

Macro Roundup Article

Headline: [The Return of Quantitative Easing](#)

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Tweet: [.@crossbordercap](#) argues that quantitative easing will soon return as central banks in advanced economies will be needed to help fund deteriorating fiscal positions that will be driven by defense spending, demographics, and entitlements.

Summary: Quantitative easing is coming back. The US government will need to sell an average of \$2T of Treasuries each year over the next decade. And according to latest Congressional Budget Office forecasts the Fed will be required to chip in. The CBO estimates that Fed holdings of US Treasuries will have to rise to \$7.5T by 2033 from current levels of nearly \$5T. No QT here, but worse, these CBO spending projections are likely too low — especially for defence outlays. More realistic numbers point to required Fed Treasury holdings of at least \$10T. That translates pro rata into a doubling of its current \$8.5T balance sheet size and will mean several years of double-digit growth in Fed liquidity.

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Primary Topic: Fiscal Deficits

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

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