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OREGON STATE TREASURY

# Local Government

## News Report

AUGUST 2014

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### GET YOUR POOL ACCOUNT STATEMENTS ONLINE

Are you still receiving pool account statements in the mail? As a reminder, Oregon State Treasury (OST) provides an online statement option. The online statement software was designed by OST to enable users to view, save, and print daily and/or monthly OST pool account statements at their convenience – 24 hours a day, 7 days a week. Statements are updated each afternoon for access to same day information. Also, three years of historical data is available.

Local governments ready to make the move to online statements may contact us via e-mail at [ost.banking@ost.state.or.us](mailto:ost.banking@ost.state.or.us). A customer service representative will work with local governments to set up access.

### ANNUAL ONLINE USER VALIDATION FOLLOW-UP

Thank you to those local governments that responded to our annual User Validation e-mail sent out in mid-June. As a reminder, this e-mail was directed to those designated as Password Administrators. It contained a listing of all users within the local government that were set up to access online statements. Some local governments have yet to respond regarding validation report, back to OST by the accuracy of the which was due July 31. If your currently accesses the Internet please take a few minutes to confirm that the appropriate person for your local government has responded to the e-mail. This important validation process helps us confirm that the right local government staff have access to online statements. Failure to respond could result in removal of access privileges.



Some respond regarding validation report, back to OST by local government your pool statements via

### BANK HOLIDAY

Labor Day  
September 1  
(Oregon State Treasury  
and Banks closed)

### INTEREST RATES

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

The rate for July was as follows:

July 1 - 31  
**0.54 percent**

# Local Government News Report

## UPCOMING LABOR DAY HOLIDAY

Due to the Labor Day holiday, the Oregon State Treasury, the Fed wire service, and Oregon banks will be closed Monday, September 1. Any ACH transfers called in prior to 1:00 p.m. on Friday, August 29, will settle at your bank on Tuesday, September 2. ACH transfers called in between 1:00 p.m. Friday, August 29, and 1:00 p.m. Tuesday, September 2, will settle at your bank on Wednesday, September 3.



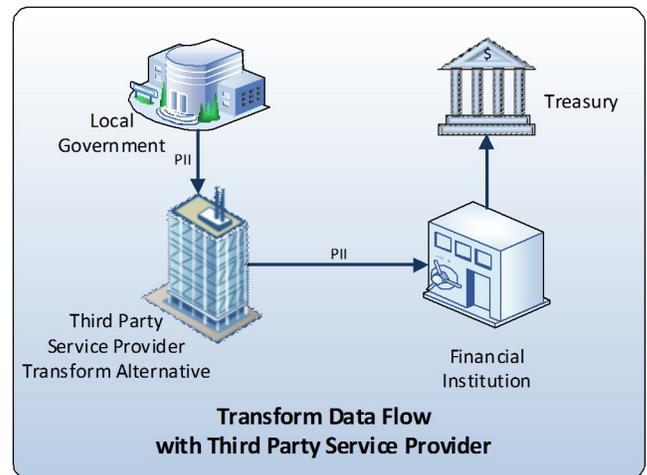
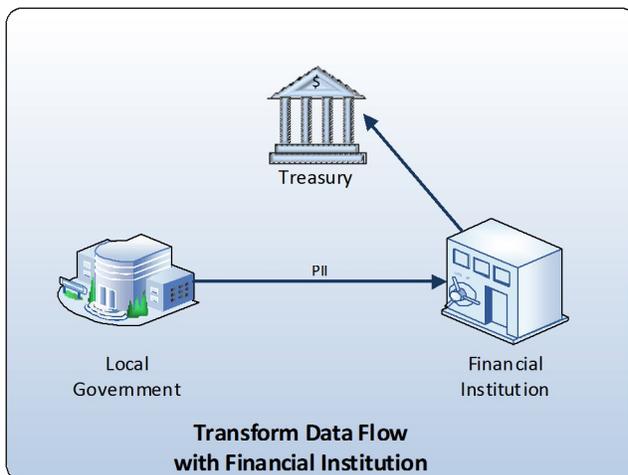
## CMIRP CORNER

*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.*

With submissions for the September Legislative Emergency Board due August 18, Treasury is finalizing the LGIP Business Systems Renewal business case. Treasury has finished analyzing the alternatives and is working with its quality assurance vendor to review project documentation. Preliminarily, the business case recommends the **Transform** approach—utilizing a service vendor hybrid model. The approach could be implemented either with a third party service provider or with Treasury’s existing treasury management services provider—U.S. Bank. Treasury also is beginning to plan for implementation of a solution pending direction from the Emergency Board.

On August 1, CMIRP staff presented an update on the renewal effort to the Finance Officers’ Group. The cities of Canby and Albany hosted the meeting of 20–25 attendees, mostly representatives from smaller municipalities and special districts. On August 4, the LGIP stakeholder workgroup met to hear an update on development of the business case, as well as to discuss impacts of possible vendor solutions under the **Transform** approach.

If you have questions or comments about the LGIP Business Systems Renewal effort, please contact us at [cmirp@ost.state.or.us](mailto:cmirp@ost.state.or.us).



\*PII=Personally Identifiable Information

## CREDIT MARKET REVIEW

The markets wobbled a bit in July as US equities moved lower while US high-yield spreads and US Treasury rates moved higher. Market participants cite several reasons for this contrast including continued geopolitical turmoil, future Fed rate hikes, decent US economic data, and poor European economic data. In fact, Italy officially entered a recession as their initial estimate of second quarter growth came in negative, marking their second straight negative quarter. Currently 10-year Italian government bonds trade at a yield of 2.80 percent, a mere 0.33 percent back from where 10-year US Treasuries trade. Italian 10-year bonds traded at yields as high as 7.29 percent in the fall of 2011, which at the time was 5.29 percent higher than 10-year US Treasuries.

The initial estimate of first quarter GDP was released on July 30 and indicated the economy grew at a 4.0 percent annualized growth rate in the second quarter. First quarter growth was revised up from negative 2.9 percent to negative 2.1 percent. Nearly 1.7 percent of second quarter growth came from inventory

accumulation, which is likely to be paid back in the second half of the year and be a drag on growth.

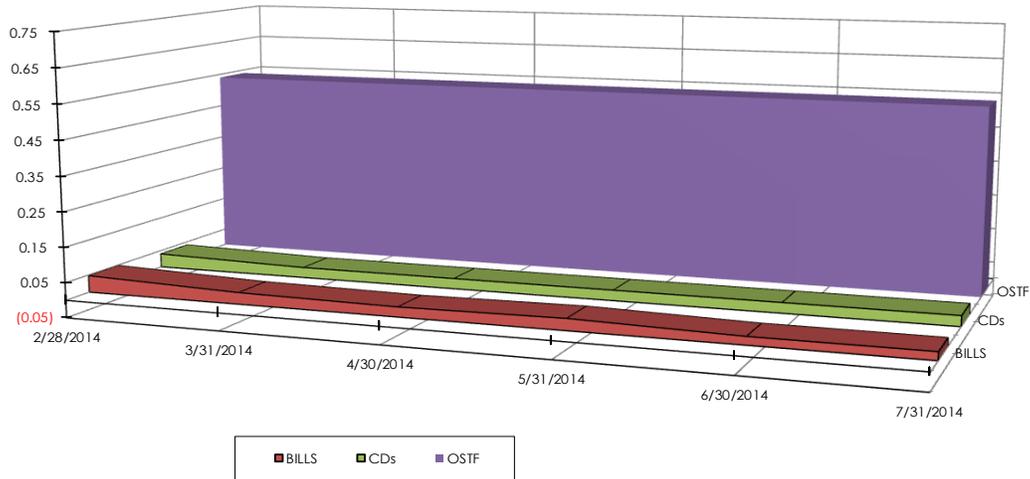
The July payroll report was released Friday August 1. The report was slightly weaker than expected with the economy adding 209k nonfarm jobs, less than the Bloomberg-reported median economist expectation of 230k. The headline unemployment rate moved up from 6.1 percent to 6.2 percent as the labor force participation rate inched higher from 62.8 percent to 62.9 percent. The report revised June nonfarm payroll additions from 288k to 298k jobs while May was revised from 224k to 229k jobs. Average hourly earnings, a sign of wage inflation, was unchanged for the month. Average hourly earnings have risen 2.0 percent over the past 12 months. The Treasury curve caught a strong bid on the back of this report, sending yields lower, as both the flat hourly average earnings growth as well as the increased labor force participation rate indicates additional slack in the labor market.

## MARKET DATA TABLE

	7/31/2014	1 Month	3 Months	12 Months		7/31/2014	1 Month	3 Months	12 Months
7-Day Agency Discount Note**	0.03	0.04	0.02	0.03	Barclays 1-3 Year Corporate YTW*	1.04	0.99	0.94	1.08
30-Day Agency Note Discount**	0.05	0.05	0.03	0.02	Barclays 1-3 Year Corporate OAS*	0.47	0.46	0.48	0.72
90-Day Agency Note Discount**	0.07	0.07	0.04	0.03	Barclays 1-3 Year Corporate Modified Duration*	1.95	2.01	1.99	1.99
180-Day Agency Note Discount**	0.09	0.09	0.06	0.07					
360-Day Agency Note Discount**	0.14	0.11	0.13	0.15	JPM 1-3 Year Floating Rate Note Index Yield***	0.59	0.62	0.59	0.68
					JPM 1-3 Year Floating Rate Note Index Discount Margin***	35.93	36.32	37.85	40.42
30-Day Treasury Bill**	0.01	0.02	0.02	0.02					
60-Day Treasury Bill**	0.01	0.01	0.01	0.02	7-Day Muni VRDN Yield**	0.06	0.06	0.10	0.06
90-Day Treasury Bill**	0.02	0.02	0.02	0.03					
6-Month Treasury Yield**	0.05	0.06	0.04	0.07	O/N GGC Repo Yield**	0.15	0.08	0.07	0.04
1-Year Treasury Yield**	0.11	0.10	0.10	0.11					
2-Year Treasury Yield**	0.530	0.47	0.41	0.32	1-Day CP (A1/P1)**	0.12	0.11	0.13	0.14
3-Year Treasury Yield**	0.99	0.88	0.85	0.60	7-Day CP (A1/P1)**	0.13	0.12	0.13	0.15
					30-Day CP (A1/P1)**	0.15	0.14	0.14	0.18
1-Month LIBOR**	0.16	0.16	0.15	0.19					
3-Month LIBOR**	0.24	0.23	0.22	0.27	30-Day CD (A1/P1)**	0.14	0.18	0.17	0.16
6-Month LIBOR**	0.33	0.33	0.32	0.40	90-Day CD (A1/P1)**	0.18	0.19	0.19	0.19
12-Month LIBOR**	0.58	0.55	0.55	0.67	6-Month CD (A1/P1)**	0.25	0.27	0.26	0.29
					1-Year CD (A1/P1)**	0.44	0.43	0.45	0.52
US 1 Year Inflation Break-Even**	0.98	1.43	1.58	0.89					
US 2 Year Inflation Break-Even**	1.52	1.72	1.74	1.33					
US 3 Year Inflation Break-Even**	1.72	1.86	1.80	1.48					

Sources: \*Barclays, \*\*Bloomberg, \*\*\*JP Morgan

## OREGON SHORT TERM FUND ANALYSIS AS OF 7-31-14



	2/28/2014	3/31/2014	4/30/2014	5/31/2014	6/30/2014	7/31/2014
LGIP AV DOLLARS INVESTED (MM)	6,743	6,558	6,488	6,434	5,669	5,348
STATE AGENCY AV DOLLARS INVESTED (MM)	6,623	6,512	6,901	6,902	6,944	8,210
TOTAL OSTF AV DOLLARS INVESTED (MM)	13,360	13,064	13,383	13,330	12,607	13,557
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	0.03	0.02	0.02
3-MO JUMBO CDS (ACT/360)	0.04	0.03	0.03	0.03	0.03	0.03

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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#### Local Government News List

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