

Macro Roundup Article

Headline: [Maxing Out](#)

Article Link: <https://fedguy.com/maxing-out/>

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Tweet: .@FedGuy12 writes that the Treasury market is likely to be volatile going forward. He speculates that rates are likely to go higher, as major recent buyers of Treasuries all seem to have exhausted their capacity to take on more Treasuries.

Summary: The Treasury market may be entering a period of volatility as leveraged investors have stalled in their purchases and the next marginal buyer has not yet arrived. When the Fed and commercial banks stepped away from the Treasury market, hedge funds stepped in and bought cash Treasuries in size as part of a cash futures basis trade. The financing for that trade is sourced through dealer repo, which grew rapidly and then stalled. While dealers themselves have access to virtually unlimited financing from the Fed, the size of their activity is constrained by balance sheet costs. If the leveraged buyers are reaching financing limits, then a new marginal Treasury buyer must emerge to absorb the sizable upcoming issuance.

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Primary Topic: Financial Markets

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

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