

Macro Roundup Article

Headline: [The QT Debates](#)

Article Link: <https://fedguy.com/the-qt-debates/>

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Tweet: [@FedGuy12](#) writes that "The balance of evidence continues to suggest a late 2024 taper that could continue well into 2025." He suggests that the taper is likely to start in Q4.

Summary: The Fed operates an “ample reserves” framework, but is not sure how to view non-reserve liabilities. Under the framework, the Fed primarily adjusts monetary policy through changes in short-term interest rates and provides the banking system with a bit more reserves than it actually needs. Reserves are just deposits commercial banks hold at the Fed. Although QT has been shrinking the overall size of the Fed’s balance sheet, the composition of the Fed’s liabilities is dynamic. Reserves can move into the RRP and into the TGA (and vice versa), so reserve levels today are around 2022 levels despite QT. Fed officials unanimously note that reserve levels are far above ample, but have diverged on how they view changes in the RRP. These differences have led to different potential QT timelines.

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Primary Topic: Banking

Topics: Banking, Monetary Policy, Op-Ed/Blog Post

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