

Office of Debt Management

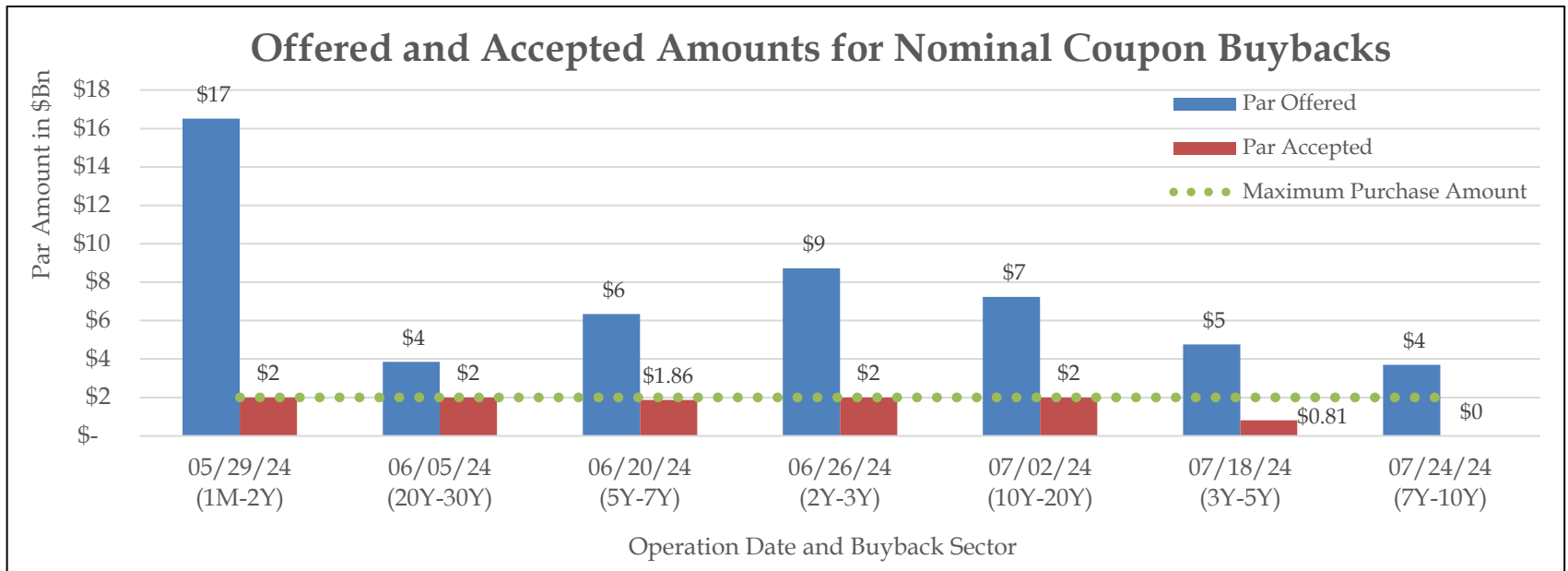


Liquidity Support Buyback Results: 5/29/24 to 7/24/24

Liquidity Support Buyback Overview and Dealer Feedback

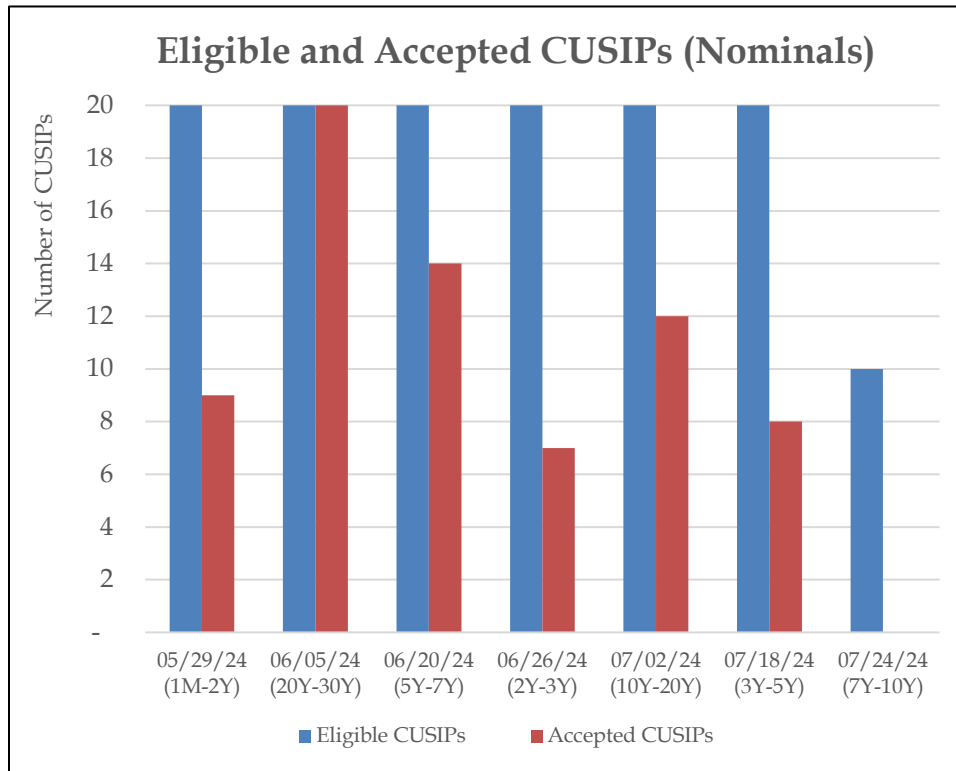
- In May of 2024, Treasury [announced](#) the launch of its buyback program and its plan to conduct weekly liquidity support buybacks of up to \$2 billion per operation in nominal coupon securities and up to \$500 million per operation in TIPS.
- Between May and July 2024, Treasury purchased \$11.23 billion par amount through nine buyback operations. The results of each buyback were posted to [TreasuryDirect.gov](https://www.treasurydirect.gov).
- In each operation, Treasury offered to purchase no more than 20 CUSIPs due to temporary settlement process limitations.
- Treasury bought back the maximum par amount in five of the nine buyback operations.
- As part of the August 2024 Quarterly Refunding, Treasury [surveyed](#) primary dealers on the liquidity support buybacks that have taken place so far. Dealers observed that:
 - While buybacks were moderately supportive of liquidity and market-making in specific sectors, it was difficult to ascertain the size of the impact because of recent robust liquidity conditions and the relatively small size of buybacks to date.
 - They commonly viewed buybacks as a tool to exit less-liquid positions, enabling them to redeploy balance sheet for new client activity.
 - The effect of liquidity support buybacks would likely be enhanced once Treasury removes CUSIP limits and increases the size of liquidity support buybacks to its previously announced \$30 billion per quarter cadence.
 - Buybacks have been well-received by the market and are working as intended.

Nominal Coupon Liquidity Support Buyback Results



- Treasury conducted one liquidity support buyback operation in each of seven nominal coupon sectors between 5/29 and 7/24.
- Treasury bought back the maximum \$2 BN purchase amount four times: in the 1M to 2Y sector, the 20Y to 30Y sector, the 2Y to 3Y sector, and the 10Y to 20Y sector.
- Treasury’s price sensitive approach evaluates offers based on their proximity to prevailing market prices at the close of the operation and measures of relative value. As such, Treasury may buy back less than the maximum par amount. More details are available in Treasury’s buyback [FAQs](#).
- Consistent with its price sensitive approach for evaluating offers, Treasury purchased less than the maximum \$2 BN par amount three times:
 - Purchased \$1.86 BN of the \$2 BN maximum in the 5Y to 7Y sector.
 - Purchased \$809 MM of the \$2 BN maximum in the 3Y to 5Y sector.
 - Accepted zero offers on 7/24 in the 7Y to 10Y sector.

Security Level Nominal Coupon Buyback Results

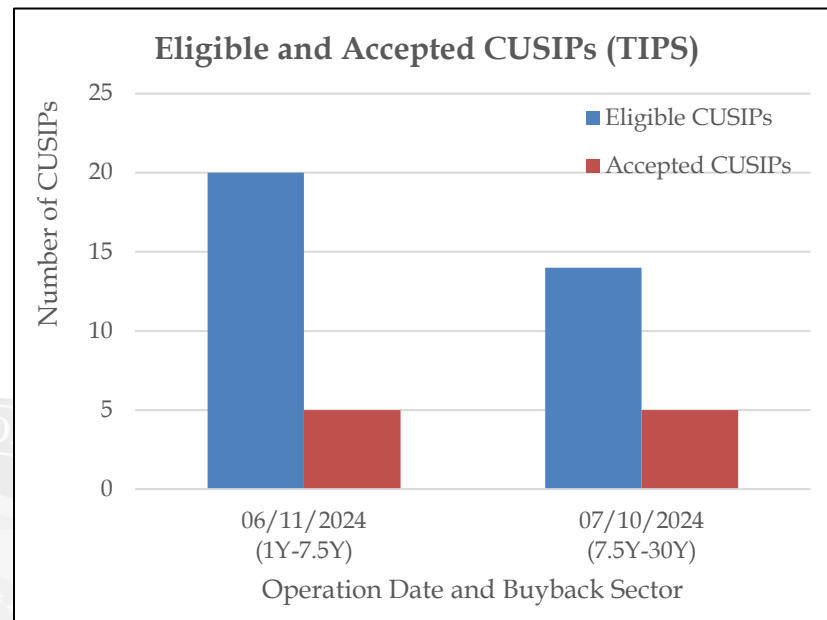
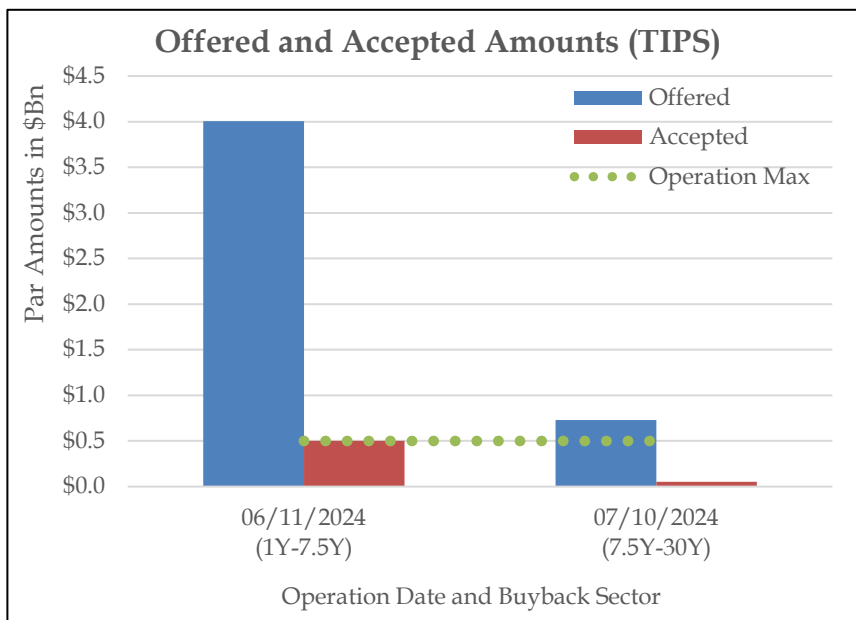


Top Security Purchased in Each Operation

Buyback Date	Ticker	Par Accepted	Percent of Total Accepted
5/29/24 (1M-2Y)	T 0 ¼ 07/31/25	\$1.97 BN	98.3%
6/5/24 (20Y-30Y)	T 3 ⅝ 02/15/53	\$363 MM	18.2%
6/20/24 (5Y-7Y)	T 1 ⅝ 05/15/31	\$476 MM	25.5%
6/26/24 (2Y-3Y)	T 1 ⅞ 07/31/26	\$672 MM	33.6%
	T 2 ⅜ 05/15/27	(tie)	(tie)
7/2/24 (10Y-20Y)	T 3 ¼ 05/15/42	\$511 MM	25.6%
7/18/24 (3Y-5Y)	T 2 ¾ 02/15/28	\$327 MM	40.4%
7/24/24 (7Y-10Y)	N/A	N/A	N/A

- At most 20 CUSIPs were eligible for each buyback operation due to temporary settlement process limitations. Apart from from the 7Y to 10Y sector, which has only 10 eligible securities in total, all nominal coupon buybacks had 20 eligible CUSIPs.
- Treasury's purchases in the 1M to 2Y and 2Y to 3Y sectors were concentrated among a small number of CUSIPs.
- Treasury's purchases in the 20Y to 30Y operation on 6/5 were much less concentrated; Treasury purchased some amount of all 20 eligible CUSIPs.

TIPS Liquidity Support Buyback Results



- Treasury completed two liquidity support TIPS buybacks for up to \$500 MM each on 6/11 and 7/10.
- Treasury bought back the maximum amount in the 1Y to 7.5Y operation on 6/11.
- Treasury bought back \$53 MM of the \$500 MM maximum in the 7.5Y to 30Y operation on 7/10.
- 20 CUSIPs were eligible for the 6/11 operation in 1Y to 7.5Y TIPS, while only 14 CUSIPs were eligible for the 7/10 operation in 7.5Y to 30Y TIPS due to security exclusions related to coupon payment dates that are discussed in the buyback [FAQs](#).
- Treasury's top purchase in the 6/11 operation was \$255 MM of TII 0 5/8 01/15/26.
- Treasury's top purchase in the 7/10 operation was \$20 MM of TII 1 02/15/49.

Primary Dealer Feedback on Initial Liquidity Support Buybacks

- While dealers observed marginal increases in trading volume and market intermediation around buyback operations, most dealers suggested that the cumulative impact of buybacks on overall Treasury market liquidity has been limited so far. Dealers noted:
 - Liquidity conditions in the Treasury market are currently robust.
 - Treasury's purchases, especially given initial size and CUSIP count restrictions, were not sufficiently large relative to daily off-the-run trading volume to materially affect broad liquidity conditions.
 - The most salient liquidity improvement occurred in the 10Y to 20Y sector with Treasury's purchase of several off-the-run 20-year bonds on July 2nd.
- Dealers found success using buyback operations as a tool to liquidate positions in off-the-run Treasuries held "on balance sheet."
- Some dealers expressed moderately increased confidence making markets in Treasury off-the-runs prior to a buyback operation and characterized buybacks as an "outlet" that reduces the risk of holding an illiquid position.
- Several dealers submitted offers on behalf of clients during buyback operations and others indicated client interest in buyback participation.
- Primary dealers are generally satisfied with the buyback program's structure and did not express concerns with the buyback schedule, the timing of operations, or the composition of Treasury's [buyback buckets](#).
- Dealers concluded that buybacks are moderately supportive of off-the-run Treasury market liquidity and functioning.