



Local Government Investment Pool NEWSLETTER

May 2025



PORTFOLIO SUMMARY

- ▶ Ending March market value for the LGIP Short Term (ST) was \$2.121 bil versus February's reported closing value of \$2.086 bil.
- ▶ The LGIP ST maintains a AAAM rating by Standard & Poor's.

PORTFOLIO MIX

- ▶ At the end of March, the portfolio was invested as follows: 37% in repurchase agreements, 31% in US government agency floating rate securities, 20% in collateralized demand deposit accounts with qualified banking institutions, 11% US Treasury securities, and 1% in supranational securities.
- ▶ At month-end, the LGIP ST held positions in 44 securities.

INVESTMENT EARNINGS

- ▶ During March, the fund earned \$7,938,196.
- ▶ For FY2025, the fund earned \$70,616,838.
- ▶ 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 4.39% at the end of March.
- ▶ Net yield to participants was 4.34%.

INVESTMENT HIGHLIGHTS

- ▶ For the LGIP ST, the WAM(R) of 7 days and WAM (F) of 110 days were within their maximums of 60 and 120 days respectively.
- ▶ During the month, the LGIP ST purchased \$275.0 mil US agency floating rate securities maturing in 7 to 8 months, \$200.0 mil US Treasury securities maturing in 2 months, and \$15.0 mil supranational securities maturing in 1 month.

INVESTMENT STRATEGY

- ▶ LGIP ST WAMs are currently 10 and 112 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 \$ 1.00002

MARKET WATCH

During the first quarter, the Fed left the policy interest rate unchanged, at a range of 4.25%–4.50%. The decision to maintain the current Fed Funds level was supported unanimously by the Federal Open Market Committee (FOMC). However, the decision to slow the run-off of securities holdings, specifically Treasury holdings, was opposed by Fed Member Waller, who voted to maintain the monthly balance sheet reduction of \$25 billion US Treasury securities.

The Fed also provided updated economic and interest rate projections as follows for 2025: real (inflation-adjusted) GDP growth decreased from 2.1% to 1.7%, Core PCE increased from 2.5% to 2.7%, and the unemployment rate increased from 4.3% to 4.4%. Fed members left the expectation for year-end Fed Funds range unchanged, a median forecast of 3.9% in 2025, gradually declining to 3.0% longer run.

While the Fed's decision to leave rates unchanged was largely anticipated, the statement released by the FOMC, as well as Chair Powell's remarks at the press conference following the decision, underscored heightened uncertainty in the economic and inflation outlook. Chair Powell noted four key policy factors contributing to uncertainty that the Fed was monitoring closely: trade, immigration, fiscal policy, and regulation. Chair Powell reinforced that the risks related to their dual mandate of full employment and price stability were roughly in balance, and that the Fed was "not in a hurry" to make changes to the policy stance. While the "hard data" generally remained solid, averaging 200,000 per month for the 3 months preceding the March FOMC meeting, "soft data" like consumer sentiment was weakening and the level of uncertainty about the forward outlook was high. By slowing the pace of its balance sheet reduction, the Fed hopes to reduce Treasury market volatility, particularly for longer benchmark maturities, and facilitate the flow of credit into the economy.

Following President Trump's April 2nd announcement of higher and more widespread tariffs than anticipated, Chair Powell noted that the risk for more persistently high levels of inflation, accompanied by slower economic growth, had increased. He also reiterated that it was "too soon to say" what the appropriate path of monetary policy would be. The markets experienced a flight-to-quality during the first week of April, with the

MARKET WATCH (CONT.)

stock market falling nearly 10% and the 10-year Treasury yield dipping below 4.0%. Stocks prices and bond yields have rebounded somewhat since then, accompanied by high volatility as trade negotiations persist. However, the bond market is pricing 0.75%-1.00% in cumulative interest rate reductions by the end of 2025, nearly double the most recent FOMC projections, as concerns about the impact of a prolonged trade war weigh on corporate guidance and the broader economy.

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, with the pool’s yield closely tracking 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	Mar-25	49.0	Apr-25	47.9	5/1/2025
U.S. Unemployment	Mar-25	4.20%	Apr-25	4.20%	5/2/2025
Change in Nonfarm Payrolls	Mar-25	228,000	Apr-25	135,000	5/2/2025
ISM Services Index	Mar-25	50.8	Apr-25	50.2	5/5/2025
Fed Funds Target	19-Mar-25	4.25%-4.50%	7-May-25	4.25%-4.50%	5/7/2025
CPI YoY	Mar-25	2.40%	Apr-25	2.40%	5/13/2025
CPI MoM	Mar-25	-0.10%	Apr-25		5/13/2025
CPI Ex Food and Energy YoY	Mar-25	2.80%	Apr-25		5/13/2025
CPI Ex Food and Energy MoM	Mar-25	0.10%	Apr-25		5/13/2025
PPI YoY	Mar-25	2.70%	Apr-25		5/15/2025
PPI MoM	Mar-25	-0.40%	Apr-25		5/15/2025
PCE Core Deflator YoY	Mar-25	2.60%	Apr-25		5/30/2025
PCE Core Deflator MoM	Mar-25	0.00%	Apr-25		5/30/2025
GDP QoQ	Q1 2025 (Advance)	-0.30%	Q2 2025 (Advance)		7/30/2025
Data from Bloomberg as of 4/30/2025					

LGIP ACCOUNT UPDATES

Recent changes to personnel overseeing your LGIP account? Other LGIP account updates? As we move into a new fiscal year, it 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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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 foreseen 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.