

FEDERAL RESERVE BANK *of* NEW YORK

33 LIBERTY STREET, NEW YORK, NY 10045-0001

Minutes of the Investor Advisory Committee on Financial Markets

February 12, 2025

Federal Reserve Bank of New York

Committee Attendees:

Naïm Abou-Jaoudé, New York Life Investment Management
Michael Arougheti, Ares Management
Dmitry Balyasny, Balyasny Asset Management
Leda Braga, Systematica
Ray Dalio, Dalio Family Office
Greg Davis, Vanguard
Stan Druckenmiller, Duquesne
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
Jeffrey Talpins, Element Capital
Anastasia Titarchuk, New York State Common Retirement Fund
Anne Walsh, Guggenheim Partners Investment Management

Federal Reserve Attendees:

John C. Williams
Kartik Athreya
Elizabeth Caviness
Annelise Escher
Tiffany Hewlin
Matthew Lieber
Rebecca McCaughrin

Timothy C. Nash, Jr.
Anna Nordstrom
Roberto Perli
Julie Remache
Maneesha Shrivastava
Ben Wensley
Rachel Wilson

Committee members reviewed anti-trust guidelines.

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

Committee members expressed increased uncertainty about the U.S. growth and inflation outlook and noted the challenges of parsing through recent developments to identify signals. Several members remarked that risks to their near-term inflation expectations were skewed to the upside, driven in part by incoming economic data and expected trade policy changes. Over the medium term, however, several members saw risks that tariffs could weigh on growth and noted increased uncertainty about impacts from changes to other policies, including fiscal policy. Some members viewed broader markets as suggesting too high a probability of Fed rate cuts and put somewhat more weight on the possibility of a future rate increase. A few members noted the wide distribution of expected rate outcomes that markets appeared to be pricing in, reflecting both perceived upside and downside risks to the outlook. Several members

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anticipated Treasury yields to rise, which some linked to Treasury's expected borrowing needs. Several members noted downside risks for perceived high equity valuations, particularly if rates moved higher.

Discussion of the International Economic and Monetary Policy Outlook

Committee members expected changes in U.S. policies to continue to impact the foreign macroeconomic outlook. Most agreed that the fundamental outlook for European growth was relatively subdued given the risk of tariffs, the war in Ukraine and other geopolitical risks, and increased political uncertainty. A few members viewed these headwinds as already priced in by markets and saw some value opportunities. Members noted elevated public debt burdens across some advanced economies. Regarding China, members continued to note the targeted stimulative measures implemented by policymakers but recognized expected ongoing structural headwinds to weigh on growth. Members expected policy tightening from the Bank of Japan to be measured in order to avoid disruptions to growth and financial markets.

Discussion of Developments in Crypto Asset Markets

Most Committee members noted that growth in crypto asset markets has been supported in part by more institutional adoption, including through the launch of Bitcoin ETFs last year. Nevertheless, members noted challenges in approaching crypto as an investible asset class, specifically highlighting its recent positive correlation to risk assets and thus limited benefit in portfolio diversification. Members perceived low systemic risk from crypto markets, noting still-limited linkages between crypto assets and broader financial markets, but noted some risk that large declines in crypto asset prices could still spill over to broader markets. Members noted a possible shift in policy and regulation around crypto assets and also saw potential for the development of dollar-linked stablecoins.