EDWARD CONARD

TOP TEN The New York Times BESTSELLER

Macro Roundup Article

Headline: Deposit Outflows Shine Light on Fed Program That Pays Money-Market Funds

Article Link: https://www.wsj.com/articles/deposit-outflows-shine-light-on-fed-program-that-pays-money-market-funds-6763e11c

Author(s)	Eric Wallerstein and Nick Timiraos
Publication	Wall Street Journal
Publication Date	April 06, 2023

Tweet: Some analysts contend that the Fed's reverse repo program, which pays a 4.8% annualized rate, presents an overly attractive alternative for money market funds that wish to park funds; the result has been a consumer shift from banks to money market funds.

Summary: Money-market fund assets are increasing at a record clip. Much of that cash is making its way to the Fed's overnight reverse repurchase facility, which borrows from money funds and other firms in exchange for securities such as Treasurys and then returns the money the next day. The program, known on Wall Street as reverse repo, allows financial firms and others to earn interest on large cash balances. But some analysts contend it also is effectively draining funds from the banking system, where it otherwise could be invested or lent out. As of Wednesday, more than $2.2 trillion sat in the Fed's reverse repo facility, paying a 4.8% annualized rate. Bank deposits have fallen $363 billion to $17.3 trillion since the beginning of March, Fed data show. Assets in money-market funds have risen $304 billion to a record $5.2 trillion, according to Investment Company Institute data.

Related Articles: nan

Primary Topic: Banking

Topics: Banking, Factoid, GDP, Growth, Monetary Policy, News article

Permalink: https://www.edwardconard.com/macro-roundup/some-analysts-contend-that-the-feds-reverse-repo-program-which-pays-a-4-8-annualized-rate-presents-an-overly-attractive-alternative-for-money-market-funds-that-wish-to-park-funds-the-resul?view=detail

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2023/04/Money-Market-Funds-Assets.jpg