

Carson City

Economic and Market Update & Investment Program Discussion

FHN Financial Main Street Advisors

Provide Investment Management and Consulting to States and Local Governments -- \$70 Billion of Assets

Parent Company is First Horizon National – Founded in 1864 and is One of the Largest 50 Banks in the U.S.

Rick Phillips

- **Investment Officer, City of Las Vegas: 1989 – 1998**
- **Chief Investment Officer, Clark County: 1998 – 2005**
- **President, FHN Main Street: 2005 to Present**

Forecasting the Markets/Economy



"The only function of economic (and interest rate) forecasting is to make astrology look respectable."

John Kenneth Galbraith, Economist



"The Federal Reserve is currently not forecasting a recession."

Ben Bernanke (former Fed Chair), January 10, 2008



"Our ability to forecast is limited".

Alan Greenspan (former Fed Chair) November 2019

Discussion Themes:

- Economic Activity Shifting to a Lower Gear (Maybe 5th to 2nd)
- Employment Gains Face a Tougher Road Ahead
- Flu Season is Coming...We Will See a Second COVID Wave/Ripple?
- “Lowflation” or “Highflation” Ahead?
- The Fed’s New Inflation Strategy is Not Good the City’s Investments
- Trump’s Nov 3rd “Win”, “Post Election Day Chaos”

United States		Browse	Private	Official	Actual / Forecasts							Probability of Recession	50.0%
Indicator	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22			
Economic Activity													
Real GDP (YoY%)	2.3	0.3	-9.1	-4.5	-3.9	-1.7	8.9	4.3	3.8	3.3			
Real GDP (QoQ% SAAR)	2.4	-5.0	-31.7	24.8	5.0	4.0	4.0	3.3	3.2	2.8			
Industrial Production (Yo...)	-0.7	-1.9	-14.4	-7.3	-5.2	-2.0	11.1	6.1	4.0	3.4			
Price Indices													
CPI (YoY%)	2.1	2.1	0.3	1.1	1.0	1.3	2.4	1.9	2.0	2.0			

Source: FHN Main Street, Bloomberg,

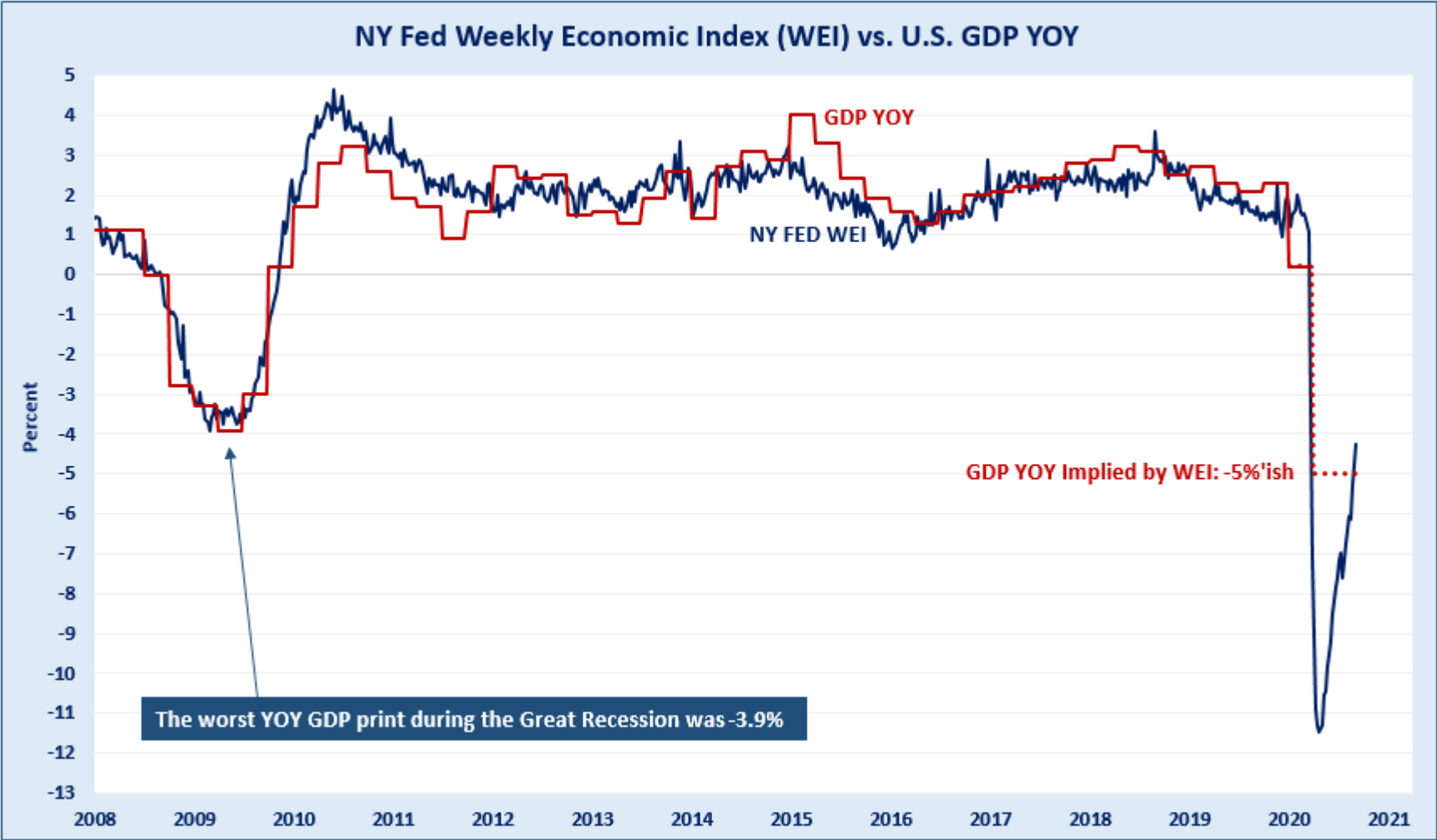
WSJ WSJ Central Banks 
@WSJCentralBanks

Why the Federal Reserve’s new strategy is good news if you’re planning to buy a home, looking for work or hold stocks



Job Seekers, Homebuyers, Stock Investors Are Expected to Benefit From...
wsj.com

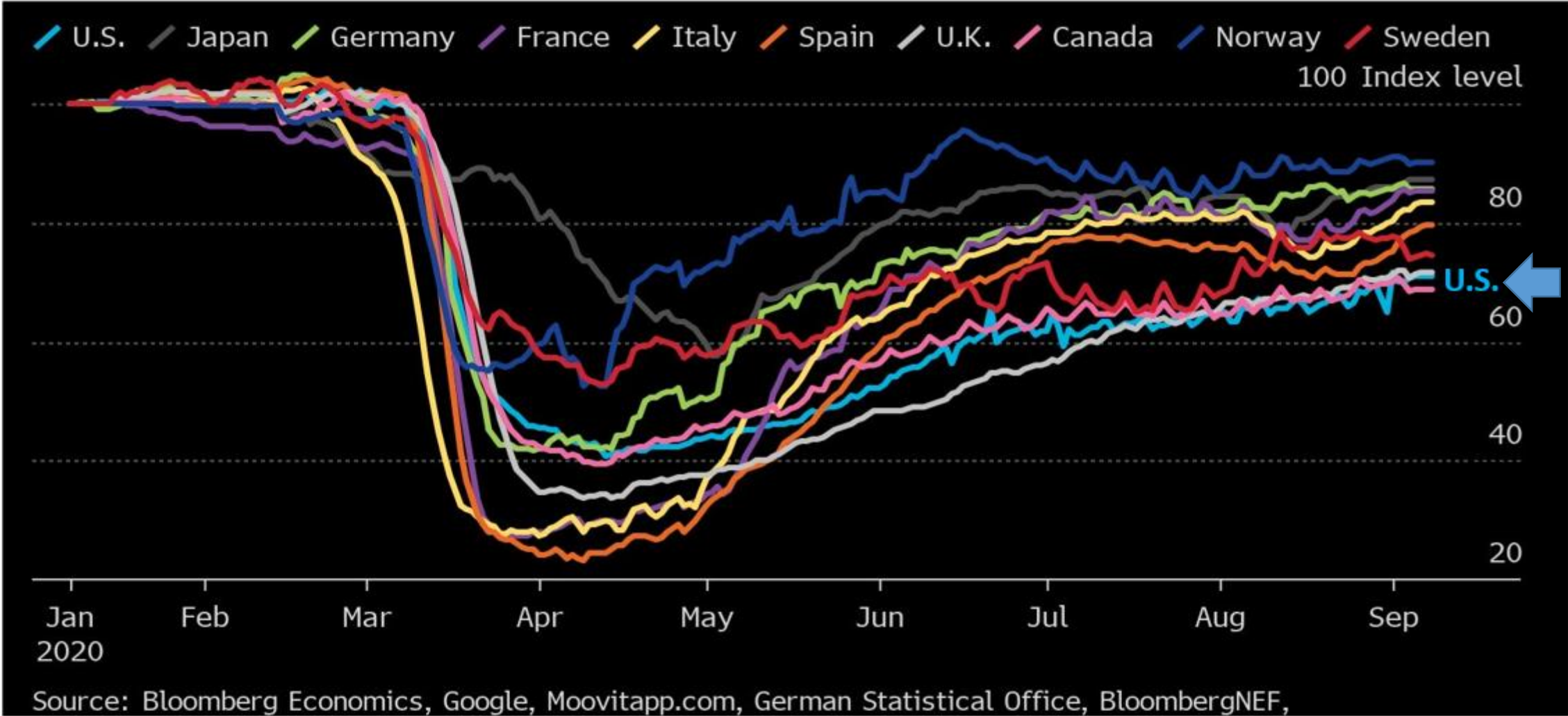
Economic Activity Shifting to a Slightly Lower Gear



THE WALL STREET JOURNAL.
[Hopes Fade for Second Round of Stimulus Checks, Federal Jobless Aid](#)

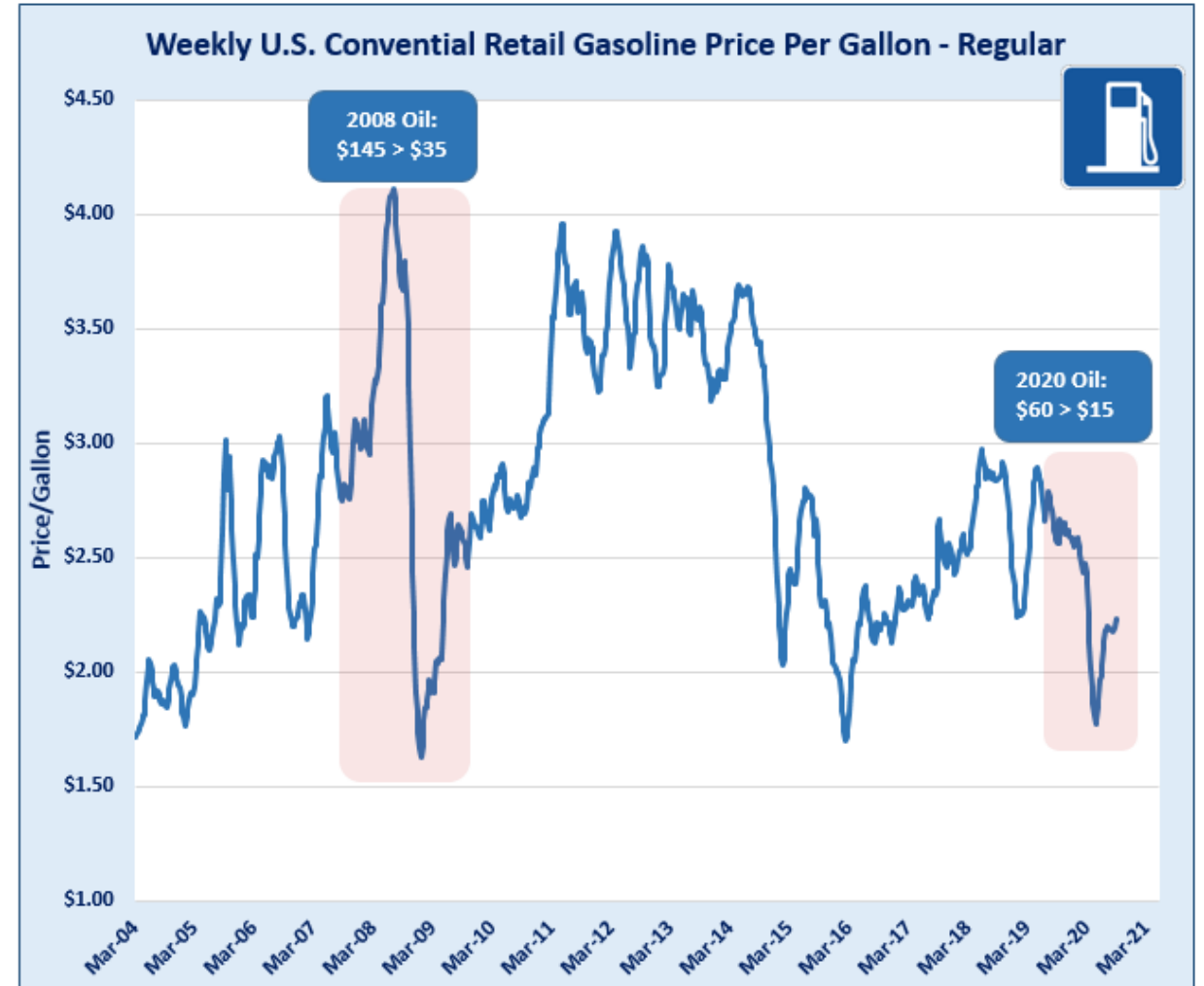
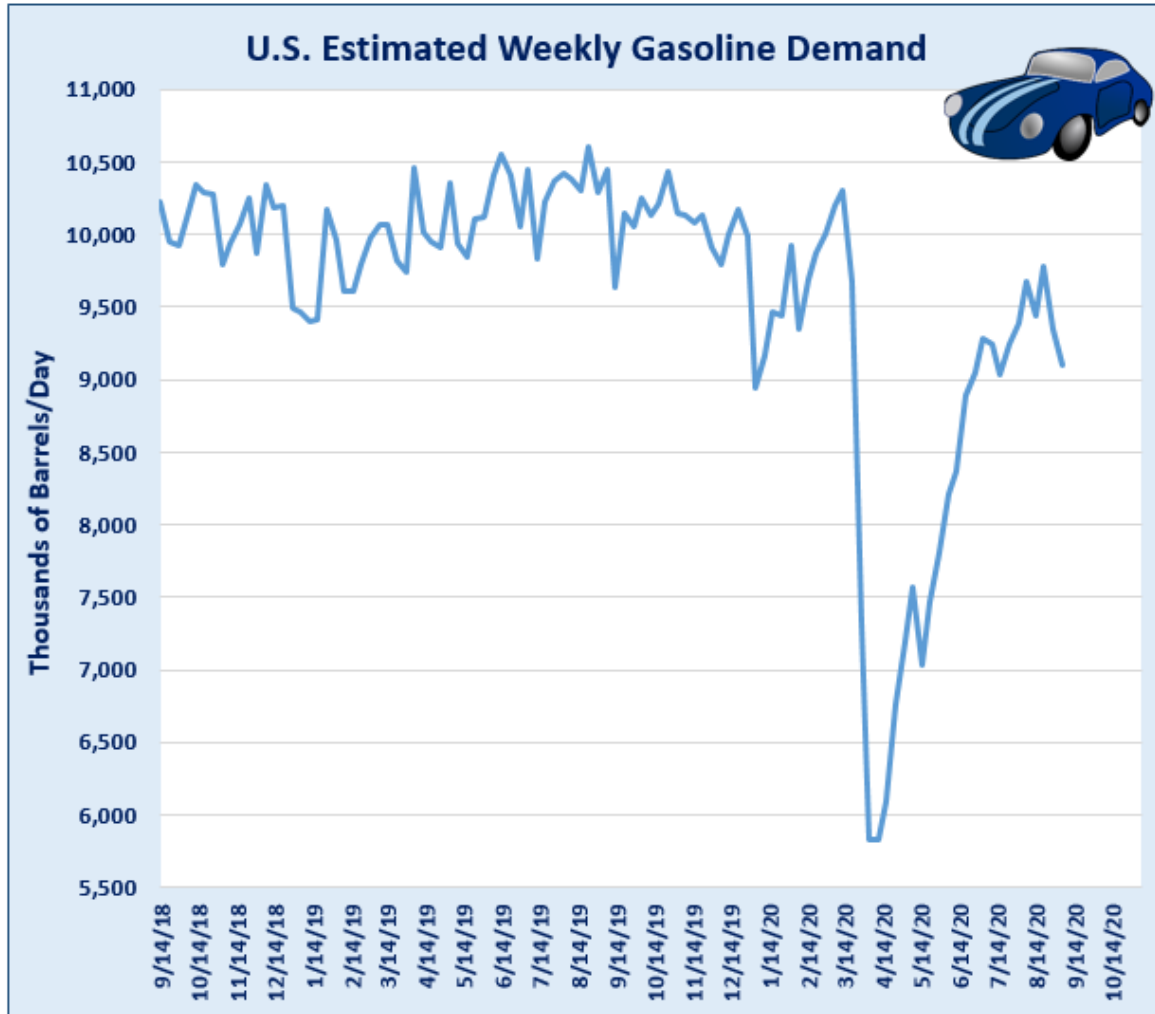
Source: Bloomberg, WSJ

U.S. Consumer Activity Lagging the Developed World



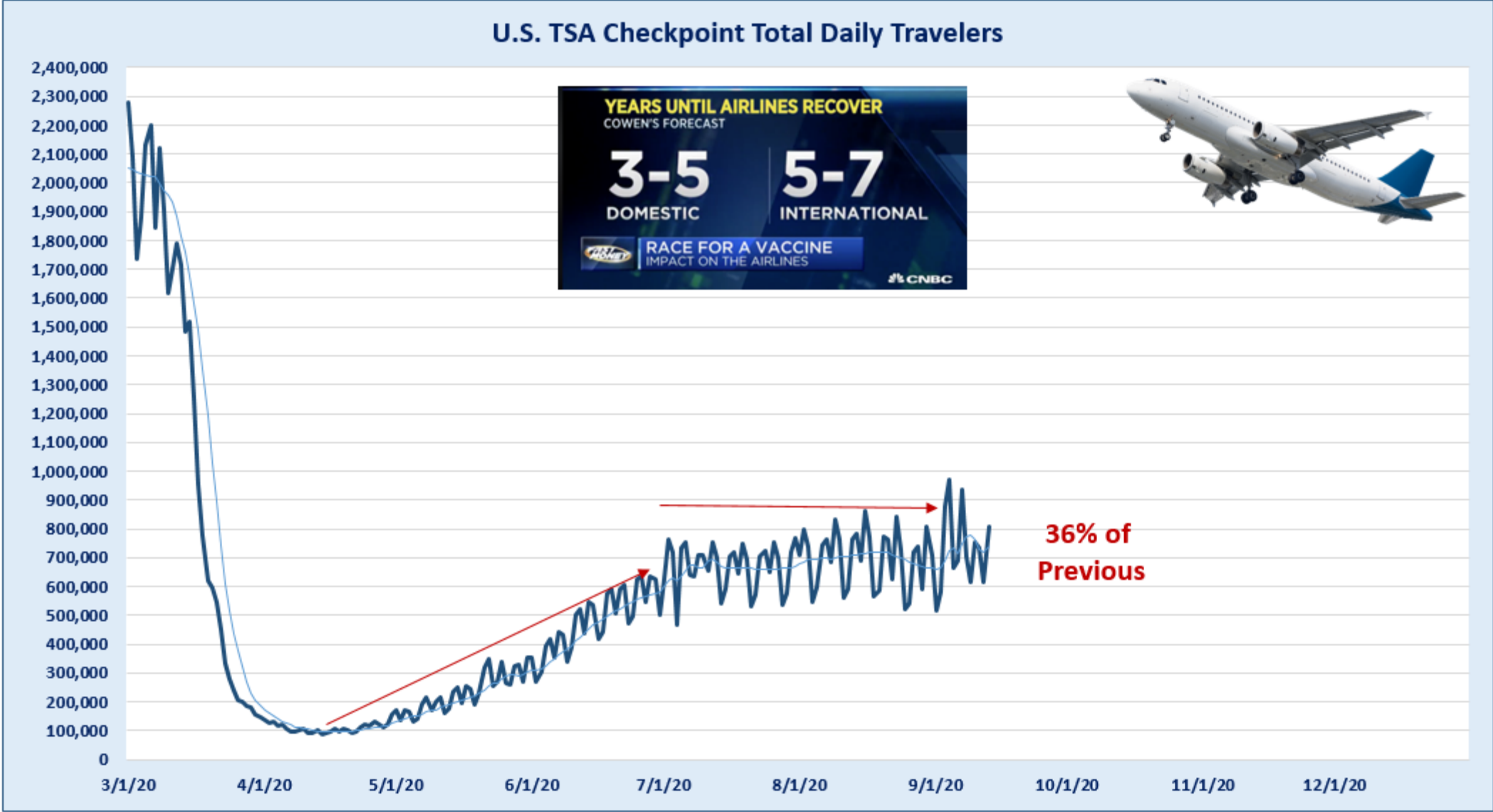
Source: Bloomberg, Steve Matthews

Driving Has Rebounded Well



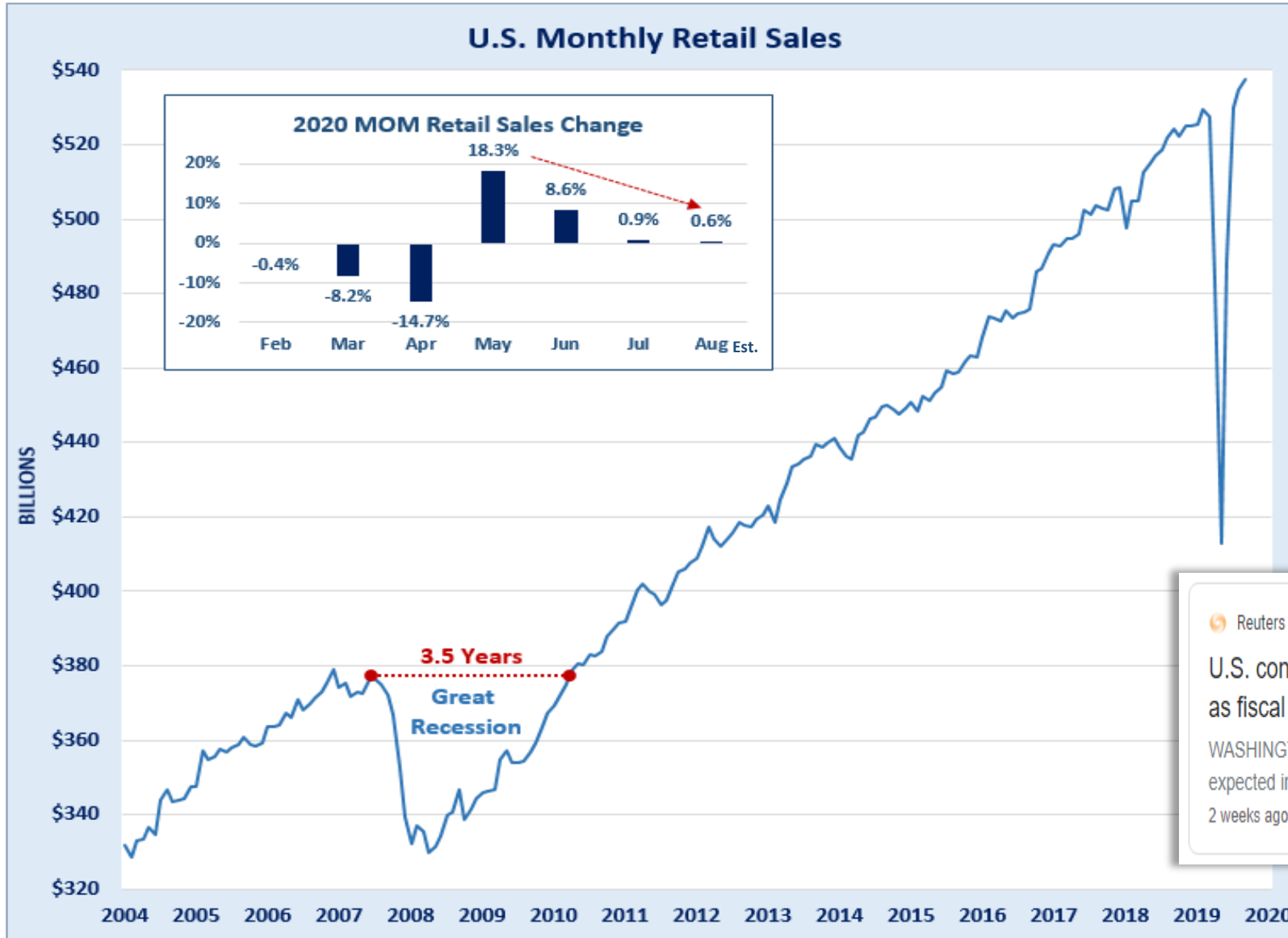
Source: Bloomberg, FHN Main Street

But Air Travel is Still Way Below Normal



Source: Bloomberg, FHN Main Street

Retail Sales' Recovered Losses in 3 Months vs. Great Recession 3.5 Years



Reuters

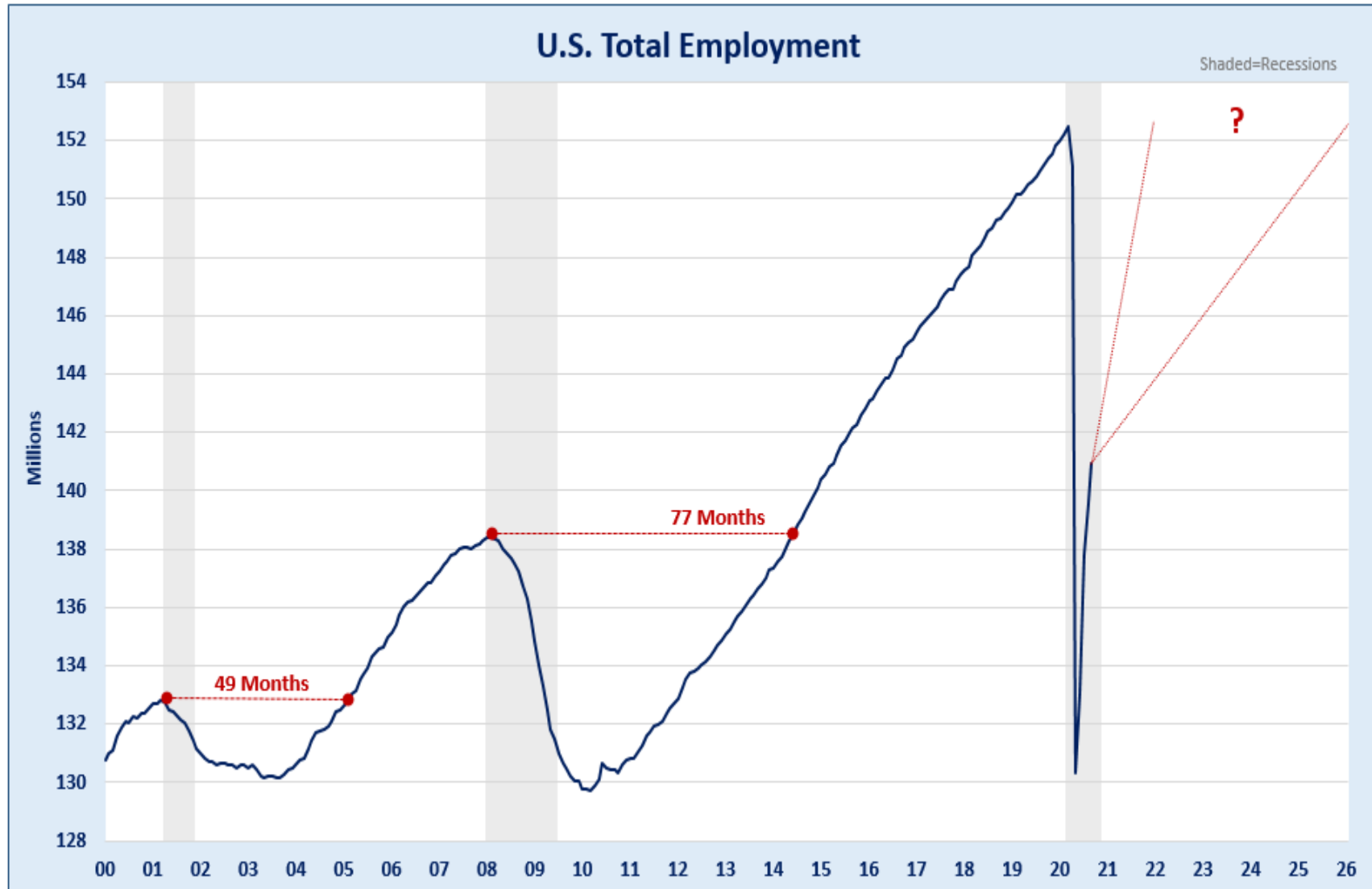
U.S. consumer spending rises strongly; outlook uncertain as fiscal stimulus fades

WASHINGTON (Reuters) - U.S. consumer spending increased more than expected in July, boosting expectations for a sharp rebound in ...

2 weeks ago

Source: Bloomberg, FHN, Google

Employment Gains Face a Tougher Road Ahead

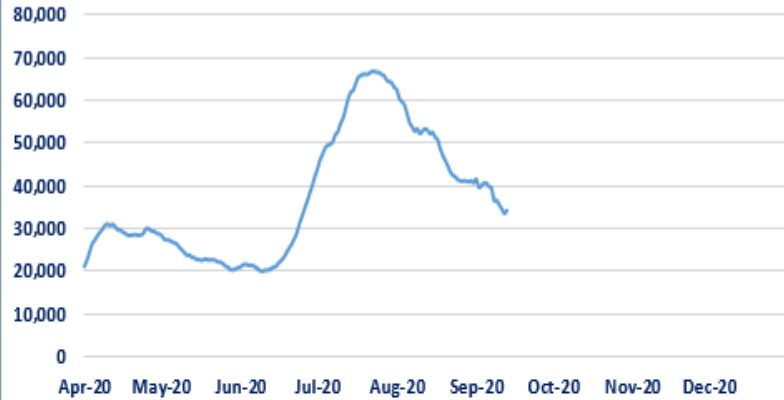


Source: Bloomberg

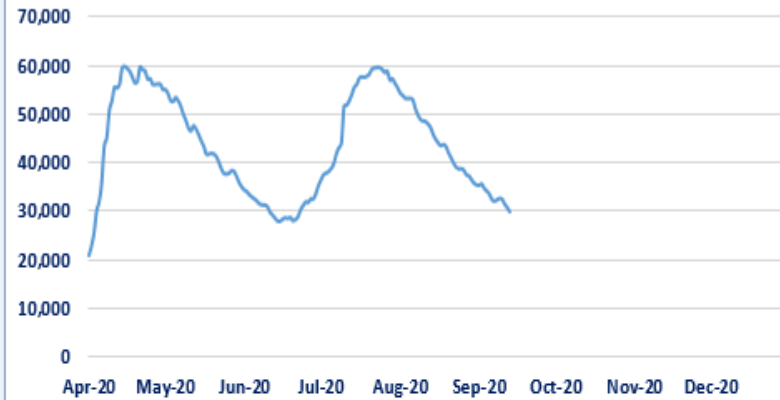
Flu Season is Coming...We Will See a Second COVID Wave/Ripple?

U.S. COVID-19 Metrics

Daily Cases (7 Day Avg)



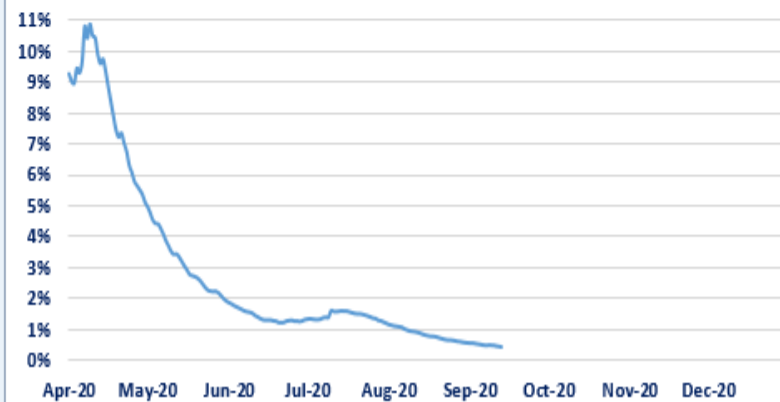
Current Hospitalizations



Daily Deaths (7 Day Avg)



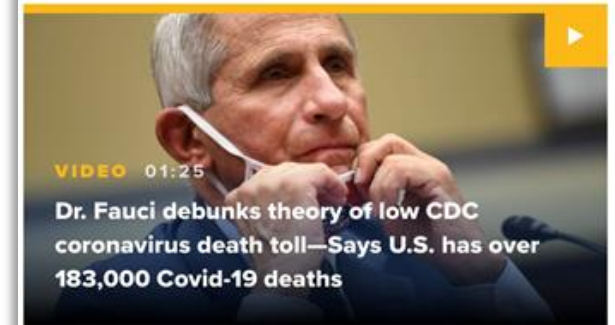
Hospitalizations as a % of Cases



Fauci says U.S. won't get back to normal until late 2021

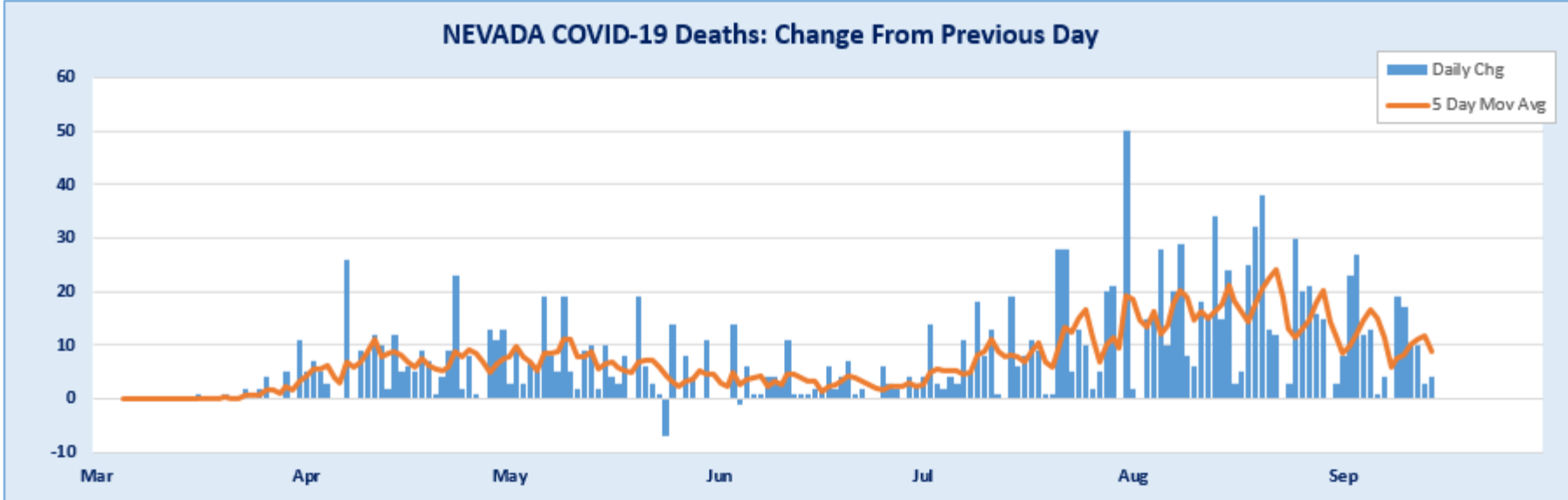
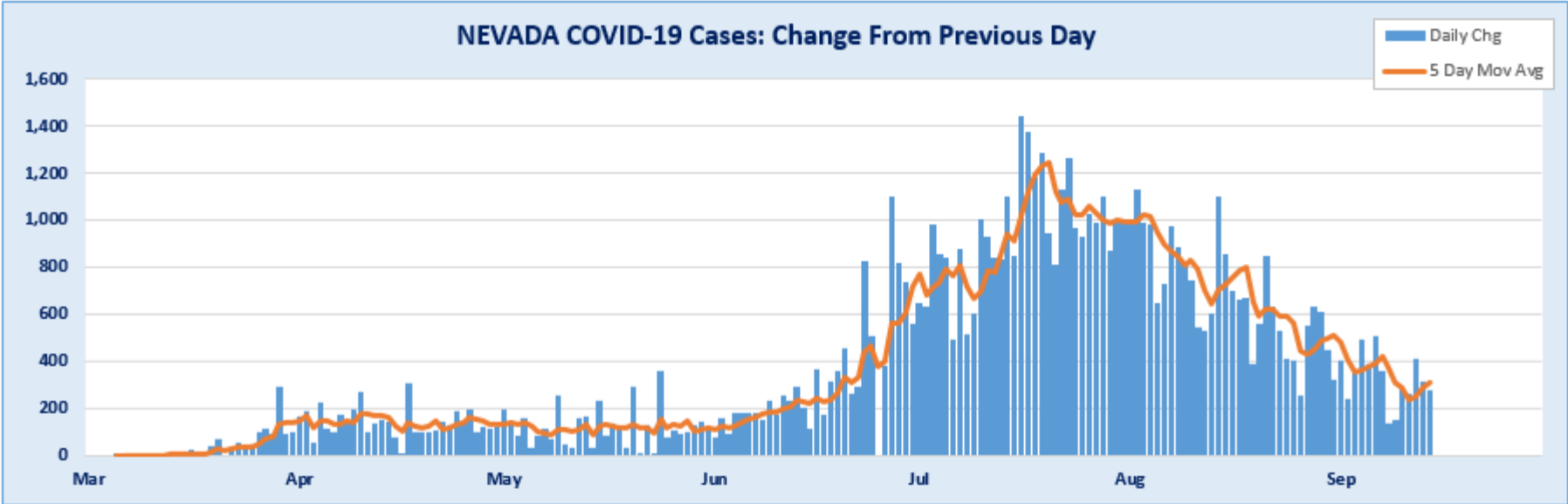
PUBLISHED SAT, SEP 12 2020-12:57 PM EDT

NBC NEWS Sara G. Miller and Jane Weaver



Source: Bloomberg, COVIDTracking.com, knh.org

Nevada's COVID Case Trend Much Better



Total Cases 74,040

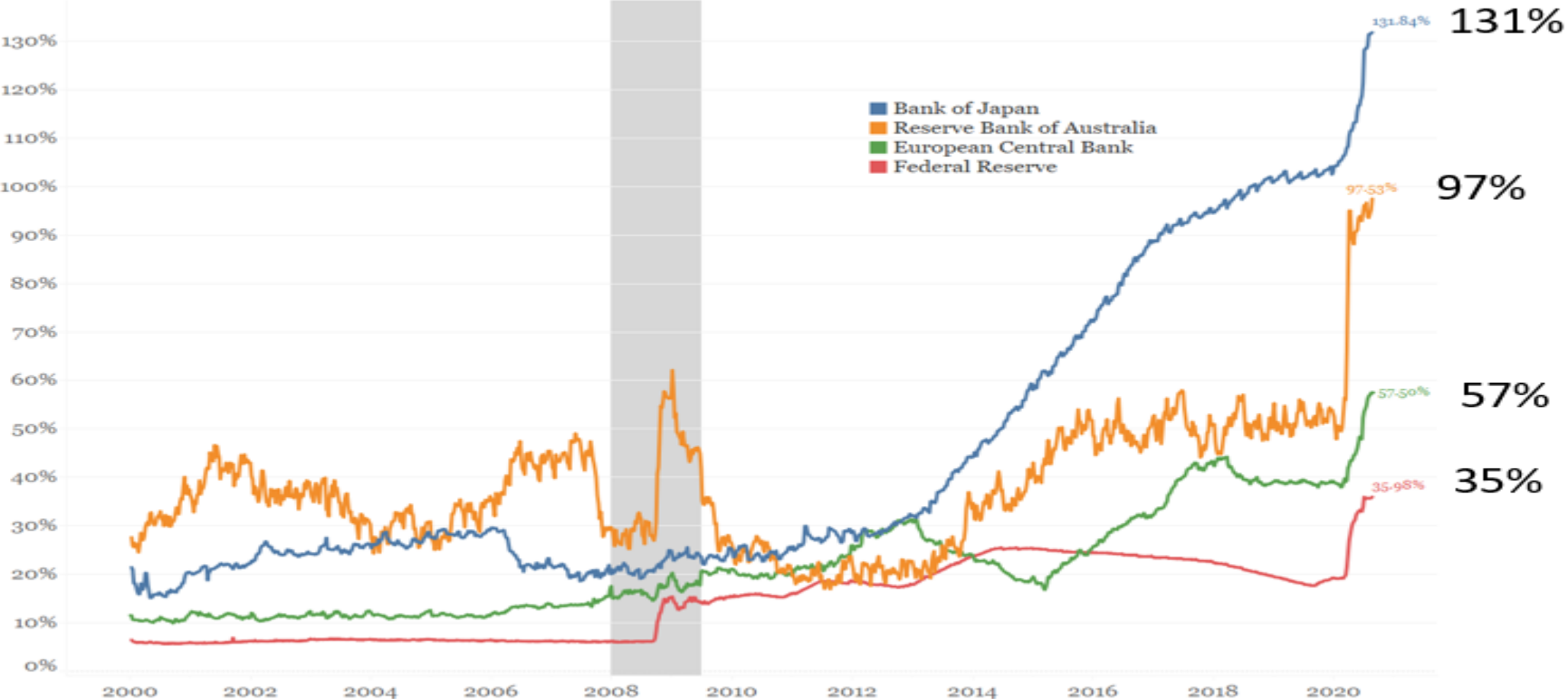
Source: Bloomberg (WHO, John Hopkins)

Total Deaths 1,482

Source: Bloomberg 9/14/20

Lowflation or Highflation Ahead?

Central Bank Balance Sheet to GDP Ratios



Data Source: Fed, ECE, BoJ, BoE, Bloomberg

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<https://www.biancoresearch.com/>

Source: Bloomberg, Bianco

The Fed's New Inflation Strategy is Not Good for the City's Investments

August 31, 2020

The Federal Reserve's New Monetary Policy Framework: A Robust Evolution

Vice Chair Richard H. Clarida

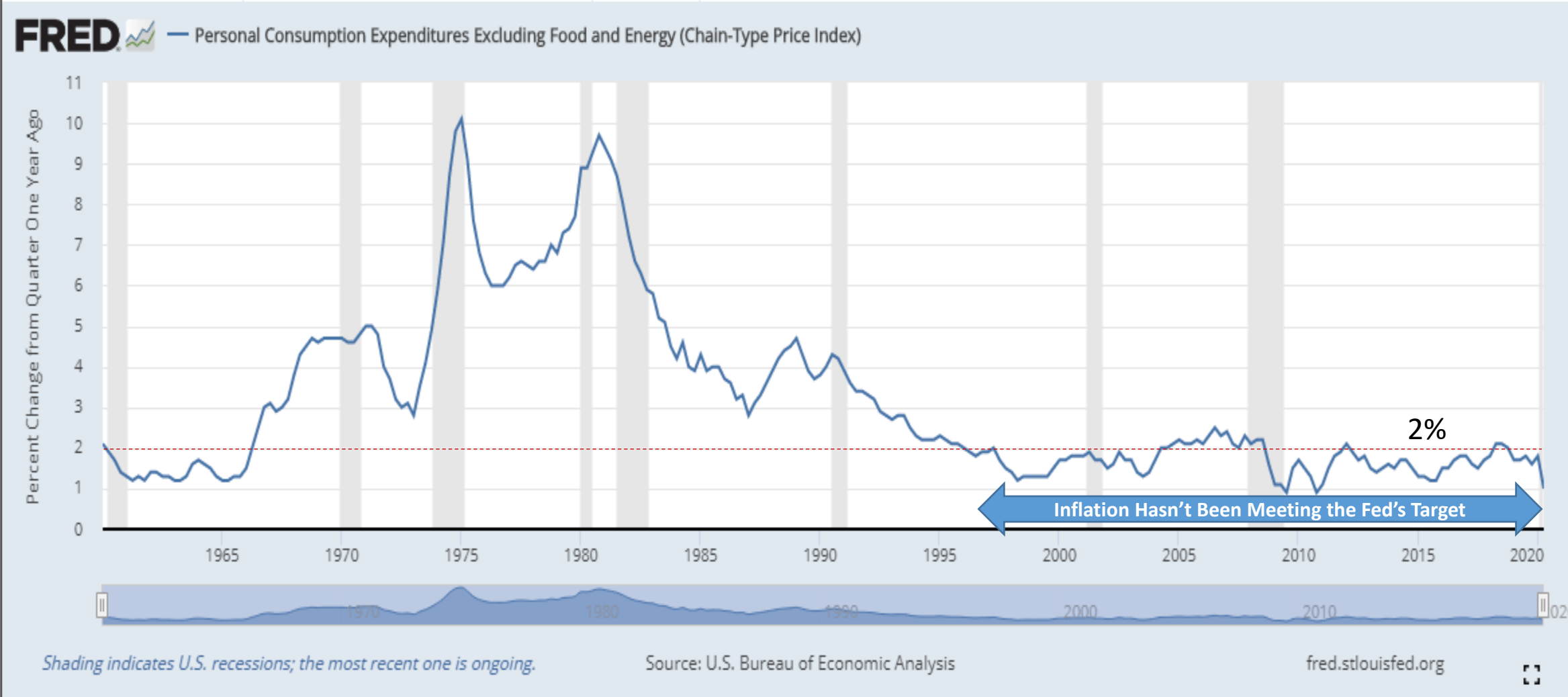
At the Peterson Institute for International Economics, Washington, D.C. (via webcast)



My remarks today have been focused on our new framework and flexible **average inflation targeting strategy**. Of course, our review has also explored ways in which we might add to our toolkit and refine our communication practices. With regard to our toolkit, **we believe that forward guidance and large-scale asset purchases have been and continue to be effective sources of support to the economy when the federal funds rate is at the ELB**, and, of course, both were deployed promptly in our March 2020 policy response to the pandemic. With regard to other monetary policy tools, and as we have made clear previously in the minutes to our October 2019 FOMC meeting, **we do not see negative policy rates as an attractive policy option in the U.S. context**. As for targeting the yield curve, *our general view is that with credible forward guidance (LOL!, Rick's thoughts) and asset purchases*, the potential benefits from such an approach may be modest. At the same time, the approach brings complications in terms of implementation and communications. Hence, as noted in the minutes from our previous meeting (July 2020), most of my colleagues judged that **yield caps and targets were not warranted in the current environment but should remain an option** that the Committee could reassess in the future if circumstances changed markedly.

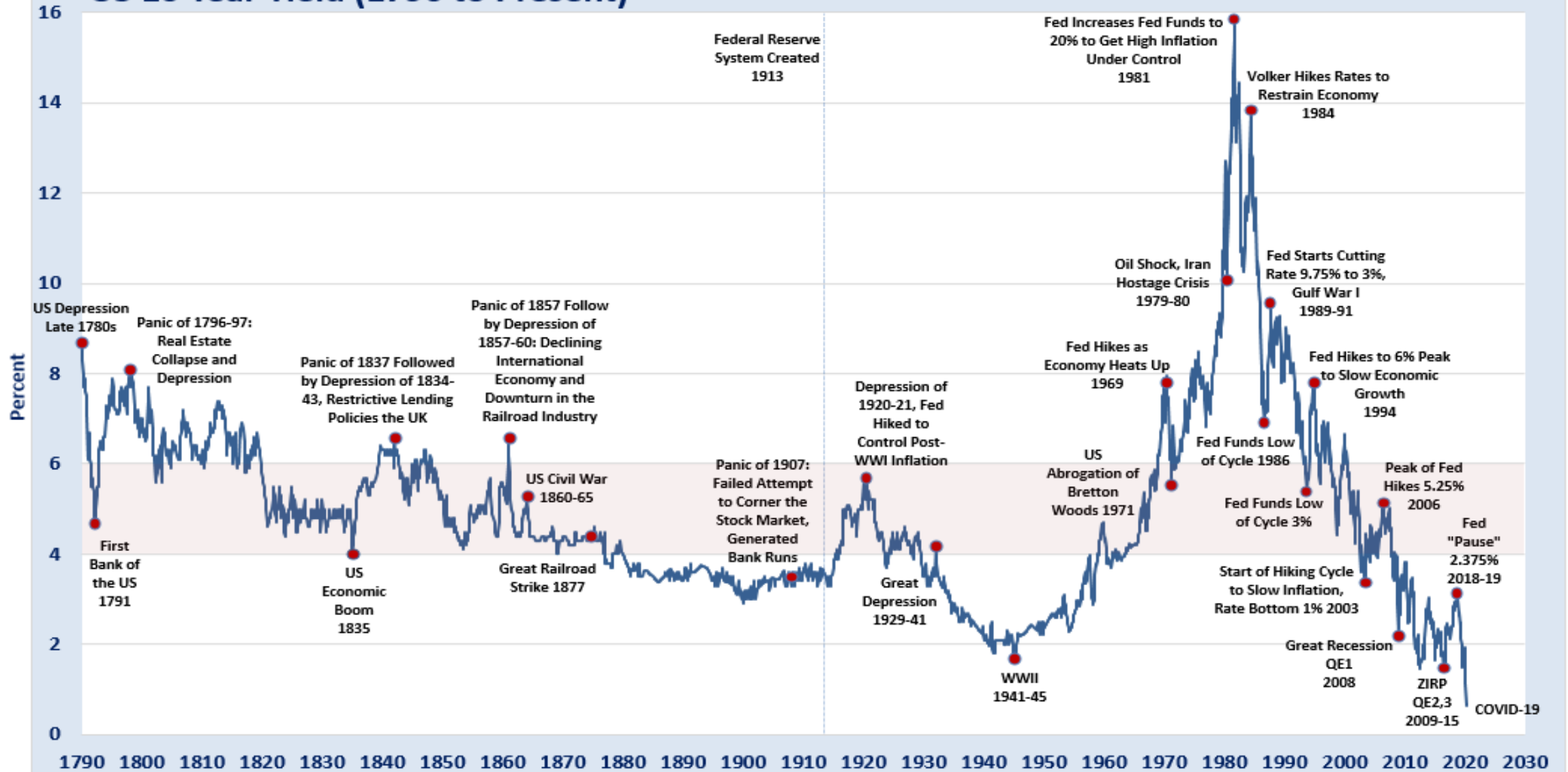
Source: Fed, Bloomberg, CNBC

Inflation Hasn't Been Averaging the Fed's Inflation Target (2%) for a Long Time



Source: Federal Reserve

US 10 Year Yield (1790 to Present)



Sources: Goldman Sachs, Global Financial Database, Arbor Research 1790 to 1831 British Consols, 1831 to 1919 High-Grade Long Term Railroad, 1919 to Date 10Yr Treasuries

Yields are Still in the “Control Zone”

U.S. Treasury Yields



Source: Bloomberg, FHN Main Street

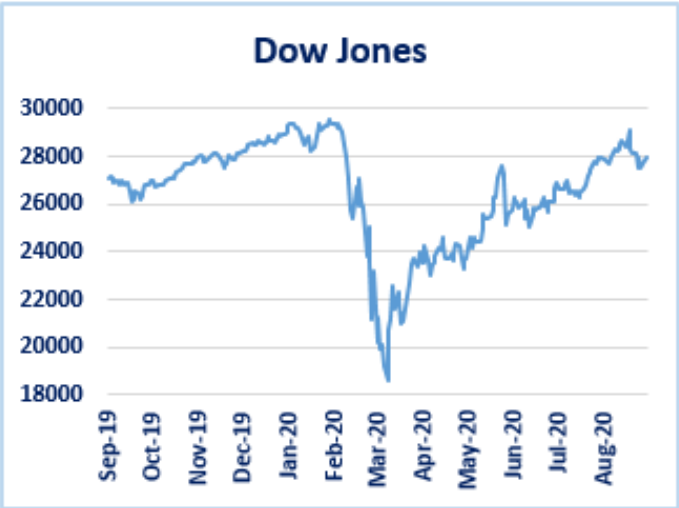
Global Yields' Gravitational Pull on U.S. Rates

Selected Developed Countries' Global Sovereign Yields % (sorted by 10-Year Yields) ↓								
Country	Policy Rate	1-Year	2-Year	3-Year	5-Year	7-Year	10-Year	30-Year
Switzerland	-0.75	-1.00	-0.85	-0.85	-0.76	-0.65	-0.51	-0.34
Germany	-0.50	-0.62	-0.71	-0.75	-0.69	-0.62	-0.48	-0.04
Austria	-0.50	-0.66	-0.71	-0.67	-0.63	-0.51	-0.33	0.23
Finland	-0.50	-0.66	-0.67	-0.65	-0.61	-0.49	-0.30	0.10
Belgium	-0.50	-0.57	-0.66	-0.65	-0.59	-0.42	-0.07	0.47
France	-0.50	-0.58	-0.65	-0.63	-0.57	-0.45	-0.21	0.49
Japan	-0.10	-0.17	-0.17	-0.16	-0.11	-0.10	0.01	0.57
United Kingdom	0.10	-0.08	-0.10	-0.14	-0.10	0.00	0.20	0.75
Spain	-0.50	-0.45	-0.48	-0.42	-0.29	-0.03	0.27	1.08
Portugal	-0.50	-0.51	-0.58	-0.41	-0.23	0.01	0.30	1.00
Canada	0.25	0.21	0.26	0.26	0.35	0.39	0.55	1.06
New Zealand	0.25	0.03	-0.04		-0.01	0.18	0.58	
United States	0.25	0.13	0.13	0.15	0.26	0.45	0.67	1.42
Isreal	0.10	0.01	0.03	0.07	0.32	0.50	0.74	1.71
Australia	0.25	0.15	0.19	0.23	0.35	0.57	0.86	1.80
Italy	-0.50	-0.25	-0.15	-0.02	0.39	0.71	1.01	1.90
South Korea	0.50	0.61	0.86	0.96	1.21		1.51	1.66

Source: Bloomberg, FHN

As of: 09/14/20

After Flying High...NASDAQ Corrected -12%



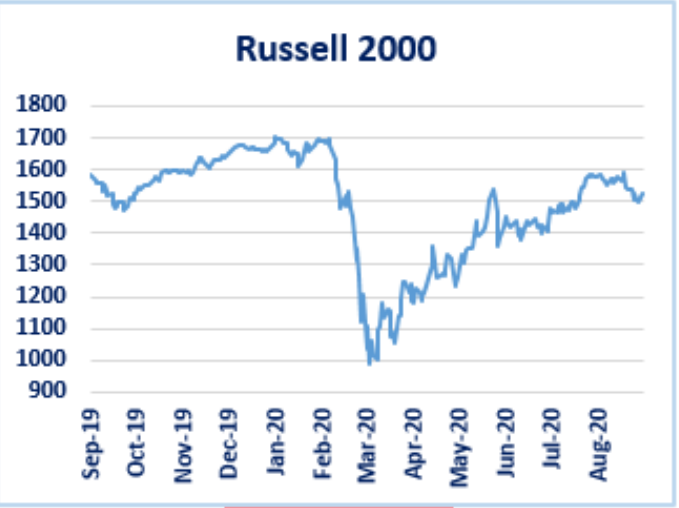
1 YR % 5.3



1 YR % 15.1



1 YR % 44.7



1Y % -2.1



1 YR % 1.7

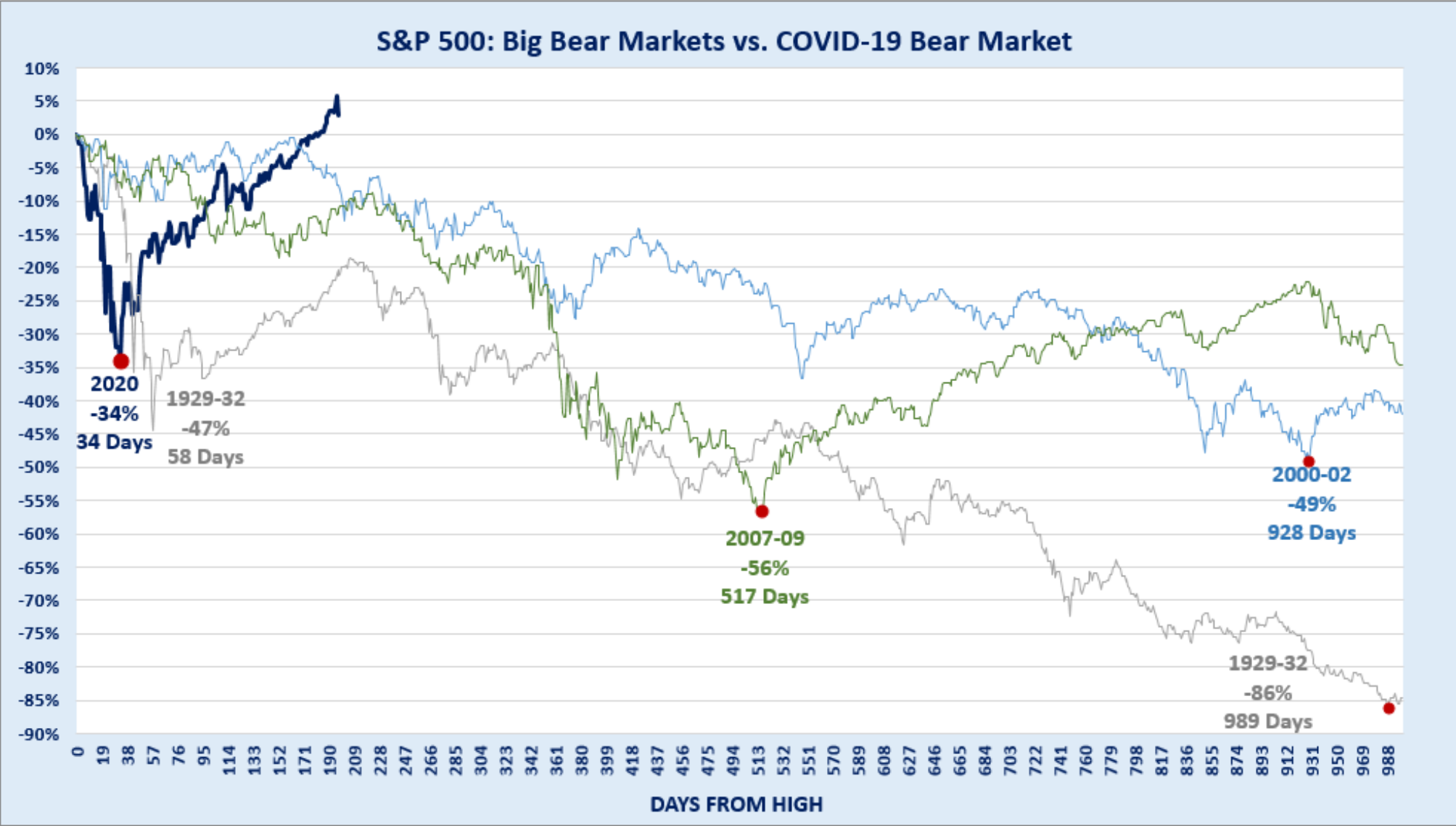
9/14/2020



1Y % 9.1

Source: Bloomberg

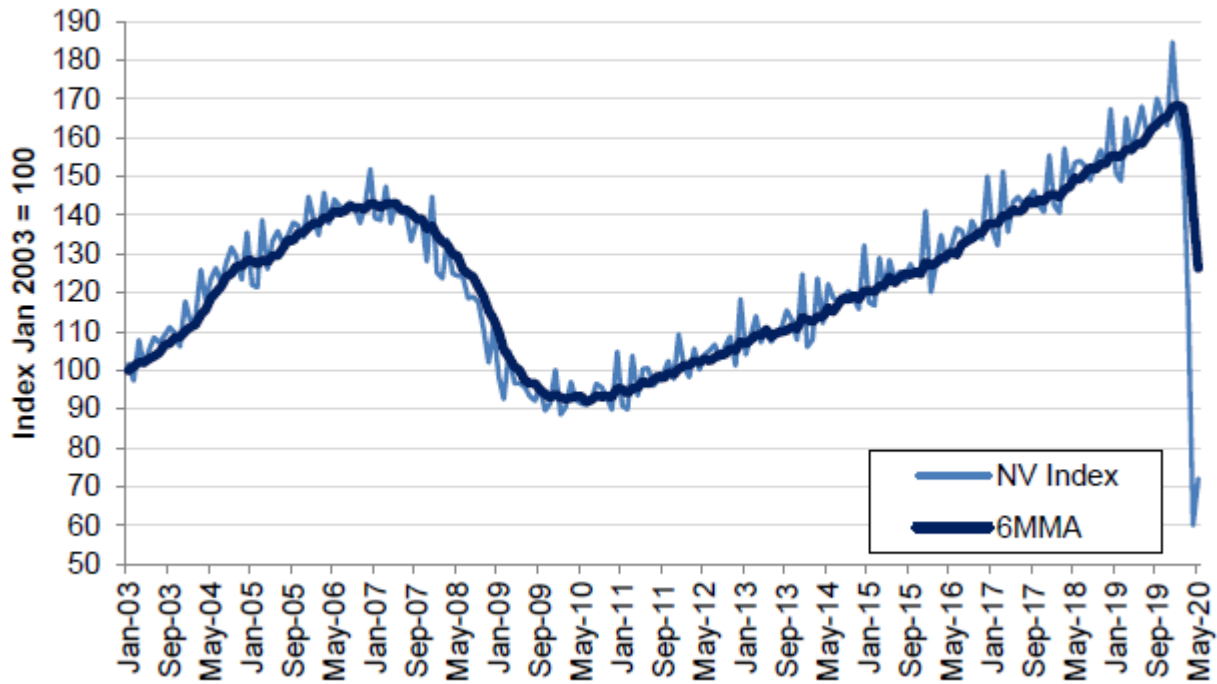
Fastest Bear Market to the Quickest Recovery



Source: Bloomberg

Nevada's Economy Declined Sharply Due to the COVID Shutdown

Nevada Economic Index



Nevada Economic Index Components

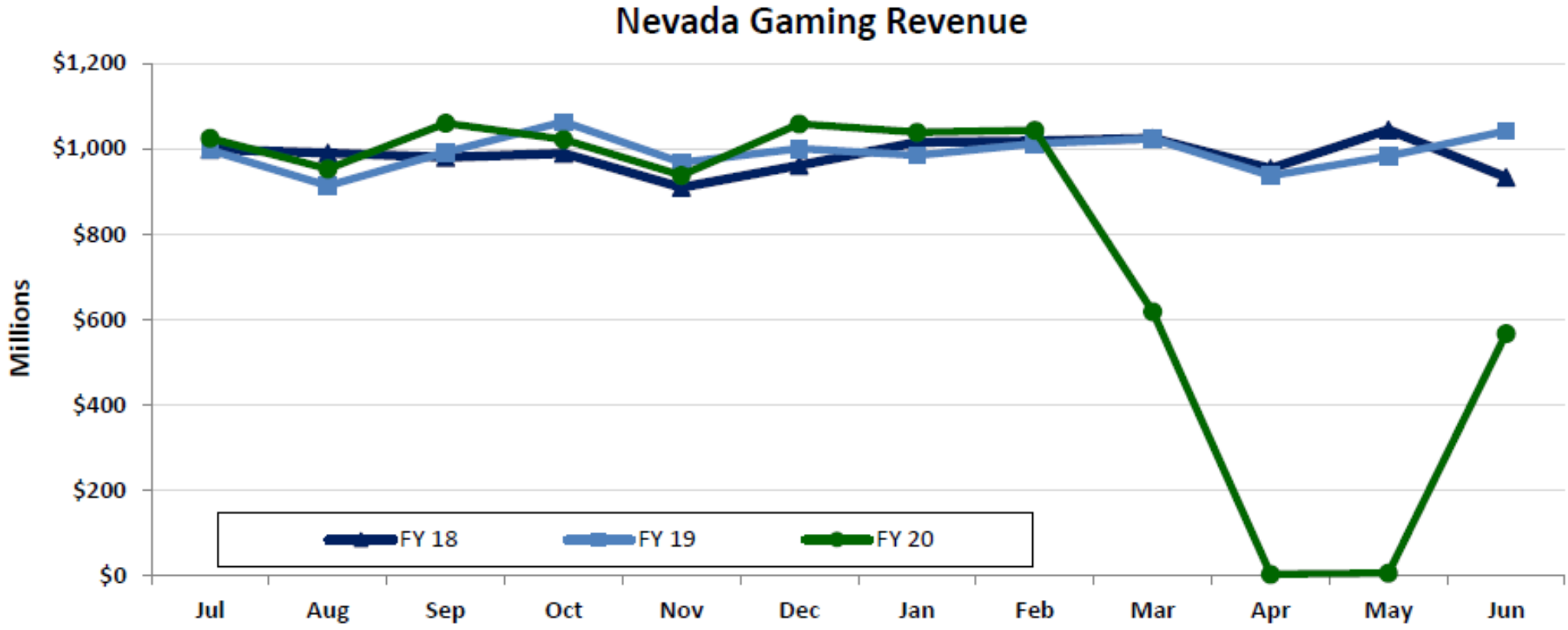
	Jun 20**	May 20	Jun 19	Mthly % Chg	YOY % Chg
<i>Nevada Econ. Index*</i>	114.21	126.38	158.45	-9.6% ↓	-27.9% ↓
NV Taxable Sales (Bil.)	\$5.30	\$4.40	\$5.64	20.4% ↑	-6.0% ↓
NV Gaming Revenue (Mil.)	\$567	\$6	\$1,041	9658.2% ↑	-45.6% ↓
NV Unemployment Rate	15.0%	25.3%	3.9%	-10.3PP ↓	11.1PP ↑

*6 month moving average

PP Stands for Percentage Points

**NOTE: Taxable Sales has a 2 month lag, as reflected in the date of the index. Other sources in this report have a 1 month lag.

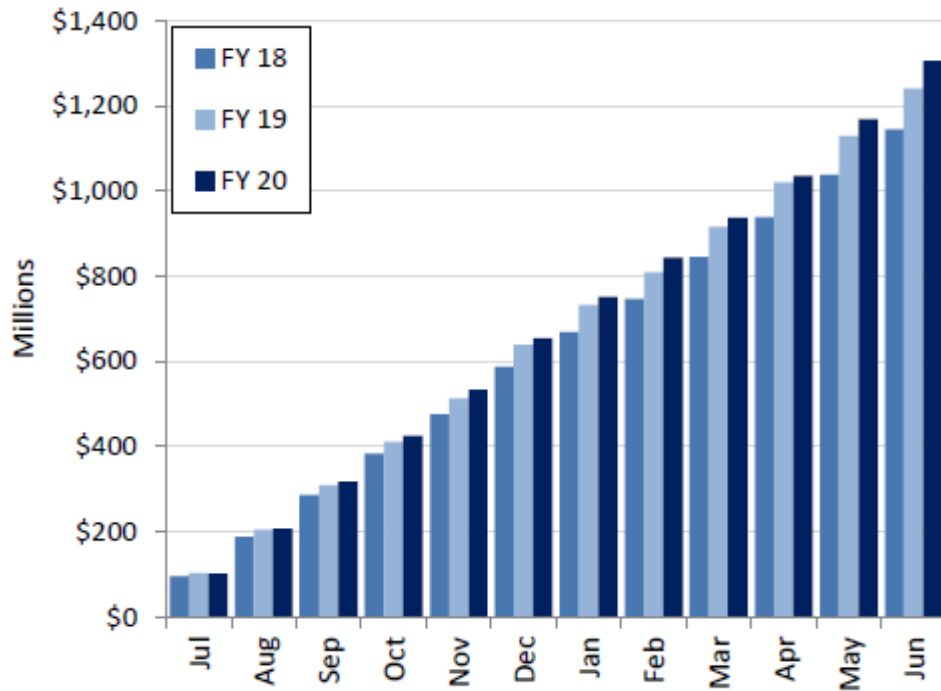
Nevada Gaming Revenue Rebounds...But Has a Long Way to Go



Source: NV Department of Taxation

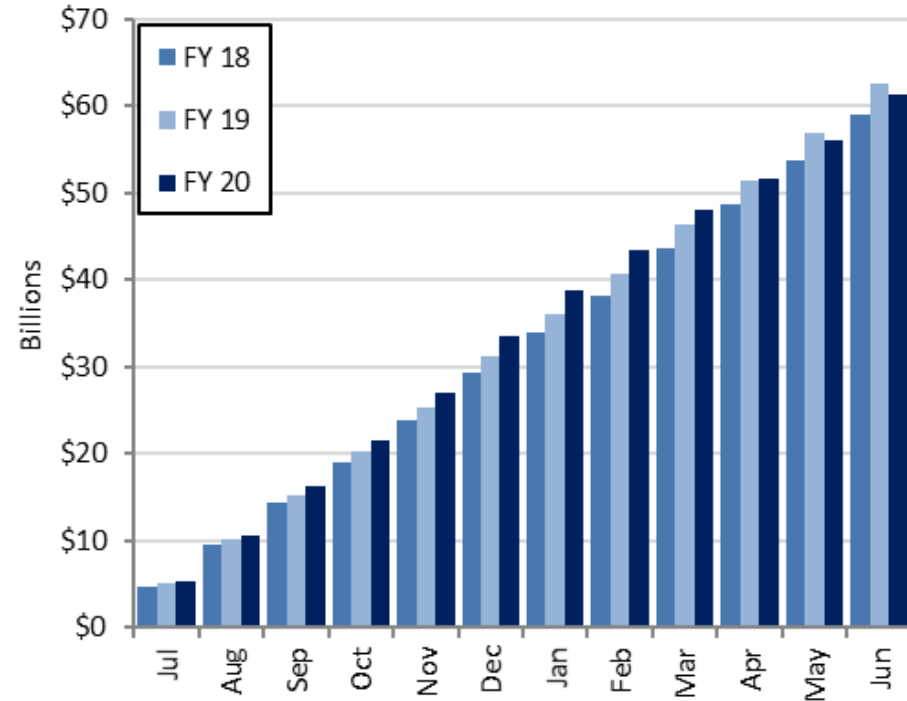
FY 2020 Taxable Sales: Carson City has Outpaced the State

Carson City Taxable Sales-Fiscal YTD



FY 2020 Change: +5.2%

Nevada Taxable Sales-Fiscal YTD



FY 2020 Change: -1.9%

Carson City's Unemployment Rate Better Than the State's

Data as of July 2020



State's High: 30.1% State's Current: 14%

Source: Federal Reserve

Trump's Nov 3rd "Win"... "Post Election Day Chaos" Due to Mail-In

AXIOS

THE HILL



A top Democratic data and analytics firm told "Axios on HBO" it's highly likely that President Trump will appear to have won — potentially in a landslide — on election night, even if he ultimately loses when all the votes are counted.

Why this matters: Way more Democrats will vote by mail than Republicans, due to fears of the coronavirus, and it will take days if not weeks to tally these. This means Trump, thanks to Republicans doing almost all of their voting in person, could hold big electoral college and popular vote leads on election night.

- Imagine America, with its polarization and misinformation, if the vote tally swings wildly toward Joe Biden and Trump loses days later as the mail ballots are counted.
- That is what this group, Hawkfish, which is funded by Michael Bloomberg and also does work for the Democratic National Committee and pro-Biden Super PACs, is warning is a very real, if not foreordained, outcome.

Exclusive: Dem group warns of apparent Trump Election Day landslide



Margaret Talev

rising

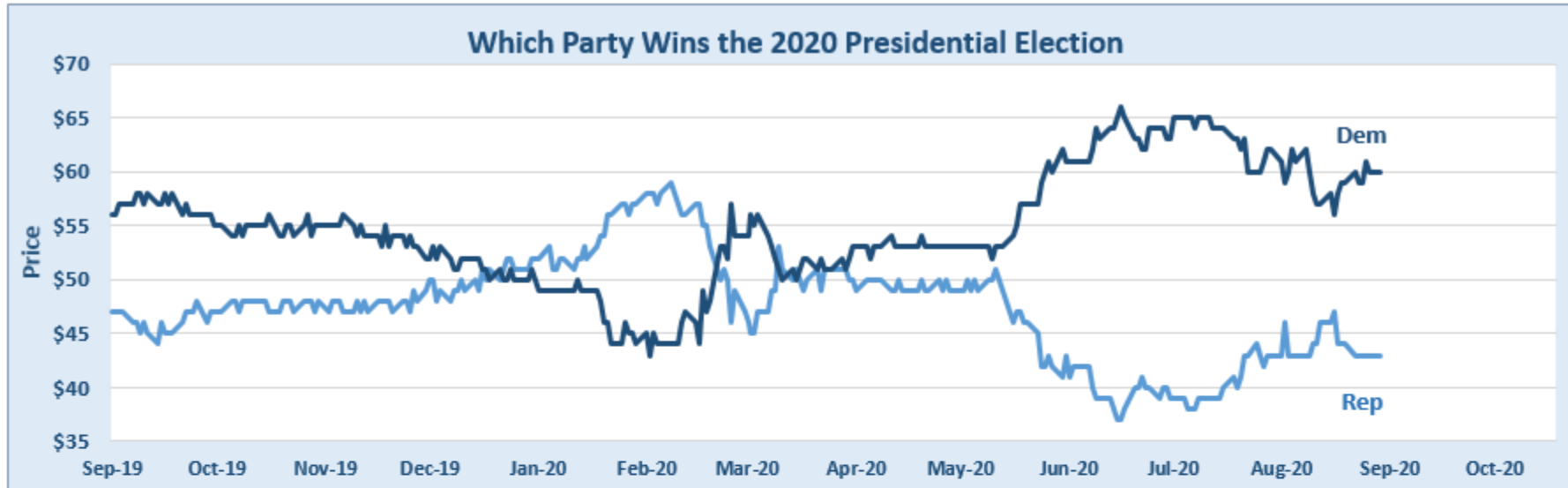
...when every legitimate vote is counted, it will in fact show some day after Election Day, it will in fact show night was exactly that, a mirage," Mendelsohn said. "It looked like Donald Trump was in the [redacted] ... was not when every ballot gets counted."

THE HILL

Source: Axios, The Hill

Will Things Tighten Into November?

**BIDEN
HARRIS**



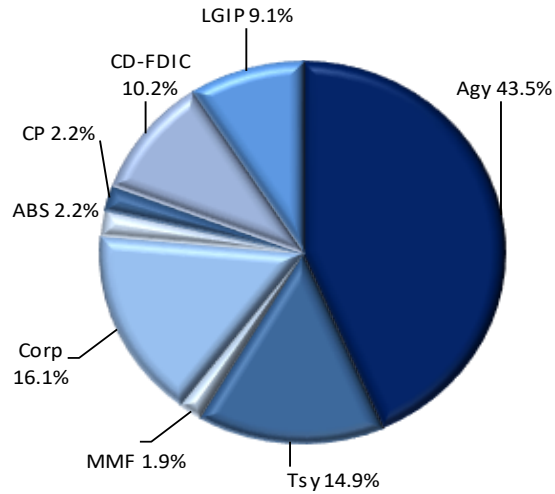
Winner Receives \$100



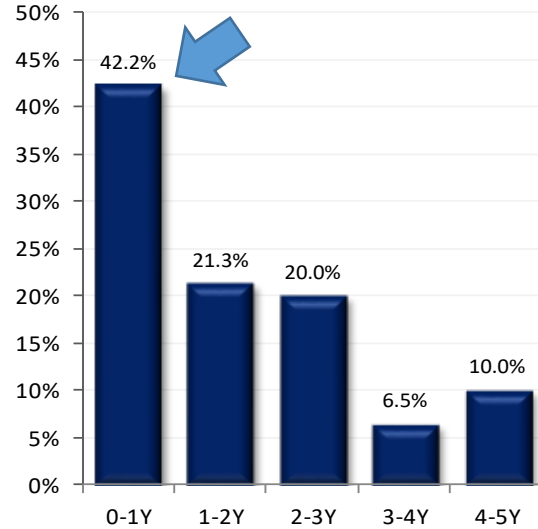
Source: Predictit.org

Carson City Investment Portfolio Summary as of 6/30/20

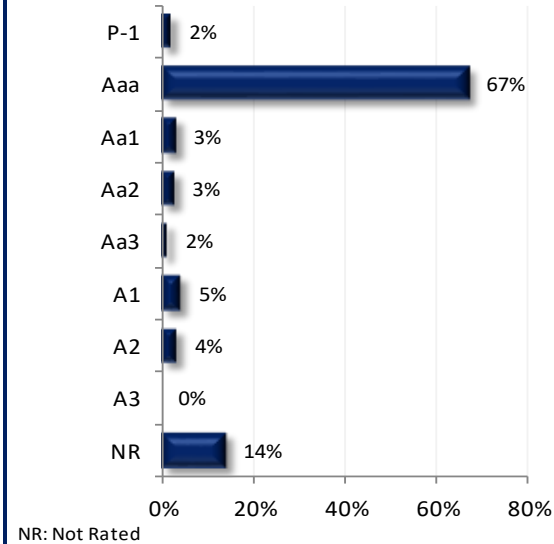
SECTOR ALLOCATION



MATURITY DISTRIBUTION



CREDIT QUALITY (MOODY'S)



ACCOUNT SUMMARY

Market Value	\$92,488,085
Book Value	\$89,942,868
Variance	\$2,545,217

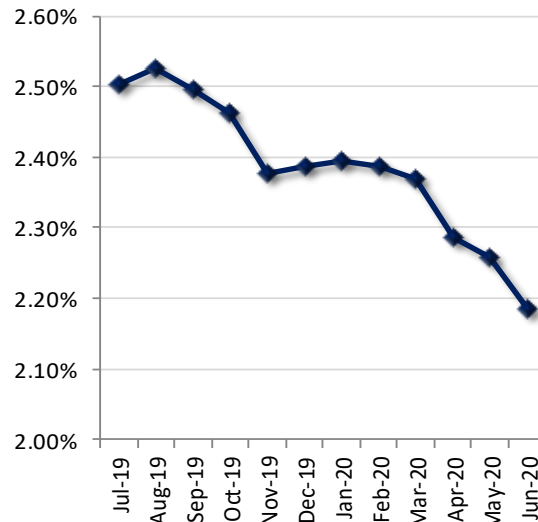
Par Value \$40,320,095

Book Yield 2.19%

Years to Maturity 2.43

Effective Duration 2.06

MONTH-END PORTFOLIO BOOK YIELD

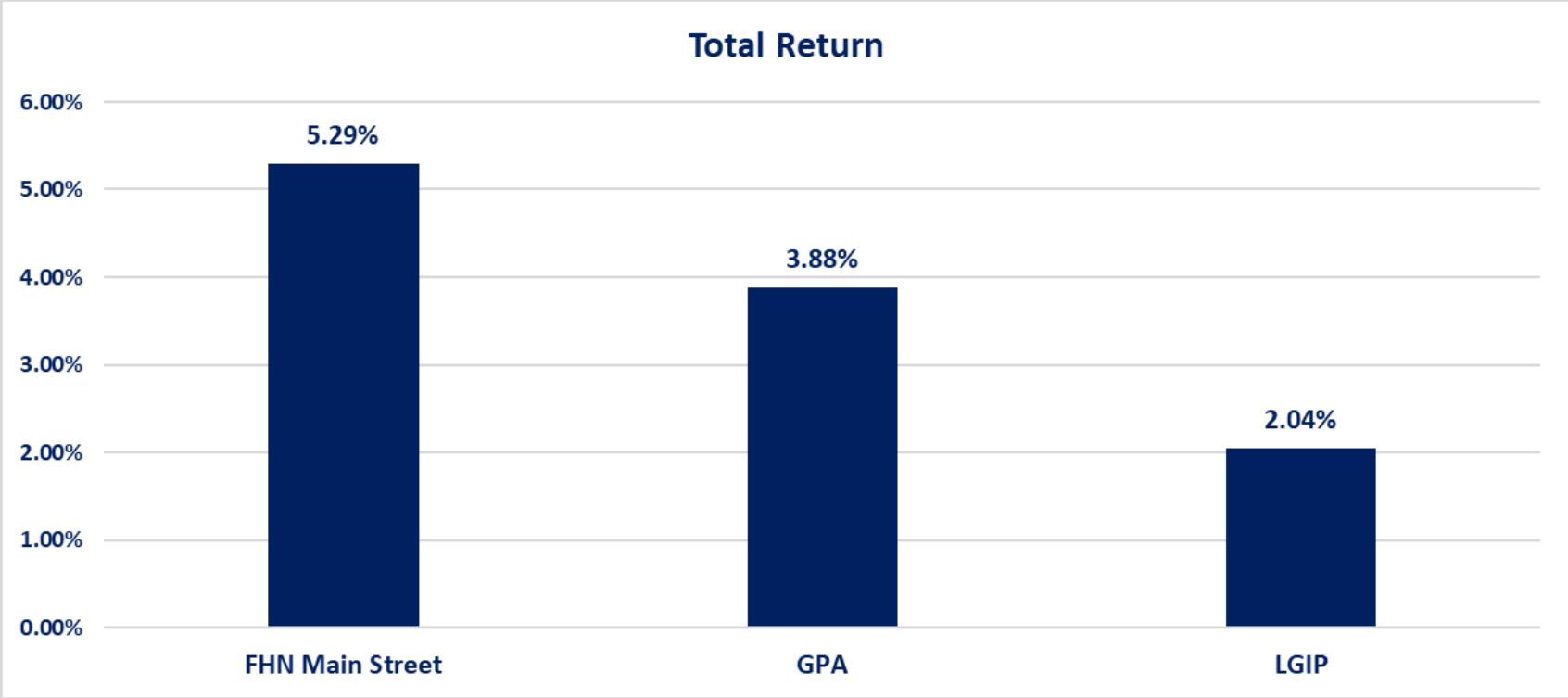


TOP ISSUERS

Issuer	% Portfolio
FHLB	17.4%
FFCB	17.0%
U.S. Treasury	14.9%
State of NV LGIP	9.1%
FHLMC	5.4%
Exxon	2.2%
FAMCA	2.2%
Goldman Sachs Govt MMF	1.9%
Bank of New York	1.9%
Apple	1.9%
FNMA	1.6%
Microsoft	1.4%
Deere	1.4%
Berkshire Hathaway	1.1%
Chevron	1.1%

Portfolio Composition:
FHN Main Street: \$40.3Mil
GPA: 43.8Mil
State of NV LGIP: 8.4Mil
Total \$92.5Mil

Portfolio Total Returns as for Fiscal Year 2020



Portfolio	Avg Balance	Total Return Income
FHN Main Street	\$38,576,915	\$2,039,561
GPA	\$40,899,796	\$1,566,766
LGIP	\$24,117,750	\$492,833

Disclosure

Although this information has been obtained from sources which we believe to be reliable, we do not guarantee its accuracy, and it may be incomplete or condensed. This is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security. All herein listed securities are subject to availability and change in price. Past performance is not indicative of future results, and changes in any assumptions may have a material effect on projected results. Ratings on all securities are subject to change.

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