

# January Investment Report

February 25, 2019



## Investment Portfolio Summary

**Northwest ISD**



**For the Month Ended**

**January 31, 2019**

Prepared by  
HilltopSecurities Asset Management



**Report Name**

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Executive Summary

Benchmark Comparison

Detail of Security Holdings

Change in Value

Earned Income

Investment Transactions

Amortization and Accretion

Projected Fixed Income Cash Flows

MARKET RECAP - JANUARY 2019:

Investors returned from the holidays in a foul mood as waning confidence, the government shutdown and China trade wars contributed to the worst December stock market performance since the Great Depression. Things got worse on the second trading day of the new year when the ISM manufacturing index fell from 59.3 to a two-year low of 54.1. It was the largest single month decline since October 2008. The new orders component plunged from 62.1 to 51.1, while current production fell from 60.6 to 54.3. The prices paid index (which reached a seven-year high of 79.5 in May) fell from 60.7 to 54.9, reflecting the sharp drop in energy costs as oil prices fell more than 40% in the fourth quarter. The ISM news would mark the low point for stocks in January, sending the Dow down -2.8% that day. The two-year Treasury note, which traded at 2.76% in mid-December, dipped all the way to 2.37% on January 3rd, almost 40 bps lower. The next day brought a big sigh of relief as a better than expected December employment report stemmed the tide. Non-farm payrolls increased by a huge +312k, easily topping the +184k median Bloomberg forecast, while prior month revisions boosted the November job gains up from +155k to +176k. The unemployment rate climbed from a 49-year low of 3.7% (where it had stood for three months) to 3.9% as +419k reenergized Americans joined the workforce. Stocks completely recovered the prior day's losses and would trend higher for the remainder of January.

A few days later, the release of the minutes from the December FOMC meeting reassured investors that the Fed was paying attention. The minutes were interpreted by markets as being much more dovish than the original announcement, suggesting the Fed is reconsidering its tightening plans and listening to some of the alarms financial markets have been sounding. Fed speakers would reiterate this message throughout the month and the dovish slant was further reinforced by the January 30th FOMC meeting, leading financial markets to all but eliminate the chances for additional hikes in 2019.

Many of the major economic data releases were delayed by the government shutdown that stretched into late January and the remaining data that was released had very little impact on the markets. Measures of both business and consumer confidence weakened, suggesting a deteriorating outlook. Nonetheless, stocks stabilized and finished the month with the S&P 500 gaining nearly +8%. Bonds stabilized as well with the two-year Treasury yield trending toward 2.53% and the 10-year around 2.73%. Attention is now focused on the government shutdown, and although a temporary truce was reached late in the month, the President and Congressional leaders remain far apart on the divisive border wall issue. As of this writing, we appear headed for another impasse in mid-February. Progress on the trade front with China has been lacking as well. The combination leaves plenty of worries and a great deal of uncertainty about the outlook for the economy and monetary policy.

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**For the Month Ended**  
**January 31, 2019**

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

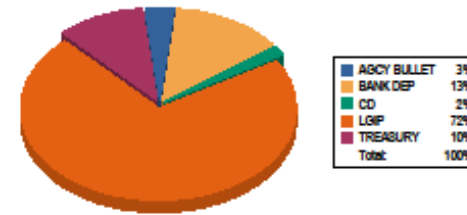
Title: Chief Financial Officer

**Account Summary**

**Allocation by Security Type**

Beginning Values as of 12/31/18      Ending Values as of 01/31/19

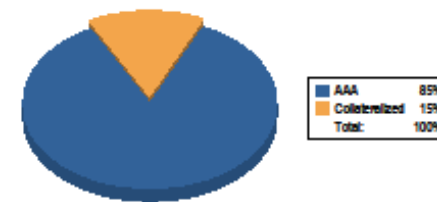
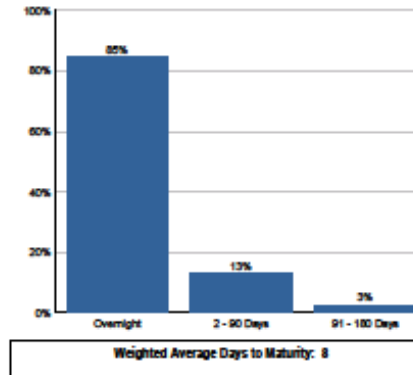
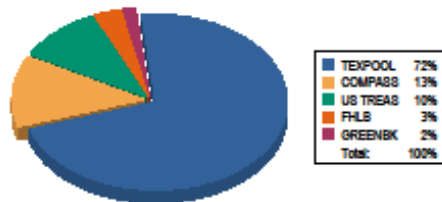
Par Value	249,311,437.99	289,304,307.29
Market Value	249,179,062.99	289,229,587.29
Book Value	249,198,656.61	289,237,011.20
Unrealized Gain /(Loss)	(19,593.62)	(7,423.91)
<b>Market Value %</b>	<b>99.99%</b>	<b>100.00%</b>
Weighted Avg. YTW	2.268%	2.369%
Weighted Avg. YTM	2.268%	2.369%

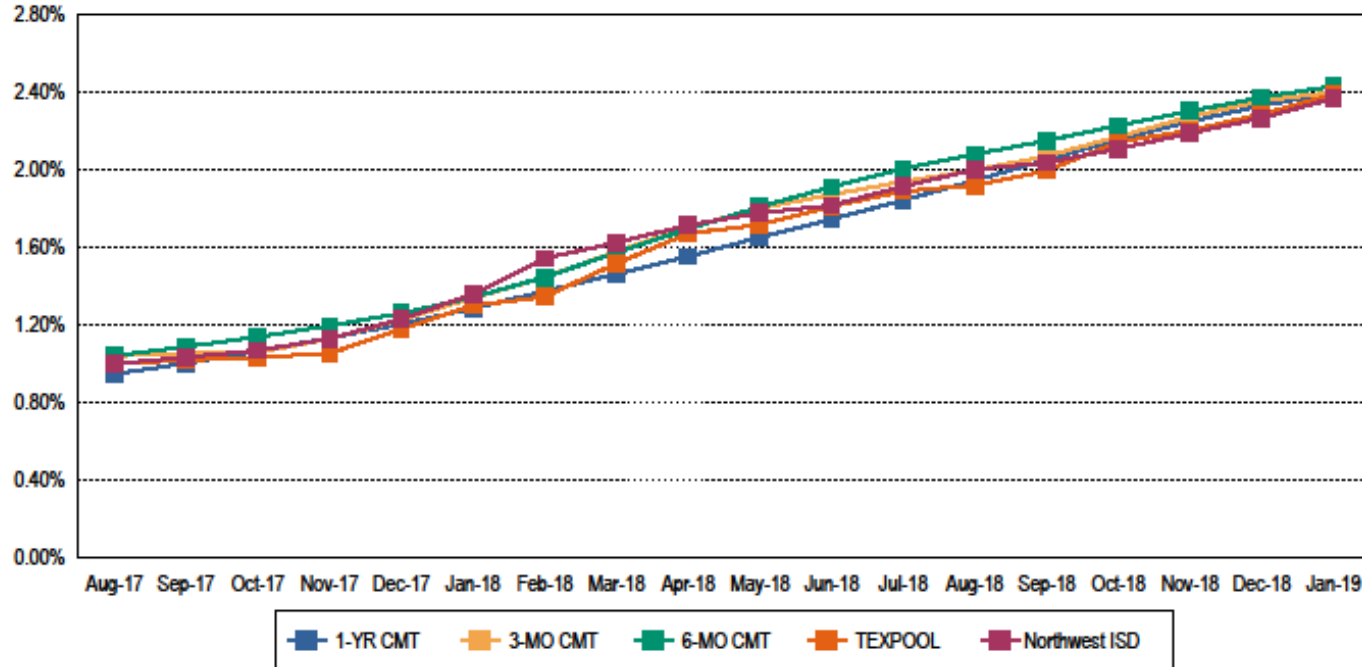


**Allocation by Issuer**

**Maturity Distribution %**

**Credit Quality**





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 CMT's are the daily averages for the previous 12-months.

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