PUBLISHED MARKET RESEARCH

Hiking Into a Supply Shock

The G4 Tightening Week, the Bill-Demand Triangle, and Who Absorbs $100 Oil

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Four central banks deciding inside nine days can look like a synchronized turn. The evidence says otherwise. The common energy shock is reaching four different reaction functions while the U.S. bill market loses the absorber that made the 2023 issuance surge easy to clear. The durable signal is not simply whether a policy rate rises. It is the price at which cash and balance-sheet capacity agree to absorb the next bill wave.

HEADLINE INDICATORS

$557bn	$0.43bn	+15bp	Zero
BILLS ADDED, JULY TO AUGUST	DOMESTIC ON RRP USE, 9 SEPTEMBER	THREE-MONTH BILL SPREAD TO IORB	CURRENT RESERVE-MANAGEMENT PURCHASE FLOW

DOCUMENT CONTROL

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CENTRAL JUDGMENT

The G4 decisions are not a synchronized tightening cycle. They are four different tests of how long an energy shock can be looked through, arriving as the U.S. front end shifts from quantity absorption to price discovery.

The macro and market-plumbing stories are one argument. Corporate margins and real household income have so far absorbed energy costs that have not broadened fully into core inflation. In parallel, money funds, bank reserves, repo capacity, the Federal Reserve's purchase flow, stablecoin reserves, and foreign official accounts determine whether rising bill supply clears without a larger concession. Every buffer can keep working. None has the slack it had at the start of the shock.

This report does not forecast a funding accident. It identifies a regime change in the marginal price of absorption. Domestic overnight reverse-repo usage is effectively exhausted, reserve balances have fallen while the Treasury General Account has risen, reserve-management purchases are paused, and bills outstanding rose $557 billion in two months. The three-month bill moved from 2 basis points below IORB on 1 June to 15 basis points above it on 8 September.[1,2,3]

WHAT IS OBSERVED

Bill supply has risen, the public-sector flow is paused, foreign official bill holdings retreated, and the old ON RRP reservoir is nearly empty.

WHAT IS ASSESSED

The market can still clear, but it increasingly clears by paying for balance-sheet capacity rather than drawing down a passive buffer.

WHAT WOULD FALSIFY IT

A durable return of reserve-management purchases, a lower TGA, renewed foreign demand, and a bill-IORB spread back below zero through October.

KEY JUDGMENTS

Six judgments anchor the report. Confidence applies to the judgment, not to every supporting fact.

KJ-1	The bill market has lost its former shock absorber. Domestic ON RRP use has remained below $1 billion since 7 August while reserve balances fell as the Treasury General Account rose. The conclusion rests on daily and weekly Federal Reserve series.[1]	HIGH
KJ-2	The three expected demand legs weakened into rising supply, but the evidence supports a clearing-price problem, not imminent dysfunction. The direction of the Fed, stablecoin, and foreign official legs is established; substitution among money funds, repo, banks, and foreign buyers is not directly observable.[2,3,9,12]	MODERATE
KJ-3	The next New York Fed purchase schedule has more structural significance for the front end than any single G4 rate vote. It changes the official bill flow directly, while the Desk retains discretion over timing and scale.[2,5]	MODERATE
KJ-4	Stablecoin growth is not equivalent to one-for-one incremental bill demand. Issuer disclosures show material repo use, and a Kansas City Fed estimate implies substantial substitution from other assets.[10,11,15]	MODERATE
KJ-5	The energy shock is still being absorbed mainly through margins and real purchasing power rather than broad core-price acceleration. Core inflation remains below headline inflation, but wage growth below headline CPI shows that the buffer has a household cost.[14,24,25]	MODERATE
KJ-6	The G4 week will reveal divergence, not coordination. The institutions share concern about energy but differ on persistence, domestic slack, currency pressure, and tolerance for second-round risk.[16,17,18,19]	MODERATE

KEY STATISTICS

$7.248tn Treasury bills outstanding, 31 August[3]	**22.77%** Bills as share of marketable debt[3]	**$2.895tn** Reserve balances, 2 September[1]	**$967.9bn** Treasury General Account, 2 September[1]
$312.0bn Stablecoin capitalization, 9 September[9]	**$122.6bn** Two issuers' reported Treasury securities[10,11]	**$78.3bn** Their reported Treasury repo[10,11]	**$360.6bn** Foreign official Treasury bills, June[12]
3.4% August headline CPI, year over year[24]	**2.4%** August core CPI, year over year[24]	**3.1%** Average hourly earnings growth[14]	**4.1%** August unemployment rate[14]

Stocks and flows are kept separate. The $548.36 billion SOMA bill position is a stock; the current reserve-management purchase schedule is a flow of zero. Foreign official repo is not domestic ON RRP usage. Stablecoin capitalization is not direct bill ownership.

Scope, method, and limits

DECISION

How should treasury, ALM, and fixed-income decision makers distinguish energy-driven policy repricing from balance-sheet-driven bill repricing?

EVIDENCE BASE

Open-source intelligence through 11 September 2026 from central banks, Treasury, BLS, EIA, FRED, regulators, filings, and issuer reports. Primary authorities carry all load-bearing claims.

METHOD

Stocks are separated from flows, outcomes from forecasts, and issuer reports from official series. The analysis uses a key assumptions check, alternatives, scenarios, indicators, and a pre-authorized decision map.

LIMITS

No public series decomposes marginal substitution among money funds, dealers, banks, repo, and foreign accounts, so no residual buyer or dysfunction probability is estimated. EIA Europe Brent spot is the sole spot authority; reserve composition remains company reported.

SECTION 01 · POLICY DIVERGENCE

Four Answers to One Question

Energy is common. The reaction functions are not.

A synchronized calendar is not a synchronized cycle. The Federal Reserve, European Central Bank, Bank of England, and Bank of Japan enter the September window with different inflation histories, different exchange-rate exposures, and different estimates of how much domestic slack remains. Energy is the common disturbance, but a common disturbance only produces common policy when the transmission mechanism and tolerance for risk are also common. They are not.[16,17,18,19]

The Federal Reserve held the target range at 3.50 to 3.75 percent on 29 July by a 9 to 3 vote. The unusual feature was not simply the hold. Three dissents preferred an increase, which makes the September decision a live dispute over whether repeated supply shocks can still be treated as temporary. The hawkish case is not that every barrel of oil has already appeared in core prices. It is that an economy above target for years has less room to excuse another shock. The opposing case is that tightening against energy destroys demand without creating energy supply. Both positions can be internally coherent because they attach different costs to a forecast error.[16]

The ECB moved first, raising its key rates by 25 basis points on 10 September and taking the deposit facility to 2.50 percent effective 16 September. Its communication treats the full inflationary effect of energy as still ahead, which is a decision to insure against persistence before second-round effects are fully visible. That is not the same decision the Fed faces. The euro area begins from a different growth mix and a different exchange-rate channel, while the ECB's policy path had already turned earlier in the summer.[17]

The Bank of England's July record found little evidence of second-round wage and price effects but explicitly warned that it was too early to take comfort. Bank Rate stood at 3.75 percent after a 6 to 3 vote, with the minority preferring 4.0 percent. This is a committee waiting for evidence while preserving a hawkish tail. The decision rule is conditional on wage and service-price behavior, not on the oil price alone.[18]

The Bank of Japan is different again. Its July decision left the policy rate around 1.0 percent by an 8 to 1 vote, with one member seeking 1.25 percent. Japan's decision cannot be separated from the yen. Currency weakness changes import prices, household purchasing power, and the political cost of patience. A hike conducted partly through the currency channel is not evidence of a shared G4 view on global demand.[19]

The practical implication is to decompose each decision into four questions: how much of the energy shock has passed through, whether expectations are moving, whether domestic slack can absorb restraint, and whether the currency is amplifying imported inflation. A portfolio that trades the four announcements as one factor will miss the source of the move. The same nominal rate action can steepen one curve, flatten another, and tighten dollar funding through a third channel.

ASSESSMENT · MODERATE CONFIDENCE

The September sequence will look coordinated in headlines and divergent in mechanism. The trade is in the reaction-function differences, not in the count of hikes.

Rationale The policy settings and votes are primary facts. The weight each committee gives to persistence, slack, and currency transmission remains partly interpretive.

SECTION 02 · TRANSMISSION

The Arithmetic of Absorption

A supply shock is not costless when core inflation is contained. Someone is carrying the difference.

FIGURE 01

Brent's 2026 shock was a path, not a single price

Europe Brent spot doubled into the April peak, then reversed sharply before rising again. The report uses this spot series for every quoted Brent level.

SOURCE: U.S. EIA Europe Brent Spot Price FOB via FRED, data through 1 September 2026; Aegean calculation.[13]

EIA Europe Brent spot is the report's sole spot-price authority. On that series, Brent reached $138.21 on 7 April 2026, fell to $68.53 on 2 July, and was $96.02 on 1 September. Those are different points in a violent path, not interchangeable descriptions of a permanent $100 regime. Using one instrument matters because front-month futures, intraday highs, and spot assessments answer different questions.[13]

August consumer prices rose 0.4 percent on the month and 3.4 percent over twelve months. Excluding food and energy, prices rose 0.3 percent on the month and 2.4 percent over twelve months. Producer prices had strengthened first: final demand rose 0.4 percent in August and 5.4 percent over twelve months, with final-demand goods up 1.1 percent as energy goods rose 4.2 percent. The wedge describes incomplete pass-through, not the absence of a shock.[24,25]

The first absorber is the corporate income statement. When input prices rise faster than final prices, gross margin takes the initial hit. Firms can sustain that choice when demand is fragile, inventories are available, hedges are in place, or management believes the shock will reverse. They stop sustaining it when the shock persists longer than hedge books, competitors reprice, or financing conditions make working capital expensive. Public macro data observe the endpoints more readily than the internal decision, so margin absorption is strongly plausible but not measured in real time with the same precision as CPI.

The second absorber is household real income. Average hourly earnings were up 3.1 percent over twelve months in August while headline CPI was up 3.4 percent. That gap is small enough to look benign in a monthly chart and large enough to matter when repeated across essentials. A household can absorb higher energy through lower discretionary spending, lower saving, more revolving credit, or substitution. Each route delays measured core pass-through while transmitting the shock into demand.[14,24]

The third absorber is policy credibility. If households and firms believe the central bank will prevent broad inflation, they are less likely to reset wages and prices around the energy shock. That credibility is an asset with a finite tolerance for repeated exceptions. A committee can look through one supply shock more easily than a sequence because every exception changes the public's estimate of the rule.

The decision error is to treat lower core inflation as evidence that no one paid. The correct accounting question is where the cost went. Through August the answer is split among margins, real purchasing power, relative-price substitution, and expectations anchored by policy credibility. The buffer fails when two or more channels stop absorbing at the same time: margins recover through price increases, wages chase headline inflation, and expectations move together.

ASSESSMENT · MODERATE CONFIDENCE

Broad core acceleration is not yet the dominant signal, but containment is conditional on firms and households continuing to bear costs outside the core index.

Rationale Inflation and wage data are primary and current. The division between margins, demand destruction, hedging, and substitution cannot be observed completely in the public record.

SECTION 03 · KEY ASSUMPTIONS CHECK

The Assumption Under the Hold

The case for looking through energy depends on four conditions that can fail separately.

The operative assumption is not simply that core inflation is contained. It is that the energy shock remains a relative-price event whose second-round effects stay small enough for policy to avoid reinforcing the loss of real income. That proposition carries four sub-assumptions: energy does not reaccelerate, expectations remain anchored, firms accept further margin pressure, and wages do not chase headline prices.

The first assumption is about duration. A high but falling oil price can produce disinflation even when the level remains painful because the year-over-year comparison improves. A second leg higher resets the arithmetic and lengthens the period during which firms must decide whether to absorb or pass through. The first falsifier is therefore not a particular round number such as $100. It is a sequence of renewed highs sustained long enough to enter transport, chemicals, packaging, food, and service inputs after hedges roll.

The second assumption is about expectations. Market-based and survey measures can remain anchored for different reasons and over different horizons. A single rise is not decisive. The condition fails when short- and medium-horizon measures rise together and remain elevated across releases, especially if wage bargaining and price plans move with them. That combination tells the committee the public is converting a relative-price shock into a general inflation prior.

The third assumption is that firms keep compressing margins. This is the least observable condition and the one most likely to fail discontinuously. Aggregate margins can remain stable while exposed sectors reprice, and public-company commentary can overrepresent larger firms with better hedges. The correct monitor pairs producer prices with industry-level consumer prices, earnings-call evidence, freight and input surcharges, and revisions to margin guidance.

The fourth assumption is that wages do not chase the headline rate. August wage growth at 3.1 percent remained below headline CPI at 3.4 percent. That is consistent with continued real-income absorption, not with a wage-price spiral. The risk rises if wage growth reaccelerates while participation weakens, because labor supply would then be contributing less restraint just as workers seek compensation for the energy shock.[14,24]

The strongest alternative explanation for the bill move is seasonal. September tax dates and Treasury cash management routinely move supply and balances. That alternative deserves real weight. It becomes insufficient, however, because the bill-IORB move began in June, Treasury guided to increases across the bill curve in October, and the Fed's purchase pause is a policy choice rather than a tax-calendar artifact.[2,6]

The assumption remains usable, but not passively. A central bank can hold while requiring the burden of proof to rise with every release. The decision architecture should predefine which joint signals end the look-through strategy, because waiting for a single headline CPI threshold will identify failure after the transmission is already broader.

ASSESSMENT · MODERATE CONFIDENCE

Core containment remains the base case, but its margin of safety is declining because real-income and balance-sheet absorbers have already weakened.

Rationale The four conditions are observable through distinct indicators, but the corporate-margin channel is delayed and incomplete in public data.

SECTION 04 · RATES AND TERM PREMIUM

The Curve Between the Decisions

The front end and long end are charging for different risks.

FIGURE 02

Term premium has risen from its June low

The ACM estimate measures compensation for holding duration beyond expected short rates. It is an estimate, not a directly traded price.

SOURCE: Federal Reserve Bank of New York ACM term premium data through 8 September 2026.[20]

On 8 September the 10-year Treasury yielded about 4.80 percent, the 30-year about 5.26 percent, and the 2s10s spread about 41 basis points. The ACM 10-year term premium was near 0.76 percentage point, above its June low near 0.46. These levels do not reduce to a single inflation forecast. The long end reflects expected short rates, duration supply, fiscal uncertainty, convexity, and the compensation required to hold nominal risk over time.[1,20]

The bill market is more immediate. It prices the administered-rate corridor, tax and settlement calendars, dealer and money-fund capacity, and the availability of cash alternatives. A three-month bill moving above IORB is not mechanically a crisis signal. It says the marginal buyer requires a concession relative to an administered anchor. The meaning depends on persistence, auction performance, repo, reserve balances, and whether the spread survives seasonal dates.

The distinction matters around a policy hike. An increase in IORB lifts the anchor against which bills clear. If bill supply is simultaneously rising and the old ON RRP reservoir is absent, the market must decide whether the whole complex reprices smoothly or whether bills remain cheap to the new anchor. The same policy action can therefore tighten overnight money and leave a positive bill spread if the balance-sheet price rises too.

At the long end, a higher term premium can coexist with contained near-term inflation if investors demand compensation for supply and policy uncertainty. That is why a steepening curve after a hike need not mean the central bank has lost credibility. It can mean the market expects a higher cost of warehousing duration even as near-term inflation expectations remain anchored.

For allocation, separate three exposures: policy-path duration, term-premium duration, and front-end clearing risk. Hedging one does not neutralize the others. A receiver position that profits from a lower terminal rate can still lose if term premium rises. A cash ladder that avoids duration can still underperform if it assumes bills will richen back through IORB before October supply arrives.

ASSESSMENT · MODERATE CONFIDENCE

A policy increase can tighten the front end without validating the long end's inflation narrative. The term premium and bill spread are moving through related but distinct mechanisms.

Rationale The observed curve and ACM estimates are established. Decomposition into fiscal, inflation, and balance-sheet components is model dependent.

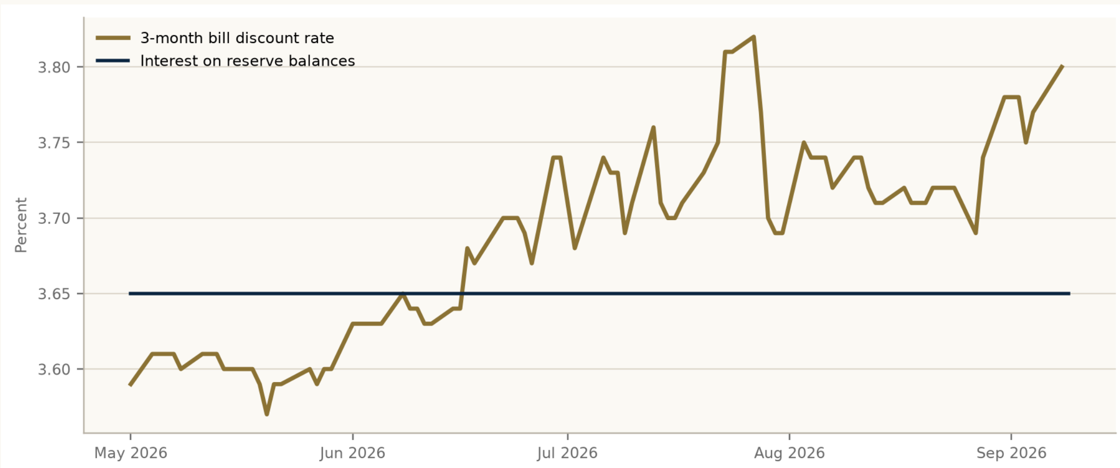
SECTION 05 · MARKET STRUCTURE

The Bill-Demand Triangle

The Fed flow paused, stablecoin demand is overstated, and foreign official holdings retreated as supply rose.

FIGURE 03

Bills moved from rich to cheap versus IORB

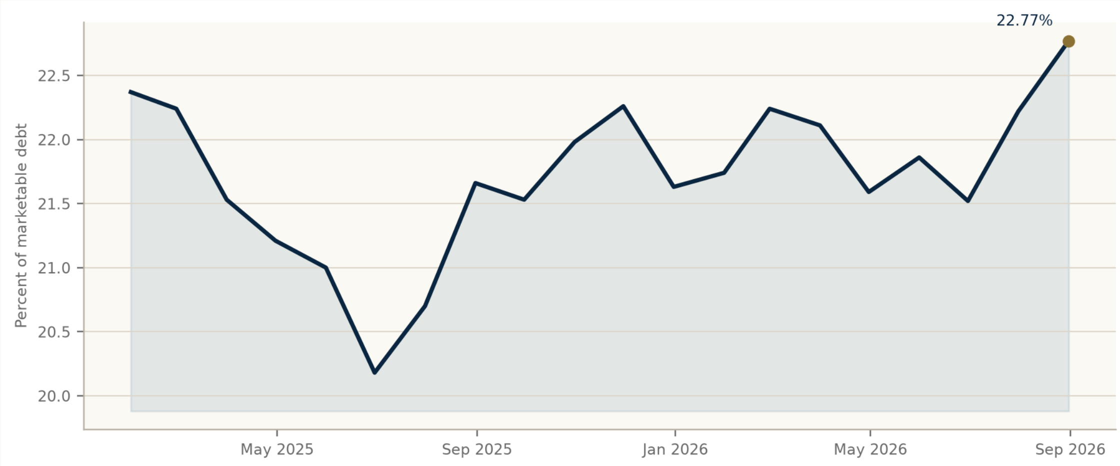


The three-month bill moved from 2 basis points below IORB on 1 June to 15 basis points above it on 8 September. Discount-basis and administered rates are compared as reported; the chart is a monitoring spread, not a total-return comparison.

SOURCE: Federal Reserve and FRED DTB3 and IORB, through 9 September 2026; Aegean calculation.[1]

FIGURE 04

Bills are taking a larger share of marketable debt

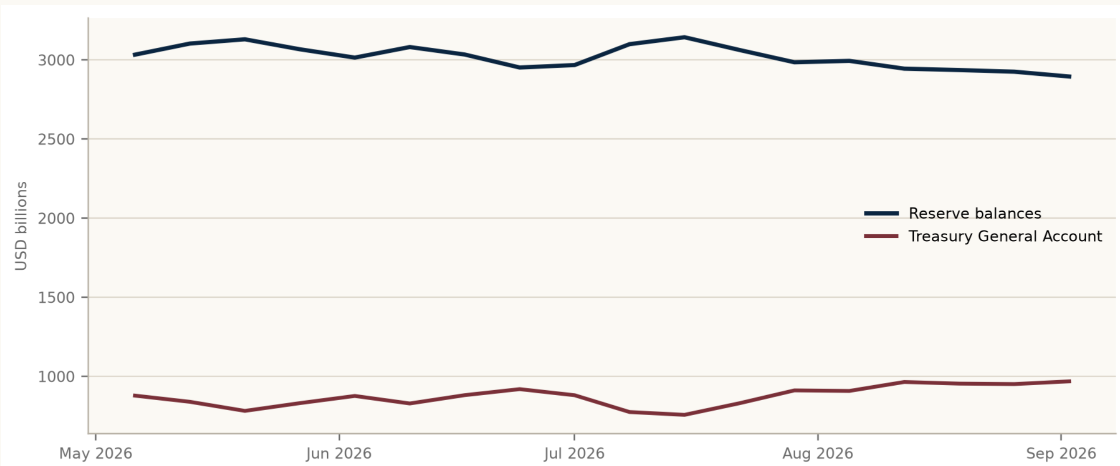


Bills outstanding rose $557 billion in July and August, lifting the bill share to 22.77 percent at 31 August.

SOURCE: U.S. Treasury FiscalData, Monthly Statement of the Public Debt Table 1; Aegean calculation.[3]

FIGURE 05

Treasury cash rose as reserve balances fell



The two series are stocks on the Federal Reserve balance sheet. Co-movement does not prove a one-for-one causal transfer, but it identifies the cash-cycle pressure entering autumn.

SOURCE: Federal Reserve H.4.1 via FRED, weekly Wednesday observations through 2 September 2026.[1]

The triangle begins with a correction. SOMA held $548.36 billion of Treasury bills on 2 September, but that is a stock. The current reserve-management purchase flow is zero. The New York Fed's schedule for 14 August to 14 September provided approximately $17 billion of reinvestment purchases and no reserve-management purchases, after the pace had stepped down from about $40 billion a month to $25 billion and then $10 billion. A stock can stabilize the ownership base; only the flow absorbs new issuance at the margin.[1,2,5]

The second correction concerns the reverse-repo line. H.4.1 showed $357.7 billion of total reverse repurchase agreements on 2 September, but $357.2 billion was the foreign official pool. Domestic overnight reverse-repo use was $0.43 billion on 9 September and had remained below $1 billion since 7 August. The 2023 bill surge could pull cash from a large domestic ON RRP reservoir. That reservoir is no longer available at meaningful scale.[1]

The supply change is measurable. Bills outstanding rose from $6.691 trillion on 30 June to $7.248 trillion on 31 August, a $557 billion increase. Their share of marketable debt rose from 21.52 percent to 22.77 percent. Treasury estimated $739 billion of privately held net marketable borrowing for July through September and guided that shorter-dated bill sizes would fall around the September tax date before auction sizes increased across the bill curve in October.[3,6,8]

The stablecoin leg is real but smaller and more conditional than headline capitalization implies. Total stablecoin market capitalization was $311.98 billion on 9 September, down about $6.2 billion from 3 June. Across the two largest reserve complexes, disclosed direct Treasury securities were approximately $122.6 billion and Treasury repo approximately $78.3 billion. Repo is exposure to secured financing, not identical to direct incremental bill ownership. The legal reserve complex can grow while the outright bill bid grows more slowly.[9,10,11]

A Kansas City Fed analysis sharpens the substitution problem: under its estimate, an additional dollar of stablecoins increases Treasury holdings by about fifty cents and reduces demand for other assets. This does not make stablecoins irrelevant. It means the net Treasury effect depends on what asset the stablecoin displaced and on whether the reserve manager chooses bills, repo, or government money funds.[15]

The foreign official leg also weakened. Treasury International Capital data put foreign official bill holdings at $360.6 billion in June, $96.7 billion below the April peak. TIC is the authority of record, but monthly data arrive with a lag and do not reveal the motive. Reserve managers could be changing duration, currency liquidity, or custody patterns. The directional retreat is established; its persistence is not.[12]

Against those three legs, reserve balances fell to $2.895 trillion on 2 September, down $248 billion in seven weeks, while the TGA rose. Treasury expected its cash balance could peak near $1.05 trillion, plus or minus $50 billion, in late October. The system may remain ample in aggregate while the marginal distribution of reserves, dealer capacity, and money-fund alternatives produces a higher clearing premium.[1,6,7]

The triangle is therefore not a claim that buyers disappeared. Money funds remain large, auctions continued to clear, and the New York Fed can change its schedule. The claim is narrower: each widely cited marginal buyer requires more careful measurement than its headline stock, and none can be assumed to absorb the October wave at the old relative price.

ASSESSMENT · HIGH CONFIDENCE

The marginal clearing buyer matters more than the headline size of any buyer class. Supply rose while three anticipated demand legs weakened or proved smaller in direct-bill terms.

Rationale Supply, official purchase schedules, TIC holdings, and issuer disclosures are dated. The market's substitution capacity is the principal unknown.

SECTION 06 · RESERVE COMPOSITION

Stablecoins After the Headline

Market capitalization is not a Treasury demand series.

FIGURE 06

Stablecoin capitalization stopped compounding in the summer

The sector remained large but ended 9 September below its 3 June level. Capitalization is shown as a liability-side scale indicator, not as direct Treasury ownership.

SOURCE: DefiLlama stablecoin charts API, daily observations through 9 September 2026.[9]

The June research corpus identified stablecoin issuers as a durable non-bank Treasury-holder class. That structural judgment still holds. What does not hold is the simple mapping from token growth to bill demand. A reserve complex can hold direct bills, reverse repo, bank deposits, government money funds, and other eligible short-duration assets. Each choice produces a different market footprint even when the liability grows by the same dollar amount.

The distinction between a stock and an incremental flow is essential. A $312 billion sector does not create $312 billion of new bill demand in the current quarter. Some reserves were accumulated earlier, some are held through intermediated products, some finance repo counterparties, and some growth displaces another investor's holdings. The economically relevant variable is the change in direct and indirect Treasury exposure net of the asset the token holder sold.

Issuer disclosures provide a necessary but imperfect view. Tether's attestation and Circle's reserve reporting show large Treasury-linked positions, while Circle's disclosed reserve fund was predominantly repo. These are company-reported facts subject to the definitions and assurance scope of each report. They are useful for composition and attribution; they do not become a consolidated official sector account simply because the numbers can be added.[10,11]

The sector's market capitalization fell from roughly $318.2 billion on 3 June to $312.0 billion on 9 September. That path directly challenges the June baseline trajectory of $400 billion to $450 billion by year-end. Marking the trajectory off track does not reverse the holder-class judgment. It separates a structural proposition from a timed growth forecast, which is precisely what a scorecard is supposed to do.[9]

The medium-term question is regulatory composition. The GENIUS Act permits short-dated government obligations and repo within the reserve framework. OCC and FDIC implementation will shape liquidity, maturity, concentration, disclosure, and the relative attraction of direct holdings versus intermediated cash products. Treasury's August proposal addressed issuance prohibitions and should not be cited as the source of eligible-reserve rules; those originate in statute and in the prudential agencies' proposals.[21,22,23]

For market analysis, maintain three separate series: sector liabilities, direct bill holdings, and repo or fund exposure. A change in the first is a demand lead, not a completed Treasury flow. A change in the second is the cleanest direct-bid measure. A change in the third can still support Treasury financing, but through balance sheets whose own constraints matter.

ASSESSMENT · MODERATE CONFIDENCE

Regulation can enlarge the stablecoin reserve complex without producing an equal increase in outright bill demand.

Rationale The statutory asset set and current issuer composition are visible. Final rules, issuer portfolio choices, and the assets displaced by token growth remain uncertain.

SECTION 07 · CROSS-MARKET TEST

Currency, Credit, and the False Comfort of Agreement

The yen and credit spreads are not confirming the same macro story.

FIGURE 07

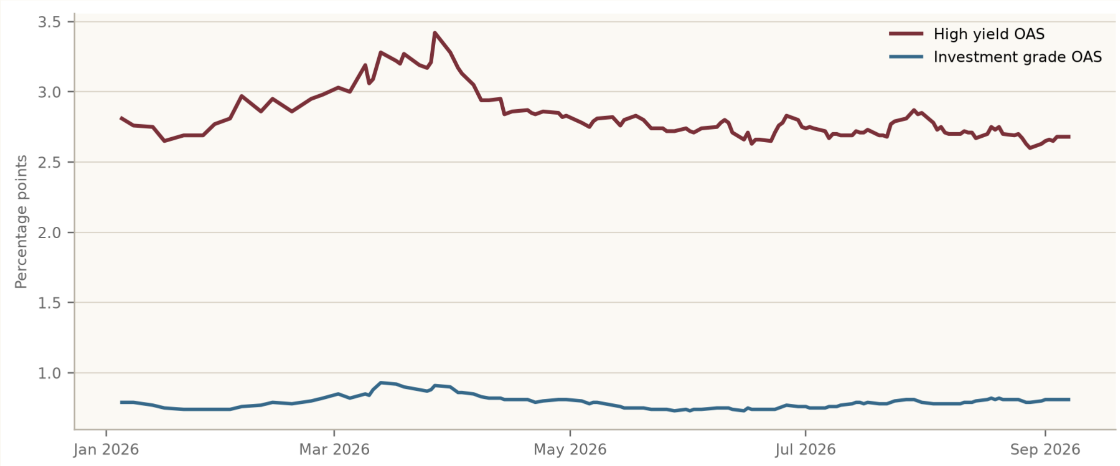
The yen channel separates Japan from the other G4 decisions

USDJPY is shown as a transmission indicator. No intervention quantity or Treasury-flow inference is derived from the exchange rate alone.

SOURCE: Collected daily market series through 4 September 2026; closing observations.

FIGURE 08

Public credit spreads remain compressed



High-yield and investment-grade option-adjusted spreads do not show broad public-market stress through early September.

SOURCE: FRED ICE BofA option-adjusted spread series, collected through 7 September 2026.[1]

The currency channel is the cleanest reason not to treat the G4 decisions as one trade. USDJPY reached 163.86 on 29 July and was 156.11 on 4 September in the collected market series. A weaker yen raises the domestic price of imported energy and changes the political and distributional cost of waiting. It also affects hedge ratios and dollar demand for Japanese institutions. A BoJ rate move can therefore be a response to imported inflation and currency credibility even if the global demand impulse is unchanged.

For U.S. rates, the yen matters through more than a narrative about repatriation. Hedge costs influence the relative value of Treasuries to Japanese investors. Intervention changes the composition of official liquidity. A rapid currency move can force risk reduction or collateral changes before it changes long-term portfolio preferences. The public data do not support a deterministic link from a given USDJPY level to a quantity of Treasury sales, so the report treats this as a transmission channel, not a point forecast.

Credit offers a different disagreement. High-yield option-adjusted spreads were near 267 basis points in early September, while investment-grade spreads remained near 81 basis points. Those levels show little generalized public-market distress. They can coexist with stress in private credit because the borrower set, marks, liquidity, covenant structures, and reporting cadence differ. A liquid spread index and a lagged private default measure are not substitutes.[1]

The temptation is to use tight public spreads as proof that the energy and rates shock is contained. That conclusion is too strong. Tight spreads say listed credit markets have not demanded much additional compensation at the index level. They do not say every borrower can refinance, every private vehicle can meet redemptions, or every sector can absorb higher energy and working-capital costs.

The reverse mistake is to use anecdotal private-credit stress as proof of systemic deterioration. The primary record available for this report did not support printing uncorroborated redemption figures or assigning a high-confidence judgment to a blocked industry default series. The honest synthesis is a segmentation call: public credit remains calm while pockets of opaque credit may be carrying losses that reprice only when transactions, amendments, or redemptions force a mark.

This matters to the bill story because dealer and bank balance sheets are not isolated from credit. If private-credit problems consume liquidity or risk capacity at the same time Treasury issuance rises, the price of intermediation can change even without a broad credit-spread blowout. That is a contingency, not an observed current mechanism.

> **ASSESSMENT · MODERATE CONFIDENCE**
>
> Currency pressure makes Japan's reaction function distinct, while tight public credit spreads provide incomplete reassurance about private balance-sheet capacity.
>
> **Rationale** USDJPY and public OAS series are observable. The private-credit comparison remains lower quality and is deliberately bounded.

SECTION 08 · ACTIONS AND TRIGGERS

Decision Architecture

Separate what is known now from what should be pre-authorized if the regime changes.

The report's purpose is not to call a single rate vote. It is to prevent four distinct risks from being collapsed into one: energy pass-through, policy divergence, duration supply, and front-end clearing. The actions below are conditional. They are designed to be approved before a trigger lands, when the decision maker can still distinguish information from urgency.

A trigger is not a prediction. It is the boundary at which the current plan becomes less robust than the alternative. The reserve and TGA levels are monitoring thresholds chosen to force a new stress test; they are not claims that a mechanical scarcity begins at one dollar below or above them. Likewise, a persistent bill-IORB spread is meaningful in combination with supply and auction evidence, not as a standalone alarm.

Decision owner	Trigger	Pre-authorized action	Why it is tied to the thesis
Corporate treasurer	Three-month bill remains above IORB through month-end and October auction sizes rise	Shorten ladder increments, preserve same-day liquidity, and avoid assuming automatic richening	Protects against a persistent clearing concession without forecasting dysfunction
Bank ALM desk	Reserve balances fall below $2.75 trillion while TGA exceeds $1.0 trillion	Re-run secured-funding, deposit-beta, and collateral stress under a higher front-end premium	Tests distribution and pricing, not only the aggregate reserve label
Fixed-income allocator	Term premium rises while near-term inflation expectations remain contained	Separate term-premium duration from policy-path duration; resize curve hedges	Prevents a lower terminal-rate view from masking duration-supply exposure
Stablecoin product or policy team	Capitalization rises without disclosed direct-bill holdings rising proportionally	Report liabilities, direct bills, repo, and fund exposure as separate demand channels	Avoids overstating the incremental direct Treasury bid
Global macro allocator	G4 outcomes split across hold and hike decisions	Reassess currency-hedged duration and cross-market basis exposure	Trades the mechanism of divergence instead of the headline count

Governance should match reversibility. Adjusting ladder increments or running an ALM stress is low-cost and can occur on a single trigger. Repositioning duration or changing strategic liquidity policy requires confirmation from at least two independent channels. The process should record the evidence date, owner, action, and condition for reversal.

ASSESSMENT · MODERATE CONFIDENCE

The highest-value near-term action is measurement discipline: preserve liquidity, separate the risk channels, and pre-authorize stress tests before October supply arrives.

Rationale These actions remain useful across the base and stress cases and do not require a forecast of market failure.

SECTION 09 · MONITORING PROTOCOL

Indicators and Forward Claims

The thesis survives only if it can be falsified on named public series.

The core watch list has six indicators. First, the New York Fed monthly purchase schedule: record reserve-management purchases separately from reinvestments. Second, the three-month bill relative to IORB on common business dates. Third, reserve balances and the TGA on H.4.1, checked against the Daily Treasury Statement for cash. Fourth, bill auction size, bid-to-cover, indirect awards, and high rates. Fifth, stablecoin capitalization separated from issuer-reported direct bills and repo. Sixth, foreign official bill holdings in TIC, accepting its publication lag.

Indicator	Baseline	Deterioration signal	Relief signal	Authority
Reserve-management purchases	Zero in current schedule	Another zero period as October supply rises	Explicit positive purchase amount	New York Fed
3-month bill minus IORB	+15bp on 8 September	Positive through month-end and wider after auctions	Below zero on repeated common dates	FRED
Reserves and TGA	$2.895tn / $967.9bn on 2 September	Reserves below $2.75tn with TGA above $1tn	TGA falls and reserves stabilize	Federal Reserve / Treasury
Stablecoin composition	$312.0bn capitalization	Growth concentrated in repo or deposits while direct bills lag	Direct-bill holdings rise with liabilities	DefiLlama / issuer reports
Foreign official bills	$360.6bn in June	Further monthly decline	Two consecutive monthly increases	Treasury TIC
Core pass-through	2.4% core CPI, 3.4% headline	Three-month core momentum rises with wage acceleration	Energy falls and core momentum stays contained	BLS / BEA

Seven forward claims operationalize the report. They are proposals for principal approval and are not represented as locked. C1 assigns 0.62 to August core PCE at or above 3.3 percent on 30 September. C2 assigns 0.38 to September unemployment at or above 4.2 percent on 2 October. C3 assigns 0.35 to an OCC or FDIC final GENIUS rule by 31 October. C4 assigns 0.38 to stablecoin capitalization at or above $320 billion on 9 October.[9,14,21,22,23]

The three thesis tests are more important. C5 assigns 0.70 to the October New York Fed schedule restoring reserve-management purchases above zero. C6 assigns 0.68 to the three-month bill closing at or above IORB on the latest common business day on or before 31 October. C7 assigns 0.78 to the TGA exceeding $1.0 trillion on at least one October business day. Each resolves from a named public authority under a deterministic rule.

A forecast register should not be hidden in a methodological appendix. These claims expose where the report expects pressure and where it expects relief. If the Fed resumes purchases and the bill spread remains positive, the supply explanation gains weight. If purchases remain zero and the spread compresses, private substitution has been stronger than assessed. If the TGA fails to reach $1 trillion, part of the expected reserve drain never arrives.

ASSESSMENT · MODERATE CONFIDENCE

The decisive evidence will come from the joint path of official purchases, bill spreads, reserves, and Treasury cash, not from any single G4 announcement.

Rationale All indicators have named public authorities and update schedules. The claims remain proposals until principal approval.

SECTION 10 · ACCOUNTABILITY

Scorecard, Limitations, and Audit Trail

A major report should show both what changed and what it still cannot know.

The June 2026 Stablecoin Treasury Linkage brief made two separable calls. It identified stablecoin issuers as a durable non-bank Treasury-holder class. That structural judgment is HOLDING. It also placed the sector on a baseline trajectory toward $400 billion to $450 billion by year-end. With capitalization at $311.98 billion on 9 September and down about $6.2 billion since 3 June, that trajectory is marked MISS, CURRENTLY OFF TRACK. The correction is substantive: reserve composition must be separated into direct bills and repo rather than counted one for one.[9,10,11,15]

The evidence base corrects six errors or ambiguities in the original research premise. The Fed's $548.36 billion bill position is a stock, not a $40 billion current purchase flow. The $357.7 billion reverse-repo total is overwhelmingly the foreign official pool, not the domestic ON RRP buffer. Treasury's August GENIUS proposal does not define the statutory reserve list. Brent's 2026 peak on the chosen EIA spot series was $138.21 on 7 April. Stablecoin capitalization was $311.98 billion on 9 September. Minor market levels were aligned to named close or official series dates.

The principal limitation is buyer substitution. Public data can measure Treasury issuance, official purchases, aggregate reserve balances, ON RRP, foreign official holdings, and some issuer portfolios. They cannot identify the marginal buyer of every bill or quantify, in real time, how much money funds rotate from repo, how dealers warehouse supply, or how reserves are distributed across banks. Any precise residual-buyer estimate would exceed the evidence.

The second limitation is frequency mismatch. Bill rates and ON RRP are daily, reserve balances weekly, TIC monthly with a lag, and issuer reports monthly or quarterly. A contemporaneous narrative therefore combines series that refer to different observation dates. The report names those dates and avoids treating a lagged stock as a live flow.

The third limitation is assurance. Stablecoin reserve composition comes from issuer disclosures and associated attestations or reserve reports. Those documents are attributed and useful, but they are not recast as official consolidated data. DefiLlama is used only for the aggregate capitalization series. The report does not use a tokenized-Treasury dashboard figure because category boundaries could not be verified to the same standard.

The fourth limitation is model availability. No proprietary Metron scenario or class-match output is simulated. Scenario weights below are analyst constructions bounded by observed indicators. They should be updated when the claims resolve and when the October cash and purchase schedules become known.

The report passed a hostile-reader test against the strongest alternative: September bill cheapening could be seasonal rather than structural. That alternative is preserved in the base case. The thesis is stated as diminished slack and a change in clearing price, not a prediction of dysfunction. It fails if the spread normalizes through October without official purchases even as supply rises, because that result would demonstrate stronger private absorption than assessed.

Publication status remains explicit. This file is a final publication-style review copy, produced locally for principal review. It is not approved, locked, published, or deployed. The issue date and forward claims remain part of the review contract and must be revalidated if approval occurs after a catalyst date.

ASSESSMENT · HIGH CONFIDENCE

The report is auditable without reproducing the full collection ledger. Load-bearing facts, corrections, limitations, sources, indicators, and scoring rules are all visible in the publication itself.

Rationale Every printed number maps to the 25-entry source registry or a named chart dataset; unused and failed-access collection records were not promoted into the publication.

SECTION 11 · OUTLOOK

Three paths through the autumn cash cycle

The scenarios vary the same four drivers: official purchases, Treasury cash, private absorption, and energy pass-through.

BASE CASE · Thinner but orderly absorption

CONSTRUCTION CONFIDENCE: **MODERATE** · VELOCITY: **WEEKS**

The New York Fed resumes some reserve-management purchases, Treasury cash approaches its projected late-October peak, and bill supply clears through money funds, repo, banks, and official support without dysfunction. The three-month bill remains near or modestly above IORB because clearing still requires a concession. Energy stays high enough to constrain real income but does not produce a sustained acceleration in core inflation. Policy outcomes diverge across the G4, and the market gradually stops trading them as one cycle.

SIGNAL TO WATCH A POSITIVE OCTOBER PURCHASE SCHEDULE, TGA NEAR $1 TRILLION, STABLE AUCTION COVERAGE, AND A BILL-IORB SPREAD BETWEEN ROUGHLY ZERO AND +20 BASIS POINTS.

STRESS CASE · Absorption becomes price

CONSTRUCTION CONFIDENCE: **MODERATE** · VELOCITY: **DAYS TO WEEKS**

The TGA exceeds $1 trillion, reserves fall further, reserve-management purchases remain zero or small, and bills stay cheap to administered rates after seasonal dates pass. Auctions clear, but balance-sheet capacity commands a larger premium and repo becomes more informative than the policy-rate headline. At the same time, producer-price pressure broadens into core categories and wages begin to chase headline inflation. Central banks face the worst combination: less room to look through energy and a front end already paying for intermediation.

SIGNAL TO WATCH RESERVES BELOW $2.75 TRILLION WITH TGA ABOVE $1 TRILLION, PERSISTENT BILL CHEAPNESS, WEAKER INDIRECT AUCTION AWARDS, AND RISING THREE-MONTH CORE MOMENTUM.

RELIEF CASE · Supply and policy separate cleanly

CONSTRUCTION CONFIDENCE: **LOW** · VELOCITY: **WEEKS**

Tax receipts and cash management reduce net bill pressure, private demand substitutes more strongly than expected, and the bill-IORB spread compresses without a large official purchase flow. Energy retreats, headline inflation rolls over, and core momentum remains contained. The G4 decisions still diverge, but currency and duration markets absorb the differences without a material dollar-funding premium. This path falsifies the strongest version of the triangle thesis because the private system demonstrates ample price-insensitive capacity.

SIGNAL TO WATCH BILL-IORB BELOW ZERO ACROSS REPEATED COMMON DATES, TGA BELOW TREASURY'S PROJECTED PATH, STABLE RESERVE BALANCES, AND RENEWED FOREIGN OR STABLECOIN-LINKED DIRECT DEMAND.

ASSESSMENT · MODERATE CONFIDENCE

Across all three paths, the robust decision is to separate policy-rate exposure from front-end clearing exposure. The wrong hedge is the one sized to a synchronized G4 narrative that the evidence does not support.

Rationale Each scenario can produce different currency and duration outcomes while leaving the same need for liquidity measurement and conditional action.

SYNTHESIS

The price of absorption is the variable to watch

The shock is passing through buffers before it passes fully into core prices. The buffers are thinner on both sides of the macro-financial boundary.

01 / ENERGY

Containment has a bearer

Margins and real income can hold down core pass-through while still weakening demand and resilience.

02 / POLICY

Four reaction functions

The G4 share a shock, not a decision rule. Persistence, slack, and currency pressure separate them.

03 / BILLS

The old reservoir is empty

ON RRP no longer offers the passive absorption capacity that supported the 2023 bill wave.

04 / DECISION

Measure the marginal buyer

Stocks do not clear flows. Watch official purchases, bill spreads, reserves, cash, and composition together.

> **No funding accident is required for the thesis to matter. A persistent clearing concession is enough to change liquidity, hedging, and duration decisions.**

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