

Macro Roundup Article

Headline: [RIP Federal Funds Market, 1928-2023](#)

Article Link: <https://fedguy.com/rip-federal-funds-market-1928-2023/>

Author(s)	Joseph Wang
Publication	Fed Guy Blog
Publication Date	November 16, 2023

Tweet: New rules will likely effectively end the relevance of the Fed funds market leaving the Secured Overnight Financing Rate as the official policy rate. @FedGuy12

Summary: The Federal Funds market has been in an undead state for over a decade, but may now finally wither away and allow Secured Overnight Funding Rate to become the official policy rate. Almost all lending in the funds market is from Federal Home Loan Banks, who are ineligible for interest on reserves and lend in the funds market to earn a return on their cash. Regulators are encouraging Federal Home Loan Banks to shift the composition of their cash investments away from fed funds and into interest bearing deposit accounts. The Fed funds market will likely shrink as Federal Home Loan Banks shift their cash investments towards interest bearing deposit accounts. Related: Neutralizing QT and Probing LCLoR

Primary Topic: Banking

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

Permalink: <https://www.edwardconard.com/macro-roundup/new-rules-will-likely-effectively-end-the-relevance-of-the-fed-funds-market-leaving-the-secured-overnight-financing-rate-as-the-official-policy-rate-fedguy12?view=detail>

Featured Image

Link: <https://www.edwardconard.com/wp-content/uploads/2023/11/Fed-Guy-Figure-12.png>