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## Treasury Seeks Dealer Feedback on T–Bill Supply Amid Market Constraints

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The U.S. Treasury Department has solicited input from primary dealers regarding the capacity of the market to absorb increased short-term debt issuance, particularly Treasury bills (T-bills). This engagement follows recent actions to roll over refinancing needs and maintain liquidity amid a shifting economic landscape.

Following the suspension of a long-standing debt ceiling limit in 2021, the Treasury has faced heightened refinancing demands, resulting in elevated T-bill issuance levels. The department now seeks clarity on whether the financial markets, especially primary dealers, can accommodate further increases in supply without disrupting yields or liquidity.

While the Department of the Treasury routinely negotiates the scale and timing of auctions, the current programme is approaching the upper limits of dealer capacity. Treasury officials are closely monitoring whether elevated issuance volumes could strain financial institutions, potentially driving up short-term borrowing costs.

Market analysts suggest that while dealers have managed recent issuance hikes, attention is now turning to the Federal Open Market Committee (FOMC). If the Fed opts to tighten policy further, less liquidity could amplify turbulence during future T-bill offerings. Dealers' feedback will help shape the Treasury's issuance strategy for the remainder of the year.

From a centre-right perspective, this proactive consultation is a welcome sign of prudent debt management. Open dialogue between issuers and dealers supports orderly markets and helps prevent costly surprises. However, rising debt issuance highlights the urgency for stronger fiscal discipline. Without a credible plan to balance borrowing and spending, reform prospects may falter, potentially threatening confidence in U.S. government debt.

In the near term, T-bill yields, already elevated to nearly 5%, are likely to remain sensitive to shifts in issuance and Fed policy. Investors should

consider the broader yield curve while positioning portfolios, noting that high-quality short-term assets remain valuable for capital preservation in uncertain times.

Looking ahead, the Treasury's dealer outreach provides insight into market dynamics and helps avoid overcrowding. But in a world where public debt and central bank policy are increasingly intertwined, true stability will require transparent borrowing plans and responsible spending controls, not just active financial dialogue.