

Macro Roundup Article

Headline: [April Tax Drain](#)

Article Link: <https://fedguy.com/april-tax-drain/>

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Tweet: This year, the April tax drain, a shift of hundreds of billions of dollars from banks and money market funds to the Treasury's General Account should be uneventful "because cash remains plentiful." @FedGuy12

Summary: Tax season is unlikely to have a meaningful impact on markets in 2024 because cash remains plentiful. While taxpayers can sell equities and other assets to finance their tax bill, those sales occur over a period of time and are small relative to the size of asset markets. But the decline in bank reserves and MMF assets around tax date is discrete and a steep decline in cash holdings of the private sector. This has occasionally led to some degree of upward pressure in money markets, as there is literally less cash in the space. In 2019, the RRP was empty and MMFs and banks were active lenders in the repo market. April tax season coincided with upward pressure in repo rates that then dissipated in a few days. The high RRP and reserve balances today indicates an abundance of cash and suggests an uneventful tax season.

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