



MEEDER
INVESTMENT MANAGEMENT

BEST PRACTICES DURING A RISING INTEREST RATE ENVIRONMENT

2018 Ohio APT Annual Conference

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Presented by

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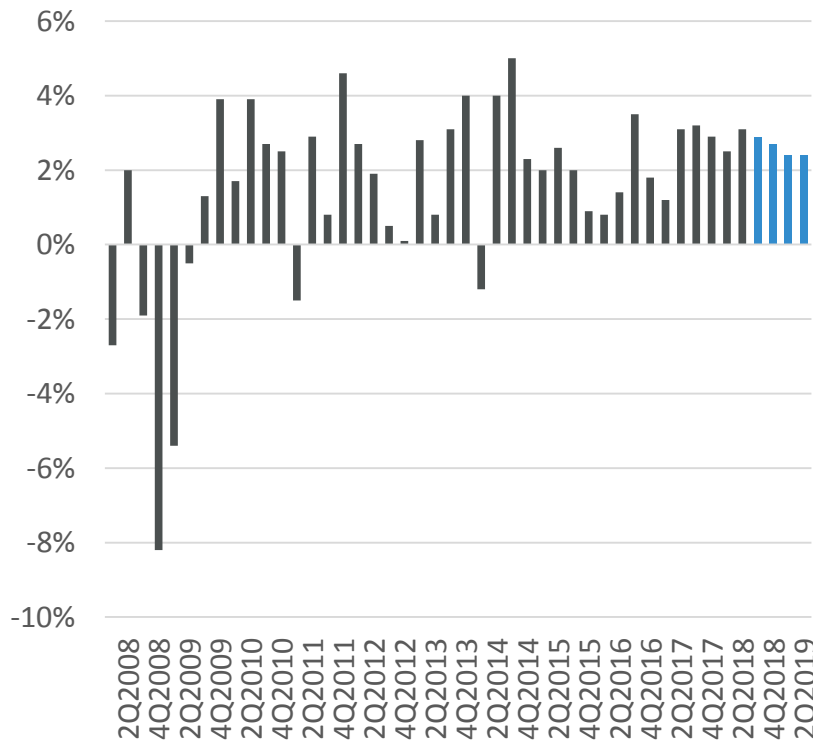
INTEREST RATE ENVIRONMENT



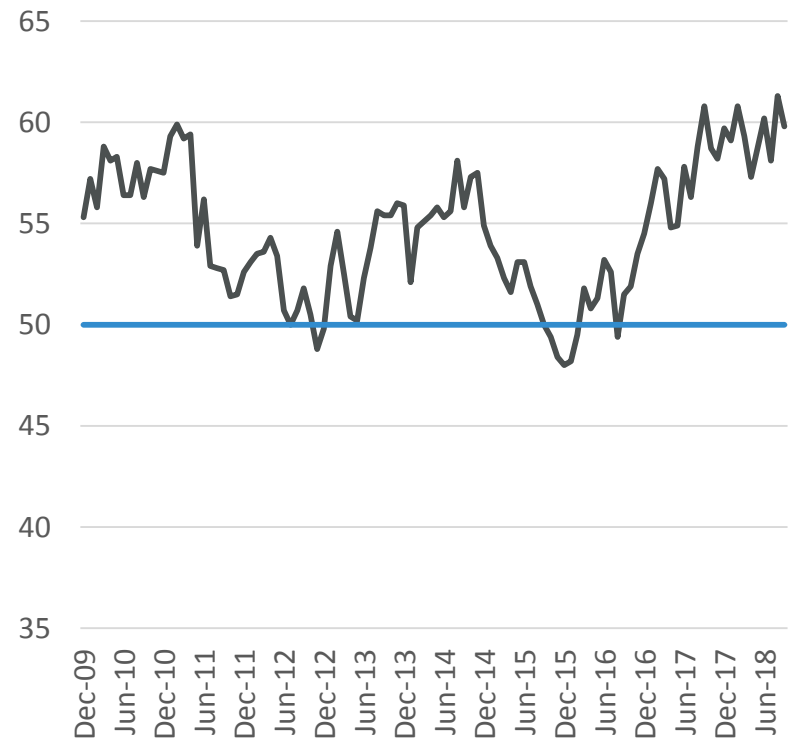
US DOMESTIC GROWTH

GDP & ISM

Gross Domestic Product (QoQ)



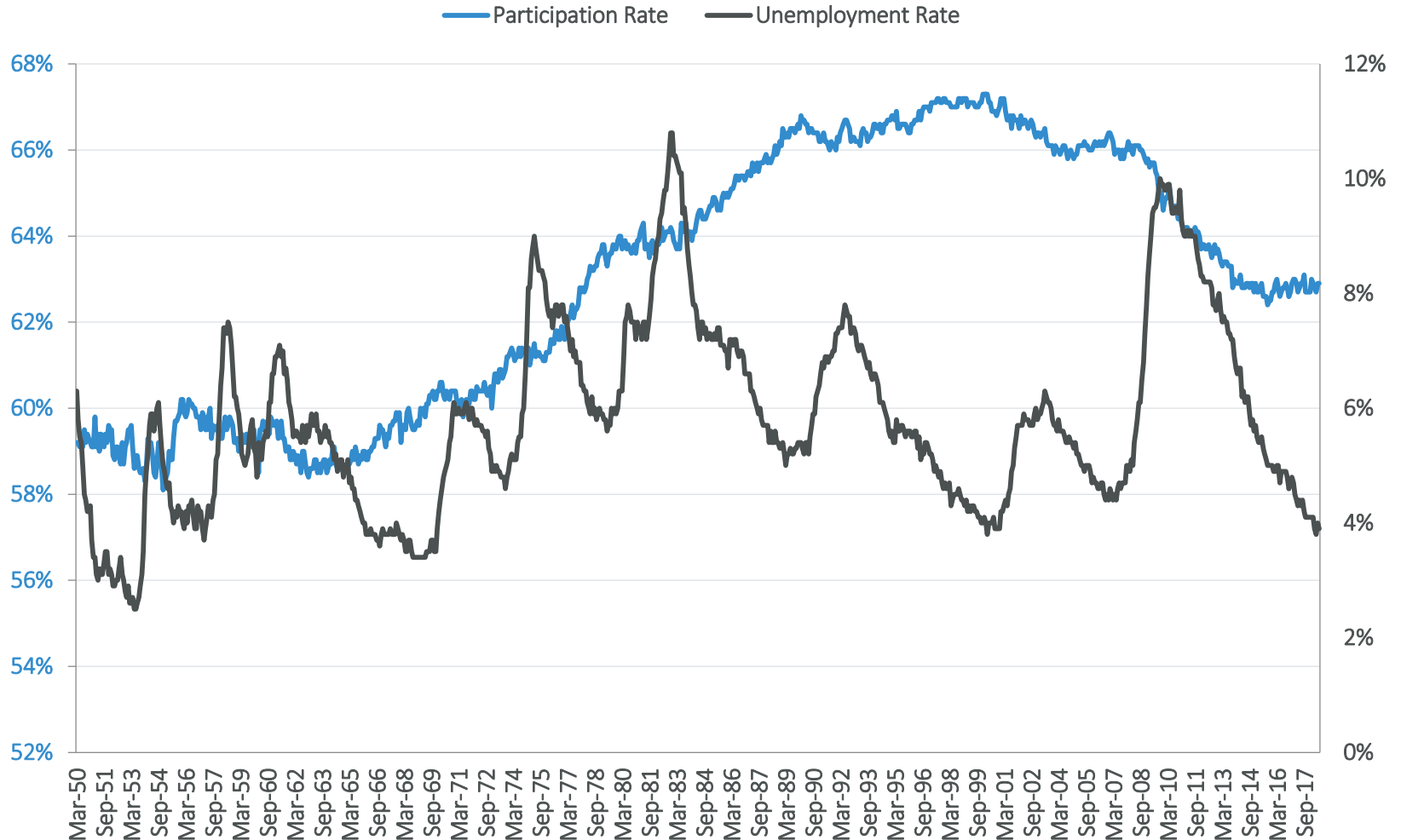
ISM Manufacturing Index



Source: Bloomberg

UNEMPLOYMENT

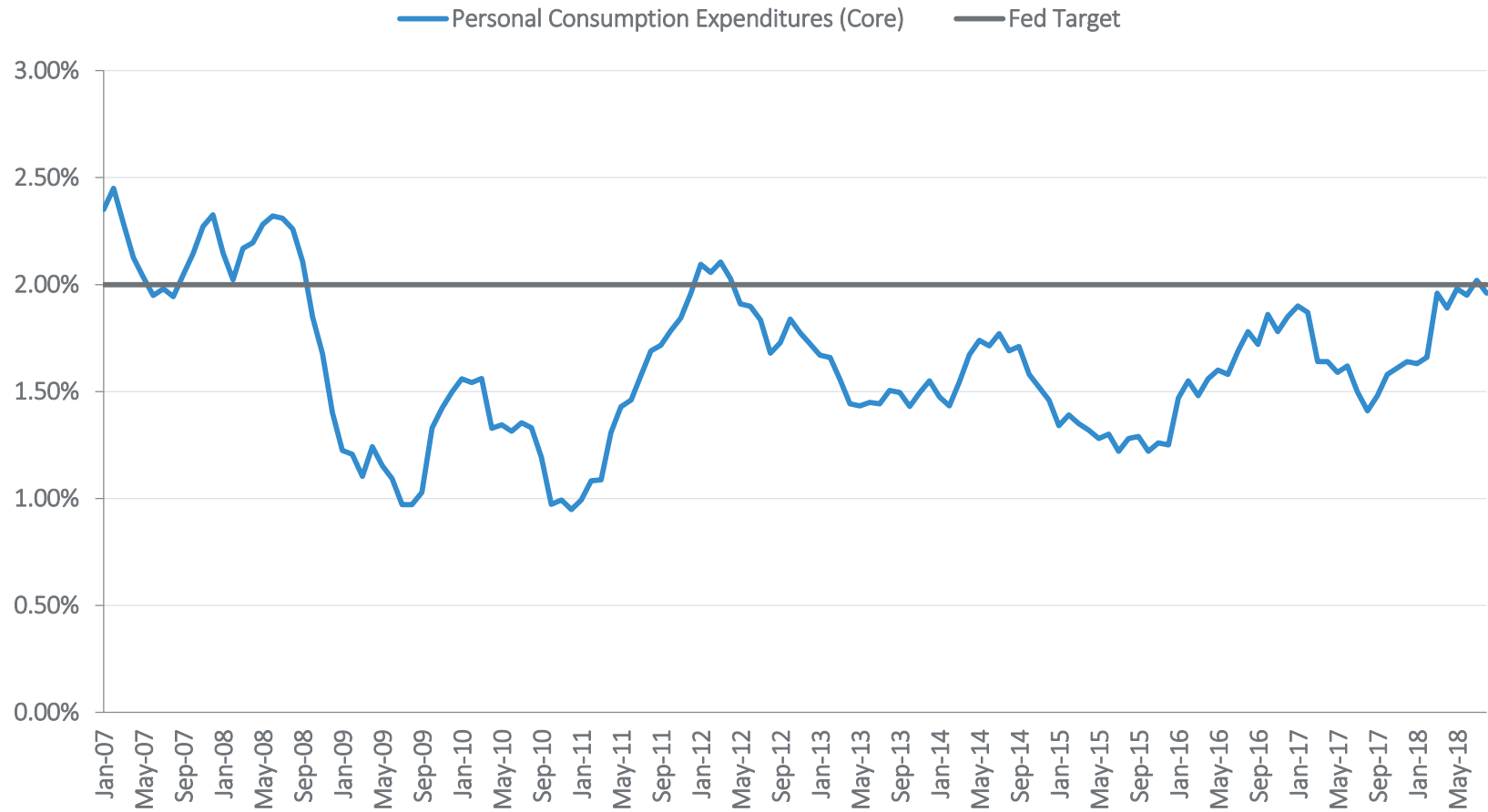
Unemployment rate vs participation rate



Source: Bloomberg

INFLATION

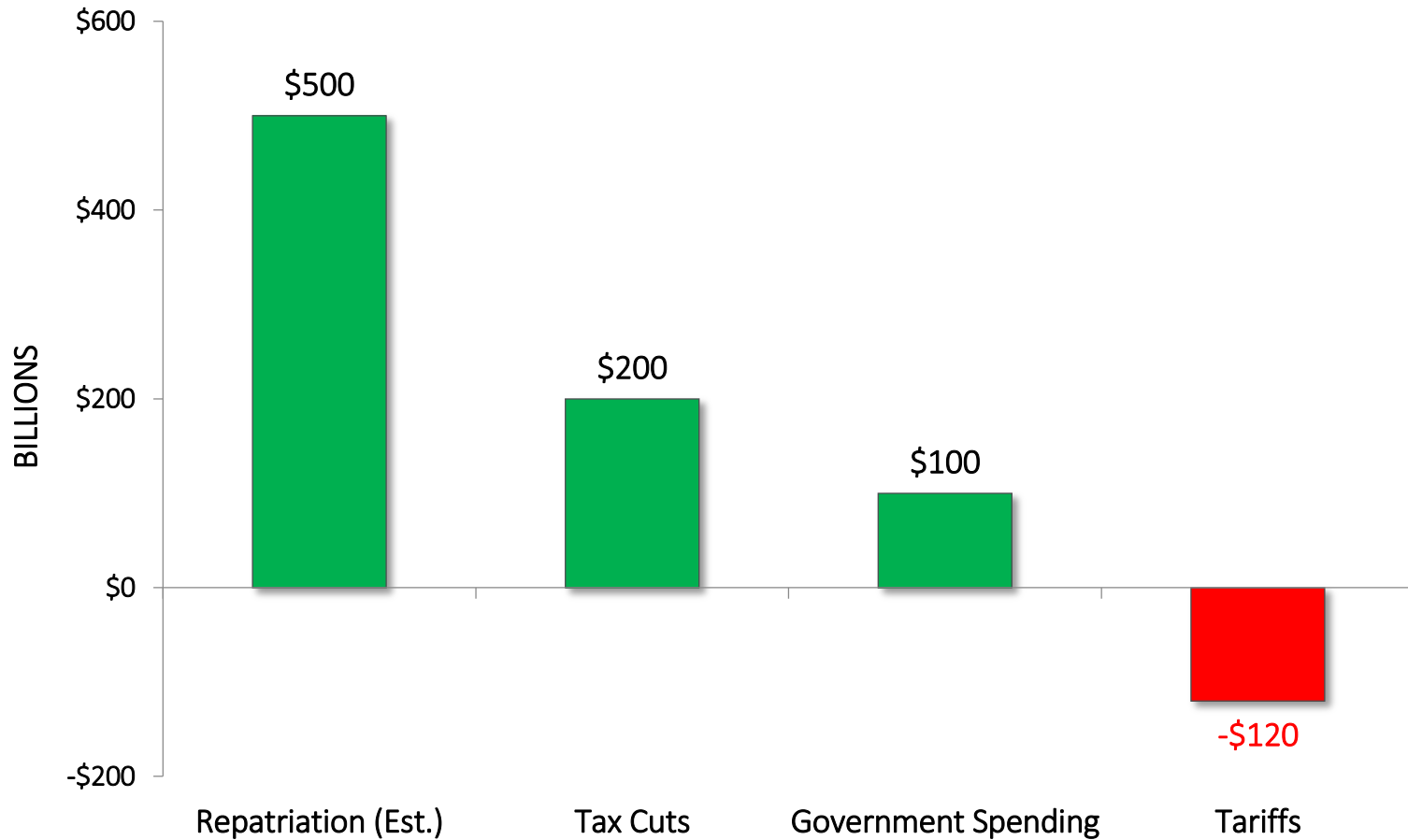
Personal Consumption Expenditures (PCE)



Source: Bloomberg

IMPACT OF TARIFFS ON THE U.S. ECONOMY?

Putting It In Perspective

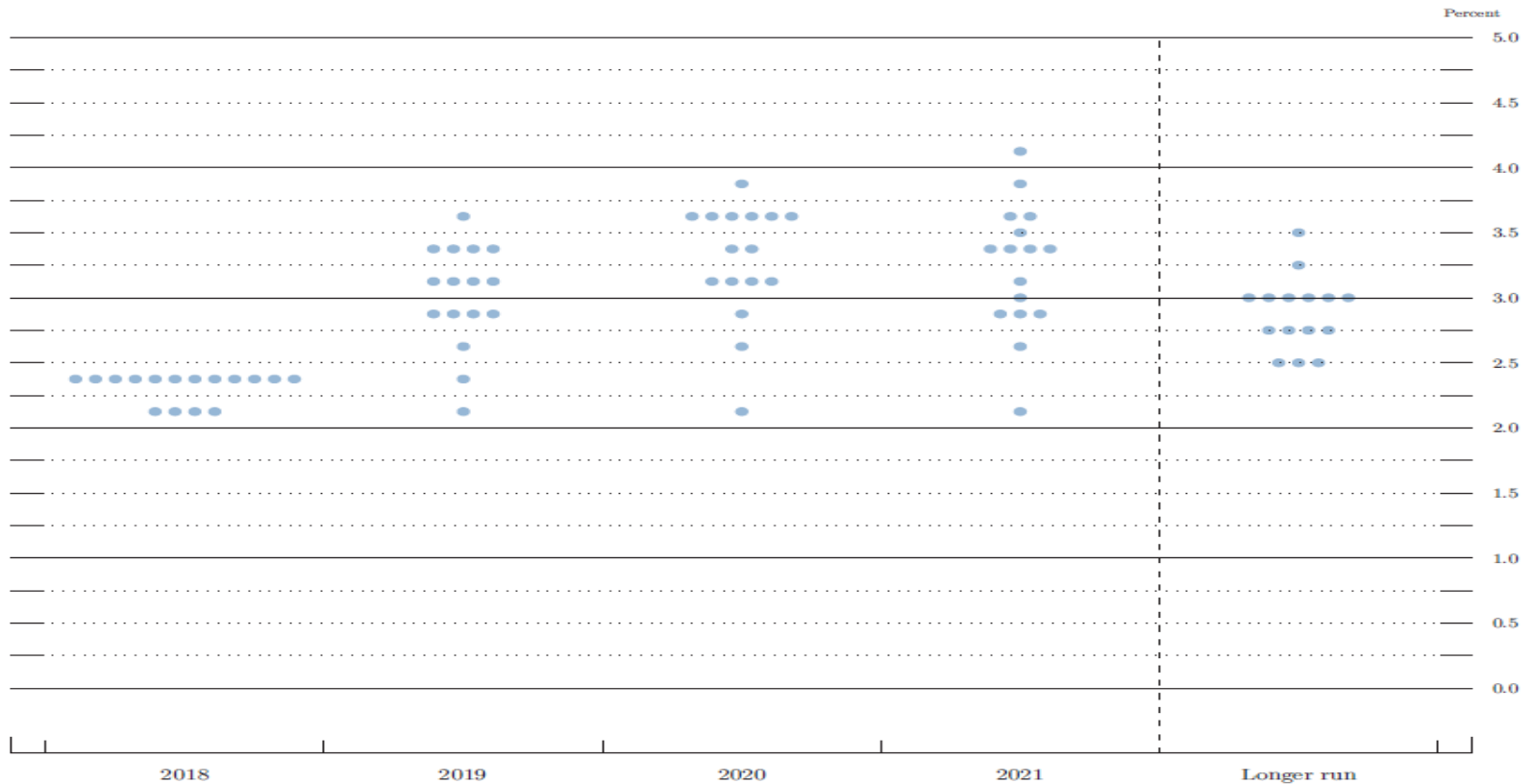


Source: Strategas as of 9.24.18

FOMC “DOT PLOT”

9/26/18 Meeting

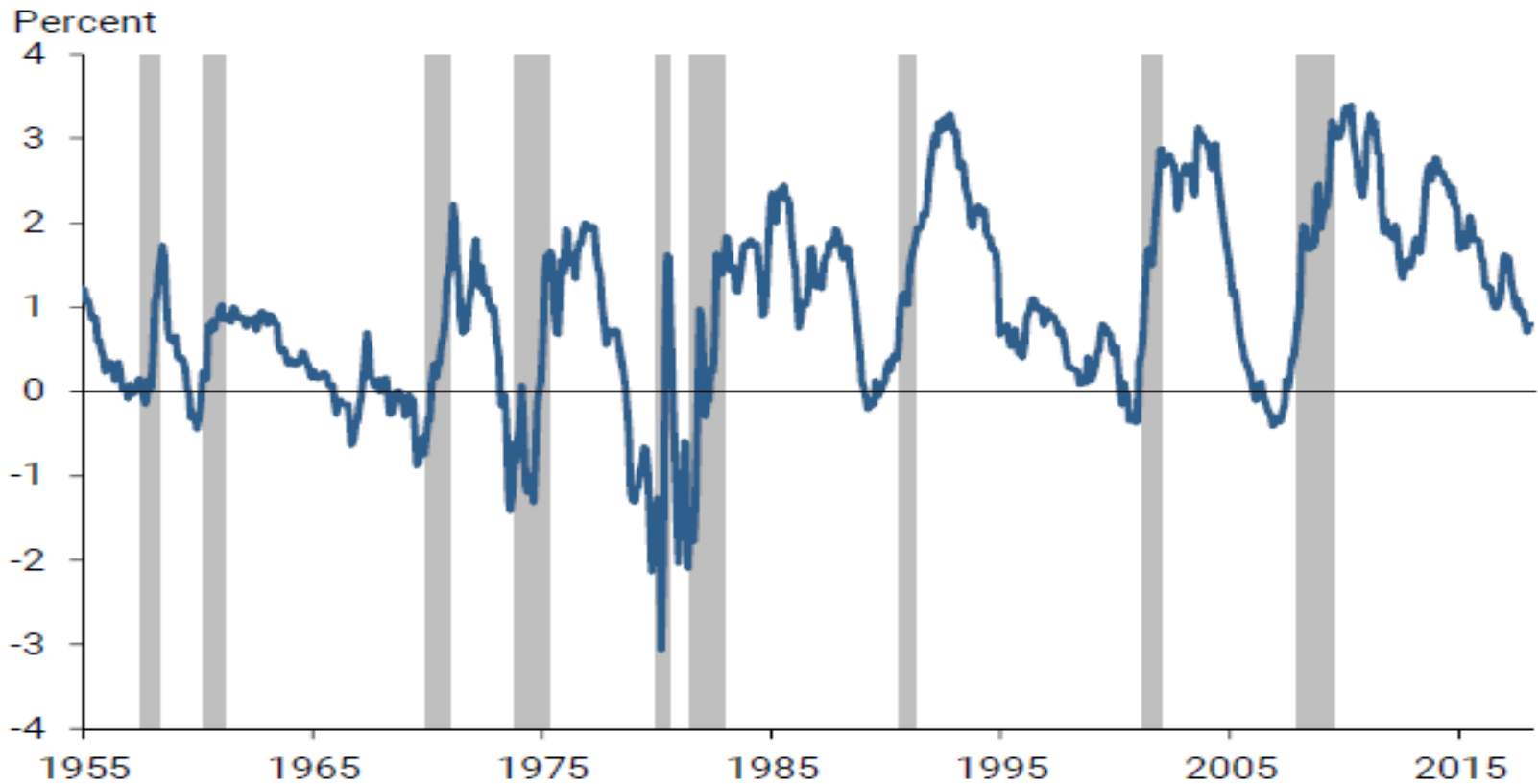
Figure 2. FOMC participants’ assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate



Source: Federal Reserve

RECESSION INDICATOR

The term spread and recessions

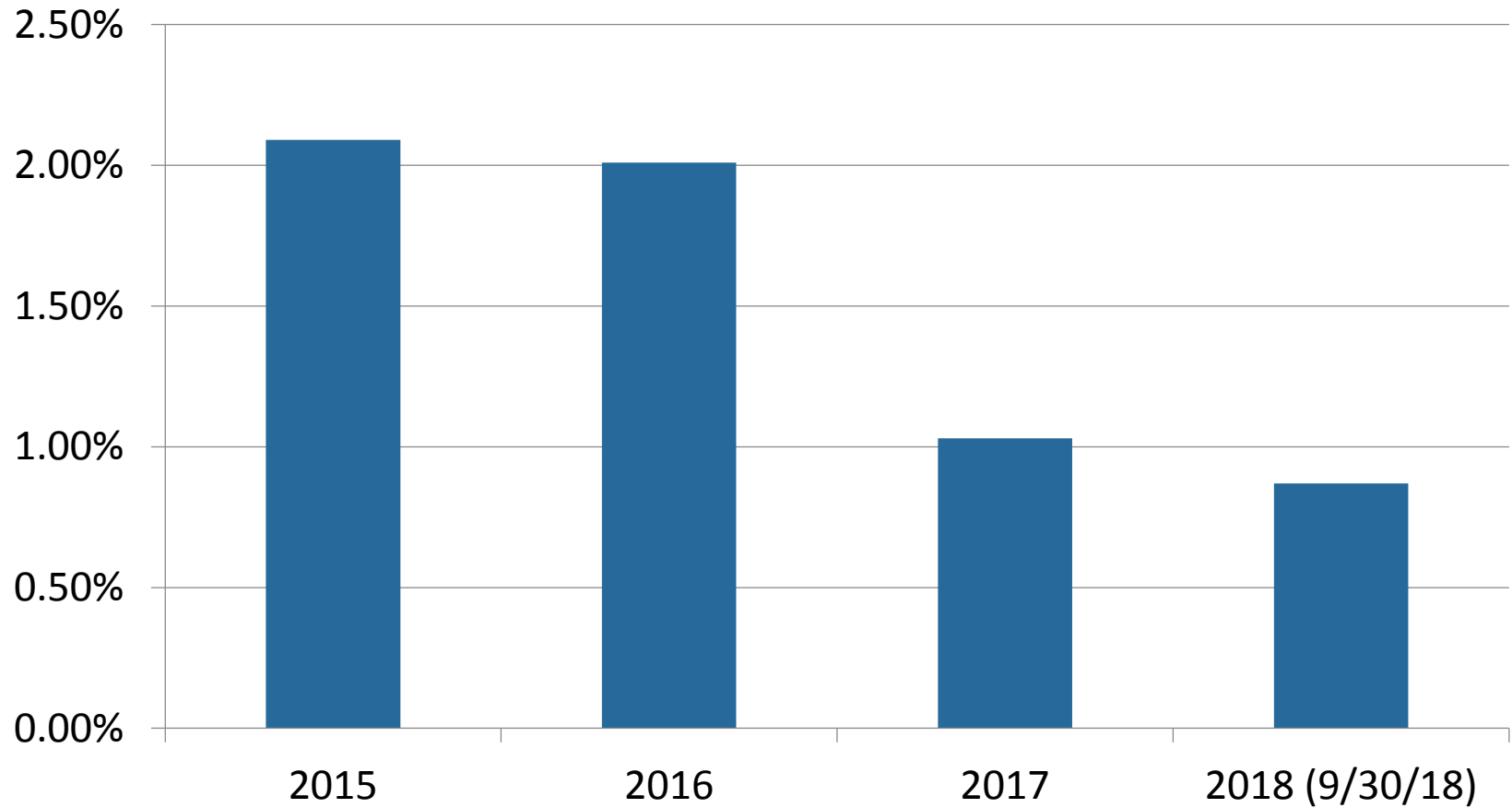


Note: Gray bars indicate NBER recession dates.

Source: Federal Reserve Bank of San Francisco

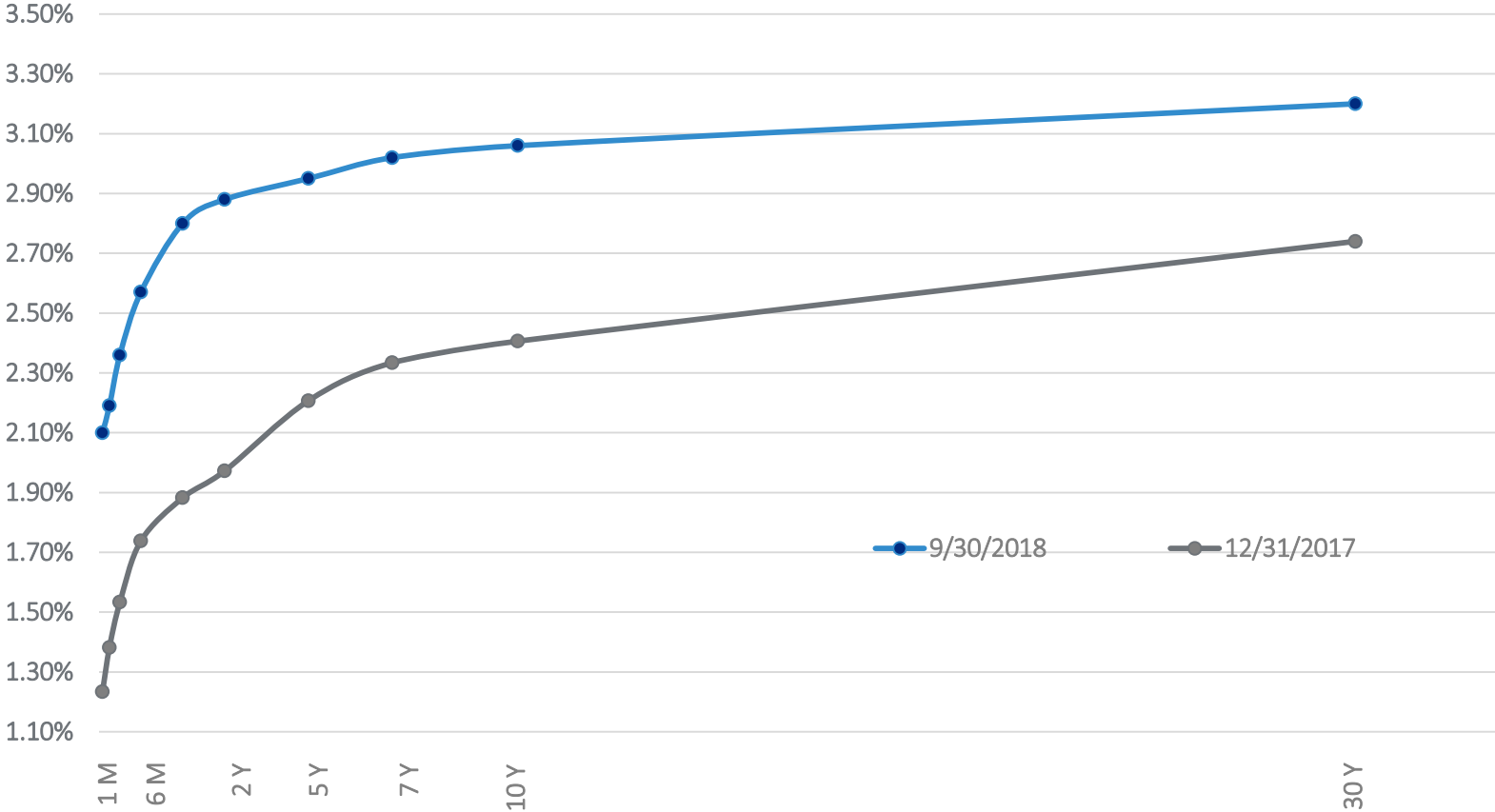
TERM SPREADS

3 month vs 10 year US Treasuries



Source: Bloomberg

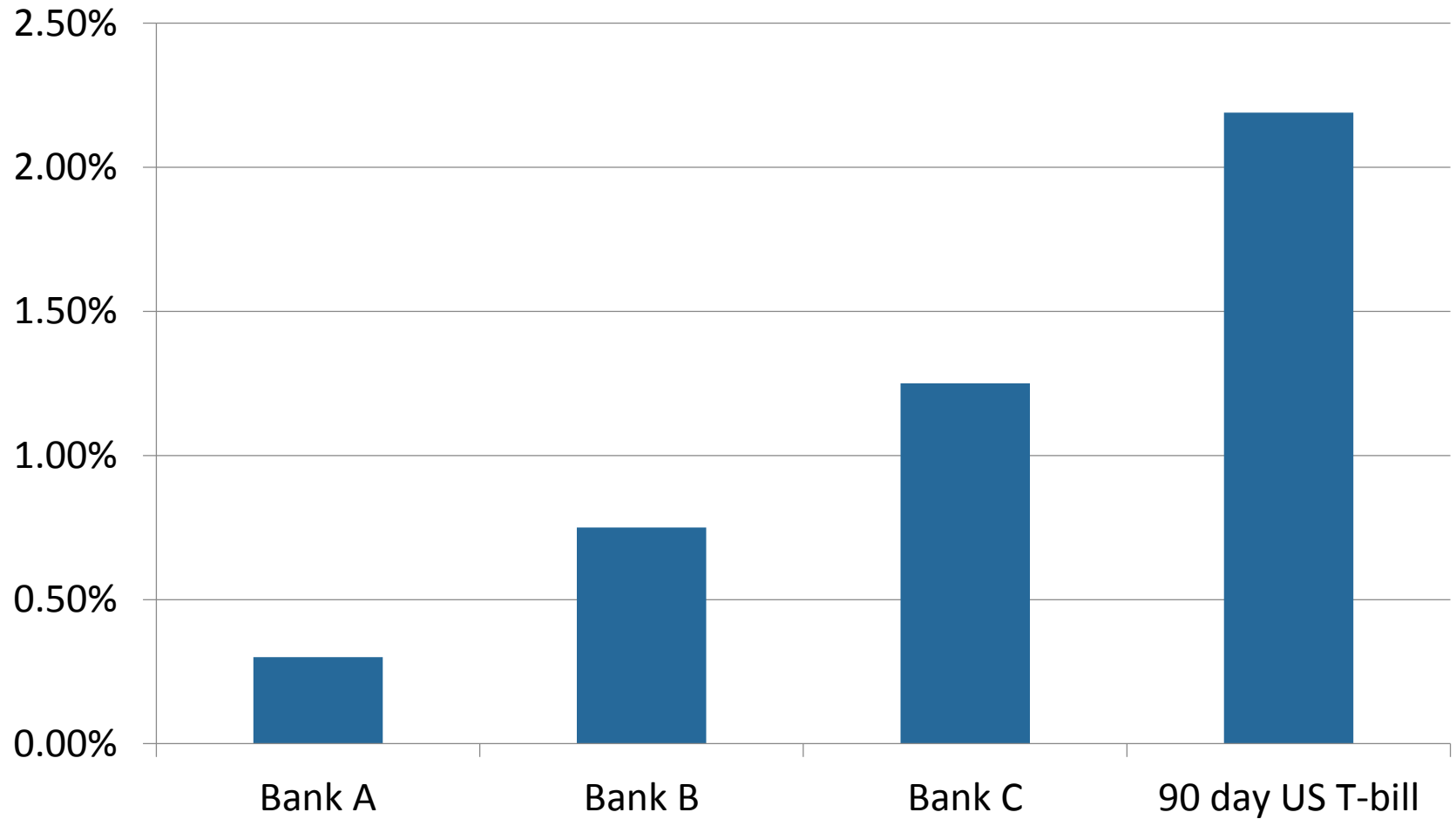
YIELD CURVE COMPARISON



Source: Bloomberg

Earnings Credit Rates

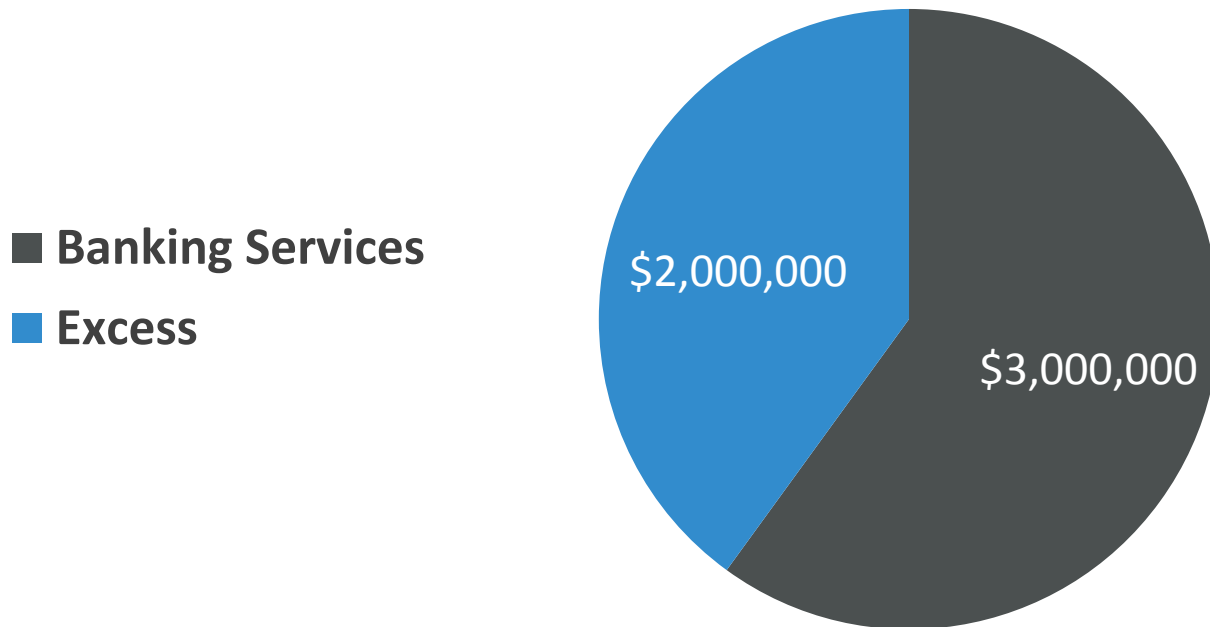
EARNINGS CREDIT RATES



BANK A – EARNINGS CREDIT RATE 0.30%

Public Entity Depositor

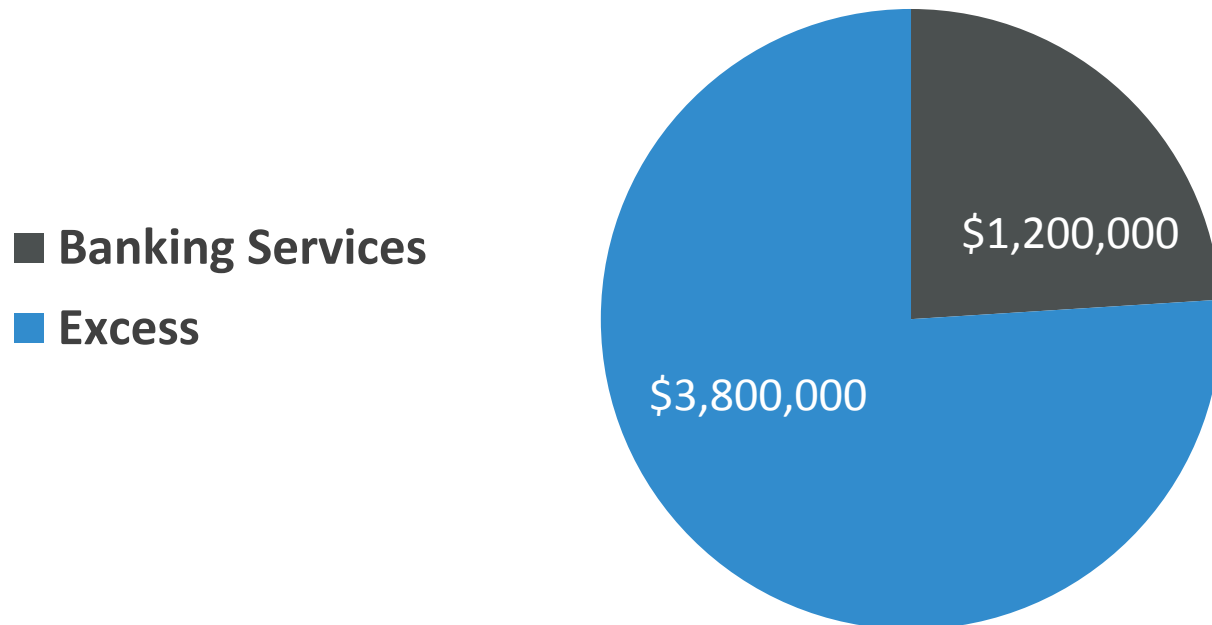
Cost of Banking Services per month	\$750.00
Bank Balance	\$5,000,000



BANK B – EARNINGS CREDIT RATE 0.75%

Public Entity Depositor

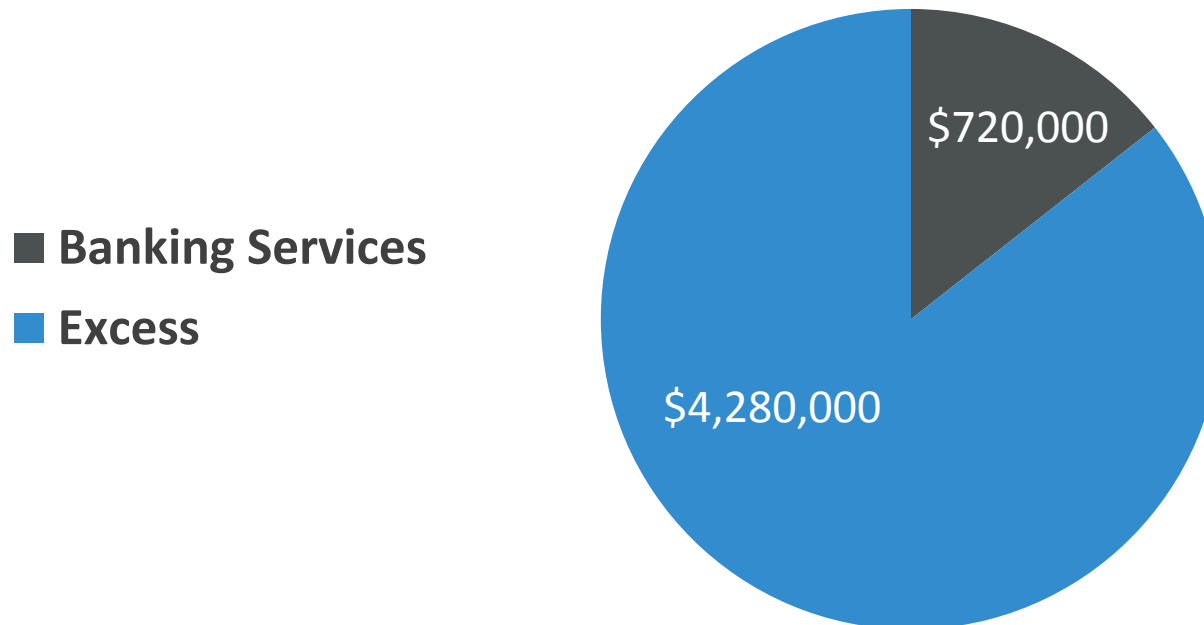
Cost of Banking Services per month	\$750.00
Bank Balance	\$5,000,000



BANK C – EARNINGS CREDIT RATE 1.25%

Public Entity Depositor

Cost of Banking Services per month	\$750.00
Bank Balance	\$5,000,000



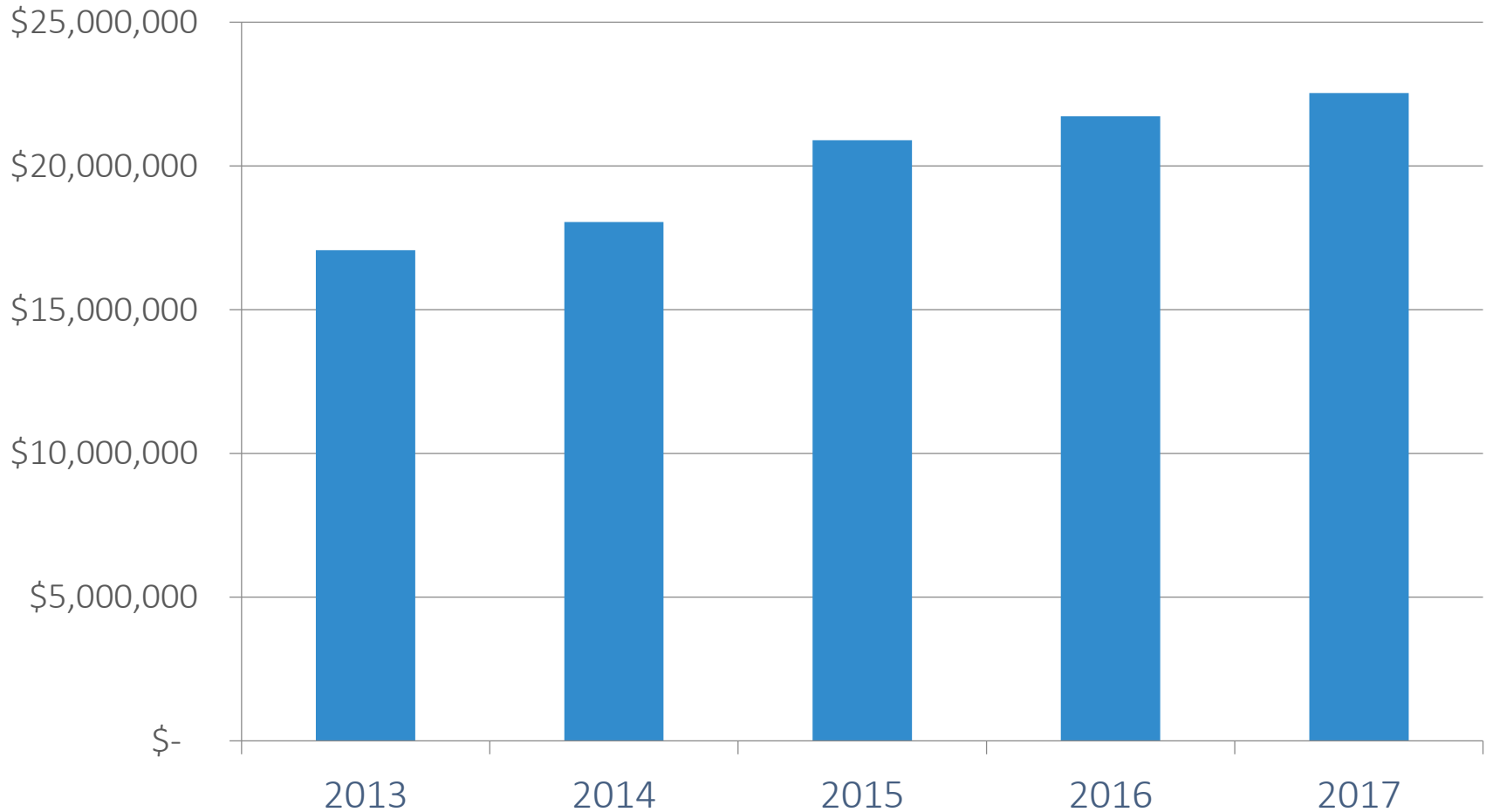
BENEFITS OF INVESTING EXCESS BALANCE

	Bank A	Bank B	Bank C
Earnings Credit Rate	0.30%	0.75%	1.25%
Balance to Cover Banking Services	\$3,000,000	\$1,200,000	\$720,000
Excess Balance	\$2,000,000	\$3,800,000	\$4,280,000
Additional Interest Income at 2.50%	\$50,000	\$95,000	\$107,000

Cash Allocation

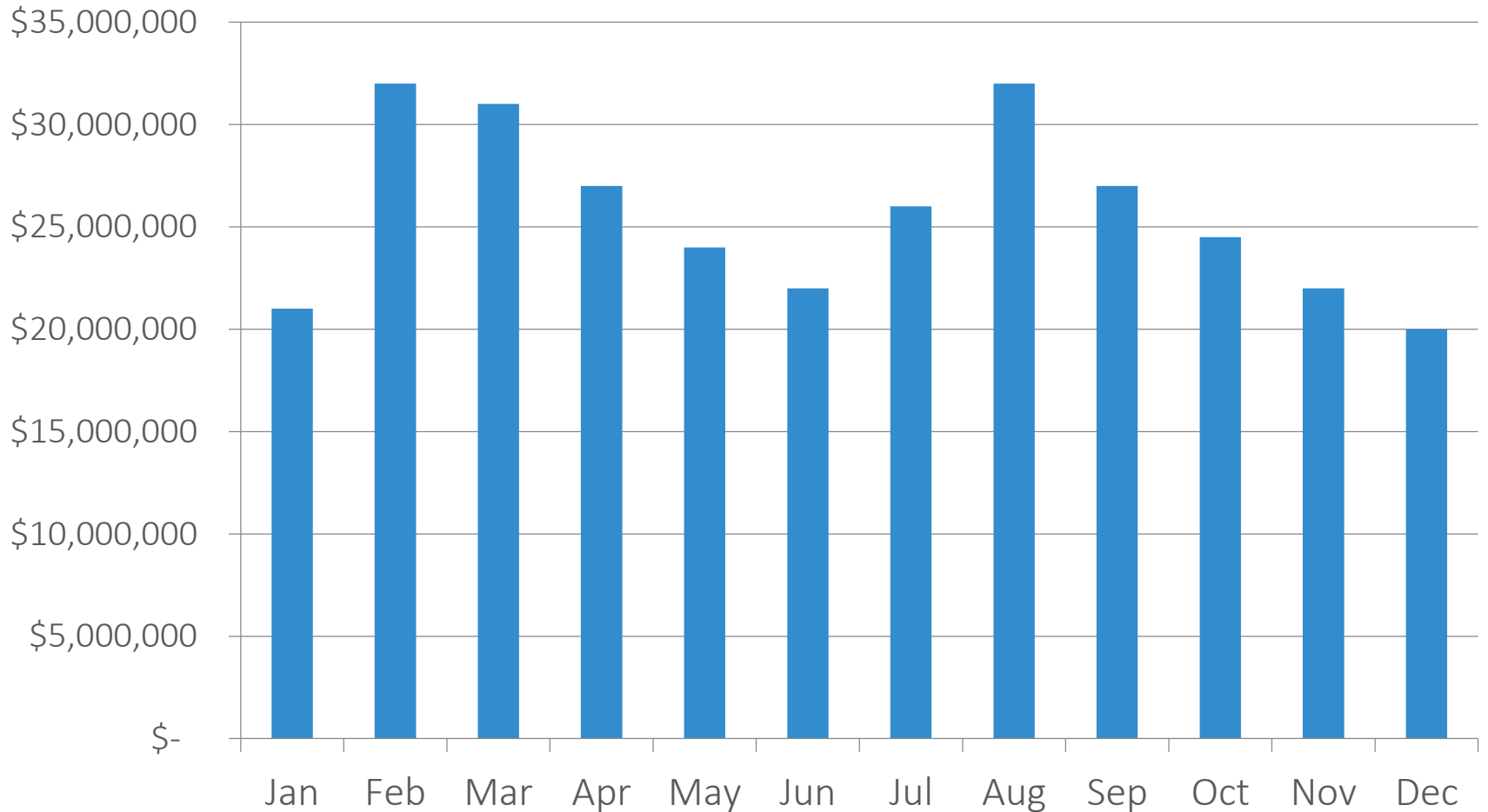
HISTORICAL CASH

Year-end Balances



HISTORICAL CASH

Month-end Balances



CASH ALLOCATION

Current



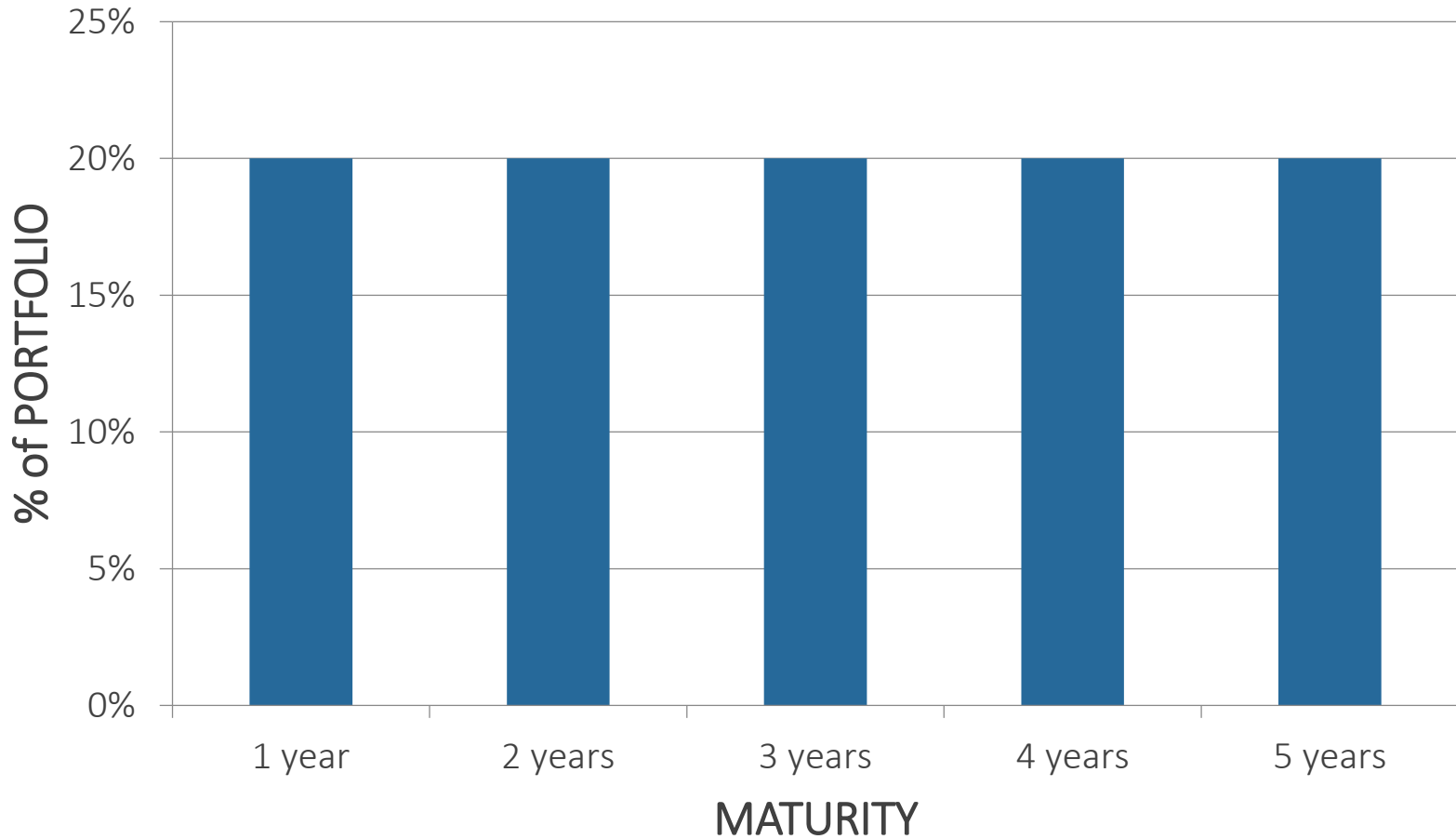
Right-Sized



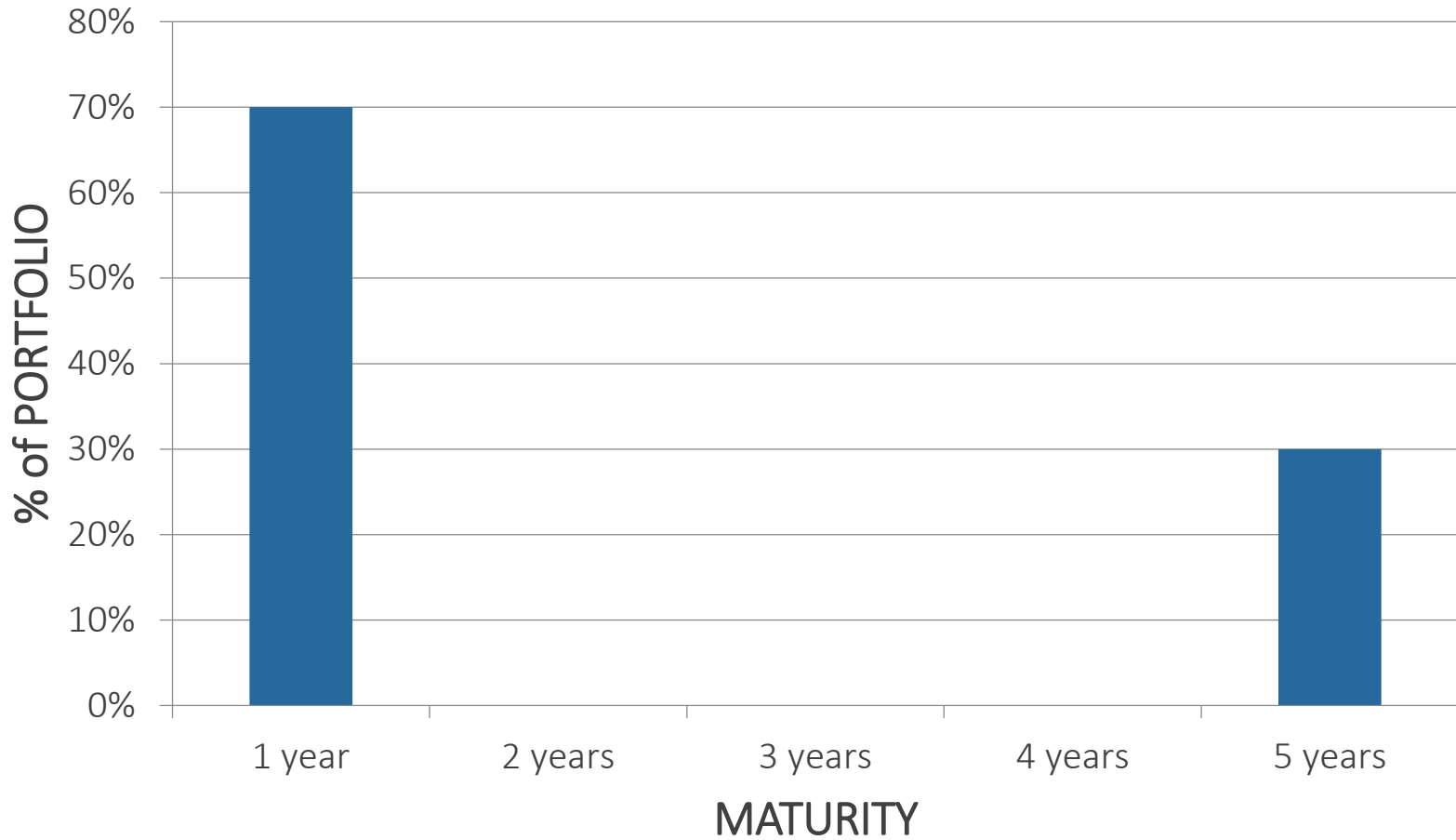
Projected Additional Interest Income of \$180,000

Portfolio Strategies

LADDERED PORTFOLIO



BARBELL PORTFOLIO



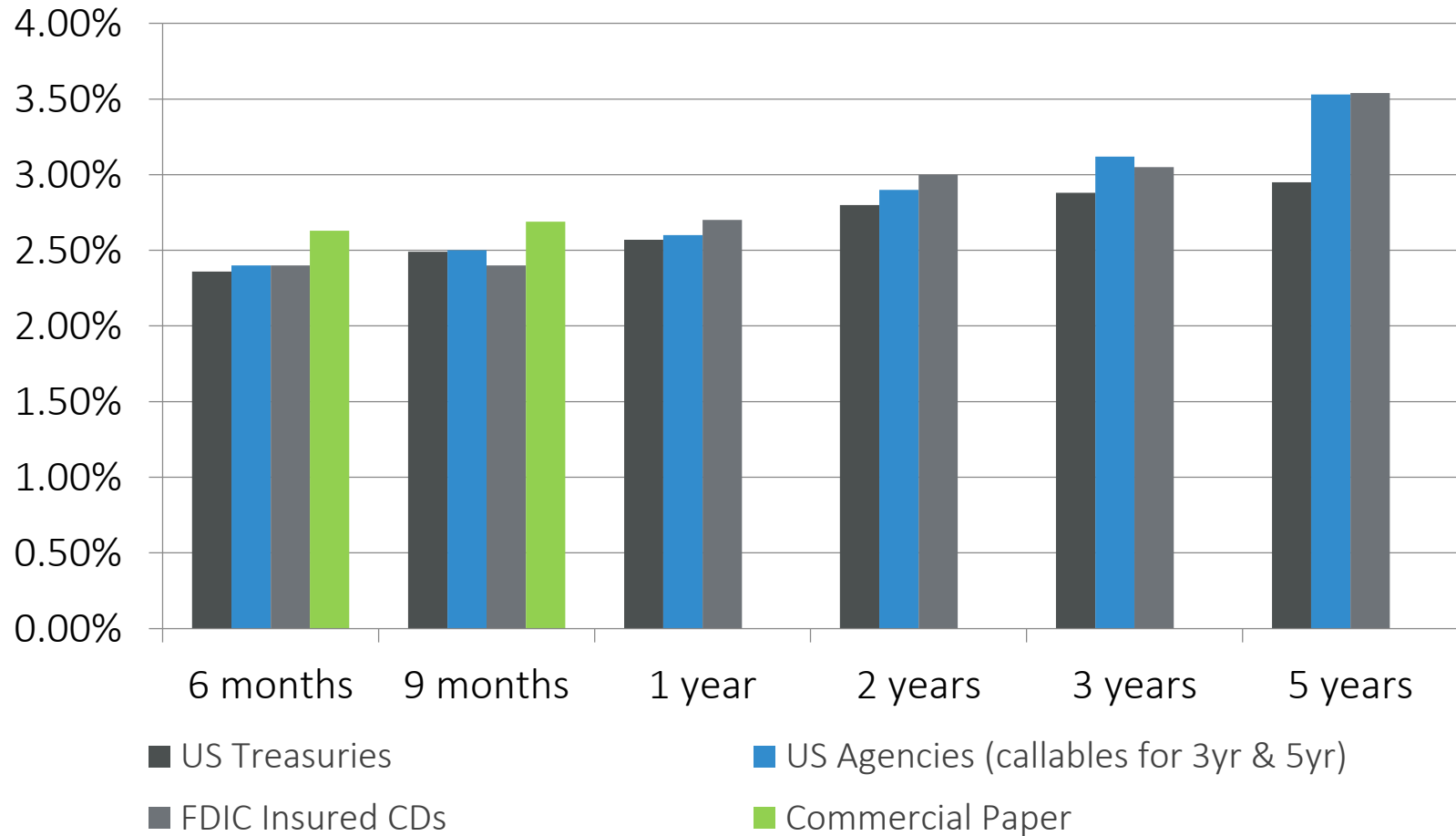
Permissible Investments

PERMISSIBLE INVESTMENTS

- US Treasuries
- US Government Agencies
- Certificates of Deposit and CDARS
- Municipal Bonds
- Commercial Paper

PERMISSIBLE INVESTMENTS

Market Indications as of 9/28/18



COMMERCIAL PAPER

OHIO REVISED CODE 135.14

7) Up to **forty per cent** of interim moneys available for investment in either of the following:

(a) Commercial paper notes issued by an entity that is defined in division (D) of section 1705.01 of the Revised Code and that has assets exceeding five hundred million dollars, to which notes all of the following apply:

(i) The notes are rated at the time of purchase in the highest classification established by at least two nationally recognized standard rating services.

(ii) The aggregate value of the notes does not exceed ten per cent of the aggregate value of the outstanding commercial paper of the issuing corporation.

(iii) The notes mature not later than two hundred seventy days after purchase.

(iv) The investment in commercial paper notes of a **single issuer shall not exceed in the aggregate five per cent** of interim moneys available for investment at the time of purchase.

(b) Bankers acceptances of banks that are insured by the federal deposit insurance corporation and that mature not later than one hundred eighty days after purchase.

No investment shall be made pursuant to division (B)(7) of this section unless the treasurer or governing board has completed additional training for making the investments authorized by division (B)(7) of this section. The type and amount of additional training shall be approved by the treasurer of state and may be conducted by or provided under the supervision of the treasurer of state.

THANK YOU



MEEDEER
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