Market Commentary Blog

Cash Flow *and Carey*

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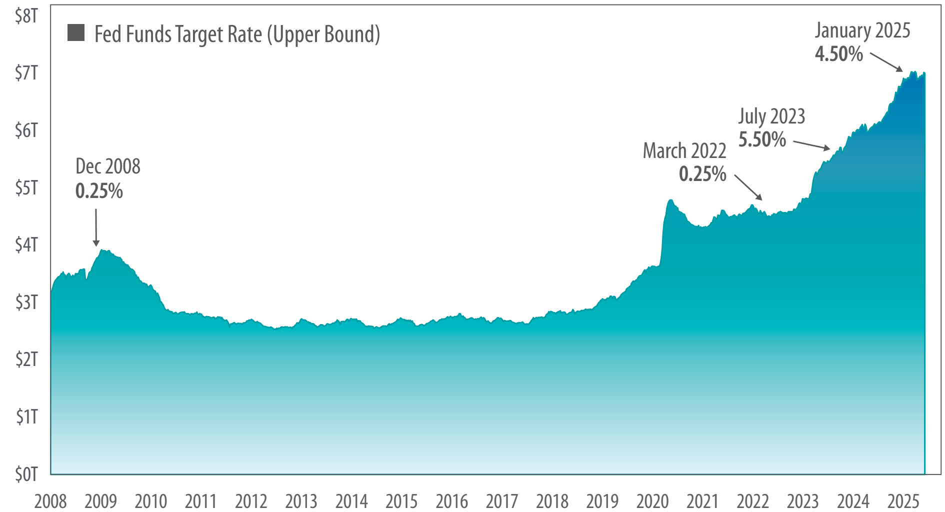
Money Market Fund Assets

ICI All Money Market Funds (Total Net Assets)



Bloomberg and Investment Company Institute. Weekly data points from 1/2/08 through 6/11/25.

View from the Observation Deck

Today's blog post offers a visual representation of trends in money market fund assets over time. As the chart reveals, investors tend to utilize money market funds during times of turmoil such as the financial crisis in 2008 – 2009 and the COVID-19 pandemic of 2020. Recently, however, investors have been piling cash into money market accounts (see chart) despite compelling returns in the U.S. equity markets and declining interest rates. A note about the chart: we use the federal funds target rate (upper bound) as a proxy for short-term interest rates, such as those offered by taxable money market funds and other savings vehicles. We believe this proxy may offer insight into the potential effect of short-term rates on investor behavior.

- Net assets invested in U.S. money market funds totaled $7.01 trillion on 6/11/25 (most recent weekly data), an increase of 14.54% from $6.12 trillion on 6/12/24. The current tally rests just below the record of $7.03 trillion set on 4/2/25. For comparison, the S&P 500 Index increased by 12.56% on a total return basis over the same period (6/12/24 – 6/11/25).
- Since September 2024, the Federal Reserve ("Fed") has announced three reductions to its federal funds target rate, bringing the rate from 5.50% to 4.50% (upper bound) where it currently sits. Money market investors appear unfazed by these reductions, adding $703.0 billion to money market funds from 9/18/24 (date the first cut was announced) to 6/11/25.
- Remarkably, rising tensions from tariffs and geopolitical events have not led to a surge in money market fund asset growth. Net money market fund assets increased by $158.7 billion year-to-date (YTD) (1/1/25 – 6/11/25), compared to an increase of $155.6 billion over the period last year (1/3/24 – 6/12/24).
- The market implied probability that the Fed will reduce the target rate at its meeting later this week stood at just 3.1% on 6/13/25, down from 63.1% on 3/31/25.

Takeaway

Since the Fed's initial rate hike on 3/16/22, total net assets invested in U.S. money market funds increased from $4.56 trillion to $7.01 trillion (53.7%), notching multiple records along the way. Total assets increased over the period despite declining interest rates. Net assets invested in money market funds increased by $703.0 billion over the period spanning the Fed's first interest rate cut on 9/18/24 through 6/11/25. Notably, the pace of money market fund asset growth has not increased substantially year-over-year, despite an increasingly volatile equity market and souring geopolitics. The long-term return profiles of these respective investments may offer insight into this behavior. While money market funds offer principal stability and income, their total return has lagged the S&P 500 Index, which surged by 57.82% (total return) over the trailing 24-months ended 12/31/24, and is up 2.24% YTD thru 6/13/25. It remains our view that an allocation to equities will generate a higher return on capital than cash over time.