

February 28, 2022

# Monthly Cash Review

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The month of February proved more volatile and unpredictable than January as Russia's war on Ukraine caused major uncertainty and de-risking in equity and credit markets. This commentary will not focus on the headlines around that conflict as the news flow is fast and changing by the hour. Instead we will focus on the cash markets and what impact the volatility is having on money market funds and other cash investments.

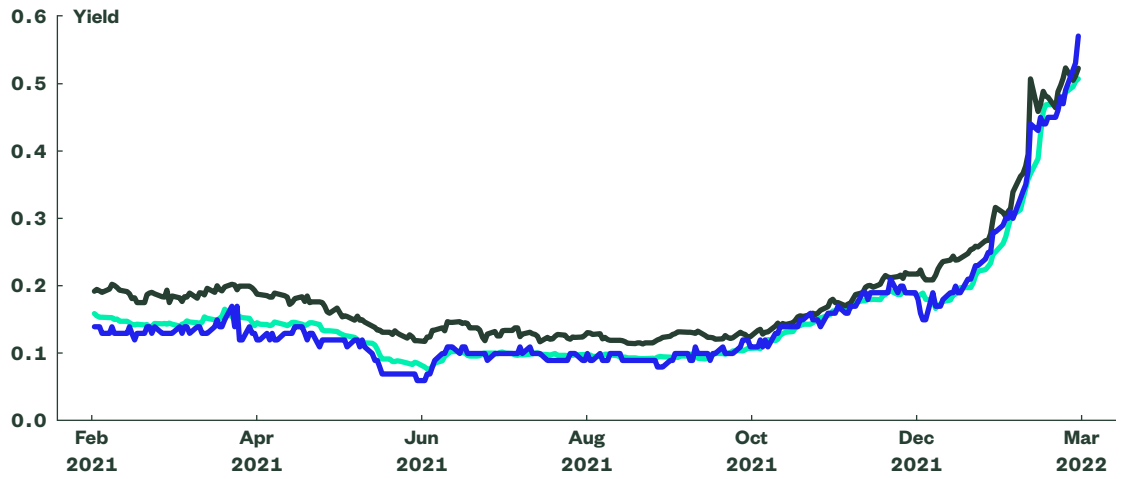
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At the time of this writing, our money market funds remain highly liquid with both WAM and WAL shorter than our one year historical averages, and slightly shorter than certain peers. See composite levels in figure 1. Liquidity positions are high and well above regulatory requirements as money market funds build short term maturities in expectation of the upward policy rate move and heightened geopolitical concerns. Our positioning for a Fed rate hike has been beneficial in the current geopolitical environment; this heightened volatility and 'risk off' move in the money markets increases the need for ready liquidity. At the time of this writing, the chance of a 25bps rate hike at the March 16th FOMC meeting is 100% priced in with Chair Powell confirming in his prepared remarks to congress. It should be noted that with the war continuing to escalate, there is less certainty around specific future central bank policy adjustments as policymakers adopt a more cautious "wait and see" approach.

Short term (1–3 month) credit yields (commercial paper and certificates of deposit, as measured by three different indexes: LIBOR, BSBY, Bloomberg CP) have gradually moved up over the course of the month and do not appear to be moving dramatically higher due to conflicts in eastern Europe.

Figure 1  
**3 Month Index Yields**

LIBOR  
 BSBY  
 Bloomberg

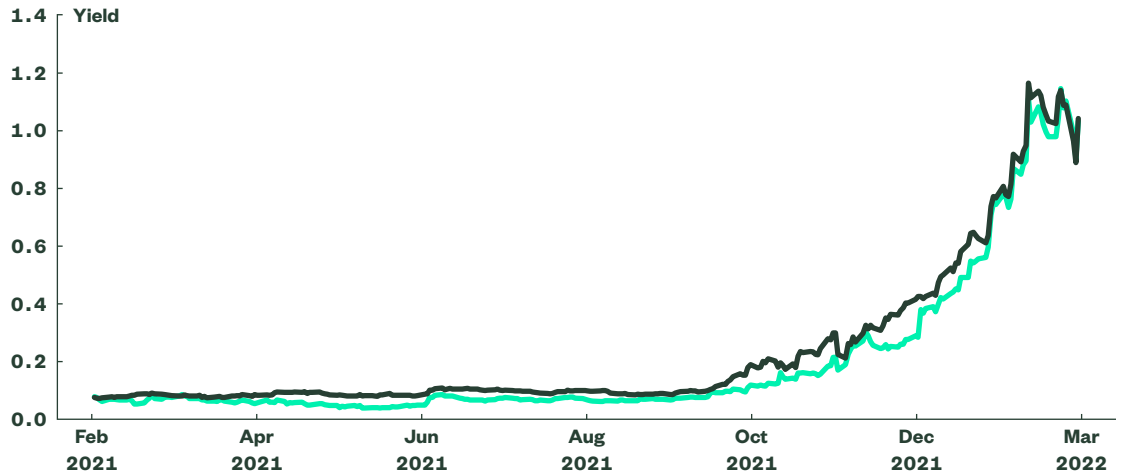


Source: Bloomberg, March 8, 2022.

But there is more to the market dynamic than these indices reveal. Liquidity is strained and dealers are exercising caution in positioning paper given the uncertainty in the market. One-year index rates (same indices as noted above) are reflecting more volatility in their yields. Liquidity in longer maturities is reduced and investors are being very particular about what they buy given the volatility in those rates. One year OIS (Overnight Index Swaps) and one year Treasury Bill yields have fallen from their highs, but are also showing higher levels of volatility.

Figure 2  
**1 Year Rates**

Overnight Index Swap  
 T-Bill

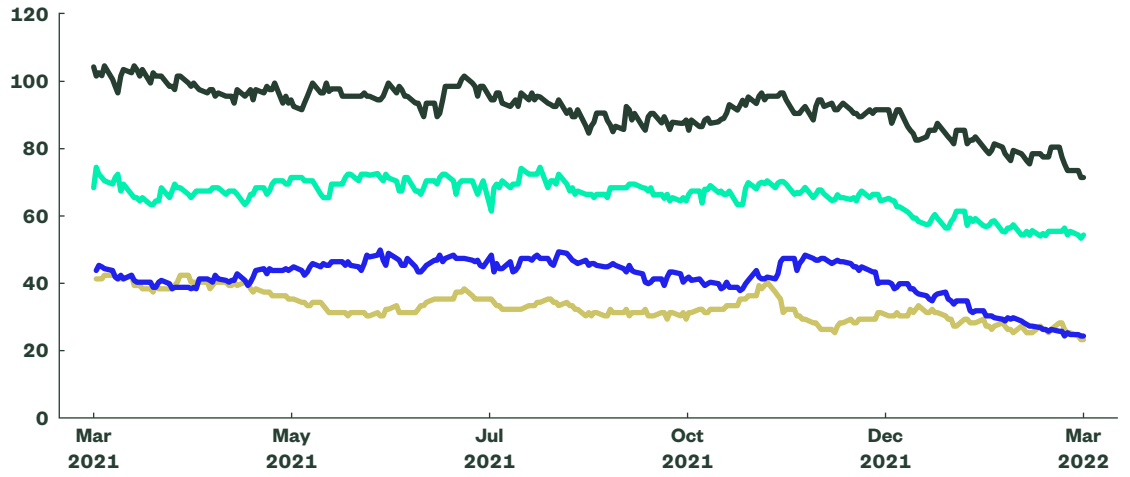


Source: Bloomberg, March 8, 2022.

Markets will continue to be volatile over the coming months as the war develops and outcomes remain uncertain. Our heightened focus on liquidity and our cautious approach to markets will remain the top priority.

Figure 3  
**Weighted Average  
Life and Maturity**

- Government WAL
- Prime WAL
- Prime WAM
- Government WAM



Source: State Street Global Advisors, Fund Families, Bloomberg as of March 8, 2022.

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\* Pensions & Investments Research Center, as of December 31, 2020.

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