Policy Response Monitor

Monetary Response

March 3: FOMC cut FFR 50 bps to 1.00-1.25%; unanimous decision

March 9: NY Fed increased overnight repo offering from $100B to $150B and increased two-week term repo operation from $20B to $45B

March 11: NY Fed increased overnight repo offering from $150B to $175B and added three one-month term repo operations at $50B

March 12: NY Fed switched reserve management purchases from T-bills to all Treasury securities, introduced weekly one-month and three-month term repo operations at $500B each

March 15: FOMC meeting

- Cut FFR 100 bps to zero lower bound (0.00-0.25%); Mester dissented
- Restarted Quantitative Easing (QE); increased Treasury and mortgage-backed securities (MBS) holdings by at least $500B and $200B
- Cut primary credit rate (discount window) 150 bps to 0.25%
- Depository institutions may borrow from discount window for 90 days, repayable & renewable by the borrower on a daily basis
- Reduced reserve requirement ratios to 0.00%
- Reduced rate on standing U.S. dollar liquidity swaps from OIS+50 bps to OIS+25 bps (BoC, BoE, BoJ, ECB, SNB)

March 16: Regulatory agencies encouraged banks to use discount window

March 17: Regulatory agencies encouraged banking organizations to use capital & liquidity buffers

March 17: FRB established Commercial Paper Funding Facility (CPFF)

March 17: FRB established Primary Dealer Credit Facility (PDCF)

March 18: FRB established Money Market Mutual Fund Liquidity Facility (MMLF)

March 19: Fed expanded U.S. dollar liquidity swap arrangements to nine additional central banks

March 20: Fed, BoC, BoE, BoJ & ECB further enhance swap lines by increasing frequency of 7-day maturity operations from weekly to daily

Key: Monetary Policy | Banking & Consumer Regulatory Policy | Operating Policy

Potential Monetary Response

- Forward guidance to signal FFR will remain at 0%
- Additional QE purchases of Treasury and MBS
- Request authority from Congress to purchase corporate bonds
- Purchase short-term municipal bonds (six months or less to maturity)
- Reinstate the the Money Market Investor Funding Facility (MMIFF), the Term Securities Lending Facility (TSLF), and/or Term Asset-Backed Securities Loan Facility (TALF)
- Adopt a negative fed funds rate, though we view this as unlikely

Fiscal Response

Phase 1: **$7.8B**

Targeting: Vaccines, R&D

Status: Passed

Phase 2: **$100-125B?**

Targeting: Sick leave, unemployment insurance

Status: Passed

Potential Fiscal Response

Phase 3: **$1.3T?**

Targeting: Direct checks, loans to small businesses and highly impacted industries, etc.

Status: In Progress

Phase 4: **$45.8B?**

Targeting: Supplemental budget for federal agencies

Status: Pending Phase 3

Recent Commentary

"Fiscal Policy to the Rescue?" (March 11, 2020)
"What's Happening on the Fiscal Front?" (March 17, 2020)
"Is the Federal Reserve Out of Ammunition?" (March 18, 2020)

Source: Federal Reserve System and Wells Fargo Securities

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