The Honorable Laura M. Montoya
THE NEW MEXICO STATE TREASURER'S OFFICE

Local Government Investment Pool NEWSLETTER

August 2025

PORTFOLIO SUMMARY

- Ending June market value for the LGIP Short Term (ST) was $2.275 bil versus May's reported closing value of $2.186 bil.
- The LGIP ST maintains a AAAm rating by Standard & Poor's.

PORTFOLIO MIX

- At the end of June, the portfolio was invested as follows: 33% US Treasury securities, 29% in US government agency floating rate securities, 19% in repurchase agreements, and 19% in collateralized demand deposit accounts with qualified banking institutions.
- At month-end, the LGIP ST held positions in 40 securities.

INVESTMENT EARNINGS

- During June, the fund earned $8,074,292.
- For FY2025, the fund earned $94,368,801.
- LGIP ST earnings are retained by participants after a management fee of 0.05% is paid to the General Fund.

PERFORMANCE

- Gross yield on the LGIP ST was 4.37% at the end of June.
- Net yield to participants was 4.32%.

INVESTMENT HIGHLIGHTS

- For the LGIP ST, the WAM(R) of 18 days and WAM (F) of 75 days were within their maximums of 60 and 120 days respectively.
- During the month, the LGIP ST purchased $500.0 mil US Treasury securities maturing in 2 to 3 months.

INVESTMENT STRATEGY

- LGIP ST WAMs are currently 11 and 75 days for WAM(R) and WAM(F), respectively.
- LGIP ST 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 $1.00006

MARKET WATCH

During the second quarter, the Fed left the policy interest rate unchanged, at a range of 4.25%-4.50%, a decision that was supported unanimously by the Federal Open Market Committee (FOMC). The policy stance was held at the July 30 FOMC meeting, however with two dissenting votes by members Bowman and Waller, who preferred to lower the policy range by 0.25%. It was the first time that two members voted against the committee since 1993.

During the press conference following the decision, Chair Powell emphasized that both inflation and economic uncertainty remain elevated, with the effects of tariffs still not clear. Given the lack of clarity, Powell noted that the Fed is effectively looking through the tariff effect by not raising rates. The majority of the committee views the modestly restrictive policy as appropriate, providing flexibility for the Fed to respond to any new developments in the economic or inflation outlook. Second quarter GDP came in above expectations at 3.0% on the day of the meeting, supporting the view that the current policy stance is not holding back the economy. Powell was clear that the Fed has not made any decisions regarding the September meeting. Overall, the tone of the press conference was slightly more hawkish, pushing bond yields higher.

The objectives of the Short-Term LGIP remain unchanged: safety, liquidity, and yield - in that order. Preservation of principal and providing access to liquidity, in most cases within 24 hours, are the pool's primary objectives. The pool's yield closely tracks the short-term interest rate policy set by the Federal Reserve. The pool is managed within the confines of Standard & Poor's Principal Stability Fund criteria and possesses the highest possible rating, AAAm. The recent market volatility underscores the benefits of investing in a high-quality, short-term, US Government-focused pool, since these assets are viewed as a safe haven during times of economic and financial stress.

Data	Period	Value	Next Period	Expected Value	Release Date
ISM Manufacturing Index	Jun-25	49.0	Jul-25	49.5	8/1/2025
U.S. Unemployment	Jun-25	4.10%	Jul-25	4.20%	8/1/2025
Change in Nonfarm Payrolls	Jun-25	147,000	Jul-25	104,000	8/1/2025
ISM Services Index	Jun-25	50.8	Jul-25	51.5	8/5/2025
CPI YoY	Jun-25	2.70%	Jul-25		8/12/2025
CPI MoM	Jun-25	0.30%	Jul-25		8/12/2025
CPI Ex Food and Energy YoY	Jun-25	2.90%	Jul-25	3.00%	8/12/2025
CPI Ex Food and Energy MoM	Jun-25	0.20%	Jul-25		8/12/2025
PPI YoY	Jun-25	2.30%	Jul-25		8/14/2025
PPI MoM	Jun-25	0.00%	Jul-25		8/14/2025
PCE Core Deflator YoY	Jun-25	2.80%	Jul-25		8/29/2025
PCE Core Deflator MoM	Jun-25	0.30%	Jul-25		8/29/2025
Fed Funds Target	30-Jul-25	4.25%-4.50%	17-Sep-25	4.25%-4.50%	9/17/2025
GDP QoQ	Q2 2025 (Advance)	3.00%	Q3 2025 (Advance)		10/30/2025
Data from Bloomberg as of 7/31/2025					

LGIP ACCOUNT UPDATES

Recent changes to personnel overseeing your LGIP account? Other LGIP account updates? As we start the new fiscal year, now is a great time to ensure that all LGIP account paperwork, including the certification of authorized persons documentation, is current. The STO website has links to LGIP participant forms, located here: https://nmsto.gov/local-government-investment-pool-lgip/. Please reach out to Amanda Padilla, LGIP Coordinator, for any updates or changes to your account documents at (505) 955-1142, or NMSTO.LGIP@sto.nm.gov.

LGIP STAFF

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