

LOCAL GOVERNMENT NEWS REPORT

April 2010

INTEREST RATES

The average annualized yield for March was 0.55%. The rate for March was as follows:
March 1st – 31st 0.55%

OREGON SHORT TERM FUND BOARD MEETING

The next Oregon Short-Term Fund Board meeting will take place on Thursday, April 29, 2010 from 10:00 am – 12:00 pm. The location for this meeting will be the offices of Orrick, Herrington & Sutcliffe, LLP, at 1120 NW Couch Street, Suite 200, Portland, Oregon.

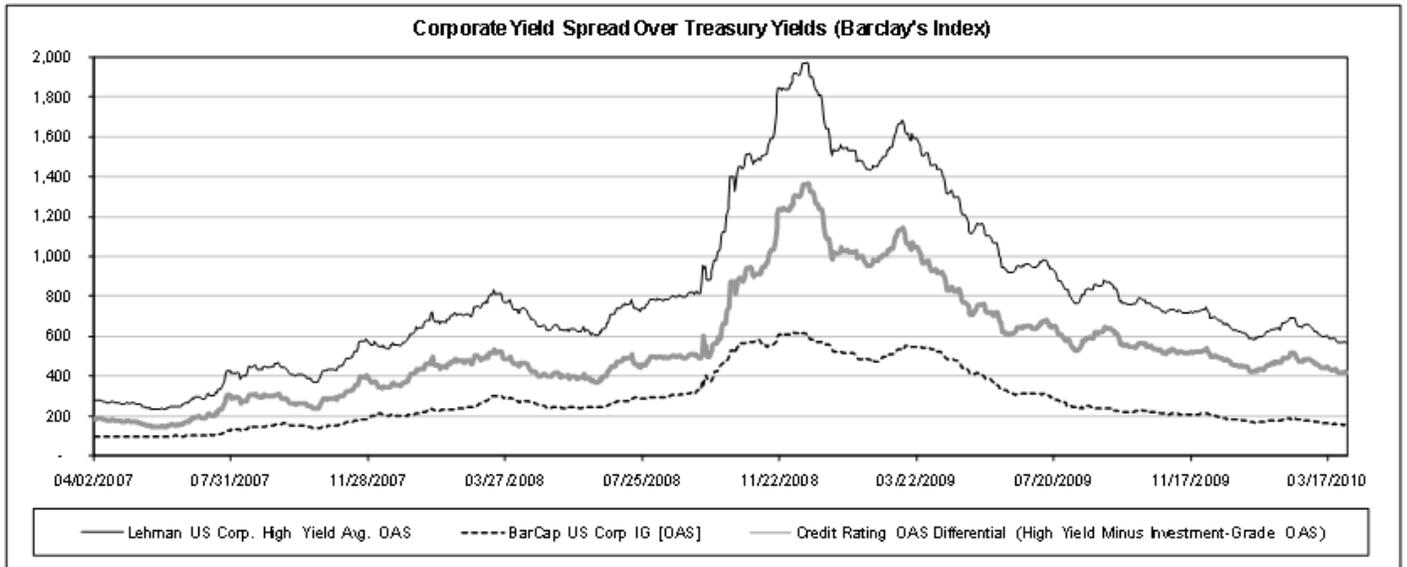
If you have any questions regarding this meeting, please contact Heidi Rawe at (503) 373-1029.

ACH FILTERS ON LOCAL GOVERNMENT BANK ACCOUNTS

Recently, we have experienced some issues with local governments that have placed ACH filters on their bank accounts for fraud protection purposes. These filters are a wonderful tool to combat fraud but can cause legitimate LGP transfers called in by your staff to be rejected at your bank. If you have recently added an ACH filter to one of your bank accounts that you use for pool transfers, please call us at 1-800-452-0345 so that we can provide you with information you will need to ensure that transactions from the LGP pass through your ACH filter without issue.

CREDIT MARKET UPDATE

Corporate debt new issuance (investment grade and high yield) was very strong in March. Net (new issuance minus maturities) investment grade debt issuance by corporations was approximately \$74.2B. First quarter net issuance puts the investment grade market on pace to match 2009's record net issuance of approximately \$701B. High yield debt issuance was exceptionally strong in March at \$35B, a new record. In spite of the large amount of supply hitting the market, corporate yield spreads over treasuries continued to improve, albeit at a slower pace from late 2009. On the positive side, much of the new issuance has been for refinancing existing debt. Recent earnings trends have been positive, default rates have declined and balance sheet leverage is declining; consequently, the bid for all of this new issuance has remained strong. The average yield on investment grade debt in the Barclays Index declined 23bps in March to 150bps over treasuries. For the 1st quarter, the yield on the IG Corporate Index declined 22bps. As the chart shows, investment grade corporate debt yields are, at least relative to treasury yields, approaching pre-crisis levels.



Generally, positive economic news influences treasury yields higher (meaning Treasury prices decline); and economic news during March was generally positive. Treasury yields were higher during March across the yield curve. 3-year and 5-year UST yields increased 24bps to 1.57% and 2.55% respectively. Interestingly, for the quarter, treasury yields were lower across much of the yield curve except in the 30-year term. Currently all of the floating rate investments in the Oregon Short-Term Fund pay a coupon that is tied to the 3-Month LIBOR Index. 3-Month LIBOR has also started to move higher, albeit slowly. 3-Month LIBOR increased 4bps in March to 0.29%.

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.

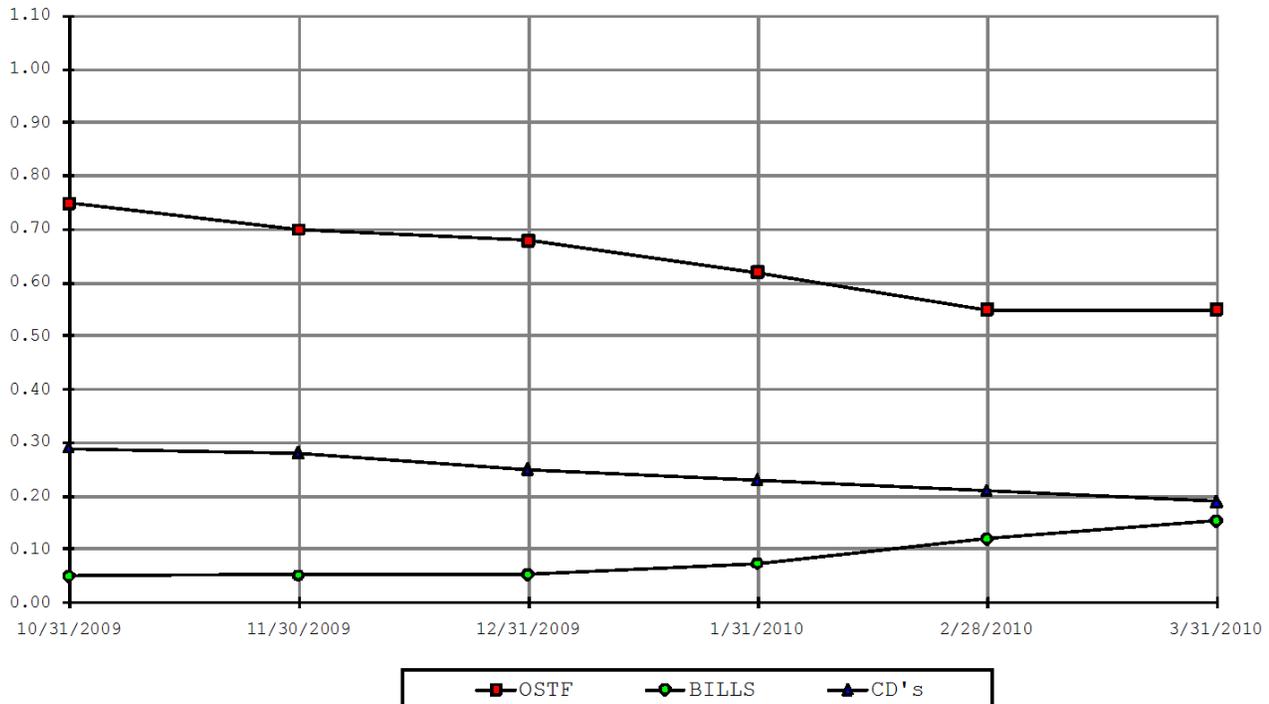
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Local Government News List: <http://listsmart.osl.state.or.us/mailman/listinfo/local-gov-news>

OREGON SHORT-TERM FUND ANALYSIS



Oregon Short-Term Fund Analysis as of March 31, 2010

	10/31/2009	11/30/2009	12/31/2009	1/31/2010	2/28/2010	3/31/2010
LGIP AV DOLLARS INVESTED (MM)	3,766	5,119	5,505	5,173	5,122	4,950
STATE AGENCY AV DOLLARS INVESTED (MM)	6,081	5,791	5,628	5,677	5,588	5,162
TOTAL OSTF AV DOLLARS INVESTED (MM)	9,847	10,910	11,133	10,850	10,709	10,112
OST ANNUAL YIELD (ACT/ACT)	0.75	0.70	0.68	0.62	0.55	0.55
3-MO UST BILLS (BOND EQ YLD)	0.05	0.05	0.05	0.07	0.12	0.16
3-MO JUMBO CDS (ACT/360)	0.29	0.28	0.25	0.23	0.21	0.19

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.