

## Macro Roundup Article

Headline: [Probing LCLoR](#)

Article Link: <https://fedguy.com/probing-lclor/>

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**Tweet:** .@FedGuy12 notes that the replenishment of the Treasury General Account will likely come from households, who are now the marginal buyer of Treasuries. This will possibly drive bank reserves below the Fed's Lowest Comfortable Level of Reserves.

**Summary:** Bank reserves are on track to approach a common estimate of the Lowest Comfortable Level of Reserves ("LCLoR") within a few months. At the moment, reserves sit around \$3.2t and a common Fed estimate places LCLoR at around \$2.2t (8% of GDP). In addition to quantitative tightening, two events may soon reduce bank reserves to around \$2.2t. First, Reverse Repo (RRP) is likely to steadily increase as Money Market Fund (MMF) assets continue to rise and Federal Home Loan Bank (FHLB) debt issuance declines. Second, the Treasury General Account's eventual replenishment will likely be financed largely from reserves. The decline in reserves may only be temporary, as persistent bill issuance would eventually redirect liquidity out of the RRP and back into the banking system.

**Primary Topic:** Banking

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

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