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TRADE LENS

Focus on investing.

MACRO INSIGHT / No.08

Research on the market structure shaped by policy and funding flows

U.S. Treasury Buybacks
Follow the Replacement Issuance

Liquidity support, net borrowing and private interest-rate risk

Accepted par · Five long-end operations

$27.265bn

10 September - 15 October 2026

Accepted / aggregate maximum

90.9%

$30.000bn maximum · TradeLens calculation

The effect of a buyback depends on what is issued next.

Trading conditions, funding needs and duration are separate tests.

Official results [2] [3] [4] [5] [6]. Nominal coupon securities with 10-20 or 20-30 years remaining. Par value is not cash consideration.

01 / RESEARCH VIEW

Buybacks must be read alongside issuance

TradeLens view | Separate better trading conditions, private duration exposure and fiscal funding needs.

Central conclusion

Expanded long-end buybacks give holders another route to sell existing Treasuries. **Accepted par does not measure newly created money or a reduction in the government's total funding burden.** Cash paid, replacement issuance and the risk left with private investors must be assessed together. [7] [8] [12]

What changed?

Five long-end nominal operations from 10 September to 15 October had a combined $30.000bn maximum and $27.265bn accepted. Both figures are par values. [2] [3] [4] [5] [6]

Why does it matter?

An opportunity to sell a bond differs from a change in bank reserves. Treasury payments from its account are distinct from Federal Reserve asset purchases. [11] [12]

Who gains, and at what cost?

Holders and dealers gain an inventory exit. Replacing long bonds with shorter debt can reduce private duration but raise Treasury refinancing exposure. This is a conditional financing effect.

What would validate the effect?

Check trading costs, dealer intermediation and the maturity of new issuance. The October dealer agenda explicitly asks about liquidity and intermediation effects. [10]

The evidence establishes that the expansion was executed. It does not identify how much it reduced marketwide trading costs or long-term yields. High offer volumes or a fully used limit alone cannot establish policy success.

Decision rule

Buybacks are a debt-management tool that can improve trading conditions. Their economic value depends on whether trading and funding benefits compensate for financing costs and refinancing risk.

As of 25 October 2026. The core sample comprises five nominal coupon operations in the 10-20 and 20-30 year remaining-maturity buckets. Cash-management operations, TIPS and other maturity buckets are excluded.

02 / POLICY DESIGN

The expansion changes capacity and access

Policy scope | Do not equate the long-end expansion with the entire buyback program.

On 19 August, Treasury announced an increase in the maximum size of nominal coupon buybacks with 10-20 and 20-30 years remaining, from $2bn to at least $4bn per operation. The window runs from 9 September through 4 November. The five completed operations examined here each had a final $6bn maximum. [1] [2] [3] [4] [5] [6]

Stage	Confirmed information	Interpretation boundary
19 August announcement	Long-end nominal maximum at least doubles	At least $4bn is capacity, not accepted par. [1]
10 September - 15 October	Five operations, each with a $6bn maximum	Use final limits separately from amounts accepted. [2] [3] [4] [5] [6]
16 October dealer agenda	Questions on liquidity and dealer capacity	A request for feedback is not a completed evaluation. [10]
4 November refunding	Next quarterly refunding announcement scheduled	Future limits and issuance changes remain unconfirmed. [9]

Different buybacks serve different purposes

Type	Purpose	Typical coverage
Liquidity support	Regular opportunities to sell existing securities	Nominal securities and TIPS across several maturity buckets
Cash management	Smooth cash balances and bill supply around fiscal flows	Coupon securities generally with 1 month to 2 years remaining

Program design: [7]. On-the-run securities are the most recently issued benchmark securities of a given maturity; off-the-run securities are earlier issues. The 10-20 year bucket refers to remaining, not original, maturity.

TradeLens interpretation

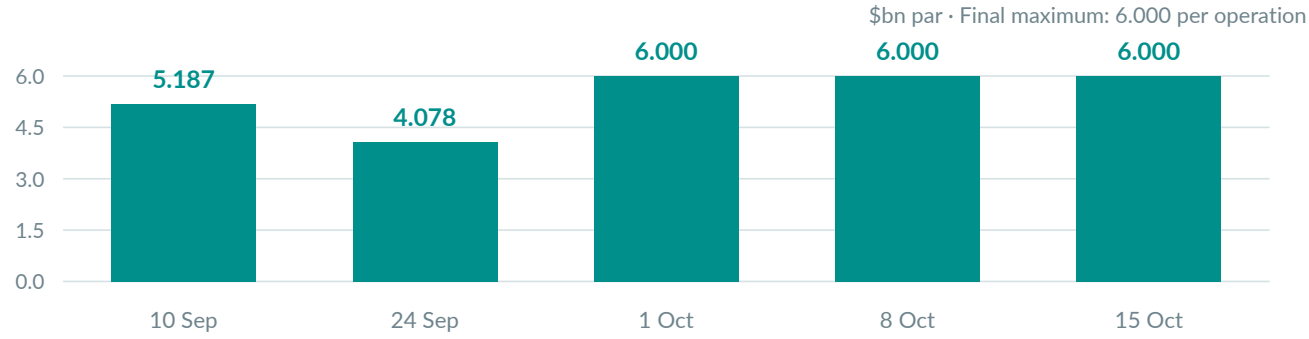
Combining cash-management purchases with long-end liquidity operations obscures both purpose and duration removed. Evaluate this expansion through **accepted transactions and trading conditions in the specified nominal buckets**.

03 / EXECUTION

$27.265bn accepted against a $30bn limit

Official results | Five long-end nominal operations, 10 September - 15 October 2026; all amounts at par.

Accepted par by operation



Operation / source	Years remaining	Maximum	Accepted	Utilization
10 Sep [2]	10-20	6.000	5.187	86.5%
24 Sep [3]	20-30	6.000	4.078	68.0%
1 Oct [4]	10-20	6.000	6.000	100.0%
8 Oct [5]	20-30	6.000	6.000	100.0%
15 Oct [6]	10-20	6.000	6.000	100.0%
Total	Five operations	30.000	27.265	90.9%

Amounts in $bn. Utilization = accepted par / maximum par. The total is 27.265 / 30.000, rounded after calculation. Inputs are on p.1 of each official result and do not represent cash settlements. [2] [3] [4] [5] [6]

On 24 September, offers totaled $10.468bn, but Treasury accepted only $4.078bn against a $6bn maximum. Offers above the cap do not create an obligation to fill it. Treasury can purchase less, or nothing, based on price and relative value. [3] [7]

What utilization tells us

The 90.9% ratio measures execution against capacity. It is neither a liquidity improvement rate nor a policy success rate. Unused capacity in liquidity-support operations does not automatically roll forward. [7]

04 / PAR, PRICE & CASH

$6bn of par is not $6bn of cash

15 October 2026 | Published prices imply approximately $3.970bn of consideration excluding accrued interest.

Three of 42 eligible securities were accepted. One security accounted for $5.580bn of the $6.000bn total par. When a bond is bought below 100 per 100 of par, its clean-price consideration is below its face value. [6]

CUSIP / maturity	Coupon	Accepted par	Price per 100	Clean value
912810TC2 15 Nov 2041	2.000%	5,580	65.246	3,640.73
912810TH1 15 May 2042	3.250%	400	77.504	310.02
912810UL0 15 May 2045	5.000%	20	94.453	18.89
Total	-	6,000	-	3,969.63

Par and consideration in $m. Clean value is the sum of accepted par × published weighted-average price / 100. Totals use unrounded calculations. Published prices are rounded to three decimals, so the result is approximate and excludes accrued interest. [6]

Settlement definition

Actual settlement equals **accepted par × accepted price / 100 + accrued interest**. Accrued interest is interest earned since the last coupon payment. The $3.970bn estimate is neither total settlement nor a net increase in bank reserves. [12]

A discounted repurchase is not a free fiscal gain

A low-coupon bond can trade below par when market yields rise. Repurchasing it may produce a large reduction in face-value debt, but it also extinguishes low contractual coupon payments and requires new financing. The par discount alone does not establish an economic saving.

TradeLens interpretation

Face-value debt retired, cash paid and future interest expense are different measures. **Do not count the low-coupon effect already embedded in market prices as an additional fiscal benefit.**

05 / BUYBACKS, QE & RESERVES

The buyer and balance sheet determine the effect

Institutional distinction | Execution by the New York Fed does not make a transaction monetary-policy easing.

Dimension	Treasury buybacks	Federal Reserve QE	Reserve-management purchases
Purpose	Market liquidity; cash management	Ease long-term rates and financial conditions	Maintain ample bank reserves
Principal	Treasury; New York Fed as fiscal agent	Fed under FOMC policy decisions	Fed for implementation of policy rates
Purchased bonds	Redeemed and canceled	Held as Fed assets	Held as Fed assets
Fed total assets	Payment alone does not expand assets	Increase with net purchases	Increase with net purchases
Main test	Price, liquidity, issuance, refinancing	Policy goal, holdings and duration	Reserve supply and short-term rates

Buyback mechanics and cancellation: [7] [12]. Fed assets, liabilities, QE and reserve management: [11]. QE is a comparison of policy mechanisms, not a claim that QE is being conducted in October 2026.

Treasury payments can raise reserves without asset expansion

A Treasury payment to the private sector from its account at the Fed, the TGA, reduces the TGA and raises bank reserves, other things equal. This changes the composition of Fed liabilities. New Treasury issuance paid from bank reserves into the TGA can offset that flow. [11]

Why both settlements matter

If issuance paid from reserves exactly equals buyback payments and nothing else changes, the final net change in both TGA and reserves is zero. Timing, the buyer's funding source and changes in other Fed liabilities such as reverse repos can alter the actual path. This is a conditional cash-flow model.

TradeLens interpretation

Buybacks can change payment timing and the composition of securities. **Link Treasury cash flows to issuance; do not treat accepted buyback amounts as Fed net asset purchases.**

06 / FINANCING MIX

Repurchasing debt leaves a financing requirement

Net borrowing and issuance mix | Liquidity support does not automatically reduce the deficit or net supply.

The official borrowing assumption

Treasury's 3 August estimates explain that new issuance replaces securities bought back, so buybacks are not expected to significantly affect privately held net marketable borrowing. **Canceling a particular bond and reducing the government's total financing burden are different events.** [8]

Funding requirements also reflect cash-balance changes, other financing items and the treatment of maturing Fed holdings. The October dealer agenda asks separately about privately held net borrowing, cash balances and other financing items. [10]

Tenor	August plan	September plan	October plan
10-year	42	39	39
20-year	16	13	13
30-year	25	22	22

Amounts in $bn per auction. These are planned auction sizes for August-October in the 5 August 2026 statement, including new issues and reopenings. They are not actual net issuance or the allocation of buyback funding. Maturities also matter for net supply. [9]

That statement planned to maintain nominal coupon and floating-rate auction sizes for the time being, using bills to adjust for seasonal funding needs. It does not establish that every additional long-end buyback was funded entirely with bills. [9]

Question	Items to assess together
Fiscal funding burden	Deficit, cash balance, other financing and Fed maturity treatment
Private bond supply	New issuance, maturities, buybacks and changes in Fed holdings
Private interest-rate risk	Market values, duration and maturity composition of each flow

TradeLens interpretation

Look at the maturity of newly created debt as well as the debt retired. Even with similar total financing amounts, a different issuance mix can change private duration exposure and government refinancing risk.

07 / DURATION SCENARIOS

Equal cash amounts can leave different risk

Illustrative assumptions | These calculations are neither an estimate of actual buyback duration nor an issuance forecast.

Duration measures a bond price's sensitivity to yields. Equal par values can carry different exposures because coupon, price and remaining maturity differ. Market value multiplied by modified duration gives a useful comparison for small interest-rate changes.

Assumptions and formula

Assume $4bn market value of existing bonds with 12-year modified duration is repurchased and replaced by $4bn of new financing. **DV01 ≈ market value × modified duration × 0.0001**. DV01 is the magnitude of the value change for a 1bp yield move; 1bp = 0.01 percentage point.

Measure	A · Replace with short debt	B · Replace with equal-duration debt
New issue market value	$4bn	$4bn
New modified duration	0.25 years	12 years
DV01 removed	$4.8m per bp	$4.8m per bp
DV01 added	$0.1m per bp	$4.8m per bp
Net private DV01 change	-$4.7m per bp	0
Main cost or risk	Earlier government refinancing	Private sensitivity broadly unchanged

New funding equals buyback cash in both cases. This compares private cash-bond holdings only, excluding hedges, accrued interest, transaction costs, cash-account changes, Fed transactions and convexity. It assumes a small parallel shift in yields.

Case A reduces private long-rate exposure without expanding Fed assets, but Treasury must refinance sooner at then-prevailing rates. In case B, a change in the securities held may improve trading conditions while leaving total rate sensitivity broadly unchanged.

The variable that changes the conclusion

Replacement maturity can matter more than the headline buyback amount. Check whether net duration falls after both legs and whether the government takes on more refinancing exposure in exchange.

08 / ECONOMIC INCIDENCE

The first benefit is another route to sell

Benefits and costs | Better trading is a potential channel, not a guarantee of price gains for every Treasury holder.

Participant	Potential benefit	Costs and conditions
Existing holders	Regular opportunity to sell eligible securities	Competitive pricing required; acceptance is not guaranteed
Dealers and intermediaries	Inventory exit and greater capacity for customer flow	Residual inventory, hedging and funding costs remain
Treasury and taxpayers	Better trading may lower financing costs	Funding the purchases and managing refinancing exposure
Broader Treasury market	Less friction and mispricing in selected older issues	Inflation, policy-rate expectations and fiscal needs still matter

Institutional basis: relative-value and market-price evaluation, including partial purchases [7]. Participant benefits and costs are TradeLens analysis, not estimates of realized profit or yield changes.

Measure trading costs and intermediation capacity

The 16 October agenda asks how expanded buybacks affected liquidity, market functioning and dealers' ability to intermediate client flows. It identifies outcomes to test beyond purchase volume; it does not publish the answers or a final evaluation. [10]

Measure	Evidence supporting a benefit	Identification problem
Bid-ask spread and depth	Lower trading costs; more executable size	Separate the effect of lower overall volatility
Relative prices at similar maturity and duration	Less distortion in selected older issues	Control for coupons, repo conditions and delivery options
Inventory turnover and client intermediation	More dealer risk-bearing capacity	Separate regulatory, capital and funding changes

TradeLens interpretation

A particular security can become easier to trade even while long-term yields rise. Falling yields alone also cannot establish a buyback liquidity effect. **Separate the direction of the market from trading friction in the targeted issues.**

09 / MONITORING & FALSIFICATION

November tests the buyback-issuance combination

Verification agenda | Define what would change the view without assuming the 4 November policy outcome.

The published agenda sets 26 October as the dealer-response deadline and 29-30 October for Treasury meetings. The next quarterly refunding announcement is scheduled for 4 November. The task now is to assess the executed expansion and the next financing combination. [9] [10]

What to monitor	Evidence strengthening the view	Evidence requiring revision
Execution	Accepted size and pricing remain consistent with the objective	Repeated underfilling because offered prices are unattractive
Trading conditions	Spreads and depth improve after controlling for comparable issues and volatility	Friction persists or worsens despite larger purchases
Risk after new issuance	Long buybacks plus short funding reduce net private DV01	New long issuance offsets the risk removed
Funding economics	Liquidity benefits compensate for financing and refinancing costs	Higher refinancing rates or frequency outweigh benefits
Policy separation	Treasury flows and Fed asset/reserve changes can be explained separately	Additional Fed purchases or cash shifts require reassessing combined effects

This is a TradeLens evaluation framework. Offers relative to accepted purchases describe selling interest in a buyback; they serve a different purpose from demand ratios in issuance auctions. Causal estimation requires comparison securities and controls for common market factors.

Final judgment

Evaluate the expansion as support for trading conditions. Evidence does not justify treating it as a solution to fiscal funding needs or automatic monetary easing. Yet shorter replacement issuance can reduce private duration without QE, so dismissing all policy effects would also be mistaken.

Follow the accepted amount and price, the financing source, the risk left with private investors and the change in trading costs. These four links put the economic benefits and costs of buybacks on a consistent basis.

10 / SOURCE REGISTER

Primary evidence for policy and execution

Teal reference numbers, document titles and Open source links point directly to the same originals.

01. U.S. Treasury | Expanded Long-End Liquidity-Support Buybacks Open source

19 Aug 2026 · Policy announcement · Expanded maximums and applicable maturity buckets

02. U.S. Treasury | Buyback Operation Results · 10 September 2026 Open source

10 Sep 2026 · Official results, pp.1-2 · Maximum, offers, accepted par and securities

03. U.S. Treasury | Buyback Operation Results · 24 September 2026 Open source

24 Sep 2026 · Official results, pp.1-2 · Maximum, offers, accepted par and securities

04. U.S. Treasury | Buyback Operation Results · 1 October 2026 Open source

1 Oct 2026 · Official results, pp.1-2 · Maximum, offers, accepted par and securities

05. U.S. Treasury | Buyback Operation Results · 8 October 2026 Open source

8 Oct 2026 · Official results, pp.1-2 · Maximum, offers, accepted par and securities

06. U.S. Treasury | Buyback Operation Results · 15 October 2026 Open source

15 Oct 2026 · Official results, pp.1-2 · $6bn par, three securities and weighted-average prices

07. U.S. Treasury | FAQs about Treasury Securities Buybacks Open source

Accessed 25 Oct 2026 · Program guidance · Purpose, cancellation, relative value and partial purchases

08. U.S. Treasury | Treasury Announces Marketable Borrowing Estimates Open source

3 Aug 2026 · Borrowing estimates, footnote 1 · Replacement issuance and privately held net borrowing

09. U.S. Treasury | Quarterly Refunding Statement · August 2026 Open source

5 Aug 2026 · Planned auctions, seasonal bill adjustments and next refunding date

10. U.S. Treasury | Dealer Agenda · November 2026 Refunding Open source

16 Oct 2026 · Dealer agenda, pp.1, 3, 5 · Schedule, liquidity questions and borrowing definition

11. Federal Reserve Bank of St. Louis | The Fed's Balance Sheet and Ample Reserves Open source

18 Feb 2026 · Central-bank educational paper · TGA, reserves, QE and reserve management

12. eCFR | 31 CFR Part 375 · Treasury Securities Redemption Operations Open source

Current through 22 Oct 2026 · §§375.0, 375.2, 375.3 · Financing, settlement and fiscal agent

Page references use original PDF pagination. Maximum, offered and accepted amounts are par; prices are per $100 par. Announcement dates, operation dates and future scheduled events are distinguished.

11 / METHODOLOGY & USE

Methodology and use of this report

Official outcomes, policy plans, TradeLens analysis and illustrative assumptions are distinguished.

Item	Treatment
Date and sample	25 Oct 2026. Five nominal liquidity-support operations, 10 Sep-15 Oct, in the 10-20 and 20-30 year remaining-maturity buckets. Other buckets, TIPS, cash management and future operations excluded.
Limits and units	Final maximum par and accepted par from each result. Totals: $30.000bn and $27.265bn. Utilization = accepted / maximum. $1bn = $1,000m.
Clean consideration	15 Oct accepted par × published weighted-average price / 100, summed by CUSIP. Prices are rounded to three decimals. Approximately $3.970bn excludes accrued interest and is not total settlement.
Plans and timing	5 Aug auction sizes are plans. The 16 Oct document is a consultation agenda. The 4 Nov announcement is a future event as of the analysis date.
Illustrative risk	Repurchase $4bn market value at 12-year modified duration; replace with equal cash funding at 0.25 or 12 years. DV01 ≈ value × duration × 0.0001. Not a policy or rate forecast.

All amounts are in U.S. dollars. Par, market value, settlement cash and bank reserves are distinct. Round after calculation. Duration scenarios approximate small parallel yield shifts; they do not estimate actual policy causality, transaction costs or the yield curve.

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