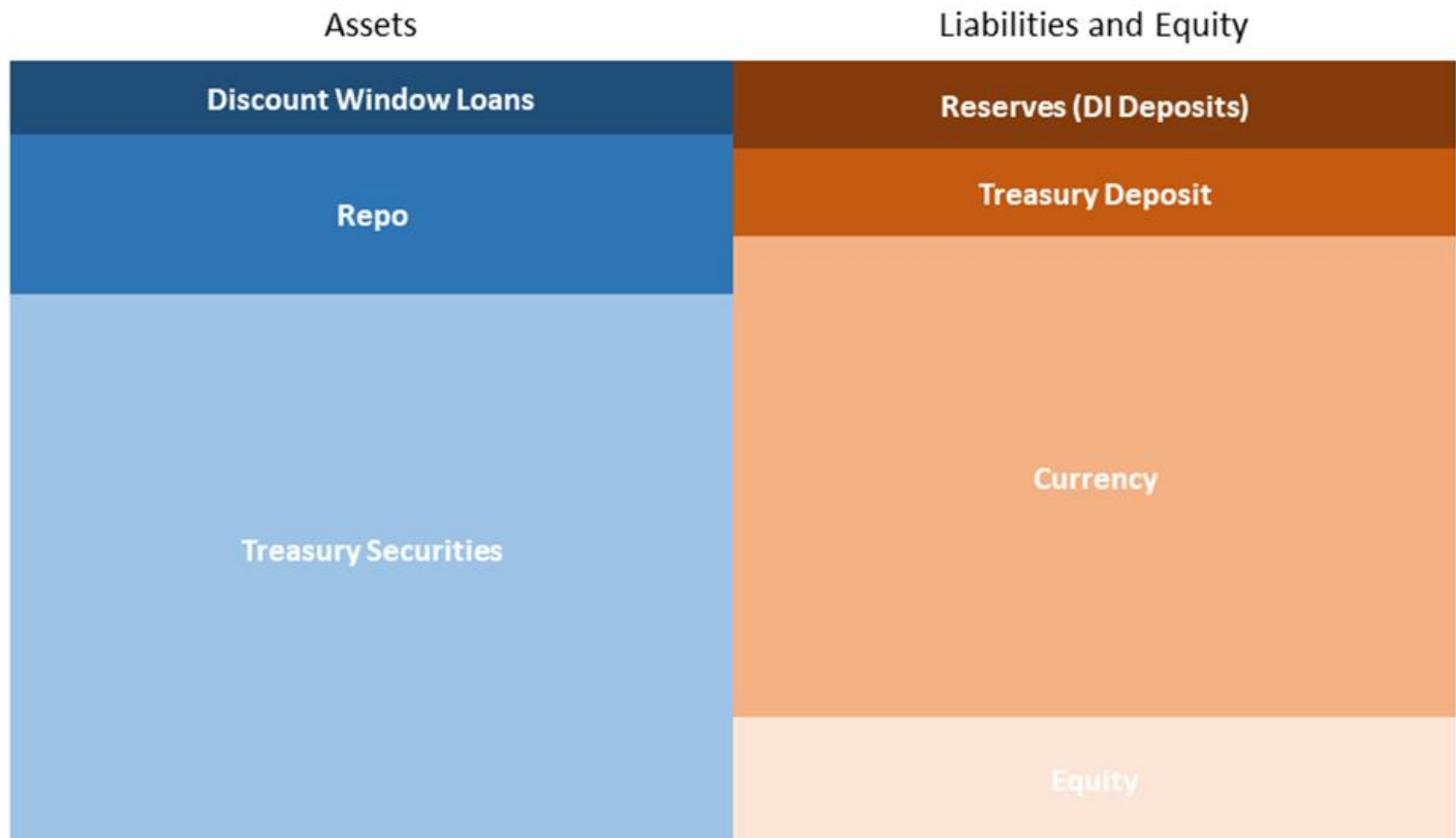


Forces shaping money market conditions: The Fed's declining balance sheet meets the LCR

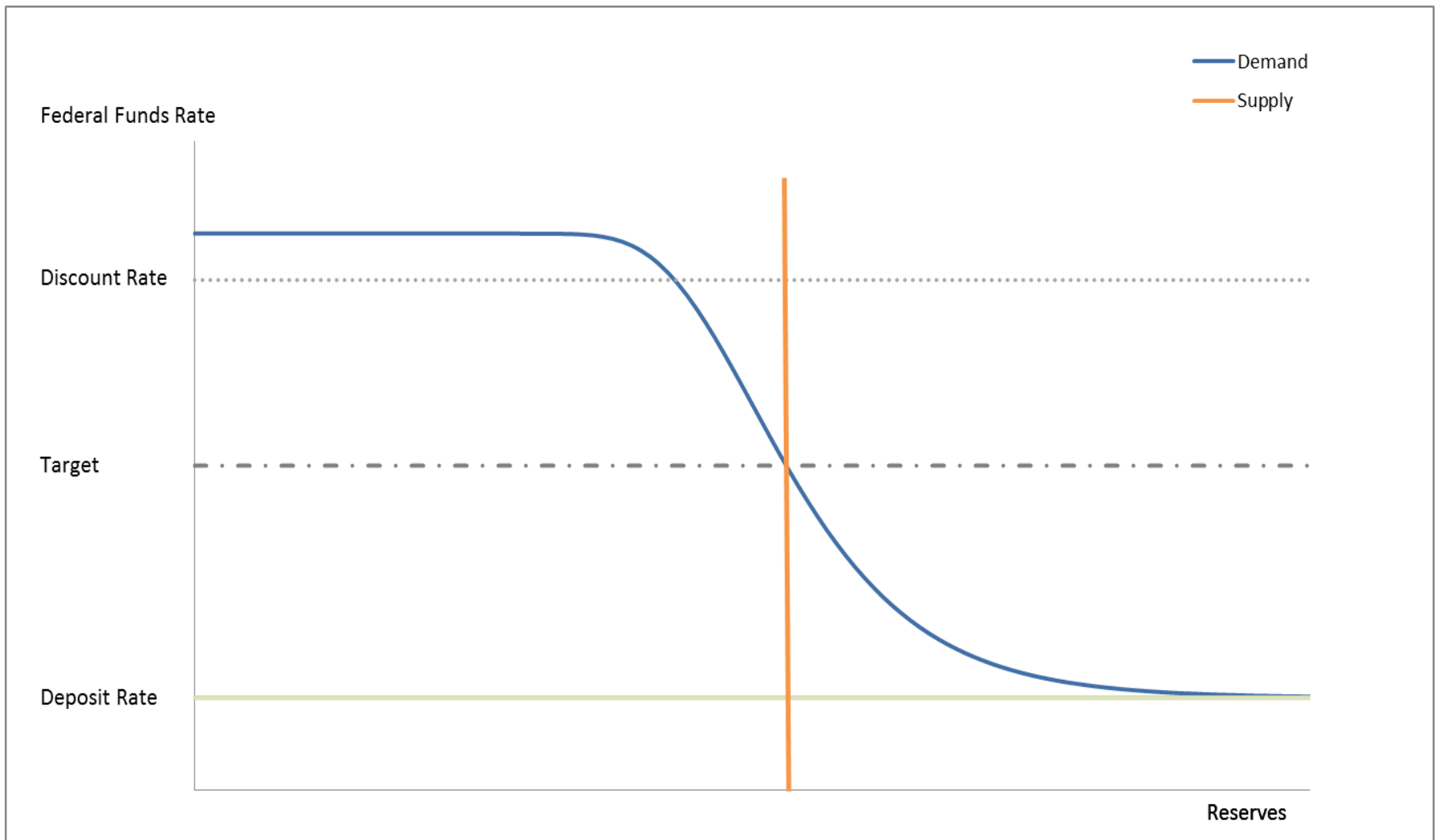
BPI-SIFMA Prudential Regulation Conference
June 4, 2019

Simplified Fed Balance Sheet

Simplified Federal Reserve Balance Sheet, Pre-Crisis

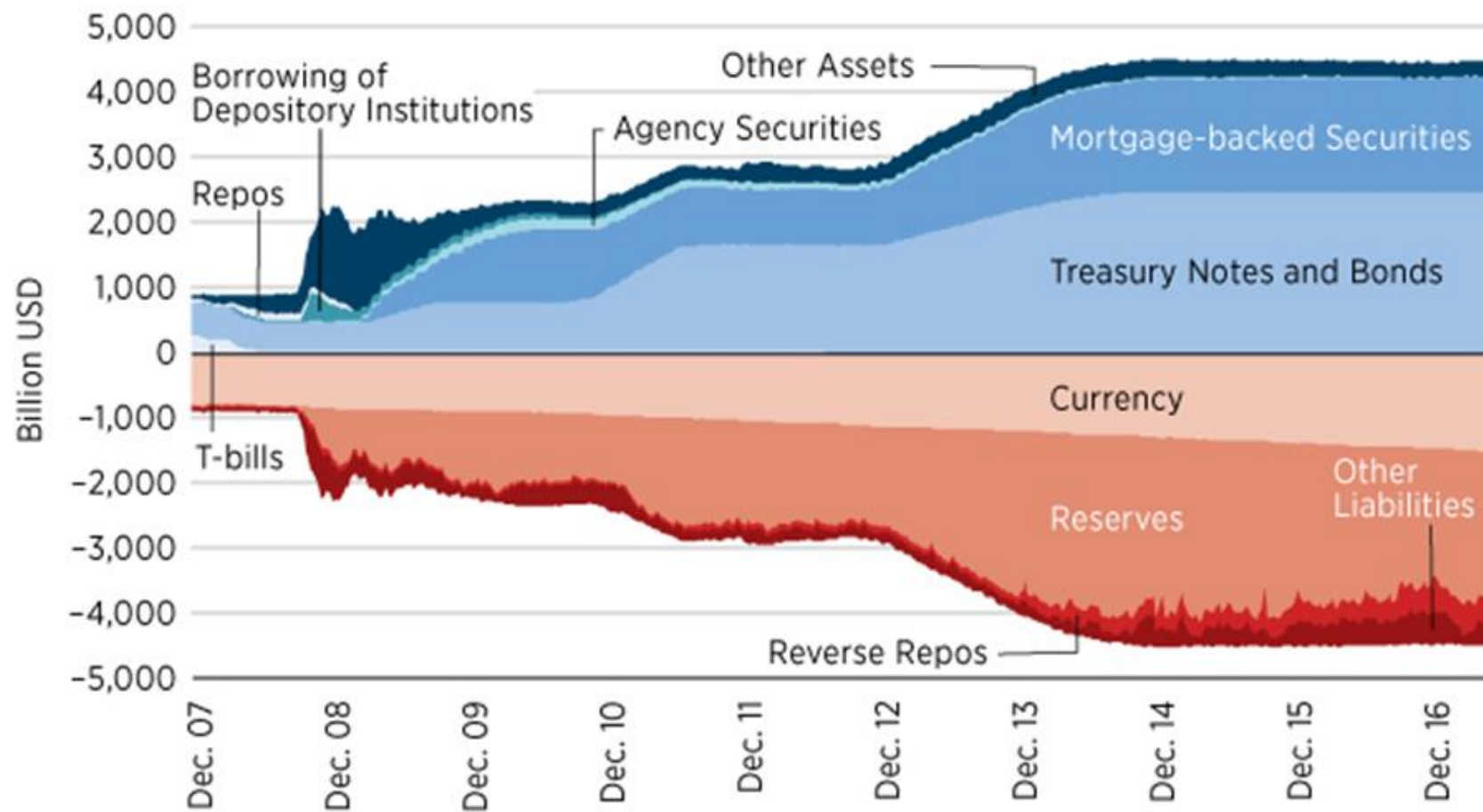


Demand and Supply of Reserves

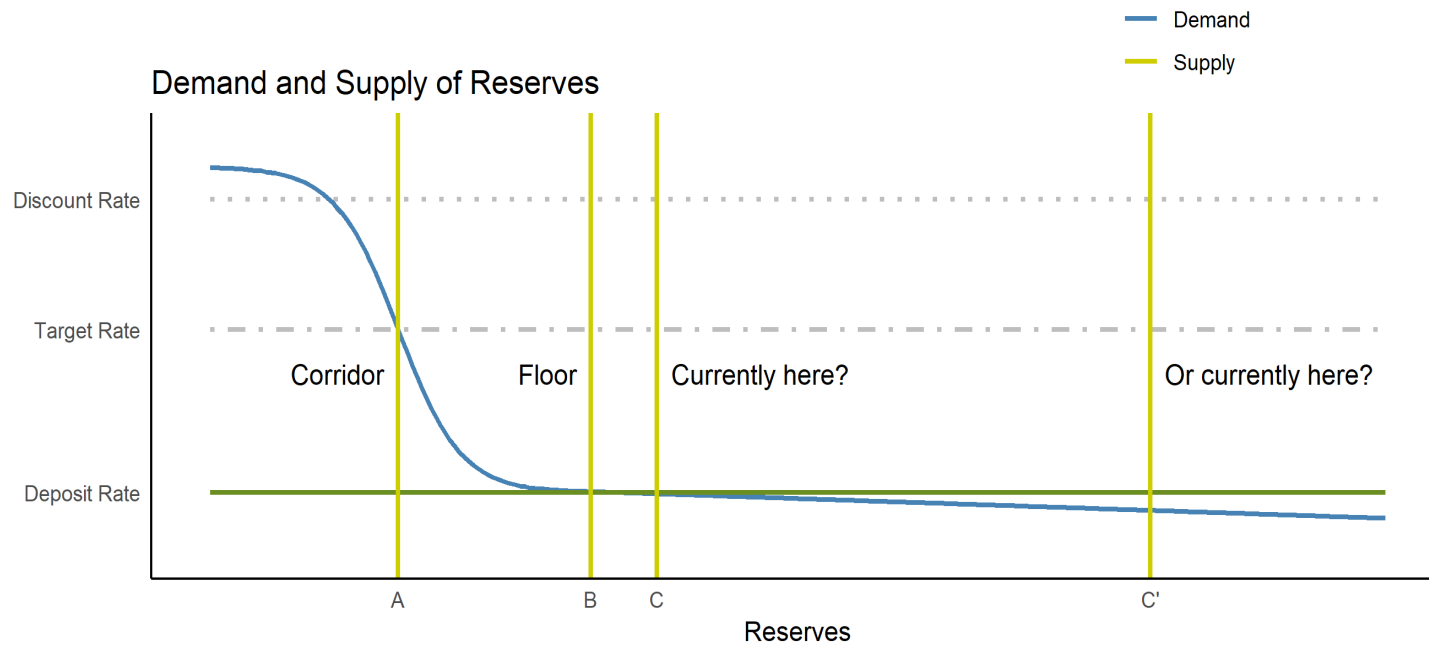


Growth in Fed Balance Sheet

Fed Balance Sheet



Current situation



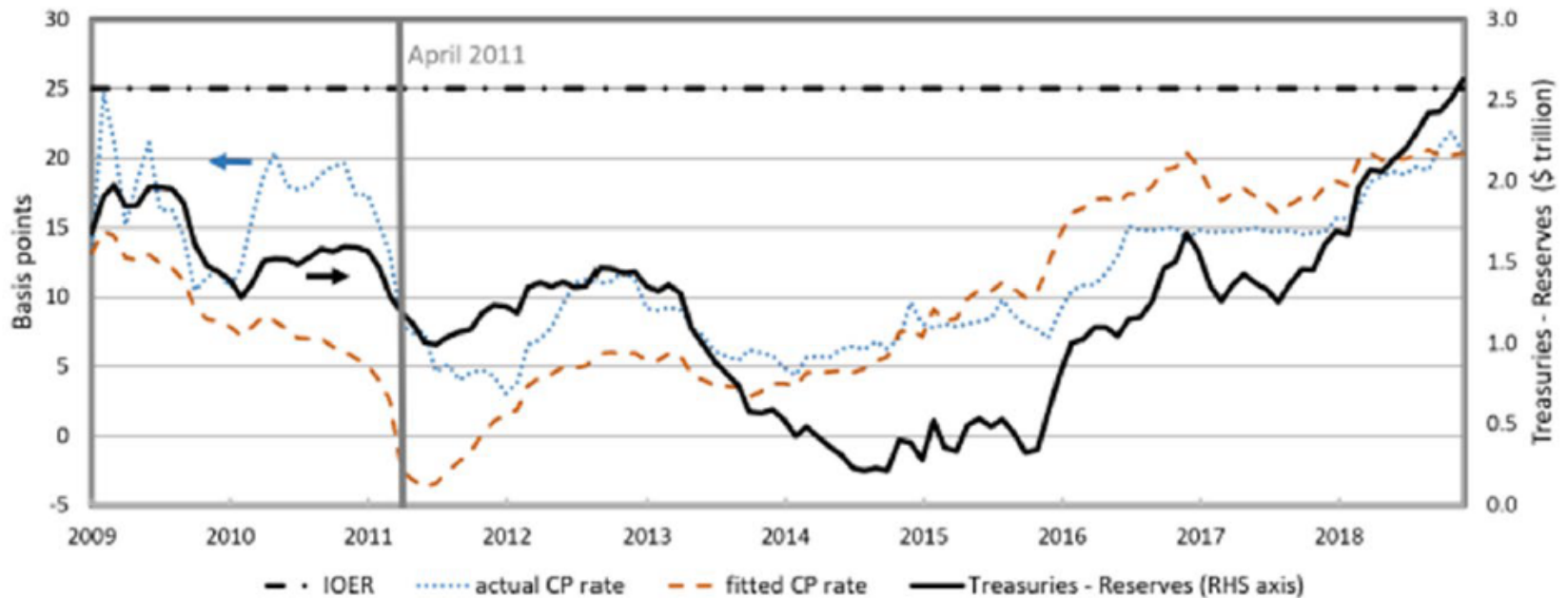
Forces shaping money market conditions: The Fed's declining balance sheet meets the LCR

BPI-SIFMA Prudential Regulation Conference
June 4, 2019

Short-term rates relative to IOER and the supply of short-term Treasuries

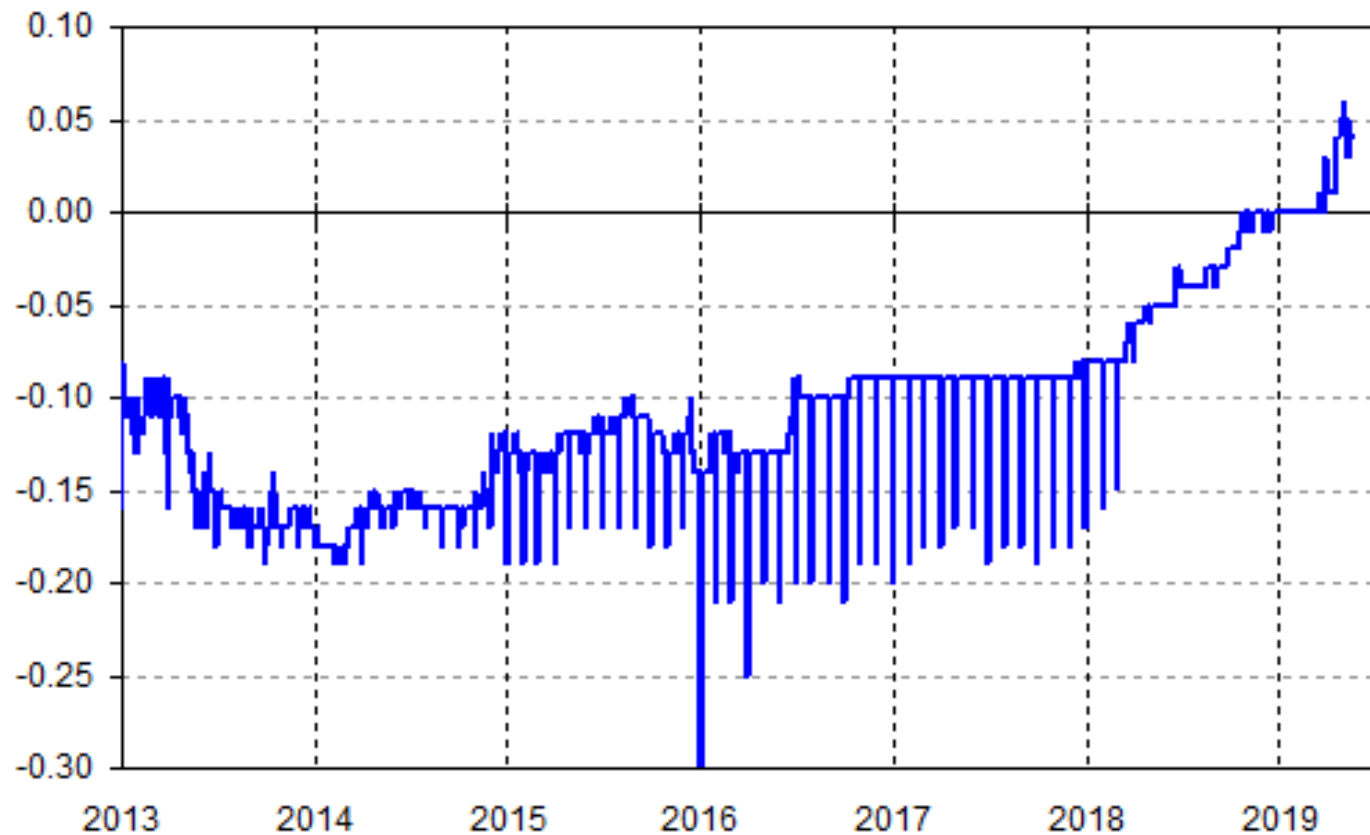
Spreads Financial CP rates relative IOER and supply of reserves and short-term Treasuries

Figure 2: Actual and fitted financial CP rate

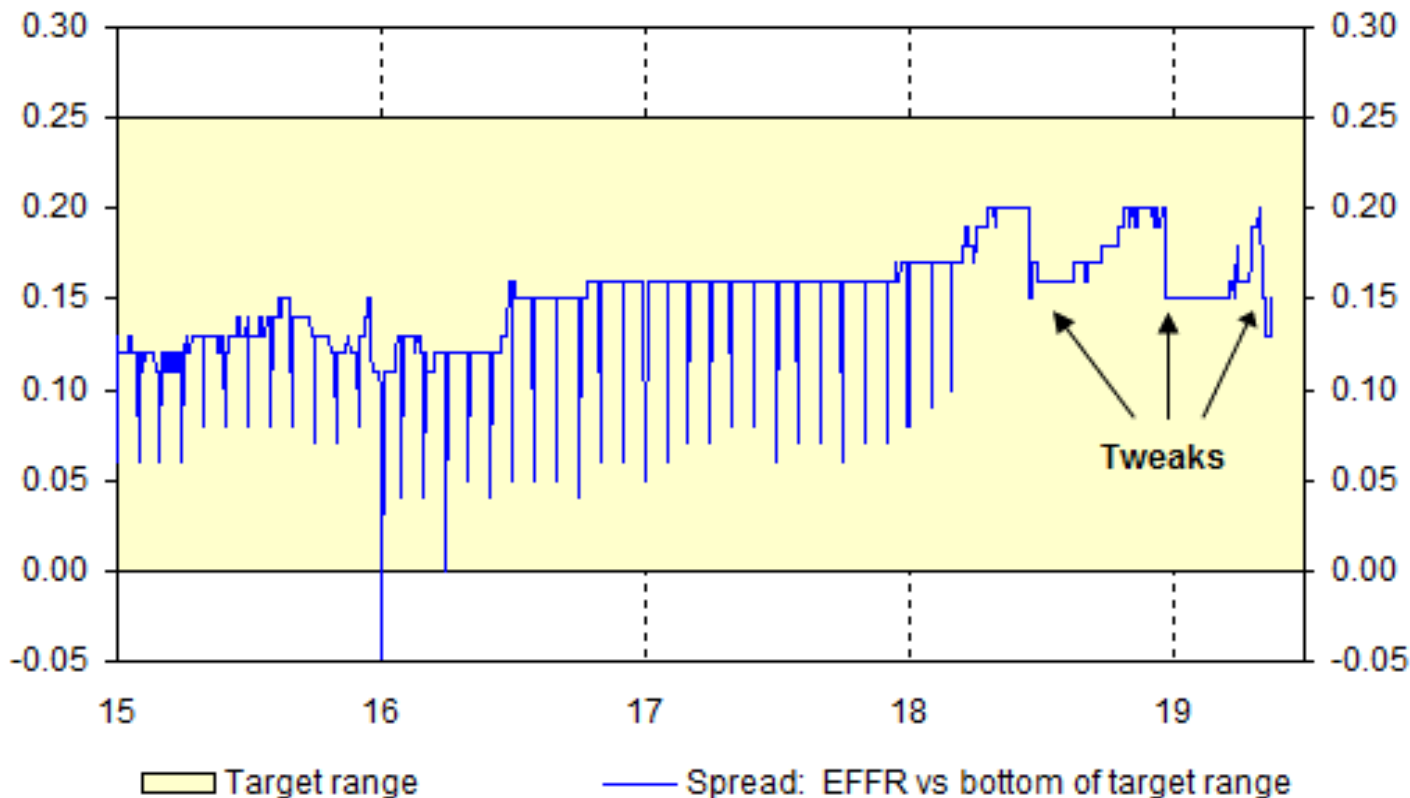


IOER, Eurodollar, and financial CP rates are measured on the LHS y-axis. Treasuries minus Reserves are measured on the RHS y-axis. Treasuries refer to those outstanding with less than or equal to one year to maturity. Rates, reserves and treasuries are monthly averages. Rates are normalized to hold IOER at a constant rate of 25 basis points. The vertical line at April 2011 indicates when the expansion of the FDIC's assessment base began.

The Spread between the Fed Funds Rate and the Interest on Excess Reserves (IOER)
in basis points

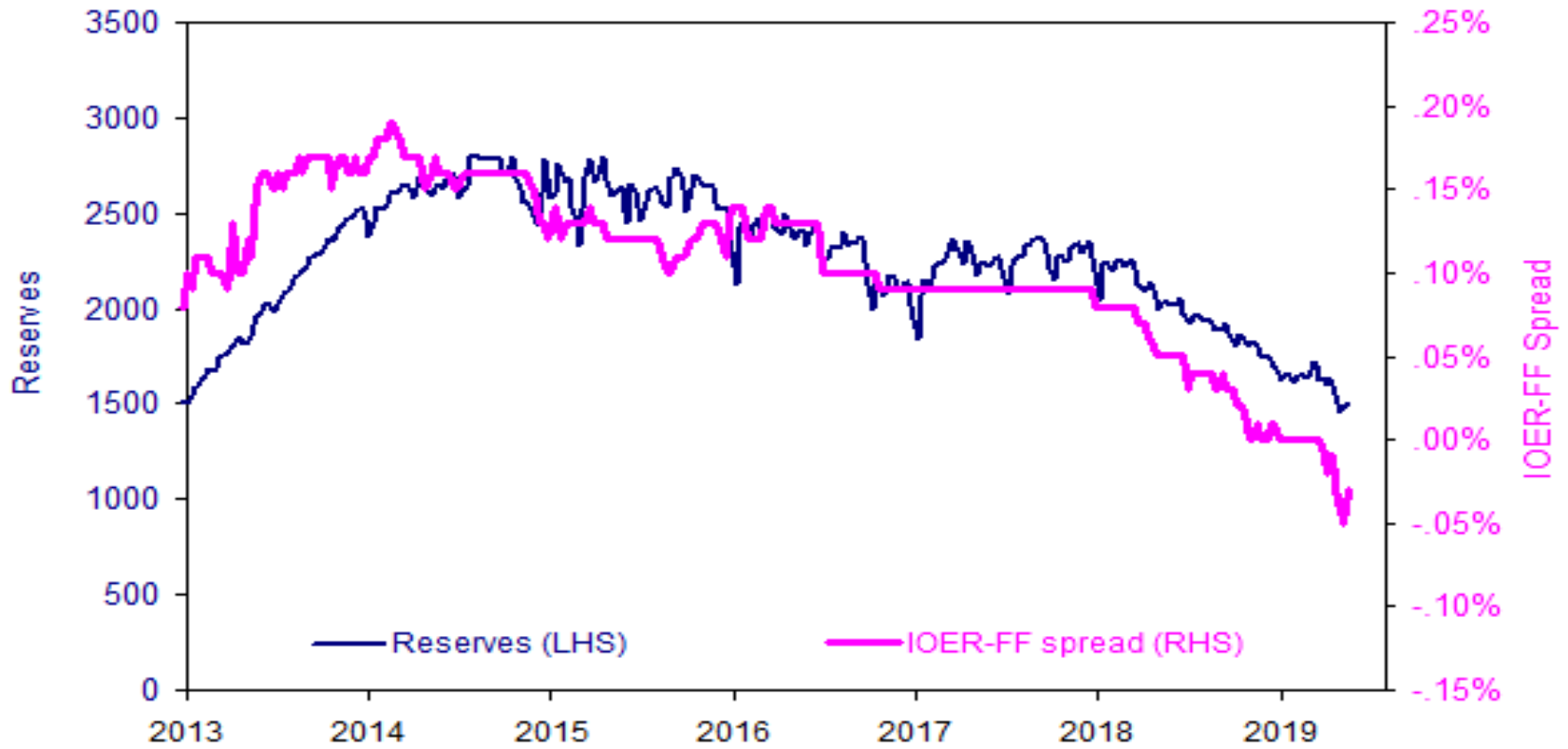


The Position of the Fed Funds Rate Within the Fed's Quarter-Point Target Range
Fed funds shown as a spread to the lower end of the target range

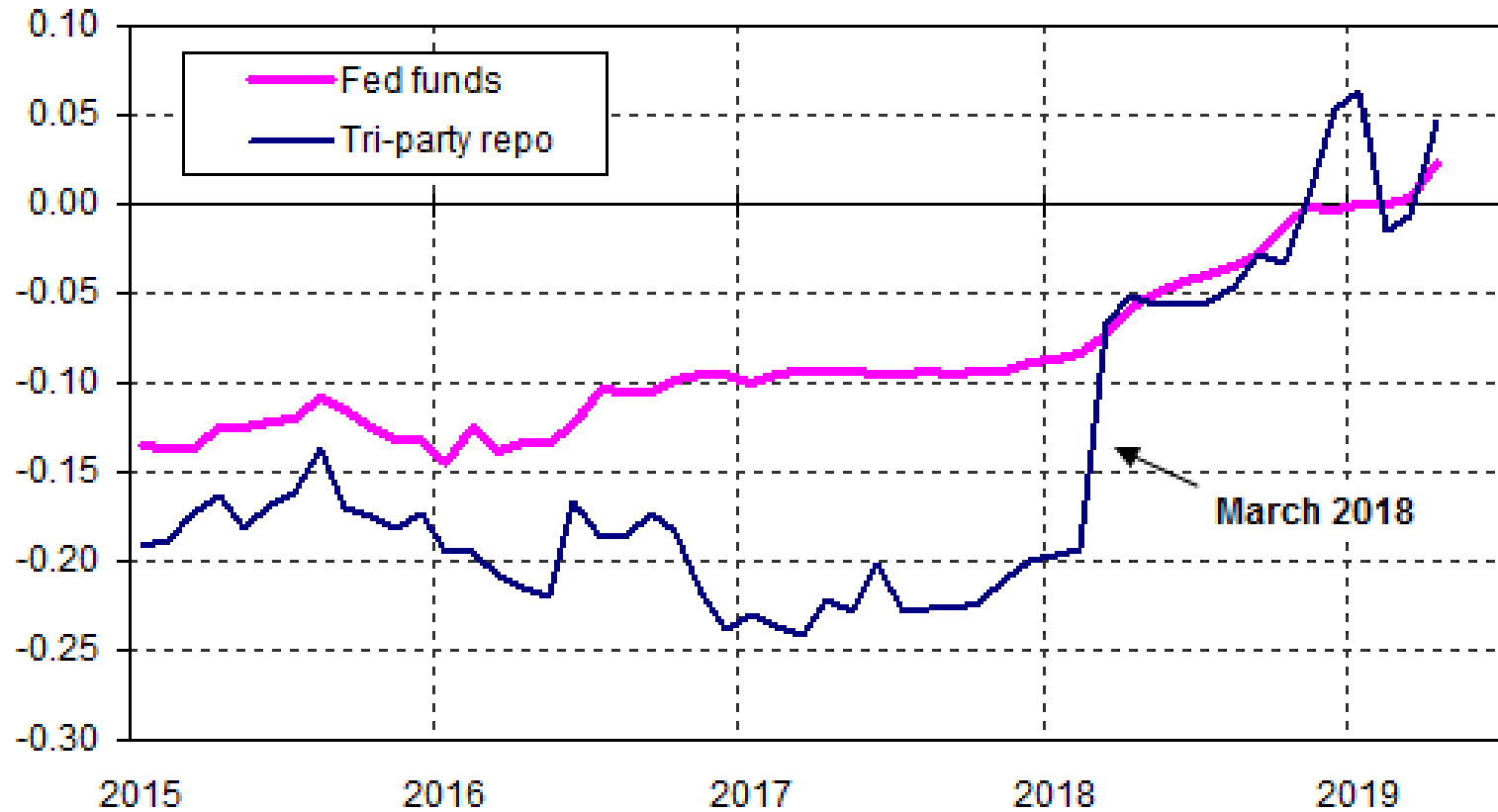


Reserve Balances versus the IOER-Fed Funds Spread

Weekly averages: reserve balances are in billions of dollars, IOER-FF spreads are in basis points and exclude month-end distortions

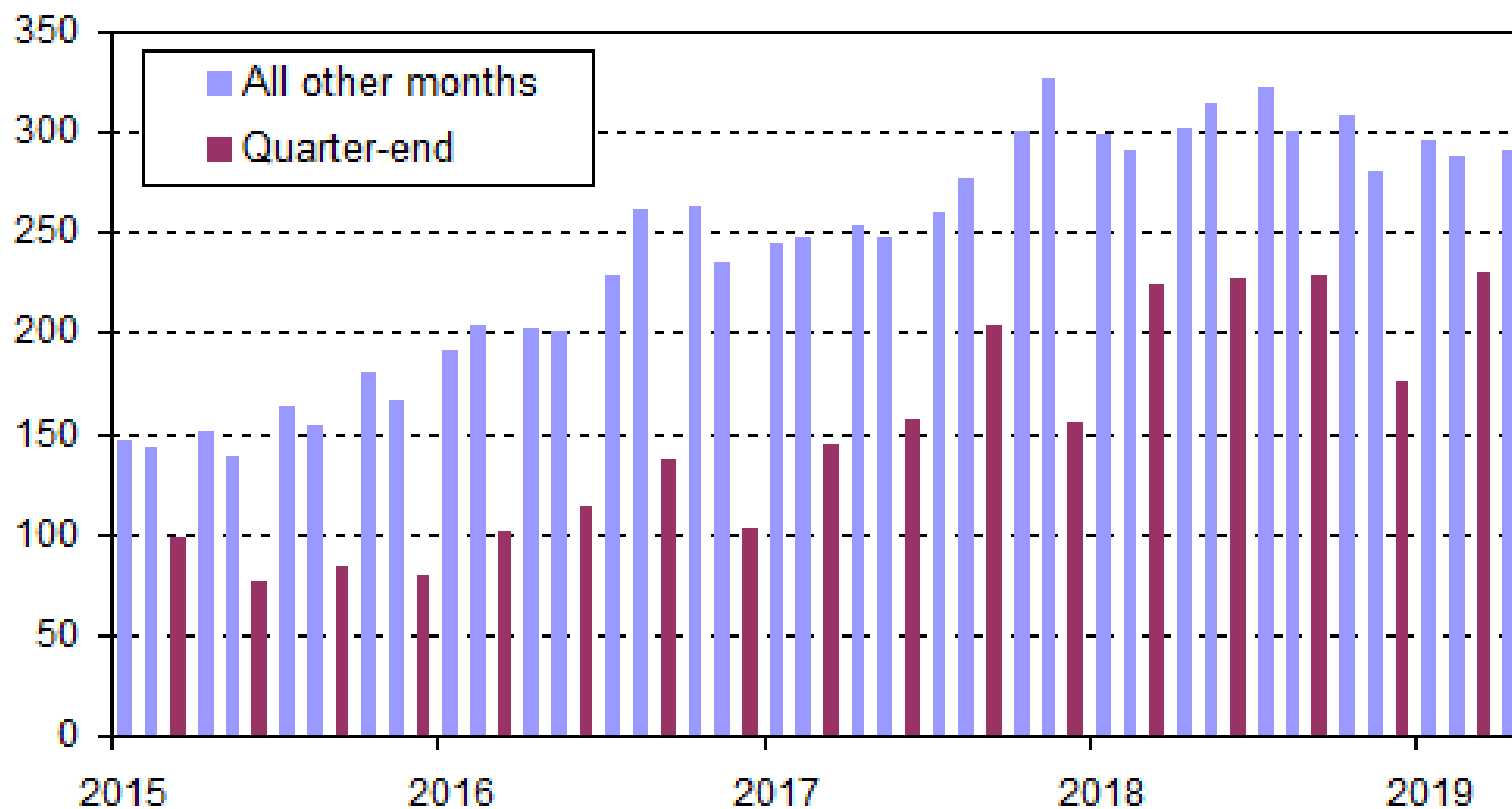


Fed Funds and Tri-Party Repo as a Spread to the IOER
Monthly averages – in basis points

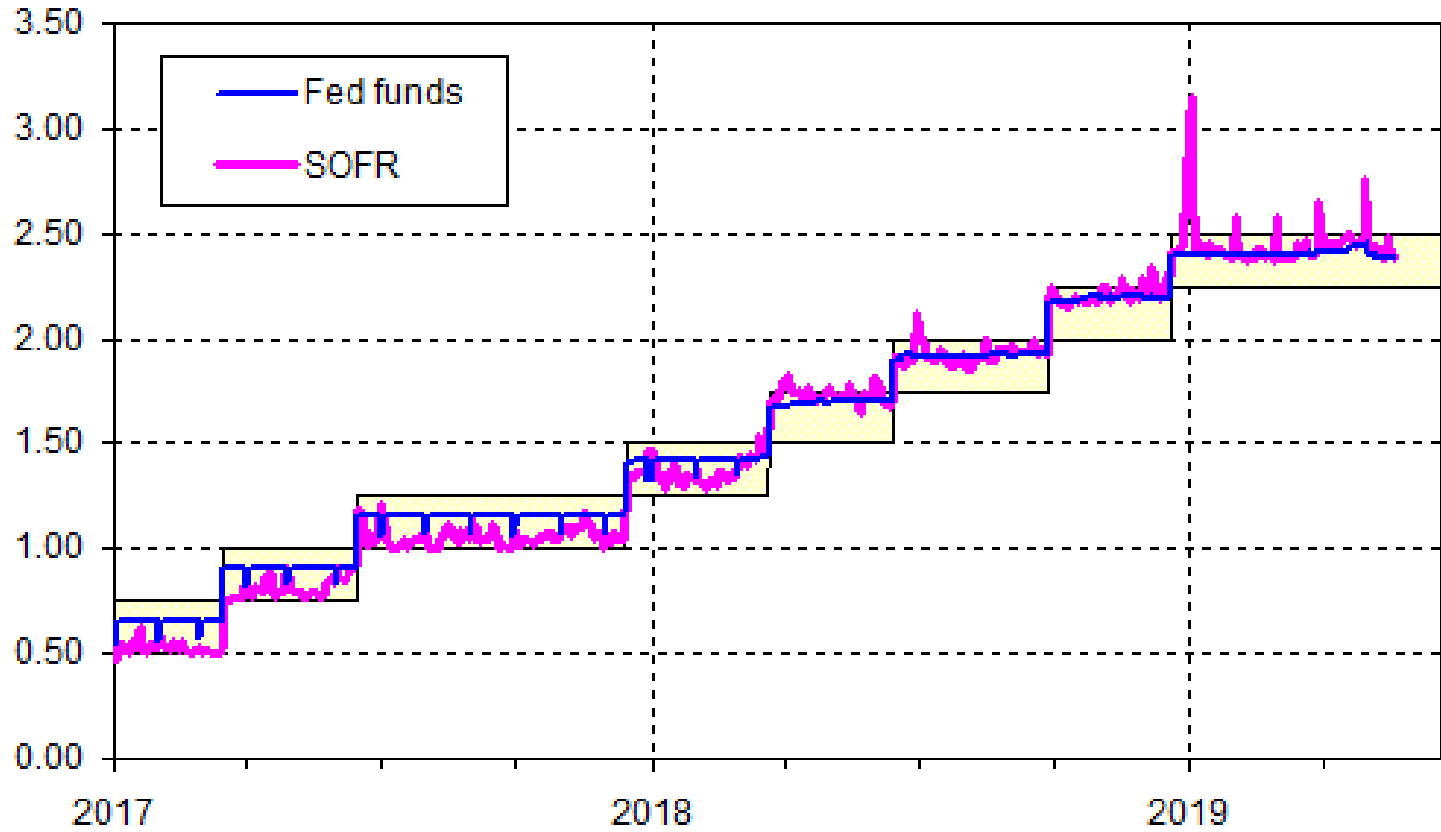


MMF Repo Exposures to Selected European Window-Dressers

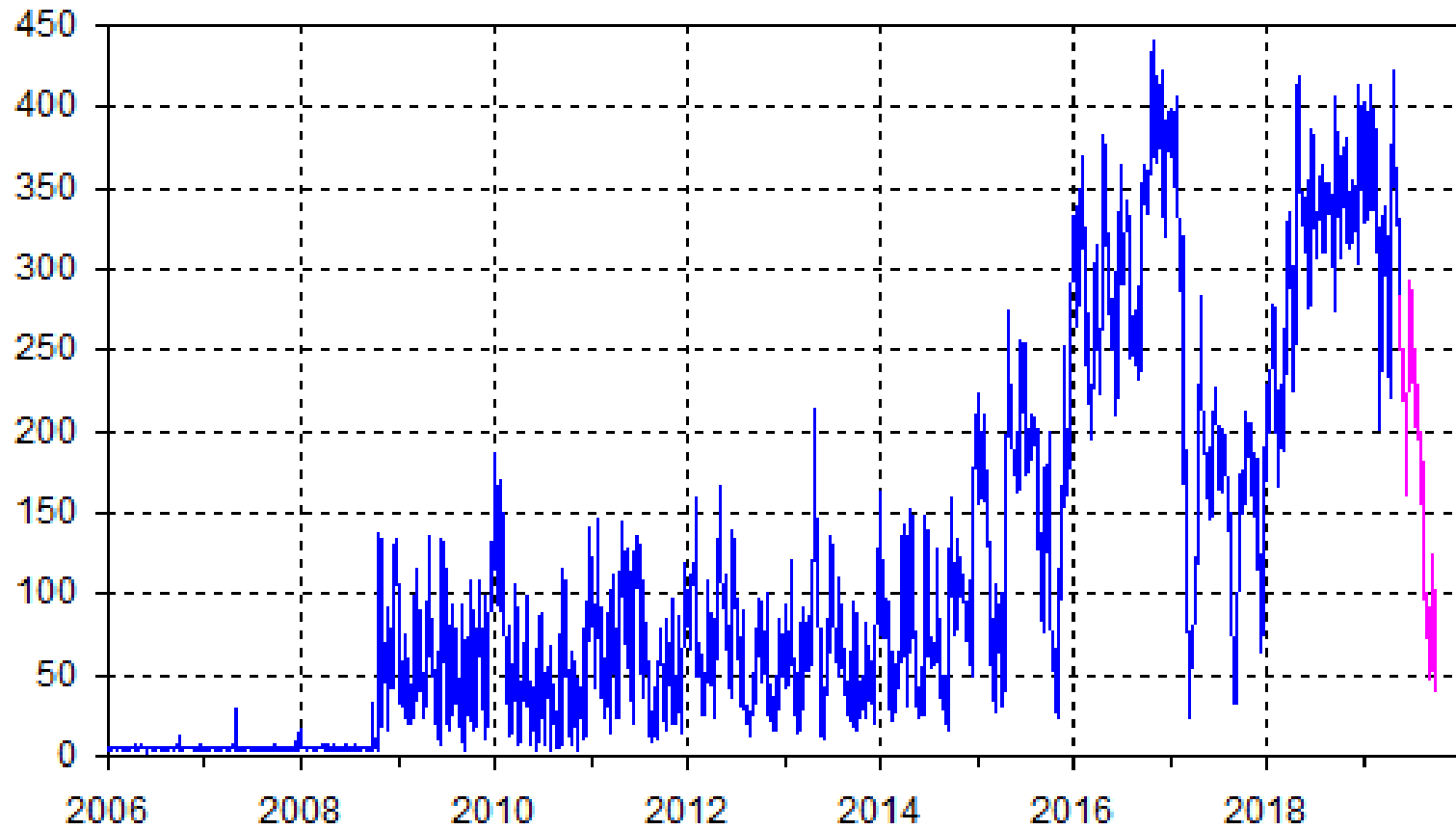
The totals reflect the activity of seven large French, German and Swiss institutions
Month-end values in billions of dollars



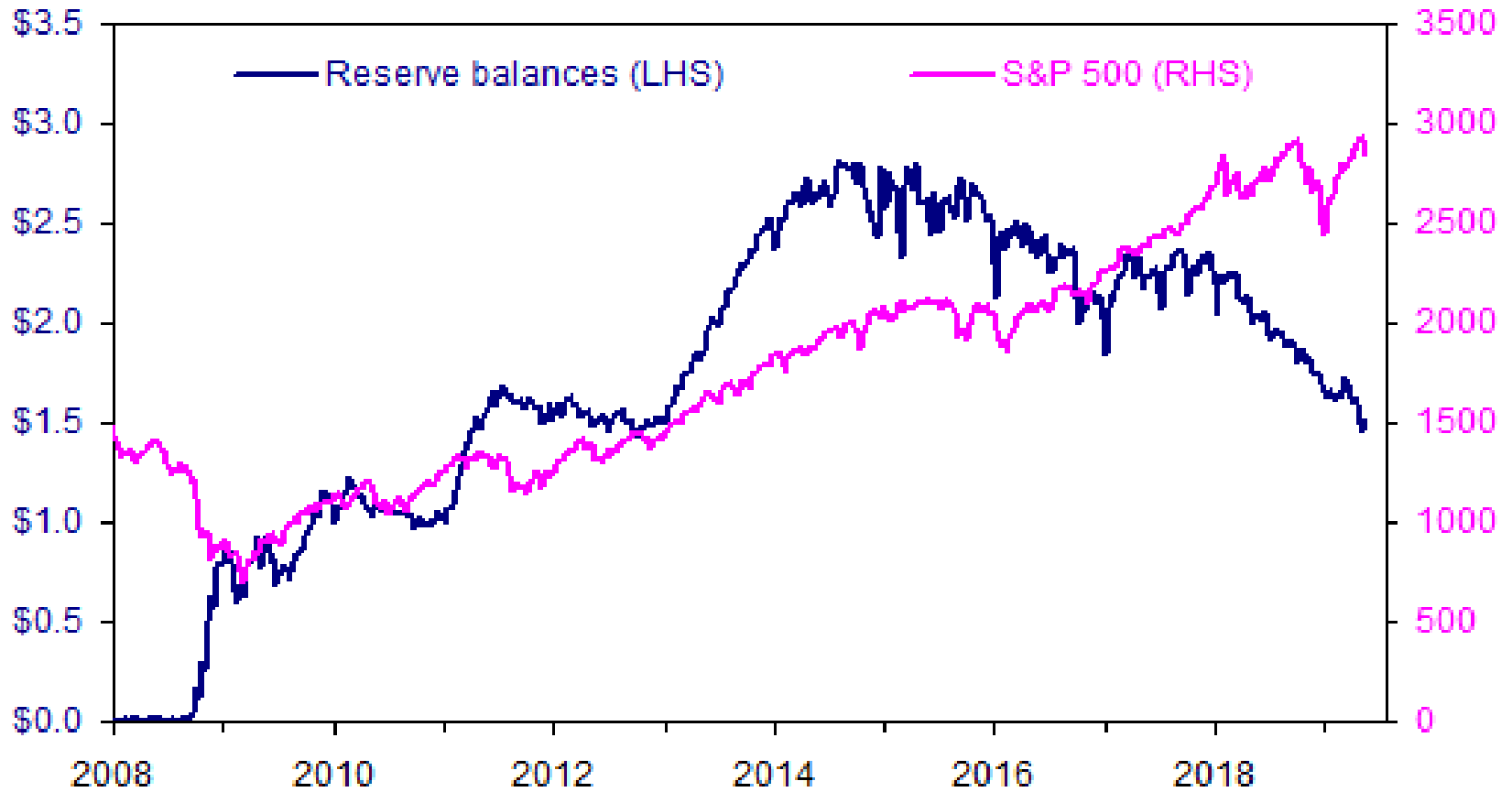
The Fed Funds Rate and SOFR Relative to the Fed's Target Range



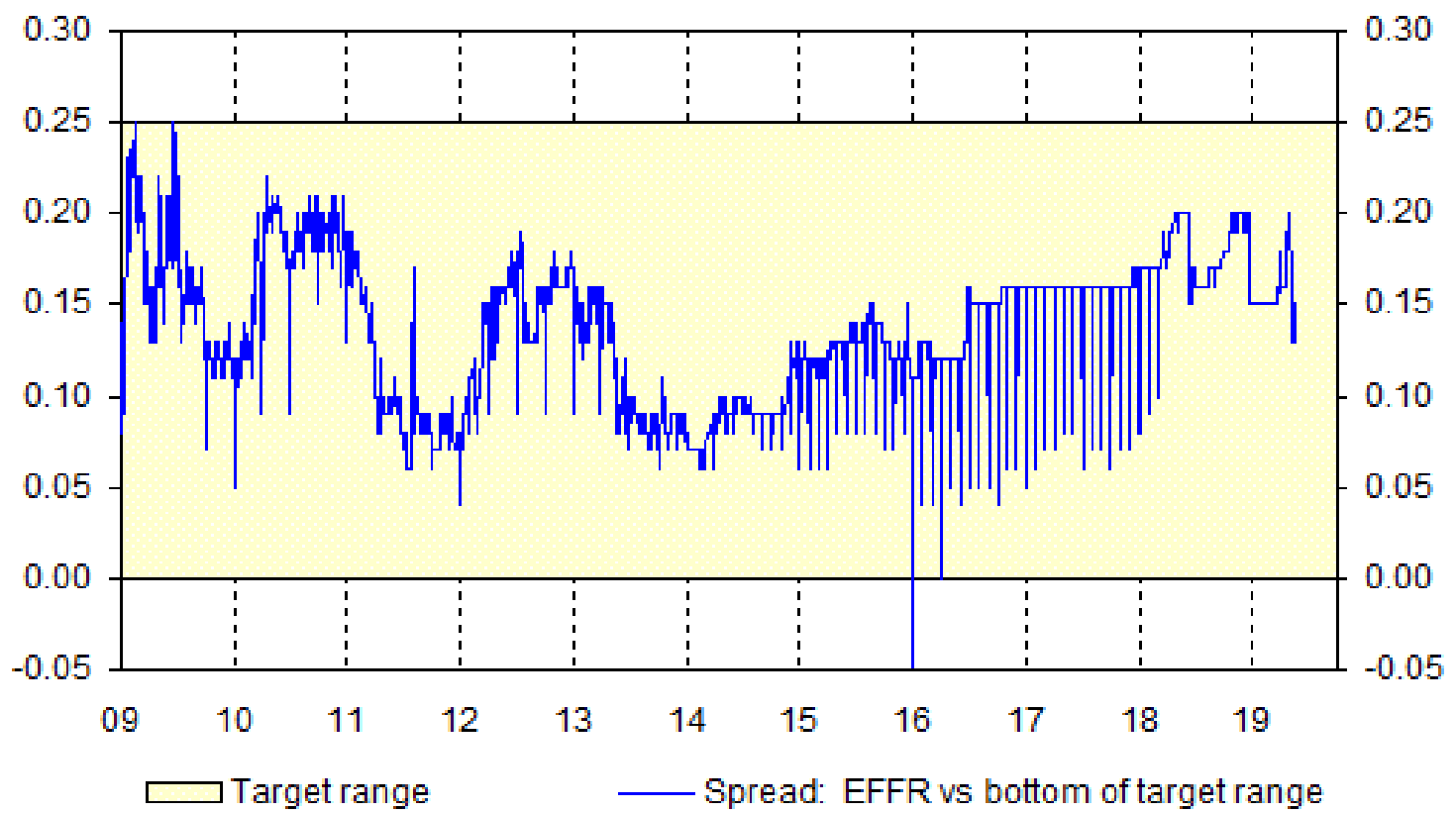
The Treasury's General Account at the Fed
in billions of dollars - projected through September 2019



U.S. Equity Prices versus the Supply of Reserve Balances
Weekly averages – reserve balances in trillions of dollars



The Position of the Fed Funds Rate Within the Fed's Quarter-Point Target Range: 2009-19
Fed funds shown as a spread to the lower end of the target range



The Fed Funds Rate Relative to the Fed's Target Range

