

APRIL 16, 2021



Paige Wilhelm
*Senior Vice President
Senior Portfolio Manager
Federated Investment Counseling*

Retail sales surge

Another month, another surge in retail sales. They leapt nearly 10% in March, almost double consensus. Restaurants, clothing and electronics led the way. The University of Michigan report on consumer sentiment soared to its highest mark in 13 months. The combination of pent-up demand and money in consumers' hands from fiscal stimulus and tax refunds is making its mark.

Last week saw increased activity on proposed money market fund regulations. While they have no bearing on liquidity products, it is worth recapping the situation as both are used for cash management.

At issue is whether or not money funds contributed to the market stress in March 2020 at the depths of the crisis caused by the shutdowns mandated after Covid-19 hit the country. A President's Working Group was convened to assess this and recently the Securities and Exchange Commission (SEC) asked for public comments, many of which were filed last week. Federated Hermes adamantly believes the blame put on money market funds is misguided because the broad money markets, which include bank instruments and commercial paper, were strained and disrupted, not just money funds. If anything, we think the SEC should remove the requirement that a fund must consider imposing redemption gates and fees if its weekly liquid assets fall below 30% because we feel that rule actually contributed to the stress. We are hopeful our proposal and comments will gain traction, but it will be some time before any rulings are made.