

CPIM

CENTER FOR PUBLIC INVESTMENT MANAGEMENT



A PROGRAM BROUGHT TO YOU BY:

ROBERT SPRAGUE

OHIO TREASURER

General Session & Market Update

Presenters

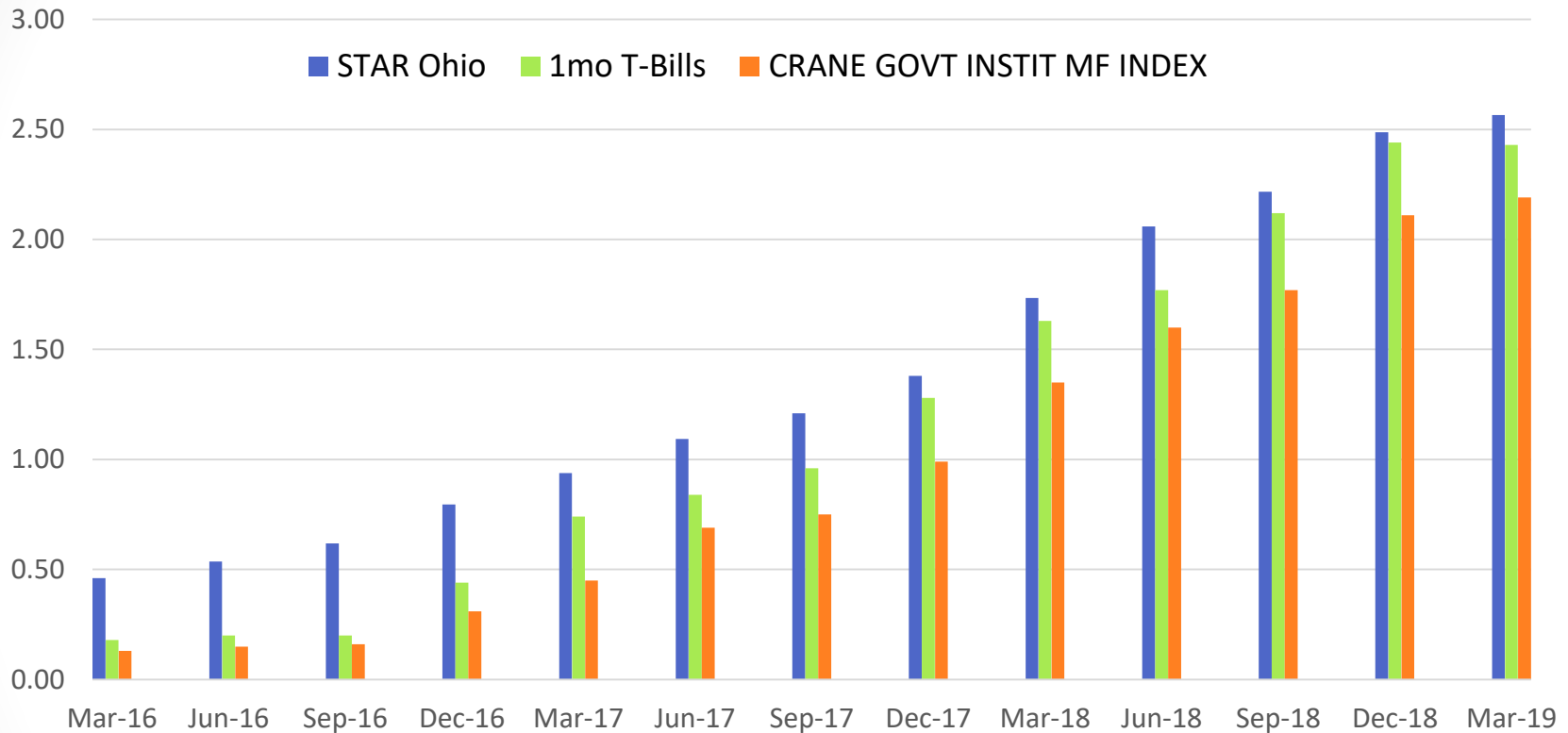
- Jonathan Azoff
- Ohio Treasurer of State's Office
- Jonathan.Azoff@tos.ohio.gov

- Jason Headings, Sr. Vice President
- Meeder Investment Management
- jheadings@meederinvestment.com

- Jof Cindric, Managing Director
- Huntington Investment Company
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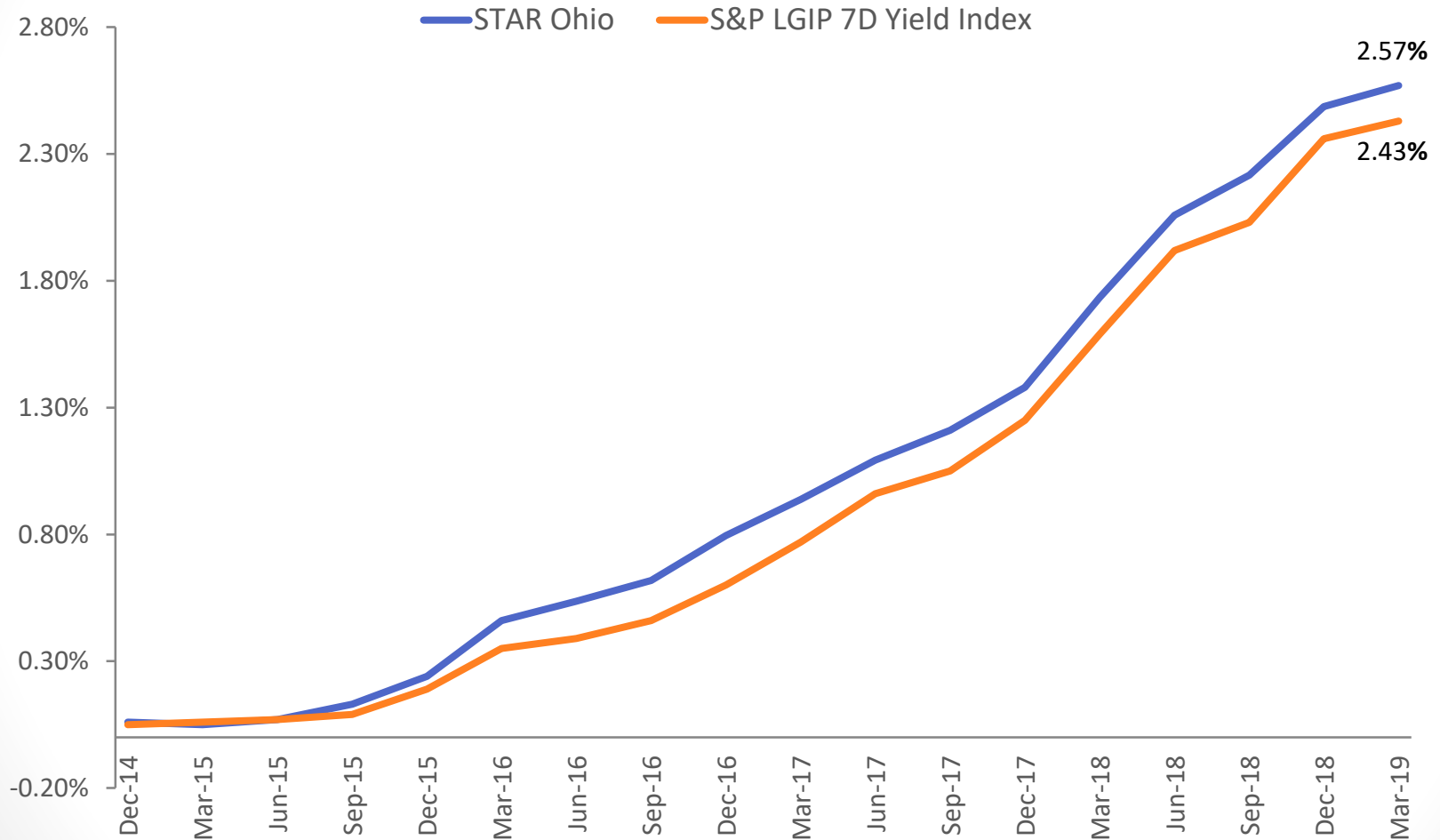
- Ryan Nelson, Co-Founder and Portfolio Manager
- Red Tree Investments
- ryan@redtreeinv.com

Yield Comparison



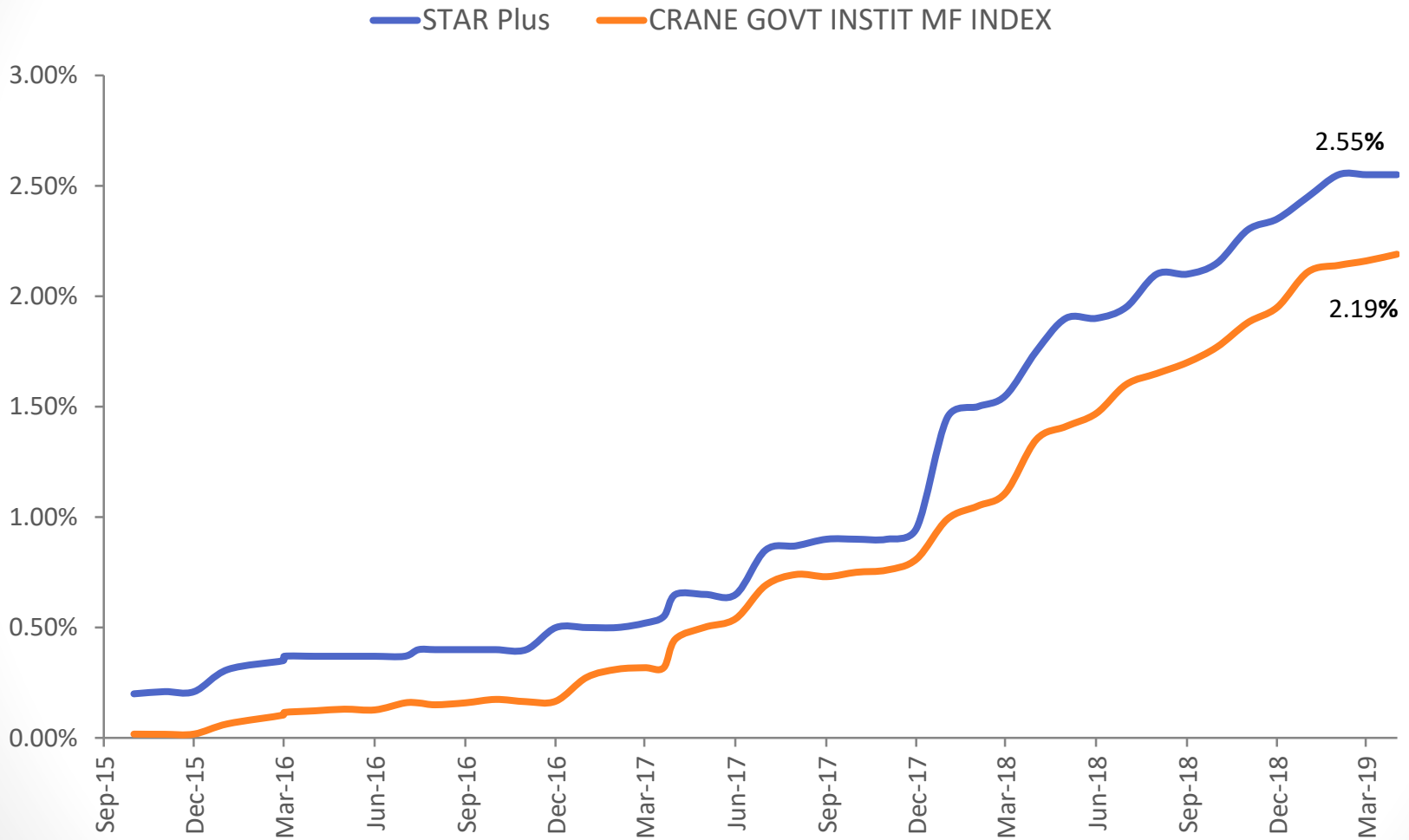
As of 03/31/19		
STAR Ohio		2.57%
1mo T-Bills		2.43%
CRANE GOVT INSTIT MF INDEX		2.19%

Yield Comparison



Data as of 3/31/19

Yield Comparison

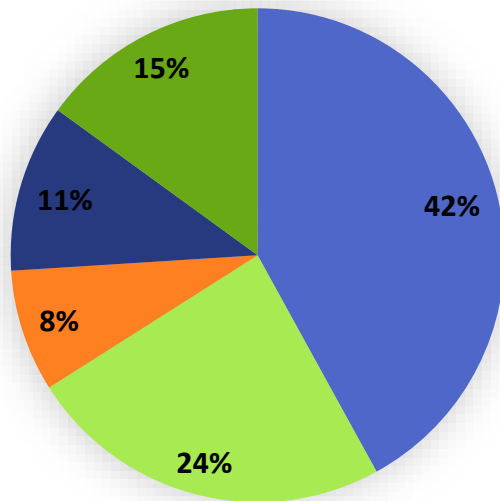


Data as of 3/31/19

Over \$12 billion in Deposits

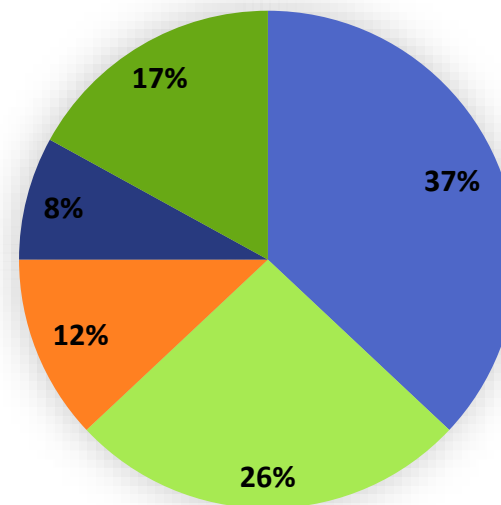
Composition

3/31/2018



- Commercial Paper - 42%
- Money Market Funds - 24%
- Government Bonds - 8%
- Repurchase Agreements - 11%
- Corporate Bonds - 15%

3/31/2019



- Commercial Paper - 37%
- Money Market Funds - 26%
- Government Bonds - 12%
- Repurchase Agreements - 8%
- Corporate Bonds - 17%

STAR Ohio Outlook

- Expect yields in STAR Ohio to flatten or slightly decline due to interest rate outlook in 2019.
- STAR Plus rates should keep pace with government funds.
 - First tier yield should remain competitive with STAR Ohio.

The Committee voted to keep the fed funds target at the current range; 2.25% -2.50%

The decision at the March meeting was a unanimous decision in favor of keeping rates unchanged

“Inflation remains near 2 percent while market-based measures of inflation have remained low in recent months”

“labor market remains strong, but growth of economic activity has slowed from its solid rate in the fourth quarter”

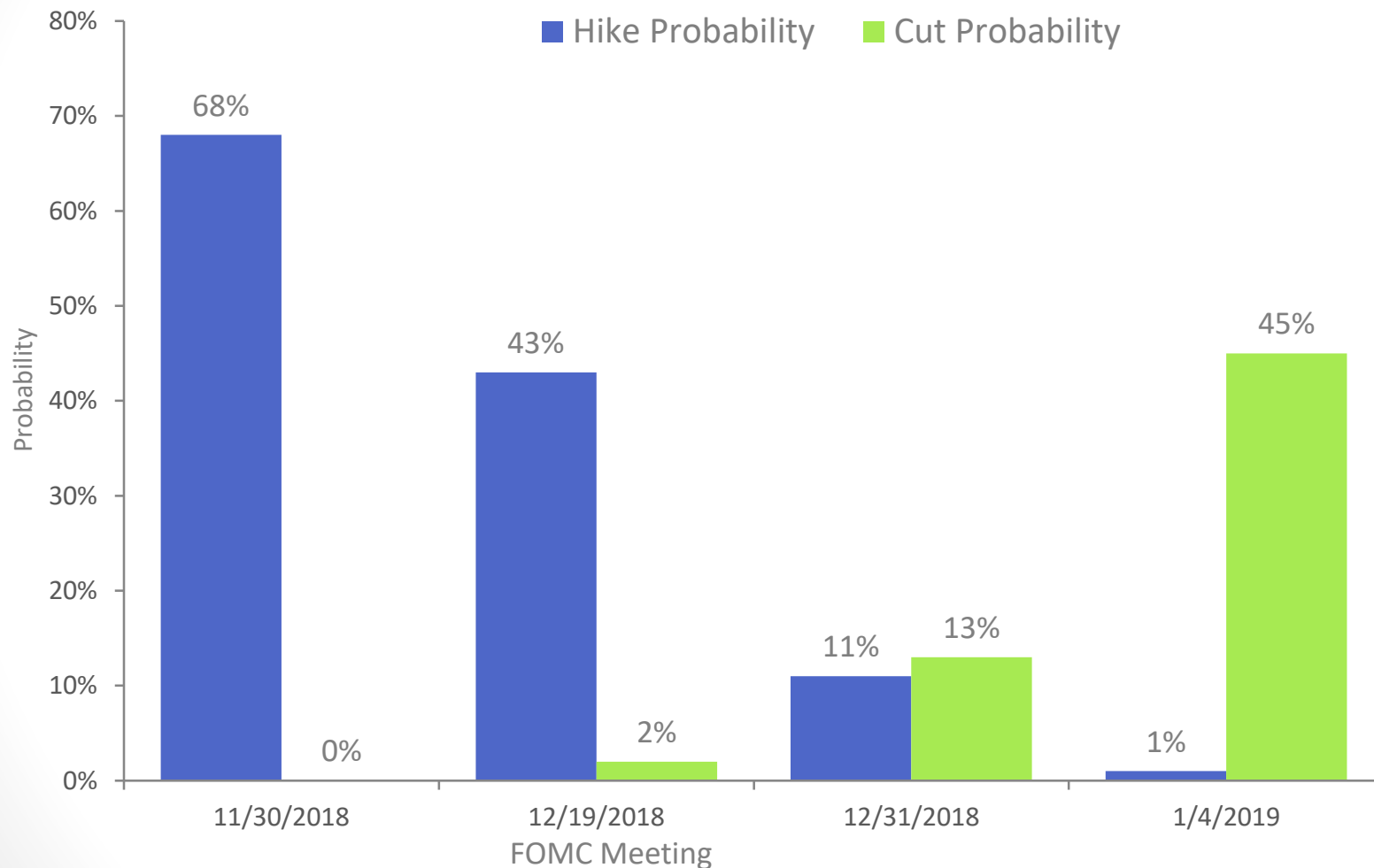
The Fed’s statement was dovish, and it signals FOMC members are anticipating no hikes in 2019, down from the previous dot-plot projection of three hike hikes in 2018

The Fed will begin shrinking its balance sheet in May, dropping the redemptions from the current \$30 billion to \$15 billion and halt the drawdowns in September

FOMC STATEMENT HIGHLIGHTS

March 2018

Hike or Cut?



Source: Bloomberg

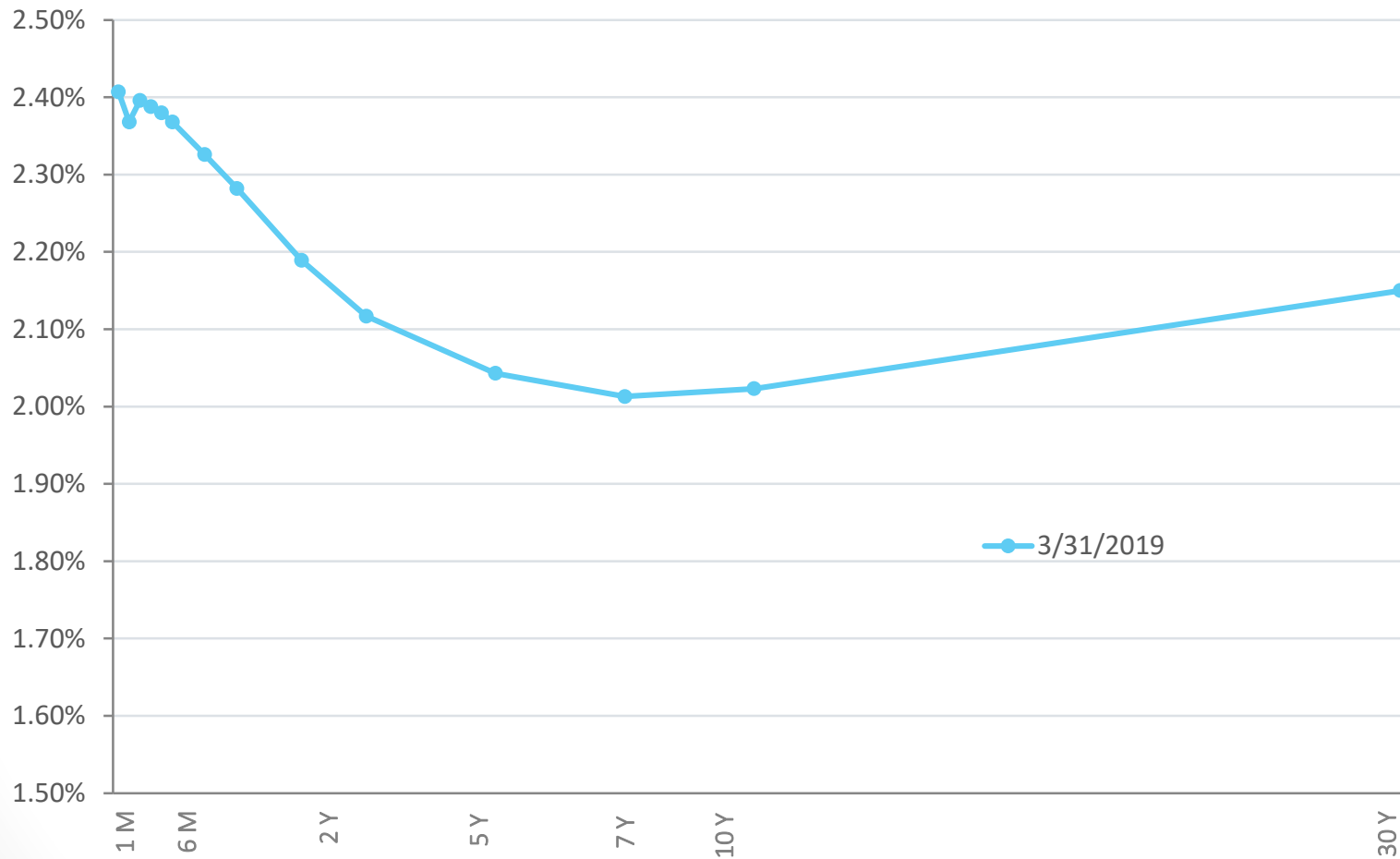
Inflation



Source: Bloomberg

Interest Rate Outlook

US Overnight Interest Rate Swaps



Source: Bloomberg

Yield Curve Comparison



Source: Bloomberg

Economists are Forecasting Slow, Steady Growth

Although projected to slow, GDP forecasts maintain a 2.00% range through '21

United States										
Indicator	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Economic Activity										
Real GDP (YoY%)	2.2	1.8	2.5	2.9	1.6	2.2	2.9	2.4	1.9	1.8
Consumer Spending (YoY%)	1.5	1.5	2.9	3.7	2.7	2.5	2.6	2.6	2.2	2
Government Spending (YoY%)	-2.1	-2.4	-0.9	1.9	1.4	-0.1	1.5	1.8	1.2	0.5
Private Investment (YoY%)	11.0	6.9	5.4	4.8	-1.3	4.8	5.9	3.6	2.8	2.7
Exports (YoY%)	3.4	3.6	4.3	0.6	-0.1	3.0	4.0	2.3	2.8	3.1
Imports (YoY%)	2.7	1.5	5.1	5.5	1.9	4.6	4.5	3.5	3.1	3.5
Industrial Production (YoY%)	3.0	2.0	3.1	-1.0	-2.0	2.3	3.9	2.7	1.9	1.6
Price Indices										
CPI (YoY%)	2.1	1.5	1.6	0.1	1.3	2.1	2.5	1.9	2.2	2.2
PCE Price Index (YoY%)							2.0	1.8	2.0	2.1
Core PCE (YoY%)	1.9	1.5	1.6	1.3	1.7	1.6	1.9	1.9	2.1	2.1
Housing Market										
Housing Starts (000s)							1261	1256	1270	1274
New Home Sales (000s)							616.0	630	637	633
Existing Home Sales (Mln)							5.4	5.3	5.4	5.3
Building Permits (000s)							1310.0	1313	1325	1318

Inflation is projected near 2.00%

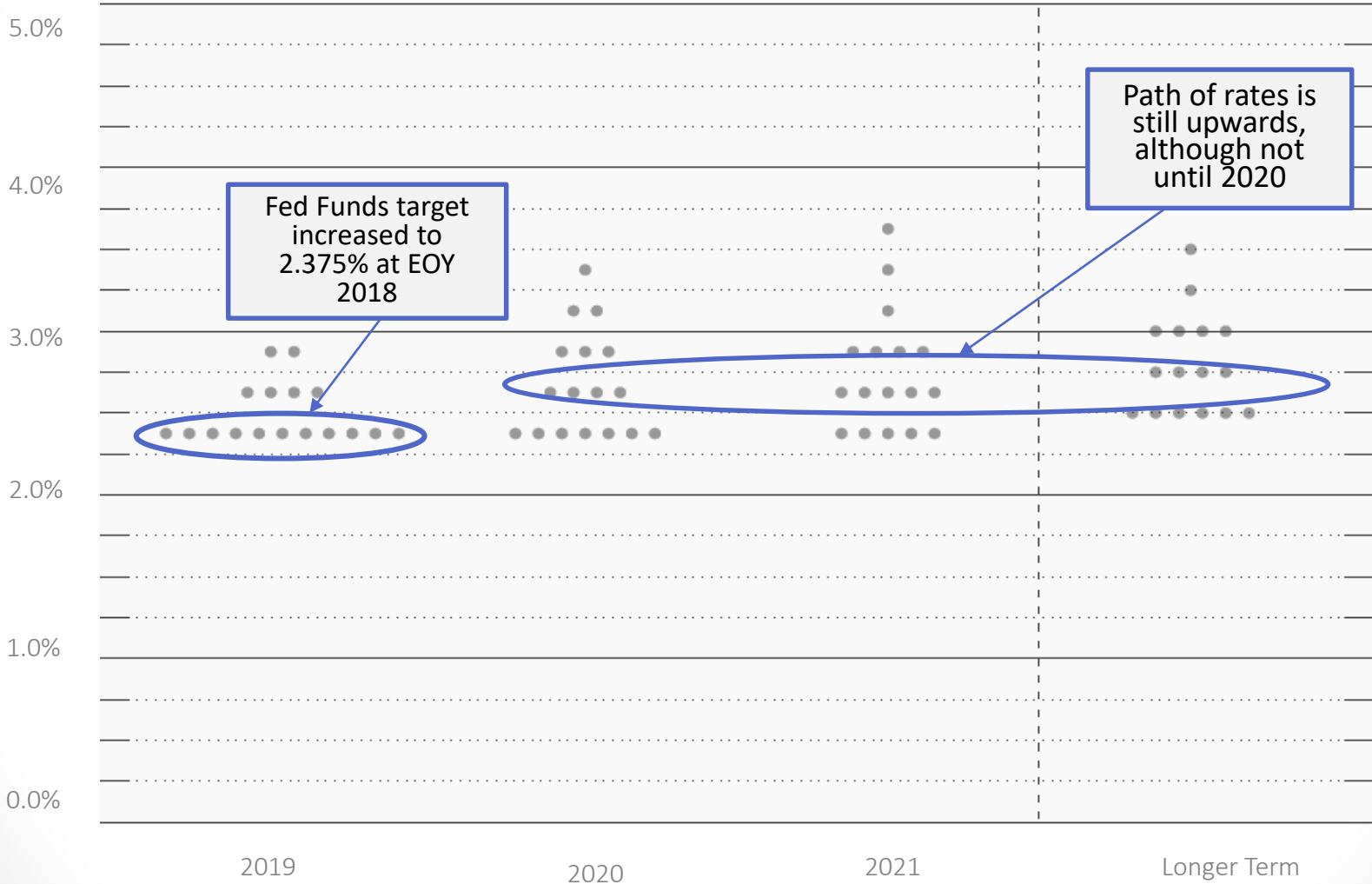
Market Not Expecting Further Hikes

Meeting	Hike Prob	Cut Prob	1.25-1.5	1.5-1.75	1.75-2	2-2.25	2.25-2.5	Fwd Rate
5/1/2019	0.0%	2.6%	0.0%	0.0%	0.0%	2.6%	97.4%	2.40
6/19/2019	0.0%	13.6%	0.0%	0.0%	0.3%	13.3%	86.4%	2.37
7/31/2019	0.0%	19.3%	0.0%	0.0%	1.2%	18.1%	80.7%	2.36
9/18/2019	0.0%	32.5%	0.0%	0.2%	3.9%	28.4%	67.5%	2.32
10/30/2019	0.0%	39.0%	0.0%	0.6%	6.3%	32.1%	61.0%	2.29
12/11/2019	0.0%	52.7%	0.1%	1.8%	12.1%	38.6%	47.3%	2.24
1/29/2020	0.0%	60.1%	0.4%	3.4%	16.2%	40.0%	39.9%	2.20

Market not expecting any further hikes in foreseeable future

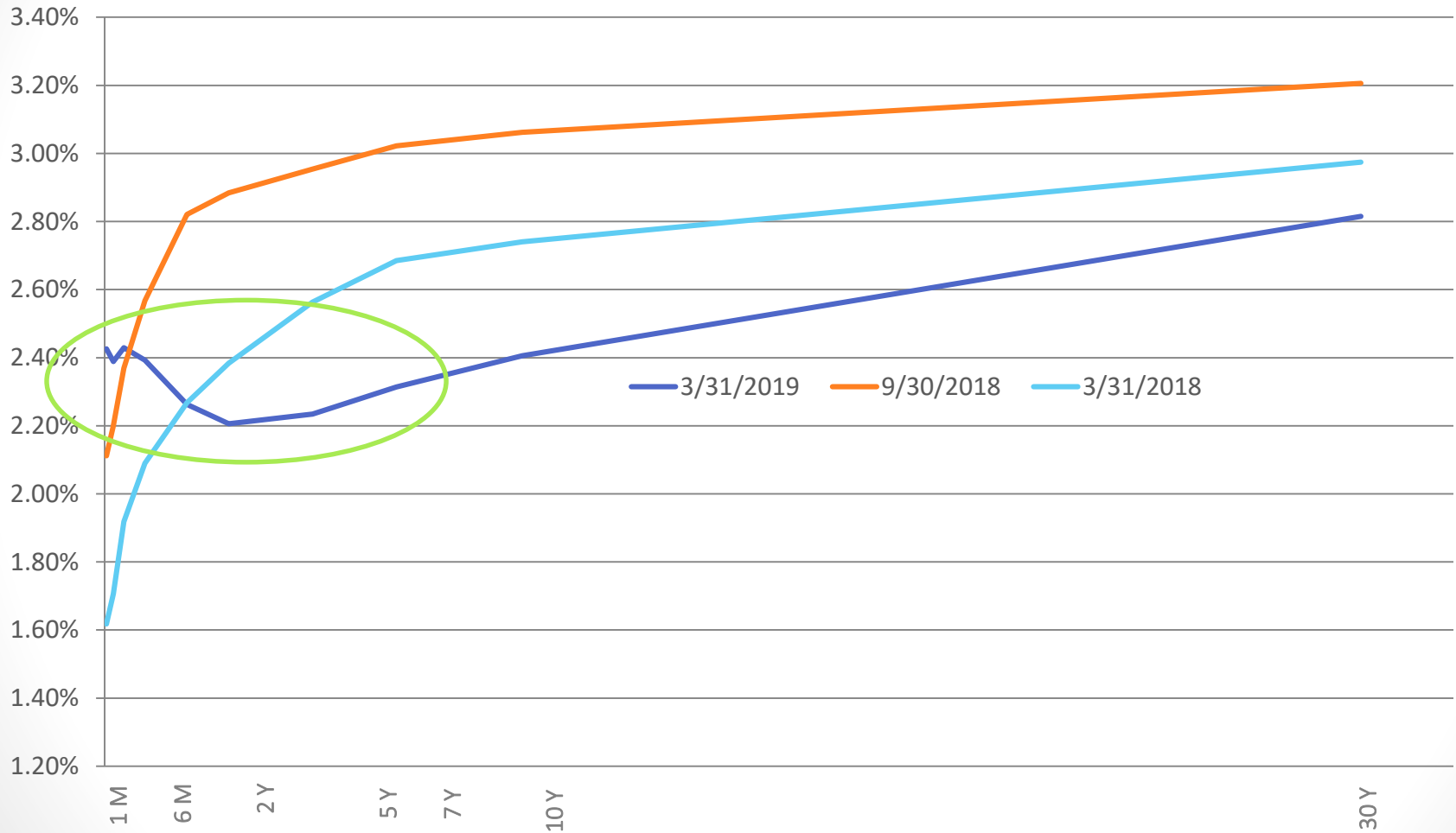
Currently, there is a greater likelihood of a cut than a hike

Fed Now Pausing, But Future Rate Hikes Desired

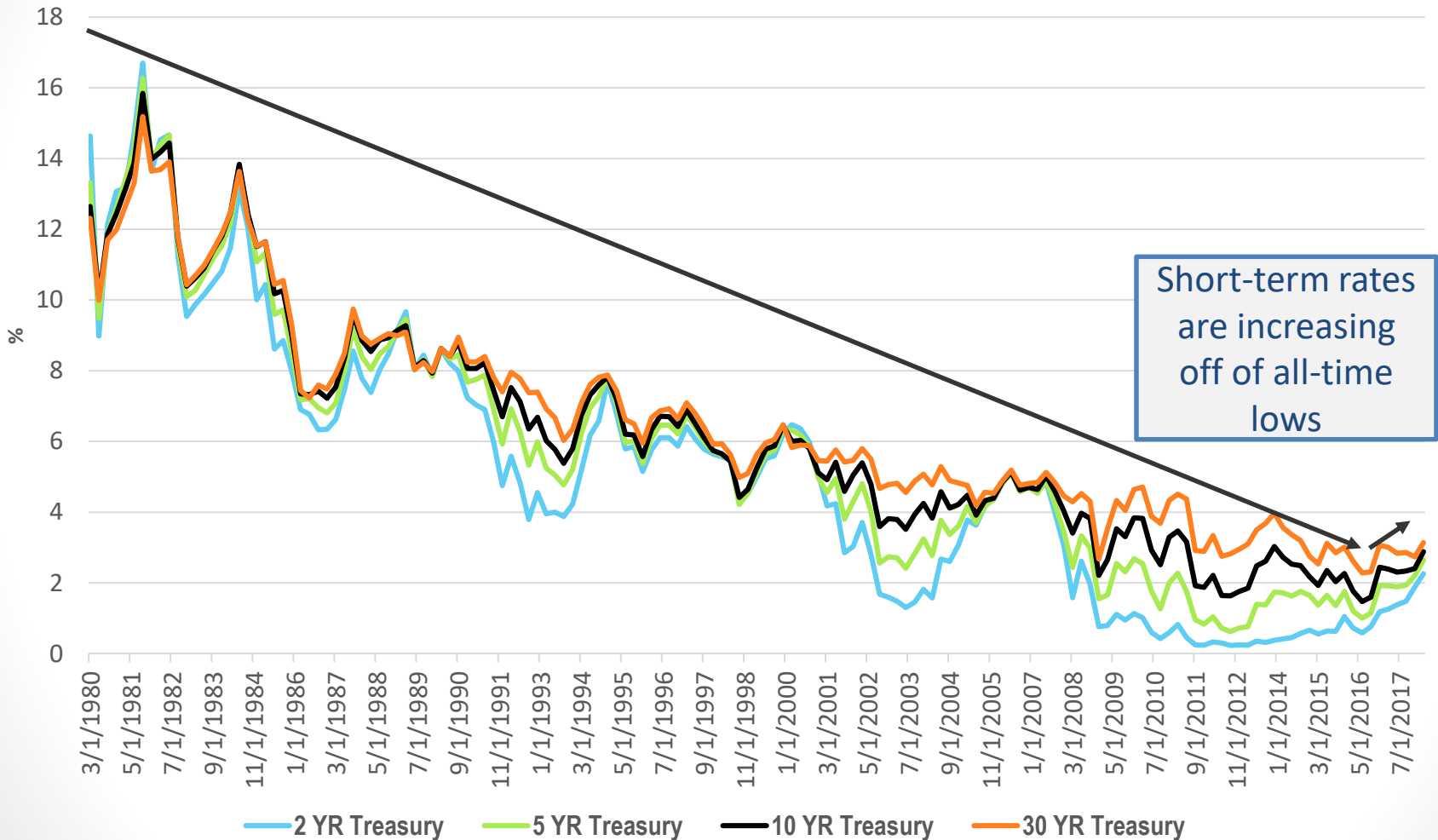


Source: Federal Reserve

Curve is Currently Defensively Positioned



Bond Bull Market is Nearing an End



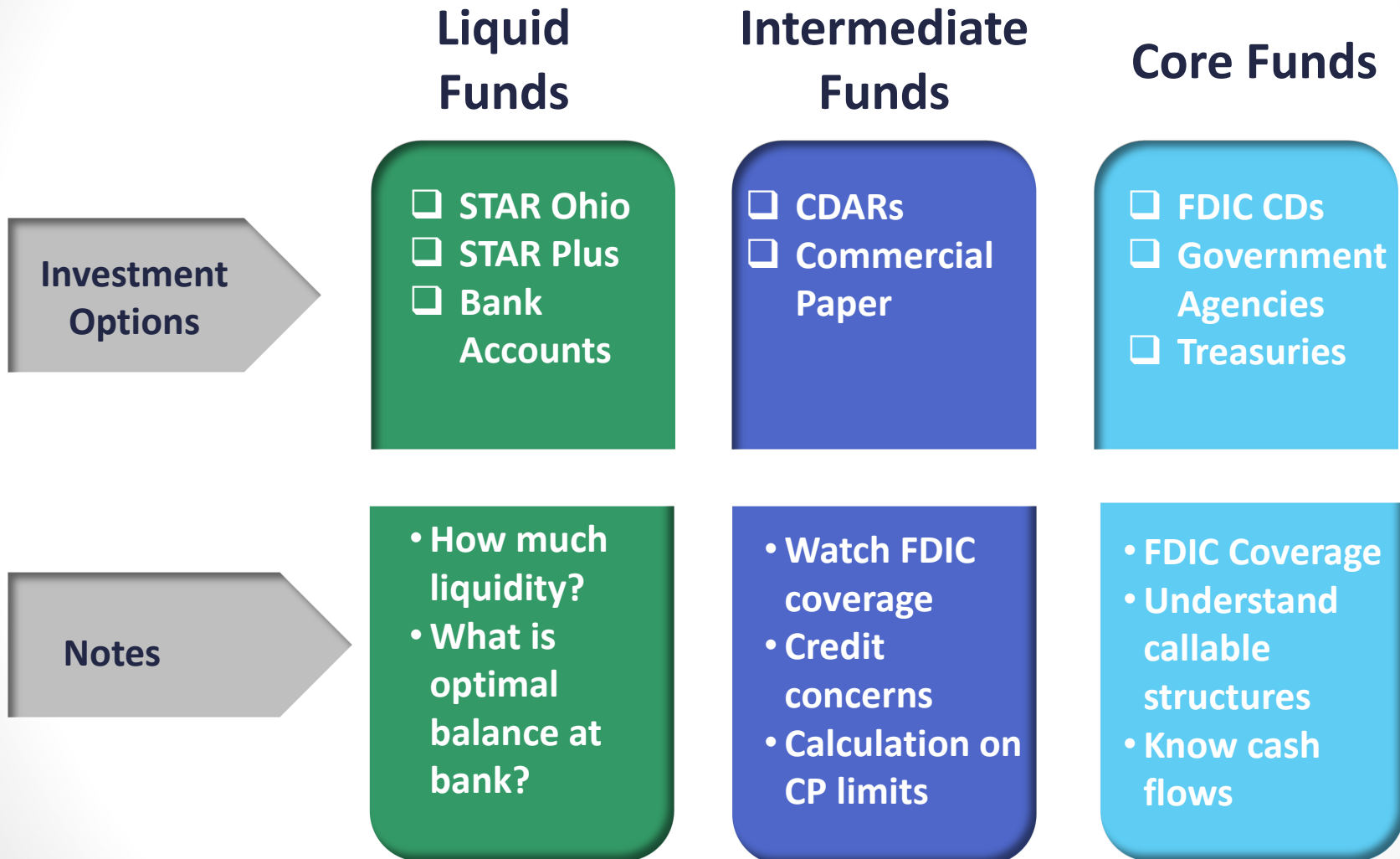
Source: Bloomberg

Investing in Today's Markets

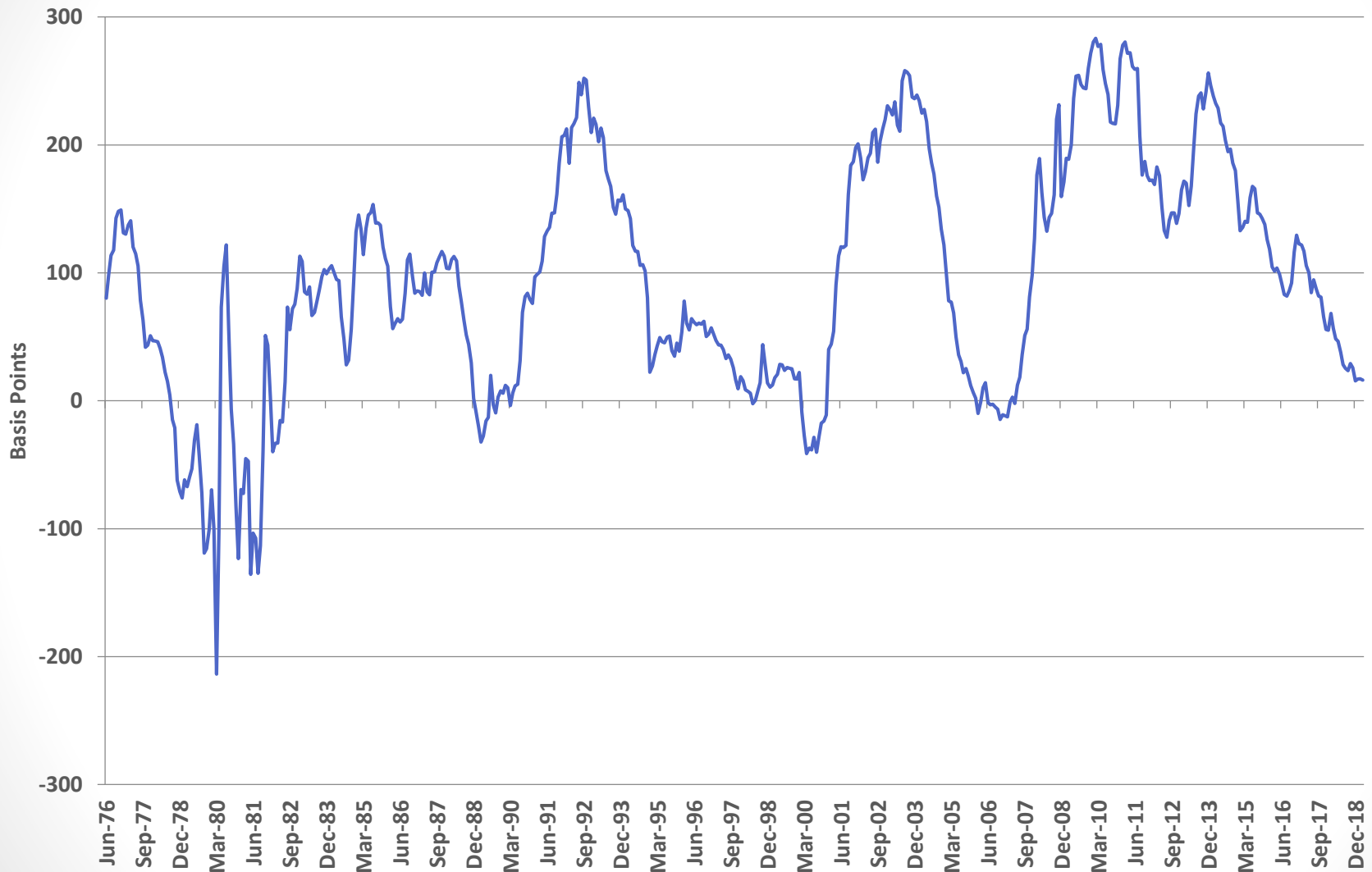
Investment Strategy

- Have one!
- Every entity approaches differently
- Think long-term in the short term
- Keep up with changing markets
- Understand the **VALUE** and **RISK** in the different investment options

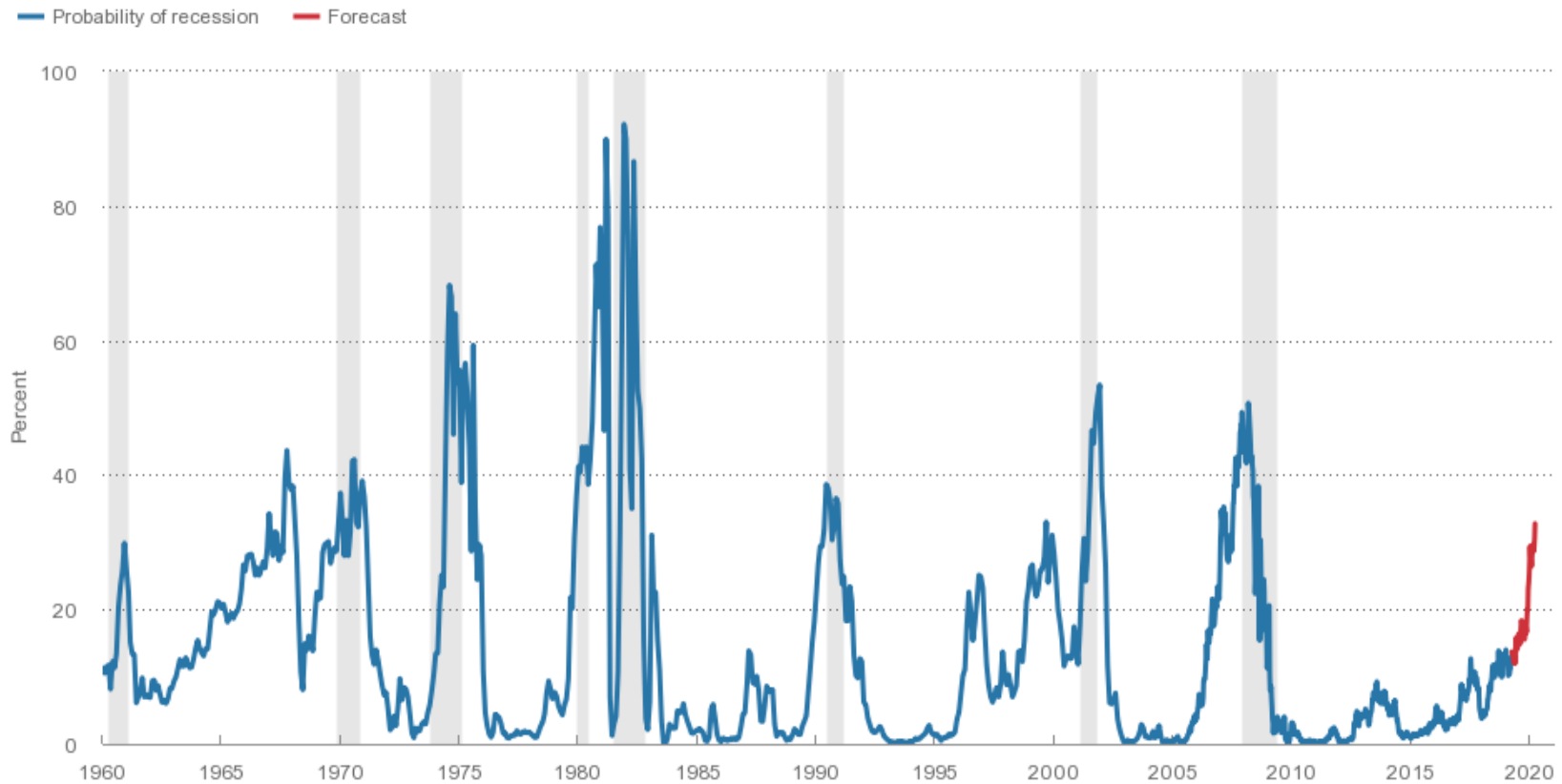
Prudent Investment Plan



10YR Treasury Minus 2YR Treasury

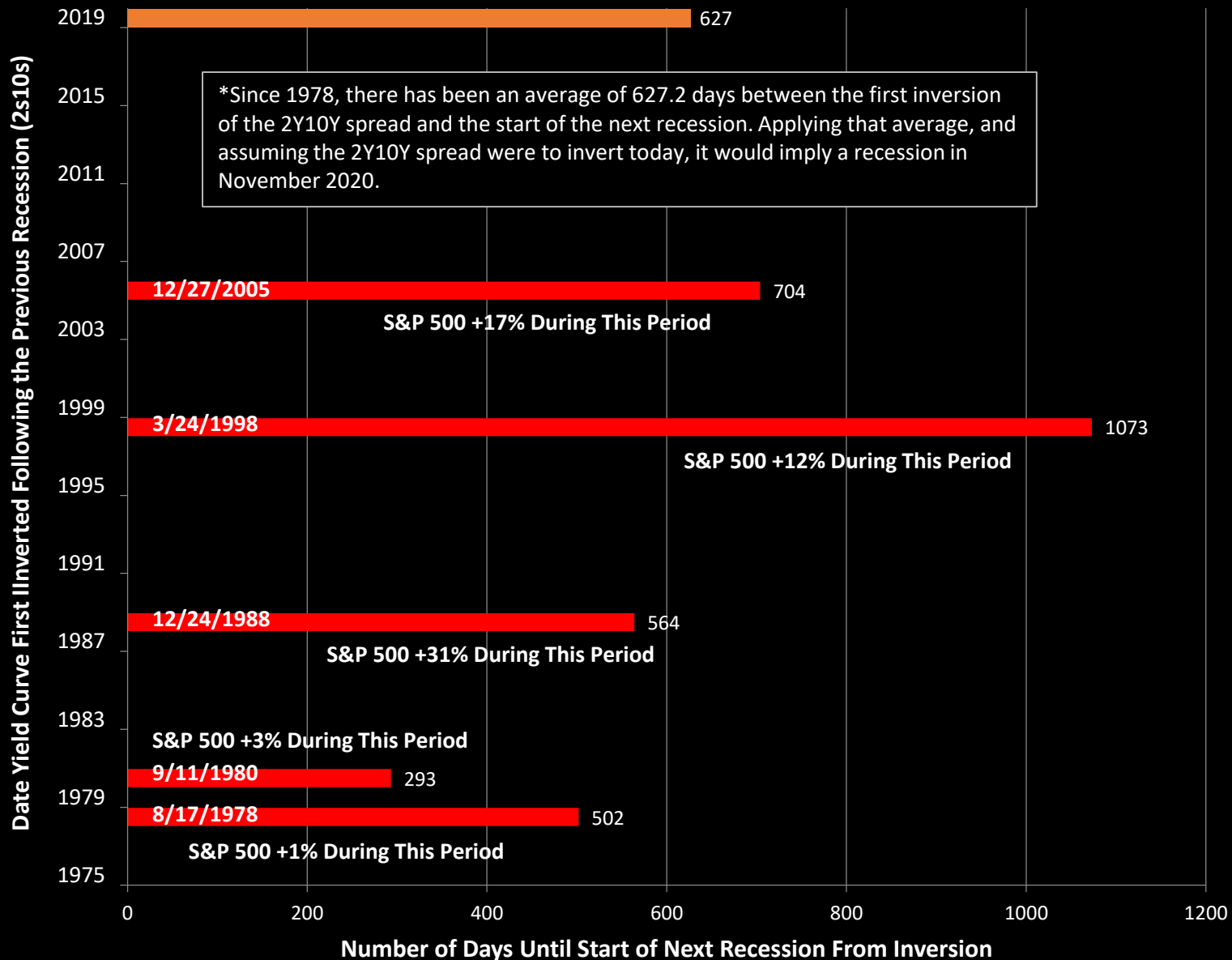


Probability of Recession Calculated from the Yield Curve



Source: Federal Reserve Board, FRB Cleveland, Haver Analytics

Number of Days Between First Inversion of 2s10s at the Close & Start of the Next Recession



Thank You!

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MARKET