

FEDERAL RESERVE

# The Fed Knows How to Stabilize Markets. It Doesn't Need to Act Yet.

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On Friday, Minneapolis Fed President Neel Kashkari outlined [various ways to](#) manage a dislocation, or pricing disruption, in the Treasury market: short-term lending to banks, overnight funding for markets, and liquidity support for financial institutions. These aren't traditional interest-rate moves meant to stimulate the economy. Rather, they are instruments designed to keep markets running smoothly by making sure there is enough liquidity, meaning financial institutions have access to the short-term funding they need to operate.

"There are tools there to provide more liquidity to the markets on an automatic basis that market participants can access," Kashkari said on CNBC.

Boston Fed President Susan Collins echoed Kashkari's remarks in an interview with the Financial Times on Friday. The Fed "does have tools to address concerns about market functioning or liquidity should they arise," she said.