

Macro Roundup Article

Headline: [Rapid Increase in T-Bill Supply Is a Growing Risk](#)

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Author(s)	Torsten Sløk
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Tweet: Torsten Sløk notes the increase in T-bills' share of outstanding Treasury debt may be a problem if September rate cuts lead to a “lower appetite for T-bills from households and money market funds.”

Summary: The supply of T-bills has increased by \$2 trillion over the past 12 months, and the share of T-bills outstanding as a share of total debt outstanding has trended significantly higher over the same period. Why is the rapid growth in the supply of T-bills a problem? Because a big increase in supply requires a big increase in demand. Growing the amount of T-bills outstanding while the Fed at the same time is doing QT increases the risk of an accident in funding markets, which is what we saw in repo markets in September 2019. In other words, the strong growth in the supply of T-bills will require a continued increase in demand from banks, money market funds, and households. If the Fed starts cutting rates, say, in September, we could see lower appetite for T-bills from households and money market funds, which ultimately would put upward pressure on short rates because of the big supply of T-bills not being met by similar strong demand.

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Primary Topic: Financial Markets

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

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