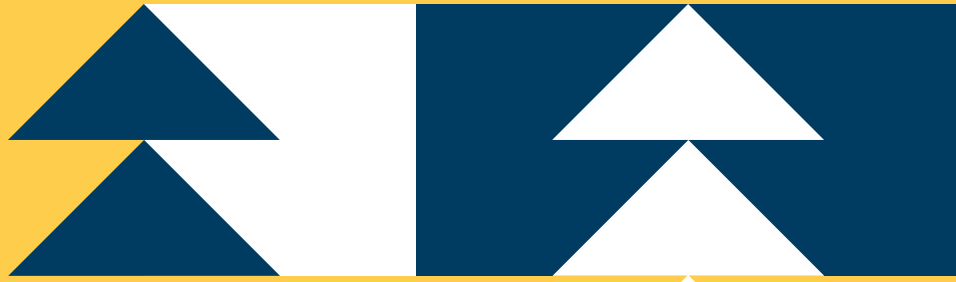




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Inside the Vault

Local Government Edition

Market Update

The second quarter was marked by an increase in rates volatility at the front end of the curve with 1-month, 3-month, 1-year, 2-year, and 3-year Treasury yields increasing predominantly over the last two weeks of the quarter, in reaction to the June 16 statement from the Federal Open Market Committee.

The Federal Reserve did not announce the tapering of its daily purchases of \$120 billion Treasuries and mortgage-backed securities, nor did it tighten rates. What was most notable was a shift in the dot plot, with the median Fed official showing 50 basis points of tightening by the end of 2023 compared to no tightening at the March 17 FOMC meeting. This change was reinforced during Chairman Jerome Powell’s post-meeting press conference. Changes to the statement were minimal, but they made for a more positive tone. Changes to the economic projections were mixed, with a sizable upward revision to inflation in 2021 but only minimal changes for 2022 and 2023. The minimal changes for 2022 and 2023 were consistent with this year’s strength being seen as “transitory,” but, more hawkishly, officials’ formal assessments of risks tilted strongly to the upside. Also of note, the administered IOER (interest rate on excess reserves) and RRP (overnight reverse repurchase agreement facility) rates were both raised by 5 basis points to 0.15% and 0.05% respectively, a “technical adjustment (that) has no bearing on the appropriate path for the federal funds rate or stance of monetary policy,” per Powell.

The markets broadly interpreted the FOMC statement and Powell’s comments that the pace of the U.S. economic recovery from the

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Interest Rates

Average Annualized Yield
June 0.60%

Interest Rates
June 1–30 0.60%

(Continued from page 1)

pandemic is bringing forward their expectations for how quickly they will reduce policy support. In short, the tone was more hawkish than prior meetings.

As mentioned, the front end reacted somewhat negatively; for example, the active 2-year Treasury rose to 0.25% at the end of the quarter after having averaged ~0.15% from December 31 to June 15. The aforementioned interpretation, *i.e.*, the possibility for a sooner-than-expected reduction in support, was a positive for longer-term Treasuries as the start of tapering the daily purchase of Treasuries and mortgage-backed securities is implicit tightening as well as being viewed as a step toward taming the potential for runaway inflation whether “transitory” or not. For example, the 10-year Treasury, after having climbed 83 basis points to 1.75% at the end of the first quarter, rallied to 1.47% at the end of the second quarter.

The RRP continues to sop off excess liquidity, with usage after the 5 basis points increase rising to nearly \$1 trillion on June 30 from ~\$500 billion before the FOMC meeting. The tweak in the RRP to 0.05% provided a welcomed and much-needed increase in the SOFR (secured overnight financing rate), which had held steady at 0.01% for the prior three months.

Oregon Short Term Fund

The OSTF paid rate remains at 0.60%, which remains greater than what the market is currently paying on the fund’s investable universe. As higher yielding securities reach maturity, reinvestment under current market conditions will continue to detract from the fund’s future yield. But keep in mind two silver linings: (1) the percentage of higher yielding securities purchased pre-pandemic has declined so the overall impact when said securities do mature will be more muted, and (2) the fund has ~44% allocated to floating rate securities with over 17% benchmarked versus SOFR and 3-month Treasury Bills and all of the fund’s floaters will benefit from even a 1 basis point rise in short-term rates.

Treasury and PFM Asset Management have maintained normal operations and participants remain able to perform all transactions as normal. We remain focused on functioning in an open and transparent manner and, should you have any questions, please contact our Fixed Income Team at 503.431.7900.

Impact on Markets from March through June 2021

	3/31/21	6/30/21	Delta	
S&P 500	3,972	4,297	+8.17%	Intraday low: 3,967 on 3/31 Intraday high: 4,302 on 6/30
30-Year Treasury	2.413%	2.087%	-32.6 bps	Intraday low: 2.002% on 6/18 Intraday high: 2.429% on 3/31
10-Year Treasury	1.742%	1.469%	-27.3 bps	Intraday low: 1.432% on 6/10 Intraday high: 1.749% on 3/31
2-Year Treasury	0.162%	0.250%	+8.8 bps	Intraday low: 0.133% on 5/7 Intraday high: 0.282% on 6/18
3-Month Treasury	0.018%	0.043%	+2.5 bps	Intraday low: -0.008% on 5/20 Intraday high: 0.046% on 6/24

LGIP: Audit Confirmation Requests

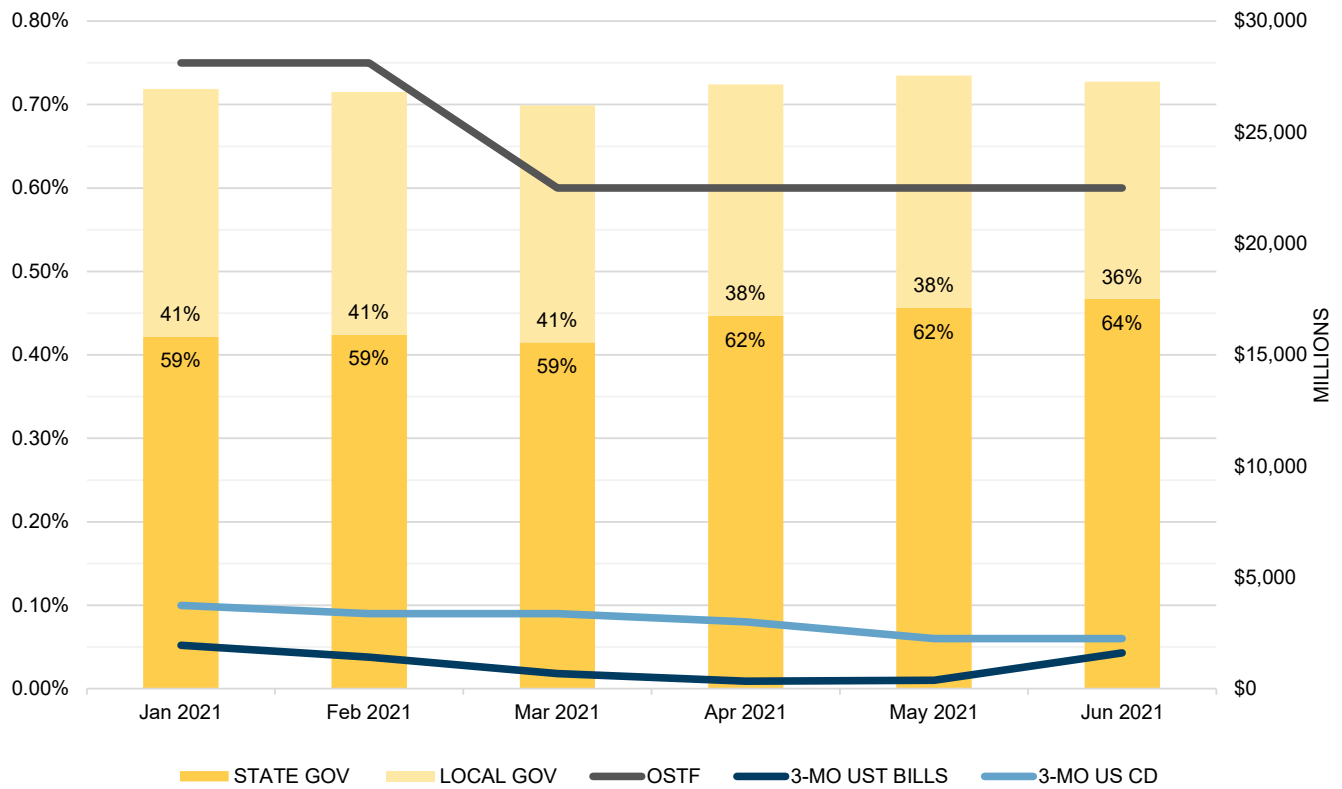
Auditors needing confirmation of Local Government Investment Pool account balances must submit requests in writing to PFM Client Services. Requests must include or be accompanied by a release signed by a participant's authorized contact (the contact must be registered in the records of the pool and have permission to view/access pool account information). Requests/releases can be submitted through EON, faxed to 888.535.0120, or mailed to:

Oregon LGIP
PO Box 11760
Harrisburg, PA 17108-1760

For help with submitting an audit confirmation request, contact PFM Client Services at 855.OST.LGIP.



Oregon Short Term Fund Analysis



	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021	Jun 2021
TOTAL OSTF AVG DOLLARS INVESTED (MM)	26,948	26,813	26,212	27,154	27,554	27,281
STATE GOV PORTION (MM)	15,816	15,910	15,564	16,749	17,113	17,513
LOCAL GOV PORTION (MM)	11,132	10,903	10,648	10,405	10,441	9,768
OSTF ANNUAL YIELD (ACT/ACT)	0.75	0.75	0.60	0.60	0.60	0.60
3-MO UST BILLS (BOND EQ YLD)	0.052	0.038	0.018	0.009	0.010	0.043
3-MO US CD (ACT/360)*	0.10	0.09	0.09	0.08	0.06	0.06

NOTE: The OSTF ANNUAL YIELD represents the average annualized yield paid to participants 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.

Market Data Table

	6/30/2021	1 Month	3 Months	12 Months		6/30/2021	1 Month	3 Months	12 Months
7-Day Agency Discount Note**	0.03	0.00	0.00	0.03	Bloomberg Barclays 1-3 Year Corporate YTW*	0.53	0.44	0.56	0.80
30-Day Agency Nt Disc**	0.03	0.00	0.00	0.09	Bloomberg Barclays 1-3 Year Corporate OAS*	0.31	0.31	0.41	0.73
90-Day Agency Nt Disc**	0.03	0.01	0.01	0.12	Bloomberg Barclays 1-3 Year Corporate Modified Duration*	1.87	1.88	1.88	1.92
180-Day Agency Nt Disc**	0.03	0.02	0.00	0.13	7-Day Muni VRDN Yield**	0.03	0.05	0.07	0.13
360-Day Agency Nt Disc**	0.03	0.04	0.02	0.14	O/N GGC Repo Yield**	0.06	(0.02)	(0.05)	0.13
30-Day Treasury Bill**	0.03	(0.00)	0.00	0.10	Secured Overnight Funding Rate (SOFR)**	0.05	0.01	0.01	0.10
60-Day Treasury Bill**	0.03	0.00	0.00	0.11	US 10 Year Inflation Break-Even**	2.34	2.45	2.37	1.34
90-Day Treasury Bill**	0.03	0.00	0.00	0.12	1-Day CP (A1/P1)**	0.16	0.03	0.23	0.08
6-Month Treasury Yield**	0.05	0.03	0.03	0.16	7-Day CP (A1/P1)**	0.15	0.03	0.23	0.11
1-Year Treasury Yield**	0.07	0.04	0.06	0.15	30-Day CP (A1/P1)**	0.12	0.04	0.19	0.15
2-Year Treasury Yield**	0.25	0.14	0.16	0.15	30-Day CD (A1/P1)**	0.07	0.04	0.10	0.20
3-Year Treasury Yield**	0.46	0.30	0.35	0.17	90-Day CD (A1/P1)**	0.10	0.10	0.15	0.29
1-Month LIBOR**	0.10	0.09	0.11	0.16	6-Month CD (A1/P1)**	0.14	0.14	0.19	0.41
3-Month LIBOR**	0.15	0.13	0.19	0.30	1-Year CD (A1/P1)**	0.20	0.26	0.27	0.56
6-Month LIBOR**	0.16	0.17	0.21	0.37					
12-Month LIBOR**	0.25	0.25	0.28	0.55					

Sources: *Bloomberg Index Services, **Bloomberg

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