

CPIM

CENTER FOR PUBLIC INVESTMENT MANAGEMENT



A PROGRAM BROUGHT TO YOU BY:

ROBERT SPRAGUE

OHIO TREASURER

General Session & Market Update

Presenters

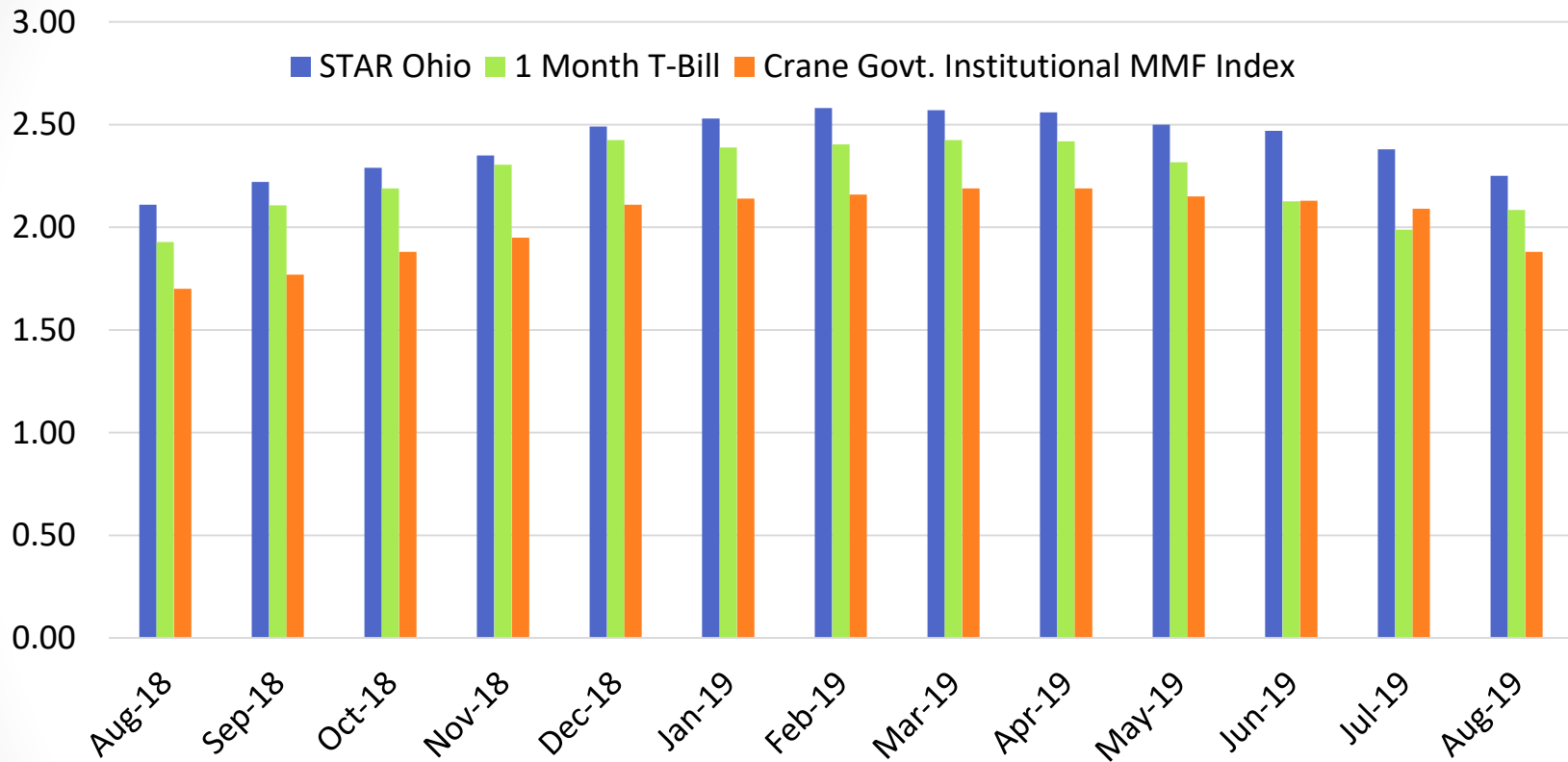
- Jonathan Azoff
- Ohio Treasurer of State's Office
- Jonathan.Azoff@tos.ohio.gov

- Jim McCourt, Portfolio Manager
- Meeder Investment Management
- jmccourt@meederinvestment.com

- Ted Sumnar, Senior Vice President/Managing Director
- Huntington Investment Company
- Ted.Sumnar@huntington.com

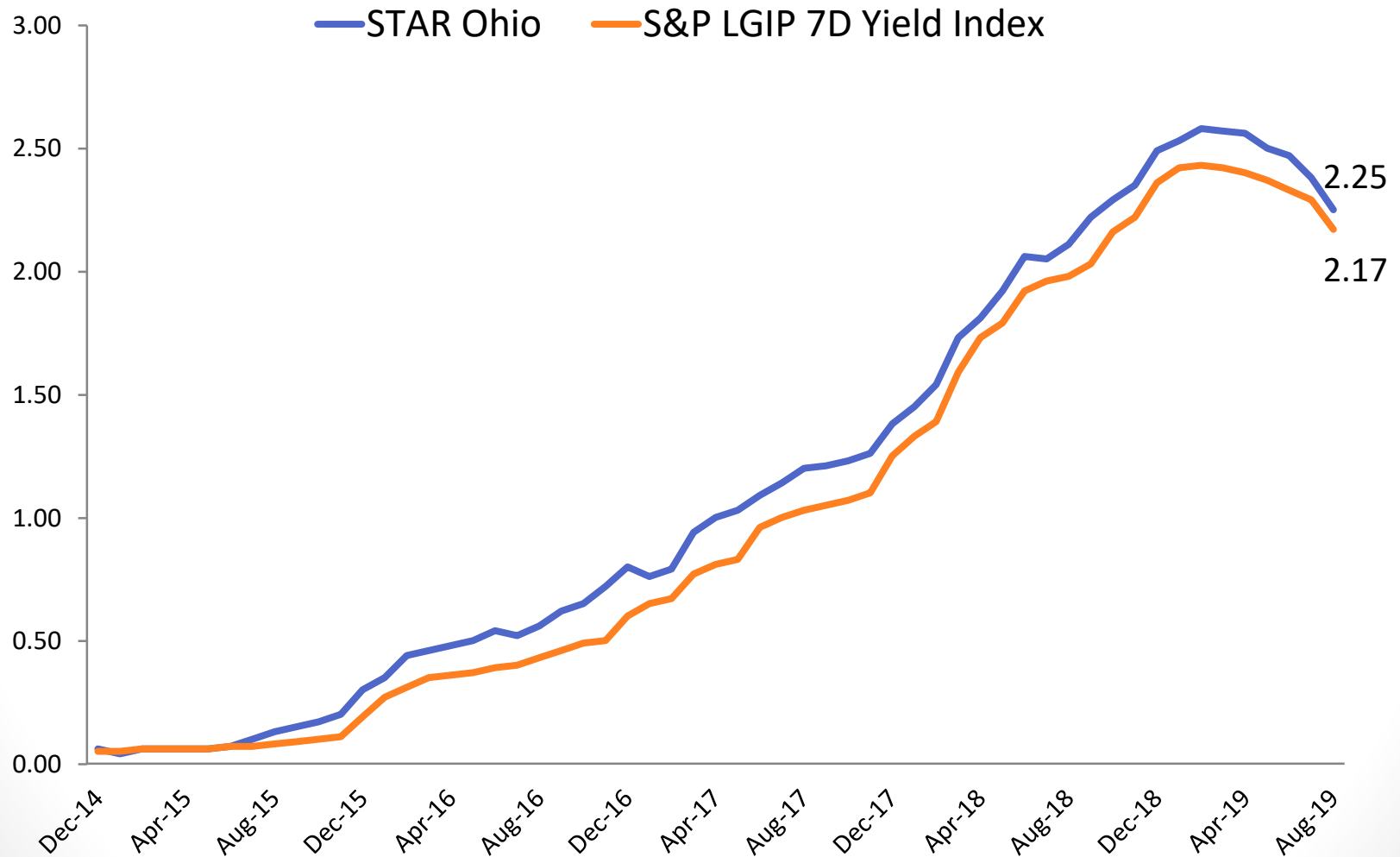
- Jennifer Trowbridge, Co-Founder and Portfolio Manager
- Red Tree Investments
- jennifer@redtreeinv.com

Yield Comparison



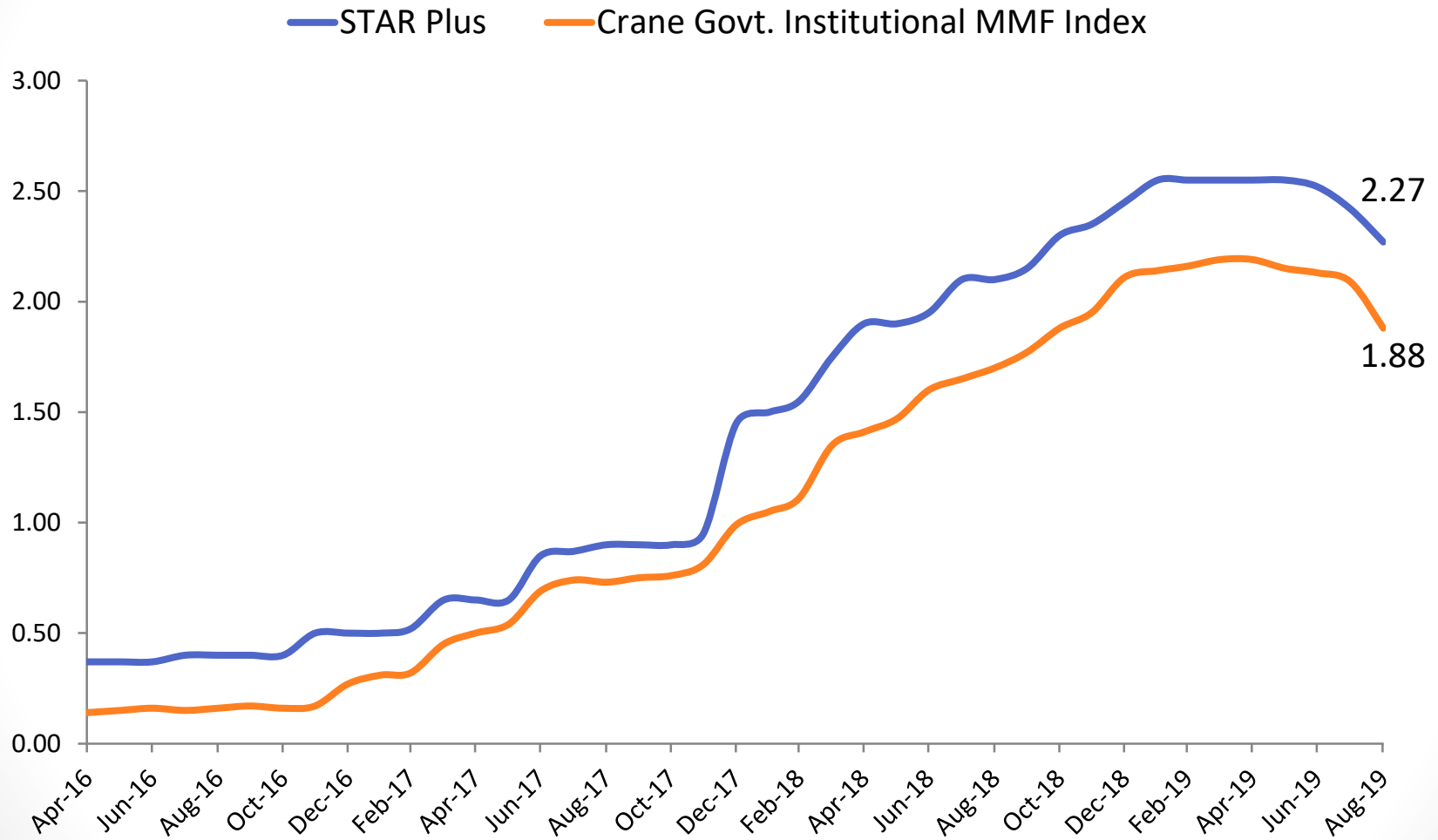
As of 08/31/19		
STAR Ohio		2.25%
1mo T-Bills		2.08%
CRANE GOVT INSTIT MF INDEX		1.88%

Yield Comparison



Data as of 09/09/2019

Yield Comparison

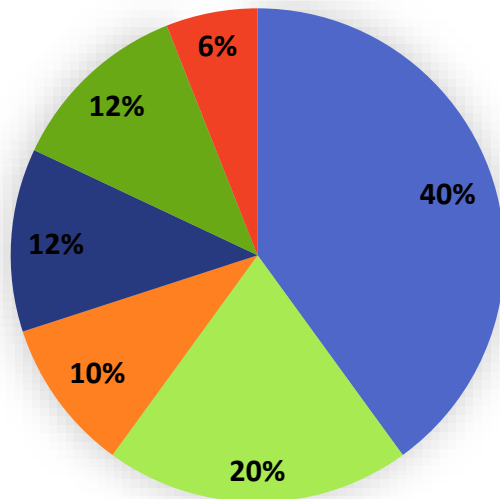


Data as of 09/09/2019

Over \$13 billion in Deposits

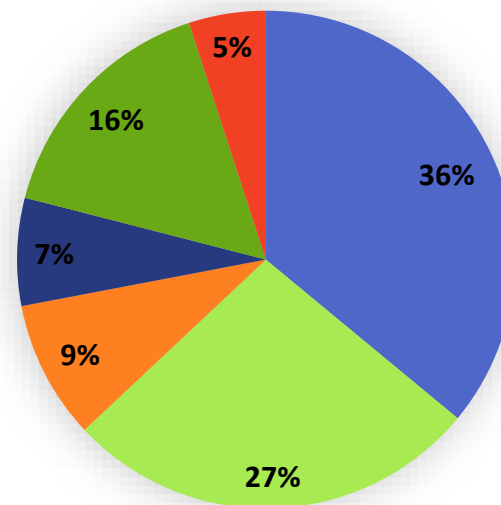
Composition

8/31/2018



- Commercial Paper - 40%
- Money Market Funds - 20%
- Government Bonds - 10%
- Repurchase Agreements - 12%
- Corporate Bonds - 12%
- Bank Deposits - 6%

8/31/2019



- Commercial Paper - 36%
- Money Market Funds - 27%
- Government Bonds - 9%
- Repurchase Agreements - 7%
- Corporate Bonds - 16%
- Bank Deposits - 5%

STAR Ohio Outlook

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

The Committee voted to cut a 1/4 percent taking the Fed Funds target range down to 2.00% - 2.25%

The decision was not unanimous as two dissented in favor of leaving rates unchanged

Fed Chairman Powell cited the reason for the cut was “to insure against the downside risk from weak global growth and trade policy uncertainty”

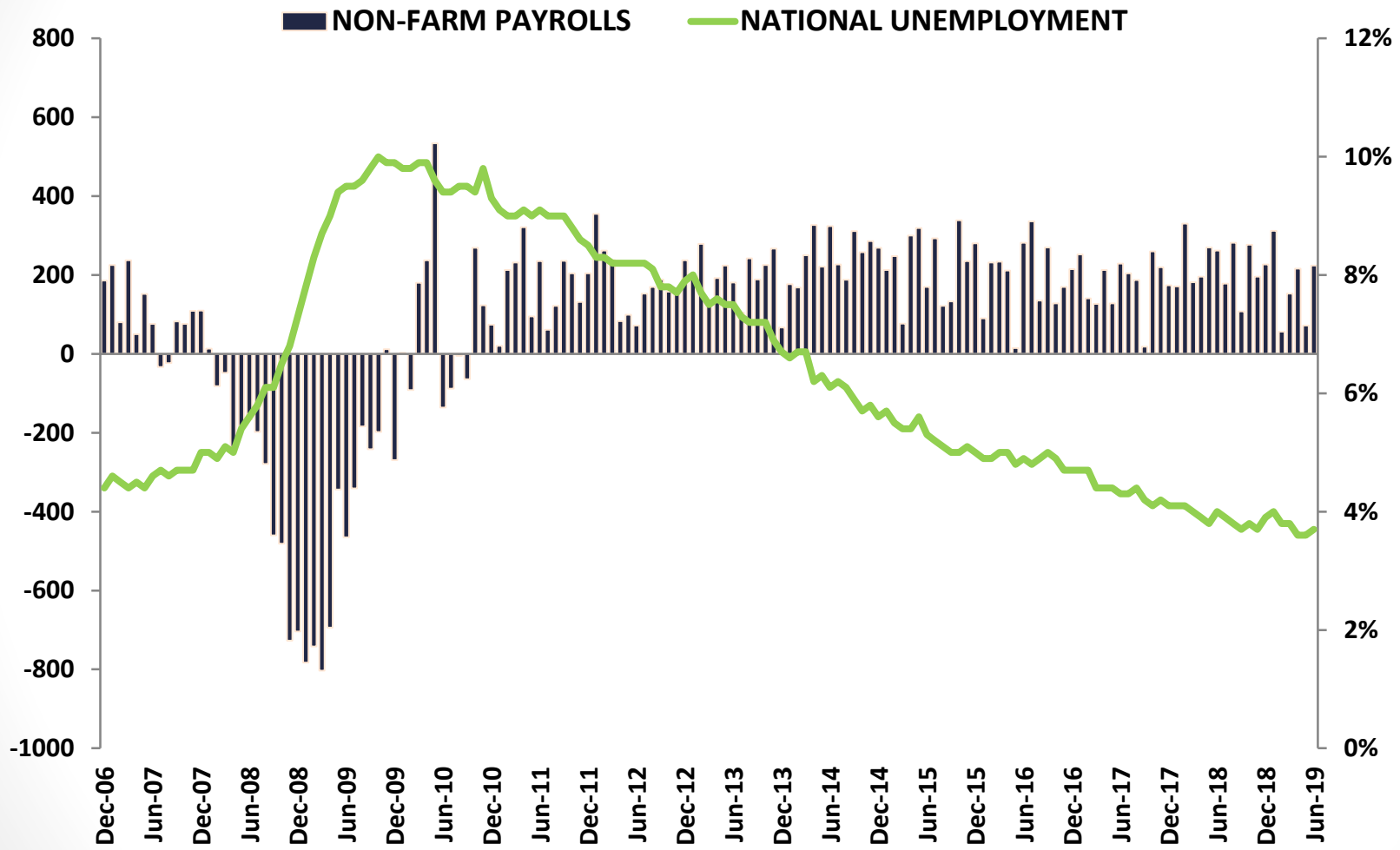
The comment on this being a “mid-cycle adjustment” was interpreted as a one-and-done cut, but then later implied more patience to evaluate further cuts

“In light of these uncertainties and muted inflation pressures, the Committee will closely monitor the implications of incoming information for the economic outlook and will act as appropriate to sustain the expansion.”

FOMC STATEMENT HIGHLIGHTS

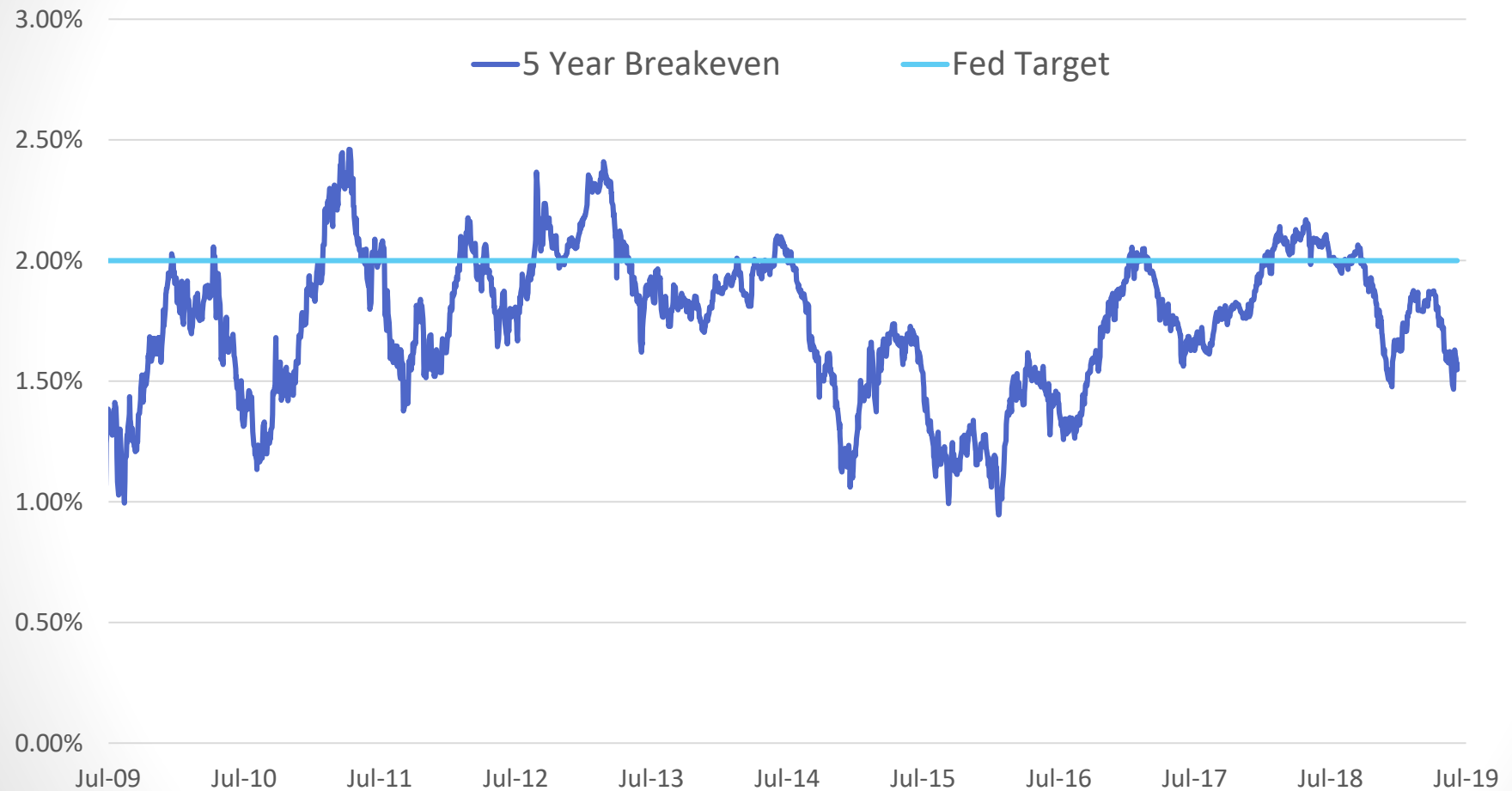
July 2019

U.S. Labor Market



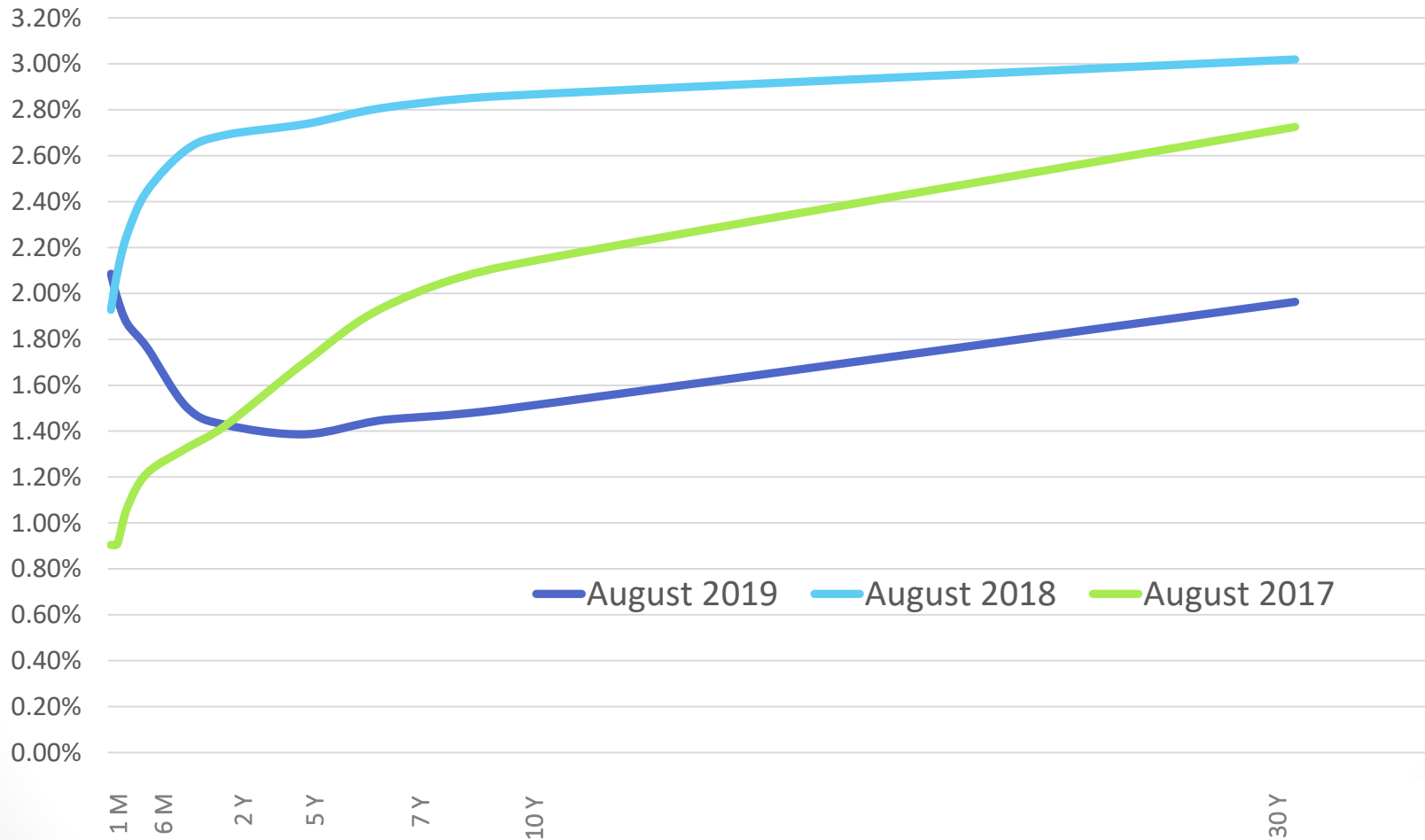
Source: Bloomberg as of 06/30/2019

Inflation



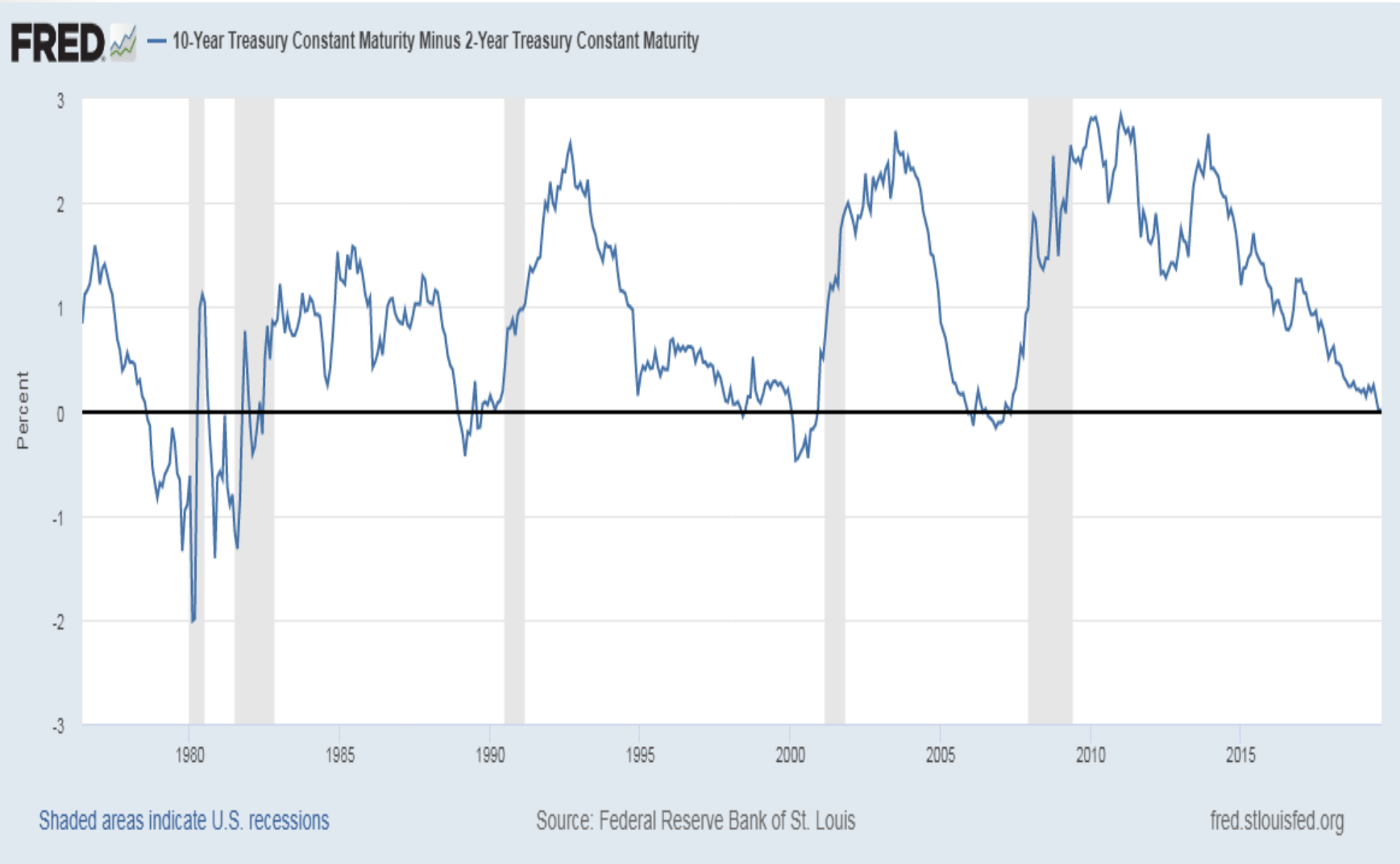
Source: Bloomberg

Yield Curve Comparison



Source: Bloomberg

Historical Yield Curve Inversions



Global Bond Yields

Region	2 Year	3 Year	5 Year	7 Year	10 Year	30 Year
United States	1.58%	1.51%	1.49%	1.56%	1.65%	2.14%
Australia	0.71%	0.66%	0.67%	0.80%	0.95%	1.58%
Canada	1.32%	1.27%	1.19%	1.19%	1.19%	1.44%
China	2.75%	2.77%	2.87%	3.05%	3.01%	3.69%
France	-0.79%	-0.82%	-0.70%	-0.54%	-0.29%	0.59%
Germany	-0.89%	-0.93%	-0.84%	-0.79%	-0.59%	-0.10%
Italy	0.23%	0.64%	1.07%	1.32%	1.70%	2.65%
Japan	-0.28%	-0.28%	-0.31%	-0.34%	-0.23%	0.21%
United Kingdom	0.43%	0.32%	0.33%	0.34%	0.49%	1.17%

Source: Bloomberg as of 9/10/2019

Economists are Forecasting Slow, Steady Growth

Although projected to slow, GDP forecasts maintain just under 2.00% through '21

United States		Browse		Private		Official		Actual / Forecasts			Probability of Recession 35.0%		
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	2.4	2.9	2.3	1.8	1.8			
Consumer Spending ...	1.5	1.5	3.0	3.7	2.7	2.6	3.0	2.5	2.2	2.0			
Government Spendin...	-2.1	-2.4	-0.9	1.9	1.8	0.7	1.7	2.2	1.5	1.1			
Private Investment (...)	11.0	6.9	5.6	4.9	-1.3	4.4	5.1	2.8	1.9	2.6			
Exports (YoY%)	3.4	3.6	4.2	0.5	0.0	3.5	3.0	0.4	1.8	2.3			
Imports (YoY%)	2.7	1.5	5.0	5.3	2.0	4.7	4.4	1.8	2.3	2.9			
Industrial Production (Yo...	3.0	2.0	3.1	-1.0	-2.0	2.3	4.0	1.2	1.1	1.5			
Price Indices													
CPI (YoY%)	2.1	1.5	1.6	0.1	1.3	2.1	2.5	1.8	2.0	2.1			
PCE Price Index (YoY%)							2.0	1.5	1.9	2.0			
Core PCE (yoy%)	1.9	1.5	1.6	1.3	1.6	1.6	2.0	1.7	2.0	2.0			
Housing Market													
Housing Starts (000s SAA...							1261	1250	1269	1273			
New Home Sales (000s S...							616	652	655	663			
Existing Home Sales (Mln...							5.4	5.3	5.4	5.4			
Building Permits (000s S...							1310	1302	1332	1332			

Inflation is projected near 2.00%

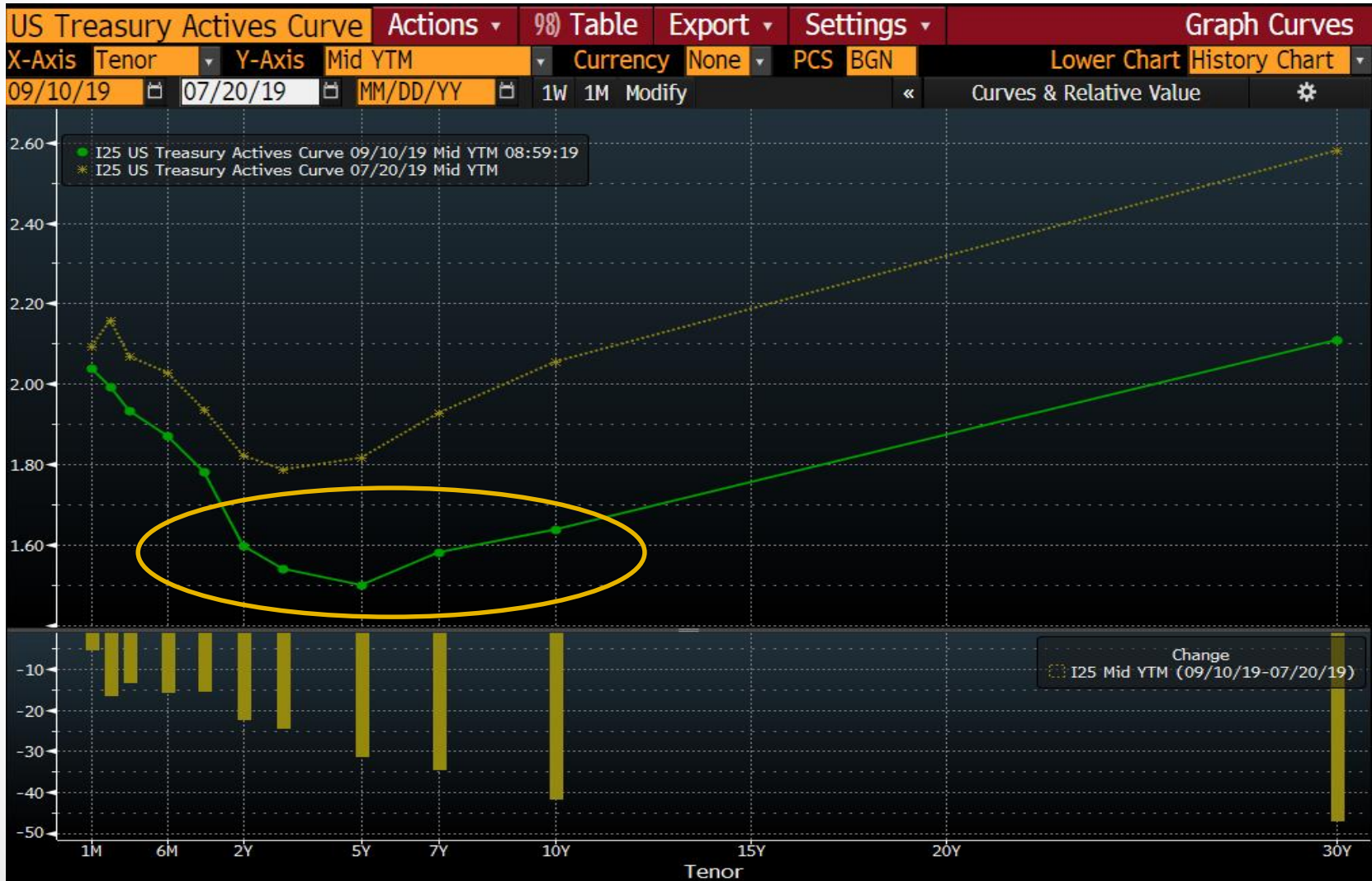
Market Expecting Multiple Cuts

Meeting	Hike Prob	Cut Prob	0.75-1	1-1.25	1.25-1.5	1.5-1.75	1.75-2	Fwd Rate
09/18/2019	0.0%	100.0%	0.0%	0.0%	0.0%	4.7%	95.3%	1.87
10/30/2019	0.0%	100.0%	0.0%	0.0%	2.4%	51.5%	46.1%	1.74
12/11/2019	0.0%	100.0%	0.0%	1.4%	29.9%	48.5%	20.3%	1.60
01/29/2020	0.0%	100.0%	0.6%	14.2%	38.3%	35.8%	11.1%	1.49
03/18/2020	0.0%	100.0%	4.4%	20.9%	37.6%	28.9%	8.0%	1.42
04/29/2020	0.0%	100.0%	7.2%	23.8%	36.1%	25.3%	6.7%	1.38
06/10/2020	0.0%	100.0%	9.9%	25.7%	34.4%	22.3%	5.6%	1.34
07/29/2020	0.0%	100.0%	12.3%	27.0%	32.6%	19.8%	4.8%	1.30
09/16/2020	0.0%	100.0%	14.3%	27.8%	30.8%	17.7%	4.1%	1.27

Market not expecting any hikes in foreseeable future

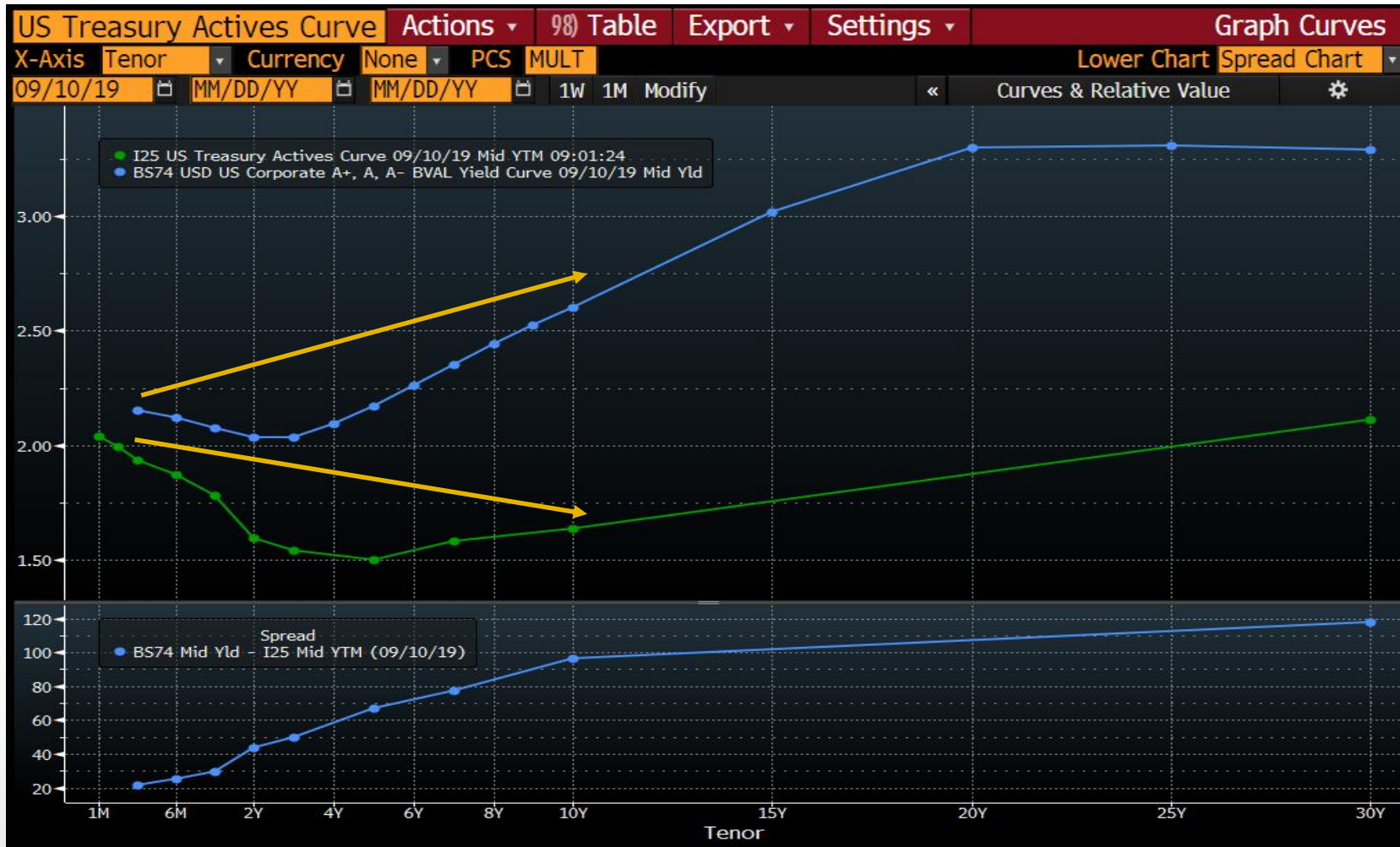
Currently, the market expects 2 more hikes this year and 1-2 in '20

Treasury Curve is Currently Defensively Positioned



Corporate Bond Curve Vs. Treasuries

Corps have another 40bps before “inverting”



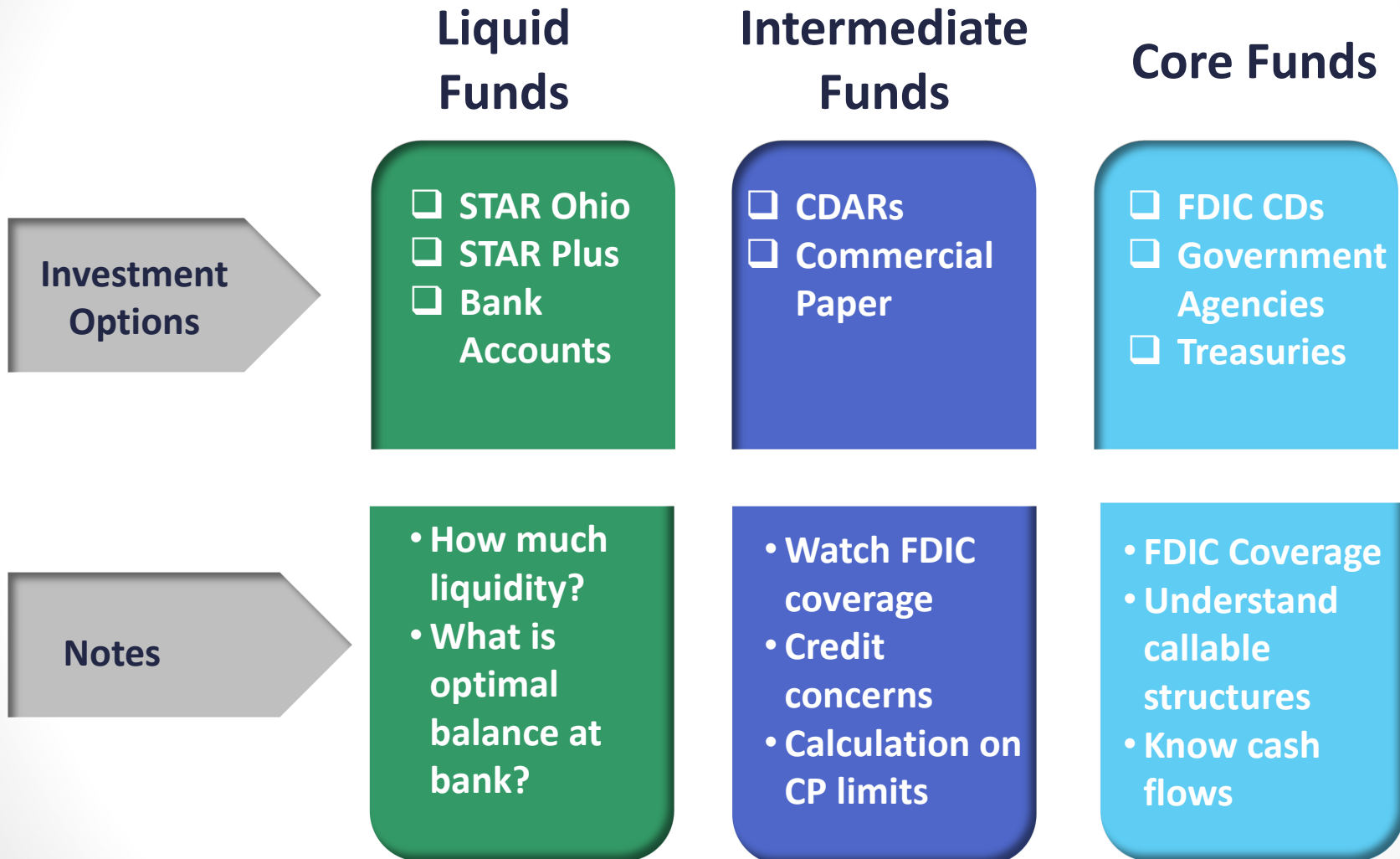
Source: Bloomberg

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!

- Jonathan Azoff
- Ohio Treasurer of State's Office
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- Jim McCourt, Portfolio Manager
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MARKET