# Global Rates Notes: 4Q26 Treasury Refunding Preview

**William Marshall**
+1(212)357-0413 |
william.c.marshall@gs.com
Goldman Sachs & Co. LLC

**Friedrich Schaper**
+1(917)343-3214 |
friedrich.schaper@gs.com
Goldman Sachs & Co. LLC

- We expect Treasury to lower its near-term borrowing projections when it releases its financing estimates at 3pm on Monday, November 2, in part reflecting a higher starting cash balance; we estimate marketable borrowing of $571bn, including $286bn of net bills for 4Q26.
- The rise in yields and the increase in buyback operations have heightened focus on long-end supply. There is the risk that Treasury decides to reduce long-end auction sizes following the tweak in guidance at the August refunding and mid-August increase in long-end buybacks, but it is not our base case.
- We expect Treasury to maintain or modestly increase buyback envelope sizes, keep 10-to-30y auction sizes steady, and eventually begin to increase 2-to-7y auction sizes starting in May 2027. We think buybacks offer a more flexible tool for managing the maturity composition of debt outstanding while maintaining sufficient benchmark liquidity across the curve. Making explicit that buybacks are part of the toolkit for managing the maturity composition of debt outstanding (rather than strictly for "liquidity support" as currently characterized) would be a shift that could strengthen the market impact if it paves the way for Treasury to become less price sensitive in these operations.
- We expect Treasury may make further changes to its guidance, explicitly nodding towards the potential for auction size adjustments to come. Consistent with the revision in August and preexisting framing, we expect language would be two-sided (i.e. "changes" rather than "increases") with emphasis on structural trends in demand.
- Reflecting those trends in UST demand, we think Treasury can continue to rely meaningfully on T-bills, with some benefit to be had from a funding volatility perspective by leaning on front-end and intermediate coupon supply to meet incremental funding needs (which we think aligns with the likely preferences of buyers).

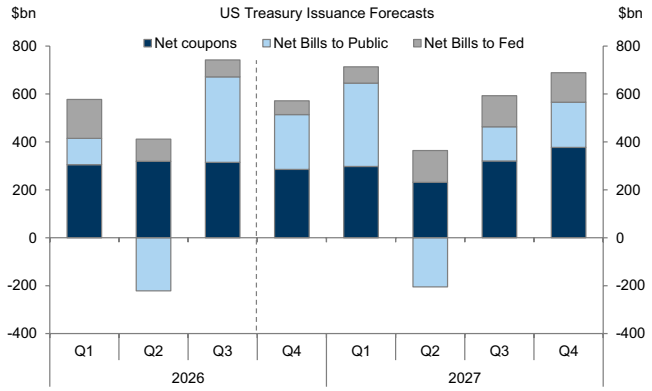
We expect Treasury to lower its near-term borrowing projections when it releases its financing estimates at 3pm on Monday, November 2. We estimate marketable borrowing of $571bn for Q4 vs $628bn projected at the August refunding meeting, partly reflecting the higher starting level for the TGA compared to Treasury's prior projection. This assumes that Treasury's cash balance will be $850bn at the end of Q4 and implies $286bn of net bills this quarter (Exhibit 1).

Accordingly, we estimate marketable borrowing of $713bn for 1Q27 assuming a $900bn end of quarter cash balance target. Our estimates reflect our economists'

Investors should consider this report as only a single factor in making their investment decision. For Reg AC certification and other important disclosures, see the Disclosure Appendix, or go to www.gs.com/research/hedge.html.

deficit projections of $2.0tn/$2.1tn/$2.1tn for FY27/28/29 respectively, which is modestly below our previous baseline ahead of last refunding, reflecting larger than expected corporate tax receipts.

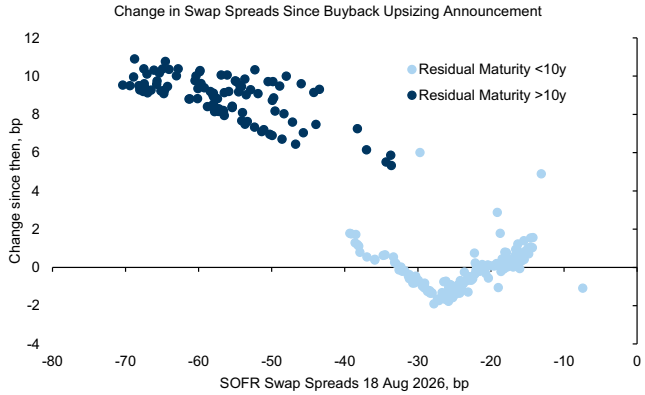
**Exhibit 1: We expect $571bn of marketable borrowing in 4Q26, with $286bn of net bill supply**




Source: Goldman Sachs Global Investment Research, Treasury

**Exhibit 2: The widening in long-end spreads since the upsized buyback announcement has been most pronounced at points that started tighter**

Change in SOFR swap spreads, since August 18th, with maturity >2y vs starting level of spreads




Source: Goldman Sachs Global Investment Research, Goldman Sachs FICC and Equities, Bloomberg

The rise in yields since the August refunding announcement and the shift in buybacks announced and implemented during the refunding quarter have heightened focus on the supply mix, especially at the long end. There is the risk that Treasury decides to reduce long-end auction sizes following the tweak in guidance at the August refunding round about evaluating potential future "changes" rather than "increases" of auction sizes. Further, Treasury's surprise increase in buyback sizes was a clear departure from prior behavior, making it difficult to strictly rule out a more dramatic step of eliminating the 20y point. However, our base case is that Treasury will maintain or modestly increase buyback envelope sizes but keep 10-to-30y auction sizes steady, with increase 2-to-7y auction sizes starting in May 2027 for several reasons.

First, the fiscal trajectory and financing requirements over the coming years reinforce the value of maintaining the flexibility afforded by an array of liquid benchmark points, acknowledging that funding needs continue to grow and that the optimal financing mix varies across macro environments. Second, we think the space to reduce 20y auction sizes is likely limited before issuance becomes too small and adversely impacts liquidity. Third, more specific to the upcoming decision, the most recent refunding guidance still included the outlook for unchanged issuance sizes for "at least the next several quarters;" given that the fiscal picture has been relatively stable, a decision to alter auctions could run counter to Treasury's predictability objective. And finally, there is little to suggest market indigestion or outsized pressure on long-end yields that could be readily attributed to the amount of long-end supply.

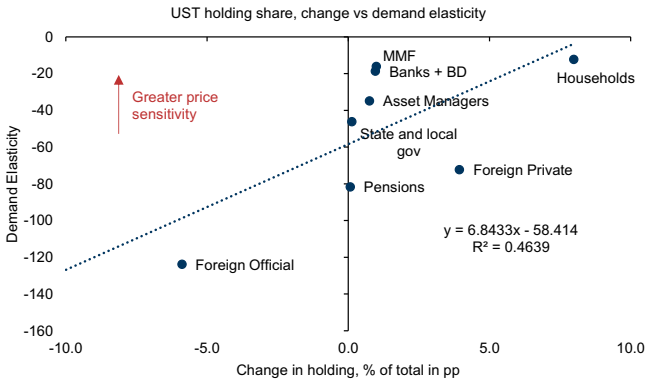
We view buybacks as a more flexible tool for managing the maturity cor
outstanding. Making explicit that buybacks are part of the toolkit for m
maturity composition of debt outstanding (rather than for "liquidity sup
currently characterized) would be a subtle shift that could strengthen t
if it paves the way for Treasury to become less price sensitive in its oper

人在草木间

that the larger long-end buyback operations have contributed to the compression in long-end dispersion and have been a tailwind for spreads (Exhibit 2). An issuance approach that keeps the on-the-run points at a sufficient size for benchmark liquidity and subsequently removes less in-demand instruments that have rolled down should be beneficial to overall market liquidity and support supply absorption. And while we noted that adjusting the maturity composition of debt has limited ability to cap yields, proactively managing the mix of supply to better align with the maturity preferences of buyers reduces the risk of supply imbalances exacerbating rate volatility at particular points along the curve.

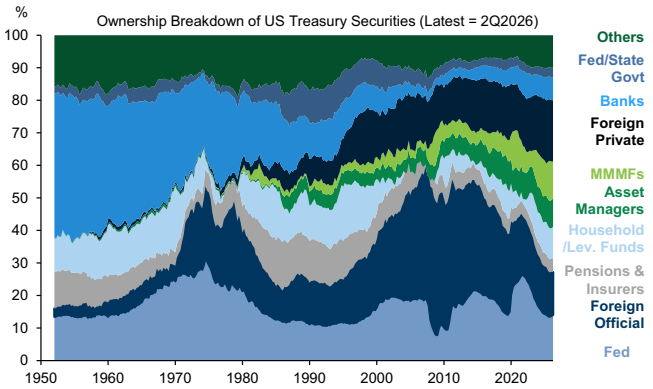
**Exhibit 3: More price sensitive buyers have increased their UST holdings as a share of total since the increase in yields after the pandemic**

Change in UST holdings, as share in total, since 2021 vs estimated demand elasticities (excludes Fed)




Source: Goldman Sachs Global Investment Research, Federal Reserve Board, Haver Analytics

**Exhibit 4: Households, including levered funds, money funds, and foreign private buyers have increased their holdings as both the domestic and foreign official sectors have stepped back**




Source: Goldman Sachs Global Investment Research, Federal Reserve Board, Haver Analytics

We think Treasury may make further changes to its guidance, explicitly nodding towards the potential for auction size adjustments to come. Consistent with the revision in August and preexisting framing, we expect language would be two-sided (i.e. "changes" rather than "increases") with emphasis on structural trends in demand. One possible shift would be to adjust the sentence "Treasury anticipates maintaining nominal coupon and FRN auction sizes for at least the next several quarters" to "Treasury anticipates it may be appropriate to consider changes to nominal coupon and FRN auction sizes over the next several quarters."

The fourth question of this quarter's dealer questionnaire reflected Treasury's continued focus on the demand backdrop as it considers future auction size changes. We recently noted that throughout the early autumn selloff no particular investor base played any unusual, outsized role, but rather UST absorption has been a collective effort. But we think there are several key trends that should inform the broader path (Exhibit 3 & Exhibit 4).

We expect the diminished footprint from less price sensitive non-Fed investors to continue. In particular, foreign official buyers are unlikely to become a substantial source of net demand absent a period of material dollar weakness. And long-end demand dynamics have shifted durably as the relative footprint of defined benefit pensions dwindles on both sides of the Atlantic, leaving the maturity mix of demand from longer-term savers closer to the Aggregate Bond Index (rather than skewing heavily towards the long-end).

With foreign demand driven primarily by private appetite, and domestic demand reliant on money funds, asset managers, the banking system, and hedge funds, there is a case for a more front-end and belly-focused supply mix. Further, we expect the Fed to continue to increase its Treasury portfolio via bill purchases at least until it reaches a market-consistent share (which we estimate would happen in 2028); given the pace of buying will likely depend on funding conditions, we would expect that source of demand to be somewhat vol dampening. Overall, we think there is room for Treasury to continue relying meaningfully on T-bills, with some benefit to be had from an interest expense volatility perspective by relying on front-end and intermediate coupon supply to meet incremental funding need (which we think aligns with the likely mix of buyers).

**Exhibit 5: We expect unchanged auction sizes through 1Q27, from when on we expect a gradual increase limited to 2-to-7y maturities**
Projections for monthly coupon auction sizes

| | Monthly Auction Sizes ($bn) | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Nominals | | | | | | | | TIPS | | | | FRNs | | Total |
| | 2y | 3y | 5y | 7y | 10y | 20y | 30y | Total | 5y | 10y | 30y | Total | 2y | Total | |
| Oct-26 | 69 | 58 | 70 | 44 | 39 | 13 | 22 | **315** | 26 | 0 | 0 | **26** | 30 | **30** | **371** |
| Nov-26 | 69 | 58 | 70 | 44 | 42 | 16 | 25 | **324** | 0 | 19 | 0 | **19** | 28 | **28** | **371** |
| Dec-26 | 69 | 58 | 70 | 44 | 39 | 13 | 22 | **315** | 24 | 0 | 0 | **24** | 28 | **28** | **367** |
| Jan-27 | 69 | 58 | 70 | 44 | 39 | 13 | 22 | **315** | 0 | 21 | 0 | **21** | 30 | **30** | **366** |
| Feb-27 | 69 | 58 | 70 | 44 | 42 | 16 | 25 | **324** | 0 | 0 | 9 | **9** | 28 | **28** | **361** |
| Mar-27 | 69 | 58 | 70 | 46 | 39 | 13 | 22 | **317** | 0 | 19 | 0 | **19** | 28 | **28** | **364** |
| Apr-27 | 69 | 58 | 70 | 43 | 39 | 13 | 22 | **314** | 27 | 0 | 0 | **27** | 30 | **30** | **371** |
| May-27 | 71 | 60 | 72 | 43 | 42 | 16 | 25 | **329** | 0 | 19 | 0 | **19** | 28 | **28** | **376** |
| Jun-27 | 73 | 62 | 74 | 49 | 39 | 13 | 22 | **332** | 25 | 0 | 0 | **25** | 28 | **28** | **385** |
| Jul-27 | 75 | 64 | 76 | 46 | 39 | 13 | 22 | **335** | 0 | 21 | 0 | **21** | 31 | **31** | **387** |
| Aug-27 | 77 | 66 | 78 | 46 | 42 | 16 | 25 | **350** | 0 | 0 | 8 | **8** | 29 | **29** | **387** |
| Sep-27 | 79 | 68 | 80 | 52 | 39 | 13 | 22 | **353** | 0 | 19 | 0 | **19** | 29 | **29** | **401** |
| Oct-27 | 81 | 70 | 82 | 49 | 39 | 13 | 22 | **356** | 28 | 0 | 0 | **28** | 32 | **32** | **416** |
| Nov-27 | 82 | 71 | 83 | 49 | 42 | 16 | 25 | **368** | 0 | 19 | 0 | **19** | 30 | **30** | **417** |
| Dec-27 | 83 | 72 | 84 | 54 | 39 | 13 | 22 | **367** | 26 | 0 | 0 | **26** | 30 | **30** | **423** |
| Jan-28 | 84 | 73 | 85 | 51 | 39 | 13 | 22 | **367** | 0 | 21 | 0 | **21** | 33 | **33** | **421** |
| Feb-28 | 85 | 74 | 86 | 51 | 42 | 16 | 25 | **379** | 0 | 0 | 9 | **9** | 31 | **31** | **419** |
| Mar-28 | 86 | 75 | 87 | 56 | 39 | 13 | 22 | **378** | 0 | 19 | 0 | **19** | 31 | **31** | **428** |
| Apr-28 | 87 | 76 | 88 | 53 | 39 | 13 | 22 | **378** | 28 | 0 | 0 | **28** | 34 | **34** | **440** |
| May-28 | 87 | 76 | 88 | 53 | 42 | 16 | 25 | **387** | 0 | 19 | 0 | **19** | 32 | **32** | **438** |
| Jun-28 | 87 | 76 | 88 | 56 | 39 | 13 | 22 | **381** | 26 | 0 | 0 | **26** | 32 | **32** | **439** |
| Jul-28 | 87 | 76 | 88 | 53 | 39 | 13 | 22 | **378** | 0 | 21 | 0 | **21** | 34 | **34** | **433** |
| Aug-28 | 87 | 76 | 88 | 53 | 42 | 16 | 25 | **387** | 0 | 0 | 8 | **8** | 32 | **32** | **427** |
| Sep-28 | 87 | 76 | 88 | 56 | 39 | 13 | 22 | **381** | 0 | 19 | 0 | **19** | 32 | **32** | **432** |
| Oct-28 | 87 | 76 | 88 | 53 | 39 | 13 | 22 | **378** | 28 | 0 | 0 | **28** | 34 | **34** | **440** |
| Nov-28 | 87 | 76 | 88 | 53 | 42 | 16 | 25 | **387** | 0 | 19 | 0 | **19** | 32 | **32** | **438** |
| Dec-28 | 87 | 76 | 88 | 56 | 39 | 13 | 22 | **381** | 26 | 0 | 0 | **26** | 32 | **32** | **439** |

Source: Goldman Sachs Global Investment Research


## Global Interest Rates Strategy

**William Marshall**
+1(212)357-0413
william.c.marshall@gs.com
Goldman Sachs & Co. LLC

**Simon Freycenet**
+44(20)7774-5017
simon.freycenet@gs.com
Goldman Sachs Bank Europe SE - Paris Branch

**Isabella Rosenberg**
+1(212)357-7628
isabella.rosenberg@gs.com
Goldman Sachs & Co. LLC

**Friedrich Schaper**
+1(917)343-3214
friedrich.schaper@gs.com
Goldman Sachs & Co. LLC

**Loic Mathys**
+44(20)7051-1664
loic.mathys@gs.com
Goldman Sachs International