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City of Aurora

Investment management quarterly report

July 2019

Part of  BNY MELLON



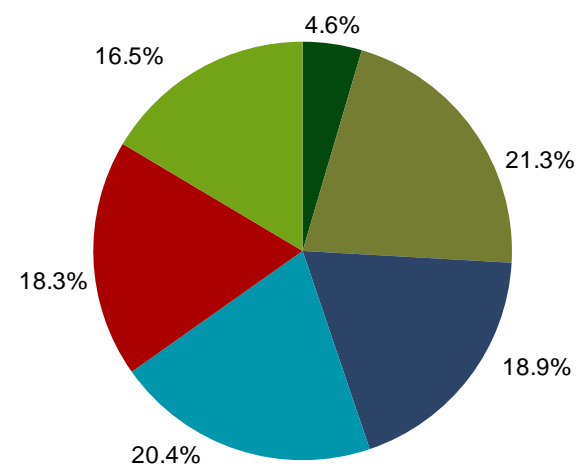
2Q 2019 market commentary

- **The global trade war erupted once again.** With US-China talks reaching an impasse, on May 10th the US raised tariffs to 25% from 10% on \$200bn of Chinese goods. President Trump then shook markets with a surprise announcement of a new tariff program on \$350bn of Mexican goods, although Mexico was able to quickly de-escalate the standoff, concerns about the volatile rhetoric on trade compounded global growth concerns
- **Bond markets continued the rally that began in Q1:** Over the quarter the aggregate value of outstanding debt which trades with a negative yield accelerated sharply, reaching a new high of \$13 trillion. In a world of negative yields, US Treasury yields were sucked downwards and 10-year Treasury yields moved back to levels last seen in 2017. 2-year Treasury yields dropped by 51bp, 10-year yields dropped by 40bp and 30-year yields dropped by 29bp
- **Central bank policy supportive for credit:** With markets expecting the Fed to embark on an easing cycle, investors appear to favor carry trades in search for yield, which should underpin credit markets. Corporate spreads tightened, with the Bloomberg Barclays Intermediate Corporate Index spread contracting from 119bp to 115bp and the Bloomberg Barclays Long Corporate Index spread contracting from 173bp to 160bp
- **Risk assets continued to rally:** The prospect of easier monetary policy saw equity markets reach new highs while volatility as measured by the VIX index remained low
- **Risks include:**
 - Protectionism escalates to a point where it has a severe impact on the global growth outlook
 - Inflationary pressures unexpectedly turn upwards, forcing the Fed to abruptly change position again
 - Fears of increasing US Treasury supply lead to a disorderly upward shift in yields

Market environment and strategies

Asset allocation

Investment type	Par value	Final maturity	Allocation
Cash and Equivalents	26,735,958	1	4.6%
Domestic Corporate Bonds	125,005,000	408	21.3%
International Corporate Bonds	110,775,000	548	18.9%
Government Agencies	119,500,000	671	20.4%
Treasury Bonds	107,500,000	520	18.3%
Municipal Bonds	96,400,000	606	16.5%
Total	585,915,958	523	100.0%

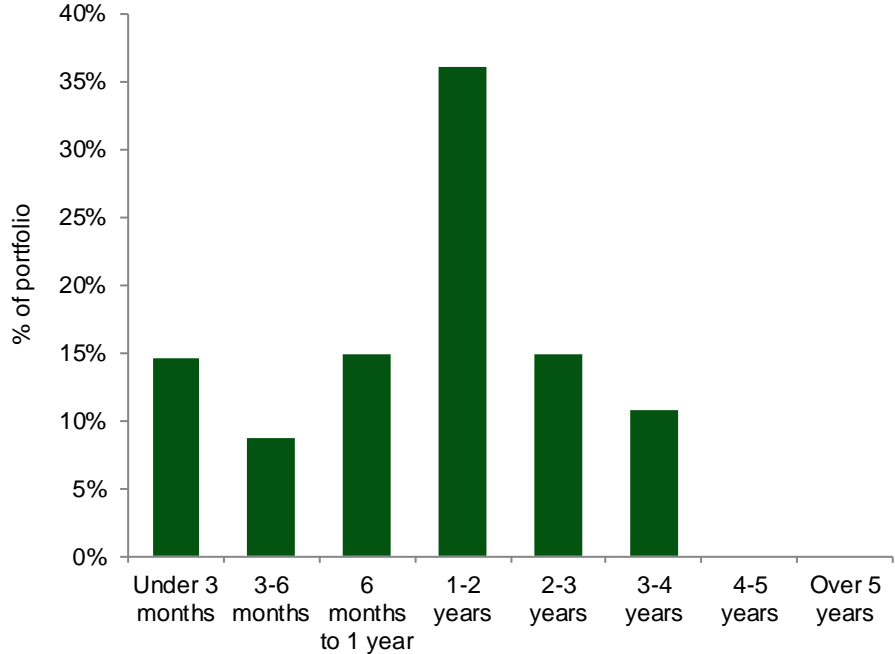


- Cash and Equivalents
- Domestic Corporate Bonds
- International Corporate Bonds
- Government Agencies
- Treasury Bonds
- Municipal Bonds

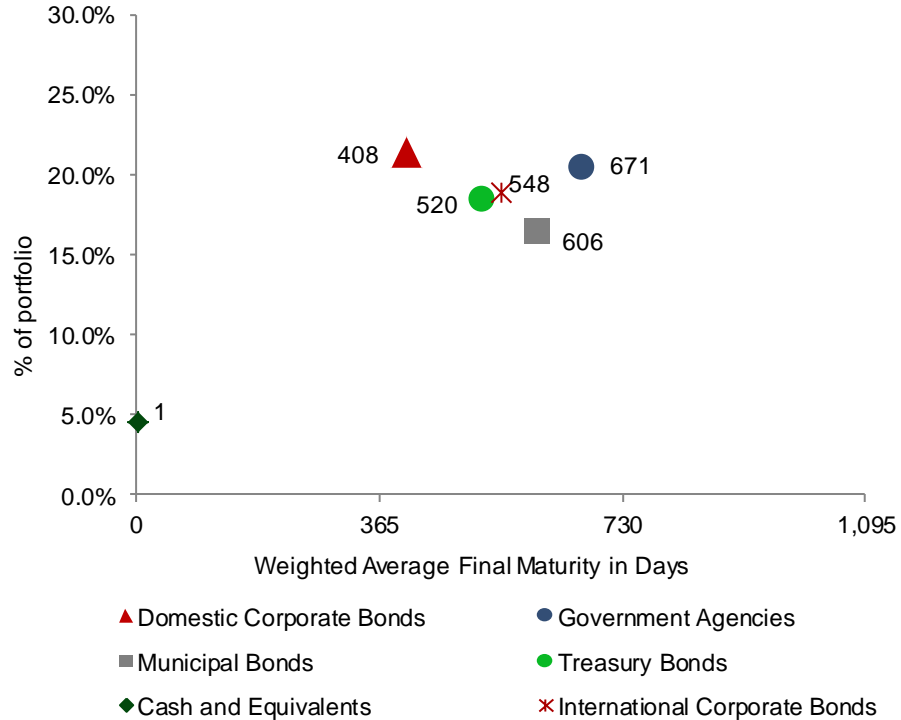
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Market environment and strategies

Maturity distribution



Maturity allocation map



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