



CITY OF DESOTO

SOARING FOR EXCELLENCE

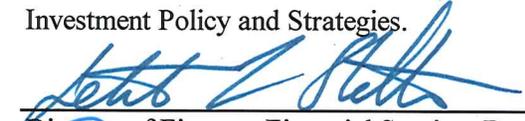
QUARTERLY INVESTMENT REPORT

For the Quarter Ended

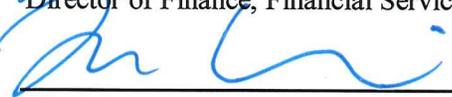
March 31, 2018

Prepared by
Valley View Consulting, L.L.C.

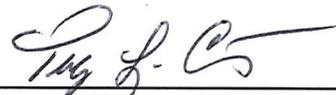
The investment portfolio of the City of DeSoto is in compliance with the Public Funds Investment Act and the Investment Policy and Strategies.



Director of Finance, Financial Services Department



City Manager



Director of Budget, Financial Services Department



Assistant City Managers

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.

Summary

Quarter End Results by Investment Category:

<u>Asset Type</u>	<u>Ave. Yield</u>	<u>March 31, 2018</u>		<u>December 31, 2017</u>	
		<u>Book Value</u>	<u>Market Value</u>	<u>Book Value</u>	<u>Market Value</u>
DDA	0.00%	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
MMA/NOW	1.16%	40,883,188	40,883,188	48,661,383	48,661,383
Pools	1.75%	17,452,904	17,452,904	17,055,892	17,055,892
CDs/Securities	1.60%	17,918,030	17,918,030	10,991,942	10,991,942
Totals		\$ 76,754,122	\$ 76,754,122	\$ 77,209,218	\$ 77,209,218

Average Yield - Current Quarter (1)

Total Portfolio 1.39%

Rolling Three Mo. Treas. Yield 1.58%

Rolling Six Mo. Treas. Yield 1.58%

Fiscal Year-to-Date Average Yield (2)

Total Portfolio 1.14%

Rolling Three Mo. Treas. Yield 1.40%

Rolling Six Mo. Treas. Yield 1.42%

Quarterly TexPool Yield 1.35%

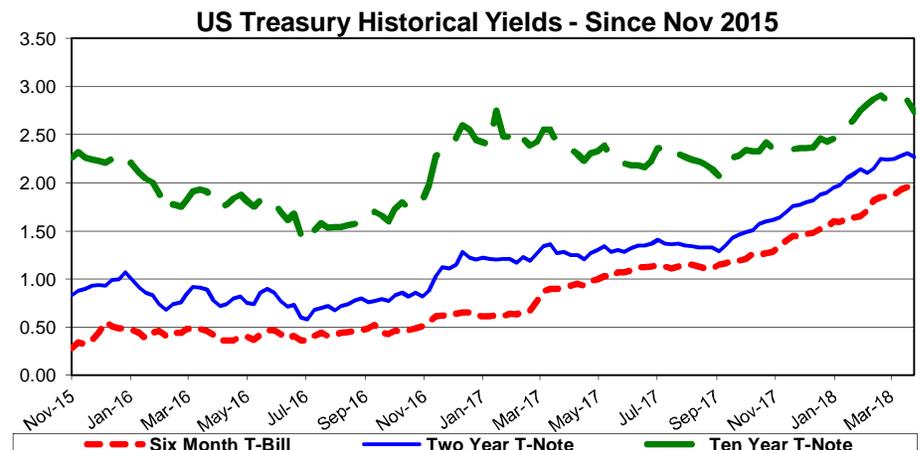
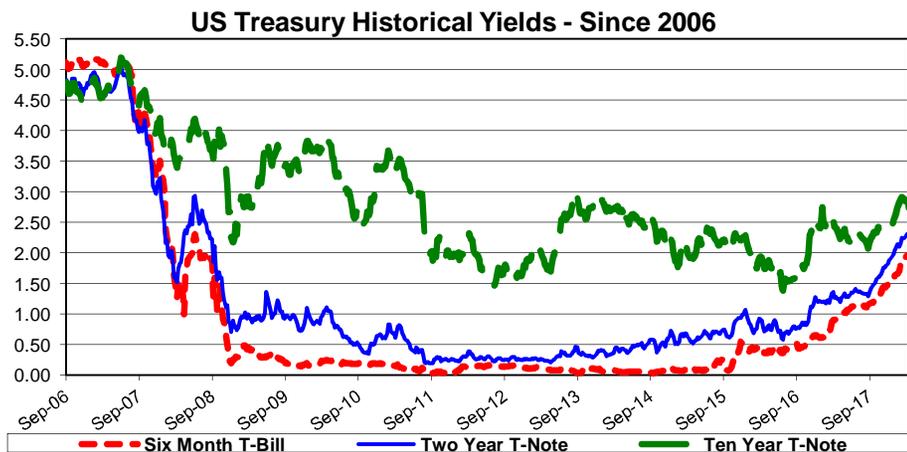
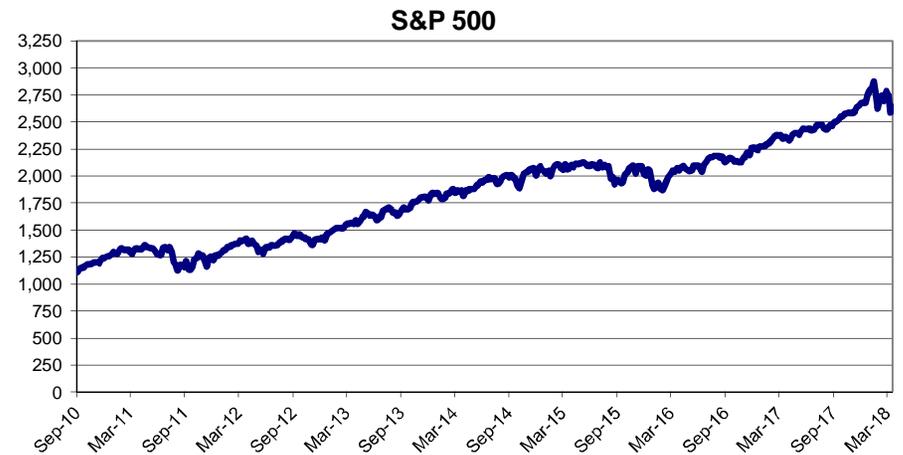
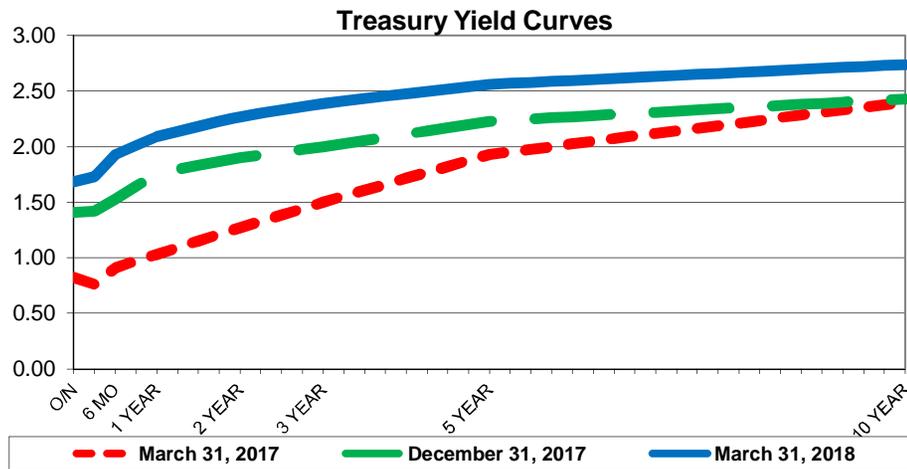
Quarterly Interest Income \$ 234,629 Approximate

Year-to-date Interest Income \$ 402,764 Approximate

(1) Average Yield calculated using quarter end report yields and adjusted book values and does not reflect a total return analysis or account for advisory fees.

(2) Fiscal Year-to-Date 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.

The Federal Open Market Committee (FOMC) increased the Fed Funds target range 0.25% to 1.50% - 1.75% (Effective Fed Funds are trading +/-1.68%). Two to three additional increases are projected for 2018 (although subject to economic activity). Gradual portfolio reduction continues by limiting reinvestment of maturing holdings. Fourth Quarter 2017 GDP measured 2.9% (third/final estimate). February Non Farm Payroll data jumped +313k (well above the expected +205k). The Three Month Average increased to +242k. World events raised some uncertainty (Korea, Russia, Middle East). WTI Crude oil maintained +/- \$65. The Stock Markets waffled 5% to 10% below recent highs. The post-FOMC meeting press release pointed to continuing and frequent rate increases.



Investment Holdings

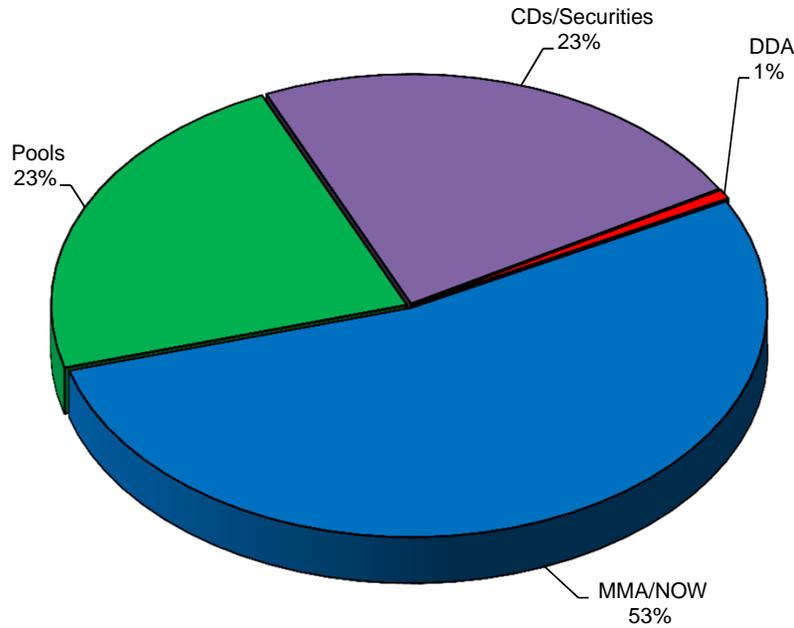
March 31, 2018

Description	Ratings	Coupon/ Discount	Maturity Date	Settlement Date	Par Value	Book Value	Market Price	Market Value	Life (days)	Yield
Wells Fargo DDA		0.00%	04/01/18	03/31/18	\$ 500,000	\$ 500,000	1	\$ 500,000	1	0.00%
Wells Fargo MMA		0.10%	04/01/18	03/31/18	14,382,371	14,382,371	1	14,382,371	1	0.10%
BTH Bank MMA		1.89%	04/01/18	03/31/18	245,390	245,390	1	245,390	1	1.89%
BTH Bank ICS		1.45%	04/01/18	03/31/18	1,780,790	1,780,790	1	1,780,790	1	1.45%
Southside Bank MMA		1.64%	04/01/18	03/31/18	9,309,743	9,309,743	1	9,309,743	1	1.64%
NexBank MMA		1.93%	04/01/18	03/31/18	12,150,925	12,150,925	1	12,150,925	1	1.93%
Green Bank MMA		1.43%	04/01/18	03/31/18	3,013,969	3,013,969	1	3,013,969	1	1.43%
Texas Class	AAAm	1.75%	04/01/18	03/31/18	17,187,205	17,187,205	1	17,187,205	1	1.75%
TexPool	AAAm	1.52%	04/01/18	03/31/18	265,699	265,699	1	265,699	1	1.52%
LegacyTexas Bank CD		1.25%	06/18/18	03/16/17	3,442,744	3,442,744	100.00	3,442,744	79	1.25%
Landmark Bank CD		1.03%	08/08/18	11/08/16	1,012,963	1,012,963	100.00	1,012,963	130	1.03%
LegacyTexas Bank CD		1.84%	08/09/18	02/09/18	1,001,412	1,001,412	100.00	1,001,412	131	1.84%
Texas Security Bank CD		1.45%	09/14/18	09/14/17	1,900,000	1,900,000	100.00	1,900,000	167	1.45%
LegacyTexas Bank CD		1.30%	09/17/18	03/15/17	759,808	759,808	100.00	759,808	170	1.30%
LegacyTexas Bank CD		1.92%	11/09/18	02/09/18	1,001,473	1,001,473	100.00	1,001,473	223	1.92%
East West Bank CD		1.93%	11/15/18	02/15/18	1,002,327	1,002,327	100.00	1,002,327	229	1.93%
Herring Bank CDARS		1.14%	11/15/18	11/17/16	1,015,662	1,015,662	100.00	1,015,662	229	1.14%
LegacyTexas Bank CD		1.40%	12/17/18	03/15/17	760,568	760,568	100.00	760,568	261	1.40%
LegacyTexas Bank CD		2.00%	02/11/19	02/09/18	1,001,534	1,001,534	100.00	1,001,534	317	2.00%
East West Bank CD		2.05%	02/15/19	02/15/18	2,004,942	2,004,942	100.00	2,004,942	321	2.05%
Wallis State Bank CD		2.02%	02/15/19	02/16/18	2,000,000	2,000,000	100.00	2,000,000	321	2.02%
LegacyTexas Bank CD		1.45%	03/15/19	03/15/17	1,014,597	1,014,597	100.00	1,014,597	349	1.45%
\$ 76,754,122						\$ 76,754,122		\$ 76,754,122	51	1.39%
									(1)	(2)

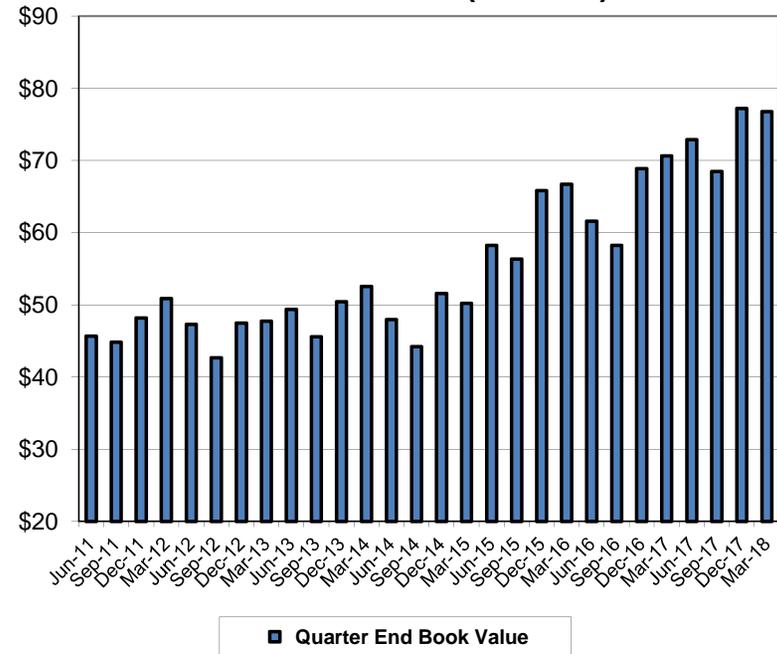
(1) **Weighted average life** - For purposes of calculating weighted average life, bank accounts, pools and money market funds are assumed to have an one day maturity.

(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 bank accounts, pools and money market funds.

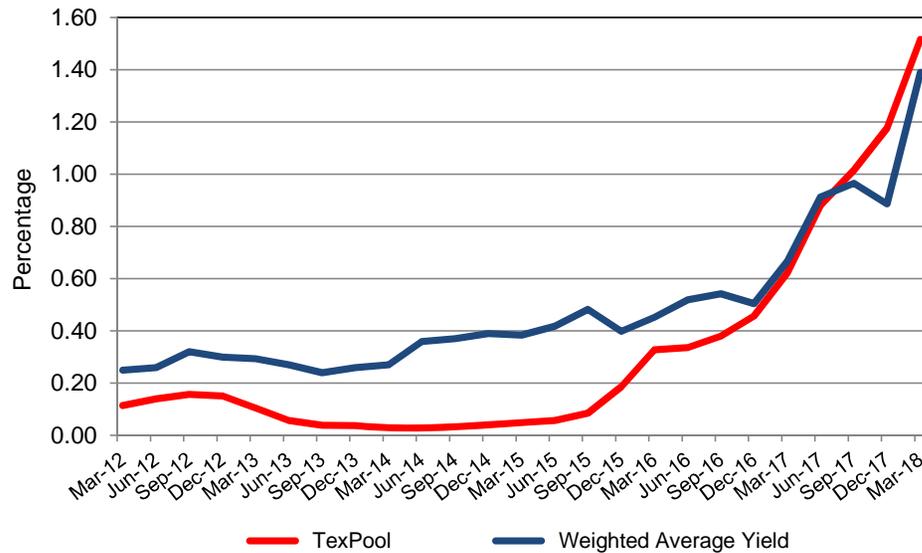
Portfolio Composition



Total Portfolio (Millions)



Total Portfolio Performance



Book Value Comparison

Description	Coupon/ Discount	Maturity Date	December 31, 2017				March 31, 2018	
			Par Value	Book Value	Purchases/ Adjustments	Sales/Adjust/ Call/Maturity	Par Value	Book Value
Wells Fargo DDA	0.00%	04/01/18	\$ 500,000	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ 500,000
Wells Fargo MMA	0.10%	04/01/18	30,266,133	30,266,133	-	(15,883,762)	14,382,371	14,382,371
BTH Bank MMA	1.89%	04/01/18	245,389	245,389	1	-	245,390	245,390
BTH Bank ICS	1.45%	04/01/18	1,770,643	1,770,643	10,147	-	1,780,790	1,780,790
Southside Bank MMA	1.64%	04/01/18	7,275,501	7,275,501	2,034,242	-	9,309,743	9,309,743
NexBank MMA	1.93%	04/01/18	8,100,068	8,100,068	4,050,857	-	12,150,925	12,150,925
Green Bank MMA	1.43%	04/01/18	1,003,649	1,003,649	2,010,320	-	3,013,969	3,013,969
Texas Class	1.75%	04/01/18	16,896,174	16,896,174	291,032	-	17,187,205	17,187,205
TexPool	1.52%	04/01/18	159,718	159,718	105,981	-	265,699	265,699
Landmark Bank CD	0.94%	02/08/18	1,009,433	1,009,433	-	(1,009,433)	-	-
LegacyTexas Bank CD	1.20%	03/15/18	100,908	100,908	-	(100,908)	-	-
LegacyTexas Bank CD	1.25%	06/18/18	3,432,155	3,432,155	10,589	-	3,442,744	3,442,744
Landmark Bank CD	1.03%	08/08/18	1,010,340	1,010,340	2,623	-	1,012,963	1,012,963
LegacyTexas Bank CD	1.84%	08/09/18	-	-	1,001,412	-	1,001,412	1,001,412
Texas Security Bank CD	1.45%	09/14/18	1,900,000	1,900,000	-	-	1,900,000	1,900,000
LegacyTexas Bank CD	1.30%	09/17/18	757,378	757,378	2,430	-	759,808	759,808
LegacyTexas Bank CD	1.92%	11/09/18	-	-	1,001,473	-	1,001,473	1,001,473
East West Bank CD	1.93%	11/15/18	-	-	1,002,327	-	1,002,327	1,002,327
Herring Bank CDARS	1.14%	11/15/18	1,012,803	1,012,803	2,860	-	1,015,662	1,015,662
LegacyTexas Bank CD	1.40%	12/17/18	757,948	757,948	2,619	-	760,568	760,568
LegacyTexas Bank CD	2.00%	02/11/19	-	-	1,001,534	-	1,001,534	1,001,534
East West Bank CD	2.05%	02/15/19	-	-	2,004,942	-	2,004,942	2,004,942
Wallis State Bank CD	2.02%	02/15/19	-	-	2,000,000	-	2,000,000	2,000,000
LegacyTexas Bank CD	1.45%	03/15/19	1,010,978	1,010,978	3,619	-	1,014,597	1,014,597
TOTAL			\$ 77,209,218	77,209,218	16,539,007	(16,994,103)	76,754,122	76,754,122

Market Value Comparison

Description	Coupon/ Discount	Maturity Date	December 31, 2017		Qtr to Qtr Change	March 31, 2018	
			Par Value	Market Value		Par Value	Market Value
Wells Fargo DDA	0.00%	04/01/18	\$ 500,000	\$ 500,000	\$ -	\$ 500,000	\$ 500,000
Wells Fargo MMA	0.10%	04/01/18	30,266,133	30,266,133	(15,883,762)	14,382,371	14,382,371
BTH Bank MMA	1.89%	04/01/18	245,389	245,389	1	245,390	245,390
BTH Bank ICS	1.45%	04/01/18	1,770,643	1,770,643	10,147	1,780,790	1,780,790
Southside Bank MMA	1.64%	04/01/18	7,275,501	7,275,501	2,034,242	9,309,743	9,309,743
NexBank MMA	1.93%	04/01/18	8,100,068	8,100,068	4,050,857	12,150,925	12,150,925
Green Bank MMA	1.43%	04/01/18	1,003,649	1,003,649	2,010,320	3,013,969	3,013,969
Texas Class	1.75%	04/01/18	16,896,174	16,896,174	291,032	17,187,205	17,187,205
TexPool	1.52%	04/01/18	159,718	159,718	105,981	265,699	265,699
Landmark Bank CD	0.94%	02/08/18	1,009,433	1,009,433	(1,009,433)	-	-
LegacyTexas Bank CD	1.20%	03/15/18	100,908	100,908	(100,908)	-	-
LegacyTexas Bank CD	1.25%	06/18/18	3,432,155	3,432,155	10,589	3,442,744	3,442,744
Landmark Bank CD	1.03%	08/08/18	1,010,340	1,010,340	2,623	1,012,963	1,012,963
LegacyTexas Bank CD	1.84%	08/09/18	-	-	1,001,412	1,001,412	1,001,412
Texas Security Bank CD	1.45%	09/14/18	1,900,000	1,900,000	-	1,900,000	1,900,000
LegacyTexas Bank CD	1.30%	09/17/18	757,378	757,378	2,430	759,808	759,808
LegacyTexas Bank CD	1.92%	11/09/18	-	-	1,001,473	1,001,473	1,001,473
East West Bank CD	1.93%	11/15/18	-	-	1,002,327	1,002,327	1,002,327
Herring Bank CDARS	1.14%	11/15/18	1,012,803	1,012,803	2,860	1,015,662	1,015,662
LegacyTexas Bank CD	1.40%	12/17/18	757,948	757,948	2,619	760,568	760,568
LegacyTexas Bank CD	2.00%	02/11/19	-	-	1,001,534	1,001,534	1,001,534
East West Bank CD	2.05%	02/15/19	-	-	2,004,942	2,004,942	2,004,942
Wallis State Bank CD	2.02%	02/15/19	-	-	2,000,000	2,000,000	2,000,000
LegacyTexas Bank CD	1.45%	03/15/19	1,010,978	1,010,978	3,619	1,014,597	1,014,597
TOTAL			\$ 77,209,218	\$ 77,209,218	\$ (455,096)	\$ 76,754,122	\$ 76,754,122

**Fund Allocation - Book Value
March 31, 2018**

	Maturity	Total	Concentration Fund	Capital Projects	Health Facilities Corporation	Industrial Development Authority
Wells Fargo DDA		\$ 500,000	\$ 500,000	\$ -	\$ -	\$ -
Wells Fargo MMA		14,382,371	14,382,371			
BTH Bank MMA		245,390	245,390			
BTH Bank ICS		1,780,790	1,780,790			
Southside Bank MMA		9,309,743	8,283,620	1,026,123		
NexBank MMA		12,150,925	12,150,925			
Green Bank MMA		3,013,969	3,013,969			
Texas Class		17,187,205	479,740	16,707,466		
TexPool		265,699	222,503	8,169	13,301	21,726
LegacyTexas Bank CD	06/18/18	3,442,744	3,442,744			
Landmark Bank CD	08/08/18	1,012,963	1,012,963			
LegacyTexas Bank CD	08/09/18	1,001,412	1,001,412			
Texas Security Bank CD	09/14/18	1,900,000	1,900,000			
LegacyTexas Bank CD	09/17/18	759,808	759,808			
LegacyTexas Bank CD	11/09/18	1,001,473	1,001,473			
East West Bank CD	11/15/18	1,002,327	1,002,327			
Herring Bank CDARS	11/15/18	1,015,662	1,015,662			
LegacyTexas Bank CD	12/17/18	760,568	760,568			
LegacyTexas Bank CD	02/11/19	1,001,534	1,001,534			
East West Bank CD	02/15/19	2,004,942	2,004,942			
Wallis State Bank CD	02/15/19	2,000,000	2,000,000			
LegacyTexas Bank CD	03/15/19	1,014,597	1,014,597			
Total		\$ 76,754,122	\$ 58,977,338	\$ 17,741,757	\$ 13,301	\$ 21,726

**Fund Allocation - Market Value
March 31, 2018**

	Maturity	Total	Concentration Fund	Capital Projects	Health Facilities Corporation	Industrial Development Authority
Wells Fargo DDA		\$ 500,000	\$ 500,000	\$ -	\$ -	\$ -
Wells Fargo MMA		14,382,371	14,382,371			
BTH Bank MMA		245,390	245,390			
BTH Bank ICS		1,780,790	1,780,790			
Southside Bank MMA		9,309,743	8,283,620	1,026,123		
NexBank MMA		12,150,925	12,150,925			
Green Bank MMA		3,013,969	3,013,969			
Texas Class		17,187,205	479,740	16,707,466		
TexPool		265,699	222,503	8,169	13,301	21,726
LegacyTexas Bank CD	06/18/18	3,442,744	3,442,744			
Landmark Bank CD	08/08/18	1,012,963	1,012,963			
LegacyTexas Bank CD	08/09/18	1,001,412	1,001,412			
Texas Security Bank CD	09/14/18	1,900,000	1,900,000			
LegacyTexas Bank CD	09/17/18	759,808	759,808			
LegacyTexas Bank CD	11/09/18	1,001,473	1,001,473			
East West Bank CD	11/15/18	1,002,327	1,002,327			
Herring Bank CDARS	11/15/18	1,015,662	1,015,662			
LegacyTexas Bank CD	12/17/18	760,568	760,568			
LegacyTexas Bank CD	02/11/19	1,001,534	1,001,534			
East West Bank CD	02/15/19	2,004,942	2,004,942			
Wallis State Bank CD	02/15/19	2,000,000	2,000,000			
LegacyTexas Bank CD	03/15/19	1,014,597	1,014,597			
Total		\$ 76,754,122	\$ 58,977,338	\$ 17,741,757	\$ 13,301	\$ 21,726

**Fund Allocation - Book Value
December 31, 2017**

	Maturity	Total	Concentration Fund	Capital Projects	Health Facilities Corporation	Industrial Development Authority
Wells Fargo DDA		\$ 500,000	\$ 500,000	\$ -	\$ -	\$ -
Wells Fargo MMA		30,266,133	30,266,133			
BTH Bank MMA		245,389	245,389			
BTH Bank ICS		1,770,643	1,770,643			
Southside Bank MMA		7,275,501	6,253,208	1,022,292		
NexBank MMA		8,100,068	8,100,068			
Green Bank MMA		1,003,649	1,003,649			
Texas Class		16,896,174	256,131	16,640,043		
TexPool		159,718	116,670	8,141	13,256	21,651
Landmark Bank CD	02/08/18	1,009,433	1,009,433			
LegacyTexas Bank CD	03/15/18	100,908	100,908			
LegacyTexas Bank CD	06/18/18	3,432,155	3,432,155			
Landmark Bank CD	08/08/18	1,010,340	1,010,340			
Texas Security Bank CD	09/14/18	1,900,000	1,900,000			
LegacyTexas Bank CD	09/17/18	757,378	757,378			
Herring Bank CDARS	11/15/18	1,012,803	1,012,803			
LegacyTexas Bank CD	12/17/18	757,948	757,948			
LegacyTexas Bank CD	03/15/19	1,010,978	1,010,978			
Total		\$ 77,209,218	\$ 59,503,835	\$ 17,670,476	\$ 13,256	\$ 21,651

**Fund Allocation - Market Value
December 31, 2017**

	Maturity	Total	Concentration Fund	Capital Projects	Health Facilities Corporation	Industrial Development Authority
Wells Fargo DDA		\$ 500,000	\$ 500,000	\$ -	\$ -	\$ -
Wells Fargo MMA		30,266,133	30,266,133			
BTH Bank MMA		245,389	245,389			
BTH Bank ICS		1,770,643	1,770,643			
Southside Bank MMA		7,275,501	6,253,208	1,022,292		
NexBank MMA		8,100,068	8,100,068			
Green Bank MMA		1,003,649	1,003,649			
Texas Class		16,896,174	256,131	16,640,043		
TexPool		159,718	116,670	8,141	13,256	21,651
Landmark Bank CD	02/08/18	1,009,433	1,009,433			
LegacyTexas Bank CD	03/15/18	100,908	100,908			
LegacyTexas Bank CD	06/18/18	3,432,155	3,432,155			
Landmark Bank CD	08/08/18	1,010,340	1,010,340			
Texas Security Bank CD	09/14/18	1,900,000	1,900,000			
LegacyTexas Bank CD	09/17/18	757,378	757,378			
Herring Bank CDARS	11/15/18	1,012,803	1,012,803			
LegacyTexas Bank CD	12/17/18	757,948	757,948			
LegacyTexas Bank CD	03/15/19	1,010,978	1,010,978			
Total		\$ 77,209,218	\$ 59,503,835	\$ 17,670,476	\$ 13,256	\$ 21,651



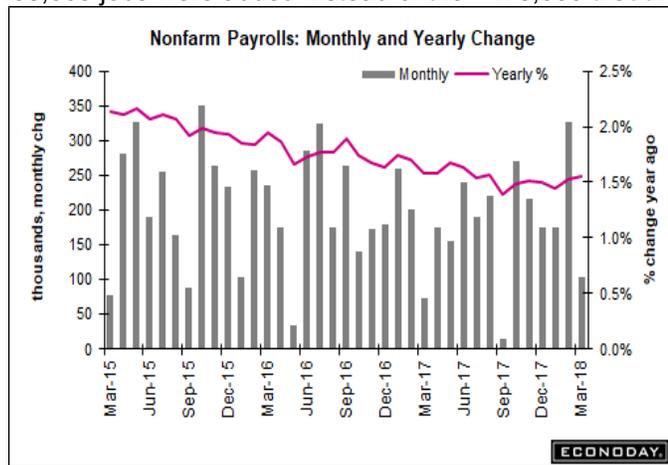
Market Outlook

April 6, 2018

March Madness seemed to filter over to the financial markets as political news impacted both the bond and stock markets. A potential trade war is developing as the U.S. and China lob tariff threats at one another and the markets react daily to the latest punch and counter-punch. As tensions continue to ratchet higher, the markets have become much more volatile. When investors become nervous, they will typically flee to the safe harbor of the U.S. Treasury/Agency market. This flight to quality will drive interest rates lower (demand raises prices and lowers interest rates). A full-blown trade war will negatively impact the American consumer, as they will likely see price increases for a broad range of products. This will begin to constrain the growth of the U.S. economy as consumers feel the pain of higher prices and cut back on non-essential purchases and producers see demand for exports decline and likewise cut back on production. For now, the economic releases in March showed that economic growth was somewhat better than February but remains soft on many fronts. The Employment report for March was lower than expected, however the market appears to be attributing this to weather rather than viewing it as a true economic indication.

The Employment report for March showed that 103,000 jobs were added instead of the +178,000 that the

market had anticipated. The report reduced the previous two months by a total of -50,000. The February report was revised to +326,000 from the previous report of +313,000 and January was revised to +176,000 from the previous report of +239,000. The three-month average dropped to +202,000 per month (the previous three-month average was +242,000 per month). The sectors with gains were Health (+22,000), Professional/Business (+33,000), and Manufacturing (+22,000). The sectors with negative results were Retail (down 4,000) and Construction (down 15,000). The Construction report is a wide change from the previous month's +61,000 and was perceived to be the result of bad weather. The Government sector



added 1,000 jobs and the private sector gained 102,000 jobs compared with +287,000 jobs in February. The current Labor Participation Rate, a measure of the percentage of eligible workers that hold jobs, dropped slightly to 62.9% from the previous 63%. The Unemployment Rate remained at 4.1%, where it has been since November 2017. The U6 rate (or the under-employed rate – those that are either over qualified for their job or working fewer hours than they desire) dropped to 8.0% from the previous 8.2%. Average Hourly Earnings (AHE) rose 0.3% in March after a rise of 0.1% in February. Year-over-year AHE rose to 2.7% versus 2.6% in February and remains below the 3.0% level where inflationary forces generally begin to increase. It is widely believed that the FOMC would become alarmed about over-heated inflation if the AHE year-over-year rate nears the 4.0% level. We are still significantly below that inflationary range.

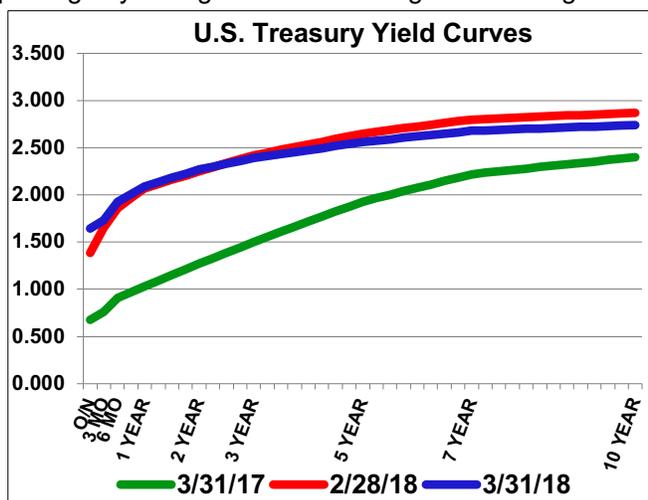
The housing sector continued to see soft reports in February as supply and weather impacted the market. Existing Home Sales rose 3% in February after falling 3.2% in January. Year-over-year, sales are 1.1% higher. The number of units for sale remains at 3.4 months, seriously below the normal balance point of 6-months. For the first time after a number of months of price declines, the median home price for Existing Homes rose by 5.9%. New Home Sales showed a decline with February's sales down 0.1% following January's rise of 8.4%. Year-over-year, New Home Sales are 0.5% higher. Median prices rose 0.6% during the month and are 9.7% higher than last year. Home builders remain optimistic but reported that foot traffic through their available units had slipped during March. The supply level rose to 5.9 months versus the 5.8-month level during January. The S&P Case Shiller report of home prices in the 20 metropolitan areas and the Federal Housing Finance Agency (FHFA), the entity that analyzes all domestic home prices, reported healthy increases in home values during January, and the FHFA report was at a 3.5-year high. On the down side (and probably weather related) Housing Starts fell 7.0% in February and Permits fell 5.7%. Construction Spending was +0.1% in February after a flat January.

The production and manufacturing sectors improved a bit in reports released during March. The final report for Gross Domestic Product (GDP) for the fourth quarter 2017 was +2.9%; softer than the final report of +3.2% for the third quarter, but still a positive outcome. Business inventories rose 0.6% in January following an increase of 0.6% in December. While inventory growth has been strong, total sales have been falling and may point to a slowdown in restocking needs. Industrial Production rose 1.1% in February after falling 0.3% in January, Factory Orders rose 1.2% in February after falling 1.3% in January and Durable Goods Orders rose 3.1% in February after falling 3.5% in January. Purchasing managers' expectations for both the manufacturing and service sectors, as reported by the Purchasing Managers Index and the Institute for Supply Management, remained steady during March and are still registering in the positive zone. The Producer Price Index (PPI) rose 0.2% in February after rising 0.4% in January. The Consumer Price Index (CPI) rose 0.2% in February after rising 0.3% in January. Year-over-year CPI rose to +2.2% as compared to the January result of +2.1%. Core CPI, or the results after food and energy numbers are excluded (due to price volatility), posted a rise of 0.2% and remains at +1.8% higher than last year.

On the consumption front, Retail Sales continue to be disappointing with February reporting a decline of 0.1%, the same decline as was seen in January. Factoring out auto sales however, which were weak following more robust sales in late 2017, the number is not quite so dismal, with non-auto consumption rising 0.3% during February. Consumers' attitudes as measured by the Consumer Confidence and Consumer Sentiment reports remain very positive during March. Core Personal Consumption Expenditure Index (PCE), one of the inflation indicators that the FOMC pays close attention to, remains below the target of 2.0% and reported in at +1.6 % in February; a slight improvement from the +1.5% in January.

The Federal Open March Committee (FOMC) met on March 20th and 21st and announced a 25 basis-point rise in the Fed Funds rate, as was widely anticipated. This was Chairman Powell's first opportunity to chair the meeting and to appear at the quarterly press conference and his demeanor and remarks indicated that his style will be quite similar to former Chair Janet Yellen's. The Committee continues to expect a two more Fed Fund increases during 2018, which the market is currently anticipating will occur in June and December. This expectation could change if the economy begins to heat up more quickly. The current Fed Funds rate is +/-1.68%. The Committee forecasts that it could reach 2.1% by year-end. Their economic forecasts see GDP averaging 2.7% during 2018 (higher than their forecast of 2.5% after the meeting in December), and Inflation of 2% in 2018 (rising to 2.1% in 2019 and 2020). Their next meeting will be on May 1st and 2nd, but the market is not currently expecting any changes to occur during that meeting.

Government Security Investment Pool rates rose during March, with month-end rates between 1.61% to 1.65%, compared to 1.41% to 1.43% in February. After closing February at 2.07%, the 1-year Treasury closed March at 2.09%. The 2-year Treasury closed March at 2.27%, two basis-points higher than February's 2.25% close. The current 2-year yield is 2.28% after release of the Employment Report. CD rates improved during February with the 2-year between 2.45% to 2.62% (10 to 20 basis-points higher than in February). Bank appetite for new deposits is improving slightly with more banks offering rates during the solicitation process. Laddering of maturities is still advised.



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