

Macro Roundup Article

Headline: [Neutralizing QT](#)

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

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Tweet: [@FedGuy12](#) notes that the rising level of reserve and Treasury General Account balances will ease financial conditions over the next several months.

Summary: Declining RRP [reverse repo] balances will eventually overwhelm QT and lead to a net increase of money in the financial system. After [money market funds] lend money to the Treasury, the money moves from the RRP to the Treasury General Account [TGA] and then into the banking system through fiscal spending. In our two-tiered monetary system, this mechanically increases reserves (money for banks) and deposits (money for non-banks) in a manner similar to QE. However, the Fed's QT program has also been pushing in the opposite direction and draining reserves at a rate of around \$240b a quarter. The interaction between the two forces has resulted in a modest increase in bank reserves. Related: [A Beautiful Replenishment and Probing LCLoR](#)

Primary Topic: Financial Markets

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

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