Market Commentary Blog

Cash Flow *and Carey*

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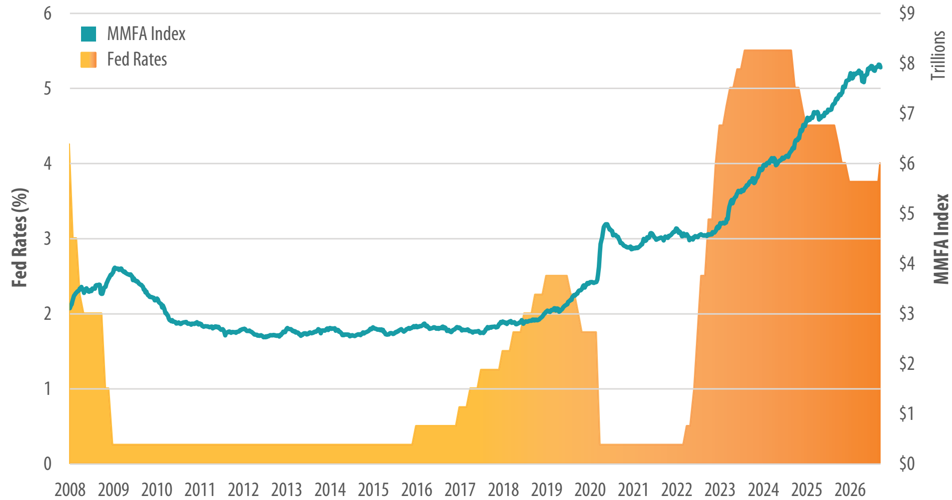
Money Market Fund Assets

ICI All Money Market Funds (Total Net Assets)



Bloomberg and Investment Company Institute. Weekly data points from 1/8/08 through 9/16/26.
Weekly observations for total money market assets. Monthly observations for federal funds target rate (upper bound) and 9/16/26.

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. Investors tend to use money market accounts 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 a general decline in 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 $7.92 trillion on September 16, 2026 (most recent weekly data), an increase of 8.8% from $7.28 trillion on September 17, 2025. For comparison, the S&P 500 Index's total return was 14.4% over the same period.**
- **Prior to last week's rate increase, the Federal Reserve had implemented six reductions to its federal funds target rate (upper bound), lowering it from 5.50% to 3.75%. Money market investors appear unfazed by these reductions, adding $1.62 trillion in assets to the category between September 18, 2024 (date the first cut was announced) and September 16, 2026.**
- **Futures markets suggest additional interest rate hikes in 2026. The implied year-end federal funds target rate was 4.22% on September 21, 2026.**
- **The S&P 500 Index soared by 58.6% (total return) from its most recent low on April 8, 2025, through September 21, 2026.**

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). That said, investors have persistently directed capital to money market funds despite a declining federal funds target rate over the past two years. Total assets invested in money market funds increased to a record $7.98 trillion on September 2, 2026. 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 58.6% (total return) since its most recent low on April 8, 2025. It remains our view that an allocation to equities will typically generate higher returns than cash over time.