

Corporate Cash Surges by \$1.1 Trillion to \$3.9 Trillion

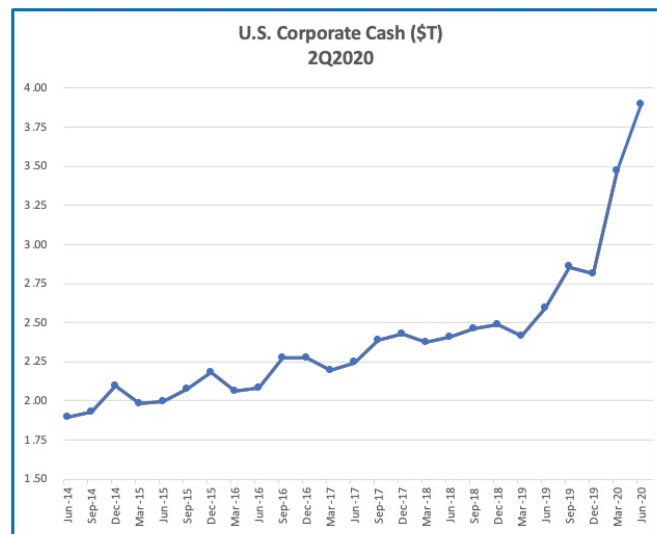
Money Fund Holdings Soar 72% Year-to-date

September 22, 2020. Corporations in the U.S. added \$1.1 trillion or 38.5% to their cash holdings in the first half of 2020 according to recent data Federal Reserve data analyzed by The Carfang Group. For the second quarter, cash is up \$424B or 12% and now stands at \$3.9T.

According to Anthony J. Carfang, Managing Director at The Carfang Group, “The Covid pandemic led to a global flight to liquidity. Corporations drew down their bank credit lines. Those who could, issued commercial paper or other debt. Central banks intervened. Corporate cash soared.”

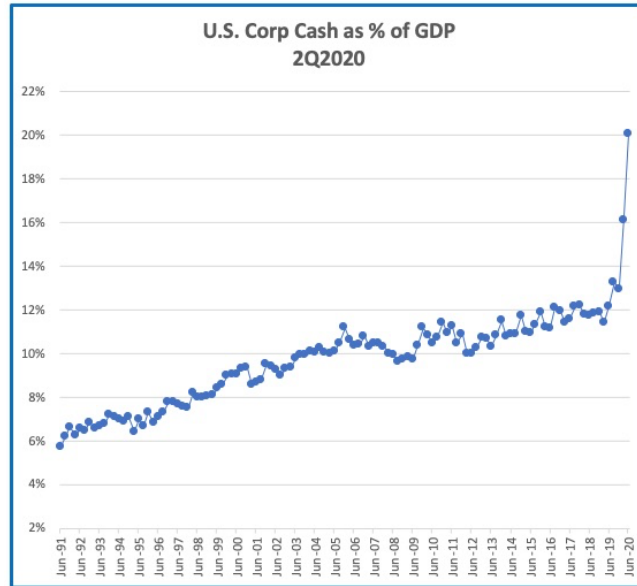
The Fed’s balance sheet grew from \$4.1T to \$7.0T during the first half. Even currency in circulation set a record as it rose 10% from \$1.8T to \$2.0T.

As a result of these factors, corporate treasurers substantially increased their cash holdings. All major cash categories increased significantly this year. Cash + checkable deposits grew by \$488B, time deposits by \$96B and money funds grew by \$404B.



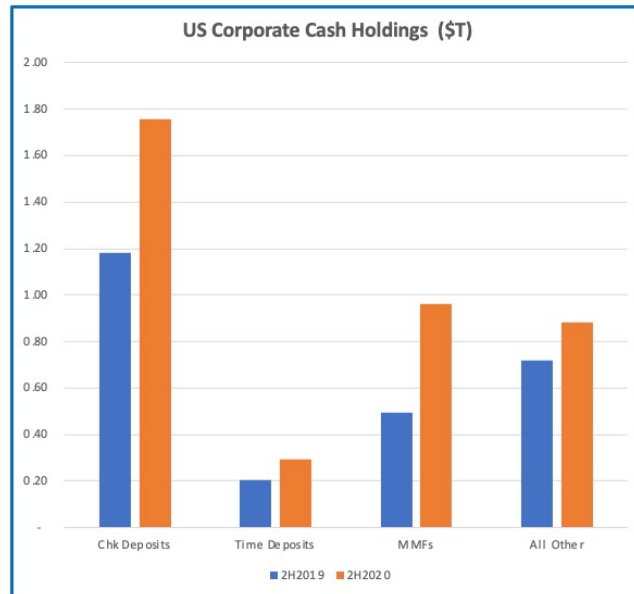
Source: Federal Reserve, The Carfang Group

Corporate cash holdings were equivalent to an historic 20.1% of U.S. GDP and 3.5X the level of the early 1990s. Cash levels soared as US GDP plunged. There had been a three-decade long upward trend in this ratio, but the current leap is well above that trendline. As this is unprecedented, the macroeconomic effects remain to be seen.



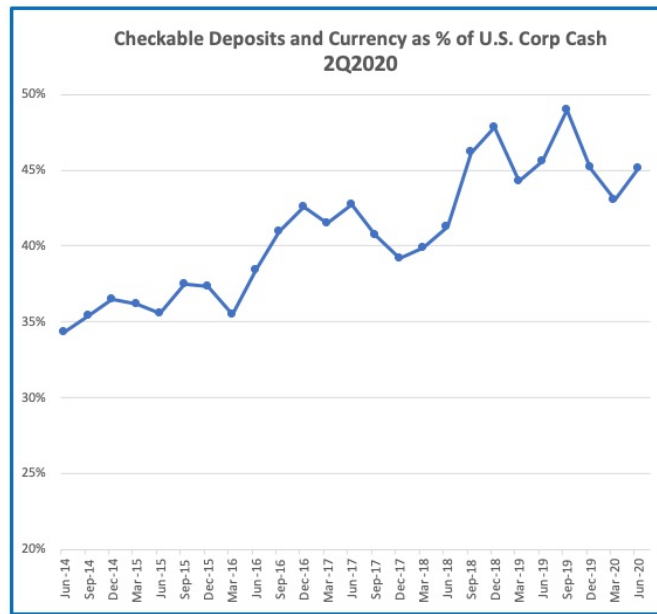
Source: Federal Reserve, The Carfang Group

Corporate holdings of checkable deposits + currency grew 38% YTD and time deposits grew by 49%. However, their holdings of money market funds jumped by 72%.



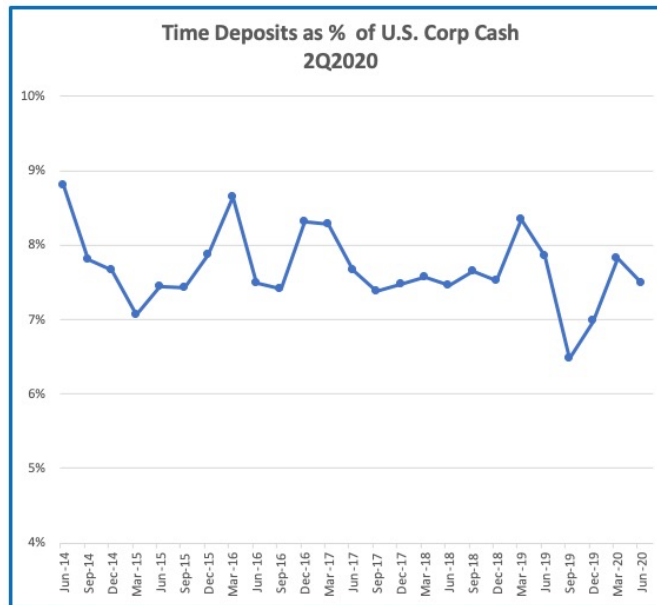
Source: Federal Reserve, The Carfang Group

Checkable deposits and currency remained at 45% of corporate cash, after increasing from 35% following the SEC's tighter rules on money market funds.



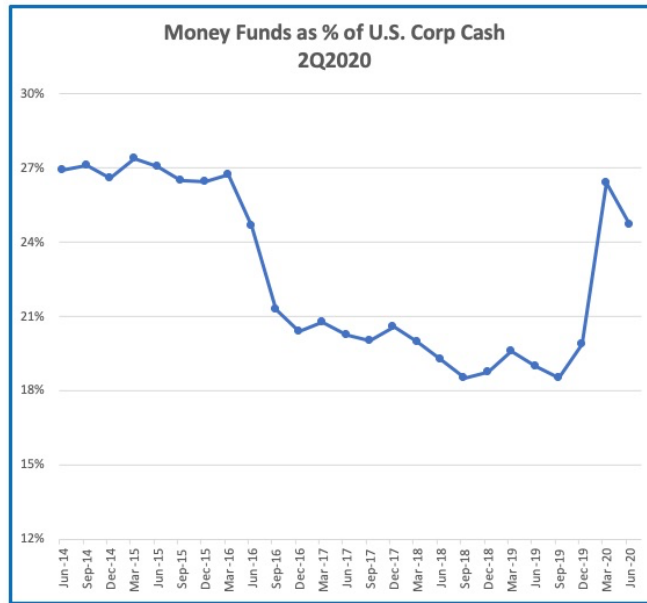
Source: Federal Reserve, The Carfang Group

Time deposits now account for 7.5% of corporate cash, sitting at the same plateau where they have been range-bound for a several years.



Source: Federal Reserve, The Carfang Group

Money funds, at 25% corporate cash, pulled back slightly during the quarter, but still remain near their highest level since mid-2016 when the SEC instituted new regulations. That's still less than half the 59% level of December 2008.



Source: Federal Reserve, The Carfang Group

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