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Treasury Yields Fall As Bessent Boosts Buybacks

Government expands size of program after yields notch nearly two-decade highs

By Sam Goldfarb, Brian Schwartz and Krystal Hur

Government bond yields fell sharply on Wednesday after the Treasury Department said it would at least double the size of its buyback program for longer-term debt, as Treasury Secretary Scott Bessent turned to unorthodox tactics to tame an unruly bond market.

The Treasury said buyback operations for 10-, 20- and 30year debt would be increased to at least $4 billion per operation from their current maximum of $2 billion. The change will go into effect on Sept. 9 and extend though Nov. 4.

While Bessent has shown he'll do unconventional things to get markets moving his way, the secretary's latest maneuver marks his most radical yet. Facing an uncomfortable rise in longer-term interest rates, Bessent took action early Wednesday when the agency he leads said it would

significantly step up purchases of government bonds as part of its existing buyback program. Markets quickly responded in a way they haven't to Bessent's previous moves, with stocks rising and Treasury yields falling sharply.

"I've been saying 'bond traders can stop panicking when the Fed starts panicking.' I guess I should have said, 'bond traders can stop panicking when Scott Bessent starts panicking,' " Jim Bianco, president of Bianco Research, posted on X shortly after the announcement.

A former hedge-fund manager who specialized in analyzing geopolitical situations and economic data, Bessent has cultivated the image of a market-savvy Treasury secre-tary—not afraid to intervene in currency markets or cite market conditions when discussing how the government should conduct its borrowing.

Calling himself the "nation's top bond salesman," Bessent has talked openly about wanting to push down bond yields to lower mortgage rates and other borrowing costs. But that hasn't gone according to plan, putting pressure on the Trump administration ahead of this year's midterm elections.

Treasury yields, which set a floor on interest rates across the economy, have been steadily rising in recent months, with the yield on the 30-year bond topping 5.3% this week—its highest level in nearly two decades. Average mortgage rates have been creeping back up toward 7%, while the budget deficit has hovered near 6% of the country's GDP—well above Bessent's longer-term 3% target.

Though presented as a technical maneuver to improve the smooth functioning of the bond market, many on Wall Street saw the buyback plan as an obvious effort to achieve Bessent's previously stated aims. And it appeared to work, with the 30-year yield dropping nearly a 10th of a percentage point in the initial hours after it was made— a sizable change for such a short period.

Stocks ended higher, with the S&P 500, the Dow Jones Industrial Average and the Nasdaq composite all ticking up 0.2%.

The timing of the announcement clearly suggests "that they didn't like what was happening," said John Briggs, head of U.S. rates strategy at Natixis Corporate & Investment Banking. Even if the Treasury doesn't end up buying that many more bonds, the move sends a message that the government could always do more to keep yields in check, he added.

The Treasury Department didn't respond to requests for comment. But some of Bessent's allies said they also believed the move was intended to drive down bond yields. "He's financially savvy and he sees this as a way to alleviate the pressure on the rates," said longtime external Trump economic adviser Steve Moore.

Bessent, who turns 64 years old this week, is hardly alone in the Trump administration in wanting lower rates. Elected by voters angry about the cost of living, President Trump has repeatedly argued that shortterm rates set by the Federal Reserve should be much lower.

Bessent's talk early last year about bringing down Treasury yields struck many observers as at least partially intended to redirect Trump's attention away from the Fed, the independence of which is widely seen on Wall Street as critical for financial stability.

It was never clear what Bessent could do to have a big impact on yields, which are largely determined by the economic outlook and how investors think the Fed will respond to those conditions.

In one move, Bessent spearheaded an effort to ease a crisis-era financial rule that some argued was keeping banks from holding more Treasurys. The Treasury Department also held off on increasing the sizes of mediumto- long-term debt auctions—a step most analysts believe will eventually be necessary to fund the government's hefty spending commitments.

Yields have continued to climb, driven in large part by stubbornly high inflation and surprisingly strong economic growth. That combination has led investors to bet that the Fed's next move will be to raise rates.

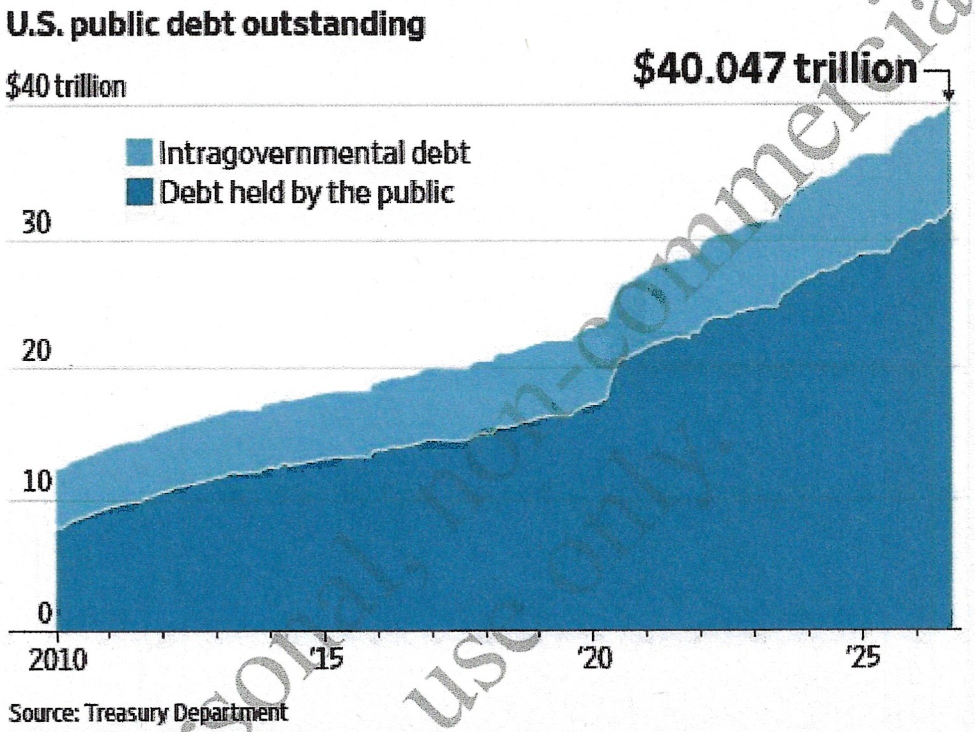
Some investors were skeptical that Treasury's buyback plan would have more than a short-term impact on the bond market.

The U.S. government has already been buying back older Treasurys for two years now. Officially, those buybacks are aimed at "liquidity support"— not driving down yields on new bonds but keeping yields on older bonds from drifting upward just because they're less actively traded.

"It's just another piece of noise. I mean, they're doing what they can, but how effective can they really be with all the other factors out there?" said Soren Erickson, a fixed-income trader at Badgley Phelps.

Edison Byzyka, chief investment officer at Credent Wealth Management, said the increased buybacks appear political, meant to drive down rates ahead of the midterms.

"It puts into question the validity of the U.S. bond market," he said.


U.S. public debt outstanding
$40 trillion
$40.047 trillion
Intragovernmental debt
Debt held by the public
30
20
10
0
2010
'15
'20
'25
Source: Treasury Department

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WALL STREET

Stocks halt slide after Treasury moves

BY STAN CHOE

THE ASSOCIATED PRESS

NEW YORK>> U.S. stocks rose Wednesday after the U.S. Treasury Department announced a move that could ease pressure coming from the bond market. Strong profit reports for the spring from Estee Lauder, Target and other U.S. companies also helped support Wall Street.

The S&P 500 climbed 0.2% for its first gain in four days after setting its all-time high last week. The Dow Jones Industrial Average added 119 points, or 0.2%, and the Nasdaq composite ticked 0.2% higher.

Financial markets have come under growing strain as Treasury yields charged higher through the summer on worries about inflation, big government debts and other factors. That makes borrowing money more expensive for everyone, which slows the economy and undercuts prices for stocks and other investments.

But Treasury yields fell in the morning after the U.S. Treasury Department said it will at least double the size of its planned purchases of longer-term Treasurys from Sept. 9 through Nov. 4. The department said it's doing so "to provide greater liquidity support in longer-dated nominal sectors where there is consistent strong sponsorship from market participants."

These longer-term 10- and 30-year Treasurys are less beholden to the Federal Reserve, which can raise or lower very short-term interest rates for overnight loans. President Donald Trump has lobbied for the Fed to lower interest rates to help the economy.

Longer-term yields are set instead by investors in the bond market, who decide how much interest they need to get paid by the U.S. government in exchange for lending it money. And recently, they have been demanding more in interest to make up for the growing risks of high inflation, continued government deficits and other factors.

After the Treasury department's announcement, the yield on the 10-year Treasury fell to 4.64% from 4.71% late Tuesday. It, though, remains well above its 3.97% level from before the war with Iran sent oil prices and worries about inflation much higher.

The 30-year Treasury yield, which recently touched its highest level since 2007, fell more sharply to 5.18% from 5.28% late Tuesday.

The relief could be short lived, some analysts warn. The amount of bonds the U.S. Treasury is proposing to repurchase is a fraction of the overall total.