

LOCAL GOVERNMENT NEWS REPORT

October 2010

INTEREST RATES

The average annualized yield for September was 0.55 percent. The rate for September was as follows:

September 1 st – 30 th	0.55 percent
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UPCOMING NOVEMBER HOLIDAYS

Due to the Veterans' Day holiday, the Oregon State Treasury, Fed wire service, and Oregon banks will be closed on Thursday, November 11th. Any ACH transfers called in prior to 1:00 p.m. on Wednesday, November 10th, will settle at your bank on Friday, November 12th. Any ACH transfers called in between 1:00 p.m. Wednesday, November 10th, and 1:00 p.m. Friday, November 12th, will settle at your bank on Monday, November 15th.

Due to the Thanksgiving Day holiday, the Oregon State Treasury, Fed wire service and Oregon banks will be closed Thursday, November 25th. Any ACH transfers called in prior to 1:00 p.m. on Wednesday, November 24th, will settle at your bank on Friday, November 26th. Any ACH transfers called in between 1:00 p.m. Wednesday, November 24th, and 1:00 p.m. Friday, November 26th, will settle at your bank on Monday, November 29th.

ONLINE POOL ACCOUNT STATEMENTS

Local governments ready to make the move to online statement access may contact us via e-mail at ost.banking@state.or.us. An Oregon State Treasury (OST) customer service representative will work with local governments to set up access to our online statement software.

The online statement software was designed by the OST to enable users to view, save, and print daily and/or monthly OST pool account statements at their convenience – 24 hours a day, 7 days a week. Statements are updated each afternoon for access to same day information. Three years' of historical data is also available online.

Local governments currently accessing online pool account statements should use our ost.banking@state.or.us e-mail address for requesting password resets, adding or removing users, or submitting questions related to online statements.

OREGON SHORT-TERM FUND BOARD MEETING

The next Oregon Short-Term Fund Board meeting is scheduled for Thursday, October 28th at 10:00 a.m. The location of the meeting has yet to be determined.

CREDIT MARKET UPDATE

Corporate investment grade (IG) spreads continued to grind tighter in September despite record new issuance. The market seems to be fully on board with QE2 (Quantitative Easing Round 2) by the Federal Reserve. The only questions at this point seem to center around how aggressive the Fed will be and for how long. The prospect (or certainty at this point) of the Fed stepping into the markets and buying billions in US Treasuries or mortgage-backed securities is driving bond prices higher... and yields lower. IG spreads tightened 10bps to 160bps over treasuries. Meanwhile, the yield on the Barclay's US Aggregate Treasury Index declined 3bps to 1.41 percent. So, with IG yield spreads declining and the underlying treasury yield declining, IG Corporate yields declined 11bps to 3.43 percent, which is down 1.08 percent year-to-date.

The corporate market is gearing up for quarterly earnings season (which is when companies release the previous quarter's results) and digesting predictions about the all-important Christmas sales season. So far, the outlook for earnings results is modest compared to the robust expectations of the 1st and 2nd quarters'. The initial indications for Christmas shopping point to slight (low single-digit) improvements over last year. At this point, the combination of QE2, stable earnings, and positive Christmas sales growth, albeit very low growth, are supportive for corporate credit.

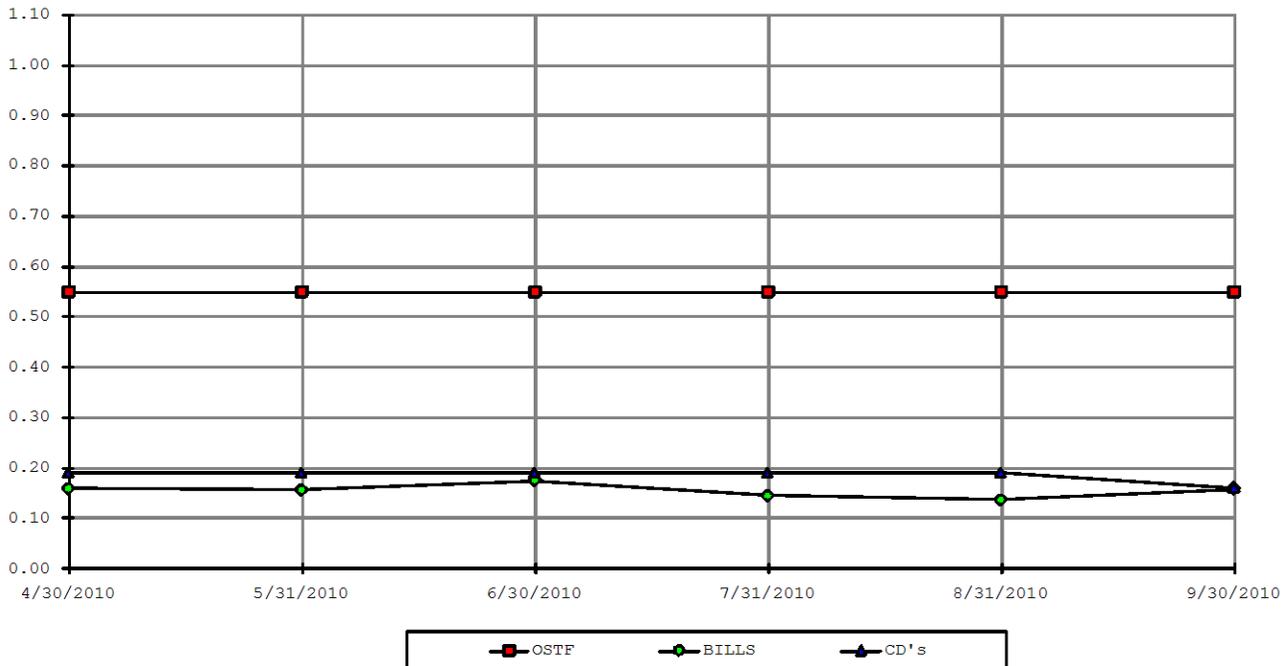
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Local Government News List: <http://listsmart.osl.state.or.us/mailman/listinfo/local-gov-news>

OREGON SHORT-TERM FUND ANALYSIS



Oregon Short-Term Fund Analysis as of September 30, 2010

	4/30/2010	5/31/2010	6/30/2010	7/31/2010	8/31/2010	9/30/2010
LGIP AV DOLLARS INVESTED (MM)	4,881	4,829	4,231	4,038	4,198	4,107
STATE AGENCY AV DOLLARS INVESTED (MM)	5,904	6,609	6,492	6,241	6,077	5,906
TOTAL OSTF AV DOLLARS INVESTED (MM)	10,785	11,438	10,724	10,279	10,275	10,013
OST ANNUAL YIELD (ACT/ACT)	0.55	0.55	0.55	0.55	0.55	0.55
3-MO UST BILLS (BOND EQ YLD)	0.16	0.16	0.18	0.15	0.14	0.16
3-MO JUMBO CDS (ACT/360)	0.19	0.19	0.19	0.19	0.19	0.16

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.