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OREGON STATE TREASURY

Local Government

News Report

FEBRUARY 2015

INSIDE THIS ISSUE

- Credit Market Review
- Upcoming Bank Holiday
- Market Data Table
- CMIRP Corner
- OSTF Analysis
- Post-Issuance Continuing Disclosure Compliance
- Job Opportunity

BANK HOLIDAY

Presidents Day
February 16

(Oregon State Treasury
and Banks closed)

CREDIT MARKET REVIEW

Front-end interest rate markets continue to be volatile as prices reflect participants' ever-shifting view on when the Federal Reserve will lift front-end rates off their current 0.00–0.25 percent range. Global growth and low inflation continue to allow the Fed to be patient while the U.S. economy and labor markets continue to show signs of strength, indicating that the Fed has room to remove its accommodative policy. Given the current level of unemployment, economic growth, equity prices, household wealth, and corporate earnings, it is surprising that the Federal Funds target rate remains at zero.

In January, the European Central Bank announced its widely anticipated quantitative easing campaign in which it will purchase approximately €60 billion of selected assets a month for at least the

next 18 months in an attempt to spur asset prices, inflation, economic growth, and sentiment. The announcement sent European government yields lower with the 10-year German Bund closing the month at 0.30 percent. Elsewhere in Europe, the Swiss National Bank stunned the markets as it abandoned its currency peg that kept the Swiss Franc pegged at 1.20 Swiss Franc per Euro. On the back of the decision, the Swiss Franc soared as much as 30 percent in value against the Euro while the Swiss 10-year closed the month at -0.075 percent.

The January payroll report was released Friday, February 6. The jobs report was a strong report. The headline jobs number was better than expected with the

(Continued on page 2)

UPCOMING BANK HOLIDAY

Due to the Presidents Day holiday, the Oregon State Treasury, Federal Reserve, and Oregon banks will be closed Monday, February 16. ACH transfers called-in prior to 1:00 p.m. on Friday, February 13, will settle at your bank on Tuesday, February 17. ACH transfers called-in between 1:00 p.m. on Friday, February 13, and 1:00 p.m. on Tuesday, February 17, will settle at your bank on Wednesday, February 18. In addition, local government account statements will not be produced for February 16 due to the closures.

INTEREST RATES

The average annualized yield for January was:
0.50 percent

The rates for January were as follows:

January 1 - 31
0.50 percent

CREDIT MARKET REVIEW

(Continued from page 1)

economy adding 257k nonfarm jobs, more than the Bloomberg-reported median economist expectation of 228k. The headline unemployment rate moved higher to 5.7 percent, partly due to a higher labor force participation rate of 62.9 percent. The report revised December nonfarm payroll additions from 252k to 329k jobs while November was revised from 353k to 423k jobs. Average hourly earnings, a sign of wage inflation, increased 0.5 percent for the month. Year-over-year wage growth now stands at a 2.2 percent gain. The markets will look to further wage growth indicators to confirm the uptrend seen since November. While one month does not make a trend, 2015 is off to a strong start.

Money market rates moved lower in January as demand for high-quality, liquid, and short-duration assets increased as Treasury bill and agency discount note supply remained tepid. Short-duration corporate spreads moved wider by three basis points, according to the Barclays corporate index (tracked below). Two-year and three-year U.S. Treasury rates moved lower into month-end as markets priced in weak December wage growth and a lower inflation outlook as commodity and import prices continued to decline. After the release of the January jobs report, noted above, U.S. treasuries sold off and sent rates higher on the back of accelerating wage growth that caused the markets to price in an earlier Fed rate hike.



MARKET DATA TABLE

	1/31/2015	1 Month	3 Months	12 Months		1/31/2015	1 Month	3 Months	12 Months
7-Day Agency Discount Note**	0.02	0.07	0.04	0.02	Barclays 1-3 Year Corporate YTW*	1.20	1.38	1.13	0.96
30-Day Agy Nt Disc**	0.05	0.06	0.04	0.02	Barclays 1-3 Year Corporate OAS*	0.69	0.66	0.58	0.57
90-Day Agy Nt Disc**	0.08	0.03	0.06	0.05	Barclays 1-3 Year Corporate Modified Duration*	1.96	1.93	1.95	1.94
180-Day Agy Nt Disc**	0.08	0.10	0.07	0.07					
360-Day Agy Nt Disc**	0.16	0.22	0.15	0.12	JPM 1-3 Year Floating Rate Note Index Yield***	0.75	0.82	0.60	0.57
					JPM 1-3 Year Floating Rate Note Index Discount Margin***	49.39	51.41	39.14	34.54
30-Day Treasury Bill**	0.00	0.01	0.00	0.03					
60-Day Treasury Bill**	0.00	0.01	0.00	0.03	7-Day Muni VRDN Yield**	0.02	0.03	0.05	0.04
90-Day Treasury Bill**	0.00	0.02	0.01	0.03					
6-Month Treasury Yield**	0.05	0.12	0.05	0.06	O/N GGC Repo Yield**	0.14	0.25	0.28	0.04
1-Year Treasury Yield**	0.14	0.22	0.09	0.09					
2-Year Treasury Yield**	0.451	0.67	0.49	0.35	1-Day CP (A1/P1)**	0.14	0.16	0.19	0.10
3-Year Treasury Yield**	0.74	1.07	0.92	0.70	7-Day CP (A1/P1)**	0.15	0.18	0.18	0.11
					30-Day CP (A1/P1)**	0.15	0.20	0.16	0.14
1-Month LIBOR**	0.17	0.17	0.16	0.16					
3-Month LIBOR**	0.25	0.26	0.23	0.24	30-Day CD (A1/P1)**	0.15	0.17	0.15	0.16
6-Month LIBOR**	0.36	0.36	0.33	0.34	90-Day CD (A1/P1)**	0.23	0.21	0.19	0.19
12-Month LIBOR**	0.62	0.63	0.55	0.57	6-Month CD (A1/P1)**	0.30	0.27	0.26	0.26
					1-Year CD (A1/P1)**	0.55	0.44	0.44	0.44
US 1 Year Inflation Break-Even**	0.13	(0.21)	(0.78)	1.68					
US 2 Year Inflation Break-Even**	0.44	0.07	0.94	1.75					
US 3 Year Inflation Break-Even**	1.03	0.75	1.22	1.83	Sources: *Barclays, **Bloomberg, ***JP Morgan				

CMIRP CORNER

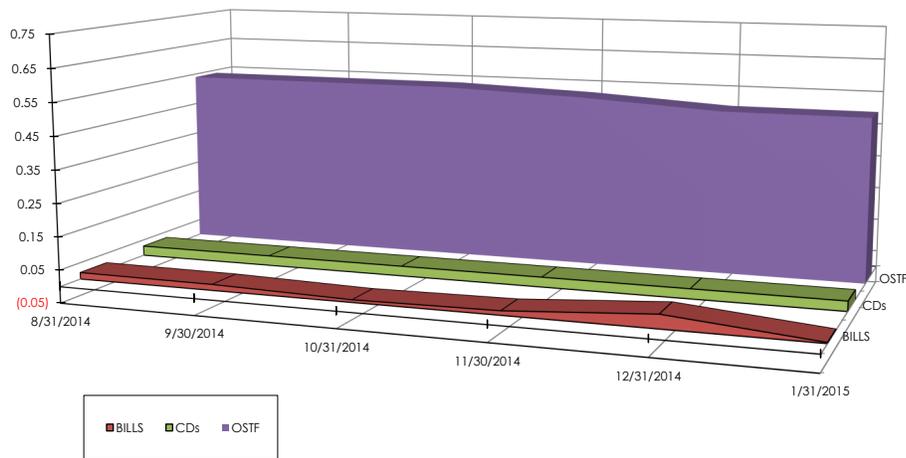
The Cash Management Improvement & Renewal Program (CMIRP) is a continuous improvement program focused on the renewal, replacement, and refinement of processes and technology supporting Treasury cash management services.

On January 27, the LGIP stakeholder workgroup met to hear an update on the LGIP Business Systems Renewal, as well as to discuss impacts of possible enhancements being considered for U.S. Bank's Cash Concentration/Disbursement platform (the selected vendor solution). The workgroup also discussed outreach and training strategies for the project.

Internally, the project team has been closely reviewing current business and technical processes to identify needed changes and possible improvements. The project team also has identified a number of policy-related questions that it will continue to analyze with the intent of presenting recommendations to management in the coming months. Finally, the project team will work closely with U.S. Bank throughout February and March to evaluate and select system enhancements, develop a detailed implementation plan, and initiate contracting. Implementation is anticipated to begin mid-2015 and conclude by approximately the year's end.

If you have questions or comments about the LGIP Business Systems Renewal effort, please contact us at cmirp@ost.state.or.us.

OREGON SHORT TERM FUND ANALYSIS AS OF 1-31-15



	8/31/2014	9/30/2014	10/31/2014	11/30/2014	12/31/2014	1/31/2015
LGIP AV DOLLARS INVESTED (MM)	5,465	5,288	5,151	6,877	7,326	7,351
STATE AGENCY AV DOLLARS INVESTED (MM)	7,384	7,537	7,597	7,192	6,936	6,944
TOTAL OST F AV DOLLARS INVESTED (MM)	12,849	12,825	12,748	14,069	14,262	14,295
OST ANNUAL YIELD (ACT/ACT)	0.54	0.54	0.54	0.53	0.50	0.50
3-MO UST BILLS (BOND EQ YLD)	0.02	0.02	0.01	0.01	0.04	0.00
3-MO JUMBO CDS (ACT/360)	0.03	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.

POST-ISSUANCE CONTINUING DISCLOSURE COMPLIANCE

The Municipal Debt Advisory Commission and Oregon State Treasury Debt Management staff routinely offer education, reminders, and information to help ensure your district's continuing disclosure filing compliance. The MSRB/EMMA web site also provides extensive education and training. With most districts' annual financial filing due by March 27, this year's reminder is also being circulated here, through Treasury's Local Government Newsletter, to broaden our reach.

What does Rule 15c2-12 say?

- Requires underwriters to determine that an issuer or obligated person has a written agreement to provide annual financial information and other material event disclosure
- Issuers execute a continuing disclosure agreement to provide this information
- This information is used by investors in the secondary market who buy and sell an issuer's debt after original issuance

What happens if an Issuer fails to comply?

- Must file notice of failure
- For five years, must disclose in any offering document the failure to comply
- Must become "compliant" before issuing new debt
- Underwriters could refuse to sell an issue because of past compliance failures and SEC could rule that continued non-compliance requires an underwriter to withdraw from selling

How does an Issuer know if they have to file?

- If bonds were issued on or after July 3, 1995, you are subject to the rule
- If there is at least \$10 million of debt outstanding
- Exceptions include: Issues under \$1 million are exempt; if before July 1, 2009, there is less than \$10 million outstanding; short term (less than 18 months) obligations; bank purchases/private placements where no primary disclosure is produced

How do we know what and when to file?

- Find your Official Statement/Transcript; your Continuing Disclosure Certificate will describe the type of information you need to provide

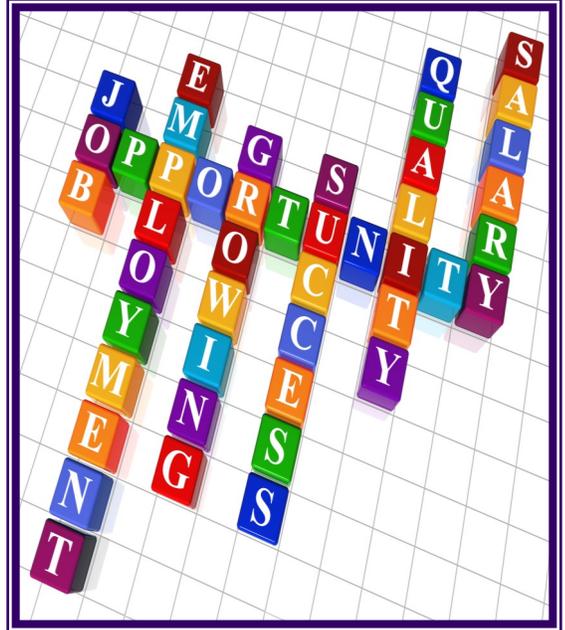
Why is it important?

- Compliance is required by SEC Rule 15c-2-12 under the 34 Act
- Minimizes risk of misleading disclosure
- Defends against charges of negligence or recklessness
- Protects marketability of debt obligations
- Avoid fines and penalties for non-compliance with annual disclosure filing requirements

If you have any questions please email Debt Management at dmd@ost.state.or.us.

JOB OPPORTUNITY

The Oregon State Treasury is currently recruiting for an Accountant 2 (Local Government Pool Coordinator). This new position was approved by the legislature as part of a policy package intended to bolster critical daily operational needs, allow for continuation of business mapping efforts, support ongoing business case development for current and future process and system replacement projects, and allow for development of a permanent "renewal" program. This position will be directly involved in the LGIP Business Systems Renewal project and have the opportunity to help design processes in support of the newly adopted system. The position will work closely with Natalya Cudahey, whom many of you have worked with over the last few years. Natalya will shift her focus to supporting state agency EFT coordination functions and will continue to act as backup for this new Local Government Pool Coordinator. The recruitment announcement for the Local Government Pool Coordinator position is available by clicking [here](#).



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www.oregon.gov/treasury/Divisions/Finance/LocalGov/Pages/default.aspx

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Local Government News List

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