

Balance Sheet Normalization: Monitoring Reserve Conditions and Understanding Repo Market Pressures

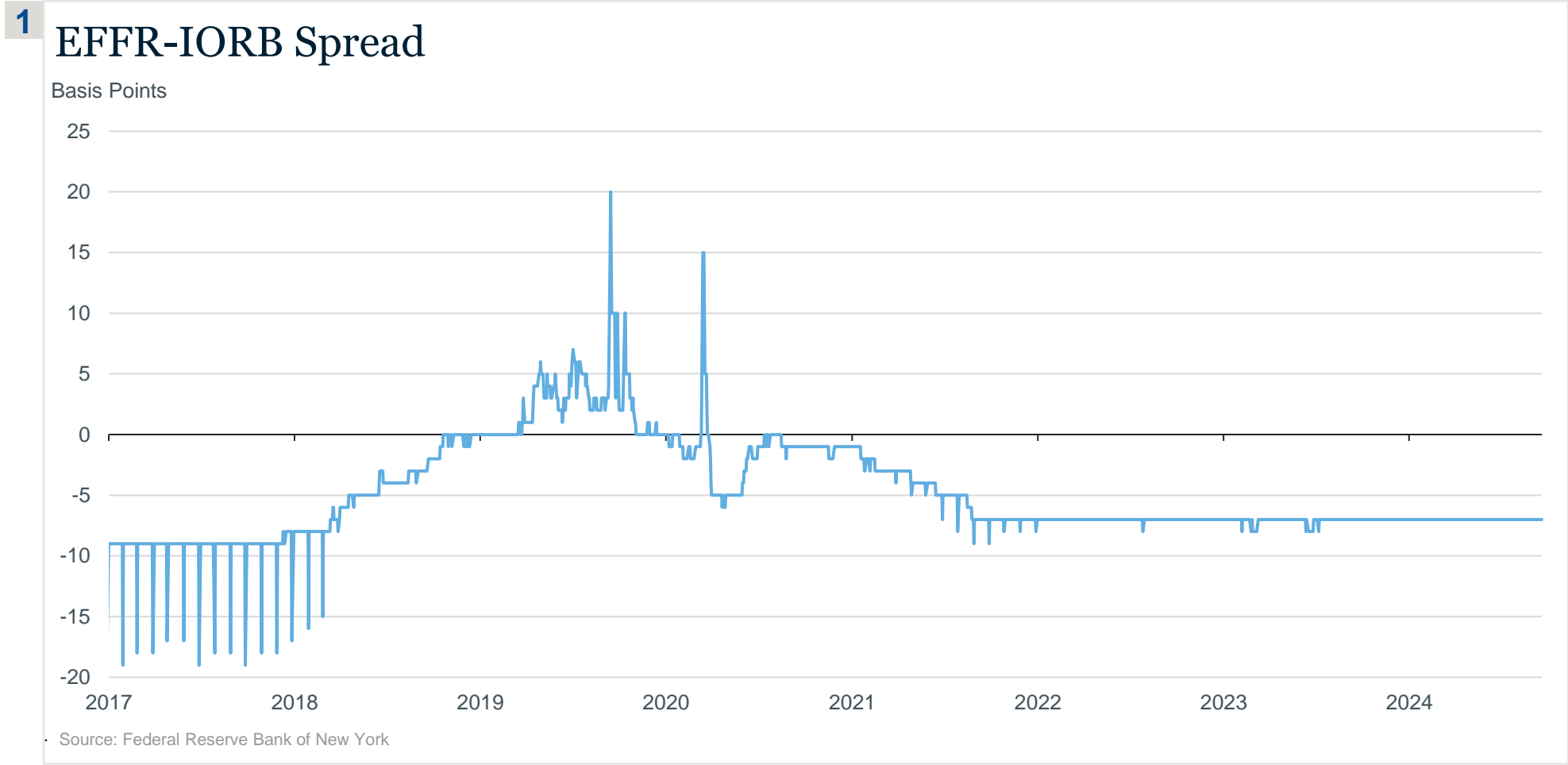
Roberto Perli, System Open Market Account (SOMA) Manager

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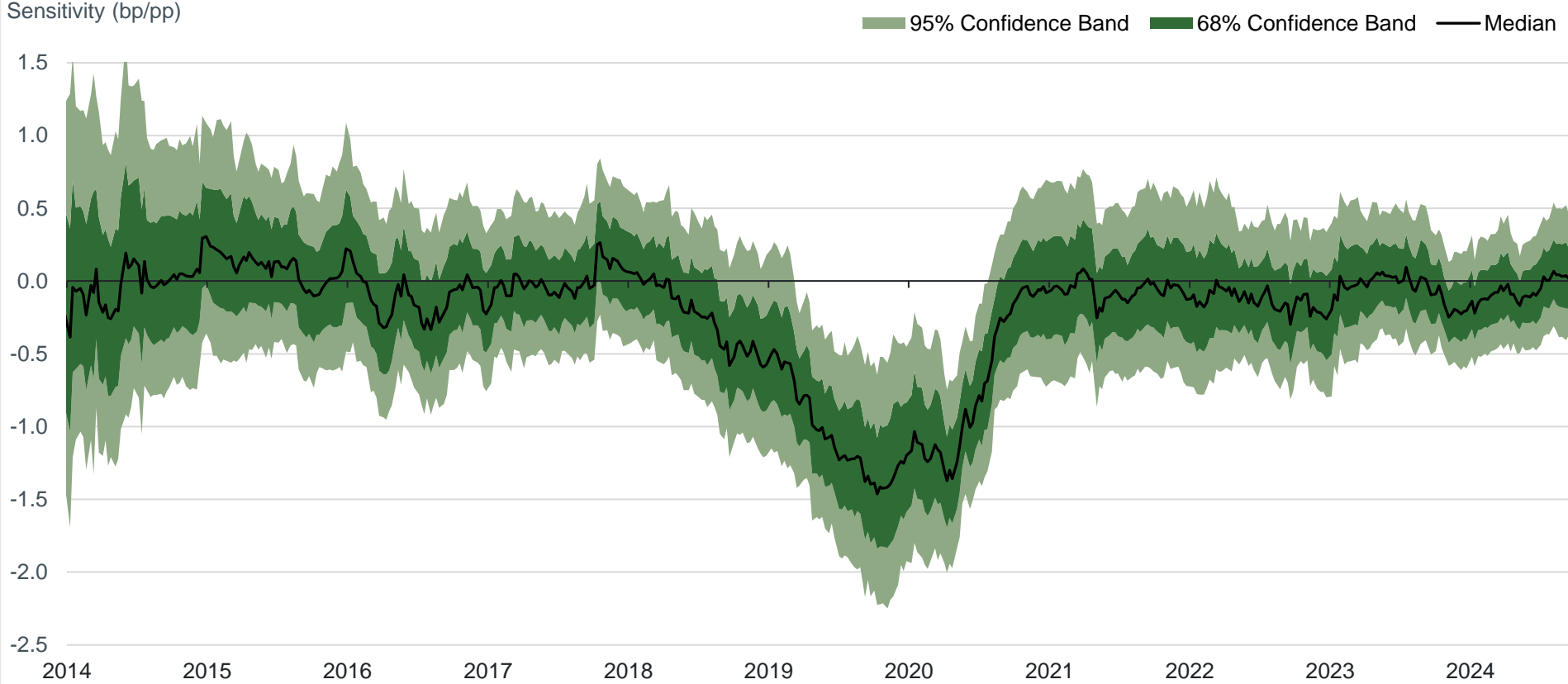


The spread between the effective federal funds rate (EFFR) and the interest rate on reserve balances (IORB) has been very stable since runoff began in 2022



The estimated sensitivity of the federal funds rate to changes in reserves has been, and still is, indistinguishable from zero

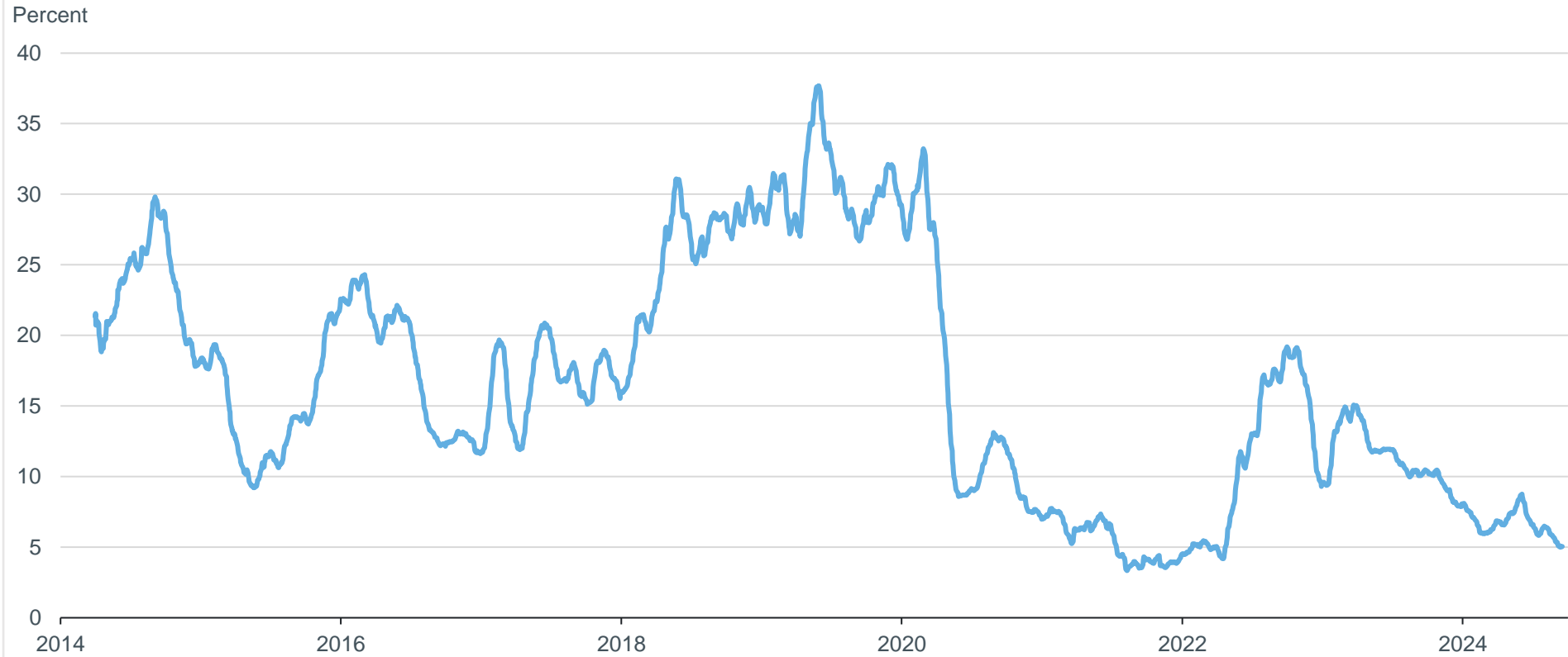
2 Sensitivity of the Federal Funds Rate to the Quantity of Reserves



Source: Federal Reserve Bank of New York

The share of domestic bank borrowing in the federal funds market remains low and declined a bit in recent months

3 Domestic Bank Share of Federal Funds Borrowed



Note: 30-day moving average.
Source: FR 2420

Late interbank payment activity is low

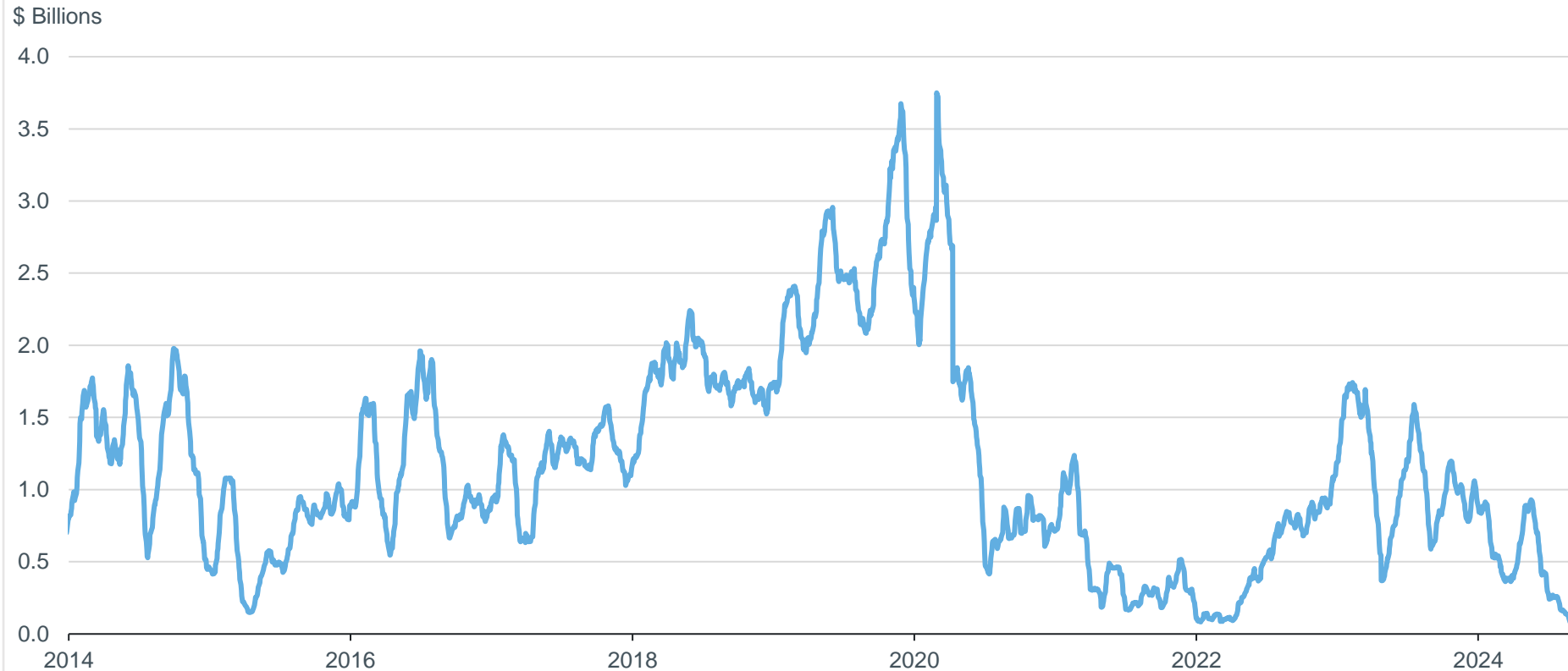
4 Share of Payments Settled after 5:00pm



Note: 30-day moving average.
Source: Federal Reserve Financial Services

While peak intraday overdraft activity has occasionally spiked, average intraday overdrafts have remained low and actually have declined in recent months

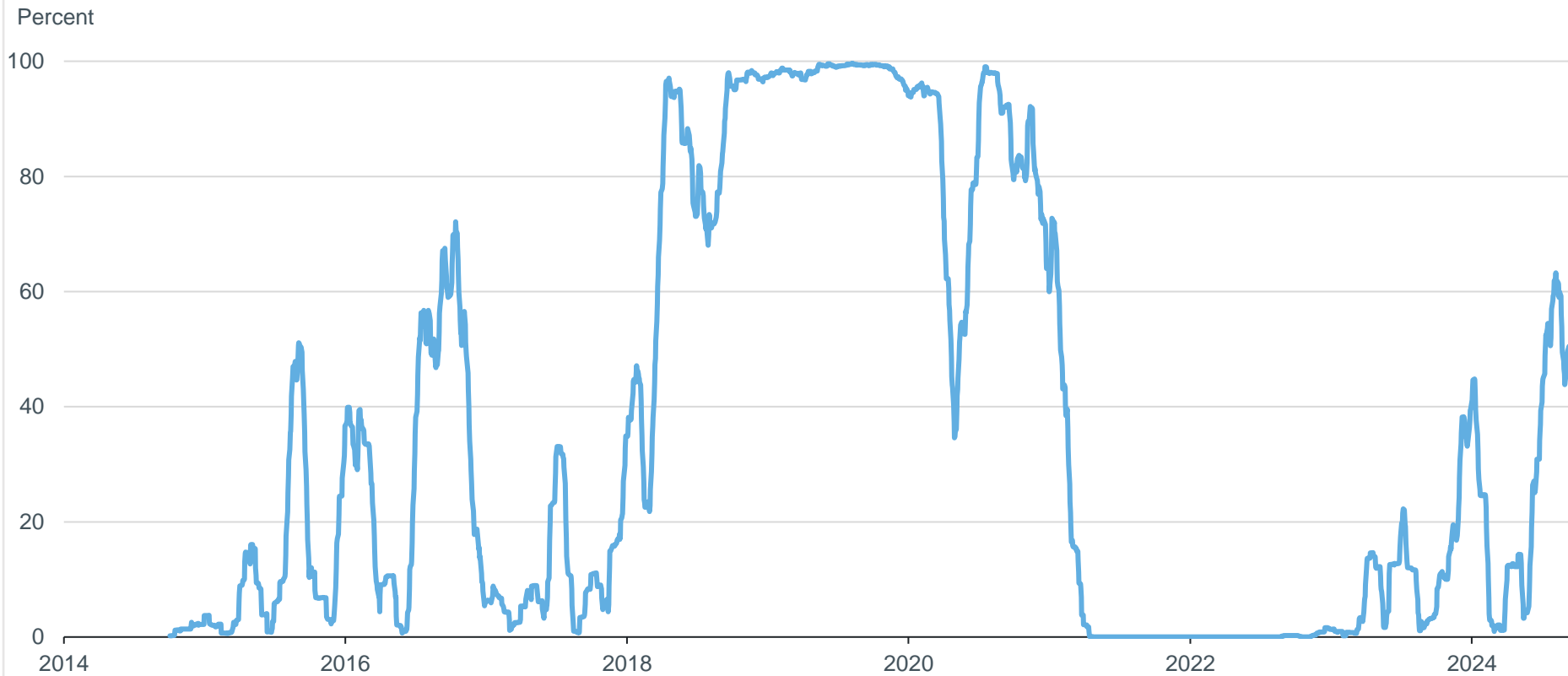
5 Average Intraday Overdrafts



Note: 30-day moving average.
Source: Board of Governors of the Federal Reserve System

The share of repo transactions at or above IORB has increased notably since the spring

6 Repo Volume at or above IORB

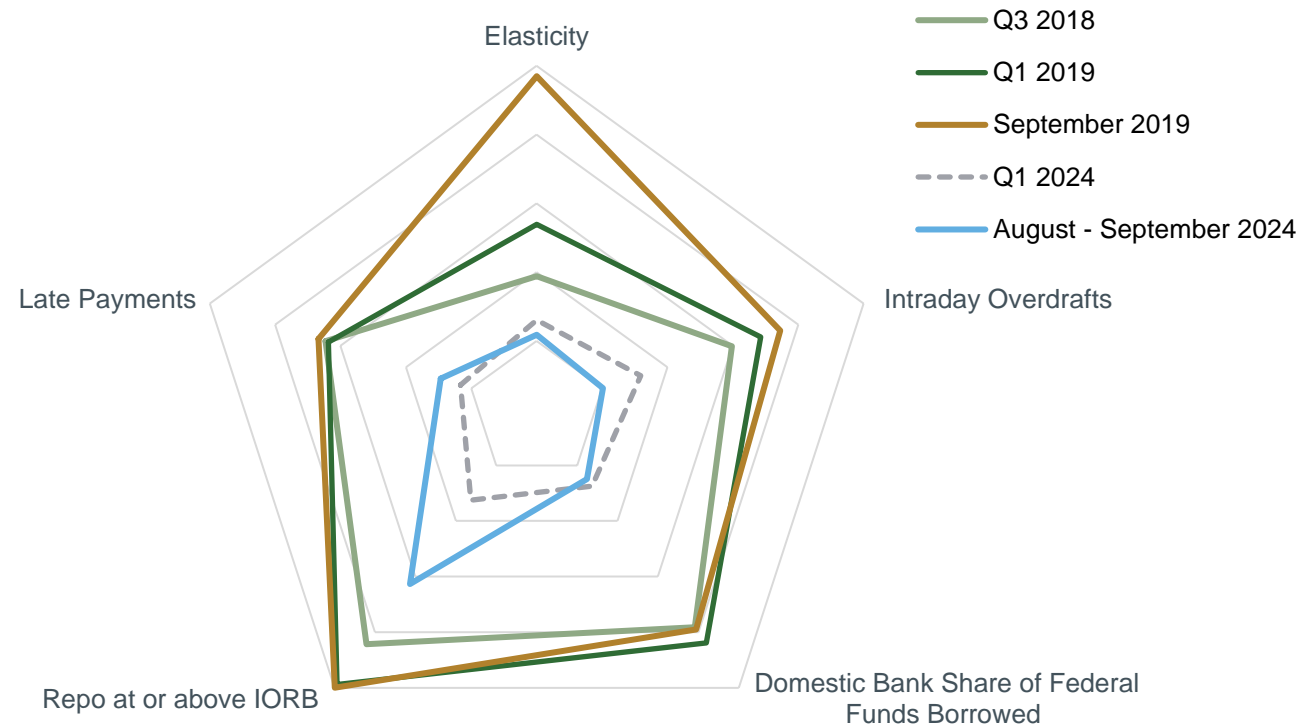


Note: 30-day moving average.
Source: Federal Reserve Bank of New York, OFR Cleared Repo Collection

Currently, our reserve conditions indicators are consistent with reserves remaining abundant, but the repo indicator has shifted and warrants attention

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Fed Funds Sensitivity and Complementary Indicators of Reserves Ampleness



Note: Chart based on minimum and maximum monthly average values of each indicator since 2014.

Source: Board of Governors of the Federal Reserve System, Federal Reserve Bank of New York, Federal Reserve Financial Services, FR 2420, OFR Cleared Repo Collection