Snap | 19 August 2026

RATES UNITED STATES

US Treasury ups its buying of long-dated Treasuries

Officially, the buybacks in long-dated maturities are being increased to enhance liquidity. But this could have been done two weeks ago as a part of the regular quarterly announcement. The fact that it s being done now suggests an ulterior motive – to calm nerves with long yields under meaningful upward pressure. It will dampen but not abort the pressure

The US Treasury has announced a doubling in buybacks of long-dated Treasury bonds. Yields have dropped on the announcement

Bigger buyback in long-dated Treasuries alerts the market that the Treasury is watching

Hot off the wires, the US Treasury has decided to double the buybacks in the 10yr to 20yr and 20yr to 30yr maturity ranges, from US$2bn to UD$4bn. That brings it in line with the size of buybacks done in shorter maturity buckets. But doing the same size in longer maturities has a far larger effect (duration weighted). The Treasury states they are doing this to provide greater liquidity support. It's an extension to a scheme first introduced in May 2024 as a means to boost liquidity in Treasuries. It initially had quite a positive effect, as it did improve liquidity. But, gradually its positive effects have waned, and overall Treasury market liquidity has deteriorated again. In that sense, there is solid rationale for the Treasury to announce increased buyback sizes in longer tenors.

Having said that, the timing of the announcement is a key issue. Only two weeks ago, the Treasury set out its planned schedule for buybacks this quarter. To update it so soon is quite unexpected. While the Treasury notes the change is purely as a liquidity enhancement, the supposition must be there that it could be in reaction to the seemingly relentless rise in long-dated yields. Tuesday saw the 10yr yield almost touch 4.75% and the 30yr yield threatened 5.35%, the highest levels seen since before the great financial crisis. By stepping in here with the bigger buyback intention, the US Treasury could, in part, be signalling to the marketplace that it is watching and monitoring and prepared to take action.

The impact has been big, with 10yr and 30yr yields down 5-10bp. Probably a bigger effect than the absolute sizes deserve, as US$4bn is small relative to the size of US issuance in these maturities, and especially relative to the size of lines outstanding. Also, remember that these are buybacks, and in fact are temporary. This is not structural bond buying, as any material buyback requires re-financing at a subsequent re-funding. The reason the market has reacted so much is more likely to be down to the idea that the US Treasury has decided to take action on the buy side in long-dated maturities in a week during which long-dated yields have been under upward pressure. It could well be the Treasury's way to alert the market to its presence.

Given that buybacks are a zero-sum game, they are unlikely to materially alter the natural trajectory for long-dated yields, which has been up. Some dampening effect, yes. Beyond that, we move on. See more here.

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