A critical level of aggregate excess liquidity: some considerations

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During the 2019 SOFR spike the limits of the repo market microstructure were tested.

The Standing Repo Facility (SRF) introduces structural support. Should the ECB emulate this as it removes accommodation?
Excess liquidity is required to achieve financial stability

Regulations, Risk Management choices and IR levels create uncertainty

T2 intraday liquidity used is volatile: Daily avg c. $440bn, peak c. $800bn

A return to a more balanced mix between cash and securities?

Spread sensitivity seems limited even when excess liquidity is halved

Sample from Mar 2017 to present, chosen to include (pre-) ESTR data, and minimise distortions from regulatory change

Sensitivity less clear below c. EUR 1.8tn