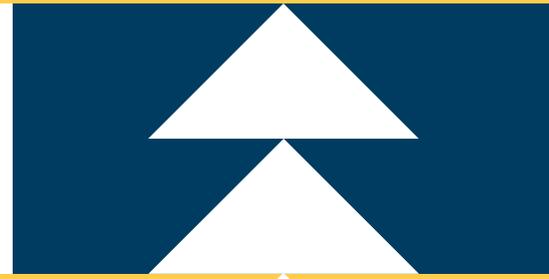




**OREGON
STATE
TREASURY**



Inside the Vault

Local Government Edition

Market Update

The announcement of positive results for several COVID-19 vaccines dominated trading activity over the period. Risk appetites picked up on hopes of a reopening of the economy, leading a strong rally in the securities most devastated during the shutdown. While the possibility of a return to normalcy in the second half of 2021 is pushing capital into the most beaten-down segments of the market, the increase in COVID-19 infections and a second shutdown remain threats to the recovery.

The economy in the back half of 2020 roared out of the unprecedented drop in the first six months. U.S. gross domestic product saw a third quarter expansion of 33%, catching the denominator effect of the second quarter's 30% fall. Jobs numbers continued to improve as well, with November unemployment beating expectations at 6.7% versus the April high of 14.7%. Workers, however, are not simply returning to their previous occupations. Jobs in restaurants, retail, and other high contact service sectors remain depressed. The largest jobs growth segment is logistics spurred by the massive expansion of online retail.

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Upcoming Holidays

The pool will be closed on Friday, December 25, for Christmas and Friday, January 1, for New Year's. EON will be available but the system will not allow transactions to settle on the holidays. Additionally, PFM Client Services will close at 3:00 pm Pacific on both Thursday, December 24, and Thursday, December 31.

Interest Rates

Average Annualized Yield	
November	0.75%
Interest Rates	
November 1–30	0.75%

(Continued from page 1)

Treasurys sold off on the vaccine announcements and, as of early December, the 10-year bond is currently approaching 1% yield. Although the U.S. Department of the Treasury increased primary auctions since the summer, the shorter maturity end of the U.S. sovereign market remains anchored by the Federal Reserve’s commitment to keeping rates low through increased purchases. Nevertheless, longer-dated Treasurys are seeing a sell-off. The pandemic saw U.S. bond exchange-traded funds breach \$1 trillion in assets from the surge of investors looking for a safe harbor. With the vaccine news, these funds are cycling back into higher return securities. Equity indices saw all-time or near-all-time highs. Overseas investors are also exiting Treasurys, resulting in a sell-off in the U.S. dollar as evidenced by a 2% decline in the Bloomberg dollar index since the announcement of the Pfizer vaccine.

Corporates and structured products rallied on the vaccine news. After peaking in March at 11.5% yield, the Bloomberg High Yield Corporate bond index has rapidly dropped to 4.5%. Moreover, an inflation trade has returned, with break-even rates (the difference between inflation-protected and non–inflation-protected Treasury yields) back to 2019 levels. Feeding the inflation trade is the bull market in commodities, in particular iron, copper, and timber. The Bloomberg industrial metal sub-index is up 28% since the end of June.

December saw a record number of new COVID-19 infections, with 217,664 new cases in the first week of the month and hospitalizations at a record of more than 100,000. While results from new vaccine trials continue to be announced, the distribution and inoculation of the population will be a massive logistical undertaking. Most estimates are for a return to normal in the back half of 2021, but reporting on this is quite varied given vaccine production times and storage requirements. The winter months were always expected to create an acceleration in the pandemic and is now leading to additional state shutdowns. While the euphoria from the successful drug trials was expected to cause a rally in markets, risks to the recovery have not disappeared.

On October 21, the OSTF paid rate was lowered from 1.0% to 0.75%, which remains over what the market is currently paying on the OSTF’s investable universe. As higher yielding securities reach maturity, reinvestment under current market conditions will continue to put downward pressure on the paid rate.

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 for September through November 2020

	9/1/20	11/30/20	Delta	
S&P 500	3,527	3,622	+2.66%	S&P 500 intraday low at 3,209 on 9/24
30-Year Treasury	1.42%	1.57%	+14.8 bps	30-Year Bond intraday low at 1.319% on 9/3
10-Year Treasury	0.67%	0.84%	+17.0 bps	10-Year Note intraday low at 0.602% on 9/3
2-Year Treasury	0.13%	0.15%	+1.8 bps	2-Year Note intraday low at 0.117% on 10/2
3-Month Bills	0.10%	0.07%	-2.8 bps	3-Month Bill intraday low at 0.046% on 11/19

*Treasury yields represent closing bid side levels

LGIP Redemptions: Wire Transfer vs. ACH

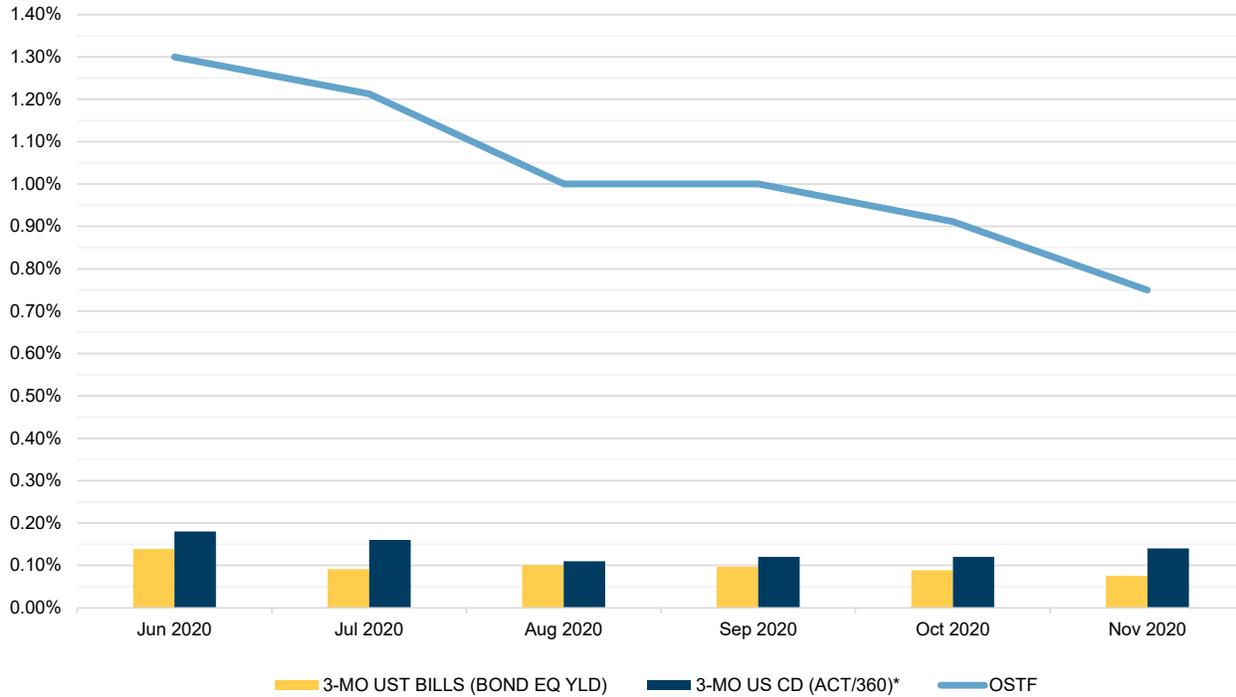
Participants have two options when redeeming (withdrawing) funds. Understanding the differences between wire transfer and ACH will help you best meet your business needs.

Wire Transfer	ACH
Can settle as soon as same day (must be initiated by 10:00 a.m.)	Can settle as soon as next business day (must be initiated by 1:00 p.m.)
Same day wire transfers cannot exceed \$1.5 million (no dollar limit for future-dated wire transfer)	No dollar limit
\$10.00 fee per transaction	\$0.05 fee per transaction

If you need to redeem funds immediately, wire transfer is the only option available (please note that same day wire redemptions cannot exceed \$1.5 million). If you do not need funds the same day, ACH may be the best option given its lower cost. Both types of transactions can be scheduled up to almost a year in advance. Contact PFM Client Services at 855.OST.LGIP or csgwestregion@pfm.com if you have questions about which redemption option best meets your needs.



Oregon Short Term Fund Analysis



	Jun 2020	Jul 2020	Aug 2020	Sep 2020	Oct 2020	Nov 2020
TOTAL OSTF AVG DOLLARS INVESTED (MM)	22,921	22,909	23,591	23,016	23,970	27,039
STATE GOV PORTION (MM)	14,307	14,583	15,019	14,519	15,594	15,719
LOCAL GOV PORTION (MM)	8,614	8,326	8,572	8,497	8,376	11,320
OSTF ANNUAL YIELD (ACT/ACT)	1.30	1.21	1.00	1.00	0.91	0.75
3-MO UST BILLS (BOND EQ YLD)	0.139	0.091	0.101	0.097	0.089	0.076
3-MO US CD (ACT/360)*	0.18	0.16	0.11	0.12	0.12	0.14

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.

Market Data Table

	11/30/2020	1 Month	3 Months	12 Months		11/30/2020	1 Month	3 Months	12 Months
7-Day Agency Discount Note**	0.04	0.05	0.03	1.49	Bloomberg Barclays 1-3 Year Corporate YTW*	0.51	0.60	0.61	2.05
30-Day Agy Nt Disc**	0.06	0.08	0.04	1.55	Bloomberg Barclays 1-3 Year Corporate OAS*	0.40	0.50	0.53	0.47
90-Day Agy Nt Disc**	0.05	0.06	0.08	1.58	Bloomberg Barclays 1-3 Year Corporate Modified Duration*	1.88	1.89	1.89	1.86
180-Day Agy Nt Disc**	0.05	0.06	0.09	1.55					
360-Day Agy Nt Disc**	0.06	0.04	0.09	1.59	7-Day Muni VRDN Yield**	0.11	0.12	0.09	1.10
					O/N GGC Repo Yield**	0.11	0.12	0.12	1.66
30-Day Treasury Bill**	0.07	0.08	0.07	1.57					
60-Day Treasury Bill**	0.07	0.08	0.08	1.54	Secured Overnight Funding Rate (SOFR)**	0.09	0.09	0.07	1.65
90-Day Treasury Bill**	0.07	0.09	0.09	1.54					
6-Month Treasury Yield**	0.09	0.10	0.11	1.61	US 10 Year Inflation Break-Even**	1.79	1.71	1.78	1.63
1-Year Treasury Yield**	0.11	0.12	0.11	1.59					
2-Year Treasury Yield**	0.15	0.16	0.13	1.61	1-Day CP (A1/P1)**	0.07	0.07	0.07	1.50
3-Year Treasury Yield**	0.19	0.20	0.15	1.61	7-Day CP (A1/P1)**	0.08	0.07	0.09	1.53
					30-Day CP (A1/P1)**	0.10	0.10	0.12	1.68
1-Month LIBOR**	0.15	0.14	0.16	1.70					
3-Month LIBOR**	0.23	0.22	0.24	1.91	30-Day CD (A1/P1)**	0.13	0.12	0.13	1.60
6-Month LIBOR**	0.26	0.24	0.31	1.90	90-Day CD (A1/P1)**	0.21	0.19	0.18	1.88
12-Month LIBOR**	0.33	0.33	0.45	1.95	6-Month CD (A1/P1)**	0.27	0.25	0.24	1.92
Sources: *Bloomberg Index Services, **Bloomberg					1-Year CD (A1/P1)**	0.35	0.33	0.41	2.12

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