



CashMonitor

November 2021 Edition

November 16, 2021

Cash is often a disregarded portion of a portfolio. It is commonly viewed as being a placeholder, something that's held as an investor transitions from one asset class to another. What seems to be forgotten is that cash is itself an asset class (let's call it zero duration fixed income), and not giving cash its due could mean leaving dollars on the table. We believe it is important to apply some strategic thinking when it comes to a portfolio's cash allocation.

Our view is that cash allocations that are likely to be held for more than a very short time should be swept into a cash-equivalent instrument that offers a yield (as small as that might be today). Any of the instruments discussed in the pages that follow are viable alternatives, but in determining which option to go with, one must consider time horizon and liquidity requirements.

If the holding period is unknown and on-demand liquidity is required, the ideal solution today for most clients is a high-interest savings account (HISA). The FundSERV-listed options available through iA Wealth currently yield up to 1.00% (Series F). The A-class versions of the HISAs listed in this report pay trailers between 10 bps and 25 bps and offer yields reduced by an equivalent amount. Canadian and U.S.-dollar-denominated HISAs come with CDIC protection and offer T+1 settlement. The options for short-term cash management expand a bit as the time horizon increases and liquidity requirements become less urgent. Of course, yields typically increase as the term increases, and today, investors can access 270-day GICs that yield up to 1.00%.

In money market news, the Federal Reserve kept benchmark interest rates anchored near zero at its November meeting. Fed Chair Jerome Powell said the U.S. central bank would start to reduce its bond purchases, scaling back by US\$15 billion a month starting in November. Powell stressed that the tapering doesn't mean policy makers will hike rates any time soon.

PLEASE NOTE: "High-interest savings" mutual funds and ETFs that are designed to replicate the behaviour of a HISA but without CDIC protection are restricted securities unless additional disclosures are included in the Fund Facts and simplified prospectus around the fact that the products are not CDIC protected.

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The CDIC

The CDIC insures eligible deposits up to a maximum of \$100,000 per depositor per insured category. Full details are available [here](#). Our view in most situations is that eligible deposits exceeding \$100,000 should be spread across multiple [CDIC members](#), such that no single

account exceeds \$100,000. This ensures maximum coverage in the event of a worst-case scenario.

Effective April 30, 2020, CDIC protection was expanded to include foreign currency deposits and term deposits with maturity of greater than five years.

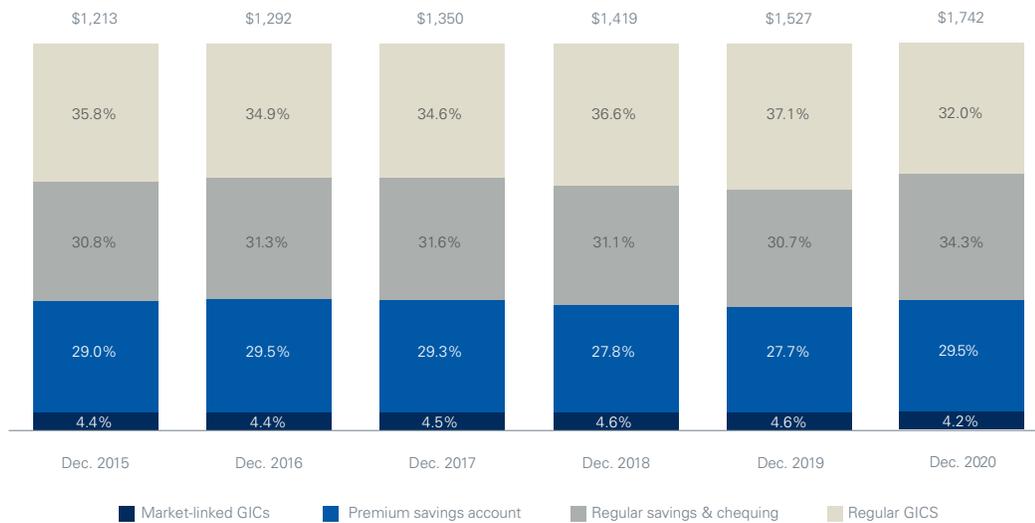
Table 1: What the CDIC covers

What's covered?	What's not covered?
Savings accounts	Mutual funds (including money mkt.), stocks and bonds
Chequing accounts	T-bills and bankers' acceptances
Term deposits (such as GICs)	PPNs that are traded
Foreign currency deposits	Debentures issued by banks, governments or corporations
Debentures issued to evidence deposits by CDIC member institutions (other than banks)	Deposits with receipts payable to bearer (rather than to a named person)
Money orders and bank drafts issued by CDIC members	Deposits held at financial institutions that are not CDIC members
Cheques certified by CDIC members	

Source: CDIC.

Deposit and Fixed-Income Market Overview

Chart 1: Composition of the Canadian deposit market (overall size at top of each bar in billions)



Source: Deposit Advisory Service, Investor Economics, Spring 2021.



Money Market Product Descriptions

The money market is a place for institutions and governments to manage their short-term cash requirements. Retail investors may also access the space through a variety of products.

There are many different money market instruments, but they all share similar characteristics. All have very short-term maturities, all are highly liquid, and all are considered to be extremely safe. These instruments are issued by governments, financial institutions and large corporations.

Individual money market securities generally trade in very high denominations in a dealer market, meaning it can be challenging for the typical investor to buy such securities. However, some instruments, such as treasury bills, can be fairly easily purchased by retail investors.

Treasury bills

Treasury bills are government-issued securities that are considered to be risk-free investments. T-bills don't pay a coupon; rather, they are sold at a discount and mature at par. For instance, suppose an investor purchased a three-month T-bill with a par value of \$10,000 for \$9,500. At maturity, the investor would receive \$10,000 (with no coupons paid along the way), making the effective interest earned \$500. In Canada, treasury bills are issued in denominations ranging from \$1,000 to \$1,000,000 and they are available with terms to maturity of three, six or 12 months.

Commercial paper

Commercial paper is an unsecured, short-term loan issued by a corporation, typically for financing accounts receivable and inventories. As with T-bills, commercial paper is purchased at a discount and matures at par. Maturities are typically in the one to two month range, and generally up to about nine months, and these securities are usually issued in denominations of \$100,000 or more.

Bankers' acceptance

A bankers' acceptance is a short-term credit investment created by a non-financial firm and guaranteed by a bank to make a payment. These securities are traded at discounts from face value in the secondary market, and

an advantage of these instruments is that they do not have to be held to maturity and can be sold off in the secondary market.

Money market mutual funds

A convenient way for investors to access the money market is through a money market mutual fund. These products actively invest in the aforementioned securities as well as other similar instruments. They offer liquidity and safety, but the yields and fees on these products can vary significantly. Money market fund yields will change as the yields on the underlying securities change. Most money market funds maintain a unit price of \$10 and accrue income daily, although this income is paid out monthly.

High-interest savings accounts (HISAs)

Unlike the securities mentioned earlier, high-interest savings accounts take deposits that are insured for up to \$100,000 per depositor by the CDIC. There are no underlying holdings in a HISA. The money that goes into a HISA is backed by the general assets of the deposit-taking institution itself – exactly the same as a traditional savings account.

Moving money in and out of a high-interest savings account is generally not as convenient as moving money in and out of a standard checking or savings account, but it is certainly no more onerous than what an investor would have to deal with when using a money market fund. The rates on these accounts do change at the discretion of the institution holding the deposits, but they are tied to prevailing short-term interest rates. Again, many high-interest savings accounts currently offer yields in excess of what is available from other short-term savings vehicles.

Guaranteed investment certificates (GICs)

A GIC is a fixed-term deposit. These are extremely safe investments, offer CIDC protection and are suited for conservative, low-risk investors. GICs generally pay a fixed rate of interest until a given maturity date, and the maturities range anywhere from one month to a few years. There are generally liquidity restrictions on GICs as well.



Table 2: Summary of the features of various cash alternatives to 11/15/2021

Instrument	Liquidity	CDIC protection	Yield range
CAD Money Market Funds	T+1 settlement	No	up to 0.12%
USD Money Market Funds	T+1 settlement	No	up to 0.10%
CAD HISAs (Series F)	T+1 settlement	Yes	up to 0.55%
USD HISAs (Series A)	T+1 settlement	Yes	up to 1.00%
BAs/Corp. Paper (up to 3 mo)	T+1 settlement	No	up to 0.34%
<1-yr. fixed deposits	Depends on term	Yes	up to 1.00%

Source: Morningstar, listed issuers, Bank of Canada, Cannex, iA Private Wealth.

Table 3: Current Yield on select C\$ MM funds (Series F) to 11/15/2021

Fund	Yield	Fund	Yield
RBC Canadian Money Market	0.12%	BMO Money Market	0.05%
TD Cdn Money Market	0.12%	Fidelity Canadian Money Market	0.02%
CIBC Money Market- Premium	0.11%	Manulife Money Fund	0.01%
Franklin Bissett Money Market	0.10%	Mac Cdn Money Market	0.00%
Scotia Money Market- Premium	0.10%	iA Clarington Money Market	0.00%
RBC Premium Money Market	0.10%		

Source: Morningstar, listed issuers, iA Private Wealth.

Table 4: Select C\$ corp. F-class MM funds

Fund	MER
Franklin Bissett MM Corp CI	0.16%
Manulife ST Yield Class	0.58%
Invesco ST Income CI	0.85%
CI Short Term Corp Class	0.78%

Source: Morningstar, iA Private Wealth.

Table 5: FundServ-listed CAD HISA rates to 11/15/2021

Offering	F-series rate	F-series MoM change	F-series code	A-Series Trailer	A-series code	F-series corporate codes/restrictions
Equitable Trust	0.55%	0.00%	ETR1001	0.15%	ETR1000	ETR1003
Equitable Bank	0.55%	0.00%	EQB1001	0.15%	EQB1000	EQB1003
B2B Trust HIIA	0.50%	0.00%	BTB101	0.25%	BTB100	Same codes apply, restrictions may apply
Home Trust	0.50%	0.00%	HOM101	0.25%	HOM100	Same codes apply, restrictions may apply
Home Bank	0.50%	0.00%	HOB101	0.25%	HOB100	Same codes apply, restrictions may apply
Manulife Trust Premium ISA	0.45%	0.00%	MIP800	0.15%	MIP700	Same codes apply, restrictions may apply
Manulife Bank Premium ISA	0.45%	0.00%	MIP601	0.15%	MIP501	Same codes apply, restrictions may apply
Renaissance HISA	0.40%	0.00%	ATL5001	0.15%	ATL5000	Same codes apply, restrictions may apply
NBI Altamira Cash Perf. (Natcan Trust)	0.35%	0.00%	NBC8200	0.15%	NBC8100	Same codes apply, restrictions may apply
NBI Altamira Cash Perf. (Nat. Bank)	0.35%	0.00%	NBC200	0.15%	NBC100	Same codes apply, restrictions may apply
NBI Altamira Cash Perf. (Nat. Bank Trust)	0.35%	0.00%	NBC6200	0.15%	NBC6100	Same codes apply, restrictions may apply
BNS	0.35%	0.00%	DYN6004/ 5004/3065/ 3075/ 3055	0.10%	DYN6000	DYN6006/5006
TD ISA	0.35%	0.00%	TDB8151	0.15%	TDB8150	Same codes apply, restrictions may apply
RBC ISA	0.35%	0.00%	RBF2011	0.15%	RBF2010	RBF2013

Note: Series A versions pay a trailer between 10 bps to 25 bps and offer yields reduced by an equivalent amount.

Source: Listed issuers, iA Private Wealth.



Table 6: Current yields on HISA Funds to 11/15/2021

Fund	Yield
Purpose High Interest Savings ETF	0.57%
CI High Interest Savings ETF	0.56%

Note: "High-interest savings" mutual funds and ETFs that are designed to replicate the behaviour of a HISA but without CDIC protection are restricted at all iA Wealth dealers unless they include additional disclosures in the Fund Facts and simplified prospectus around the fact that the products are not CDIC protected.

Source: Listed issuers, iA Private Wealth.

Table 7: Government and corporate paper, current yields to 11/15/2021

Instrument	Yield
1-month bankers' acceptances	0.22%
3-month bankers' acceptances	0.26%
1-month prime corporate paper	n/a
3-month prime corporate paper	n/a
3-month T-bill	0.12%
6-month T-bill	0.34%

Source: Bank of Canada, iA Private Wealth.

Table 8: Current Yield on select USD MM funds (Series F) to 11/15/2021

Fund	Yield
Scotia US\$ Money Market	0.10%
RBC US\$ Money Market	0.10%
RBC Premium US\$ Money Market	0.07%
PH&N US\$ Money Market	0.06%
CIBC US\$ Money Market Premium	0.06%
TD US\$ Money Market	0.05%

Source: Morningstar, listed issuers, iA Private Wealth.

Table 9: FundSERV-listed USD HISA rates to 11/15/2021

Offering	F-series rate	F-series MoM change	F-series code	A-Series Trailer	A-series code	F-series corporate codes/restrictions
Equitable Bank	1.00%	0.00%	EQB1101	0.15%	EQB1100	Same codes apply, restrictions may apply
Manulife Bank ISA	0.35%	0.00%	MIP611	0.15%	MIP511	Same codes apply, restrictions may apply
TD ISA	0.35%	0.00%	TDB8153	0.15%	TDB8152	Same codes apply, restrictions may apply
Renaissance HISA	0.35%	0.00%	ATL5501	0.15%	ATL5500	Same codes apply, restrictions may apply
NBI Altamira Cash Perf.	0.30%	0.00%	NBC201	0.15%	NBC101	Same codes apply, restrictions may apply
RBC ISA	0.30%	0.00%	RBF2015	0.15%	RBF2014	RBF2017
BNS	0.20%	0.00%	DYN6005/5005	0.10%	DYN6001	DYN6007/5007

Note: Series A versions pay a trailer between 10 bps to 25 bps and offer yields reduced by an equivalent amount.

Source: Listed issuers, iA Private Wealth.

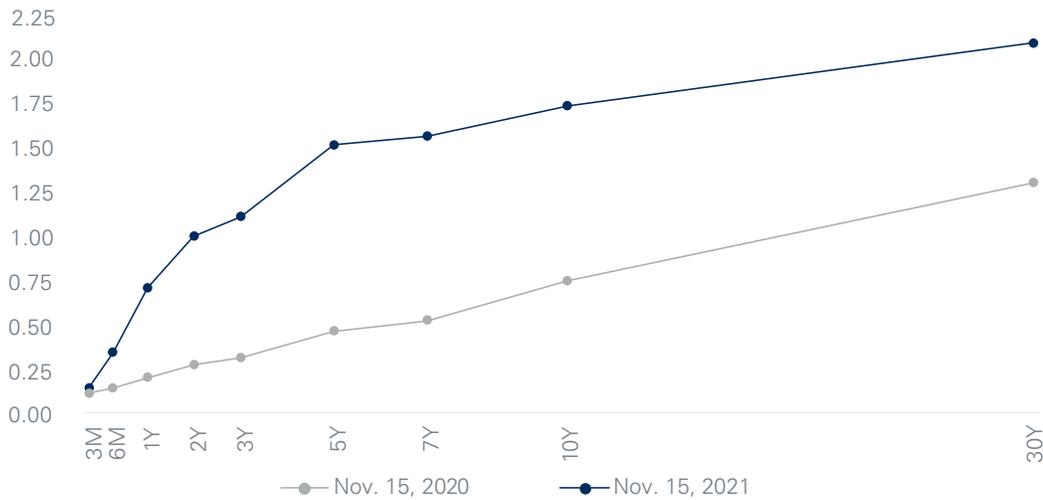
Table 10: Highest short-term GIC rates to 11/15/2021

Term	Bank	Rate	Term	Bank	Rate
30 days	Home Trust	0.30%	120 days	Home Trust	0.50%
	Equitable Trust	0.20%		Equitable Trust	0.50%
	Canadian Western Bank	0.20%		Haventree Bank	0.40%
	Versabank	0.20%		Peoples Trust	0.35%
60 days	Home Trust	0.40%	180 days	Equitable Trust	0.60%
	Equitable Trust	0.40%		Home Trust	0.60%
	Peoples Trust	0.25%		Haventree Bank	0.55%
	Canadian Western Bank	0.20%		Versabank	0.50%
90 days	Home Trust	0.45%	270 days	Haventree Bank	1.00%
	Equitable Trust	0.45%		Home Trust	0.70%
	Haventree Bank	0.40%		Equitable Trust	0.70%
	Peoples Trust	0.30%		Versabank	0.50%

Source: Cannex, iA Private Wealth.

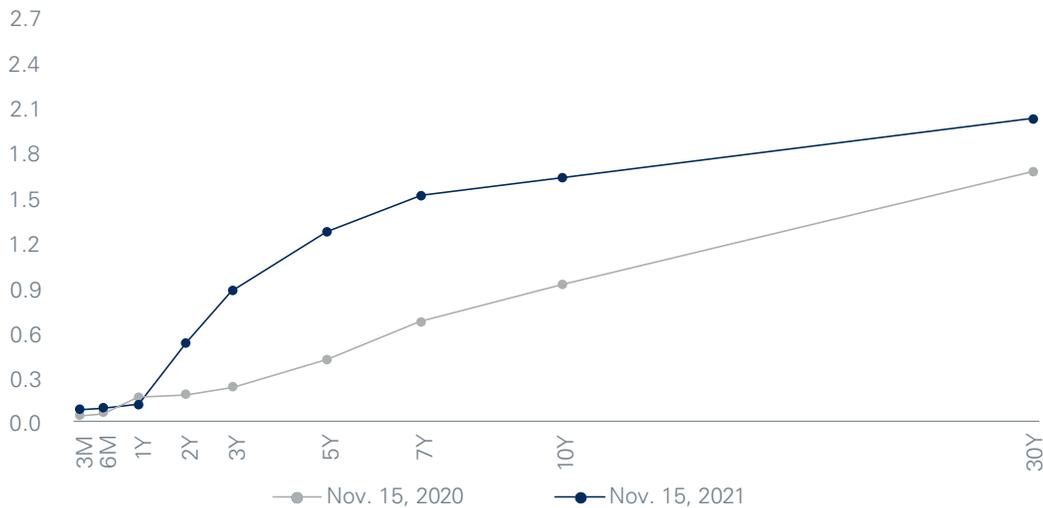


Chart 2: Canadian sovereign yield curve, current vs. a year ago (%)



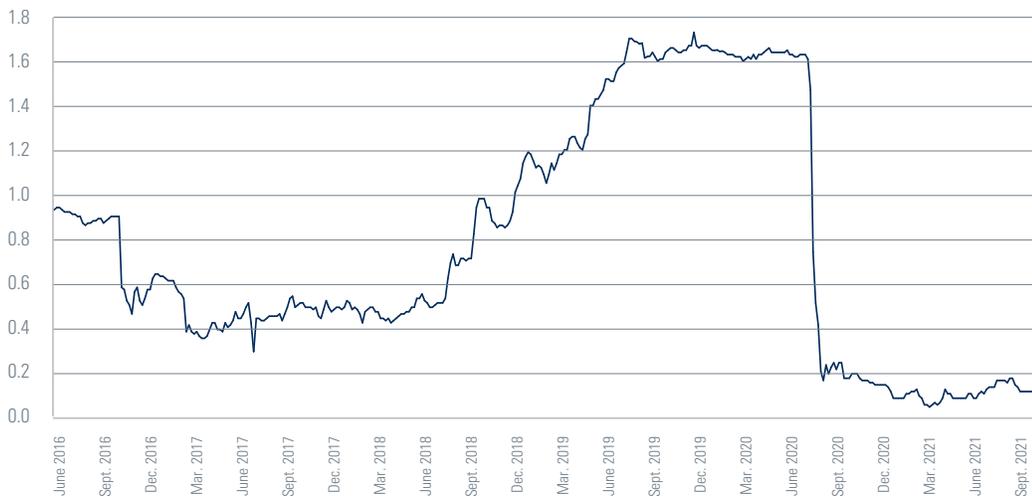
Source: Bloomberg.

Chart 3: U.S. sovereign yield curve, current vs. a year ago (%)



Source: Bloomberg.

Chart 4: Canadian three-month T-bill yield (%)



Source: Bloomberg.

Investment Recommendation Rating System

Recommended List: The list presents a selection of funds that we believe are among the best of their peers and offer unique characteristics that can add value when used in a well-diversified investment portfolio tailored to a client's investment objectives.

Hold: The fund remains on the Recommended List, but is not recommended for adding to or selling from client's portfolios.

Sell: The fund is no longer on recommended list.

Under Review: The fund's participation on the Recommended List is under review.

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