OREGON STATE TREASURY

Local Government

News Report

NOVEMBER 2013

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HOLIDAYS AND CLOSURES

Thanksgiving Day
November 28th
(Oregon State Treasury and Banks closed)

Happy Thanksgiving!

CREDIT MARKET REVIEW

October proved to be an interesting month in the short term markets as the Federal Government shutdown weighed on the Treasury markets. As the shutdown unfolded, late October and early November Treasury Bills sold off as fears of a default loomed. Ultimately, a deal was reached and markets returned to more "normal" levels.

The government shutdown delayed the September payroll report from its original release date of October 4th to October 22nd. September payrolls showed the economy added 148k nonfarm jobs, less than the Bloomberg reported median economist expectation of 180k. The headline unemployment rate ticked down to 7.2 percent. The report revised August nonfarm payroll additions from 169k to 193k jobs while July was revised from 104k to 89k nonfarm jobs.

October payrolls were released on schedule on November 8th and showed the economy added 204k nonfarm jobs, more than the Bloomberg reported median economist expectation of 120k. The headline unemployment rate ticked up to 7.3 percent. The report revised September nonfarm payroll additions from 148k to 163k jobs while August was revised from 193k to 238k nonfarm jobs. Of note, the labor force participation rate ticked down in October to 62.8 percent, the lowest reading since 1978. The October labor report was mostly seen as positive, sending bonds lower and stocks higher.

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INTEREST RATES

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

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

UPCOMING BANK HOLIDAY

Because of the Thanksgiving Day holiday, the Oregon State Treasury, Fed wire service, and Oregon banks will be closed Thursday, November 28th. Any ACH transfers called in prior to 1:00 p.m. on Wednesday, November 27th, will settle at your bank on Friday, November 29th. Any ACH transfers called in between 1:00 p.m. Wednesday, November 27th, and 1:00 p.m. Friday, November 29th, will settle at your bank on Monday, December 2nd.

CREDIT MARKET REVIEW

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Third quarter GDP was reported to have grown at a 2.8 percent pace, higher than the Bloomberg reported median economist expectation of 2.0 percent. Inventory re-stocking accounted for 0.8 percent of the growth, so most participants will wait to see if this is "paid back" in a subsequent quarter.

Although the table below would not indicate it, Treasury Bills and agency discount notes had a volatile month in October. Treasury Bills maturing in late October hit levels as high as .50 before ultimately settling back into the low single digits once a deal was struck.

MARKET DATA TABLE

	10/31/2013	1 Month	3 Months	12 Months		10/31/2013	1 Month	3 Months	12 Months
7-Day Agency Discount Note**	0.02	0.01	0.02	0.11	Barclays 1-3 Year Corporate YTW*	0.96	1.10	1.09	0.96
30-Day Agy Nt Disc**	0.03	0.02	0.02	0.12	Barclays 1-3 Year Corporate OAS*	0.62	0.70	0.73	0.65
90-Day Agy Nt Disc**	0.05	0.03	0.04	0.13	Barclays 1-3 Year Corporate Modified Duration*	1.96	2.01	1.99	1.97
180-Day Agy Nt Disc**	0.09	0.05	0.08	0.15					
360-Day Agy Nt Disc**	0.14	0.11	0.14	0.18	JPM 1-3 Year Floating Rate Note Index Yield***	0.63	0.63	0.71	0.95
					JPM 1-3 Year Floating Rate Note Index Discount Margin***	37.03	37.03	43.27	73.86
30-Day Treasury Bill**	0.04	0.09	0.02	0.11					
60-Day Treasury Bill**	0.03	0.03	0.02	0.09	7-Day Muni VRDN Yield**	0.08	0.07	0.05	0.21
90-Day Treasury Bill**	0.04	0.01	0.03	0.10					
6-Month Treasury Yield**	0.08	0.04	0.07	0.16	O/N GGC Repo Yield**	0.13	0.06	0.07	0.30
1-Year Treasury Yield**	0.09	0.09	0.11	0.17	O/N GGC Reverse Repo Yield**	0.16	0.09	0.11	0.50
2-Year Treasury Yield**	0.31	0.33	0.31	0.29					
3-Year Treasury Yield**	0.57	0.64	0.59	0.40	1-Day CP (A1/P1)**	0.11	0.12	0.11	0.16
					7-Day CP (A1/P1)**	0.12	0.13	0.13	0.17
1-Month LIBOR**	0.17	0.18	0.19	0.21	30-Day CP (A1/P1)**	0.14	0.15	0.18	0.22
3-Month LIBOR**	0.24	0.25	0.27	0.31					
6-Month LIBOR**	0.35	0.37	0.40	0.54	30-Day CD (A1/P1)**	0.16	0.17	0.17	0.18
12-Month LIBOR**	0.60	0.63	0.67	0.88	90-Day CD (A1/P1)**	0.18	0.21	0.21	0.23
					6-Month CD (A1/P1)**	0.26	0.25	0.29	0.42
US 1 Year Inflation Break-Even**	0.21	0.41	0.94	0.50	1-Year CD (A1/P1)**	0.45	0.41	0.52	0.66
US 2 Year Inflation Break-Even**	1.14	1.17	1.43	1.30					
US 3 Year Inflation Break-Even**	1.41	1.39	1.55	1.60	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.

We have initiated the Business Cases focusing on the Local Government Investment Pool (LGIP) and agency Automated Clearing House (ACH) Renewal and/or Replacement Projects. The CMIRP team is currently validating that the problem and opportunity statements encompass program and customer goals, requirements and needs. We will drill-down to further define needs and requirements as we work on the Business Cases. We look forward to engaging with customer and partner stakeholders in the coming months to confirm and ensure the accuracy of this work.

Please contact Treasury at cmirp@ost.state.or.us if you have questions.

WELCOME NEW EMPLOYEES

We are pleased to welcome Michael Auman into the position of Deputy Director of the Finance Division. Mike has more than 25 years of administrative experience with State of Oregon agencies. He comes to us most recently from the Oregon Homeownership Stabilization Initiative at Oregon Housing and Community Services. Previous agency experience includes stints at the Department of Corrections, Governor Kulongoski's Office, the Department of Energy, the Water Resources Department, and the Department of Administrative Services. His career includes experience in positions with a financial focus, including some experience in specialty areas such as investment accounting and the preparation of statewide financials. He's long been a customer of OST's banking and cash management services from one perspective or another. Mike's collaborative approach to management and problem-solving will fit well with Treasury's focus on the future. Mike will join the team full-time at the beginning of December.

We are also happy to announce that Jennifer Cherubini has just joined us as a business analyst on the Cash Management Improvement and Renewal Program (CMIRP) team. She comes to us most recently from the Employment Department where she has worked as a business analyst and project manager for the better part of a decade. Prior to that she has experience as an internal auditor with Sony Disc Manufacturing – a position where she also focused extensively on continuous process improvement. Jennifer also has her Oregon Project Management Associate Certification.

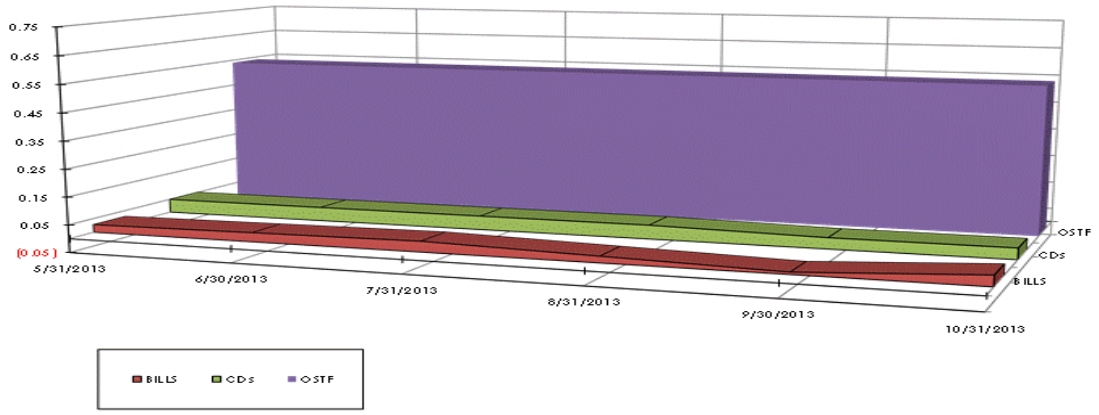
HOLIDAY SCHEDULE FOR 2014

To help you in your investment planning, the following are holidays that will be observed by the Local Government Investment Pool during 2014.

Wednesday	January 1st	(New Year's Day)
Monday	January 20th	(Martin Luther King Jr. Day)
Monday	February 17th	(Presidents' Day)
Monday	May 26th	(Memorial Day)
Friday	July 4th	(Independence Day)
Monday	September 1st	(Labor Day)
Monday	**October 13th**	**(Columbus Day) *Due to Fed & bank closure**
Tuesday	November 11th	(Veterans' Day)
Thursday	November 27th	(Thanksgiving Day)
Thursday	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 10-31-13



	5/31/2013	6/30/2013	7/31/2013	8/31/2013	9/30/2013	10/31/2013
LGIP AV DOLLARS INVESTED (MM)	6,036	5,279	4,908	5,055	5,047	4,869
STATE AGENCY AV DOLLARS INVESTED (MM)	6,955	6,914	6,814	6,800	6,490	6,734
TOTAL OSTF AV DOLLARS INVESTED (MM)	12,991	12,193	11,722	11,855	11,538	11,603
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	0.03	0.04	0.02	0.01	0.04
3-MO JUMBO CDS (ACT/360)	0.05	0.05	0.05	0.05	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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