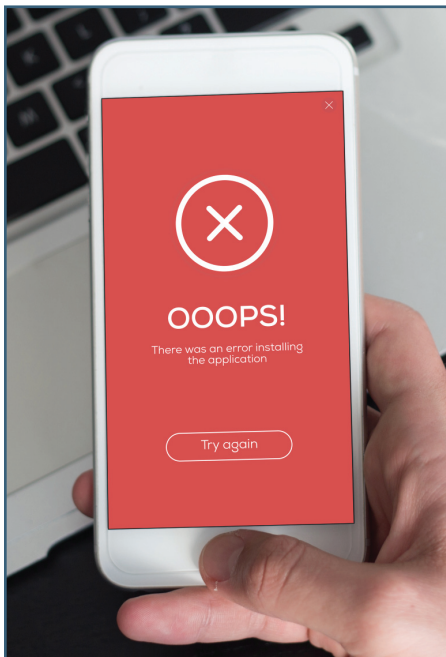


Your MMDT Quarterly Update

Spring 2019

Reset and assess

The Fed essentially used the March meeting to reboot its message after its dramatic policy shift over the last two quarters.



Reflecting on the Federal Reserve committee’s dovish decisions, our thought was that we got a hard reset. When your cell isn’t working like it should or isn’t connecting well to tower or Wi-Fi, you restart it. It takes a little time, but usually does the job.

The March Federal Open Market Committee (FOMC) meeting was just like that. The Fed has made such a spectacular shift in viewpoint, actions and projections over the last two quarters that it needed to reboot its message. The connection between it and the markets had not been clear enough. Yes, investors seem appreciative of policymakers’ sensitivity to real-time economic developments rather than stubbornly sticking to academic theory, but the change from projecting three rate hikes in 2019 to maybe none—we still think one—over a time period of about two quarters has been a lot for all to process.

The good news is that the maneuvering has been based on data, and presumably the FOMC will not stray from that approach. (Just because the Fed says it is data-dependent doesn’t mean all its decisions line up with economic numbers—trends are hard to follow in the moment.) While it would need strong, repeated communication to set up a hike in the next six months, Chair Jerome Powell has positioned the Fed to credibly act in either direction. It could feasibly dial back stimulus or push it forward.

So we are resetting, too. We want to have wiggle room to withstand negative data but firepower left in case positive news steepens the curve. If the last 6-month period held so much drama, so could the next.

Shifting monetary policy expectations

Global uncertainty, equity market volatility, concerns over China trade, and Brexit concerns over domestic and global growth, increasing political pressure on Fed, increasingly dovish Fed speak

November 30, 2018



70% chance of Fed Funds target range being raised to 2.5% to 2.75% or higher by September 2019

December 31, 2018

January 31, 2019

February 28, 2019

March, 31, 2019



90% chance of Fed Funds target range being unchanged at 2.25% to 2.50% by September 2019
 5% chance of 25 basis point ease by then



52% chance of 25 basis point policy ease by September
 12% chance of more than one ease by then

Reflected in September 2019 fed Funds Futures Contract Source: Bloomberg

Fed Rate Watch

Upcoming Fed meetings:

2019:

Apr./May 30-1

June 18-19

July 30-31

Sep 17-18

Oct 29-30

December 10-11

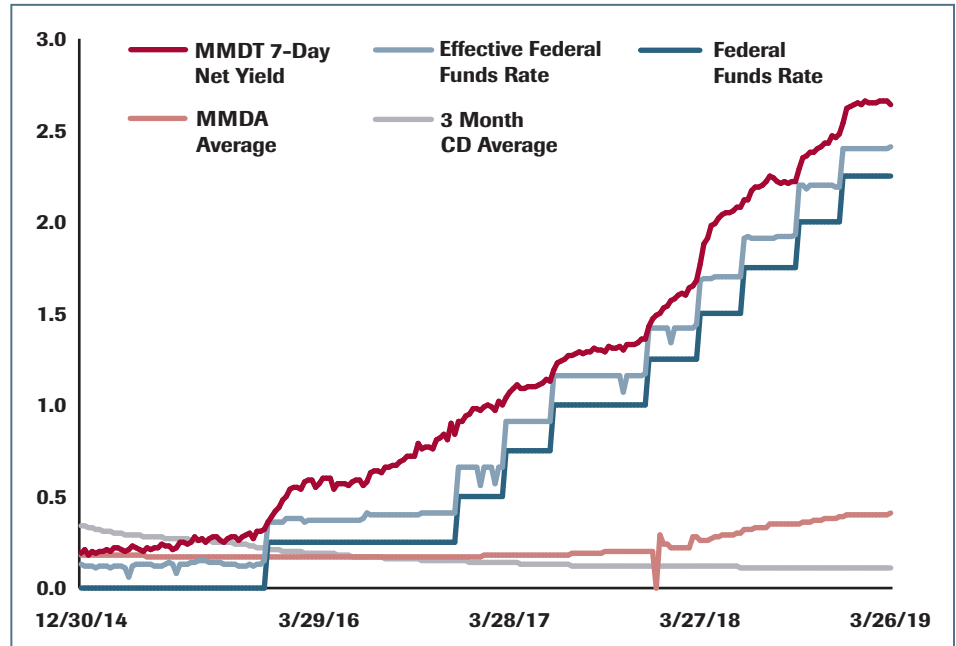
Outlook:

Anticipating 1 Rate Hike in 2019

Fed Resets yet Yields Remain Attractive

While The Federal Reserve did not change the target range of the Fed funds rate this quarter, the 7-day net yield for the MMDT Cash Pool continued to benefit from the December 2018 rate hike. The 7-day net yield for MMDT Cash Pool ended the quarter at 2.66% continuing its trend higher than other money market investment options.

Portfolio manager, Paige Wilhelm pays close attention to participants' cash flow needs. Open lines of communication with participants helps her to invest appropriately and keep securities with the highest yield potential working for the best outcome. As shown below, portfolio yields for the pool have risen in response to recent Fed hikes, enhancing participants' working capital.



Past performance is no guarantee of future results.

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Tired of paper statements?

MMDT is pleased to offer e-delivery for your monthly account statements.

If you are interested in enrolling in this service, complete the "Electronic Statement Delivery Consent Form" and submit it to your MMDT Participant Services Team via mail or fax. This form can be found in the Quick Links section on the MyMMDT.com homepage or from the Account Documents webpage.

Upcoming Events

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

MGFOA Spring 2019 Meeting - May 7th - Boylston

MASBO Annual Institute - May 15th-17th - North Falmouth

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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