



# Local Government

## News Report

MARCH 2013

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### HOLIDAYS AND CLOSURES

No Holidays or Closures for the month of March.

## CREDIT UNIONS TO BECOME QUALIFIED OREGON PUBLIC DEPOSITORIES

Beginning on April 1st, 2013, credit unions can become qualified to hold public funds deposits in excess of \$250,000 through participation in the Oregon State Treasury (OST) Public Funds Collateralization Program (PFCP). The soon-to-be-offered program will include ten credit unions initially: Unitus, Pacific Crest, OSU Federal Credit Union, OnPoint, Advantis, MAPS Credit Union, Norwest Community, Old West, Wauna Federal Credit Union, and Oregon Community Credit Union.

While your local credit union may not be one of the ten listed above, we understand that several others may be planning to join the program once it is up and running. You can watch Treasury's [list of qualified depositories](#) for new additions in the coming months, or you can contact your local credit union (or bank, for that

matter) directly to determine if they intend to join one of our PFCP programs.

If you are interested in learning more about how the public funds programs work, you can contact OST program staff at [public.funds@ost.state.or.us](mailto:public.funds@ost.state.or.us) or 503-378-3400 for information.

### INTEREST RATES

The average annualized yield for February was:

**0.5464 percent**

The rate for February was as follows:

February 1st - 3rd

**0.60 percent**

February 4th - 28th

**0.54 percent**

## CREDIT MARKET REVIEW

February saw a slight pause in risk assets as participants digested the January Federal Open Market Committee minutes released by the Fed on February 20th. Most keyed into the language that the Fed members debated the cost of continued QE (quantitative easing) and whether an early exit may be warranted in the face of such costs. Markets were reassured as Mr. Bernanke took the stage in Washington for two days of testimony and downplayed the notion of an early exit from quantitative easing.

Economic data in February was largely positive. Housing data continued to show a positive trend as new home sales and pending home sales exceeded the median

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## CREDIT MARKET REVIEW

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economist's expectation according to Bloomberg. The second release of Q4 GDP was released in late February indicating the economy grew at 0.1 percent – low but better than the initial read of -0.1 percent. February payrolls came in strong with the economy adding 236k of nonfarm jobs, greater than the Bloomberg reported median economist expectation of 165k. The headline unemployment rate came in at 7.7 percent, lower than the prior month reading of 7.9 percent. December was revised from 196k to 219k nonfarm jobs while January was revised down from 157k to 119k nonfarm jobs.

The federal budget sequestration officially started on March 1st as Congress and the White House failed to come to agreement on the policy front. The impact and length of the sequestration remains widely debated.

Short rates remained under pressure throughout February. The US Treasury announced a Cash Management Bill in early February that caused 2-3 month rates to rise on the back of the new supply. Short corporate spreads remained largely unchanged. Inflation break-evens were up as market participants began to anticipate a stronger US economy and an early Fed exit.



## MARKET DATA TABLE

	2/28/13	1 Month	3 Months	12 Months		2/28/13	1 Month	3 Months	12 Months
7-Day Agency Discount Note**	0.03	0.04	0.04	0.05	Barclays 1-3 Year Corporate YTW*	0.94	0.99	0.99	1.38
30-Day Agy Nt Disc**	0.06	0.04	0.06	0.08	Barclays 1-3 Year Corporate OAS*	0.68	0.69	0.71	1.07
90-Day Agy Nt Disc**	0.10	0.06	0.11	0.11	Barclays 1-3 Year Corporate Modified Duration*	1.96	1.96	1.96	1.91
180-Day Agy Nt Disc**	0.13	0.09	0.14	0.13					
360-Day Agy Nt Disc**	0.17	0.14	0.17	0.20	JPM 1-3 Year Floating Rate Note Index Yield***	1.21	1.21	1.22	1.97
					JPM 1-3 Year Floating Rate Note Index Discount Margin***	72.55	72.55	73.09	139.18
30-Day Treasury Bill**	0.08	0.02	0.17	0.08					
60-Day Treasury Bill**	0.09	0.04	0.06	0.07	7-Day Muni VRDN Yield**	0.11	0.10	0.16	0.16
90-Day Treasury Bill**	0.10	0.06	0.08	0.08					
6-Month Treasury Yield**	0.12	0.11	0.14	0.13	O/N GGC Repo Yield**	0.18	0.03	0.18	0.09
1-Year Treasury Yield**	0.16	0.14	0.17	0.16	O/N GGC Reverse Repo Yield**	0.24	0.09	0.24	0.19
2-Year Treasury Yield**	0.24	0.28	0.26	0.29					
3-Year Treasury Yield**	0.34	0.43	0.34	0.41	1-Day CP (A1/P1)**	0.16	0.15	0.15	0.16
					7-Day CP (A1/P1)**	0.16	0.15	0.17	0.19
1-Month LIBOR (bp)**	0.20	0.20	0.21	0.24	30-Day CP (A1/P1)**	0.16	0.18	0.21	0.31
3-Month LIBOR (bp)**	0.29	0.30	0.31	0.49					
6-Month LIBOR (bp)**	0.46	0.48	0.53	0.75	30-Day CD (A1/P1)**	0.17	0.18	0.19	0.20
12-Month LIBOR (bp)**	0.75	0.80	0.86	1.06	90-Day CD (A1/P1)**	0.23	0.24	0.27	0.45
					6-Month CD (A1/P1)**	0.34	0.35	0.43	0.77
US 1 Year Inflation Break-Even (bp)**	2.39	1.93	(0.57)	2.54	1-Year CD (A1/P1)**	0.51	0.58	0.71	1.08
US 2 Year Inflation Break-Even (bp)**	2.24	2.10	1.17	2.21					
US 3 Year Inflation Break-Even (bp)**	2.26	2.17	1.54	2.04	Sources: *Barclays, **Bloomberg, ***JP Morgan				

## ORS 294.810 LIMITATION INCREASE

The limitation in ORS 294.810 has been **increased** from \$44,999,213 to **\$45,405,443**. This increase of 0.90 percent is in proportion to the percent change in the 2nd half of 2012, Consumer Price Index for all Urban Consumers of the Portland, Oregon, Standard Metropolitan Statistical Area, as compiled by the U.S. Department of Labor, Bureau of Labor Statistics.\*

### CPI adjustments for Local Gov't Balance Limitation

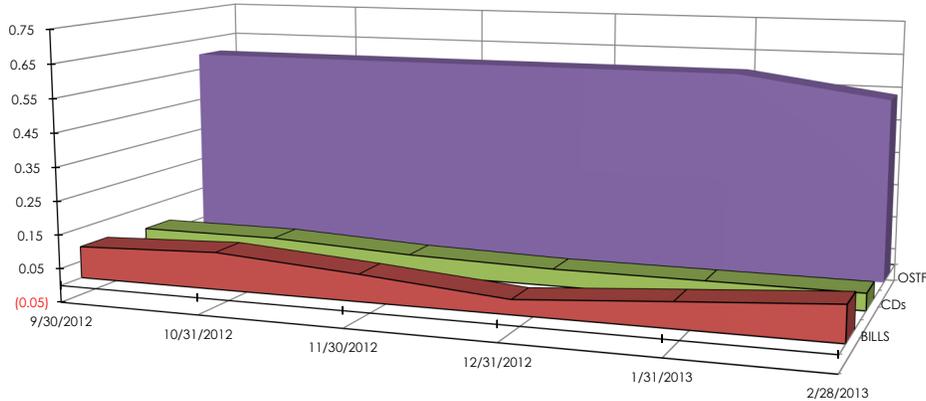
Period Start	Period End	Portland CPI	Semi-Annual		LGP Balance Limitation
1/1/2005	6/30/2005	194.5	1.04%	\$	38,262,295
7/1/2005	12/31/2005	197.5	1.54%	\$	38,852,459
1/1/2006	6/30/2006	199.8	1.16%	\$	39,304,918
7/1/2006	12/31/2006	202.5	1.35%	\$	39,836,066
1/1/2007	6/30/2007	206.653**	2.05%	\$	40,653,049
7/1/2007	12/31/2007	210.460	1.84%	\$	41,401,967
1/1/2008	6/30/2008	214.619	1.98%	\$	42,220,131
7/1/2008	12/31/2008	216.159	.72%	\$	42,523,082
1/1/2009	6/30/2009	214.102	-.95%	\$	42,523,082
7/1/2009	12/31/2009	217.191	1.44%	\$	43,136,592
1/1/2010	6/30/2010	217.508	.15%	\$	42,788,459
7/1/2010	12/31/2010	219.179	.77%	\$	43,117,180
1/1/2011	6/30/2011	223.105	1.79%	\$	43,889,508
7/1/2011	12/31/2011	226.077	1.33%	\$	44,474,164
1/1/2012	6/30/2012	228.746	1.18%	\$	44,999,213
7/1/2012	12/31/2012	230.811	.90%	\$	45,405,443

\*ORS 294.810 (2) provides that the original \$30 million limitation shall increase in proportion to the increase occurring after 9/9/95 in the CPI for all urban consumers of the Portland, Oregon area.

\*\* Effective January 2007 the Bureau of Labor Statistics began reporting the CPI figure extended to three decimal places.



## OREGON SHORT TERM FUND ANALYSIS AS OF 2-28-13



	9/30/2012	10/31/2012	11/30/2012	12/31/2012	1/31/2013	2/28/2013
LGIP AV DOLLARS INVESTED (MM)	4,518	4,389	6,223	6,599	6,250	6,192
STATE AGENCY AV DOLLARS INVESTED (MM)	5,568	5,691	5,595	5,812	6,351	6,222
TOTAL OSTF AV DOLLARS INVESTED (MM)	10,086	10,080	11,818	12,411	12,601	12,414
OST ANNUAL YIELD (ACT/ACT)	0.60	0.60	0.60	0.60	0.60	0.54
3-MO UST BILLS (BOND EQ YLD)	0.09	0.11	0.08	0.04	0.07	0.10
3-MO JUMBO CDS (ACT/360)	0.08	0.08	0.06	0.05	0.05	0.05

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.

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