



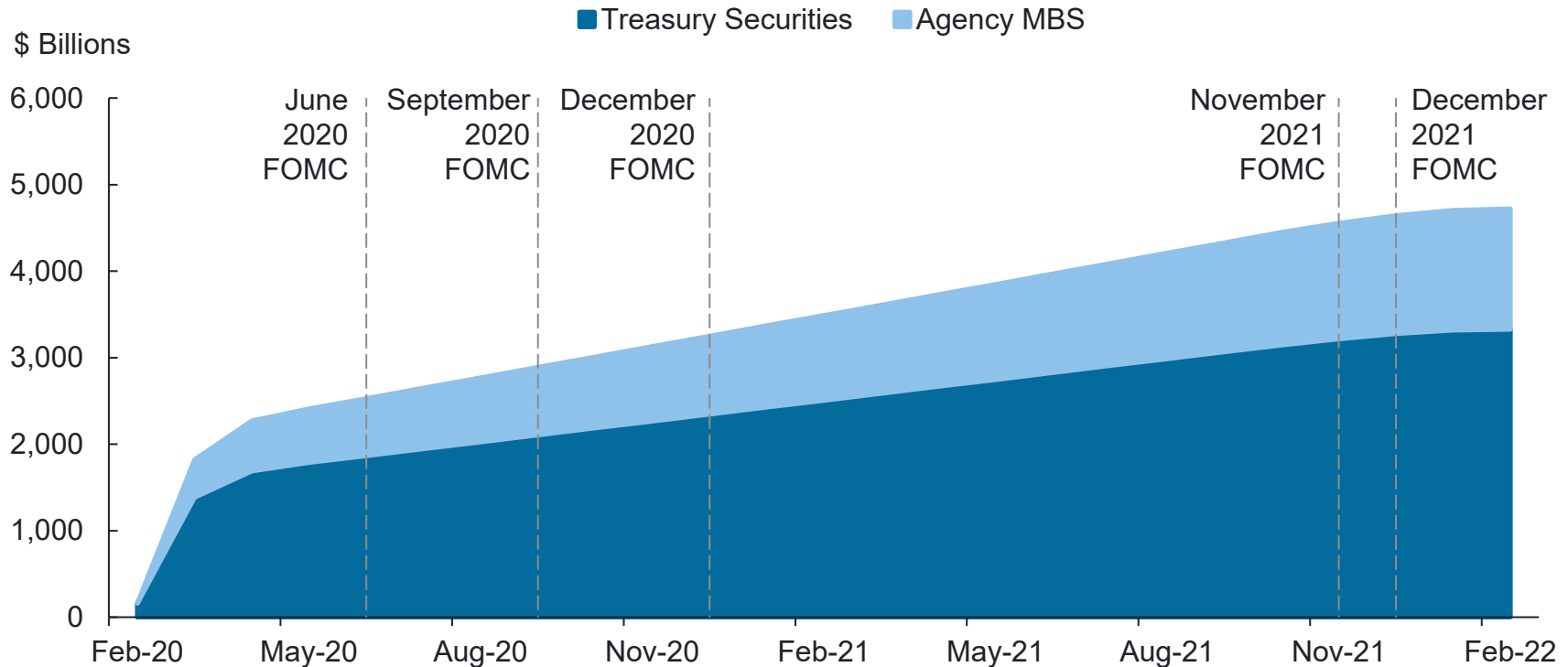
FEDERAL RESERVE BANK *of* NEW YORK

Federal Reserve Asset Purchases: The Pandemic Response and Considerations Ahead

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The views presented here are those of the author and do not necessarily reflect those of the Federal Reserve Bank of New York or the Federal Reserve System

Figure 1: Cumulative Net Purchases of Treasury Securities and Agency MBS



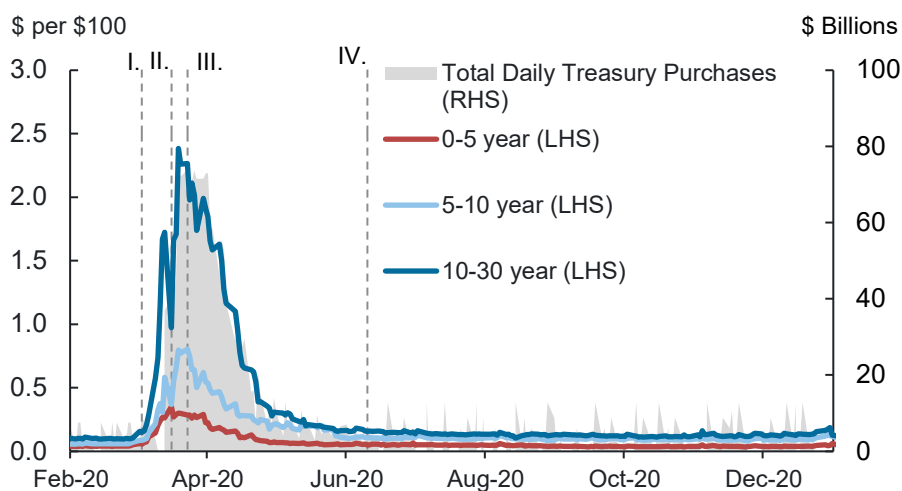
Note: At its June 2020 meeting, the FOMC transitioned the objective of its purchases from supporting to sustaining smooth market functioning. At its September 2020 meeting, the FOMC expanded its asset purchase objective to include helping to foster accommodative financial conditions. In December 2020, the FOMC stated that it would continue to increase its holdings of Treasury securities by at least \$80 billion per month and of agency mortgage-backed securities by at least \$40 billion per month in order to help foster smooth market functioning and accommodative financial conditions, thereby supporting the flow of credit to households and businesses. At its November 2021 meeting, the FOMC announced that it would begin reducing the monthly pace of its net asset purchases by \$10 billion for Treasury securities and \$5 billion for agency MBS. At its December 2021 meeting, the FOMC announced that it would reduce the monthly pace of its net asset purchases by \$20 billion for Treasury securities and \$10 billion for agency MBS.

Source: Federal Reserve Bank of New York



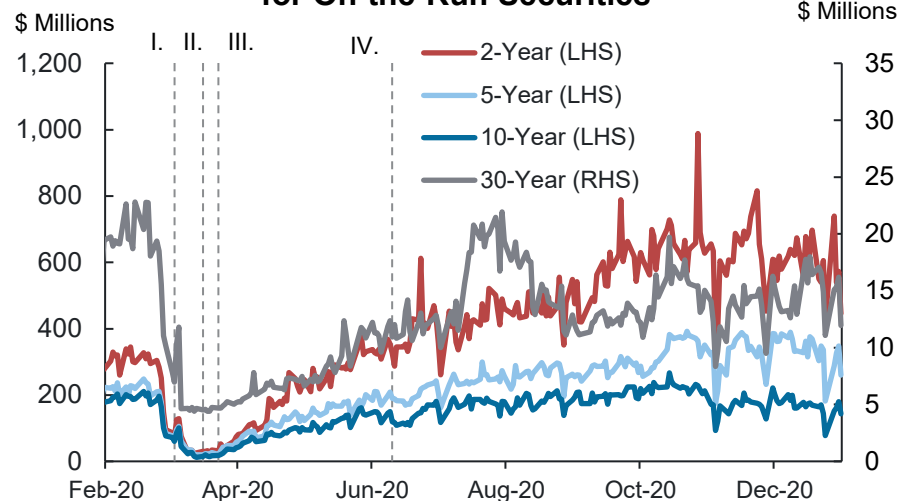
Figure 2: Treasury Market Functioning

(a) Daily Average Treasury Bid-Ask Spreads



Note: Daily average Treasury bid-ask spreads are calculated as the average difference between indicative bid and ask price quotes for all nominal coupon securities in a given maturity range between 9:00 am and 9:05am. I. Fed funds rate cut (50 bps) II. Fed funds rate cut (100 bps) and initiated purchases to support market functioning III. Initiated purchases to support smooth market functioning "in the amounts needed" IV. At its June 2020 meeting, the FOMC transitioned the objective of its purchases from supporting to sustaining smooth market functioning, and stated it would conduct purchases "at least at the current pace."
Source: Federal Reserve Bank of New York

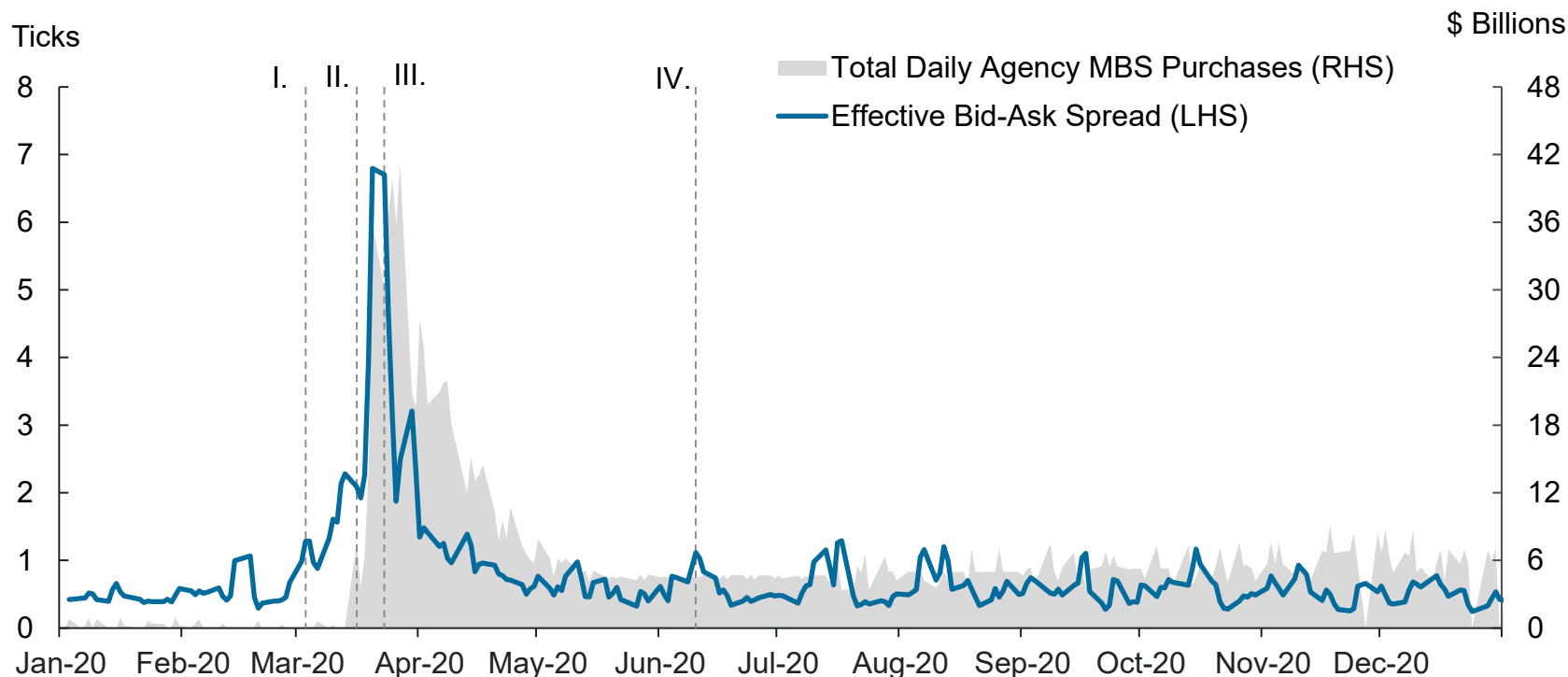
(b) Daily Treasury Market Depth for On-the-Run Securities



Note: Daily Treasury market depth is calculated as the average total par amount of executable orders that exist at the top 3 price levels in the central limit order book over the U.S. trading day. I. Fed funds rate cut (50 bps) II. Fed funds rate cut (100 bps) and initiated purchases to support market functioning III. Initiated purchases to support smooth market functioning "in the amounts needed" IV. At its June 2020 meeting, the FOMC transitioned the objective of its purchases from supporting to sustaining smooth market functioning, and stated it would conduct purchases "at least at the current pace."
Source: Federal Reserve Bank of New York, Brokertec

Figure 3: Agency MBS Market Functioning

Agency MBS Effective Bid-Ask Spread

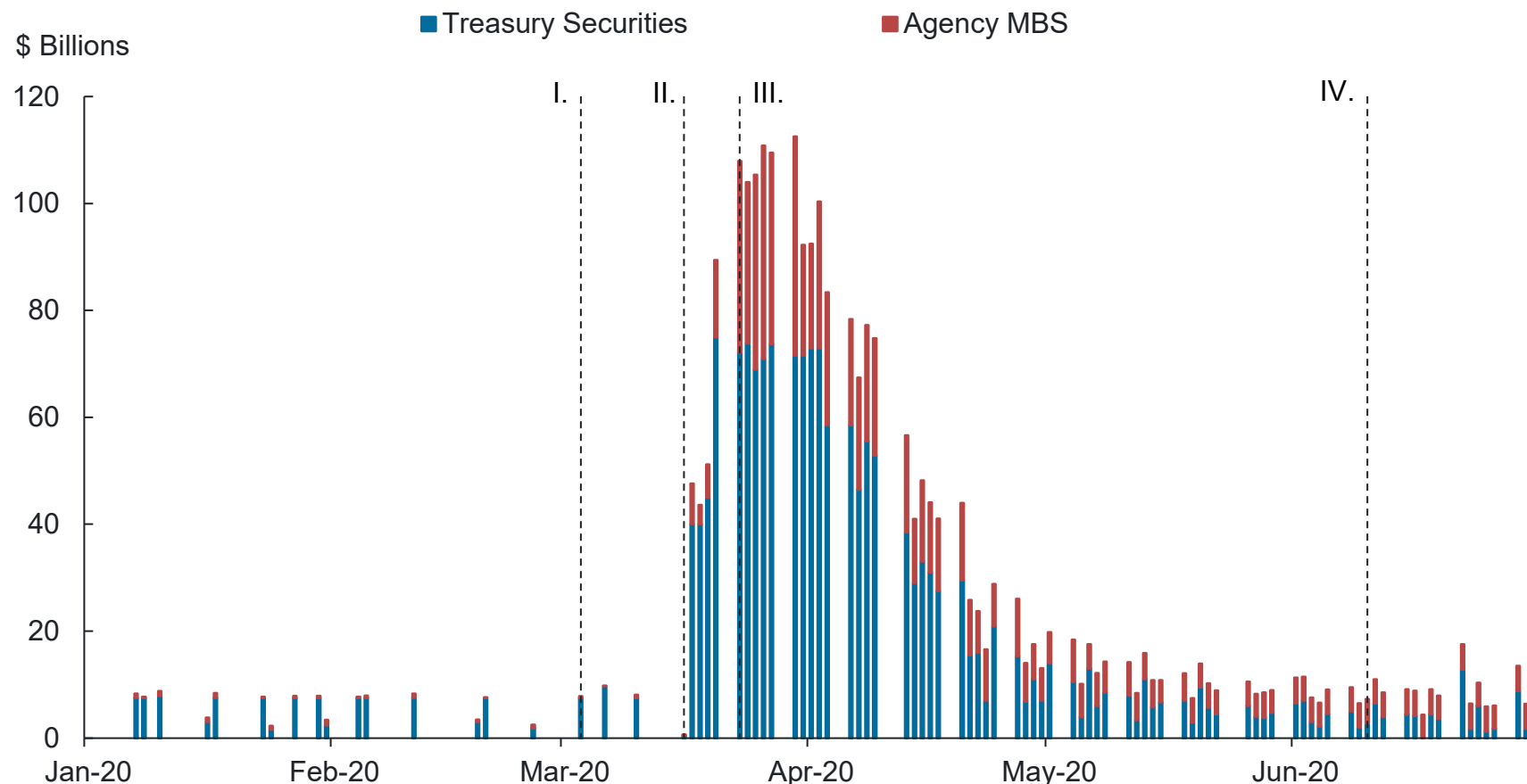


Note: A tick is 1/32 of \$1. Effective bid-ask spread shown is calculated as 2-day moving average of volume-weighted realized bid-ask spread across 15- and 30-year 2.0%-7.0% to-be-announced MBS. Effective bid-ask spread equals daily average sell price minus buy price of dealer-to-customer transactions. I. Fed funds rate cut (50 bps) II. Fed funds rate cut (100 bps) and initiated purchases to support market functioning III. Initiated purchases to support smooth market functioning "in the amounts needed" IV. At its June 2020 meeting, the FOMC transitioned the objective of its purchases from supporting to sustaining smooth market functioning, and stated it would conduct purchases "at least at the current pace."

Source: Federal Reserve Bank of New York, Financial Industry Regulatory Authority (FINRA), Trade Reporting and Compliance Engine (TRACE).



Figure 4: Total Daily Asset Purchases



Note: I. Fed funds rate cut (50 bps) II. Fed funds rate cut (100 bps) and initiated purchases to support market functioning III. Initiated purchases to support smooth market functioning "in the amounts needed" IV. At its June 2020 meeting, the FOMC transitioned the objective of its purchases from supporting to sustaining smooth market functioning, and stated it would conduct purchases "at least at the current pace."

Source: Federal Reserve Bank of New York

Figure 5: Comparison of SOMA Portfolio

(\$ Trillions)	End of LSAP 3 Nov 2014	Current Feb 2022
Total Balance Sheet	\$4.5	\$8.9
<i>SOMA Portfolio</i>	\$4.2	\$8.5
Percent Nominal GDP	24%	35%
<i>SOMA Treasury</i>	\$2.5	\$5.7
Percent of SOMA Holdings	58%	68%
Percent <3 years to Maturity	16%	45%
Weighted Average Maturity (in years)	9.7	7.6
<i>SOMA Agency MBS*</i>	\$1.7	\$2.7
Percent of SOMA Holdings	41%	32%

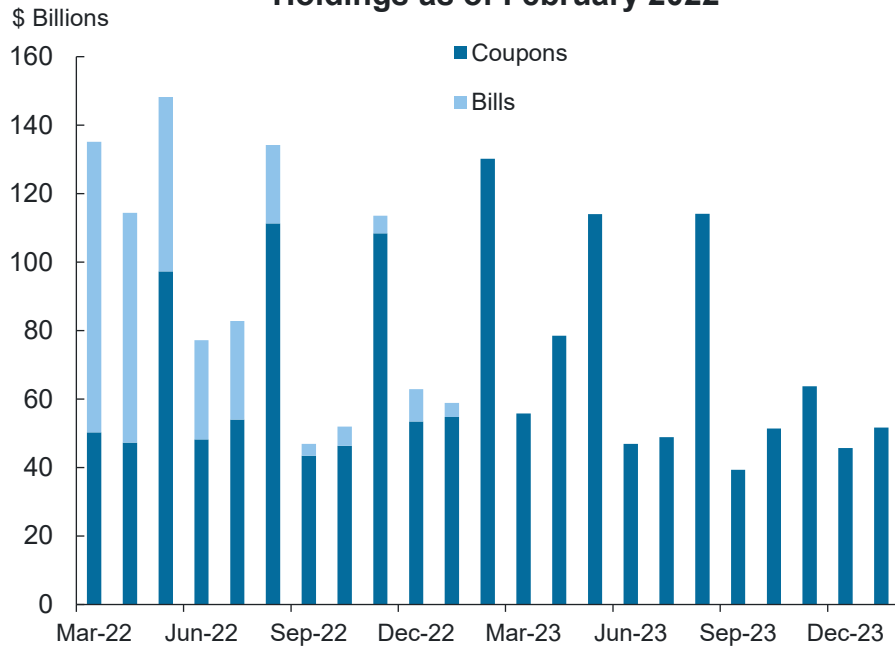
Note: *Excluding CMBS.

Source: Federal Reserve Bank of New York



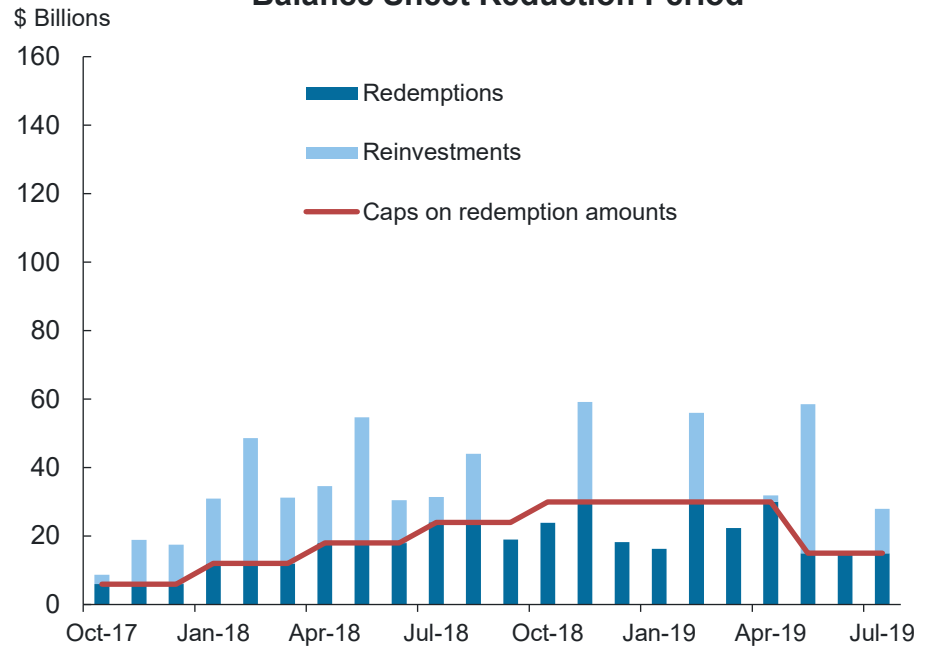
Figure 6: SOMA Treasury Principal Payments

(a) Projected Principal Payments on SOMA Treasury Holdings as of February 2022



Source: Federal Reserve Bank of New York

(b) Actual Principal Payments During Prior Balance Sheet Reduction Period

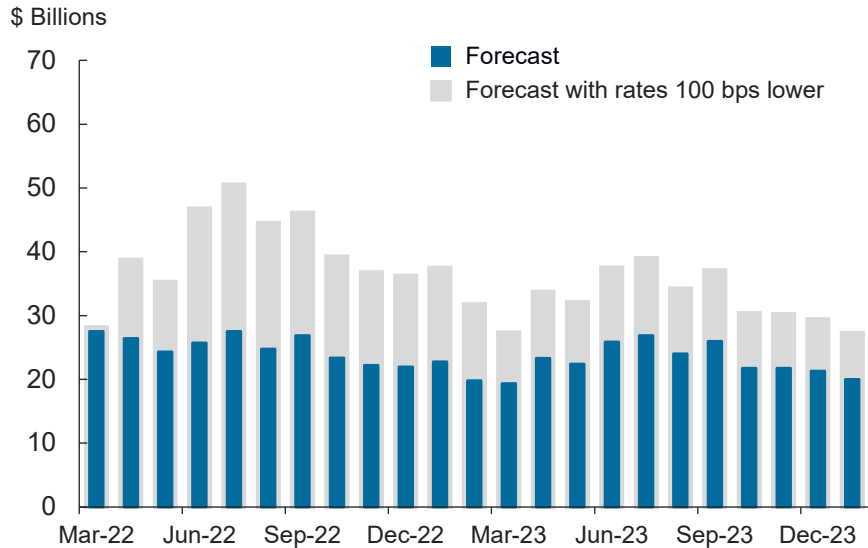


Source: Federal Reserve Bank of New York



Figure 7: SOMA Agency MBS Principal Payments

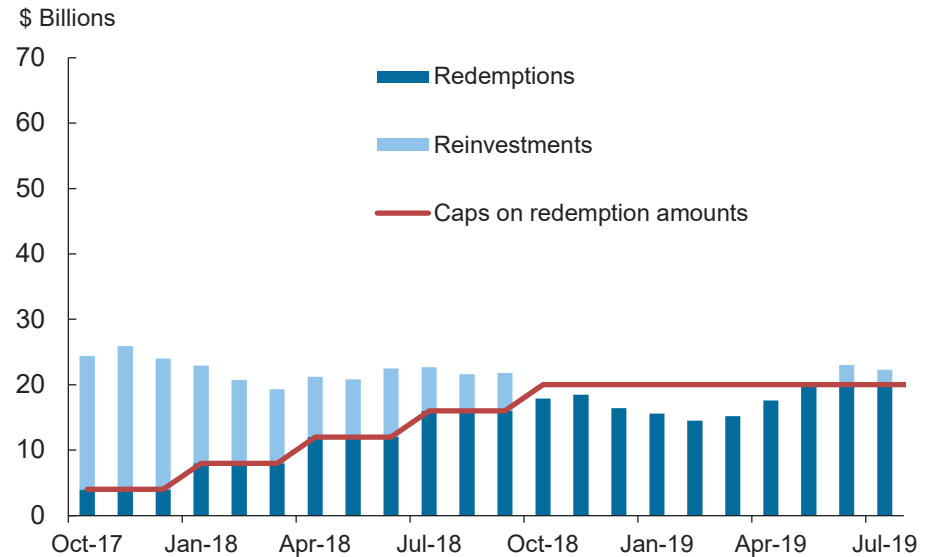
(a) Projected Principal Payments on SOMA Agency MBS Holdings as of February 2022



Note: Calculates principal payments on settled and unsettled MBS holdings of existing portfolio as of February 2022. Assumptions for interest rates are based on the market-implied path of interest rates as of February 18, 2022.

Source: Federal Reserve Bank of New York

(b) Actual MBS Paydowns During Prior Balance Sheet Reduction Period



Source: Federal Reserve Bank of New York

