

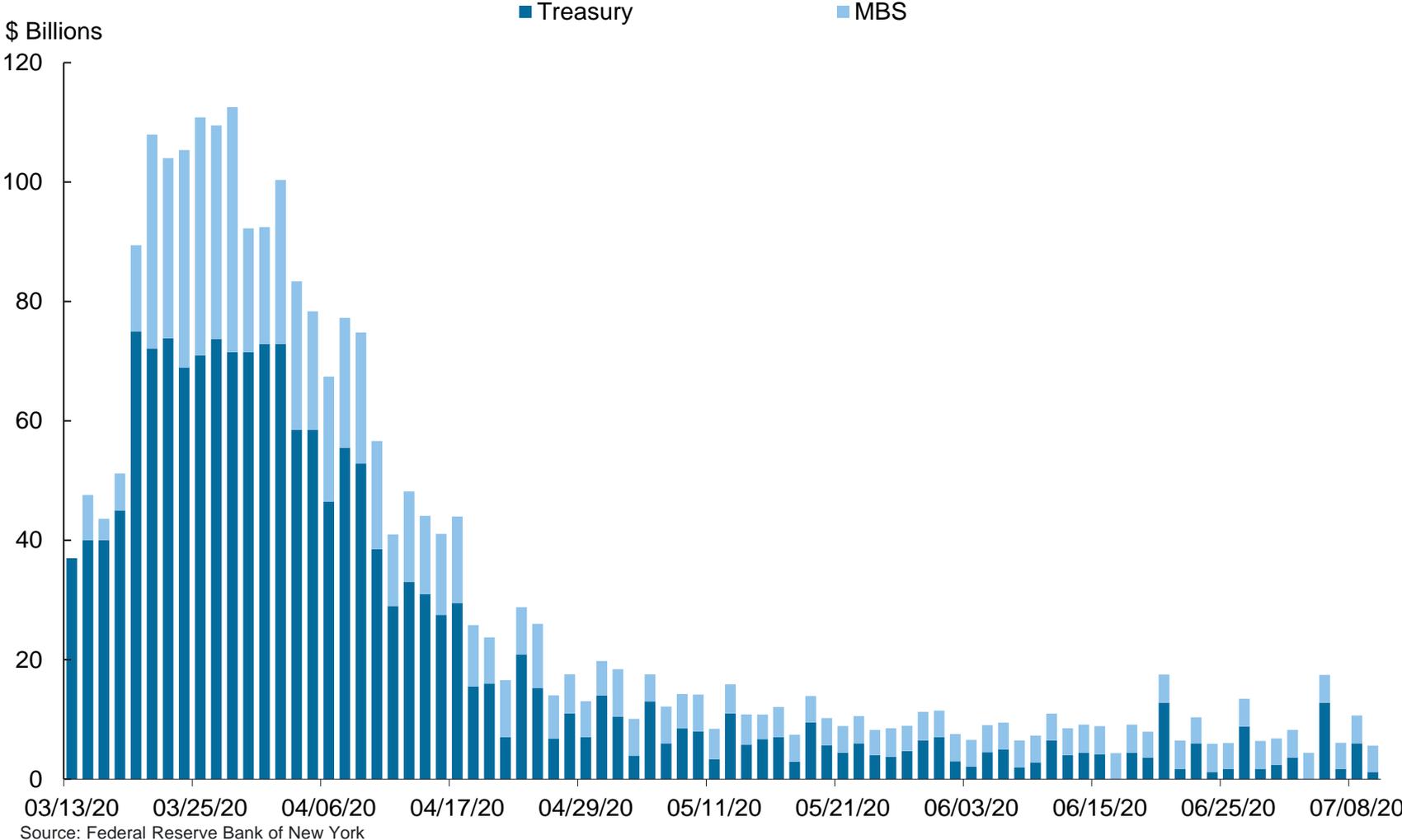


FEDERAL RESERVE BANK *of* NEW YORK

# The Federal Reserve's market functioning purchases: from supporting to sustaining

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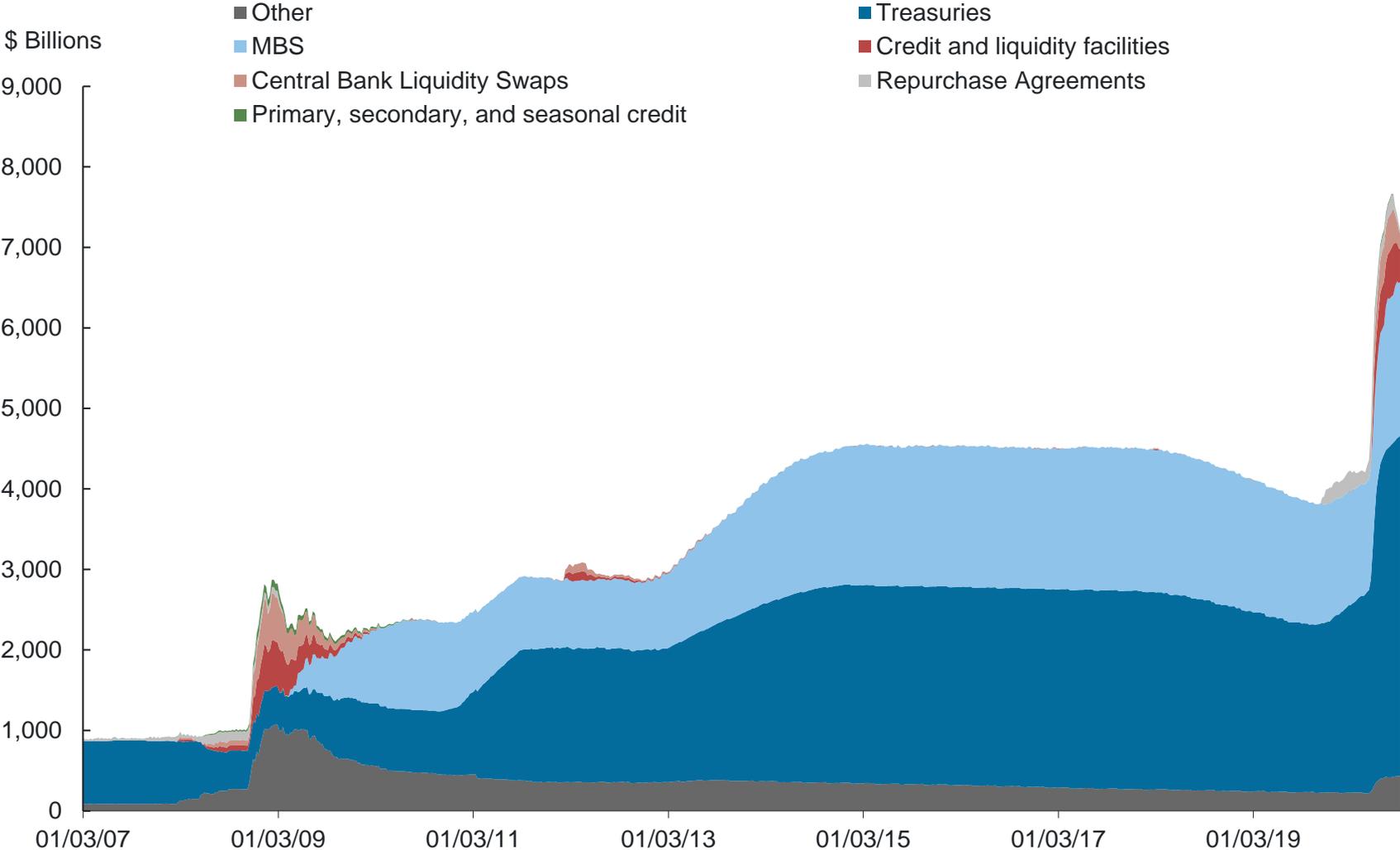
# Figure 1: SOMA Treasury and MBS Purchases



Source: Federal Reserve Bank of New York

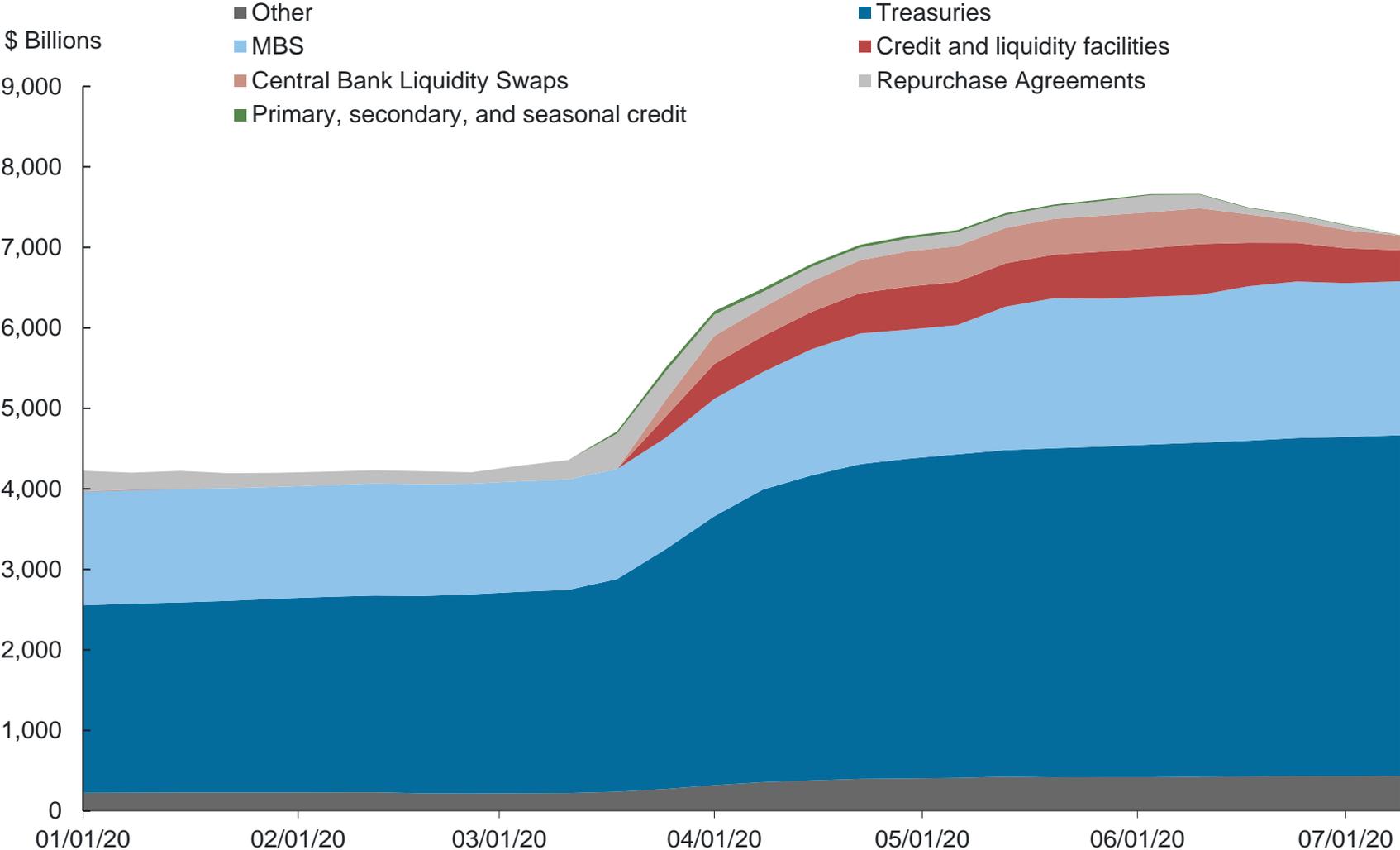


# Figure 2: Federal Reserve Assets Since 2007



Source: Federal Reserve Board, H.4.1 release

# Figure 3: Federal Reserve Assets in 2020



Source: Federal Reserve Board, H.4.1 release



# Figure 4: Selected Market Functioning Indicators

## *Direct metrics*

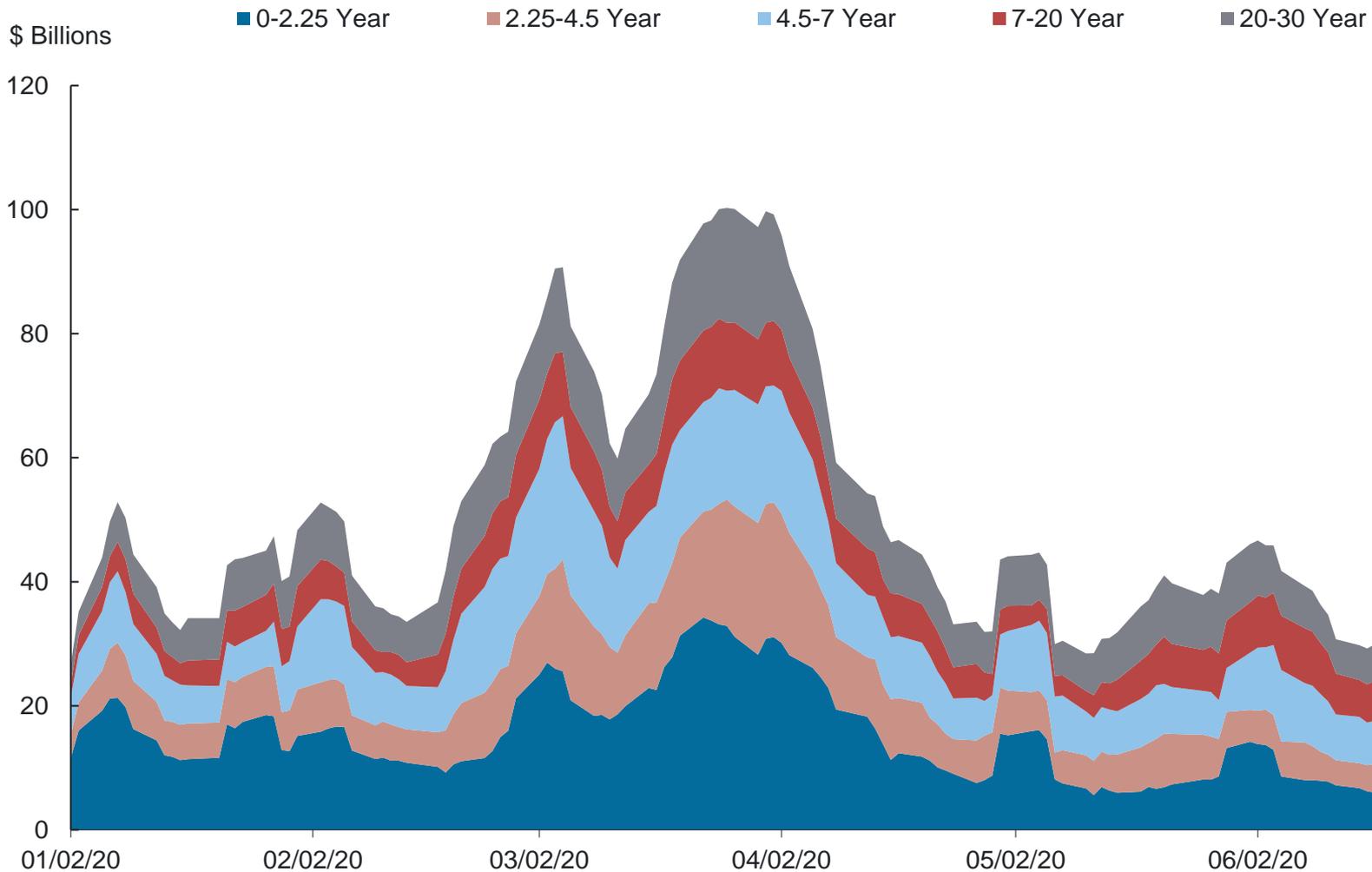
1. Direct measures of liquidity – *ease with which assets can be bought and sold*
  - Bid-ask spreads
  - Price impact coefficients
  - Market depth
2. Direct measures of relative value – *spreads between related instruments*
  - Treasury cash-futures basis
  - On-the-run spreads
  - Spline errors
  - MBS-Treasury yield spreads

## *Indirect metrics*

3. Measures of trading pressure – *balance of investor flows*
  - Dealer inventories
  - Client-initiated transaction data
  - Foreign reserve manager holdings
4. Results of open market operations – *strength of market participants' desire to sell*
  - Offer-to-cover ratios
  - Favorable offer-to-cover ratios

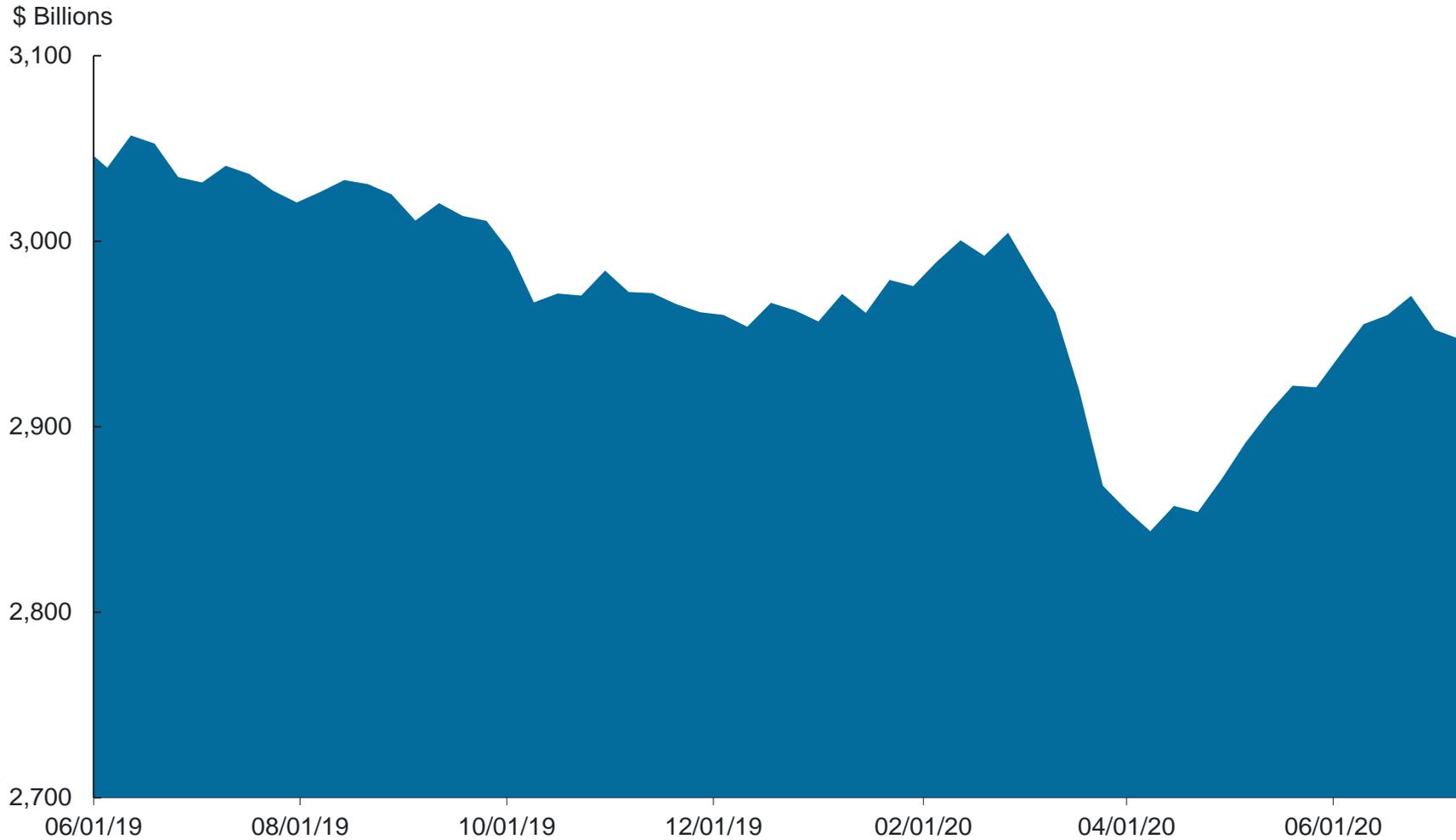


# Figure 5: Client Sales of Off-the-Run Nominal Treasuries



Note: 5-day moving average shown  
Source: Trade Reporting and Compliance Engine (TRACE)

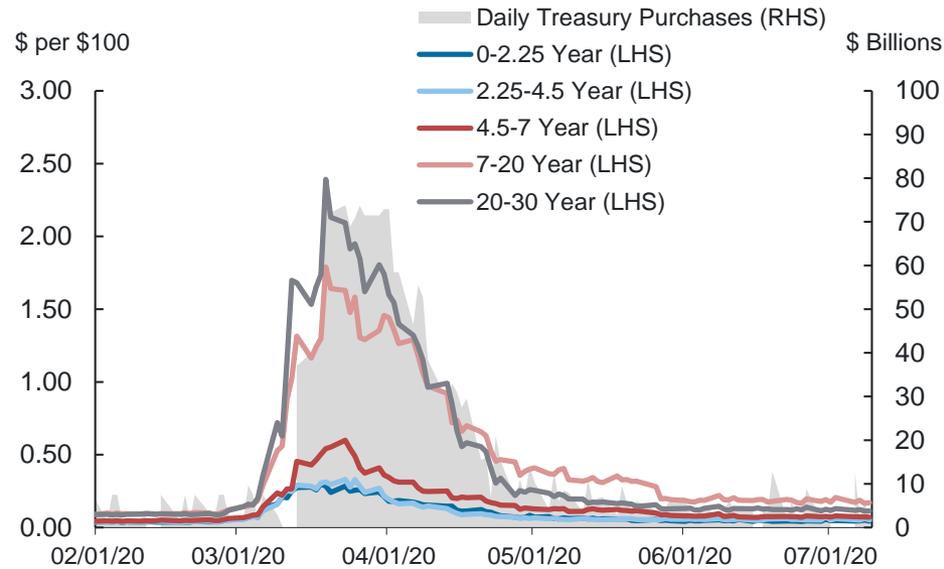
# Figure 6: Treasuries in Custody for Foreign Official Accounts



Note: Treasury securities held in custody by the Federal Reserve for foreign official and international accounts.  
Source: Federal Reserve Board, H.4.1 release

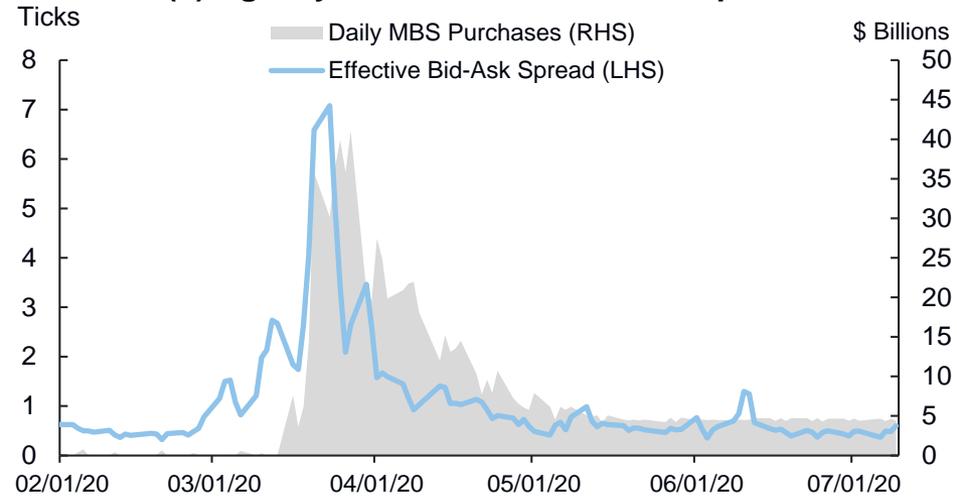
# Figure 7: Treasury and MBS Bid-Ask Spreads

**(a) Treasury Bid-Ask Spreads**



Note: Average bid-ask spreads for nominal Treasury coupon securities.  
 Source: Federal Reserve Bank of New York

**(b) Agency MBS Effective Bid-Ask Spread**

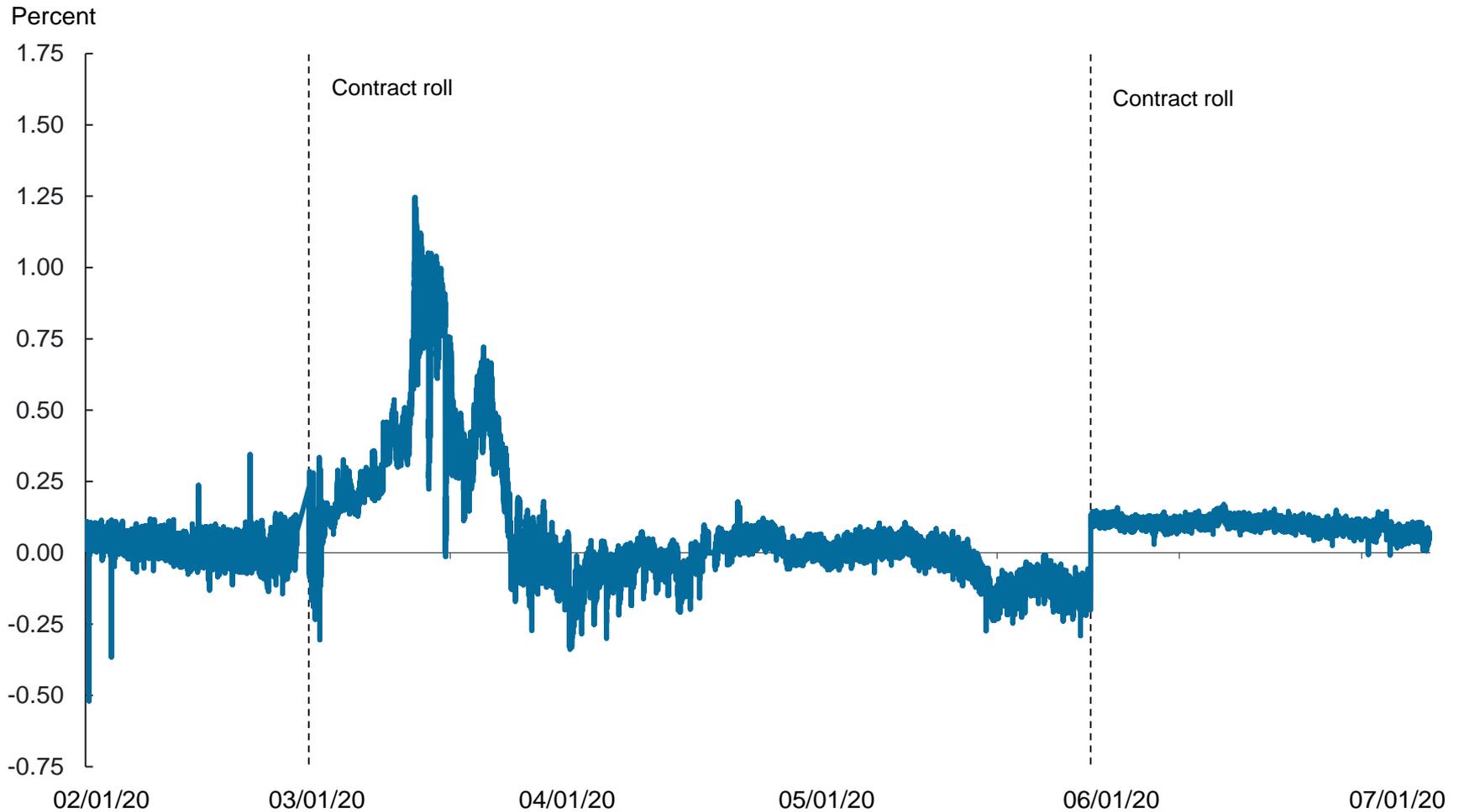


Note: A tick is 1/32 of \$1. Effective bid-ask spread is calculated as 2-day moving average of volume-weighted realized bid-ask spread across 15- and 30-year 2.0%-7.0% to-be-announced MBS. Effective bid-ask spread equals daily average sell price minus buy price of dealer-to-customer transactions.

Source: Desk calculations, Financial Industry Regulatory Authority (FINRA), Federal Reserve Bank of New York, Trade Reporting and Compliance Engine (TRACE)



# Figure 8: Treasury Cash-Futures Basis



Note: 5-year futures contract implied repo rate spread to 3-month OIS; reference contract changes at the end of February and May due to contract rolls.  
Source: Bloomberg, Desk Calculations