

# November Investment Report

January 14, 2019

**Northwest ISD**



**For the Month Ended**

**November 30, 2018**

Prepared by  
FirstSouthwest Asset Management

**Report Name**

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**MARKET RECAP - NOVEMBER 2018:**

November was a difficult and volatile month for financial markets as geopolitical news and conflicting economic signals whipsawed markets. The ISM manufacturing index slipped from 59.8 to 57.7 in October, the second straight monthly decline. The level is still quite strong, but factory purchasing managers are increasingly concerned about trade. Looking at the service sector, the ISM non-manufacturing index declined from 61.6 to 60.3. Like its manufacturing counterpart, the level is still quite strong. Non-farm payrolls topped expectations for a gain of +200k jobs, rising by a surprisingly robust +250k during October and taking the 2018 monthly average up to +213k, the best since 2015. The unemployment rate held steady at 3.7%, a 48-year low. Average hourly earnings were tame in October at +0.2%, but that was enough to push the year-over-year increase to +3.1%, the first "3 handle" since 2009. The relative strength in early November's data pushed the yield on the two-year Treasury note to a post-recession high of 2.97%, while the 10-year yield climbed to 3.24%.

The October retail sales report looked good at the headline with a +0.8% advance, but the gain was fueled by post-hurricane strength in autos and building materials, as well as gas station sales, which were boosted by higher gas prices during October. Stripping out those volatile components, the closely watched retail sales control group grew by just +0.3%, while September was revised lower. The trend of sales is consistent with Q4 GDP growth well below +3.0%. Housing continues to struggle as a very modest rebound in existing home sales was offset by new home sales dropping to a 2½-year low and pending home sales falling to a four-year low. Inflation indicators were mixed as the consumer price index rose +0.3% for the month while the year-over-year headline rate ramped up to +2.5%. Much of that increase was due to a +2.4% gain in energy, including a +3.0% jump in gasoline. Looking at core CPI (ex food and energy) the monthly gain was only +0.2% and the year-over-year rate actually declined to +2.1%, a tenth less than expected. The recent trend in core inflation is lower. After hitting +2.4% in July, core CPI in the last three months has come in at +2.2%, +2.2%, and 2.1%. And, the Fed's favorite inflation measure, core PCE, slid from +1.9% to +1.8%. With prior Fed rate hikes still working their way through, it's quite possible we have already seen the peak in inflation. Collapsing oil prices will further restrain inflation in the coming months. After climbing for most of the year and spiking in the wake of renewed sanctions against Iran, oil prices have declined precipitously. Several countries have been granted waivers from the Iran sanctions, relieving concerns about tight supplies and raising the specter of oversupply. West Texas Intermediate crude peaked at \$76 in early October, but has been in a virtual free fall ever since, trading just above \$50 in late-November, a 34% decline.

Equity markets continue to struggle with weakening economic trends, Fed tightening and trade war concerns. Unable to recover from October's steep losses, the Dow gained a meager +0.6% in November, the S&P 500 rose +0.7% and the Nasdaq lost an additional -1.4%. Bond yields peaked early in the month before a strong curve-flattening rally ensued. The two-year T-note would close the month at 2.79%, with the three-year just a basis point higher at 2.80%, the five-year at 2.81% and the 10-year at 2.99%. Talk of an inverted yield curve and its recession signaling will grow louder.

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**For the Month Ended**  
**November 30, 2018**

This report is prepared for the **Northwest ISD** (the "Entity") in accordance with Chapter 2256 of the Texas Public Funds Investment Act ("PFIA"). Section 2256.023(a) of the PFIA states that: "Not less than quarterly, the investment officer shall prepare and submit to the governing body of the entity a written report of the investment transactions for all funds covered by this chapter for the preceding reporting period." This report is signed by the Entity's investment officers and includes the disclosures required in the PFIA. To the extent possible, market prices have been obtained from independent pricing sources.

The investment portfolio complied with the PFIA and the Entity's approved Investment Policy and Strategy throughout the period. All investment transactions made in the portfolio during this period were made on behalf of the Entity and were made in full compliance with the PFIA and the approved Investment Policy.

**Officer Names and Titles:**

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Name: Jon Graswich, CPA                      Title: Deputy Superintendent for Bus & Ops

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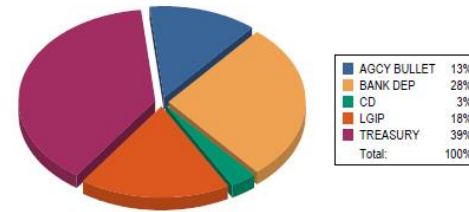
Name: Brian Carter                              Title: Chief Financial Officer

**Account Summary**

**Allocation by Security Type**

Beginning Values as of 10/31/18      Ending Values as of 11/30/18

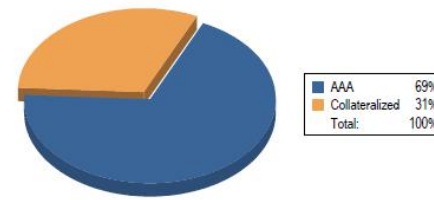
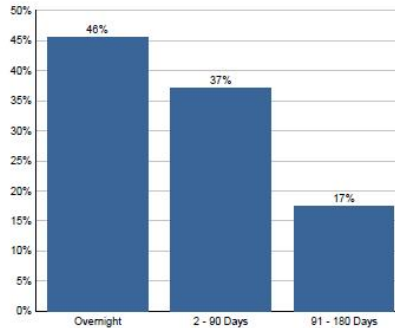
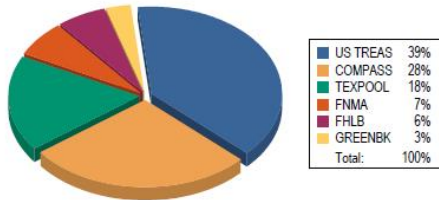
Par Value	168,801,922.02	157,782,105.76
Market Value	168,518,552.02	157,582,705.76
Book Value	168,566,640.75	157,613,451.86
Unrealized Gain /(Loss)	(48,088.73)	(30,746.10)
<b>Market Value %</b>	<b>99.97%</b>	<b>99.98%</b>
Weighted Avg. YTW	2.108%	2.189%
Weighted Avg. YTM	2.108%	2.189%



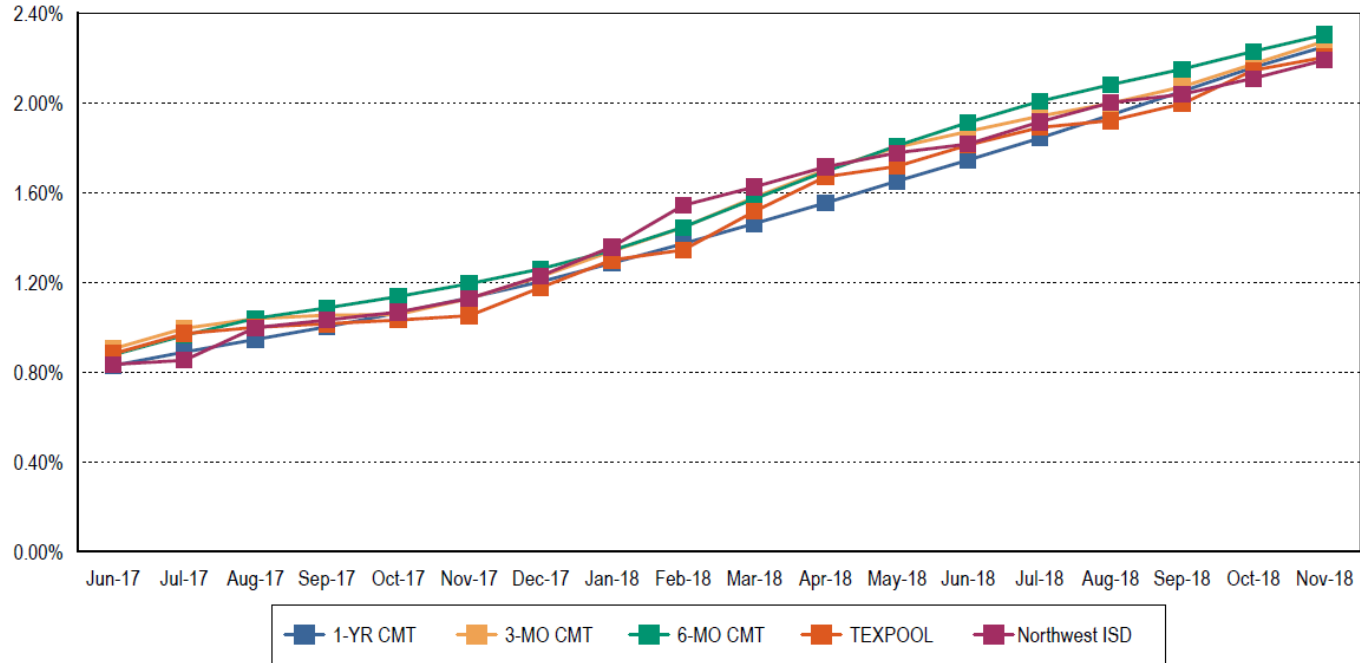
**Allocation by Issuer**

**Maturity Distribution %**

**Credit Quality**



**Weighted Average Days to Maturity: 40**



**Note 1:** CMT stands for Constant Maturity Treasury. This data is published in Federal Reserve Statistical Release H.15 and represents an average of all actively traded Treasury securities having that time remaining until maturity. This is a standard industry benchmark for Treasury securities. The CMT benchmarks are moving averages. The 3-month CMT is the daily average for the previous 3 months, the 6-month CMT is the daily average for the previous 6 months, and the 1-year and 2-year CMTs are the daily averages for the previous 12-months.

**Note 2:** Benchmark data for TexPool is the monthly average yield.