The Tyranny of Large Numbers

Really big numbers are hard to conceptualize. In August 2017, money market funds gained more than $70 billion, while domestic equity mutual funds and ETFs saw nearly $15 billion in outflows. International and investment grade bond funds gained assets. Reading the headlines, it sounded like investors were fleeing domestic equity funds in droves and headed overseas or to the safety of money markets.

Put the numbers in perspective and a different story emerges. Total assets invested in money market funds exceed $2.73 trillion. $70 billion is approximately **2.5%** of total money market funds. In 2015, money market funds were significantly higher than today at $2.75 trillion, according to data from the Investment Company Institute.

Domestic equity funds - including index funds - hold more than $5.5 trillion in assets. $15 billion is less than **3/10s of 1%** of total assets invested in U.S. equity mutual funds, and that is before considering hybrid funds that hold both equities and bonds.

$70 billion is a lot of money to anyone. But when you look at it in the context of total money market assets, it's a very small proportion. The problem is that given a choice between a headline that says *"Cash is king for U.S. fund investors wary of stocks"* and one that says *"Investors increase money market assets by 2%,"* readers are more likely to opt for "Cash is king."

Without perspective, data is easily distorted to tell a story that is misleading at best and outright deceptive at its worst. Before you make a decision based on numbers and sensational headlines, make certain you look at the full picture.

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