Continuing Disclosures Related to COVID-19

The Municipal Securities Rulemaking Board (MSRB) has established a webpage dedicated to COVID-19 information. The MSRB’s first disclosure summary—covering January through March—shows that more than 500 COVID-19—related continuing disclosure filings, most voluntary, have been reported. A further surge is expected in the near future as issuers strive to manage finances during the pandemic.

The Securities and Exchange Commission’s (SEC) Rule 15c2-12 lists 16 material events requiring disclosure filings within 10 business days of an occurrence for issuances with a Continuing Disclosure Agreement. The recent disclosure filings are predominantly rating changes and unscheduled reserve draws, although any similar event reflecting financial difficulties is required to be reported. (See “Securities Law Disclosure for Municipal Securities” on the Municipal Debt Advisory Commission’s Bond Education Center.)

With rating agencies’ direct feed to the MSRB’s Electronic Municipal Market Access (EMMA) service, updated ratings may be posted without a municipality’s knowledge. Issuers need to be vigilant in order to stay informed and comply with filing and timing requirements. On April 7, The Bond Buyer and Orrick co-hosted a helpful webinar, titled Rating Agencies Speak About COVID-19, which is available to watch online.

Issuers are advised to be familiar with their continuing disclosure undertakings; understand the requirements of SEC Rule 15c2-12; and, while short- and long-term financial effects of COVID-19 are being determined, be cautious while facing financial challenges. Nixon Peabody’s April 15 article, “Clayton Calls for Meaningful Coronavirus (COVID-19) Disclosure,” summarizes the SEC’s April 8 public statement title “The Importance of Disclosure – For Investors, Markets and Our Fight Against COVID-19.” Although the SEC Statement applies directly to public companies, Nixon Peabody emphasizes that the statement offers insight into how the SEC expects issuers of municipal securities to make COVID-19-related disclosures.

Interest Rates
Average Annualized Yield
March 2.0806%

Interest Rates
March 1–10 2.25%
March 11–31 2.00%
Market Update

Since last month’s issue, Federal Reserve actions and a congressional stimulus program created some support to the market. The S&P 500—which reached an all-time high of 3,393 on February 19—hit an intraday low on March 23 of 2,191, a correction of 35%. Over the next 13 trading days, the index climbed to more than 2,800, a gain of 28%. The U.S. Treasury curve, as measured by the difference between two-year and 10-year notes, has steepened since the end of March. At the same time, risk premia—or spreads in basis points above Treasurys—on investment grade corporate bonds have meaningfully narrowed, especially those bonds with maturities less than five years. High-yield corporate bond spreads have also narrowed though to a lesser degree than investment grade bonds.

Economic support measures are being unveiled at a speed and size much greater than during the 2008-09 global financial crisis. The Fed’s introduction of swap lines with major central banks eased the dollar shortages that created last month’s severe foreign currency instability. Some previously announced Fed liquidity facilities have subsequently been revised with increased capacity and/or more favorable terms. In addition, new facilities are being announced at a steady clip including one—the Municipal Landing Facility—designed to support state and local governments facing near-term revenue declines due to a drop in economic activity as well as the delayed tax filing deadline. There also are rumors of a coming program for high-yield corporate credit (the primary reason for the aforementioned more muted narrowing of spreads).

While some commentators are expressing concern about the expansion of the already sizable U.S. fiscal debt, until the “flattening of the curve” of daily confirmed cases of COVID-19 takes hold, these worries seem premature in the face of 17 million new initial jobless claims over the three weeks ending April 4.

Driven by the drop in the federal funds rate from 1.75% on March 2 to 0.25% on March 16, Treasury lowered the Oregon Short Term Fund paid rate from 2.00% to 1.75% effective April 2. During the recent turbulence, 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 since March 9, 2020

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<th>3/9/20</th>
<th>4/9/20</th>
<th>Delta</th>
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<td>S&amp;P 500</td>
<td>2,746</td>
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<td>30-Year Treasury</td>
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<td>+34.9 bps</td>
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<td>10-Year Treasury</td>
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<td>+17.8 bps</td>
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<td>3-Month Bills</td>
<td>0.379%</td>
<td>0.254%</td>
<td>-12.5 bps</td>
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*Treasury yields represent closing bid side levels

Federal Reserve’s Response

March 19

- Announces the establishment of temporary U.S. dollar liquidity arrangements with other central banks
- Federal bank regulatory agencies issue interim final rule for Money Market Liquidity Facility

(Continued on page 3)
March 31
- Announces establishment of a temporary FIMA Repo Facility to help support the smooth functioning of financial markets

April 6
- Issues SR 20-10: Small Business Administration (SBA) and Treasury Small Business Loan Programs
- Facilitates lending to small businesses via the Small Business Administration’s Paycheck Protection Program (PPP)

April 9
- Ensures credit flows to small and mid-sized businesses with the purchase of up to $600 billion in loans through the Main Street Lending Program
- Increases credit to households and businesses by expanding the Primary and Secondary Market Corporate Credit Facilities (PMCCF and SMCCF) and the Term Asset-Backed Securities Loan Facility (TALF)
- Establishes the Municipal Liquidity Facility of up to $500 billion in lending to states and municipalities

Coronavirus Aid, Relief, and Economic Security (CARES) Act
Congress passed what is expected to be the first of several fiscal spending measures to support the economy during the COVID-19 pandemic. On March 26, President Trump signed the $2 trillion CARES Act. Highlights of the package include
- $150 billion Coronavirus Relief Fund for state, local, and tribal governments
- $30 billion for an Education Stabilization Fund
- $45 billion for the Disaster Relief Fund
- $1.4 billion for deployments of the National Guard
- $4.3 billion for the Centers for Disease Control and Prevention to support state responses
- $25 billion for transit systems
- $400 million in election security grants
- $500 billion lending fund for businesses, cities, and states
- Expanded unemployment insurance benefits (an additional month and an additional $600 per week)
- Economic impact payments of up to $1,200 (plus an additional $500 for each dependent) for qualified individuals

Although conditions are improving, we expect continued volatility as we get a better sense of the impact of the COVID-19 pandemic on the global economy. Combined monetary and fiscal support measures are creating a strong response by financial markets but will take time to impact the broader economy. Second quarter GDP numbers are expected to print deeply negative; whether markets continue to recover depends on how much the current slowdown spreads into the back half of the year.
LGIP: Go Green with Electronic Statements

With the use of EON, it is easier than ever to receive and view pool account statements electronically. Follow these simple steps to go paperless and starting receiving electronic statements:

1. Log in to EON*
2. Select Tools/Forms from the top menu
3. Select Statement Delivery Options
4. Check the box for “Yes, send me an email notification when my statement is ready to be viewed online” (optional)
5. Click the button Request Electronic Statement Service

*EON access can be established by using an LGIP Contact Registration form with the EON User Information section completed.
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.
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