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Fed's Mester Says All Emergency Lending Facilities Should Be Extended.

(Reuters) - The emergency lending programs the Federal Reserve set up during the coronavirus pandemic have eased distress in financial markets and are still needed, Cleveland Federal Reserve Bank President Loretta Mester said on Monday.

In addition to slashing interest rates to near zero levels in March and ramping up its asset purchases, the Fed set up a slate of emergency lending facilities to support the markets for commercial paper, municipal bonds, corporate debt and more.

While some of the programs have been lightly used, Mester said their presence serves as a backstop that helps to smooth markets that are not yet in the clear after being disrupted because of the pandemic, she said.

"I don't think we're out of the extraordinary situation that they're meant to help with," Mester told reporters. "I think they are needed at this point, given where we are."

Fed Chair Jerome Powell will be working with the Treasury Department to determine if the programs should be extended beyond the end of the year, Mester said.

"But in my view, if it were me, I would extend all of them," Mester said. "The fact that they exist provides confidence to the markets."

The policymaker stressed that the Fed is not out of ammunition when it comes to stimulating the economy and that it could provide more accommodation by adjusting its asset purchase program and using other tools.

Mester also said that the economy rebounded more strongly than she expected, but gains have not been evenly spread. Despite promising news on Monday about a vaccine being developed by Pfizer PFE.N and BioNTech 22UAY.F, , Mester said she thinks economic growth will happen more slowly going forward.

The economy will need support from both fiscal and monetary policy to fully recovery, she said. "There's still a long way to go."

By Jonnelle Marte

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