



FEDERAL RESERVE BANK *of* NEW YORK

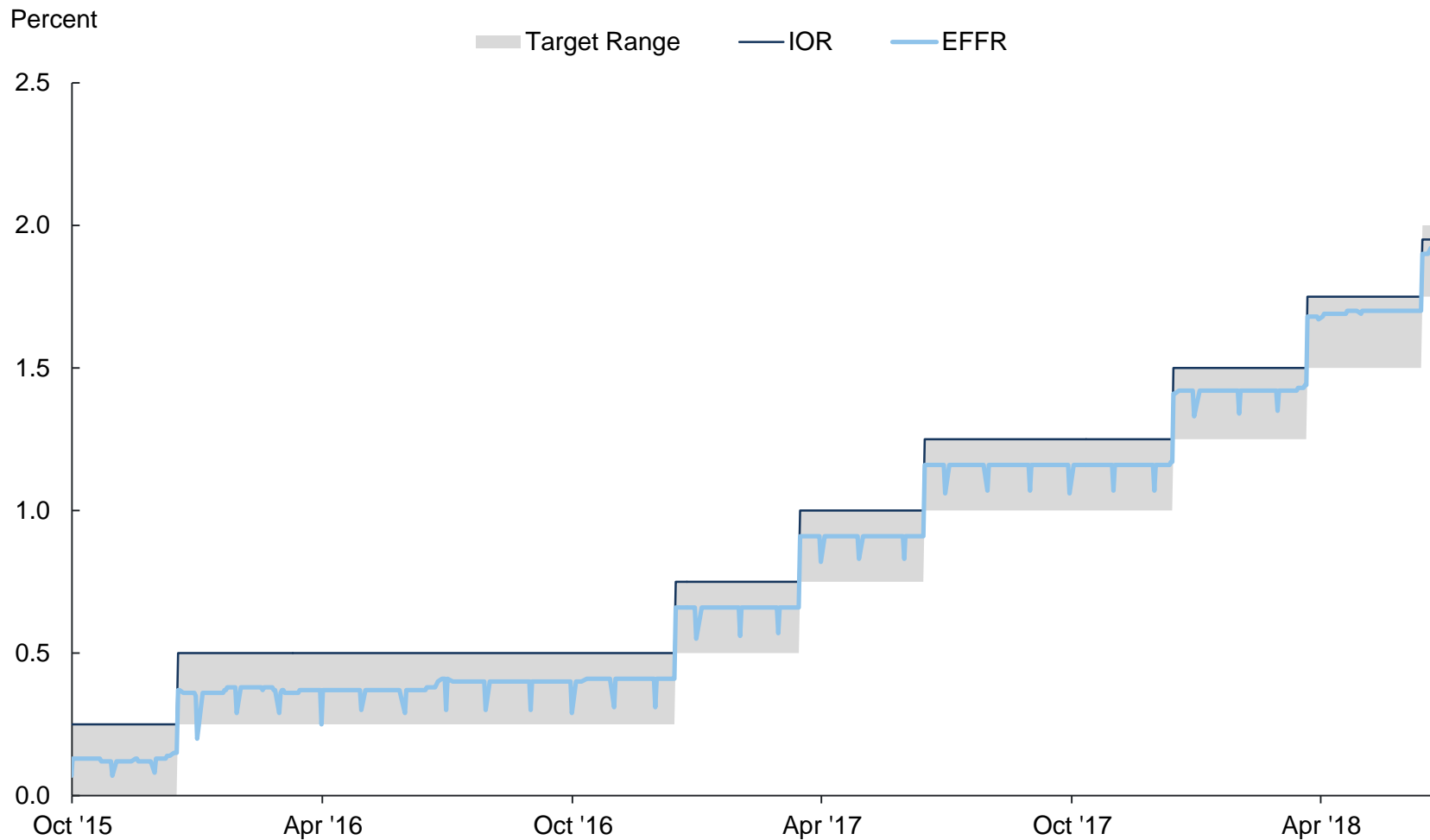
Confidence in the Implementation of U.S. Monetary Policy Normalization

Remarks at the 23rd EMEAP (Executives' Meeting of East Asia-Pacific Central Banks) Governors' Meeting
Manila, Philippines

Simon Potter
August 4, 2018

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

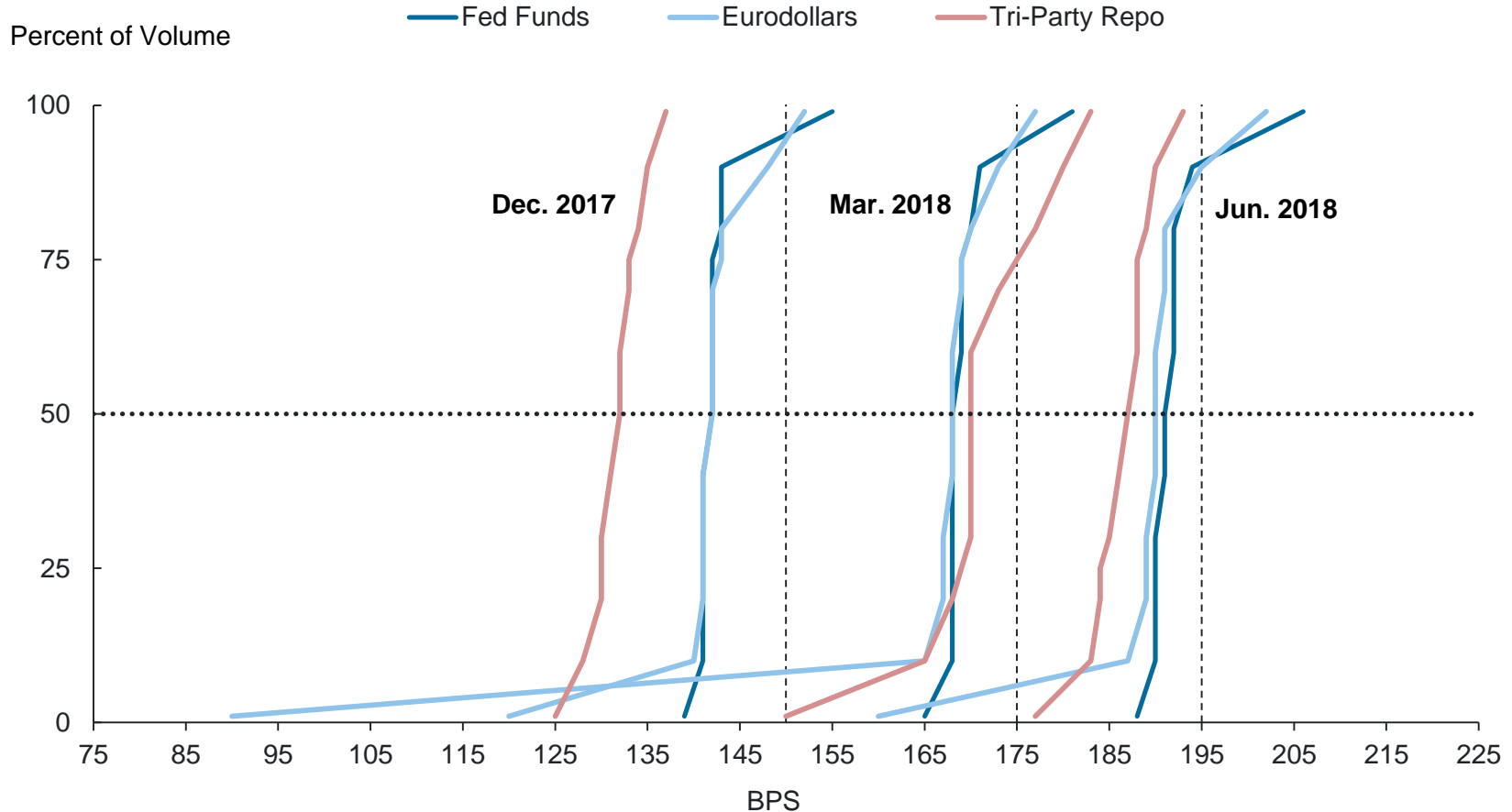
Figure 1: Effective Federal Funds Rate (EFFR) and Interest on Reserves (IOR)



Source: Federal Reserve Bank of New York; Board of Governors.



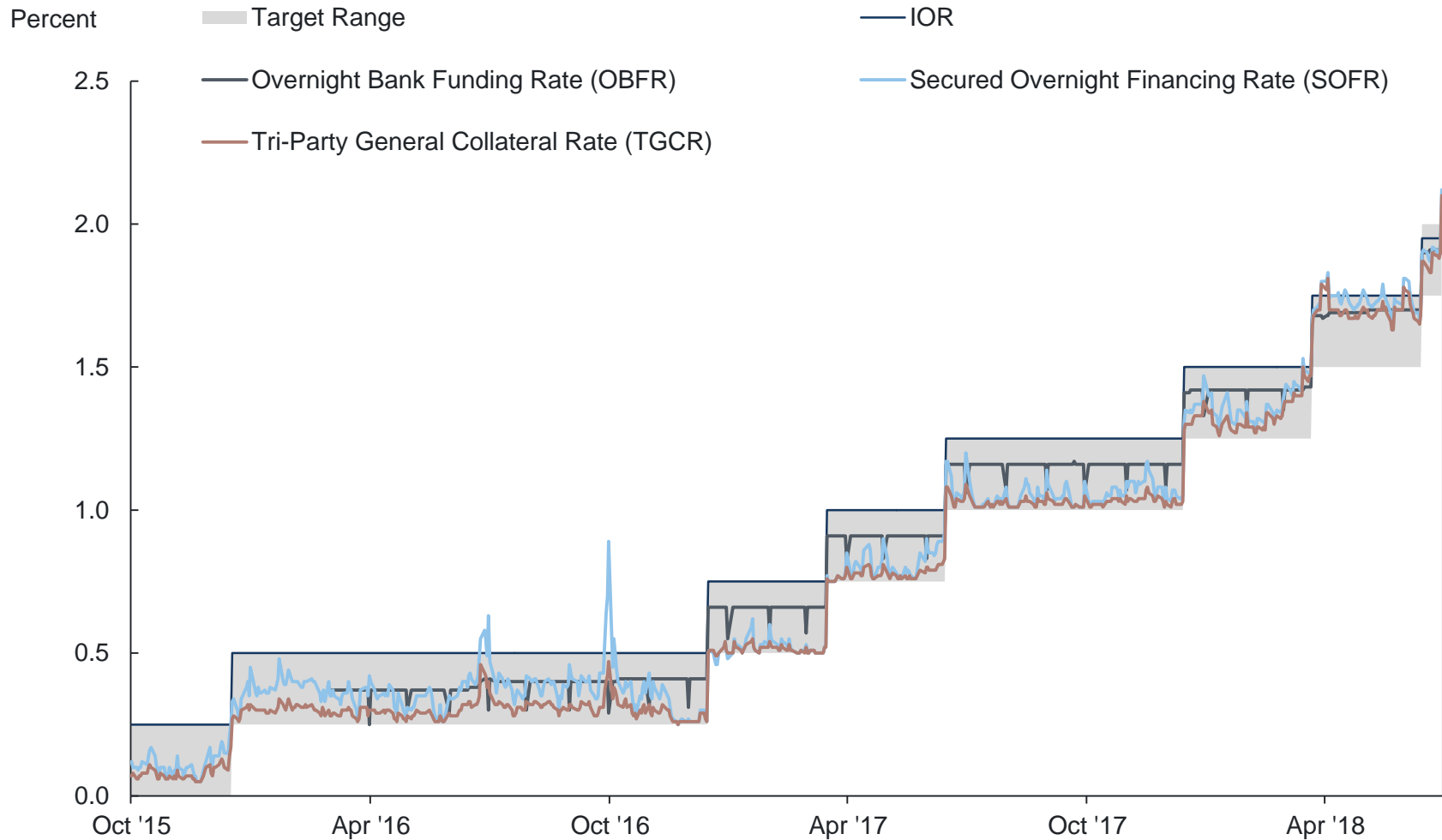
Figure 2: Cumulative Distribution of Traded Overnight Money Market Rates



Note: Each period comprises the 10 non-month-end business days following a change to the target range. Distributions represent the volume-weighted 1st, 10th, 20th, 25th, 30th, 40th, 50th, 60th, 70th, 75th, 80th, 90th, and 99th percentile of rates. Dotted line represents the median rate. Dashed lines represent IOR during each period.

Source: FR 2420 *Report of Selected Money Market Rates*; BNYM; Board of Governors.

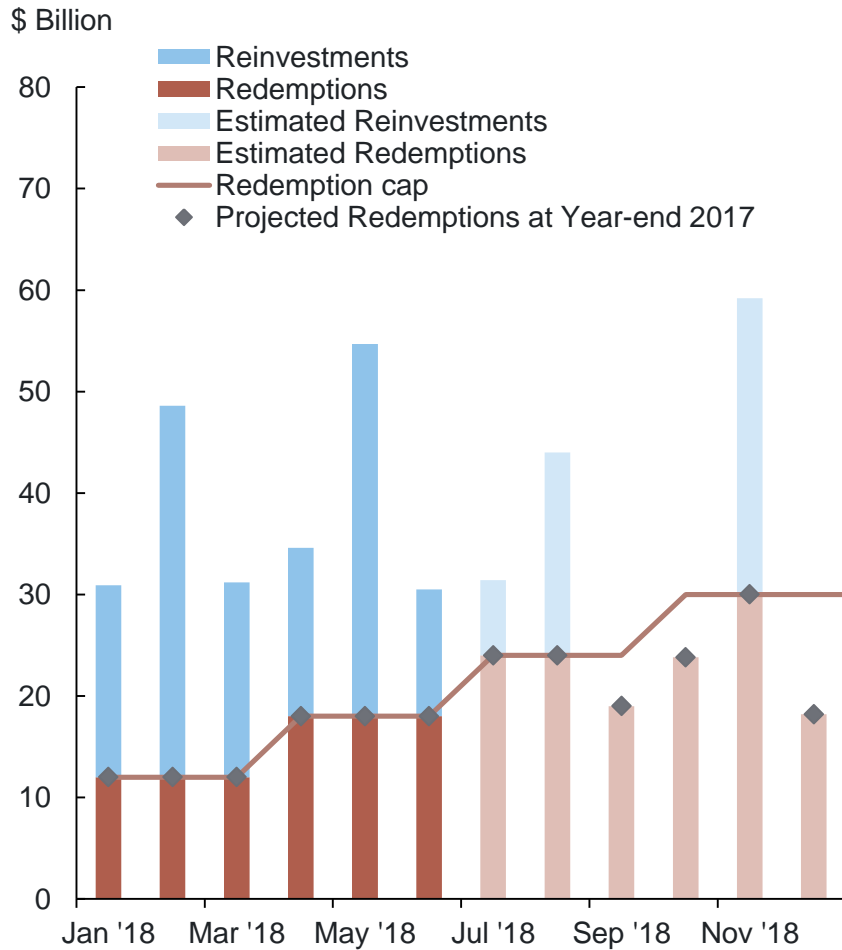
Figure 3: Select Overnight Money Market Rates



Source: Federal Reserve Bank of New York; Board of Governors.

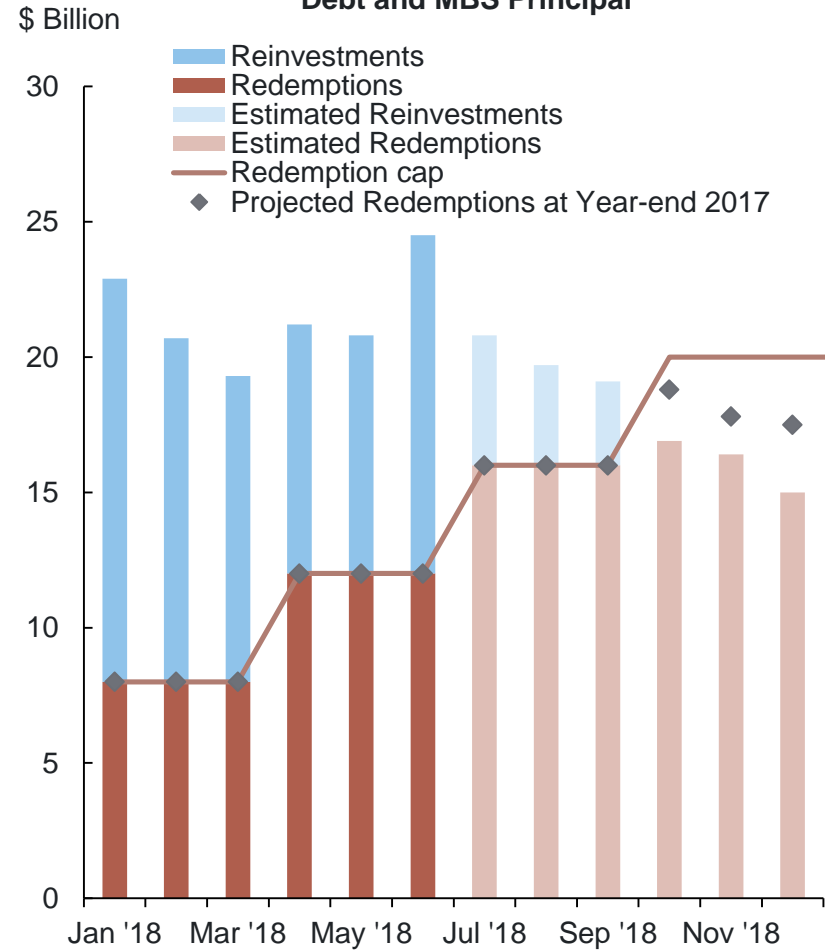
Figure 4: Maturity Profile of SOMA Security Holdings

Maturity Profile of SOMA Treasury Securities



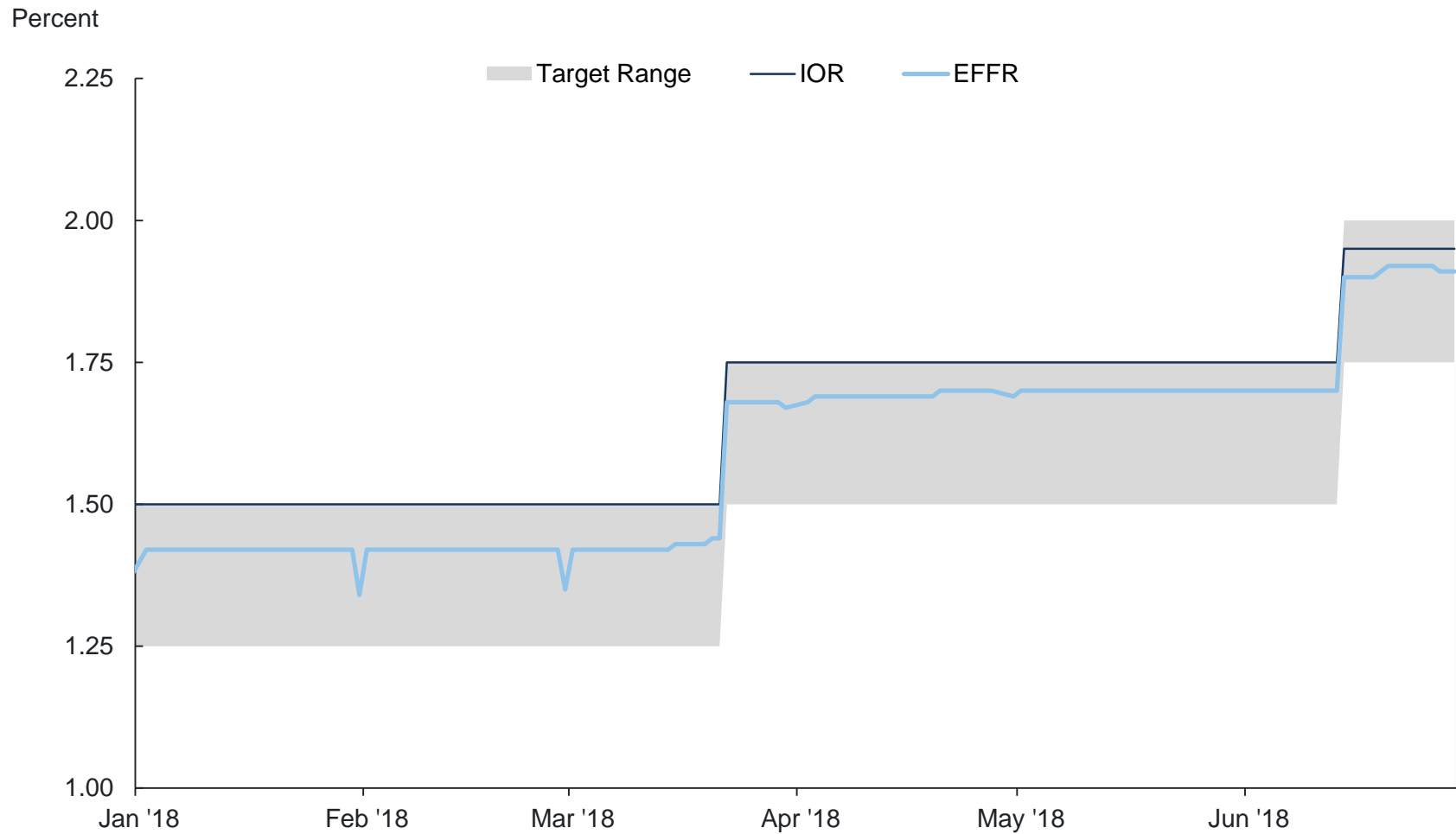
Source: Federal Reserve Bank of New York.

Projected Paydown Profile of SOMA Agency Debt and MBS Principal



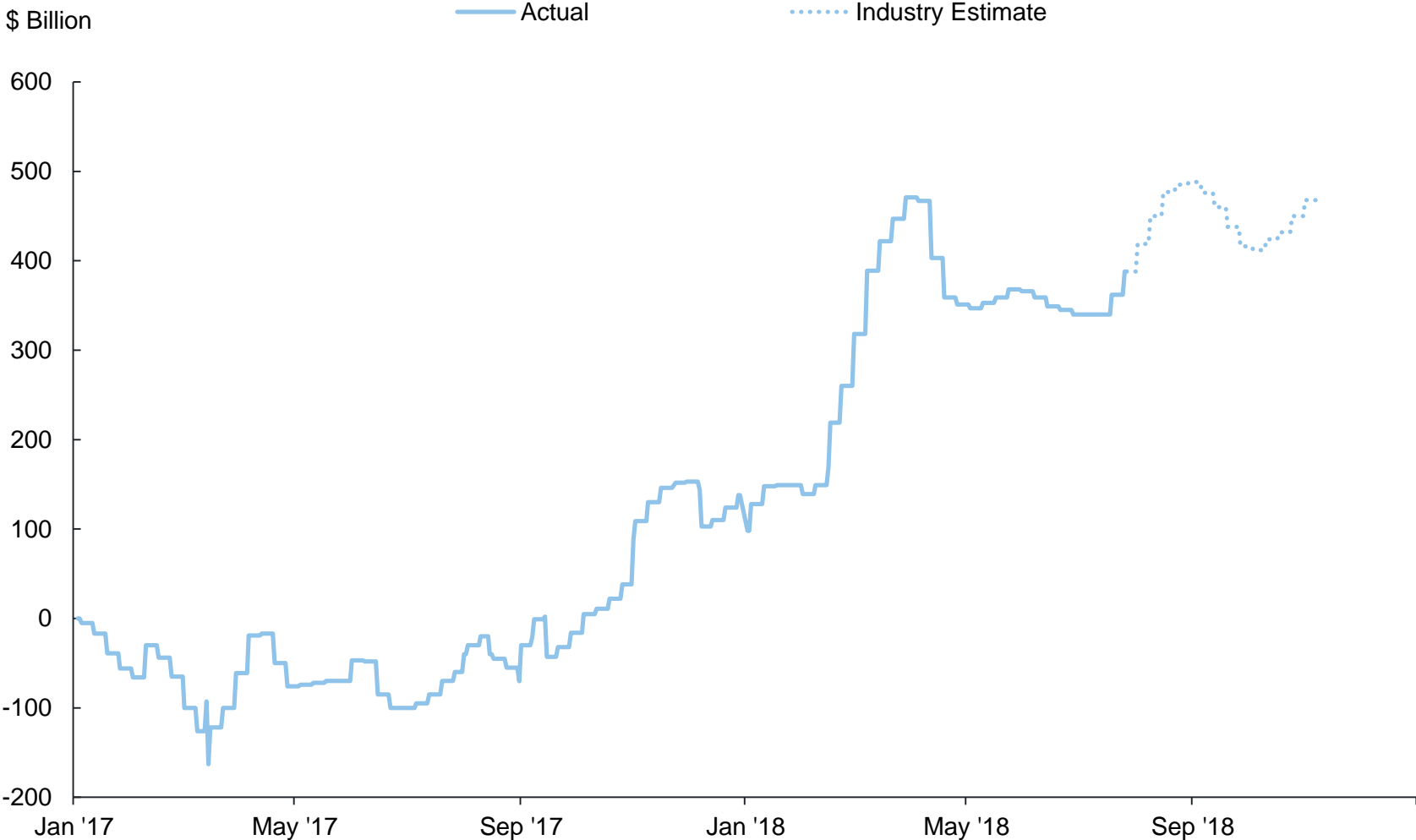
Source: Federal Reserve Bank of New York.

Figure 5: Effective Federal Funds Rate and Interest on Reserves



Source: Federal Reserve Bank of New York; Board of Governors.

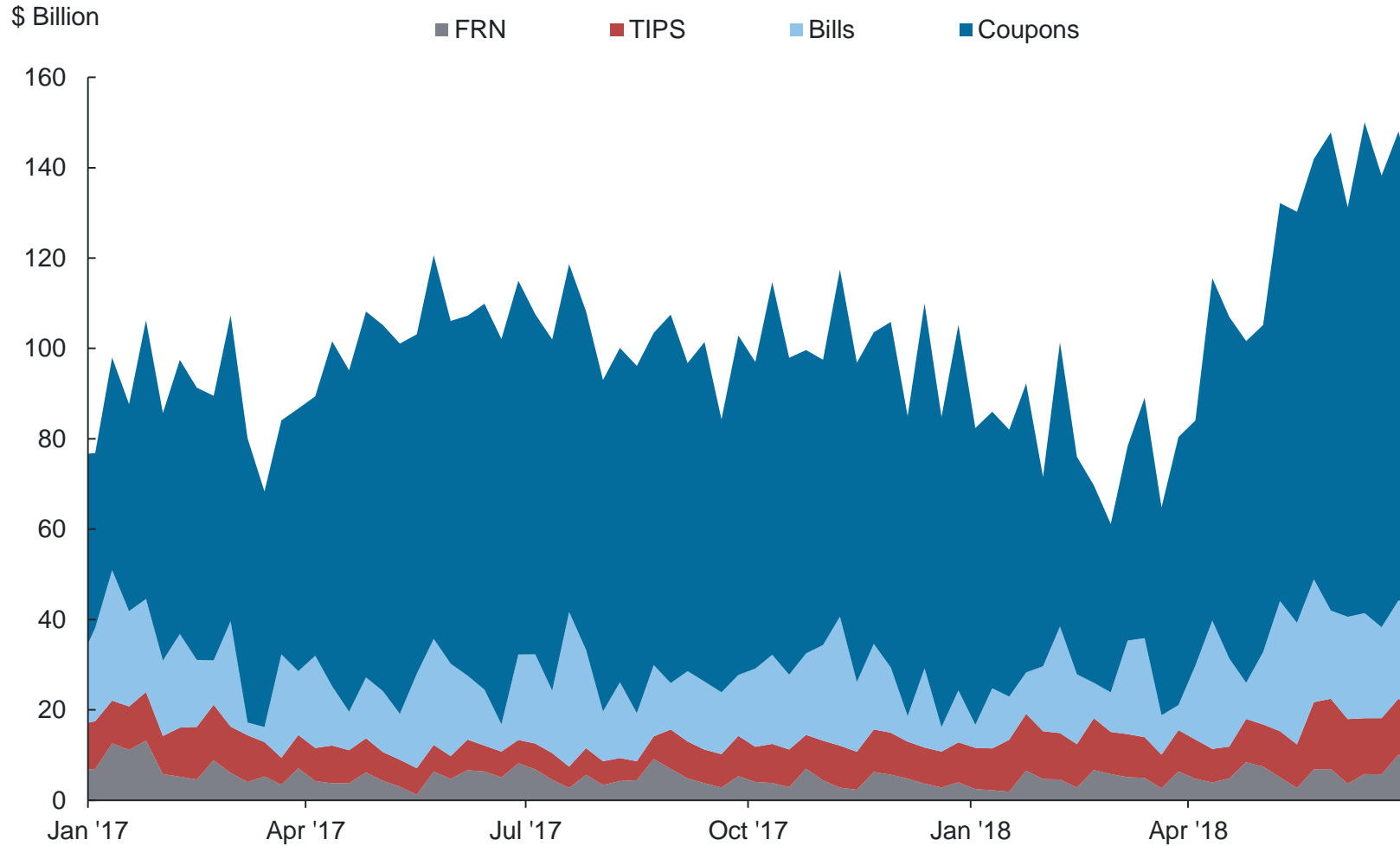
Figure 6: Cumulative Net U.S. Treasury Bill Issuance



Source: U.S. Treasury; Wrightson ICAP.



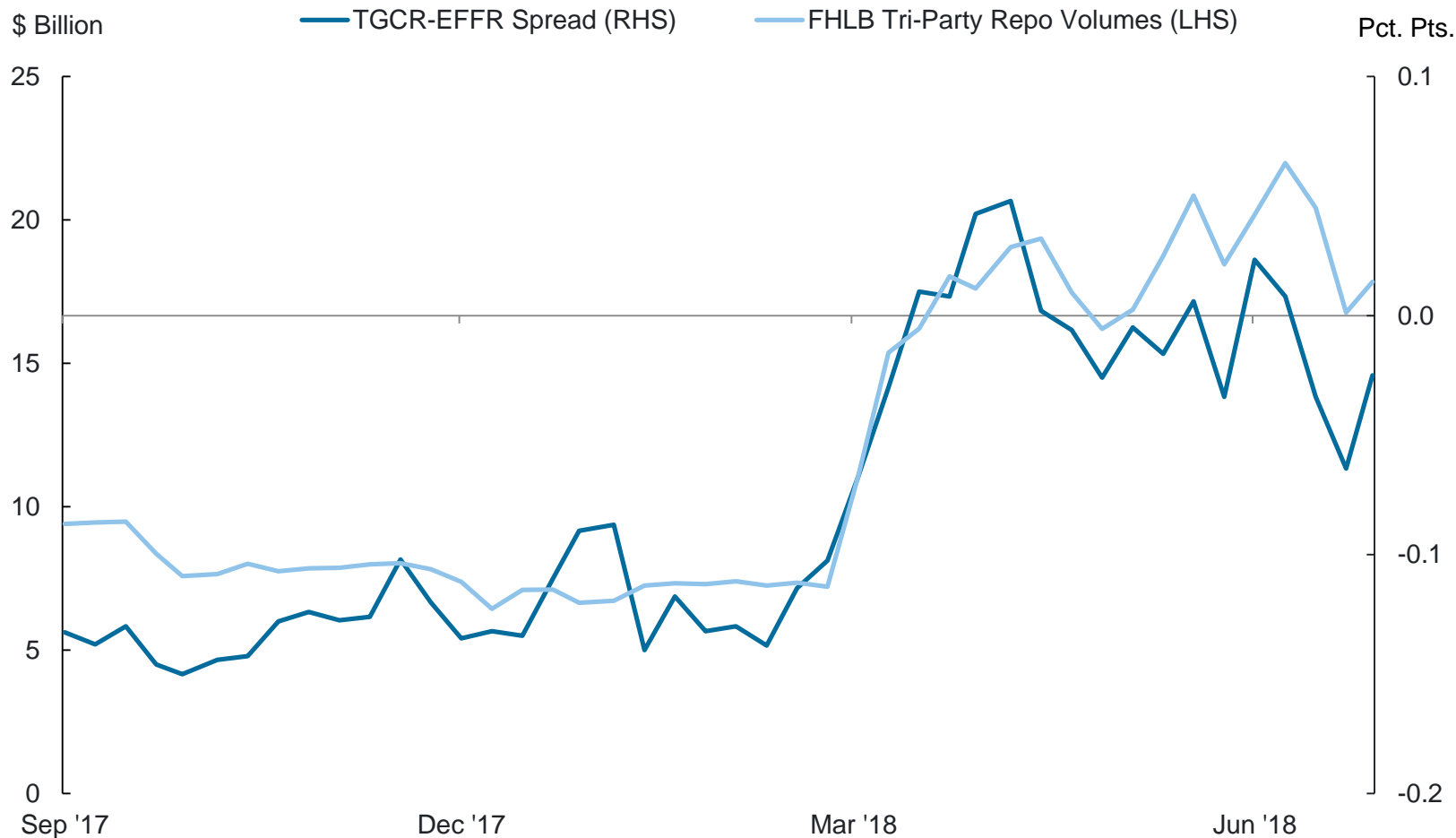
Figure 7: Primary Dealer Net Positioning in Treasury Securities



Source: Federal Reserve Bank of New York.

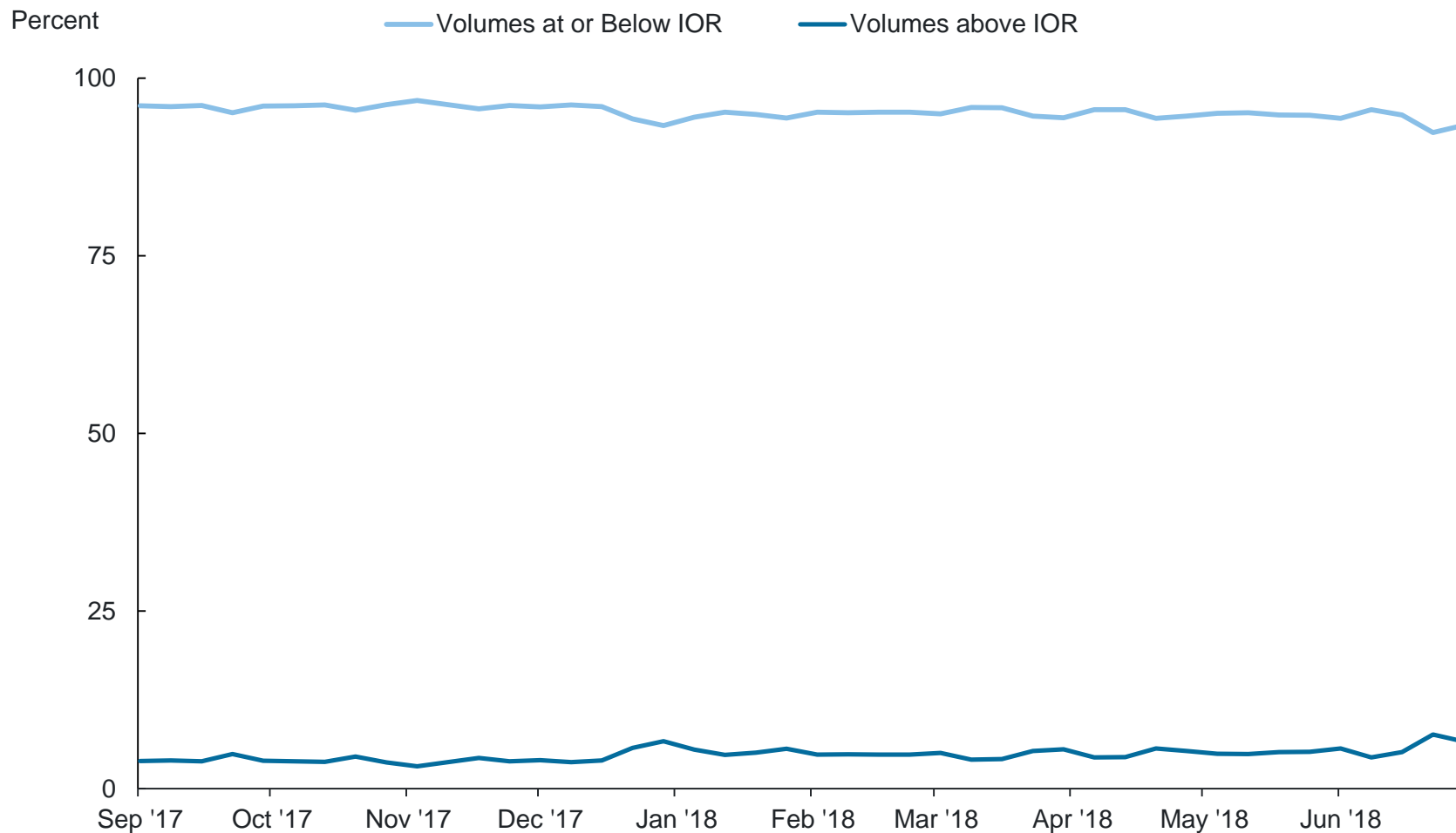


Figure 8: FHLB Tri-Party Repo Volumes and TGCR-EFFR Spread



Note: Weekly averages, excludes month-end dates.
 Source: Federal Reserve Bank of New York.

Figure 9: Federal Funds and Eurodollar Trading Volumes at Rates Relative to IOR

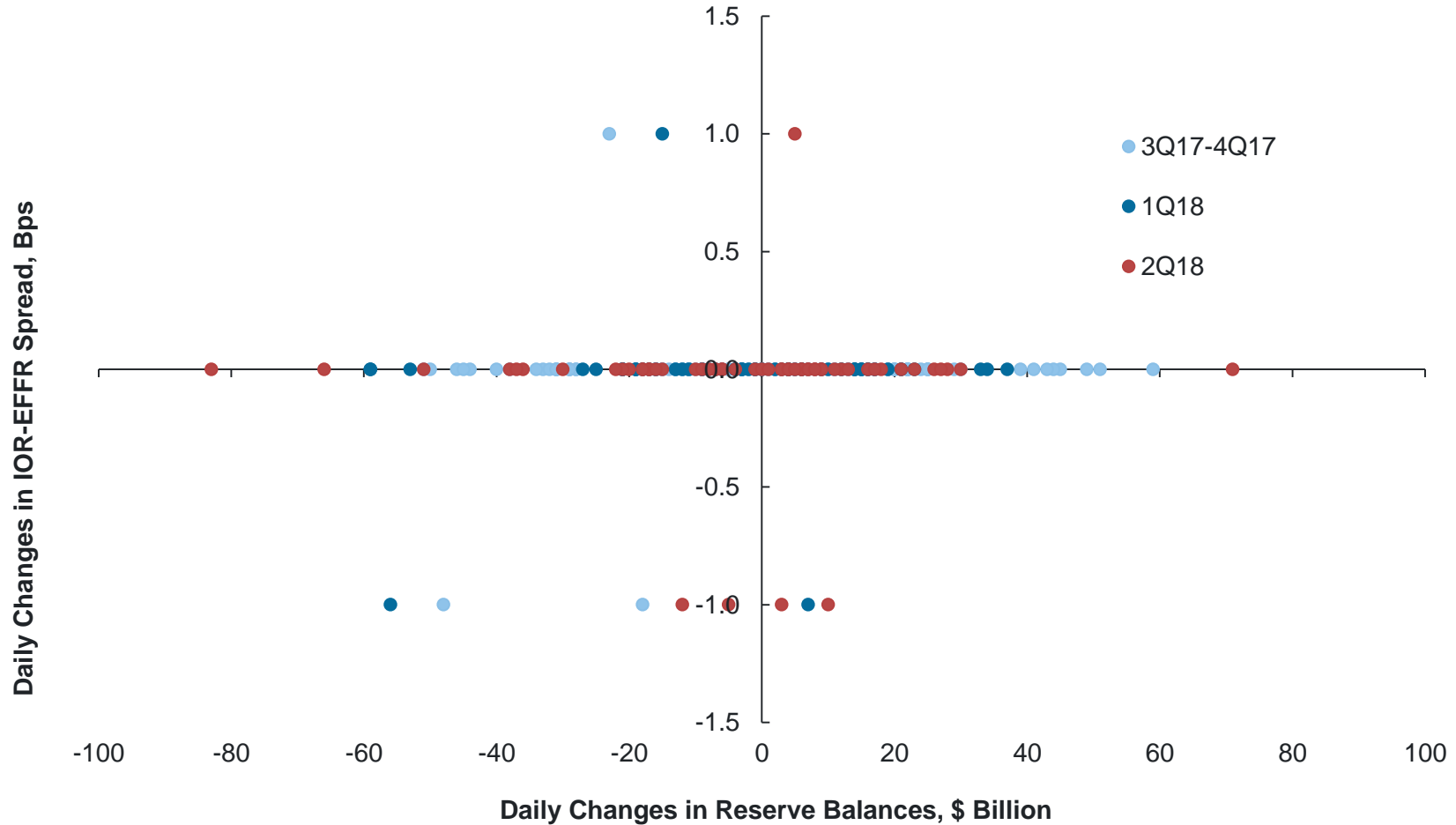


Note: Weekly averages.

Source: FR 2420 Report of Selected Money Market Rates.



Figure 10: Daily Changes in Reserve Balances vs. Daily Changes in IOR-EFFR Spread

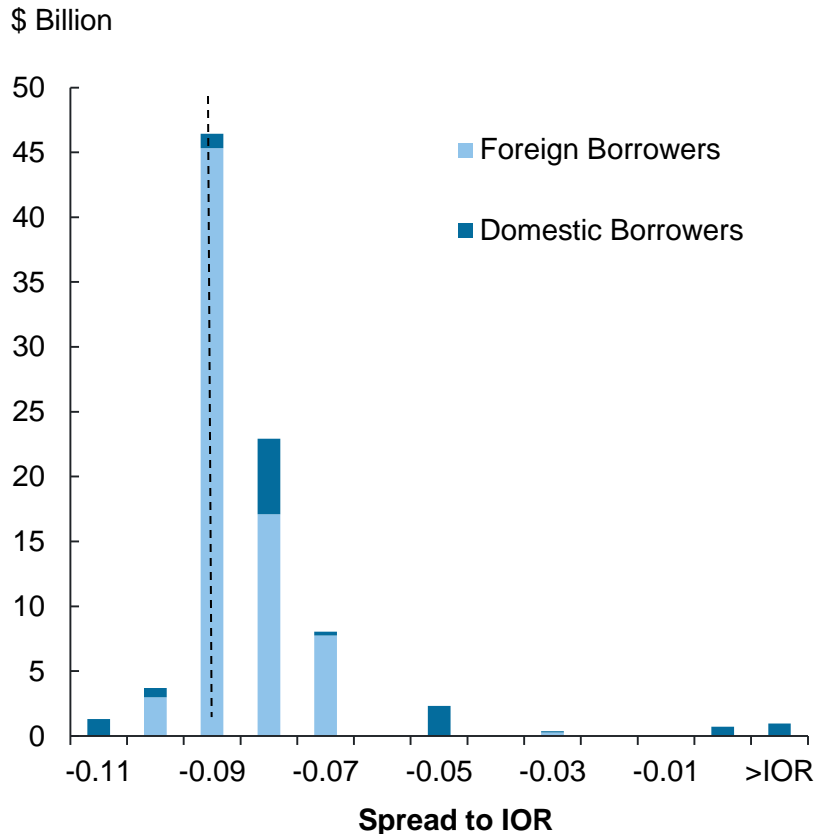


Note: Excludes month-end dates. Reserves exclude GSE balances.

Source: Federal Reserve Bank of New York; Board of Governors.

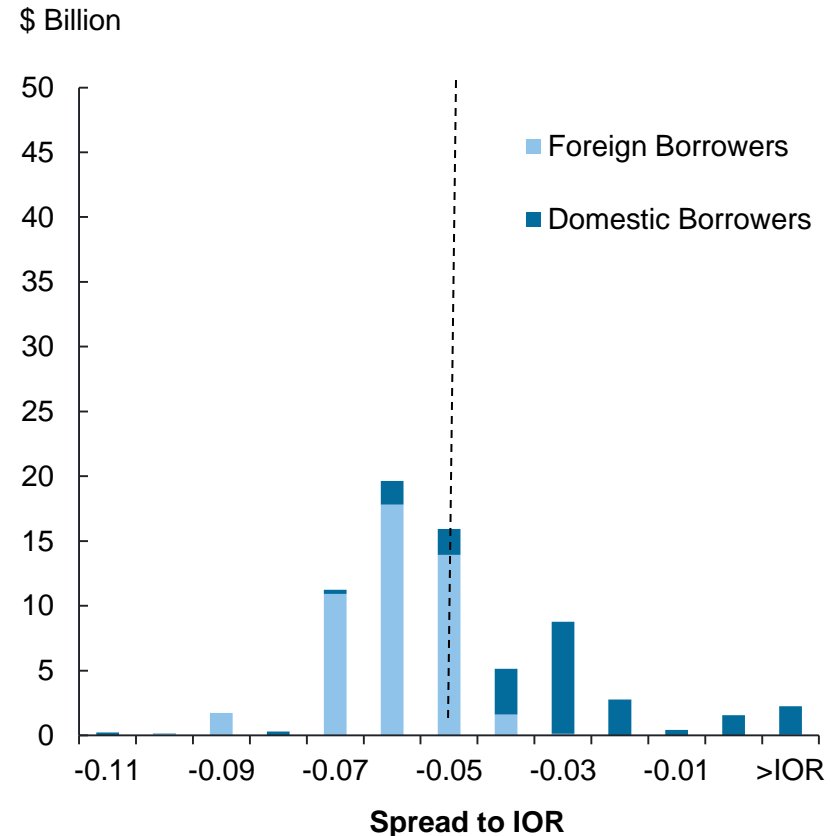
Figure 11: Domestic vs. Foreign Borrowing Activity in Federal Funds Market

Federal Funds Trading Volumes at Rates Relative to IOR:
Average 11/16/17 - 11/22/17



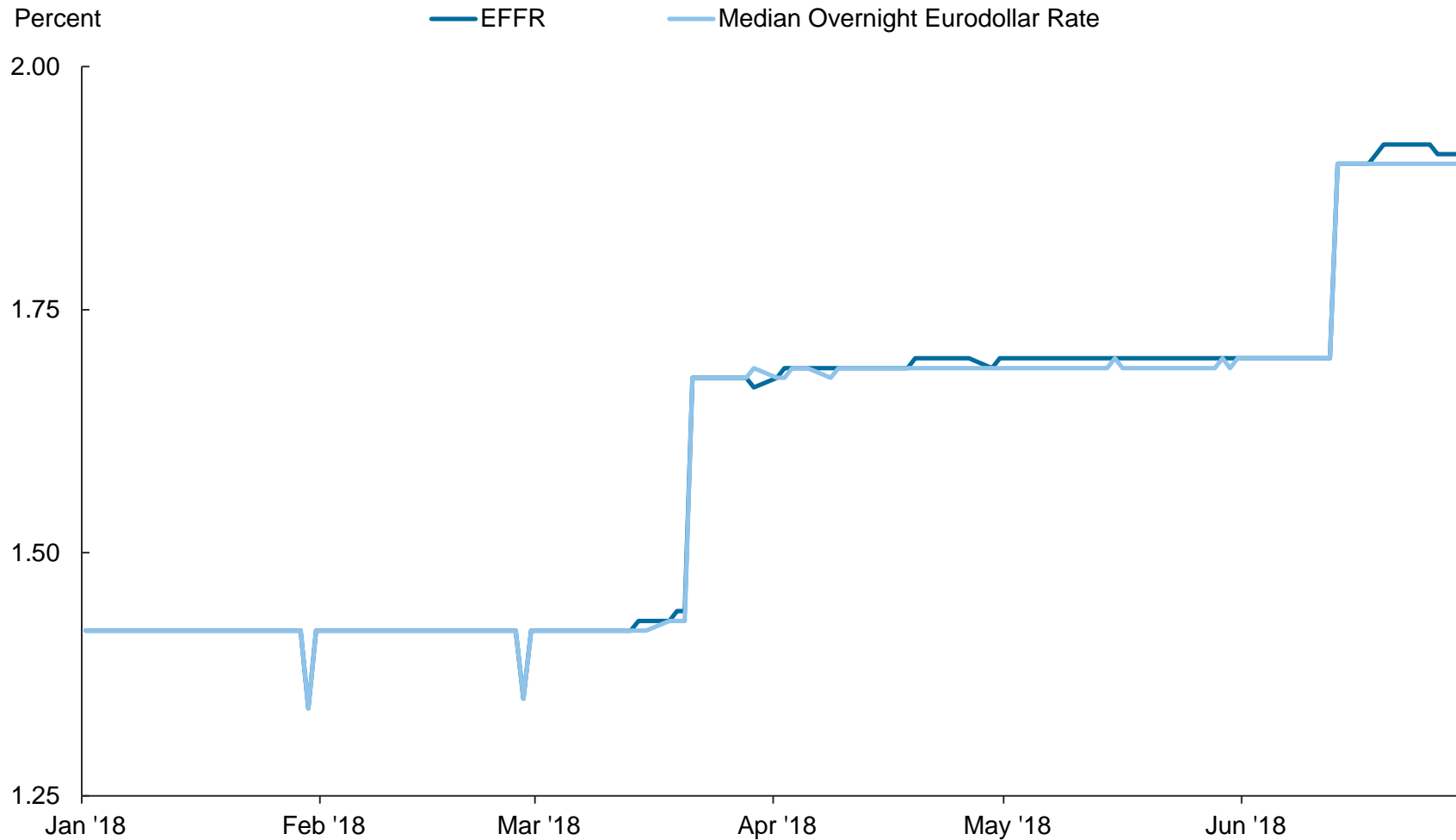
Note: Dashed line is the average EFFR over the period.
Source: FR 2420 Report of Selected Money Market Rates.

Federal Funds Trading Volumes at Rates Relative to IOR:
Average 4/20/18 - 4/26/18



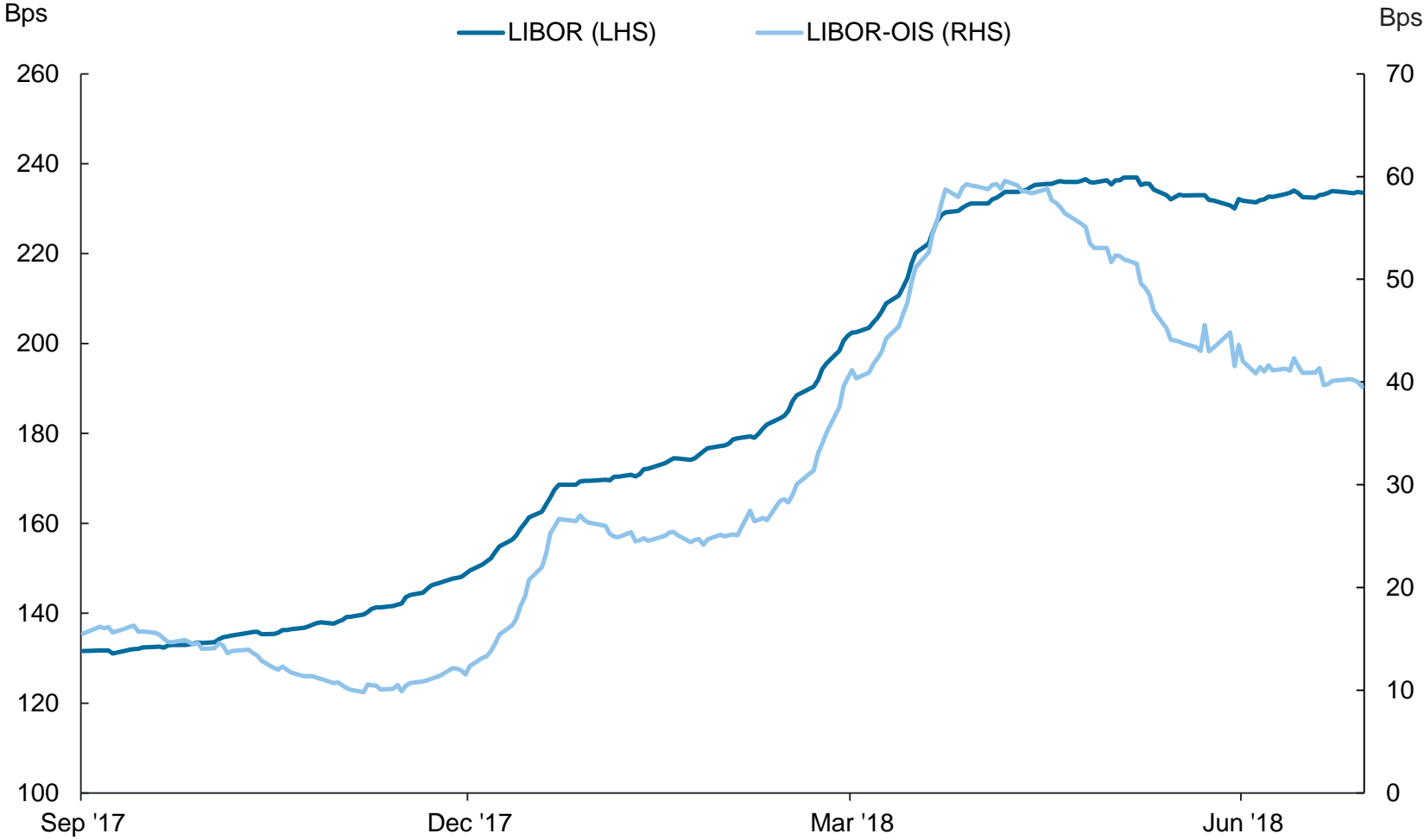
Note: Dashed line is the average EFFR over the period.
Source: FR 2420 Report of Selected Money Market Rates.

Figure 12: Effective Federal Funds Rate and Median Overnight Eurodollar Rate



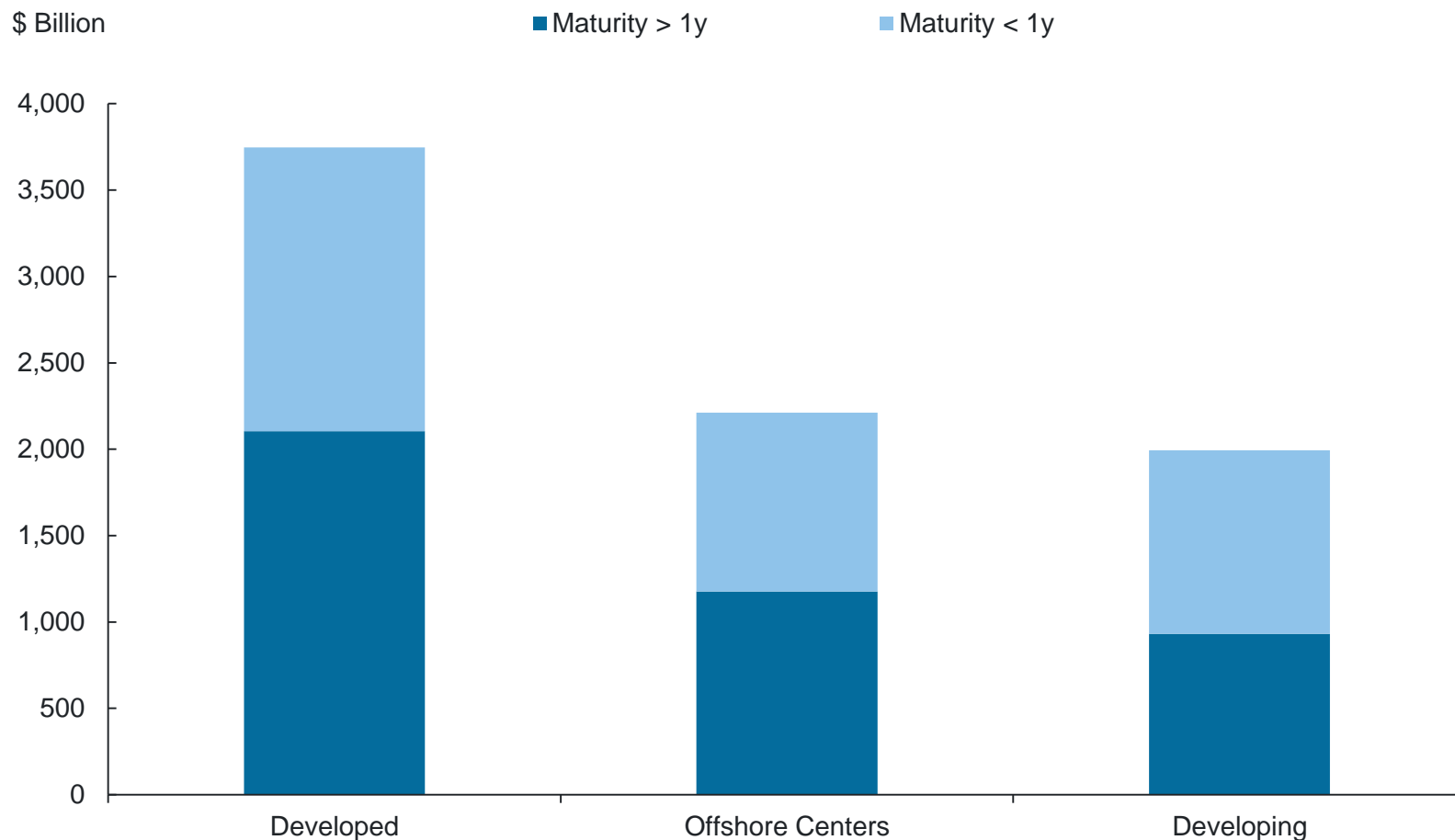
Source: Federal Reserve Bank of New York; FR 2420 *Report of Selected Money Market Rates*.

Figure 13: 3-month U.S. Dollar LIBOR and LIBOR-OIS



Source: Bloomberg L.P.

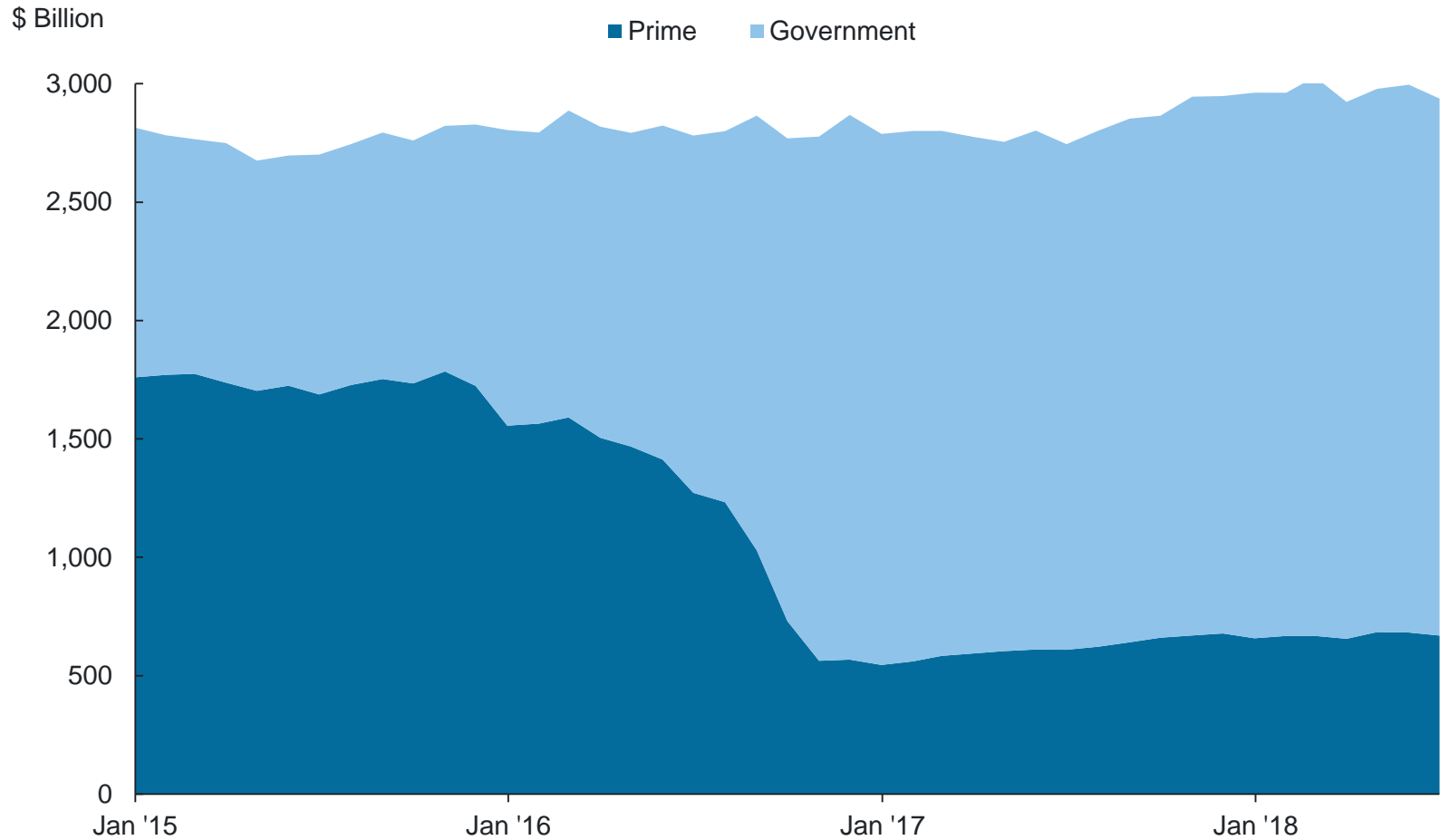
Figure 14: Estimated Cross-Border U.S. Dollar LIBOR-Linked Bank Loans to Non-U.S. Residents



Note: Assumes the vast majority of long-term loans have a base rate of LIBOR and that loans with maturity <1-year reprice off of LIBOR, or a close substitute.

Source: Bank for International Settlements; Staff Calculations.

Figure 15: Taxable U.S. Money Market Mutual Fund Assets Under Management



Source: Securities and Exchange Commission; Treasury OFR.