On August 1, 2023, Fitch Ratings downgraded the United States of America’s long-term foreign issuer default rating to AA+ from AAA. The “Rating Watch Negative” was removed, and a “Stable” outlook assigned. Per Fitch, the key drivers for the downgrade were the expected fiscal deterioration over the next three years, a high and growing general government debt burden, and the erosion of governance relative to peers rated AA and AAA over the last two decades that has manifested in repeated debt-limit standoffs and last-minute resolutions.

- Fitch cut the US sovereign credit grade one level from AAA to AA+. The move comes two months after the rating was placed on “Rating Watch Negative” following the debt-ceiling negotiations.

- It is expected that US agencies will be downgraded in lockstep with the US government to F-1+/AA+.

- The initial reaction from US Treasury Secretary Yellen calls the downgrade “arbitrary” and “outdated.”

- Market reaction in the front end has been subdued with little to no change in yields.

- Irrespective of the downgrade, the US Treasury just announced its second quarter refunding schedule, which calls for over $1 trillion in net new issuance, which will drive yields in the near term.

- Fitch affirmed the US sovereign short-term rating at F-1+. Fitch continues to categorize Treasuries as highly rated, liquid, sovereign debt benefiting from strong market liquidity.
Moody’s continues to assign its top Aaa rating to the US sovereign with a stable outlook.

S&P downgraded the rating of the United States to AA+ in 2011. S&P has maintained a stable outlook on the AA+ US sovereign rating since the 2011 downgrade.

US Treasury securities remain highly rated and a permissible investment across our funds.

We do not expect any changes to the AAA rating on our money market funds rated by Fitch as highly rated sovereigns (defined as AA or higher) and their agencies are assigned a zero credit risk factor in Fitch’s money market fund rating criteria.

Dreyfus continues to be well positioned to meet the investment needs of our clients with the depth and breadth of experience we bring to this asset class.
Frank Gutierrez
Head of Portfolio Management & Trading

Frank is the Head of Portfolio Management & Trading for Dreyfus. Frank is the lead portfolio manager overseeing the Dreyfus portfolio management and trading teams for Dreyfus money market funds, BNY Mellon offshore liquidity funds, sub-advised money market funds, and BNY Mellon’s collective investment funds. With a career spanning more than two decades, Frank has deep expertise in government and credit portfolio management and trading as well as Federal Reserve policy and macroeconomics.

Previously, Frank was a senior portfolio manager and trader with J.P. Morgan Asset Management in Global Liquidity. He had direct responsibility for the day-to-day management of over $250 billion in assets, across U.S. treasury, government and credit in various vehicles including money market funds, Undertakings for Collective Investment in Transferable Securities (UCITS), and separately managed accounts (SMAs). He has also developed deep expertise in repurchase agreements, repo blockchain, Federal Reserve policy and macroeconomics. Frank has been in the investment industry since 1999.

Frank earned a BA from Rutgers University with a major in economics. Frank is also a board member for Dominicans on Wall Street (DOWS), a nonprofit focused on financial literacy, education and professional development of Hispanic professionals and students.

Keith Lawler
Manager of Credit Research

Keith is a Senior Vice President and manager of credit research for Dreyfus. He is responsible for oversight of the issuer-approved lists dedicated to Dreyfus money market and short duration investment strategies and BNY Mellon cash collateral re-investment portfolios. Keith chairs the Dreyfus Counterparty Credit Risk Research Committee and the Dreyfus Environmental, Social, and Governance (ESG) Committee. He also serves as a member of the Dreyfus Money Market Liquidity Oversight Group and the Stress Test Assessment Team. Prior to joining the firm in July 2000, Keith spent four years in the Securities Valuation Office (SVO) of the National Association of Insurance Commissioners (NAIC) where he was a senior associate financial institutions analyst responsible for analyzing fixed income securities held in insurance company investment portfolios.

Keith has an MBA and a BA from Manhattan College.
Disclosure

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