

Macro Roundup Article

Headline: [Trapped Liquidity](#)

Article Link: <https://fedguy.com/trapped-liquidity/>

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Tweet: [.@FedGuy12](#) questions the sustainability of the QT regime, noting that American households are the current marginal buyer of short-dated Treasuries. He thinks that this pattern cannot continue without bringing banking reserves to untenable levels.

Summary: A change in the underlying plumbing of the financial system is making it unlikely that QT can run its expected 2+ year course. An ideal QT would drain liquidity in the overall financial system while keeping liquidity in the banking sector above a minimum threshold. The marginal buyer of short-dated Treasuries over 2022 Q3 appears to surprisingly be U.S. households. Federal Reserve data show that household purchases of Treasuries surged to record levels on a seasonally adjusted annual basis as [money market funds] notably shrank their holdings. Households appear to have replaced money market funds as the marginal buyer of bills and are funding their purchases out of funds held in the banking sector.

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Primary Topic: Financial Markets

Topics: Factoid, Financial Markets, GDP, Op-Ed/Blog Post, Sell-by Date

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