

Sellers Without Sales

Treasury Buybacks, the FIMA Window, and What a Closed Exit
Looks Like Before Anyone Pushes On It



Both hands belong to the house.

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Abstract. Late July and August 2026 produced two complementary mechanisms directed at reducing Treasury-sale pressure from the largest foreign holder of United States Treasury securities. U.S. co-intervention funded by selling euros reduced the yen support Japan had to finance itself; it transferred Japan no dollars. Separately, Japan publicly designated the Federal Reserve's FIMA repo facility, with U.S. Treasury endorsement, as a future route to dollars against Treasury collateral. Only the second is a dollar-funding channel, and it alone is the structural channel underlying P1. This paper defines *closure* as that structural fact and only that — P1, the existence of the channel — and argues P1 is established. It separately registers P2, whether the holder actually uses such a channel under stress, as a hypothesis it does not claim. An expanded Treasury buyback program is treated as a distinct mechanism operating on the issuer's side; it provides Japan no dollars and is not counted toward closure. Japan disclosed ¥15.3993 trillion of intervention for July 30 to August 26, roughly \$96.5 billion, against a facility whose total outstanding per-counterparty limit is \$60 billion at any given time and which shows no material usage in the H.4.1. That gap gives quantitative context to the Secretary's call to expand the facility. The paper replaces an earlier absorption identity with a monitoring vector rather than a scalar, and states that the displacement ratio σ is latent and *not point-identifiable* from public data. Three claims pre-registered in the preceding three working papers are graded, and *two fail*. Eight markers are registered in two separately scored groups, with a fixed date of March 31, 2027.

JEL: E58, E63, F31, F34, G12, H63. **Keywords:** Treasury buybacks; FIMA repo; fiscal dominance; absorption; term premium; debt maturity; Japanese government bonds; Treasury–Fed Accord; pre-registration.

Disclosed conflicts. The author is Chief Executive Officer of Quantum Reserve Capital, which is developing QReST, a proposed payment stablecoin whose reserve model would hold short-dated Treasury bills. A policy shift of federal issuance toward bills is directly favorable to that project's economics, and the reader should weigh Sections 3 and 7 with that interest in view. QRC operates a research book that carries pre-registered gold and Treasury positions in paper capital only; no live capital is deployed against any view expressed here. The author holds no position in Japanese government bonds, the yen, or any security, issuer, or institution named in this paper, and receives no compensation from any of them.

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Figures. The three images in this paper are illustrative compositions generated for this series. They depict no real institution, building, or person, and no numeral, plaque, or inscription appearing within them carries analytical meaning.

1. The Question the Trilogy Left Open

Three papers in this series built one argument in three moves. *Printing Without the Printer* argued that money creation had migrated off the balance sheet the public watches and into places it does not — stablecoin reserves, bank capacity released by supplementary leverage ratio relief, and the plumbing beneath both. *Bids Without Buyers* narrowed the question from the money supply to the buyer base and closed on a sentence: bids without buyers do not stay unfilled, they get nationalized. *Reserves Without Treasuries* argued that the store-of-value function the Treasury market was shedding had already found a home in gold.

August 2026 tested the second paper's prediction, and the test came back in a form the prediction did not anticipate. The bid was not nationalized by the central bank, and no money was created to fill it. Something narrower and more durable happened instead. Over roughly a month, a designated official route was put in place alongside the one by which the largest foreign holder of United States Treasury securities would convert a dollar need into a Treasury sale. That route's existence is what this paper means when it says the exit was closed.

This paper is about that closure — what it consists of, what it does not mean, why it is not visible in flow data, and what would establish whether it changes anyone's behavior.

1.1 What “closed” means here, stated before it is used

The central claim of this paper is that an exit was closed. Because that claim is easy to inflate, its content is fixed in advance — and because it is easy to conflate two different propositions, they are separated before either is argued.

The exit is the route by which a foreign official holder converts a need for dollars into a sale of Treasury securities into the private market. It matters because it is the route that transmits a foreign policy decision into the American long-end yield.

Closure is the structural proposition P1 below, and *only* P1. A second proposition, P2, concerns whether closure changes behavior. P2 is not part of the definition of closure, is not claimed here, and is registered in Section 8 as the hypothesis this paper exists to test.

P1 — closure (structural). A standing Federal Reserve facility exists whose stated purpose is to provide dollars to approved holders of Treasury securities *other than by selling those securities*; the holder has publicly designated it as its intended funding route;¹ and the issuer has publicly endorsed that designation.² *This paper argues P1 is established, and that is what the title claims.* Note what P1 does not assert: the Federal Reserve approves facility applications case by case and does not publish its list of approved counterparties, so Japan's specific account approval is not publicly verifiable from the sources here.

P2 — exercise (behavioral). Under a real dollar need, the holder uses that channel or an equivalent rather than liquidating Treasuries. *This paper does not claim P2. Section 8 specifies what would confirm or refute it.*

¹Ministry of Finance Japan, statement by Minister of Finance Katayama Satsuki, August 3, 2026, https://www.mof.go.jp/english/public_relations/statement/others/20260803073000.html.

²Reuters, “US Treasury's Bessent: Reasonable for Fed to consider upsizing FIMA,” August 4, 2026, <https://www.reuters.com/business/us-treasurys-bessent-reasonable-fed-consider-upsizing-fima-2026-08-04/>; CNBC, “How Bessent is pushing Warsh's Fed to expand backstop for Japan's yen defense,” August 3, 2026, <https://www.cnbc.com/2026/08/03/bessent-fed-japan-yen-fima-repo-facility.html>. The Secretary wrote that the facility is an important backstop that should be upsized in coming months, and told CNBC that the bond market was much smaller when FIMA was created, so it would be reasonable for the Federal Reserve to consider upsizing it.

A previous formulation of this argument defined closure as the conjunction $P1 \wedge P2$ and then asserted closure while conceding $P2$ was unknown. That is a straightforward logical error — with $P2$ unknown the conjunction is unknown — and the definition above removes it. The cost is that “closed” now means less than a casual reader might assume, which is why the next two paragraphs say what it does not mean.

Two consequences follow and neither is convenient.

Closure does not mean the old route is unavailable. Japan remains legally and operationally able to sell Treasuries at any time. What has changed is the choice set, not the law of property. A reader who takes “closed” to mean “foreclosed” will be misled; the sense intended throughout is a designated official backstop available before outright Treasury liquidation becomes necessary. As Section 4 explains, the facility is priced above private repo, so a rational holder would generally reach for private funding first — which is consistent with a backstop and inconsistent with a first resort.

The published outstanding limit is smaller than the cumulative intervention total. The FIMA repo facility is conducted with Foreign Accounts approved in advance by the FOMC’s Foreign Currency Subcommittee, is offered overnight or for a term of seven calendar days, and is subject to a **total outstanding per-counterparty limit of \$60 billion at any given time**. The Subcommittee may change the rate, the maturity, the approved counterparties, and the limit.³ Japan’s Ministry of Finance disclosed on August 28 that intervention over July 30 to August 26 totaled ¥15.3993 trillion⁴ — roughly \$96.5 billion at prevailing rates. Two qualifications must travel with any comparison of those figures, and both matter.

First, \$60 billion is the *publicly documented authorization*, not Japan’s known available capacity. New York Fed research describes the maximum position available to an account holder as the lesser of its Treasury securities held at the New York Fed and an internal counterparty limit communicated bilaterally, and the directive permits the Subcommittee to alter counterparty limits and account access without public announcement. Japan’s actual approved limit is not observable.

Second, \$60 billion is a ceiling on *credit outstanding at a point in time*, while ¥15.3993 trillion is a *cumulative flow* over four weeks. The ratio $60/96.5 \approx 62$ percent is arithmetic; it is **not a coverage ratio**, and this paper does not treat it as one. Repo positions mature, roll and can be repaid and redrawn, so a facility of a given size can participate in cumulative activity larger than itself, provided the borrower can replenish the dollars needed to repay. The daily path of the intervention and the replenishment path are both unobserved. The comparison is reported here because it gives quantitative context; no inference about coverage follows from it.

That arithmetic gives quantitative context to the one piece of the record that otherwise reads as rhetoric: the Secretary’s public call to expand the facility. It does not establish that this was his reasoning, and the paper does not claim to know his reasoning. It establishes that an expansion request is economically intelligible against the numbers. The capacity question is registered as R1’.

³Federal Reserve, *FOMC Authorizations and Continuing Directives for Open Market Operations*, as amended effective January 27, 2026, §II.3, https://www.federalreserve.gov/monetarypolicy/files/FOMC_AuthorizationsContinuingDirectivesOMOs.pdf; Federal Reserve, *FIMA Repo Facility FAQs*, updated February 21, 2024, <https://www.federalreserve.gov/monetarypolicy/fima-repo-facility-faqs.htm>.

⁴Ministry of Finance Japan, “Foreign Exchange Intervention Operations (July 30 – August 26, 2026),” August 28, 2026, https://www.mof.go.jp/english/policy/international_policy/reference/feio/monthly/20260828e.html.

1.2 Two mechanisms, not one list

Three actions are usually reported together. They belong to two different mechanisms and conflating them obscures what each does.

Mechanism A — reduce or prevent the sale. Two distinct things sit here and they work differently. The *FIMA designation* gives Japan an alternative source of dollar liquidity against its Treasuries. The *U.S. euro-funded intervention* does not: it transfers no dollars to Japan. It buys yen using American reserve assets, which is co-intervention — burden sharing that reduces the quantity of yen support Japan must finance itself. Both *can* reduce potential Treasury-sale pressure, by different routes: FIMA supplies an explicit non-sale dollar-funding option, while U.S. co-intervention reduces the amount Japan itself must finance. Whether either actually displaced a sale depends on what Japan would otherwise have used — the unobserved counterfactual of Section 7. Mechanism A is what P1 and P2 are about, and it is the subject of this paper's title claim.

Mechanism B — stand on the other side of long-duration supply. The expanded Treasury buyback program operates on the *issuer's* side. It does not provide Japan with a single dollar. It is an official standing bid for long-duration paper, whoever is selling it.

The two are complements, not the same thing. Section 3 treats Mechanism B on its own terms and does not count it toward closure. Within Mechanism A, one action is executed and one is designated and undrawn; their status is never blurred.

Executed. On Friday July 31 the United States Treasury, through its fiscal agent the Federal Reserve Bank of New York, intervened jointly with Japanese authorities to buy yen — the first joint United States–Japan yen-buying operation since 1998.⁵ Acting as Treasury's fiscal agent rather than as economic principal, the New York Fed reportedly executed the yen purchases by selling *euros* rather than dollars.⁶ This is a completed operation. The American leg required no Treasury liquidation and reduced Japan's intervention burden at the margin; Japan's own funding source remains unobserved.

Designated and undrawn. Japan's finance minister stated that future dollar-selling intervention would be financed through the Federal Reserve's repurchase agreement facility for Foreign and International Monetary Authorities, specifically in order to avoid selling United States Treasuries; the United States Treasury Secretary then publicly called for that facility's expansion.⁷ As of the August 27 H.4.1, drawings under that facility were zero. Section 4 argues that the zero, set beside a \$96.5 billion disclosed intervention, narrows the funding possibilities without selecting among them — and is the reason P2 remains a hypothesis rather than a finding.

Announced and capped. On August 19 the Treasury announced it would increase, by at least double, the maximum size of long-end liquidity support buyback operations, from \$2 billion to at least \$4 billion per operation, for the window running September 9 to November 4.⁸ This is an expansion of a program that has run since May 2024, not a new instrument, and

⁵Al Jazeera, "Japan and US confirm rare joint intervention to prop up yen," August 3, 2026, <https://www.aljazeera.com/economy/2026/8/3/japan-and-us-confirm-coordinated-yen-intervention>; CNBC, "U.S., Japan confirm coordinated yen intervention, signal readiness for more," August 3, 2026, <https://www.cnbc.com/2026/08/03/yen-intervention-us-japan-trump-bessent-katayama.html>.

⁶*Fortune*, "America's 'weird' and 'unwise' intervention in the Japanese yen," August 3, 2026, <https://fortune.com/2026/08/03/yen-dollar-intervention-euros-bessent-japan-debt-yields/>.

⁷OMFIF, "Japan's yen intervention and the US's unusual support," August 2026, <https://www.omfif.org/2026/08/japans-yen-intervention-and-the-us-unusual-support/>; Wolf Street, August 3, 2026, <https://wolfstreet.com/2026/08/03/why-the-us-japan-joint-intervention-to-prop-up-the-yen-fear-of-treasury-yields-blowing-out-if-japan-becomes-a-forced-seller/>.

⁸Bloomberg, "Bessent Deploys Debt Buybacks in Sign of Concern Over Yield Rise," August 19, 2026, <https://www.bloomberg.com/news/articles/2026-08-19/long-dated-treasuries-rally-as-treasury-boosts-bond-buybacks>.

Section 3 is careful about the difference.

At the Dinner Table

A door can be closed without anyone walking up to it. If your largest creditor needs cash and you tell him publicly — and he tells the world publicly — that he should come to you rather than sell your IOU to a stranger, you have changed the choices available to him in a crisis even if he never knocks. The absence of a knock is not evidence that the arrangement is fictional. It is what the arrangement is supposed to produce. But it does mean you cannot prove the arrangement works until the next time he needs cash, and this paper says in advance exactly what to look at when that happens.

2. Grading the Prior Markers

This series is built on asymmetric accountability: claims are registered in public with dates attached, and scored whether or not the score is flattering. Three registered claims are gradeable. *Two of them fail*. The scoring is presented before the new argument, because a reader is entitled to know the hit rate before being asked to accept anything further.

2.1 The Japan exit claim fails

Bids Without Buyers claimed Japan was accelerating an exit from the Treasury market and that the traditional buyer base was measurably leaving. Treasury International Capital data does not support this, and the failure is not marginal.⁹

Holdings (\$billions)	Dec 2024	Dec 2025	Change
Japan	1,061.5	1,185.5	+124.0 (+11.7%)
All foreign holders	8,619.3	9,269.5	+650.2 (+7.5%)
Foreign official	3,792.5	3,877.7	+85.2 (+2.2%)
of which: bills	306.9	388.5	+81.6 (+26.6%)
of which: bonds & notes	3,485.6	3,489.1	+3.5 (+0.1%)
Foreign private (residual)	4,826.8	5,391.8	+565.0 (+11.7%)

Japan increased its position by roughly \$124 billion over calendar 2025. Aggregate foreign holdings reached a record. The claim that the buyers were leaving is falsified on the data the claim itself nominated.

The reason it felt right at the time is the error the field generally makes, not only the error this series made. Between mid-2025 and August 2026 the thirty-year yield rose to 5.311 percent, its highest since 2007. A price move of that size is intuitively read as evidence that buyers went away. It is not. It is evidence that the buyers who remained charged more. Prices are set by the marginal holder's reservation yield, not by the count of holders, and in 2025 the two moved in opposite directions.

⁹U.S. Department of the Treasury, Major Foreign Holders of Treasury Securities, <https://ticdata.treasury.gov/Publish/mfhhis01.txt>, 2025 data revised July 14, 2026.

2.2 The composition claim survives, and is sharper

Foreign official holders — the price-insensitive money the second paper was actually reasoning about — grew their position 2.2 percent while foreign private holders grew theirs 11.7 percent. The official share of foreign holdings fell from 44.0 percent to 41.8 percent. More striking: of the \$85.2 billion official holders added on net, \$81.6 billion went into bills and \$3.5 billion into bonds and notes. Approximately 96 cents of every marginal official dollar bought paper maturing inside one year.

Official money did not leave the Treasury market. On a net-change basis it supplied almost no incremental funding to notes and bonds during 2025, while the overwhelming majority of the increase in foreign holdings came from private holders. That configuration is consistent with greater reliance on price-sensitive private absorption at the margin. It does not identify the cause of higher long-end yields, and it is not the whole of the term premium story — fiscal expectations, inflation uncertainty, dealer balance-sheet capacity, issuance volume, hedging flows and convexity all contribute, and no single reallocation series can carry that much causal weight.

2.3 The gold claim fails, and fails in the direction opposite to the one this series argued

Reserves Without Treasuries rested on gold surpassing Treasury securities as a share of global official reserves at end-2025, and on official accumulation as the durable force underneath the crossing. The measurement was fragile and the mechanism claim was wrong.

On measurement: gold set records above \$5,300 per ounce on the LBMA PM benchmark in late January 2026, then fell more than twenty percent in its worst quarter since 2013, trading near \$4,000 in July and recovering to roughly \$4,344 by mid-August. The benchmark matters and is named deliberately here: LBMA AM and PM fixings, intraday spot, and futures each produce different highs, and a figure quoted without its series is not a datum. A reserve-share crossover driven substantially by mark-to-market appreciation does not survive a decline of this size intact on any of those series.

On mechanism, the World Gold Council's Q2 2026 report is unambiguous and it goes against this series.¹⁰ Central bank net purchases were 288.9 tonnes in Q2 — described by the WGC as a record high *for a second quarter*, not an all-time quarterly record. Q1 was revised down from 244 tonnes to 57 tonnes. First-half demand was 345 tonnes, which the WGC characterizes as *the lowest for a first half since 2022*, weighed down by Q1 selling from Turkey, Russia and Azerbaijan.

This series previously described official accumulation as accelerating into the price decline. On the half-year, it decelerated. The correct statement is narrower: buying rebounded fivefold in Q2 from a weak, downward-revised Q1, and sentiment remains strong — 89 percent of surveyed reserve managers expect global official gold holdings to rise and a record 45 percent expect their own to — but the realized first-half total was the weakest since 2022. The gold thread is a live question, not a settled foundation, and nothing in the present paper rests on it.

So What?

Two of three registered claims failed. Both failed the same way: a directional story was asserted where the published quantity had not yet been checked. Everything in the

¹⁰World Gold Council, *Gold Demand Trends Q2 2026: Central Banks*, July 30, 2026, <https://www.gold.org/goldhub/research/gold-demand-trends/gold-demand-trends-q2-2026/central-banks>.

remainder of this paper is therefore built on quantities that are published and named, and the one quantity that is *not* observable is given a symbol and bracketed rather than assumed away.

3. Mechanism One: The Standing Official Bid

3.1 What was announced, and what was not

Treasury's buyback program is not new. Regular buyback operations have run since May 2024, in two types: cash management buybacks and liquidity support buybacks, the latter intended to bolster market liquidity by giving participants a regular and predictable opportunity to sell off-the-run securities.¹¹ Liquidity support operations are generally conducted weekly. What happened on August 19, 2026 was an increase in the *maximum* size of long-end operations, effective September 9. It was not the creation of the instrument, and any account that describes Treasury as having "begun" buying its own debt in August is wrong.

The context was a price move. On August 17 the thirty-year yield reached 5.311 percent, its highest since 2007, touching a fresh nineteen-year high above 5.33 percent the following session, with the ten-year at 4.706 percent and the two-year at 4.175 percent.¹² Yields fell within minutes of the August 19 announcement and had round-tripped above their starting levels by the following afternoon.¹³

3.2 Doctrine and action

Two features of the record deserve to be placed side by side, because together they are better evidence about purpose than any assertion this paper could make.

First, Treasury's own published doctrine states that it "does not currently intend to use buyback operations to mitigate episodes of acute market stress." The stated purpose of liquidity support buybacks is off-the-run liquidity, not the level of yields.

Second, the Secretary's public characterization of the expansion was about the level of yields. On August 20 he said the department would make a market in the long end, that liquidity in the thirty-year specifically was weak, and that current yields did not reflect underlying fundamentals — while also saying that the level of yields did not factor into the buyback decision.¹⁴

Those two statements, made in one interview, cannot both be fully operative. This paper does not resolve the contradiction and does not need to. It records that an expansion of a program whose published purpose excludes market-stress mitigation was announced two days after a nineteen-year-high yield and defended in terms of whether that yield reflected fundamentals. Readers may weigh that as they wish; it is offered as evidence about purpose rather than as a demonstration of it.

¹¹TreasuryDirect, *FAQs about Treasury Securities Buybacks*, <https://www.treasurydirect.gov/help-center/faqs/buyback-faqs/>.

¹²CNBC, August 17–18, 2026, <https://www.cnbc.com/2026/08/17/treasury-yields-federal-reserve-fomc-minutes.html> and <https://www.cnbc.com/2026/08/18/treasury-yields-.html>.

¹³Adam Tooze, "Chartbook 470: Treasury v. Fed 2026," <https://adamtooze.substack.com/p/chartbook-470-treasury-v-fed-2026>.

¹⁴CNBC, "Bessent says Treasury buyback operation could be more than \$4 billion," August 20, 2026, <https://www.cnbc.com/2026/08/20/bessent-says-treasury-buyback-operation-could-be-more-than-4-billion.html>.

3.3 What a buyback does to the debt

Precision here matters, because a loose formulation in an earlier draft of this argument gets the mechanics backwards. Treasury securities purchased through buyback operations *are retired upon settlement*. A buyback therefore reduces the outstanding par of the purchased security. It is a redemption.

Aggregate debt is a separate question and a separate transaction. The cash spent on repurchases becomes part of Treasury's financing requirement, so subsequent issuance can replace the redeemed debt elsewhere on the curve. Treasury states that it does not mechanically align additional issuance with the tenor bought back.

The correct formulation is therefore:

A liquidity support buyback retires the purchased security and reduces long-duration supply outstanding. Because the expenditure enters Treasury's financing requirement, subsequent issuance can restore aggregate debt elsewhere on the curve. The operation can thus reduce long-duration supply without reducing aggregate debt on a sustained basis — but the short-end replacement is an empirical hypothesis about financing behavior, not part of the definition of a buyback.

That hypothesis is testable, and it is registered as R3 and R4 in Section 8.

3.4 Bounding the program

The single most important operational fact about these operations is the one most easily inverted. **The announced \$4 billion figure is a maximum, not a minimum.** Treasury announces a tentative minimum — currently \$0 — and a maximum purchase amount for each operation, may buy back less than the maximum, and may in its sole discretion buy back nothing at all. Treasury's own FAQ illustrates this with the same number at issue here: if the maximum is \$4 billion par and Treasury buys back \$1.5 billion par, the unused \$2.5 billion is not carried forward.

Consequently the program cannot be sized as an estimate, and a further release constrains it more tightly than the August 19 announcement does.

At the August 5 quarterly refunding Treasury stated that over the upcoming quarter it anticipates purchasing **up to \$38 billion in off-the-run securities across buckets for liquidity support**, plus up to \$25 billion in the one-month to two-year bucket for cash management.¹⁵ The \$38 billion figure is the ceiling for liquidity support *across all maturity buckets*, not for the long end. The August 19 release raised the per-operation maximum for the ten- to twenty-year and twenty- to thirty-year buckets effective September 9 and said an updated tentative schedule would follow. *Until that schedule is published, the long-end share is not known.*

An earlier version of this argument multiplied eight to ten weekly operations by \$4 billion to reach \$32–\$40 billion and called it an upper bound on long-end purchases. It is neither a bound nor long-end specific: it approximates the entire quarterly liquidity-support allowance across every bucket. Treat it as an *illustrative maximum under an assumed schedule* and nothing more.

Scale it two ways, because the two answers differ and both are true.

Against the stock, it is negligible. \$38 billion against a Treasury market of roughly \$32 trillion is about 0.12 percent. A large mechanical stock effect on the price of duration is implausible at that size.

¹⁵U.S. Department of the Treasury, "Quarterly Refunding Statement of Deputy Assistant Secretary for Federal Finance Brian Smith," August 5, 2026, <https://home.treasury.gov/news/press-releases/sb0590>.

Against marginal long-end issuance, it is not. Treasury’s anticipated August–October nominal auction sizes give \$42 billion at twenty years and \$69 billion at thirty years, so \$111 billion at twenty years and longer, and \$231 billion at ten years and longer. Even in the extreme case where the entire \$38 billion liquidity-support allowance went to the long end — which it will not, since the allowance spans all buckets — that is roughly **34 percent** of scheduled twenty- and thirty-year gross issuance, or about **16 percent** of ten-year-and-longer. The realistic figure is materially smaller, and still not trivial.

The correct characterization is therefore not that the program is too small to matter. It is that a large mechanical stock effect is implausible while flow, liquidity, signaling and free-float effects can be material. Those are different channels and only the first is ruled out by size.

3.5 The financing question, correctly posed

A number is often quoted in this context and it needs careful labeling. If \$38 billion of long paper were retired and refunded at the front of the curve, the difference in *market yields* at the August 27 curve (one-year 4.02 percent, thirty-year 5.20 percent) would be:

$$\$38\text{b} \times 1.18\% \approx \$448 \text{ million in the first year.}$$

This is an illustrative market-yield carry differential. It is not Treasury’s cash interest saving, and the distinction is not pedantic. Treasury does not stop paying 5.20 percent because a bond *yields* 5.20 percent; it stops paying that bond’s *coupon*. An off-the-run long bond may carry a coupon well below its current yield and trade at a deep discount, so the actual cash calculation requires the accepted CUSIPs, their coupons, the clean and full prices paid to retire them, and the coupon on whatever replaces them. None of those are known in advance.

For context rather than comparison: net interest ran \$963 billion over the first ten months of fiscal 2026, an annualized rate near \$1.16 trillion, roughly fifteen percent of federal spending.¹⁶ An earlier version of this argument divided the carry figure into that total and reported the result as basis points of the interest bill. That ratio gave a market-yield proxy a budgetary meaning it does not have, and it is withdrawn.

3.6 What the trade actually is

The carry framing understates the position, because the operation is a duration decision, not a carry trade. Treasury repurchases an off-the-run long bond, stops paying that bond’s coupon, and begins paying whatever it pays on replacement issuance. If replacement is short, the operation wins when the average short rate over the retired bond’s remaining life falls below its yield-to-maturity at repurchase — currently in the neighborhood of 5.2 percent, over a multi-decade horizon. That comparison is an approximation: repurchase prices, coupons, issuance timing and the future curve all matter.

What is being sold is compensation for holding long duration. The 118 basis point thirty-year to one-year slope is *not* the term premium, and calling it that would be wrong. The slope compensates investors jointly for the expected path of short rates and for the additional risks of long duration; the term-premium component is latent and must be estimated rather than read off the curve. What can be said without estimation is that some portion of that slope is risk compensation, and that shortening the debt moves that risk from the private sector onto the issuer.

¹⁶Congressional Budget Office, cited in CNBC, “Bessent moves to curb Treasury yields, putting new pressure on Warsh’s Fed,” August 19, 2026, <https://www.cnbc.com/2026/08/19/bessent-treasury-buybacks-yields-warsh-fed.html>.

The Secretary's stated rationale is that yields do not reflect underlying fundamentals. Set aside whether that is true and consider only who is claiming to know it. Treasury's informational advantage over the market concerns future supply — and future supply is precisely the variable driving the compensation it says is mispriced. The position is self-referential.

At the Dinner Table

You have a thirty-year mortgage at 5.2 percent. You decide the bank is charging too much, so you pay off a slice using a credit line that reprices every year at 4.0 percent. You save 1.2 percent on that slice today, and you keep saving only if short rates stay below 5.2 percent for decades. If they do not, you lose — and you lose in exactly the scenario, high inflation and heavy borrowing, that made the bank charge 5.2 percent in the first place. You have not reduced your debt. You have converted a fixed liability into a floating one and taken a view on your own future creditworthiness.

So What?

The buyback expansion is too small to dominate duration pricing through a mechanical stock channel, though its flow, liquidity and signaling effects may still be material. Its significance is not the dollars, which are capped and may not be spent. It is that a standing official bid now exists at the long end, that its expansion was defended in terms of the level of yields by a program whose published doctrine excludes stress mitigation, and that the financing technique under discussion can shorten the maturity of the public debt if replacement issuance is concentrated at shorter tenors — while the central bank's next move is more likely up than down.

4. Mechanism Two: The Closed Route

4.1 July 28: 164

By July 28, 2026 the yen had fallen to approximately 164 to the dollar, a forty-year low. Japan's Ministry of Finance needed dollars to buy yen. The obvious source of dollars for a country holding roughly \$1.2 trillion of Treasury securities is to sell some of them. On August 28 the Ministry of Finance disclosed the aggregate: ¥15.3993 trillion of intervention over July 30 to August 26, roughly \$96.5 billion at prevailing rates. The daily allocation, the split between Japanese and American legs, and the size of the July 31 joint operation itself remain undisclosed; Bank of Japan data had earlier indicated Tokyo may have sold as much as \$58.97 billion in New York on Thursday July 30, which is an inference rather than a disclosure.

A roughly \$59 billion intervention-related dollar requirement, *if financed through Treasury liquidation*, would be a supply shock of a different order of magnitude than a capped four billion dollar buyback is a demand shock. The conditional is essential: the figure is an inference about intervention activity, not about how that activity was funded, and this paper does not convert one into the other. The asymmetry of magnitudes is nonetheless the reason this section, not Section 3, contains the main claim.

4.2 Two legs, different status

The euro leg is executed. Acting as Treasury's fiscal agent rather than as economic principal, the New York Fed reportedly executed the yen purchases by selling euros rather than dollars. The American leg therefore required no Treasury liquidation, and it is a completed fact rather than an intention. Whether it reduced Japan's own need to sell depends on what Japan would otherwise have used, which is unobserved.

The repo leg is designated and undrawn. Japan's finance minister stated that future dollar-selling intervention would be financed through the Federal Reserve's FIMA repurchase agreement facility precisely in order to avoid selling Treasuries, and the Secretary called for the facility's expansion. The FIMA facility allows a foreign central bank to obtain dollars by pledging Treasury securities held in custody at the New York Fed rather than selling them.

4.3 Collateralized non-sale

Strip the diplomacy out and the designated mechanism is this. The largest foreign creditor of the United States needs dollars. Rather than raise them by selling the debtor's obligations into a fragile market, it borrows the dollars against those same obligations. The creditor keeps the asset. The market never sees the supply. The dollars are new.

Call this a *collateralized non-sale*, and state its properties carefully.

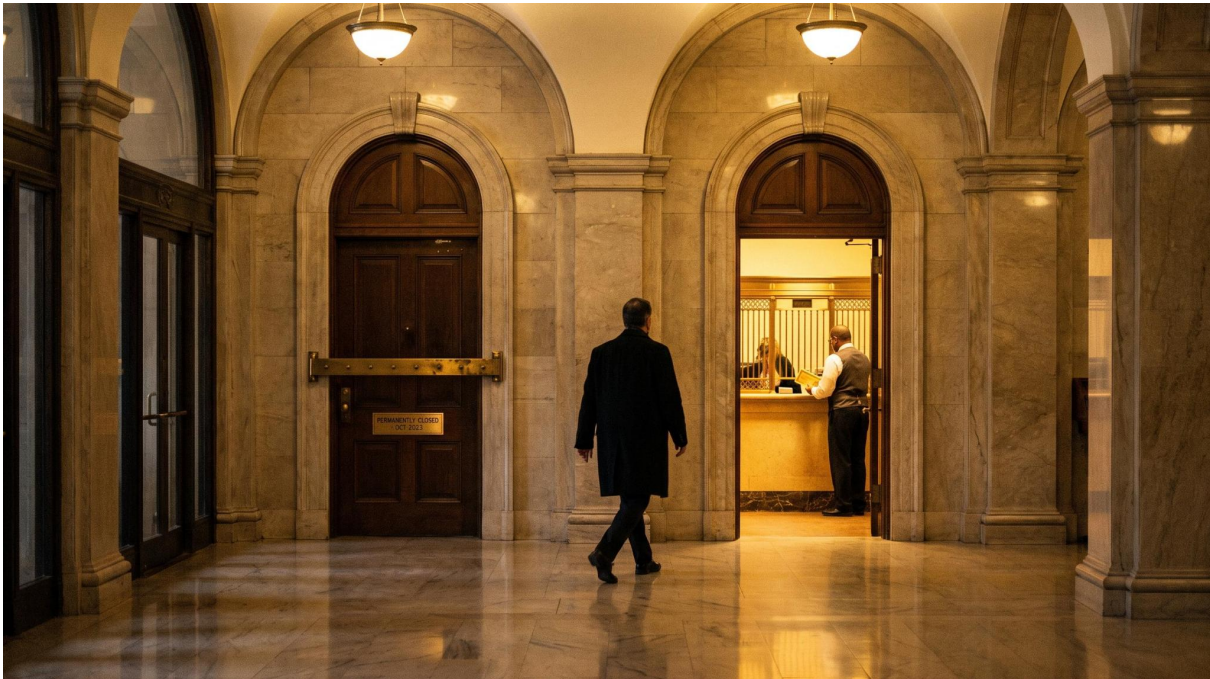


Figure 1. Two available routes: outright sale into the market, and collateralized borrowing through an official window. The second changes the holder's choice set without legally foreclosing the first — which remains open throughout, as §1.1 insists. *If* the holder takes the lending route, it retains the security and the transaction itself sends no Treasury supply into the market. Whether it would otherwise have sold is the question this paper registers rather than answers.

1. **The transaction itself sends no Treasury supply into the private market.** That much is a transaction-level fact. *To the extent* it substitutes for a sale that would otherwise have

occurred, it reduces private-market supply by that amount — and that extent is exactly the quantity Section 7 shows is not identifiable. This is subtracted supply rather than additional demand, similar in price terms and structurally different in every other respect, but only in proportion to a substitution that is assumed, never measured.

2. **Dollar liquidity is created.** The Federal Reserve's balance sheet expands on the asset side by the amount of the repo. Whether one calls this monetization is definitional; that it creates dollars against government debt is not.
3. **Aggregate Federal Reserve FIMA usage is directly visible in H.4.1 Table 1**, and that line is easy to misread. See below.

4.4 The zero, and the line that is not the zero

As of the H.4.1 released August 27, 2026, for the week ended August 26:¹⁷

H.4.1 Table 1 line	Aug 26, 2026	Side
Repurchase agreements — Foreign official	\$0	Asset (this is FIMA)
Repurchase agreements — Others	\$3m	Asset
Reverse repurchase agreements — Foreign official and international accounts	\$355,456m	Liability (not FIMA)

Any reader constructing this measure must take the asset-side line. The liability-side reverse repo line for foreign official and international accounts stood at roughly \$355 billion in the same table. It is a different facility serving a different purpose, and confusing the two produces an error of several hundred billion dollars. Section 8 names the exact row.

The zero is not a hole in the argument. It is the argument's sharpest fact, and it should be read carefully in both directions.

State the observation precisely first. The foreign official repurchase agreement line rounded to \$0 million in both the Wednesday level and the weekly average of daily figures, in each release covering August 5, 12, 19 and 26. The correct summary is that *no material FIMA usage is visible in the H.4.1 during the intervention period* — not that the line was zero continuously, which would claim observation the published data do not provide.

What the zero establishes is narrow: FIMA itself was apparently not materially used. **It is not evidence that Treasuries were or were not sold.**

The Federal Reserve's own documentation explains why a zero should be the expected reading in most conditions, and this materially weakens any attempt to read the line as a behavioral signal. The FIMA offering rate generally exceeds private repo rates when the Treasury market is functioning well, so the Fed states the facility will primarily be used only in times of unusual market stress. FIMA is a deliberately expensive backstop. A holder wishing to raise dollars against Treasuries without selling them would rationally use the private repo market first — which is sale avoidance by the same logic, conducted somewhere the H.4.1 cannot see. Japan already runs such a book: its reserve template reports \$186.7 billion lent or repoed within reported reserves at end-July.

The zero therefore narrows the set of possible funding sources; it does not select within that set. Japan's own reserve template shows why the remaining set is wide. At end-July, against

¹⁷Federal Reserve, *Factors Affecting Reserve Balances — H.4.1*, August 27, 2026, <https://www.federalreserve.gov/releases/h41/current/>.

total reserves of \$1,287.1 billion, Japan reported \$162.3 billion of deposits, a securities lending and repo book with \$186.7 billion lent or repoed within reported reserves, and \$20.0 billion of long forward positions. Deposits, private repo and securities lending, forwards, other reserve assets, and timing effects are all available channels, in any combination. FIMA is one designated route among several undesigned ones, and it is priced to be the last of them.

What can be said without an unobserved intervention path is simply this: whatever funded the episode, it was not the designated channel. P1 — that the channel exists — is untouched by that. P2 — that the holder uses it — gains nothing from it.

There is a further constraint that cuts against the easy reading. Japan's deposit stock at end-July was \$162.3 billion, a point-in-time figure, while the \$96.5 billion is a cumulative four-week flow. Absent replenishment or offsetting inflows, funding the full cumulative amount from that end-July stock alone would have equaled roughly 59 percent of it. That is a large enough move to be unmistakable in the August release, and it is one reason the test in Section 8 is worth running rather than assuming.

The evidence that bears on P2 is a number Japan publishes about itself and this paper does not yet have. Its monthly reserve template separates *securities* from *deposits*. Through end-July — before the intervention window closed — securities stood at \$927.3 billion and deposits at \$162.3 billion, with total reserves down only \$0.4 billion on the month. The August release is the first that can show the episode.

It will not identify Treasury sales, and Section 8 does not pretend otherwise. The reported “securities” line is broad, covers more than U.S. Treasuries, and is marked to market, so its change mixes transactions, price moves, and currency valuation. What the release can do is distinguish *configurations*: a large deposit decline with securities roughly intact points one way; a large securities decline points another; neither points conclusively.

That test is preferred here to the more obvious one. Treasury's own guidance cautions that changes in a country's TIC holdings need not equal that country's net purchases or sales, because custody shifts, transactions between foreign holders, and other statistical effects intervene.¹⁸ A flat TIC line does not mean nothing was sold. Japan's own reserve accounting is the better instrument, and TIC enters Section 8 as corroboration rather than as identification.

4.5 Why the intervention did not hold, and why that matters

The operation lifted the yen to 157; by August 11 it had slipped to 159, giving up roughly half the gain. This is the ordinary fate of intervention that does not change the underlying differential: the federal funds rate stands at 3.50 to 3.75 percent against a Bank of Japan policy rate of 1.00 percent, and that gap funds the carry trade selling yen.

The failure of the price effect amplifies rather than diminishes the mechanism's significance. Had one joint operation permanently repaired the yen, the arrangement would be a one-off. Because it did not, and because Tokyo has said it will not hesitate to intervene again, the arrangement is standing infrastructure. Future intervention now has an explicitly designated FIMA option, whether or not it is taken — and the facility's above-market pricing is a reason it may often not be.

¹⁸U.S. Department of the Treasury, “Estimating Holdings of Treasury Securities,” <https://home.treasury.gov/data/treasury-international-capital-tic-system-home-page/help-files/estimating-holdings-of-treasury-securities>.

5. A Central Bank Pulling the Other Way

Kevin Warsh became Chair of the Federal Reserve on May 22, 2026, with the target range at 3.50 to 3.75 percent. His first meeting produced a unanimous hold, projections in which nine officials signaled higher rates for the year — six of them two quarter-point increases — and a press conference economists read as hawkish.¹⁹

Warsh has separately proposed updating the 1951 Treasury–Federal Reserve Accord so that the Treasury Secretary would need to find major changes in Federal Reserve holdings acceptable, on the stated grounds that such changes are partly fiscal policy in disguise; he has also indicated he wants the Fed to reduce its roughly \$6.7 trillion of holdings and shift the remainder toward short-term debt.²⁰

That shift is no longer only a stated preference. It is in the data. Over the year to August 26, 2026, SOMA holdings of Treasury *bills* rose by roughly \$346.5 billion while nominal notes and bonds rose by about \$35.3 billion. The Federal Reserve is measurably shortening its Treasury portfolio while Treasury is buying long-end securities. Whether Treasury’s *net* maturity profile also shortens depends on its replacement issuance, which is what R3 and R4 are registered to test rather than something established here.

The historical framing requires more care than this series previously gave it. From 1942 to 1951 the Federal Reserve capped long Treasury yields to finance the war; the cap outlived the war and it took the Accord to dismantle it. But the Accord freed the Federal Reserve from the obligation to support Treasury yields — it did *not* transfer debt management or maturity composition away from the Treasury, which has always been the issuer and debt manager. And the 1940s regime was an explicit yield-support framework backed by a central bank balance sheet, which a capped, price-sensitive buyback program with a stated liquidity objective is not.

The analogy is therefore concerning and incomplete rather than exact. What carries over is the political economy, not the mechanism: yield management begins as a technical operation and ends as a commitment, because the cost of removing a support always exceeds the cost of maintaining it one more quarter. Former Richmond Fed President Jeffrey Lacker, testifying in March 2026, argued a new pact should confine Fed purchases to short-term Treasuries and leave maturity composition to Treasury — and separately warned that a less constructive agreement could let Treasury use the Fed’s balance sheet to bypass Congress.

So What?

The absence of a Fed put on the long end is not evidence that the long end is unmanaged. It creates an incentive for Treasury to reach for its own debt-management tools instead. The question for the next four quarters is not whether the Fed cuts, but whether the two agencies negotiate a division of labor, and on whose terms.

¹⁹Federal Reserve, FOMC statement, projections and Chairman’s press conference, June 17, 2026, <https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20260617.pdf>.

²⁰CNBC, “Warsh faces Fed independence test as Bessent moves in on central bank’s turf,” August 20, 2026, <https://www.cnbc.com/2026/08/20/bessent-warsh-fed-bond-market-treasury-yields.html>; Brookings, “What is the Treasury-Fed Accord of 1951, and why is it important?” <https://www.brookings.edu/articles/what-is-the-treasury-fed-accord-of-1951-and-why-is-it-important/>.

6. Japan Is Not a Preview

The standard framing holds that Japan shows the United States its future. That framing is a year out of date. Japan is running the same experiment concurrently, one cycle further along, and the two sovereigns are openly coordinating in foreign-exchange policy.

The ten-year JGB traded near 2.88 percent in late August at multi-decade highs, with roughly eighty percent probability priced for a September policy rate increase to 1.25 percent, up from about twenty-three percent before the July meeting.²¹ The thirty-year reached an all-time high of 3.89 percent in January and the forty-year 4.23 percent.

Three structural facts sit underneath those prices.

The Ministry of Finance has repriced its own budget. It is considering raising the assumed interest rate used to calculate debt-servicing costs to 3.8 percent for fiscal 2027, from 3.0 percent in the current budget. A government that revises upward the rate it expects to pay has stopped treating the rise as temporary.

The domestic anchor buyer has become a seller at the margin. Japan's economic-value solvency regime, J-ICS, took effect for the fiscal year ended March 31, 2026, requiring assets and liabilities to be valued at current market rates, so a move at the thirty- to forty-year point reprices an insurer's whole balance sheet. Life insurers sold a net ¥201.2 billion of superlong JGBs in May, partially reversing ¥327.2 billion of April buying. BNP Paribas Asset Management has stated that above roughly 4.5 percent on the thirty-year, insurers would face significant impairment risk and further selling becomes highly likely.²² That is a publicly stated threshold, and it is registered as R5 — as a probabilistic trigger, which is what the underlying statement is, not a mechanical one.

The central bank faces constraints on further withdrawal, but they do not bind absolutely. The Bank of Japan owns approximately half the JGB market and remains on a pre-announced reduction path. Under the controlling plan of June 16, 2026, which carried forward the reduction path set in June 2025, monthly purchases fall by about ¥200 billion per calendar quarter from April–June 2026 and the schedule runs at roughly ¥2.5 trillion per month in July–September 2026, ¥2.3 trillion in October–December, ¥2.1 trillion in January–March 2027, and about ¥2.0 trillion from April 2027.²³ At its June 2026 meeting the Policy Board conducted the scheduled interim assessment and voted seven to one to continue, with the dissent arguing for *deeper* reductions through January–March 2028.

Market participants consulted through the Bank's Bond Market Group disagree about how far reductions should proceed after that point. Some cite potential money-market stress as a reason to stop near ¥2.1 trillion; others favor continuing toward ¥1.7 trillion, ¥1.3 trillion, or zero.²⁴ The constraint on the largest holder of Japanese government debt is therefore real and contested rather than absolute, and no source consulted here supports the claim that the Bank cannot reduce further.

²¹Trading Economics, Japan Government Bond 10Y, August 24–25, 2026, <https://tradingeconomics.com/japan/government-bond-yield>.

²²*The Japan Times*, “Japanese insurers sold domestic superlong bonds as yields soared,” June 22, 2026, <https://www.japantimes.co.jp/business/2026/06/22/companies/insurers-super-long-bonds/>.

²³Bank of Japan, “Statement on Monetary Policy,” June 17, 2025, and Annex, https://www.boj.or.jp/en/mopo/mpmdeci/state_2025/k250617a.htm; Bank of Japan, “Plan for the Outright Purchases of Japanese Government Bonds,” June 16, 2026, https://www.boj.or.jp/en/mopo/mpmdeci/mpr_2026/k260616b.pdf.

²⁴Bank of Japan, Financial Markets Department, Bond Market Group meeting minutes, June 2, 2026, https://www.boj.or.jp/en/paym/bond/mbond_list/mbond260602.pdf. These are views reported by market participants, not the Bank's own analysis.

Against this, fiscal policy is expanding: Prime Minister Takaichi has proposed a ¥370 trillion public-private investment program through fiscal 2040, with ¥102 trillion for artificial intelligence and semiconductors, alongside a food consumption tax cut costing roughly ¥4.4 trillion in revenue, in a country with debt above 200 percent of GDP.

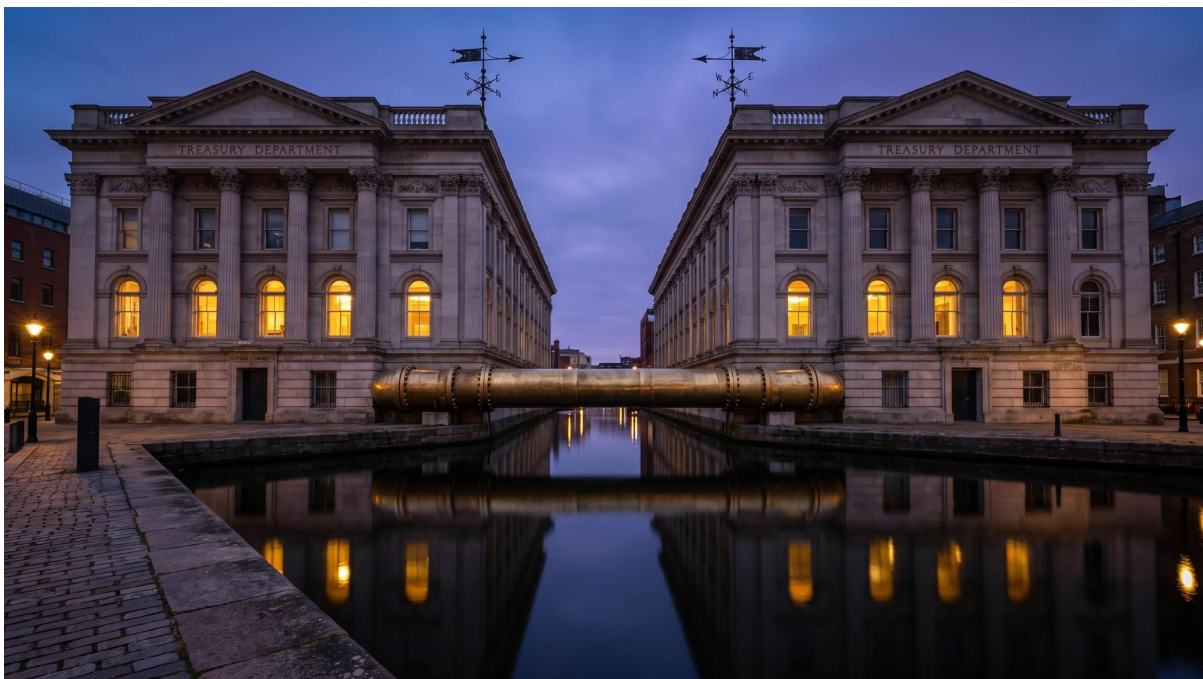


Figure 2. Not a preview — a parallel. Two heavily indebted sovereign issuers, each holding a large claim on the other’s problem, joined by a direct channel that bypasses the market between them. Observed coordination is in foreign-exchange policy; joint management of each other’s long-end yields is discussed but not established.

Nomura’s chief economist has suggested the two governments may agree to work together on fiscal sustainability and communicate that jointly to markets. Read alongside the FIMA designation, that is the outline of closer fiscal and monetary coordination between two heavily indebted sovereign issuers. Joint intervention in the exchange rate is observed. Joint management of each other’s long-end yields is discussed by market participants and is not established by the evidence cited here.

7. Supply Pressure, and Why It Is Not a Scalar

The second paper in this series formalized absorption as an identity: every Treasury security issued must be held by someone, at some price. That is true and insufficiently specified — it does not distinguish between clearing the market by finding a holder and clearing it by removing a seller. An earlier formulation of the present argument tried to repair this by adding buybacks and FIMA borrowing into a single “suppression wedge.” That construction does not survive inspection, and the reasons it fails are more instructive than the construction was.

7.1 Why the scalar fails

The FIMA term is a stock, and differencing it does not recover the flow. FIMA usage is an outstanding repo balance comprising overnight and seven-calendar-day transactions. Let F_t denote outstanding at the end of period t . A counterparty that borrows \$40 billion overnight and rolls it every day for a month produces $F_{t-1} = F_t = \$40\text{b}$ and therefore $\Delta F_t = 0$, while having drawn enormous gross liquidity throughout. Conversely a position that unwinds gives $\Delta F_t < 0$, under which any bound of the form $B_t \leq W_t \leq B_t + \Delta F_t$ inverts and becomes arithmetically impossible. The bound was valid only under an unstated condition, $\Delta F_t \geq 0$, and even then measured the wrong thing.

The terms have different temporal structures and different subjects. B_t is a settled transaction flow in par terms. F_t is an outstanding repo balance containing overnight and seven-day positions. Japan's holdings are a position at a reporting date. Intervention is an aggregate over a disclosed window. Adding them produces a number with no unit and no referent.

Addition destroys the only information the series carry. What matters is not the sum but the *joint configuration* around an intervention event: a large disclosed intervention, a flat FIMA line, and flat holdings mean something specific. So do a large intervention, a drawn FIMA line, and flat holdings. So do a large intervention, a flat FIMA line, and falling holdings. Summing collapses three distinguishable worlds into one figure.

7.2 The monitoring vector

Track the components jointly and interpret them around intervention episodes:

$$\mathbf{Z}_t = (B_t, F_t, H_t^J, R_t^J, I_t)$$

- B_t — par actually retired through Treasury buyback operations in period t . Published per operation and in Treasury's buybacks dataset. A settled flow. *Note that B_t is generally positive: the program has run since May 2024, and liquidity support operations continued throughout the intervention window.*

Auxiliary subseries, not a sixth component: $B_t^\Delta \subseteq B_t$ — par retired specifically under the expanded long-end maxima effective September 9, 2026. It is zero before that date. The vector remains five series; B_t^Δ is a partition of one of them.

- F_t — FIMA repurchase agreements outstanding, H.4.1 Table 1, asset side. Published weekly. A balance, aggregate across counterparties.
- H_t^J — Japan's reported Treasury holdings, TIC. A position at a reporting date, *not* a transaction series.
- R_t^J — the composition of Japan's official reserve assets, securities versus deposits, as reported monthly by Japan's Ministry of Finance.
- I_t — disclosed Japanese intervention over the reported window. Now observed: ¥15.3993 trillion for July 30 to August 26.

The reading for the episode at hand is:

$$I_t \approx \$96.5\text{b}, \quad F_t = 0, \quad B_t^\Delta = 0, \quad B_t > 0,$$

where B_t is the settled par across the liquidity support operations falling inside the window. Treasury publishes summary results for each operation, including total par accepted, and

reports the period total as a redemption in the Daily Treasury Statement, Table III-A, and the Monthly Statement of the Public Debt, Table III.²⁵ with July R_t^J observed — \$927.3 billion of securities against \$162.3 billion of deposits — August R_t^J still pending, and the July and August TIC observations of H_t^J not yet available. A large dollar need was met and the designated channel was untouched. The standing bid was *operating but not expanded*: Treasury’s tentative Q3 schedule placed liquidity support operations in the ten- to twenty-year and twenty- to thirty-year sectors during the intervention window, each subject to a maximum of \$2 billion and a tentative minimum of \$0, with realized par published operation by operation.²⁶ An earlier version of this argument recorded $B_t = 0$ on the ground that “the window had not opened.” That conflated the expanded program with the program, which is the same error this paper corrects elsewhere; what had not begun was the expanded long-end window, and the correct notation for it is B_t^Δ . Whatever funded the intervention is currently unobserved, and the August R_t^J release will materially constrain the funding configuration without resolving it.

7.3 σ is latent and not point-identifiable

Define the **displacement ratio** $\sigma \in [0, 1]$ as the fraction of a dollar need met through the official channel that would otherwise have been met by selling Treasuries. It is the quantity the behavioral proposition P2 is about. It is also not recoverable from public data, and an earlier version of this argument claimed otherwise. Three obstacles, each sufficient on its own:

1. **The H.4.1 FIMA line does not identify the counterparty.** It is an aggregate across all eligible foreign official institutions. A nonzero reading cannot be attributed to Japan from public data, so the two series cannot be paired “for the same counterparty” as previously asserted.
2. **TIC holdings are positions, not transactions.** A holder can sell and buy the same amount within a reporting month, or securities can move between custodial jurisdictions, and the reported change will be zero. $\Delta H^J = 0$ does not mean nothing was sold.
3. **The counterfactual is unobserved by construction.** Even a perfectly attributed, perfectly measured drawing tells us what was borrowed, not what would otherwise have been sold. The alternative could have been deposits, another reserve asset, a swap line, a smaller intervention, or none.

Methodological constraint. σ is latent and not point-identifiable from currently available public data. Evidence can be *consistent with* a high or low σ ; it cannot estimate one. Every claim in this paper about substitution is therefore a claim about consistency, and is written that way.

What remains available is bounding and configuration. R_t^J constrains σ more tightly than

²⁵TreasuryDirect, “Treasury Buybacks,” <https://treasurydirect.gov/auctions/announcements-data-results/buy-backs/>; Treasury Securities Buybacks dataset, <https://fiscaldata.treasury.gov/datasets/treasury-securities-buybacks/>. This paper does not quote a period total it has not reconciled against those primary releases; readers scoring R2 should take the figure from them rather than from secondary compilations.

²⁶U.S. Department of the Treasury, *Tentative Schedule of Treasury Buyback Operations*, Q3 2026, <https://home.treasury.gov/system/files/221/Tentative-Buyback-ScheduleQ32026.pdf>; operation results at <https://treasurydirect.gov/auctions/announcements-data-results/buy-backs/> and in the Treasury Securities Buybacks dataset, <https://fiscaldata.treasury.gov/datasets/treasury-securities-buybacks/>.

any other public series, because it is Japan's own accounting of its own reserves rather than a custody-based estimate of where paper sits. If Japan's reserve deposits fall by an amount commensurate with I_t while its reserve securities hold, the configuration is consistent with high σ . If reserve securities fall commensurately, it is consistent with low σ . Neither observation identifies σ , and the paper does not pretend that it does.

So What?

Stop watching the printer. Stop watching the buyers. Watch the exit — and watch it with a vector, not a number. Five series, read together around disclosed intervention episodes, can materially constrain which funding configurations are consistent with the evidence. They cannot conclusively distinguish sale avoidance from sale, no one of them can, and no sum of them can. The methodological content of this paper is the refusal to compress them.

8. Pre-Registered Markers

Eight claims are registered on the date of this paper, in **two groups that are scored separately** because they test different things. Group E bears on P2, the exercise proposition. Group R describes the surrounding debt-management regime. A previous version pooled them into one count, under which the regime markers could return “support” while the behavioral claim failed. They are separated here.

Group E — Evidence on P2 (exercise). Scored on its own.

- E1 Configuration test on Japan's reserve template.** In Japan's official reserve assets for August 2026, evidence *consistent with* sale avoidance requires all three: deposits fall by at least \$40 billion from the July level of \$162.3 billion; reserve securities fall by no more than \$25 billion from \$927.3 billion; and Japan's TIC Treasury position falls by no more than \$25 billion. Evidence *consistent with* sale use is a securities decline above \$50 billion. Any other configuration is scored **indeterminate**, and will be reported as such. *The thresholds are deliberately coarse materiality bands, fixed ex ante and well below the \$96.5 billion intervention total. They are not statistically estimated, and no claim is made that they are calibrated to the historical volatility of these components. Neither outcome identifies the funding source: the securities line is broad, covers more than U.S. Treasuries, and is marked to market. Source: Japan MOF, Official Reserve Assets.*
- E2 Corroboration from TIC.** In the releases reporting July and August 2026 holdings, Japan's Treasury holdings do not fall by more than \$50 billion from the June 2026 level. *Corroboration only: TIC reports positions, not transactions. Interim scoring: mid-October 2026. Source: TIC, Major Foreign Holders.*

Aggregate FIMA usage is deliberately excluded from this group. The H.4.1 line does not identify the counterparty, so a nonzero reading could belong to any approved foreign official institution and carries no Japan-specific information. It is tracked as R1 below.

Group R — Regime and context. Scored separately; does not stand in for E.

- R1 Facility activation.** The H.4.1 Table 1 *asset-side* line “Repurchase agreements — Foreign official” records at least \$25 billion in *either* the Wednesday level or the weekly average of daily figures. Both read \$0 million in the releases covering August 5, 12, 19 and 26. *This is aggregate across counterparties and is not Japan-specific. It is not the liability-side “Reverse repurchase agreements — Foreign official and international accounts,” approximately \$355 billion on the same date.*
- R1’ The ceiling is addressed.** The FIMA per-counterparty limit is publicly raised above \$60 billion, or the Federal Reserve announces a change to the facility’s terms. *Source: FRBNY and FOMC policy statements.*
- R2 The bid is actually exercised in the long end.** Cumulative par accepted across long-end liquidity support operations from September 9, 2026 to March 31, 2027 exceeds \$20 billion. This tests realized purchases in the long-end buckets specifically, not the all-bucket allowance. *Source: Treasury buyback operation results and the tentative buyback schedule.*
- R3 The refunding shifts short.** At the November 4, 2026 refunding, Treasury either reduces auction sizes at the twenty- or thirty-year tenors, or states that increases in marginal borrowing will be met in bills and shorter notes. *Merely maintaining sizes does not confirm this: on August 5 Treasury already said it anticipates maintaining nominal coupon sizes for at least the next several quarters, so the status quo is the null, not the signal. Interim scoring: November 10, 2026.*
- R4 The debt shortens.** Bills as a share of total marketable debt outstanding rise by at least 150 basis points between the August 31, 2026 and March 31, 2027 Monthly Statements of the Public Debt.
- R5 The Japanese threshold is reached.** The thirty-year Japanese government bond closes above 4.50 percent, the level above which BNP Paribas Asset Management has publicly stated further life insurer selling becomes highly likely.

How to read the scores. These are **pre-registered qualitative scorecards, not statistical tests**. Within Group R the markers are not independent — R2, R3 and R4 could all follow from one Treasury debt-management decision — and no significance is claimed. The predetermined rules, fixed here:

- **Group E:** E1 consistent with sale avoidance, and E2 not contradicting it, is recorded as *evidence consistent with P2*. E1 consistent with sale use is recorded as *evidence against P2*. All other combinations are *indeterminate*. In no case is P2 recorded as established, because no public series identifies the funding source of an intervention.
- **Group R is reported marker by marker and is not aggregated.** The six items test different things — facility activation, facility capacity, buyback use, Treasury maturity composition, and Japanese bond-market stress — and no count across them names a coherent state of the

world. In particular, a majority could confirm while both shortening markers fail. Where a composite is wanted, *Treasury shortening* is defined solely as R3 and R4: both confirmed is shortening, neither is its absence, one of two is indeterminate.

- **Group R never substitutes for Group E.** A full Group R sweep alongside Group E evidence against P2 is reported as exactly that, and not as support for this paper.

Falsification, correctly assigned. Three distinct propositions require three distinct tests, and an earlier version collapsed them.

F1 — against P1, the closure claim.

P1 is a claim about the state of the world on August 30, 2026. It is falsified only by contemporaneous evidence that Japan did not publicly designate FIMA as its intended route, that the U.S. Treasury did not endorse that intended use, or that the facility did not exist under the terms described on the paper's date. *Japan-specific account approval is deliberately not part of this test, because P1 does not assert it and it is not publicly observable. Later withdrawal does not falsify P1; a channel that existed and was later closed still existed. Withdrawal is tracked separately below.*

F1' — P1 persistence.

Recorded, not scored as falsification: whether the FIMA designation is publicly withdrawn or materially narrowed by either government on or before March 31, 2027.

F2 — against the ongoing-necessity proposition.

This does not test what caused yields to be elevated in August 2026; a later decline would not establish that. It tests the narrower forward-looking proposition that the *specific supply-relief mechanisms tracked in this paper* — FIMA drawings and long-end buybacks — remain necessary to keep long-end yields from falling. Other official levers (SOMA purchases, issuance composition, other debt-management changes) are outside its scope. That proposition fails if the thirty-year Treasury yield falls below 4.50 percent and stays there for a full calendar quarter *without* realized long-end buyback purchases exceeding \$20 billion and *without* any material reading on the asset-side FIMA line.

9. Limitations

The Section 3 figures have three different epistemic statuses and are labeled accordingly. The \$38 billion is an all-bucket liquidity-support ceiling from the August 5 refunding, not a forecast of long-end purchases; Treasury's tentative minimum is \$0 and it may purchase nothing. The 34 and 16 percent comparisons are extreme-case scaling exercises assuming the entire all-bucket allowance went long. The \$448 million is an illustrative market-yield carry differential, not a cash-interest saving.

σ is not point-identifiable. The displacement ratio is the content of P2. Section 7 explains why no combination of currently public series recovers it. Every substitution claim here is a claim about consistency with evidence, not an estimate.

FIMA usage is not disclosed by counterparty. The H.4.1 line is aggregate across eligible foreign official institutions. A nonzero reading cannot be attributed to Japan from public data, which is why E1 tests Japan's own reserve accounting rather than the facility. Japan's approved bilateral limit is likewise not observable; the \$60 billion figure is the published authorization

ceiling.

Intervention is disclosed only in aggregate. Japan has published ¥15.3993 trillion for July 30 to August 26. The daily allocation, the amount attributable to the July 31 joint operation, and the American leg remain undisclosed, and the \$58.97 billion figure for July 30 is inferred from Bank of Japan data rather than reported.

TIC tracks custody and positions, not nationality or transactions. The United Kingdom, Cayman Islands, Luxembourg and Belgium lines show where securities are held, not who owns them, and Treasury cautions that a country's holdings change need not equal its net purchases or sales. Every national attribution in Section 2 carries both limitations, which is why the argument rests on the official-versus-private split and why E2 is labeled corroboration rather than identification.

Counterfactual prices are not observed, and August is thin. Where this paper says supply relief affects the clearing price, the claim is directional pressure against an unobserved counterfactual, not a measured effect. The Secretary also cited thin August trading and heavy corporate issuance by technology firms funding data-center construction as distorting factors; some of the yield move may be seasonal and may reverse without any mechanism described here.

This is one quarter, and the central mechanism is undrawn. The closure argued here rests on the existence of the FIMA facility under the terms described, Japan's public designation of it as an intended route, and U.S. Treasury endorsement of that intended use. The executed euro-funded intervention is complementary evidence about burden sharing and is *not* part of P1. The facility has not been tested at scale. Four quarters of data and at least one further episode of Japanese dollar need are required before this framework deserves confidence.

10. So What

The first paper in this series said stop watching the printer and watch the plumbing. The second said watch the buyers, and its buyer-count framing was wrong. The third said watch what the buyers were carrying out the door, and its account of official gold accumulation was wrong too. This paper says the thing to watch is the door itself, and it is written in the knowledge that two of the three prior claims did not survive contact with the published data.

Between July 28 and August 19, 2026, three things were done about the possibility that the largest foreign holder of United States Treasury securities would become a forced seller. A joint intervention was executed with a U.S. funding leg that did not require Treasury sales. A repo facility was publicly designated by the holder and publicly endorsed by the issuer as a channel for future intervention-related dollar funding. Separately, and on the issuer's side of the market rather than the holder's, a standing official bid at the long end had its cap raised. A designated official route now runs alongside the one that leads to the Treasury market. That route's existence is what this paper means by the exit being closed, and it is established.

What is closed is a route, not a behavior, and the distinction is the whole discipline of the paper. Japan spent roughly \$96.5 billion defending the yen between July 30 and August 26. No material FIMA usage appears in the H.4.1 for any week of that window. The Federal Reserve prices the facility above private repo precisely so it is used only under unusual stress, so a zero is the expected reading in a functioning market and carries little behavioral information either way. The designated channel did not fund this intervention. That says nothing about whether the channel exists, which is the claim made here, and it is precisely why the claim about behavior is not made.

What comes next is a configuration Japan publishes about itself. Its reserve template separates securities from deposits, and at end-July the deposits stood at \$162.3 billion. Absent replenishment or offsetting inflows, funding the full \$96.5 billion cumulative intervention from that stock alone would have equaled roughly three-fifths of it, which is not a subtle movement. The August release will show one configuration or another. It will not identify what was sold, because no public series does, and Section 8 scores it as consistency rather than proof.

Underneath it all sits the composition finding, the one claim in this series that has strengthened rather than weakened. Foreign official holders put ninety-six cents of every marginal dollar into bills in 2025; the Federal Reserve added \$346.5 billion of bills against \$35.3 billion of notes and bonds in the year to August. The creditor and the central bank have shortened. Whether the debtor follows is not established here — on August 5 Treasury said it anticipates maintaining nominal coupon sizes for at least several quarters — and it is exactly what R3 and R4 are registered to test, into a curve where the front end is 118 basis points cheaper than the long end and a central bank whose stated bias is to raise it.

Once a government begins intervening more actively in long-end market liquidity during periods of elevated yields, it eventually faces the question of how and when that support can be withdrawn. The Federal Reserve capped long yields in 1942 for a war that ended in 1945, and the cap survived until 1951; nobody who imposed it intended nine years. Section 8 says what the evidence should look like by March 31, 2027, and specifies the configurations that can materially strengthen or weaken P2. Both will be published.

Appendix A. Data Sources

All figures below are drawn from public releases or from press reporting of them, retrieved on or before August 30, 2026. Derived figures are marked and their assumptions appear in the section indicated.

Series	Source	Used in
Major Foreign Holders of Treasury Securities	U.S. Treasury, TIC system	§2.1, §2.2, E2
Official / private and bill / bond splits	TIC, “Of which” lines	§2.2
TIC positions vs. transactions guidance	U.S. Treasury, TIC help files	§4.4, §7.3, §9
Official reserve assets, composition	Japan Ministry of Finance	§4.4, §7.2, E1
FX intervention, monthly aggregate	Japan MOF, Aug 28, 2026	§1.1, §4.1, §7.2
FIMA terms, limit, pricing, approval	Fed FIMA FAQs; FRBNY operating policy	§1.1, §4.4, R1'
FIMA repo outstanding (asset side)	Federal Reserve H.4.1, Table 1	§4.4, §7.2, R1
Treasury constant maturity yields	U.S. Treasury Daily Yield Curve	§3.1, §3.5
Buyback rules, minima and maxima	TreasuryDirect Buyback FAQs	§3.1, §3.3, §3.4
Buyback announcements and schedule	Treasury press releases; Q3 tentative schedule	§3.1, §3.4, §7.2
Buyback operation results (realized par)	TreasuryDirect; Fiscal Data buybacks dataset	§7.2, R2
Quarterly refunding statements	U.S. Treasury, Aug 5 & Nov 4 2026	§3.4, R3
Bills as share of marketable debt	Monthly Statement of the Public Debt	R4
Net interest, fiscal 2026	Congressional Budget Office	§3.5
SOMA bill / coupon holdings	Federal Reserve H.4.1, Table 5	§5
FOMC statement and projections	Federal Reserve, June 17, 2026	§3.5, §5
JGB yields, all tenors	Japan Ministry of Finance	§6, R5
BOJ purchase plan and MPM decisions	Bank of Japan, Jun 2025 and Jun 16 2026	§6
Bond Market Group participant views	Bank of Japan, Jun 2, 2026 minutes	§6
Life insurer JGB flows	Japan Securities Dealers Association	§6
Central bank gold purchases	WGC <i>Gold Demand Trends Q2 2026</i>	§2.3
Reserve manager survey	World Gold Council, 2026 survey	§2.3
Joint FX intervention	U.S. Treasury and Japan MOF statements	§1.2, §4.2

A note on derived figures. Six numbers in this paper are calculated rather than reported. (i) ¥15.3993 trillion converts to roughly \$96.5 billion at prevailing rates; the rate applied across a four-week window is a choice, not a datum. (ii) The \$60b / \$96.5b ratio of about 62 percent compares a *total outstanding per-counterparty limit at any given time* with a *cumulative four-week intervention flow*. It is descriptive only, and is neither a coverage ratio nor evidence of a funding shortfall. (iii) The \$448 million figure (§3.5) is a market-yield carry differential on an illustrative \$38 billion, not a cash interest saving. (iv) The 34 percent and 16 percent issuance shares (§3.4) use Treasury’s anticipated August–October nominal auction sizes: \$111b at 20y and longer, \$231b at 10y and longer. (v) The \$346.5b / \$35.3b SOMA figures (§5) are year-over-year differences from H.4.1 Table 5. (vi) The ninety-six percent marginal official allocation to bills (§2.2) is 81.6 / 85.2 from the TIC “Of which” lines. Each can be reproduced from the sources above.

A note on two H.4.1 lines. Readers tracking F_t must use the *asset-side* Table 1 line “Repurchase agreements — Foreign official,” which read \$0 on August 26, 2026. The similarly named *liability-side* line “Reverse repurchase agreements — Foreign official and international accounts” read approximately \$355 billion on the same date and is a different facility. Substituting one for the other produces an error of several hundred billion dollars.

PREVIOUSLY IN THE STRUCTURAL SERIES: No. 2026-01, *Printing Without the Printer* • No. 2026-02, *Bids Without Buyers* • No. 2026-03, *Reserves Without Treasuries*.

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