

(<https://www.federalreserve.gov/newsevents/pressreleases/monetary20200315a.htm>), the Federal Open Market Committee (FOMC) brought back this unconventional monetary policy tool. The FOMC directed the New York Fed's Open Market Trading Desk (the Desk) to purchase at least \$500 billion worth of Treasury securities and at least \$200 billion worth of mortgage-backed securities. These asset purchases are called unconventional policy measures to distinguish them from the management of the federal funds rate through open market sales and purchases of short-term Treasury securities.

The graph above shows the purchase programs started on November 2008, November 2010, and September 2012. Each program had different sizes, which depended on the monetary policy projections, and their impact on the composition of the Federal Reserve System balance sheet can be seen as three distinctive increases in the levels of mortgage-backed securities (the green area), Treasury securities (the blue area), and federal agency debt (the red area).

Research by Michael Kiley (<https://ideas.repec.org/p/fip/fedgfe/2018-04.html>) has shown that when the federal funds rate target range is at the zero lower bound, large-scale asset purchases can boost economic activity. To assess the relative size of the recently announced fourth large-scale asset purchase program, hover over the right-hand-side of the graph and compare the amounts of the planned purchase of each type of asset with their current (as of March 11) level, which is in the trillions of dollars. And, in the words of Obi-Wan Kenobi: "May the Force be with you."

How this graph was created: Search for "Assets: Securities Held Outright: U.S. Treasury Securities" and select the "All: Wednesday Level" series (FRED series ID TREAST). From the "Edit Graph" panel, use the "Add Line" feature to search for and select the "Assets: Securities Held Outright: Federal Agency Debt Securities: All: Wednesday Level" series (FRED series ID FEDDT). Do the same to add the series "Assets: Securities Held Outright: Mortgage-Backed Securities: Wednesday Level" (FRED series ID WSHOMCB). From the "Format" tab, select "Area" for graph type and "Normal" for stacking.

NOTE: Simultaneous to the publication of this blog post, the FOMC issued a statement (<https://www.federalreserve.gov/newsevents/pressreleases/monetary20200323b.htm>) further expanding its tool set to address current economic challenges.

Suggested by Diego Mendez-Carbajo (<https://research.stlouisfed.org/staff/mendez-carbajo>).

View on FRED, series used in this post: FEDDT (<https://fred.stlouisfed.org/series/FEDDT>), TREAST (<https://fred.stlouisfed.org/series/TREAST>), WSHOMCB (<https://fred.stlouisfed.org/series/WSHOMCB>)

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CPI +1.4 % Chg. from Yr.
Ago on Jan 2021 

Civ. Unemploy. Rate 6.3 %
on Jan 2021 

10-Yr. Treas. Rate 1.29 %
on 2021-02-18 

Real GDP +4.0 %, Comp.
Annual Rate of Chg.
on Q4 2020 

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Chg., Thous. of Persons
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