

ICI VIEWPOINTS

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New ICI Research Examines Money Market Funds' Pricing

Today, we released new research, [Pricing of U.S. Money Market Funds](#). This paper starts by explaining how U.S. money market funds seek to maintain a stable \$1.00 per share net asset value (NAV). The NAV is the price at which investors purchase or redeem shares.

The paper examines several factors that can impact money market funds' per-share market values, known as "shadow prices." (The report uses the terms "shadow price" and "per-share market value" interchangeably.) A money market fund can report a stable \$1.00 NAV if its shadow price remains within one-half cent (\$0.0050) of \$1.0000—in other words, from \$0.9950 to \$1.0050.

Shadow prices have been disclosed to investors on a semi-annual basis for decades, but next Monday the SEC will begin publishing a monthly snapshot of shadow price data with a 60-day lag. In light of these new disclosures, here are a few key points from our work:

- Shadow prices of money market funds can deviate from \$1.0000, even when financial markets are largely stable. Such deviations are typically small and are not generally a cause for investor concern.
- Large, sudden changes in market conditions are necessary before a money market fund is at risk of "breaking the dollar" (meaning having its per-share market value rise above \$1.0050 or fall below \$0.9950).
- Such changes in market conditions—such as large, sudden changes in interest rates or large investor net redemptions—are rare.
- Historical data show that the range in which money market funds' shadow prices move is generally narrow.

The paper goes into depth on these findings and more. [We've also put information in an FAQ](#) format that you might find useful.

We co-authored the report with our colleagues Michael C. Breuer; ICI Assistant Economist; and Brian K. Reid, ICI Chief Economist. Kimberly A. Lunde, ICI Research Associate, helped with research.

- Read [ICI's Pricing of U.S. Money Market Funds](#).
- Read ICI's [FAQs on money market fund pricing](#).
- Visit ICI's [Money Market Funds Resource Center](#).

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