

Why Cash Is King (The Great Cash Rotation)



Over the past few weeks, one theme has dominated the financial press, from the *FT* and *Bloomberg* to *Reuters* and *The Economist*. Something major is happening in global markets right now. Quietly but decisively, banks and fund managers are moving away from cash.

- JP Morgan is shifting its reserves into longer-term government bonds to lock in today's yields before rates fall.
- At the same time, global investors are cutting their cash holdings to record lows and piling into equities, led by the ongoing AI boom.

Different instruments, same conviction. Interest rates will soon drop.

But I believe there will be a cost.

As more money is tied up in long-term assets or volatile equities, less cash is available for flexibility and protection when things change.

In plain terms, investors are giving up liquidity for returns.

This is what people mean when they talk about the great cash rotation.

Why It Matters

In the short term, it feels logical.

Hold less cash, earn more from bonds and AI-driven stocks.

But across the system, this creates fragility.

- Banks now hold more non-liquid assets that are harder to sell quickly.
- Investors have fewer reserves to respond to shocks.

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- There is an increased and previously unseen circular flow of capital, with a concentration of market wealth in a handful of technology companies that are deeply interconnected financially.
- And with so much money chasing the same themes, especially AI data centres, markets are becoming crowded and sensitive to sentiment shifts.

When optimism and innovation move faster than discipline, cracks can appear beneath the surface.

These trends echo the same risks I explored in my previous article [Are We Building an AI Future on the Next Financial Crisis?](#)

The Leadership Perspective

And then there is the counterexample. **Berkshire Hathaway.**

Sitting on record levels of cash, Buffett is signalling the opposite. That optionality and liquidity still have value when others are fully invested.

When capital flows rapidly into AI and digital infrastructure, leaders must apply the same financial rigour they use elsewhere.

That means:

1. Treating AI investments like capital projects. Every build should have a clear ROI, cost control, and delivery gate.
 2. Measuring cash flow and ROI. Define when each investment starts returning value, not just when it is launched.
 3. Applying portfolio thinking. Balance high-potential innovation with reliable, revenue-generating initiatives.
 4. Keeping strategic cash on hand. Optionality is power. Cash creates space for better decisions when conditions shift.
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The Bottom Line

Liquidity and delivery discipline are not signs of caution; they are signs of control.

As AI investment accelerates, the winners will not just be those who innovate fastest, but those who manage capital, risk, and delivery with precision.

Cash, clarity, ROI, and control remain the ultimate competitive advantages.

#AI #DigitalTransformation #InvestmentStrategy #FinancialServices #Leadership #RiskManagement #PMO

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