

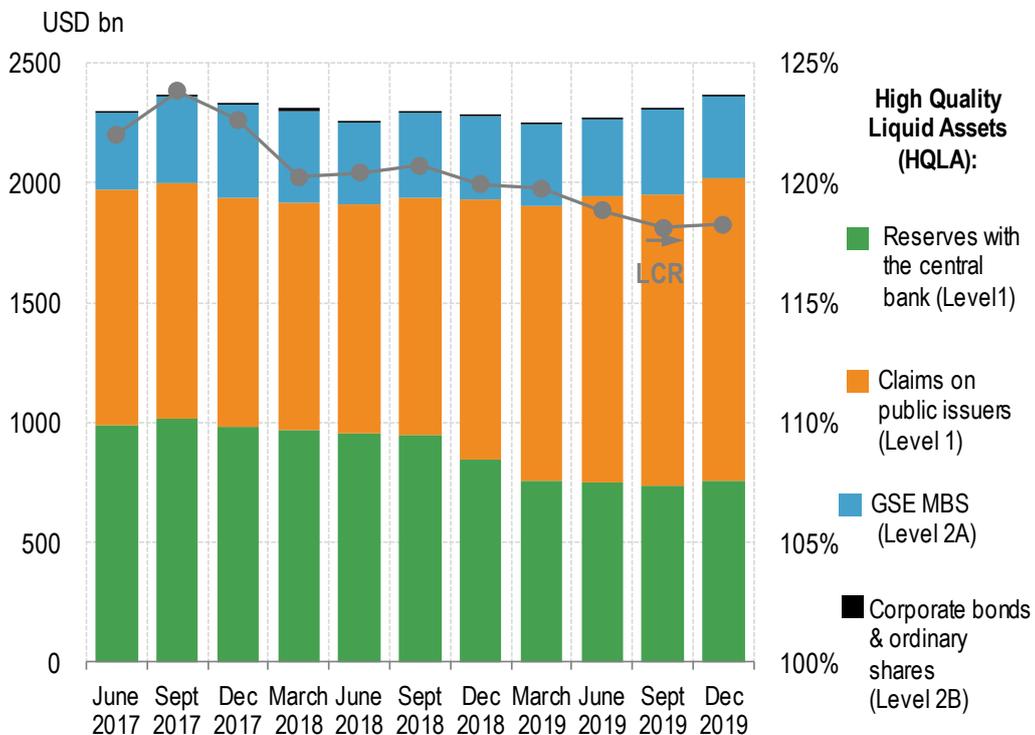


United States: The liquidity positions of major US banks have not improved

In the end, the US Federal Reserve (Fed) did not wait for the next corporation tax payment deadline in April before intervening in the money market. In an attempt to stave off the risk of pressures on the market as a result of the coronavirus outbreak, it increased the scale of its repo transactions on Monday 9 March. At the end of last week, demand for cash from primary dealers far outstripped what the Fed was offering.

Although the Fed has injected nearly USD 480 billion in additional central bank money since mid-September, the liquidity position (immediately available cash) at major US banks has not improved. On the one hand, bank reserves with the Fed have increased by only USD 280 billion, due to the growth in the Treasury’s general account. On the other hand, the major banks have absorbed a large part of the collateral issued, either through outright purchases or indirectly through the forced retention of securities by their primary dealers.

Average Liquidity Coverage Ratio (LCR) of the 8 US G-SIBs



Source: LCR disclosures, SEC 10-Q reports, BNP Paribas