(293,027)	350,200	643,226	(293,027)	350,200
NOW #3 - Bond	5.60%	10/01/23	12,208,213	-	(5,855,755)	6,352,458	12,208,213	(5,855,755)	6,352,458
InterBank MMA	5.50%	10/01/23	19,814,037	-	(4,742,872)	15,071,165	19,814,037	(4,742,872)	15,071,165
TexSTAR - Bond	5.31%	10/01/23	2,437,123	-	(565,866)	1,871,257	2,437,123	(565,866)	1,871,257
LOGIC - Hotel Bond	5.52%	10/01/23	50,137	-	(42,981)	7,156	50,137	(42,981)	7,156
East West Bank CD	2.85%	07/11/23	3,084,317	-	(3,084,317)	-	3,084,317	(3,084,317)	-
Veritex Community Bank CD	0.25%	07/26/23	3,140,681	-	(3,140,681)	-	3,140,681	(3,140,681)	-
Veritex Community Bank CD	0.25%	08/09/23	3,131,420	-	(3,131,420)	-	3,131,420	(3,131,420)	-
Southside Bank CD	4.50%	10/20/23	5,112,821	57,362	-	5,170,183	5,112,821	57,362	5,170,183
East West Bank CD	4.62%	11/21/23	6,170,978	72,276	-	6,243,254	6,170,978	72,276	6,243,254
Texas Capital Bank CD	3.32%	12/02/23	5,125,708	43,071	-	5,168,779	5,125,708	43,071	5,168,779
Veritex Community Bank CD	4.90%	12/15/23	9,221,239	113,889	-	9,335,128	9,221,239	113,889	9,335,128
Veritex Community Bank CD	4.84%	01/26/24	10,119,342	122,109	-	10,241,451	10,119,342	122,109	10,241,451
East West Bank CD	5.03%	02/26/24	9,191,115	117,262	-	9,308,377	9,191,115	117,262	9,308,377
Bank OZK CD	4.88%	03/15/24	6,220,744	76,984	-	6,297,728	6,220,744	76,984	6,297,728
Bank OZK CD	4.92%	04/12/24	3,528,895	44,032	-	3,572,927	3,528,895	44,032	3,572,927
FFCB	2.44%	04/18/24	2,996,603	1,066	-	2,997,669	2,929,020	14,100	2,943,120
FFCB	2.63%	05/16/24	4,996,350	1,041	-	4,997,391	4,878,750	36,000	4,914,750
FFCB	2.63%	06/10/24	2,998,012	530	-	2,998,542	2,919,690	22,200	2,941,890
Third Coast Bank CD	5.60%	06/29/24	5,000,000	70,575	-	5,070,575	5,000,000	70,575	5,070,575
Southside Bank CD	4.50%	10/10/24	3,500,000	39,267	-	3,539,267	3,500,000	39,267	3,539,267
Citizen's 1st Bank CD	4.52%	11/08/24	3,015,093	34,320	-	3,049,413	3,015,093	34,320	3,049,413
Southside Bank CD	4.70%	03/14/25	10,118,466	119,869	-	10,238,335	10,118,466	119,869	10,238,335
American Nat'l Bank & Trust CD	4.50%	05/05/25	4,015,288	45,716	-	4,061,003	4,015,288	45,716	4,061,003
Texas Bank CD	4.56%	06/05/25	8,022,994	92,638	-	8,115,631	8,022,994	92,638	8,115,631
Third Coast Bank CD	5.10%	06/29/25	5,000,000	64,274	-	5,064,274	5,000,000	64,274	5,064,274
Veritex Community Bank CD	5.00%	07/11/25	-	3,025,534	-	3,025,534	-	3,025,534	3,025,534
American Nat'l Bank & Trust CD	5.10%	08/14/25	-	3,018,921	-	3,018,921	-	3,018,921	3,018,921
TOTAL / AVERAGE	4.60%		\$ 164,973,395	\$ 7,160,734	\$(25,698,119)	\$ 146,436,009	\$ 164,709,890	\$ (18,467,722)	\$ 146,242,168

Cash and Investments by Fund

		09/30/2023	6/31/2023	Difference
General Fund	101	\$ 33,396,354	\$ 44,673,871	\$ (11,277,517)
General Capital Projects Fund	102	1,413,869	2,125,052	(711,184)
Street Improvement Fund	103	1,572,870	1,617,145	(44,275)
Development Services Fund	202	4,567,454	4,417,048	150,405
Cemeteries Operating Fund	204	69,575	93,901	(24,326)
Forfeitures Fund	205	390,968	403,621	(12,653)
Court Technology Fund	207	139,384	83,801	55,583
Hotel-Motel Tax Fund	211	804,131	(2,446,035)	3,250,166
Donations Fund	216	1,116,358	1,141,342	(24,984)
TIF/TIRZ # 3	218	929,056	918,691	10,365
Tyler Tourism & Convention Facilities Fund	219	583,279	515,471	67,808
Half Cent Sales Tax Fund	231	28,717,547	30,515,388	(1,797,842)
Passenger Facility Fund	234	406,387	346,952	59,435
Oil & Natural Gas Fund	235	11,115,574	8,540,610	2,574,964
PEG Fee Fund	236	1,233,230	1,226,305	6,925
Fair Plaza Fund	240	(724)	(724)	-
Retained HUD Admin Fee Fund	274	444	439	5
Housing Assistance Fund	276	1,417,715	1,363,203	54,512
State/Federal Grants Fund	285	(82,121)	(125,518)	43,397
Transit System Fund	286	(482,000)	(1,216,404)	734,404
CDBG Grant Fund	294	30,457	(146,250)	176,707
HOME Grant Fund	295	356,438	303,007	53,431
HOT Debt Service Fund	302	3,763	(177,637)	181,400
Revenue Bond HOT 2021	402	7,156	50,136.94	(42,981)
Utilities Fund	502	17,105,168	15,054,484	2,050,684
Utilities Construction Fund	503	4,955,490	5,640,832	(685,342)
Utilities Debt Service Fund	504	1,203,682	6,520,218	(5,316,536)
Utilities Debt Reserve Fund	505	847,125	837,835	9,291
Revenue Bond Series 2021	512	1,871,257	2,437,123	(565,866)
Revenue Bond Series 2022	513	6,352,458	12,208,213	(5,855,755)
Revenue Bond Series 2019	519	350,200	643,226	(293,027)
Airport Fund	524	1,042,554	973,354	69,200
Airport Grant Fund	525	(1,837,581)	(1,351,076)	(486,506)
Solid Waste Fund	560	349,486	1,256,503	(907,017)
Solid Waste Capital Projects Fund	562	509,208	189,784	319,423
Storm Water Management	575	2,123,908	2,168,517	(44,609)
Productivity Improvement Fund	639	2,111,620	2,234,338	(122,718)
Fleet Replacement Fund	640	4,870,438	3,746,131	1,124,307
Prop, Liab, W/C Insurance Fund	650	2,849,248	2,657,843	191,405
Employee Benefits Fund	661	1,037,959	1,814,494	(776,534)
Prop & Facility Management Fund	663	1,068,590	1,159,881	(91,291)
Technology Fund	671	3,002,845	1,699,987	1,302,858
Payroll Fund	710	1,105,392	1,592,613	(487,221)
Cemetery Trust Fund	713	3,306,701	3,305,368	1,333
Landfill Trust Fund	720	3,091,783	3,048,923	42,860
Retiree Benefits Fund	761	(809,714)	(264,706)	(545,008)
Section 125 Trust Fund	772	296,557	274,587	21,970
TOTAL		\$ 144,511,535.81	\$ 162,071,887.42	\$ (17,560,351.61)

Investments held on September 30, 2023 by type and by major fund are shown below:

Investment Category	Book Value	Market Value	Quarterly Average Yield	Average Maturity
City Funds				
Pools/Bank	26,340,557	26,340,557	4.21	1 day
Securities/CD's	111,514,382	111,514,382	4.63	235 days
Hotel Bond				
Pools/Bank	7,156	7,156	5.52	1 day
Revenue Bond				
Pools/Bank	8,573,914	8,573,914	5.47	1 day
Securities/CD's	0	0	0	0 days
	146,436,009	146,436,009	4.60	221 days

*Totals listed about reflect rounded figures

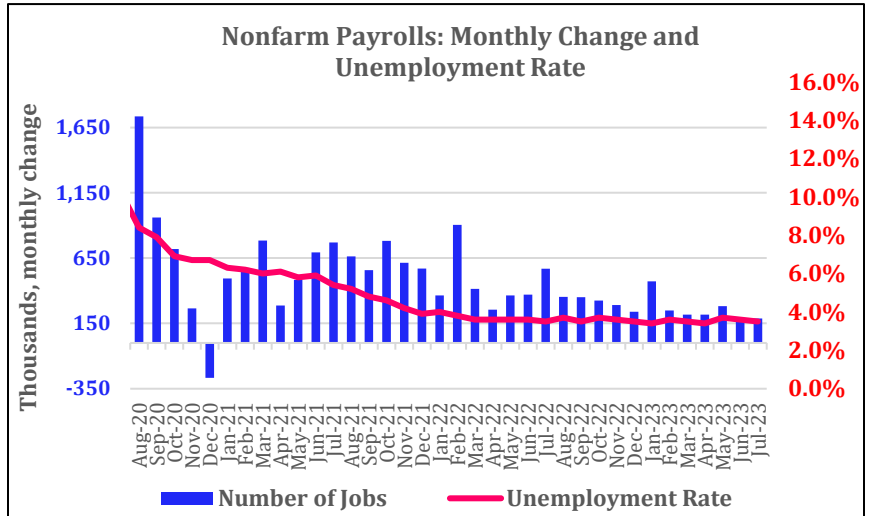
Benchmarks: Rolling 3 month Treasury average yield was 5.54 percent
 Rolling 6 month Treasury average yield was 5.38 percent
 The Tex Pool average yield for this quarter was 5.32 percent
 The Fiscal Year-to-Date Average Yield was 3.79 percent

Market Outlook

September 1, 2023

Chair Powell’s speech at the 2023 Jackson Hole Symposium seemed to keep the door open for additional rate increases, but the market was less convinced. Struggles continue for homebuyers as mortgage rates exceed 7% and supply remains low. An uptick in personal spending reflected resilient US consumers, with retail sales likely boosted by Amazon’s Prime Day. Second quarter GDP was revised downward to +2.1% as exports fell the most since the COVID-19 outbreak began impacting markets in Q2 of 2020.

The August Employment report added 187,000 jobs, beating market expectations of 170,000. The previous two months were adjusted with a net decrease of 110,000 jobs. July was revised to +157,000 from the previously reported +187,000, and June was revised to +105,000 from the previously reported +185,000 jobs. The three-month average is now +150,000 per month (the previous three-month average was +218,000 per month). Health/Education (+102,000), Leisure/Hospitality (+40,000), Construction (+22,000), and Professional/Business (+19,000) experienced the most notable gains during August, and Manufacturing (+16,000), Government (+8,000), and Retail (+6,300) remained positive for the month. While Mining (-500) saw a minor decrease, Transportation/Warehousing (-34,200) was hit hard following the closure of Yellow Corporation, a major trucking company that filed for bankruptcy.



The August Labor Participation Rate, a measure of the percentage of eligible workers that hold jobs, rose by 0.2% to 62.8% after flat readings since March, but still remains below its pre-pandemic 63.4%. The Unemployment Rate increased in August to 3.8% from 3.5% in July. The U6 rate (or the under-employed rate – those that are either over-qualified for their job or working fewer hours than they desire) increased in August to 7.1% from July’s 6.7%. Average Hourly Earnings (AHE) had its smallest rise since February 2022 inching up 0.2%, with AHE year-over-year now at 4.3% versus 4.4% last month. Job openings fell for the third consecutive month, with July declining by 338,000 to 8.8 million jobs, reaching the lowest level since March 2021. The number of unemployed people increased by 514,000 to approximately 6.4 million people.

Existing Home Sales decreased 2.2% in July following June’s decrease of 3.3%. The median existing-home sales price year-over-year increased 1.9% to \$406,700, the fourth time the monthly median has exceeded \$400,000 (others include June 2023, June 2022, and May 2022). Inventories of Existing Homes for sale increased 3.7% from last month, with the supply at 3.3 months at the current sales pace. New Home Sales increased 4.4% in July after a 2.8% decline in June. The supply of New Homes for sale decreased slightly in July to 7.3 months from June’s 7.4 months, and remains above the 6-month supply expected in a balanced market. The median sales price of new homes was \$436,700, compared to \$478,200 from one year ago. The average 30-year mortgage rate at the end of August was 7.18%, up 0.28% from the end of last month. The S&P Case Shiller report of home prices in 20 metropolitan areas reported a 0.9% increase in home values during June and the Federal Housing Finance Agency (FHFA), the entity that analyzes all domestic home prices, showed an increase of 0.3% for the same month. Year-over-year Case Shiller is down 1.2% (versus -1.7% in May), and the FHFA index is up 3.1% (compared to 2.9% in May). Pending Home Sales defied market expectations for the second consecutive month increasing 0.9% while the market expected a 0.6% decline. Year-over-year, pending home sales have fallen 14%. Housing Starts increased 3.9% in July, and June was negatively revised down to -11.7% from -8.0% previously reported. Building Permits increased 0.1% in July after June’s decline of 3.7%, and Construction Spending in July increased 0.7% after rising 0.6% in June.

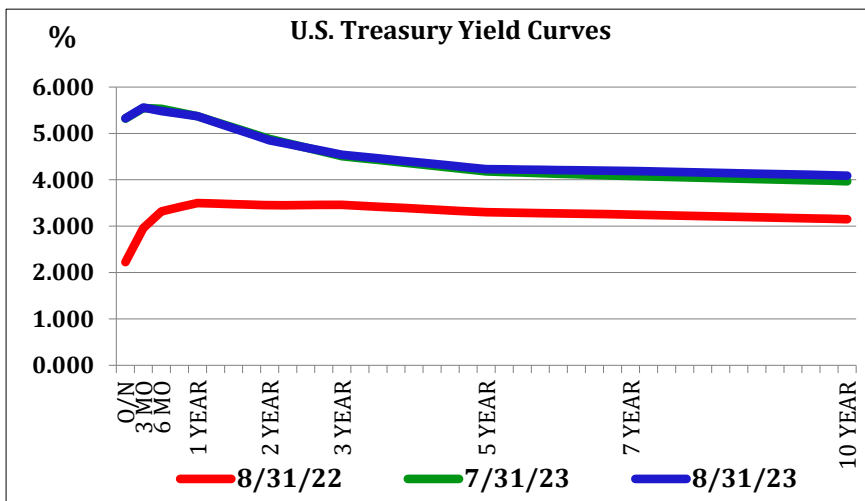
The Second Estimate for 2023 Q2 GDP was revised downward to +2.1% from the previous +2.4% estimate, following first quarter’s +2.0%. After declining 0.8% in June, July’s Industrial Production grew 1.0%, the most in six months and above market expectations of +0.3%. While transportation equipment drove a 4.4% surge for Durable Goods Orders in June, a subsequent drop-off in demand for that equipment resulted in a 5.2% decrease in July. Excluding

transportation, durable goods orders were up 0.5% for the month. Factory Orders fell 2.1% in July after four consecutive months of increases. Business inventories were flat for both May and June. As an inflation impact measurement, the Producer Price Index (PPI) increased 0.3% in July after seeing no change in June. It is up 0.8% from this time last year with base effects playing a role in this year-over-year increase as prices started to slow in July 2022. The Consumer Price Index (CPI) increased 0.2% in July matching that of June, and is up 3.2% year-over-year with shelter being the largest contributor to the increase. It also marks the end of twelve consecutive months of declines for the year-over-year change, but it is similarly impacted by base effects as inflation started to fall from its peak of 9.1% one year ago. Core CPI, or the results after food and energy numbers are excluded (due to price volatility), increased 0.2% in July, as the market expected, bringing the year-over-year to 4.7%, the lowest since October 2021. The Purchasing Managers Index increased to 47.6% in August, but remains below 50%, generally indicative of a declining manufacturing economy, now on its tenth consecutive month of contraction. This is the longest stretch of manufacturing sector contraction since the Great Recession.

The revised estimate for personal consumption for the second quarter of 2023 showed growth of 1.7% after a 4.2% rise in Q1. Retail Sales rose 0.7% in July, above market forecasts of 0.4%, with some help coming from Amazon's Prime Day that ran July 11th and 12th. Excluding vehicle and gas purchases, sales increased 1.0%, the largest increase in six months, following a 0.4% rise in June. Consumers' attitudes as measured by both the Consumer Sentiment report (-2.1 points) and the Consumer Confidence report (-10.9 points) dropped as consumers perceive market improvements have moderated and share more tentative outlooks. Inflation expectations for the next year increased to 3.5% from 3.4% the previous month, with the five-year outlook now at 3%. Personal Consumption Expenditures (PCE) rose 3.3% year-over-year in July from 3.0% in June. The Core PCE Index measuring consumption net of food and energy, and one of the indicators watched closely by the FOMC, increased slightly, as anticipated, to 4.2% year-over-year in July from June's 4.1%. This exceeded the FOMC's target inflation rate of 2.0% for the twenty-eighth consecutive month. Month-over-month the Personal Income component of the PCE series indicated that incomes rose 0.2% in July, slightly below market forecasts of 0.3%, and Personal Spending increased the most since January by 0.8%.

The FOMC held the 46th annual Jackson Hole Economic Symposium August 24th through 26th, and Chair Powell's message was unchanged from the last FOMC meeting. The Committee is focused on their dual mandate to restore price stability and bring inflation back to their 2.0% goal. He emphasized again that they are prepared to raise rates further if it is appropriate to do so, and they will maintain rates at a restrictive level until they see sustainable movement toward the 2.0% goal. He addressed the three components of the Core PCE Index individually to help illustrate where we are currently: core goods inflation has fallen sharply, housing services inflation takes time to slow, but is now showing those signs, and nonhousing services, which account for over half of the Core PCE Index, are typically less affected by global supply chain issues, less interest-rate sensitive, and are more labor intensive, so inflation for that sector has declined only modestly. He acknowledged further progress on the nonhousing services component will be essential to restore price stability. The FOMC will hold their next meeting on September 19th and 20th, where we will also receive their updated economic projections. The market is still anticipating the FOMC will pause and maintain the current Fed Funds target range.

Government Security Investment Pool yields increased modestly, currently yielding +/- 5.35%, up from +/- 5.30% last month. US Treasury and Agency rates were mostly unchanged. The 1-year Treasury finished the month at 5.36%, 1 basis-point lower than the end of July. The 2-year Treasury remained the same as last month, ending August at 4.88%. With very little movement, the yield curve at the end of August remains largely unchanged from June and July, inverted with short-term rates higher than longer-term rates, peaking between 3- and 6-months. Bank rates continue to provide a yield advantage with some banks offering 1-year CD yields at +/- 5.60% and 2-year CD yields at +/- 5.10%.



Disclaimer: This material, based on data believed to be reliable, but not independently verified, is not intended to constitute an offer, solicitation or recommendation regarding any securities transaction or a guarantee of market conditions and is for informational purposes only. For use by the intended recipient only.