The Day Ahead: Bonds Rally After Treasury Buyback Announcement (NOT QE)

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At 8:30am, Treasury announced it would double the size of the existing buyback program from $2 to $4 billion for 10-30yr maturities. This sounds like a big deal, but it's only really a medium deal. It's not QE and it never was. Treasury has been conducting buyback operations for more than 2 years and the primary purpose is to support LIQUIDITY in the bond market rather than to influence yield levels. Nonetheless, the bond market can't help but experience some impact to yield when these things are announced/changed simply because it affects the composition of buying demand. Specifically, if Treasury is buying illiquid, older securities from sellers who might have otherwise not even tried to sell them. This frees up their balance sheet space to do "other stuff" in the bond market ranging from "buying more short-term Treasury debt" to simply serving as another source of general liquidity at a time where liquidity is a steadily increasing concern.

The following table is from a recent report to the Treasury Borrowing Advising Committee. It shows a huge surplus of dealers looking to sell bonds in the 10-30yr range.

Summary of Treasury Buyback Results

Treasury Buyback Results from 5/19/26 to 7/28/26 (Current Refunding Quarter)[1]

Operation Type	Maturity Sector	Operation Size	Total Number of Operations	Total Par Amount Offered ($BN)	Total Purchase Maximum ($BN)	Total Par Amount Purchased ($BN)[2]	Offer to Maximum	Buyback Ratio
Formula		A	B	C	D = A * B	E	F = C / D	G = E / D
Cash Management	1Mo to 2Y	$12.5 BN	2	$69.6	$25.0	$24.6	2.78	0.98
Liquidity Support	1Mo to 2Y	$4 BN	-	-	-	-	-	-
	2Y to 3Y		1	$12.5	$4.0	$2.3	3.1	0.6
	3Y to 5Y		1	$9.2	$4.0	$1.7	2.3	0.4
	5Y to 7Y		1	$3.8	$4.0	$0.3	0.9	0.1
	7Y to 10Y		1	$5.1	$4.0	$0.6	1.3	0.1
	10Y to 20Y	$ 2 BN	3	$50.4	$6.0	$6.0	8.4	1.0
	20Y to 30Y		4	$95.1	$8.0	$8.0	11.9	1.0
	Short TIPS[3]	$750 MM	2	$7.7	$1.5	$1.2	5.2	0.8
	Long TIPS[3]	$500 MM	1	$0.8	$0.5	$0.1	1.6	0.2
Total			**16**	**$254.0**	**$57.0**	**$44.7**	4.2	0.6