



City of Huntington Beach

City Treasurer's Monthly Report

August 2016

<u>Investment Type</u>	<u>Market Value</u>	<u>Book Value</u>	<u>% of Portfolio</u>	<u>YTM 365-day</u>	<u>Policy Limit</u>
Federal Agency Issues	142,251,656	142,436,539	65%	1.32%	None
Local Agency Investment Fund (LAIF)	38,462,282	38,462,282	18%	0.61%	\$65 million
Corporate Bonds	<u>37,753,995</u>	<u>37,616,986</u>	17%	1.37%	30%
Total Portfolio	218,467,933	218,515,807	100%	1.20%	

Investment Summary:

As of August 31, 2016 the market value of the City's investment portfolio was approximately \$218.5 million, with a book value of \$218.5 million. The portfolio is invested in only those investments allowable by state regulations and the City's investment policy. Such investments are purchased to meet the portfolio objectives of preservation of principal, maintenance of sufficient operating liquidity, and to attain a market rate of return throughout budgetary and economic cycles, in that order of absolute priority.

Bond and Equity Markets: The 10-year Treasury yield increased from 1.46% at the end of July to 1.57% at the end of August for a 7.53% increase month over month. The S&P 500 and the DJIA decreased slightly at -0.12% and -0.17% respectively for the same time period. While the equity markets remained relatively flat for the month, the bond markets picked up quite a bit offering higher yields as compared to July.

Earnings: The City had earnings of \$203,488 for the month of August with fiscal year-to-date earnings of \$2,104,332. This compares favorably to monthly earnings of \$184,822 in August of 2015, and fiscal year-to-date earnings of \$1,808,865 through 8/31/15.

Market Summary	Federal Funds Rate	10-Year Treasury	S&P 500	DOW
June 30, 2016	0.25 - 0.50 %	1.49%	2,098.86	17,929.99
July 31, 2016	0.25 - 0.50 %	1.46%	2,173.60	18,432.24
August 31, 2016	0.25 - 0.50 %	1.57%	2,170.95	18,400.88
July - August % Change	0	7.53%	-0.12%	-0.17%

Economic Outlook:

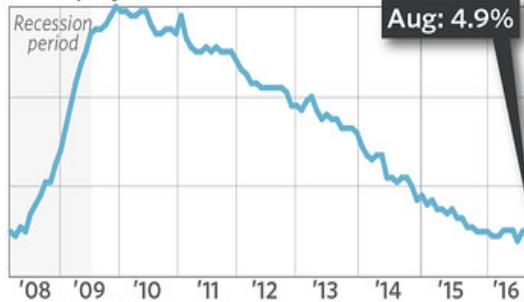
According to the Bureau of Labor Statistics, the U.S. unemployment rate in August remained unchanged from last month at 4.9%. The labor participation rate also remained unchanged at 62.8%. The United States created 151,000 new jobs in August. Education and health services led the way by adding 39,000 jobs, followed by leisure and hospitality with 29,000 jobs, along with government closely following with the addition of 25,000 new jobs. Every major industry sector added jobs with the exception of energy, manufacturing, and construction. Employment in mining continued to trend down in August. Since reaching a peak in September 2014, employment in mining has declined by 223,000 according to the Labor Department.

The change in total nonfarm payroll employment for the past two months was revised from +292,000 to +271,000 in June, and +255,000 to +275,000 in July. Overall, job gains for the past 3 months have averaged 232,000 per month.

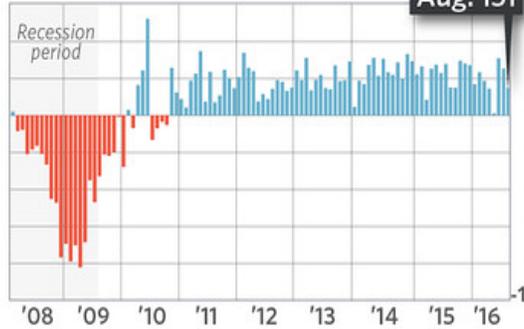
The Federal Open Market Committee (FOMC) will meet in September to discuss the current state of the economy and to examine potential future interest rate hikes this year. The federal funds rate at the end of August remained unchanged at $\frac{1}{4}$ to $\frac{1}{2}$ percent. The Personal Consumption Expenditures (the Fed's preferred measure of inflation) was up 1.6% in the last 12 months and is currently below the Fed's target rate of 2.0 percent. The Committee stated, "In light of the current shortfall of inflation from 2 percent, the Committee will carefully monitor actual and expected progress toward its inflation goal".

At a glance: the August jobs report

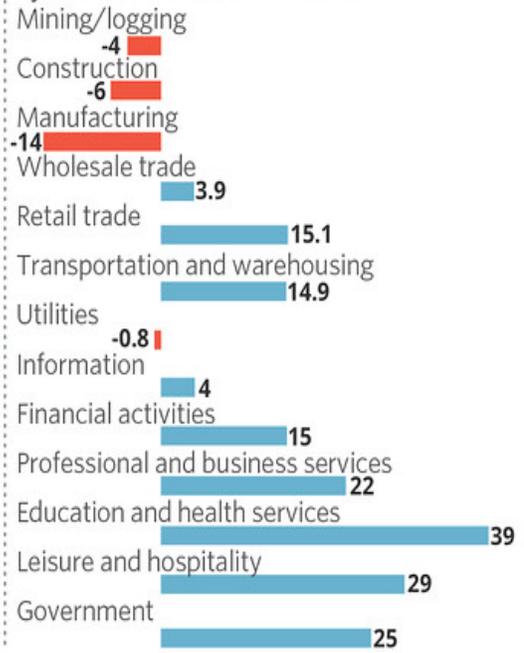
Unemployment rate



Monthly jobs growth *In thousands*



By selected industries *In thousands*



Source: Bureau of Labor Statistics