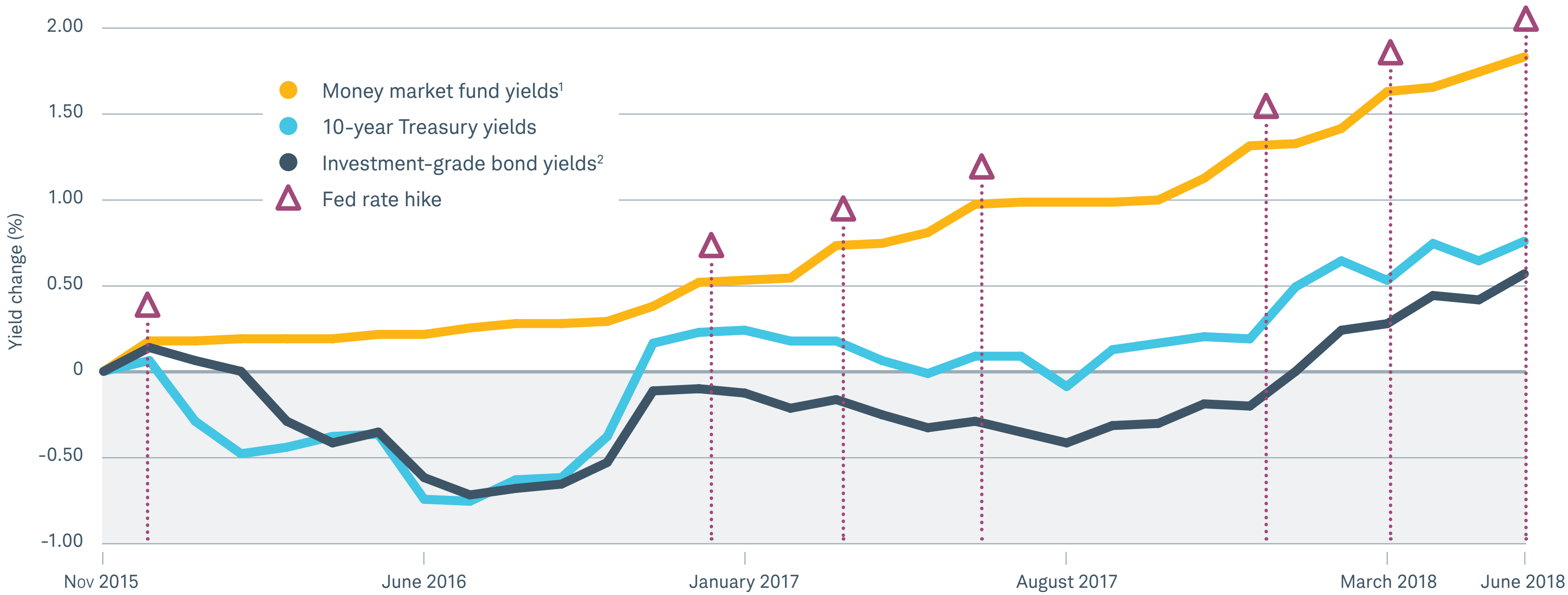
Chart in a Minute

Uneven impact of Fed rate hikes

Money market fund yields have been leading the pack as the Federal Reserve (Fed) has raised rates.



Money market fund yields have increased by approximately 1.75% since late 2015, which was when the Fed started "normalizing" short-term interest rates.

Corporate bond yields and longer-term U.S. Treasury yields have substantially lagged the increase in money market fund yields, as inflation expectations have been relatively well behaved.

If the Fed continues to raise rates as expected, money market fund yields will continue to rise, even as yields on corporate bonds and Treasuries seem likely to climb by much less.

Sources: Charles Schwab Investment Management; Bloomberg. Data from 11/30/15 to 06/13/18.

What does this mean for investors?

Cash is increasingly relevant as rates rise, are your holdings properly allocated?

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[1] Money market fund yields are represented by one-month LIBOR, a benchmark rate that some of the world's banks charge each other for short-term loans.

[2] Investment-grade bonds are represented by the Bloomberg Barclays US Aggregate Credit Yield to Worst Index, which measures yields of the investment-grade, US dollar-denominated, fixed-rate, taxable corporate and foreign government-related bond markets, based on the lowest potential yield that could be received without the issuer defaulting.

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