



# CENTER FOR FINANCIAL STABILITY

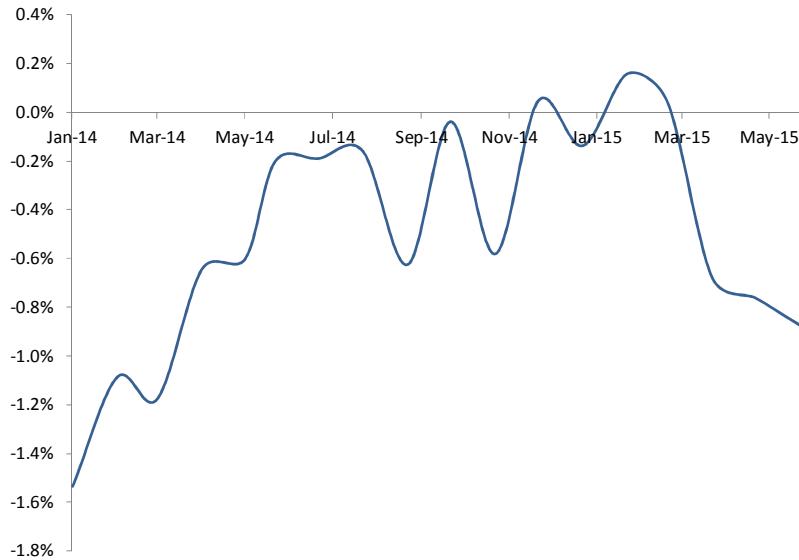
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## Market Finance Supplement

July 22, 2015

**Figure 1. CFS Market Finance (Shadow Banking), Real June 2015, m/m – 3 mma**

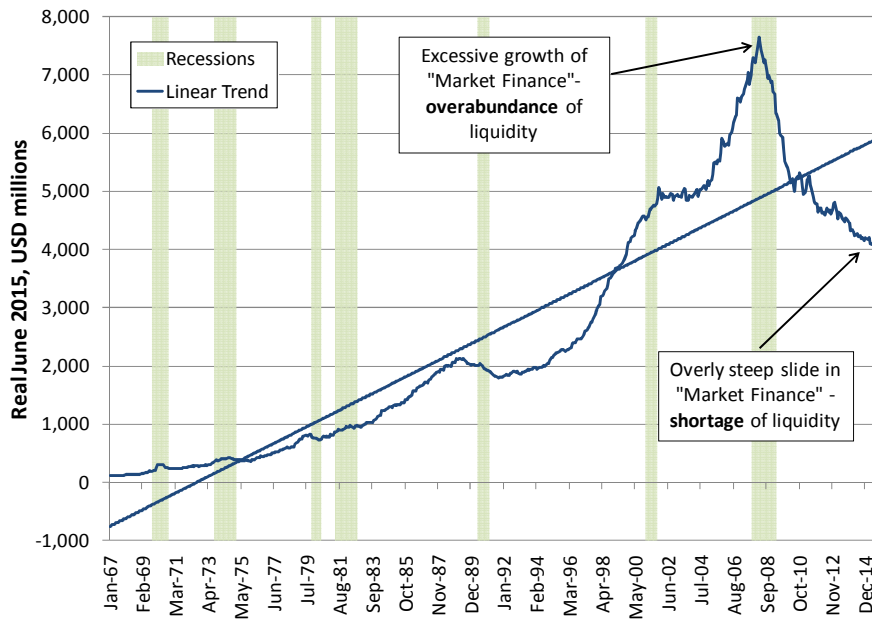
Market finance or “shadow banking” fell further through June, despite signs of stabilization earlier in the year.



Note: The CFS definition of market finance includes: money market funds, repurchase agreements, and commercial paper.  
Source: Federal Reserve, Bloomberg LP, and Center for Financial Stability.

**Figure 2. Plunge in Market Finance (Shadow Banking) Overshoots<sup>1</sup>**

CFS data show that the availability of market finance is nearly 30% below a reasonable level to support liquid markets and economic growth.



Note: The CFS definition of market finance includes: money market funds, repurchase agreements, and commercial paper.  
Source: Federal Reserve, Bloomberg LP, and Center for Financial Stability.

<sup>1</sup> For a more in depth perspective, please see “Liquidity Shortage: Houston, We Have a Problem,” Center for Financial Stability, February 25, 2014 - [http://www.centerforfinancialstability.org/amfm/AMFM\\_022515.pdf](http://www.centerforfinancialstability.org/amfm/AMFM_022515.pdf).



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**Figure 3. CFS Measure of Market Finance (Shadow Banking), Real June 2015, USD millions**

The CFS measure of market finance is down a stunning 47% in real terms since its peak in March 2008!

| <u>Peak</u>       | <u>Fall</u> | <u>Decline /1</u> |
|-------------------|-------------|-------------------|
| <b>1970</b>       | -24%        | 16                |
| <b>1974</b>       | -17%        | 16                |
| <b>1979</b>       | -13%        | 7                 |
| <b>1982</b>       | -5%         | 3                 |
| <b>1989</b>       | -16%        | 29                |
| <b>2001</b>       | -5%         | 11                |
| <b>2008</b>       | -47%        | 87                |
| <b>Avg ex '08</b> | <b>-10%</b> | <b>13</b>         |

Note: "Decline" is defined as the cyclical peak-to-trough in months.  
Source: Center for Financial Stability.

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### Upcoming Release Calendar for CFS Divisia Data

- August 19, 2015
- September 16, 2015
- October 21, 2015
- November 18, 2015
- December 16, 2015
- January 20, 2016
- February 17, 2016
- March 16, 2016
- April 20, 2016
- May 18, 2016
- June 22, 2016
- July 20, 2016
- August 17, 2016
- September 21, 2016
- October 19, 2016
- November 16, 2016
- December 21, 2016
- January 18, 2017

### About CFS Money Supply

CFS Divisia monetary measures were developed under the direction of Professor William A. Barnett - one of the world's leading experts on monetary and financial aggregation theory. CFS money supply data are essential, especially since the Federal Reserve ceased production of M3 in 2006. Similarly, Divisia measures are superior, as they accurately weight the services of various classifications of money from cash to leverage in the shadow banking system.



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For Monetary and Financial Data Release Report:

[http://www.centerforfinancialstability.org/amfm/Divisia\\_Jun15.pdf](http://www.centerforfinancialstability.org/amfm/Divisia_Jun15.pdf)

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Next release – August 19, 2015 at 9:00 A.M. ET

Additional information:

[www.CenterforFinancialStability.org](http://www.CenterforFinancialStability.org)

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