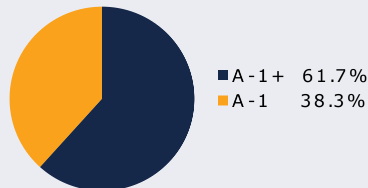
WEST VIRGINIA BOARD OF TREASURY INVESTMENTS

West Virginia Government Money Market Pool

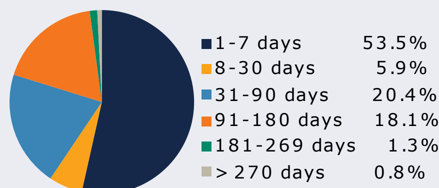
Portfolio Overview as of 1/31/2024

Pool Assets
$491 Million

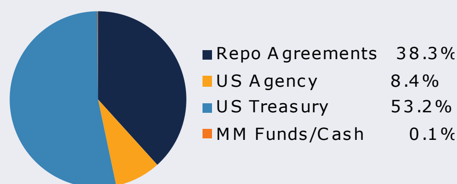
Credit Quality Composition (%)



Maturity Schedule (%)



Portfolio Composition (%)



Weighted Average Maturity
41 Days

Top Holdings (%)

United States Treasury	53.2%
Goldman, Sachs & Co	20.8%
Bank of America Securities	17.5%
Federal Farm Credit Bank	4.9%
Federal Home Loan Bank	3.5%
Dreyfus Govt Cash Mgmnt	0.1%
Total % of Portfolio	**100.0%**

The West Virginia Government Money Market Pool is a money market portfolio created to invest restricted moneys of participants in US Treasury and US Government Obligations. The objective of the portfolio is to preserve capital and to maintain sufficient liquidity to meet daily disbursements, while earning a return above inflation. The risk factor is low and managed through numerous maturity restrictions, diversification, guidelines, and credit limits.

Pool Features and Benefits:

» Professional management is provided by the West Virginia Board of Treasury investments' staff and professional investment advisors (UBS Global Asset Management).

» Rated AAAm by Standard & Poor's.

» Seeks to maintain a net asset value (NAV) of $1 per share.

» Investment yields are competitive with other government money market accounts.

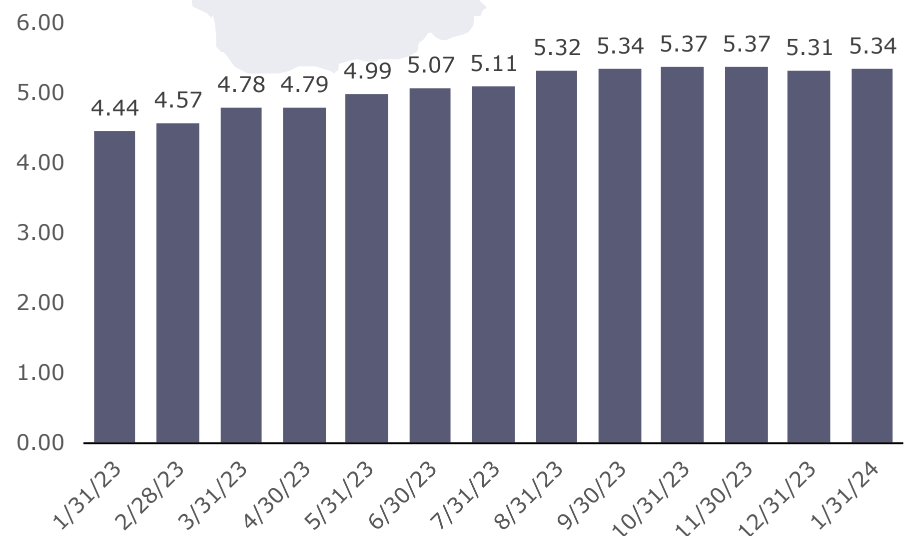
» Easy access is provided through the State Treasurer's Office online system.

» Account can be opened for as little as $100 with no limit on the number of transactions.

» Contributions and withdrawals are allowed daily.

» Income is distributed on a daily basis.

7-Day Simple Money Market Yield (%)



To learn how to make the West Virginia Government Money Market Pool work for your cash investing needs call: 304-340-1564 or visit: wvbti.org

Portfolio holdings and composition are shown as of the date indicated. Since market conditions fluctuate suddenly and frequently, the portfolio holdings may change and this list is not indicative of future portfolio composition. These portfolio holdings are not intended to be and do not constitute recommendations that others buy, sell, or hold any of the securities listed.
An investment in the Pool is not insured or guaranteed by any government or government agency. Although the manager of the Pool seeks to preserve principal, it is possible to lose money by depositing money in the Pool.
An AAAm rating by Standard & Poor's is obtained after S&P evaluates a number of factors, including credit quality, market price exposure and management. Ratings are subject to change and do not remove market risk.

Commentary

Sun setting on the tightening cycle

A busy month of news pertaining to the liquidity markets ended on a high note when the Federal Reserve maintained the target fed funds rate at 5.25-5.50% and pushed the probable first rate hike to late spring at the earliest.

Degrees of confidence

Fed Chair Jerome Powell returned to the word "confidence" many times in his post-FOMC meeting press conference. He said the Fed has much confidence in the authenticity of inflation's downward trajectory over the last six months, but needs more. Not sure two months will make that much of a difference, but this stance allows policymakers to sneak in a few more months of "higher for longer." Think of it as an "insurance pause" lest inflation hover at present levels for a few readings. While the phrase "reduce the target range" appeared amid the extensive changes to the FOMC statement, Powell slammed the door on any chance of easing in March, saying it is not the "base case."

His pronouncement means March will be a busy meeting, as Powell revealed the future of QT will also be discussed at length. While Powell characterized it as working well, he acknowledged hearing market rumblings about how the reduction of the Fed's balance sheet might soon negatively impact liquidity in the Treasury market. This doesn't mean the Fed will adjust the amount of the security roll-off immediately, but certainly suggests trimming it is on the horizon. Powell affirmed that policymakers could reduce the balance sheet and rates in tandem.

Investing in the front end of the Treasury yield curve improved last month as the markets pushed out forecasts for the first cut past March, a development likely to continue after Powell's comments yesterday. Trades are now more in line with our firm view of 75 basis points of cuts this year, helping us find more value along the curve than when the fed futures trading called for upwards of six cuts. This should be aided by the U.S. Treasury's quarterly refunding plans released this week that indicate bill supply will likely remain robust.

New birds, same cage

The composition of the FOMC changes each year when the presidents of four regional Fed branches have a hockey-like line change. Occasionally, this can shift the alignment of the 12 voting members, but this time the change will be negligible as none of the new voters hold extreme views. We consider Atlanta's Raphael Bostic a centrist, Cleveland's Loretta Mester and Richmond's Tom Barkin as hawkish, and San Francisco's Mary Daly dovish. Given the momentum the Fed has in this current cycle, the change won't make much of a difference.

Bye-bye, BSBY

We, and the greater financial world, thought we'd finally put the London interbank finance rate (Libor) price-fixing scandal behind us when the British Financial Conduct Authority ceased to support it last year. With the Fed's Secured Overnight Financing Rate (SOFR) now serving as the risk-free benchmark, the Bloomberg Short Term Bank Yield Index (BSBY) emerged in 2021 as an alternative reference rate for transactions in the credit markets. While it had worked well, it was punched in the gut punch by regulators over the summer and has been used less and less, and Bloomberg will shut it down by November. We and others made the case for it, but to no avail. The irony is that, while regulators such as the International Organization of Securities Commissions (IOSCO) and the SEC say BSBY is not secure enough to base short-term contracts on, market participants are now left with pricing rates at a spread over SOFR, meaning the risk of mispricing loans remains. At the end of the month, yields on 1-, 3-, 6- and 12-month U.S. Treasuries were 5.37%, 5.38%, 5.20% and 4.72%, respectively.