

## US Rates Watch

## MMF portfolio update: MMFs shun debt limit exposed T-bills &amp; invest more in repo

**MMF AUM trending higher for gov't and prime retail funds**

MMF AUM continues to trend higher YTD, roughly evenly split between gov't and prime MMFs, but largely into retail funds (Exhibit 1, Exhibit 2). MMFs AUM has risen 14% YoY, consistent with historical averages when 3m bill yields are 4-5% (Exhibit 3). Gov't MMFs are 20% higher YoY, but the rise can in part be attributed to prime MMF conversions last year ahead of the '24 MMF regulatory deadline. In line with that, prime fund AUM is still 8% lower YoY, largely from institutional fund outflows, closures, and conversions. We expect to see MMFs continue to see inflows, especially if Fed cuts continue to get priced out and front-end rates remain elevated (Exhibit 4).

**WAM & WAL shorter as MMFs avoid debt limit bills**

MMF WAMs and WALs saw a notable drop on Jun 17, according to iMoneynet data (Exhibit 5, Exhibit 6). This may be attributed to MMFs trying to avoid bills maturities in August around the expected X-date & allocating more to repo. This is consistent with recent bill auctions where Aug maturities saw notable tails, but auctions with bills maturing in Sept just after the corporate tax date are well subscribed. We are seeing a clear kink in the bill curve as MMFs avoid bills maturing within the X-date window (Exhibit 7). For more detail on the debt limit see report: [Debt limit FAQ: spring 2025 update](#).

**MMF yields decline YTD with Fed cut expectations**

The average 7-day simple yield on MMFs has slowly moved lower YTD as market pricing for Fed cuts draws nearer (Exhibit 8). The average 7D simple yield is now 3.95% for gov't funds and 4.03% for prime, an 8bp spread. Unless Fed cuts get pushed out, we expect to see MMF yield continue to trend lower as we approach the Fed cuts the market is pricing in for later this year.

**ON RRP take-up to temporarily rise due to debt limit**

MMF ON RRP take-up was \$282b on May month-end, roughly 89% of total ON RRP take-up. ON RRP take-up has been rising as debt limit dynamics drive bill supply lower and more TGA cash into the front-end. RRP take-up has since fallen notably since month-end but we expect to see take-up remain elevated as bill cuts continue leading into the debt limit resolution. Once the debt limit is resolved we expect ON RRP take-up to fall towards \$0 as MMF shift into the large wave of bill supply forecasted for later this year. Funding rates should also move up due to the liquidity drain from the TGA rebuild, pushing MMFs into non-Fed repo.

**MMFs shift holdings out of T-bills**

In May, Gov't MMF inflows lead to an increase in holdings of both UST and agency repo as well as cash (Exhibit 11). Institutional gov't funds however shifted holdings out of UST repo and into UST debt on net. Within UST debt, MMFs reduced bill holdings but increased holdings of notes and FRNs (Exhibit 15, Exhibit 16).

... More detail on page 2...

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**Abbreviations:**

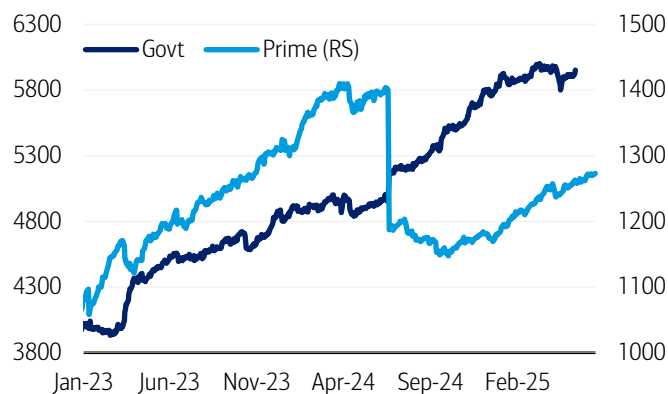
AUM: Assets under management  
CD: Certificate of deposit  
CP: Commercial paper  
DL: Debt limit  
DLA: Daily liquid assets  
DVP: delivery versus payment  
FHLB: Federal Home Loan Banks  
FICC: Fixed Income Clearing Corp  
GC: General Collateral  
Gov't: Government  
Inst'l: institutional  
MMF: Money market fund  
ON RRP: Overnight reverse repo facility  
QT: Quantitative tightening  
QTD: Quarter to date  
RR: Reverse repo  
TD: Time deposit  
UST: US Treasury  
WAL: Weighted average life  
WAMs: Weighted average maturity  
WLA: Weekly liquid assets  
YTD: Year to date

Prime funds, which saw inflows only into retail MMFs in May, reduced holdings of UST debt and UST repo but increased agency repo, CP, CD, and TDs (Exhibit 12). The majority of prime fund inflows have been allocated to higher repo holdings (+\$132b YoY), primarily UST repo, likely due to regulatory changes around prime fund daily and weekly liquid asset minimums in '24. Still, prime fund holdings of CP, across financial CP, ABCP, and non-fin CP, have risen \$53b on a YoY basis. This accounts for 32% of the \$170b increase in total CP outstanding we have seen over the same period. Regulatory constraints have made MMFs an increasingly smaller portion of CP investors. MMFs currently hold roughly 20% of total CP outstanding.

**Bottom line:** MMF AUM continues to trend higher as front-end rates remain elevated. MMFs have quickly reduced WAM recently, potentially due to concerns around the debt limit and avoiding bills that mature in August. MMF ON RRP take-up has trended higher, consistent with a reduction in bill holdings and lower repo rates. We expect to see this trend quickly reverse post debt limit resolution.

#### Exhibit 1: MMF AUM (\$bn)

YTD, gov't fund AUM has increased 2%, prime funds have increased 8%

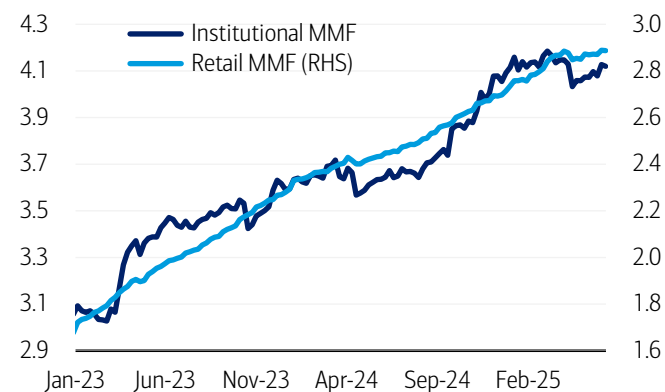


Source: BofA Global Research, Crane Data

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#### Exhibit 2: Institutional MMF AUM vs Retail MMF AUM (\$tn)

Inst'l MMF AUM is flat YTD, retail MMF AUM has grown 6% YTD



Source: Bloomberg, ICI

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#### Exhibit 3: Avg change in MMF yield at 3m bill yield levels (%)

At 3.5% terminal, MMF AUM could still be growing over 10% per year

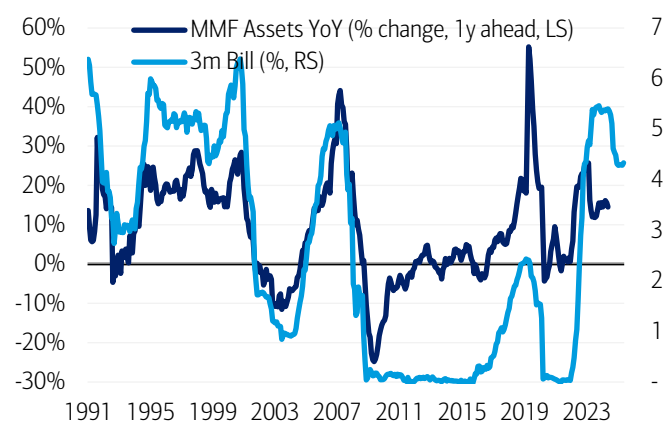
3m bill yield %	Avg MMF %change
6.00	15.70
5.00	17.48
4.00	13.78
3.50	11.67
3.00	9.77
2.00	13.66
1.00	-0.20
0.00	1.83

Source: BofA Global Research, Bloomberg

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#### Exhibit 4: Change in MMF assets and 3m bill yield

Change in MMF assets are typically correlated to front-end yields with a lag



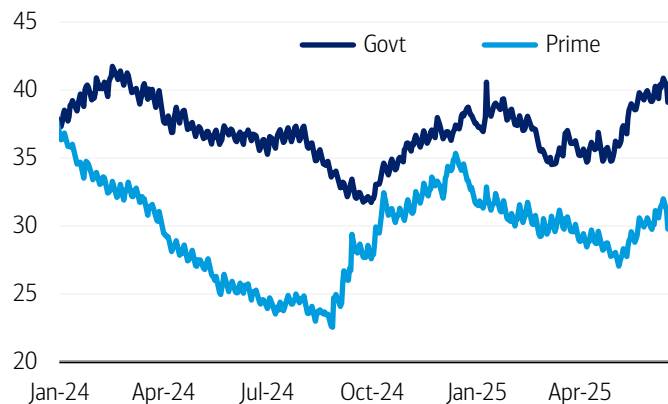
Source: BofA Global Research, Federal Reserve, Haver

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**Exhibit 5: MMF WAM (Days)**

MMFs saw a sharp reduction in WAM on Jun 17

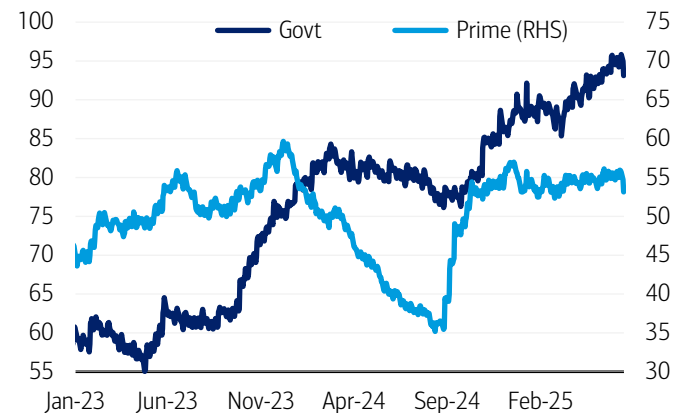


Source: BofA Global Research, iMoneyNet

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**Exhibit 6: MMF WAL (Days)**

Both prime and gov't MMFs reduced WAL on Jun 17

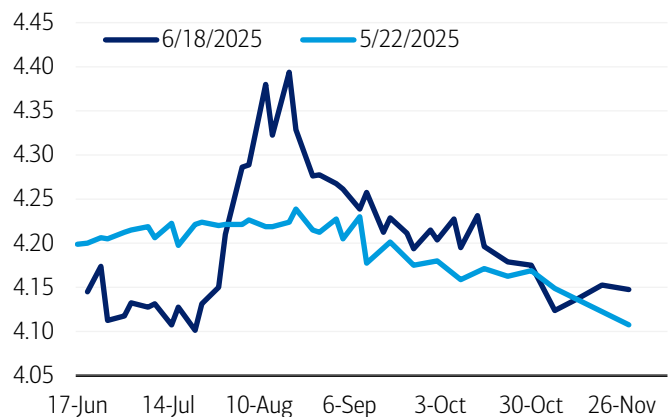


Source: BofA Global Research, iMoneyNet

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**Exhibit 7: Treasury bill curve (%)**

Bills maturing near-term have richened vs bills maturing in Aug have cheapened over the last month

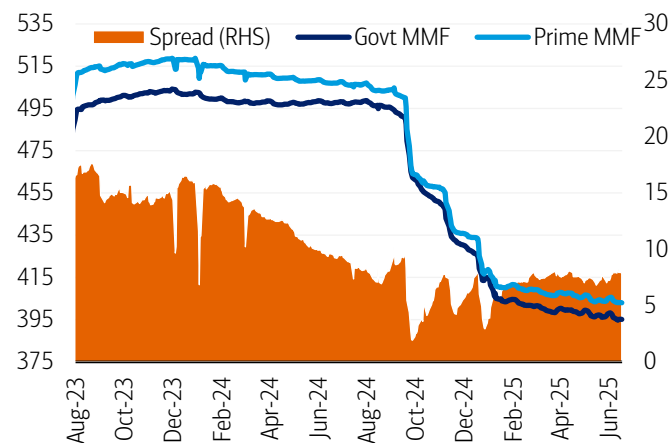


Source: BofA Global Research, Bloomberg

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**Exhibit 8: Domestic MMF 7 day simple yield (bps)**

MMF yields have continued to trend lower in '25 YTD

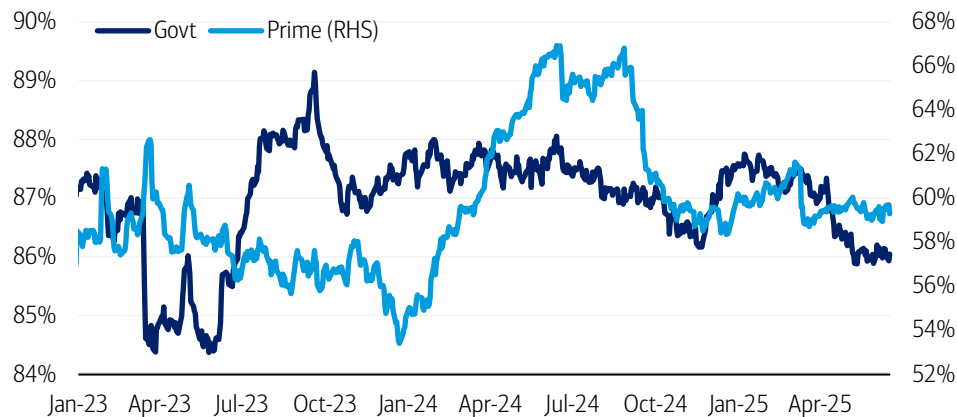


Source: BofA Global Research, iMoneyNet

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**Exhibit 9: MMF WLA (%)**

MMF WLAs are little changed MTD



Source: BofA Global Research, Crane Data

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**Exhibit 10: Top 10 MMFs' ON RRP use (\$bn)**

MMF ON RRP rose on May month compared to April month-end

Fund	May Assets	May ON RRP	Apr ON RRP	Mar ON RRP	Feb ON RRP
Fidelity Cash Central Fund	54	43	47	47	39
Fidelity Govt Money Market	405	32	0	31	0
Fidelity Sec Lending Cash Central Fund	31	25	24	24	19
Vanguard Federal Money Mkt Fund	357	20	25	39	34
Fidelity Inv MM: Govt Port	232	17	0	16	0
Fidelity Inv MM: Treas Port	72	16	14	17	9
Vanguard Market Liquidity Fund	99	15	5	15	11
Fidelity Money Market	134	9	8	6	3
American Funds Central Cash	145	8	8	6	5
Fidelity Treasury Fund	44	8	8	13	7
Total of all MMFs		282	214	349	201

Source: BofA Global Research, Crane Data

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**Exhibit 11: Domestic MMF holdings, government funds (\$bn)**

Gov't MMF inflows went largely into UST and agency repo

	Government			Government Institutional			Government Retail		
	May-25	MoM Δ	YoY Δ	May-25	MoM Δ	YoY Δ	May-25	MoM Δ	YoY Δ
Cash	124.2	17	31	99.8	17	27	24.4	(0)	3
Treasury Debt	2464.9	(2)	292	1554.1	16	231	910.8	(17)	61
Treasury Repo	1525.4	14	82	629.4	(16)	1	896.0	31	81
Govt Agency Debt	884.1	0	207	437.8	3	88	446.3	(3)	119
Govt Agency Repo	731.5	37	156	518.0	25	107	213.4	12	49
Other Repo	3.4	(0)	(5)	3.4	(0)	(3)	0.0	0	(2)
Investment Co Funding Agrmnt	18.7	1	8	13.0	1	7	5.8	0	0
VRDN	1.1	0	0	0.5	0	0	0.6	0	(0)
Other Instrument	19.7	(8)	18	5.5	(2)	5	14.2	(6)	13
Total	5773	59	789	3262	43	464	2511	16	325

Source: BofA Global Research, iMoneyNet

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**Exhibit 12: Domestic MMF holdings, prime funds (\$bn)**

Prime MMFs holdings increased across CP, CD, and TDs

	Prime			Prime Institutional			Prime Retail		
	May-25	MoM Δ	YoY Δ	May-25	MoM Δ	YoY Δ	May-25	MoM Δ	YoY Δ
Cash	28.3	2	7	7.4	1	1	20.9	2	6
Treasury Debt	50.1	(6)	(33)	4.2	(1)	(8)	45.9	(6)	(25)
Treasury Repo	189.1	(18)	72	9.7	(5)	(16)	179.5	(13)	88
Govt Agency Debt	0.7	0	(0)	0.4	0	(0)	0.2	0	(0)
Govt Agency Repo	149.1	13	43	10.9	1	(2)	138.2	12	45
Other Repo	101.0	6	16	38.2	2	2	62.8	4	14
CD	201.5	4	10	44.4	(0)	(12)	157.1	5	22
Financial Co CP	186.0	5	19	44.3	3	7	141.7	2	11
ABCP	92.8	2	25	18.2	(0)	(3)	74.5	2	28
Other CP	24.1	2	10	7.8	3	2	16.2	(1)	8
Non-Negotiable TD	116.6	3	(47)	30.5	(3)	(18)	86.1	6	(29)
VRDN	11.5	0	2	1.5	(0)	(0)	10.0	0	3
Other	12.6	(2)	4	1.6	(0)	(0)	11.0	(2)	4
Total	1163	11	129	219	0	(47)	944	11	175

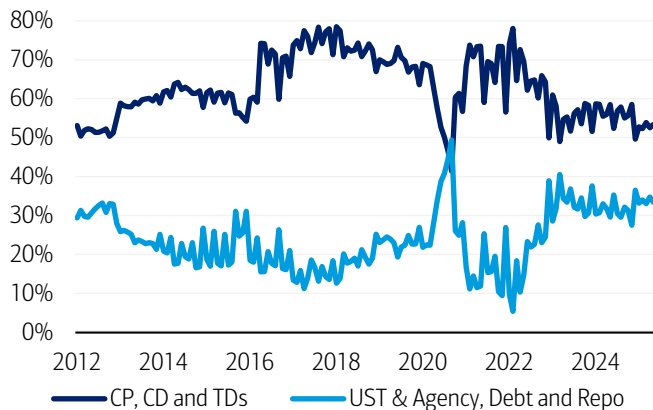
Source: BofA Global Research, iMoneyNet

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**Exhibit 13: Prime MMF holdings as % of total**

Prime funds increased CP, CD, and TD holdings in May

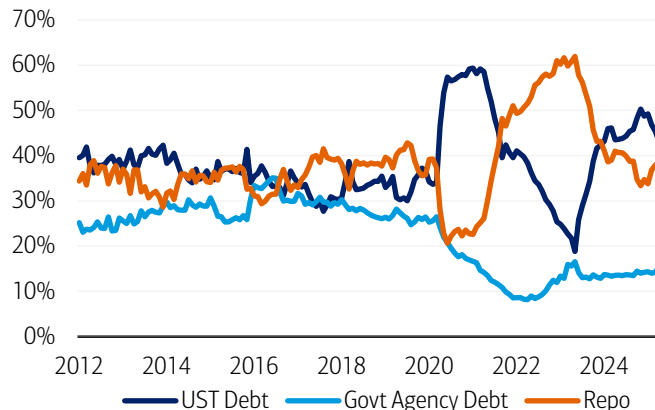


Source: BofA Global Research, iMoneyNet

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**Exhibit 14: Govt MMF holdings as % total**

Gov't funds increased repo in May, while reducing UST debt



Source: BofA Global Research, iMoneyNet

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**Exhibit 15: Bills outstanding versus total MMF holdings (\$bn)**

MMFs reduced bill holdings in May as bill supply was cut

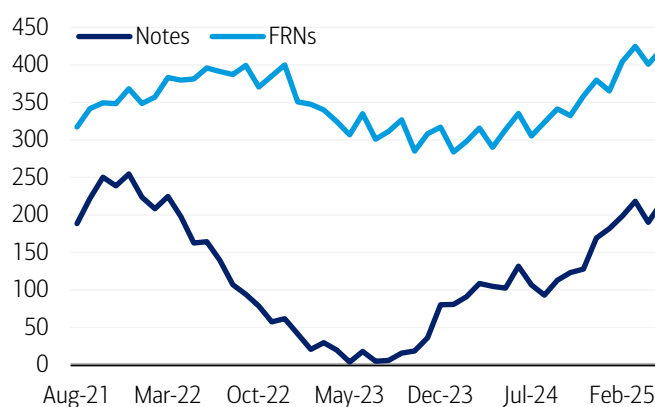
	Bills Outstanding	MMF Holdings	MMF as % Total
Jan-24	5780	1986	34%
Feb-24	6011	2170	36%
Mar-24	6063	2114	35%
Apr-24	5867	2000	34%
May-24	5867	2030	35%
Jun-24	5766	1952	34%
Jul-24	5916	2041	34%
Aug-24	6122	2121	35%
Sep-24	6005	2175	36%
Oct-24	6187	2412	39%
Nov-24	6390	2570	40%
Dec-24	6187	2420	39%
Jan-25	6380	2531	40%
Feb-25	6368	2482	39%
Mar-25	6156	2205	36%
Apr-25	6060	2118	35%
May-25	6003	2071	34%

Source: BofA Global Research, Crane Data

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**Exhibit 16: MMF holdings of Treasury notes and FRNs**

MMFs increased allocations to longer dated USTs in May

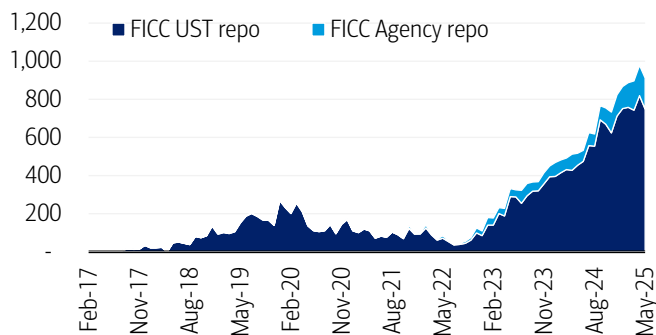


Source: BofA Global Research, Crane Data

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**Exhibit 17: MMF FICC repo by collateral**

MMF FICC repo is currently 82% UST and 18% Agency



Source: BofA Global Research, Crane Data

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