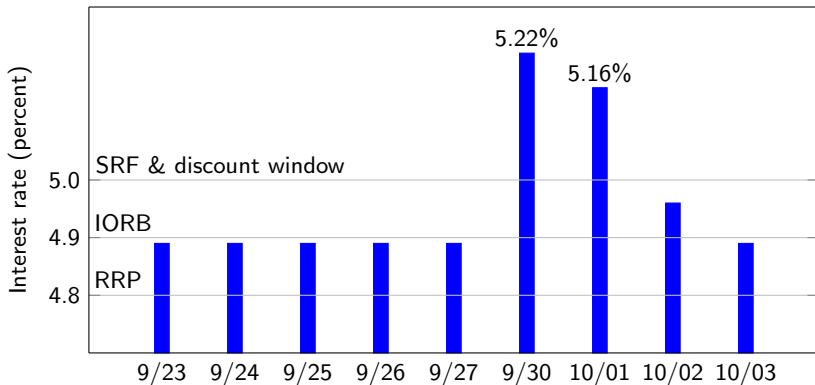


USD rate corridors depend on dealer balance-sheet capacity

Darrell Duffie
Stanford GSB

Hoover Institution
The Conduct of Monetary Policy:
Evolution from Free Reserves to the Corridor and Floor Systems
October, 2024

Repo rates jumped on September 30, when capital requirements hit non-US banks



GCF repo rates at end of 3rd quarter 2024. Data: FICC

Ratio of Treasuries outstanding to total primary-dealer assets

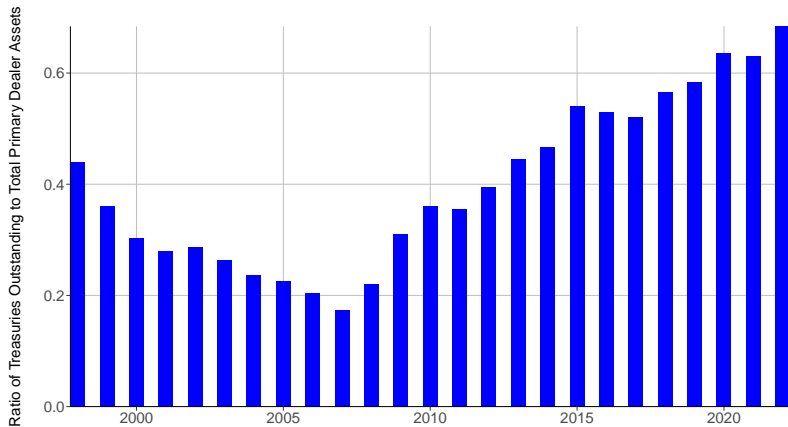
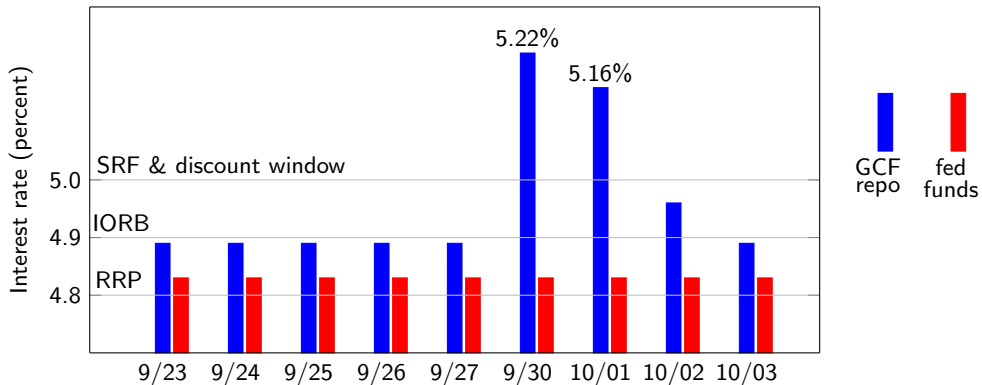


Figure: Updated from *Fragmenting Markets*, Duffie (2022).

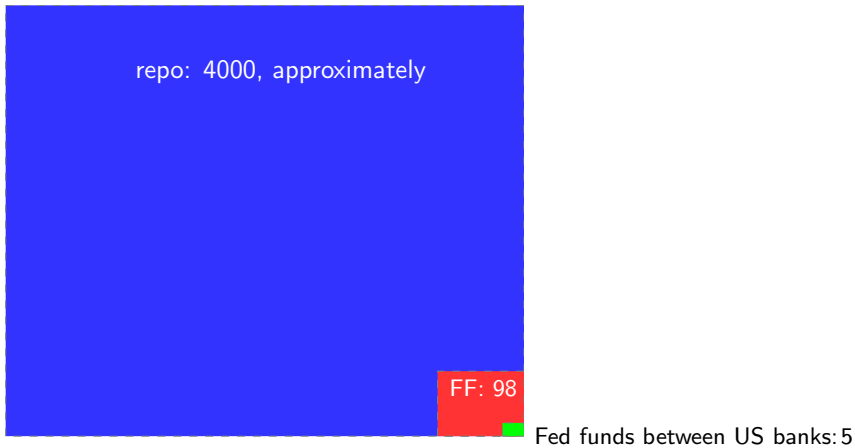
The September 30 repo crunch did not affect the fed-funds rate



Data: FRED and FICC

The repo market is the elephant in the room

daily transaction volumes (\$billions), to scale



Data: Federal Reserve, ICMA