



## Basis Points – April 7, 2022

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### Above the Fold

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#### Market Digests Fed Minutes

Following every official meeting of the Federal Open Market Committee (FOMC), the members release the minutes (a textual record) of that meeting to the world. With interest rates on the rise and the Federal Reserve's balance sheet of assets still a whopping \$9 trillion, investors are looking for more insight on how fast rates will increase and how quickly the Fed will deplete its holdings — both of which are intended to cool inflation and subsequently, the economy.

The minutes released yesterday revealed a large number of Fed officials would have preferred a 50 basis point hike in rates, but opted for a smaller hike in light of uncertainty associated with Russia's invasion of Ukraine. That said, the comments indicated that 50 basis point increases could be appropriate and perhaps even likely at future meetings. And for the first time since the last balance sheet taper, the FOMC divulged how they expect to whittle down their asset holdings, which is going to be a faster rate than during the last taper in 2019. The board discussed allowing up to \$95 billion in securities to mature every month; \$60 billion in Treasuries and \$35 billion in mortgage bonds. During the last taper, the Fed phased its process more gradually over a 12-month period, but never allowed more than \$50 billion in securities to mature in any month.

### Three Things

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1. *Twitter Is Getting a Game-Changing Feature* – Just one day after billionaire Elon Musk announced he had taken a more than 9% stake in Twitter (and captured a board seat), he immediately used the platform to poll his followers about adding an “edit” feature. The poll revealed the vast majority of users supported the change. Up until yesterday, the company had taken a strong position that such a feature would never be added. But in an ironically timed twist, Twitter has apparently changed its mind and said it’s working to “safely” integrate the ability to alter an already published Tweet. Executives say this change has been in the works for some time and has nothing to do with Musk’s poll.
2. *Two-Year Treasury Note Climbs Yet Again* – The yield on the short-term, two-year U.S. Government Bond (note) rose to a 10-year high of 2.60% ahead of the Federal Reserve March minutes released yesterday as traders bet on near-term rate increases. Days before, the two-year yield also eclipsed the 10-year yield, which tends to be an indication that investors see increased potential for a recession or a drop in interest rates shortly after they are increased.
3. *Could Zelle Hurt Visa and Mastercard?* – During the pandemic, consumers flocked to digital money-transfer and payment service Zelle. The fee-free service logged 1.8 billion total transactions in 2021 worth close to \$500 billion. Now, there’s talk that Zelle payments could start being accepted at retail and dining establishments across the country. And since Zelle costs nothing to use, traditional credit card companies are a bit worried (according to a Wall Street Journal source) it could cut into their profits. Zelle is a product of a fintech company called Early Warning Services, LLC, which is owned by seven of America’s largest banks.

## Did You Know?

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### No Need to Pay Your Student Loans (Sort of)

The Biden administration has once again extended the payment pause (now for the sixth time) for eligible student loans until the end of August. The loan pause began on March 13, 2020, and the program also reduced interest rates to 0% and stopped all collection efforts on loans that were already in default. The unprecedented action affects more than 43 million Americans and the administration is reportedly using this additional time to further discuss the possibility of some form of loan cancellation.

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