

Asian Regional Forum On Investment Management Of Foreign Exchange Reserves

portfolio management in monetary policy normalization cycle

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foreign reserves management mandate



Central Bank of Armenia

Law on Central Bank of Armenia

- ✓ Liquidity
- ✓ Safety

Challenges of 2022

- Aggressive tightening of monetary policy
- ✓ US Federal Reserve System
 - ✓ Most of central banks

Mandate

- ✓ Active vs benchmarks
- ✓ Liquid and high rated bonds
- ✓ Interest rate and currency derivatives
- ✓ Money market instruments

Opportunities of 2022

- Tactics & Instruments
- ✓ Short benchmarks
 - ✓ US When Issued bills
 - ✓ US Treasury floating rate notes



benchmarks

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benchmarks



Monetary Policy Normalization / Interest Rate Cycles

June 1999 - May 2000

Federal Funds rate from 4.75% to 6.5%

June 2004 - June 2006

Federal Funds rate from 1% - 5.25%

December 2015 - December 2018

Federal Funds lower and upper bounds from 0 - 0.25% to 2.25 - 2.5%

March 2022 - Sep 2022

Federal Funds lower and upper bounds from 0 - 0.25% to 3.00 - 3.25%

ICE BofA Indices Total Return, %

0-1 Year US Treasury	0-2 Year U.S. Treasuries	0-5 Year US Treasury
5.24	4.65	4.46
5.75	4.83	4.24
3.41	3.08	3.09
-0.08	-1.46	-4.08

Source: Bloomberg



floating rate notes

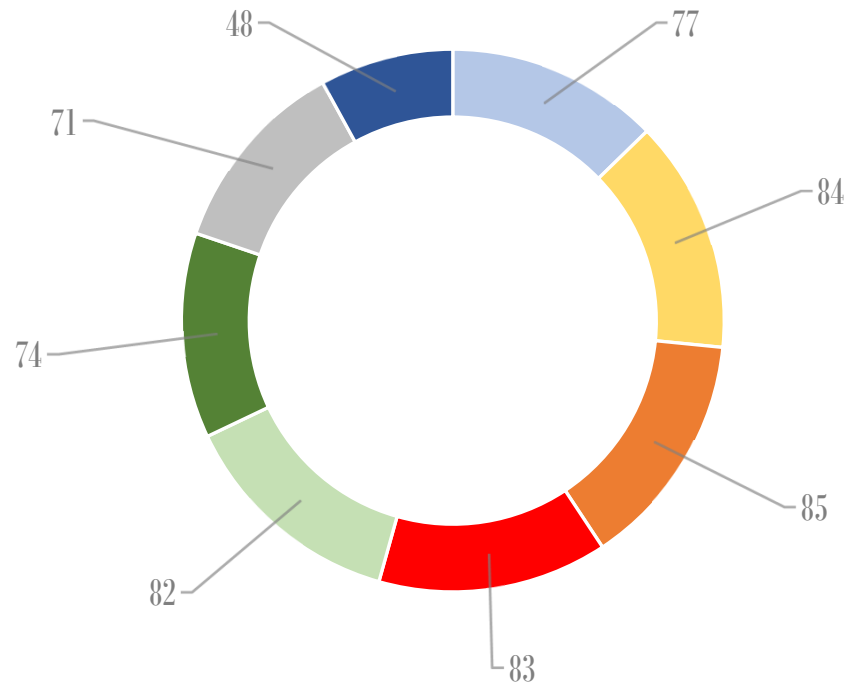
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floating rate notes



US Treasury Floating Rate Notes ≈ 604 billion, as of September 2022



TF Float 10/31/22

TF Float 01/31/23

TF Float 04/30/23

TF Float 07/31/23

TF Float 10/31/23

TF Float 01/31/24

TF Float 04/30/24

TF Float 07/31/24

Source: Bloomberg

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floating rate notes



US Treasury Floating Rate Notes - weekly average volumes, billion

	Total	Dealer to Customer	Interdealer
2022 *	7.1	6.0	1.1
2021	8.2	6.9	1.3

Source: TRACE, US Treasury

* Jan - Sept 2022



US Treasury Floating Rate Notes - bid / offer spread

Benchmark / recent issues

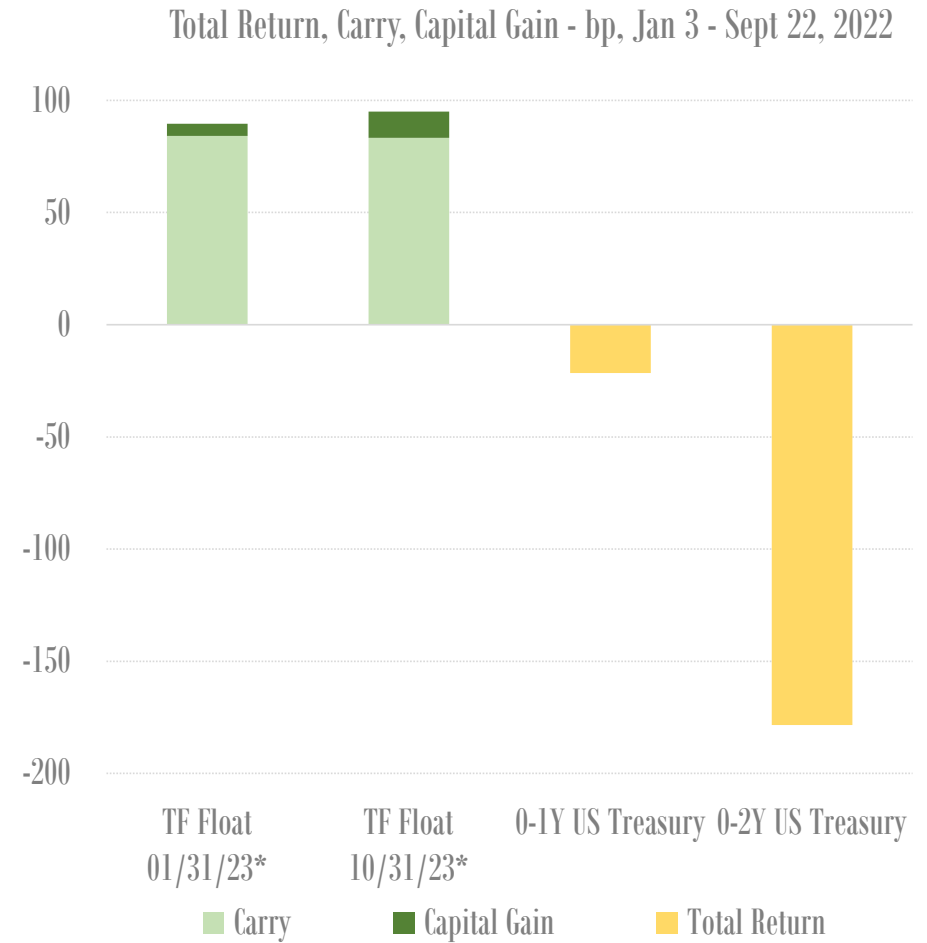
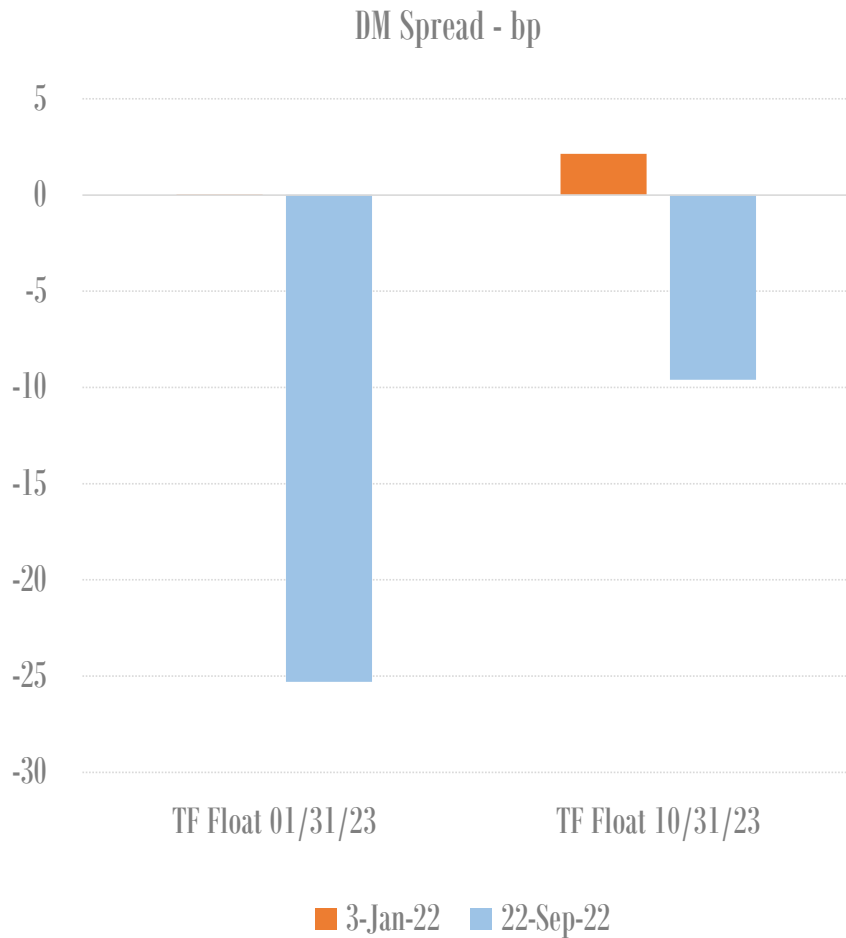
From 1 to 2 basis points for 25 to 100 million trade tickets

Seasoned issues

From 2 to 3 basis points for 25 to 100 million trade tickets



floating rate notes



Source: Bloomberg, *CB Armenia estimation

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when issued bills

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when issued bills



US Treasury Bills

	Announcement	Issue	Maturity	Size
6M - T Bill	Aug 8, 2022	Aug 11, 2022	Feb 9, 2023	47.03 billion
12M - T Bill	Aug 9, 2022	Aug 11, 2022	Aug 10, 2023	38.08 billion



US Treasury Bills - bid / offer spread

Benchmark / recent issues

Up to 1 basis point for 50 to 250 million trade tickets

Seasoned issues

From 1 to 2 basis points for 50 to 250 million trade tickets



when issued bills



US Treasury Bill - 12 Months

	When Issued Bill - D Rate	Seasoned Bill - D Rate	Spread - BP
9 Aug 2022 *	3.045	3.00	4.5
9 Sept 2022	3.36	3.36	0



US Treasury Bill - 6 Months

	When Issued Bill - D Rate	Seasoned Bill - D Rate	Spread - BP
8 Aug 2022 *	2.92	2.88	4
9 Sept 2022	3.20	3.185	1.5

* Announcement date

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thank you

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