OREGON STATE TREASURY

Local Government

News Report

DECEMBER 2013

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HOLIDAYS AND CLOSURES

Christmas Day
December 25th
and
New Year's Day
January 1st

(Oregon State Treasury and Banks closed)

CREDIT MARKET REVIEW

Markets operated at a more normal level in November after a US government budget deal was reached in October. Newly released economic data continued to show a resilient economy growing at a tepid pace despite the government shutdown and budget theatrics. Market participants continue to watch economic data and retail shopping results in an attempt to gauge the Federal Reserve's appetite toward a taper of the bond buying programs that currently remain in full force.

The November payroll report came in strong with the economy adding 203k nonfarm jobs, more than the Bloomberg reported median economist expectation of 185k. The headline unemployment rate ticked down to 7.0 percent while the labor force participation rate increased from 62.8 percent to 63.0 percent. The report revised October nonfarm payroll additions from 204k to 200k jobs while September was revised from 163k to 175k nonfarm jobs.

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INTEREST RATES

The average annualized yield for November was: **0.54 percent**

The rate for November was as follows:

November 1st - 30th
0.54 percent

UPCOMING BANK HOLIDAYS

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

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

CREDIT MARKET REVIEW

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Average hourly earnings increased at an annualized rate of 2.0 percent while meaningful jobs were added to the manufacturing and construction sectors. Both bode well for continued private sector growth.

Third quarter GDP was revised higher indicating the economy grew at a 3.6 percent pace, higher than the Bloomberg reported median economist expectation of 3.1 percent. Inventory re-stocking accounted for a significant portion of the upward revision. Most participants will wait to see if this is "paid back" in a subsequent quarter. The data indicates that inflation remains subdued as the Personal Consumption Core Price index recorded a mild 1.5 percent increase in the third quarter.

The short rates market remained largely unchanged in November. Fresh supply coming to the market after the government shutdown allowed agency discount note and Treasury bill rates to trend slightly higher. Corporate spreads edged tighter on the back of stronger economic data and solid demand for short duration corporate bonds.

MARKET DATA TABLE

	11/30/2013	1 Month	3 Months	12 Months		11/30/2013	1 Month	3 Months	12 Months
7-Day Agency Discount Note**	0.04	0.02	0.02	0.05	Barclays 1-3 Year Corporate YTW*	0.90	0.96	1.18	0.98
30-Day Agy Nt Disc**	0.05	0.03	0.02	0.07	Barclays 1-3 Year Corporate OAS*	0.57	0.62	0.74	0.71
90-Day Agy Nt Disc**	0.08	0.05	0.02	0.10	Barclays 1-3 Year Corporate Modified Duration*	1.95	1.96	1.97	1.96
180-Day Agy Nt Disc**	0.11	0.09	0.06	0.14					
360-Day Agy Nt Disc**	0.16	0.14	0.13	0.18	JPM 1-3 Year Floating Rate Note Index Yield***	0.65	0.62	0.69	1.21
					JPM 1-3 Year Floating Rate Note Index Discount Margin***	39.14	37.03	42.08	72.55
30-Day Treasury Bill**	0.06	0.04	0.00	0.15					
60-Day Treasury Bill**	0.03	0.03	0.01	0.06	7-Day Muni VRDN Yield**	0.05	0.08	0.06	0.16
90-Day Treasury Bill**	0.06	0.04	0.02	0.08					
6-Month Treasury Yield**	0.10	0.08	0.05	0.13	O/N GGC Repo Yield**	0.09	0.13	0.04	0.18
1-Year Treasury Yield**	0.12	0.09	0.12	0.17	O/N GGC Reverse Repo Yield**	0.12	0.16	0.09	0.25
2-Year Treasury Yield**	0.28	0.31	0.40	0.26					
3-Year Treasury Yield**	0.55	0.57	0.78	0.33	1-Day CP (A1/P1)**	0.11	0.11	0.10	0.15
					7-Day CP (A1/P1)**	0.11	0.12	0.11	0.17
1-Month LIBOR**	0.17	0.17	0.18	0.21	30-Day CP (A1/P1)**	0.13	0.14	0.15	0.22
3-Month LIBOR**	0.24	0.24	0.26	0.31					
6-Month LIBOR**	0.35	0.35	0.39	0.53	30-Day CD (A1/P1)**	0.14	0.16	0.16	0.19
12-Month LIBOR**	0.58	0.60	0.67	0.86	90-Day CD (A1/P1)**	0.20	0.18	0.19	0.28
					6-Month CD (A1/P1)**	0.27	0.26	0.27	0.43
US 1 Year Inflation Break-Even**	1.05	0.21	0.77	(0.50)	1-Year CD (A1/P1)**	0.47	0.45	0.44	0.70
US 2 Year Inflation Break-Even**	1.39	1.14	1.27	1.18					
US 3 Year Inflation Break-Even**	1.60	1.41	1.43	1.56	Sources: *Barclays, **Bloomberg, ***JP Morgan				

CMIRP CORNER

The Cash Management Improvement & Renewal Program (CMIRP) is a continuous improvement program focused on the renewal, replacement, and refinement of processes and technology supporting Treasury cash management services.

Development for the Local Government Investment Pool (LGIP)/VRS Renewal Business Case continues with focus on problem statement confirmation and initial enterprise analysis. We are utilizing the current-state process maps that were initiated in early 2012, with 16 service areas and over 100 processes for Agency and Local Government customers. This mapping has focused on LGIP and ACH processes and is the foundation of our current-state enterprise analysis. The mapping and analysis shows how the requirements of the Cash Management Program are being met today in terms of costs, benefits and risks.

Our current-state analysis will also include your input and concerns with the current processes, as well as incorporate your needs for future business activities. In January, a survey will formally kick off our stakeholder engagement activities. Currently, we are seeking volunteers to participate on a stakeholder group that will not only provide information and ideas specific to LGIP processes, but also help ensure that we are engaging all stakeholders in meaningful ways. If you are interested in participating on this group, please contact the CMIRP team at cmirp@ost.state.or.us. We look forward to hearing from you!

TESTING SOFTWARE UPGRADES

Upgrades to technology are never ending. Organizations are continually upgrading software as vendors make new versions available. It is important to remember, if your local government accesses pool account statements through our Online Portal, it is essential that you test connectivity before moving upgrades to production. Your upgrades may or may not cause issues with your connectivity to Treasury systems, but it is important to ensure access to information at all times. For example, at this time we believe if a local government upgrades their browser to Internet Explorer 11, they would not able to access our online portal to obtain pool account statements. If you have any questions about this, please feel free to contact ost.banking@ost.state.or.us

LOCAL GOVERNMENT DEBT VERIFICATION

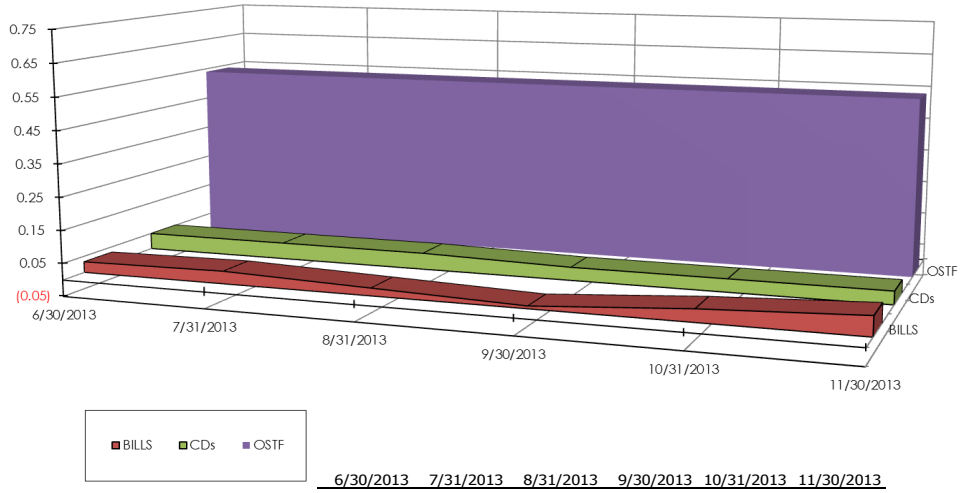
Every two years, Oregon State Treasury's Debt Management Division performs a verification of outstanding local debt in an effort to assist issuers with their continued compliance with the debt reporting requirement under ORS 287A.640. This task is important because reports are produced for the State Legislature who may make decisions based on this data, and for local governments as part of their disclosure and reporting responsibilities.

Please add this to your "Safe Senders" list.

In early January 2014, you will receive an email from DMD@ost.state.or.us).The email will contain a unique website link to your public debt and associated Official Statement (if applicable). The domain name will be *.BondTracker.us.
By submitting the information to the Bond Tracker website, you will be in compliance with State Law and on your way to compliance with Federal Regulations.

Remember to add this to your "**Trusted Sites**" so it isn't blocked.

OREGON SHORT TERM FUND ANALYSIS AS OF 11-30-13



	6/30/2013	7/31/2013	8/31/2013	9/30/2013	10/31/2013	11/30/2013
LGIP AV DOLLARS INVESTED (MM)	5,279	4,908	5,055	5,047	4,869	6,800
STATE AGENCY AV DOLLARS INVESTED (MM)	6,914	6,814	6,800	6,490	6,734	6,777
TOTAL OSTF AV DOLLARS INVESTED (MM)	12,193	11,722	11,855	11,538	11,603	13,577
OST ANNUAL YIELD (ACT/ACT)	0.54	0.54	0.54	0.54	0.54	0.54
3-MO UST BILLS (BOND EQ YLD)	0.03	0.04	0.02	0.01	0.04	0.06
3-MO JUMBO CDS (ACT/360)	0.05	0.05	0.05	0.04	0.04	0.04

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 month end. Consequently, while 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.

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