### Monetary Response

**March 3:** FOMC cut FFR 50 bps to 1.00-1.25%; unanimous decision

**March 9:** NY Fed increased overnight repo offering from $100B to $150B and increased two-week term repo operation from $20B to $45B

**March 11:** NY Fed increased overnight repo offering from $150B to $175B and added three one-month term repo operations at $50B

**March 12:** NY Fed switched reserve management purchases from T-bills to all Treasury securities, introduced weekly one-month and three-month term repo operations at $500B each

**March 15:** FOMC meeting
- Cut FFR 100 bps to zero lower bound (0.00-0.25%); Mester dissented
- Restarted Quantitative Easing (QE); increased Treasury and mortgage-backed securities (MBS) holdings by at least $500B and $200B
- Cut primary credit rate (discount window) 150 bps to 0.25%
- Depository institutions may borrow from discount window for 90 days, repayable & renewable by the borrower on a daily basis
- Reduced reserve requirement ratios to 0.00%
- Reduced rate on standing U.S. dollar liquidity swaps from OIS+50 bps to OIS+25 bps (BoC, BoE, BoJ, ECB, SNB)

**March 16:** Regulatory agencies encouraged banks to use discount window

**March 17:** FRB established Commercial Paper Funding Facility (CPFF)

**March 17:** FRB established Primary Dealer Credit Facility (PDCF)

**March 18:** FRB established Money Market Mutual Fund Liquidity Facility (MMLF)

**March 19:** Fed expanded U.S. dollar liquidity swap arrangements to nine additional central banks

**March 20:** Fed, BoC, BoE, BoJ & ECB further enhance swap lines by increasing frequency of 7-day maturity operations from weekly to daily

**March 20:** FRB expanded MMLF

**March 22:** Regulatory agencies encouraged financial institutions to work with borrowers and provided information regarding loan modifications

**March 23:**
- FOMC announced open-ended purchase of Treasuries and MBS and expanded purchases to include agency commercial MBS
- Established Primary Market Corporate Credit Facility (PMCCF) and Secondary Market Corporate Credit Facility (SMCCF) to support the corporate bond market
- Established Term Asset-Backed Securities Loan Facility (TALF)
- Expanded MMLF to wider range of securities
- Expanded the CPFF to more securities and reduced facility pricing

**March 23:** FRB announced technical change around a firm’s Total Loss Absorbing Capacity (TLAC) to facilitate the use of firms’ buffers

**March 26:** Regulatory agencies encourage banks, savings associations & credit unions to offer small-dollar loans to consumers & small businesses

**March 26:** Fed offers regulatory reporting relief to small financial institutions affected by the coronavirus

**March 27:** Regulatory agencies permit early adoption of standardized approach for measuring counterparty credit risk (SA-CCR) and allows banks to mitigate effects of current expected credit loss (CECL)

**March 31:** Fed established temporary FIMA Repo Facility

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### Potential Monetary Response

- Forward guidance that FFR will remain at 0.00% beyond current crisis
- Purchase short-term municipal bonds (six months or less to maturity)
- Request authority from Congress to purchase a broader array of corporate and/or municipal bonds
- Reinstate the Term Securities Lending Facility (TSLF)
- Adopt a negative fed funds rate, though we view this as unlikely

### Recent Commentary

- **“Fed Cuts Rates 50 bps—Further Easing Likely in Store”** (March 03, 2020)
- **“The Fed Announces a Barrage of Policy Changes”** (March 16, 2020)
- **“Is the Federal Reserve Out of Ammunition?”** (March 18, 2020)
- **“The Fed Goes Nuclear”** (March 23, 2020)
Policy Response Monitor

Fiscal Response

Phase 1: Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020

$8.3B
<0.1% of GDP


Targeting: Vaccines, R&D
• Provides emergency funding for federal agencies including: Centers for Disease Control and Prevention (CDC), Food and Drug Administration (FDA), National Institute of Health (NIH), the State Department, the Small Business Administration and the United States Agency for International Development (USAID)
• Includes $4B to make more coronavirus tests available
• Includes $1B in loan subsidies for small businesses

Phase 2: Families First Coronavirus Response Act

$100-125B?
~0.5% of GDP


Targeting: Free testing, sick leave, unemployment insurance
• Requires free COVID-19 tests, including uninsured
• Temporarily requires employers with less than 500 employees provide two weeks sick leave
• Increases unemployment insurance benefits
• Increases funds for Medicaid and food security programs, e.g. SNAP

Phase 3: Coronavirus Aid, Relief & Economic Security Act (CARES)

$2T
~9% of GDP


Targeting: Direct checks, loans to highly impacted industries
• Direct payments of $1,200 to individuals making $75,000 or less and $2,4000 to couples making $150,000 or less, plus a $500 per child bonus
• Boost to unemployment benefits
• Delay of tax filing date to July 15 from April 15
• Suspend federal student loan payments for six months, with no accruing interest
• Allow businesses to defer payments of the employer side of the Social Security payroll tax
• Loans to small businesses, which can be forgiven if used for certain purposes, e.g. keeping workers on payroll
• Loans to businesses, states and municipalities adversely impacted by measures taken to combat COVID-19
  • Most loans will originate from a Federal Reserve lending facility and likely won’t be forgiven
• Gives depository institutions the option to temporarily delay measuring credit losses on financial instruments using the new Current Expected Credit Losses (CECL) accounting standard
• Supplemental appropriations for federal agencies/programs, hospitals, and state & local governments (e.g. hospitals & veterans’ health care, FEMA)

Recent Commentary

“Fiscal Policy to the Rescue?” (March 11, 2020)
“What’s Happening on the Fiscal Front?” (March 17, 2020)
“Congress Unleashes the Fiscal Firehose” (March 26, 2020)

Source: Wells Fargo Securities

As of March 31, 2020