

Flash commentary

UBS Money Market Funds

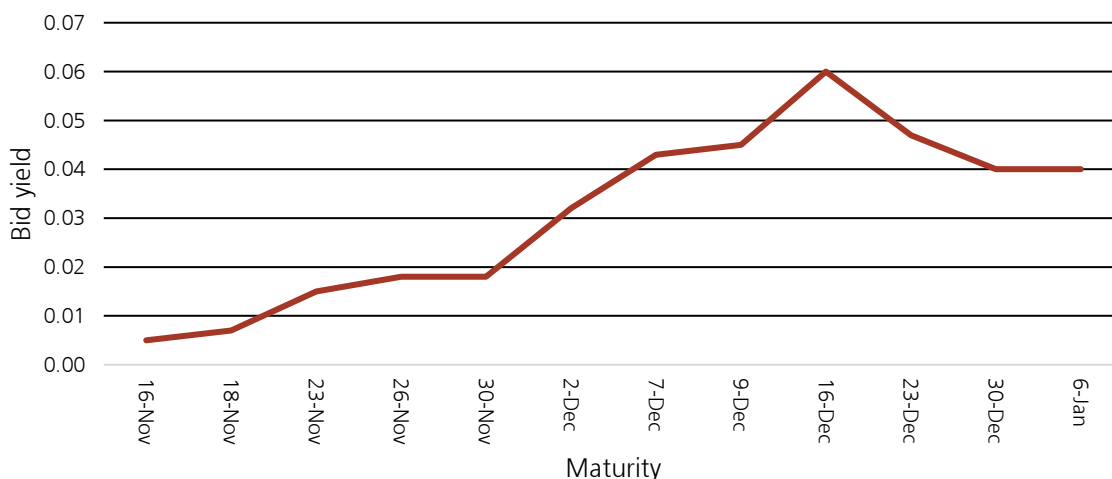
Current environment

The raising/suspension of the debt ceiling in the US continued to be a main area of focus for front-end markets this week. Below is a recap of the current environment.

Factors

- Both the US Senate and House of Representatives have voted to increase the debt ceiling by a hard dollar limit of \$480 billion, which President Biden is expected to sign into law. This dollar amount of \$480 billion was indicated by the US Treasury as the amount that should give them enough maneuvering room to last until at least December. It is important to note that December 3rd is the date when the current continuing resolution expires (which has prevented the government from shutting down), therefore, Congress will have a lot on their plate at that time.
- As expected, the market reacted to this new development over the past couple days with a sharp rally in the previously in scope October Treasury Bill maturities and a sell-off of December Treasury Bills. However, it appears that the US Treasury was probably conservative in their \$480 billion figure and the so-called “x-date” could be pushed into January/February 2022.
- Currently, the Treasury Bill yield curve (as of 10/12/2021) is pricing in a premium, mostly on the early to mid-December dates. See Exhibit 1.
- We are currently monitoring our Treasury Bill exposure in light of the ongoing developments.

Exhibit 1 – Treasury Bill Yield Curve



Current conclusion

Now that Congress has temporarily addressed the debt ceiling, the Democrats will focus on passing a spending and tax bill as part of President Biden's agenda. By December 3rd, they will need to pass a funding bill to keep the government open, and potentially around then as well, a bill to increase the debt ceiling depending on the US Treasury's cash position at that time. It still is a bit early to determine when the exact "x-date" will be and it could be pushed to later in December/January. Overall, this is a tall task facing Congress in a relatively short period of time, therefore, addressing the debt ceiling via reconciliation seems to be a likely path forward. We expect renewed market volatility as brinksmanship in Congress continues, resulting in a rocky road ahead.

This and other information about the Fund is available at www.ubs.com/usmoneymarketfunds.

For further information about UBS Money Market Funds or Liquidity Management strategies, please visit www.ubs.com/globalliquidity, or contact your UBS-AM Regional Sales Director or the National Sales Desk at 888-793 8637.

UBS Asset Management (Americas) Inc., 1285 Avenue of the Americas, New York, NY 10019
www.ubs.com/am-us

The content of the discussion is not to be construed as legal, business or tax advice.

Follow us on LinkedIn 

© UBS 2021. All rights reserved.
www.ubs.com/am
AMT-838 C1021