

**Minutes of the
Cash Management Advisory Board
October 28, 2015
Via Telephone Conference Call**

Attendees:

William Desautelle, CMAB Member
J. Victor Thompson, CMAB Member
Lawrence Wilson, Assistant Treasurer, Cash Management
Michael Terry, Principal Investment Officer, STIF
Paul Coudert, Investment Officer, STIF
Marc Gagnon, Securities Analyst, STIF
Peter Gajowiak, Securities Analyst, STIF

Minutes:

Assistant Treasurer Lawrence Wilson called the meeting to order at 10:02 a.m., and asked if there were any comments regarding the minutes of the July 2015 Cash Management Advisory Board meeting. Without any objections, the minutes were approved.

Mr. Terry stated that he was surprised that the Federal Reserve did not raise rates at its September meeting. Mr. Terry added that the portfolio was positioned to take advantage of higher rates. Mr. Terry stated that market expectations do not hit a 50 percent probability of a fed move until March 2016. Mr. Terry stated that as a result of significant deposits, STIF has been in a reserve position for a number of days in October.

Mr. Desautelle questioned how the Fed can contemplate raising interest rates in the face of declining industrial production, declining consumer confidence and a three month treasury at zero percent.

Mr. Terry stated that inflation is dormant, and growth is not present. Mr. Terry believes the Fed should raise rates by 25 basis points to eliminate the uncertainty and resulting volatility. According to Mr. Terry, the Fed would then have 25 basis points to take back should the economy falter. Mr. Terry added that the strength of the US dollar has not helped the economy and has hurt exports.

Mr. Thompson asked about money market reform and what is happening with corporate commercial paper and asset-backed commercial paper as many 2a7 funds switch out of prime and into government only funds. Mr. Terry stated that commercial paper issuance will shrink and yields will go up. Mr. Terry added that the STIF was in the process of reintroducing term commercial paper to the portfolio. According to Mr. Terry, STIF should be able to increase yield while reducing the portfolio's average life. Mr. Thompson asked when the changes would be made. Mr. Wilson stated that there will be

a discussion internally within the next few weeks regarding some changes to the portfolio strategy.

Mr. Desautelle asked if there was any talk of reducing or eliminating the 25 basis points banks earn by leaving deposits at the Federal Reserve as a way to get money moving into the economy. Mr. Terry stated there was some talk on the street about it.

Mr. Coudert gave an overview of STIF's portfolio characteristics and performance. Mr. Coudert stated that for the period ending September 30, 2015, STIF earned an average annualized yield of 18 basis points versus 5 basis points. For the one year period ending September 30, 2015, STIF earned 16 basis points versus 3 for the iMoneyNet benchmark. According to Mr. Coudert, STIF's current yield is 9 basis points with an average life of 40 days. In addition, STIF's reserves total \$50.7 million, daily liquidity is approximately \$3.2 billion, and approximately 66 percent of the portfolio is invested in securities with some sort of government protection.

With no further business, Mr. Wilson adjourned the meeting at 10:32 a.m.