

(keep in mind i wrote these notes that is NEW for ME)

Michael macro outlook stream topics: RRP

Michael presented:

<u>Central banks</u>	<u>Treasuries</u>
Federal reserve (USA)	Treasury Department (USA)
PBOC (CHINA)	Ministry of Finance (China)
BOJ (Japan)	Ministry of Finance (japan)
ECB (Europe)	Federal Ministry of Finance (Germany)
BOE (UK)	HM treasury (UK)

Federal reserve's Reverse Repo Program (RRP)

in google its reverse repurchase agreement

- Banks can deposit money shortterm. (usually at night)
- if its high, there is an excessive cash so from banking systems deposits, so they deposit with the **FED**.
- When the **RRP declines** the money goes BACK into the markets. Because if its sitting in the RRP that means banks institutions rather get some % yield than putting it in other investments (markets, real estate, anything



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Overall: If RRP declines, money goes into the market

- If money flooding in to the markets, asset prices rise and NOT FALL.
Cant have a recession when money flooding in

The zero level is around \$200 Mil RRP drained no more money flooding into the markets with nothing else changed, market would top

2. Declining RRP / Increasing TGA = Liquidity

RRP (bn \$), TGA (bn \$) and NET(bn \$)



TGA: Treasury General Account (basically the US government's bank account)

IF the TGA increasing that means treasuries depositing more money (usually comes from tax receipts or selling bonds) □ they take out money from circulation

Increasing TGA would reduce the money in the economy □ bad for the markets

TGA built up, they will flood it out to the markets and give people free shit

If the net impact (yellow line) is going down that means liq is being added tot he system

If RRP reaches 0 (200 mil) they have to juice the markets by something else, like printing money (QE), but this needs an emergency to get allowed

BTFFP (Bank Term Funding Program) Expires on 2024.03.12

Its a way to bail (save) the banks out, ease the fear in the market.

The broke banks must find a way to swap with the US, to fulfill with the FED. □ free money print card will expire at that time.

* its easier to extend it and just put it under the towel in silence.

If this will get really renewed, its bullish (cuz they dont have to pay it back)

If FED cut interest rates it makes debt cheaper, so they are stimulating the economy □ people will use / buy more things

next page is my findings

RRPS are used for short term lending and borrowing for BANKS looking to fulfill their reserve requirements

Central banks use repos and reverse repos to add or remove from the money supply. via market operations

Repos are classified as a money market instrument, usually its to raise short term capital.

Reverse repos are the SELLER end of a repurchase agreement

Reverse repos commonly used by businesses to access short term capital (loan) to bridge cashflow issues.

Therefore the business sells a business **asset** or even **shares** in its company.

Then, at a set future date the **lender** sells that **asset** for a higher price.

long term RRP's are involving more risk due the price devaluation of the given **asset**.

The Fed conduct RRP's to maintain long-term monetary policy and control capital liq levels in the market.

The RRP differs from a buy or sell back agreement. Buy or Sell back agreements legally document each transaction, providing clear separation in each transaction. ☐ Therefore, each transaction can legally stand on its own without the enforcement of the other.

RRP's have each phase of the agreement legally documented within the same contract and ensure the availability and right to each phase of the agreement.

RRP although collateral is in essence purchased, generally never changes physical location or actual ownership.









Example of Reverse Repurchase Agreements

Let's say Bank ABC currently has excess cash reserves, and it is looking to put some of that money to work. Meanwhile, Bank XYZ is facing a reserve shortfall and needs a temporary cash boost. Bank XYZ may enter a reverse repo agreement with Bank ABC, agreeing to sell securities for the other bank to hold overnight before buying them back at a slightly higher price. From the perspective of Bank ABC, which buys the securities and agrees to sell them back at a premium the next day, the transaction is a repurchase agreement

what happened during covid?

Repo operations: The Fed vastly expanded the scope of its repurchase agreement (repo) operations to funnel cash to money markets. The repo market is where firms borrow and lend cash and securities short-term, usually overnight. Since disruptions in the repo market can affect the federal funds rate, the Fed's repo operations made cash available to primary dealers in exchange for Treasury and other government-backed securities. Before coronavirus turmoil hit the market, the Fed was offering \$100 billion in overnight repo and \$20 billion in two-week repo. Throughout the pandemic, the Fed significantly expanded the program—both in the amounts offered and the length of the loans. In July 2021, the Fed established a permanent Standing Repo Facility to backstop money markets during times of stress.

My findings in btc chart

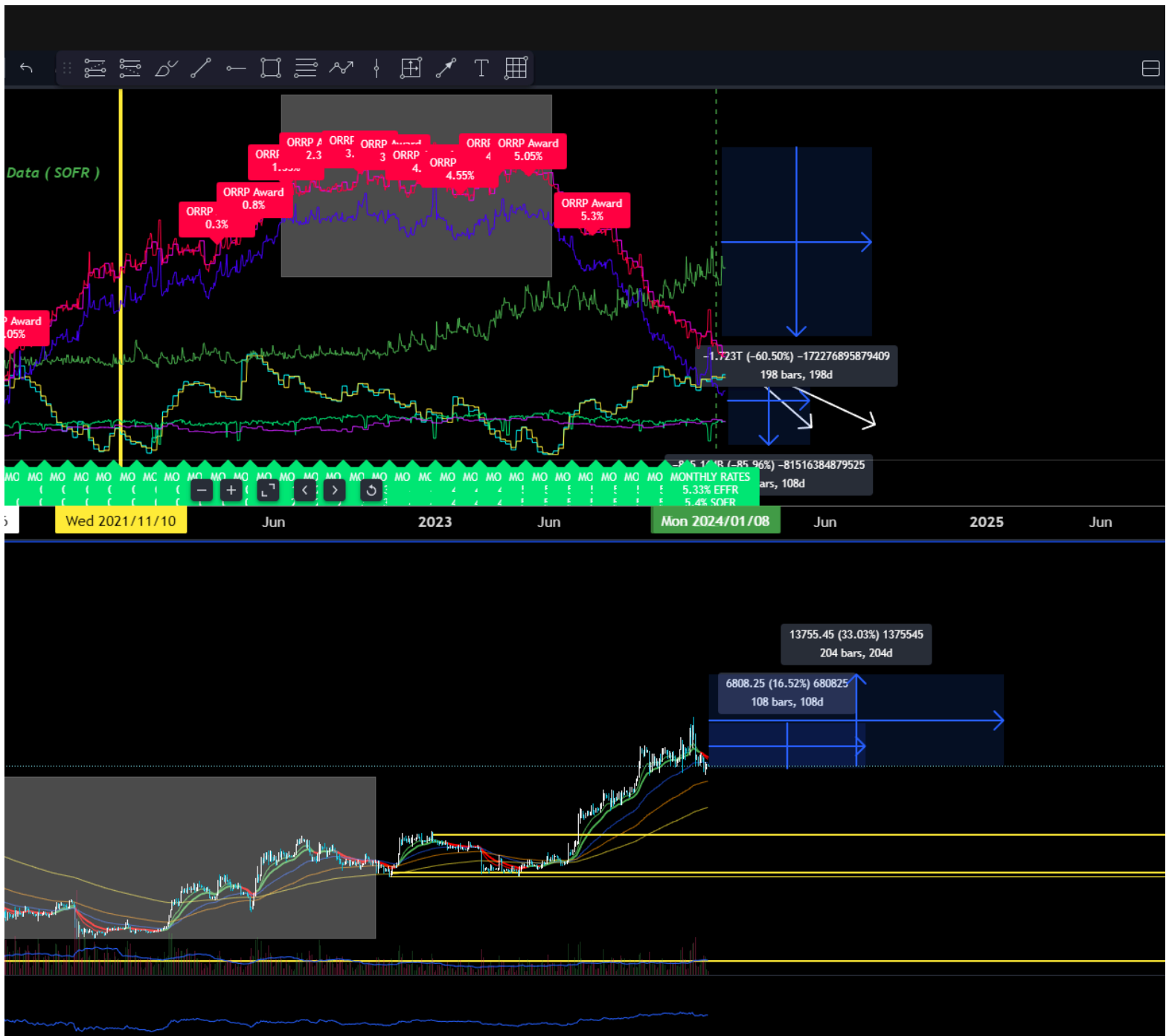
US Treasury Wednesday	
US Treasury Weekly	
US SOFR Volume	
US RCVOL	
US Overnight RRP	
US Foreign RRP	
US Liabilities RRP	
US Expected RRP	

upwards it was basically the top

when the **US treasuries** were went back tot he „normal” level, it was the peeko top, and then the bear market started (yellow vertical line).

White box: when the **RRPs** went sideways thats where BTC bottomed, and started to reverse.

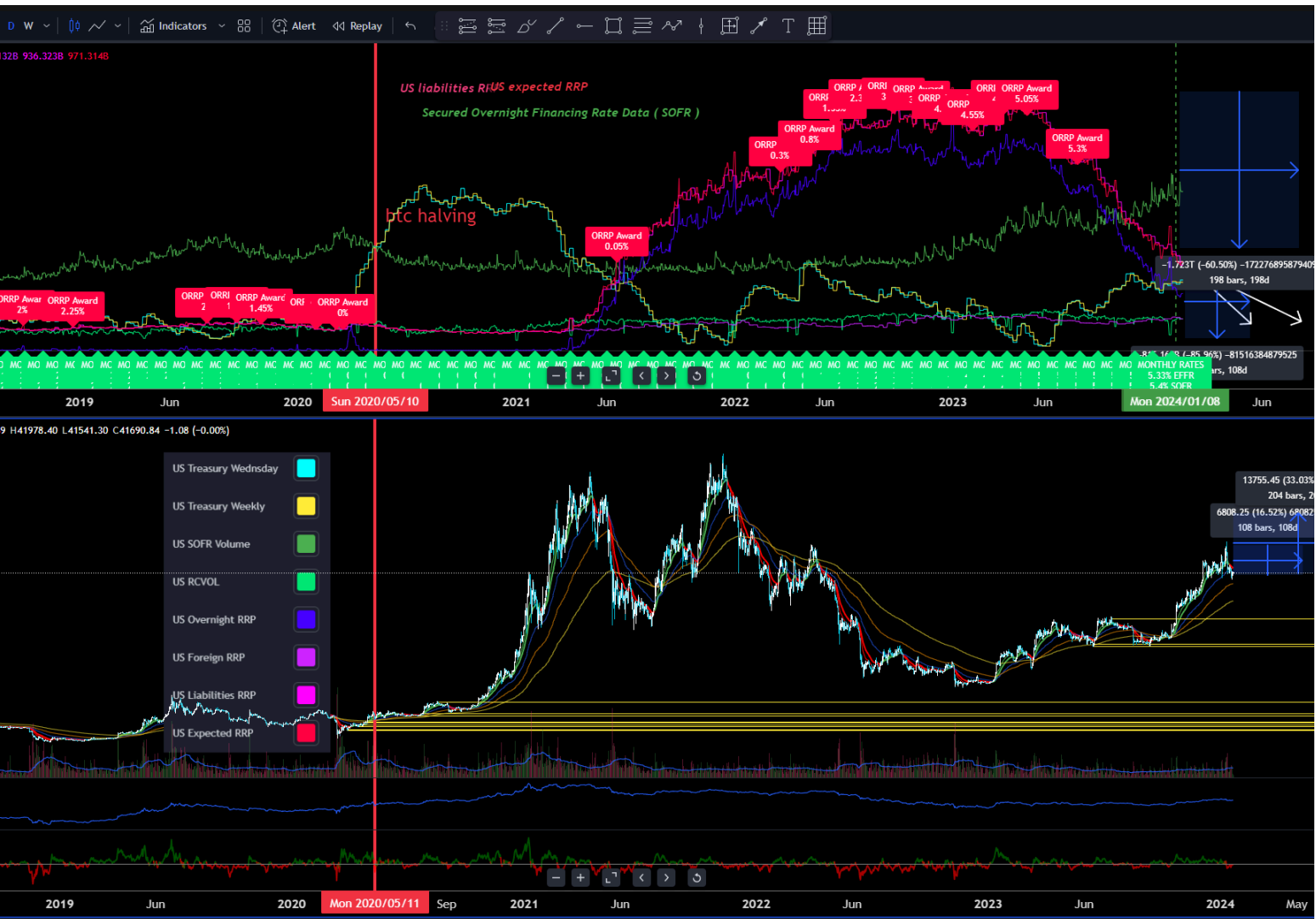
I found this indicator but there is no more reliable data just these. It signals the direction pretty good, so could be a good confluence.



If it continues around this pace, that's my minimum / maximum until it reaches the previous „normalized” level, what will go sideways for many many months.

What does that mean? there is no data yet about it when it was coming back. For me it's just a „ready to do anything phase”

if it starts to go upwards it's definitely a big sign to start take profit. on other thing that came up into my mind was the btc halving, it can be seen below



in summarize

IMO this is good for choosing directional trades in medium-longterm or cycle plays only.

it gives u a good idea whether we are really topping out of the cycle or bottoming, what is lets say very valuable.