COUNTY OF ORANGE



OFFICE OF THE TREASURER-TAX COLLECTOR

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December 10, 2001

TO: Board of Supervisors

Michael Schumacher, County Executive Officer

Treasury Oversight Committee Treasurer's Advisory Committee

Participants

FROM: John M. W. Moorlach, C.P.A., CFPTM

Treasurer-Tax Collector

SUBJECT: Treasurer's Management Report for November 30, 2001

Attached please find the Treasurer's Management Report for the County of Orange for the month ended November 30, 2001. The information provided herein, including all charts, tables, graphs and numerical representations, is provided to readers solely as a general overview of the economic and market conditions which the Treasurer utilizes in making investment decisions. In addition, a complete version of this report is also available for download at our website http://www.oc.ca.gov/treas/.

TREASURER'S REPORT

In order to assist you in reading this report, please note that the current balances reflect the investments recorded in the portfolios for each particular fund for the period ending November 30. Each money market fund has an average maturity of less than ninety days, with a net asset value (NAV) falling within the range of \$0.9950 and \$1.0050. The extended fund will have an average maturity of up to 549 days and a fluctuating NAV. All investments are marked to the market at the end of the reporting period due to the narrow valuation range prescribed by the Pools' Investment Policy Statement.

The reports reflect the par value (face value), the book value (cost to the County of the investment) and market value (the price of each security at the close of the market on the last trading day of the month). The difference between the market value and book value is the unrealized gain or (loss). The Detail Transaction Report Section is provided in compliance with California Government Code Section 53607, which requires that the Treasurer file such a report with the Board of Supervisors, from whom his investment authority has been delegated.

APPORTIONMENT OF COMMINGLED POOL INTEREST EARNINGS

We have prepared a forecast for the timing of the County Pool's September and October 2001 interest apportionments. We anticipate posting the September and October interest apportionments to participants' cash accounts in the County general ledger by approximately December 11, 2001, and January 16, 2002, respectively.

ECONOMIC OBSERVATIONS

There are signs that the economy appears to be responding to the combination of monetary policy, fiscal stimulus and on-going progress in the anti-terrorist war. Prior to the attacks, some economists perceived the economy to be on the doorstep of pulling out of its slump. It is now being suggested that it may not be that tough a climb back.

Federal Open Market Committee (FOMC) Governor Poole recently commented, "We ought not be pessimistic. We have some very substantial fundamental strengths in our situation." Encouraged by any positive news, equity prices have rebounded and bond yields are moving higher.

The economic data are far from conclusive. However, we have seen a remarkable drop in initial jobless claims (Exhibit 1), an unprecedented response to financing incentives for auto sales (Exhibit 2), a strong rebound in weekly chain store sales, record increases in durable goods orders (Exhibit 3), and the largest gain ever in new orders from the Purchasing Manager's Index (Exhibit 4).

It is still a stretch to conclude that a "V-shaped" recovery has begun. We are continually reminded of the economy's vulnerability and realize that any underlying weakness will spill over into 2002. Nevertheless, financial conditions have loosened considerably in recent weeks and hope they will be sustained for a fast and lasting recovery.

The FOMC meets again Tuesday, December 11. The Investment Management Committee and the financial markets are still undecided on the outcome.

INTEREST RATE FORECAST

The Treasurer's Investment Management Committee is looking for interest rates to stabilize in the near future. The following yield projection should take us through the end of the current fiscal year:

July 2001-June 2002: 2.75%

Please call if you have any questions.

INITIAL JOBLESS CLAIMS INITIAL

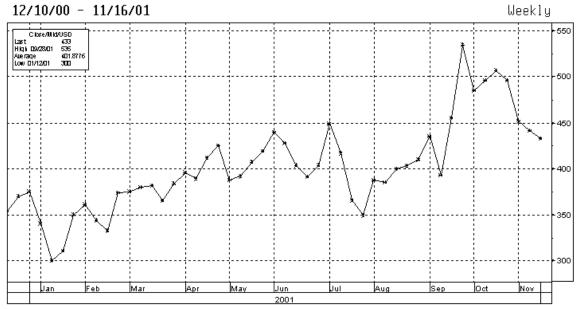


EXHIBIT 1

TOTAL ANNUALIZED AUTO SALE DOM VEH

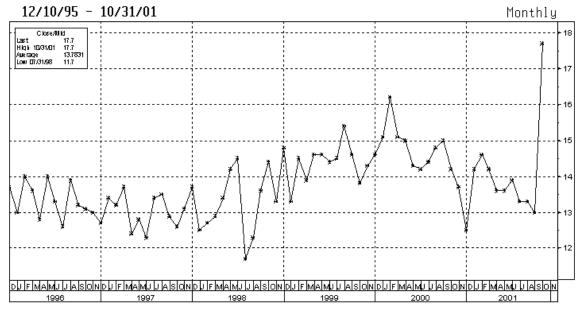


EXHIBIT 2

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DURABLE GDS NEW ORDERS % CHNG

12/10/00 - 10/31/01

Monthly

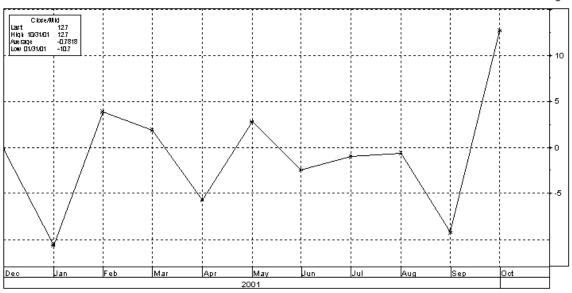


EXHIBIT 3

TOTAL MFG INDUSTRY NEW ORD MOM% CHNG

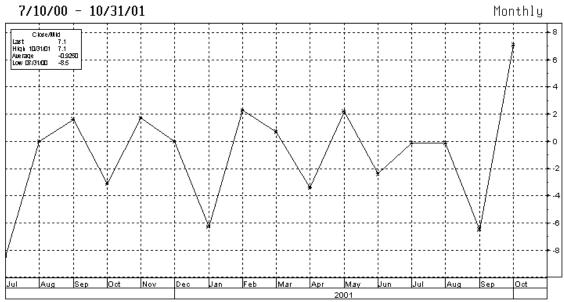


EXHIBIT 4