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RATES

Can the Treasury simply use its deposit account to finance Treasury buybacks?

CNBC came out with a story this morning along the lines that the Treasury could potentially use the Treasury general account (TGA) to help finance Treasury buybacks (dealt with here). Big deal or no? We d argue no, not really. Why?

The US Treasury buyback of bonds should not have much of an impact on longer-dated bonds

What is the Treasury General Account?

The TGA is a cash balance that the Treasury maintains. It's where tax revenues get deposited and government spending gets paid out from. It's like the government's deposit account. The TGA is currently elevated, at around $950bn. It has varied between $800bn and $1000bn in recent months. And has averaged $625bn over the past five years, taking into account the tendency for it to be wound down towards zero as the debt ceiling is hit and the Treasury can't net issue. The thing is, the Treasury has made a choice to have the cash balance in the $800bn to $1000bn area. It's a level that positions the Treasury with a decent buffer, allowing for any unexpected surprises.

Why spending it down to finance buybacks is a zero sum game?

So, if it gets spent down, in part to finance Treasury buybacks, that buffer, by definition, gets reduced. So this is no more than a timing matter. It does not 'solve' anything. Specifically, it does not change the underlying issue that spending down the TGA in the end would require rebuilding it back up down the line, unless the Treasury decides that it does not need to have the buffer as elevated as it has been. But even then, that's a policy choice that does not change anything. It just reduces the cash the Treasury has on deposit. The Treasury's net position does not change.

What is the likely impact for the Treasury market?

In terms of the bond market, there should be no material impact on long-dated yields from this. Impact on long yields *can* result from an expansion in the size of long-end buybacks. But not from *how* the buybacks are financed (specifically whether financed by bills issuance or TGA rundown). It could be argued that there is a positive impact for the short end, as running down the TGA implies less need for more bills issuance to finance the buybacks. This is technically true, and implies if there is any meaningful effect from this, it can take some pressure off bills issuance.

Does this all really matter?

That said, the volumes in question here are not terribly impactful. The cumulative buybacks to date since mid-2025 are running at some $600bn, of which some $115bn is along the 10yr to 30yr segment (and similar in 1mth to 2yr cash management volumes). The delta from the doubling of long-end buybacks is $16bn for the quarter, or $64bn if annualised. The bills programme is around $7tr, or some 22% of marketable debt. But the rollover of bills (including high volume super short-term financing) per quarter is much higher, at approximately $5tr (c.$20tr per year). Current buyback sizes are moderate in cash terms relative to this.

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