

# Finance Committee Investment Report

## Cowlitz County

### January 18<sup>th</sup>, 2024

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Data as of December 31, 2023

Total Aggregate Portfolio

# Quarterly Review

Cowlitz County | COWLITZ Total Portfolio

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December 31, 2023

Total Portfolio

Overview Strategic

Plan Review

Portfolio Holdings & Transactions

Market Overview

# Compliance Report

Cowlitz County | COWLITZ Total Portfolio



December 31, 2023

## Category

Policy Diversification Constraint	Policy Limit	Actual Value*	Status
US Treasury Obligations Maximum % of Holdings	100.000	27.075	Compliant
US Agency Callable Securities Maximum % of Total Portfolio	35.000	0.909	Compliant
US Agency FFCB Issuer Concentration	25.000	18.892	Compliant
US Agency FHLB Issuer Concentration	35.000	16.226	Compliant
US Agency FHLMC Issuer Concentration	35.000	1.202	Compliant
US Agency FNMA Issuer Concentration	35.000	1.268	Compliant
US Agency Obligations - All Other Issuers Combined	35.000	0.000	Compliant
US Agency Obligations Issuer Concentration	35.000	18.892	Compliant
US Agency Obligations Maximum % of Holdings	100.000	37.588	Compliant
Supranationals - Issuer is ADB, IADB, IBRD, or IFC	0.000	0.000	Compliant
Supranationals Issuer Concentration (NM only)	5.000	0.000	Compliant
Supranationals Maximum % of Holdings	10.000	0.000	Compliant
Municipal Bonds Issuer Concentration	5.000	0.000	Compliant
Municipal Bonds Maximum % of Holdings	30.000	0.000	Compliant
Municipal Bonds WA issues GO/Local and GO only Outside WA	0.000	0.000	Compliant
Corporate Note Portfolio Duration (years)	3.000	1.805	Compliant
Corporate Notes & Commercial Paper Foreign Exposure except Canada	2.000	0.000	Compliant
Corporate Notes & Commercial Paper Maximum % of Holdings	25.000	3.135	Compliant
Corporate Notes & Commercial Paper Single Issuer %	3.000	0.784	Compliant
Certificates of Deposit Issuer Concentration	10.000	0.000	Compliant
Certificates of Deposit Maximum % of Holdings	25.000	0.000	Compliant
Banker's Acceptance Issuer Concentration	5.000	0.000	Compliant
Banker's Acceptance Maximum % of Holdings	20.000	0.000	Compliant
LGIP Maximum % of Holdings	100.000	32.086	Compliant
PDPC Bank Deposits Issuer Concentration	10.000	0.000	Compliant
PDPC Bank Deposits Maximum % of Holdings	20.000	0.000	Compliant

1) Actual values are based on market value.

2) The compliance report allows for resolutions to be documented if an actual value exceeds a limit. The specific resolution can be found on the client portal site.

# Compliance Report

Cowlitz County | COWLITZ Total Portfolio



December 31, 2023

## Category

<b>Policy Maturity Structure Constraint</b>	<b>Policy Limit</b>	<b>Actual %</b>	<b>Status</b>
Maturity Constraints Under 30 days Minimum % of Total Portfolio	10.000	34.739	Compliant
Maturity Constraints Under 1 year Minimum % of Total Portfolio	25.000	59.667	Compliant
Maturity Constraints Under 5.5 years Minimum % of Total Portfolio	100.000	100.000	Compliant
<b>Policy Maturity Constraint</b>	<b>Policy Limit</b>	<b>Actual Term</b>	<b>Status</b>
US Treasury Maximum Maturity At Time of Purchase (years)	5.500	3.000	Compliant
US Agency Maximum Maturity At Time of Purchase (years)	5.500	3.016	Compliant
Supranationals Maximum Maturity At Time of Purchase (years)	5.500	0.000	Compliant
Municipals Maximum Maturity At Time of Purchase (years)	5.500	0.000	Compliant
Corporate Maximum Maturity At Time of Purchase (years)	5.500	2.964	Compliant
Commercial Paper Maximum Maturity At Time of Purchase (days)	270.000	0.000	Compliant
Certificates of Deposit Maximum Maturity At Time of Purchase (years)	5.500	0.000	Compliant
Banker's Acceptance Maximum Maturity At Time of Purchase (days)	180.000	0.000	Compliant
Weighted Average Maturity (years)	1.500	0.874	Compliant
<b>Policy Credit Constraint</b>			<b>Status</b>
Supranationals Ratings AA-/Aa3/AA- or better (Rated by 1 NRSRO)			Compliant
Municipal Bonds Ratings Minimum AA-/Aa3/AA- (Rated by 1 NRSRO)			Compliant
Corporate Notes A-/A3/A- Issuer Concentration (Rated by 1 NRSRO) (2%)			Compliant
Corporate Notes AA-/Aa3/AA- by All If Rated Issuer Concentration (3%)			Compliant
Corporate Notes Ratings Minimum A-/A3/A- by All if rated			Compliant
Corporate Notes Single A with Negative Outlook Cannot Purchase			Compliant
Commercial Paper Over 100 days Minimum Long Term Rating A-/A3/A- by one			Compliant
Commercial Paper Ratings Minimum ST Rating A1/P1/F1 (Rated by 2 NRSROs)			Compliant

1) Actual values are based on market value.

2) The compliance report allows for resolutions to be documented if an actual value exceeds a limit. The specific resolution can be found on the client portal site.

# Summary Overview

Cowlitz County | COWLITZ Total Portfolio

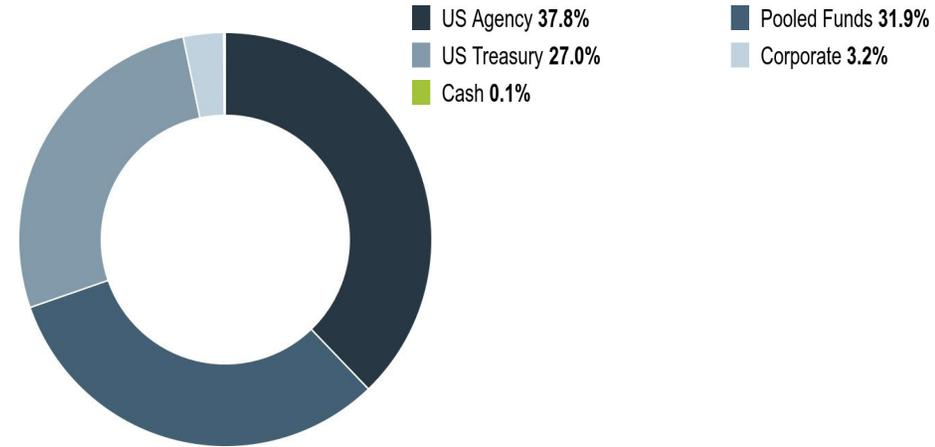


December 31, 2023

## Portfolio Characteristics

Metric	Value
Cash and Cash Equivalents	122,958,872
Investments	261,374,856
Book Yield	5.10%
Market Yield	4.98%
Effective Duration	0.82
Years to Maturity	0.88
Avg Credit Rating	AAA

## Allocation by Asset Class



## Strategic Structure

Account	Par Amount	Book Value	Market Value	Net Unrealized Gain (Loss)	Book Yield	Maturity in Years	Effective Duration	Benchmark Duration	Benchmark
COWLITZ-Pooled Investment Core	259,943,750	257,995,214	259,318,428	1,323,213	4.94%	1.29	1.20	1.36	ICE BofA 0-3 Year US Treasury Index
COWLITZ-Pooled Liquidity	122,515,122	122,515,122	122,515,122	0	5.46%	0.01	0.01	0.09	ICE BofA US 1-Month Treasury Bill Index
<b>Total</b>	<b>382,458,872</b>	<b>380,510,336</b>	<b>381,833,550</b>	<b>1,323,213</b>	<b>5.10%</b>	<b>0.88</b>	<b>0.82</b>	<b>0.96</b>	



# Strategic Quarterly Update

Cowlitz County | COWLITZ Total Portfolio



December 31, 2023

Metric	Previous	Current
<b>Strategy</b>	<b>09/30/2023</b>	<b>12/31/2023</b>
<b>Effective Duration</b>		
Pooled Investment Core	1.14	1.20
Benchmark Duration	1.35	1.36
<b>Total Effective Duration</b>	<b>0.64</b>	<b>0.82</b>

<b>Total Return (Net of Fees %)*</b>		
Pooled Investment Core	1.09	2.14
Benchmark Return	0.94	2.15
<b>Total Portfolio Performance</b>	<b>1.21</b>	<b>1.88</b>

\*Changes in Market Value include net unrealized and realized gains/losses.

<b>Maturity Total Portfolio</b>		
<b>Average Maturity Total Holdings</b>	<b>0.68</b>	<b>0.88</b>

Metric	Previous	Current
<b>Book Yield</b>	<b>09/30/2023</b>	<b>12/31/2023</b>
<b>Ending Book Yield</b>		
Pooled Investment Core	4.89%	4.94%
Pooled Liquidity	5.46%	5.46%
<b>Total Book Yield</b>	<b>5.14%</b>	<b>5.10%</b>

Values	09/30/2023	12/31/2023
<b>Market Value + Accrued</b>		
Pooled Investment Core	213,727,264	261,818,606
Pooled Liquidity	171,032,265	122,515,122
<b>Total MV + Accrued</b>	<b>384,759,530</b>	<b>384,333,729</b>

<b>Net Unrealized Gain/Loss</b>		
<b>Total Net Unrealized Gain/Loss</b>	<b>(1,037,067)</b>	<b>1,323,213</b>

# Risk Management - Maturity/Duration

Cowlitz County | COWLITZ Total Portfolio



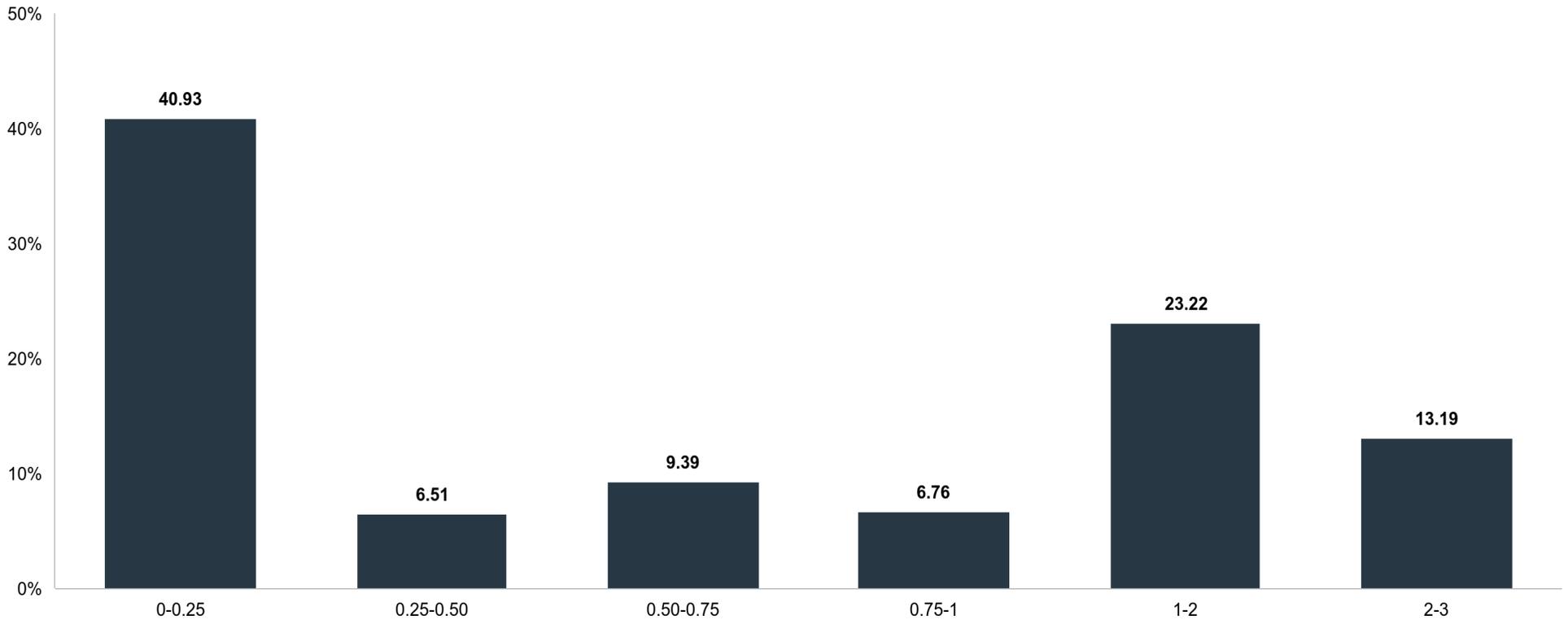
December 31, 2023

**Effective Duration**  
**0.82 Yrs**

**Years to Maturity**  
**0.88 Yrs**

**Days to Maturity**  
**321**

Distribution by Effective Duration



# Return Management - Performance

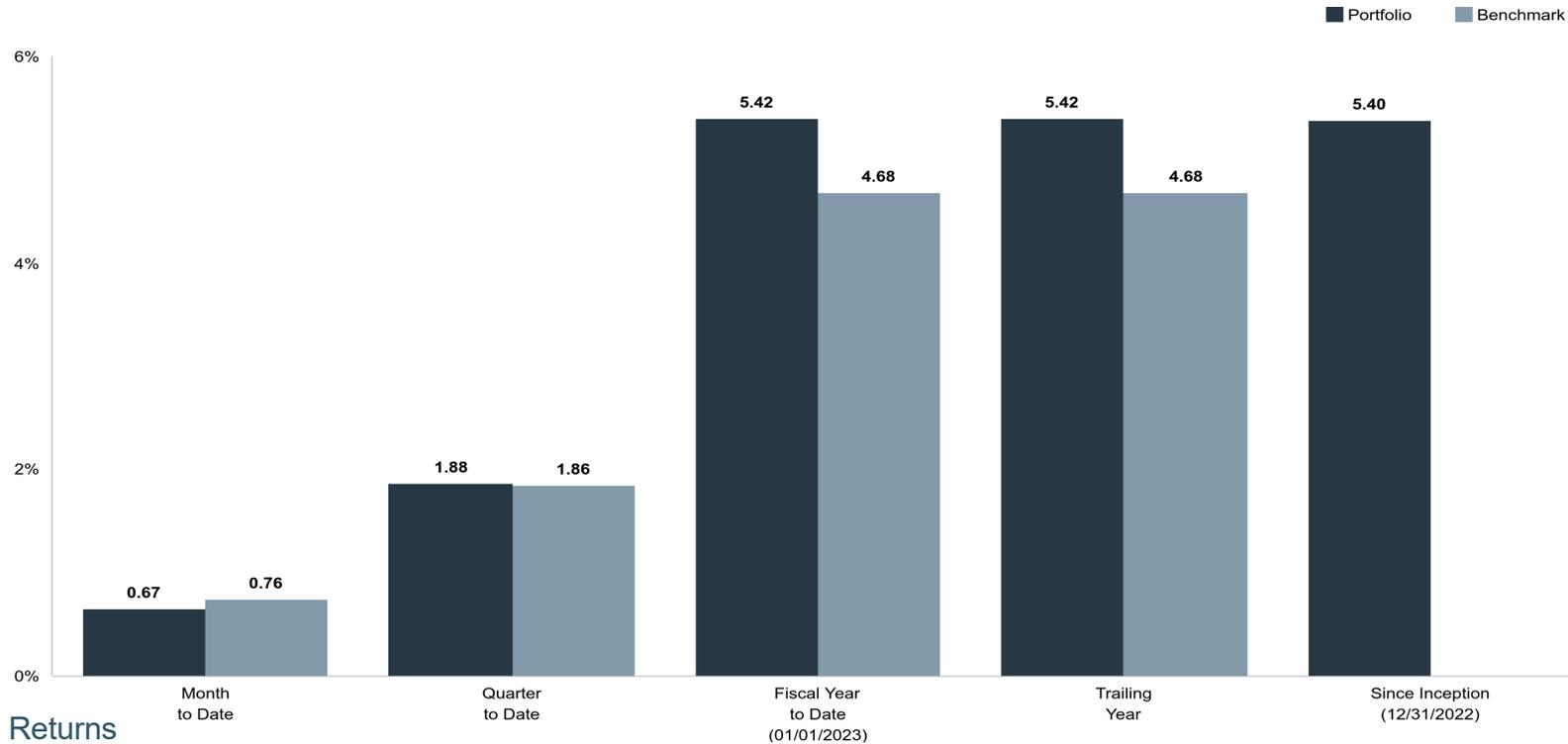


Cowlitz County | COWLITZ Total Portfolio

December 31, 2023

## Performance Returns Net of Fees

Periodic for performance less than one year. Annualized for performance greater than one year.



### Historical Returns

Period	Month to Date	Quarter to Date	Fiscal Year to Date (01/01/2023)	Trailing Year	Since Inception (12/31/2022)
Return (Net of Fees)*	0.665%	1.885%	5.415%	5.415%	5.401%
Return (Gross of Fees)	0.665%	1.890%	5.435%	5.435%	5.420%
65% ICE BofAML U.S. Treasuries 0-3 years/35% ICE BofAML US 1-Month Treasury Bill Index	0.763%	1.865%	4.685%	4.685%	

## 1) **Building the portfolio:**

Plan: Timing of adding in securities versus holding in the LGIP pool. The inverted curve presented the need to be patient in building up the investments to the target size.

Actions: The overall pool is up to a 5.10% yield – the investment component is yielding 4.94% and the liquidity component is yielding 5.46%.

## 2) **Duration discipline:**

Plan: Create a benchmark that has the appropriate duration parameters for the long term to balance the County Pool risk and return profile. This assessment involves understanding historical cash flows and participant expectations.

Actions: Cash flow analysis and communication with participants has been completed. The average duration target for the CCIP is 1 year. This construct applies a 35% target to liquidity at a duration of .01 years and 65% target to the investment core at 1.45 duration and a 0-3 year profile.

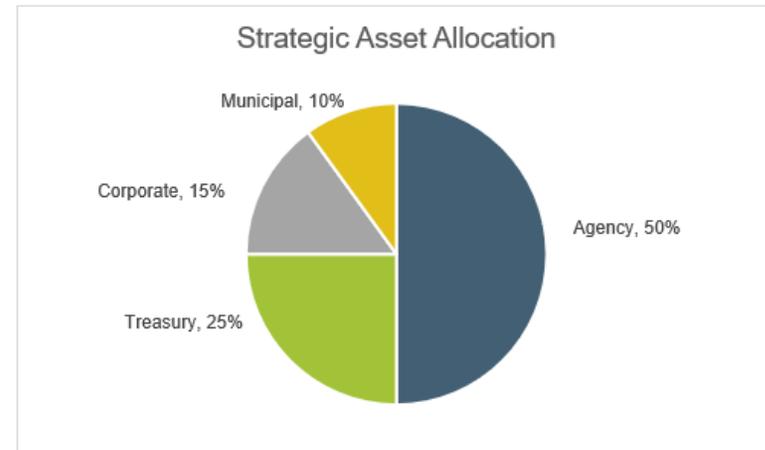
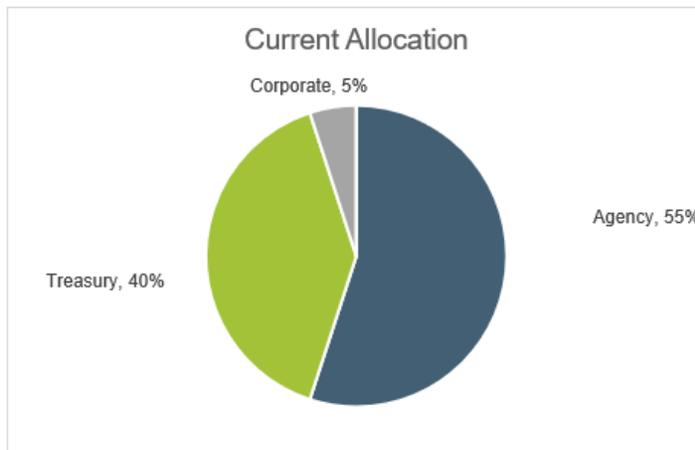
## 3) **Asset allocation discipline:**

Plan: Establish long-term targets and bands that provide for use of all allowable asset classes, which provide for improved earnings over interest rate cycles.

Actions: GPA remains on old in adding corporate and supranational to the portfolio and will re-evaluate as market conditions evolve and additional education on risk and return benefits is reviewed.

## Core Liquidity Targets

	Current (12/31/2023)	Target	Minimum	Maximum	Target Percentage
Liquidity Component	\$122,515,122	\$125,000,000	\$100,000,000	\$150,000,000	35%
<b>Benchmark</b>		<b>Duration</b>	<b>Target</b>	<b>Minimum</b>	<b>Maximum</b>
ICE BAML 1 month Bill		0.01	0.01	0.01	0.01
	Current (12/31/2023)	Target	Minimum	Maximum	Target Percentage
Investment Component	\$259,943,750	\$250,000,000	\$175,000,000	\$275,000,000	65%
<b>Benchmark</b>		<b>Duration</b>	<b>Target</b>	<b>Minimum</b>	<b>Maximum</b>
ICE BAML 0-3 year		1.46	1.33	1.00	1.75
	Total	Current Duration	Blended Benchmark		
Total County Pool	\$382,458,872	0.99	0.87		



Market Sector	Current Allocation	Strategic Target	Tactical Bands
Agency	55%	50%	10%-85%
Treasury	40%	25%	10%-80%
Corporate*	5%	15%	0%-20%
Municipal	0%	10%	0%-20%

\*Currently not adding to corporate allocation per direction from the County



# Holdings

Cowlitz County | COWLITZ Total Portfolio



December 31, 2023

Account	Par Value	Detailed Description	Book Yield	Net Unrealized Gain/Loss	Effective Duration	S&P Rating	Fitch Rating	Moody's Rating
<b>Cash</b>								
COWLITZ-Pooled Investment Core	443,750	US Dollar	0.00%	0	0	AAA	AAA	Aaa
<b>Fixed Income</b>								
COWLITZ-Pooled Investment Core	10,000,000	US TREASURY 0.125 01/15/24	5.33%	(4,791)	0.05	AA+	AA+	Aaa
COWLITZ-Pooled Investment Core	5,000,000	FHLBANKS 5.000 02/08/24	5.01%	(3,704)	0.11	A-1+	F1+	Aaa
COWLITZ-Pooled Investment Core	1,500,000	FEDERAL FARM 0.200 02/16/24 '24	0.22%	(10,506)	0.13	AA+	AA+	Aaa
COWLITZ-Pooled Investment Core	2,000,000	FEDERAL FARM 0.250 03/01/24 '24	0.33%	(17,173)	0.17	AA+	AA+	Aaa
COWLITZ-Pooled Investment Core	5,000,000	FHLBANKS 4.375 03/08/24	5.00%	(6,154)	0.19	AA+	AA+	Aaa
COWLITZ-Pooled Investment Core	10,000,000	US TREASURY BILL 03/26/24	5.40%	1,997	0.24	A-1+	F1+	P-1
COWLITZ-Pooled Investment Core	10,000,000	FEDERAL FARM 4.875 04/25/24	4.70%	(20,243)	0.32	AA+	F1+	Aaa
COWLITZ-Pooled Investment Core	10,000,000	US TREASURY 2.500 05/31/24	5.31%	(4,019)	0.41	AA+	AA+	Aaa
COWLITZ-Pooled Investment Core	5,000,000	FHLBANKS 4.875 06/14/24	5.15%	(3,916)	0.45	AA+	AA+	Aaa
COWLITZ-Pooled Investment Core	10,000,000	FHLBANKS 3.000 07/08/24	5.41%	3,770	0.5	AA+	AA+	Aaa
COWLITZ-Pooled Investment Core	5,000,000	FEDERAL FARM 4.875 08/21/24	5.04%	(4,690)	0.62	AA+	AA+	Aaa
COWLITZ-Pooled Investment Core	1,000,000	FEDERAL FARM 3.375 08/26/24	3.45%	(10,092)	0.63	AA+	AA+	Aaa
COWLITZ-Pooled Investment Core	10,000,000	FHLBANKS 4.875 09/13/24	4.38%	(48,294)	0.68	AA+	AA+	Aaa
COWLITZ-Pooled Investment Core	10,000,000	FEDERAL FARM 5.250 10/02/24	5.46%	31,501	0.73	AA+	F1+	Aaa

# Holdings

Cowlitz County | COWLITZ Total Portfolio



December 31, 2023

Account	Par Value	Detailed Description	Book Yield	Net Unrealized Gain/Loss	Effective Duration	S&P Rating	Fitch Rating	Moody's Rating
COWLITZ-Pooled Investment Core	1,000,000	US TREASURY 0.625 10/15/24	0.61%	(33,707)	0.77	AA+	AA+	Aaa
COWLITZ-Pooled Investment Core	10,000,000	FEDERAL FARM 5.500 11/25/24	5.46%	41,527	0.87	AA+	AA+	Aaa
COWLITZ-Pooled Investment Core	10,000,000	US TREASURY 4.250 12/31/24	5.44%	57,057	0.95	AA+	AA+	Aaa
COWLITZ-Pooled Investment Core	5,000,000	FANNIE MAE 1.625 01/07/25	5.01%	2,778	0.99	AA+	AA+	Aaa
COWLITZ-Pooled Investment Core	5,000,000	FEDERAL FARM 4.250 02/10/25	4.55%	(6,851)	1.06	AA+	AA+	Aaa
COWLITZ-Pooled Investment Core	10,000,000	FHLBANKS 5.000 02/28/25	5.24%	53,004	1.1	AA+	AA+	Aaa
COWLITZ-Pooled Investment Core	5,000,000	FHLBANKS 4.625 03/14/25	4.80%	4,931	1.15	AA+	AA+	Aaa
COWLITZ-Pooled Investment Core	7,500,000	US TREASURY 2.625 04/15/25	4.83%	19,239	1.25	AA+	AA+	Aaa
COWLITZ-Pooled Investment Core	10,000,000	US TREASURY 4.625 06/30/25	5.22%	104,259	1.41	AA+	AA+	Aaa
COWLITZ-Pooled Investment Core	7,500,000	FEDERAL FARM 4.875 07/28/25	4.99%	51,057	1.48	AA+	AA+	Aaa
COWLITZ-Pooled Investment Core	5,000,000	US TREASURY 5.000 08/31/25	5.11%	52,860	1.56	AA+	AA+	Aaa
COWLITZ-Pooled Investment Core	10,000,000	US TREASURY 5.000 09/30/25	5.14%	119,922	1.65	AA+	AA+	Aaa
COWLITZ-Pooled Investment Core	10,000,000	US TREASURY 5.000 10/31/25	4.93%	97,073	1.73	AA+	AA+	Aaa
COWLITZ-Pooled Investment Core	5,000,000	FREDDIE MAC 12/11/25	4.70%	17,679	1.87	AA+	AA+	Aaa
COWLITZ-Pooled Investment Core	2,000,000	TD 5.103 01/09/26 MTN	5.09%	12,793	1.86	A	AA-	A1
COWLITZ-Pooled Investment Core	2,000,000	JOHN DEERE CAP 4.800 01/09/26 MTN	5.04%	19,165	1.87	A	A+	A2
COWLITZ-Pooled Investment Core	2,000,000	RBC 4.875 01/12/26 MTN	5.09%	11,393	1.88	A	AA-	A1

# Holdings

Cowlitz County | COWLITZ Total Portfolio



December 31, 2023

Account	Par Value	Detailed Description	Book Yield	Net Unrealized Gain/Loss	Effective Duration	S&P Rating	Fitch Rating	Moody's Rating
COWLITZ-Pooled Investment Core	5,000,000	FEDERAL FARM 4.125 02/13/26	4.18%	(6,540)	1.98	AA+	AA+	Aaa
COWLITZ-Pooled Investment Core	5,000,000	FHLBANKS 4.375 03/13/26	4.76%	45,799	2.06	AA+	AA+	Aaa
COWLITZ-Pooled Investment Core	3,000,000	JP MORGAN 4.080 04/26/26 '25 FRN	5.09%	5,461	1.26	A-	AA-	A1
COWLITZ-Pooled Investment Core	3,000,000	TOYOTA MOTOR CRD 4.450 05/18/26 MTN	4.85%	19,878	2.23	A+	A+	A1
COWLITZ-Pooled Investment Core	5,000,000	FEDERAL FARM 4.750 05/28/26	4.87%	70,497	2.25	AA+	AA+	Aaa
COWLITZ-Pooled Investment Core	10,000,000	US TREASURY 4.125 06/15/26	5.00%	193,073	2.31	AA+	AA+	Aaa
COWLITZ-Pooled Investment Core	10,000,000	FEDERAL FARM 4.500 08/14/26	4.82%	153,434	2.42	AA+	AA+	Aaa
COWLITZ-Pooled Investment Core	7,000,000	FHLBANKS 4.625 09/11/26	4.92%	138,759	2.47	AA+	AA+	Aaa
COWLITZ-Pooled Investment Core	10,000,000	US TREASURY 4.625 10/15/26 WHEN IS	4.71%	174,991	2.58	AA+	AA+	Aaa
<b>Fixed Income Total</b>	<b>259,500,000</b>		<b>4.95%</b>	<b>1,323,213</b>	<b>1.21</b>	<b>AA+</b>	<b>AA+</b>	<b>Aaa</b>
COWLITZ-Pooled Liquidity	122,515,122	WASHINGTON LGIP	5.46%	0	0.01	NA	NA	NA
<b>Total</b>	<b>382,458,872</b>		<b>5.10%</b>	<b>1,323,213</b>	<b>0.82</b>	<b>AA+</b>	<b>AA+</b>	<b>Aaa</b>

# Transactions

Cowlitz County | COWLITZ Total Portfolio



December 31, 2023

Identifier	Detailed Description	Trade Date	Settle Date	Total Amount	Units	Principal Amount	Accrued Interest
<b>Buy</b>							
WA_LGIP				(82,310,439)	82,310,439	82,310,439	0
91282CGD7	US TREASURY 4.250 12/31/24	10/03/2023	10/05/2023	(9,971,399)	10,000,000	9,859,375	112,024
91282CJB8	US TREASURY 5.000 09/30/25	10/03/2023	10/05/2023	(9,981,049)	10,000,000	9,974,219	6,831
3130AWTQ3	FHLBANKS 4.625 09/11/26	10/13/2023	10/16/2023	(2,002,440)	2,000,000	1,983,940	18,500
91282CHH7	US TREASURY 4.125 06/15/26	10/25/2023	10/27/2023	(9,936,181)	10,000,000	9,785,156	151,025
91282CHL8	US TREASURY 4.625 06/30/25	10/25/2023	10/27/2023	(10,055,027)	10,000,000	9,905,469	149,558
91282CJC6	US TREASURY 4.625 10/15/26 WHEN IS	11/07/2023	11/07/2023	(10,008,545)	10,000,000	9,976,953	31,592
91282CJE2	US TREASURY 5.000 10/31/25	11/07/2023	11/07/2023	(10,025,253)	10,000,000	10,012,891	12,363
912797JK4	US TREASURY BILL 03/26/24	12/04/2023	12/07/2023	(9,840,283)	10,000,000	9,840,283	0
<b>Total</b>				<b>(154,130,617)</b>	<b>154,310,439</b>	<b>153,648,725</b>	<b>481,892</b>
<b>Maturity</b>							
91282CAP6	US TREASURY 0.125 10/15/23	10/15/2023	10/15/2023	2,000,000	(2,000,000)	(2,000,000)	0
3130AUTD6	FHLBANKS 4.900 11/07/23 MATD	11/07/2023	11/07/2023	5,000,000	(5,000,000)	(5,000,000)	0
3130APU29	FHLBANKS 0.500 11/09/23 MATD	11/09/2023	11/09/2023	1,000,000	(1,000,000)	(1,000,000)	0
912797FJ1	US TREASURY BILL 11/09/23 MATD	11/09/2023	11/09/2023	10,000,000	(10,000,000)	(10,000,000)	0
912797FT9	US TREASURY BILL 12/07/23 MATD	12/07/2023	12/07/2023	10,000,000	(10,000,000)	(10,000,000)	0

# Transactions

Cowlitz County | COWLITZ Total Portfolio



December 31, 2023

Identifier	Detailed Description	Trade Date	Settle Date	Total Amount	Units	Principal Amount	Accrued Interest
<b>Total</b>				<b>28,000,000</b>	<b>(28,000,000)</b>	<b>(28,000,000)</b>	<b>0</b>
<b>Sell</b>							
WA_LGIP				130,827,582	(130,827,582)	(130,827,582)	0
<b>Total</b>				<b>130,827,582</b>	<b>(130,827,582)</b>	<b>(130,827,582)</b>	<b>0</b>

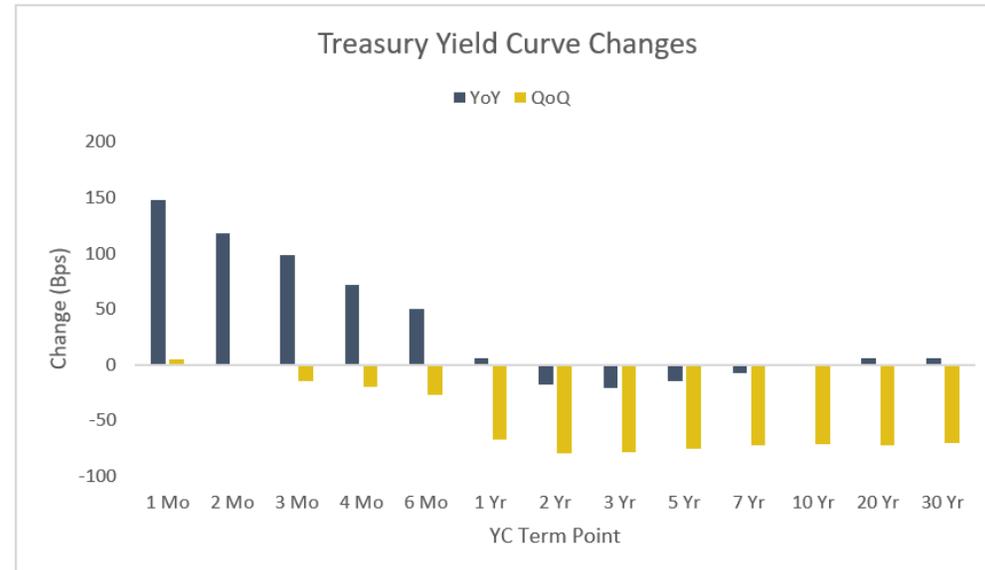
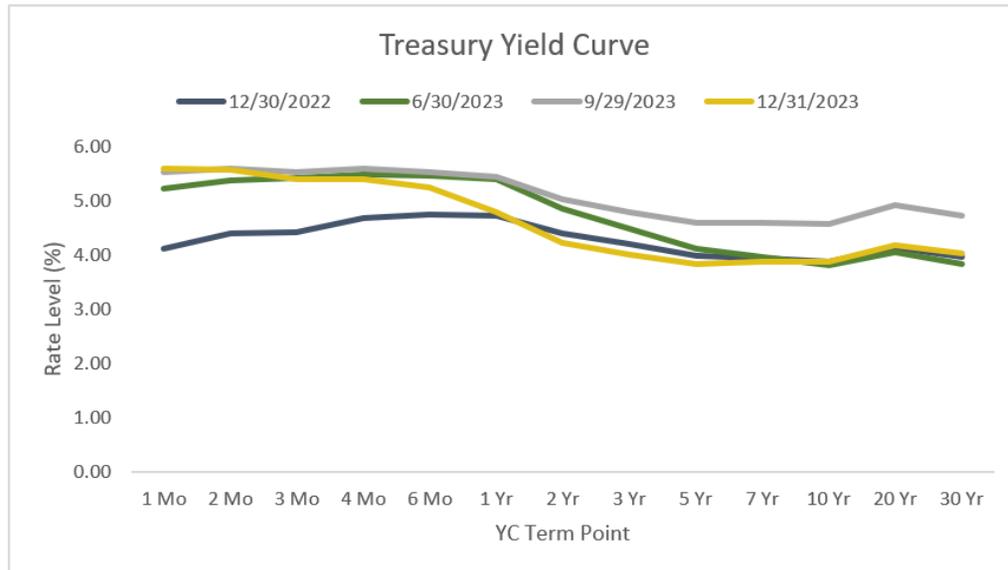
## Market Commentary

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# The Yield Curve Remains Inverted and Long-Term Rates Continue to Illustrate Volatility in Expectations

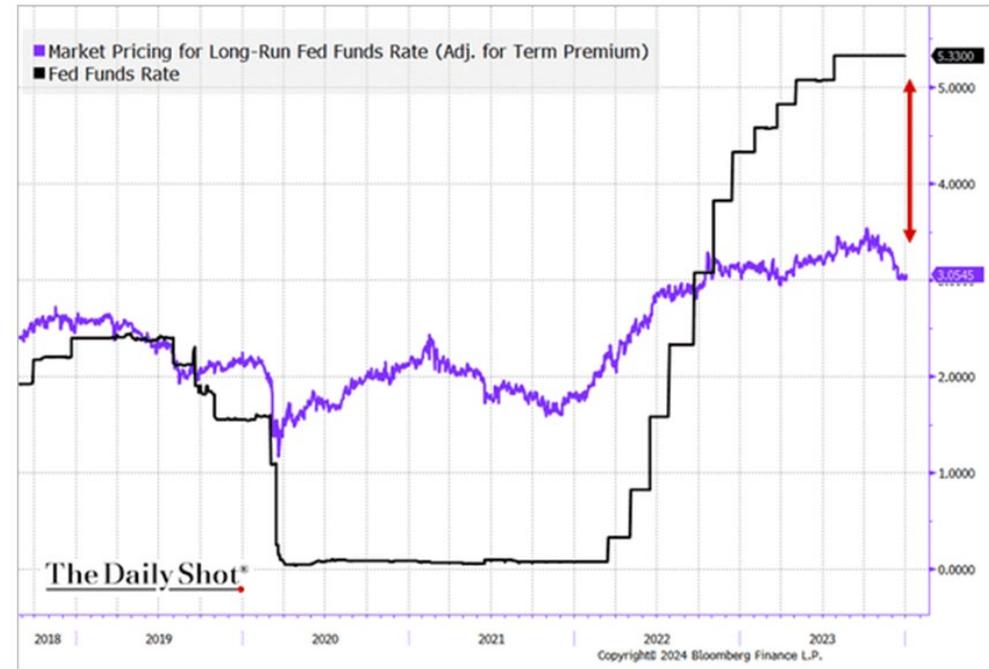
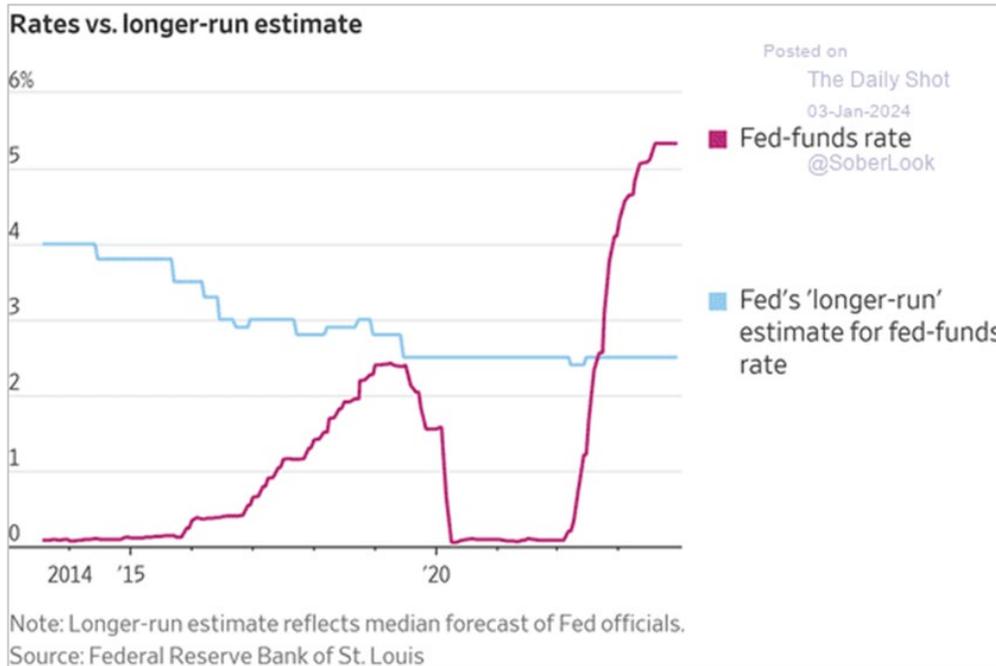


December 31, 2023



The Treasury Curve continues to exhibit substantial volatility and remains inverted with front end yields higher than longer term borrowing rates. The curve inverted further over the quarter as medium to long term rates dropped with market expectations of rate cuts beginning to come on in 2024.

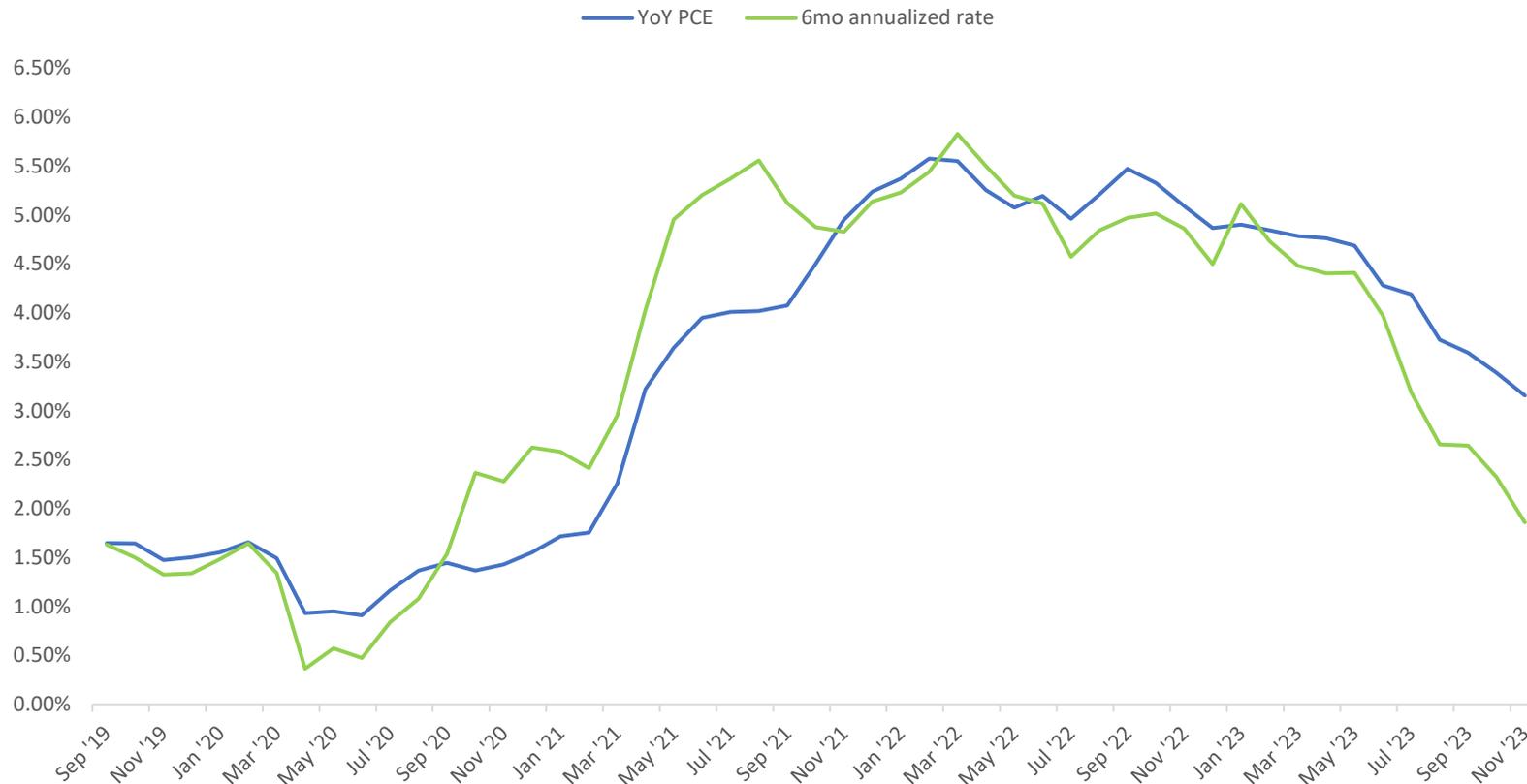
# Fed and Market Expectations Diverge As We Look Forward Into 2024



Statements and projections from the Federal Reserve continue to deviate from market expectations for the long-term Fed Funds Rate. As of now, the market projection for the long-term Fed Funds Rate is 50 basis points higher than the Fed's estimate.

# Inflation Update – Getting Closer to Stable

### Core PCE - YoY and the Annualized 6 Month Rate of Change



Source: BEA, St. Louis Fred

Inflation continues to fall from the highs felt during the pandemic and does so with momentum. Prints are beginning to normalize and appear to soon be within striking distance of the Fed's 2% target – barring any surprises of course.

# Inflation Update – Still Waiting for Service(s)



December 31, 2023

Personal Consumption Expenditures Detailed Heatmap															
	Weight	Oct '22	Nov '22	Dec '22	Jan '23	Feb '23	Mar '23	Apr '23	May '23	Jun '23	Jul '23	Aug '23	Sep '23	Oct '23	Nov '23
<b>Headline</b>	100%	0.5%	0.2%	0.2%	0.6%	0.3%	0.1%	0.3%	0.1%	0.2%	0.1%	0.4%	0.4%	0.0%	-0.1%
<b>Goods</b>	33%	0.4%	-0.2%	-0.5%	0.5%	0.2%	-0.2%	0.3%	-0.1%	-0.1%	-0.3%	0.8%	0.2%	-0.3%	-0.7%
Durable Goods	12%	-0.4%	-0.5%	-0.2%	0.2%	-0.2%	-0.1%	0.1%	0.2%	-0.4%	-0.7%	-0.3%	-0.1%	-0.3%	-0.4%
Motor Vehicles and Parts	4%	-0.2%	-0.2%	-0.4%	-0.4%	-1.0%	0.0%	1.5%	1.3%	-0.2%	-0.6%	-0.2%	-0.8%	-0.4%	0.7%
Furnishings & Household Equip	3%	-0.6%	-0.5%	0.2%	0.6%	0.1%	-0.1%	-1.0%	-0.6%	-0.3%	-0.2%	0.2%	-0.4%	-0.2%	-1.2%
Recreational Goods and Vehicles	4%	-0.3%	-1.4%	-0.8%	0.6%	0.4%	-0.3%	-0.7%	-0.2%	-0.8%	-1.2%	-0.8%	1.2%	-0.4%	-1.2%
Other Durable Goods	1%	-0.6%	0.6%	1.1%	0.5%	0.1%	0.1%	0.4%	0.0%	0.2%	-0.4%	-0.5%	-0.8%	0.2%	-0.5%
Nondurable Goods	21%	0.8%	0.0%	-0.7%	0.7%	0.4%	-0.3%	0.4%	-0.3%	0.1%	0.0%	1.4%	0.3%	-0.3%	-0.9%
Food and Beverage	8%	0.5%	0.5%	0.4%	0.4%	0.2%	-0.2%	0.0%	0.2%	-0.1%	0.2%	0.3%	0.3%	0.2%	-0.1%
Clothing and Footwear	3%	-0.2%	0.0%	0.1%	0.7%	0.7%	0.3%	0.3%	0.4%	0.3%	0.0%	0.3%	-0.6%	0.0%	-1.4%
Gasoline and Other Energy	2%	4.2%	-2.0%	-7.2%	1.9%	0.4%	-4.5%	2.4%	-5.5%	0.7%	0.2%	10.2%	2.4%	-4.6%	-5.6%
Other Nondurable Goods	8%	0.3%	0.1%	0.2%	0.6%	0.4%	0.7%	0.1%	0.5%	0.0%	-0.3%	0.3%	0.0%	0.5%	0.0%
<b>Services</b>	67%	0.5%	0.4%	0.6%	0.6%	0.4%	0.3%	0.3%	0.2%	0.3%	0.3%	0.1%	0.5%	0.2%	0.2%
<b>Household Consumption Services</b>	64%	0.5%	0.4%	0.5%	0.5%	0.4%	0.3%	0.3%	0.2%	0.3%	0.3%	0.1%	0.4%	0.2%	0.3%
Housing and Utilities	18%	0.5%	0.5%	0.9%	0.8%	0.5%	0.2%	0.3%	0.4%	0.4%	0.4%	0.4%	0.5%	0.4%	0.6%
Health Care	16%	0.3%	0.1%	0.1%	0.0%	0.2%	0.3%	0.4%	0.2%	0.1%	0.4%	0.1%	0.0%	0.4%	0.1%
Transportation Services	3%	1.0%	-0.5%	1.8%	1.0%	0.6%	0.6%	-1.0%	0.0%	-0.4%	1.0%	-0.6%	1.4%	0.5%	1.1%
Recreation Services	4%	0.6%	1.0%	0.5%	0.7%	0.9%	0.0%	0.3%	-0.3%	0.5%	0.7%	0.2%	0.6%	0.2%	0.2%
Food Services and Accommodation	8%	1.2%	0.3%	0.5%	0.7%	0.7%	0.8%	0.0%	0.7%	0.0%	0.1%	-0.2%	0.8%	0.0%	0.2%
Financial Services and Insurance	7%	0.0%	0.9%	0.5%	0.8%	0.3%	-0.3%	0.5%	-0.3%	0.5%	0.4%	0.4%	0.5%	-0.3%	-0.2%
Other Services	8%	0.3%	0.5%	0.3%	0.5%	0.3%	0.3%	1.0%	0.2%	0.4%	-0.2%	0.1%	0.1%	0.1%	0.0%

Note: Intra-month category color scheme  
 Source: CreditSights, FactSet, Bureau of Economic Analysis

Source: BEA, CreditSights, FactSet

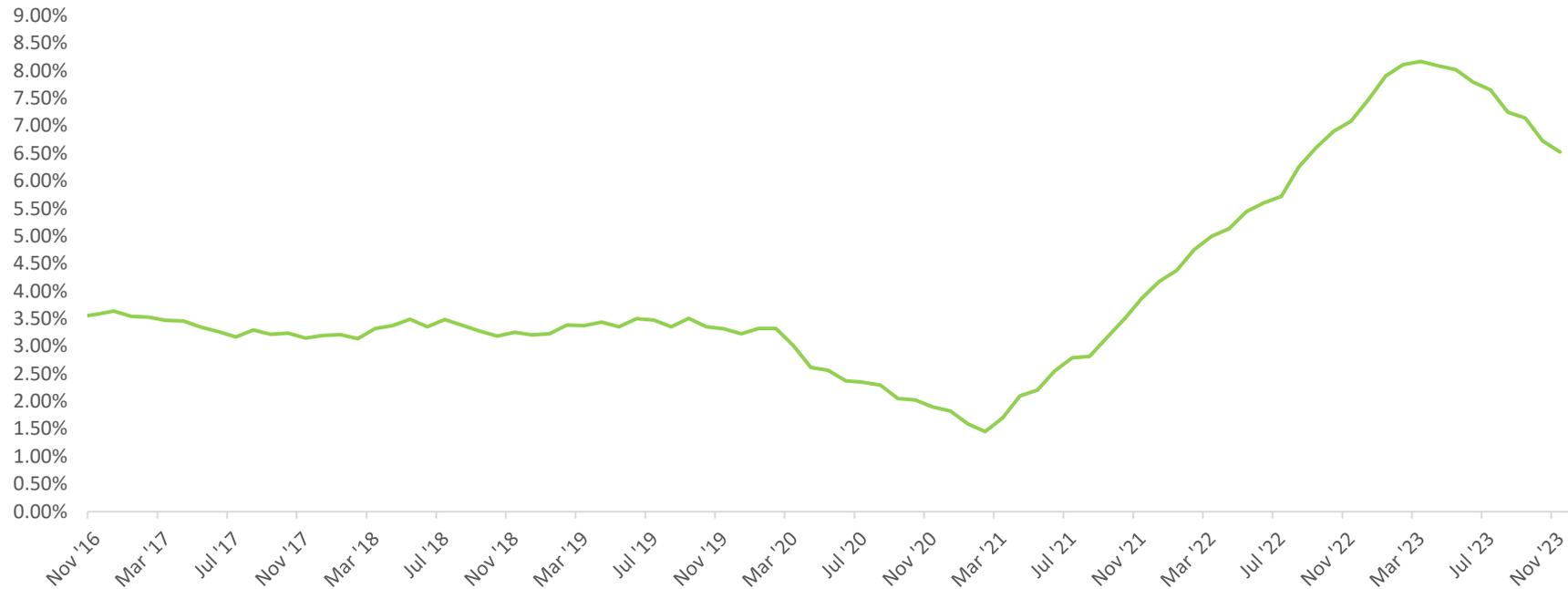
Goods have been cooperating, services however, have been stubborn. Though some progress has been made, wrangling down the last leg of services inflation will be the Fed's greatest challenge.

# Inflation Update – Housing to Help at Last?



December 31, 2023

Shelter CPI All US Cities

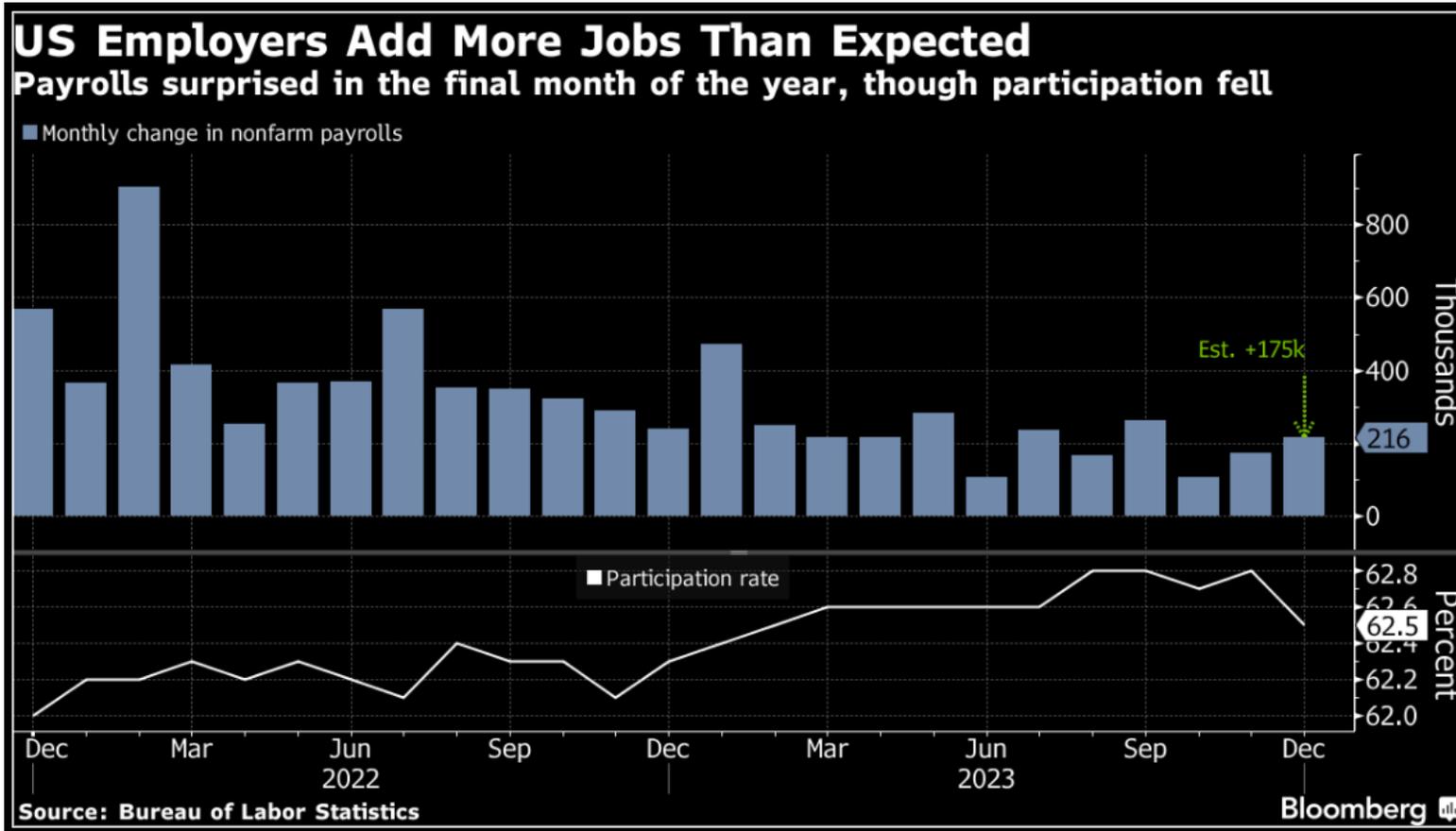


Source: BEA, St. Louis Fred

The Fed has been waiting for shelter prices, a large component of services inflation to abate. Though it has taken longer to materialize than initially thought, we are beginning to see progress.

Disinflation continues along but we are on the look out for any disruptions that could inhibit the process such as geopolitical events, supply chain disruptions, and persistently elevated wage growth to name a few.

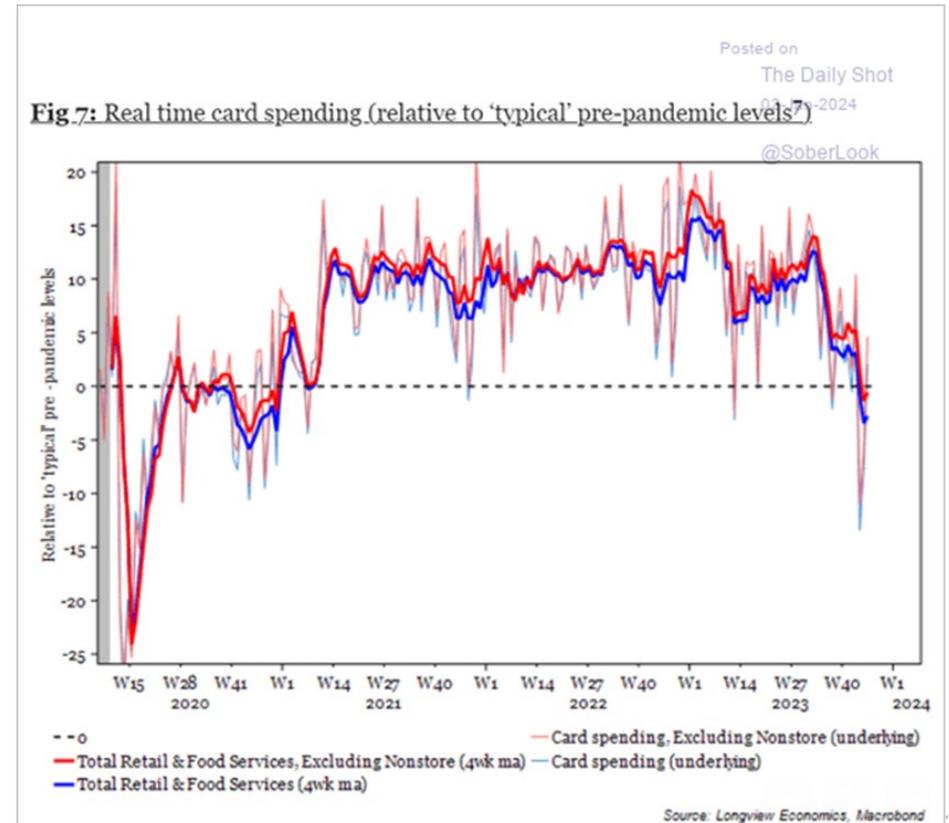
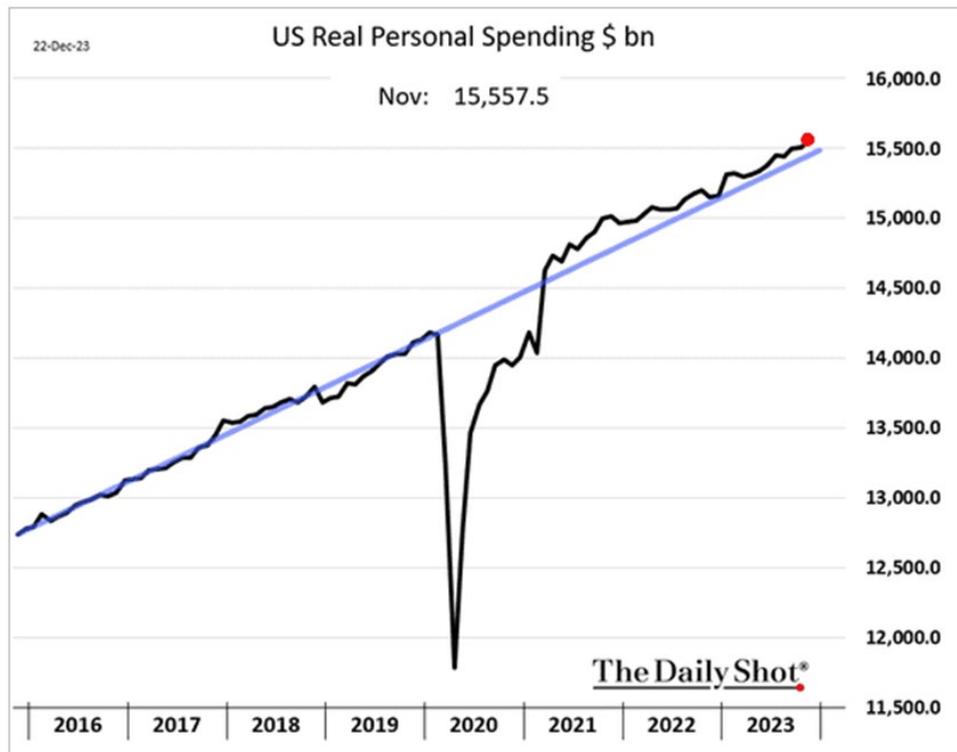
# Labor Market Update



Source: BLS, Bloomberg

Labor markets continue to prove resilient ending the year on a strong note, however underlying details were mixed with large downward revisions to prior months, a drop in participation and extended spells of unemployment. Wages were robust but received a boost from recent labor negotiations. It remains to be seen if the reacceleration of wages is an anomaly, or whether a trend is forming with potential to undermine the efforts of the Fed.

# Continued Easing of Inflation Will Be Dependent On Consumer Demand



As supply chain disruptions from COVID ease, future inflation may rely on the response in product and labor demand. At the consumer level, personal spending was buoyed by the holiday season and still somewhat strong albeit depleting levels of disposable income. However, credit card spending is now below pre-COVID levels.

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