Treasury Presentation to TBAC

Office of Debt Management

Fiscal Year 2026 Q1 Report

Table of Contents*

*All sources are from Treasury unless otherwise specified

Section I:
Executive Summary

Highlights of Treasury's February 2026 Quarterly Refunding Presentation to the Treasury Borrowing Advisory Committee (TBAC)

Receipts and Outlays through Q1 FY2026

	$ billion	Change from same period last year ($ billion)	Change from same period last year (%)	As % of GDP	Change from same period last year (% GDP)
Total Receipts thru Q1 FY2026	$1,225	+$142	13%	15.3%	1.0%
Total Outlays thru Q1 FY2026	$1,827	+$33	2%	22.9%	-0.7%

Treasury's Projected Privately-held Net Marketable Borrowing for the Current and Next Fiscal Quarters

Treasury OFP Near Term Fiscal Projections	Privately-Held Net Marketable Borrowing ($ billion)	Assumed End-of-Quarter Cash Balance ($ billion)
Q2 FY2026	$574	$850 (Mar)
Q3 FY2026	$109	$900 (Jun)

*Projected Privately-held Net Marketable Borrowing for the Next Three Fiscal Years from Various Sources**

Fiscal Year	Primary Dealers, Median, January 2026 ($billion)	CBO Estimates, August 2025 ($billion)
2026	$1,950	$2,281
2027	$2,000	$2,389
2028	$2,075	$2,575

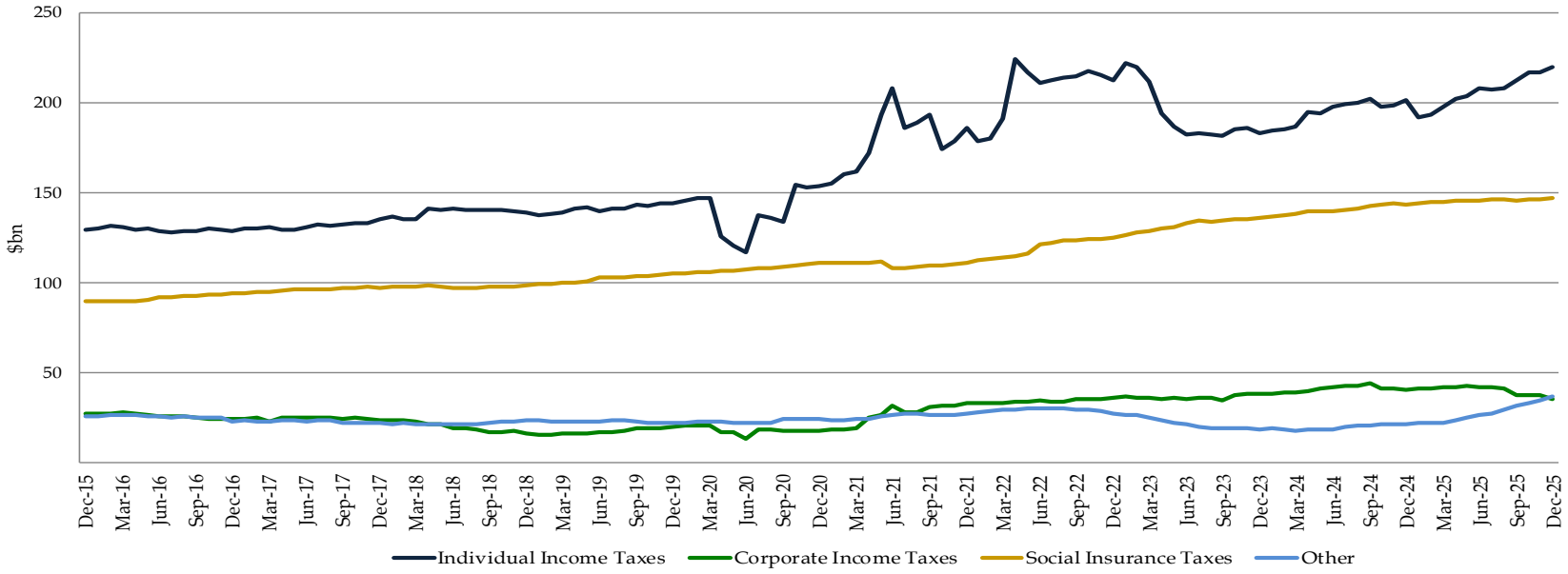
*All privately-held net marketable borrowing estimates are "normalized" with details from page 18. CBO estimates have been adjusted to account for the effects of the One Big Beautiful Bill, but not other factors such as tariff revenue. Uncertainty regarding future funding needs remains relatively high, reflecting a variety of views on the path of monetary policy and the outlook for the economy.

Latest Market Expectations for Treasury Financing in January 2026

- All primary dealers expected no changes to nominal coupon or FRN issuance sizes at the February refunding.

Section II:
Recent Fiscal Results
Receipts, Outlays, and Deficits

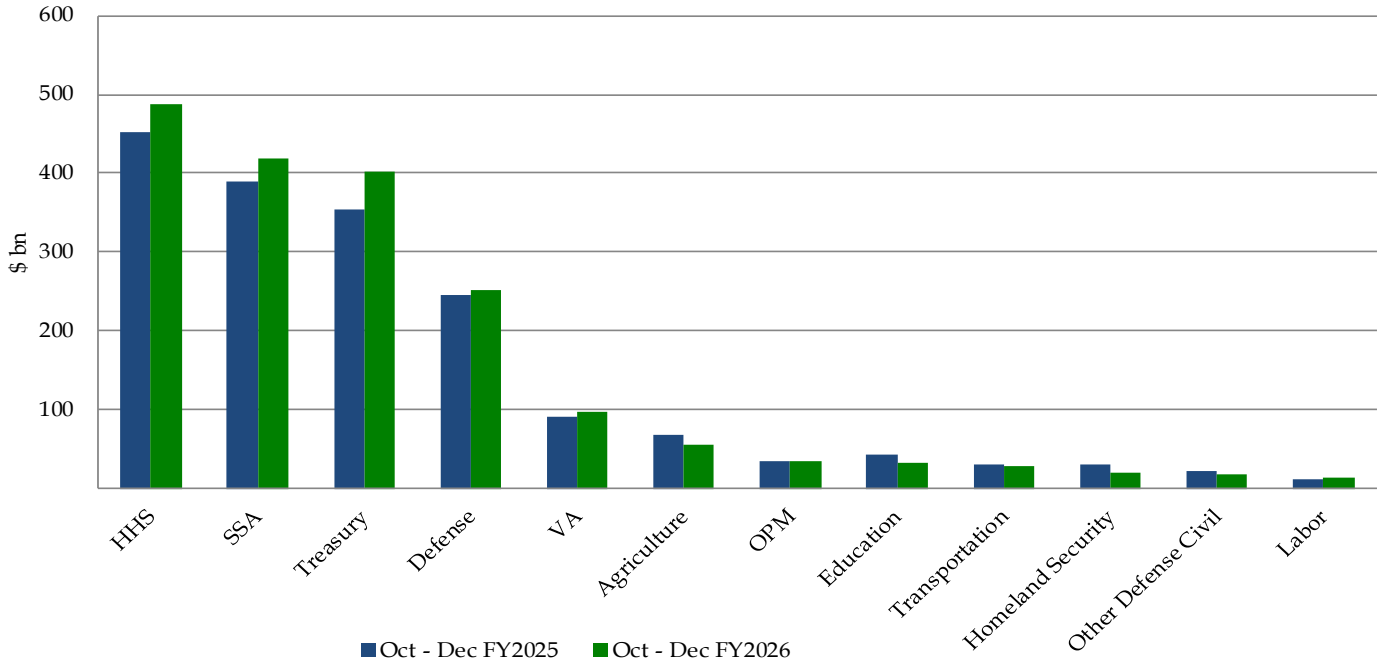
Monthly Receipt Levels
(12-Month Moving Average)



Notable Receipt Category	YoY change thru Q1 FY2026 ($ billion)	YoY change thru Q1 FY2026 (%)	Comments
Customs Deposits	+$71	+315%	Increased due to higher tariff receipts.
Non-withheld and SECA Taxes	+$47	+54%	This FYTD contained extended due dates for Los Angeles due to county wildfires.
Withheld & FICA Taxes (calendar adjusted)	+$45	+5%	Increased due to wage and employment growth.
Gross Corporate Taxes	-$27	-23%	Decreased due to legislative provision changes from the One Big Beautiful Bill.

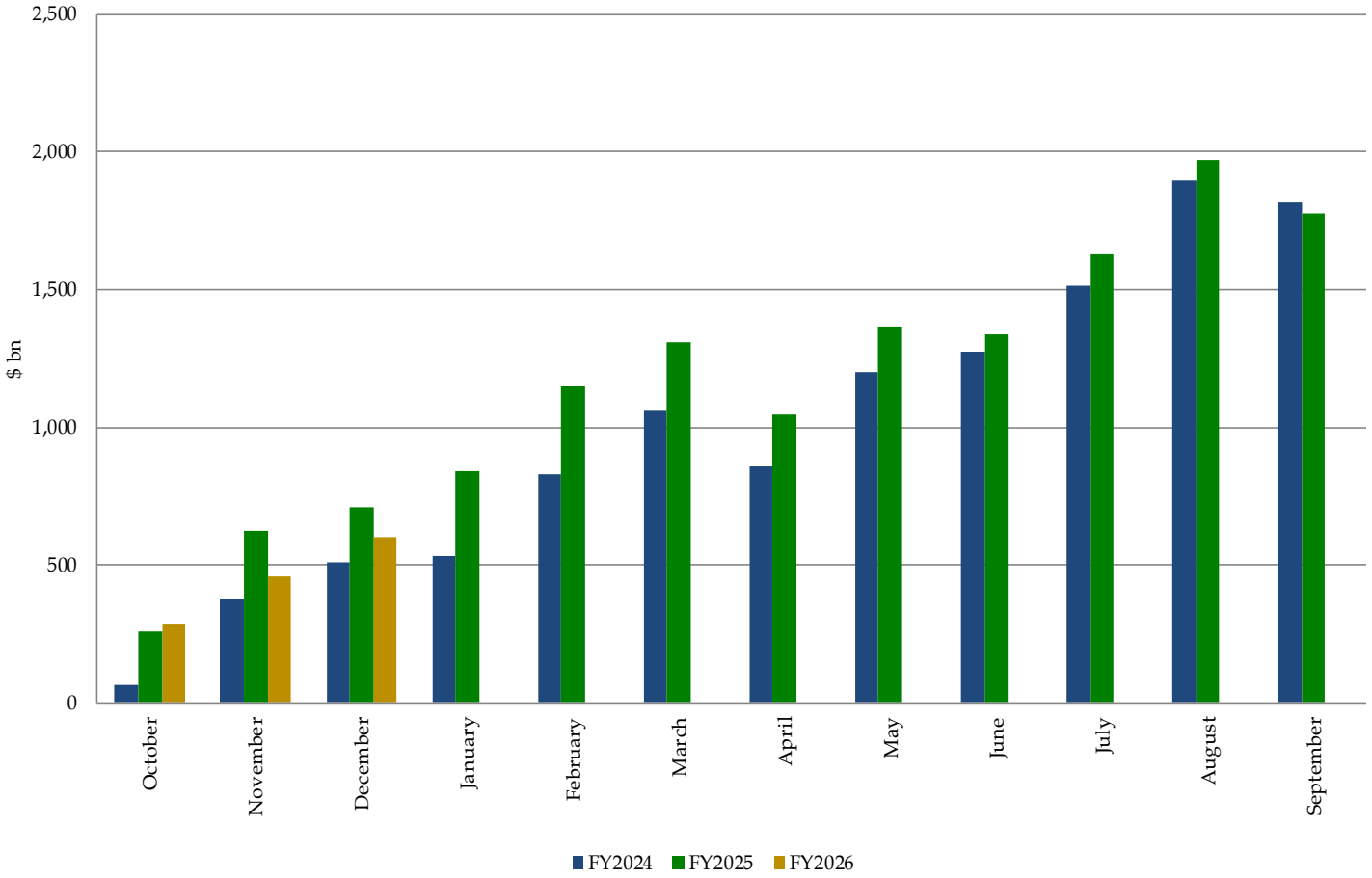
Individual Income Taxes include withheld and non-withheld. Social Insurance Taxes include FICA, SECA, RRTA, UTF deposits, FUTA and RUIA. Other includes excise taxes, estate and gift taxes, customs duties and miscellaneous receipts.

Largest Outlays



Notable Outlay Category	YoY change thru Q1 FY2026 ($ billion)	YoY change thru Q1 FY2026 (%)	Comments
Department of Treasury	+$48	+13%	Increased due to higher gross interest on the public debt and higher Internal Revenue Service outlays.
Health and Human Services	+$34	+8%	Increased due to Medicare and Medicaid spending.
Social Security Administration (calendar adjusted)	+$28	+7%	Higher due to implementation of the Social Security Fairness Act, increases from cost-of-living adjustments (COLA), and increased number of beneficiaries.
Department of Education	-$11	-26%	Decreased mainly due to lower Office of Elementary & Secondary Education spending.
Other	-$68	-63%	Decreased primarily due to lower EPA disbursements and lower FEMA payments.

Cumulative Budget Deficits by Fiscal Year



Section III:
Various Fiscal Forecasts

Primary Dealers, OMB, CBO

Recent Economic Forecasts

Primary Dealer Median Estimates January 2026

	CY2026	CY2027	CY2028
	% Change from Q4 to Q4		
GDP			
Real	2.2	2.0	2.1
Nominal	4.8	4.4	4.4
Inflation			
CPI Headline	2.6	2.3	2.3
CPI Core	2.8	2.4	2.2
	Fourth Quarter Levels		
Unemployment Rate (%)	4.4	4.3	4.2
	FY2026	**FY2027**	**FY2028**
Deficits ($bil)	$1,900	$2,000	$2,110

CBO Estimates August 2025

	CY2026	CY2027	CY2028
	% Change from Q4 to Q4		
GDP			
Real	2.2	1.8	1.8
Nominal	4.4	3.8	3.8
Inflation			
CPI Headline	2.4	2.2	2.2
	Fourth Quarter Levels		
Unemployment Rate (%)	4.2	4.4	4.4
	FY2026	**FY2027**	**FY2028**
Deficits ($bil)	$2,214	$2,323	$2,521

OMB Estimates September 2025

	CY2026	CY2027	CY2028
	% Change Year over Year		
GDP			
Real	3.0	3.1	3.1
Nominal	5.6	5.2	5.2
Inflation			
CPI Headline	2.3	2.3	2.1
	Annual Average		
Unemployment Rate (%)	3.9	3.7	3.7
	FY2026	**FY2027**	**FY2028**
Deficits ($bil)	$2,220	$1,973	$1,841

Note: OMB's economic assumptions and deficits are from Table 1 and Table 2 of "Mid-Session Review, Technical Supplement to the 2026 Budget," September 2025.
CBO's economic assumptions are data supplement from "CBO's September 2025 report CBO's Current View of the Economy From 2025 to 2028," September 2025. CBO's deficit projections are from Table 1 of "Effects on Deficits and the Debt of Public Law 119-21 and of Making Certain Tax Policies in the Act Permanent," August 2025.

Recent Deficit Forecasts

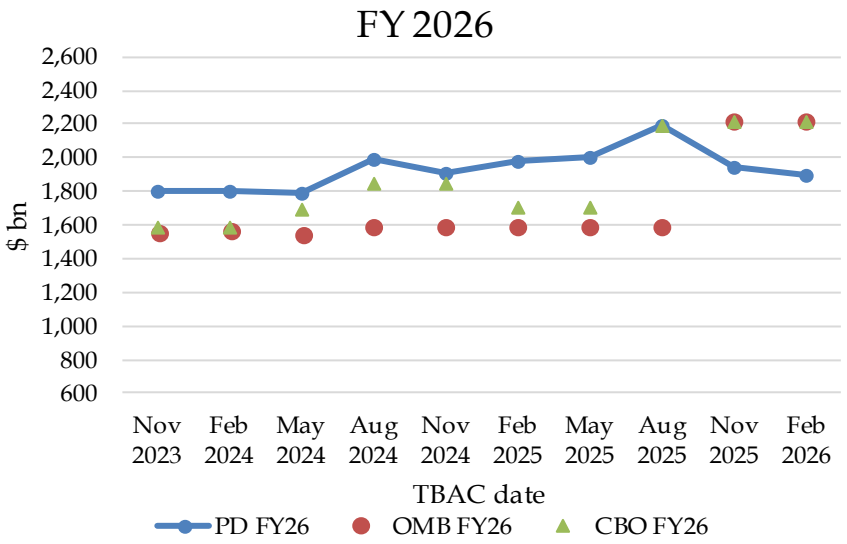
Primary dealers' median deficit estimates in January 2026 were lower relative to estimates they provided in October 2025, declining by $112 billion in aggregate over the FY26-FY28 period.

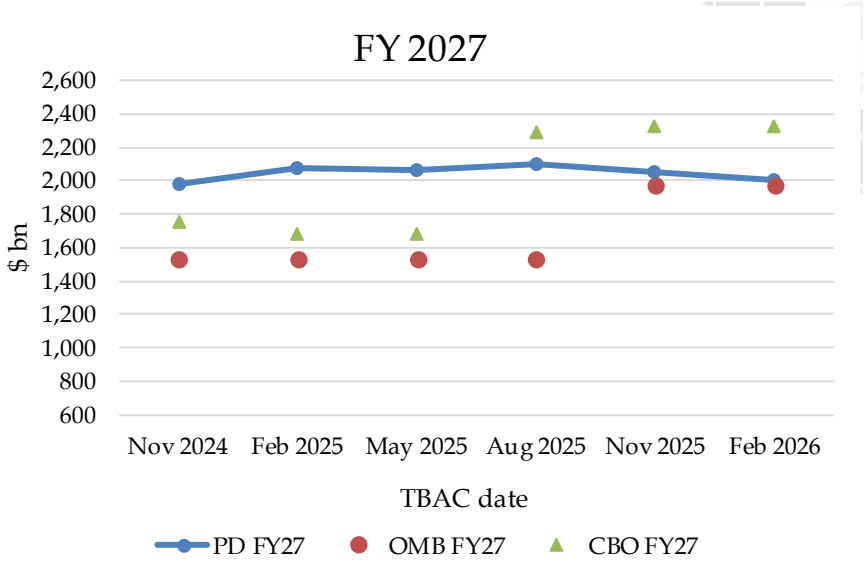
- The latest OMB and CBO estimates in the table below are provided for reference.

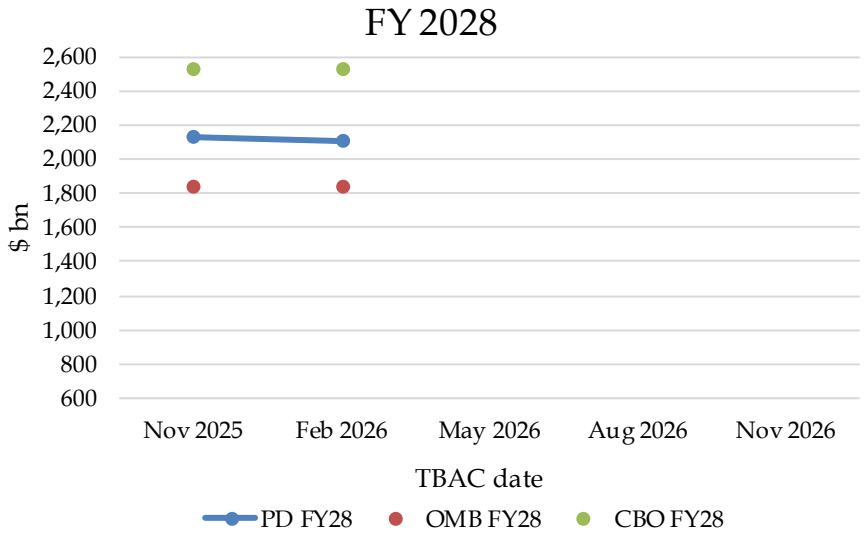
Deficit Estimates ($ billion)	PD 25th Percentile	Primary Dealers (Median)	PD 75th Percentile	Change from Prior Quarter (Median)	OMB	CBO
FY 2026	1,884	1,900	2,002	-40	2,220	2,214
FY 2027	1,950	2,000	2,112	-52	1,973	2,323
FY 2028	2,000	2,110	2,222	-20	1,841	2,521
As of date	Jan-26	Jan-26	Jan-26		Sep-25	Aug-25

- OMB's projections are from Table 1 of "Mid-Session Review, Technical Supplement to the 2026 Budget," September 2025.
- CBO's deficit projections are from Table 1 of "Effects on Deficits and the Debt of Public Law 119-21 and of Making Certain Tax Policies in the Act Permanent," August 2025. CBO deficit estimates have been adjusted to account for the effects of the One Big Beautiful Bill, but not other factors such as tariff revenue.

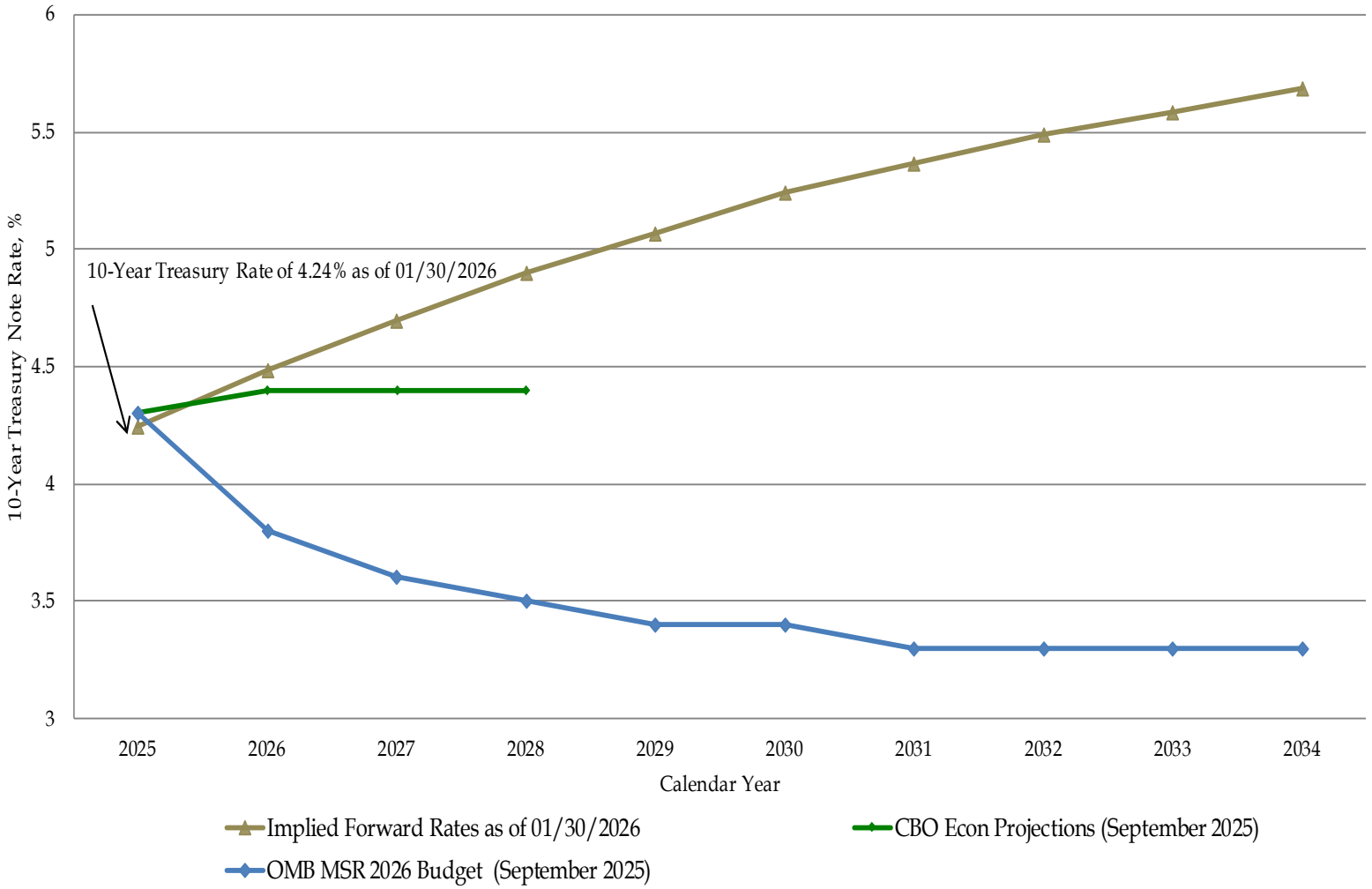
Evolution of Median Primary Dealer, OMB, and CBO Deficit Estimates







Interest Rate Assumptions: 10-Year Treasury Note

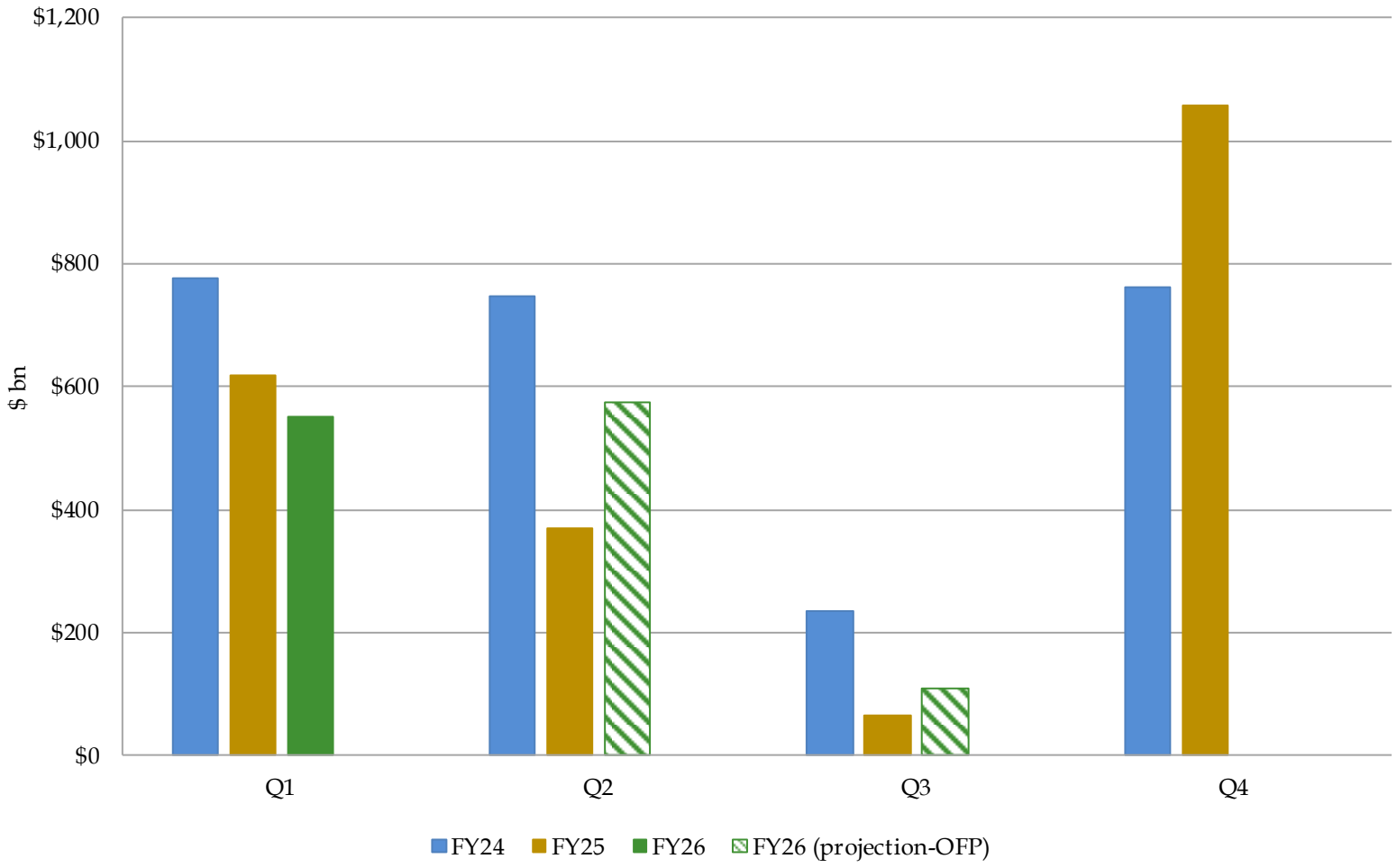


Section IV:
Estimated Borrowing Needs and Financing Implications

Assumptions for Financing Section (pages 16 to 20)

- Portfolio and SOMA holdings as of 12/31/2025, unless otherwise noted (see slide 20).
- Estimates assume privately announced issuance sizes and patterns remain constant for nominal coupons, TIPS, and FRNs given the issuance sizes in effect in January 2026, while using total bills outstanding of ~$6.55 trillion as of 12/31/2025, unless otherwise noted (see slide 20).
- The principal on the TIPS securities was accreted to each projection date based on market ZCIS levels as of 12/31/2025, unless otherwise noted (see slide 20).
- No attempt was made to account for future financing needs.
- **Privately-held marketable borrowing** excludes rollovers (auction "add-ons") of Treasury securities held in the Federal Reserve System Open Market Account (SOMA) but includes financing required due to SOMA redemptions. Secondary market purchases of Treasury securities by SOMA do not directly change privately-held net marketable borrowing but, all else equal, when the securities mature and assuming the Fed does not redeem any maturing securities, this would increase the amount of cash raised for a given privately-held auction size by increasing the SOMA "add-on" amount. These borrowing estimates are based upon current law and do not include any assumptions for the impact of additional legislation that may be passed. Additionally, buybacks are not expected to significantly affect privately-held net marketable borrowing as new issuance replaces securities that are bought back.
- Liquidity support buybacks are assumed to be the same as actual liquidity support purchases from the previous calendar quarter. Cash management buybacks are also assumed to be the same as the most recent comparable calendar quarter. Since cash management buyback sizes vary from quarter to quarter due to changes in fiscal flows, the choice of the most recent comparable calendar quarter also varies.

Privately-Held Net Marketable Borrowing Outlook



Implied Bill Funding for the Current and Next Quarters Based on Recent Borrowing Estimates

Sources of Privately-Held Financing in FY26 Q2

January - March 2026	
Assuming Constant Coupon Issuance Sizes[1]	
Treasury Announced Net Marketable Borrowing[2]	574
Net Coupon Issuance	364
Assumed Buybcks[3]	50
Implied Change in Bills	260

Sources of Privately-Held Financing in FY26 Q3

April - June 2026	
Assuming Constant Coupon Issuance Sizes[1]	
Treasury Announced Net Marketable Borrowing[2]	109
Net Coupon Issuance	404
Assumed Buybacks[3]	53
Implied Change in Bills	(242)

Security	January - March 2026 Coupon Issuance Gross	Maturing	Net	Fiscal Year-to-Date Coupon Issuance Gross	Maturing	Net
2-Year FRN	86	84	2	172	162	10
2-Year	207	178	29	414	328	86
3-Year	174	113	61	348	233	115
5-Year	210	163	47	420	317	103
7-Year	132	76	56	264	135	129
10-Year	120	48	72	240	107	133
20-Year	42	0	42	84	0	84
30-Year	69	6	63	138	6	132
5-Year TIPS	0	0	0	50	40	10
10-Year TIPS	40	38	2	59	38	21
20-Year TIPS[4]	0	18	(18)	0	18	(18)
30-Year TIPS	9	0	9	9	0	9
Coupon Subtotal	1,089	725	364	2,198	1,383	815

Security	April - June 2026 Coupon Issuance Gross	Maturing	Net	Fiscal Year-to-Date Coupon Issuance Gross	Maturing	Net
2-Year FRN	86	86	0	258	248	10
2-Year	207	200	7	621	528	93
3-Year	174	115	59	522	348	174
5-Year	210	159	51	630	476	154
7-Year	132	66	66	396	201	195
10-Year	120	48	72	360	155	205
20-Year	42	0	42	126	0	126
30-Year	69	0	69	207	6	201
5-Year TIPS	50	31	19	100	71	29
10-Year TIPS	19	0	19	78	38	40
20-Year TIPS[4]	0	0	0	0	18	(18)
30-Year TIPS	0	0	0	9	0	9
Coupon Subtotal	1,109	705	404	3,307	2,088	1,219

[1] Keeping announced issuance sizes and patterns constant for nominal coupons, TIPS, and FRNs.
[2] Assumes end-of-March 2026 and end-of-June 2026 cash balances of $850 billion and $900 billion, respectively, versus end-of-December 2025 cash balance of $873 billion. Financing Estimates released by the Treasury can be found here: http://www.treasury.gov/resource-center/data-chart-center/quarterly-refunding/Pages/Latest.aspx
[3] Assumed buyback amounts for liquidity support are based on the most recent actuals (Nov25 to Jan26). Assumed buyback amounts for cash management are based on actuals from Mar25 for FY26 Q2 and actuals from Apr25 for FY26 Q3.
[4] Treasury is currently not issuing 20-year TIPS.

Longer-Term Privately-Held Net Marketable Borrowing Estimates

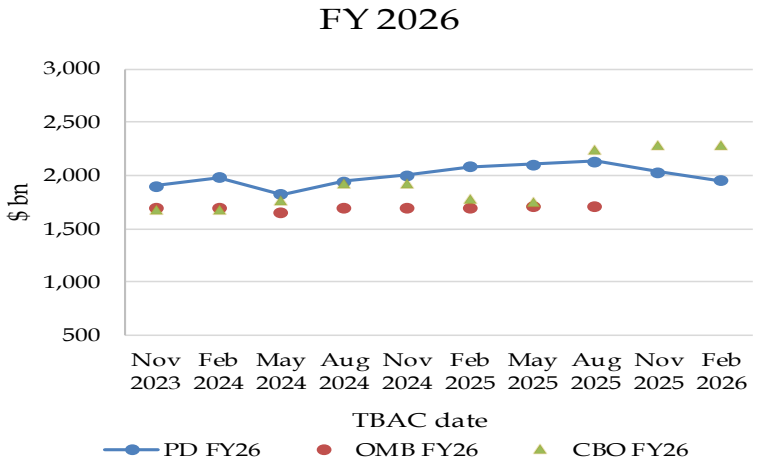
FY 2026-2028 Deficits and Privately-Held Net Marketable Borrowing Estimates, in $ billions

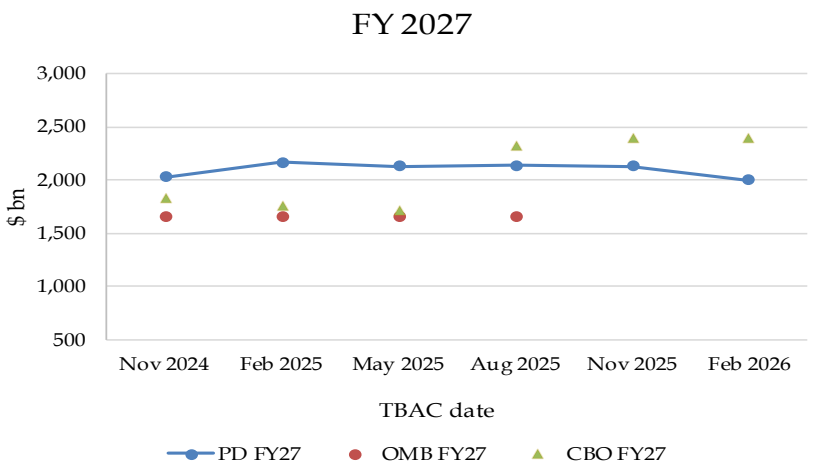
	Primary Dealer			OMB	CBO
	25th	Median	75th		
FY 2026 Deficit	1,884	1,900	2,002	2,220	2,214
FY 2027 Deficit	1,950	2,000	2,112	1,973	2,323
FY 2028 Deficit	2,000	2,110	2,222	1,841	2,521
FY 2026 Privately-Held Net Marketable Borrowing*	1,778	1,950	2,096		2,281
FY 2027 Privately-Held Net Marketable Borrowing*	1,816	2,000	2,163		2,389
FY 2028 Privately-Held Net Marketable Borrowing*	1,908	2,075	2,256		2,575
Estimates as of:		Jan-26		Sep-25	Aug-25

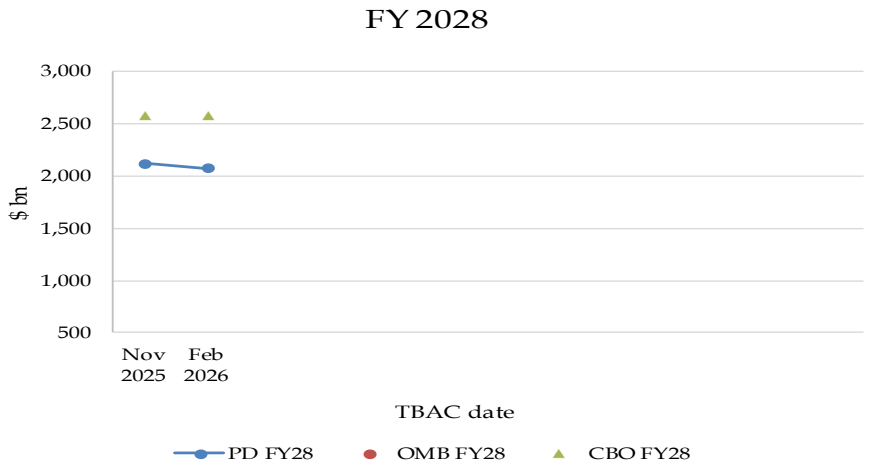
* All privately-held net marketable borrowing estimates are "normalized" using:
1) assumed Fiscal Year 2026 cash balance of $900 billion, held constant in out years.

- OMB's deficit projections are from Table 1 of "Mid-Session Review, Technical Supplement to the 2026 Budget," September 2025. OMB's borrowing estimates are not available for the February 2026 refunding.
- CBO's deficit projections are from Table 1 of "Effects on Deficits and the Debt of Public Law 119-21 and of Making Certain Tax Policies in the Act Permanent," August 2025. CBO deficit estimates have been adjusted to account for the effects of the One Big Beautiful Bill, but not other factors such as tariff revenue. CBO's total borrowing projections are derived by applying the same changes from deficit to the CBO's January 2025 total borrowing estimates.

Evolution of Median Primary Dealer, OMB, and CBO Privately-Held Net Marketable Borrowing Estimates*

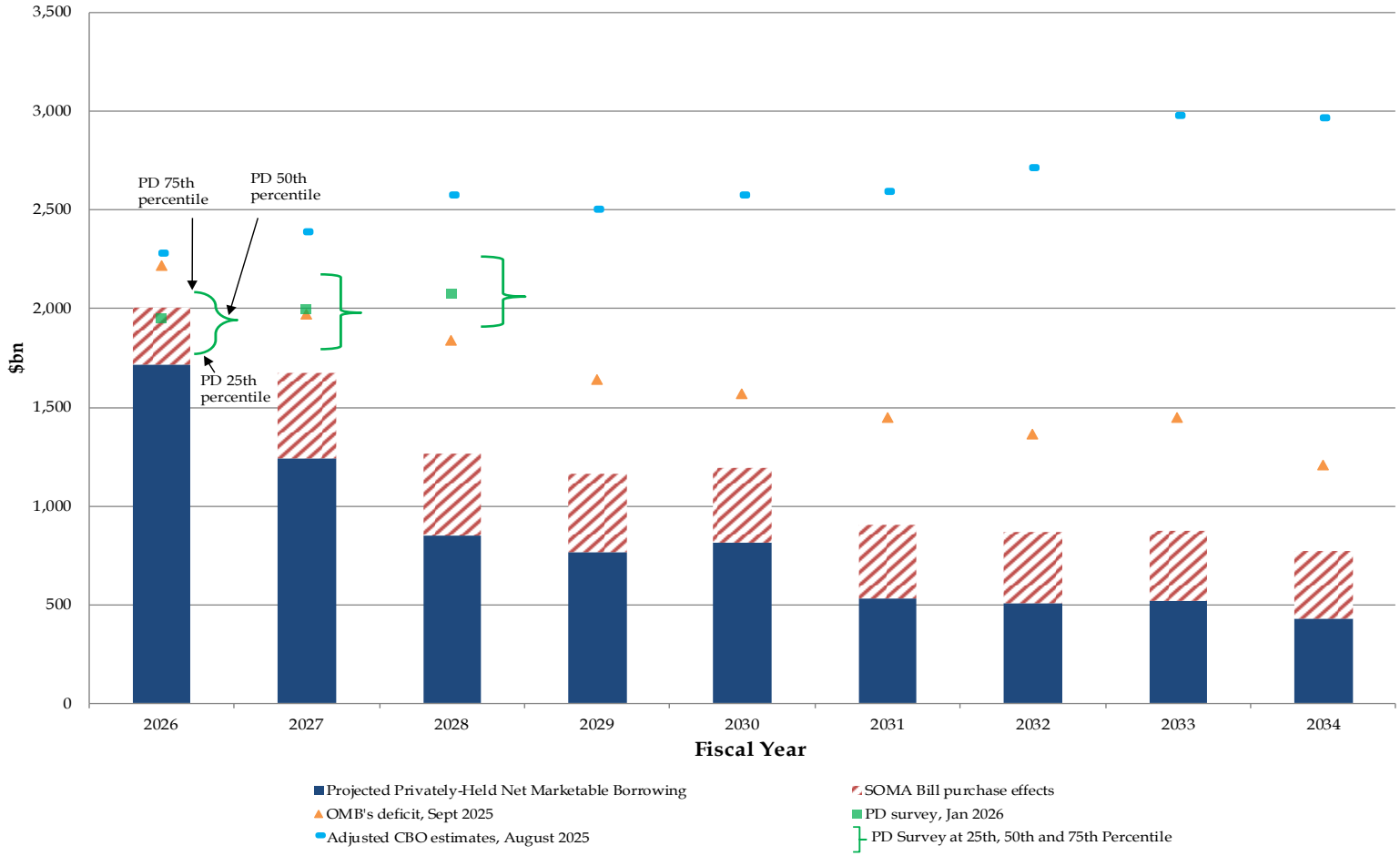






* Note that CBO's deficit projections are from Table 1 of "Effects on Deficits and the Debt of Public Law 119-21 and of Making Certain Tax Policies in the Act Permanent," August 2025. CBO deficit estimates have been adjusted to account for the effects of the One Big Beautiful Bill, but not other factors such as tariff revenue. CBO's total borrowing projections are derived by applying the same changes from deficit to the CBO's January 2025 total borrowing estimates. In addition, CBO privately-held net marketable borrowing estimates are calculated by adjusting their respective deficit estimates using dealer's median SOMA redemption estimates. Furthermore, all the PD, CBO privately-held marketable borrowing estimates are normalized with the same cash balance changes. See slide 18 for details. OMB's borrowing estimates are not available for the February 2026 refunding.

Projected Privately-Held Net Marketable Borrowing
Assuming Private Coupon Issuance & Privately-Held Bills Outstanding Remain Constant as of 1/31/2026*



*Treasury's latest primary dealer survey median/interquartile range estimates can be found on page 18. CBO borrowing estimates are derived by adjusting its January 2025 total borrowing estimates with the same changes in deficit sourced from Table 1 of "Effects on Deficits and the Debt of Public Law 119-21 and of Making Certain Tax Policies in the Act Permanent," August 2025. CBO deficit estimates have been adjusted to account for the effects of the One Big Beautiful Bill, but not other factors such as tariff revenue. In addition, all privately-held net marketable borrowing estimates are normalized with a cash balance assumption of $900 billion. OMB's deficit projections are from Table 1 of "Mid-Session Review, Technical Supplement to the 2026 Budget," September 2025. OMB's borrowing estimates are not available for the February 2026 refunding. SOMA purchase effects are estimated based on recent MBS principal payments and reserve management purchases.

Section V:
Select Portfolio Metrics

Note: Several of the portfolio metrics charts that follow include three years of projections.

These projections are hypothetical and <u>are meant for illustrative purposes only</u>. The projections contained in these charts <u>should not</u> be interpreted as representing any future policy decisions regarding Treasury financing.

Projections illustrate how various portfolio metrics could evolve under three hypothetical financing scenarios. The scenarios were chosen to illustrate a potential range of portfolio metric outcomes based on hypothetical issuance choices.

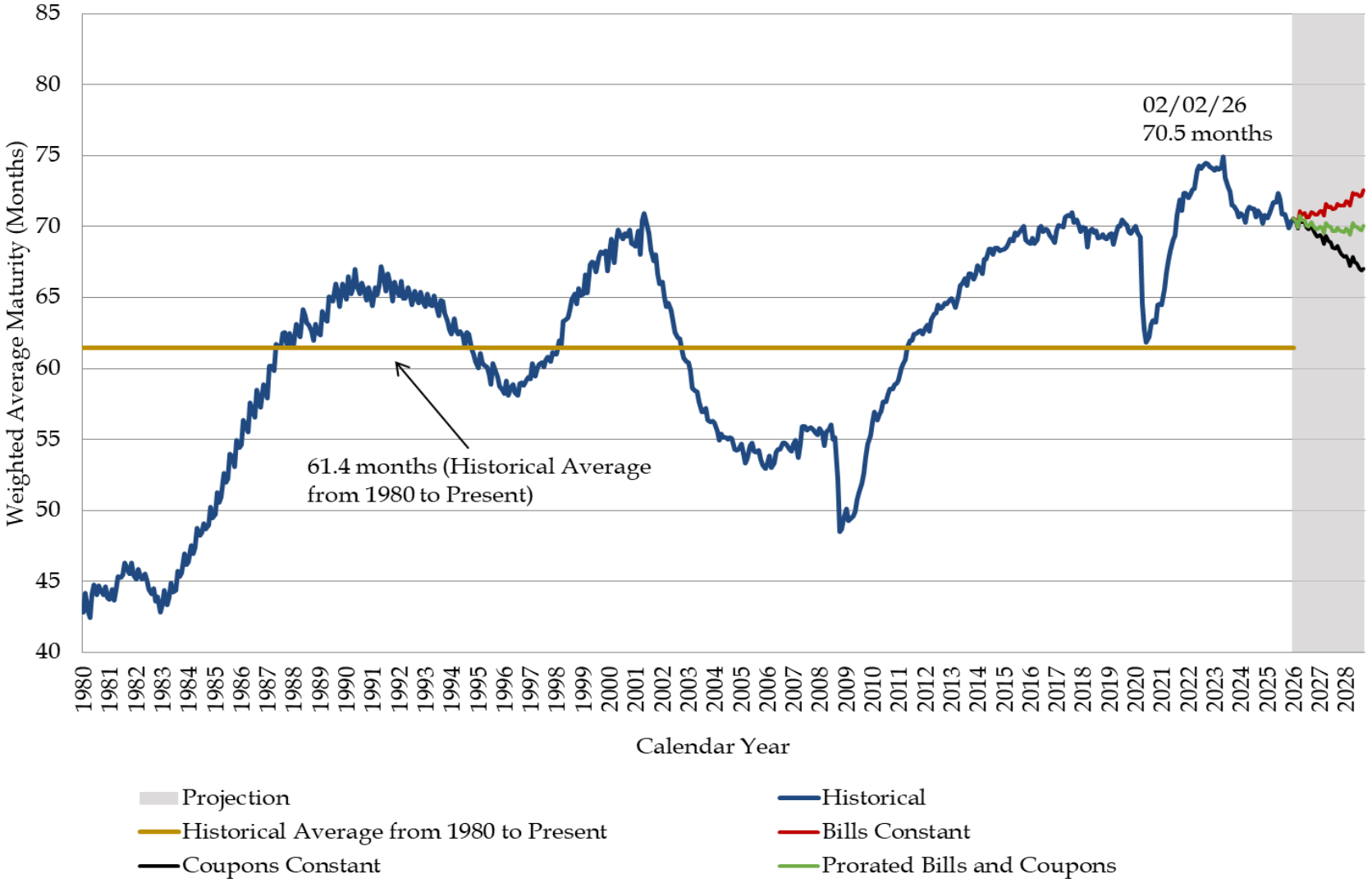
The scenarios are:

1) ***"Coupons Constant":*** Treasury maintains **coupon, FRN, and TIPS auction sizes constant** as of January 2026 and addresses any changes in financing needs by only increasing or decreasing T-bill auction sizes;
2) ***"Bills Constant":*** Treasury maintains **T-bills aggregate supply constant** at $6.6 trillion as of 1/31/2026 and increases or decreases coupon, FRN, and TIPS auction sizes in response to financing needs in a manner that maintains current issuance proportions going forward;
3) ***"Prorated Bills and Coupons":*** Treasury maintains **T-bills share constant** at 21.7% as of 1/31/2026 and addresses any changes in financing needs by pro rata increasing or decreasing coupon, FRN, and TIPS auction sizes.

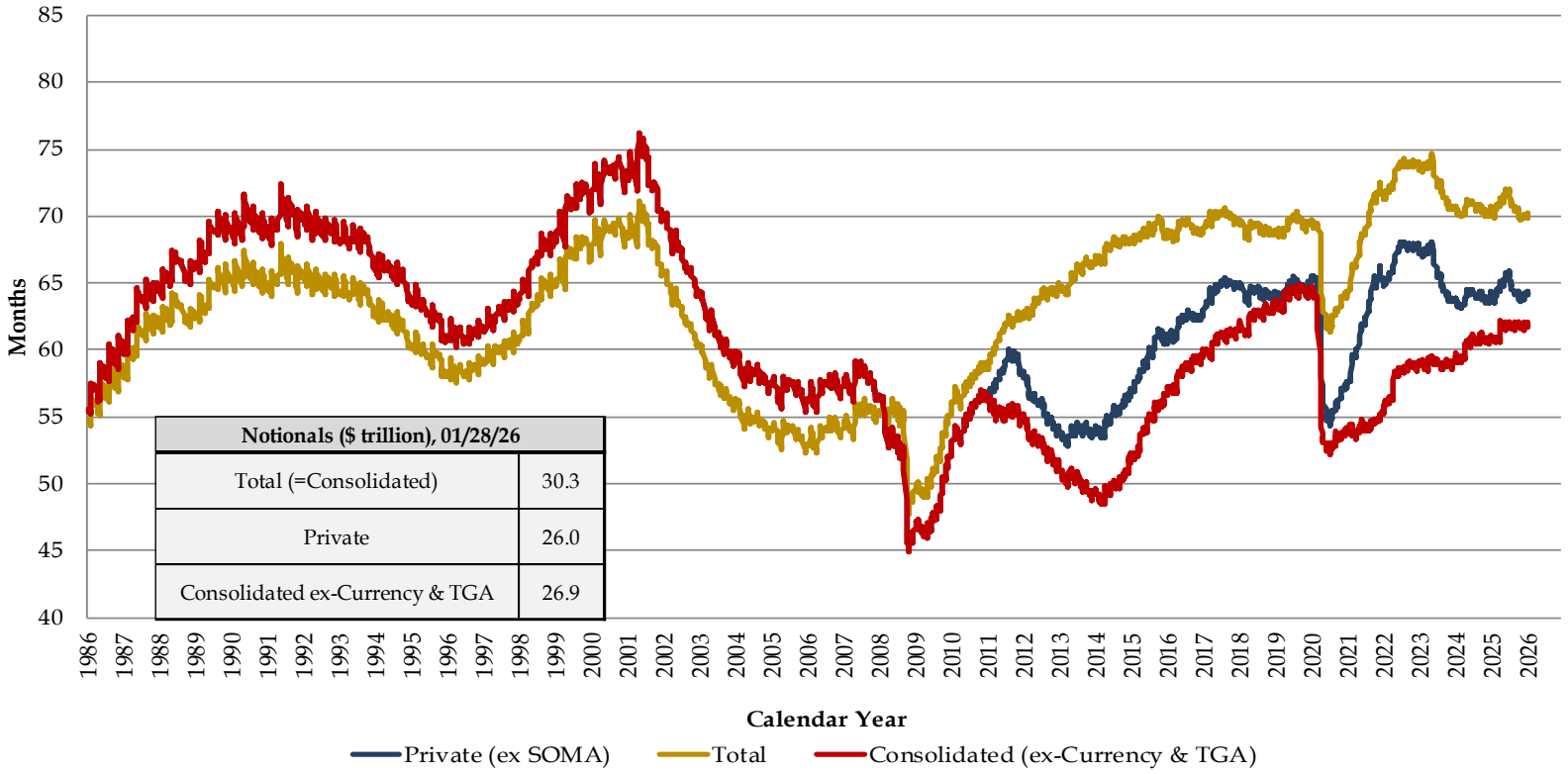
Privately-held net marketable borrowing needs used in the projections section of these charts are proxied using median primary dealer estimates for FY26, FY27 & FY28 (see page 18).

Buybacks are included in these projections using the same assumptions as Section IV.

Weighted Average Maturity of Marketable Debt Outstanding

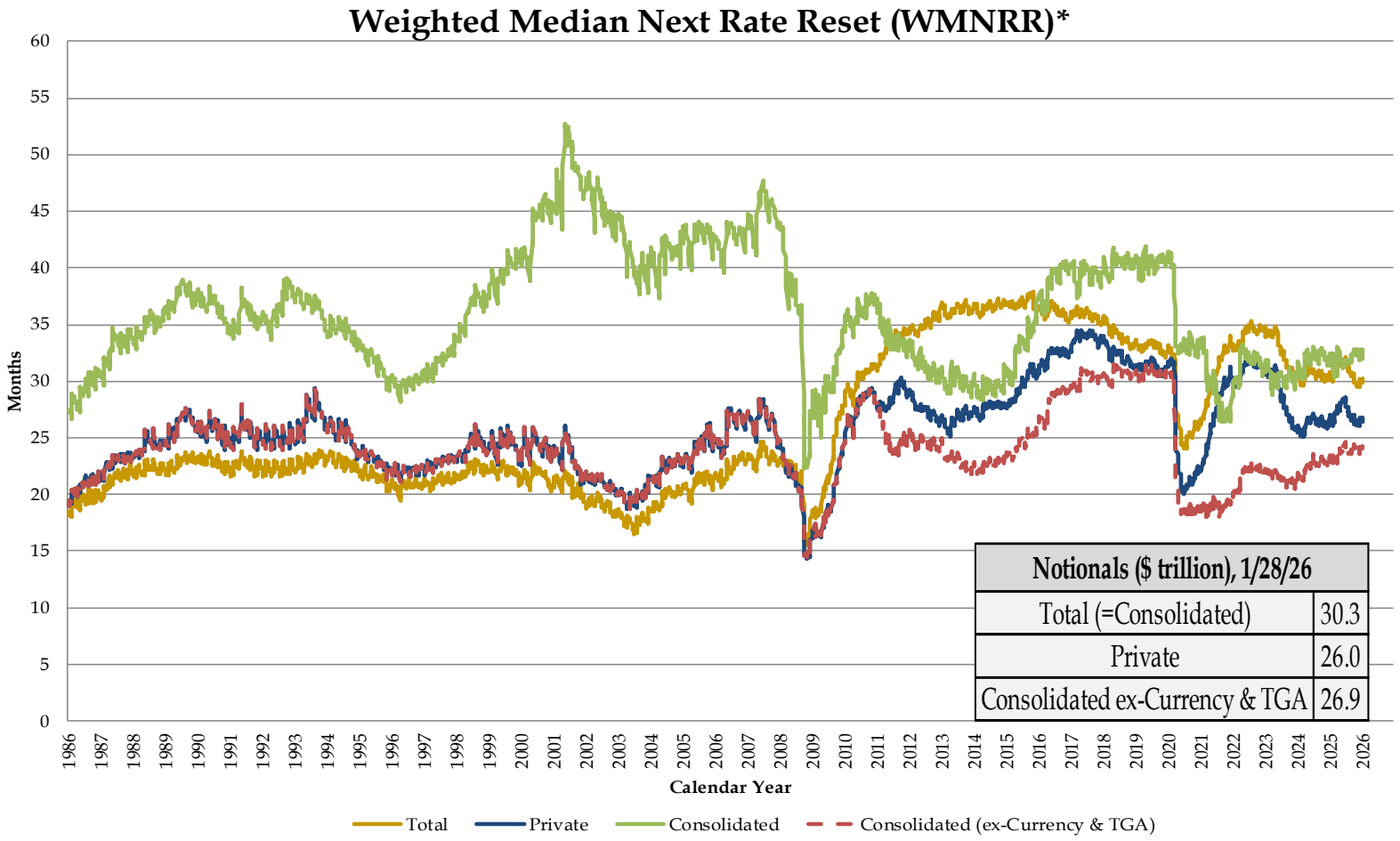


Consolidated **WANRR** Calculation*

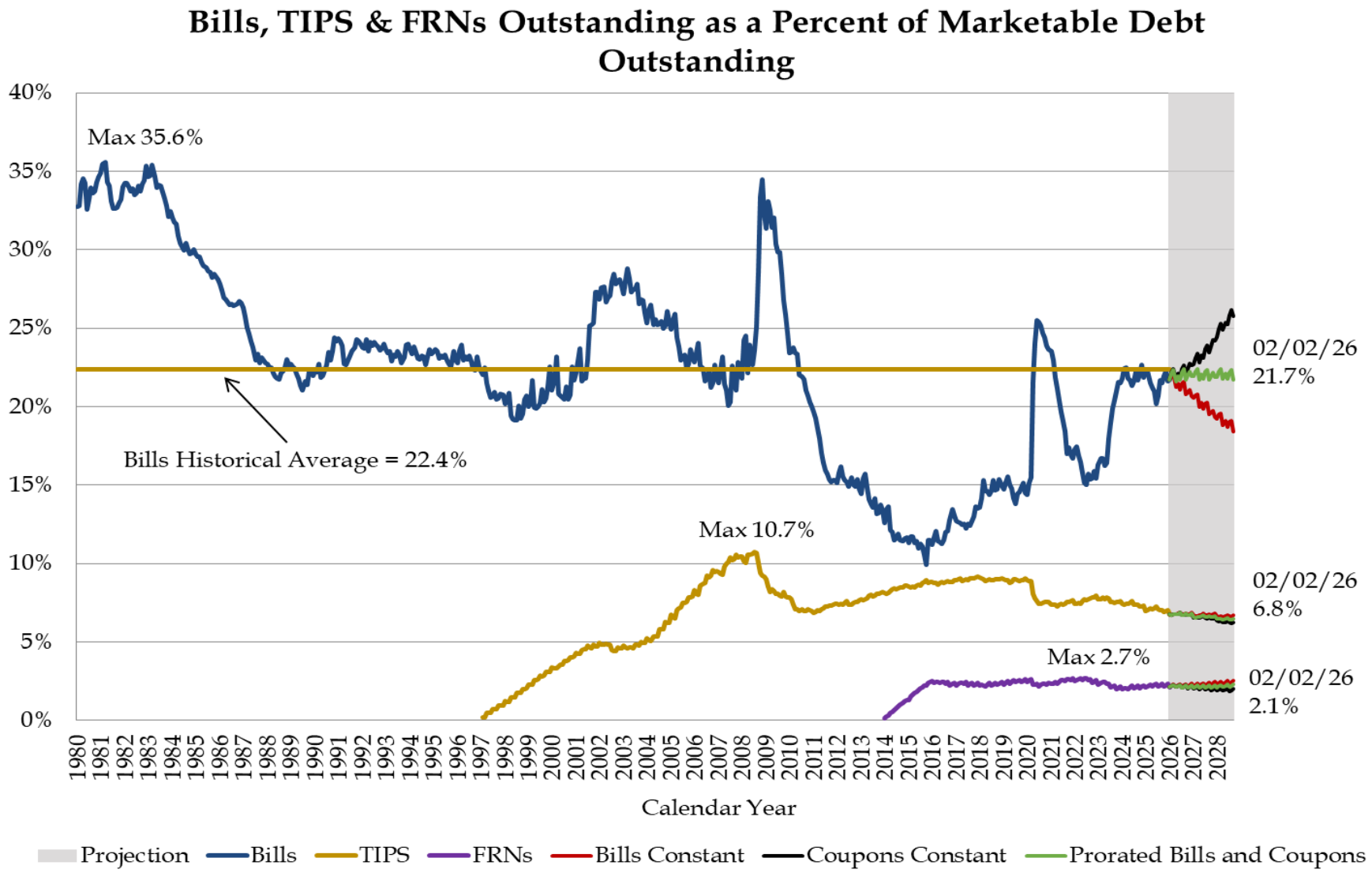


Notionals ($ trillion), 01/28/26	
Total (=Consolidated)	30.3
Private	26.0
Consolidated ex-Currency & TGA	26.9

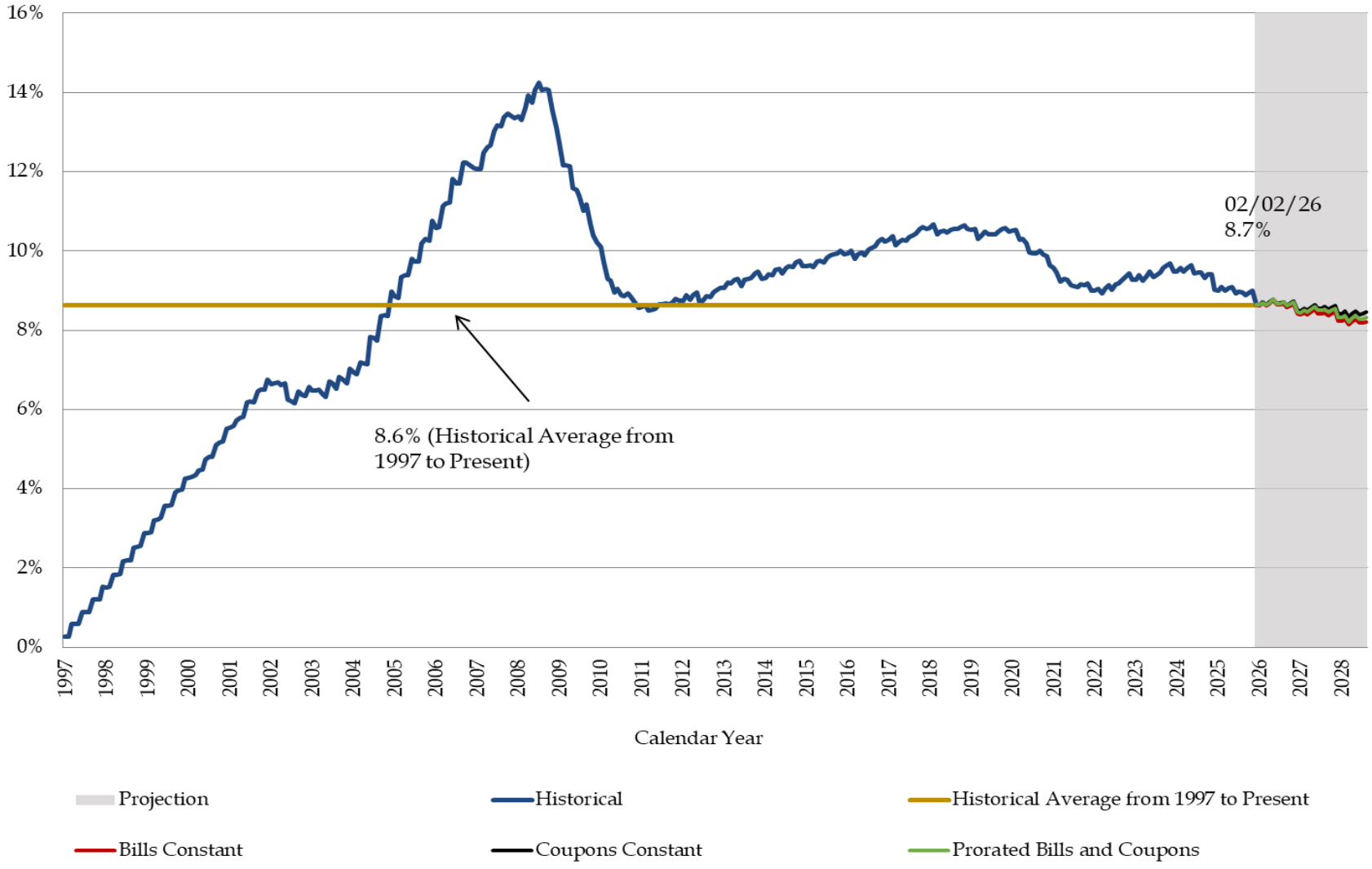
* Weighted Average Next Rate Reset (WANRR) is a "Weighted Average Maturity" metric that attempts to adjust for the floating rate aspect of some Treasury debt. The WANRR is the average time until the outstanding debt's interest rate is set to a new interest rate. For bills and fixed rate notes and bonds, the next rate reset is equal to the maturity date.
In contrast, for floating rate obligations, the time between the next rate reset date or maturity date is examined and the shorter period is used in the calculation.
The consolidated outstanding debt is defined as the private amount plus SOMA Treasury securities holdings less currency in circulation and the size of the Treasury General Account (TGA). In this calculation, SOMA Treasury holdings greater than the sum of the level of currency in circulation and the size of the TGA is treated as if it has a daily rate reset.



*Weighted Median Next Rate Reset (WMNRR) of the Treasury portfolio (Total or Private) is the time, in months, by which half the portfolio by current-face is scheduled to mature (or be subject to rate-reset for FRNs). In most cases no existing tenor/coupon-date will demarcate exactly 50% of cumulative-notional; as such, linear interpolation between two nearest tenors is used.
WMNRR of the Consolidated portfolio is calculated in the same manner, but with SOMA Treasury holdings netted-out, against combined non-interest-bearing liabilities of currency in circulation & the size of the TGA (treated as having a de facto infinite next-reset date) and the remainder, as applicable, against reserve balances and RRP (considered to have a one-day next-reset). WMNRR Consolidated (ex-Currency & TGA) reflects the WMNRR of the consolidated portfolio but excluding that portion of SOMA Treasury holdings implicitly financed by the currency in circulation and the size of the TGA; this is equivalent to Privately-held Treasuries outstanding + SOMA Treasury holdings, less Currency & TGA balance.


Bills, TIPS & FRNs Outstanding as a Percent of Marketable Debt Outstanding
40%
35%
30%
25%
20%
15%
10%
5%
0%
Max 35.6%
Bills Historical Average = 22.4%
Max 10.7%
Max 2.7%
02/02/26
21.7%
02/02/26
6.8%
02/02/26
2.1%
1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028
Calendar Year
Projection
Bills
TIPS
FRNs
Bills Constant
Coupons Constant
Prorated Bills and Coupons

TIPS Outstanding as a Percentage of Total Coupon Bearing Securities



Measures of Treasury Bill Supply

Total Bills Outstanding/Nominal GDP

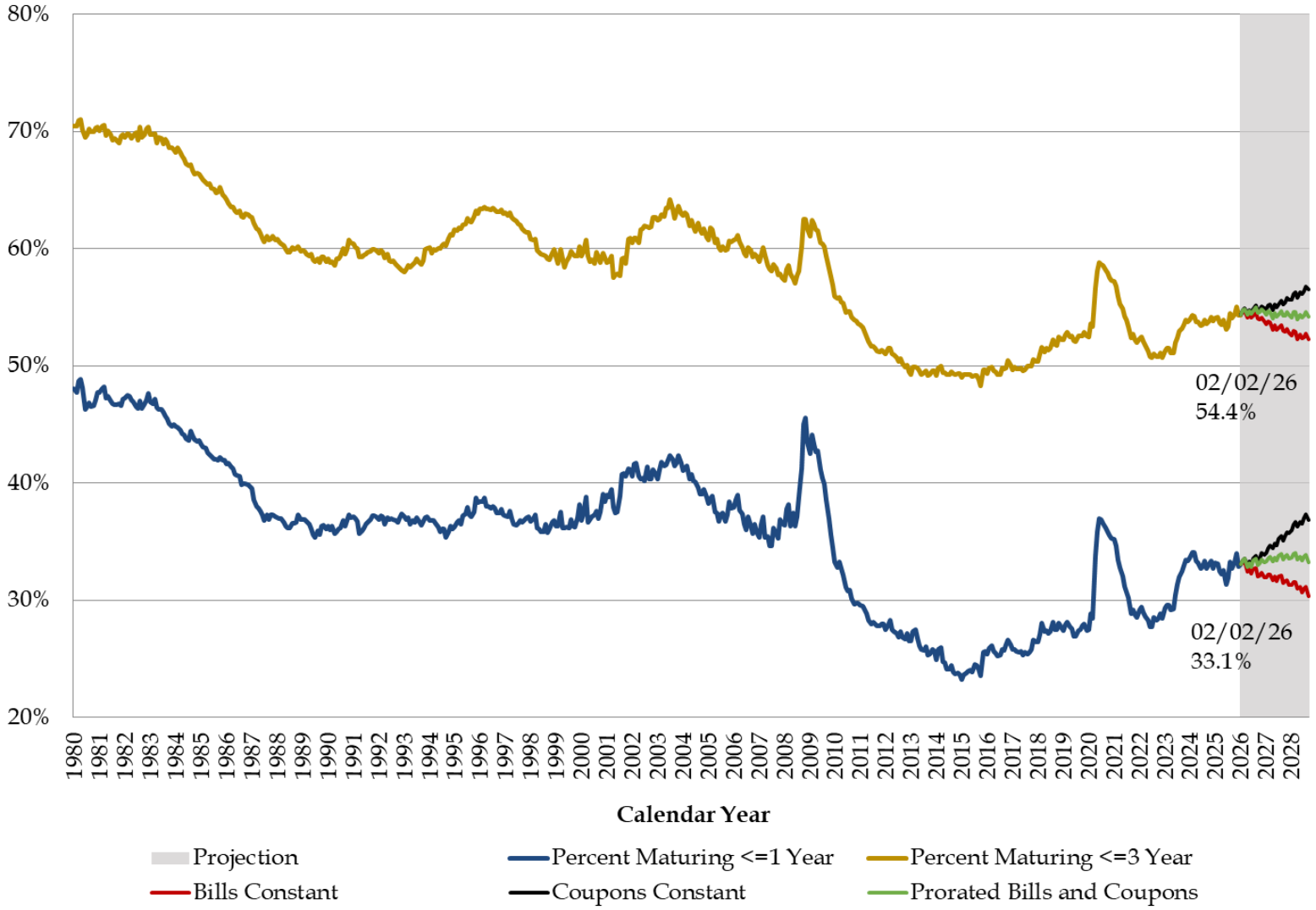
Total Bills Outstanding/Commercial Bank Deposits

Total Bills Outstanding/Total MMF AUM

Total Bills Outstanding/Federal Reserve Liabilities ex. TGA

Source: Bloomberg and Treasury

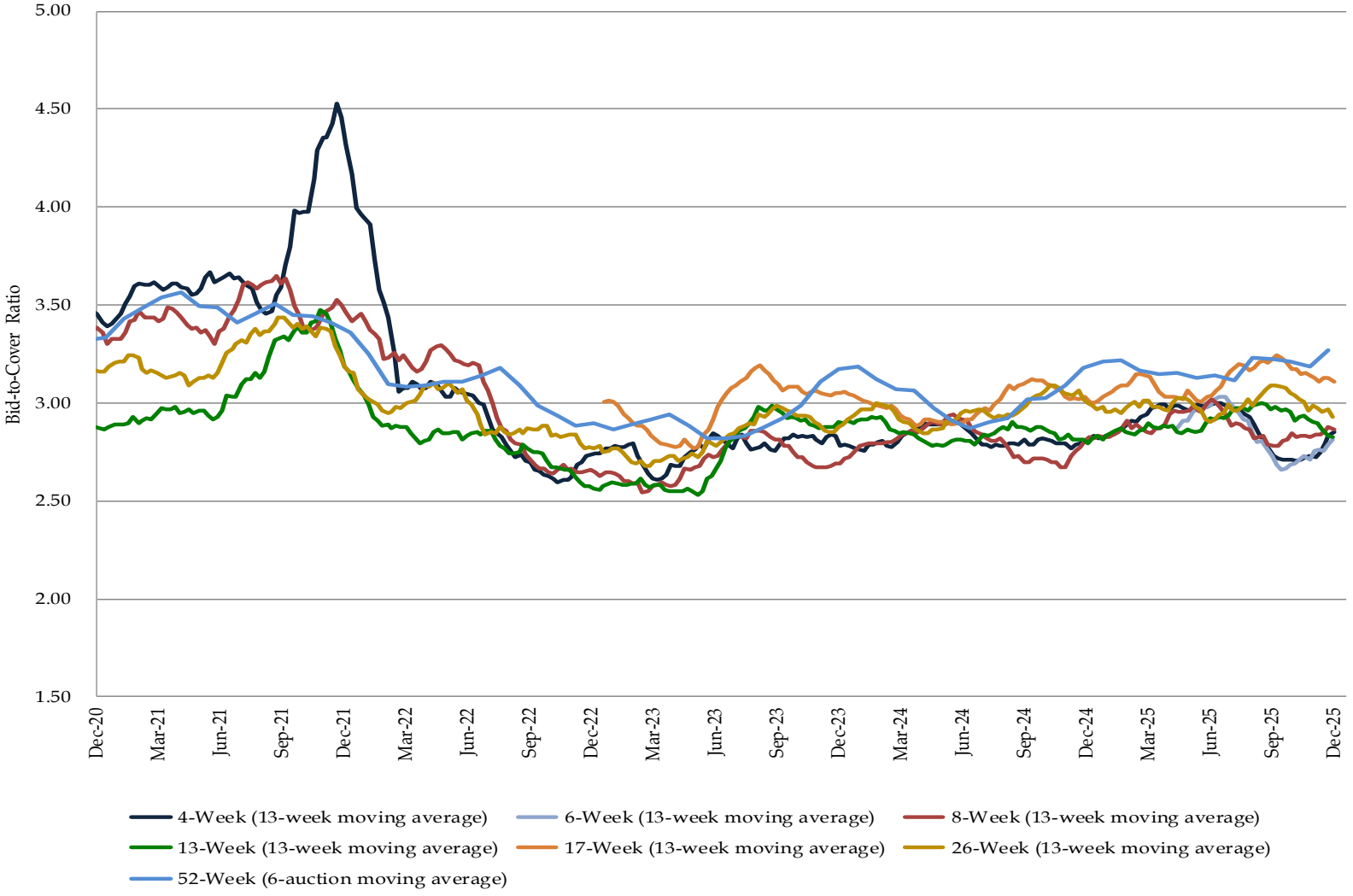
Treasury Maturity Profile



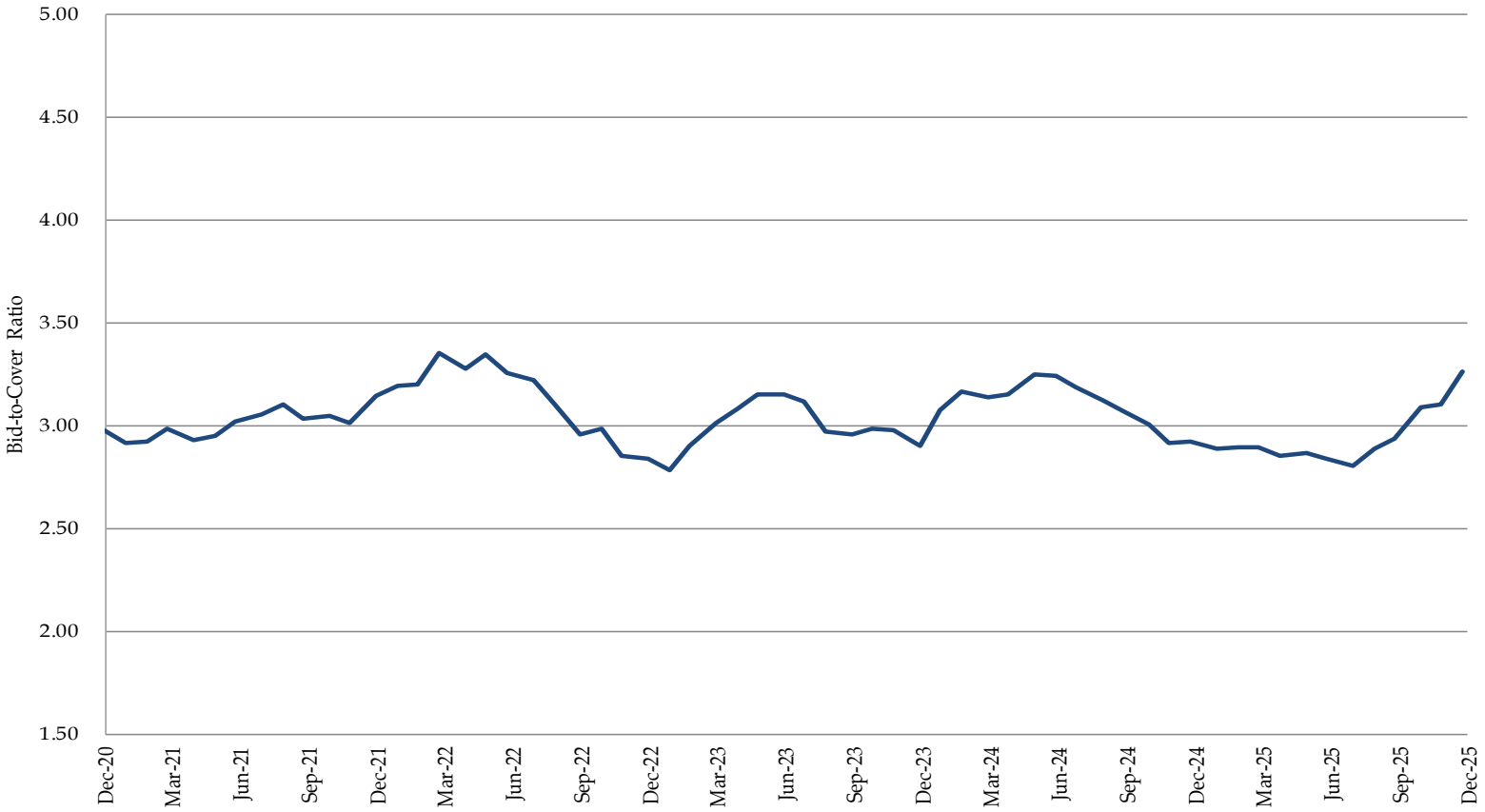
Section VI:
Select Demand Metrics

Bid-to-Cover Data, Investor Class Data,
Direct & Primary Dealer Awards, and Foreign Demand

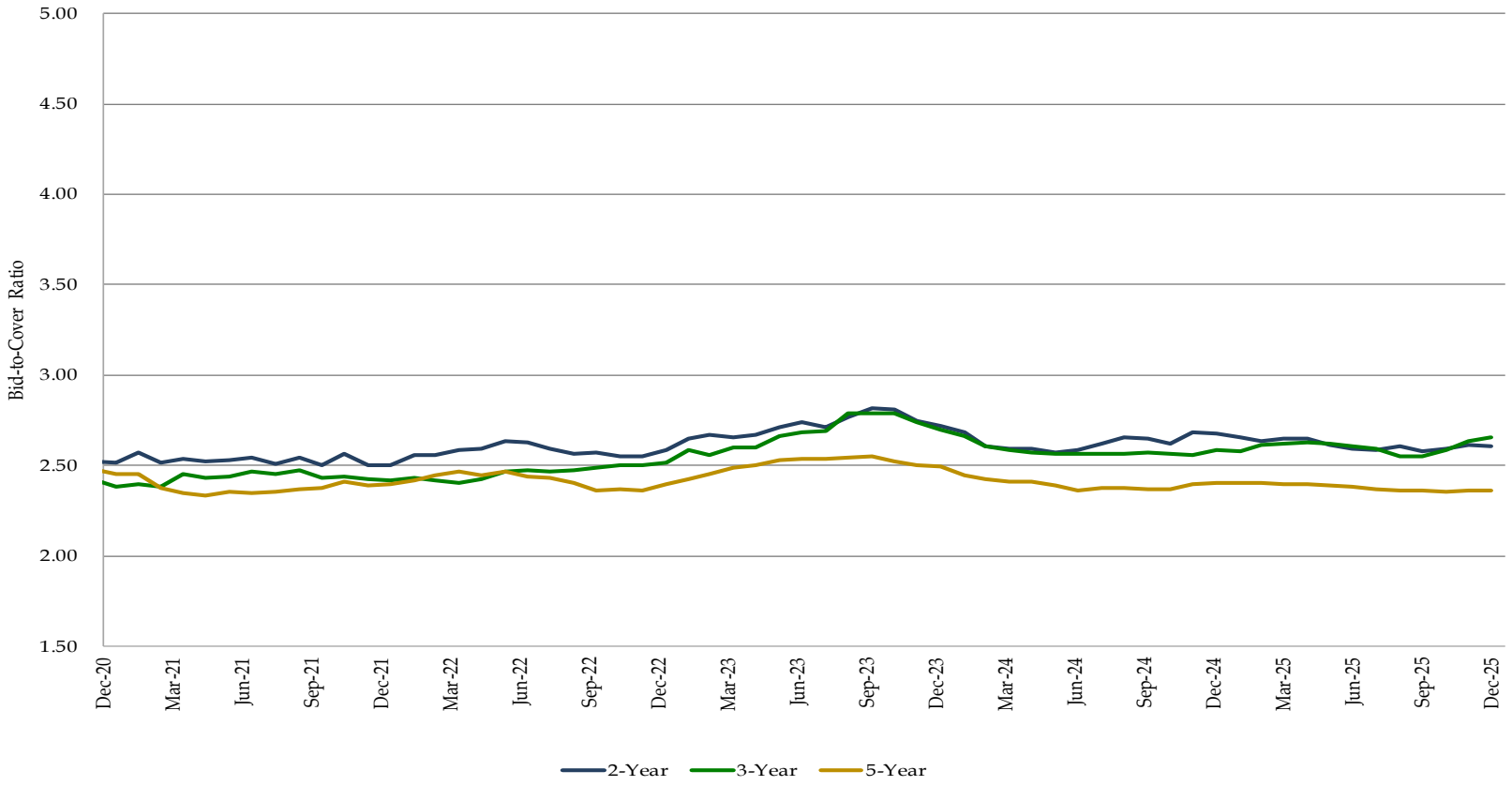
Bid-to-Cover Ratios for Treasury Bills



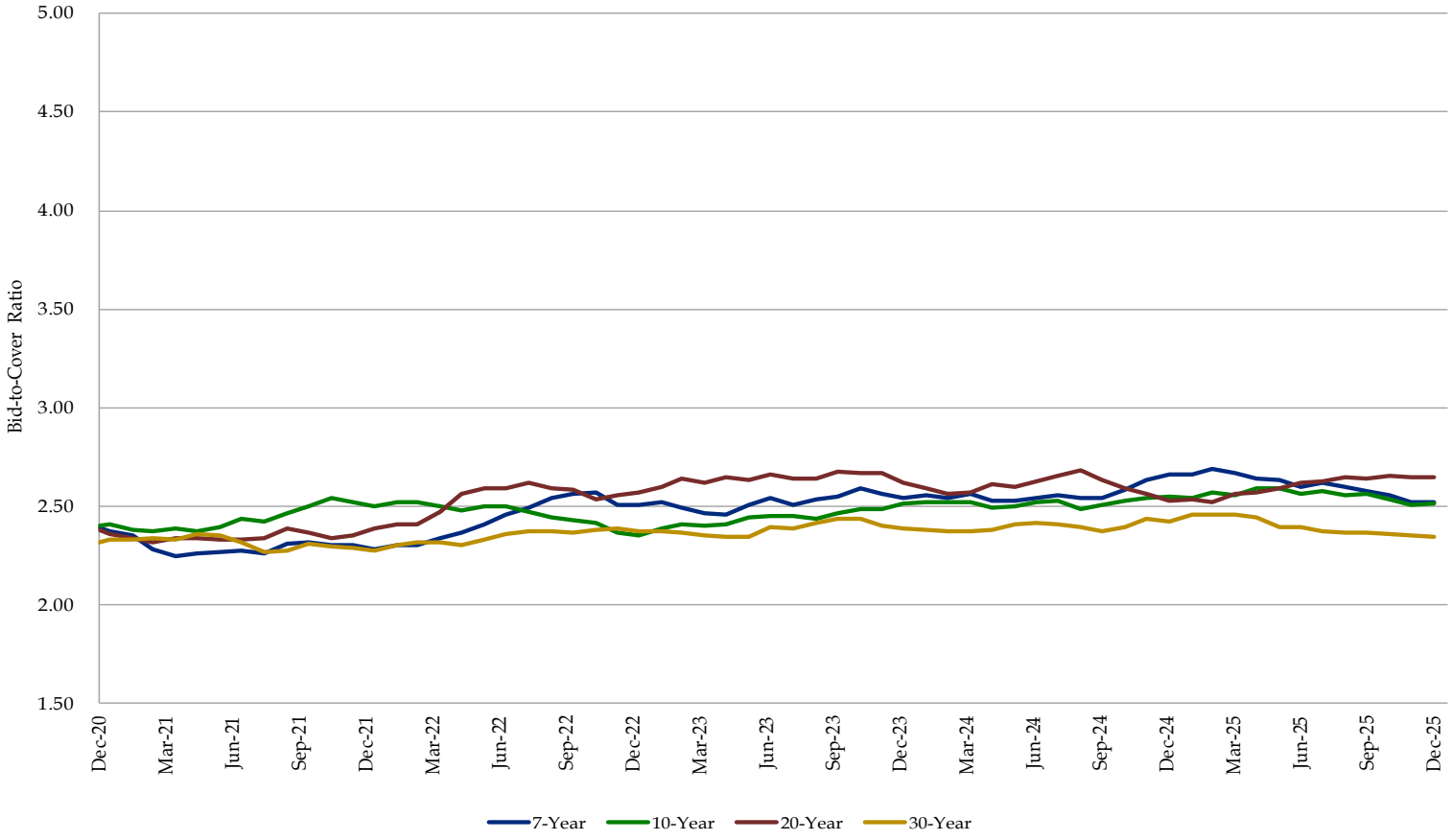
Bid-to-Cover Ratios for FRNs
(6-Month Moving Average)



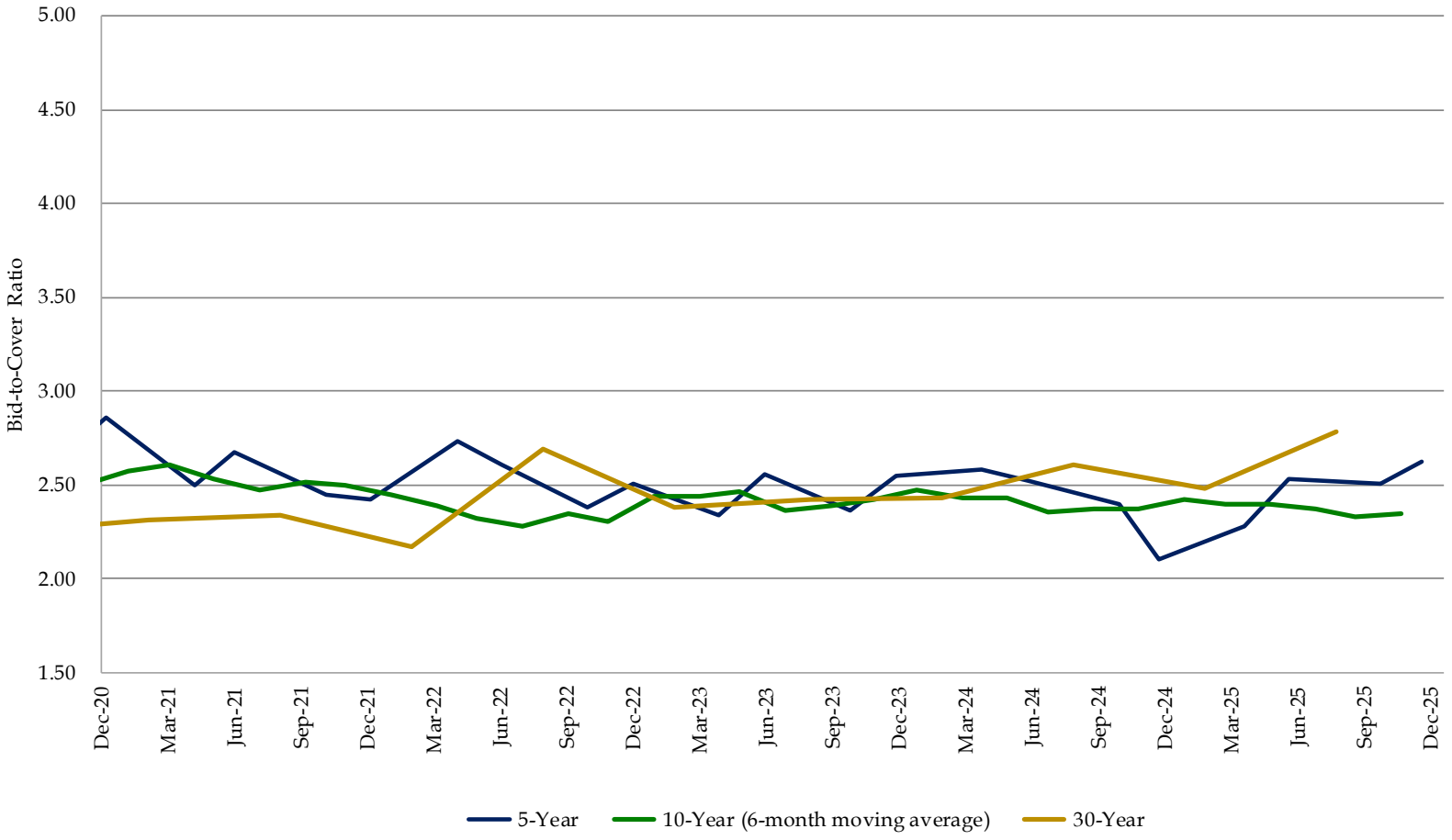
Bid-to-Cover Ratios for 2-, 3-, and 5-Year Nominal Securities
(6-Month Moving Average)



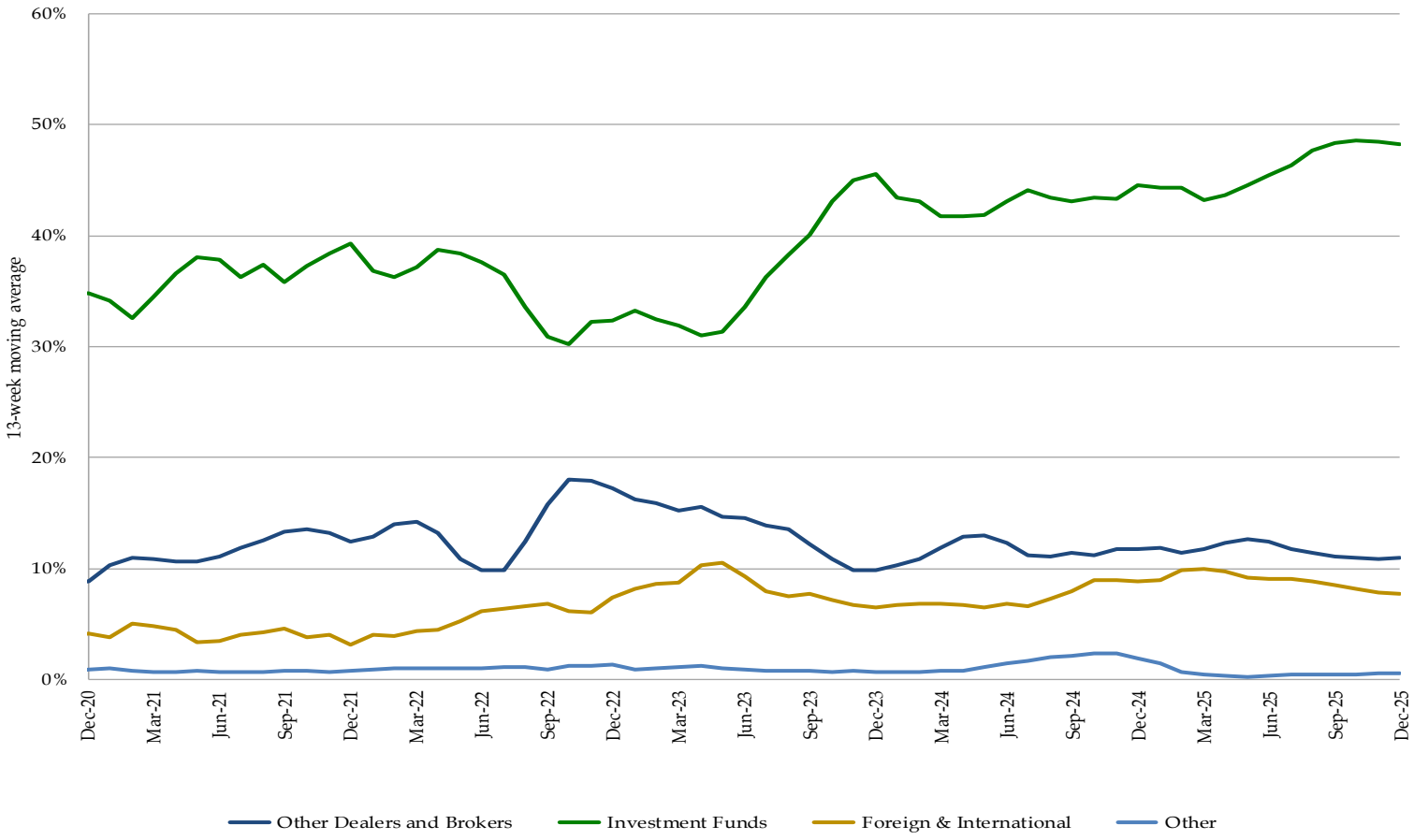
Bid-to-Cover Ratios for 7-, 10-, 20-, and 30-Year Nominal Securities (6-Month Moving Average)



Bid-to-Cover Ratios for TIPS

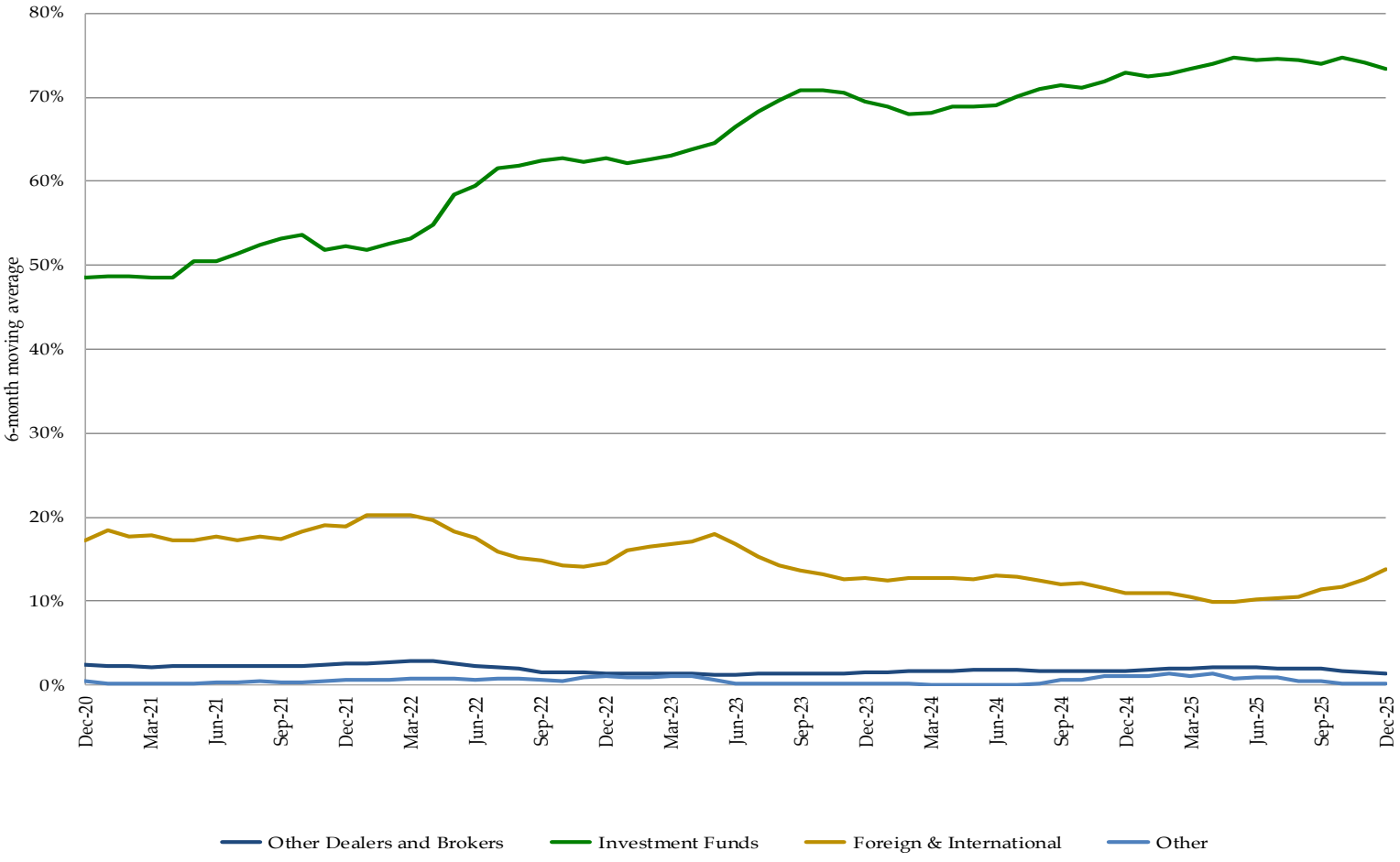


Percent Awarded in Bill Auctions by Investor Class (13-Week Moving Average)



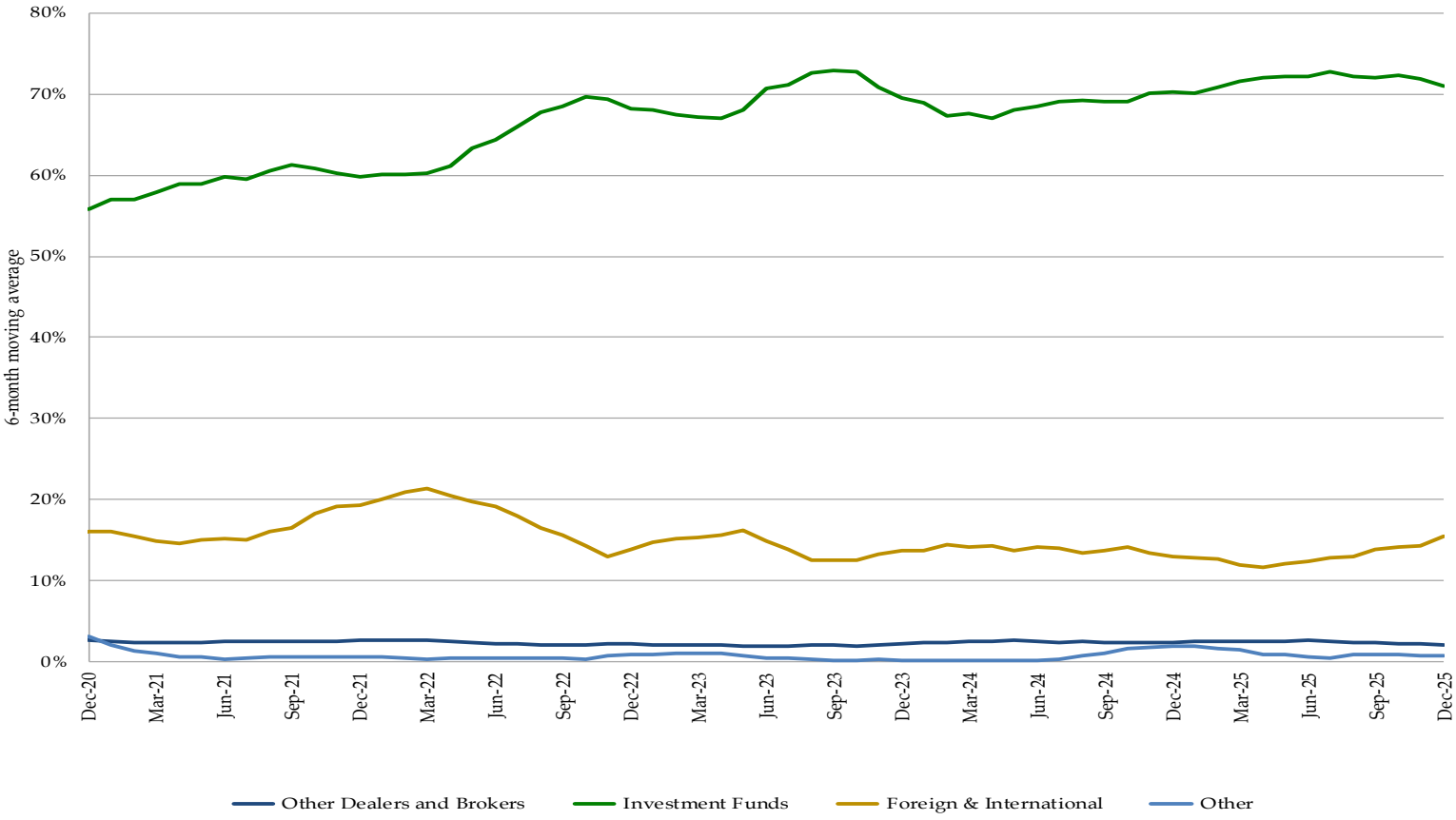
Excludes SOMA add-ons. The "Other" category includes categories that are each less than 5%, which include Depository Institutions, Individuals, Pension and Insurance.

Percent Awarded in 2-, 3-, and 5-Year Nominal Security Auctions by Investor Class (6-Month Moving Average)



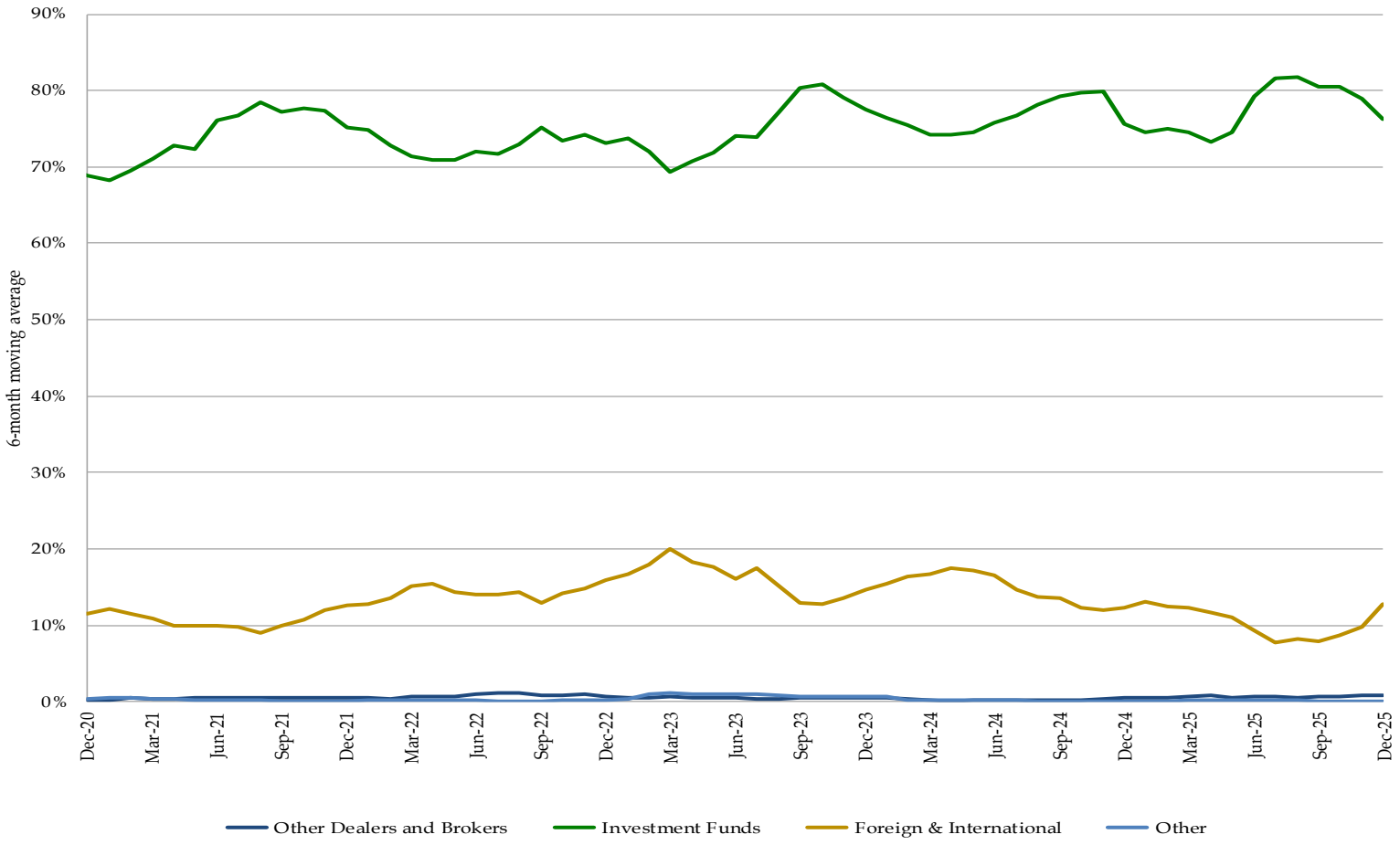
Excludes SOMA add-ons. The "Other" category includes categories that are each less than 5%, which include Depository Institutions, Individuals, Pension and Insurance.

Percent Awarded in 7-, 10-, 20-, 30-Year Nominal Security Auctions by Investor Class (6-Month Moving Average)



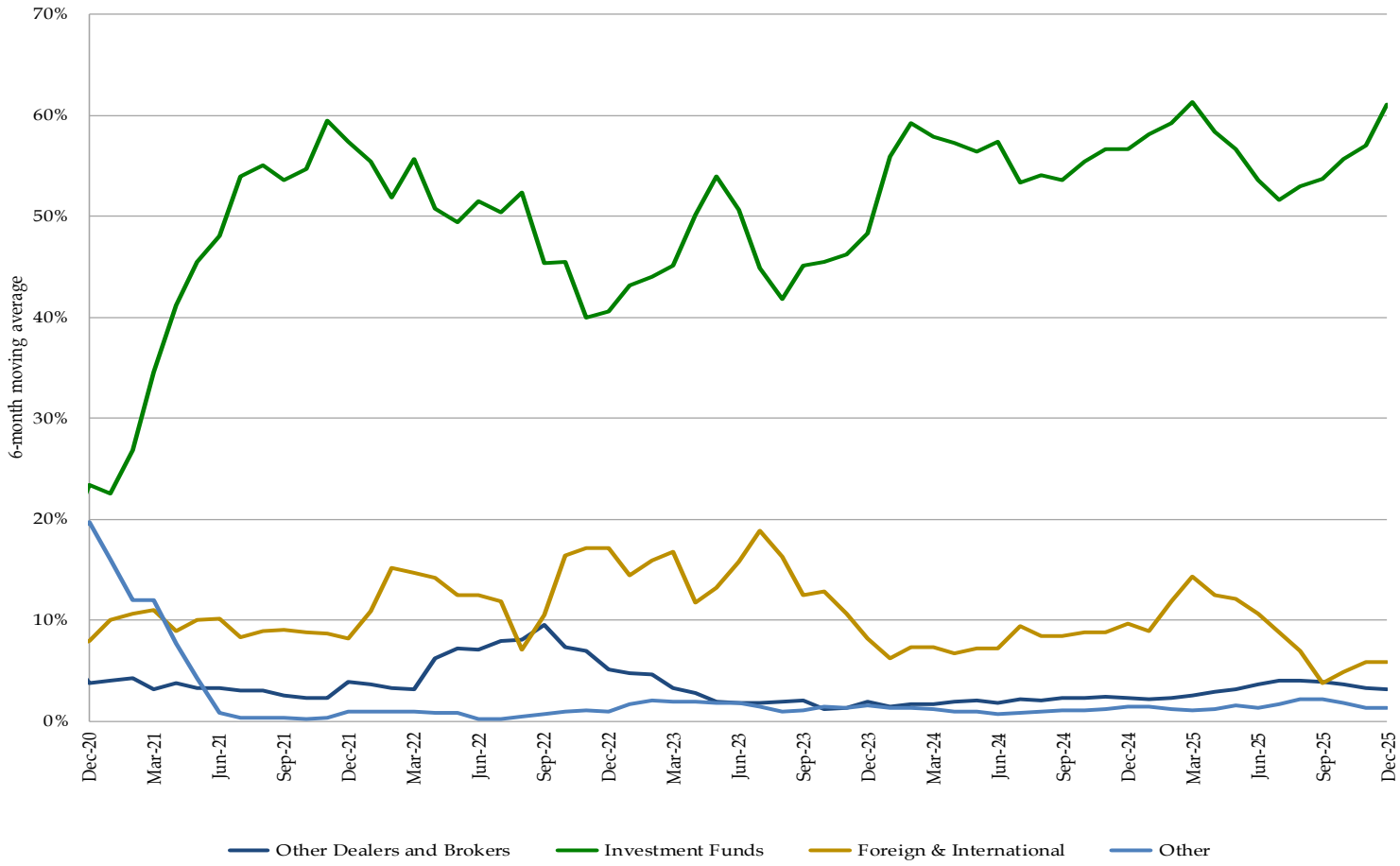
Excludes SOMA add-ons. The "Other" category includes categories that are each less than 5%, which include Depository Institutions, Individuals, Pension and Insurance.

Percent Awarded in TIPS Auctions by Investor Class (6-Month Moving Average)



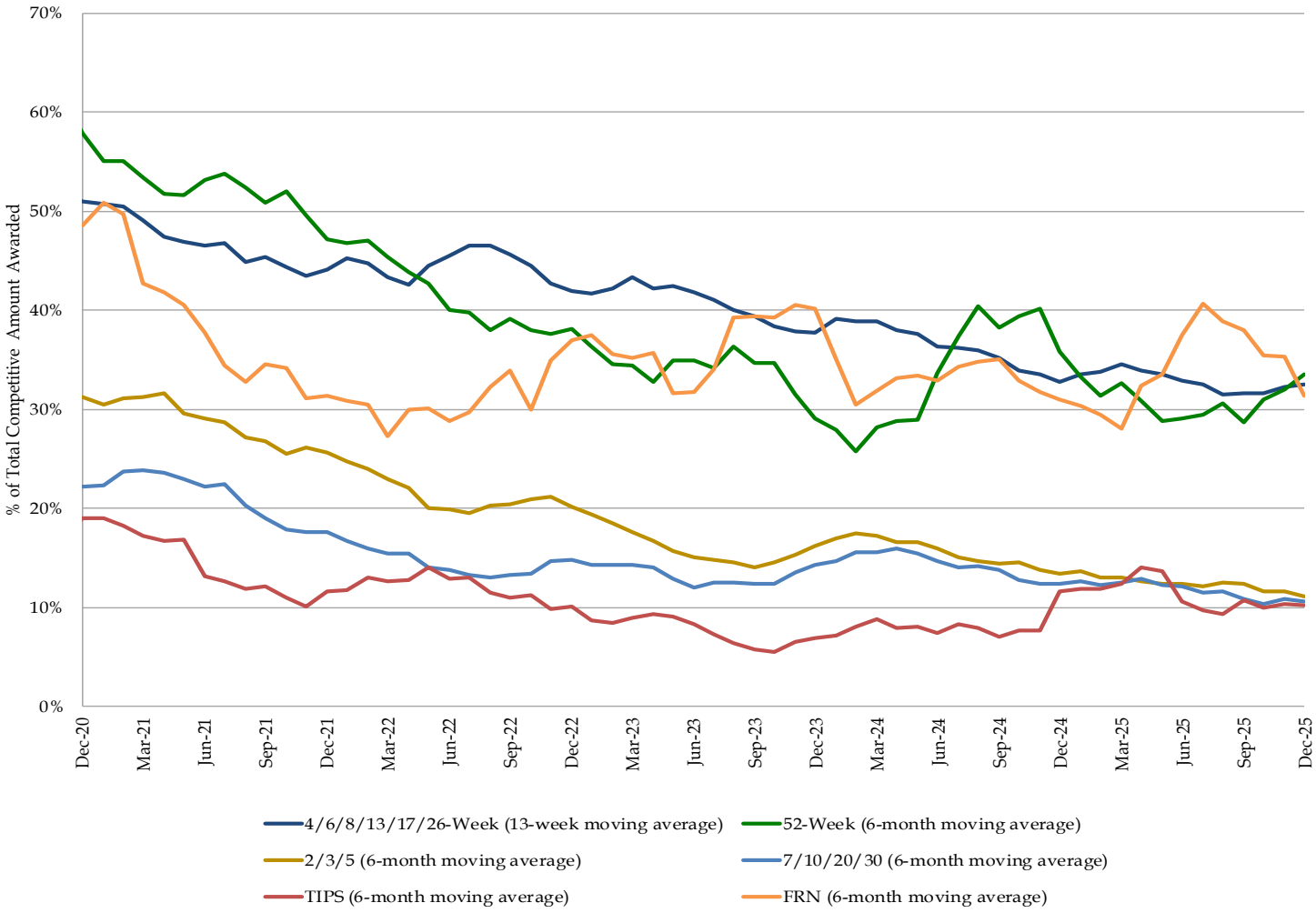
Excludes SOMA add-ons. The "Other" category includes categories that are each less than 5%, which include Depository Institutions, Individuals, Pension and Insurance.

Percent Awarded in FRN Auctions by Investor Class (6-Month Moving Average)



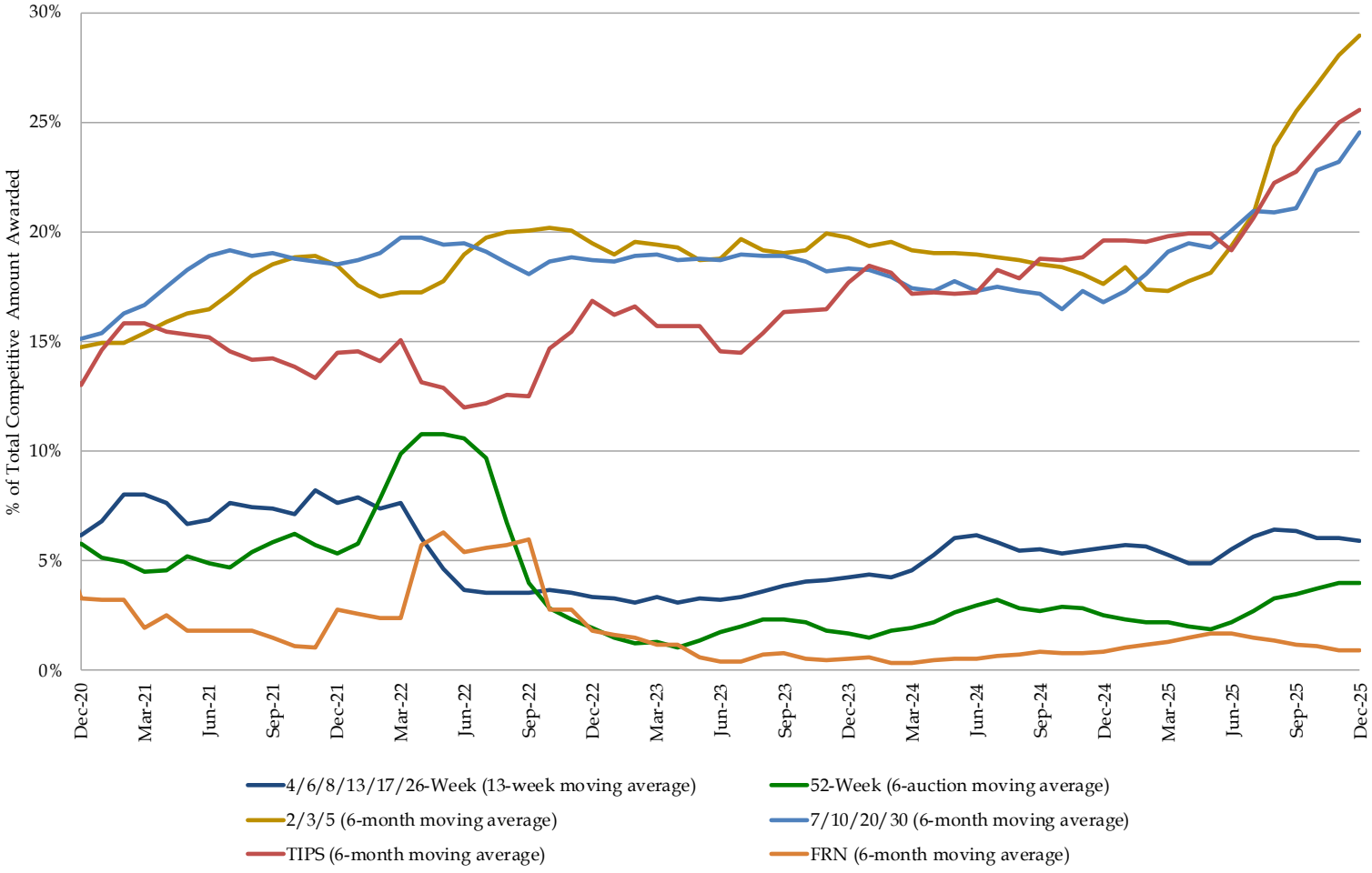
Excludes SOMA add-ons. The "Other" category includes categories that are each less than 5%, which include Depository Institutions, Individuals, Pension and Insurance.

Primary Dealer Awards at Auction



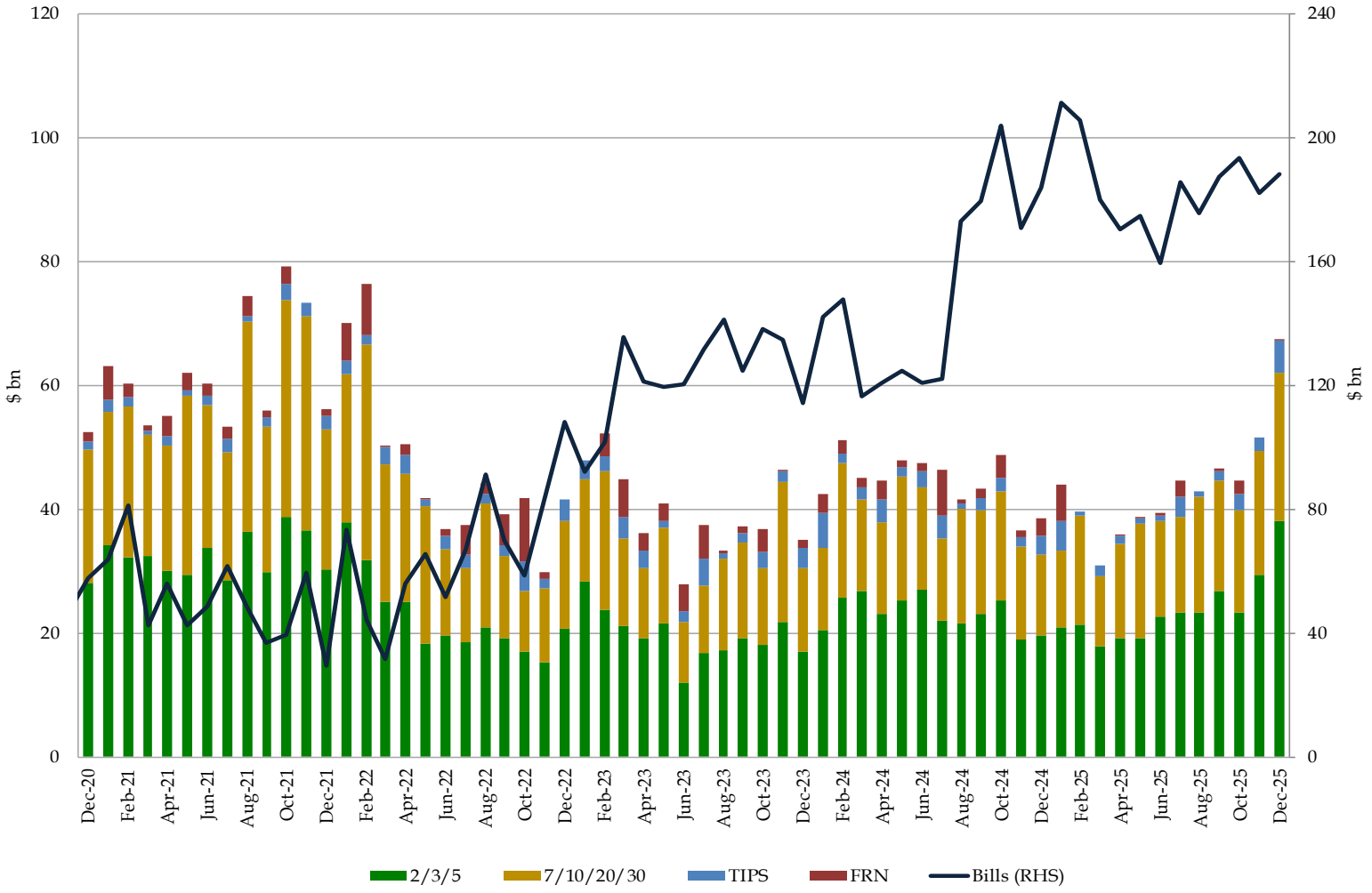
Competitive Amount Awarded excludes SOMA add-ons.

Direct Bidder Awards at Auction



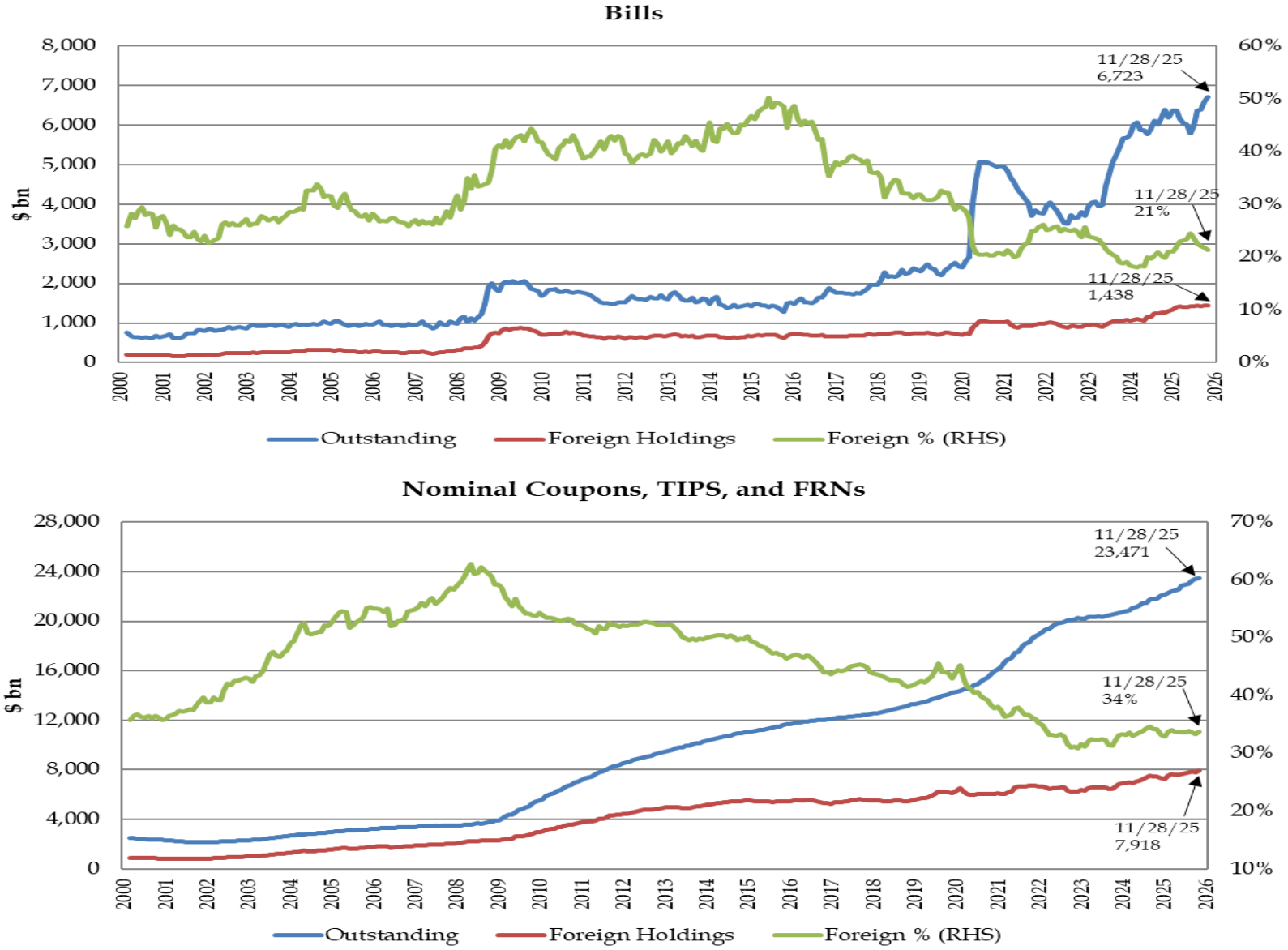
Competitive Amount Awarded excludes SOMA add-ons.

Total Foreign Awards of Treasuries at Auction, $ billions



Foreign includes both private sector and official institutions.

Total Foreign Holdings



For more information on foreign participation data, including more details about the TIC data shown here, please refer to Treasury Presentation to TBAC "Brief Overview of Key Data Sources on Foreign Participation in the U.S. Treasury Securities Market" at the Treasury February 2019 Refunding.

Section VII:
Review of Treasury Buyback Results

CUSIP Concentration, Offer to Maximum Purchase Ratio, Buyback Amount, Buyback-Eligible and Purchased CUSIPs, etc.

The following applies to slides 47 to 55:

- The top left chart shows the total par amount purchased in each liquidity support buyback operation relative to the maximum purchase amount.
- Different colors within each bar correspond to the CUSIP-level purchase amounts.

- The top right chart shows the "offer to max" ratio for each liquidity support buyback.
- The "offer to max" ratio is the ratio of the total par amount offered (red bar) in a buyback operation to Treasury's maximum purchase amount (blue bar).

- The bottom left chart shows the count of eligible (red) and purchased (blue) CUSIPs for each liquidity support buyback operation as well as the ratio of purchased to eligible securities.

- Prior to August 2024, Treasury limited the buyback eligible population to at most 20 CUSIPs.

Summary of Treasury Buyback Results

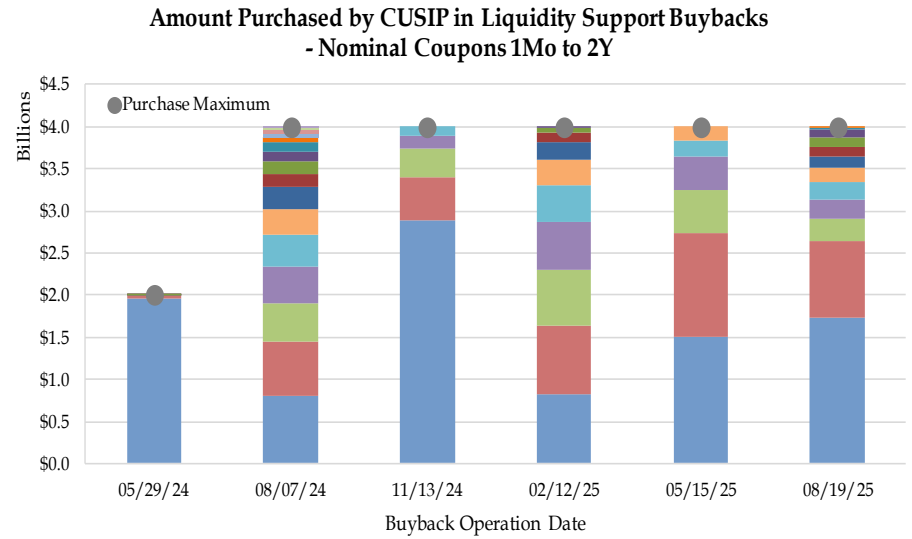
Treasury Buyback Results from 11/18/25 to 1/27/26 (Current Refunding Quarter)[1]								
Operation Type	Maturity Sector	Operation Size	Total Number of Operations	Total Par Amount Offered ($BN)	Total Purchase Maximum ($BN)	Total Par Amount Purchased ($BN)[2]	Offer to Maximum	Buyback Ratio
Formula		**A**	**B**	**C**	**D = A * B**	**E**	**F = C / D**	**G = E / D**
Cash Management	1Mo to 2Y	$12.5 BN	2	$68.2	$25.0	$25.0	2.73	1.00
Liquidity Support	1Mo to 2Y	$4 BN	-	-	-	-	-	-
	2Y to 3Y		1	$8.7	$4.0	$2.8	2.2	0.7
	3Y to 5Y		1	$11.9	$4.0	$3.7	3.0	0.9
	5Y to 7Y		1	$8.4	$4.0	$3.4	2.1	0.8
	7Y to 10Y		1	$5.9	$4.0	$0.2	1.5	0.1
	10Y to 20Y	$2 BN	3	$79.9	$6.0	$6.0	13.3	1.0
	20Y to 30Y		3	$75.2	$6.0	$4.8	12.5	0.8
	Short TIPS[3]	$750 MM	2	$8.3	$1.5	$1.5	5.5	1.0
	Long TIPS[3]	$500 MM	1	$1.2	$0.5	$0.1	2.4	0.2
Total			**15**	**$267.9**	**$55.0**	**$47.5**	5.0	0.7

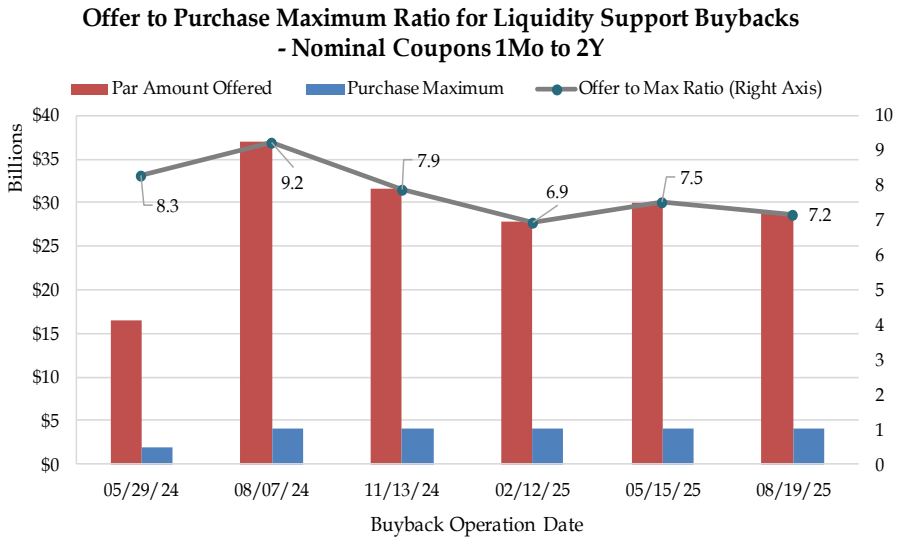
Treasury Buyback Results from 5/29/24 to 1/27/26 (All Buybacks)							
Operation Type	Maturity Sector	Total Number of Operations	Total Par Amount Offered ($BN)	Total Purchase Maximum ($BN)	Total Par Amount Purchased ($BN)	Offer to Maximum (Min | Avg | Max)	Buyback Ratio (Min | Avg | Max)
Formula			**A**	**B**	**C**	**D = A / B**	**E = C / B**
Cash Management	1Mo to 2Y	18	$408.1	$147.0	$137.7	1.4 | 2.9 | 5.2	0.3 | 0.9 | 1.0
Liquidity Support	1Mo to 2Y	6	$171.6	$22.0	$22.0	6.9 | 7.8 | 9.2	1.0 | 1.0 | 1.0
	2Y to 3Y	7	$59.8	$26.0	$16.8	1.8 | 2.4 | 4.4	0.4 | 0.7 | 1.0
	3Y to 5Y	7	$81.6	$26.0	$23.4	2.4 | 3.1 | 3.7	0.4 | 0.9 | 1.0
	5Y to 7Y	7	$45.4	$26.0	$13.0	1.0 | 1.8 | 3.2	0.1 | 0.5 | 0.9
	7Y to 10Y	7	$35.5	$26.0	$3.1	0.8 | 1.4 | 2.6	0.0 | 0.1 | 0.3
	10Y to 20Y	16	$311.2	$32.0	$32.0	3.2 | 9.7 | 15.0	1.0 | 1.0 | 1.0
	20Y to 30Y	16	$255.7	$32.0	$30.8	1.9 | 8.0 | 12.7	0.4 | 1.0 | 1.0
	Short TIPS[3]	13	$44.2	$7.5	$6.7	1.7 | 5.8 | 8.7	0.3 | 0.9 | 1.0
	Long TIPS[3]	11	$14.8	$5.5	$3.4	1.5 | 2.7 | 4.1	0.1 | 0.6 | 1.0
Total		**108**	**$1,428.0**	**$350.0**	**$288.9**		

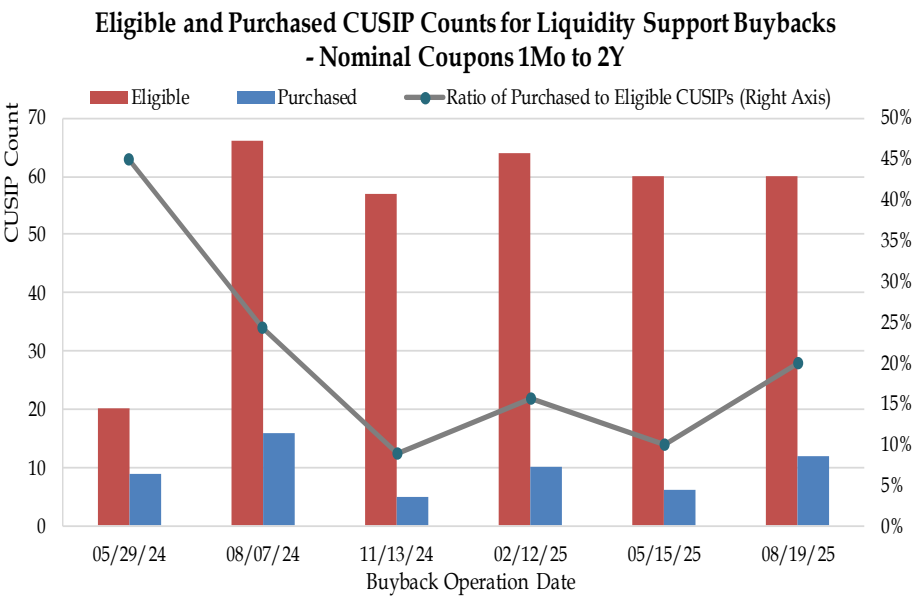
- Treasury has bought back about $22.5 BN of securities for liquidity support purposes and $25.0 BN of securities for cash management purposes in the current refunding quarter thus far, with three more liquidity support operations scheduled in early February.
- Demand for liquidity support this quarter mirror that of the last quarter, with the long-end receiving the most volume and competitiveness of offers.

(1) Data as of 1/28/26. Liquidity support buybacks for 1Mo to 2Y, 20Y to 30Y, and 10Y to 20Y Nominal Coupons are scheduled for 2/4/26, 2/5/26 and 2/10/26, respectively.
(2) Original par amount.
(3) The Short TIPS & Long TIPS buckets were previously 1Y-7.5Y & 7.5Y-30Y, respectively, but were changed to 1Y-10Y & 10Y-30Y in August 2025.

Liquidity Support Buybacks – Nominal Coupons 1Mo to 2Y

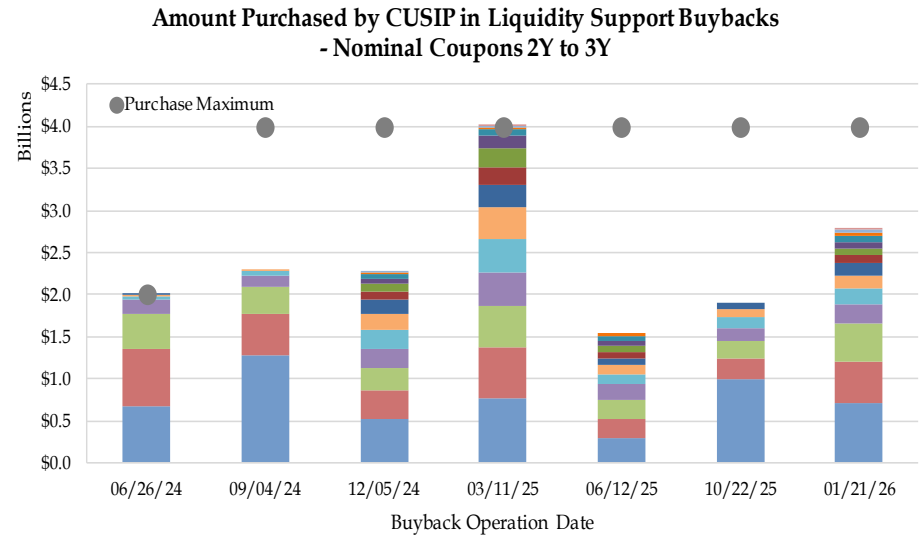


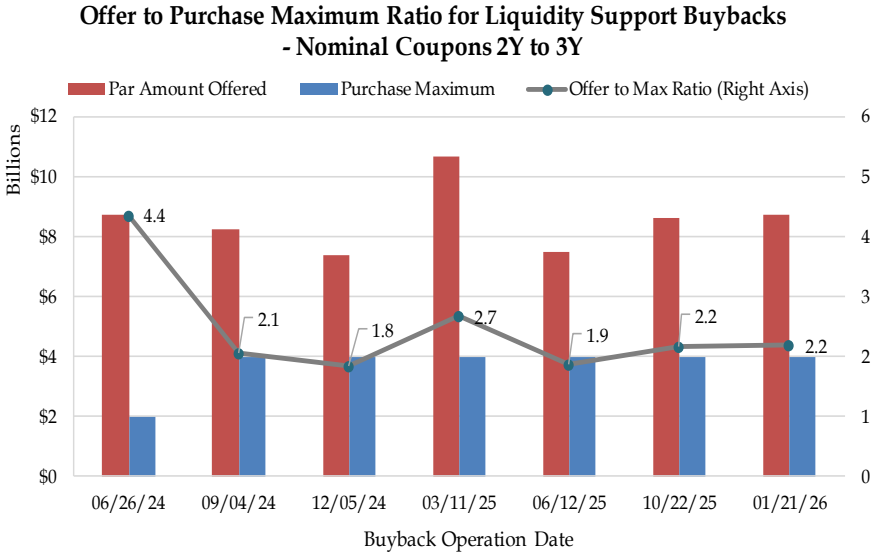


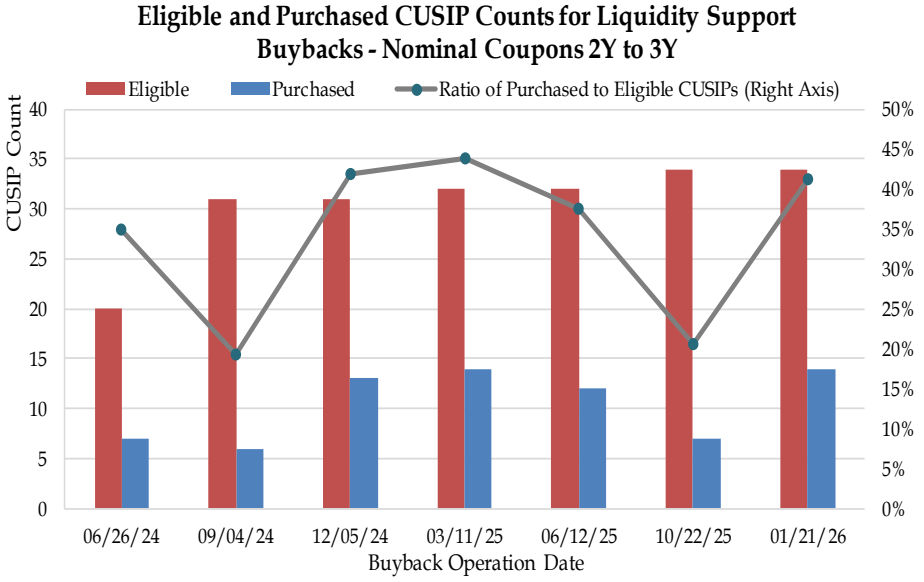


- Treasury has consistently bought back the maximum par amount in liquidity support buybacks in the 1Mo to 2Y maturity sector (top left).
- Buyback operations in this sector have been consistently oversubscribed with high offer to purchase maximum ratios (top right).
- There was no buyback in this sector during the most recent refunding quarter. The next operation will be on 2/4/2026.

Liquidity Support Buybacks – Nominal Coupons 2Y to 3Y



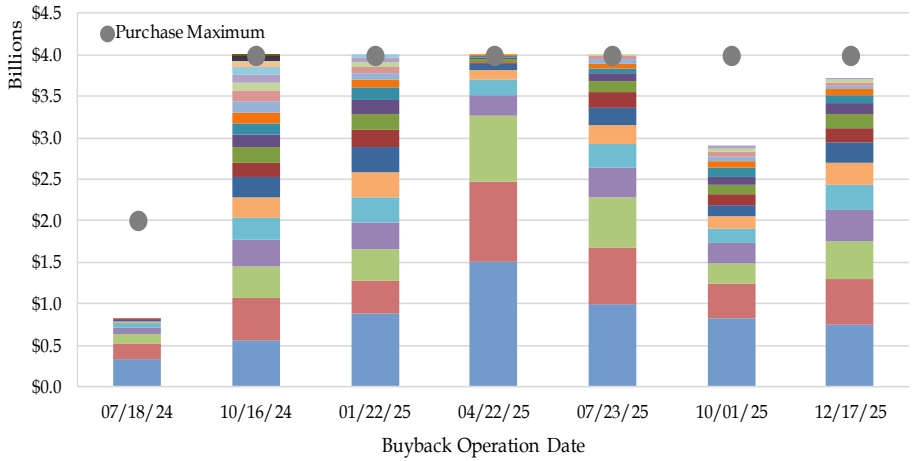




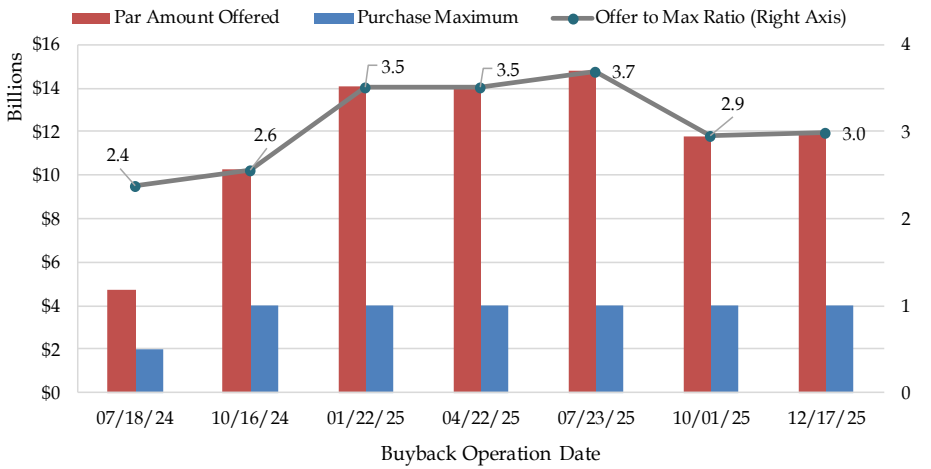
- Treasury has consistently bought back less than the maximum par amount in this maturity sector except for the operation on 3/11/25 (top left).
- This quarter, Treasury bought back over half of the $4 billion maximum par amount in the 2Y to 3Y sector on 01/21/25 with a higher distribution of purchased securities.

Liquidity Support Buybacks – Nominal Coupons 3Y to 5Y

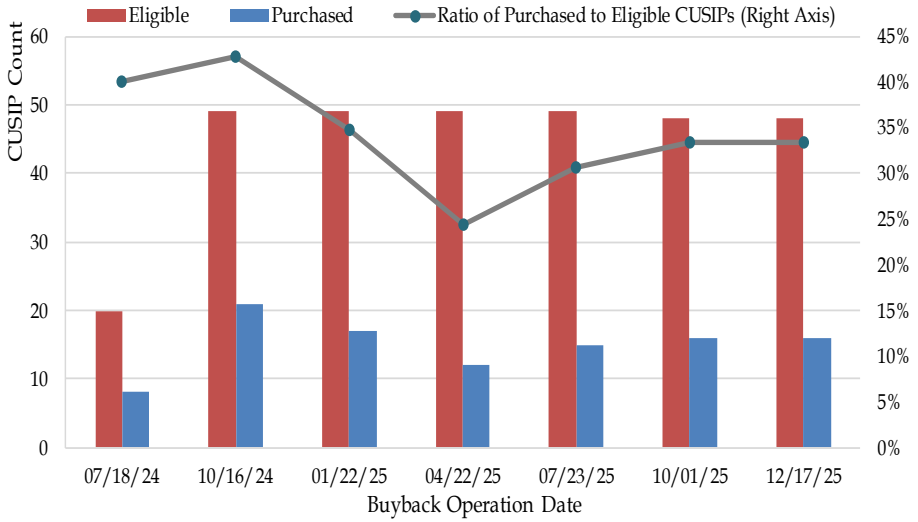
Amount Purchased by CUSIP in Liquidity Support Buybacks - Nominal Coupons 3Y to 5Y



Offer to Purchase Maximum Ratio for Liquidity Support Buybacks - Nominal Coupons 3Y to 5Y

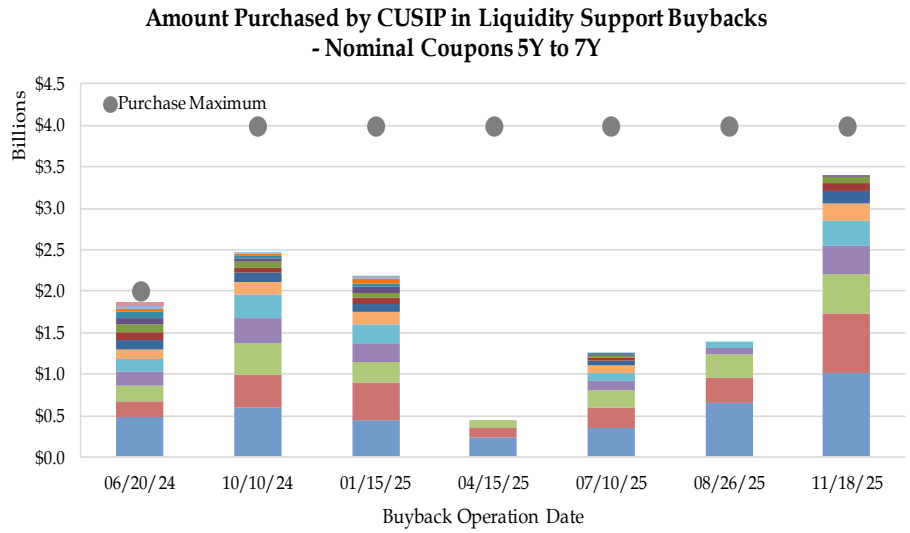


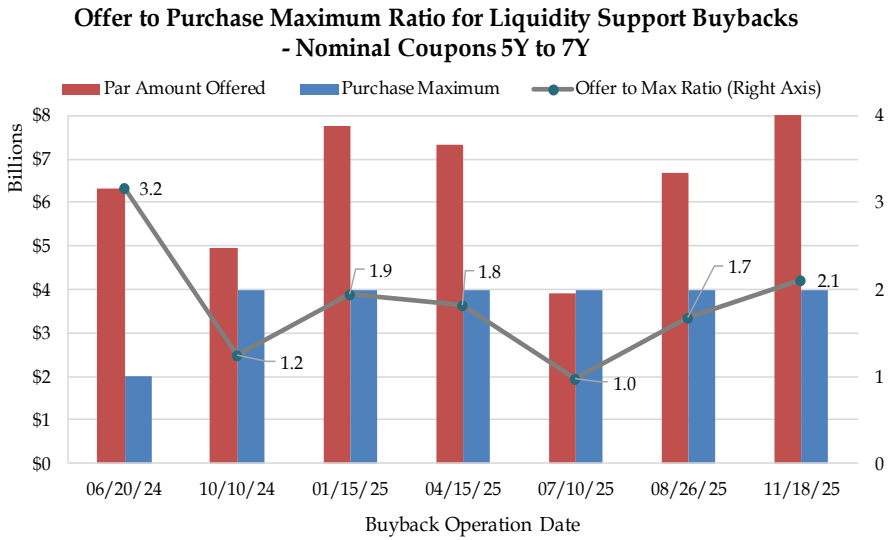
Eligible and Purchased CUSIP Counts for Liquidity Support Buybacks - Nominal Coupons 3Y to 5Y

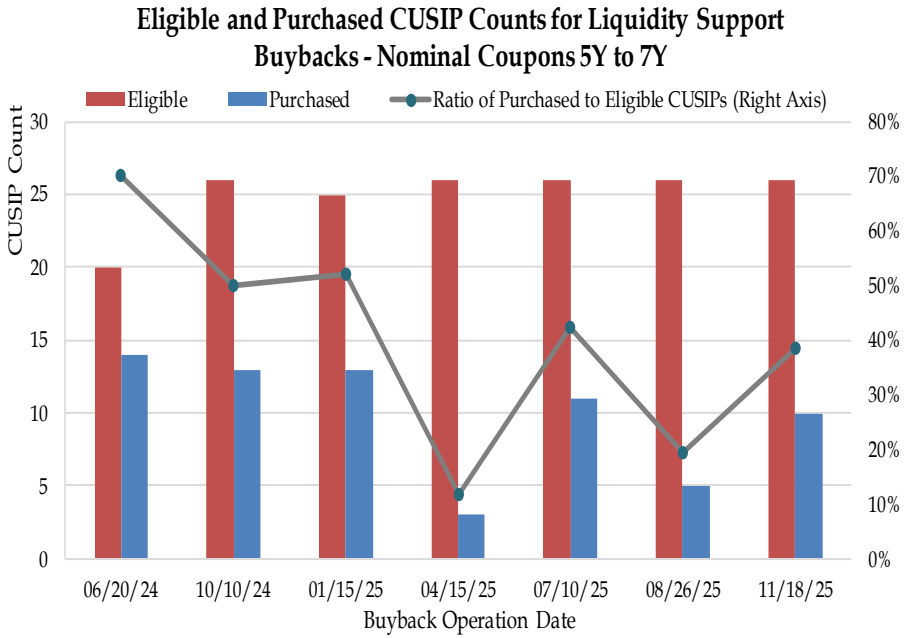


- This quarter, Treasury bought back slightly less than the $4 billion maximum par amount in the 3Y to 5Y sector on 12/17/25.

Liquidity Support Buybacks – Nominal Coupons 5Y to 7Y

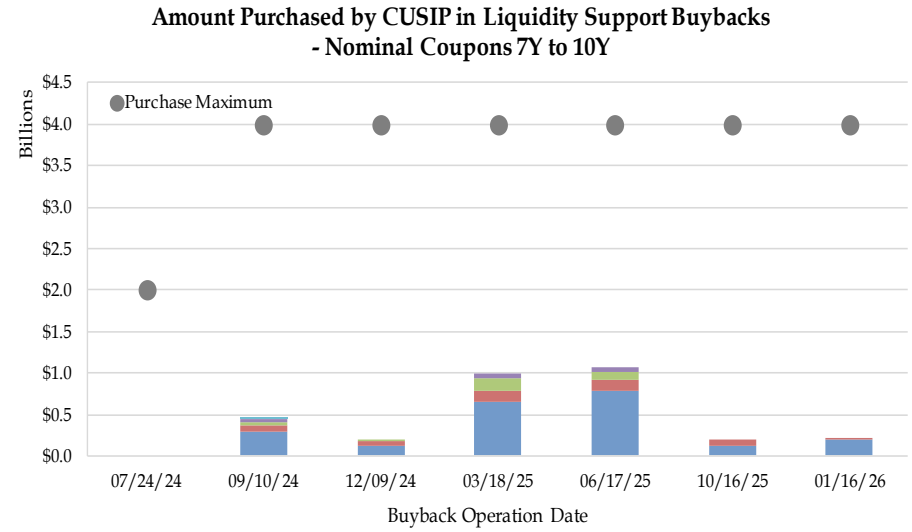


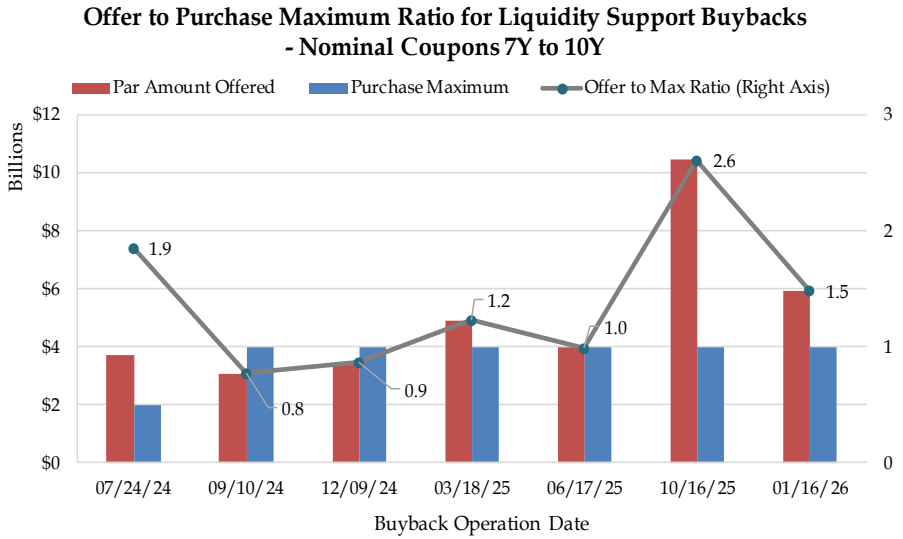


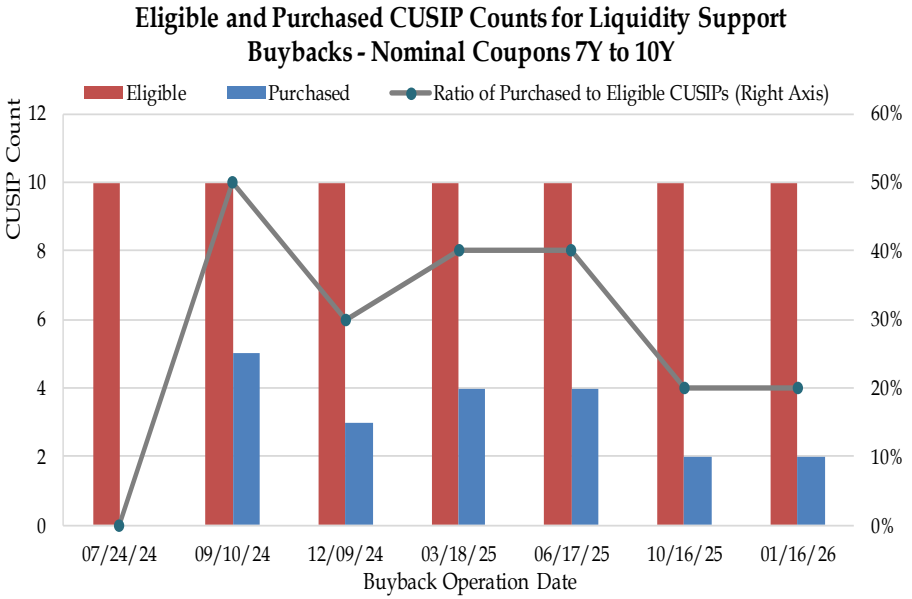


- Treasury has never purchased the maximum par amount in this sector.
- Treasury purchased more this quarter than any other previous quarter in this sector.

Liquidity Support Buybacks – Nominal Coupons 7Y to 10Y

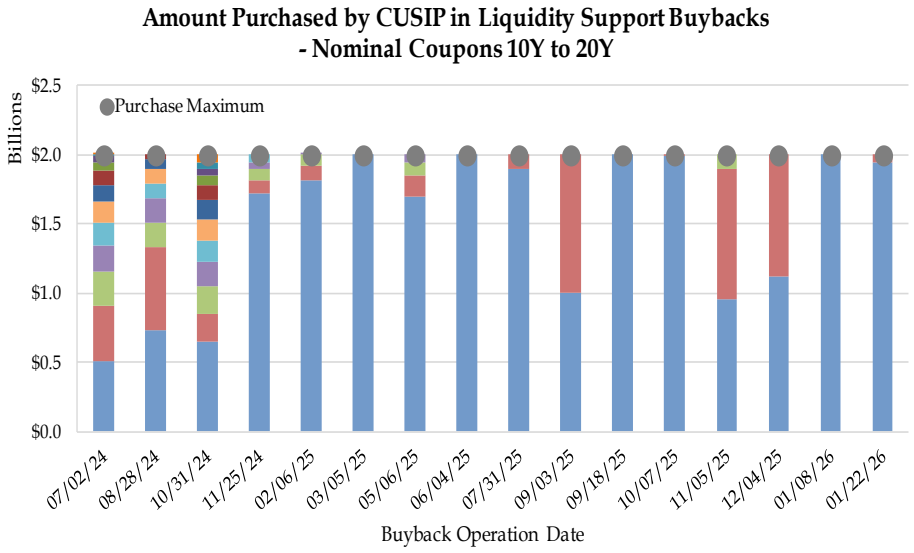


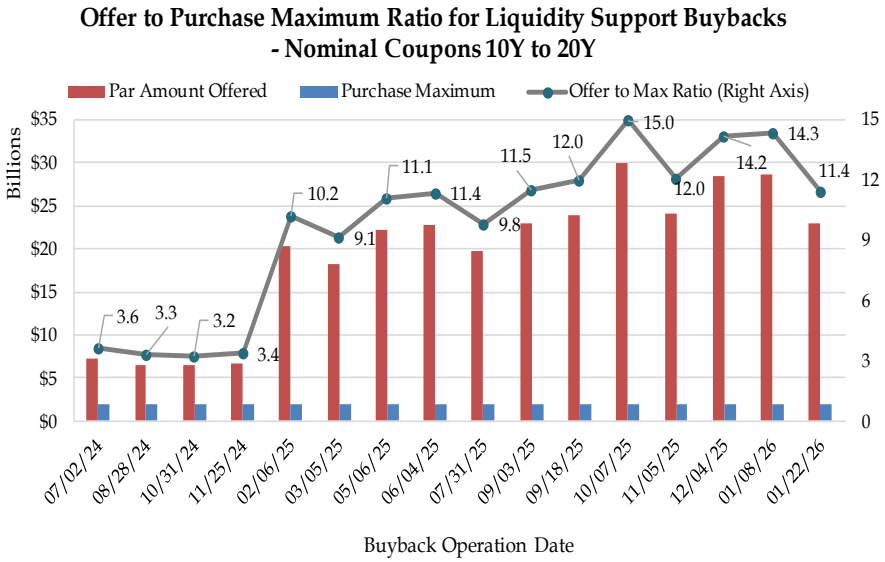


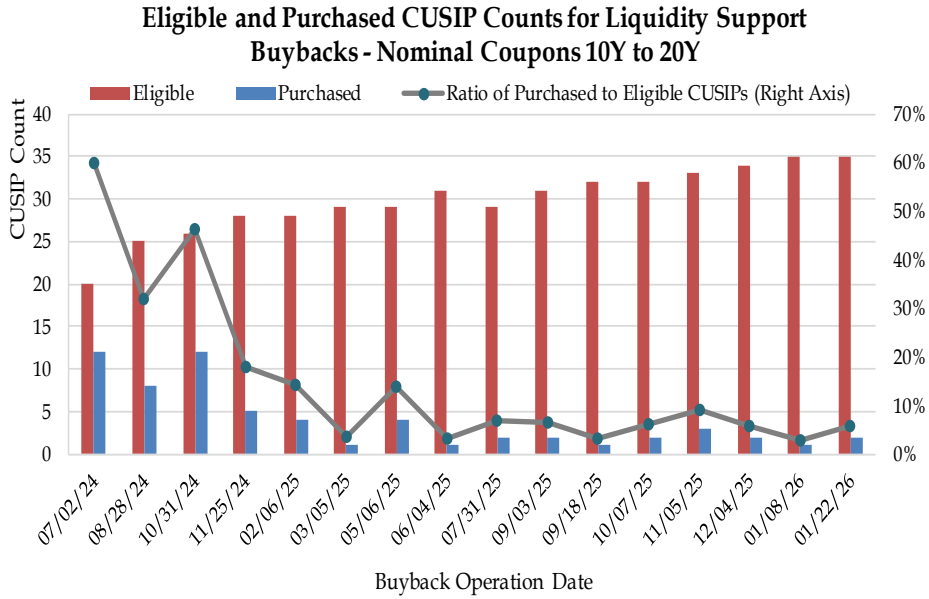


- Treasury continues to buy back significantly less than the maximum purchase amount in the 7Y to 10Y sector.

Liquidity Support Buybacks – Nominal Coupons 10Y to 20Y

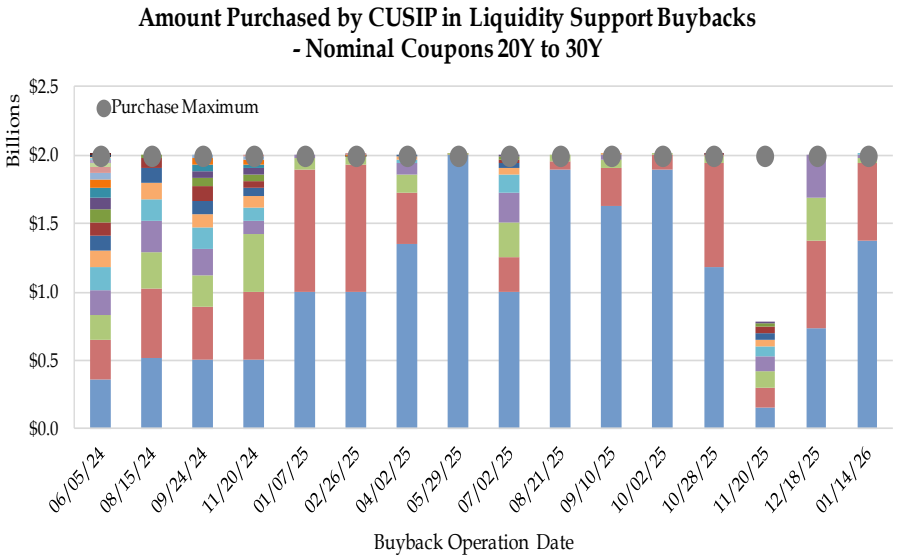


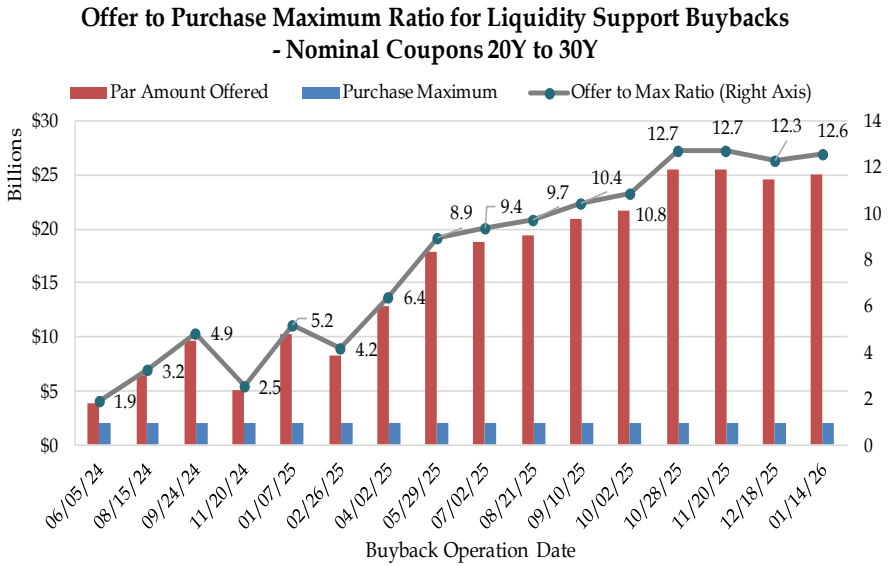


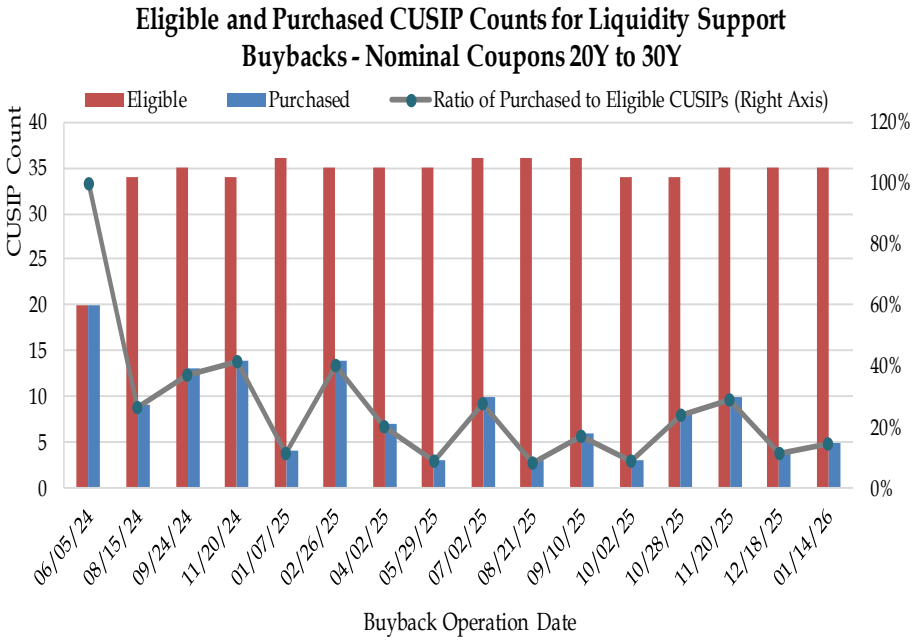


- Treasury doubled the frequency of operations in the 10Y to 20Y sector at the August 2025 refunding and continues to buy back the maximum par amount in the sector.
- Offer to max ratios in the 10Y to 20Y sector continue to be over 11x since September 2025 (top right).

Liquidity Support Buybacks – Nominal Coupons 20Y to 30Y

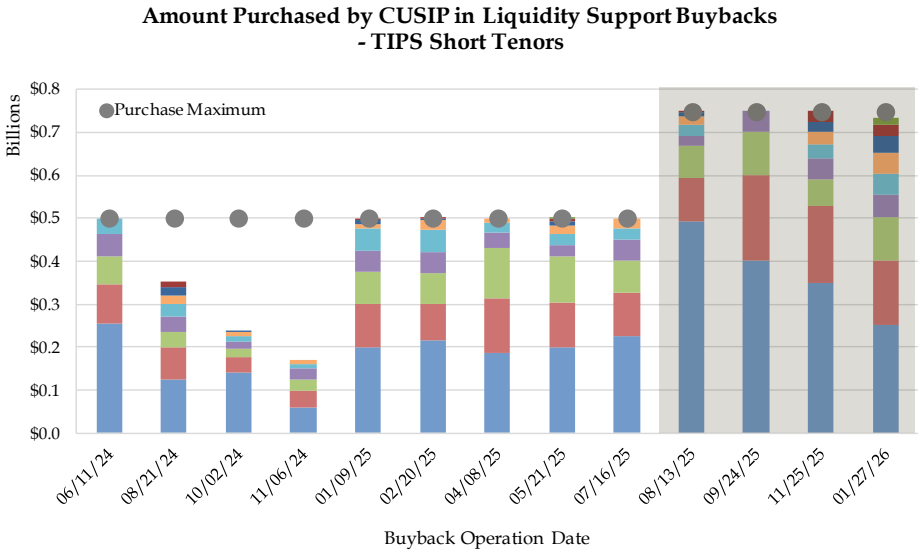


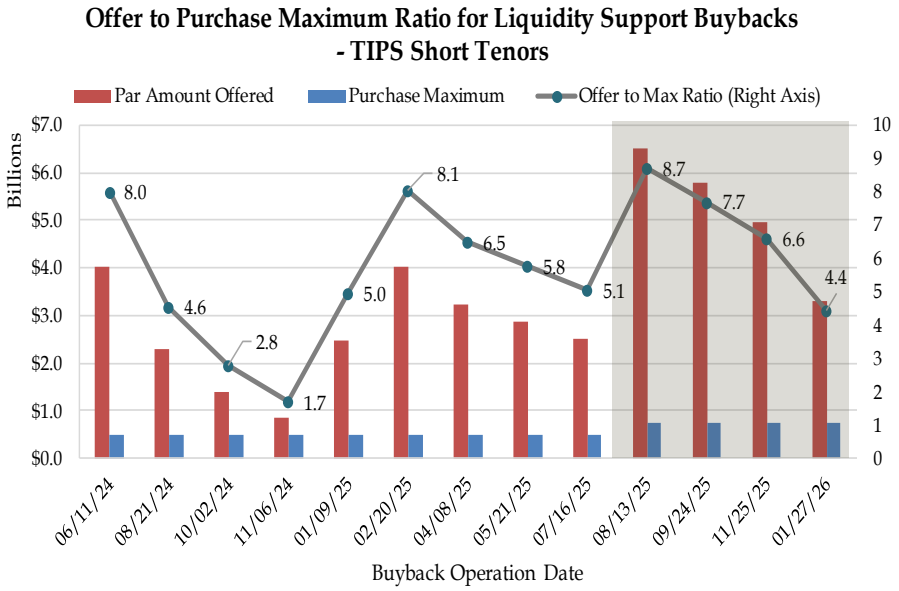


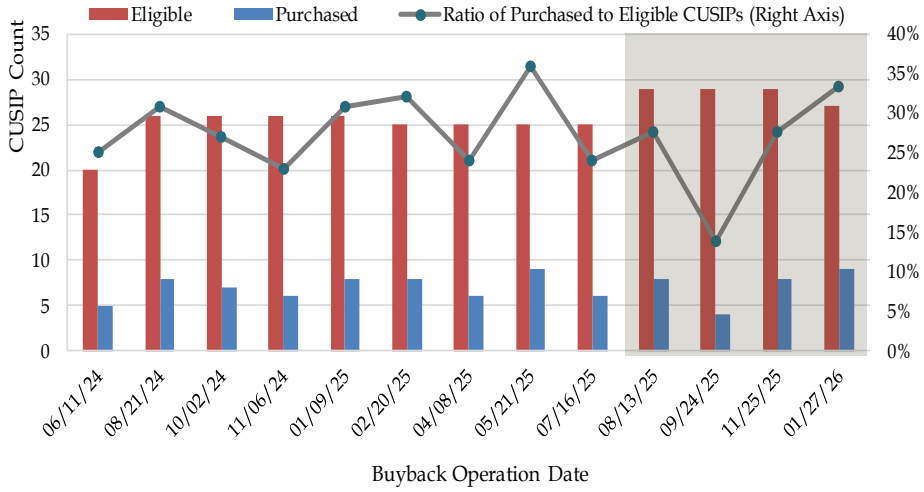


- Treasury also doubled the frequency of operations in the 20Y to 30Y sector at the August 2025 refunding and continues to generally buy back the maximum par amount in the sector.
- Offer to max ratios in the 20Y to 30Y sector continue to be over 12x since October 2025 (top right).

Liquidity Support Buybacks – TIPS Short Tenors

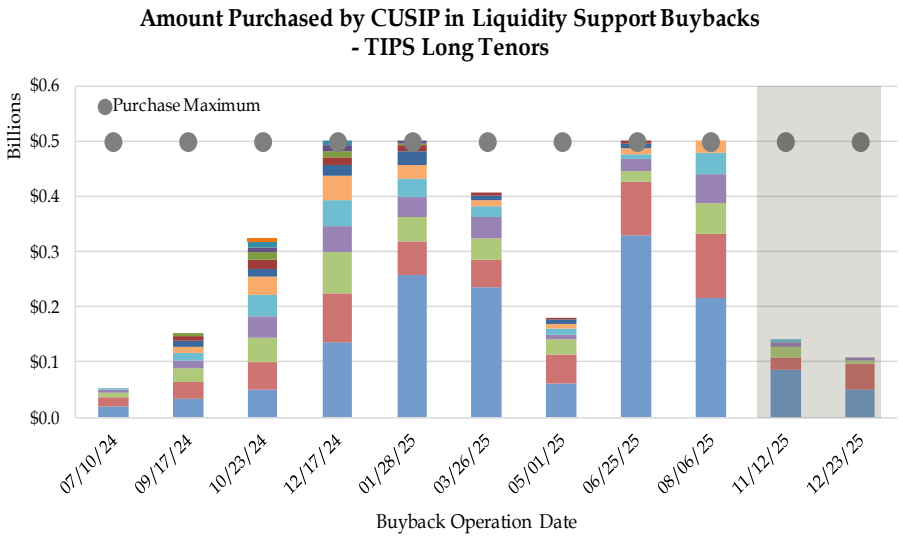


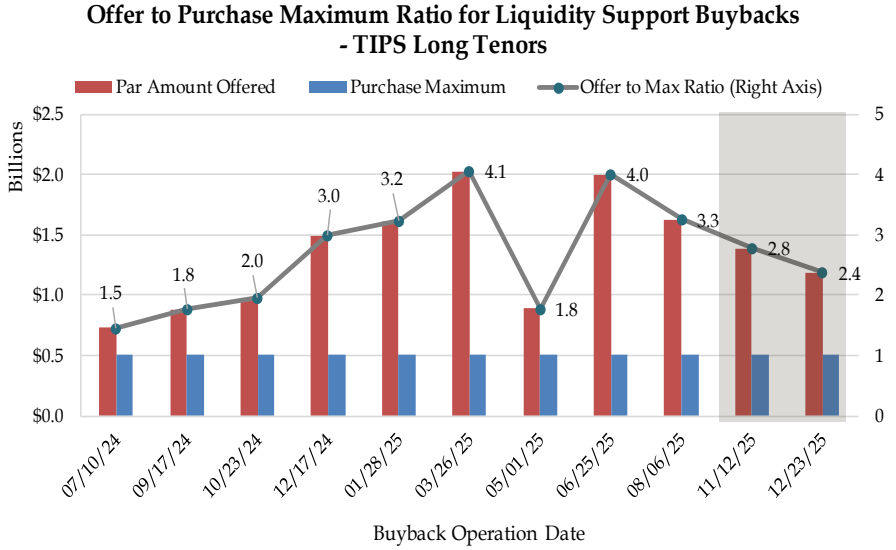


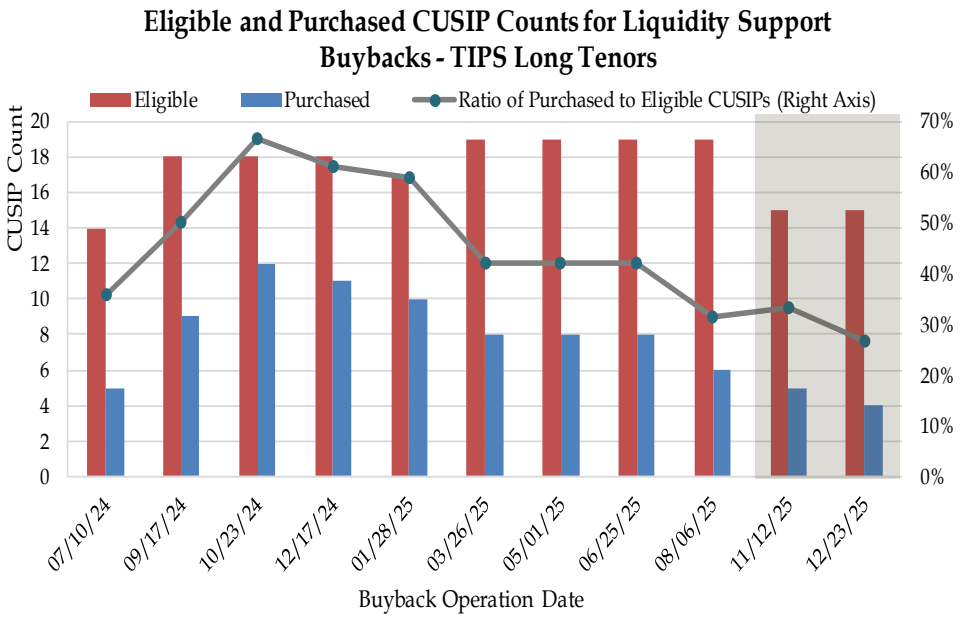


- At the August 2025 refunding, Treasury announced that it would adjust the TIPS buyback buckets by introducing a 1Y to 10Y TIPS buyback bucket to replace the existing 1Y to 7.5Y TIPS bucket. Treasury also increased the max operation size for the short-end TIPS bucket from $500 to $750 million. The shaded area represents the operations in the new 1Y to 10Y TIPS bucket.
- Treasury has continued to buy back the maximum par amount in short-end TIPS operations.

Liquidity Support Buybacks –TIPS Long Tenors



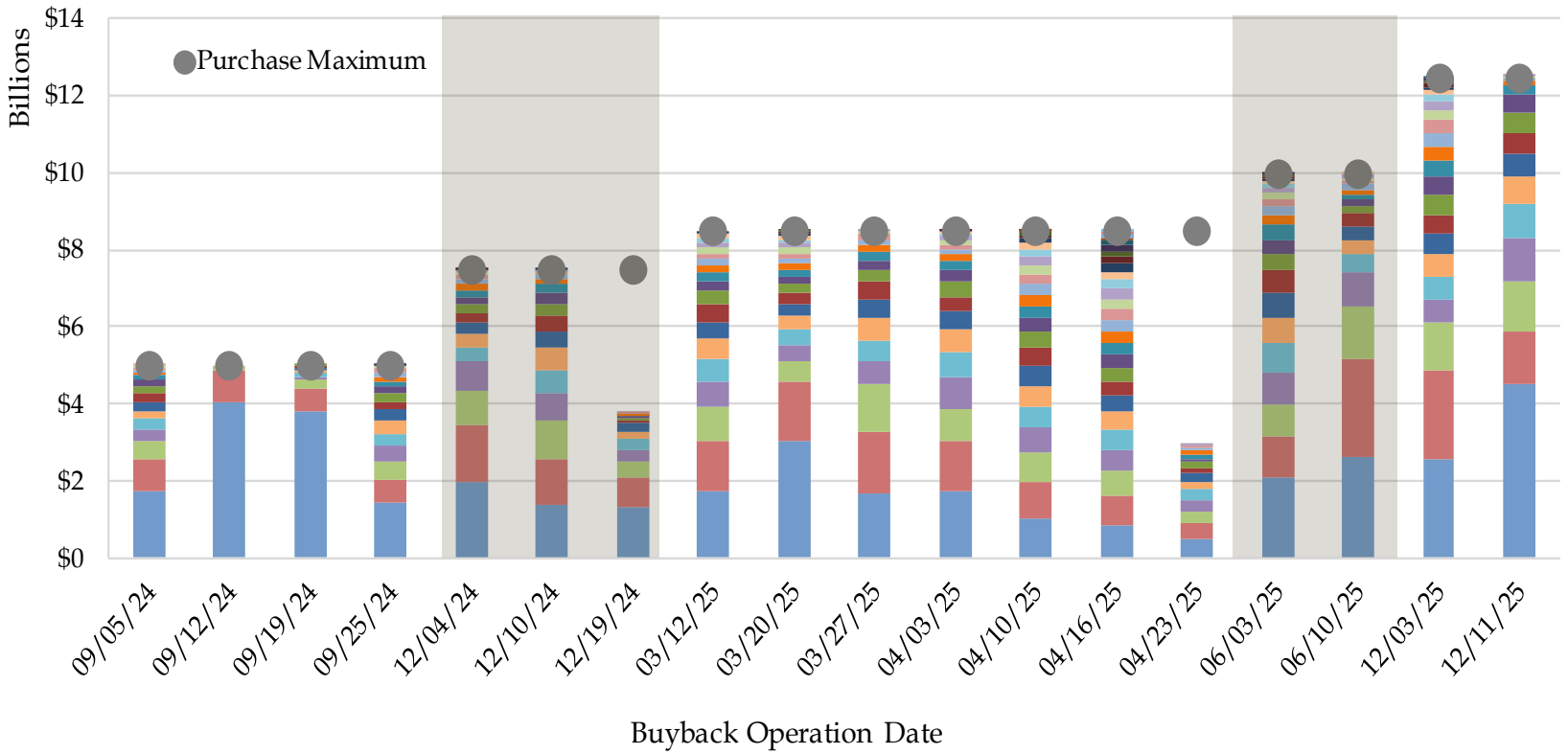




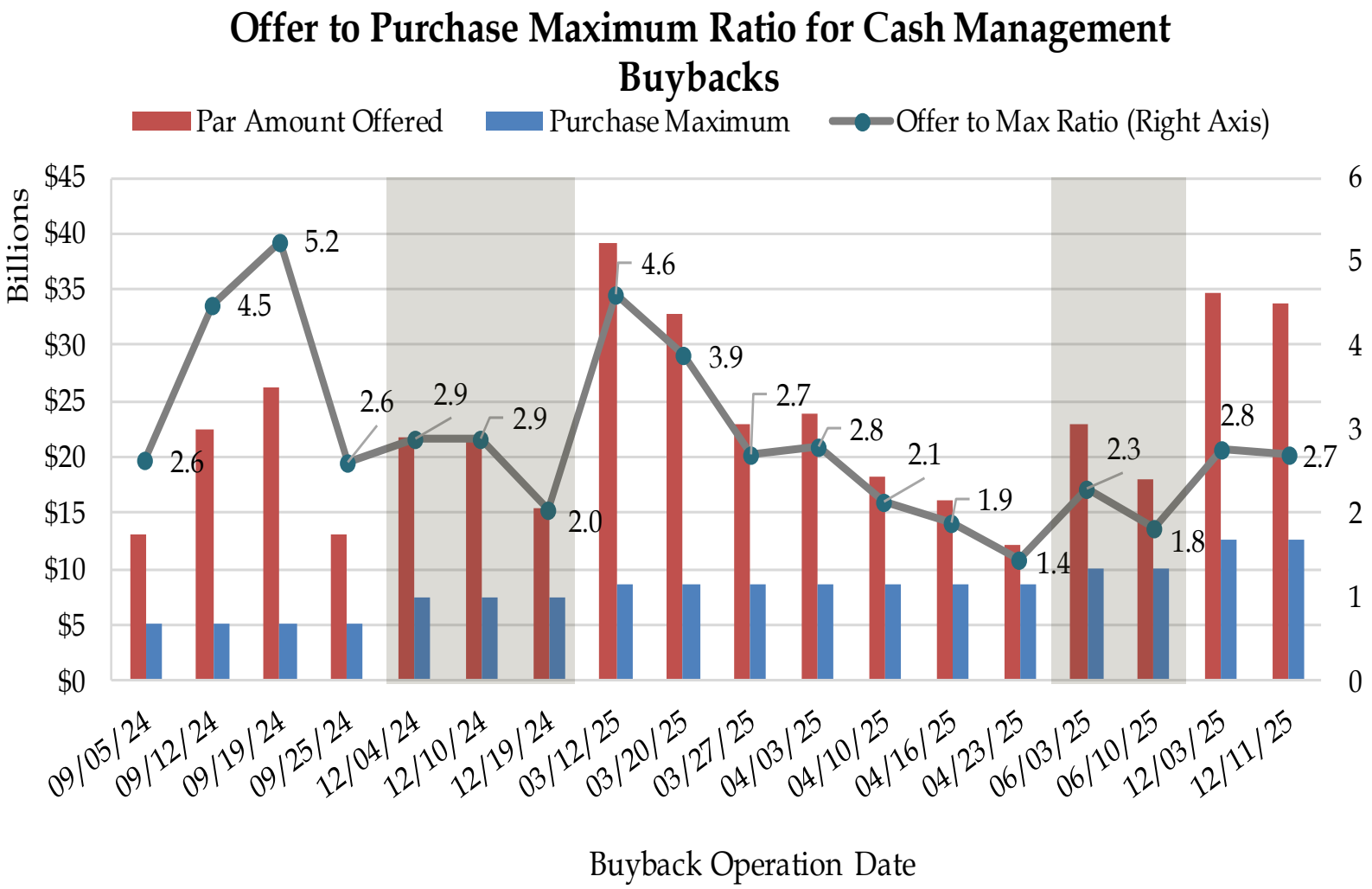
- At the August 2025 refunding, Treasury announced that it would adjust the TIPS buyback buckets by introducing a 10Y to 30Y TIPS buyback bucket to replace the existing 7.5Y to 30Y TIPS bucket. Treasury also reduced the frequency of long-end TIPS buybacks while maintaining the $500 million per operation maximum. The shaded area represents the operations in the new 10Y to 30Y TIPS bucket.

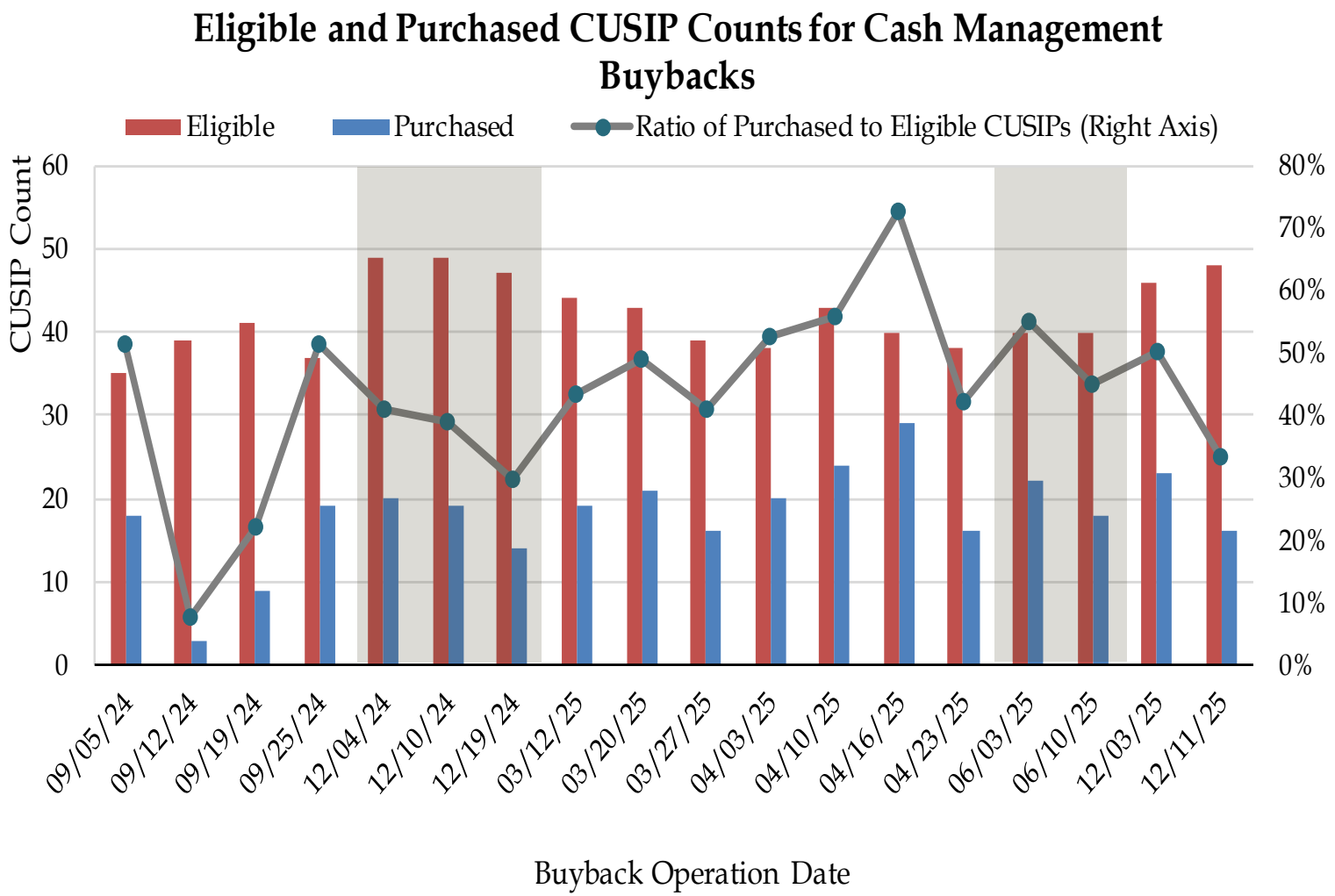
- This quarter, Treasury bought back less than the max purchase amount in this sector.

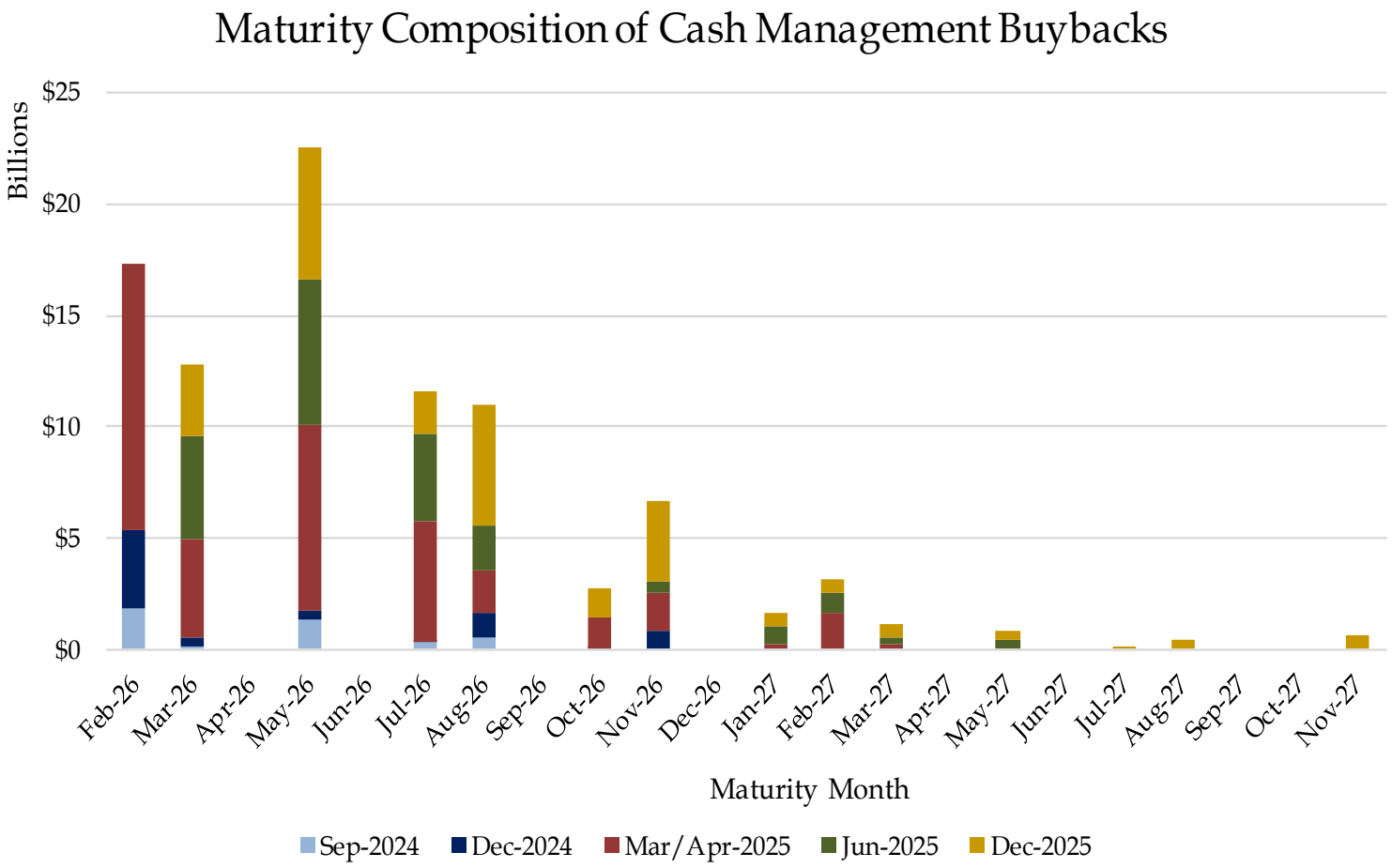
Amount Purchased by CUSIP in Cash Management Buybacks



- All cash management buybacks occur in the 1Mo to 2Y maturity sector.
- In December 2025, Treasury resumed cash management buybacks with a higher purchase limit at $12.5 billion per operation. Both December operations were filled at max amount.


Offer to Purchase Maximum Ratio for Cash Management Buybacks
Par Amount Offered
Purchase Maximum
Offer to Max Ratio (Right Axis)
Billions
$45
$40
$35
$30
$25
$20
$15
$10
$5
$0
6
5
4
3
2
1
0
2.6
4.5
5.2
2.6
2.9
2.9
2.0
4.6
3.9
2.7
2.8
2.1
1.9
1.4
2.3
1.8
2.8
2.7
09/05/24
09/12/24
09/19/24
09/25/24
12/04/24
12/10/24
12/19/24
03/12/25
03/20/25
03/27/25
04/03/25
04/10/25
04/16/25
04/23/25
06/03/25
06/10/25
12/03/25
12/11/25
Buyback Operation Date

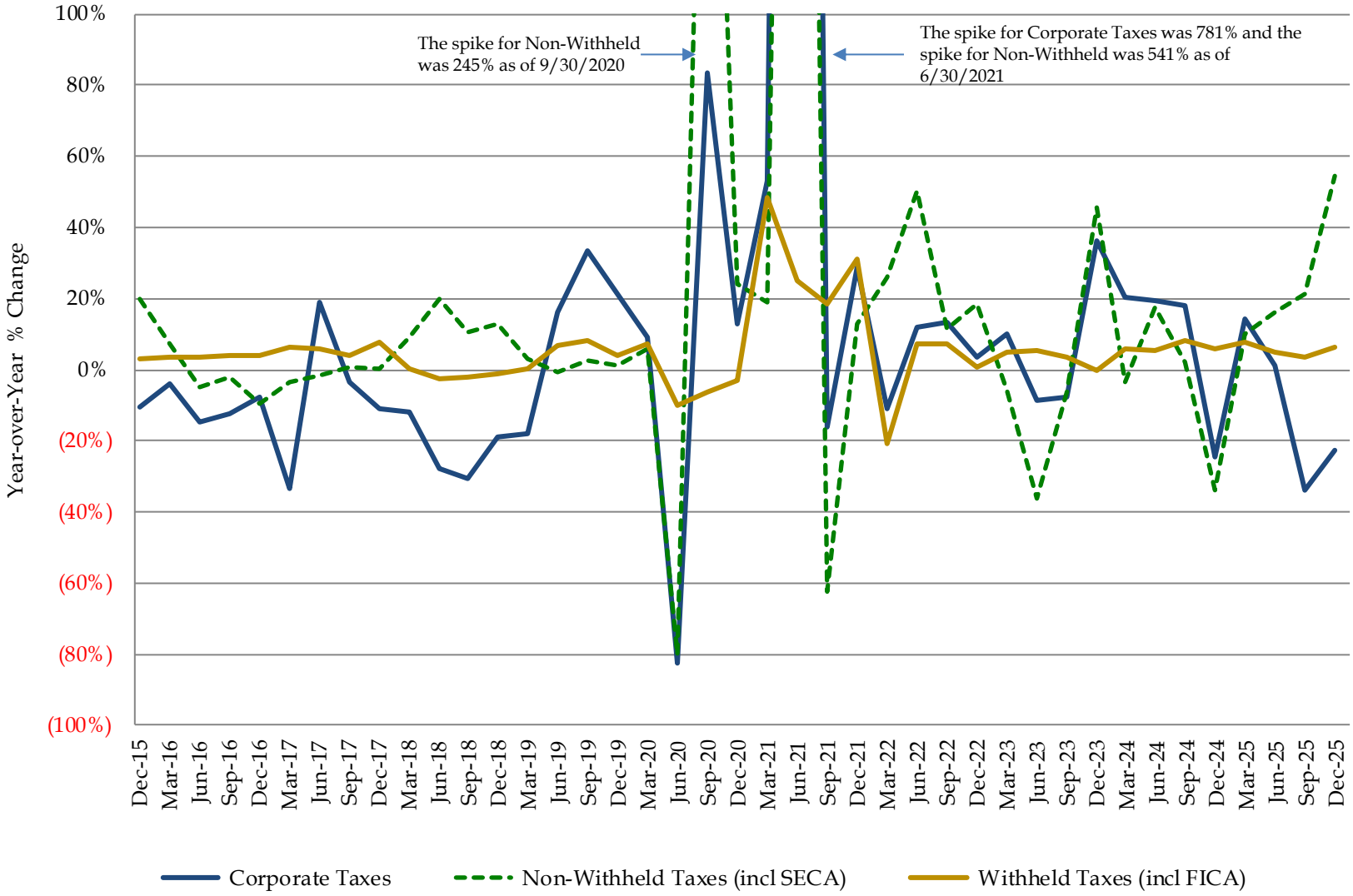

Eligible and Purchased CUSIP Counts for Cash Management Buybacks
Eligible
Purchased
Ratio of Purchased to Eligible CUSIPs (Right Axis)
CUSIP Count
60
50
40
30
20
10
0
80%
70%
60%
50%
40%
30%
20%
10%
0%
09/05/24
09/12/24
09/19/24
09/25/24
12/04/24
12/10/24
12/19/24
03/12/25
03/20/25
03/27/25
04/03/25
04/10/25
04/16/25
04/23/25
06/03/25
06/10/25
12/03/25
12/11/25
Buyback Operation Date


Maturity Composition of Cash Management Buybacks
Billions
$25
$20
$15
$10
$5
$0
Feb-26
Mar-26
Apr-26
May-26
Jun-26
Jul-26
Aug-26
Sep-26
Oct-26
Nov-26
Dec-26
Jan-27
Feb-27
Mar-27
Apr-27
May-27
Jun-27
Jul-27
Aug-27
Sep-27
Oct-27
Nov-27
Maturity Month
Sep-2024
Dec-2024
Mar/Apr-2025
Jun-2025
Dec-2025

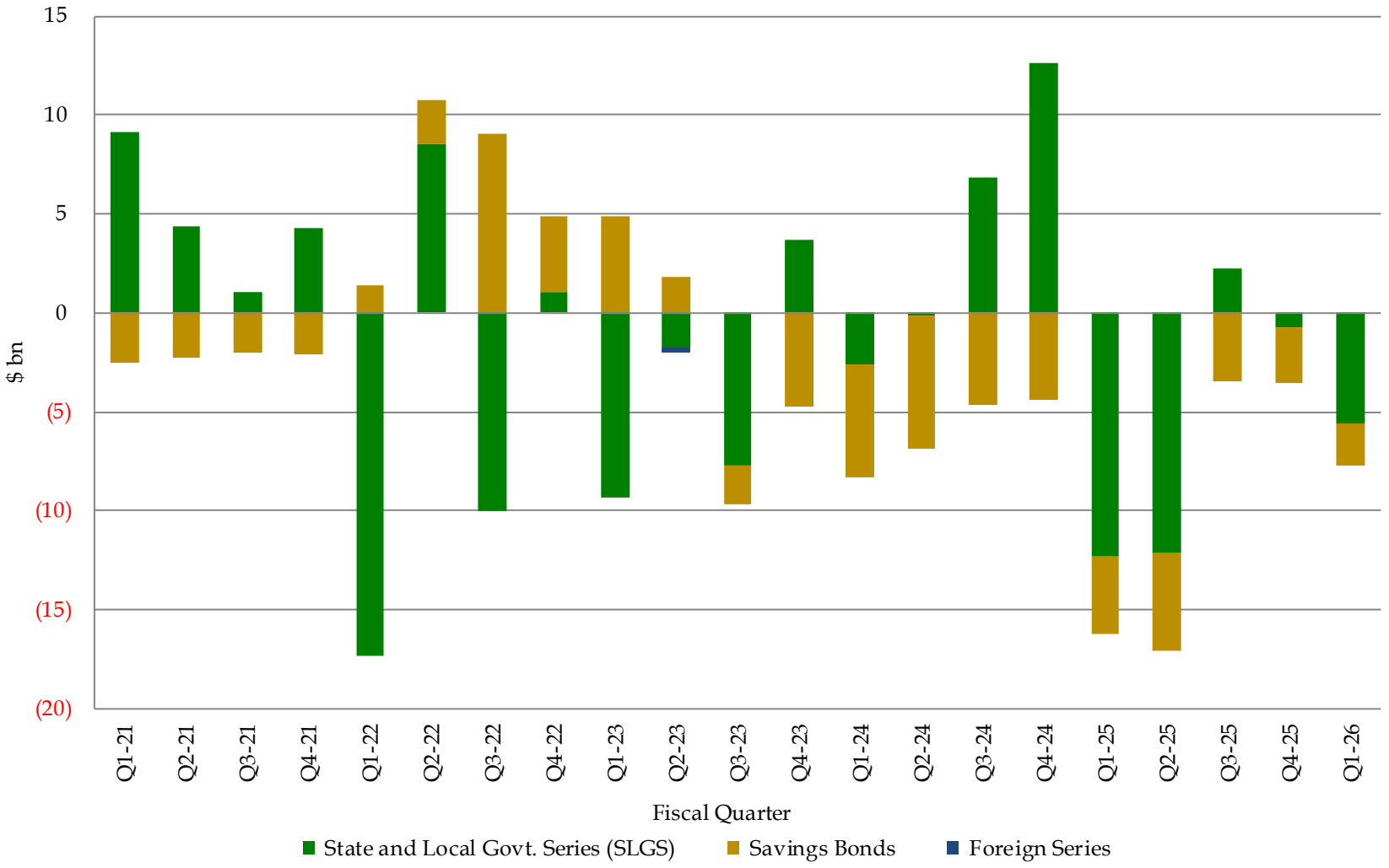
VIII. Appendix

Contents

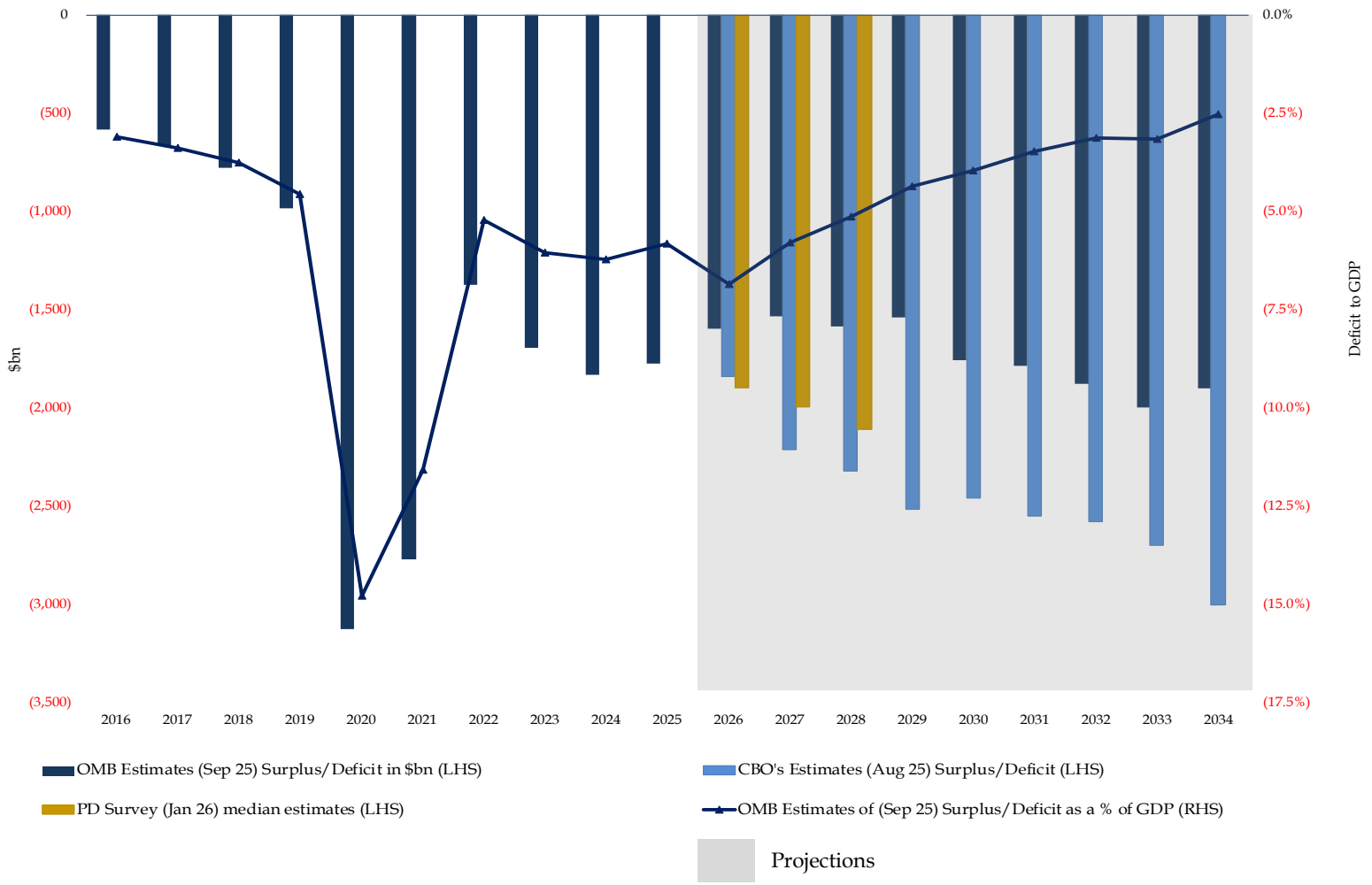
Quarterly Tax Receipts



Treasury Net Nonmarketable Borrowing



Budget Surplus/Deficit*



- OMB projections are using estimates from Table 1 of "Mid-Session Review, Technical Supplement to the 2026 Budget," September 2025.
- CBO's deficit projections are from Table 1 of "Effects on Deficits and the Debt of Public Law 119-21 and of Making Certain Tax Policies in the Act Permanent," August 2025.

Sources of Privately-Held Financing in FY26 Q1

October - December 2025	
Net Bill Issuance	150
Net Coupon Issuance	451
Subtotal: Net Marketable Borrowing	601
Buyback	51
Ending Cash Balance	873
Beginning Cash Balance	891
Subtotal: Change in Cash Balance	(18)
Net Implied Funding for FY26 Q1*	568

[1]

Security	October - December 2025 Bill Issuance Gross	Maturing	Net	Fiscal Year-to-Date Bill Issuance Gross	Maturing	Net
4-Week	1,310	1,375	(65)	1,310	1,375	(65)
6-Week	1,130	1,160	(30)	1,130	1,160	(30)
8-Week	1,160	1,150	10	1,160	1,150	10
13-Week	1,112	1,063	49	1,112	1,063	49
17-Week	895	828	67	895	828	67
26-Week	995	884	111	995	884	111
52-Week	200	192	8	200	192	8
Bill Subtotal	6,802	6,652	150	6,802	6,652	150

Security	October - December 2025 Coupon Issuance Gross	Maturing	Net	Fiscal Year-to-Date Coupon Issuance Gross	Maturing	Net
2-Year FRN	86	78	8	86	78	8
2-Year	207	149	58	207	149	58
3-Year	174	120	54	174	120	54
5-Year	210	154	56	210	154	56
7-Year	132	60	72	132	60	72
10-Year	120	58	62	120	58	62
20-Year	42	0	42	42	0	42
30-Year	69	0	69	69	0	69
5-Year TIPS	50	40	10	50	40	10
10-Year TIPS	19	0	19	19	0	19
30-Year TIPS	0	0	0	0	0	0
Coupon Subtotal	1,109	658	451	1,109	658	451
Buyback		51			51	

Total	7,911	7,361	601	7,911	7,361	601

*By adjusting the change in cash balance, Treasury arrives at the net implied funding number.

Privately-Held Net Marketable Borrowing Definition and Calculation Example

FY 2022 Actual Deficits and Privately-Held Net Marketable Borrowing, in $ billions

	FY 2022 Actual
FY 2022 Deficit	1,375
FY 2022 + Change in Cash Balance	421
FY 2022 + Other Means of Financing (e.g. Direct Loans)	-125
FY 2022 **= Total Net Marketable Borrowing**	1,671
FY 2022 + SOMA Redemption	150
FY 2022 **= Privately-Held Net Marketable Borrowing**	1,821

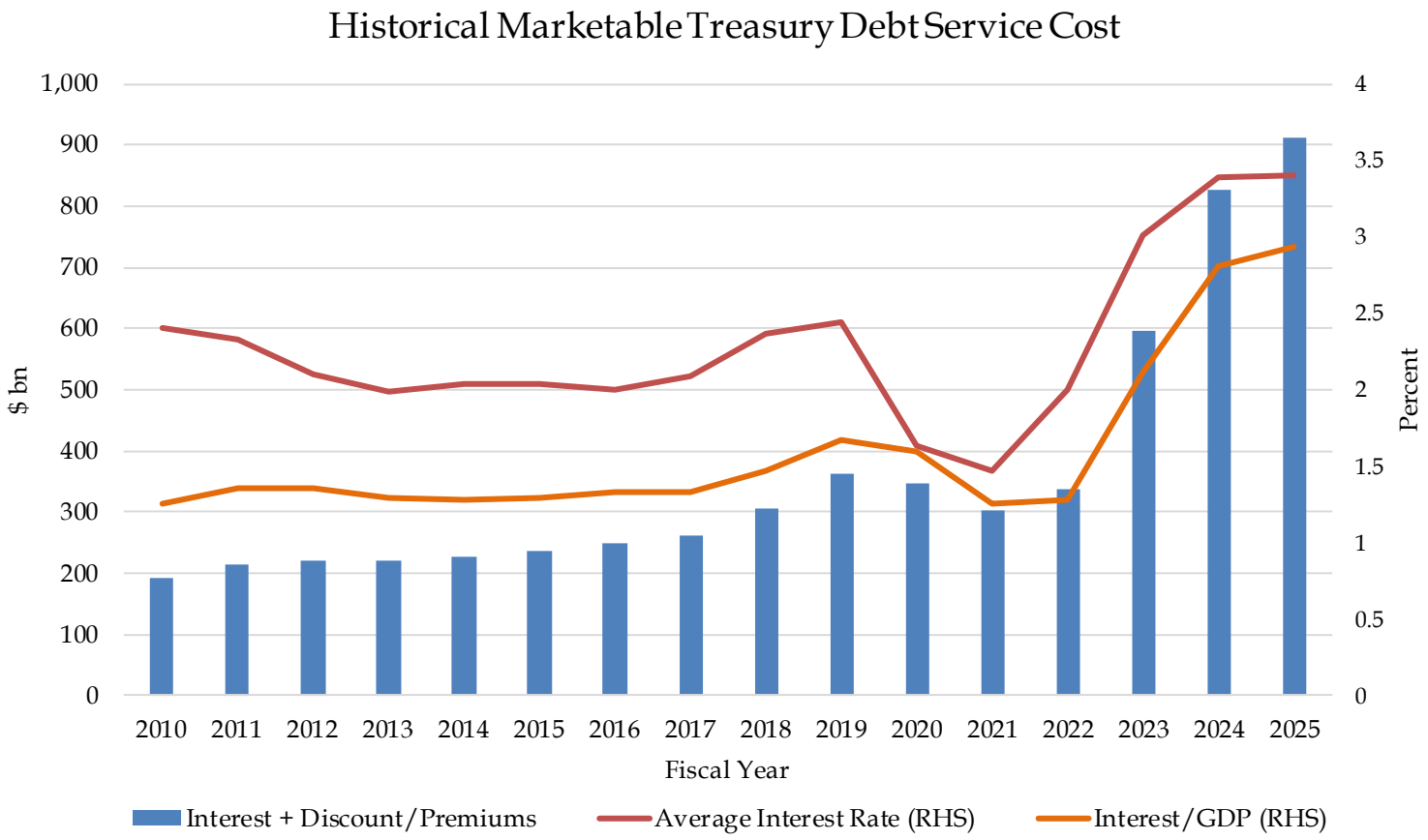
- Actual deficits are sourced from the Monthly Treasury Statement.
- Actual change in cash balance is sourced from the Daily Treasury Statement. Change in cash balance = cash balance of Sept 30, 2022 - cash balance of Sept 30, 2021
- Other Means of Financing include cash flows associated with federal credit programs, such as those related to student loans and loans to small businesses.
- Privately-Held Net Marketable Borrowing = Total Net Marketable Borrowing + SOMA Redemption
- SOMA redemption is the amount that the Federal Reserve redeems securities that Treasury has to replace with privately-held marketable borrowing. Actual SOMA redemptions amounts is from the Sources and Uses Reconciliation Table.
- Actual Privately-Held Net Marketable Borrowing is from the Sources and Uses Reconciliation Table.

FY 2026-2028 Deficits and Privately-Held Net Marketable Borrowing Estimates, in $ billions

	Primary Dealer			OMB	CBO
	25th	Median	75th		
FY 2026 Deficit	1,884	1,900	2,002	2,220	2,214
FY 2027 Deficit	1,950	2,000	2,112	1,973	2,323
FY 2028 Deficit	2,000	2,110	2,222	1,841	2,521
FY 2026 Change in Cash Balance	-41	-41	9		
FY 2027 Change in Cash Balance	0	0	25		
FY 2028 Change in Cash Balance	0	0	50		
FY 2026 Total Net Marketable Borrowing					2,281
FY 2027 Total Net Marketable Borrowing					2,389
FY 2028 Total Net Marketable Borrowing					2,575
FY 2026 Privately-Held Net Marketable Borrowing*	1,778	1,950	2,096		2,281
FY 2027 Privately-Held Net Marketable Borrowing*	1,816	2,000	2,163		2,389
FY 2028 Privately-Held Net Marketable Borrowing*	1,908	2,075	2,256		2,575
Estimates as of:		Jan-26		Sep-25	Aug-25

* All privately-held net marketable borrowing estimates are "normalized" using:
1) assumed Fiscal Year 2026 cash balance of $900 billion, held constant in out years.

- OMB's deficit projections are from Table 1 of "Mid-Session Review, Technical Supplement to the 2026 Budget," September 2025. OMB's borrowing estimates are not available for the February 2026 refunding.
- CBO's deficit projections are from Table 1 of "Effects on Deficits and the Debt of Public Law 119-21 and of Making Certain Tax Policies in the Act Permanent," August 2025. CBO deficit estimates have been adjusted to account for the effects of the One Big Beautiful Bill, but not other factors such as tariff revenue. CBO's total borrowing projections are derived by applying the same changes from deficit to the CBO's January 2025 total borrowing estimates.

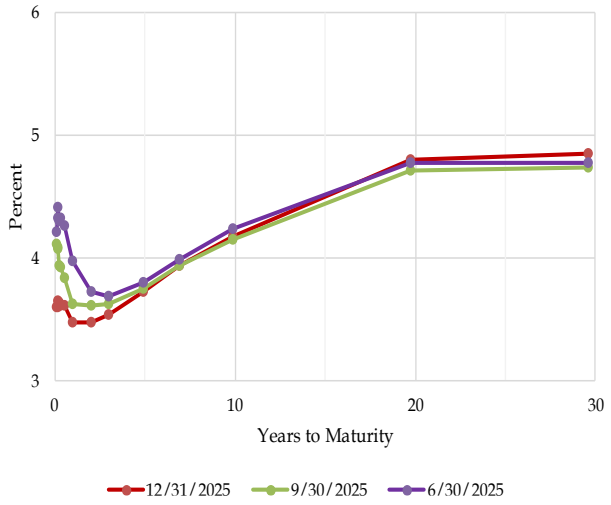


Source: https://fiscaldata.treasury.gov/datasets

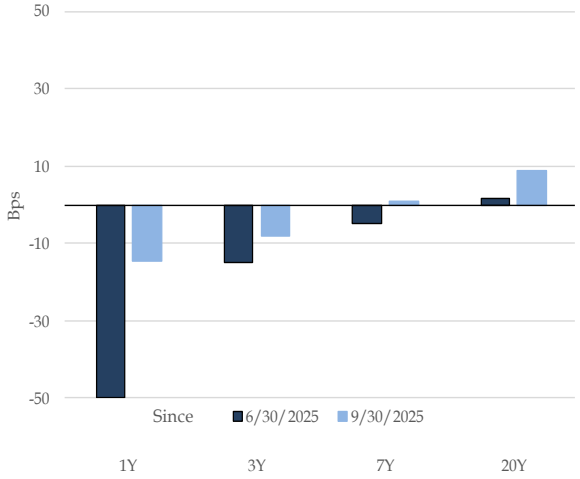
The average interest rates for total marketable debt do not include the Treasury Inflation-Indexed Securities and the Treasury Floating Rate Notes. However, they include securities from Federal Financing Bank. The average interest rates in the chart are as of corresponding fiscal year-end-dates.

Various Historical Treasury Interest Rate Metrics

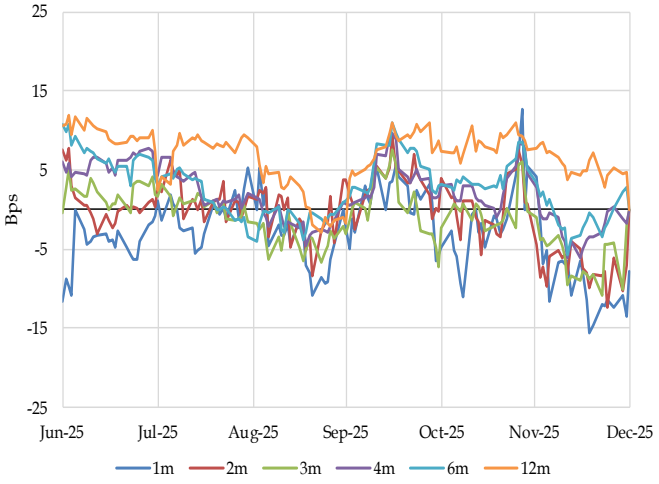
Treasury Nominal Yield Curve
as of specified dates



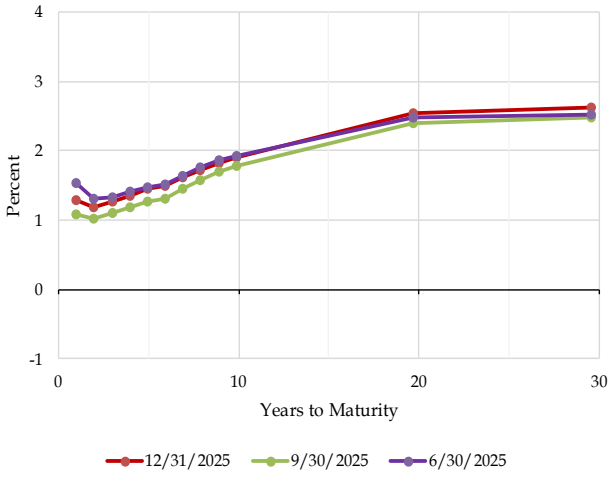
Nominal Yield Changes in Selected Tenors
Through the end of 12/31/25



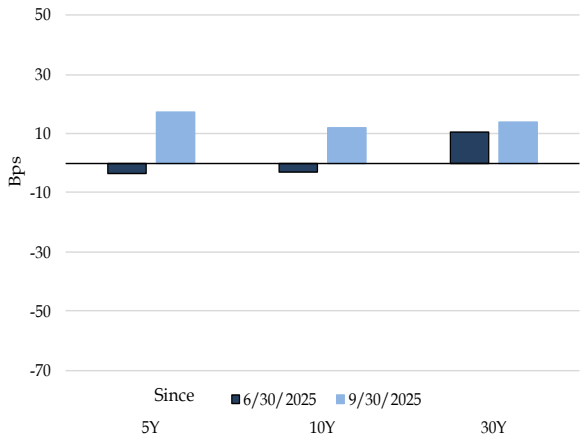
Bills-SOFR OIS spreads



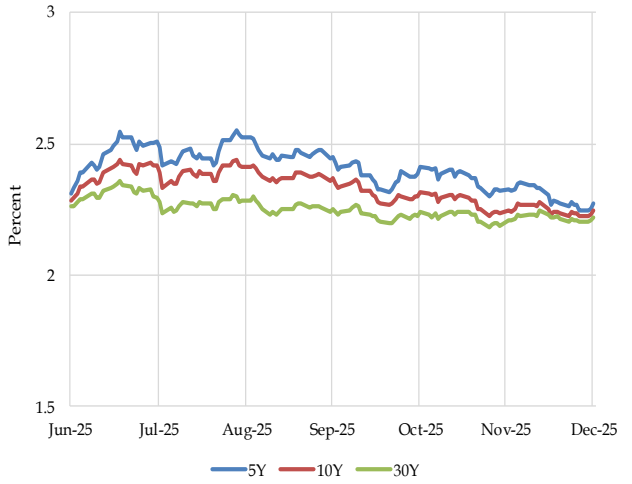
Treasury Real Yield Curve
as of specified dates



Real Yield Changes in Selected Tenors
Through the end of 12/31/25



Breakevens



Source: Bloomberg

Projected Privately-Held Net Marketable Borrowing
Assuming Private Coupon Issuance & Privately-Held Bills Outstanding Remain Constant as of 1/31/2026*

Fiscal Year	Bills*	2/3/5	7/10/20/30	TIPS	FRN	Historical/Projected Net Borrowing Capacity
2021	(1,315)	1,260	1,328	55	92	1,420
2022	(53)	744	1,027	61	42	1,821
2023	1,689	319	680	50	(38)	2,699
2024	789	713	881	85	52	2,522
2025	394	741	878	32	68	2,113
2026	488	504	935	68	10	2,005
2027	435	343	845	53	0	1,676
2028	409	298	525	30	0	1,263
2029	396	86	648	31	0	1,161
2030	384	71	704	37	0	1,196
2031	373	0	512	19	0	904
2032	363	0	510	(3)	0	870
2033	354	0	519	2	0	876
2034	346	0	438	(9)	0	775
2035	337	0	444	(25)	0	756
2036	325	0	449	(27)	0	746

*SOMA bill purchases are estimated on recent MBS principal payments and reserve management purchases.

Bills											
Issue	Settle Date	Stop Out Rate (%)	Bid-to-Cover Ratio	Competitive Awards ($bn)	% Primary Dealer	% Direct	% Indirect	Non-Competitive Awards ($bn)	SOMA "Add Ons" ($bn)	10-Year Equivalent ($bn)*
4-Week	10/7/2025	4.060	2.67	96.5	35.6	5.8	58.6	8.5	0.3	1.0
4-Week	10/14/2025	4.030	2.92	101.5	32.3	6.0	61.8	8.5	0.3	1.1
4-Week	10/21/2025	4.030	2.79	101.4	28.4	3.6	68.0	8.6	0.3	1.0
4-Week	10/28/2025	3.945	2.73	101.5	30.8	3.5	65.6	8.5	0.3	1.0
4-Week	11/4/2025	3.910	2.64	103.5	34.4	4.9	60.7	6.5	0.4	1.0
4-Week	11/12/2025	3.875	2.73	101.6	33.4	4.7	61.8	8.4	0.3	1.0
4-Week	11/18/2025	3.900	2.73	101.4	29.8	6.0	64.3	8.6	0.3	1.0
4-Week	11/25/2025	3.890	2.75	102.2	29.0	4.8	66.2	7.8	0.3	1.0
4-Week	12/2/2025	3.905	2.77	92.1	27.8	4.1	68.1	7.9	0.3	0.9
4-Week	12/9/2025	3.680	2.69	81.4	39.3	6.8	53.9	8.6	0.3	0.8
4-Week	12/16/2025	3.610	2.97	78.8	32.5	5.4	62.1	6.2	0.3	0.8
4-Week	12/23/2025	3.580	3.28	71.9	23.3	4.9	71.8	8.1	0.3	0.7
4-Week	12/30/2025	3.570	3.14	72.4	21.7	4.2	74.1	7.6	0.3	0.7
4-Week	1/6/2026	3.590	2.90	72.8	37.5	5.1	57.4	7.2	0.3	0.7
6-Week	10/9/2025	4.000	2.69	88.4	35.7	4.3	60.1	1.6	4.4	1.3
6-Week	10/16/2025	4.010	2.62	93.6	34.9	5.4	59.7	1.4	3.1	1.4
6-Week	10/23/2025	3.940	2.93	93.3	33.1	5.7	61.1	1.7	3.3	1.4
6-Week	10/30/2025	3.880	2.87	93.4	34.1	4.4	61.5	1.6	5.3	1.4
6-Week	11/6/2025	3.900	2.67	93.3	44.6	7.4	47.9	1.7	4.5	1.4
6-Week	11/13/2025	3.890	2.70	93.8	34.5	4.2	61.3	1.2	6.1	1.5
6-Week	11/20/2025	3.850	2.80	93.2	35.4	5.8	58.8	1.8	4.6	1.4
6-Week	11/28/2025	3.850	2.71	83.5	33.6	5.2	61.2	1.5	3.9	1.2
6-Week	12/4/2025	3.700	3.15	73.4	30.3	5.2	64.4	1.6	2.0	1.1
6-Week	12/11/2025	3.650	2.89	73.6	33.5	4.8	61.7	1.4	3.2	1.1
6-Week	12/18/2025	3.625	2.73	73.5	46.1	7.7	46.1	1.5	2.6	1.1
6-Week	12/26/2025	3.580	2.87	73.6	35.8	6.1	58.1	1.4	3.4	1.1
6-Week	1/2/2026	3.575	2.96	73.6	36.2	7.6	56.2	1.4	4.4	1.1
8-Week	10/7/2025	3.960	3.01	88.5	28.8	4.0	67.2	1.5	0.3	1.7
8-Week	10/14/2025	3.955	2.88	91.6	34.6	3.2	62.1	3.4	0.3	1.8
8-Week	10/21/2025	3.960	2.91	93.5	31.2	3.6	65.2	1.5	0.3	1.8
8-Week	10/28/2025	3.900	2.77	93.4	35.9	3.7	60.4	1.6	0.3	1.8
8-Week	11/4/2025	3.890	2.88	93.4	32.5	3.8	63.7	1.6	0.3	1.8
8-Week	11/12/2025	3.815	2.90	91.4	31.7	4.3	64.0	3.6	0.3	1.8
8-Week	11/18/2025	3.835	2.87	91.6	32.0	7.6	60.5	3.4	0.3	1.8
8-Week	11/25/2025	3.850	2.64	92.2	35.9	5.2	58.9	2.8	0.3	1.8
8-Week	12/2/2025	3.840	2.87	82.0	31.3	4.9	63.8	3.0	0.3	1.6
8-Week	12/9/2025	3.620	2.98	76.6	28.4	5.1	66.5	3.4	0.2	1.5
8-Week	12/16/2025	3.610	2.79	78.7	47.2	5.0	47.8	1.3	0.3	1.5
8-Week	12/23/2025	3.585	3.01	76.6	32.9	5.2	61.9	3.4	0.3	1.5
8-Week	12/30/2025	3.585	2.92	76.9	29.6	4.6	65.7	3.1	0.3	1.5
8-Week	1/6/2026	3.580	2.83	76.9	33.7	4.7	61.6	3.1	0.3	1.5

*Approximated using prices at settlement and includes both competitive and non-competitive awards.

Bills (cont.)										
Issue	Settle Date	Stop Out Rate (%)	Bid-to-Cover Ratio	Competitive Awards ($bn)	% Primary Dealer	% Direct	% Indirect	Non-Competitive Awards ($bn)	SOMA "Add Ons" ($bn)	10-Year Equivalent ($bn)*
13-Week	10/9/2025	3.850	2.91	81.9	36.6	6.1	57.3	2.1	4.1	2.7
13-Week	10/16/2025	3.845	2.88	83.8	29.8	6.2	64.0	2.2	2.8	2.7
13-Week	10/23/2025	3.810	3.01	83.9	34.8	5.4	59.8	2.1	3.0	2.7
13-Week	10/30/2025	3.730	3.07	84.1	25.1	5.2	69.7	1.9	4.8	2.8
13-Week	11/6/2025	3.815	2.62	82.2	46.1	6.5	47.4	3.8	4.1	2.8
13-Week	11/13/2025	3.780	2.83	84.0	35.2	6.0	58.8	2.0	5.5	2.8
13-Week	11/20/2025	3.795	2.79	82.2	38.4	7.5	54.0	3.8	4.2	2.7
13-Week	11/28/2025	3.745	2.85	84.2	29.8	6.7	63.5	1.8	4.0	2.7
13-Week	12/4/2025	3.725	2.82	84.1	30.1	6.8	63.1	1.9	2.3	2.7
13-Week	12/11/2025	3.650	2.73	83.9	39.9	8.1	52.0	2.1	3.7	2.7
13-Week	12/18/2025	3.560	2.68	82.1	39.2	6.5	54.3	3.9	3.0	2.7
13-Week	12/26/2025	3.560	2.86	82.2	32.2	7.9	59.8	3.8	4.0	2.7
13-Week	1/2/2026	3.570	2.66	82.2	36.7	6.5	56.8	3.8	5.1	2.7
17-Week	10/7/2025	3.785	3.32	66.6	27.8	6.2	66.0	0.4	0.2	2.7
17-Week	10/14/2025	3.775	3.28	68.5	24.9	3.7	71.4	0.5	0.2	2.8
17-Week	10/21/2025	3.810	2.87	68.6	32.7	4.5	62.8	0.4	0.2	2.8
17-Week	10/28/2025	3.735	3.27	68.4	30.7	4.4	64.9	0.6	0.2	2.8
17-Week	11/4/2025	3.705	2.94	68.6	37.2	4.0	58.8	0.4	0.2	2.8
17-Week	11/12/2025	3.770	3.36	66.6	29.5	5.3	65.2	2.4	0.2	2.8
17-Week	11/18/2025	3.750	3.18	68.4	29.2	6.5	64.3	0.6	0.2	2.8
17-Week	11/25/2025	3.750	3.15	66.5	29.2	5.5	65.3	2.5	0.2	2.7
17-Week	12/2/2025	3.740	2.84	68.5	32.8	6.0	61.2	0.5	0.2	2.7
17-Week	12/9/2025	3.620	3.17	68.4	37.1	5.6	57.3	0.6	0.2	2.7
17-Week	12/16/2025	3.610	3.04	68.5	29.6	5.1	65.3	0.5	0.2	2.7
17-Week	12/23/2025	3.540	3.27	66.6	26.0	6.5	67.5	2.4	0.2	2.7
17-Week	12/30/2025	3.555	2.95	66.5	32.5	3.8	63.7	2.5	0.2	2.7
17-Week	1/6/2026	3.540	3.11	66.5	30.9	4.6	64.5	2.5	0.2	2.7

*Approximated using prices at settlement and includes both competitive and non-competitive awards.

Bills (cont.)										
Issue	Settle Date	Stop Out Rate (%)	Bid-to-Cover Ratio	Competitive Awards ($bn)	% Primary Dealer	% Direct	% Indirect	Non-Competitive Awards ($bn)	SOMA "Add Ons" ($bn)	10-Year Equivalent ($bn)*
26-Week	10/9/2025	3.695	3.04	73.5	28.2	9.2	62.6	1.5	3.7	4.8
26-Week	10/16/2025	3.685	2.95	75.4	21.9	8.1	70.0	1.6	2.5	4.9
26-Week	10/23/2025	3.660	3.02	75.6	25.5	9.0	65.6	1.4	2.7	4.9
26-Week	10/30/2025	3.640	3.06	75.7	22.0	7.7	70.2	1.3	4.3	5.0
26-Week	11/6/2025	3.700	2.92	75.4	24.2	9.7	66.1	1.6	3.6	5.0
26-Week	11/13/2025	3.690	2.95	75.4	32.0	8.7	59.2	1.6	4.9	5.1
26-Week	11/20/2025	3.710	2.80	75.5	30.2	9.1	60.7	1.5	3.7	4.8
26-Week	11/28/2025	3.670	2.77	75.5	30.8	9.5	59.7	1.5	3.6	4.8
26-Week	12/4/2025	3.635	3.02	75.5	20.1	10.8	69.1	1.5	2.1	4.8
26-Week	12/11/2025	3.580	3.01	75.2	29.7	10.3	59.9	1.8	3.3	4.8
26-Week	12/18/2025	3.495	2.84	75.4	35.1	8.8	56.0	1.6	2.7	4.8
26-Week	12/26/2025	3.485	3.18	75.6	20.8	6.4	72.8	1.4	3.5	4.8
26-Week	1/2/2026	3.500	2.52	75.5	49.0	8.7	42.3	1.5	4.6	4.9
52-Week	10/30/2025	3.445	3.21	49.1	42.1	4.4	53.5	0.9	2.8	6.5
52-Week	11/28/2025	3.460	3.08	49.1	27.7	3.5	68.8	0.9	2.3	6.3
52-Week	12/26/2025	3.380	3.74	49.1	32.8	3.0	64.1	0.9	2.3	6.3

*Approximated using prices at settlement and includes both competitive and non-competitive awards.

Nominal Coupons & FRNs										
Issue	Settle Date	Stop Out Rate (%)*	Bid-to-Cover Ratio	Competitive Awards ($bn)	% Primary Dealer	% Direct	% Indirect	Non-Competitive Awards ($bn)	SOMA "Add Ons" ($bn)	10-Year Equivalent ($bn)**
2-Year	10/31/2025	3.504	2.59	68.5	11.6	34.8	53.7	0.5	4.0	17.5
2-Year	12/1/2025	3.489	2.68	68.7	11.2	30.7	58.1	0.3	7.9	18.1
2-Year	12/31/2025	3.499	2.54	68.7	12.7	34.1	53.2	0.3	7.4	18.2
3-Year	10/15/2025	3.576	2.66	57.8	10.7	26.6	62.7	0.2	1.1	20.9
3-Year	11/17/2025	3.579	2.85	57.7	9.7	27.3	63.0	0.3	9.0	23.8
3-Year	12/15/2025	3.614	2.64	57.7	9.0	19.0	72.0	0.3	0.0	20.2
5-Year	10/31/2025	3.625	2.38	69.9	9.3	23.9	66.8	0.1	4.0	42.1
5-Year	12/1/2025	3.562	2.41	69.8	11.0	27.6	61.4	0.2	8.0	43.5
5-Year	12/31/2025	3.747	2.35	69.9	8.8	31.7	59.5	0.1	7.5	43.4
7-Year	10/31/2025	3.790	2.46	44.0	13.1	27.8	59.0	0.0	2.5	35.6
7-Year	12/1/2025	3.781	2.46	43.9	13.1	30.3	56.7	0.1	5.0	36.7
7-Year	12/31/2025	3.930	2.51	43.9	9.3	31.6	59.0	0.1	4.7	36.6
10-Year	10/15/2025	4.117	2.48	38.9	9.1	24.1	66.8	0.1	0.7	39.7
10-Year	11/17/2025	4.074	2.43	41.9	10.5	22.6	67.0	0.1	6.5	49.9
10-Year	12/15/2025	4.175	2.55	38.9	8.8	21.0	70.2	0.1	0.0	38.9
20-Year	10/31/2025	4.506	2.73	12.9	10.0	26.3	63.6	0.1	0.7	21.6
20-Year	12/1/2025	4.706	2.41	15.9	11.4	29.1	59.5	0.1	1.8	27.8
20-Year	12/31/2025	4.798	2.67	12.9	12.6	22.2	65.2	0.1	1.4	22.5
30-Year	10/15/2025	4.734	2.38	22.0	8.7	26.9	64.5	0.0	0.4	44.0
30-Year	11/17/2025	4.694	2.29	24.9	14.5	14.5	71.0	0.1	3.9	57.2
30-Year	12/15/2025	4.773	2.36	21.9	11.2	23.5	65.4	0.1	0.0	42.1
2-Year FRN	10/31/2025	0.190	3.63	30.0	34.9	1.5	63.6	0.0	1.7	0.0
2-Year FRN	11/28/2025	0.168	3.03	28.0	33.7	0.7	65.5	0.0	0.0	0.0
2-Year FRN	12/26/2025	0.139	3.75	28.0	30.0	0.7	69.3	0.0	0.0	0.0

TIPS										
Issue	Settle Date	Stop Out Rate (%)	Bid-to-Cover Ratio	Competitive Awards ($bn)	% Primary Dealer	% Direct	% Indirect	Non-Competitive Awards ($bn)	SOMA "Add Ons" ($bn)	10-Year Equivalent ($bn)**
5-Year TIPS	10/31/2025	1.182	2.51	25.9	13.5	24.4	62.1	0.1	1.5	16.4
5-Year TIPS	12/31/2025	1.433	2.62	23.9	5.4	21.9	72.6	0.1	2.6	15.1
10-Year TIPS	11/28/2025	1.843	2.41	19.0	14.8	23.7	61.5	0.0	0.0	20.3

*FRNs are reported on discount margin basis.
**Approximated using prices at settlement and includes both competitive and non-competitive awards.
For TIPS 10-Year equivalent, a constant auction BEI is used as the inflation assumption.

Bill Purchases and the Consolidated Balance Sheet

Treasury Borrowing Advisory Committee
February 3, 2026

Charge Text:

In December 2025, the Federal Reserve began purchasing Treasury bills through open market operations in order to reinvest principal payments on its holdings of agency mortgage-backed securities as well as maintain an ample supply of reserves on an ongoing basis. Building on previous work, including the TBAC presentation from February 2020 and analyses of the effect of Federal Reserve holdings on the maturity profile and timing of rate resets for the "consolidated" balance sheet, please assess to what extent Treasury issuance plans should be affected by expected Federal Reserve purchases of Treasury securities. When evaluating its issuance mix, in what circumstances should Treasury focus on the composition of a) only privately-held Treasury securities or b) total Treasury debt outstanding (including holdings of the Federal Reserve System Open Market Account).

Contents

Executive Summary

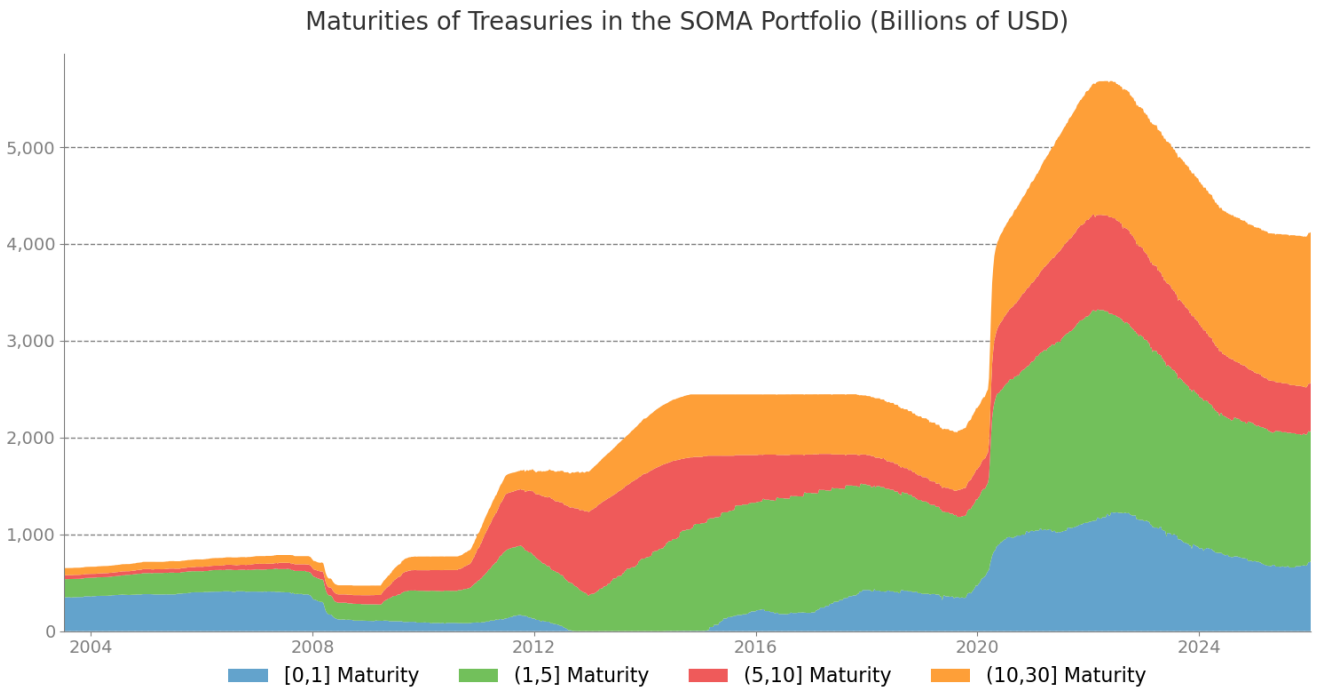
- The Treasury and the Federal Reserve have different mandates, but it is well understood that decisions made by one entity can affect the other's mandate.
- This presentation explores the evolving relationship between Federal Reserve System Open Market Account (SOMA) portfolio activity and Treasury issuance composition dynamics. In the first section, we explore the recent evolution of the SOMA portfolio.
- Federal Reserve QE purchases since 2008 have led the SOMA portfolio to sustain a longer weighted average duration (WAD) than the total stock of outstanding marketable Treasury securities (and by construction, than the WAD of privately-held Treasuries). We compare privately-held and SOMA Treasury portfolio maturity compositions.
- We revisit the concept of the U.S. government's consolidated balance sheet discussed in the TBAC presentation from February 2020, and review calculations of the total and consolidated interest rate reset risk. This is one lens through which Treasury can weigh focus on the composition of only privately-held Treasury securities versus total Treasury debt outstanding.
- The question of which measure to focus on becomes more relevant when the maturity profile of the SOMA portfolio is very different from that of the outstanding debt stock, or the difference between the two is expected to change materially.
- The Federal Reserve ended SOMA runoff in November of 2025 and has recently begun buying Treasury bills as Reserve Management Purchases (RMPs) and to replace runoff in its mortgage-backed securities portfolio.
- We illustrate two scenarios for Treasury bill issuance, taking privately-held Treasury securities composition versus total Treasury debt outstanding composition into account.
- Finally, we present an updated calibration of the optimal maturity structure model for total Treasury debt outstanding and present a stylized hypothesis of the result of running the model for the consolidated liability. We propose research to upgrade the model to examine that hypothesis.
- We conclude that Treasury should maintain a "regular and predictable" issuance strategy and take Fed balance sheet policy inflection points as opportunities to focus on the composition of only privately-held Treasury securities (and of the consolidated balance sheet) in addition to regular focus on the composition of total Treasury debt outstanding.

SOMA Portfolio Background

Policy context

- In response to the 2008 Financial Crisis, and with insight from responses to the COVID-19 pandemic and other market events, the Federal Reserve has evolved policy to a system whereby an ample supply of reserves ensures that control over the level of the federal funds rate and other short-term interest rates is exercised primarily through the setting of administered rates.
  - Interest on Reserve Balances (IORB), Reverse Repo operations (RRP), and Standing Repo operations (SRP) serve to ensure that the federal funds rate is kept within the target range set by the FOMC, and other short-term interest rates are controlled.
  - The Discount Window, the Foreign and International Monetary Authorities Repo facility (FIMA Repo), and Currency swap lines provide domestic and international liquidity.

- Before 2008, the System Open Market Account (SOMA) was slightly larger than currency in circulation and was overweight short-dated Treasury Securities.
- Today, the SOMA portfolio size is also determined by demand for reserves and other liabilities. The Fed has committed significant research, survey activity, and money market monitoring to establish estimates of the steady state demand for reserves.
- The ample reserve regime transitions to an abundant reserve regime when the Fed conducts Quantitative Easing (QE) and the SOMA portfolio grows.
- The abundant reserve regime shifts back to an ample reserve regime as the SOMA portfolio shrinks.
- Once back in a steady state, the SOMA portfolio re-grows with the demand for reserves and other liabilities.

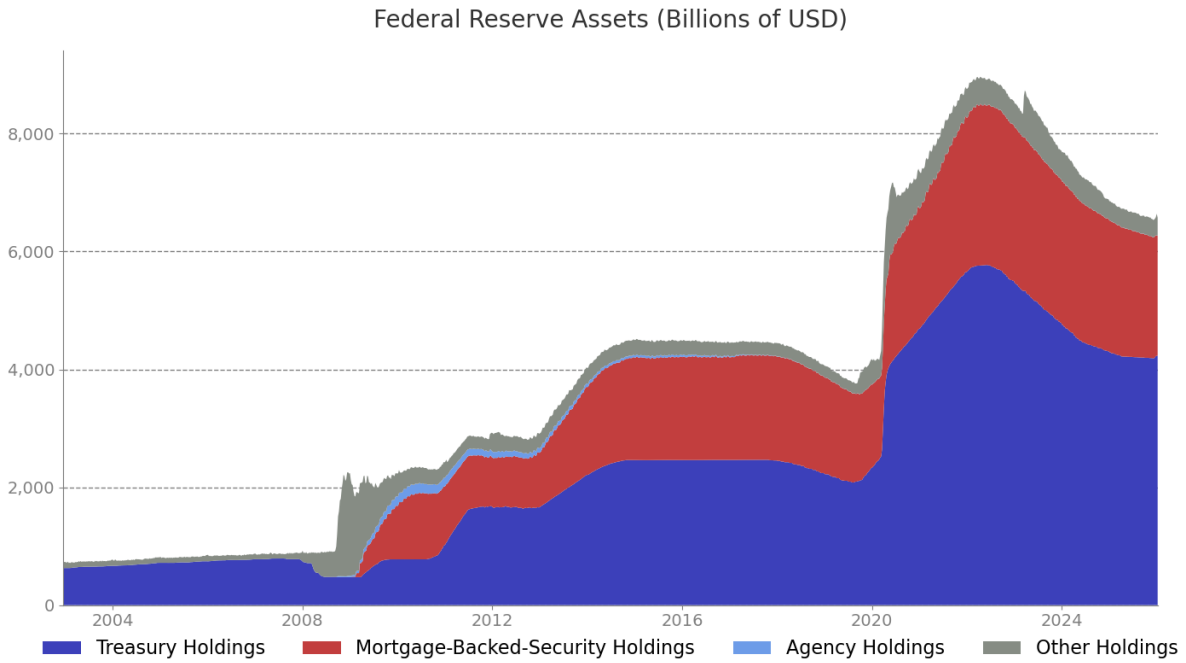


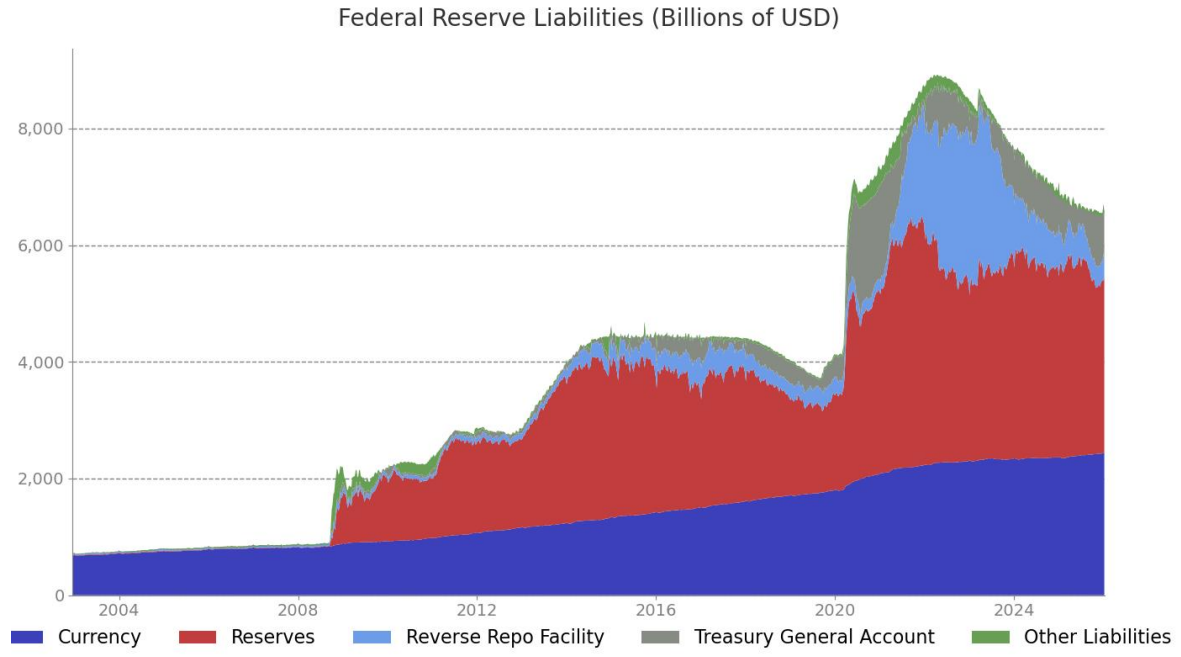
source: Soma Portfolio: https://www.newyorkfed.org/markets/soma-holdings

SOMA Portfolio Evolution

Pre-2008 to current day

- The charts below show the change in the Federal Reserve asset and liability balance in response to the combination of QE episodes and growth in the demand for reserves and other liabilities.
- Responses to the GFC, Bank regulation, ample reserve calibration, the COVID-19 pandemic, and the latest portfolio runoff are clearly visible.
- Also visible on the liability side are large changes in the TGA, which is a zero-interest liability for the Fed (and a zero-interest asset for Treasury), generally associated with debt ceiling episodes and COVID period cash management; as well as large changes in reverse repo operations associated with tightening monetary policy.



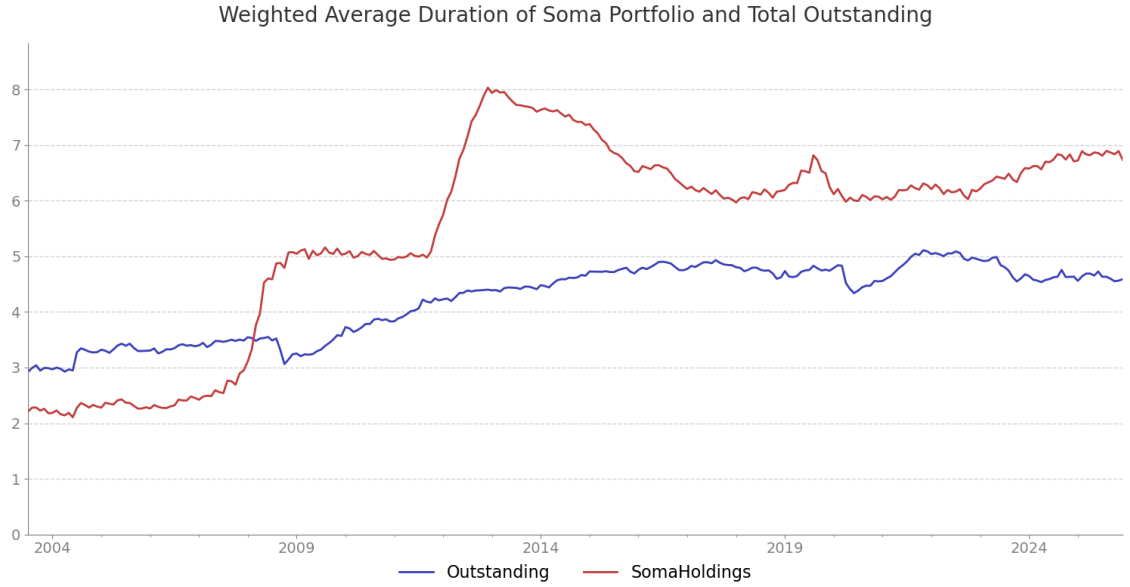


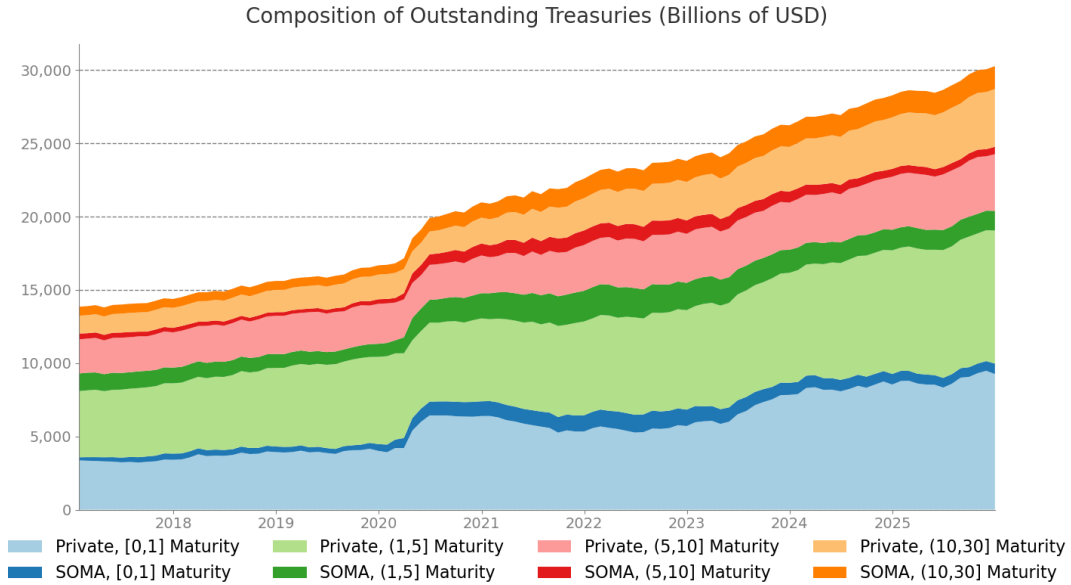
source: Federal Reserve Assets and Liabilities: https://fred.stlouisfed.org/

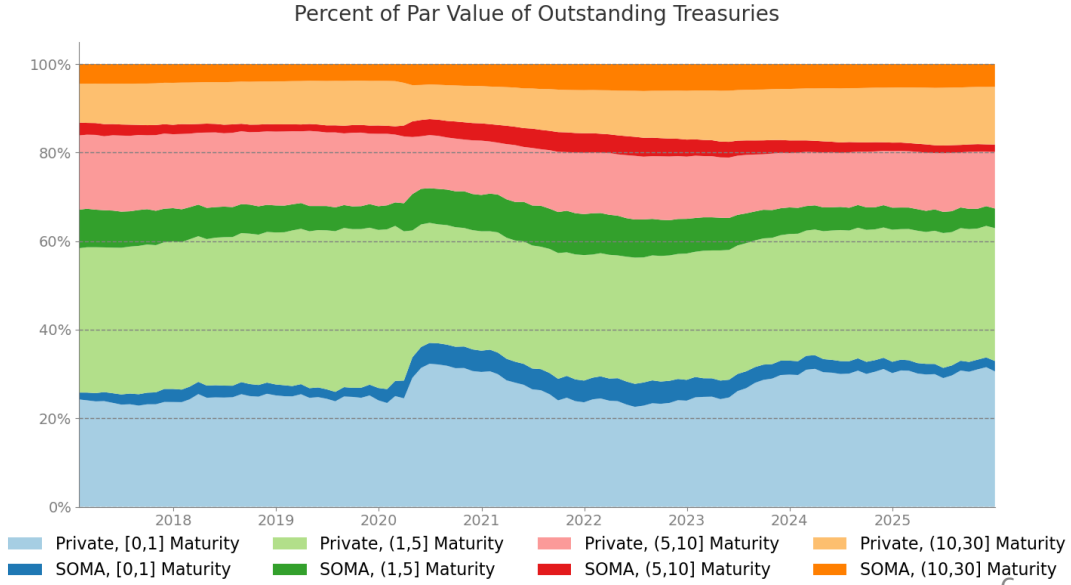
Evolution of Privately-Held and SOMA Treasuries

Composition amount and share of total

- In a steady state ample reserves framework, total SOMA portfolio size is largely determined by the public's demand for currency and the banking system's demand for reserves.
- The present composition of Treasuries held in the SOMA portfolio has evolved through the Federal Reserve's purchase program to support the economy during the GFC and COVID.
- The Fed's purchases in QE1 through 3, the Maturity Extension Program (MEP), and the COVID-19 response were substantially longer in maturity than the composition of privately-held debt.
- The SOMA portfolio has had a longer weighted average duration (WAD) than the total outstanding issuance since 2008.





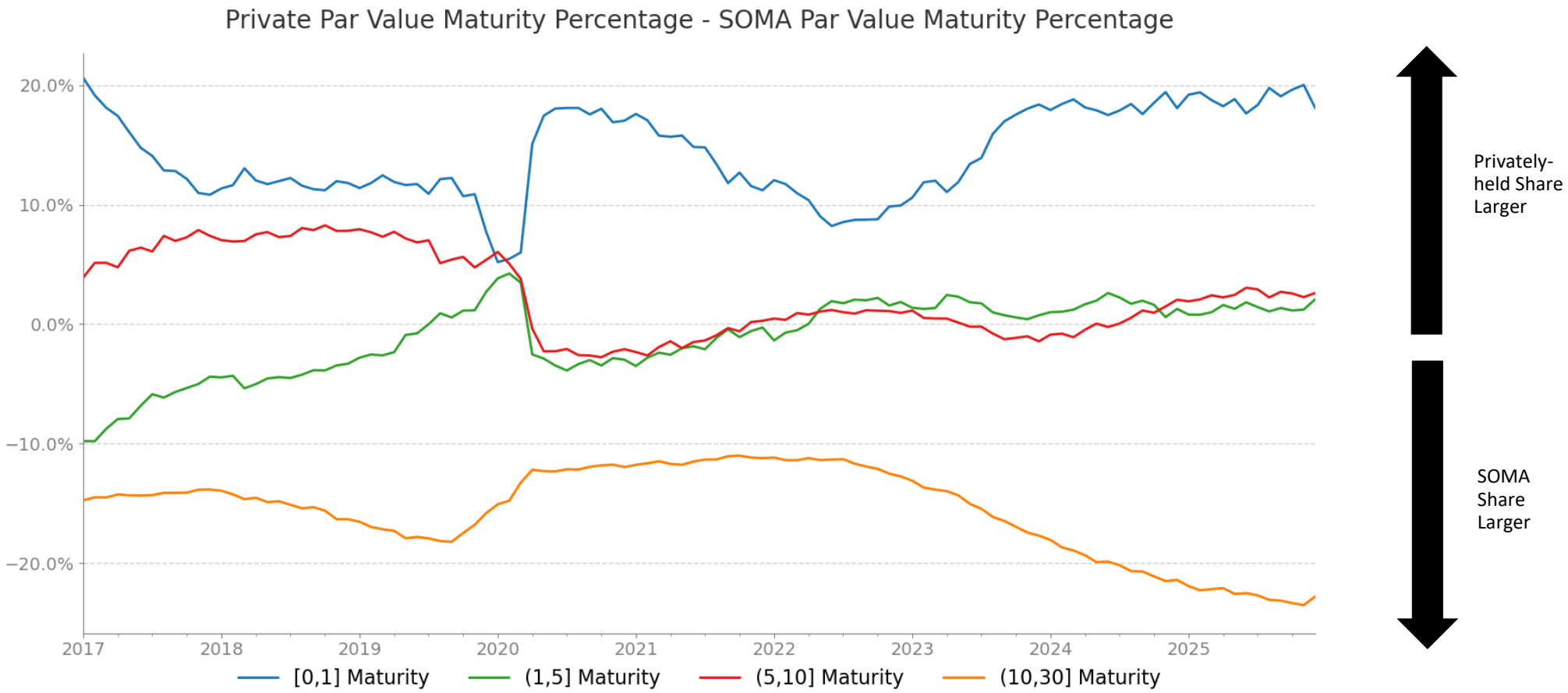


source: Soma Portfolio: https://www.newyorkfed.org/markets/soma-holdings Total Outstanding debt: https://fiscaldata.treasury.gov/datasets/monthly-statement-public-debt/.

Evolution of Privately-Held and SOMA Treasuries (cont.)

Privately-held difference to SOMA

- The chart below shows, by maturity bucket, the difference in maturity composition for privately-held Treasuries as compared to SOMA-held Treasuries.
- The most significant differences are in Bills and short coupons, and in the >10y bucket.



source: Soma Portfolio: https://www.newyorkfed.org/markets/soma-holdings Total Outstanding debt: https://fiscaldata.treasury.gov/datasets/monthly-statement-public-debt/.

The Consolidated Balance Sheet

Revisiting the basic concept from the February 2020 TBAC presentation

- The Treasury Securities held in the SOMA portfolio are offsetting liabilities of the Treasury and assets of the Fed.
- Therefore, the liability side of the government's consolidated balance sheet consists of only those Treasuries which are privately-held.
- The SOMA portfolio can be thought of on the consolidated balance sheet as converting:
  - Some Treasuries into a perpetual zero coupon liability (the component supporting currency in circulation, which pays no interest and has no obvious maturity).
  - And some Treasuries and Mortgage-Backed Securities into overnight floating interest rate bearing liabilities (the component supporting bank reserves, ON RRP, FIMA Repo, and other liabilities).
- See the below illustration of a stylized consolidated balance sheet from the February 2020 TBAC presentation.
- Whereas before the GFC, nearly all of the SOMA portfolio was held against currency in circulation, now nearly half of the SOMA portfolio (including both Treasuries and Mortgage-Backed Securities) is held against reserves and other interest-bearing liabilities.
- Furthermore, the path over the post-GFC period has had a number of inflections and transitions which present important considerations for Treasury. We will focus on this later in our presentation.

Treasury	
Assets	Liabilities
+ TGA	- Treasuries

+

Fed	
Assets	Liabilities
+ Treasuries	- Currency
+ MBS	- Reserves
+ Other	- RRP
	- TGA
	- Other

=

Consolidated	
Assets	Liabilities
+ MBS	- Privately-held Treasuries
+ Other	- Currency
	- Reserves
	- RRP
	- Other

source: Treasury Presentation to TBAC, https://home.treasury.gov/system/files/276/q12020_CombinedChargesforArchives.pdf

WANRR and WMNRR

Visualization of the interest rate reset risk of marketable Treasury related liabilities

- One important consideration is that the interest rate reset risk of the consolidated balance sheet may differ significantly from that of the total Treasury debt outstanding.
- In 2022, Treasury began including a Weighted Average Next Rate Reset (WANRR) chart and in 2024, Treasury added a Weighted Median Next Rate Reset (WMNRR)* chart in its quarterly refunding publication.
- These charts are a helpful way to visualize circumstances where Treasury might consider the composition of privately-held Treasury securities as opposed to total Treasury debt outstanding when making issuance composition decisions.
- WANRR shows three time series of weighted average next rate reset calculations:

Series	Marketable Treasuries Included	Date used for next reset in Calculation
Total	All	Stated maturity *
Private	Privately-held	Stated maturity *
Consolidated (ex-Currency and TGA)	Privately-held Portion of SOMA supporting interest-bearing liabilities	Stated maturity * Overnight

- WMNRR* shows four time series displaying the median time at which half of the portfolio experiences rate reset.
  - Three of the time series on the WMNRR chart are exactly as described above, and the additional series factors in currency in circulation and the TGA:

Additional Series	Marketable Treasuries Included	Date used for next reset in Calculation
Consolidated	Privately-held Portion of SOMA supporting interest-bearing liabilities Portion of SOMA supporting currency and TGA	Stated maturity * Overnight Infinite

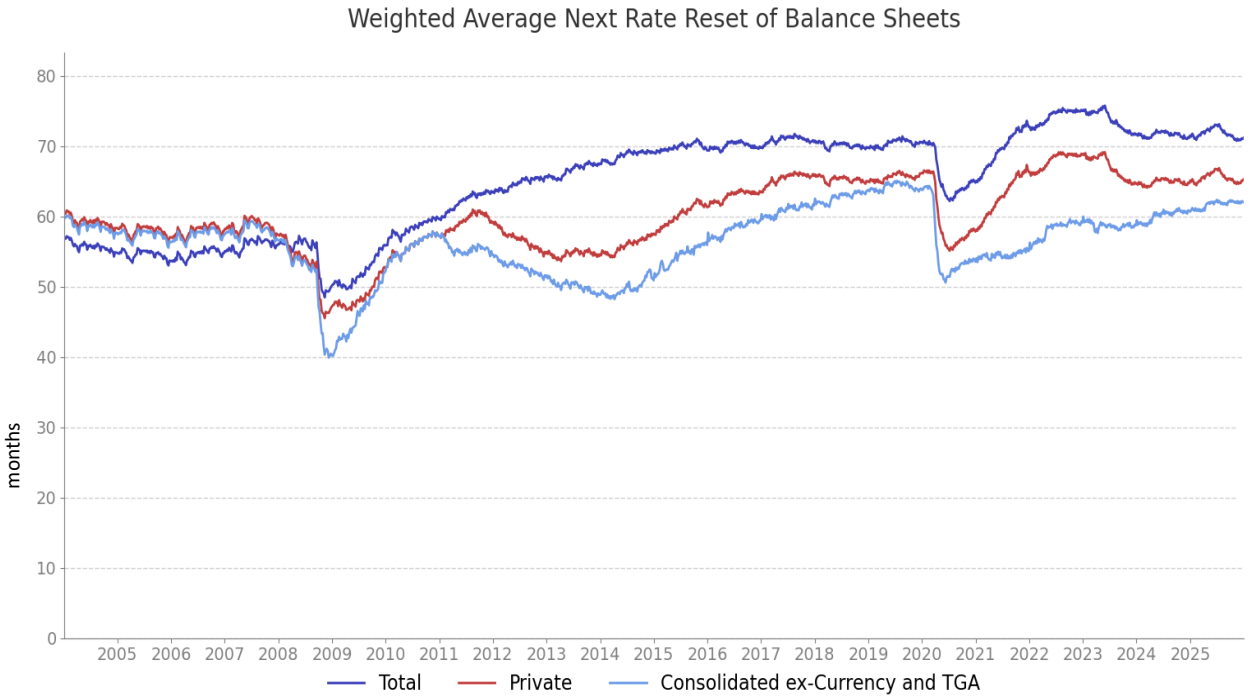
** for floating rate obligations, the shorter of the next rate reset date or maturity date is used*

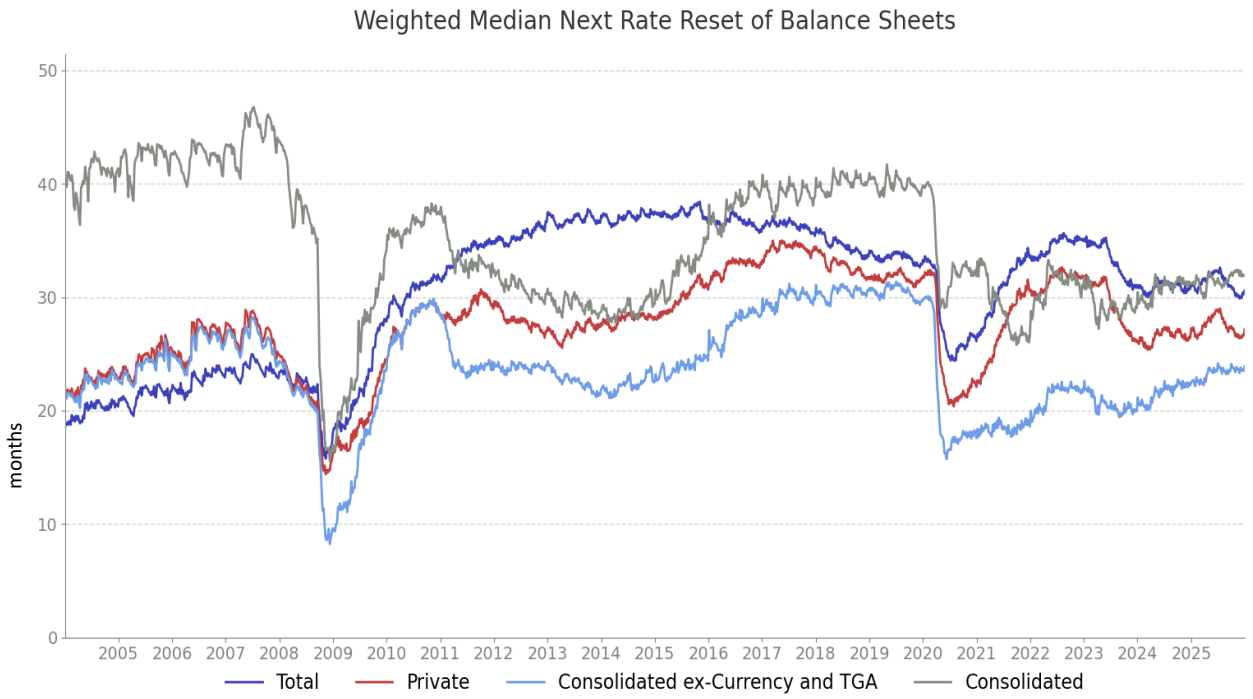
source: Treasury Refunding Archives https://home.treasury.gov/policy-issues/financing-the-government/quarterly-refunding/quarterly-refunding-archives

WANRR and WMNRR (cont.)

Visualization of the interest rate reset risk of marketable Treasury related liabilities

- WANRR is designed to answer the question: “How quickly does the net exposure to interest rates get reset on average?”
- WMNRR is designed to answer the question: “How long until half of outstanding financings experience interest rate reset?”
- The combined effects of larger Bill issuance in response to imminently increased financing needs and QE in response to crises are visible in the time series where the rate reset time measures shorten sharply in maturity.
    - These episodes may be thought of as risk-accepting future financing cost volatility to respond to rapidly changing spot financing and economic conditions.



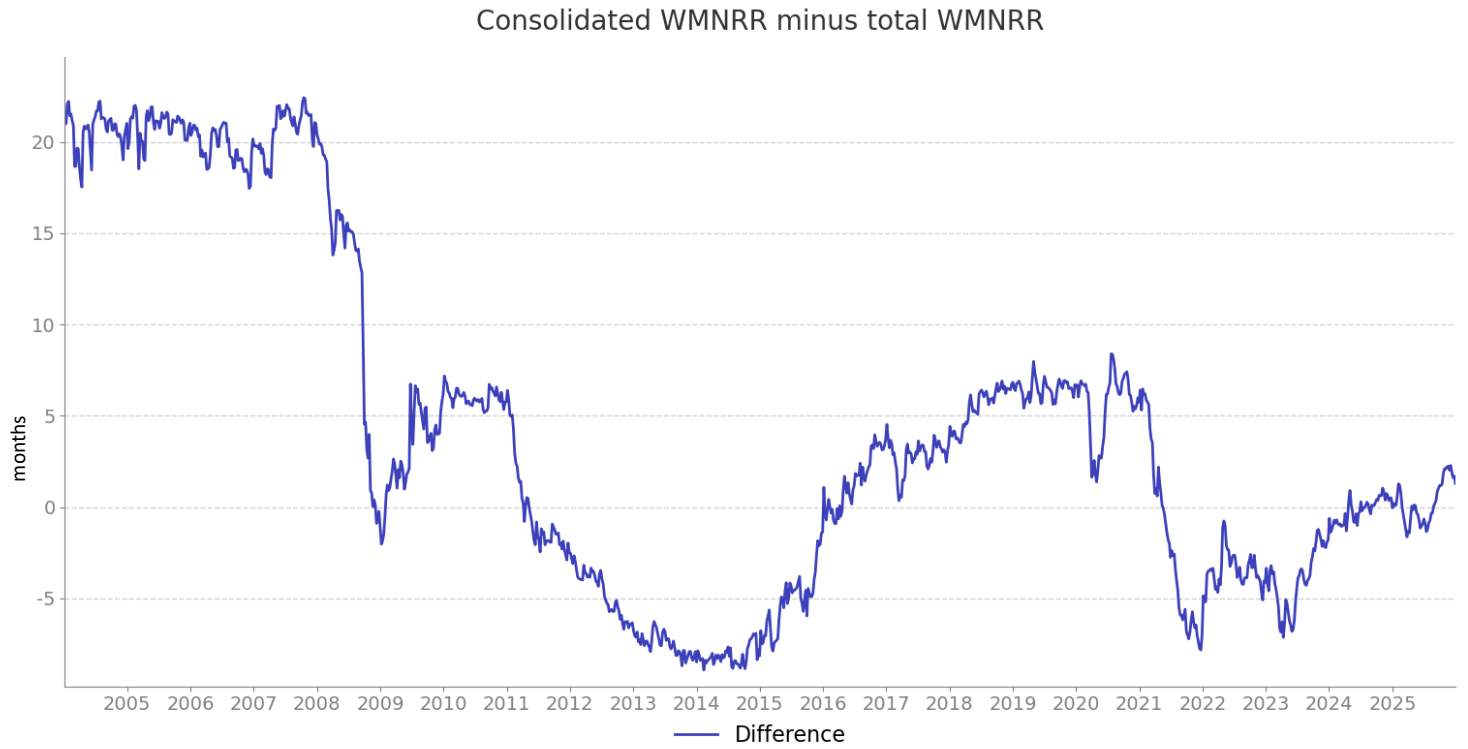


source: Soma Portfolio: https://www.newyorkfed.org/markets/soma-holdings Total Outstanding debt: https://fiscaldata.treasury.gov/datasets/monthly-statement-public-debt/. and Treasury Data https://treasurydirect.gov/

WANRR and WMNRR (cont.)

A Treasury framework for the interest rate risk of the consolidated balance sheet

- It's illustrative to take the WMNRR data and chart the difference between the Consolidated series and the Total series.
- The level of the resulting series tells us how different the interest rate reset risk is for the taxpayer on the consolidated balance sheet than it is when just analyzing the total outstanding marketable debt.
- It is particularly instructive to examine the consolidated balance sheet (and by construction also privately-held Treasuries) at times when the level of a measure like Consolidated WMNNR is significantly different from that of the total outstanding, and when the rate of change of the difference is large.
- That is to say, the question of which measure to focus on becomes more relevant when:
  - The maturity profile of the SOMA portfolio is materially different from that of the outstanding debt stock, or,
  - The difference between the two is expected to change materially.
- Case study: Fed's 2011/2012 Maturity Extension Program
  - Ahead of Operation Twist, the difference between Consolidated and Total WMNRR stood at -1 month (*consolidated = 33.4, total = 34.5).*
  - By the end of the program, the SOMA had few short-dated assets and was much longer than the market *(consolidated = 30.3, total = 36.6).*
  - During this period, Treasury extended the maturity of debt outstanding, but SOMA actions left the privately-held portfolio shorter.
    - The spread widened to as much as about -9 months as Treasury continued to extend maturity while SOMA QE3 purchases increased.



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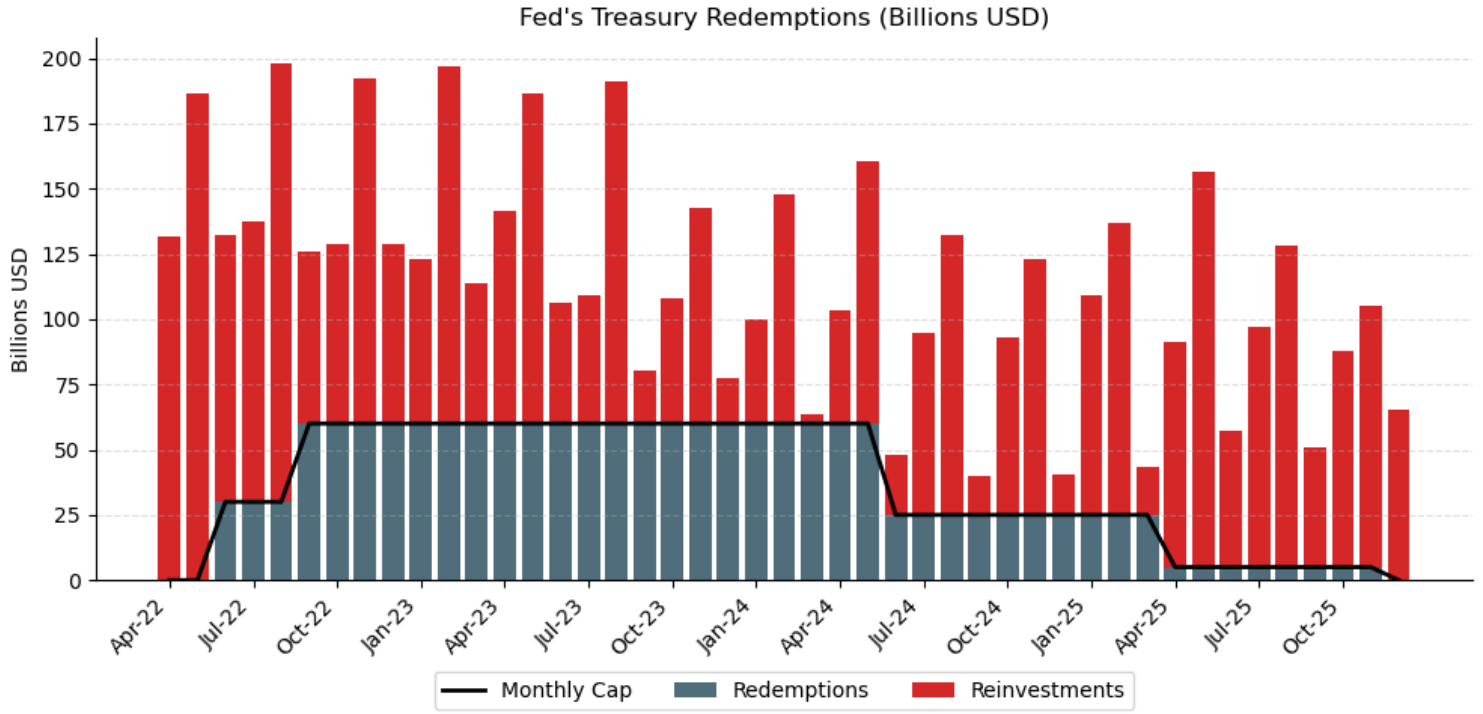
SOMA Runoff

2022 to 2025

- The Fed began allowing SOMA holdings to mature without reinvestment in June of 2022 as part of the reserve drain associated with the transition from an abundant reserves to ample reserves regime.
- SOMA runoff raises funding needs for Treasury which need to be absorbed by larger issuance to private buyers.
- As with the 2017-2019 runoff, the Fed instituted a series of redemption caps on its maturing Treasury portfolio.
- These caps served to mitigate the risk that large and short-notice shifts in Treasury issuance to private buyers would harm Treasury market functioning (and therefore the efficacy of monetary policy transmission).
- The start of SOMA runoff is a time when the composition of privately-held Treasuries has the potential to change, and by our previous assertion, a time when focusing on privately-held Treasury composition becomes more relevant.
- As the 2020 TBAC Charge noted:
  - "In theory, if Treasury could issue debt at the short end in place of SOMA run-off, that would keep the cost/risk structure of consolidated liabilities largely unchanged."
  - The portion of the SOMA portfolio supporting bank reserves can be thought of as an overnight liability on the consolidated balance sheet.
  - "In practice, rapid increases in issuance at any particular maturity or even across all maturities can put pressure on market prices and cause unfavorable outcomes for debt management."



source: Soma Holdings: https://fred.stlouisfed.org/, Reinvestments: https://home.treasury.gov/data/investor-class-auction-allotments, Runoff Caps: Various Federal Reserve Press Statements

Mechanics of current Fed market operations

Recent announcements and current considerations

- SOMA Runoff ended November 30, 2025, as announced by the FOMC at its October 2025 meeting.
  - It was also announced that the Fed would reinvest all principal payments from the Federal Reserve's holdings of agency securities into Treasury bills.
- At its December meeting, the FOMC announced that the Fed would purchase Treasury bills in the open market as follows:
  - Conduct Reserve Management Purchases (RMPs) through purchases of Treasury bills and, if needed, other Treasury securities with remaining maturities of 3 years or less to maintain an ample level of reserves.
- The portion of SOMA activity associated with MBS runoff and RMPs occurs in the secondary market, which means that if total Treasury bill net issuance were to grow by less than what the SOMA portfolio buys, privately-held bill holdings would fall.
- The FOMC maintains its reinvestment rule for maturing Treasuries:
  - It places non-competitive bids at Treasury auctions, equal in par amount to the value of holdings maturing on the issue date of the securities being auctioned, allocated proportionally to announced offering amount.
  - These reinvestments are conducted such that maturing Treasury bill proceeds are allocated proportionally to bill auctions and maturing Treasury coupon proceeds are allocated proportionally to coupon auctions.
  - Since this reinvestment of Treasury maturities occurs via proportional auction add-ons in the primary market and does not change the amount of debt held by the private sector, it is less impactful for issuance maturity composition considerations.

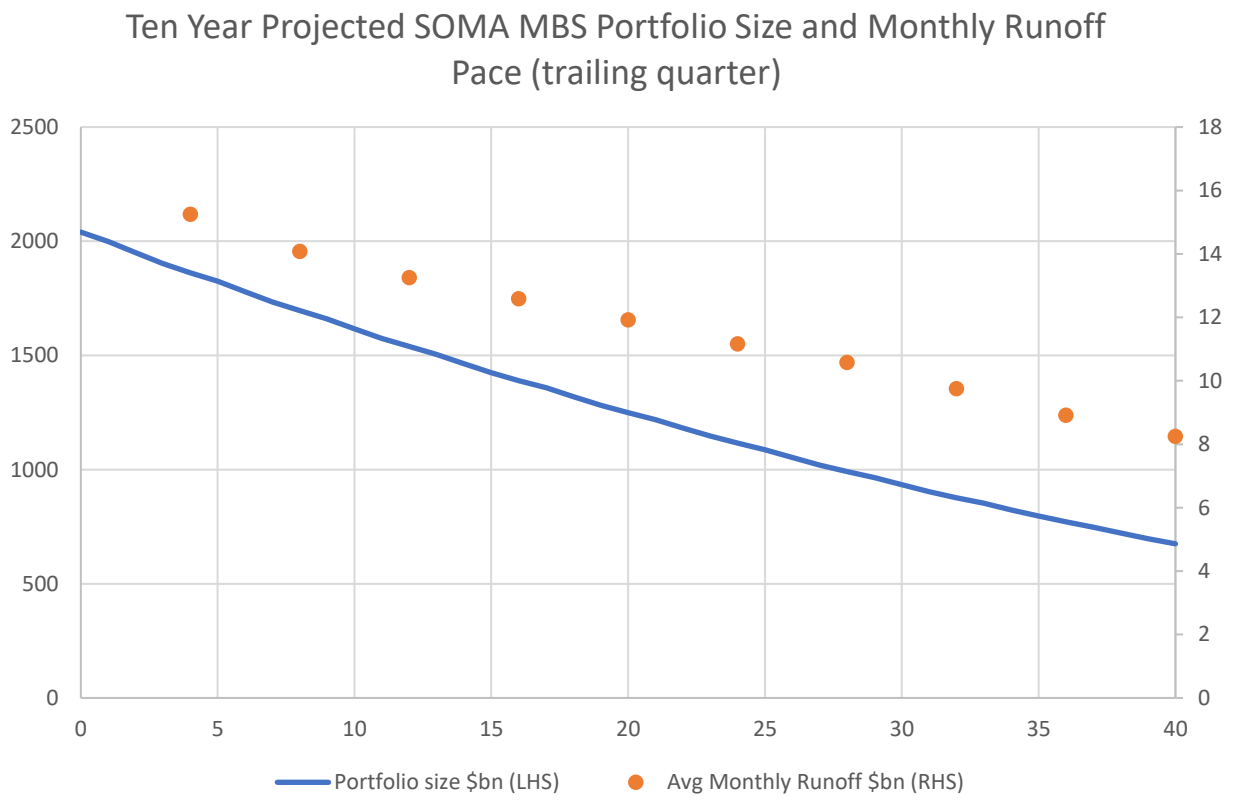
source: Federal Reserve FOMC Implementation notes https://www.federalreserve.gov/newsevents/pressreleases/monetary20251029a1.htm https://www.federalreserve.gov/newsevents/pressreleases/monetary20251210a1.htm

MBS paydowns and reserve growth

Projections affecting Treasury bill demand

- For CY 2026, we would estimate that RMPs to maintain ample reserves will total ~$360bn, and MBS paydowns will total ~$180bn, for a total of ~$540bn of Treasury bill demand in the SOMA portfolio.
  - Projections for RMP purchases come from a combination of December 2025 FRBNY and FOMC estimates (see footnote)
  - Projections for MBS runoff-related purchases come from CPR assumptions derived from the September 2024 FEDS Notes study and carried forward to the present-day SOMA MBS holdings

	Model Projection ($B)		
Month	RMPs	MBS Paydowns	Total
Jan-26	40	15	55
Feb-26	40	15	55
Mar-26	40	15	55
Apr-26	40	15	55
May-26	25	15	40
Jun-26	25	15	40
Jul-26	25	15	40
Aug-26	25	15	40
Sep-26	25	15	40
Oct-26	25	15	40
Nov-26	25	15	40
Dec-26	25	15	40



source: New York Fed statement on RMP operations https://www.newyorkfed.org//markets/opolicy/operating_policy_251210a, https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20251210.pdf and authors' calculations, https://www.federalreserve.gov/econres/notes/feds-notes/the-evolution-of-the-federal-reserves-agency-mbs-holdings-20240920.html and authors' calculations

Bill Share

Present day considerations

- This slide shows two stylized scenarios for 2026 issuance composition. It is important to note that these are meant to frame discussion and are not specific recommended issuance paths.
- In both scenarios, the SOMA portfolio grows by the $540bn in bill purchases estimated on the previous slide, and the financing need matches the median 2026 estimate of primary dealers from the November 2025 Treasury presentation to TBAC.
- In the scenario on the left, Treasury issues bills, notes/bonds, TIPS, and FRNs such that the year-end 2026 composition matches that of the 2025 year-end composition of ***total*** outstanding marketable securities.
- In the scenario on the right, Treasury issues bills, notes/bonds, TIPS, and FRNs such that the year-end 2026 composition matches that of the 2025 year-end composition of ***privately-held*** outstanding marketable securities.

Data as of Dec 31, 2025

TOTAL	$bn	
BILLS	6,547	21.6%
NOTES/BONDS	20,871	69.0%
TIPS	2,133	7.1%
FRN	700	2.3%
	30,251	

SOMA	$bn	
BILLS	234	5.7%
NOTES/BONDS	3,553	86.4%
TIPS	312	7.6%
FRN	14	0.3%
	4,113	

PRIVATE	$bn	
BILLS	6,313	24.2%
NOTES/BONDS	17,318	66.3%
TIPS	1,821	7.0%
FRN	686	2.6%
	26,138	

TOTAL	$bn
BILLS	440
NOTES/BONDS	1,403
TIPS	143
FRN	47
	2,034

SOMA	$bn
BILLS	540
	540

PRIVATE	$bn
BILLS	(100)
NOTES/BONDS	1,403
TIPS	143
FRN	47
	1,494

Projection as of Dec 31, 2026

TOTAL	$bn	
BILLS	6,987	21.6%
NOTES/BONDS	22,274	69.0%
TIPS	2,276	7.1%
FRN	747	2.3%
	32,285	

SOMA	$bn	
BILLS	774	18.8%
NOTES/BONDS	3,553	86.4%
TIPS	312	7.6%
FRN	14	0.3%
	4,653	

PRIVATE	$bn	
BILLS	6,213	22.5%
NOTES/BONDS	18,721	67.8%
TIPS	1,964	7.1%
FRN	733	2.7%
	27,632	

Data as of Dec 31, 2025

TOTAL	$bn	
BILLS	6,547	21.6%
NOTES/BONDS	20,871	69.0%
TIPS	2,133	7.1%
FRN	700	2.3%
	30,251	

SOMA	$bn	
BILLS	234	5.7%
NOTES/BONDS	3,553	86.4%
TIPS	312	7.6%
FRN	14	0.3%
	4,113	

PRIVATE	$bn	
BILLS	6,313	24.2%
NOTES/BONDS	17,318	66.3%
TIPS	1,821	7.0%
FRN	686	2.6%
	26,138	

TOTAL	$bn
BILLS	901
NOTES/BONDS	990
TIPS	104
FRN	39
	2,034

SOMA	$bn
BILLS	540
	540

PRIVATE	$bn
BILLS	361
NOTES/BONDS	990
TIPS	104
FRN	39
	1,494

Projection as of Dec 31, 2026

TOTAL	$bn	
BILLS	7,448	23.1%
NOTES/BONDS	21,861	67.7%
TIPS	2,237	6.9%
FRN	739	2.3%
	32,285	

SOMA	$bn	
BILLS	774	18.8%
NOTES/BONDS	3,553	86.4%
TIPS	312	7.6%
FRN	14	0.3%
	4,653	

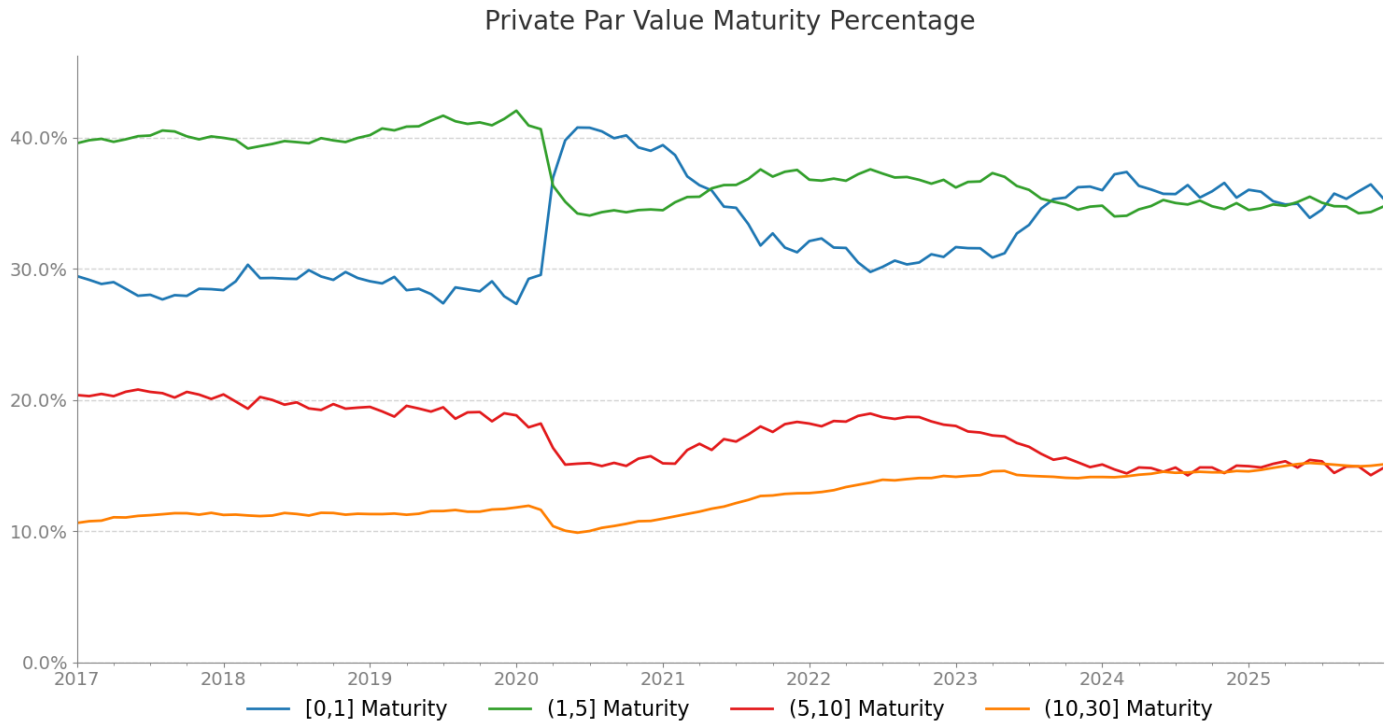
PRIVATE	$bn	
BILLS	6,674	24.2%
NOTES/BONDS	18,308	66.3%
TIPS	1,925	7.0%
FRN	725	2.6%
	27,632	

source: Nov 2025 Treasury Presentation to TBAC: https://home.treasury.gov/system/files/221/TreasuryPresentationToTBACQ42025.pdf Soma Portfolio: https://www.newyorkfed.org/markets/soma-holdings Total Outstanding debt: https://fiscaldata.treasury.gov/datasets/monthly-statement-public-debt/

Bill Share

Present day considerations

- As seen in the scenario on the right side of the previous slide, increased Treasury bill purchases in the Fed SOMA mean that even though the bill share of *total* issuance rises from 21.6% to 23.2% YoY, the share of *privately-held* debt outstanding represented by bills remains unchanged.
- The clarification that RMPs and MBS paydown reinvestments will come in the bill sector means that the duration of the SOMA portfolio is likely to continue falling and that Treasury can put significant weight on the composition of privately-held Treasuries when it determines its issuance mix in the near term.
- The share of privately-held Treasuries in the [0,1]y maturity band is currently in the middle of its recent historical range, as is the share of privately-held Treasuries in the broader [0,5]y maturity band.
- Private investor demand for bills can act as a shock absorber in the event of rapidly increased government financing needs, and so Treasury's regular monitoring of market conditions in that sector continues to be important.



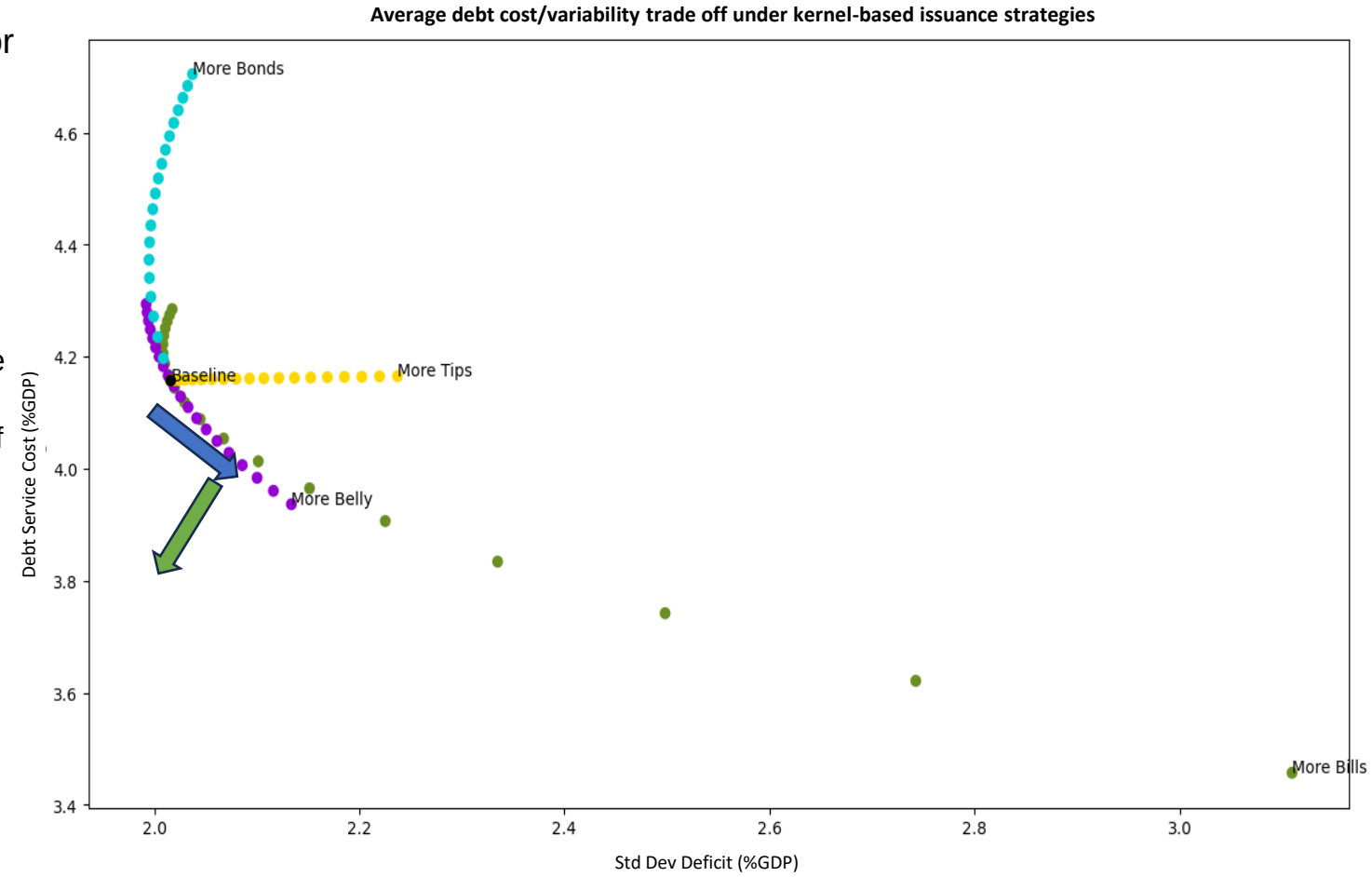
source: Soma Portfolio: https://www.newyorkfed.org/markets/soma-holdings Total Outstanding debt: https://fiscaldata.treasury.gov/datasets/monthly-statement-public-debt/.

Total and Consolidated Balance Sheet in the optimal maturity model

An update and suggestion for further study

- Zooming out to a broader conceptual lens, we also ran an updated calibration of the optimal maturity structure model.

- In the February 2020 Charge, the author ran a model calibration showing the cost vs. deficit volatility tradeoff for the Total outstanding issuance and separately for the consolidated balance sheet liability.
- When imagined in separate interest-bearing and non-interest-bearing parts,
  - the interest-bearing portion of the consolidated balance sheet is shorter in maturity than total issuance and resets to new interest rates more quickly. This effect likely shifts the baseline in the optimization down and to the right (i.e., in the direction of the stylized blue arrow).
  - the non-interest-bearing portion also shifts in the direction of lower costs but lowers volatility by virtue of the perpetual nature of currency in circulation (i.e., in the direction of the stylized green arrow).
- Innovating the optimal maturity model so that these hypothetical effects could be studied in parts and combined could prove helpful during times when the cost and risk of the consolidated balance sheet is materially different than the cost and risk of total issuance outstanding.



source: Nov 2025 Treasury Presentation to TBAC: https://home.treasury.gov/system/files/221/TBACCharge1Q42025.pdf Feb 2020 Treasury Presentation to TBAC: https://home.treasury.gov/system/files/276/q12020_CombinedChargesforArchives.pdf Public model code: https://github.com/BrookingsInstitution/Treasury-Issuance-Model and author's calculations

Conclusions

- The Treasury and Federal Reserve have distinct but interconnected mandates.
  - Yet it is well understood that actions by either party, especially policy changes with large or lasting impacts on SOMA portfolio size and composition, can impact the other's objectives and risk exposures.
- Episodes of QE have removed duration from private investors over short periods of time, opening divergence between the duration and interest rate reset risk of total Treasury issuance versus privately-held Treasury issuance.
- Fed policy inflection points are relevant times to consider the composition of privately-held Treasury securities when making issuance decisions.
  - QE that has run its policy course changes private holding composition. Treasury may find that it can make cost- and risk-efficient adjustments to its issuance mix within its “regular and predictable” framework due to resulting changes in supply and demand functions.
  - Runoff of the SOMA portfolio directly affects Treasury issuance needs, especially if it happens at a fast pace.
  - Announced changes in the maturity composition of the SOMA portfolio which are not from simple runoff and occur in the secondary market also affect the composition of privately-held Treasuries and therefore also affect supply and demand dynamics.
- The Fed recently ended SOMA runoff and announced new Treasury bill purchases to maintain reserves and reinvest MBS paydowns.
  - We illustrated two simple scenarios of compositional response in issuance.
  - In this Fed policy inflection point, it is possible to meet new demand for Treasury bills without increasing the Treasury bill share for private investors.
  - As the SOMA portfolio is shortening in duration, the rate reset risk of the consolidated liability is also decreasing. In such an environment, meeting some amount of the new Fed policy demand for Treasury bills is a reasonable strategy.
  - Private investor demand for bills acts as a shock absorber in times of increased government financing needs, making ongoing monitoring of supply and demand in the bill sector important.
- In updating the optimal maturity model, and in imagining the effect of the shorter duration mix of privately-held Treasuries and floating rate overnight liabilities on the consolidated balance sheet, we would agree with the conclusion from the November 2025 TBAC charge that increases in shorter-maturity coupon issuance relative to bills could decrease volatility in adverse scenarios without much increase in expected costs.
- While we discussed times when it is helpful for Treasury to take the composition of only privately-held Treasuries into account, focusing on the composition of total Treasury debt outstanding and of current total issuance is also important. Doing so serves to maintain medium and long-term composition expectations within the regular and predictable framework, especially during periods when the SOMA portfolio size and composition are not actively changing.

source: Nov 2025 Treasury Presentation to TBAC: https://home.treasury.gov/system/files/221/TBACCharge1Q42025.pdf

Trends in demand for US Treasury securities

Treasury Borrowing Advisory Committee
February 2026

***Investor Trends**: Please discuss recent developments in investor demand for Treasury securities. How do you expect structural demand for different Treasury products and tenors to evolve over the next several years? What are the most promising sources of potential additional demand (either from new investors or additional demand from existing investors)? What factors are most important in affecting demand from different investor types?*

Executive Summary

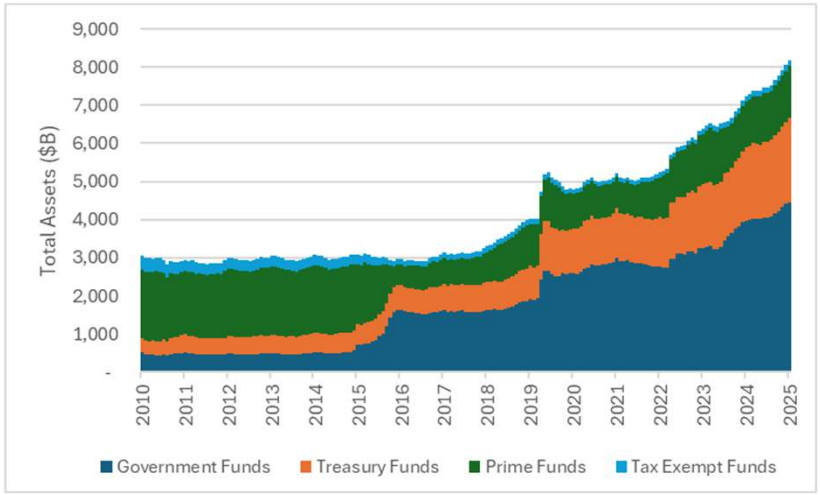
- Since mid-2022, Treasury demand has shifted from the Federal Reserve due to runoff from the System Open Market Account (SOMA) portfolio through quantitative tightening (QT) to a multitude of investors including money market funds, mutual funds, ETFs, banks, and broker dealers
- We see several structural shifts that will impact the demand for Treasuries both overall, and across the yield curve
  - Move from Residential Mortgage-Backed Securities (RMBS) into Treasuries in Fed SOMA holdings
  - Trends in pensions structure and retirement
  - Private share of total foreign investors demand now exceeds public sources
  - Potential increase in the use of stablecoin
- Investors hold Treasuries in their portfolios to achieve core objectives
  - Factors that influence allocations include high liquidity, fulfilling collateral needs, duration management, diversification benefits, gaining US fixed income market exposure, and central bank reserve management
  - Relative value considerations become more important once core objectives are met
  - Improving the utility of Treasuries along these objectives will support demand across the range of US Treasury investors

Recent developments in investor demand for Treasury securities

US Treasury investor profile

- With continued QT throughout much of 2025, the Fed Balance Sheet shrank accordingly
- Money market fund assets have grown significantly since 2023
- Banks, Insurance, Pensions, ETFs, and Broker/Dealers all had moderate increases in their Treasury portfolio allocations

Money market fund growth by fund type



Source: SEC

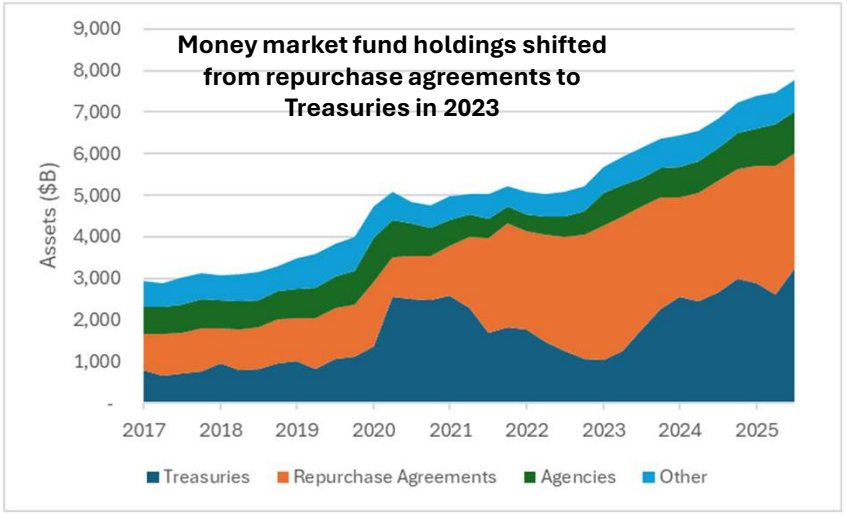
	Treasury Holdings $B	Treasury Market %	2yr Net Treasury Growth[1]
Foreign	9,269	33%	0%
Federal Reserve	3,831	14%	-18%
Money Market	3,232	12%	24%
Household	2,961	11%	1%
Banks	1,940	7%	5%
Mutual Funds	1,576	6%	-2%
State & Local	1,572	6%	-3%
Pensions	590	2%	4%
ETF	676	2%	9%
Insurance	658	2%	13%
Broker/Dealer	493	2%	14%
GSE	255	1%	19%

[1] Net growth is gross CAGR of Treasury holdings less the CAGR of the entire Treasury market for that time period

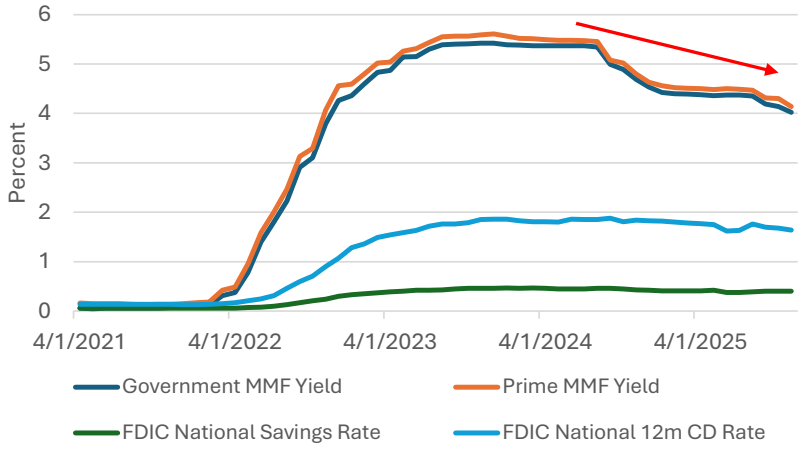
Source: Federal Reserve as of 9/30/2025, Presenter's calculations

Money market funds contribute significant short-end demand

- Growth is expected to moderate following the rapid expansion from 2022 to 2025
  - Factors contributing to recent significant growth in money market fund assets
    - Spread differential between money market rates and bank deposit rates
    - Inverted yield curve encouraged short tenor investments
  - Recent Fed rate easing can potentially slow or reverse these trends, though this has not yet materialized
- Will continue to be a very large component of overall T-bill demand in the future



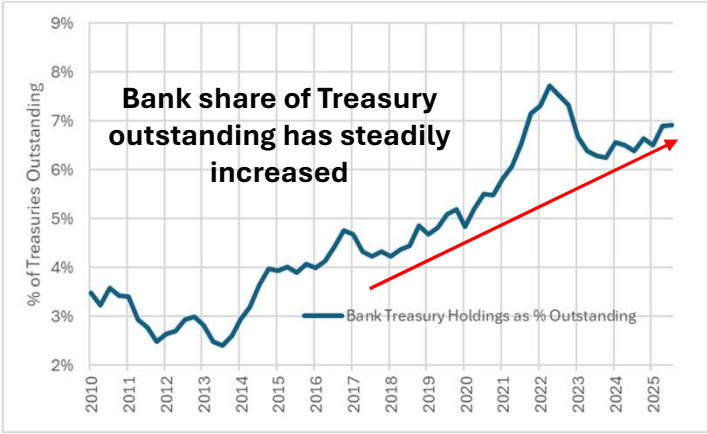
Source: Federal Reserve



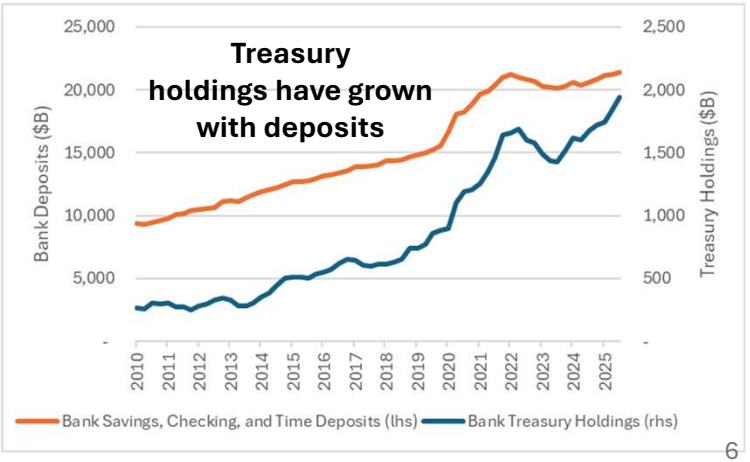
Source: SEC, FDIC

Conditions support Bank demand

- Banks' Treasury holdings have grown alongside deposits
- Conditions favor future bank deposit growth, suggesting this may continue
    - With the end of QT and the start of Fed Reserve Management Purchases (RMP), stability in reserves assists future potential bank deposit growth
    - Fed easing creates compression between money market and bank deposit rates
- Regulatory efforts from a finalized eSLR Rule and GSIB reform are positive factors to give Banks increased future flexibility to hold Treasuries
- In an ample reserve regime where Standing Repurchase Agreement (SRP) operations are intended to support the implementation of monetary policy, Treasuries may be increasingly attractive as a liquidity management tool
- This supports demand for both short-end and intermediate Treasuries



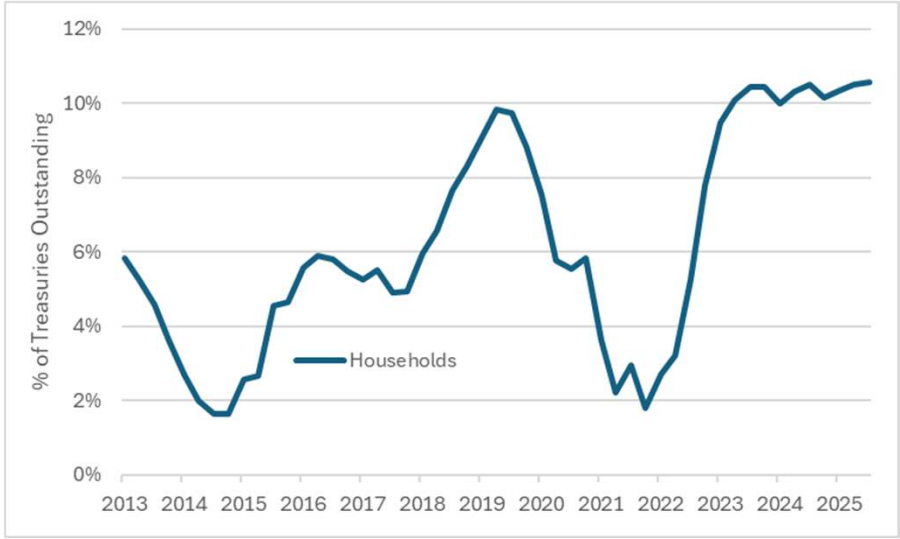
Source: Federal Reserve, Presenter Calculations



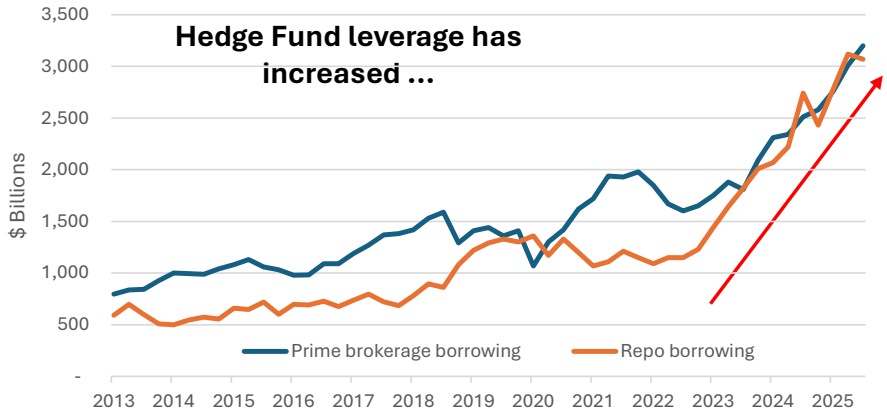
Source: Federal Reserve, Presenter Calculations

Household Treasury allocations supported by increased leverage

- Households (inclusive of Hedge Funds) share of Treasury issuance has remained steady since 2023
- Hedge Fund leverage has increased, both through repo and through prime brokerage, suggesting significant growth in the Treasury-Futures basis trade ("basis trade") and other relative value strategies
- As reflected in TBAC's previous work, this likely reflects use of futures by asset managers amidst continued growth in assets under management



Source: Federal Reserve

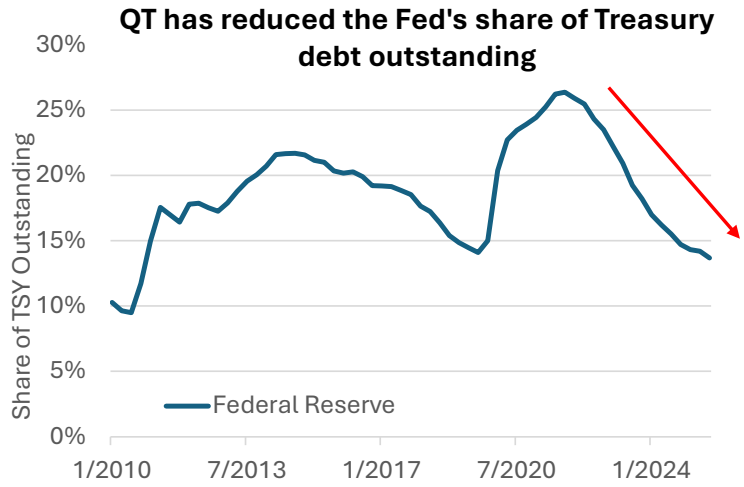


Source: Office of Financial Research

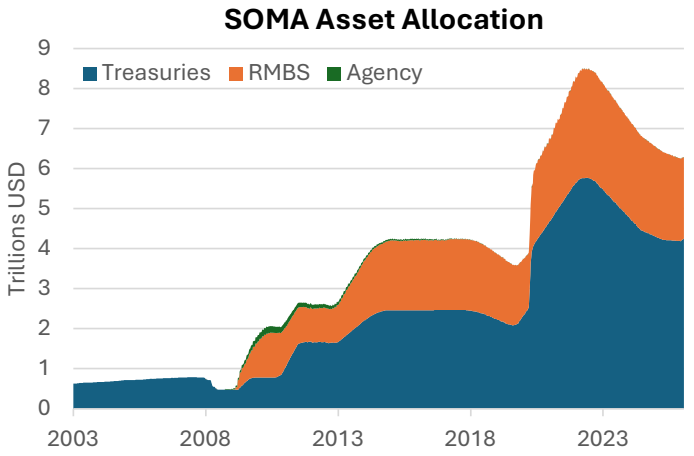
Structural shifts in US Treasury demand

Federal Reserve SOMA shifts

- As a result of QT, the Federal Reserve's percentage ownership of Treasury securities has fallen from a peak of 26% in 2021 to 14% currently
- The end of QT and T-bill purchases in the form of RMPs will stabilize this percentage near term
- Reinvesting RMBS runoff will add approximately $150-200bn/year of incremental US Treasury demand
- Current Fed SOMA T-bill percentage of 4% is significantly below the T-bill share of marketable outstanding debt
- These shifts support short-end Treasury issuance



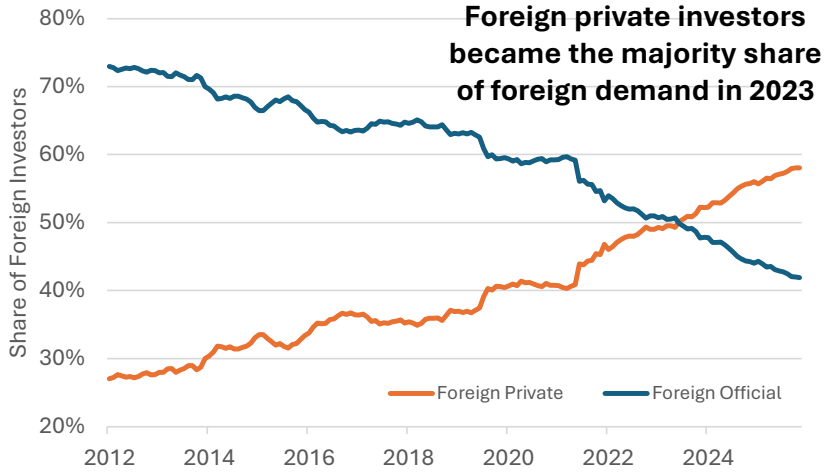
Source: Federal Reserve



Source: Federal Reserve

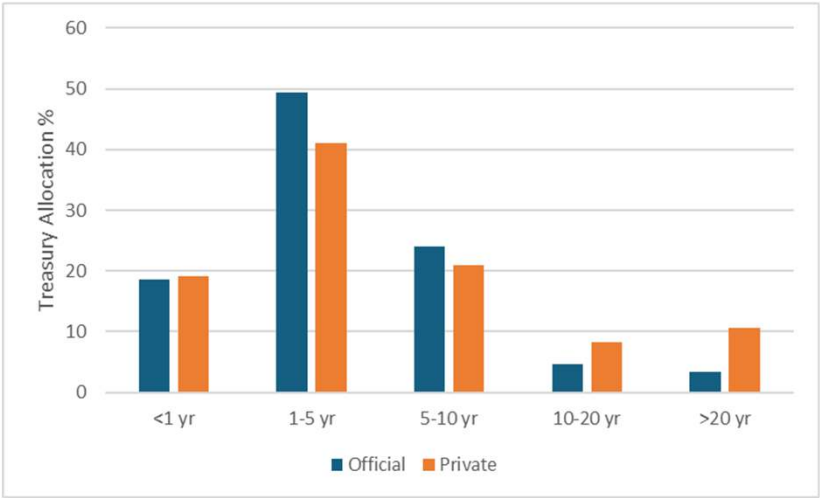
Foreign demand shifting to private sector buyers

- Foreign private investors now account for the majority of foreign Treasury demand
- Since 2023, foreign private investor holdings increased $1.3 trillion while official sector increased $0.1 trillion
- Private investor Treasury allocations favor more long end maturities

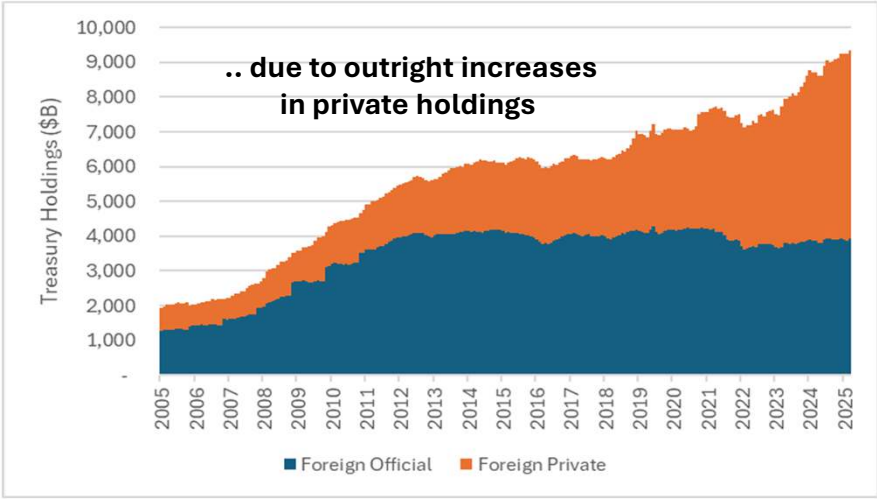


Source: US Treasury, Presenter calculations

Foreign private vs official sector Treasury maturity profile



Source: US Treasury, Presenter calculations

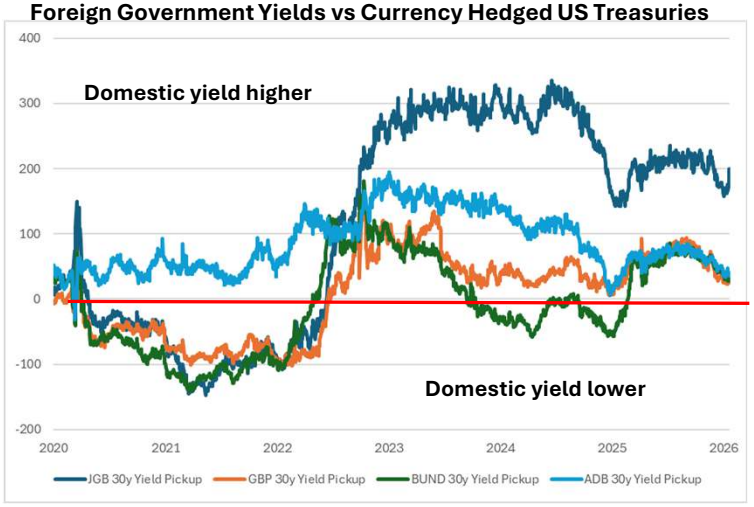


Source: US Treasury

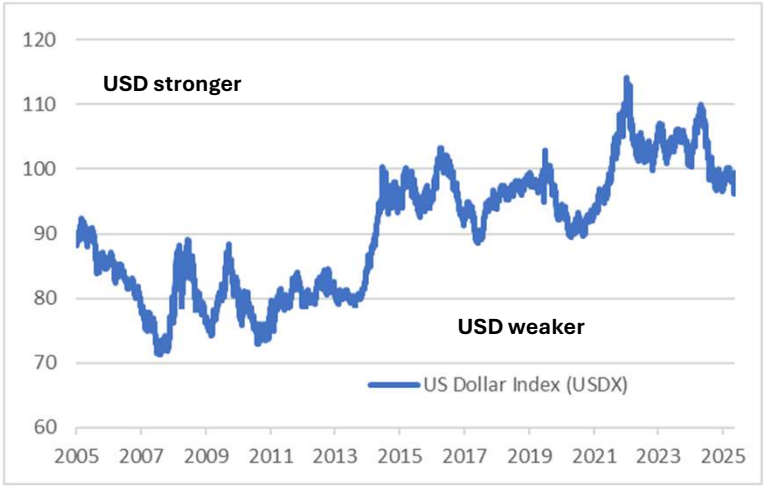
Foreign demand shifting to private sector buyers

- Foreign private investors can be more price sensitive than official sectors who primarily use Treasuries for reserve management purposes
- Currency hedging costs are a relative value consideration for certain foreign private investors
  - Some domestic sovereign alternatives offer higher yields than US Treasuries on a currency hedged basis
  - Foreign private holdings have increased despite this
  - Potential USD volatility could increase currency hedging needs
- Volatility of international long-end bonds has recently increased, partially due to concerns over growing fiscal deficits internationally, potentially leading to decreased future demand

Foreign Government Yields vs Currency Hedged US Treasuries



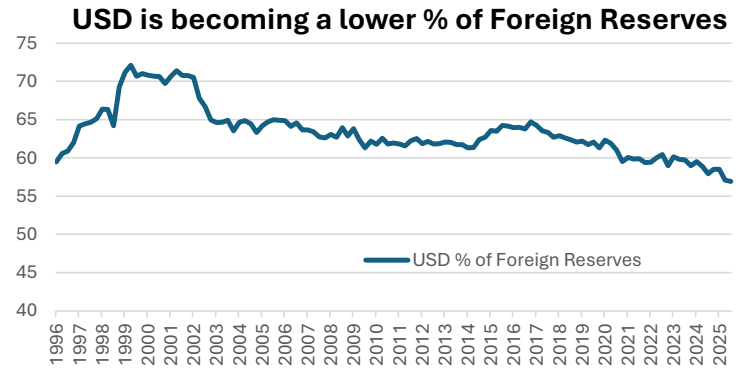
Source: Bloomberg, Presenter calculations



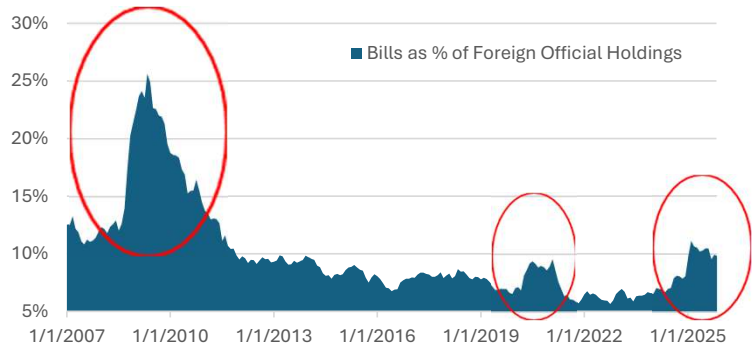
Source: Bloomberg

Foreign official sources are diversifying reserves

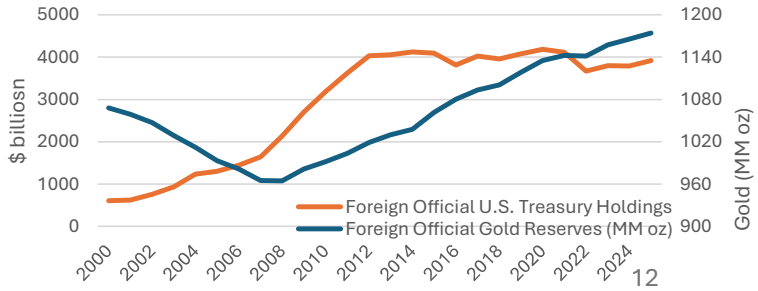
- The US dollar's share of global FX reserves has been gradually declining
- Reserve composition – foreign central banks continue to add gold, potentially displacing Treasury debt
- Foreign central banks shifted their holdings of T-bills during the GFC and COVID. Recently seen an increase in official sector T-bill allocation
- Heightened geopolitical risk may be increasing the trend to diversifying reserves



Source: Bloomberg, IMF



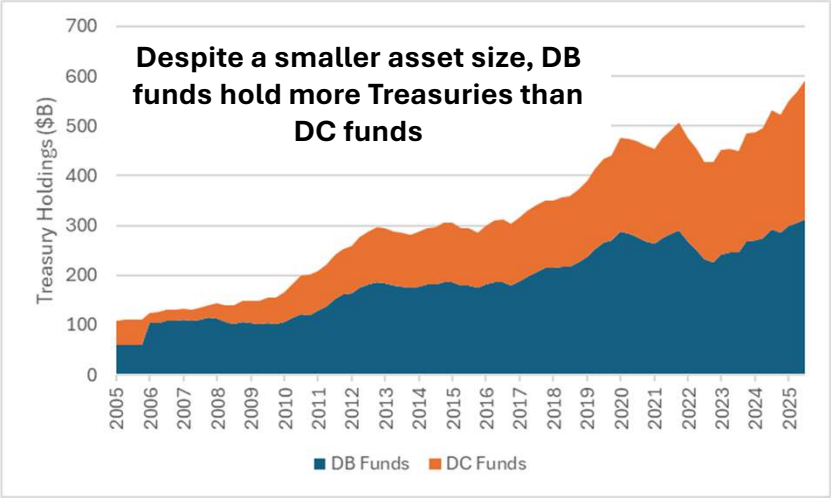
Source: US Treasury



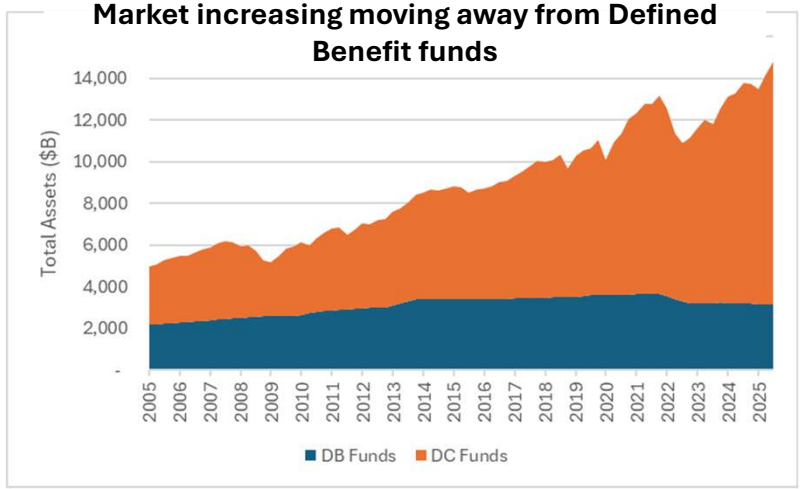
Source: Bloomberg, IMF, US Treasury

Pensions shifting away from defined benefit programs

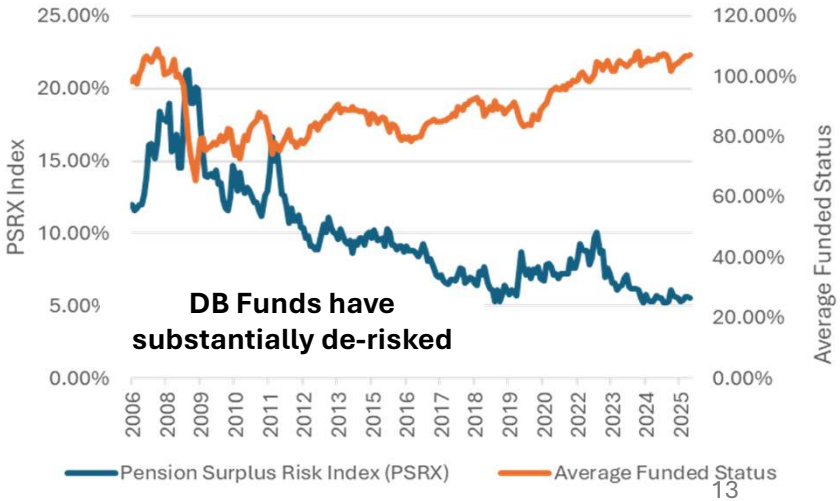
- Growth in private pensions has been substantially in the form of Defined Contribution (DC) funds, rather than Defined Benefit (DB) funds
- Private DB pension funding ratios moved above 100% in 2022, encouraging de-risking activity
- Industry data measuring the risk of DB pension surplus suggests that this de-risking activity has been largely completed, potentially reducing future demand



Source: Federal Reserve



Source: Federal Reserve

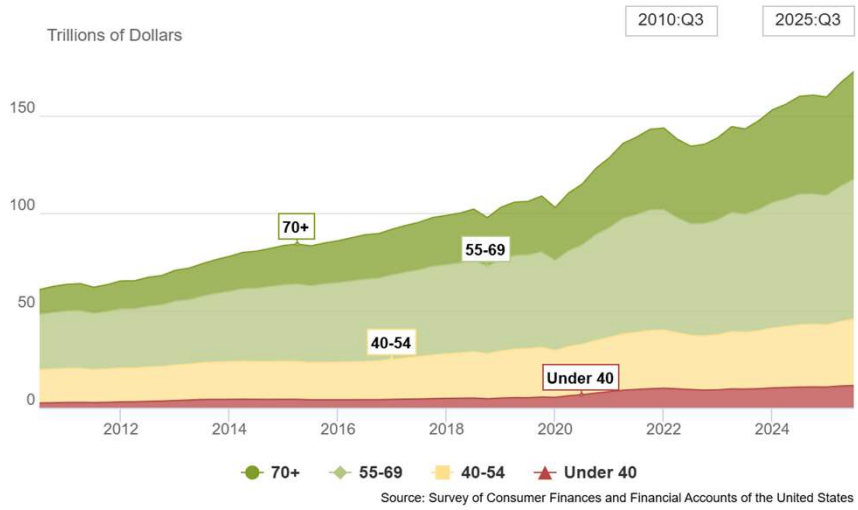


Source: NISA

Demographic support for Treasuries

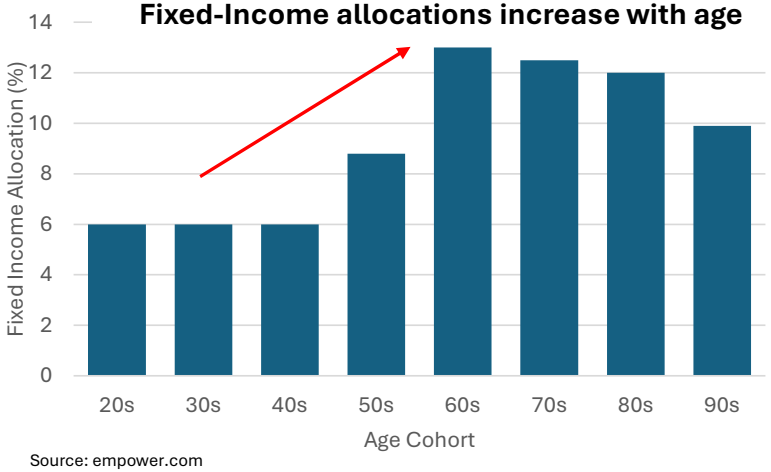
- Household wealth is increasingly concentrated in higher-age cohorts
- As people age, there is a natural movement to higher fixed-income allocations. This is particularly pronounced as people start to enter retirement
- This has the potential to create additional marginal demand for Treasuries through multiple avenues including:
  - Insurers through annuity products
  - Higher fixed-income allocations in DC funds
  - Higher contributions to fixed-income mutual funds and ETFs including target date funds
- Increasing demand from current pay retirees benefits long-run demand for intermediate Treasuries

Higher percentage of wealth in older cohorts…



Source: Survey of Consumer Finances and Financial Accounts of the United States

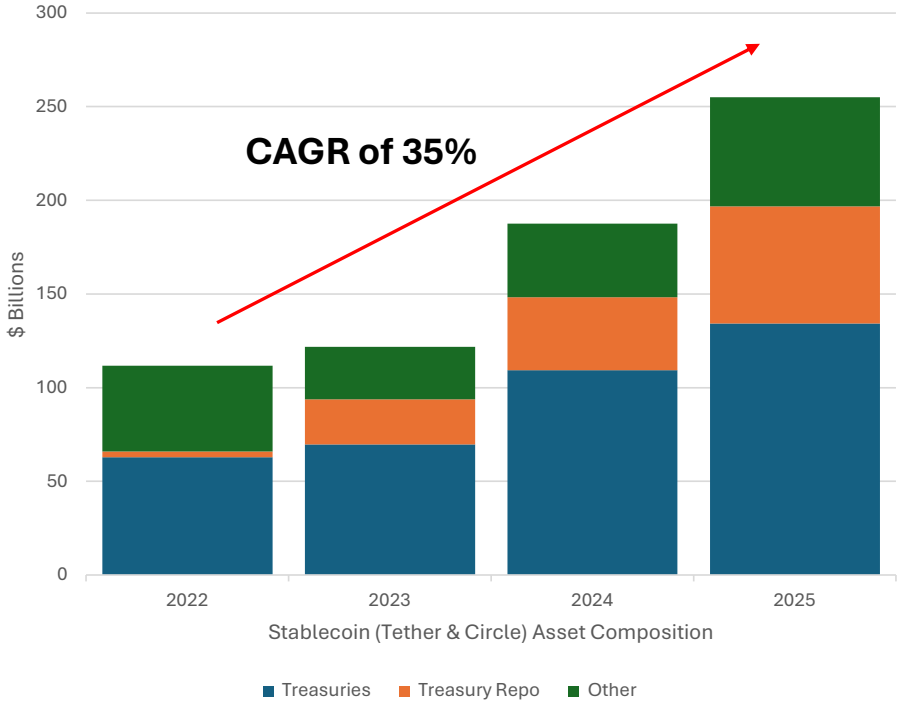
Fixed-Income allocations increase with age



Source: empower.com

Stablecoin footprint increasing…

- Stablecoins have the potential to increase demand for short-end Treasury issuance should stablecoin growth be driven by new offshore demand currently not in USD
- Stablecoin issuers currently hold <1% of Treasuries outstanding
- Major stablecoin issuers (Tether & Circle)
  - T-bills constitute 53% of assets
  - $70B increase in T-bill holdings since 2022
- Regulatory changes, including the passage of the GENIUS Act, may also contribute to significant future stablecoin issuance, creating demand for both Treasuries and Treasury Repo



Source: Tether and Circle Financials, Presenters Calculations. 2025 data as of 9/30/2025

Factors influencing demand for US Treasuries

US Treasury security utility & relative value

- Because of the unique status of the USD as the world's reserve currency and the low risk / high liquidity nature of Treasury securities, Treasuries are resilient against crowding out effects
- Maintaining or increasing Treasury utility is a key factor across all investor types. Factors include liquidity, collateral usage, duration management, fixed income market exposure, diversification benefits, and central bank reserve management
- Once those core needs are met, increasing Treasury allocations becomes more dependent on relative value considerations with the overall shift in the buyer base towards more price sensitive investors. For example:
    - Money market funds consider T-bill spreads vs an array of short-term instruments
    - Banks consider asset swap spreads against short term instruments, and RMBS product
    - Foreign private investors look at Treasuries vs domestic alternatives
    - Hedge funds will consider a multitude of relative value factors when determining Treasury positioning either outright, through curve positions, volatility strategies, or basis positions

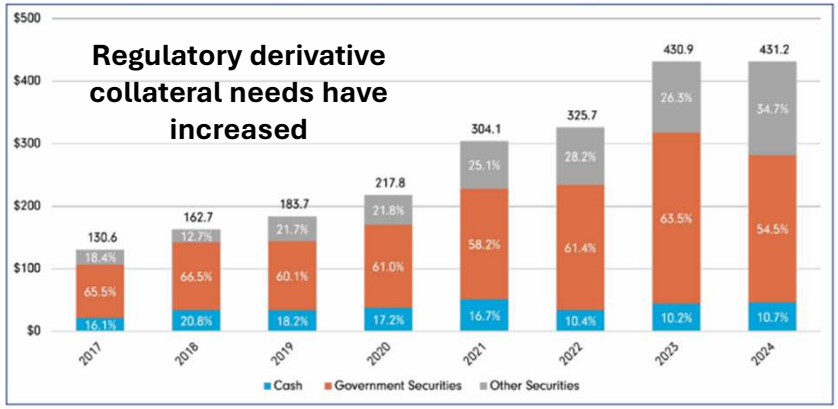
Recent initiatives support strong Treasury market liquidity

- Investors hold US Treasuries in large part due to their high liquidity through different market environments
- Since 2008, the number of primary dealers has steadily grown from 17 to the current 26, broadening distribution channels and diversifying auction demand
- The Treasury buyback program contributes to market functioning in the off-the-run sector
- Current regulatory efforts will benefit Treasury market functionality and liquidity
    - Modifications to the eSLR & GSIB will allow Banks greater capacity to intermediate a growing expected stock of Treasury issuance
    - Treasury clearing will add counterparty certainty during times of market stress and potentially create balance sheet netting benefits. How added transaction costs may impact liquidity and bid-offer under normal markets warrants monitoring

Treasuries serve a key role as collateral

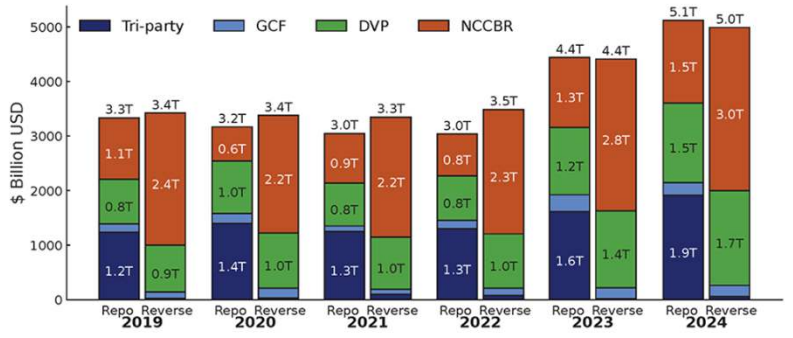
- Due to their wide acceptance as collateral for both repurchase agreements and derivatives, growth in these areas helps support demand for Treasuries
- Regulatory changes in the derivatives market after the GFC increased initial margin collateralization requirements for derivative transactions
- Efforts to tokenize collateral have the potential to increase the usage of non-cash collateral, including Treasuries, in the derivative markets
- Repo market has seen significant growth since 2017, including in the non-centrally cleared bilateral repo (NCCBR) segment
- Repo clearing and the expansion of sponsored repo will assist market functionality

Chart 7: Composition of Regulatory IM and IA Received (US$ billions)



Source: ISDA

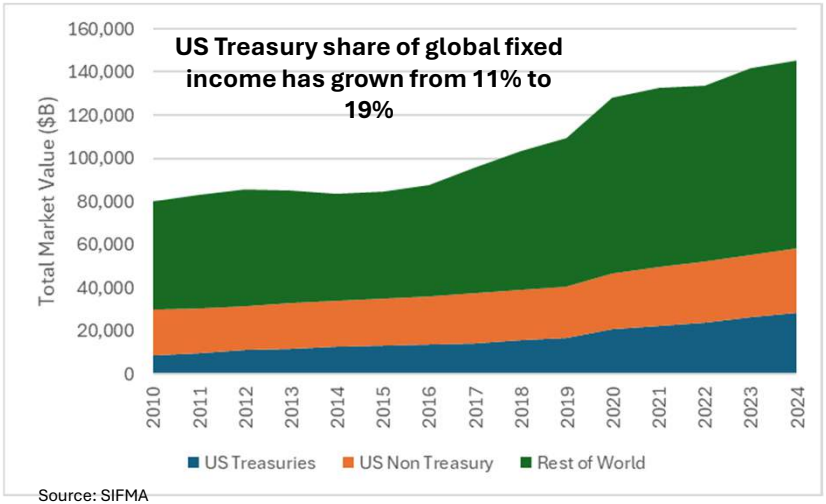
Figure 2. Total U.S. bank and dealer repo and reverse-repo by segment



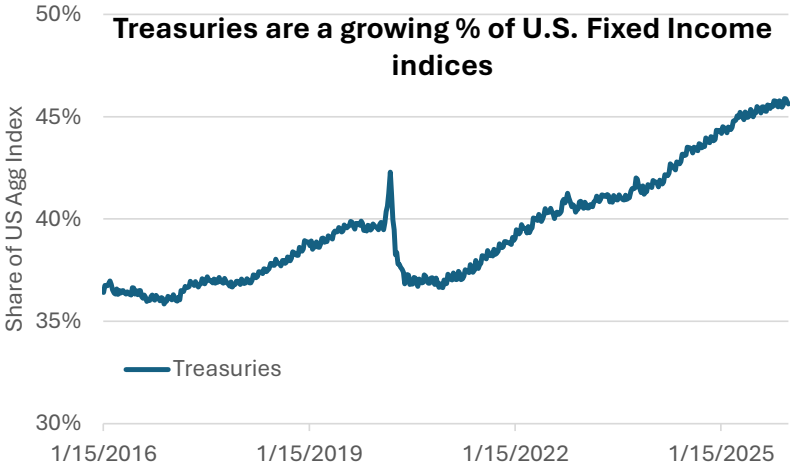
Note: Ket identifies in order from bottom to top. Volumes are gross repo and reverse repo before netting out inter-dealer repo. Appendix Table 1 provides the same data as Figure 2 but in table form, since some of the segments in Figure 2 are too small for a label.
Sources: SEC Form X-17A-5, SEC Form 10-K, OFR Cleared Repo Collection, Federal Reserve Tri-party Repo Data.
Accessible version

Growth in index funds supports Treasury demand

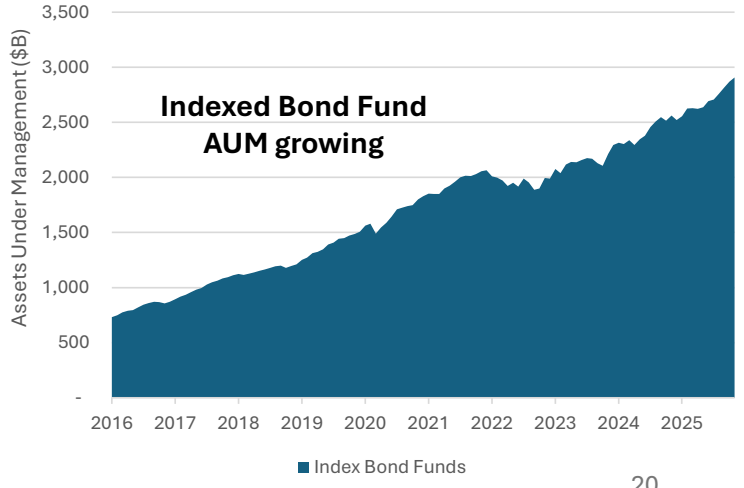
- US Treasuries have become an increasingly large segment of the US and global fixed-Income market
- Within US fixed income, Treasuries are now 46% of the Bloomberg US Aggregate Index. Also, investors have increased their usage of indexed fixed income funds
- Higher index weightings generates increased marginal demand for US Treasuries across the yield curve as investors seek fixed income exposure



Source: SIFMA



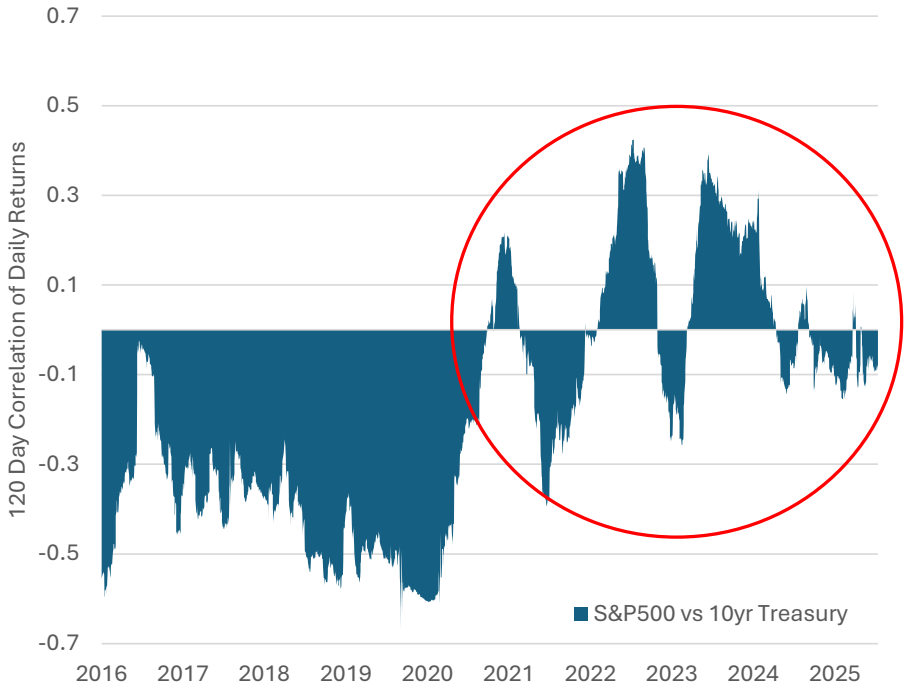
Source: Bloomberg



Source: Investment Company Institute

Treasuries as a portfolio diversification tool

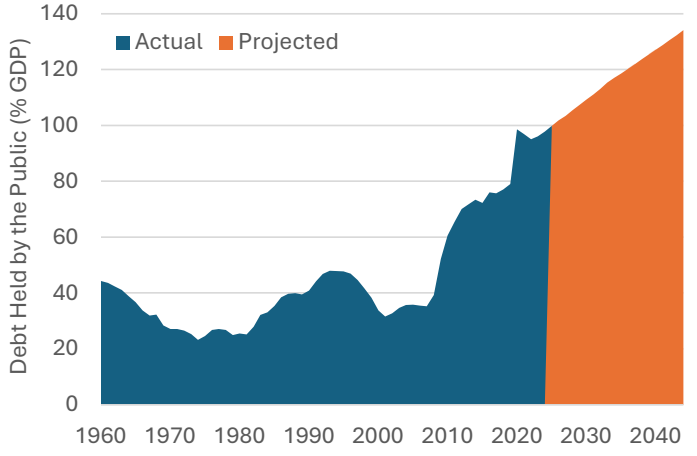
- Investors use Treasuries to diversify risk, given the historical countercyclical performance versus risky assets
- Since COVID, this correlation has become increasingly volatile with Treasuries at times being positively correlated with equity returns, reducing Treasuries' effectiveness as a risk diversifier
- Similarly, Treasuries have historically been negatively correlated with equities during periods of low inflation, and positively correlated during high inflation
- Less diversification benefit could be a headwind to demand



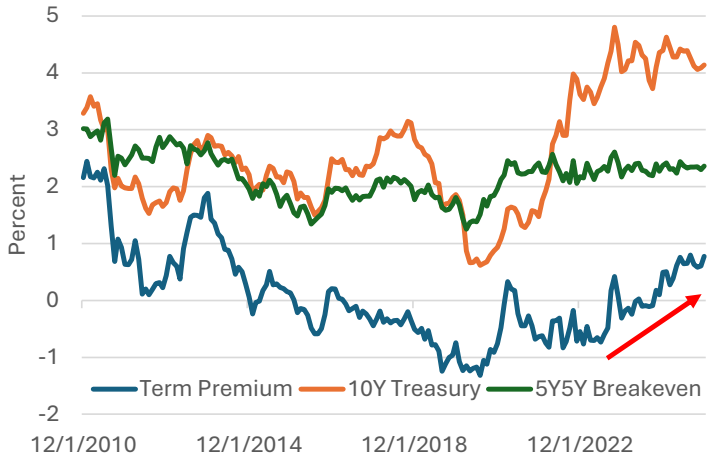
Source: Bloomberg, Presenter Calculations

Treasuries as a portfolio diversification tool

- Other factors have the potential to contribute to the volatility of correlations between Treasuries and equities
- Long-term investor concerns regarding fiscal sustainability can increase risk and term premium
  - Debt-to-GDP continues to increase, and is projected to exceed 125% by 2044 under CBO Projections
  - Offset by USD status as reserve currency and state of the Current Account
- If the Fed loses credibility and/or independence, term premium and long-term breakeven inflation could both go higher



Source: CBO



Source: Bloomberg

Potential future impacts on sectors amid structural shifts

Tenors	Federal Reserve	Foreign	Money Market	Banks	Pension & Insurance	Mutual Fund & ETF	Household
• T-bills • FRNs • Short Coupons	↑	↑	↔	↑		↑	
• Intermediate Coupons		↑		↑	↑	↑	↔
• Long Coupons		↔			↓	↑	
• TIPS						↑	

Conclusions

- Overall, demand for Treasuries continues to be robust and comes from an increasingly diversified investor base
- Shifts in the Fed SOMA portfolio composition represents a key structural shift increasing demand for T-bills. Money markets are likely to continue to be a source of demand for T-bills, and stablecoins are an emerging demand area
- Increases in demand in the intermediate part of the yield curve can potentially come from several sources including mutual funds and ETFs depending on future AUM growth, and the long-term trend toward DC pension plans
- Household demand is being supported by increased leverage. Potential future demand depends in part on the ability for hedge funds to continue to access leverage
- Demand for long maturities is mixed. Foreign private investors have held more long end exposure historically than foreign official sources, however domestic alternatives provide higher yields on a currency hedged basis. Pension DB funds, a traditional buyer of long duration, have already increased Treasury allocations to reduce their risk profile and are a smaller segment of the overall pension market
- Efforts increasing the utility of Treasuries, particularly those that increase Treasury market liquidity and increase the usage of Treasuries as collateral, can continue to benefit overall Treasury demand

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