



MEEDER
INVESTMENT MANAGEMENT

CURRENT ECONOMIC AND INTEREST RATE ENVIRONMENT

Ohio Association of Public Treasurers

October 3, 2019

Presented by

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Today's Market Environment

The FOMC voted 7-3 in favor of cutting its overnight target rate 0.25% for the second time this year to a range of 1.75% to 2.00%.

The decision was not unanimous as one member voted in favor of a 0.50% cut and two members dissented in favor of maintaining the current range.

Chairman Powell described the rate adjustment as “insurance against ongoing risks” and indicated the FOMC is not on a “preset course.”

“We see a favorable economic outlook, ...though, there are risks to this positive outlook due particularly to weak global growth and trade developments.”

In a likely response to the recent move of the effective Fed Funds rate outside the target range, the Committee also lowered the interest on excess reserves (IOER) rate by 0.30%.

There was some speculation that the Fed would announce a balance sheet increase to help boost liquidity, however, there was no mention of a standing repo facility or the start of balance sheet expansion.

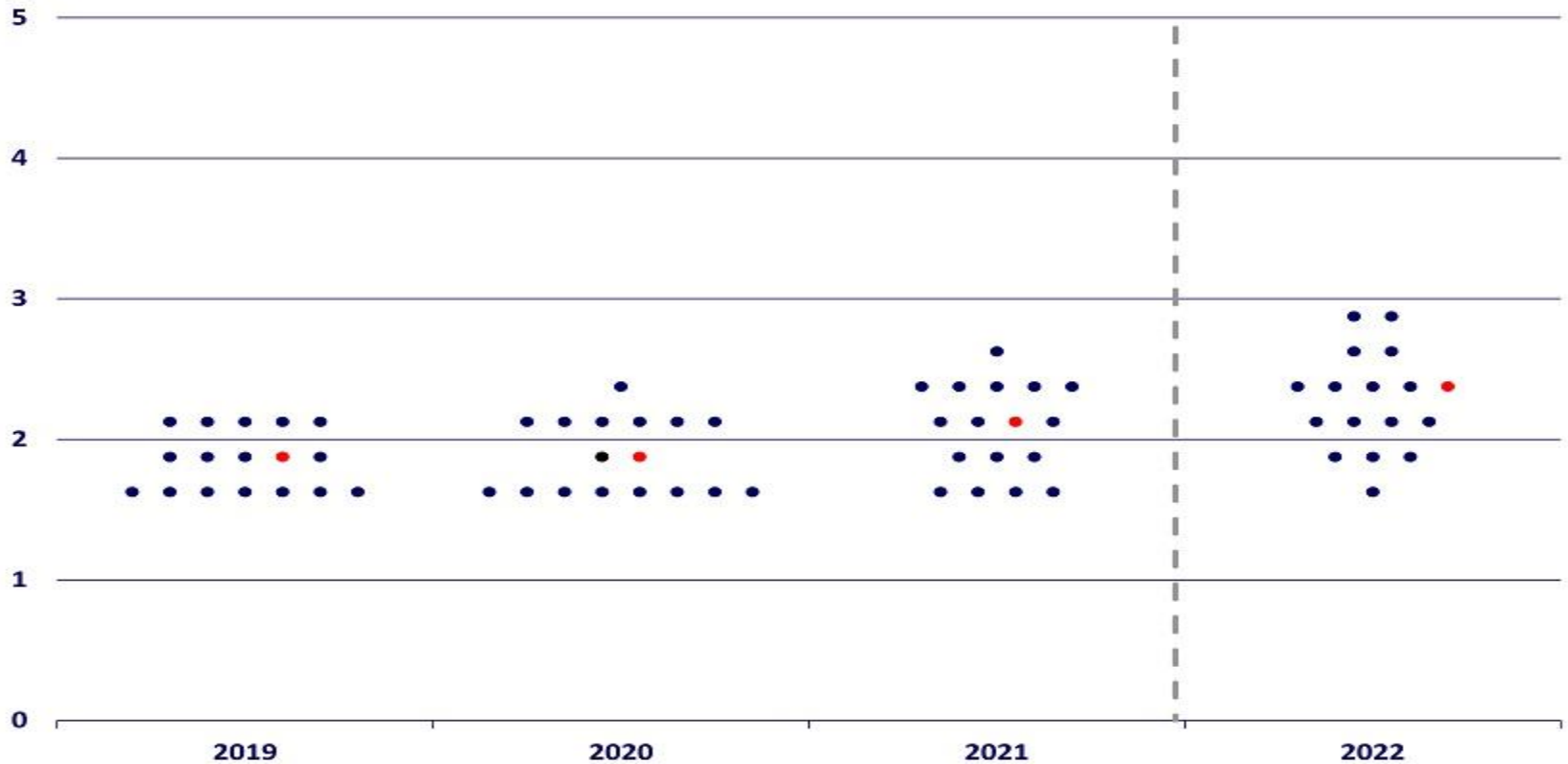


FOMC STATEMENT HIGHLIGHTS

September 2019

FEDERAL RESERVE DOT PLOT

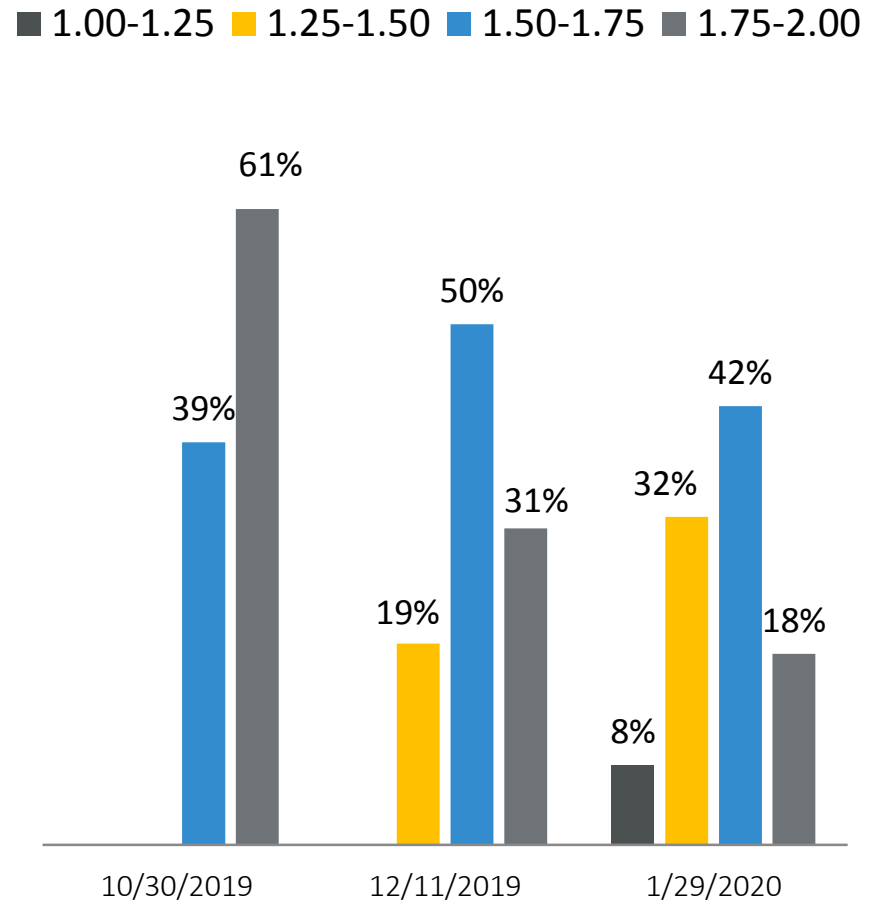
Target Federal Funds Rate at Year-End
(percent)



Source: September 2019 Summary of Economic Projections. Each shaded circle indicates the value (rounded to the nearest 1/8 percentage point) of an individual participant's judgment of the appropriate level of the target federal funds rate at the end of the specified calendar year or over the longer run. Median dot is colored red.

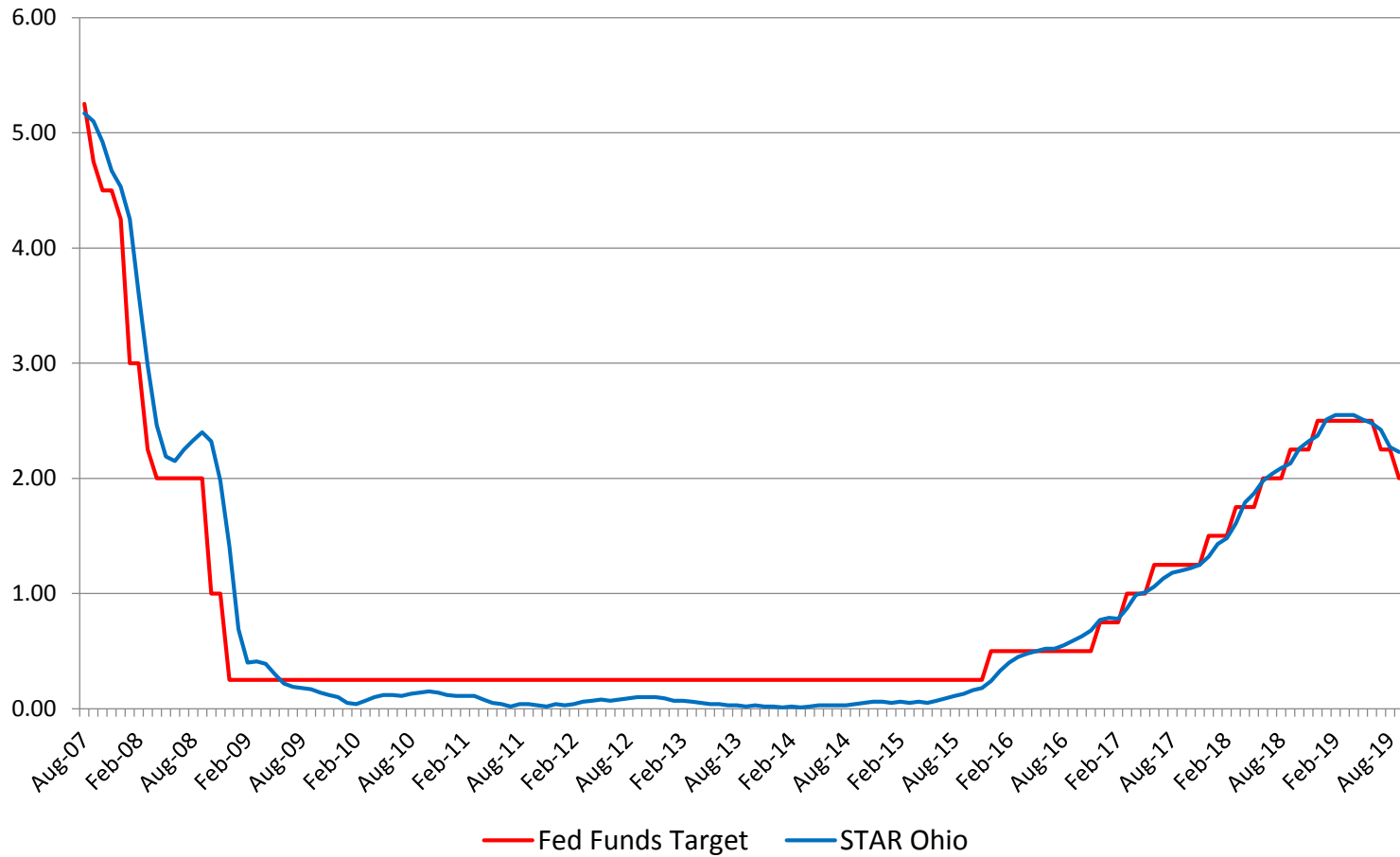
RATE CUT **PATH**

- Fed funds futures markets are pricing in a high probability of at least one more rate cut in 2019.
- Investors continue to price in additional rate cuts in 2020.

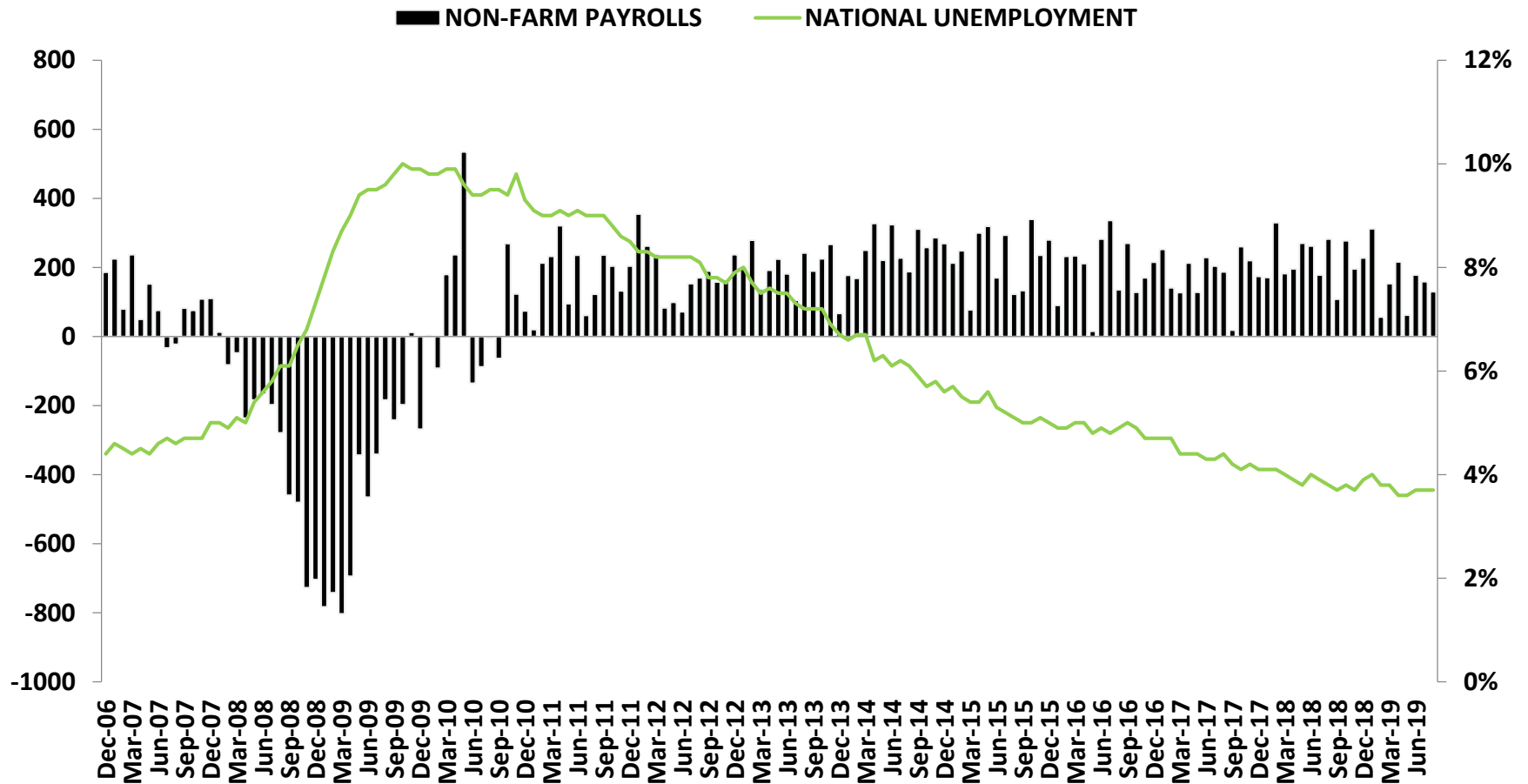


Source: Bloomberg as of 10/01/2019

FED FUNDS TARGET RATE VS. STAR OHIO



UNITED STATES LABOR MARKET



Source: Bloomberg as of 08/31/2019

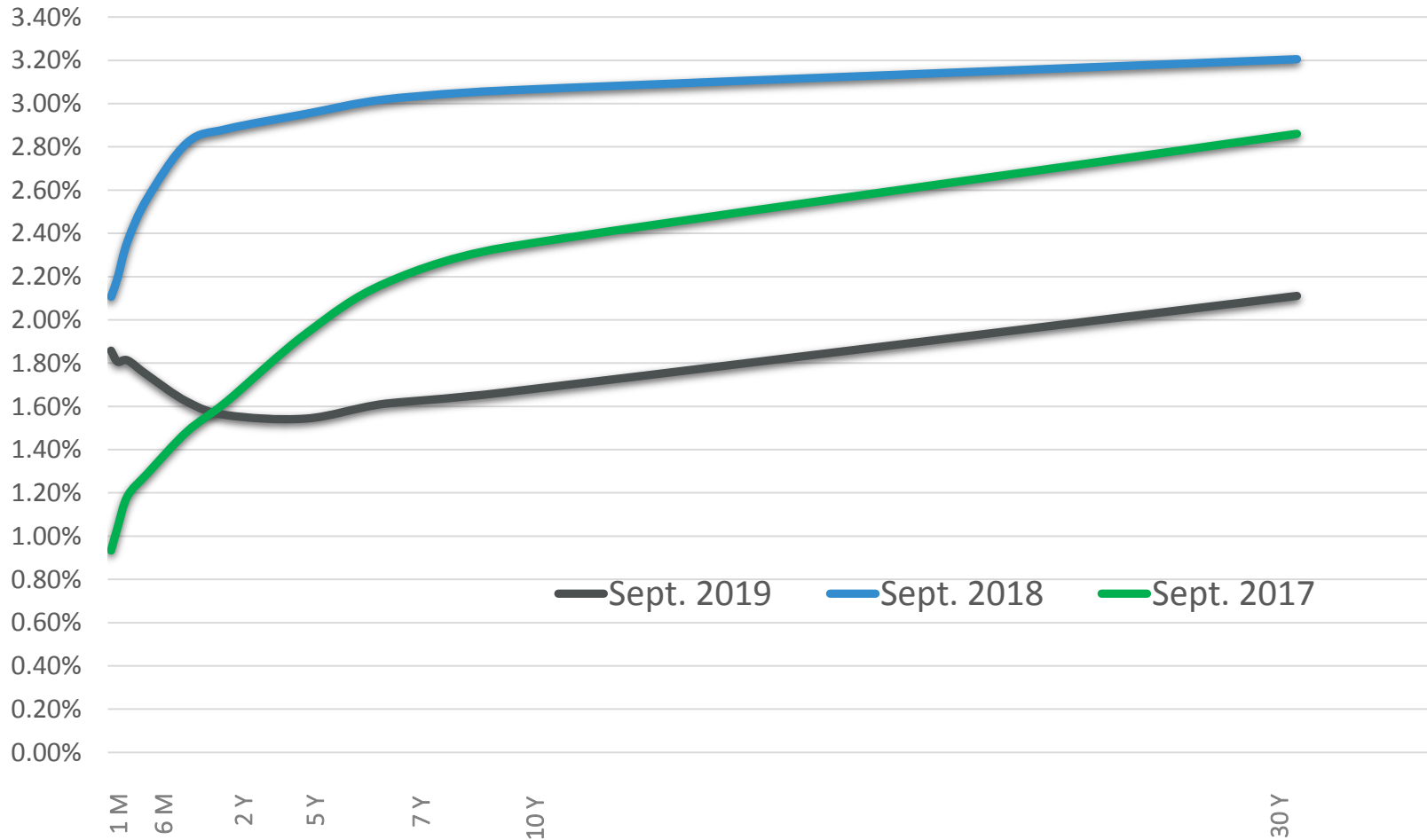
INFLATION

5 Year Breakeven



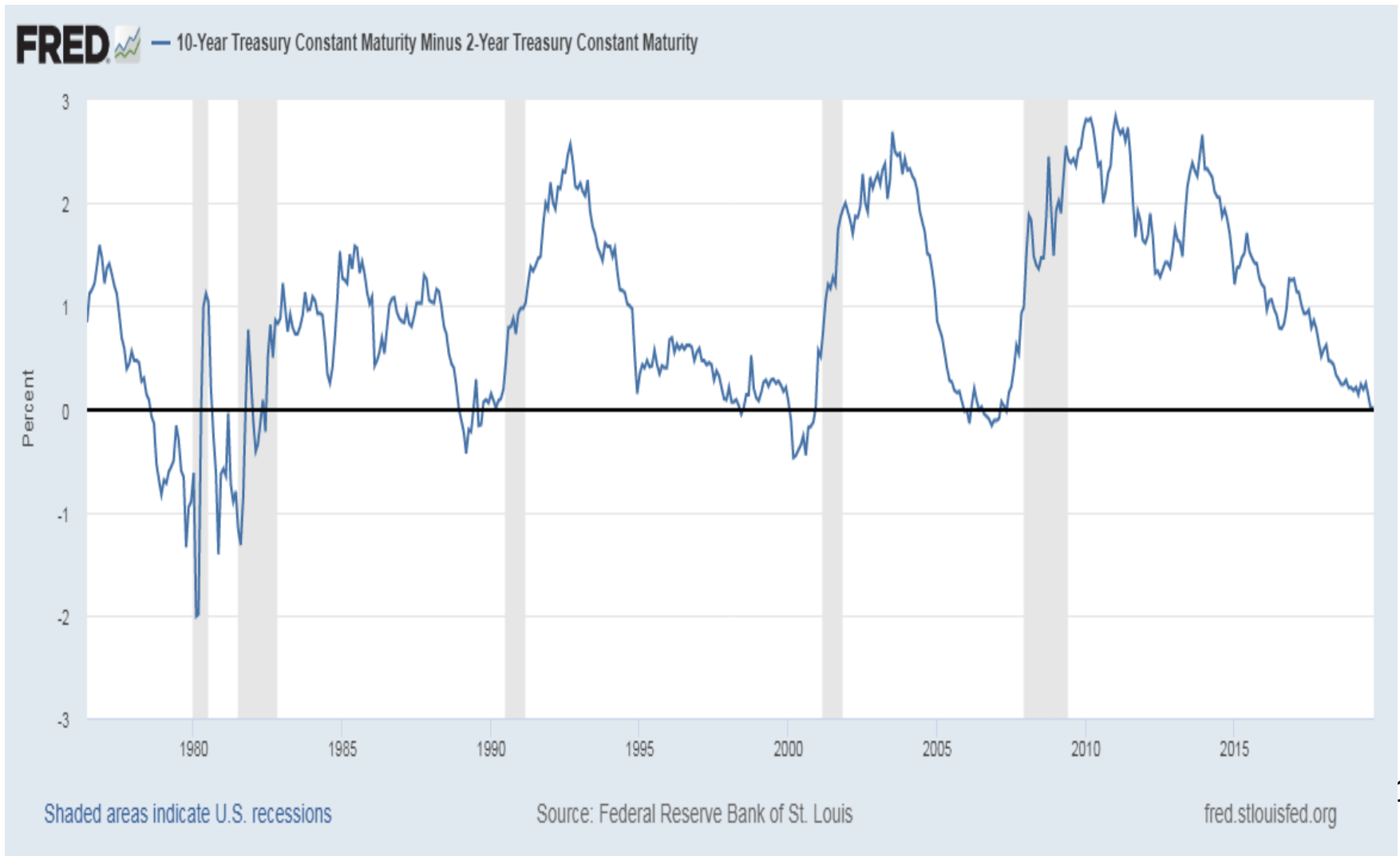
Source: Bloomberg

Yield Curve Comparison

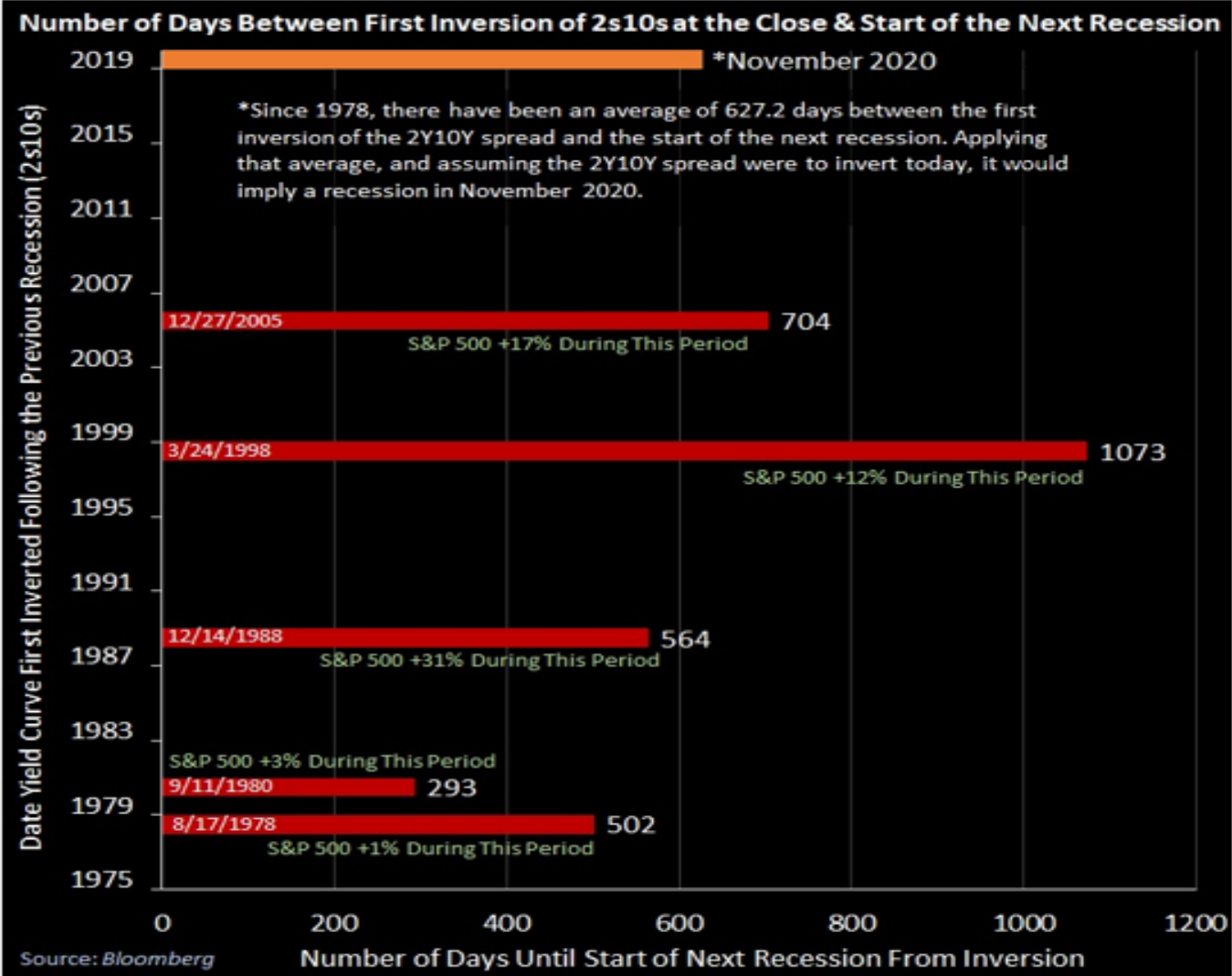


Source: Bloomberg

Historical Yield Curve Inversions



INVERSION CONTINUED

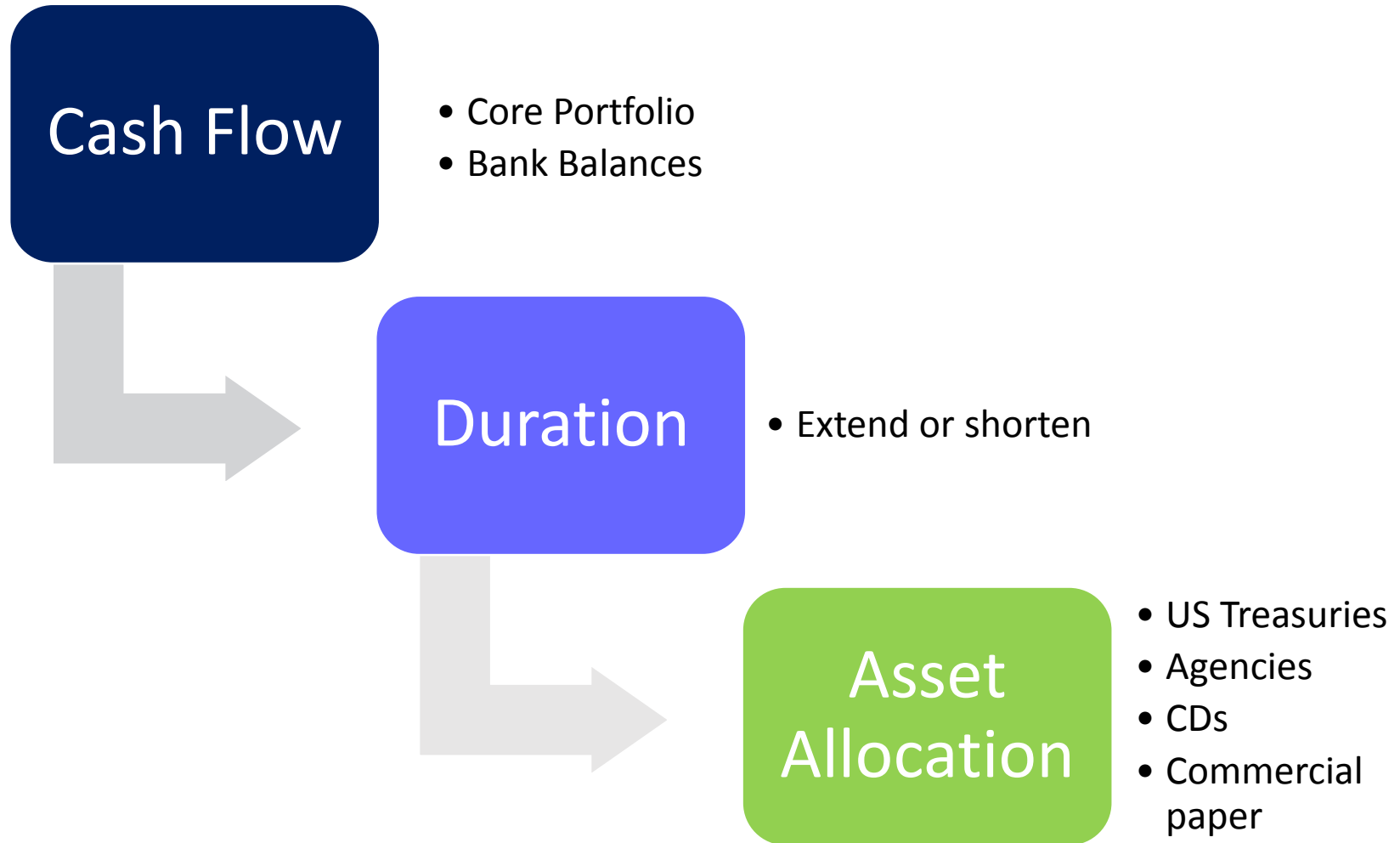


Global Bond Yields

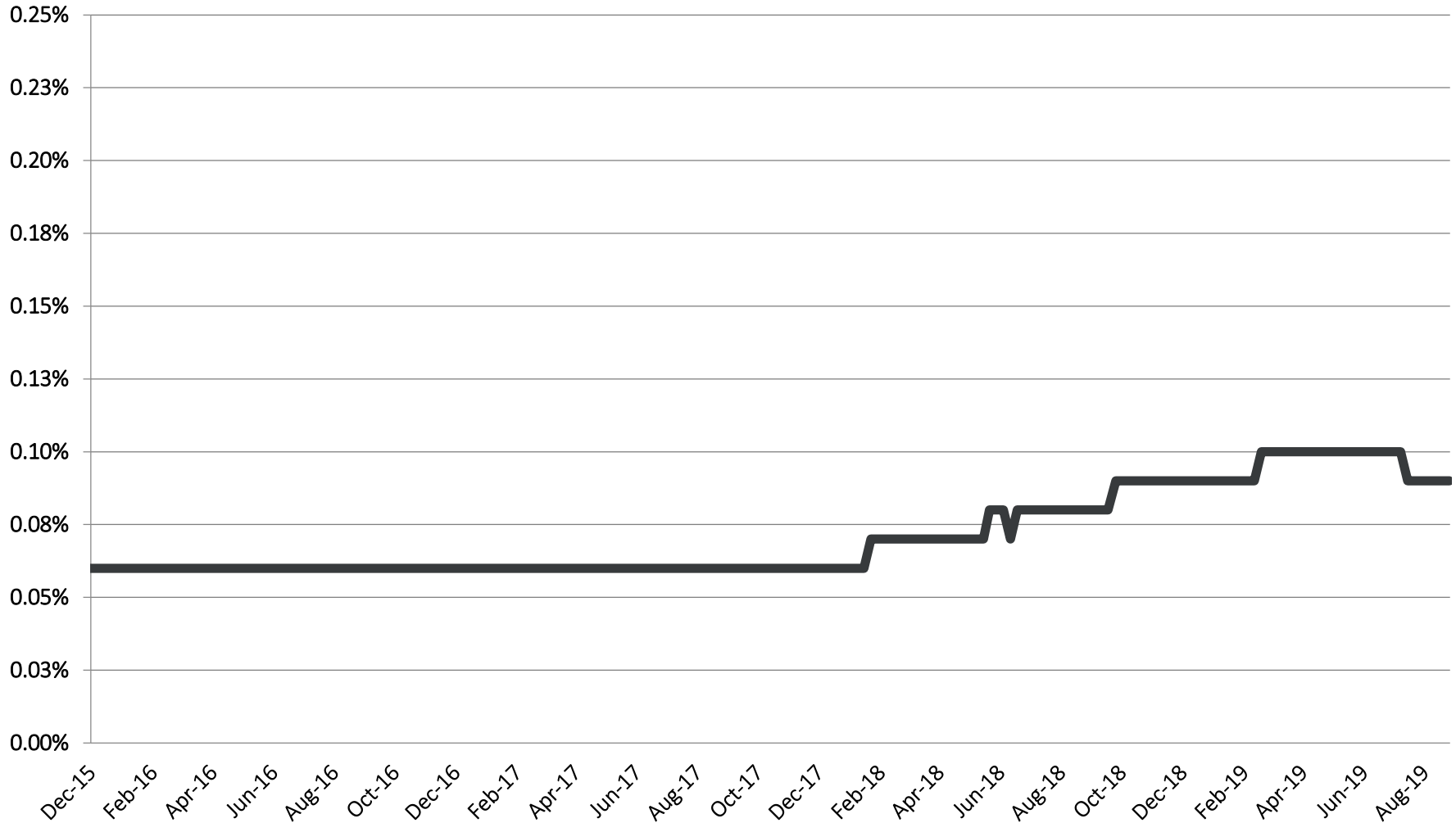
Region	2 Year	3 Year	5 Year	7 Year	10 Year	30 Year
United States	1.58%	1.51%	1.49%	1.56%	1.65%	2.14%
Australia	0.71%	0.66%	0.67%	0.80%	0.95%	1.58%
Canada	1.32%	1.27%	1.19%	1.19%	1.19%	1.44%
China	2.75%	2.77%	2.87%	3.05%	3.01%	3.69%
France	-0.79%	-0.82%	-0.70%	-0.54%	-0.29%	0.59%
Germany	-0.89%	-0.93%	-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%

Investment Strategy

COMPREHENSIVE STRATEGY

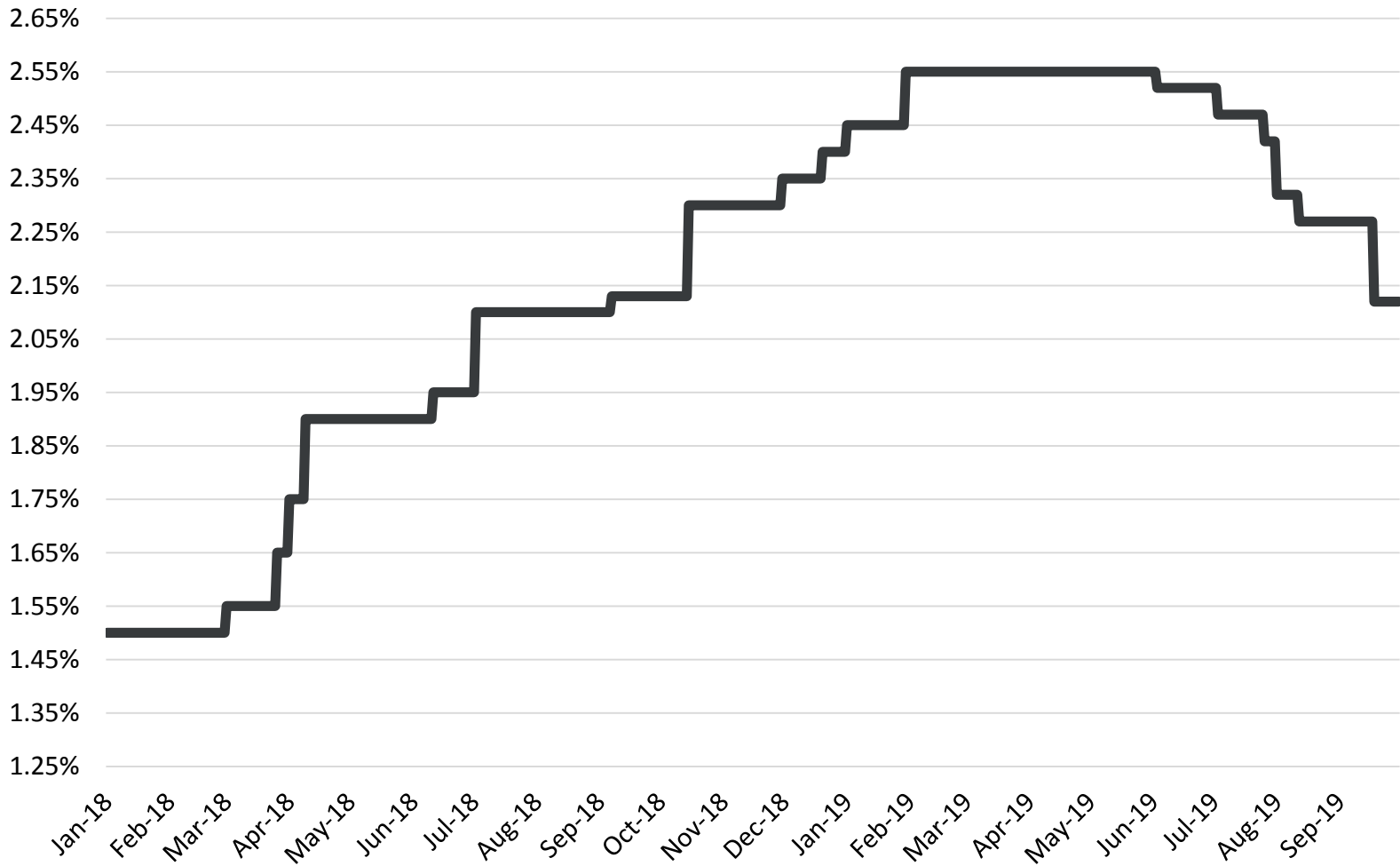


NATIONAL AVERAGE DEPOSIT RATE



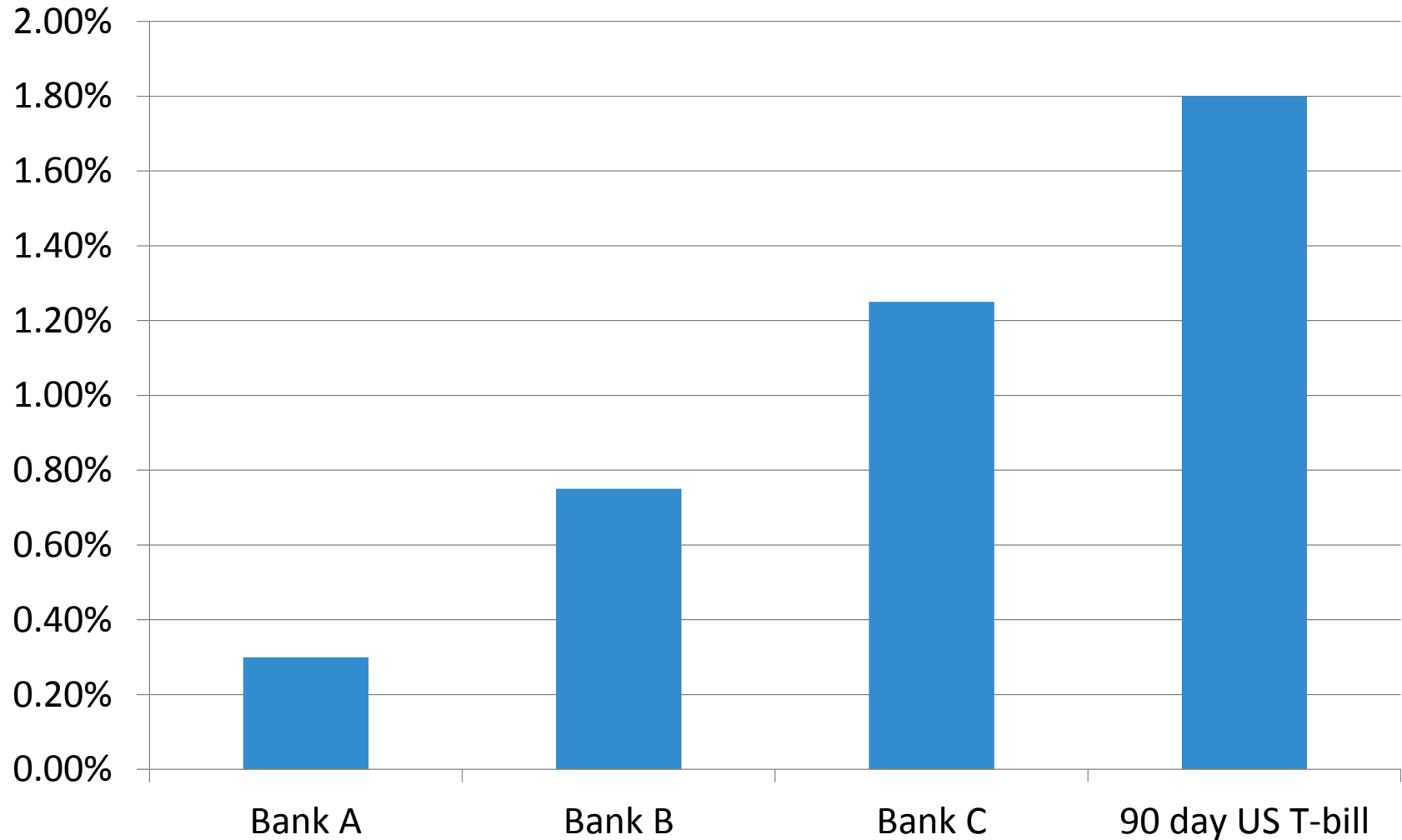
Source: Federal Deposit Insurance Corporation

STAR PLUS TIER 1 RATE



Source: STAR Plus deposit program for the first \$2.5 million of deposits (Tier 1). Deposits above \$2.5 million (Tier 2) receive a lower rate. Powered by FICA®.

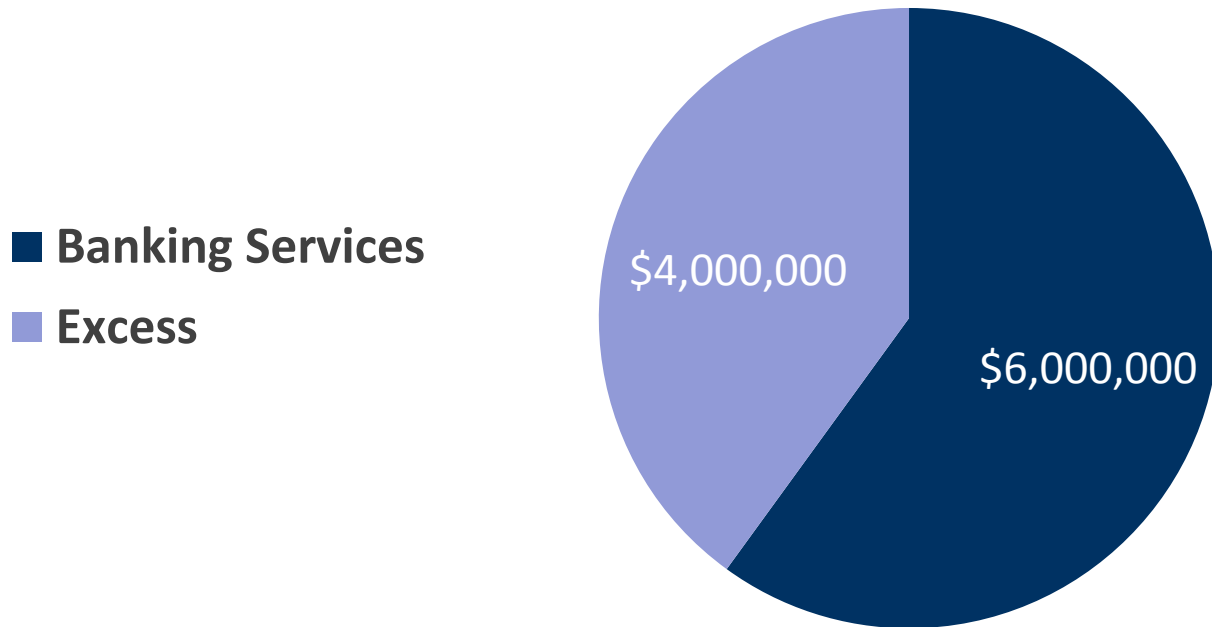
EARNINGS CREDIT RATES



BANK A EARNINGS CREDIT RATE – 0.30%

Public Entity Depositor

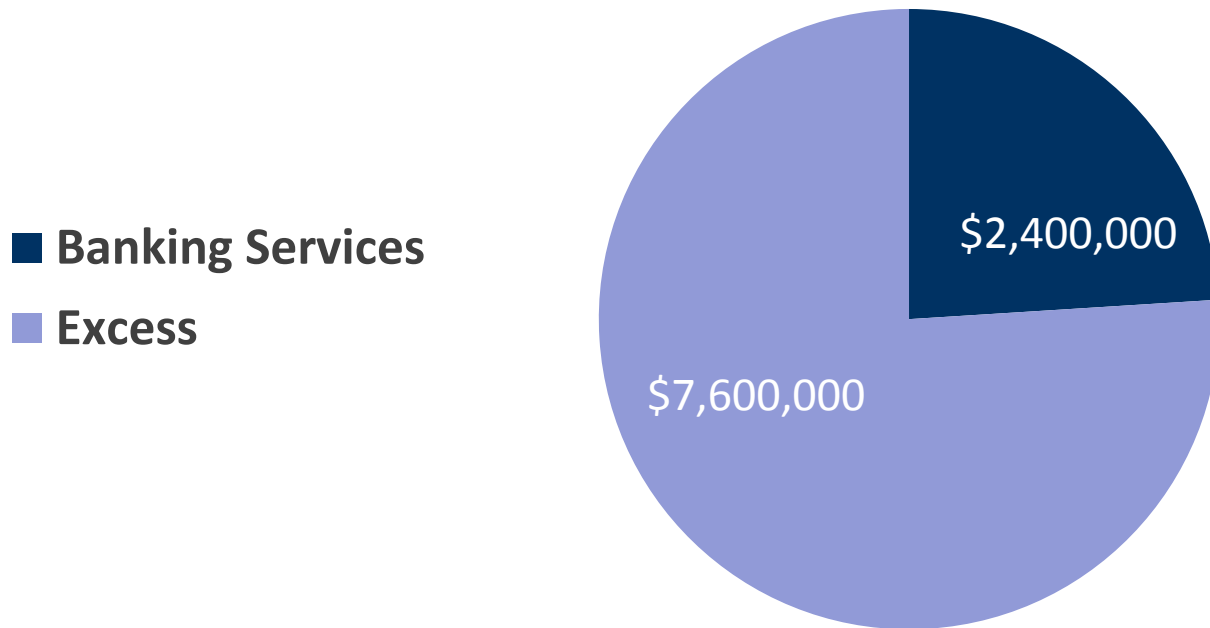
Cost of Banking Services per month	\$1,500.00
Bank Balance	\$10,000,000



BANK A EARNINGS CREDIT RATE – 0.75%

Public Entity Depositor

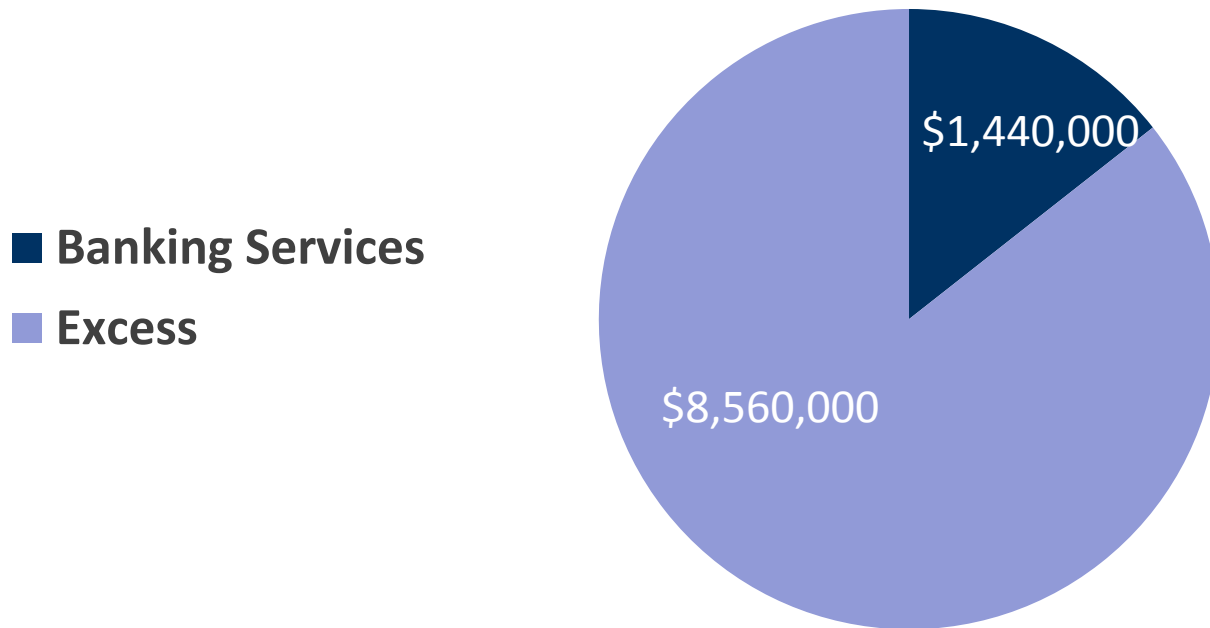
Cost of Banking Services per month	\$1,500.00
Bank Balance	\$10,000,000



BANK A EARNINGS CREDIT RATE – 1.25%

Public Entity Depositor

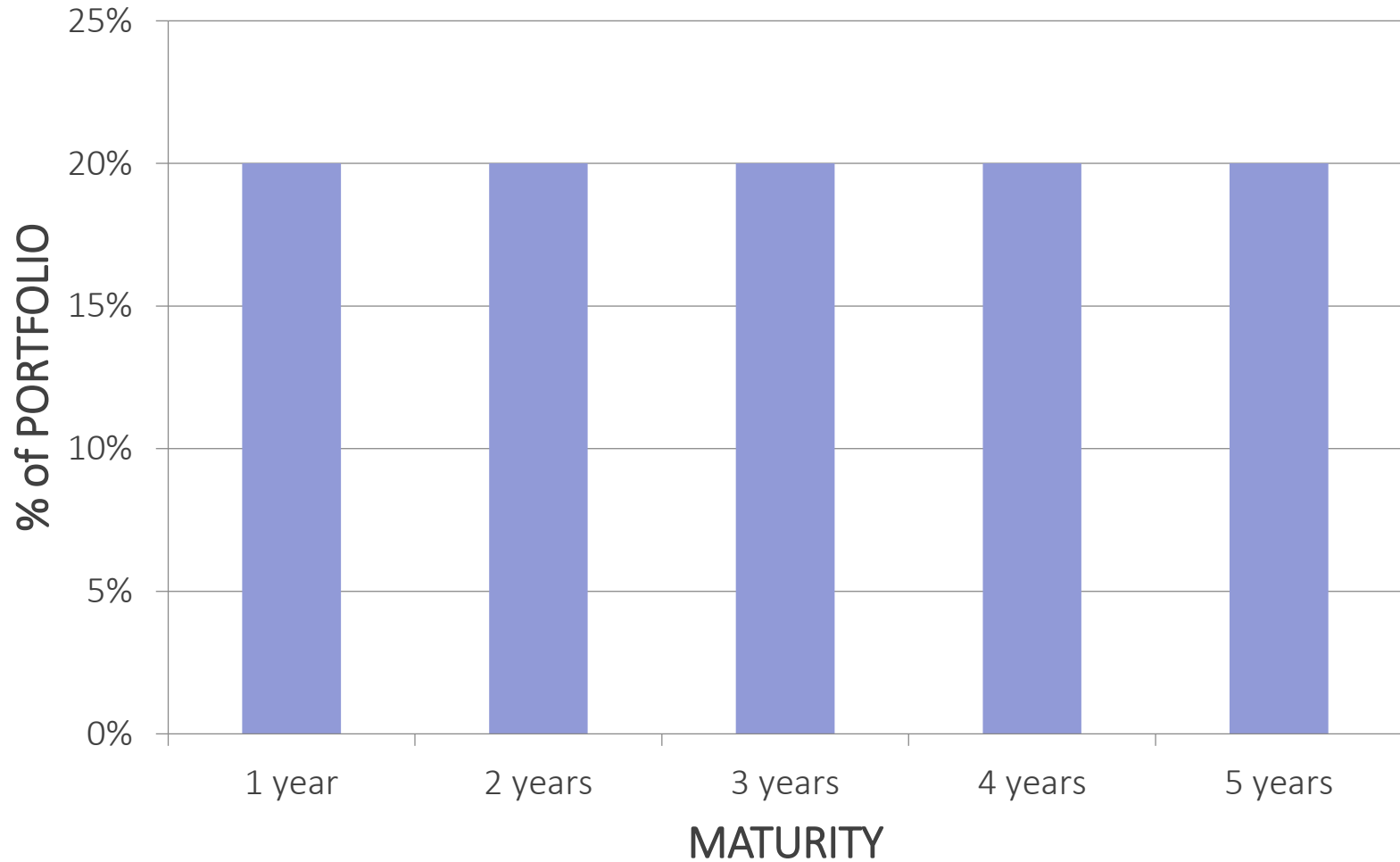
Cost of Banking Services per month	\$1,500.00
Bank Balance	\$10,000,000



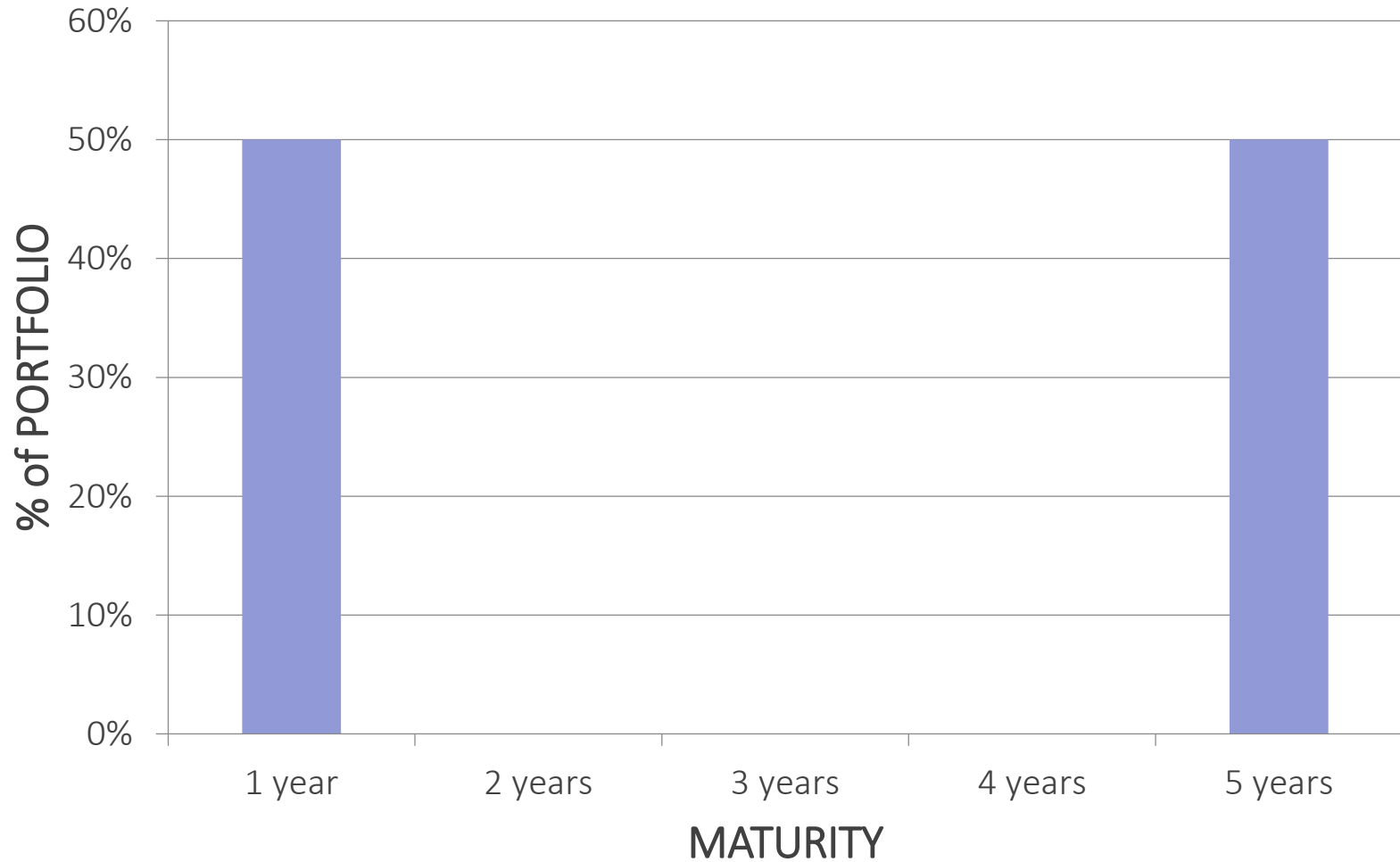
BENEFIT OF INVESTING EXCESS BALANCES

	Bank A	Bank B	Bank C
Earnings Credit Rate	0.30%	0.75%	1.25%
Balance to Cover Banking Services	\$6,000,000	\$2,400,000	\$1,440,000
Excess Balance	\$4,000,000	\$7,600,000	\$8,560,000
Additional Interest Income at 2.0%	\$80,000	\$152,000	\$171,200

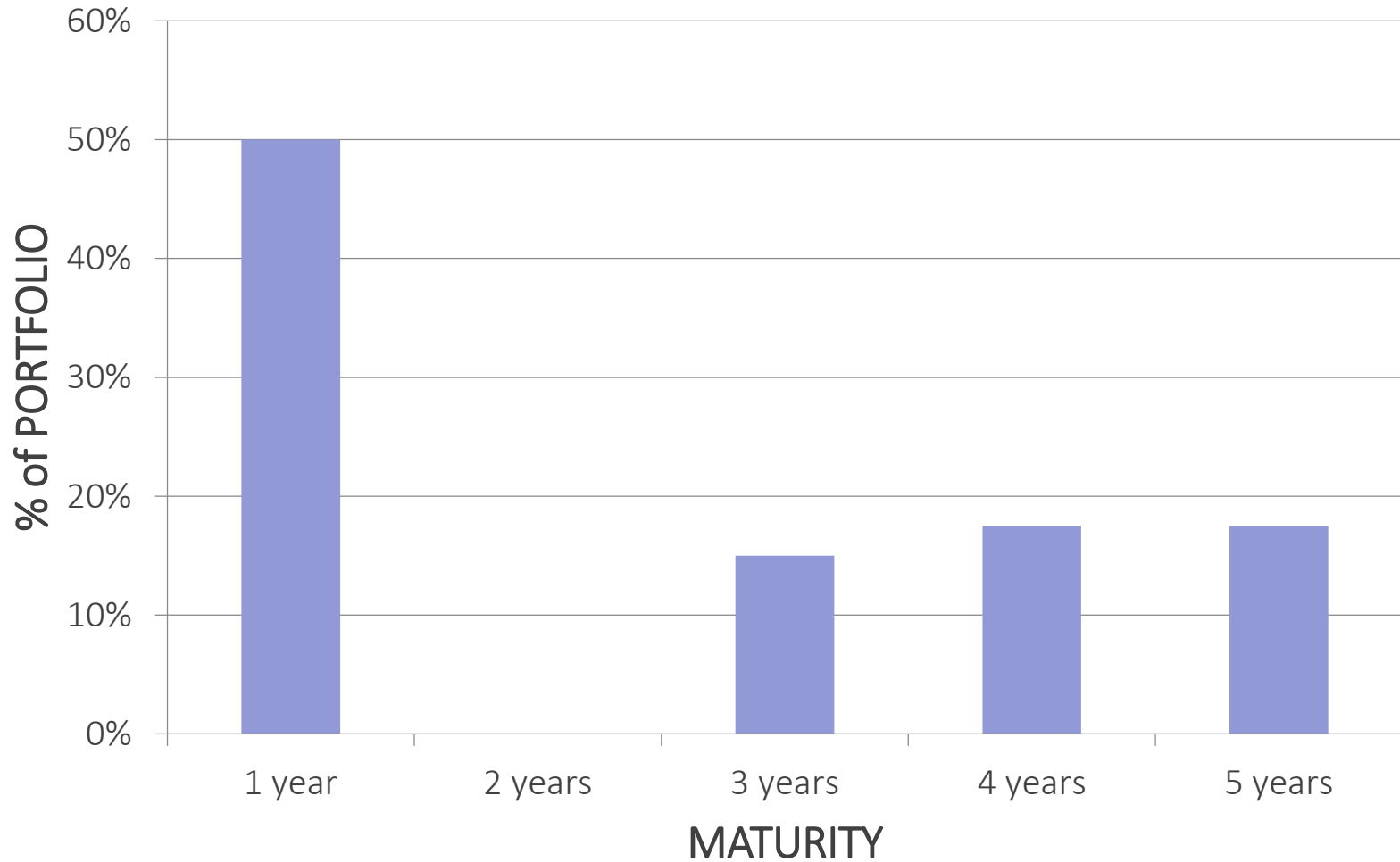
LADDERED PORTFOLIO



BARBELL PORTFOLIO

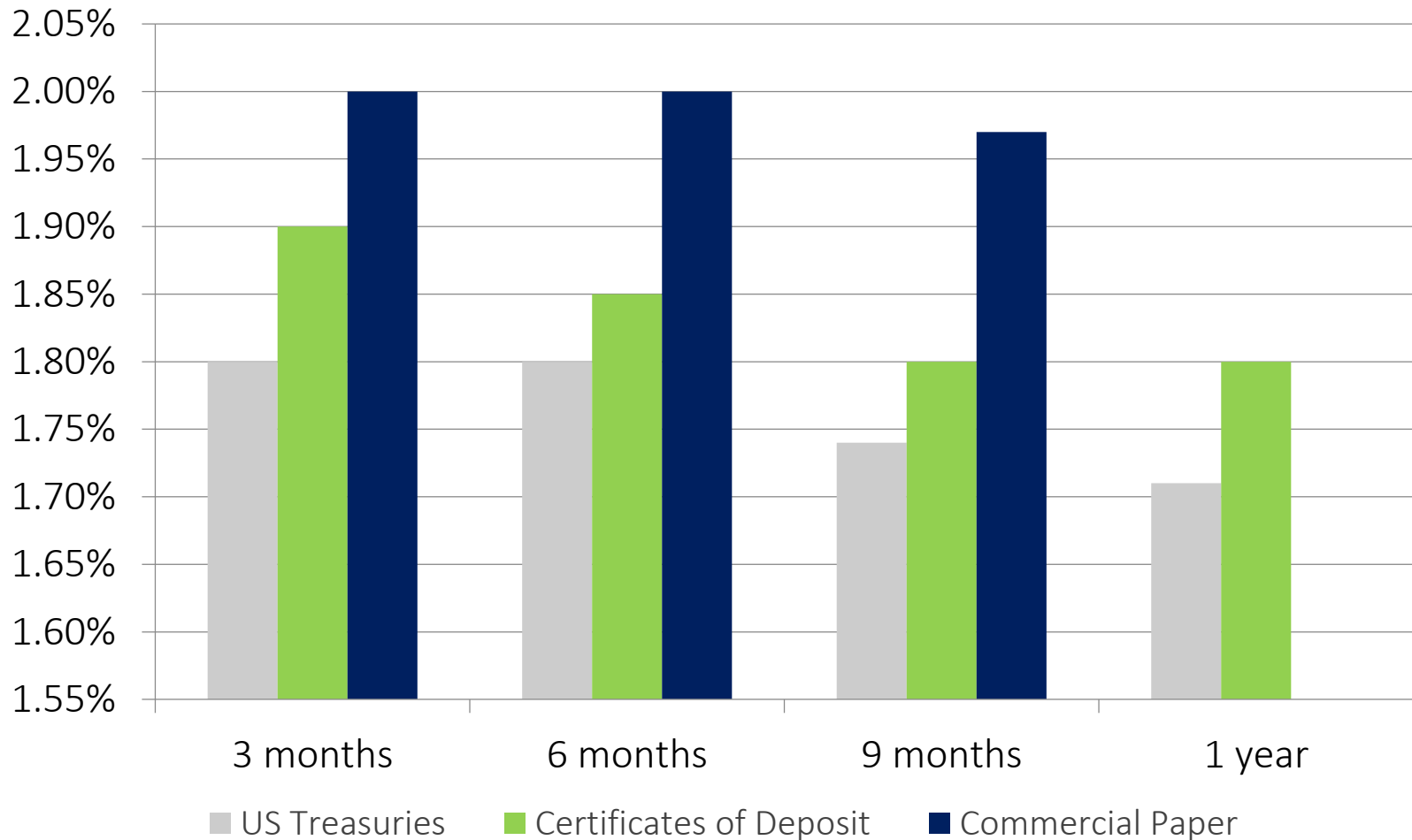


STRATEGIC PORTFOLIO



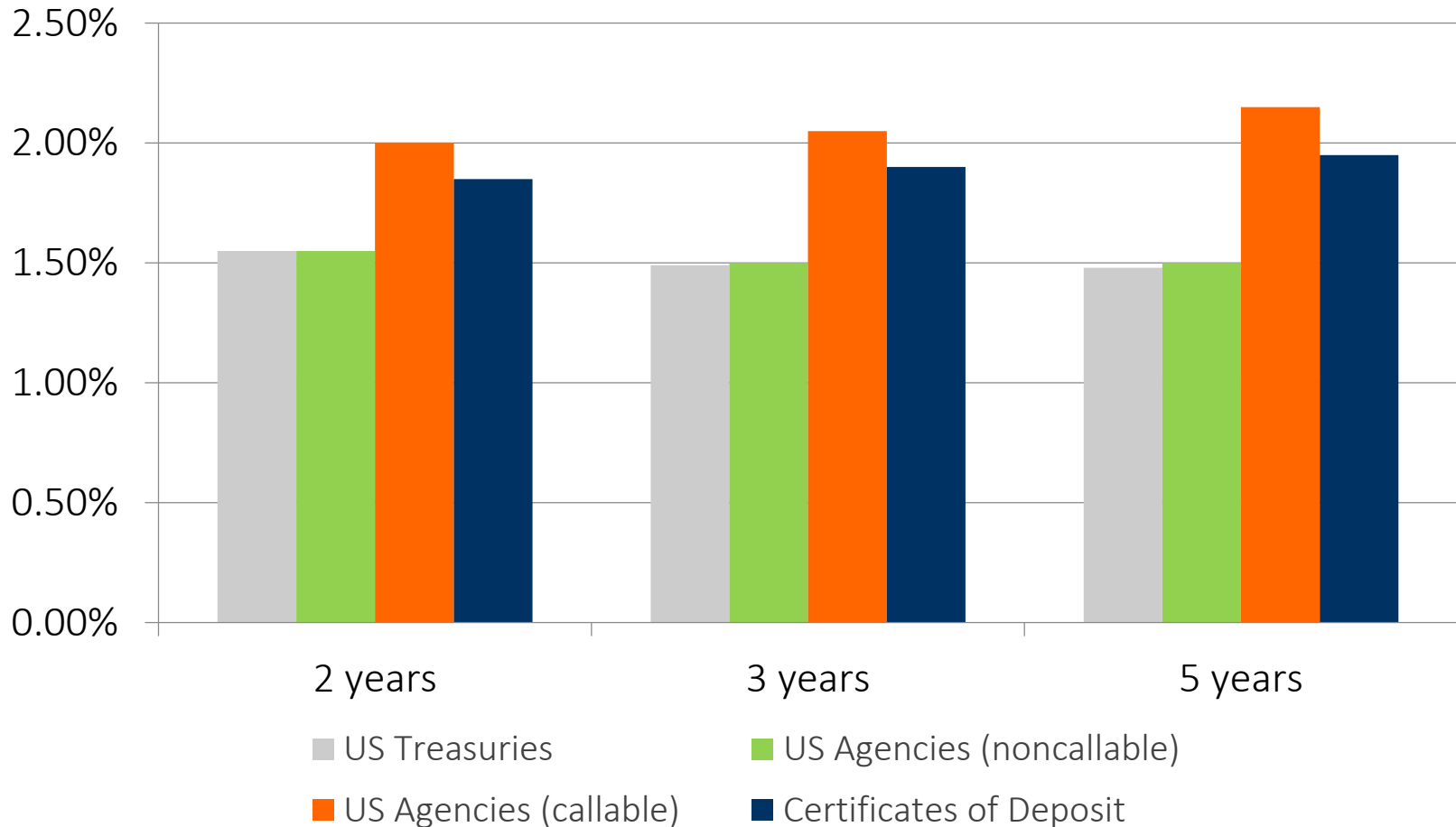
AUTHORIZED INVESTMENTS – SHORT TERM

Market Indications as of 10/01/19

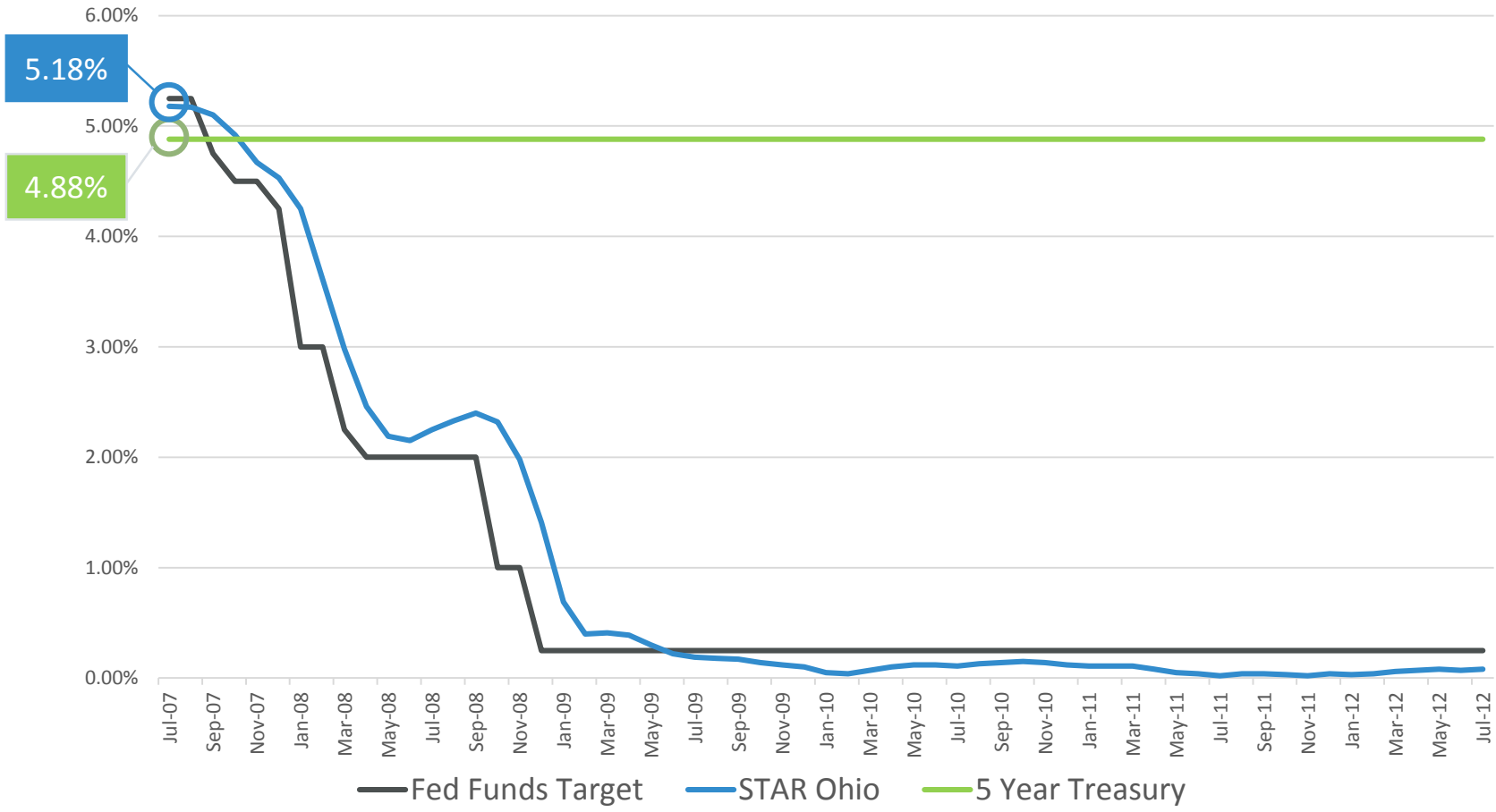


AUTHORIZED INVESTMENTS – LONG TERM

Market Indications as of 10/01/19



July 2007



5 year Treasury: 4.88% vs STAR Ohio 5 year average: 1.08%

THANK YOU



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