Capital Markets Strategy
Essential inCights for the C-Suite

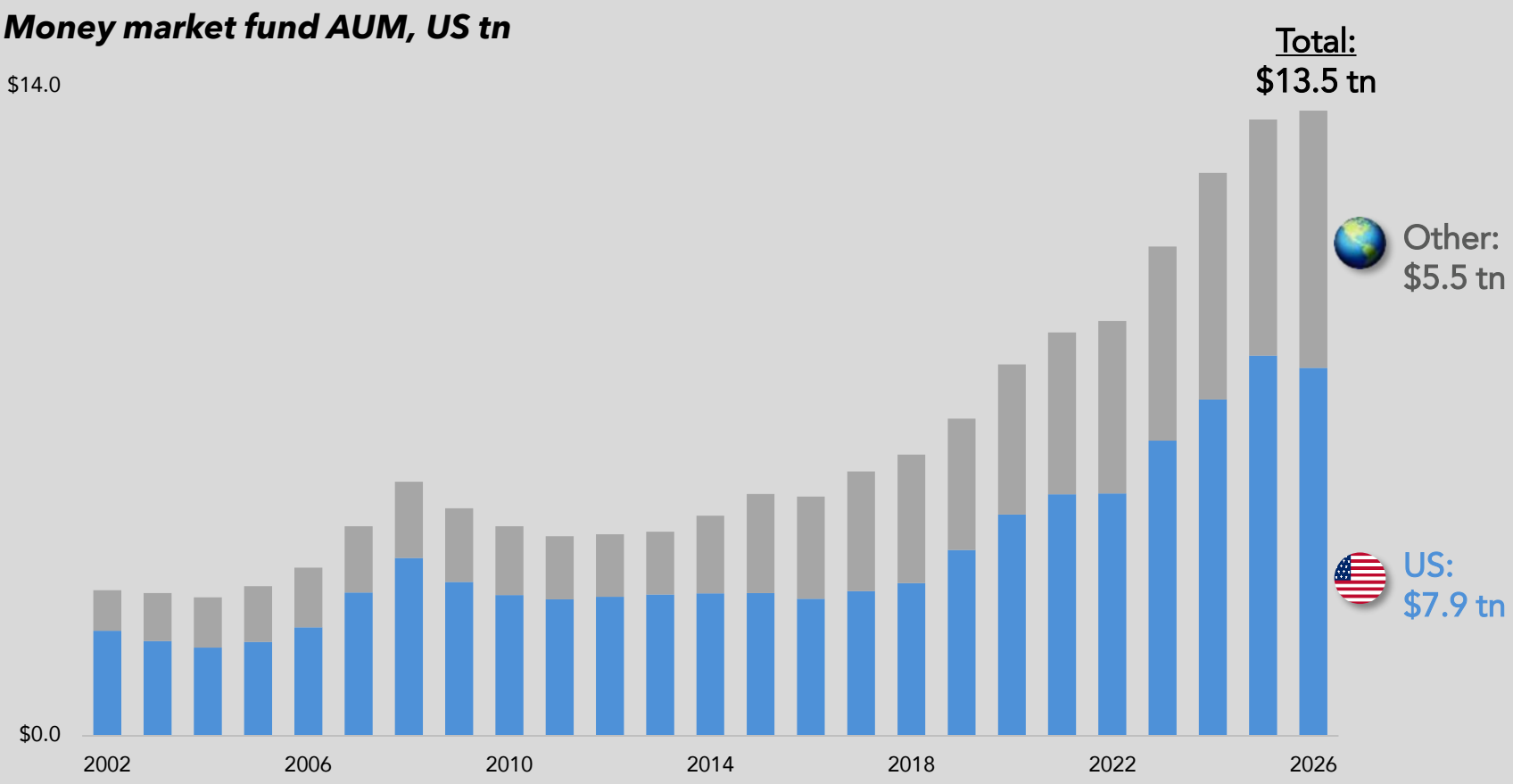
MUFG

Chart of the Day

Over $13 Trillion of Money Market Funds

Historically, rate-cutting cycles trigger rotation out of liquidity products into higher risk assets, but global MMF balances have demonstrated remarkable stickiness and continued expansion in recent years. **Notable drivers of global MMF balances to over $13.5 trillion include: (1)** MMF yields lagging post-COVID rate cut cycle, maintaining unusual yield differential to bank commercial deposits; **(2)** massive wave of tech AI debt and equity issuance creating temporary and deployable liquidity gluts; and **(3)** enhanced, consumer-available digital platforms making MMFs more accessible to consumer-based apps.

Money market fund AUM, US tn

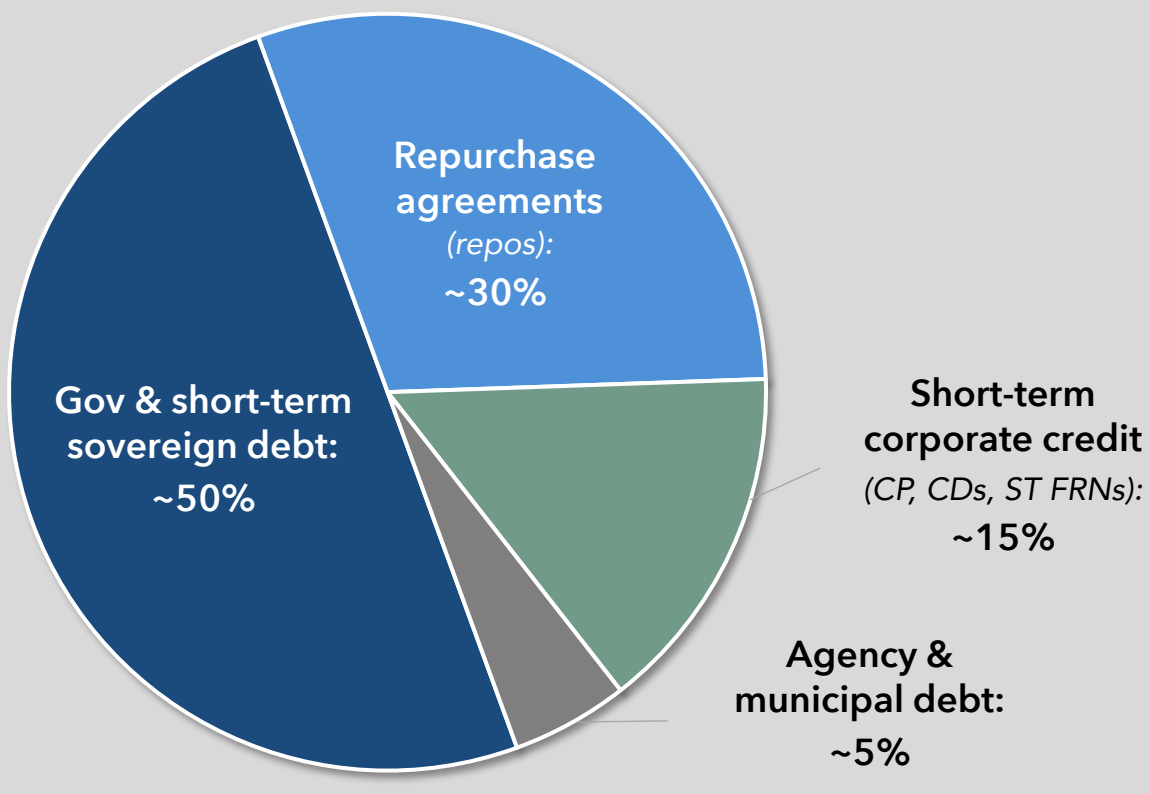


Source: (1) Bloomberg. Financial Stability Board, "Global Monitoring Report on Nonbank Financial Intermediation 2025". ICI, "Worldwide Regulated Open-End Fund Assets and Flows, First Quarter 2026". 2025 & Q1 2026 data is ICI.

Breakdown of Global MMF Asset Allocation

Money market funds hold approximately $13 trillion of short term debt and cash equivalents, sitting at the short-duration, most liquid end of the capital spectrum – largely retail cash and corporate treasury balances. **The formidable growth of global MMF balances have had numerous implications for global markets, including: (1)** MMFs have become primary liquidity providers for levered, non-bank financial intermediaries such as hedge funds; **(2)** headwinds for bank funding costs given the steady migration of corporate deposits into MMFs; **(3)** anchoring impact for short-dated yields as global central banks and national Treasury departments rely more heavily on MMFs to absorb continuous and massive T-Bill issuance; **(4)** delayed transmission mechanism from monetary easing to risk asset valuations as MMFs continue to "out-yield" traditional deposit accounts; and **(5)** accelerated digitization and tokenization of MMF units as collateral for investor liquidity and trading.

Money market fund allocation breakdown

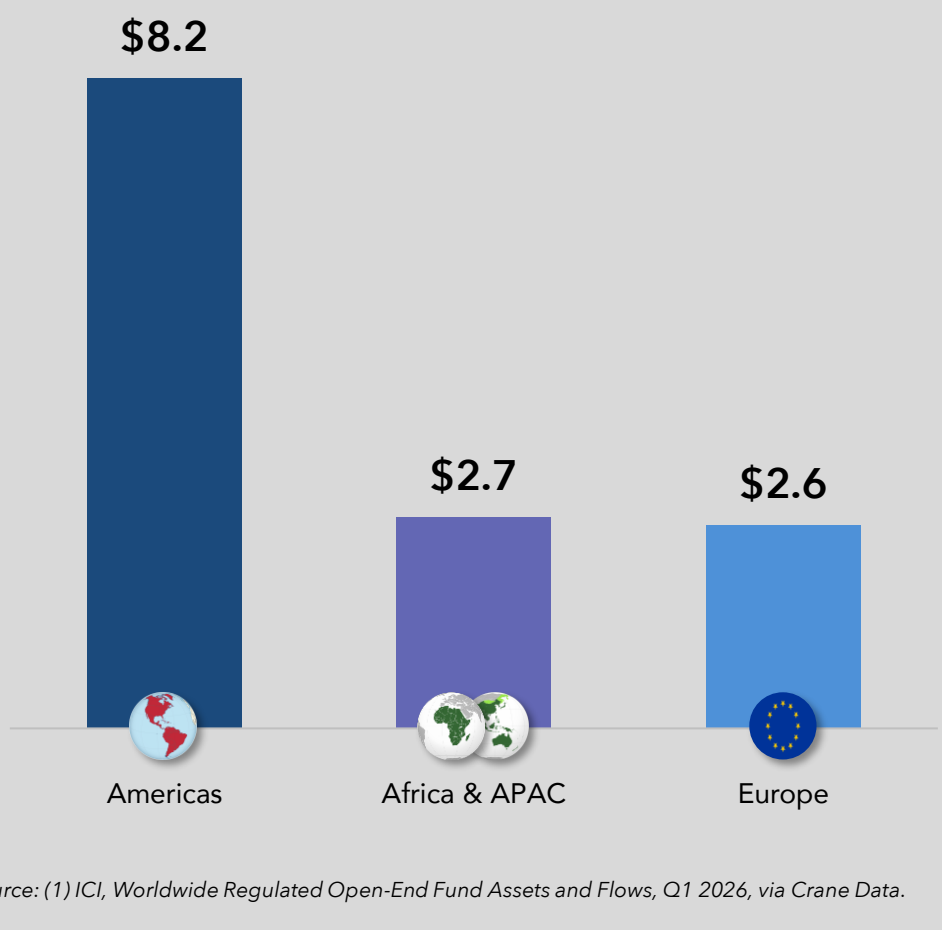


Source: (1) Investment Company Institute, Worldwide Regulated Open-End Fund Assets and Flows, via Crane Data. Data as of Q1 2026.

Geographic Breakdown of Global MMF Balances

The Americas account for over 50% of global MMF balances, with more than 2/3 of global balances denominated in US dollars. This reinforces the greenback's central position in global short-term collateral markets. Western MMF growth (US & European holdings of USD paper) are primarily driven by heavy UST supply and institutional rate differentials vis-à-vis commercial bank deposits. Conversely, Asian growth is heavily anchored in retail market integration and defensive positioning vis-à-vis higher risk assets (i.e., real estate, local rates and equity markets).

Money market fund assets under management by region, USD tn



$8.2 tn
Americas money market fund assets in Q1 2026

61%
Americas share of worldwide MMF assets in Q1 2026

3.9%
Average taxable MMF yield at year-end 2025, against 0.6% for bank deposit accounts

Source: (1) ICI, Worldwide Regulated Open-End Fund Assets and Flows, Q1 2026, via Crane Data.

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"Macro stability isn't everything, but without it, you have nothing."