

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

# Local Government Investment Pool N E W S L E T T E R



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 Overall, the tone of the conterence 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: <a href="https://nmsto.gov/local-government-investment-pool-lgip/">https://nmsto.gov/local-government-investment-pool-lgip/</a>. Please reach out to Amanda Padilla, LGIP Coordinator, for any updates or changes to your account documents at (505) 955-1142, or <a href="https://nmsto.gov.nm.gov">NMSTO.LGIPesto.nm.gov</a>.

#### LGIP STAFF

Transaction Coordinator: Amanda Padilla

**Investment Transaction Supervisor:** Hannah Chavez

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

Data unaudited. Information is obtained from third-party sources that may or may not be verified. Many factors affect performance, including changes in market conditions and interest rates and in response to other economic, political, or financial developments. All comments and discussions presented are purely based on opinion and assumptions, not fact. These assumptions may or may not be correct based on toreseen and unforeseen events. The information presented should not be used in making any investment decisions. This material is not a recommendation to buy, sell, implement, or change any securities or investment strategy, function, or process, Any financial and/or investment decision should be made only after considerable research, consideration, and involvement with an experienced professional engaged for the specific purpose. Past performance is not an indication of future performance. Any financial and/or investment decision may incur loss. New Mexico Local Government Investment Pool (LGIP) deposits are not guaranteed or insured by any bank, the State of New Mexico, the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other agency. New Mexico LGIP deposits involve certain investment risk. Yield and total return may fluctuate and are not guaranteed.