Investment Committee Meeting
October 25, 2017
1:30 pm

1. Public comment (if allowed by Chair)

2. Investment Report – As of September 30, 2017

3. Investment Activity: 7/1/2017 – 9/30/2017

		Date	Amount	Yield
Matured	Federal Home Loan Mortgage Co	7/28/17	$1M	.7600%
Purchased	Federal Home Loan Bank	8/2/2017	$1M	1.1518%

4. Federal Reserve Minutes and PFM Monthly Market Review.

5. Next Investment Committee meeting: January 24, 2018 - at 1:30pm

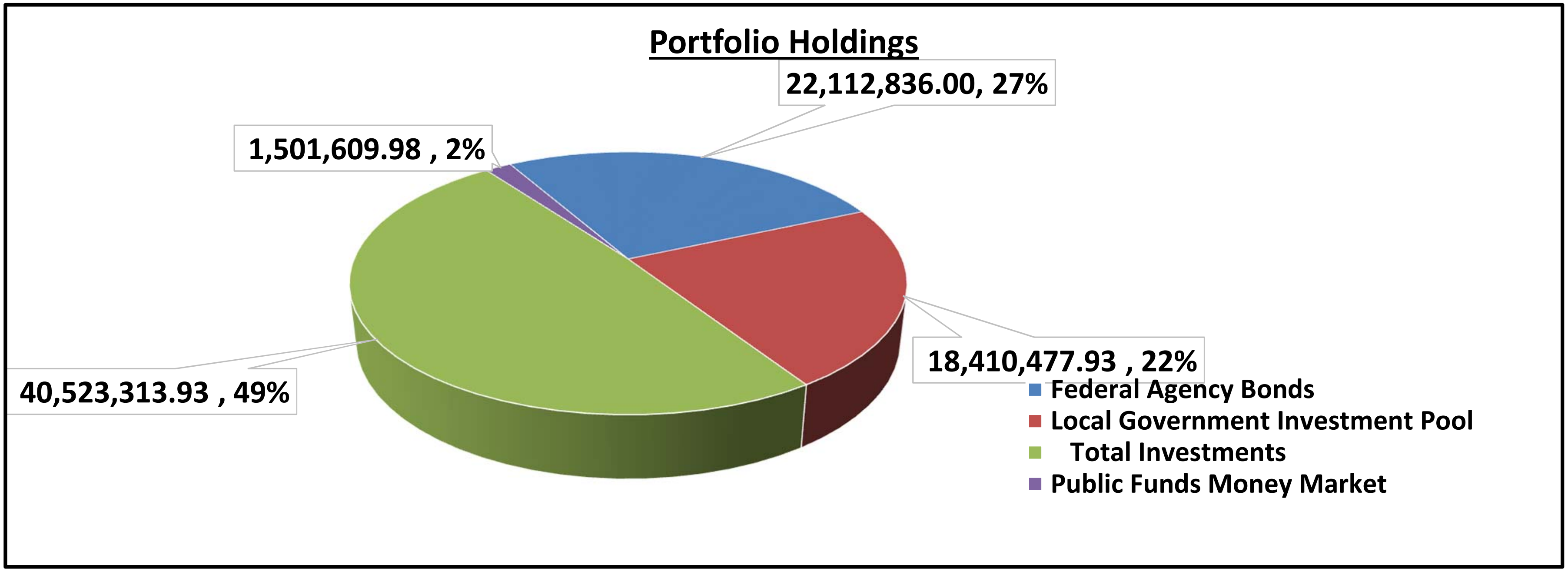
6. Adjourn

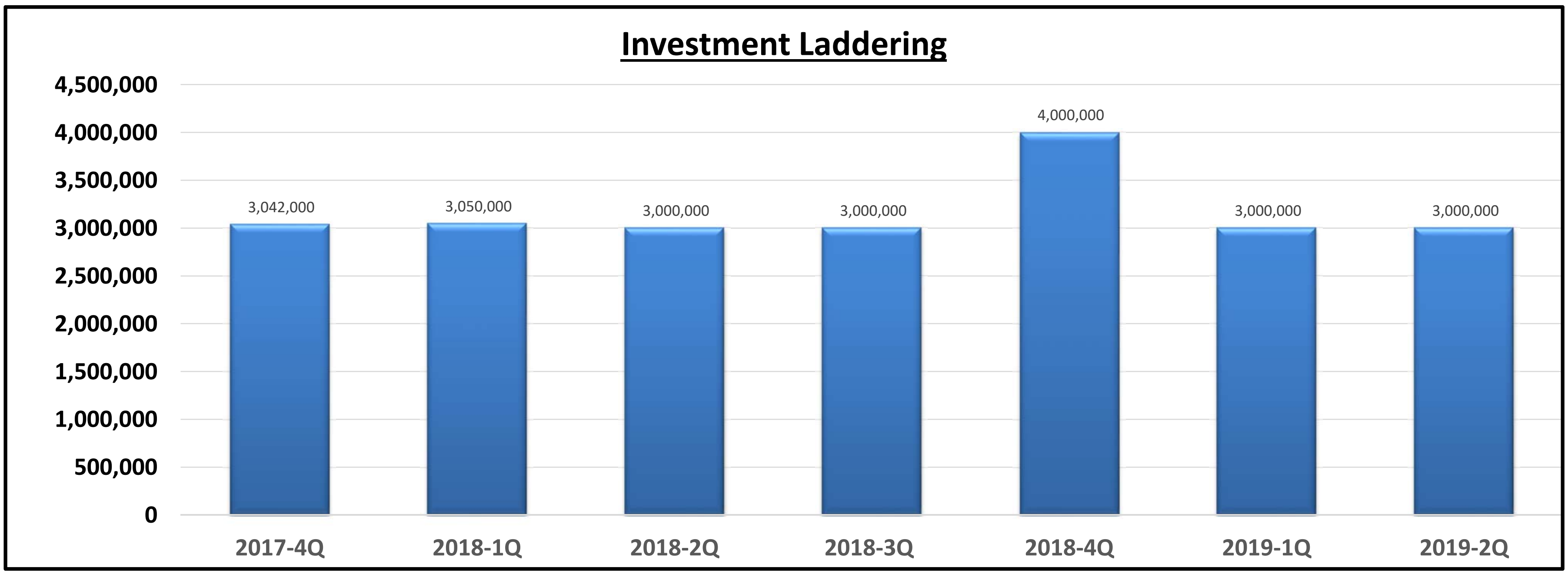
City of Oak Harbor
Investments Detail - Ladder
September 30, 2017

	Bank	Description	Settlement Date	Coupon	PAR Value	Price	Purchase Price	Book Value	Market Value	Maturity Date	Yield to Mat-Purch	Days to Maturity
1	US	Financing Corporation (FICO)	06/12/15	0.0000%	2,042,000	97.9387	1,999,908.25	2,033,054.88	2,041,544.63	10/06/17	0.9011%	6
2	US	Federal Home Loan Bank	01/09/17	1.0000%	1,000,000	100.1877	1,001,877.00	1,000,993.71	999,752.00	12/19/17	0.8000%	80
3	US	Federal Home Loan Mortgage Company	08/03/15	0.7500%	1,000,000	99.7818	997,818.00	999,553.17	998,843.00	01/12/18	0.8404%	104
4	US	Federal Home Loan Bank	09/28/15	1.0000%	1,050,000	100.4297	1,054,511.85	1,050,933.49	1,049,031.90	02/28/18	0.8204%	151
5	US	Federal Home Loan Mortgage Company	01/31/17	0.8750%	1,000,000	100.0271	1,000,271.00	1,000,127.03	998,716.00	03/07/18	0.8501%	158
6	US	Federal Home Loan Mortgage Company	04/27/16	0.7500%	2,000,000	99.9414	1,998,828.00	1,999,397.26	1,994,530.00	04/09/18	0.7803%	191
7	US	Federal Home Loan Bank	08/03/17	0.8750%	1,000,000	99.7512	997,512.00	997,512.00	997,065.00	06/29/18	1.1518%	272
8	US	Federal Home Loan Bank	03/10/17	0.6250%	1,000,000	99.3239	993,239.00	995,199.28	994,061.00	08/07/18	1.1101%	311
9	US	Federal National Mortgage Association	06/06/17	1.5500%	1,000,000	100.4780	1,004,780.00	1,003,955.86	1,002,017.00	08/21/18	1.1501%	325
10	US	Federal Farm Credit Bureau	05/20/16	1.8500%	1,000,000	102.0458	1,020,458.00	1,008,778.16	1,005,372.00	09/19/18	0.9600%	354
11	US	Federal National Mortgage Association	06/30/17	0.8750%	1,000,000	99.5363	995,363.00	995,363.00	995,040.00	10/12/18	1.2401%	377
12	US	Federal Home Loan Bank	08/26/16	1.7000%	1,000,000	102.0122	1,020,122.00	1,013,348.74	1,002,978.00	11/30/18	0.8000%	426
13	US	Federal National Mortgage Association	04/25/17	1.1250%	1,000,000	99.9750	999,750.00	999,770.80	996,834.00	12/14/18	1.1403%	440
14	US	Federal National Mortgage Association	05/25/17	1.0700%	1,000,000	99.7964	997,964.00	998,071.16	995,399.00	12/26/18	1.1998%	452
15	US	Federal National Mortgage Association	11/18/16	1.3750%	2,000,000	100.7462	2,014,924.00	2,010,201.23	1,998,716.00	01/28/19	1.0300%	485
16	US	Federal Home Loan Bank	08/23/16	1.5000%	1,000,000	101.6308	1,016,308.00	1,009,624.39	1,000,438.00	03/08/19	0.8500%	524
17	US	Federal Home Loan Bank	11/18/16	0.9500%	1,000,000	99.7415	997,415.00	997,828.24	991,597.00	04/05/19	1.0602%	552
18	US	Federal Home Loan Bank	03/10/17	1.3750%	2,000,000	99.9462	1,998,924.00	1,999,123.60	1,991,156.00	05/24/19	1.3996%	601
		Federal Agency Bonds			**22,092,000**		**22,109,973.10**	**22,112,836.00**	**22,053,090.53**		**1.0080%**	**322**
	SIP	Local Government Investment Pool						18,410,477.93			1.1286%	1
		Total Investments						***40,523,313.93***				
	MIA	Public Funds Money Market						1,501,609.98			0.0199%	1
		Total Investments inc. Cash						**42,024,923.91**			**1.0255%**	**170**
		6-month Treasury Benchmark									**1.1800%**	

* Bond is callable

Matured during the month:


Portfolio Holdings
22,112,836.00, 27%
1,501,609.98 , 2%
18,410,477.93 , 22%
40,523,313.93 , 49%
Federal Agency Bonds
Local Government Investment Pool
Total Investments
Public Funds Money Market


Investment Laddering
4,500,000
4,000,000
3,500,000
3,000,000
2,500,000
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1,500,000
1,000,000
500,000
0
3,042,000
3,050,000
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3,000,000
3,000,000
2017-4Q
2018-1Q
2018-2Q
2018-3Q
2018-4Q
2019-1Q
2019-2Q

Monthly Market Review

Economic Highlights

- Domestic and global political turbulence may stir the markets from their summer somnolence, disrupting interest rate and stock market trends that have been intact for most of 2017. 'Tis the season of Federal spending and debt ceiling debates, complicated by massive hurricanes and existential threats on the Korean peninsula. As if not enough, federal tax reform is in the wings.
- U.S. economic growth continues, with gross domestic product (GDP) expanding at an annual rate of 3.0%, up from just 1.2% in the first quarter. Growth was driven in large part by strong personal consumption and business spending.
- The labor market added 156,000 jobs in August, below expectations, but clocked the 83rd straight month of job gains. The unemployment rate ticked up to 4.4%, while average hourly earnings experienced a 2.5% year-over-year (YOY) increase, indicating slow wage growth.
- Employment and GDP figures are likely to be distorted for the balance of the year by Hurricane Harvey, and perhaps by Irma as well.
- While the U.S. economy has arguably reached near full employment, price inflation remains stubbornly tepid. Future Federal Reserve (Fed) action may depend on progress on the inflation front, and the emphasis is likely to shift from raising short-term rates to shrinking its bloated balance sheet.

Bond Markets

- Investor anxiety over the U.S. debt ceiling caused yields on Treasuries with October maturities to spike, similar to reactions around prior debt ceiling deadlines. The Treasury Department has projected that it will run out of cash by early October unless the debt ceiling is raised. The need for a spending resolution before September 30 has exacerbated the uncertainty.
- The yield curve flattened further in August as short-maturity yields, which are closely aligned to the unchanged federal funds rate, were all but unchanged. The yield on 10-year Treasury notes fell 18 basis points (bps) to 2.11%, a low for the year. The 30-year Treasury fell 17 bps to 2.73%.
- Yield spreads on federal agencies remained narrow, as did those of corporates, amidst strong investor demand and a "reach-for-yield" mentality.
- Short-term credit instruments, such as commercial paper and bank certificates of deposit, continue to offer value over similar-maturity alternatives, although yield spreads have come in from the attractive levels generated by last year's money market reform.

Municipal Bond Market

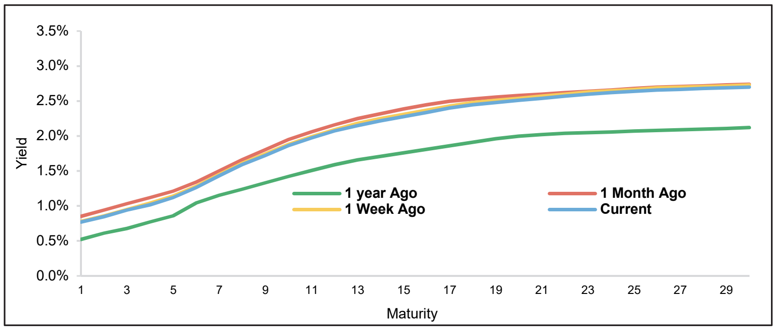
- Municipal new issuance declined in August with a 25.4% drop in municipal bond sales to $34.9 billion from $46.7 billion the same month last year. This was, once again, due largely to a significant decrease in refundings which were down 37.3% to $12.6 billion from $20 billion the same month last year. Year-to-date (YTD) long-term sales are down 15% to $257.6 billion from $302.9 billion the same period last year, according to the Municipal Market Monitor (TM3) data.
- Municipal bond flows continued to remain positive throughout the month with inflows through the week of August 30 at $5.0 billion, rising drastically from July's $2.5 billion, according to Investment Company Institute (ICI) data.
- The Municipal Market Index Data (MMD) curve saw rates decrease across the yield curve. One-year rates decreased 8 bps and maturities of 3, 5 and 10 years saw decreases of 9 bps across the board. On the long end, the 30-year decreased by 4 bps according to TM3 data.
- The 10-year MMD Single-A General Obligation (GO) Index credit spreads and Double-A GO Index credit spreads were unchanged at 52 and 19 bps respectively, according to TM3 data.
- In July, Municipal/Treasury ratios decreased on the front end, and increased in the intermediate and long portions of the curve. The two-year ratio fell to 63.9% from 69.6% in July and the five-year ratio fell to 65.7% from 66.1% in July. The intermediate-term ratio rose to 73.4% from 71.3% last month, and the 10-year ratio rose to 87.7% from 85.2% last month. The 30-year rose to 99.1% from 94.6% last month, according to TM3 data.
- The Federal Open Market Committee (FOMC) voted in July to hold interest rates between 1% and 1.25%. They have recently expressed a goal of setting a date to begin reducing the balance sheet and it is expected they will set a date during the September meeting. Markets imply a 32.1% likelihood of another rate hike at the December meeting.
- The sequestration rate for direct pay bonds created by the American Recovery & Reinvestment Act (ARRA) will be 6.6%, as announced by the Internal Revenue Service. The new rate will start October 1, 2017 with the beginning of the federal fiscal year (FFY) 2018. The federal subsidies paid to issuers of ARRA bonds will be reduced from their initial levels by 6.6% (e.g., initial 35% Build America Bonds federal subsidy payment will be reduced to 32.69% for FFY 2018). This is a decrease from the FFY 2017 sequestration rate of 6.9%. Impacted bonds include Build America Bonds, Qualified Zone Academy Bonds, Qualified Energy Conservation Bonds, Qualified School Construction Bonds and Redevelopment Zone Economic Development Bonds.

Spot Rates				
	Current 8/31/2017	1 Week Ago 8/24/2017	1 Month Ago 7/31/2017	1 Year Ago 8/31/2016
2 year	0.85	0.86	0.94	0.61
3 year	0.94	0.95	1.03	0.68
5 year	1.12	1.14	1.21	0.86
7 year	1.43	1.45	1.50	1.15
10 year	1.86	1.88	1.95	1.42
30 year	2.70	2.73	2.74	2.12

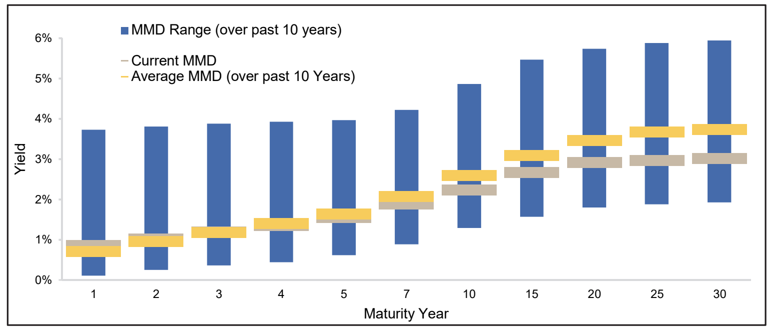
Change in Spot Rate (basis points)			
	1 Week Ago 8/24/2017	1 Month Ago 7/31/2017	1 Year Ago 8/31/2016
2 year	-1	-9	24
3 Year	-1	-9	26
5 Year	-2	-9	26
7 Year	-2	-7	28
10 Year	-2	-9	44
30 Year	-3	-4	58

Market Rates			
Term	MMD AAA GO	U.S. Treasury	Muni Swap Rate
2 year	0.85%	1.33%	1.02
3 year	0.94%	1.43%	1.10
5 year	1.12%	1.70%	1.29
7 year	1.43%	1.94%	1.44
10 year	1.86%	2.12%	1.59
30 year	2.70%	2.73%	2.03

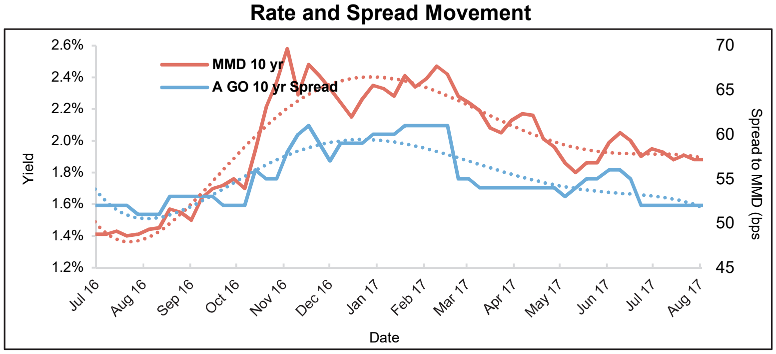
MMD AAA G.O. Curve



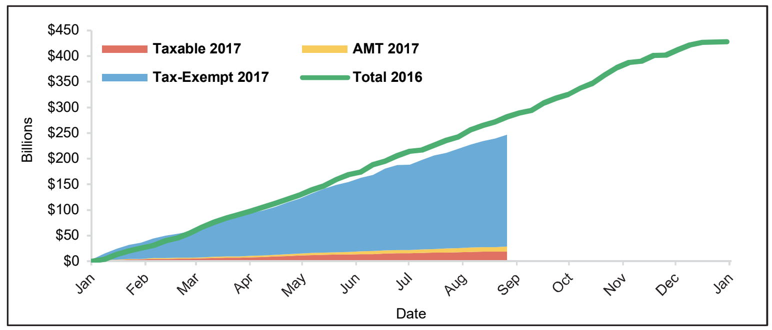
MMD Rates Over Time



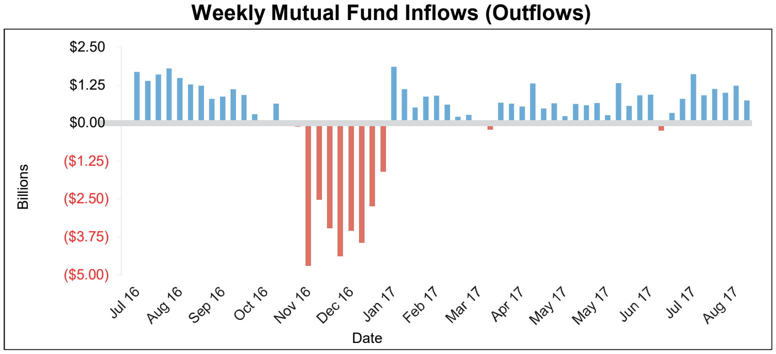
Rate and Spread Movement



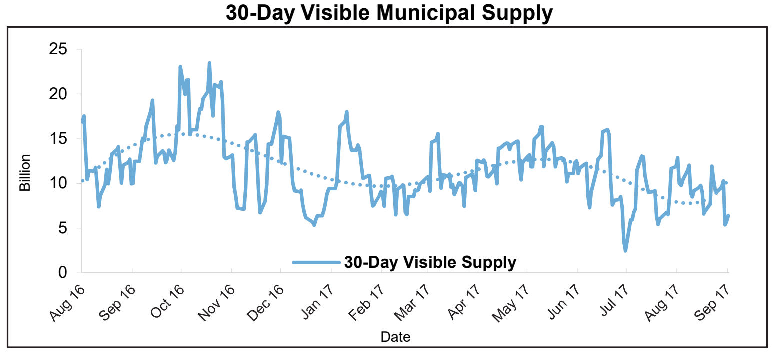
2017 Cumulative Issuance



Weekly Mutual Fund Inflows (Outflows)



30-Day Visible Municipal Supply



Economic Calendar

Date	Time	Statistic	Date	Time	Statistic	Date	Time	Statistic
09/01/17	8:30 AM	Change in Nonfarm Payrolls	09/13/17	8:30 AM	PPI Ex Food and Energy YoY	09/21/17	10:00 AM	Leading Index
09/01/17	8:30 AM	Unemployment Rate	09/13/17	2:00 PM	Monthly Budget Statement	09/26/17	10:00 AM	Conf. Board Consumer Confidence
09/01/17	8:30 AM	Change in Manufact. Payrolls	09/14/17	8:30 AM	Initial Jobless Claims	09/26/17	10:00 AM	New Home Sales
09/01/17	9:45 AM	Markit US Manufacturing PMI	09/14/17	8:30 AM	CPI MoM	09/26/17	10:00 AM	Richmond Fed Manufact. Index
09/01/17	10:00 AM	ISM Manufacturing	09/14/17	8:30 AM	CPI Ex Food and Energy MoM	09/27/17	7:00 AM	MBA Mortgage Applications
09/01/17	10:00 AM	Construction Spending MoM	09/15/17	8:30 AM	Retail Sales Advance MoM	09/27/17	8:30 AM	Durable Goods Orders
09/01/17	10:00 AM	ISM Prices Paid	09/15/17	8:30 AM	Empire Manufacturing	09/27/17	8:30 AM	Durables Ex Transportation
09/05/17	10:00 AM	Factory Orders	09/15/17	9:15 AM	Industrial Production MoM	09/27/17	10:00 AM	Pending Home Sales MoM
09/06/17	8:30 AM	Trade Balance	09/18/17	4:00 PM	Net Long-term TIC Flows	09/28/17	8:30 AM	GDP Annualized QoQ
09/06/17	9:45 AM	Markit US Composite PMI	09/19/17	8:30 AM	Housing Starts	09/28/17	8:30 AM	Wholesale Inventories MoM
09/06/17	10:00 AM	ISM Non-Manf. Composite	09/19/17	8:30 AM	Import Price Index MoM	09/28/17	8:30 AM	GDP Price Index
09/07/17	8:30 AM	Continuing Claims	09/19/17	8:30 AM	Current Account Balance	09/28/17	8:30 AM	Personal Consumption
09/13/17	8:30 AM	PPI Final Demand MoM	09/20/17	10:00 AM	Existing Home Sales	09/28/17	9:45 AM	Bloomberg Consumer Comfort
09/13/17	8:30 AM	PPI Final Demand YoY	09/20/17	2:00 PM	FOMC Rate Decision (Upper Bound)	09/29/17	8:30 AM	Personal Income
09/13/17	8:30 AM	PPI Ex Food and Energy MoM	09/21/17	9:00 AM	FHFA House Price Index MoM	09/29/17	8:30 AM	Personal Spending

Sources: Bloomberg, Thomson Reuters, and ICI. Unless otherwise noted, all data is presented as of 8/31/2017.

Monthly Market Review

Economic Highlights

- Incoming economic data has been mixed, with disappointing retail sales, weak price measures and policy uncertainty offset by strength in the labor market and a rebound in gross domestic product (GDP).
- U.S. real GDP expanded at an annual rate of 2.6% in the second quarter (first estimate), with all four major components – personal consumption, government spending, investment and net exports – contributing to economic growth.
- The U.S. economy added 209,000 jobs in July, confirming a strong labor market. The unemployment rate ticked down to 4.3%, while average hourly earnings stayed at a modest 2.5% growth rate year-over-year (YOY).
- The housing market, a tailwind over the past several years, seems to have leveled off a bit. Existing home sales dropped in June, while the trajectories of housing starts and building permits slowed. Dwindling inventories contributed to record median home prices.
- Inflation measures continue to moderate. The core personal consumption expenditures price index – the Federal Reserve's (Fed) preferred measure of inflation – held at 1.5% YOY in June, but down from 1.8% a few months ago.

Bond Markets

- Most U.S. Treasury yields were little changed in July as investors awaited clarity on economic conditions, expected Fed actions, and tax and spending policies.
- The Treasury Department continues to employ "extraordinary measures" to prevent the U.S. from defaulting on its obligations as Congress considers increasing the statutory debt limit. Yields on Treasury bills maturing in October spiked because these maturities could be directly affected if the debt limit is not raised by the end of September.
- The yield on two-year Treasury notes fell 3 basis points (bps) in July to 1.35%, while the yield on 10-year Treasury notes fell 1 bp to 2.29%. The 30-year Treasury yield rose 6 bps to 2.90%.
- Agency yield spreads remained remarkably narrow, while corporate yield spreads tightened to new multi-year lows. Performance of corporate bonds continues to outpace comparable-maturity Treasuries.
- Yield spreads on short-term credit instruments such as commercial paper and bank certificates of deposit, which were exceptionally wide during last year's money market reform implementation, have returned to more typical levels.

Municipal Bond Market

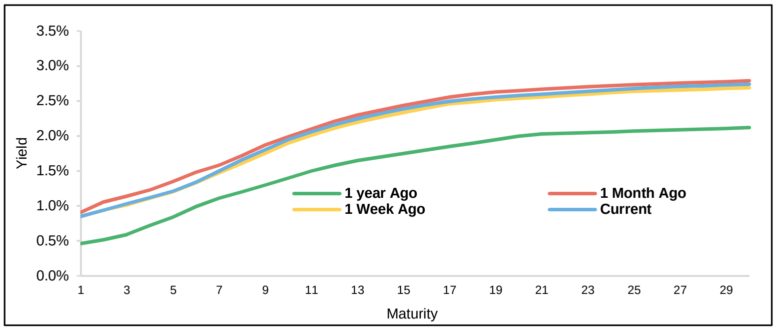
- Municipal new issuance declined in July with a 20.1% drop in municipal bond sales to $23.4 billion from $29.3 billion the same month last year. This was, once again, due largely to a significant decrease in refundings which were down 52.8% to $6.1 billion from $13 billion the same month last year according to the Municipal Market Monitor (TM3) data.
- Municipal bond flows continued to remain positive throughout the month with inflows through the week of July 26 at $1.6 billion, falling drastically from June's $3.1 billion, according to Investment Company Institute (ICI) data.
- The Municipal Market Index Data (MMD) curve saw rates falling across the board. 1-year rates fell 6 bps and maturities of 3, 5 and 10 years saw decreases of 11, 14 and 4 bps respectively. On the long end, the 30-year decreased by 5 bps according to TM3 data.
- The 10-year MMD Single-A General Obligation (GO) Index credit spreads dropped 4 bps in July to 52 bps. The 10-year Double-A GO Index credit spreads dropped 2 bps to 19 bps, according to TM3 data.
- In July, Municipal/Treasury ratios decreased on the front end, intermediate and the long portions of the curve. The two-year ratio fell to 69.6% from 76.3% in June and the five-year ratio fell to 66.1% from 71.8% in June. The intermediate-term ratio fell to 71.3% from 74.2% last month, and the 10-year ratio fell to 85.2% from 86.5% last month. The 30-year fell to 94.6% from 98.2% last month, according to TM3 data.
- The Federal Open Market Committee (FOMC) members voted unanimously on July 26 to keep its benchmark Federal Funds Rate (FFR) and balance sheet holdings unchanged. Although Fed officials state that they remain on track to continue tightening policy this year, futures markets as of month-end imply only a 40% probability of another rate hike this year.

Spot Rates				
	Current 7/31/2017	1 Week Ago 7/24/2017	1 Month Ago 6/30/2017	1 Year Ago 7/29/2016
2 year	0.94	0.94	1.06	0.52
3 year	1.03	1.02	1.14	0.59
5 year	1.21	1.20	1.35	0.84
7 year	1.50	1.47	1.58	1.11
10 year	1.95	1.90	1.99	1.40
30 year	2.74	2.69	2.79	2.12

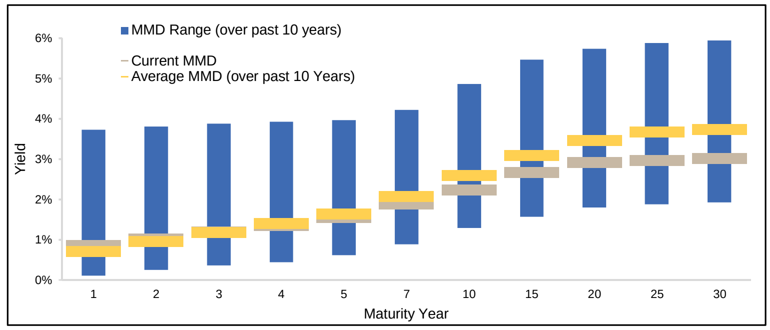
Change in Spot Rate (basis points)			
	1 Week Ago 7/24/2017	1 Month Ago 6/30/2017	1 Year Ago 7/29/2016
2 year	0	-12	42
3 Year	1	-11	44
5 Year	1	-14	37
7 Year	3	-8	39
10 Year	5	-4	55
30 Year	5	-5	62

Market Rates			
Term	MMD AAA GO	U.S. Treasury	Muni Swap Rate
2 year	0.94%	1.35%	1.08
3 year	1.03%	1.51%	1.19
5 year	1.21%	1.84%	1.41
7 year	1.50%	2.11%	1.58
10 year	1.95%	2.30%	1.76
30 year	2.74%	2.90%	2.16

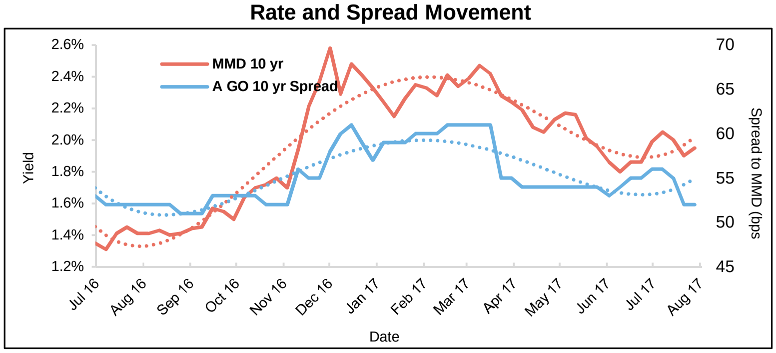
MMD AAA G.O. Curve



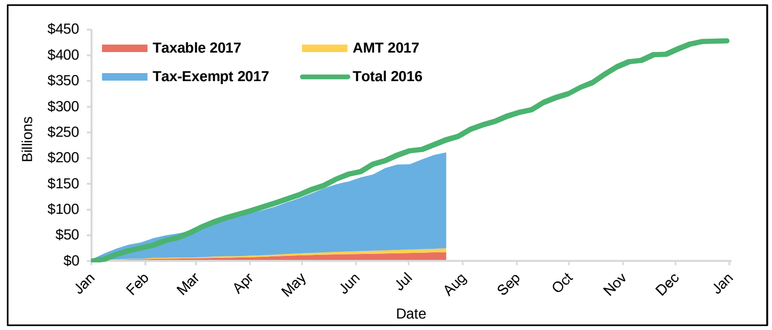
MMD Rates Over Time



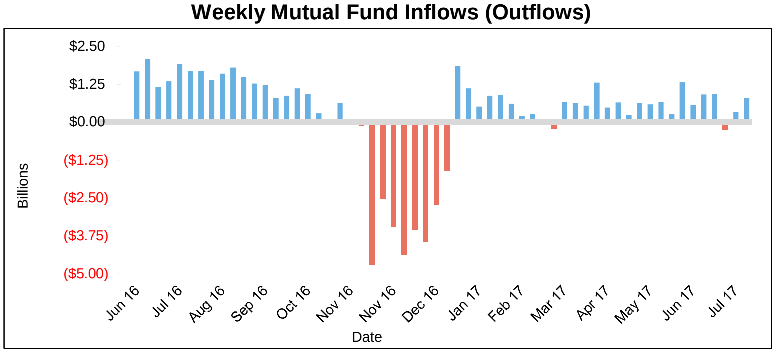
Rate and Spread Movement



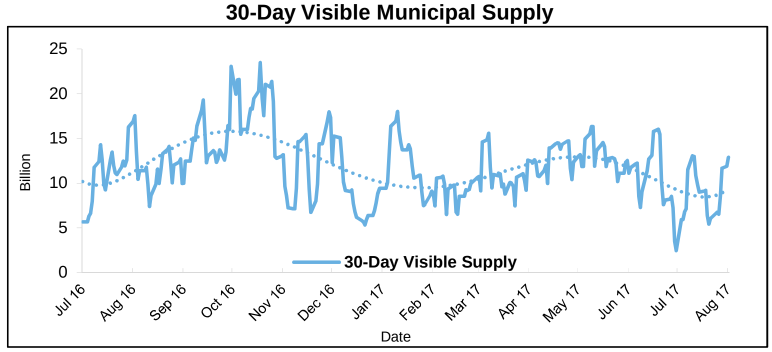
2017 Cumulative Issuance



Weekly Mutual Fund Inflows (Outflows)



30-Day Visible Municipal Supply



Economic Calendar

Date	Time	Statistic	Date	Time	Statistic	Date	Time	Statistic
08/01/17	12:00 AM	Wards Domestic Vehicle Sales	08/03/17	10:00 AM	Durables Ex Transportation	08/16/17	2:00 PM	FOMC Meeting Minutes
08/01/17	10:00 AM	Construction Spending MoM	08/04/17	8:30 AM	Trade Balance	08/17/17	9:15 AM	Industrial Production MoM
08/02/17	7:00 AM	MBA Mortgage Applications	08/04/17	8:30 AM	Change in Nonfarm Payrolls	08/17/17	9:15 AM	Capacity Utilization
08/02/17	7:00 AM	MBA Mortgage Applications	08/04/17	8:30 AM	Unemployment Rate	08/17/17	9:15 AM	Manufacturing (SIC) Production
08/02/17	7:00 AM	MBA Mortgage Applications	08/04/17	8:30 AM	Average Hourly Earnings MoM	08/17/17	9:45 AM	Bloomberg Economic Expectations
08/02/17	7:00 AM	MBA Mortgage Applications	08/04/17	8:30 AM	Labor Force Participation Rate	08/17/17	10:00 AM	Leading Index
08/03/17	8:30 AM	Initial Jobless Claims	08/10/17	8:30 AM	PPI Ex Food, Energy, Trade YoY	08/22/17	9:00 AM	FHFA House Price Index MoM
08/03/17	8:30 AM	Continuing Claims	08/10/17	2:00 PM	Monthly Budget Statement	08/23/17	10:00 AM	New Home Sales
08/03/17	8:30 AM	Initial Jobless Claims	08/11/17	8:30 AM	CPI MoM	08/23/17	10:00 AM	New Home Sales MoM
08/03/17	8:30 AM	Initial Jobless Claims	08/11/17	8:30 AM	CPI Index NSA	08/24/17	10:00 AM	Existing Home Sales MoM
08/03/17	9:45 AM	Markit US Services PMI	08/11/17	8:30 AM	Real Avg Weekly Earnings YoY	08/30/17	8:30 AM	GDP Annualized QoQ
08/03/17	9:45 AM	Bloomberg Consumer Comfort	08/15/17	8:30 AM	Import Price Index MoM	08/30/17	8:30 AM	Personal Consumption
08/03/17	10:00 AM	Factory Orders	08/15/17	10:00 AM	NAHB Housing Market Index	08/30/17	8:30 AM	GDP Price Index
08/03/17	10:00 AM	Durable Goods Orders	08/15/17	4:00 PM	Total Net TIC Flows	08/28/17	8:30 AM	Wholesale Inventories MoM
08/03/17	10:00 AM	Durable Goods Orders	08/16/17	8:30 AM	Housing Starts	08/29/17	10:00 AM	Conf. Board Expectations

Sources: Bloomberg, Thomson Reuters, and ICI. Unless otherwise noted, all data is presented as of 7/31/2017.

Monthly Market Review

Economic Highlights

- The momentum of the global economy continues to shift as policy disappointments and weak readings on economic activity in the U.S. are balanced by improvements in economic results in other markets.
- Disappointing U.S. economic data included weaker readings on factory orders, housing starts, retail sales and inflation. A bright spot has been resilient consumer confidence.
- Inflation has been surprisingly muted in the U.S. with some policy makers suggesting that the long-held Federal Reserve (Fed) policy objective of 2.0% inflation could be further from realization.
- The Federal Open Market Committee (FOMC) raised the federal funds rate by 0.25% to a new target range of 1.0 to 1.25% at its June meeting. Although the Fed's "dot plot" points to one more rate increase in 2017, market probabilities show only a 50% chance of a hike by year end.
- U.S. real gross domestic product (GDP) grew at an annual rate of 1.4% in the first quarter. This reflected upward revisions to personal consumption and exports, while inventories and government spending detracted from GDP. Growth in the second quarter is expected to improve.
- The U.S. economy added 222,000 jobs in June, above expectations and boosted by the biggest jump in government jobs in almost a year. The unemployment rate edged up to 4.4% while average hourly earnings increased a disappointing 2.5% year-over-year (YOY). The mix of strong jobs gains but weak wage growth remains a conundrum for policymakers.
- The Consumer Price Index (CPI), declined for a third straight month, falling to 1.9% YOY in May. Core prices, excluding food and energy, pulled back to a 1.7% YOY pace, down from 2.3% at the start of the year. The decline in headline inflation can be attributed to falling oil prices, while core inflation reflected lower prices for telecommunication, autos, apparel and alcoholic beverages.

Bond Markets

- Weaker economic data and low inflation kept interest rates in check during June. Despite a quarter-point Fed rate increase, U.S. Treasury yields rose only modestly during the month.
- The yield on two- and 10-year Treasury notes rose 10 basis points (bps) ending the month at 1.38% and 2.30%, respectively. The 30-year Treasury fell 3 bps to 2.84%.
- Returns on most fixed-income indices were negative for the month, with the exception of corporates, asset-backed securities (ABS) and securities with maturities greater than 15 years.
- Federal agencies, corporates and ABS all outperformed comparable-maturity Treasuries, amid strong demand for incremental yield. The broad mortgage-backed securities (MBS) sector underperformed Treasuries as price declines offset positive income returns.
- After offering exceptional investment opportunities in late 2016 and early 2017, yield spreads on commercial paper (CP) and bank certificates of deposit (CDs) remained near their tightest levels since the Fed began raising rates in late 2015.

Municipal Bond Market

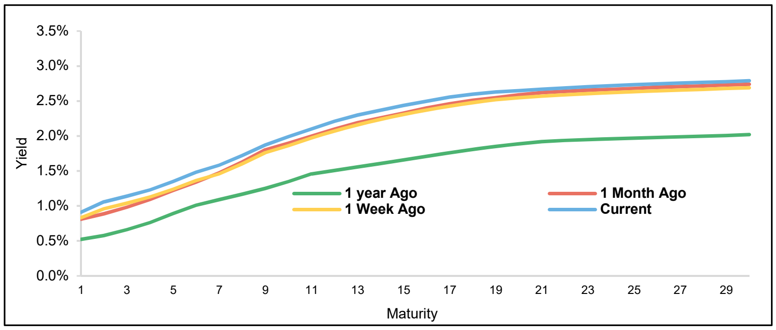
- Municipal new issuance declined in June with a 23.3% drop in long-term bond sales to $37.3 billion from $48.6 billion the same month last year. This was, once again, due largely to a significant decrease in refundings which are down 42.1% year to date (YTD) to $54.2 billion from $93.6 billion the same period last year. Long-term sales YTD are down 13.6% to $196 billion from $226.8 billion in the same period last year, according to the Municipal Market Monitor (TM3) data.
- Municipal bond flows continued to remain positive throughout the month with inflows through the week of the June 28 at $3.8 billion, which has exceeded May's number, according to Investment Company Institute (ICI) data.
- The Municipal Market Index Data (MMD) curve saw rates rising in both the short and long maturities. 1-year rates rose 10 bps and maturities of 3, 5 and 10 years saw increases of 16, 13 and 9 bps respectively. On the long end, 30-year rates increased by 5 bps according to TM3 data.
- The 10-year MMD Single-A General Obligation (GO) Index credit spreads increased by 3 bps in June to 56 bps. The 10-year Double-A GO Index credit spreads increased by 3 bps to 21 bps, according to TM3 data.
- In June, Municipal/Treasury ratios increased on the front and long portions of the curve with the intermediate unchanged. The two-year ratio increased to 76.3%. The five- and seven-year ratios increased to 71.8% and 74.2%, respectively, while the 10-year ratio remained unchanged at 86.5%. The 30-year increased to 98.3%, according to TM3 data.
- The initial market reaction to the Fed's June interest rate increase was surprisingly modest, initially moving only short-term rates higher. In recent days, longer-term yields have adjusted as well. The muted reaction is an indication of uncertainty about the pace of U.S. economic growth and future Fed policy.

Spot Rates	Current 6/30/2017	1 Week Ago 6/23/2017	1 Month Ago 5/31/2017	1 Year Ago 6/30/2016
2 year	1.06	0.96	0.89	0.58
3 year	1.14	1.04	0.98	0.66
5 year	1.35	1.24	1.22	0.89
7 year	1.58	1.46	1.47	1.09
10 year	1.99	1.86	1.90	1.35
30 year	2.79	2.69	2.74	2.02

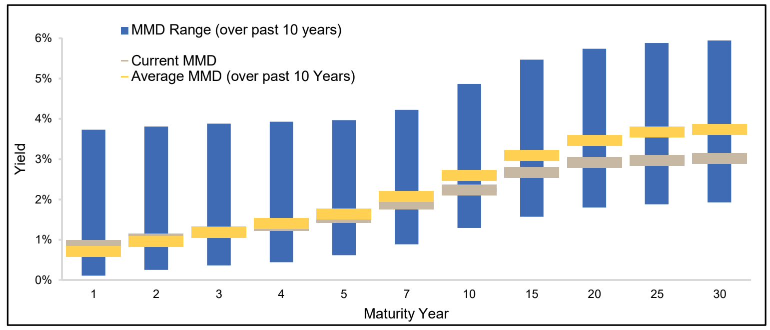
Change in Spot Rate (basis points)	1 Week Ago 6/23/2017	1 Month Ago 5/31/2017	1 Year Ago 6/30/2016
2 year	10	17	48
3 Year	10	16	48
5 Year	11	13	46
7 Year	12	11	49
10 Year	13	9	64
30 Year	10	5	77

Market Rates			
Term	MMD AAA GO	U.S. Treasury	Muni Swap Rate
2 year	1.06%	1.38%	1.11
3 year	1.14%	1.55%	1.26
5 year	1.35%	1.89%	1.50
7 year	1.58%	2.14%	1.66
10 year	1.99%	2.31%	1.83
30 year	2.79%	2.84%	2.21

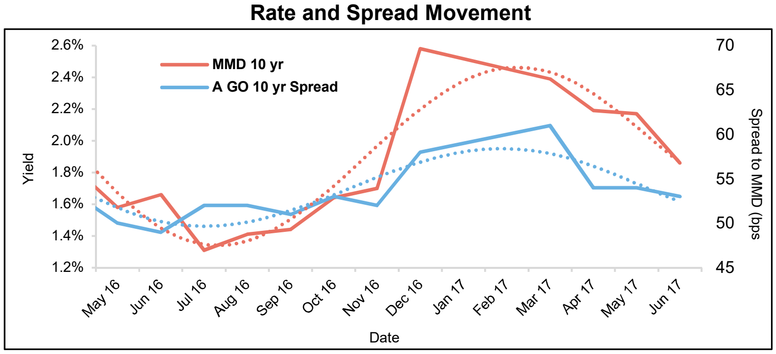
MMD AAA G.O. Curve



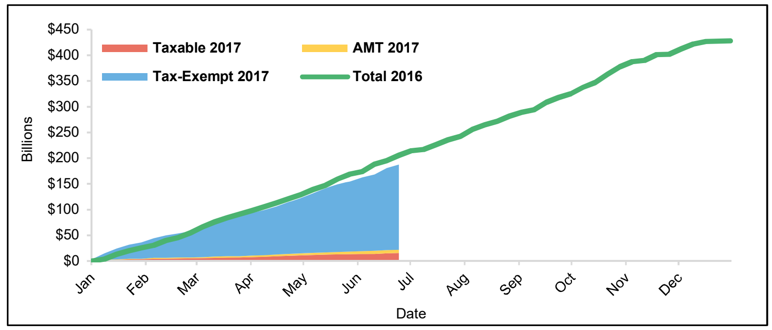
MMD Rates Over Time



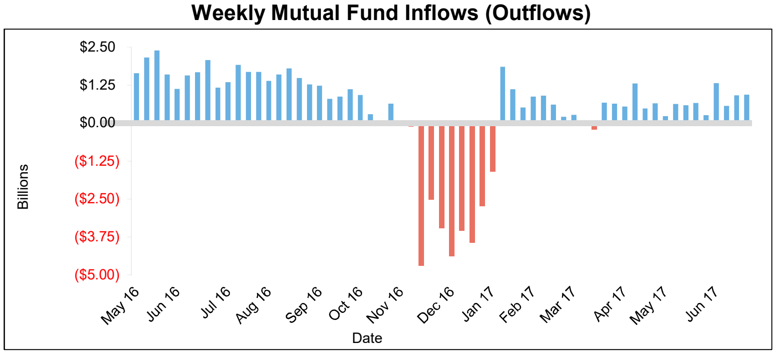
Rate and Spread Movement



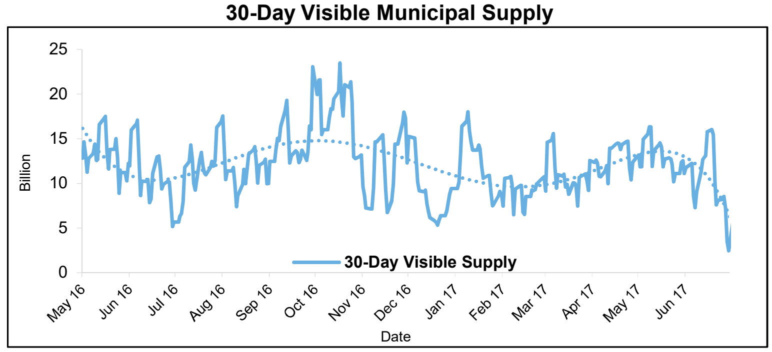
2017 Cumulative Issuance



Weekly Mutual Fund Inflows (Outflows)



30-Day Visible Municipal Supply



Economic Calendar

Date	Time	Statistic	Date	Time	Statistic	Date	Time	Statistic
07/03/17	10:00 AM	Construction Spending MoM	07/13/17	8:30 AM	PPI Ex Food, Energy, Trade YoY	07/20/17	10:00 AM	Leading Index
07/03/17	12:00 AM	Wards Domestic Vehicle Sales	07/13/17	8:30 AM	Initial Jobless Claims	07/24/17	10:00 AM	Existing Home Sales MoM
07/05/17	10:00 AM	Factory Orders	07/13/17	2:00 PM	Monthly Budget Statement	07/25/17	9:00 AM	FHFA House Price Index MoM
07/05/17	10:00 AM	Durable Goods Orders	07/14/17	8:30 AM	CPI MoM	07/26/17	7:00 AM	MBA Mortgage Applications
07/05/17	2:00 PM	FOMC Meeting Minutes	07/14/17	8:30 AM	CPI Index NSA	07/26/17	10:00 AM	New Home Sales
07/06/17	7:00 AM	MBA Mortgage Applications	07/14/17	8:30 AM	Real Avg Weekly Earnings YoY	07/26/17	10:00 AM	New Home Sales MoM
07/06/17	8:30 AM	Initial Jobless Claims	07/14/17	9:15 AM	Industrial Production MoM	07/26/17	2:00 PM	FOMC Rate Decision
07/06/17	8:30 AM	Continuing Claims	07/14/17	9:15 AM	Capacity Utilization	07/27/17	8:30 AM	Durable Goods Orders
07/06/17	8:30 AM	Trade Balance	07/14/17	9:15 AM	Manufacturing (SIC) Production	07/27/17	8:30 AM	Durables Ex Transportation
07/06/17	9:45 AM	Markit US Services PMI	07/18/17	8:30 AM	Import Price Index MoM	07/27/17	8:30 AM	Initial Jobless Claims
07/07/17	8:30 AM	Change in Nonfarm Payrolls	07/18/17	10:00 AM	NAHB Housing Market Index	07/27/17	9:45 AM	Bloomberg Consumer Comfort
07/07/17	8:30 AM	Unemployment Rate	07/18/17	4:00 PM	Total Net TIC Flows	07/28/17	8:30 AM	Employment Cost Index
07/07/17	8:30 AM	Average Hourly Earnings MoM	07/19/17	7:00 AM	MBA Mortgage Applications	07/28/17	8:30 AM	GDP Annualized QoQ
07/07/17	8:30 AM	Labor Force Participation Rate	07/19/17	8:30 AM	Housing Starts	07/28/17	8:30 AM	Personal Consumption
07/12/17	7:00 AM	MBA Mortgage Applications	07/20/17	9:45 AM	Bloomberg Economic Expectations	07/28/17	8:30 AM	GDP Price Index

Sources: Bloomberg, Thomson Reuters, and ICI. Unless otherwise noted, all data is presented as of 6/30/2017.

For release at 2:00 p.m., EDT, September 20, 2017

Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents under their individual assessments of projected appropriate monetary policy, September 2017

Advance release of table 1 of the Summary of Economic Projections to be released with the FOMC minutes

Percent

Variable	Median[1]					Central tendency[2]					Range[3]				
	2017	2018	2019	2020	Longer run	2017	2018	2019	2020	Longer run	2017	2018	2019	2020	Longer run
Change in real GDP	2.4	2.1	2.0	1.8	1.8	2.2 – 2.5	2.0 – 2.3	1.7 – 2.1	1.6 – 2.0	1.8 – 2.0	2.2 – 2.7	1.7 – 2.6	1.4 – 2.3	1.4 – 2.0	1.5 – 2.2
June projection	2.2	2.1	1.9	n.a.	1.8	2.1 – 2.2	1.8 – 2.2	1.8 – 2.0	n.a.	1.8 – 2.0	2.0 – 2.5	1.7 – 2.3	1.4 – 2.3	n.a.	1.5 – 2.2
Unemployment rate	4.3	4.1	4.1	4.2	4.6	4.2 – 4.3	4.0 – 4.2	3.9 – 4.4	4.0 – 4.5	4.5 – 4.8	4.2 – 4.5	3.9 – 4.5	3.8 – 4.5	3.8 – 4.8	4.4 – 5.0
June projection	4.3	4.2	4.2	n.a.	4.6	4.2 – 4.3	4.0 – 4.3	4.1 – 4.4	n.a.	4.5 – 4.8	4.1 – 4.5	3.9 – 4.5	3.8 – 4.5	n.a.	4.5 – 5.0
PCE inflation	1.6	1.9	2.0	2.0	2.0	1.5 – 1.6	1.8 – 2.0	2.0	2.0 – 2.1	2.0	1.5 – 1.7	1.7 – 2.0	1.8 – 2.2	1.9 – 2.2	2.0
June projection	1.6	2.0	2.0	n.a.	2.0	1.6 – 1.7	1.8 – 2.0	2.0 – 2.1	n.a.	2.0	1.5 – 1.8	1.7 – 2.1	1.8 – 2.2	n.a.	2.0
Core PCE inflation[4]	1.5	1.9	2.0	2.0		1.5 – 1.6	1.8 – 2.0	2.0	2.0 – 2.1		1.4 – 1.7	1.7 – 2.0	1.8 – 2.2	1.9 – 2.2	
June projection	1.7	2.0	2.0	n.a.		1.6 – 1.7	1.8 – 2.0	2.0 – 2.1	n.a.		1.6 – 1.8	1.7 – 2.1	1.8 – 2.2	n.a.	
Memo: Projected appropriate policy path															
Federal funds rate	1.4	2.1	2.7	2.9	2.8	1.1 – 1.4	1.9 – 2.4	2.4 – 3.1	2.5 – 3.5	2.5 – 3.0	1.1 – 1.6	1.1 – 2.6	1.1 – 3.4	1.1 – 3.9	2.3 – 3.5
June projection	1.4	2.1	2.9	n.a.	3.0	1.1 – 1.6	1.9 – 2.6	2.6 – 3.1	n.a.	2.8 – 3.0	1.1 – 1.6	1.1 – 3.1	1.1 – 4.1	n.a.	2.5 – 3.5

NOTE: Projections of change in real gross domestic product (GDP) and projections for both measures of inflation are percent changes from the fourth quarter of the previous year to the fourth quarter of the year indicated. PCE inflation and core PCE inflation are the percentage rates of change in, respectively, the price index for personal consumption expenditures (PCE) and the price index for PCE excluding food and energy. Projections for the unemployment rate are for the average civilian unemployment rate in the fourth quarter of the year indicated. Each participant's projections are based on his or her assessment of appropriate monetary policy. Longer-run projections represent each participant's assessment of the rate to which each variable would be expected to converge under appropriate monetary policy and in the absence of further shocks to the economy. The projections for the federal funds rate are the value of the midpoint of the projected appropriate target range for the federal funds rate or the projected appropriate target level for the federal funds rate at the end of the specified calendar year or over the longer run. The June projections were made in conjunction with the meeting of the Federal Open Market Committee on June 13–14, 2017. One participant did not submit longer-run projections for the change in real GDP, the unemployment rate, or the federal funds rate in conjunction with the June 13–14, 2017, meeting, and one participant did not submit such projections in conjunction with the September 19–20, 2017, meeting.

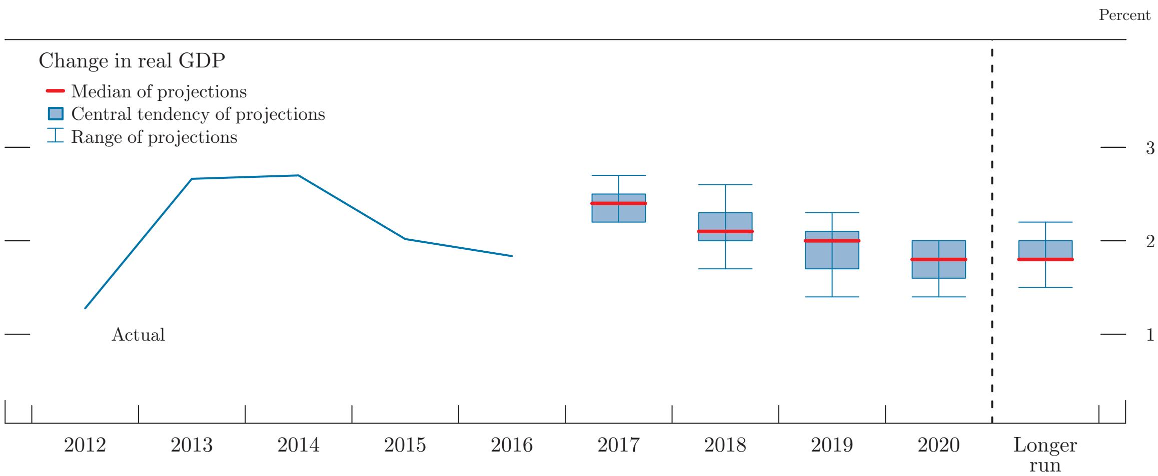
1. For each period, the median is the middle projection when the projections are arranged from lowest to highest. When the number of projections is even, the median is the average of the two middle projections.

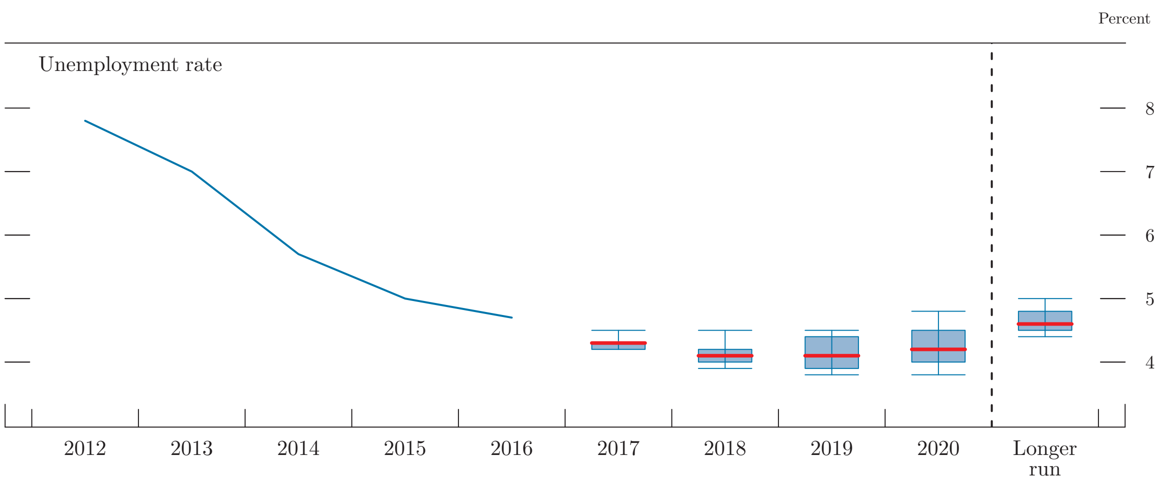
2. The central tendency excludes the three highest and three lowest projections for each variable in each year.

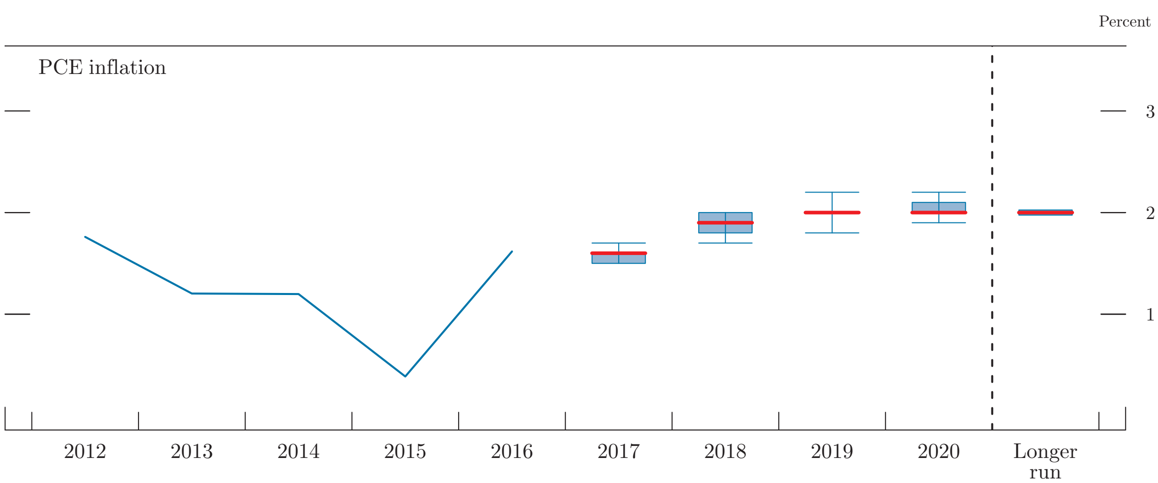
3. The range for a variable in a given year includes all participants' projections, from lowest to highest, for that variable in that year.

4. Longer-run projections for core PCE inflation are not collected.

Figure 1. Medians, central tendencies, and ranges of economic projections, 2017–20 and over the longer run

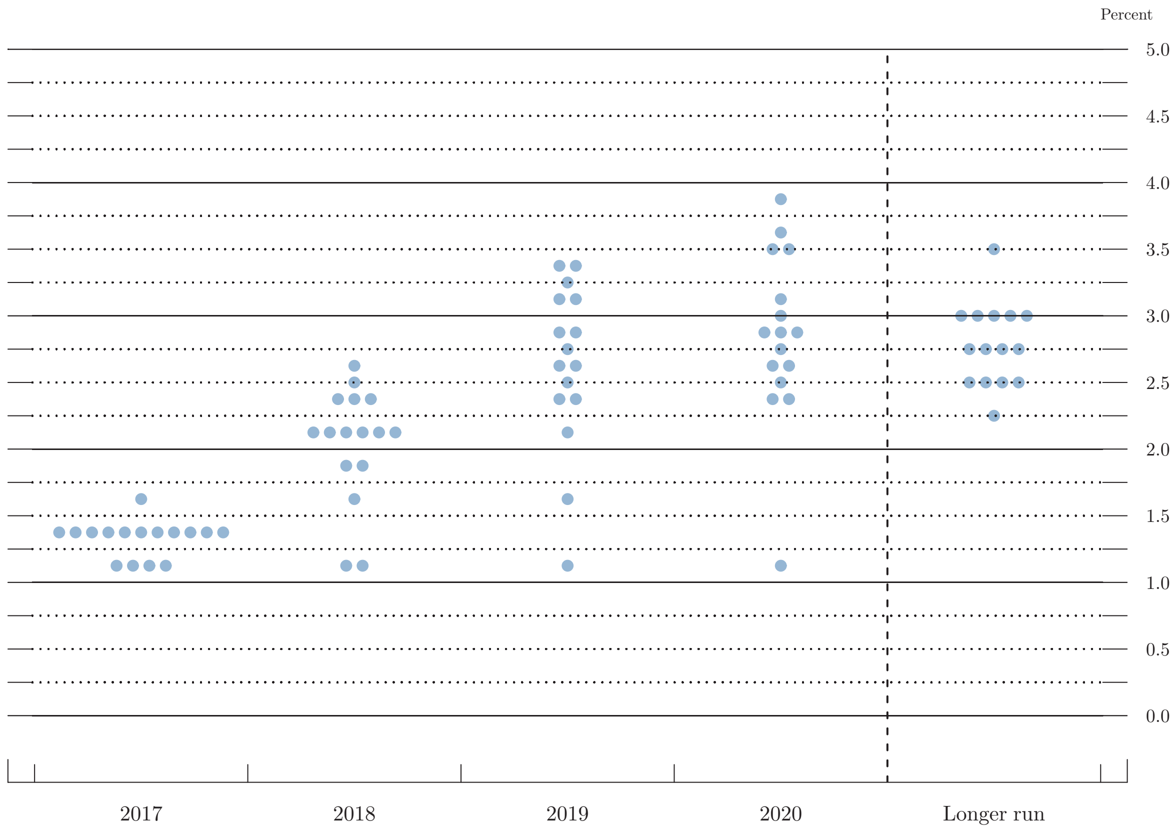






NOTE: Definitions of variables and other explanations are in the notes to the projections table. The data for the actual values of the variables are annual.

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



Note: Each shaded circle indicates the value (rounded to the nearest 1/8 percentage point) of an individual participant's judgment of the midpoint of the appropriate target range for the federal funds rate or the appropriate target level for the federal funds rate at the end of the specified calendar year or over the longer run. One participant did not submit longer-run projections for the federal funds rate.

For release at 2:00 p.m., EDT, September 20, 2017

Explanation of Economic Projections Charts

The charts show actual values and projections for three economic variables, based on FOMC participants' individual assessments of appropriate monetary policy:

- Change in Real Gross Domestic Product (GDP)—as measured from the fourth quarter of the previous year to the fourth quarter of the year indicated.
- Unemployment Rate—the average civilian unemployment rate in the fourth quarter of each year.
- PCE Inflation—as measured by the change in the personal consumption expenditures (PCE) price index from the fourth quarter of the previous year to the fourth quarter of the year indicated.

Information for these variables is shown for each year from 2012 to 2020, and for the longer run.

The solid blue line, labeled "Actual," shows the historical values for each variable.

The solid red lines depict the median projection in each period for each variable. The median value in each period is the middle projection when the projections are arranged from lowest to highest. When the number of projections is even, the median is the average of the two middle projections.

The range and central tendency for each variable in each projection period are depicted in "box and whiskers" format. The blue connected horizontal and vertical lines ("whiskers") represent the range of the projections of policymakers. The bottom of the range for each variable is the lowest of all of the projections for that year or period. Likewise, the top of the range is the highest of all of the projections for that year or period. The light blue shaded boxes represent the central tendency, which is a narrower version of the range that excludes the three highest and three lowest projections for each variable in each year or period.

The longer-run projections, which are shown on the far right side of the charts, are the rates of growth, unemployment, and inflation to which a policymaker expects the economy to converge over time—maybe in five or six years—in the absence of further shocks and under appropriate monetary policy. Because appropriate monetary policy, by definition, is aimed at achieving the Federal Reserve's dual mandate of maximum employment and price stability in the longer run, policymakers' longer-run projections for economic growth and unemployment may be interpreted, respectively, as estimates of the economy's normal or trend rate of growth and its normal unemployment rate over the longer run. The longer-run projection shown for inflation is the rate of inflation judged to be most consistent with the Federal Reserve's dual mandate.

For release at 2:00 p.m., EDT, September 20, 2017

Explanation of Policy Path Chart

This chart is based on policymakers' assessments of appropriate monetary policy, which, by definition, is the future path of policy that each participant deems most likely to foster outcomes for economic activity and inflation that best satisfy his or her interpretation of the Federal Reserve's dual objectives of maximum employment and stable prices.

Each shaded circle indicates the value (rounded to the nearest ⅛ percentage point) of an individual participant's judgment of the midpoint of the appropriate target range for the federal funds rate or the appropriate target level for the federal funds rate at the end of the specified calendar year or over the longer run.

Press Release

September 20, 2017

Implementation Note issued September 20, 2017

Decisions Regarding Monetary Policy Implementation

The Federal Reserve has made the following decisions to implement the monetary policy stance announced by the Federal Open Market Committee in its statement on September 20, 2017:

- The Board of Governors of the Federal Reserve System voted unanimously to maintain the interest rate paid on required and excess reserve balances at 1.25 percent.
- As part of its policy decision, the Federal Open Market Committee voted to authorize and direct the Open Market Desk at the Federal Reserve Bank of New York, until instructed otherwise, to execute transactions in the System Open Market Account in accordance with the following domestic policy directive:

  "Effective September 21, 2017, the Federal Open Market Committee directs the Desk to undertake open market operations as necessary to maintain the federal funds rate in a target range of 1 to 1-1/4 percent, including overnight reverse repurchase operations (and reverse repurchase operations with maturities of more than one day when necessary to accommodate weekend, holiday, or similar trading conventions) at an offering rate of 1.00 percent, in amounts limited only by the value of Treasury securities held outright in the System Open Market Account that are available for such operations and by a per-counterparty limit of $30 billion per day.

  The Committee directs the Desk to continue rolling over at auction Treasury securities maturing during September, and to continue reinvesting in agency mortgage-backed securities the principal payments received through September from the Federal Reserve's holdings of agency debt and agency mortgage-backed securities.

  Effective in October 2017, the Committee directs the Desk to roll over at auction the amount of principal payments from the Federal Reserve's holdings of Treasury securities maturing during each calendar month that exceeds $6 billion, and to reinvest in agency mortgage-backed securities the amount of principal payments from the Federal Reserve's holdings of agency debt and agency mortgage-backed securities received during each calendar month that exceeds $4 billion. Small deviations from these amounts for operational reasons are acceptable.

  The Committee also directs the Desk to engage in dollar roll and coupon swap transactions as necessary to facilitate settlement of the Federal Reserve's agency mortgage-backed securities transactions."

- In a related action, the Board of Governors of the Federal Reserve System voted unanimously to approve the establishment of the primary credit rate at the existing level of 1.75 percent.

This information will be updated as appropriate to reflect decisions of the Federal Open Market Committee or the Board of Governors regarding details of the Federal Reserve's operational tools and approach used to implement monetary policy.

More information regarding open market operations and the details of operational plans for reducing reinvestments may be found on the Federal Reserve Bank of New York's website .

Related Information

Statement Regarding Reinvestment in Treasury Securities and Agency Mortgage-Backed Securities

Last Update: September 20, 2017

Press Release

September 01, 2017

Federal Reserve Board adopts final rule to enhance financial stability

For immediate release

Share

The Federal Reserve Board on Friday adopted a final rule to enhance financial stability by requiring U.S. global systemically important banking institutions (GSIBs) and the U.S. operations of foreign GSIBs to amend qualified financial contracts to prevent their immediate cancellation or termination if the firm enters bankruptcy or a resolution process.

Qualified financial contracts (QFCs) include derivatives, securities lending, and short-term funding transactions such as repurchase agreements. Given the large volume of QFCs to which GSIBs are a party, the mass termination of QFCs in the event of financial distress or failure of a GSIB may lead to the disorderly failure of the firm, spark asset fire sales, and transmit financial distress across the U.S. financial system. The final rule contains two key requirements. First, the final rule requires QFCs of GSIBs, including those with foreign counterparties, to clarify that U.S. resolution laws providing for a temporary stay to prevent mass terminations apply to the contracts. Second, the final rule prohibits the QFCs of GSIBs from allowing the exercise of default rights that could spread the bankruptcy of one GSIB entity to its solvent affiliates.

"The final rule will reduce the threat that a disorderly unraveling of QFCs would pose to our financial system and the broader economy," said Governor Jerome H. Powell."

GSIBs may comply with the final rule by using the International Swaps and Derivatives Association (ISDA) 2015 Universal Resolution Stay Protocol or a similar resolution stay protocol described in the final regulation to amend their QFCs.

In response to comments, the Board tailored the transition period based on the type of counterparty. The final rule requires GSIBs to conform their QFCs with other GSIBs within one year and within 18 months for QFCs with most other financial counterparties. Additionally, GSIBs would have two years to conform QFCs with community banks and all other counterparties. The final rule also excludes QFCs that do not contain default rights or restrictions that could undermine the orderly resolution of a GSIB.

Compliance will phase in beginning on January 1, 2019.

For media inquiries, call 202-452-2955.

Restrictions on Qualified Financial Contracts of Systemically Important U.S. Banking Organizations and the U.S. Operations of Systemically Important Foreign Banking Organizations; Revisions to the Definition of Qualifying Master Netting Agreement and Related Definitions: HTML | PDF

Opening Statement by Chair Janet I. Yellen

Opening Statement by Governor Jerome H. Powell

Statement by Governor Lael Brainard

Board Votes

Open Board Meeting on September 1, 2017

Last Update: September 22, 2017

Press Release

PDF

July 26, 2017

Federal Reserve issues FOMC statement

For release at 2:00 p.m. EDT

Share

Information received since the Federal Open Market Committee met in June indicates that the labor market has continued to strengthen and that economic activity has been rising moderately so far this year. Job gains have been solid, on average, since the beginning of the year, and the unemployment rate has declined. Household spending and business fixed investment have continued to expand. On a 12-month basis, overall inflation and the measure excluding food and energy prices have declined and are running below 2 percent. Market-based measures of inflation compensation remain low; survey-based measures of longer-term inflation expectations are little changed, on balance.

Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee continues to expect that, with gradual adjustments in the stance of monetary policy, economic activity will expand at a moderate pace, and labor market conditions will strengthen somewhat further. Inflation on a 12-month basis is expected to remain somewhat below 2 percent in the near term but to stabilize around the Committee's 2 percent objective over the medium term. Near-term risks to the economic outlook appear roughly balanced, but the Committee is monitoring inflation developments closely.

In view of realized and expected labor market conditions and inflation, the Committee decided to maintain the target range for the federal funds rate at 1 to 1-1/4 percent. The stance of monetary policy remains accommodative, thereby supporting some further strengthening in labor market conditions and a sustained return to 2 percent inflation.

In determining the timing and size of future adjustments to the target range for the federal funds rate, the Committee will assess realized and expected economic conditions relative to its objectives of maximum employment and 2 percent inflation. This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial and international developments. The Committee will carefully monitor actual and expected inflation developments relative to its symmetric inflation goal. The Committee expects that economic conditions will evolve in a manner that will warrant gradual increases in the federal funds rate; the federal funds rate is likely to remain, for some time, below levels that are expected to prevail in the longer run. However, the actual path of the federal funds rate will depend on the economic outlook as informed by incoming data.

For the time being, the Committee is maintaining its existing policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at auction. The Committee expects to begin implementing its balance sheet normalization program relatively soon, provided that the economy evolves broadly as anticipated; this program is described in the June 2017 Addendum to the Committee's Policy Normalization Principles and Plans.

Voting for the FOMC monetary policy action were: Janet L. Yellen, Chair; William C. Dudley, Vice Chairman; Lael Brainard; Charles L. Evans; Stanley Fischer; Patrick Harker; Robert S. Kaplan; Neel Kashkari; and Jerome H. Powell.

Implementation Note issued July 26, 2017

Last Update: July 26, 2017

Press Release

July 26, 2017

Implementation Note issued July 26, 2017

Decisions Regarding Monetary Policy Implementation

The Federal Reserve has made the following decisions to implement the monetary policy stance announced by the Federal Open Market Committee in its statement on July 26, 2017:

- The Board of Governors of the Federal Reserve System voted unanimously to maintain the interest rate paid on required and excess reserve balances at 1.25 percent.
- As part of its policy decision, the Federal Open Market Committee voted to authorize and direct the Open Market Desk at the Federal Reserve Bank of New York, until instructed otherwise, to execute transactions in the System Open Market Account in accordance with the following domestic policy directive:

  "Effective July 27, 2017, the Federal Open Market Committee directs the Desk to undertake open market operations as necessary to maintain the federal funds rate in a target range of 1 to 1-1/4 percent, including overnight reverse repurchase operations (and reverse repurchase operations with maturities of more than one day when necessary to accommodate weekend, holiday, or similar trading conventions) at an offering rate of 1.00 percent, in amounts limited only by the value of Treasury securities held outright in the System Open Market Account that are available for such operations and by a per-counterparty limit of $30 billion per day.

  The Committee directs the Desk to continue rolling over maturing Treasury securities at auction and to continue reinvesting principal payments on all agency debt and agency mortgage-backed securities in agency mortgage-backed securities. The Committee also directs the Desk to engage in dollar roll and coupon swap transactions as necessary to facilitate settlement of the Federal Reserve's agency mortgage-backed securities transactions."

  More information regarding open market operations may be found on the Federal Reserve Bank of New York's website .

- In a related action, the Board of Governors of the Federal Reserve System voted unanimously to approve the establishment of the primary credit rate at the existing level of 1.75 percent.

This information will be updated as appropriate to reflect decisions of the Federal Open Market Committee or the Board of Governors regarding details of the Federal Reserve's operational tools and approach used to implement monetary policy.

Last Update: July 26, 2017