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Macro Roundup Artcile

Headline: "Quantitative Tightening" and the U.S. Banking System

Article Link: https://theovershoot.co/p/quantitative-tightening-and-the-us

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Tweet: The quantity of reserves held by banks on deposit at the Fed is 30% lower than the pandemic era peak of ~$4.3T as savers move money out of banks in favor of higher yielding assets. @M_C_Klein

Summary: The end of 2021 was also when the quantity of reserves held by banks on deposit at the Fed began to shrink from the pandemic-era peak of ~$4.3 trillion. As of this writing, reserves are about $1.2 trillion (30%) lower now than then. The underlying explanation for all this seems to be that U.S.-based banks are refusing to raise the rates they offer on deposits. As savers move cash from zero-yielding deposits to higher-yielding money funds, banks have to sell assets (mainly reserves, apparently) and/or find alternative sources of financing to replace the lost deposits. Since the start of 2022, U.S. commercial banks have lost almost $400 billion in deposits and replaced them with about $400 billion of “borrowings”.

Primary Topic: Banking

Topics: Banking, Factoid, Monetary Policy, Op-Ed/Blog Post, Sell-by Date

Permalink: https://www.edwardconard.com/macro-roundup/the-quantity-of-reserves-held-by-banks-on-deposit-at-the-fed-is-30-lower-than-the-pandemic-era-peak-of-4-3t-as-savers-move-money-out-of-banks-in-favor-of-higher-yielding-assets-m_c_klein?view=detail

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