



OKLAHOMA State Treasurer Todd Russ



Investment Report January 2024

The Office of the State Treasurer is pleased to issue the monthly investment performance report, as an important part of my office and commitment to disclose our economic environment and portfolio results.

PORTFOLIO PERFORMANCE, DIVERSIFICATION AND STRATEGY

January portfolio yielded **3.12%** with a weighted average maturity of 1,002 days.

Total portfolio market value of **\$16.2 billion**, up \$1.7 billion in comparison to January 2023.

Total portfolio contained **68% in U.S. Treasurys, approximately 7% in U.S. government agencies, 16% in mortgage-backed securities, 8% in money market mutual funds, 0.3% in certificates of deposit, and 0.6% in state bond issues and foreign bonds**, comprising the balance of funds invested.

PORTFOLIO	UTILIZATION	INVESTMENT OPPORTUNITES	DIVERSIFICATION
Seek safety, liquidity and return on investment, in that order	Laddered bond maturities and buy-and-hold	Market observation, maximizing income within investment parameters and rising interest rates	Sound strategy keeping with the state's statutory investment objectives

TOTAL FUNDS INVESTED Available market value investment funds, including State Treasurer investments at **\$12,587,938,228**. State Agency balances in OK Invest of **\$3,654,967,354**, for a total of **\$16,242,905,582**.

MARKET CONDITIONS The 10-year treasury closed the month of January up 3.3 basis points to 3.91%. January saw the 10-year rate break the key 4% figure prior to the Federal Reserve's January 31 meeting. The 2-year rate ended the month down 4.2 basis points to 4.21%, whereas the 30-year jumped 13.9 basis points to 4.17%.

	S&P	Dow	Nasdaq
For the month	1.6%	1.2%	1.0%

The three major indexes began the year in the green, but only with modest gains. The S&P 500, Nasdaq, and Dow closed with earnings of 1.6%, 1.0%, and 1.2%, respectively. January was off to a much more optimistic start prior to the Federal Reserve's meeting. Despite recent woes, the US economy is still following a theme of resilience, with the S&P once again reaching record highs.

According to The Associated Press, "Wall Street fell to its worst loss since September after Big Tech stocks got burned by the downside of high expectations and the Federal Reserve indicated cuts to interest rates likely aren't imminent."

The Federal Reserve left interest rates unchanged while the federal funds rate sits at a 22-year high of 5.25%- 5.5%. Federal Reserve Chair Jerome Powell noted that it is not appropriate to reduce the target range until more data confirms a downward trend in the rate of inflation towards the target of 2%. Powell acknowledged positive inflation progress but warned that cutting rates too soon could be highly consequential.

According to Bloomberg, "The Federal Reserve held interest rates steady for a fourth straight meeting and signaled an openness to cutting them, though Fed Chair Jerome Powell threw cold water on investors' hopes that reductions would begin in March."

ECONOMIC DEVELOPMENTS The unemployment rate for December held at 3.7% in contrast to market forecasts of 3.8%. The nonfarm payroll increased by 216,000, which compares to a downwardly revised 173,000 for November. Nonfarm payroll also exceeded forecasts, which estimated an increase of 170,000.

CNBC said, "The hiring boost came from a gain of 52,000 in government jobs and another 38,000 in health care related fields such as ambulatory health-care services and hospitals."

The consumer price index (CPI) increased 0.3% in December and 3.4% over the last 12 months. Core CPI (all items less energy and food) increased 0.3% and 3.9% annualized. Most of the increase can be attributed to shelter costs, which rose 6.2% on an annual basis. According to CNBC, "Fed officials largely expect shelter costs to decline through the year as renewed leases reflect lower rents." Food was up 0.2%, the same as the prior month. Energy rose 0.4% compared to a 2.3% decrease in November. The producer price index (PPI) unexpectedly fell 0.1% for December and ended the year up 1%. Core PPI increased by 0.2%, level with November's rise.

According to Reuters, "Data for November was revised to show the PPI falling 0.1% instead of being unchanged as previously reported. The PPI has now declined for three consecutive months."

Retail sales continued to show strength climbing 0.6% in December, which was the largest increase in 3 months. Core retail sales, which exclude autos, gas, building materials and food services, gained 0.8% being the most since July.

National Retail Federation said, "holiday sales rose 3.8% for the November and December period compared to the same year-ago period. That was in line with its forecast for 3% to 4% growth. It also surpasses the average annual holiday increase of 3.6% from 2010 to 2019 before the pandemic created outsized spending."

Existing-home sales, which are comprised of completed transactions that include single-family homes, townhomes, condominiums, and co-ops, fell 1% to a seasonally adjusted annual rate of 3.78 million in December. In comparison to December 2022 sales declined 6.2%. In 2023 existing-home sales were at 4.09 million, reflecting a 30-year low. On the flip side, the median price reached a record high of \$389,800.

The National Association of Realtors reported, "Total housing inventory registered at the end of December was 1 million units, down 11.5% from November but 4.2% from one year ago."

The fourth quarter real gross domestic product (GDP) increased at an annual rate of 3.3%. This reflected a decrease from the previous quarter which gained 4.9%. On an annualized basis, GDP grew at 3.1%. The fourth quarter gains were attributed to household and government spending.

The Wall Street Journal said, on an annual basis the growth was "supported by a jump in government spending, especially at the state and local level, and a boost from international trade. Business investment rose at a somewhat slower pace in 2023 versus the prior year."

COLLATERALIZATION All funds under the control of this office requiring collateralization were secured at rates ranging from 100% to 110%, depending on the type of investment.

PAYMENTS, FEES, AND COMMISSIONS Securities were purchased or sold utilizing competitive bidding. Bank fees and money market mutual fund operating expenses are detailed in the attached pages, as is the earnings split between the State Treasurer and the master custodian bank on securities lending income.

Best regards,



TODD RUSS
STATE TREASURER

CC:

The Honorable *Kevin Stitt*, Governor
The Honorable *Charles McCall*, Speaker of the House
The Honorable *Greg Treat*, President Pro Tempore
The Honorable *Gentner Drummond*, Attorney General
The Honorable *Cindy Byrd*, State Auditor and Inspector