

Portfolio Summary of the Local Government Investment Pool

Summary

- Ending September market value for the LGIP was \$1.160 bil versus August's reported closing value of \$1.179 bil.
- The LGIP maintains a AAAM rating by Standard & Poor's.

Portfolio Mix

- At the end of September, the portfolio was invested as follows: 54% in collateralized demand deposit accounts with qualified banking institutions, 29% in US Treasury securities, 9% in supranational securities, and 8% in US agency securities.
- At month-end, the LGIP held positions in 26 securities.

Investment Earnings

- During September, the fund earned \$97,016.
- For FY2022, the fund earned \$312,743.
- LGIP earnings are retained by participants after a management fee of 0.05% is paid to the General Fund.

Performance

- Gross yield on the LGIP was 0.11% at the end of September.
- Net yield to participants was 0.06%.
- Investment Highlights
- For the LGIP, the WAM(R) of 20 days and WAM (F) of 41 days were within their maximums of 60 and 120 days respectively.

- During the month, the LGIP purchased \$50.0 mil US Treasury securities, \$50.0 mil US agency securities, and \$30.0 mil supranational securities.

Investment Strategy

- LGIP WAMs are currently 31 and 49 days for WAM(R) and WAM(F), respectively.
- LGIP will continue to focus on maximizing safety of principal and providing adequate liquidity through the use of prudent investments.

Net Asset Value/Share

- At month-end, the Net Asset Value per Share of the Local Government Investment Pool was \$0.99997.

Upcoming Holidays

STO's office will be closed on:

- Thursday, November 11, 2021
- Thursday, November 25, 2021
- Friday, November 26, 2021
- Friday, December 24, 2021
- Friday, December 31, 2021



CONTACT

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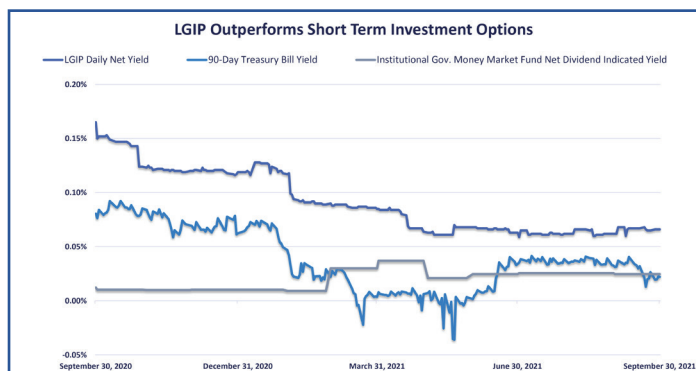
Participant Coordinator: Felicia Roybal

Investment Transaction Supervisor: Hannah Chavez

Portfolio Managers: Anna Murphy, CFA,
and Vikki Hanges, Chief Investment Officer

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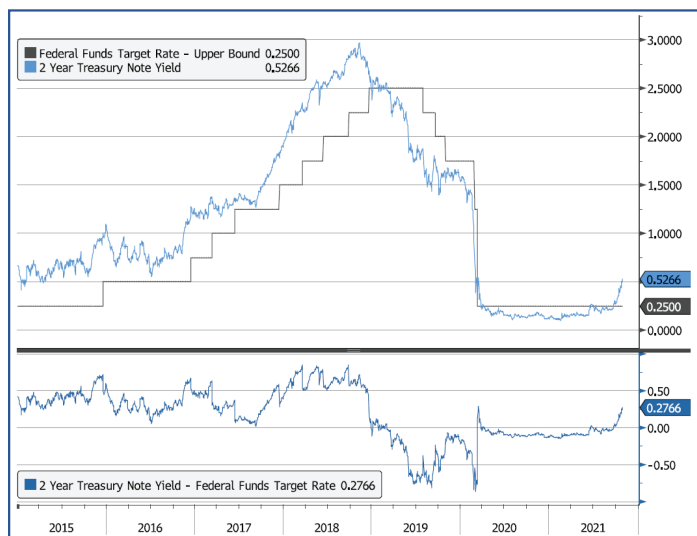
Market Outlook



Data from Bloomberg and Broadridge

The third quarter started with a dovish tone, as the delta variant spread and payrolls disappointed, but ended on a more hawkish note, with interest rates rising. The Federal Reserve’s September meeting put fixed-income markets on edge as Chairman Powell acknowledged that inflation may be more persistent than “transitory.” The Fed’s “Dot Plot,” which depicts the median expected Federal Funds rate, was revised to show an increase in the number of Fed members anticipating the first interest rate hike to occur in 2022, pulling the timeframe forward from 2023. Revisions also showed a median expectation for three rate increases in 2023, up from two in June. The Fed has indicated that it will begin the tapering of its asset purchases, perhaps as early as November 2021, ending the process by mid-2022, at which point it would look at the possibility of raising short-term interest rates.

The 2-year Treasury note yield recently rose above 0.50%, up from 0.28% at the end of September. Shorter maturity yields will generally rise prior to the



Data from Bloomberg as of 10/29/2021

actual increase in the Federal Funds rate, reflecting the anticipatory nature of market participants. Higher inflation will lead investors to price in a faster, more aggressive Fed, as we approach the “normalization” of short-term interest rates. The difference between the 2-Year Treasury yield and the Federal Funds rate is now more than 0.25%, shown in the graph above. This implies a higher forward Federal Funds rate; the futures market is pricing the possibility of two rate increases by the end of 2022, ahead of the Fed’s expectations.

The LGIP yield closely tracks the level of Federal Funds, so we would expect the yield on the pool to rise as the Fed begins to tighten monetary policy. As always, the LGIP will prioritize safety, liquidity, and yield—in that order.

Upcoming Data to Watch

Data	Period	Value	Next Period	Expected Value	Release Date
ISM Manufacturing Index	Sep-21	61.1	Oct-21	60.3	11/1/2021
ISM Services Index	Sep-21	61.9	Oct-21	61.9	11/3/2021
Fed Funds Target	22-Sep-21	0.00%-0.25%	3-Nov-21	0.00%-0.25%	11/3/2021
U.S. Unemployment	Sep-21	4.80%	Oct-21	4.70%	11/5/2021
Change in Nonfarm Payrolls	Sep-21	194,000	Oct-21	400,000	11/5/2021
PPI YoY	Sep-21	8.60%	Oct-21	n/a	11/9/2021
CPI YoY	Sep-21	5.40%	Oct-21	n/a	11/10/2021
PCE Core Deflator YoY	Sep-21	3.60%	Oct-21	n/a	11/24/2021
GDP QoQ	Q3 2021	2.00%	Q4 2021	n/a	Jan-22

Data from Bloomberg as of 10/29/2021.