

European 'AAAm' Money Market Fund Trends (First-Quarter 2021)

April 22, 2021

Index name	7-day net yield (%)	30-day net yield (%)	WAM (R) (days)	Total net assets (bil.)	Credit quality (%) (A-1+/A-1)
S&P Global Ratings 'AAAm' euro principal stability funds	(0.65)	(0.64)	45	€100.6	64/36
S&P Global Ratings 'AAAm' sterling principal stability funds	(0.01)	0.00	48	£231.1	62/38
S&P Global Ratings 'AAAm' U.S. dollar principal stability funds	0.03	0.03	43	\$488.5	74/26

The S&P Global Ratings' 'AAAm' money market fund (MMF) indicators are metrics of European-domiciled funds that seek to maintain principal value and limit exposure to principal losses due to credit risk, as defined in our principal stability fund ratings criteria. These MMF indicators provide a benchmarking tool of the 'A-1+' credit quality, portfolio composition, maturity distribution, net asset movements, and yields of 'AAAm' principal stability rated funds.

The MMF indicators demonstrate the investment practices of funds conforming to the principal stability fund rating criteria. An individual fund's metrics below those of the S&P Global Ratings' 'AAAm' MMF indicators may indicate a more conservative approach to investment, while a fund's risk metrics well above the average may signal a more aggressive approach, albeit undertaken within the constraints of a 'AAAm' principal stability fund rating.

Market Comment

European-domiciled MMFs we rate had mixed results during the first quarter of 2021 as euro- and sterling-denominated MMFs had negative flows of 20% and 8%, respectively, while U.S. dollar funds saw a 1% increase from Dec. 31, 2020. Comparatively, since the first quarter of 2020, the three currencies showed asset growth of 16% (euro), 7% (sterling), and 18% (U.S. dollar), continuing to emphasize the demand for MMFs, despite low and negative yielding investments.

During the first quarter of 2021, seven-day net yield averages, especially in euros, trended lower, while sterling and the U.S. dollar remained flat over the same period. Seven-day net yields average for 'AAAm' sterling principal stability funds remained negative, at -0.01% for the second consecutive quarter. Notably, at its mid-March meeting, the Bank of England's Monetary Policy Committee "judged that the existing stance of monetary policy remains appropriate," meaning the base rate remained at 0.1%, and keeping net yields depressed for sterling funds. The European Central Bank (ECB) and U.S. Federal Reserve had similar "hold steady" pronouncements, with the ECB deposit rate remaining at -0.50% and the federal funds rate remaining at 0.00%-0.25%.

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Table 1

'AAAm' Principal Stability Funds Seven-Day Net Yield (%)

Index	March 2020	June 2020	September 2020	December 2020	March 2021
S&P Global Ratings 'AAAm' euro MMFs	(0.60)	(0.46)	(0.56)	(0.61)	(0.65)
S&P Global Ratings 'AAAm' sterling MMFs	0.35	0.12	0.01	(0.01)	(0.01)
S&P Global Ratings 'AAAm' U.S. dollar MMFs	0.72	0.21	0.07	0.03	0.03

In March 2020, following one of the most dramatic market disruptions since the global financial crisis, MMFs took defensive measures and saw weighted average maturities (WAMs) tighten and liquidity buffers increase. Twelve months later, with renewed optimism regarding post-pandemic economic recoveries, sterling and U.S. dollar funds have seen their WAMs extend a significant 11 days. Noting that the maximum WAM at the 'AAAm' level is 60 days, MMFs appear to be seeking opportunities along the curve to fend off the prospect of negative rates for their investors. Comparatively, euro funds have undertaken less drastic WAM activity in the last 12 months as the entire MMF investment curve is negative.

Table 2

'AAAm' Principal Stability Funds Weighted Average Maturity (In Days)

Index	March 2020	June 2020	September 2020	December 2020	March 2021
S&P Global Ratings 'AAAm' euro MMFs	41	40	46	46	45
S&P Global Ratings 'AAAm' sterling MMFs	37	40	42	45	48
S&P Global Ratings 'AAAm' U.S. dollar MMFs	32	39	41	43	43

Credit quality plays a key role in net asset value (NAV) stability, and we view higher-rated assets as reflecting higher price stability. Reflective of the extension to WAMs cited above, sterling funds have also seen their average level of 'A-1+' credit quality drop over the quarter to hit its lowest level since July 2018. Considering the credit quality of underlying investments (predominantly bank and government investments) remained steady this quarter, we believe a slightly lower portfolio credit quality is a continuing strategy for fending off negative yields.

Table 3

'AAAm' Principal Stability Funds 'A-1+' Credit Quality (%)

Index	March 2020	June 2020	September 2020	December 2020	March 2021
S&P Global Ratings 'AAAm' euro MMFs	63	70	72	67	64
S&P Global Ratings 'AAAm' sterling MMFs	70	67	68	64	62
S&P Global Ratings 'AAAm' U.S. dollar MMFs	74	76	81	76	74

During the past 12 months, money market funds have been in the spotlight again and tested by the wider market impact of COVID-19, yet the MMFs we rate all had their 'AAAm' ratings affirmed in 2020. Going forward, we'll continue our weekly surveillance and regular interactions with MMF fund managers, and we expect that ratings will hold up.

European 'AAAm' Money Market Fund Quarterly Trends (First-Quarter 2021)

Chart 1

'AAAm' Funds Average WAM (R)

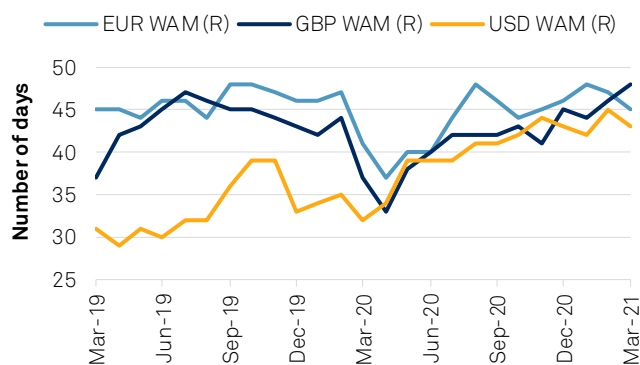


Chart 2

'AAAm' Funds 'A-1+' Credit Quality Trend

Credit quality promotes NAV stability

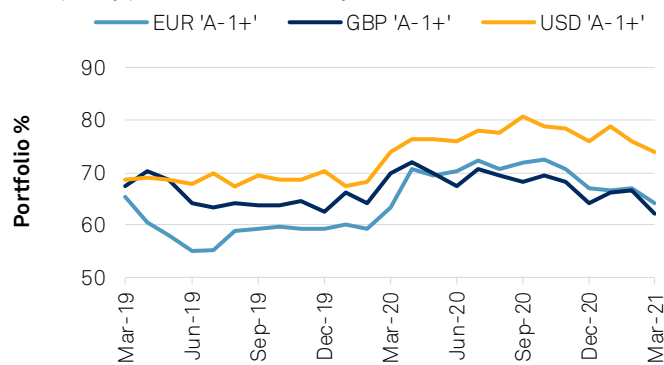


Chart 3

'AAAm' EUR Funds Net Assets

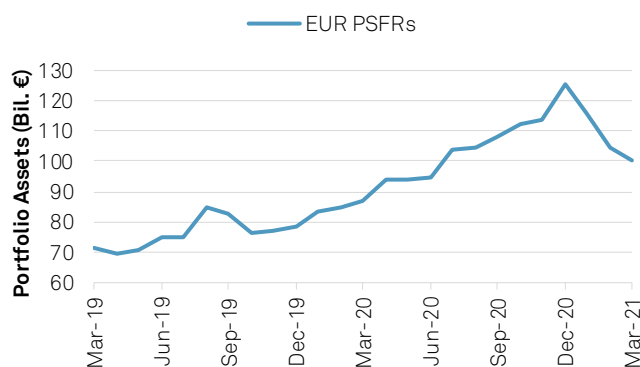


Chart 4

'AAAm' EUR Portfolio Composition

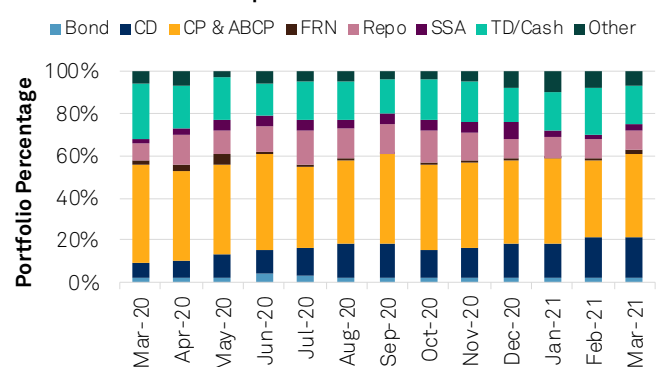


Chart 5

'AAAm' GBP Funds Net Assets

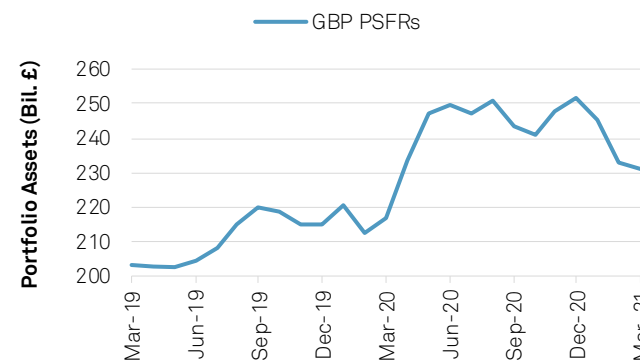


Chart 6

'AAAm' GBP Portfolio Composition

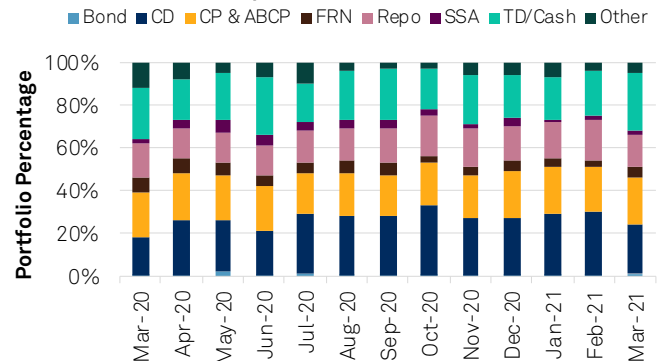


Chart 7

'AAAm' USD Funds Net Assets

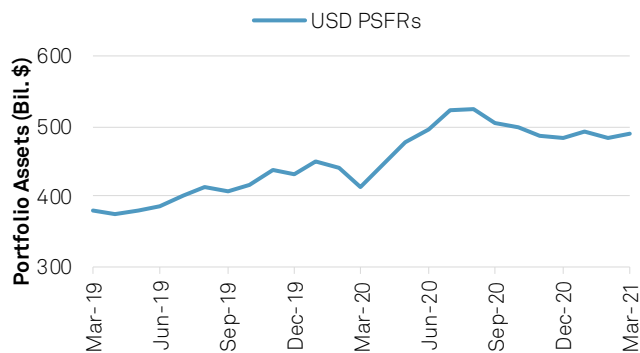
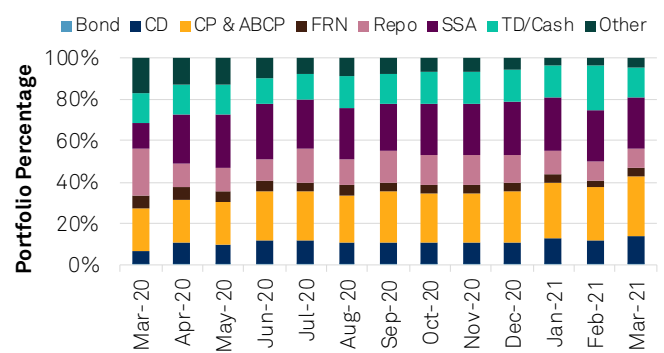


Chart 8

'AAAm' USD Portfolio Composition



Top 10 European-Domiciled 'AAAm' MMFs--Euro, Sterling, And U.S. Dollar --By Assets--Key Statistics

Table 4

'AAAm' euro principal stability funds

Rating	Fund name	Net assets	Portfolio maturity (days)		Credit quality
		(mil €)	WAM (R)	WAM (F)	A-1+ (%)
AAAm	Institutional Cash Series plc - BlackRock ICS Euro Liquidity Fund	33,719	49	51	62
AAAm	Goldman Sachs Funds, plc - Goldman Sachs Euro Liquid Reserves Fund	13,268	28	32	73
AAAm	BNP Paribas Insticash EUR 1D Short Term VNAV	10,808	45	73	66
AAAm	MS Liquidity Funds - Euro Liquidity Fund	8,844	51	52	59
AAAm	HSBC Global Liquidity Funds PLC - HSBC Euro Liquidity Fund	8,659	43	49	74
AAAm	DWS Deutsche Global Liquidity Series PLC - Deutsche Managed Euro Fund	7,810	53	54	53
AAAm	State Street Liquidity plc - State Street EUR Liquidity LVNAV Fund	6,148	41	42	62
AAAm	Aberdeen Standard Liquidity Fund (Lux) - Euro Fund	3,555	51	53	63
AAAm	Fidelity Institutional Liquidity Fund PLC - The Euro Fund	2,123	49	49	59
AAAm	Northern Trust Global Funds PLC - The Euro Liquidity Fund	1,613	44	60	53

WAM (R)--Weighted average maturity to reset. WAM (F)--Weighted average maturity final.

Table 5

'AAAm' sterling principal stability funds

Rating	Fund name	Net assets	Portfolio maturity (days)		Credit quality
		(mil £)	WAM (R)	WAM (F)	A-1+ (%)
AAAm	Institutional Cash Series plc - BlackRock ICS Sterling Liquidity Fund	42,025	47	69	59
AAAm	LGIM Liquidity Funds PLC - LGIM Sterling Liquidity Fund	37,280	48	57	62
AAAm	Insight Liquidity Funds PLC - ILF GBP Liquidity Fund	24,646	45	51	62
AAAm	Aviva Investors Liquidity Funds PLC - Aviva Investors Sterling Liquidity Fund	23,923	55	88	52
AAAm	Aberdeen Standard Liquidity Fund (Lux) - Sterling Fund	21,231	49	53	59
AAAm	Goldman Sachs Funds, plc - Goldman Sachs Sterling Liquid Reserves Fund	14,003	41	41	69
AAAm	JPMorgan Liquidity Funds - GBP Liquidity LVNAV Fund	13,115	47	66	69
AAAm	Northern Trust Global Funds PLC - The Sterling Fund	9,618	53	66	64
AAAm	HSBC Global Liquidity Funds PLC - HSBC Sterling Liquidity Fund	8,353	56	66	61
AAAm	DWS Deutsche Global Liquidity Series PLC - Deutsche Managed Sterling Fund	7,195	56	65	75

WAM (R)--Weighted average maturity to reset. WAM (F)--Weighted average maturity final.

Table 6

'AAAm' U.S. dollar principal stability funds (EU-domiciled)

Rating	Fund name	Net assets	Portfolio maturity (days)		Credit quality
		(mil \$)	WAM (R)	WAM (F)	A-1+ (%)
AAAm	JPMorgan Liquidity Funds - USD Liquidity LVNAV Fund	105,777	56	75	56
AAAm	Institutional Cash Series plc - BlackRock ICS US Dollar Liquidity Fund	51,564	50	63	65
AAAm	Goldman Sachs Funds, plc - Goldman Sachs US\$ Treasury Liquid Reserves Fund	50,782	59	68	96
AAAm	JPMorgan Liquidity Funds - USD Treasury CNAV Fund	46,261	48	50	93
AAAm	Goldman Sachs Funds, plc - Goldman Sachs US\$ Liquid Reserves Fund	34,294	43	43	80
AAAm	HSBC Global Liquidity Funds PLC - HSBC USDollar Liquidity Fund	33,155	49	66	62
AAAm	MS Liquidity Funds - US Dollar Liquidity Fund	19,641	55	74	72
AAAm	BNY Mellon Liquidity Funds, PLC - BNY Mellon U.S. Treasury Fund	17,408	51	53	100
AAAm	Institutional Cash Series plc - BlackRock ICS US Treasury Fund	17,274	45	48	100
AAAm	State Street Liquidity plc - State Street USD Liquidity LVNAV Fund	14,990	53	76	60

WAM (R)--Weighted average maturity to reset. WAM (F)--Weighted average maturity final.

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