



Local Government

News Report

NOVEMBER 2012

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HOLIDAYS AND CLOSURES

Thanksgiving
November 22nd
(Oregon State Treasury
and
Banks closed)

Happy Thanksgiving!

CREDIT MARKET REVIEW

October was a relatively quiet month for the European Central Bank and the Federal Reserve after ushering in unprecedented measures in September. Markets are now focused on Spain's potential request for a bailout under the ECB's OMT (Outright Monetary Transactions) program, ongoing Greek reforms, US economic growth, the US presidential election, and the impending fiscal cliff. Market participants are growing increasingly worried that U.S. lawmakers will elect to drive off the cliff as they perceive that an

agreement appears to be unlikely at this time.

October non-farm payrolls were released on November 2nd. The median economist, according to Bloomberg, expected an increase of 125k jobs. The print came in at 171k with a good revision to the prior month up from 114k to 148k as well as a solid revision to August from 142k to 192k. The labor force participation rate ticked up as more people searched for work causing the headline unemployment figure to move up to 7.9 percent. Average hourly

earnings for all employees ticked down while average hours worked per week remained flat. The U6 underemployment rate edged down to 14.6 percent from 14.7 percent.

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INTEREST RATES

The average annualized yield for October was:
0.60 percent

The rate for October was as follows:
October 1st - 31st
0.60 percent

UPCOMING HOLIDAYS

Due to the Christmas holiday, the State Treasurer's Office, Fed wire service, and Oregon banks will be closed Tuesday, December 25th. Any ACH transfers called prior to 1:00 p.m. on Monday, December 24th, will settle at your bank on Wednesday, December 26th. Any ACH transfers called between 1:00 p.m. Monday, December 24th, and 1:00 p.m. Wednesday, December 26th, will settle at your bank on Thursday, December 27th.

Due to the New Year's holiday, the State Treasurer's Office, Fed wire service, and Oregon banks will be closed Tuesday, January 1st. Any ACH transfers called prior to 1:00 p.m. on Monday, December 31st, will settle at your bank on Wednesday, January 2nd. Any ACH transfers called between 1:00 p.m. Monday, December 31st, and 1:00 p.m. Wednesday, January 2nd, will settle at your bank on Thursday, January 3rd.

CREDIT MARKET REVIEW

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The third quarter earnings season is now largely behind us with most large companies having released their numbers. As expected, it was a rather weak quarter for most sectors, as revenues and profits came in light reflecting the slow economic growth observed throughout late summer.

October saw a continuation of September's rally in corporate credit spreads. The rally can be largely attributed to market participants' rather sanguine view on Europe's situation, solid US economic data releases, and strong fund flows into fixed income assets. The option-adjusted spread on the Barclays 1-3 year U.S. Investment Grade Corporate Index tightened by 10 basis points. In the rates markets, short term government rates marginally increased while the much-followed 3 month LIBOR rate continued its decline.

Short term money market yields may face another headwind as the year closes out. On December 31, 2012, the FDIC's TAG (Transaction Account Guarantee) program will expire. The program, launched in response to the financial crises, guaranteed unlimited balances in transaction accounts as opposed to the \$250k limit. It is unknown what the true impact will be, however, it appears that a significant amount of funds could come into the money market space causing increased competition for assets.



UPCOMING 2013 SHORT-TERM FUND BOARD MEETINGS

The Oregon Short Term Fund Board is meeting four times in calendar year 2013. Please note the below dates, times and locations. As a reminder, OSTF Investment Policies to be reviewed by the OSTF Board need to be submitted to Tom Lofton at the Oregon State Treasury at least six weeks prior to the OSTF Board Meeting.

- January 10, 2013, 10:00am-12:00pm
Oregon State Treasury
350 Winter Street NE, Suite 100
Salem, OR 97301
- July 9, 2013, 10:00am-12:00pm
Oregon State Treasury
350 Winter Street NE, Suite 100
Salem, OR 97301
- April 11, 2013, 10:00am-12:00pm
Orrick, Herrington & Sutcliffe, LLP
1120 NW Couch Street, Suite 200
Portland, OR 97209
- October 10, 2013, 10:00am-12:00pm
Orrick, Herrington & Sutcliffe, LLP
1120 NW Couch Street, Suite 200
Portland, OR 97209



MARKET DATA TABLE

	11/01/12	1 Month	3 Months	12 Months		11/01/12	1 Month	3 Months	12 Months
7-Day Agency Discount Note**	0.08	0.03	0.06	0.01	Barclays 1-3 Year Corporate YTW**	0.94	1.01	1.24	1.58
30-Day Agency Discount Note**	0.09	0.06	0.08	0.01	Barclays 1-3 Year Corporate OAS**	0.64	0.76	0.99	1.32
90-Day Agency Discount Note**	0.12	0.09	0.12	0.04	Barclays 1-3 Year Corporate Modified Duration**	2.00	2.00	2.01	1.95
180-Day Agency Discount Note**	0.14	0.11	0.12	0.09					
360-Day Agency Discount Note**	0.17	0.15	0.14	0.16	JPM 1-3 Year Floating Rate Note Index Yield***	1.14	1.18	1.53	2.08
					JPM 1-3 Year Floating Rate Note Index Discount Margin***	79.49	81.64	119.78	162.45
30-Day Treasury Bill**	0.04	0.07	0.06	0.01					
60-Day Treasury Bill**	0.07	0.07	0.06	0.00	7-Day Muni VRDN Yield**	0.21	0.18	0.14	0.14
90-Day Treasury Bill**	0.09	0.08	0.08	0.01					
6-Month Treasury Yield**	0.15	0.13	0.14	0.04	O/N GGC Repo Yield**	0.28	0.26	0.18	0.07
1-Year Treasury Yield**	0.17	0.16	0.16	0.10	O/N GGC Reverse Repo Yield**	0.38	0.35	0.26	0.17
2-Year Treasury Yield**	0.28	0.24	0.23	0.24					
3-Year Treasury Yield**	0.39	0.31	0.31	0.38	1-Day CP (A1/P1)**	0.16	0.15	0.17	0.21
					7-Day CP (A1/P1)**	0.17	0.18	0.18	0.25
1-Month LIBOR (bp)**	0.21	0.21	0.24	0.25	30-Day CP (A1/P1)**	0.21	0.25	0.23	0.35
3-Month LIBOR (bp)**	0.31	0.36	0.44	0.43					
6-Month LIBOR (bp)**	0.54	0.63	0.72	0.62	30-Day CD (A1/P1)**	0.18	0.19	0.23	0.31
12-Month LIBOR (bp)**	0.88	0.97	1.05	0.94	90-Day CD (A1/P1)**	0.26	0.26	0.36	0.49
					6-Month CD (A1/P1)**	0.42	0.41	0.61	0.66
US 1 Year Inflation Break-Even (bp)**	0.44	1.40	0.35	1.27	1-Year CD (A1/P1)**	0.65	0.73	1.00	0.99
US 2 Year Inflation Break-Even (bp)**	1.36	1.56	1.25	1.45					
US 3 Year Inflation Break-Even (bp)**	1.64	1.73	1.50	1.61	Sources: *Barclays, **Bloomberg, ***JP Morgan				

2013 HOLIDAY SCHEDULE

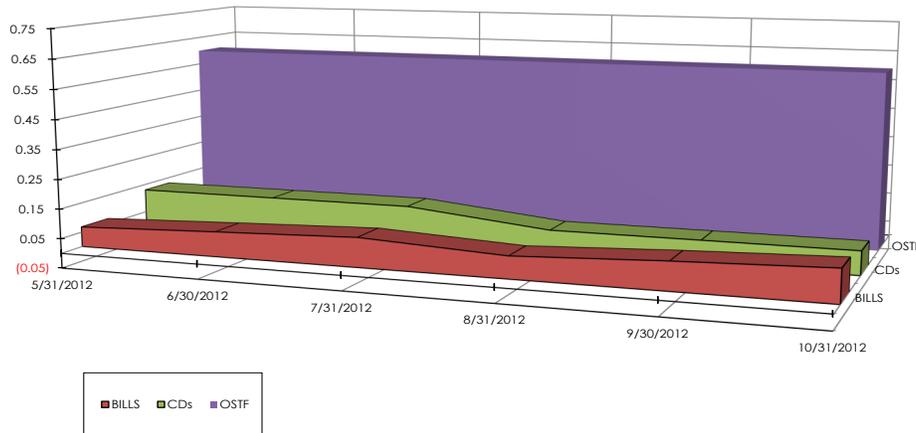
To help you in your investment planning, the following are holidays that will be observed by the Local Government Investment Pool during 2013.

Tuesday	January 1st	(New Year's Day)
Monday	January 21st	(Martin Luther King Jr. Day)
Monday	February 18th	(Presidents' Day)
Monday	May 27th	(Memorial Day)
Thursday	July 4th	(Independence Day)
Monday	September 2nd	(Labor Day)
Monday	October 14th	(Columbus Day) *Due to Fed & bank closure
Monday	November 11th	(Veterans' Day)
Thursday	November 28th	(Thanksgiving Day)
Wednesday	December 25th	(Christmas Day)

ACH transactions called in prior to 1:00 p.m. on the business day preceding a holiday will settle on the business day following the holiday. Any **ACH** transactions called in **between** 1:00 p.m. on the business day preceding a holiday and 1:00 p.m. on the business day following a holiday will settle at your bank the **second** business day following the holiday.



OREGON SHORT-TERM FUND ANALYSIS AS OF 10-31-12



	5/31/2012	6/30/2012	7/31/2012	8/31/2012	9/30/2012	10/31/2012
LGIP AV DOLLARS INVESTED (MM)	5,451	4,796	4,426	4,569	4,518	4,389
STATE AGENCY AV DOLLARS INVESTED (MM)	5,831	5,669	5,328	5,622	5,568	5,691
TOTAL OSTF AV DOLLARS INVESTED (MM)	11,282	10,465	9,754	10,191	10,086	10,080
OST ANNUAL YIELD (ACT/ACT)	0.60	0.60	0.60	0.60	0.60	0.60
3-MO UST BILLS (BOND EQ YLD)	0.07	0.08	0.10	0.07	0.09	0.11
3-MO JUMBO CDS (ACT/360)	0.13	0.13	0.13	0.08	0.08	0.08

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 month end. 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.

CONTACT INFORMATION

Director of Finance

Cora Parker
503.373.4633

Executive Assistant

Kari McCaw
503.373.4633

Banking Operations Manager

Brady Coy
503.378.2457

Cash Management Risk & Governance Manager

Andrea Belz
503.378.2752

Investment Accounting Supervisor

Brooks Hogle
503.378.4302

Oregon Short Term Fund Staff

503.378.4155

Local Government Coordinator

Phone
503.373.1194
or
1.800.452.0345

Fax
503.373.1179

E-mail
lgip@mail.ost.state.or.us

Voice Response System (VRS)

1.877.888.1767

Website

www.ost.stat.or.us/About/Finance/LocalGov.asp

Local Government News List

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