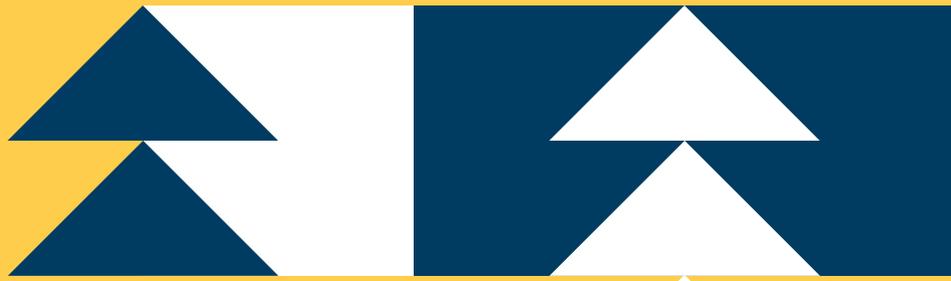




**OREGON  
STATE  
TREASURY**



# Inside the Vault

**Local Government Edition**

## Market Update

After being over-shadowed by the U.S. equity market for most of 2020, the U.S. bond market took center stage at the end of February, sending turbulence across all asset classes.

As context, most surveys in January showed expectations of a 1.3% to 1.4% peak for 10-year Treasury yields over the next twelve months, continuing the gradual trend from the August 2020 bottom of 0.51% to the 0.91% level at the start of the new year, with the 10-year yield ending January at 1.06%.

February bond market movements, however, were fairly large and fast. Treasury markets retreated for most trading sessions, with the 10-year yield breaching 1.60%. During this quick movement in rates, bond market participants took notice of a large move in inflation expectations (as seen in Treasury break-even inflation rates), a poor seven-year Treasury auction, and hedging activity of mortgage-backed securities (or MBS) investors as potential contributing factors.

The unexpected spike in yields created a repricing event, with the capital markets now paying closer attention to what the bond markets are signaling.

Looking forward, assuming continued progress in the rollout of COVID-19 vaccines and a slowing rate of infections, the Bloomberg consensus forecast for U.S. real GDP growth is 5% for 2021, which would put the U.S. on track for outpacing the current growth expectations for China.

As alluded above, inflationary concerns are on the rise given GDP growth expectations, the current annual M2 (a broad indicator of the money supply) growth at 26% (the highest level going back to the start of the series in 1960), unprecedented monetary stimulus from the Federal Reserve, the approval of the Biden Administration’s \$1.9 trillion stimulus plan, and recent upward moves across commodities prices (oil greater than \$65 a barrel; natural gas markets still recovering from the snowstorm in Texas; copper trading at more than \$4.15 per pound, just shy of the 2011 all-time high of \$4.58; and soft commodities like corn, wheat, and timber over or near record levels).

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## Interest Rates

Average Annualized Yield	
February	0.75%

Interest Rates	
February 1–28	0.75%

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The Fed has continued to remain accommodative so as to support markets and the U.S. economy, with Chairman Powell reemphasizing an inflation target average of 2%.

While longer maturity Treasuries have risen, two-year and shorter-term Treasuries remain anchored near zero from both Fed purchasing programs and drawdowns of the U.S. Treasury’s General Account flooding the money market with liquidity.

**Oregon Short Term Fund**

On March 1, the OSTF paid rate was lowered from 0.75% to 0.60%, which remains over what the market is currently paying on the OSTF’s investable universe. Going forward, as holdings purchased prior to the start of the Fed’s massive interventions last March mature, the reinvestment of these maturities in the current environment will continue to exert downward pressure on the paid rate. In terms of positioning since the start of 2021, the OSTF has rotated into asset-backed securities (+3.8%) and corporate bonds (+1.1%) and out of U.S. Treasuries and government-related securities such as Canadian Provincials and agencies.

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 from December 2020 through February 2021**

	12/31/20	2/28/21	Delta	1-Year High	1-Year Low
S&P 500	3,756	3,811	+1.47%	3,935 2/12/21	2,237 3/23/20
30-Year Treasury	1.648%	2.156%	+50.8 bps	2.277% 2/25/21	0.997% 3/9/20
10-Year Treasury	0.918%	1.410%	+49.2 bps	1.523% 2/25/21	0.508% 8/4/20
2-Year Treasury	0.123%	0.133%	+1.0 bps	0.915% 2/28/20	0.104% 2/5/21
3-Month Bills	0.086%	0.043%	-4.3 bps	1.284% 2/28/20	-0.088% 3/26/20



## Security Spotlight: Phishing

While some employees may start to return to offices after working from home for several months, others continue to maintain a new status quo of working remotely. With the changes in work environments, cybercriminals use phishing attempts to capitalize on human emotion, a need for news, and a lack of in-person interaction with coworkers or business contacts. Throughout the COVID-19 pandemic, there has been an increase in the danger and frequency of phishing attempts.

### Recent Types of Phishing Attempts

Phishing attempts often target employees to try to gain login credentials. These credentials then allow cybercriminals access to your network and systems. In addition, should an employee use the same password for both work and personal accounts, and then fall prey to a phishing attempt with a personal account, cybercriminals gain access to both personal and work accounts.

More recent phishing attempts include:

- ▶ **Account Locked or Disabled E-mails.** Recipients are greeted by e-mails that indicate an account from a site like Amazon, Netflix, or Instacart is locked or disabled. These e-mails ask the recipient to click a link and enter their credentials. The link directs users to a fake site where it captures login information.
- ▶ **News and “Clickbait” Pieces.** Many people are hungry for news concerning the COVID-19 pandemic or the presidential election. There are a plethora of fake news and clickbait sites that include articles that contain what may seem like outlandish news, simply to spur users to click a link. The site then may install a virus or other malware.
- ▶ **Charitable Donations or Prize E-mails.** Scammers frequently seek to prey on emotions. They may circulate sob stories to solicit donations to fake charities or may promise that a user has won money, a gift card, or a free vacation. These attempts can capture banking information, either under the guise of a donation or require this information in order to provide a prize.
- ▶ **Coworker Needs Help E-mail.** One may receive a spoofed e-mail that appears to be from a coworker asking for assistance, adding a sense of urgency that COVID-19 is impacting the coworker in some way.
- ▶ **Attachments Concerning COVID-19 Prevention Tactics.** These e-mails may have attachments that claim to be from health organizations or employers concerning prevention measures or workplace policies. Once opened, the attachments contain malware.



### How to Avoid Falling Prey to a Phishing Attempt

There are many ways one can avoid taking the phishing bait. The best way to prevent phishing attacks is through employee education concerning cybersecurity.

Other steps you can take include:

- ▶ If one receives an “account locked” e-mail, do not click the link. Instead, go directly to the site and determine if the account is really locked. If it is locked, use only the links on the site to reset a password.

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- ▶ Visit only well-known and recognized news and information sites. If a URL appears similar but has additional letters or numbers, go to the main site and search for the information there.
- ▶ Do not donate to charities via an e-mail link. Go directly to the charity's website and donate via their webpage. If you do not remember entering a contest and can find no record of it on the organization's website, you likely are being scammed. Use common sense and skepticism.
- ▶ When an odd e-mail from a coworker is received, or an e-mail requesting money or assistance with something that normally would not be handled via e-mail, reach out to the contact via phone, or by sending a separate e-mail to that contact. Do not reply to the initial e-mail and do not take the steps requested in the e-mail without first confirming it is legitimate.
- ▶ Never open attachments from unknown sources or unexpected e-mails. Confirm with the sender via phone or direct e-mail they sent information via an attachment.

We live in a complex world where cybercriminals seek to capitalize on current events as much as possible. Employees must be aware of this and must always be vigilant to help protect organizations from cyberattacks.

## Public Funds Reminder

All public funds in Oregon must be deposited in compliance with the requirements of [ORS chapter 295](#). Public officials may deposit public funds up to the amount insured by the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Administration (NCUA)—currently \$250,000—in any insured financial institution with a head office or branch located in Oregon. Public funds balances that exceed those insurance limits, however, must be held at a depository qualified under Treasury's Public Funds Collateralization Program (PFCP).

Through the PFCP, depositories pledge collateral to secure any public funds deposits in excess of deposit insurance amounts, providing additional protection for public funds in the event of a depository loss or failure. ORS chapter 295 specifies the value of the collateral—as well as the types of collateral that are acceptable—and creates a shared liability structure for participating depositories, minimizing (though not eliminating) the risk of loss of such funds.

[OAR 170-040-0050](#) requires public entities to annually verify their contact information as well as the list of all banks and credit unions where the entities' funds are deposited. Next month, Treasury will begin sending out verification requests. *A response to Treasury's request is required by the included due date in order to remain in compliance with state law.*

Additional information regarding PFCP can be found at [www.oregon.gov/pfcp](http://www.oregon.gov/pfcp).

For further information, contact PFCP staff at 503.378.3400 or [public.funds@ost.state.or.us](mailto:public.funds@ost.state.or.us).

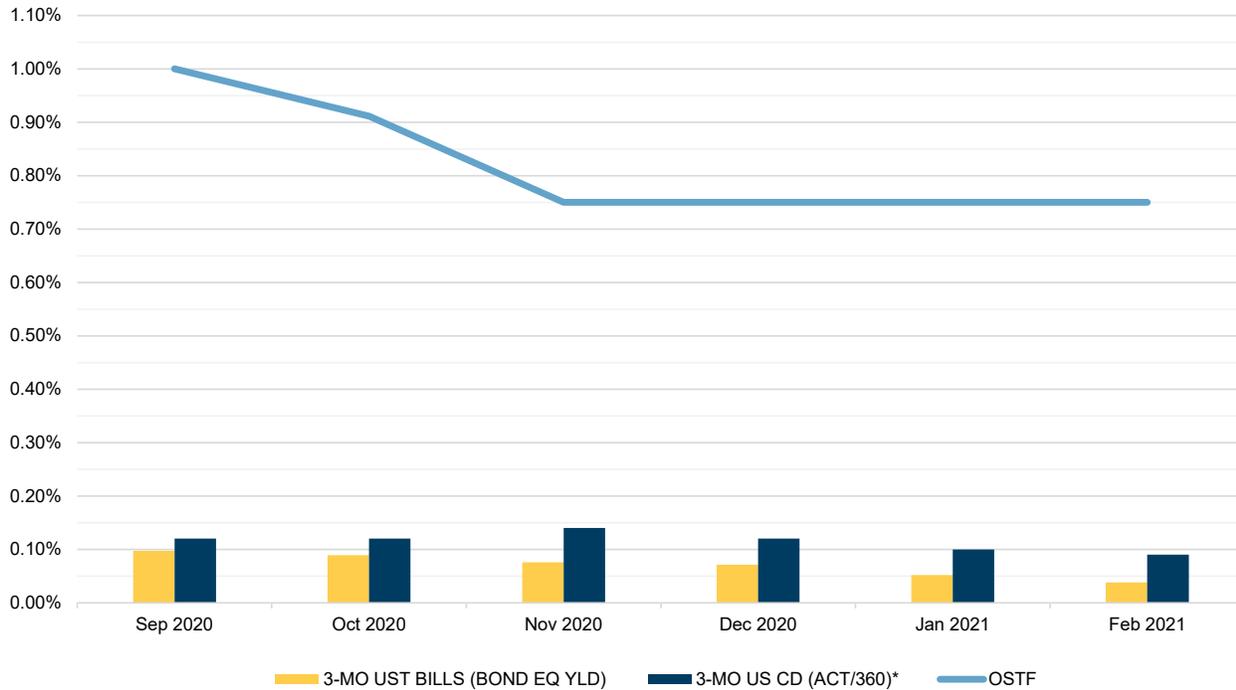


## Qualified Public Funds Depositories

- ▲ Advantis Credit Union
- ▲ Baker Boyer Bank
- ▲ Bank of America
- ▲ Bank of Eastern Oregon
- ▲ Bank of the Pacific
- ▲ Bank of the West
- ▲ Banner Bank
- ▲ Beneficial State Bank
- ▲ Central Willamette Credit Union
- ▲ Chase Bank
- ▲ Citizens Bank
- ▲ Clackamas County Bank
- ▲ Columbia Bank
- ▲ Commerce Bank of Oregon (Zions Bancorporation)
- ▲ Community Bank
- ▲ First Community Credit Union
- ▲ First Federal
- ▲ First Interstate Bank
- ▲ Heritage Bank
- ▲ HomeStreet Bank
- ▲ InRoads Credit Union
- ▲ KeyBank
- ▲ Lewis & Clark Bank
- ▲ Maps Credit Union
- ▲ Northwest Bank
- ▲ Northwest Community Credit Union
- ▲ Old West Federal Credit Union
- ▲ OnPoint Community Credit Union
- ▲ Oregon Coast Bank
- ▲ Oregon Community Credit Union
- ▲ Oregon Pacific Bank
- ▲ Oregon State Credit Union
- ▲ Pacific Crest Federal Credit Union
- ▲ People's Bank
- ▲ Riverview Community Bank
- ▲ Rogue Credit Union
- ▲ Summit Bank
- ▲ Umpqua Bank
- ▲ Union Bank
- ▲ Unitus Community Credit Union
- ▲ U.S. Bank
- ▲ WaFd Bank
- ▲ Washington Trust Bank
- ▲ Wauna Credit Union
- ▲ Wells Fargo Bank
- ▲ Willamette Community Bank



# Oregon Short Term Fund Analysis



	Sep 2020	Oct 2020	Nov 2020	Dec 2020	Jan 2021	Feb 2021
TOTAL OSTF AVG DOLLARS INVESTED (MM)	23,016	23,970	27,039	27,075	26,948	26,813
STATE GOV PORTION (MM)	14,519	15,594	15,719	15,116	15,816	15,910
LOCAL GOV PORTION (MM)	8,497	8,376	11,320	11,959	11,132	10,903
OSTF ANNUAL YIELD (ACT/ACT)	1.00	0.91	0.75	0.75	0.75	0.75
3-MO UST BILLS (BOND EQ YLD)	0.097	0.089	0.076	0.071	0.052	0.038
3-MO US CD (ACT/360)*	0.12	0.12	0.14	0.12	0.10	0.09

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

	2/28/2021	1 Month	3 Months	12 Months		2/28/2021	1 Month	3 Months	12 Months
7-Day Agency Discount Note**	0.03	0.04	0.04	1.50	Bloomberg Barclays 1-3 Year Corporate YTW*	0.46	0.44	0.51	1.46
30-Day Agency Note Discount**	0.03	0.04	0.06	1.43	Bloomberg Barclays 1-3 Year Corporate OAS*	0.33	0.36	0.40	0.62
90-Day Agency Note Discount**	0.02	0.04	0.05	1.29	Bloomberg Barclays 1-3 Year Corporate Modified Duration*	1.87	1.85	1.88	1.86
180-Day Agency Note Discount**	0.02	0.04	0.05	1.16					
360-Day Agency Note Discount**	0.02	0.03	0.06	0.90	7-Day Muni VRDN Yield**	0.03	0.04	0.11	1.15
					O/N GGC Repo Yield**	0.08	0.08	0.11	1.65
30-Day Treasury Bill**	0.02	0.05	0.07	1.41					
60-Day Treasury Bill**	0.02	0.04	0.07	1.32	Secured Overnight Funding Rate (SOFR)**	0.01	0.06	0.09	1.60
90-Day Treasury Bill**	0.03	0.05	0.07	1.25					
6-Month Treasury Yield**	0.05	0.07	0.09	1.16	US 10 Year Inflation Break-Even**	2.15	2.10	1.79	1.43
1-Year Treasury Yield**	0.07	0.08	0.11	1.02					
2-Year Treasury Yield**	0.13	0.11	0.15	0.92	1-Day CP (A1/P1)**	0.05	0.05	0.07	1.57
3-Year Treasury Yield**	0.28	0.17	0.19	0.90	7-Day CP (A1/P1)**	0.06	0.06	0.08	1.58
					30-Day CP (A1/P1)**	0.08	0.11	0.10	1.89
1-Month LIBOR**	0.12	0.12	0.15	1.52					
3-Month LIBOR**	0.19	0.20	0.23	1.46	30-Day CD (A1/P1)**	0.09	0.10	0.13	1.55
6-Month LIBOR**	0.20	0.22	0.26	1.40	90-Day CD (A1/P1)**	0.14	0.15	0.21	1.48
12-Month LIBOR**	0.28	0.31	0.33	1.38	6-Month CD (A1/P1)**	0.21	0.19	0.27	1.36
Sources: *Bloomberg Index Services, **Bloomberg					1-Year CD (A1/P1)**	0.21	0.18	0.35	1.42

**Director of Finance**

Cora Parker  
503.378.4633

**Deputy Director of Finance**

Mike Auman  
503.378.2752

**Newsletter Questions**

Kari McCaw  
503.378.4633

Bryan Cruz González  
503.378.3496

**Local-Gov-News Mailing List**

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**PFM Client Services**

855.OST.LGIP  
[cswestregion@pfm.com](mailto:cswestregion@pfm.com)

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**Treasury**

800.452.0345  
[lgip@ost.state.or.us](mailto:lgip@ost.state.or.us)

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**Oregon Short Term Fund Staff**

503.431.7900

**Public Funds Collateralization Program**

[oregon.gov/pfcp](https://oregon.gov/pfcp)  
503.378.3400  
[public.funds@ost.state.or.us](mailto:public.funds@ost.state.or.us)



**OREGON STATE TREASURY**

350 Winter Street NE, Suite 100 » Salem, OR 97301-3896  
[oregon.gov/treasury](https://oregon.gov/treasury)