

FEDERAL RESERVE BANK *of* NEW YORK

33 LIBERTY STREET, NEW YORK, NY 10045-0001

Minutes of the Investor Advisory Committee on Financial Markets

February 10, 2021

Federal Reserve Bank of New York

Committee Attendees:

William A. Ackman, Pershing Square Capital
Management, L.P.
Ray Dalio, Bridgewater Associates, LP
Gregory Davis, Vanguard
Britt Harris, The University of Texas/Texas
A&M Investment Management Company
William H. Heyman, The Travelers Companies,
Inc.

Bob Jain, Millennium Management
Paul T. Jones, Tudor Investment Corp.
Scott Miner, Guggenheim Partners
Rick Rieder, BlackRock, Inc.
John W. Rogers, Jr., Ariel Investments
David M. Rubenstein, The Carlyle Group
Matthew E. Zames, Cerberus Capital
Management

Federal Reserve Attendees:

John C. Williams
Beth Caviness
Jim Cronin
Samuel Earl
Michael Held
Beverly Hirtle
Anna Kovner
Sandra Lee
Matthew Lieber
Lorie Logan
Rebecca McCaughrin
Meg McConnell

Helen Mucciolo
Michael Nelson
Jordan Pollinger
Matthew Raskin
Julie Remache
Michael Schetzel
Daleep Singh
Kevin Stiroh
Benedict Wensley
Jennifer Wolgemuth
Patricia Zobel

Discussion of the Economic and Monetary Policy Outlooks

Committee attendees generally viewed the U.S. economy as likely to exhibit strong growth in the second half of this year and into next year driven by a combination of further fiscal stimulus, better vaccine news, and ongoing accommodative monetary policy. They also noted that many sectors of the economy have significant levels of pent up demand, particularly travel and leisure, while the housing sector is currently seeing strong growth. Many saw additional fiscal stimulus as very likely and some also saw a chance of further infrastructure spending later this year.

Committee attendees also discussed their outlooks for inflation. Some saw upside risks to inflation given their expectations for a post pandemic surge in demand amid capacity constraints in some sectors. Others viewed any rise in inflation due to these factors as temporary with structural aspects of the economy likely to keep longer-run inflation at levels below those seen today.

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Some committee attendees also viewed a recovery in global growth as likely and driven by the U.S. and China, as they emerge more quickly from the pandemic. They noted that monetary policy was likely to remain highly accommodative at other major central banks, such as at the Bank of England, Bank of Japan, and European Central Bank.

In terms of main risks to the outlook, some noted that emerging markets were particularly vulnerable given elevated levels of debt in emerging markets. Some also noted ongoing risks stemming from the virus as several new strains were spreading across the globe and noted concerns over global vaccine supply as well as their efficacy against these emergent virus strains.

Increased Retail Participation in Equity Markets

Committee attendees discussed rising retail participation in equity markets. They noted that retail ownership had remained steady while retail trading activity had doubled, and viewed the trend as driven by several factors including reduced costs and lower barriers to trading, higher personal savings, and gamification of investment, among others. They noted that reduced transaction costs in markets were often viewed as a positive, but that higher volatility in markets was a risk and one that could hinder capital formation.

Increased Issuance of Special Purpose Acquisition Companies

Next, the discussion turned to the recent increased issuance of special purpose acquisition companies (SPACs). Committee attendees noted the trend was driven by several factors, including the ability to tap public markets to fund early stage or aggressive growth companies with forward looking financial projections, and the view that the structure limits downside risks. They also noted the vehicles were attractive investments particularly as other fixed income investments had lower returns in the current low interest rate environment. Some attendees saw the increasing number of companies going public as a positive yet noted that overcrowding in the segment and elevated valuations could be potential risks. They also viewed the SPAC market as too small currently to pose any broader financial stability risks at this time.

Rising Popularity and Price Appreciation of Crypto Currencies

The meeting concluded with a discussion around the rising popularity and price appreciation of crypto currencies. Some committee attendees saw bitcoin (and other crypto currencies) as an alternative store of wealth, comparable to traditional ones such as gold. While others noted the current level of prices potentially exhibited bubble-like characteristics and noted that bitcoin was not useful from a financial transaction standpoint, though some viewed it as having stood the test of time having weathered several financial crises. Others also saw longer-term risks from competitor crypto currencies and questioned whether crypto currencies were vulnerable to cyberattack.