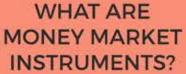
# MONEY MARKET

## **FUTUREGROWTH**

ASSET MANAGEMENT



Short-term investment products (generally up to one year) with low interest rate volatility and high liquidity.



## WHAT ARE THE **ADVANTAGES OF** MONEY MARKET **FUNDS?**

- Diversification
- Term risk
- Credit risk
- Liquidity



### WHAT IS PAR VALUE?

Par value (also known as nominal value or face value) refers to the initial investment amount on the issue date of the instrument.

## BORROWER



#### Banks and corporates borrow money:

- So that they can lend money to consumers and other organisations
- To ensure they have cash reserves

## **DECISION TO BUY** OR SELL AN **INSTRUMENT**



#### Money market instruments can include:

- Negotiable certificates of deposit (NCD)
- Treasury Bills
- Promissory Notes
- Short-term Bonds (<1 Year)</li>
- Commercial paper



credit quality and an appropriate level of return:

- Generally to earn a higher return than what is offered on bank deposits.
- To access a diverse range of instruments
- To access a diverse range of issuers (banks and corporates)

Lenders can also be retail and wholesale market participants.



### WHAT INFLUENCES THE PRICE OF THE INSTRUMENTS?

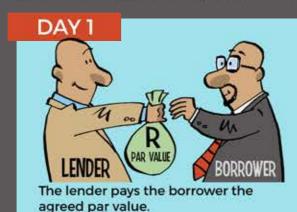
- Interest rate cycle (repo rate)
- Inflation
- Demand and supply of instruments
- Money supply
- Gross domestic product (GDP)



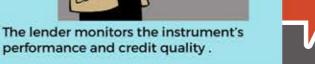
### WHY ARE MONEY MARKET INSTRUMENTS NECESSARY?

Pension funds are governed by regulations that stipulate that a certain amount of their assets should be in short-term, low risk and liquid assets for capital preservation (minimising capital loss). This forms part of a broader asset allocation strategy which could include longer-term, higher yielding assets like bonds and shares.

## LIFE OF A MONEY MARKET INSTRUMENT









interest at maturity.

pricing.

The lender can decide to sell the instrument at the best price if the market changes and will earn a capital gain and interest.

