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# LOCAL GOVERNMENT NEWS REPORT

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July 2009

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## INTEREST RATES

The average annualized yield for June was 0.9883%. The rates for June were as follows:

June 1 <sup>st</sup> – 23 <sup>rd</sup>	1.00%
June 24 <sup>th</sup> – 30 <sup>th</sup>	0.95%

## CREDIT MARKET UPDATE

Fixed Income markets experienced significant improvement in the second quarter with June supporting the positive trend. Average yields on corporate debt in the Barclay's Index declined 43% relative to Treasury yields. During the month of June, corporate yields declined 42bps (basis points) relative to Treasuries to a spread of 310bps. Tightening spread action was relatively evenly distributed across the rating spectrum during the quarter. Double-A rated corporate debt tightened 45% to 192bps over Treasuries while high-yield (non-investment grade) debt tightened 37% to 957bps. For perspective, spreads of double-A debt are actually 9% tighter year-over-year while high yield debt spreads are still 35% wider year-over-year. Another strong sign of improvement in the debt markets can be found in the price of credit default swaps – insurance contracts against default by a corporation. The IBOX Index of 5-year credit default contract prices ended June 1% cheaper year-over-year. To be sure, the market continues to place a high price on credit risk as average yields on corporate debt, while 43% lower during the quarter, are 17% higher year-over-year and over 200% higher versus two years ago. Nonetheless, multiple debt market indicators signal that stress levels are nearing pre-Lehman bankruptcy levels.

Questions regarding this update can be directed to Tom Lofton, Senior Credit Analyst, at (503) 378-4155, or via e-mail at [tom.lofton@ost.state.or.us](mailto:tom.lofton@ost.state.or.us).

## ANNUAL ONLINE SERVICES USER VALIDATION FOLLOW-UP

Thank you to those local governments that responded to our annual User Validation e-mail sent out in late May. We still have some local governments that have not responded regarding the accuracy of the validation report, which was due back to OST by June 30<sup>th</sup>. If your local government currently accesses your pool statements via the Internet, please ensure that appropriate staff has responded to our User Validation e-mail. The validation e-mail was directed to those designated as Password Administrators and contained a listing of all users within that local government that were setup to access online statements as of May 21<sup>st</sup>.

## OFFICE OF THE STATE TREASURER – JOB OPPORTUNITIES

Office of the State Treasurer (OST) is currently recruiting two accountant positions (Accountant 3 and Accountant 4 in our Investment Accounting Section). These positions main focus is financial reporting (and related activities). OST is one of the largest financial institutions in the State and fulfills the function of commercial and investment banking for State agencies and local governments. Detailed job duties, minimum qualifications, and instructions for applying can be found at [www.ost.state.or.us](http://www.ost.state.or.us) or by calling (503) 378-4000. These announcements close on July 24, 2009.

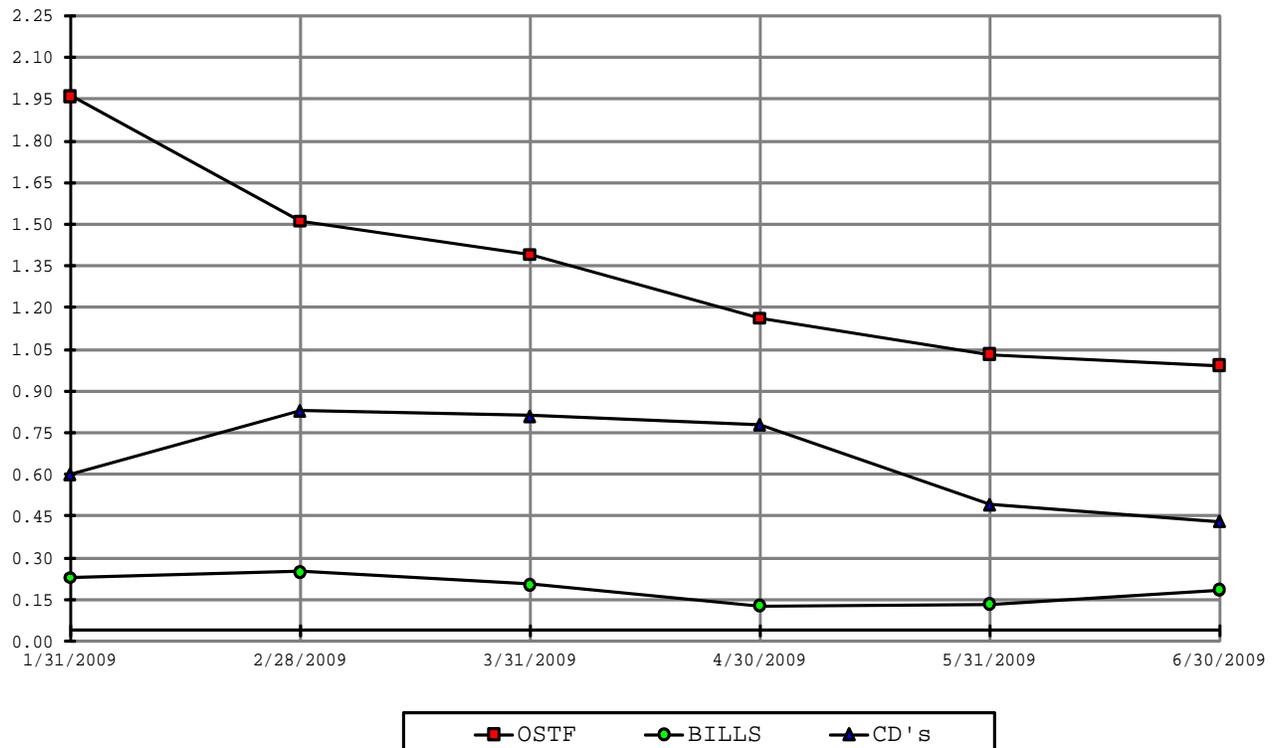
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Website: <http://www.ost.state.or.us/divisions/finance/LocalGovernment.htm>

Local Government News List: <http://www.webhost.osl.state.or.us/mailman/listinfo/local-gov-news>

**OREGON SHORT-TERM FUND ANALYSIS**



**Oregon Short-Term Fund Analysis as of June 30, 2009**

	1/31/2009	2/28/2009	3/31/2009	4/30/2009	5/31/2009	6/30/2009
LGIP AV DOLLARS INVESTED (MM)	5,143	5,277	5,194	5,042	4,871	4,331
STATE AGENCY AV DOLLARS INVESTED (MM)	5,951	5,386	4,928	6,156	6,329	6,066
TOTAL OSTF AV DOLLARS INVESTED (MM)	11,094	10,663	10,122	11,198	11,201	10,397
OST ANNUAL YIELD (ACT/ACT)	1.96	1.51	1.39	1.16	1.03	0.99
3-MO UST BILLS (BOND EQ YLD)	0.23	0.25	0.21	0.13	0.14	0.19
3-MO JUMBO CDS (ACT/360)	0.60	0.83	0.81	0.78	0.49	0.43

NOTE: The OST ANNUAL YIELD represents the average annualized yield paid to accountholders during the month. Since interest accrues to accounts on a daily basis and the rate paid changes during the month, this average rate is not the exact rate earned by each account.

3-MO UST BILLS yield is the yield for the Treasury Bill Issue maturing closest to 3 months from monthend. 3-MO JUMBO CDS is the highest posted rate received by the Treasury from Oregon banks as of monthend. Consequently, whereas the yield on UST Bills should normally be lower than CD rates, the fact that the quotes are up to a week different in time may result in an apparent reversal of this situation.

This material is available in alternative format and media upon request.