

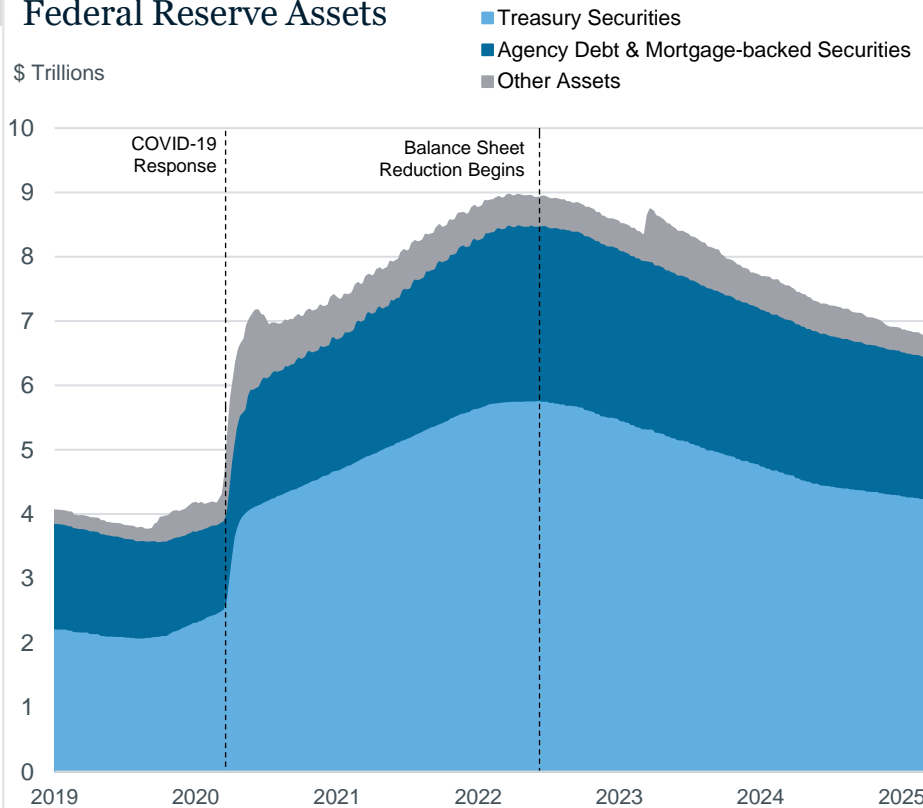
Current Issues in Monetary Policy Implementation

Roberto Perli, System Open Market Account (SOMA) Manager
Remarks before the Money Marketeers of New York University
March 5, 2025

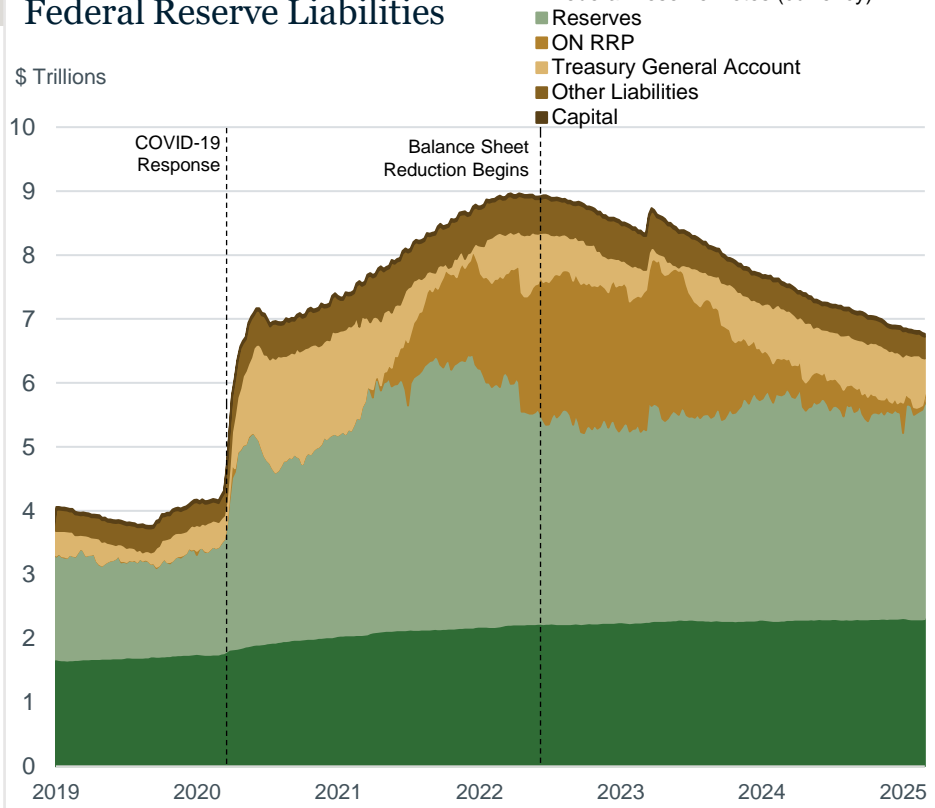


The Fed has been reducing its balance sheet consistent with the FOMC's May 2022 plans; the net reduction in liabilities has been mostly from the ON RRP

1 Federal Reserve Assets

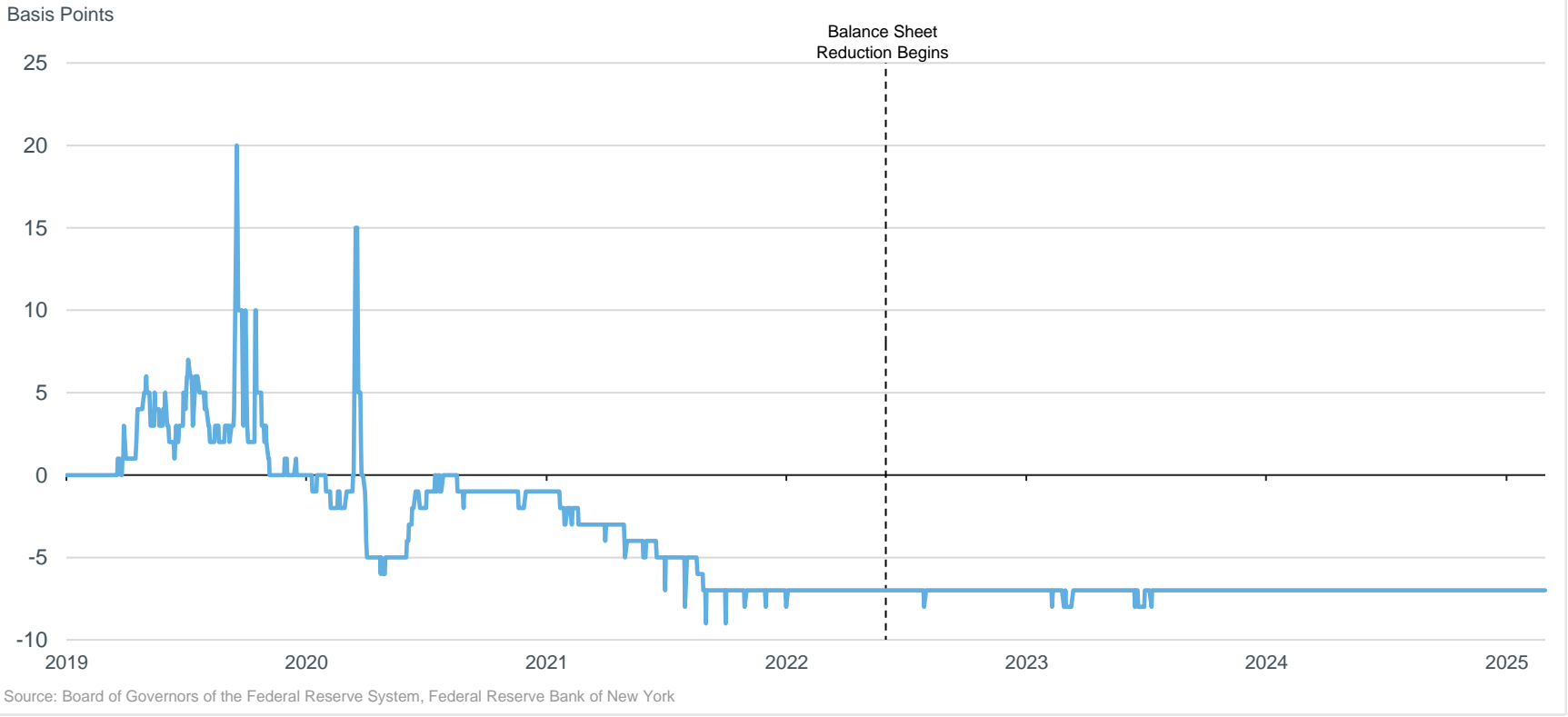


2 Federal Reserve Liabilities



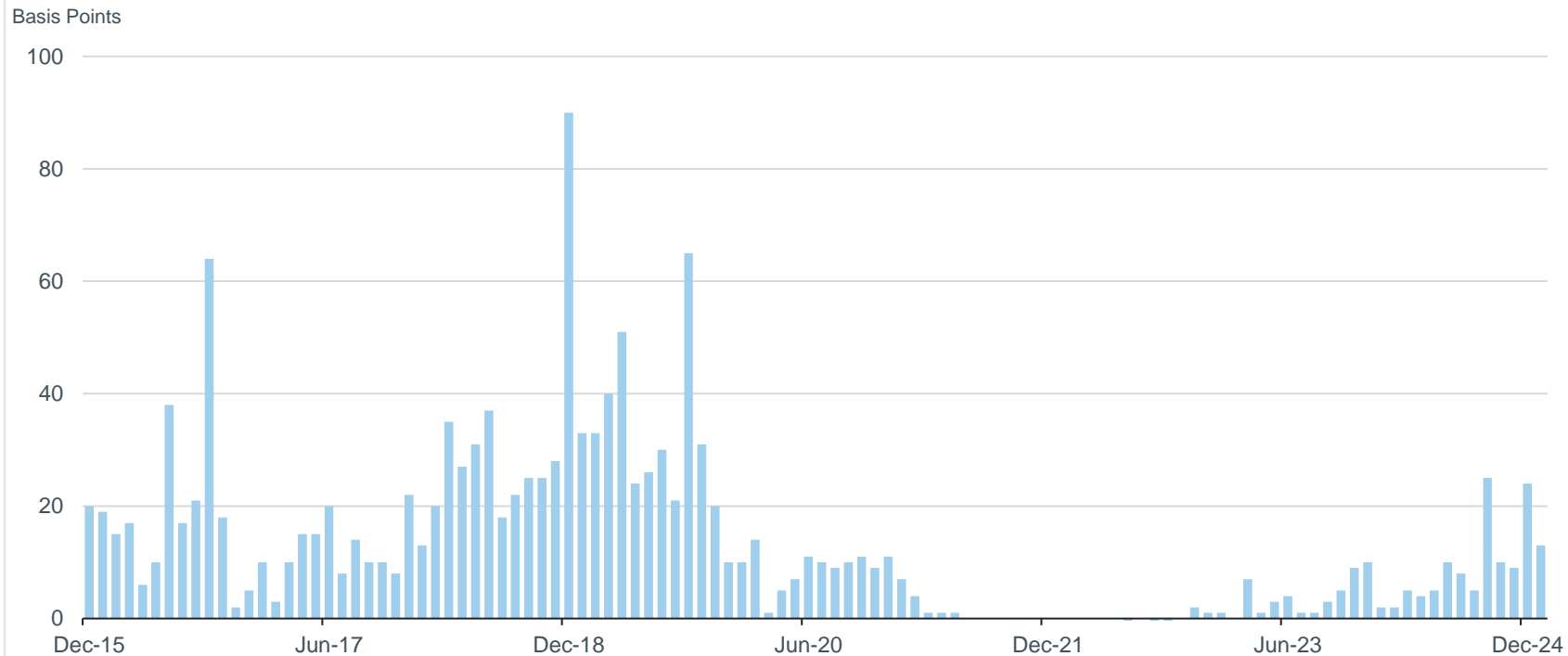
The spread between the effective federal funds rate (EFFR) and the interest rate on reserve balances (IORB) has been steady at -7 or -8 bps since runoff began

3 EFFR-IORB Spread



There has been a reemergence of month-end repo rate volatility

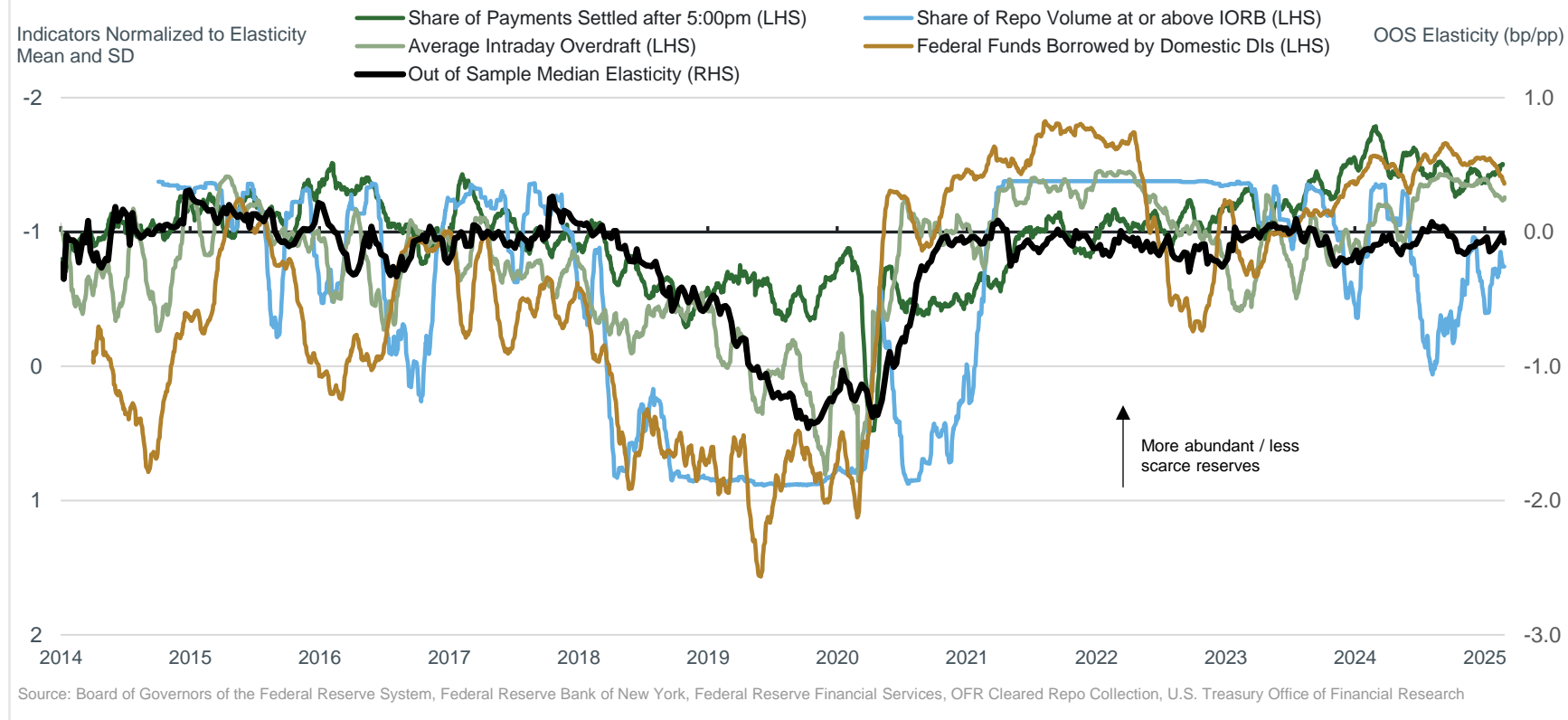
4 Month-End Repo Spread to ON RRP Rate



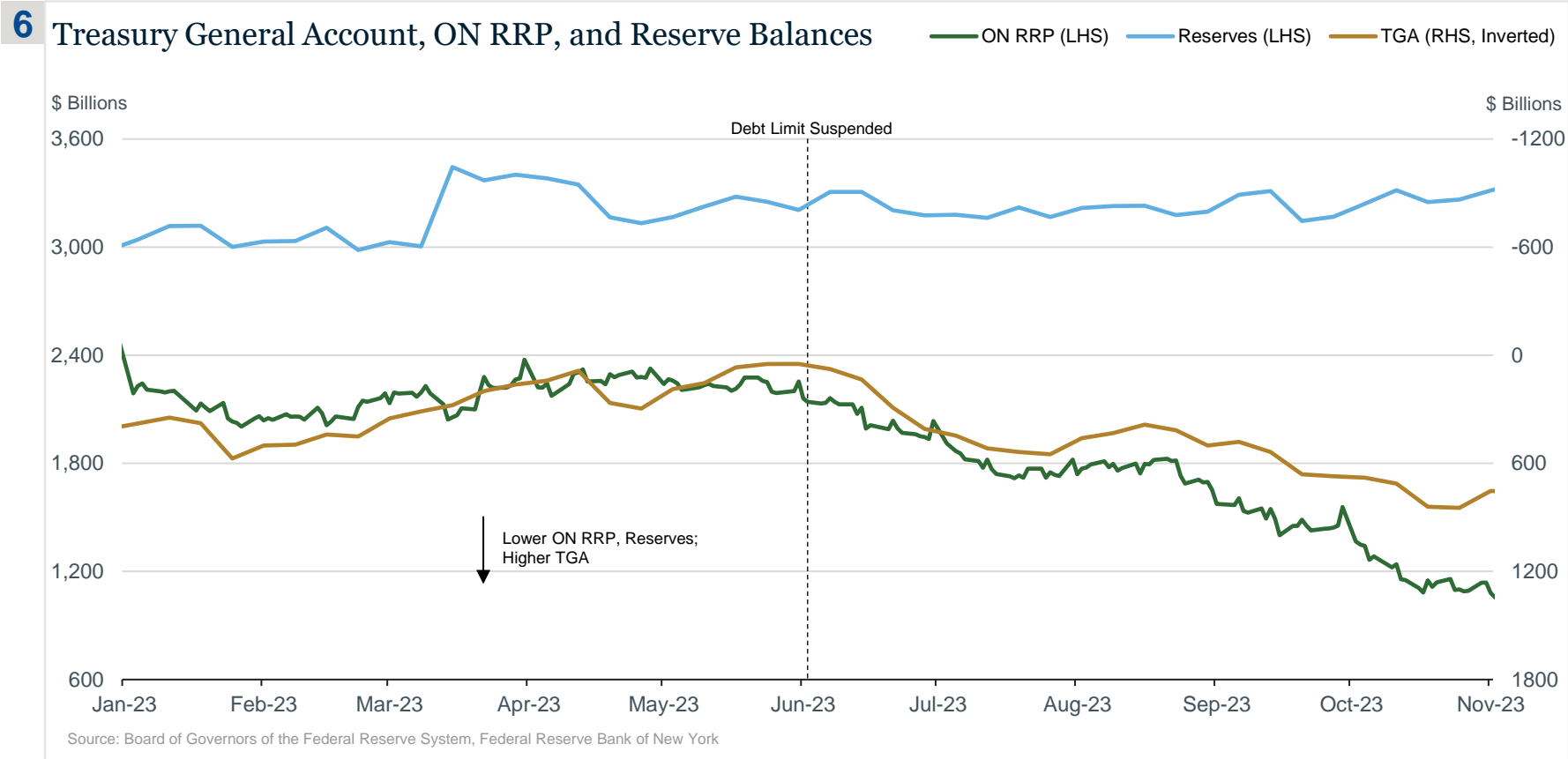
Note: Month-end spread calculated as the maximum SOFR-ON RRP spread in the 5 day period centered on the last business day of the month. Indicative SOFR values previously released by FRBNY are used for dates prior to SOFR's launch in April 2018.
Source: Federal Reserve Bank of New York

A number of indicators continue to point to abundant reserve levels, but there is evidence that pressures in the repo market have been gradually increasing

5 Fed Funds Sensitivity and Complementary Indicators of Reserves Ampleness

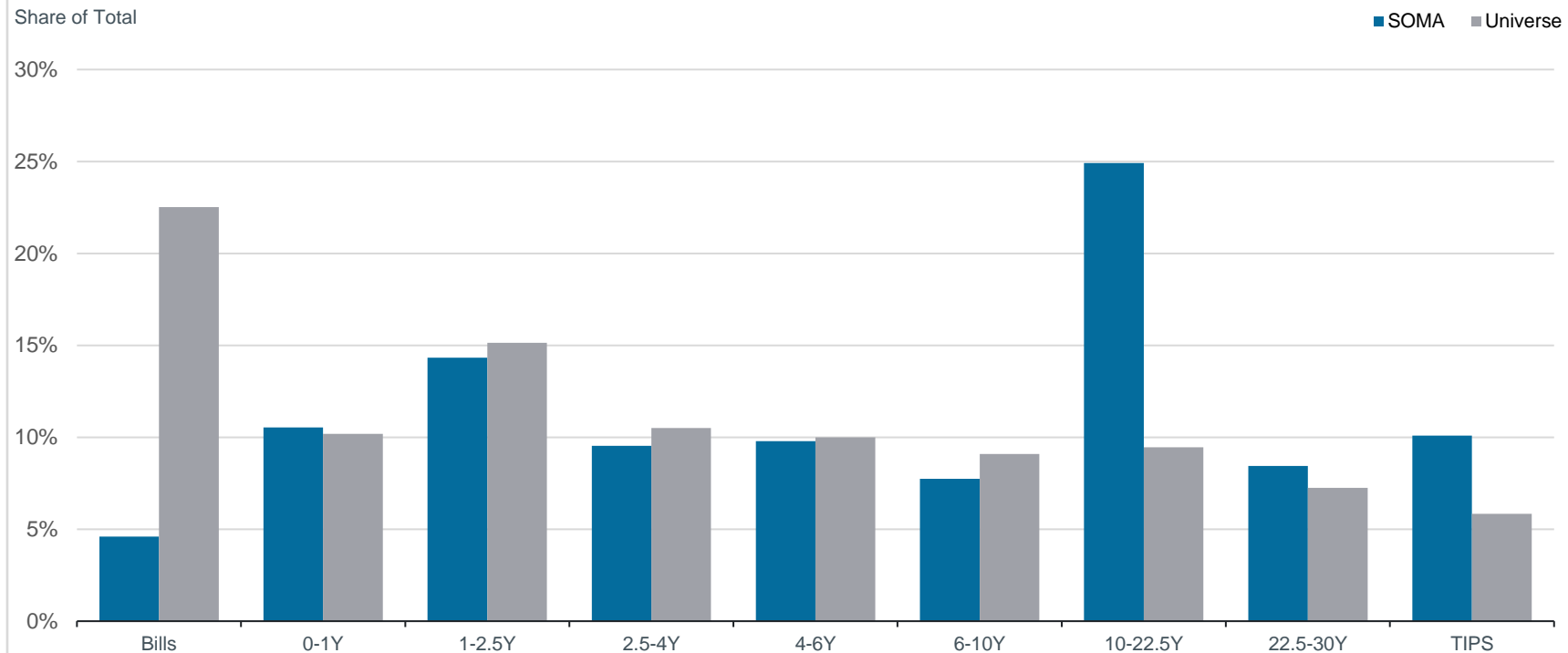


After the debt limit was suspended in June 2023, the TGA increased by \$600 billion over three to four months; a decline in the ON RRP offset the TGA rebuild



Relative to outstanding Treasury debt, the SOMA portfolio is underweight bills and overweight coupons with 10 to 22.5 years remaining to maturity

7 Maturity Composition of SOMA Treasury Holdings and Treasury Universe



Note: Maturity compositions as of February 2025. Floating rate notes included in the 0-1Y and 1-2.5Y sectors.
Source: Federal Reserve Bank of New York, U.S. Department of the Treasury