

CPIM

CENTER FOR PUBLIC INVESTMENT MANAGEMENT



A PROGRAM BROUGHT TO YOU BY:

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Welcome to CPIM

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2015 CPIM Academy

Market Update

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Market Update

- ◉ Ohio Market Access Program
- ◉ Interest Rate Environment
- ◉ Economic Outlook



Ohio Market Access Program

- ◉ Credit enhancement program
- ◉ Helps municipal issuers lower borrowing costs
- ◉ Leverages the state's credit rating (SP-1+)*
- ◉ State agrees to purchase a participating note at maturity if municipality cannot retire the note
- ◉ For G.O. note issuances up to 1yr in maturity and up to \$3MM in par amount

Ohio Market Access Program

Recent Transactions

<u>Issuer</u>	<u>Dated</u>	<u>Par Amount</u>	<u>OMAP Rate</u>	<u>Unenhanced Rate</u>	<u>Interest Savings (%)</u>	<u>Interest Savings (\$)</u>
Village of Oakwood (Cuyahoga)	9/30/2014	\$2,686,500.00	0.35%	0.75%	53.33%	\$10,746.00
Madison LSD (Lake and Geauga)	10/8/2014	\$1,455,000.00	0.40%	1.00%	60.00%	\$8,730.00
Village of Silverton (Hamilton)	11/25/2014	\$1,570,000.00	0.65%	1.50%	56.67%	\$13,345.00
Maple Heights CSD (Cuyahoga)	4/2/2015	\$2,311,000.00	0.50%	1.00%	50.00%	\$11,555.00

- On average, participating municipalities have cut interest expenses in half and have saved over \$10,000 per year by using OMAP
- Awarded the **2014 Small Issuer Deal of the Year** by *The Bond Buyer*



- ◉ Visit www.tos.ohio.gov/OMAP for more information.

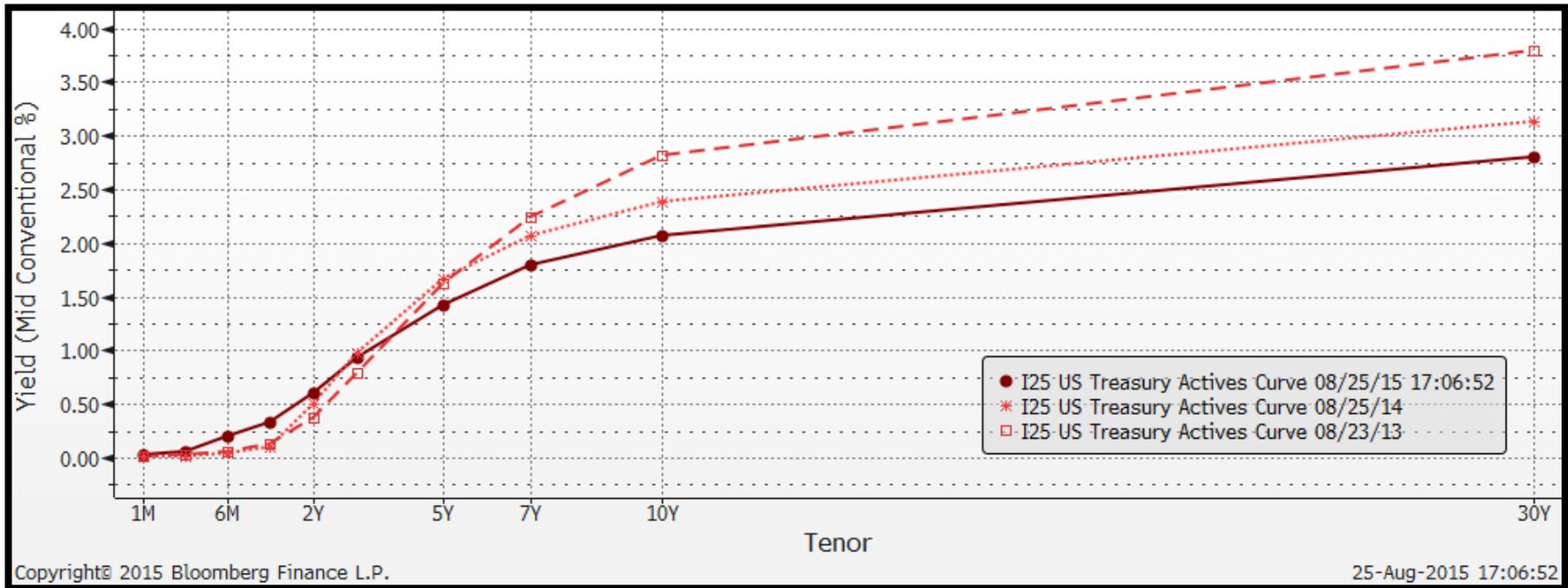


Interest Rate Environment

Interest Rate Environment

- ◉ Interest rates remain low
- ◉ The Federal Reserve ended Quantitative Easing in 2014, but monetary policy remains accommodative
- ◉ U.S. economic recovery continues
- ◉ U.S. dollar continues to strengthen against global currencies

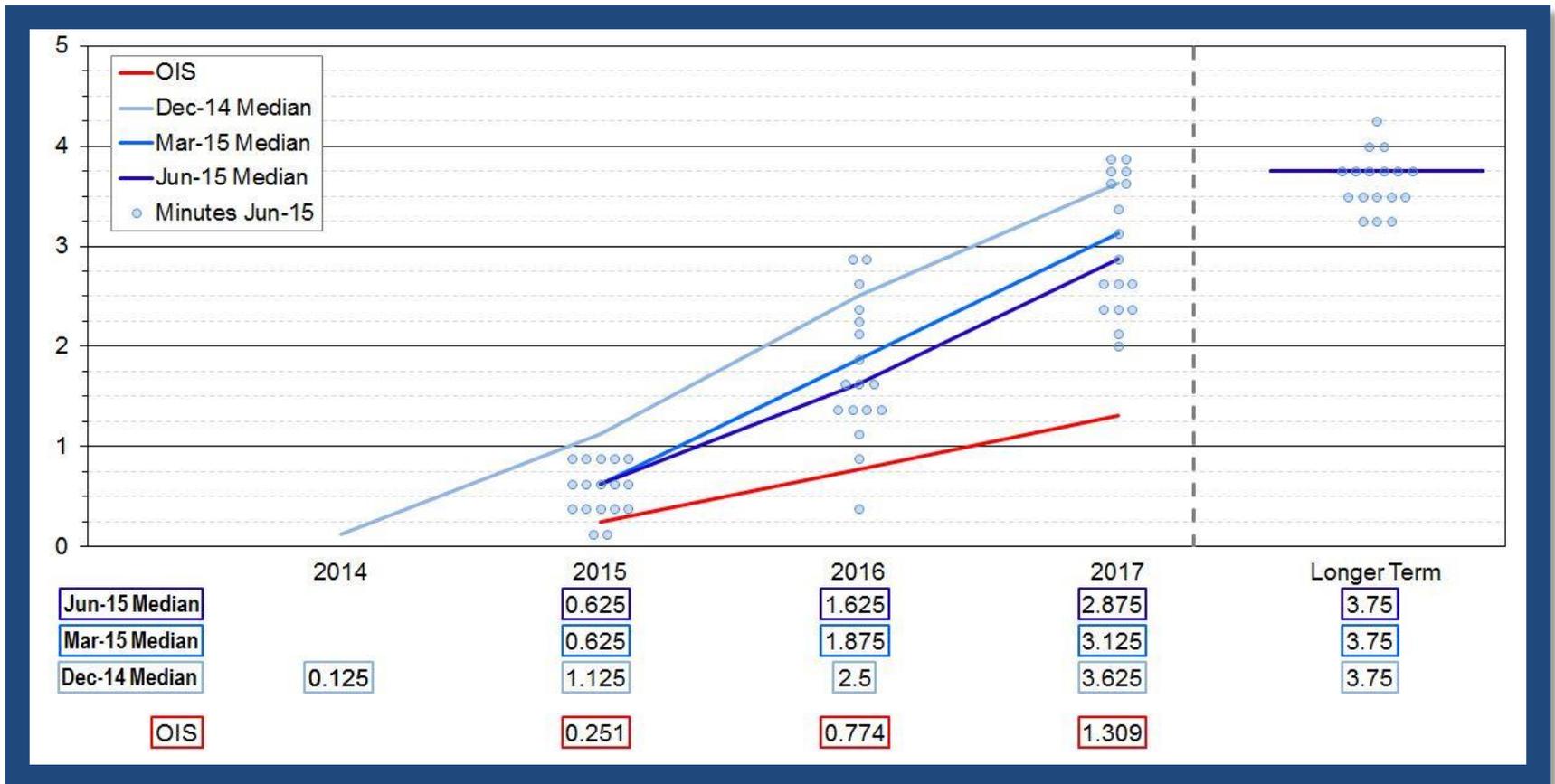
Interest Rate Environment



- Some flattening...

Interest Rate Environment

FOMC DOT PLOT



Federal Reserve & Monetary Policy

FOMC tools

Forward Guidance

Fed funds rate (FFER) and interest on excess reserves rate (IOER)

Reverse Repurchase Facility



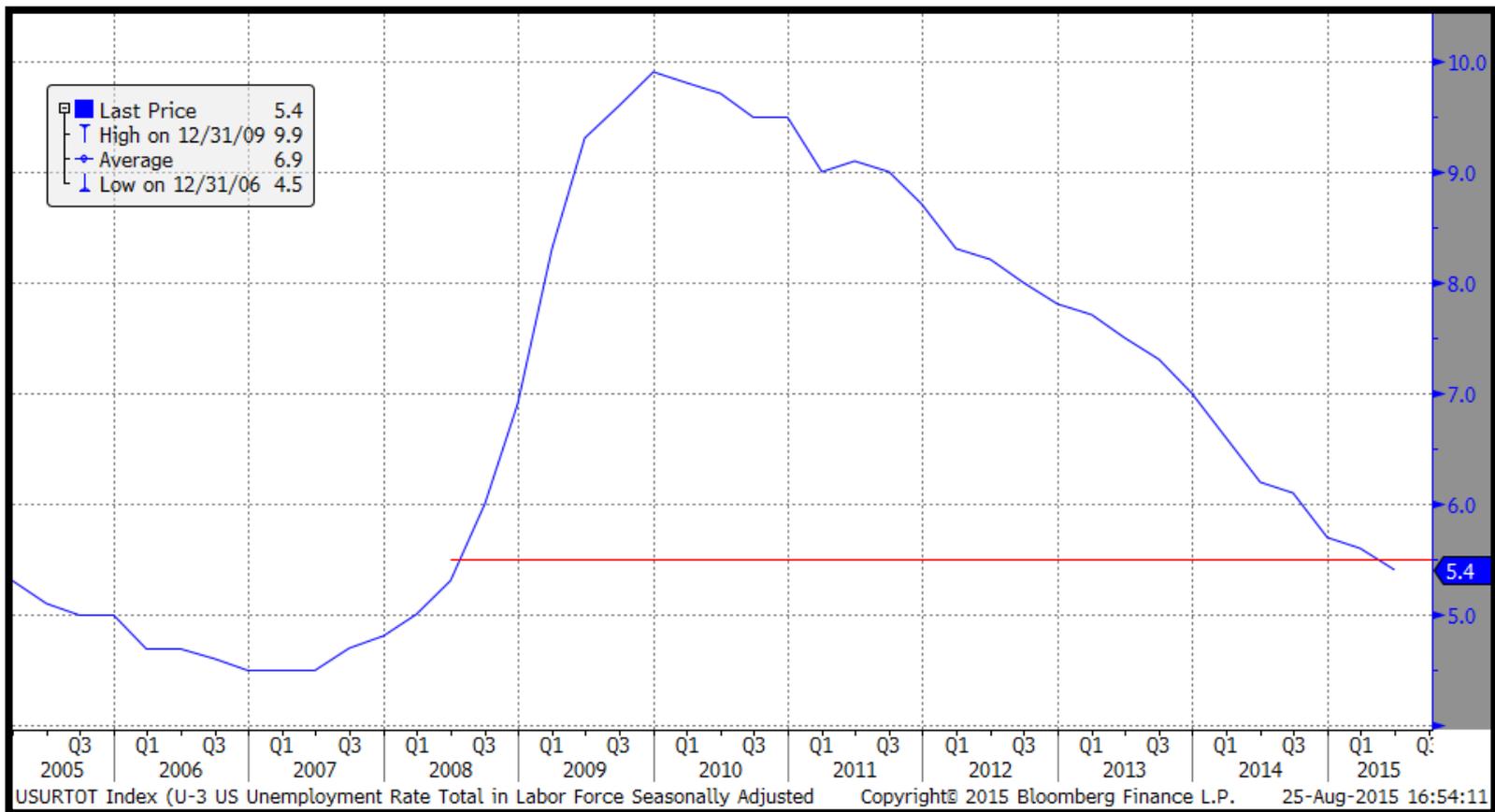
U.S. Economic Data

U.S. Economic Factors

- Employment
 - July unemployment rate at 5.3%
 - Lowest rate since May of 2008
 - Participation lowest since 1970s
- Inflation
 - June 2015 Core PCE was 1.3%
 - Continues to be below the FOMC threshold of 2%
 - Hourly earnings growth is underwhelming
 - Long-term inflation expectations remain subdued

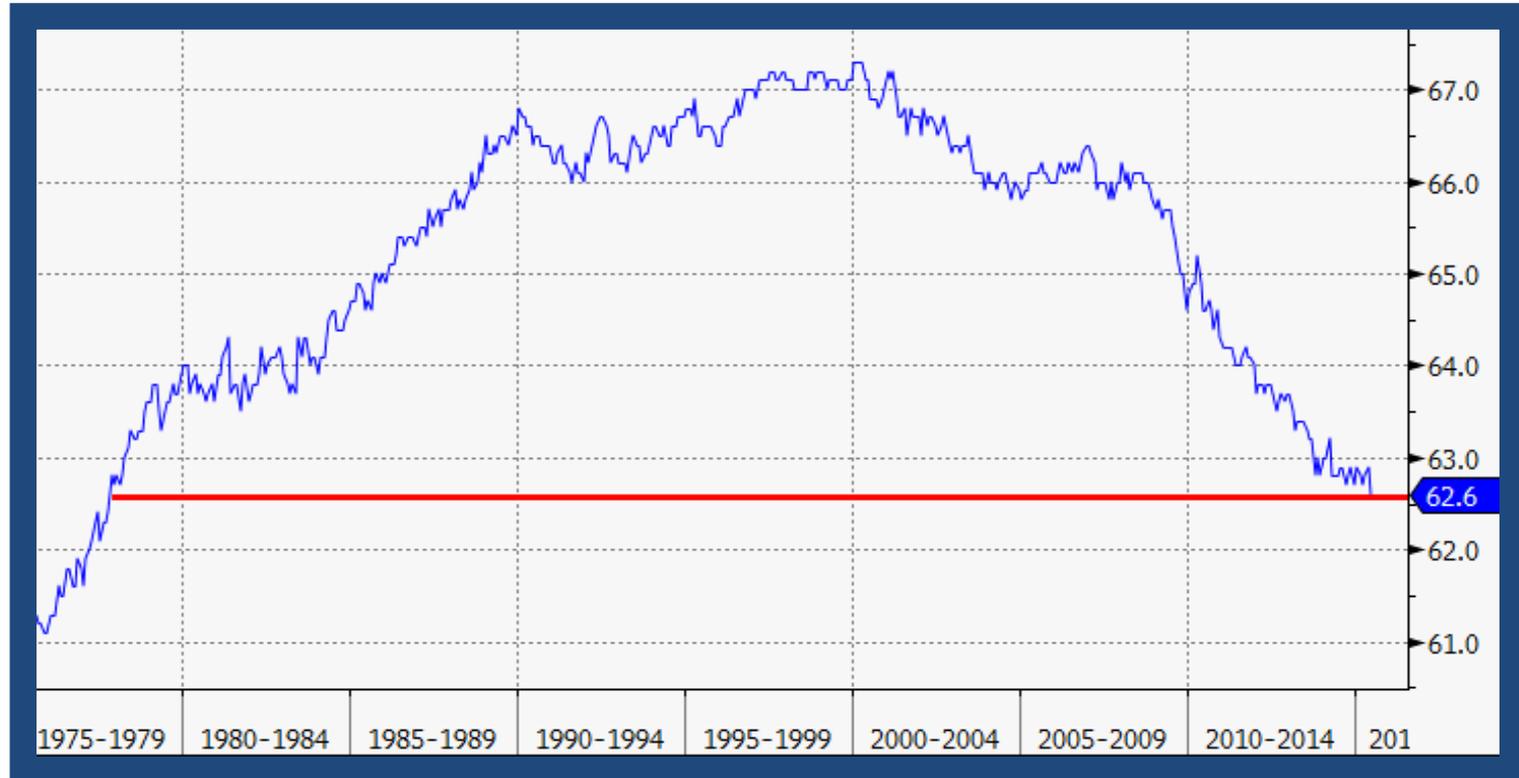
U.S. Economic Data

U.S. Unemployment Rate (6/30/06 – 6/30/15)



U.S. Economic Data

U.S. Labor Force Rate (6/30/75 – 6/30/15)



Labor force participation at 1977 levels

U.S. Economic Data

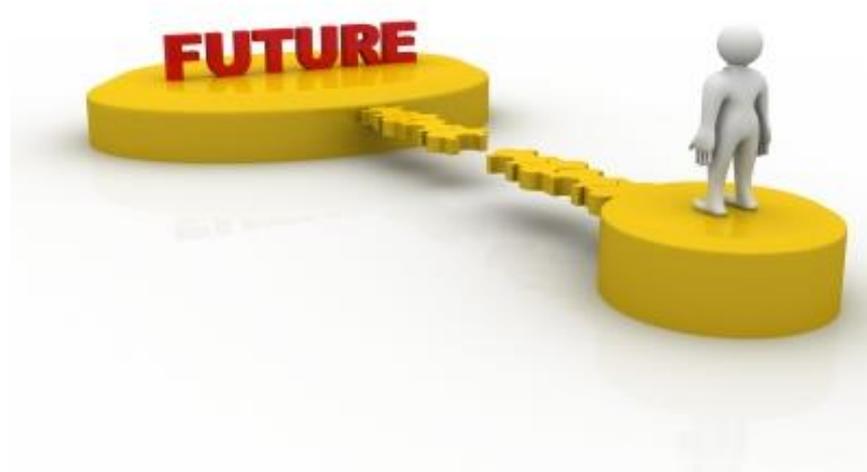
U.S. Gross Domestic Product (GDP) (9/30/00-6/30/15)



U.S. Economic Data

- ◉ Upcoming economic data releases
 - 8/27 -- GDP and Core PCE
 - 8/28 & 9/11 -- Consumer Sentiment
 - 9/4 -- Payrolls and Unemployment
 - 9/15 -- Retail Sales
 - 9/16 -- CPI

Outlook



Outlook

◉ Global

- Economic crisis in the Eurozone has subsided, while structural issues remain
 - Greece to remain in Eurozone after recent agreement with creditors
- Quantitative easing is underway in Eurozone
- Low yields on European sovereign debt
- U.S. Treasuries remain a popular investment – “flight to quality”
 - Growth concerns in China and Japan
 - Chinese stock market instability
 - Geo-political issues (e.g., Greece, Ukraine, Middle East)

◉ U.S.

- U.S. economy continues to recover at a steady pace, but the majority of FOMC members remain cautiously optimistic
 - Rate hikes will be data dependent and the rate of inflation remains a concern for FOMC members: Yellen continues to stall initial rate hike
- Generally, U.S. consumers feel positive about the economy

Outlook

- ◉ Yields
 - Investors continue to plan and position for a rising interest rate environment
 - In the near-term, daily volatility in interest rates will continue to be driven by headline risk (i.e. FOMC, world events, economic data)
- ◉ Other issues
 - Government Sponsored Entity (GSE) reform may have an effect on the supply of investable assets
 - The rising rate environment also may influence the amount of issuance from corporate and public issuers
 - Less liquidity in US Treasuries

Thank You!

**If you have any questions or comments,
please feel free to contact us.**

