

CPIM

CENTER FOR PUBLIC INVESTMENT MANAGEMENT



A PROGRAM BROUGHT TO YOU BY:

ROBERT SPRAGUE

OHIO TREASURER

General Session & Market Update

Presenters

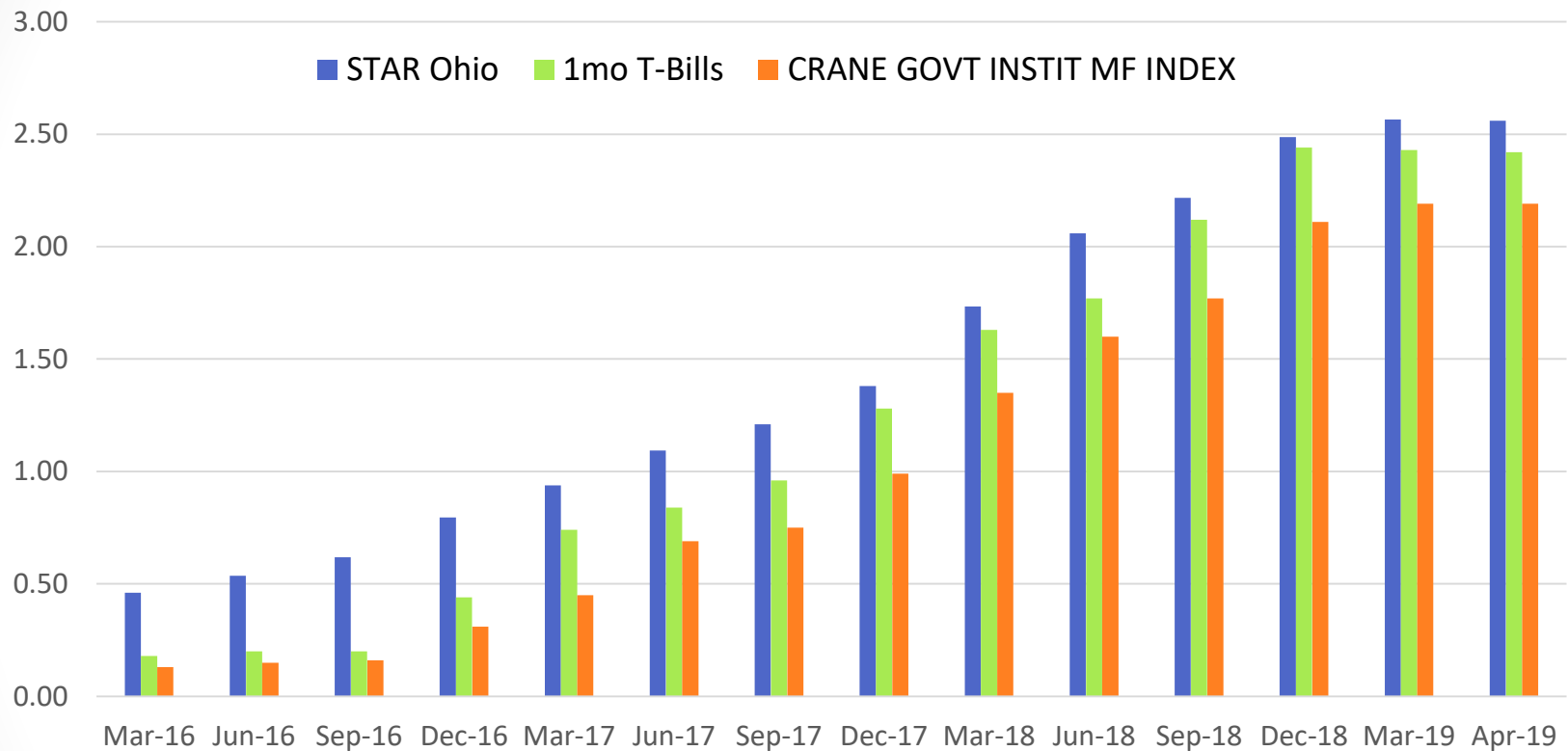
- Jonathan Azoff
- Ohio Treasurer of State's Office
- Jonathan.Azoff@tos.ohio.gov

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

- Jof Cindric, Managing Director
- Huntington Investment Company
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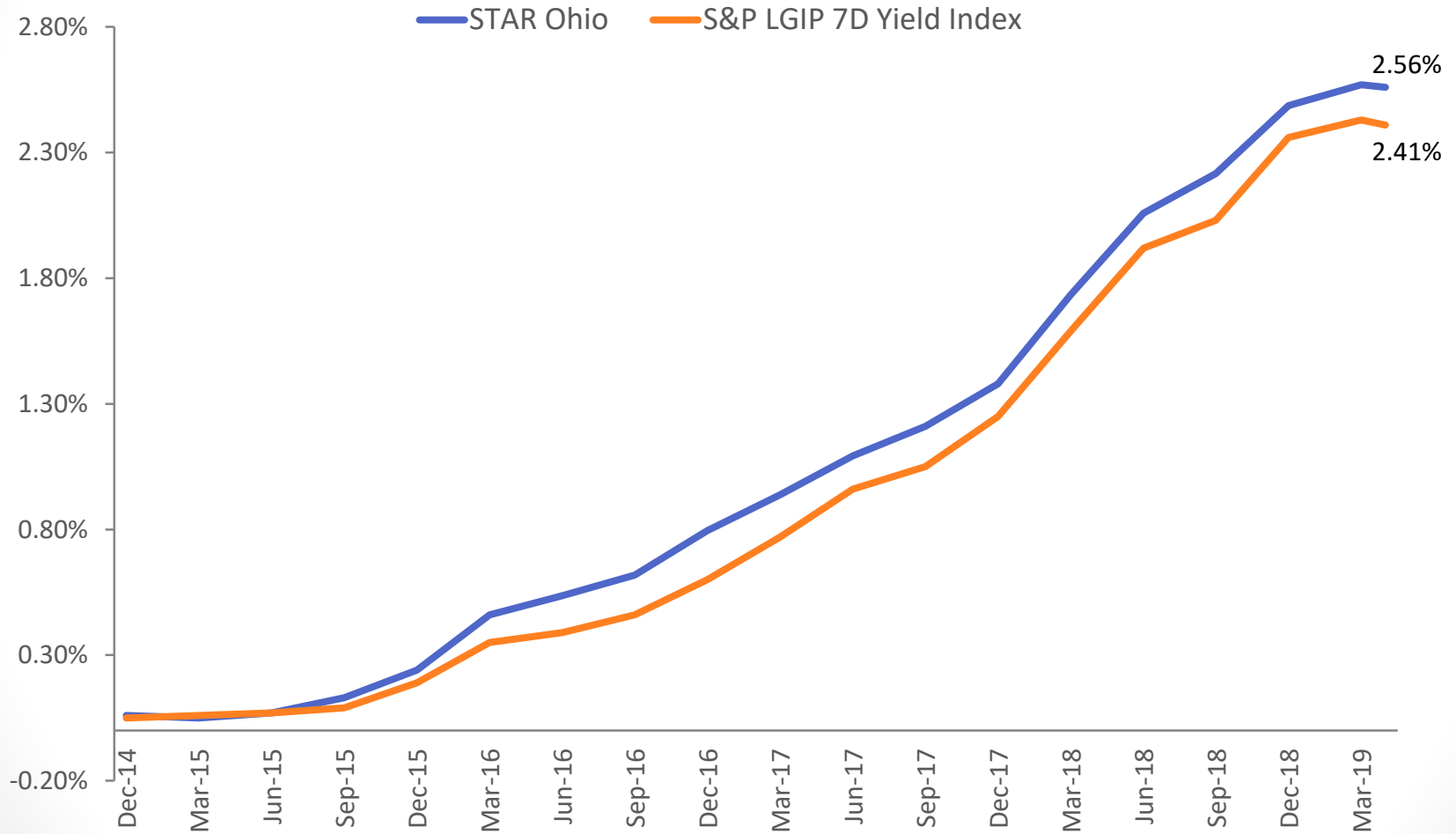
- Jennifer Trowbridge, Co-Founder and Portfolio Manager
- Red Tree Investments
- jennifer@redtreeinv.com

Yield Comparison



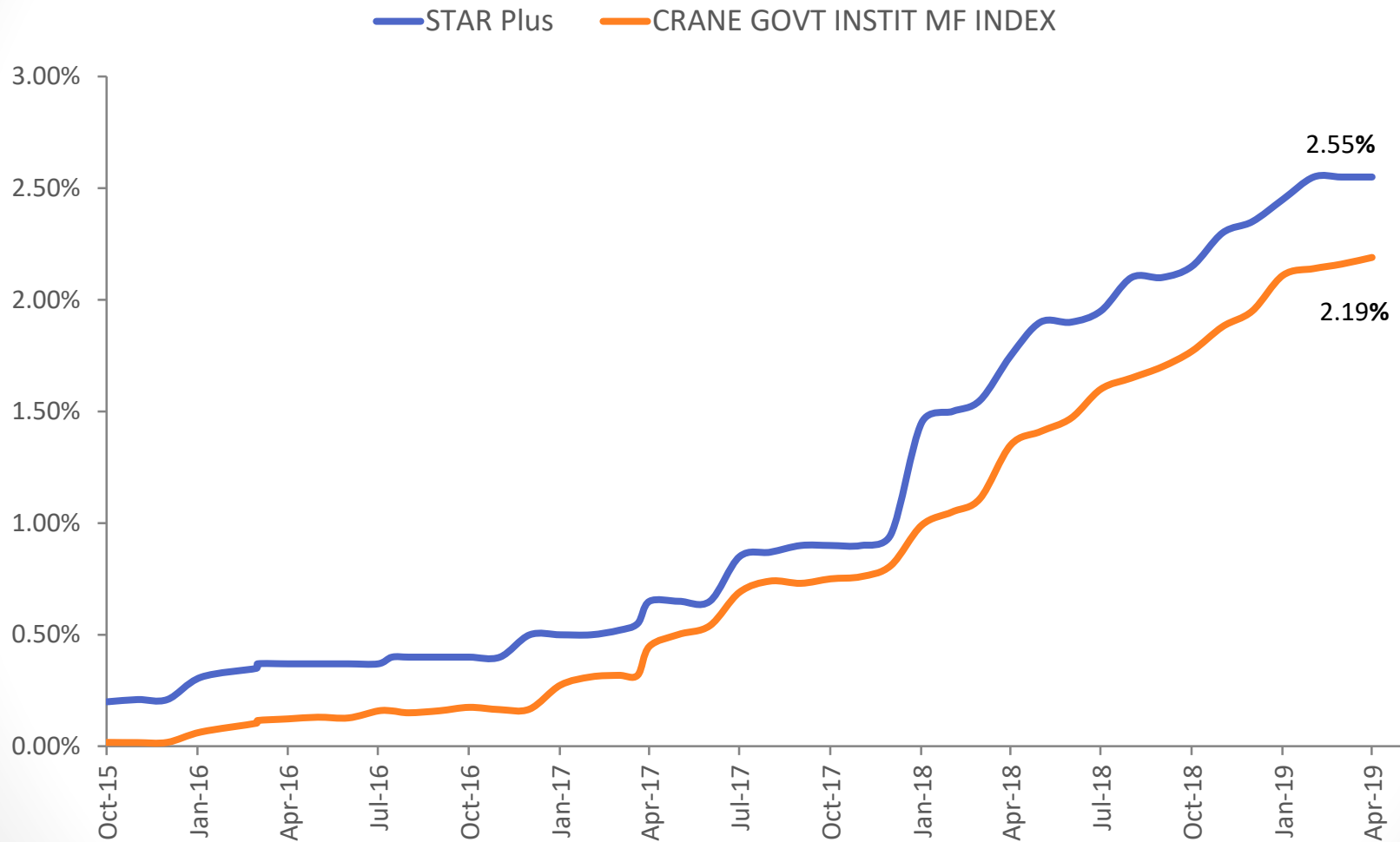
As of 04/30/19	STAR Ohio	2.56%
	1mo T-Bills	2.42%
	CRANE GOVT INSTIT MF INDEX	2.19%

Yield Comparison



Data as of 4/30/19

Yield Comparison

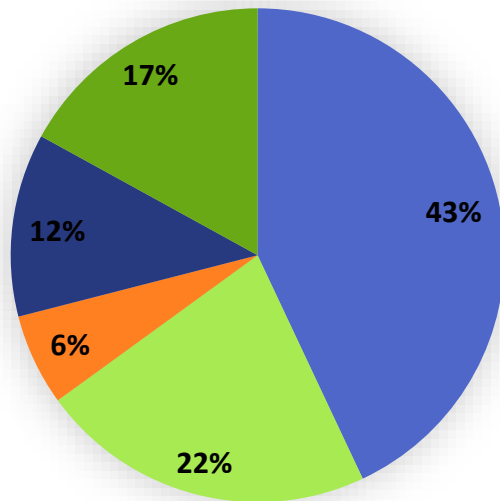


Data as of 4/30/19

Over \$11 billion in Deposits

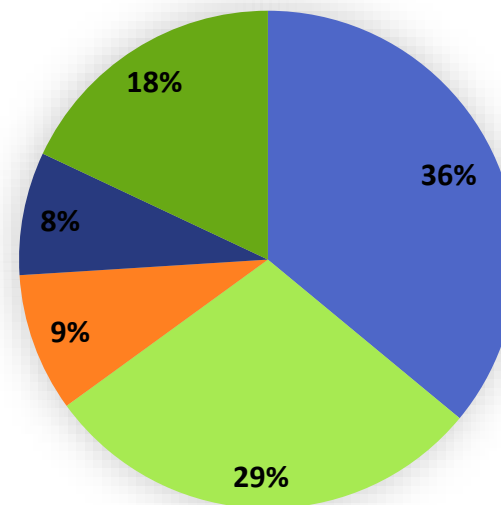
Composition

4/30/2018



- Commercial Paper - 43%
- Money Market Funds - 22%
- Government Bonds - 6%
- Repurchase Agreements - 12%
- Corporate Bonds - 17%

4/30/2019



- Commercial Paper - 36%
- Money Market Funds - 29%
- Government Bonds - 9%
- Repurchase Agreements - 8%
- Corporate Bonds - 18%

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 April meeting was a unanimous decision in favor of keeping rates unchanged

“Inflation is running below 2 percent and market-based measures of inflation have remained low in recent months”

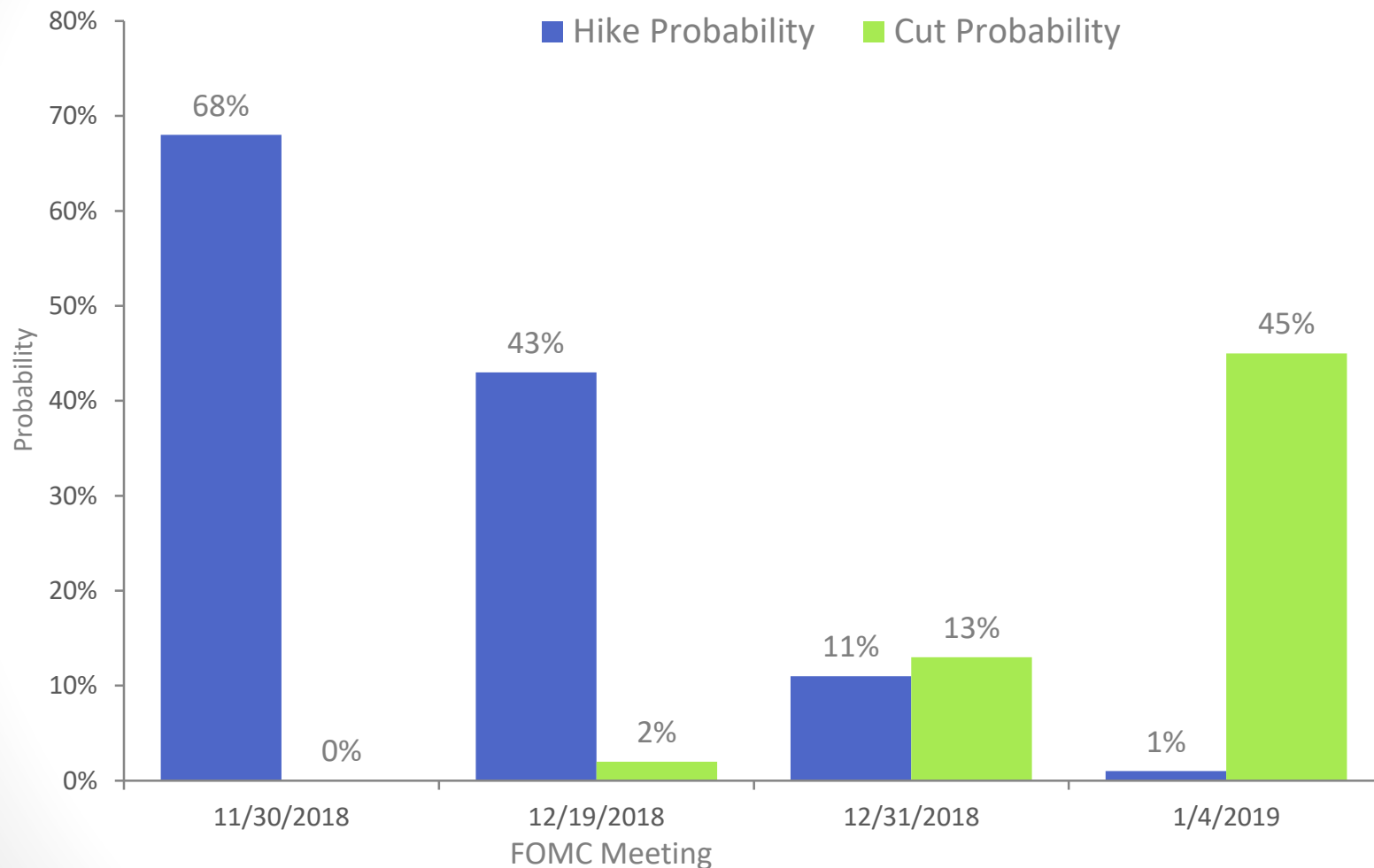
“labor market remains strong and economic activity rose at a solid rate; job gains have been solid and the unemployment rate has remained low”

The Fed’s statement was dovish, and it signals FOMC members are anticipating no hikes in 2019

FOMC STATEMENT HIGHLIGHTS

April 2019

Hike or Cut?



Source: Bloomberg

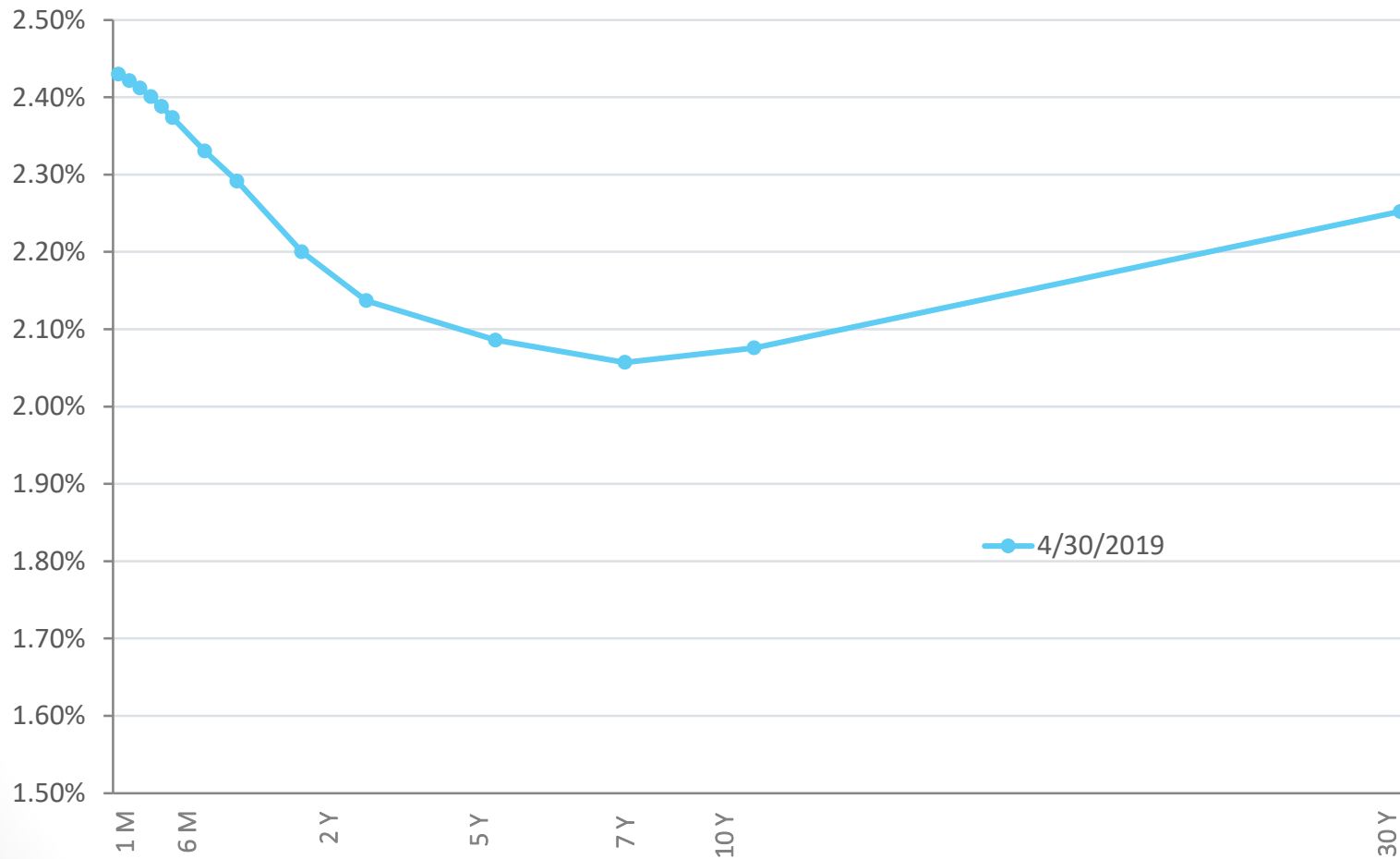
Inflation



Source: Bloomberg

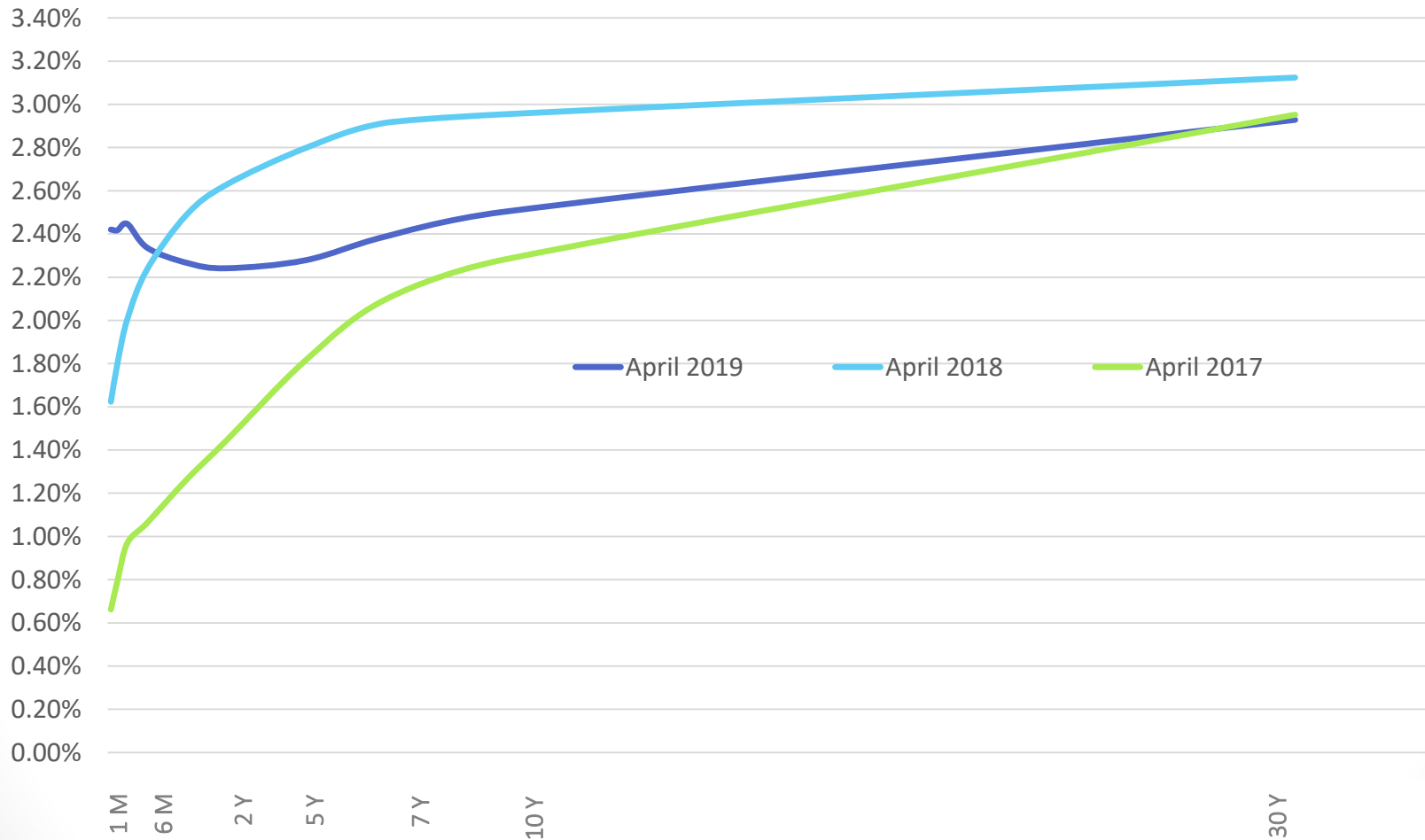
Interest Rate Outlook

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	2.6	1.9	1.9
Consumer Spending (YoY%)	1.5	1.5	2.9	3.7	2.7	2.5	2.6	2.4	2.1	2.1
Government Spending (YoY%)	-2.1	-2.4	-0.9	1.9	1.4	-0.1	1.5	1.8	1.4	0.7
Private Investment (YoY%)	11.0	6.9	5.4	4.8	-1.3	4.8	5.9	3.8	2.7	2.7
Exports (YoY%)	3.4	3.6	4.3	0.6	-0.1	3.0	4.0	2.2	2.4	2.9
Imports (YoY%)	2.7	1.5	5.1	5.5	1.9	4.6	4.5	1.9	2.9	3.2
Industrial Production (YoY%)	3.0	2.0	3.1	-1.0	-2.0	2.3	4.0	2.3	1.8	1.5
Price Indices										
CPI (YoY%)	2.1	1.5	1.6	0.1	1.3	2.1	2.5	1.9	2.1	2.0
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	1.7	2.0	2.0
Housing Market										
Housing Starts (000s)							1261	1230	1274	1284
New Home Sales (000s)							616	651	650	653
Existing Home Sales (Mln)							5.4	5.3	5.4	5.4
Building Permits (000s)							1310	1310	1330	1332

Inflation is projected near 2.00%

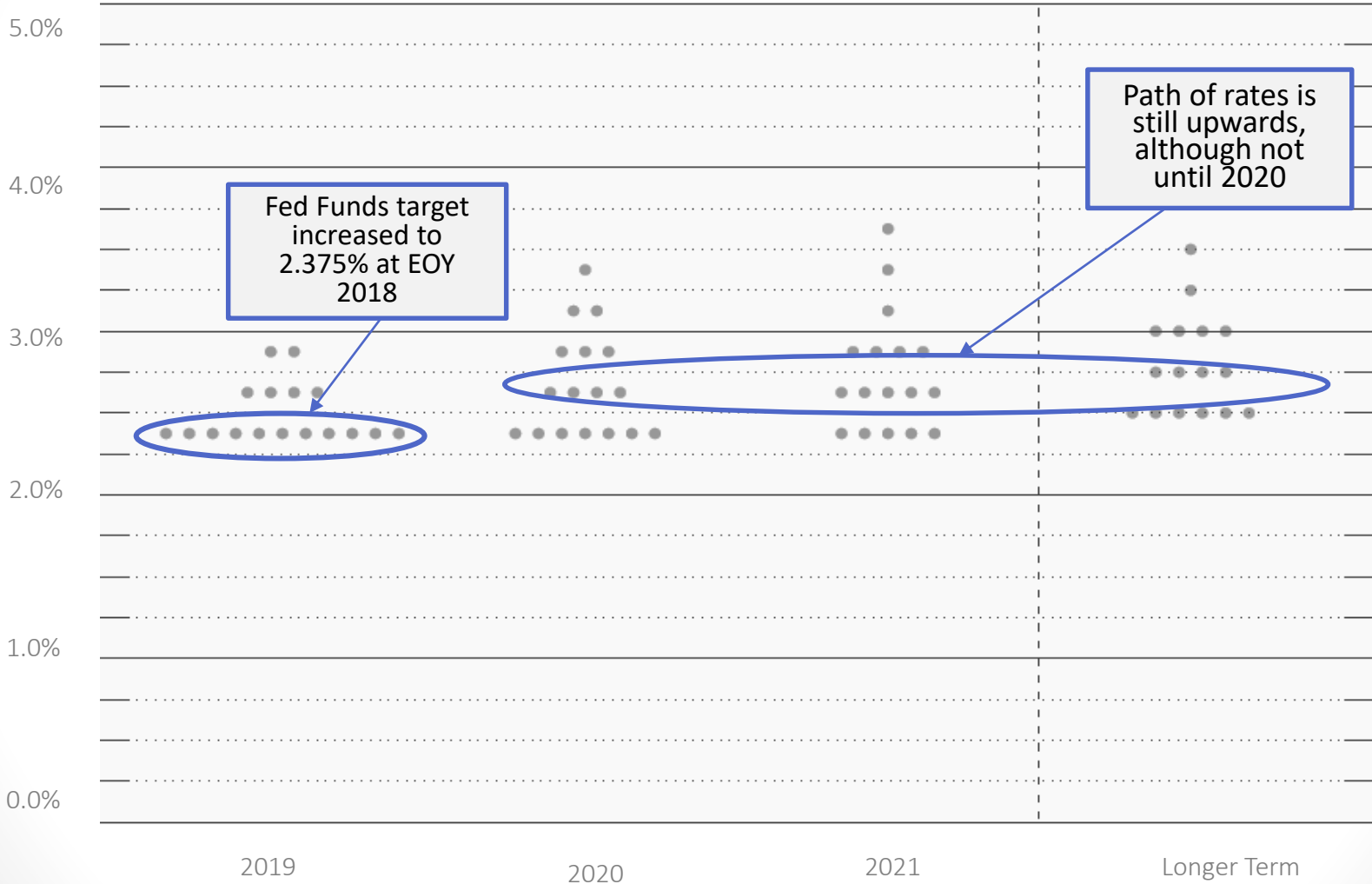
Market Not Expecting Further Hikes

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
6/19/2019	0.0%	12.6%	0.0%	0.00%	0.00%	12.60%	87.40%	2.34
7/31/2019	0.0%	28.4%	0.0%	0.00%	2.30%	26.10%	71.60%	2.30
9/18/2019	0.0%	54.3%	0.0%	0.80%	10.90%	42.60%	45.70%	2.21
10/30/2019	0.0%	62.4%	0.10%	2.60%	16.50%	43.10%	37.60%	2.16
12/11/2019	0.0%	76.7%	1.10%	7.90%	26.60%	41.00%	23.30%	2.07
1/29/2020	0.0%	81.4%	2.40%	11.70%	29.50%	37.50%	18.60%	2.02

Market not expecting any further hikes in foreseeable future

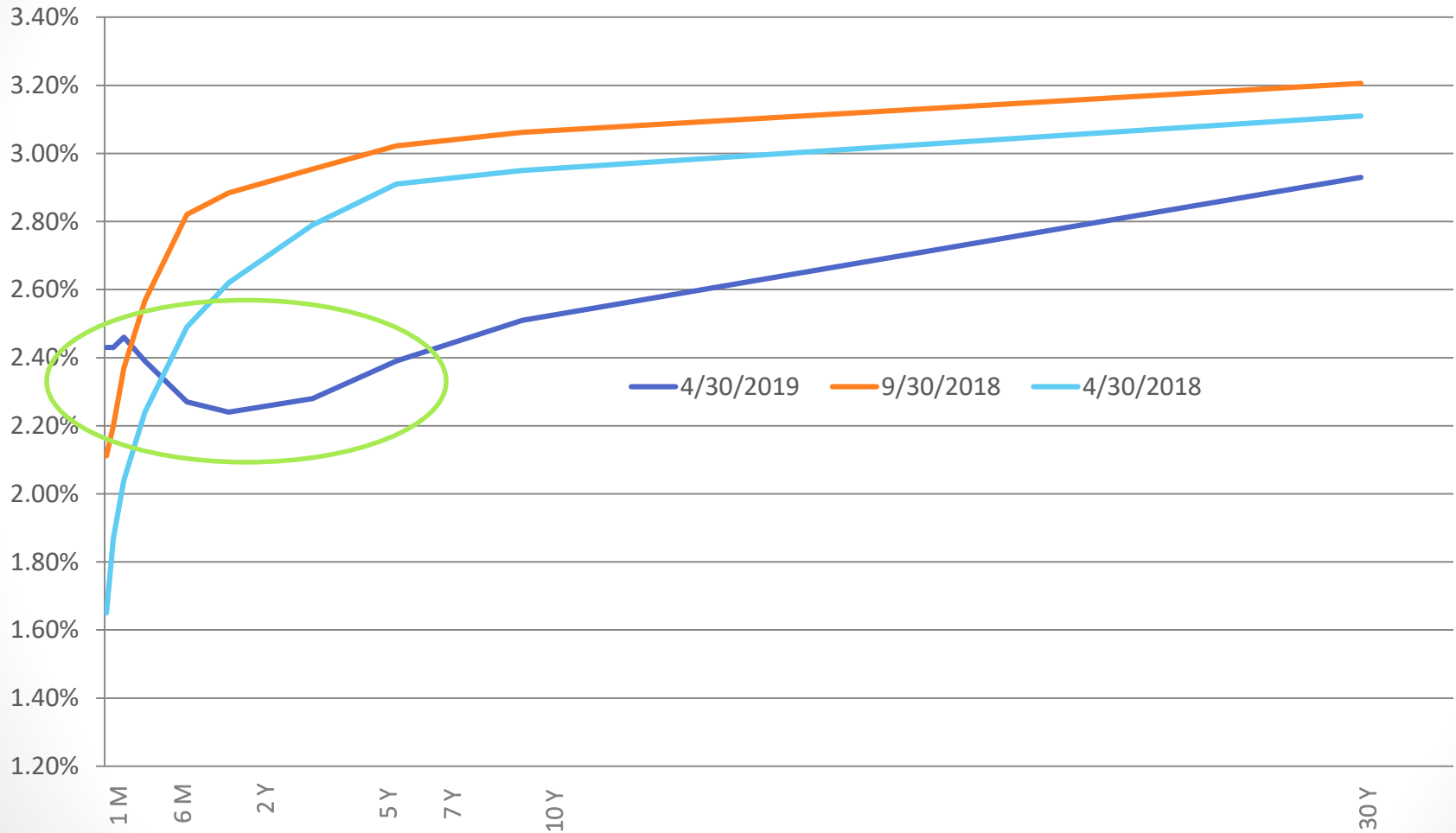
Currently, there is a greater likelihood of a cut than a hike

Fed Now Pausing, But Future Rate Hikes Desired

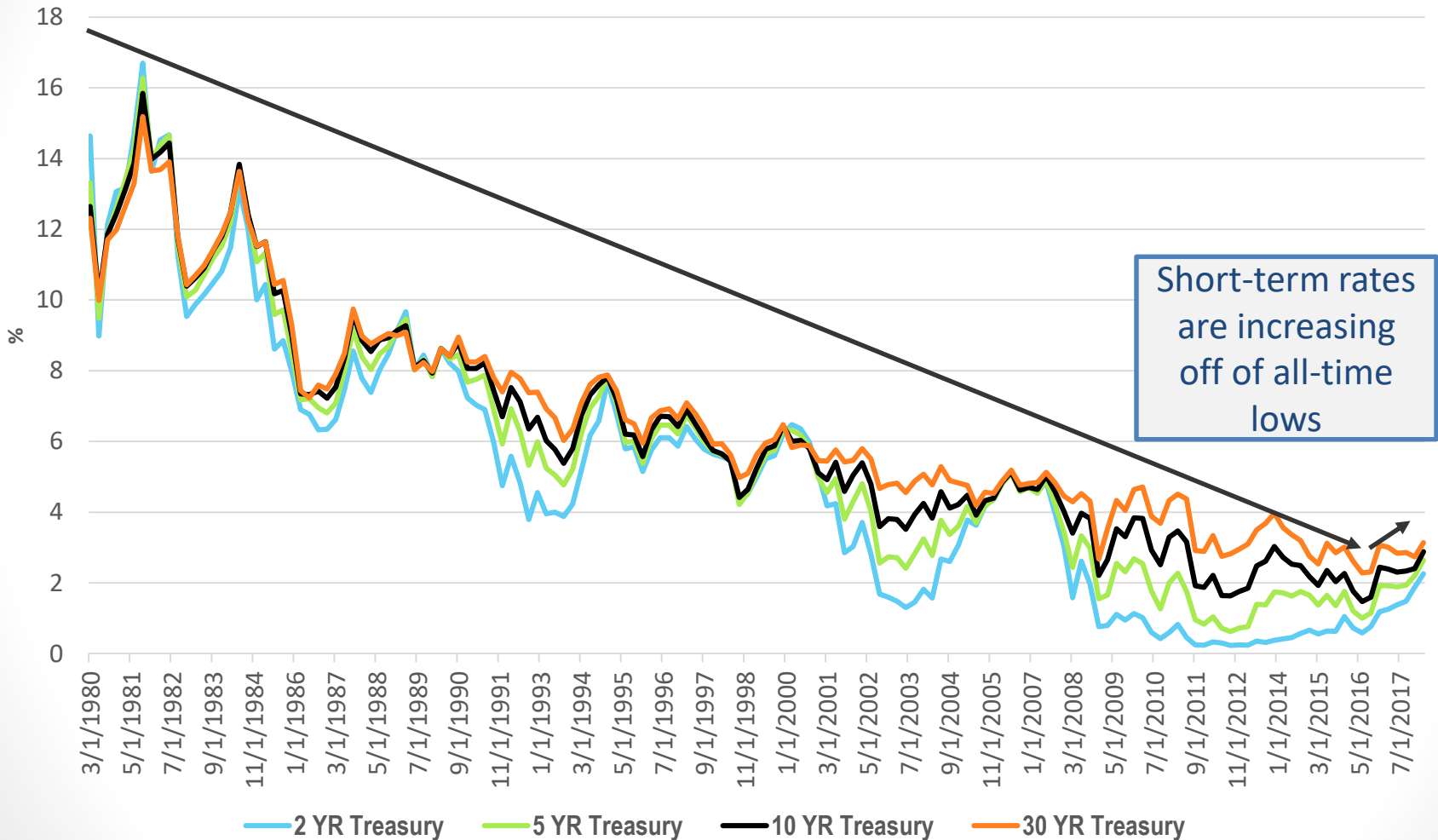


Source: Federal Reserve

Curve is Currently Defensively Positioned



Bond Bull Market is Nearing an End



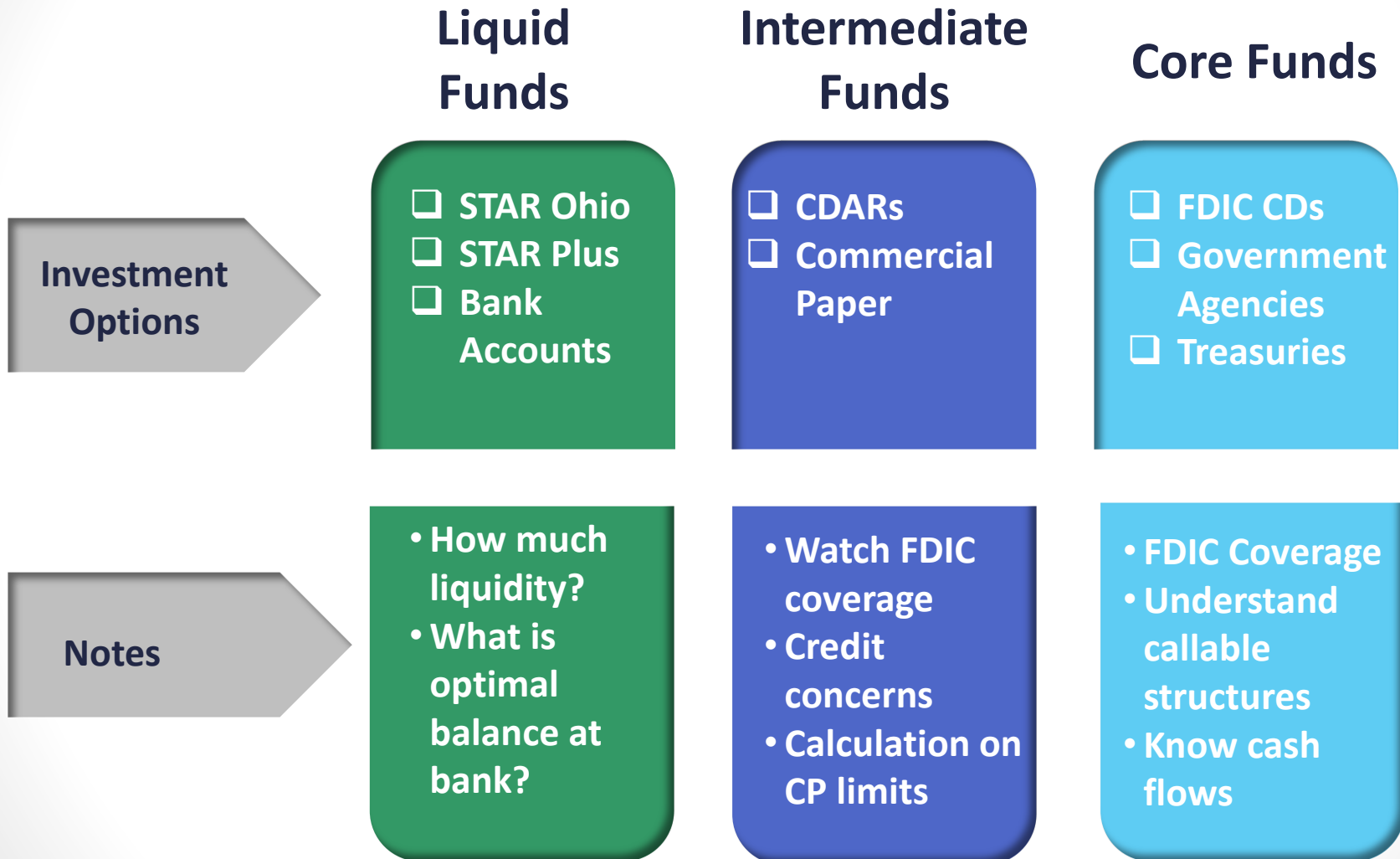
Source: Bloomberg

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



Thank You!

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