33 LIBERTY STREET, NEW YORK, NY 10045-0001

**Minutes of the Investor Advisory Committee on Financial Markets**

April 7, 2021

Federal Reserve Bank of New York

Committee Attendees:

Gregory Davis, Vanguard
Dawn Fitzpatrick, Soros Fund Management
Britt Harris, The University of Texas/Texas A&M Investment Management Company
William H. Heyman, The Travelers Companies, Inc.
Holly H. MacDonald, Bessemer Trust
Bob Jain, Millennium Management
Paul T. Jones, Tudor Investment Corp.
Scott Minerd, Guggenheim Partners
John W. Rogers, Jr., Ariel Investments
David M. Rubenstein, The Carlyle Group

Federal Reserve Attendees:

John C. Williams
Anne Baum
Jim Cronin
Jennifer Crystal
Samuel Earl
Michael Held
Beverly Hirtle
Lorie Logan
Rebecca McCaughrin
Meg McConnell
Michael Nelson
Matthew Raskin
Julie Remache
Benjamin Snodgrass
Kevin Stiroh
Benedict Wensley
Tim Wessel
Patricia Zobel

**Discussion of the Economic and Monetary Policy Outlooks**

Committee attendees generally expected the U.S. economy to exhibit very strong growth this year driven by the combination of substantial fiscal stimulus, progress on U.S. vaccine rollout and economic reopening and accommodative monetary policy. They noted that any additional fiscal spending in the form of infrastructure spending would be a further boost to growth, though the impact of this would not likely be seen for some years and might be offset to some degree by higher taxes. Many noted that a key uncertainty was how much of the build-up in household savings would be spent as the economy reopens.

Committee attendees also discussed their outlooks for inflation. Some thought additional fiscal spending would create some sustained price pressures, though many others expected the increase in inflation to be transitory and gauged that inflation persistently well above 2 percent as unlikely. Some thought a tight labor market in the services sector would likely contribute to wage pressures and some thought that the factors contributing to low inflation over the last several decades were reversing, amid social pressure on corporations, expectations for a rise in corporate tax rates, and gains from global trade and supply chain integration having possibly been realized.

Some committee attendees also noted that the U.S. was continuing to lead the post-pandemic recovery, as vaccine distribution was ahead of many other jurisdictions, and parts of Europe faced renewed lockdowns. Some also noted that the U.S. would soon start sharing vaccine doses with other countries, and that emerging market economies would be pulled along by the very strong recovery in the U.S. Others were less sanguine and noted rising case counts in some countries.

**Discussion of Outlook for Real Estate Markets**

Committee attendees next discussed their outlooks for the residential and commercial real estate markets. Attendees noted demand was very robust in many residential markets and that the trend was likely to continue, driven by higher household savings being used for down payments and lower mortgage rates both improving affordability. They noted that several different regional trends continued, including those driven by greater location flexibility for jobs given remote working and also state tax differentials.

Commercial real estate was reportedly more mixed with some sectors expected to recover strongly after the pandemic while others would likely remain weak or recover more slowly. Some thought that the multi-family sector would do well amid the broader residential market strength, while retail and office would likely take time to recover. Some thought that many firms, particularly in high density business districts, would likely reduce their office space amid greater amounts of remote work as their leases expire. Others noted that certain mid-sized cities were seeing an influx of firms and would likely face some supply constraints going forward. With respect to the retail sector, trends in place prior to the pandemic were seen as being accelerated by the shift to online purchases and the retail sector would likely remain challenged as a result.

**Discussion of Losses at Several Banks Due to Client Exposures**

Committee attendees next discussed recent events stemming from media reports of a family office defaulting on margin calls from several prime brokers. Some noted that the episode highlighted several risks in financial markets, particularly around what they viewed as concentrated positions and deficient risk management. They thought that the broader market impact may have been greater if it had not happened in benign period. Some also noted that the episode was likely already changing risk management at certain institutions as many were likely already looking at other potentially concentrated or illiquid exposures. They also expected institutions to make adjustments to the structure of certain types of equity swaps and thought there should be more disclosure of exposures via swaps. A few thought that a low interest rate environment could lead to increased risk taking and higher leverage among firms.