Cash surge risks money market meltdown

Vocabulary Match

influx •	securities •	certificates •	intervention •	liquidity •	amplify •
• make louder	• action	• financial instruments	• increase	• cash availability	• documents

Article

After Silicon Valley Bank's collapse, investors are turning to cash, causing an increase in money market funds. These funds invest in short-term securities like government bonds and certificates of deposit.

However, this sudden influx of cash could create risks, such as a money-market liquidity crisis. In 2020, a similar crisis led to intervention from the US Department of the Treasury and the Federal Reserve.

"Funds that aren't banks can take the existing stress in the financial system and amplify it," said US Treasury Secretary Janet Yellen. New proposals to increase investor safety are expected from the Securities and Exchange Commission soon.

Quiz

1. What event led to investors turning to cash?
2. What do money market funds invest in?
3. What risks can an influx of cash into money market funds create?

Conversation

A: Hey, have you heard about the surge in money market funds lately?
B: Yeah, I'm concerned. With so many people turning to cash, it could lead to a liquidity crisis.
A: I'm worried too. We've got investments in those funds. What if we lose our money?
B: I heard the SEC is working on new safety proposals. Maybe that'll help.
A: I hope so. We don't need another financial crisis on our hands.
B: Absolutely. Fingers crossed they can stabilize the situation before it's too late.

Discussion

1. Do you have good saving habits?
2. What tips would you give a young adult who wanted to start saving and investing?
3. How can individuals protect themselves from financial risks?
4. What can governments do to ensure the stability of financial markets?

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