How Much Cash Remains on the Sidelines?

How much cash remains on the sidelines with the potential to power the stock market further? Below are some opposing views.

“This is a well-loved bull market that has entered the ‘belief phase,’” according to this CNBC post, expecting equity inflows/demand in 2021 to be driven by:

• Systematic flows, hedge fund positioning, retail buying, share buybacks, and rotation from non-equity assets
• Big bank stock repurchases
• Deployment of SPAC funds
• Reactivated systematic asset-allocation strategies
• Index funds as late-coming buyers

Taking the other side is this AdvisorAnalyst.com post, arguing that a look at the stock-to-cash ratios suggests there is very little available buying power for investors. Cash in money market funds—used by retail, corporate and foreign investors—may be earmarked for non-investment purposes. Mutual funds are holding record low levels of cash. Corporations may be hoarding their cash (a result of record debt issuance) to ensure their survival in a weaker 2021.

Economic Releases vs. Consensus (week of 1/4)

Factory Orders (m/m): 1.0% vs. 0.7%
Balance of Trade (Nov): -$68.1B vs. -$65.2B
Non-Farm Payrolls (Dec): -140K vs. 71K

Economic Releases (week of 1/11)

CPI (1/13)
Initial Jobless Claims (1/14)
Retail Sales (1/15)

MARKET PULSE

MONTH-TO-DATE

As of 2/4/2021
VALUE CORE GROWTH

YEAR-TO-DATE
VALUE CORE GROWTH

LARGE -0.92 -0.82 -0.74
MID -0.23 -0.26 -0.33
SMALL 5.26 5.00 4.82

Equities As a Percentage of Total Assets

March 31, 1952 to September 30, 2020

[Graph showing equities as a percentage of total assets]

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Orders executed at the fixings are conducted as principal-to-principal transactions between the client and the dealer through whom the order is placed.

The Fixings are an open process at which market participants can transact business on the basis of a single quoted price. Orders can be changed throughout the proceedings as the price is moved higher and lower until such time as buyers' and sellers' orders are satisfied and the price is said to be 'fixed'.

The Fixings Price:

- Approximately 900 retail outlets, 8:00AM Monday.
- The price represents self-service unless only full-service is available and includes all taxes.

Definitions and Disclosures

The Nontraditional Bond category contains funds that pursue strategies divergent in one or more ways from conventional practice in the broader bond-fund universe. Multialternative funds offer investors exposure to several different alternative investment tactics. Funds in this category have a majority of their assets exposed to alternative strategies. Bear Market funds dedicate a majority of the fund’s assets to equities. Most of the portfolio is dedicated to short stock positions in an attempt to take advantage of anticipated market or stock declines. Managed Futures funds primarily trade liquid global futures, options, swaps, and foreign exchange contracts, both listed and over-the-counter. Commodity Price Precious Metals can invest in precious metals such as gold, silver, platinum, and palladium. Energy Limited Partnership strategies invest a significant amount of their portfolio in energy master limited partnerships, also known as MLPs. Multicurrency portfolios invest in multiple currencies through the use of short-term money market instruments; derivative instruments including and not limited to forward currency contracts, index swaps, and options; and cash deposits. Market Neutral funds attempt to reduce systematic risk created by factors such as exposures to sectors, market-cap ranges, investment styles, currencies, and/or countries.

Real Estate portfolios invest primarily in real estate investment trusts of various types. REITs are companies that develop and manage real estate properties. Convertible-bond portfolios are designed to offer some of the capital-appreciation potential of stock portfolios while also supplying some of the safety and yield of bond portfolios. Options-based funds use options as a central component of their investment strategies. Long-Short Credit funds seek to profit from changes in the credit conditions of individual bond issuers and credit markets segments represented by credit indexes. Long-Short Equity funds hold sizeable stakes in both long and short positions in equities, exchange traded funds, and related derivatives. Infrastructure equity funds invest more than 60% of their assets in stocks of companies engaged in infrastructure activities. Industries considered to be part of the infrastructure sector include: oil & gas midstream; waste management; airports; integrated shipping; railroads; shipping & ports; trucking; engineering & construction; infrastructure operations; and the utilities sector.

The S&P 500 Index is considered generally representative of the U.S. equity market. The MSCI World Index is considered generally representative of the market for developed market equities. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index cited as a measure of the performance of emerging market equities. The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The Russell 3000 Index measures the performance of 3,000 publicly held US companies based on total market capitalization, which represents approximately 98% of the investable US equity market. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe and includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe and includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership.

The Bloomberg Barclays Capital U.S. Aggregate Bond Index covers the U.S.-denominated, investment-grade, fixed-rate, taxable bond market of SEC registered securities. The Bloomberg Barclays U.S. Government/Credit Index is comprised of long-term government and investment-grade corporate debt securities and is generally considered representative of the performance of the broad U.S. bond market. The ICE BofA Global 300 CnV Index (VXAO) is comprised of approximately 700 issues of only convertible bonds and prefered of all qualities. Source ICE Data Indices, LLC, used with permission. ICE permits use of the ICE BofA Indices and related data on an ‘as is’ basis, makes no warranties regarding same, does not guarantee the suitability, quality, accuracy, timeliness, and/or completeness of the ICE BofA Indices or data included in, related to, or derived therefrom, assumes no liability in connection with the use of the foregoing and does not sponsor, endorse or recommend Calamos Advisors LLC or any of its products or services.

Oil - West Texas Intermediate (WTI - Cushing): A crude stream produced in Texas and southern Oklahoma which serves as a reference or “marker” for pricing a number of other crude streams and which is traded in the domestic spot market at Cushing, Oklahoma. Gasoline: Weighted average based on sampling of approximately 900 retail outlets, 8:00AM Monday. The price represents self-service unless only full-service is available and includes all taxes. Gold - Gold Fixings Price: The Fixings are an open process at which market participants can transact business on the basis of a single quoted price. Orders can be changed throughout the proceedings as the price is moved higher and lower until such time as buyers’ and sellers’ orders are satisfied and the price is said to be fixed. Orders executed at the fixings are conducted as principal-to-principal transactions between the client and the dealer through whom the order is placed.

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