Capital Markets Strategy
Essential inCights for the C-Suite

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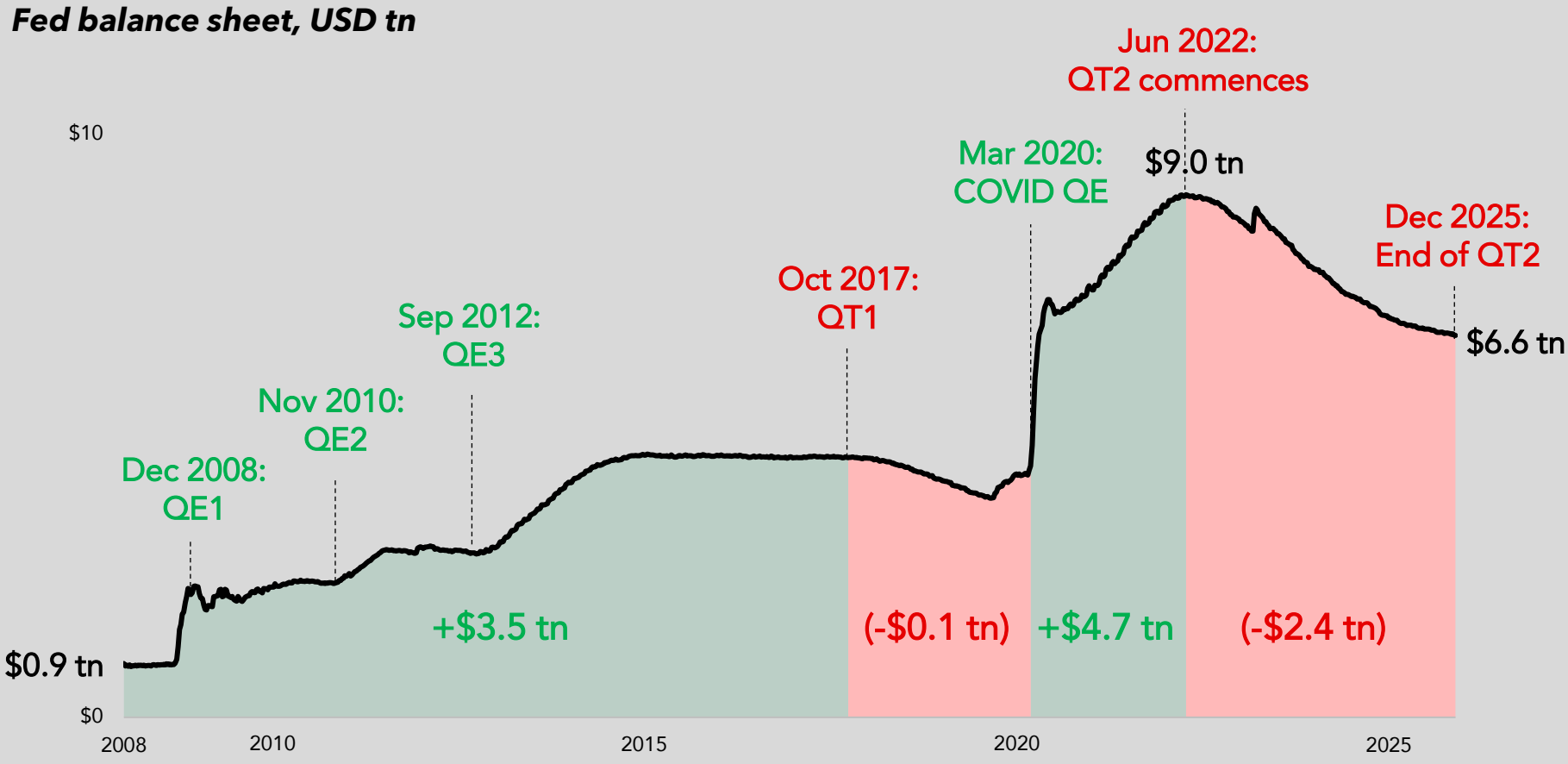
Chart of the Day

Since 2008, balance sheet tools have become a core part of the Fed's policy toolkit. Through subsequent rounds of post-GFC quantitative easing (QE), the Fed's balance sheet rose from less than $1 trillion in early 2008 to a remarkable $9 trillion at its peak in 2022. **The impact of this extraordinary period of monetary expansion was defined by:** (1) suppression of interest rate term premia, risk premia and market volatility; (2) lower borrowing costs and general easing of financial conditions; (3) extraordinary risk-asset appreciation (i.e., equities), and (4) modest support for economic growth, inflation and productivity vis-à-vis trend (though perhaps more significant if compared to the counterfactual, in the absence of QE).

Following peak US inflation of 9.1% in June 2022, the Fed commenced the removal of its crisis-era policy accommodation through both rate increases and a second round of quantitative tightening, or QT2, during which the size of the Fed's balance sheet declined nearly $2.5 trillion. **At its October 2025 meeting, the Fed announced the end of its more restrictive QT2 balance sheet runoff policy (i.e., policy tightening by way of reducing duration and liquidity support), effective December 1, 2025.**

Fed balance sheet, USD tn



Source: (1) Bloomberg. Data as of December 1, 2025.

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"Macro stability isn't everything, but without it, you have nothing."