

**CPIM**

CENTER FOR PUBLIC INVESTMENT MANAGEMENT



A PROGRAM BROUGHT TO YOU BY:

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TREASURER OF OHIO

# Welcome to CPIM

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# Market Update

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# Market Update

- ◉ Ohio Market Access Program
- ◉ Interest Rate Environment
- ◉ U.S. Economic Data
- ◉ 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%	<b>\$10,746.00</b>
Madison LSD (Lake and Geauga)	10/8/2014	\$1,455,000.00	0.40%	1.00%	60.00%	<b>\$8,730.00</b>
Village of Silverton (Hamilton)	11/25/2014	\$1,570,000.00	0.65%	1.50%	56.67%	<b>\$13,345.00</b>
Maple Heights CSD (Cuyahoga)	4/2/2015	\$2,311,000.00	0.50%	1.00%	50.00%	<b>\$11,555.00</b>

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



- ◉ Visit [www.tos.ohio.gov/OMAP](http://www.tos.ohio.gov/OMAP) for more information.

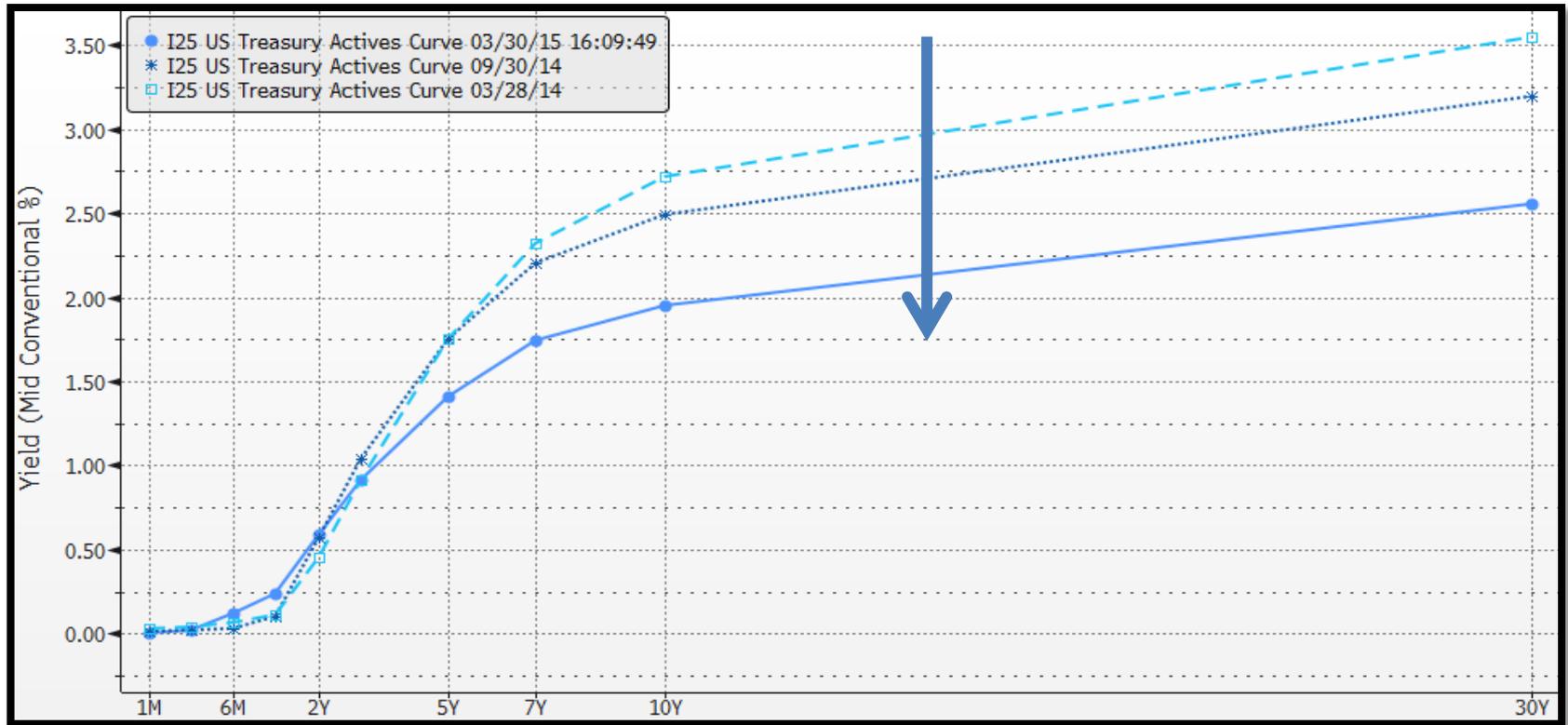


# Interest Rate Environment

# Interest Rate Environment

- Interest rates remain at historically low levels
- The Federal Reserve ended Quantitative Easing in 2014, but monetary policy remains accommodative
- U.S. economic recovery continues
- U.S. dollar continues to strengthen, especially against the Euro

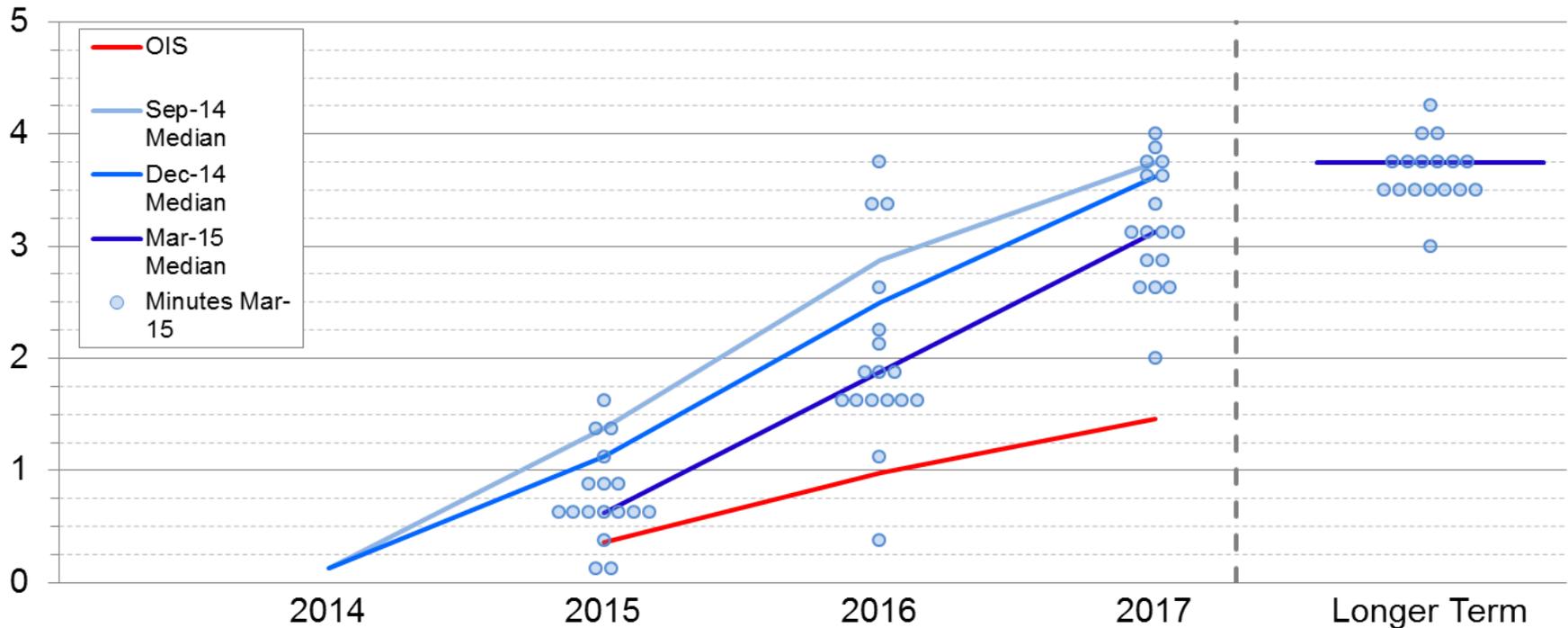
# Interest Rate Environment



- Over the past year, rates trended downwards

# Interest Rate Environment

FOMC DOT PLOT



- The FOMC expects the Fed Funds Rate to be .625% by December

# 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
  - March unemployment rate at 5.5%
  - Lowest rate since June of 2008
  - Participation lowest since 1970s
- Inflation
  - February 2015 Core PCE was 1.4%
    - Continues to be below the FOMC threshold of 2%
  - Hourly earnings growth is underwhelming
  - Long-term inflation expectations remain subdued

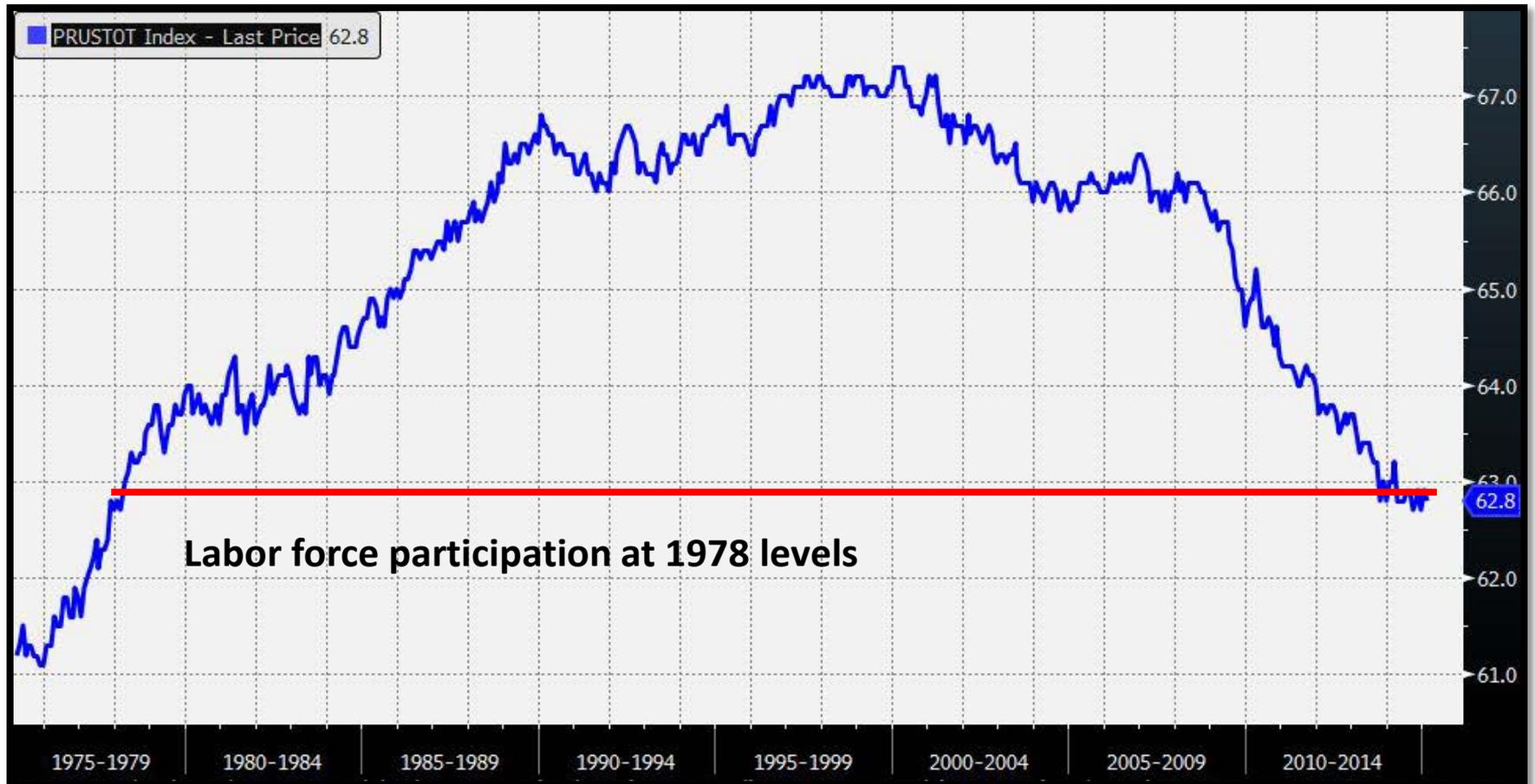
# U.S. Economic Data

## U.S. Unemployment Rate (3/31/06 – 3/31/15)



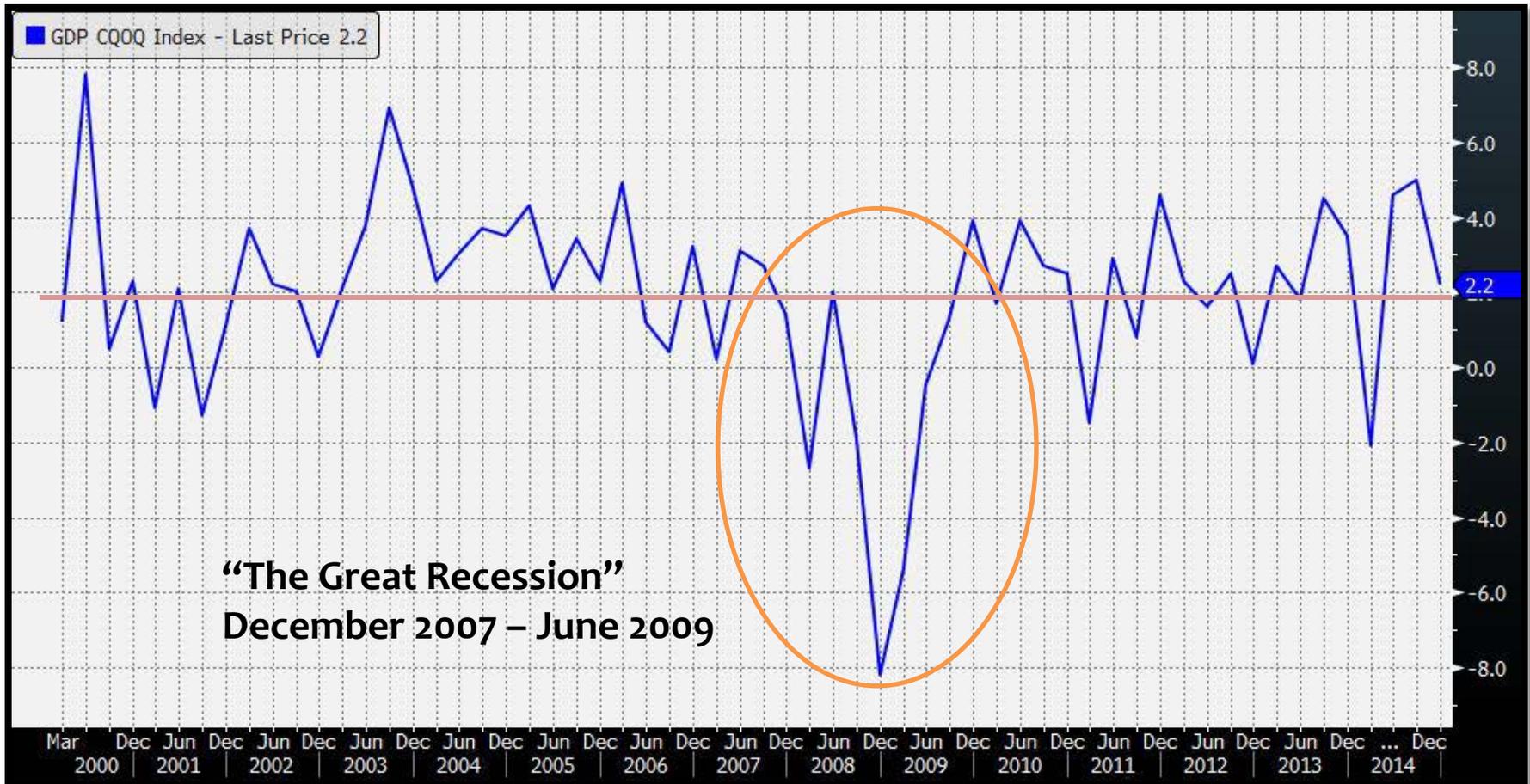
# U.S. Economic Data

## U.S. Labor Force Rate (1/31/75 – 3/31/15)



# U.S. Economic Data

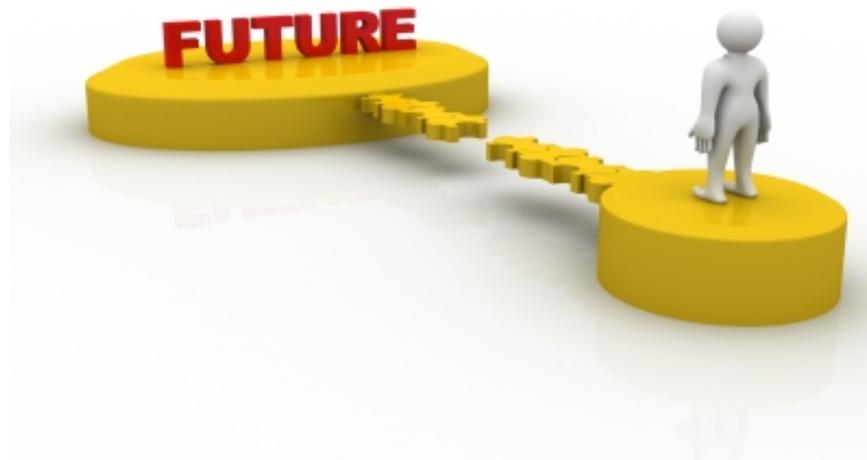
## U.S. Gross Domestic Product (GDP) (3/31/00-3/31/15)



# U.S. Economic Data

- Upcoming economic data releases
  - 4/8 FOMC March minutes
  - 4/14 Retail Sales
  - 4/14 PPI
  - 4/15 MBA Mortgage Applications
  - 4/15 Empire Manufacturing
  - 4/16 Housing Starts
  - 4/17 CPI
  - 4/17 Consumer Sentiment

# Outlook



# Outlook

- ◉ Global
  - Economic crisis in the Eurozone has subsided, while structural issues remain
  - Quantitative easing is underway in Eurozone
  - Negative yields on European sovereign debt
  - U.S. Treasuries remain a popular investment – “flight to quality”
    - Growth concerns in China and Japan
    - Geo-political issues (e.g., Ukraine, Greece, 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
  - 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.**

