EDWARD CONARD

TOP TEN The New York Times BESTSELLER

Macro Roundup Article

Headline: Neutralizing QT

Article Link: https://fedguy.com/neutralizing-qt/

Author(s)	Joseph Wang
Publication	Fed Guy Blog
Publication Date	October 30, 2023

Tweet: .@FedGuy12 notes that the rising level of reserve and Treasury General Account balances will ease financial conditions over the next several months.

Summary: Declining RRP [reverse repo] balances will eventually overwhelm QT and lead to a net increase of money in the financial system. After [money market funds] lend money to the Treasury, the money moves from the RRP to the Treasury General Account [TGA] and then into the banking system through fiscal spending. In our two-tiered monetary system, this mechanically increases reserves (money for banks) and deposits (money for non-banks) in a manner similar to QE. However, the Fed's QT program has also been pushing in the opposite direction and draining reserves at a rate of around $240b a quarter. The interaction between the two forces has resulted in a modest increase in bank reserves.

Related Articles: A Beautiful Replenishment and Probing LCLoR

Primary Topic: Financial Markets

Topics: Financial Markets, GDP, Monetary Policy, Op-Ed/Blog Post

Permalink: https://www.edwardconard.com/macro-roundup/fedguy12-notes-that-the-rising-level-of-reserve-and-treasury-general-account-balances-will-ease-financial-conditions-over-the-next-several-months?view=detail

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2023/10/Select-Fed-Balance-Sheet-Liabilities-.png