



FEDERAL RESERVE BANK *of* NEW YORK

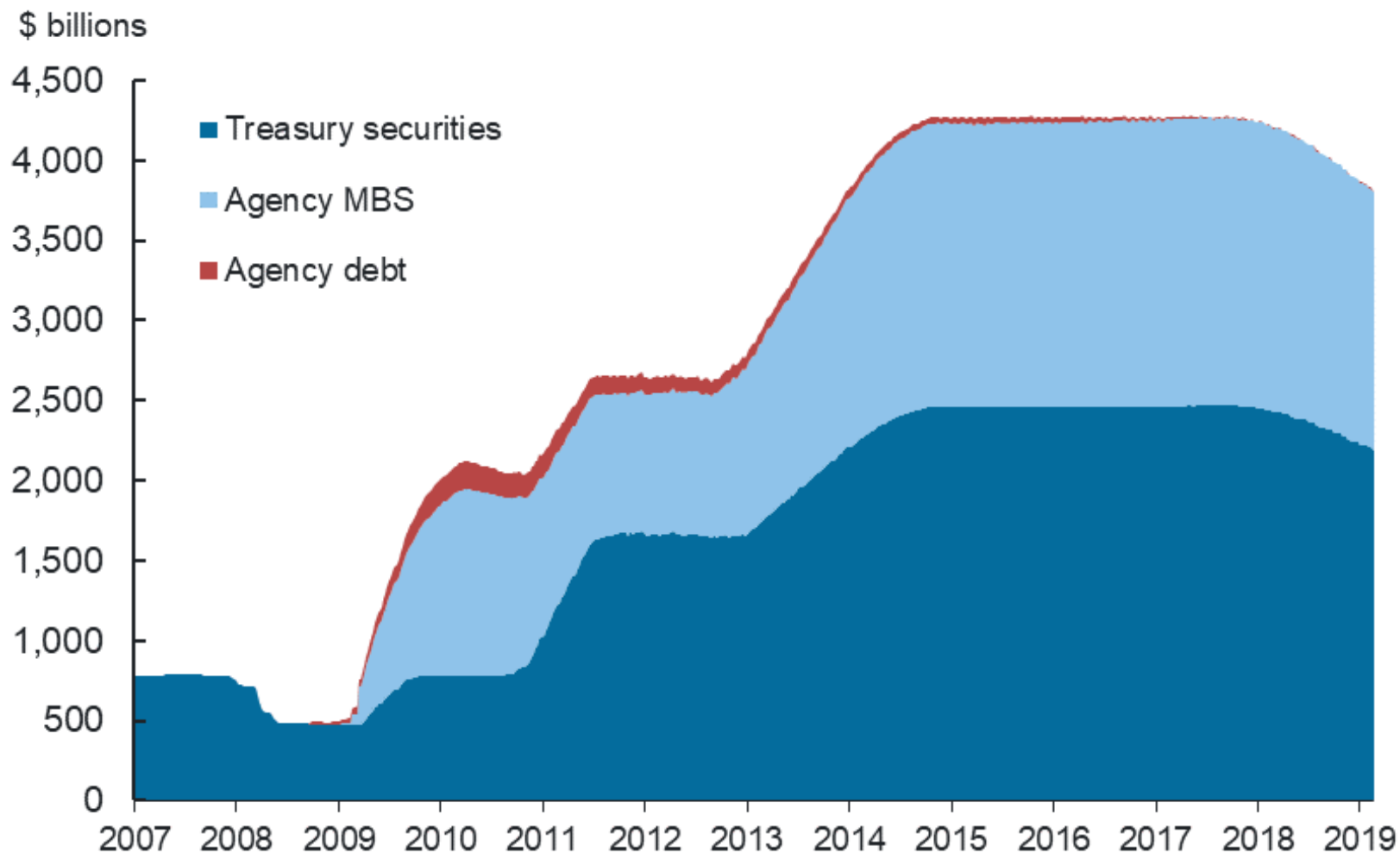
The Federal Reserve's Experience Purchasing and Reinvesting Agency MBS

Remarks at the Bank of England
London, UK

Simon Potter
March 7, 2019

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

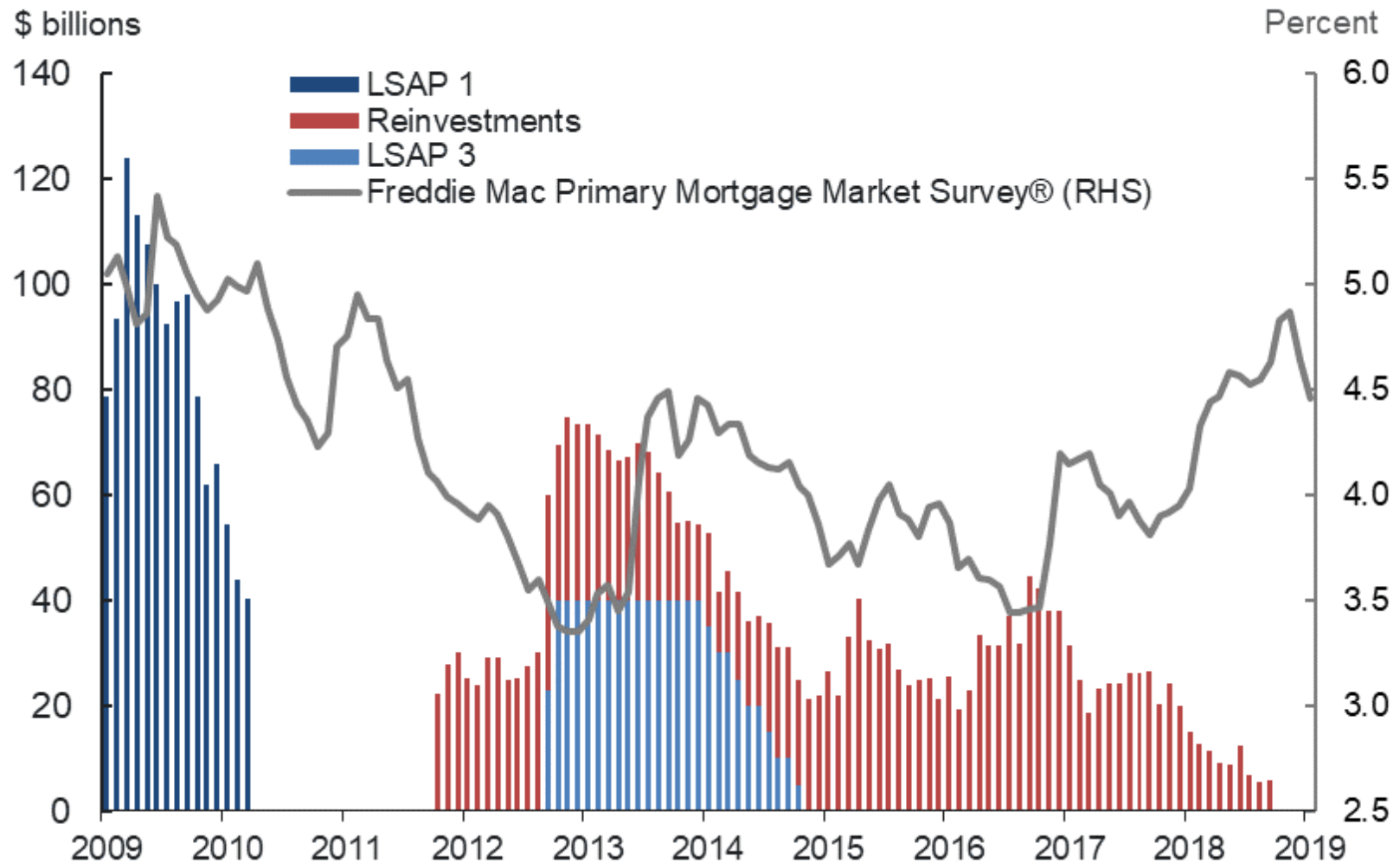
Figure 1: Composition of SOMA Domestic Securities Holdings



Source: Board of Governors of the Federal Reserve System. Figures are weekly averages of daily figures and include unsettled holdings.



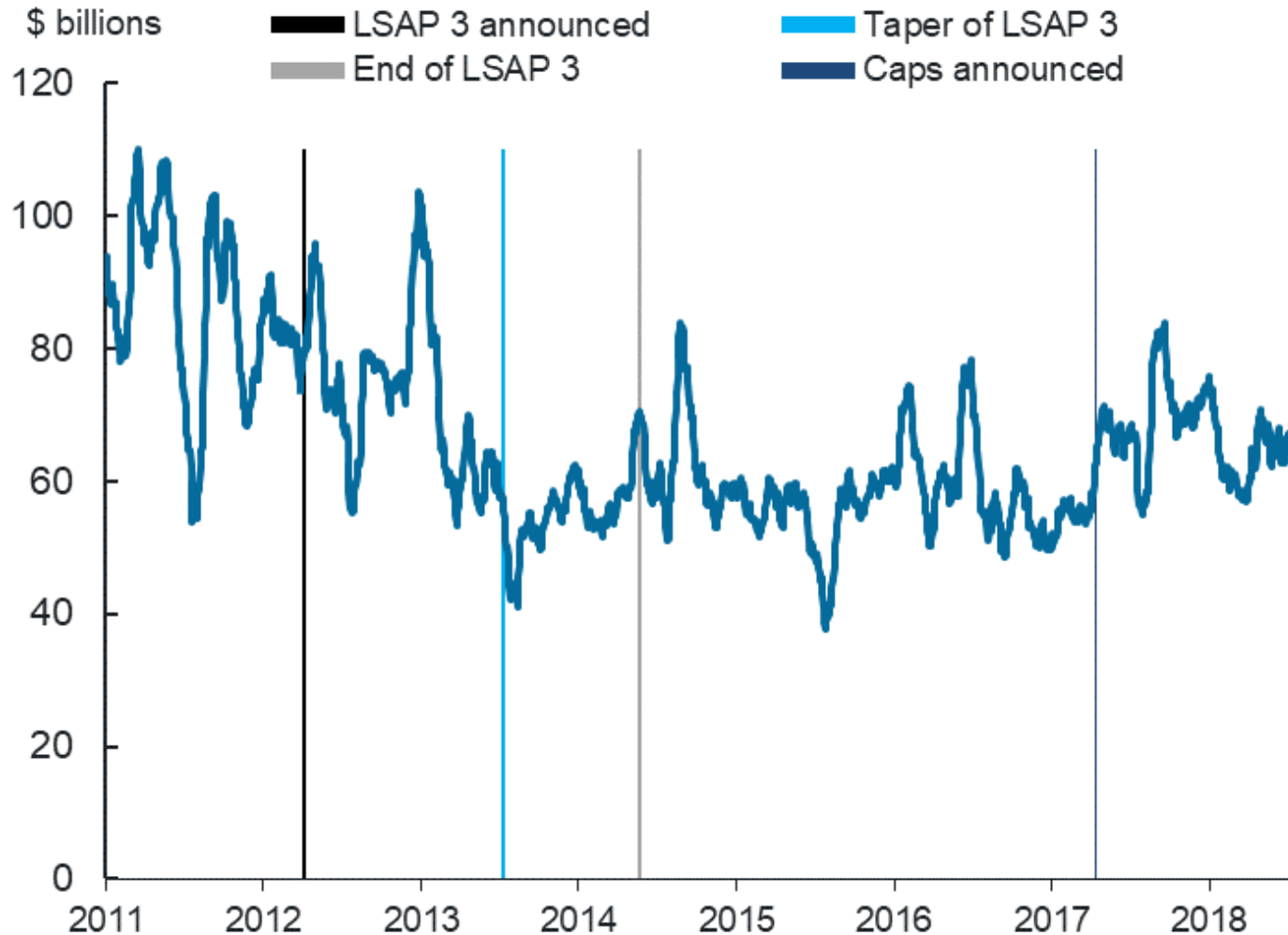
Figure 2: SOMA Agency MBS Purchases and the Primary Mortgage Rate



Sources: Board of Governors of the Federal Reserve System; Federal Reserve Bank of New York; Freddie Mac Primary Mortgage Market Survey®.



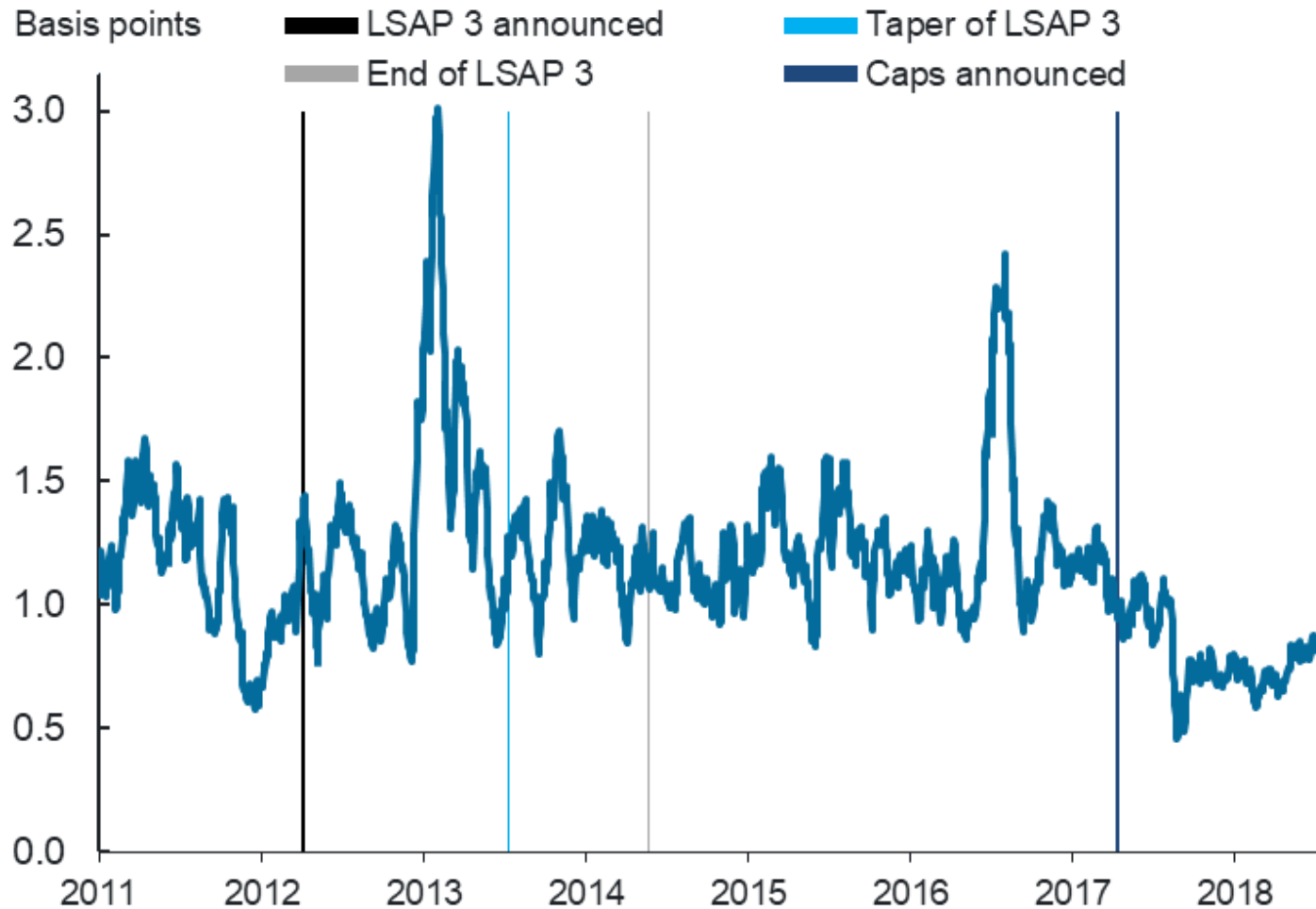
Figure 3: Agency MBS Daily Transaction Volume



*20-day moving average. Dealer-to-Dealer sales and Dealer-to-Customer purchases and sales across agencies. 30- and 15-year TBA securities, 2.0-7.0 percent coupons.
Sources: Desk Calculations, FINRA, TRACE.



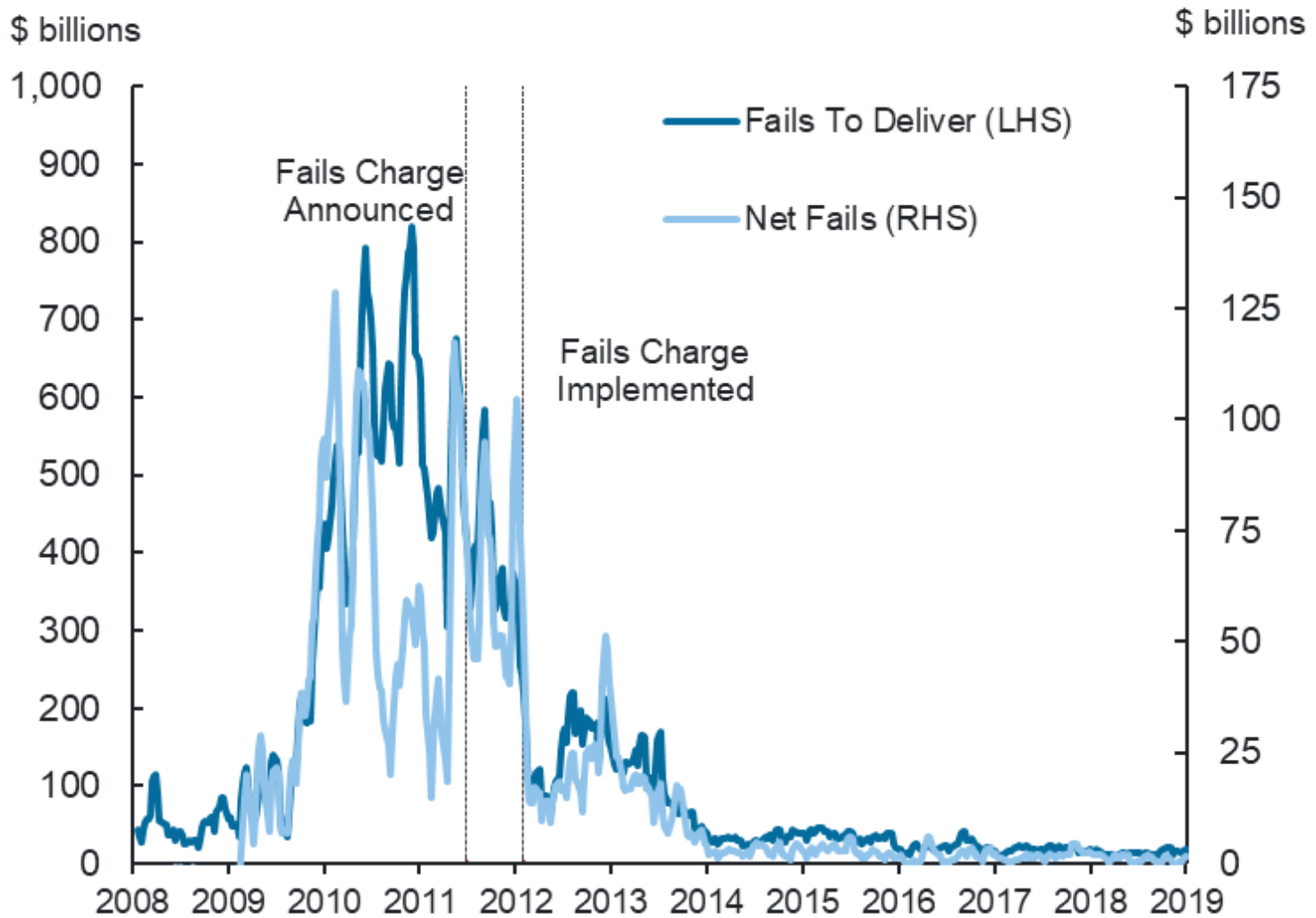
Figure 4: Agency MBS Daily Effective Bid-Ask Spreads



*20-day moving average. Dealer-to-Dealer sales and Dealer-to-Customer purchases and sales across agencies. 30- and 15-year TBA securities 2.0 - 7.0 percent coupons. Effective bid-ask spread = daily weighted average sell price minus buy price, divided by mid-price. Sources: Desk Calculations, FINRA, TRACE.



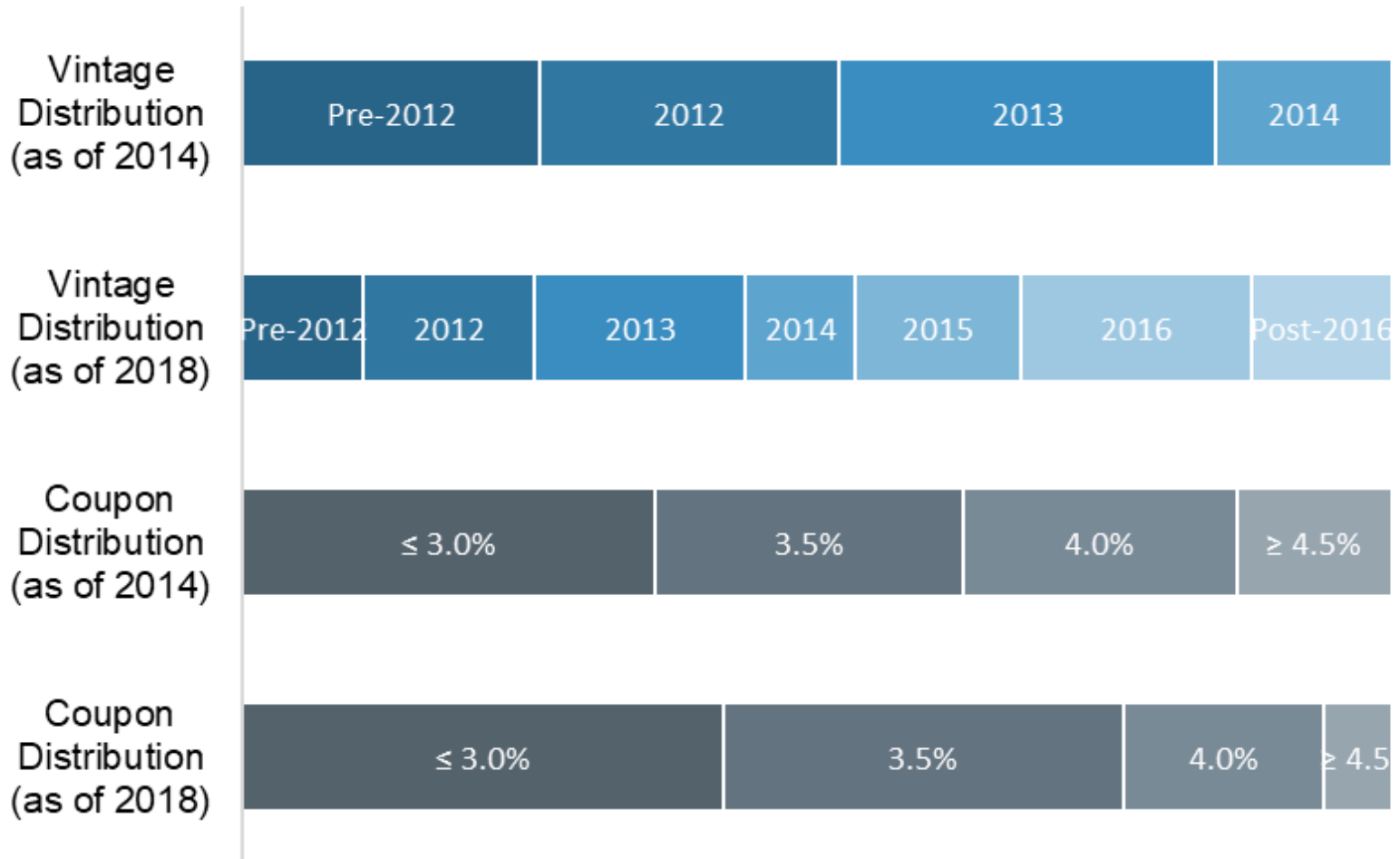
Figure 5: Weekly Agency MBS Fails



4-week moving average. Source: FR2004.



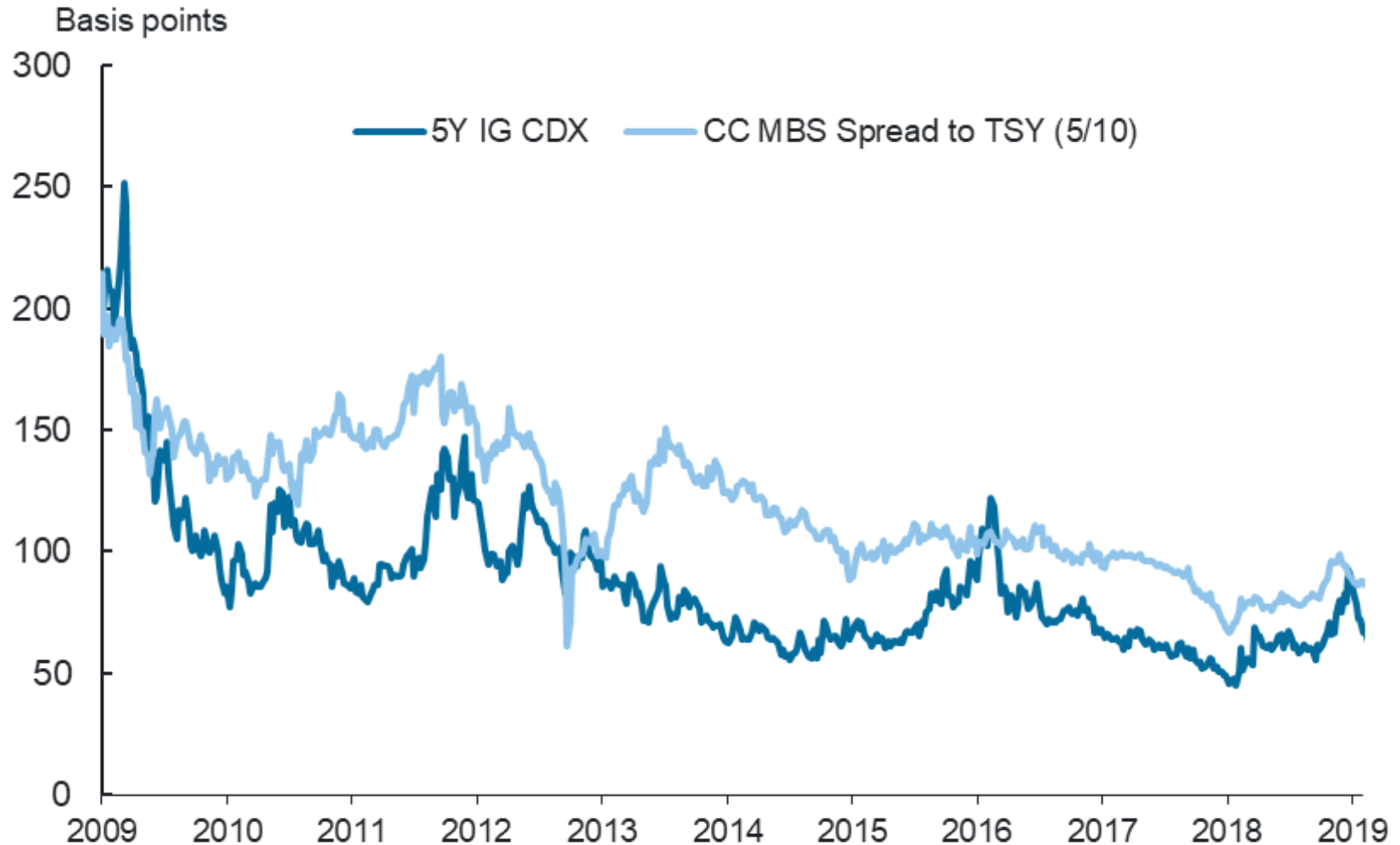
Figure 6: SOMA Portfolio Holdings by Vintage and Coupon, 2014 vs. 2018



All data as of year-end. Sources: Board of Governors of the Federal Reserve System; Federal Reserve Bank of New York.



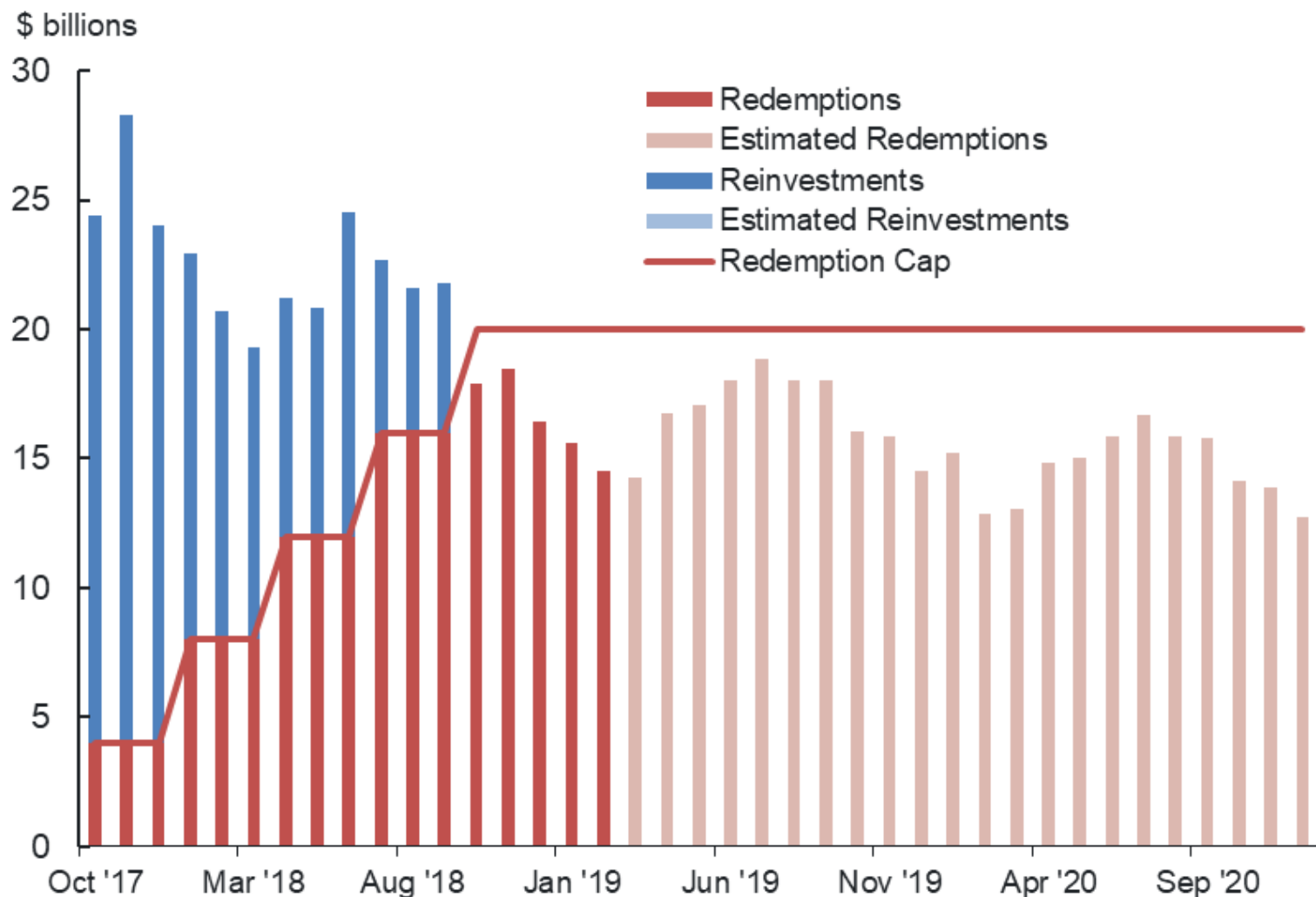
Figure 7: Investment Grade Corporate Credit and MBS Spreads to Treasuries



Source: Bloomberg Finance L.P.



Figure 8: Projected Paydown Profile of SOMA Agency Debt and MBS Principal



Based on market-implied interest rate assumptions from February 13, 2019. Source: Federal Reserve Bank of New York.



Figure 9: Fannie Mae 30-Year Current Coupon MBS Option-Adjusted Spread to Treasuries



Source: Citigroup.

