

Your MMDT Quarterly Update

Summer 2019

Gut check time

We don't think this business cycle has run its course.

It's time for a conviction trade in the liquidity markets.

Will the Federal Reserve's next policy move be to cut the federal funds target range? We think yes, agreeing with most. Will it do so three times in the remainder of 2019 for a total of 75 basis points? We say no, putting us out of step. But even if it does, it is important to remember that it would be a moderation, not a plunge to zero or anything extreme. Rates could be steady at a lower level for some time or even rise. We don't feel the end of this business cycle is nigh, and have been investing as such. It takes some resolve, but we are purchasing some floaters in the 12-month area, and we think cash will remain a crucial part of most portfolios.

At the heart of the issue is that we think the markets, policymakers and many economists have gone too far in forecasting so many rate decreases. Projections are for some version of cuts: 50 basis points in July with 25 either in September or December or maybe 25 at each of these meetings. (The last time the Fed moved half a percentage point was in the rush to zero during the financial crisis of 2008.) We don't expect more than two quarter-point cuts this year. While the London interbank offered rate (Libor) has inverted, the U.S. economy isn't acting like it is about to sink into a recession. Although many regional indexes have shown slowing activity and the housing market remains subpar, employment is still strong and retail sales, consumer and small-business sentiment are solid. Overall, you would have to call the economy moderating, but a month or two does not a trend make. So we need to watch a little further to see which way the data is leaning. In any case, even a percentage point drop would reflect a moderately growing economy, not a recessionary one.

We have been purchasing 3- and 4-month securities to try to keep yields as high as possible. But our conviction trades are in the 12-month area, in which we have been buying variable-rate instruments that reset every one or three months. If these stay steady or go back up again, we hope to benefit.

You have two investment options available for your business needs with the MMDT:

Cash Portfolio: The Cash Portfolio offers participation in a diversified portfolio of high quality money market instruments that seek the highest possible level of current income consistent with preservation of capital and liquidity. Seeking to preserve capital investment through prudent management and sound investment policies and restrictions, it aims to maintain sufficient liquidity to meet reasonably foreseeable participant redemption activity. The investment objectives of the Cash Portfolio are preservation of capital, liquidity and yield.

Short-Term Bond Portfolio: The Short-Term Bond Portfolio offers participation in a diversified portfolio of investment-grade, short-term, fixed-income securities that seeks to generate performance exceeding the Barclays 1-5 Year Government/Credit Bond Index, presenting a fixed-income alternative with a longer time horizon than the Cash Portfolio.

An Investment Option for Bond Proceeds

MMDT Cash Pool can be an optimal vehicle for investing bond proceeds. The Pool's investment policy takes into account the unique considerations needed for bond proceeds and provides an investment option with a competitive yield and ample liquidity while also offering features such as future dated trading and vendor payments. For more information on how the Cash Pool can be used to meet your bond investing needs, call 1-888-965-MMDT (6638)

Fed Rate Watch

Upcoming Fed meetings:

2019:

Jul 30-31

Sep 17-18

Oct 29-30

Dec 10-11

Outlook:

Anticipating 2 Rate Cuts
in 2019

Below are examples of some of the many different types of accounts that are currently invested with the MMDT

School Districts

General
Stabilization Fund
Student Activity Fund
High School Renovations Fund
Technology Fund
Scholarship Fund

Higher Education

General Fund
Reserve Account
Student Government Association
Scholarship Account
Debt Reserve Fund

Housing Authority

General Fund
Investment Account
Modernization Account
Voucher Account
Project Fund

Utility District

General Fund
Reserve Fund
Board Fund
Trust Account
Stabilization Fund

City/Town

General Fund
Group Insurance Trust Fund
Trust of Town Donations
Emergency Response Stabilization Fund
Unemployment Fund
Bond Fund
Town Hall Construction Account
Municipal Insurance Trust Fund

Transit Authority

General Fund
Capital Projects Operations Fund
Voucher Account

Your Federated MMDT Representatives

Brian R. Willer, CIMA®, CFA
Vice President
MMDT Senior Sales Representative

bwiller@federatedinv.com
617-335-0770

Brian is responsible for relationship management with MMDT participants.

Luke A. Raffa, CFS®
MMDT Associate Sales Representative

lraffa@federatedinv.com
407-733-5880

Luke is responsible for relationship management with MMDT participants.

Wayne Perry
Unit Manager
MMDT Participant Services

wperry@federatedinv.com
1-888-965-MMDT (6638)

Wayne is responsible for managing the MMDT Participant Services team from the High Street office.

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:

Aug 13, 2019 - Aug 16, 2019, University of Massachusetts Amherst
MCTA School

Sep 08, 2019 - Sep 11, 2019, Spruce Peak at Stowe, Stowe, 2019
NESGFOA 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.

Mailing Address: MMDT Participant Services • P.O. Box 219712 • Kansas City, MO 64121-9712
Boston Office Location: Oliver Street Tower • 125 High Street, 21st Floor • Boston, MA 02110
1-888-965-MMDT (6638) • MyMMDT.com • Federated Investment Counseling

Managed and
Serviced by **Federated**[®]
G4488544 (7/19) 2019 ©Federated Investors, Inc.