

Market Update

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Interest Rate Environment



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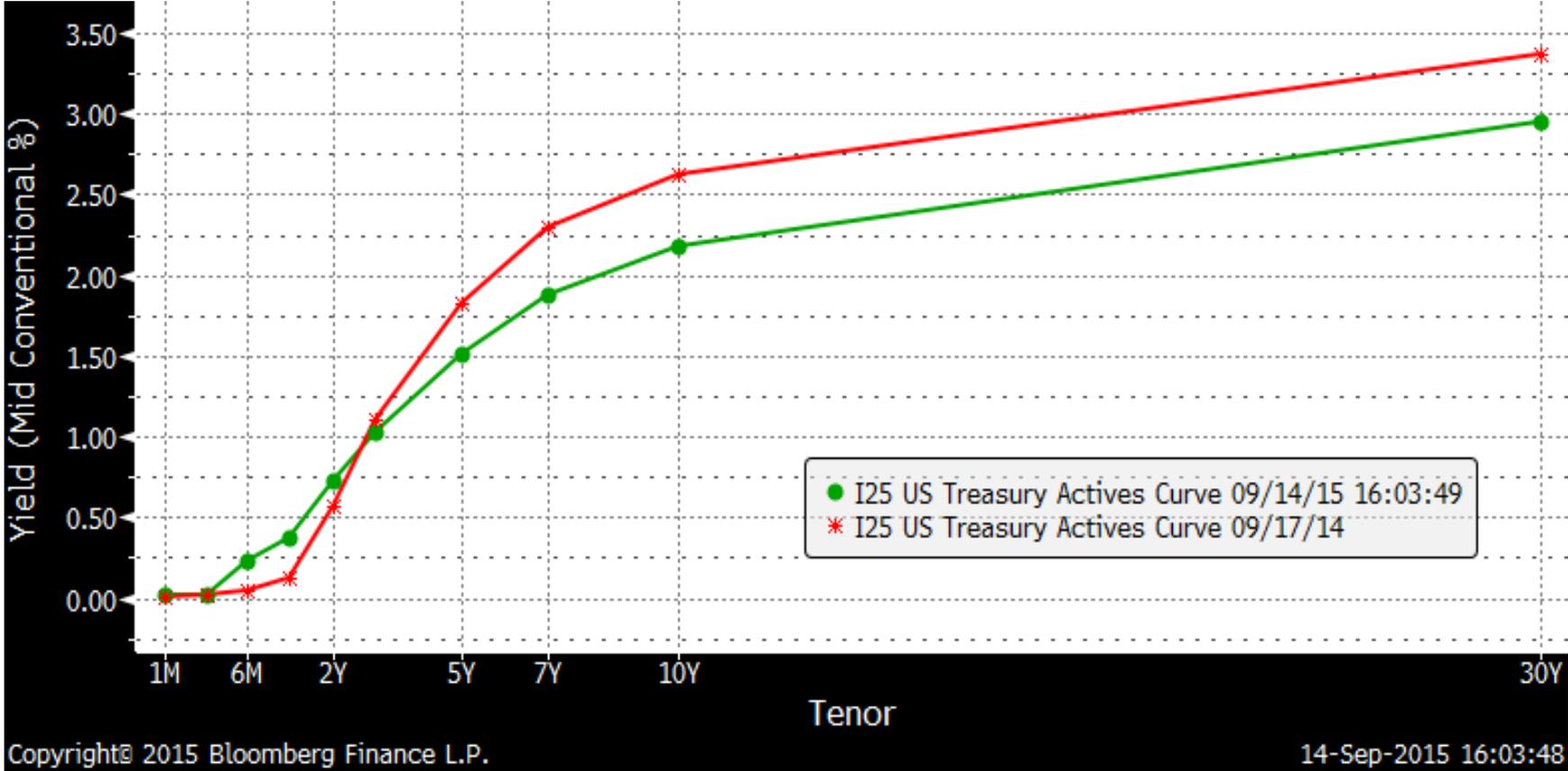
Interest Rate Environment

- Despite recent volatility interest rates remain at historically low levels
- Monetary policy remains accommodative
- U.S. economic recovery continues



Interest Rate Environment

Over the past year rates have trended downwards



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U.S. Economic Data



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U.S. Economic Factors

- Employment
 - August unemployment rate at 5.1%
 - Lowest rate since June of 2008
 - Participation lowest since 1970s
- Inflation
 - July 2015 Core PCE was 1.2%
 - Continues to be below the FOMC threshold of 2%
 - Hourly earnings growth is underwhelming
 - Long-term inflation expectations remain subdued



U.S. Economic Data

U.S. Unemployment Rate (9/30/05 – 8/31/15)

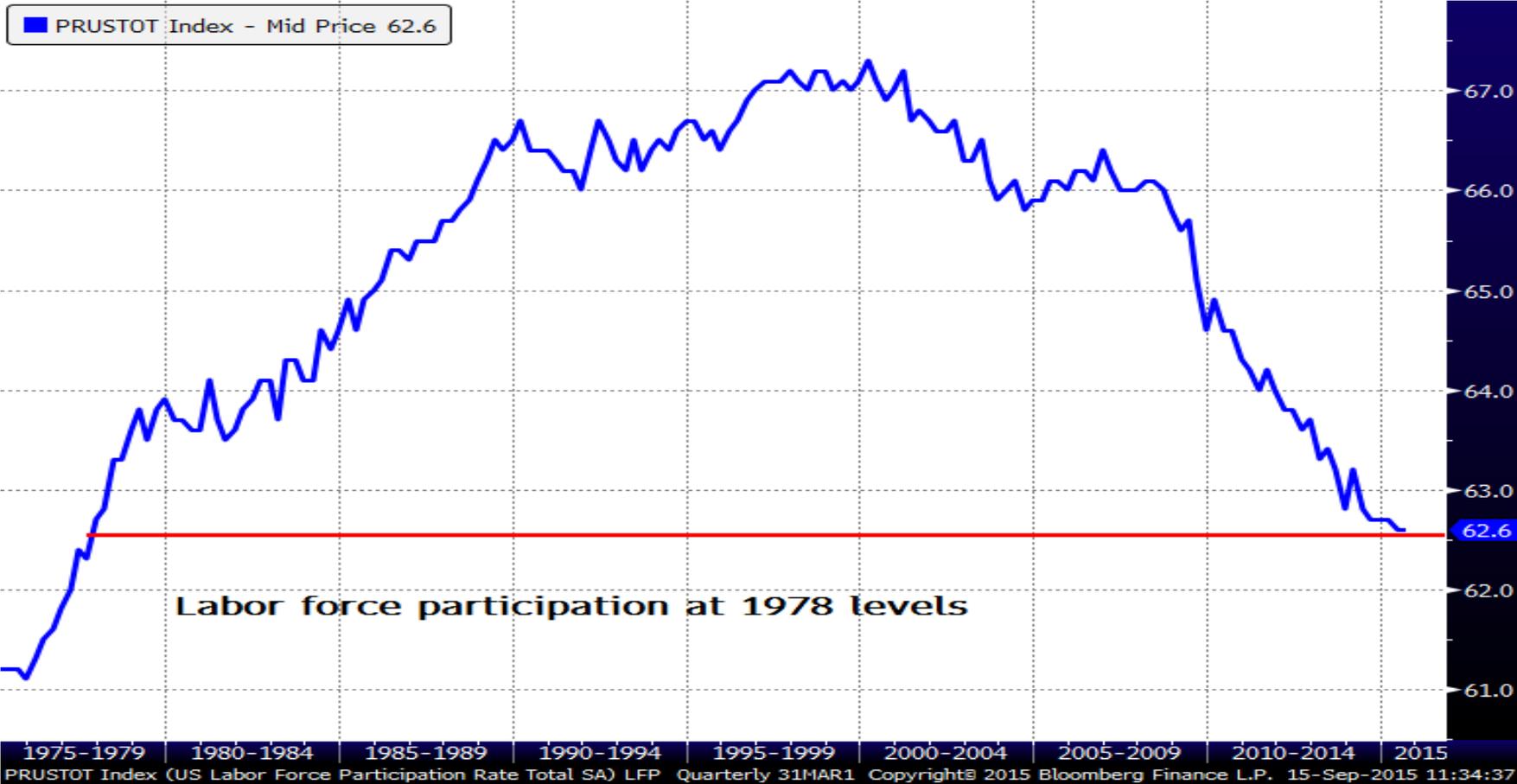


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U.S. Economic Data

U.S. Labor Force Rate (3/31/75 – 8/31/15)

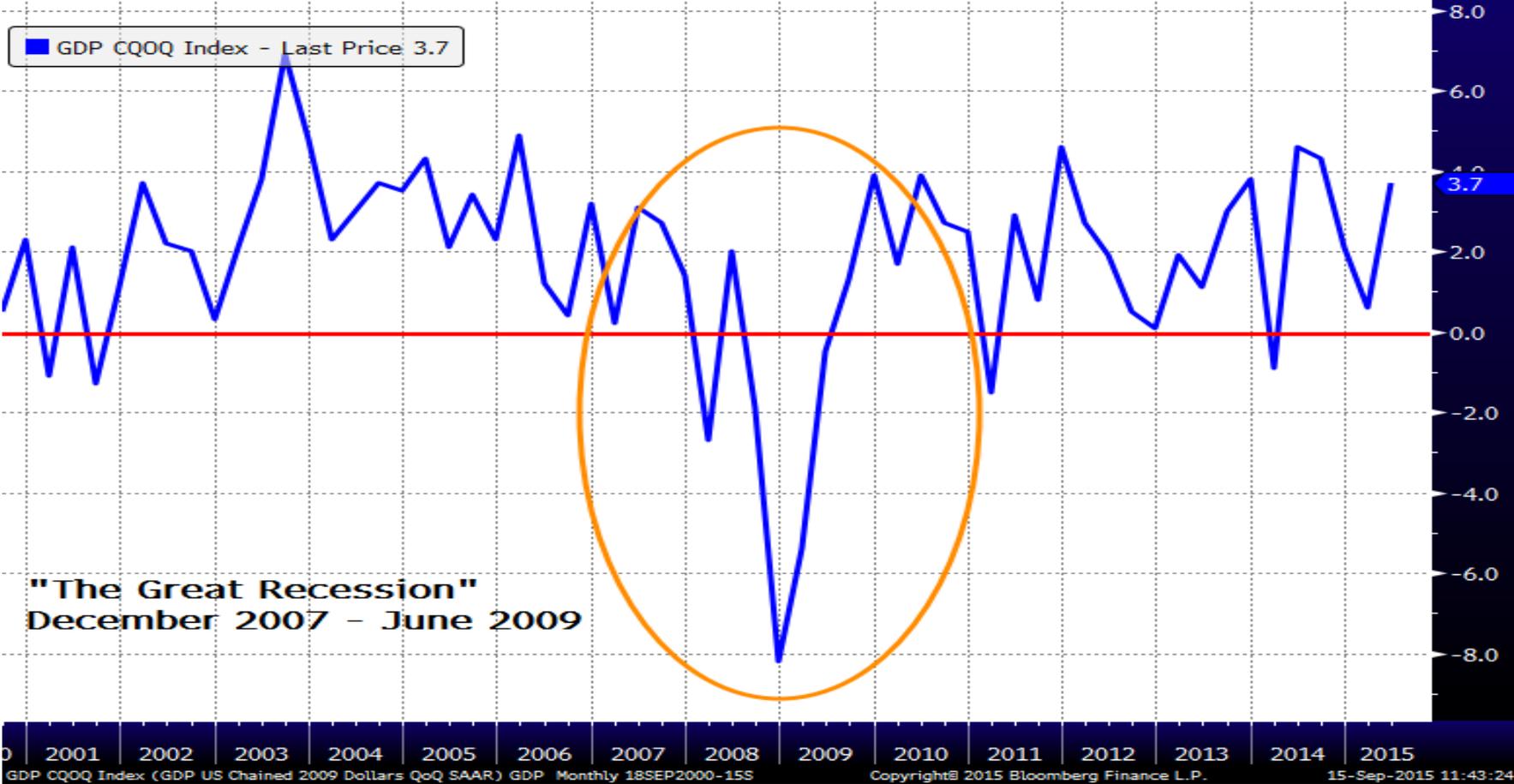


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U.S. Economic Data

U.S. Gross Domestic Product (GDP) (9/30/00-6/30/15)



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U.S. Economic Data

- Upcoming economic data releases
 - 09/24 New Home Sales
 - 09/25 GDP Revision
 - 09/28 PCE Core YoY
 - 09/30 ADP Employment Change



FOMC Preview



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Reasons FED may increase

- Low unemployment level could be the main focus
 - Unemployment approaching “natural rate”
- Generally, U.S. consumers feel positive about the economy
 - Auto sales are above expectations
- Housing recovery is strong according to recent data
 - Mortgage applications & construction activity are increasing



Reasons FED will not increase

- Lack of inflation will make the strongest case
 - Continue to monitor changes in economic indicators
- Commodity prices continue to decline
 - Continue to monitor price of oil
- China slowdown/stock market volatility
 - Global equity markets remain fragile





- Credit enhancement program
- Helps municipal issuers lower borrowing costs
- Leverages the state's credit rating (SP-1+)*
- Visit www.tos.ohio.gov/OMAP for more information