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Weekly Commentary

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Flight to safety

As is often the case, the market turmoil in the wake of President Trump's sweeping tariffs, announced last week sent investors scrambling to haven assets. The main destination for many was US Treasuries, with the 10-year yield falling. Moves like this are indicative of short-term, tactical maneuvers. We think flows will also pour into money market vehicles. While some of this money might be hot and ready to be deployed back into stocks, we surmise that some will stay because of the relative safety and stability of liquidity products.

The Federal Reserve will probably look past the strength of the March jobs report released Friday (payrolls surged an above-expected 228,000), as it was not influenced by the tariffs. But the latter's likely hit to the economy might push policymakers to lower rates further than the two 25 basis-point cuts they forecast in their March Federal Open Market Committee meeting. We still think that the broad money market space will remain attractive even if yields trace the cuts.