

# Your MMDT Quarterly Update

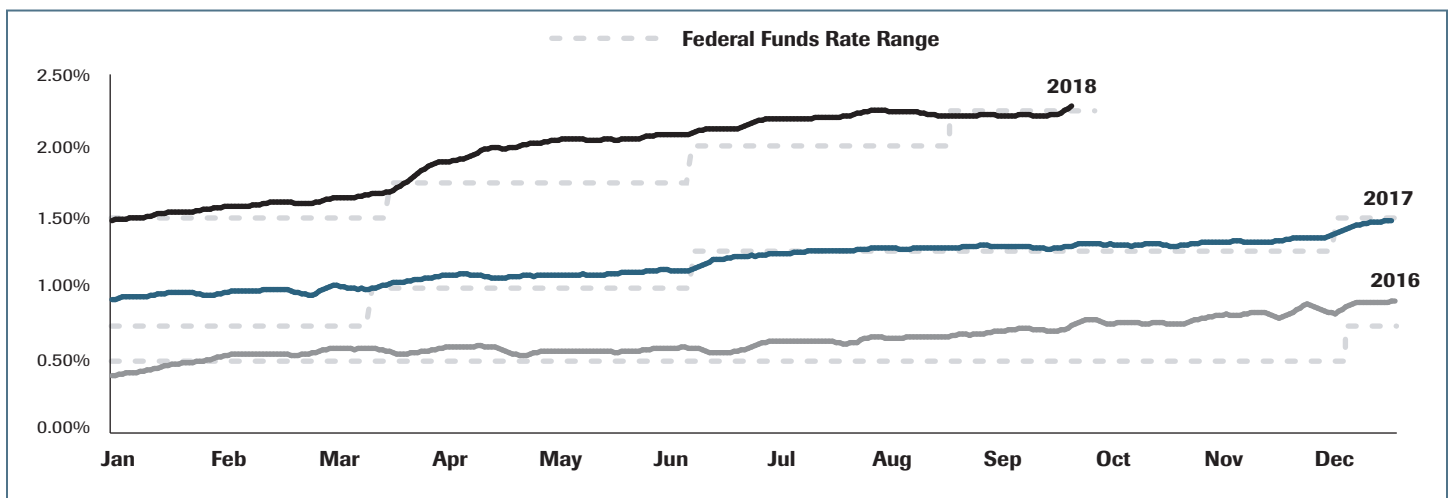
Fall 2018

## Cash Pool Yields in a Rising Rate Environment

### Fed Rate Hikes

Over the past three years, there have been seven federal funds rate range increases by The Fed with another one possible later in the year. As rates rise, MMDT Portfolio Manager Paige Wilhelm seeks to invest in securities with the highest yields possible

consistent with stability of principal and daily liquidity. As shown below, the yield of the Cash Portfolio has risen in response to recent Fed hikes, enhancing participants' working capital.



Performance quoted represents past performance, which is no guarantee of future results. Investment return will vary. The value of an investment when redeemed, may be worth more or less than the original cost.

Sources: Federated Investors, Bloomberg;

7-day net yield as of 9/30/18 is 2.28%. Past performance is no guarantee of future results.

## Fed Watch: A plain spoken, slightly hawkish message

In recent weeks, we've begun to see a stirring in the financial press about the renewed worthiness of cash and money markets, especially prime institutional. What was once "in the doldrums," "left for dead" and dealt a "fatal blow" is now regaled with statements such as "prime time returns," "cash comes into focus" and having "increasing attractiveness."

Well, better late than never for the popular press, which Reuters colorfully said a few days before the Federal Open Market Committee (FOMC) raised rates in its September meeting: With the "anticipated rate action, cash will join the party."

In addition to a much-expected 25-basis-point hike in the target range to 2-2.25%, the FOMC summary of economic projections indicated it expects one more hike before the end of 2018 and

three similar hikes in 2019. The forecast extended to 2021 this time, with a rate of 3.4% implying no additional tightening.

A bit of inside baseball is that the Fed did not choose to further lower the interest paid on excess reserves (IOER) target compared to the upper end of the fed funds rate. Both rose a quarter point, so the difference between them remains 20 basis points.

We would expect yields on prime securities to continue to move higher over the fourth quarter and issuance of Treasuries to remain strong. Given the outlook for higher rates, we continue to invest in floating-rate securities and maintain the weighted average maturity (WAM) of our prime funds in a 30-40 day range and 25-35 days for government funds, with our municipal call shifting down five days to 25-35. Libor rose over the month, with 1-month at 2.26%, 3-month at 2.40% and 6-month at 2.60%.

## Fed Rate Watch

Upcoming Fed meetings:

2018:

Nov. 7-8

Dec. 18-19

2019:

Jan. 29-30

Mar. 19-20

Apr./May 30-1

## Outlook:

Anticipating 1 More Rate Hike in 2018

## Benefits of MMDT Cash Portfolio:

- Experienced management team
- Stringent credit review process
- 40-year history of superior credit analysis
- Pursues three core objectives:
  - Preservation of capital
  - Maintain liquidity
  - Potential for maximizing yield

## Benefits of MMDT Short Term Bond Portfolio:

- Experienced management team
- Well-diversified portfolio
- Strong risk controls
- Balanced risk/return potential
- Compelling relative performance
- Yield advantage over short-term alternatives
- Low-cost option relative to industry average

## Your Federated MMDT Representatives

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## Are you taking advantage of all of the features available from MMDT?

- No fee wire/ACH transactions
- Future date trading
- Vendor payments
- Internal MMDT participant to participant transfers
- Dual authorization trading
- Unlimited number of transactions
- Online tutorials

## Upcoming Events

We look forward to meeting with MMDT participants at these events:

- Dec 03, 2018 - Dec 04, 2018, The Verve - Crowne Plaza, Natick  
2018 NAHRO Fall Conference
- Oct 31, 2018 - Oct 31, 2018, Doubletree Hotel, Milford MASBO Fall Conference

*Bond prices are sensitive to changes in interest rates and a rise in interest rates can cause a decline in their prices.*

*Investments in the Cash Portfolio and Short Term Bond Portfolio are not deposits of a bank and are neither insured nor guaranteed by the Commonwealth of Massachusetts or the U.S. government, the Federal Deposit Insurance Corporation (FDIC) or any other government agency. The Portfolios' yields will vary from day to day based on changes in interest rates and market changes. Although the Cash Portfolio seeks to preserve the value of your investment at \$1.00 per unit, it is possible to lose money by investing in the Portfolio.*

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