



FEDERAL RESERVE BANK *of* NEW YORK

U.S. Treasury Market Liquidity

Lorie Logan, Deputy SOMA Manager

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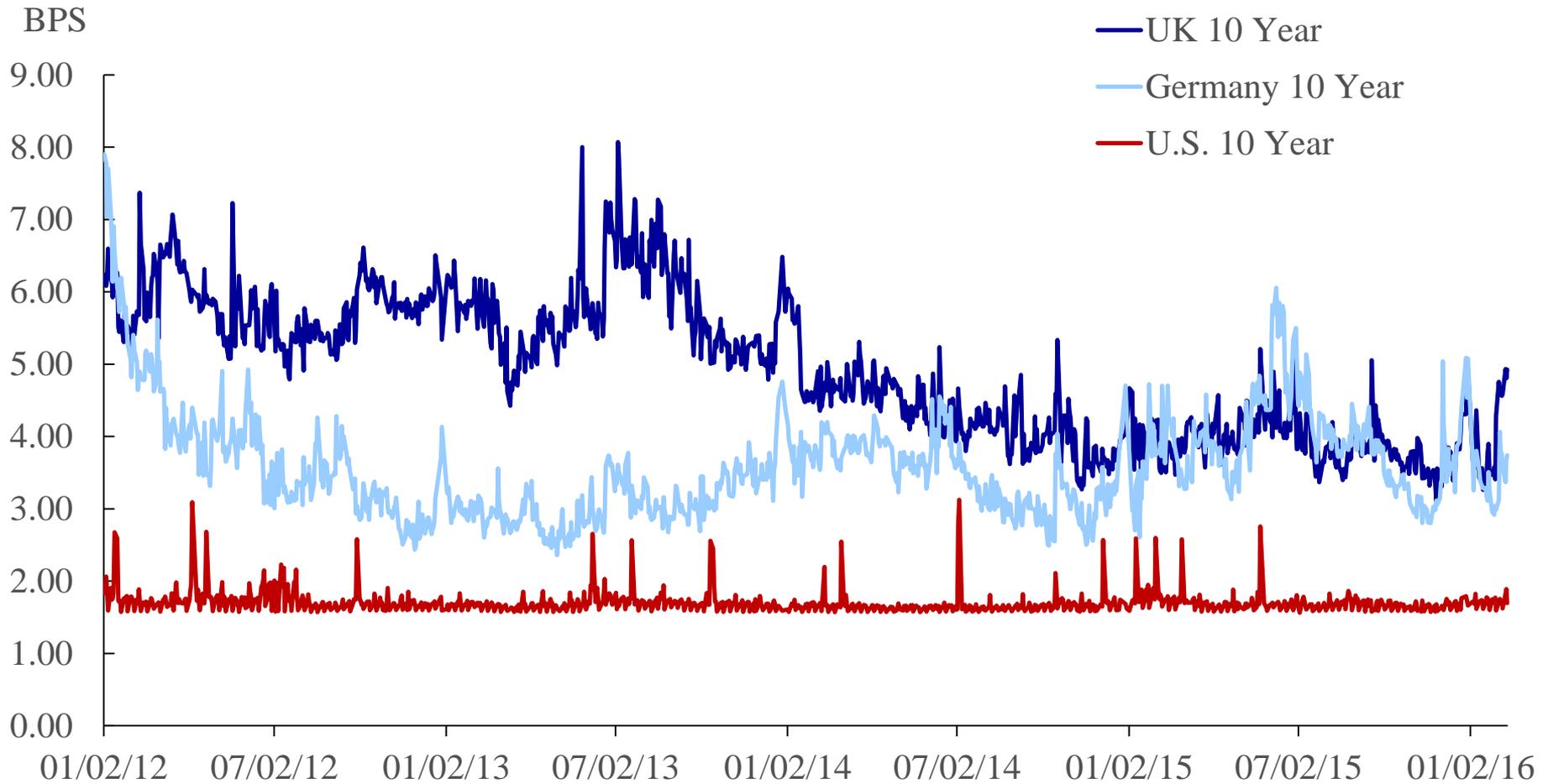
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Agenda

- Role of Treasury market and recent developments
- Key lessons of Joint Staff Report on October 15, 2014
- “Request for Information” from U.S. Department of Treasury and efforts to increase market transparency



Global Bid-Ask Spreads



Source: Tradeweb



10-Year Treasury Yield on October 15, 2014

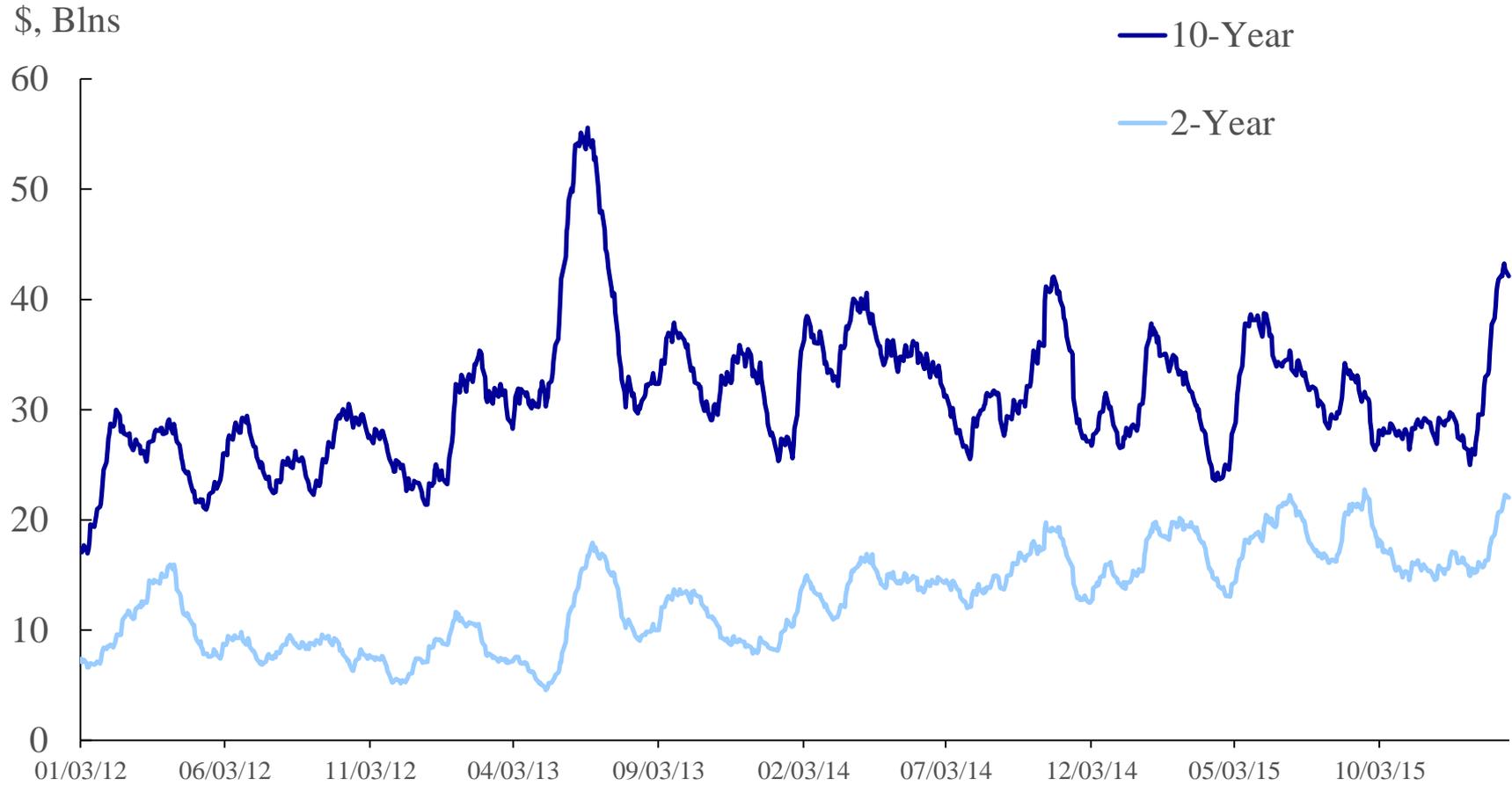


Note: 1-minute daily observations; intraday figures show October 15 U.S. trading hours.

Source: Bloomberg



Treasury Benchmark Daily Volume



Note: Data reflects a 21-day moving average.

Source: BrokerTec



Themes from the Treasury Market Review

- Composition of participants in the Treasury market has changed significantly, with many market participants using electronic trading strategies and execution systems
- The increased electronification of the Treasury market introduces new challenges around operational risk, oversight and risk management, and market liquidity
- To be able to meet these challenges, the market requires increased transparency and data availability
- Treasury funding markets are also undergoing changes that may affect Treasury financing dynamics



Joint Staff Report: Next Steps

1. Further study of the evolution of the U.S. Treasury market and the implications for market structure and liquidity
2. Continued monitoring of trading and risk management practices across the U.S. Treasury market and a review of the current regulatory requirements applicable to the government securities market and its participants
3. An assessment of the data available to the public and to the official sector on U.S. Treasury cash securities markets
4. Continued efforts to strengthen monitoring and surveillance and promote inter-agency coordination related to the trading across the U.S. Treasury market



Request for Information

- On January 19, 2016, the U.S. Department of Treasury published a Request for Information (RFI) to gather information from the public about Treasury market structure and evolution
 - The questions in the RFI generally follow the four areas of next steps identified in the October 15 report
- The RFI noted that the “need for more data for the official sector is clear”
- The results will help inform what form the expanded data gathering will take, and whether expanded public transaction reporting is warranted



Recent Reports and Publications:

- Joint Staff Report. The U.S. Treasury Market on October 15, 2014.
- Bank for International Settlements. Electronic Trading in Fixed Income Markets. January 2016.
- U.S. Department of Treasury. Notice Seeking Public Comment on the Evolution of the Treasury Market Structure. January 2016.
- 2015 Financial Stability Oversight Council Annual Report.

Recent Conferences:

- Federal Reserve Bank of New York Conference on the Evolving Structure of the U.S. Treasury Market. October 20, 2015. newyorkfed.org/newsevents
- Roundtable on Treasury Markets and Debt Management. November 19, 2015. www.treasury.gov



Speeches during the FRBNY Conference on the Evolving Structure of the U.S. Treasury Market (newyorkfed.org/newsevents):

- Bill Dudley, President, Federal Reserve Bank of New York
- Jerome Powell, Governor, Board of Governors of the Federal Reserve System
- Antonio Weiss, Counselor to the Secretary, U.S. Treasury
- Mary Jo White, Chair, U.S. Securities and Exchange Commission

Liberty Street Economics Blog (newyorkfed.org):

- *Has U.S. Treasury Market Liquidity Deteriorated?* (08/17/15)
- *Is Treasury Market Liquidity Becoming More Concentrated?* (02/11/15)
- *Liquidity during Flash Events* (08/18/15)
- *High-Frequency Cross-Market Trading in U.S. Treasury Markets* (08/19/15)