



**JOSH MANDEL**  
STATE TREASURER OF OHIO



# STAR Update

## December 7, 2016

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# STAR Ohio vs. STAR Plus

## STAR Ohio

- Yield is based on portfolio of underlying securities
- Yield of securities is largely based on economic factors and expectations for interest rates, as well as credit risk
- As securities mature, the rate at which they can be reinvested depends on economic conditions at that time
- Current securities include: US Treasuries, US Government Agencies, Commercial Paper, Corporate Bonds, Repurchase Agreements, and Money Market Funds

## STAR Plus

- Yield is based on an underlying bucket of bank deposit account
- Yield of bank deposit accounts is based upon each bank's current desire for deposits
- As banks demand for deposits increase, the bank will increase the rate it pays in order to attract deposits
- As banks demand for deposits decreases, the bank will decrease the rate it pays in order to push deposits out of the bank
- Economic outlook has less affect on bank rates



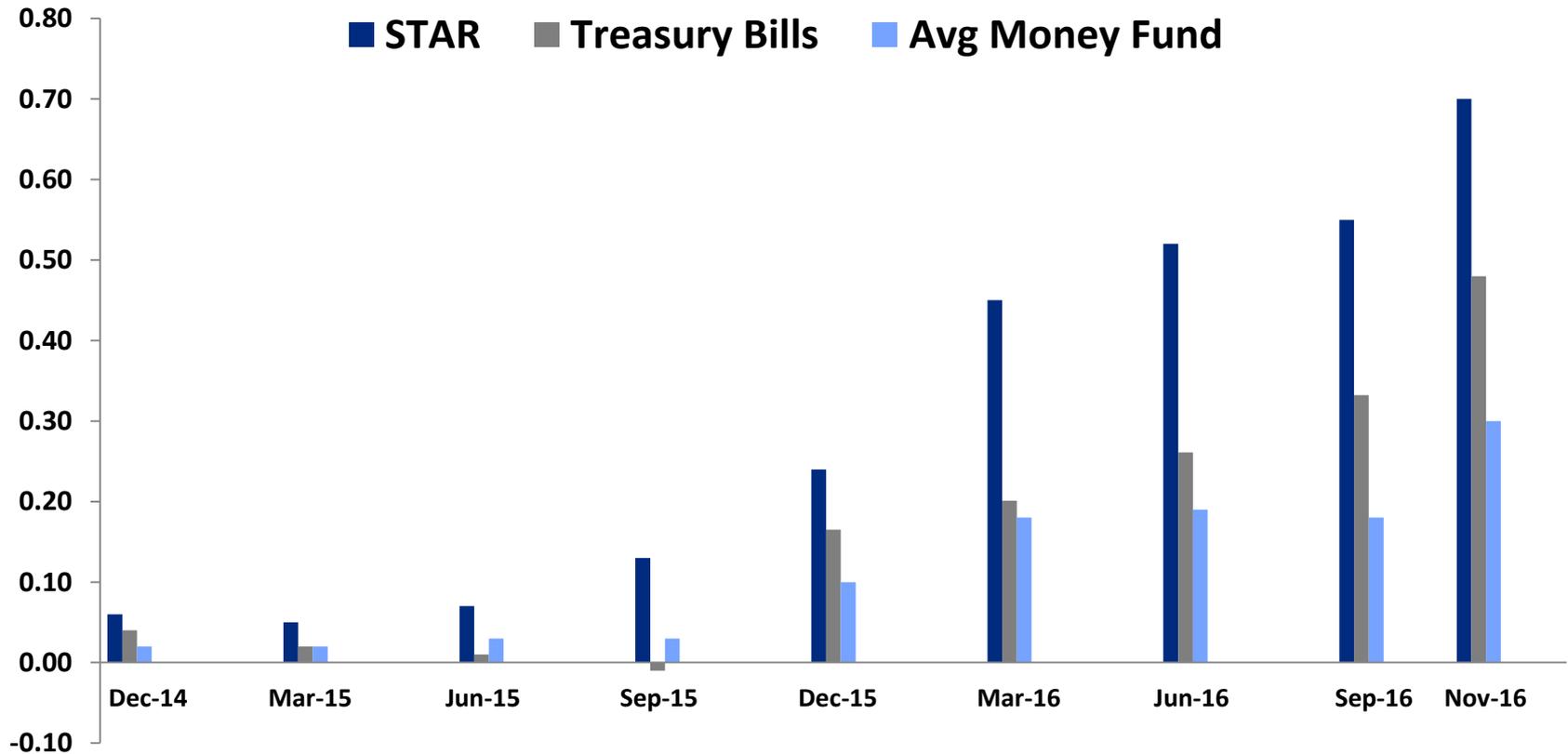
# Program Updates

- STAR Plus
  - Next day liquidity
  - Withdrawals can be made any business day by 10am
  - Funds available in account of record within 2 business days
- STAR Ohio
  - Please provide 24 hour notice of withdrawals/deposits of \$100 million or more



# Yield Comparison

## STAR Ohio vs. Treasury vs. Avg Money Fund



# 2017 Outlook

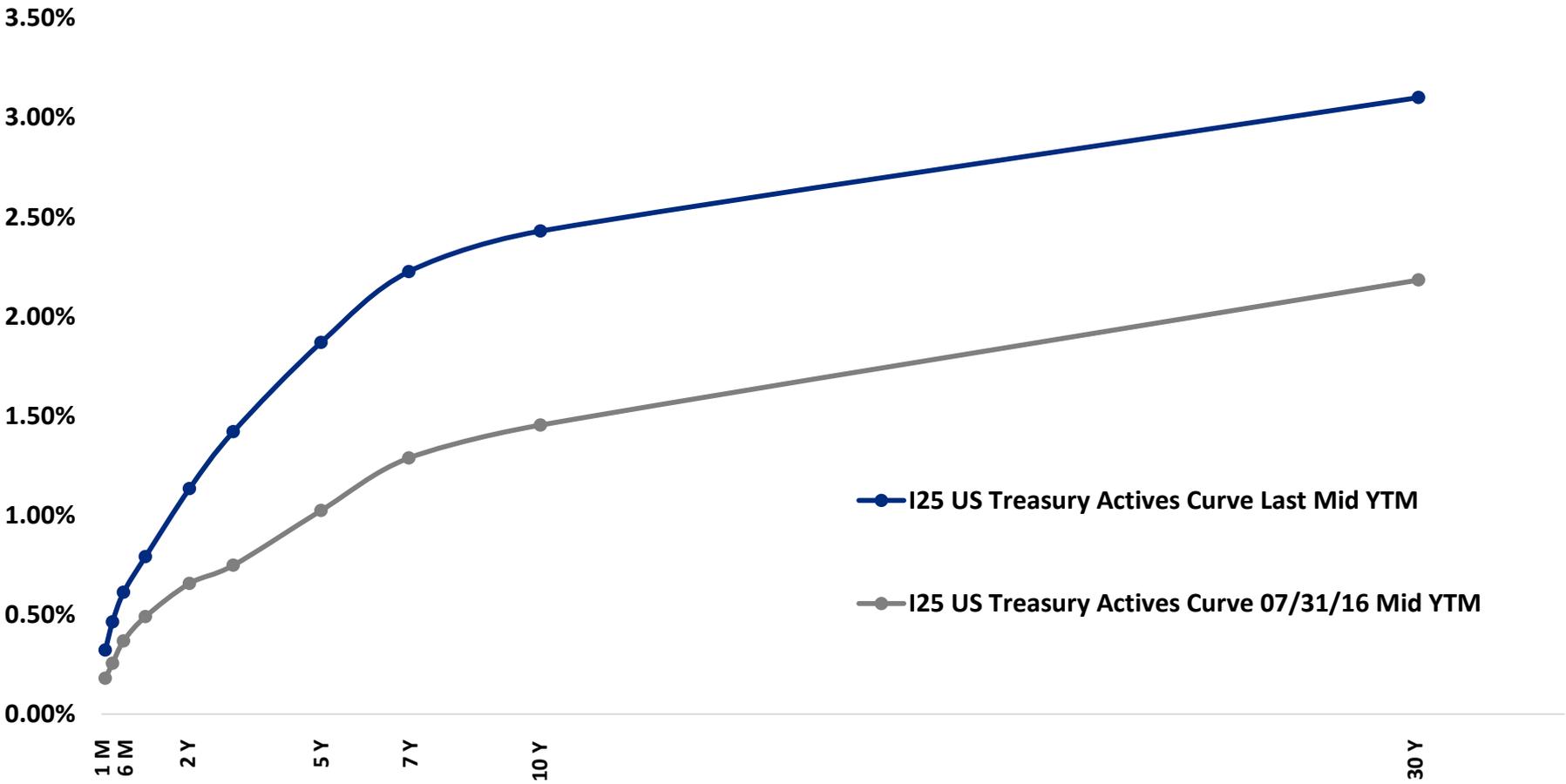
# Election Impact on Bond Market

## Yield curve has steepened

- Corporate tax reform
- Individual tax reform
- Infrastructure spending
- Relaxed regulatory policies
- Trade policy (inflation/imports)



# Yield Curve



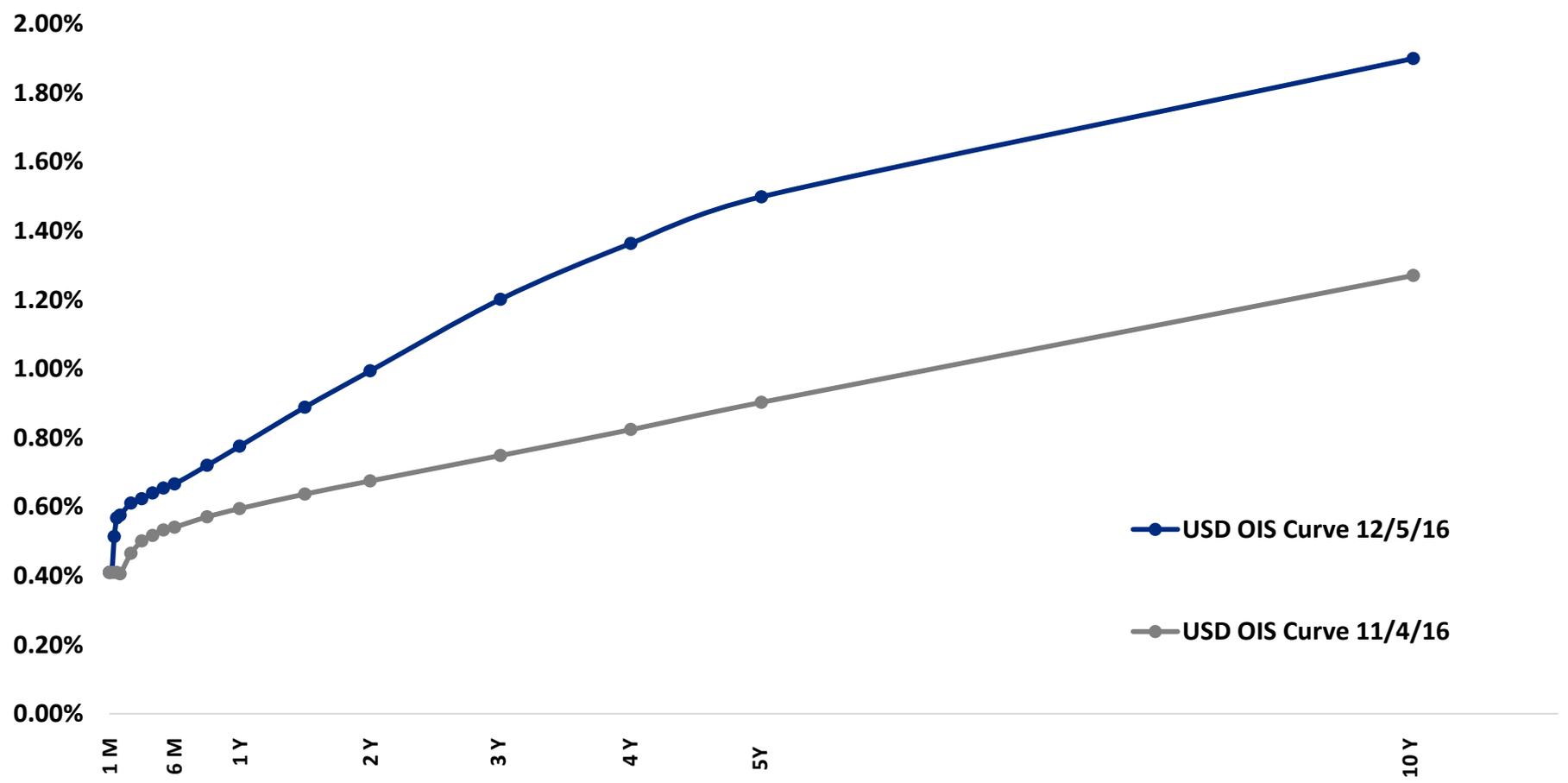
Source: Bloomberg 11/29/16



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# Interest Rate Swaps



Source: Bloomberg. Overnight interest rate swaps through 12/5/2016



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# Federal Reserve Outlook

## Near Term Policy Outlook

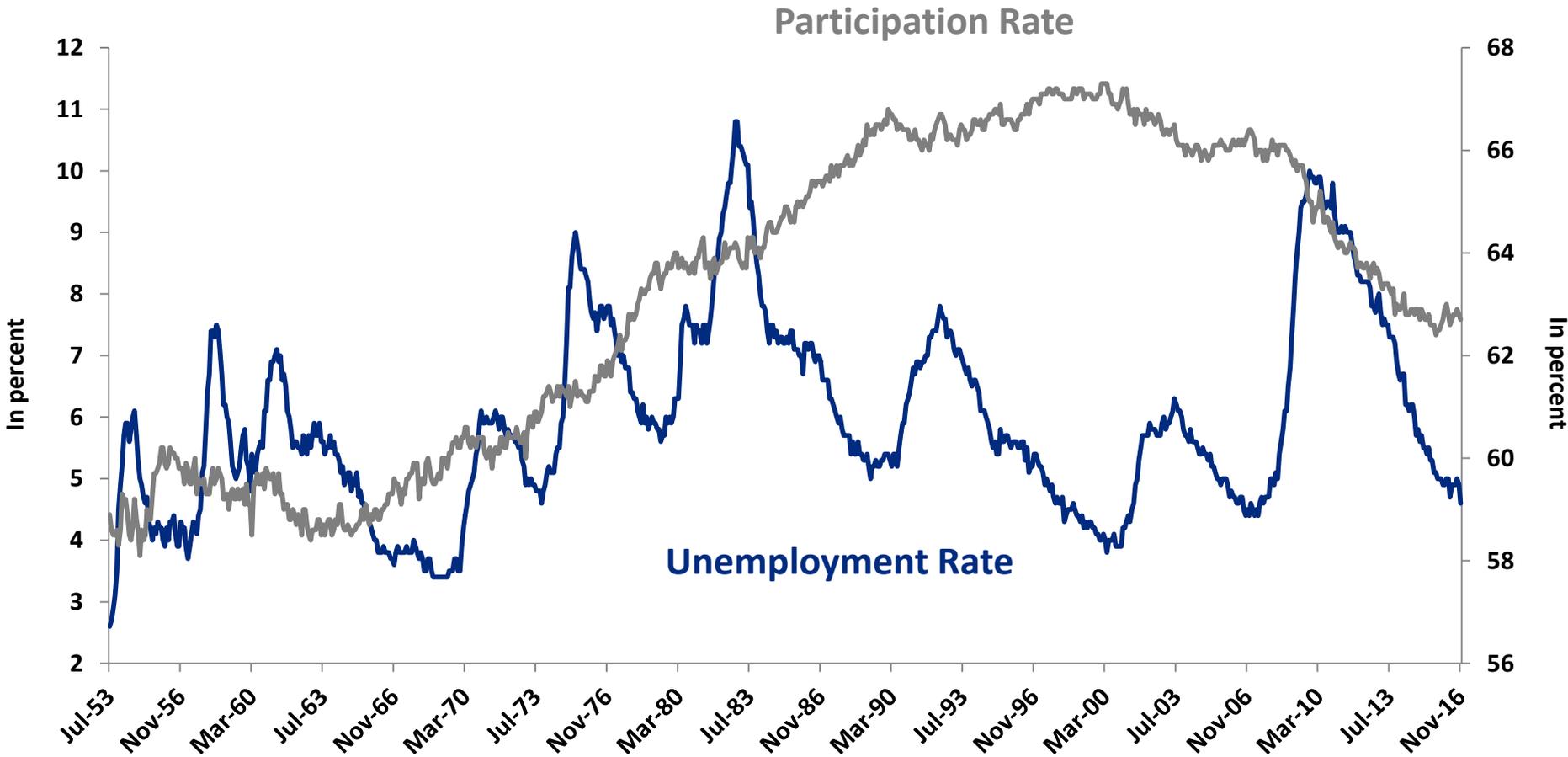
- Fed left rates unchanged at November meeting
- December rate hike likely

## Longer Term Policy Outlook

- Janet Yellen- 2018 future
- Further rate increases
- Future board of governors (appointments)



# U.S. Economic Factors- Employment



Source: Bloomberg as of 11/30/2016



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# U.S. Economic Factors- Inflation



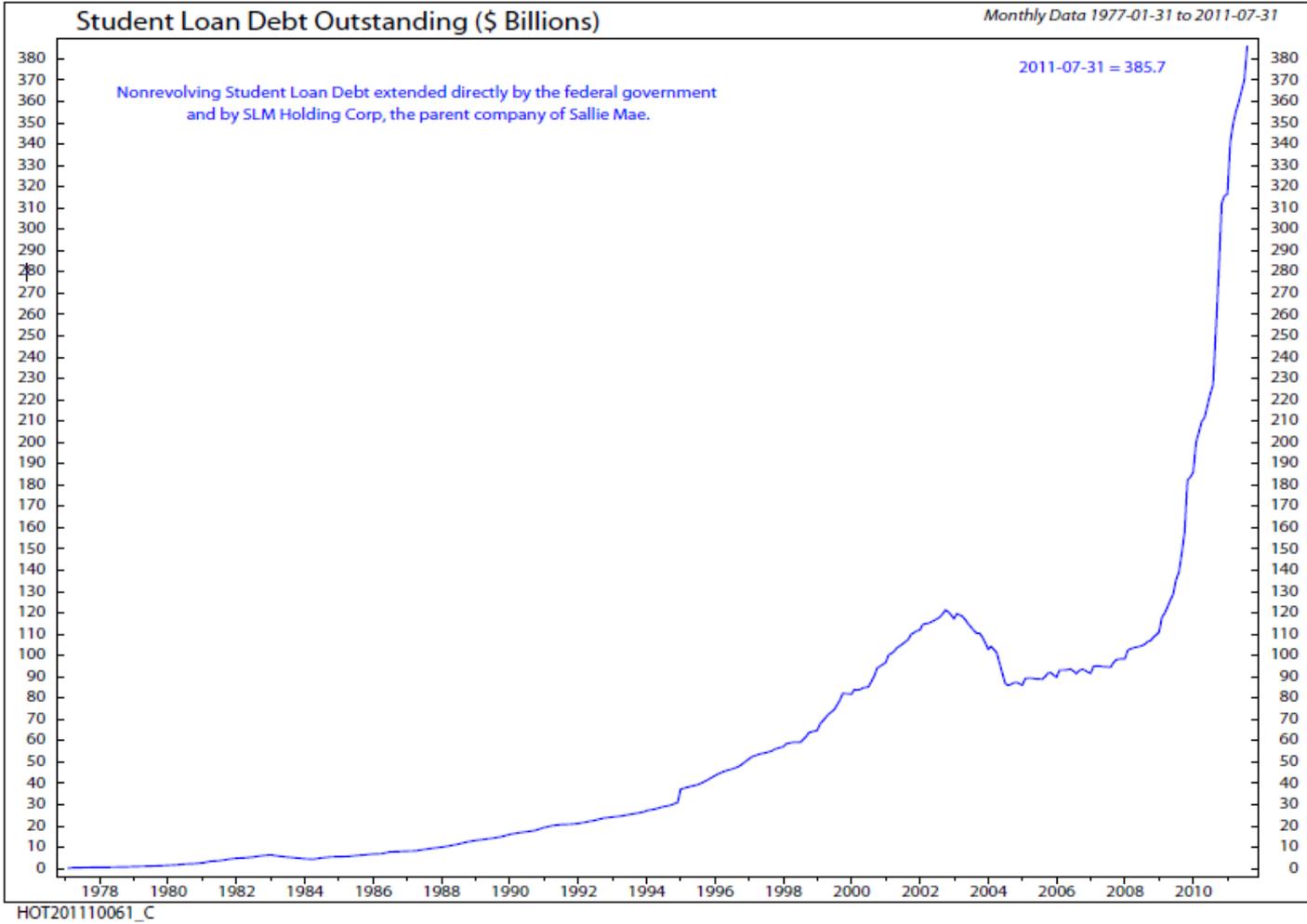
Source: Bloomberg. Fed's 5-year breakeven index through 12/5/2016



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# U.S. Economic Factors- Other



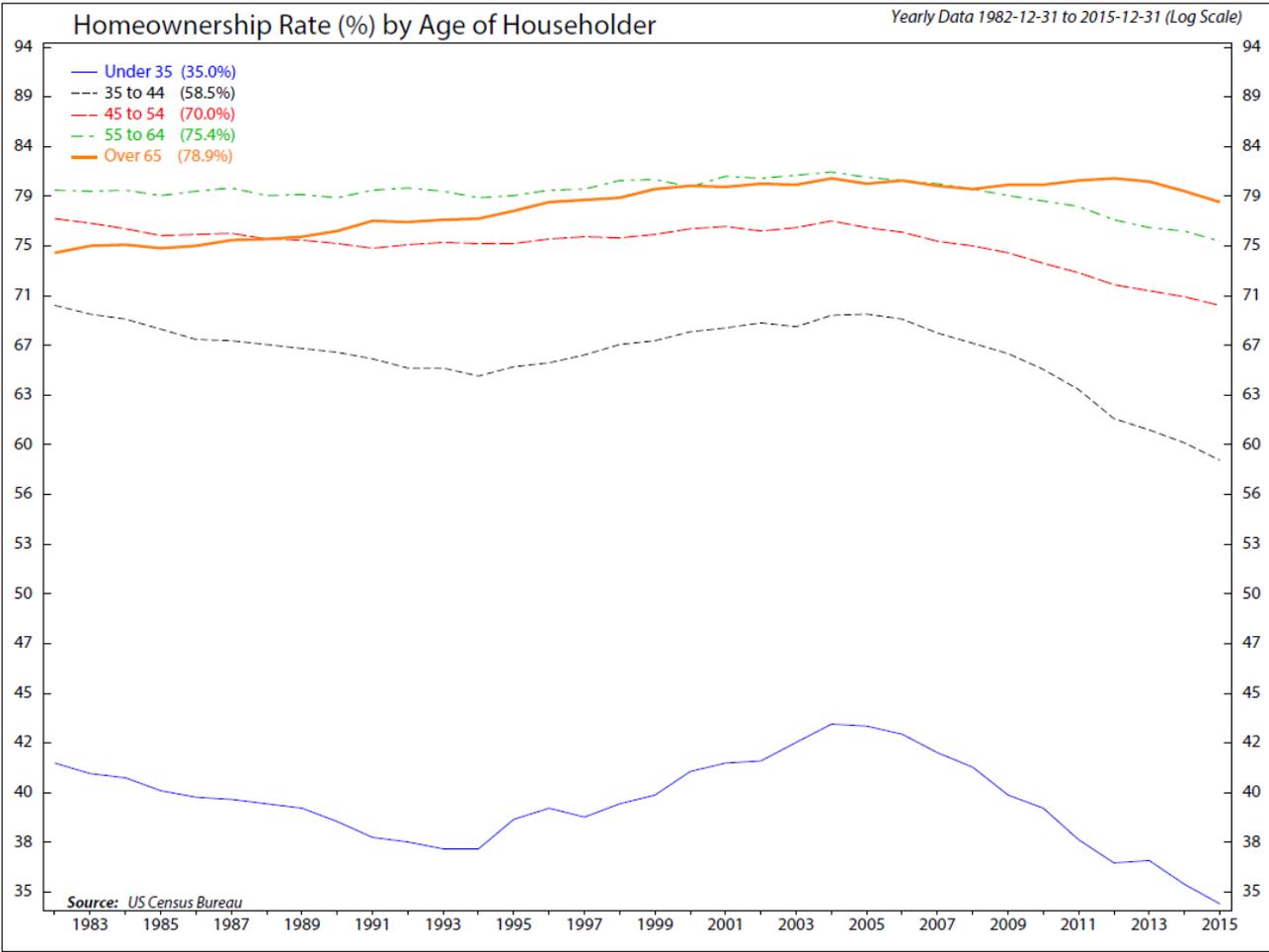
Source: Ned David Research



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# U.S. Economic Factors- Other



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Source: Ned David Research



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# What does this mean for STAR?

- **Expect yields in STAR Ohio to increase**
  - Economists predicting rate hike(s) in 2017
- **Fed tightening may not harm growth**
  - Long term rates still extremely low
- **Presidential election year causes volatility**
  - Trump uncertainty could continue



# Questions?

# Thank You

Thank you for your time today. If you have questions regarding the presentation, please feel free to contact us or the STAR Ohio Co-Administrator Public Funds Administrators (PFA).

To receive CPIM credit for this webinar, enter “**STAR120716**” at the myCPIM event page.

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