



With further rate cuts signaling an end to the period of easy income on cash, investors should act to invest excess cash, money-market holdings, and expiring fixed-term deposits. (UBS)

Why deploying cash makes sense from a portfolio risk management perspective

12 December 2024, 4:58 pm CET, written by UBS Editorial Team US Editorial Team

With the Fed almost certain to press ahead with its monetary policy easing this month amid the global rate-cutting cycle, the imperative for investors to put cash to work is growing.

More interest rate cuts are on the way globally. The Swiss National Bank on Thursday lowered rates by 50 basis points, its biggest cut in almost a decade. That took the main policy rate to 0.5%, the lowest since late 2022. That followed a 50-basis-point cut by the Bank of Canada on Wednesday, bringing its cumulative reduction this year to 175 basis points. The European Central Bank (ECB) is also expected to cut rates in a few hours. Top central banks continue to signal more easing ahead, and we anticipate a further 100 basis points of cuts from the Fed, the ECB, and the Bank of England in 2025. We expect one further rate cut from the Swiss National Bank.

Cash's long-term underperformance compared to other asset classes is a structural phenomenon. Historically, stocks have beaten cash in 86% and 100% of all 10- and 20-year holding periods, respectively, while the probabilities of bonds outperforming cash in the same periods are 85% and 90%. Our analysis shows that USD 100 invested in a 60/40 balanced portfolio in 1945 would be worth over USD 86,000 today, and over USD 405,000 invested in stocks. If it had stayed in cash, it would be worth less than USD 1,800 today.

Deploying cash also makes sense from a portfolio risk management perspective. Quality bond ladders and structured investment strategies can help investors manage their liquidity needs over the next five years, while high-quality

fixed income can help dampen portfolio volatility. We also believe equity income strategies are appealing in a falling-rate environment, as they can provide a steady income stream while potentially enhancing returns.

So with further rate cuts signaling an end to the period of easy income on cash, investors should act to invest excess cash, money-market holdings, and expiring fixed-term deposits. A combination of bond ladders, investment grade bonds, diversified fixed income strategies, and equity income strategies can all play a role in sustaining portfolio income.

Main contributors: Solita Marcelli, Mark Haefele, Daisy Tseng, Frederick Mellors, Jon Gordon, Alessandro Bee

Original report: [Put cash to work as global easing gathers momentum, 12 December 2024.](#)

The document and the information contained herein is intended for UBS internal use only and solely for the UBS employee to whom it was provided. It may in no circumstances be distributed outside of UBS. Information contained in this document has not been tailored to the specific needs, investment objectives, personal and financial circumstances of a client or any other recipient outside of UBS. This document shall not be construed to include any legal or tax advice, investment research, sales prospectus, an offer or a solicitation of an offer to enter in any investment activity. Neither UBS nor its directors, employees or agents accept any liability for any loss or damage arising out of the use of all or any part of this document. For further information, please contact the document owner.

Important information

As a firm providing wealth management services to clients, UBS Financial Services, Inc is registered with the U.S. Securities and Exchange Commission (SEC) as an investment adviser and a broker-dealer, offering both investment advisory and brokerage services. Advisory services and brokerage services are separate and distinct, differ in material ways and are governed by different laws and separate contracts. It is important that you carefully read the agreements and disclosures UBS provides to you about the products or services offered. For more information, please visit our website at www.ubs.com/workingwithus.

© UBS 2024. All rights reserved. UBS Financial Services Inc. is a subsidiary of UBS AG. Member FINRA/SIPC.

There are two sources of UBS research. Reports from the first source, UBS CIO Global Wealth Management, are designed for individual investors and are produced by UBS Global Wealth Management (which includes UBS Financial Services Inc. and UBS International Inc.). The second research source is UBS Group Research, whose primary business focus is institutional investors. The two sources operate independently and may therefore have different recommendations. The various research content provided does not take into account the unique investment objectives, financial situation or particular needs of any specific individual investor. If you have any questions, please consult your Financial Advisor. UBS Financial Services Inc. is a subsidiary of UBS AG and an affiliate of UBS International Inc.