Market observation

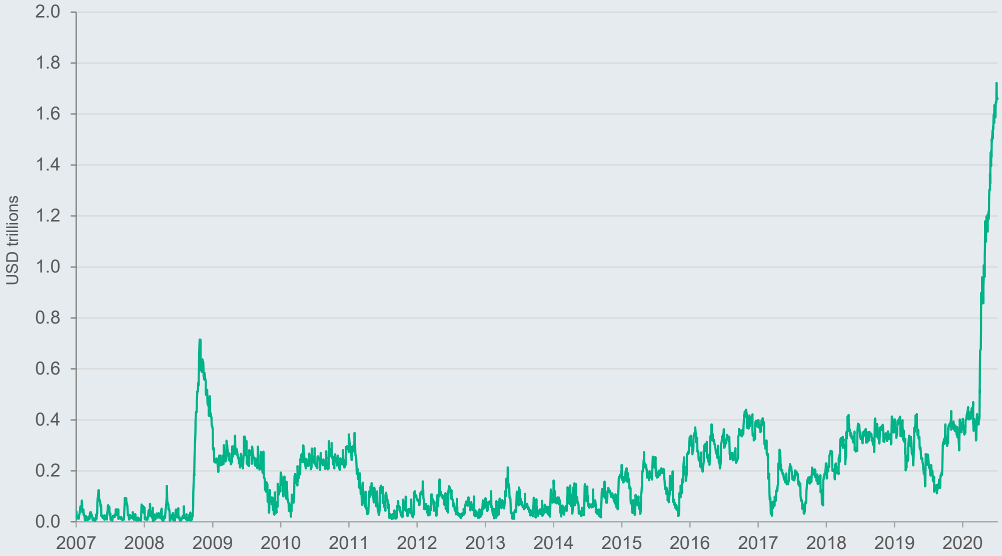
When the US Treasury opens its piggy bank, markets can expect more liquidity

Investors continue to take heart from the huge wave of economic stimulus released in the aftermath of late March's market lows, creating ample liquidity in financial markets. This rising tide of accommodative policy from governments and central banks has the potential to lift the prices of all risk assets (like shares) to varying degrees, and to ensure that credit markets have enough liquidity to function.

What's more, there is likely far more to come. In the US, the Treasury has raised substantial cash lately, and is now due to disperse it. Indeed, it is already falling behind deadlines, having raised money quicker than it can spend it. We think that around $1.6trn is therefore likely to hit the US economy in the second half of the year. When the Treasury last released significant funds (in 2017), this influx of liquidity played a huge role in reflating the global economy and increasing investor risk appetite. This is truly something to watch out for as we enter the coming period, and could provide welcome support for financial market sentiment amid nerves about a second wave of COVID-19.

The Treasury's stockpile could soon be unleashed

Financing activities (Treasury statement), operating cash balance, total operating balance (trillions)



Past performance is not a reliable indicator of future results.
Source: Macrobond and US Treasury.

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Important Information

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