 Download This Paper (Delivery.cfm/SSRN_ID4778102_code387943.pdf?abstractid=1012684&mirid=1)

Open PDF in Browser (Delivery.cfm/SSRN_ID4778102_code387943.pdf?abstractid=1012684&mirid=1&type=2)

★ Add Paper to My Library

Share:    

How Do Treasury Dealers Manage Their Positions?


FRB of New York Staff Report No. 299, Rev. March 2024

79 Pages
Posted: 13 Sep 2007
Last revised: 2 Apr 2024

Michael J. Fleming (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=53206)
Federal Reserve Bank of New York

Giang Nguyen (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=1711249)
Pennsylvania State University - Smeal College of Business

Joshua V. Rosenberg (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=44290)
Independent

 [There are 2 versions of this paper](#)

Date Written: March 1, 2008

Abstract


Using thirty-one years of data (1990–2020) on U.S. Treasury dealer positions, we find that Treasury issuance is the main driver of dealers’ weekly inventory changes. Such inventory fluctuations are only partially offset in adjacent weeks and not significantly hedged with futures. Dealers are compensated for inventory risk by means of subsequent price appreciation of their holdings. Amid increased balance sheet costs attributable to post-crisis regulatory changes, dealers significantly reduce their position taking and lay off inventory faster. Moreover, the increased participation of nondealers (investment funds) in the primary market contributes to diminishing compensation for inventory risk taken on at auctions.

Keywords: Treasury market, dealer, positions, inventory, hedging, issuance

JEL Classification: G12, G20, G24

[Suggested Citation](#) >

[Show Contact Information](#) >

 Download This Paper (Delivery.cfm/SSRN_ID4778102_code387943.pdf?abstractid=1012684&mirid=1)

Open PDF in Browser (Delivery.cfm/SSRN_ID4778102_code387943.pdf?abstractid=1012684&mirid=1&type=2)

64 References

1.

Tobias Adrian , Nina Boyarchenko , Or Shachar
Dealer balance sheets and bond liquidity provision
Journal of Monetary Economics , volume 89 , p. 92 - 109 Posted: 2017

2.

Tobias Adrian , Michael Fleming , Or Shachar , Erik Vogt
Market liquidity after the financial crisis
Annual Review of Financial Economics , volume 9 , p. 43 - 83 Posted: 2017

3.

Adrian , Tobias , Michael J Fleming
What financing data reveal about dealer leverage
Current Issues in Economics and Finance , volume 11 , p. 1 - 7 Posted: 2005
[Policy](#) (https://www.elsevier.com/legal/cookie/cookie/notice)

4.

Yakov Amihud , Haim Mendelson
[Cookie Settings](#)
Journal of Financial Economics , volume 6 , p. 92 - 99 Posted: 1998

Accept all cookies

0 Citations

[Fetch Citations](#)


Do you have a job opening that you would like to promote on SSRN?

Place Job Opening (<https://www.ssrn.com/index.cfm/en/Announcements-Jobs/>)

Paper statistics

DOWNLOADS

465

ABSTRACT VIEWS

2,727

RANK

61,754

10 Citations

64 References

PlumX Metrics



(https://plu.mx/ssrn/a/?ssrn_id=1012684)
Related eJournals

Capital Markets: Market Microstructure eJournal (https://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalBrowse&journal_id=1504404)

Follow



Federal Reserve Bank of New York Research Paper Series (https://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalBrowse&journal_id=570402)

Follow



Recommended Papers

The Demand for Treasury Debt (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=960455&rec=1&srcabs=1012684&pos=1)

By Annette Vissing-jorgensen (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=252314) and Arvind Krishnamurthy (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=141171)

A Preferred-Habitat Model of the Term Structure of Interest Rates (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=971439&rec=1&srcabs=1012684&pos=2)

By Dimitri Vayanos (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=15722) and Jean-luc Vila (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=780306)

A Preferred-Habitat Model of the Term Structure of Interest Rates (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1501511&rec=1&srcabs=1012684&pos=3)

By Dimitri Vayanos (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=15722) and Jean-luc Vila (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=780306)

[View more](#) >

Feedback

[Submit a Paper](https://hq.ssrn.com/submission.cfm) > (<https://hq.ssrn.com/submission.cfm>)

