mni

All Signal, No Noise

MARKET ANALYSIS

MNI UST Issuance Deep Dive: August 2025

July 24, 2025 – By Tim Cooper

Refunding Preview: Upping The Ante For Bills And Buybacks

Treasury's August Refunding round begins on Monday July 28 at 3pm ET with the latest financing estimates, followed on Wednesday July 30 at 8:30am ET by the announcement of upcoming auction sizes and any adjustment to guidance, as well as buyback operation details for the coming quarter.

- There is no expectation of any change in nominal Treasury coupon sizes to the coming quarter, which will mark 6 consecutive Refundings of no increase. However there will be significant attention on other aspects, including the expected financing requirements, changes to the buyback program, and alterations to future issuance guidance.
- We outline MNI's general expectations below, followed by a selection of analyst previews. We note that there is more variation than usual among analysts' expectations, particularly on buybacks and on future auction size increases.

Financing Requirements: Monday's marketable borrowing requirements will show a substantial increase in Treasury's estimate for marketable borrowing in the current quarter (Jul-Sep). We have pencilled in a $950B-$1T borrowing need in the quarter (on a financing need of $500-550B), up from the May refunding round's $554B estimate. Analyst expectations for the quarter's borrowing requirements run from around $900B to $1.1T.

- The big upward revision for the current quarter is due to the $5T increase in the debt limit enacted at the start of July, which will allow Treasury to freely rebuild its cash pile for the first time since hitting debt limit constraints in January. The "One Big Beautiful Bill" otherwise doesn't change much in terms of near-term fiscal dynamics.
- In its first guidance of cash management plans post-debt limit raise: "Treasury plans to increase issuance of Treasury bills to continue financing the government and to gradually rebuild the cash balance over time to a level more consistent with Treasury's cash balance policy." This includes the aim of a cash balance of $500B by end-July, "before approaching levels consistent with Treasury's cash balance policy in September." That guidance points to a rebuild to $850B by end-September per the last quarterly Refunding.
- Achieving that will require a $393B increase in the cash balance by quarter-end, which accounts for the vast majority of the $400-450B increase in the marketable borrowing requirement that we have pencilled in for Treasury's latest update.
- For the Oct-Dec quarter, we estimate a $600B marketable borrowing requirement on a $525B financing need. This compares to $620B for both borrowing and financing in the same quarter a year earlier (when Fed QT was running at a $60B faster quarterly pace and the cash pile was drawn down by $164B).

US Treasury Quarterly Financing Sources And Uses - $B

mni	Financing Need	Financing via Marketable Borrowing	Financing via Other Sources (Ex-Borrowing)	Change In Cash Balance	End of Quarter Cash (TGA)	Fed QT
FYQ425 (Jul-Sep) - May Refunding Est	479	554	-75	0	850	15
FYQ425 (Jul-Sep) - Aug Refunding Est	532	1000	-75	393	850	15
FYQ126 (Oct-Dec) - Aug Refunding Est	525	600	-75	0	850	15

Financing Need = Marketable Borrowing + Financing Via Other Sources - Change In Cash Balance

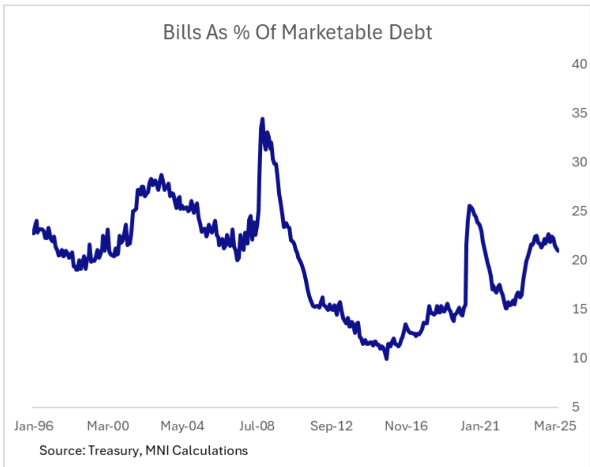
Nominal Coupons Steady For A Few More Quarters, TIPS Upped: MNI's working assumption has been that coupon sizes would next be raised in early 2026**,** potentially at the February refunding. We have pushed that assumption back to August 2026's refunding round. TIPS sizes should continue to increase, however. Below is our expectation. We will publish our usual issuance calendar in our Refunding review publication next week.

Estimated issuance - Nominal (ex SOMA reinvestments)

		2025											2026		
		Feb	Mar	Apr	May	Jun	Jul	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**
Conventional	2-Year Note	69	69	69	69	69	69	69	69	69	69	69	69	69	69	69
	3-Year Note	58	58	58	58	58	58	58	58	58	58	58	58	58	58	58
	5-Year Note	70	70	70	70	70	70	70	70	70	70	70	70	70	70	70
	7-Year Note	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44
	10-Year Note	42	39	39	42	39	39	42	39	39	42	39	39	42	39	39
	20-Year Bond	16	13	13	16	13	13	16	13	13	16	13	13	16	13	13
	30-Year Bond	25	22	22	25	22	22	25	22	22	25	22	22	25	22	22
	Total coupon	324	315	315	324	315	315	**324**	**315**	**315**	**324**	**315**	**315**	**324**	**315**	**315**
Linker	5-Year TIPS			25		23				26		24				27
	10-Year TIPS		18		18		21		19		19		22		20	
	30-Year TIPS	9						8						10		
	Total linker	9	18	25	18	23	21	8	19	26	19	24	22	10	20	27
Floating Rate Notes		28	28	30	28	28	30	28	28	30	28	28	30	28	28	30
Total		361	361	370	370	366	366	**360**	**362**	**371**	**371**	**367**	**367**	**362**	**363**	**372**

Source: US Treasury, MNI analyst estimates

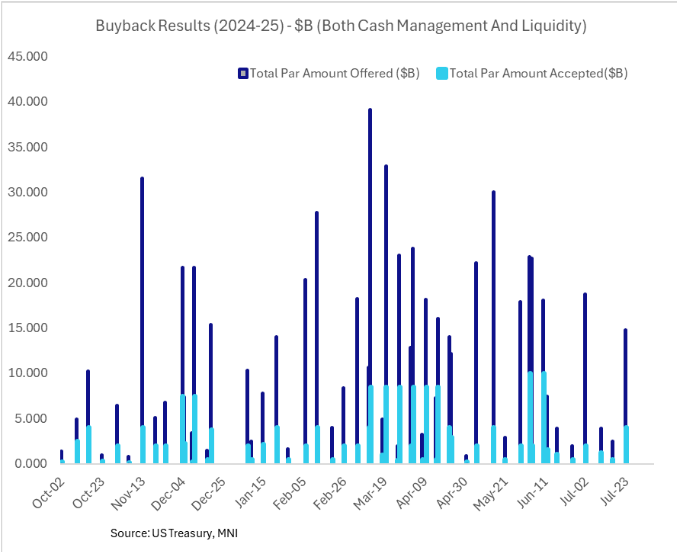
- **Consensus is increasingly mixed on this topic**, with most analysts seeing the next upsizing at some point in 2026 (contrasting with earlier this year when several analysts thought upsizing would happen by end-2025), though others suggesting it could occur beyond next year.
- To give a sense of the range of expectations: Feb 2026 (JPM, CIBC), May 2026 (Citi), Aug 2026 (Goldman), Nov 2026 (TD), Feb 2027 (Wells Fargo).
- There doesn't seem to be either the necessity or the desire among officials for an imminent coupon upsizing.
- President Trump has called for "going short-term" on debt for the next year until he replaces Federal Reserve Chair Powell (whose term ends in May 2026), at which point he expects rates to decline and make refinancing with longer-dated instruments more palatable.
- On the question of upsizing longer-dated coupons, Treasury Secretary Bessent said in June "The time to have done that would have been in 2021, 2022. Why would we do it at these rates, if we are more than one standard deviation above the long-term rate." Bessent and the administration clearly see prospects for long-end rates to come down, saying that "as we see inflation come down, I think the whole curve in parallel can shift down."
- Some analysts took those comments to mean that there was a risk that Treasury could reduce coupon sizes in the near future.
- However Bessent has expressed support for maintaining a predictable "cadence" in issuance. And it seems clear that Treasury will for the time being lean heavily on bill issuance for increased finance requirements, preferring to leave coupon sizes steady.
- Among other questions asked of primary dealers ahead of refunding, Treasury asked respondents to "please estimate the market's capacity, over both a monthly and quarterly basis, for additional Treasury bill issuance that would not cause significant price deviations in Treasury bills relative to fair value". We take this as a signal that Treasury is positioning itself to continue ramping up bill supply, both for immediate cash rebuilding needs and to meet broader financing requirements.
- We note expectations that bills can rise from around 21% of marketable debt towards 23-25%. Market demand appears to be sufficient to allow this to happen smoothly enough.



Source: Treasury, MNI Calculations

Buybacks Likely Upped: As noted above with bills, the quarterly dealer survey usually provides a hint to policy shifts, and the latest questionnaire for this quarter (**link**) put emphasis on Treasury buyback "enhancements": *"what factors should Treasury consider in evaluating changes to maximum purchase amounts? Are there certain buyback sectors where either increases or decreases in purchase maximums are warranted? What changes to the buyback schedule, if any, would help to further Treasury's liquidity support goals? Are there any other buyback enhancements not listed in the quarterly refunding statement that Treasury should consider?"*

- The appearance of this question, along with Treasury's ongoing widening and deepening of its buyback programs, appears to have raised expectations that there will be a meaningful announcement on this front at the August refunding. We think there is a good chance that Treasury will raise the total cap on quarterly liquidity operational purchases from the existing $30B, to $40B or greater. We have seen expectations that the cap could be increased to as much as $60B for the upcoming quarter.
- Outside of these considerations, we have also seen expectations that Treasury could alter buyback schedules (eg to make operations more frequent), broaden counterparty eligibility, or even to forego cash management buyback operations for the upcoming quarter (MNI and probably consensus would be surprised by the latter, given mid-September's tax deadline).
- Some examples: Goldman sees buybacks upped next quarter to $45B or $60B; UBS to $40B; Citi to $45B.
- Raising buybacks could fit in with the previously-mentioned considerations about emphasizing short-end net issuance, potentially buying back longer-end (20-30Y) securities in greater size, and paying by the proceeds via bill issuance in a form of "Operation Twist".



- While this isn't the intention of the buyback programs as initially envisaged – liquidity operations are meant to smooth out dislocations on the curve, and reduce funding costs for Treasury, and market participants need to be willing to tender securities in order for the operations to work – an expansion of the buyback plan in conjunction with upped bill issuance as a share of marketable debt could be interpreted as such a move.
- Because expectations are tilting toward both an increase in size and an increased emphasis on longer-end security buybacks, a lack of an announcement Wednesday could be negative for longer-dated Treasuries.
- We will publish our usual buyback calendar in our Refunding review publication next week.

Guidance Likely Unchanged: Focus as always will be on Treasury's guidance that it will keep nominal coupon auction sizes unchanged for "at least the next several quarters", as changing this would signal an intention to increase bond supply in the near future. Conversely, removing this language could signal that Treasury does not intend to increase coupon sizes at all for the foreseeable future.

- **MNI agrees with consensus that guidance will remain unchanged for yet another quarter, but some analysts see potential changes:** CIBC sees it replaced by a statement that Treasury doesn't expect to increase sizes over the coming quarter, implying that it may increase sizes beyond that; JPMorgan sees "At least" removed; both of those analysts see coupon sizes increasing in February.

Analyst Previews (Alphabetical Order of Institution)

Summarizing analyst expectations:

CIBC: “This refunding announcement can aptly be characterized as ‘more exciting than the last, but still a snoozer’.”

- **Financing Requirements:** Marketable borrowing requirement of $942B in Jul-Sep on $471B financing need, Oct-Dec $726B marketable borrowing on $649B financing need (end-of-quarter cash balances $850B).
- **Duration Strategy:** Bills to peak at ~22.6% of the total debt stock in March of 2026; “that proportion should begin to decline as auction sizing rises starting in February, and over the next couple of years, we should return to below the 20% threshold.”
- **Buybacks:** Likely increased sizes, though small in notional terms
- **Issuance guidance: “**we suspect to see that line replaced with a statement along the lines of: “Treasury does not anticipate any changes to nominal coupon and FRN new issue or reopening auction sizes over the upcoming August to October 2025 quarter”.” At next refunding, “Treasury may need to modestly increase auction sizes in 2026”.
- **Fiscal Outlook:** Deficits FY25 / FY26 at $1.8tn / $1.9tn
- **Next nominal coupon auction size change:** “small bumps to begin in February” 2026, focused on 2s/3s/5s. (Had previously seen upsizing starting October 2025)

Citi:

- **Financing Requirements:** Cash hits $850B end-Sept and remains there.
- **Duration Strategy:** “Treasury will likely keep T-bill share around 20% to 24%, although it may look to the higher or lower end of this range, which would change the timing of coupon increases”.
- **Buybacks:** Increase to $45B/quarter (from $30B).
- **Fed QT:** To end this year.
- **Next nominal coupon auction size change:** Increase in May 2026, later in 2026 “also plausible”. Increases will be focused on 3Y and 7Y.

Goldman Sachs: “Treasury’s plans around the pace of the post-debt limit TGA rebuild will dictate the pace of issuance as well as risks for liquidity and funding in the back half of the year. Further out the curve, the context of global long-end yields in the vicinity of cycle highs shines a brighter spotlight onto potential buyback enhancements and any signals around medium-term issuance plans.”

- **Financing Requirements:** $850B cash at end-Sept.
- **Duration Strategy:** “Our baseline is that nominal coupon auction sizes will remain unchanged until August 2026 before growing gradually from there. Such an approach would allow for controlled growth in the bill share and lower the WAM of total debt outstanding towards the long term average.” “controlled rise in the bill share to about 25%”
- **Buybacks:** Liquidity buybacks to increase by 50-100% (from $30B / quarter to $45B or $60B)
- **TIPS:** 5Y and 10Y reopenings raised $1B each ($26B / $19B), 30Y unch at $8B.
- **Issuance guidance:** Unchanged. “However, Treasury might opt to pair a duration friendly innovation—larger buybacks and potentially a more explicit tolerance of a higher bill share or intent to lower the overall WAM—with language that offers a bit more flexibility.”
- **Fiscal Outlook:** Deficits of $1.85tn / $1.95tn / $2.05tn for FY25 / FY26 / FY27
- **Next nominal coupon auction size change:** Next increase in August 2026. “There’s a risk that Treasury takes a more aggressive step towards mitigating upward pressure on longer-term yields via modest reductions to long-end auction sizes, but we view that as relatively unlikely.”

JPMorgan:

- **Financing Requirements:** $1,087bn and $572bn borrowing requirements this quarter/next quarter respectively
- **Duration Strategy:** “in an environment in which the T-bill share is already above 20%, and funding needs are set to increase meaningfully over coming years, we believe Treasury will want to increase coupon issuance beginning next year… concentrate issuance at the front end and belly, while foregoing increases at the long end”
- **Buybacks:** “any enhancements to the program would be intended to better achieve its liquidity support and cash management goals and are not intended to be an active tool in achieving Treasury’s debt management goals. Recall at the May refunding, the TBAC report to the Treasury secretary stated, “the Committee felt it important that broader metrics such as WAM still be managed through Treasury’s issuance decisions.”
- **Issuance guidance:** “At least” to be removed
- **Next nominal coupon auction size change:** Increase in February 2026: “a large financing gap builds in FY26 and beyond – at the same time that deficits are expected to rise above $2tn over the coming years, Treasury’s borrowing capacity begins to decline as the mega-sized COVID era 5- and 7-year notes begin to mature, resulting in a funding gap of close to $5tn from FY26-29. Given this prospective gap, we think it would be prudent for Treasury to begin increasing auction sizes in FY26, and we continue to forecast a multi-quarter series of increases beginning in February 2026.”

TD: “This refunding announcement is unlikely to have a major impact on markets in terms of outright duration. Of course, the tail risk is of an unexpected decrease in long-end auctions, which could cause a bull flattener. However, we think that this is a low probability event. Additionally, removing the language around keeping auction sizes unchanged over the coming quarters could have a notable market impact, especially if the implication is that auction sizes could change to the downside.”

- **Financing Requirements:** Financing needs of $1,051B Jul-Sep quarter, $534B Oct-Dec. Tariffs could mean cash flows more positive. End-Sep TGA cash balance target $850B.
- **Duration Strategy:** Treasury to passively shorten duration by maintaining coupon auction sizes as long as possible, buying back longer-end Treasuries, and continuing to issue large amounts of bills.
- **Buybacks:** Could increase long-end caps relative to shorter-end; increase maximum purchase amounts; expand counterparty eligibility; increase frequency of buyback operations.
- **TIPS:** 5Y and 10Y reopenings raised $1B each ($26B / $19B), 30Y unch at $8B.
- **Issuance guidance:** Unchanged.
- **Fiscal Outlook:** Deficits of $1.9T in FY2025, $1.94T FY2026, $2.1% FY2027
- **Next nominal coupon auction size change:** Increases start in November 2026, focused on front-end/belly.

UBS: “There are important reasons for the US Treasury to not try to be tactical with its issuance and not add to macro volatility. Buying more long end debt and funding it with more bills will shorten the average maturity of the debt, something that could be done by simply reducing longer auction sizes.”

- **Buybacks:** Increase to $40B/quarter – “tilted towards less liquid Treasuries in the 10-20y segment as the 20y segment continues to struggle with natural demand”

Wells Fargo: “We do not expect any major policy shifts at the upcoming quarterly refunding announcement from the U.S. Treasury. In our view, Treasury's current coupon auction schedule is well-suited to meet its financing needs for the next few quarters, and any unexpected swings in the government's financing needs can be met by an expansion or contraction in the supply of Treasury bills.”

- **Financing Requirements:** $850B cash end-Sept, Marketable borrowing in Q3 $946B ($393B cash balance, $413B budget deficit); Q4 $592B
- **Duration Strategy:** T-bills as a share of the Treasury market will climb to 22.5% by year-end 2027, up from 21.9% at the end of 2024.
- **TIPS:** 5Y and 10Y reopenings raised $1B each ($26B / $19B), 30Y unch at $8B.
- **Issuance guidance:** Unchanged.
- **Fiscal Outlook:** Deficit of $1.75T in FY 2025, $2.00T in FY 2026, $2.10T in FY 2027.
- **Next nominal coupon auction size change:** Increase in February 2027 (was Feb 2026).

Wrightson ICAP:

- **Buybacks:** “An increase could come in one of two forms. First, and most obviously, the Treasury simply could bump up its aggregate quarterly target for its 20- and 30-year buybacks relative to the $4 billion norm for shorter nominal maturities…. The second option is less direct. Quite apart from the maturity distribution question, we think a strong case can be made from an efficiency perspective that the Treasury should define its buyback objectives in terms of the dollar value of its purchases rather than the par value… As a general matter, we think buybacks would fulfil their liquidity support function better if they were conducted more frequently with smaller individual operational ceilings.”

Links:

Most recent Quarterly Refunding Documents

- **Treasury Marketable Borrowing Estimates (April 28, 2025)**
- **Sources and Uses Reconciliation Table For Next 2 Quarters (PDF) (April 28, 2025)**
- **April 2025 Quarterly Refunding Statement (April 30, 2025)**
- **TBAC Recommended Financing Table (PDF) Q2/Q3 2025 (April 30, 2025)**
- **Tentative Auction Schedule (PDF) Q2/Q3 2025 (April 30, 2025)**
- **Tentative Buyback Schedule (PDF) May-August 2025 (April 30, 2025)**

Definitions

Auction participants

Direct bidders are individuals or organizations that purchase Treasuries during an auction for themselves or their house account. Indirect bidders place competitive bids at Treasury auctions through primary dealers and can include foreign central banks and domestic money managers. Primary Dealers round out auction participants. In general, a high primary dealer take-up indicates a weaker auction as primary dealers have effectively had to backstop the auction.

Auction performance:

Auction performance is deemed average when the auction high yield meets or closely approximates the When-Issue (WI) rate going into the auction. Weak auctions have a high yield greater than the WI rate, strong auctions a high yield lower than the WI rate.

NY Fed explains "secondary market transactions in outstanding Treasury securities typically settle on the business day after the trade date, when sellers deliver securities to buyers and receive payment. When-issued transactions, by contrast, settle on the issue date of the new security (which can be as much as a week or more after a trade is negotiated) because the security is not available for delivery at any earlier date."