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OREGON STATE TREASURY

# Local Government

## News Report

OCTOBER 2013

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### HOLIDAYS AND CLOSURES

Veterans Day  
November 11th  
(Oregon State  
Treasury  
and  
Banks closed)

## CASH MANAGEMENT IMPROVEMENT & RENEWAL PROGRAM (CMIRP) CORNER

In previous newsletters we've discussed how we've been building a foundation for cash management process and system improvement projects. Most recently, in the July newsletter, we referenced the approval of related resources by the 2013 Legislative Assembly. Hiring for the approved positions is underway and development of the business case for replacement and/or renewal of Local Government Investment Pool (LGIP) and Automated Clearing House (ACH) infrastructure and activities has been initiated. We plan to include a brief update on related activities in monthly editions of this newsletter on an ongoing basis. The newsletter will be just one

form of communication with our partners as we move through this important effort. You can contact Cora Parker, Wendy Finley, or Angel Bringelson if you have questions about these efforts.

### INTEREST RATES

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

The rate for September was as follows:  
September 1st - 30th  
**0.54 percent**

## UPCOMING BANK HOLIDAYS

Due to the Veterans Day holiday, the Oregon State Treasury, Fed wire service, and Oregon banks will be closed on Monday, November 11th. Any ACH transfers called in prior to 1:00 p.m. on Friday, November 8th, will settle at your bank on Tuesday, November 12th. Any ACH transfers called in between 1:00 p.m. Friday, November 8th, and 1:00 p.m. Tuesday, November 12th, will settle at your bank on Wednesday, November 13th.

Due to 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

US Treasury bonds rallied in the waning days of September as the Federal Reserve surprised markets and delayed the much anticipated taper. Perhaps they saw the government shutdown and debt ceiling debate coming.

September payrolls were not released as scheduled on October 4th due to the ongoing government shutdown. Based on initial jobless claims data released throughout September, it appears the labor market continued its improvement.

Bonds caught a bid in the back half of September sending rates lower across the curve. Short Treasury bill and Agency discount note rates continued to trade at very low levels. Short credit spreads tightened 4 basis points, as measured by the Barclays 1-3 Year Corporate Index. Discount margins, as measured by the JP Morgan 1-3 year floating rate note index, tightened 5 basis points as investors bid up risk assets as the quarter came to a close.

On October 10, 2013, President Obama nominated Janet Yellen to lead the Federal Reserve when current Chairman Ben Bernanke exits in January 2014. Yellen, the current Vice Chairwoman for the Reserve, had been the front-runner for the nomination. If confirmed by the Senate, she will be the first woman to serve in the post.

As of publication of this month's newsletter, the federal government has hit the two-week mark of its partial shutdown. Oregon State Treasury staff continue to monitor the situation closely and plan to publish a special Flash Market Update in the very near term.

## MARKET DATA TABLE

	9/30/13	1 Month	3 Months	12 Months		9/30/13	1 Month	3 Months	12 Months
7-Day Agency Discount Note**	0.01	0.02	0.04	0.02	Barclays 1-3 Year Corporate YTW*	1.08	1.18	1.22	1.00
30-Day Agy Nt Disc**	0.01	0.02	0.04	0.04	Barclays 1-3 Year Corporate OAS*	0.70	0.74	0.80	0.75
90-Day Agy Nt Disc**	0.03	0.02	0.06	0.08	Barclays 1-3 Year Corporate Modified Duration*	1.99	1.97	2.01	1.97
180-Day Agy Nt Disc**	0.06	0.06	0.10	0.11					
360-Day Agy Nt Disc**	0.13	0.13	0.15	0.15	JPM 1-3 Year Floating Rate Note Index Yield***	0.63	0.69	0.77	1.17
					JPM 1-3 Year Floating Rate Note Index Discount Margin***	37.03	42.08	46.27	81.53
30-Day Treasury Bill**	0.02	0.00	0.00	0.05					
60-Day Treasury Bill**	0.01	0.01	0.02	0.06	7-Day Muni VRDN Yield**	0.07	0.06	0.06	0.18
90-Day Treasury Bill**	0.00	0.02	0.03	0.08					
6-Month Treasury Yield**	0.03	0.05	0.09	0.13	O/N GGC Repo Yield**	0.06	0.04	0.05	0.29
1-Year Treasury Yield**	0.09	0.12	0.15	0.16	O/N GGC Reverse Repo Yield**	0.10	0.09	0.09	0.33
2-Year Treasury Yield**	0.32	0.40	0.36	0.23					
3-Year Treasury Yield**	0.62	0.78	0.65	0.31	1-Day CP (A1/P1)**	0.14	0.10	0.12	0.14
					7-Day CP (A1/P1)**	0.15	0.11	0.13	0.17
1-Month LIBOR**	0.18	0.18	0.19	0.21	30-Day CP (A1/P1)**	0.17	0.15	0.16	0.25
3-Month LIBOR**	0.25	0.26	0.27	0.36					
6-Month LIBOR**	0.37	0.39	0.41	0.64	30-Day CD (A1/P1)**	0.16	0.16	0.17	0.19
12-Month LIBOR**	0.63	0.67	0.69	0.97	90-Day CD (A1/P1)**	0.20	0.19	0.23	0.28
					6-Month CD (A1/P1)**	0.26	0.27	0.31	0.42
US 1 Year Inflation Break-Even**	0.45	0.77	0.74	1.36	1-Year CD (A1/P1)**	0.39	0.44	0.59	0.69
US 2 Year Inflation Break-Even**	1.17	1.27	1.24	1.56					
US 3 Year Inflation Break-Even**	1.39	1.43	1.40	1.74	Sources: *Barclays, **Bloomberg, ***JP Morgan				

## ORS 294.810 LIMITATION INCREASE

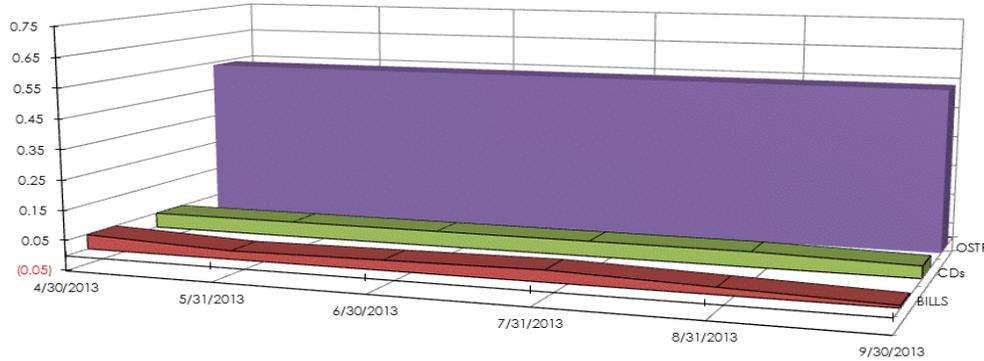
The limitation outlined in ORS 294.810 has been **increased** from \$45,405,443 to **\$45,642,885 effective September 9, 2013**. Please note that ORS 294.810 (2) was revised during the 2013 legislative session. It now provides that the \$30 million original limitation outlined in that statute shall increase in proportion to the increase occurring after September 9, 1995 in the U.S. City Average Consumer Price Index as compiled by the U.S. Bureau of Labor Statistics for the 12 consecutive months ending September 9 of the current calendar year. Consumer Price Index information is not calculated on a daily basis; therefore the limitation calculation will be based on the U.S. City Average Consumer Price Index for the 12 consecutive months ending August 31 of each year. The current increase reflects the percent change for the 12 consecutive months ending August 31, 2013. The tables below show a history of the limitation using the previous CPI adjustment method, as well as the current amount reflective of the statutory change.

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

Period Start	Period End	Portland CPI	Change		LGP Balance Limitation
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

Period Start	Period End	US City Ave CPI	Change		LGP Balance Limitation
9/1/2012	8/31/2013	232.018	.52%		\$ 45,642,885

## OREGON SHORT TERM FUND ANALYSIS AS OF 9-30-13



	4/30/2013	5/31/2013	6/30/2013	7/31/2013	8/31/2013	9/30/2013
LGIP AV DOLLARS INVESTED (MM)	5,995	6,036	5,279	4,908	5,055	5,047
STATE AGENCY AV DOLLARS INVESTED (MM)	6,435	6,955	6,914	6,814	6,800	6,490
TOTAL OSTF AV DOLLARS INVESTED (MM)	12,430	12,991	12,193	11,722	11,855	11,538
OST ANNUAL YIELD (ACT/ACT)	0.54	0.54	0.54	0.54	0.54	0.54
3-MO UST BILLS (BOND EQ YLD)	0.05	0.03	0.03	0.04	0.02	0.01
3-MO JUMBO CDS (ACT/360)	0.05	0.05	0.05	0.05	0.05	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.

### CONTACT INFORMATION

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