



# Quarterly Investment Report



**For the period ended June 30, 2024  
(Unaudited)**

Prepared by: Barbara A. Parker, County Auditor

Downtown County Annex

320 S. Campbell St., Ste 140

(915) 273-3262

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**EL PASO COUNTY | TEXAS**  
 Quarterly Investment Report  
 03/31/2024 - 06/30/2024



Prepared by:

**Barbara A. Parker, County Auditor**  
 320 S. Campbell, Suite 140  
 El Paso, Texas 79901-2407 (915) 273-3262

A report of the investment transactions for the third quarter ended June 30, 2024, is herewith submitted. All investments have been made in compliance with the County's investment policy and pursuant to Texas Government Code, Title 10, §2256.023. TexPool and TexPool Prime, investment pools authorized under the Texas Government Code, Title 10, §2256.016 and managed by Federated Investors, Incorporated, have affirmed adherence to the County's investment policy and provisions of the Texas Government Code, Title 10, §2256.023(8) (a) and (b).

Issuer	Face Amount/Shares	Market Value	Book Value	% of Portfolio	YTM @ Cost	Days To Maturity
TexPool	5,997,340.36	5,997,340.36	5,997,340.36	1.19	5.31	1
TexPool Prime	458,354,393.35	458,354,393.35	458,354,393.35	91.24	5.46	1
Vantage   Checking	15,389,519.33	15,389,519.33	15,389,519.33	3.06	3.57	1
Vantage   Consolidated	22,609,533.17	22,609,533.17	22,609,533.17	4.50	3.83	1
<b>Total / Average</b>	<b>502,350,786.21</b>	<b>502,350,786.21</b>	<b>502,350,786.21</b>	<b>100.00</b>	<b>5.33</b>	<b>1</b>

/s/ Roxanne Davila  
 Roxanne Davila, Audit Accountant  
 Treasury

/s/ Jacobo Fuentes  
 Jacobo Fuentes, Audit Accountant Senior  
 Treasury

/s/ Raymond Gomez  
 Raymond Gomez, Audit Manager  
 Treasury

/s/ Donna Teague  
 Donna Teague, Director of Financial Operations

/s/ Michael Lamas  
 Michael Lamas, First Assistant

/s/ Barbara Parker  
 Barbara A. Parker, County Auditor



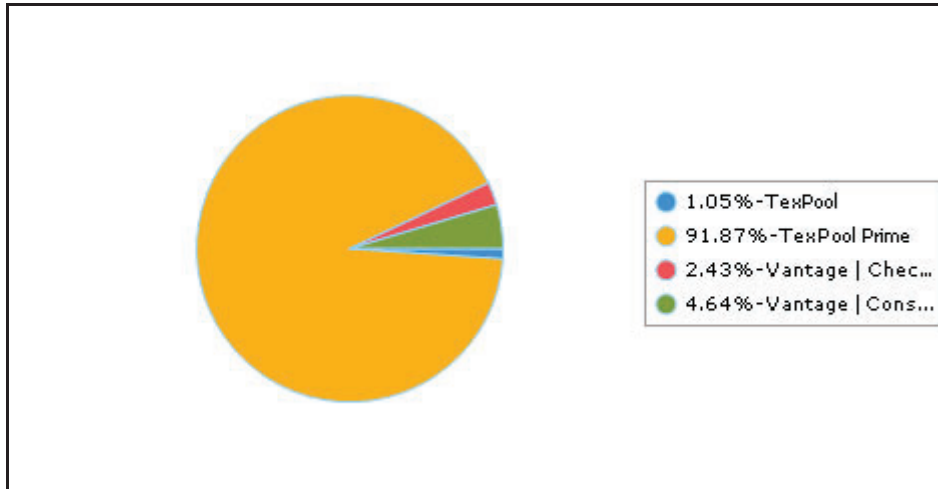
## El Paso County TX Distribution by Issuer - Market Value All Portfolios

Begin Date: 3/31/2024, End Date: 6/30/2024

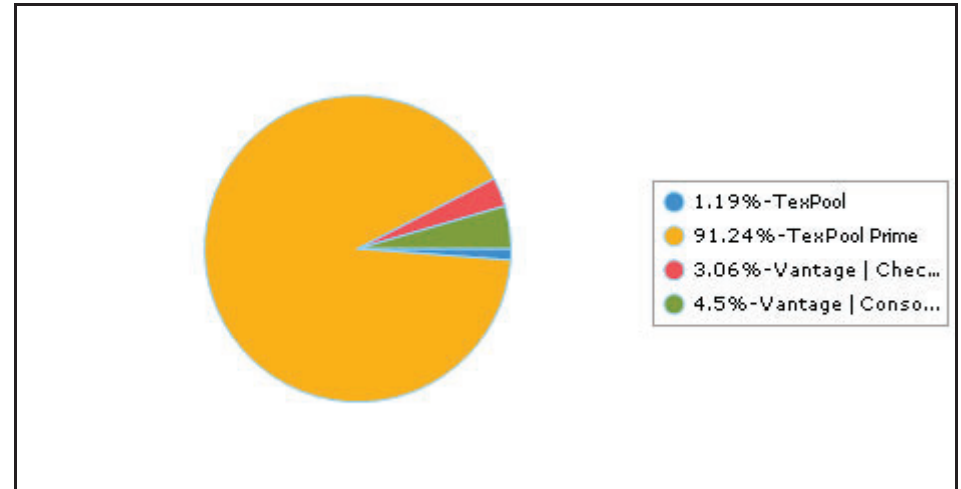
### Issuer Allocation

Issuer	Market Value 3/31/2024	% of Portfolio 3/31/2024	Market Value 6/30/2024	% of Portfolio 6/30/2024
TexPool	5,918,578.95	1.05	5,997,340.36	1.19
TexPool Prime	515,594,085.50	91.87	458,354,393.35	91.24
Vantage   Checking	13,631,510.12	2.43	15,389,519.33	3.06
Vantage   Consolidated	26,062,843.54	4.64	22,609,533.17	4.50
<b>Total / Average</b>	<b>561,207,018.11</b>	<b>100.00</b>	<b>502,350,786.21</b>	<b>100.00</b>

**Portfolio Holdings as of 3/31/2024**



**Portfolio Holdings as of 6/30/2024**



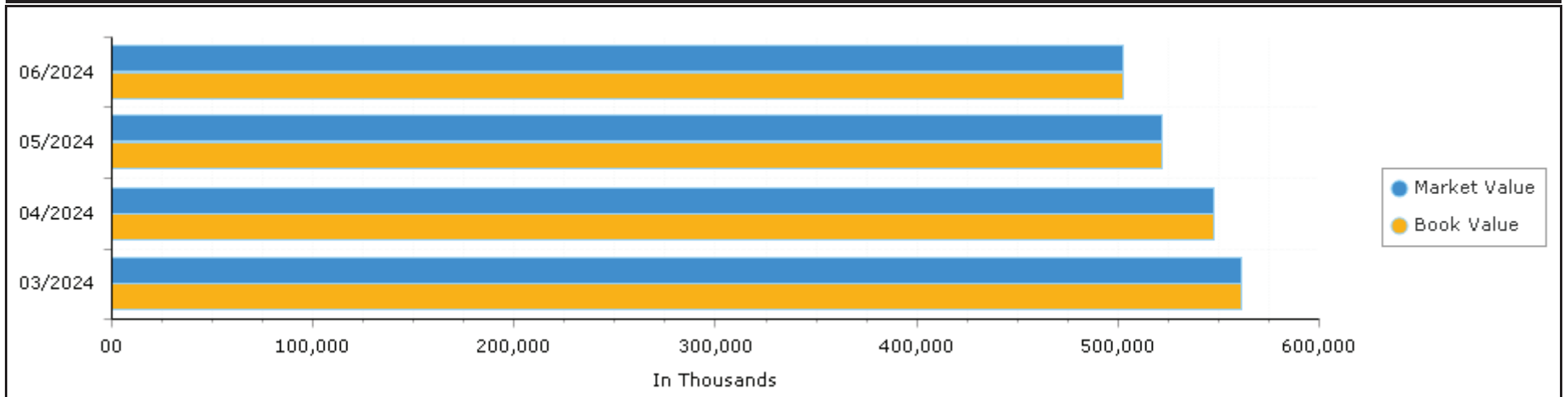


## El Paso County TX Portfolio Summary by Month All Portfolios

Begin Date: 3/31/2024, End Date: 6/30/2024

Month	Market Value	Book Value	Unrealized Gain/Loss	YTM @ Cost	YTM @ Market	Duration	Days To Maturity
3/31/2024	561,207,018.11	561,207,018.11	0.00	5.36	5.36	0.00	1
4/30/2024	547,393,890.63	547,393,890.63	0.00	5.37	5.37	0.00	1
5/31/2024	521,701,996.54	521,701,996.54	0.00	5.34	5.34	0.00	1
6/30/2024	502,350,786.21	502,350,786.21	0.00	5.33	5.33	0.00	1
Total / Average	533,163,422.87	533,163,422.87	0.00	5.35	5.35	0.00	1

### Market Value / Book Value Comparison

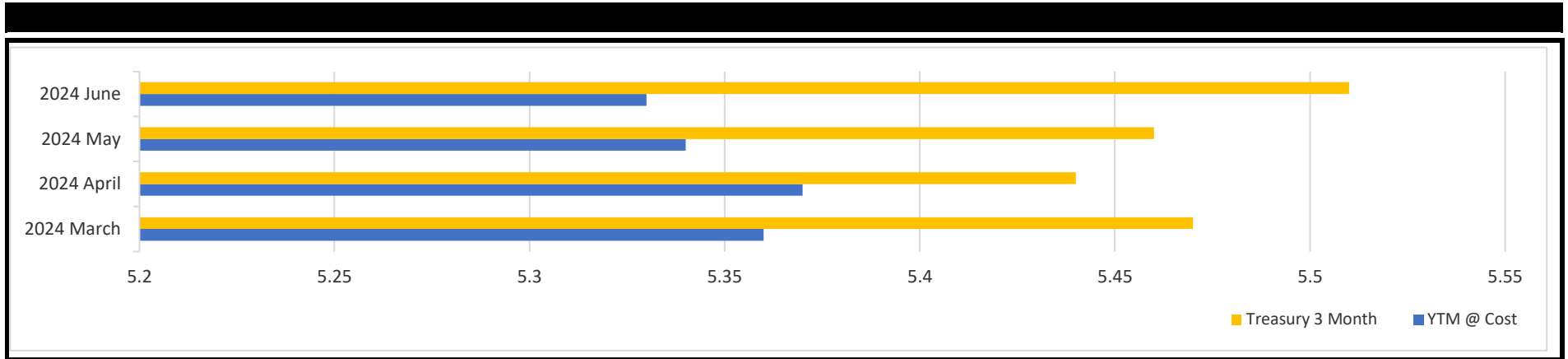




## El Paso County TX Investment Income - Book Value by Month Report Group | All Portfolios

Begin Date: 03/31/2024, End Date: 06/30/2024

Month	Beginning BV + Accrued Interest	Interest Earned During Period-BV	Realized Gain/Loss-BV	Investment Income-BV	Ending Book Value	YTM @ Cost	Treasury 3 Month
3/31/2024	577,145,722.64	2,644,127.76	0.00	2,644,127.76	561,207,018.11	5.36	5.47
4/30/2024	561,207,018.11	2,495,270.75	0.00	2,495,270.75	547,393,890.63	5.37	5.44
5/31/2024	547,393,890.63	2,466,895.44	0.00	2,466,895.44	521,701,996.54	5.34	5.46
6/30/2024	521,701,996.54	2,276,334.05	0.00	2,276,334.05	502,350,786.21	5.33	5.51
<b>Total/Average</b>	<b>551,862,156.98</b>	<b>9,882,628.00</b>	<b>0.00</b>	<b>9,882,628.00</b>	<b>533,163,422.87</b>	<b>5.39</b>	<b>5.47</b>





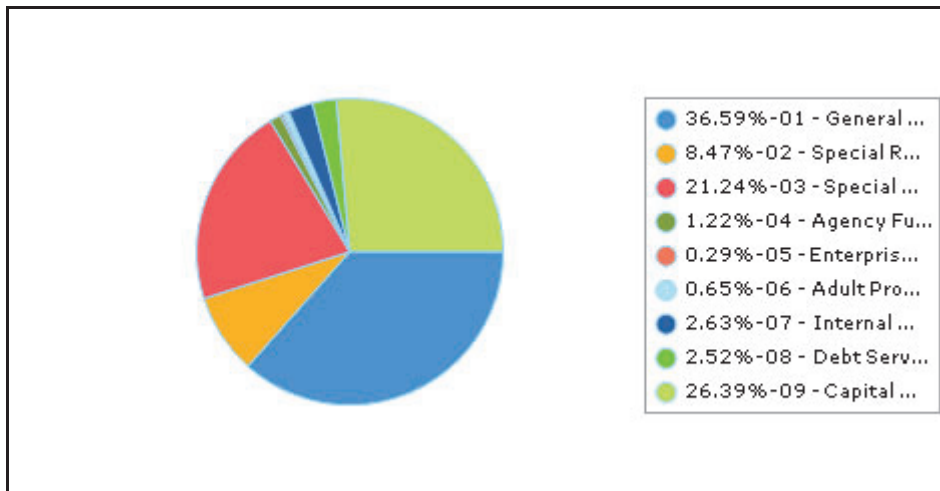
## El Paso County TX Distribution by Main Fund - Market Value All Portfolios

Begin Date: 3/31/2024, End Date: 6/30/2024

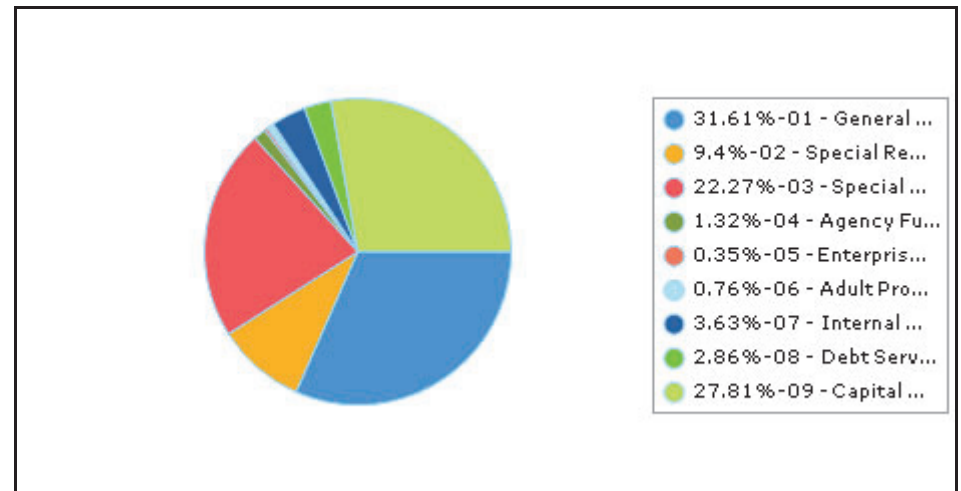
### Main Fund Allocation

Main Fund	Market Value 3/31/2024	% of Portfolio 3/31/2024	Market Value 6/30/2024	% of Portfolio 6/30/2024
01 - General Fund	205,351,651.41	36.59	158,801,574.05	31.61
02 - Special Revenue	47,517,713.74	8.47	47,209,158.21	9.40
03 - Special Revenue Grants	119,191,955.75	21.24	111,850,724.26	22.27
04 - Agency Fund	6,839,054.99	1.22	6,614,287.41	1.32
05 - Enterprise Funds	1,620,817.02	0.29	1,749,841.72	0.35
06 - Adult Probation	3,644,098.09	0.65	3,842,417.25	0.76
07 - Internal Service	14,750,493.77	2.63	18,220,222.30	3.63
08 - Debt Service	14,163,846.03	2.52	14,357,631.30	2.86
09 - Capital Projects	148,127,387.31	26.39	139,704,929.71	27.81
<b>Total / Average</b>	<b>561,207,018.11</b>	<b>100.00</b>	<b>502,350,786.21</b>	<b>100.00</b>

**Portfolio Holdings as of 3/31/2024**



**Portfolio Holdings as of 6/30/2024**





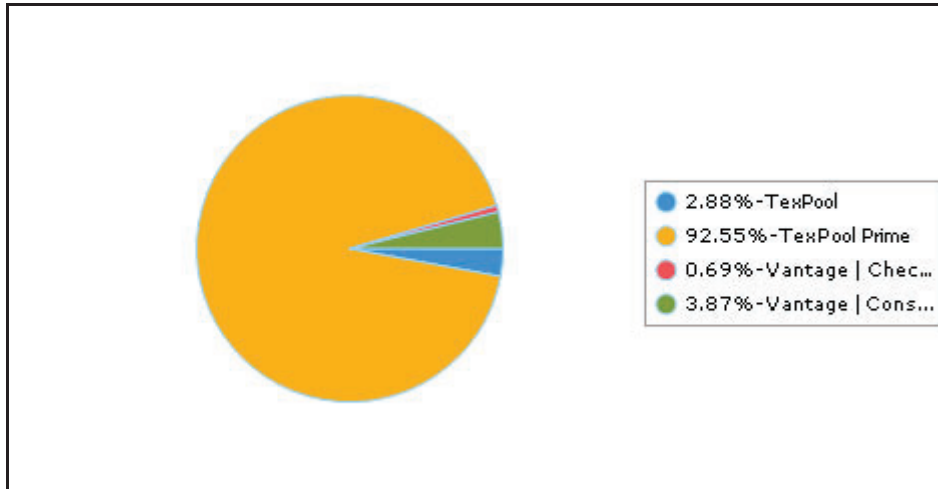
## El Paso County TX Distribution by Issuer - Market Value Report Group | General Fund

Begin Date: 3/31/2024, End Date: 6/30/2024

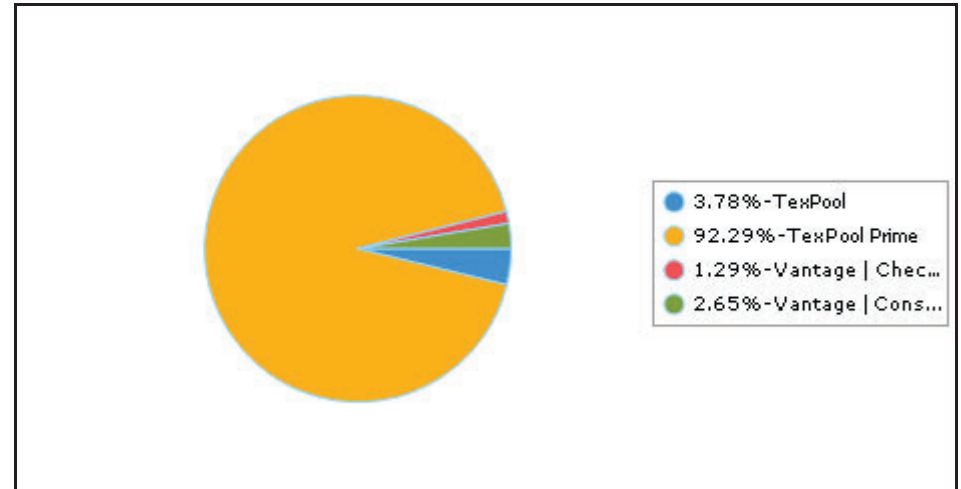
### Issuer Allocation

Issuer	Market Value 3/31/2024	% of Portfolio 3/31/2024	Market Value 6/30/2024	% of Portfolio 6/30/2024
TexPool	5,918,578.95	2.88	5,997,340.36	3.78
TexPool Prime	190,060,086.44	92.55	146,552,777.77	92.29
Vantage   Checking	1,422,041.05	0.69	2,047,494.72	1.29
Vantage   Consolidated	7,950,944.97	3.87	4,203,961.20	2.65
<b>Total / Average</b>	<b>205,351,651.41</b>	<b>100.00</b>	<b>158,801,574.05</b>	<b>100.00</b>

**Portfolio Holdings as of 3/31/2024**



**Portfolio Holdings as of 6/30/2024**



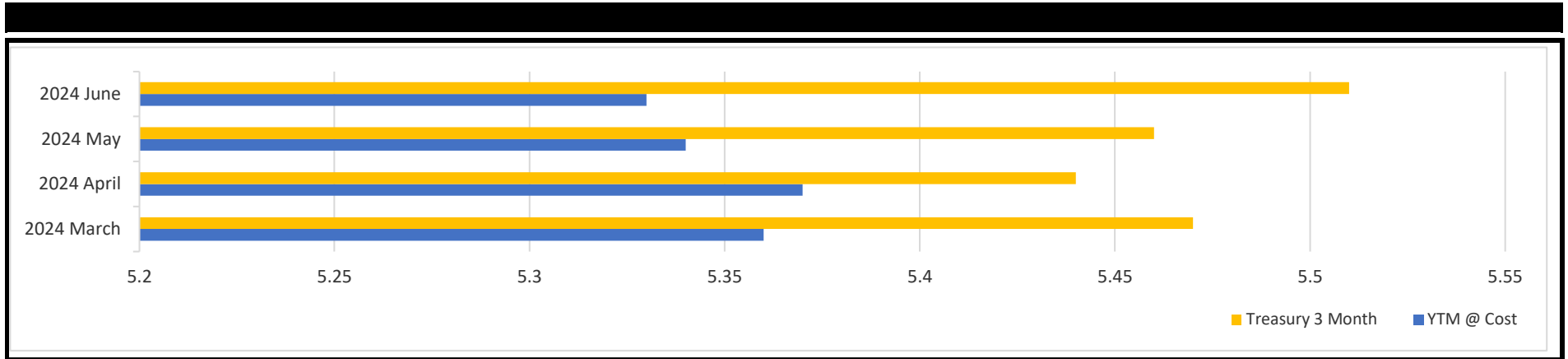




## El Paso County TX Investment Income - Book Value by Month Report Group | General Fund

Begin Date: 03/31/2024, End Date: 06/30/2024

Month	Beginning BV + Accrued Interest	Interest Earned During Period-BV	Realized Gain/Loss-BV	Investment Income-BV	Ending Book Value	YTM @ Cost	Treasury 3 Month
3/31/2024	236,912,857.45	1,514,253.59	0.00	1,514,253.59	205,351,651.41	5.36	5.47
4/30/2024	205,351,651.41	1,385,939.11	0.00	1,385,939.11	195,137,690.09	5.37	5.44
5/31/2024	195,137,690.09	1,342,383.38	0.00	1,342,383.38	171,571,963.34	5.34	5.46
6/30/2024	171,571,963.34	1,201,854.96	0.00	1,201,854.96	158,801,574.05	5.33	5.51
<b>Total/Average</b>	<b>202,243,540.57</b>	<b>5,444,431.04</b>	<b>0.00</b>	<b>5,444,431.04</b>	<b>182,715,719.73</b>	<b>5.39</b>	<b>5.47</b>





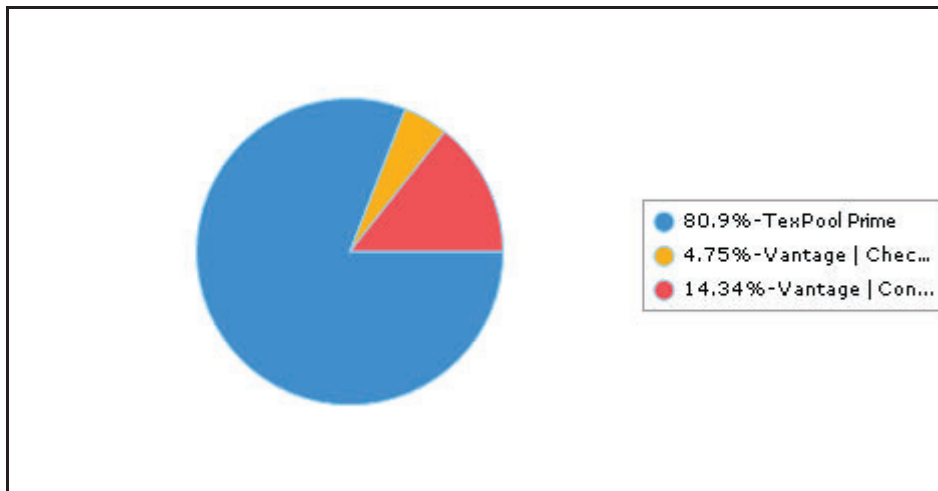
## El Paso County TX Distribution by Issuer - Market Value Report Group | Special Revenue

Begin Date: 3/31/2024, End Date: 6/30/2024

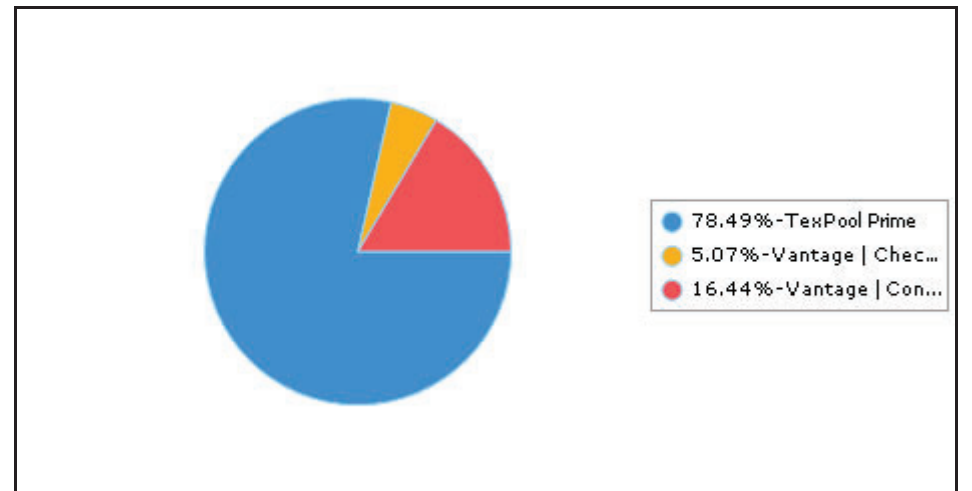
### Issuer Allocation

Issuer	Market Value 3/31/2024	% of Portfolio 3/31/2024	Market Value 6/30/2024	% of Portfolio 6/30/2024
TexPool Prime	38,443,252.85	80.90	37,055,458.88	78.49
Vantage   Checking	2,258,963.03	4.75	2,393,688.47	5.07
Vantage   Consolidated	6,815,497.86	14.34	7,760,010.86	16.44
<b>Total / Average</b>	<b>47,517,713.74</b>	<b>100.00</b>	<b>47,209,158.21</b>	<b>100.00</b>

**Portfolio Holdings as of 3/31/2024**



**Portfolio Holdings as of 6/30/2024**

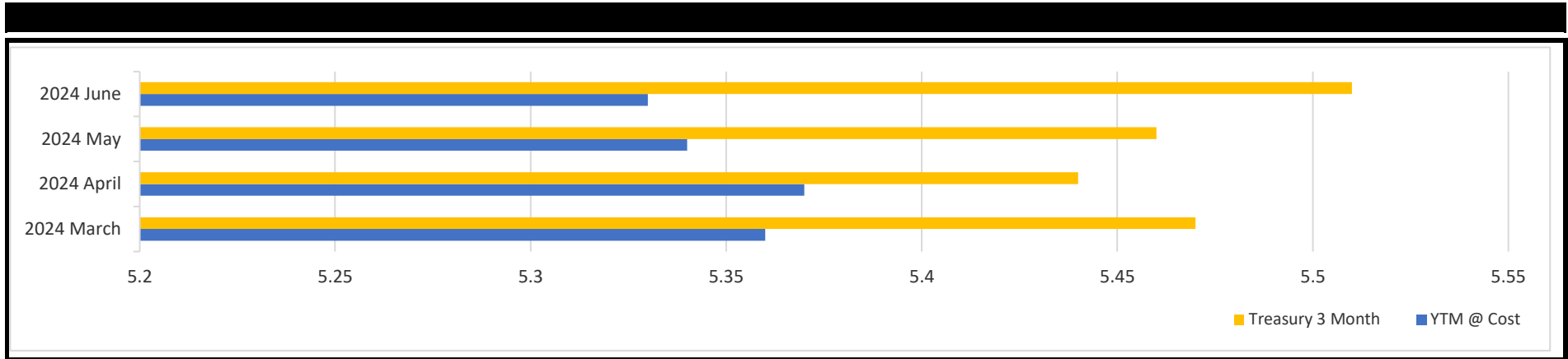




## El Paso County TX Investment Income - Book Value by Month Report Group | Special Revenue

Begin Date: 03/31/2024, End Date: 06/30/2024

Month	Beginning BV + Accrued Interest	Interest Earned During Period-BV	Realized Gain/Loss-BV	Investment Income-BV	Ending Book Value	YTM @ Cost	Treasury 3 Month
3/31/2024	40,323,674.57	207,876.12	0.00	207,876.12	47,517,713.74	5.36	5.47
4/30/2024	47,517,713.74	212,183.60	0.00	212,183.60	48,217,582.86	5.37	5.44
5/31/2024	48,217,582.86	223,390.86	0.00	223,390.86	48,477,345.50	5.34	5.46
6/30/2024	48,477,345.50	209,166.94	0.00	209,166.94	47,209,158.21	5.33	5.51
<b>Total/Average</b>	<b>46,134,079.17</b>	<b>852,617.52</b>	<b>0.00</b>	<b>852,617.52</b>	<b>47,855,450.08</b>	<b>5.39</b>	<b>5.47</b>





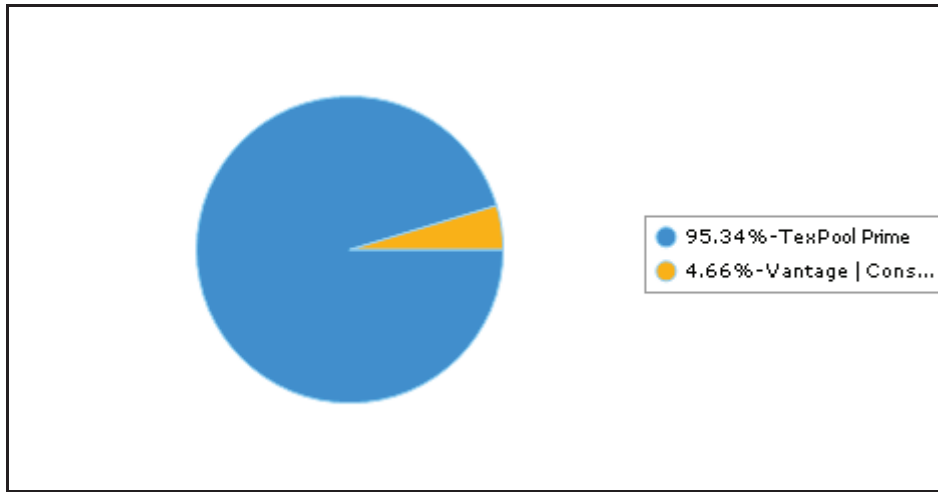
## El Paso County TX Distribution by Issuer - Market Value Report Group | Special Revenue Grants

Begin Date: 3/31/2024, End Date: 6/30/2024

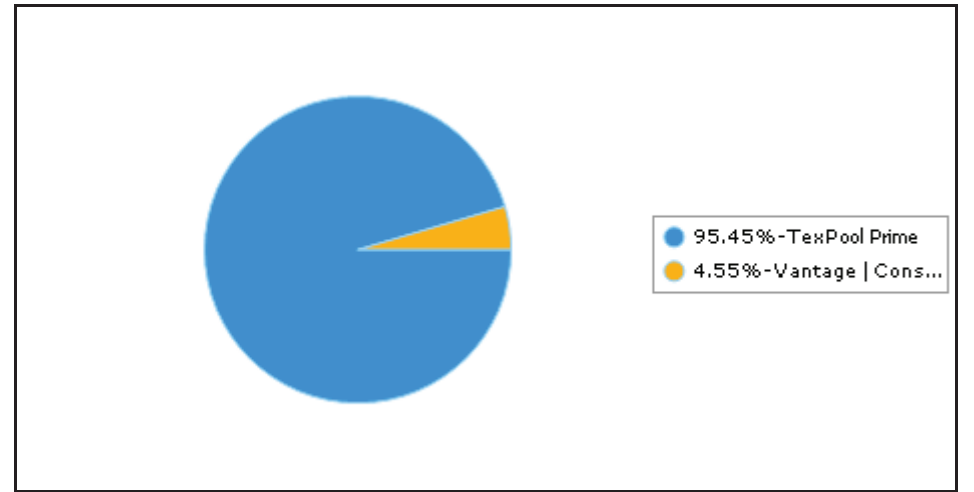
### Issuer Allocation

Issuer	Market Value 3/31/2024	% of Portfolio 3/31/2024	Market Value 6/30/2024	% of Portfolio 6/30/2024
TexPool Prime	113,636,881.13	95.34	106,793,565.92	95.73
Vantage   Consolidated	5,555,074.62	4.66	5,057,158.34	4.27
<b>Total / Average</b>	<b>119,191,955.75</b>	<b>100.00</b>	<b>111,850,724.26</b>	<b>100.00</b>

### Portfolio Holdings as of 3/31/2024



### Portfolio Holdings as of 6/30/2024

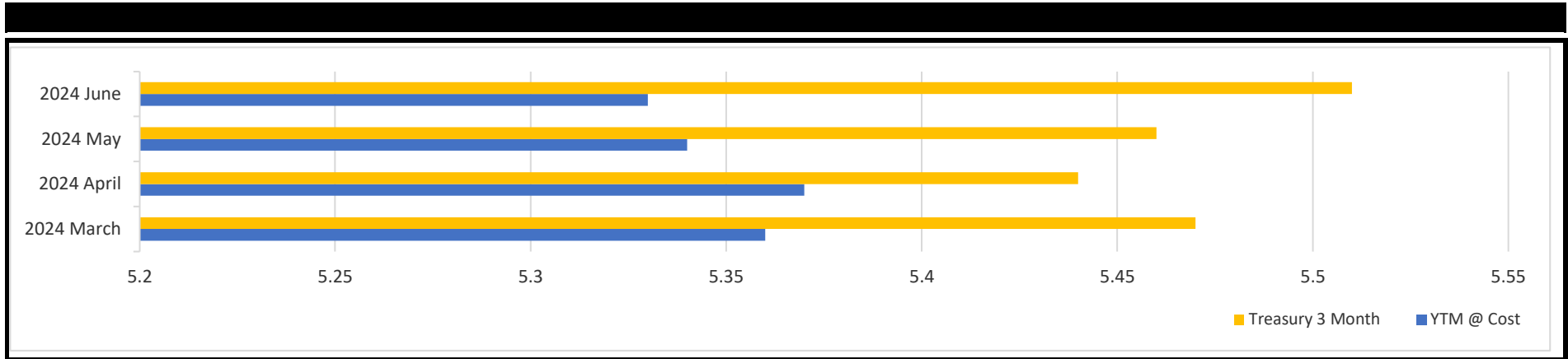




## El Paso County TX Investment Income - Book Value by Month Report Group | Special Revenue Grants

Begin Date: 03/31/2024, End Date: 06/30/2024

Month	Beginning BV + Accrued Interest	Interest Earned During Period-BV	Realized Gain/Loss-BV	Investment Income-BV	Ending Book Value	YTM @ Cost	Treasury 3 Month
3/31/2024	122,983,154.28	83,586.90	0.00	83,586.90	119,191,955.75	5.36	5.47
4/30/2024	119,191,955.75	77,558.06	0.00	77,558.06	118,184,931.67	5.37	5.44
5/31/2024	118,184,931.67	73,064.65	0.00	73,064.65	115,440,499.71	5.34	5.46
6/30/2024	115,440,499.71	64,577.04	0.00	64,577.04	111,850,724.26	5.33	5.51
<b>Total/Average</b>	<b>118,950,135.35</b>	<b>298,786.65</b>	<b>0.00</b>	<b>298,786.65</b>	<b>116,167,027.85</b>	<b>5.39</b>	<b>5.47</b>





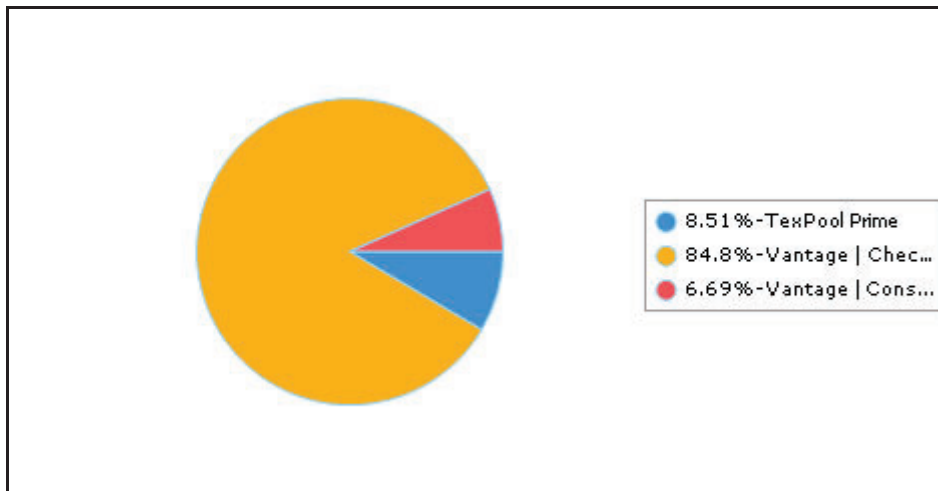
## El Paso County TX Distribution by Issuer - Market Value Report Group | Agency Fund

Begin Date: 3/31/2024, End Date: 6/30/2024

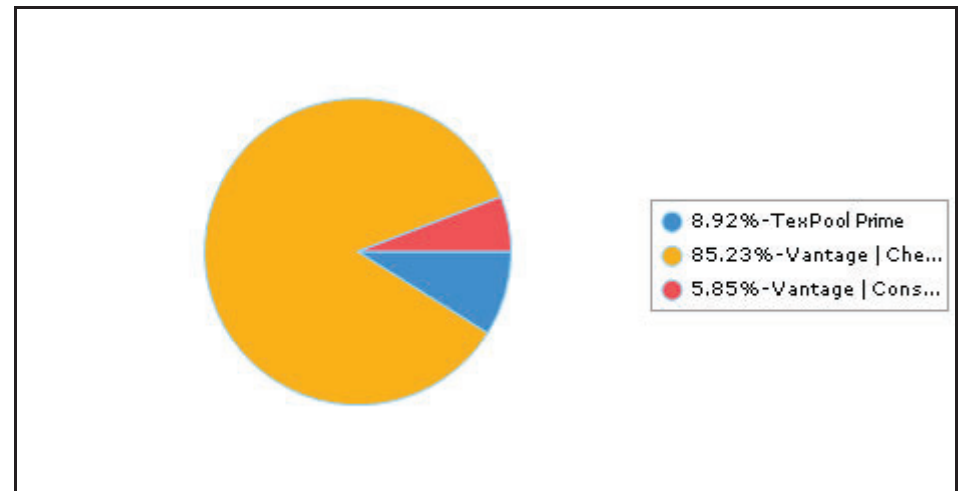
### Issuer Allocation

Issuer	Market Value 3/31/2024	% of Portfolio 3/31/2024	Market Value 6/30/2024	% of Portfolio 6/30/2024
TexPool Prime	582,046.52	8.51	590,011.04	8.92
Vantage   Checking	5,799,626.34	84.80	5,637,027.54	85.23
Vantage   Consolidated	457,382.13	6.69	387,248.83	5.85
<b>Total / Average</b>	<b>6,839,054.99</b>	<b>100.00</b>	<b>6,614,287.41</b>	<b>100.00</b>

**Portfolio Holdings as of 3/31/2024**



**Portfolio Holdings as of 6/30/2024**

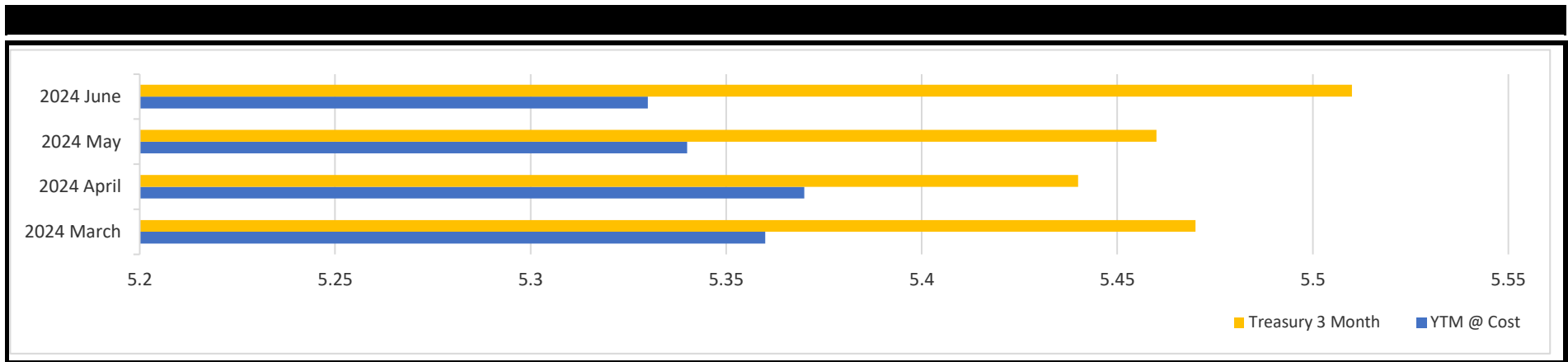




## El Paso County TX Investment Income - Book Value by Month Report Group | Agency Fund

Begin Date: 03/31/2024, End Date: 06/30/2024

Month	Beginning BV + Accrued Interest	Interest Earned During Period-BV	Realized Gain/Loss-BV	Investment Income-BV	Ending Book Value	YTM @ Cost	Treasury 3 Month
3/31/2024	6,837,694.21	8,929.09	0.00	8,929.09	6,839,054.99	5.36	5.47
4/30/2024	6,839,054.99	8,589.55	0.00	8,589.55	4,815,526.14	5.37	5.44
5/31/2024	4,815,526.14	7,227.28	0.00	7,227.28	6,897,118.86	5.34	5.46
6/30/2024	6,897,118.86	8,904.69	0.00	8,904.69	6,614,287.41	5.33	5.51
<b>Total/Average</b>	<b>6,347,348.55</b>	<b>33,650.61</b>	<b>0.00</b>	<b>33,650.61</b>	<b>6,291,496.85</b>	<b>5.39</b>	<b>5.47</b>





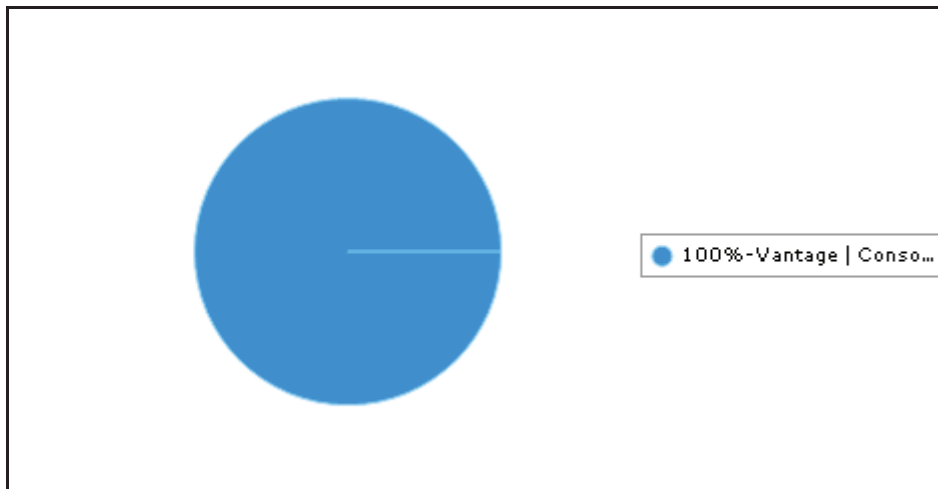
## El Paso County TX Distribution by Issuer - Market Value Report Group | Enterprise Fund

Begin Date: 3/31/2024, End Date: 6/30/2024

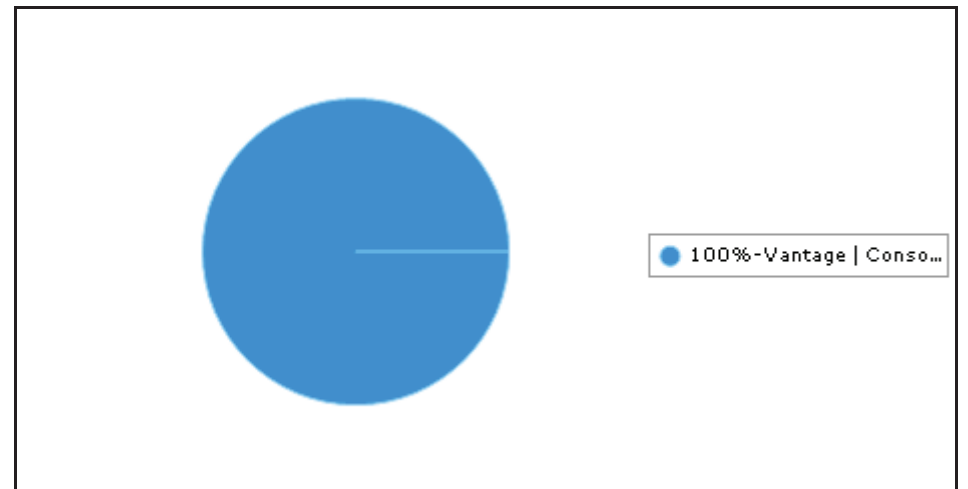
### Issuer Allocation

Issuer	Market Value 3/31/2024	% of Portfolio 3/31/2024	Market Value 6/30/2024	% of Portfolio 6/30/2024
Vantage   Consolidated	1,620,817.02	100.00	1,749,841.72	100.00
<b>Total / Average</b>	<b>1,620,817.02</b>	<b>100.00</b>	<b>1,749,841.72</b>	<b>100.00</b>

### Portfolio Holdings as of 3/31/2024



### Portfolio Holdings as of 6/30/2024



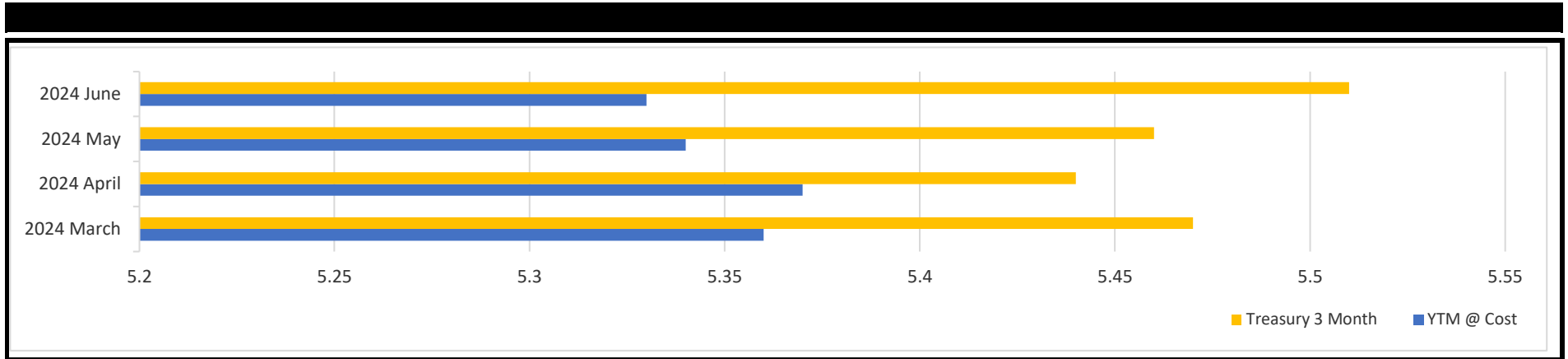




## El Paso County TX Investment Income - Book Value by Month Report Group | Enterprise Fund

Begin Date: 03/31/2024, End Date: 06/30/2024

Month	Beginning BV + Accrued Interest	Interest Earned During Period-BV	Realized Gain/Loss-BV	Investment Income-BV	Ending Book Value	YTM @ Cost	Treasury 3 Month
3/31/2024	1,581,400.83	5,817.67	0.00	5,817.67	1,620,817.02	5.36	5.47
4/30/2024	1,620,817.02	7,424.59	0.00	7,424.59	1,756,188.95	5.37	5.44
5/31/2024	1,756,188.95	7,945.22	0.00	7,945.22	1,765,060.37	5.34	5.46
6/30/2024	1,765,060.37	6,207.58	0.00	6,207.58	1,749,841.72	5.33	5.51
<b>Total/Average</b>	<b>1,680,866.79</b>	<b>27,395.06</b>	<b>0.00</b>	<b>27,395.06</b>	<b>1,722,977.02</b>	<b>5.39</b>	<b>5.47</b>





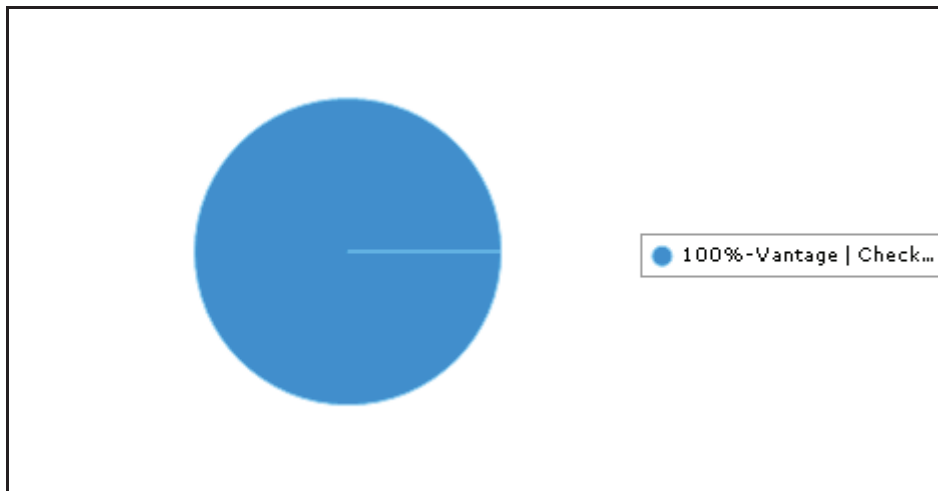
# El Paso County TX Distribution by Issuer - Market Value Report Group | Adult Supervision

Begin Date: 3/31/2024, End Date: 6/30/2024

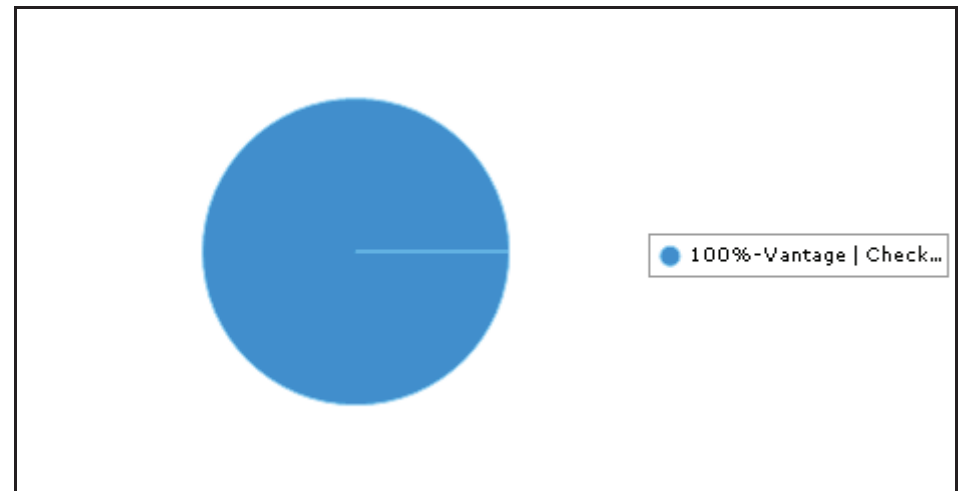
### Issuer Allocation

Issuer	Market Value 3/31/2024	% of Portfolio 3/31/2024	Market Value 6/30/2024	% of Portfolio 6/30/2024
Vantage   Checking	3,644,098.09	100.00	3,842,417.25	100.00
<b>Total / Average</b>	<b>3,644,098.09</b>	<b>100.00</b>	<b>3,842,417.25</b>	<b>100.00</b>

### Portfolio Holdings as of 3/31/2024



### Portfolio Holdings as of 6/30/2024

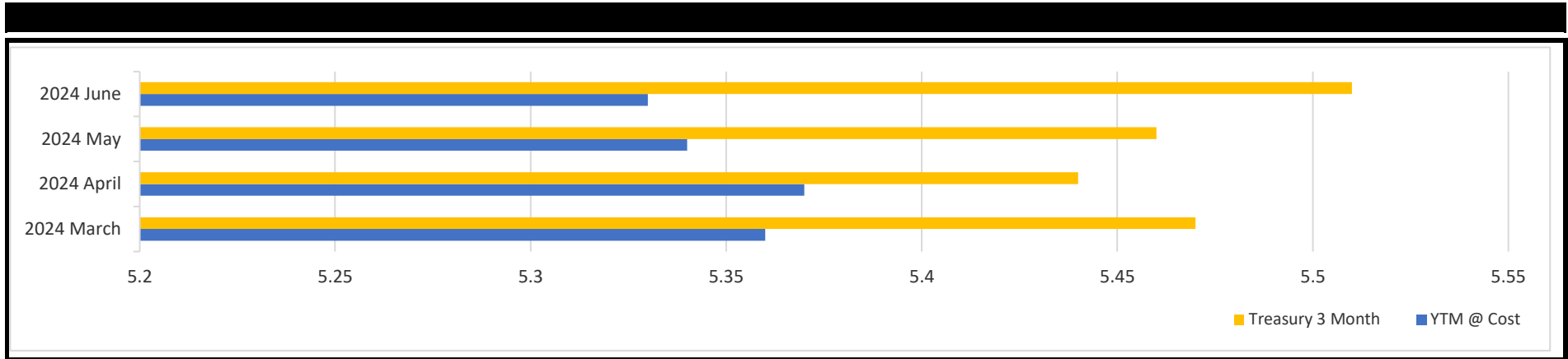




## El Paso County TX Investment Income - Book Value by Month Report Group | Adult Supervision

Begin Date: 03/31/2024, End Date: 06/30/2024

Month	Beginning BV + Accrued Interest	Interest Earned During Period-BV	Realized Gain/Loss-BV	Investment Income-BV	Ending Book Value	YTM @ Cost	Treasury 3 Month
3/31/2024	1,778,206.60	10,057.93	0.00	10,057.93	3,644,098.09	5.36	5.47
4/30/2024	3,644,098.09	10,451.57	0.00	10,451.57	3,147,377.20	5.37	5.44
5/31/2024	3,147,377.20	8,064.23	0.00	8,064.23	2,081,188.84	5.34	5.46
6/30/2024	2,081,188.84	11,580.65	0.00	11,580.65	3,842,417.25	5.33	5.51
<b>Total/Average</b>	<b>2,662,717.68</b>	<b>40,154.38</b>	<b>0.00</b>	<b>40,154.38</b>	<b>3,178,770.35</b>	<b>5.39</b>	<b>5.47</b>





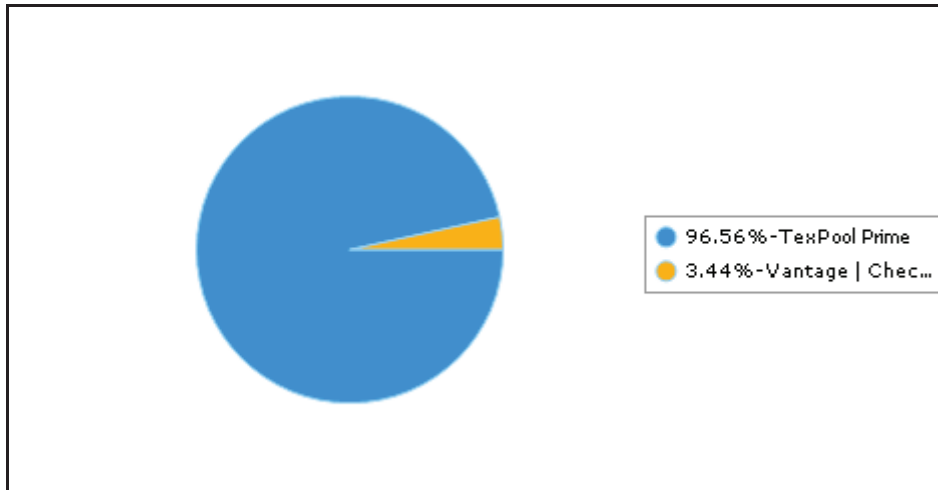
## El Paso County TX Distribution by Issuer - Market Value Report Group | Internal Service

Begin Date: 3/31/2024, End Date: 6/30/2024

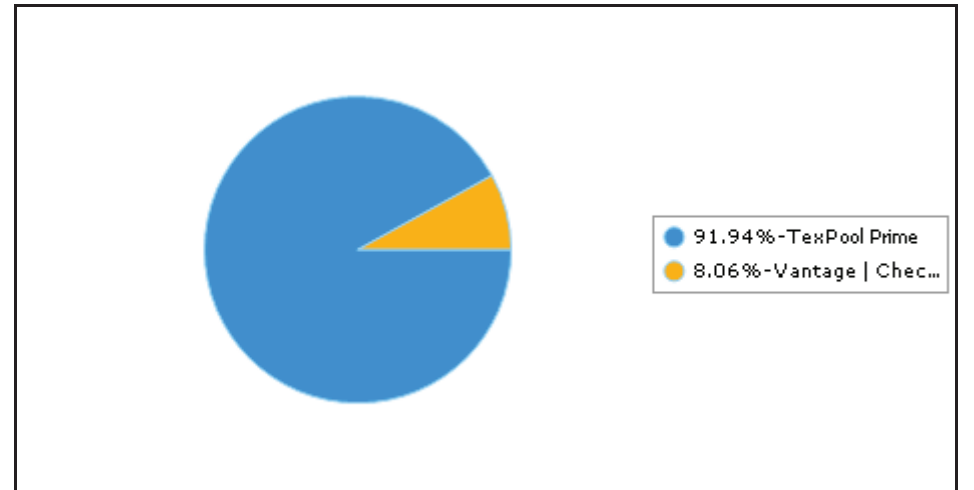
### Issuer Allocation

Issuer	Market Value 3/31/2024	% of Portfolio 3/31/2024	Market Value 6/30/2024	% of Portfolio 6/30/2024
TexPool Prime	14,243,712.16	96.56	16,751,330.95	91.94
Vantage   Checking	506,781.61	3.44	1,468,891.35	8.06
<b>Total / Average</b>	<b>14,750,493.77</b>	<b>100.00</b>	<b>18,220,222.30</b>	<b>100.00</b>

### Portfolio Holdings as of 3/31/2024



### Portfolio Holdings as of 6/30/2024

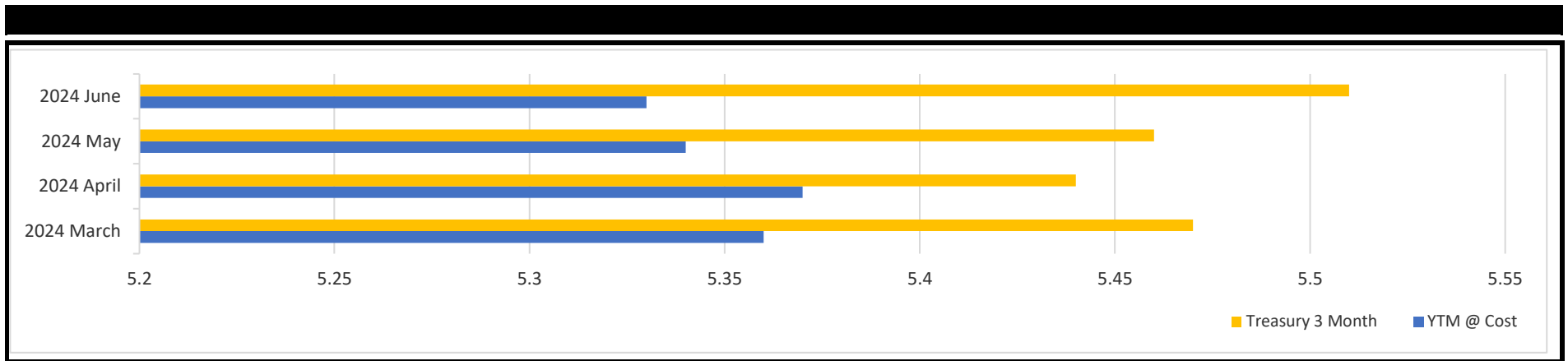




## El Paso County TX Investment Income - Book Value by Month Report Group | Internal Service

Begin Date: 03/31/2024, End Date: 06/30/2024

Month	Beginning BV + Accrued Interest	Interest Earned During Period-BV	Realized Gain/Loss-BV	Investment Income-BV	Ending Book Value	YTM @ Cost	Treasury 3 Month
3/31/2024	14,030,943.98	67,933.86	0.00	67,933.86	14,750,493.77	5.36	5.47
4/30/2024	14,750,493.77	68,689.86	0.00	68,689.86	15,411,142.48	5.37	5.44
5/31/2024	15,411,142.48	73,979.79	0.00	73,979.79	16,828,690.08	5.34	5.46
6/30/2024	16,828,690.08	74,232.69	0.00	74,232.69	18,220,222.30	5.33	5.51
<b>Total/Average</b>	<b>15,255,317.58</b>	<b>284,836.20</b>	<b>0.00</b>	<b>284,836.20</b>	<b>16,302,637.16</b>	<b>5.39</b>	<b>5.47</b>





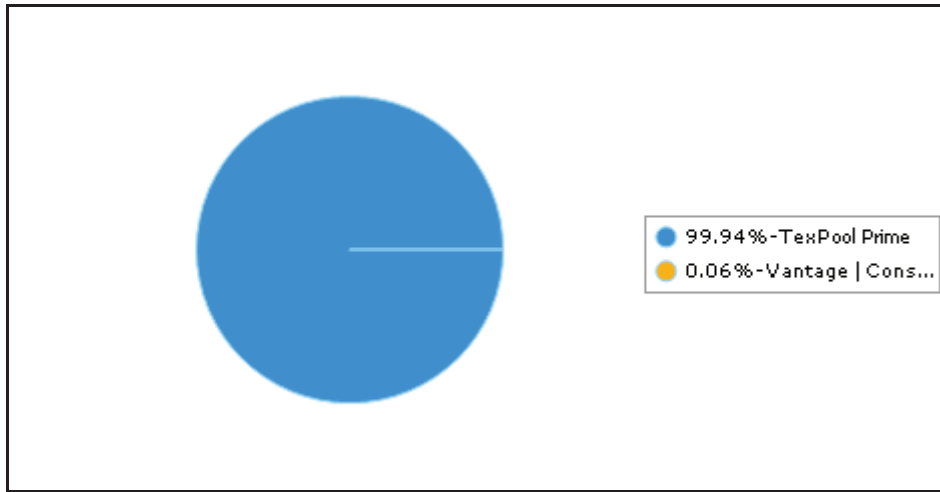
## El Paso County TX Distribution by Issuer - Market Value Report Group | Debt Service

Begin Date: 3/31/2024, End Date: 6/30/2024

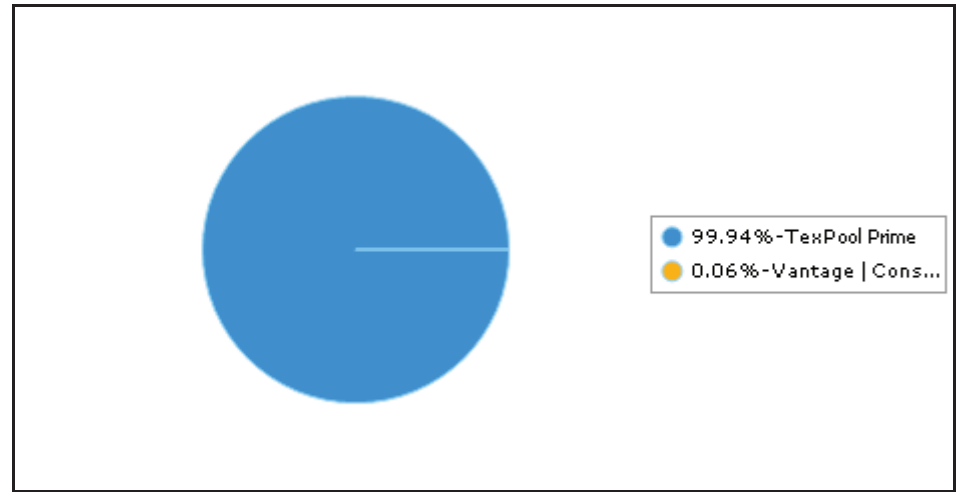
### Issuer Allocation

Issuer	Market Value 3/31/2024	% of Portfolio 3/31/2024	Market Value 6/30/2024	% of Portfolio 6/30/2024
TexPool Prime	14,154,964.54	99.94	14,348,656.51	99.94
Vantage   Consolidated	8,881.49	0.06	8,974.79	0.06
<b>Total / Average</b>	<b>14,163,846.03</b>	<b>100.00</b>	<b>14,357,631.30</b>	<b>100.00</b>

### Portfolio Holdings as of 3/31/2024



### Portfolio Holdings as of 6/30/2024

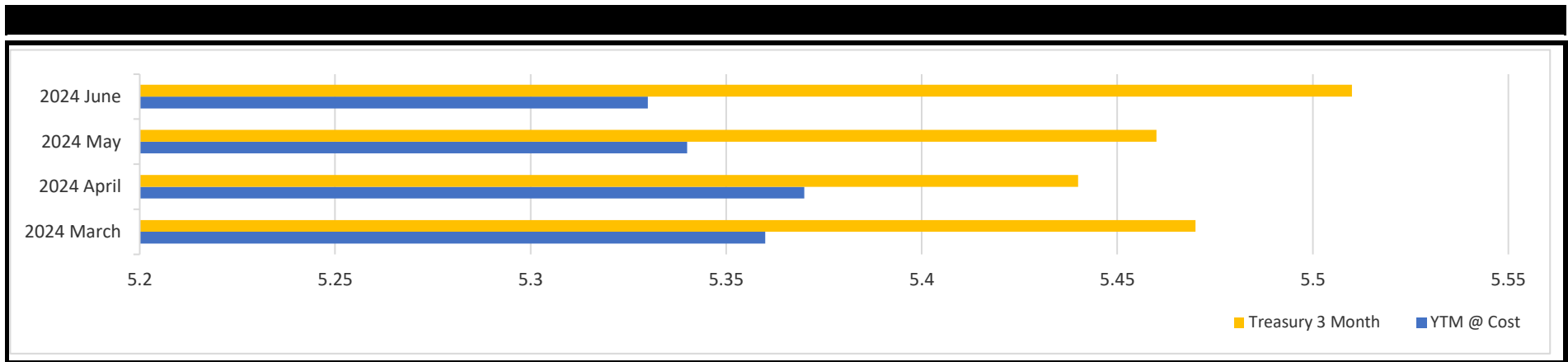




## El Paso County TX Investment Income - Book Value by Month Report Group | Debt Service

Begin Date: 03/31/2024, End Date: 06/30/2024

Month	Beginning BV + Accrued Interest	Interest Earned During Period-BV	Realized Gain/Loss-BV	Investment Income-BV	Ending Book Value	YTM @ Cost	Treasury 3 Month
3/31/2024	12,648,536.33	75,956.83	0.00	75,956.83	14,163,846.03	5.36	5.47
4/30/2024	14,163,846.03	63,746.29	0.00	63,746.29	14,227,592.32	5.37	5.44
5/31/2024	14,227,592.32	65,908.15	0.00	65,908.15	14,293,500.47	5.34	5.46
6/30/2024	14,293,500.47	64,130.83	0.00	64,130.83	14,357,631.30	5.33	5.51
<b>Total/Average</b>	<b>13,833,368.79</b>	<b>269,742.10</b>	<b>0.00</b>	<b>269,742.10</b>	<b>14,260,642.53</b>	<b>5.39</b>	<b>5.47</b>





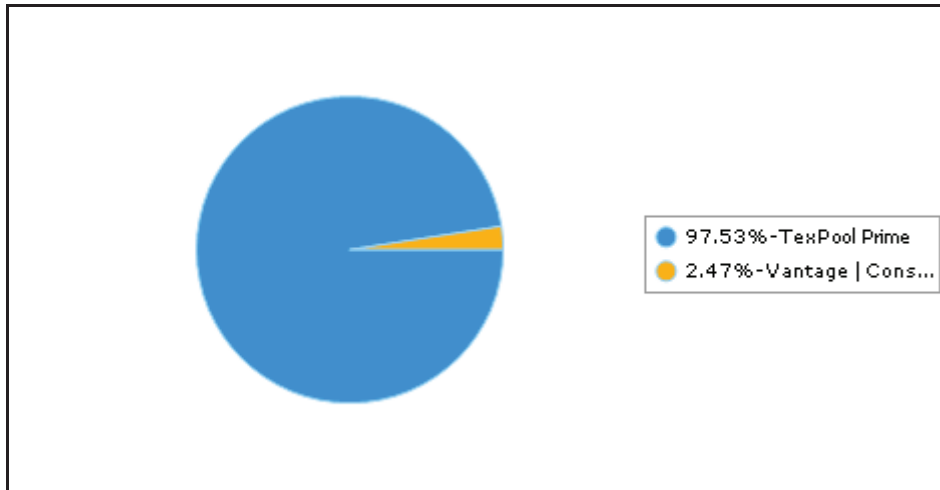
## El Paso County TX Distribution by Issuer - Market Value Report Group | Capital Projects

Begin Date: 3/31/2024, End Date: 6/30/2024

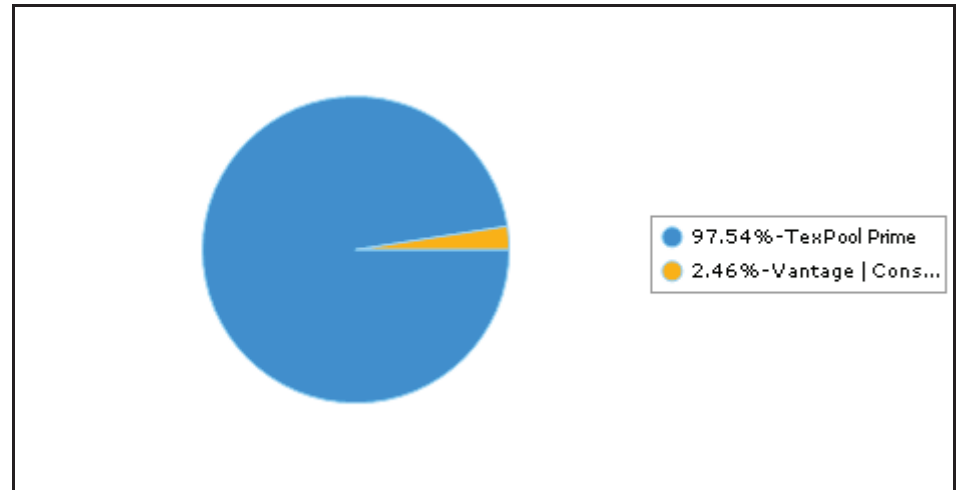
### Issuer Allocation

Issuer	Market Value 3/31/2024	% of Portfolio 3/31/2024	Market Value 6/30/2024	% of Portfolio 6/30/2024
TexPool Prime	144,473,141.86	97.53	136,262,592.28	97.54
Vantage   Consolidated	3,654,245.45	2.47	3,442,337.43	2.46
<b>Total / Average</b>	<b>148,127,387.31</b>	<b>100.00</b>	<b>139,704,929.71</b>	<b>100.00</b>

### Portfolio Holdings as of 3/31/2024



### Portfolio Holdings as of 6/30/2024



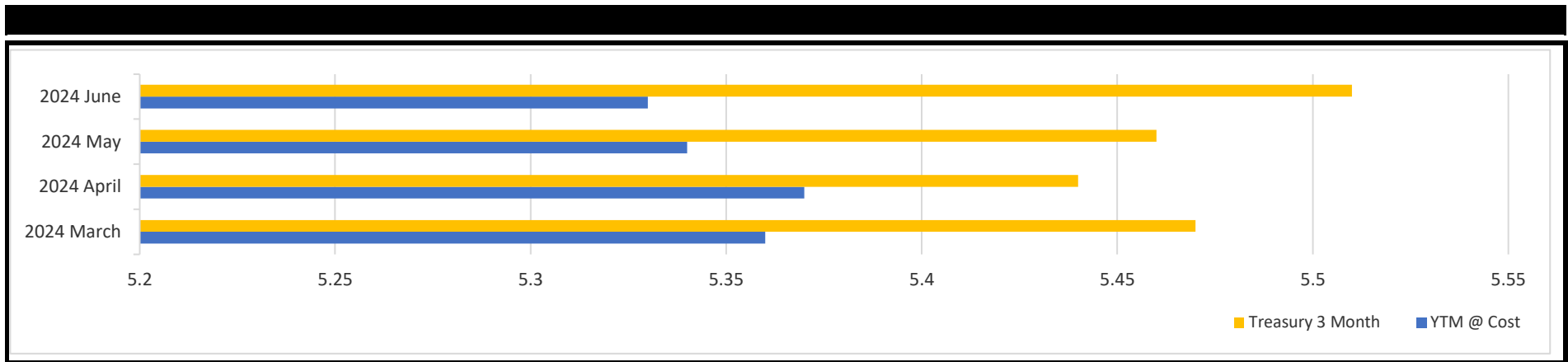




## El Paso County TX Investment Income - Book Value by Month Report Group | Capital Projects

Begin Date: 03/31/2024, End Date: 06/30/2024

Month	Beginning BV + Accrued Interest	Interest Earned During Period-BV	Realized Gain/Loss-BV	Investment Income-BV	Ending Book Value	YTM @ Cost	Treasury 3 Month
3/31/2024	140,049,254.39	669,715.77	0.00	669,715.77	148,127,387.31	5.36	5.47
4/30/2024	148,127,387.31	660,688.12	0.00	660,688.12	146,533,858.92	5.37	5.44
5/31/2024	146,533,858.92	664,931.88	0.00	664,931.88	144,384,629.37	5.34	5.46
6/30/2024	144,384,629.37	635,678.67	0.00	635,678.67	139,704,929.71	5.33	5.51
<b>Total/Average</b>	<b>144,773,782.50</b>	<b>2,631,014.44</b>	<b>0.00</b>	<b>2,631,014.44</b>	<b>144,687,701.33</b>	<b>5.39</b>	<b>5.47</b>



## Economic Summary – Q2 2024

An unexpected increase in inflationary pressure had pushed bonds yields sharply higher in the first quarter and tempered expectations for aggressive Fed easing in 2024. In the second quarter, inflation appeared to settle down again, although both investors and Fed officials are viewing the resumed decrease in price pressure with a cautious eye.

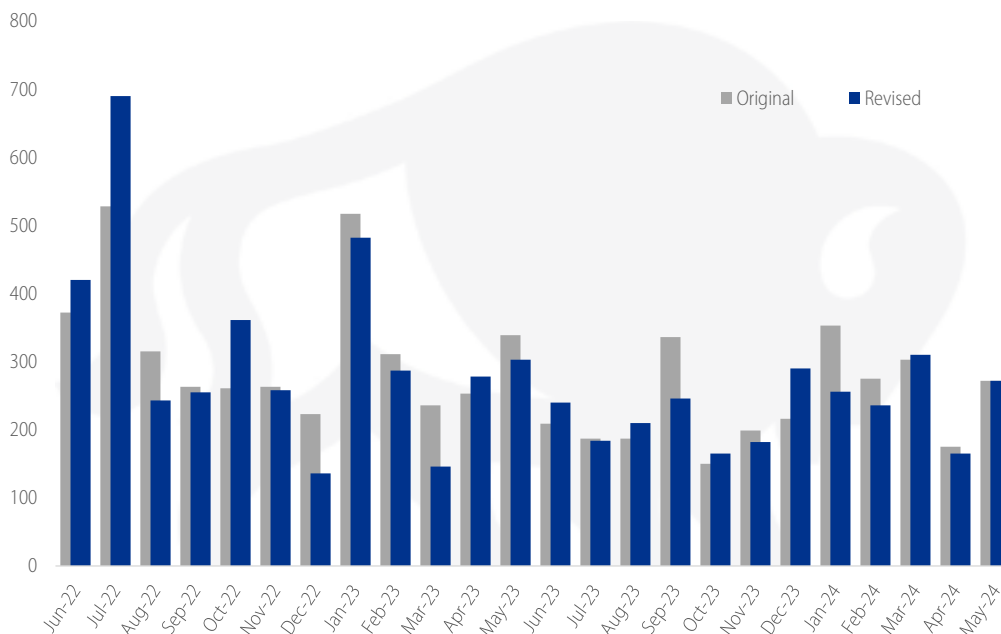
The main reason for the skepticism is the continued resilience of the economy, and corresponding labor market strength. The final reading of Q1 GDP was +1.4% (QoQ SAAR), but second quarter growth appears to have turned slightly higher.

### Employment

After averaging monthly nonfarm payroll gains of +267k during the first three months of the year, U.S. businesses added +165k workers in April before rebounding to +272k in May. The separate household survey told a different story as the total number of employed workers actually fell by -408k in May, while the overall labor force declined by -250k, pushing the headline unemployment rate up to 4.0% for the first time since January 2022.

Part of the explanation for the variance is the fact that every job added in the business survey counts an employed worker, meaning Americans holding more than one job are counted multiple times. Another report flaw is the inability of the household survey to capture recent shifts in immigration. Therefore, a more appropriate employment measure may be the number of unfilled positions.

### Non-Farm Payrolls Total Change (in thousands)



Source: Bureau of Labor Statistics

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*The final reading of Q1 GDP was +1.4% (QoQ SAAR), but second quarter growth appears to have turned slightly higher.*

*The "quits rate," a measure of workers who voluntarily left their jobs, remained at 2.2% in April, matching the lowest level since September 2020.*

The Job Openings and Labor Turnover Survey (JOLTS) showed job postings declined by another -300k in April to 8.06 million. By the most current count, there are now approximately 1.2 available jobs for every job seeker. *Two years ago, this ratio was 2 to 1.* In theory, a less tight labor market would be expected to ease wage pressure, and by extension overall inflation.

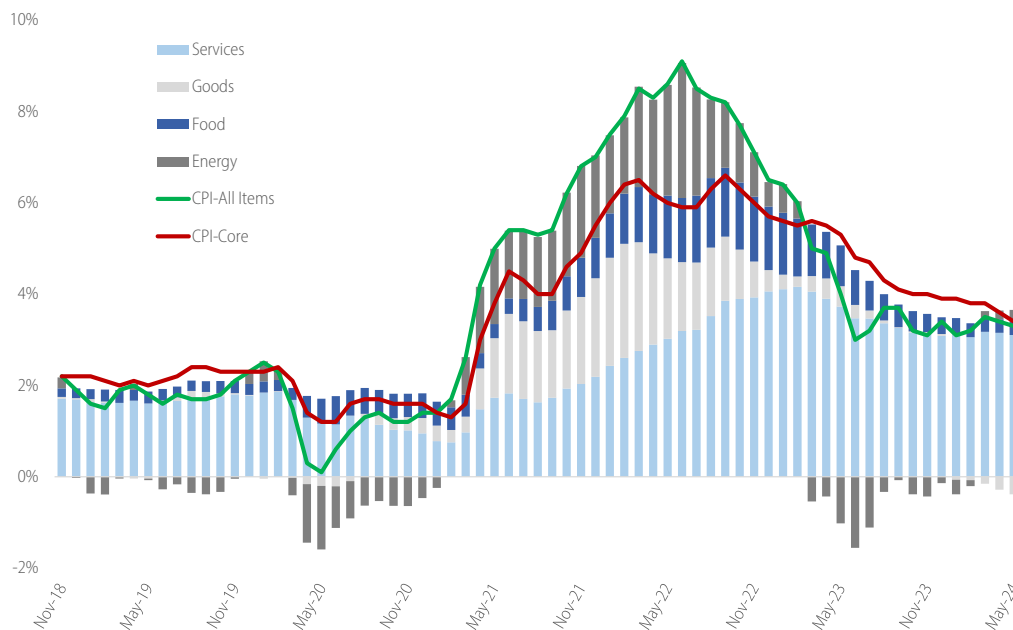
The “quits rate,” a measure of workers who voluntarily left their jobs, remained at 2.2% in April, *matching the lowest level since September 2020.* Fewer quits suggest workers have less confidence in securing alternate employment, which should also put downward pressure on wages. However, average hourly earnings followed a +0.2% rise in April with a +0.4% May increase, pushing the annual wage gain from +3.9% to +4.1%.

*For the first time in four months, the consumer price index (CPI) came in mercifully less warm in April, before cooling further in May.*

## Inflation

For the first time in four months, the consumer price index (CPI) came in mercifully *less warm* in April, before cooling further in May. The +0.3% April increase was only slightly below the median forecast but ended the ugly string of first quarter monthly surprises. On an annual basis, April CPI slipped from +3.5% to +3.4%, still above the +3.1% January pace, but well below the +9.1% peak in June 2022. A sharp rise in gasoline prices and persistently elevated shelter costs contributed over 70% of the April increase (BLS).

### Consumer Price Index (Year-over-Year Percent Change)



*The June FOMC meeting concluded that afternoon, and committee members took little comfort in the improved CPI reading. Instead, they emphasized caution, which reversed much of the post CPI rally.*

Source: Bureau of Labor Statistics

The May CPI report (released the morning of the Fed meeting) was arguably the most anticipated news of the month and perhaps the quarter. The *unchanged* headline reading was below the +0.1% forecast, while core CPI was up just +0.2%. On an annual basis, overall CPI edged slightly lower to +3.3%, while core CPI fell from +3.6% to +3.4%. Motor vehicle insurance was still up an ugly +20.3% year-over-year but was actually down -0.3% for the month.

## The Fed

The June FOMC meeting concluded that afternoon, and committee members took little comfort in the improved CPI reading. Instead, they emphasized caution, which reversed much of the post CPI rally. As expected, the overnight rate target was left unchanged for the seventh straight meeting. The so-called “dot plot,” representing the overnight rate projections of 19 voting and non-voting committee members, was a surprise as the number of expected quarter point cuts for 2024 was lowered from three at the March meeting to just one.

Although this recalibration seems to telegraph a more hawkish stance, the reality is there are simply fewer opportunities to ease as the year winds down. Total rate cuts of 100 basis points were forecasted for both next year and 2026. If core inflation were to fall back to the Fed’s +2.0% target sooner than expected, the Fed might be incentivized to move more aggressively.

However, the last mile of the road to the +2.0% target promises to be the toughest. Prices for goods are already essentially flat, *in some cases negative*. It’s the service sector that’s responsible for inflation’s stubborn refusal to heel, and the majority of the problem still centers on shelter costs.

Asking rents climbed +0.6% in May to a record \$2,036 per month according to the *Zillow Observed Rent Index*. Since the pandemic began, the average rental cost is up +32.1%, but only +3.4% year-over-year. For a brief period in late 2022 and early 2023, costs for new rentals were actually down, but over time price increases have resumed, *albeit at a lesser pace*.

## Housing

The housing story has been told repeatedly and hasn’t changed. *There isn’t enough supply*. Sales of existing homes, hamstrung by homeowners’ reluctance to part with historically low mortgage rates, fell for the third straight month to a 4.1 million unit annual pace. By comparison, at the pandemic peak in January 2021, when mortgage rates were below 3%, the pace of existing home sales was 6.6 million.

In more normal times, new home sales would soar as opportunistic builders added fresh supply to fill the gap, but that hasn’t happened. New home sales actually dropped -11.3% in May to a 619k annualized rate, below the 707k pace from February 2020 and significantly under the 1.03 million catch-up pace logged in October 2020.

The unfortunate result of lean housing inventory and persistent demand is higher prices. The median sales price for an existing home rose nearly 6% year-over-year in May to \$419,300, a new record high. According to data from the National Association of Realtors (NAR), home prices have now risen on an annual basis for 11 consecutive months, with the May price appreciation being the biggest since October 2022.

*However, the last mile of the road to the +2.0% target promises to be the toughest. Prices for goods are already essentially flat, in some cases negative. It’s the service sector that’s responsible for inflation’s stubborn refusal to heel, and the majority of the problem still centers on shelter costs.*

*The housing story has been told repeatedly and hasn’t changed. There isn’t enough supply.*

*The unfortunate result of lean housing inventory and persistent demand is higher prices.*

## US Existing Home Sales (Seasonally adjusted annual rate, millions)



Source: National Association of Realtors

Housing prices filter through to the inflation measures, in particular CPI. Shelter costs make up roughly 33% of the headline CPI index and 42% of core CPI, but only 18% of core PCE (Boston Fed). This explains why both the overall and core PCE are rising at a more comfortable +2.6% annual rate. Since Fed officials consider personal consumption expenditures to be the more appropriate price measure, their +2.0% target is actually within sight.

*In an update to the FY 2024 forecast from the Congressional Budget Office (CBO), \$400 billion was tacked on to the February estimate, increasing the expected federal budget deficit by 27% to \$1.9 trillion for the current fiscal year, a shocking number to amass during a period of robust economic expansion.*

## Federal Budget and National Debt

On the whole, the economic releases were mixed during the quarter. The economy is still growing, the labor market remains healthy, and inflation appears to be on the decline once again. But it's an election year, and both presidential candidates have proposed policies that are undeniably inflationary.

Even if a divided congress brought another four years of gridlock, the crippling debt levels along with the Fed's pivot to quantitative tightening means investors will have massive amounts of supply to absorb. *Increased supply, absent corresponding demand, usually means higher yields, not lower.*

In an update to the FY 2024 forecast from the Congressional Budget Office (CBO), \$400 billion was tacked on to the February estimate, increasing the expected budget deficit by 27% to \$1.9 trillion for the current fiscal year, a shocking number to amass during a period of robust economic expansion. Higher Medicare spending, aid to Israel and Ukraine, student loan forgiveness and revised costs of the 2023 bank failures were all factors contributing to the upward revision.

*Increased supply, absent corresponding demand, usually means higher yields, not lower.*

The CBO also increased its 10-year cumulative deficit by \$2.1 trillion to \$22.1 trillion, bringing the projected national debt above \$57T. By comparison, in 2007, the year before the "Great Recession" began and 15 years before the global pandemic, the national debt was just over \$9T. At that point, total debt to GDP was around 61%. By 2024, it's expected

to double to 122%, well past what would normally be considered the breaking point. If the 2017 Tax Cut and Jobs Act is extended next year for another decade, estimated debt would rise by an additional \$4.6 trillion.

Options for reducing the deficit are severely limited. Mandatory spending has grown from about 26% of the budget in 1962 to 61% as the population ages. At the current rate, annual spending on Social Security and Medicare are both expected to increase by roughly \$1 trillion over the next ten years, with both presidential candidates promising not to cut entitlements.

Discretionary spending, which is subject to congressional approval, and is more routinely blamed for the explosion in deficit spending, has fallen from 66% in 1962 to 26%, with nearly half currently allocated to national defense. The remaining percentage represents interest on the debt, the fastest growing piece of the budget . . . and at least for the time being, the most difficult to trim. Annual net interest costs, according to current CBO forecasts, would rise from \$890 billion in 2024 to almost \$1.7 trillion by 2034.

The longer inflation stays elevated and the longer the Fed maintains its restrictive monetary policy, the higher interest costs will climb. The catch-22 is that higher rates are required in order to reduce inflation.

Roughly 60% of American families are homeowners, and a similar percentage have a foot in the stock market. These folks receive varied degrees of benefit from rising prices. The remaining 40% feel the full brunt of inflation, and ironically will be most impacted when the government is forced to make the painful cuts it has ignored for decades.

## The Markets

The S&P 500 and the Nasdaq both reached record highs in mid-June, although the rally has been concentrated primarily among a handful of tech firms. In June, Nvidia surpassed Microsoft to become the most valuable company in the U.S. at \$3.1 trillion, up roughly 800% over a two-year period. By quarter end, Microsoft had regained the lead, followed closely by Apple. For perspective, Apple became the first publicly-traded company with a market value above the \$1 trillion mark in 2018. Since then, Apple has tripled in value. The combined market cap of the five largest U.S. companies is now just above \$14 trillion, representing 25% of the entire U.S. equity market. For the year, the S&P has returned nearly +14.5%, but the top heavy market has masked what might otherwise be lackluster equity market performance. The Russell 2000 small cap index is up just +0.5% in 2024 and remains almost -17% below its 2021 high.

Treasury yields peaked for the quarter in late April before settling down along with inflationary pressure to close only slightly higher for the period.

*Options for reducing the deficit are severely limited. Mandatory spending has grown from about 26% of the budget in 1962 to 61% as the population ages.*

*The longer inflation stays elevated and the longer the Fed maintains its restrictive monetary policy, the higher interest costs will climb. The catch-22 is that higher rates are required in order to reduce inflation.*

*For the year, the S&P has returned nearly +14.5%, but the top heavy market has masked what might otherwise be lackluster equity market performance.*

## Q2 Interest Rates

		Fed Funds	3 mo. T-bill	12 mo. T-bill	2 yr. T-note	5 yr. T-note	10 yr. T-note
<b>Last</b>	3/31/24	5.25%-5.50%	5.36%	5.02%	4.62%	4.21%	4.20%
<b>High</b>			5.41%	5.24%	5.03%	4.72%	4.70%
<b>Low</b>			5.34%	5.00%	4.65%	4.24%	4.22%
<b>End</b>	6/30/24	5.25%-5.50%	5.36%	5.11%	4.75%	4.38%	4.40%

Source: U.S. Department of the Treasury

## Economic and Interest Rate Outlook

The immediate economic focus continues to be squarely on inflation and when the Fed will feel comfortable enough to begin lowering the overnight funds target. There are signs that the U.S. economy is slowing down, but since that's been the case for well over a year, many investors and economists have thrown in the towel.

Fed officials are now forecasting just a single rate cut this year, while the June Bloomberg survey of U.S. economists mirrors the bond market, expecting two quarter point cuts. There is virtually no chance the Fed will ease policy at the end of July. If the June and July inflation data were to cool, September becomes a good bet.

The November FOMC meeting falls just two days after the presidential election. Fed officials might be wise to sit quietly while the ground steadies, making December the more palatable choice. Next year's interest rate path is anyone's guess.

If congressional leaders recognize the gravity of the runaway budget and enact strict austerity measures, you'd expect consumer demand, GDP growth and inflationary pressure to fall, which would point to lower rates. On the other hand, an extension of the 2017 tax cuts without further cuts in discretionary spending and entitlement reform will only worsen the fiscal problem. Investors *should* demand higher rates when holding the debt of less fiscally responsible nations.

For seven years as the U.S. emerged from the Great Recession, government borrowing was cheap. It got even cheaper during the pandemic, but *this is no longer the case*. The combination of record deficits and interest rates near two-decade highs has dramatically increased debt payments.

In late June, the International Monetary Fund (IMF), in its annual review of the U.S. economy, warned that record deficits and escalating debt levels pose "a growing risk" to the global economy and urged the United States to address the problem *while its economy was strong*. Back in April, IMF officials had scolded the U.S. for running deficits that acted to stimulate the economy, effectively countering Fed policy and keeping interest rates unnecessarily elevated.

*Fed officials are now forecasting just a single rate cut this year, while the June Bloomberg survey of U.S. economists mirrors the bond market, expecting two quarter point cuts.*

*In late June, the International Monetary Fund (IMF), in its annual review of the U.S. economy, warned that record deficits and escalating debt levels pose "a growing risk" to the global economy and urged the United States to address the problem while its economy was strong.*

The domestic economy may be at a turning point, but it's not just the near-term data that will dictate market direction. Geopolitical uncertainty continues to rise, while pretend-and-extend election promises made by both parties threaten to make normality unrecognizable.

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