Title: Peter Hann CFA PART II: 2008 vs 2022. „And this in turn somewhat explains the Fed caught napping in September 16, 2019 when the repo market exploded.“ It costs nothing to HOLD ■ BUY ■ DRS ■ VOTE
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Created 2022-05-08 18:34:21 UTC
Permalink: /r/GME/comments/ul81h8/peter_hann_cfa_part_ii_2008_vs_2022_and_this_in/
Url: https://www.reddit.com/gallery/ul81h8

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2 Tage ·

So to finish my discussion on the NY Fed and its "Plunge Protection Team", after 2008 and particularly after the 2010 flash crash, people began to notice that the market would experience some surprising positive reversals when negative momentum seemed to be gaining ground.

This was also a period where the Fed was active with successive rounds of Quantitative Easing. So it became an assumption that the somehow the Fed was babysitting the market through the PPT at the NY Fed to reduce negative tail risk. And so from 2014 to 2018 the markets had fairly robust positive momentum, despite the Fed starting to hike in 2017.

In June 2018, John Williams became head of the NY Fed. John was a a long time Fed staffer, having been previous president of the San Francisco Fed. He has no direct experience in investment banking or capital markets trading. I can't source the documents now, but at the time there was rumours that he cleaned house as his bias was to move away from direct market intervention. But as the attached story notes:

In June 2019: " The two market-focused officials abruptly departed in June: Simon Potter, who oversaw the New York Fed's trading desk, and Richard Dzina, who ran the bank's financial services group. To date, neither has been replaced, leaving the central bank without permanent leadership in a key part of its operations."

And this in turn somewhat explains the Fed caught napping in September 16, 2019 when the repo market exploded. If the PPT had been adequately staffed, this event may have been avoided.

As it was, the Fed had to engage in significant "emergency' repo operations well into 2020. And then we know what happened in March 2020.

So its safe to say the PPT team has since been supplied with the resources and tools its needs, including the creation of a Chicago sub office trading desk, and why would they do that unless to have faster access to equity options and futures exchange servers?

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This is not 2008. There are more speed bumps, but in some respects the leverage is far far worse, so time will tell if the Fed can muddle through.

Übersetzung anzeigen