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Local Government

News Report

APRIL 2016

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Bryan Cruz González, Oregon State Treasury

BANK HOLIDAY

No Bank Holiday
in April

CREDIT MARKET REVIEW

Risk assets rallied strongly in March as the S&P 500 advanced 6.78 percent and the Barclays U.S. Corporate High Yield index advanced 4.44 percent. Recession fears subsided as markets took relief from a rally in the price of oil, a decline in the value of the U.S. dollar, increasingly accommodative central banks, and economic data that showed signs of stabilization in the U.S. and abroad. As we enter April the corporate earnings season is upon us, which will give investors an idea as to how corporations have weathered the headwinds of the first quarter.

Central banks were active in March as the Federal Open Market Committee (FOMC)

concluded its March meeting on the 18th and the European Central Bank (ECB) introduced a new round of easing on March 10. The FOMC declined to hike rates at its meeting but did make a cut to its rate hike outlook to come more in-line with market expectations. Previously, the FOMC signaled to the markets that the median expectation was for four rate hikes in 2016. That forecast was trimmed in March as the median FOMC member forecast now calls for just two hikes in 2016. The move sent interest rates lower as investors felt more comfortable reaching out the duration spectrum in hopes of additional yield. The ECB expanded its efforts to

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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.

Treasury is working to launch a procurement effort to select a service vendor for the LGIP Business Systems Renewal (BSR). Treasury will work with the LGIP BSR Stakeholder Workgroup throughout the selection process. If you have questions or comments about the LGIP BSR effort, please contact project staff at cmirp@ost.state.or.us.

INTEREST RATES

The average annualized yield for March was
0.75 percent

The rate for March was as follows:

March 1–31
0.75 percent

CREDIT MARKET REVIEW

(Continued from page 1)

spark inflation and increase bank lending by announcing fresh stimulus measures. Most notably, the ECB announced it would begin purchasing non-bank investment grade corporate bonds in order to improve credit spreads and increase funding to corporations.

The March U.S. jobs report was released on April 1. The report indicated that the U.S. labor market remained a source of strength for the economy with headline jobs coming in at 215,000 for March and prior months being revised 1,000 lower. Wages continue to grow at a modest rate with March's report showing a 2.3 percent annualized increase. The unemployment rate ticked higher to 5.0 percent as more people came into the labor market in search of a job.

Elsewhere in economic data, retail sales continue to be muted as consumers appear to be saving excess wages and savings from lower gasoline prices. While this helps make the consumer more resilient, it does little to advance growth in a consumption-based economy. Fourth quarter real GDP was revised higher on its final release to an annualized rate of 1.4 percent, an improvement from the previous print of 1.0 percent.



U.S. Treasury yields moved lower in March as economic data and the Federal Reserve provided ample reasons for investors to move out the rate curve. At March month-end, the two-year U.S. Treasury traded hands at a yield of 0.723 percent, nearly 0.14 percent lower than February's month-end level. Joining the risk-on rally, front-end credit spreads tightened by 13 basis points on the month, which gave corporate credit a strong monthly performance with the Barclays 1-3 Year Corporate index (tracked below) returning 0.76 percent on the month.

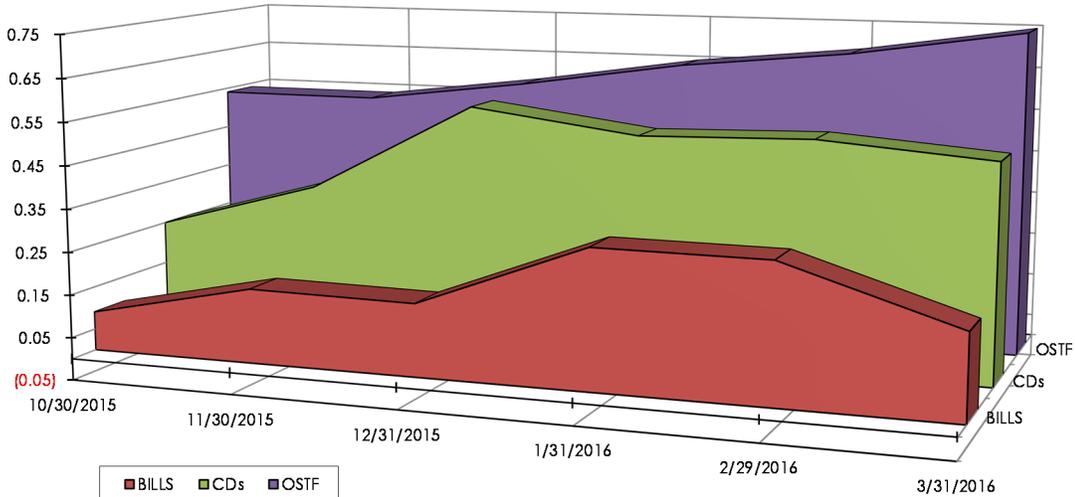
CHANGE OF AUTHORIZATION

Treasury requires all new participants in the Local Government Investment Pool (LGIP) to submit a letter listing those persons authorized to initiate bank account information changes on behalf of the local government. A letter also must be submitted each time a local government has any changes in persons authorized to initiate bank



account information changes. The list of authorized signers must be on the local government's letterhead, be signed by the local government's CFO or Treasurer, and contain the complete list and original signatures (no faxes or copies accepted) of each authorized signer ([click here for a sample letter](#)). Staff changes involving a CFO or Treasurer position require the additional submission of a governing board resolution that outlines the change and the delegation of authority by the governing board. If you have any questions, contact us at lgip@ost.state.or.us.

OREGON SHORT TERM FUND ANALYSIS AS OF 3-31-16



	10/30/2015	11/30/2015	12/31/2015	1/31/2016	2/29/2016	3/31/2016
LGIP AV DOLLARS INVESTED (MM)	5,515	7,424	7,798	7,419	7,409	7,225
STATE AGENCY AV DOLLARS INVESTED (MM)	7,762	8,128	7,701	8,316	7,852	7,649
TOTAL OSTF AV DOLLARS INVESTED (MM)	13,277	15,552	15,499	15,735	15,261	14,873
OST ANNUAL YIELD (ACT/ACT)	0.54	0.54	0.59	0.65	0.69	0.75
3-MO UST BILLS (BOND EQ YLD)	0.09	0.17	0.17	0.32	0.32	0.20
3-MO US CD (ACT/360)*	0.25	0.36	0.57	0.52	0.53	0.50

NOTE: The OST ANNUAL YIELD represents the average annualized yield paid to account holders 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 US CD rates are obtained from Bloomberg and represent a composite of broker dealer quotes on highly rated (A1+/P1/F1+ from Standard & Poor's Ratings Services, Moody's Investors Service and Fitch Ratings respectively) bank certificates of deposit and are quoted on a CD equivalent yield basis.

This material is available in alternative format and media upon request.

MARKET DATA TABLE

	3/31/2016	1 Month	3 Months	12 Months		3/31/2016	1 Month	3 Months	12 Months
7-Day Agency Discount Note**	0.16	0.25	0.20	0.04	Barclays 1-3 Year Corporate YTW*	1.73	2.07	2.02	1.30
30-Day Agency Nt Disc**	0.20	0.26	0.19	0.04	Barclays 1-3 Year Corporate OAS*	0.88	1.11	0.87	0.67
90-Day Agency Nt Disc**	0.30	0.34	0.32	0.06	Barclays 1-3 Year Corporate Modified Duration*	1.95	1.98	1.90	1.98
180-Day Agency Nt Disc**	0.36	0.45	0.47	0.13					
360-Day Agency Nt Disc**	0.55	0.59	0.64	0.28	7-Day Muni VRDN Yield**	0.40	0.01	0.01	0.02
					O/N GGC Repo Yield**	0.24	0.24	0.47	0.50
30-Day Treasury Bill**	0.17	0.29	0.07	0.04					
60-Day Treasury Bill**	0.15	0.28	0.09	0.02	US 1 Year Inflation Break-Even**	2.10	1.44	0.73	1.46
90-Day Treasury Bill**	0.21	0.32	0.16	0.02	US 2 Year Inflation Break-Even**	1.67	1.20	0.55	1.17
6-Month Treasury Yield**	0.38	0.49	0.46	0.14	US 3 Year Inflation Break-Even**	1.52	1.20	0.96	1.34
1-Year Treasury Yield**	0.58	0.64	0.60	0.23					
2-Year Treasury Yield**	0.723	0.84	1.07	0.56	1-Day CP (A1/P1)**	0.48	0.40	0.32	0.17
3-Year Treasury Yield**	0.85	0.97	1.34	0.88	7-Day CP (A1/P1)**	0.49	0.41	0.34	0.17
					30-Day CP (A1/P1)**	0.54	0.45	0.41	0.18
1-Month LIBOR**	0.44	0.44	0.43	0.18					
3-Month LIBOR**	0.63	0.63	0.61	0.27	30-Day CD (A1/P1)**	0.44	0.43	0.38	0.17
6-Month LIBOR**	0.90	0.88	0.84	0.40	90-Day CD (A1/P1)**	0.60	0.59	0.57	0.22
12-Month LIBOR**	1.21	1.18	1.17	0.69	6-Month CD (A1/P1)**	0.87	0.85	0.79	0.33
Sources: *Barclays, **Bloomberg, ***JP Morgan					1-Year CD (A1/P1)**	1.13	1.12	1.05	0.57

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