

FEDERAL RESERVE BANK *of* NEW YORK

33 LIBERTY STREET, NEW YORK, NY 10045-0001

Minutes of the Investor Advisory Committee on Financial Markets

April 18, 2018

Federal Reserve Bank of New York

Committee attendees:

William A. Ackman, Pershing Square Capital Management, L.P.	Bob Jain, Millennium Management
Tim Buckley, Vanguard	Paul T. Jones, Tudor Investment Corp.
James Chanos, Kynikos Associates	Scott Miner, Guggenheim Partners
Ray Dalio, Bridgewater Associates LP	Rebecca Patterson, Bessemer Trust
Mary Callahan Erdoes, J.P. Morgan Asset Management	Rick Rieder, BlackRock, Inc.
Dawn Fitzpatrick, Soros Fund Management	John W. Rogers Jr., Ariel Investments
Vicki Fuller, New York State Comptroller	David M. Rubenstein, The Carlyle Group
Joshua Harris, Apollo Management	David Tepper, Appaloosa Management L.P.
William H. Heyman, The Travelers Companies, Inc.	

FRBNY attendees:

William Dudley, Chair	William O'Boyle
Sarah Bell	Simon Potter
Julia Gouny	Matthew Raskin
Michael Held	Julie Remache
Beverly Hirtle	Michael Schetzel
Lorie Logan	Kevin Stiroh
Meg McConnell	Michael Strine
Michael Nelson	Benedict Wensley

Representatives of FRBNY provided an overview of the FX Global Code and efforts to encourage its adoption by a diverse and broad spectrum of market participants.

Global Developments

Committee attendees discussed the March 2018 FOMC statement, press conference, and Summary of Economic Projections, as well as expectations for Federal Reserve policy over the remainder of 2018. Several attendees noted the importance of FOMC communications around the path of its policy rate and the Federal Reserve's balance sheet. Attendees also discussed recent developments in financial conditions, including equity valuations, the exchange value of the US dollar and term money market rates, and the implications for the path of monetary policy.

Committee attendees discussed their views on recent developments related to trade and US fiscal policy, and the potential implications for the US and global economy and financial markets. Attendees noted risks associated with large budget deficits late in the economic cycle, and highlighted the need for further understanding of the relationship between interest rates and budget deficits. Attendees discussed ways in which trade tensions could escalate, including retaliatory measures that US trading partners could take.

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Committee attendees discussed the drivers of the elevated volatility in equity markets over recent months, and the response of various investor-types. Attendees generally viewed the volatility as having been driven by technical factors, and noted that trading conditions in most markets had remained healthy throughout the volatility.

Committee attendees discussed the drivers of the recent widening in the spread between LIBOR and comparable-maturity overnight index swap rates, as well as their expectations for this spread going forward and the implications for the economy, financial markets, and monetary policy. Attendees pointed to increased issuance of Treasury securities as having led to a rise in Treasury bill rates and other money market rates and spreads. Views on the extent to which the rise in LIBOR-OIS would retrace were mixed.