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Treasury Buybacks After the September Hike

Treasury bought back \$15.3 billion in long-term debt, yet long-term yields rose. The curve flattened, but does that show the buybacks lowered borrowing costs?

MONETARY POLICY

When the US Treasury buys back long-term bonds, it changes the debt investors hold. In August, Treasury announced an expansion of these purchases to improve trading in older securities.¹ The question is how much those purchases can also change the government's long-term borrowing costs. The first operations show how much Treasury bought, but reading their effect from the yield curve is more difficult: the curve flattened even though long-term US yields rose.

The purchases behind this comparison had a total principal value of \$15.3 billion. Treasury bought these longer-term bonds through three nominal-coupon operations between September 2 and October 1, 2026. This amount only tells us what the securities promise to repay, not necessarily the cash Treasury actually paid. The subtotal covers the 10–30-year maturity range and excludes TIPS and shorter-maturity operations: \$5.187 billion of 10–20-year debt on September 10, \$4.078 billion of 20–30-year debt on September 24, and \$6 billion of 10–20-year debt on October 1.² These records show how much Treasury bought, but establishing how much those purchases changed yields requires more than the purchase total.

One link to yields runs through the interest-rate exposure held by private investors. Buying back long-term debt can reduce that exposure. That reduction, however, depends on how the Treasury finances the purchase: it can draw down cash balances or issue replacement debt. If Treasury issues replacement debt, the maturity of that debt determines how much exposure returns to the market. Financing the purchase with bills can shorten the exposure investors hold, meaning the financing choice is part of the same mechanism as the purchase. The actual duration of the purchased bonds and their replacement financing are unmeasured here, so the gross total cannot establish how much exposure Treasury removed overall.

That dependence on fiscal financing also explains why Treasury buybacks differ from Fed asset purchases. The Fed creates reserves to buy assets, while Treasury uses fiscal cash and borrowing, so the reserve consequences depend on how the purchases are financed. A finite Treasury program also carries no commitment to defend a particular yield. Even though buying back bonds can change the risk investors hold, the purchases alone cannot establish how large or persistent the market response will be.

Treasury's stated objective, however, concerns trading in off-the-run debt, meaning older securities that are generally less liquid than current benchmarks. Its August 19 announcement increased nominal long-end liquidity-support operations starting September 9.¹ These purchases could ease dealers' inventory constraints and change the prices of individual securities relative to neighboring issues. Such improvements in trading can coexist with changes in interest-rate exposure, but measuring them requires neighboring price and liquidity histories that are absent from this analysis.

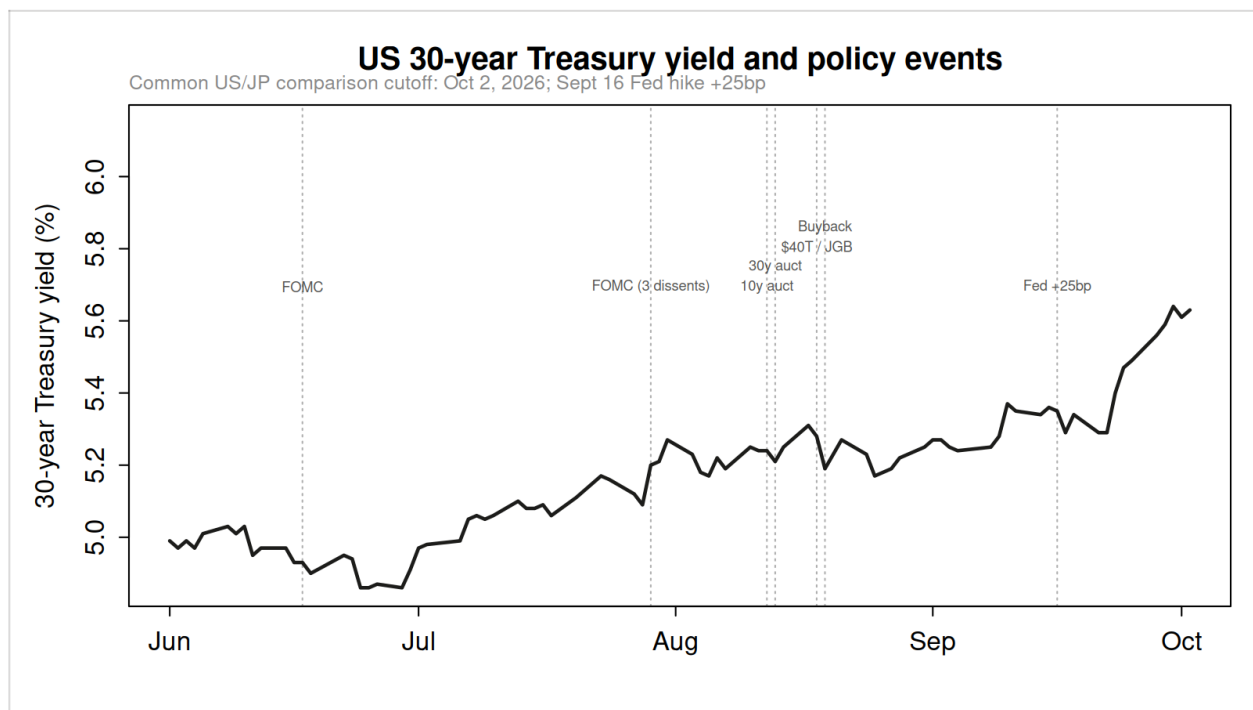


FIG. 1 • 30-YEAR TREASURY YIELD, DAILY, JUNE 1 TO OCTOBER 2, 2026. EVENT MARKERS INCLUDE THE AUGUST 19 ANNOUNCEMENT, NOT AN EXECUTED PURCHASE.

Figure 1. The August 19 marker denotes the announcement of expanded nominal long-end liquidity-support operations. Implementation began September 9; the first purchase in the selected maturity range occurred September 10.

Beyond these security-level trading effects, the financing mechanism is also examined from the issuance side in Stephen Miran and Nouriel Roubini's July 2024 study of activist Treasury issuance. Issuing more bills relative to coupons can reduce the duration exposure investors hold, regardless of which administration chooses that financing mix. This can affect the term premium, the compensation investors require for the risks of holding long-term bonds. Expected short rates are a separate part of yields, so a change in the term premium need not determine the direction of the whole yield.

Their study's Table 2 compares actual issuance with an 18% bill-share benchmark, under which coupon principal would have been \$813 billion higher. The authors' literature-based estimates put the term premium 14–40bp below that benchmark, with a central estimate of 25bp.³ These estimates concern a different change in government borrowing. They establish neither a buyback-effect estimate nor a coefficient per dollar of ten-year-equivalent exposure.

Transferring those estimates to these purchases would require a comparable measure of interest-rate

exposure on both sides of the calculation. The \$813 billion measures coupon principal, while a duration adjustment to the buybacks would express their principal in ten-year equivalents. Applying a principal-based ratio to those equivalents leaves the reference portfolio's exposure unspecified. With that normalization and the actual replacement financing unresolved, the purchase total supplies no defensible numerical estimate or upper bound for the yield response.

The yield data show how the curve changed between the baseline and later observation windows. Comparing the gap between US 30-year and 10-year yields with the same gap in Japan shows that the US gap narrowed relative to Japan's. The average measure shows a narrowing of 8.1bp between the windows ending September 2 and October 2: the US-minus-Japan differential moved from -63.24bp to -71.33bp.⁴ Each average uses ten dates common to both countries, August 20–September 2 for the baseline and September 16–October 2 for the latest window. The US slope narrowed from 51.20bp to 33.50bp, while Japan's narrowed from 114.44bp to 104.83bp. While these numbers show what changed, they do not establish how much of that change Treasury's purchases caused.

Alongside this relative narrowing, the US 30-year yield was also higher in the later window. Its average rose from 5.23% to 5.50%, an increase of 26.9bp before rounding.⁴ The curve flattened because the 10-year yield rose more than the 30-year yield. The comparison provides no basis for confidence in the original negligible-buyback-response thesis, because it cannot identify the buyback response. The relative flattening neither disproves that thesis nor establishes an outright fall in long-term borrowing costs.

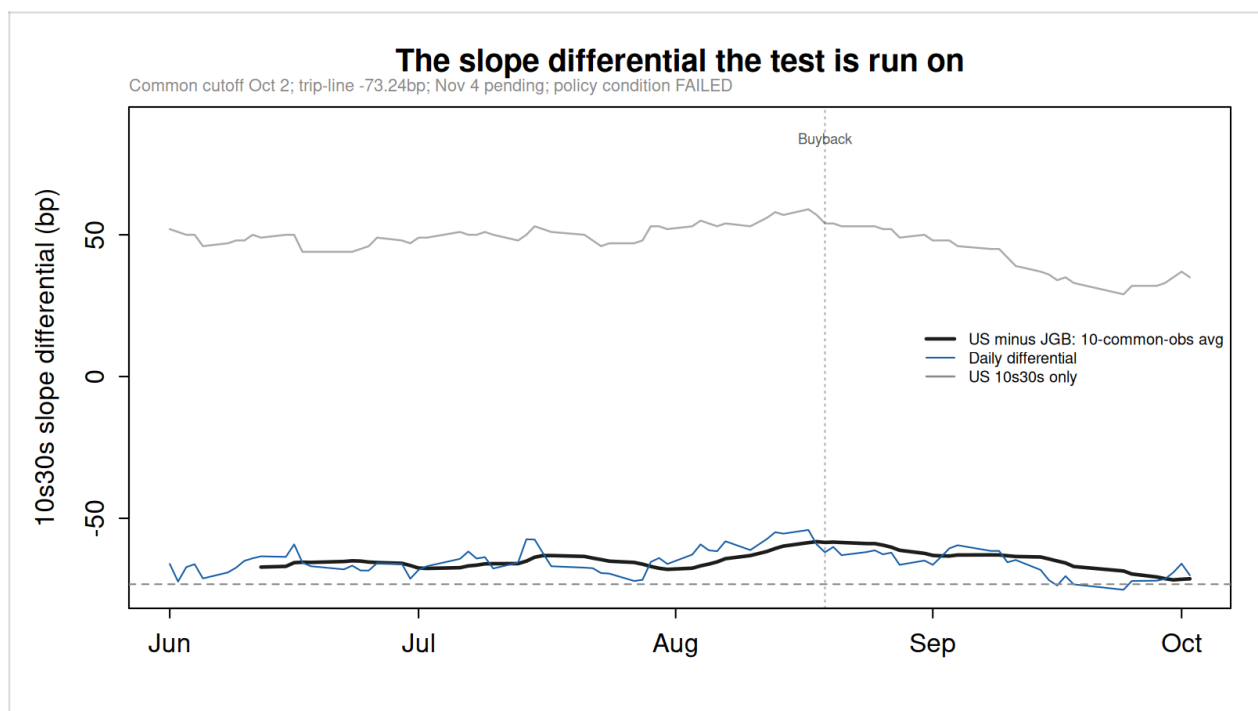


FIG. 2 · US-MINUS-JAPAN 10S30S SLOPE DIFFERENTIAL, DAILY AND TEN-COMMON-DATE AVERAGE, JUNE 1 TO OCTOBER 2, 2026. NOVEMBER 4 REMAINS PENDING.

Figure 2. Relative flattening measures the change in the US slope against Japan's. It can coexist with rising yields in both US maturities. The August 19 marker denotes the announcement, and the original November 4 endpoint is still pending.

The Fed also changed policy during these yield movements, making the comparison more difficult. On September 16, it unanimously raised the target range by 25bp to 3.75–4%.⁵ The original comparison specified a September 2 baseline and November 4 endpoint, with a 10bp flattening criterion that required the Fed to leave its policy target unchanged. That condition has already failed, and the hike confounds attribution. The interim 8.1bp movement remains below the criterion, but a comparison whose prerequisite has failed cannot validate the formal test or vindicate the original thesis.

The policy change is one limit on attribution. Japan also adds context, although differences in monetary policy, demand and hedging costs can move its curve differently from the US curve. The slope also leaves the term premium unisolated. Expectations of future purchases and dealers' constraints could affect the response, but the existing evidence cannot separate these effects into a signal-versus-flow explanation. Comparing eligible securities with neighboring ineligible issues could help account for common curve movement; that security-level check remains unperformed.

Treasury's purchases still show that debt management can change the securities investors hold. How much interest-rate exposure leaves the market depends on the financing mix, while monetary policy also changed during the observation period. As of October 8, the evidence establishes purchases and curve movement, leaving net duration and causality unresolved. It provides no basis for assured suppression of long-term yields or a current trade. Extending the observations through November 4 can complete the descriptive record, but it cannot restore the unchanged-policy comparison originally planned.

Sources and reproducibility

The [public calculation package](#) preserves the October 6 collection and reproduces the descriptive calculations from frozen inputs. The yield averages use those same inputs and ten-common-date windows. Its historical duration-based illustration remains reproducible arithmetic, but the normalization defect prevents its use as a defensible response-scale calculation here. Original FRED HTTP authentication remains unverified. The current publisher PDF supports the ATI figures, although its byte identity with the original July 2024 file remains unverified.

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1. U.S. Treasury, August 19, 2026, [nominal long-end liquidity-support announcement](#).
 2. [Treasury securities buyback records](#), frozen October 6, 2026 collection; [calculation claims and methods](#) and [source provenance](#), commit 106ca09e42ab5b70541aff0ca01014bdfbaa32c3.
 3. Stephen Miran and Nouriel Roubini, *ATI: Activist Treasury Issuance and the Tug-of-War Over Monetary Policy* (July 2024), pp. 9–14, [publisher PDF](#).
 4. FRED [DGS30](#) and [DGS10](#), and [Japan Ministry of Finance government-bond yields](#), frozen October 6, 2026 collection; [frozen-input replay and provenance](#).
 5. Federal Reserve, September 16, 2026, [FOMC statement](#).

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