

FEDERAL RESERVE BANK *of* NEW YORK

33 LIBERTY STREET, NEW YORK, NY 10045-0001

Minutes of the Investor Advisory Committee on Financial Markets

October 23, 2024

Federal Reserve Bank of New York

Committee Attendees:

Naïm Abou-Jaoudé, New York Life Investment
Management

William A. Ackman, Pershing Square Capital

Greg Davis, Vanguard

Hari Hariharan, NWI Management, L.P.

Kim Lew, Columbia Investment Management

Holly H. MacDonald, Bessemer Trust

Belita Ong, Dalton Investments

Chris Rokos, Rokos Capital Management,
LLP

Jeffrey Talpins, Element Capital

Anastasia Titarchuk, New York State Common
Retirement Fund

Anne Walsh, Guggenheim Partners Investment
Management

Federal Reserve Attendees:

John C. Williams

Henry Kopesky

Rebecca McCaughrin

Timothy C. Nash, Jr.

Roberto Perli

Suraj Prasanna

Maneesha Shrivastava

Navya Sharma

Ben Wensley

Joshua Younger

Discussion of the U.S. Economic and Monetary Policy Outlook

Committee members generally agreed that the outlook for U.S. economic growth was more resilient than expected and saw few signs of near-term recession risk. Several members noted continued bifurcation in parts of the economy, with greater challenges facing smaller businesses and lower-income households who are likely more sensitive to higher interest rates. Members were highly attentive to incoming data, which they continued to view as suggesting ongoing disinflation and a cooling labor market, as well as communications from Fed officials about the likely path of policy easing.

Members noted elevated uncertainty about the path of monetary policy beyond the end of this year. Some members highlighted upside risks to inflation stemming from de-globalization and near-shoring activity as well as continued investment in areas such as technology, energy, and defense. Several members thought that the realized and expected capital expenditures related to artificial intelligence and, eventually, the associated infrastructure needs, could effectively insulate the broader economy from a deeper recession. Members also expected continued large fiscal deficits to exert upward pressure on longer-term rates, but noted uncertainty about how government policy might evolve following U.S. elections in November.

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Discussion of the International Macroeconomic Outlook

Committee members broadly characterized the U.S. economy as well-positioned relative to its advanced economy peers and expected U.S. economic growth to outpace other regions. In particular, members viewed the growth in labor supply and continued investment related to AI in the U.S. as key differentiating factors. Members noted deep, ongoing structural challenges in China, specifically related to the real estate sector and continued softness in consumption. Members observed limited official sector appetite to address these issues in the near term. Members were also attentive to potential changes in U.S. trade and foreign policy that could impact China, Europe, and certain emerging market economies.

Discussion of Volatility in Early August

Committee members noted that markets functioned through the elevated volatility in early August and that liquidity conditions across markets quickly recovered. Members noted the events catalyzing the volatility were a weak U.S. employment report and a somewhat unexpected rate increase by the Bank of Japan. Moves across markets were in turn seen as amplified by a few technical factors. Members flagged pro-cyclical risks associated with increased capital allocation to levered hedge fund strategies, growth in types of quantitative investment strategies that profit during periods of low volatility, and changes in market structure toward more dynamic marginal buyers and sellers of financial assets.