

## QUARTERLY INVESTMENT REPORT

For the Quarter Ended

March 31, 2020

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

Assistant Director of Finance

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>December 31, 2019</u>		<u>March 31, 2020</u>		
	<u>Book Value</u>	<u>Market Value</u>	<u>Book Value</u>	<u>Market Value</u>	<u>Ave. Yield</u>
DDA	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	0.00%
MMA/NOW	49,205,444	49,205,444	44,993,208	44,993,208	1.06%
Pools	19,658,423	19,658,423	17,442,060	17,442,060	1.47%
CDs/Securities	28,977,152	28,977,152	36,593,529	36,593,529	2.21%
<b>Totals</b>	<b>\$ 98,341,019</b>	<b>\$ 98,341,019</b>	<b>\$ 99,528,797</b>	<b>\$ 99,528,797</b>	<b>1.55%</b>

#### Average Yield - Current Quarter (1)

Total Portfolio	1.55%
Rolling Three Month Treasury	1.17%
Rolling Six Month Treasury	1.39%
TexPool	1.00%

#### Fiscal Year-to-Date Average Yield (2)

Total Portfolio	1.68%
Rolling Three Month Treasury	1.38%
Rolling Six Month Treasury	1.58%
TexPool	1.31%

#### Interest Earnings

Quarterly Interest Income	\$ 438,425	Approximate
Year-to-date Interest Income	\$ 869,541	Approximate

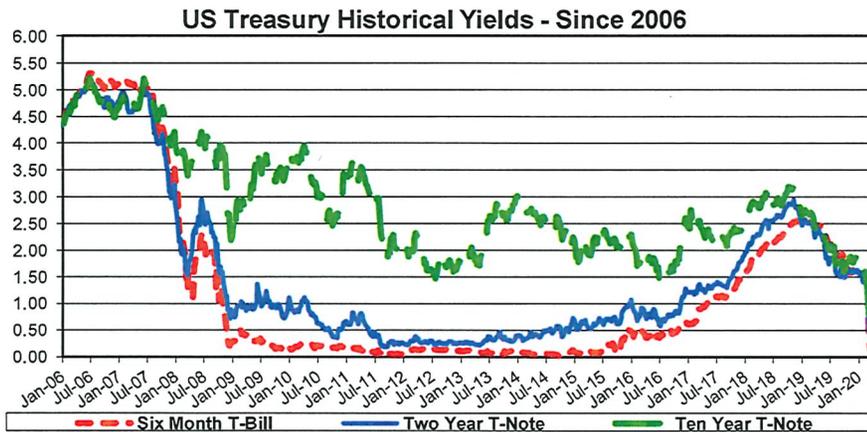
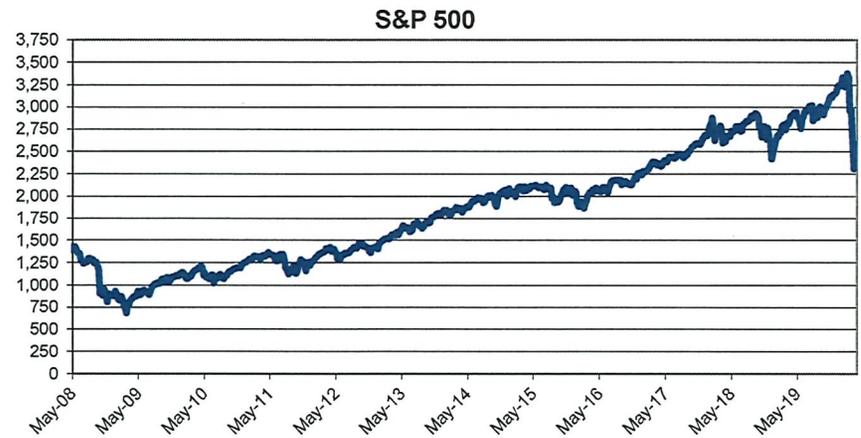
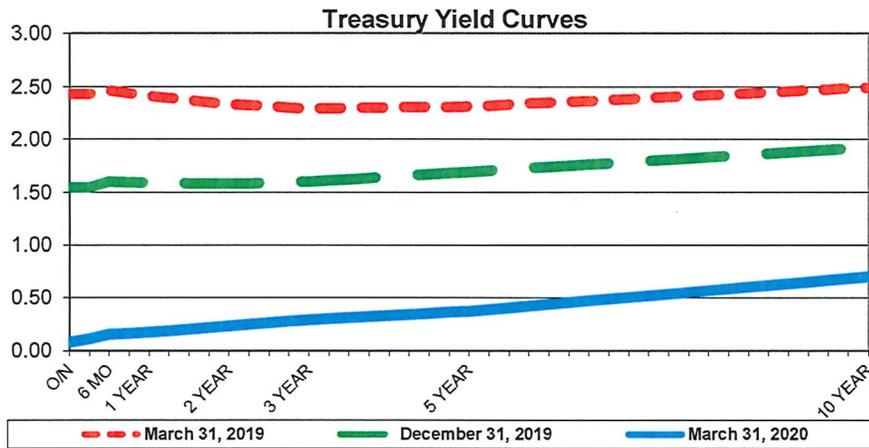
(1) **Average Yield - Current Quarter** - based on adjusted book value, realized and unrealized gains/losses and investment advisory fees are not considered. The yield for the reporting month is used for bank, pool, and money market balances.

(2) **Fiscal Year-to-Date 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.

Economic Overview

3/31/2020

Due to COVID-19 pandemic concerns, the Federal Open Market Committee (FOMC) dramatically reduced the Fed Funds target range to 0.00% to 0.25% (Effective Fed Funds are trading +/- 0.10%). Worldwide economic activity has collapsed because of Coronavirus "social isolation" and other related actions. The Yield Curve plummeted. Crude oil declined severely to less than \$25 per barrel. Unemployment claims leaped to over 10 million. The Stock Market "corrected" into a full bear market. U.S. monetary and fiscal programs are designed to stabilize and improve near term economic conditions. Time will tell how long the pandemic lasts and full recovery takes.



## Investment Holdings

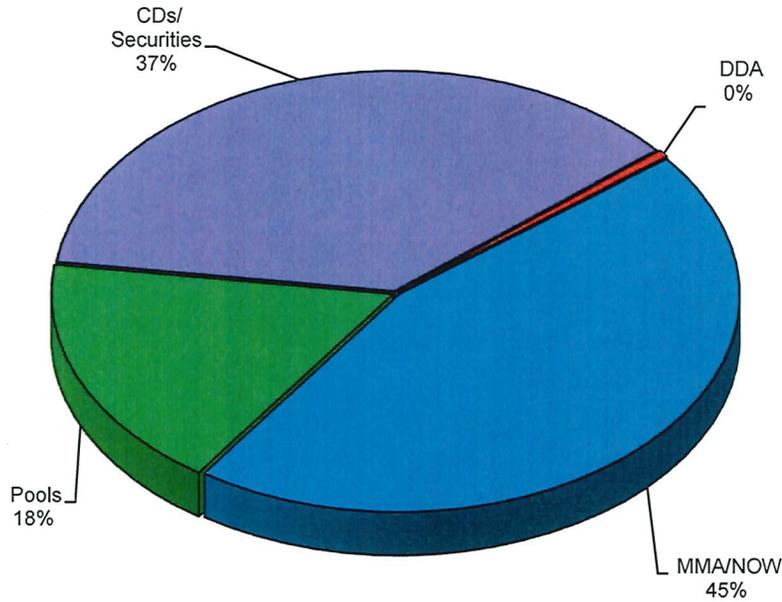
March 31, 2020

Description	Ratings	Coupon/ Discount	Maturity Date	Settlement Date	Par Value	Book Value	Market Price	Market Value	Life (days)	Yield
Wells Fargo DDA		0.00%	04/01/20	03/31/20	\$ 500,000	\$ 500,000	1	\$ 500,000	1	0.00%
Wells Fargo MMA		0.69%	04/01/20	03/31/20	16,356,743	16,356,743	1	16,356,743	1	0.69%
BTH Bank MMA		1.60%	04/01/20	03/31/20	245,331	245,331	1	245,331	1	1.60%
BTH Bank ICS		1.68%	04/01/20	03/31/20	4,872,852	4,872,852	1	4,872,852	1	1.68%
Southside Bank MMA		1.30%	04/01/20	03/31/20	4,713,105	4,713,105	1	4,713,105	1	1.30%
NexBank MMA		0.90%	04/01/20	03/31/20	31,124	31,124	1	31,124	1	0.90%
NexBank MMA/ICS		1.01%	04/01/20	03/31/20	13,091,329	13,091,329	1	13,091,329	1	1.01%
Veritex Community Bank MMA		1.49%	04/01/20	03/31/20	5,682,724	5,682,724	1	5,682,724	1	1.49%
Texas CLASS	AAAm	1.47%	04/01/20	03/31/20	17,373,551	17,373,551	1	17,373,551	1	1.47%
TexPool	AAAm	1.00%	04/01/20	03/31/20	68,509	68,509	1	68,509	1	1.00%
LegacyTexas Bank CD		2.86%	05/15/20	08/15/18	1,046,275	1,046,275	100.00	1,046,275	45	2.90%
LegacyTexas Bank CD		2.95%	06/05/20	12/05/18	2,334,365	2,334,365	100.00	2,334,365	66	2.99%
East West Bank CD		1.72%	06/17/20	12/17/19	4,020,030	4,020,030	100.00	4,020,030	78	1.73%
LegacyTexas Bank CD		2.92%	06/22/20	06/22/18	1,262,860	1,262,860	100.00	1,262,860	83	2.96%
Allegiance Bank CD		2.25%	06/26/20	06/26/19	1,016,986	1,016,986	100.00	1,016,986	87	2.27%
LegacyTexas Bank CD		2.95%	08/14/20	08/15/18	2,095,527	2,095,527	100.00	2,095,527	136	2.99%
Southside Bank CD		1.67%	08/21/20	02/21/20	3,500,000	3,500,000	100.00	3,500,000	143	1.68%
Texas Security Bank CD		3.10%	09/25/20	09/25/18	2,500,000	2,500,000	100.00	2,500,000	178	3.10%
Southside Bank CD		1.66%	11/20/20	02/21/20	2,650,000	2,650,000	100.00	2,650,000	234	1.67%
LegacyTexas Bank CD		3.05%	12/04/20	12/05/18	2,077,578	2,077,578	100.00	2,077,578	248	3.09%
American Nat'l Bank of TX CD		1.80%	12/18/20	12/18/19	4,017,951	4,017,951	100.00	4,017,951	262	1.81%
American Nat'l Bank of TX CD		1.69%	02/24/21	02/24/20	3,500,000	3,500,000	100.00	3,500,000	330	1.70%
Allegiance Bank CD		2.84%	02/28/21	02/28/19	2,571,958	2,571,958	100.00	2,571,958	334	2.87%
American Nat'l Bank of TX CD		1.65%	08/24/21	02/24/20	3,000,000	3,000,000	100.00	3,000,000	511	1.66%
American Nat'l Bank of TX CD		1.65%	02/24/22	02/24/20	1,000,000	1,000,000	100.00	1,000,000	695	1.66%
<b>\$ 99,528,797</b>						<b>\$ 99,528,797</b>		<b>\$ 99,528,797</b>	<b>85</b>	<b>1.55%</b>
									(1)	(2)

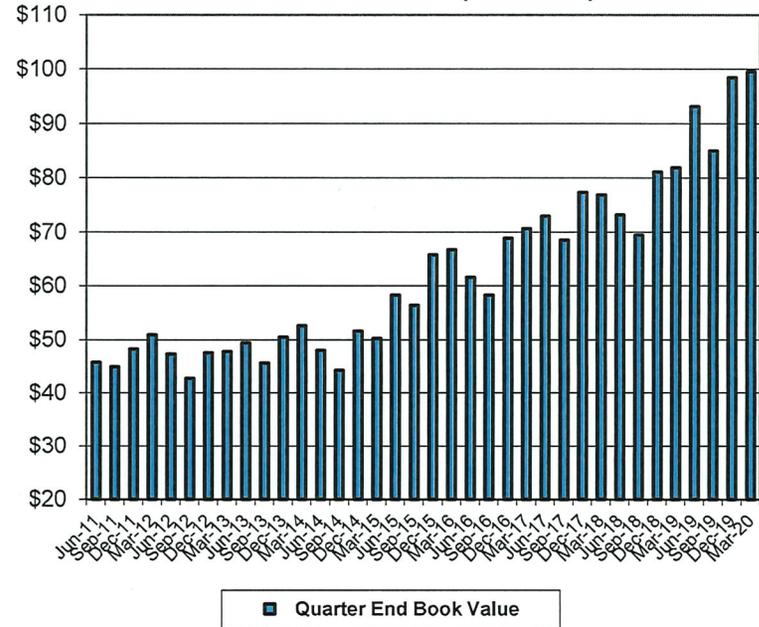
(1) **Weighted average life** - For purposes of calculating weighted average life, bank accounts, pools and money market funds are assumed to have an one day maturity.

(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.

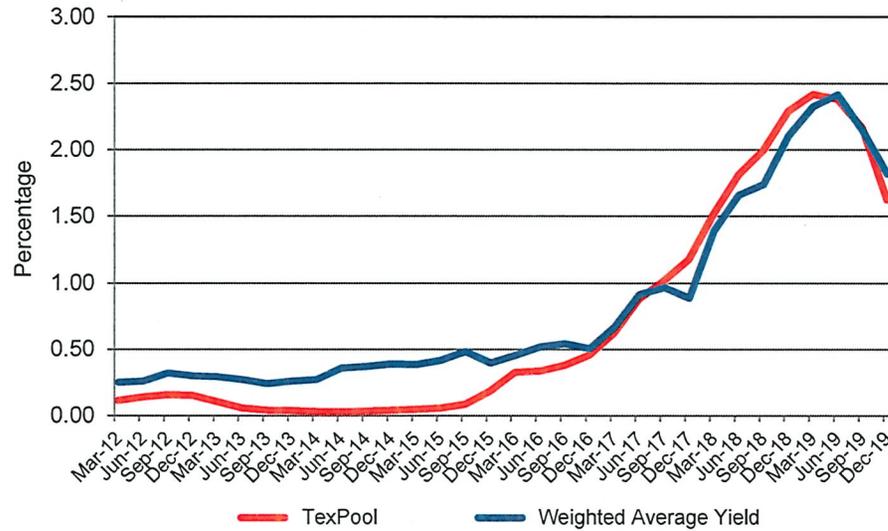
**Portfolio Composition**



**Total Portfolio (Millions)**



**Total Portfolio Performance**



## Book Value Comparison

Description	Coupon/ Discount	Maturity Date	December 31, 2019		Purchases/ Adjustments	Sales/Adjust/ Call/Maturity	March 31, 2020	
			Par Value	Book Value			Par Value	Book Value
Wells Fargo DDA	0.00%	04/01/20	\$ 500,000	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ 500,000
Wells Fargo MMA	0.69%	04/01/20	30,379,294	30,379,294	-	(14,022,551)	16,356,743	16,356,743
BTH Bank MMA	1.60%	04/01/20	245,347	245,347	-	(16)	245,331	245,331
BTH Bank ICS	1.68%	04/01/20	851,672	851,672	4,021,181	-	4,872,852	4,872,852
Southside Bank MMA	1.30%	04/01/20	3,193,896	3,193,896	1,519,209	-	4,713,105	4,713,105
NexBank MMA	0.90%	04/01/20	31,007	31,007	117	-	31,124	31,124
NexBank MMA/ICS	1.01%	04/01/20	8,844,478	8,844,478	4,246,851	-	13,091,329	13,091,329
Veritex Community Bank MMA	1.49%	04/01/20	5,659,750	5,659,750	22,974	-	5,682,724	5,682,724
Texas CLASS	1.47%	04/01/20	19,543,813	19,543,813	-	(2,170,262)	17,373,551	17,373,551
TexPool	1.00%	04/01/20	114,610	114,610	-	(46,101)	68,509	68,509
BTH Bank CD	2.77%	02/15/20	2,075,212	2,075,212	-	(2,075,212)	-	-
Southside Bank CD	2.68%	02/26/20	2,295,403	2,295,403	-	(2,295,403)	-	-
Landmark Bank CD	2.89%	03/24/20	1,036,630	1,036,630	-	(1,036,630)	-	-
Allegiance Bank CD	2.25%	03/26/20	750,000	750,000	-	(750,000)	-	-
LegacyTexas Bank CD	2.86%	05/15/20	1,038,850	1,038,850	7,425	-	1,046,275	1,046,275
LegacyTexas Bank CD	2.95%	06/05/20	2,317,280	2,317,280	17,085	-	2,334,365	2,334,365
East West Bank CD	1.72%	06/17/20	4,002,828	4,002,828	17,201	-	4,020,030	4,020,030
LegacyTexas Bank CD	2.92%	06/22/20	1,253,711	1,253,711	9,149	-	1,262,860	1,262,860
Allegiance Bank CD	2.25%	06/26/20	1,011,313	1,011,313	5,673	-	1,016,986	1,016,986
LegacyTexas Bank CD	2.95%	08/14/20	2,080,190	2,080,190	15,337	-	2,095,527	2,095,527
Southside Bank CD	1.67%	08/21/20	-	-	3,500,000	-	3,500,000	3,500,000
Texas Security Bank CD	3.10%	09/25/20	2,500,000	2,500,000	-	-	2,500,000	2,500,000
Southside Bank CD	1.66%	11/20/20	-	-	2,650,000	-	2,650,000	2,650,000
LegacyTexas Bank CD	3.05%	12/04/20	2,061,860	2,061,860	15,718	-	2,077,578	2,077,578
American Nat'l Bank of TX CD	1.80%	12/18/20	4,000,000	4,000,000	17,951	-	4,017,951	4,017,951
American Nat'l Bank of TX CD	1.69%	02/24/21	-	-	3,500,000	-	3,500,000	3,500,000
Allegiance Bank CD	2.84%	02/28/21	2,553,876	2,553,876	18,083	-	2,571,958	2,571,958
American Nat'l Bank of TX CD	1.65%	08/24/21	-	-	3,000,000	-	3,000,000	3,000,000
American Nat'l Bank of TX CD	1.65%	02/24/22	-	-	1,000,000	-	1,000,000	1,000,000
<b>TOTAL</b>			<b>\$ 98,341,019</b>	<b>98,341,019</b>	<b>23,583,953</b>	<b>(22,396,175)</b>	<b>99,528,797</b>	<b>99,528,797</b>

## Market Value Comparison

Description	Coupon/ Discount	Maturity Date	December 31, 2019		Qtr to Qtr Change	March 31, 2020	
			Par Value	Market Value		Par Value	Market Value
Wells Fargo DDA	0.00%	04/01/20	\$ 500,000	\$ 500,000	\$ —	\$ 500,000	\$ 500,000
Wells Fargo MMA	0.69%	04/01/20	30,379,294	30,379,294	(14,022,551)	16,356,743	16,356,743
BTH Bank MMA	1.60%	04/01/20	245,347	245,347	(16)	245,331	245,331
BTH Bank ICS	1.68%	04/01/20	851,672	851,672	4,021,181	4,872,852	4,872,852
Southside Bank MMA	1.30%	04/01/20	3,193,896	3,193,896	1,519,209	4,713,105	4,713,105
NexBank MMA	0.90%	04/01/20	31,007	31,007	117	31,124	31,124
NexBank MMA/ICS	1.01%	04/01/20	8,844,478	8,844,478	4,246,851	13,091,329	13,091,329
Veritex Community Bank MMA	1.49%	04/01/20	5,659,750	5,659,750	22,974	5,682,724	5,682,724
Texas CLASS	1.47%	04/01/20	19,543,813	19,543,813	(2,170,262)	17,373,551	17,373,551
TexPool	1.00%	04/01/20	114,610	114,610	(46,101)	68,509	68,509
BTH Bank CD	2.77%	02/15/20	2,075,212	2,075,212	(2,075,212)	—	—
Southside Bank CD	2.68%	02/26/20	2,295,403	2,295,403	(2,295,403)	—	—
Landmark Bank CD	2.89%	03/24/20	1,036,630	1,036,630	(1,036,630)	—	—
Allegiance Bank CD	2.25%	03/26/20	750,000	750,000	(750,000)	—	—
LegacyTexas Bank CD	2.86%	05/15/20	1,038,850	1,038,850	7,425	1,046,275	1,046,275
LegacyTexas Bank CD	2.95%	06/05/20	2,317,280	2,317,280	17,085	2,334,365	2,334,365
East West Bank CD	1.72%	06/17/20	4,002,828	4,002,828	17,201	4,020,030	4,020,030
LegacyTexas Bank CD	2.92%	06/22/20	1,253,711	1,253,711	9,149	1,262,860	1,262,860
Allegiance Bank CD	2.25%	06/26/20	1,011,313	1,011,313	5,673	1,016,986	1,016,986
LegacyTexas Bank CD	2.95%	08/14/20	2,080,190	2,080,190	15,337	2,095,527	2,095,527
Southside Bank CD	1.67%	08/21/20	—	—	3,500,000	3,500,000	3,500,000
Texas Security Bank CD	3.10%	09/25/20	2,500,000	2,500,000	—	2,500,000	2,500,000
Southside Bank CD	1.66%	11/20/20	—	—	2,650,000	2,650,000	2,650,000
LegacyTexas Bank CD	3.05%	12/04/20	2,061,860	2,061,860	15,718	2,077,578	2,077,578
American Nat'l Bank of TX CD	1.80%	12/18/20	4,000,000	4,000,000	17,951	4,017,951	4,017,951
American Nat'l Bank of TX CD	1.69%	02/24/21	—	—	3,500,000	3,500,000	3,500,000
Allegiance Bank CD	2.84%	02/28/21	2,553,876	2,553,876	18,083	2,571,958	2,571,958
American Nat'l Bank of TX CD	1.65%	08/24/21	—	—	3,000,000	3,000,000	3,000,000
American Nat'l Bank of TX CD	1.65%	02/24/22	—	—	1,000,000	1,000,000	1,000,000
<b>TOTAL</b>			<b>\$ 98,341,019</b>	<b>\$ 98,341,019</b>	<b>\$ 1,187,778</b>	<b>\$ 99,528,797</b>	<b>\$ 99,528,797</b>

**Fund Allocation - Book & Market Value**  
**March 31, 2020**

	<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		16,356,743	16,356,743	-	-	-
BTH Bank MMA		245,331	245,331	-	-	-
BTH Bank ICS		4,872,852	4,872,852	-	-	-
Southside Bank MMA		4,713,105	4,161,768	551,338	-	-
NexBank MMA		31,124	31,124	-	-	-
NexBank MMA/ICS		13,091,329	13,091,329	-	-	-
Veritex Community Bank MMA		5,682,724	5,682,724	-	-	-
Texas CLASS		17,373,551	95,996	17,277,554	-	-
TexPool		68,509	23,544	8,503	13,846	22,616
LegacyTexas Bank CD	05/15/20	1,046,275	1,046,275	-	-	-
LegacyTexas Bank CD	06/05/20	2,334,365	2,334,365	-	-	-
East West Bank CD	06/17/20	4,020,030	4,020,030	-	-	-
LegacyTexas Bank CD	06/22/20	1,262,860	1,262,860	-	-	-
Allegiance Bank CD	06/26/20	1,016,986	1,016,986	-	-	-
LegacyTexas Bank CD	08/14/20	2,095,527	2,095,527	-	-	-
Southside Bank CD	08/21/20	3,500,000	3,500,000	-	-	-
Texas Security Bank CD	09/25/20	2,500,000	2,500,000	-	-	-
Southside Bank CD	11/20/20	2,650,000	2,650,000	-	-	-
LegacyTexas Bank CD	12/04/20	2,077,578	2,077,578	-	-	-
American Nat'l Bank of TX CD	12/18/20	4,017,951	4,017,951	-	-	-
American Nat'l Bank of TX CD	02/24/21	3,500,000	3,500,000	-	-	-
Allegiance Bank CD	02/28/21	2,571,958	2,571,958	-	-	-
American Nat'l Bank of TX CD	08/24/21	3,000,000	3,000,000	-	-	-
American Nat'l Bank of TX CD	02/24/22	1,000,000	1,000,000	-	-	-
<b>Total</b>		<b>\$ 99,528,797</b>	<b>\$ 81,654,940</b>	<b>\$ 17,837,395</b>	<b>\$ 13,846</b>	<b>\$ 22,616</b>

**Fund Allocation - Book & Market Value**  
**December 31, 2019**

	Maturity	Total	Concentration Fund	Capital Projects	Health Facilities Corporation	Industrial Development Authority
Wells Fargo DDA		\$ 500,000	\$ 500,000	\$ -	\$ -	\$ -
Wells Fargo MMA		30,379,294	30,379,294	-	-	-
BTH Bank MMA		245,347	245,347	-	-	-
BTH Bank ICS		851,672	851,672	-	-	-
Southside Bank MMA		3,193,896	2,644,691	549,205	-	-
NexBank MMA		31,007	31,007	-	-	-
NexBank MMA/ICS		8,844,478	8,844,478	-	-	-
Veritex Community Bank MMA		5,659,750	5,659,750	-	-	-
Texas CLASS		19,543,813	199,160	19,344,652	-	-
TexPool		114,610	69,800	8,474	13,798	22,537
BTH Bank CD	02/15/20	2,075,212	2,075,212	-	-	-
Southside Bank CD	02/26/20	2,295,403	2,295,403	-	-	-
Landmark Bank CD	03/24/20	1,036,630	1,036,630	-	-	-
Allegiance Bank CD	03/24/20	750,000	750,000	-	-	-
LegacyTexas Bank CD	05/15/20	1,038,850	1,038,850	-	-	-
LegacyTexas Bank CD	06/05/20	2,317,280	2,317,280	-	-	-
East West Bank CD	06/17/20	4,002,828	4,002,828	-	-	-
LegacyTexas Bank CD	06/22/20	1,253,711	1,253,711	-	-	-
Allegiance Bank CD	06/22/20	1,011,313	1,011,313	-	-	-
LegacyTexas Bank CD	08/14/20	2,080,190	2,080,190	-	-	-
Texas Security Bank CD	09/25/20	2,500,000	2,500,000	-	-	-
LegacyTexas Bank CD	12/04/20	2,061,860	2,061,860	-	-	-
American Nat'l Bank of TX CD	12/18/20	4,000,000	4,000,000	-	-	-
Allegiance Bank CD	02/28/21	2,553,876	2,553,876	-	-	-
<b>Total</b>		<b>\$ 98,341,019</b>	<b>\$ 78,402,351</b>	<b>\$ 19,902,332</b>	<b>\$ 13,798</b>	<b>\$ 22,537</b>

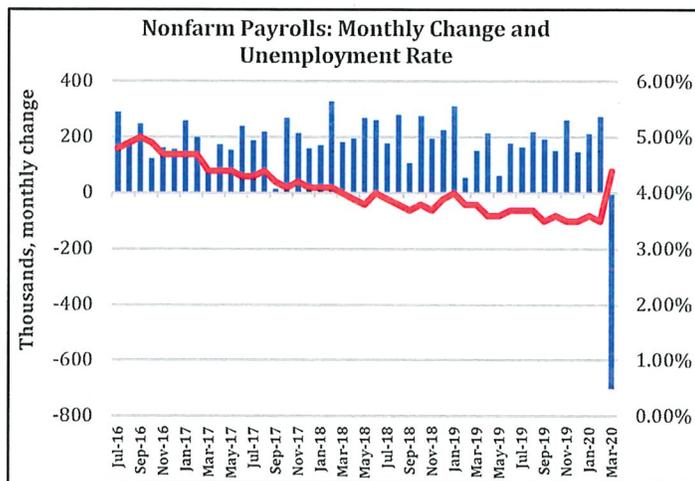


## Market Outlook

April 3, 2020

The reports issued during the month of March were like a tale of two worlds. Many of the reports reflected periods just before the seismic shift caused by COVID-19 and others reflected the environment that exists after we have stepped into a new landscape. Never before has our modern economy been tested to the extent that it is currently, and we are yet to understand the lasting impacts that this will have and how long we must wait for things to return to some measure of normalcy. Not only has the market been impacted by a near complete shutdown of business activities by COVID-19, but a second threat was thrust into the mix when Russia and Saudi Arabia initiated an oil price war (raising target output to a record high for April and causing a market glut and plummeting oil prices). In the last couple of days, the U.S. has negotiated with the Russian and Saudi Arabian leaders to reduce the targets and somewhat relieve the decline in oil prices. With the massive business shutdown caused by a near nationwide "shelter-in-place" directive, millions of workers are idled and are applying for unemployment benefits.

The March Employment report showed a loss of 701,000 jobs (the market was expecting minus 100,000). This was the first month of net declines in 113 months. The report also reduced the previous two months by a net of 57,000 jobs. February was revised to +275,000 jobs from the previously reported +273,000 and January was revised to +214,000 from the previous report of +273,000 jobs. The three-month average came in at minus 71,000 per month (the previous three-month average was +243,000 per month). Almost all sectors had significant losses: Health Care (-61,000), Professional/Business (-52,000),



Leisure/Hospitality (-459,000), Retail (-46,000), Transportation (-5,000) and Construction (-18,000). Government added 12,000 jobs. The private sector lost 713,000 jobs compared with +242,000 jobs in February. The current Labor Participation Rate, a measure of the percentage of eligible workers that hold jobs, dropped to 62.7% from 63.4% in February. The Unemployment Rate rose to 4.4% from February's 3.5%. This is the largest monthly increase in the Unemployment Rate since January 1975. 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 8.7% from the previous 7.0% in February. Average Hourly Earnings (AHE) rose 0.4% in March after a rise of 0.3% in February. Year-over-year AHE rose to 3.1% from February's 3.0%, currently above the 3.0% level where inflationary forces generally begin to increase, but likely to fall in the next report. Some notable observations in the Employment results are that many sectors cut off their reports at mid-month and may not show the full impact of March events. Also, many employees are reported as employed, but absent and do not get counted in the Employment reports. With over 10 million first-time unemployment claims being filed over the past couple of weeks, we should expect even more job losses reported into the near future.

The Housing Sector was mixed during the reporting period, but all were for periods before COVID-19. Existing Home Sales rose 6.5% in February after falling 2.0% in January. This was the highest monthly number of home sales in 13 years. The median home price for Existing Homes is up 8.0% from February 2019. New Home Sales had a disappointing report with a decline of 4.4% in February after rising 2.3% in January. The median price is 14.3% higher than February 2019. The S&P Case Shiller report of home prices in the 20 metropolitan areas, reported a 0.3% increase in home values during January, and the Federal Housing Finance Agency (FHFA), the entity that analyzes all domestic home prices, reported a rise of 0.3%. Housing Starts fell 1.5% in January while Permits declined 5.5%. Construction Spending fell 1.3%

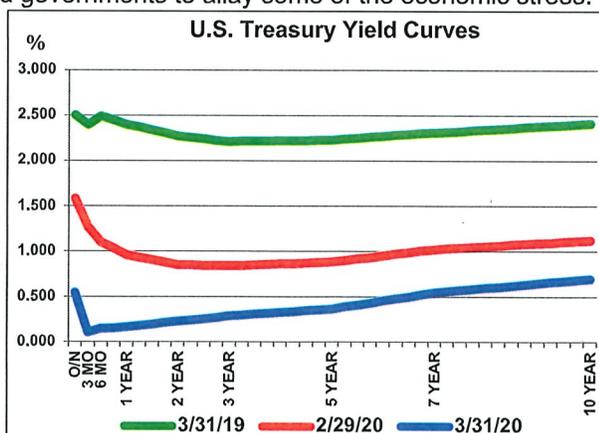
in February after rising 2.8% in January. The upcoming reports during April will likely paint a different image in the Housing Sector.

The production and manufacturing sectors were mixed depending on the time period covered. The final report for Gross Domestic Product (GDP) for the fourth quarter 2020 remained at 2.1% as was the third quarter's result. Business inventories fell 0.1% in January after a flat December. Industrial Production rose 0.6% in February after falling 0.5% in January. Durable Goods Orders rose 1.2% in February after rising 0.1% in January. Factory Orders were flat in February after falling 0.5% in January. The Producer Price Index (PPI) fell 0.6% in February after rising 0.5% in January. It is up 1.3% year-over-year which is lower than the 2.1% level in January. The Consumer Price Index (CPI) rose 0.1% in February after rising 0.1% in January. Year-over-year CPI fell to +2.3% from +2.5% in January. Core CPI year-over-year, or the results after food and energy numbers are excluded (due to price volatility), rose to 2.4% from January's 2.3%. The reports from Purchasing Managers paint a different perspective as they reflect March outlooks. Both the reporting groups, the Purchasing Managers Index and the Institute of Supply Management, reported results below the level of 50 which is the break point between positive outlook and negative outlook (PMI Manufacturing at 48.5, ISM Manufacturing at 49.1 and PMI Services at 39.8). The only exception was from the ISM for the service sector that came out at 52.5.

On the consumption front, Retail Sales posted a decline of 0.5% in February after posting a rise of 0.6% in January. The results were the largest decline since December 2018 and also falls before COVID-19. Year-over-year, the February result was +4.3% compared to the January result of 5.0%. Consumers' attitudes as measured by the Consumer Confidence and Consumer Sentiment indices dropped significantly in March. Core Personal Consumption Expenditure Index (PCE), one of the inflation indicators that the Federal Open Market Committee (FOMC) pays close attention to, rose to 1.8% in March from February's 1.7% and is below the FOMC's target rate of 2.0%.

The Federal Open Market Committee (FOMC) took another emergency action on Sunday, March 15 to lower the Fed Funds Rate range an additional 100 basis-points. This was their second emergency action in less than two weeks and reduced the February Fed Funds Rate Range of 1.50% to 1.75% to a new range of 0% to 0.25%. This was a dramatic move meant to provide relief to the markets. In addition, the FOMC has instituted the use of other tools to inject liquidity into the system to help alleviate some of the market stress. They announced that they are buying highly rated, short-term corporate commercial paper, buying Treasury/Agency securities from banks/brokers and have reinstated the over-night Federal Repurchase Agreement Program. These initiatives will pump liquidity into the system, much as they did during the downturn of 2008. Congress has also passed the largest stimulus package in history to provide \$2 trillion in assistance to workers, corporations and governments to allay some of the economic stress.

Government Security Investment Pool rates dropped in March, starting the month at a rate of 1.58% and ranging between 1.58% and 0.55% during the month with month-end rates at +/- 0.55%. The Treasury yield curve consistently fell over the month. After closing February at 0.97%, the 1-year Treasury closed lower in March at 0.17%. The 2-year Treasury closed March at 0.23%; 63 basis-points lower than February's 0.86% close. The current 2-year yield is 0.23%. CD rates were also lower in March with the 2-year averaging +/-0.74% at month end. The 1-year CD rate at month end was +/-0.73%. At the beginning of the month, there were fewer banks venturing into our solicitation requests as they lacked clarity about how the FOMC and Congress would react and whether liquidity would be an on-going issue. Now that there is more clarity, we are seeing more banks come to the table and rates appear to be attractive when considering how rates in general have fallen.



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