

Macro Roundup Article

Headline: [ATI: Activist Treasury Issuance and the Tug-of-War Over Monetary Policy](#)

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Tweet: [.@SteveMiran @Nouriel](#) argue that a rotation in Treasury's issuance policies from long-term debt to bills is the equivalent of a 100bps cut in the FFR and believe "activist Treasury issuance" is offsetting the Fed's efforts to slow the economy.

Summary: By adjusting the maturity profile of its debt issuance, Treasury is dynamically managing financial conditions and through them, the economy, usurping core functions of the Federal Reserve. We dub this novel tool "activist Treasury issuance," or ATI. ATI has been a major market driver over the past year and we expect it will continue to play a significant role in the years ahead. We calculate that ATI has reduced 10-year yields over the last year by roughly a quarter of a percent, providing similar stimulus as a one-point cut in the Fed Funds rate, the central bank's primary policy tool. Combined with higher neutral rates, ATI implies the total stance of both monetary and issuance policy, considered together, is roughly neutral—in other words, ATI has interdicted the Fed's attempt to restrain the economy, helping explain inflation persistence and upward nominal growth surprises over the past year.

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Primary Topic: Financial Markets

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

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