

The debt ceiling deal heads to Congress

Update from the Liquidity Management team at UBS Asset Management

Nearing the “x-date”

On May 26, 2023, Treasury Secretary Janet Yellen gave her updated forecast for the “x-date”, the date beyond which the Treasury will be unable to satisfy the government’s debt obligations, via a letter to congressional leaders. Secretary Yellen argued that “based on the most recent available data, we now estimate that Treasury will have insufficient resources to satisfy the government’s obligations if Congress has not raised or suspended the debt limit by June 5.”

Reaching an agreement

The debt ceiling extension compromise struck by the Biden administration and House Speaker Kevin McCarthy over the weekend is in a good position to be passed by Congress by the end of this week or over the weekend. The House passed the bill on Wednesday night. Next, the Senate will consider the bill on Thursday and action could spill into the weekend if various Senators try to amend the bill. Regardless, a final vote should occur well before June 5.

Positioning our portfolios

Our team has successfully managed portfolios through numerous debt ceiling episodes over the past 27 years.

Treasury SMAs We have been adjusting the UBS Ultra Short Duration Treasury Ladder and UBS Short Duration Treasury SMAs since January to account for debt ceiling uncertainty. Until the bill passes through Congress, we are currently avoiding maturities from June – September 2023.

UBS Money Market Funds UBS Select Treasury Preferred Fund (STPXX), UBS Select Treasury Institutional Fund (SETXX), UBS Select Government Preferred Fund (SGPXX), UBS Select Government Institutional Fund (SEGXX), UBS RMA Government Money Market Fund (RMGXX) and UBS Government Investments Money Market Fund (PCEXX) are currently positioned with very short weighted average maturity (WAM) profiles. Our Select Treasury Funds have a WAM of approximately 1 day, our Government Money Market funds have a WAM of approximately 2 days and our UBS Government Money Market Investments Fund (PCEXX) has a WAM of approximately 4 days. As of 4/30/23, the longest 2023 Treasury security maturity in these money market funds is 5/30/23.

Clearly this is a fluid situation and a lot can change. We will continue to monitor the situation closely and act in the best interest of our clients. Please direct any questions to your respective regional sales director.

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Americas

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