

City of Texarkana, Texas

QUARTERLY INVESTMENT REPORT

For the Quarter Ended
June 30, 2013

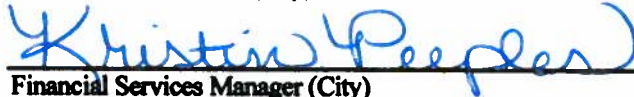
Prepared by

Valley View Consulting, L.L.C.

The investment portfolio of the City of Texarkana, TX is in compliance with the Public Funds Investment Act and the Investment Policy and Strategies



CFO/Finance Director (City)



Financial Services Manager (City)



Controller/Accounting Manager (City)



Director of Finance (Water Utilities Department)



Accounting/Human Resources Manager (Water Utilities Department)

Disclaimer: These reports were compiled using information provided by the City. No procedures were performed to test the accuracy or completeness of this information. The market values included in these reports were obtained by Valley View Consulting, L.L.C. from sources believed to be accurate and represent proprietary valuation. Due to market fluctuations these levels are not necessarily reflective of current liquidation values. Yield calculations are not determined using standard performance formulas, are not representative of total return yields and do not account for investment advisor fees.

Strategy Summary:

The Federal Open Market Committee (FOMC) maintained the Fed Funds target range between 0.00% and 0.25% (actual Fed Funds traded +/-10 bps). The FOMC continued Quantitative Easing (QE3), targeting unemployment below 6.5% and inflation less than 2.5%, however they openly discussed the future plan to reduce the amount of easing. The markets reacted quickly with higher Treasury Yield Curve rates and a brief stock market sell-off. Subsequent public comments attempted to calm the fears and reduce the immediate market impact. Domestic and international economic activity remains low to moderate. US employment/unemployment data is a key focal point. Financial institution deposits and laddering targeted cash flows still provide the best interest earnings opportunity.

Quarter End Results by Investment Category:

<u>Asset Type</u>	<u>Ave. Yield</u>	<u>June 30, 2013</u>		<u>March 31, 2013</u>	
		<u>Book Value</u>	<u>Market Value</u>	<u>Book Value</u>	<u>Market Value</u>
DDA/MMA/Pools	0.14%	\$ 37,370,017	\$ 37,370,017	\$ 39,254,874	\$ 39,254,874
CDs/Securities	0.47%	1,827,342	1,827,342	1,803,619	1,803,619
Totals		\$ 39,197,359	\$ 39,197,359	\$ 41,058,493	\$ 41,058,493

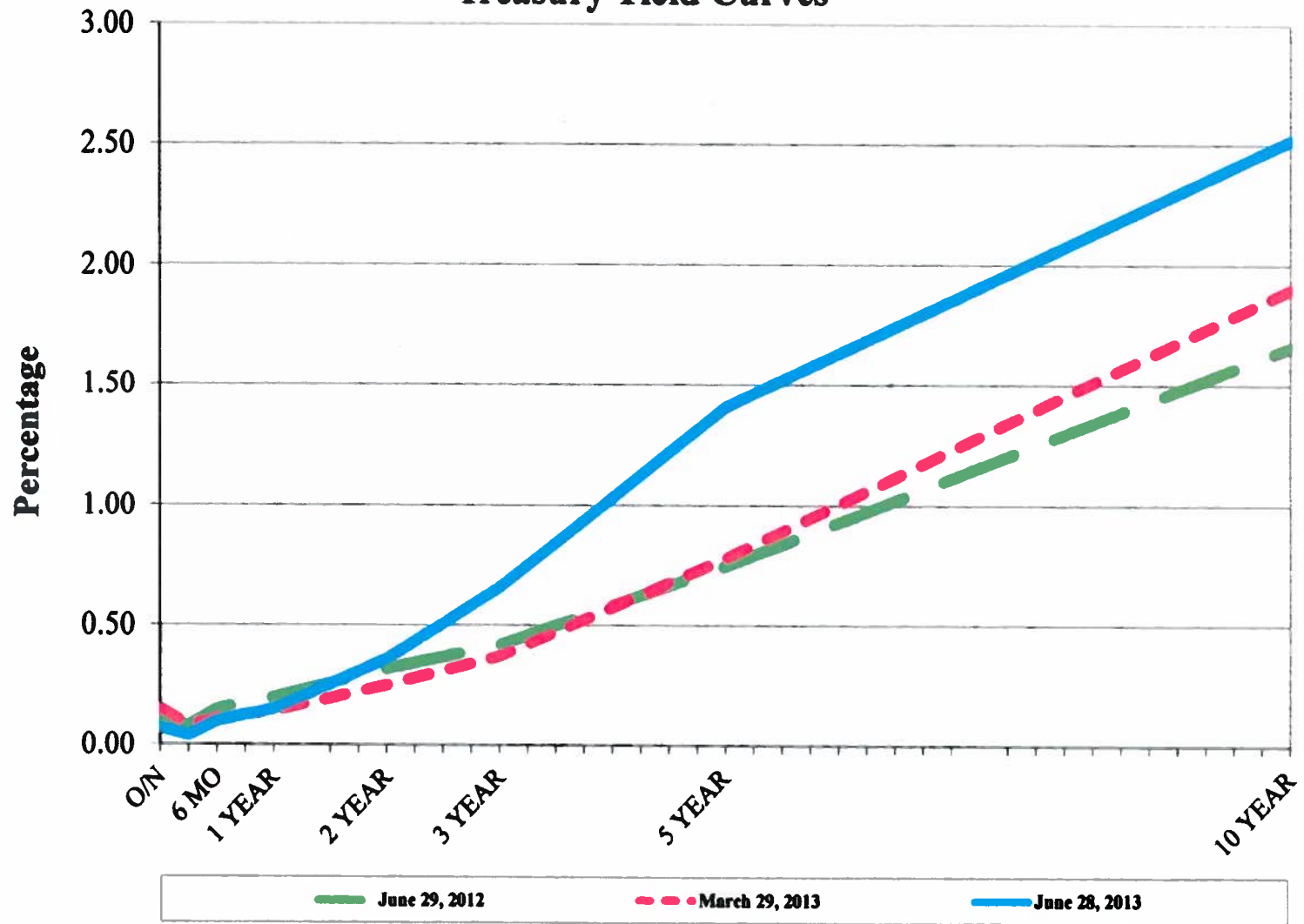
Average Yield (1)		Fiscal Year-to-Date Average Yield (2)	
Total Portfolio	0.37%	Total Portfolio	0.40%
Rolling Three Mo. Treas. Yield	0.05%	Rolling Three Mo. Treas. Yield	0.08%
Rolling Six Mo. Treas. Yield	0.10%	Rolling Six Mo. Treas. Yield	0.12%
		Quarterly TaxPool Yield	0.10%
Quarterly Interest Income	\$ 43,755		
Year-to-date Interest Income	\$ 128,376		

(1) Average Yield calculated using quarter end report yields and adjusted book values and does not reflect a total return analysis or account for advisory fees.

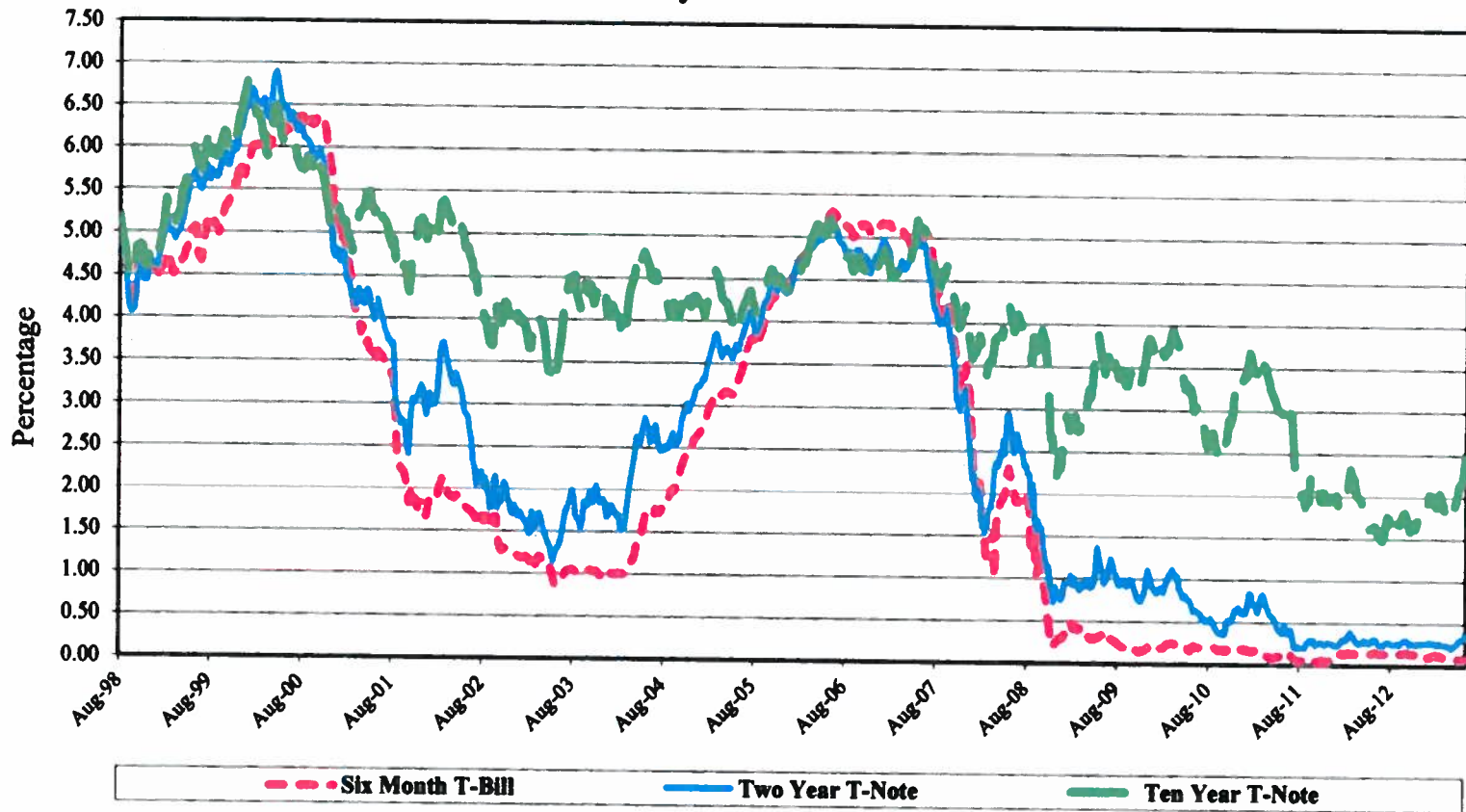
(2) Fiscal Year-to-Date Average Yields calculated using quarter end report yields and adjusted book values and does not reflect a total return analysis or account for advisory fees.

Valley View Consulting, L.L.C. currently provides advisory services to the City.

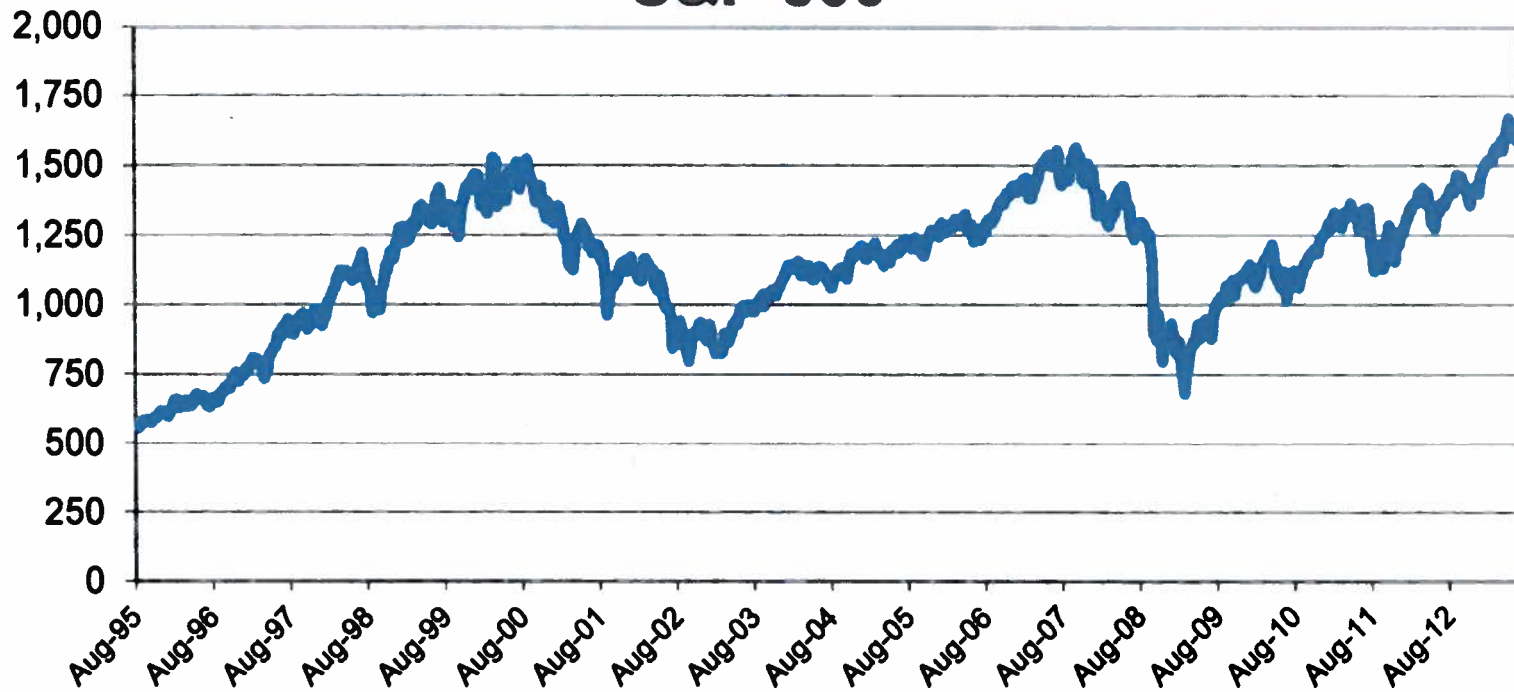
Treasury Yield Curves



US Treasury Historical Yields



S&P 500



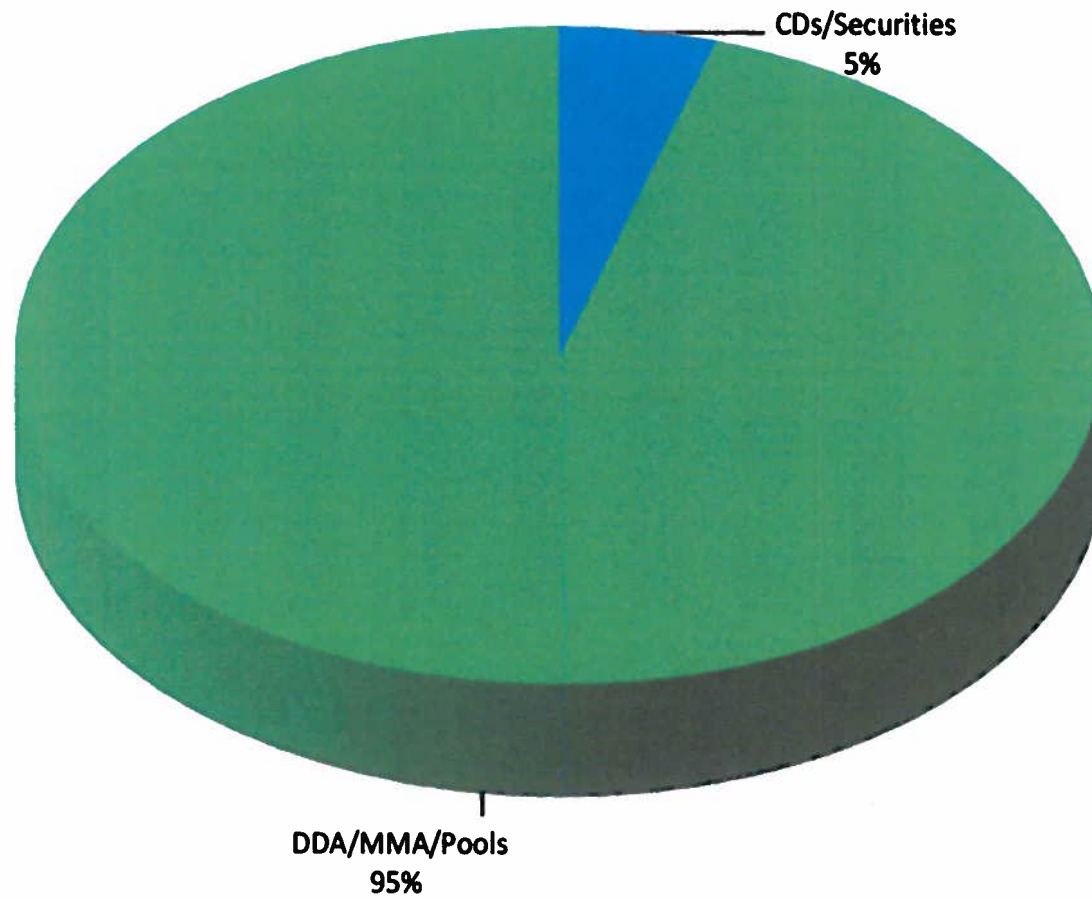
**Detail of Investment Holdings
June 30, 2013**

Description	Coupon/ Discount	Maturity Date	Settlement Date	Par Value	Book Value	Market Price	Market Value	Life (days)	Yield
Wells Fargo DDA	0.00%	07/01/13	08/30/13	\$ 426,017	\$ 426,017	1.00	\$ 426,017	1	0.00%
Guaranty Bond DDA	0.00%	07/01/13	08/30/13	350,575	350,575	1.00	350,575	1	0.00%
Wells Fargo MMA	0.43%	07/01/13	08/30/13	11,781,088	11,781,088	1.00	11,781,088	1	0.43%
Guaranty Bond MMA	0.43%	07/01/13	08/30/13	14,813,068	14,813,068	1.00	14,813,068	1	0.43%
Southside Bank MMA	0.21%	07/01/13	08/30/13	9,999,271	9,999,271	1.00	9,999,271	1	0.21%
Wells Fargo CD	0.34%	07/07/13	07/17/12	100,000	100,000	100.00	100,000	7	0.34%
Guaranty Bond CD	0.70%	08/01/13	08/01/12	448,342	448,342	100.00	448,342	32	0.70%
Commercial National Bank CD	0.40%	04/28/14	04/28/13	1,279,000	1,279,000	100.00	1,279,000	300	0.40%
				\$ 39,197,369	\$ 39,197,369		\$ 39,197,369	11	0.37%
								(1)	(2)

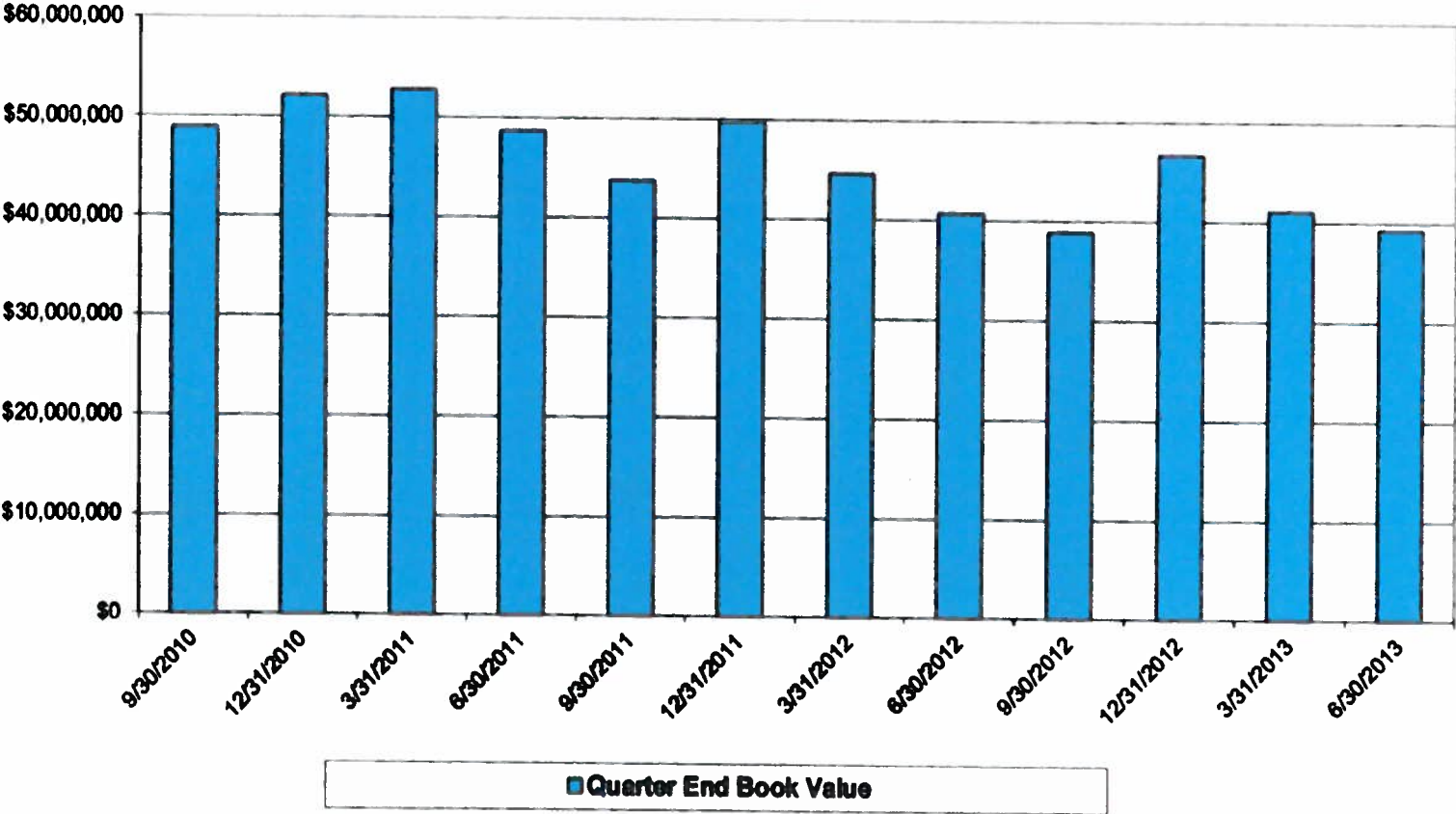
(1) Weighted average life - For purposes of calculating weighted average life, cash equivalent investments are assumed to have a one day maturity.

(2) Weighted average yield to maturity - The weighted average yield to maturity is based on adjusted book value, realized and unrealized gains/losses and investment advisory fees are not considered. The yield for the reporting month is used for cash equivalent investments.

Portfolio Composition



Total Portfolio



Book Value Comparison

Description	Coupon/ Discount	Maturity Date	March 31, 2013		Purchases/ Adjustments	Sales/Adjust/ Maturities	June 30, 2013	
			Par Value	Book Value			Par Value	Book Value
Wells Fargo DDA	0.00%	07/01/13	\$ 4,535,273	\$ 4,535,273	\$ -	\$ (4,109,256)	\$ 426,017	\$ 426,017
Guaranty Bond DDA	0.00%	07/01/13	2,362,718	2,362,718		(2,012,143)	350,575	350,575
Wells Fargo MMA	0.43%	07/01/13	19,578,249	19,578,249		(7,797,163)	11,781,086	11,781,086
Guaranty Bond MMA	0.43%	07/01/13	12,778,635	12,778,635		2,034,434	14,813,068	14,813,068
Southside Bank MMA	0.21%	07/01/13			9,999,271		9,999,271	9,999,271
Wells Fargo CD	0.19%	04/03/13	750,000	750,000		(750,000)		
Guaranty Bond CD	0.75%	04/06/13	506,041	506,041		(506,041)		
Wells Fargo CD	0.34%	07/07/13	100,000	100,000			100,000	100,000
Guaranty Bond CC	0.70%	08/01/13	447,578	447,578	764		448,342	448,342
Commercial National Bank CD	0.40%	04/26/14			1,279,000		1,279,000	1,279,000
TOTAL			\$ 41,058,493	\$ 41,058,493	\$ 11,279,035	\$ (13,140,170)	\$ 39,197,359	\$ 39,197,359

Market Value Comparison

Description	Coupon/ Discount	Maturity Date	March 31, 2013		Qtr to Qtr Change	June 30, 2013	
			Par Value	Market Value		Par Value	Market Value
Wells Fargo DDA	0.00%	07/01/13	\$ 4,535,273	\$ 4,535,273	\$ (4,109,256)	\$ 426,017	\$ 426,017
Guaranty Bond DDA	0.00%	07/01/13	2,362,718	2,362,718	(2,012,143)	350,575	350,575
Wells Fargo MMA	0.43%	07/01/13	19,578,249	19,578,249	(7,797,163)	11,781,086	11,781,086
Guaranty Bond MMA	0.43%	07/01/13	12,778,635	12,778,635	2,034,434	14,813,068	14,813,068
Southside Bank MMA	0.21%	07/01/13			9,999,271	9,999,271	9,999,271
Wells Fargo CD	0.19%	04/03/13	750,000	750,000	(750,000)		
Guaranty Bond CD	0.75%	04/06/13	506,041	506,041	(506,041)		
Wells Fargo CD	0.34%	07/07/13	100,000	100,000		100,000	100,000
Guaranty Bond CD	0.70%	08/01/13	447,578	447,578	764	448,342	448,342
Commercial National Bank CD	0.40%	04/28/14			1,279,000	1,279,000	1,279,000
TOTAL			\$ 41,068,493	\$ 41,068,483	\$ (1,861,136)	\$ 39,197,359	\$ 39,197,359

City Fund Allocation
Book & Market Value

June 30, 2013

Fund #	Fund Name	Total	Wells Fargo DDA	Wells Fargo MMA	Guaranty Bond DDA	Guaranty Bond MMA	Southside Bank MMA	CNB CD 4/28/13 - 4/13/14	Guaranty Bond Bank CD 8/1/12 - 8/1/13
101	GENERAL FUND - Pooled Cash	\$ 13,850,722	\$ 428,017	\$ 5,631,568	\$ -	\$ 7,293,139	\$ -	\$ 500,000	\$ -
101	GENERAL FUND	-							
101	GENERAL FUND	-							
102	NARCOTICS DIVISION OPERATIONS ACCT.	184,839				184,839			
103	PERSONNEL POLICY	-							
104	WORKER'S COMP	-							
105	PAYROLL DISBURSEMENT FUND	-							
106	A/P DISBURSEMENT FUND	-							
108	TUTD PAYROLL ACCOUNT	-							
109	GENERAL PROPERTY & LIAB	-							
110	BIC	-							
111	POLICE EVIDENCE ESCROW FUND	23,515				23,515			
113	ENERGY CONSERVATION REVOLVING LOAN ACCOUNT	21,635				21,635			
115	TECHNOLOGY FUND	-							
116	TIRZ #2	4,402				4,402			
202	POLICE DOG FUND	-							
204	HCD FUND	-							
209	HOME PROGRAM	-							
210	TEEN COURT	-							
211	THEATRE FUND	-							
212	HOTEL/MOTEL TAX FD	-							
213	PEROT THEATRE BLDG MAINT	500,000						500,000	
215	HOUSING FUND	-							
217	LAW ENFORCEMENT BLOCK GRANT	19,987				19,987			
219	LAW ENFORCEMENT PROGRAM	10,078				10,078			
220	METRO PLANNING ORG	-							
221	TEXARKANA URBAN TRANSIT	-							
223	ECONOMIC DEVELOPMENT	-							
224	JAG - RECOVERY ACT GRANTS	-							
225	EPA BROWNFIELD GRANT	-							
228	STORMWATER MANAGEMENT	-							
230	ROTARY SPLASH PARK FUND	-							
301	INTEREST & SINKING	-							
410	1988 BOND FUND	3				3			
415	2003 BOND FUND	645,850				645,850			
417	2005 BOND FUND	739,800				262,458		29,000	448,342
418	2008 TAX NOTE	-				-			
420	2009 BOND FUND	6,042,621				189,123		250,000	
421	2010 CONV CTR BOND FUND	7				7			
422	TIRZ BOND FUND	3,897,035				1,501,162		2,396,873	
501	HEALTH FUND	-							
502	PUBLIC LIBRARY	-							
503	PUBLIC HEALTH PERS POLICY	-							
509	HEALTH PROPERTY & LIAB	-							
601	DRUG ESCROW	35,826				35,826			
605	FEDERAL ASSET FORFEITURE	105,983				105,983			
701	EMPLOYEE BENEFIT	-							
702	BENEFIT PAYMENT	60,549				60,549			
702	BENEFIT PAYMENT	-							
703	FLEET SERVICES	-							
704	CAPITAL REPLACEMENT	-							
810	MEMBER CITY WATER REVENUE	-							
		\$ 28,142,713	\$ 428,017	\$ 5,631,568	\$ -	\$ 10,368,517	\$ 9,986,271	\$ 1,279,000	\$ 448,342

City Fund Allocation
Book & Market Value

March 31, 2013

Fund #	Fund Name	Total	Wells Fargo DDA	Wells Fargo MMA	Guaranty Bond DDA	Guaranty Bond MMA	Guaranty Bond Bank CD 4/8/12-4/8/13	Guaranty Bond Bank CD 8/1/12 - 8/1/13
101	GENERAL FUND	\$ 7,161,474	\$ -	\$ 7,058,479	\$ -	\$ 102,995	\$ -	\$ -
101	GENERAL FUND	2,237	-	-	-	2,237	-	-
101	GENERAL FUND	178,041	-	27,779	-	150,261	-	-
102	NARCOTICS DIVISION OPERATIONS AI	199,918	-	77	-	199,841	-	-
103	PERSONNEL POLICY	225,128	-	145	-	224,983	-	-
104	WORKER'S COMP	420,098	-	138	-	419,963	-	-
106	PAYROLL DISBURSEMENT FUND	182,154	137,188	-	44,967	-	-	-
108	A/P DISBURSEMENT FUND	261,855	261,855	-	-	-	-	-
108	TUTD PAYROLL ACCOUNT	1,107	1,107	-	-	-	-	-
109	GENERAL PROPERTY & LIAB	33,160	-	39	-	33,122	-	-
110	BIC	216	-	-	-	216	-	-
111	POLICE EVIDENCE ESCROW FUND	23,553	-	9	-	23,543	-	-
113	ENERGY CONSERVATION REVOLVING	19,164	-	6	-	19,157	-	-
115	TECHNOLOGY FUND	-	-	-	-	-	-	-
116	TIRZ #2	185,042	-	41	-	185,001	-	-
202	POLICE DOG FUND	-	-	-	-	-	-	-
204	HCD FUND	(116)	-	-	-	(116)	-	-
209	HOME PROGRAM	50,273	-	-	-	50,273	-	-
210	TEEN COURT	-	-	-	-	-	-	-
211	THEATRE FUND	95,460	-	55	-	95,405	-	-
212	HOTEL/MOTEL TAX FD	617,265	-	229	-	617,036	-	-
213	PEROT THEATRE BLDG MAINT	725,574	-	293	-	725,281	-	-
215	HOUSING FUND	13,787	-	-	-	13,787	-	-
217	LAW ENFORCEMENT BLOCK GRANT	39,448	-	39,446	-	2	-	-
219	LAW ENFORCEMENT PROGRAM	10,070	-	4	-	10,066	-	-
220	METRO PLANNING ORG	74,507	-	52,725	-	21,782	-	-
221	TEXARKANA URBAN TRANSIT	165,626	-	66	-	165,562	-	-
223	ECONOMIC DEVELOPMENT	1,773,125	-	493	-	1,298,691	508,041	-
224	JAG - RECOVERY ACT GRANTS	-	-	-	-	-	-	-
225	EPA BROWNFIELD GRANT	-	-	-	-	-	-	-
226	STORMWATER MANAGEMENT	-	-	-	-	-	-	-
230	ROTARY SPLASH PARK FUND	-	-	-	-	-	-	-
301	INTEREST & SINKING	71,079	-	1,388	-	69,691	-	-
410	1998 BOND FUND	3	-	-	-	3	-	-
415	2003 BOND FUND	688,135	-	279	-	688,856	-	-
417	2005 BOND FUND	731,158	-	115	-	283,464	-	447,578
418	2008 TAX NOTE	-	-	-	-	-	-	-
420	2009 BOND FUND	8,477,114	-	7,597,893	-	879,222	-	-
421	2010 CONV CTR BOND FUND	7	-	-	-	7	-	-
422	TIRZ BOND FUND	3,950,078	-	2,999,997	-	950,081	-	-
501	HEALTH FUND	133,283	-	61,703	-	61,580	-	-
502	PUBLIC LIBRARY	25,255	-	10	-	25,245	-	-
503	PUBLIC HEALTH PERS POLICY	-	-	-	-	-	-	-
509	HEALTH PROPERTY & LIAB	-	-	-	-	-	-	-
601	DRUG ESCROW	27,042	-	14	-	27,027	-	-
605	FEDERAL ASSET FORFEITURE	4,631	-	1,055	-	3,586	-	-
701	EMPLOYEE BENEFIT	1,924,911	-	769	-	1,924,142	-	-
702	BENEFIT PAYMENT	104,604	-	104,604	-	-	-	-
702	BENEFIT PAYMENT	-	-	-	0.04	-	-	-
703	FLEET SERVICES	70,435	-	-	-	70,435	-	-
704	CAPITAL REPLACEMENT	1,012,737	-	397	-	1,012,340	-	-
810	MEMBER CITY WATER REVENUE	124,539	-	27	-	124,511	-	-
		\$ 29,894,187	\$ 480,128	\$ 17,585,695	\$ 44,967	\$ 16,437,337	\$ 508,041	\$ 447,578

**Water Fund Allocation
June 30, 2013**

Book & Market Value	Total	Revenue	Customer Loan	Water Plant Construction	Technology	2004 Bond	2004 Construction	2005 Bond
Wells Fargo DDA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Wells Fargo MMA	6,149,520	669,338					3	
Guaranty Bond DDA	350,575				350,575			
Guaranty Bond MMA	4,454,551	309,773	39,541	45	3,076	26,991	3,494	115,476
07/07/13	100,000							
	\$ 11,054,646	\$ 979,111	\$ 39,541	\$ 45	\$ 353,651	\$ 26,991	\$ 3,496	\$ 115,476

**Water Fund Allocation
June 30, 2013**

Book & Market Value	LTWSC Capital Improvement	Capital Improvement	Compost	Customer Deposit	Equipment Acquisition	Infrastructure	Personnel
Wells Fargo DDA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Wells Fargo MMA	569,780	786,042	309,420	256,792	644,810	1,262,637	87,978
Guaranty Bond DDA							
Guaranty Bond MMA	810,223		113,861	429,876	191,596	568,326	79,407
07/07/13				100,000			
	\$ 1,380,003	\$ 786,042	\$ 423,281	\$ 786,668	\$ 836,406	\$ 1,830,964	\$ 167,385

**Water Fund Allocation
March 31, 2013**

Book & Market Value	Total	Disbursement Fund	Payroll Fund	Revenue	Customer Loan	Water Plant Construction	Technology	1996-B Bond
Wells Fargo DDA	\$ 4,135,145	\$ 3,192	\$ -	\$ -	\$ -		\$ 350,182	\$ -
Wells Fargo MMA	1,610,164			602,919				
Guaranty Bond DDA	2,317,731	33,927	471,968		39,175	45	50,452	
Guaranty Bond MMA	2,341,298			561,149				
04/03/13	750,000			200,000				
07/07/13	100,000							
	\$ 11,284,337	\$ 37,119	\$ 471,968	\$ 1,364,068	\$ 39,175	\$ 45	\$ 400,634	\$ -

**Water Fund Allocation
March 31, 2013**

Book & Market Value	1998-B Construction	2002 Bond	2004 Bond	2004 Construction	2005 Bond	LTWSC Capital Improvement	Capital Improvement
Wells Fargo DDA	\$ -	\$ -	\$ -	\$ 3	\$ -	\$ 569,141	\$ 785,162
Wells Fargo MMA							
Guaranty Bond DDA				3,491		465,857	110,028
Guaranty Bond MMA			26,971		15,858		
04/03/13							
07/07/13							
	\$ -	\$ -	\$ 26,971	\$ 3,494	\$ 15,858	\$ 1,034,998	\$ 895,190

**Water Fund Allocation
March 31, 2013**

Book & Market Value	Compost	Customer Deposit	Equipment Acquisition	Infrastructure	Personnel	Reserve	WWTP Depreciation
Wells Fargo DDA	\$ 309,073	\$ 258,504	\$ 443,902	\$ 1,029,952	\$ 87,879	\$ -	\$ 300,155
Wells Fargo MMA							
Guaranty Bond DDA	39,411	408,595	58,353	527,905	79,262		31,281
Guaranty Bond MMA						696,526	
04/03/13			200,000	200,000			150,000
07/07/13		100,000					
	\$ 348,484	\$ 763,099	\$ 702,256	\$ 1,757,857	\$ 167,142	\$ 696,526	\$ 481,416

**Water Fund Allocation
March 31, 2013**

Book & Market Value	Waggoner Creek CIP
Wells Fargo DDA	\$ -
Wells Fargo MMA	1,007,244
Guaranty Bond DDA	
Guaranty Bond MMA	1,040,793
04/03/13	
07/07/13	
	<u><u>\$ 2,048,037</u></u>

Collateral Position

June 30, 2013

	06/30/13 Wells Fargo - City	06/27/13 Guaranty Bond - City	Wells Fargo - Water	Guaranty Bond - Water	Southside Bank	Commercial National Bank
Collateral Value	\$ 9,227,244	\$ 11,853,733	\$ 7,135,099	\$ 4,885,171	\$ 10,607,623	\$ 1,361,139
+ FDIC Insurance	250,000	250,000	250,000	250,000	250,000	250,000
Total Enhancement	\$ 9,477,244	\$ 12,103,733	\$ 7,385,099	\$ 5,135,171	\$ 10,857,623	\$ 1,611,139
Total Deposits	\$ 5,807,583	\$ 11,844,647	\$ 6,149,620	\$ 4,920,076	\$ 9,999,271	\$ 1,279,000
Excess Coverage	\$ 3,669,661	\$ 259,086	\$ 1,235,479	\$ 215,095	\$ 858,352	\$ 332,139
Percentage Coverage	163%	102%	120%	104%	109%	126%
Collateral Type:						
	Treasuries					
	Agency Bullets					
	Agency Callable					
	Munis					
	Mortgage Backed Securities	\$ 9,227,244	\$ 11,853,733	\$ 7,135,099	\$ 4,885,171	
Real Estate Mortgage Investment Conduits/ Collateralized Mortgage Obligations (2)					\$ 10,607,623	\$ 1,361,139

(2) The Public Funds Collateral Act requires all REMIC/CMOs to have an expected weighted average life of 10 years or less and not constitute a high-risk security as determined by a 300 basis point market movement stress test.

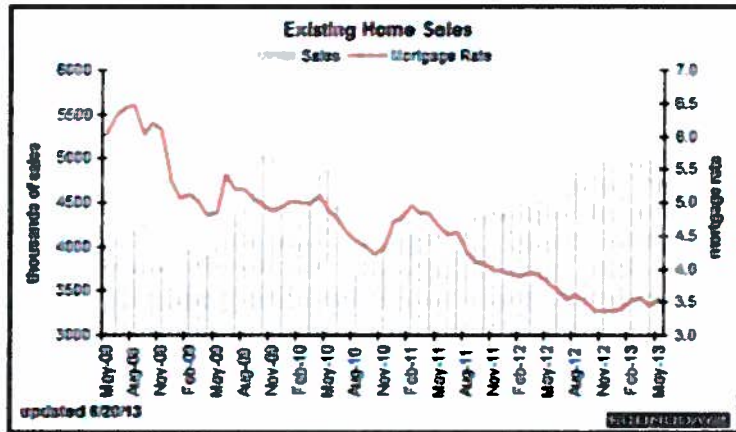


Market Outlook July 5, 2013

June was another extremely volatile month for the markets as they reacted to more comments from the Fed regarding the wind-down of some stimulus activities. Many of the indicators were positive and that raised even more concerns about the Fed's desire to continue to stimulate. One significant stumbling block was the very unexpected revision to first quarter GDP, which sent the markets into disarray. The Stock Market experienced a significant sell-off and bond yields rose in the two-year and longer maturities.

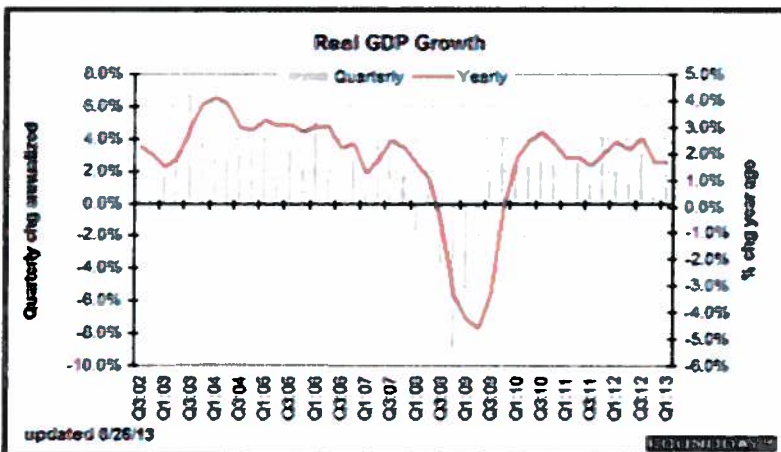
The U.S. Housing Sector remains on a solid uptrend with most indicators suggesting a robust recovery.

The wild card for continued growth is rising mortgage rates and the pace of those increases over the next months/years. Existing Home Sales rose 4.2% in May, but the supply of available homes for sale declined to 5.1 months from April's 5.2-month supply. The average price of the Existing Homes sold rose 8.4% during May, and is up 11.2% from the same period in 2012. New Home Sales rose 2.1% in May and the previous two months' reports were adjusted upward. Year-over-year, New Home prices rose 10.3%. Supply of new homes is severely constrained at only 4.1 months



supply. Housing Starts and Permits are 28% and 20% higher, respectively, suggesting that homebuilders are trying to take advantage of dwindling supply. All reporting sources (S&P Case-Shiller, FHFA and the National Association of Realtors) showed continued improvement in home values nationwide.

The production side of the economy, as reported during May, threw some ice water on the notion that the economy is on solid ground. The final report for Gross Domestic Product (GDP) for the first quarter adjusted the previously reported 2.4% significantly lower to 1.8%. This report adjustment was primarily

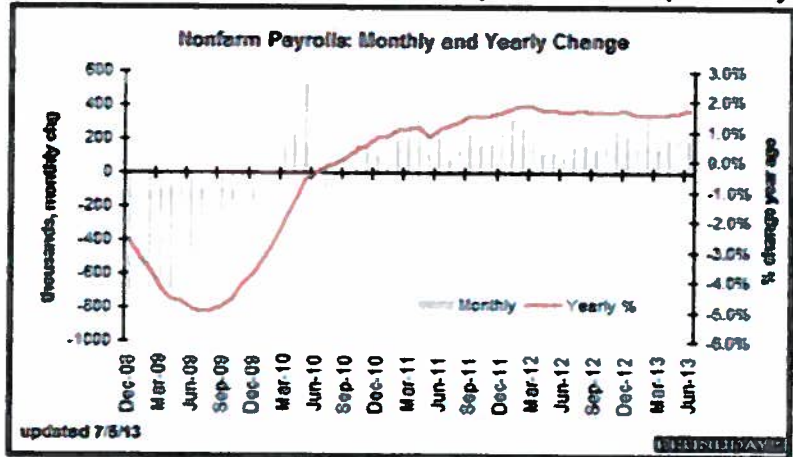


driven by a decline in personal consumption, meaning that the consumer has started to close their wallets. Other economic releases seemed to indicate that businesses are reacting to this weakness. Business Inventories in April rose only moderately, showing that weak sales may be encouraging businesses to work down their inventories. Industrial Production was flat in May and Durable Goods Orders rose only modestly. Purchasing Managers in the Manufacturing sector showed a minimal increase in their outlook, but the Service sector managers were less optimistic than last month. The Producer Price Index rose 0.5% in May after falling 0.7% in April and the Consumer Price Index rose 0.1% after a 0.4% decline in April.

On the consumption side of the economic equation, there were conflicting reports. Retail Sales rose 0.6% in May after rising 0.1% in April. The decline in gas prices and automobile sales represented about 50% of the Retail Sales results. The mood of the consumer, as measured by the Consumer Confidence improved, but the Consumer Sentiment survey indicated that their survey respondents were slightly less positive.

The June Employment report was a positive surprise, adding 195,000 jobs compared to the market expectations of +161,000. Revisions to the reports issued for April and May added more optimism by

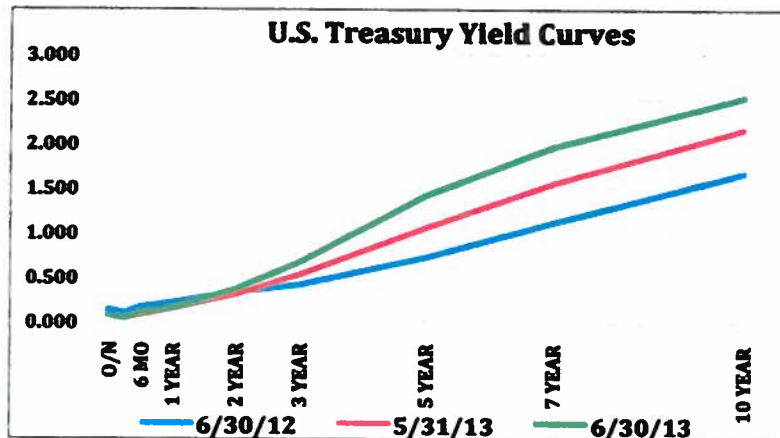
adding a net 70,000 jobs from previously reported results (May revised to +195,000 from the previous report of +175,000 and April revised to +199,000 from the previously reported +149,000). The private sector continues to show growth trends, adding 202,000 jobs, but the government sector remains in its negative trend, losing 7,000 jobs. The Unemployment Rate held steady at 7.6% in June. We are in the thirty-second straight month of job creation. We now have three months of reports flirting with the 200,000-job



creation number, but still need to see 250,000 each month to consider it a normal recovery.

The Federal Open Markets Committee added to the market volatility following their meeting on June 18 to 19 when they announced that they may end the stimulus tool known as quantitative easing three (QE3) as early as mid-2014. Between now and mid-2014 they intend to taper QE3 purchases, but did not mention any fixed reduction plan. This signaled to the market that the Fed is beginning to consider withdrawing the easing programs that have provided considerable fuel to the recovery. Withdrawal of their programs will ultimately result in higher interest rates, and the market reacted by selling equity positions to realize current gains. This caused the stock markets to fall significantly due to massive sells. The fixed income markets reacted and pushed rates higher for maturities beyond 2 years. By month end, the markets had reversed some of the initial moves, but the event cast more concerns into the minds of the average consumer about placing any confidence in investment stability.

Current Government Security Investment Pool rates during June remained in the 0.04% to 0.07% range. Certificates of Deposit rates are currently around 0.30% to 0.40% for one-year collateralized positions. CDs still represent the best value for public fund investors. U.S. Agency offerings are coming closer to competing with CDs, but mostly for callable structures. Strategy for public funds should continue to favor CDs. In some portfolios, municipal issues have been able to enhance return, but generally for longer-term maturity strategies.



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