
LOCAL GOVERNMENT NEWS REPORT

August 2009

INTEREST RATES

The average annualized yield for July was 0.9274%. The rates for July were as follows:

July 1 st – 19 th	0.95%
July 20 th – 29 th	0.90%
July 30 th – 31 st	0.85%

CREDIT MARKET UPDATE

Within the bond market, the corporate and overall credit related sectors continued to show surprising strength throughout July. Although there are a myriad of explanations offered, the bottom line is that investor money has steadily moved into investments with greater risk relative to US Treasuries. In turn, the prices of these greater risk products have improved. Within the corporate debt arena, the news headlines on third quarter earnings have been mostly positive and bottom line earnings results have come in better than expected for over 70% of the companies in the S&P 500 that have reported to date. In short, investors see more green shoots than brown shoots. In addition, persistently low yields offered on Treasury bonds have supported the attractiveness of corporate debt. For the most part, company management teams seem to be taking full advantage of market conditions to refinance upcoming debt maturities and access new capital, thus taking near term pressure off their balance sheets. Year-to-date, corporate debt issuance has exceeded the amount of debt issued in all of last year. Through July, approximately \$672 billion in new corporate debt was issued, slightly ahead of 2008's full year total with four months to go.

Through the end of July, the year-to-date total return (price change plus coupon return) of the Barclay's Investment Grade (IG) Corporate Bond Index was 12.99%, which more than offsets the negative 4.94% for all of 2008. For the month of July, the Barclay's IG Corporate Index generated a total return of 4.32%, with strong contributions from each of the major subsectors: industrials, utilities, and financials. From a ratings standpoint, the lowest rated securities performed the strongest, with triple-B bonds returning 4.95% and triple-A, double-A, and single-A bonds returning 2.07%, 3.4%, and 4.16% respectively. The year-to-date total return of the Barclay's US Treasury Index through July was negative 3.90% compared to the positive 13.74% total return for all of 2008.

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.

SHORT FORM INVESTMENT POLICY

Treasury has recently updated our sample Short-Form Investment Policy located on our website. The updated policy can be viewed via the link below. This sample policy applies only to the investment of bond proceeds or bond related funds described in ORS 294.052.

http://www.ost.state.or.us/divisions/finance/sampleinvestment_divided/Short%20Form%20Sample%20Policy.pdf

CHANGE TO OVERDRAFT POLICY

Effective immediately, negative account balances resulting from an overdraft will be charged interest at an annualized rate equaling the Oregon Short-Term Fund (OSTF) rate plus 2.20 percent. Previously the margin above the OSTF rate was 2 percent.

This change has been reflected in our Local Government Investment Pool Information Statement found on our website via the link below.

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

UPCOMING HOLIDAY SEPTEMBER 7th

Due to the Labor Day holiday, the Office of the State Treasurer, Fed wire service and Oregon banks will be closed Monday, September 7th. Any ACH transfers called prior to 1:00 p.m. on Friday, September 4th, will settle at your bank on Tuesday, September 8th. ACH transfers called between 1:00 p.m. Friday, September 4th and 1:00 p.m. Tuesday, September 8th, will settle at your bank on Wednesday, September 9th.



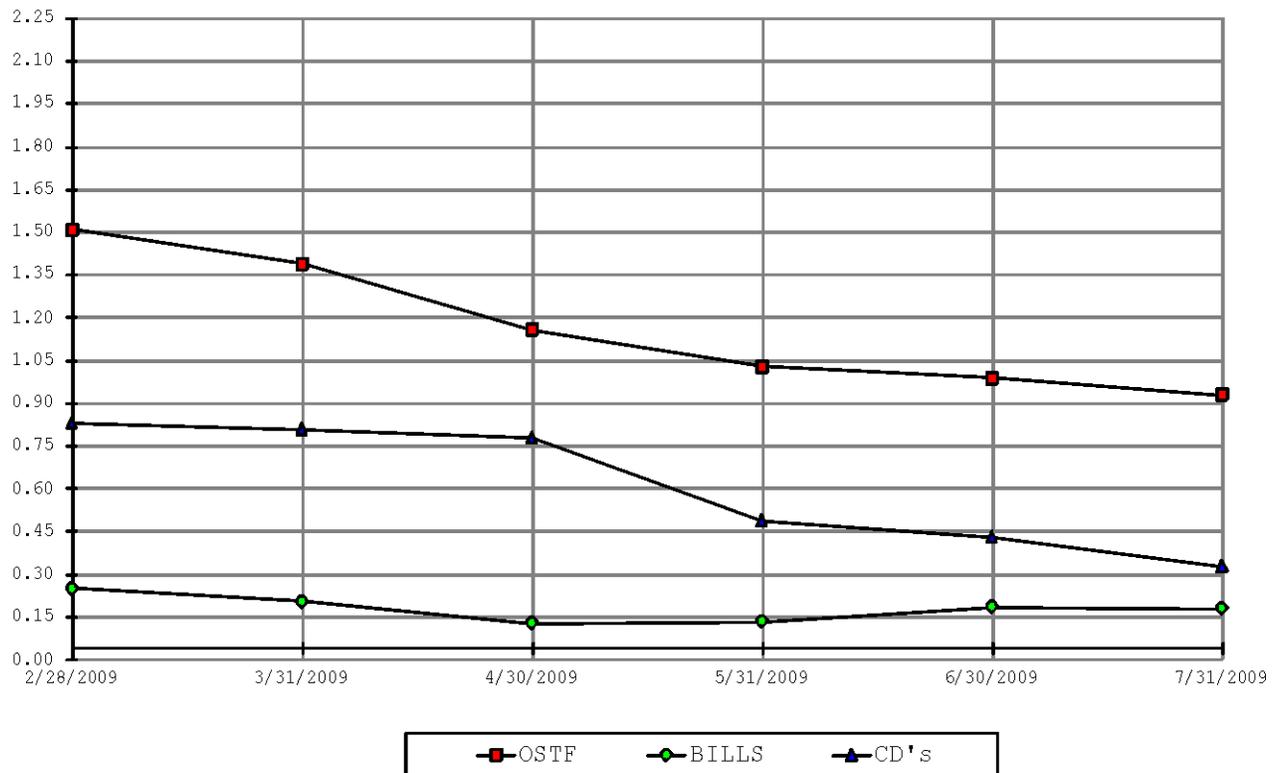
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Local Government News List: <http://www.webhost.osl.state.or.us/mailman/listinfo/local-gov-news>

OREGON SHORT-TERM FUND ANALYSIS



Oregon Short-Term Fund Analysis as of July 31, 2009

	2/28/2009	3/31/2009	4/30/2009	5/31/2009	6/30/2009	7/31/2009
LGIP AV DOLLARS INVESTED (MM)	5,277	5,194	5,042	4,871	4,331	4,082
STATE AGENCY AV DOLLARS INVESTED (MM)	5,386	4,928	6,156	6,329	6,066	5,760
TOTAL OSTF AV DOLLARS INVESTED (MM)	10,663	10,122	11,198	11,201	10,397	9,842
OST ANNUAL YIELD (ACT/ACT)	1.51	1.39	1.16	1.03	0.99	0.93
3-MO UST BILLS (BOND EQ YLD)	0.25	0.21	0.13	0.14	0.19	0.18
3-MO JUMBO CDS (ACT/360)	0.83	0.81	0.78	0.49	0.43	0.33

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.