

LGIP Trends and Short-Term Market Developments

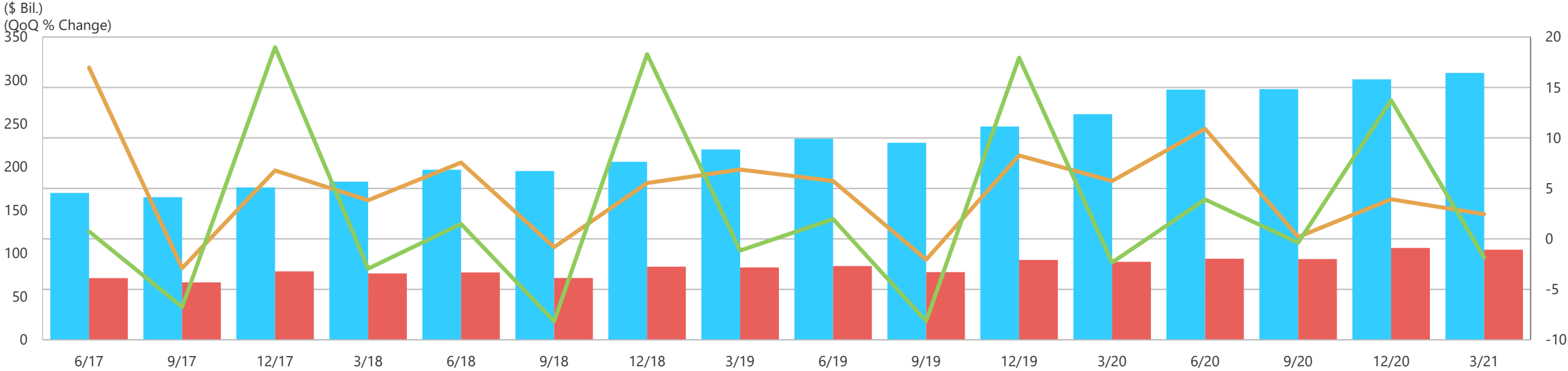
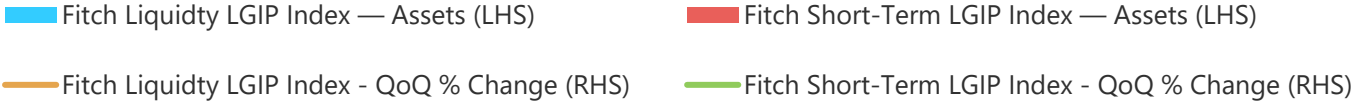
Greg Fayvilevich

July 30, 2021

LGIP Assets Continue to Climb

Combined Assets for Both Indices Stood at \$413 Billion as of 1Q21, an Increase of 18% YoY

Total Assets

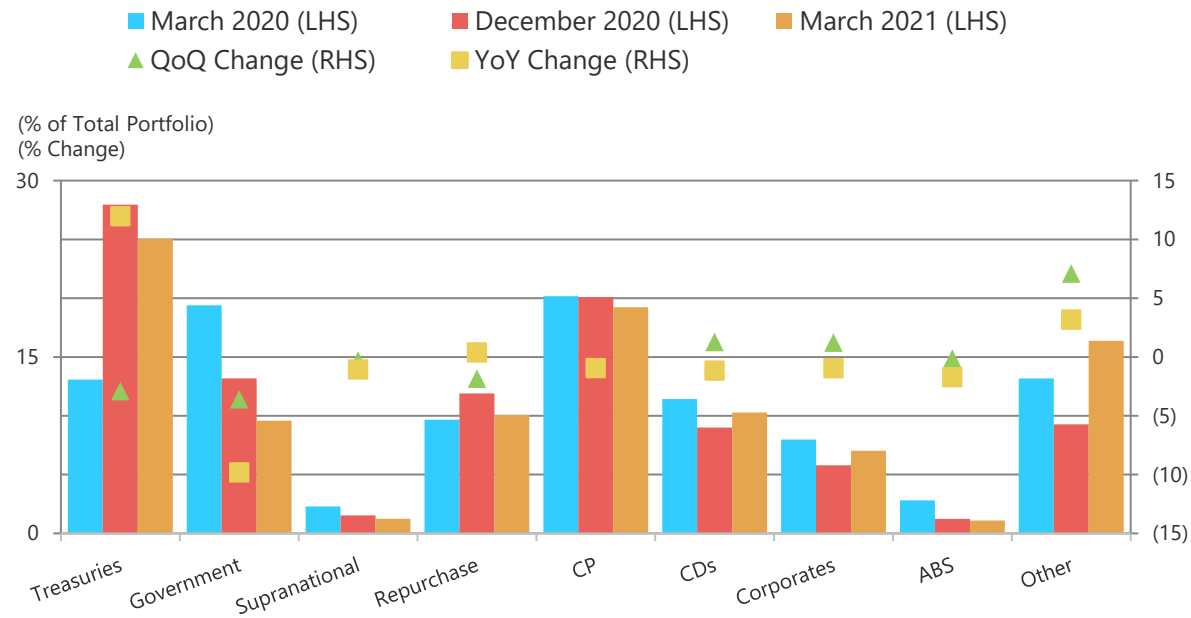


Source: Fitch Ratings.

Portfolio Allocations

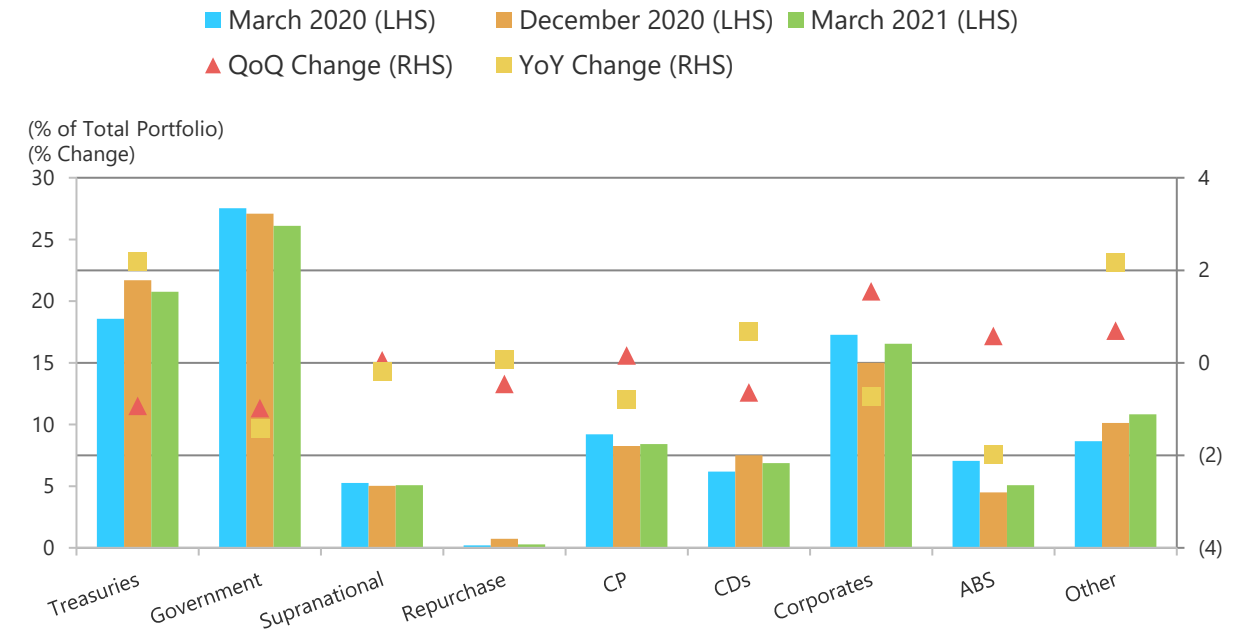
Cash Parked in Money Funds and Bank Deposits

LGIP Fitch Liquidity Weighted Average Sector Allocation



Note: "Other" category includes bank deposits, money market funds, municipal securities, etc.
Source: Fitch Ratings.

LGIP Fitch Short-Term Weighted Average Sector Allocation

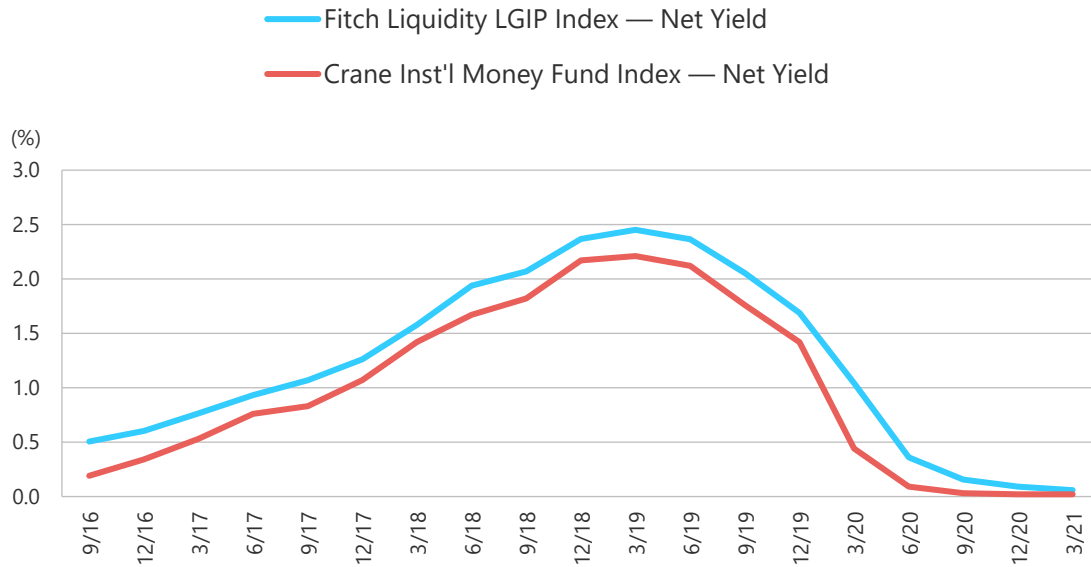


Note: "Other" category includes bank deposits, money market funds, municipal securities, etc.
Source: Fitch Ratings.

LGIP Yields Continue To Fall

**Fitch Liquidity LGIP Index 0.06%,
Decrease from 0.09% Last Quarter**

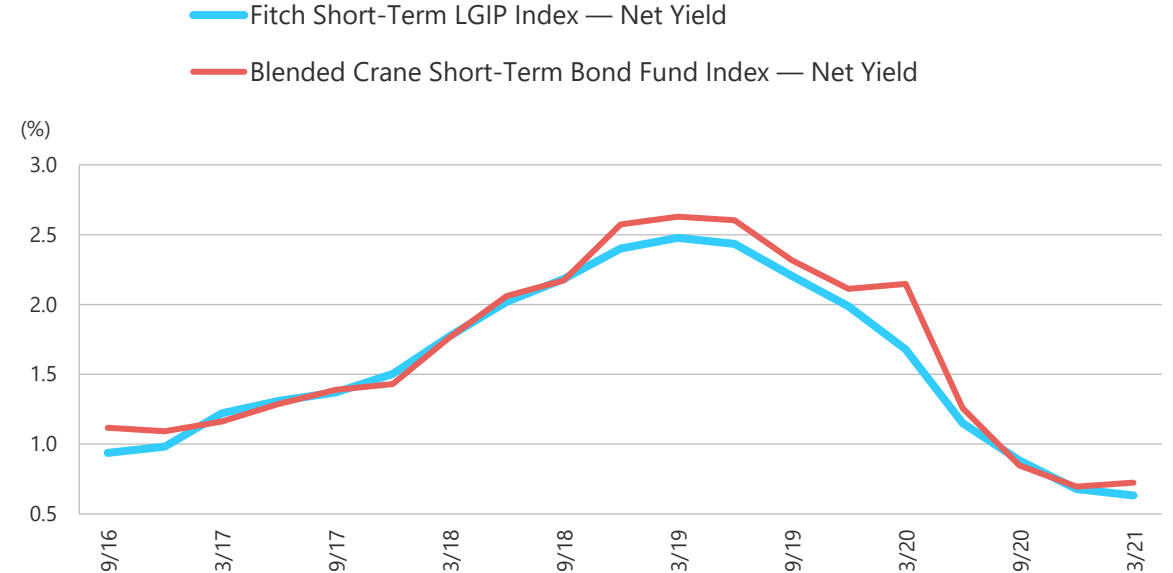
Fitch Liquidity LGIP Index — Net Yield



Note: Data reflects average 7-day net yields, or if not available, 30-day yields utilized.
 Source: Fitch Ratings, Crane Data.

**Fitch Short-Term LGIP Index 0.63%,
Decrease from 0.68% Last Quarter**

Fitch Short-Term LGIP Index — Net Yield

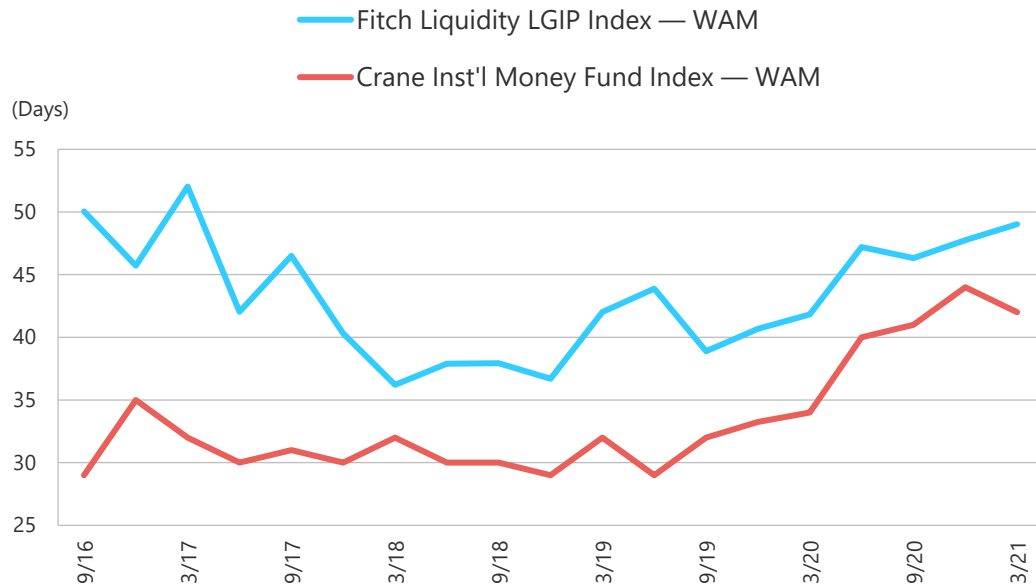


Note: Data reflects average 30-day net yields, or if not available, 7-day yields utilized.
 Source: Fitch Ratings, Crane Data.

Slight WAM and Duration Increases

Fitch Liquidity LGIP Index WAM Increased by 1 Day QoQ

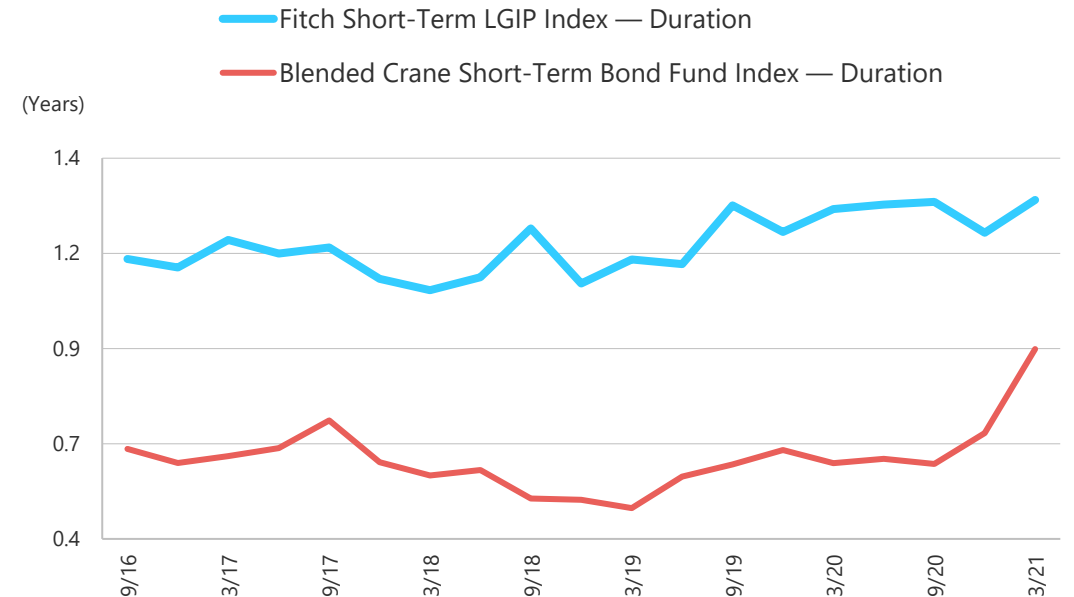
Fitch Liquidity LGIP Index — WAM



WAM – Weighted Average Maturity.
Source: Fitch Ratings, Crane Data.

Fitch Short-Term LGIP Index Duration Increased by 0.09 Years QoQ

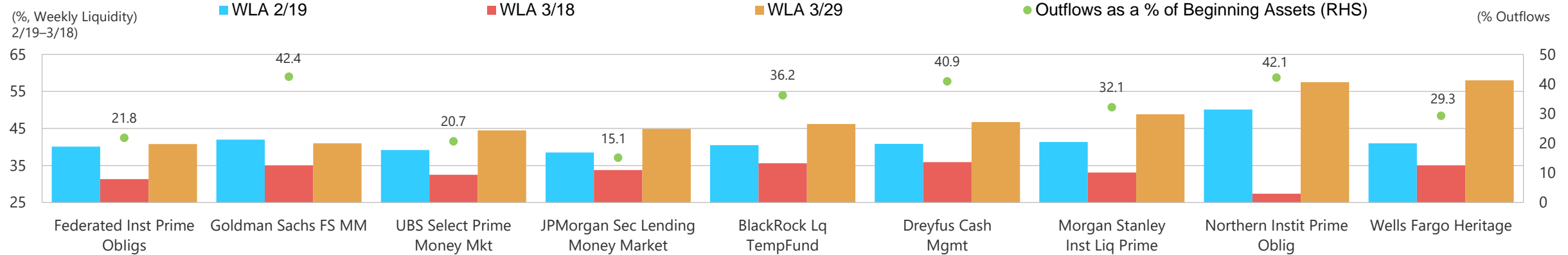
Fitch Short-Term LGIP Index — Duration



Source: Fitch Ratings, Crane Data.

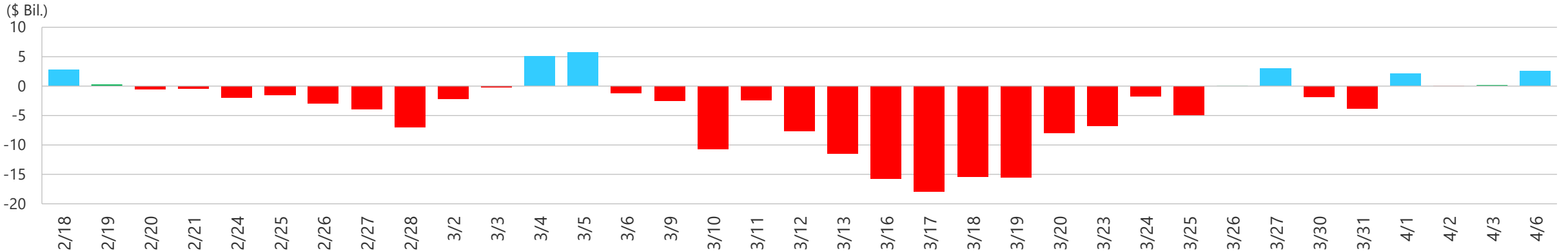
Fed Intervention Stemmed US Prime MMF Liquidity Strains

MMLF Enhances Weekly Liquidity in Prime Funds Following Outflows



WLA – Weekly liquid assets.
Source: Fitch Ratings, Crane Data.

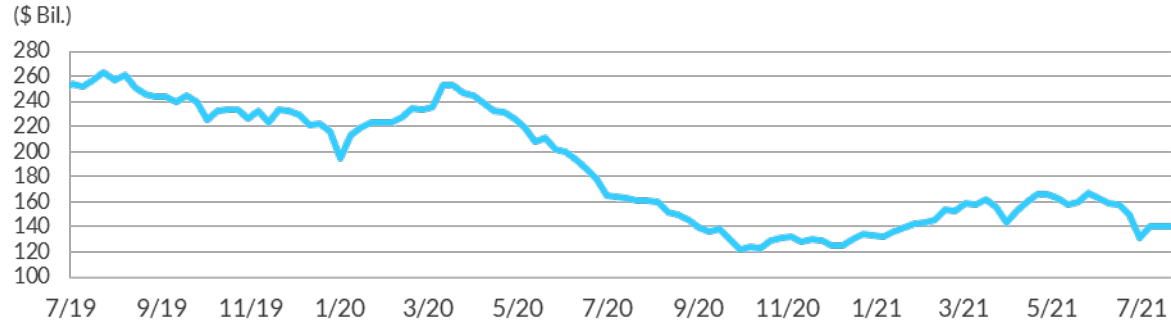
Prime Institutional Flows Slow as Investor Confidence Improves with MMLF



Source: Fitch Ratings, Crane Data

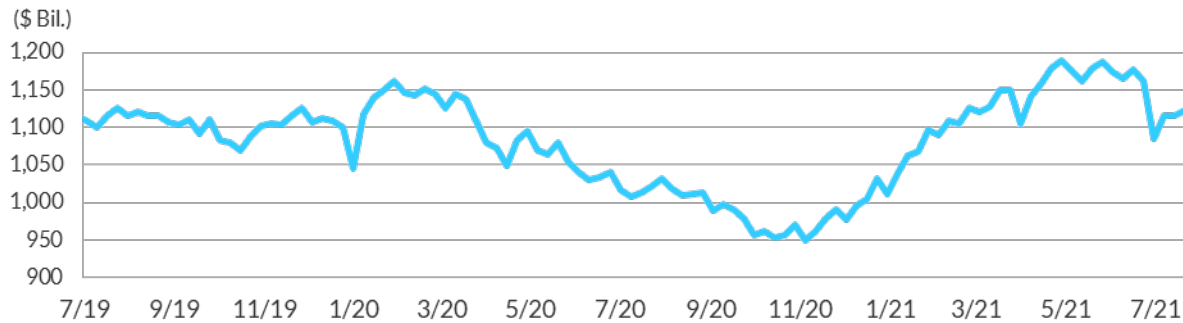
Commercial Paper

Domestic Nonfinancial Commercial Paper Outstanding (Not Seasonally Adjusted)



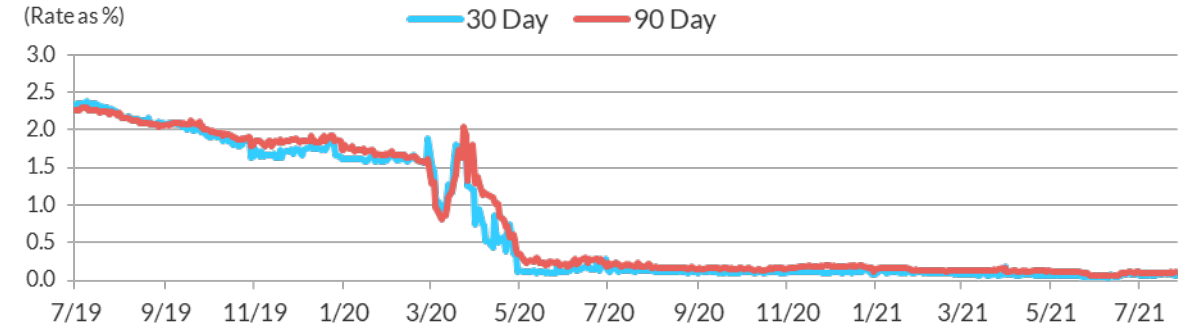
Source: Federal Reserve.

Total Commercial Paper Outstanding (Not Seasonally Adjusted)



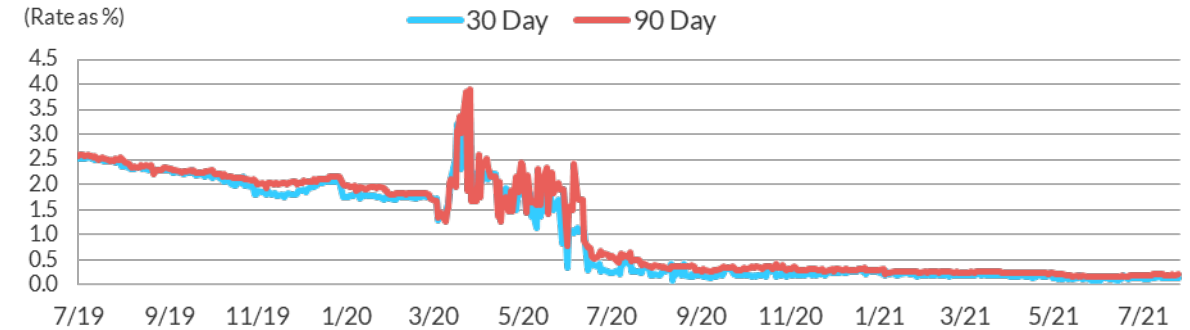
Source: Federal Reserve.

CP Rates – Tier 1



Source: Bloomberg.

CP Rates – Tier 2



Source: Bloomberg.

Credit Outlooks

United States of America 'AAA': Rating Outlook – Negative

- Rating supported by: size of the economy, high per capita income, and a dynamic business environment
- Negative outlook reflective of: ongoing risks to the public finances and debt trajectory
 - General government deficit in 2021 will be 14% of GDP, only marginally down from an estimated 14.9% of GDP in 2020.
- A deterioration in governance – further risk to the rating. Weakness relative to 'AAA' median

U.S. Banks: Sector Outlook - Stable

- Stabilizing operating environment accelerated reserve releases; boosts bottom lines
- Credit quality continues to outperform Fitch's expectations; forbearance terms and government stimulus - removing pressure on U.S. banks' outlooks
- Limited risk to U.S. banks' credit fundamentals given a transitory rise in inflation
 - However, longer-term risks from a significant, prolonged level of elevated inflation can be very impactful

Credit Outlooks

US Corporates: Sector Outlook – Improving

- Majority of US Corporates have a stable outlook
 - Negative Outlooks and Watches in 1Q21 are heavily skewed toward transportation, gaming and leisure, and auto sectors
- Economic recovery facilitates the reversal of pandemic related negative rating actions
 - Issuers facing continued liquidity stress or negative pandemic-related dynamics remain vulnerable to downgrades
- Deleveraging anticipated with expectations for leverage to return to pre-pandemic levels for most issuers by 2022-2023

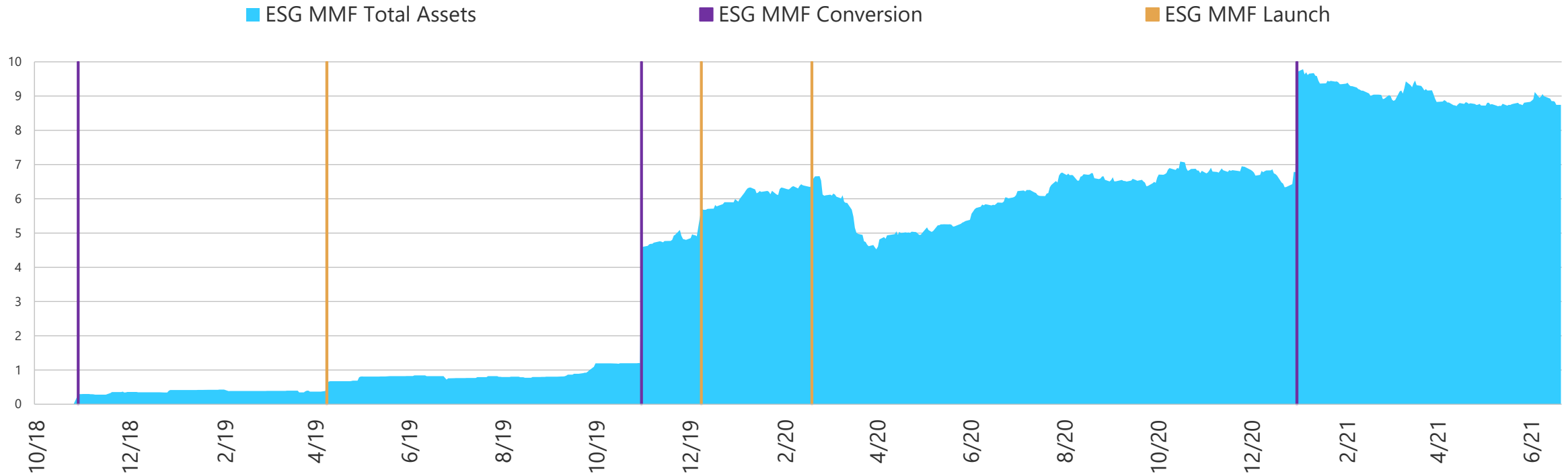
US Consumer ABS and CMBS: Sector Outlook - Improving

- US Credit Card ABS performance remains strong as pandemic pressures lessen; Fitch continues to monitor unemployment
- US prime and subprime auto loan and lease ABS are performing at record levels driven by soaring used vehicle values and federal aid to individuals in 2021
- US CMBS continues slow but steady recovery
 - Asset performance is driven by the rate of re-openings and risk of new restrictions

ESG MMF Assets

ESG MMF Total Assets

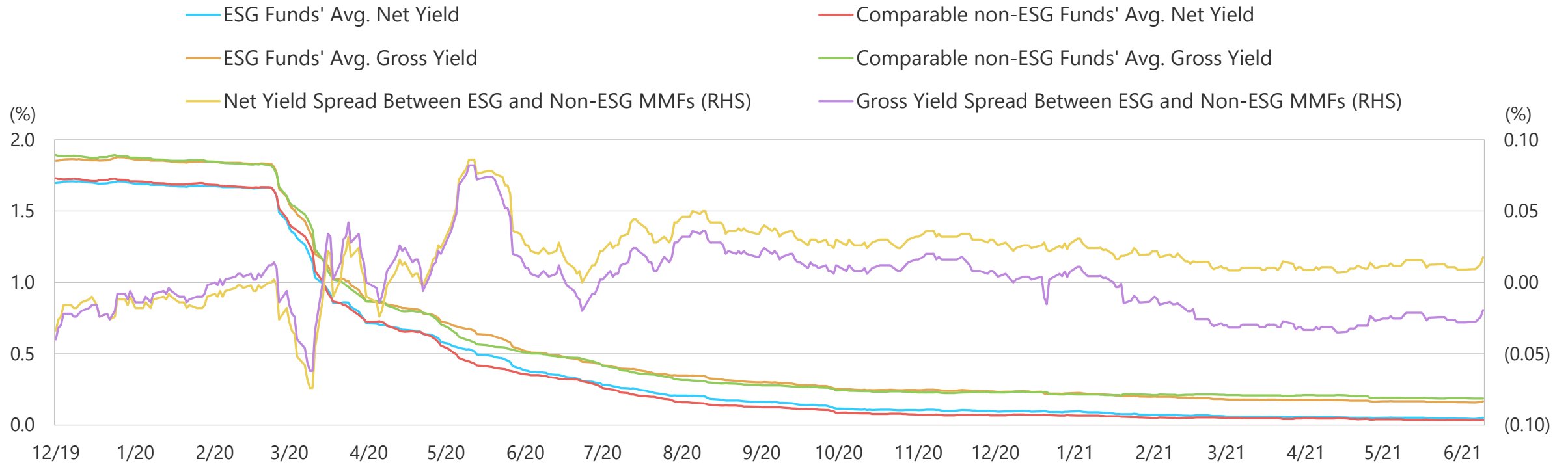
(\$ Bil.)



Source: iMoneyNet, Fitch Ratings.

ESG MMF Yields

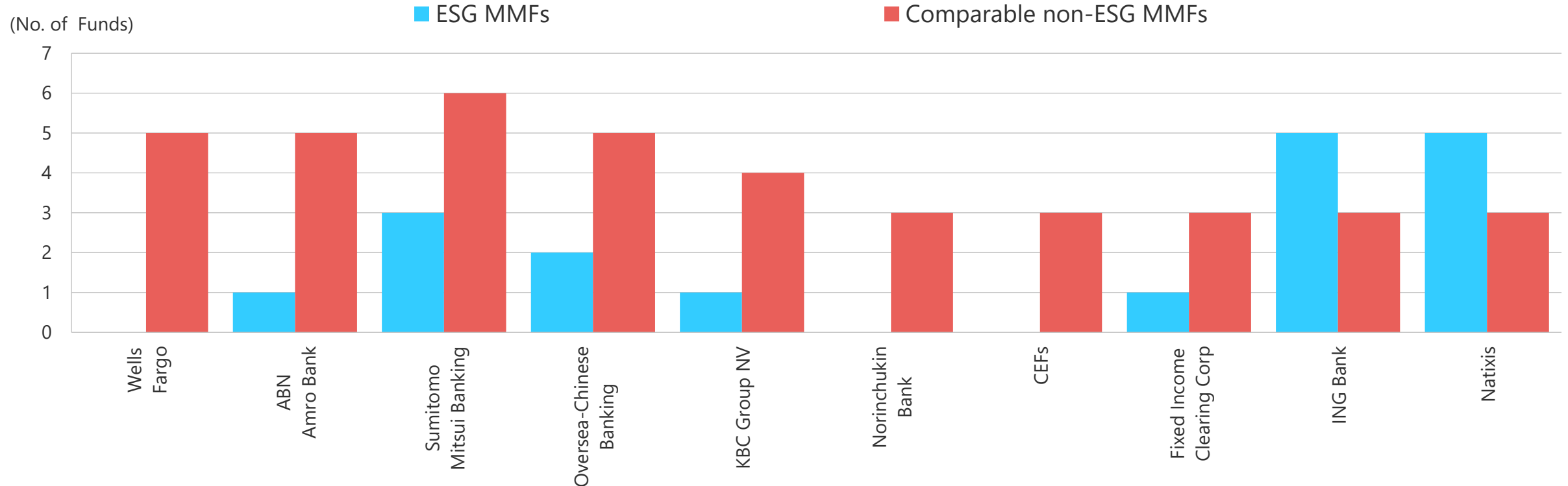
Average Yields for ESG MMFs and Comparable non-ESG MMFs



Note: Spreads are calculated using ESG Yield minus Comparable non-ESG Yield. DWS non-ESG comparable fund was excluded due to one-off retail flows.
 Source: iMoneyNet, Fitch Ratings.

ESG MMF Issuer Holdings

MMF Holdings of a Selection of Issuers



Note: CEFs refer to preferred shares issued by various Closed-End Funds. These preferred shares are structured similarly to VRDNs and benefit from puts from highly rated banks.
Source: Crane Data, Fitch Ratings.

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