

Waco City Council

Economic Review

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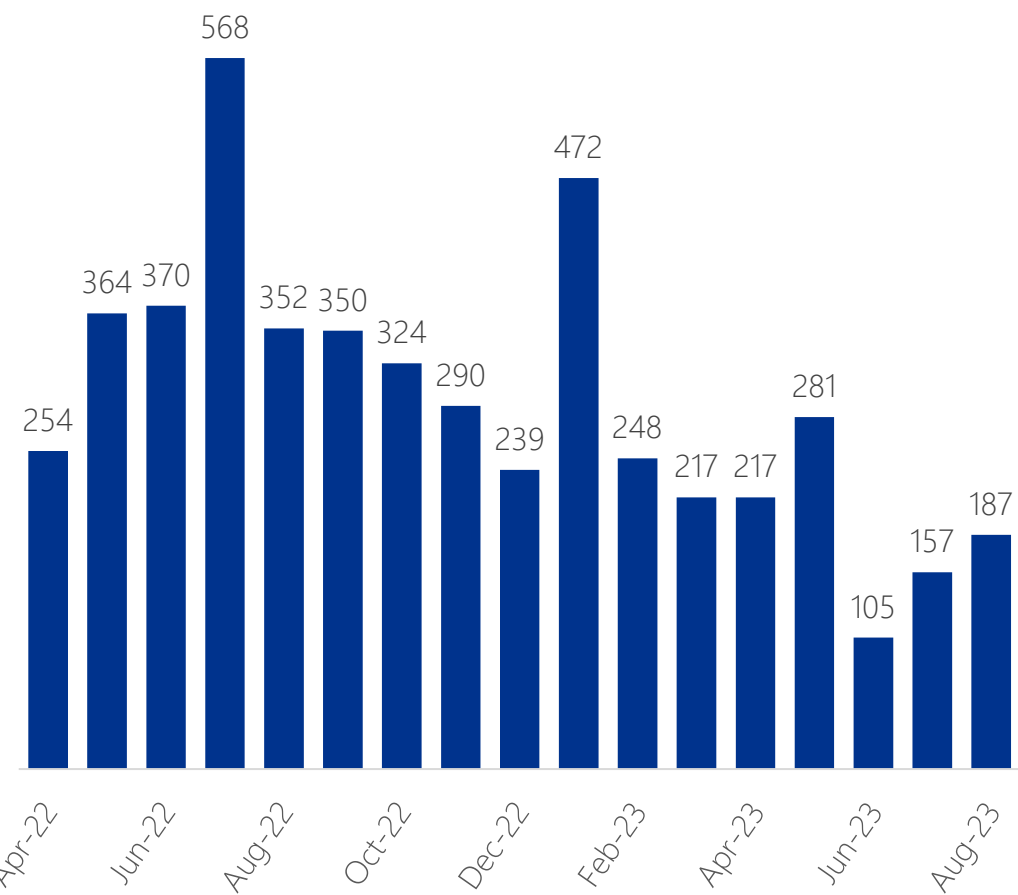
September 12, 2023



- The labor market is showing signs of slowing but remains resilient, pressuring wages
- The inflation rate has fallen significantly but is expected to climb (again) in August
- The banking system is stable ...for now
- U.S. recession concerns wane as fabled soft-landing theme takes hold, but...
- Recession begins in the Eurozone, and the Chinese economy struggles
- U.S. government shutdown is possible on Oct 1
- The Fed *may or may not be* done hiking rates

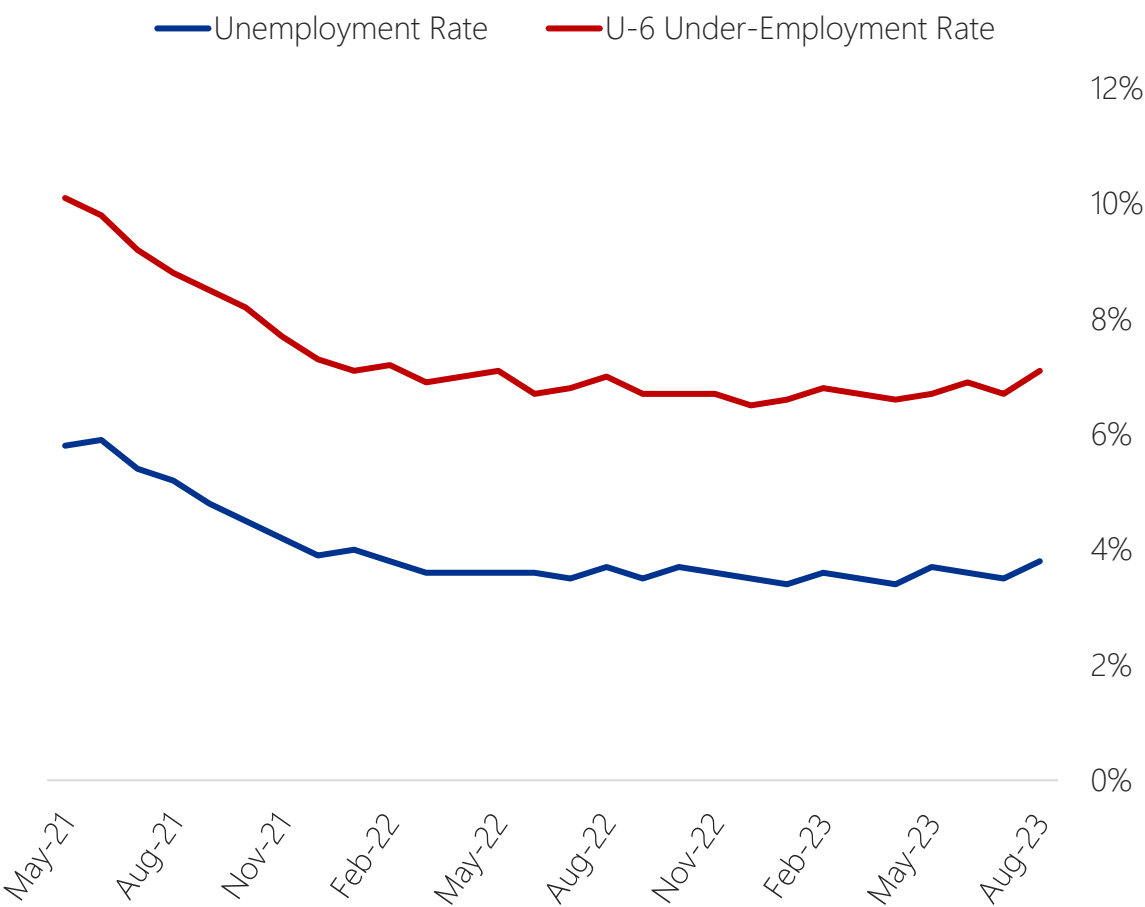


Non-Farm Payrolls Total Change (in thousands)



Source: Bureau of Labor Statistics

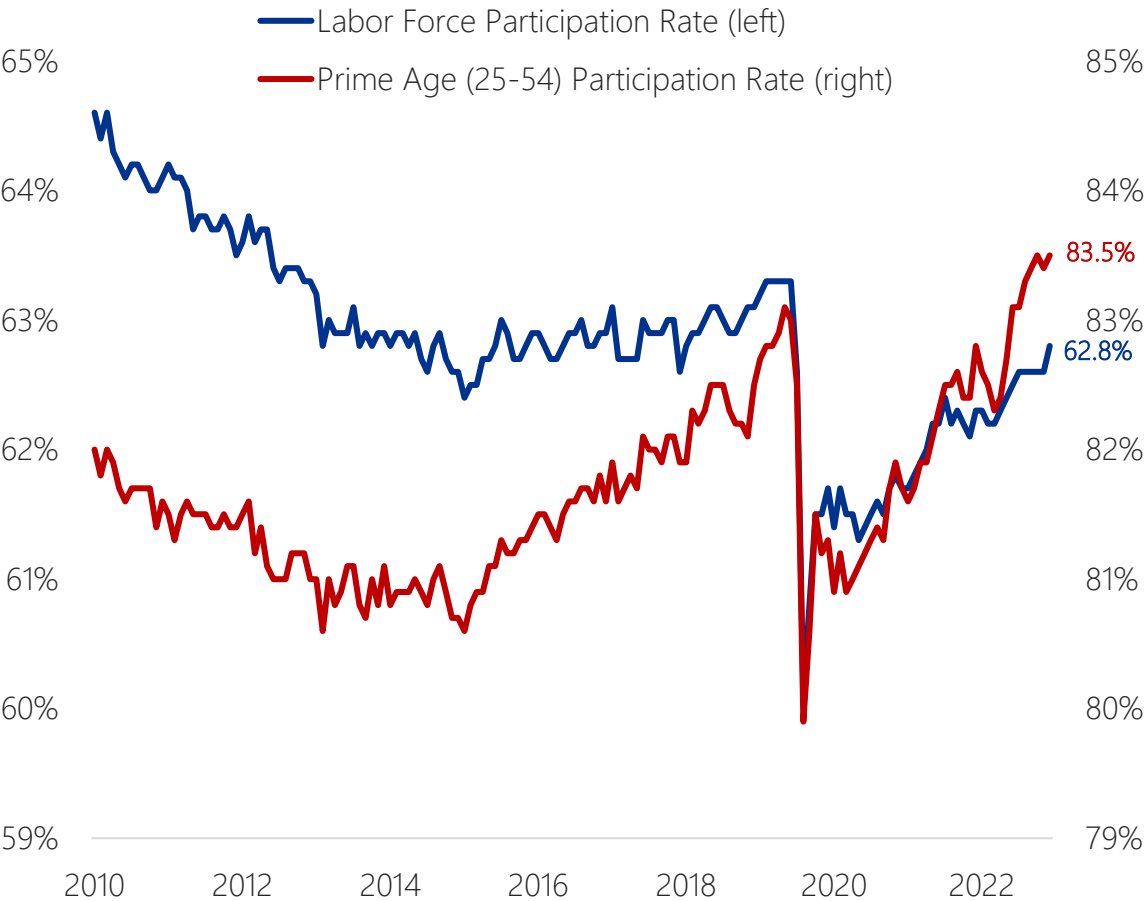
Unemployment Rate



Source: Bureau of Labor Statistics

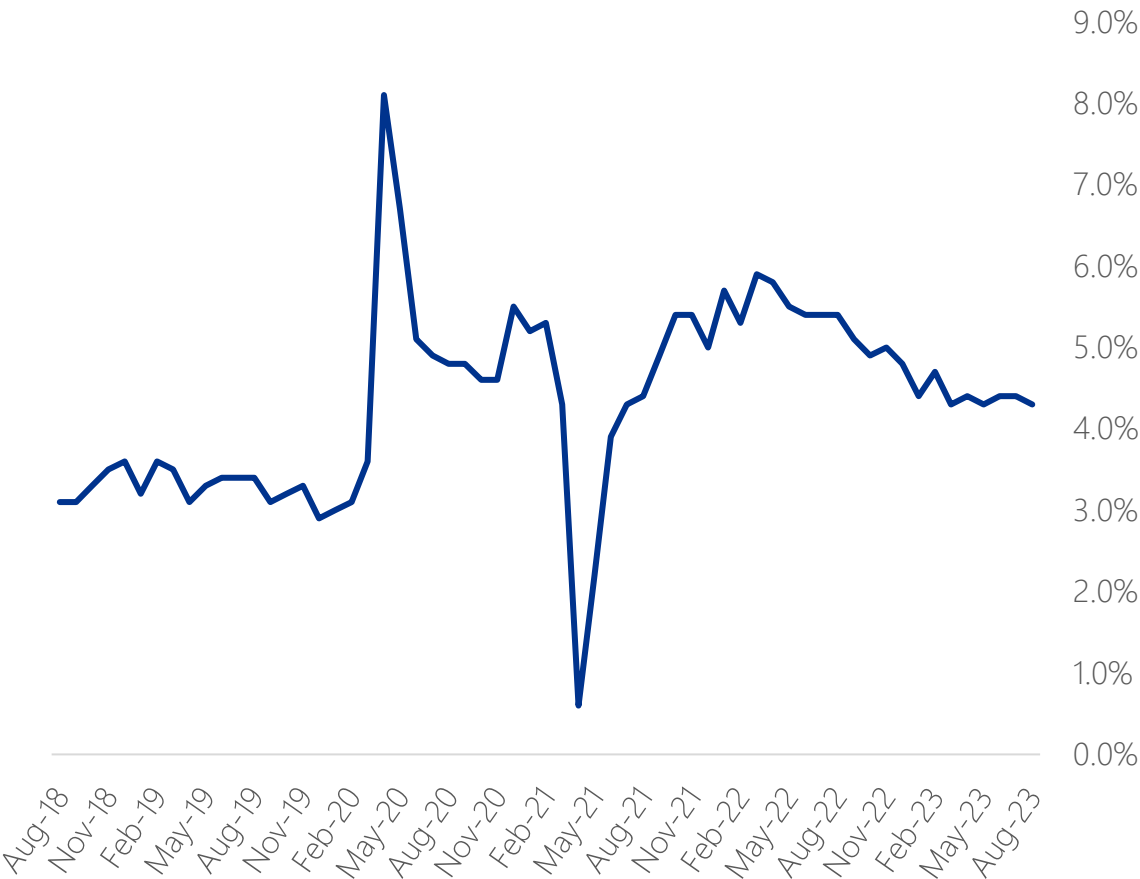


Labor Force Participation Rate



Source: Bureau of Labor Statistics

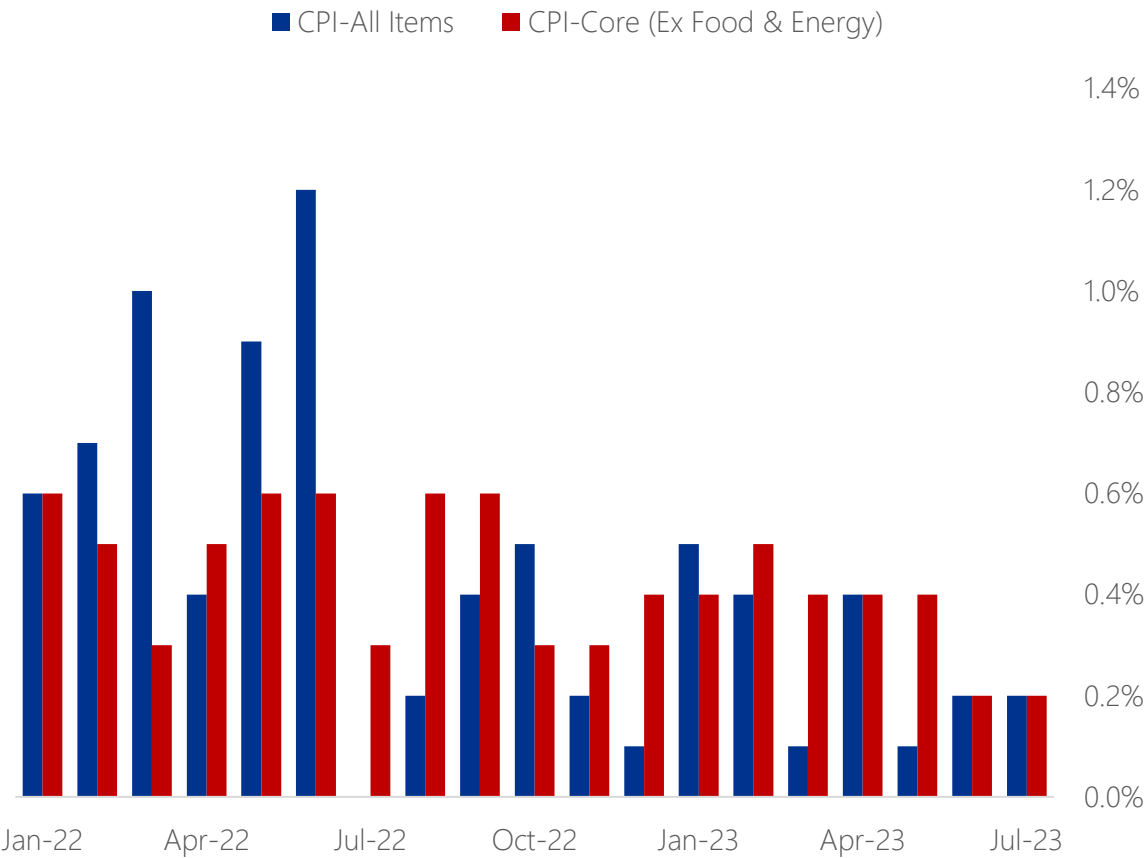
Average Hourly Earnings (Year-over-Year % Change)



Source: Bureau of Labor Statistics

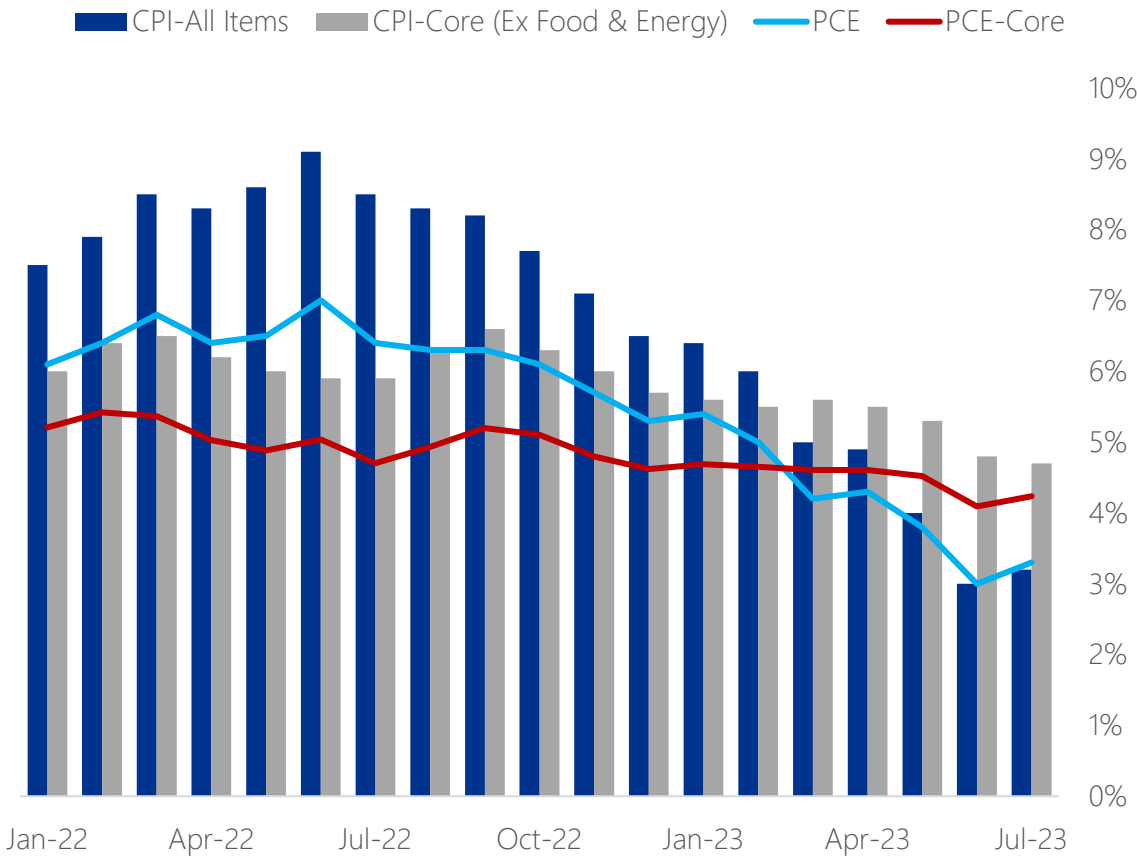


Consumer Price Index (Month-over-Month Percent Change)



Source: Bureau of Labor Statistics

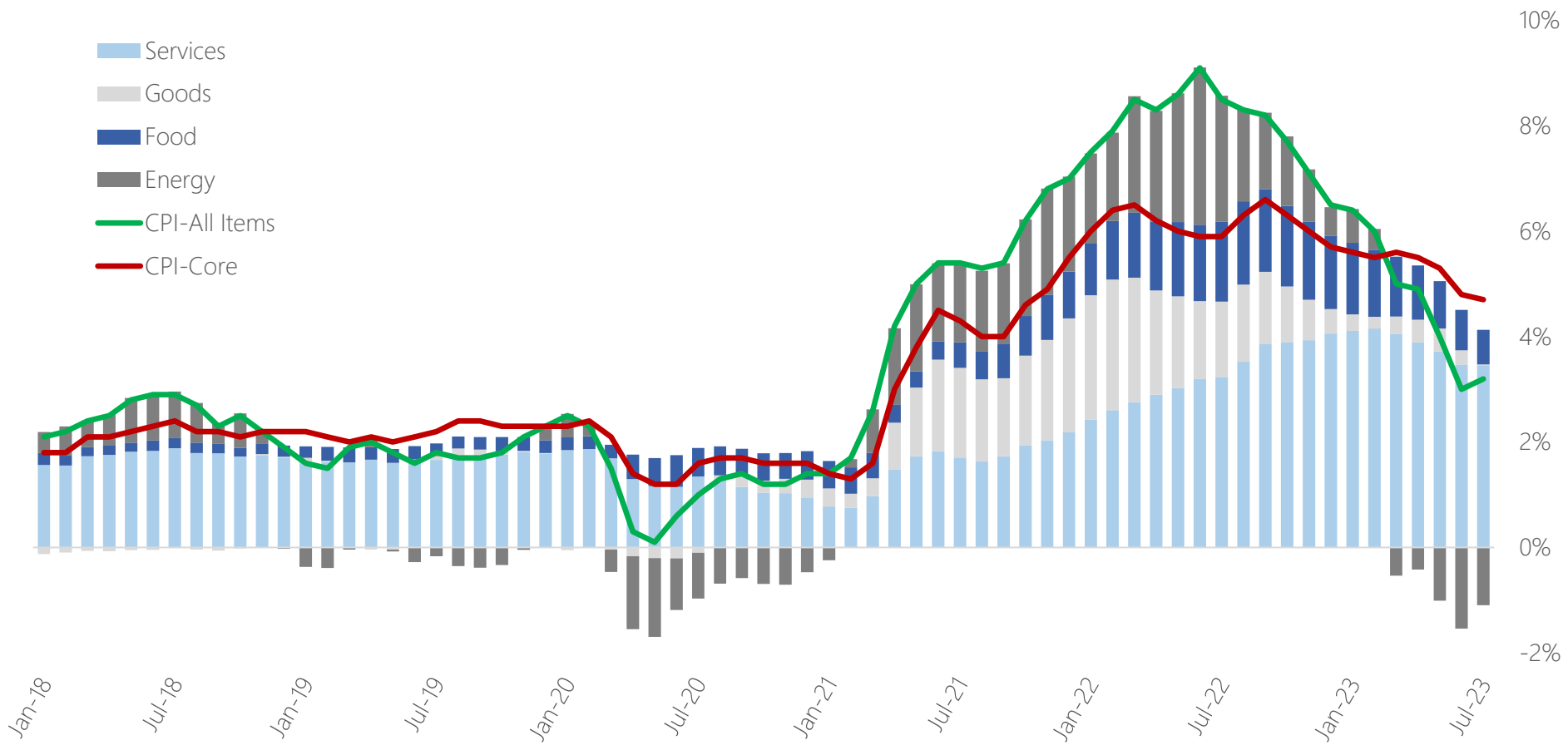
Consumer Price Index (Year-over-Year Percent Change)



Source: Bureau of Labor Statistics, Bureau of Economic Analysis



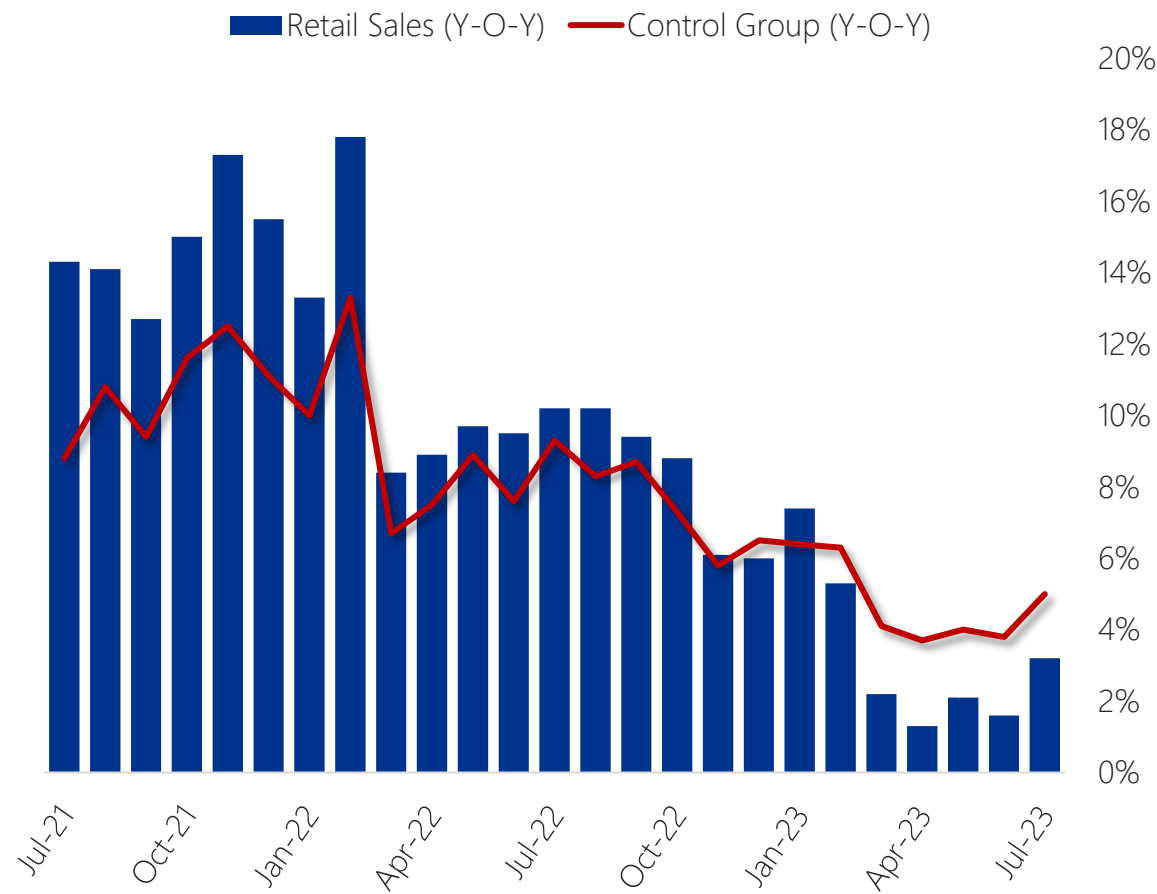
Consumer Price Index (Year-over-Year % Change)



Source: Bureau of Labor Statistics

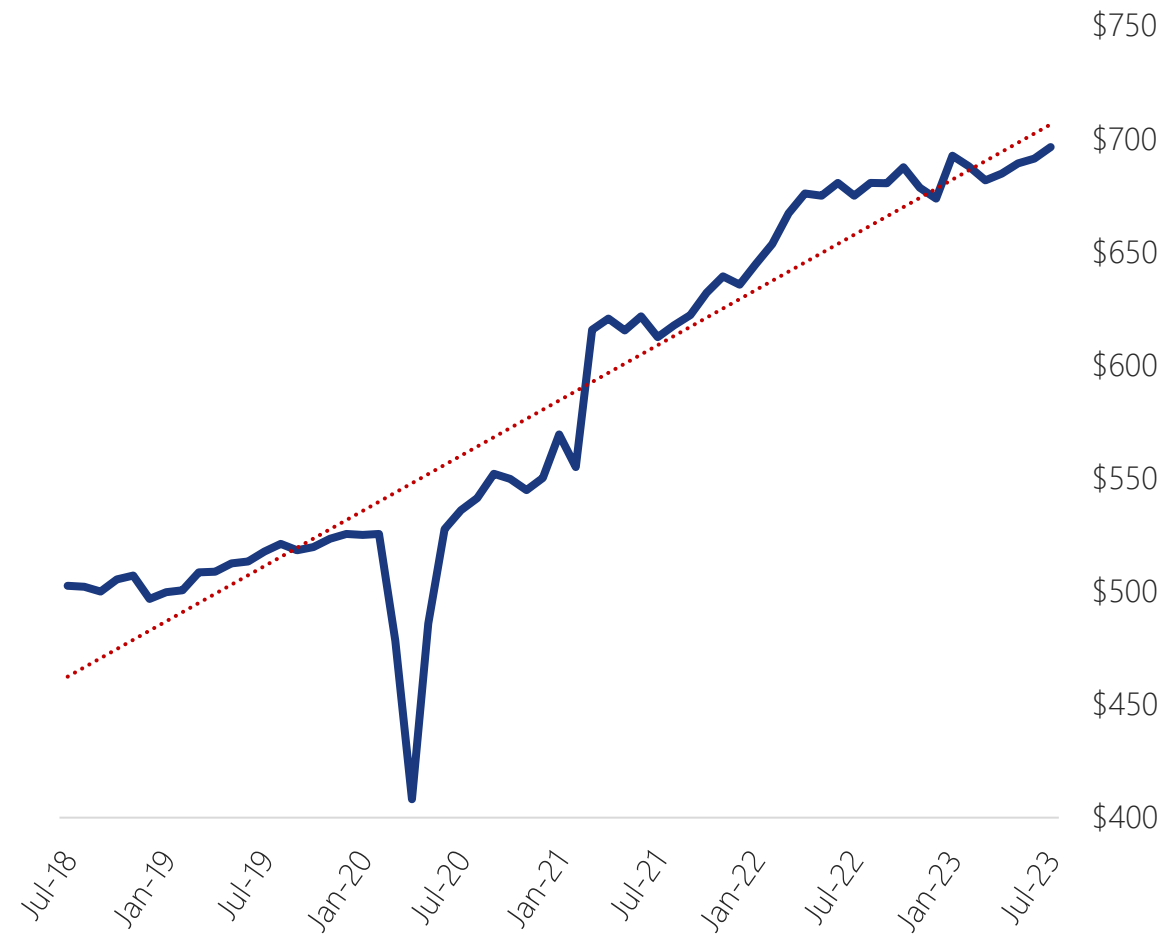


Retail Sales (Year-over-Year Percent Change)



Source: US Census Bureau

Retail & Food Service Sales – Seasonally Adjusted (in billions)



Source: US Census Bureau



U.S. Existing Home Sales
(Seasonally Adjusted Annual Rate, millions)



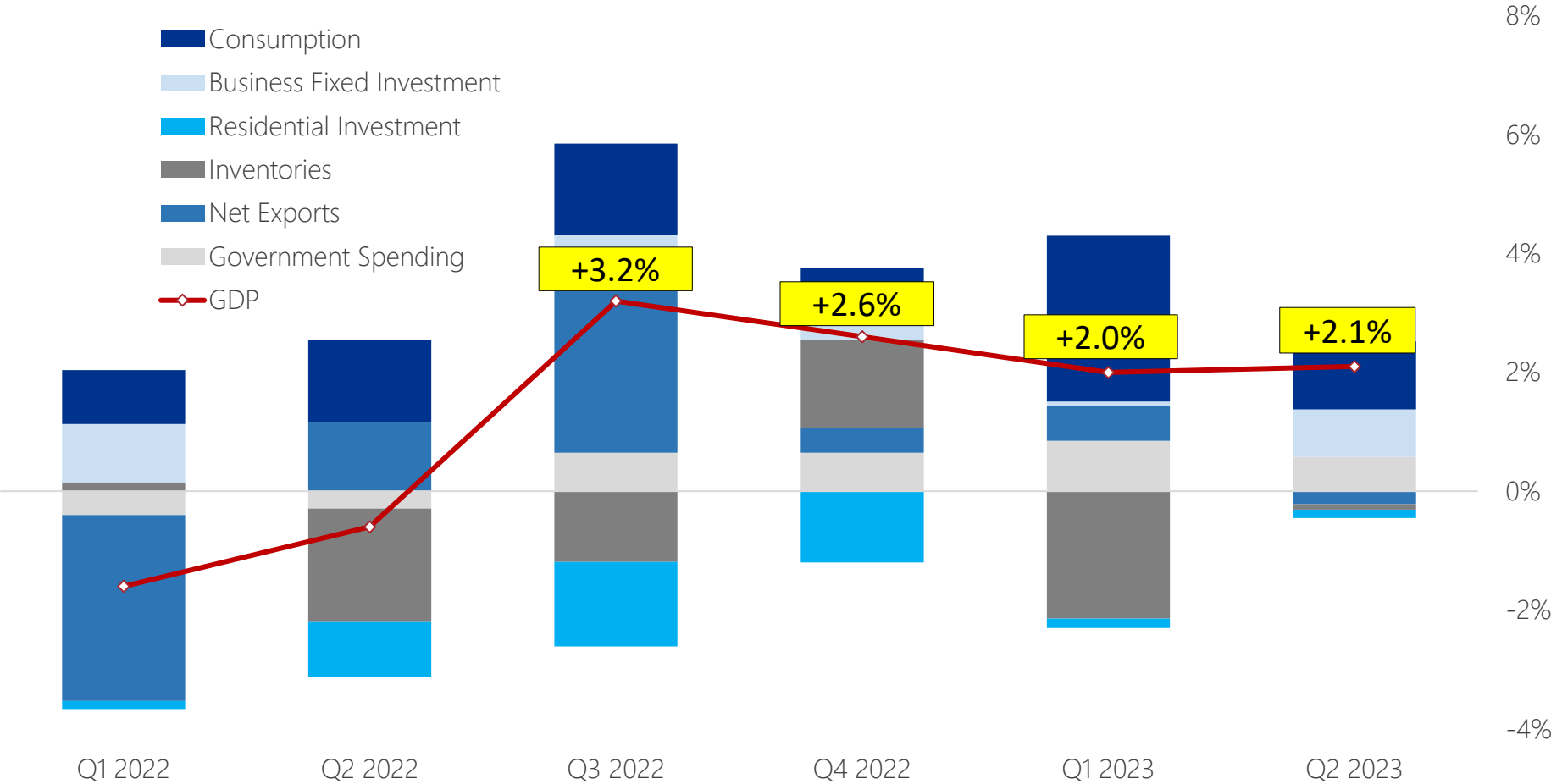
Source: National Association of Realtors

U.S. New Home Sales
(Seasonally Adjusted Annual Rate, thousands)



Source: US Census Bureau

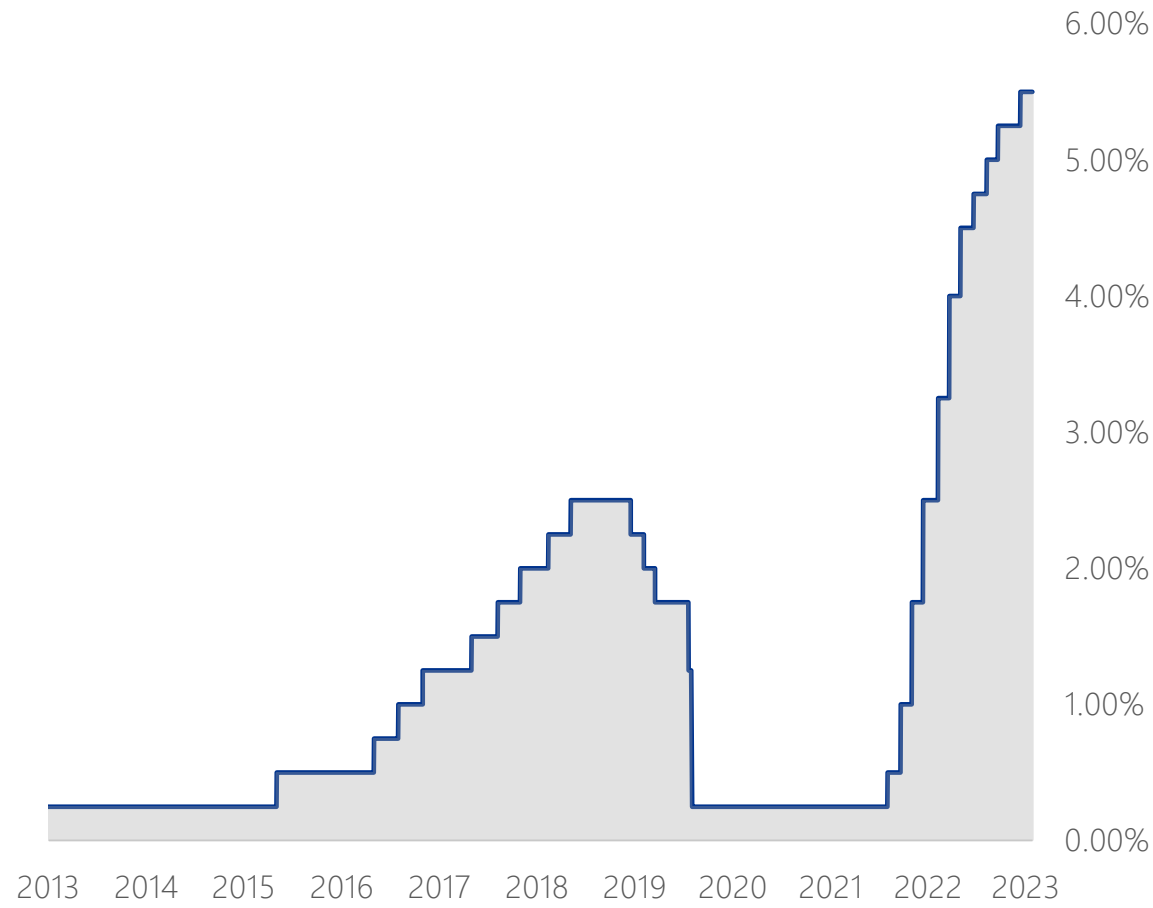
Economic Growth – Gross Domestic Product



Source: Bureau of Economic Analysis

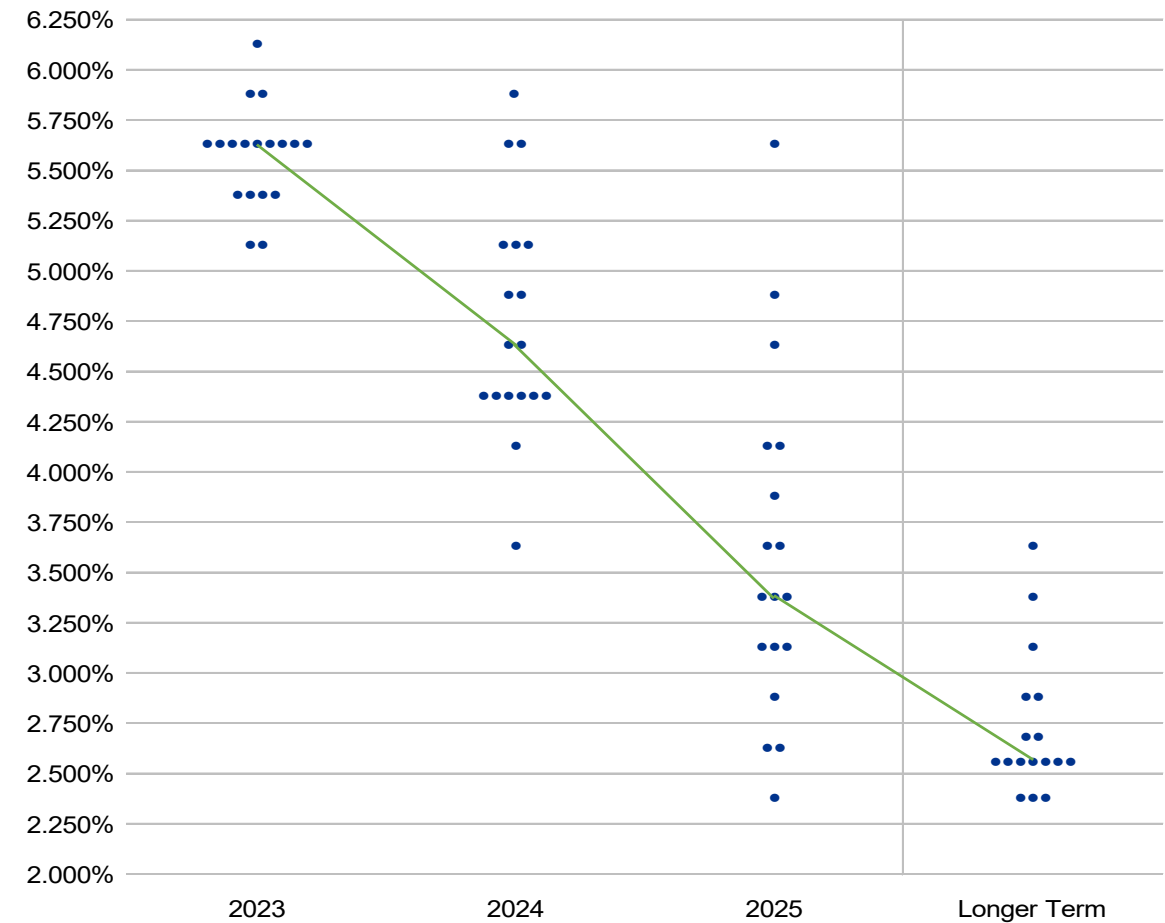


Federal Funds Target Rate (Upper Bound)



Source: Federal Reserve

Implied Fed Funds Target Rate (Jun-14 Dot Plot)



Source: Federal Reserve – Summary of Economic Projections June 14, 2023



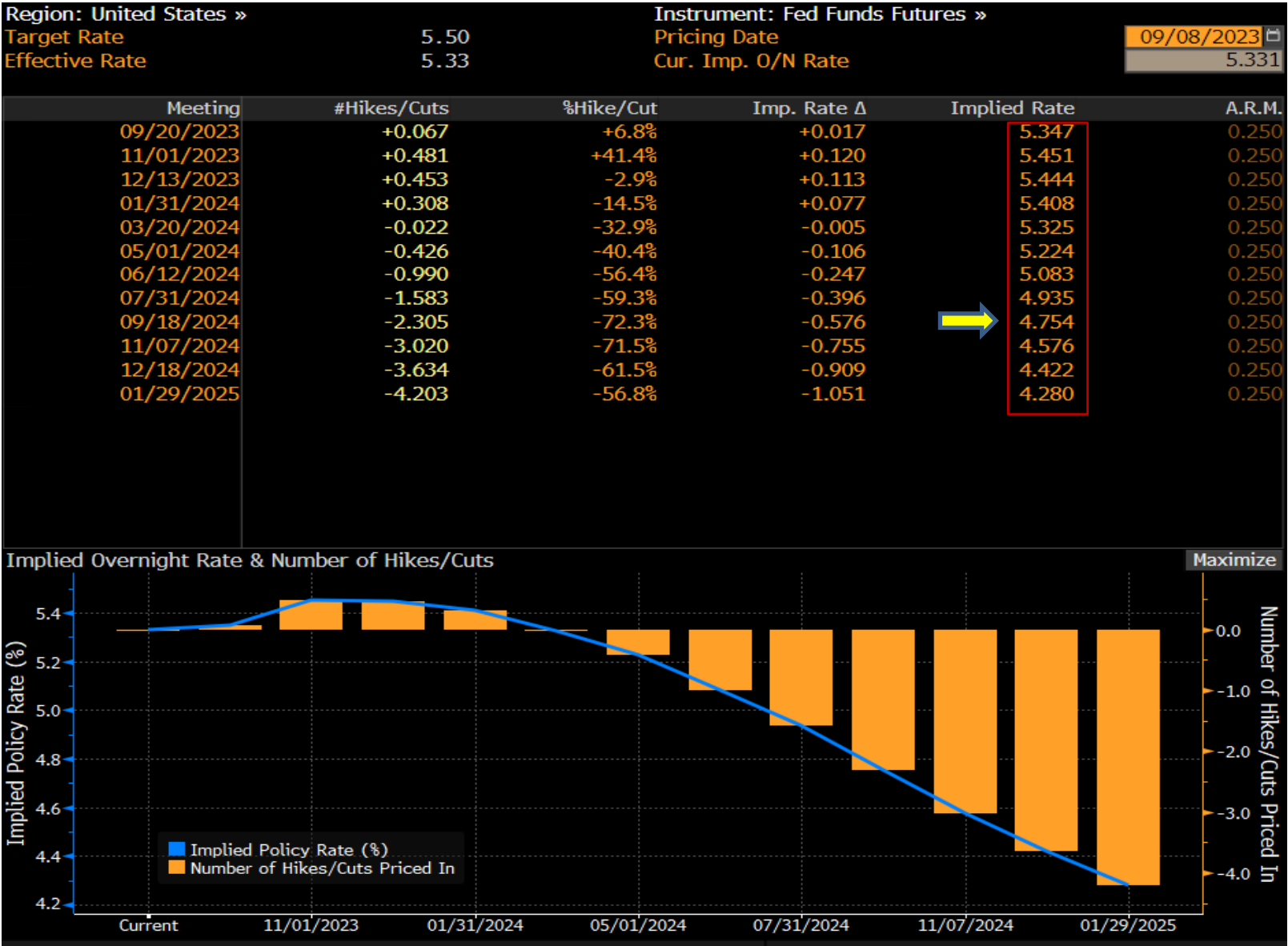
	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24	Q4 24	Q1 25
Economy							
Real GDP Q-Q% SAAR	1.50	0.30	0.30	0.90	1.50	1.80	
Unemployment Rate	3.60	3.90	4.20	4.30	4.40	4.40	
Headline CPI Y-O-Y	3.40	3.10	2.70	2.60	2.50	2.30	
Fed Funds (Upper Bound) Current = 5.50							
Aug Survey Median	5.50	5.50	5.50	5.00	4.75	4.25	4.00
Jul Survey Median	5.50	5.50	5.25	4.75	4.50	3.75	3.75
Change in Medians	0.00	0.00	0.25	0.25	0.25	0.50	0.25
Treasury Yields 8/24/2023							
Average US 2-Year	5.00	4.81	4.56	4.25	3.95	3.73	3.49
Average US 5-Year	4.40	4.19	4.03	3.89	3.73	3.63	3.57
Average US 10-Year	4.23	3.99	3.86	3.75	3.67	3.62	3.61
Average US 30-Year	4.30	4.12	4.04	3.96	3.89	3.88	3.86

The US economy will expand 2.0% in 2023, 0.9% in 2024 and 1.9% in 2025, according to a survey by Bloomberg New.

- Survey of 68 economists conducted from Aug. 11 to Aug. 16
- Chance of a recession happening over the next 12 months is 60%, according to 44 respondents
- Q3 2023 GDP forecast at +1.8% q/q versus prior survey 0.50%
- Q4 2023 GDP forecast at +0.4% q/q versus prior survey -0.4%
- 2023 CPI forecast at +4.1% y/y versus prior survey +4.0%
- 2024 CPI forecast at +2.5% y/y versus prior survey +2.5%
- Fed funds rate upper-bound at 5.50% at Sept. 20 meeting, current rate is 5.50%

Source: Bloomberg

Implied Fed Funds Rate – (9/8/2023)



Source: Bloomberg



Waco City Council

Investment Portfolio Summary

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Portfolio Summary

	Prior 30 Jun-23	Current 31 Jul-23
Par Value	821,406,259.00	803,939,423.65
Original Cost	816,702,881.29	798,045,935.41
Book Value	817,765,579.27	799,810,541.27
Market Value	810,645,516.97	793,468,068.52
Accrued Interest	2,178,688.85	2,763,598.71
Book Value Plus Accrued	819,944,268.12	802,574,139.99
Market Value Plus Accrued	812,824,205.82	796,231,667.24
Net Unrealized Gain/(Loss)	(7,120,062.30)	(6,342,472.75)

Income Summary

Current Period	1 Jul-23 to 31 Jul-23
Interest Income	2,042,451.42
Net Amortization/Accretion	654,456.80
Realized Gain/(Loss)	0.00
Net Income	2,696,908.21
Fiscal Year-to-Date	1 Oct-22 to 31 Jul-23
Net Income	18,988,449.47

Portfolio Characteristics

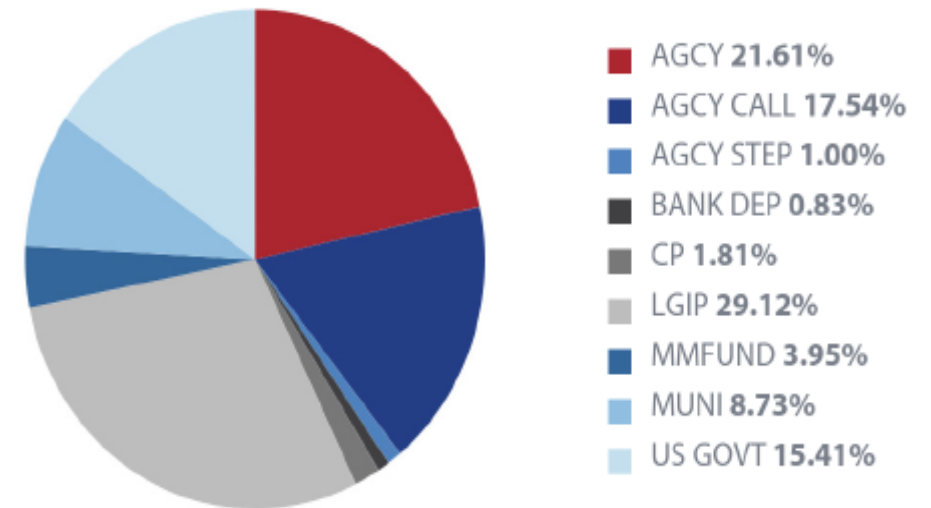
	Prior 30 Jun-23	Current 31 Jul-23
Yield to Maturity	3.871%	3.925%
Yield to Worst	3.864%	3.918%
Days to Final Maturity	157	154
Days to Effective Maturity	157	154
Duration	0.68	0.61



Top Ten Holdings

Issuer	Allocation
Federal Home Loan Banks	33.91%
TEXPOOL	24.59%
United States Department of The Treasury	15.41%
Allspring Funds Trust - Allspring Government Money Market Fund	3.95%
TEX PRIME	3.79%
Federal Farm Credit Banks Funding Corporation	3.12%
Federal National Mortgage Association	1.88%
Oklahoma County Oklahoma Independent School District No 006 Deer CR	1.88%
Federal Home Loan Mortgage Corporation	1.25%
Royal Bank of Canada	1.20%

Asset Allocation by Security Type as of 31-Jul-2023



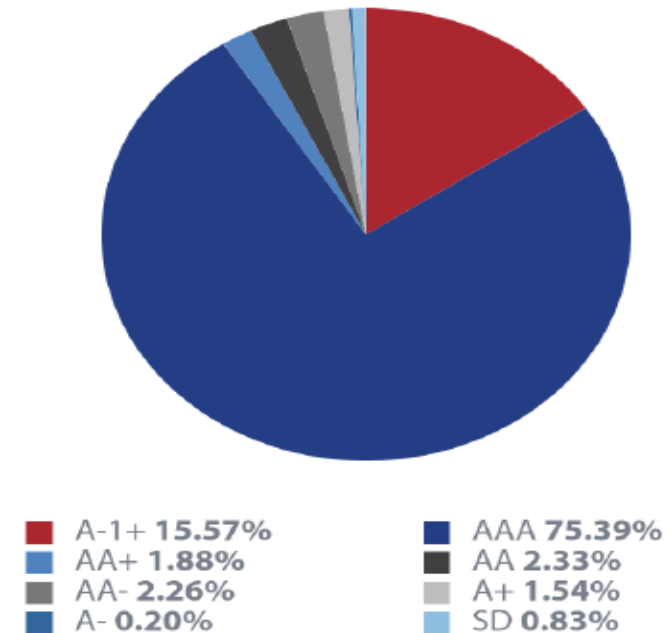
July Portfolio Overview by Ratings



Rating Distribution

	Book Value	Portfolio Allocation
Secured Deposits (Insured or Collateralized)		
Demand Deposits	6,649,366.89	0.83%
Total Secured Deposits	6,649,366.89	0.83%
Local Government Investment Pools & Money Market Funds		
AAA	264,510,056.76	33.07%
Total Local Government Investment Pools & Money Market Funds	264,510,056.76	33.07%
Short Term Rating Distribution		
A-1+	124,527,652.03	15.57%
Total Short Term Rating Distribution	124,527,652.03	15.57%
Long Term Rating Distribution		
A+	12,335,091.32	1.54%
AA+	15,021,033.12	1.88%
A-	1,574,828.35	0.20%
AA-	18,100,425.49	2.26%
AA	18,631,418.73	2.33%
AAA	338,460,668.58	42.32%
Total Long Term Rating Distribution	404,123,465.60	50.53%
Portfolio Total	799,810,541.27	100.00%

Allocation by Rating



July Portfolio Overview by Fund



Fund Name	Current Book Value	Current Market Value	Net Income	Days to Final Mty	YTM
2016A CO TWDB	1,321,523.83	1,321,523.83	5,693.18	1	5.059%
2017 CO	542,102.11	542,102.11	2,524.29	1	5.124%
2018 CO	9,460,888.11	9,460,888.11	43,138.19	1	5.124%
2019 CO	30,343,299.57	30,328,111.55	112,116.74	31	4.388%
2020 CO	36,104,089.94	35,864,614.52	118,784.37	72	3.858%
2021A CO	37,416,155.24	36,901,378.40	82,701.46	101	2.467%
2021B CO Taxable	417,129.68	417,129.68	399.15	1	1.020%
2022A CO	93,357,668.82	93,176,201.24	365,221.34	103	4.628%
2022B CO Taxable	4,239,015.58	4,239,015.58	19,085.65	1	5.124%
2023A CO	148,683,807.53	148,112,843.50	619,439.49	199	4.726%
2023B CO Taxable	29,180,174.41	29,167,379.10	137,870.54	40	5.098%
Combined Funds	408,744,686.45	403,936,880.90	1,189,933.81	185	3.453%
Total	799,810,541.27	793,468,068.52	2,696,908.21	154	3.925%



City of Waco

Competitive Offering Summary

For the Period of January 1, 2023 through July 31, 2023

- 85% of trade offers through the first seven months of the calendar year have included MWBE firms.
- MWBE firms have been awarded over \$81 million Waco security trades so far in 2023.
- We remain committed to including these historically underutilized brokers in our search for the best yield for execution of orders

Month	Total Trades		HUB Participation		HUB Awarded	
	Number	Dollar	Number	Dollar	Number	Dollar
Jan-23	2	\$ 10,000,000	0	\$ -	0	\$ -
Feb-23	2	\$ 20,000,000	0	\$ -	0	\$ -
Mar-23	12	\$ 69,000,000	11	\$ 64,000,000	4	\$ 26,000,000
Apr-23	19	\$ 100,145,000	19	\$ 100,145,000	5	\$ 37,720,000
May-23	3	\$ 14,875,000	1	\$ 4,875,000	0	\$ -
Jun-23	6	\$ 30,000,000	5	\$ 25,000,000	0	\$ -
Jul-23	9	\$ 47,500,000	9	\$ 47,500,000	3	\$ 17,500,000
Aug-23						
Sep-23						
Oct-23						
Nov-23						
Dec-23						
YTD Total	53	\$ 291,520,000	45	\$ 241,520,000	12	\$ 81,220,000
Percent of Trades			85%	83%	23%	28%



- The Texas legislature did not amend the PFIA in 2023.
- The City investment policy remains in fully compliance with Tex. Govt. Code 2256.
- *Oppenheimer* and *UMB Bank* were added to the approved broker/dealer list in 2023, while *Cantor Fitzgerald* and *Citigroup* were removed.



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