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U.S. corporate liquidity down 1st time in 10 years

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NEW YORK, March 18 (Reuters) - U.S. corporate liquidity at the end of 2007 fell for the first time in a decade amid a global credit crisis, consulting firm Treasury Strategies said on Tuesday.

Liquidity, as measured by cash and short-term investments of non-financial U.S. companies, dropped by $250 billion, or 5 percent, according to a survey of clients conducted last month by Treasury Strategies.

It rose steadily from $3.9 trillion in 1999 to $5.5 trillion by the end of June 2007. At the end 2007, it was $250 billion lower at $5.25 trillion, the statement said.

"This is a sea change. Beneath the surface, there are much deeper changes in the marketplace," said David Robertson, a partner with Treasury Strategies. "We uncovered a massive rebalancing of corporate treasury portfolios. In all, over $1 trillion has been re-allocated by corporate treasurers."

Despite the decline, liquidity remained generally strong, Robertson said, with cash near an all-time high.

The survey also showed companies are taking a much more disciplined stance in their cash management and are investing more in the technology and infrastructure supporting their cash management activities.

Anthony Carfang, another Treasury Strategies partner, said that as a result of the recent market turmoil, corporate treasurers are taking a closer look at securities in their portfolios as well as their investment policies and practices.

"Many are no longer managing their short-term portfolios themselves. Rather, they are utilizing a mix of bank products and money funds," Carfang said.

The survey indicated that one out of five corporations held "problem securities." "While this group represents a small portion of the overall liquidity market, those who were in these securities will continue to have large portions of their portfolios frozen for the foreseeable future," Carfang said. (Reporting by Gertrude Chavez-Dreyfuss; Editing by Leslie Adler)

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