

January 2021

Monthly Cash Review

January was a long month. Or it seemed that way, at least. The lightness of the holiday season felt miles behind us as the month started with a run-off election in Georgia, a violent protest in Washington DC, a second impeachment and a somewhat chaotic transition of power, all while COVID infection rates were rising. The good news: as the month grinded along, the media flow settled and it appears we may be back to the political norms of pre-2016.

Federal Reserve Policy

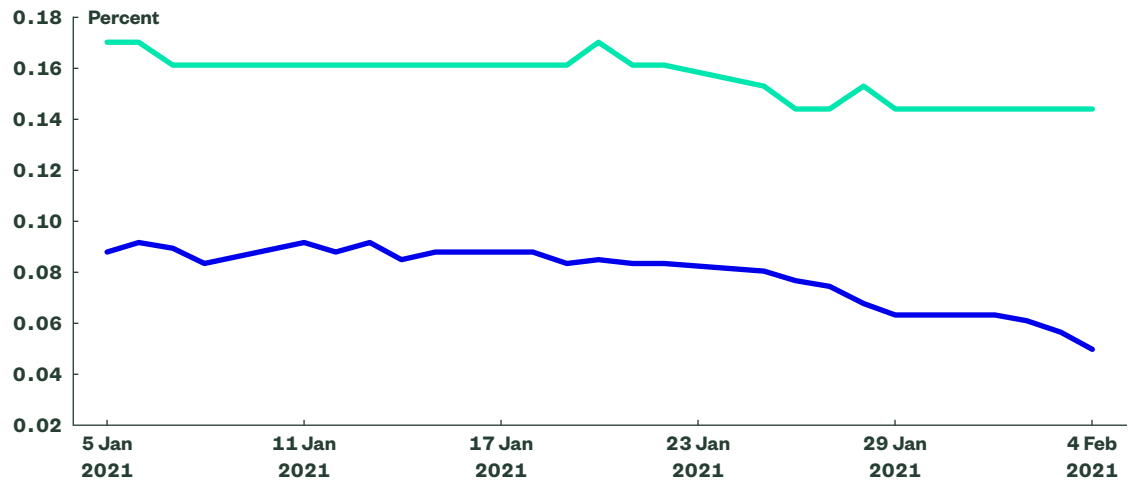
Federal Reserve (Fed) officials held their January FOMC meeting and while their subsequent statement was not particularly groundbreaking, the Committee's acknowledgment of the recent slowing in economic activity and employment due to the ongoing pandemic captured headlines. Both administered interest rates and the Fed's Asset Purchase Program remained unchanged. Fed Chairman Powell noted that inflation may pick up in the coming months due to base effects and the potential re-emergence of consumer spending. Powell tempered these expectations by commenting that an increase of inflation would likely be transitory, and would not require the Fed to take immediate action.

Outlook

Supply and demand have been the lead story in the cash markets for the month of January. The next stimulus package from Washington does not appear to be as large as was hoped. Excess liquidity in the system and the reality of a limited supply increase in Treasury bill (T-bill) debt caused those rates to grind lower by 3–5 basis points (bps) depending on the maturity. Strong demand continues to keep the T-bill curve very flat. Credit yields, including commercial paper (CP) and certificates of deposits, also turned lower over the month, declining 2–7 bps, depending on the maturity. Even as CP outstanding balances continue to grow (currently up \$87 billion since end of December 2020), the offerings are gobbled up as quickly as they are available, frustrating buyers. The outlook on money market yields is lower over the near term.

Figure 1
Yields Turn Lower

■ 3-month T-Bill
 ■ 3-month Tier 1 OP



Source: Bloomberg as of February 4, 2021.

Economic Data

Nonfarm payrolls shrank by 140,000 in the month of December, weaker than expected. Continuing claims were lower by 1 million over the past two months but initial claims were up almost 130,000. Average hourly earnings were higher than expected. CPI was in-line with expectations and well below 2%, with Core PCE also reporting well below 2%. Pending home sales came in at 22.8% year-over-year and new home sales trends continue to report well above pre-pandemic averages.

Politics and Policy

Janet Yellen made history as the first woman confirmed as US Treasury Secretary. Throughout the course of Yellen's confirmation testimony, the former Fed Chairwoman highlighted her desire to 'go big' in terms of additional fiscal stimulus, insisting that it was clear American families needed extra support.

Money Markets

The money markets remained calm and orderly in the first four weeks of the new year. As risk assets continued their rally, cash yields felt the gravitational pull lower with 3-month Libor reaching a historic low of 0.195% (as of February 3rd). Overall liquidity remains strong and issuers have the upper hand as robust demand across asset types allows them to dictate the terms of their borrowings. The Fed's liquidity programs continue to fade into the background as most of the programs' outstanding balances mature off.

Our Funds

Government and Treasury money market fund durations crept slightly longer over the course of the month. Weighted average maturities (WAM) were in the high 40s or low 50s and weighted average life (WAL) pushed over 100 days. This confirms the risk to lower rates and a central bank that is determined to see full employment and prolonged levels of higher inflation before raising rates. Prime strategies also pushed their WAMs higher over the month and now sit in the low 50s but WALs remain shorter due to the reduced value in longer dated floaters.

About State Street Global Advisors

Our clients are the world's governments, institutions and financial advisors. To help them achieve their financial goals we live our guiding principles each and every day:

- Start with rigor
- Build from breadth
- Invest as stewards
- Invent the future

For four decades, these principles have helped us be the quiet power in a tumultuous investing world. Helping millions of people secure their financial futures. This takes each of our employees in 31 offices around the world, and a firm-wide conviction that we can always do it better. As a result, we are the world's third-largest asset manager with US \$3.47 trillion* under our care.

* This figure is presented as of December 31, 2020 and includes approximately \$75.17 billion of assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Global Advisors are affiliated.

ssga.com

Marketing communication

State Street Global Advisors, One Iron Street, Boston MA 02210 T: +1 617 786 3000.

State Street Global Advisors Worldwide Entities

Abu Dhabi: State Street Global Advisors Limited, ADGM Branch, Al Khatem Tower, Suite 42801, Level 28, ADGM Square, Al Maryah Island, P.O. Box 76404, Abu Dhabi, United Arab Emirates. Regulated by the ADGM Financial Services Regulatory Authority. T: +971 2 245 9000. **Australia:** State Street Global Advisors, Australia, Limited (ABN 42 003 914 225) is the holder of an Australian Financial Services License (AFSL Number 238276). Registered office: Level 14, 420 George Street, Sydney, NSW 2000, Australia. T: +612 9240-7600. F: +612 9240-7611. **Belgium:** State Street Global Advisors Belgium, Chaussée de La Hulpe 120, 1000 Brussels, Belgium. T: 32 2 663 2036. F: 32 2 672 2077. SSGA Belgium is a branch office of State Street Global Advisors Ireland Limited. State Street Global Advisors Ireland Limited, registered in Ireland with company number 145221, authorised and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2. **Canada:** State Street Global Advisors, Ltd., 1981 McGill College Avenue, Suite 500, Montreal, Qc, H3A 3A8, T: +514 282 2400 and 30 Adelaide Street East Suite 800, Toronto, Ontario M5C 3G6. T: +647 775 5900. **France:** State Street Global Advisors Ireland Limited, Paris branch is a branch of State Street Global Advisors Ireland Limited, registered in Ireland with company number 145221, authorised and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2. State Street Global Advisors Ireland Limited, Paris Branch, is registered in

France with company number RCS Nanterre 832 734 602 and whose office is at Immeuble Défense Plaza, 23-25 rue Delarivière-Lefoullon, 92064 Paris La Défense Cedex, France. T: (+33) 1 44 45 40 00. F: (+33) 1 44 45 41 92.

Germany: State Street Global Advisors GmbH, Briener Strasse 59, D-80333 Munich. Authorised and regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin"). Registered with the Register of Commerce Munich HRB 121381. T: +49 (0)89-55878-400. F: +49 (0)89-55878-440. **Hong Kong:** State Street Global Advisors Asia Limited, 68/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. T: +852 2103-0288. F: +852 2103-0200. **Ireland:** State Street Global Advisors Ireland Limited is regulated by the Central Bank of Ireland. Registered office address 78 Sir John Rogerson's Quay, Dublin 2. Registered Number: 145221. T: +353 (0)1 776 3000. F: +353 (0)1 776 3300. **Italy:** State Street Global Advisors Ireland Limited, Milan Branch (Sede Secondaria di Milano) is a branch of State Street Global Advisors Ireland Limited, registered in Ireland with company number 145221, authorised and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2. State Street Global Advisors Ireland Limited, Milan Branch (Sede Secondaria di Milano), is registered in Italy with company number 10495250960 - R.E.A. 2535585 and VAT number 10495250960 and whose office is at Via Ferrante Aporti, 10 - 20125 Milano, Italy. T: +39 02 32066 100. F: +39 02 32066 155.

Japan: State Street Global Advisors (Japan) Co., Ltd., Toranomon Hills Mori Tower 25F 1-23-1 Toranomon, Minato-ku, Tokyo 105-6325 Japan. T: +81-3-4530-7380. Financial Instruments Business Operator, Kanto Local Financial Bureau (Kinsho #345), Membership: Japan Investment Advisers Association, The Investment Trust Association, Japan, Japan Securities Dealers' Association.

Netherlands: State Street Global Advisors Netherlands, Apollo Building, 7th floor Herikerbergweg 29 1101 CN Amsterdam, Netherlands. T: 31 20 7181701. SSGA Netherlands is a branch office of State Street Global Advisors Ireland Limited, registered in Ireland with company number 145221, authorised and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2. **Singapore:** State Street Global Advisors Singapore Limited, 168, Robinson Road, #33-01 Capital Tower, Singapore 068912 (Company Reg. No: 200002719D, regulated by the Monetary Authority of Singapore). T: +65 6826-7555. F: +65 6826-7501.

Switzerland: State Street Global Advisors AG, Beethovenstr. 19, CH-8027 Zurich. Registered with the Register of Commerce Zurich CHE-105.078.458. T: +41 (0)44 245 70 00. F: +41 (0)44 245 70 16. **United Kingdom:** State Street Global Advisors Limited. Authorised and regulated by the Financial Conduct Authority. Registered in England. Registered No. 2509928. VAT No. 5776591 81. Registered office: 20 Churchill Place, Canary Wharf, London, E14 5HJ. T: 020 3395 6000. F: 020 3395 6350. **United States:** State Street Global Advisors, 1 Iron Street, Boston, MA 02210-1641. T: +1 617 786 3000.

Investing involves risk including the risk of loss of principal.

Past performance is not a guarantee of future results.

The whole or any part of this work may not be reproduced, copied or transmitted or any of its contents disclosed to third parties without SSGA's express written consent.

The information provided does not constitute investment advice and it should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell a security.

It does not take into account any investor's particular investment objectives, strategies, tax status or investment horizon. You should consult your tax and financial advisor. All material has been obtained from sources believed to be reliable. There is no representation or warranty as to the accuracy of the information and State Street shall have no liability for decisions based on such information. The information provided does not constitute investment advice as such term is defined under the Markets in Financial Instruments Directive (2014/65/EU) or applicable Swiss regulation and it should not be relied on as such.

It should not be considered a solicitation to buy or an offer to sell any investment. It does not take into account any investor's or potential investor's particular investment objectives, strategies, tax status, risk appetite or investment horizon. If you require investment advice you should consult your tax and financial or other professional advisor.

The information contained in this communication is not a research recommendation or 'investment research' and is classified as a 'Marketing Communication' in accordance with the Markets in Financial Instruments Directive (2014/65/EU) or applicable Swiss regulation. This means that this marketing communication (a) has not been prepared in accordance with legal requirements designed to promote the independence of investment research (b) is not subject to any prohibition on dealing ahead of the dissemination of investment research.

© 2021 State Street Corporation. All Rights Reserved. ID401211-3439327.11.GBL.RTL 0221 Exp. Date: 02/28/2022