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Fed Alert: Capital Economics

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US Fed unveils more emergency action

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Fed to flood markets with liquidity

The NY Fed announced today that it will dramatically increase the size of the Fed's repo auctions and there will be a retooling of the balance sheet expansion into what amounts to a full-blown return to quantitative easing.

Clearly worried by signs of stress in Treasury and funding markets, the NY Fed fired its bazooka – offering an additional \$500bn in three-month repo auctions both today and tomorrow and a \$500bn one-month repo auction tomorrow. For comparison, the entire value of outstanding repos had fallen to \$150bn last week. If markets take the Fed up on all the funding being offered, its balance sheet would increase by \$1,500bn to a record high of more than \$5trn.

Source for the information in this update is Capital Economics.

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