

# SETTING THE TRENDS OF TOMORROW



**PETER KNIGHT** PROVIDES A FIRST VIEW OF THE FINDINGS FROM THIS YEAR'S INTERNATIONAL CASH MANAGEMENT SURVEY CARRIED OUT BY JPMORGAN FLEMING ASSET MANAGEMENT AND THE ACT.

The fifth JPMorgan Fleming International Cash Management Survey, which has recently been completed in conjunction with the Association of Corporate Treasurers (ACT), once again provided a valuable insight into current trends in cash management with some very interesting results.

As in last year's survey, participants were able to submit responses either in hard-copy format, or via the internet, with a £5 donation to the International Red Cross used as an incentive for treasurers to complete the survey. With nearly 350 responses received, up sharply from the 240 responses last year, this survey should provide a good representation of trends across the cash management industry.

In addition to the strong response, the survey also provided a wider geographical cross-section of results, with a higher proportion of respondents also coming from the US and Asia, compared with previous surveys.

Nearly a quarter of our responses, for example, were from US-based treasurers, with a further 10% from Asia. However, the majority of respondents (some 55%) continue to come from the UK, with the remainder coming from continental Europe.

**INITIAL FINDINGS.** Because this year's survey contains nearly 50% more responses and a greater geographical spread than in 2002, the results will provide a particularly interesting snapshot of current attitudes among global corporate treasurers. Most of the respondents came from the manufacturing, transport and media industries, with a third working for organisations with annual revenues of more than £3bn (\$5bn). Further interpretation of the study's results will be available shortly, but from the initial findings, we once again expect the survey to offer useful insights for the whole cash management industry.

According to this year's survey, the average surplus cash balance among sterling-based investors was £137m (\$228m for dollar-based accounts), which is usually invested on a very short-term basis (less than one week for the majority of respondents). Most treasurers also said that they manage their cash balances globally, or globally with regional autonomy, although the future appears to be global, with more than 40% of respondents saying that they are likely to choose global cash management solutions by 2005.

There were some interesting results regarding expected yields from short-term cash investments compared with previous years. In the 2001 and 2002 surveys, the majority of investors were satisfied with a Libid or Libid < 0.1% return; however this year we have noted that yield expectations have risen. Investors' attitudes towards risk also provided some surprising results. Some of the findings in this section, however, may reflect the larger sample size this year among US and Asian treasurers.

**POPULAR CHOICES.** Although yield expectations may have altered, there appears to have been little change in where treasurers invest their surplus cash, with the majority (72%) still preferring to use bank deposits. Money market funds (MMFs) remain the second most popular choice, with 47% of respondents saying they currently use them – a result that is broadly in line with the 46% who said they used money market funds in the 2002 survey.

Of those treasurers already using MMFs, security was deemed the most important factor when selecting a provider, with most treasurers selecting a AAA credit rating as their main investment criteria. Just behind security in terms of importance was the provider's relationship with the bank, while the possession of a strong credit department was also ranked highly. These factors may explain why the top 10 providers of global MMFs are all international banking organisations. Interestingly, low fees were only ranked as the joint fifth most important factor.

The complete results of the survey have yet to be fully interpreted and published, but it is clear from the initial findings that they will provide a valuable insight into the current cash management market, as well as identifying certain trends that have begun to emerge. We would like to thank all ACT members who participated in the survey. Given the continued evolution of the cash management business, we hope the survey will prove once again to be the benchmark for the industry.

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