

TMPG Meeting Minutes

March 29, 2022

TMPG attendees

Alberto Antonini (Tudor)	Paul Hamill (Citadel Securities)	Murray Pozmanter (DTCC)
Deborah Cunningham (Federated Hermes)	Deland Kamanga (BMO)	Jerry Pucci (BlackRock)
Sunil Cutinho (CME Clearing)	Ari Kavour (Wells Fargo)	Rasmus Rueffer (ECB)
David Finkelstein (Annaly)	Priya Misra (TD Securities)	Carolyn Sargent (Morgan Stanley)
Doug Friedman (Tradeweb)	Andrea Pfenning (BNY Mellon)	Marc Seidner (PIMCO)
Kourtney Gibson (Loop Capital)	Thomas Pluta (JP Morgan)	Casey Spezzano (NatWest)

New York Fed attendees

Sam Kanson-Benanav	Lorie Logan	Brett Rose
James Bergin	Rania Perry	Kyle Watson
Veronika Jastrzebski	Matt Raskin	Nate Wuerffel
Frank Keane		

U.S. Department of Treasury attendees

Fred Pietrangeli	Nicholas Steele	Brian Smith
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- Due to the coronavirus pandemic, the TMPG meeting was held via videoconference.
- The meeting commenced with a member of the New York Fed secretariat staff conducting a brief survey regarding the potential resumption of in-person or hybrid TMPG meetings provided safe conditions.
- Members then transitioned to a discussion of market developments since the [February TMPG meeting](#). They noted the ongoing conflict in Ukraine, persistent elevated inflation, and recent Fed communication regarding the path of policy as drivers of materially higher rates and volatility within TMPG-covered markets.
 - o TMPG members discussed monetary policy developments and shifts in recent Fed communications. Members were attentive to market expectations for a steeper path of policy, including market pricing of several 50-basis-point hikes in 2022, a scenario previously characterized as less likely by members in the February meeting. There was, however, no consensus among members regarding market expectations on the timing and number of the 50-basis-point increases in the near term.

- Regarding expectations for the central bank balance sheet, members generally agreed that balance sheet reduction would likely be announced at the May FOMC meeting, with expectations for caps on the monthly amount of SOMA securities redemptions to increase over several months before stabilizing sometime in the second half of the year. Members also noted that continued transparency from the FOMC around balance sheet plans would be supportive of market functioning.
- Members continued to cite a reassessment of policy expectations as contributing to materially higher rates and increased volatility over recent months within TMPG-covered markets. In Treasuries, members discussed the flattening of the yield curve but noted it did not necessarily imply imminent risks of a recession in the near-term. Members highlighted continuing weaker market liquidity conditions and strained dealer intermediation. The further widening of MBS spreads was partially attributed by members to uncertainty around risks related to balance sheet reduction and some potential for sales of agency MBS by the Fed, in addition to recent increases in primary mortgage rates and interest rate volatility. In money markets, a member attributed recent softness in short-term rates to uncertainty on the path of policy, reduced supply of Treasury collateral, and quarter-end dynamics.
- In terms of inflation, members cited the ongoing war in Ukraine as contributing to elevated inflation through higher food and energy prices, and that watchpoints in coming months would include energy negotiations, transportation logistics, COVID-related shutdowns, and sanctions imposed on Russia.
- Members briefly discussed two market functioning related developments. First, members discussed the SEC’s proposed rule changes further defining a dealer and government securities dealer to include principal trading firms (PTFs). Members described the announcement as somewhat expected and complementary to other SEC proposals, but noted more time was needed to digest the release. Second, members discussed implications of this year’s Good Friday holiday falling on a Treasury principal and interest payment date. Members expected a significant amount of cash receipts likely would remain uninvested and be placed in custodial accounts over the long weekend given SIFMA’s recommendation that the bond market be closed on Good Fridays.
- The working group on [Clearing and Settlement Practices for Treasury Secured Financial Transactions](#) provided an update outlining next steps following the recent publication of its draft clearing and settlement maps, including evaluating risks related to repo clearing and settlement and a potential draft white paper. Similarly, the [Treasury Market Data and Transparency working group](#) summarized next its steps following the publication of its draft Treasury data catalogue, including finalizing the catalogue and producing a potential draft white paper in the coming months.

- The vice-chair then led a discussion on the newly revised [TMPG priorities document](#), updated to reflect the current priorities of the group as well as member feedback for potential future topics of discussion. These included electronic trading practices, cyber-related security risks, distributed ledger technology, and return-to-office plans. This document is included as an appendix.
- The TMPG secretariat then reviewed summary statistics related to its agency MBS [marginining recommendation](#). Over the six-month period ended March 15, 2022, TMPG members had, on average, executed margining agreements with about 75 percent of their counterparties for the fourth quarter of 2021, and about 74 percent for the first quarter of 2022. For both periods, these agreements covered approximately 88 percent of notional trading volume of forward settling MBS transactions (excluding those centrally cleared), and margin exchange was operationalized for roughly 97 percent of these executed agreements. The statistics for each period were roughly in line with recent averages.