

US Rates Watch

Follow the money: FHLBs, MMF, & Fed Mar 29 update

Money map: FHLBs, MMF, & Fed

Clients have recently asked how money is moving around the US financial system and what this implies for bank stress. We provide our real-time assessment of how funds are flowing in the system using daily & weekly data across FHLBs, MMF, & Fed.

Key takeaway: banking system stress remains high, but there are some signs of stabilization. MMFs experienced \$27b in inflows on Monday while ON RRP take-up was relatively flat and TGA rose \$13.6b. This implies half of those MMF inflows were recycled back into the banking system.

Tracking our views: we map the money flows from FHLB, MMF, & Fed activity.

FHLB activity: we see FHLB activity as the best real-time proxy for bank liquidity need. Recall, FHLBs are a core source of bank funding for applicable collateral (for detail see: [FHLB lender of 2nd-to-last resort](#)). FHLB debt issuance is the best barometer for bank advance / loan demand. Daily FHLB debt issuance data is from BofA Securities trading desk. Trading desk data is best real time data we are aware of; FHLB official issuance numbers are monthly.

FHLB net issuance on Tuesday, March 28th rose \$5.7b (Exhibit 2), in line with the \$5bn in avg daily issuance over the past week. This is a considerable slowdown from \$156.48b at the start of bank stress; it is also a pickup from the Monday, March 27 pace of \$3.3bn. Since March 13, FHLBs have issued net \$301b according to BofA Securities trading desk data (Exhibit 3).

Money market funds: MMF flows can represent cash moving around the system or cash leaving commercial banks. To track deposit outflows, we think the relevant statistic to watch is increase in Fed ON RRP or the Treasury cash balance.

MMF experienced inflows of \$27b on Monday, according to Crane data. This is a reversal of the \$13bn in outflows seen on Friday but still up \$268bn since Mar 10. Monday's inflow is also larger than the \$1.7bn increase in ON RRP take-up and TGA increase of \$13.6b. The excess MMF inflows represents cash recycled within the banking system.

ON RRP: take-up increased \$11.6bn on Tuesday after being relatively unchanged on Monday. Total use remains \$43bn above March 10 levels. Looking ahead, we expect ON RRP take-up to increase leading into quarter-end given typical quarter-end dynamics.

Fed bank data: late Friday, the Fed released updated bank H.8 data as of Mar 15 (Exhibit 10). Our take: (1) small to large US bank deposit shift, (2) cash build across banks, (3) sharp borrowing increase likely to build cash. Timelier Fed H.4.1 data from Mar 22 shows \$74bn w/w bank cash/reserve drop likely because deposits leaving for MMF (Exhibit 9). Fed H.4.1 also shows limited new use of emergency bank facilities (DW, BTFP; Exhibit 11).

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Refer to important disclosures on page 5 to 7.

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Abbreviations:

BTFP: bank term funding program
DW: discount window
FHLB: Federal Home Loan Banks
GSE: Government sponsored enterprises
MMF: Money market funds
ON RRP: Overnight reverse repo facility
P&I: principal & interest
TGA: Treasury General Account

Exhibit 1: Data on FHLB issuance + ON RRP / MMF flows (\$bn)

FHLB net issuance is offset by ON RRP decline & MMF inflows; funding markets are working

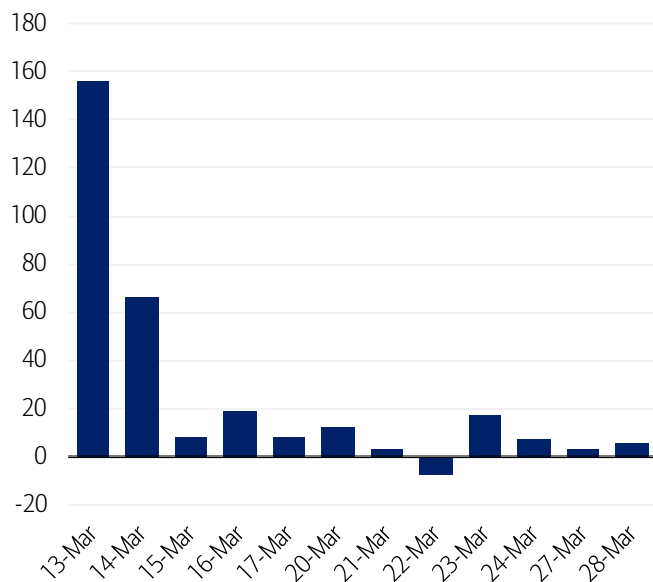
FHLBs	13-Mar	14-Mar	15-Mar	16-Mar	17-Mar	20-Mar	21-Mar	22-Mar	23-Mar	24-Mar	27-Mar	28-Mar
Total	156.49	66.34	8.19	19.18	8.62	12.10	3.36	-7.24	17.52	7.28	3.32	5.66
Money Markets	13-Mar	14-Mar	15-Mar	16-Mar	17-Mar	20-Mar	21-Mar	22-Mar	23-Mar	24-Mar	27-Mar	28-Mar
ON RRP Total	2,126.68	2,042.58	2,055.82	2,066.32	2,106.17	2,098.39	2,194.63	2,279.61	2,233.96	2,218.46	2,220.13	2,231.75
ON RRP Change (d/d)	-61.70	-84.10	13.24	10.50	39.85	-7.77	96.24	84.98	-45.65	-15.50	1.67	11.62
MMF Flows	37.68	47.83	11.63	37.28	-5.13	26.97	47.66	19.16	22.10	-13.20	26.55	
MMF Inflow - RRP Change	99.38	131.93	-1.61	26.78	-44.98	34.74	-48.58	-65.82	67.75	2.30	24.87	

Source: BofA Securities, Bloomberg, Crane Data. Note: data for 3/27 was revised due to larger callable bond issues than previously reported

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Exhibit 2: Daily FHLB debt issuance (\$bn)

MMF daily debt issuance has slowed

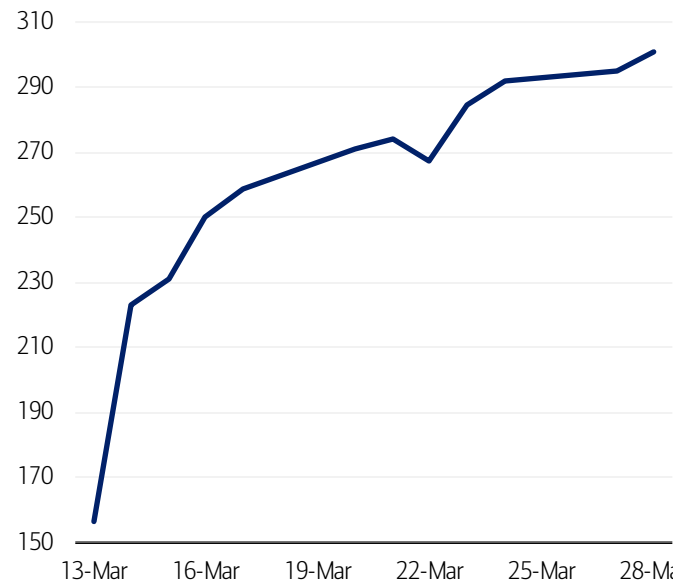


Source: BofA Securities

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Exhibit 3: Cumulative growth in FHLB debt since Mar 13 (\$bn)

FHLB debt is \$301bn higher since Mar 13

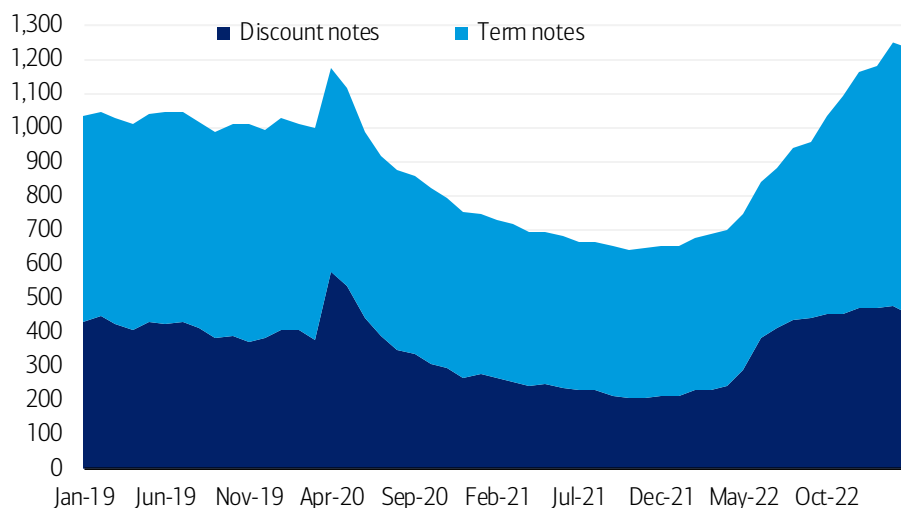


Source: BofA Securities

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Exhibit 4: Monthly FHLB debt issuance (\$bn)

Higher FHLB debt issuance leading to more MMF investment

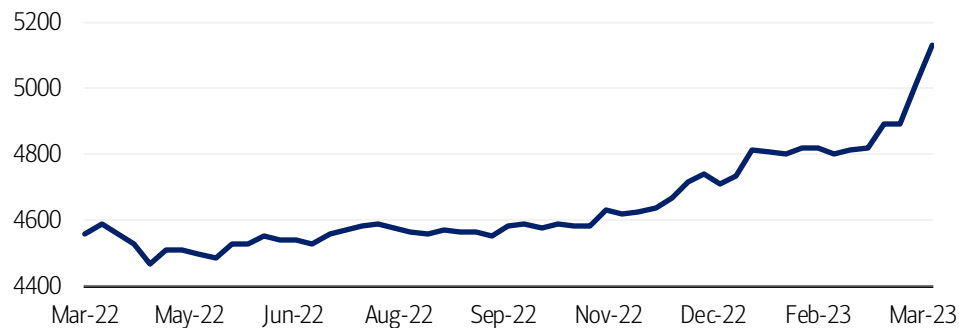


Source: FHLB Office of Finance, Haver Analytics

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Exhibit 5: MMF AUM (\$bn)

MMFs saw \$117.41bn in flows from prior week



Source: ICI, Bloomberg

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Exhibit 6: Weekly ICI Money Market Fund AUM (\$bn)

MMF aum rose \$117bn from prior week

Dates	Total	Prime	Gov't	Tax exempt	Retail	Institutional	Prime Institutional	Gov't Institutional	Tax-exempt Institutional	Prime Retail	Gov't Retail	Tax-exempt Retail
3/15/2023	5,015	776	4,128	111	1,847	3,168	261	2,896	12	516	1,232	99
3/22/2023	5,132	765	4,260	107	1,862	3,270	259	3,001	11	507	1,259	96
WoW Change	117	-11	132	-4	15	102	-2	105	-1	-9	27	-2
MTD Change	238	-16	263	-8	49	189	-8	199	-2	-8	63	-6

Source: ICI, Bloomberg

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Exhibit 7: Daily Crane MMF AUM (\$bn)

MMF AUM rose \$27bn from prior day, and still \$102bn higher WoW

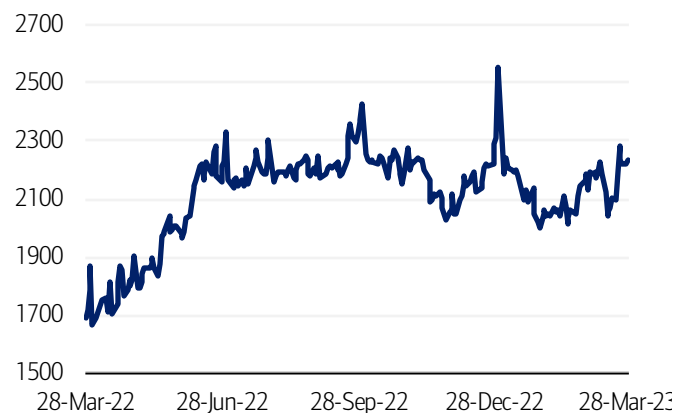
Dates	Total	Prime	Gov't	Tax exempt	Retail	Institutional	Prime Institutional	Gov't Institutional	Prime Retail	Gov't Retail
3/20/2023	5,448	1,131	4,201	115	1,764	3,569	620	2,949	511	1,252
3/21/2023	5,496	1,130	4,251	114	1,768	3,614	621	2,992	509	1,258
3/22/2023	5,515	1,136	4,265	114	1,771	3,630	627	3,003	509	1,262
3/23/2023	5,536	1,136	4,287	113	1,775	3,648	627	3,021	509	1,266
3/24/2023	5,523	1,127	4,283	113	1,772	3,637	620	3,017	506	1,266
3/27/2023	5,549	1,127	4,309	113	1,773	3,663	621	3,042	506	1,268
DoD Change	27	0	26	0	1	26	1	25	0	1
WoW Change	102	-4	108	-2	10	94	1	93	-5	15

Source: Crane Data

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Exhibit 8: ON RRP take-up (\$bn)

ON RRP take-up change from prior day was \$11.62bn



Source: FRBNY

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Exhibit 9: Fed reserve balances outstanding (\$bn)

Change in reserve balance from prior week was -\$74.22bn



Source: Federal Reserve H.4.1

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Exhibit 10: US Commercial Bank balance sheets, selected assets & liabilities (\$bn)

Domestic banks saw deposits shift from small banks to large banks. Bank borrowing saw the largest WoW increase on record

		Total	Assets						Liabilities			
			Cash	UST & Agy	MBS	Repo & FF	Loans & Leases	Other	Deposits	Borrowings	Net due to related foreign offices	Other
All Banks	3/15/2023	23275	3443	1626	2732	604	12088	2783	17562	2414	363	2935
	1w Chg	400	381	4	-3	2	54	-38	-53	436	40	-23
	1m Chg	256	280	-14	-22	0	36	-24	-90	439	-49	-44
	YTD Chg	299	347	-27	-41	3	-17	34	-383	560	93	29
Domestic Banks	3/15/2023	20236	2144	1512	2705	268	11049	2559	16265	1524	-339	2786
	1w Chg	482	456	1	-5	4	43	-18	12	470	5	-5
	1m Chg	398	404	-14	-25	-8	55	-12	-33	462	1	-32
	YTD Chg	235	275	-35	-32	-46	1	71	-366	540	0	61
Large Banks	3/15/2023	13280	1621	1192	1957	223	6539	1747	10796	879	-371	1977
	1w Chg	354	354	1	-5	3	22	-21	120	230	3	2
	1m Chg	285	306	-8	-12	-9	21	-11	60	232	4	-9
	YTD Chg	159	207	-24	-6	-41	-36	58	-210	304	4	61
Small Banks	3/15/2023	6957	523	320	748	44	4510	812	5469	645	33	810
	1w Chg	127	102	0	0	1	21	3	-108	241	2	-7
	1m Chg	113	98	-6	-13	1	34	-1	-92	230	-2	-23
	YTD Chg	76	68	-11	-26	-5	37	12	-156	236	-4	0
Foreign Banks	3/15/2023	3038	1299	113	27	337	1039	223	1298	890	702	149
	1w Chg	-82	-75	2	2	-2	11	-20	-65	-34	35	-18
	1m Chg	-142	-123	0	3	8	-18	-11	-58	-22	-50	-12
	YTD Chg	64	72	8	-9	49	-19	-37	-17	19	93	-31

Source: Federal Reserve H8

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Exhibit 11: Fed balance sheet, selected assets & liabilities (\$bn, Wednesday comparison data)

ON RRP absorbed most of the increase in Fed assets

Dates	Assets							Liabilities					
	Securities	Repo	Discount Window	BTFP	FDIC bank	credit extension	CB Liquidity Swaps	Currency	Foreign RRP	ON RRP	TGA	Reserves	Total
3/15/2023	7,940	0		153	12		143	0	2,311	367	2,056	278	3,444 8,689
3/22/2023	7,937	60		110	54		180	1	2,319	370	2,280	200	3,370 8,784
WoW Change	-3	60		-43	42		37	0	8	3	224	-78	-74 94
MTD Change	-12	60		106	54		180	0	15	4	146	-151	342 394

Source: Federal Reserve

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