

Thomas Kolimago

Global Head of Credit & Investment Research

BlackRock Cash Management

May 2023

BlackRock

Positioning for a pivotal period

Positioning for a pivotal period

1 Protracted policy

The Federal Reserve appears to be embracing a 'higher for longer' policy stance, while mindful of financial stability concerns

2 Supply saga

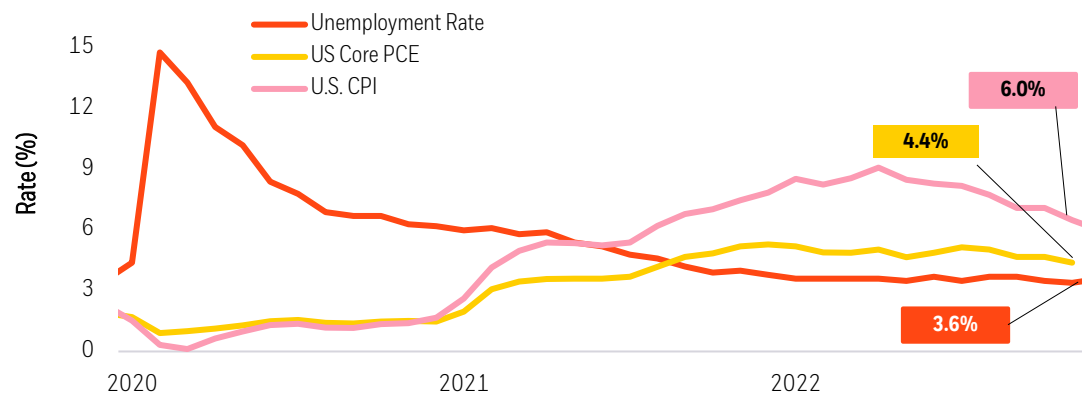
Supply continues to impact the front-end of the market

3 Cash considerations

A unique environment requires special cash management considerations

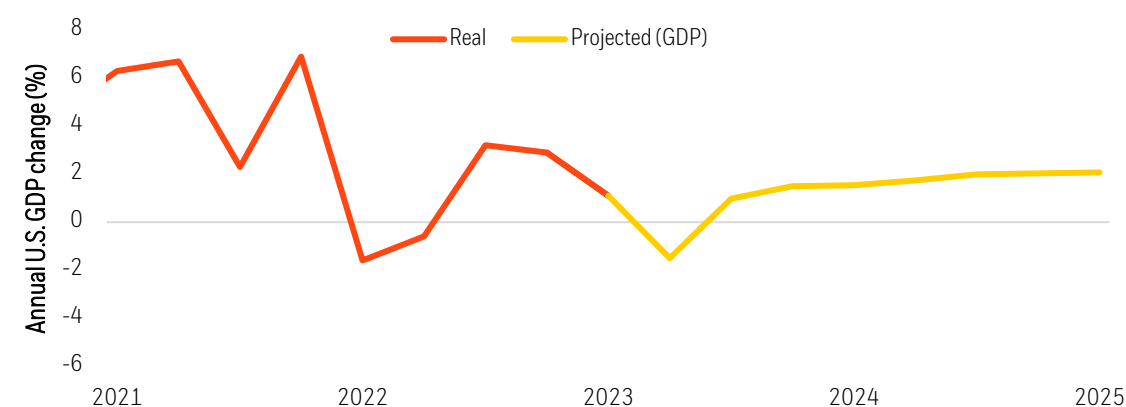
Higher for longer

Labor market, inflation



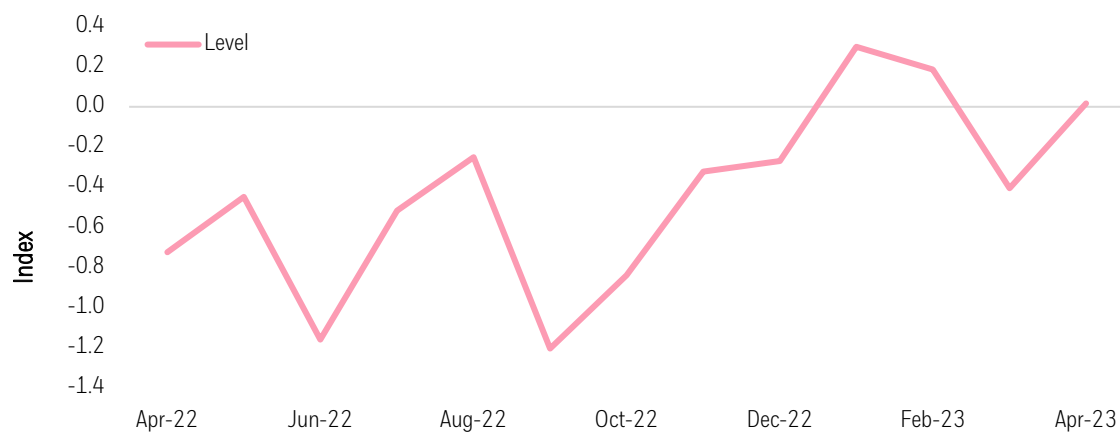
Sources: Federal Reserve statement as of March 22, 2023. Refinitiv Datastream. Chart by BlackRock Investment Institute as of March 22, 2023. US Core PCE and US CPI data as of March 22, 2023.

Real and projected GDP



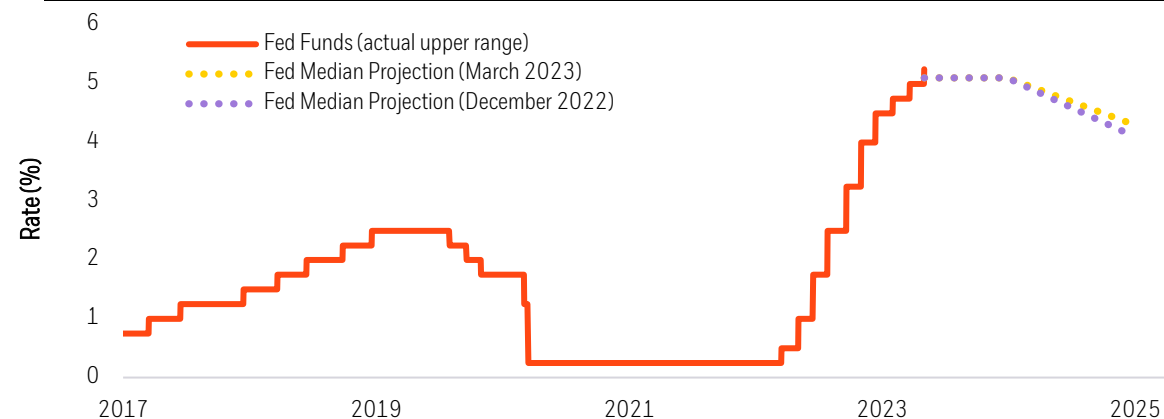
Source: Refinitiv Datastream. Chart by BlackRock Investment Institute as of April 28, 2023.

US Financial Conditions



Source: Bloomberg as of April 28, 2023.

Fed Funds actual and projections



Source: Refinitiv Datastream. Chart by BlackRock Investment Institute as of April 28, 2023. There is no guarantee projections will be realized. Actual upper range line represents the upper limit to the Federal Funds Target ranges. As of April 28, 2023, the target range was 5.00% to 5.25%. The upper range would be 5.25%.

Audience poll



What will the terminal fed funds rate (upper band) be?

- A) 5.25%
- B) 5.50%
- C) 5.75%
- D) Other



Will the Fed ease rates in 2023?

- A) Yes
- B) No



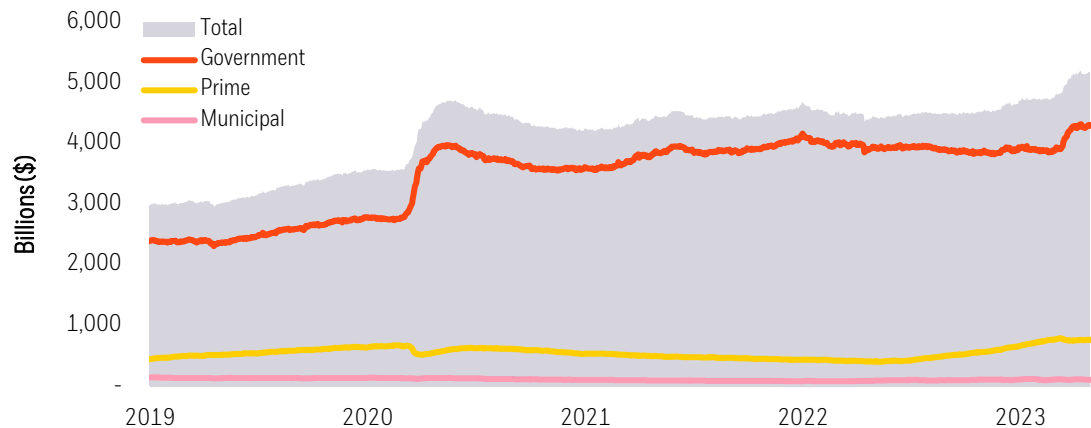
Will the Fed achieve a “soft landing” and avoid a recession?

- A) Yes
- B) No

Supply saga

On the defensive with limited hiding places

Money market fund (MMF) balances



Source: iMoneyNet as of April 28, 2023. Currency figures shown in U.S. dollars.

MMF yields

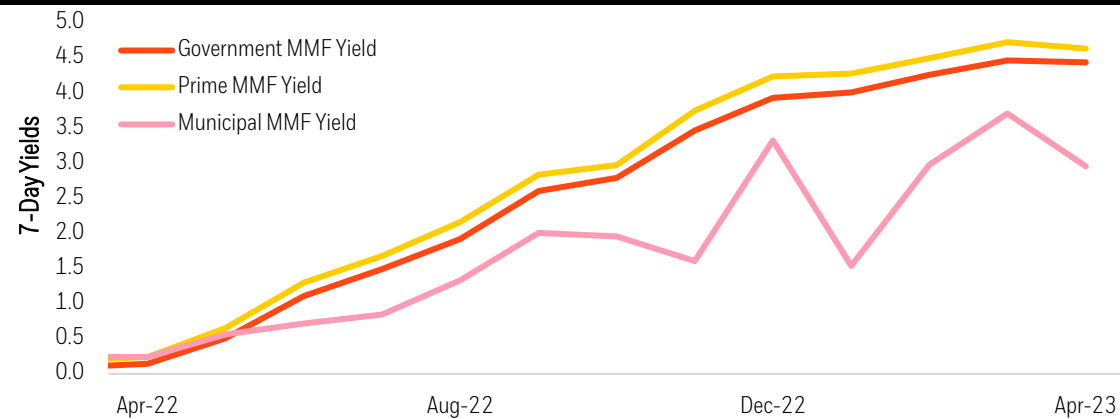
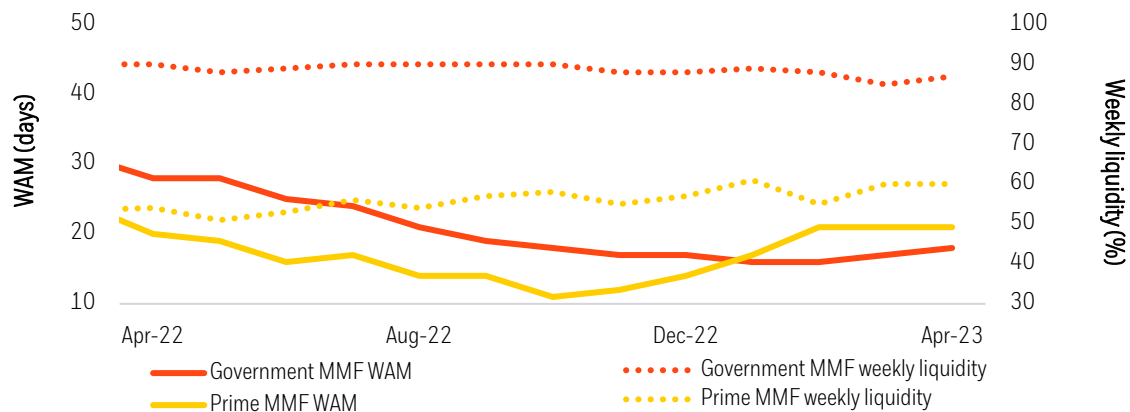


Chart above shows average yields the US MMF Industry and is not applicable to any individual fund. Source: iMoneyNet as of April 28, 2023. Past performance is not a reliable indicator of current or future results.

Industry MMF WAMs and weekly liquidity



Source: iMoneyNet as of April 28, 2023.

Prime vs Government MMF yield spread

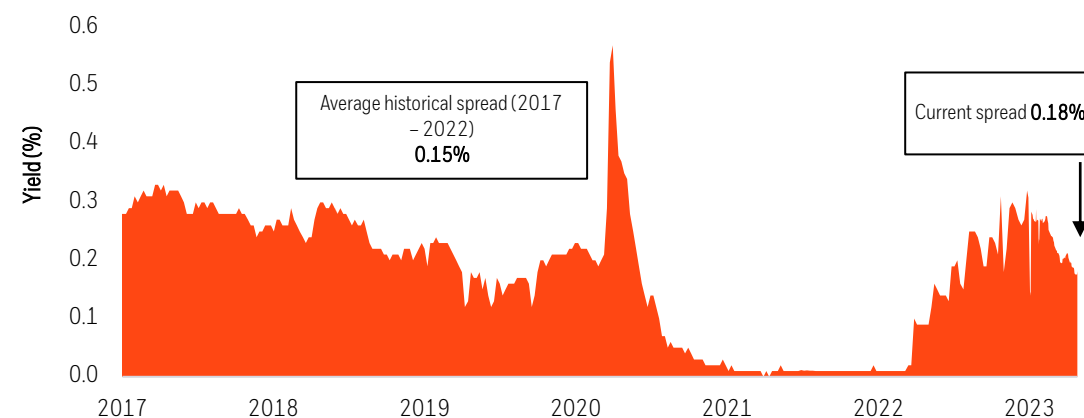
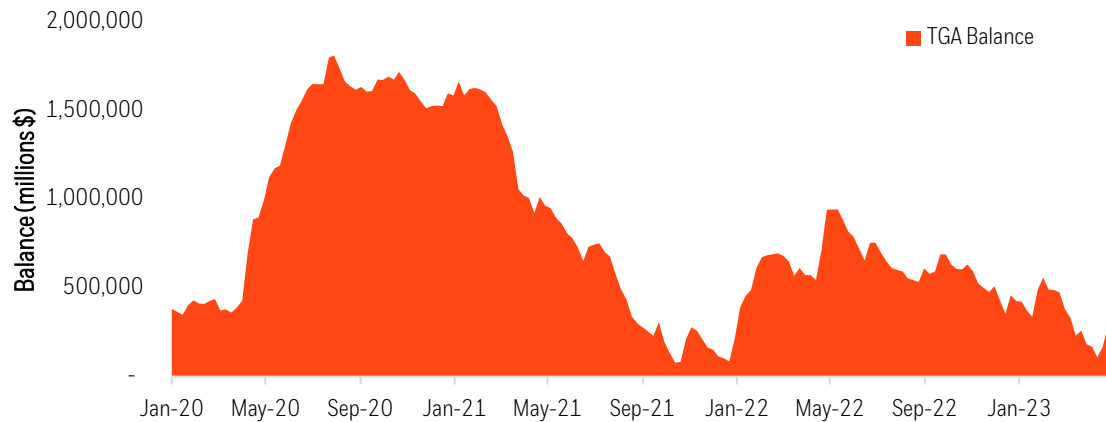


Chart above shows average yields the US MMF Industry and is not applicable to any individual fund. Source: iMoneyNet as of March 31, 2023. Past performance is not a reliable indicator of current or future results.

Supply saga

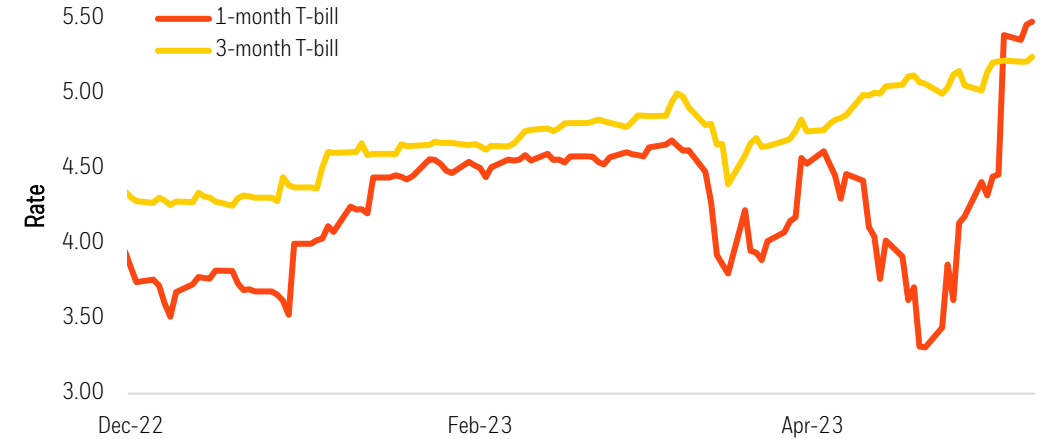
US Treasury bills (T-bills): Supply-demand and debt ceiling dynamics

Cash available on US Treasury General Account (TGA)



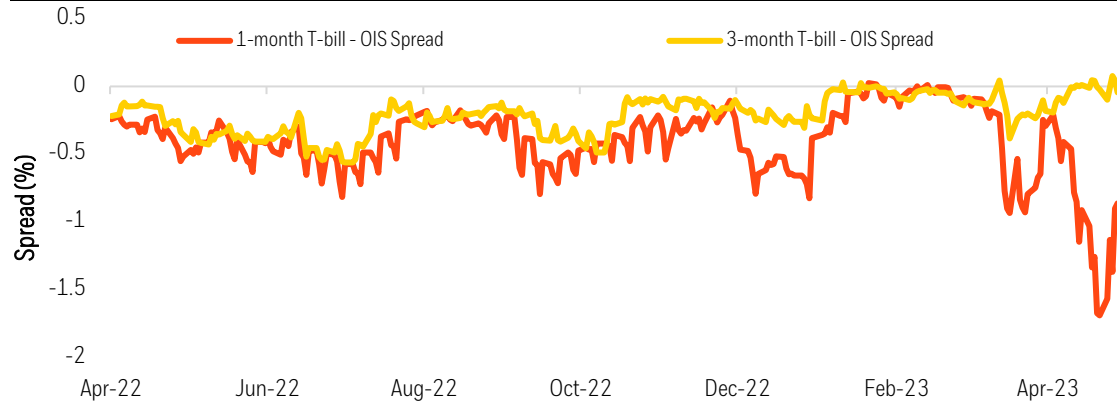
Source: Bloomberg as of April 28, 2023.

US T-bill yields



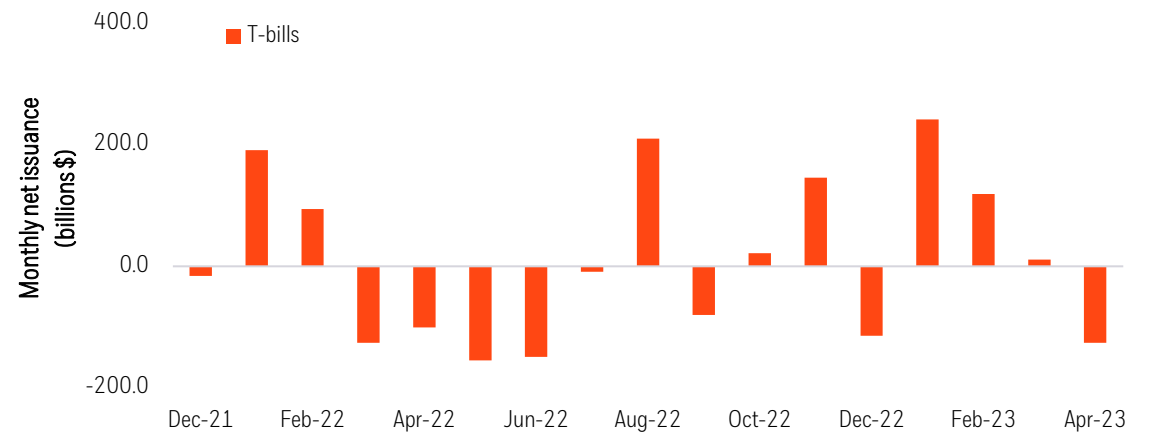
Source: Bloomberg as of April 28, 2023.

T-bill - OIS Spread



Source: Bloomberg as of April 28, 2023. Past performance is not a reliable indicator of current or future results

T-bill supply

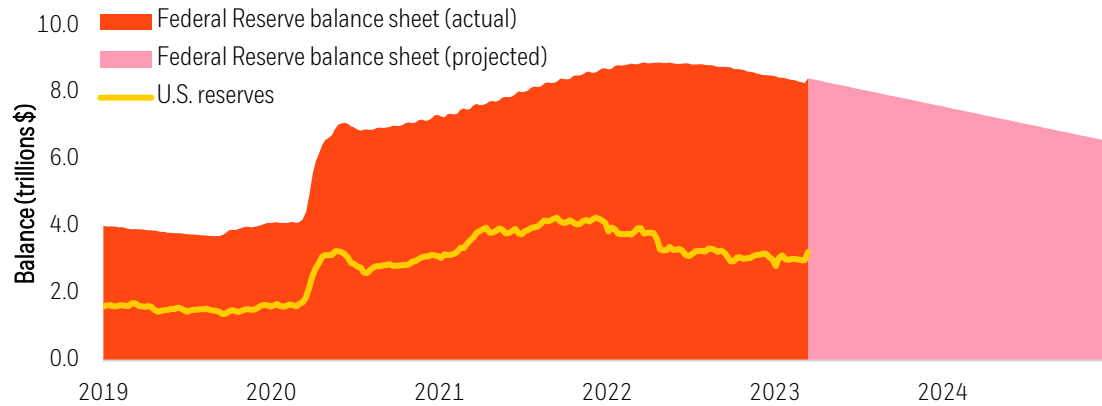


Source: Sifma.org as of April 28, 2023.

Supply saga

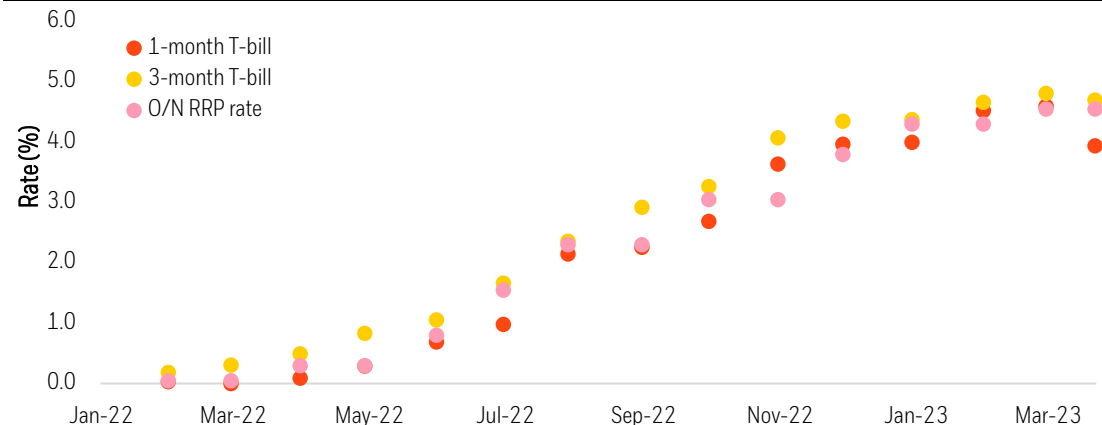
The rundown on reserves and repo

Balance sheet runoff and bank reserves



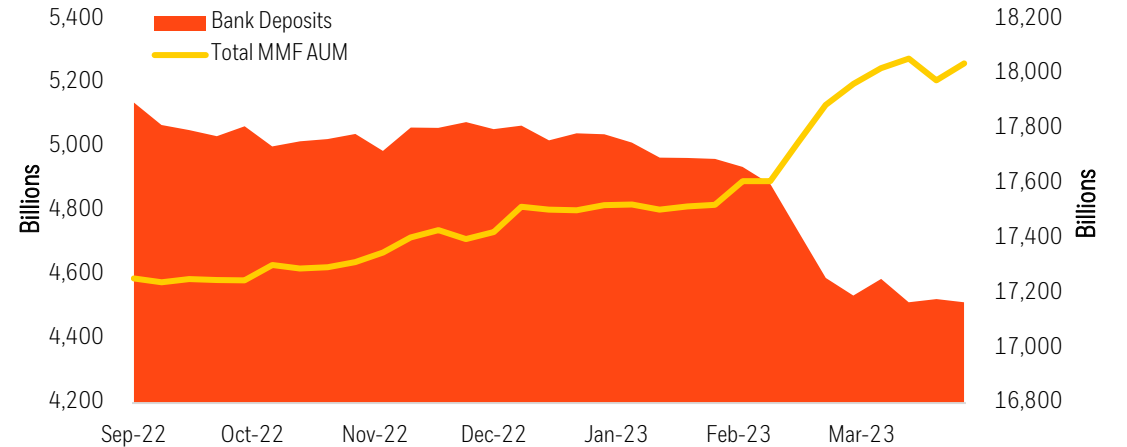
Source: Bloomberg, Refinitiv Data Stream. Chart by BlackRock Investment Institute as of March 15, 2023. Currency figures are in US dollars. Projections only, subject to change.

Fed's Reverse Repurchase Agreement Program (RRP) and T-bills



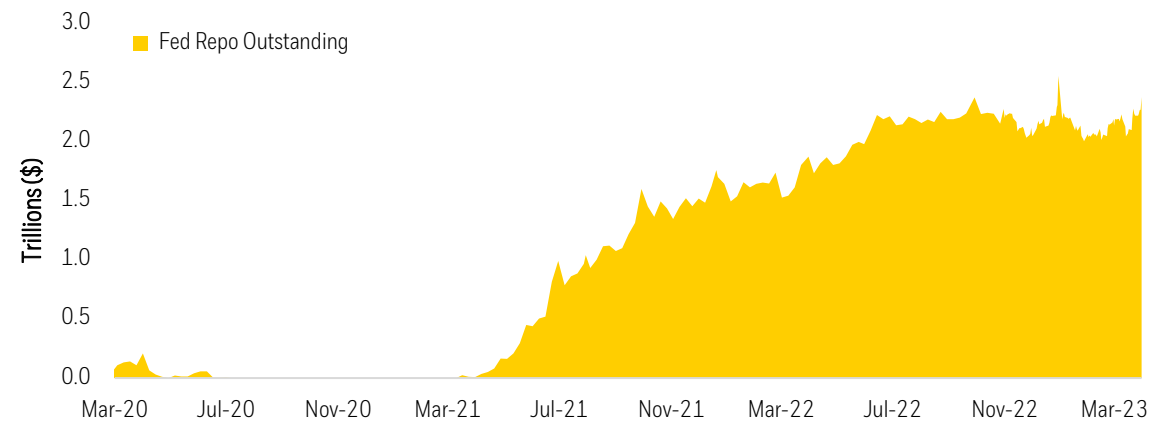
Source: Bloomberg as of March 22, 2023.

MMF assets under management and bank deposits



Source: Bloomberg as of April 28, 2023.

RRP utilization

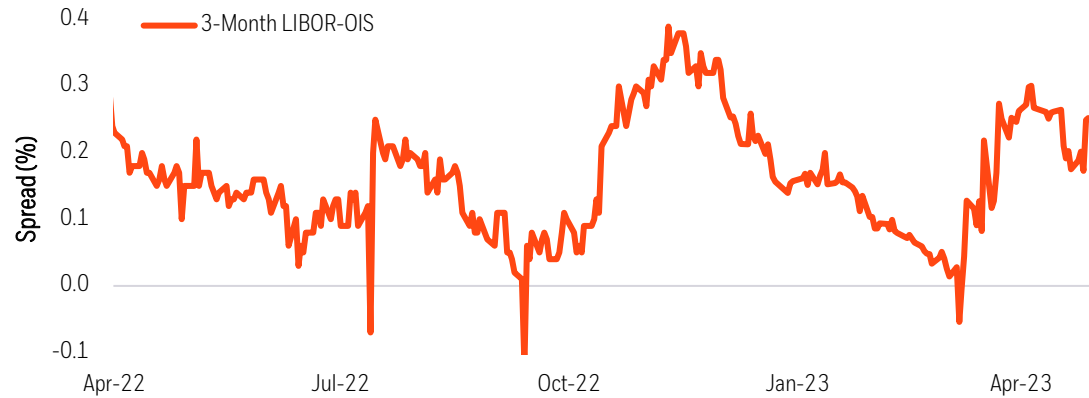


Source: Federal Reserve as of March 31, 2023. Currency figures shown in US dollars.

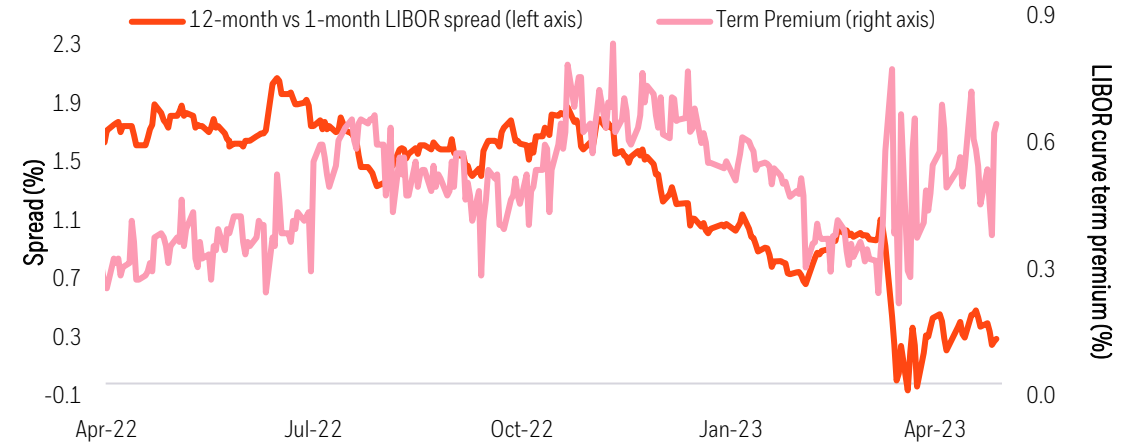
Supply saga

Meanwhile in credit, supply and rate expectations are also having an impact

Front-end credit spreads and term premium

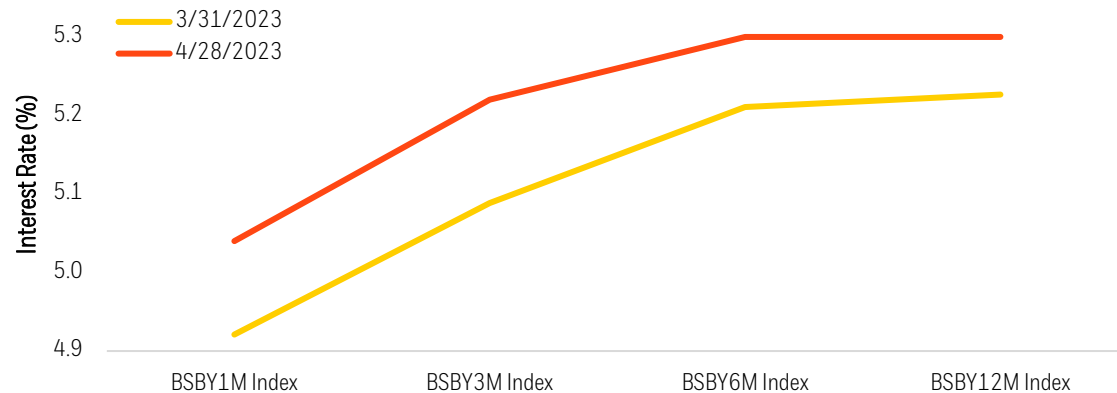


Source: Bloomberg as of April 28, 2023. Past performance is not a reliable indicator of current or future results. It is not possible to invest directly in an unmanaged index.



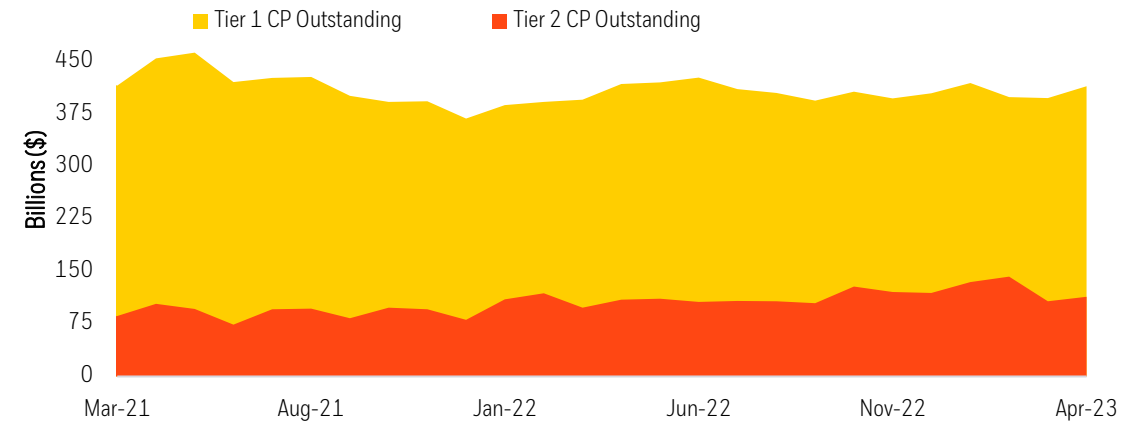
Source: Bloomberg as of March 22, 2023.

Front-end credit curve



Source: Source: Bloomberg Data as of April 28, 2023.

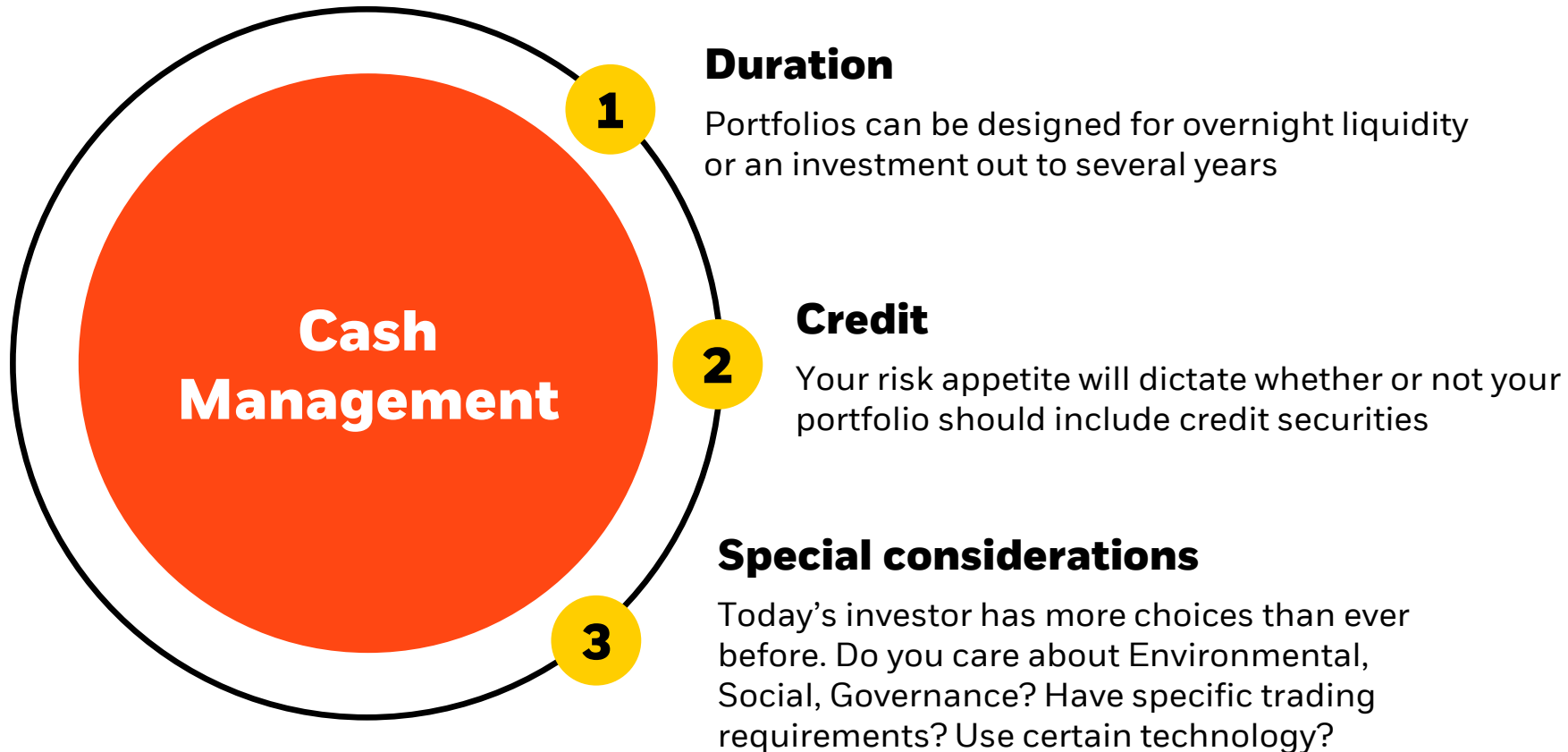
Commercial paper supply



Source: Federal Reserve as of April 26, 2023. Currency figures are in US dollars.

From concept to action

Consider these factors when designing your cash solution



For illustrative purposes only.

Definitions

ABCP – Asset-Backed Commercial Paper

ABS – Asset-Backed Securities

AUM – assets under management

CP – Commercial Paper

CPI – Consumer Price Index

Fed – Federal Reserve

FOMC – Federal Open Market Committee

FRN – Floating-Rate Note

Fannie Mae – Federal National Mortgage Association

Farmer Mac – Federal Agricultural Mortgage Corporation.

Freddie Mac – Federal Home Loan Mortgage Corporation

GDP – Gross Domestic Product

GSE – government sponsored enterprise

IG – Investment Grade

IOER – interest rate paid on excess reserves

JULI – J.P. Morgan U.S. Liquid Index

LIBOR – London Interbank Offered Rate

LIBOR Curve Term Premium – the difference between the 12-month vs 1-month LIBOR spread and the 12-month vs 1-month OIS spread

MMF – Money Market Fund

MOVE Index – Merrill Lynch Option Volatility Estimate Index which is an indicator of U.S. interest rate volatility that is often referred to as the “VIX for Bonds.” MOVE measures the implied yield volatility of a basket of one-month over-the-counter options on 2-year, 5-year, 10-year and 30-year Treasuries.

O/N – overnight

OIS – Overnight Index Swap

PCE – Personal Consumption Expenditures

Repo – Repurchase Agreements

RRP – Federal Reserve Reverse Repurchase Agreement Program

SOFR – Secured Overnight Financing Rate

TGA – Treasury General Account

Tier 1 – a Tier 1 security is an eligible security rated “1” by a National Recognized Statistical Rating Organization (NRSRO), and if rated by two or more NRSROs, it must be rated “1” by at least two of the NRSROs

Tier 2 – a Tier 2 is a security that carries one of the two highest ratings for short-term obligations from at least two NRSROs and that is not a tier-1 security.

VIX Index – Chicago Board Options Exchange Volatility Index. VIX measures the expected volatility of the S&P 500 Index using the midpoint of S&P 500 Index (SPX) option bid/ask quotes.

WAM – Weighted Average Maturity

WAL – Weighted Average Life

Important information

THE INFORMATION CONTAINED HEREIN MAY BE PROPRIETARY IN NATURE AND HAS BEEN PROVIDED TO YOU ON A CONFIDENTIAL BASIS, AND MAY NOT BE REPRODUCED, COPIED OR DISTRIBUTED WITHOUT THE PRIOR CONSENT OF BlackRock, INC. (“BlackRock”). These materials are not an advertisement and are not intended for public use or dissemination.

This communication is not an offer and should not be deemed to be a contractual commitment or undertaking between the intended recipient of this communication and BlackRock but an indication of what services may be offered subject to a legally binding contract between the parties and therefore no reliance should be placed on this document or its content. Opinions, estimates, and recommendations offered constitute our judgment and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. We believe the information provided here is reliable, but do not warrant its accuracy or completeness. This communication and its content represent confidential information. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, accounting, legal, or tax advice. You should consult your tax or legal adviser regarding such matters.

Credit Quality

The credit quality of a particular security or group of securities may be determined either by BlackRock or a NRSRO and does not ensure the stability or safety of an overall portfolio. In the event a security is unrated by a ratings organization, BlackRock may assign an internal rating for purposes of determining credit quality. Past performance is not indicative of future results.

Forward Looking Information

This material may contain “forward-looking” information that is not purely historical in nature. Such information may include, among other things, projections, forecasts, estimates of yields or returns, and proposed or expected portfolio composition. Moreover, where certain historical performance information of other investment vehicles or composite accounts managed by BlackRock and/or its subsidiaries (together, “BlackRock”) has been included in this material and such performance information is presented by way of example only. No representation is made that the performance presented will be achieved, or that every assumption made in achieving, calculating, or presenting either the forward-looking information or the historical performance information herein has been considered or stated in preparing this material. Any changes to assumptions that may have been made in preparing this material could have a material impact on the investment returns that are presented herein by way of example.

This material is not intended to be relied upon as a forecast, research, or investment advice, and is not a recommendation, offer, or solicitation to buy or sell any securities or to adopt any investment strategy. The opinions expressed may change as subsequent conditions vary. The information and opinions contained in this material are derived from proprietary and nonproprietary sources deemed by BlackRock to be reliable, are not necessarily all inclusive and are not guaranteed as to accuracy. There is no guarantee that any of these views will come to pass.

Important information

BlackRock makes no representations or warranties as to the accuracy or completeness of the information contained herein, and further nothing contained herein shall be relied upon as a promise by, or representation by, BlackRock whether as to past or future performance results. Past performance is not indicative or predictive of future performance.

These materials are being provided for informational purposes only and are not intended to constitute tax, legal, or accounting advice. You should consult your own advisers on such matters. Additional information is available on request. Information contained herein is believed to be reliable but BlackRock does not warrant its accuracy or completeness. Information contained herein represents BlackRock's own opinions. There can be no assurance that the investment objectives of any strategy referred to herein will be achieved. An investment in any strategy referred to herein involves a high degree of risk, including the risk that the entire amount invested may be lost.

Index

It is not possible to directly invest in an unmanaged index.

Risk

Investing in the bond market is subject to certain risks including market, interest-rate, issuer, credit and inflation risk. Equities may decline in value due to both real and perceived general market, economic, and industry conditions. Mortgage and asset-backed securities may be sensitive to changes in interest rates, subject to early repayment risk, and while generally backed by a government, government-agency, or private guarantor, there is no assurance that the guarantor will meet its obligations. High-yield, lower-rated, securities involve greater risk than higher-rated securities; portfolios that invest in them may be subject to greater levels of credit and liquidity risk than portfolios that do not. Investors will, at times, incur a tax liability. Income from municipal bonds may be subject to state and local taxes and at times the alternative minimum tax. Derivatives may involve certain costs and risks such as liquidity, interest rate, market, credit, management and the risk that a position could not be closed when most advantageous. Investing in derivatives could lose more than the amount invested.

BlackRock makes no representations or warranties as to the accuracy or completeness of the information contained herein, and further nothing contained herein shall be relied upon as a promise by, or representation by, BlackRock whether as to past or future performance results. Past performance is not indicative or predictive of future performance.

These materials are being provided for informational purposes only and are not intended to constitute tax, legal or accounting advice. You should consult your own advisers on such matters. Additional information is available on request. Information contained herein is believed to be reliable but BlackRock does not warrant its accuracy or completeness. Information contained herein represents BlackRock's own opinions. There can be no assurance that the investment objectives of any strategy referred to herein will be achieved. An investment in any strategy referred to herein involves a high degree of risk, including the risk that the entire amount invested may be lost.

Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

In the U.S.: for institutional and financial professional use only

This material provides general information only and does not take into account your individual objectives, financial situation, needs or circumstances. Before making any investment decision, you should assess whether the material is appropriate for you and obtain financial advice tailored to you having regard to your individual objectives, financial situation, needs and circumstances. Refer to BIMAL's Financial Services Guide on its website for more information. This material is not a financial product recommendation or an offer or solicitation with respect to the purchase or sale of any financial product in any jurisdiction.

Important information

Any research in this document has been procured and may have been acted on by BlackRock for its own purpose. The results of such research are being made available only incidentally. The views expressed do not constitute investment or any other advice and are subject to change. They do not necessarily reflect the views of any company in the BlackRock Group or any part thereof and no assurances are made as to their accuracy.

This document is for information purposes only and does not constitute an offer or invitation to anyone to invest in any BlackRock funds and has not been prepared in connection with any such offer.

©2023 BlackRock, Inc. All Rights reserved. BlackRock, BlackRock SOLUTIONS, iSHARES, BUILD ON BlackRock, SO WHAT DO I DO WITH MY MONEY are trademarks of BlackRock, Inc. or its subsidiaries in the United States and elsewhere. All other trademarks are those of their respective owners.