

Bids Without Buyers

Japan, Gold, and the Repricing of the
Treasury Bid



The buyers were still there. The price was not.

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Abstract. The traditional buyers of U.S. Treasury debt have not withdrawn. What has changed is the price, the maturity and the location at which they will hold it — and each of those is measurable, while “withdrawal” is not.

Japanese investors were net sellers in the first quarter of 2026, after net purchases in 11^[u] of the prior 12^[u] quarters and roughly ¥10.60 trillion^[u] of U.S.-bond buying through November 2025. One quarter of selling after a sustained accumulation run is consistent with a higher reservation return; it does not establish departure from the market. Marketable Treasury securities held in custody for foreign official accounts fell \$236.3 billion year-over-year, to the lowest level in more than a decade — a real and substantial decline, though the series is reported at face value, aggregated across all foreign official accounts, and identifies no country, no seller and no transaction. Official-sector gold accumulation is real and measurable in tonnes, but the reported reserve-share crossover — gold at 27% against Treasuries at 22% — does not survive resetting gold alone to its end-2023 price, where the same decomposition gives gold 16% and Treasuries 26%. And private-credit redemption demand, widely read as a funding squeeze, coincided with liquidity of roughly 11 times the tender paid and leverage below target.

The proposition this paper defends is that **price-insensitive absorption has become less reliable** — that the bid is more price-sensitive, with less of it safekept at the New York Federal Reserve — not that demand for Treasury debt has fallen. The two are easy to confuse, because the second has been dependable long enough that its absence looks like the first.

JEL: E58, F31, F32, G15, G23, H63. **Keywords:** Treasury absorption; portfolio flows versus positions; custody holdings; hedged yield differentials; reserve composition; official gold demand; measurement error.

Status. This is a **Revised Edition**, not a silent replacement. The first edition of 13 July 2026 remains historically traceable; Appendix B records every claim withdrawn or corrected since.

Disclosed conflicts. The author is Chief Executive Officer of Quantum Reserve Capital, whose QReST platform is being developed for compliance with the GENIUS Act. A policy environment that expands statutory demand for eligible reserve assets is favorable to that project’s economics. This paper is educational market commentary, not investment, legal, or tax advice.

Sourcing standard. Every empirical quantitative claim is sourced to a public release or derived from one, and every derivation states its assumptions. Values whose primary artifact has not been retrieved for this paper are marked *[unverified]* and listed in the appendix. Author-defined thresholds are identified as chosen rather than observed. Quantities written as words are governed editorially.

Method note. The evidence for this paper was assembled *before* the prose. Seven pulls were run before a sentence was drafted. Five were new retrievals for this paper; two were claim-binding against facts established for an earlier paper in the series, and the World Gold Council material remains unverified here. Three of the new retrievals materially narrowed the argument, and one overturned an expected result.

1. Four Readings the Evidence Does Not Support

Four claims circulate about the Treasury market, each built on a real observation and each drawing more from it than it can carry. They are worth separating out first, because the argument in this paper depends on none of them.

1.1 “Japan is leaving the Treasury market”

Japanese investors did sell. But the quarter in question followed net purchases in 11^[u] of the prior 12^[u], and the monthly figures usually cited alongside it come from a different statistic with a different reporting population — they **do not reconcile** with the quarterly total. Section 3 uses the quarterly observation only.

1.2 “Custody data show intervention-funded selling”

Foreign-official custody at the New York Federal Reserve fell substantially, and that decline is real. What custody cannot identify is the country, the seller, the transaction, the motive or the use of proceeds. Single-week movements in particular sit below the series’ own noise band: the week most often cited is **smaller than every one of the four most recent weekly moves**. Sections 2 and 6.

1.3 “Central banks rotated out of Treasuries into gold”

Gold did pass Treasuries as a share of official reserves at market value. But the European Central Bank attributes the movement *largely* to valuation, and on a counterfactual holding gold at its end-2023 price the ordering reverses. What survives is accumulation measured in tonnes, which is a different and better-supported claim. Section 4.

1.4 “Fund redemption demand is contracting credit supply”

Redemption requests were large. The filings of the fund most often cited report liquidity many times the tender it paid, repayments alone historically covering tenders several times over, and leverage *below* its target range. A tender percentage measures demand for liquidity; it does not identify the capacity to supply it. Section 5 registers the transmission as a hypothesis with observables rather than reporting it as a finding.

At the Dinner Table

The story in circulation is that the audience is walking out of the theater — the big Japanese ticket-holder gone, the coat-check emptying, the family that used to buy seats now buying gold instead.

Go through the attendance records and it looks different. The Japanese ticket-holder skipped one quarter after buying seats for eleven of the previous twelve. The coat-check really is holding fewer coats, but a coat-check cannot tell you whose coat left or why. And the family mostly watched the gold it already owned go up in price.

Nobody has established that the audience left. What the evidence is consistent with is a change in what they will pay for a seat — which is a smaller claim, and a much harder one to dismiss.

2. A Measurement Toolkit, Before Any Argument

Most disagreements about who is buying Treasury debt are measurement disagreements rather than economic ones. It compared quantities that are not comparable, and then reasoned about the difference. This section fixes the vocabulary once so the rest of the paper can use it mechanically.

Three objects that are not the same object

flow $\neq$ position $\neq$ custody

Flow is a transaction over a period. Japan's Ministry of Finance publishes two different flow statistics, and conflating them is the source of the acceleration story in §3.1.

Position is a stock at a point in time. A position changes when someone transacts *and* when prices move. A falling position is not evidence of selling.

Custody is where a security is safekept. It does tell you the securities were held for foreign official and international accounts. A decline can be a sale, a maturity, or a transfer to a different custodian; it does not identify the country, the ultimate holder, the seller, the transaction, the motive, or the use of proceeds.

Two further distinctions, routinely crossed:

face value $\neq$ market value, COFER FX reserves $\neq$ gold-inclusive official reserves

Federal Reserve custody data are reported at **face value**. Treasury International Capital positions are reported at **market value**. The two are not comparable line-for-line even before the country and flow problems.

The IMF's COFER database reports the *currency composition of foreign exchange reserves* and **explicitly excludes monetary gold**. Any comparison of a gold share against a Treasury share must state which universe it is drawn from. A widely repeated pairing — \$4.00 trillion of central-bank gold set against \$3.90 trillion of Treasuries, beside the 27% and 22% shares cannot be reconciled under any total, because the dollars and the percentages are drawn from different universes.

2.1 The two Japanese flow statistics

Japan's Ministry of Finance publishes *International Transactions in Securities* (ITS) weekly and monthly, and *Balance of Payments* portfolio investment monthly with a country breakdown. They are not the same series:

	ITS	BOP portfolio investment
Reporting population	<i>Designated major investors</i> only. MOF states these "do not include all transactions as Portfolio Investment"	All portfolio investment
Country detail	Headline series covers foreign securities generally	Carries the country breakdown
Release lag	One month earlier than BOP	Two months after the transaction month
Sign convention	Since January 2014, net purchases positive	—

[Statistical definitions carried from MOF's published methodology; the underlying country-level BOP table is a retrieval target and is not pulled for this paper.]

2.2 What each series can and cannot establish

Series	Measures	Cannot establish
TIC position, long-term	Stock at market value, by counterparty's country of legal residence	Transactions; valuation change is embedded
MOF flow, BOP basis	Net transactions by Japanese residents	The counterparty; Treasuries in isolation
Fed custody memorandum	Face value of paper safekept at the New York Fed, aggregated across all foreign official accounts	The country, the seller, the flow, the motive, the use of proceeds

3. Japan: Repricing, Not Exit

3.1 The flow, stated at its actual scope

Japanese investors were net sellers of approximately \$29.6 billion^[u] of **U.S. government, agency and municipal bonds** in the first quarter of 2026 — ¥4.67 trillion^[u] — on the balance-of-payments basis. The security universe is broader than Treasuries: agency includes mortgage-backed securities and government-sponsored enterprise debt, and municipal covers state and local issuance. *[Quarterly figure via press reporting of MOF data; the BOP country table is a retrieval target.]*

Monthly figures are often cited alongside this, showing the selling accelerating through the quarter. Those figures **do not reconcile** with the quarterly total. The two cited months sum to more than the quarter that contains them, which is impossible on a single basis; the monthly series is ITS-basis, drawn from a subset of investors and covering foreign securities broadly, while the quarterly figure is BOP-basis and U.S.-specific. Different populations, different universes. This paper therefore uses the **quarterly observation only**, and does not infer a January figure as the residual.

3.2 The context that changes the reading

The first quarter of 2026 was the **first quarterly outflow since the fourth quarter of 2024**, and it followed net purchases in **11^[u] of the prior 12^[u] quarters**. During 2025 Japanese investors put roughly ¥13.59 trillion^[u] into foreign bonds — more than three times the ¥4.16 trillion^[u] of 2024 — including approximately ¥10.60 trillion^[u] into U.S. bonds through November.

The first-quarter sale therefore arrives immediately after a sustained accumulation run. No ratio of the quarterly sale to the 2025 purchases is stated here: the two figures are not confirmed to cover the same U.S.-security universe, and a caveat does not make an unreconciled ratio informative. The Q1 reversal is *consistent with* a higher reservation return after a sustained buying run. The hedged-yield arithmetic in §3.3 supplies one plausible mechanism; it does not identify the motive for the flow. What the flow does not show is a departure from the market.

The position, stated separately. Japan's holdings of long-term U.S. Treasury securities stood at \$1.05 trillion in June 2026 on the Treasury International Capital continuous long-term basis, at market value, down from \$1.09 trillion in February. This is a *position* and it embeds valuation change; it is placed beside the flow discussion rather than inside it, and it is not the same object as the Major Foreign Holders figure, which includes bills — and which is what the widely quoted \$1.20 trillion^[u] refers to.

3.3 A plausible hedged-return channel

Let y^{US} be the Treasury yield, y^{JGB} the domestic yield, and h the annualized cost of hedging the currency. The stylized yield comparison favors domestic paper when

$$y^{JGB} > \underbrace{y^{US} - h}_{\text{hedged U.S. yield}}. \quad (1)$$

$h \approx i^{US} - i^J$ is an approximation, not the hedge cost. Realized hedge returns also depend on forward pricing and the cross-currency basis, on instrument tenor, and on funding convention. The inequality is a stylized comparison, and it is used here only to establish direction.

On that approximation, with the federal funds target range at 3.5%^[u]–3.75%^[u] and the Bank of Japan policy rate at 1%^[u], the policy-rate differential is roughly 2.62 percentage points^[u] against a ten-year Japanese government bond yield reaching 2.88%^[u] in July 2026. *The simple approximation illustrates why domestic bonds became more competitive; it is not an empirical estimate of realized hedge cost.* On the U.S. side, the ten-year constant-maturity yield closed at 4.8% on 9 September 2026, its highest since October 2023, with the thirty-year at 5.25%. Evaluated at those levels the stylized comparison favors domestic paper: the approximation puts the hedged U.S. yield at 2.175%^[u] against a Japanese ten-year of 2.88%^[u]. **That is a direction, not a magnitude.** Forward pricing and the cross-currency basis remain unobserved, so this establishes which way the stylized comparison points; it does not measure what a hedged investor actually earned. *[JGB yield and policy rates carried from cited observations; a specified hedge-tenor observation is a retrieval target.]*

The conclusion this supports is bounded: **the policy-rate-differential approximation illustrates a channel through which domestic Japanese government bonds could become more competitive for yen-based hedged investors.** It does not establish that they did. It does not identify where the proceeds of the Q1 sale went, and it does not support the claim that Japan no longer needs to hold U.S. paper. This paper makes neither claim.

3.4 GPIF is adverse evidence, not supporting evidence

A July policy discussion is sometimes read as evidence that Japan's Government Pension Investment Fund is being steered toward domestic assets.

The primary position is that GPIF's policy asset mix for the fifth medium-term objectives period is 25% in each of domestic bonds, foreign bonds, domestic equities and foreign equities, with a permissible deviation range of 6 percentage points on domestic bonds. Reporting in July 2026 was that Japan had **no plans to overhaul** pension fund asset allocation; a source did not rule out directing more into domestic bonds *within the allowable range*, but stressed that even shifts inside the permitted band require convincing justification. *[The GPIF policy asset mix and deviation range are taken from the fund's published policy document. The July reporting is secondary and remains a retrieval target.]*

No strategic reallocation occurred. Existing flexibility could accommodate a larger domestic allocation; the direction of policy intent is not established.

So What?

Japan's first quarter of net selling in over a year is a real observation and it deserves attention. It is also one quarter of net selling after net purchases in 11^[u] of the prior 12^[u],

which is consistent with a higher reservation return and does not establish an exit. This paper does not identify why Japanese investors sold; it observes that they did, and that the flow does not establish absence. The forward question is what yield, maturity and hedge cost reverse the Q1 net flow, and whether the issuer is willing to pay it.

4. Gold: The Price Effect and the Quantity Signal

The gold/Treasury reserve-share crossover has been called “*the deepest datum of the year*” and read as central banks completing a rotation out of Treasury debt. The shares are correct. The reading is not, and the source usually cited for it says so.

4.1 The crossover is real, and it is principally a price

At market value at the end of 2025, gold reached 27% of total official foreign reserves, surpassing both the euro at 15% and U.S. Treasuries at 22%.

The European Central Bank, whose analysis is usually cited at second hand for this, states that this development **largely reflects valuation effects**: the gold price rose approximately 60% in 2025 and 30% in 2024, which mechanically raises gold’s share of any portfolio containing it.

Resetting *gold alone* to its end-2023 price, the same decomposition gives gold 16%, the euro 16%, and U.S. Treasuries 26%.

	At market value	At the end-2023 gold price
Gold	27%	16%
Euro	15%	16%
U.S. Treasuries	22%	26%

In the ECB’s gold-price counterfactual there is no crossover. Treasuries lead gold by ten percentage points. Most of the crossover is attributable to gold repricing, but the source does not assign the entire movement to price. The framework this paper uses separates three things that are routinely run together:

$$\Delta \text{ reserve share} = \underbrace{\text{price effect}}_{\text{observed}} + \underbrace{\text{quantity effect}}_{\text{observed}} + \underbrace{\text{other valuation and composition effects}}_{\text{residual}}$$

Allocation *intention* is identified by none of them individually.

4.2 A measurement note: which universe each figure is drawn from

A widely repeated pairing set \$4.00 trillion of central-bank gold with \$3.90 trillion of Treasuries alongside the 27% and 22% shares. Those two pairs cannot be reconciled under any total, and the reason is a universe mismatch rather than an arithmetic slip.

The IMF’s COFER database reports the currency composition of *foreign exchange reserves* and **explicitly excludes monetary gold**. A gold share drawn from a gold-inclusive official reserves measure cannot be set beside a Treasury dollar figure drawn from a foreign-exchange-only universe without saying so. This is the same class of error as §2’s flow/position/custody confusion, in a different measurement dimension.

4.3 What the quantity evidence does show

Strip the price effect out and something real remains. Official-sector accumulation is geographically patterned in a way that is difficult to explain without reference to reserve-management policy: China has added approximately 350 tonnes since 2022, Poland 320 tonnes, Türkiye 220 tonnes, and India 130 tonnes.

That is diversification, measured in tonnes rather than in shares, and it is the durable finding in this section.

But the direction is deceleration, not acceleration. Official purchases eased to 850 tonnes in 2025 from more than 1,000 tonnes a year across 2022–2024. The World Gold Council subsequently revised its first-quarter 2026 estimate down from 244 tonnes^[u] to 57 tonnes^[u], leaving the first half of 2026 at 345 tonnes^[u] — the **weakest first half since 2022**. *[WGC revisions carried from published Gold Demand Trends releases; the underlying dataset is a retrieval target.]*

Continued buying through a price drawdown is often read as conviction. On the revised numbers, that is the period in which buying slowed most.

4.4 Private investment demand was larger than official demand

A paper about who is buying should say who is buying. Private investment demand for gold reached nearly 2,200 tonnes in 2025 — roughly half of global gold demand, with a record \$89.0 billion of exchange-traded fund inflows. Against 850 tonnes of official purchases, private demand was approximately 2.6 times larger.

What this establishes is a size comparison, not price formation. It does not identify who set the marginal clearing price in the gold market, and this paper does not claim to know. It does establish that a paper describing the gold bid as an official-sector phenomenon is describing the smaller half of it.

4.5 The share decomposition, stated correctly

Let s_t^g be gold's share of reserves, r_t^g the simple return on gold, r_t^r the simple return on **non-gold reserve assets**, q_t physical purchases, P_t^g the gold price, and R_t total reserves:

$$\Delta s_t^g = \frac{\overbrace{s_t^g (1 - s_t^g) (r_t^g - r_t^r)}^{\text{valuation effect}} + \overbrace{f_t}^{\text{flow effect}}}{\underbrace{1 + s_t^g r_t^g + (1 - s_t^g) r_t^r}_{D_t, \text{ return-driven gross growth factor}}}, \quad f_t \equiv \frac{q_t P_t^g}{R_t} \quad (2)$$

where $\Delta s_t^g \equiv s_{t+1}^g - s_t^g$, r_t^g and r_t^r are simple period returns on gold and on non-gold reserve assets, and D_t is the **return-driven gross growth factor of total reserves before the internal transfer**.

Three points, without which the expression is wrong rather than merely unclear.

First, r^r is the simple return on *non-gold* reserve assets, not on total reserves. Second, the expression is exact only under a stated timing convention: f_t is an internally funded transfer applied *after* the period's asset returns, with **no external reserve inflow or outflow**. If purchases occur during the period, some purchased gold earns part of that period's return and the expression changes. Under those two conditions the $(1 - s^g)$ factor belongs on the valuation term as written; under the natural alternative reading it would belong on the flow term instead.

Third — and this is the point that matters at the magnitudes in question — the **denominator is not optional**. For finite-period simple returns the exact discrete result carries D_t , the growth

factor of total reserves. The numerator alone is often printed as an equality. The relative error from dropping D_t is $D_t - 1 = s^g r^g + (1 - s^g) r^r$, so it depends on the opening share and the non-gold return as well as the gold return. At the gold returns this paper cites, omitting D_t can **materially** overstate the share change; the paper does not state an opening share or a non-gold return and therefore quotes no single error figure. Written without the denominator, the expression is a first-order approximation valid for small returns, and 2025 was not a small-return year.

The ECB's decomposition, not a calculation performed here, is that valuation effects *largely explain* the 2025 movement in gold's reserve share.

So What?

Reserve shares are prices multiplied by quantities, and in 2025 the price moved far more than the quantity. The crossover is a fact about the gold market, not a referendum on Treasury debt. What survives is narrower and harder to dismiss: a specific and geographically patterned group of official holders has been adding gold in tonnes for several years — and the first half of 2026 was the weakest first half since 2022.

At the Dinner Table

A family's gold jewelry is now worth more than the money in their savings account. The obvious reading is that the family sold savings to buy jewelry. Mostly, the jewelry they already owned went up in price — and last year they actually bought less of it than the year before. Some families really are buying more, and which families they are is interesting. But the headline number is mostly the price tag, not the shopping.

5. Private Credit: A Stress Signal, Not a Proven Transmission

Large redemption requests at non-traded business development companies are widely read as evidence that fund lending capacity is contracting, and that contraction is sometimes written into an identity. The filings do not support it.

5.1 What was observed

The bank-level event stands. A major bank withdrew fund-finance credit from riskier private-credit funds following a large charge on a specific counterparty failure.¹ That is an observation about bank risk appetite and it is retained.

Tender demand was also large and is not in dispute. In the first quarter of 2026, OCIC received repurchase requests equal to 21.9%^[u] of shares outstanding and OTIC 40.4%^[u]; in the second quarter, 18.8%^[u] and 38.1%^[u]. Roughly 23%^[u] of each OCIC request was satisfied in the first quarter. *[Tender percentages from shareholder-letter reporting; the denominator is shares outstanding, confirmed. A figure of 40.7%^[u] circulating for OTIC is a percentage of total assets — a different measure.]*

¹Reported in the financial press in July 2026; the bank's own disclosure is a retrieval target. See Appendix A.

5.2 What the filings show

The fund's own SEC-filed shareholder update reports liquidity of \$11.3 billion across cash, undrawn debt and liquid Level 2 assets — approximately 11 times the \$988 million tender offer it paid. Net leverage stood at 0.8 debt-to-equity, **below** its stated target range, meaning capacity to add leverage rather than pressure to shed it. The manager's investor presentation states that repayment activity alone has historically generated sufficient liquidity to meet tender obligations without additional sources, at a historical average exceeding 3 times coverage.

Flows tell the same story. First-quarter gross inflows of \$872 million^[u] left a *net* outflow of \$116 million^[u] — under one percent of net asset value, and the first net quarterly outflow in eighteen quarters. Non-accruals stood at 0.2%^[u] of portfolio fair value.

5.3 The decision rule, applied

The rule was fixed before the evidence was read:

large tender request $\nrightarrow$ funding contraction

The filings do not show forced balance-sheet contraction. The lending identity does not hold, and not merely because it is incomplete: **a tender percentage measures demand for liquidity and does not identify the capacity to supply it.** It pointed readers at the wrong observable.

Registered transmission hypothesis

Private-credit stress *could* transmit to bank liquidity preference and to mid-market credit supply. This paper registers that as a hypothesis rather than reporting it as a finding, and names what would have to move:

- quarterly *net* originations against repayments, by fund
- repayment coverage of tender obligations, against the historical multiple
- available liquidity as a multiple of the tender offer
- net leverage against the stated target range
- non-accrual rate and the payment-in-kind share of investment income
- borrower spreads and refinancing outcomes at exposed issuers

The observations measured here — liquidity, tender coverage, leverage against target, net flows and non-accruals — do not show forced contraction. Several of the registered observables, including the payment-in-kind share, borrower spreads and refinancing outcomes, *remain to be measured*.

6. The Treasury Bid Has Changed Shape

Three strands converge, and none of them is an absence of buyers.

Japan. A large holder sold for one quarter after buying in 11^[u] of the prior 12^[u], at a point when domestic yields had risen materially. That is consistent with increased price sensitivity; as §3 established, the flow does not identify the motive.

Custody. Marketable Treasury securities held for foreign official accounts at the New York Federal Reserve fell \$236.3 billion over the year to late August 2026, roughly 8.3%, to the lowest level in more than a decade. That is less Treasury paper safekept at the New York Fed. Per §2, a custody decline can be a sale, a maturity, a transfer to a different custodian, or a pledge under the FIMA repo facility, and this paper does not choose among them.

Gold shows diversification. Official reserve managers in a specific set of countries have been adding gold in tonnes for several years, though the first half of 2026 was the weakest first half since 2022.

6.1 A descriptive absorption map, not an identity

Treasury absorption is sometimes written as an accounting identity across holder classes. **This is not an accounting identity** and this paper does not present one. The classes overlap — banks, money market funds, insurers, pensions, households, hedge funds and foreign private investors are neither exhaustive nor mutually exclusive as usually drawn — and the term premium is not mechanically the shadow price of a residual. That is a behavioral hypothesis, and labelling it an identity gave it authority it had not earned.

What can be said descriptively is that every Treasury security issued is held by someone at some price, and that the composition of holders has been changing.

6.2 The composition finding

A suggestive piece of evidence concerns maturity. During 2025, reported foreign official holdings of Treasury bills rose \$81.6 billion^[u] while reported holdings of notes and bonds rose \$3.5 billion^[u]. Approximately 95.9%^[u] of the *net increase in reported foreign official Treasury holdings* during 2025 was in bills.

That is a change in reported *holdings*, not a transaction series: it embeds maturities, valuation and reclassification alongside purchases, and §2's flow/position distinction applies here as much as it does to Japan. [*Treasury International Capital Major Foreign Holders data. This figure is carried from Working Paper 2026-11 and its underlying release has NOT been pulled for this paper. It is presented as suggestive pending that pull, not as this paper's central result.*]

What the composition tells us is where reported holdings grew, not that money *moved* from one maturity to another.

So What?

Repricing, a custody decline and diversification are three different observations, and none of them is a disappearance:

$$\text{repricing} + \text{custody decline} + \text{diversification} \neq \text{buyer exodus}$$

The evidence is not consistent with reduced demand for Treasury debt, but it is **consistent with reduced reliability** of *price-insensitive* absorption — the assumption that a given quantity will be absorbed at a given yield, in a given maturity, by a holder who does not negotiate. That is an inference about aggregate behavior, not an observed variable, and this paper does not promote it to one.

7. What Would Falsify This Paper

Markers are **scored individually**, each against its own observable. There is no count, no regime number and no inferred hazard rate: heterogeneous, non-independent markers do not aggregate into a state of the world. No scorecard is kept.

Registered markers — scoring date March 31, 2027

Each marker states what it would and would not establish. A marker that can only reverse a pattern is labelled as testing *persistence*, not as falsifying a historical observation: an observed fact about 2025 cannot be falsified by 2027 data.

M1 — Japanese flow persistence.

Japanese investors return to net purchases of U.S. bonds for 2 consecutive quarters on the balance-of-payments basis. *Flow-persistence test only*. Holding the JGB yield fixed would *not* hold the U.S. yield or the hedge cost fixed, so the hedged-yield relationship in Equation (1) can reverse while the domestic yield does not. Testing that relationship directly would require a matched-tenor hedged differential, which this paper does not carry. *Window author-defined*.

M2 — Custody recovery.

Marketable Treasury securities in custody for foreign official accounts return above their August 2025 level. *Persistence test*. *Would show the custody decline was not durable; it would not establish what drove either direction*.

M3 — Maturity composition reversal.

Foreign official reported holdings of notes and bonds rise by more than reported holdings of bills over a full calendar year. *Persistence test only*. *The 2025 composition is a historical observation and cannot be falsified by later data; this marker tests whether the pattern continues*.

M4 — Actual lending contraction.

A gated fund reports declining net originations *and* liquidity falling below its tender obligation *and* leverage at or above the top of its target range. *All three are required, and together they would **materially strengthen** the transmission hypothesis rather than establish it. Credit demand, underwriting standards, spreads or borrower quality can produce the same combination. Establishing transmission would require a filing or management disclosure linking tender or liquidity constraints to origination decisions*.

M5 — Official gold reacceleration.

Official net purchases exceed 1,100 tonnes in a calendar year. *Would reverse the deceleration reading. Note the asymmetry: a fall below 400 tonnes would **strengthen** that reading, not falsify it, and is therefore recorded as a confirming rather than a falsifying observation*.

M6 — Constant-price quantity crossover.

Gold exceeds Treasuries as a share of official reserves *at constant end-2023 prices*. *Future-state test*. *A crossover computed on a later year would establish a quantity crossover*

in that year; it cannot falsify the 2025 constant-price decomposition, which is a historical calculation. Falsifying that would require a revised computation of 2025 itself. It would also not establish a rotation out of Treasury debt: gold holdings can rise without Treasury holdings falling.

Each marker is reported on its own release with its own status. There is no count and no regime number.

7.1 What would falsify this paper the other way

This paper must be falsifiable in the direction of the claim it rejects, and a residual construction will not do it: “domestic private absorption fails to replace them” is not measurable, because the residual holder set — dealers, banks, money market funds, households, other foreign private investors — is neither exhaustive nor separately observed.

The measurable version uses auction and pricing observables directly. This paper is wrong, and absorption *capacity* rather than its price is the binding constraint, if across 4 consecutive quarters:

- primary dealer takedown rises materially as a share of gross issuance, *and*
- bid-to-cover ratios fall persistently across the coupon curve, *and*
- auction tails widen relative to when-issued levels, *and*
- term premium estimates rise conditional on announced supply.

The first three are published, quantitative and directly observable without a residual assumption. The fourth is not: **term premium is model-estimated**, and “conditional on announced supply” requires an estimated relation. Scoring it requires naming the model — this paper does not — and it is therefore recorded as supporting rather than decisive. The window is author-defined, as are the words “materially” and “persistently” above.

8. Conclusion

Bids Without Buyers was the wrong diagnosis. The market had buyers. What changed was the price and the structure of their bid.

Japanese investors sold for a quarter after an extended period of accumulation, at a point when domestic yields had risen materially — consistent with increased price sensitivity, though the flow does not identify the motive. Foreign officials held substantially fewer Treasury securities in New York Federal Reserve custody at the end of the period than at the start. Reserve managers continued adding gold in tonnes, though more slowly, while the headline reserve-share crossover turned out to be largely a movement in the gold price. Private-credit tender pressure proved considerably less constraining than widely assumed: OCIC held liquidity many times the tender obligation it faced, with leverage below its target range.

The common thread is not abandonment of Treasury debt. The evidence is **consistent with reduced reliability of automatic, price-insensitive absorption** — and the two are easy to confuse precisely because the second has been dependable long enough that its absence looks like the first.

For an issuer running annual deficits in the region of \$2.00 trillion^[u], the operative question is not whether the debt will be bought. It is what has to be conceded — in yield, in maturity, in hedge cost, in custody arrangement — to have it bought by holders who are now negotiating.

At the Dinner Table

The theater did not empty. The audience is still in its seats. What changed is that they have started asking what the ticket costs, whether they want the balcony instead of the stalls, and where they are going to leave their coat. For a long stretch they mostly did not ask. A management that has never had to answer those questions is about to find out what the answers cost.

Appendix A. Sources and Verification Status

Values verified against a primary artifact for this paper are marked **V**. Values carried from reporting, from another paper in this series, or otherwise not re-pulled are marked **U** and appear as *[unverified]* at the point of use. Unverified is not disputed; it means the check has not been run. Author-defined thresholds are marked **A** and are choices, not observations.

Claim	Source	Status
MOF statistical definitions: ITS versus BOP	Ministry of Finance Japan, ITS FAQ	V
Japan Q1 2026 net sales, U.S. govt/agency/muni	MOF balance of payments, via reporting	U
Japan 2025 foreign- and U.S.-bond purchases	MOF data, via reporting	U
Japan long-term Treasury position, market value	TIC CSLT via FRED FORLTTREASP0S42609	V
Foreign-official Treasury custody, face value	H.4.1 Table 1A via FRED WMTSECL1	V
GPIF policy asset mix and deviation range	GPIF, Adoption of New Policy Asset Mix	V
GPIF July 2026 policy discussion	Press reporting of unnamed sources	U
Reserve shares at market and constant prices	ECB, <i>International Role of the Euro</i> , Jun 2026	V
Official and private gold demand, 2024–25	ECB, <i>ibid.</i>	V
WGC Q1 2026 revision and H1 2026 total	WGC Gold Demand Trends	U
OCIC liquidity, tender coverage, leverage	SEC-filed shareholder update, EX-99.1	V
OCIC/OTIC tender percentages and flows	Shareholder-letter reporting	U
Bank fund-finance withdrawal, July 2026	Financial press	U
Foreign official bill and coupon holdings, 2025	TIC Major Foreign Holders	U
JGB ten-year yield; BOJ and FOMC policy rates	MOF, BOJ, Federal Reserve	U
Federal deficit scale	Congressional Budget Office	U
FIMA repo facility terms and limit	Board of Governors; FRBNY operating policy	V

Note on the composition finding. The 95.9%^[u] figure in §6 is carried from Working Paper 2026-11 and its underlying TIC release has not been pulled for this paper. It is presented as suggestive rather than as this paper’s central result, and it should be verified before any later paper builds on it.

Appendix B. Change Register

This paper was first published on 13 July 2026. The claims below appeared in that edition and are withdrawn or corrected here. The first edition remains historically traceable; it is not being silently replaced.

1. Monthly Japanese acceleration.

Withdrawn: the monthly and quarterly figures come from different statistics, and the two cited months exceed the quarter containing them. §3.1.

2. *“Japan holds roughly \$1.20 trillion^[u] of Treasuries”.*

Wrong measurement object: the long-term position at market value was \$1.05 trillion. §3.2.

3. GPIF intent.

Withdrawn: the policy asset mix is unchanged. §3.4.

4. Custody *“fingerprints”* of intervention.

Withdrawn: the cited week sits below the series’ own noise band. §1.2, §6.

5. *“Every future defense is funded from the same shelf”.*

Withdrawn: custody identifies no seller, transaction, motive or use of proceeds. §2, §6.

6. A fund lending-capacity identity.

Withdrawn: it omitted cash, borrowing capacity, asset sales and undrawn facilities. §5.

7. The gold crossover read as a quantity rotation.

Withdrawn. §4.

8. *“Roughly 1,000 tonnes annually for four years”.*

Wrong at its most recent point: purchases eased to 850 tonnes in 2025. §4.

9. *“Uncapped” backstop; “bids get nationalized”.*

Withdrawn: the December 2025 change removed the aggregate operational limit only, and a facility lending against securities a counterparty already owns is not a buyer of Treasury debt. §6.

The full machine-verified register, with every changed value and the predicate confirming it landed, accompanies the source distribution.

ALSO IN THE STRUCTURAL SERIES: No. 2026-01, *Printing Without the Printer* • No. 2026-03, *Reserves Without Treasuries* • No. 2026-11, *Sellers Without Sales*.

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