



# CITY OF DESOTO

SOARING FOR EXCELLENCE

## QUARTERLY INVESTMENT REPORT

For the Quarter Ended

June 30, 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.

City Manager

Deputy City Manager

Managing Director of Financial Services

Deputy City Manager

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>June 30, 2018</u>				<u>March 31, 2018</u>	
	<u>Ave. Yield</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	1.35%	38,064,992	38,064,992	40,883,188	40,883,188	
Pools	2.15%	16,710,053	16,710,053	17,452,904	17,452,904	
CDs/Securities	1.89%	17,929,106	17,929,106	17,918,030	17,918,030	
<b>Totals</b>		<b>\$ 73,204,151</b>	<b>\$ 73,204,151</b>	<b>\$ 76,754,122</b>	<b>\$ 76,754,122</b>	

Average Yield - Current Quarter (1)

Total Portfolio 1.66%

Rolling Three Mo. Treas. Yield 1.88%

Rolling Six Mo. Treas. Yield 1.92%

Fiscal Year-to-Date Average Yield (2)

Total Portfolio 1.31%

Rolling Three Mo. Treas. Yield 1.56%

Rolling Six Mo. Treas. Yield 1.58%

Quarterly TexPool Yield 1.50%

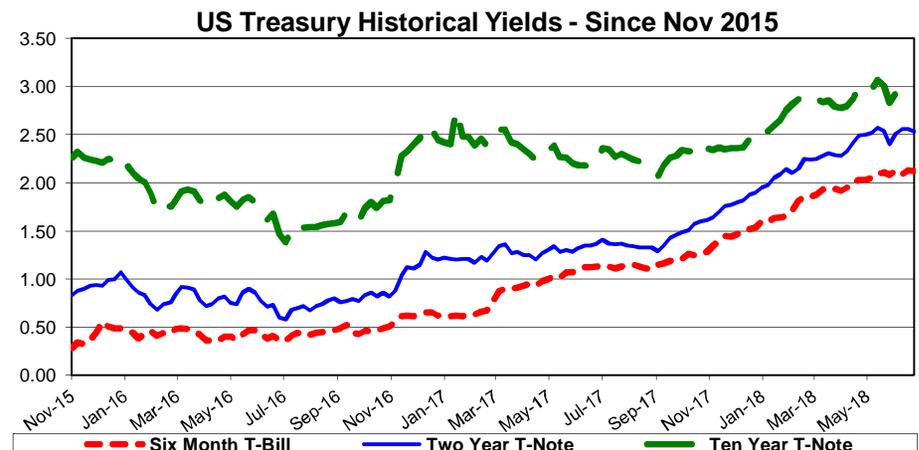
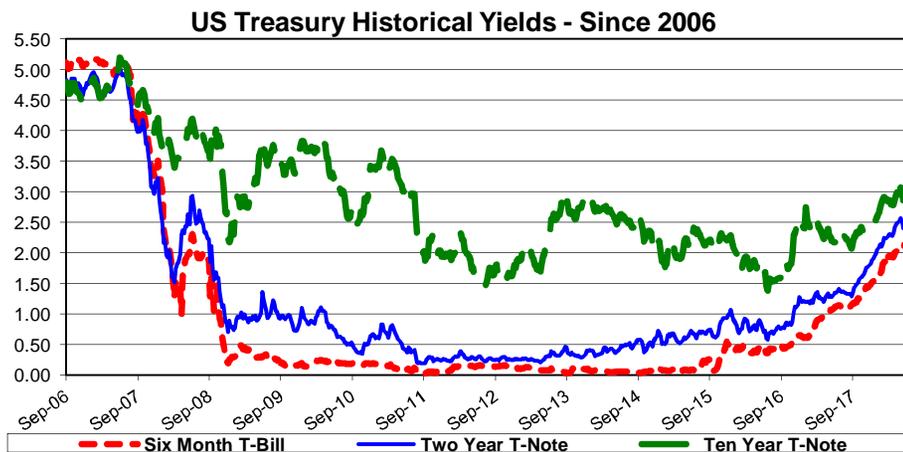
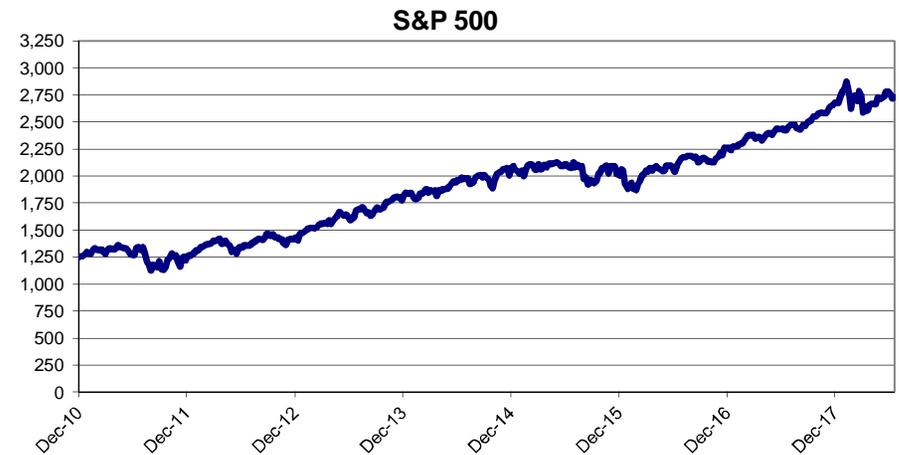
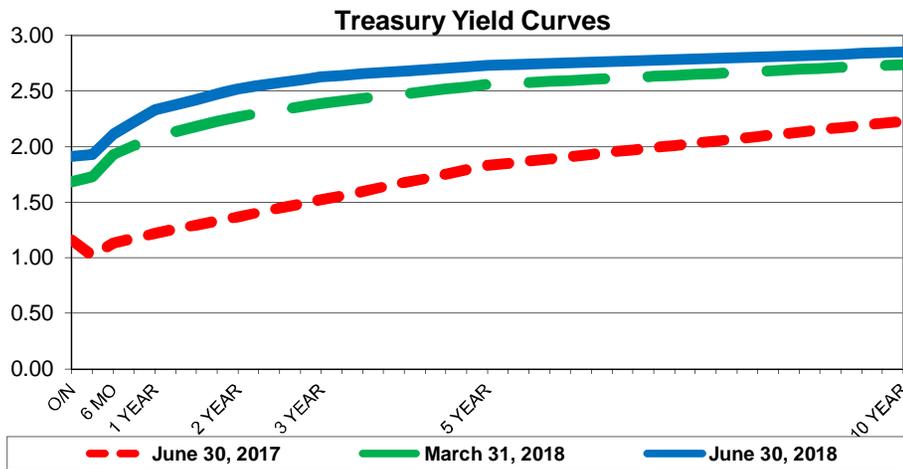
Quarterly Interest Income \$ 281,771 Approximate

Year-to-date Interest Income \$ 684,536 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) raised the Fed Funds target range 1.75% - 2.00% (Effective Fed Funds are trading +/-1.91%). Additional range increases are expected this calendar year (one or two) although subject to economic activity. Gradual portfolio reduction continues by limiting reinvestment of maturing holdings. The ultimate size of the balance sheet is under discussion. First Quarter 2018 GDP measured 2.0% (final estimate). Second Quarter is expected to be substantially higher. Employment/Unemployment continued to record levels. Trade war uncertainty dominated world markets. WTI Crude oil hovers at +/- \$73. The Stock Markets wiggled higher but still below recent highs.



## Investment Holdings

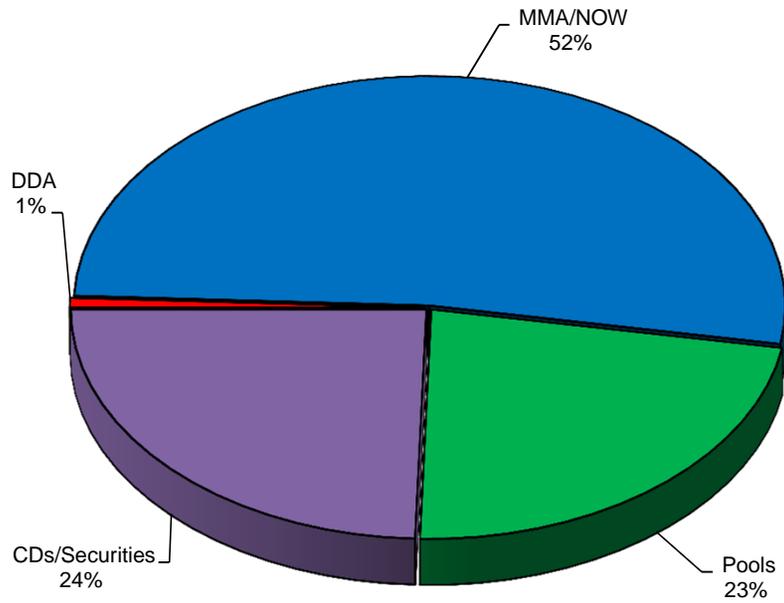
June 30, 2018

Description	Ratings	Coupon/ Discount	Maturity Date	Settlement Date	Par Value	Book Value	Market Price	Market Value	Life (days)	Yield
Wells Fargo DDA		0.00%	07/01/18	06/30/18	\$ 500,000	\$ 500,000	1	\$ 500,000	1	0.00%
Wells Fargo MMA		0.10%	07/01/18	06/30/18	13,220,188	13,220,188	1	13,220,188	1	0.10%
BTH Bank MMA		1.12%	07/01/18	06/30/18	245,225	245,225	1	245,225	1	1.12%
BTH Bank ICS		1.56%	07/01/18	06/30/18	1,788,442	1,788,442	1	1,788,442	1	1.56%
Southside Bank MMA		1.96%	07/01/18	06/30/18	8,851,737	8,851,737	1	8,851,737	1	1.96%
NexBank MMA		2.07%	07/01/18	06/30/18	29,918	29,918	1	29,918	1	2.07%
NexBank MMA/ICS		2.16%	07/01/18	06/30/18	10,901,938	10,901,938	1	10,901,938	1	2.16%
Green Bank MMA		2.01%	07/01/18	06/30/18	3,027,544	3,027,544	1	3,027,544	1	2.01%
Texas Class	AAAm	2.16%	07/01/18	06/30/18	16,443,206	16,443,206	1	16,443,206	1	2.16%
TexPool	AAAm	1.81%	07/01/18	06/30/18	266,848	266,848	1	266,848	1	1.81%
Landmark Bank CD		1.03%	08/08/18	11/08/16	1,015,507	1,015,507	100.00	1,015,507	39	1.03%
LegacyTexas Bank CD		1.84%	08/09/18	02/09/18	1,006,063	1,006,063	100.00	1,006,063	40	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	76	1.45%
LegacyTexas Bank CD		1.30%	09/17/18	03/15/17	762,301	762,301	100.00	762,301	79	1.30%
LegacyTexas Bank CD		1.92%	11/09/18	02/09/18	1,006,327	1,006,327	100.00	1,006,327	132	1.92%
East West Bank CD		1.93%	11/15/18	02/15/18	1,007,150	1,007,150	100.00	1,007,150	138	1.93%
Herring Bank CDARS		1.14%	11/15/18	11/17/16	1,018,562	1,018,562	100.00	1,018,562	138	1.14%
LegacyTexas Bank CD		1.40%	12/17/18	03/15/17	763,255	763,255	100.00	763,255	170	1.40%
LegacyTexas Bank CD		2.00%	02/11/19	02/09/18	1,006,592	1,006,592	100.00	1,006,592	226	2.00%
East West Bank CD		2.05%	02/15/19	02/15/18	2,015,190	2,015,190	100.00	2,015,190	230	2.05%
Wallis State Bank CD		2.02%	02/15/19	02/16/18	2,009,851	2,009,851	100.00	2,009,851	230	2.02%
LegacyTexas Bank CD		1.45%	03/15/19	03/15/17	1,018,309	1,018,309	100.00	1,018,309	258	1.45%
LegacyTexas Bank CD		2.58%	06/21/19	06/22/18	1,000,000	1,000,000	100.00	1,000,000	356	2.58%
LegacyTexas Bank CD		2.78%	12/23/19	06/22/18	1,200,000	1,200,000	100.00	1,200,000	541	2.78%
LegacyTexas Bank CD		2.92%	06/22/20	06/22/18	1,200,000	1,200,000	100.00	1,200,000	723	2.92%
					<b>\$ 73,204,151</b>	<b>\$ 73,204,151</b>		<b>\$ 73,204,151</b>	<b>57</b>	<b>1.66%</b>
									<b>(1)</b>	<b>(2)</b>

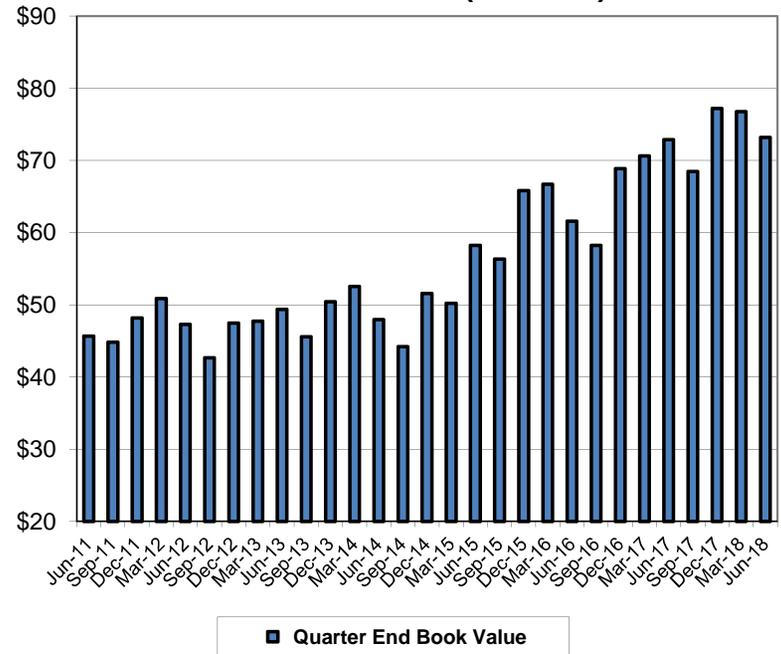
(1) **Weighted average life** - For purposes of calculating weighted average life, bank accounts, pools and money market funds are assumed to have an one day maturity.

(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.

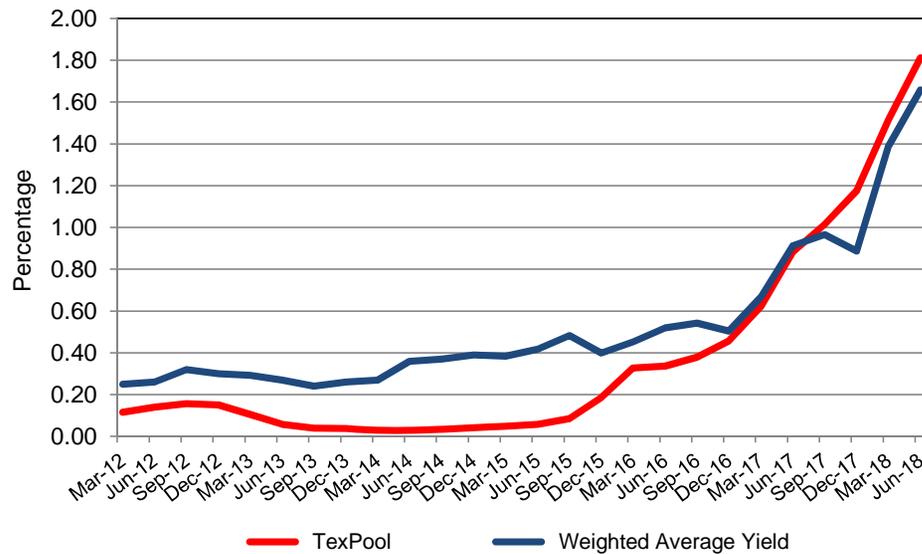
### Portfolio Composition



### Total Portfolio (Millions)



### Total Portfolio Performance



## Book Value Comparison

Description	Coupon/ Discount	Maturity Date	March 31, 2018				June 30, 2018			
			Par Value	Book Value	Purchases/ Adjustments	Sales/Adjust/ Call/Maturity	Par Value	Book Value	Purchases/ Adjustments	Sales/Adjust/ Call/Maturity
Wells Fargo DDA	0.00%	07/01/18	\$ 500,000	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ 500,000		
Wells Fargo MMA	0.10%	07/01/18	14,382,371	14,382,371	-	(1,162,183)	13,220,188	13,220,188		
BTH Bank MMA	1.12%	07/01/18	245,390	245,390	-	(165)	245,225	245,225		
BTH Bank ICS	1.56%	07/01/18	1,780,790	1,780,790	7,652	-	1,788,442	1,788,442		
Southside Bank MMA	1.96%	07/01/18	9,309,743	9,309,743	-	(458,005)	8,851,737	8,851,737		
NexBank MMA	2.07%	07/01/18	12,150,925	12,150,925	-	(12,121,007)	29,918	29,918		
NexBank MMA/ICS	2.16%	07/01/18	-	-	10,901,938	-	10,901,938	10,901,938		
Green Bank MMA	2.01%	07/01/18	3,013,969	3,013,969	13,576	-	3,027,544	3,027,544		
Texas Class	2.16%	07/01/18	17,187,205	17,187,205	-	(744,000)	16,443,206	16,443,206		
TexPool	1.81%	07/01/18	265,699	265,699	1,149	-	266,848	266,848		
LegacyTexas Bank CD	1.25%	06/18/18	3,442,744	3,442,744	-	(3,442,744)	-	-		
Landmark Bank CD	1.03%	08/08/18	1,012,963	1,012,963	2,544	-	1,015,507	1,015,507		
LegacyTexas Bank CD	1.84%	08/09/18	1,001,412	1,001,412	4,652	-	1,006,063	1,006,063		
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	759,808	759,808	2,492	-	762,301	762,301		
LegacyTexas Bank CD	1.92%	11/09/18	1,001,473	1,001,473	4,854	-	1,006,327	1,006,327		
East West Bank CD	1.93%	11/15/18	1,002,327	1,002,327	4,823	-	1,007,150	1,007,150		
Herring Bank CDARS	1.14%	11/15/18	1,015,662	1,015,662	2,900	-	1,018,562	1,018,562		
LegacyTexas Bank CD	1.40%	12/17/18	760,568	760,568	2,687	-	763,255	763,255		
LegacyTexas Bank CD	2.00%	02/11/19	1,001,534	1,001,534	5,057	-	1,006,592	1,006,592		
East West Bank CD	2.05%	02/15/19	2,004,942	2,004,942	10,247	-	2,015,190	2,015,190		
Wallis State Bank CD	2.02%	02/15/19	2,000,000	2,000,000	9,851	-	2,009,851	2,009,851		
LegacyTexas Bank CD	1.45%	03/15/19	1,014,597	1,014,597	3,713	-	1,018,309	1,018,309		
LegacyTexas Bank CD	2.58%	06/21/19	-	-	1,000,000	-	1,000,000	1,000,000		
LegacyTexas Bank CD	2.78%	12/23/19	-	-	1,200,000	-	1,200,000	1,200,000		
LegacyTexas Bank CD	2.92%	06/22/20	-	-	1,200,000	-	1,200,000	1,200,000		
<b>TOTAL</b>			<b>\$ 76,754,122</b>	<b>76,754,122</b>	<b>14,378,134</b>	<b>(17,928,106)</b>	<b>73,204,151</b>	<b>73,204,151</b>		

## Market Value Comparison

Description	Coupon/ Discount	Maturity Date	March 31, 2018		Qtr to Qtr Change	June 30, 2018	
			Par Value	Market Value		Par Value	Market Value
Wells Fargo DDA	0.00%	07/01/18	\$ 500,000	\$ 500,000	\$ -	\$ 500,000	\$ 500,000
Wells Fargo MMA	0.10%	07/01/18	14,382,371	14,382,371	(1,162,183)	13,220,188	13,220,188
BTH Bank MMA	1.12%	07/01/18	245,390	245,390	(165)	245,225	245,225
BTH Bank ICS	1.56%	07/01/18	1,780,790	1,780,790	7,652	1,788,442	1,788,442
Southside Bank MMA	1.96%	07/01/18	9,309,743	9,309,743	(458,005)	8,851,737	8,851,737
NexBank MMA	2.07%	07/01/18	12,150,925	12,150,925	(12,121,007)	29,918	29,918
NexBank MMA/ICS	2.16%	07/01/18	-	-	10,901,938	10,901,938	10,901,938
Green Bank MMA	2.01%	07/01/18	3,013,969	3,013,969	13,576	3,027,544	3,027,544
Texas Class	2.16%	07/01/18	17,187,205	17,187,205	(744,000)	16,443,206	16,443,206
TexPool	1.81%	07/01/18	265,699	265,699	1,149	266,848	266,848
LegacyTexas Bank CD	1.25%	06/18/18	3,442,744	3,442,744	(3,442,744)	-	-
Landmark Bank CD	1.03%	08/08/18	1,012,963	1,012,963	2,544	1,015,507	1,015,507
LegacyTexas Bank CD	1.84%	08/09/18	1,001,412	1,001,412	4,652	1,006,063	1,006,063
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	759,808	759,808	2,492	762,301	762,301
LegacyTexas Bank CD	1.92%	11/09/18	1,001,473	1,001,473	4,854	1,006,327	1,006,327
East West Bank CD	1.93%	11/15/18	1,002,327	1,002,327	4,823	1,007,150	1,007,150
Herring Bank CDARS	1.14%	11/15/18	1,015,662	1,015,662	2,900	1,018,562	1,018,562
LegacyTexas Bank CD	1.40%	12/17/18	760,568	760,568	2,687	763,255	763,255
LegacyTexas Bank CD	2.00%	02/11/19	1,001,534	1,001,534	5,057	1,006,592	1,006,592
East West Bank CD	2.05%	02/15/19	2,004,942	2,004,942	10,247	2,015,190	2,015,190
Wallis State Bank CD	2.02%	02/15/19	2,000,000	2,000,000	9,851	2,009,851	2,009,851
LegacyTexas Bank CD	1.45%	03/15/19	1,014,597	1,014,597	3,713	1,018,309	1,018,309
LegacyTexas Bank CD	2.58%	06/21/19	-	-	1,000,000	1,000,000	1,000,000
LegacyTexas Bank CD	2.78%	12/23/19	-	-	1,200,000	1,200,000	1,200,000
LegacyTexas Bank CD	2.92%	06/22/20	-	-	1,200,000	1,200,000	1,200,000
<b>TOTAL</b>			<b>\$ 76,754,122</b>	<b>\$ 76,754,122</b>	<b>\$ (3,549,971)</b>	<b>\$ 73,204,151</b>	<b>\$ 73,204,151</b>

**Fund Allocation - Book & Market Value  
June 30, 2018**

	<b>Maturity</b>	<b>Total</b>	<b>Concentration Fund</b>	<b>Capital Projects</b>	<b>Health Facilities Corporation</b>	<b>Industrial Development Authority</b>
Wells Fargo DDA		\$ 500,000	\$ 500,000	\$ -	\$ -	\$ -
Wells Fargo MMA		13,220,188	13,220,188			
BTH Bank MMA		245,225	245,225			
BTH Bank ICS		1,788,442	1,788,442			
Southside Bank MMA		8,851,737	7,820,828	1,030,909		
NexBank MMA		29,918	29,918			
NexBank MMA/ICS		10,901,938	10,901,938			
Green Bank MMA		3,027,544	3,027,544			
Texas Class		16,443,206	482,202	15,961,003		
TexPool		266,848	223,466	8,204	13,359	21,820
Landmark Bank CD	08/08/18	1,015,507	1,015,507			
LegacyTexas Bank CD	08/09/18	1,006,063	1,006,063			
Texas Security Bank CD	09/14/18	1,900,000	1,900,000			
LegacyTexas Bank CD	09/17/18	762,301	762,301			
LegacyTexas Bank CD	11/09/18	1,006,327	1,006,327			
East West Bank CD	11/15/18	1,007,150	1,007,150			
Herring Bank CDARS	11/15/18	1,018,562	1,018,562			
LegacyTexas Bank CD	12/17/18	763,255	763,255			
LegacyTexas Bank CD	02/11/19	1,006,592	1,006,592			
East West Bank CD	02/15/19	2,015,190	2,015,190			
Wallis State Bank CD	02/15/19	2,009,851	2,009,851			
LegacyTexas Bank CD	03/15/19	1,018,309	1,018,309			
LegacyTexas Bank CD	06/21/19	1,000,000	1,000,000			
LegacyTexas Bank CD	12/23/19	1,200,000	1,200,000			
LegacyTexas Bank CD	06/22/20	1,200,000	1,200,000			
<b>Total</b>		<b>\$ 73,204,151</b>	<b>\$ 56,168,857</b>	<b>\$ 17,000,116</b>	<b>\$ 13,359</b>	<b>\$ 21,820</b>

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

	<b>Maturity</b>	<b>Total</b>	<b>Concentration Fund</b>	<b>Capital Projects</b>	<b>Health Facilities Corporation</b>	<b>Industrial Development Authority</b>
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			
<b>Total</b>		<b>\$ 76,754,122</b>	<b>\$ 58,977,338</b>	<b>\$ 17,741,757</b>	<b>\$ 13,301</b>	<b>\$ 21,726</b>

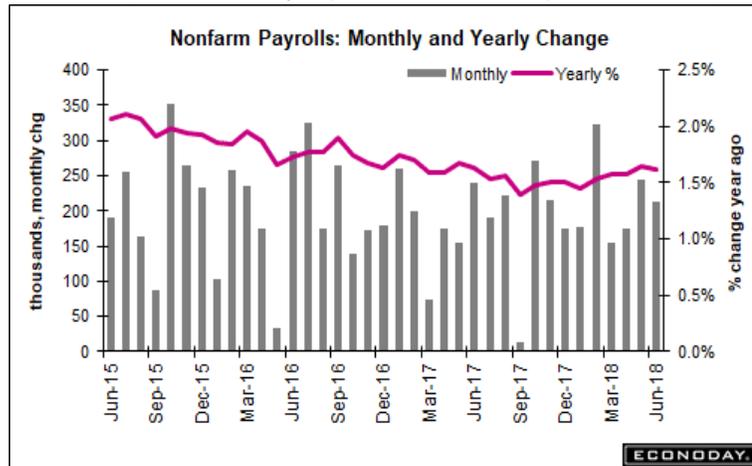
## Market Outlook

July 6, 2018

The U.S. imposed \$34 billion in tariffs against China at midnight on July 5<sup>th</sup> and China retaliated in a like amount. The President has stated that he will impose an additional \$16 billion in tariffs next week. There are also threats of tariffs against the European Union, Canada and Mexico, so the world appears to be poised for what could be a major trade war. Although the U.S. economy has been strong and is in the best possible shape to weather a trade storm, a prolonged and steep tariff battle could bring on a world-wide recession. It is a difficult tightrope that the world leaders are walking. American consumers will likely be feeling the pinch of higher prices and lower revenues in the near future. Meanwhile, many of the economic reports released during June show a mixed assessment of economic growth and stability. Consumption was strong and Employment was robust, but Production was flat and Housing was soft.

The Employment report for June was strong, showing that 213,000 new jobs were created. The report increased the previous two months by a total of +37,000. The May report was revised upward to +244,000 from the previous report of +223,000 and April was revised higher to +175,000 from the previous report of +159,000. The three-month average came in at +211,000 per month (the previous three-month average was +179,000 per month). The sectors with gains were Health Care (+25,000), Professional/Business (+50,000), Construction (+13,000), and Manufacturing (+36,000). The Retail Sector lost 22,000 jobs. The Government sector added 11,000 jobs and the private sector gained 202,000 jobs compared with +218,000 jobs in May. The current Labor Participation Rate, a measure of the percentage of eligible workers that hold jobs, rose to 62.9% from the previous 62.7%. The Unemployment Rate rose to 4.0% from 3.8%. Although a rising Unemployment Rate is generally seen as negative, in this instance there were 601,000 new workers that entered the market in June. A recent job openings report indicated that, for the first time in twenty years, there are more jobs open than there are job seekers. The challenge is matching the skills of the applicants with the requirements of those jobs. The U6 rate (or the under-employed rate – those that are either over qualified for their job or working fewer hours than they desire) rose to 7.8% from the previous 7.6%. Average Hourly Earnings (AHE) rose 0.2% in June after a rise of 0.3% in May. Year-over-year AHE remained at +2.7% and is 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 had a soft month with only the New Homes Report showing signs of life. Existing Home Sales fell 0.4% in May after falling 2.7% in April. Year-over-year, Existing sales are down 3.0%. The number of units for sale rose to 4.1 months' supply from 4.0 months in April, still below the normal balance point of 6-months. The median home price for Existing Homes rose by 2.7%. New Home Sales rose 4.1% during May following April's decline of 1.5%. Year-over-year, New Home Sales are 14.1% higher. Median prices are down 1.7% from April. The supply level fell to 5.2 months versus the 5.5-month level during April. The S&P Case Shiller report of home prices in the 20 metropolitan areas, reported a 0.2% increase in home values during April, and the Federal Housing Finance Agency (FHFA), the entity that analyzes all domestic home prices reported a rise of 0.1%. Housing Starts rose 5.0% in May after falling 0.7% in April and Permits fell 4.6% after rising 0.9% in April. Construction Spending rose 0.4% in May after rising 0.9% in April, yet there are shortages in construction workers and equipment. Home builders and realtors are noting that foot traffic through homes has dropped to the lowest levels since November 2017. Optimism for a strong summer season appears to be waning among these groups.



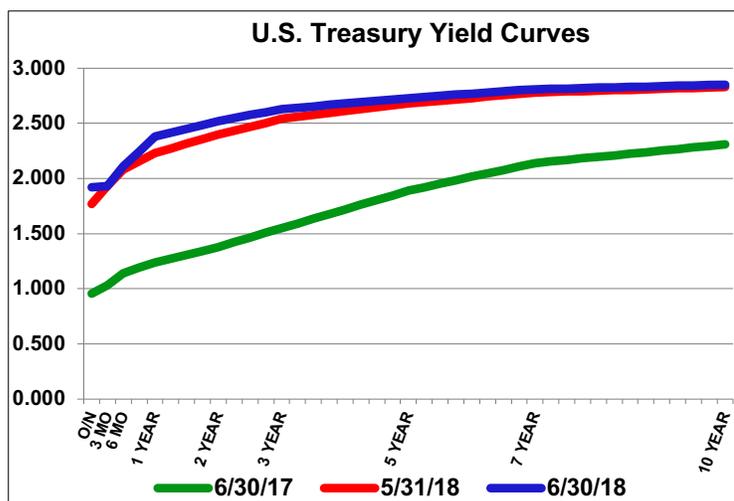
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The production and manufacturing sectors had mixed reports that were released during June. The final report for Gross Domestic Product (GDP) for the first quarter 2018 was +2.0%; softer than the final report of +2.9% for the fourth quarter of 2017. Business inventories increased 0.3% in April after falling 0.1% in March. Strong sales point to a need for businesses to replenish stock, which should increase future orders and production. Industrial Production fell 0.1% in May after a flat April. Auto production fell during the period due to a massive fire in a major Michigan auto parts manufacturer. Durable Goods Orders dropped 0.6% in May after falling 1.0% in April. Factory Orders rose 0.4% in May after falling 0.4% in April. 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 to modestly better during June. The Producer Price Index (PPI) rose 0.5% in May following an increase of 0.1% in April. The Consumer Price Index (CPI) rose 0.2% in May after rising the same amount in April. Year-over-year CPI is +2.8% as compared to the April result of +2.5%. 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 +2.2% higher than last year.

On the consumption front, Retail Sales posted a robust month at +0.8% in May after reporting an increase of 0.4% in April. Factoring out auto sales, the results were +0.9%. Consumers' attitudes as measured by the Consumer Confidence and Consumer Sentiment indices remained very positive during June, but a noted change is in their future outlook, which declined due to the threat of tariffs. Core Personal Consumption Expenditure Index (PCE), one of the inflation indicators that the FOMC pays close attention to, has reached the FOMC's target of 2.0% and reported in at +2.0 % in May.

The Federal Open March Committee (FOMC) met on June 12<sup>th</sup> and 13<sup>th</sup> and, as expected, voted to increase the Federal Funds Rate by 25 basis-points. This raises the Funds rate to a range of 1.75% to 2.00%. In the announcement, the FOMC cited a labor market that continues to strengthen, a pick-up in household spending and a rising price level. Chairman Jerome Powell stated that the economy is in "great shape". He also said that the FOMC is surprised that low unemployment has not led to higher wages. There was no mention in the release of the threat of tariffs or impacts of that action. In a surprise remark, Powell hinted that the FOMC might have two more Federal Funds Rate increases on their horizon during 2018. Up to this point, the markets were only anticipating one more before year end. Currently, the market is projecting a 67.2% probability of a rate increase in September and a 44.0% probability of a second increase in December. If both play out, that would bring the Federal Funds Rate to a range of 2.25% to 2.50% by year end.

Government Security Investment Pool rates rose during June, with month-end rates between 1.92% to 1.94%, compared to 1.76% to 1.78% in May. This increase is primarily due to the increase in the Federal Funds Rate in mid-June. After closing May at 2.23%, the 1-year Treasury closed higher in June at 2.33%. The 2-year Treasury closed June at 2.52%; twelve basis-points higher than May's 2.40% close. The current 2-year yield is 2.55% after release of the Employment Report. CD rates improved during June with the 2-year between 2.90% to 2.95% (5 basis-points higher than in May). The bank CD rates have been reflecting the anticipated increase in Federal Funds Rate in their offers during May, so a commensurate increase in CD rates following the announcement was already baked into their solicitation responses. Bank appetite for new deposits continues to improve with more banks offering rates during the solicitation process and also proposing attractive money market account rates for short-term positions. Laddering of maturities is still advised and is a good defense should tariffs begin to impact the market.



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