

# Treasury Strategies' Quarterly Corporate Cash Briefing™ for 2Q 2016

## Presented by:

**Tony Carfang**, *Treasury Strategies*

**Kevin Ruiz**, *Treasury Strategies*

**Susan Hill**, *Federated Investors*

**Peter Matza**, *ACT*

**Roger Merritt**, *Fitch Ratings*

April 14, 2016



**Treasury  
Strategies.**

The Power of Experience®

## Corporate Cash Levels

## Priorities for Corporate Treasurers

## Panelist Discussion: Driving Factors

- Economic Policy
- Regulatory Changes
- Market Dynamics
- Geopolitical Environment

## Roundtable

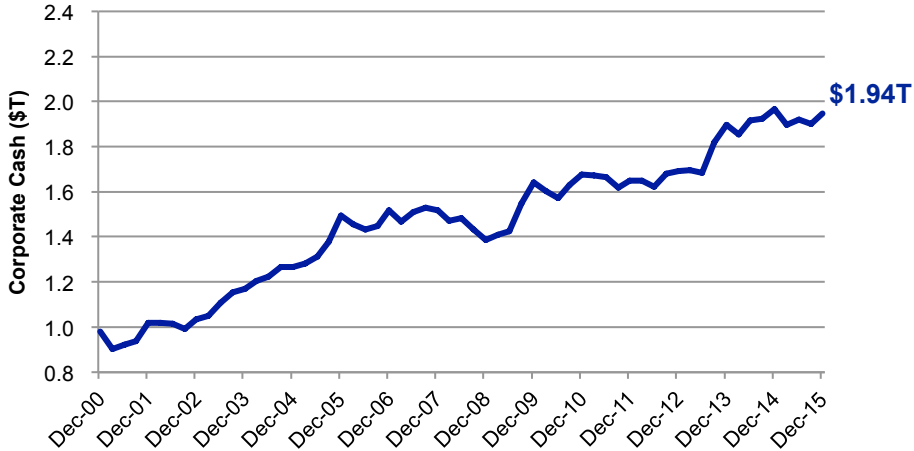
- Federated Investors
- Association of Corporate Treasurers (ACT)
- Fitch Ratings

# Corporate Cash Levels



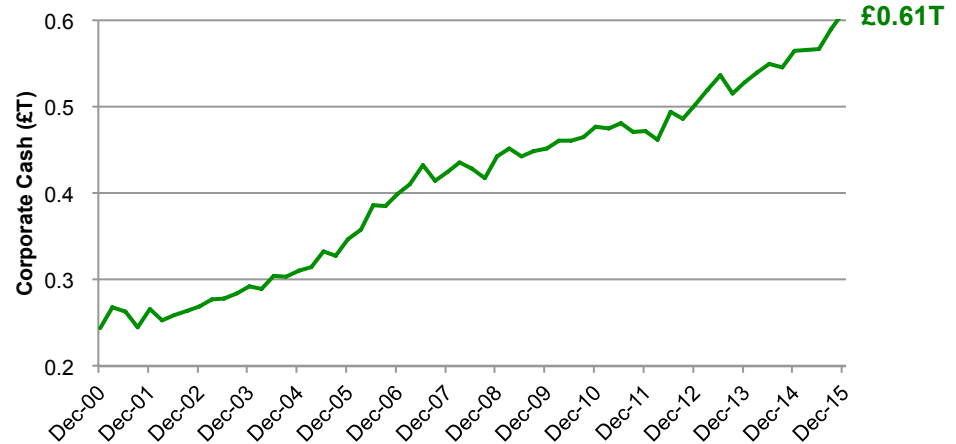
# Corporate Cash Levels

### US Corporate Cash



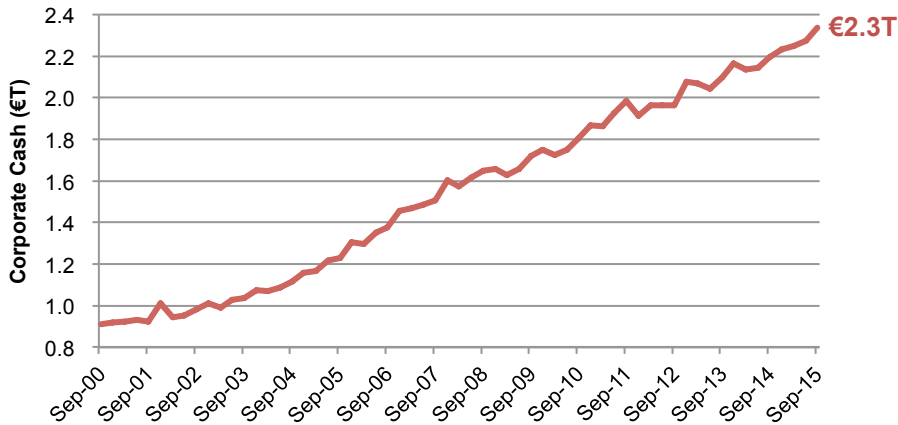
Source: Federal Reserve, Treasury Strategies

### UK Corporate Cash



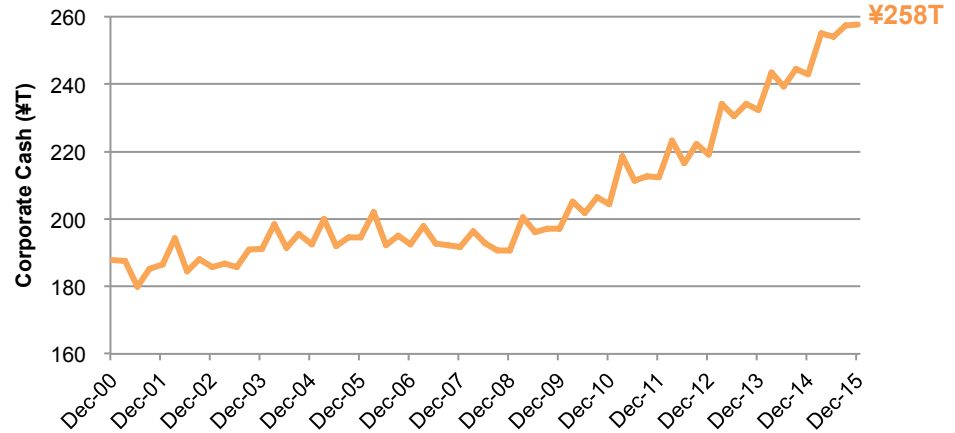
Source: UK Office for National Statistics, Treasury Strategies

### Eurozone Corporate Cash



Source: European Central Bank, Treasury Strategies

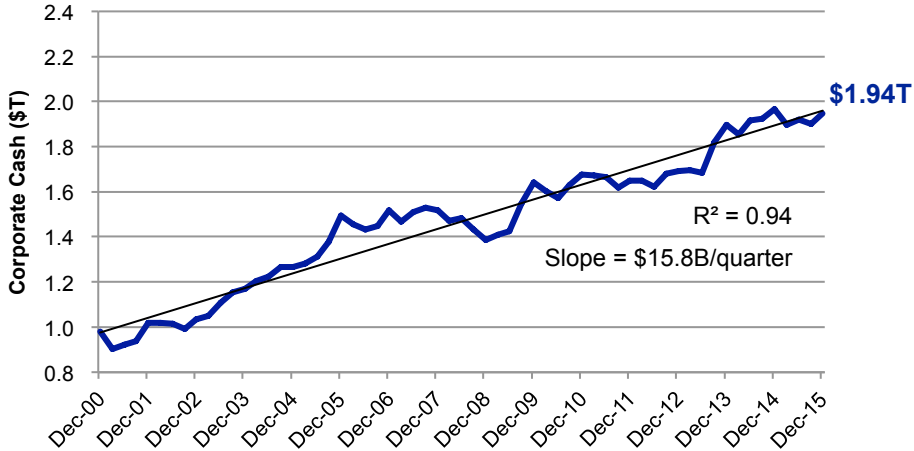
### Japanese Corporate Cash



Source: Bank of Japan, Treasury Strategies

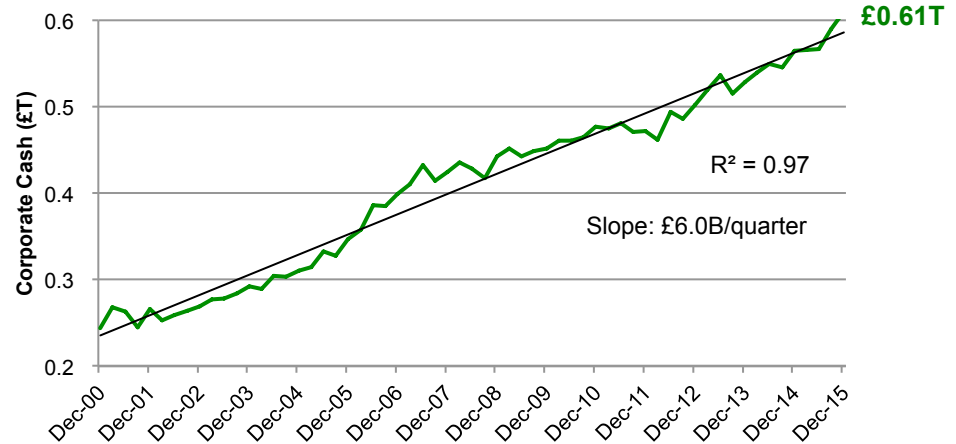
# Corporate Cash Levels

### US Corporate Cash



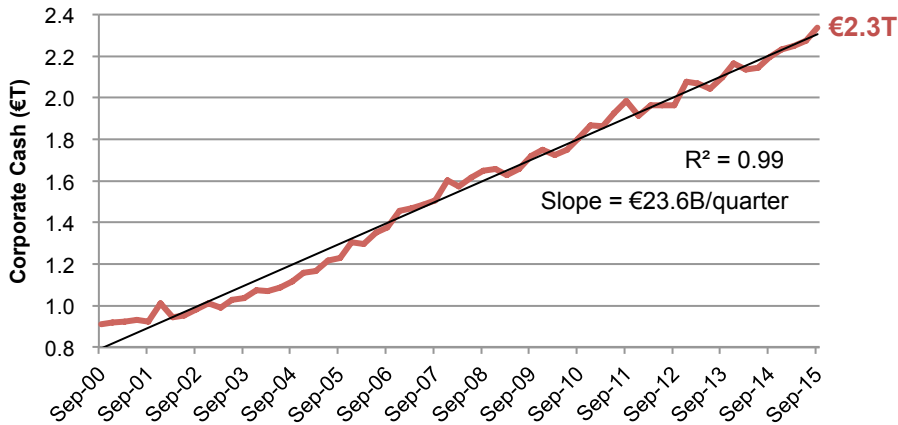
Source: Federal Reserve, Treasury Strategies

### UK Corporate Cash



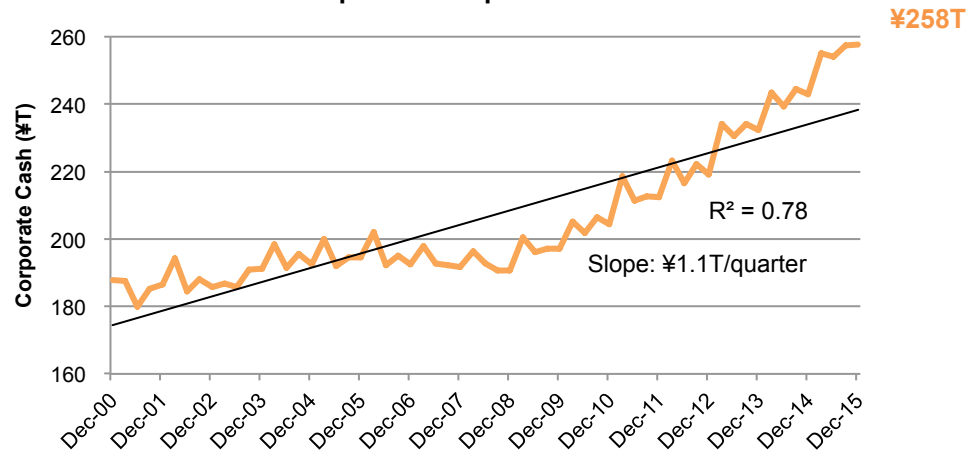
Source: UK Office for National Statistics, Treasury Strategies

### Eurozone Corporate Cash



Source: European Central Bank, Treasury Strategies

### Japanese Corporate Cash



Source: Bank of Japan, Treasury Strategies

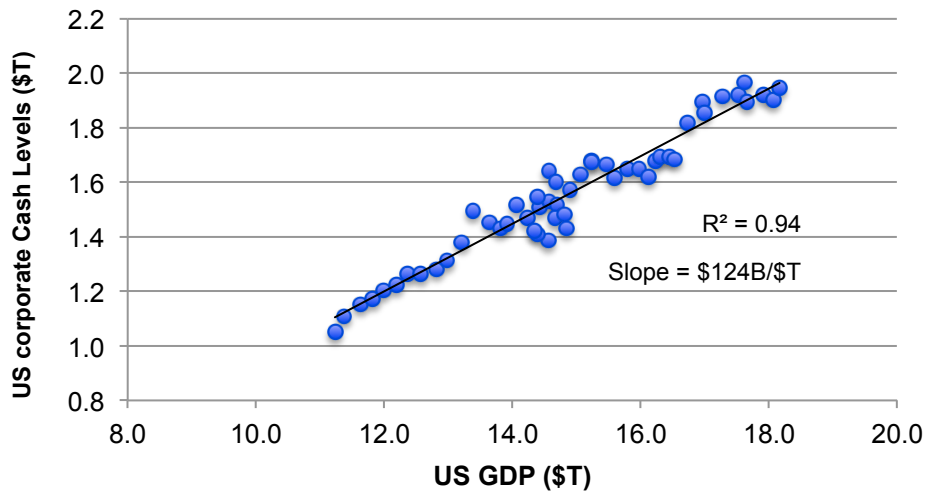
# Corporate Cash as % GDP by Region

Country/Region	December 2000	December 2015
United States	9%	11%
Eurozone	14%	22%
United Kingdom	24%	33%
Japan	37%	52%

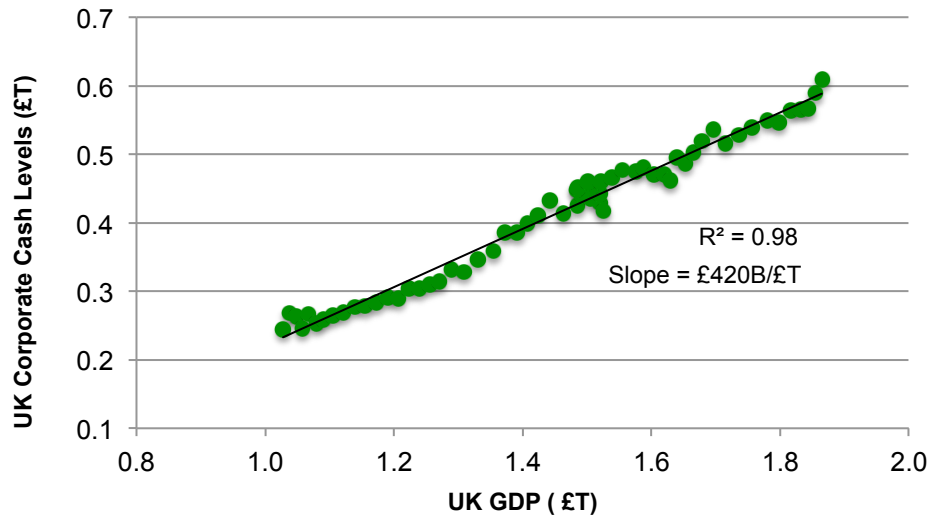
Source: Treasury Strategies' estimate

# Corporate Cash Relative to Nominal GDP

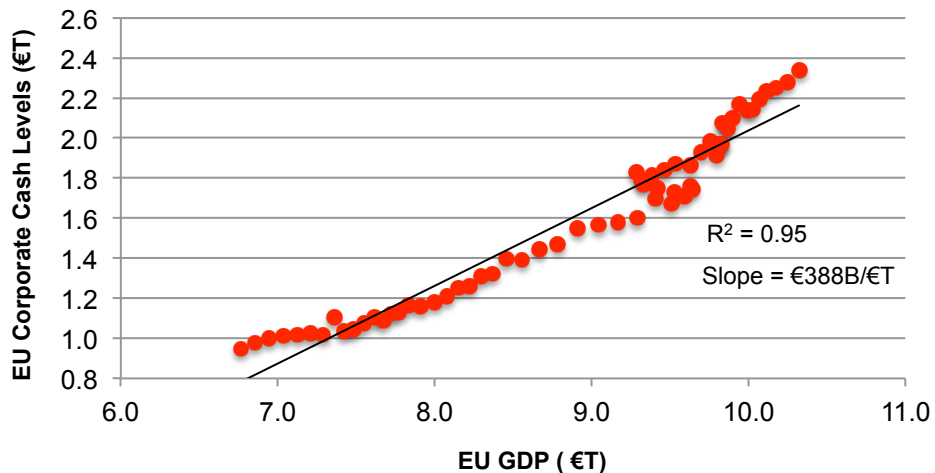
US Corporate Cash Level Relative to US Nominal GDP



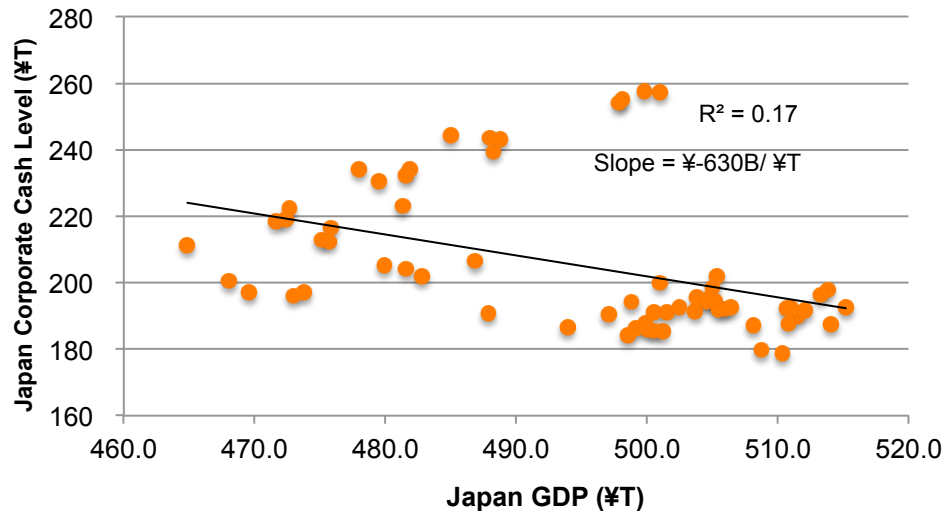
UK Corporate Cash Level Relative to UK Nominal GDP



EU Corporate Cash Level Relative to EU Nominal GDP

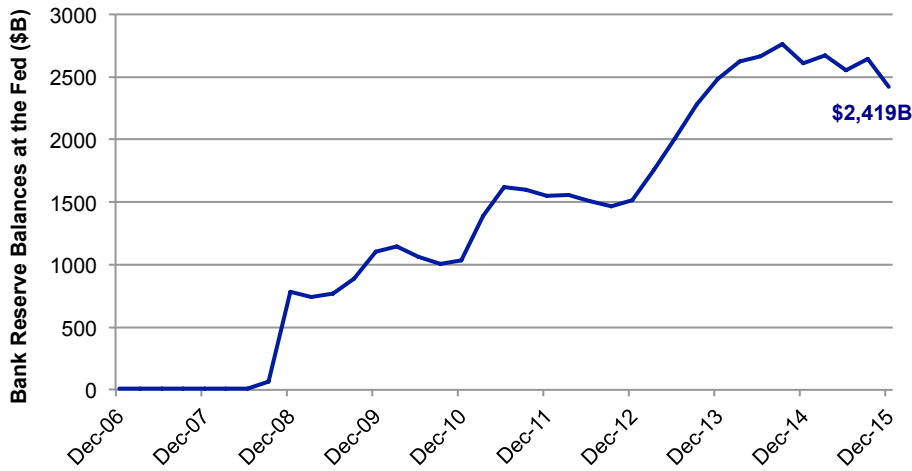


Japan Corporate Cash Relative to Japan Nominal GDP



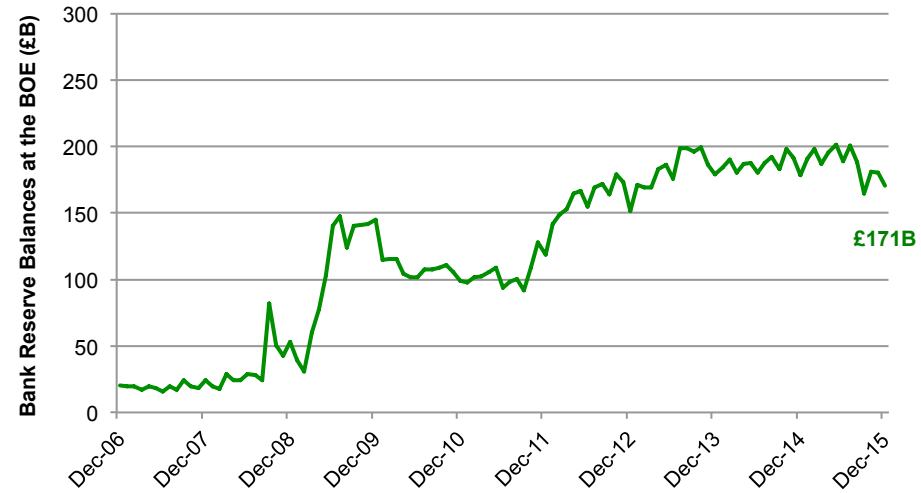
# Reserve Balances

### Bank Reserve Balances at the US Federal Reserve



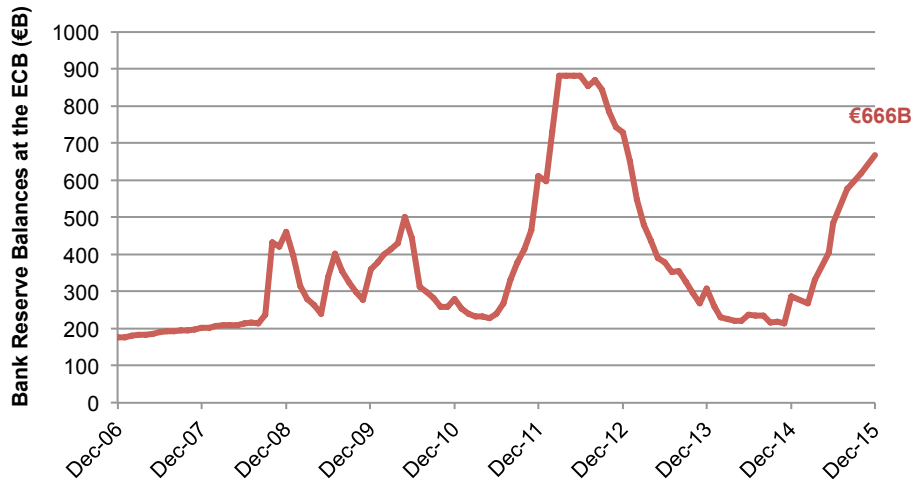
Source: Federal Reserve, Treasury Strategies

### Bank Reserve Balances at the BOE



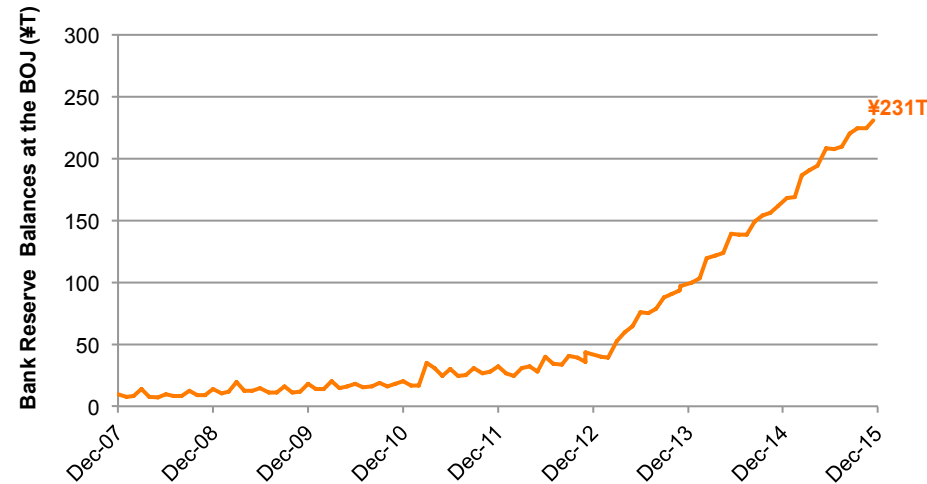
Source: Bank of England, Treasury Strategies

### Bank Reserve Balances at the ECB



Source: European Central Bank, Treasury Strategies

### Bank Reserve Balances at the BOJ

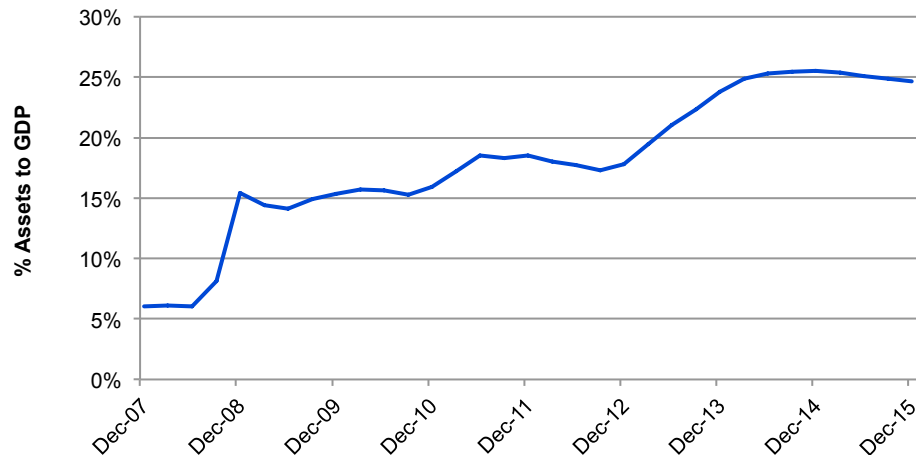


Source: Bank of Japan, Treasury Strategies



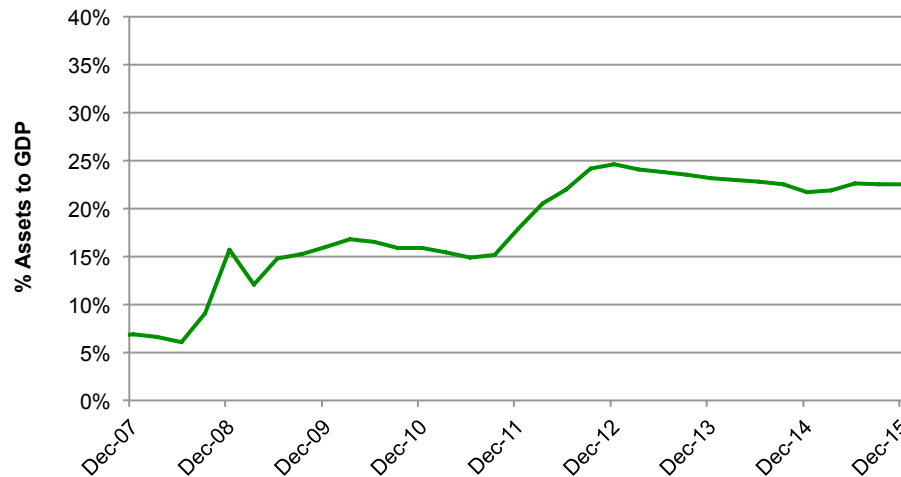
# Central Bank Assets as % GDP by Region

**US Federal Reserve  
Total Assets as % of GDP**



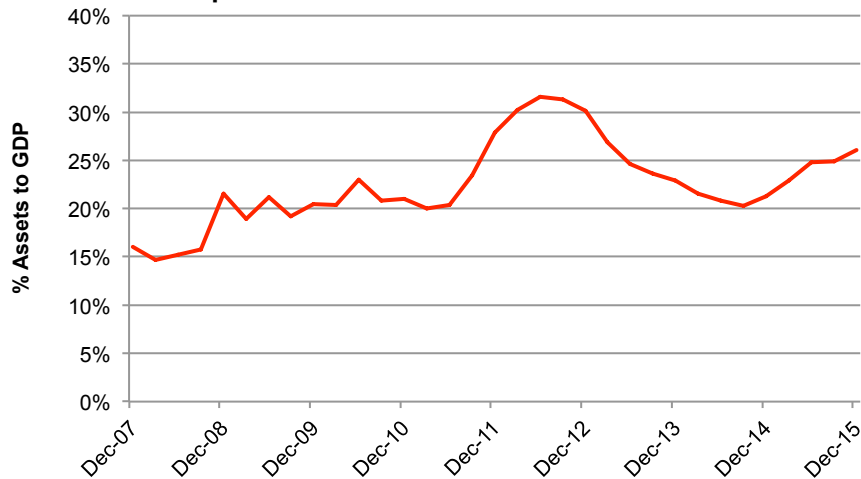
Source: U.S. Bureau of Economic Analysis, St. Louis Federal Reserve, Treasury Strategies

**BOE - Total Assets as % of GDP**



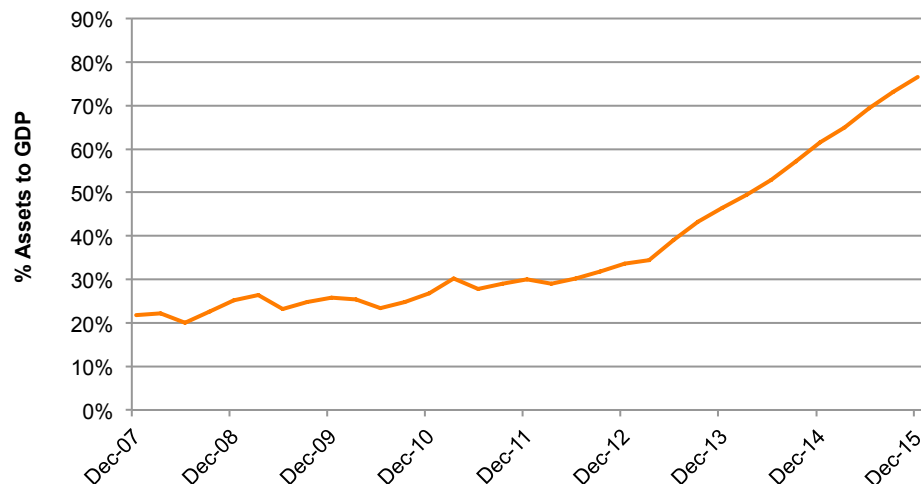
Source: UK Office of National Statistics, Bank of England, Treasury Strategies

**European Central Bank - Total Assets as % of GDP**



Source: St. Louis Federal Reserve, Treasury Strategies

**Bank of Japan - Total Assets as % of GDP**



Source: Bank of Japan, St. Louis Federal Reserve, Treasury Strategies

# **Priorities for Corporate Treasurers and Driving Factors**



For the past ten years, Treasury Strategies has conducted an annual **State of the Treasury Profession** survey of corporate treasurers to identify key trends and challenges in treasury. Of note in this year's survey, by percentage of respondents mentioning these topics:

Focus Area	2016	2015
Cash forecasting	69%	65%
Financial risk management, FX	64%	59%
Bank relationship management	58%	49%
Best practices	56%	56%
Treasury management systems	55%	50%
Short-term investments	53%	54%
Treasury staffing levels and skill sets	53%	43%
Operational efficiency	51%	43%
Balance sheet optimization	50%	39%
Banking services	46%	32%

Source: Treasury Strategies *State of the Treasury Profession 2016*

<http://www.treasurystrategies.com/content/10th-annual-state-treasury-profession-discussion-doing-more-more>

# Treasury Top Priorities 2016: Biggest Changes

This year, we saw the following changes in response patterns from our 2015 survey:

Focus Area	Change in Frequency of Mention
Banking services	14%
Cyber security	12%
Balance sheet optimization	11%
Short-term investments	9%
External reporting (Regulators, rating agencies, etc.)	9%
Outbound payments	1%
Leading practices	0%
Support for divestitures	0%
Supply chain finance	0%
Treasury staffing levels and skill sets	-2%

Source: Treasury Strategies *State of the Treasury Profession 2016*

<http://www.treasurystrategies.com/content/10th-annual-state-treasury-profession-discussion-doing-more-more>

# Treasury Top Priorities 2016: Client Experience



To contrast, below are the main areas of inquiry our clients are asking about and the areas of focus for most of our engagements this year.

Focus Area
Cash Visibility and Cash Forecasting
FX Risk Management and FX Strategy
Treasury Management System (TMS): Selection, Implementation, Optimization
Banking and Liquidity Management: Assessment/RFP
Treasury Operational/Technology Assessment (Leading Practices)

## Economic Policy

- QE Dislocations
- Negative Interest Rates
- Central Bank Policies
- New Round of Cash Bashing

## Regulatory Changes

- MMF Regulations/Variations/Alternatives
- Basel III Implementation
- Dodd-Frank, EMIR, AML, KYC
- Banks Trimming Deposits and Lines of Business/Bank Repositioning

## Market Dynamics

- Bond Market Liquidity
- FX Volatility
- Oil & Other Commodities
- HQLA Demand
- Global Market Volatility

## Geopolitical Environment

- Brexit
- Grexit
- Trade Agreements
- Volatility in China

# Speakers



**Tony Carfang**

Partner

312.628.6921

Tony\_Carfang@TreasuryStrategies.com



**Kevin Ruiz**

Principal

312.320.0398

Kevin\_Ruiz@TreasuryStrategies.com



**Susan Hill**

Senior Portfolio Manage

412.288.1900

shill@federatedinv.com



LEADING TREASURY  
PROFESSIONALS

**Peter Matza**

Engagement Director

+44 (0)20 7847 2580

pmatza@treasurers.org



**Roger Merritt**

Managing Director

212.908.0636

Roger.Merritt@fitchratings.com

## Who We Are

Treasury Strategies, Inc. is the leading treasury consulting firm working with corporations and financial services providers. Our experience and thought leadership in treasury management, working capital management, liquidity and payments, combined with our comprehensive view of the market, rewards you with a unique perspective, unparalleled insights and actionable solutions.

## What We Do

### Corporations

We help you maximize worldwide treasury performance and navigate regulatory and payment system changes through a focus on leading practices, technology, liquidity, risk and controls.

### Financial Services


Our experience, analytic approach and benchmarks provide unique consulting solutions to help financial institutions strengthen and grow their business.


## Accreditations



## Connect with Us

 [www.TreasuryStrategies.com/  
content/networking-communities](http://www.TreasuryStrategies.com/content/networking-communities)

 @TreasuryStrat

 [www.youtube.com/c/  
treasurystrategiesinconsulting](http://www.youtube.com/c/treasurystrategiesinconsulting)





## Delivering investment solutions since 1955

**Founded:** 1955

**Headquarters:** Pittsburgh

**Global Operations:** New York, Rochester, Boston, Houston, Dublin, Frankfurt, London and Tokyo

**AUM:** Approximately \$355 billion

**Ownership:**

- Publicly traded, privately held (NYSE: FII)
- 20% employee ownership

**Revenue Distribution**

Equity	46%
Liquidity	32%
Fixed-income	22%

**Representative Clients**

- Corporate/Public Defined Benefit
- Defined Contribution
- Endowment/Foundation
- Taft-Hartley
- Insurance
- Sub-Advisory
- Local Government Investment Pools (LGIP)
- Financial Intermediaries

### Equity Management

- Independent investment teams each focused on a specific style or approach with commitment to proprietary research
- Portfolio managers average 23 years of experience, nearly 11 with Federated
- Strategies are a result of both carefully cultivated homegrown initiatives as well as key strategic acquisitions
  - Value (Clover)
  - Quantitative (MDT)
  - Balanced/Macro
  - International Equity
  - Growth/Income
  - Alternatives (Prudent Bear)
  - Dividend Oriented
  - Growth (Kaufmann)
  - Managed Risk

### Fixed-Income Management

- Experienced, specialized teams with strength across the yield curve
- Portfolio managers average 25 years of experience, nearly 18 with Federated
- Modular process is portable across fixed-income styles and lends itself to portfolio customization
  - Multi-Sector: Active Cash, Short, Intermediate
  - Sector Specific: Corporate, High-Yield, Emerging Markets, Trade Finance, Municipals

### Liquidity Management

- Pioneer in liquidity management for more than 40 years and one of the largest institutional money market fund managers in the industry\*
- 34 liquidity management professionals with 19 years working together at Federated
- Have never bought a security out of or infused capital into a money market fund to maintain a stable \$1.00 NAV
  - Prime
  - Tax-Free
  - Government
  - Non-U.S Domiciled

All information is as of 3/31/15 unless stated otherwise.  
\*Source: iMoneyNet, Inc. February 28, 2015

## Who We Are

The Association of Corporate Treasurers (ACT) sets the benchmark for international treasury excellence. As the chartered body for treasury, we lead the profession through our internationally recognised suite of treasury qualifications, define standards and support continuing professional development. We are the voice of corporate treasury representing the interests of our members.

## What We Do

ACT supports the growth and professional development of treasurers and finance professionals. We are an active global network of treasury, risk and finance professionals with members and students in 98 countries.

- We promote treasury as a discipline, as a profession and as a career.
- We provide informed and unbiased technical advice.
- We teach, examine and qualify treasury professionals and offer ongoing CPD.
- We stimulate debate and facilitate the exchange of ideas and information through our events, conferences, webinars and forums.
- We represent the real economy and influence relevant regulation and market practice.



[www.treasurers.org](http://www.treasurers.org)



[www.treasurers.org/linkedin](http://www.treasurers.org/linkedin)



[twitter.com/actupdate](https://twitter.com/actupdate)



[facebook.com/actupdate](https://facebook.com/actupdate)



[youtube.com/treasurersorg](https://youtube.com/treasurersorg)

# Fitch Ratings

Fitch Ratings is a leading provider of credit ratings, commentary, and research. Dedicated to providing value beyond the rating through independent and prospective credit opinions, Fitch Ratings offers global perspectives shaped by the strong local market experience and credit market expertise. The additional context, perspective and insights we provide help investors to make important credit judgments with confidence.

Fitch Group is a global leader in financial information services with operations in more than 30 countries. In addition to Fitch Ratings, the group includes Fitch Solutions, an industry-leading provider of credit risk products and services, and Fitch Learning, a preeminent training and professional development firm. Fitch Group is jointly owned by Paris-based Fimalac, S.A. and New York-based Hearst Corporation.

For additional information, please visit [www.fitchratings.com](http://www.fitchratings.com).