The Federal Reserve’s Experience Purchasing and Reinvesting Agency MBS

Remarks at the Bank of England
London, UK

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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

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

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<th>Coupon Distribution (as of 2014)</th>
<th>≤ 3.0%</th>
<th>3.5%</th>
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<th>Coupon Distribution (as of 2018)</th>
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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

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

Source: Citigroup.