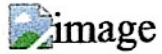


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Investors Sit on Cash As Markets Stagger

BY KRYSTAL HUR

Cash is looking more and more attractive these days.

Stocks tumbled after President Trump escalated his trade war against the rest of the world. But rather than scooping up shares trading at cheaper prices, many investors are opting to keep their cash on hand.

Stock futures opened sharply lower Sunday evening, with futures tied to the S&P 500 falling more than 2%, while those tied to the tech-heavy Nasdaq-100 slumped about 3.5%.

Stocks were pounded in Asia early Monday, with Japan's Nikkei 225 down about 6% at midday in Tokyo, Hong Kong's Hang Seng Index was down about 9% and the Shanghai Composite off 6%.

Investors poured more than \$60 billion into money-market funds in the first few days of April. That has sent assets in such funds to a record \$7.4 trillion as of Thursday, according to Crane Data going back to 1972.

Market watchers have monitored the trillions of dollars that have piled up in cash investments over the past few years, with some anticipating that much of it would eventually flood into stocks and power the market's next leg higher. Those expectations are on hold for now.

"I'm just sitting on as much cash as possible," said Matthew Shaughnessy, who runs an auto-repair shop and a pet spa in Idaho. "If I try to catch this falling knife, I'm just going to get cut over and over and over on the way down."

The 43-year-old said he sold his shares in Rivian and Roblox in the days leading to Trump's Rose Garden tariff announcement, preparing for what he expected would be a big selloff.

He still owns shares of Novo Nordisk and has some \$10,000 in cash in a brokerage account, Shaughnessy said. He doesn't plan to buy any more stocks until the market carnage subsides.

Stocks, oil, and government bond yields tumbled after Trump's aggressive tariffs kicked off a global trade war and fueled recession fears.

All major indexes logged their worst week since 2020. The Dow Jones Industrial Average closed in a correction, a 10% drop from its December high, while the Nasdaq Composite entered bear-market territory, a decline of 20% from its recent high.

"Investors are getting stung a little bit in terms of taking that approach...where you were willing to buy every dip," said Mark Luschni, chief investment strategist at Janney Montgomery Scott. "Now it's a bit more of a 'show me' situation."

Some analysts say that Americans have simply shifted their assets into higher-yielding money markets from traditional bank accounts and expect that cash to stay put. Money poured into such accounts after the Federal Reserve began increasing rates in

2022, with some banks paying north of 5%.

Cash is still paying higher yields than before the pandemic, even with the Federal Reserve's rate cuts last year. The average return on moneymarket funds is at 4.2%, down from 4.3% in December, Crane data show.

In March, individual investors raised the share of cash in their portfolios to about 18.3%, up from 17.4% the prior month, according to the American Association of Individual Investors.

Expectations for Fed rate cuts have climbed, but now it is because of the specter of a recession rather than easing inflation.

In the coming days, traders will parse fresh data for insight into whether Trump's earlier tariffs have reignited inflation.

Earnings results from JP-Morgan Chase, BlackRock, Wells Fargo and Morgan Stanley will also give clues on how tariffs and market volatility might be affecting consumer spending.

Some investors fear that Trump's aggressive trade policies could awaken the twoheaded monster called stagflation, where growth is weak while prices climb.

Data out Friday showed better- than-expected job gains in March, but some economists worry that Trump's policies could sap that strength.

Meanwhile, stock valuations remain elevated. The S& P 500 was recently trading at 19.5 times projected earnings over the next 12 months, above its 10-year average of 18.6 times, according to FactSet.

Americans' attitudes toward the economy and markets had already soured in recent weeks. Bearishness, or an expectation that stock prices will fall over the next six months, is at its highest level since the 2007-09 recession, according to the latest survey by AII.

The decline in sentiment has cooled the "buy the dip" mentality that helped power the stock market to repeated highs and quickly recover from selloffs in recent years.

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