



OKLAHOMA State Treasurer Todd Russ



Investment Report November 2023

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

November portfolio yielded 2.97% with a weighted average maturity of 985 days.

Total portfolio market value of \$15.6 billion, up \$1.9 billion in comparison to November 2022.

Total portfolio contained **65% in U.S. Treasurys, approximately 9% in U.S. government agencies, 17% 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 **\$12,159,429,223**. State Agency balances in OK Invest of **\$3,517,694,408**, for a total of **\$15,677,123,631**.

MARKET CONDITIONS The treasury market ended the month at levels lower in yield than in October. All tenors reflected declines with the 10-year treasury being 0.60% lower and earning 4.33%. The 2-year was at 4.68% and the 30-year posted 4.50%.

	S&P	Dow	Nasdaq
For the month	8.9%	8.8%	10.7%
For the year	19%	8.4%	36%

The S&P 500 broke records in November, having one of its best performances since it's rebound in 2020, earning 8.9%. On a year-over-year basis the S&P was up 19% and according to Bloomberg News "snapped a three-month losing streak as investors looked past the possibility of a recession, geopolitical turmoil and souring borrowing costs". Meanwhile, the Dow Jones & Nasdaq were both positive for the month at 8.8% and 10.7% respectively. On an annualized basis the Dow earned 8.4% and the Nasdaq yielded a healthy 36%.

The Federal Reserve voted unanimously to leave the overnight federal funds rate unchanged at the target range of 5.25%-5.50% which continued to reflect a 22-year high. Minutes from the meeting said "all participants judged that it would be appropriate for policy to remain at a restrictive stance for some time until inflation is clearly moving down sustainably toward the Committee's objective".

According to Reuters, "Slowing demand has raised optimism that the U.S. central bank is probably done raising interest rates this cycle, with financial markets even anticipating a rate cut in mid-2024".

ECONOMIC DEVELOPMENTS The number of jobs created in October reflected the lowest gain since June coming in at 150,000. The unemployment increased from 3.8% to 3.9% and gained a half-point since April. The Labor Department said strikes in the automobile, transportation, warehousing and information industries accounted for 54,000 fewer workers. Meanwhile, the payroll numbers for August and September were revised lower by a total of 101,000.

The Wall Street Journal said, “employers are pulling back in light of high interest rates, persistent inflation and wars in Europe and the Middle East”.

The Commerce Department reported the consumer price index (CPI) for October came in lower than expected, being flat from the previous month. On a year-over-year basis, CPI was 3.2% in comparison to 3.7% in September. Annualized core CPI was at 4%, being the smallest increase since September 2021. Producer prices also defied market expectations falling 0.5% month-over-month, reflecting the highest drop since April 2020.

Wall Street Journal reported, “The combination of ebbing income growth, high interest rates and prices, dwindling pandemic savings and the resumption of student-loan payments is eroding Americans’ ability to keep boosting their spending as briskly as they did through the summer”.

Retail sales dropped in October by 0.1%, after posting three of months of gains, and the September sales number was upwardly revised by 0.2% to 0.9%. Core retail sales, which excludes automobiles, gasoline, building materials and food services, increased 0.2% and was upwardly revised in September to 0.7% from 0.6%.

Reuters reported, “some of the dip in retail sales was payback after the recent streak of strong growth, it was also a sign that consumers are feeling the heat from higher borrowing costs, with most lower-income families relying on credit cards to fund purchases after exhausting excess savings accumulated during the Covid-19 pandemic”.

The National Association of Realtors said existing home sales continued a downward trajectory, falling 4.1% over the previous month. On a year-over-year basis, existing home sales declined 14.6% and the seasonally adjusted annual rate was 3.79 million. Prices continued to be elevated with the national median existing-home price for all housing types at \$391,800 reflecting an annual gain of 3.4%.

The National Association of Realtors reported, “October’s inventory of unsold listings as of the end of the month was up 1.8% from last month, standing at 1,150,000 homes for sale. Compared with October 2022, inventory levels were down by 5.7%”.

The second estimate for the third quarter gross domestic product (GDP) was upwardly revised to 5.2% from 4.9% seasonally adjusted annual rate. The Bureau of Economic Analysis (BEA) reported that the higher estimate was due to “upward revisions to nonresidential fixed investment and state and local government spending”.

According to Wells Fargo, the “personal consumption component was slower than estimates at 3.6% compared to a 4.0% economic consensus and 4.0% advance estimate, but the overall growth in output exceeded expectations and is the highest annual GDP rate since the end of 2021 and more than double the readings in Q2 and Q3 of 2023, whereby GDP growth was 2.1% and 2.2%, respectively”.

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