



BONN ECON NEWS

FACHBEREICH WIRTSCHAFTSWISSENSCHAFTEN
DEPARTMENT OF ECONOMICS

WORKSHOPS AND SEMINARS JULY 19 - 23, 2021

Tuesday, July 20, 2021

Finance and Insurance / CRC TR 224 / ECONtribute Seminar

12:15 CET, via Zoom, details below

Annette Vissing-Jorgensen, UC Berkeley
„The Treasury Market in Spring 2020 and the Response of the Federal Reserve“

PEOPLE

BGSE Graduates

Ananyev, Mikhail

Dissertation: Essays in Applied Microeconomics

Kattwinkel, Deniz

Dissertation: Essays in Microeconomic Theory

Klümper, Andreas

Dissertation: Essays in Behavioral Microeconomic Theory

Ploj, Gašper

Dissertation: Three Essays on the Interconnectedness of Labor Markets and Household Finance

Zimmermann, Niklas Kaspar

Dissertation: Essays in Macro-Finance

Annette Vissing-Jorgensen, UC Berkeley

„The Treasury Market in Spring 2020 and the Response of the Federal Reserve“

This paper studies Treasury market dislocations during the initial phase of the COVID crisis in March 2020. Despite a deteriorating economy, the 10-year yield increased by 64 bps from March 9 to 18. This was not due to higher expected inflation or increased default risk for government debt. In response, the Federal Reserve purchased over \$1T of Treasuries in the first quarter of 2020, more than in either of the QE1, QE2, or QE3 programs. I argue that Fed purchases were causal for driving down yields by documenting the timing of Fed purchases (which were increased sharply on March 19, the same day the yield spike started to reverse) and the timing of yield reversals and Fed purchases in the MBS market, as well as by providing evidence against confounding factors. The Fed’s “market-functioning” QE during COVID appears to have worked more via purchase effects than announcement effects, in contrast to earlier QE programs and in contrast to corporate bond purchases during the COVID crisis. I propose that the importance of purchase effects for market-functioning QE is due to the Treasury yield spike being driven by immediate liquidity needs that were unaffected by the initial Treasury purchase announcement on March 15. I document that the main sellers of Treasuries were mutual funds, foreign official agencies, and hedge funds, and argue that urgent liquidity needs were relevant for sellers within these sectors.

Zoom: <https://uni-bonn.zoom.us/j/97861096178?pwd=K0hVd3NkcVMYTDDBanVWaktDbUVZUT09>

Meeting-ID: 978 6109 6178

Kenncode: 095001

Redaktionsschluss / Deadline

BONN ECON NEWS October 11 – 15, 2021

Wednesday, October 06, 2021

12:00

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