Market Commentary Blog

Cash Flow *and Carey*

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This chart is for illustrative purposes only and not indicative of any actual investment. Investors cannot invest directly in an index. The S&P 500 Index is a capitalization-weighted index comprised of 500 companies used to measure large-cap U.S. stock market performance.

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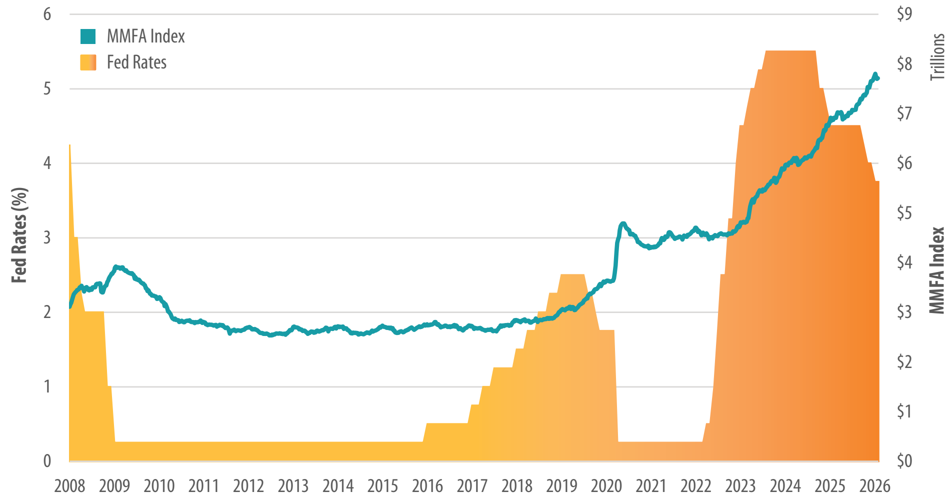
Money Market Fund Assets

ICI All Money Market Funds (Total Net Assets)



Bloomberg and Investment Company Institute. Weekly data points from 1/4/08 through 1/28/26.
Weekly observations for total money market assets. Monthly observations for federal funds target rate (upper bound).

View from the Observation Deck

Today's chart offers a visual comparison of trends in money market fund assets vs. the federal funds target rate (upper bound), over time. As it 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 $7.71 trillion on 1/28/26 (most recent weekly data), an increase of 12.2% from $6.87 trillion on 1/29/25. For comparison, the S&P 500 Index's total return was 17.0% over the same period.**
- **Since September 2024, the Federal Reserve ("Fed") has announced six reductions to its federal funds target rate (upper bound), lowering it from 5.50% to 3.75% where it currently sits. Money market investors appear unfazed by these reductions, adding $1.41 trillion in assets to the category between 9/18/24 (date the first cut was announced) and 1/28/26.**
- **Futures markets suggest additional interest rate cuts in 2026. The implied year end federal funds target rate stood at 3.11% on 1/30/26.**
- **The S&P 500 Index soared by 40.6% (total return) since its most recent low (4/8/25 - 1/30/26).**

Takeaway

As today's chart reveals, money market fund assets remain relatively stable during periods of comparatively low interest rates, while inflows often occur as interest rate policy becomes increasingly restrictive. While this relationship generally holds, periods of heightened economic volatility can have the opposite effect, as evidenced by the years spanning the COVID-19 pandemic (2020 – 2022). Since then, investors have continued directing capital into money market securities despite easing monetary policy. Total assets invested in money market funds surged by $1.41 trillion between 9/18/24 and 1/28/26, while the federal funds target rate (upper bound) declined by 175 basis points. In our view, an overly myopic focus on the potential impact of tariffs and global politics may offer insight into this behavior. The opportunity cost has been significant, to say the least. While money market funds offer principal stability and income, their total return has lagged the S&P 500 Index, which surged by 40.6% (total return) since its most recent low on 4/8/25. It remains our view that an allocation to equities will generate a higher return on capital than cash over time.